

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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May 12, 2014

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: Recommendations of the Budget and Legislative Analyst for Amendment of the Mayor's Fiscal Year 2014-2015 to Fiscal Year 2015-2016 Budget.

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BUDGET REVIEW EXECUTIVE SUMMARY

YEAR ONE: FY 2014-15

Budget Changes

The department's proposed \$956,518,049 budget for FY 2014-15 is \$88,458,568 or 10.2% more than the original FY 2013-14 budget of \$868,059,481.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2014-15 is 1,645.92 FTEs, which is 42.39 FTEs more than the 1,603.53 FTEs in the original FY 2013-14 budget. This represents a 2.6% increase in FTEs from the original FY 2013-14 budget.

Revenue Changes

The Department's revenues of \$956,518,049 in FY 2014-15, are \$88,458,568 or 10.2% more than FY 2013-14 revenues of \$868,059,481.

YEAR TWO: FY 2015-16

Budget Changes

The department's proposed \$921,465,726 budget for FY 2015-16 is \$35,052,323 or 3.7% less than the Mayor's proposed FY 2014-15 budget of \$ 956,518,049.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2015-16 is 1,689.75 FTEs, which is 43.83 FTEs more than the 1,645.92 FTEs in the Mayor's proposed FY 2014-15 budget. This represents a 2.7% increase in FTEs from the Mayor's proposed FY 2014-15 budget.

Revenue Changes

The Department's revenues of \$921,465,726 in FY 2015-16, are \$35,052,323 or 3.7% less than FY 2014-15 estimated revenues of \$956,518,049.

RECOMMENDATIONS

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: AIR – AIRPORT

YEAR ONE: FY 2014-15

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$2,291,557 in FY 2014-15. Of the \$2,291,557 in recommended reductions, \$1,941,317 are ongoing savings and \$350,240 are one-time savings. These reductions would still allow an increase of \$86,167,011 or 9.9% in the Department’s FY 2014-15 budget.

YEAR TWO: FY 2015-16

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$1,745,421 in FY 2015-16. Of the \$1,745,421 in recommended reductions, \$1,728,362 are ongoing savings and \$17,059 are one-time savings.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: AIR – AIRPORT

SUMMARY OF PROGRAM EXPENDITURES:

Program			Increase/ Decrease from			Increase/ Decrease from
	FY 2013-2014 Budget	FY 2014-2015 Proposed	FY 2013-2014	FY 2015-2016 Proposed	FY 2014-2015	FY 2014-2015
AIRPORT						
ADMINISTRATION	24,148,651	26,539,738	2,391,087	27,274,270	734,532	
AIRPORT DIRECTOR	9,902,222	8,237,617	(1,664,605)	8,512,112	274,495	
BUREAU OF DESIGN AND CONSTRUCTION	14,483,588	14,213,836	(269,752)	15,214,819	1,000,983	
BUSINESS & FINANCE	466,648,988	526,832,087	60,183,099	537,370,188	10,538,101	
CAPITAL PROJECTS AND GRANTS	76,229,491	84,629,112	8,399,621	27,119,000	(57,510,112)	
CHIEF OPERATING OFFICER	25,167,124	26,963,539	1,796,415	30,808,745	3,845,206	
COMMUNICATIONS & MARKETING	8,542,832	8,900,620	357,788	9,268,825	368,205	
CONTINUING PROJECTS, MAINT & RENEWAL	9,310,000	11,403,000	2,093,000	12,084,000	681,000	
DEPARTMENTAL FUND TRANSFER	0	0	0	0	0	
FACILITIES	161,995,783	172,853,808	10,858,025	176,701,379	3,847,571	
FACILITIES MAINTENANCE, CONSTRUCTION	0	0	0	0	0	
FIRE AIRPORT BUREAU NON-PERSONNEL	872,574	903,644	31,070	675,721	(227,923)	
OPERATIONS AND SECURITY	63,690,607	66,700,269	3,009,662	68,576,176	1,875,907	
PLANNING DIVISION	3,858,567	4,758,322	899,755	4,314,769	(443,553)	
POLICE AIRPORT BUREAU NON-PERSONNEL	3,209,054	3,582,457	373,403	3,545,722	(36,735)	
AIRPORT	868,059,481	956,518,049	88,458,568	921,465,726	(35,052,323)	

FY 2014-15

The Department's proposed FY 2014-15 budget has increased by \$88,458,568 largely due to:

- **Increased Debt Service Payments.** The Airport has \$4.4 billion, ten-year capital plan that includes projects which the Airport anticipates will: (1) increase safety at the Airport (e.g. runway safety improvements), (2) directly increase concession revenues (e.g. Terminal 1 and Terminal 3 renovations), or (3) strengthen the utilities, infrastructure and operations at the Airport (e.g. water treatment plant replacements and improvements). The Airport has \$4.3 billion in outstanding debt with annual debt service payments in FY 2013-14 of \$366,104,856. In April 2014, the Board of Supervisors approved legislation that authorizes the Airport to issue up to \$1,969,830,773 in additional revenue-bonds to partially fund the \$4.4 billion ten-year capital plan.
- **Increased Funding for Retirement.** The proposed FY 2014-15 Airport budget includes a one-time payment of \$33,500,000 to fund the Airport's responsibilities for future retiree health benefits. The Airport anticipates that funding future retiree health benefits will result in a more positive financial position as seen by the rating agencies and investors that will review the Airport's revenue-bonds in the coming years.
- **New Initiatives Related to Security** The Airport's proposed budget includes new initiatives to improve Airport security both on the landing field and in the terminals and includes improvements to the Airport's information technology systems. In addition to investing capital funds for runway safety programs that are required by the federal

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
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DEPARTMENT: AIR – AIRPORT

government, the Airport will be investing in a security-only communications system for all of the various security forces that operate at the Airport. Additionally, the Airport will be paying for additional Customs and Border Protection staff to improve the efficiency and efficacy of inspections at the Airport.

- ***A New Initiative Related to Ride-Share Services.*** The Airport Commission voted to allow Transportation Network Companies (TNC) like (e.g. Sidecar, Lyft) to drop off customers at the Airport but not to pick up. In order to operate on Airport property, vehicles will have to be approved by the Airport, which will require physical inspections of vehicles, verification of insurance coverage, and vehicle tracking. The Airport's proposed budget includes funding for inspectors and funding to study how to integrate TNCe drop offs at the Airport.

FY 2015-16

The Department's proposed FY 2015-16 budget decreases by \$35,052,323 largely due to:

- ***Decrease in the Retirement Budget.*** As noted above, the Airport's proposed FY 2014-15 budget for retiree health benefits increases by a one-time amount of \$33.5 million to fund the Airport's future retirement obligations. As a result of the one-time increase and the Airport ongoing contributions to maintain its retiree health benefits, the budget for retiree health benefits decreases by \$26 million from FY 2014-15 levels.

SUMMARY OF DEPARTMENT POSITION CHANGES:

FY 2014-15

The number of full-time equivalent positions (FTE) budgeted for FY 2014-15 are 1,645.92 FTEs, which are 42.39 FTEs more than the 1,603.53 FTEs in the original FY 2013-14 budget. This represents a 2.6% increase in FTEs from the original FY 2013-14 budget.

The Airport's FY 2014-15 budget includes 51 new positions, of which 26 are related to capital projects and will be funded using bond proceeds. The remaining 25 positions included in the Airport's proposed budget include:

- The Airport will be constructing a new hotel at the Airport. Relatedly, the Airport is requesting a new Manager VII (0942) hotel manager position that will (1) provide project administration during the construction phase (2) develop and oversee the hotel operator agreement and (3) provide operational support once the Airport's proposed hotel is constructed.
- One new Manager IV (0932) of human resources and one new Manager III (0931) of revenue development. The human resources manager will administer the human resources department, which was recently reorganized. The revenue development manager will administer concession lease negotiations, which will increase significantly in the coming year.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: AIR – AIRPORT

- A new Employment and Training Specialist position that will help coordinate the 200 annual interns who serve at the Airport including those interns who are referred from the Mayor’s Interrupt, Predict, and Organize program.
- New positions to administer and curate the Airport’s museum.
- New craft and technical positions to support daily operations at the Airport including, painters, engineers, gardeners and custodians.

The Budget and Legislative Analyst recommends reduction of one 5207 Associate Engineer position, which the Airport can hire by filling existing vacancies, and the delay in hiring one 7381 Automotive Technician until FY 2015-16.

FY 2015-16

The number of full-time equivalent positions (FTE) budgeted for FY 2015-16 is 1,689.75 FTEs, which is 43.83 FTEs more than the 1,645.92 FTEs in the Mayor’s proposed FY 2014-15 budget. This represents a 2.7% increase in FTEs from the Mayor’s proposed FY 2014-15 budget.

The Airport’s positions in FY 2015-16 increase as a result of the annualized FTE count from the FY 2014-15 FTEs. The Airport is requesting 13 new off-budget positions in FY 2015-16 to support the Airport’s capital program. The Airport is also requesting the following 19 new on-budget positions in FY 2015-16;

- Eight new information technology positions to implement new security initiatives like the secure communications network discussed above;
- Ten new craft and technical positions including custodians, gardeners, stationary engineers to support the waste water treatment plant, an electrician supervisor, and an operations supervisor; and
- One Senior Management Assistant to provide additional operational support a the Airport’s museum.

The Budget and Legislative Analyst is recommending approval of these positions.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: AIR – AIRPORT

DEPARTMENT REVENUES:

FY 2014-15

The Department's revenues of \$956,518,049 in FY 2014-15, are \$88,458,568 or 10.2% more than FY 2013-14 revenues of \$868,059,481.

Specific changes in the Department's FY 2014-15 revenues include:

- ***Increased Revenue from Airline Fees, Parking, and Concessions.*** Department forecasts that enplanements (the number of passengers boarding a plane) will increase from FY 2013-14 to FY 2014-15. This will lead to increased revenues from landing fees, airline rental fees, parking and transportation, and other concessions to increase. The Department expects revenues from Airport landing fees to increase based on landed weight forecasts.

Recent increases in service primarily reflect domestic growth, with new or more frequent flights by United Airlines following its merger with Continental Airlines, and the continued expansion of Virgin America. The Airport has also seen an increase in international flights. These changes will lead to increased revenues from landing fees, airline rental fees, parking and transportation, and other concessions.

Under the Airport's residual rate-setting methodology, a break-even policy used by the Airport, airlines that operate at the Airport: (1) provide input on the capital plan under the majority-in-interest provisions and (2) pay landing fees by weight and passenger to guarantee sufficient revenues to provide for Airport operations including debt-service. As a result, the City provides no General Fund revenues to the Airport.

FY 2015-16

The Department's revenues of \$921,465,726 in FY 2015-16, are \$35,052,323 or 3.7% less than FY 2014-15 revenues of \$956,518,049.

Specific changes in the Department's FY 2015-16 revenues include:

- ***Decreased Use of Fund Balance.*** The use of fund balance will decrease in FY 2015-16 because of the one-time increase in payments to fund the Airport's future retiree health benefits in FY 2014-15, which was passed through to airlines.

RECOMMENDATIONS:

FY 2014-15

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$2,291,557 in FY 2014-15. Of the \$2,291,557 in recommended reductions, \$1,941,317 are ongoing savings and \$350,240 are one-time savings. These reductions would still allow an increase of \$86,167,011 or 9.9% in the Department's FY 2014-15 budget.

FY 2015-16

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: AIR – AIRPORT

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$1,745,421 in FY 2015-16. Of the \$1,745,421 in recommended reductions, \$1,728,362 are ongoing savings and \$17,059 are one-time savings.

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

AIR - Airport Commission												
Object Title	FY 2014-15						FY 2015-16					
	FTE		Amount		GF	1T	FTE		Amount		GF	1T
	From	To	From	To			From	To	From	To		
	BG1- Administration											
Professional and Specialized Services			\$120,000	\$75,000	\$45,000					\$120,000	\$75,000	\$45,000
	Decrease the amount budgeted for recruiting services, which was budgeted at \$50,000 in FY 2013-14. Reducing the increase to \$75,000 would still allow for a \$25,000 increase and is consistent with the Airport's usage in FY 2013-14.											
Professional and Specialized Services			\$40,000	\$0	\$40,000					\$40,000	\$0	\$40,000
	The Airport currently receives the same services from DPW through a work-order agreement. In addition, the Airport has an existing contract for incidental hazardous material abatements that it has not billed against in FY 2013-14.											
	BG2 - Business and Finance											
Professional and Specialized Services			\$2,453,300	\$2,403,300	\$50,000					\$2,553,300	\$2,503,300	\$50,000
	Reduces the Airport budget for the SmartCarte contract based on actual use and projected need. Reducing the budget should still allow for 25 percent growth over anticipated use in FY 2013-14.											
Professional and Specialized Services			\$2,359,000	\$2,184,000	\$175,000					\$2,258,500	\$2,017,500	\$241,000
	Reduces professional services contract for risk management services and for financial management consulting services. Risk management services can be provided through existing work order agreements.											
Maintenance Services- Equipment			\$505,566	\$455,566	\$50,000	X						
	Reduce the maintenance services contract based on mid-year contract changes.											
	BG3 - Communications and Marketing											
Professional and Specialized Services			\$600,000	\$575,000	\$25,000					\$675,000	\$650,000	\$25,000
	Reduces the Airport budget for social media based on current uses and projected need.											
	Allows for increase over the previous year based on the Airport's projected needs.											

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

AIR - Airport Commission												
Object Title	FY 2014-15						FY 2015-16					
	FTE		Amount		GF	IT	FTE		Amount		GF	IT
	From	To	From	To			Savings	From	To	From		
BG4 - Chief Operating Officer												
Professional and Specialized Services			\$1,240,000	\$1,075,000	\$165,000					\$1,390,000	\$1,227,000	\$163,000
Reduces the Airport budget for IT professional services contract for the Cornerstone contract based on actual need.												
Maintenance Services- Equipment			\$2,048,750	\$2,033,000	\$15,750					\$4,713,750	\$4,698,000	\$15,750
Reduces the Airport budget for IT equipment maintenance based on reduced cost.												
TBIRD Network Tester			\$120,000	\$89,320	\$30,680		x					
Reduce based on vendor quote.												
Compacting Shelving			\$32,000	\$0	\$32,000		x			\$0	\$0	\$0
Delete purchase of new compacting shelving equipment, which is not needed.												
BG6 - Facilities Maintenance												
6" Plug Valves			\$40,000	\$0	\$40,000		x			\$0	\$0	\$0
Delete purchase of new 6" plug valves, which are not needed.												
Scissor Lift										\$33,342	\$16,283	\$17,059 x
Reduce based on vendor quote.												
3417 Gardener	0.77	0.00	\$49,681	\$0	\$49,681			1.77	1.54	\$174,216	\$151,578	\$22,638
Mandatory Fringe Benefits			\$25,614	\$0	\$25,614					\$57,721	\$50,221	\$7,500
Total Savings \$75,295												
Delete one new gardener position based on projected need. The Airport requested one new gardener each year to address the increased needs from renovated and improved facilities. Rather than hire one new gardener each year, the Budget and Legislative Analyst's Office recommends hiring both gardeners in FY 2015-16 to align staffing with projected needs.												
7381 Automotive Mechanic	2.31	1.54	\$182,933	\$121,955	\$60,978			3.00	2.77	\$242,345	\$223,765	\$18,580
Mandatory Fringe Benefits			\$91,100	\$60,733	\$30,367					\$116,039	\$107,143	\$8,896
Total Savings \$91,344												
Delete one new automotive mechanic. The Airport will allow rideshare companies to drop-off at the Airport without picking up. Delaying one automotive mechanic will align staffing with projected need.												
Adjusts for FY 2015-16 hire date of one automotive mechanic.												

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

AIR - Airport Commission											
Object Title	FY 2014-15						FY 2015-16				
	FTE		Amount				FTE		Amount		
	From	To	From	To	Savings	GF 1T	From	To	From	To	Savings GF 1T
BG7 - Operations and Security											
Professional and Specialized Services			\$1,400,000	\$1,250,000	\$150,000		x				
Reduces a contract between the Airport for customs and border protection to reflect a delay in the new programs start date.											
5207 Associate Engineer	0.77	0.00	\$87,923	\$0	\$87,923			1.00	0.00	\$116,478	\$0
Mandatory Fringe Benefits			\$37,238	\$0	\$37,238					\$47,247	\$0.00
Total Savings \$125,161 \$163,725											
Delete one new associate engineer positions, which the Airport can provide by filling existing vacant positions.											
BG9 - Planning Division											
Professional and Specialized Services			\$500,000	\$325,000	\$175,000					\$250,000	\$125,000
Reduces the budget for master planning based on the Airport's projected need.											
Attrition Savings			(\$5,739,937)	(\$6,339,937)	\$600,000					(\$5,381,428)	(\$5,881,428)
Mandatory Fringe Benefits			(\$2,714,674)	(\$2,998,441)	\$283,767					(\$2,446,093)	(\$2,673,365)
Total Savings \$883,767 \$727,272											
Increase attrition savings based on surplus savings projected in the current fiscal year.											
Training			\$460,000	\$435,000	\$25,000					\$460,000	\$435,000
Reduces the Airport budget for travel based on actual use and projected need.											
Ongoing reduction.											

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

AIR - Airport Commission												
Object Title	FY 2014-15						FY 2015-16					
	FTE		Amount				FTE		Amount			
	From	To	From	To	Savings	1T	GF	1T	From	To	From	To
	BGR - Police Airport Bureau-Non-Personnel Cost											
Professional and Specialized Services												
Explosive Ordinance Disposal Robot												

BUDGET REVIEW EXECUTIVE SUMMARY**YEAR ONE: FY 2014-15****Budget Changes**

The department's proposed \$109,128,326 budget for FY 2014-15 is \$17,454,067 or 19% more than the original FY 2013-14 budget of \$91,674,259.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2014-15 are 267.34 FTEs, which are 7.16 FTEs more than the 260.18 FTEs in the original FY 2013-14 budget. This represents a 2.8% change in FTEs from the original FY 2013-14 budget.

Revenue Changes

The Department's revenues of \$109,128,326 in FY 2014-15 are \$17,454,067 or 19% more than FY 2013-14 revenues of \$91,674,259.

YEAR TWO: FY 2015-16**Budget Changes**

The department's proposed \$109,497,009 budget for FY 2015-16 is \$368,683 or 0.3% more than the Mayor's proposed FY 2014-15 budget of \$109,128,326.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2015-16 are 270.09 FTEs, which are 2.75 FTEs more than the 267.34 FTEs in the Mayor's proposed FY 2014-15 budget. This represents a 1% change in FTEs from the Mayor's proposed FY 2014-15 budget.

Revenue Changes

The Department's revenues of \$109,497,009 in FY 2015-16, are \$368,683 or 0.3% more than FY 2014-15 estimated revenues of \$109,128,326.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: PRT – PORT

RECOMMENDATIONS

YEAR ONE: FY 2014-15

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$735,702 in FY 2014-15, all of which are ongoing savings. These reductions would still allow an increase of \$16,718,365 or 18% in the Department's FY 2014-15 budget.

YEAR TWO: FY 2015-16

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$649,004 in FY 2015-16, all of which are ongoing savings.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: PRT – PORT

SUMMARY OF PROGRAM EXPENDITURES:

Program	FY 2013-2014 Budget	FY 2014-2015 Proposed	Increase/ Decrease from	FY 2015-2016 Proposed	Increase/ Decrease from
			FY 2013-2014		FY 2014-2015
PORT					
ADMINISTRATION	28,017,972	30,088,883	2,070,911	30,451,032	362,149
ENGINEERING & ENVIRONMENTAL	4,512,906	4,741,979	229,073	4,811,188	69,209
MAINTENANCE	37,003,507	46,309,212	9,305,705	49,075,569	2,766,357
MARITIME OPERATIONS & MARKETING	8,104,649	9,373,927	1,269,278	9,627,650	253,723
NON-GRANT CONSTRUCTION PROJECTS	0	3,389,497	3,389,497	0	(3,389,497)
PLANNING & DEVELOPMENT	3,433,220	3,472,142	38,922	3,598,069	125,927
REAL ESTATE & MANAGEMENT	10,602,005	11,752,686	1,150,681	11,933,501	180,815
PORT	91,674,259	109,128,326	17,454,067	109,497,009	368,683

FY 2014-15

The Department's proposed FY 2014-15 budget has increased by \$17,454,067 largely due to:

- Projected opening of the new Cruise Terminal at Pier 27 on September 18, 2014, which will result in additional cruise operating and maintenance costs and shore side power costs, which will be offset by additional passenger cruise revenues.
- \$3.4 million re-appropriation of Non-Grant Construction Projects in FY 2014-15, which reflects the Certificate of Participation (COPs) funding from the America's Cup project that was not required due to reductions in the scope and decreased contracting. The \$3.4 million is proposed to be expended in FY 2014-15 on (a) Amador Street sewer main, (b) pier structure repairs, and (c) public restroom improvements.
- Approximately \$700,000 in new salary and fringe benefit expenses related to new, temporary and substituted positions and approximately \$1.2 million due to increased cost of living adjustments for existing Port employees.
- \$1.1 million increase in workorder expenditures, primarily due to increases in utility costs paid to the Public Utilities Commission and risk management costs.
- New \$4.2 million projected expenditures in both FY 2014-15 and FY 2015-16 for professional services, legal costs, permitting fees, and other City staff expenses related to Waterfront Development projects, which will be fully offset by new developer payments.
- \$12.8 million of capital expenditures in FY 2014-15 which includes (a) pier structure repairs, (b) new restrooms, (c) cargo facility and industrial space enhancements, (d) environmental review and design, and (e) an assessment of the Port's seawall, an approximately four mile critical flood protection and structural support, which was initially constructed between 1876 and 1929.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: PRT – PORT

FY 2015-16

The Department's proposed FY 2015-16 budget has increased by \$368,683 largely due to:

- Annualization of salary and fringe benefit expenses related to new and substituted positions and increased cost of living adjustments for existing Port employees.

SUMMARY OF DEPARTMENT POSITION CHANGES:

FY 2014-15

The number of full-time equivalent positions (FTE) budgeted for FY 2014-15 are 267.34 FTEs, which are 7.16 FTEs more than the 260.18 FTEs in the original FY 2013-14 budget. This represents a 2.8% increase in FTEs from the original FY 2013-14 budget.

Of the 7.16 FTE new positions, 2.11 FTEs are off-budget positions, primarily to annualize last fiscal year's positions and for work on a new Port Information Systems Strategic Plan. The remaining 5.05 FTE new positions reflect the increasing property management, maintenance, communication and temporary salary needs of the Port. In addition, the Port is proposing numerous position substitutions to more accurately reflect the actual job responsibilities.

FY 2015-16

The number of full-time equivalent positions (FTE) budgeted for FY 2015-16 are 270.09 FTEs, which are 2.75 FTEs more than the 267.34 FTEs in the Mayor's proposed FY 2014-15 budget. This represents a 1% increase in FTEs from the Mayor's proposed FY 2014-15 budget.

Of the 2.75 FTE new positions, 2.0 FTEs are off-budget positions assigned to new projects. The remaining .75 FTE increase in positions in FY 2015-16 primarily reflects the annualization of the 5.05 FTE new positions added as 0.77 FTE in FY 2014-15.

DEPARTMENT REVENUES:

FY 2014-15

The Department's revenues of \$109,128,326 in FY 2014-15, are \$17,454,067 or 19% more than FY 2013-14 revenues of \$91,674,259.

Specific significant changes in the Department's FY 2014-15 revenues include:

- \$2.8 million from the new Pier 27 Cruise Terminal opening on September 18, 2014 from additional projected passenger volumes, wharfage, dockage, a new passenger facility charge and related parking charges.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: PRT – PORT

- Approximately \$3.7 million increase from parking meter collections, parking lots and parking fine revenues.
- Approximately \$1.7 million increased revenues from commercial and percentage lease rentals of Port property and facilities.

FY 2015-16

The Department's revenues of \$109,497,009 in FY 2015-16, are \$368,683 or 0.3% more than FY 2014-15 estimated revenues of \$109,128,326.

Specific changes in the Department's FY 2015-16 revenues include:

- Approximately \$1.2 million increase from parking meter collections, parking lots and parking fine revenues.
- Approximately \$2.5 million increased revenues from commercial and percentage lease rentals of Port property and facilities.
- Approximately \$1.3 million of increased cruise services revenues.
- Offset by reduction of approximately \$4.5 million in beginning fund balance for the Port.

POLICY CONSIDERATION:

Given that the Port must rely exclusively on its own revenues to support its operations, on February 26, 2008, the Port Commission approved a resolution (Resolution No. 08-12) to maintain an operating reserve of 15% of Port annual operating expenses, which would be available in the event of a major emergency.

In addition, historically, the Port's capital budget has been too low to adequately address the Port's aging infrastructure and capital improvement needs. As a result, the Port has been facing an increasing backlog of facility maintenance issues and deferred capital investment. To begin to address this growing capital investment need, on March 13, 2012, the Port Commission approved a resolution (Resolution No. 12-22) that a minimum of 20% of the Port's annual operating revenues would be set aside to fund capital expenditures.

In accordance with the Port's approved policy, the Port's FY 2014-15 and FY 2015-16 budgets include a 15% unappropriated operating reserve. In addition, the Port's FY 2015-16 budget includes 20% of the annual operating revenues for capital expenditures, in accordance with Port policy. However, the Port's FY 2014-15 budget only includes 19% of the annual operating revenues for capital expenditures, which is 1% or \$704,549 less than required, in accordance with Port policy. The Budget and Legislative Analyst recommends reductions in the FY 2014-15 budget totaling \$735,702, which can be designated for capital expenditures, and achieve the Port's 20% capital contribution minimum.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: _____ **PRT – PORT**

RECOMMENDATIONS:

FY 2014-15

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$735,702 in FY 2014-15, all of which are ongoing savings. These reductions would still allow an increase of \$16,718,365 or 18% in the Department’s FY 2014-15 budget.

FY 2015-16

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$649,004 in FY 2015-16, all of which are ongoing savings.

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

PRT -Port

Object Title	FY 2014-15					FY 2015-16				
	FTE		Amount			FTE		Amount		
	From	To	From	To	Savings	GF	1T	From	To	Savings
	BKZ - Real Estate & Management									
Maintenance Services-Bldgs			\$750,000	\$720,000	\$30,000			\$795,000	\$765,000	\$30,000
	Reduce janitorial expenses by \$30,000 given proposed increase of \$160,000 and current year trends reflect lower projected expenditures.									
	Ongoing savings, which still allows increase of \$45,000 in FY 2015-16.									
	BKY - Maintenance									
Workorder-Workers Comp			\$956,086	\$900,000	\$56,086			\$999,544	\$925,000	\$74,544
	Reduce Workers Compensation workorder to reflect most current projections for claims.									
	Reduce Workers Compensation workorder to reflect most current projections for claims adjusted for FY 2015-16.									
Attrition Savings	(0.25)	(0.75)	(\$22,231)	(\$66,693)	\$44,462			(\$22,678)	(\$68,034)	\$45,356
Mandatory Fringe Benefits			(\$10,567)	(\$31,701)	\$21,134			(\$10,371)	(\$32,338)	\$21,967
	Increase Attrition Savings based on surplus salary savings projected in current fiscal year.									
	Ongoing savings.									
	BK9 - Engineering & Environmental									
Engineer/Architect	0.77	0.00	\$117,865	\$0	\$117,865			1.00	0.00	\$156,145
Mandatory Fringe Benefits			\$44,779	\$0	\$44,779					\$56,375
Administrative Engineer	(0.77)	0.00	(\$109,484)	\$0	(\$109,484)			(1.00)	0.00	(\$145,042)
Mandatory Fringe Benefits			(\$42,701)	\$0	(\$42,701)					(\$53,814)
	Total Savings \$10,459									
	Given the other position changes in the Department, do not approve this upward substitution, which is not required at this time.									
	Ongoing savings.									
	BKD - Maritime Operations & Marketing									
Professional & Specialized Services			\$1,110,000	\$980,000	\$130,000					\$1,050,000
	Reduce to reflect that current year expenditures for cargo services are trending lower.									
	Ongoing savings, which still allows increase of \$70,000 for cargo services in FY 2015-16.									
	BKO- Administration									
Equipment Purchase	2.00	1.00	\$59,880	\$29,940	\$29,940			2.00	1.00	\$62,872
	Reduce the number of replacement sedans to be purchased from 2 vehicles to 1 vehicle as mileage does not warrant replacement of both vehicles.									
Minor Data Processing Equip			\$171,253	\$46,253	\$125,000					\$226,611
	Defer the procurement of this software search tool as the Port is not ready to move forward during the next fiscal year.									
	Minor reduction reflects Port's ability to purchase new software search tool in FY 2015-16.									

GF = General Fund
1T = One Time

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

PRT -Port

Object Title	FY 2014-15					FY 2015-16				
	FTE		Amount			FTE		Amount		
	From	To	From	To	Savings	GF	1T	From	To	Savings
Debt Service			\$7,763,908	\$7,475,287	\$288,621			\$7,662,037	\$7,372,500	\$289,537
The Port will be issuing \$22.3 million of 2014 revenue bonds for the new Cruise Terminal on Wednesday, May 14, 2014. The Port's proposed budget reflects a blended tax and tax-exempt interest rate of 5.16%. However, the Port is now estimating a blended tax and tax-exempt interest rate of 4.45%, a reduction of .71%, such that the Port will realize annual savings in debt service costs. The actual savings will be adjusted in the Port's FY 2014-15 budget based on the final sale of the bonds.						The Port will be issuing \$22.3 million of 2014 revenue bonds for the new Cruise Terminal on Wednesday, May 14, 2014. The Port's proposed budget reflects a blended tax and tax-exempt interest rate of 5.16%. However, the Port is now estimating a blended tax and tax-exempt interest rate of 4.45%, a reduction of .71%, such that the Port will realize annual savings in debt service costs. The actual savings will be adjusted in the FY 2015-16 budget based on the final sale of the bonds.				

FY 2014-15

Total Recommended Reductions

	One-Time	Ongoing	Total
General Fund	\$0	\$0	\$0
Non-General Fund	\$0	\$735,702	\$735,702
Total	\$0	\$735,702	\$735,702

FY 2015-16

Total Recommended Reductions

	One-Time	Ongoing	Total
General Fund	\$0	\$0	\$0
Non-General Fund	\$0	\$649,004	\$649,004
Total	\$0	\$649,004	\$649,004

Item 10
File 14-0447

Department:
Port

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Port to accept and expend a 90% matching grant in the amount of \$2,970,000 from the U.S. Department of Transportation Rail Line Relocation and Improvement Grant Program to fund rail infrastructure improvements at the Quint Street Lead Track, for the term of April 1, 2012 through July 31, 2015. The Port will additionally provide 10% matching funds of \$330,000 towards the total project cost of \$3,300,000.

Key Points

- The Quint Street Lead Track is an approximately nine-tenth of a mile freight rail track that connects the Peninsula corridor mainline with the Port of San Francisco Rail Yard. The Quint Street Lead Track is jointly owned by the BNSF Railway and Union Pacific Railroad Company.
- The current state of the Quint Street Lead Track limits the speed, frequency, weight and length of trains that can use the track, causing delays to both rail and road traffic. In addition, there are many locations where the track has rotted ties, with the potential for derailments.
- Given that the preliminary design and environmental review are already completed, once the U.S. Department of Transportation Federal Railroad Administration's Rail Line Relocation and Improvement Grant is signed, the Port will award a contract for final architectural and engineering services from the Port's existing as-needed architectural and engineering firms, advertise and award a construction contract through an Invitation to Bid (ITB) process, and manage the construction using City staff.

Fiscal Impacts

- The total estimated cost for the Quint Street Lead Project is \$3,300,000. The U.S. Department of Transportation Federal Railroad Administration's Rail Line Relocation and Improvement Grant provides a 90% matching grant of the total project costs, or \$2,970,000, based on the total estimated project cost of \$3,300,000.
- The \$330,000 Port matching funds were previously appropriated in FY 2012-13 under the Port's Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of \$100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors' approval.

BACKGROUND

In October 2010, the Port applied to the U.S. Department of Transportation Federal Railroad Administration's Rail Line Relocation and Improvement Grant Program¹ for a 90% matching grant in the amount of \$2,970,000 to fund rail infrastructure improvements at the Quint Street Lead Track, located on the south side of Islais Creek in San Francisco. A map of the Quint Street Lead Track is attached to the end of this report. The Quint Street Lead Track is an approximately nine-tenths of a mile freight rail track that connects the Peninsula corridor mainline with the Port of San Francisco Rail Yard. The Quint Street Lead Track is jointly owned by the BNSF Railway and Union Pacific Railroad Company. In September 2011, the U.S. Department of Transportation awarded the full amount of \$2,970,000 to the Port.

Ms. Meghan Wallace, Budget Manager for the Port of San Francisco, advises that since late 2011, when the Port was notified about this grant award, the Port has completed the necessary environmental reviews for this project, which concluded in April, 2014. According to Ms. Wallace, the City Attorney advised the Port to wait until the environmental reviews were complete before introducing the proposed resolution to the Board of Supervisors.

According to Ms. Wallace, the Quint Street Lead Track is in poor condition, limiting the speed, frequency, weight and length of trains that can use the track, causing delays. In addition, there are many locations where the track has rotten ties, increasing the potential for derailments. Ms. Wallace notes that further delays on the Quint Street Lead Track can impact rail traffic and motor vehicle traffic where the track crosses three major roadways at Evans Avenue, Third Street, and Illinois Street. Port staff estimates that without infrastructure improvements to the Quint Street Lead Track, motor vehicles will face prolonged delays of three minutes at Evans Avenue, five minutes at Third Street, and five minutes at Illinois Streets.

¹ The U.S. Department of Transportation Federal Railroad Administration's Rail Line Relocation and Improvement Grant Program's goal is to assist projects that improve community livability and promote economic development by addressing the effects of rail traffic on safety, roadway and pedestrian traffic, overall quality of life and local area commerce.

DETAILS OF LEGISLATION

The proposed resolution would authorize the Executive Director of the Port to accept and expend \$2,970,000 in grant funds from the U.S. Department of Transportation Rail Line Relocation and Improvement Grant Program and to conduct all negotiations, execute, and submit all documents necessary to secure the grant funds. Under the proposed resolution, the Port would be required to provide 10% matching funds of the total estimated program costs of \$3,330,000 or \$330,000 and the Board of Supervisors would waive inclusion of indirect costs as part of the grant budget and indemnify the Federal Railroad Administration for liability associated with the grant funds. The term of the proposed grant is from April 1, 2012 through July 31, 2015.

The planned improvements to the Quint Lead Street Track will upgrade the track from an “industrial lead” which limits train speeds to approximately 5 mph, to a “Class 1 track,” which will allow for speeds of 10-25 mph. This upgrade will be achieved by: 1) removing and reconstructing approximately 3,300 feet of existing track with heavy rail and ties (from just north of Jerrold Ave to west of 3rd Street; 2) improving or eliminating tracks that are embedded in the street and run along Rankin Street from dead end to Evans Avenue; 3) improving track conditions that are embedded in the street along Quint Street from Davidson Avenue to Third Street; and 4) reinforcing and upgrading, as required, utilities underneath the track to withstand a standard railcar bearing maximum total weight. In addition, the Port will complete engineering design for (a) replacing a manual switch on the Main Line with an electronic switch (expected to be a future project); (b) installing conduits for future communication among the signal systems from the main line switch to the Third Street crossing; and (c) reducing grade and upgrading the track from the Peninsula corridor mainline switch to just south of Jerrold Avenue crossing.

The Port has two rail-served cargo terminals that will benefit from improvements on the Quint Lead Street Track. Pier 80 is San Francisco Bay’s only break-bulk cargo terminal² and Pier 94/96 currently is a dry-bulk cargo terminal.³ The improvements will allow freight trains to operate at higher speeds, reducing delays to Muni Third Street light rail trains, Caltrain commuter trains and future high-speed rail trains.

Table 1 below identifies the Quint Street Lead Track’s project timeline.

² Break-bulk cargo is packaged or container cargo, usually manufactured goods.

³ Dry-bulk cargo is stowed in bulk, such as grain or cotton, and is usually dropped or poured into a bulk carrier’s hold (tank/truck/trailer’s body).

Table 1: Quint Street Lead Project Timeline

Phase Title	Description	Status
Phase 1: Preliminary Design	Complete investigations, conceptual engineering and cost estimates as required to define the scope of the project	Complete
Phase 2: Environmental Review	Review of environmental impact to conform with Federal and State standards	Complete
Phase 3: Entitlements	Negotiate and secure all required approvals for the project.	In Progress
Phase 4: Final Design	All work necessary to complete engineering, plans, specifications and cost estimating	June 2014 - November 2014
Phase 5: Bid/Award	Advertise and Award the Construction Contract	December 2014 - April 2015
Phase 6: Construction	Construction	May 2015 – December 2015

As noted above, the U.S. Department of Transportation Rail Line Relocation and Improvement Grant funding expires July 31, 2015 which is approximately five months before the expected construction completion date in December 2015. Ms. Wallace advises that the U.S. Department of Transportation grant staff is aware of the need for the Port's funding extension and has advised the Port to continue with the subject City approvals.

FISCAL IMPACTS

The total estimated cost for the Quint Street Lead Track Project is \$3,300,000. The U.S. Department of Transportation Federal Railroad Administration's Rail Line Relocation and Improvement Grant provides a 90% matching grant of the total project costs, or \$2,970,000, based on the total estimated project cost of \$3,300,000. As required by the U.S. Department of Transportation grant, the Port will provide 10% matching funds of the total project costs, or \$330,000 of the total estimated project cost of \$3,300,000. Port funds were previously appropriated by the Board of Supervisors in FY 2012-13 under the Port's Piers 80, 92, 96 Rail Track Maintenance and Upgrade Project.

Table 2 below summarizes the Quint Street Lead Track project budget and the Port's matching portion.

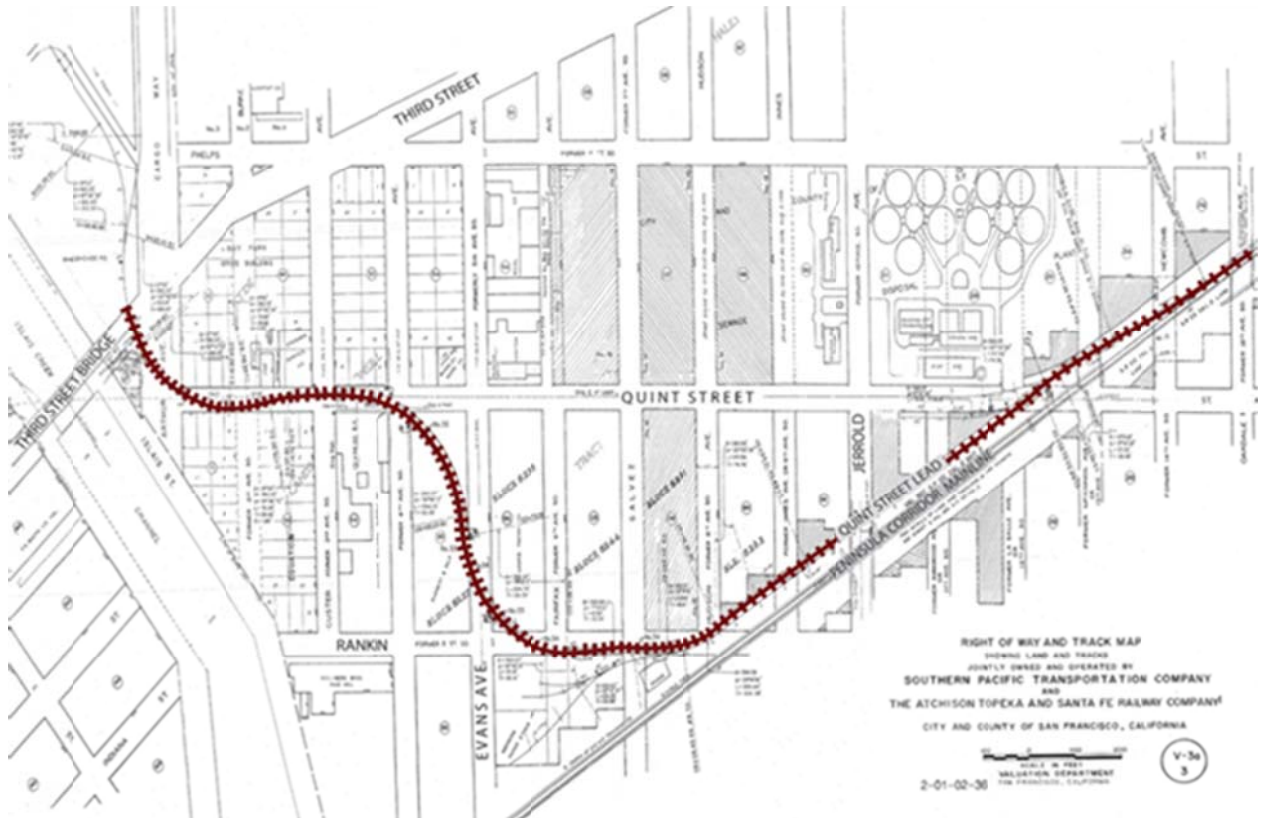
Table 2: Total Quint Street Lead Track Project Budget

Cost Classification	U.S. Department of Transportation Grant Funds	Port Department Budget Funds	Total Cost
Administrative and Legal Expenses	\$148,500	\$16,500	\$165,000
Land, Structure, Rights-of-Way, Appraisal, etc.	27,000	3,000	30,000
Architectural and Engineering Fees	256,500	28,500	285,000
Project Inspection Fees	54,000	6,000	60,000
Site Work	270,000	30,000	300,000
Demolition and Removal	270,000	30,000	300,000
Construction	1,620,000	180,000	1,800,000
Miscellaneous	54,000	6,000	60,000
Contingencies	270,000	30,000	300,000
TOTAL	\$ 2,970,000	\$ 330,000	\$3,300,000

According to Ms. Wallace, to date, the Port has not expended any funds on the Quint Street Lead Track project. However, given that the preliminary design and environmental review are already completed, once the U.S. Department of Transportation Federal Railroad Administration's Rail Line Relocation and Improvement Grant is signed, the Port will award a contract for final design and engineering services from the Port's existing as-needed architectural and engineering firms, and then advertise and award a construction contract through an Invitation to Bid (ITB) process. Ms. Wallace advises that Port staff will manage and oversee the final design and construction of the project.

RECOMMENDATION

Approve the proposed resolution.



BUDGET REVIEW EXECUTIVE SUMMARY**YEAR ONE: FY 2014-15****Budget Changes**

The Department's proposed \$108,317,467 budget for FY 2014-15 is \$7,786,092 or 7.7% more than the original FY 2013-14 budget of \$100,531,375.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2014-15 is 662.77 FTEs, which is 10.55 FTEs more than the 652.22 FTEs in the original FY 2013-14 budget. This represents 1.6% increase from the FTEs in the original FY 2013-14 budget.

Revenue Changes

The Department's revenues of \$47,177,467 in FY 2014-15 are \$4,336,092 or 10.1% more than FY 2013-14 revenues of \$42,841,375. General Fund support of \$61,140,000 in FY 2014-15 is \$3,450,000 or 6.0% more than FY 2013-14 General Fund Support of \$57,690,000.

YEAR TWO: FY 2015-16**Budget Changes**

The Department's proposed \$114,054,309 budget for FY 2015-16 is \$5,736,842 or 5.3% more than the proposed FY 2014-15 budget of \$108,317,467.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2015-16 is 665.10 FTEs, which is 2.33 FTEs more than the 662.77 FTEs in the proposed FY 2014-15 budget. This represents 0.4% increase from the FTEs from the proposed FY 2014-15 budget

Revenue Changes

The Department's revenues of \$48,664,309 in FY 2015-16 are \$1,486,842 or 3.2% more than FY 2014-15 revenues of \$47,177,467. General Fund support of \$65,390,000 in FY 2015-16 is \$4,250,000 or 7.0% more than FY 2014-15 General Fund Support of \$61,140,000.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT:

LIB – LIBRARY

RECOMMENDATIONS

YEAR ONE: FY 2014-15

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$418,611 in FY 2014-15. Of the \$418,611 in recommended reductions, all are ongoing savings. These reductions would still allow an increase of \$7,367,481 or 7.3 percent in the Department's FY 2014-15 budget. Of these recommendations \$0 are General Fund reductions.

The Budget and Legislative Analyst recommends placing a Controller's Reserve of \$1,260,000 on sales proceeds for the City-owned property at 190 9th Street pending sale of the property and receipt of the sales proceeds.

The Budget and Legislative Analyst recommends placing a Budget and Finance Committee Reserve of \$1,680,000 for property rent to relocate Library staff and archives from Brooks Hall and 190 9th Street to a new location that has not been identified, pending submission of a proposed lease for the new location to the Board of Supervisors for approval.

YEAR TWO: FY 2015-16

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$415,971 in FY 2015-16. Of the \$415,971 in recommended reductions, all are ongoing savings. These reductions would still allow an increase of \$5,320,871 or 4.9 percent in the Department's FY 2015-16 budget. Of these recommendations \$0 are General Fund reductions.

RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16

DEPARTMENT: LIB – LIBRARY

SUMMARY OF PROGRAM EXPENDITURES:

Program	FY 2013-2014 Budget	FY 2014-2015 Proposed	Increase/ Decrease from FY 2013-2014	FY 2015-2016 Proposed	Increase/ Decrease from FY 2014-2015
PUBLIC LIBRARY					
ADULT SERVICES	\$400,000	\$400,000	\$0	\$400,000	\$0
BRANCH PROGRAM	21,047,341	21,075,515	28,174	20,257,932	(817,583)
CHILDREN'S BASELINE	8,926,363	11,254,473	2,328,110	11,497,739	243,266
CHILDREN'S SERVICES	1,289,182	0	(1,289,182)	0	0
COLLECTION TECHNICAL SERVICES	14,086,975	16,425,730	2,338,755	17,228,868	803,138
COMMUNITY PARTNERSHIPS AND PROGRAMMING	1,024,781	1,251,230	226,449	1,265,622	14,392
FACILITES	15,127,215	16,905,305	1,778,090	17,421,323	516,018
INFORMATION TECHNOLOGY	7,712,214	8,424,231	712,017	8,385,839	(38,392)
LIBRARY ADMINISTRATION	13,255,115	13,984,002	728,887	18,833,563	4,849,561
MAIN PROGRAM	17,662,189	18,596,981	934,792	18,763,423	166,442
PUBLIC LIBRARY	\$100,531,375	\$108,317,467	\$7,786,092	\$114,054,309	\$5,736,842

FY 2014-15

The Department's proposed FY 2014-15 budget has increased by \$7,786,092 largely due to the following major library initiatives:

- ***A Pilot Program For Online Diplomas.*** The proposed FY 2014-15 budget includes funding for a new pilot program, Career Online High School, to help adults earn online diplomas. The pilot program is based on a similar pilot in Los Angeles and is, in part, matched during the first year by additional funding from the Clinton Foundation.
- ***New Space.*** The Library currently stores book archives and other materials, at no cost to the Library, in Brooks Hall, which is a City-owned space located below the Civic Center Plaza that the Library shares with other departments. According to Ms. Maureen Singleton, Library Chief Financial Officer, the space at Brooks Hall is close to the main library but does not adequately meet the needs of the Library. In addition, the Real Estate Division would like to repurpose the space at Brooks Hall and potentially charge rent to new occupants. The proposed FY 2014-15 budget includes \$1,680,000 in property rent for a potential new lease at a space to be determined and under provisions to be negotiated by the Real Estate Division.
- ***Increase in Library hours.*** City Charter Section 16.109 requires the Library to survey Library stakeholders and to set its hours accordingly for a term of up to five years. The proposed budget includes additional funding that would increase hours of operations at the Library for the Blind and for deaf services.

RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16

DEPARTMENT: LIB – LIBRARY

- ***Continued investment in collections and technology.*** The Library continues to invest in its print books collection but is also expanding its investment in eResources such as eBooks, eMusic, eVideo, databases, and eLearning. The Library focuses on upgrading its servers, networks, bandwidth, infrastructure and improving public access to technology to help close the City's digital divide through initiatives such as the laptop lending program and eReaders and tablets investment.

FY 2015-16

The Department's proposed FY 2015-16 budget has increased by \$5,736,842 due largely to investment in collections and technology.

SUMMARY OF DEPARTMENT POSITION CHANGES:

FY 2014-15

The number of full-time equivalent positions (FTE) budgeted for FY 2014-15 is 662.77 FTEs, which are 10.55 FTEs more than the 652.22 FTEs in the original FY 2013-14 budget. This represents a 1.6 percent increase from the FTEs from the original FY 2013-14 budget.

The Library is requesting 7 new positions in FY 2014-15 that include 2 positions for information technology, 2 positions for security, 1 custodial supervisor, and 2 custodians.

FY 2015-16

The number of full-time equivalent positions (FTE) budgeted for FY 2014-15 are 665.10 FTEs, which is 2.33 FTEs more than the 662.77 FTEs in the proposed FY 2014-15 budget. This represents 0.4 percent increase from the FTEs from the proposed FY 2014-15 budget.

This change reflects an annualizing of the positions requested in the FY 2014-15 budget.

DEPARTMENT REVENUES:

FY 2014-15

The Department's revenues of \$47,177,467 in FY 2014-15 are \$4,336,092 or 10.1 percent more than FY 2013-14 revenues of \$42,841,375. General Fund support of \$61,140,000 in FY 2014-15 is \$3,450,000 or 6.0 percent more than FY 2013-14 General Fund Support of \$57,690,000.

Specific changes in the Department's FY 2014-15 revenues include:

- An increase in the Library's General Fund allocation as required under the City Charter. City Charter Section 16.109 requires the City to annually appropriate a General Fund

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2014-15 AND FY 2015-16**

DEPARTMENT: LIB – LIBRARY

amount that is equal to the General Fund amount included in the FY 2006-07 Library budget and increased or decreased by the same proportionate change in aggregate City and County discretionary revenues.

- An increase in property tax allocations as required under the City Charter. City Charter Section 16.109 also requires the City to allocate \$0.025 per \$100 of assessed value of property in the City. The property tax allocation amount of \$39,016,000 in FY 2014-15 is \$2,884,000, or 8.0 percent, more than the property tax allocation amount of \$36,132,000 in FY 2013-14.
- A \$1,260,000 increase in FY 2014-15 from the presumed sale of a City-owned building located at 190 9th Street that the Library uses for administrative staff.

FY 2015-16

The Department's revenues of \$48,664,309 in FY 2015-16 are \$1,486,842 or 3.2 percent more than FY 2014-15 revenues of \$47,177,467. General Fund support of \$65,390,000 in FY 2015-16 is \$4,250,000 or 7.0 percent more than FY 2014-15 General Fund support of \$57,690,000.

RECOMMENDATIONS:

FY 2014-15

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$418,611 in FY 2014-15. Of the \$418,611 in recommended reductions, all are ongoing savings. These reductions would still allow an increase of \$7,367,481 or 7.3 percent in the Department's FY 2014-15 budget. Of these recommendations \$0 are General Fund reductions.

The Budget and Legislative Analyst recommends placing a Controller's Reserve of \$1,260,000 on sales proceeds for the City-owned property at 190 9th Street pending sale of the property and receipt of the sales proceeds.

The Budget and Legislative Analyst recommends placing a Budget and Finance Committee Reserve of \$1,680,000 for property rent to relocate Library staff and archives from Brooks Hall and 190 9th Street to a new location that has not been identified, pending submission of a proposed lease for the new location to the Board of Supervisors for approval.

FY 2015-16

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$415,971 in FY 2015-16. Of the \$415,971 in recommended reductions, all are ongoing savings. These reductions would still allow an increase of \$5,320,871 or 4.9 percent in the Department's FY 2015-16 budget. Of these recommendations \$0 are General Fund reductions.

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

LIB - Public Library

Object Title	FY 2014-15						FY 2015-16														
	FTE		Amount		GF	1T	FTE		Amount		GF	1T									
	From	To	From	To			Savings	To	From	To			Savings								
EIB - Library Admin																					
Other Current Expenses			\$	6,000	\$	-	\$	6,000	\$	-	\$	6,000	\$	-							
Based on historical expenditures and projected need.																					
EGG - Information Technology																					
Software Licensing Fees			\$	1,198,079	\$	1,163,079	\$	35,000	\$	-	\$	1,217,655	\$	1,182,655	\$	35,000	\$	-			
Based on historical expenditures and projected need.																					
Data Processing and Supplies																					
Based on historical expenditures and projected need.																					
Data Processing / Word Processing Equipment																					
Based on historical expenditures and projected need.																					
Based on historical expenditures and projected need.																					
Departmentwide																					
Attrition Savings				\$	(3,203,903)	\$	(3,338,903)	\$	135,000	\$	-			\$	(3,268,229)	\$	(3,403,229)	\$	135,000	\$	-
Mandatory Fringe Benefits				\$	(1,604,595)	\$	(1,672,206)	\$	67,611	\$	-			\$	(1,572,883)			\$	64,971	\$	-
					Total Savings	\$	202,611							Total Savings	\$	199,971					
Based on historical expenditures and projected need.													Ongoing savings.								

FY 2014-15

Total Recommended Reductions

	One-Time		Ongoing		Total	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-General Fund	\$ -	\$ -	\$ 418,611	\$ 418,611	\$ 418,611	\$ 418,611
Total	\$ -	\$ -	\$ 418,611	\$ 418,611	\$ 418,611	\$ 418,611

FY 2015-16

Total Recommended Reductions

	One-Time		Ongoing		Total	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-General Fund	\$ -	\$ -	\$ 415,971	\$ 415,971	\$ 415,971	\$ 415,971
Total	\$ -	\$ -	\$ 415,971	\$ 415,971	\$ 415,971	\$ 415,971

**Recommendations of the Budget and Legislative Analyst
For Amendment of Budget Items in the FY 2014-15 and FY 2015-16 Two-Year Budget**

LIB - Public Library

Object Title	FY 2014-15						FY 2015-16					
	FTE		Amount				FTE		Amount			
	From	To	From	To	Savings	GF	From	To	From	To	Savings	GF
Reserve Recommendations												
Other City Property Rentals			\$1,284,288	\$24,288	\$0							
	The Department proposes to sell a City-owned building at 190 9th Street. Place \$1,260,000 in projected sales proceeds on Controller's Reserve pending sale of 190 9th Street.											
Property Rent			\$1,722,192	\$42,192	\$0							
	The Department proposes to relocate Library staff and archives from Brooks Hall and 190 9th Street to a new location that has not yet been identified. Place \$1,680,000 on Budget and Finance Committee Reserve, pending submission of a proposed lease for a new location to the Board of Supervisors for approval.											

FY 2013-14

Total Reserve Recommendations

	One-Time	Ongoing	Total
General Fund	\$0	\$0	\$0
Non-General Fund	\$1,680,000	\$0	\$1,680,000
Total	\$1,680,000	\$0	\$1,680,000

FY 2014-15

Total Reserve Recommendations

	One-Time	Ongoing	Total
General Fund	\$0	\$0	\$0
Non-General Fund	\$0	\$0	\$0
Total	\$0	\$0	\$0