

File No. 130283

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date 04/03/2013

Board of Supervisors Meeting

Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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Completed by: Victor Young Date March 29, 2013

Completed by: Victor Young Date _____

1 [Appropriation - Surplus Revenues, Expenditures, City Reserve for State Revenue Loss, and
2 General Fund Reserve of \$38,689,454 Supporting Shortfalls - FY2012-2013]

3 **Ordinance appropriating \$38,689,454 in the Department of Public Health, including**
4 **\$4,314,849 of General Fund Reserves, \$8,410,605 of the City Reserves for State**
5 **Revenue Loss, and \$2,600,000 from Community Mental Health Services; surplus**
6 **hospital revenues of \$6,504,000 in General Hospital, \$12,560,000 of Laguna Honda**
7 **Hospital Revenues, and \$4,300,000 of Laguna Honda Hospital Reserve for Debt Service**
8 **(Senate Bill 1128) revenues are recognized, as well as expenditure reductions of**
9 **\$7,389,546 and additional expenditures of \$35,070,000 at San Francisco General**
10 **Hospital, and \$11,009,000 at Laguna Honda Hospital.**

11
12 Note: Additions are single-underline italics Times New Roman;
13 deletions are ~~strikethrough italics Times New Roman~~.
14 Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

15 Be it ordained by the People of the City and County of San Francisco:

16 Section 1. The sources of funding outlined below are herein appropriated to reflect the
17 funding available for Fiscal Year 2012-2013.

18 **SOURCES Appropriation**

1	Fund	Index Code/ Project Code	Subobject	Description	Amount
3	1G AGF AAA	GENRESERVE	098GR	General Fund	\$4,314,849
4	General Fund			Reserve	
5	GF-NON-				
6	PROJECT-				
7	CONTROLLED				
9	1G AGF AAA	995031	48990	City Reserve for	\$8,410,605
10	GF-Non-			State Revenue Loss	
11	Project-				
12	Controlled				
14	1G AGF AAA	HMHSB1020EPS	45412	Community Mental	\$2,600,000
15	GF-Non-			Health Service	
16	Project-				
17	Controlled				
19	5H AAA AAA	HGH1HAD40091	65950	Capitation Fees/	\$14,000,000
20	General			Health Plan	
21	Hospital			Settlements	
23	5H AAA AAA	HGH1HFI00021	66005	Hospital Fees	\$2,560,000
24	General				
25	Hospital				

1	Fund	Index Code/ Project Code	Subobject	Description	Amount
3	5H AAA AAA	HGH1HFI00101	65207	Other Patient	\$17,460,000
4	General			Revenue	
5	Hospital				
7	5H AAA AAA	HGH1HFI00101	65201	Medicare	\$5,066,000
8	General				
9	Hospital				
11	5H AAA AAA	HGH1HFI00121	65801	Provision for Bad Debts	(\$32,582,000)
12	General				
13	Hospital				
15	5L AAA AAA	HLH448704	65202	Medi-Cal Revenue	\$8,850,000
16	Laguna Honda				
17	Hospital				
19	5L AAA AAA	HLH448704	65911	Distinct Part/Nursing	\$3,710,000
20	Laguna Honda			Facility	
21	Hospital			Reimbursement	
23	5L DSF COP	HLHCOPDEBTSV	99999R	LHH Reserve for	\$4,300,000
24	Laguna Honda			Debt Service	
25	Hospital			(SB1128)	

1 **Total SOURCES Appropriation** \$38,689,454

2

3 Section 2. The uses of funding outlined below are herein de-appropriated to
4 reflect expenditure savings for Fiscal Year 2012-13.

5

6 **USES De-appropriation**

7

8	Fund	Index Code/ Project Code	Subobject	Description	Amount
10	1G AAF AAA	HCHACEXECTGF	05243	Public Health	(\$3,751,406)
11	GF-Non-Project-			Intergovernmental	
12	Controlled			Payment	
13					
14	1G AAF AAA	HPPADMINGF	081WB	Public Works-	(\$938,140)
15	GF-Non-Project-			Building Repair	
16	Controlled				
17					
18	5H AAA ACP	HGHHLTHACCES/	06P00	Healthy San	(\$1,500,000)
19	General Hospital	CHGHAP		Francisco Project	
20	5H AAA ACP	HGHCHILDHLTH/	02700	Child Health Initiative	(\$1,200,000)
21	General Hospital	CHGCHI		Project	

22

23 **Total USES De-appropriation** (\$7,389,546)

24

25

1 Section 3. The uses of funding outlined below are herein appropriated in
 2 various subobjects, and reflect the projected uses of funding to support increased
 3 expenditures at San Francisco General Hospital, Laguna Honda Hospital, and non-hospital
 4 operations for the Department of Public Health for Fiscal Year 2012-13.

5
 6
 7 **USES Appropriation**

8	9	Fund	Index Code / Project Code	Subobject	Description	Amount
10	11	5H AAA	HGH1HUN40061	00101	Miscellaneous	\$760,000
12	13	AAA			Salaries--Regular	
14	15	General				
16	17	Hospital				
18	19	5H AAA	HGH1HUN40061	00401	Nurses' Salaries--	\$11,548,000
20	21	AAA			Regular	
22	23	General				
24	25	Hospital				
		5H AAA	HGH1HUN40061	00601	Temporary Salaries –	\$5,278,000
		AAA			Nurses	
		General				
		Hospital				

1	Fund	Index Code / Project Code	Subobject	Description	Amount
2	5H AAA	HGH1HUN40062	00901	Premium Pay--	\$6,290,000
3	AAA			Miscellaneous	
4	General				
5	Hospital				
6					
7	5H AAA	HGH1HUN40063	01101	Overtime Pay--	\$1,244,000
8	AAA			Miscellaneous	
9	General				
10	Hospital				
11					
12	5H AAA	HGH1HUN40064	01207	Holiday Pay--	\$2,461,000
13	AAA			Miscellaneous	
14	General				
15	Hospital				
16					
17	5H AAA	HGH1HUN40061	01300	Fringe Benefits	\$4,490,000
18	AAA				
19	General				
20	Hospital				
21					
22	5H AAA	HLH448704	00501	Miscellaneous Salaries	\$430,000
23	AAA			- Regular	
24	Laguna				
25	Honda				

1	Fund	Index Code / Project Code	Subobject	Description	Amount
2	5H AAA	HGH1HUN40061	00501	Temporary Salaries –	\$2,999,000
3	AAA			Regular	
4	General				
5	Hospital				
6					
7	5L AAA	HLH448704	00500	Temporary Salaries –	\$600,000
8	AAA			Miscellaneous	
9	Laguna				
10	Honda				
11	Hospital				
12					
13	5LAAA	HLH448704	01207	Holiday Pay--	\$440,000
14	AAA			Miscellaneous	
15	Laguna				
16	Honda				
17	Hospital				
18					
19	5L AAA	HLH448704	06000	Temporary Salaries –	\$3,210,000
20	AAA			Nurses	
21	Laguna				
22	Honda				
23	Hospital				
24					
25					

1	Fund	Index Code / Project Code	Subobject	Description	Amount
2	5L AAA	HLH448704	01100	Overtime	\$1,170,000
3	AAA				
4	Laguna				
5	Honda				
6	Hospital				
7					
8	5L AAA	HLH448704	01900	Fringe Benefits	\$2,245,000
9	AAA				
10	Laguna				
11	Honda				
12	Hospital				
13					
14	5L AAA	HLH448704	04000	Materials and Supplies	\$2,914,000
15	AAA				
16	Laguna				
17	Honda				
18	Hospital				
19					
20	Total USES Appropriation				\$46,079,000
21					
22	Total Net Appropriation				\$38,689,454

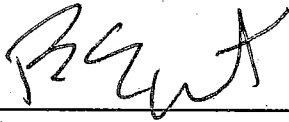
24 Section 4. The Controller is hereby authorized to adjust and apply transfers to and
25 from San Francisco General Hospital and Laguna Honda Hospital, including General Fund

1 transfers to reflect new expenditure authority contained in this Ordinance, and to adjust the
2 accounting treatment of sources and uses appropriated in this ordinance as necessary to
3 conform with Generally Accepted Accounting Principles.
4

5 APPROVED AS TO FORM:
6 DENNIS J. HERRERA, City Attorney


Ben Rosenfield, Controller

7
8 By:



Deputy City Attorney

9
10 By:



Date: March 22, 2013

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

March 28, 2013

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: April 3, 2013 Budget and Finance Committee Meeting

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2	13-0283 Appropriation – Surplus Revenues, Expenditures, City Reserve for State Revenue Loss, and General Fund Reserve of \$38,689,454 Supporting Shortfalls – FY 2012-2013	1

Item 2
File 13-0283

Department:
Department of Public Health

EXECUTIVE SUMMARY

Legislative Objectives

The proposed ordinance appropriates \$46,079,000 to the Department of Public Health to pay for the projected FY 2012-13 budgetary shortfall.

Sources of funds are: (a) \$38,689,454 in patient and other revenues; and (b) de-appropriation of \$7,389,546 in previously budgeted expenditures that are no longer needed, for total sources of funds of \$46,079,000. The requested appropriation includes \$8,410,605 from the State Revenue Loss Reserve and \$4,314,849 from the General Fund Reserve, totaling \$12,725,454 in General Fund monies.

Uses of funds are (a) \$35,070,000 to San Francisco General Hospital to pay for the budgetary shortfall in salaries and fringe benefits, and (b) \$11,009,000 to Laguna Honda Hospital to pay for the projected FY 2012-13 budgetary shortfall in salaries and fringe benefits, and materials and supplies, for total uses of funds of \$46,079,000.

Key Points

- According to the Department, the projected FY 2012-13 budgetary shortfall results from a combination of (1) decreased revenues due to the failure of San Francisco General Hospital patient revenues to keep pace with costs, and no retroactive reimbursement from the State and Federal government to retroactively compensate counties for the costs of mental health services; and (2) increased expenditures because the baseline budget for San Francisco General Hospital salaries and Laguna Honda Hospital salaries and materials and supplies are less than required to meet patient care requirements.

Fiscal Impact

- Based on a review of the Department of Public Health's expenditure projections through June 30, 2013, the Budget and Legislative Analyst recommends reducing the proposed supplemental appropriation by \$1,222,000, from \$46,079,000 to \$44,857,000, as shown in Table 4 below.
- The Budget and Legislative Analyst's recommendation would reduce the General Fund Reserve appropriation by \$1,222,000, from \$4,314,849 under the proposed ordinance to \$3,092,849.

Policy Consideration

- From FY 2009-10 through FY 2012-13, the Department of Public Health's budget for San Francisco General Hospital and Laguna Honda Hospital salaries and fringe benefits and for Laguna Honda Hospital materials and supplies has resulted in budgetary shortfalls. As a result, the Department of Public Health has requested supplemental appropriations in each year between FY 2009-10 through FY 2012-13. While the FY 2009-10 supplemental appropriation used surplus patient revenues to pay for the budgetary shortfalls, the FY 2010-11 and FY 2011-12 supplemental appropriations and the requested FY 2012-13 supplemental appropriation are being funded in part from General Fund reserves to pay for the projected budgetary shortfalls. According to Mr. Greg Wagner, Department of Public Health Chief Financial Officer, the Department of Public Health plans to address the historical imbalance between budgeted and actual salaries in its proposed budget for FY 2013-14 and FY 2014-15.

Recommendations

- Amend the proposed ordinance to reduce the revenue appropriation by \$1,222,000, which would (a) reduce the General Fund Reserve appropriation from \$4,314,849 to \$3,092,849; and (b) the total requested appropriation from \$46,079,000 to \$44,857,000.
- Amend the proposed ordinance to reduce the expenditure appropriation by \$1,222,000, which includes reducing: (a) San Francisco General Hospital Fringe Benefits by \$550,000, from \$4,490,000 to \$3,940,000; (b) Laguna Honda Hospital Salaries by \$522,000, from \$5,850,000 to \$5,328,000; and (c) Laguna Honda Hospital Materials and Supplies by \$150,000, from \$2,914,000 to \$2,764,000.
- Approve the proposed ordinance as amended.

MANDATE STATEMENT

Mandate Statement

According to Charter Section 9.105, the Board of Supervisors may adopt amendments to the Annual Appropriation Ordinance in the same manner as other ordinances.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (1) appropriate \$38,689,454 in revenues and (2) de-appropriate \$7,389,546 in previously approved expenditures that are no longer needed, totaling \$46,079,000, to fund the Department of Public Health's projected FY 2012-13 budgetary shortfall.

According to the Department's February 13, 2013 memorandum to the Health Commission, the Department's projected FY 2012-13 budgetary shortfall results from a combination of decreased revenues and increased expenditures.

Decreased revenues include:

- (1) The failure of San Francisco General Hospital patient revenues to keep pace with costs, due in part to the shift from fee-for-service reimbursements from third-party payers to managed care, in which third party payers pay San Francisco General Hospital based on the number of patients enrolled in the payers' health plans rather than the costs of services provided; and
- (2) No retroactive reimbursement from the State and Federal government to compensate counties for the costs of mental health services.

Increased expenditures are due to San Francisco General Hospital and Laguna Honda Hospital salary and fringe benefits, and Laguna Honda Hospital materials and supplies that exceed budget.

According to Ms. Anne Okubo, Department of Public Health Deputy Financial Officer, the Hospitals' baseline salary and fringe benefit costs to meet patient care requirements are higher than budgeted expenditures. According to Ms. Okubo, the FY 2012-13 budget did not sufficiently account for:

- (1) The number of positions required to meet San Francisco General Hospital and Laguna Honda Hospital average daily patient census;

- (2) The percentage increases in San Francisco General Hospital and Laguna Honda Hospital premium pay, overtime, and holiday pay; and
- (3) Laguna Honda Hospital's costs for materials and supplies, especially pharmaceuticals and food, to meet patient care.

FISCAL IMPACT

Source of Funds

The Department of Public Health requests the (a) appropriation of \$38,689,454 in revenues and (b) de-appropriation of \$7,389,546 in previously budgeted expenditures that are no longer needed, for total sources of funds of \$46,079,000, as shown in Table 1 and described in detail below. The requested appropriation includes \$8,410,605 from the State Revenue Loss Reserve and \$4,314,849 from the General Fund Reserve, totaling \$12,725,454, as shown in Tables 1 and 2 below.

Table 1: Source of Funds

Sources	Amount	Total
Appropriation of Revenues		
<u>General Fund</u>		
State Revenue Loss Reserve	\$8,410,605	
General Fund Reserve	<u>4,314,849</u>	
General Fund		\$12,725,454
<u>San Francisco General Hospital</u>		
Health Plan Fees	14,000,000	
Hospital Fees	2,560,000	
Other Patient Revenue	17,460,000	
Medicare	5,066,000	
Provision for Bad Debts	<u>(32,582,000)</u>	
San Francisco General Hospital		6,504,000
<u>Laguna Honda Hospital</u>		
MediCal	8,850,000	
Skilled Nursing	3,710,000	
Debt Service Reserve	<u>4,300,000</u>	
Laguna Honda Hospital		16,860,000
<u>Other</u>		
State Health and Welfare Realignment		<u>2,600,000</u>
Total Appropriation of Revenues		38,689,454
De-appropriation of Budgeted Expenditures		
Intergovernmental Payment	3,751,406	
Public Works Building Repair	938,140	
Healthy San Francisco	1,500,000	
Child Health Initiative	<u>1,200,000</u>	
Total De-appropriation of Budgeted Expenditures		<u>7,389,546</u>
Total Sources		\$46,079,000

State Revenue Loss and General Fund Reserves

The proposed supplemental appropriation would appropriate \$12,725,454 from the State Revenue Loss and General Fund Reserves, as shown in Table 1 above. Two additional supplemental appropriations are pending before the Board of Supervisors: the Public Defender's Office (\$751,312) and the Sheriff's Department (\$3,458,970). If the Board of Supervisors approves the three pending supplemental appropriations, the State Revenue Loss Reserve will have no remaining balance and the General Fund Reserve will have a remaining balance of \$20,320,524, as shown in Table 2 below.

Table 2: State Revenue Loss and General Fund Reserves' Balances

	State Revenue Loss Reserve	General Fund Reserve
Available Balance as of March 30, 2013	\$8,410,605	\$28,845,655
Pending Supplemental Appropriations		
Public Defender's Office (File 13-0185)		(751,312)
Department of Public Health (File 13-000)	(8,410,605)	(4,314,849)
Sheriff's Department (File 13-000)		(3,458,970)
Balance if Pending Supplemental Appropriations are Approved	\$0	\$20,320,524

San Francisco General Hospital and Laguna Honda Hospital Patient Revenues

The proposed ordinance appropriates San Francisco General Hospital and Laguna Honda Hospital patient revenues that are projected to exceed budgeted revenues in FY 2012-13, offsetting the budgetary shortfall.

San Francisco General Hospital patient revenues include increases in:

- Managed care payments to the San Francisco Health Plan for seniors and persons with disabilities;
- MediCal hospital fee payments¹;
- Medicare payments; and
- Other patient revenues due to an increase in payments from self-pay patients.

The increase in San Francisco General Hospital patient revenues is offset by an increase in uncollectable patient charges ("provision for bad debt") due mainly to an increase in patients not covered by third-party payers, such as MediCal, Medicare or private insurance.

Laguna Honda Hospital revenues include increases in:

- MediCal rates for skilled nursing beds;
- The number of skilled nursing facility patient days reimbursed by MediCal; and
- Tobacco Tax Settlement funds that can be used to pay debt service on Laguna Honda Hospital, thus making available \$4.3 million that was budgeted for debt service in FY 2012-13 but can now be used for other purposes.

¹ Assembly Bill (AB) 1383 imposes a health provider fee on hospitals, and fee revenues are used to increase Medi-Cal reimbursement rates to hospitals.

State Health and Welfare Realignment for Mental Health Services

The Controller projects that the State will allocate \$2.6 million more in mental health funding to San Francisco than was included in the FY 2012-13 budget.

De-Appropriation of Previously Budgeted Expenditures No Longer Needed

The Department of Public Health proposes to use, as a source of funds for the requested supplemental appropriation, funds that were previously budgeted but are no longer needed and can be de-appropriated as follows:

- Intergovernmental payments, which are state and local funds that can be used as a match for federal funds under the Medicaid waiver program, due to the lack of funding authority provided by the federal government in FY 2012-13;²
- The work order with the Department of Public Works for a facility at 30 Van Ness Avenue which is no longer needed; and
- Healthy San Francisco and Child Health Initiative prior years' unexpended funds, which are now considered surplus funds.

Uses of Funds

As shown in Table 3 below, the proposed ordinance would appropriate \$35,070,000 to San Francisco General Hospital to pay for the budgetary shortfall in salaries and fringe benefits, and \$11,009,000 to Laguna Honda Hospital to pay for the projected FY 2012-13 budgetary shortfall in salaries and fringe benefits, and materials and supplies.

² The federal Medicaid waiver program allows certain Medicaid requirements to be waived to provide program flexibility.

Table 3: Uses of Funds

Uses	Amount
San Francisco General Hospital	
Permanent Miscellaneous Salaries	\$760,000
Temporary Miscellaneous Salaries	2,999,000
Permanent Nurses Salaries	11,548,000
Temporary Nurses Salaries	5,278,000
Premium Pay	6,290,000
Overtime	1,244,000
Holiday Pay	<u>2,461,000</u>
Salaries	30,580,000
Fringe Benefits	4,490,000
Total San Francisco General Hospital	\$35,070,000
Laguna Honda Hospital	
Temporary Miscellaneous Salaries	\$600,000
Temporary Nurses Salaries	3,210,000
Overtime	1,170,000
Holiday Pay	440,000
Permanent Miscellaneous Salaries	<u>430,000</u>
Salaries	5,850,000
Fringe Benefits	<u>2,245,000</u>
Total Salaries and Benefits	8,095,000
Total Materials and Supplies	2,914,000
Total Laguna Honda Hospital	\$11,009,000
Total Supplemental Appropriation	\$46,079,000

According to Ms. Okubo, the projected FY 2012-13 budgetary shortfalls in San Francisco General Hospital and Laguna Honda Hospital salaries and fringe benefits are due to an inadequate budget for permanent and temporary positions to meet patient care requirements given the patient census, mandated staffing ratios and requirements of 24 hours a day staffing. Additionally, Laguna Honda Hospital's FY 2012-13 budget was not sufficient to pay for materials and supplies, especially food and pharmaceuticals.

Recommended Reductions

Based on a review of the Department of Public Health's expenditure projections through June 30, 2013, the Budget and Legislative Analyst recommends reducing the proposed supplemental appropriation by \$1,222,000, from \$46,079,000 to \$44,857,000, as shown in Table 4 below.

The Budget and Legislative Analyst's recommendation would reduce the General Fund Reserve appropriation by \$1,222,000, from \$4,314,849 under the proposed ordinance to \$3,092,849.

Table 4: Recommended Reductions

Uses	Proposed Supplemental Appropriation	Budget & Legislative Analyst Recommended Supplemental Appropriation	Budget & Legislative Analyst Recommended Reduction
San Francisco General Hospital			
Permanent Miscellaneous Salaries	\$760,000	\$760,000	\$0.
Permanent Nurses Salaries	11,548,000	11,548,000	0
Temporary Miscellaneous Salaries	2,999,000	2,999,000	0
Temporary Nurses Salaries	5,278,000	5,278,000	0
Premium Pay	6,290,000	6,290,000	0
Overtime	1,244,000	1,244,000	0
Holiday Pay	<u>2,461,000</u>	<u>2,461,000</u>	<u>0</u>
Salaries	30,580,000	30,580,000	0
Fringe Benefits	4,490,000	3,940,000	550,000
Total San Francisco General Hospital	\$35,070,000	\$34,520,000	\$550,000
Laguna Honda Hospital			
Temporary Salaries	3,810,000	\$3,500,000	\$310,000
Permanent Salaries	430,000	430,000	0
Overtime	1,170,000	958,000	212,000
Holiday Pay	<u>440,000</u>	<u>440,000</u>	<u>0</u>
Salaries	5,850,000	5,328,000	522,000
Fringe Benefits	<u>2,245,000</u>	<u>2,245,000</u>	<u>0</u>
Total Salaries and Benefits	8,095,000	7,573,000	
Materials and Supplies	2,914,000	2,764,000	150,000
Total Laguna Honda Hospital	\$11,009,000	\$10,337,000	\$672,000
Total Supplemental Appropriation	\$46,079,000	\$44,857,000	\$1,222,000

POLICY CONSIDERATION

The Department of Public Health Budget Does Not Accurately Reflect Actual Expenditures

From FY 2009-10 through FY 2012-13, the Department of Public Health's budget for San Francisco General Hospital and Laguna Honda Hospital salaries and fringe benefits and for Laguna Honda Hospital materials and supplies has resulted in budgetary shortfalls. As a result, the Department of Public Health has requested supplemental appropriations each year from FY 2009-10 through FY 2012-13. While the FY 2009-10 supplemental appropriation used surplus patient revenues to pay for the budgetary shortfalls, the FY 2010-11 and FY 2011-12 supplemental appropriations and the requested FY 2012-13 supplemental appropriation are being funded in part from General Fund reserves to pay for the projected budgetary shortfalls.

As noted in Table 1 above, the requested supplemental appropriation includes \$8,410,605 in State Revenue Loss Reserve funds and \$4,314,849 in General Fund Reserve funds, totaling \$12,725,454.

According to Mr. Greg Wagner, Department of Public Health Chief Financial Officer, the Department of Public Health plans to address the historical imbalance between budgeted and

actual salaries in its proposed budget for FY 2013-14 and FY 2014-15. In 2012, the Health Commission convened a five-year financial planning subcommittee, which identified correction of the historical structural problem as a priority for the upcoming two-year budget. The Health Commission will hold hearings over the coming two months to consider specific policy options to address the deficit. Options will include various expenditure reduction proposals to shift funding to under-budgeted personnel costs, and commitment of revenue growth to address the deficit.

RECOMMENDATIONS

1. Amend the proposed ordinance to reduce the revenue appropriation by \$1,222,000, which would (a) reduce the General Fund Reserve appropriation from \$4,314,849 to \$3,092,849; and (b) the total requested appropriation from \$46,079,000 to \$44,857,000.
2. Amend the proposed ordinance to reduce the expenditure appropriation by \$1,222,000, which includes reducing: (a) San Francisco General Hospital Fringe Benefits by \$550,000, from \$4,490,000 to \$3,940,000; (b) Laguna Honda Hospital Salaries by \$522,000, from \$5,850,000 to \$5,328,000; and (c) Laguna Honda Hospital Materials and Supplies by \$150,000, from \$2,914,000 to \$2,764,000.
3. Approve the proposed ordinance as amended.

ANALYSIS OF SUPPLEMENTAL APPROPRIATION REQUEST

DEPARTMENT: DPH
S.A.# 10

DATE: March 22, 2013
ANALYST: Cindy Czerwin

AMOUNT REQUESTED: \$38,689,454
AMOUNT APPROVED: \$

POSITIONS REQUESTED: NA
POSITIONS APPROVED:

FUNDING SOURCES: Multiple:
1GAAAAAA – General Fund Reserve for State Revenue Loss
5HAAAAAA – Additional Patient Revenues
5LAAAAAA – Additional Patient Revenues

SUBJECT: The Department of Public Health Supplemental Appropriation requests for \$46.1 million in new expenditure authority covered in part by other expenditure savings, their own revenues, and \$12.7 million from the General Fund.

BACKGROUND: On February 12, 2013 the Controller issued its six-month report which projected DPH to have a year-end shortfall of \$45.9 million. Since that time, the department has worked aggressively to control expenditures and find one-time solutions. To support the remaining shortfall DPH is requesting \$46.1 million in new expenditures supported by \$7.4 million of other expenditure savings, \$26.0 million of their own revenues, and \$12.7 million from the General Fund.

Cost Overruns

- Similar to past years, the Department of Public Health is requesting a supplemental appropriation to cover cost overruns at both General Hospital and Laguna Honda Hospital.
- At General Hospital, the department is requesting \$35.5 million in salaries and benefits, including \$1.2 million in overtime.
- At Laguna Honda Hospital, the department is requesting \$10.6 million in salaries and benefits including \$1.2 million in overtime, and \$2.9 million in materials and supplies primarily for pharmaceuticals.
- The department has some expenditure savings of \$7.4 million in other divisions that it is requesting be reallocated to support the above overages.

Revenue Surpluses

- The Controller is projecting that DPH related Health and Welfare Realignment revenue will be \$2.6 million better than budget.
- General Hospital is projecting a net revenue surplus of \$6.5 million in patient related revenues.
- Laguna Honda is projecting a net revenue surplus of \$12.6 million due to increased Medical and DP/NF reimbursements.
- The Controller's Office of Public Finance is projecting that \$4.3 million can be removed from the SB1128 reserve fund due to better than projected Tobacco Tax settlement revenue and interest in the account.

Use of Reserves

- The supplemental requests using the remainder of the reserve for State revenue losses of \$8.4 million. The department is experiencing significant challenges from the state including:
 - The expected loss of \$16.2 million in retroactive State Plan Amendment reimbursements for mental health services and
 - Patient revenues at General Hospital not keeping pace with costs in part due to the shift from fee-for service to managed care reimbursement models.Were it not for these challenges from the state, DPH would be able to fund more of their own cost overruns
- The remaining balance is \$4.3 million which is requested from the General Reserve.

Cost Overruns

General Hospital - Salaries, Benefits and Non-Personnel	(35.5)
Laguna Honda - Salaries, Benefits, and Pharmaceuticals	(10.6)
Available appropriations	7.4
	<u>(38.7)</u>

Revenue Surpluses

Health and Welfare Realignment	2.6
General Hospital Patient Related	6.5
Laguna Honda Patient Related	12.6
SB1128 Reserves	4.3
	<u>26.0</u>

Use of Reserves

State Revenue Loss Reserve	8.4
General Fund Reserve	4.3
	<u>12.7</u>

RECOMMENDATION: Approve

FISCAL IMPACT: This request has a \$12.7 million impact to the General Fund.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *EE*
RE: Appropriating Surplus Revenues and Expenditures, City Reserve for State Revenue Loss, and General Fund Reserve to Support Shortfalls in the Department of Public Health for Fiscal Year 2012-2013
DATE: March 26, 2013

Attached for introduction to the Board of Supervisors is the ordinance appropriating \$38,689,454 in the Department of Public Health. This ordinance appropriates \$4,314,849 of General Fund Reserves, \$8,410,605 of the City Reserves for State Revenue Loss, and \$2,600,000 from Community Mental Health Services. Surplus hospital revenues of \$6,504,000 in General Hospital, \$12,560,000 of Laguna Honda Hospital Revenues, and \$4,300,000 of Laguna Honda Hospital Reserve for Debt Service (SB 1128) revenues are recognized, as well as expenditure reductions of \$7,389,546 and additional expenditures of \$35,070,000 at San Francisco General Hospital, and \$11,009,000 at Laguna Honda Hospital.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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