



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

January 16, 2018

Ms. Angela Calvillo, Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

RE: File 171310 – Charter amendment to suspend general fund contributions to baseline funds when deficit projections exceed \$200M and return unspent amounts to the General Fund

Dear Ms. Calvillo,

Should the proposed charter amendment be approved by the voters, in my opinion, it would have a significant impact on the cost of government. The proposal would allow the City to suspend automatic increases to funds currently set by a baseline calculation, and use those funds instead for any public purpose. The aggregate amount of the City's revenue and budget authority would not change, but funds could be allocated more flexibly. The allocations made under this proposal would be subject to Mayor and Board of Supervisors approval under the standard budgetary and fiscal provisions of the Charter.

The amendment provides that in years in which a deficit of \$200M or greater is projected in the City budget, the City may suspend annual increases to the funds that are set through current baseline and set-aside requirements. The funds and departments that receive such funding are; the Municipal Transportation Fund, the Parks, Recreation and Open Space Fund, the Children and Youth Fund, the Library Preservation Fund, the Housing Trust Fund, the Public Education Enrichment Fund, the Dignity Fund, the Street Tree Maintenance Fund, the Controller's Audit Fund, the Asian Art Museum, the Academy of Sciences, the Fine Arts Museums, the War Memorial, and the Cultural Centers.

Taken together, the baseline and set-aside funding amounts in the City's FY17-18 budget total approximately \$1.4 billion, make up approximately 27% of General Fund revenues, and are projected to increase steadily in the next five years assuming aggregate discretionary revenue in the City grows as forecast. Were the city to experience a recession and suspend the increases under the proposed Charter amendment, over \$20 million annually would be affected based current budget forecasts. A separate provision that eliminates the City contribution to the Symphony would affect approximately \$3.0 million annually.

The proposed Charter Amendment also provides that unspent amounts in any of the baseline and set aside funds will be returned to the General Fund. We have not yet estimated the amounts that might be affected by this provision. We will revise our projections as the Board of Supervisors considers this legislation.

Sincerely,

for
Peg Stevenson
Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.