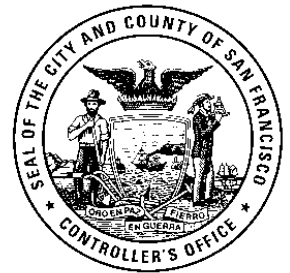
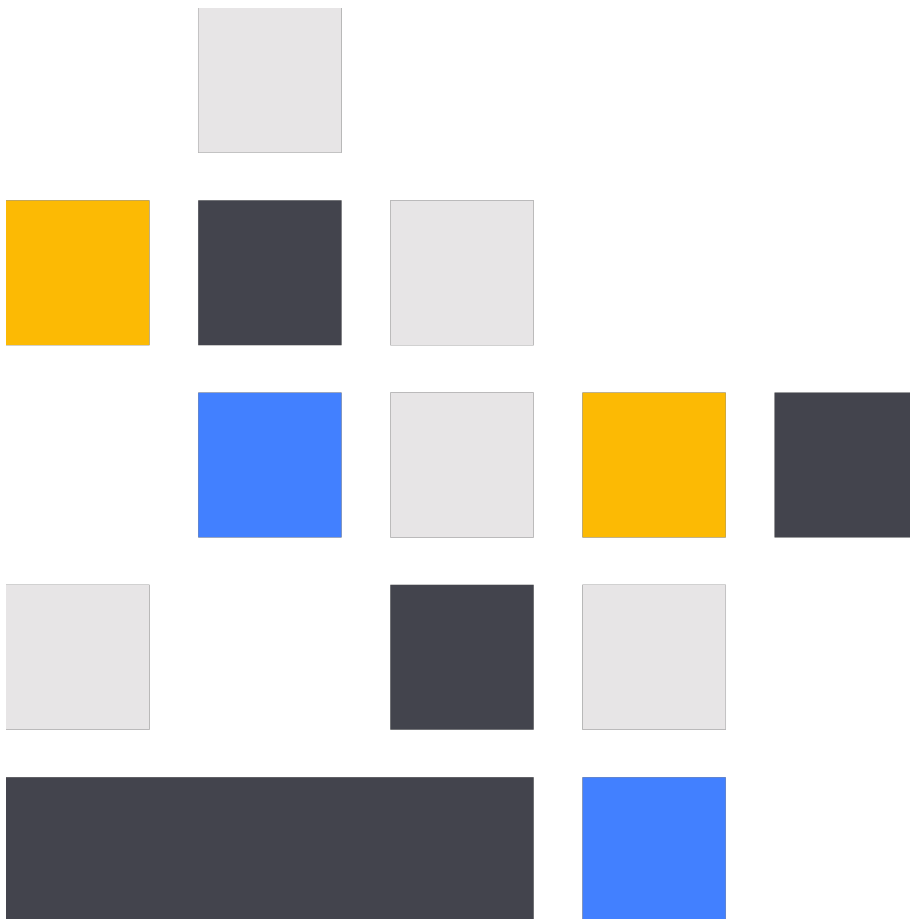


# FY 2022-23

# Nine-Month Budget Status Report

The Controller's Office provides periodic budget status updates to the City's policy makers during each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of March 31, 2023, incorporating more current information up to the date of publication as available.



May 15, 2023

City & County of San Francisco  
Office of the Controller  
Budget & Analysis Division

## About the Budget & Analysis Division

The Budget and Analysis Division (BAD) manages the technical development of the City's annual budget, including forecasting tax revenues, costing and budgeting labor and benefit costs, and assisting the Mayor and Board of Supervisors with costing and budgeting of policy initiatives. The group manages the City's adherence to voter-approved spending requirements and financial policies and produces a variety of reports, including quarterly budget status updates. Additionally, the division manages property tax apportionment, rate setting, and reporting to the state, places special assessments on property tax bills, and processes the Assessor's changes to prior and current year property tax rolls.

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## Executive Summary

- **We project a \$209.3 million General Fund ending balance in the current fiscal year, a \$36.3 million improvement from our last projection (March 2023 Update to the Five-Year Financial Plan, or 5-Year Plan) and a \$39.8 million improvement versus the adopted budget.** Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to \$743.5 million.
- **Citywide revenues are projected to be \$31.9 million below budget, an improvement of \$26.9 million from the March Update to the 5-Year Plan.** The variance from budget is largely due to significant weakness in Federal Emergency Management Agency (FEMA) reimbursements of COVID expenses, real property transfer tax, and business tax. These shortfalls are partially offset by strength in the overpaid executives tax, the hospitality and tourism sector – evidenced by growth in hotel tax and concessions revenue at San Francisco International Airport (SFO)– as well as sales tax, property tax, and interest income.
- **Departments are projected to end the year with a \$44.7 million net operating surplus, of which \$27.6 million is attributable to approval of a supplemental appropriation to fund Police Department overtime overspending.** Controlling for offsetting revenue and expenditure fluctuations at the Human Services Agency (HSA), modest increases in revenue shortfalls in other departments were more than offset by savings in a range of expenditure types, but largely driven by salary and fringe benefit savings given hiring delays versus the adopted budget. The \$18.0 million revenue shortfall at the Department of Public Health (DPH), stemming largely from the declining patient census at Laguna Honda Hospital as it seeks Center for Medicare Services (CMS) recertification, is projected to be closed with the department’s revenue management reserve.

**Table 1. FY 2022-23 Projected General Fund Variances to Budget (\$ millions)**

	January 5-Yr Projection	6-Month	March 5-Yr Update	9-Month	Change
FY 2021-22 Ending Fund Balance	497.2	497.2	497.2	497.2	-
Appropriation in the FY 2022-23 Budget	(457.4)	(457.4)	(457.4)	(457.4)	-
<b>A. Prior Year Fund Balance Above Budgeted Levels</b>	<b>39.8</b>	<b>39.8</b>	<b>39.8</b>	<b>39.8</b>	<b>-</b>
Citywide Revenue	(32.2)	30.2	(58.8)	(31.9)	26.9
Baseline Contributions	(1.8)	(1.2)	(11.6)	(13.7)	(2.0)
Departmental Operations	(0.5)	(1.7)	25.4	44.7	19.3
<b>B. Current Year Revenues and Expenditures</b>	<b>(34.5)</b>	<b>27.4</b>	<b>(45.0)</b>	<b>(0.8)</b>	<b>44.1</b>
Approved Use of General Reserve - Source	-	-	50.4	50.4	-
Approved Use of General Reserve - Expenditure	-	-	(50.4)	(50.4)	-
Public Health Revenue Management Reserve	-	14.8	14.8	6.9	(7.9)
<b>C. Supplemental Appropriations &amp; Use of Reserves</b>	<b>-</b>	<b>14.8</b>	<b>14.8</b>	<b>6.9</b>	<b>(7.9)</b>
<b>D. Previously Unappropriated Fund Balance</b>	<b>163.4</b>	<b>163.4</b>	<b>163.4</b>	<b>163.4</b>	<b>-</b>
<b>E. FY 2022-23 Projected Ending Balance</b>	<b>168.7</b>	<b>245.4</b>	<b>173.0</b>	<b>209.3</b>	<b>36.3</b>

# FY 2022-23 Nine-Month Budget Status Report

## A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2022-23 and FY 2023-24 adopted budget were \$457.4 million, of which \$307.7 million was appropriated in FY 2022-23 and \$149.7 million was appropriated in FY 2023-24. General Fund available fund balance at the end of FY 2021-22 was \$39.8 million more than appropriated and assigned.

## B. CURRENT YEAR REVENUES AND EXPENDITURES

### Citywide Revenue Surplus

As shown in Table 2, citywide revenues are projected to be \$31.9 million below budget, an increase of \$26.9 million from prior projection assumed in the March 2023 5-Year Plan Update. The variance from budget is largely due to significant weakness in COVID-related reimbursements from FEMA, real property transfer tax, and business tax. These losses are partially offset by strength in the overpaid executives tax, the hospitality and tourism sector – evidenced by growth in hotel tax and concessions revenue at SFO – as well as sales tax, property tax, and interest income.

**Table 2. General Fund Citywide Revenues Variances to Budget (\$ millions)**

	FY 2021-22	FY 2022-23					Variance	
	Actuals	Budget	5-Yr (Jan 23)	6-Mo (Feb 23)	5 Yr (Mar 23)	9-Mo (May 23)	Vs Budget	Vs Prior Proj
Property Taxes	2,337.2	2,379.5	2,429.0	2,449.2	2,466.0	2,466.0	86.5	-
Property Tax	1,971.3	2,051.0	2,091.0	2,099.0	2,111.0	2,111.0	60.0	-
Excess ERAF	365.9	328.5	338.0	350.2	355.0	355.0	26.5	-
Business Taxes	861.2	902.3	831.1	848.9	900.9	878.2	(24.1)	(22.7)
Sales Tax - Local 1%	188.3	182.9	203.7	201.4	201.4	200.0	17.1	(1.4)
Hotel Room Tax	158.2	188.9	257.4	264.9	260.5	254.2	65.3	(6.3)
Utility User & Access Line Taxes	161.0	129.7	157.4	161.1	161.1	164.1	34.3	3.0
Parking Tax	71.1	80.2	80.4	80.2	80.2	82.0	1.8	1.8
Real Property Transfer Tax	520.3	390.5	233.8	233.8	193.9	174.3	(216.2)	(19.6)
Sugar Sweetened Beverage Tax	12.0	13.3	13.7	13.7	13.7	13.7	0.5	-
Stadium Admissions Tax	4.6	5.4	5.4	8.0	8.0	7.0	1.6	(1.0)
Cannabis Tax	-	-	-	-	-	-	-	-
Overpaid Executives Tax	-	60.0	100.0	100.0	140.0	190.0	130.0	50.0
Franchise Taxes	15.4	14.3	15.6	15.6	15.6	15.6	1.3	-
Interest Income	31.7	44.5	71.7	74.8	74.8	98.0	53.5	23.1
FEMA Disaster Relief	183.4	243.4	183.4	183.4	23.4	23.4	(220.0)	(0.0)
ARPA	312.4	-	-	-	-	-	-	-
Health & Welfare Realignment	283.5	269.1	293.1	299.5	299.5	299.5	30.3	-
Public Safety Realignment	52.1	61.7	60.9	58.4	58.4	58.4	(3.2)	-
Public Safety Sales Tax	93.8	89.7	93.1	93.2	93.2	93.1	3.4	(0.0)
Airport Transfer In	37.9	37.1	37.1	43.7	48.0	48.0	10.9	-
Commercial Rent Tax Transfer In	28.7	34.0	27.3	26.7	29.0	29.0	(5.0)	-
<b>Total Citywide Revenues</b>	<b>5,352.9</b>	<b>5,126.3</b>	<b>5,094.1</b>	<b>5,156.6</b>	<b>5,067.6</b>	<b>5,094.4</b>	<b>(31.9)</b>	<b>26.9</b>

## Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. The General Fund portion of the baseline contribution increased by \$13.7 million compared to budget. Highlights include:

- Municipal Transportation Agency (MTA) baselines are projected to be \$10.8 million above budget due to increase in aggregate discretionary revenue (ADR).
- The Library baseline is projected to be \$1.0 million below budget, net of an anticipated \$3.1 million return of surplus to the General Fund.
- The total Public Education Enrichment Fund annual contribution to the San Francisco Unified School District (SFUSD) and the Office of Early Care and Education (OECE) is projected to increase by \$3.1 million from budget.
- The Early Care and Education, Children, and Transitional-Aged Youth expenditure baselines were funded above the required levels in the adopted FY 2022-23 budget; therefore, the projected increase in ADR does not increase spending requirements for these baselines.

**Table 3. General Fund Baseline and In-Lieu Transfers (\$ millions)**

	FY 2021-22	FY 2022-23					Vs Budget	Vs Prior Proj
	Actuals	Budget	5-Yr (Jan 23)	6-Mo (Feb 23)	5 Yr (Mar 23)	9-Mo (May 23)		
<b>General Fund Aggregate Discretionary Revenue (ADR)</b>	<b>4,307.2</b>	<b>4,329.1</b>	<b>4,291.8</b>	<b>4,337.0</b>	<b>4,405.7</b>	<b>4,431.2</b>		
<b>Municipal Transportation Agency (MTA)</b>								
MTA - Municipal Railway Baseline: 6.686% ADR	288.0	289.4	286.9	290.0	294.6	296.3	6.8	1.7
MTA - Central Subway	3.9	16.5	16.5	16.5	16.5	16.5	-	-
MTA - Parking & Traffic Baseline: 2.507% ADR	108.0	108.5	107.6	108.7	110.5	111.1	2.6	0.6
MTA - Population Adjustment	55.6	58.0	58.0	58.0	58.0	58.0	-	-
MTA - 80% Parking Tax In-Lieu	56.9	64.1	64.3	64.1	64.2	65.6	1.5	1.4
<b>Subtotal Municipal Transportation Agency</b>	<b>512.3</b>	<b>536.7</b>	<b>533.4</b>	<b>537.4</b>	<b>543.7</b>	<b>547.5</b>	<b>10.8</b>	<b>3.8</b> *
<b>Library Preservation Fund</b>								
Library - Baseline: 2.286% ADR, net of General Fund Return	98.5	99.0	98.1	99.1	100.7	98.0	(1.0)	(2.7) *
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	72.6	75.6	77.7	78.3	78.9	78.8	3.1	(0.1)
<b>Subtotal Library</b>	<b>171.0</b>	<b>174.6</b>	<b>175.8</b>	<b>177.5</b>	<b>179.6</b>	<b>176.8</b>	<b>2.2</b>	<b>(2.8)</b>
<b>Children's Services</b>								
Children's Services Baseline - Requirement: 4.830% ADR	208.0	209.1	207.3	209.5	212.8	214.0	4.9	1.2
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	25.0	25.1	24.9	25.2	25.6	25.7	0.6	0.1
Early Care and Education Baseline (Jun 2018 Prop C) - Requirement: 2.212% ADR	90.6	91.1	90.3	91.2	92.7	93.2	2.1	0.5
Public Education Services Baseline: 0.290% ADR (50% GF)	12.5	12.6	12.4	12.6	12.8	12.8	0.3	0.1
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	116.1	121.2	124.3	124.9	125.8	125.6	4.4	(0.2)
Public Education Enrichment Fund: 3.057% ADR	131.7	132.3	131.2	132.6	134.7	135.5	3.1	0.8
1/3 Annual Contribution to Preschool for All	43.9	44.1	43.7	44.2	44.9	45.2	1.0	0.3
2/3 Annual Contribution to SF Unified School District	87.8	88.2	87.5	88.4	89.8	90.3	2.1	0.5
<b>Subtotal Childrens Services (Required)</b>	<b>583.9</b>	<b>591.3</b>	<b>590.4</b>	<b>595.9</b>	<b>604.2</b>	<b>606.8</b>	<b>15.5</b>	<b>2.6</b>
<b>Recreation and Parks</b>								
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	72.6	75.6	77.7	78.3	78.9	78.8	3.1	(0.1)
Recreation & Parks Baseline - Requirement	79.2	82.2	82.2	82.2	82.2	82.2	-	-
<b>Subtotal Recreation and Parks (Required)</b>	<b>151.7</b>	<b>157.8</b>	<b>159.9</b>	<b>160.5</b>	<b>161.0</b>	<b>160.9</b>	<b>3.1</b>	<b>(0.1)</b>
<b>Other Financial Baselines</b>								
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirement	215.0	215.0	215.0	215.0	215.0	215.0	-	-
Housing Trust Fund Requirement	42.4	45.2	45.2	45.2	45.2	45.2	-	-
Dignity Fund	53.1	56.1	56.1	56.1	56.1	56.1	-	-
Street Tree Maintenance Fund	22.2	22.3	22.1	22.4	22.7	22.8	0.5	0.1
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	3.7	4.0	4.0	4.0	4.0	4.0	-	-
City Services Auditor: 0.2% of Citywide Budget	23.4	26.1	26.1	26.1	26.1	26.1	-	-
Mission Bay Transportation Improvement Fund	7.6	8.8	8.8	8.8	8.8	8.8	-	-
<b>Subtotal Other Financial Baselines</b>	<b>367.4</b>	<b>377.5</b>	<b>377.3</b>	<b>377.5</b>	<b>377.9</b>	<b>378.0</b>	<b>0.5</b>	<b>0.1</b>
<b>* General Fund Impact</b>							<b>13.7</b>	<b>2.0</b>

\* Percent of General Fund Aggregate Discretionary Revenue

\* General Fund Impact

## Departmental Operations

A projected departmental operating surplus of \$44.7 million is summarized in Table 4 below and further detailed in Appendix 2.

**Table 4. FY 2022-23 Departmental Operating Summary (\$ millions)**

*Note: Figures may not sum due to rounding.*

	Revenue Surplus / (Shortfall)	Expenditure Savings/ (Deficit)	Net Surplus / (Shortfall)
<b>Net Shortfall Departments</b>			
Public Health	(18.0)	11.0	(6.9)
City Planning	(8.3)	4.6	(3.7)
Public Works	(1.3)	0.3	(1.0)
Police	(0.4)	-	(0.4)
Human Resources	(2.9)	2.5	(0.4)
Assessor Recorder	(1.2)	0.9	(0.3)
Board of Appeals	(0.2)	-	(0.2)
District Attorney	(0.1)	-	(0.1)
<b>Subtotal Net Shortfall Departments</b>	<b>(32.3)</b>	<b>19.3</b>	<b>(13.0)</b>
<b>Net Surplus Departments</b>			
General City Responsibilities	4.6	9.8	14.3
Fire	7.8	-	7.8
Human Services Agency	(7.7)	13.6	5.9
Homelessness and Supportive Housing	(0.0)	4.9	4.9
City Administrator	(2.0)	6.5	4.4
Adult Probation	(0.1)	3.6	3.5
Treasurer/Tax Collector	(0.3)	2.9	2.6
Mayor	(0.4)	2.3	1.9
Superior Court	-	1.7	1.7
Emergency Management	0.1	1.6	1.7
Ethics Commission	-	1.5	1.5
<b>Subtotal Net Surplus Departments</b>	<b>1.8</b>	<b>48.4</b>	<b>50.2</b>
All Other Departments	(24.2)	31.8	7.5
<b>TOTAL</b>	<b>(54.7)</b>	<b>99.4</b>	<b>44.7</b>

## C. SUPPLEMENTAL APPROPRIATIONS & USE OF RESERVES

General Fund supplemental appropriations of \$118.4 million have been approved by the Board of Supervisors in the current year, including two overtime supplementals for various departments totaling \$93.4 million and a third for \$25.0 million of street cleaning and graffiti abatement programs at the Department of Public Works (DPW). Use of \$50.4 million of the

General Reserve in the current fiscal year requires a like amount to be deposited in the budget year.

**Table 5. Approved Supplemental Appropriations (\$ millions)**

<b>Source</b>	<b>Use</b>	<b>Amount</b>
General Reserve	Police - Overtime	25.4
Department Sources	Police - Overtime	1.4
General Reserve	DPW - Street Cleaning & Graffiti Abatement	25.0
Department Sources	Various - Overtime	66.6
<b>Approved Supplementals</b>		<b>118.4</b>
<b>Approved Uses of General Reserve</b>		<b>50.4</b>

DPH is projected to draw \$6.9 million from the Public Health Revenue Management Reserve to close a revenue shortfall largely stemming from the declining patient census at Laguna Honda Hospital as it seeks recertification from the CMS.

Several supplemental appropriations drawing from the General Reserve have been introduced and are pending consideration by the Board of Supervisors. These are listed below. Approval of these appropriations are not assumed in this forecast.

- \$0.2 million for three new positions at the District Attorney’s Office to address open-air drug dealing.
- \$10.0 total, comprised of \$4.0 million to the Office of Economic and Workforce Development (OEWD) for nonpolice ambassadors in the Tenderloin, \$3.0 million to the OEWD for small business safety and security grants, and \$3.0 million to the DPH for the Tenderloin Street Dealing Intervention Program.
- \$50.0 million to the Human Rights Commission to establish the Office of Reparations and implement recommendations.
- \$0.5 million to the San Francisco Public Utilities Commission (PUC) for analysis on sea level rise and groundwater impacts in the Hunters Point Shipyard.
- \$5.5 million to the DPH for wellness hubs to provide drug and alcohol treatments.

## **D. PREVIOUSLY UNAPPROPRIATED FUND BALANCE**

The projection includes \$163.4 million of unappropriated fund balance assumed spent to reduce shortfalls in the March 2023 5-Year Plan.



## E. PROJECTED ENDING FUND BALANCE OF \$209.3 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2022-23 of \$209.3 million, a \$36.3 million improvement from projections prepared for the March 2023 5-Year Plan Update.

## OTHER FUNDS

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds receive General Fund baseline transfers and other subsidies. Others are used to record dedicated tax revenues and related expenditures.

Enterprise funds are used primarily for self-supporting agencies, including the Airport, the Public Utilities Commission, and the Port. The Municipal Transportation Agency (MTA) receives a significant General Fund subsidy.

Projected General Fund Support requirements for these funds are included in the department budget projections in Appendix 2. Appendix 4 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

## NINE-MONTH OVERTIME REPORT

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. Appendix 5 presents actual overtime expenditures through the first nine months of the year. Administrative Code Section 3.17 requires select departments to request a supplemental appropriation to increase overtime budgets in annual operating funds.

## APPENDICES

1. General Fund Revenues and Transfers In
2. General Fund Department Projections
3. Reserves Status
4. Other Funds Highlights
5. Overtime Report

# Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$59.7 million below revised budget, including \$31.9 million below budget in citywide revenue, and \$27.6 million below budget in departmental General Fund revenues.

Table A1-1: Detail of General Fund Revenue and Transfers In (\$ millions)

GENERAL FUND (\$ Millions)	FY 2021-22	FY 2022-23						Var Vs Rev Budget	Note
	Year End Actual	Original Budget	Revised Budget	5-Year Fall Update	6-Month	5-Year Spring Update	9-Month		
<b>PROPERTY TAXES</b>	\$ 2,337.2	\$ 2,379.5	\$ 2,379.5	\$ 2,429.0	\$ 2,449.2	\$ 2,466.0	\$ 2,466.0	86.5	1
<b>BUSINESS TAXES</b>									
Business Registration Tax	55.8	37.0	37.0	37.0	37.0	37.0	37.0	-	
Payroll Tax	-5.1	-4.0	-4.0	4.0	8.5	8.5	8.5	12.5	
Gross Receipts Tax	811.1	869.3	869.3	790.1	803.4	855.4	832.7	(36.6)	
Admin Office Tax	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	-	
<b>Total Business Taxes</b>	<b>861.2</b>	<b>902.3</b>	<b>902.3</b>	<b>831.1</b>	<b>848.9</b>	<b>900.9</b>	<b>878.2</b>	<b>(24.1)</b>	2
<b>OTHER LOCAL TAXES</b>									
Sales Tax	188.3	182.9	182.9	203.7	201.4	201.4	200.0	17.1	3
Hotel Room Tax	158.2	188.9	188.9	257.4	264.9	260.5	254.2	65.3	4
Utility Users Tax	105.2	82.6	82.6	104.6	108.2	108.2	110.3	27.7	5
Parking Tax	71.1	80.2	80.2	80.4	80.4	80.2	82.0	1.8	6
Real Property Transfer Tax	520.3	390.5	390.5	233.8	233.8	193.9	174.3	(216.2)	7
Sugar Sweetened Beverage Tax	12.0	13.3	13.3	13.7	13.7	13.7	13.7	0.5	
Stadium Admission Tax	4.6	5.4	5.4	5.4	8.0	8.0	7.0	1.6	
Access Line Tax	55.8	47.1	47.1	52.9	52.9	52.9	53.8	6.7	
Cannabis Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	8
Overpaid Executive Tax	0.0	60.0	60.0	100.0	100.0	140.0	190.0	130.0	9
<b>Total Other Local Taxes</b>	<b>1,115.5</b>	<b>1,050.8</b>	<b>1,050.8</b>	<b>1,051.9</b>	<b>1,063.4</b>	<b>1,058.8</b>	<b>1,085.3</b>	<b>34.5</b>	
<b>LICENSES, PERMITS &amp; FRANCHISES</b>									
Licenses & Permits	9.2	12.6	12.6	12.6	12.2	12.6	12.4	(0.2)	
Franchise Fee	15.4	14.3	14.3	15.6	14.3	14.3	15.6	1.3	
<b>Total Licenses, Permits &amp; Franchises</b>	<b>24.6</b>	<b>26.8</b>	<b>26.8</b>	<b>28.1</b>	<b>26.4</b>	<b>26.8</b>	<b>27.9</b>	<b>1.1</b>	
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>5.7</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>2.1</b>	<b>3.1</b>	<b>2.2</b>	<b>(0.9)</b>	
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>31.7</b>	<b>44.5</b>	<b>44.5</b>	<b>71.7</b>	<b>74.8</b>	<b>74.8</b>	<b>98.0</b>	<b>53.5</b>	10
<b>RENTS &amp; CONCESSIONS</b>	<b>11.3</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>	<b>10.1</b>	<b>13.1</b>	<b>12.2</b>	<b>(0.9)</b>	

GENERAL FUND (\$ Millions)	FY 2021-22	FY 2022-23						Var Vs Rev Budget	Note
	Year End Actual	Original Budget	Revised Budget	5-Year Fall Update	5-Year Spring Update	6-Month	9-Month		
<b>INTERGOVERNMENTAL REVENUES</b>									
Federal Government	587.1	561.6	568.0	501.6	501.6	348.1	347.2	(220.8)	11
State Government	1003.7	942.3	965.9	968.9	980.7	996.5	1010.9	45.0	12
Other Regional Government	3.4	2.6	3.4	2.6	2.6	2.6	3.2	(0.2)	
<b>CHARGES FOR SERVICES</b>	216.3	217.5	217.6	217.5	206.1	217.6	189.5	(28.1)	
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	23.6	19.9	19.9	19.9	19.9	19.9	19.9	-	
<b>OTHER REVENUES</b>	20.3	19.4	19.4	19.4	9.8	19.4	8.2	(11.2)	
<b>TOTAL REVENUES</b>	<b>6,241.7</b>	<b>6,183.4</b>	<b>6,214.4</b>	<b>6,158.0</b>	<b>6,195.7</b>	<b>6,147.7</b>	<b>6,148.8</b>	<b>(65.7)</b>	
<b>TRANSFERS INTO GENERAL FUND:</b>									
Airport Transfer In	37.9	37.1	37.1	37.1	43.7	48.0	48.0	10.9	13
Commercial Rent Tax Transfer In	28.7	34.0	34.0	27.3	26.7	29.0	29.0	(5.0)	14
Other Transfers	121.8	129.8	131.9	129.8	129.8	131.9	131.9	-	
<b>Total Transfers In</b>	<b>188.5</b>	<b>200.9</b>	<b>203.0</b>	<b>194.1</b>	<b>200.2</b>	<b>208.9</b>	<b>208.9</b>	<b>5.9</b>	
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>\$ 6,430.1</b>	<b>\$ 6,384.3</b>	<b>\$ 6,417.4</b>	<b>\$ 6,352.1</b>	<b>\$ 6,396.0</b>	<b>\$ 6,356.6</b>	<b>\$ 6,357.7</b>	<b>(59.7)</b>	

## 1. Property Tax

Total property tax revenue in the General Fund is projected to be \$86.5 million (3.6%) above budget and unchanged from the March Joint Report (Five Year Financial Plan Update).

Supplemental and escape related property assessments, which are triggered by new construction or changes in the majority ownership of properties, are being enrolled by the Assessor at higher rates than assumed in the budget, increasing projected revenue by \$25.0 million and \$11.8 million, respectively. Secured and unsecured property tax revenues are projected at \$27.6 and \$3.8 million over budget, respectively, due to higher than anticipated growth in assessed values. In addition, the state Department of Finance approved approximately \$19.0 million less in tax increment for the redevelopment successor agency (OCII) than assumed in the budget, increasing General Fund revenue by about \$10.6 million. These revenue increases are partially offset by an \$8.2 million increase to projected refunds related to assessment appeals filings.

Taken together, these changes increase the amount of revenue deposited into Educational Revenue Augmentation Fund (ERAF) and the direct property tax allocations to the San Francisco Unified School District, San Francisco County Office of Education, and City College. As more of these entities' revenue limits are achieved through direct allocations, their distributions from ERAF are reduced. These changes, as well as final reconciliation of prior year ERAF allocations, result in a \$26.5 million increase in excess ERAF to be returned to the General Fund compared to budget.

Property tax set asides to special revenue funds are shown in Table 3 above.

## 2. Business Tax

Business tax revenues in the General Fund include business registration fees, gross receipts taxes, and administrative office taxes, and are projected to be \$878.2 million in FY 2022-23, or \$24.1 million (2.7%) below budget and \$17.0 million (2.0%) above prior year actual revenues.

The pandemic has had a lasting effect on the local economy. The gross receipts tax base has been reduced both by a decline in the City's population and by employees continuing to work from home even as the severity of the pandemic has waned. When the City first forecasted the impact of COVID on business taxes, there was a general assumption that telecommuting would decline as pandemic conditions improved. It appears that this dynamic has fallen in importance and now the degree of telecommuting is driven by negotiations between employers and employees over their respective desires for flexibility and productivity.

For office-based categories of businesses, the gross receipts tax is dependent in part on San Francisco payroll. Businesses only include payroll for employees that physically work within the City. Telecommuting has proved more persistent than expected. For example, according to the office security firm Kastle, in January 2023, office attendance in the Bay Area was still less than half of pre-pandemic levels. Ridership on BART in downtown remains about 65% lower than pre-pandemic levels. According to commercial real estate firm Jones Lang LaSalle (JLL), office vacancy rates were 26.4% in the first quarter of 2023. To the extent that employees previously commuted into the City but now work at home outside of the City, gross receipts taxes will be reduced. These declines are only partially mitigated by workers who previously commuted out of the City but now work at home within the City.

The budget did not anticipate the significant number of layoffs that have occurred this fiscal year. As reported to the California Employment Development Division, there have been 8,403 layoffs noticed in San Francisco between July 1, 2022, and March 31, 2023. Layoffs include 1,151 employees at Salesforce, 794 employees at Twitter, 736 at Invitae, 417 at American Airlines, and 362 at Meta. Reduced payroll could result in lower gross receipts apportioned to San Francisco and thus lower tax revenue. Whereas the budget assumed that the gross receipts tax base would grow 4% in 2023, the current projection reduces growth to 0%.

Proposition F (2020) contained a provision that tax increases in certain business sectors scheduled for 2023 would be delayed to 2024 if total gross receipts in 2021 was less than 90% of total gross receipts in 2019. The budget assumed that there would be no delay in the increases. However, total gross receipts did not reach the 90% threshold, so the increases originally scheduled for 2023 will be delayed to 2024. This will affect the first two quarterly prepayments that businesses make for 2023, which are paid in FY 2022-23 and reduce projected revenues by an estimated \$10 million.

### **3. Local Sales Tax**

Local sales tax revenues are projected to be \$200.0 million in FY 2022-23, \$17.1 million (9.4%) above budget and \$11.7 million (6.2%) above prior year actuals. In San Francisco, sales taxes grew to \$188.3 million in FY 2021-22, an annual improvement of \$41.5 million or 28.2% over the prior year. This growth has continued in FY 2022-23 as businesses continue to their economic recovery. San Francisco's sales tax recovery previously lagged behind the state's and other Bay Area counties but has now exceeded both in year over year growth. In comparison with the prior year, San Francisco's sales tax adjusted for misallocations in the first half of FY 2022-23 grew by 7.8%, surpassing the state total (4.7%) and the Bay Area (5.6%). Year over year growth is primarily due to growth in restaurants and hotels (23.4%) as consumers continued to visit casual and fine dining establishments; autos and transportation (15.2%) due to strong demand for electric and luxury vehicles; fuel and service stations (18.0%) due to elevated pump prices

and improving airline activity at SFO; and business and industry (15.5%). Higher prices due to inflation also contributed to increased sales tax revenues. Annual growth in sales tax revenues is projected to slow in FY 2023-24 and slowly return to normalized annual growth in FY 2024-25.

#### **4. Hotel Room Tax**

Hotel taxes for all funds are projected to be \$276.2 million in FY 2022-23, \$59.7 million (27.6%) above budget and \$97.1 million (54.2%) above prior year. General Fund hotel tax revenues are projected to be \$254.2 million in FY 2022-23, \$65.3 million (34.6%) above budget and \$96.1 million (60.7%) above prior year actual revenues due to recovery in the industry as a result of eased restrictions on travel worldwide and the resumption of leisure, business and convention-related travel.

Hotel tax is highly correlated with the hotel industry indicator revenue per available room (RevPAR), which is the combined effect of occupancy and average daily room rates. TRI (Total Room Inventory, which adjusts for hotel closures) RevPAR for the first nine months of FY 2022-23 averaged \$157.32, an increase of 92.1% over the TRI RevPAR of \$81.90 from FY 2021-22 for the same period. March 2023 RevPAR has improved 198.2% since March 2020 when the COVID pandemic began, and 25.8% as compared to March 2022.

Enplanements at San Francisco International Airport have improved steadily since the onset of the pandemic. As of March 2023, domestic and international enplanements throughout FY 2022-23 were 43.3% greater than FY 2021-22, but behind FY 2018-19 by 19.8%. In FY 2022-23, the international sector has improved 145.5% over FY 2021-22 but lagged behind FY 2018-19 by 17.2%. As a comparison, FY 2022-23 domestic enplanements have improved 25.0% over FY 2021-22 but are 20.7% behind FY 2018-19. Current domestic seat capacity is 21.9% lower and international seat capacity is 16.7% lower versus FY 2018-19. It is expected that international travel will continue to recover as restrictions lift in Asia. Current fiscal year enplanements from Asia are 40.3% below FY 2018-19 as compared to 17.2% for all regions.

Because conventions drive up hotel room rates through compression pricing, the return of conferences and conventions has played a key role in the recovery of hotel tax revenues. In FY 2021-22, a total of 23 conferences with over 126,000 attendees took place in Moscone Center. This is compared to zero events in FY 2020-21 and 54 events with over 723,000 attendees in FY 2018-19. In the first three quarters of FY 2022-23, San Francisco had 26 conferences with over 194,000 attendees. The effects of convention compression pricing have driven RevPAR to spike with each event.

November 2018 Proposition E allocates 1.5% of the 14% hotel tax rate (or approximately 10.7% of total hotel tax revenue) to arts programming outside of the General Fund. Due to greater than budgeted hotel tax revenues, the allocation to arts programs is projected to be \$29.6 million in FY 2022-23, or \$6.4 million (27.6%) above budget and \$13.1 million (79.6%) above the prior year.

Table A1.1 Hotel Tax for the Arts, FY 2022-23 Budget versus Projected Allocations (\$ millions)

	Budget	9-Month	Variance
Grants for the Arts	11.8	15.1	3.3
Arts Impact Endowment	1.8	2.3	0.5
Cultural Centers	2.8	3.5	0.8
Cultural Equity Endowment	4.6	5.9	1.3
Cultural Districts	2.2	2.8	0.6
<b>Total</b>	<b>23.2</b>	<b>29.6</b>	<b>6.4</b>

## 5. Utility Users Tax

Utility user tax revenue in FY 2022-23 is projected to be \$110.3 million, \$27.7 million (33.5%) above budget and \$5.1 million (4.8%) above prior year actuals. Year-to-date collections of telephone utility tax are trending higher than previously expected, resulting in an increase to the forecast. Residential utility consumers are exempt from the tax.

## 6. Parking Tax

Parking tax revenue in FY 2022-23 is projected to be \$82.0 million, which is \$1.8 million (2.2%) above budget and \$10.9 million (15.3%) above prior year actual. This projection reflects year to date collections through the first nine months of the year, which have increased compared to the prior year, although still below pre-pandemic levels in 2019 due to fewer commuters and tourists visiting the City. Revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 8A.105.

## 7. Real Property Transfer Tax

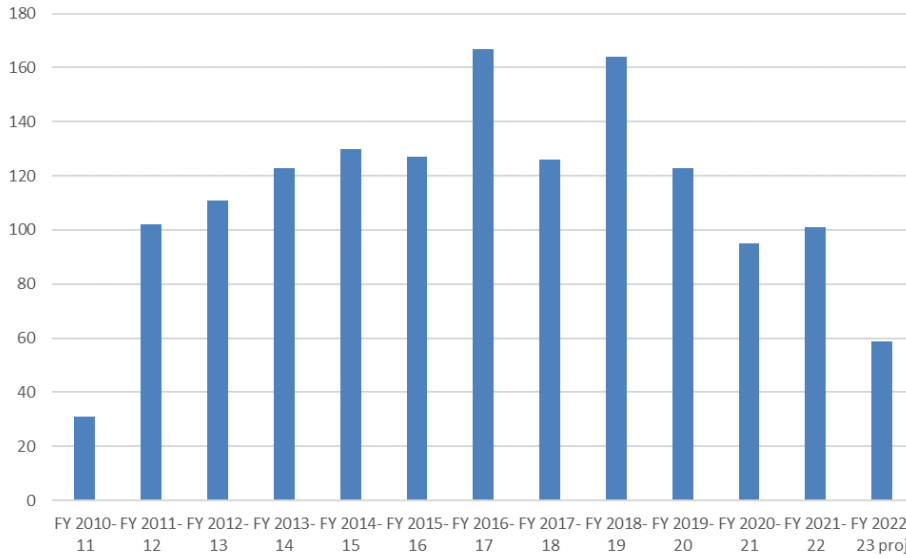
Real property transfer tax revenue in FY 2022-23 is projected to be \$174.3 million, which is \$216.2 million (55.4%) below budget and \$346.0 million (66.5%) below prior year actual revenues. The effect of Proposition I (November 2020) in FY 2022-23 is estimated to be \$101.3 million or approximately \$81.1 million after baselines.

Since the beginning of the COVID-19 pandemic in spring 2020, businesses in office-using sectors have largely adopted remote and hybrid work practices, resulting in persistently high office vacancies, 26.4% by Q1 2023 according to JLL. This dynamic is expected to decrease commercial real estate values. The rising interest rate environment exacerbates structural changes in where and how we work; increased cost of borrowing dampens investment in the commercial real sector. Additional factors affecting transfer tax revenue include credit availability, foreign capital flows, and the relative attractiveness of San Francisco real estate compared to other investment options.

In the current year, the number of real property transfers both above and below \$10 million continues to stagnate. As shown in the table below, the average annual number of transactions over \$10 million between FY 2014-15 and FY 2018-19 was 143. This is projected to decline by 58% to 60 transactions in FY 2022-23. The slowdown in transfer tax is also reflected in transactions below \$10 million. The average annual number of transactions under \$10 million

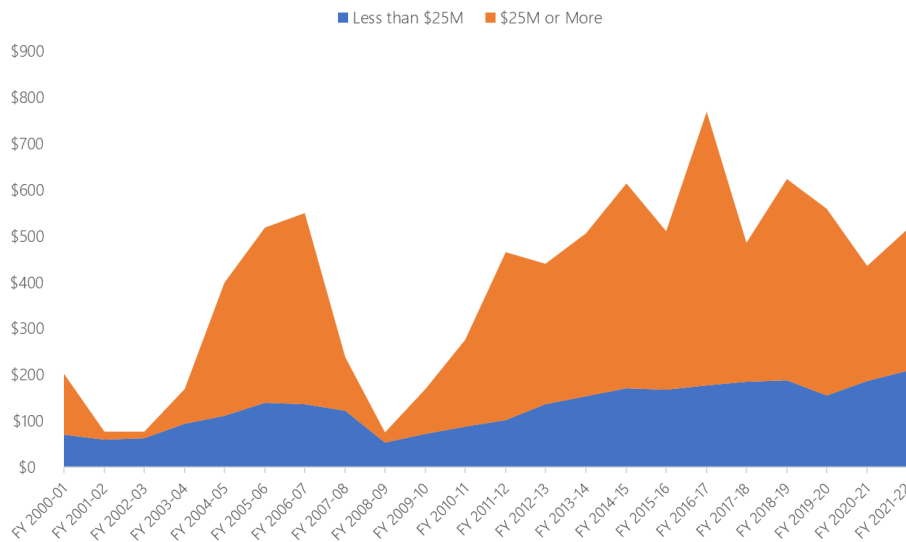
between FY 2014-15 and FY 2018-19 was 9,172. This is projected to decline by 30% to 6,372 transactions in FY 2022-23.

**Number of Transfers Over \$10 million, FY 2010-11 through FY 2022-23 (Projected)**



Transfer tax revenue is one of the General Fund’s most volatile sources. The tax is highly progressive, with a handful of high-value transactions generating a majority of the tax. For example, of the 10,200 total transactions that generated \$520.3 million of revenue in FY 2021-22, the 39 transactions (or 0.4% of total) over \$25.0 million generated \$305.0 million (or about 60% of total revenue). The graph below of rate-adjusted transfer tax, broken out by the value of transactions above and below \$25.0 million, underscores the magnitude and volatility of the highest-tier, commercial transactions.

**Rate-Adjusted Real Property Transfer Tax, FY 2000-01 through FY 2021-22 (\$millions)**



## 8. Cannabis Tax

In December 2022, the Mayor and Board of Supervisors delayed the imposition of the local cannabis excise tax from January 1, 2023, to January 1, 2026. The first collection of cash and recognition of revenue will occur in FY 2026-27.

## 9. Overpaid Executive Tax

In November 2020, voters passed Proposition L which created a new tax on businesses that depends on the ratio of the total compensation of the highest paid managerial employee to the median compensation of its employees in the City. Although the tax was operative for tax year 2022, no payments were required until the annual business tax filing at the end of February. The budget assumed that revenue would be \$60 million in FY 2022-23. The timing of tax payments, however, means that in FY 2022-23, the City will collect a full year of the tax for 2022 as well as two quarterly prepayments for 2023. Based on actual collections through the first nine months of the fiscal year and expectations for the quarterly prepayments, the current projection for FY 2022-23 is \$190 million.

## 10. Interest & Investment Income

Interest and investment revenues are projected to be \$98.0 million, \$53.5 million (120.3%) above budget and \$66.3 million (208.9%) above prior year actual revenues. This growth is due to Federal Reserve interest rate increases since March 2022, which have increased the earned income yield (EIY) of the City's pooled fund investments. For all funds, fiscal year-to-date net earnings are \$190.39 million, with an average daily balance of \$14.2 billion and EIY of 1.79%. The March 2023 EIY of 2.40% is much higher than the YTD EIY, reflecting rising yields in the City's pooled fund portfolio.

## 11. Intergovernmental Revenues – Federal

Federal revenues are projected to be \$347.2 million, or \$220.8 million (39.3%) below budget and \$239.8 million (40.9%) below prior year actuals. The variance is driven by FEMA reimbursements of pandemic response costs.

The FY 2022-23 budget assumed \$243.4 million of FEMA reimbursement revenue. Given a shift in FEMA's prioritization of obligating and remitting funds to jurisdictions that have not yet received funds, San Francisco is expecting a delay in reimbursements in the current year. The projection now assumes \$23.4 million of FEMA reimbursements in FY 2022-23.

## 12. Intergovernmental Revenues – State

State grants and subventions are projected to total \$1,010.9 million, \$45.0 million (4.8%) above budget and \$7.2 million (0.7%) above prior year actual. The changes are primarily due to state sales tax-based subventions performing better than anticipated due to strength in sales tax in the rest of California relative to San Francisco. These subventions include Health & Welfare realignment (\$30.3 million above adopted budget) and Public Safety realignment and Public Safety sales tax (\$0.2 million above adopted budget).



### **13. Airport Transfer In**

The Airport's annual service payment to the General Fund is projected to be \$48.0 million in FY 2022-23, which is \$10.9 million (29.4%) above budget and \$10.1 million (26.6%) above prior year actuals. The San Francisco International Airport (SFO) transfers 15% of its annual concession revenue to the City's General Fund. This revenue is dependent upon lease agreements with concessionaires and passenger traffic. At the height of the COVID shutdown, in April 2020, enplanements at SFO decreased by 97% from the prior year. While activity at SFO has since improved, total enplanements through March FY 2022-23 were still 19.8% below the same period in FY 2018-19. However, as compared to the prior fiscal year, enplanements are higher by 43.3%. As a result, the department projects greater than budgeted concession revenues and therefore increased transfers to the General Fund.

### **14. Commercial Rent Transfer In**

The Commercial Rent Transfer In to the General Fund is projected to be \$29.0 million, which is \$5.0 million (14.6%) below budget and \$0.3 million (1.0%) above prior year actuals. In June 2018, voters adopted a commercial rent tax to support early childcare and education. Pursuant to the measure, 15% percent of commercial rent tax revenue is transferred to the General Fund. Due to a projected decrease in commercial rent tax from budget, the associated transfer-in to the General Fund is decreased.

## Appendix 2. General Fund Projections

**Table A2-1. General Fund Supported Operations (\$ millions)**

Note: Figures may not sum due to rounding.

GENERAL FUND SUPPORTED OPERATING (\$ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
<b>PUBLIC PROTECTION</b>						
Adult Probation	58.0	54.4	(0.1)	3.6	3.5	1
Superior Court	33.4	31.6	-	1.7	1.7	2
District Attorney	70.0	70.0	(0.1)	-	(0.1)	3
Emergency Management	74.4	72.8	0.1	1.6	1.7	4
Fire Department	481.7	481.7	7.8	-	7.8	5
Juvenile Probation	33.3	33.1	0.2	0.2	0.4	6
Public Defender	48.7	48.6	-	0.1	0.1	7
Police Department	627.8	627.8	(0.4)	-	(0.4)	8
Sheriff	291.1	290.4	(0.0)	0.7	0.7	9
Police Accountability	10.9	10.4	(0.5)	0.5	-	10
Sheriff Office of the Inspector General	2.5	1.1	-	1.4	1.4	11
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>						
Public Works	100.7	100.4	(1.3)	0.3	(1.0)	12
Economic & Workforce Development	133.5	123.4	(10.1)	10.1	-	13
Board of Appeals	1.2	1.2	(0.2)	(0.0)	(0.2)	14
<b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>						
Children, Youth and Their Families	33.4	33.0	-	0.4	0.4	15
Human Services Agency	1,037.3	1,023.7	(7.7)	13.6	5.9	16
Human Rights Commission	16.5	16.5	-	-	-	
Homelessness and Supportive Housing	291.3	286.4	(0.0)	4.9	4.9	17
Status of Women	17.2	17.2	-	0.1	0.1	18
Early Childhood	66.1	64.7	(1.3)	1.4	0.1	19
<b>COMMUNITY HEALTH</b>						
Public Health	1,182.3	1,171.3	(18.0)	11.0	(6.9)	20
<b>CULTURE &amp; RECREATION</b>						
Asian Art Museum	11.0	11.0	-	-	-	
Arts Commission	11.0	10.7	(0.3)	0.3	-	21
Fine Arts Museum	21.3	21.3	-	-	-	22
Law Library	2.2	2.0	-	0.1	0.1	23
Recreation and Park Department	123.7	117.6	(6.2)	6.2	-	24
Academy of Sciences	7.5	7.4	-	0.1	0.1	25
War Memorial	7.1	7.1	0.5	-	0.5	26
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>						
City Administrator	171.5	165.0	(2.0)	6.5	4.4	27
Assessor/Recorder	30.2	29.3	(1.2)	0.9	(0.3)	28
Board of Supervisors	22.4	22.4	-	-	-	
City Attorney	105.3	99.1	(5.6)	6.2	0.6	29
Controller	104.0	102.3	(1.1)	1.6	0.5	30
City Planning	50.3	45.7	(8.3)	4.6	(3.7)	31
Civil Service Commission	1.5	1.4	-	0.1	0.1	32
Ethics Commission	7.2	5.7	-	1.5	1.5	33
Human Resources	43.1	40.7	(2.9)	2.5	(0.4)	34
Health Service System	14.2	13.1	(0.0)	1.1	1.1	35
Mayor	162.2	160.0	(0.4)	2.3	1.9	36
Elections	29.9	29.2	0.7	0.7	1.4	37
Technology	4.9	4.4	(0.5)	0.5	0.0	38
Treasurer / Tax Collector	43.6	40.6	(0.3)	2.9	2.6	39
Retirement System	2.5	2.5	-	-	-	
<b>GENERAL CITY RESPONSIBILITY</b>	<b>244.1</b>	<b>234.4</b>	<b>4.6</b>	<b>9.8</b>	<b>14.3</b>	<b>40</b>
<b>TOTAL</b>	<b>5,832.1</b>	<b>5,732.7</b>	<b>(54.7)</b>	<b>99.4</b>	<b>44.7</b>	

## NOTES TO GENERAL FUND DEPARTMENT BUDGET PROJECTIONS

The following notes explain projected variances for select departments' revenues and expenditures compared to the revised budget.

### **1. Adult Probation**

The Adult Probation Department projects to end the fiscal year with a net operating surplus of \$3.5 million, primarily attributed to expenditure savings of \$3.2 million in salaries and mandatory fringe benefits due to vacant positions and less spending than budgeted in services of other departments. Expenditure savings are slightly offset by lower than budgeted revenue from the Superior Court for the Court Pre-Trial Housing pilot program.

### **2. Superior Court**

The Superior Court projects \$1.7 million in expenditure savings in the Indigent Defense program.

### **3. District Attorney**

The District Attorney projects a \$0.1 million shortfall in state revenue.

### **4. Department of Emergency Management**

The Department of Emergency Management anticipates ending the year with a net surplus of \$1.7 million due to a slight revenue surplus of \$0.1 million as well as \$1.6 million expenditure savings, primarily in salaries and fringe benefits due to staffing vacancies.

### **5. Fire Department**

The Fire Department projects to end the fiscal year with a net operating surplus of \$7.8 million due to surplus revenue. The increased revenue is comprised of \$7.5 million in higher than budgeted emergency services revenue, and a one-time state grant of \$5.0 million, slightly offset by decreases in other budgeted revenues. At the time of the Six Month Budget Status report, the department was projected to overspend its overtime budget. A supplemental appropriation was approved by the Board of Supervisors to resolve that overspending.

### **6. Juvenile Probation**

The Juvenile Probation Department projects to end the fiscal year with an operating surplus of \$0.4 million, due to \$0.2 million revenue surplus from state subventions and superior courts reimbursements for facilities maintenance and \$0.2 million expenditure savings in salaries and benefits, non-personnel services, and materials and supplies.

### **7. Public Defender**

The Public Defender's Office projects \$0.1 million of salary and benefits savings due to vacant positions.

## **8. Police**

The Police Department projects to end the year with a \$0.4 million shortfall due to decreased revenue and recoveries from other departments such as for managing traffic around construction sites. At the time of the Six Month Budget status report the department was projected to have a shortfall due to projected overspending. This shortfall was addressed with a supplemental appropriation approved by the Board of Supervisors. A projected shortfall in worker's compensation costs is anticipated to be resolved with savings in non-salary accounts.

## **9. Sheriff**

The Sheriff's Department projects to end the fiscal year with salary and fringe benefit cost savings of \$0.7 million.

## **10. Department of Police Accountability**

The Department of Police Accountability projects to end the fiscal year on budget, due to a \$0.5 million shortfall in expenditure recoveries and \$0.5 million expenditure savings in salaries and fringe, non-personnel and services of other departments.

## **11. Sheriff's Department Office of Inspector General**

The Sheriff's Department of Accountability projects an operating surplus of \$1.4 million due to expenditure savings from delays in commencing department operations.

## **12. Department of Public Works**

The Department of Public Works projects to end the year with a net \$1.0 million operating shortfall. Revenues are projected to be \$1.3 million below budget due to decreased permit fee revenues in the Bureau of Street Use and Mapping, partially offset by a net expenditure savings of \$0.3 million, primarily from labor, equipment, and services from other departments.

## **13. Economic and Workforce Development**

The Office of Economic and Workforce Development projects to end the year on budget. A projected \$10.1 million shortfall in developer exaction revenue in the annual authority-controlled fund will be offset by expenditure savings of \$10.1 million primarily comprised of \$4.6 million in economic development projects, \$7.7 million in public private development projects, \$0.9 million in reinvestment initiatives, and \$0.1 million in budget addbacks partially offset by \$3.2 million spending above budget in workforce development.

## **14. Board of Appeals**

The Board of Appeals projects to have a net deficit of \$0.2 million at year end due to lower than budgeted surcharge revenues.

## **15. Children, Youth and Their Families**

The Department of Children, Youth and Their Families projects \$0.4 million savings in reinvestment initiative projects.

## 16. Human Services Agency

The Human Services Agency projects to end the year with a net surplus of \$5.9 million, comprised of a \$7.7 million revenue deficit and \$13.6 million savings in expenditures, as shown in Table A2-2.

**Table A2-2. Human Services Agency (\$ millions)**

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Aid Payments	(5.8)	10.9	5.1
Operations & Administration	(2.0)	2.7	0.8
<b>Total</b>	<b>(7.7)</b>	<b>13.6</b>	<b>5.9</b>

The department projects a net surplus of \$5.1 million in aid payments, comprised of \$5.8 million revenue deficit and \$10.9 million in expenditure savings. County Adult Assistance Programs (CAAP) are projected to have a net surplus of \$0.4 million due lower than budgeted non-homeless caseload offset by higher than budgeted homeless caseload. In-Home Supportive Services (IHSS) programs are projected to have a net surplus of \$0.4 million due to expenditure savings from caregiver shortages and lower health benefit costs. CalWORKs programs, CAPI, adoptions, and other aid programs are projected to have a net surplus of \$0.3 million. IHSS encumbrance carryforwards will support increased CAAP assistance and represent \$5.0 million of the expenditure surplus. Offsetting are deficits in Foster Care programs of \$0.2 million due to higher cost per case.

In Operations and Administration, the department projects a net surplus of \$0.8 million, comprised of a \$2.0 million revenue shortfall and \$2.7 million in expenditure savings. Revenue projections for 2011 Realignment sales tax subventions are projected to be \$7.1 million above budget because of stronger than assumed statewide sales tax. CalWORKs and CalFresh revenues are projected to have a deficit of \$1.2 million due to decreases in state and federal allocations. Child Welfare Services revenues are projected to have a shortfall of \$5.4 million due to deferral of grant funding to a future year. As a result of changes in time study and labor savings, the following programs are projected to end the year with net surpluses: CalFresh Eligibility (\$3.1 million); CAAP and CAPI eligibility services (\$6.3 million); CalWORKs and refugee eligibility services, workforce development refugee, CalWORKs mental health and substance abuse (\$9.1 million); CalFresh employment and training (\$1.0 million); Medi-Cal eligibility (\$4.9 million); Human Services Care Fund (\$1.3 million), IHSS administration (\$3.7 million), and Foster Care and Child Welfare Services (\$1.5 million). The department projects offsetting deficits in Aging and Community Services Block Grant services (\$0.1 million) and in Disability and Aging Services Public Guardian, Public Administrator, and Representative Payee programs due to increased legal services (\$2.6 million) and an anticipated need of \$1.25 million for IHSS Contract Mode rates.

To address claims of damages, repairs, and lost revenues brought against the City by hotels participating in the COVID-19 Alternative Shelter Program, the department will set aside \$26.0 million of expenditure savings for potential settlement payments.

## 17. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with \$4.9 million of expenditure savings, including \$3.7 million savings in grants to community-based organizations, \$0.6 million savings in non-personnel services, and \$0.7 million salary and benefit savings.

## 18. Status of Women

The department projects to end the year with \$0.1 million in personnel savings.

## 19. Department of Early Childhood

The Department of Early Childhood projects to end the year with a net \$0.1 million operating surplus. Revenues are projected to be \$1.3 million below budget due to a \$6.8 million shortfall in state subvention revenue offset by a \$3.5 million surplus in federal subventions and a \$2.0 million work order recovery surplus. Uses are projected to be \$1.4 million above budget primarily from underspending in city grants.

## 20. Department of Public Health

The Department of Public Health (DPH) projects to end the fiscal year with a net deficit of \$6.9 million, as shown in Table A2-3. The deficit is comprised of a revenue shortfall of \$18.0 million offset by expenditure savings of \$11.0 million. The department anticipates the use of \$6.9 million of DPH Management Reserve to address the anticipated deficit, driven primarily by lower patient census at Laguna Honda Hospital.

**Table A2-3. Department of Public Health by Fund (\$ millions)**

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Public Health General Fund	(1.3)	20.5	19.3
Laguna Honda Hospital	(22.3)	(7.1)	(29.4)
Zuckerberg San Francisco General Hospital	5.6	(2.3)	3.2
<b>Total</b>	<b>(18.0)</b>	<b>11.0</b>	<b>(6.9)</b>

### Public Health General Fund

The projected net surplus for Public Health General Fund programs (including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Population Health Division, and Public Health Administration) is \$19.3 million. The department projects a combined revenue deficit of \$13.4 million in the General Fund. Medi-Cal patient service revenues are projected to be under budget by \$13.4 million, primarily from the Behavioral Health Division. These are offset by a projected surplus of \$15.8 million in 2011 Behavioral Health Realignment due to stronger than projected sales tax revenues at the state level. Medi-Cal operating revenues are anticipated to be below budget by \$2.0 million. Revenues from San Francisco Health Plan City Option fees are projected to have a shortfall of \$1.7 million due to ongoing migration to Affordable Care Act marketplace plans and a \$3.1 million shortfall in deactivated funds from the San Francisco Health Plan contribute to the revenue deficit. Other patient revenue and other State and miscellaneous revenues are projected to be underbudget by \$1.4 million. Behavioral Health prior year settlements are projected to be above budget by \$3.2 million. Medicare patient

revenue is projected to be above budget by \$1.3 million, mainly from Primary Care Clinics and Behavioral Health. Fees, fines, and licenses are anticipated to be above budget by \$0.1 million.

An expenditure surplus of \$20.5 million is due primarily to \$14.1 million personnel cost savings. Labor savings amount to \$1.8 million in Behavioral Health, \$5.2 million in Primary Care, \$1.8 million in Jail Health, \$2.4 million in Health Network, \$1.8 million in Population Health, and \$1.3 million in Public Health Administration. The department projects savings of \$3.7 million in non-personnel services largely in Behavioral Health offset by overspending in Jail and Network. Savings in annual projects in Primary Care and Administration total \$2.1 million. The Jail division anticipates savings of \$1.0 million in materials and supplies offset by a deficit of \$0.3 million in interdepartmental services.

### **Laguna Honda Hospital**

The projected net deficit of \$29.4 million at Laguna Honda Hospital is largely comprised of a revenue deficit of \$22.3 million from Medi-Cal patient revenues. The shortfall is the result of a lower census at the Hospital due to a pause in new admissions during the recertification process. Laguna Honda projects a \$7.1 million expenditure deficit driven by overspending in non-personnel services of \$11.0 million for increased registry and recertification contract costs. Offsetting are savings of \$3.5 million in materials and supplies and \$0.3 million in interdepartmental services.

### **Zuckerberg San Francisco General Hospital**

The department projects a \$3.2 million net deficit at Zuckerberg San Francisco General Hospital (ZSFG). The \$5.6 million revenue surplus includes a \$80.4 million surplus in patient revenues largely due to a change in payment rates for services provided to Medi-Cal covered by the San Francisco Health Plan, Medicare, prior year settlements, and better than budgeted rates for the Healthy Worker's members (\$13.6 million). Other Medi-Cal operating revenue is projected to be above budget by \$4.4 million. The surplus in patient revenue is offset by lower than budgeted Global Payment Program Revenue (\$68.5 million), supplemental Medi-Cal Managed Care revenue (\$11.6 million), and other 340b program revenue (\$12.7 million). Expenditures are projected to be \$2.3 million over budget largely in due to registry nurse costs (\$4.5 million), unanticipated expenditure for purchases of COVID supplies, rising costs of materials and goods (\$6.2 million), and interdepartmental work orders (\$1.4 million), partially offset by savings of \$9.6 million in salaries and mandatory fringe benefits due to vacancies and delays in hiring.

## **21. Arts Commission**

The Arts Commission projects to end the year on budget. The department anticipates a shortfall of \$0.3 million in recoveries from services provided to other departments and offsetting savings of \$0.3 million in less projected spending in services provided by other departments.

## **22. Fine Arts Museum**

The department is projected to have a \$0.2 million expenditure deficit due to increased personnel costs from additional overtime. Unspent non-salary budget will address this deficit, resulting in a projection that the department will end the year on budget.

### **23. Law Library**

The Law Library projects \$0.1 million in salary and benefits savings due to staff vacancies.

### **24. Recreation and Parks Department**

The department projects to end the year on budget. A \$6.2 million revenue shortfall is projected, including a \$4.0 million shortfall in fees and \$1.0 million shortfall in rents and concessions. This revenue shortfall is offset by \$6.2 million in projected expenditures savings due to position vacancies in the department.

### **25. Academy of Sciences**

The department projects \$0.1 million in salary and fringe benefits savings due to staff vacancies.

### **26. War Memorial**

The department projects a \$0.5 million revenue surplus, due to one-time revenue from the sale of Transferable Development Rights (TDR) and related interest earnings in the General Fund.

### **27. City Administrator**

The City Administrator projects to end the year with a net General Fund operating surplus of \$4.4 million. A projected revenue shortfall of \$2.0 million is comprised of a \$1.0 million shortfall in charges for services such as Animal Care and Control licenses, marriage and wedding fees, Office of Cannabis licenses, and entertainment permits. The department projects a \$1.1 million deficit in recoveries for services provided to other departments, primarily from the Office of Contract Administration and the Office of Labor Standards Enforcement. The department projects expenditure savings of \$6.5 million primarily from \$5.9 million in labor savings due to vacancies and \$0.6 million due to delays in implementing addback programs and from the Office of Victim Services.

### **28. Assessor Recorder**

The Assessor Recorder projects a deficit of \$0.3 million due to a revenue deficit of \$1.2 million from a shortfall in document recordation fees, partially offset by \$0.9 million salary and fringe benefit savings.

### **29. City Attorney**

The City Attorney's Office projects to end the fiscal year with a net operating surplus of \$0.6 million due to an expenditure surplus of \$6.2 million from position vacancies and unspent work order budget, offset by increases in litigation costs due to rising outside counsel rates. The department projects a \$5.6 million shortfall in recoveries for legal services provided to other departments.

### **30. Controller**

The Controller's Office projects to end the year with a net surplus of \$0.5 million, due to \$0.7 million in salary and fringe benefit savings and \$1.0 million savings in auditing services. This is offset by \$1.0 million lower recovery in auditing services and \$0.1 million less revenue than budgeted from the Office of Community Investment and Infrastructure.



### **31. City Planning**

City Planning projects to end the fiscal year with a net operating deficit of \$3.7 million. An \$8.3 million revenue shortfall includes \$2.8 million less than budget in conditional use fees, \$1.7 million less in exemption fees, \$1.8 million less in building permit revenue, and \$1.8 million less in building permit alternations, slightly offset by a \$0.4 million surplus in fee revenue from new construction building permits. An additional \$1.6 million shortfall in recoveries from various departments, including the Airport and MTA, are projected due to delays in environmental review projects and resiliency work. Offsetting expenditure savings include \$1.0 million in salary and fringe benefits and \$3.6 million in non-personnel services savings and materials and supplies.

### **32. Civil Service Commission**

The Civil Service Commission projects \$0.1 million in salary and fringe benefits cost savings due to hiring delays.

### **33. Ethics**

The Ethics Department projects \$1.5 million in salary and fringe benefits cost savings due to delays in filling vacant positions.

### **34. Human Resources**

The Department of Human Resources expects to end the year with a net deficit of \$0.4 million. A revenue deficit of \$2.9 million in work order recoveries will be partially offset by \$2.5 million in projected expenditure savings in salaries, fringe benefits, and workers' compensation.

### **35. Health Service System**

The Health Service System anticipates \$1.1 million in expenditure savings primarily in personnel savings from vacant positions, and non-personnel.

### **36. Mayor**

The Mayor's Office projects a net surplus of \$1.9 million. The Mayor's Office of Housing and Community Development (MOHCD) projects \$0.5 million in work order savings from Controller's auditing services, the City Hall Fellows program, and workers compensation claims. MOHCD anticipates savings of \$0.3 million due to vacant positions and \$0.9 million in grants to community-based organizations. MOHCD projects a work order recovery deficit of \$0.4 million due to lower than budgeted billings for Treasure Island Development Authority (TIDA) housing. The Office of the Mayor projects \$0.5 million in salary and benefit savings.

### **37. Elections**

The Department of Elections projects to end the year with a net operating surplus of \$1.4 million. The department has recovered \$0.7 million more than budget for election services. Expenditure savings of \$0.7 million are due to closing service orders and contracts that are no longer needed.

### **38. Department of Technology**

The Department of Technology projects to end the year on budget. The department projects under recovery of interdepartmental services of \$0.5 million in Public Education Governmental (PEG) funds from cable franchises, due to the decline in cable network revenues, offset by \$0.5 million in expenditure savings for personnel.

### **39. Treasurer/Tax Collector**

The Treasurer/Tax Collector projects a surplus of \$2.6 million due to \$2.6 million in unexpected earnings from higher interest rates on deposits held by the department, offset by \$2.9 million lower than budgeted recoveries from other departments, and \$2.9 million in lower than budgeted expenditures related to the corresponding decreased recoveries.

### **40. General City Responsibility**

General City Responsibility contains funds that are allocated for use across various City departments and is projected to have an operating surplus of \$14.3 million. A projected revenue surplus of \$4.6 million includes \$1.2 million in unbudgeted SB 90 state mandate reimbursements, \$2.6 million in revenue backfill for criminal fees and fines eliminated by the state legislature, and \$1.6 million in state vehicle license fees, partially offset by a \$0.9 million shortfall in traffic fines. A net expenditure surplus of \$9.8 million includes \$5.3 million of retiree health subsidy savings, \$2.8 million of savings from reduced transfers to special revenue funds given projected strength in hotel tax revenue, and \$1.7 million in net work order savings, as higher utility costs are offset by savings in real estate and audit expenses. Department projections in this report reflect the allocation of \$15.1 million of budgeted CBO inflationary costs increases to date, leaving a \$30.4 million balance.

## Appendix 3. Reserve Status

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Table A3-1 and discussed in detail below. Table A3-1 also includes anticipated deposits and withdrawals.

**Table A3-1. Reserve Balances (\$ millions)**

*Note: Figures may not sum due to rounding.*

	FY 2021-22	FY 2022-23			FY 2023-24			Note
	Ending Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	
<b>General Reserve</b>	<b>\$ 43.8</b>	<b>64.4</b>	<b>(50.4)</b>	<b>\$ 57.8</b>	<b>\$ 70.8</b>	<b>-</b>	<b>\$ 128.6</b>	1
Rainy Day Economic Stabilization City Reserve	114.5	-	-	114.5	-	-	114.5	2
Budget Stabilization Reserve	265.8	-	-	265.8	-	-	265.8	3
<b>Economic Stabilization Reserves</b>	<b>380.3</b>	<b>-</b>	<b>-</b>	<b>380.3</b>	<b>-</b>	<b>-</b>	<b>380.3</b>	
<i>Percent of General Fund Revenues</i>	<i>5.9%</i>			<i>6.2%</i>			<i>5.9%</i>	
Rainy Day Economic Stabilization SFUSD Reserve	1.0	-	-	1.0	-	-	1.0	2
Budget Stabilization Reserve - One Time Reserve	54.8	-	(54.8)	-	-	-	-	3
COVID Response and Economic Loss Reserve	14.0	-	(14.0)	-	-	-	-	4
Federal and State Emergency Grant Disallowance	81.3	-	-	81.3	-	-	81.3	5
Fiscal Cliff Reserve	229.8	-	(9.3)	220.4	-	(90.2)	130.3	6
Business Tax Stabilization Reserve	29.5	-	-	29.5	-	-	29.5	
Public Health Revenue Management Reserve	123.9	-	(6.9)	116.9	-	-	116.9	7
Free City College Reserve	10.9	-	(4.0)	6.9	-	-	6.9	
Mission Bay Transportation Improvement Fund	1.0	-	-	1.0	-	-	1.0	
Hotel Tax Loss Contingency Reserve	3.5	-	(2.5)	1.0	-	-	1.0	
Alternative Response Reserve	3.0	-	(3.0)	-	-	-	-	
<b>Other Reserves</b>	<b>552.6</b>	<b>-</b>	<b>(94.6)</b>	<b>458.0</b>	<b>-</b>	<b>(90.2)</b>	<b>367.8</b>	
Litigation Reserve	-	10.8	(10.8)	-	11.0	(11.0)	-	
Salary and Benefits Reserve	17.9	21.7	(39.6)	-	28.1	(28.1)	-	8
<b>Annual Operating Reserves</b>	<b>17.9</b>	<b>32.5</b>	<b>(50.4)</b>	<b>-</b>	<b>39.1</b>	<b>(39.1)</b>	<b>-</b>	
<b>TOTAL, General Fund Reserves</b>	<b>994.7</b>	<b>96.8</b>	<b>(195.4)</b>	<b>896.2</b>	<b>109.8</b>	<b>(129.2)</b>	<b>876.8</b>	

### 1. General Reserve

Pursuant to a financial policy approved by the Board of Supervisors in 2011 and codified in Administrative Code Section 10.60(b), year-end balances in the General Reserve are carried forward into subsequent years and thereby reduce the amount of future appropriations required to support reserve requirements established by the policy. The General Reserve balance in FY 2022-23 is required to be no less than 1.75% of budgeted regular General Fund revenues.

The FY 2021-22 ending balance of the General Reserve was \$43.8 million. The FY 2022-23 approved budget included a \$64.4 million deposit. In the current year, \$50.4 million of the General Reserve has been appropriated by the Mayor and Board of Supervisors to support overtime costs at the Police Department and street cleaning and graffiti abatement costs at the Department of Public Works, resulting in a projected ending balance of \$57.8 million. Any

additional uses of the reserve during the current year (FY 2022-23) will increase the required deposit in the budget year (FY 2023-24) by a like amount.

## **2. Rainy Day Economic Stabilization Reserve**

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District (SFUSD) operating budgets in years when revenues decline.

Charter Section 9.113.5 was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve.

The FY 2021-22 ending balance of the City Rainy Day Economic Stabilization Reserve was \$114.5 million and of the School Rainy Day Reserve is \$1.0 million. In FY 2022-23, the City is neither eligible to withdraw from nor required to deposit to the Rainy Day Reserve.

## **3. Budget Stabilization Reserve**

Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above the fund balance appropriated as a source in the subsequent year's budget.

The FY 2021-22 ending balance of the Budget Stabilization Reserve was \$265.8 million and the Budget Stabilization One Time Reserve was \$54.8 million. When the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reaches 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses.

The FY 2022-23 adopted budget withdraws \$54.8 million from the Budget Stabilization One Time Reserve, resulting in no balance by the end of FY 2022-23. In FY 2022-23, the City is neither eligible to withdraw from nor required to deposit to the Budget Stabilization Reserve.

## **4. COVID Response and Economic Loss Reserve**

Section 32 of the administrative provisions of the FY 2020-21 and FY 2021-22 Annual Appropriations Ordinance established a COVID Response and Economic Loss Reserve by consolidating the balances of seven existing reserves into a single \$507.4 million reserve. The FY 2021-22 and FY 2022-23 budget appropriated withdrawals of \$99.5 million and \$14.0 million in each of the respective budget years and reassigned \$100.0 million of the remaining balance to the Federal and State Emergency Grant Disallowance Reserve and \$293.9 million to the Fiscal Cliff Reserve as detailed below. The entire reserve will have been spent by the end of FY 2022-23.

## **5. Federal and State Emergency Grant Disallowance Reserve**

Section 32 of the administrative provisions of the FY 2021-22 and FY 2022-23 Annual Appropriations Ordinance established a Federal and State Emergency Grant Disallowance Reserve of \$100.0 million for the purpose of managing revenue shortfalls related to reimbursement disallowances from FEMA and other state and federal agencies. This reserve is comprised of a portion of the remaining balance of the COVID-19 Response and Economic Loss Contingency Reserve. \$18.7 million was used to support the FY 2021-22 budget, resulting in a balance of \$81.3 million in FY 2022-23.

## **6. Fiscal Cliff Reserve**

Section 32.1 of the administrative provisions of the FY 2021-22 and FY 2022-23 Annual Appropriations Ordinance established a Fiscal Cliff Reserve of \$293.9 million for the purpose of managing projected budget shortfalls following the spend down of federal and state stimulus funds and other one-time sources used to balance the FY 2021-22 and FY 2022-23 budget. This reserve is comprised of the balance of the COVID-19 Response and Economic Loss Contingency Reserve (COVID Reserve) remaining after funding the Federal and State Emergency Grant Disallowance Reserve in Section 32 and accounting for the use of the COVID Reserve in the FY 2021-22 and FY 2022-23 budget. \$64.2 million, \$9.3 million, and \$90.2 million was used to support FY 2021-22, FY 2022-23 and FY 2023-24 budgets resulting in an estimated ending balance of \$130.3 million by the end of FY 2023-24.

## **7. Public Health Revenue Management Reserve**

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with funding allocations for indigent health services in order to manage revenue volatility. At its December 7, 2021, meeting, the San Francisco Health Commission affirmed the department's methodology for calculating the maximum reserve level at 5% of total Medi-Cal, Medicare, and net patient revenue in the most recent adopted two-year budget. As of the end of FY 2021-22, the balance of the reserve is \$123.9 million. As of this report, DPH forecasts the need to use \$6.9 million of this reserve to offset anticipated revenue weakness versus budget at Laguna Honda Hospital.

## **8. Salary and Benefits Reserve**

Section 10.4 of the administrative provisions of the AAO authorizes the Controller to transfer funds from the Salary and Benefits Reserve to adjust appropriations for employee salaries and benefits stipulated in Board-adopted collective bargaining agreements. The reserve had a fiscal year starting balance of \$39.6 million, including \$17.9 million remaining from FY 2021-22 and \$21.7 million appropriated in the FY 2022-23 budget. The Controller's Office has transferred \$4.9 million to departments and anticipates transferring an additional \$14.4 million by year end, as detailed in Table A3-2. The remainder is assumed carried forward to address the cost of anticipated health rate increases.

**Table A3-2. Salary and Benefits Reserve (\$ millions)****Sources**

FY 2022-23 Adopted Budget	21.7
Carryforward balance from FY 2021-22	17.9
<b>Total Sources</b>	<b>39.6</b>

**Uses****Transfers to Departments**

VDT + Police Recruitment	0.3
DPH Childcare Center	0.2
Police Excess Retirement, Payouts, Premiums	4.3
<b>Total Transfers to Departments</b>	<b>4.9</b>

**Anticipated Allocations**

Fire Excess Retirement, Payouts, Premiums	4.5
Police Excess Retirement, Payouts	4.2
District Attorney Payouts	0.7
All Other (tuition, retirements)	5.0
<b>Total Anticipated Allocations</b>	<b>14.4</b>

<b>Total Anticipated Uses in the Current Year</b>	<b>19.3</b>
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<b>Total Anticipated Uses in the Budget Year</b>	<b>20.3</b>
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# Appendix 4. Other Funds Highlights

**Table A4-1. Other Fund Highlights (\$ millions)** *Note: Figures may not sum due to rounding*

	Prior Year		FY 2022-23				FY 2023-24		Notes
	FY 2021-22 Year End Fund Balance	Fund Balance Used in FY 2022-23 Budget	Beginning Fund Balance	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	Fund Balance Used in FY 2023-24 Budget	
<b>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</b>									
Building Inspection Operating Fund	18.2	17.6	0.5	(5.4)	3.2	(2.2)	(1.7)	-	1
Children and Youth Fund	26.3	8.6	17.8	4.4	1.8	6.2	24.0	-	2
Public Education Early Care Fund (OECE)	5.8	-	5.8	1.1	-	1.1	6.9	-	3
Public Education Special Fund (SFUSD)	15.5	-	15.5	2.5	-	2.5	18.0	-	4
Convention Facilities Fund	21.3	2.3	19.0	(2.4)	7.5	5.1	24.0	2.2	5
Golf Fund	5.2	2.5	2.7	(0.1)	-	(0.1)	2.6	-	6
Marina Fund	(4.3)	-	(4.3)	(0.2)	3.5	3.3	(1.1)	-	7
Library Preservation Fund	40.5	10.3	30.2	5.6	2.4	2.4	32.6	-	8
Open Space Fund	40.3	7.5	32.8	3.5	0.2	3.7	36.5	7.6	9
Telecomm. & Information Systems Fund	15.3	3.2	12.1	(4.8)	9.8	4.9	17.1	3.2	10
General Services Agency-Central Shops Fund	1.9	-	1.9	(2.4)	2.0	(0.3)	1.6	-	11
General Services Agency-Repro Fund	1.3	-	1.3	(0.3)	0.5	0.2	1.5	-	12
War Memorial Fund	4.5	1.0	3.6	(0.6)	-	(0.6)	3.0	0.6	13
Election Campaign Fund	4.3	0.4	3.8	-	3.6	3.6	7.4	-	14
Gas Tax Fund	6.3	2.5	3.8	(5.4)	5.4	(0.0)	3.8	4.0	15
Children and Families Commission	11.2	4.4	6.8	(1.9)	-	(1.9)	4.9	4.3	16
Street Tree Maintenance Fund	4.5	-	4.5	0.6	-	0.6	5.1	4.3	17
Public Works Overhead Fund	20.4	12.6	7.7	(27.5)	27.1	(0.4)	7.3	3.6	18
Public Works Paid Time Off Fund	5.9	-	5.9	(6.5)	5.9	(0.6)	5.3	-	19
Real Estate Fund	8.6	3.5	5.1	(5.8)	14.5	8.7	13.8	-	20
Museum Admissions Fund	(3.5)	-	(0.0)	(0.4)	-	(0.4)	(0.4)	-	21
Health Care Security Ordinance Fund	-	-	-	-	-	-	890.0	-	22
Solid Waste Fund	6.0	-	6.0	0.1	2.4	2.5	8.5	-	23
<b>SPECIAL PURPOSE TAXES</b>									
Neighborhood Beautification Fund	(0.3)	-	(0.3)	-	-	-	(0.3)	-	24
Culture and Recreation Hotel Tax Fund	6.6	5.3	1.3	3.5	-	3.5	4.7	-	25
Traffic Congestion Mitigation Fund (TCM Tax)	0.0	-	0.0	(2.0)	2.0	-	0.0	-	26
Babies and Families First Fund (Commercial Rents Tax)	87.2	-	87.2	(33.0)	-	(33.0)	54.2	-	27
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	29.1	5.9	23.2	(10.8)	-	(10.8)	12.4	14.3	28
Small Business Assistance Fund (Commercial Vacancy Tax)	-	-	-	(1.7)	1.7	-	-	-	29
Fair Wages for Educators Fund (Parcel Tax)	-	-	-	-	-	-	-	-	30
<b>SELECT ENTERPRISE FUNDS</b>									
Airport Operating Funds	\$ 552.9	\$ 43.5	\$ 509.4	\$ 35.1	\$ 34.0	\$ 69.1	\$ 578.5	\$ 77.8	31
MTA Operating Funds	240.5	52.7	187.8	(38.5)	138.5	99.9	287.7	-	32
Port Operating Funds	121.1	-	121.1	21.8	9.8	31.6	152.6	-	33
PUC Hetch Hetchy Operating Funds	126.1	-	126.1	43.4	-	43.4	169.5	-	34
PUC Wastewater Operating Funds	158.4	25.1	133.3	6.2	19.0	25.2	158.5	6.7	35
PUC Water Operating Funds	210.9	67.9	143.0	25.4	14.8	40.2	183.2	16.2	36
PUC Clean Power Funds	(2.8)	-	(2.8)	7.1	2.4	9.5	6.7	-	37

## SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

### 1. Building Inspection Fund

The Building Inspection Fund began with a balance of \$0.5 million, net of a budgeted use of \$17.6 million in the current year. The department projects a \$2.2 million operating shortfall, with a \$5.4 million revenue shortfall primarily in fees for building permits, plan review, and residential records and offsetting expenditure savings of \$3.2 million in non-personnel services and city grants. The previously adopted FY 2023-24 budget was balanced with a \$25.6 million use of reserve; due to the \$2.2 projected shortfall, the reserve balance is projected to end at \$34.2 million instead of \$35.9 million. The Department of Building Inspection continues to seek additional savings in the current year to reduce the use of reserves in the upcoming FY 2023-24 and FY 2024-25 budget.

### 2. Children and Youth Fund

The Children's Fund began with a balance of \$17.8 million, net of a budgeted use of \$8.6 million in the current year. It is projected to end the year with a \$6.2 million operating surplus due to a \$4.4 million projected increases in property tax and \$1.8 million saving from labor and non-personnel cost, resulting in a \$24.0 million projected ending balance.

### 3. Public Education Early Care Fund (OECE)

The Public Education Early Care Fund began with a balance of \$5.8 million. Revenues are expected to be \$1.1 million above budget, reflecting projected increases in General Fund Aggregate Discretionary Revenue (ADR), resulting in a \$6.9 million projected ending balance.

### 4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of \$15.5 million. Revenues are expected to be \$2.5 million above budget, reflecting projected increases in General Fund ADR, resulting in a \$18.0 million projected ending balance.

### 5. Convention Facilities Fund

The Convention Facilities Fund began with a balance of \$19.0 million, net of a budgeted use of \$2.3 million in the current year. A net operating surplus of \$5.1 million is projected in the fund due to savings related to cancellations and delays of conventions and shows, comprised of a revenue shortfall of \$2.4 million offset by expenditure savings of \$7.5 million, as the City continues its recovery from COVID-19. Events that have taken place are smaller in scale, with fewer attendees and vendors. The Moscone Expansion District fund is projected to be on budget. Moscone Expansion District Assessments are projected to be higher than budgeted, allowing the General Fund to transfer in a lower subsidy than budgeted, for zero net effect in this fund and savings in GEN. Fund balance at year end is projected to be \$24.0 million.

### 6. Golf Fund

The Golf Fund began with a balance of \$2.7 million, net of \$2.5 million use of fund balance appropriated in the current year. The Recreation and Parks Department projects a revenue



shortfall of \$0.1 million in golf fees and on budget for spending, leaving a projected fund balance \$2.6 million at the year end.

## **7. Marina Fund**

The Marina Fund began the year with an abnormal balance of \$4.3 million. The Recreation and Parks Department projects a revenue shortfall of \$0.2 million primarily in berth and mooring fees due to a decline in occupancy of the East Harbor, boat abandonment, and non-payment of fees, partially offset by expenditure savings of \$3.5 million. As a result, we project an abnormal ending balance of \$1.1 million.

## **8. Library Preservation Fund**

The Library Preservation Fund began with a balance of \$30.2 million, net of a budgeted use of \$10.3 million in the current year. The Library projects a net revenue surplus of \$5.6 million, primarily due to projected increases in property taxes and General Fund ADR. The Department projects expenditure savings of \$5.7 million after a \$4.0 million pending surplus transfer to cover unanticipated increases in construction costs, offset by the General Fund baseline return of \$3.3 million. The net operating surplus of \$2.4 million results in a projected ending balance of \$32.6 million.

## **9. Open Space Fund**

The Open Space Fund began with a balance of \$32.8 million, net of a budgeted use of \$7.5 million. The Recreation and Parks Department projects a revenue surplus of \$3.5 million due increased property tax allocations and interest revenue, and labor cost savings of \$0.2 million. The net operating surplus of \$3.7 million results in a projected ending fund balance of \$36.5 million, of which, \$7.6 million was used to balance the previously adopted FY 2023-24 budget.

## **10. Telecommunications & Information Services Fund**

The Telecommunication & Information Services Fund began the year with a balance of \$12.1 million. A net operating surplus of \$4.9 million is projected in the current year, comprised of a \$4.8 million shortfall in recoveries from client departments offset by \$9.8 million of salary and benefit savings due to vacancies. The fund is projected to end the year with a balance of \$17.1 million, of which \$3.2 million was used to balance the previously adopted FY 2023-24 budget.

## **11. General Services Agency-Central Shops Fund**

The Central Shops Fund began the fiscal year with \$1.9 million in fund balance and projects to end the fiscal year with a balance of \$1.6 million. The department projects a net \$0.3 million deficit in interdepartmental recoveries due to lower billing rates than the actual costs to provide services to other departments.

## **12. General Services Agency-Repro Fund**

The Reproduction Fund began the fiscal year with \$1.3 million in fund balance and projects to end the fiscal year with a balance of \$1.5 million, due to \$0.2 million savings from personnel and work orders.

### **13. War Memorial Fund**

The War Memorial Fund began the fiscal year with \$3.6 million in fund balance, net of \$1.0 million of fund balance appropriated in the current year. The Department projects a \$0.6 million revenue deficit from services such as rentals, resulting in an ending balance of \$3.0 million, of which \$0.6 million has been budgeted in the approved FY 2023-24 budget.

### **14. Election Campaign Fund**

The Election Campaign Fund began the fiscal year with \$4.3 million in fund balance and projects to end the fiscal year with a balance of \$7.4 million, with \$3.6 million in projected current year expenditures savings.

### **15. Gas Tax Fund**

The Gas Tax Fund began with a \$3.8 million balance, net of \$2.5 million of fund balance appropriated in the current year. The department projects a revenue shortfall of \$5.4 million based on the five-year trend of gas tax revenue and \$5.4 million expenditure savings to offset the shortfall. The fund is projected to end with \$3.8 million in fund balance, of which \$4.0 million has been appropriated in the previously approved FY 2023-24 budget. The Controller's Office will work with the department and Mayor's Office to reduce the use of fund balance appropriated in FY 2023-24.

### **16. Children and Families Commission**

The Children and Families Commission began with a balance of \$6.8 million, net of \$4.4 million appropriated in the current year. Revenues are projected to be \$1.9 million below budget due to lower than anticipated Medi-Cal fee revenue, partially offset by \$0.1 million interest revenue. The department projects to end the year with \$4.9 million in fund balance, of which \$4.3 million was spent in the previously approved FY 2023-24 budget.

### **17. Public Works – Street Tree Maintenance Fund**

The Street Tree Maintenance Fund began the fiscal year with a balance of \$4.5 million. The Department of Public Works projects a net revenue surplus of \$0.6 million due to projected increases in General Fund ADR, resulting in a projected ending balance of \$5.1 million, of which \$4.3 million was used to balance the previously adopted FY 2023-24 budget.

### **18. Public Works – Overhead Fund**

The Overhead Fund began the fiscal year with a balance of \$7.7 million, net of a budgeted use of \$12.6 million in the current year. The Department of Public Works projects an operating deficit of \$0.4 million due to total expenditure savings of \$27.1 million primarily from services from other departments, non-personnel, and labor costs offset by an overhead recovery shortfall of \$27.5 million. The resulting ending balance is \$7.3 million, of which \$3.6 million was used to balance the previously adopted FY 2023-24 budget.

### **19. Public Works – Paid Time-Off Fund**

The Paid Time-Off Fund began the fiscal year with a balance of \$5.9 million. The Department of Public Works projects an operating deficit of \$0.6 million due to expenditure savings of \$5.9

million offset by an overhead recovery shortfall of \$6.5 million. The resulting ending balance is \$5.3 million.

## **20. Real Estate Fund**

The Real Estate Fund began the fiscal year with \$5.1 million in fund balance, net of \$3.5 million appropriated in the current year. The fund is projected to have a revenue shortfall of \$5.8 million, mostly in recoveries for leases and facilities maintenance, offset by \$14.5 million in expenditure savings as renewal lease terms are estimated to come in below budget for several properties. Fund balance at year end is projected to be \$13.8 million.

## **21. Museum Admissions Fund**

The Museum Admissions Fund began the year with a negative balance of \$3.5 million. Both the Asian Art Museum and the Fine Arts Museums have budgeted revenue and expenditures in this fund. A projected revenue shortfall of \$0.4 million from weakness in museum admissions increases the abnormal balance to \$3.9 million. The Controller's Office will work with departments at year end to close encumbrances and take other steps to address the abnormal balance.

## **22. Health Care Security Ordinance Fund**

The Health Care Security Ordinance (HCSO) Fund is a fiduciary fund containing the balances of medical reimbursement accounts created pursuant to the HCSO, which requires employers in San Francisco to provide either health insurance or contributions on their employees' behalf via the San Francisco City Option. In the current year, City Option funds previously held in a non-interest bearing account of the San Francisco Health Plan were deposited into the City's treasury. Revenues are comprised of employers' contributions and interest earnings, and expenditures include employee benefits and administrative costs. The balance of the fund is projected to be approximately \$890 million at fiscal year-end.

## **23. Solid Waste Fund**

The Solid Waste Fund began the year with a balance of \$6.0 million, net of \$10.0 million of unencumbered expenditure budgets that carried forward from the prior fiscal year. Both the Department of the Environment and the Department of Public Works have budgeted revenue and expenditures in this fund. With expenditure savings of \$2.4 million, the fund is projected to have a year-end balance of \$8.5 million.

## **SPECIAL PURPOSE TAXES**

### **24. Neighborhood Beautification Fund (Dedication of Business Tax)**

The Neighborhood Beautification Fund began the fiscal year with an abnormal balance of \$0.3 million. No net operating surplus or shortfall or change in fund balance is projected. The Controller's Office will work with Administrative Services to close expenditure budgets to bring this fund into balance by the end of FY 2022-23.

## **25. Culture and Recreation Hotel Tax Fund (Dedication of Hotel Tax)**

In November 2018, voters adopted an ordinance to dedicate a portion of hotel tax to support arts organizations. The dedicated hotel tax is deposited in the Culture and Recreation Hotel Tax Fund and allocated to the Arts Commission, General Services Agency, and Mayor's Office of Housing and Community Development.

Due to better performance than budgeted in hotel tax revenue as described in Appendix 1 of this report, the Culture and Recreation Hotel Tax Fund is expected to have a net revenue surplus of \$3.5 million, composed of a hotel tax surplus of \$6.4 million, partially offset by the elimination of \$2.9 million of General Fund subsidy. The resulting ending balance is \$4.7 million.

## **26. Traffic Congestion Mitigation Fund (Traffic Congestion Mitigation Excise Tax)**

In November 2019, voters adopted a traffic congestion mitigation tax on rides facilitated by commercial ride-share companies, autonomous vehicles, or private transit services, to support spending on transit and infrastructure improvements. Proceeds are deposited in the Traffic Congestion Mitigation Fund and allocated primarily between MTA and the San Francisco County Transportation Authority (SFCTA).

The Traffic Congestion Mitigation Fund began the fiscal year with a minor negative fund balance. All prior year collections have been allocated to the MTA and the SFCTA. Transportation Network Company (TNC) Tax revenues in the current year are projected to be \$13.0 million, which is \$2.0 million below budget, resulting in an ending balance of negative \$2.0 million. The Controller's Office will close expenditure budgets to bring the fund into balance by the end of FY 2022-23.

## **27. Babies and Families First Fund (Early Care and Education Commercial Rent Tax)**

In June 2018, voters adopted a commercial rents tax on businesses leasing commercial space in San Francisco to support spending on early childhood care and education. Proceeds are deposited in the Babies and Families First Fund and allocated to the Department of Early Childhood.

The fund began the fiscal year with a balance of \$87.2 million. Commercial rent tax is projected to be \$33.0 million below budget, resulting in an ending balance of \$54.2 million.

## **28. Our City, Our Home Fund (Homelessness Gross Receipts Tax)**

In November 2018, voters adopted an additional gross receipts tax of 0.175% to 0.69% on taxable gross receipts over \$50.0 million to support spending on homelessness, housing, and mental health. Proceeds are deposited in the Our City, Our Home Fund and allocated primarily between the Department of Homelessness and Support Housing (HSH) and Department of Public Health (DPH).

The fund began the fiscal year with a balance of \$23.2 million. A \$10.8 million shortfall in homelessness gross receipts tax revenue is projected, resulting in an ending balance of \$12.4 million. However, the previously adopted FY 2022-23 budget appropriates \$14.3 million fund balance. The Controller's Office will work with the departments of Public Health and Homelessness and Supportive Housing to identify offsetting expenditure savings.

Pursuant to Article 28, Section 2810, the Controller must file a report "containing the amount of monies collected in and expended from the Our City, Our Home Fund during the prior fiscal year, the status of any project required or authorized to be funded..." This reporting requirement was met with the OCOH Fund Annual Report for FY 2021-22, published December 2022 (<https://sf.gov/data/ocoh-fund-annual-report-fy21-22-executive-summary>).

## **29. Small Business Assistance Fund (Commercial Vacancy Tax)**

In March 2020, voters adopted a tax on keeping certain commercial spaces vacant for more than 182 days in a calendar year. This tax supports the maintenance and operation of small businesses in the City. Proceeds are deposited in the Small Business Assistance Fund and allocated primarily to the Office of Economic and Workforce Development. FY 2022-23 is the first year the tax is collected.

The Small Business Assistance Fund began the fiscal year with no fund balance. A revenue shortfall of \$1.7 million and expenditure savings of \$1.7 million is anticipated, resulting in no changes to fund balance.

Pursuant to Article 29, Section 2907 of the Business and Tax Regulations Code, the Controller must file a report "containing the amount of monies collected in and expended from the Small Business Assistance Fund during the prior fiscal year, the status of any project required or authorized to be funded..." The FY 2023-24 Six and Nine-Month Reports will be the first time the Controller can report on final FY 2022-23 spending.

## **30. Fair Wages for Educators Fund (SFUSD Parcel Tax)**

In November 2020, voters adopted a \$288 per parcel tax to support the San Francisco Unified School District (SFUSD). Proceeds are deposited into the Fair Wages for Educators Fund and transferred to SFUSD, who certifies that funds will be spent in accordance with San Francisco and Business and Tax Regulations Code. The tax was first imposed in FY 2021-22, and the City remitted \$47.3 million to SFUSD.

Pursuant to the Article 37, Section 3709 of the Business and Tax Regulations Code, the Controller must file a report "containing the amount of monies collected in and expended from the Fair Wages for Educators Fund during the prior fiscal year, the status of any project required or authorized to be funded..." Table A4-4 shows the City disbursed \$47.3 million, and SFUSD has spent \$46.5 million, resulting in an available balance of \$0.8 million.

**Table A4-4. Fair Wage of Educators Act FY 2021-22 Report**

PROP J: FAIR WAGE FOR EDUCATORS ACT (FWEA)		PROP J: FWEA		
		2021-2022		
PROGRAM	ALLOWABLE USES	Base Budget	YTD Expenditures	Available
<b>SFUSD-UESF MOU</b>				
Ongoing Salary Table Increases	(A) Raising the salaries of teachers so the School District can compete with other school districts in recruiting and retaining qualified and prepared teachers to support student achievement; (B) Raising the salaries of paraeducators so the School District can better support individualized learning;	37,805,720	38,611,250	(805,530)
	Ongoing Salary Add-Ons for UESF Cert Educators	28,189,886	30,600,306	(2,410,420)
	Ongoing Salary Add-Ons for UESF Para Educators	4,284,285	4,737,533	(453,248)
	Add-on Step Increase (Career Increment B for Paras 11th yr)	646,000		646,000
Professional Development	(E) Providing additional professional development to all teachers and paraeducators;			-
	18 hours Professional Development (Certificated; \$46/hr)	3,079,546	2,964,168	115,377
	18 hours Professional Development (Certificated EED; \$35/hr)	92,487	21,335	71,152
	18 hours Professional Development (Para; \$22/hr)	413,516	287,908	125,609
Other Salary and Benefits	(F) Providing more competitive compensation and/or benefits to other School District personnel;		0	-
	Increased dependent medical coverage (addtl. \$50/\$125)	1,100,000	0	1,100,000
Unallocated/Revenue Growth		(2,333,610)		(2,333,610)
<b>Subtotal SFUSD-UESF MOU</b>		<b>35,472,110</b>	<b>38,611,250</b>	<b>(3,139,140)</b>
<b>Non-SFUSD-UESF MOU</b>				
Other Bargaining Units	(F) Providing more competitive compensation and/or benefits to other School District personnel;			
	UASF	965,171	1,281,156	(315,985)
	Other Classified Bargaining Units: SEIU, Local 21, Local 6 Salary Add-On 4%, Local 39 Salary Add-On 4%, Common Crafts	4,784,829	3,749,396	1,035,434
Digital District / 21st Century Learning	(G) Investing in 21st century technology, including providing support for digital teaching and learning tools for students, educators, and their families;	2,600,000	847,612	1,752,388
Charter Schools	(H) Allocating funds to public charter schools in the City;	2,000,000	2,000,000	-
Unallocated/Revenue Growth		1,474,037		1,474,037
<b>Subtotal Non-SFUSD-UESF MOU</b>		<b>11,824,037</b>	<b>7,878,164</b>	<b>3,945,873</b>
<b>Grand Total</b>		<b>47,296,146</b>	<b>46,489,414</b>	<b>806,733</b>

In FY 2022-23, the FWEA Fund with the City and County of San Francisco began the fiscal year with no fund balance. All monies are passed to SFUSD; therefore, no fund balance is anticipated.

## SELECT ENTERPRISE FUNDS

### 31. Airport Operating Fund

The Airport began the fiscal year with \$509.4 million in available fund balance, net of \$43.5 million of fund balance appropriated in the current year. The department projects a net operating surplus of \$69.1 million comprised of a projected revenue surplus of \$35.1 million and expenditure savings of \$34.0 million.

The department’s revenue surplus is largely due to greater than budgeted aviation revenues (\$40.7 million) and rent and concession revenues (\$73.0 million). As a result of operating revenue surpluses, the department projects a lower than budgeted need for transfers-in to support the Airport’s operating fund from deferred aviation revenues, Passenger Facilities Charges revenue, and fund balance to balance expenditures (\$84.3 million combined). The aviation revenue surplus is driven by higher than anticipated landing fees and terminal rents from increased airline activity, enplanements, and cargo levels. The surplus in rents and concessions is due to stronger parking, groundside, food and beverage, retail, automobile rental, and other concession sales from an increase in passengers, visitor spending, taxi and TNC trips, and parking activity. The department anticipates a surplus of \$7.9 million in concession rent relief from the Coronavirus Response and Relief Supplemental Appropriations Act. The department projects an additional \$1.1 million surplus from greater Airtrain activity, sales of electricity, natural gas, water resale, and other miscellaneous terminal fees.

The department’s net expenditure savings are driven by a projected \$31.8 million in labor savings due to vacancies, hiring delays, and higher attrition than previously projected. The

department also projects savings of \$2.9 million in non-personnel costs as a result of delays in invoice processing and initialization of contracts. Materials and supplies are projected to have savings of \$3.3 million due to delays in setting up purchase orders. The department estimates savings of \$6.8 million in capital outlay due to delivery and manufacturing delays especially for large items such as vehicles and customized equipment. The Annual Service Payment to the General Fund is projected to exceed budget by \$10.9 million due to higher than projected concession revenues.

The department is projected to end the fiscal year with a balance of \$578.5 million, of which \$77.8 million was used to balance the previously adopted FY 2023-24 budget.

### **32. Municipal Transportation Agency (MTA) Operating Funds**

The MTA began the fiscal year with \$187.8 million in available fund balance, and projects a net operating surplus of \$99.9 million, comprised of a projected revenue deficit of \$38.5 million and expenditure savings of \$138.5 million.

The MTA's revenue surplus is driven by a shortfall of \$34.5 million Federal Relief American Rescue Plan Act (ARP) 5307 Transit Operating Assistance; shortfall of \$22.6 million Transit Fares due to continued slow downtown recovery impacting most fares; \$18.9 million Parking decrease due to slow downtown recovery impacting garage and meter revenue; and Other revenue shortfall primarily due to other city property rentals offset by an increase of \$33.5 million in Operating Grants Intergovernmental revenue from the Federal Transit Administration (FTA). Additionally, transfers from the General Fund are expected to be higher than budgeted, due to increases in projected aggregate discretionary revenue (ADR) in the General Fund.

The Agency projects \$138.5 million in expenditure savings, comprised of \$74.3 million in reduced personnel costs net of overhead allocations from slower hiring, \$41.7 million in non-personnel services and \$18.6 million in materials and supplies as well as savings of \$3.8 million in services of other departments. Its operating funds are projected to end the fiscal year with a balance of \$287.7 million.

### **33. Port Operating Funds**

The Port began the fiscal year with \$121.1 million in available annual fund balance. The department projects a current year net operating surplus of \$31.6 million, including a revenue surplus of \$21.8 million including higher than expected interest income, one time revenue from the Golden State Warriors, higher than anticipated cruise activity and parking revenue. Expenditure savings of \$9.8 million are largely in salary and mandatory fringe benefit savings, given delays in filling vacancies and the plan to shift other hiring to the next fiscal year. Port operating funds are projected to end the fiscal year with a balance of \$152.7 million.

### **Public Utilities Commission (PUC)**

PUC projects net operating surpluses for the Wastewater Operations Fund, Water Operating Fund, Clean Power Fund, and Hetch Hetchy Operating Fund.

### **34. Public Utilities Commission – Hetch Hetchy Operating Fund**

The Hetch Hetchy Fund began the fiscal year with \$126.1 million in available operating fund balance. The Fund is projected to end the year with a net operating surplus of \$43.4 million due to a \$43.4 million revenue surplus, while expenditures are on budget. Although retail sales volume is performing at par, the revenue surplus is mostly driven by electric sales, as wholesale prices are much higher than budget from increased generation from winter storms, as well as increased City department pass through recoveries for natural gas and steam. This also includes \$1.0 million surplus due to higher sales volume to an external wholesale customer.

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of \$169.5 million.

### **35. Public Utilities Commission – Wastewater Operations Fund**

The Wastewater Operations Fund began the fiscal year with \$133.3 million in available operating fund balance net of \$25.1 million appropriated to support the current year budget. The Fund is projected to end the year with a net operating surplus of \$25.2 million due to a revenue surplus of \$6.2 million, comprised of Wastewater retail billable volumes forecasted to be 44.0 million gallons per day (MGD), which is flat with budget and a 2.3 percent increase from prior year actuals of 43.0 MGD. The projection includes a 5 percent drought surcharge. The surplus also includes higher miscellaneous income compared to budget.

Expenditure savings of \$19.0 million are projected in personnel costs due to position vacancies, and debt service savings mainly due to Wastewater market conditions and issuance of the 2022B Wastewater Refunding Bonds. The Fund is projected to end the fiscal year with a balance of \$158.5 million.

### **36. Public Utilities Commission – Water Operating Fund**

The Water Operations Fund began the fiscal year with \$143.0 million in available operating fund balance net of the \$67.9 million appropriated to support the FY 2022-23 budget. The Fund is projected to end the fiscal year with a net operating surplus of \$40.2 million, comprised of a revenue surplus of \$25.4 million and \$14.8 million in expenditure savings. The revenue surplus includes \$2.7 million in retail water sales, \$18.9 million in wholesale water sales more than budgeted, and interest income above budget. Expenditure savings are comprised of salary and benefit savings of \$5.7 million due to position vacancies and of \$6.6 million and \$2.5 million in savings projected in debt service and overhead, respectively.

The Fund is projected to end the fiscal year with a balance of \$183.2 million.

### **37. Public Utilities Commission – Clean Power Fund**

The Clean Power Fund began the fiscal year with an abnormal balance of \$2.8 million and is projected to end the fiscal year with a net operating surplus of \$9.5 million. The Fund is projected to have a net revenue surplus of \$7.1 million including \$3.5 million in wholesale sales, a \$2.7 million net surplus in combined Green and Super Green electric product sales, and a \$0.8 million surplus in interest earnings. A \$2.4 million projected expenditure surplus includes \$2.1 million in personnel cost savings due to position vacancies and \$10.3 million savings in reserve deposits offset by \$10.0 million spending above budget for higher than anticipated costs in the energy market. The Fund is projected to end the fiscal year with a balance of \$6.7 million.



# Appendix 5. Overtime Report

Department (\$ Millions)	FY 2021-22	FY 2022-23		
	Actual	Revised Budget	July through 05/09/2023	% of Budget through 05/09/2023
<b>Municipal Transit Agency - Total</b>	55.0	53.0	55.6	105%
<b>Police*</b>				
General Fund (Excl. Work Orders)	47.2	84.1	65.1	77%
Airport	1.3	2.3	3.6	156%
General Fund Work Orders	2.3	3.3	2.1	63%
<b>Total Annual Operating Funds</b>	<b>50.83</b>	<b>89.78</b>	<b>70.79</b>	<b>79%</b>
Special Revenue (10B)	15.3		11.5	
Total	66.2		82.2	
<b>Public Health*</b>				
ZSF General	25.7	12.9	29.7	229%
Laguna Honda	13.2	10.8	12.2	113%
Other Annual Funds	5.4	1.9	4.0	206%
<b>Total Annual Operating Funds</b>	<b>44.32</b>	<b>25.66</b>	<b>45.84</b>	<b>179%</b>
<b>Fire*</b>				
General Fund	76.1	50.9	55.9	110%
Airport	7.0	6.5	5.0	77%
<b>Total Annual Operating Funds</b>	<b>83.07</b>	<b>57.39</b>	<b>60.87</b>	<b>106%</b>
<b>Sheriff*</b>				
General Fund (Excl. Work Orders)	25.6	17.0	23.2	136%
General Fund Work Orders	0.0	11.2	7.1	64%
<b>Total Annual Operating Funds</b>	<b>25.61</b>	<b>28.19</b>	<b>30.36</b>	<b>108%</b>
<b>Airport*</b>				
Annual Operating Funds	2.6	2.9	2.2	78%
<b>Emergency Management*</b>				
Annual Operating Funds	6.1	5.4	5.9	109%
<b>Public Works*</b>				
Annual Operating Funds	2.3	1.5	2.6	175%
General Fund Work Orders	0.4	2.3	0.5	20%
<b>Public Utilities*</b>				
Annual Operating Funds	6.2	5.9	5.8	99%
<b>Recreation and Park*</b>				
Annual Operating Funds	2.6	2.0	2.5	124%
<b>Human Services</b>	3.0	2.9	3.6	125%
<b>Juvenile Probation</b>	1.4	0.9	1.4	151%
<b>Elections</b>	1.0	0.7	0.6	82%
<b>Technology</b>	0.5	0.7	0.6	94%
<b>Admin Services</b>	1.7	0.6	2.0	316%
<b>Controller</b>	0.2	0.5	0.1	17%
<b>Building Inspection</b>	0.5	0.4	0.3	68%
<b>Port</b>	0.6	0.3	0.6	205%
<b>Fine Arts Museum</b>	1.1	0.2	1.1	544%
<b>Adult Probation</b>	0.0	0.1	0.0	33%
<b>Public Library</b>	0.5	0.1	0.5	353%
<b>District Attorney</b>	0.2	0.1	0.2	181%
<b>Academy of Sciences</b>	0.1	0.1	0.1	100%
<b>Public Defender</b>	0.0	0.1	0.0	30%
<b>Asian Art Museum</b>	0.2	0.0	0.2	361%
<b>Homelessness</b>	0.1	0.0	0.1	598%
<b>City Attorney</b>	0.3	0.0	0.3	2289%
<b>Total Overtime**</b>	<b>305.9</b>	<b>281.8</b>	<b>306.0</b>	<b>109%</b>

\* Administrative Code Section 3.17 requires these departments to receive appropriation authority from the Board of Supervisors to increase the authorized budget for overtime in annual operating funds. These departments' overtime projections were addressed in a pending overtime supplemental appropriation ordinance as required by Charter section 3.17.

\*\* Total overtime excludes: special revenue (10B) and non-annual operating funds in departments listed in Administrative Code 3.17.