

File No. 110192

Committee Item No. 1
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance FULL-Committee Date: May 11, 2011

Board of Supervisors Meeting

Date _____

Cmte Board

- | | | |
|-------------------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Ethics Form 126 |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |

OTHER (Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Victor Young
Completed by: Victor Young

Date: May 6, 2011
Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

INTRODUCTION FORM

By a member of the Board of Supervisors or the Mayor

Time Stamp or
Meeting Date

I hereby submit the following item for introduction:

- X 1. For reference to Committee:
 An ordinance, resolution, motion, or charter amendment.
2. Request for next printed agenda without reference to Committee
3. Request for Committee hearing on a subject matter.
4. Request for letter beginning "Supervisor inquires...".
5. City Attorney request.
6. Call file from Committee.
7. Budget Analyst request (attach written motion).
8. Substitute Legislation File Nos.
9. Request for Closed Session
10. Board to Sit as A Committee of the Whole

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- | | |
|---|--|
| <input type="checkbox"/> Small Business Commission | <input type="checkbox"/> Youth Commission |
| <input type="checkbox"/> Ethics Commission | <input type="checkbox"/> Planning Commission |
| <input type="checkbox"/> Building Inspection Commission | |

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.]

Sponsor(s): Supervisor Carmen Chu

SUBJECT: Hearing regarding the City's Five-Year Financial Plan

The text is listed below or attached:

Hearing regarding the City's Five-Year Financial Plan, a requirement of Proposition A (2009).

Signature of Sponsoring Supervisor: _____



For Clerk's Use Only:

City and County of San Francisco

10992

Five-Year Financial Plan Overview

Board of Supervisors Budget Committee

May 4, 2011



Improvements in the City's Financial Planning

- 1) Multi-year capital and technology planning**
- 2) Labor contract approval with the annual budget**
- 3) Reserve and other financial policies**
- 4) Five-year financial planning**
- 5) Two-year budgeting**



Benefits of long-range planning

While existing rules and procedures ensure the adoption of a balanced annual budget, this has typically required repeated, extraordinary actions:

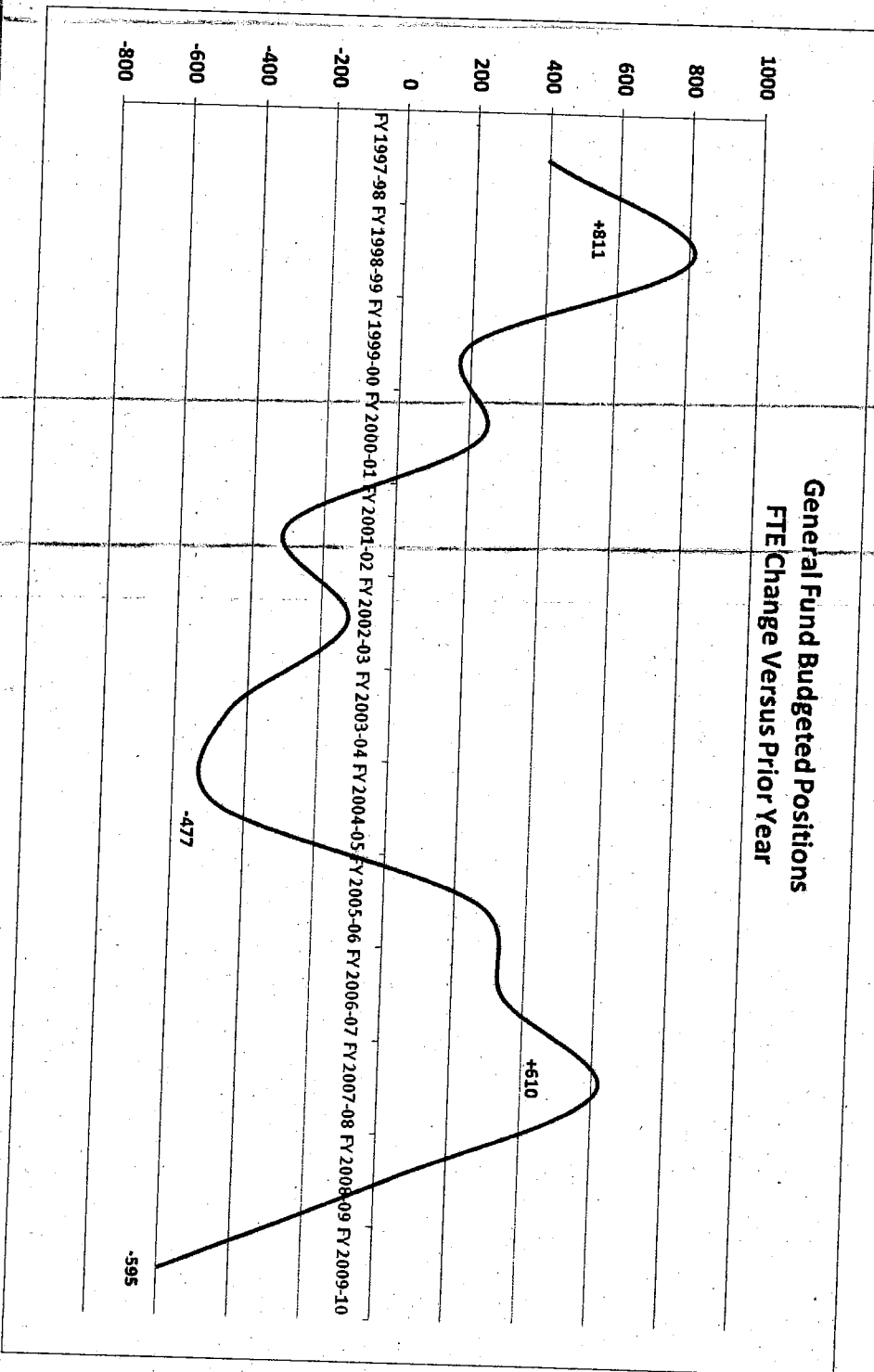
- Closure of projected deficits in each of the past 10 years,
- Significant mid-year spending reductions in 4 of 10 years,
- Renegotiation of closed labor contracts in 7 of 10 years,
- Voter consideration of tax increases in 8 of 10 years.

The new financial tools required by Proposition A should improve the City's long-term financial management and reduce volatility in our budget process.



City and County of San Francisco

Manage the budget "boom-and-bust cycle"



Goals for the financial plan

1) Financial roadmap:

High-level planning document to guide future budgets

2) Highlight key financial issues:

Identify key drivers of revenues and expenditures

3) Develop multi-year strategies:

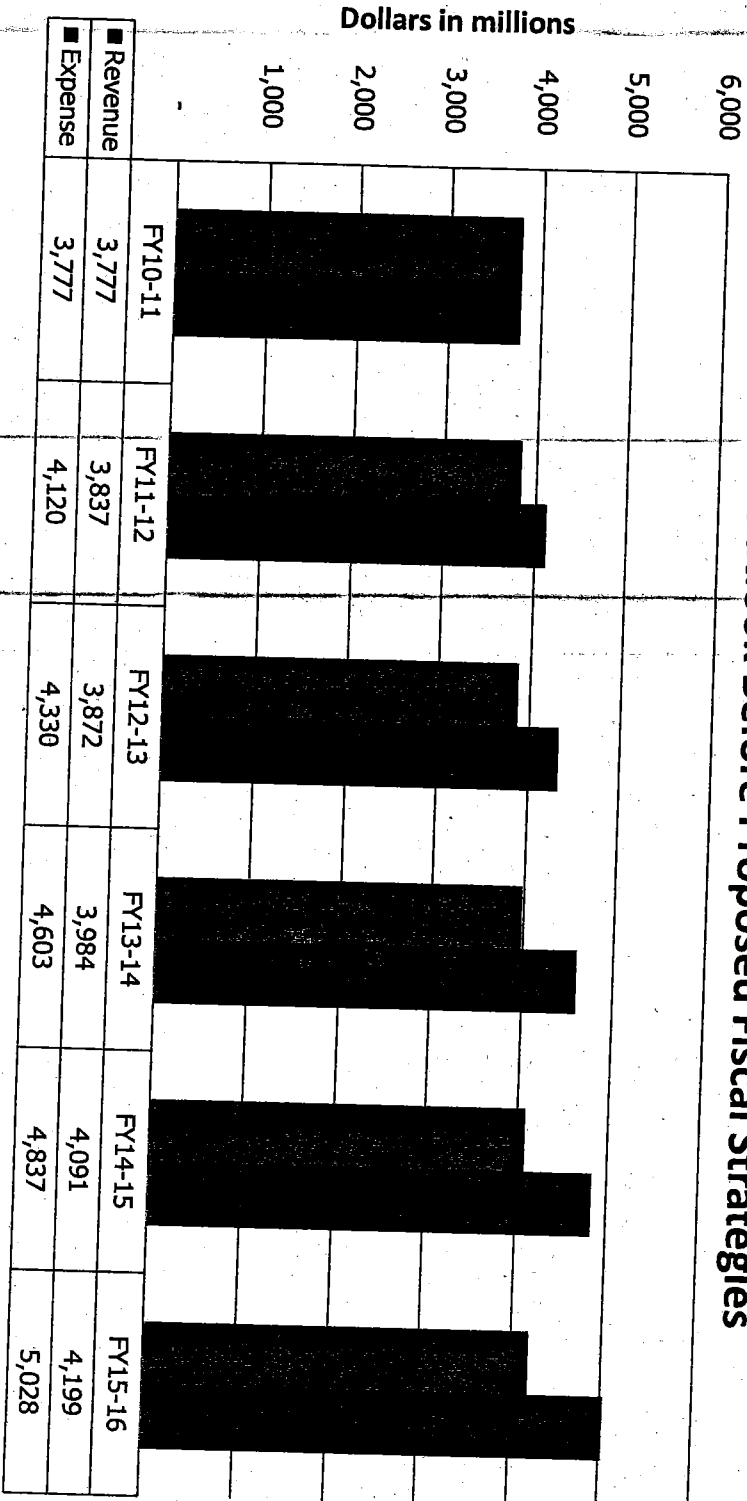
Adopt strategies and implement over time



City and County of San Francisco

Base General Fund outlook

Five-Year Outlook Before Proposed Fiscal Strategies



Source: Master Financial Schedule Summary



City and County of San Francisco

Proposed financial strategies

Proposed Financial Strategies (\$ Millions)						
	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	
Base Case Outlook	(283)	(458)	(619)	(746)	(829)	
Capital Spending and Debt Restructuring	55	45	35	25	15	
Control Wage and Benefit Costs	25	100	150	200	200	
Additional Tax, Fee and Other Revenues	60	70	80	90	100	
Adjust Baselines and Revenue Allocations	20	25	30	30	30	
Limit Non-Personnel Inflation	20	45	75	90	105	
Non-Recurring Revenues and Savings	40	30	20	0	0	
Ongoing Departmental Revenue and Savings Initiatives						
New Ongoing Savings Initiatives	63	80	87	81	68	
Cumulative Savings from Prior Year Initiatives		63	143	229	311	
Adjusted Outlook	(0)	0	0	0	0	



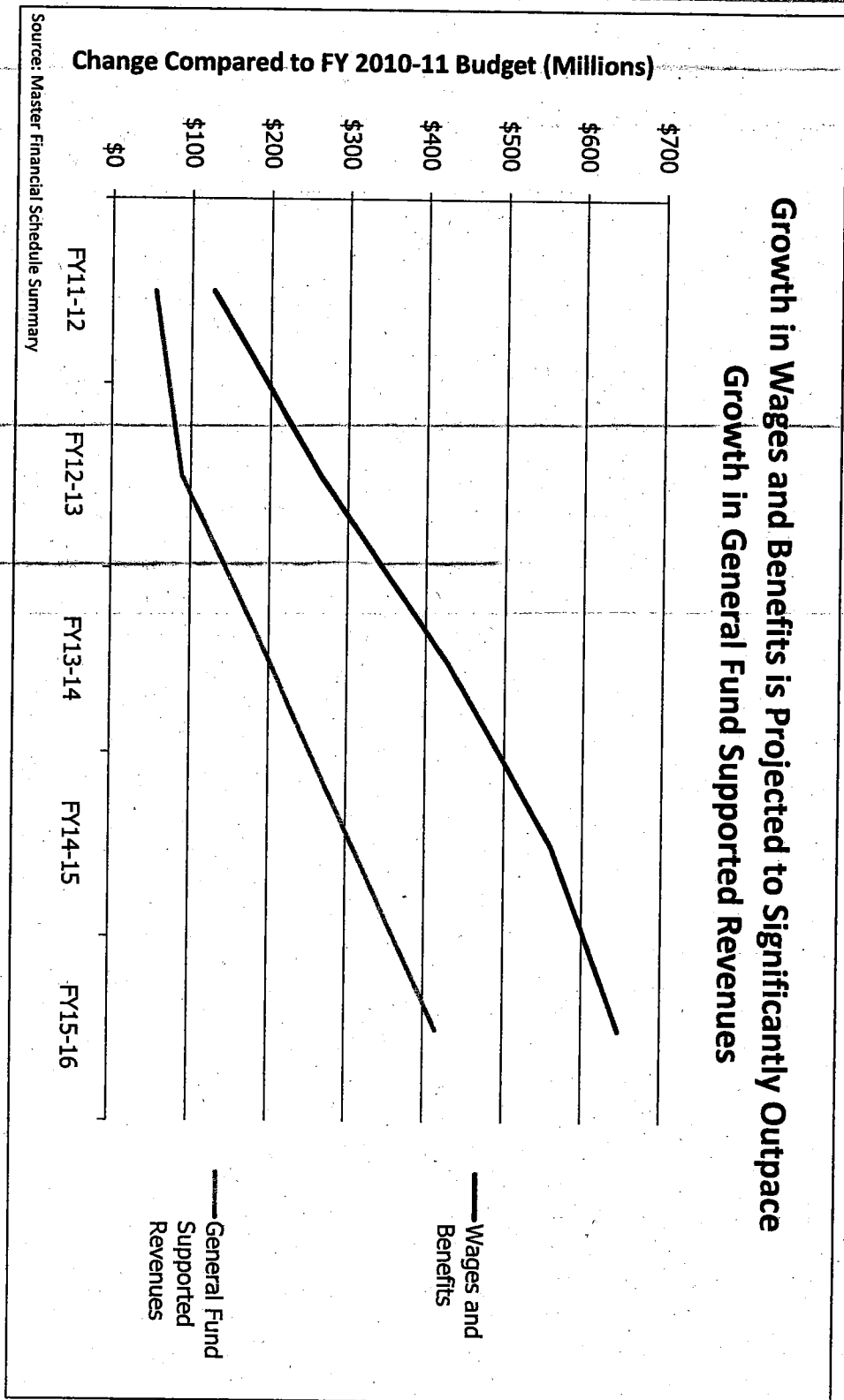
**Strategy:
Restructure planned capital and debt spending**

- Rebase planned capital spending in FY11-12, and gradually grow back to the Capital Plan assumption;
- Actively restructure debt portfolio to minimize ongoing costs;
- Limit new issuances to mission-critical improvements.



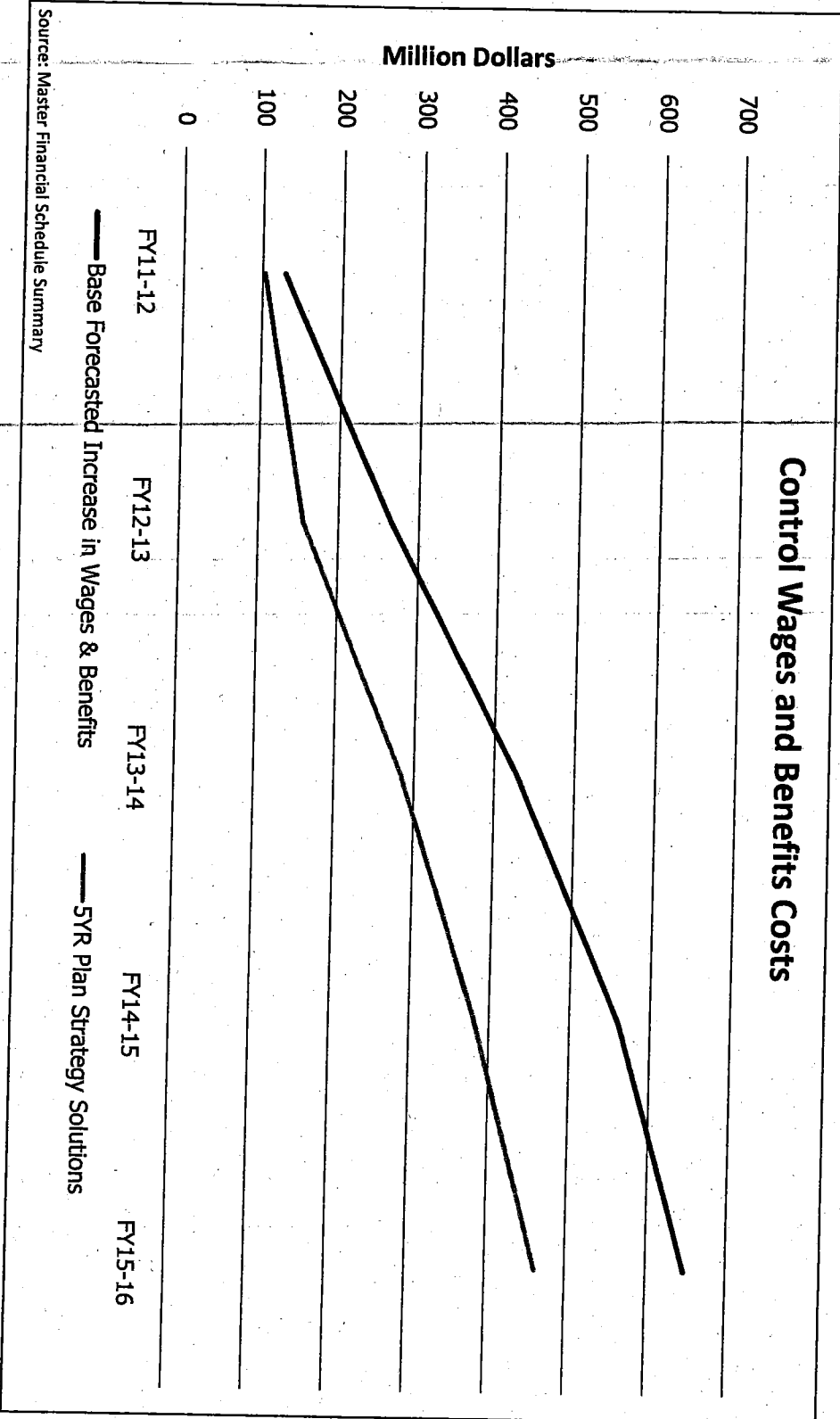
City and County of San Francisco

Strategy: Control wage and benefit spending



City and County of San Francisco

Strategy: Control wage and benefit spending



Source: Master Financial Schedule Summary



Strategy:

Generate additional tax, fee, and other revenues

- Gradual increase in users fees as costs escalate;
- Develop new user fees where appropriate;
- Generate new tax or other revenue beyond currently projected levels.



**Strategy:
Adjust baselines and revenue allocations**

- Pull the "Proposition H" trigger as permitted in the voter initiative in years when the shortfall exceeds \$100M;
- Capture all growth in hotel taxes in the General Fund during the first three years;
- Maximize the use of balances in other legally-available special funds, where advisable.



City and County of San Francisco

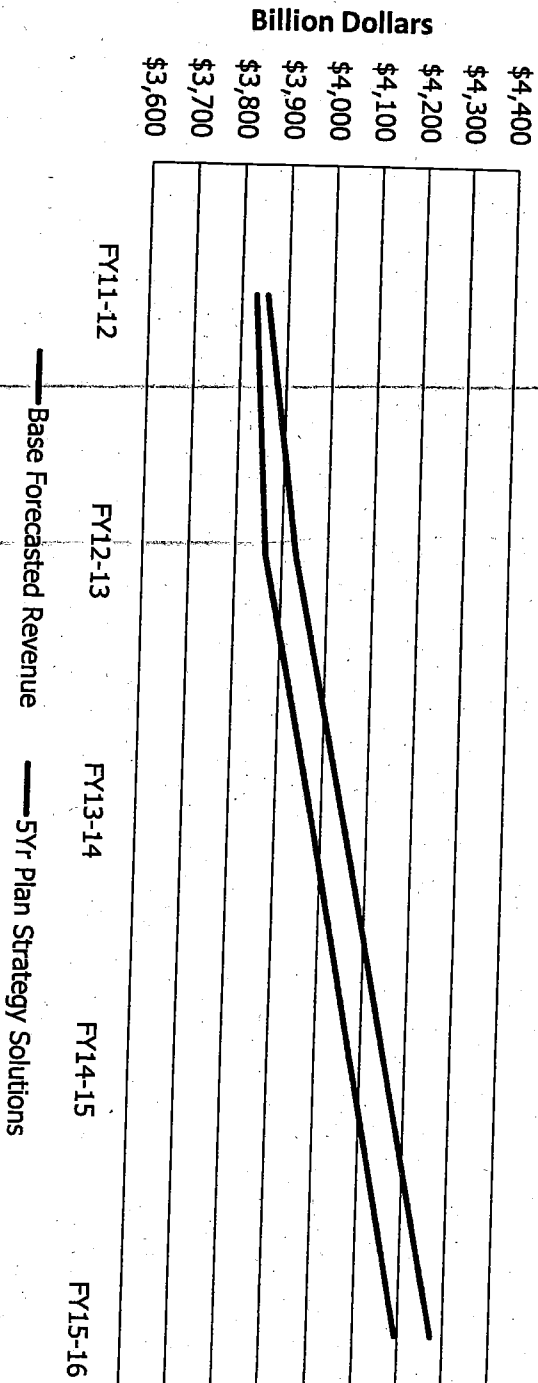
Strategy: Generate additional tax, fee, and other revenues

- Gradual increase in users fees as costs escalate;
- Develop new user fees where appropriate;
- Generate new tax or other revenue beyond currently projected levels.



City and County of San Francisco

Proposed Growth in Revenues



Source: Master Financial Schedule Summary



**Strategy:
Department savings and revenue proposals**

- Strategy:
- Limit the Use on One-Time Savings to Balance the budget
- Phase out use of one-time solutions over three years
- In future years, use one-time savings to fund one-time uses and/or replenish reserves



Strategy:

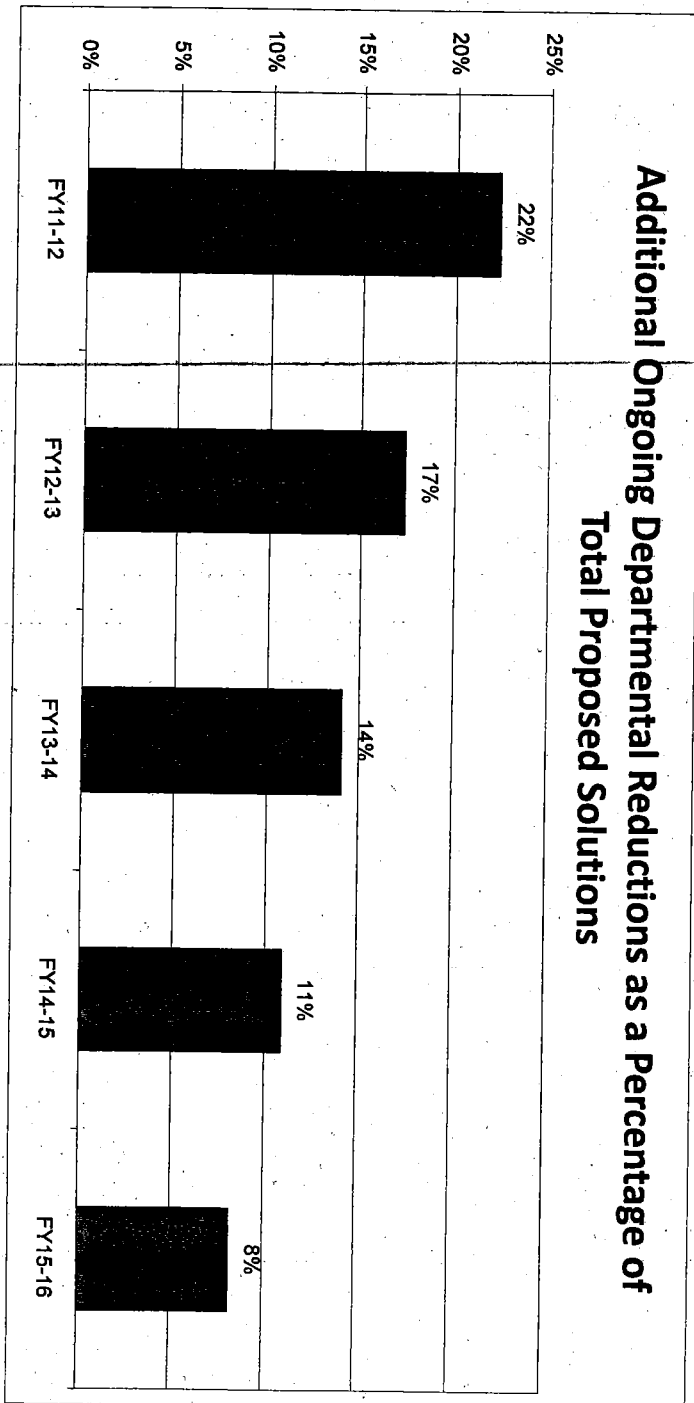
Department savings and revenue proposals

- Strategy:
- Ongoing Departmental Revenue and Savings Initiatives
- Ongoing departmental savings initiatives will continue to be needed to balance
- Strategy is to phase in over time to provide time for planning and flexibility
- Over time, size of departmental reductions will decline as other strategies are phased in.



City and County of San Francisco

**Additional Ongoing Departmental Reductions as a Percentage of
Total Proposed Solutions**



City and County of San Francisco

Appendix charts



City and County of San Francisco

Master Financial Schedule	FY10-11	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16
Source						
Property Tax	\$984.8	\$1,019.0	\$1,044.0	\$1,075.0	\$1,107.0	\$1,146.0
Business Tax	342.4	\$389.3	\$412.2	\$434.8	\$456.4	\$476.7
Local Taxes	528.5	\$595.7	\$625.0	\$652.2	\$675.2	\$697.1
Licenses, Permits & Franchises	23.2	\$23.9	\$24.1	\$24.3	\$24.5	\$24.7
Fines, Forfeitures & Penalties	3.8	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8
Interest & Investment Income	9.5	\$4.7	\$4.8	\$6.4	\$8.3	\$6.0
Rents & Concessions	22.3	\$22.7	\$19.6	\$20.0	\$20.4	\$20.8
Federal Revenue	236.6	\$206.8	\$206.8	\$206.8	\$206.8	\$206.8
State Revenue	434.9	\$425.7	\$429.9	\$435.3	\$440.8	\$446.5
Charges for Services	136.7	\$135.3	\$136.6	\$138.0	\$139.4	\$140.8
Recovery of Government Costs	9.4	\$9.5	\$9.6	\$9.7	\$9.8	\$9.9
Other Revenues	21.5	\$7.4	\$7.4	\$7.4	\$7.4	\$7.4
Total Revenues	2,753.7	2,843.8	2,923.9	3,013.7	3,099.8	3,186.4
Transfers-In	114.2	\$103.9	\$104.7	\$105.7	\$106.3	\$106.8
Total General Fund Resources	\$2,867.8	\$2,947.7	\$3,028.6	\$3,119.4	\$3,206.1	\$3,293.2
Fund Balance	79.9	\$90.2	\$26.0	\$30.3	\$38.7	\$47.5
Reserves	19.6	\$9.6	\$6.1	\$6.1	\$6.1	\$6.1
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total Incl. Fund Balance & Reserves	\$2,967.4	\$3,047.5	\$3,060.8	\$3,155.8	\$3,250.9	\$3,346.9
General Fund Supported Sources	1,032.7	1,032.7	1,032.7	1,032.7	1,032.7	1,032.7
General Fund Intrafund Transfer	124.3	124.3	124.3	124.3	124.3	124.3
Departmental Revenue Adjustments	(19.8)	(19.8)	1.9	18.5	30.8	43.1
Less Interfund and Intrafund Transfers	(347.6)	(347.6)	(347.6)	(347.6)	(347.6)	(347.6)
Grand Total Sources	\$3,776.7	\$3,837.1	\$3,872.1	\$3,983.7	\$4,091.0	\$4,199.3
USES						
Salaries & Wages	\$1,432.9	\$1,502.7	\$1,568.3	\$1,620.2	\$1,669.7	\$1,728.8
Fringe Benefits	564.5	622.9	695.4	804.4	888.8	916.1
Overhead	30.7	31.2	32.1	33.0	34.0	35.0
Professional & Contractual Services	662.6	690.6	717.8	743.8	765.6	789.4
Aid Assistance / Grants	438.0	449.1	457.9	474.3	487.3	500.1
Materials & Supplies	112.3	125.6	134.9	143.5	152.2	161.3
Equipment	2.9	5.0	5.1	5.3	5.4	5.6
Capital	42.3	81.5	68.6	73.9	84.2	100.0
Debt Service	21.3	45.0	58.9	67.2	73.1	83.4
Services of Other Departments	250.6	257.6	267.9	277.4	288.2	300.9
Expenditure Recovery	(162.0)	(165.0)	(169.4)	(174.3)	(179.3)	(184.9)
Transfers Out	680.6	718.2	737.5	756.8	775.3	793.8
Budgetary Reserves	47.7	48.1	53.0	65.9	84.3	104.0
Other Departmental Adjustments	55.3	49.1	49.1	59.3	55.6	62.6
Less Interfund and Intrafund Transfers	(347.6)	(347.6)	(347.6)	(347.6)	(347.6)	(347.6)
Total Uses	\$3,776.7	\$4,120.3	\$4,329.6	\$4,603.1	\$4,836.8	\$5,028.5
Surplus/Shortfall	\$0.0	(\$283.1)	(\$457.5)	(\$619.4)	(\$745.7)	(\$829.1)



City and County of San Francisco

Assumptions of Percentage Change in Major General Fund Revenues

	FY11-12 Forecast	FY12-13 Forecast	FY13-14 Forecast	FY14-15 Forecast	FY15-16 Forecast	5yr average
Property Tax	3.5%	2.5%	3.0%	3.0%	3.5%	3.1%
Business Tax	13.7%	5.9%	5.5%	5.0%	4.4%	6.9%
Local Taxes	12.7%	4.9%	4.3%	3.5%	3.2%	5.8%
Licenses, Permits & Franchises	3.0%	0.8%	0.8%	0.8%	0.8%	1.2%
Fines, Forfeitures & Penalties	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest & Investment Income	-51.1%	2.0%	34.0%	30.0%	-28.0%	-2.6%
Rents & Concessions	1.7%	-13.9%	2.1%	2.2%	2.0%	-1.2%
Federal Revenue	-12.6%	0.0%	0.0%	0.0%	0.0%	-2.5%
State Revenue	-2.1%	1.0%	1.2%	1.3%	1.3%	0.5%
Charges for Services	-1.1%	1.0%	1.0%	1.0%	1.0%	0.6%
Recovery of Government Costs	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Revenues	-65.5%	0.0%	0.0%	0.0%	0.0%	-13.1%

Source: Master Financial Schedule Summary



City and County of San Francisco

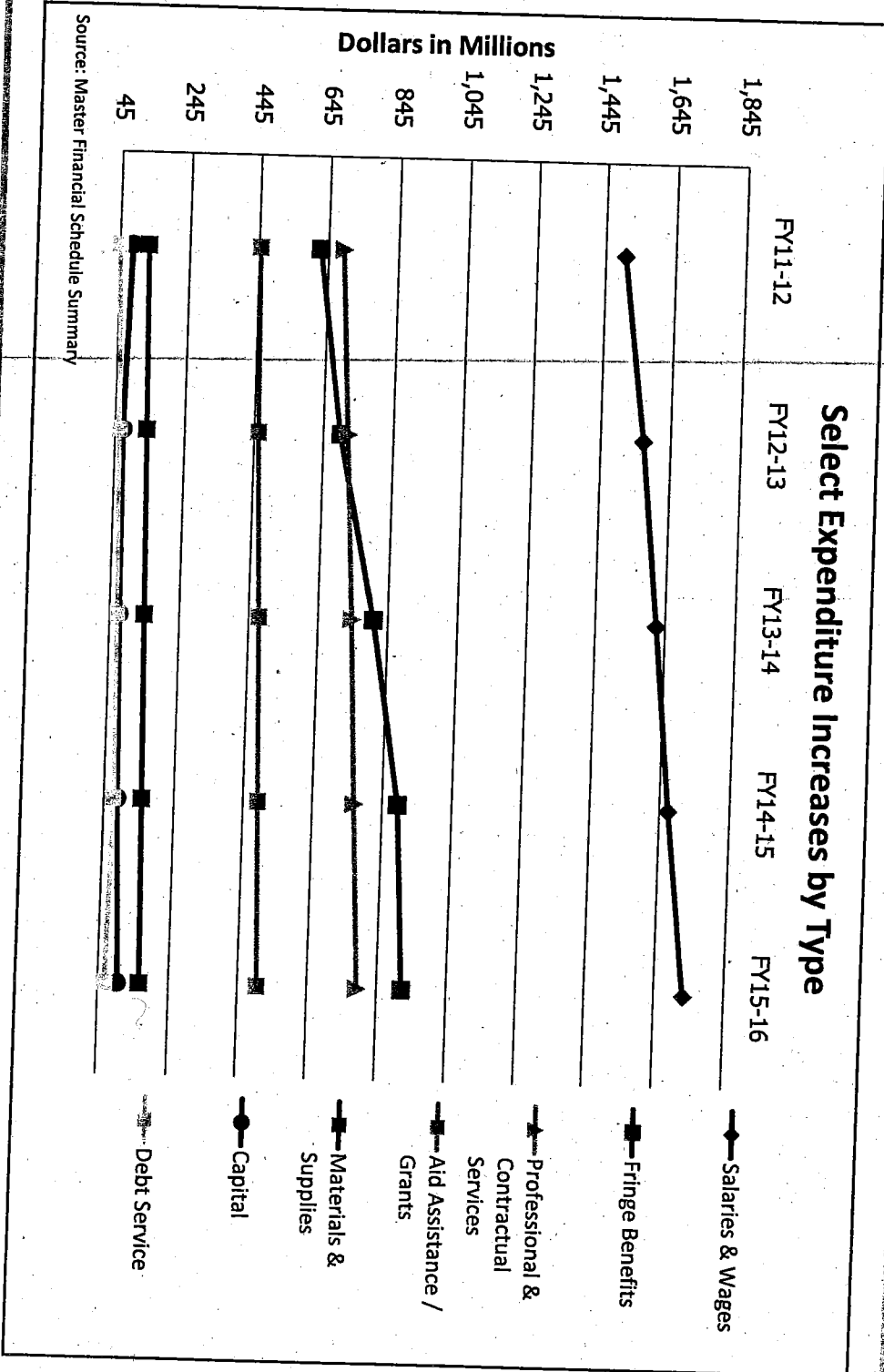
Assumptions of Percentage Change in Major General Fund Expenses

	FY11-12 Forecast	FY12-13 Forecast	FY13-14 Forecast	FY14-15 Forecast	FY15-16 Forecast	5yr average
Salaries & Wages	4.9%	4.4%	3.3%	3.1%	3.5%	3.8%
Fringe Benefits	10.4%	11.6%	15.7%	10.5%	3.1%	10.2%
Overhead	1.8%	2.7%	2.9%	2.9%	3.1%	2.7%
Professional & Contractual Services	4.2%	3.9%	3.6%	2.9%	3.1%	3.6%
Aid Assistance / Grants	2.5%	2.0%	3.6%	2.8%	2.6%	2.7%
Materials & Supplies	11.9%	7.4%	6.4%	6.1%	6.0%	7.5%
Equipment	74.1%	2.7%	2.9%	2.9%	3.1%	17.1%
Capital	92.6%	-15.8%	7.7%	13.9%	18.7%	23.4%
Debt Service	111.8%	30.8%	14.2%	8.7%	-13.2%	30.5%

Source: Master Financial Schedule Summary

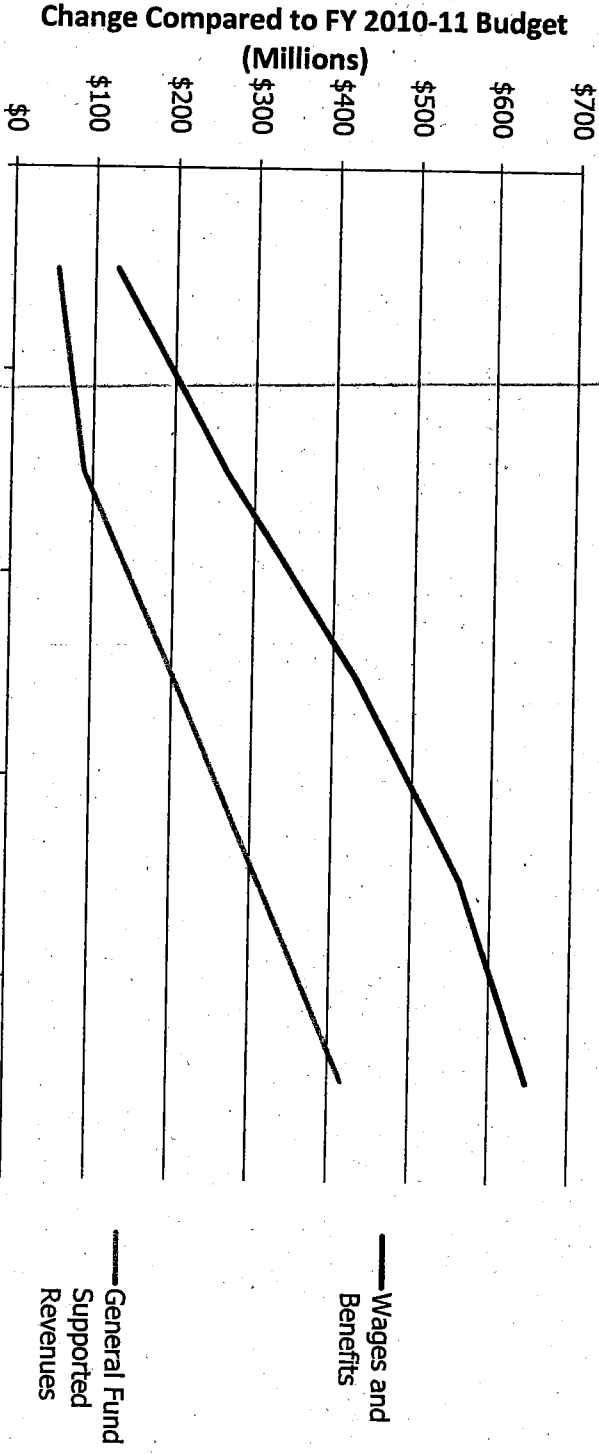


City and County of San Francisco



City and County of San Francisco

Growth in Wages and Benefits is Projected to Significantly Outpace Growth in General Fund Supported Revenues



Source: Master Financial Schedule Summary



City and County of San Francisco

