

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**

1390 Market Street, Suite 1150, San Francisco, CA 94102
(415) 552-9292 FAX (415) 252-0461

To: Budget and Finance Committee
From: Budget and Legislative Analyst
Date: June 24, 2014
Re: In Depth Analysis of the Mayor's Proposed FY 2014-15 Budget



Consistent with the Budget and Legislative Analyst's FY 2013-14 work plan, the Budget and Legislative Analyst conducted an in-depth analysis of the Mayor's proposed FY 2014-15 budget to show (1) major changes in revenues and increases in City General Fund allocations; (2) major new initiatives; and, (3) new resources to City departments. We have also analyzed new proposed positions, including management positions; and positions that have been reassigned from grant funds to the General Fund.

This report contains policy options for additional significant budget reductions for consideration by the Budget and Finance Committee of the Board of Supervisors, beyond those budget recommendations made by the Budget and Legislative Analyst during the past two weeks.

cc: Supervisor Farrell, Chair
Supervisor Mar
Supervisor Avalos
Supervisor Breed
Supervisor Wiener
President Chiu
Supervisor Campos
Supervisor Cohen
Supervisor Kim
Supervisor Mar
Supervisor Tang
Supervisor Yee

Mayor Lee
City Administrator
Clerk of the Board
Kate Howard
Controller
Jon Givner

EXECUTIVE SUMMARY

The Mayor's proposed FY 2014-15 budget has increased by \$658 million or 8.3 percent, from \$7.9 billion in FY 2013-14 to \$8.6 billion in FY 2014-15. Of the \$8.6 billion budget, \$4.3 billion is General Fund. The City Charter establishes Property Tax set-asides, baseline transfers and General Fund reserves based on these General Fund revenues, as discussed further below. The balance of General Fund revenues, after Property Tax set-asides, baseline transfers and General Fund reserves are available for appropriation to City departments and programs.

Sources of funds for the City's General Fund departments consist of department revenues and direct General Fund Support. Direct General Fund support to City departments of \$3.0 billion in the Mayor's FY 2014-15 budget, which are discretionary revenues, is an increase of \$266.8 million or approximately 9.8 percent from direct General Fund support of \$2.73 billion in the FY 2013-14 budget adopted by the Board of Supervisors.

Although the Budget and Legislative Analyst has not made specific recommendations to further reduce the proposed FY 2014-15 budget beyond the recommendations made by the Budget and Legislative Analyst during the past two weeks on a department by department basis, this report does present policy options for the Board of Supervisors to consider for further reducing the Mayor's proposed FY 2014-15 budget.

REVENUES

The budget increase of \$658 million includes increases in revenues due to increased Property Tax receipts, increased hotel room tax receipts, and implementation of the Gross Receipts Tax on January 1, 2014. While the Controller in his FY 2014-15 and FY 2015-16 Revenue Letter states that these tax revenue estimates are reasonable given current economic assumptions, he noted that tax revenues are influenced by State and federal policies, and by national economic developments that may impact the local economy.

EXPENDITURES

The major increases in the Mayor's proposed FY 2014-15 budget of \$8.6 billion are for salaries and benefits, professional and contractual services, and aid assistance and grants (further described in the body of this report below).

Of the \$266.8 million increase in direct General Fund support to City departments, \$204.5 million or 76.6 percent of the increase is allocated to General City Responsibility, the Department of Public Health, and the Department of Public Works.

- Increased direct General Fund support to the Department of Public Health includes (1) preparation for the opening of the new San Francisco General Hospital, including the purchase of furniture, fixtures, and equipment as well as transition planning costs and (2) investments in primary care clinics and information technology to prepare San Francisco's health delivery network for implementation of the federal Affordable Care Act.

- Increased direct General Fund support to the Department of Public Works is primarily to fund the City's street repaving program after the Road Repaving and Street Safety bond funds are expended.

Table 7 below in the body of this report shows the increases in direct General Fund support to City departments.

Positions and Salaries

The Mayor's proposed FY 2014-15 budget increases the number of full time equivalent (FTE) positions by 827.97, from 27,669.14 FTEs in FY 2013-14 to 28,497.11 FTEs in FY 2014-15, an increase of 3.0 percent. Table 8 below shows the changes in FTEs by department in FY 2014-15. Details of position changes have previously been included in the Budget and Legislative Analyst's detailed budget reports to the Budget and Finance Committee and the full Board of Supervisors.

Many of the new positions in the FY 2014-15 budget are permanent positions, committing the City to new long term salary and fringe benefit costs. However, as noted in the budget projections jointly prepared by the Mayor's Office, the Controller's Office and the Budget and Legislative Analyst's Office for FY 2014-15 through FY 2017-18, "the current economic expansion began over four and a half years ago. It would be an historic anomaly to not experience a recession within the projection period of this report." Therefore, the level of revenues that support the growth in salaries and fringe benefits in FY 2014-15 may not continue over the next four years.

Further, the City's salaries and fringe benefits budget provides funding that exceeds City departments' actual staffing based on prior expenditure history. In FY 2013-14, the Controller has projected a year-end salary surplus of \$38.8 million for City General Fund departments, or 1.9 percent of FY 2013-14 budgeted salaries of \$2.0 billion.¹

Policy Option

- The Budget and Legislative Analyst has previously recommended during the past two weeks salary reductions of \$4.1 million in City General Fund departments' FY 2014-15 budgets. The Budget and Finance Committee may wish to further reduce salary and related fringe benefit expenditures in FY 2014-15 due to the large projected salary and fringe benefit surpluses in FY 2013-14 and growth in salary expenditures in the FY 2014-15 budget. A salary and fringe benefit reduction of 0.25 percent ($\frac{1}{4}$ of one percent) in City General Fund departments in FY 2014-15 equals \$7.8 million.² Based on our analysis of City departments' budgets, an across-the-board salary and related fringe benefit reduction of $\frac{1}{4}$ of one percent will not impact service levels. The Board of Supervisors

¹ This amount does not include fringe benefits since fringe benefits are a function of salaries. Also, although salaries may be budgeted in the General Fund, the actual source may be state, federal or other funds specific to the department.

² Some of these savings may not accrue to the General Fund if the funding source is state, federal or other funds specific to the department.

could exempt smaller departments from an across-the-board reduction if the Board wishes to do so.

Programmatic Projects

General fund expenditures for programmatic projects are proposed to increase by \$103 million over a two-year period or 858 percent, from \$12 million in FY 2012-13 to \$115 million in FY 2014-15. The Mayor's proposed FY 2014-15 budget rolls up salaries, contractual services and other project expenditures into a single line item titled programmatic projects. These are continuing projects in which unexpended funds are carried forward each year into the next fiscal year. Because the programmatic projects do not identify expenditures by specific details (salaries, contracts, equipment), and because unexpended funds can be carried forward from year to year, the budget does not provide the Board of Supervisors with sufficient information on planned expenditures in the fiscal year.

The two largest General Fund programmatic projects in FY 2014-15 are \$56 million for the procurement of furniture, fixtures, and equipment for the new San Francisco General Hospital, which is scheduled to open in late 2015 and \$25 million for the Housing Trust Fund.

Policy Option

- The Mayor has significantly increased the use of programmatic projects as a method for budgeting project-specific expenditures. Expenditures proposed under programmatic projects have increased from \$12 million in FY 2012-13 to \$115 million in FY 2014-15, an increase of 858 percent in two years. Programmatic project budgeting does not provide the Board of Supervisors sufficient transparency for understanding the various costs associated with proposed projects. The Budget and Finance Committee should consider requesting the Mayor to budget all projects as annual or continuing projects that delineate expenditures and restrict the use of programmatic budgets.

Vehicles and the Healthy Air and Clean Transportation Ordinance

The Healthy Air and Clean Transportation Ordinance (HACTO) is intended to reduce greenhouse gas emissions by reducing the number of vehicles in the City's fleet and replacing existing vehicles with zero or low-emission vehicles. The Department of the Environment's policy for replacement of City-owned vehicles, in compliance with HACTO, is (1) to reduce the City's fleet by 5 percent per year with a total reduction of 20 percent by 2015; and (2) beginning July 1, 2015, replace vehicles that are 12 years or older.

However, the Department of Environment has granted waivers or is considering waivers, as requested by City departments, from HACTO compliance to 72.4 percent of the vehicles in the City's fleet, or 2,370 of 3,272 vehicles. According to the Department of the Environment, only 919 vehicles or 27.6 percent are counted toward the goal of 20 percent fleet reduction. Further, the Department of the Environment began allowing departments to return vehicles for credit beginning in FY 2013-14. Rather than permanently reducing the City's fleet and emissions, this practice allows City departments to replace such vehicles in future years.

The Budget and Legislative Analyst has recommended to the Budget and Finance Committee during the past two weeks vehicle budget reductions of \$501,398 in FY 2014-15 and \$627,423 in FY 2015-16.

Policy Option:

- The Budget and Finance Committee may wish to further reduce vehicle requests in FY 2014-15. A 10 percent reduction in General Fund vehicle requests in FY 2014-15 equals \$110,000 in General Fund savings.
- Further, the Budget and Finance Committee should consider requesting that the Department of the Environment conduct a review of its implementation of HACTO and report back to the Committee on options for strengthening the enforcement of HACTO to achieve a permanent reduction in the City's fleet and emissions as intended by the ordinance.

REVENUES

Revenues in the Mayor's proposed budget for FY 2014-15 have increased by \$658.2 million or 8.3 percent, from \$7.9 billion in FY 2013-14 to \$8.6 billion in FY 2014-15. These revenues, which include General Fund, enterprise fund, State and federal grants, and other sources, are summarized in Table 1 below.

**Table 1: Revenues
FY 2013-14 and FY 2014-15**

	FY 2013-14 Approved Budget	FY 2014-15 Proposed Budget	Increase/ (Decrease)	Percent Change
Local Taxes	2,879,642,745	3,077,518,867	197,876,122	6.9%
Charges for Services	2,511,610,013	2,741,172,246	229,562,233	9.1%
Federal and State Revenues	1,243,694,391	1,214,883,752	(28,810,639)	(2.3%)
Use of City Money and Property	514,570,246	552,136,667	37,566,421	7.3%
Un-appropriated Fund Balance	333,221,276	439,917,175	106,695,899	32.0%
Other Revenues	173,053,520	265,971,730	92,918,210	53.7%
Licenses and Fines	165,894,061	178,489,534	12,595,473	7.6%
Transit and Other Revenues	87,115,404	96,906,865	9,791,461	11.2%
Total	7,908,801,656	8,566,996,836	658,195,180	8.3%

Source: Mayor's Budget Book

Local Taxes

Local taxes consist of property, transfer, parking, sales, hotel, utility, and business tax³ revenues, which are allocated to the General Fund and other special funds as required by the Charter. The Mayor's proposed FY 2014-15 budget assumes overall growth of local tax revenues of 6.9 percent based on expectations that the local economy will continue to grow. While the Controller in his FY 2014-15 and FY 2015-16 Revenue Letter states that local tax revenue estimates are reasonable given current economic assumptions, he noted that tax revenues are influenced by State and federal policies, and by national and international economic developments that impact the local economy.

Property and Business Taxes

The highest growth in local taxes is from business taxes, property taxes, and hotel room taxes. The Controller projects a net surplus in these tax revenues in FY 2013-14⁴. The Mayor's proposed FY 2014-15 budget projects increases in:

- (1) Business tax revenues due mostly to implementation of Gross Receipts Taxes and higher business registration fees, approved by voters in Proposition E in November 2012⁵ as well as expected continued growth in employment and wages, particularly in the technology sector;

³ Business taxes consist of business registration, payroll and Gross Receipts Taxes. Gross receipts tax revenues began in 2014, consistent with the voter-approved legislation to replace the Payroll Tax with the Gross Receipts Taxes.

⁴ Controller's FY 2013-14 Nine Month Budget Status Report

⁵ Under Proposition E, Gross Receipts Taxes will be phased in and Payroll Taxes will be phased out over a five-year period beginning in 2014.

- (2) Property tax revenues due mostly to inflation adjustments to the assessed value of properties, as allowed by Proposition 13, and changes in ownership or new construction;⁶ and,
- (3) Hotel tax revenues due to generally strong and broad demand from all segments of the market (tourist, convention, and business) as a result of San Francisco's strong local economy and by the completion of the Moscone Convention Center renovations. The Controller notes in his FY 2014-15 and FY 2015-16 Revenue Letter that actual revenue from the hotel tax will depend on developments with lawsuits brought by San Francisco and other jurisdictions against online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms.

State and Federal Grants

The Mayor's proposed FY 2014-15 budget assumes reductions in federal grants and revenues offset somewhat by increases in state grants and revenues, as shown in Table 1 above. The proposed budget does not include a State Revenue Loss Reserve, as the FY 2012-13 budget did, although State funding to the City may be reduced. The Governor's FY 2014-15 May revise budget estimated State savings by requiring counties to assume more responsibility for health and social service programs currently provided by the State, although the Governor assumes that counties will save approximately \$724.9 million as a result of Affordable Care Act implementation. These potential reductions are not included in the Mayor's proposed budget and if enacted, may require the City to find new revenues or expenditure reductions to maintain a balanced budget.

Reserves and Baseline Adjustments

Of the \$8,566,996,836 in FY 2014-15 revenues, approximately \$4,264,000,000 are General Fund revenues.⁷ General Fund revenues consist mostly of local tax revenues, permits and other fees, property rentals and concessions, charges for services, and State public safety and health and welfare transfers, as well as the carry forward of the prior year fund balance and use of eligible reserve funds.

Use of Prior Year Fund Balance and Budget Reserves

The Mayor's proposed budget estimates a FY 2013-14 year-end fund balance of \$270.1 million, of which \$137.1 million is included in the FY 2014-15 budget and \$133.1 million is included in the FY 2015-16 budget. The Mayor's proposed budget also includes use of reserves, as shown in Table 2 below.

⁶ Controller's FY 2014-15 and FY 2015-16 Revenue Letter

⁷ The balance consists of enterprise funds (Water, Wastewater, Municipal Railway, Parking, Port, Airport, etc.); special funds (Building Inspection, Convention Facilities, etc.); debt service funds; internal service funds (Central Shops, Reproduction); trust funds (pension, retiree health); and capital project funds.

**Table 2: Use of Reserves
FY 2013-14 through FY 2014-15**

	FY 2013-14 Budget	FY 2014-15 Budget	Increase/ (Decrease)	Percent Change
Rainy Day Reserve Allocated to SFUSD	\$5,800,000	\$11,100,000	\$5,300,000	91.4%
Rainy Day Reserve One-Time Expenditures	1,500,000	12,200,000	10,700,000	713.0%
Recreation and Park Savings Incentive Reserve	9,700,000	5,900,000	(3,800,000)	(39.2%)
Budget Savings Incentive Fund	16,700,000	29,100,000	12,400,000	74.3%
Total	\$33,700,000	\$58,400,000	\$24,700,000	73.3%

Source: Controller's FY 2014-15 and FY 2015-16 Revenue Letter

The Rainy Day Reserve allocation to the San Francisco Unified School District (SFUSD), as shown in Table 2 above, assumes that SFUSD will withdraw 25 percent of the Rainy Day Reserve balance as allowed by the Charter.⁸

The Rainy Day One-Time Reserve allocation assumes the use of \$12.2 million in FY 2014-15 and \$2.7 million in FY 2015-16 for one-time expenses as allowed under the Charter.⁹ The Mayor's Office has stated that this is one source of funds for capital projects in FY 2014-15 and FY 2015-16. The allocation also assumes that no deposits will be made in either budget year, which will result in the exhaustion of this Reserve balance in FY 2015-16.

The Recreation and Park Department's FY 2014-15 budget includes use of their Savings Incentive Reserve for capital and facilities maintenance projects. The Reserve allocation assumes the use of \$5.9 million in FY 2014-15 and \$1.8 million in FY 2015-16, which would exhaust the balance of this reserve. In FY 2014-15 these funds are allocated to park and open space projects in SOMA, 17th and Folsom, South Park, Rincon Hill, Eastern Neighborhoods, Portsmouth Square, and Bayview; the Margaret Hayward Playground; and the Emerging Needs Project budget.

The Mayor's proposed FY 2014-15 budget includes use of Budget Savings Incentive Funds for various one-time capital or information technology projects in several General Fund Departments, shown in the Appendix to this report. Because the proposed budgets do not anticipate deposits into the Budget Savings Incentive Fund in the next two fiscal years, the fund balance will be zero at the end of FY 2014-15.

Baseline Transfers and Property Tax Set Asides

The City Charter establishes several (1) baseline transfers of annual General Fund revenues, and (2) property tax set asides to special uses, as shown in Table 3 below. These baseline transfers and property tax set asides total \$807,100,000 in FY 2014-15, an increase of \$58,400,000 or 7.8 percent in FY 2014-15.

⁸ The estimated Rainy Day Reserve FY 2012014 year-end balance is \$44,300,000, of which 25 percent is \$11,075,000.

⁹ Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25 percent of excess revenue growth in good years, which can be used towards one-time expenses.

**Table 3: General Fund Baseline Transfers and Property Tax Set Asides
FY 2013-14 through FY 2014-15 (\$ millions)**

	FY 2013-14 Original Budget	FY 2014-15 Proposed Budget	Increase/ (Decrease)	Percent Change
Municipal Transportation Agency (MTA)				
MTA - Municipal Railway Baseline	\$168.7	\$180.3	\$11.6	6.9%
MTA - Parking & Traffic Baseline	63.3	67.6	4.3	6.9%
MTA - 80% Parking Tax In-Lieu	66.6	67.9	1.3	2.0%
Subtotal Municipal Transportation Agency	298.6	315.8	17.3	5.8%
Library Preservation Fund				
Library - Baseline	57.7	61.6	3.9	6.8%
Library - Property Tax Set-Aside	40.0	43.0	3.0	7.5%
Subtotal Library	97.7	104.6	6.9	7.1%
Children's Services				
Children's Services Baseline - Eligible Items Budgeted	131.6	147.5	15.9	12.1%
Public Education Services Baseline	7.3	7.8	0.6	7.6%
Children's Fund Property Tax Set-Aside	48.0	51.6	3.6	7.5%
Preschool for All (PEEF)	25.5	27.5	2.0	7.8%
SFUSD Contribution Provided as In-Kind Services (PEEF)	4.0	4.3	0.3	7.5%
Balance of SFUSD Contribution Direct Funding (PEEF)	47.4	50.7	3.3	7.0%
Subtotal Children's Services	263.8	289.3	25.6	9.7%
Other Financial Baselines				
Open Space Property Tax Set-Aside	40.0	43.0	3.0	7.5%
Housing Trust Fund	20.0	22.8	2.8	14.0%
Human Services Homeless Care Fund	13.7	14.4	0.7	5.1%
Municipal Symphony Baseline	2.1	2.3	0.2	9.5%
City Services Auditor	12.9	14.9	2.0	15.5%
Subtotal Other Financial Baselines	88.7	97.4	8.7	9.8%
Total	\$748.7	\$807.1	\$58.4	7.8%

Source: Controller's FY 2014-15 and FY 2015-16 Revenue Letter

The Children's Baseline amount in the proposed budget exceeds the baseline requirement by \$13.4 million in FY 2014-15 and \$3.0 million in FY 2015-16, as has been the practice in prior years.

The Public Education Enrichment Fund (PEEF) is fully-funded in FY 2014-15 and FY 2015-16 with \$78.2 million (plus \$4.3 million in in-kind contributions) and \$85.1 million respectively. As the budget projections jointly prepared by the Mayor's Office, the Controller's Office and the Budget and Legislative Analyst's Office for FY 2014-15 through FY 2017-18 do not project a budgetary shortfall of \$100 million or more in FY 2014-15, the City's contribution to the Public Education Enrichment Fund has not been reduced by 25 percent, in accordance with the City's Charter.

City Reserves

The City has several General Fund reserves.

- The Charter establishes the Rainy Day Reserve, in which a portion of new General Fund revenues in the upcoming fiscal year exceed General Fund revenues in the existing year by 5

percent are deposited into the reserve. The Mayor’s proposed FY 2014-15 and FY 2015-16 budgets do not include deposits into the Rainy Day Reserve because anticipated General Fund revenues do not meet the criteria for deposits into the reserve.

- The Charter also requires the City to adopt financial policies to establish adequate reserves. The Board of Supervisors adopted an ordinance, approving the financial policies and amending the Administrative Code, to establish a (1) General Reserve, which is to equal 2 percent of budgeted regular General Fund revenues no later than FY 2016-17¹⁰; and (2) Budget Stabilization Reserve to augment the Rainy Day Reserve. The Mayor’s proposed FY 2014-15 and FY 2015-16 budgets appropriate funds to these two reserves in conformance to the requirements of the ordinance. Under the Charter, the Board of Supervisors may by resolution suspend by two-thirds vote, in whole or in part, provisions of this ordinance.
- The Litigation and Salaries and Benefits Reserves are established in the Annual Appropriation Ordinance. In addition the Audit Reserve, which is an existing reserve in the General City Responsibility budget, is included as a new provision in the proposed FY 2014-15 and FY 2015-16 Annual Appropriation Ordinance, pending before the Board of Supervisors.

**Table 4: City General Fund Reserves
FY 2013-14 through FY 2015-16**

	FY 2013-14 Projected Year End Balance	FY 2014-15 Proposed Budget	FY 2014-15 Projected Withdrawals	FY 2014-15 Projected Year End Balance	FY 2015-16 Proposed Budget	FY 2015-16 Projected Withdrawals	FY 2015-16 Projected Year End Balance
General Reserve	\$38,789,000	\$19,120,000	\$0	\$57,909,000	\$11,483,000	\$0	\$69,391,000
Budget Stabilization Reserve	121,580,000	19,090,000	0	140,670,000	0	0	140,670,000
Rainy Day Reserve	59,221,000	0	23,320,000	35,901,000	0	10,980,000	24,921,000
Salaries and Benefits Reserve	0	16,680,000	16,680,000	0	17,713,512	17,713,512	0
Litigation Reserve	0	17,100,000	17,100,000	0	16,000,000	16,000,000	0
Audit Reserve	0	5,352,401	5,352,401	0	5,352,401	5,352,401	0
Total Reserves	219,590,000	77,342,401	62,452,401	234,480,000	50,548,913	50,045,913	234,983,000

Source: Controller’s Office

The Controller’s practice has been to carry forward unspent funds in the Litigation, Salaries and Benefits, and Audit Reserves into the next fiscal year. According to the Controller’s Office, the Controller expects to fully spend these reserves in FY 2013-14 with no carry forward of balances to FY 2014-15.

¹⁰ The ordinance provides that the General Reserve shall be no less than 1.5 percent of budgeted regular General Fund revenues in FY 2014-15, and no less than 1.75 percent of budgeted regular General Fund revenues in FY 2015-16. The Mayor’s proposed FY 2014-15 and FY 2015-16 budgets conform to this requirement.

EXPENDITURES

The Mayor's proposed FY 2014-15 budget is increasing by 8.3 percent as seen in Table 5 below. The budget shown in Table 5 includes all City department expenditures, including General Fund expenditures. The largest increases in spending of all City funds by dollar amount are salaries and fringe benefits and professional and contractual services. The largest increases in spending of all City funds by percentage are for salaries and fringe benefits.

**Table 5: Mayor's Proposed Expenditure Budget for All City Departments
FY 2013-14 through FY 2014-15**

	FY 2013-14 Approved Budget	FY 2014-15 Proposed Budget	Increase/ (Decrease)	Percent of Citywide Change in Funding
Salaries	2,767,913,464	2,940,404,219	172,490,755	26.2%
Fringe Benefits	1,253,252,376	1,390,724,983	137,472,607	20.9%
Salaries and Fringe Benefits	4,021,165,840	4,331,129,202	309,963,362	47.1%
Debt Service	930,061,018	985,756,713	55,695,695	8.5%
Equipment	34,344,301	46,914,935	12,570,634	1.9%
Services of Other Departments	692,642,110	750,307,177	57,665,067	8.8%
Aid Assistance/Grants	686,976,531	765,547,839	78,571,308	11.9%
Professional and Contractual Services	1,637,568,434	1,722,862,206	85,293,772	13.0%
Overhead	163,627,364	188,580,202	24,952,838	3.8%
Materials and Supplies	292,950,511	304,263,626	11,313,115	1.7%
Facilities Maintenance	63,764,446	70,204,324	6,439,878	1.0%
Capital Projects	152,809,541	198,907,147	46,097,606	7.0%
Budgetary Reserves	227,451,551	225,150,034	(2,301,517)	(0.3%)
Capital Renewal	40,781,948	97,314,544	56,532,596	8.6%
Expenditure Recovery	(1,035,341,939)	(1,119,941,113)	(84,599,174)	(12.9%)
Total	7,908,801,656	8,566,996,836	658,195,180	8.3%

Source: Mayor's Budget Book

The Mayor's proposed budget of \$8.6 billion in FY 2014-15 includes self-funded enterprise departments including the Airport, Port, and Public Utilities Commission, which have two-year fixed budgets that came up for biannual Board approval in May. In addition, the Library, Child Support Services, and Retirement System were approved as two-year fixed budgets for the first time this year in May. Under the Charter, the Municipal Transportation Agency takes effect without action by the Board of Supervisors, unless the Board of Supervisors rejects the budget by a seven-elevenths' vote. The remaining City departments have two-year rolling budgets, subject to Board of Supervisors appropriation approval each fiscal year. The Mayor's proposed FY 2014-15 budget for these departments as well as general city responsibility are shown in Table 6 below.

Table 6: City Departments with Rolling Two-Year Budgets

Department	2013-2014 Budget	2014-2015 Proposed	Increase/ (Decrease)	Percent Change
ACADEMY OF SCIENCES	\$4,432,695	\$4,547,630	\$114,935	2.6%
ADULT PROBATION	26,608,644	31,074,632	4,465,988	16.8%
ARTS COMMISSION	14,150,397	13,865,924	(284,473)	-2.0%
ASIAN ART MUSEUM	8,744,439	9,456,379	711,940	8.1%
ASSESSOR / RECORDER	21,594,580	24,082,245	2,487,665	11.5%
BOARD OF APPEALS	942,085	964,380	22,295	2.4%
BOARD OF SUPERVISORS	12,890,477	13,497,300	606,823	4.7%
BUILDING INSPECTION	78,833,726	93,545,635	14,711,909	18.7%
CHILDREN AND FAMILIES COMMISSION	54,463,350	58,591,279	4,127,929	7.6%
CHILDREN; YOUTH & THEIR FAMILIES	145,658,643	160,790,341	15,131,698	10.4%
CITY ATTORNEY	73,004,864	76,039,962	3,035,098	4.2%
CITY PLANNING	29,981,797	38,608,869	8,627,072	28.8%
CIVIL SERVICE COMMISSION	922,502	1,119,109	196,607	21.3%
CONTROLLER	43,980,897	51,960,612	7,979,715	18.1%
COUNTY EDUCATION OFFICE	116,000	116,000	0	0.0%
DISTRICT ATTORNEY	46,716,897	48,776,521	2,059,624	4.4%
ECONOMIC AND WORKFORCE DEVELOPMENT	39,155,612	36,068,541	(3,087,071)	-7.9%
ELECTIONS	16,696,145	17,014,725	318,580	1.9%
EMERGENCY MANAGEMENT	69,492,934	76,309,954	6,817,020	9.8%
ENVIRONMENT	17,366,898	17,242,254	(124,644)	-0.7%
ETHICS COMMISSION	4,531,950	4,524,354	(7,596)	-0.2%
FINE ARTS MUSEUM	17,107,968	17,700,375	592,407	3.5%
FIRE DEPARTMENT	333,614,911	344,393,878	10,778,967	3.2%
GENERAL CITY RESPONSIBILITY	1,439,002,802	1,555,612,840	116,610,038	8.1%
GENERAL SERVICES AGENCY - CITY ADMIN	294,559,401	307,233,422	12,674,021	4.3%
GENERAL SERVICES AGENCY - PUBLIC WORKS	159,380,342	218,421,746	59,041,404	37.0%
GENERAL SERVICES AGENCY - TECHNOLOGY	82,746,946	94,243,287	11,496,341	13.9%
HEALTH SERVICE SYSTEM	8,899,536	10,134,747	1,235,211	13.9%
HUMAN RESOURCES	77,898,019	81,807,795	3,909,776	5.0%
HUMAN RIGHTS COMMISSION	2,242,040	2,072,380	(169,660)	-7.6%
HUMAN SERVICES	737,923,441	825,323,368	87,399,927	11.8%
JUVENILE PROBATION	36,815,789	38,778,045	1,962,256	5.3%
LAW LIBRARY	1,284,995	1,535,911	250,916	19.5%
MAYOR	52,089,662	86,816,341	34,726,679	66.7%
POLICE	526,936,867	529,979,638	3,042,771	0.6%
PUBLIC DEFENDER	28,819,705	30,453,821	1,634,116	5.7%
PUBLIC HEALTH	1,908,611,827	1,981,992,009	73,380,182	3.8%
RECREATION AND PARK COMMISSION	160,938,278	159,330,311	(1,607,967)	-1.0%
RENT ARBITRATION BOARD	6,233,794	6,627,162	393,368	6.3%
SHERIFF	179,368,715	192,980,672	13,611,957	7.6%
STATUS OF WOMEN	5,174,192	5,722,617	548,425	10.6%
SUPERIOR COURT	37,323,115	35,058,716	(2,264,399)	-6.1%
TREASURER/TAX COLLECTOR	35,085,239	40,011,457	4,926,218	14.0%
WAR MEMORIAL	11,934,740	13,948,627	2,013,887	16.9%
Total	\$6,854,277,856	\$7,358,375,811	\$504,097,955	7.4%

Source: City Budget System

Of the City's \$8.6 billion budget in FY 2014-15, approximately \$3.0 billion is discretionary General Fund. The City's General Fund departments are funded by a combination of department revenues, which may include state and federal funds and grants, and direct General Fund support, which is discretionary. As seen in Table 7 below, which summarizes General Fund support to City departments, the departments receiving the largest increase in General Fund monies are General City Responsibility, the Department of Public Health, and the Department of Public Works.

Table 7: Direct General Fund Support to City Departments

Department	FY 2013-14 GF Support	FY 2014-15 Proposed GF Support	General Fund Increase/ (Decrease)	% Share of General Fund Increase
GENERAL CITY RESPONSIBILITY	580,022,743	665,484,704	85,461,961	32.0%
PUBLIC HEALTH	553,738,906	613,427,198	59,688,292	22.4%
GENERAL SERVICES AGENCY - PUBLIC WORKS	30,877,269	90,218,636	59,341,367	22.2%
SHERIFF	139,447,335	150,830,673	11,383,338	4.3%
FIRE DEPARTMENT	215,141,560	222,301,310	7,159,750	2.7%
POLICE	406,375,326	412,360,570	5,985,244	2.2%
DEPARTMENT OF EMERGENCY MANAGEMENT	44,471,198	50,283,339	5,812,141	2.2%
TREASURER/TAX COLLECTOR	19,968,987	25,719,731	5,750,744	2.2%
HUMAN SERVICES	224,372,693	229,911,901	5,539,208	2.1%
PUBLIC LIBRARY	57,690,000	61,630,000	3,940,000	1.5%
ADULT PROBATION	14,728,247	17,151,105	2,422,858	0.9%
CITY ATTORNEY	8,653,423	11,027,799	2,374,376	0.9%
JUVENILE PROBATION	29,524,227	31,827,774	2,303,547	0.9%
ASSESSOR-RECORDER	15,906,981	18,114,838	2,207,857	0.8%
ETHICS COMMISSION	2,431,950	4,454,354	2,022,404	0.8%
DISTRICT ATTORNEY	40,613,539	42,542,347	1,928,808	0.7%
CHILDREN AND FAMILIES COMMISSION (FIRST 5 SF)	25,720,000	27,470,000	1,750,000	0.7%
PUBLIC DEFENDER	28,472,068	29,980,740	1,508,672	0.6%
HUMAN RESOURCES	11,226,178	12,488,020	1,261,842	0.5%
FINE ARTS MUSEUM	13,783,318	14,662,537	879,219	0.3%
BOARD OF SUPERVISORS	12,254,860	12,953,142	698,282	0.3%
STATUS OF WOMEN	4,924,718	5,485,017	560,299	0.2%
HUMAN RIGHTS COMMISSION	1,513,502	2,072,380	558,878	0.2%
ASIAN ART MUSEUM	8,245,574	8,768,412	522,838	0.2%
GENERAL SERVICES AGENCY - TECHNOLOGY	1,885,482	2,322,508	437,026	0.2%
LAW LIBRARY	1,284,995	1,535,911	250,916	0.1%
CIVIL SERVICE COMMISSION	612,502	809,109	196,607	0.1%
ACADEMY OF SCIENCES	\$4,432,695	\$4,547,630	\$114,935	0.0%
RETIREMENT SYSTEM	(27,000)	3,270	30,270	0.0%
BOARD OF APPEALS	0	22,295	22,295	0.0%
COUNTY EDUCATION OFFICE	116,000	116,000	0	0.0%
CITY PLANNING	2,772,727	2,629,882	(142,845)	-0.1%
ELECTIONS	16,362,752	16,142,048	(220,704)	-0.1%
CHILDREN, YOUTH & THEIR FAMILIES	28,966,662	28,689,998	(276,664)	-0.1%
MAYOR	10,174,841	9,874,099	(300,742)	-0.1%
GENERAL SERVICES AGENCY - CITY ADMIN	51,161,358	50,850,427	(310,931)	-0.1%
ARTS COMMISSION	8,041,347	7,656,553	(384,794)	-0.1%
SUPERIOR COURT	32,427,220	31,960,320	(466,900)	-0.2%
CONTROLLER	13,184,746	12,417,957	(766,789)	-0.3%
ECONOMIC AND WORKFORCE DEVELOPMENT	20,306,571	19,307,907	(998,664)	-0.4%
RECREATION AND PARK COMMISSION	48,709,246	47,230,238	(1,479,008)	-0.6%
Total	\$2,730,516,746	\$2,997,282,679	\$266,765,933	100.0%

Source: Mayor's Budget Book and Proposed Annual Appropriation Ordinance

Below are highlights of changes in General Fund expenditure in the Mayor's proposed FY 2014-15 budget for City departments that have the highest increases in General Fund support.

Public Health (\$59.7 million, 10.8% Increase in General Fund Support):

The Department of Public Health (DPH) is the largest General Fund department and has the largest proposed increase in General Fund support from FY 2013-14 to FY 2014-15 after General City Responsibility at \$59.7 million, or 10.8 percent. Specific changes in DPH's budget include:

- **New General Hospital:** DPH has been allocated approximately \$56 million in FY 2014-15 for the procurement of furniture, fixtures, and equipment and \$26.5 million for transition planning for the new San Francisco General Hospital, which is due to open in December 2015.
- **Implementation of Federal Health Care Reform:** To meet the Affordable Care Act's (ACA) minimum essential benefits, DPH is expanding access to primary care, dental and mental health services. The Department is also making significant investments to update its IT systems and security to make San Francisco's health delivery network ready to implement the ACA.
- **Backfilling Reductions in Federal Funding:** Approximately \$3 million is included in the Mayor's proposed budget to restore significant cuts that the Department experienced in federal Ryan White Act and Center for Disease Control (CDC) funding for HIV services.
- **Increased Security Work-Order with the Sheriff's Department:** The Department of Public Health's (DPH) FY 2014-15 budget includes additional funds of \$2,705,363 for the Sheriff Department to provide security at San Francisco General Hospital, Laguna Honda Hospital and Community Health programs. While the University of California San Francisco (UCSF) evaluated and recommended security improvements at San Francisco General Hospital, UCSF did not address security at Laguna Honda Hospital or the Community Health programs. Of the \$2,705,363 increase in the work order, \$1,245,358 are for new or increased services at Laguna Honda Hospital and Community Health programs, which were not reviewed by UCSF.¹¹

Public Works (\$59.3 million, 192.2% Increase in General Fund Support):

The proposed increase of \$59.3 million in General Fund support for the General Services Agency- Department of Public Works (DPW) comprises the third largest share, or approximately 22.2 percent, of the proposed Citywide increase in General Fund spending from FY 2013-14 to FY 2014-15. Specific changes in the Department's FY 2014-15 budget that reflect this increase include:

- **Fully Funding the Street Repaving Program:** The bulk of the increase in General Fund allocation to DPW, \$41.5 million in FY 2014-15, is to fully fund the City's street repaving program after the Road Repaving and Street Safety bond funds are expended.

¹¹ This amount does not include the proposed increase in the DPH work order with the Sheriff's Department to provide security services to mental health programs.

Other Increases in General Fund Support:

- **Sheriff:** The Mayor has proposed increasing General Fund expenditures for the Sheriff's Department to enhance security at San Francisco General Hospital, Laguna Honda Hospital, and City clinics; to civilianize the Department's Records Division; and, to implement a Peace Officer Standards and Training (POST) training to staff performing security work under the Field Training Officer Program.
- **Fire:** The Mayor has proposed increasing General Fund expenditures for the Fire Department to fund new operating expenditures for Station 4, which is scheduled to open in Fall 2014; to fund several new emergency medical service (EMS) staff positions; and, to cover additional benefit and retirement costs.
- **Police:** The Police Department is receiving an increase in General Fund support primarily due to unanticipated security staffing needs related to the Public Safety Building and the transfer of transit officers previously funded by the MTA to the Police Department budget.
- **Emergency Management:** The Mayor has proposed providing the Department of Emergency Management additional General Fund support to implement the Critical Infrastructure Protection Project, which will provide security improvements to critical cable infrastructure at 1011 Turk Street; to hire additional Emergency Communications Dispatchers; to plan for the replacement of outdated public safety radios; and, to replace the 9-1-1 phone system.
- **Treasurer/Tax Collector:** The Treasurer/Tax Collector is receiving an increase in General Fund support primarily to implement the Gross Receipts Tax, including the hire of nine new positions. In addition, the Department is receiving additional support for its Delinquent Revenue Collections Enhancement Project.
- **Human Services Agency:** The Human Services Agency is receiving an increase in General Fund support mainly due to labor negotiated salary and fringe increases, funding for childcare providers, and aid payments.

POSITIONS AND SALARY COSTS

The Mayor's proposed FY 2014-15 budget increases the number of full time equivalent (FTE) positions by 827.97, from 27,669.14 FTEs in FY 2013-14 to 28,497.11 FTEs in FY 2014-15. This includes Airport, Port, Public Utilities Commission, Library, Child Support Services, and Retirement System positions, which have fixed two year budgets, and the Municipal Transportation Agency, for which the Board of Supervisors does not have line-item appropriation authority.

The General Fund supported City departments with the largest increase in FTEs are the:

- **Department of Public Health**, which has added positions to provide for expanded services offered at primary care clinics, including a proposed new clinic, to a larger

population of patients. The proposed increase will also provide staff to plan and prepare for the opening of the new San Francisco General Hospital;

- The **Human Services Agency**, which has added positions to support expanded services and programs in CalFresh, CalWorks, family and children's services, in-home supportive services, and various other programs (note: these positions were approved by the Board in a FY 2013-14 supplemental appropriation and are annualized in FY 2014-15). An additional 39 positions are included in the FY 2014-15 budget for these same programs. Also, several new positions added in FY 2013-14 to support the expansion of Medi-Cal under the Affordable Care Act, intensive outreach for CalWorks, increased services in CalFresh, and the expansion of Jobs Now are annualized in FY 2014-15; and,
- The **Police Department** to fund Transit Officer positions, which are transferring from the Municipal Transportation Agency starting in FY 2014-15. In addition, security for the new Public Safety Building will be provided by the Police Department, rather than through a contract as previously planned, which will necessitate six new positions for the Department. Also, to support the new organization, the Airport has requested one new Lieutenant to supervise a new division and two Community Service Aide Supervisors.

Table 8 below shows the changes in FTEs by department in FY 2013-14 and FY 2014-15. Details of position changes are included in the Budget and Legislative Analyst's reports to the Budget and Finance Committee.

Table 8: FTEs by Department

Department	FY 2013- 2014 Adopted	FY 2014- 2015 Proposed	Change	Percent Change
PUBLIC HEALTH	6,125.91	6,276.10	150.19	2.5%
HUMAN SERVICES	1,855.40	1,970.96	115.56	6.2%
POLICE	2,727.26	2,793.78	66.52	2.4%
GENERAL SERVICES AGENCY - CITY ADMIN	716.24	751.02	34.78	4.9%
SHERIFF	984.20	1,017.22	33.02	3.4%
FIRE DEPARTMENT	1,463.99	1,496.23	32.24	2.2%
GENERAL SERVICES AGENCY - PUBLIC WORKS	825.03	850.40	25.37	3.1%
RECREATION AND PARK COMMISSION	870.27	886.46	16.19	1.9%
CONTROLLER	204.11	220.16	16.05	7.9%
TREASURER/TAX COLLECTOR	211.19	226.89	15.70	7.4%
CITY PLANNING	156.52	170.26	13.74	8.8%
EMERGENCY MANAGEMENT	243.55	254.08	10.53	4.3%
BUILDING INSPECTION	284.50	294.80	10.30	3.6%
HUMAN RESOURCES	135.32	145.28	9.96	7.4%
ECONOMIC AND WORKFORCE DEVELOPMENT	85.58	92.58	7.00	8.2%
ADULT PROBATION	139.56	145.15	5.59	4.0%
HEALTH SERVICE SYSTEM	43.83	49.12	5.29	12.1%
ENVIRONMENT	59.09	62.29	3.20	5.4%
DISTRICT ATTORNEY	253.39	256.38	2.99	1.2%
RENT ARBITRATION BOARD	28.53	30.52	1.99	7.0%
CITY ATTORNEY	308.14	309.85	1.71	0.6%
CHILDREN; YOUTH & THEIR FAMILIES	37.42	38.90	1.48	4.0%
FINE ARTS MUSEUM	111.14	112.53	1.39	1.3%
WAR MEMORIAL	56.55	57.91	1.36	2.4%
MAYOR	49.45	50.69	1.24	2.5%
PUBLIC DEFENDER	156.50	157.47	0.97	0.6%
ARTS COMMISSION	28.43	28.89	0.46	1.6%
STATUS OF WOMEN	5.67	6.02	0.35	6.2%
BOARD OF APPEALS	5.00	5.00	0	0.0%
CHILDREN AND FAMILIES COMMISSION	17.00	17.00	0	0.0%
ACADEMY OF SCIENCES	12.35	12.35	0	0.0%
LAW LIBRARY	3.00	3.00	0	0.0%
CIVIL SERVICE COMMISSION	6.02	6.02	0	0.0%
ASIAN ART MUSEUM	57.83	57.76	(0.07)	-0.1%
HUMAN RIGHTS COMMISSION	11.81	11.68	(0.13)	-1.1%
BOARD OF SUPERVISORS	74.49	74.31	(0.18)	-0.2%
JUVENILE PROBATION	239.43	239.12	(0.31)	-0.1%
ETHICS COMMISSION	19.44	17.50	(1.94)	-10.0%
GENERAL SERVICES AGENCY - TECHNOLOGY	215.64	213.61	(2.03)	-0.9%
ELECTIONS	52.17	49.45	(2.72)	-5.2%
ASSESSOR / RECORDER	152.08	148.87	(3.21)	-2.1%
DEPARTMENTS WITH TWO-YEAR FIXED BUDGETS	8,636.11	8,889.50	253.39	2.9%
Grand Total	27,669.14	28,497.11	827.97	3.0%

Source: City Budget System

Management Positions

The number of management positions funded by the General Fund has increased by 27.7 FTEs, or 5.8 percent, as shown in Table 9 below, about twice the rate of the overall increase in department positions (3.0 percent). Management positions are defined as positions covered by the Municipal Executive Association (MEA) bargaining unit.

**Table 9: Increase in MEA General Fund Positions
FY 2013-14 to FY 2014-15**

MEA Position	FY 2013-14 Budget	FY 2014-15 Proposed	Increase/ (Decrease) from FY 2013-14 to FY 2014-15
Deputy Director III	19.0	27.0	8.0
Manager I	71.7	77.4	5.7
Manager III	74.0	79.7	5.7
Manager II	77.2	82.6	5.4
Manager VI	25.5	29.0	3.5
Manager V	37.7	40.0	2.3
Deputy Director IV	9.0	11.0	2.0
Deputy Director I	4.9	6.0	1.1
Manager VII	6.3	7.0	0.7
Manager VIII	12.8	13.0	0.2
Chief Microbiologist	0.1	0.0	(0.1)
Chief Victim/Witness Investigator	0.4	0.0	(0.4)
Manager IV	49.9	49.1	(0.7)
IS Manager	3.8	3.0	(0.8)
Deputy Director II	18.0	13.0	(5.0)
All Other MEA Positions (positions with no changes)	68.7	68.7	0.0
Grand Total	478.8	506.5	27.7

Source: City Budget System

Table 10 below shows all new *General Fund supported* MEA positions by department in the FY 2014-15 and FY 2015-16 proposed budgets.

**Table 10: New MEA General Fund Positions by Department
FY 2013-14 and FY 2014-15¹²**

Position/Department	FY 2014-15 Proposed	FY 2015-16 Proposed
Manager III	1.00	0.50
GSA- City Administrator Subtotal	1.00	0.50
Manager II	0.77	1.00
Assessor-Recorder Subtotal	0.77	1.00
Manager III	0.00	0.46
Manager V	1.00	1.77
Controller Subtotal	1.00	2.20
Manager I	3.08	4.00
Manager II	0.26	0.33
Manager IV	0.77	1.00
Manager V	1.00	1.00
Public Health Subtotal	5.11	6.33
Manager II	0.77	1.00
Human Services Agency Subtotal	0.77	1.00
Manager IV	0.77	1.00
Economic and Workforce Development Subtotal	0.77	1.00
Manager I	1.00	1.00
Human Resources Subtotal	1.00	1.00
Deputy Director III	0.00	1.00
Manager I	0.00	1.00
Treasurer-Tax Collector Subtotal	0.00	2.00
Grand Total	10.42	15.06

Source: City Budget System

Below are highlights of the Mayor's proposed new FY 2014-15 General Fund MEA positions:

- **Public Health:** Six new manager positions are being proposed for the Department of Public Health for FY 2014-15, including four Manager I positions to provide Directors for each of the new primary care clinics, one Manager IV position to provide a new IT manager to improve IT functionality and security, and one Manager V to be the new head of security for San Francisco General Hospital (submitted as an interim exception). In addition, a Manager II position is being increased by 0.26 FTE to bring a current manager to full-time and to serve as a Deputy Director of a new Transitions Unit.
- **GSA- City Administrator:** One new manager position is being proposed for the Department of Administrative Services. This new position is a Manager III and will oversee purchasing for San Francisco General Hospital. This position has been categorized as limited-term.
- **Assessor-Recorder:** One new Manager II position is being proposed for the Assessor-Recorder to head the Business Personal Property Division.

¹² The difference in positions between Table 9 and Table 10 is that Table 9 shows all position changes resulting in new MEA positions, including reassignments, substitutions, and annualization of prior year positions, while Table 10 only shows newly-created positions.

- **Controller:** One new Manager V position is being proposed for the Controller's Office in FY 2014-15. This position is part of the financial systems replacement project and will oversee the project technical team.
- **Human Services Agency:** One new Manager II position is being proposed for the Human Services Agency. This position will provide additional managerial oversight for the CalFresh program.
- **Economic and Workforce Development:** One new Manager IV position is being proposed for the Office of Economic and Workforce Development to oversee the Development Agreement process of several new development projects, which have grown in number over the past year.
- **Human Resources:** One new Manger I position is being proposed for the Department of Human Resources. However, the Budget and Legislative Analyst recommending downgrading the position and the Department has agreed to reclassify it to a lower level as a 1244 Senior Personnel Analyst. The position will be responsible for implementing a DHR recruitment program targeting public safety and difficult-to-fill positions.

Off-Budget Positions

As seen in Table 11 below, 107.0 new General Fund off-budget FTEs are proposed for FY 2014-15. Off-budget positions are generally project positions, funded by project rather than annual operating revenues.

**Table 11: Proposed New Off-Budget General Fund Positions
FY 2013-14 and FY 2014-15**

Department	FY 2013-14 Budget	FY 2014-15 Proposed	Increase/ (Decrease)	% of Citywide Change in Off- Budget FTEs
Public Works	453.31	499.28	45.97	43.0%
Public Health	18.70	60.31	41.61	38.9%
Police	0.00	8.00	8.00	7.5%
General Services Agency- City Admin	10.77	14.77	4.00	3.7%
City Planning	17.54	21.15	3.61	3.4%
Mayor	3.00	6.50	3.50	3.3%
Recreation and Parks	14.77	17.00	2.23	2.1%
Assessor-Recorder	11.62	13.77	2.15	2.0%
Human Resources	3.00	4.54	1.54	1.4%
Public Defender	2.54	3.00	0.46	0.4%
Arts Commission	6.20	6.47	0.27	0.3%
Board of Supervisors	3.50	3.50	0.00	0.0%
District Attorney	0.00	0.00	0.00	0.0%
Economic and Workforce Development	3.00	3.00	0.00	0.0%
Fire	3.00	3.00	0.00	0.0%
Juvenile Probation	1.00	1.00	0.00	0.0%
Treasurer-Tax Collector	10.00	10.00	0.00	0.0%
Environment	1.38	0.97	(0.41)	-0.4%
Emergency Management	1.54	1.00	(0.54)	-0.5%
Human Services Agency	12.92	12.00	(0.92)	-0.9%
Controller	13.43	8.96	(4.47)	-4.2%
Total	591.22	698.22	107.00	100.0%

Source: City Budget System

However, annual General Fund appropriations fund some of the proposed off-budget positions. For example, off-budget positions in the Treasurer/Tax Collector's Office are General Fund positions to implement the Gross Receipts Tax and off-budget positions in the Assessor/Recorder's Office are General Fund positions to process assessment appeals.

Positions Reassigned from Grants to the General Fund

The Budget and Legislative Analyst reviewed the General Fund impact of reassigning grant-funded positions to the General Fund during our detailed review of each City department's budget and made recommendations as appropriate.

POLICY OPTION

Salaries and fringe benefits make up 51 percent, or \$4.3 billion, of the City's \$8.6 billion budget in FY 2014-15. Salary and fringe benefit costs have increased by 7.7 percent, from \$4.0 billion in FY 2013-14 to \$4.3 billion in FY 2014-15. Many of the new positions in the FY 2014-15 budget are permanent positions, committing the City to new long term salary and fringe benefit costs. However, as noted in the budget projections jointly prepared by the Mayor's Office, the Controller's Office and the Budget and Legislative Analyst's Office for FY 2014-15 through FY

2017-18, “the current economic expansion began over four and a half years ago. It would be an historic anomaly to not experience a recession within the projection period of this report.” Therefore, the level of revenues that support the growth in salaries and fringe benefits in FY 2014-15 may not continue over the next four years.

Further, the City’s salaries and fringe benefits budget provides funding that exceeds City departments’ actual staffing based on prior expenditure history. In FY 2013-14, the Controller has projected a year-end salary surplus of \$38.8 million for City General Fund departments, or 1.9 percent of FY 2013-14 budgeted salaries of \$2.0 billion.¹³

Non-General Fund programs also project large salary surpluses in FY 2013-14. The Department of Building Inspection projects a year-end salary surplus of \$3.2 million in the Building Inspection Fund, the Department of Public Works projects a year-end surplus of \$1.4 million in the Overhead Fund, and the Department of Technology projects a year-end surplus of \$3.6 million in their Operating Annual Project Fund.

City departments give various reasons for the large salary surpluses, including delays in the hiring process. The Budget and Legislative Analyst has recommended salary reductions of \$4.1 million in City General Fund departments’ FY 2014-15 budgets. In addition, both the Department of Public Health and the Human Services Agency have requested new positions in FY 2014-15 to implement new initiatives or meet State and federal mandates, such as the Affordable Care Act. The Budget and Legislative Analyst recommends salary reserves in each of these departments’ FY 2014-15 budgets to account for the uncertain impact of these new initiatives and mandates.

The Board of Supervisors may wish to further reduce salary expenditures in FY 2014-15 due to the large projected salary surpluses in FY 2013-14 and growth in salary expenditures in the FY 2014-15 budget. A salary and associated fringe benefit reduction of 0.25 percent ($\frac{1}{4}$ of one percent) in City General Fund departments in FY 2014-15 equals \$7.8 million.¹⁴

¹³ This amount does not include fringe benefits since fringe benefits are a function of salaries. Also, although salaries may be budgeted in the General Fund, the actual source may be state, federal or other funds specific to the department.

¹⁴ As noted above, these savings may not accrue to the General Fund if the funding source is state, federal or other funds specific to the department.

INFORMATION TECHNOLOGY

The Committee on Information Technology (COIT) recommended and the Board of Supervisors adopted the City's Five-Year Information and Communication Technology (ICT) Plan for FY 2013-14 through FY 2017-18 in April 2013. The Mayor's proposed FY 2014-15 and FY 2015-16 budgets include several new or ongoing technology projects based on the ICT Plan and as approved by COIT. Several of these projects, including the City's replacement of the Financial and Management Information System (FAMIS), are budgeted as Programmatic Budgets and are discussed in the following section.

The two information technology projects listed below are new projects in FY 2014-15 not included in the ICT Plan previously adopted by the Board of Supervisors.

- \$358,328 in the Adult Probation Department's budget to fund System Consulting Services to support the implementation of case management technology and to complete the Department's connection to the Justice Tracking Information System (JUSTIS). These funds are proposed to allow the Department to hire two consultants to "complete the transition to JUSTIS." The total actual cost for these consultants is estimated by the Department at \$897,600 over a 16-month period. The additional funds (\$528,000) will come from prior year carry-forward monies. The Budget and Legislative Analyst has recommended that the proposed expenditures be put on Budget and Finance Committee reserve pending submission of detailed project plans, with COIT approval and support of the City's JUSTIS Project Team given the historical challenges that the Department has faced in completing technology projects.
- \$583,000 in the Medical Examiner's budget to connect toxicology laboratory equipment to the new toxicology database (LIMS). According to the Department's presentation to COIT in February 2014, this project will improve laboratory efficiency through automating processes currently performed manually. Rather than downloading a work list of toxicology items to be tested, typing the list by hand when working with the testing equipment, and re-entering the testing information into the database manually, the proposed project will allow automatic transfer of toxicology test information from and to the database. Because this project was approved by COIT after the Board of Supervisors approved the five-year FY 2013-14 through FY 2017-18 ICT plan, the project is not included in the ICT plan.

MAJOR PROGRAMMATIC PROJECTS

General fund expenditures for programmatic projects are proposed to increase by \$32.4 million from \$82.2 million in FY 2013-14 to \$114.6 million in FY 2014-15. The Mayor's proposed FY 2014-15 and FY 2015-16 budget rolls up salaries, contractual services and other project expenditures into a single line item titled programmatic projects. These are continuing projects in which unexpended funds are carried forward each year into the next fiscal year. Because the programmatic projects do not identify expenditures by type (salaries, contracts, equipment), and because unexpended funds can be carried forward from year to year, the budget does not provide the Board of Supervisors sufficient information on planned expenditures in the fiscal year.

- **New General Hospital (Public Health):** \$56 million in General Fund expenditures has been proposed for FY 2014-15 for the procurement of furniture, fixtures, and equipment for the new San Francisco General Hospital, which is scheduled to open in late 2015. The Mayor's proposed FY 2014-15 budget includes \$36 million for commercial paper to partially offset the costs of this equipment. In addition, \$7.5 million has been appropriate in FY 2014-15 for planning and staffing the transition into the new hospital building.
- **Housing Trust Fund (Mayor):** The Mayor's proposed FY 2014-15 budget includes \$22.8 million to the Housing Trust Fund, as required by Proposition C. In addition the Mayor proposes issuing \$56.25 Certificates of Participation (COPs) in FY 2014-15 and FY 2015-16, of which \$50 million would be deposited to the Housing Trust Fund (\$25 million in each fiscal year) and the balance would be debt reserves and other issuance costs. The Budget and Legislative Analyst considers approval of the \$56.25 million COPs issuance to be a policy matter for the Board of Supervisors.
- **FAMIS Replacement and Other Projects (Controller):** \$6.6 million in one-time funds have been allocated to the Controller's Office in FY 2014-15 to support the replacement of FAMIS, the City's budgeting and accounting system. In addition, approximately \$355,000 has been proposed for FY 2014-15 for other financial systems projects including SF Open Book and the City's payroll system.
- **Gross Receipts Tax Implementation and Collections Enhancement (Treasurer/Tax Collector):** Approximately \$3.3 million has been proposed in FY 2014-15 to continue implementing the new Gross Receipts Tax. In addition, approximately \$1.2 million has been proposed for and the Delinquent Revenue Collections Enhancement Project.
- **Planning Review Backlog Reduction (City Planning):** Approximately \$3 million has been proposed in FY 2014-15 to support efforts to reduce review backlogs in building permits and application reviews. These funds were approved by the Board as a supplemental appropriation in FY 2012-13.
- **Interrupt, Predict, Organize Program (Human Services Agency):** Approximately \$1.5 million has been proposed for the Interrupt, Predict, Organize Program which was announced by the Mayor in July 2012 as a new violence prevention and intervention initiative. The program is a coordinated service strategy to address early intervention,

education, workforce and behavioral health needs of at-risk and in-risk individuals in the City's high crime neighborhoods. About \$1.3 million of these funds support employment of these individuals as Public Service Trainees with DPW or RPD through HSA. The remainder of the funds, or about \$200,000 are proposed for CBO training and case management and client supplies and work equipment.

- **Public Safety Radio and 9-1-1 System Replacements (Emergency Management):** Approximately \$2.4 million has been proposed in FY 2014-15 in the Department of Emergency Management's budget for project staff and consultancy work on the replacement of public safety radios that are used by first responders during emergencies. In addition, approximately \$350,000 has been proposed in the Department's budget to support the replacement of the City's 9-1-1 system.
- **Landscape Management & Affordable Housing Construction Mgmt. (Public Works):** Approximately \$1.6 million has been proposed in FY 2014-15 in the Department of Public Works' budget for landscape management and construction management of affordable housing. \$1.1 million has been proposed in the Department of Public Works' budget to fund the maintenance of citywide right-of-way landscaping since FY 2008-09 and to establish a tree care apprenticeship program. In addition, approximately \$534,000 has been proposed to support the Infrastructure Task Force, which is overseeing the construction management of affordable housing developments. This task force is currently overseeing the Hunters View Development, which is part of the Mayor's HOPE SF program.
- **Technology and Backlog (Assessor/Recorder):** Approximately \$1.5 million has been proposed for FY 2014-15 in the Assessor/Recorder budget to fund 13 off-budget positions for a third Assessment Appeals Board team and non-personnel expenditures, including commercial rent for the team's working space. This additional Assessment Appeals Board has been established to help the Department address an unprecedented increase in Assessment Appeals Board appeals.
- **City Hall Fellows Program (Human Resources):** Approximately \$1.1 million has been proposed in the Department of Human Resources FY 2014-15 budget for the seventh annual City Hall Fellows Program. This program recruits recent college graduates to serve as Fellows in various City departments. Each participating department has work order funds for each Fellow to DHR.
- **Public-Private Development Projects (Economic and Workforce Development):** Approximately \$740,000 has been proposed for FY 2014-15 in the Economic and Workforce Development budget to fund personnel costs related to particular development projects including the Warriors Pavillion, Seawall Lot 337, MTA- Public Sites Development, PUC- Public Sites, and the India Basin development.

Policy Option

Ongoing capital, information technology and other projects could be budgeted as annual or continuing projects that delineate positions, contracts, equipment and other expenditures, rather than programmatic projects, which role up these expenditures into one number. In order to ensure sufficient budget detail for major projects, the Board should request the Mayor to budget all projects as annual or continuing projects that delineate expenditures and restrict the use of programmatic budgets.

VEHICLES AND THE HEALTHY AIR AND CLEAN TRANSPORTATION ORDINANCE

The Healthy Air and Clean Transportation Ordinance (HACTO) is intended to assist the City in achieving its air pollution and greenhouse gas reduction goals by: (1) promoting the use of vehicles that have zero or low emissions; (2) reducing the number of passenger vehicles and light-duty trucks in the City's fleet; and, (3) promoting trip reduction through carpooling, bicycling, walking and using public transit. The Department of the Environment's policy for replacement of City-owned vehicles, in compliance with HACTO is: (1) to reduce the City's fleet by 5 percent per year with a total reduction of 20 percent by 2015; and (2) beginning July 1, 2015, replace vehicles that are 12 years or older.

The implementation of HACTO by the Department of the Environment has not led to permanent reductions in the City fleet as (1) the Department of the Environment has reduced the "HACTO Base Fleet" by providing Departments waivers from the HACTO reduction requirements and (2) in FY 2013-14 the Department of the Environment began allowing departments to reduce the size of their fleets by returning vehicles for credit, which allows the replacement such vehicles in the future. The combination of these two implementation practices has minimized the permanent reduction in the City fleet that would have otherwise occurred if the Department of the Environment enforced a stricter interpretation of HACTO.

According to the Department of the Environment's policy, City departments can receive waivers for reducing their vehicle fleet if "the mandated fleet reductions would unduly interfere with the department's ability to discharge its official functions." As shown in Table 13 below, the Department of Environment granted waivers for nearly three-fourths of the City vehicles covered by HACTO in FY 2013-14.

Table 13: HACTO Waivers

Departments with Fleets Subject to Ordinance	39
Total Base Fleet Subject to Ordinance	3,272
Number of Vehicles Included in Waivers for FY 2013-14	<u>2,370</u>
Adjusted Base Fleet after Waivers	919 ¹⁵
Percent of Base Fleet after Waivers to Total Base Fleet	28%
Reductions Required thru FY 2013-14 (Adjusted based on granted waivers)	123
New Reductions Resulting from Including Vehicles “Returned for Credit” through 12/9/13	232
Reported reductions Achieved and Planned thru 6/30/14	399

Source: Department of the Environment

The Department of the Environment has granted a waiver (or is reviewing the waiver request) for 2,370 of the City's 3,272 vehicles in the base fleet, resulting in only about one-fourth of the City's base fleet counted toward the requirement to reduce vehicles by 5 percent per year. As of June 30, 2014, City departments will have retired 399 vehicles, which includes “vehicles returned for credit.”¹⁶

The Budget and Legislative Analyst’s recommendations to reduce vehicle purchases for FY 2014-15 and FY 2015-16 are shown in Table 14 below.

¹⁵ According to Department staff, this is the adjusted HACTO base fleet. Staff could not explain the discrepancy between the difference in the total base fleet subject to the ordinance and the number of waivers vs. the 919 figure.

¹⁶ This amount of vehicles counted in the number of vehicles reduced from the HACTO Base Fleet has been impacted by a change in the interpretation of “vehicles returned for credit” under HACTO by the Department of the Environment (ENV). Last year only vehicles with status of “removed without replacement” counted toward a department’s fleet reduction goal. Credit vehicles were not counted because ENV understood that these vehicles could be replaced at some point in the future. ENV made a determination, in consultation with the City Administrator and Mayor’s Budget Office, to count these “credit” vehicles as removed from the HACTO Base Fleet to more accurately reflect the reality for the purposes of HACTO.

Table 14: Budget and Legislative Analyst Vehicle Recommendations

Department	FY 2014-15		FY 2015-16		Notes
	# of Vehicles	Savings	# of Vehicles	Savings	
City Attorney	1	\$25,283			HACTO: Department requested to replace vehicles turned into DAS Central Shops.
District Attorney	2	\$58,896			HACTO: Department requested to replace vehicles turned into DAS Central Shops.
Emergency Management			1	\$33,843	Justification pertains to mileage.
Police	2	\$66,987	6	\$63,078	Justification pertains to mileage.
Public Defender			1	\$29,985	Justification pertains to mileage.
Sheriff	1	\$22,759	1	\$25,025	HACTO: Department requested to replace vehicles turned into DAS Central Shops.
Building Inspection	1	\$37,000	1	\$37,000	Justification pertains to mileage.
Recreation and Parks	1	\$62,921	1	\$24,625	HACTO: Department requested to replace vehicles turned into DAS Central Shops.
Technology	1	\$27,188	5	\$233,813	Justification pertains to mileage.
Public Works	2	\$61,304			Justification pertains to mileage.
Human Services	5	\$139,060	6	\$180,054	HACTO: Department requested to replace vehicles turned into DAS Central Shops.
Total	16	\$501,398	22	\$627,423	

Source: Budget and Legislative Analyst Budget Recommendations to the Budget and Finance Committee

Policy Option:

The Budget and Finance Committee may wish to further reduce vehicle requests in FY 2014-15. A 10 percent reduction in General Fund vehicle requests in FY 2014-15 equals \$110,000 in General Fund savings.

Further, the Budget and Finance Committee should consider requesting that the Department of the Environment conduct a review of its implementation of HACTO and report back to the Committee on options for strengthening the enforcement of HACTO to achieve a permanent reduction in the City's fleet and emissions as intended by the ordinance.

FY 2014-15 Budget Savings Incentive Fund Proposal

Dept	Project Title	Total	Committee
Asian Art Museum	ADA Door Upgrades	\$ 127,000	Capital
Assessor-Recorder	Assessor Mass Appraisal (CAMA) system	\$ 400,000	COIT
City Administrator's Office	311 Call Center Telephone Upgrade	\$ 400,000	COIT
City Administrator's Office	25 Van Ness Elevator Modernization	\$ 700,000	Capital
Department of Public Health	Laguna Honda Hospital - Facilities Maintenance	\$ 1,048,000	Capital
Department of Public Health	Laguna Honda Hospital A, B, and C Wing Roofing	\$ 400,000	Capital
Department of Public Health	Administration Building Seismic Retrofit	\$ 1,650,000	Capital
Department of Public Health	Building 5 Renovation & Seismic Retrofit	\$ 5,800,000	Capital
Department of Public Health	SFGH Building 80/90 Renovation & Seismic Retrofit	\$ 700,000	Capital
Department of Public Works	Accelerated Sidewalk Abatement Program	\$ 852,198	Capital
Department of Public Works	Curb Ramps (ADA Right-of-Way Transition Plan)	\$ 4,617,996	Capital
Department of Public Works	Pothole Repair	\$ 1,852,200	Capital
Department of Public Works	Sidewalk Improvement and Repair Program	\$ 2,207,957	Capital
Department of Public Works	Street Preservation Curb Ramps	\$ 500,000	Capital
Department of Public Works	Street Structures Repair	\$ 1,102,500	Capital
Department of Public Works	Street Tree Trimming and Sidewalk Repair Initiative	\$ 700,000	Capital
Department of Public Works	Streetscape Greening Establishment	\$ 100,000	Capital
Fine Arts Museum	de Young - Diller Court Drainage Repairs	\$ 150,000	Capital
Fine Arts Museum	Legion of Honor - Art Work Storage Rack Repair	\$ 179,400	Capital
Fine Arts Museum	Legion of Honor - Masonry	\$ 357,345	Capital
Fire Department	Fire Vehicle Modems	\$ 433,000	COIT
Fire Department	Mobile Data Terminal Replacement	\$ 500,000	COIT
Fire Department	Treasure Island Fire Station Modular Housing	\$ 1,500,000	Capital
Juvenile Probation Department	Juvenile Justice (Youth Guidance) Center Buildings Exterior Repair	\$ 500,000	Capital
Department of Technology	Phase 1 of City Active Directory	\$ 450,000	COIT
Department of Technology	Security - Breach Monitoring, Enterprise Malware, and Security Operations	\$ 450,000	COIT
Department of Technology	Identity and Access Management	\$ 1,481,250	COIT
Total		\$29,158,846	