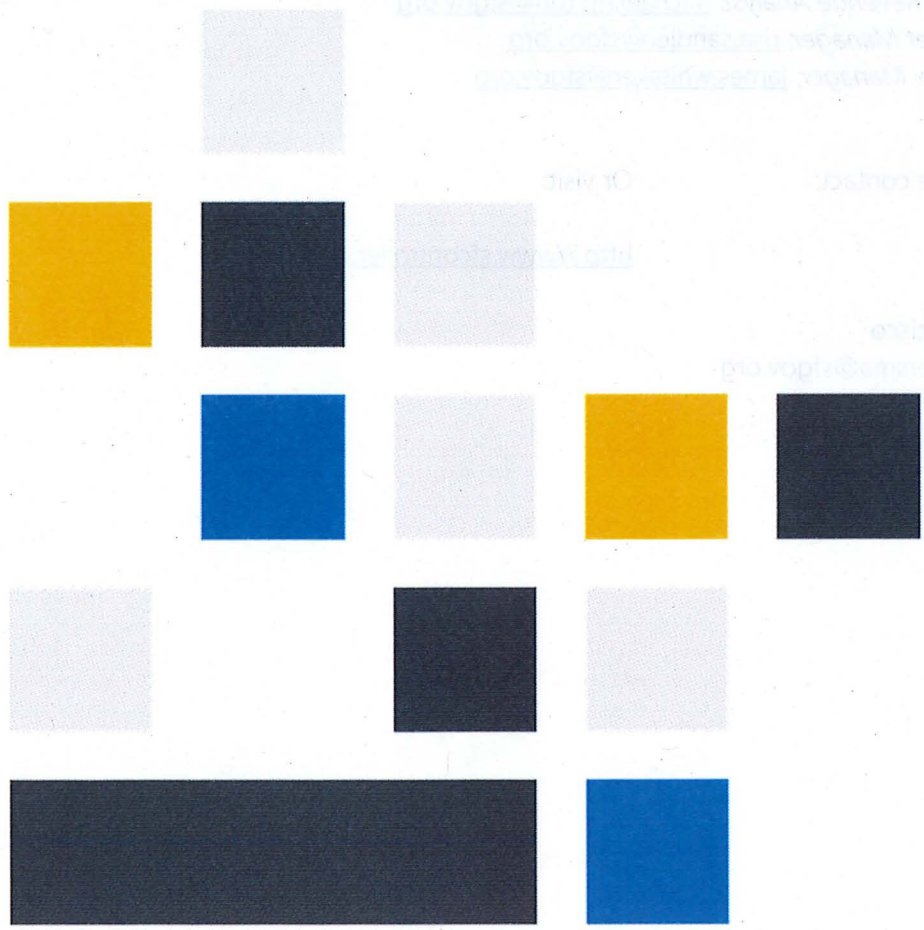


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# FY 2018-19

# 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, 2019, incorporating more current information up to the date of publication as available.



May 15, 2019

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 and various fee-related reports. 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 \$55.2 million improvement in current year General Fund ending balance above our last projections.** The prior projections include those reported in the FY 2018-19 Six-Month Report (issued February 2019) and subsequent adjustments in March given the appropriation of unbudgeted property tax revenue (“excess ERAF”) adopted by the Board of Supervisors and the General Fund final ending available balance from FY 2017-18, as reported in the City’s Comprehensive Annual Financial Report (CAFR).
- **This current year ending balance improvement reduces the projected shortfall for the coming two years to \$100.9 million.** The March 2019 Update to the Five Year Financial Plan projected shortfalls of \$30.6 million in FY 2019-20 and an additional \$125.5 million in FY 2020-21, for a cumulative total of \$156.1 million. Application of the \$55.2 million increase in projected current year ending balance in this report reduces the shortfall to \$100.9 million.
- **The improvement is driven largely by strength in revenue at the Department of Public Health (DPH) and expenditure savings at the Human Services Agency (HSA), partially offset by weakness in property tax revenue.** Net patient revenue at DPH is projected to exceed budget given higher than anticipated Medi-Cal rates and 1115 Waiver program revenues. Declining caseloads, hiring delays and contract underspending are contributing to savings at HSA. Property tax revenues are below prior projections due to higher than anticipated refunds and lower revenues from supplemental assessments, which affect both underlying property tax as well as excess ERAF.
- **The City is projected to reach its 10% target for economic stabilization reserves in the current fiscal year.** City financial policies provide that when the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reach 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. Reserves are expected to meet but not exceed the 10% cap in the current year. Should revenues exceed this projection, 75% of those revenues would be deposited to this Budget Stabilization One-Time Reserve, given the City’s adopted reserve policies.
- **The City is pursuing additional reimbursement for “excess ERAF” allocations associated with FY 2016-17 property tax allocations.** Final approval of these allocations, totaling \$149.1 million, has not yet been received from the State, and these revenues are not included in our projections. Should approval occur, approximately \$111.8 million would flow to required reserve accounts, \$21.0 million to baselines, and \$16.3 million would be available for any discretionary purpose.

**Table 1. FY 2018-19 Projected General Fund Variances to Budget (\$ Millions)***Note: Figures may not sum due to rounding*

|   | 6-Month Adjusted* | 9-Month       | Change       |
|---|-------------------|---------------|--------------|
| FY 2017-18 Ending Fund Balance                      | 456.6             | 456.6         | -            |
| Appropriation in the FY 2018-19 Budget              | (188.6)           | (188.6)       | -            |
| <b>A. FY 2018-19 Starting Fund Balance</b>          | <b>268.0</b>      | <b>268.0</b>  | <b>-</b>     |
| Citywide Revenue Surplus                            | 278.3             | 251.4         | (27.0)       |
| Baseline Contributions                              | (51.6)            | (31.1)        | 20.5         |
| Departmental Operations                             | 36.2              | 107.0         | 70.7         |
| <b>B. Current Year Revenues and Expenditures</b>    | <b>263.0</b>      | <b>327.2</b>  | <b>64.2</b>  |
| <b>C. Withdrawals from / (Deposits) to Reserves</b> | <b>(47.6)</b>     | <b>(56.7)</b> | <b>(9.0)</b> |
| <b>D. FY 2018-19 Projected Ending Balance</b>       | <b>483.4</b>      | <b>538.6</b>  | <b>55.2</b>  |

\*In Table 1 above and throughout this report, Six-Month Adjusted figures include those contained in the FY 2018-19 Six-Month Report (issued February 15, 2019), unbudgeted property tax revenue ("excess ERAF") appropriated by the Board on March 7, 2019, other approved supplemental appropriations that increase budgeted revenue, and final FY 2017-18 ending available balances reported in the City's audited financial statements (CAFR, issued on March 25, 2019).

# FY 2018-19 Nine-Month Budget Status Report

## A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2018-19 and FY 2019-20 budget was adopted were \$411.8 million, of which \$188.6 million was appropriated in FY 2018-19 and \$223.2 million was appropriated in FY 2019-20. General Fund available fund balance at the end of FY 2017-18 was \$456.6 million, or \$44.8 million more than appropriated and \$24.8 million more than assumed in the March Update to the Five Year Financial Plan.

## B. CURRENT YEAR REVENUES AND EXPENDITURES

### Citywide Revenues

As shown in Table 2, citywide revenues have improved by \$251.4 million from budget, due largely to FY 2017-18 year end base building strength in business and hotel taxes, interest income, and real property transfer tax revenue. This is a \$27.0 million reduction from levels projected in early March after the adoption of an ordinance appropriating \$414.7 million in excess ERAF property tax proceeds. The decline is largely due to lower current year property tax revenue from supplemental assessments and higher than expected refunds. Revenue variances are further described in Appendix 1.

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

|  |                | A                | B                  |                         | B - A                        |
|--|----------------|------------------|--------------------|-------------------------|------------------------------|
|  | Revised Budget | 6-Month Adjusted | 9-Month Projection | Variance vs Rev. Budget | Variance vs Prior Projection |
| Property Taxes                         | 2,142.7        | 2,142.7          | 2,105.5            | (37.2)                  | (37.2)                       |
| Business Taxes                         | 879.4          | 1,003.3          | 1,003.3            | 123.9                   | -                            |
| Sales Tax - Local 1% and Public Safety | 301.5          | 307.1            | 310.5              | 9.0                     | 3.4                          |
| Hotel Room Tax                         | 375.8          | 390.2            | 389.9              | 14.1                    | (0.3)                        |
| Utility User & Access Line Taxes       | 151.0          | 147.5            | 145.1              | (5.9)                   | (2.4)                        |
| Parking Tax                            | 85.5           | 85.5             | 83.2               | (2.4)                   | (2.4)                        |
| Real Property Transfer Tax             | 228.0          | 329.4            | 338.7              | 110.7                   | 9.3                          |
| Sugar Sweetened Beverage Tax           | 15.0           | 15.0             | 16.0               | 1.0                     | 1.0                          |
| Interest Income                        | 27.8           | 60.7             | 61.1               | 33.4                    | 0.4                          |
| Public Safety Realignment              | 39.0           | 40.0             | 40.0               | 1.0                     | -                            |
| Motor Vehicle In-Lieu and All Other    | -              | 1.5              | 2.3                | 2.3                     | 0.8                          |
| Stadium Admissions Tax                 | 1.2            | 1.2              | 1.2                | -                       | -                            |
| Franchise Taxes                        | 17.5           | 17.0             | 17.5               | -                       | 0.4                          |
| Airport Transfer-In                    | 46.6           | 48.3             | 48.3               | 1.7                     | -                            |
| <b>Total Citywide Revenues</b>         | <b>4,311.0</b> | <b>4,589.3</b>   | <b>4,562.4</b>     | <b>251.4</b>            | <b>(27.0)</b>                |

## Baseline Contributions

Table 3 shows projections for voter-mandated spending requirements are increased by a net \$31.1 million compared to revised budget, which include excess ERAF proceeds appropriated by the Board of Supervisors. Slight declines in some baselines are projected due to weakness in in Aggregate Discretionary Revenue (ADR) described above. No increases to the Children's or Transitional-Aged Youth baseline are projected, as the adopted budget exceeds the required level currently projected.

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

|   | Original<br>Budget | Revised<br>Budget | 9-Month<br>Projection | Variance vs<br>Revised<br>Budget |
|---|--------------------|-------------------|-----------------------|----------------------------------|
| <b>Aggregate Discretionary Revenue</b>      | <b>3,658.4</b>     | <b>4,156.3</b>    | <b>4,342.3</b>        | <b>186.0</b>                     |
| <b>Additional Transfers Required</b>        |                    |                   |                       |                                  |
| MTA Baseline                                | 336.3              | 374.4             | 399.2                 | 24.7                             |
| MTA Population Change Baseline              | 50.9               | 50.9              | 47.0                  | (4.0)                            |
| 80% Parking Tax In-Lieu Transfer to MTA     | 68.4               | 68.4              | 66.5                  | (1.9)                            |
| <b>MTA Baseline Transfers</b>               | <b>455.7</b>       | <b>493.8</b>      | <b>512.7</b>          | <b>18.9</b>                      |
| DPW Street Trees Maintenance Fund           | 19.7               | 21.8              | 22.4                  | 0.5                              |
| Library Baseline (1)                        | 83.6               | 93.1              | 96.2                  | 3.1                              |
| Public Education Fund Baseline              | 5.3                | 5.9               | 6.3                   | 0.4                              |
| Public Education Enrichment Fund            | 111.8              | 124.5             | 132.7                 | 8.2                              |
| 2/3 to Schools                              | 74.6               | 83.1              | 88.5                  | 5.4                              |
| 1/3 to Preschool for All                    | 37.3               | 41.5              | 44.2                  | 2.8                              |
| <b>Total Baseline Transfers</b>             | <b>676.1</b>       | <b>739.1</b>      | <b>770.3</b>          | <b>31.1</b>                      |
| <b>No Additional Transfers Required (2)</b> |                    |                   |                       |                                  |
| Children's Baseline                         | 187.0              | 220.2             | 209.7                 | -                                |
| Transitional-Aged Youth Services Baseline   | 28.1               | 28.1              | 25.2                  | -                                |

(1) Assumes 50% of \$6.1M additional requirement is returned to the General Fund at year end.

(2) No additional adjustment required because adopted budget exceeds projected required level.

## Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$107.0 million summarized in Table 4 below and further detailed in Appendix 2.

**Table 4. FY 2018-19 Departmental Operating Summary (\$ millions)***Note: Figures may not sum due to rounding*

|                                   | Revenue<br>Surplus /<br>(Shortfall) | Uses<br>Savings /<br>(Deficit) | Net<br>Surplus /<br>(Shortfall) |
|-----------------------------------|-------------------------------------|--------------------------------|---------------------------------|
| Public Health                     | 66.7                                | 6.0                            | 72.7                            |
| Human Services                    | 3.0                                 | 12.7                           | 15.7                            |
| War Memorial                      | 8.2                                 | -                              | 8.2                             |
| Homelessness & Supportive Housing | -                                   | 4.1                            | 4.1                             |
| General Services Agency           | (0.7)                               | 2.5                            | 1.8                             |
| Fire Department                   | 0.9                                 | -                              | 0.9                             |
| Juvenile Probation                | -                                   | 0.8                            | 0.8                             |
| Ethics Commission                 | 0.1                                 | 0.6                            | 0.7                             |
| Health Service System             | -                                   | 0.3                            | 0.3                             |
| Other Departments                 | (12.9)                              | 14.6                           | 1.8                             |
| <b>Total</b>                      | <b>65.3</b>                         | <b>41.6</b>                    | <b>107.0</b>                    |

## Approved Supplemental Appropriations

To date no supplemental appropriation using the General Reserve have been approved. Any uses of the Reserve would require a like amount of deposits in the budget year.

On April 23, 2019, the Board of Supervisors approved a supplemental ordinance appropriating \$0.4 million in Fire Department fee revenue for overtime and reappropriating \$5.7 million in operating expenses in the PUC and Sheriff's Department for overtime, pursuant to Administrative Code Section 3.17.

A supplemental to provide short-term loans to federal government employees in the event of a shutdown appropriating \$0.5 million of interest earnings above budget was approved on March 22, 2019. No expenses have been incurred to date.

On March 7, 2019 the Board of Supervisors approved legislation appropriating \$220.5 million of excess Educational Revenue Augmentation Fund (ERAF) property tax revenue and \$52.0 million of related Rainy Day One-Time Reserve funds for affordable housing small site, single residence occupancy hotel, and behavioral health acquisition and renovation, homelessness and behavioral health services, early care and SFUSD educator funding, for a utility distribution acquisition assessment, various mandatory baseline contributions, and to establish a Teacher and Early Care Educator Unappropriated Emergency Reserve. An additional \$38.1 million of required baseline contributions to the MTA were appropriated for the purchase of light rail vehicles. These amounts are reflected in the revised budget columns in this report and discussed in further in the Appendices.

## C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

Total reserve deposits are projected to increase by \$9.0 million compared to prior estimates. The supplemental appropriation of excess ERAF proceeds included reserve deposits of \$156.0 million, as noted in the Revised Budget column of Table 5 below. Revenue projections excluding excess ERAF will result in additional deposits of \$50.0 million to the Rainy-Day Reserves (\$25.0 million to the City Economic Stabilization Reserve, \$8.3 million to the School Economic Stabilization Reserve, and \$16.6 million to the One-Time Reserve). A discussion of the status of reserves is included in Appendix 3.

**Table 5. FY 2018-19 Reserve Deposits/Withdrawals (\$ millions)**

*Note: Figures may not sum due to rounding*

|  | Revised<br>Budget | 6-Month<br>Adjusted | 9-Month      | Variance<br>vs Rev.<br>Budget | Variance<br>vs Prior<br>Projection |
|--|-------------------|---------------------|--------------|-------------------------------|------------------------------------|
| Rainy Day Economic<br>Stabilization City Reserve   | 78.0              | 97.9                | 103.0        | 25.0                          | 5.1                                |
| Rainy Day Economic<br>Stabilization School Reserve | 26.0              | 32.6                | 34.3         | 8.3                           | 1.7                                |
| Rainy Day One-Time<br>Reserve (1)                  | -                 | 13.2                | 16.6         | 16.6                          | 3.4                                |
| Budget Stabilization<br>Reserve                    | -                 | (15.7)              | -            | -                             | 15.7                               |
| Budget Stabilization<br>Reserve - One Time Reserve | -                 | 15.7                | -            | -                             | (15.7)                             |
| Budget Savings<br>Incentive Fund                   | -                 | 7.9                 | 6.7          | 6.7                           | (1.2)                              |
| Teacher & Early Care Educator<br>Emergency Reserve | 52.0              | 52.0                | 52.0         | -                             | -                                  |
| <b>Total Reserve Deposits</b>                      | <b>156.0</b>      | <b>203.6</b>        | <b>212.7</b> | <b>56.7</b>                   | <b>9.0</b>                         |

## D. PROJECTED ENDING FUND BALANCE OF \$538.6 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2018-19 of \$538.6 million, a \$55.2 million improvement from the prior projection of \$483.4 million.

## 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.



Enterprise funds are used primarily for self-supporting agencies, including the Airport, Public Utilities Commission and the Port. The Municipal Transportation Agency 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.

## PROJECTION UNCERTAINTY REMAINS

Projection uncertainties include:

- The potential for continued fluctuations in general tax revenues, particularly in business taxes, given incomplete information about 2018 tax filings available at this time, as well as fluctuations in excess ERAF revenue given updates on school funding entitlements that will be posted at the end of June.
- Volatility in revenue at the Department of Public Health, which is projected to be \$66.7 million above budget, due primarily to larger than anticipated payments under the PRIME and Global Payment Programs in the Medi-Cal 1115 Waiver at Zuckerberg San Francisco General Hospital (ZSFG), higher than budgeted Medi-Cal per diem rates at Laguna Honda Hospital, and one-time prior year settlements in behavioral health, partially offset by a projected shortfall in Medi-Cal and Medicare capitation revenue in the General Fund.
- This report assumes PG&E, which filed for bankruptcy protection last month, will pay approximately \$55 million in taxes and fees to the General Fund through year end, as well as \$10 million to \$15 million in monthly CleanPowerSF remittances billed on behalf of the PUC. Payments to date have been timely.

## 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. The Board has approved increases in overtime at the Public Utilities Commission, Sheriff's Department, and Fire Department.

## APPENDICES

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

## Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund sources are projected to be \$261.3 million above revised budget, of which \$251.4 million is due to improvements in citywide revenue as discussed in this Appendix 1 and the remainder is departmental revenue increases (net of interdepartmental recoveries) in state subventions offset by weakness in federal subventions, charges for services, and other revenues. Total departmental revenue increases of \$65.3 million in Table A2-1 include revenue in the General Fund-supported hospital enterprises that are not included in Table A1-1 below.

Table A1-1: Detail of General Fund Revenue and Transfers In

| GENERAL FUND (\$ Millions)                      | FY 2017-18        |                   | FY 2018-19        |                   |                    |                    |
|---|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
|   | Year End Actual   | Original Budget   | Revised Budget    | 6-Month Adjusted  | 9-Month Projection | Surplus/ Shortfall |
| <b>PROPERTY TAXES</b>                           | \$ 1,661.0        | \$ 1,728.0        | \$ 2,142.7        | \$ 2,142.7        | \$ 2,105.5         | \$ (37.2)          |
| <b>BUSINESS TAXES</b>                           | 897.1             | 879.4             | 879.4             | 1,003.3           | 1,003.3            | 123.9              |
| Business Registration Tax                       | 43.3              | 46.8              | 46.8              | 45.9              | 45.9               | (0.8)              |
| Payroll Tax                                     | 442.2             | 254.4             | 254.4             | 174.4             | 174.4              | (80.0)             |
| Gross Receipts Tax                              | 388.9             | 550.0             | 550.0             | 744.7             | 744.7              | 194.7              |
| Admin Office Tax                                | 22.6              | 28.2              | 28.2              | 38.2              | 38.2               | 10.0               |
| <b>Total Business Taxes</b>                     | <b>897.1</b>      | <b>879.4</b>      | <b>879.4</b>      | <b>1003.3</b>     | <b>1003.3</b>      | <b>123.9</b>       |
| <b>OTHER LOCAL TAXES</b>                        |                   |                   |                   |                   |                    |                    |
| Sales Tax                                       | 192.9             | 196.9             | 196.9             | 201.1             | 204.3              | 7.4                |
| Hotel Room Tax                                  | 382.2             | 375.8             | 375.8             | 390.2             | 389.9              | 14.1               |
| Utility Users Tax                               | 94.5              | 99.1              | 99.1              | 96.4              | 97.6               | (1.5)              |
| Parking Tax                                     | 83.5              | 85.5              | 85.5              | 85.5              | 83.2               | (2.4)              |
| Real Property Transfer Tax                      | 280.4             | 228.0             | 228.0             | 329.4             | 338.7              | 110.7              |
| Sugar Sweetened Beverage Tax                    | 7.9               | 15.0              | 15.0              | 15.0              | 16.0               | 1.0                |
| Stadium Admission Tax                           | 1.1               | 1.2               | 1.2               | 1.2               | 1.2                | -                  |
| Access Line Tax                                 | 51.3              | 51.9              | 51.9              | 51.1              | 47.5               | (4.4)              |
| Cannabis Tax                                    | 0.0               | 0.0               | 0.0               | 1.5               | 1.5                | 1.5                |
| <b>Total Other Local Taxes</b>                  | <b>1,093.8</b>    | <b>1,053.4</b>    | <b>1,053.4</b>    | <b>1,171.3</b>    | <b>1,179.8</b>     | <b>126.4</b>       |
| <b>LICENSES, PERMITS &amp; FRANCHISES</b>       |                   |                   |                   |                   |                    |                    |
| Licenses & Permits                              | 11.9              | 13.4              | 13.4              | 12.7              | 12.8               | (0.6)              |
| Franchise Tax                                   | 16.9              | 17.5              | 17.5              | 17.0              | 17.5               | -                  |
| <b>Total Licenses, Permits &amp; Franchises</b> | <b>28.8</b>       | <b>30.8</b>       | <b>30.8</b>       | <b>29.7</b>       | <b>30.2</b>        | <b>(0.6)</b>       |
| <b>FINES, FORFEITURES &amp; PENALTIES</b>       | 8.2               | 3.1               | 3.1               | 3.8               | 4.0                | 0.9                |
| <b>INTEREST &amp; INVESTMENT INCOME</b>         | 50.4              | 27.3              | 27.8              | 60.7              | 61.1               | 33.4               |
| <b>RENTS &amp; CONCESSIONS</b>                  |                   |                   |                   |                   |                    |                    |
| Garages - Rec/Park                              | 7.8               | 8.9               | 8.9               | 8.9               | 8.9                | (0.0)              |
| Rents and Concessions - Rec/Park                | 5.9               | 5.3               | 5.3               | 5.3               | 5.2                | (0.1)              |
| Other Rents and Concessions                     | 0.6               | 0.5               | 0.5               | 0.3               | 0.3                | (0.2)              |
| <b>Total Rents and Concessions</b>              | <b>14.4</b>       | <b>14.8</b>       | <b>14.8</b>       | <b>14.6</b>       | <b>14.5</b>        | <b>(0.3)</b>       |
| <b>INTERGOVERNMENTAL REVENUES</b>               |                   |                   |                   |                   |                    |                    |
| <b>Federal Government</b>                       |                   |                   |                   |                   |                    |                    |
| Social Service Subventions                      | 232.8             | 265.8             | 279.5             | 249.5             | 272.4              | (7.1)              |
| Other Grants & Subventions                      | 1.3               | 12.7              | 12.7              | 12.7              | 12.7               | -                  |
| <b>Total Federal Subventions</b>                | <b>234.1</b>      | <b>278.4</b>      | <b>292.2</b>      | <b>262.2</b>      | <b>285.1</b>       | <b>(7.1)</b>       |
| <b>State Government</b>                         |                   |                   |                   |                   |                    |                    |
| Social Service Subventions                      | 197.4             | 219.4             | 221.3             | 219.6             | 222.7              | 1.4                |
| Health & Welfare Realignment - Sales Tax        | 156.0             | 168.0             | 168.0             | 160.4             | 174.2              | 6.3                |
| Health & Welfare Realignment - VLF              | 41.9              | 41.1              | 41.1              | 44.9              | 44.9               | 3.8                |
| Health & Welfare Realignment - CalWORKs MO      | 26.1              | 19.9              | 19.9              | 19.4              | 18.5               | (1.4)              |
| Health/Mental Health Subventions                | 140.8             | 153.1             | 185.3             | 153.5             | 192.2              | 6.9                |
| Public Safety Sales Tax                         | 104.8             | 104.7             | 104.7             | 106.1             | 106.2              | 1.5                |
| Motor Vehicle In-Lieu                           | 0.8               | -                 | -                 | -                 | 0.8                | 0.8                |
| Public Safety Realignment (AB109)               | 37.4              | 39.0              | 39.0              | 40.0              | 40.0               | 1.0                |
| Other Grants & Subventions                      | 24.2              | 15.9              | 15.9              | 23.2              | 23.1               | 7.2                |
| <b>Total State Grants and Subventions</b>       | <b>729.5</b>      | <b>761.0</b>      | <b>795.1</b>      | <b>767.0</b>      | <b>822.6</b>       | <b>27.5</b>        |
| <b>Other Regional Government</b>                |                   |                   |                   |                   |                    |                    |
| Redevelopment Agency                            | 3.1               | 12.2              | 12.2              | 12.2              | 11.9               | (0.3)              |
| <b>CHARGES FOR SERVICES:</b>                    |                   |                   |                   |                   |                    |                    |
| General Government Service Charges              | 62.6              | 64.4              | 64.4              | 61.2              | 61.2               | (3.2)              |
| Public Safety Service Charges                   | 43.0              | 43.6              | 44.0              | 43.6              | 45.4               | 1.4                |
| Recreation Charges - Rec/Park                   | 20.9              | 21.5              | 22.0              | 21.5              | 21.5               | (0.5)              |
| MediCal, MediCare & Health Service Charges      | 90.5              | 87.5              | 87.1              | 85.2              | 90.6               | 3.5                |
| Other Service Charges                           | 23.0              | 31.3              | 31.4              | 25.7              | 25.7               | (5.7)              |
| <b>Total Charges for Services</b>               | <b>240.0</b>      | <b>248.4</b>      | <b>248.9</b>      | <b>237.2</b>      | <b>244.4</b>       | <b>(4.5)</b>       |
| <b>RECOVERY OF GEN. GOV'T. COSTS</b>            | 9.9               | 12.9              | 12.9              | 12.9              | 12.9               | -                  |
| <b>OTHER REVENUES</b>                           | 14.4              | 41.1              | 43.0              | 37.3              | 49.6               | 6.6                |
| <b>TOTAL REVENUES</b>                           | <b>4,984.5</b>    | <b>5,090.9</b>    | <b>5,556.3</b>    | <b>5,755.0</b>    | <b>5,824.9</b>     | <b>268.6</b>       |
| <b>TRANSFERS INTO GENERAL FUND:</b>             |                   |                   |                   |                   |                    |                    |
| Airport   | 46.5              | 46.6              | 46.6              | 48.3              | 48.3               | 1.7                |
| Other Transfers                                 | 185.0             | 124.1             | 133.0             | 124.1             | 124.1              | (8.9)              |
| <b>Total Transfers-In</b>                       | <b>231.5</b>      | <b>170.7</b>      | <b>179.6</b>      | <b>172.3</b>      | <b>172.3</b>       | <b>(7.2)</b>       |
| <b>TOTAL GENERAL FUND RESOURCES</b>             | <b>\$ 5,216.0</b> | <b>\$ 5,261.6</b> | <b>\$ 5,735.9</b> | <b>\$ 5,927.3</b> | <b>\$ 5,997.2</b>  | <b>\$ 261.3</b>    |

## Property Tax

Property Tax revenue in the General Fund is projected to be \$37.2 million (1.7%) below budget and \$444.5 million (26.8%) over prior year actual revenues. Revenue from supplemental and escape assessments, which is realized when new construction and changes in ownership that occurred in prior periods is brought onto the rolls, is projected to be reduced by 50% from FY 2017-18, from \$217 million to \$109 million, as the Assessor continue to minimize the age of items in the enrollment queue. The lowered expectations reflects a slowing of activity which triggers supplemental assessments. These supplemental and escape revenues were a significant driver of revenue variances in FY 2015-16 through FY 2017-18.

The budget assumed secured roll corrections and cancellations, which represent reductions in assessed value as determined by the Assessment Appeals Board (AAB) and/or the Assessor and result in revenue refunds, would decline from FY 2017-18. Given year to date activity, current projections assume \$11.0 million more than budget will be refunded from the General Fund, reducing revenue by a like amount.

The revised budget for property tax revenue includes \$414.7 million in excess ERAF (Educational Revenue Augmentation Fund) proceeds appropriated by the Board of Supervisors in a supplemental on March 7, including \$208.1 million for FY 2017-18 and \$206.7 million for FY 2018-19. Given the most recent data available from state and local education entities, as well as current local property tax revenue projections, estimated revenue has been reduced by a total of \$13.2 million, to \$206.2 million for FY 2017-18 and to \$195.3 million for FY 2018-19. The FY 2017-18 excess ERAF amount was reduced due to a change in funding amounts calculated by the California Department of Education and the California Community Colleges Chancellor's Office. In the current year, the decline in local property tax revenues will similarly reduce direct property tax revenues for SFUSD, the County Office of Education, and San Francisco Community College District, thereby increasing their draw from ERAF. That increased level of ERAF entitlement reduces the amount of excess ERAF available to the City. Excess ERAF revenue is the largest contributor to the increase in revenue over the prior year.

## Property Tax Set Asides

Property tax set asides to special revenue funds are below budget by \$1.1 million, as shown below, given the decline in projected revenue. Set aside amounts are not affected by excess ERAF because they are calculated as a percent of assessed valuation.

|                           | Original Budget | 6-Month Projection | 9-Month Projection | Variance vs Budget | Variance vs Prior Projection |
|---------------------------|-----------------|--------------------|--------------------|--------------------|------------------------------|
| Children's Fund           | 101.7           | 101.8              | 101.2              | (0.5)              | (0.6)                        |
| Open Space Fund           | 63.6            | 63.6               | 63.3               | (0.307)            | (0.4)                        |
| Library Preservation Fund | 63.6            | 63.6               | 63.3               | (0.3)              | (0.4)                        |
| <b>Total</b>              | <b>228.8</b>    | <b>229.0</b>       | <b>227.7</b>       | <b>(1.1)</b>       | <b>(1.3)</b>                 |

## Business Tax

Business Tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes, and administrative office taxes. Business tax revenue is projected to be \$123.9

million (14.1%) above budget and \$106.2 million (11.8%) over prior year actual revenues. The projected growth is due to growth in wages and employment in San Francisco continued from last fiscal year. Preliminary FY 2017-18 data from the Bureau of Labor Statistics show 2.5% growth in employment and 10.7% wage growth over the previous fiscal year.

The City began phasing out its payroll tax in the second half of FY 2013-14 and phasing in a gross receipts tax. FY 2018-19 is the final year of tax rate adjustments and the FY 2018-19 rates will continue to future years. While overall payroll in San Francisco is expected to grow, payroll tax collections are expected to decline by 35.0% between FY 2017-18 and FY 2018-19 due to the lower tax rate. Gross receipts collections are expected to grow by 35.6% from prior year, due mainly to the increasing tax rates. Business registration and administrative office revenues are projected to grow by 6.0% and 5.6% over prior year, respectively.

## **Local Sales Tax**

Local Sales Tax revenues are projected to be \$7.4 million (3.8%) over budget and \$11.3 million (5.9%) over FY 2017-18 receipts. The increases are mainly due to delayed payments related to implementation of new systems at the California Department of Tax and Fee Administration. The State was not able to process all sales tax remittances from paper filers and distribute the related revenue to local taxing entities in FY 2017-18, and is instead remitting them in FY 2018-19, causing a one-time increase in sales tax revenue in the current year.

In the fourth quarter of 2018, both the building and construction and business and industry sectors demonstrated higher growth than anticipated. Fuel and service stations also showed stronger growth given gasoline price increases. The projection does not take into consideration potential impacts from the June 2018 Supreme Court *Wayfair* ruling because of uncertainty about the scope and timing of regulatory changes the state may make in response.

## **Hotel Room Tax**

General Fund Hotel Room Tax revenues are projected to be \$14.1 million (3.7%) over budget and \$7.7 million (2.0%) over prior year actual revenues. The increases are due to stronger than expected collections in the first half of the fiscal year, and revised expectations of Revenue per Available Room (RevPAR).

RevPAR, which is the combined effect of occupancy, average daily room rates, and room supply, experienced a monthly average increase of 5.1% between July 2018 and January 2019, the latest month of available data. Increases in monthly rates have been partially offset by declining occupancy. Projections assume continued growth in the second half of the fiscal year due to the full reopening of the Moscone Convention Center as well as modest growth in room supply.

In August 2018, the California Supreme Court delivered its final rulings regarding online travel companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. The Court ruled in favor of the online travel companies, and San Francisco refunded the disputed taxes plus interest in September 2018. Funds necessary to make the payments, which had been held in reserve given the legal risk, exceeded the amount refunded by \$3.2 million, leading to a one-time increase in the current year.

## Utility User Taxes

Utility User Tax revenues are projected to be \$1.5 million (1.6%) below budget, and \$3.1 million (3.3%) above prior year actuals. This projection reflects a shortfall in telephone user tax revenue, the continuation of a multi-year trend, partially offset by higher than expected collections of electric, gas and water users tax. These projections assume any delays in utility users tax remitted by PG&E due to ongoing bankruptcy proceedings will be reflected in the City's balance sheet at year end.

## Parking Tax

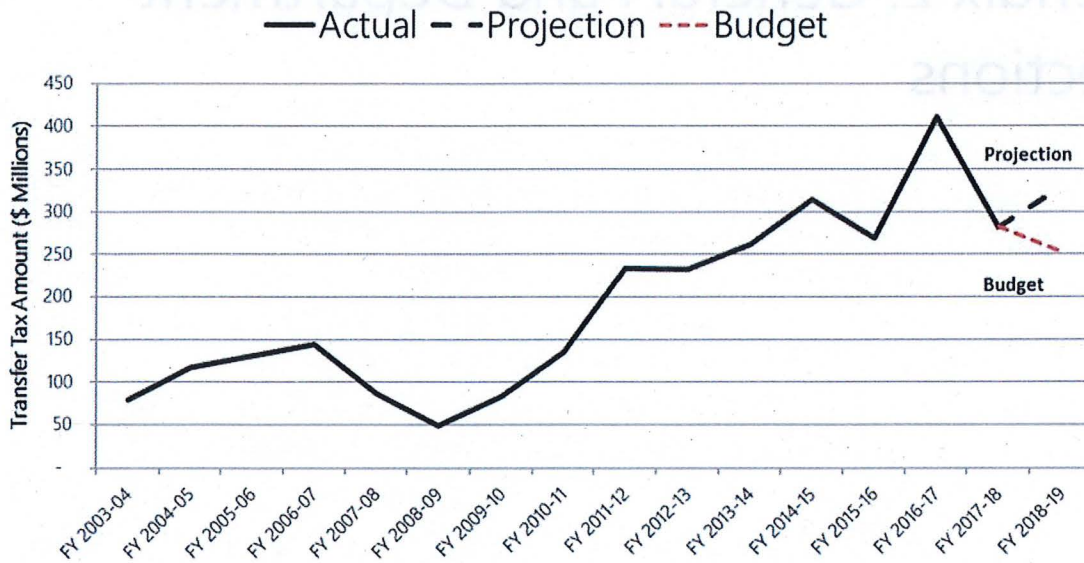
Parking revenues are projected to be \$2.4 million (2.8%) below budget, and \$0.3 million (0.4%) below prior year actuals. The downward revision is based on lower than expected collections in parking tax revenues in the first nine months of the fiscal year compared to prior year. Year over year declines in revenue since FY 2015-16 caused by increasing use of ride sharing services are expected to continue in the current year. Parking tax 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 16.1110.

## Real Property Transfer Tax

Real Property Transfer Tax revenues are projected to be \$110.7 million (48.5%) above budget and \$58.3 million (20.8%) above prior year actual revenues. Transfer tax revenue is one of the General Fund's most volatile sources and is highly dependent on several factors, including interest rates, credit availability, foreign capital flows, and the attractiveness of San Francisco real estate compared to other investment options, all of which have been favorable for San Francisco commercial and residential real estate in the past seven years. In addition, voters approved Proposition W in November 2016, which increased the real property transfer tax rate on properties over \$5.0 million. The highest tier now imposes a 3% tax on transactions valued at more than \$25.0 million. While the number of transactions in this tax tier is small (0.5% of all FY 2017-18 transactions), the proportion of the total transfer tax revenue generated by this tier is large (47% in FY 2017-18). The progressive tax structure for this small number of high-value transactions is the primary reason for revenue volatility.

Demand from institutional investors and owner-users for San Francisco real estate across all property types (office, hotel, retail, and residential) is expected to be stronger in 2019 than 2018, resulting in the increase over FY 2017-18 actuals, though still below the FY 2016-17 peak of \$410.6 million. The graph below shows the volatility of this revenue over the past 15 years. If year end revenues exceed current projections, 75% of the amount over current projections would be deposited into the Budget Stabilization Reserve.

Real Property Transfer Tax, FY 2003-04 through FY 2018-19 (Projected), \$millions



**Access Line Tax**

Access Line Tax revenues are projected to be \$4.4 million (8.4%) below budget and \$3.8 million (7.3%) less than FY 2017-18 actual revenues. The decline from prior year is largely due to a one-time recognition of deferred revenue in FY 2017-18.

**Interest & Investment**

Interest and investment revenues are projected to be \$33.9 million (124.1%) above budget in the General Fund and \$10.7 (21.3%) million above prior year actual revenues. Projections reflect information about FY 2017-18 interest earnings that became available after the current year budget was prepared. A series of Federal Reserve interest rate increases during FY 2017-18 increased the earned income yield of the pool by 75% over FY 2016-17, from 0.93% to 1.63%. Increased cash balances in the pool due to overall revenue growth are expected to offset the approved use of \$0.5 million in interest earnings to support loans to federal government employees affected by potential shutdowns, should they be requested. In March 2019, the Federal Reserve decided to leave interest rates unchanged, and foresees no more increases in 2019.

**State and Federal Grants and Subventions**

State and Federal Grants and Subventions are projected to be \$20.4 million (1.9%) above budget and \$114.1 million (14.9%) above prior year actual revenues. The projected increase from budget is due to a \$10.1 million increase in 1991 Health and Welfare Realignment, a \$7.2 million increase in other grants and subventions, a \$6.9 million increase in State Health/Mental Health programs, and a \$1.5 million increase in Public Safety Sales Tax, offset by a \$5.8 million decrease in federal and state social service subventions.

## Appendix 2. General Fund Department Projections





**Table A2-1. General Fund Supported Operations (\$ millions)***Note: Figures may not sum due to rounding*

| GENERAL FUND (\$ MILLIONS)                          | Expenditures - Revised Budget | Expenditures - Projected Year End | Revenue Surplus/ (Deficit) | Expenditures Savings/ (Deficit) | Net Surplus/ (Deficit) | Notes     |
|---|-------------------------------|-----------------------------------|----------------------------|---------------------------------|------------------------|-----------|
| <b>PUBLIC PROTECTION</b>                            |                               |                                   |                            |                                 |                        |           |
| Adult Probation                                     | 40.6                          | 40.4                              | -                          | 0.2                             | 0.2                    | 7         |
| Superior Court                                      | 31.6                          | 31.3                              | -                          | 0.3                             | 0.3                    | 2         |
| District Attorney                                   | 57.3                          | 57.1                              | -                          | 0.2                             | 0.2                    | 3         |
| Emergency Management                                | 58.3                          | 58.3                              | -                          | -                               | -                      |           |
| Fire Department                                     | 379.4                         | 379.4                             | 0.9                        | -                               | 0.9                    | 4         |
| Juvenile Probation                                  | 40.8                          | 40.0                              | -                          | 0.8                             | 0.8                    | 5         |
| Public Defender                                     | 38.4                          | 38.2                              | -                          | 0.1                             | 0.1                    | 6         |
| Police  | 561.5                         | 561.5                             | -                          | -                               | -                      |           |
| Sheriff   | 240.2                         | 239.9                             | (0.3)                      | 0.3                             | -                      |           |
| Police Accountability                               | 8.8                           | 8.5                               | (0.1)                      | 0.3                             | 0.2                    | 7         |
| <b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>  |                               |                                   |                            |                                 |                        |           |
| Public Works  | 74.2                          | 74.2                              | -                          | -                               | -                      |           |
| Economic & Workforce Development                    | 66.5                          | 62.6                              | (3.9)                      | 3.9                             | -                      |           |
| Board of Appeals                                    | 1.1                           | 1.0                               | -                          | -                               | -                      |           |
| <b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b> |                               |                                   |                            |                                 |                        |           |
| Children, Youth and Their Families                  | 35.5                          | 35.5                              | -                          | -                               | -                      |           |
| Human Services Agency                               | 838.4                         | 825.7                             | 3.0                        | 12.7                            | 15.7                   | 8         |
| Human Rights Commission                             | 5.7                           | 5.7                               | -                          | -                               | -                      |           |
| Homelessness and Supportive Housing                 | 193.1                         | 189.0                             | -                          | 4.1                             | 4.1                    | 9         |
| Status of Women                                     | 9.4                           | 9.4                               | -                          | -                               | -                      |           |
| <b>COMMUNITY HEALTH</b>                             |                               |                                   |                            |                                 |                        |           |
| Public Health                                       | 1,219.6                       | 1,213.6                           | 66.7                       | 6.0                             | 72.7                   | 10        |
| <b>CULTURE &amp; RECREATION</b>                     |                               |                                   |                            |                                 |                        |           |
| Asian Art Museum                                    | 11.7                          | 11.7                              | -                          | 0.1                             | 0.1                    | 11        |
| Arts Commission                                     | 7.5                           | 7.5                               | -                          | -                               | -                      |           |
| Fine Arts Museum                                    | 16.9                          | 16.9                              | -                          | -                               | -                      |           |
| Law Library   | 2.2                           | 2.0                               | -                          | 0.2                             | 0.2                    | 12        |
| Recreation and Park Department                      | 101.2                         | 100.8                             | (0.4)                      | 0.4                             | -                      |           |
| Academy of Sciences                                 | 6.5                           | 6.5                               | -                          | -                               | -                      |           |
| War Memorial  | 9.3                           | 9.3                               | 8.2                        | -                               | 8.2                    | 13        |
| <b>GENERAL ADMINISTRATION &amp; FINANCE</b>         |                               |                                   |                            |                                 |                        |           |
| City Administrator                                  | 111.3                         | 108.9                             | (0.7)                      | 2.5                             | 1.8                    | 14        |
| Assessor/Recorder                                   | 28.5                          | 27.9                              | (0.6)                      | 0.6                             | -                      |           |
| Board of Supervisors                                | 15.7                          | 15.5                              | (0.1)                      | 0.3                             | 0.2                    | 15        |
| City Attorney                                       | 83.9                          | 83.9                              | -                          | -                               | -                      |           |
| Controller  | 86.2                          | 86.2                              | -                          | -                               | -                      |           |
| City Planning                                       | 50.2                          | 47.3                              | (3.0)                      | 3.0                             | -                      |           |
| Civil Service Commission                            | 1.3                           | 1.3                               | -                          | -                               | -                      |           |
| Ethics Commission                                   | 4.5                           | 4.0                               | 0.1                        | 0.6                             | 0.7                    | 16        |
| Human Resources                                     | 28.2                          | 24.2                              | (4.0)                      | 4.0                             | 0.0                    |           |
| Health Service System                               | 12.0                          | 11.7                              | -                          | 0.3                             | 0.3                    | 17        |
| Mayor   | 70.7                          | 70.7                              | -                          | -                               | -                      |           |
| Elections   | 19.5                          | 19.5                              | -                          | -                               | -                      |           |
| Technology  | 4.4                           | 3.9                               | (0.5)                      | 0.5                             | -                      |           |
| Treasurer/Tax Collector                             | 36.0                          | 36.0                              | -                          | -                               | -                      | 18        |
| Retirement System                                   | 4.1                           | 4.1                               | -                          | -                               | -                      |           |
| <b>GENERAL CITY RESPONSIBILITY</b>                  | <b>191.5</b>                  | <b>191.3</b>                      | <b>-</b>                   | <b>0.2</b>                      | <b>0.2</b>             | <b>19</b> |
| <b>TOTAL GENERAL FUND</b>                           | <b>4,803.7</b>                | <b>4,762.1</b>                    | <b>65.3</b>                | <b>41.6</b>                     | <b>107.0</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 \$0.2 million net surplus due to salary and fringe benefit savings from staff vacancies and extended leaves.

### **2. Superior Court**

The Superior Court projects ending the year with a \$0.3 million net surplus due to a slight decrease of the number of cases in the indigent defense program.

### **3. District Attorney**

The District Attorney projects to end the fiscal year with a \$0.2 million net surplus due to unexpended reserved budget for investigation of officer involved shootings.

### **4. Fire Department**

The Fire Department projects to end the fiscal year with a net surplus of \$0.9 million mainly due to a \$1.1 million surplus revenue from fire plan checking and inspection fees, slightly offset by \$0.2 million in reduced rental concession revenue. The Board approved a supplemental appropriation of \$0.4 million in Fire Service Fees for overtime expenses.

### **5. Juvenile Probation**

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$0.8 million mainly due to savings in salary and fringe benefits and services provided by other City departments.

### **6. Public Defender**

The Public Defender's Office projects to end the fiscal year with a net surplus of \$0.1 million due to savings in fringe benefits.

### **7. Department of Police Accountability**

The Department of Police Accountability projects to end the fiscal year with a \$0.2 million net surplus, primarily due to staff vacancies.

### **8. Human Services Agency**

The Human Services Agency projects to end the fiscal year with a \$15.7 million surplus, due to a \$3.0 million revenue surplus and \$12.7 million of projected expenditure savings. The surplus includes \$7.0 million of underspending in the Title IV-E Waiver project that is required to be reinvested in the same project in the following years.

In aid and assistance programs, the department projects a net \$5.3 million deficit, comprised of \$6.9 million expenditure savings and a \$12.2 million revenue deficit. The revenue shortfall is primarily due to a \$5.9 million increase in the non-claimable costs in the In-Home Supportive Services Program (IHSS) and a \$4.1 million revenue decline due to caseload decreases. This is offset by expenditure savings mainly due to the corresponding caseload decreases.

For the department's operations and administration, a net \$20.9 million surplus is projected, comprised of \$5.8 million in expenditure savings and a \$15.2 million revenue surplus. The expenditure savings are due to hiring delays and contract underspending. The revenue surplus is primarily due to an unanticipated \$16.0 million increase in 1991 realignment allocation since the Six-Month projection.

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

| <b>Program</b>                         | <b>Revenue<br/>Surplus /<br/>(Deficit)</b> | <b>Expenditure<br/>Surplus /<br/>(Deficit)</b> | <b>Net<br/>Surplus /<br/>(Deficit)</b> |
|--|--|--|--|
| <b>Aid &amp; Assistance</b>            | <b>(12.2)</b>                              | <b>6.9</b>                                     | <b>(5.3)</b>                           |
| <b>Operations &amp; Administration</b> | <b>15.2</b>                                | <b>5.8</b>                                     | <b>20.9</b>                            |
| Child Welfare                          | (1.0)                                      | (4.1)  | (5.1)                                  |
| Aging & Adult Services                 | 1.0  | 1.1  | 2.1                                    |
| CalWORKs                               | (1.8)                                      | 3.0  | 1.2                                    |
| Food Stamps                            | 0.6  | (2.5)  | (1.9)                                  |
| MediCal                                | (0.9)                                      | 3.2  | 2.3                                    |
| All Other Programs                     | 17.2                                       | 4.9  | 22.2                                   |
| <b>Total</b>                           | <b>3.0</b>                                 | <b>12.7</b>                                    | <b>15.7</b>                            |

## 9. Homelessness and Supportive Housing

The Department of Homelessness and Supportive Housing projects to the end the fiscal year with a net operating surplus of \$4.1 million mainly due to \$1.0 million of savings from staff vacancies and \$3.1 million in savings from contractual services.

## 10. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of \$72.7 million. Revenues are projected to be \$66.7 million above budget and expenditures are projected to be \$6.0 million below budget.

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

| <b>Fund</b>                               | <b>Sources Surplus/<br/>(Shortfall)</b> | <b>Uses Savings/<br/>(Deficit)</b> | <b>Net Surplus/<br/>(Shortfall)</b> |
|---|---|------------------------------------|-------------------------------------|
| Public Health General Fund                | \$ 12.0                                 | \$ 13.2                            | \$ 25.2                             |
| Laguna Honda Hospital                     | \$ 13.8                                 | \$ (2.8)                           | \$ 11.0                             |
| Zuckerberg San Francisco General Hospital | \$ 40.8                                 | \$ (4.4)                           | \$ 36.4                             |
|   | <b>\$ 66.7</b>                          | <b>\$ 6.0</b>                      | <b>\$ 72.7</b>                      |

## **Public Health General Fund**

Department of Public Health General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Public Health Division, and Central Administration, have a projected combined surplus of \$25.2 million. A revenue surplus of \$12.0 million is projected, which includes significant revenue increases of \$5.5 million additional one-time prior year settlements in behavioral health, \$3.7 million higher than expected 2011 Realignment funds, and \$4.3 million more than budgeted Short Doyle Medi-Cal revenue. These increases are partially offset by a shortfall of \$2.5 million in lower than budgeted Primary Care capitation revenue due to declining Medi-Cal Managed Care enrollment. The Department projects expenditure savings of \$9.3 million in salaries and benefits driven by surpluses in the Behavioral Health, Health Network Services, Population Health, and Administration Divisions, as well as \$5.9 million of savings in contract underspending. The Behavioral Health division projects contract savings of \$2.0 million, which will be partially offset by \$4.0 million projected expenditure overages in services of other departments.

## **Laguna Honda Hospital**

The Department projects a \$11.0 million net surplus at Laguna Honda Hospital. Revenue is projected to be \$13.8 million above budget due to higher than expected Medi-Cal per diem rate reimbursements. Expenditures are projected to be above budget by \$2.0 million in salary and fringe benefit costs, due to higher than budgeted backfill costs for employee leave and vacant positions.

## **Zuckerberg San Francisco General Hospital**

The Department projects a \$36.4 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be \$40.8 million above budget. Significant variances include a \$37.3 million surplus in net patient revenues resulting from a higher-than-budgeted patient census, a \$41.5 million surplus in payments under the PRIME and Global Payment Programs in the Medi-Cal 1115 Waiver, a \$5.2 million surplus in 340b pharmacy revenue, and a \$3.5 million surplus in 1991 Realignment. Revenue surpluses are partially offset by a \$42.2 million shortfall in intergovernmental transfer payments required to draw down supplemental federal funding and a \$4.8 million in decreased capitation fees due to declining enrollment in Medi-Cal Managed Care. Expenditures are projected to be over budget by \$4.4 million. Salaries are projected to exceed budget by \$6.8 million due to a higher-than-budgeted patient census. The department projects fringe benefit savings of \$2.0 million as census-driven staffing increases have been met partially using overtime and per diem staffing. ZFGH projects a \$3.6 million deficit in services of other departments and a \$4.0 million surplus in materials and supplies.

### **11. Asian Art Museum**

The Asian Art Museum projects to end the fiscal year with a net surplus of \$0.1 million due to savings on work orders with other City departments.

### **12. Law Library**

The Law Library projects to end the fiscal year with \$0.2 million in savings due to salary and benefits savings from staff vacancies.

### **13. War Memorial**

The War Memorial projects \$8.2 million in unbudgeted revenue from the sale of transferable development rights, which is deposited into the General Fund and offsets debt service expenses.

### **14. City Administrator**

The City Administrator projects to end the year with a net \$1.8 million surplus. The Department projects a revenue shortfall of \$0.7 million primarily due to \$1.1 million in recovery shortfalls from the Airport to the Office of Contract Administration, and \$0.5 million less than budgeted revenues in the Office of Cannabis, offset by \$0.9 million in increased revenues from settlements in the Office of Labor Standards Enforcement. Expenditure savings of \$2.5 million are comprised of \$1.2 million in salary and fringe benefits savings and \$1.3 million in closeouts of prior year expenditure authority.

### **15. Board of Supervisors**

The Board of Supervisors projects a \$0.2 million net surplus at the end of the fiscal year. The Department projects \$0.3 million of expenditure savings, mainly due to salary and fringe benefit savings, slightly offset by \$0.1 million in an assessment appeals fee shortfall.

### **16. Ethics Commission**

The Ethics Commission projects expenditure savings of \$0.7 million net surplus, primarily due to \$0.6 million salaries and fringe benefits savings from vacant positions, and a \$0.1 million increase in registration fees.

### **17. Health Service System**

The Health Service System projects a \$0.3 million surplus at the end of the fiscal year due to salary and fringe benefit savings.

### **18. Treasurer/Tax Collector**

The Treasurer/Tax Collector projects to end the fiscal year on budget. Personnel services savings of \$0.9 million and non-personnel services savings of \$0.9 million, for a total of \$1.8 million, will be applied to the property tax system replacement project as detailed in Section 26.1 of the Administrative Provisions of the Annual Appropriation Ordinance.

### **19. General City Responsibility**

General City Responsibility contains funds that are allocated for use across various City departments. The department is projected to have a net surplus of \$0.2 million, due to estimated retiree health subsidy savings. After costs absorbed in department budgets, balances of \$20.4 million for Minimum Wage increases and \$7.5 million for Community Based Organizations' cost of living adjustments are assumed to be spent in the current year and the upcoming budget year.

## 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 deposits and withdrawals included in the approved FY 2019-20 budget.

**Table A3.1 Reserve Balances (\$ Millions)**

|  | FY 2018-19       |                                     |                       |                          | FY 2019-20        |                      |                          | Notes |
|--|------------------|-------------------------------------|-----------------------|--------------------------|-------------------|----------------------|--------------------------|-------|
|  | Starting Balance | Projected Deposits - 9-Month Update | Projected Withdrawals | Projected Ending Balance | Budgeted Deposits | Budgeted Withdrawals | Projected Ending Balance |       |
| General Reserve                                      | \$ 128.3         | \$ -                                | \$ -                  | 128.3                    | \$ 14.2           | \$ -                 | \$ 142.5                 | 1     |
| Budget Savings Incentive Fund                        | 73.6             | 6.7                                 | -                     | 80.3                     | -                 | -                    | 80.3                     | 2     |
| Recreation & Parks Savings Incentive Reserve         | 1.7              | -                                   | -                     | 1.7                      | -                 | (1.0)                | 0.7                      | 3     |
| Rainy Day Economic Stabilization City Reserve        | 89.3             | 103.0                               | -                     | 192.3                    | -                 | -                    | 192.3                    | 4     |
| Rainy Day Economic Stabilization School Reserve      | 47.9             | 34.3                                | -                     | 82.2                     | -                 | -                    | 82.2                     | 4     |
| Rainy Day One-Time Reserve (1)                       | 54.7             | 68.6                                | (52.0)                | 71.3                     | -                 | -                    | 71.3                     | 5     |
| Budget Stabilization Reserve                         | 370.0            | -                                   | -                     | 370.0                    | -                 | -                    | 370.0                    | 6     |
| Budget Stabilization Reserve - One Time Reserve      | -                | -                                   | -                     | -                        | -                 | -                    | -                        | 6     |
| Contingency Reserve - State and Federal              | 40.0             | -                                   | -                     | 40.0                     | -                 | -                    | 40.0                     | 7     |
| Contingency Reserve - Labor Cost Contingency Reserve | 70.0             | -                                   | -                     | 70.0                     | -                 | (70.0)               | -                        | 8     |
| Contingency Reserve - Affordable Care Act            | 50.0             | -                                   | -                     | 50.0                     | -                 | -                    | 50.0                     | 9     |
| Public Health Revenue Management Reserve             | 136.8            | -                                   | (55.9)                | 80.9                     | -                 | -                    | 80.9                     | 10    |
| Teacher & Early Care Educator Emergency Reserve      | -                | 52.0                                | -                     | 52.0                     | -                 | -                    | 52.0                     | 11    |
| Salary and Benefits Reserve                          | 48.7             | -                                   | (48.7)                | -                        | 15.0              | (15.0)               | -                        | 12    |
| <b>Total</b>   | <b>1,111.0</b>   | <b>264.7</b>                        | <b>(156.6)</b>        | <b>1,219.1</b>           | <b>29.2</b>       | <b>(86.0)</b>        | <b>1,162.3</b>           |       |
| Economic reserves                                    |                  |                                     |                       | 562.3                    |                   |                      |                          |       |
| Economic reserves as a % of General Fund revenues    |                  |                                     |                       | 10.0%                    |                   |                      |                          |       |

## **1. General Reserve**

No uses of the General Reserve have been proposed year to date, resulting in a projected ending General Reserve balance of \$128.3 million, which will be carried forward to FY 2019-20. The approved budget includes a \$14.2 million deposit to the reserve in FY 2019-20. Any proposed uses of the reserve during the current year will increase the required FY 2019-20 deposit by a like amount.

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. For FY 2018-19 and FY 2019-20, the policy requires the General Reserve to be no less than and 2.5% and 2.75% of budgeted regular General Fund revenues, respectively.

## **2. Budget Savings Incentive Fund**

The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. The FY 2017-18 ending balance was \$73.6 million. A projected deposit of \$6.7 million in the current year would result in a projected year-end balance of \$80.3 million.

## **3. Recreation and Parks Savings Incentive Reserve**

Through FY 2016-17, this reserve, established by Charter Section 16.107(c), was funded by the retention of net year-end revenue and expenditure savings at the Recreation and Parks Department. Due to modifications approved by voters in June 2016 (Proposition B), beginning in FY 2016-17, 100% of net revenue surpluses are deposited to the Recreation and Parks Savings Incentive Reserve and 25% of net expenditure savings are deposited to the citywide Budget Savings Incentive Fund. No deposits are projected in the current year. The approved FY 2019-20 budget includes a \$1.0 million use of reserve.

## **4. Rainy Day Economic Stabilization City Reserve**

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess of 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.

At the time the excess ERAF supplemental was approved by the Board of Supervisors in early March, the total projected deposit to the City Reserve was \$97.9 million, comprised of \$78.0 million from the receipt of \$414.7 million in excess ERAF revenue in the current year and \$19.9 million from all other General Fund revenue growth. The current projected deposit of \$103.0 million will result in a projected year end balance of \$192.3 million.

At the time the excess ERAF supplemental was approved by the Board of Supervisors in early March, the total projected deposit to the School Reserve was \$32.6 million, comprised of \$26.0 million from the receipt of \$414.7 million in excess ERAF revenue in the current year and \$6.6 million from all other General Fund revenue growth. The current projected deposit of \$34.3 million will result in a projected year end balance of \$82.2 million.

## **5. Rainy Day One-Time Reserve**

Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. This Reserve began the year with \$54.7 million. In addition to a \$52.0 million deposit projected due to the receipt of \$414.7 million in excess ERAF revenue in the current year, revenue growth at the 6-Month was projected to result in a deposit of \$13.2 million, for a total deposit of \$65.2 million. The ordinance appropriating excess ERAF revenue included the use of \$52.0 million of the Rainy Day One-Time Reserve to establish a new Teacher and Early Care Educator Unappropriated Emergency Reserve. Given this expenditure and the current projected deposit of \$68.6 million, the projected ending balance in the reserve is \$71.3 million.

## **6. 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 that appropriated as a source in the subsequent year's budget. The FY 2017-18 ending balance of the Reserve was \$370.0 million. The Charter provides that when the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reach 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. Deposits projected in this report will result in the City exactly reaching its target, thus no deposits to the Budget Stabilization One-Time Reserve are required.

## **7. State and Federal Revenue Risk Contingency Reserve**

The FY 2018-19 and FY 2019-20 budget assigned \$40.0 million in unappropriated fund balance to a contingency reserve for managing state and federal revenue uncertainty in the budget. There are no projected withdrawals in the current fiscal year.

## **8. Labor Cost Contingency Reserve**

The FY 2018-19 and FY 2019-20 budget assigned \$70.0 million in unappropriated fund balance to a contingency reserve for managing costs related to wage and salary provisions negotiated in the City's labor contracts in FY 2019-20, and to manage volatility in the employee health and pension costs. Shortfalls projected in the December 2018 Five Year Financial Plan assume the entire reserve is spent as one time fund balance.

## **9. Affordable Care Act Contingency Reserve**

The FY 2017-18 and FY 2018-19 budget assigned \$50.0 million in unappropriated fund balance to a budget contingency reserve for Zuckerberg San Francisco General Hospital for managing cost and revenue uncertainty related to federal and state changes to the administration and funding



of the Affordable care act during the term of the budget. There are no projected withdrawals in the current fiscal year.

## **10. 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 the Affordable Care Act and funding allocations for indigent health services. The budgeted repayment of \$55.9 million of disallowed SB1128 reimbursements from prior years was made in March 2019, resulting in a projected ending balance of \$80.9 million.

## **11. Teacher & Early Care Educator Unappropriated Emergency Reserve**

This reserve was established in Section 4 of ordinance 33-19 to sustain wages for early care educators and SFUSD teachers and staff in Fiscal Year 2020-2021 if other City revenues or SFUSD resources are not sufficient. The ordinance allocated \$52.0 million to this reserve. Any remaining balance as of June 30, 2021 will be transferred to a reserve for one-time expenditures, or at such time that the Board of Supervisors determines, by ordinance, that this Reserve is no longer required to meet these needs given other funds appropriated in the City and/or School District's Fiscal Year 2019-2020 and/or 2020-2021 budgets.

Funds appropriated from this reserve are considered General Fund advances from the June 2018 School District Parcel Tax and Commercial Rent Tax for Childcare and Early Education Ordinances, which are currently being challenged as unauthorized taxes. These advances will be repaid when the legal challenge to these measures is resolved and funds become available.

## **12. Salary and Benefits Reserve**

Administrative Provision Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The reserve had a starting balance of \$48.7 million (\$23.9 million carried forward from FY 2017-18 and \$24.8 million appropriated in the FY 2018-19 budget). The Controller's Office has transferred \$3.6 million to departments and anticipates transferring an additional \$32.1 million by year-end, as detailed in Table A3-2. The approved FY 2018-19 budget assumes \$11.3 million use of reserve to pay for regularly scheduled staffing in 24/7 operations for two additional weekend days in the fiscal year. This will leave \$13.0 million, which will reduce the required deposit in FY 2019-20 to cover the costs of labor agreements that will come to the Board for approval in early June.

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

|   |             |
|---|-------------|
| Adopted AAO Salary and Benefits Reserve | 24.8        |
| Carryforward balance from FY 17-18      | 23.9        |
| <b>Total Sources</b>                    | <b>48.7</b> |

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

|  |            |
|--|------------|
| SEIU settlements                               | 0.2        |
| Police Department - recruitment                | 0.3        |
| Visual Display Terminal Insurance (Q1, Q2, Q3) | 0.1        |
| Fair Labor Standards Act one-time payments     | 2.5        |
| L39, L261, UAPD Development Funds              | 0.5        |
| <b>Total Transfer to Departments</b>           | <b>3.6</b> |

**Anticipated Allocations**

|   |             |
|---|-------------|
| Public Safety, including premium, wellness, one-time      | 11.3        |
| Two additional days of 24/7 operations & other expenses   | 11.0        |
| Citywide premium, retirement, severance and other payouts | 4.1         |
| Fair Labor Standards Act one-time payments                | 3.8         |
| Various training, tuition, other reimbursements           | 1.9         |
| Visual Display Terminal Insurance (Q4)                    | 0.0         |
| <b>Total Anticipated Uses</b>                             | <b>32.1</b> |

|  |             |
|--|-------------|
| <b>Available for eligible expenses</b> | <b>13.0</b> |
|--|-------------|

|                                  |          |
|----------------------------------|----------|
| <b>Net Surplus / (Shortfall)</b> | <b>-</b> |
|----------------------------------|----------|

# Appendix 4. Other Funds Highlights

Table A4-1. Other Fund Highlights, \$ Millions

|   | Prior Year                                |  | FY 2018-19                   |                                  |                                       |   |  | FY 2019-20   |    | Notes |
|---|---|--|------------------------------|----------------------------------|---------------------------------------|---|--|--|----|-------|
|   | FY 2017-18<br>Year End<br>Fund<br>Balance | Fund<br>Balance<br>Used in<br>FY 2018-19<br>Budget | Beginning<br>Fund<br>Balance | Revenue<br>Surplus/<br>(Deficit) | Expenditures<br>Savings/<br>(Deficit) | Net<br>Operating<br>Surplus/<br>(Deficit) | Estimated<br>Ending<br>Fund<br>Balance | Fund<br>Balance<br>Used in<br>FY 2019-20<br>Budget |    |       |
| <b>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</b> |   |  |                              |                                  |                                       |   |  |  |    |       |
| Building Inspection Operating Fund                        | \$ 17.6                                   | \$ 6.0   | \$ 11.7                      | \$ 3.8                           | \$ 3.7                                | \$ 7.5                                    | \$ 19.1                                | \$ 6.5   | 1  |       |
| Children's Fund   | (1.7)                                     | 8.6  | (10.3)                       | 2.3                              | 14.7                                  | 17.0                                      | 6.8                                    | 2.7  | 2  |       |
| Public Education Special Fund                             | 1.2                                       | -  | 1.2                          | 5.8                              | -                                     | 5.8                                       | 7.0                                    | -  | 3  |       |
| Convention Facilities Fund                                | 14.6                                      | 3.6  | 11.1                         | -                                | 7.1                                   | 7.1                                       | 18.2                                   | 1.5  | 4  |       |
| Golf Fund   | 4.3                                       | 0.3  | 4.0                          | -                                | -                                     | -   | 4.0                                    | -  | 5  |       |
| Library Preservation Fund                                 | 36.7                                      | 11.9   | 24.8                         | 2.8                              | 2.2                                   | 5.0                                       | 29.8                                   | -  | 6  |       |
| Local Courthouse Construction Fund                        | 0.8                                       | -  | 0.8                          | -                                | -                                     | -   | 0.8                                    | -  | 7  |       |
| Open Space Fund   | 26.9                                      | 12.2   | 14.7                         | (0.3)                            | -                                     | (0.3)                                     | 14.4                                   | 1.2  | 8  |       |
| Telecomm. & Information Systems Fund                      | 3.0                                       | 3.0  | 0.0                          | (5.7)                            | 7.7                                   | 2.0                                       | 2.0                                    | 1.8  | 9  |       |
| General Services Agency-Central Shops Fund                | (0.1)                                     | 0.0  | (0.1)                        | -                                | 0.7                                   | 0.7                                       | 0.6                                    | -  | 10 |       |
| Arts Commission Street Artist Fund                        | (0.1)                                     | -  | (0.1)                        | -                                | 0.1                                   | 0.1                                       | 0.0                                    | -  | 11 |       |
| War Memorial Fund   | 2.8                                       | 0.6  | 2.2                          | -                                | -                                     | -   | 2.2                                    | 0.6  | 12 |       |
| Gas Tax Fund  | 4.8                                       | 0.8  | 4.0                          | (5.6)                            | 5.6                                   | -   | 4.0                                    | 0.6  | 13 |       |
| Neighborhood Beautification Fund                          | 0.6                                       | -  | 0.6                          | -                                | -                                     | -   | 0.6                                    | -  | 14 |       |
| Election Campaign Fund <sup>(1)</sup>                     | -   | 6.1  | 6.1                          | -                                | (1.2)                                 | (1.2)                                     | 4.9                                    | -  | 15 |       |
| Culture and Recreation Hotel Tax Fund                     | -   | -  | -                            | -                                | 1.7                                   | 1.7                                       | 1.7                                    | -  | 16 |       |
| Street Tree Maintenance Fund                              | (0.1)                                     | -  | (0.1)                        | 0.5                              | -                                     | 0.5                                       | 0.4                                    | -  | 17 |       |
| <b>SELECT ENTERPRISE FUNDS</b>                            |   |  |                              |                                  |                                       |   |  |  |    |       |
| Airport Operating Funds                                   | \$ 207.6                                  | 42.4   | 165.2                        | 11.7                             | 15.2                                  | 26.8                                      | 192.0                                  | 88.1   | 17 |       |
| MTA Operating Funds                                       | 244.5                                     | 33.2   | 211.3                        | 12.6                             | 1.0                                   | 13.7                                      | 224.9                                  | 38.0   | 18 |       |
| Port Operating Funds                                      | 53.0                                      | 25.9   | 27.1                         | 0.6                              | 4.0                                   | 4.6                                       | 31.7                                   | 10.6   | 19 |       |
| PUC Hetch Hetchy Operating Funds                          | 44.8                                      | 14.1   | 30.7                         | (12.5)                           | -                                     | (12.5)                                    | 18.2                                   | 4.9  | 20 |       |
| PUC Wastewater Operating Funds                            | 208.1                                     | 6.0  | 202.1                        | (3.7)                            | 4.5                                   | 0.8                                       | 202.9                                  | -  | 21 |       |
| PUC Water Operating Funds                                 | 236.9                                     | 4.3  | 232.6                        | (10.0)                           | 3.0                                   | (7.0)                                     | 225.6                                  | 11.1   | 22 |       |
| PUC Clean Power Funds                                     | 4.0                                       | -  | 4.0                          | 22.1                             | 2.5                                   | 24.6                                      | 28.6                                   | -  | 23 |       |

(1) Expenditure deficit = uses

## SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

### 1. Building Inspection Fund

The Department projects a net increase of \$7.5 million in fund balance, comprised of both surplus revenues and expenditure savings, resulting in a \$19.1 million operating balance at year end, of which \$6.5 million was previously appropriated in the FY 2019-20 budget. A \$3.8 million revenue surplus is projected due to increases in electrical, plumbing, and pre-application fees. Revenues

remain strong but are slowing from prior year. Expenditures are projected to be \$3.7 million under budget due to savings in salary and fringe benefits, non-personnel services and city grant program. In addition, the estimated balances of the department's contingency and other post-employment benefit reserves are currently \$41.0 million and \$26.25 million, respectively.

## **2. Children's Fund**

The Children's Fund began the year with a negative balance of \$10.3 million due to a delay in posting \$14.3 million in FY 2017-18 year-end adjustments, which will be made before the current year close. A net surplus of \$2.7 million is primarily due to the increase in General Fund aggregate discretionary revenue (ADR), resulting in a projected ending balance of \$6.8 million, of which \$2.7 million was previously appropriated in the FY 2019-20 budget.

## **3. Children's Fund – Public Education Special Fund**

Revenues are expected to be \$5.8 million above revised budget, reflecting growth in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund, resulting in a projected ending balance of \$7.0 million.

## **4. Convention Facilities Fund**

Operating savings of \$1.4 million as well as debt service savings of \$5.7 million are projected in the current year, resulting in an operating surplus of \$7.1 million and projected ending balance of \$18.2 million.

## **5. Golf Fund**

The Recreation and Parks Department projects both revenues and expenses to be on budget, resulting in no change to the \$4.0 million balance of the fund.

## **6. Library Preservation Fund**

The Library Preservation Fund began the fiscal year with \$36.7 million in available fund balance. The Department projects a net revenue surplus of \$5.9 million resulting from property tax allocations and increased baseline revenues, half of which will be returned to the General Fund at year end, for a net surplus of \$2.8 million. The Department projects expenditure savings of \$2.2 million, due to savings in materials and supplies and services needed from other departments. The net operating surplus is projected to be \$5.0 million and a year-end projected fund balance of \$29.8 million.

## **7. Local Courthouse Construction Fund**

Revenues and expenditures are expected to be on budget in the Local Courthouse Construction Fund, resulting in no change to the \$0.8 million prior year ending balance.

## **8. Open Space Fund**

The Open Space Fund began the fiscal year with \$14.7 million in available fund balance. A shortfall in property tax allocations of \$0.3 million will result in an ending balance of \$14.4 million, of which \$1.2 million was previously appropriated in the FY 2019-20 budget.

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

The Telecommunication & Information Services Fund projects to end the fiscal year with a net operating surplus of \$2.0 million. A revenue deficit of \$5.7 million driven by shortfalls in work order recoveries and rents, concessions, and fines is offset by \$7.7 million of expenditure surplus mainly due to savings in project carryforward budget, non-personnel services, materials and supplies, equipment, and informational technology (IT) projects such as City Cloud Enhancement and Cybersecurity, resulting in a projected ending balance of \$2.0 million, of which \$1.8 million was previously appropriated to support the FY 2019-20 budget.

## **10. Central Shops Fund**

A net operating surplus of \$0.7 million in the Central Shops Fund will result in a projected ending balance of \$0.6 million.

## **11. Arts Commission Street Artist Fund**

The Street Artist Program Fund is projected to have \$0.1 million expenditure savings due to open positions, offsetting a starting shortfall of the same amount.

## **12. War Memorial Fund**

The fund began the year with \$2.2 million in available balance. The Department projects revenues and expenditures to be on budget, resulting in no change to the ending balance, of which \$0.6 million was previously appropriated in the FY 2019-20 budget.

## **13. Gas Tax Fund**

The gas tax funds began the year with \$4.0 million in available balance. A revenue shortfall of \$5.6 million will be offset by expenditure savings in capital outlay. The previously approved FY 2019-20 budget appropriated \$0.6 million of this balance.

## **14. Neighborhood Beautification Fund**

There are no projected changes to the \$0.6 million starting balance of the Neighborhood Beautification Fund, which houses the Community Challenge Grant program.

## **15. Election Campaign Fund**

The Election Campaign Fund began the fiscal year with a \$6.1 million balance. Election financing expenditures of \$1.2 million were made for the November 2018 Board of Supervisors and Mayoral races. There are no scheduled elections for the remainder of the fiscal year and the year-end fund balance is projected to be \$4.9 million.

## **16. Culture and Recreation Hotel Tax Fund**

The Culture and Recreation Hotel Tax Fund was established after the passage of Prop E in November 2018, which dedicated a portion of hotel taxes to arts and cultural programs. The measure went into effect on January 1, 2019. The Arts Commission projects expenditure savings of \$1.7 million during this initial period of implementation, resulting in a projected ending balance of \$1.7 million. As specified in the ordinance, any unspent balance shall be carried forward as funding provided for a specific purpose and remain in the Fund. Effective FY 2019-20, hotel tax revenue allocations will be adjusted by the percentage increase or decrease in hotel tax collected

versus the prior fiscal year; provided, however, that such percentage increase or decrease shall not exceed 10%.

## SELECT ENTERPRISE FUNDS

### **17. Airport Operating Fund**

The Airport began the fiscal year with \$207.6 million in available fund balance. The department projects a revenue surplus of \$11.7 million and expenditure savings of \$15.2 million, for a net operating surplus of \$26.8 million.

The revenue surplus is due to a \$12.0 million increase in groundside trip fee revenues from Transportation Network Companies and duty free revenues under the new DFS Group lease, a \$5 million increase in common use gate rentals and aircraft parking demand, offset by a decrease of \$6 million in landing fee revenues. The projected \$15.2 million expenditure savings is largely due to savings of \$9.5 million in salaries and fringes from higher than anticipated position vacancies, \$4.4 million in services needed from other departments due to delays and lower than expected invoices, \$1.9 million in non-personnel services, and \$1.2 million in materials and supplies. A fund balance of \$192.0 million is projected at year end, of which \$88.1 million was previously appropriated in the FY 2019-20 budget.

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

MTA began the fiscal year with \$211.3 million in available balance net of the \$33.2 million appropriated to support the FY 2018-19 budget. MTA projects a net revenue surplus of \$12.6 million primarily due to a \$24.6 million increase in General Fund baseline transfers, partially offset by a projected revenue shortfall of \$12.0 million, including a \$1.9 million shortfall in parking tax, \$4.2 million in transit fares, and \$9.5 million in parking meter collections and traffic fines. The Agency projects expenditure savings of \$1.0 million mostly from personnel costs, resulting in a net projected operating surplus of \$13.7 million, resulting in a projected ending balance of \$224.9 million, of which \$38.0 million was previously appropriated to support the FY 2019-20 budget.

### **19. Port Operating Funds**

The Port projects a current year net operating surplus of \$4.6 million, comprised of a revenue surplus of \$0.6 million and net expenditure savings of \$4.0 million. Of the projecting ending balance of \$31.7 million, \$10.6 was previously appropriated to support the FY 2019-20 budget.

The \$0.6 million revenue surplus is due to an increase of \$1.8 million in maritime revenue from increased auto volume and storage revenue at Pier 80 (\$1.1 million), higher than anticipated rent revenue (\$0.5 million), unanticipated ship repair revenue at Pier 70 (\$0.1 million), and higher-than-budgeted rent and wharfage revenue for cruise and fishing (\$0.1 million); a \$0.8 million surplus from increased permitting activity on the waterfront; a shortfall of \$2.0 million in real estate revenues due to lower than budgeted parking revenue (\$2.3 million), and revenue from the one-time sale of the Ferry Building lower than budgeted (\$4.6 million) offset by higher than anticipated commercial, industrial, and percentage rent performance (\$4.9 million). The \$4.0 million expenditure savings is due to \$1.1 million savings in salaries and fringe benefits from currently vacant positions, \$1.1 million in non-personnel services from savings on professional services and

contingency judgments, \$0.7 million in workorder savings primarily due to lower utility costs, and \$1.1 million in annual projects due to the preservation of funds for contingency purposes such as oil spills and hazardous material clean up.

## **Public Utilities Commission**

Public Utilities Commission projects net operating surpluses for the Wastewater Operations Fund and the Clean Power Fund and net operating deficits for the Hetch Hetchy Operating and Water Operating Funds. The Public Utilities Commission received a supplemental appropriation to re-appropriate savings to cover over-expenditures in overtime per San Francisco Administrative Code Section 3.17.

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

The Hetch Hetchy Fund is projected to end the year with a net operating deficit of \$12.5 million, due to electricity, water, gas, and steam revenue lower than budgeted by \$13.6 million offset by miscellaneous income from Transbay Cable revenue and Rim Fire insurance payments higher than budgeted by \$1.1 million. Of the projected ending balance of \$18.2 million, \$4.9 million was previously appropriated to support the FY 2019-20 budget.

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

The Wastewater Operations Fund is projected to end the year with a net operating surplus of \$0.8 million. Wastewater's net operating surplus is due to \$4.1 million in expenditure savings in salaries and fringe benefits due to position vacancies, and \$0.4 million in light, heat, and power expenditure savings due to lower than anticipated usage offset by a revenue deficit of \$3.7 million. The revenue deficit is driven by a deficit of \$4.6 million from sewer service charges offset by \$0.9 million in unbudgeted biofuel revenue, and results in a projected ending balance of \$202.9 million.

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

The Water Operating Fund is projected to end the year with a net operating deficit of \$7.0 million, primarily due to \$10.0 million in total revenue deficits, comprised of \$5.7 million in reduced retail water sales and \$8.8 million less in wholesale water sales, offset by \$4.3 million of revenue from \$3.9 million additional water service installation and water service overhead installation, and \$0.8 million in additional revenue from property sales. Total expenditure savings of \$3.0 million are projected, primarily in salary and fringe benefits savings, due to vacant positions, and \$1.0 million in nonpersonnel services savings based on projected rebate program participation. The projected ending balance is \$225.6 million, of which \$11.1 was previously appropriated in the FY 2019-20 budget.

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

CleanPowerSF is projected to end the year with a net operating surplus of \$24.6 million due to salary and fringe savings of \$2.5 million from position and savings of \$22.1 million in unspent use of reserves, resulting in an ending balance of \$28.6 million.

## Appendix 5. Overtime Report

| Department                              | FY 2017-18   | FY 2018-19     |                         |                              |
|---|--------------|----------------|-------------------------|------------------------------|
|   | Actual       | Revised Budget | July through March 2019 | % of Budget through March 31 |
| <b>Municipal Transit Agency - Total</b> | <b>73.5</b>  | <b>32.1</b>    | <b>59.5</b>             | <b>185%</b>                  |
| <b>Police*</b>                          |              |                |                         |                              |
| General Fund (Excl. Work Orders)        | 19.2         | 19.2           | 14.9                    | 78%                          |
| Airport                                 | 2.3          | 2.4            | 1.3                     | 56%                          |
| General Fund Work Orders                | 4.0          | 5.2            | 3.1                     | 60%                          |
| <b>Total Annual Operating Funds</b>     | <b>25.6</b>  | <b>26.8</b>    | <b>19.3</b>             | <b>72%</b>                   |
| <i>Special Revenue (10B)</i>            | <i>15.1</i>  |                | <i>13.6</i>             |                              |
| <i>Total</i>                            | <i>40.6</i>  |                | <i>32.9</i>             |                              |
| <b>Public Health*</b>                   |              |                |                         |                              |
| ZSF General                             | 10.5         | 11.0           | 8.5                     | 77%                          |
| Laguna Honda                            | 7.8          | 8.5            | 6.9                     | 81%                          |
| Other Annual Funds                      | 1.9          | 1.6            | 1.9                     | 123%                         |
| <b>Total Annual Operating Funds</b>     | <b>20.1</b>  | <b>21.2</b>    | <b>17.4</b>             | <b>82%</b>                   |
| <b>Fire*</b>                            |              |                |                         |                              |
| General Fund                            | 30.7         | 34.0           | 25.6                    | 75%                          |
| Airport                                 | 5.0          | 5.0            | 3.2                     | 64%                          |
| <b>Total Annual Operating Funds</b>     | <b>35.8</b>  | <b>39.0</b>    | <b>28.8</b>             | <b>74%</b>                   |
| <b>Sheriff*</b>                         |              |                |                         |                              |
| General Fund (Excl. Work Orders)        | 23.0         | 21.6           | 15.9                    | 74%                          |
| General Fund Work Orders                | 5.3          | 3.6            | 5.1                     | 143%                         |
| <b>Total Annual Operating Funds</b>     | <b>28.4</b>  | <b>25.2</b>    | <b>21.0</b>             | <b>84%</b>                   |
| <b>Airport*</b>                         |              |                |                         |                              |
| Annual Operating Funds                  | 2.3          | 2.5            | 2.1                     | 82%                          |
| <b>Emergency Management*</b>            |              |                |                         |                              |
| Annual Operating Funds                  | 4.7          | 4.6            | 3.1                     | 67%                          |
| General Fund Work Orders                | 1.4          | 1.7            | 0.0                     | 0%                           |
| <b>Public Works*</b>                    |              |                |                         |                              |
| Annual Operating Funds                  | 1.4          | 1.7            | 1.5                     | 88%                          |
| <b>Public Utilities*</b>                |              |                |                         |                              |
| Annual Operating Funds                  | 4.8          | 10.7           | 4.4                     | 41%                          |
| <b>Recreation and Park*</b>             |              |                |                         |                              |
| Annual Operating Funds                  | 1.3          | 1.7            | 1.5                     | 86%                          |
| <b>Fine Arts Museum</b>                 | 0.7          | 1.1            | 0.7                     | 68%                          |
| <b>Juvenile Probation</b>               | 1.8          | 0.7            | 1.0                     | 148%                         |
| <b>Admin Services</b>                   | 2.7          | 0.6            | 2.3                     | 363%                         |
| <b>Technology</b>                       | 1.1          | 0.6            | 0.7                     | 115%                         |
| <b>Human Services</b>                   | 2.6          | 0.5            | 1.9                     | 368%                         |
| <b>Total Overtime**</b>                 | <b>208.2</b> | <b>170.7</b>   | <b>165.3</b>            | <b>97%</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.

\*\* Total overtime excludes special revenue (10B), non-annual operating funds in departments listed in Administrative Code 3.17, and expenditures from departments with less than \$500,000 in budgeted overtime.

This report reflects supplemental appropriation ordinance #190309, increasing overtime budget for the Fire Department, Sheriff's Department, and Public Utilities Commission.