

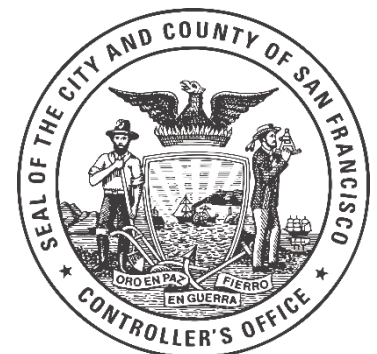
Six-Month Budget Status Report



Prepared by

**OFFICE OF THE CONTROLLER
BUDGET AND ANALYSIS DIVISION**

February 18, 2025



About the Controller's Office

The Controller is the chief financial officer and auditor for the City and County of San Francisco. We produce regular reports on the City's financial condition, economic condition, and the performance of City government. We are also responsible for key aspects of the City's financial operations — from processing payroll for City employees to processing and monitoring the City's budget.

Our team includes financial, tech, accounting, analytical and other professionals who work hard to secure the City's financial integrity and promote efficient, effective, and accountable government. We strive to be a model for good government and to make the City a better place to live and work.

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. 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 \$367.2 million General Fund ending balance in the current fiscal year, a \$35.7 million improvement from the \$331.5 million balance in our last projection (December 2024 Five Year Financial Plan). Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to \$840.2 million from the previous projected shortfall of an \$875.9 million. However, significant risks to this projection remain, most notably from uncertainty in the economy and potential policy changes affecting federal revenue.
- Citywide revenues are projected to be \$114.1 million below budget, or \$68.5 million below prior projections. Property tax is projected to be \$55.8 million below budget as figures are updated to increase appeals reserves to reflect appeals filed by the September 2024 filing deadline and refunds of taxes paid year to date. Business tax revenue is projected to be \$22.8 below budget as Proposition M (November 2024) eliminated a scheduled tax increase. Shortfalls in sales tax revenues (including realignment) reflect year to date weakness in cash receipts at both the local and state levels. The projected shortfall in hotel tax is based on weak receipts in the first half of the year and assumed improvement in the second half. These shortfalls are partially offset by strength in real property transfer tax revenue and interest income.
- Departments are projected to end the year with a \$97.7 million net surplus including:
 - A total of \$19.9 million of expenditure savings from the close out of continuing projects, including \$10.5 million at the Department of Children, Youth and Their Families and \$3.0 million at the Mayor's Office of Housing and Community Development. Amounts that require Board of Supervisors approval to deappropriate will be noted in the Controller's June 2025 Revenue Letter and will be placed on Mayor's reserve in the interim. In addition, \$2.5 million of annual project expenditures at the Department of Public Health related to sugary drinks distributor tax programs will be placed on reserve. The Mayor's Office provided project-level detail to the Board of Supervisors on February 14, 2025.
 - A total of \$77.8 million in operating savings identified by departments includes a net \$40.0 million revenue surplus and \$37.8 million in expenditure savings, primarily generated as a result of a September 2024 Mayor's Office mid-year personnel savings target of 3.5%, additional hiring restrictions announced by the Mayor's Office in January 2025, and other operating conditions. The Department of Public Health is projected to have a \$61.6 million surplus, including \$59.0 in revenue above budget due to surplus San Francisco Health Network revenue, partially offset by a patient revenue shortfall at Laguna Honda Hospital caused by the pause on new admissions during recertification. An operating surplus of \$16.7 million at the Human Services Agency is offset by revenue shortfalls at Public Works and City Planning and overspending at the Sheriff's department.
- The Police, Fire, Emergency Management and Sheriff's departments, and the Public Utilities Commission, will require additional supplemental appropriations for overtime, as required by

Administrative Code Section 3.17. To the extent these are not funded by reallocation of existing expenditure appropriation, such supplementals could reduce available fund balance. Any additional supplemental appropriations using projected revenue surpluses or expenditure savings displayed in this report will reduce fund balance available to solve the projected FY 2025-26 and FY 2026-27 shortfall.

- Projections assume no changes to federal revenue related to the new federal administration's proposed funding freezes or rescission of funds, but this remains a source of budgetary uncertainty. Since January 20, the new federal administration has issued a number of Executive Orders and agency directives to eliminate, reduce, or condition federal funding based on the President's immigration, LGBTQ+, energy, and DEI/DEIA program policy preferences. The Office of Management and Budget (OMB) announced a federal funding freeze on January 27 and rescinded the funding freeze memo on January 29 after a pair of legal challenges. Two courts have since entered temporary restraining orders after concluding that freezing federal assistance was likely illegal. But, that litigation and the threat to the City's federal funding remain ongoing. For example, the courts may lift part or all of the funding freeze. And, other federal agencies continue to initiate processes to implement the administration's desired funding cuts. The City Attorney's Office is working with the Mayor's Office and City departments to evaluate legal options to protect federal funds received by the City.

Specifically, the budget assumes \$80.0 million of FEMA reimbursements for COVID response costs, of which \$51.7 million is confirmed in the current year to date, and the projection currently assumes total reimbursements at budgeted levels. COVID claims are currently undergoing eligibility reviews by CalOES (California Office of Emergency Services). The City has the option to appeal costs deemed ineligible.

Table 1. FY 2024-25 Projected General Fund Variances to Budget (\$ millions)

	Fall 2024 Projection	6-Month	Change
FY 2023-24 Ending Fund Balance	455.2	455.2	-
Appropriation in the FY 2024-25 Budget	(455.2)	(455.2)	-
A. Prior Year Fund Balance vs Budgeted Levels	-	-	-
Citywide Revenue	(45.7)	(114.1)	(68.5)
Baseline Contributions	(6.1)	(0.3)	5.9
Departmental Operations	-	97.7	97.7
B. Current Year Revenues and Expenditures	(51.9)	(16.7)	35.2
Approved Use of General Reserve	-	0.5	0.5
Public Health Revenue Management Reserve	-	-	-
C. Supplemental Appropriations & Use of Reserves	-	0.5	0.5
D. Previously Unappropriated Fund Balance	154.9	154.9	-
E. Fund Balance Previously Appropriated in FY 2025-26	228.5	228.5	-
F. FY 2024-25 Projected Ending Balance	331.5	367.2	35.7

FY 2024-25 Six-Month Budget Status Report

A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2024-25 and FY 2025-26 adopted budget were \$455.2 million, of which \$226.7 million was appropriated in FY 2024-25 and \$228.5 million was appropriated in FY 2025-26. General Fund available fund balance at the end of FY 2023-24 was exactly \$455.2 million as the use of reserves in FY 2023-24 was reduced to exactly meet budgeted requirements.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue

As shown in Table 2, citywide revenues are projected to be \$169.9 million below budget and \$119.7 million below prior projections assumed in the Fall 2024 Five Year Financial Plan Report. The variance from prior projection is largely due to worsening expectations for property, hotel and sales taxes.

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

	FY 2023-24	FY 2024-25			Variance	
	Actuals	Budget	5-Yr	6-Mo	Vs Budget	Vs 5-Yr
Traditional Property Tax	2,142.1	2,158.0	2,167.0	2,107.0	(51.0)	(60.0)
Excess ERAF	397.2	311.6	298.0	306.8	(4.8)	8.8
Property Tax Total	2,539.4	2,469.6	2,465.0	2,413.8	(55.8)	(51.2)
Business Taxes	868.9	1,023.0	995.4	1,000.2	(22.8)	4.8
Sales Tax - Local 1%	190.5	193.7	188.0	182.8	(10.9)	(5.2)
Hotel Room Tax	251.2	285.2	254.1	246.9	(38.3)	(7.2)
Utility User & Access Line Taxes	186.6	164.5	168.8	168.8	4.3	-
Parking Tax	86.2	86.9	86.9	86.9	-	-
Real Property Transfer Tax	177.7	218.9	229.6	229.6	10.8	-
Sugar Sweetened Beverage Tax	11.6	12.7	11.6	11.6	(1.1)	-
Stadium Admissions Tax	8.6	7.4	8.6	8.6	1.2	-
Cannabis Tax	-	-	-	-	-	-
Franchise Taxes	17.4	16.2	17.1	17.1	0.8	-
Interest Income	171.4	146.7	164.4	164.4	17.7	-
FEMA Disaster Relief	73.3	80.0	87.0	87.0	7.0	-
Health & Welfare Realignment	264.6	283.6	269.3	264.8	(18.8)	(4.5)
Public Safety Realignment	55.6	55.4	54.9	51.9	(3.5)	(3.0)
Public Safety Sales Tax	97.2	99.6	96.9	95.7	(3.9)	(1.2)
Airport Transfer In	55.6	58.3	58.3	57.5	(0.9)	(0.9)
Commercial Rent Tax Transfer In	28.4	28.1	28.1	28.1	(0.0)	-
Total Citywide Revenues	5,084.0	5,229.7	5,184.1	5,115.6	(114.1)	(68.5)

Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. Overall, the General Fund portion of baseline contributions is projected to be \$0.3 million above budget and \$5.9 million below prior projections. Highlights include:

- MTA baselines are projected to be \$5.3 million above budget. This is completely driven by the \$14.2 million true-up of the FY 2023-24 Proposition B Population Adjustment to MTA baselines, as actual calendar year 2023 daytime population growth was 4.51% versus the 1.18% growth assumed in the budget. Relative strength in population growth is partially offset by weakness in projected aggregate discretionary revenue (ADR).
- The Library baseline and property tax set-aside are projected to be \$4.6 million below budget, of which \$2.1 million is due to weakness in projected aggregate discretionary revenue (ADR) and \$2.4 million is due to property tax weakness. No General Fund return is currently assumed.
- Required General Fund support for the Public Education Enrichment Fund baseline and annual contribution to SFUSD and OECE is projected to be \$3.1 million below budget.
- The Children and Youth Fund property tax set-aside is projected to be \$3.7 million below budget.
- The Open Space property tax set-aside is projected to be \$2.4 million below budget.
- Required spending levels for the Children and Transitional-Aged Youth expenditure baselines are projected to be \$4.5 million and \$0.5 million below budget, respectively.
- Growth in the Street Tree Maintenance Fund baseline and Early Care and Education (ECE) expenditure baseline was suspended in FY 2024-25 at FY 2023-24 levels, for the second year in a row, given the deficit levels forecasted in the March 2024 Joint Report. The ECE baseline is increasing compared to budget because FY 2023-24 actuals were higher than the estimates used to prepare the FY 2024-25 budget.

Table 3. General Fund Baselines and Set-Asides (\$ millions)

	FY 2023-24	FY 2024-25			Variance	
	Actuals	Budget	5-Yr	6-Mo	Vs Budget	Vs 5-Yr
General Fund Aggregate Discretionary Revenue (ADR)	4,541.5	4,532.2	4,504.3	4,439.9	(92.4)	(64.5)
Municipal Transportation Agency (MTA)						
MTA - Municipal Railway Baseline: 7.059% ADR	321.0	320.3	318.3	313.8	(6.5)	(4.5)
MTA - Parking & Traffic Baseline: 2.507% ADR	113.9	113.6	112.9	111.3	(2.3)	(1.6)
MTA - Population Adjustment	68.6	74.5	88.7	88.7	14.2	-
MTA - 80% Parking Tax In-Lieu	68.9	69.5	69.5	69.5	-	-
Subtotal Municipal Transportation Agency	572.4	578.0	589.5	583.3	5.3	(6.2)
Library Preservation Fund						
Library - Baseline: 2.286% ADR, net of General Fund Return	103.8	103.6	103.0	101.5	(2.1)	(1.5)
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	79.5	79.3	79.9	76.9	(2.4)	(3.0)
Subtotal Library	183.3	182.9	182.9	178.4	(4.6)	(4.5)
Children's Services						
<i>Children's Services Baseline - Requirement: 4.830% ADR</i>	219.3	218.9	217.5	214.4	(4.5)	(3.1)
<i>Transitional Aged Youth Baseline - Requirement: 0.580% ADR</i>	26.3	26.3	26.1	25.8	(0.5)	(0.4)
<i>Early Care and Education Baseline (Jun 2018 Prop C) - Requirement: 2.212% ADR</i>	77.2	76.3	76.9	76.9	0.6	-
Public Education Services Baseline: 0.290% ADR (50% GF, 50% NGF)	13.2	13.1	13.1	12.9	(0.3)	(0.2)
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	127.2	126.9	127.9	123.2	(3.7)	(4.6)
<i>Public Education Enrichment Fund: 3.057% ADR</i>	138.8	138.5	137.7	135.7	(2.8)	(2.0)
1/3 Annual Contribution to Preschool for All	46.3	46.2	45.9	45.2	(0.9)	(0.7)
2/3 Annual Contribution to SF Unified School District	92.6	92.4	91.8	90.5	(1.9)	(1.3)
Student Success Fund	11.0	35.0	35.0	35.0	-	-
Subtotal Childrens Services (Required)	613.1	635.1	634.2	623.9	(11.2)	(10.3)
Recreation and Parks						
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	79.5	79.3	79.9	76.9	(2.4)	(3.0)
<i>Recreation & Parks Baseline - Requirement</i>	82.2	85.2	85.2	85.2	-	-
Subtotal Recreation and Parks (Required)	161.7	164.5	165.1	162.0	(2.4)	(3.0)
Other Financial Baselines						
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirement	215.0	215.0	215.0	215.0	-	-
Housing Trust Fund Requirement	44.5	47.3	47.3	47.3	-	-
Dignity Fund	56.1	59.1	59.1	59.1	-	-
Street Tree Maintenance Fund	23.0	23.0	23.0	23.0	-	-
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	4.3	4.4	4.4	4.4	-	-
City Services Auditor: 0.2% of Citywide Budget	26.0	28.1	28.1	28.1	-	-
Subtotal Other Financial Baselines	368.8	376.9	376.9	376.9	-	-
Reconciliation to Previously Issued Report					-	3.8
* Adjusted General Fund Impact					0.3	(5.9)

Departmental Operations

A projected departmental operating surplus of \$97.7 million is summarized in Table 4 below and further detailed in Appendix 2.

Table 4. FY 2024-25 Departmental Operating Summary (\$ millions)

Note: Figures may not sum due to rounding.

	Revenue Surplus / (Shortfall)	Expenditure Savings/ (Deficit)	Net Surplus / (Shortfall)
Net Shortfall Departments			
Sheriff's Department	0.0	(8.3)	(8.2)
City Planning	(11.1)	5.6	(5.5)
Public Works	(6.3)	1.8	(4.5)
Police Department	(0.5)	-	(0.5)
Subtotal Net Shortfall Departments	(17.9)	(0.8)	(18.7)
Net Surplus Departments			
Department of Public Health	59.0	2.6	61.6
Human Services Agency	8.4	8.4	16.7
Children, Youth & Their Families	(0.0)	10.6	10.6
Dept. of Homelessness and Supportive Housing	(0.0)	4.5	4.5
Mayor	-	3.9	3.9
General City Responsibility	2.6	1.1	3.7
Human Rights Commission	-	2.3	2.3
City Attorney	(1.8)	3.8	2.0
Elections	(0.0)	2.0	2.0
Treasurer / Tax Collector	1.5	0.4	1.9
Economic & Workforce Development	(12.0)	13.2	1.2
District Attorney	(0.1)	1.3	1.2
General Services Agency - Administrative Services	0.5	0.6	1.1
Fire Department	7.3	(7.2)	0.1
Subtotal Net Surplus Departments	65.3	47.5	112.8
All Other	(7.4)	11.0	3.7
TOTAL	40.0	57.7	97.7

C. SUPPLEMENTAL APPROPRIATIONS & USE OF GENERAL RESERVE

Table 5. Pending & Approved Supplemental Appropriations (\$ in millions)

Use	Source	Status	Amount
Human Services Agency - CalWORKS Housing Support	State & Federal Revenue	Pending	5.0
MTA - Lunar New Year Parking, Transit, Ambassadors	General Reserve	Approved (1st reading)	0.5
Total			5.5

The Board of Supervisors has approved on first reading a \$0.5 million use of the General Reserve to the Municipal Transportation Agency to support free two-hour parking in the Portsmouth Square garage and

transit fares and ambassador support for the Lunar New Year Parade weekend. Uses of the General Reserve in the current fiscal year require a like amount to be deposited in the budget year.

In addition, Board President Mandelman has introduced an Ordinance appropriating \$5.0 million of state and federal CalWORKS revenues to the Human Services Agency for direct client assistance, rental subsidies, and services through the CalWORKS Housing Support Program. If the Board were to decline to approve this supplemental the projected ending balance in this report would increase by \$5.0 million.

The Public Utilities Commission (PUC) and Police, Fire, and Sheriff's departments are expected to require additional supplemental appropriations to overtime, as required by Administrative Code Section 3.17. While the PUC and Police Department propose to reallocate existing expenditure appropriation, and the Fire Department proposes to request authority to appropriate a revenue surplus, the Sheriff's department will likely require use of the General Reserve.

D. PREVIOUSLY UNAPPROPRIATED FUND BALANCE

The projection includes \$154.9 million of unappropriated fund balance, which was designated for balancing future budget shortfalls in Section 32.1 of the Administrative Provisions of the FY 2024-25 and FY 2025-26 Budget and Appropriations Ordinance.

E. PROJECTED ENDING FUND BALANCE OF \$367.2 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2024-25 of \$367.2 million, a \$35.7 million improvement from prior projections in the December 2024 Five Year Financial Plan.

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. Others are used to record dedicated tax revenues and related expenditures.

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

Six-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.

APPENDICES

1. General Fund Revenues
 2. General Fund Departments
 3. Reserves Status
 4. Other Funds Highlights
 5. Overtime Report
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Appendix 1: General Fund Revenues

As shown in Table A1-1, total General Fund revenues are projected to be \$70.0 million below revised budget, due to a \$114.1 million projected shortfall in citywide tax-based revenue (Table 2) partially offset by a \$57.5 million surplus in departmental General Fund revenue. Table 4 in Appendix 2 shows a \$51.5 million revenue surplus, however, the variance includes revenue at the City’s two hospitals and inter-departmental work order recoveries, neither of which are shown in the table below.

Table A1-1. Detail of General Fund Revenue and Transfers In (\$ in millions)

GENERAL FUND (\$ Millions)	FY 2023-24	FY 2024-25			Var Vs Rev Budget	Note
	Year End Actual	Revised Budget	5-Year Fall Update	6-Month		
PROPERTY TAXES	\$ 2,539.4	\$ 2,469.6	\$ 2,465.0	\$ 2,413.8	(55.8)	1
BUSINESS TAXES						
Business Registration Tax	44.6	44.0	49.0	49.0	5.0	
Payroll Tax	4.1	0.0	0.0	0.0	-	
Gross Receipts Tax	820.1	839.0	820.4	825.2	(13.8)	
Admin Office Tax	0.2	0.0	0.0	0.0	-	
Overpaid Executive Tax	124.4	140.0	126.0	126.0	(14.0)	
Total Business Taxes	993.4	1,023.0	995.4	1,000.2	(22.8)	2
OTHER LOCAL TAXES						
Sales Tax	190.5	193.7	188.0	182.8	(10.9)	3
Hotel Room Tax	251.2	285.2	254.1	246.9	(38.3)	4
Utility Users Tax	121.9	110.7	115.2	115.2	4.5	
Parking Tax	86.2	86.9	86.9	86.9	-	5
Real Property Transfer Tax	177.7	218.9	229.6	229.6	10.8	6
Sugar Sweetened Beverage Tax	11.6	12.7	11.6	11.6	(1.1)	
Stadium Admission Tax	8.6	7.4	8.6	8.6	1.2	
Access Line Tax	64.7	53.7	53.5	53.5	(0.2)	
Cannabis Tax	0.0	0.0	0.0	0.0	-	7
Total Other Local Taxes	912.4	969.2	947.6	935.2	(34.0)	
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	12.3	16.1	15.6	15.7	(0.4)	
Franchise Fee	17.4	16.2	17.1	17.1	0.8	
Total Licenses, Permits & Franchises	29.7	32.4	32.6	32.7	0.4	
FINES, FORFEITURES & PENALTIES	6.5	3.9	3.9	3.8	(0.1)	
INTEREST & INVESTMENT INCOME	171.4	146.7	164.4	164.4	17.7	8
RENTS & CONCESSIONS	12.5	16.1	14.1	15.6	(0.4)	

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GENERAL FUND (\$ Millions)	FY 2023-24	FY 2024-25			Var Vs Rev Budget	Note
	Year End Actual	Revised Budget	5-Year Fall Update	6-Month		
INTERGOVERNMENTAL REVENUES						
Federal Government	387.5	443.7	443.4	452.0	8.4	9
Social Service Subventions	320.7	360.9	354.0	360.9	-	
Disaster Relief	73.3	80.0	87.0	87.0	7.0	
Other Grants & Subventions	(6.5)	2.8	2.4	4.2	1.4	
Total Federal Subventions	387.5	443.7	443.4	452.0	8.4	
State Government						
Social Service Subventions	339.3	323.0	314.6	323.0	-	
Health & Welfare Realignment - Sales Tax	218.9	238.5	228.9	224.1	(14.4)	
Health & Welfare Realignment - VLF	45.7	45.1	40.4	40.6	(4.4)	
Public Safety Sales Tax	97.2	99.6	96.9	95.7	(3.9)	
Public Safety Realignment (AB109)	55.6	55.4	54.9	51.9	(3.5)	
Other Grants & Subventions	26.6	34.2	15.2	43.6	9.4	
State Government	1006.4	907.1	862.7	890.3	(16.8)	10
Other Regional Government	1.9	4.6	4.0	4.0	(0.6)	
CHARGES FOR SERVICES	254.5	324.4	323.8	379.4	55.0	
General Government Service Charges	42.7	51.1	51.1	51.1	-	
Public Safety Service Charges	39.4	45.6	45.6	53.1	7.5	
Recreation Charges - Rec/Park	23.7	26.9	26.9	26.9	-	
MediCal, MediCare & Health Service Charges	128.1	175.9	175.9	223.5	47.5	
Other Service Charges	20.5	24.8	24.2	24.8	-	
Total Charges for Services	254.5	324.4	323.8	379.4	55.0	
RECOVERY OF GEN. GOV'T. COSTS	26.2	27.7	27.7	27.7	-	
OTHER REVENUES	19.3	20.2	19.4	13.2	(7.0)	
TOTAL REVENUES	6,361.0	6,388.4	6,304.1	6,332.3	(56.0)	
TRANSFERS INTO GENERAL FUND:						
Airport Transfer In	55.6	58.3	58.3	57.5	(0.9)	11
Commercial Rent Tax Transfer In	28.4	28.1	28.1	28.1	(0.0)	
Other Transfers	144.4	121.6	120.1	120.1	(1.6)	
Total Transfers In	228.4	208.1	206.5	205.6	(2.5)	
TOTAL GENERAL FUND RESOURCES	\$ 6,589.5	\$ 6,596.4	\$ 6,510.6	\$ 6,537.9	(58.5)	

1. Property Tax

Total property tax revenue in the General Fund for FY 2024-25 is projected to be \$55.8 million (2.3%) below budget and \$125.6 million (4.9%) below prior year actuals

The total assessed value of tax year 2024 secured property assessment appeals, as reflected in Assessment Appeals Board data as of January 17, 2025, was \$97.8 billion for 7,574 properties, a \$10.1 billion (11.5%) increase over the estimated total used in preparing the Five Year Financial Plan in October 2024. This increases the amount of General Fund revenue reserved for future fiscal years' property tax refunds from \$105 million to \$128 million and reduces revenue by a corresponding \$23 million. Refund amounts are projected using both actual and calculated reductions: 28.5% for retail, reflecting tax year 2021 average actual reductions to date; 15.9% for hotel, reflecting 2021 reductions as well as significant Prop 8 reductions already made by the Assessor's Office; multifamily residential reductions for tax years 2023 and 2024 equal to actual 2023 reductions to date of 22.1%; single family residential reductions for 2023 and 2024 of 13.6%, the current average for 2023 decisions. Tax year 2023 and 2024 office values are assumed to be reduced by 33%, consistent

with the estimate first used in our June 2024 projections, given actual reductions made for 2022 appeals at that time, which continues to reflect a midpoint between actual reductions made for 2022 and 2023 to date and the average 55% reduction in sale value versus assessed value for recently traded office buildings.

Property tax refunds for prior years processed in the current fiscal year to date reduce General Fund revenue by \$37 million. These refunds also reduce projected revenues for educational entities, increasing their draw on ERAF (Educational Revenue Augmentation Fund) and reducing the amount of excess ERAF available to be returned to the City's General Fund by \$25.9 million. This is offset by the anticipated recognition of \$34.6 million excess ERAF from FY 2022-23 held for the final two recalculations from the California Department of Education (CDE) and California Community Colleges Chancellor's Office (CCCCO), resulting in a net increase of \$8.7 million. Property tax set asides to special revenue funds are shown in Table 3 above.

2. Business Tax

Business tax revenues in the General Fund include Business Registration fees, Gross Receipts Taxes, Administrative Office Tax, and the Overpaid Executive Tax, and are projected to be \$1,000.0 million in FY 2024-25, or \$22.8 million (2.2%) below budget and \$7.0 million (0.7%) above prior year actuals.

Proposition M (November 2024) restructured the City's business taxes by changing how gross receipts are calculated, increasing the small business exemption, and reorganizing business activities. The new tax structure begins in tax year 2025, with two quarterly prepayments occurring in Fiscal Year 2024-25. However, the Tax Collector will bill taxpayers' prepayments based on their total tax obligation in 2024. Thus, the effects of Proposition M will likely not be apparent this fiscal year. One possible exception is the Overpaid Executive Tax for which Proposition M reduces tax rates by 80% in 2025. This report assumes taxpayers' prepayments will reflect the full amount billed by the Tax Collector, but they do have the option to reduce their prepayments to account for the lower tax rate, which would decrease current year revenue below projected levels.

When the FY 2024-25 budget was prepared, there was a scheduled tax increase in 2025. With the passage of Proposition M, this tax increase will no longer be reflected in 2025 revenue, leading to a small decline in projected revenue relative to expectations in the budget.

There continues to be significant ongoing and new claims and litigation involving gross receipts tax payments in prior years. These claims involve a wide range of issues including which business activity (and therefore tax rate) businesses fall into, what receipts are attributed to businesses, and how to apportion worldwide gross receipts to San Francisco. In FY 2024-25 through January, the total liability associated with new and ongoing litigation has increased from what was assumed in budget and the Five-Year Financial plan issued in Fall 2024. However, other matters have settled or have settlements pending at the Board of Supervisors. Additionally, the City has changed its financial practice to defer 75% of its total gross receipts tax revenue at risk from tax litigation, rather than 100%. Taken together, the balance of deferred gross receipts tax revenue assumed in this forecast is \$300.6 million. In November 2024, voters approved a number of changes to the City's business taxes under Proposition M, which could impact future claims and revenue deferrals for future payments made under the revised law. Revenues will continue to be updated with new claims and the results of litigation.

3. Local Sales Tax

Local sales tax revenues are projected to be \$182.8 million, \$10.9 million (5.6%) below budget and \$7.7 million (4.1%) below prior year actuals. San Francisco's sales tax recovery had recently exceeded both state and other Bay Area counties, but in the most recent two quarters that trend has reversed.

The decline from the prior year is largely driven by decreases in business and industry (26.2%), fuel and service stations (11.7%), and general consumer goods (3.3%). Factors such as inflation, interest rates, consumer debt, online shopping, and a shift in spending patterns toward nontaxable services have resulted in store closures and fewer luxury and discretionary purchases.

Compared to the same quarter prior year, San Francisco's sales tax adjusted for misallocations in the second quarter of FY 2023-24 declined by 4.2%, a greater decrease than the state (2.3%) and the Bay Area (1.9%). The declines are primarily in fuel and service stations (18.6%) due to audit findings; building and construction (7.3%) due to business closures; county and state pools (2.8%) due to a pool reallocation; and lower business and industry activity (5.6%).

4. Hotel Room Tax

Hotel taxes for all funds are projected to be \$279.9 million, \$43.49 million (13.4%) below budget and \$7.6 million (2.6%) below prior year. General Fund hotel tax revenues are projected to be \$246.9 million, \$38.3 million (13.4%) below budget and \$4.3 million (1.7%) below prior year.

Hotel tax is highly correlated with the hotel industry indicator revenue per available room (RevPAR), which is the combined effect of occupancy and average daily room rates. RevPAR for the first six months of FY 2024-25 fell significantly from the same time prior year, averaging \$135.39, a decrease of 14.8% versus the first half of FY 2023-24 average RevPAR of \$154.82.

Enplanements at San Francisco International Airport have improved steadily since the onset of the pandemic. Unfortunately, these gains are not resulting in proportionate growth in the City's hotel room tax. As of November 2024, domestic and international enplanements in FY 2024-25 to date were 2.9% greater than FY 2023-24, though still 7.8% below FY 2018-19. In FY 2024-25, international enplanements increased 8.4% over FY 2023-24. FY 2024-25 domestic enplanements to date have improved 0.8% over FY 2022-23 but are still 13.9% behind FY 2018-19.

Because conventions drive up hotel room rates through compression pricing, the return of conferences and conventions plays a key role in the recovery of hotel tax revenues. In FY 2023-24, a total of 37 conferences with over 427,000 attendees took place in Moscone Center. This is compared to 33 events with over 286,000 in FY 2022-23 and 54 events with over 723,000 attendees in FY 2018-19. In the first two quarters of FY 2024-25, San Francisco hosted 12 conferences with over 130,000 attendees; for the remainder of the fiscal year, 23 conferences with over 326,000 attendees are anticipated for a projected total of 35 conferences and 459,000 attendees.

November 2018 Proposition E allocates 1.5% of the 14% hotel tax rate (or approximately 10.7% of total hotel tax revenue) to arts programming outside of the General Fund. Due to projected shortfalls from budget, the allocation to arts programs is projected to be \$31.0 million in FY 2024-25, or \$4.8 million (13.5%) below budget and \$0.8 million (2.7%) below the prior year. See the Other Funds section for more information about the Hotel Tax for Arts fund.

Table A1.1 Hotel Tax for the Arts, FY 2024-25 Budget versus Projected Allocations (\$ millions)

	<u>Budget</u>	<u>6-Month</u>	<u>Variance</u>
Grants for the Arts	18.2	15.8	(2.5)
Arts Impact Endowment	2.8	2.4	(0.4)
Cultural Centers	4.2	3.7	(0.6)
Cultural Equity Endowment	7.2	6.2	(1.0)
Cultural Districts	3.4	2.9	(0.5)
Total	35.8	31.0	(4.8)

5. Parking Tax

Parking tax revenue is projected to be \$86.9 million, which is equal to budget and \$0.7 million (0.8%) above prior year actual. Although there are fewer commuters coming into the City now than before the pandemic, a higher share is commuting by car rather than public transportation, and projected revenue is approximately equal to pre-pandemic levels. 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 8A.105.

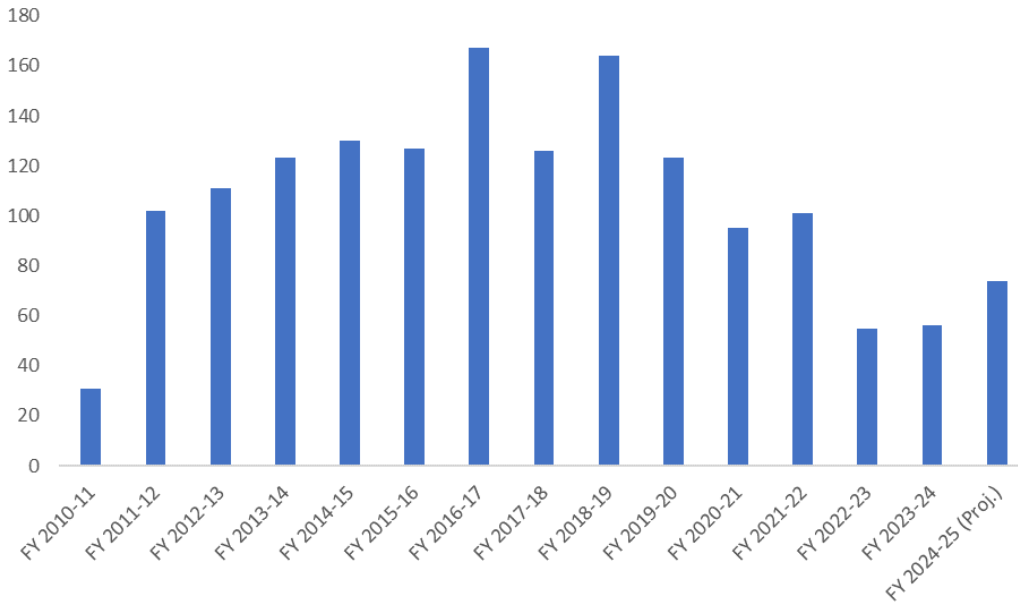
6. Real Property Transfer Tax

Real property transfer tax revenue is projected to be \$229.6 million, which is \$10.8 million (4.9%) above budget and \$51.9 million (29.2%) above prior year actual revenues.

Since the beginning of the COVID-19 pandemic in spring 2020, businesses in office-using sectors have largely adopted remote and hybrid work practices, resulting in persistently high office vacancies, 34.3% as of the 4th quarter of 2024. This dynamic is expected to decrease commercial real estate values. Exacerbating this structural change in where and how people work is the elevated interest rate environment, which increases the cost of borrowing and dampens real estate investment. Additional factors include credit availability, borrowing costs, foreign capital flows, and the relative attractiveness of San Francisco real estate compared to other investment options.

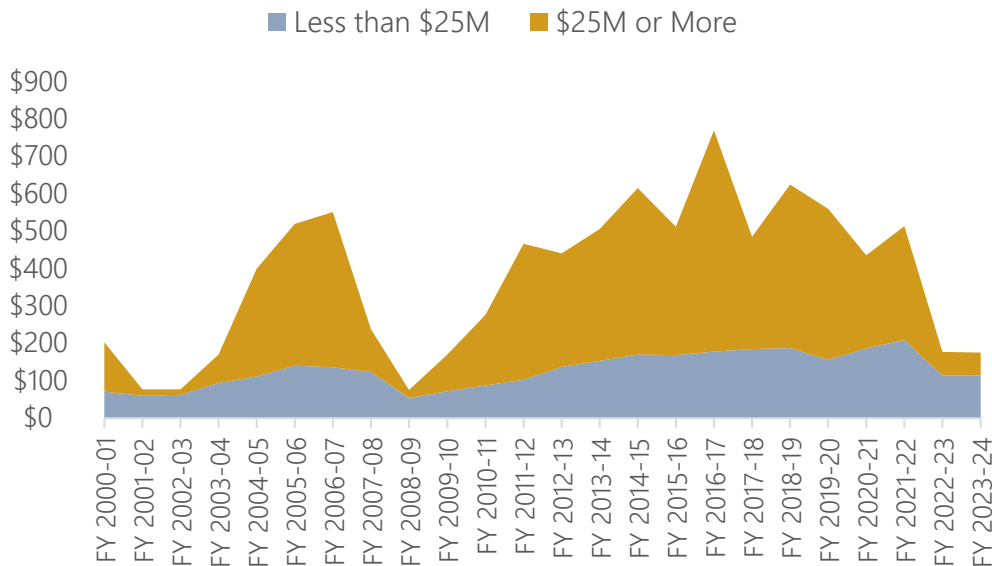
In the current year, the number of real property transfers over \$10 million (tax tiers 5 and 6) is expected to be low relative to pre-pandemic times but starting to recover. The average annual number of transactions over \$10 million between FY 2014-15 and FY 2018-19 was 143. Since then, the number of transactions over \$10 million has declined nearly every year; FY 2024-25 is expected to reverse the trend, ending with 74 large, taxable transactions, 32% more than the prior year. Similarly, real property transfers below \$10 million (tax tiers 1 through 4) are expected to fare worse than pre-pandemic times but begin to recover from the FY 2023-24 low. Between 2014-15 and FY 2018-19, there were an average of 9,172 transactions in these tiers. The forecast assumes there will be approximately 7,000 transactions in these tiers, more than the 6,491 transactions in the prior year.

Number of Transfers Over \$10 million, FY 2011-12 through FY 2024-25



Transfer tax revenue is one of the General Fund’s most volatile sources. The tax is highly progressive, with a handful of high-value transactions generating a majority of the tax. Of the roughly 6,500 transactions that generated \$177.7 million of revenue in FY 2023-24, 21 transactions (or 0.3% of total) over \$25.0 million generated \$60.9 million (or about 34% of total revenue). The graph below shows rate-adjusted transfer tax from FY 2000-01 through FY 2023-24, broken out by the value of transactions above and below \$25.0 million. The graph underscores the magnitude and volatility of the highest tier, commercial transactions.

Rate-Adjusted Real Property Transfer Tax, FY 2000-01 through FY 2023-24 (\$ millions)



7. Cannabis Tax

In December 2022, the Mayor and Board of Supervisors delayed the imposition of the local cannabis excise tax from January 1, 2023, to January 1, 2026. The first collection of cash and recognition of revenue will occur in FY 2026-27.

8. Interest & Investment Income

Interest and investment revenues are projected to be \$164.4 million, \$17.7 million (12.1%) above budget and \$6.9 million (4.0%) below the prior year actual revenues. This projected growth is primarily due to higher-than-expected earned income yields (EIY) on the City's pooled investments. For all funds, net earnings through December 2024 were \$293.7 million with an EIY of 3.62%.

Beginning in FY 2014-15, to reduce employer pension contribution cost growth, the City entered into an agreement with the Retirement System (SFERS) to prepay the entire fiscal year's estimated pension contribution on July 1 of the fiscal year (rather than with each biweekly pay period), given SFERS' ability to achieve a much higher rate of return on investments compared to cash in the Treasurer's pool. To make implementation feasible, the General Fund prepaid the cost for all departments and funds, including enterprise funds. While the benefit of lower pension contribution rates was enjoyed by all, only the General Fund earned negative interest on the negative cash balance created by the prepayments. The FY 2024-25 General Fund interest forecast reflects the allocation of \$3.5 million of negative interest from the General Fund to enterprise and special revenue funds.

9. Intergovernmental Revenues – Federal

Federal revenues are projected to be \$452.0 million, or \$8.4 million (1.9%) above budget and \$64.5 million (16.7%) above prior year actuals. The variance from budget is driven by FEMA reimbursement of 2023 winter storms costs, which were not anticipated in the budget but are now expected to be \$7.0 million in FY 2024-25.

The budget assumes \$80.0 million of FEMA reimbursements for COVID response costs of which \$51.7 million is confirmed in the current year to date. The projection currently assumes total reimbursements at budgeted levels. COVID claims are currently undergoing eligibility reviews by CalOES (California Office of Emergency Services). The City has the option to appeal costs deemed ineligible.

Projections assume no changes to federal revenue related to the Trump administration's proposed funding freezes or rescission of funds.

10. Intergovernmental Revenues – State

State intergovernmental payments are projected to total \$890.3 million, \$16.8 million (1.8%) below revised budget and \$116.1 million (11.5%) below prior year actuals. The variance is due to state sales tax-based subventions not performing as anticipated due to weaker sales tax across the state. These subventions include Health & Welfare Realignment (\$18.8 million below budget) and Public Safety Realignment and Public Safety Sales Tax (\$3.5 million and \$3.9 million below budget, respectively). Partially offsetting this weakness is strength in departmental revenues from the State, detailed in Appendix 2.

11. Airport Transfer In

The San Francisco International Airport (SFO) transfers 15% of its annual concession revenue to the General Fund. This revenue is dependent upon lease agreements with concessionaires and passenger traffic and spending levels. The Airport's annual service payment to the General Fund is projected to be \$57.5 million, which is \$0.9 million (1.5%) below budget and \$1.9 million (3.3%) above prior year actuals. Although passenger traffic and activity are expected to increase year-over-year, it is not increasing as fast as budgeted.

Appendix 2: General Fund Departments

Table A2-1. General Fund Supported Operations (\$ millions)

Note: Figures may not sum due to rounding.

GENERAL FUND SUPPORTED OPERATING (\$ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net New Surplus/ (Deficit)	
PUBLIC PROTECTION						
Adult Probation	65.6	64.6	(0.2)	1.1	0.9	1
Superior Court	33.0	33.0	-	-	-	
District Attorney	81.2	79.9	(0.1)	1.3	1.2	2
Emergency Management	80.9	80.7	-	0.2	0.2	3
Fire Department	509.6	516.8	7.3	(7.2)	0.1	4
Juvenile Probation	31.5	31.5	0.0	-	0.0	5
Public Defender	55.7	55.5	-	0.2	0.2	6
Police Department	719.2	719.2	(0.5)	-	(0.5)	7
Sheriff	315.8	324.0	0.0	(8.3)	(8.2)	8
Police Accountability	10.4	10.1	(0.0)	0.3	0.2	9
Office of Sheriff's Inspector General	1.4	1.2	-	0.1	0.1	10
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	105.0	103.2	(6.3)	1.8	(4.5)	11
Economic & Workforce Development	120.9	107.7	(12.0)	13.2	1.2	12
Board of Appeals	1.2	1.0	(0.2)	0.2	-	13
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	14.7	4.1	(0.0)	10.6	10.6	14
Human Services Agency	1,126.6	1,118.2	8.4	8.4	16.7	15
Human Rights Commission	12.5	10.2	-	2.3	2.3	16
Homelessness and Supportive Housing	300.3	295.8	(0.0)	4.5	4.5	17
Status of Women	13.5	13.2	-	0.2	0.2	18
Early Childhood	55.1	55.1	-	-	-	
Environment	1.5	1.5	-	-	-	
COMMUNITY HEALTH						
Public Health	2,839.5	2,836.9	59.0	2.6	61.6	19
CULTURE & RECREATION						
Asian Art Museum	11.7	11.5	-	0.2	0.2	20
Arts Commission	10.1	9.9	-	0.2	0.2	21
Fine Arts Museum	21.4	21.4	-	-	-	
Law Library	1.3	1.3	-	-	-	
Recreation and Park Department	119.2	117.9	(1.3)	1.3	0.0	22
Academy of Sciences	8.0	7.6	-	0.4	0.4	23
War Memorial	9.1	9.1	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	193.0	192.4	0.5	0.6	1.1	24
Assessor/Recorder	35.9	35.4	(0.6)	0.6	-	25
Board of Supervisors	23.3	23.3	0.0	0.0	0.1	26
City Attorney	120.8	117.0	(1.8)	3.8	2.0	27
Controller	104.2	103.9	(0.1)	0.3	0.2	28
City Planning	43.5	37.9	(11.1)	5.6	(5.5)	29
Civil Service Commission	1.5	1.5	-	-	-	
Ethics Commission	6.9	6.6	0.1	0.2	0.4	30
Human Resources	44.3	39.4	(4.8)	4.9	0.1	31
Health Service System	13.3	13.0	-	0.3	0.3	32
Mayor	131.2	127.2	-	3.9	3.9	33
Elections	28.6	26.6	(0.0)	2.0	2.0	34
Technology	5.2	4.8	(0.4)	0.4	0.0	35
Treasurer / Tax Collector	41.0	40.6	1.5	0.4	1.9	36
Retirement System	2.1	2.1	-	-	-	
GENERAL CITY RESPONSIBILITY						
	191.1	190.1	2.6	1.1	3.7	37
TOTAL	7,661.6	7,603.9	40.0	57.7	97.7	

NOTES ON 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 net operating surplus of \$0.9 million, primarily due to \$2.2 million in salary and benefit savings combined offset by an overage of \$1.1 million in community based organization programs costs.

2. District Attorney

The District Attorney's Office projects to end the fiscal year with a \$1.2 million savings due to \$1.0 million in salary and benefit savings and \$0.2 million in work order savings.

3. Department of Emergency Management

The Department of Emergency Management projects to end the fiscal year with a \$0.2 million surplus in salary and mandatory fringe benefits. The department plans to request a supplemental appropriation to reallocate budget from regular salaries to overtime, as required by Administrative Code Section 3.17.

4. Fire Department

The Fire Department projects to end the fiscal year with a net operating surplus of \$0.1 million, which is comprised of a \$7.3 million revenue surplus and a \$7.2 million expenditure deficit. The \$7.3 million revenue surplus is largely due to a \$8.7 million surplus in emergency services revenue offset by deficits of \$1.2 million in fire prevention revenue and \$0.2 million in other operations revenue. Personnel expenditures are expected to be \$14.2 million above budget primarily due to higher number of role transitions, deployment to the Los Angeles wildfire response, and overtime required to backfill. The department also anticipates \$3.4 million in workers' compensation savings. The department plans to request supplemental appropriation to appropriate \$7.0 million of emergency services revenue and reallocate budget to overtime, as required by Administrative Code Section 3.17. The department also anticipates receiving \$3.7 million from the MOU Reserve for eligible one-time salary and benefit payments.

5. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year on budget. The department projects a salary and mandatory fringe benefits shortfall of \$0.3 million driven by overtime and current staffing levels, offset by \$0.3 million of interdepartmental services savings.

6. Public Defender

The Public Defender's Office projects to end the fiscal year with an operating surplus of \$0.2 million due to \$0.3 million savings in salaries and mandatory fringe benefits offset by \$0.1 million shortfall in non-personnel services.

7. Police

The Police Department projects to end the year with a \$0.5 million revenue shortfall due to fewer 10b and interdepartmental services requested and within its expenditure budget including the planned use of \$5.7 million from the MOU reserve for eligible one-time salary and mandatory fringe benefit costs. The department plans to request a supplemental appropriation to reallocate \$61.0 million from regular salaries to overtime as required by Administrative Code section 3.17.

8. Sheriff

The Sheriff's Office projects a net operating deficit of \$8.2 million due to an overtime budget deficit of \$26.6 million, partially offset with \$17.0 million savings in regular salaries and mandatory fringe benefits and the planned use of \$1.3 million from the MOU reserve for eligible one-time salary and mandatory fringe benefit costs. As required by Administrative Code section 3.17, the department plans to request a supplemental appropriation to reallocate these savings to overtime. However, additional new appropriation from the City's General Reserve or de-appropriation of previously Board approved appropriations, including those from facilities maintenance and other capital projects, or a combination thereof, will be required to resolve the department's overtime deficit.

9. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with a \$0.2 million surplus. The department projects \$0.3 million savings from salary and fringe benefits, offset by a \$0.1 million under-recovery in interdepartmental services.

10. Sheriff's Inspector General

The Sheriff's Department of Accountability projects salary savings of \$0.1 million due to staff attrition.

11. Department of Public Works

The Department of Public Works projects to end the fiscal year with a net \$4.5 million deficit. Revenues are projected to be \$6.3 million below budget primarily due to a shortfall in encroachment assessment and street space fees and under recovery from interdepartmental services. Expenditure savings are projected to be \$1.8 million mainly due to savings in salary and fringe benefits, overhead cost allocation, interdepartmental services, and community-based organizations costs, including \$0.4 million savings the department has identified in coordination with the Mayor's Office.

12. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the fiscal year with a net surplus of \$1.2 million. A projected \$12.0 million shortfall in developer exaction revenue and expenditure recovery will be offset by \$10.7 million expenditure savings in interdepartmental services related to these exactions, programmatic projects, and community-based organization grant savings, including \$2.5 million savings the department has identified in coordination with the Mayor's Office.

13. Board of Appeals

The Board of Appeals is projected to be on budget. The department projects a revenue deferral of \$0.2 million offset by a \$0.2 million labor savings from staff attrition.

14. Children, Youth, and Their Families

The Department of Children, Youth, and Their Families projects a net surplus of \$10.6 million. The department is projected to be on budget for revenues and have a \$0.1 million expenditure savings from closure of purchase orders and \$10.5 million in community-based organization grants savings the department has identified in coordination with the Mayor’s Office.

15. Human Services Agency

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Aid Payments	(1.0)	3.0	2.1
Operations & Administration	9.3	5.3	14.7
Total	8.4	8.4	16.7

The Human Services Agency projects to end the year with a net surplus of \$16.7 million, comprised of an \$8.4 million revenue surplus and \$8.4 million in expenditure savings. The department may request to repurpose \$12.5 million of the net savings towards office relocation purposes.

The department projects a net surplus of \$2.1 million in aid payments, comprised of \$1.0 million in revenue deficit and \$3.0 million in expenditure savings. County Adult Assistance Programs (CAAP) are projected to have a net deficit of \$1.2 million primarily due to significantly higher caseload, including higher homeless caseload, than budgeted and lower than budgeted SSI-IAR reimbursements. Skim-Scam is projected to have a net surplus of \$0.4 million due to decreased costs from food benefits replacement instead of cash benefits. Foster Care and Foster Care Childcare Aid programs are projected to have a net surplus of \$2.3 million due to delays in implementation of emergency beds for high-needs youth. Revenues in the In-Home Supportive Services (IHSS), CalWORKs, and Kin-GAP Aid programs are largely tied to expenditures and have a combined surplus of \$0.6 million due to higher enrollment and caseload expenditures in these programs than assumed in the budget.

In operations and administration, the department projects a net surplus of \$14.7 million, comprised of \$9.3 million in revenue surplus and \$5.3 million in expenditure savings. CalFresh revenue is projected to be \$3.7 million above budget due to higher than budgeted allotment. Medi-Cal revenue is projected to be \$2.2 million above budget due to higher than budgeted allotment and is comprised of \$0.3 million for annual funds and \$1.8 million for one-time funds to unwind pandemic waivers that are no longer in effect. 2011 Realignment sales tax subventions revenue is projected to be \$2.9 million above budget due to shifting available funding from aid payments to operations and administration. The state is projected to recoup \$0.6 million from the department for food stamps overpayments and other claim adjustments for FY 2021-22 through FY 2023-24. Revenue projections for CalSAWS, CalWORKs, Child Welfare Services, and IHSS administration are anticipated to be \$2.8 million below budget because of decreased or deferred allocations. As a result of changes in the

allocation of staff time across fund sources and labor savings, the following programs are projected to end the year with net surpluses: CalWORKs and refugee eligibility services, workforce development refugee, CalWORKs mental health and substance abuse (\$2.8 million); CalWORKs Stage 1-2 Child Care (\$0.5 million), Human Services Care Fund (\$0.5 million), IHSS administration (\$1.1 million), Public Conservator, Public Administrator, and Representative Payee programs (\$1.1 million); Child Welfare Services (\$10.1 million), and CalSAWS grants (\$1.2 million). An increased allocation of staff time and costs results in projected end-of-the-year net deficits in the following programs: CalFresh Eligibility (\$2.5 million), CAAP and CAPI eligibility services (\$1.1 million), CalFresh employment and training (\$0.7 million), Medi-Cal Eligibility (\$3.0 million), Aging Grants, Community Living Fund, and Adult Protective Services (\$0.8 million).

16. Human Rights Commission

The Human Rights Commission projects to end the fiscal year with a surplus of \$2.3 million due to continuing projects savings the department has identified in coordination with the Mayor’s Office.

17. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with net savings of \$4.5 million. This includes \$2.4 million in salary and fringe benefit savings, \$0.2 million savings from interdepartmental services, and \$2.0 million in community-based organization grant savings, including \$1.0 million savings the department has identified in coordination with the Mayor’s Office.

18. Status of Women

The Department on the Status of Women projects to end the fiscal year with a net surplus of \$0.2 million from savings in salaries and benefits net of overhead.

19. Public Health

The Department of Public Health (DPH) projects to end the fiscal year with a net surplus of \$61.6 million, as shown in Table A2-3. The surplus is comprised of a revenue surplus of \$59.0 million and expenditure savings of \$2.6 million. The projected net surplus includes \$2.5 million in non-personnel savings that the department has identified in coordination with the Mayor’s Office.

Table A2-3. Department of Public Health by Fund (\$ millions)

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Public Health General Fund	61.7	23.7	85.4
Laguna Honda Hospital	(28.6)	5.0	(23.7)
Zuckerberg San Francisco General Hospital	26.0	(26.1)	(0.1)
Total	59.0	2.6	61.6

Public Health General Fund

The projected net surplus for Public Health General Fund programs (including Primary Care, Behavioral Health, Jail Health, SF Health Network, Population Health Division, and Public Health Administration) is \$85.4 million. DPH projects a combined revenue surplus of \$61.7 million in the General Fund comprised of \$6.1 million (12.5%) from Medi-Cal Managed Care supplemental payments due to DPH earning 100% of funding in the Quality Incentive Pool Program through meeting 100% of Quality Metrics, \$57.2 million (40.1%) in surplus revenue from patient revenues, and a \$1.2 million (12.6%) surplus in net capitation revenue. These surpluses are partially offset by a \$1.0 million (26.1%) shortfall in County Medi-Cal Administrative claiming and a \$0.5 million shortfall (0.7%) in 2011 realignment revenue.

A projected expenditure surplus of \$23.7 million is due to \$11.2 million (2.4%) savings in combined salary and fringe benefits from position vacancies, and combined savings of \$12.5 million from non-personnel services, debt service payments, interdepartmental services, and annual projects.

Laguna Honda Hospital

The department projects Laguna Honda Hospital (LHH) will have a net operating deficit of \$23.7 million driven by a \$28.6 million revenue shortfall resulting from a pause in admissions during the Medicare/Medi-Cal recertification process offset by a one-time revenue true-up of the State's DP/NF Supplemental Payment Program transition from Traditional Medi-Cal to Managed Care Medi-Cal. Hospital admissions resumed after LHH regained certification, and the facility is expected to reach full capacity by December 2025.

This deficit is partially offset by a \$5.0 million expenditure surplus, including \$4.3 million in salary and fringe savings attributed to the Citywide hiring freeze as well as \$0.1 million in non-personnel costs and \$0.6 million in savings from the services of other departments.

Zuckerberg San Francisco General Hospital

The department projects a \$0.1 million net deficit at Zuckerberg San Francisco General Hospital (ZSFG). Expenditures are projected to be \$26.1 million over budget. A projected \$6.0 million shortfall in salary and fringe benefits is driven primarily by structural budget issues in premium and holiday pay. A projected \$1.6 million shortfall in non-personnel services is largely due to registry costs and unexpected expenses related to the hospital's failed chiller system. For materials and supplies, a projected \$20 million shortfall is driven mostly by unexpected drug spending, increased hospital census and patient volumes, and inflationary pressures on medical supply costs. Finally, the department projects \$0.7 million of savings in workers' compensation claims costs.

The department projects a total of \$26.0 million revenue surplus at ZSFG. Patient revenues are expected to end the year with a net surplus of \$3.4 million comprised of \$44.8 million surplus in Medi-Cal, Medicare and Other Patient Revenue reimbursements due to higher-than-expected patient volume, patient census, and higher than budgeted outpatient pharmacy revenue. This surplus is partially offset by a \$41.4 million shortfall in prior year settlement activity due primarily to a projected \$34.0 million FY 2014-15 State AB85 Realignment allocation recoupment, partially offset by favorable prior year Medicare and Medi-Cal settlements of \$21.3 million.

A \$37.8 million surplus from Medi-Cal waiver payments, primarily from the Global Payment Program and Medi-Cal GME, is partially offset by shortfalls of \$22.2 million in Medi-Cal Managed Care Supplemental Revenue and \$2.2 million in other miscellaneous revenue.

20. Asian Art Museum

The Asian Art Museum projects \$0.2 million in salary and fringe benefit savings due to staff vacancies.

21. Arts Commission

The Arts Commission projects \$0.2 million savings in community-based organizations grant costs identified by the department in coordination with the Mayor's Office.

22. Recreation and Park Department

The Recreation and Park Department is projected to end the year on budget. A \$1.3 million revenue deficit, including a \$0.3 million shortfall in rents and concessions and a \$1.0 million shortfall in fees and permits, is projected to be offset by a like amount of salary and fringe benefit savings.

23. Academy of Sciences

The department projects \$0.4 million in salary and fringe benefits savings due to staff vacancies.

24. City Administrator

The City Administrator projects to end the year with a net operating surplus of \$1.1 million. A projected net revenue surplus of \$0.5 million includes a \$1.4 million surplus from a one-time recognition of prior year marriage licenses paid in advance, partially offset by a \$0.7 million shortfall at the Entertainment Commission and Office of Cannabis due to a combination of factors including passage of Proposition M (Business Tax Reform measure), fee waivers, and halted applications, and a \$0.2 million deficit in work order recoveries. The department projects \$0.6 million in salary and fringe benefit savings.

25. Assessor Recorder

The Assessor Recorder projects to be on budget. The Department projects a \$0.6 million shortfall in fee revenue from recording documents, given fewer real estate transactions than anticipated, offset by a like amount of expenditure savings, primarily in salaries and fringe benefits.

26. Board of Supervisors

The Board of Supervisors projects to end the year with a net \$0.1 million savings due to assessment appeals fee revenue surplus.

27. City Attorney

The City Attorney's Office projects an operating surplus of \$2.0 million. A \$3.8 million expenditure surplus includes \$1.3 million of salary and fringe benefits savings and \$2.5 million of non-personnel savings, offset by a \$1.8 million shortfall in recoveries for services provided to other departments.

28. Controller

The Controller's Office projects to end the year with a surplus of \$0.2 million. A revenue shortfall of \$0.1 million in recoveries from other departments is offset by expenditure savings of \$0.3 million in salary and fringe benefits and services purchased from other departments.

29. City Planning

City Planning projects to end the fiscal year with a deficit of \$5.5 million. An \$11.1 million revenue shortfall includes \$8.2 million less than budget in building permit alterations, \$0.9 million less in new construction building permits, and \$0.8 million less in short-range city planning and other fees. Additionally, City Planning projects a \$1.2 million shortfall in recoveries for services provided to other departments. The revenue shortfall is partially offset by expenditure savings of \$5.6 million including \$2.4 million in salaries and fringe benefits, \$2.4 million in interdepartmental services, and \$0.8 million in non-personnel services, materials and supplies, and prior year appropriation closures.

30. Ethics Commission

The Ethics Commission projects \$0.4 million in savings, comprised of \$0.14 million in surplus fines and penalties revenue and \$0.24 million in salary savings due to delays in filling vacant positions.

31. Human Resources

The Department of Human Resources expects to end the year with a surplus of \$0.1 million, as a shortfall of \$4.8 million in recoveries from other departments is offset by savings in salaries and fringe benefits and services provided by other departments.

32. Health Service System

The Health Service System projects to end the year with \$0.3 million salary and fringe benefit savings.

33. Mayor

The Mayor's Office, which includes the Mayor's Office of Housing and Community Development, projects to end the year with \$3.9 million of expenditure savings. Salary and fringe benefit savings of \$0.9 million are due to \$0.6 million from staff vacancies for grant-related projects and \$0.3 million related to agreements with the Treasure Island Development Agency and other city departments. Additionally, the department has identified \$3.0 million of savings in community-based organization grant costs.

34. Elections

The Department of the Elections projects to end the fiscal year with an operating surplus of \$2.0 million due to savings in non-personnel, salaries, and fringe benefits, assuming there is no special election in the current year. The projection does not assume any special election and the department may use the expenditure savings should there be a special election confirmed later in the fiscal year.

35. Department of Technology

The Department of Technology projects to end the fiscal year on budget, as \$0.4 million of salary and fringe benefit savings is offset by \$0.4 million shortfall in recoveries for services provided to other city departments.

36. Treasurer/Tax Collector

The Treasurer/Tax Collector's Office projects a surplus of \$1.9 million, due primarily to increased revenue from charges related to collecting various taxes. A \$0.5 million reduction in interdepartmental service revenue is offset by a like amount of savings in interdepartmental services.

37. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments and is projected to have an operating surplus of \$3.7 million. A projected \$2.6 million revenue surplus includes a \$2.9 million surplus in SB 90 state mandate reimbursements partially offset by a \$0.3 million shortfall in traffic fines. Expenditure savings of \$1.1 million in interdepartmental services include reduced costs for the Permit Center, leases, and contract administration. A balance of \$11.6 million to fund community-based organizations' costs to comply with the Minimum Compensation Ordinance (MCO) is assumed spent in the subsequent budget.

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 anticipated deposits and withdrawals.

Table A3-1. Reserve Balances (\$ millions)

Note: Figures may not sum due to rounding.

	FY 2023-24	FY 2024-25			FY 2025-26			Note
	Ending Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	
General Reserve	\$ 128.1	\$ 14.6	(0.5)	\$ 142.2	\$ 19.7	-	\$ 161.9	1
Rainy Day Economic Stabilization City Reserve	114.5	-	-	114.5	-	-	114.5	2
Budget Stabilization Reserve	275.2	-	-	275.2	-	-	275.2	3
Economic Stabilization Reserves	389.7	-	-	389.7	-	-	389.7	
Percent of General Fund Revenues	6.1%			6.2%			6.0%	
Budget Stabilization One Time Reserve	54.8	-	-	54.8	-	(54.8)	-	3
Rainy Day Economic Stabilization SFUSD Reserve	1.0	-	-	1.0	-	-	1.0	2
Federal and State Emergency Grant Disallowance Reserve	81.3	-	(38.2)	43.1	-	-	43.1	
Fiscal Cliff Reserve	182.4	-	-	182.4	-	-	182.4	4
Business Tax Stabilization Reserve	29.5	-	(29.5)	-	-	-	-	
Public Health Revenue Management Reserve	148.9	-	-	148.9	-	-	148.9	5
Free City College Reserve	7.6	-	(7.5)	0.1	8.0	(8.0)	0.1	
Student Success Fund Reserve	1.5	-	-	1.5	-	-	1.5	
Other Reserves	507.1	-	(75.2)	431.9	8.0	(62.8)	377.0	
Litigation Reserve	-	11.0	(11.0)	-	11.0	(11.0)	-	
Salary and Benefits Reserve	1.8	20.2	(22.0)	0.0	20.8	(20.8)	0.0	6
Annual Operating Reserves	1.8	31.2	(33.0)	0.0	34.3	(34.3)	0.0	
TOTAL, General Fund Reserves	1,026.7	45.8	(108.7)	963.8	62.0	(97.1)	928.6	

1. General Reserve

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. The General Reserve balance in FY 2024-25 is required to be no less than 2.25% of budgeted regular General Fund revenues.

The FY 2023-24 ending balance of the General Reserve was \$128.1 million, and the FY 2024-25 approved budget includes a \$14.6 million required deposit. This report assumes a \$0.5 million General Reserve use to support free parking, transit, and ambassadors at Lunar New Year celebrations. Any uses of the reserve during the current year increase the required deposit in the budget year (FY 2025-26) by a like amount.

2. Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 established a Rainy Day Economic Stabilization Reserve; it 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 (50% of revenue growth in good years) formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve.

The FY 2023-24 ending balance of the City Rainy Day Economic Stabilization Reserve was \$114.5 million and of the School Rainy Day Reserve is \$1.0 million. In FY 2024-25, the City is not withdrawing or depositing to the Rainy Day Reserve.

3. 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 the fund balance appropriated as a source in the subsequent year's budget.

The FY 2023-24 ending balance of the Budget Stabilization Reserve was \$275.2 million and the Budget Stabilization One Time Reserve was \$54.8 million. When the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reaches 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. In FY 2024-25, the City is not withdrawing or depositing to the Budget Stabilization Reserve.

4. Fiscal Cliff Reserve

Section 32.1 of the administrative provisions of the FY 2021-22 and FY 2022-23 Budget and Appropriations Ordinance established a Fiscal Cliff Reserve of \$293.9 million for the purpose of managing projected budget shortfalls following the spend down of federal and state stimulus funds and other one-time sources used to balance the FY 2021-22 and FY 2022-23 budget. This reserve is comprised of the balance of the COVID-19 Response and Economic Loss Contingency Reserve (COVID Reserve) remaining after funding the Federal and State Emergency Grant Disallowance Reserve in Section 32 and accounting for the use of the COVID Reserve in the FY 2021-22 and FY 2022-23 budget. The FY 2023-24 ending balance of this reserve is \$182.4 million.

5. 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 funding allocations for indigent health services in order to manage revenue volatility. At its December 7, 2021, meeting, the San Francisco Health Commission affirmed the department's methodology for calculating the maximum reserve level at 5% of total Medi-Cal, Medicare, and net patient revenue in the most recent adopted two-year budget. As of the end of FY 2023-24, the balance of the reserve is \$148.9 million.

6. Salary and Benefits Reserve

Section 10.4 of the administrative provisions of the AAO authorizes the Controller to transfer funds from the Salary and Benefits Reserve (or “MOU Reserve”) to adjust appropriations for employee salaries and benefits stipulated in Board-adopted collective bargaining agreements. The reserve had a fiscal year starting balance of \$22.0 million, including \$20.2 million appropriated in the current year and \$1.8 million appropriated from prior year budgets. The Controller’s Office has transferred \$2.6 million to departments and anticipates transferring an additional \$10.7 million by year end, as detailed in Table A3-2.

Table A3-2. Salary and Benefits Reserve (\$ millions)

FY 2024-25 MOU Reserve Projection	
Sources	
FY 2024-25 Adopted Budget	20.2
Carryforward balance from FY 2023-24	1.8
Total Sources	22.0
Uses	
Transfers to Departments	
SF Health Plan	1.5
Police Recruitment	0.3
Other, including Tuition Reimbursement	0.9
Total Transfers to Departments	2.6
Anticipated Allocations	
Police Excess Retirement, Payouts	5.7
Fire Excess Retirement, Payouts	3.7
Sheriff Payouts	1.3
Total Anticipated Allocations	10.7
Total Anticipated Uses in the Current Year	13.3
Total Anticipated Uses in the Budget Year	8.7
Net Surplus / (Shortfall)	-

Appendix 4: Other Funds Highlights

Table A4-1. Other Fund Highlights (\$ millions) *Note: Figures may not sum due to rounding.*

	Prior Year		FY 2024-25					FY 2025-26		Notes
	FY 2023-24 Year End Fund Balance	Fund Balance Used in FY 2024-25 Budget	Beginning Fund Balance	Revenue Projection	Expenditure Projection	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	Fund Balance Used in FY 2025-26 Budget		
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u>										
Building Inspection Operating Fund	9.0	9.0	-	0.3	1.3	1.6	1.6	-	1	
Children and Youth Fund	38.8	8.7	30.2	(3.7)	1.0	(2.7)	27.5	8.1	2	
Public Education Early Care Fund (OECE)	17.1	5.7	11.4	(0.9)	-	(0.9)	10.4	6.9	3	
Public Education Special Fund (SFUSD)	22.2	6.2	16.0	(1.9)	-	(1.9)	14.1	6.4	4	
Convention Facilities Fund	38.6	10.0	28.5	(0.4)	4.7	4.3	32.9	10.2	5	
Golf Fund	4.2	1.0	3.2	0.1	-	0.1	3.3	1.0	6	
Marina Fund	(4.3)	-	(4.3)	(0.2)	0.2	-	(4.3)	-	7	
Library Preservation Fund	22.3	3.9	18.4	(4.5)	2.0	(2.5)	15.9	2.0	8	
Open Space Fund	40.3	8.9	31.3	(2.4)	-	(2.4)	28.9	6.4	9	
Telecomm. & Information Systems Fund	19.1	7.6	11.5	(5.9)	11.9	6.0	17.5	5.3	10	
General Services Agency-Central Shops Fund	5.4	-	5.4	(0.2)	0.4	0.2	5.5	-	11	
General Services Agency-Repro Fund	1.7	0.2	1.5	(0.6)	0.9	0.2	1.8	-	12	
War Memorial Fund	5.1	1.0	4.2	0.4	0.4	0.8	5.0	0.3	13	
Election Campaign Fund	0.9	-	0.9	-	1.4	1.4	2.4	-	14	
Gas Tax Fund	13.1	2.6	10.5	(0.4)	1.1	0.7	11.2	5.1	15	
Children and Families Commission	0.5	-	0.5	(16.9)	16.9	-	0.5	-	16	
Street Tree Maintenance Fund	6.3	-	6.3	-	-	-	6.3	-	17	
Public Works Overhead Fund	16.4	11.9	4.5	(0.7)	8.6	7.9	12.3	1.4	18	
Public Works Paid Time Off Fund	19.6	5.3	14.2	(1.2)	1.8	0.5	14.8	-	19	
Real Estate Fund	15.9	9.5	6.4	(1.3)	11.8	10.6	17.0	2.5	20	
Museum Admissions Fund	(3.6)	-	(3.6)	(0.3)	2.1	1.7	(1.9)	-	21	
Health Care Security Ordinance Fund	920.8	-	920.8	-	-	19.5	940.3	-	22	
Solid Waste Fund	10.0	5.1	4.9	(1.3)	1.3	-	4.9	0.0	23	
<u>SPECIAL PURPOSE TAXES</u>										
Neighborhood Beautification Fund	0.7	-	0.7	-	-	-	0.7	-	24	
Culture and Recreation Hotel Tax Fund	2.5	1.1	1.4	(4.8)	4.8	-	1.4	0.5	25	
Traffic Congestion Mitigation Fund (TCM Tax)	0.1	-	0.1	1.0	(1.1)	(0.1)	-	-	26	
Babies and Families First Fund (Commercial Rents Tax)	63.3	0.0	63.3	-	-	-	63.3	0.0	27	
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	245.1	175.2	70.0	(6.6)	-	(6.6)	63.4	70.0	28	
Small Business Assistance Fund (Commercial Vacancy Tax)	0.2	-	0.2	1.0	-	1.0	1.2	-	29	
Fair Wages for Educators Fund (Parcel Tax)	0.2	-	0.2	-	(0.2)	(0.2)	-	-	30	
Housing Activation Fund (Empty Homes Tax)	-	-	-	-	-	-	-	-	31	
<u>SELECT ENTERPRISE FUNDS</u>										
Airport Operating Funds	545.4	308.1	237.3	(32.4)	91.7	59.4	296.6	-	32	
MTA Operating Funds	80.6	38.7	41.9	(37.3)	24.5	(12.7)	29.2	18.4	33	
Port Operating Funds	201.9	11.9	190.0	(6.0)	7.6	1.6	191.6	-	34	
PUC Hetch Hetchy Operating Funds	195.5	28.7	166.8	(7.2)	63.8	56.6	223.4	16.3	35	
PUC Wastewater Operating Funds	176.9	24.7	152.2	(12.4)	5.2	(7.2)	145.1	34.5	36	
PUC Water Operating Funds	176.1	24.0	152.1	(14.7)	10.4	(4.3)	147.8	39.1	37	
PUC Clean Power Funds	13.4	-	13.4	(28.7)	60.4	31.8	45.1	-	38	

SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

1. Building Inspection Fund

The Building Inspection Fund began the year with no available fund balance, as the prior year's entire ending balance of \$9.0 million was budgeted for use in the current year. The department projects a \$1.6 million net operating surplus with a net \$0.3 million revenue surplus in fees for building permits, plan review, and residential records, and net expenditure savings of \$1.3 million in non-personnel services. In addition, the department maintains an unappropriated revenue account of \$21.3 million in the approved budget. As a result, the department expects to end the year with net available unappropriated reserves of \$22.9 million.

2. Children and Youth Fund

The Children's Fund began with a balance of \$30.2 million, net of a budgeted use of \$8.7 million in the current year. The fund is projected to have a \$3.7 million shortfall in property tax revenues and expenditure savings of \$1.0 million due to staff vacancies, resulting in a \$27.5 million projected ending balance, of which \$8.1 million was used to balance the previously adopted FY 2025-26 budget.

3. Public Education Early Care Fund (OECE)

The Public Education Early Care Fund began with a balance of \$11.4 million, net of a budgeted use of \$5.7 million in the current year. Revenues are expected to be \$0.9 million below budget, reflecting a reduction in projected General Fund Aggregate Discretionary Revenue (ADR), resulting in a \$10.4 million projected ending balance, of which \$6.9 million was appropriated in the previously approved FY 2025-26 budget.

4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of \$16.0 million, net of a budgeted use of \$6.2 million in the current year. Revenues are expected to be \$1.9 million below budget, reflecting a reduction in projected General Fund ADR, resulting in a \$14.1 million projected ending balance, of which \$6.4 million was appropriated in the previously approved FY 2025-26 budget.

5. Convention Facilities Fund

The Convention Facilities Fund began with a balance of \$28.5 million, net of a budgeted use of \$10.0 million in the current year. A net operating surplus of \$4.3 million is projected due to debt service savings and closures of purchase orders. Ending fund balance is projected to be \$32.9 million, of which \$10.2 million was appropriated to balance the previously adopted FY 2025-26 budget.

6. Golf Fund

The Golf Fund began with a balance of \$3.2 million, net of \$1.0 million of fund balance appropriated in the current year. The Recreation and Parks Department projects a revenue surplus of \$0.1 million in golf fees and concessions, leaving a projected fund balance of \$3.3 million at year end, of which \$1.0 million was used to balance the previously adopted FY 2025-26 budget.

7. Marina Fund

The Marina Fund began the year with an abnormal balance of \$4.3 million. The Recreation and Parks Department projects a shortfall of \$0.2 million in marina fee revenue will be offset by expenditure savings of \$0.2 million. As a result, the fund is projected to end the fiscal year with an abnormal ending balance of \$4.3 million. This abnormal fund balance resulted in carryforward revenue budgets being closed during the year end process; the Controller's office will work with the department to address this technical issue and abnormal balance.

8. Library Preservation Fund

The Library Preservation Fund began with a balance of \$18.4 million, net of \$3.9 million of fund balance appropriated in the current year. The library projects a net revenue shortfall of \$4.5 million, composed of \$2.4 million of property tax and \$2.1 million related to lower General Fund Aggregate Discretionary Revenue (ADR), partially offset by expenditure savings of \$2.0 million largely in salaries and fringe benefits, and services from other departments. The net operating shortfall of \$2.5 million results in a projected end balance of \$15.9 million, of which \$2.0 million was used to balance the previously adopted FY 2025-26 budget.

9. Open Space Fund

The Open Space Fund began with a balance of \$31.3 million, net of a budgeted use of \$8.9 million in the current year. The property tax set aside is projected to be \$2.4 million less than budget, resulting in a projected ending fund balance of \$28.9 million, of which \$6.4 million was used to balance the previously adopted FY 2025-26 budget.

10. Telecommunications & Information Services Fund

The Telecommunication & Information Services Fund began the year with a balance of \$11.5 million, net of \$7.6 million appropriated in the current year. A net operating surplus of \$6.0 million is projected, comprised of a \$5.9 million shortfall in recoveries from client departments offset by \$11.9 million salary and non-personnel services savings. The fund is projected to end the year with a balance of \$17.5 million, of which \$5.3 million was used to balance the previously adopted FY 2025-26 budget.

11. General Services Agency-Central Shops Fund

The Central Shops Fund began the fiscal year with \$5.4 million in fund balance and projects to end the fiscal year with a balance of \$5.5 million. The department projects a net operating surplus of \$0.2 million due to increased costs for parts and repairs that will be offset by higher reimbursements from departments.

12. General Services Agency-Repro Fund

The Reproduction Fund began the fiscal year with \$1.5 million in fund balance, net of \$0.2 million appropriated in the current year and projects to end the fiscal year with a balance of \$1.8 million. The department projects a net operating surplus of \$0.2 million due to increased costs for postage and supplier expenses that will be offset by higher reimbursements from departments.

13. War Memorial Fund

The War Memorial Fund began the fiscal year with \$4.2 million in fund balance, net of \$1.0 million of fund balance appropriated in the current year. The Department projects a net operating surplus of \$0.8 million primarily due to salaries and fringe benefit savings, resulting in an ending balance of \$5.0 million, of which \$0.3 million was used to balance the previously adopted FY 2025-26 budget.

14. Election Campaign Fund

The Election Campaign Fund began the fiscal year with a balance of \$8.5 million, of which \$0.9 million was carried forward from the prior fiscal year and \$7.5 million was appropriated in the current year budget. The fund expended \$6.1 million in the current year for public finance disbursement to eligible candidates in the November 2024 election, and projects to end the fiscal year with a balance of \$2.4 million.

15. Gas Tax Fund

The Gas Tax Fund began with a \$10.5 million balance, net of \$2.6 million appropriated in the current year. The department projects a revenue shortfall of \$0.4 million based on the California State Association of Counties revenue estimate of gas tax revenues, offset by \$1.1 million expenditure savings, resulting in a projected ending balance of \$11.2 million, of which \$5.1 million was used to balance the previously approved FY 2025-26 budget.

16. Children and Families Commission

The Children and Families Commission began with a balance of \$0.5 million. Revenues are projected to be \$16.9 million below budget due to lower than anticipated Prop 10 tobacco tax revenue. The department will close spending budgets to balance the revenue shortfall and maintain the \$0.5 million fund balance.

17. Public Works – Street Tree Maintenance Fund

The Street Tree Maintenance Fund began the fiscal year with a balance of \$6.3 million. No operating surplus or shortfall is expected, resulting in a projected ending balance of \$6.3 million.

18. Public Works – Overhead Fund

The Overhead Fund began the fiscal year with a balance of \$4.5 million, net of a budgeted use of \$11.9 million in the current year. Public Works projects an operating surplus of \$7.9 million due to \$6.4 million non-personnel savings, \$2.0 million savings including services from other departments, materials and supplies, and capital outlay, and \$0.2 million in salary savings, offset by an overhead recovery shortfall of \$0.7 million. The projected ending balance is \$12.3 million, of which \$1.4 million was used to balance the previously adopted FY 2025-26 budget.

19. Public Works – Paid Time-Off Fund

The Paid Time-Off Fund began the fiscal year with a balance of \$14.2 million, net of a budgeted use of \$5.3 million. Public Works projects an operating surplus of \$0.5 million due to expenditure savings of \$1.8 million offset by an overhead recovery shortfall of \$1.2 million. The resulting ending balance is \$14.8 million.

20. Real Estate Fund

The Real Estate Fund began the fiscal year with \$6.4 million in fund balance, net of \$9.5 million appropriated in the current year. The fund is projected to have a revenue shortfall of \$1.3 million, mostly in recoveries for leased space, offset by expenditure savings of \$11.8 million as renewal lease terms are estimated to come in below budget for a number of properties. In addition, \$6.5 million allocated for single room occupancy-related purchases is anticipated to be carried forward. The projected ending balance is \$17.0 million, of which \$2.5 million was used to balance the previously adopted FY 2025-26 budget.

21. Museum Admissions Fund

The Museum Admissions fund began the year with an abnormal balance of \$3.6 million. Both the Asian Art Museum and the Fine Arts Museums have budgeted revenue and expenditures in this fund. A projected revenue shortfall of \$0.3 million from weakness in museum admissions is offset by \$2.1 million in salary savings, decreasing the expected year end abnormal balance to \$1.9 million. The Controller's Office will work with departments at year end close to address the abnormal balance.

22. Health Care Security Ordinance Fund

The Health Care Security Ordinance (HCSO) Fund is a fiduciary fund containing the balances of medical reimbursement accounts created pursuant to the HCSO, which requires employers in San Francisco to provide either health insurance or contributions on their employees' behalf via the San Francisco City Option. In FY 2022-23, City Option funds previously held in a non-interest bearing account of the San Francisco Health Plan were deposited into the City's treasury.

The Health Care Security Ordinance Fund began the fiscal year with a cash balance of \$920.8 million and a \$9.7 million interest receivable balance after adjusting for unrealized losses booked at the end of FY 2023-24. Based on activity through the beginning of February, withdrawals of \$12.1 million for claims and \$8.7 million in payments to the vendor managing participant accounts are projected to be offset by \$30.0 million in projected interest earnings.

23. Solid Waste Fund

The Solid Waste Fund began the year with a balance of \$4.9 million, net of \$5.1 million fund balance appropriated in the current year. The Department of the Environment, Controller, and the Department of Public Works have budgeted revenue and expenditures in this fund and project to end the fiscal year on budget with a year-end balance of \$4.9 million.

SPECIAL PURPOSE TAXES

24. Neighborhood Beautification Fund (Dedication of Business Tax)

The Neighborhood Beautification Fund began the fiscal year with a fund balance of \$0.7 million. No net operating surplus or shortfall or change in fund balance is projected.

25. Culture and Recreation Hotel Tax Fund (Dedication of Hotel Tax)

In November 2018, voters adopted an ordinance to dedicate a portion of hotel tax to support arts organizations. The dedicated hotel tax is deposited in the Culture and Recreation Hotel Tax Fund and allocated to the Arts Commission, General Services Agency, and Mayor's Office of Housing and Community Development.

The Culture and Recreation Hotel Tax Fund began the year with a fund balance of \$1.4 million, net of a budgeted use of \$1.1 million. Due to the weakness in hotel tax revenue described in Appendix 1, the fund is expected to have a revenue deficit of \$4.8 million and expenditures will need to be reduced by a like amount. Departments and the Controller's Office will work at year's end to de-appropriate spending authority to achieve these savings, resulting in an ending balance of \$1.4 million, of which \$0.5 million has been spent in the previously approved FY 2025-26 budget.

San Francisco Business and Tax Regulations Code section 515.01(d) requires the Controller to report on revenues and expenditures in the Hotel Room Tax Fund for the prior year. In FY 2023-24, a total of \$36.1 million of hotel tax fund sources (\$34.5 million of current year hotel tax and \$1.6 million of prior year fund balance) were allocated to the Culture and Recreation Hotel Tax Fund to support programs in Grants for the Arts, Arts Impact Endowment, Cultural Centers, Cultural Equity Endowment, and Cultural Districts.

Grants for the Arts (GFTA) spent \$17.1 million on grant-making operations, including 287 general operating support awards for Grants for the Arts-related public programs, including parades, festivals and art services/regranting. The Arts Impact Endowment awarded and encumbered \$3.1 million in grants across multiple project-based initiative categories. In Cultural Centers, the Arts Commission disbursed \$3.3 million for operating grants and \$0.2 million for facilities maintenance. For Cultural Equity, the Arts Commission awarded and committed \$5.1 million in grants to 50 individual artists and 38 arts organizations based in San Francisco as part of the FY 2023-24 grant cycle.

In FY 2023-24, Cultural District expenditures totaled approximately \$3.75 million to support each of the ten established districts working to stabilize cultural communities across San Francisco. The funds were used to hire and retain staff; organize neighborhood-based activities and community engagement sessions; build and maintain advisory and governance boards; support and engage local businesses, residents, artists, and culture bearers; build organizational capacity; and develop and implement place-keeping priorities as part of their strategic planning reports entitled the Cultural Heritage, Housing and Economic Stabilization Strategy (CHHESS) Reports.

26. Traffic Congestion Mitigation Fund (Traffic Congestion Mitigation Excise Tax)

In November 2019, voters adopted a traffic congestion mitigation tax on rides facilitated by commercial ride-share companies, autonomous vehicles, or private transit services, to support spending on transit and infrastructure improvements. Proceeds are deposited in the Traffic Congestion Mitigation Fund and allocated primarily between MTA and the San Francisco County Transportation Authority (SFCTA).

The fund began the fiscal year with a balance of \$0.1 million. Transportation Network Company (TNC) Tax revenues in the current year are projected to be \$18.0 million, or \$1.0 million above budget.

San Francisco Business and Tax Regulations Code section 3208(d) requires the Controller to report on revenues and expenditures in the Traffic Congestion Mitigation Fund, as well as the status of projects authorized to be funded. The Controller's Office has requested a report from the County Transportation Authority (CTA) on the status of projects funded by this tax. In FY 2023-24, MTA reports expenditures from the Traffic Congestion Mitigation Funds on the projects listed below.

Location	Scope	Status
Lincoln Wy (Great Highway to Arguello)	Painted safety zones, daylighting, signal timing changes	Completed in May 2024
Oak St/JFK Drive (Kezar to Baker)	Protected bikeway, lane reduction, signal timing changes	For MTA board approval in early 2025
Alemany Blvd (Congdon to Ellsworth)	Protected Bikeway, transit boarding island, lane reduction	Approved by MTA board in December 2024. Construction in early 2025
Beach St (Embarcadero to Van Ness)	Pedestrian safety improvements, protected bikeway	Approved by MTA board in December 2024. Construction in early 2025
Clarendon Ave (Laguna Honda to Johnstone)	Pedestrian safety improvements, lane reduction	Construction following repaving by DPW in 2025
Guerrero St (Market to 20 th)	Pedestrian safety improvements	Construction completed August 2024
Cesar Chavez St (Pennsylvania to Maryland)	Protected bikeway, parking and loading changes, signal timing changes	Ongoing outreach and design
Larkin St (Market to Geary)	Pedestrian safety improvements, lane reduction, curb management	Construction following repaving by DPW in 2025
Sloat Blvd (Skyline to Great Highway)	Protected bikeway, painted safety zones, bus boarding islands, parking and loading changes	Construction pending Coastal Commission approvals
Frida Kahlo Wy (Ocean to Judson) Judson Ave (Fridah Kahlo to Foerster)	Protected bikeway, signal timing changes	Construction completed August 2024
Sutter St (Market to Polk)	Bus-bike lane, curb management, signal timing changes, lane reduction	Ongoing outreach and design

27. Babies and Families First Fund (Early Care and Education Commercial Rent Tax)

In June 2018, voters adopted a commercial rents tax on businesses leasing commercial space in San Francisco to support spending on early childhood care and education. Proceeds are deposited in the Babies and Families First Fund and allocated to the Department of Early Childhood.

The fund began the fiscal year with a fund balance of \$63.3 million. Commercial rent tax is projected to be \$187.3 million, exactly on budget.

San Francisco Business and Tax Regulations Code Article 21, section 2112(i) requires the Controller to report on the prior year’s revenues and expenditures in the Babies and Families First Fund annually before February 15th. Revenues realized in FY 2023-24 totaled \$189.4 million in commercial rent tax. Per the legislation, 15% of tax proceeds, or \$28.4 million, is transferred to the General Fund and the remaining FY 2023-24 spending is detailed in Table A4-3 below.

Table A4.3. Babies and Families First Fund FY 2023-24 Report (\$ Millions)

FY 2023-2024 Baby Prop C Expenditure Report (Fund 11201)		
Project or Program	Description of Project or Program	Expenditure
Services of Community Based Organization		
Early Care and Education Tuition Assistance (Children's Council & Wu Yee)	Early Learning Scholarship (ELS) vouchers or MRA funding provided to high quality preschool programs securing spots for children of families with incomes up to 110% of Area Median Income (AMI). ELS funds qualified programs at (a) the fully funded QRIS Tier 3 cost or (b) as an enhancement to a state or federally funded subsidized child, to reimburse at QRIS Tier 3.	\$ 53,906,400
Workforce Compensation (Children's Council)	Augmentation of Early Educator’s Compensation through two programs: (1) Early Educators Salary Support Grant (EESG) - A groundbreaking initiative ensuring caregivers serving San Francisco's most vulnerable students are fairly compensated for their education, paid at parity with San Francisco Unified School District and earn a living wage. (2) Compensation and Retention Early Educators Stipend (CARES 3.0) - An initiative providing direct stipends to teachers and preschool staff employed at licensed family childcare or center-based programs in San Francisco serving less than 50% subsidy eligible children.	\$ 47,926,757
Childcare Capital/Facilities (Low Income Investment Fund "LIIF")	The purpose of the grant is to provide both technical assistance and affordable capital to childcare providers in order to preserve/increase the quantity and enhance the quality of licensed childcare spaces available to families and children.	\$ 14,602,926
Family Resource Centers (multiple grantees)	Family Resource Center (FRC) Enhancements, Safestart Violence Prevention, Week of the Young Child	\$ 5,704,446
Other CBO Services (Children's Council)	ECE Community Building and Peer Support, San Francisco Child Care Planning & Advisory Council (CPAC), Program Capacity Supports, Quality and Capacity Building	\$ 1,913,663
Subtotal - CBO Services¹		\$ 124,054,193
Administration & Other		
DEC Staff	Salaries & benefits for 30 DEC full time equivalents (FTEs)	\$ 4,241,429
Administration	Non-personnel services + materials and supplies	\$ 491,537
Services of Other Departments	OEWD Support for Black Early Educators (\$787,622); CON Budget & Analysis (\$11,750); HR Mgmt Training (\$2,875), and Tax Collector (\$1,377,271)	\$ 2,350,955
Prop C 15% Tax to General Fund	Legislated 15% of Prop C Commercial Rents Tax transferred annually to the City's General Fund	\$ 28,411,051
Subtotal - Administration & Other		\$ 35,494,972
Total - FY 2023-2024		\$ 159,549,165

1. Report does not match 5380 CBO Services spending in the City’s financial system (\$151,259,529). Amount reported above (\$124,054,193) is adjusted to reflect funding expended on FY2023-24 activities only and excludes a programmatic advance for FY2024-25 expenditure required for July 1 expanded ELA vouchers and tuition credits.

28. Our City, Our Home Fund (Homelessness Gross Receipts Tax)

In November 2018, voters adopted an additional gross receipts tax of 0.175% to 0.69% on taxable gross receipts over \$50.0 million to support spending on homelessness, housing, and mental health. The tax was revised by Proposition M (November 2024) which decreased the gross receipts exemption from \$50 million to \$25 million and adjusted rates to make the tax less reliant on a small number of large payers. Proceeds are

deposited in the Our City, Our Home Fund and allocated primarily between the Department of Homelessness and Supportive Housing (HSH) and Department of Public Health (DPH).

The fund began the fiscal year with a balance of \$70.0 million, net of \$175.2 million appropriated in the current fiscal year. The large FY 2023-24 fund balance was intentionally created through prior year spending reductions to support spending in FY 2024-25 and FY 2025-26. A \$6.6 million shortfall in homelessness gross receipts tax revenue is projected, resulting in a projected operating shortfall of \$6.6 million and an ending balance of \$63.4 million. In the previously adopted two-year budget, \$70.0 million of fund balance was budgeted in FY 2025-26; if no expenditure reductions are made by departments in the current year, part of the previous appropriation will be unsupported. The Controller's Office will work with the departments of Public Health and Homelessness and Supportive Housing to identify offsetting expenditure savings to bring FY 2024-25 into balance while also supporting the FY 2025-26 and FY 2026-27 expenditure budgets.

29. Small Business Assistance Fund (Commercial Vacancy Tax)

In March 2020, voters adopted a tax on keeping certain commercial spaces vacant for more than 182 days in a calendar year. Proceeds are deposited in the Small Business Assistance Fund and allocated primarily to the Office of Economic and Workforce Development. The tax took effect in tax year 2022 and was first collected in FY 2022-23. The fund began the fiscal year with a balance of \$0.2 million. FY 2024-25 revenues are projected to be \$2.0 million, a \$1.0 million improvement from budget, resulting in an ending balance of \$1.2 million.

Pursuant to Article 29, Section 2907 of the Business and Tax Regulations Code, the Controller is required to report on prior year revenues and expenditures. In FY 2023-24, the work performed for this fund largely focused on the Treasurer & Tax Collector's Office educational efforts to increase compliance around this tax.

30. Fair Wages for Educators Fund (SFUSD Parcel Tax)

In November 2020, voters adopted a parcel tax to support the San Francisco Unified School District (SFUSD). Proceeds are deposited into the Fair Wages for Educators Fund and transferred to SFUSD, which certifies that funds will be spent in accordance with San Francisco and Business and Tax Regulations Code. The tax was first imposed in FY 2021-22. The City remitted \$47.3 million in FY 2021-22, \$49.1 million in FY 2022-23, and \$51.6 million in FY 2023-24 to SFUSD. In FY 2024-25, the City budgeted \$53.0 million of parcel tax revenue, balanced with a \$53.0 million transfer to SFUSD. The fund began the fiscal year with \$0.2 million of fund balance; all funds will be passed through to SFUSD, so no fund balance is anticipated by year-end.

The Controller's Office has requested a report from SFUSD on the status of projects funded by this tax, as required by Article 37, Section 3709 of the Business and Tax Regulations Code.

31. Housing Activation Fund (Empty Homes Tax)

In November 2022, voters adopted Proposition M, which imposed a tax on vacant homes. The tax was scheduled to take effect in tax year 2024, with revenues first impacting FY 2024-25. The City budgeted \$20.0 million of tax revenue in FY 2024-25, balanced with \$20.0 million of housing-related expenditures. However, a lawsuit filed in 2023 challenged the validity of the tax on the grounds that it violates state law and the federal and state constitutions. In late 2024, a trial court struck down the tax in its entirety and prohibited the City from collecting the tax. The City has appealed the trial court's ruling. File number 250001, now pending at the Board of Supervisors, would suspend the tax until the year after a final court ruling in the City's favor. If file

number 250001 passes, the Controller's Office will de-appropriate all FY 2024-25 appropriations related to the Empty Homes Tax.

SELECT ENTERPRISE FUNDS

32. Airport Operating Fund

The Airport began the fiscal year with \$237.3 million in available fund balance, net of \$308.1 million of fund balance appropriated in the current year. The department projects a net operating surplus of \$59.4 million comprised of a projected revenue deficit of \$32.4 million and expenditure savings of \$91.7 million.

The department's revenue deficit is largely due to lower than budgeted revenue transfers-in of \$165.0 million, offset by higher than budgeted aviation revenue of \$136.2 million. The lower transfer-in is largely driven by projected expenditure savings. The surplus in aviation revenue, which includes airline landing fees and terminal rents, is largely driven by airport traffic that has increased during quarter two of the current year. However, uncertainties in airport traffic, including factors such as slower than expected domestic traffic growth and delays in aircraft deliveries, still remain for the current year that can affect the trends of not only aviation revenue but also rent and concession revenues. Rent and concession revenues are expected to be below budget by \$2.9 million due to weaker parking, groundside, food and beverage, retail, automobile rental, and other concession sales on a per passenger basis from a decrease in passengers, visitor spending, taxi and TNC trips, and parking activity. Rent and concession revenues were also impacted by airline relocations to other terminals and the Terminal 3 West project that is currently in progress.

The department's net expenditure savings are driven by a projected \$56.7 million in labor savings due to vacancies and time to hire and savings of \$8.8 million in professional services contracts. The department estimates savings of \$5.2 million in capital outlay due to delivery and manufacturing delays, especially for large items such as vehicles and customized equipment. Lastly, the department projects savings of \$17.8 million in public safety costs due to vacancies in the Police and Fire Departments. The department is projected to end the fiscal year with a balance of \$296.6 million.

33. Municipal Transportation Agency (MTA) Operating Funds

The MTA began the fiscal year with an available balance of \$41.9 million, net of \$38.7 million appropriated in the current year. The Agency projects to end the year with a net operating deficit of \$12.7 million due to a revenue shortfall of \$37.3 million and expenditure savings of \$24.5 million.

The revenue shortfall is driven by \$2.1 million in parking due to slow downtown recovery, impacting garage and meter revenue; a \$1.2 million transit fare shortfall due to continued slow downtown recovery impacting most fares; and \$7.5 million in operating grants. Federal relief is \$20.6 million under recovered so that a proportion of the allocation can be used to balance the next fiscal year's budget. Additionally, transfers from the General Fund that support operating expenses are expected to be \$4.2 million less than budgeted due to decreases in projected aggregate discretionary revenue (ADR) in the General Fund. However, the General Fund transfer to the MTA determined by population growth is expected to be \$14.2 million greater than budget due to actual population growth exceeding budget expectations, of which \$4.6 million supports operating expenditures.

The Agency projects \$24.5 million in expenditure savings, which is driven by \$42.3 million in reduced personnel costs and overhead allocations from slower hiring, \$2.6 million in capital outlay, and \$4.9 million in services of other departments. These expenditure savings are offset by shortfalls in non-personnel services of \$12.7 million and materials and supplies of \$12.6 million, resulting in an ending balance of \$29.2 million, of which \$18.4 million was appropriated in the previously approved FY 2025-26 budget.

34. Port Operating Funds

The Port began the fiscal year with \$190.0 million in available annual fund balance net of \$11.9 million appropriated in the current year. The department projects a net operating surplus of \$1.6 million due to a \$6.0 million revenue deficit and \$7.6 million expenditure savings.

The revenue deficit is mostly a parking revenue shortfall primarily caused by delays in expanding parking at department-owned parking lots.

Expenditure savings are primarily due to \$1.0 million savings in salary and fringe benefits due to ongoing vacancies of operational staff, \$3.8 million in non-personnel services due to underutilization of as-needed engineering and real estate contracts, deferred broker payments, and unrealized volumes of credit card transactions tied to pending installations of new parking meters, \$0.4 million savings in materials and supplies, and \$2.4 million from lower-than-anticipated insurance premiums.

Public Utilities Commission (PUC)

PUC projects net operating surpluses for the CleanPowerSF Fund and Hetch Hetchy Operating Fund and net operating deficits in the Water Operating Fund and Wastewater Operations Fund. The department plans to request a supplemental appropriation to reallocate \$1.1 million from permanent salaries surplus and Undesignated General Reserve to overtime as required by Administrative Code section 3.17.

35. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$166.8 million in available operating fund balance, net of \$28.7 million of fund balance appropriated in the current year. The fund is projected to end the year with a net operating surplus of \$56.6 million primarily due to an expenditure surplus of \$63.8 million partially offset by a \$7.2 million revenue shortfall.

The revenue deficit is primarily driven by a \$10.2 million shortfall from retail sales that are lower based on year-to-date volumes, offset by \$8.6 million surplus from wholesale sales are higher than budget mainly due to higher resource adequacy sales offset by reduced sales from lower prices. Gas and steam sales are \$5.2 million below budget due to lower usage, partially offset by \$0.2 million interest income increase above budget. The expenditure savings are primarily due to higher power generation, partially offset by distribution costs. Other expenditure savings are from the previous year unspent balances and budgeted contingency projected to be unspent.

The fund is projected to end the fiscal year with a balance of \$223.4 million, of which \$16.3 million was used to balance the previously adopted FY 2025-26 budget.

36. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$152.2 million in available operating fund balance, net of \$24.7 million of fund balance appropriated in the current year. The Fund is projected to end the year with a net operating deficit of \$7.2 million primarily due to a revenue deficit of \$12.4 million offset by expenditure savings of \$5.2 million.

The revenue deficit is primarily driven by billed residential sales being three percent below budget and non-residential sales being 13 percent below budget. Additionally, the revenue shortfall includes \$3.2 million in delayed billing from the prior fiscal year and \$3.3 million in revenue transfers from water lease revenues to pay for low-income discount programs. These revenue shortfalls are partially offset by stormwater-only parcels not yet billed pending confirmation of responsible account holders, and miscellaneous income primarily due to one-time revenue payments from UCSF and the Golden State Warriors basketball team as part of their contribution to the construction of the Mariposa Pump Station. The expenditure surplus is primarily due to salaries and mandatory fringe benefit savings from vacant positions and debt service.

The fund is projected to end the fiscal year with a balance of \$145.1 million, of which \$34.5 million was used to balance the previously adopted FY 2025-26 budget.

37. Public Utilities Commission – Water Operating Fund

The Water Operations Fund began the fiscal year with \$152.1 million in available operating fund balance, net of \$24.0 million of fund balance appropriated in the current year. The fund is projected to end the fiscal year with a net operating deficit of \$4.3 million, comprised of a revenue deficit of \$14.7 million and \$10.4 million in expenditure savings.

The revenue deficit is primarily driven by retail water sales and wholesale water sales. The projected retail water sales of 53.1 million gallons per day (MGD) represent a 3.5 percent decrease from a budgeted assumption of 55 MGD. The projected wholesale water sales of 126.1 MGD represents a 1.7 percent decrease from the budgeted assumed volume of 128.2 MGD. Additionally, the revenue shortfall includes \$2.9 million in revenue from delayed bills from the prior fiscal year and \$3.3 million in transfers out to wastewater from lease revenues to pay for low-income customer discount programs. The expenditure surplus is primarily due to savings from the services of other departments and a delay in interest payment for the Mountain Tunnel State Revolving Fund (SRF) loan.

The fund is projected to end the fiscal year with a balance of \$147.8 million, of which \$39.1 million was used to balance the previously adopted FY 2025-26 budget.

38. Public Utilities Commission – Clean Power Fund

The CleanPowerSF Fund began the fiscal year with \$13.4 million in available operating fund balance. The fund is projected to end the year with a net operating surplus of \$31.8 million, primarily due to a \$60.4 million expenditure surplus partially offset by \$28.7 million revenue shortfall.

The revenue deficit is primarily driven by final rates of 8.5 percent, which are lower than budgeted rates of 12 percent, offset by higher wholesale revenues. Expenditure savings of \$60.4 million are primarily driven by \$40.5

million of budgeted General Reserve and \$19.9 million savings from purchase power due to lower wholesale energy costs, partially offset by increasing renewable and resource adequacy market costs.

The fund is projected to end the fiscal year with a balance of \$45.1 million.

Appendix 5: Overtime Report

Department (\$ Millions)	FY 2023-24	FY 2024-25		
	Actual	Revised Budget	July through 1/3/2025	% of Budget through 1/3/2025
Municipal Transit Agency - Total	65.0	35.6	36.7	103%
Police*				
General Fund (Excl. Work Orders)	86.6	41.0	49.6	121%
Airport	7.8	10.5	4.9	47%
General Fund Work Orders	2.7	2.7	0.6	21%
Total Annual Operating Funds	97.0	54.2	55.0	102%
<i>Special Revenue (10B)</i>	14.5		7.6	
<i>Total</i>	<i>111.5</i>		<i>62.6</i>	
Public Health*				
ZSF General	31.1	30.8	15.0	49%
Laguna Honda	16.8	20.7	6.7	32%
Other Annual Funds	4.2	4.2	2.1	50%
Total Annual Operating Funds	52.1	55.7	23.8	43%
Fire*				
General Fund (Excl. Work Orders)	61.7	53.5	30.9	58%
Airport	7.8	7.3	4.1	55%
General Fund Work Orders	1.2	4.6	1.2	26%
Total Annual Operating Funds	70.6	65.5	36.1	55%
Sheriff*				
General Fund (Excl. Work Orders)	29.4	13.5	19.9	147%
General Fund Work Orders	1.7	8.8	4.9	55%
Total Annual Operating Funds	31.2	22.3	24.8	111%
Airport*				
Annual Operating Funds	4.0	6.1	3.0	48%
Emergency Management*				
Annual Operating Funds	8.1	7.8	4.5	57%
Public Works*				
Annual Operating Funds	2.4	2.0	1.0	52%
General Fund Work Orders	0.7	2.4	0.5	19%
Public Utilities*				
Annual Operating Funds	6.9	6.4	3.8	59%
Recreation and Park*				
Annual Operating Funds	2.4	2.9	1.3	45%
City Attorney	0.2	0.0	0.1	731%
Juvenile Probation	2.4	0.3	1.3	480%
Admin Services	2.8	1.0	1.7	172%
Public Library	0.7	0.2	0.3	172%
Port	0.7	0.3	0.4	152%
Human Services	7.4	2.4	3.5	144%
District Attorney	0.3	0.1	0.1	95%
War Memorial	-	0.3	0.2	79%
Building Inspection	0.2	0.3	0.2	60%
Elections	0.2	0.9	0.4	42%
Academy of Sciences	0.1	0.1	0.0	35%
Public Defender	0.0	0.0	0.0	34%
Retirement	0.1	0.0	0.0	25%
Fine Arts Museum	1.2	2.7	0.6	23%
Adult Probation	0.2	0.1	0.0	13%
Treasurer/Tax Collector	-	0.0	0.0	10%
Controller	0.1	0.5	0.0	3%
Total Overtime**	371.3	270.1	206.9	77%
* 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 non-annual operating funds in departments listed in Administrative Code 3.17.				