



Edward Harrington
Controller

John W. Madden
Chief Assistant Controller

May 1, 1998

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: 1997-98 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 a nine-month budget status report based on revenues received and appropriations expended through March 31, 1998. The purpose of the report is to apprise the City's policy makers of the current budgetary status and projected year-end revenues and expenditures. It is organized as follows:

- I. Overview
- II. Revenues
- III. Expenditures
- IV. General Fund Subsidized Departments (Municipal Railway and Health)
- V. Issues to Monitor

I. OVERVIEW

We project a **\$101.7 million year-end balance available at the end of fiscal year 1997-98**. In our last report to you (February 10, 1998) we indicated we projected we would end fiscal year 1997-98 with a \$78.4 million surplus. That number has grown primarily due to increased revenues. This amount is available even after assuming that all pending supplemental appropriation requests are approved.

The projected year-end balance is significantly higher than in past years. This is attributable to three factors. First, last year's actual revenues were higher than projected, increasing the balance available at the beginning of this year. Second, this year's revenues continue to be strong, and are projected to be higher than originally budgeted. Third, expenditures are somewhat lower than budgeted. A summary of our projected sources and uses of revenues by category follows. The most significant changes from the original budget and year-end projections are summarized below.

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

	Original Budget	Revised Budget	Year-End Projection	Variance: + to G.F. (- from G.F.)
Sources:				
Current revenues	1,515.1	1,517.8	1,578.9	61.1
Transfers in	129.1	128.7	129.6	0.9
Non-General Fund reserves	8.9	8.9	8.9	0.0
Total Sources	1,653.1	1,655.4	1,717.4	62.0
Uses:				
Operating expenditures	1,395.7	1,413.8	1,391.4	22.4
Contribution transfers	81.4	84.1	84.1	0.0
Other transfers and reserves	208.1	190.7	190.7	0.0
Required set-asides			5.9	(5.9)
Pending supplemental appropriations			23.8	(23.8)
Total Uses	1,685.2	1,688.6	1,695.9	(7.3)
Current Year Net Surplus/(Deficit)	(32.1)	(33.2)	21.5	54.7
General Fund Reserve beginning balance	42.6	42.6	80.2	37.6
Source (Use) of Reserve in current year	(32.1)	(33.2)	21.5	54.7
General Fund Reserve ending balance	10.5	9.4	101.7	92.3

These amounts are based on current revenue and expenditure patterns and assume supplementals currently pending before the Mayor and Board are approved. 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.

Revenues and Transfers In

We project revenues to be \$61.1 million higher than our revised budget and \$28.5 more than reported in the six-month report. This represents a 5.3% increase in projected revenues over last year's actual revenues. In comparison, at the time the budget was prepared, we projected only a 2% increase in revenues. The majority of additional revenues comes from property taxes, business taxes, hotel tax, property transfer tax, and interest income on City funds. These sources have increased primarily because of the continued strength in the economy and increases in property values and real estate transactions. The major changes since the six-month report are a \$12 million increase in business taxes and \$7 million in property taxes. Section II outlines the projected revenues by category.

Expenditures and Transfers Out/Reserves

Based on current spending patterns, we project operating expenditures and transfers out to be approximately \$22.4 million under budget. This is largely due to surpluses in the Health Department and a change in state funding for the trial courts. Section III outlines projected expenditures by department. Changes between the original budget and the revised budget in the schedule of expenditures in Chart D is a result of either a supplemental appropriation (as listed in Appendix A) or an allocation from a reserve fund to a department budget.

Required Set-Asides

The **budget incentive program** requires ten percent (10%) of any General Fund surplus to be set aside for this program. Based on the projected year-end surplus, the *additional* set-aside required in 1997-98 would be approximately \$5.9 million this year, which reflects the increase in the projected General Fund surplus.

The Charter specifies that the **Children’s Fund** and the **Library Preservation Fund** shall receive at least a minimum level of funding from the General Fund (Sections 16.108 and 16.109). This minimum funding level is adjusted by any change in aggregate City appropriations from the base year. As a result, as General Fund expenditures increase, the minimum funding levels for the Children’s Fund and the Library Preservation Fund also increase. The table below identifies the minimum funding level (baseline) for each fund based on the original 1997-98 budget, and the revised funding level based on projected aggregate City expenditures.

Chart B: Children’s Fund and Library Preservation Fund Baseline Funding Levels
 (in thousands)

	<u>Required</u>		<u>Actual</u>	
	<u>Original</u>	<u>Revised</u>	<u>G. F. Contribution</u>	<u>Excess G.F.</u>
	<u>Baseline</u>	<u>Baseline</u>	<u>-- Revised Budget</u>	<u>Contribution</u>
Children’s Fund	\$49,913	\$52,519	\$53,464	\$945
Library Fund	22,501	23,675	26,072	2,394

The 1997-98 General Fund contributions to both funds already exceed our revised baseline calculations of the amounts they are entitled to receive under the Charter. As a result, there are no required increases in the Children’s Fund and Library Preservation Fund budgets.

Pending Supplemental Appropriations

The Mayor and the Board are considering supplemental appropriation requests from various departments of about \$23.8 million (see Appendix A). This amount may be modified by the Mayor and the Board or by additional supplemental requests from departments in the next few

months. Our projections assume that these supplementals are approved at the requested funding levels.

Beginning Balance

At the time the budget for 1997-98 was prepared, we anticipated that we would start the current fiscal year with a balance of \$42.6 million in the General Fund Reserve. Subsequently, when the Comprehensive Annual Financial Report for the year ended June 30, 1997, was completed in November, we reported that the ending balance from the previous fiscal year was \$80.2 million. As a result, there is an additional \$37.6 million budgetary surplus available from 1996-97. Most of this surplus is attributable to higher-than-projected revenues in 1996-97 and unused reserves, as well as budget savings within City departments.

Projected Year-End Balance

The City has sufficient funds available to carry us through the rest of the fiscal year, and **we are projecting a year-end balance of \$101.7 million.**

Reserves

Each year, the Board of Supervisors places certain budget items on reserve, requiring subsequent Board approval before these funds can be spent. Appendix B provides a status report on the Board reserves and their remaining balances.

II. REVENUES**Chart C: Schedule of Budgeted and Projected Revenues**

Fiscal Year Ending June 30, 1998

As of March 31, 1998

(In thousands)

GENERAL FUND	ACTUAL FY96-97	FISCAL YEAR 1997-98			VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	9 MONTH PROJECTION		
PROPERTY TAXES	322,474	325,653	325,653	338,973	13,320	(1)
BUSINESS TAXES:						
Business Registration Tax	9,534	9,531	9,531	10,121	590	(2)
Gross Receipts Tax	28,686	30,250	30,250	29,150	(1,100)	(2)
Payroll Tax	162,702	161,209	161,209	180,979	19,770	(2)
Total Business Taxes	200,922	200,990	200,990	220,250	19,260	(2)
OTHER LOCAL TAXES:						
Sales Tax	108,099	113,102	113,102	110,820	(2,282)	(3)
Hotel Room Tax	73,530	69,122	70,654	80,220	9,566	(4)
Utility Users Tax	55,883	56,293	56,293	56,087	(206)	(5)
Parking Tax	15,973	15,080	15,080	17,198	2,118	(6)
Real Property Transfer Tax	33,573	32,212	32,212	42,117	9,905	(7)
Admission Tax	2,587	2,562	2,562	3,143	581	(9)
Total Other Local Taxes	289,645	288,371	289,903	309,585	19,682	
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	5,921	6,441	6,441	6,441	0	
Franchise Tax	7,437	7,539	7,539	7,764	225	
Total Licenses, Permits & Franchises	13,358	13,980	13,980	14,205	225	
FINES, FORFEITURES & PENALTIES	376	974	974	835	(139)	
INTEREST/INVESTMENT INCOME	19,034	14,308	14,481	19,500	5,019	(8)
RENTS & CONCESSIONS						
Garages - Rec/Park	6,809	6,095	6,095	6,282	187	(9)
Rents and Concessions - Rec/Park	9,629	13,721	13,721	13,721	0	(9)
Other Rents and Concessions	1,647	2,409	2,409	2,409	0	
Total Rents and Concessions	18,085	22,225	22,225	22,412	187	
INTERGOVERNMENTAL REVENUES						
Federal Subventions						
Social Service Subventions	94,247	103,466	102,030	102,030	0	
Other Grants & Subventions	8,792	7,775	7,775	7,775	0	
Total Federal Subventions	103,039	111,241	109,805	109,805	0	

1997-98 Nine-Month Budget Status Report

May 1, 1998

Page 6

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

Fiscal Year Ending June 30, 1998

As of March 31, 1998

(In thousands)

GENERAL FUND	ACTUAL FY96-97	FISCAL YEAR 1997-98			VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	9 MONTH PROJECTION		
State Subventions						
Social Service Subventions	94,300	92,034	92,034	92,034	0	
Health & Welfare Realignment	151,193	155,500	155,500	155,500	0	(10)
Health/Mental Health Subventions	54,076	58,464	58,801	58,801	0	
Public Safety Sales Tax	53,912	55,437	55,437	57,655	2,218	(11)
Motor Vehicle In-Lieu - County	39,457	41,945	41,945	41,732	(213)	(12)
Motor Vehicle In-Lieu - City	29,984	32,227	32,227	31,625	(602)	(12)
Trial Court Funding	16,042	15,687	15,687	15,687	0	(13)
Other Grants & Subventions	26,550	6,832	8,267	8,267	0	
Total State Subventions	465,514	458,126	459,898	461,301	1,403	
CHARGES FOR SERVICES:						
General Government Service Charges	11,987	12,995	13,005	13,928	923	
Public Safety Service Charges	9,769	9,092	9,118	10,215	1,097	(14)
Recreation Charges - Rec/Park	9,365	9,679	9,679	9,544	(135)	(9)
MediCal,MediCare and health service charge	22,233	38,800	39,135	39,135	0	
Other Service Charges	619	490	490	490	0	
Total Charges for Services	53,973	71,056	71,427	73,312	1,885	
RECOVERY OF GEN. GOV'T. COSTS	7,191	7,781	7,899	7,899	0	
OTHER REVENUES	5,749	400	586	836	250	
TOTAL REVENUES	1,499,360	1,515,105	1,517,821	1,578,913	61,092	
TRANSFERS INTO GENERAL FUND:						
Airport	14,710	14,531	14,120	15,020	900	(15)
Hetch Hetchy	30,165	45,703	45,703	45,703	0	
Other Transfers	69,113	68,891	68,891	68,891	0	
Total Transfers-In	113,988	129,125	128,714	129,614	900	
TOTAL GENERAL FUND RESOURCES	1,613,348	1,644,230	1,646,535	1,708,527	61,992	

Notes to Revenue Schedule:

- (1) **Property taxes** are over budget by approximately \$13.3 million. This amount is due to an increase in assessed property value over the 1996 assessment and an increase in collection of prior year property taxes. In addition, the value of appeals granted is expected to be lower than originally budgeted.
- (2) The 1997-98 **business tax** budget was based on projected 1996-97 revenues and a 5% growth rate. Actual revenues for 1996-97 were significantly higher than expected, but include some one-time revenues. Adjusted for the prior year one-time revenues, we project 1997-98 revenues to grow 12% over 1996-97 actual receipts. Business tax receipts should exceed budgeted amounts by \$19.3 million.
- (3) Reduced **sales tax** receipts from jet fuel due to the relocation of Chevron's sales offices are expected to result in a shortfall of \$3.4 million. Other local sales are strong, however, with receipts meeting the budgeted growth rate of 5% and partially offsetting the jet fuel loss. Overall, sales taxes are projected to be \$2.3 million under budget.
- (4) **Hotel taxes** are expected to exceed budget by approximately \$9.7 million. Since vacancy rates in San Francisco are low, hotels have been able to increase room rates significantly. Total hotel tax receipts are projected to increase by more than 10% over last year's revenues. The projected revenues of \$80.2 million reflect only 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 March indicate that utility tax revenues will be slightly under budget by \$0.2 million. The effects of pending deregulation in the electric utility industry are unknown at this time.
- (6) **Parking Tax** receipts indicate that the portion of parking tax revenues which remains in the General Fund will be \$2.1 million over budget, due to continuing strong economic growth and enhanced enforcement activity by the Tax Collector. See General Fund Subsidized Departments (Section IV) for comments regarding the portion of Parking Tax dedicated to the Municipal Railway.
- (7) **Real Property Transfer Tax** revenues are up substantially. Overall, we are projecting to end the year approximately \$9.9 million over budget. The increase is due to increased property values, a large volume of sales transactions in the residential real estate market, and the sale of several high-priced commercial properties.
- (8) **Interest/Investment** income is expected to be \$5.0 million over budget, due to larger than expected cash balances available to earn interest.
- (9) **Recreation and Park** Department revenues include the admission tax, garages, rents and concessions from recreation activities and recreation charges for services. Admissions tax

revenues are over budget by approximately \$0.6 million, due primarily to the two 49er football playoff games.

- (10) **Health and Welfare realignment** revenues were lower than expected in 1996-97, reducing the base amount to be received in 1997-98. Although statewide growth over the prior year has been strong, and is expected to average 6%, we anticipate a budget shortfall again this year. The projected revenue shortfall in 1997-98 of \$4.8 million includes \$1.8 million which was expected but not realized in 1996-97 as well as another \$3.0 million shortfall in the current year. The entire shortfall is offset by surpluses in the Health Department and Human Services, as reflected in Section III (Expenditures).
- (11) **Public Safety Sales Tax (Prop. 172)** is expected to be approximately \$2.2 million over budget, due to strong sales tax receipts.
- (12) **Motor Vehicle in Lieu** subventions are projected to be approximately \$0.8 million under budget, due to lower than expected allocations from the state.
- (13) The 1997 Lockyer-Isenberg **Trial Court Funding** Act substantially changes the division of responsibilities between the state and counties for funding trial courts. The net effect of this legislation is shown in Section III (Expenditures).
- (14) **Public Safety Service Charges** are expected to be \$1.1 million over budget, mainly due to higher fees collected for street space permits.
- (15) The **Airport** transfer to the General Fund from concession sales is anticipated to be up \$0.9 million this year.

III. EXPENDITURES**Chart D: Schedule of Budgeted and Projected Expenditures**

Fiscal Year Ending June 30, 1998

As of March 31, 1998

(In Thousands)

GENERAL FUND	ACTUAL FY 1996-97	Fiscal Year 1997-98			SURPLUS (DEFICIT)	
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION		
PUBLIC PROTECTION						
Adult Probation	7,445	\$7,923	\$8,014	\$8,014	\$0	
Animal Care and Control	2,026	2,328	2,331	2,271	60	(2)
Co. Agriculture - Wts./Measures	953	1,034	1,036	1,036	0	
District Attorney	26,233	27,936	28,066	27,891	175	(1)
Environment	77	281	281	281	0	
Fire Department	119,404	138,502	141,117	141,117	0	(3)
Juvenile Court	21,488	22,824	22,912	22,912	0	
Police Department	198,771	202,697	202,873	202,873	0	(4)
Public Administrator/Guardian	2,660	3,048	3,053	2,993	60	(2)
Public Defender	9,777	10,179	10,179	10,179	0	(5)
Sheriff	61,287	67,416	69,383	66,183	3,200	(6)
Trial Courts	42,925	45,573	44,654	40,054	4,600	(7)
Total Public Protection	\$493,046	\$529,741	\$533,899	\$525,804	\$8,095	
PUBLIC WORKS, TRANSPORTATION AND COMMERCE						
Parking and Traffic Commission	\$23,871	25,335	25,361	25,361	0	
Permit Appeals	261	295	296	296	0	
Public Works	7,456	9,179	11,075	11,075	0	
PUC Light, Heat and Power	3,805	4,972	4,972	4,972	0	
Telecommunications & Info. Ser	557	1,366	1,368	1,368	0	
Total Public Works, etc.	\$35,950	\$41,147	\$43,072	\$43,072	\$0	
HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT						
Business and Economic Develop	847	504	508	508	0	
Comm. on the Status of Women	1,649	1,789	1,790	1,790	0	
Human Rights Commission	\$1,167	1,739	1,741	1,671	70	(2)
Human Services	296,340	310,915	310,918	311,068	(150)	(8)
Total Human Welfare, etc.	\$300,003	\$314,947	\$314,957	\$315,037	(\$80)	
COMMUNITY HEALTH						
Community Health Network	47,768	48,393	49,438	36,074	13,364	(9)
Medical Examiner	\$3,002	3,446	3,462	3,257	205	(2)
Public Health	192,193	225,659	225,885	224,724	1,161	(9)
Total Community Health	\$242,963	\$277,498	\$278,785	\$264,055	\$14,730	

1997-98 Nine-Month Budget Status Report

May 1, 1998

Page 10

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

Fiscal Year Ending June 30, 1998

As of March 31, 1998

(In Thousands)

GENERAL FUND	ACTUAL FY 1996-97	Fiscal Year 1997-98			VARIANCE SURPLUS (DEFICIT)
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	
CULTURE AND RECREATION					
Academy of Sciences	1,530	1,584	1,584	1,584	0
Art Commission	554	714	715	715	0
Asian Art Museum	1,396	1,516	1,521	1,521	0
County Educational Office	\$1,121	1,121	1,121	1,121	0
Fine Arts Museum	4,457	4,860	4,865	4,595	270 (2)
Law Library	194	271	274	205	69 (2)
Public Library	22,012	24,632	25,533	25,533	0
Recreation and Park	53,480	57,796	58,029	58,029	0
Total Culture, etc.	\$84,744	\$92,494	\$93,642	\$93,303	\$339
GENERAL ADMINISTRATION & FINANCE					
Administration Services	758	1,303	1,266	1,266	0
Assessor/Recorder	7,590	7,944	7,993	7,993	0
Board of Supervisors	\$5,907	\$7,169	7,560	7,560	0
City Attorney	14,214	11,689	11,694	11,694	0
City Planning	5,604	6,260	6,267	6,267	0
Civil Service	418	579	582	582	0
Controller	13,558	14,826	14,844	14,844	0
Ethics Commission	313	321	394	361	33 (2)
General City Responsibility	30,870	31,670	40,593	41,244	(651) (10)
Human Resources	16,649	17,216	17,265	17,265	0
Mayor	14,787	19,861	19,928	19,928	0
Real Estate	948	984	984	984	0
Registrar	3,537	3,677	3,683	3,683	0
Purchaser	3,288	3,691	3,769	3,769	0
Treasurer/Tax Collector	11,656	12,637	12,651	12,651	0
Total General Admin.	\$130,097	\$139,827	\$149,473	\$150,091	(\$618)
TOTAL GENERAL FUND	\$1,286,803	\$1,395,654	\$1,413,828	\$1,391,362	\$22,466
TRANSFERS OUT OF GENERAL FUND:					
Contribution to MUNI		\$45,818	\$48,328	\$48,328	\$0
Contribution to SFGH		17,707	17,784	17,784	0
Contribution to LHH		11,511	11,540	11,540	0
Other Transfers and Reserves		214,500	197,111	197,111	0
Total Transfers Out:		\$289,536	\$274,763	\$274,763	\$0

Notes to Expenditure Schedule:

- (1) Several departments are projected to have a deficit or a surplus due to workers compensation claims, as discussed in Section V.
- (2) Based on current spending patterns, several departments are projected to end the year under budget because of salary and fringe benefit savings.
- (3) The **Fire Department** is projecting budget overruns in workers' compensation and overtime. Expenses for workers' compensation are projected to be \$1.2 million over budget based on claims experience in the first six months (see discussion in Section V). Overtime and salary expenditures are projected to be \$500,000 over budget. These deficits will be offset by savings in lease financing payments, contractual services, maintenance of vehicles, and light, heat and power.
- (4) The **Police Department** expenditures for overtime and workers compensation are over budget by \$2.35 million and \$456,000 respectively, based on the first nine months of the fiscal year. At this time the Police Department is projecting that these over-expenditures will be offset by salary savings.
- (5) The **Public Defender** is projecting an over-expenditure of \$165,000; they have submitted a supplemental appropriation request to cover this amount.
- (6) The **Sheriff's** revised budget includes \$1.7 million for operation of the brig on Treasure Island. However, the opening of that facility has been postponed from February 1, 1998, to August 1998. As a result, the Sheriff's operating expenses for the brig will be reduced by the entire amount. In addition, there is a projected surplus of \$1.5 million in workers compensation, equipment leasing, and salary savings, for a total savings of \$3.2 million.
- (7) State funding for the **Trial Courts** will increase based on a change in the allocation formula. We are projecting this change to result in a minimum increase in state funding of \$4.6 million. We are reflecting that change as a decrease in expenditures.
- (8) The **Department of Human Services** is experiencing a 7% increase in its Foster Care aid payments, primarily due to court-ordered increases in services to foster children. However, because the department's AFDC caseload continues to decline (with payments 4% under budget), and because of projected savings in its administrative expenses, the department will not require additional General Fund support for program activities. The amount of Health and Welfare realignment revenue allocated to the Department of Human Services for the last two years is down, resulting in a shortfall of \$150,000. Due to the nature of the shortfall, there will not be a need for a supplemental appropriation.
- (9) The **Department of Public Health** is projecting a surplus for the current year, as discussed in Section IV.

- (10) **General City Responsibility** will be over budget by approximately \$651,000. The additional expenses are attributable to larger than expected health subsidy payments for retired City employees of approximately \$491,000 and \$160,000 for workers' compensation expenditures.

IV. GENERAL FUND SUBSIDIZED DEPARTMENTS

Municipal Railway

Chart E: Municipal Railway Projected Sources and Uses

Fiscal Year Ending June 30, 1998
 As of March 31, 1998
 (In Thousands)

	ACTUAL FY 96-97	FY 97-98			SURPLUS/ (DEFICIT)
		ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTIO	
SOURCES:					
Department Revenues:					
Passenger Fares	\$98,026	\$100,091	\$100,091	\$99,286	(\$805)
Sales Tax Allocation - MTC	25,795	27,829	27,829	27,829	0
Operating Assistance	2,941	2,941	2,941	546	(2,395)
MTC Bridge Toll Allocation	20,912	23,639	23,639	23,639	0
Other	29,845	25,954	25,954	27,267	1,313
Total Department Revenues	\$177,519	\$180,454	\$180,454	\$178,567	(\$1,887) (1)
Proposition M Revenues:					
Parking Tax	\$15,973	\$15,080	\$15,080	\$17,198	\$2,118
Garage Rents	7,440	7,893	7,893	8,061	168
Traffic Fines/Meter Transfers	55,484	56,200	56,200	55,801	(399)
Total Other Financing Sources	\$78,897	\$79,173	\$79,173	\$81,060	\$1,887 (2)
General Fund Subsidy	\$30,995	\$45,818	\$48,328	\$48,328	\$0
TOTAL SOURCES	\$287,411	\$305,445	\$307,955	\$307,955	\$0
Expenditures:					
Personal Services	\$206,863	\$222,351	\$221,599	\$219,703	1,896 (3)
Contractual Services	25,278	28,741	28,332	28,728	(396) (3)
Materials and Supplies	20,869	19,837	20,848	22,348	(1,500) (3)
Claims	7,385	7,783	7,783	7,783	0 (4)
Workers' Compensation	14,458	13,899	15,706	15,706	0 (3)
Other Operating Expenses	12,067	12,286	12,691	12,691	0
Facilities Maint. & Capital Proj	491	548	996	996	0
TOTAL USES	\$287,411	\$305,445	\$307,955	\$307,955	\$0
PROJECTED SURPLUS/(DEF)	\$0	\$0	\$0	\$0	\$0

Notes to Muni Schedule:

- (1) Muni is projected to have a \$1.9 million deficit in revenue mainly due to a \$2.4 million reduction in federal operating assistance and a \$0.8 million shortfall in fare revenues, partially offset by a projected surplus of \$1.3 million in advertising.
- (2) Muni receives several types of parking-related revenues, due to the passage of Proposition M (Charter Section 3.707). These include traffic fines, parking tax, parking meter and garage revenues. Parking tax revenues are up \$2.1 million, due to continued strong economic growth. Garage revenues are higher than expected for some garages, but lower than projected for others because of construction delays. The net projected surplus in garage revenues is \$0.2 million. Traffic fine revenues are expected to be \$0.4 million below the budgeted amount. Overall, this extra Proposition M revenue offsets the shortfall in Muni revenues noted above; the net result is that no additional increase in the General Fund subsidy to Muni is needed this year.
- (3) Based on their current spending pattern, Muni will overspend its non-salary expenditure budget by \$1.9 million. This is attributable to overexpenditures for contractual services of \$0.4 million and materials and supplies of \$1.5 million. These over-expenditures will be offset by a projected \$1.9 million savings in salaries and fringe benefits. Similarly, a projected deficit in workers compensation claims of \$1.8 million has already been offset by salary savings.
- (4) Anticipated claims above the budget amount will be absorbed by additional Muni budget surpluses; in addition, the City's litigation reserve may cover up to \$1.7 million in claims.

Health Department

Chart F: Health Department Projected Surplus/(Deficit)

Fiscal Year Ending June 30, 1998
 As of March 31, 1998
 (In Thousands)

<u>Division</u>	<u>Over/(Under) Budgeted Amount</u>		<u>Net Surplus/ (Deficit)</u>
	<u>Revenues</u>	<u>Expenditures</u>	
Community Health Network	\$33,184	\$19,820	\$13,364
Public Health	(7,295)	(8,454)	1,161
Total	25,889	11,366	\$14,525

The Department of Public Health (DPH) has a budget of over \$700 million and because of the size, scope and variety of revenue streams and services it provides expects to have budget variances. Many of these variances stem from changes in the number of patients being served. DPH has a supplemental appropriation request for \$15.8 million pending at the Board of Supervisors that will correct these variances using public health funds. The major items in the supplemental include:

- \$4.8 million for 76 new staff positions to respond to increased inpatient volume at SF General Hospital, and increased outpatient use of Emergency Services, Adult Medical Center and the Women's Health Center. The Community Health Network is also experiencing more severe cases in psychiatric and substance abuse hospitalization.
- \$5.5 million for increased pharmaceutical costs.
- \$2 million for equipment and services mostly related to Year 2000 modifications needed for information technology systems.

Assuming the supplemental appropriation is passed, the Health Department is projecting a surplus of \$14.5 million for 1997-98. This projected surplus includes \$8.8 million in one-time FQHC revenue that is anticipated this fiscal year, \$6.8 million in Medi-Cal SB 855 Disproportionate Share revenues that will be accrued this fiscal year but received next fiscal year, and \$0.6 million from various other revenue sources. These revenues will offset a \$1.7 million shortfall in Realignment revenue from 1996-97, which was not known until this year, resulting in a net surplus of \$14.5 million in 1997-98. DPH has requested a carryforward of this surplus to be used for facilities maintenance and equipment in 1998-99.

V. ISSUES TO MONITOR**Workers' Compensation**

Workers' compensation continues to be an area of budgetary concern. Chart G reflects the Human Resources Department's projected year-end workers' compensation spending by department. The estimates are based on nine-month actuals as well as prior year spending patterns. Overall, these projections result in a \$3.3 million projected deficit in the City's workers' compensation budget.

Several departments with workers compensation deficits will likely be able to absorb these increases within their existing budget, and are, therefore, being shown on budget in the expenditure section:

Chart G: Projected Workers' Compensation Spending
(in thousands)

Department	FY 96-97 Actual	FY 97-98 Budget	6-Month Actual	Current Projection	Surplus/ (Deficit)
General Fund:					
Juvenile Court	\$742	\$795	\$402	\$888	(\$93)
District Attorney	290	360	102	184	176
Recreation & Park	1,262	1,468	782	1,640	(172)
Human Services	741	656	418	811	(155)
Police	4,728	5,036	2,862	5,492	(456)
Fire	3,725	4,075	2,687	5,295	(1,220)
Sheriff	805	840	371	753	87
Parking & Traffic	1,744	1,709	826	1,731	(22)
Other GF Depts.	1,465	2,062	1,326	2,582	(520)
Total General Fund	15,502	17,001	9,776	19,376	(2,375)
General Fund Subsidized:					
Municipal Railway	14,458	15,706	8,169	15,706	0
SF General Hospital	2,464	1,970	1,370	2,774	(804)
Laguna Honda Hospital	1,658	1,638	876	1,739	(101)
Total GF Subsidized	18,580	19,314	10,415	20,219	(905)
GRAND TOTAL	\$34,082	\$36,315	\$20,191	\$39,595	(\$3,280)

Conclusion

The funds available appear to be sufficient to carry the City through the rest of the fiscal year, with a remaining balance that can be applied to future years. My staff and I are available to respond to any comments or questions you may have.

Sincerely,



Edward Harrington

Attachments:

Appendix A: Status of Supplemental Appropriations which impact the General Fund Reserve
Appendix B: Status of Board Reserves

cc: Department Heads
Matthew Hymel
Harvey Rose

APPENDIX A
Status of Supplemental Appropriations
which impact the General Fund Reserve
 Fiscal year 1997-98 (as of April 30, 1998)

	<u>CHANGES APPROVED</u>	<u>CHANGES PENDING</u>
<u>Approved Supplementals</u>		
Mayor's Office -- Airport Stock Purchase	10,000	
Board of Supervisors -- Aides	384,905	
Public Health -- HIV Testing at SF	35,000	
Fire Department -- Overtime and Disability Monitorin	1,500,000	
Public Health--Forensic Care/Treasure Island Jail Fac	293,143	
Public Library -- Personnel	400,000	
Human Resources -- Employee Relations	569,464	
Sheriff--RSVP Program	208,400	
	<u>\$ 3,400,912</u>	
<u>Supplementals Pending at the Board *</u>		
Environment -- Bicycle Summit		10,000
Human Rights Commission -- Disparity Study		75,000
Public Defender		165,700
Parking and Traffic		517,813
City Hall construction - Bridge funding request		22,477,779
		<u>\$ 23,246,292</u>
<u>Supplementals Pending with the Mayor & Controller *</u>		
Civil Service Commission -- Salaries		50,000
Department of Elections -- Salaries		86,229
MUNI--Passenger Service Unit		72,439
MUNI--Proof of Payment		378,653
		<u>\$ 587,321</u>
Total Changes Pending:		<u><u>\$ 23,833,613</u></u>

* These amounts are subject to Mayor or Board changes.

APPENDIX B
Status of Board Reserves
 Fiscal Year 1997-98
 As of March 31, 1998

<u>RESERVE</u>	<u>BEGINNING BALANCE</u>	<u>CHANGES PENDING OR APPROVED</u>	<u>BALANCE AFTER CHANGES</u>
Board Translation Services	\$20,000	\$0	\$20,000
Court Mentor Program	100,000	100,000	0
Ethics Commission	100,000	82,448	17,552
Network Project	1,000,000	0	1,000,000
Office of Citizens Complaints	170,000	184,936	(14,936)
Police Academy	1,448,592	1,448,592	0
Tenderloin Task Force	60,000	60,000	0
Third Street Clean-up	695,000	695,000	0
Treasure Island Brig	2,100,000	1,993,098	106,902
Stop the Violence Program	120,000	120,000	0
Total:	<u>\$5,813,592</u>	<u>\$4,684,074</u>	<u>\$1,129,518</u>