

**Item 3**  
**File 11-0507**

**Departments:**  
Public Health

## EXECUTIVE SUMMARY

### Legislative Objective

- Ordinance appropriating \$31,055,000 in various revenues shown in Table 2 below, including \$8,104,000 from the General Fund Reserve, to fund the projected expenditure deficit at San Francisco General Hospital and Laguna Honda Hospital.

### Key Points

- As shown in Table 2 below, the proposed \$31,055,000 supplemental appropriation would fund:
  - (1) \$16,364,000 in increased salary and fringe benefits at San Francisco General Hospital due largely to registered nurses' premium pay, and temporary salaries to backfill vacant registered nurse positions;
  - (2) \$6,600,000 in increased salary and fringe benefits at Laguna Honda Hospital due to increased registered nurse and licensed vocational nurse positions to meet staffing requirements;
  - (3) \$5,120,000 in the Sheriff's Department's work order to provide hospital security services;
  - (4) \$2,501,000 in materials and supplies at Laguna Honda Hospital to pay for increased food, pharmaceutical, and other materials and supplies costs;
  - (5) \$387,500 in increased City Attorney work order costs; and
  - (6) \$82,500 in increased Workers' Compensation costs.

### Fiscal Impacts

- Based on the Budget and Legislative Analyst's review of the Department of Public Health's expenditure projections, the Budget and Legislative Analyst recommends reducing the proposed supplemental appropriation by \$1,560,187, from \$31,055,000 to \$29,494,813 (see Table 3 below).

### Policy Issue

- In FY 2010-11, the Board of Supervisors appropriated (1) \$4,336,156 for the Sheriff's Department to provide hospital security from July 1, 2010 through December 31, 2010, and (2) \$3,147,335 for the Department of Public Health to implement a new Civil Service security classification to provide hospital security, beginning January 1, 2011. According to Mr. James Alexander, Department of Public Health Budget Manager, due to the costs and time frame for implementing the Civil Service security classification, the Department of Public Health determined not to proceed with implementing the Civil Service security classification. The Department of Public Health will propose contracting out hospital security services in the FY 2011-12 budget. Mr. Alexander states that the \$3,147,335 allocated to implementing the new Civil Service security classification has been expended on other Department of Public Health salaries and benefits

### Recommendations

1. Amend the proposed ordinance to reduce the supplemental appropriation by \$1,560,187, from \$31,055,000 to \$29,494,813.

2. Amend the proposed ordinance to reduce the General Fund Reserve source of funding by \$1,560,187, from \$8,104,000 to \$6,543,813.
3. Approve the proposed ordinance, as amended.

## MANDATE STATEMENT / BACKGROUND

### Mandate Statement

Charter Section 9.105 requires that amendments to the Annual Appropriation Ordinance be approved by ordinance of the Board of Supervisors, and may not be adopted unless the Controller certifies the availability of funds.

### Background

The Department of Public Health's FY 2010-11 budget was 0.9 percent less than the FY 2009-10 budget. The reduction in the FY 2010-11 budget compared to FY 2009-10 was due to reductions in grants and projects, as shown in Table 1 below.

**Table 1**  
**Department of Public Health Budget**  
**FY 2009-10 and FY 2010-11**

	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>Increase/ (Decrease)</b>	<b>Percent</b>
General Fund	\$446,725,366	\$478,798,105	\$32,072,739	7.2%
San Francisco General Hospital	591,412,435	604,956,574	13,544,139	2.3%
Laguna Honda Hospital	158,754,633	176,085,980	17,331,347	10.9%
Projects, Grants and Work Orders	276,491,639	201,017,420	(75,474,219)	(27.3%)
<b>Total</b>	<b>\$1,473,384,073</b>	<b>\$1,460,858,079</b>	<b>(\$12,525,994)</b>	<b>(0.9%)</b>

Source: Annual Appropriation Ordinance

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$31,055,000 in the Department of Public Health budget to fund San Francisco General Hospital (\$20,334,000) and Laguna Honda Hospital (\$10,721,000) expenditure deficits in FY 2010-11, as shown in Table 2 below.

**Table 2**  
**Department of Public Health Supplemental Appropriation**

	<b>General Fund</b>	<b>San Francisco General Hospital</b>	<b>Laguna Honda Hospital</b>	<b>Total</b>
<b>Sources</b>				
De-appropriation State Hospital Fees (Assembly Bill 1383)		(\$17,000,000)		(\$17,000,000)
De-appropriation State Motor Vehicle License Fee		(1,484,060)		(1,484,060)
State Revenue Loss Reserve	18,484,060			18,484,060
Subtotal, State Revenue	18,484,060	(18,484,060)	0	0
General Fund Reserve	8,104,000			8,104,000
Medi-Cal Revenues		1,325,000*	14,851,000	16,176,000
Skilled Nursing Facility Revenue		600,000*		600,000
De-appropriation Operating Transfers Out		5,875,000		5,875,000
De-appropriation Real Estate Division Work Order		300,000		300,000
Subtotal, Other Sources of Funds	8,104,000	8,100,000	14,851,000	31,055,000
<b>Total Sources of Funds</b>	<b>\$26,588,060</b>	<b>(\$10,384,060)</b>	<b>\$14,851,000</b>	<b>\$31,055,000</b>
<b>Uses</b>				
Salaries		\$14,242,500	\$5,400,000	\$19,642,500
Fringe Benefits		2,121,500	1,200,000	3,321,500
Subtotal, Salaries and Fringe Benefits		16,364,000	6,600,000	22,964,000
Materials and Supplies			2,501,000	2,501,000
Sheriff's Department Work Order		3,500,000	1,620,000	5,120,000
City Attorney Work Order		387,500		387,500
Department of Human Resources Workers' Compensation		82,500		82,500
Subtotal, Other Uses of Funds	0	3,970,000	4,121,000	8,091,000
<b>Total Uses of Funds</b>	<b>\$0</b>	<b>\$20,334,000</b>	<b>\$10,721,000</b>	<b>\$31,055,000</b>

\* \$1,325,000 plus \$600,000 equals \$1,925,000.

**Sources of Funds (Also see Table 2 above)**State Revenue Loss Reserve

The proposed ordinance would appropriate \$18,484,060 in State Revenue Loss Reserve monies as a source of funds to replace reductions in State revenues, as shown in Table 2 above. According to Ms. Cindy Czerwin, Citywide Budget Manager in the Controller's Office, the City's State Revenue Loss Reserve currently has a balance of \$30,000,000. If the proposed supplemental appropriation is approved, including the requested \$18,484,060 of State Revenue Loss Reserve monies, the City's State Revenue Loss Reserve would be reduced to \$11,515,940.

General Fund Reserve

The proposed ordinance would appropriate \$8,104,000 in General Fund Reserve monies as a source of funds. According to Ms. Czerwin, the City's General Fund Reserve currently has a balance of \$20,891,000. According to Ms. Czerwin, four supplemental appropriation ordinances<sup>1</sup>, including the subject ordinance, which are pending before the Board of Supervisors, total \$16,388,064. If the Board of Supervisors approves the pending supplemental appropriations, including the subject \$8,104,000, the City's General Fund Reserve would be reduced to \$4,502,936.

San Francisco General Hospital and Laguna Honda Hospital Revenues

According to the May 3, 2011 memorandum from Mr. Gregg Sass, Department of Public Health Chief Financial Officer, to the Health Commission:

- Laguna Honda Hospital year-end revenues are projected to be \$14,851,000 more than were previously budgeted in FY 2010-11 due to increased Medi-Cal reimbursements. The proposed supplemental appropriation includes \$14,851,000 in increased Laguna Honda Hospital Medi-Cal reimbursements, as shown in Table 2 above.
- San Francisco General Hospital year-end revenues are projected to be \$1,925,000 more than were previously budgeted in FY 2010-11 due to increased Medi-Cal and other patient net revenues. The proposed supplemental appropriation includes \$1,325,000 in increased San Francisco General Hospital Medi-Cal patient revenues and \$600,000 in San Francisco General Hospital skilled nursing facility supplemental reimbursements from Medi-Cal<sup>2</sup>, or a total of \$1,925,000 as shown in Table 2 above.

De-appropriation of FY 2010-11 Expenditures

The Department of Public Health is proposing to de-appropriate funds from San Francisco General Hospital's FY 2010-11 budget, as follows:

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<sup>1</sup> The four supplemental appropriation ordinances and General Fund Reserve amounts are: Kirola Litigation Expenses (\$1,925,000), Women's and LGBT Health Services (\$150,000), Sheriff's Department (\$6,209,064), and Department of Public Health (\$8,104,000).

<sup>2</sup> The Medi-Cal Distinct Part Nursing Facilities program establishes reimbursement rates for skilled nursing beds in acute care hospitals.

- The FY 2010-11 Department of Public Health budget included \$5,875,000 to provide 50 percent matching funds for Federal revenues. However, according to Mr. Sass, the Department will not require the \$5,875,000 matching funds in FY 2010-11 because the Department is able to use alternative sources or programs as a match for Federal revenues under the Medi-Cal Waiver.<sup>3</sup>
- The FY 2010-11 Department of Public Health budget also included \$300,000 in a work order with the Real Estate Division for elevator maintenance services that are not needed in FY 2010-11.

### **Use of Funds (Also see Table 2 above)**

#### San Francisco General Hospital Salaries and Fringe Benefits - \$16,364,000

According to Mr. James Alexander, Department of Public Health Budget Manager, San Francisco General Hospital has a projected salary and fringe benefit deficit of \$16,364,000 in FY 2010-11 largely due to (a) increased expenditures for registered nurses' premium pay, which are based on a percentage of salaries, and (b) increased temporary salaries for backfilling vacant registered nurse positions and furlough days for other patient care staff.

#### Laguna Honda Hospital Salaries and Fringe Benefits - \$6,600,000

According to Mr. Alexander, Laguna Honda Hospital has a projected salary and fringe benefit deficit of \$6,600,000 in FY 2010-11 because Laguna Honda Hospital was not able to meet their attrition savings target. Mr. Alexander states that Laguna Honda Hospital needs 709 registered nurse and licensed vocational nurse positions to meet State and Federal Department of Justice minimum staffing ratios but has only 580.6 budgeted positions. Further, Laguna Honda Hospital has incurred increased overtime costs to backfill mandated furlough days for licensed vocational nurses, certified nursing assistants, and patient care assistants.

#### Laguna Honda Hospital Materials and Supplies - \$2,501,000

Laguna Honda Hospital's materials and supplies expenditures were \$12,273,772 in FY 2008-09 and \$12,086,082 in FY 2009-10. The FY 2010-11 materials and supplies budget is \$9,951,021 and projected expenditures are an estimated \$12,302,279, resulting in a projected deficit of \$2,351,258.<sup>4</sup> According to Mr. Alexander, the materials and supplies over-expenditures were due largely to increased expenditures for food and pharmaceuticals.

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<sup>3</sup> Under the Social Security Act, States may receive approval from the Federal Department of Health and Human Services to waive certain Medicaid (Medi-Cal in California) requirements to achieve flexibility in operating Medicaid programs. Mr. Sass states that under the Department of Public Health Medi-Cal Waiver, the Department may use other expenditures and outcome measures to meet the matching fund requirement.

<sup>4</sup> Laguna Honda Hospital average daily census was 816 in FY 2008-09, 768 in FY 2009-10, and projected to be 756 in FY 2010-11.

Sheriff's Department's Work Order for Hospital Security - \$5,120,000

The Department of Public Health is requesting \$5,120,000 to fund the work order between the Sheriff's Department and the Department of Public Health to provide hospital security services, for the six-month period from January 1, 2011 through June 30, 2011. The Board of Supervisors appropriated (1) \$4,336,156 in the Department of Public Health's FY 2010-11 for a work order with the Sheriff's Department to provide hospital security services from July 1, 2010 through December 31, 2010, and (2) \$3,147,335 to implement a new Civil Service security classification to provide hospital security services from January 1, 2011 through June 30, 2011. As discussed below in the "Policy Issue" section, the new Civil Service security classification was never implemented. According to Mr. Alexander, \$3,147,335, previously appropriated by the Board of Supervisors in the FY 2010-11 budget for salaries and fringe benefits for the new Civil Service security positions, has been expended to meet San Francisco General Hospital's projected salary and fringe benefit deficit.

Work Order with the City Attorney's Office - \$387,500

According to the City Attorney's Office, the FY 2010-11 work order between the Department of Public Health and the City Attorney's Office for services at San Francisco General Hospital is \$981,000, with projected year-end expenditures of \$1,368,313, resulting in over-expenditures of \$387,313.

Workers' Compensation - \$82,500

According to Mr. Alexander, the FY 2010-11 work order between the Department of Public Health and the Department of Human Resources for Workers' Compensation services is \$5,502,260, with projected year-end expenditures of \$5,584,760, resulting in over-expenditures of \$82,500.

**FISCAL IMPACTS**

Based on the Budget and Legislative Analyst's review of the Department of Public Health's expenditure projections, the Budget and Legislative Analyst recommends reducing the proposed supplemental appropriation by \$1,560,187, from \$31,055,000 to \$29,494,813, as shown in Table 3 below.

**Table 3  
Budget and Legislative Analyst's Recommendations**

	<b>Supplemental Appropriation</b>	<b>Recommended Reductions</b>	<b>Total Appropriation</b>
<b>San Francisco General Hospital</b>			
Nurses Salaries	\$14,242,500	(\$500,000)	\$13,742,500
Fringe Benefits	2,121,500	0	2,121,500
Subtotal, Salaries and Fringe Benefits	16,364,000	(500,000)	15,864,000
City Attorney	387,500	(187)	387,313
Workers' Compensation	82,500	0	82,500
<b>Total, San Francisco General Hospital</b>	<b>16,834,000</b>	<b>(500,187)</b>	<b>16,333,813</b>
<b>Laguna Honda Hospital</b>			<b>0</b>
Miscellaneous Salaries	3,300,000		3,300,000
Nurses Salaries	2,100,000		2,100,000
Fringe Benefits	1,200,000	(730,000)	470,000
Subtotal, Salaries and Fringe Benefits	6,600,000	(730,000)	5,870,000
Materials and Supplies	2,501,000	(150,000)	2,351,000
<b>Total, Laguna Honda Hospital</b>	<b>9,101,000</b>	<b>(880,000)</b>	<b>8,221,000</b>
Sheriff's Department's Work Order for Hospital Security			0
San Francisco General Hospital	3,500,000	(180,000)	3,320,000
Laguna Honda Hospital	1,620,000	0	1,620,000
<b>Total, Sheriff's Department's Work Order</b>	<b>5,120,000</b>	<b>(180,000)</b>	<b>4,940,000</b>
<b>Total, Supplemental Appropriation</b>	<b>\$31,055,000</b>	<b>(\$1,560,187)</b>	<b>\$29,494,813</b>

## **POLICY CONSIDERATIONS**

**The Board of Supervisors appropriated \$3,147,335 in the Department of Public Health's FY 2010-11 budget for a new Civil Service security classification that was never implemented.**

In the FY 2010-11 budget, the Sheriff's Department had a work order with the Department of Public Health to provide security services at Laguna Honda Hospital and San Francisco General Hospital for the six-month period from July 1, 2010 through December 31, 2010. The total work order amount for the six-month period was \$4,336,156. Additionally, the Department of Public Health had proposed contracting out hospital security services for the last six months of FY 2010-11, beginning January 1, 2011, instead of the Sheriff's Department providing hospital security services.

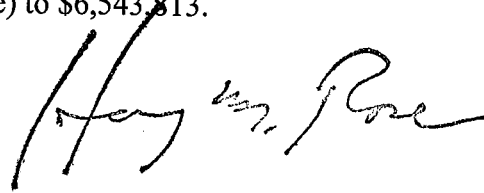
However, instead of contracting out hospital security services, the Board of Supervisors added \$3,147,335 to the Department of Public Health budget to implement a new Civil Service security classification to provide hospital security services. The Department of Public Health was to hire new Civil Service positions to provide hospital security, beginning January 1, 2011.

According to Mr. Alexander, a Chief Sheriff's Deputy transferred from the Sheriff's Department to the Department of Public Health to develop and implement the new Civil Service security plan. The plan developed by the Chief Sheriff's Deputy would have implemented the Civil Service security positions at Laguna Honda Hospital in July 2012 and at San Francisco General Hospital in November 2012.

However, according to Mr. Alexander, because of the costs and time frame for implementing the new Civil Service security classification, the Department of Public Health met with Controller's Office and Mayor's Office staff and determined not to proceed. Therefore, the Sheriff's Department has continued to provide hospital security services under the work order with the Department of Public Health for the period from January 1, 2011 through June 30, 2011. According to Mr. Alexander, the Department of Public Health will be requesting that hospital security services be contracted out in the FY 2011-12 budget rather than implementing the new Civil Service security positions or having the Sheriff's Department provide hospital security.

## RECOMMENDATIONS

1. In accordance with Table 3 above, amend the proposed ordinance to reduce the supplemental appropriation by \$1,560,187, from \$31,055,000 to \$29,494,813.
2. Amend the proposed ordinance to reduce the General Fund Reserve source of funding by \$1,560,187, from \$8,104,000 (see Table 2 above) to \$6,543,813.
3. Approve the proposed ordinance, as amended.



Harvey M. Rose

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