

Edward Harrington
Controller

John W. Madden
Chief Assistant Controller

February 10, 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 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, 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 (Municipal Railway)
- V. Issues to Monitor

I. OVERVIEW

We project a \$78.4 million year-end balance available at the end of fiscal year 1997-98. As we reported in the Comprehensive Annual Financial Report last fall, we started this fiscal year with a balance of \$80.2 million in the General Fund Reserve. We anticipated using \$42.6 million of that reserve to balance the budget in the current fiscal year. However, based on current revenue and expenditure projections, we now anticipate using only \$1.8 million of the reserve to meet this year's expenditures, leaving a balance of \$78.4 million at the end of fiscal year 1997-98. This year's General Fund Surplus ending balance is not *in addition* to last year's surplus; rather, it is the amount that will remain from this year's beginning balance of \$80.2 million.

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	1,516.3	1,548.9	32.6
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	1,653.9	1,687.4	33.5
Uses:				
Operating expenditures	1,395.7	1,411.3	1,410.2	1.1
Contribution transfers	81.4	84.1	82.9	1.2
Other transfers and reserves	208.1	191.7	191.7	0.0
Required set-asides			3.1	(3.1)
Pending supplemental appropriations			1.3	(1.3)
Total Uses	1,685.2	1,687.1	1,689.2	(2.1)
Current Year Net Surplus/(Deficit)	(32.1)	(33.2)	(1.8)	31.4
General Fund Reserve beginning balance	42.6	42.6	80.2	37.6
Use of General Fund Reserve in current year	(32.1)	(33.2)	(1.8)	31.4
General Fund Reserve ending balance	10.5	9.4	78.4	69.0

The General Fund Reserve ending balance of \$78.4 million is based on current revenue and expenditure 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.

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.

Revenues and Transfers In

We project revenues to be \$33.5 million higher than our revised budget. This represents a 4.1% 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. 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 \$2.3 million under budget. This is largely due to 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 \$3.1 million.

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>Baseline</u>	<u>Revised</u> <u>Baseline</u>	<u>G. F. Contribution</u> <u>-- Revised Budget</u>	<u>Excess G.F.</u> <u>Contribution</u>
Children's Fund	\$49,913	\$51,474	\$53,456	\$1,982
Library Fund	22,501	23,205	25,215	2,010

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 by about \$2.0 million each. As a result, there are no increases in the Children's Fund and Library Preservation Fund budgets.

Pending Supplemental Appropriations

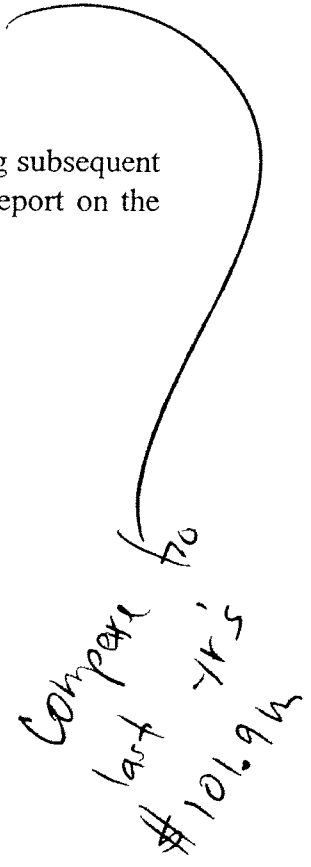
The Mayor and the Board are considering supplemental appropriation requests from various departments of about \$1.3 million (see Appendix A). This amount may be modified by the Mayor and the Board or by additional supplemental requests from departments in the next few months. Our projections assume that these supplementals are approved at the requested funding levels.

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 \$78.4 million.** At the beginning of the fiscal year we were anticipating using the entire \$42.6 million General Fund Reserve to balance the 1997-98 budget; it now appears that the current budget is nearly in balance. Current revenues and transfers will be nearly sufficient to cover current levels of operating expenditures, transfers and contributions, set-asides, and supplemental appropriations. As a result, nearly the entire \$80.2 million of General Fund surplus from last year will be available at the end of this year.

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.



Compare to
last yr's
\$101.9M

II. REVENUES

Chart C: Schedule of Budgeted and Projected Revenues

Fiscal Year Ending June 30, 1998
 As of December 31, 1997
 (In thousands)

GENERAL FUND	ACTUAL FY96-97	FISCAL YEAR 1997-98				VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	6 MONTH PROJECTION			
PROPERTY TAXES	322,474	325,653	325,653	331,970	6,317	(1)	
BUSINESS TAXES:							
Business Registration Tax	9,534	9,531	9,531	10,008	477	(2)	
Gross Receipts Tax	28,686	30,250	30,250	30,509	259	(2)	
Payroll Tax	162,702	161,209	161,209	167,494	6,285	(2)	
Total Business Taxes	200,922	200,990	200,990	208,011	7,021	(2)	
OTHER LOCAL TAXES:							
Sales Tax	108,099	113,102	113,102	109,696	(3,406)	(3)	
Hotel Room Tax	73,530	69,122	69,122	76,986	7,864	(4)	
Utility Users Tax	55,883	56,293	56,293	55,014	(1,279)	(5)	
Parking Tax	15,973	15,080	15,080	16,731	1,651	(6)	
Real Property Transfer Tax	33,573	32,212	32,212	43,166	10,954	(7)	
Admission Tax	2,587	2,562	2,562	3,000	438	(9)	
Total Other Local Taxes	289,645	288,371	288,371	304,593	16,222		
LICENSES, PERMITS & FRANCHISES							
Licenses & Permits	5,921	6,441	6,441	6,441	0		
Franchise Tax	7,437	7,539	7,539	7,343	(196)	(9)	
Total Licenses, Permits & Franchises	13,358	13,980	13,980	13,784	(196)		
FINES, FORFEITURES & PENALTIES	376	974	974	974	0		
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	6,095	0	(9)	
Rents and Concessions - Rec/Park	8,203	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	16,659	22,225	22,225	22,225	0		
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		

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

Fiscal Year Ending June 30, 1998

As of December 31, 1997

(In thousands)

GENERAL FUND	ACTUAL FY96-97	FISCAL YEAR 1997-98				VARIANCE FAV(UNFAV)	NOTES
		ORIGINAL BUDGET	REVISED BUDGET	6 MONTH PROJECTION			
State Subventions							
Social Service Subventions	94,300	92,034	92,034	92,034	0		
Health & Welfare Reassignment	151,193	155,500	155,500	152,100	(3,400)	(10)	
Health/Mental Health Subventions	54,076	58,464	58,801	58,801	0		
Public Safety Sales Tax	53,912	55,437	55,437	56,997	1,560	(11)	
Motor Vehicle In-Lieu - County	39,457	41,945	41,945	41,412	(533)	(12)	
Motor Vehicle In-Lieu - City	29,984	32,227	32,227	31,857	(370)	(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	457,155	(2,743)		
CHARGES FOR SERVICES:							
General Government Service Charges	11,987	12,995	13,005	13,005	0		
Public Safety Service Charges	9,769	9,092	9,118	9,818	700	(14)	
Recreation Charges - Rec/Park	9,365	9,679	9,679	9,679	0	(9)	
MediCal, MediCare and health service charges	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	72,127	700		
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	1,497,934	1,515,105	1,516,289	1,548,879	32,590		
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	1,611,922	1,644,230	1,645,003	1,678,493	33,490		

Notes to Revenue Schedule:

- (1) **Property taxes** are over budget by approximately \$6.3 million. This amount is due primarily to a 3.5% increase in assessed property value over the 1996 assessment, which was reported by the Assessor after the budget was adopted. The revised projection factors in potential assessment appeals, although the actual value of appeals granted may differ.
- (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. When the 1997-98 5% budgeted growth rate is applied to 1996-97 actual receipts (adjusted for one-time collections), a \$7.0 million increase over budget is projected. This figure is not, however, based on actual receipts for the current fiscal year. A more accurate projection of business taxes, based on actual receipts in March 1998, will be presented in a subsequent report.
- (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%.
- (4) **Hotel taxes** are expected to exceed budget by approximately \$7.9 million. Since vacancy rates in San Francisco are low, hotels have been able to increase room rates significantly. Tourism remains strong, but may be affected by the Asian financial crisis. The projected revenues of \$77.0 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 December indicate that utility tax revenues will be below budget by \$1.3 million. Telephone utility taxes are growing more slowly than expected and gas and electric collections are lower than in previous years. 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 \$1.6 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 \$11 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 and

franchise tax revenues are over budget by approximately \$0.3 million, due primarily to the two 49er football playoff games. Although other departmental revenues are also over budget, the department has indicated that it will be submitting a supplemental appropriation request to use those funds for various projects. Therefore, we have shown these revenue sources on budget.

- (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 \$3.4 million revenue shortfall includes \$1.8 million which was expected but not realized in 1996-97 as well as another \$1.6 million shortfall in the current year.
- (11) **Public Safety Sales Tax (Prop. 172)** is expected to be approximately \$1.5 million over budget, due to strong sales tax receipts.
- (12) **Motor Vehicle in Lieu** subventions are projected to be approximately \$0.9 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. Since the county trial court revenues and contributions are currently under review, we show no change in revenues from budget at the present time (see discussion in Section III on Expenditures).
- (14) **Public Safety Service Charges** are expected to be \$0.7 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 \$900,000 this year.

III. EXPENDITURES

Chart D: Schedule of Budgeted and Projected Expenditures

Fiscal Year Ending June 30, 1998

As of December 31, 1997

(In Thousands)

GENERAL FUND	Fiscal Year 1997-98				
	ACTUAL FY 1996-97	ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	SURPLUS (DEFICIT)
PUBLIC PROTECTION					
Adult Probation	7,445	7,923	7,927	7,927	0
Animal Care and Control	2,026	2,328	2,331	2,241	90 (1)
Co. Agriculture - Wts./Measures	953	1,034	1,036	1,036	0
District Attorney	\$26,233	\$27,936	\$28,066	\$28,066	0
Environment	77	281	281	281	0
Fire Department	119,404	138,502	140,306	141,977	(1,671) (2)
Juvenile Court	21,488	22,824	22,838	22,838	0
Police Department	198,771	202,697	202,701	202,701	0 (3)
Public Administrator/Guardian	2,660	3,048	3,053	2,953	100 (1)
Public Defender	9,777	10,179	10,443	10,443	0
Sheriff	61,287	67,416	69,122	68,116	1,006 (4)
Trial Courts	42,925	45,573	45,573	43,573	2,000 (5)
Total Public Protection	\$493,046	\$529,741	\$533,677	\$532,152	\$1,525
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	9,934	9,934	0
PUC Light, Heat and Power	3,805	4,972	4,972	4,972	0
Telecommunications & Info. Services	557	1,366	1,368	1,368	0
Total Public Works, etc.	\$35,950	\$41,147	\$41,931	\$41,931	\$0
HUMAN WELFARE AND NEIGHBORHOOD DEVELOPMENT					
Business and Economic Development	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	\$1,651	\$90 (1)
Human Services	296,340	310,915	310,918	310,918	0 (6)
Total Human Welfare, etc.	\$300,003	\$314,947	\$314,957	\$314,867	\$90
COMMUNITY HEALTH					
Community Health Network	47,768	48,393	48,137	48,137	0 (7)
Medical Examiner	\$3,002	\$3,446	\$3,463	\$3,313	\$150 (1)
Public Health	192,193	225,659	227,630	227,630	0 (7)
Total Community Health	\$242,963	\$277,498	\$279,230	\$279,080	\$150

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

Fiscal Year Ending June 30, 1998

As of December 31, 1997

(In Thousands)

GENERAL FUND	Fiscal Year 1997-98				VARIANCE SURPLUS (DEFICIT)
	ACTUAL FY 1996-97	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	4,715	150 (1)
Law Library	194	271	274	274	0
Public Library	22,012	24,632	24,644	24,644	0
Recreation and Park	53,480	57,796	57,879	57,879	0
Total Culture, etc.	\$84,744	\$92,494	\$92,603	\$92,453	\$150
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	321	321	0
General City Responsibility	30,870	31,670	40,593	41,484	(891) (8)
Human Resources	16,649	17,216	17,232	17,232	0
Mayor	14,787	19,861	19,509	19,509	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	3,619	150 (1)
Treasurer/Tax Collector	11,656	12,637	12,651	12,651	0
Total General Admin.	\$130,097	\$139,827	\$148,948	\$149,689	(\$741)
TOTAL GENERAL FUND EXPS.	\$1,286,803	\$1,395,654	\$1,411,346	\$1,410,172	\$1,174
TRANSFERS OUT OF GENERAL FUND:					
Contribution to MUNI		\$45,818	\$48,328	\$47,101	\$1,227 (9)
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	198,122	198,122	0
Total Transfers Out:		\$289,536	\$275,774	\$274,547	\$1,227
TOTAL GENERAL FUND USES		\$1,685,190	\$1,687,120	\$1,684,719	\$2,401

Notes to Expenditure Schedule:

- (1) Based on current spending patterns, several departments are projected to end the year under budget because of salary and fringe benefit savings.
- (2) 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 expenditures are projected to be \$425,000 over budget.

As of October, 1997, the Fire Department had exhausted its overtime budget for the 1997-98 fiscal year. At that time, the Controller's Office placed a reserve on all discretionary spending, including equipment, until the department could address the problem. The Board of Supervisors subsequently approved a supplemental appropriation request to cover overtime expenditures and the Fire Department developed a spending plan, which showed a marked reduction in overtime when new fire classes graduate and move into stations.

If the department spends according to their spending plan, they would overspend their budget by about \$425,000. The projected overspending is due entirely to activities on Treasure Island. It is expected that the Treasure Island project will request a supplemental appropriation sufficient to cover this projected deficit. Should the department be able to cut back spending as drastically as they project and should the Treasure Island project fully fund their related expenses, the department would end the year on budget for overtime expenditures.

- (3) The **Police Department** expenditures for overtime and workers compensation are over budget by \$2.25 million and \$615,000 respectively, based on the first six months of the fiscal year. At this time the Police Department is projecting that these over-expenditures will be offset by salary savings.
- (4) 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 June 1, 1998. As a result, the Sheriff's operating expenses for the brig will be reduced by \$1.0 million.
- (5) State funding for the **Trial Courts** will increase based on a change on the allocation formula. We are projecting this change to result in a minimum increase in state funding of \$2.0 million, and possibly more. We are reflecting that change as a decrease in expenditures.
- (6) 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.
- (7) The **Department of Public Health** is projecting a surplus for the current year. The department is also requesting supplemental appropriations which may require the use of the surplus. Therefore, for citywide projections we are showing the department on budget.

- (8) **General City Responsibility** will be over budget by approximately \$891,000. The additional expenses are attributable to larger than expected health subsidy payments for retired City employees of approximately \$400,000 and \$491,000 for workers' compensation expenditures.
- (9) The General Fund contribution to the **Municipal Railway** is projected to be \$1.2 million less than budgeted, due to increased Proposition M revenues (see Section IV).

IV. GENERAL FUND SUBSIDIZED DEPARTMENTS

Municipal Railway

Chart E: Municipal Railway Projected Sources and Uses

Fiscal Year Ending June 30, 1998
 As of December 31, 1997
 (In Thousands)

	ACTUAL FY 96-97	ORIGINAL BUDGET	REVISED BUDGET	CURRENT PROJECTION	SURPLUS/ (DEFICIT)
FY 96-97					
SOURCES:					
Department Revenues:					
Passenger Fares	\$98,026	\$100,091	\$100,091	\$100,121	\$30 5132
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	27,469	1,515 179
Total Department Revenues	\$177,519	\$180,454	\$180,454	\$179,604	(\$850) (1)
Proposition M Revenues:					
Parking Tax	\$15,973	\$15,080	\$15,080	\$16,731	\$1,651 198
Garage Rents	7,440	7,893	7,893	7,469	(424) 0
Traffic Fines/Meter Transfers	55,484	56,200	56,200	56,200	0
Total Other Financing Sources	\$78,897	\$79,173	\$79,173	\$80,400	\$1,227 (2)
General Fund Subsidy	\$30,995	\$45,818	\$48,328	\$47,101	(1,227) (2) ↓
TOTAL SOURCES	\$287,411	\$305,445	\$307,955	\$307,105	(\$850)
Expenditures:					
Personal Services	\$206,863	\$222,351	\$224,506	\$220,614	\$3,892 (3)
Contractual Services	25,278	28,741	28,529	29,095	(566) (3)
Materials and Supplies	20,869	19,837	19,837	19,837	0
Claims	7,385	7,783	7,783	7,783	0 (4)
Workers' Compensation	14,458	13,899	13,899	15,747	(1,848) (3)
Other Operating Expenses	12,067	12,286	12,405	13,033	(628) (3)
Facilities Maint. & Capital Proje	491	548	996	996	0
TOTAL USES	\$287,411	\$305,445	\$307,955	\$307,105	\$850
PROJECTED SURPLUS/(DEF)	\$0	\$0	\$0	\$0	\$0 (5)

Notes to Muni Schedule:

- (1) Muni is projected to have a \$0.9 million deficit in revenue mainly due to a \$2.4 million reduction in federal operating assistance, partially offset by a projected surplus of \$1.3 million in advertising revenue and a \$0.2 million increase in funding from the Transit Impact Development Fee (TIDF) Fund.
- (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 \$1.6 million, due to continued strong economic growth. Garage revenues are higher than expected for some garages, but a delay in completing construction of some garage facilities will lead to lower than anticipated revenues for others. Overall, garage revenues are anticipated to be \$0.4 million under budget. Traffic fine revenues are expected to meet budgeted amounts. Overall, this extra Proposition M revenue reduces the General Fund subsidy required to fund Muni's budget.
- (3) Based on their current spending pattern, Muni will overspend its non-salary expenditure budget by \$3.0 million. This is attributable to the projected budget deficits of \$1.8 million in workers compensation, \$0.6 million in services from the City Attorney's Office, and \$0.6 million in use of fast passes on BART. These over-expenditures and revenue shortfalls will be offset by a projected \$3.9 million savings in salaries and fringe benefits.
- (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 \$2.3 million in claims.
- (5) Muni has identified another \$11.6 million in improvements that were not included and/or approved in the 1997-98 budget, and is requesting that these expenditures be funded out of General Fund reserves. Muni's request is currently under review by the Mayor's office but no supplemental appropriation request has been forwarded by Muni. These requests are not included in this analysis; therefore, we are showing Muni on budget at this time.

V. ISSUES TO MONITOR

Workers' Compensation

Workers' compensation continues to be an area of budgetary concern. Chart F 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 \$4.7 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 under-budgeting by several departments.

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.

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Others, notably the Fire Department, the Municipal Railway, and other General Fund departments are less likely to be able to cover these projected expenses, and are projected to have an operating deficit this year.

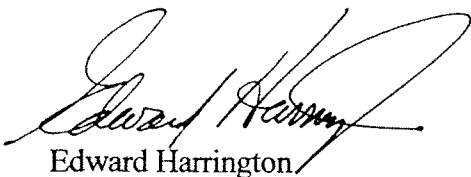
Chart F: Projected Workers' Compensation Spending
(in thousands)

<u>Department</u>	<u>FY 96-97</u> <u>Actual</u>	<u>FY 97-98</u> <u>Budget</u>	<u>6-Month</u> <u>Actual</u>	<u>Current</u> <u>Projection</u>	<u>Surplus/</u> <u>(Deficit)</u>
General Fund:					
Juvenile Court	\$742	\$795	\$402	\$776	\$19
District Attorney	290	360	102	201	159
Recreation & Park	1,262	1,468	782	1,514	(46)
Human Services	741	656	418	809	(153)
Police	4,728	5,036	2,862	5,651	(615)
Fire	3,725	4,075	2,687	5,321	(1,246)
Sheriff	805	840	371	722	118
Parking & Traffic	1,744	1,709	826	1,605	104
Other GF Depts.	1,465	2,062	1,326	2,553	(491)
Total General Fund	15,502	17,001	9,776	19,152	(2,151)
General Fund Subsidized:					
Municipal Railway	14,458	13,899	8,169	15,747	(1,848)
SF General Hospital	2,464	1,970	1,370	2,646	(676)
Laguna Honda Hospital	1,658	1,638	876	1,692	(54)
Total GF Subsidized	18,580	17,507	10,415	20,085	(2,578)
GRAND TOTAL	\$34,082	\$34,508	\$20,191	\$39,237	(\$4,729)

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 January 30, 1997

	<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 SFCC	35,000	
Fire Department -- Overtime and Disability Monitoring	<u>1,500,000</u>	
	<u>\$1,929,905</u>	
<u>Supplementals Pending at the Board *</u>		
Environment -- Bicycle Summit		10,000
Human Rights Commission -- Disparity Study		75,000
Public Library -- Personnel		<u>400,000</u>
		\$ 485,000
<u>Supplementals Pending with the Mayor & Controller *</u>		
Civil Service Commission -- Salaries		50,000
Human Resources -- Employee Relations		687,614
Department of Elections -- Salaries		<u>86,229</u>
		<u>\$ 823,843</u>
Total Changes Pending:		<u><u>\$ 1,308,843</u></u>

* These amounts are subject to Mayor or Board changes.

APPENDIX B
Status of Board Reserves
 Fiscal Year 1997-98
 As of January 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>