File No. 110385

Committee Item No. 3
Board Item No. 35

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance FULL-Committee **Date:** June 15, 2011

Board of Supervisors Meeting **Date** June 28, 2011

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OTHER (Use back side if additional space is needed)

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Completed by: Victor Young **Date:** June 10, 2011
Completed by: Victor Young **Date:** 6-16-11

*Complete copy of Document located in File No. 110385

City and County of San Francisco

Proposed Consolidated Budget and Annual Appropriation Ordinance

Fiscal Year Ending June 30, 2012 All Departments

and

Two-Year Budget for Fiscal Years Ending June 30, 2012 and June 30, 2013 for the Airport, Port Commission and Public Utilities Commission

File No. 110385 Ordinance _____

Edwin M. Lee, Mayor

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Proposed Consolidated Budget and Annual Appropriation Ordinance for Fiscal Year Ending June 30, 2012 - All Departments

and

Two-Year Budget for Fiscal Years Ending June 30, 2012 and June 30, 2013 for the Airport, Port Commission and Public Utilities Commission

The Proposed Consolidated Budget and Annual Appropriation Ordinance and its accompanying schedules are produced by the Controller's Budget Office. Upon approval, this is the document that is the legal authority for the City to spend funds during the fiscal year. This also provides a two-year budgets for the Airport, Port Commission and Public Utility Commission.

This document contains information on the sources and uses of selected City funds detailed by department and by program. Additional schedules summarize selected City revenues and expenditures by service area, department and fund. Please see the table of contents for a complete list of the information contained in this document.

Copies of this document are distributed to all city libraries and on the City's Controller website (http://www.sfgov.org/site/controller). They may also be viewed at the following City Hall offices:

Mayor's Office of Public Policy and Finance
1 Dr. Carlton B. Goodlett Place, Room 288

Controller's Office
1 Dr. Carlton B. Goodlett Place, Room 316

Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244

If you would like additional copies or need further information, please call the Controller's Budget Office at (415) 554-7500.

Room 316 • San Francisco CA 94102-4694 FAX 415-554-7466

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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

June 10, 2011

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: June 15, 2011 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Items 2, 3, 4 and 5 Files 11-0384, 11-0385, 11-0269 and 11-0271	Department(s):

EXECUTIVE SUMMARY

The proposed legislation would approve for FY 2011-12: (a) the Interim Annual Appropriation Ordinance (File 11-0385), (b) the Interim Annual Salary Ordinance (File 11-0384), and two resolutions approving (c) an Interim Budget for the Redevelopment Agency (File 11-0269), and an Interim Budget for the Treasure Island Development Authority (TIDA) (File 11-0271).

Overview of Interim Budget

Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance

The annual budget process for the City and County requires that the Board of Supervisors approve an Interim Annual Appropriation Ordinance and an Interim Annual Salary Ordinance for FY 2011-12 on or before June 30, 2011. The purpose of these interim ordinances is to provide position and expenditure authorization for the various departments of the City and County during the time that the Budget and Finance Committee of the Board of Supervisors is reviewing the Mayor's recommended budget for FY 2011-12.

In accordance with the FY 2011-12 Budget Calendar, the Interim Annual Appropriation Ordinance and the Interim Annual Salary Ordinance are anticipated to be passed on first reading at the June 21, 2011 meeting of the Board of Supervisors. Final passage of these ordinances is anticipated for June 28, 2011.

The Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance are based on the FY 2011-12 proposed budget recommendations of the Mayor. Therefore, these ordinances include authorization and funding for all programs and program revisions which are included in the Mayor's proposed FY 2011-12 budget. An analysis of departmental programs and program revisions, together with the Budget and Legislative Analyst's recommendations will be submitted in budget reports for the Budget and Finance Committee's budget hearings scheduled from June 20 through June 30, 2011.

Interim Redevelopment Agency and Treasure Island Development Authority Budgets

The two proposed resolutions (File 11-0269 and File 11-0271), approving an interim budget for the Redevelopment Agency and Treasure Island Development Authority (TIDA), provide expenditure authority for the Redevelopment Agency and TIDA for the period from July 1, 2011 until the Board of Supervisors final approval of the FY 2011-12 budgets for the Redevelopment Agency and TIDA, as required by State Community Redevelopment Law. Approval of these two proposed resolutions would not constitute final approval of (a) any new positions, programs, capital improvements and equipment for the Redevelopment Agency and TIDA or (b) Tax Allocation Bonds for the Redevelopment Agency for 2011-2012.

Interim Annual Appropriation Ordinance

As a general policy, in previous years, the Board of Supervisors has not approved new positions, programs, capital improvements and equipment during the interim budget period without detailed review unless the Budget and Finance Committee and the full Board authorizes exceptions requested by the Mayor's Office. This general policy has been implemented by instructing the Controller not to certify the availability of funds for new positions, programs, capital improvements and equipment during the interim budget period between July 1 and July 31. If an exception is approved by the Board of Supervisors, new positions can be filled effective July 1, 2011. Otherwise, new positions will generally not be filled until October 1 of each fiscal year.

Exceptions to the Interim Budget

In certain cases, specific exceptions requested by the Mayor's Office to these general policies have been approved by the Board of Supervisors. Exceptions have been based on such factors as new positions and programs that produce revenue or cost savings or prevent major service deficiencies which would result from delays in filling new positions or starting new programs. As of the writing of this report, the Mayor's Office has not provided the Budget and Legislative Analyst with any requests for exceptions to the Interim Annual Appropriation Ordinance and the Interim Annual Salary Ordinance. If subsequent exceptions to the Interim Budget are presented to the Board of Supervisors, the Budget and Legislative Analyst will evaluate such requests during the Board of Supervisors forthcoming budget review.

Revisions to the Administrative Provisions of the Interim Annual Appropriation Ordinance

The Controller has recommended the following changes to the Administrative Provisions of the FY 2011-12 Interim Annual Appropriation Ordinance:

Section 7.2. Equipment Defined. Currently, under Section 7.2, City departments may only purchase equipment exceeding $5,000 in cost from appropriations designated specifically for equipment purchase or lease-purchase. The proposed revised Section 7.2 clarifies that City departments may purchase replacement equipment from equipment or lease-purchase appropriations, and that equipment appropriations include Citywide as well as department or lease-purchase appropriations (revisions are underlined):

> Departments may purchase additional or replacement equipment from previous equipment or lease-purchase appropriations, or from citywide equipment appropriations, with approval of the Mayor's Office and the Controller.

Section 8.3. Process for Addressing General Fund Revenue Shortfalls. The FY 2010-11 Annual Appropriation Ordinance required the Controller to monitor projected receipts of local, state, and federal revenues approved in the City's FY 2010-11 budget, and report to the Mayor and the Board of Supervisors on the revenue impact of the State budget, or other revenue estimates, on the City's General Fund. If estimated losses exceeded the General Fund Reserve, the Mayor was

to submit a plan to the Board of Supervisors addressing the shortfall, and the Board of Supervisors was to hold hearings on the Mayor's plan and alternative proposals to address the revenue shortfall. The Board of Supervisors, as allowed by the Charter, could adopt an ordinance approving the Mayor's plan or alternative proposals, or take no action.

The proposed Section 8.3 does not require the Controller to report to the Board of Supervisors on the revenue impact of the State budget, or other revenue estimates, on the General Fund. Nor does the proposed Section 8.3 require the Board of Supervisors to hold hearings on the Mayor's plan and alternative proposals to address the revenue shortfall. Rather, the proposed Section 8.3 requires the Mayor to inform to Board of Supervisors, upon receiving the Controller's estimates of revenue shortfalls, of actions to address this shortfall. The Board of Supervisors may adopt an ordinance to reflect the Mayor's proposal or alternative proposals in order to balance the budget.

Because the proposed Section 8.3 deletes the requirements that (a) the Controller report to the Board of Supervisors on the revenue impact of the State budget on the General Fund, and (b) the Board of Supervisors hold hearings on the Mayor's plan and alternative proposals to address any revenue shortfall, the Budget and Legislative Analyst considers approval of Section 8.3 to be a policy matter for the Board of Supervisors.

Section 11.7. Arbitrage. Under Internal Revenue Service regulations, the City may not earn excess interest on tax-exempt bonds.[1] Currently, Section 11.7 authorizes the Controller to refund excess interest earnings that are reported by the Treasurer. The proposed revised Section 11.7 removes the requirement that excess interest earnings are reported by the Treasurer and instead states that these excess interest earnings "have been determined to be due and payable under applicable Internal Revenue Service regulations (revisions are underlined)". The proposed revised Section 11.7 also deletes the provision that refunds of excess interest earnings are paid from the interest earnings or reserves, stating that "Such arbitrage refunds shall be charged in the various bond funds in which the arbitrage earnings were recorded and such funds are hereby appropriated for the purpose".

Section 11.18. Treasurer - Banking Agreements. Currently, the Treasurer is authorized to use banking services that charge the account balance or other fees if the Treasurer considers the banking services to be in the best interest of the City. The proposed revised Section 11.18 clarifies that such banking services must benefit all participants in the investment pool utilizing these services. Section 11.18 adds new language as follows:

> The Treasurer may offset banking charges that benefit all participants of the investment pool against interest earned by the pool. The Treasurer shall allocate other bank charges and credit card processing to Departments or pool participants that benefit from those services. The Controller may transfer funds appropriated in the budget to general fund Departments as necessary to support allocated charges.

Section 11.21. Fund Balance Reporting and Government Fund Type Definitions. Section 11.21 is a new provision, authorizing the Controller to define funds, revenues, or expenditures that are restricted, committed, or assigned to special uses, in accordance with the requirements of

[1] Excess interest earnings occur when the interest earned on the bond proceeds exceeds interest payable on the bonds.

Governmental Accounting Standards Board (GASB) Statement 54. According to the proposed Section 11.21:

> These changes will be designed to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Reclassification of funds shall be reviewed by the City's outside auditors during their audit of the City's financial statements.

Section 11.24. Mayor's Transition Plan Project Expenditures. Section 11.24 is a new provision, adding the Mayor's Transition Plan Project to the FY 2011-12 Interim Annual Appropriation Ordinance. The proposed Section 11.24 requires the Controller to transfer funding appropriated in the FY 2011-12 budget for the Mayor's Transition Plan Project from the Mayor's Office to the Project. Section 11.24 specifies that such funding should be transferred no sooner than January 10, 2012, when the new Mayor takes office, and upon receipt of a detailed spending plan. The Mayor's Transition Plan Project is subject to Board of Supervisors appropriation approval as part of the proposed FY 2011-12 Mayor's Office budget.

Section 12.11. Charter-Mandated Baseline Appropriation. Currently, the Controller can increase baseline allocations required by the Charter. The proposed revised Section 12.11 would clarify that the Controller can also reduce baseline allocations, and that increases or reductions in baseline allocations are intended "to align these allocations to the amounts required by formula based on actual revenues received during the fiscal year".

Section 15. Travel Reimbursement and Cell Phone Stipends. Section 15 adds new language, consistent with proposed additions to the Interim Annual Salary Ordinance, noted below, requiring the Controller, in consultation with the Director of Human Resources, to develop rules for payment of monthly stipends to officers and employees who use their cell phone for work-related duties. The intent of the new Section 15 language is to pay stipends, rather than provide City-owned cell phones, to employees in order to reduce costs. According to Ms. Monique Zmuda, Deputy Controller, the Controller's Office will review cell phone stipend practices of the State and other California cities and counties to develop rules for payment of monthly stipends. This review is similar to the Controller's Office process to set mileage and meal allowances for reimbursement. Ms. Zmuda states that a committee, consisting of the Controller, Director of Human Resources, Director of the Department of Technology, and Mayor's Budget Director, will decide on the proposed monthly stipend.

Because Section 15 of the FY 2011-12 Interim Annual Appropriation Ordinance and Section 2.6 of the FY 2011-12 Interim Annual Salary Ordinance, as noted below, create a new employee stipend, without specifying the amount of the new stipend, the Budget and Legislative Analyst considers approval of Section 15 of the FY 2011-12 Interim Annual Appropriation Ordinance and Section 2.6 of the FY 2011-12 Interim Annual Salary Ordinance to be policy matters for the Board of Supervisors.

Section 29. Business Improvement Districts. The California Streets and Highways Code authorizes cities to establish Property and Business Improvement Districts and levy property assessments for sidewalk cleaning, graffiti removal, district identity, streetscape improvements, and related administrative costs. The City must appropriate annually all property assessments for Business Improvement Districts. The Attachment to this report provides the FY 2011-12 Business Improvement District assessments. Total FY 2011-12 Business Improvement District allocations of property assessments to 12 business improvement or benefit districts of $32,050,577 is $3,796,258 or 13.4 percent more than the FY 2010-11 allocations of $28,254,319.

Revisions to the Administrative Provisions of the Annual Salary Ordinance

The Department of Human Resources has recommended the following changes to the Administrative Provisions of the Interim Annual Salary Ordinance:

Section 1. Establishment, Creation and Continuation of Positions. The Department of Human Resources has recommended adding the sentence, clarifying the definition of "requisition" and "request to fill", as follows:

> The terms requisition and "request to fill" are intended to be synonymous, and shall be construed to mean a position authorization, that is required by the Charter.

Consistent with this clarification, the Department of Human Resources has replaced "requisition" with "request to fill" in Section 1.A.

Section 1.1B. Paragraph J. The Department of Human Resources has recommended revising the Annual Salary Ordinance to be consistent with Section 10.2 of the Annual Appropriation Ordinance, which states:

> Funds appropriated for professional service contracts may be transferred to the account for salaries on the recommendation of the department head for the specific purpose of using City personnel in lieu of private contractors with the approval by the Human Resources Director and the Mayor and certification by the Controller that such transfer of funds would not increase the cost of government.

The proposed revised Annual Salary Ordinance Section 1.1B. Paragraph J adds the sentence: "Consistent with Annual Appropriation Ordinance Section 10.2, the Human Resources Director is authorized to add positions funded by work orders in accordance with that section."

Section 1.1B. Paragraph K. The Department of Human Resources has recommended adding language on reconciling data in the new human resources management system, eMerge, with data contained in the current human resources management system, as follows:

> Upon implementation of the City's new human resources management system, the Human Resources Director, in consultation with the Controller, is authorized to adjust the Annual Salary Ordinance to reconcile the difference between the positions already approved in the current human resources management system with the actual positions employed by City departments and delineated in the Annual Salary Ordinance.

Section 2.1. PUC Employees Assigned to Hetch Hetchy and Recreation and Park Department Employees Assigned to Camp Mather. Public Utilities Commission (PUC) and Recreation and Park Department employees, who work and reside locations that are not serviced by the Health Maintenance Organizations (HMOs) contracted by the City's Health Service System, and therefore are only eligible to enroll in the City Health Plan, receive a monthly stipend to compensate for the higher cost of the City Health Plan compared to the HMOs. Under Section 2.1, these employees will receive a cost of living adjustment to the monthly stipend. For employees with one dependent, the monthly stipend will increase from $637.25 in FY 2010-11 to $876.92 in FY 2011-12; and employees with two or more dependents, the monthly stipend will increase from $886.10 in FY 2010-11 to $1,220.87 in FY 2011-12.

Section 2.6. Compensation of Stipend for Use of Personal Cell Phone. The Department of Human Resources has proposed new language for work-related use of employees' personal cell phones as follows:

> In consultation with the Director of Human Resources, the Controller shall establish rules and parameters for the payment of monthly stipends to officers and employees who use their own cell phones to maintain continuous communication with their workplace, and who participate in a City-wide program that reduces costs of City-owned cell phones.

Because Section 2.6 of the FY 2011-12 Annual Salary Ordinance, and as noted above, Section 15 of the FY 2011-12 Interim Annual Appropriation Ordinance, create a new employee stipend without specifying the amount of the new stipend, the Budget and Legislative Analyst considers approval of Section 15 of the FY 2011-12 Interim Annual Appropriation Ordinance and Section 2.6 of the FY 2011-12 Interim Annual Salary Ordinance to be policy matters for the Board of Supervisors.

Approval of the Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance

Generally, in past years, the Mayor's recommended Interim Annual Appropriation Ordinance and the Interim Annual Salary Ordinance have been routinely approved by the Board of Supervisors, excluding exceptions for new positions, programs, capital improvements and equipment.

The Budget and Legislative Analyst has previously been advised by Ms. Adams of the City Attorney's Office that the Board of Supervisors is required to approve an Interim Annual Appropriation Ordinance and an Interim Annual Salary Ordinance (and therefore the Interim Budget). Ms. Adams has further advised the Budget and Legislative Analyst that if these ordinances are not approved by the Board of Supervisors by June 30, the Controller will no longer have authority to issue payroll warrants to City and County employees or to issue other warrants to pay for any other City and County services.

The Controller has previously advised the Budget and Legislative Analyst that he concurs with the opinion of Ms. Adams. The Controller would cease to issue any further City and County warrants unless the Board of Supervisors approves an Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance (the Interim Budget) by June 30.

Summary

- File 11-0385 is an ordinance approving the FY 2011-12 Interim Annual Appropriation Ordinance and File 11-0384 is an ordinance approving the FY 2011-12 Interim Annual Salary Ordinance for the period from July 1, 2011 until the Board of Supervisors finally adopts the FY 2011-12 budget. These two ordinances will be superseded by any further changes made by the Board of Supervisors during the Board of Supervisors FY 2011-12 annual budget review.

- File 11-0269 is a resolution approving the interim budget for the Redevelopment Agency, and File 11-0271 is a resolution approving the interim budget for the Treasure Island Development Authority. Approval of these two resolutions provide expenditure authority for the Redevelopment Agency and TIDA for the period from July 1, 2011 until the Board of Supervisors' final approval of the FY 2011-12 budgets, as required by State Community Redevelopment Law. Approval of these two proposed resolutions would not constitute final approval of (a) any new positions, programs, capital improvements and equipment for the Redevelopment Agency and TIDA or (b) Tax Allocation Bonds for the Redevelopment Agency for 2011-2012.

- As of the writing of this report, the Mayor's Office has not provided the Budget and Legislative Analyst with any requests for exceptions to the Interim Annual Appropriation Ordinance and the Interim Annual Salary Ordinance. If subsequent exceptions to the Interim Budget are presented to the Board of Supervisors, the Budget and Legislative Analyst will evaluate such requests during the Board of Supervisors forthcoming budget review.

- The Budget and Legislative Analyst considers approval of Section 8.3 of the Administrative Provisions of the FY 2011-12 Interim Annual Appropriation Ordinance to be a policy matter for the Board of Supervisors because the proposed Section 8.3 deletes the requirements that (1) the Controller report to the Board of Supervisors on the revenue impact of the State budget on the General Fund, and (2) the Board of Supervisors hold hearings on the Mayor's plan and alternative proposals to address any revenue shortfall.

- The Budget and Legislative Analyst considers approval of Section 15 of the Administrative Provisions of the FY 2011-12 Interim Annual Appropriation Ordinance and Section 2.6 of the Administrative Provisions of the FY 2011-12 Interim Annual Salary Ordinance to be a policy matter for the Board of Supervisors because these sections create a new employee monthly stipend, without specifying the amount, payable to employees who use their personal cell phones for work-related duties.

Recommendations

1. As explained above, approval of Sections 8.3 and 15 of the Administrative Provisions of the FY 2011-12 Interim Annual Appropriation Ordinance and Section 2.6 of the Administrative Provisions of the FY 2011-12 Interim Annual Salary Ordinance are policy matters for the Board of Supervisors.

2. With the exceptions noted in Recommendation 1 above, approve (a) the FY 2011-12 Interim Annual Appropriation Ordinance (File 11-0385), (b) the FY 2011-12 Interim Annual Salary Ordinance (File 11-0384), (c) the FY 2011-12 Interim Redevelopment Agency Budget (File 11-0269), and (d) the FY 2011-12 Interim Treasure Island Development Authority Budget (File 11-0271).

3. If subsequent exceptions to the Interim Budget are presented by the Mayor's Office to the Board of Supervisors, the Budget and Legislative Analyst will evaluate such requests during the Board of Supervisors forthcoming budget review.

Harvey M. Rose

cc: Supervisor Chu
Supervisor Mirkarimi
Supervisor Kim
Supervisor Wiener
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

Attachment

FY 2011-12 Business Improvement District Allocations of Property Assessments

District	FY 2011-12	FY 2010-11	Increase/ (Decrease)	Percent
Greater Union Square Business Improvement District	$3,400,610	$0	$3,400,610	n/a
Noe Valley Community Benefit District	230,000	231,800	(1,800)	(0.8%)
North of Market/Tenderloin Community Benefit District	936,871	960,647	(23,776)	(2.5%)
Castro/Upper Market Community Benefit District	397,068	402,021	(4,953)	(1.2%)
Fisherman's Wharf Community Benefit District	591,484	554,407	37,077	6.7%
Mission Miracle-2500 Block of Mission Street Business Improvement District	85,000	73,503	11,497	15.6%
Central Market Community Benefit District	535,299	538,213	(2,914)	(0.5%)
Fillmore Jazz Community Benefit District	366,159	322,931	43,228	13.4%
Yerba Buena Community Benefit District	2,384,045	2,284,194	99,851	4.4%
Fisherman's Wharf Portside	184,463	186,603	(2,140)	(1.1%)
Tourism Improvement District	22,700,000	22,700,000	0	0.0%
Ocean Avenue	239,578	0	239,578	n/a
Total	**$32,050,577**	**$28,254,319**	**$3,796,258**	**13.4%**