

File No. 100641

Committee Item No. 1

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 3/3/10

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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

#### OTHER (Use back side if additional space is needed)

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Completed by: Gail Johnson

Date 2/26/10

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

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



1 [Declaring the City's intention to appropriate available Rainy Day Reserve funds to the San  
2 Francisco Unified School District.]

3 **Resolution declaring the City's intention to appropriate available Rainy Day Reserve**  
4 **funds to the San Francisco Unified School District, to help the District cope with the**  
5 **loss of State funding for the 2010-2011 school year.**

6  
7 WHEREAS, Section 9.113.5 of the City Charter establishes a "Rainy Day Reserve,"  
8 which provides, in part, that the City may withdraw funds from the Reserve for the benefit of  
9 the School District in years in which the Controller projects that inflation-adjusted per-pupil  
10 revenues for the District will be reduced, and the District has noticed a significant number of  
11 layoffs; and,

12 WHEREAS, If the Controller certifies that these triggers are met, the Mayor and the  
13 Board of Supervisors may, in their discretion, appropriate funds from the Reserve to the  
14 School District to offset the costs of maintaining education during the upcoming budget year,  
15 provided, however, that such appropriations may not exceed the dollar value of the total  
16 decline in inflation-adjusted per-pupil revenues for the year, or 25 percent of the Reserve  
17 balance, whichever is lower; and,

18 WHEREAS, Based on the Governor's proposed budget, the School District will suffer a  
19 loss in revenue, and the School District will need to notice layoffs to teachers, principals and  
20 other administrators due to these cuts; and,

21 WHEREAS, The Controller is likely to certify that the City may withdraw approximately  
22 \$6.14 million from the Rainy Day Reserve for the benefit of the School District for Fiscal Year  
23 2010-2011 and,

24 ///

25 ///

1           WHEREAS, It is the intent of the City and County of San Francisco to approve the  
2 appropriation of these funds in the City's 2010-2011 budget and to provide the School District  
3 with the funds on July 1, 2010 to prevent devastating financial burden on the schools; and,

4           WHEREAS, It is the desire of the City and County of San Francisco to state its  
5 intention at this time to allow the School District to plan for the upcoming school year; and

6           WHEREAS, The Controller and the School District will reconcile any differences in the  
7 funding allocation based on the final approved Governor's budget; now, therefore, be it

8           RESOLVED, That the City and County of San Francisco intends to appropriate  
9 available Rainy Day Reserve funds to the San Francisco Unified School District for Fiscal  
10 Year 2010-2011, to help the District deal with the devastating budget cuts anticipated for the  
11 upcoming school year; and be it

12           FURTHER RESOLVED, That the City and County of San Francisco is proud of the  
13 City's leadership and the voting public for ensuring that the City's public schools are  
14 supported.

CITY AND COUNTY



OF SAN FRANCISCO

**BOARD OF SUPERVISORS  
BUDGET AND LEGISLATIVE ANALYST**

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642  
FAX (415) 252-0461

February 25, 2010

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst  
**SUBJECT:** March 3, 2010 Budget and Finance Committee Meeting

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| <b>Item 1</b><br><b>File 10-0141</b>  | <b>Department:</b><br><b>San Francisco Unified School District (SFUSD)</b> |
| <b>EXECUTIVE SUMMARY</b>  |  |
| <b>Legislative Objective</b>  |  |
| <ul style="list-style-type: none"> <li>• Resolution declaring the City's intention to appropriate in the FY 2010-2011 annual budget, available Rainy Day Reserve Funds to the San Francisco Unified School District.</li> </ul>   |  |
| <b>Fiscal Impact</b>  |  |
| <ul style="list-style-type: none"> <li>• The proposed resolution has no fiscal impact because the proposed resolution neither appropriates funds nor binds the Board of Supervisors to future appropriations. However, according to Ms. Renee Willette, Fiscal and Policy Analyst in the Mayor's Budget Office, the Mayor intends to include up to \$6,143,512 from the Rainy Day Reserve Fund for the SFUSD in the City's proposed FY 2010-2011 annual budget.</li> </ul>  |  |
| <b>Key Points</b>   |  |
| <ul style="list-style-type: none"> <li>• Charter Section 9.113.5(k) allows the Board of Supervisors to appropriate Rainy Day Reserve Funds to the SFUSD if the Controller projects that inflation-adjusted per-pupil revenues will decline in the upcoming fiscal year, with such appropriations limited to the lesser of either (a) the amount necessary to offset the projected reductions in inflation-adjusted per-pupil revenues, or (b) 25 percent of the Rainy Day Reserve Fund balance. Although the Controller has not yet projected FY 2010-2011 inflation-adjusted per-pupil spending, appropriation to the SFUSD would be limited to \$6,143,512, or 25 percent of the projected FY 2009-2010 year end Rainy Day Reserve Fund balance of \$24,574,046.</li> <li>• In the FY 2008-2009 and FY 2009-2010 budgets, the Board of Supervisors appropriated \$19,259,237 and \$24,574,000 of Rainy Day Reserve Funds to the SFUSD, respectively.</li> <li>• SFUSD currently projects an operating shortfall of \$68,090,000 in FY 2010-2011 (excluding any appropriations from the City's Rainy Day Reserve Fund).</li> <li>• Charter Section 9.113.5(f) also limits appropriations from the Rainy Day Reserve Fund used to offset reductions in General Fund revenues to 50 percent, or \$12,287,023, of the projected FY 2009-2010 year end Rainy Day Reserve Fund balance of \$24,574,046. Therefore, an appropriation of up to 25 percent of the Rainy Day Reserve Fund balance, or \$6,143,512, to the SFUSD, would not limit potential appropriations from the Rainy Day Reserve Fund up to \$12,287,023 to offset General Fund revenue reductions in FY 2010-2011. However, such appropriations would reduce the Rainy Day Reserve Fund balance to \$6,143,511 (\$24,574,046 less \$12,287,023 less \$6,143,512), therefore reducing potential additional appropriations from the City's Rainy Day Reserve Fund after FY 2010-2011.</li> </ul> |  |
| <b>Recommendation</b>   |  |
| <ul style="list-style-type: none"> <li>• Approval of the proposed resolution is a policy matter for the Board of Supervisors.</li> </ul>  |  |

**MANDATE STATEMENT**

San Francisco Charter Section 9.113.5(b) requires that, if the Controller projects General Fund revenues to increase in an upcoming budget year by more than 5.0 percent, then the upcoming annual budget shall include an appropriation of 50.0 percent of the increase in excess of 5.0 percent to the City's Rainy Day Reserve Fund.

San Francisco Charter Section 9.113.5(k) allows the Board of Supervisors to appropriate Rainy Day Reserve Funds to the San Francisco Unified School District if the Controller projects that inflation-adjusted per-pupil revenues will decline in the upcoming fiscal year. The amount of such an appropriation is limited to the lesser of either (a) the amount necessary to offset the projected reductions in inflation-adjusted per-pupil revenues, or (b) 25 percent of the Rainy Day Reserve balance.

Charter Section 9.113.5(f) limits appropriations from the Rainy Day Reserve Fund used to offset reductions in General Fund revenues to 50 percent of the current Rainy Day Reserve Fund balance.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would declare the City's intent to appropriate in the City's FY 2010-2011 annual budget, available Rainy Day Reserve Funds to the San Francisco Unified School District.

**FISCAL IMPACTS**

Rainy Day Reserve Fund balances have recently declined, with the following year end balances (a) \$117,556,283 at the end of FY 2007-2008, (b) \$98,297,046 at the end of FY 2008-2009, and (c) a projected FY 2009-2010 year end balance of \$24,574,046.

In the FY 2008-2009 budget, the Board of Supervisors appropriated \$19,259,237 of Rainy Day Reserve Funds to the SFUSD, or 16.4 percent of the FY 2007-2008 year end balance of \$117,556,283. In the FY 2009-2010 budget, the Board of Supervisors appropriated \$24,574,000 of Rainy Day Reserve Funds to the SFUSD, or 25.0 percent of the FY 2008-2009 year end balance of \$98,267,046.

According to Ms. Nadia Feeser, Budget Analyst for the Controller's Office, although the Controller has not yet projected FY 2010-2011 inflation-adjusted per-pupil spending, a FY 2010-2011 appropriation to the SFUSD would be limited to an estimated \$6,143,512, or 25 percent of the projected FY 2009-2010 year end Rainy Day Reserve Fund balance of \$24,574,046, pursuant to Charter Section 9.113.5(k). Ms. Feeser advises that the Controller will provide initial projections for such inflation-adjusted per-pupil spending in June of 2010, and finalize such projections in November of 2010.

According to a SFUSD staff presentation provided to the SFUSD Board of Education on January 26, 2010, SFUSD projects an operating shortfall of \$68,090,000 in their FY 2010-2011 budget, and currently estimates that the City will appropriate \$6,000,000 in Rainy Day Reserve Funds to SFUSD, such that the projected operating shortfall after the appropriation of Rainy Day Reserve Funds would be \$62,090,000.

The proposed resolution does not bind the Board of Supervisors to future appropriations. Therefore, the proposed resolution has no direct fiscal impact. However, according to Ms. Renee Willette, Fiscal and Policy Analyst in the Mayor's Budget Office, the Mayor intends to include up to \$6,143,512 from the Rainy Day Reserve Fund for the SFUSD in the City's proposed FY 2010-2011 annual budget.

## POLICY CONSIDERATIONS

**Appropriation of Rainy Day Reserve Funds to SFUSD would not reduce the amount of such funds which may be available to offset reductions in the City's General Fund Revenues in FY 2010-2011. However, an appropriation from the City's Rainy Day Reserve Fund to SFUSD would reduce the amount of the City's Rainy Day Reserve Fund balance available after FY 2010-2011.**

Charter Section 9.113.5(f) limits appropriations from the Rainy Day Reserve Fund to offset reductions in General Fund revenues to 50 percent, or \$12,287,023, of the current Rainy Day Reserve Fund balance of \$24,574,046. Therefore, an appropriation of up to 25 percent of the projected FY 2009-2010 year end Rainy Day Reserve Fund balance, or \$6,143,512, to the SFUSD, would not limit potential appropriations from the Rainy Day Reserve Fund of up to \$12,287,023 to offset General Fund revenue reductions in FY 2010-2011. However, any appropriations to the SFUSD or to offset General Fund reductions in FY 2010-2011 would reduce the Rainy Day Reserve Fund balance to \$6,143,511 (\$24,574,046 less \$12,287,023 less \$6,143,512), therefore reducing potential additional appropriations from the City's Rainy Day Reserve Fund after FY 2010-2011.

**The Board of Supervisors can appropriate Rainy Day Reserve Funds to SFUSD in any amount up to the limits established in Charter Section 9.113.5(k), or make no such appropriations at all.**

Charter Section 9.113.5(k) only limits appropriations of Rainy Day Reserve Funds to SFUSD to the lesser of (a) the amount necessary to offset the projected reductions in inflation-adjusted per-pupil revenues, or (b) 25 percent of the Rainy Day Reserve balance. There is no minimum appropriation, such that the Board of Supervisors has full discretion to appropriate any amount between zero and the limits established in Charter Section 9.113.5(k).

## RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors.