

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS**

BUDGET AND LEGISLATIVE ANALYST

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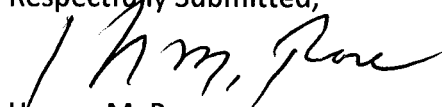
Supervisor David Chiu, President
and Members of the Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4698

Dear President Chiu and Members of the Board of Supervisors:

You requested that the Budget and Legislative Analyst analyze the Mayor's proposed FY 2013-14 budget to show (1) major changes in revenues and increases in City General Fund allocations to departments; (2) major new initiatives; and (3) significant re-allocation or new resources to City departments. You also requested that we analyze new proposed positions, including manager positions; and positions that have been reassigned from grant funds to the General Fund.

Our report on the Mayor's proposed FY 2013-14 budget is attached.

Respectfully Submitted,



Harvey M. Rose

Budget and Legislative Analyst

cc: Supervisor Avalos
Supervisor Breed
Supervisor Campos
Supervisor Cohen
Supervisor Farrell
Supervisor Kim
Supervisor Mar
Supervisor Tang
Supervisor Wiener
Supervisor Yee

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

EXECUTIVE SUMMARY

The Mayor's proposed FY 2013-14 budget has increased by \$710 million or 9.9 percent, from \$7.2 billion in FY 2012-13 to \$7.9 billion in FY 2013-14. The Mayor's FY 2013-14 budget includes \$7.9 billion in revenues, of which \$3.6 billion are General Fund revenues. 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 \$2.71 billion in the Mayor's FY 2013-14 budget is an increase of \$352.4 million or approximately 14.9 percent from direct General Fund support of \$2.36 billion in the FY 2013-14 budget.

The Budget and Legislative Analyst has not made budget recommendations in this report but presents policy options for the Board of Supervisors to consider.

REVENUES

Total revenues in FY 2013-14 are \$7,915,899,999, an increase of \$710,071,200 or 9.9 percent from the FY 2012-13 revenue budget of \$7,205,828,799. Major increases in revenues are due to increased Property Tax receipts and implementation of the Gross Receipts Tax on January 1, 2014. While the Controller in his FY 2013-14 and FY 2014-15 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 and international economic developments that may impact the local economy.

State Revenues

The Mayor's proposed FY 2013-14 budget assumes reductions in federal grants and revenues offset by increases in State grants and revenues. 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 2013-14 May revise budget estimated State savings by requiring counties to assume more responsibility for health and social service programs currently provided by the State. These potential reductions are not included in the Mayor's proposed budget, and if enacted, will require the City to find new revenues or expenditures reductions to maintain a balanced budget.

Reserves

The City has several General Fund reserves. The Charter establishes the Rainy Day Reserve. The Mayor's proposed budget does not include deposits into the Rainy Day Reserve in FY 2013-14 and FY 2014-15 because anticipated General Fund revenues do not meet the criteria for deposits into the reserve. The Administrative Code also requires annual deposits into the General Reserve and the Budget Stabilization Reserve, which are reflected in the Mayor's proposed budget.

The Litigation Reserve, Salaries and Benefits Reserve, and Audit Reserve are established in the Annual Appropriation Ordinance. The Budget and Legislative Analyst recommended to the Budget and Finance Committee a reduction of \$200,000 to the Litigation Reserve and \$100,000 reduction to the Audit Reserve, totaling \$300,000, in FY 2013-14, with which the Controller concurred and which were accepted by the Budget and Finance Committee.

The Controller's practice has been to carry forward unspent funds in the Litigation Reserve, Salaries and Benefits Reserve, and Audit Reserve into the next fiscal year. The Controller carried forward \$7.1 million in unspent Salaries and Benefits Reserve funds from FY 2011-12 to FY 2012-13 but cannot estimate the Salaries and Benefits Reserve unspent balance in FY 2012-13 until the close of accounts in October 2013. Additionally, according to the Controller's Office, the Litigation Reserve could have an unspent balance of up to \$3.0 million at the end of FY 2012-13 but the actual unspent balance will not be known until the close of accounts in October 2013.

Policy Option:

- Because the Litigation Reserve and Salaries and Benefits Reserve may have unspent year-end balances, the Board of Supervisors could request the Controller to review these reserves and report on expected year-end balances that may be available for re-appropriation, which could result in available funds of up to \$10 million. The Controller carried forward \$7.1 million in Salaries and Benefit Reserve funds from FY 2011-12 to 2012-13. Likewise, the Litigation Reserve may have an estimated balance of up to \$3.0 million at the end of FY 2012-13. These funds may be available for re-appropriation as needed to fund the Board of Supervisors priorities.

EXPENDITURES

The major increases in the Mayor's proposed FY 2013-14 budget of \$7.9 billion are for salaries and benefits, debt service, and programmatic projects (described further below).

As noted above, direct General Fund support to City departments has increased by \$352.4 million from \$2.36 billion in the original FY 2012-13 budget to \$2.71 billion in the proposed FY 2013-14 budget. Of the \$352.4 million increase in direct General Fund support to City departments, \$285.4 million or 81 percent of the increase is allocated to General City Responsibility, the Department of Public Health, and the Police Department.

- Increased direct General Fund support to the Department of Public Health includes (1) correcting the structural deficit, which has required the Department of Health to request a mid-year supplemental appropriation to realign its budget to its actual costs; (2) new funds for furniture, fixtures, and equipment for the new San Francisco General Hospital, which will not open until 2015; and creation of the Office of Managed Care as part of the implementation of the Affordable Healthcare Act.
- Increased direct General Fund support to the Police Department to meet Charter-mandated staffing levels and the costs for the new Public Safety Building.

Table 7 below shows the increases in direct General Fund support to City departments.

Positions

The Mayor's proposed FY 2013-14 budget increases the number of full time equivalent (FTE) positions by 751.16, from 19,168.64 FTEs in FY 2012-13 to 19,919.80 FTEs in FY 2013-14, an increase of 3.9 percent. This does not include Airport, Port, Public Utilities Commission or Municipal Transportation Agency positions. Table 8 below shows the changes in FTEs by department in FY 2013-14. Details of position changes are included in the Budget and Legislative Analyst's budget reports to the Budget and Finance Committee.

The number of management positions funded by the General Fund has increased from 358.28 FTEs in FY 2012-13 to 369.30 FTEs in FY 2013-14, an increase of 11.02 FTEs, or 3.0 percent, consistent with the overall increase in department positions of 3.9 percent. Management positions are defined as positions covered by the Municipal Executive Association (MEA) bargaining unit. Tables 9 and 10 below show the changes in management positions.

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

Information Technology Projects

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 2013-14 budget includes several technology projects not included or exceeding the ICT Plan.

- The U.S. Department of Commerce awarded a Broadband Technology Opportunities Program grant to the City in 2010, of which \$3.0 million was allocated to the Department of Aging and Adult Services in the Human Services Agency to increase seniors' and adults with disabilities' access to digital technology. The Mayor's proposed FY 2013-14 budget includes General Fund monies of \$612,969 to extend this project, although the ICT Plan identifies this program as completed.
- The Assessor/Recorder's Office FY 2013-14 and FY 2014-15 budgets include \$600,000 for planning and research of the Department's two main information systems. While the ICT Plan provides for FY 2014-15 funding for these projects, the ICT Plan does not provide for an additional \$100,000 included in the FY 2013-14 budget.
- The Department of Technology's Business License Portal is not in the ICT Plan. The Budget and Legislative Analyst recommended to the Budget and Finance Committee that the budget for the proposed Business License Portal be reduced by \$104,340, from \$777,455 to \$673,115.

Policy Option:

- The Board of Supervisors could choose to delay, reduce or eliminate funding of \$1,386,084 for information technology projects not included in the approved ICT Plan

including \$612,969 for the Office of Aging Broadband, \$100,000 for the Assessor/Recorder's Office, and \$673,115 for the Business License Portal.

Programmatic Projects

General fund expenditures for programmatic projects are proposed to increase by \$73 million from \$12 million in FY 2012-13 to \$85 million in FY 2013-14. The Mayor's proposed FY 2013-14 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 with sufficient information on planned expenditures in the fiscal year.

Two major programmatic projects in FY 2013-14 are \$49 million for furniture, fixtures and equipment for the new San Francisco General Hospital, which is not scheduled for completion until 2015; and \$14.3 million for furniture, fixtures and equipment for the new Public Safety Building, which is scheduled for completion in March 2014. The Mayor's proposed FY 2013-14 budget includes \$5 million in lease revenue bond proceeds to partially offset the \$49 million costs of the new San Francisco General Hospital furniture, furnishings and equipment.

Policy Option

- The Board of Supervisors could request the Director of Public Finance to report on the option of additional lease financing for all or part of the FY 2013-14 appropriation for the new San Francisco General Hospital, the new Public Safety Building, and other capital renewal and equipment purchases in order to free up available funds for other Board of Supervisors priorities. Such lease financing is presently used by the City for various equipment purchases in order to spread the costs of the equipment to the City over several years. While lease financing results in lower annual expenditures because the costs of the equipment are spread over several years, total costs are higher due to interest payments.
- Alternatively, the Board of Supervisors could defer 25 percent to 50 percent of the \$44 million balance for the new San Francisco General Hospital (the \$49 million appropriation less the \$5 million in lease financing), until FY 2014-15. This would result in FY 2013-14 savings of \$11 million to \$22 million. The Board of Supervisors could also reduce the requested Police Department appropriation of \$14.3 million for the new Public Safety Building, which is scheduled to open in March 2014. A five percent reduction in the requested appropriation for the new Public Safety Building furniture, fixtures and equipment is \$715,000.

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 to HACTO compliance to two-thirds of the vehicles in the City's fleet, or 1,302 of 1,950 vehicles. Only the remaining 648 vehicles are counted toward the goal of 20 percent fleet reduction.

The FY 2013-14 budget includes requests for 83 vehicles to be replaced under HACTO, with total General Fund costs of \$3.0 million. The Budget and Legislative Analyst has recommended to the Budget and Finance Committee budget reductions of \$499,048 of the \$3.0 million request. Further reductions could be made to the requested new vehicles under HACTO. Several departments requested new vehicles because they were 12 years old, although the ordinance does not require replacement of these vehicles until July 1, 2015. Nearly one-half of the requested new vehicles were replacing vehicles with less than 50,000 miles. The average annual mileage for many of these vehicles was low; for example, the Department of Public Health reported an average of 3,500 miles per year for the 25 vehicles scheduled for replacement under HACTO in FY 2013-14 and FY 2014-15.

Policy Option:

- The Budget and Finance Committee could request each Department that is requesting new vehicles under HACTO in the FY 2013-14 and FY 2014-15 budgets to provide no later than June 26, 2013 a list of vehicles that can be deleted from the budget request, in addition to the vehicles deletions recommended by the Budget and Legislative Analyst's Office. The Budget and Legislative Analyst estimates up to an additional \$1.5 million could be reduced from the proposed new vehicles under HACTO in FY 2013-14.

SUMMARY

As noted above the Budget and Legislative Analyst has not made budget recommendations in this report but rather presents policy options for the Board of Supervisors to consider. In summary, the policy options that the Board of Supervisors could consider for potential re-appropriation to provide additional monies needed to fund the Board of Supervisors priorities range from \$17,601,084 to \$35,601,084, as shown in the table below.

	Low Estimate	High Estimate
Litigation Reserve and Salaries and Benefits Reserve	\$3,000,000	\$10,000,000
Information Technology Projects	1,386,084	1,386,084
New San Francisco General Hospital Furnishings, Fixtures and Equipment	11,000,000	22,000,000
New Public Safety Building Furniture, Fixtures and Equipment	715,000	715,000
New Vehicles Under the Healthy Air and Clean Transportation Ordinance	1,500,000	1,500,000
Total	\$17,601,084	\$35,601,084

REVENUES

Revenues in the Mayor’s proposed budget for FY 2013-14 have increased by \$710 million or 9.9 percent, from \$7.2 billion in FY 2012-13 to \$7.9 billion in FY 2013-14. 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 2012-13 and FY 2013-14**

	FY 2012-13 Approved Budget	FY 2013-14 Proposed Budget	Increase/ (Decrease)	Percent
Local Taxes	2,611,666,789	2,890,522,366	278,855,577	10.7%
Licenses and Fines	168,930,148	162,588,606	-6,341,542	-3.8%
Use of City Money and Property	500,968,807	514,570,246	13,601,439	2.7%
Federal and State Revenues	1,101,454,167	1,244,026,538	142,572,371	12.9%
Transit and Other Revenues	77,948,611	87,154,306	9,205,695	11.8%
Charges for Services	2,342,123,620	2,508,555,260	166,431,640	7.1%
Other Revenues	166,645,300	178,610,155	11,964,855	7.2%
Un-appropriated Fund Balance	236,091,357	329,872,522	93,781,165	39.7%
Total	7,205,828,799	7,915,899,999	710,071,200	9.9%

Source: Mayor’s Budget Book

Local Taxes

Local taxes consist of property, transfer, parking, sales, hotel, utility, and business tax¹ revenues, which are allocated to the General Fund and other special funds as required by the Charter. The Mayor’s proposed FY 2013-14 budget assumes overall growth of local tax revenues of 10.7 percent on based on expectations that the local economy will continue to grow. While the Controller in his FY 2013-14 and FY 2014-15 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 property and business taxes. The Controller projects a net surplus in these tax revenues in FY 2012-13². The Mayor’s proposed FY 2013-14 budget projects increases in:

- (1) 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;³ and

¹ Business taxes consist of business registration, payroll and Gross Receipts Taxes. Gross receipts tax revenues begin in 2014, consistent with the voter-approved legislation to replace the Payroll Tax with the Gross Receipts Taxes.

² Controller’s FY 2012-13 Nine Month Budget Status Report

³ Controller’s FY 2013-14 and FY 2014-15 Revenue Letter

(2) Business tax revenues due mostly to projected growth in the technology, construction and manufacturing sectors, and implementation of Gross Receipts Taxes and higher business registration fees, approved by voters in Proposition E in November 2012.⁴

Hotel Taxes

In FY 2012-13 a portion of Hotel Tax receipts were reserved pending the outcome of litigation between several California jurisdictions, including San Francisco, and online travel companies on these companies' responsibility to pay Hotel Taxes on the full amount that consumers pay for hotel rooms.⁵ The Mayor's proposed FY 2013-14 budget does not include the online travel companies' share of Hotel Tax under litigation.

State and Federal Grants

The Mayor's proposed FY 2013-14 budget assumes reductions in federal grants and revenues offset 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 2013-14 May revise budget estimated State savings by requiring counties to assume more responsibility for health and social service programs currently provided by the State. These potential reductions are not included in the Mayor's proposed budget and if enacted, will require the City to find new revenues or expenditure reductions to maintain a balanced budget.

Reserves and Baseline Adjustments

Of the \$7,915,899,999 in FY 2013-14 revenues, approximately \$3,578,100 are General Fund revenues.⁶ 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 2012-13 year-end fund balance of \$223.9 million, of which \$113.0 million is included in the FY 2013-14 budget and \$110.9 million is included in the FY 2014-15 budget. The Mayor's proposed budget also includes use of reserves, as shown in Table 2 below.

⁴ 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.

⁵ In April 2013 a Superior Court judge issued a summary judgment that online travel companies are not hotel operators and therefore are not subject to Hotel Tax.

⁶ 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 2012-13 through FY 2013-14**

	FY 2012-13 Budget	FY 2013-14 Budget	Increase/ (Decrease)	Percent
Rainy Day Reserve Allocated to SFUSD	\$7,800,000	\$7,300,000	(\$500,000)	-6.4%
Recreation and Park Savings Incentive Reserve	1,700,000	9,700,000	8,000,000	470.6%
Budget Savings Incentive Fund	8,400,000	16,700,000	8,300,000	98.8%
Total	\$17,900,000	\$33,700,000	\$15,800,000	88.3%

Source: Controller's FY 2013-14 and FY 2014-15 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 Charter⁷, and the Board of Supervisors will approve an additional appropriation of \$1,500,000 under a separate ordinance pending before the Board of Supervisors (File 13-0038).

The Recreation and Park Department's FY 2013-14 budget includes use of their Savings Incentive Reserve for capital and facilities maintenance projects. In FY 2013-14, approximately \$7.0 million of the Savings Incentive Reserve fund is compensation from MTA to the Recreation and Park Department for the loss of Union Square Garage parking spaces due to the Central Subway project, which will be deposited into a garage revenue stabilization fund.

The Mayor's proposed FY 2013-14 budget includes use of Budget Savings Incentive Funds for various one-time capital or information technology projects in several General Fund Departments. 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 2 below. These baseline transfers and property tax set asides total \$751,700,000 in FY 2013-14, an increase of \$156,800,000 or 23.7 percent in FY 2013-14.

⁷ The estimated Rainy Day Reserve year-end balance is \$23,200,000, of which 25 percent is \$5,800,000. The Board of Supervisors would need to approve an additional appropriation of \$1,500,000, for a total appropriation of \$7,300,000 in FY 2013-14 through a separate ordinance.

**Table 3: General Fund Baseline Transfers and Property Tax Set Asides
FY 2012-13 through FY 2013-14**

	FY 2012-13	FY 2013-14	Increase/ (Decrease)	Percent
<u>Municipal Transportation Agency</u>				
Municipal Railway Baseline	\$154,900,000	\$168,700,000	\$13,800,000	8.9%
Parking Baseline	58,100,000	63,300,000	5,200,000	9.0%
Parking Tax In Lieu	61,200,000	66,600,000	5,400,000	8.8%
MTA Subtotal	274,200,000	298,600,000	24,400,000	8.9%
<u>Library</u>				
Library Baseline	53,000,000	57,700,000	4,700,000	8.9%
Library Property Tax Set Aside	37,300,000	40,000,000	2,700,000	7.2%
Library Subtotal	90,300,000	97,700,000	7,400,000	8.2%
<u>Children's Services</u>				
Children's Baseline	126,400,000	133,000,000	6,600,000	5.2%
Public Education Services Baseline	6,700,000	7,300,000	600,000	9.0%
Children's Fund	44,700,000	48,000,000	3,300,000	7.4%
Preschool for All (PEEF)	17,700,000	25,700,000	8,000,000	45.2%
SFUSD (PEEF)	35,400,000	51,500,000	16,100,000	45.5%
Children's Services Subtotal	230,900,000	265,500,000	34,600,000	15.0%
<u>Other Baselines and Set Asides</u>				
Open Space Property Tax Set Aside	37,300,000	40,000,000	2,700,000	7.2%
Housing Trust Fund	0	20,000,000	20,000,000	n/a
Human Services Homeless Care	14,500,000	14,900,000	400,000	2.8%
Municipal Symphony Baseline	2,000,000	2,100,000	100,000	5.0%
City Services Auditor	12,100,000	12,900,000	800,000	6.6%
Total	\$661,300,000	\$751,700,000	\$156,800,000	23.7%

Source: Controller's FY 2013-14 and FY 2014-15 Revenue Letter

The Children's Baseline amount in the proposed budget exceeds the baseline requirement by \$7.5 million in FY 2013-14 and \$3.5 million in FY 2014-15, as has been the practice in prior years.

The Public Education Enrichment Fund (PEEF) is fully-funded in FY 2013-14 but not in FY 2014-15. Because the three-year budget projections jointly prepared by the Mayor's Office, the Controller's Office and the Budget and Legislative Analyst's Office project a budgetary shortfall of \$100 million or more in FY 2014-15, the City's contribution to the Public Education Enrichment Fund has 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 2013-14 and FY 2014-15 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 2016-17⁸; and (2) Budget Stabilization Reserve to augment the Rainy Day Reserve. The Mayor's proposed FY 2013-14 and FY 2014-15 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 these ordinance. A resolution is pending before the Board of Supervisors to suspend deposits to the Budget Stabilization Reserve in FY 2013-14 and FY 2014-15.

- 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 for the first time as a new provision in the proposed FY 2013-14 and FY 2014-15 Annual Appropriation Ordinance, pending before the Board of Supervisors.

**Table 4: City General Fund Reserves
 FY 2012-13 through FY 2014-15**

	FY 2012-13 Projected Year End Balance	FY 2013-14 Proposed Budget	FY 2013-14 Projected Withdrawals	FY 2013-14 Projected Year End Balance	FY 2014-15 Proposed Budget	FY 2014-15 Projected Withdrawals	FY 2014-15 Projected Year End Balance
General Reserve	21,800,000	22,900,000	0	44,700,000	10,800,000	0	55,500,000
Budget Stabilization Reserve	102,500,000	15,900,000	0	118,400,000	14,400,000	0	132,800,000
Rainy Day Reserve	23,300,000	0	(5,800,000)	17,500,000	0	(4,400,000)	13,100,000
Salaries and Benefits Reserve	0	13,100,000	(13,100,000)	0	13,500,000	(13,500,000)	0
Litigation Reserve	0	11,000,000	(11,000,000)	0	11,000,000	(11,000,000)	0
Audit Reserve	0	5,500,000	(5,500,000)	0	5,500,000	(5,500,000)	0
Total Reserves	147,600,000	68,400,000	(35,400,000)	180,600,000	55,200,000	(34,400,000)	201,400,000

Source: Controller's Office

The Budget and Legislative Analyst recommended a reduction of \$200,000 to the Litigation Reserve and \$100,000 in the Audit Reserve, totaling \$300,000, in the FY 2013-14 and FY 2014-15 budgets, with which the Controller concurred.

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. The Controller carried forward \$7.1

⁸ The ordinance provides that the General Reserve shall be no less than 1.25 percent of budgeted regular General Fund revenues in FY 2013-14, and no less than 1.5 percent of budgeted regular General Fund revenues in FY 2014-15. The Mayor's proposed BY 2013-14 and FY 2014-15 budgets conform to this requirement.

million in unspent Salaries and Benefits Reserve funds from FY 2011-12 to FY 2012-13 but cannot estimate the Salaries and Benefits Reserve unspent balance in FY 2012-13 until the close of accounts in October 2013. Additionally, according to the Controller's Office, the Litigation Reserve could have an unspent balance of up to \$3.0 million at the end of FY 2012-13 but the actual unspent balance will not be known until the close of accounts in October 2013.

Policy Option:

- Because the Litigation Reserve and Salaries and Benefits Reserve may have unspent year-end balances, the Board of Supervisors could request the Controller to review these reserves and report on expected year-end balances that may be available for re-appropriation, which could result in available funds of up to \$10 million. The Controller carried forward \$7.1 million in Salaries and Benefit Reserve funds from FY 2011-12 to 2012-13. Likewise, the Litigation Reserve may have an estimated balance of up to \$3.0 million at the end of FY 2012-13. These funds may be available for re-appropriation as needed to fund the Board of Supervisors priorities.

EXPENDITURES

The Mayor's proposed FY 2013-14 budget is increasing by 9.9 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 debt service. The largest increases in spending of all City funds by percentage are programmatic projects (discussed further below) and equipment purchases.

**Table 5: Mayor's Proposed Expenditure Budget for All City Departments
 FY 2012-13 through FY 2013-14**

	FY 2012-13 Budget	FY 2013-14 Proposed	Increase/ (Decrease)	% of Citywide Change in Funding
Salaries	2,631,273,685	2,771,828,236	140,554,551	5.3%
Fringe Benefits	1,150,356,184	1,255,327,118	104,970,934	9.1%
Salaries and Fringe Benefits	3,781,629,869	4,027,155,354	245,525,485	6.5%
Debt Service	804,567,765	940,940,639	136,372,874	16.9%
Fixed Charges (Insurance, Taxes, Judgments, etc.)	293,191,745	360,291,113	67,099,368	22.9%
Programmatic Projects	19,709,796	98,276,140	78,566,344	398.6%
Equipment	73,085,048	77,777,445	4,692,397	6.4%
Services of Other Departments	664,566,947	691,135,882	26,568,935	4.0%
Aid Assistance/Grants	615,798,496	667,258,295	51,459,799	8.4%
Professional Services Contracts/Other Services	1,164,687,817	1,216,582,925	51,895,108	4.5%
Overhead	159,850,240	162,336,297	2,486,057	1.6%
Materials and Supplies	288,254,350	293,090,903	4,836,553	1.7%
Facilities Maintenance	56,408,647	63,617,446	7,208,799	12.8%
Capital Projects	148,657,575	151,276,541	2,618,966	1.8%
Transfers	(864,579,496)	(833,838,981)	30,740,515	-3.6%
Total	7,205,828,799	7,915,899,999	710,071,200	9.9%

Source: Mayor's Budget Book

The Mayor's proposed budget of \$7.9 billion in FY 2013-14 includes the Airport, Port, and Public Utilities Commission, which have two-year fixed budgets in FY 2012-13 and FY 2013-14. While the Board of Supervisors approved supplemental appropriations for the Port and Public Utilities Commission, these three departments' budgets are unchanged in FY 2013-14 from the previously approved two year budgets. 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 2013-14 budget for these departments are shown in Table 6 below.

Table 6: City Departments with Rolling Two-Year Budgets

	FY 2012-13 Budget	FY 2013-14 Proposed	Increase/ (Decrease)	% Change by Department
ACADEMY OF SCIENCES	\$4,026,851	\$4,432,695	\$405,844	10.1%
ADULT PROBATION	24,976,052	27,008,742	2,032,690	8.1%
ARTS COMMISSION	11,522,763	14,049,907	2,527,144	21.9%
ASIAN ART MUSEUM	8,313,225	8,744,439	431,214	5.2%
ASSESSOR / RECORDER	21,208,584	21,818,899	610,315	2.9%
BOARD OF APPEALS	932,443	942,085	9,642	1.0%
BOARD OF SUPERVISORS	12,414,121	12,908,915	494,794	4.0%
BUILDING INSPECTION	50,229,998	78,837,676	28,607,678	57.0%
CHILD SUPPORT SERVICES	13,244,947	13,724,030	479,083	3.6%
FIRST 5 SF	39,390,760	53,965,970	14,575,210	37.0%
DCYF	123,412,958	144,071,065	20,658,107	16.7%
CITY ATTORNEY	67,613,251	70,898,932	3,285,681	4.9%
CITY PLANNING	28,185,710	30,217,571	2,031,861	7.2%
CIVIL SERVICE COMMISSION	858,926	925,114	66,188	7.7%
CONTROLLER	38,787,172	44,263,593	5,476,421	14.1%
COUNTY EDUCATION OFFICE	116,000	116,000	0	0.0%
DISTRICT ATTORNEY	42,657,621	46,895,842	4,238,221	9.9%
ECONOMIC AND WORKFORCE	46,246,904	42,290,428	-3,956,476	-8.6%
ELECTIONS	12,416,848	16,847,957	4,431,109	35.7%
EMERGENCY MANAGEMENT	47,674,920	69,657,820	21,982,900	46.1%
ENVIRONMENT	18,297,640	17,402,898	-894,742	-4.9%
ETHICS COMMISSION	4,155,547	4,356,950	201,403	4.8%
FINE ARTS MUSEUM	16,249,470	17,146,710	897,240	5.5%
FIRE DEPARTMENT	326,072,813	334,306,104	8,233,291	2.5%
GENERAL CITY RESPONSIBILITY	1,119,223,167	1,441,016,224	321,793,057	28.8%
GSA - CITY ADMIN	268,543,747	294,885,613	26,341,866	9.8%
GSA - PUBLIC WORKS	146,572,485	158,303,662	11,731,177	8.0%
GSA - TECHNOLOGY	75,634,869	83,111,935	7,477,066	9.9%
HEALTH SERVICE SYSTEM	6,552,236	9,115,128	2,562,892	39.1%
HUMAN RESOURCES	73,942,657	77,883,343	3,940,686	5.3%
HUMAN RIGHTS COMMISSION	1,863,720	1,947,040	83,320	4.5%
HUMAN SERVICES	703,528,686	735,390,261	31,861,575	4.5%
JUVENILE PROBATION	35,687,837	36,986,627	1,298,790	3.6%
LAW LIBRARY	738,179	1,284,995	546,816	74.1%
MAYOR	26,022,036	51,469,813	25,447,777	97.8%
POLICE	489,946,208	527,568,477	37,622,269	7.7%
PUBLIC DEFENDER	26,794,188	28,871,157	2,076,969	7.8%
PUBLIC HEALTH	1,675,336,013	1,906,789,437	231,453,424	13.8%
PUBLIC LIBRARY	92,398,437	100,894,185	8,495,748	9.2%
RECREATION AND PARK	138,504,752	160,318,332	21,813,580	15.7%
RENT ARBITRATION BOARD	6,001,378	6,233,794	232,416	3.9%
RETIREMENT SYSTEM	20,597,842	22,638,975	2,041,133	9.9%
SHERIFF	174,723,549	180,828,832	6,105,283	3.5%
STATUS OF WOMEN	3,802,597	4,977,978	1,175,381	30.9%
SUPERIOR COURT	37,701,441	37,723,115	21,674	0.1%
TREASURER/TAX COLLECTOR	29,432,681	35,529,306	6,096,625	20.7%
WAR MEMORIAL	12,115,869	11,934,740	-181,129	-1.5%
Total	\$6,124,670,098	\$6,991,533,311	\$866,863,213	14.2%

Source: City Budget System

City General Fund departments are funded by department revenues and direct General Fund support.

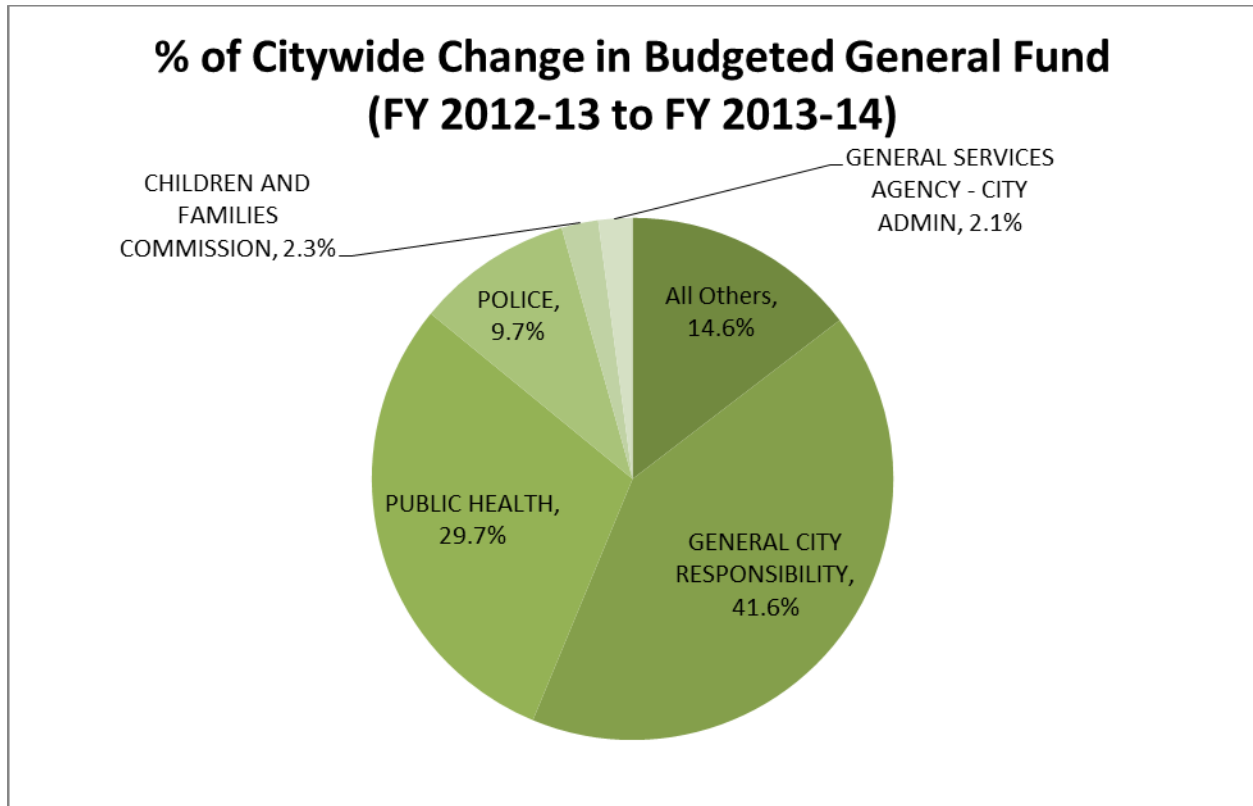
Table 7: Direct General Fund Support to City Departments

	FY 2012-13	FY 2013-14	Increase/ (Decrease)	% Share of Increase
GENERAL CITY RESPONSIBILITY	424,034,101	570,750,525	146,716,424	41.6%
PUBLIC HEALTH	446,564,180	551,071,542	104,507,362	29.7%
POLICE	373,252,840	407,431,936	34,179,096	9.7%
FIRST 5 SF	17,700,000	25,720,000	8,020,000	2.3%
GSA- CITY ADMIN	44,388,098	51,837,570	7,449,472	2.1%
FINE ARTS MUSEUM	7,244,703	13,822,060	6,577,357	1.9%
TREASURER/TAX COLLECTOR	14,216,890	20,413,054	6,196,164	1.8%
ELECTIONS	11,524,492	16,514,564	4,990,072	1.4%
PUBLIC LIBRARY	52,950,000	57,690,000	4,740,000	1.3%
DISTRICT ATTORNEY	36,509,605	40,792,484	4,282,879	1.2%
SHERIFF	137,142,147	140,907,452	3,765,305	1.1%
RECREATION AND PARK	44,633,289	48,069,056	3,435,767	1.0%
ARTS COMMISSION	5,119,741	7,999,173	2,879,432	0.8%
ASIAN ART MUSEUM	5,602,297	8,245,574	2,643,277	0.8%
MAYOR	7,138,406	9,764,992	2,626,586	0.7%
EMERGENCY MANAGEMENT	42,050,560	44,636,084	2,585,524	0.7%
CONTROLLER	11,230,293	13,453,326	2,223,033	0.6%
ETHICS COMMISSION	55,547	2,256,950	2,201,403	0.6%
HUMAN RESOURCES	9,378,557	11,367,455	1,988,898	0.6%
PUBLIC DEFENDER	26,541,691	28,523,520	1,981,829	0.6%
CITY ATTORNEY	6,865,810	8,814,205	1,948,395	0.6%
ACADEMY OF SCIENCES	2,818,851	4,432,695	1,613,844	0.5%
GSA - PUBLIC WORKS	28,281,136	29,822,216	1,541,080	0.4%
ADULT PROBATION	13,744,390	15,128,345	1,383,955	0.4%
STATUS OF WOMEN	3,592,597	4,728,504	1,135,907	0.3%
FIRE DEPARTMENT	215,128,383	215,832,753	704,370	0.2%
LAW LIBRARY	738,179	1,284,995	546,816	0.2%
BOARD OF SUPERVISORS	11,781,254	12,273,298	492,044	0.1%
ASSESSOR / RECORDER	15,723,973	16,131,300	407,327	0.1%
JUVENILE PROBATION	29,447,361	29,695,065	247,704	0.1%
GSA - TECHNOLOGY	1,587,791	1,708,091	120,300	0.0%
CIVIL SERVICE COMMISSION	548,926	615,114	66,188	0.0%
HUMAN RIGHTS COMMISSION	1,215,774	1,218,502	2,728	0.0%
COUNTY EDUCATION OFFICE	116,000	116,000	0	0.0%
SUPERIOR COURT	32,847,567	32,827,220	(20,347)	0.0%
DCYF	27,760,125	27,517,311	(242,814)	-0.1%
ECONOMIC AND WORKFORCE	19,022,000	18,193,211	(828,789)	-0.2%
CITY PLANNING	4,784,151	2,969,599	(1,814,552)	-0.5%
HUMAN SERVICES	231,000,380	222,095,037	(8,905,343)	-2.5%
Total	2,364,282,085	2,716,670,778	352,388,693	100.0%

Source: City Budget System

As shown in Table 7 above and Chart 1 below, most of the increase in General Fund support is to the Police Department, Department of Public Health, and General City Responsibility.

**Chart 1: Change in Citywide Budgeted Expenditures by Department- General Fund
FY 2012-13 through FY 2013-14**



Source: City Budget System

Below are highlights of changes in General Fund expenditure in the Mayor's proposed FY 2013-14 budget for City departments that have the highest increases in General Fund support.

Public Health (\$104.5 million, 29.7% 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 2012-13 to FY 2013-14 after General City Responsibility at \$104.5 million, or 29.7 percent. Specific changes in DPH's budget include:

- **Fixing the Structural Deficit:** Approximately \$51 million of the increase in General Fund support is set aside to correct an historical structural deficit, which has required the Department to request a mid-year supplemental appropriation to realign its budget to its actual costs. According to the Mayor's Budget Book, the increases correct the structural imbalance by including the addition of permanent clinical positions to support existing services so that the Department will rely less on temporary staff, as well as adjustments to salary savings assumptions to more accurately reflect the actual staffing patterns at the City's hospitals.
- **New General Hospital:** DPH will spend approximately \$49 million in FY 2013-14 to begin procurement of furniture, fixtures, and equipment for the new San Francisco General Hospital, which will open in late 2015.

- **Creation of the Office of Managed Care:** Due to changes in healthcare regulations, the Department is transitioning from a fee-for-service reimbursement scheme to a fixed per-member per-month reimbursement. DPH is creating an organizational infrastructure that will manage costs and business relationships with other plans and providers to support this transition.
- **Backfilling Reductions in Federal Funding:** Approximately \$4 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.
- **Expanded Access to Community Care Clinics:** The Department will provide additional staffing over the next two years to expand the operational hours of community care clinics.

Police (\$34.2 million, 9.7% Increase in General Fund Support):

The proposed increase of \$34.2 million in General Fund support for the Police Department comprises the third largest share, or approximately 9.7 percent, of the proposed Citywide increase in General Fund spending from FY 2012-13 to FY 2013-14. Specific changes in the Department's FY 2013-14 budget that reflect this increase include:

- **Retirements and Six Year Hiring Plan:** The Department is in its second year of a six year hiring plan to address the expected significant number of retirements as the result of the expiration of the Deferred Retirement Option Program (DROP). As part of this plan, the Department will create 32 new civilian positions to allow officers currently performing these functions to move back into the field.
- **New Public Safety Building:** The FY 2013-14 proposed budget includes approximately \$14.3 million in new General Fund support for furniture, fixtures, and equipment for the new Public Safety Building, which is scheduled to open in 2014.
- **Vehicle Replacement Plan:** The Department plans to replace 30 vehicles in FY 2013-14 and 60 vehicles in FY 2014-15, which will cost an additional \$1.8 million in general fund support.

First Five SF (\$8.0 million, 2.3% Increase in General Fund Support):

The increase in General Fund support to First Five SF is the amount required by Proposition H, which allocates a percentage of General Fund revenues to the San Francisco Unified School District and to First Five SF. These additional funds support the Preschool for All program.

Other Increases in General Fund Support:

- **Proposition C Housing Trust Fund:** Proposition C, approved by voters in November 2012, establishes the Housing Trust Fund, which sets aside \$20 million of General Funds for affordable housing beginning in FY 2013-14. Key programs and projects to be funded from the Housing Trust Fund include: (1) expansion of down payment assistance programs, including new opportunities for the City's First Responders; (2) expansion of single family rehabilitation and healthy homes programs; (3) implementation of a new small site acquisition and rehabilitation program for properties of fewer than 25 units;

(4) additional funding for foreclosure and eviction prevention services; and, (5) funding commitments for multifamily affordable housing development.

- **Supportive Housing Developments:** The Mayor's Office of Housing and Community Development and its partner agencies continue to fund additional supportive housing developments as part of the City's 10-Year Plan to End Homelessness. Approximately \$3 million in additional funds, mostly with general fund support, will go toward these developments in FY 2013-14.
- **Law Library:** The Mayor has proposed increasing General Fund support for the Law Library to pay for increased rental costs associated with the Law Library's move from the Veterans War Memorial to 1145 Market Street.
- **Health Service System:** The Mayor has proposed increasing General Fund support for the Health Service System to pay for new positions and a proposed wellness center.
- **Elections:** The Mayor has proposed increasing General Fund support for the Department of Elections due to two scheduled elections in FY 2013-14.
- **Status of Women:** The Mayor has proposed increasing General Fund support for the Department of the Status of Women, which is the annualization of a supplemental appropriation for domestic violence programs and services passed by the Board in February 2013.
- **Retirement System:** The Mayor has proposed increasing General Fund support for the Retirement System due to the establishment of a work-order with the City Attorney for legal services for the Employee Deferred Compensation Plan.
- **Treasurer/Tax Collector:** The Mayor has proposed increasing General Fund support for the Treasurer/Tax Collector, primarily related to additional staff to implement the Gross Receipts Tax, which will be effective on January 1, 2014.

POSITIONS

The Mayor's proposed FY 2013-14 budget increases the number of full time equivalent (FTE) positions by 751.16, from 19,168.64 FTEs in FY 2012-13 to 19,919.0 FTEs in FY 2013-14. This does not include Airport, Port, or Public Utilities Commission positions, which are in the second year of the two-year fixed budget, and the Municipal Transportation Agency, for which the Board of Supervisors does not have line-item appropriation authority.

The City departments with the largest increase in FTEs are the:

- Department of Public Health, which has added positions to correct the underfunding of positions at Laguna Honda Hospital and San Francisco General Hospital, and to implement the Affordable Care Act;
- The Human Services Agency, which has added positions to process MediCal eligibility as part of Affordable Care Act implementation; and
- Police Department to meet Charter-mandated staffing levels by FY 2014-15.

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 Major Service Area and Department

Department	FY 2012-13	FY 2013-14	Change	Percent
ADULT PROBATION	138.10	141.12	3.02	2.2%
DISTRICT ATTORNEY	244.97	254.77	9.80	4.0%
EMERGENCY MANAGEMENT	243.70	244.55	0.85	0.3%
FIRE DEPARTMENT	1,462.51	1,466.77	4.26	0.3%
JUVENILE PROBATION	236.02	239.43	3.41	1.4%
POLICE	2,654.67	2,734.06	79.39	3.0%
PUBLIC DEFENDER	157.87	156.50	(1.37)	-0.9%
SHERIFF	1,013.20	993.29	(19.91)	-2.0%
Public Protection	6,151.04	6,230.49	79.45	1.3%
BOARD OF APPEALS	5.00	5.00	0	0.0%
BUILDING INSPECTION	265.82	285.09	19.27	7.2%
ECONOMIC AND WORKFORCE DEVELOPMENT	76.10	85.88	9.78	12.9%
GENERAL SERVICES AGENCY - PUBLIC WORKS	807.51	826.21	18.70	2.3%
Public Works, Transportation and Commerce	1,154.43	1,202.18	47.75	4.1%
CHILD SUPPORT SERVICES	90.35	84.25	(6.10)	-6.8%
CHILDREN AND FAMILIES COMMISSION	15.87	17.00	1.13	7.1%
CHILDREN; YOUTH & THEIR FAMILIES	33.38	37.42	4.04	12.1%
ENVIRONMENT	59.43	59.09	(0.34)	-0.6%
HUMAN RIGHTS COMMISSION	12.00	11.81	(0.19)	-1.6%
HUMAN SERVICES	1,750.07	1,870.98	120.91	6.9%
RENT ARBITRATION BOARD	28.53	28.53	0	0.0%
STATUS OF WOMEN	4.71	5.67	0.96	20.4%
Human Welfare & Neighborhood Development	1,994.34	2,114.75	120.41	6.0%
PUBLIC HEALTH	5,800.22	6,138.87	338.65	5.8%
Public Health Total	5,800.22	6,138.87	338.65	5.8%
ACADEMY OF SCIENCES	12.35	12.35	0	0.0%
ARTS COMMISSION	26.87	28.43	1.56	5.8%
ASIAN ART MUSEUM	57.91	57.83	(0.08)	-0.1%
FINE ARTS MUSEUM	109.86	111.14	1.28	1.2%
LAW LIBRARY	3.00	3.00	0	0.0%
PUBLIC LIBRARY	640.48	651.73	11.25	1.8%
RECREATION AND PARK COMMISSION	841.26	863.20	21.94	2.6%
WAR MEMORIAL	63.33	56.55	(6.78)	-10.7%
Culture and Recreation	1,755.06	1,784.23	29.17	1.7%
ASSESSOR / RECORDER	142.04	153.87	11.83	8.3%
BOARD OF SUPERVISORS	70.32	74.62	4.30	6.1%
CITY ATTORNEY	303.47	303.86	0.39	0.1%
CITY PLANNING	151.77	158.59	6.82	4.5%
CIVIL SERVICE COMMISSION	5.70	6.02	0.32	5.6%
CONTROLLER	197.67	203.66	5.99	3.0%
ELECTIONS	42.25	53.44	11.19	26.5%
ETHICS COMMISSION	16.79	17.51	0.72	4.3%
GENERAL SERVICES AGENCY - CITY ADMIN	688.62	717.61	28.99	4.2%
GENERAL SERVICES AGENCY - TECHNOLOGY	199.20	217.95	18.75	9.4%
HEALTH SERVICE SYSTEM	35.10	45.78	10.68	30.4%
HUMAN RESOURCES	123.77	135.87	12.10	9.8%
MAYOR	38.52	49.70	11.18	29.0%
RETIREMENT SYSTEM	96.59	97.99	1.40	1.4%
TREASURER/TAX COLLECTOR	201.74	212.81	11.07	5.5%
General Administration and Finance	2,313.55	2,449.28	135.73	5.9%
Grand Total	19,168.64	19,919.80	751.16	3.9%

Management Positions

The number of FTEs in City departments shown in Table 8 above have increased by 751.16, or 3.9 percent in FY 2013-14 compared to FY 2012-13. The number of management positions funded by the General Fund has increased by 11.02 FTEs, or 3.0 percent, as shown in Table 9 below, consistent with the overall increase in department positions. Management positions are defined as positions covered by the Municipal Executive Association (MEA) bargaining unit.

**Table 9: Increase in MEA General Fund Positions
 FY 2012-13 to FY 2013-14**

Department	FY 2012-13 Budget	FY 2013-14 Proposed	Increase/ (Decrease) from FY 2012-13 to FY 2013-14
Manager II	60.27	65.95	5.68
Manager III	47.98	50.73	2.75
Deputy Director III	14.00	16.50	2.50
Manager I	55.03	57.00	1.97
Administrator, Department of Public Heal	0.00	1.00	1.00
Crime Laboratory Manager	0.00	1.00	1.00
Deputy Director I	4.00	5.00	1.00
Deputy Director IV	8.00	9.00	1.00
Manager VI	12.00	13.00	1.00
Manager VIII	8.00	8.77	0.77
Commercial Division Assistant Supervisor	6.90	7.00	0.10
Deputy Director II	19.00	18.00	(1.00)
Deputy Director V	4.00	3.00	(1.00)
Manager VII	3.00	2.00	(1.00)
Principal District Attorney's Investigator	1.00	0.00	(1.00)
Training Coordinator	1.00	0.00	(1.00)
Manager V	25.77	24.75	(1.02)
Manager IV	45.60	43.87	(1.73)
Grand Total	358.28	369.30	11.02

Source: City Budget System

Table 10 below shows all new MEA positions by department in the FY 2013-14 and FY 2014-15 proposed budgets.

**Table 10: New MEA General Fund Positions by Department
FY 2012-13 and FY 2013-14**

Department	2013-14 Proposed	2014-15 Proposed
Manager I	0.00	0.00
DISTRICT ATTORNEY Subtotal	0.00	0.00
Manager II	0.77	1.00
Manager IV	0.77	1.00
HUMAN SERVICES Subtotal	1.54	2.00
Manager I	0.77	1.00
POLICE Subtotal	0.77	1.00
Manager I	1.00	3.00
Manager III	0.77	1.00
Manager VIII	0.77	1.00
PUBLIC HEALTH Subtotal	2.54	5.00
Manager I	0.77	1.00
Manager II	0.77	1.00
TREASURER/TAX COLLECTOR Subtotal	1.54	2.00
Manager II	0.77	1.00
Manager III	0.77	1.00
HEALTH SERVICE SYSTEM Subtotal	1.54	2.00
Grand Total	7.93	12.00

Below are highlights of the Mayor's proposed new General Fund MEA positions:

- **Human Services Agency:** Two new manager positions are being proposed for the Human Services Agency for FY 2013-14, including one Manager II for the Medi-Cal program, which will be reimbursed by federal and state funds, and one Manager IV for Family and Children Services.
- **Police:** One new Manager I position for the Police Department as part of the civilianization plan.
- **Public Health:** Three new manager positions are being proposed for the Department of Public Health for FY 2013-14, including one Manager I position for the administration of Health Centers, one new Manager III for Health Access Administration; and one new Manager VIII for the Office of Managed Care to help transition the Department from a fee-for-service to a fixed per-member per-month reimbursement model.
- **Treasurer/Tax Collector:** One new Manager I and one new Manager II are being proposed for the Treasurer/Tax Collector to implement the new Gross Receipts Tax.
- **Health Service System:** Two new manager positions are being proposed for the Health Service System. These include one Manager II for contract compliance responsibilities and one Manager III for the Department's wellness program.

Off-Budget Positions

As seen in Table 11 below, 71.64 new General Fund off-budget FTEs are proposed for FY 2013-14. 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 2012-13 and FY 2013-14**

Department	FY 2012-13 Budget	FY 2013-14 Proposed	Change from FY 2012-13 to FY 2013-14	% of Total Citywide New Off-Budget FTEs
DEPARTMENT OF PUBLIC WORKS	408.77	453.31	44.54	62.2%
CITY PLANNING	2.61	17.54	14.93	20.8%
CONTROLLER	7.08	13.43	6.35	8.9%
TREASURER/TAX COLLECTOR	5.00	10.00	5.00	7.0%
ASSESSOR / RECORDER	7.00	11.62	4.62	6.4%
HUMAN RESOURCES	0.00	3.00	3.00	4.2%
PUBLIC DEFENDER	0.77	2.54	1.77	2.5%
DEPARTMENT OF EMERGENCY MANAGEMENT	0.00	1.54	1.54	2.1%
BOARD OF SUPERVISORS	2.00	3.50	1.50	2.1%
ADMINISTRATIVE SERVICES	9.77	10.77	1.00	1.4%
PUBLIC HEALTH	2.00	3.00	1.00	1.4%
RECREATION AND PARK COMMISSION	14.00	14.77	0.77	1.1%
ENVIRONMENT	1.18	1.38	0.20	0.3%
FIRE DEPARTMENT	3.00	3.00	0.00	0.0%
HUMAN RIGHTS COMMISSION	0.00	0.00	0.00	0.0%
MAYOR	3.00	3.00	0.00	0.0%
JUVENILE PROBATION	1.50	1.00	(0.50)	-0.7%
ARTS COMMISSION	7.20	6.20	(1.00)	-1.4%
DISTRICT ATTORNEY	1.00	0.00	(1.00)	-1.4%
ECONOMIC AND WORKFORCE DEVELOPMENT	4.00	3.00	(1.00)	-1.4%
HUMAN SERVICES	16.00	12.92	(3.08)	-4.3%
POLICE	8.00	0.00	(8.00)	-11.2%
Grand Total	503.88	575.52	71.64	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.

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 2013-14 and FY 2014-15 budgets include several new or ongoing technology projects based on the ICT Plan, as shown in Table 12 below.

Table 12
Proposed Information Technology Projects
FY 2013-14 and FY 2014-15

Major Projects	FY 2013-14	FY 2014-15	Total	Approved in ICT Plan
Office of Aging Broadband	\$612,969	\$819,867	\$1,432,836	no
Police Department Projects	1,000,000	1,650,000	2,650,000	yes
Emergency Management - Public Safety Radios	930,000	930,000	1,860,000	yes
Emergency Management - BayWeb	0	270,000	270,000	yes
Department of Technology (DT) - Radio Security Enhancement	390,000	390,000	780,000	yes
Fire Department Projects	0	933,000	933,000	yes
Controller - Financial System	2,300,000	250,000	2,550,000	yes
Controller - Disaster Recovery	171,483	0	171,483	yes
DT - Disaster Recovery	2,328,517	0	2,328,517	yes
Assessor/Recorder's Office	100,000	600,000	700,000	exceeds
DT - Project Management	1,200,000	1,200,000	2,400,000	no
DT - Fiber to City Buildings	655,879	810,476	1,466,355	exceeds
DT - Business License Portal	777,455	0	777,455	no
DT - Service Desk Replacement Project	199,245	50,000	249,245	yes
Total	\$10,665,548	\$7,903,343	\$18,568,891	

- The U.S. Department of Commerce awarded a Broadband Technology Opportunities Program grant to the City in 2010, of which \$3.0 million was allocated to the Department of Aging and Adult Services in the Human Services Agency to increase seniors' and adults with disabilities' access to digital technology. According to the Mayor's proposed FY 2013-14 and FY 2014-15 budgets, federal funding for this program expires in September 2013 and the program will be continued over the next two fiscal years with \$1.4 million in General Fund monies. The ICT Plan identifies this program as completed although the Mayor has recommended new General Fund monies to continue the program.
- The proposed Police Department FY 2013-14 and FY 2014-15 budgets include General Fund appropriations for the Crime Data Warehouse that contains police incident reports, cases, crime maps, and other data; and high-tech mobile devices to provide police access to the Crime Data Warehouse. These projects conform to the ICT Plan.
- Proposed radio projects in FY 2013-14 and FY 2014-15, approved in the ICT Plan, include (1) \$780,000 for the Radio Security Enhancement Project to enhance security of the 911 system radios; and (2) \$1,860,000 in initial funding to plan for replacement of the City's existing radio system, currently supported by Motorola and nearing the end of its service life. These projects conform to the ICT Plan.

- The Mayor’s proposed budget funds the BayWEB project, which is a joint project of seven Bay Area counties to build a wireless broadband data network, in the second year of the budget. This project conforms to the ICT Plan.
- Fire Department projects include extending wi-fi access to Department facilities, mobile data terminal replacement, new modems, and enhancements to the fire station alerting system. These projects conform to the ICT Plan.
- The Controller’s Office and Department of Technology FY 2013-14 and FY 2014-15 budgets include General Fund monies to plan for replacement of the City’s financial system and implementing the City’s disaster recovery infrastructure. These projects conform to the ICT Plan.
- The Assessor/Recorder’s Office FY 2013-14 and FY 2014-15 budgets include \$600,000 for planning and research of the Department’s two main information systems. While the ICT Plan provides for FY 2014-15 funding for these projects, the ICT Plan does not provide for \$100,000 included in the FY 2013-14 budget.
- The Department of Technology has several new initiatives:
 - The Service Desk Replacement Project conforms to the ICT Plan.
 - The project to build a comprehensive fiber network in City facilities exceeds the ICT Plan budget by \$586,266 in FY 2014-15.
 - The implementation of a Project Management Office and Business License Portal are not in the ICT Plan. The Budget and Legislative Analyst recommended to the Budget and Finance Committee that (1) two new project manager positions in the proposed Project Management Office be off-budget positions, requiring the Department to obtain specific sources of project funds to pay for each of the positions; and (2) the budget for the proposed Business License Portal be reduced by \$104,340.

The Mayor’s proposed FY 2013-14 and FY 2014-15 budgets contain General Fund expenditures for other major ongoing information technology projects approved in the ICT Plan, including the Department of Public Health’s implementation of electronic medical records and information technology infrastructure for the new San Francisco General Hospital, and implementation of the new Gross Receipts Tax system in the Treasurer/Tax Collector’s Office.

Policy Option:

- The Board of Supervisors could choose to delay, reduce or eliminate funding for information technology projects not included in the approved ICT Plan. This includes \$1,386,084 in FY 2013-14 and \$1,406,133 in FY 2014-15, as shown below:

	FY 2013-14	FY 2014-15	Total
Office of Aging Broadband	\$612,969	\$819,867	\$1,432,836
Assessor/Recorder's Office	100,000	0	100,000
Fiber to City Buildings	0	586,286	586,286
Business License Portal	673,115	0	673,115
Total	\$1,386,084	\$1,406,153	\$2,792,237

MAJOR PROGRAMMATIC PROJECTS

General fund expenditures for programmatic projects are proposed to increase by \$73 million from \$12 million in FY 2012-13 to \$85 million in FY 2013-14. The Mayor's proposed FY 2013-14 and 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 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):** \$49 million in General Fund expenditures has been proposed for FY 2013-14 and \$56 million in General Fund expenditures has been proposed for FY 2014-15, totaling \$105 million to begin the procurement of furniture, fixtures, and equipment for the new San Francisco General Hospital, which will open in late 2015. The Mayor's proposed FY 2013-14 budget includes \$5 million and the FY 2014-15 budget includes \$25 million for lease revenue bond proceeds to partially offset the costs of this equipment.
- **New Public Safety Building (Police):** \$14.3 million has been proposed in a one-time appropriation for FY 2013-14 for furniture, fixtures, and equipment for the new public safety building.
- **Gross Receipts Tax Implementation (Treasurer/Tax Collector):** Approximately \$3.9 million has been proposed in FY 2013-14 and \$5.9 million in FY 2014-15 to implement the new Gross Receipts Tax.
- **FAMIS Replacement and Other Projects (Controller):** \$2 million in one-time funds have been allocated to the Controller's Office in FY 2012-13 to support the replacement of FAMIS, the City's budgeting and accounting system. In addition, approximately \$470,000 has been proposed for FY 2013-14 for the SF Open Book and Systems Disaster Recovery projects.
- **Public Safety Radio Replacement (Emergency Management):** \$930,000 has been proposed for FY 2013-14 and \$900,000 has been proposed for FY 2014-15 in the Department of Emergency Management's budget to hire project staff and select a consultant for preliminary work on the replacement of public safety radios that are used by first responders during emergencies.
- **Assessment Appeals Research (Assessor/Recorder):** The Assessor/Recorder's Office has an ongoing project to process assessment appeals. The project positions are off-budget although they are funded by annual General Fund appropriations. The Assessor/Recorder's Office has not requested new General Fund monies in FY 2013-14 to pay for this project because of unexpended prior year project funds that are being carried forward into FY 2013-14. The Assessor/Recorder's Office has requested \$1.5

million in General Fund for FY 2014-15 to pay for this project, including the off-budget positions

Policy Option

- The Board of Supervisors could request the Director of Public Finance to report on the option of additional lease financing for all or part of the FY 2013-14 appropriation for the new San Francisco General Hospital, the new Public Safety Building, and other capital renewal and equipment purchases in order to free up available funds for other Board of Supervisors priorities. Such lease financing is presently used by the City for various equipment purchases in order to spread the costs of the equipment to the City over several years. While lease financing results in lower annual expenditures because the costs of the equipment are spread over several years, total costs are higher due to interest payments.
- Alternatively, the Board of Supervisors could defer 25 percent to 50 percent of the \$44 million balance for the new San Francisco General Hospital (the \$49 million appropriation less the \$5 million in lease financing), until FY 2014-15. This would result in FY 2013-14 savings of \$11 million to \$22 million. The Board of Supervisors could also reduce the requested Police Department appropriation of \$14.3 million for the new Public Safety Building, which is scheduled to open in March 2014. A five percent reduction in the requested appropriation for the new Public Safety Building furniture, fixtures and equipment is \$715,000.

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.

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 is considering or granting waivers for two-thirds of the City vehicles covered by HACTO.

Table 13: HACTO Waivers

Departments with Fleets Subject to Ordinance	30
Total Base Fleet Subject to Ordinance	1,950
Number of Vehicles Included in Waivers (Under Review and Pending)	<u>1,302</u>
Adjusted Base Fleet after Waivers	648
Percent of Base Fleet after Waivers to Total Base Fleet	33%
Reductions Required thru FY 2012-13	55
Reported reductions Achieved and Planned thru 6/30/13	99

Source: Department of the Environment

The Department of the Environment has granted a waiver (or is reviewing the waiver request) for 1,302 of the City's 1,950 vehicles in the base fleet, resulting in only one-third of the City's base fleet counted toward the requirement to reduce vehicles by 5 percent per year. As of June 30, 2013, City departments will have retired 99 vehicles.

The FY 2013-14 budget includes requests for 83 vehicles to be replaced under HACTO, with total General Fund costs of \$3.0 million, and the FY 2014-15 budget includes requests for an additional 69 vehicles with total General Fund costs of \$2.5 million, as shown in Table 14 below.

Table 14: HACTO Replacement Vehicles in the FY 2013-14 and FY 2014-15 Budgets

	FY 2013-14 Units	FY 2013-14 Amount	FY 2014-15 Units	FY 2014-15 Amount
Administrative Services	11.00	\$400,977	7.00	\$279,450
City Attorney	4.00	114,077	0.00	0
District Attorney	12.00	360,944	10.00	294,480
Public Health	6.00	204,308	8.00	276,852
Public Works	19.00	688,680	15.00	637,130
Human Services Agency	16.00	665,675	18.00	500,616
Juvenile Probation	5.00	165,288	2.00	56,612
Police	1.00	27,812	1.00	23,819
Recreation and Park	9.00	459,934	8.00	414,268
Total	83.00	\$3,087,695	69.00	\$2,483,227

Source: City Budget System

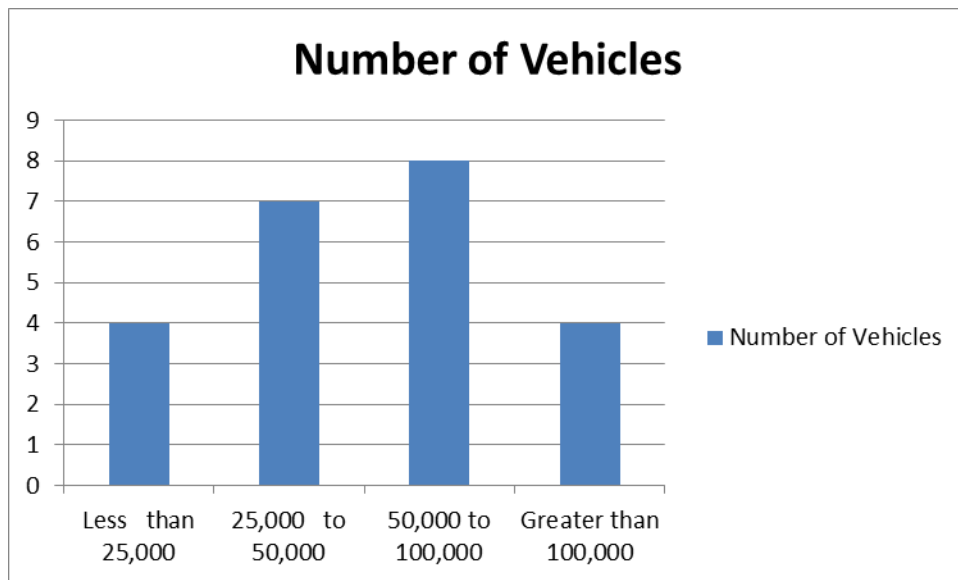
The Budget and Legislative Analyst's recommendations to reduce vehicle purchases are shown in Table 15 below.

Table 15: Budget and Legislative Analyst Recommendations

	FY 2013-14 Amount	FY 2014-15 Amount
Administrative Services	\$106,215	\$0
City Attorney	36,938	0
District Attorney	62,680	
Public Health	114,077	
Public Works	0	
Human Services Agency	0	
Juvenile Probation	107,026	28,306
Police	27,812	
Recreation and Park	44,300	44,296
Total	\$499,048	\$72,602

Room exists for further reductions in the requested new vehicles under HACTO. Several departments requested new vehicles because they were 12 years old, although these vehicles were low mileage and the ordinance does not require replacement of these vehicles until July 1, 2015. The average mileage for vehicles to be replaced was low for many departments; for example, the Department of Public Health reported an average of 3,500 miles per year for the 25 vehicles scheduled for replacement under HACTO in FY 2013-14 and FY 2014-15. The chart below shows the mileage of the vehicles to be replaced.

Chart 2: Total Mileage per Vehicle Requested for Replacement



Source: City departments

The City could also save money by reducing the number of waivers to the fleet reduction requirements granted to City departments.

Policy Option:

- The Budget and Finance Committee could request each Department that is requesting new vehicles under HACTO in the FY 2013-14 and FY 2014-15 budgets to provide no later than June 26, 2013 a list of vehicles that can be deleted from the budget request, in addition to the vehicles deletions recommended by the Budget and Legislative Analyst's Office. The Budget and Legislative Analyst estimates up to an additional \$1.5 million could be reduced from the proposed new vehicles under HACTO in FY 2013-14.