City & County of San Francisco

# Six-Month Budget Status Report

Prepared by

**OFFICE OF THE CONTROLLER**

**BUDGET AND ANALYSIS DIVISION**

**February 12, 2026**

## 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 $614.6 million General Fund ending balance in the current fiscal year, an $89.4 million improvement from the $525.2 million balance in our last projection (December 2025 Update to the Five-Year Financial Plan). Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to $877.0 million (from $936.6 million) and by $29.8 million in FY 2028-29. Some risk to this projection remains from economic conditions, tax administration choices, and potential changes affecting federal revenue; however, the risk is much greater in the budget years.

- Citywide revenues are projected to be $213.7 million above budget, a $46.0 million increase from December 2025 projections. Property tax is projected to be just above budget, reflecting updated assumptions of the effect of refunds paid on excess ERAF. Business tax revenue is projected to be $155.2 million above budget due to litigation outcomes allowing reserve releases and strong worldwide sales among a number of businesses located in San Francisco improving the local tax base. An $83.3 million shortfall from budget in FEMA reimbursements is more than offset by strength in interest income and real property transfer tax revenue, which has rebounded with renewed investor interest in the City's commercial real estate.

- Departments are projected to end the year with a $55.8 million net surplus, including a revenue shortfall of $7.1 million offset by expenditure savings of $62.3 million. The Department of Public Health is projected to have a $33.1 million revenue surplus in behavioral health, CalAIM, and prior year skilled nursing supplemental payments partially offset by a shortfall in patient service revenue at Zuckerberg San Francisco General (ZSFG) due to lower than expected patient volume and census. Unanticipated security and nurse registry costs at ZSFG are offset by savings elsewhere. The Human Services Agency is projected to have a $23.5 million surplus in operations and administration across many programs. Personnel overspending for indigent defense, Sheriff overtime, and revenue shortfalls at City Planning, Public Works, and Human Resources partially offset these surpluses. Expenditure savings across non-safety departments include salary and benefit savings realized intentionally through the Mayor's hiring freeze.

- The Sheriff, Police, Fire, and Emergency Management departments and the Public Utilities Commission require additional supplemental appropriations for overtime, as required by Administrative Code Section 3.17. While the Police and Emergency Management departments and the Public Utilities Commission propose to reallocate existing expenditure appropriation, the Fire Department will request authority to appropriate a revenue surplus, and the Sheriff will require use of General Reserve. Any additional supplemental appropriations using projected revenue surpluses or expenditure savings displayed in this report will reduce fund balance available to solve budget year shortfalls.

- Since January 20, 2025, the federal administration and federal agencies have sought to eliminate, reduce, or condition federal funding based on policy preferences related to immigration, LGBTQ+ rights, clean energy, and DEI/DEIA activities, among other topics. Federal agencies have terminated, frozen, or conditioned grants and funding that City departments rely on for ongoing programming.

The City and other plaintiffs have filed litigation challenging these actions and have successfully obtained court orders blocking many actions. The City Attorney will continue litigating to protect federal funds awarded to or received by the City and will continue to work with the Mayor's Office and City departments to protect the City's interests, but threats to the City's federal funding remain ongoing. The federal government is appealing court losses and implementing new funding cuts and conditions. Given the uncertainty in this area, the Board of Supervisors established the Federal and State Revenue Risk Reserve to address significant revenue shortfalls.

**Table 1. FY 2025-26 Projected General Fund Variances to Budget ($ millions)**

| | | Fall 2025 Projection | 6-Month | Change |
|---|---|---|---|---|
| | FY 2024-25 Ending Fund Balance | 420.9 | 420.9 | - |
| | Appropriation in the FY 2025-26 Budget | (382.4) | (382.4) | - |
| A. | Prior Year Fund Balance vs Budgeted Levels | 38.6 | 38.6 | - |
| | Citywide Revenue | 167.7 | 213.7 | 46.0 |
| | Baseline Contributions | (47.3) | (54.7) | (7.3) |
| | Departmental Operations | (3.3) | 55.8 | 59.1 |
| B. | Current Year Revenues and Expenditures | 117.1 | 214.8 | 97.8 |
| | General Reserve Appropriated - Source | - | 3.5 | 3.5 |
| | New Expenditures Supported by General Reserve - Use | - | (3.5) | (3.5) |
| | Deposit to Budget Stabilization Reserve | - | (8.4) | (8.4) |
| C. | Supplemental Appropriations & Use of Reserves | - | (8.4) | (8.4) |
| D. | Previously Unappappropriated Fund Balance | 140.0 | 140.0 | - |
| | Fund Balance Previously Appropriated in FY 2026-27 | 229.6 | 229.6 | - |
| E. | FY 2025-26 Projected Ending Balance | 525.2 | 614.6 | 89.4 |

# FY 2025-26 Six-Month Budget Status Report

## A. GENERAL FUND STARTING BALANCE

The FY 2025-26 and FY 2026-27 adopted budget assumed total use of fund balance of $382.4 million, of which $152.7 million was appropriated in FY 2025-26 and $229.6 million was appropriated in FY 2026-27. General Fund available fund balance at the end of FY 2024-25 was $38.6 million more than appropriated and assigned.

## B. CURRENT YEAR REVENUES AND EXPENDITURES

### Citywide Revenue

As shown in Table 2, citywide revenues are projected to be $213.7 million above budget. This represents a $46.0 million improvement in the current year from the most recent Update to the Five-Year Financial Plan issued in December 2025. The variance from the prior projection is largely due to improvement in real property transfer tax, business taxes, and interest income, partially offset by weakness in property tax.

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

| | FY 2024-25 | FY 2025-26 | | | Variance | |
|---|---|---|---|---|---|---|
| | Actuals | Budget | 5-Yr (Fall 25) | 6-Mo (Feb 25) | Vs Budget | Vs Fall 5-Yr |
| Traditional Property Tax | 2,122.8 | 2,164.0 | 2,173.0 | 2,142.0 | (22.0) | (31.0) |
| Excess ERAF | 362.3 | 273.0 | 313.4 | 309.0 | 36.0 | (4.4) |
| **Property Tax Total** | **2,485.1** | **2,437.0** | **2,486.4** | **2,451.0** | **14.0** | **(35.4)** |
| Business Taxes | 1,120.4 | 1,139.6 | 1,268.8 | 1,294.8 | 155.2 | 26.0 |
| Sales Tax - Local 1% | 188.3 | 189.5 | 191.6 | 193.6 | 4.1 | 2.0 |
| Hotel Room Tax | 255.3 | 265.2 | 272.0 | 275.7 | 10.5 | 3.7 |
| Utility User & Access Line Taxes | 170.0 | 170.8 | 192.5 | 192.5 | 21.6 | - |
| Parking Tax | 81.3 | 88.8 | 83.5 | 83.5 | (5.3) | - |
| Real Property Transfer Tax | 294.4 | 267.6 | 290.7 | 336.7 | 69.2 | 46.0 |
| Sugar Sweetened Beverage Tax | 11.4 | 11.6 | 11.4 | 11.4 | (0.3) | - |
| Stadium Admissions Tax | 8.9 | 8.6 | 9.9 | 9.9 | 1.3 | - |
| Cannabis Tax | - | - | - | - | - | - |
| Franchise Taxes | 17.4 | 16.1 | 17.4 | 17.4 | 1.3 | - |
| Interest Income | 171.1 | 151.9 | 166.3 | 175.0 | 23.1 | 8.7 |
| FEMA Disaster Relief | 73.9 | 87.0 | 7.0 | 3.7 | (83.3) | (3.3) |
| Health & Welfare Realignment | 307.6 | 272.8 | 278.6 | 278.6 | 5.8 | - |
| Public Safety Realignment | 52.2 | 53.5 | 53.1 | 53.1 | (0.4) | - |
| Public Safety Sales Tax | 96.1 | 97.2 | 96.8 | 96.3 | (1.0) | (0.5) |
| Airport Transfer In | 58.5 | 61.3 | 60.5 | 59.4 | (1.8) | (1.1) |
| Commercial Rent Tax Transfer In | 26.7 | 27.7 | 27.2 | 27.2 | (0.4) | - |
| **Total Citywide Revenues** | **5,418.5** | **5,346.1** | **5,513.8** | **5,559.8** | **213.7** | **46.0** |

### Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. In line with a projected surplus of $378.9 million in Aggregate Discretionary Revenue (ADR), the General Fund portion of baseline contributions is projected to be $54.7 million above budget and $7.3 million above the December Five-Year 2025 projection. Highlights include:

- MTA baselines are projected to be $30.9 million above budget. This is driven by the $36.3 million surplus in projected revenue from ADR-based transfers for the Municipal Railway Baseline and Parking & Traffic Baselines. Relative strength in ADR-based transfers is partially offset by weakness in projected Proposition B Population Adjustment to MTA baselines—as actual calendar year 2025 daytime population growth was 0.13% versus the 0.35% growth assumed in the budget—and Parking Tax In-Lieu revenues.
- The Library baseline and property tax set-aside are projected to be $7.4 million above budget, of which $8.2 million is due to increases in projected aggregate discretionary revenue (ADR), partially offset by $0.7 million in property tax weakness related to recent Assessment Appeals Board decisions. A $0.5 million General Fund return is assumed.
- The Open Space property tax set-aside is projected to be $0.7 million below budget.
- The Children and Youth Fund property tax set-aside is projected to be $1.0 million below budget.
- The Children's Services Baseline requirement is projected to be $243.4 million or $18.3 million above the $225.1 million requirement in the adopted budget. Children's Baseline eligible expenditures budgeted in FY 2025-26 totaled $245.4 million (as reported in the June 2025 Revenue Letter), exceeding the current required amount.
- The Transitional Aged Youth Baseline requirement is projected to be $29.2 million or $2.2 million above the $27.0 million requirement in the adopted budget, which slightly overfunded the required $28.1 million (as reported in the June 2025 Revenue Letter). As a result, the City must appropriate an additional $1.1 million of eligible expenditures.
- Required General Fund support for the Public Education Enrichment Fund baseline and annual contribution to SFUSD and OECE is projected to be $12.7 million above budget.
- The March 2025 Update to the Five-Year Financial Plan forecasted a FY 2025-26 deficit of $272.3 million, resulting in the suspension of growth in the Student Success Fund, Early Care and Education, Street Tree Maintenance Fund, and Dignity Fund baselines in FY 2025-26.

## Table 3. General Fund Baselines, Set-Asides, Special Taxes and Other Mandates ($ millions)

| | | FY 2024-25 | FY 2025-26 | | | Variance | | |
|---|---|---|---|---|---|---|---|---|
| | | Actuals | Budget | 5-Yr (Dec 25) | 6-Mo (Feb 26) | Vs Budget | Vs Fall 5-Yr | |
| | ***General Fund Aggregate Discretionary Revenue (ADR)*** | ***4,726.8*** | ***4,660.0*** | ***4,997.3*** | ***5,038.9*** | ***378.9*** | ***41.7*** | |
| 1 | **MUNICIPAL TRANSPORTATION AGENCY (SFMTA)** | | | | | | | |
| | Municipal Railway Baseline - 7.0675% ADR - GF Transfer | 334.1 | 329.4 | 353.2 | 356.1 | 26.8 | 2.9 | |
| | Parking & Traffic Baseline - 2.5070% ADR - GF Transfer | 118.5 | 116.8 | 125.3 | 126.3 | 9.5 | 1.1 | |
| | Population Adjustment - GF Transfer | 88.7 | 90.5 | 89.4 | 89.4 | (1.1) | - | |
| | Parking Tax In-Lieu - 80% Parking Tax - GF Transfer | 65.0 | 71.0 | 66.8 | 66.8 | (4.2) | - | |
| | Traffic Congestion Mitigation Fund - Special Tax (50%) | 9.5 | 10.0 | 10.0 | 10.0 | - | - | |
| | **Subtotal Municipal Transportation Agency** | **615.8** | **617.7** | **644.6** | **648.6** | **30.9** | **4.0** | * |
| 2 | **LIBRARY PRESERVATION FUND** | | | | | | | |
| | Library Preservation Fund Baseline - 2.2858% ADR - GF Transfer, net of GF Return | 108.1 | 106.5 | 114.2 | 114.7 | 8.2 | 0.5 | * |
| | Library Preservation Fund Property Tax - $0.025 per $100 NAV | 77.4 | 79.3 | 79.9 | 78.6 | (0.7) | (1.3) | |
| | **Subtotal Library** | **185.5** | **185.9** | **194.2** | **193.3** | **7.4** | **(0.9)** | |
| 3 | **RECREATION & PARKS** | | | | | | | |
| | Open Space Property Tax - $0.025 per $100 NAV | 77.4 | 79.3 | 79.9 | 78.6 | (0.7) | (1.3) | |
| | Recreation & Parks Baseline MOE Required GF Support | 85.2 | 88.2 | 88.2 | 88.2 | - | - | |
| | **Subtotal Recreation and Parks** | **162.6** | **167.5** | **168.1** | **166.8** | **(0.7)** | **(1.3)** | |
| | **CHILDREN'S SERVICES** | | | | | | | |
| 4 | **Children & Youth Fund** | | | | | | | |
| | Children and Youth Fund Property Tax Set-Aside: $0.4 per $100 NAV | 123.8 | 126.9 | 127.9 | 126.0 | (1.0) | (1.9) | |
| | Children's Services Baseline - Requirement: 4.830% ADR | 228.3 | 225.1 | 241.4 | 243.4 | 18.3 | 2.0 | |
| | Transitional Aged Youth Baseline - Requirement: 0.580% ADR | 27.4 | 27.0 | 29.0 | 29.2 | 2.2 | 0.3 | |
| 5 | **Babies & Families First Fund** | | | | | | | |
| | Commercial Rents Tax (85%) | 152.7 | 156.7 | 154.3 | 154.3 | (2.5) | - | |
| | *Early Care and Education Baseline - Requirement: 2.212% ADR* | 93.8 | 93.8 | 93.8 | 93.8 | - | - | |

| | | FY 2024-25 | FY 2025-26 | | | Variance | | |
|---|---|---|---|---|---|---|---|---|
| | | Actuals | Budget | 5-Yr (Dec 25) | 6-Mo (Feb 26) | Vs Budget | Vs Fall 5-Yr | |
| 6 | **Public Education Enrichment Fund - 3.0567% ADR** | | | | | | | |
| | Public Education Enrichment Fund Total - GF Transfer | *144.5* | *142.5* | *152.8* | *154.0* | 11.6 | 1.3 | * |
| | 1/3 Annual Contribution to Preschool for All | *48.2* | *47.5* | *50.9* | *51.3* | 3.9 | 0.4 | |
| | 2/3 Annual Contribution to SF Unified School District | *96.3* | *95.0* | *101.8* | *102.7* | 7.7 | 0.8 | |
| | Public Education Enrichment Fund Baseline: 0.290% ADR (50% GF, 50% CYF) | 13.7 | 13.5 | 14.5 | 14.6 | 1.1 | 0.1 | * |
| 7 | **Student Success Fund (SFUSD)** - GF Transfer | 35.0 | 35.0 | 35.0 | 35.0 | - | - | |
| 8 | **Fair Wages for Educators Fund (SFUSD)** - Parcel Tax | 54.0 | 54.0 | 54.0 | 54.0 | - | - | |
| | **Subtotal Childrens Services (Required)** | **720.6** | **717.8** | **748.3** | **750.0** | **32.2** | **1.7** | |
| | **HOMELESSNESS & HOUSING** | | | | | | | |
| 9 | **Our City, Our Home Fund** | | | | | | | |
| | Homelessness Gross Receipts Tax | 296.0 | 335.9 | 366.5 | 397.0 | 61.1 | 30.5 | |
| | Our City, Our Home Baseline Requirement | 200.8 | 200.8 | 200.8 | 200.8 | - | - | |
| 10 | Housing Trust Fund - GF Transfer (net of loan repayment) | 47.3 | 48.8 | 50.7 | 51.2 | *2.3* | *0.5* | * |
| 11 | Affordable Housing Opportunity Fund - GF Transfer | - | - | - | - | - | - | |
| 12 | Housing Activation Fund - Empty Homes Tax | - | - | - | - | - | - | |
| | **Subtotal Homelessness and Housing** | **544.1** | **585.5** | **618.0** | **649.0** | **63.5** | **31.0** | |
| | **ARTS** | | | | | | | |
| 13 | Hotel Tax for Arts Fund - Hotel Tax | 32.0 | 33.0 | 33.8 | 34.3 | *1.3* | *0.5* | |
| 14 | Property Tax - Municipal Symphony - $0.00125 per $100 NAV | 4.3 | 4.4 | 4.4 | 4.4 | - | - | |
| | **Subtotal Arts** | 36.3 | 37.4 | 38.3 | 38.7 | 1.3 | 0.5 | |
| | **OTHER** | | | | | | | |
| 15 | Small Business Assistance Fund - Commercial Vacancy Tax | 2.7 | 2.0 | 2.7 | 2.0 | - | *(0.7)* | |
| 16 | Dignity Fund - GF Transfer | 59.1 | 59.1 | 59.1 | 59.1 | - | - | * |
| 17 | Street Tree Maintenance Fund - GF Transfer | 23.0 | 23.0 | 23.0 | 23.0 | - | - | * |
| 18 | City Services Auditor: 0.2% of Citywide Budget | 26.0 | 28.1 | 28.1 | 28.1 | - | - | |
| | **Subtotal Other Financial Baselines** | **110.8** | **112.2** | **112.9** | **112.2** | **-** | **(0.7)** | |
| | *** General Fund Impact** | | | | | **54.7** | **7.3** | |

# Departmental Operations

A projected departmental operating surplus of $55.8 million is summarized in Table 4 and further detailed in Appendix 2.

### Table 4. FY 2025-26 Departmental Operating Summary ($ millions)

*Note: Figures may not sum due to rounding.*

| Net Shortfall Departments | Revenue Surplus / (Shortfall) | Expenditure Savings/ (Deficit) | Net Surplus / (Shortfall) |
|---|---|---|---|
| Sheriff | 0.5 | (9.0) | (8.5) |
| Public Works | (2.1) | 0.0 | (2.1) |
| City Planning | (4.2) | 2.4 | (1.8) |
| Superior Court | - | (1.5) | (1.5) |
| Public Defender | - | (1.2) | (1.2) |
| Human Resources | (5.0) | 4.8 | (0.2) |
| Police Accountability | (0.1) | 0.0 | (0.1) |
| Police Department | (0.4) | 0.3 | (0.1) |
| General City Responsibility | 3.2 | (3.3) | (0.1) |
| **Subtotal Net Shortfall Departments** | **(8.1)** | **(7.5)** | **(15.6)** |

| Net Surplus Departments | Revenue Surplus / (Shortfall) | Expenditure Savings/ (Deficit) | Net Surplus / (Shortfall) |
|---|---|---|---|
| Public Health | 33.1 | - | 33.1 |
| Human Services Agency | (2.8) | 26.3 | 23.5 |
| Homelessness and Supportive Housing | 0.0 | 3.0 | 3.0 |
| City Administrator | 0.5 | 1.9 | 2.3 |
| City Attorney | (4.8) | 6.8 | 2.0 |
| District Attorney | (0.2) | 1.5 | 1.3 |
| Treasurer / Tax Collector | (2.5) | 3.9 | 1.3 |
| Mayor | (0.1) | 1.2 | 1.0 |
| **Subtotal Net Surplus Departments** | **23.1** | **44.5** | **67.6** |
| All Other | (21.8) | 25.6 | 3.8 |
| **TOTAL** | **(6.8)** | **62.7** | **55.8** |

## C. SUPPLEMENTAL APPROPRIATIONS

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

| Use | Source | Status | Amount |
|---|---|---|---|
| Elections - Statewide November 2025 Special Election | State Revenue | Approved | 4.5 |
| MOHCD - Immigration Legal Defense | General Reserve | Approved | 3.5 |
| Human Services - CalFresh (SNAP) Benefits Backfill | Federal & State Rev Risk Reserve | Approved | 9.1 |
| | | **Approved** | **17.1** |
| MTA - Lunar New Year Parking, Transit, Ambassadors | General Reserve | Pending | 0.3 |
| Emergency Management - Street Conditions Staffing | General Reserve | Pending | 4.0 |
| Human Rights - Community Initiatives | General Reserve | Pending | 0.2 |
| | | **Pending** | **4.5** |
| | | **Pending** | **4.5** |
| | | **Approved + Pending** | **21.6** |

The Board of Supervisors has approved the use of $3.5 of the General Reserve for the Mayor's Office of Housing and Community Development (MOHCD) to support coordinated services for immigration legal defense and community response services to the immigrant community. In addition, the Board appropriated $9.1 million from the Federal & State Revenue Risk Reserve for the Human Services Agency for CalFresh (SNAP) benefits backfill during the fall federal government shutdown and $4.5 million of state reimbursements to the department of Elections for costs associated with the statewide November 2025 special election.

Uses of the General Reserve pending Board of Supervisors action include $0.3 million for the Municipal Transportation Agency to support free one-hour parking in the Portsmouth Square garage and transit fares for the Lunar New Year Parade weekend, $4.0 million for Emergency Management to expand street conditions staffing, and $0.2 million to the Human Rights Commission for community initiatives. Uses of the General Reserve in the current fiscal year require a like amount to be deposited in the budget year.

The Sheriff, Police, Fire, and Emergency Management departments and the Public Utilities Commission require supplemental appropriations for overtime, as required by Administrative Code Section 3.17. While the Police and Emergency Management departments and the Public Utilities Commission propose to reallocate existing expenditure appropriation, the Fire Department will request authority to appropriate a revenue surplus, and the Sheriff's Office will require use of General Reserve.

## D. PREVIOUSLY UNAPPROPRIATED FUND BALANCE

The projection includes $140.0 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 $614.6 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2025-26 of $614.6 million, an $89.4 million improvement from prior projections in the December 2025 Update to the 5-Year 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 six 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

# Appendix 1: General Fund Revenues

As shown in Table A1-1, total General Fund revenues are projected to be $267.3 million above budget. There is a $213.7 million projected surplus in citywide tax-based revenue (Table 2 above) and a $53.6 million surplus in departmental revenue. Table 4 in Appendix 2 shows a $6.8 million revenue shortfall; the variance between the two tables is driven by revenue at the City's two hospitals and inter-departmental work order recoveries not shown in the table below.

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

| | FY 2024-25 | FY 2025-26 | | | Variance | |
|---|---|---|---|---|---|---|
| **GENERAL FUND ($ Millions)** | **Year End Actual** | **Revised Budget** | **5-Year Fall Update** | **6-Month** | **Vs Rev Budget** | **Note** |
| **PROPERTY TAXES** | **2,485.1** | **2,437.0** | **2,486.4** | **2,451.0** | **14.0** | *1* |
| **BUSINESS TAXES** | | | | | | |
| Business Registration Tax | 42.9 | 53.0 | 48.0 | 48.0 | (5.0) | |
| Payroll Tax | 1.4 | - | - | - | - | |
| Gross Receipts Tax | 985.4 | 1,100.6 | 1,234.8 | 1,241.8 | 141.2 | |
| Admin Office Tax | - | - | - | - | - | |
| Overpaid Executive Tax | 90.7 | (14.0) | (14.0) | 5.0 | 19.0 | |
| **Total Business Taxes** | **1,120.4** | **1,139.6** | **1,268.8** | **1,294.8** | **155.2** | *2* |
| **OTHER LOCAL TAXES** | | | | | | |
| Sales Tax | 188.3 | 189.5 | 191.6 | 193.6 | 4.1 | *3* |
| Hotel Room Tax | 255.3 | 265.2 | 272.0 | 275.7 | 10.5 | *4* |
| Utility Users Tax | 111.8 | 116.4 | 116.1 | 116.1 | (0.2) | |
| Parking Tax | 81.3 | 88.8 | 83.5 | 83.5 | (5.3) | *5* |
| Real Property Transfer Tax | 294.4 | 267.6 | 290.7 | 336.7 | 69.2 | *6* |
| Sugar Sweetened Beverage Tax | 11.4 | 11.6 | 11.4 | 11.4 | (0.3) | |
| Stadium Admission Tax | 8.9 | 8.6 | 9.9 | 9.9 | 1.3 | |
| Access Line Tax | 58.1 | 54.5 | 76.4 | 76.4 | 21.9 | *7* |
| Cannabis Tax | - | - | - | - | - | *8* |
| **Total Other Local Taxes** | **1,009.5** | **1,002.2** | **1,051.6** | **1,103.3** | **101.2** | |
| **LICENSES, PERMITS & FRANCHISES** | | | | | | |
| Licenses & Permits | 16.5 | 7.1 | 7.1 | 6.8 | (0.3) | |
| Franchise Fee | 17.4 | 16.1 | 17.4 | 17.4 | 1.3 | |
| **Total Licenses, Permits & Franchises** | **33.9** | **23.1** | **24.5** | **24.2** | **1.0** | |
| **FINES, FORFEITURES & PENALTIES** | **5.3** | **6.0** | **6.0** | **4.8** | **(1.2)** | |
| **INTEREST & INVESTMENT INCOME** | **171.1** | **151.9** | **166.3** | **175.0** | **23.1** | *9* |
| **RENTS & CONCESSIONS** | **15.8** | **18.6** | **18.5** | **18.7** | **0.1** | |

| GENERAL FUND ($ Millions) | FY 2024-25 Year End Actual | FY 2025-26 Revised Budget | FY 2025-26 5-Year Fall Update | FY 2025-26 6-Month | Variance Vs Rev Budget | Note |
|---|---|---|---|---|---|---|
| **INTERGOVERNMENTAL REVENUES** | | | | | | |
| **Federal Government** | **394.2** | **479.8** | **379.1** | **391.2** | **(88.6)** | *10* |
| **State Government** | **1,023.4** | **925.8** | **915.3** | **932.8** | **6.9** | *11* |
| **Other Regional Government** | **2.0** | **3.9** | **3.4** | **3.1** | **(0.8)** | |
| **CHARGES FOR SERVICES** | **354.5** | **382.7** | **382.9** | **448.0** | **65.4** | |
| **RECOVERY OF GEN. GOV'T. COSTS** | **27.7** | **22.3** | **22.3** | **22.3** | **-** | |
| **OTHER REVENUES** | **11.8** | **19.2** | **18.9** | **12.5** | **(6.7)** | |
| **TOTAL REVENUES** | **6,654.7** | **6,612.1** | **6,744.1** | **6,881.7** | **269.6** | |
| **TRANSFERS INTO GENERAL FUND:** | | | | | | |
| Airport Transfer In | 58.5 | 61.3 | 60.5 | 59.4 | (1.8) | *12* |
| Commercial Rent Tax Transfer In | 26.7 | 27.7 | 27.2 | 27.2 | (0.4) | |
| Other Transfers | 208.9 | 170.8 | 169.6 | 170.8 | - | |
| **Total Transfers In** | **294.0** | **259.7** | **257.3** | **257.5** | **(2.3)** | |
| **TOTAL GENERAL FUND RESOURCES** | **6,948.7** | **6,871.8** | **7,001.4** | **7,139.1** | **267.3** | |

## 1. Property Tax

Total property tax revenue in the General Fund for FY 2025-26 is projected to end $14.0 million (0.6%) above budget and $34.1 million (1.4%) below prior year actuals. The improvement from budget is primarily driven by a reduction in the estimated amount of excess Educational Revenue Augmentation Fund (ERAF) revenue held to pay property tax refunds in the current fiscal year. While reserves are maintained to pay estimated refunds for the General Fund, special revenue funds (Library, Open Space, Children's), and GO bond fund portions of the property tax allocation, the effect of current year refunds on excess ERAF is entirely dependent upon the value of refunds paid in the current year, which can fluctuate significantly based on workflow at the AAB and Assessor's Office.

The value of property tax refunds paid for commercial properties relating to AAB decisions on past years' appeals have increased over the prior year's pace. Through January 31, 2026, approximately $64 million was refunded from the General Fund's share of prior years' property tax collections for all property types, compared to $79 million for all of FY 2024-25. In addition, the amount of current year revenue set aside to pay anticipated refunds has increased given updated data on reductions made by the Assessment Appeals Board (AAB). AAB data through January 29, 2026 show there are 14,652 open appeals with a total current assessed value of $281.6 billion. The Controller's Office projects a current year General Fund AAB reserve deposit of $105.2 million, which would bring the total reserve to $431.0 million.

Refunds are projected using average actual percent reductions for similar property types in the same assessment year where a sufficient sample of cases has been closed. Where there is only a small sample of cases, reductions are generally estimated using multiple prior years' experience. All 2025 (current billed assessment year) open appeals assume the same reduction as used for 2024 assessment year open appeals. Percent reductions in assessed value for open 2024 and 2023 assessment year appeals are assumed to be equal to those already decided by the AAB, with the exception of office appeals, which assume reductions of

33.0%, consistent with previous projections. This assumption will be updated as more decisions on office properties are made.

## 2. Business Tax

Business taxes in the General Fund include Business Registration fees, the Gross Receipts tax, the Administrative Office tax, and the Overpaid Executive tax. Total business tax revenue is projected to be $1,294.8 million in FY 2025-26, or $155.2 million (13.6%) above budget and $174.4 million (15.6%) above prior year actuals. Of these, the Gross Receipts tax is by far the largest, projected to be $1,241.8 million this fiscal year.

Proposition M (November 2024) restructured the City's business taxes by modifying gross receipts calculations, increasing the small business exemption, and reorganizing business activity categories. Although the measure takes effect for tax year 2025, quarterly estimated payments made by taxpayers are generally calculated as 25% of their 2024 tax liability. Consequently, the full fiscal impact of Proposition M will likely not be known until taxpayers file their 2025 taxes, which could be as late as November 30, 2026.

Tax revenue is based on two factors: (i) sales within the City, and (ii) a portion of a company's worldwide sales allocated to the City based on local payroll. The primary source of growth in Gross Receipts tax revenue is the increase in worldwide sales by companies located in the City.

For companies required to report San Francisco sales, sales grew 2.4% from 2023 to 2024, which is roughly consistent with inflation and with other taxes that reflect economic activity in the City, such as hotel and sales taxes. In contrast, for companies required to report it, worldwide revenue grew by 8.1% over the same period. Many of the City's largest private employers, as reported by the San Francisco Business Times, saw significant revenue growth in their most recent full fiscal year, including Meta (22%), Uber (18%), Alphabet (14%), Amazon (11%), and Salesforce (11%).

There continue to be significant ongoing and new claims in litigation involving prior years' gross receipts tax payments. Disputed issues include business activity classification (and therefore tax rate), what receipts are attributed to businesses, and how to apportion worldwide gross receipts to San Francisco. In the current year, the City settled lawsuits with General Motors and Microsoft for a combined total of $77.6 million across Gross Receipts, Homeless Gross Receipts, and Overpaid Executive taxes. Because the settlement amounts were below total liability, they resulted in a one-time increase to General Fund revenue of $44.0 million. In FY 2024-25, we reserved 75% of the liability in Gross Receipts taxes. In this fiscal year, we reserved the remaining 25% to reach reserves equal to the liability and now have General Fund business tax reserves of $394 million.

Two proposed initiatives related to business taxes for the June 2026 ballot are currently under review at the Department of Elections. One measure would increase the Overpaid Executive tax while the other would increase the small business tax exemption and accelerate currently scheduled increases in the Overpaid Executive tax rates. If both measures receive a majority vote, only the measure with the highest number of votes will be enacted. Neither measure would affect business tax revenue until FY 2027-28.

## 3. Local Sales Tax

Local sales tax revenues are projected to be $193.6 million, $4.1 million (2.2%) above budget and $5.3 million (2.8%) above prior-year actuals. In the City's most recent quarter of sales tax receipts (July through September 2025) compared to the same quarter last year, San Francisco's sales tax adjusted for misallocations increased by 7.6%, greater than both the state (1.9%) and the Bay Area (2.6%). The overall growth in San Francisco is

primarily related to growth in revenue from County and State pools (largely e-commerce purchases, 14.7%), restaurants and hotels (6.3%), and business and industry (29.4%). The forecast assumes increased sales tax receipts from hosting Superbowl LX in February 2026.

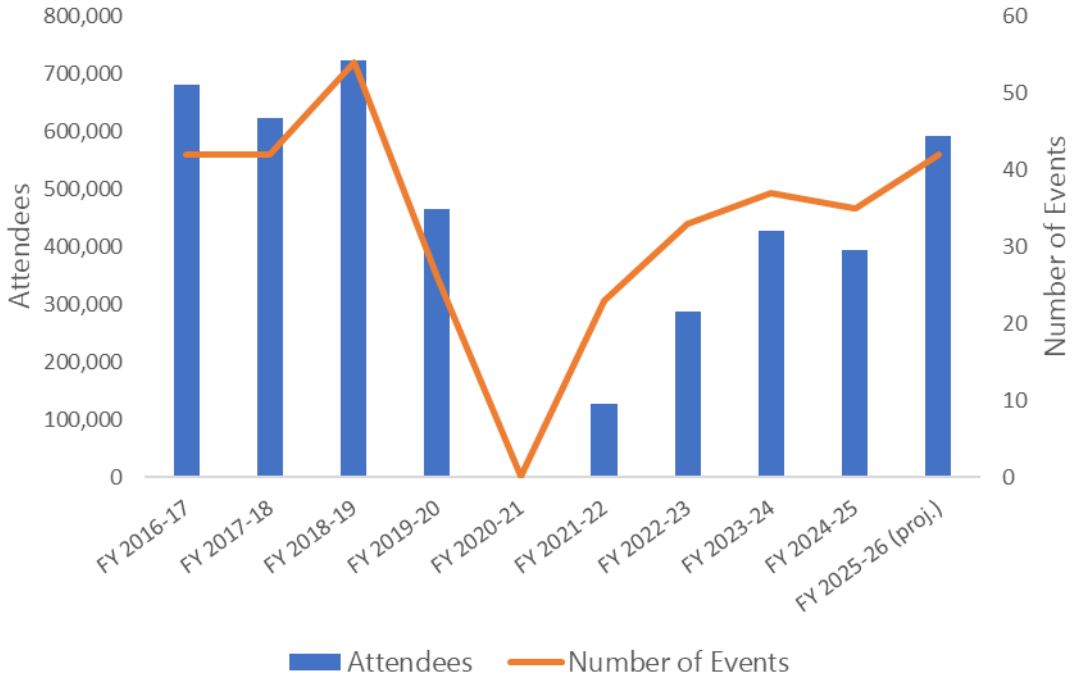
## 4. Hotel Room Tax

Hotel taxes for all funds are projected to be $310.0 million in FY 2025-26, $11.8 million (4.0%) above budget and $20.7 million (7.1%) above prior year. General Fund hotel tax revenues are projected to be $275.7 million, $10.5 million (4.0%) above budget and $20.4 million (8.0%) above 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 four months of FY 2025-26 grew moderately from the same period in FY 2024-25, averaging $176.7, a 15.2% increase from the average of $153.4 observed during the first four months of FY 2024-25.

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. The rebound of Moscone Center event attendance stalled in FY 2024-25 but is expected to pick back up in FY 2025-26.

**Number of Attendees and Events at the Moscone Center**
**FY 2016-17 to FY 2025-26 (Projected)**




In addition to the projected increase in conference activity in FY 2025-26, hotel tax revenues are expected to surge in early February from the Super Bowl LX and related events and again in June when six World Cup matches take place in Santa Clara.

Proposition E (November 2018) 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. The allocation to arts programs is projected to

be $34.3 million in FY 2025-26, or $1.3 million (4.0%) above budget and $2.3 million (7.1%) above the prior year. See the Other Funds section for more information about the Hotel Tax for Arts fund.

**FY 2025-26 Allocation of Hotel Tax for Arts (Prop E)**

| | Budget | Five Year | 6-Month | Variance from Budget |
|---|---|---|---|---|
| Grants for the Arts | 16.8 | 17.2 | 17.5 | 0.7 |
| Arts Impact Endowment | 2.6 | 2.6 | 2.7 | 0.1 |
| Cultural Centers | 3.9 | 4.0 | 4.1 | 0.2 |
| Cultural Equity Endowment | 6.6 | 6.8 | 6.9 | 0.3 |
| Cultural Districts | 3.1 | 3.2 | 3.2 | 0.1 |
| **Total** | **33.0** | **33.8** | **34.3** | **1.3** |

## 5. Parking Tax

Parking tax revenue is projected to be $83.5 million, which is $5.3 million (-6.0%) below budget and $2.2 million (2.7%) above prior year actuals. Although there are fewer commuters coming into the City now than before the pandemic, a higher percentage of them travel by car rather than public transportation, and projected revenue is approaching pre-pandemic levels. According to American Community Survey data, the percentage of workers still coming into an office or worksite who drove to work rose from 37.8% in 2019 to 46.2% in 2024. The City deposits parking tax revenue into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 8A.105.

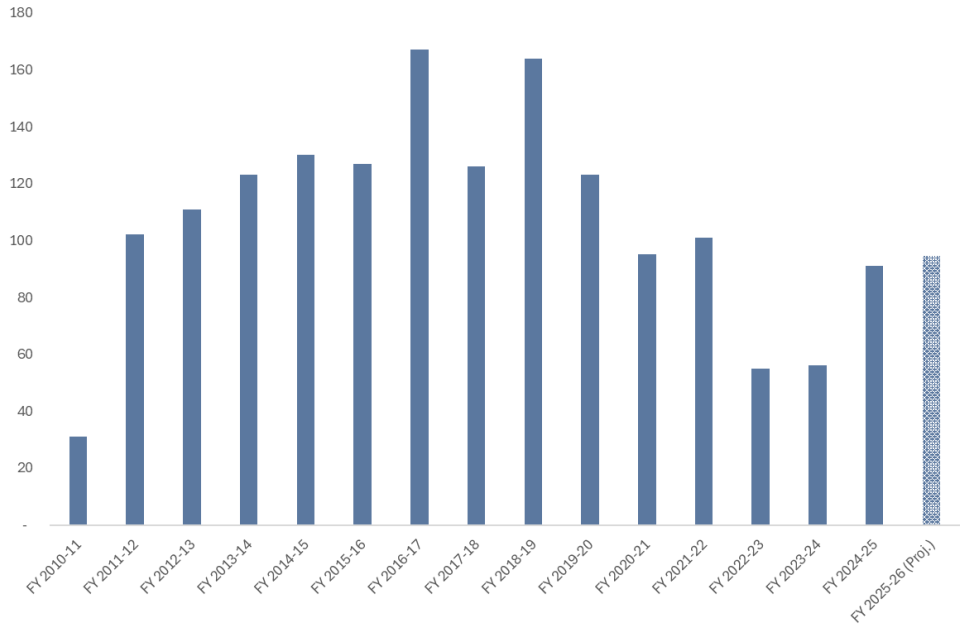
## 6. Real Property Transfer Tax

Real property transfer tax revenue is projected to be $336.7 million, which is $69.2 million (25.8%) above budget and $42.3 million (14.4%) above prior-year actual revenues. The forecast is $11.2 million higher than the prior five-year average of $325.5 million, triggering an estimated $8.4 million deposit to the Budget Stabilization Reserve pursuant to the City's reserve policy. The impact of November 2020 Proposition I, which increased transfer tax on transactions over $10 million, is projected to be $109.6 million.

Over the past 18 months, the City's real estate transfer volumes and tax revenues have significantly recovered. The rise of remote and hybrid work arrangements in San Francisco brought on by the pandemic caused demand for office space in the City to fall, office vacancies to soar, and building sales to slow. However, a combination of factors has helped "reset" the real estate market and increase the number of transactions in the City. Notably, the Federal Reserve has lowered the Federal Funds Effective Rate from 5.33% in August 2024 to 3.72% in December 2025 – making it cheaper to borrow to acquire buildings. Additionally, building owners, landlords, and their creditors have increasingly accepted the post-pandemic reality that with office vacancy rates staying stubbornly above 30% many commercial office buildings are not worth what they paid for them in the 2010's. Since 2025, a growing number of commercial buildings have traded hands at steep discounts – helping to "unstick" the top end of the market. In FY 2024-25, the number of transactions over $10 million jumped 62.5% from the previous year (56 to 91). And in the first six months of FY 2025-26, the number of transactions over $25M (24) exceeded the amount in the entire 12 months of FY 2022-23 (16) and FY 2023-24 (21).

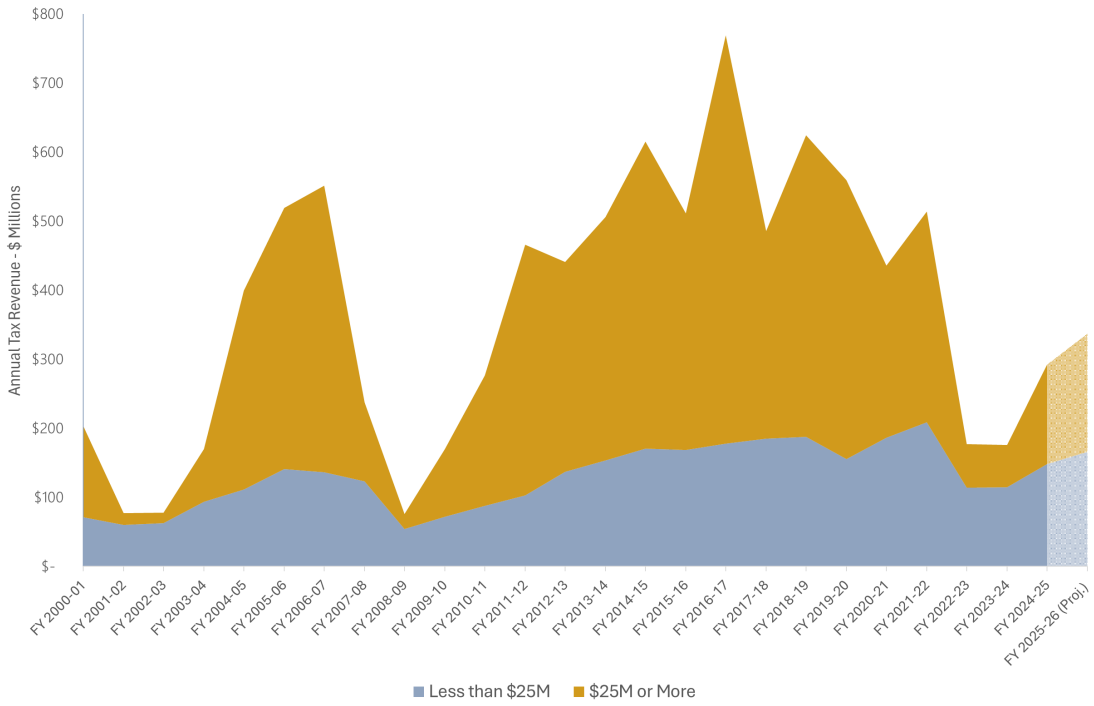
For context, the average annual number of transactions over $10 million between FY 2014-15 and FY 2018-19 was 143. In the aftermath of the pandemic, the number of transactions over $10 million declined to 56 in FY 2023-24, but they rebounded last year and are projected to continue growing. Similarly, 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 for FY 2025-26 assumes there will be approximately 8,400 transactions in these tiers, which is lower than the pre-pandemic average – but over 1,000 more than the 7,245 transactions in the prior year.

**Number of Real Property Transfers Over $10 million, FY 2011-12 through FY 2025-26**




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 7,400 transactions that generated $294.4 million of revenue in FY 2024-25, 38 transactions (or 0.5%) over $25 million generated $144.3 million (or 48%) of total revenue. The graph below shows rate-adjusted transfer tax from FY 2000-01 through FY 2025-26, broken out by the value of transactions above and below $25 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 2025-26 ($ millions)**




## 7. Access Line Tax

Access line tax revenue is projected to be $76.4 million in FY 2025-26, which is $21.9 million above budget. This variance reflects one-time payments of over $20 million that the City expects to receive from unbudgeted negotiated settlements resolving an access line tax liability dispute with several major payers.

## 8. Cannabis Tax

The local Cannabis Business Tax, approved by voters in 2018 via Proposition D, continues to be suspended. The tax was originally scheduled to take effect in 2019, but was postponed several times, first to the end of 2021 and then again to the end of 2022. In December 2022, the Mayor and Board of Supervisors extended the suspension of the tax to January 1, 2026. In December 2025, the Mayor and Board of Supervisors extended the suspension of the local cannabis excise tax another 10 years, through December 31, 2035.

## 9. Interest & Investment Income

Interest and investment revenues are projected to be $175.0 million, $23.1 million (15.2%) above budget and $3.9 million (2.3%) above prior year actual revenues. The improvement from budget is primarily due to higher-than-expected earned income yield (EIY) on the City's pooled investments; the budget assumed FY 2025-26 EIY of 3.43% while actuals to-date for the first half of FY 2025-26 have been 3.78%.

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 2025-26 General Fund interest forecast reflects the allocation of $3.4 million of negative interest from the General Fund to enterprise and special revenue funds.

## 10. Intergovernmental Revenues – Federal

Federal revenues are projected to be $391.2 million, or $88.6 million (18.5%) below budget and $3.0 million (0.8%) below prior year actuals. The budget assumed $87.0 million of FEMA reimbursements, $80.0 million related to COVID response costs and $7.0 million related to 2023 winter storms. The projection assumes no reimbursements for COVID response costs and $3.7 million (payments received to-date) for winter storms. 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 current administration's funding actions. Please see the department sections below, particularly the Human Services Agency, for specific information about federal funding risk.

## 11. Intergovernmental Revenues – State

State grants and subventions are projected to total $932.8 million, $6.9 million (0.8%) above revised budget and $90.7 million (8.9%) below prior year actuals. The variance from budget is largely due to a $5.9 million surplus in sales tax and vehicle license fees received under 1991 Health & Welfare Realignment. In FY 2024-25, counties discovered that the State Controller's Office (SCO) had misallocated FY 2023-24 realignment payments . As the SCO has reconciled and corrected payment differences over the course of FY 2025-26, the City has revised its forecast for the current year.

Projections assume no changes to federal revenue passed through the state related to the current administration's funding actions. Please see the department sections below, particularly the Human Services Agency, for specific information about federal funding risk.

## 12. Airport Transfer In

The Airport's annual service payment to the General Fund is projected to be $59.4 million, which is $1.8 million (3.0%) below revised budget and $1.0 million (1.6%) above prior year actuals. 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.

# 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 | 61.5 | 61.0 | 0.0 | 0.5 | 0.5 | *1* |
| Superior Court | 33.3 | 34.8 | - | (1.5) | (1.5) | *2* |
| District Attorney | 85.3 | 83.7 | (0.2) | 1.5 | 1.3 | *3* |
| Emergency Management | 82.6 | 82.3 | - | 0.3 | 0.3 | *4* |
| Fire Department | 529.0 | 530.6 | 1.6 | (1.6) | - | *5* |
| Juvenile Probation | 31.7 | 31.2 | 0.0 | 0.4 | 0.5 | *6* |
| Public Defender | 57.7 | 58.9 | - | (1.2) | (1.2) | *7* |
| Police Department | 740.9 | 740.6 | (0.4) | 0.3 | (0.1) | *8* |
| Sheriff | 343.2 | 352.2 | 0.5 | (9.0) | (8.5) | *9* |
| Police Accountability | 9.9 | 9.9 | (0.1) | 0.0 | (0.1) | *10* |
| Office of Sheriff's Inspector General | 1.4 | 1.3 | - | 0.1 | 0.1 | *11* |
| **PUBLIC WORKS, TRANSPORTATION & COMMERCE** | | | | | | |
| Public Works | 103.1 | 103.1 | (2.1) | 0.0 | (2.1) | *12* |
| Building Inspection | 3.0 | 3.0 | - | - | - | |
| Economic & Workforce Development | 83.4 | 71.0 | (12.3) | 12.4 | 0.1 | *13* |
| Board of Appeals | 1.3 | 1.1 | (0.1) | 0.1 | - | *14* |
| **HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT** | | | | | | |
| Children, Youth and Their Families | 12.7 | 12.7 | - | - | - | |
| Human Services Agency | 1,230.9 | 1,204.6 | (2.8) | 26.3 | 23.5 | *15* |
| Human Rights Commission | 12.5 | 12.5 | - | - | - | |
| Homelessness and Supportive Housing | 277.6 | 274.6 | 0.0 | 3.0 | 3.0 | *16* |
| Early Childhood | 43.7 | 32.4 | (11.0) | 11.3 | 0.3 | *17* |
| Environment | 1.1 | 1.1 | - | - | - | |
| **COMMUNITY HEALTH** | | | | | | |
| Public Health | 2,999.6 | 2,999.6 | 33.1 | - | 33.1 | *18* |
| **CULTURE & RECREATION** | | | | | | |
| Asian Art Museum | 12.6 | 12.4 | - | 0.2 | 0.2 | *19* |
| Arts Commission | 9.5 | 9.5 | - | - | - | |
| Fine Arts Museum | 21.5 | 21.5 | - | - | - | |
| Law Library | 1.2 | 1.2 | - | 0.1 | 0.1 | *20* |
| Recreation and Park Department | 133.2 | 133.1 | (0.1) | 0.1 | 0.0 | *21* |
| Academy of Sciences | 8.4 | 8.0 | - | 0.4 | 0.4 | *22* |
| War Memorial | 9.1 | 9.1 | - | - | - | |
| **GENERAL ADMINISTRATION & FINANCE** | | | | | | |
| City Administrator | 175.4 | 173.6 | 0.5 | 1.9 | 2.3 | *23* |
| Assessor/Recorder | 39.4 | 39.4 | 0.3 | - | 0.3 | *24* |
| Board of Supervisors | 24.5 | 24.5 | - | - | - | |
| City Attorney | 127.3 | 120.5 | (4.8) | 6.8 | 2.0 | *25* |
| Controller | 106.8 | 106.5 | (0.2) | 0.2 | - | *26* |
| City Planning | 41.6 | 39.3 | (4.2) | 2.4 | (1.8) | *27* |
| Civil Service Commission | 1.6 | 1.6 | - | - | - | |
| Ethics Commission | 6.6 | 6.0 | - | 0.6 | 0.6 | *28* |
| Human Resources | 43.7 | 38.9 | (5.0) | 4.8 | (0.2) | *29* |
| Health Service System | 12.8 | 12.6 | (0.0) | 0.2 | 0.2 | *30* |
| Mayor | 142.6 | 141.4 | (0.1) | 1.2 | 1.0 | *31* |
| Elections | 32.3 | 32.3 | 0.2 | - | 0.2 | *32* |
| Technology | 6.0 | 5.8 | (0.1) | 0.2 | 0.1 | *33* |
| Treasurer / Tax Collector | 47.6 | 43.8 | (2.5) | 3.9 | 1.3 | *34* |
| Retirement System | 2.5 | 2.5 | - | - | - | |
| **GENERAL CITY RESPONSIBILITY** | 198.8 | 202.1 | 3.2 | (3.3) | (0.1) | *35* |
| **TOTAL** | **7,950.5** | **7,887.9** | **(6.8)** | **62.7** | **55.8** | |

# NOTES TO GENERAL FUND DEPARTMENT BUDGET PROJECTIONS

The following notes explain projected variances for select departments' revenues and expenditures compared to the revised budget.

## 1. Adult Probation

The Adult Probation Department projects to end the fiscal year with a net operating surplus of $0.5 million, primarily due to salary and fringe benefit savings of $0.8 million partially offset by a workorder expenditure deficit of $0.3 million.

## 2. Superior Court

The Superior Court projects a $1.5 million expenditure shortfall driven by increased caseload volumes accepted by the Bar Association of San Francisco (BASF) for Indigent Defense Administration. The Controller's Office will work with the department and Mayor's Office to identify solutions and will provide an update in the Nine-Month Budget Status Report.

## 3. District Attorney

The District Attorney's Office projects to end the fiscal year with a $1.3 million surplus due to salary and fringe benefit savings.

## 4. Emergency Management

The Department of Emergency Management is anticipated to end the year with $0.3 million in salaries and fringe benefit savings, which includes overtime costs $0.5 million above budget. As required by Administrative Code Section 3.17, the introduction of a supplemental appropriation to shift available balance from permanent salaries to overtime will be determined upon further review and monitoring.

## 5. Fire Department

The Fire Department currently projects a $1.6 million revenue surplus and a $1.6 million expenditure deficit and plans to request a supplemental appropriation to end the fiscal year on budget. The $1.6 million revenue surplus includes $0.9 million in surplus emergency services revenue and $1.2 million in surplus fire prevention revenue, offset by a shortfall of $0.3 million in other operating revenue. Personnel expenditures are expected to be $6.7 million above budget primarily due to a higher number of role transitions and overtime required to backfill. The department also anticipates $1.4 million in workers' compensation savings. The Mayor's Office will introduce a supplemental appropriation to appropriate the projected surplus emergency services revenue and reallocate existing salary budget to overtime, as required by Administrative Code Section 3.17. The department also anticipates receiving $3.6 million from the MOU Reserve for eligible one-time salary and benefit payments.

## 6. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net operating surplus of $0.5 million, primarily driven by savings from interdepartmental services for workers compensation and power utilities.

## 7. Public Defender

The Public Defender projects to end the fiscal year with a net shortfall of $1.2 million driven by a $1.5 million salary and fringe benefit shortfall. The department anticipates receiving $0.3 million from the MOU reserve for eligible one-time salary and benefit payments that partially offsets the projected shortfall.

## 8. Police

The Police Department projects to end the year with a $0.1 million shortfall primarily due to $0.1 million in reduced parking permit revenue and reduced recoveries for services provided to other departments of $0.3 million, offset by savings of $0.3 million in associated non-personnel services. The projection includes permanent salary and fringe savings offsetting an overtime deficit of approximately $25.0 million and the use of $7.4 million from the MOU reserve for eligible costs. As required by Administrative Code Section 3.17, the introduction of a supplemental appropriation to shift available balance from permanent salaries to overtime would be determined upon further review and monitoring. The Controller's Office will work with the department on saving strategies to ensure the department remains within budget.

## 9. Sheriff

The Sheriff's Office projects to end the year with a net deficit of $8.5 million. Revenues are expected to be $0.5 million higher than budget due to more federal reimbursement for the boarding of federal prisoners. Expenditures are expected to be $9.0 million over budget primarily due to an overtime budget deficit of $18.1 million, partially offset with $7.6 million savings in regular salaries and fringe benefits and the planned use of $1.5 million from the MOU reserve for eligible costs. As required by Administrative Code section 3.17, the Mayor's Office plans to introduce a supplemental appropriation to reallocate savings to overtime. However, additional funds from the General Reserve or de-appropriation of previously approved budgeted items, or a combination thereof, will be required to resolve the department's overspending.

The City prepays its CalPERS retirement contribution at the beginning of the fiscal year from a central account that recovers the cost through biweekly employee and department payroll contributions. Most of the remaining members in this closed plan are sworn staff of the Sheriff's Office; new hires are SFERS members. The budget overestimated the number of CalPERS participants, which understated the employer contribution rate, resulting in a $2.9 million shortfall in the General Fund recovery of the CalPERS prepayment, which will be addressed using previously appropriated reserves. This issue has been corrected for future budgets.

## 10. Police Accountability

The Department of Police Accountability projects $0.1 million shortfall in recoveries for services provided to other departments.

## 11. Office of Sheriff's Inspector General

The Office of Sheriff's Inspector General projects $0.1 million in salary savings due to staff attrition.

# 12. Public Works

The Department of Public Works projects to end the fiscal year with a $2.1 million deficit. Revenues are projected to be $2.1 million below budget primarily due to fee revenue shortfalls due to the elimination of various permit fees and under recovery from interdepartmental services. The Department projects an interdepartmental services shortfall of $0.3 million for utilities services will be offset by savings in grants to community-based organizations and other interdepartmental services.

# 13. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the fiscal year with a net surplus of $0.1 million. A projected $12.3 million shortfall in developer exaction revenue and expenditure recovery will be offset by $12.4 million expenditure savings in work order expenses related to these exactions, programmatic projects, and CBO grants.

# 14. Board of Appeals

The Board of Appeals is projected to be on budget. The department projects a revenue shortfall of $0.1 million offset by $0.1 million in salary and fringe benefit savings.

# 15. Human Services Agency

| | Sources | Uses | Net |
|---|---|---|---|
| | Surplus/(Deficit) | Surplus/(Deficit) | Surplus/(Deficit) |
| Aid Payments | (11.5) | 15.3 | 3.8 |
| Operations & Administration | 8.7 | 11.0 | 19.7 |
| **Total** | **(2.8)** | **26.3** | **23.5** |

The Human Services Agency projects to end the year with a $23.5 million surplus, comprised of a $2.8 million revenue deficit and $26.3 million in expenditure savings.

The department projects a net surplus of $3.8 million in aid payments, comprised of an $11.5 million revenue shortfall and $15.3 million in expenditure savings. The County Adult Assistance Program (CAAP) is projected to have a net surplus of $0.9 million primarily due to lower homeless caseload than budgeted and higher than budgeted SSI-IAR reimbursements. Skim-Scam is projected to have a net surplus of $0.1 million due to decreased costs from rollout of food benefits card protections. Foster Care and Foster Care Childcare Aid programs are projected to have a net surplus of $0.8 million due to lower caseload in Foster Care Aid and delays in implementation of emergency beds for high-needs youth the current year. In-Home Supportive Services (IHSS) is projected to have a net surplus of $2.1 million primarily due to the agency's successful effort in reducing backlog cases, decreasing the county's share of Community First Choice Option (CFCO) penalty below budget.

In operations and administration, the department projects a net surplus of $19.7 million, comprised of $8.7 million in revenue surplus and $11.0 million in expenditure savings. As a result of higher than budgeted allotment, the following programs are projected to end the year with revenue surpluses: CalFresh ($2.5 million), IHSS administration ($1.4 million), HDAP ($0.2 million), Medi-Cal ($0.1 million), Child Welfare Services ($0.1

million), and CalWORKS ($0.4 million). 2011 Realignment sales tax subvention revenue is projected to be $1.9 million above budget due to shifting available funding from aid payments to operations and administration. As a result of changes in the allocation of staff time across fund sources and savings in labor and non-personnel costs, the following programs are projected to end the year with net surpluses: CalFresh Eligibility ($9.3 million); CAAP and CAPI Eligibility Services ($5.2 million); CalWORKs and Refugee Eligibility Services; CalWORKs Expanded Subsidized Employment and Workforce Development Refugee ($7.1 million); CalFresh Employment and Training ($0.3 million); Medi-Cal Eligibility ($2.7 million); Human Services Care Fund ($0.4 million); IHSS Administration ($0.6 million); and CalSAWS and miscellaneous grants ($0.1 million). An increased allocation of staff time and costs results in projected net deficits in the following programs: Aging Grants, Community Living Fund, and Community Services Block Grant – Health Related (CSBG-HR) ($0.6 million); Non-Welfare ($6.4 million); and Child Welfare Services, Adoptions, and Independent Living ($6.4 million).

In January 2026, the U. S. Department of Health and Human Services, through the Administration for Children and Families (ACF), requested detailed client information and documentation from certain Democratic-led states to verify eligibility of recipients of programs funded by Temporary Assistance for Needy Families, California Child Care and Development Fund, and Social Services Block Grant programs. These states were temporarily restricted from drawing down funds while ACF completed its review. In response, the states filed suit, and a court has granted the states' motion for a preliminary injunction. Revenue at risk in the current year is uncertain but could potentially reach tens of millions of dollars.

## 16. Homelessness and Supportive Housing

The Department of Homelessness and Supportive Housing projects a $3.0 million surplus due to savings from community-based organization grants, salaries, and fringe benefits due to vacant positions.

## 17. Early Childhood

The Department of Early Childhood projects a net operating surplus of $0.3 million, comprised of an $11.0 million shortfall in state subvention and interdepartmental services revenue fully offset by $11.3 million in savings in community-based organization grants.

The California Child Care and Development Fund provides federal childcare funding in the Department of Childhood's budget. The U.S. Department of Health and Human Services has imposed a funding freeze, which is currently under litigation as noted in the Human Services Agency section above. The estimated current-year revenue risk is approximately $3.0 million.

## 18. Public Health

The Department of Public Health (DPH) projects to end the fiscal year with a $33.1 million revenue surplus.

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

| | Sources Surplus/(Deficit) | Uses Surplus/(Deficit) | Net Surplus/(Deficit) |
|---|---|---|---|
| Public Health General Fund | 63.6 | 18.0 | 81.6 |
| Laguna Honda Hospital | 23.0 | 9.0 | 32.0 |
| Zuckerberg San Francisco General Hospital | (53.4) | (27.1) | (80.6) |
| Total | 33.1 | - | 33.1 |

**Public Health General Fund**

The projected 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 $81.6 million.

DPH projects a combined revenue surplus of $63.6 million in its General Fund operations, primarily driven by Behavioral Health Services revenue of $43.5 million due to higher billed service volumes in Short-Doyle Medi-Cal and Drug Medi-Cal, incremental pharmacy revenue, recognition of prior-year Drug Medi-Cal revenue, and new CalAIM Recuperative Care Community Support billing effective January 2026. Primary Care projects an $8.1 million surplus from better-than-expected patient visit volumes and increased QIP revenue, partially offset by shortfalls in SF Health Plan capitation and pay-for-performance revenue. Jail Health Services projects a $5.9 million surplus due to implementation of the CalAIM Medicaid Waiver Justice Involved Initiative, which enables billing and reimbursement for jail-based healthcare services. Health Network Services reports a $5.4 million surplus from new CalAIM Recuperative Care Community Support billing and CCS cost-reimbursement revenue, partially offset by declines in HCAO fee revenue and Healthy San Francisco waivers. Population Health Division projects a $0.6 million surplus from expanded insurance billing for Public Health Laboratory services and partial recovery of Proposition M waived revenue, partially offset by reduced CMAA participation.

The department also projects an $18.0 million expenditure surplus, driven by savings in non-personnel services and materials and supplies from prior-year contract purchase order closeouts, pharmaceuticals, and annual projects. These savings are partially offset by higher salaries and fringe benefits related to temporary staffing needs, security contracts, and increased City Attorney litigation costs.

**Laguna Honda Hospital**

The department projects Laguna Honda Hospital (LHH) will have a net operating surplus of $32.0 million. A $23.0 million revenue surplus is driven by temporarily increased DP/NF supplemental payments of $25.8 million for calendar years 2024 and 2025, partially offset by a projected $2.8 million shortfall in patient revenue. The patient revenue projection reflects a Medi-Cal rate increase for Skilled Nursing bed day services retroactive to January 1, 2025 and assumes LHH will reach full census by the end of the fiscal year.

The department projects an expenditure surplus of $9.1 million, primarily from $5.7 million in salary and fringe benefit savings due to lower overtime and delayed onboarding, $2.9 million in non-personnel savings from reduced CMS recertification consulting costs, and $0.8 million in interdepartmental services savings, partially offset by a $0.3 million shortfall in materials and supplies due to increased pharmaceutical costs.

**Zuckerberg San Francisco General Hospital**

The department projects a $80.6 million net deficit at Zuckerberg San Francisco General Hospital (ZSFG). Expenditures are projected to exceed budget by $27.1 million, including a $17.0 million shortfall in salaries and fringe benefits, $6.7 million in non-personnel services due to unexpected costs in security and registry contracts and repairs to the hospital's chilling system, and $3.4 million in materials and supplies driven by pharmaceutical spending and inflationary pressures on medical supplies.

The department projects a $53.4 million revenue shortfall. The largest driver is a $60 million decline in patient service revenue due to lower-than-expected patient volume and census, along with a $10 million shortfall in prior-year settlements. Additional negative variances include $3.5 million in Medi-Cal Managed Care Supplemental revenue reflecting higher intergovernmental transfer payments for EPP and QIP programs, and $1.5 million in miscellaneous state and other revenue. These shortfalls are partially offset by favorable variances of $12.9 million in outpatient pharmacy revenue, $4.9 million from the Global Payment Program, $2.5 million in Medicaid Graduate Medical Education revenue, and $1.2 million in capitation revenue. The projection assumes Congressional action will continue to delay Medicaid DSH cuts and that Hospital Fee Program Year 9 is approved at its historical annual value.

## 19. Asian Art Museum

The Asian Art Museum projects a net operating surplus of $0.2 million due to salary and fringe benefit savings from staff vacancies and projected workers' compensation savings.

## 20. Law Library

The Law Library projects $0.1 million of salary and fringe benefit savings from delayed hiring.

## 21. Recreation and Park Department

The Recreation and Park Department is projected to end the year on budget. A $0.1 million revenue deficit, including a $0.3 million surplus in rents and concessions and a $0.4 million shortfall in fees and permits, is projected to be offset by a like amount of salary and fringe benefit savings.

## 22. Academy of Sciences

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

## 23. City Administrator

The City Administrator projects a net operating surplus of $2.3 million. A projected net revenue surplus of $0.5 million includes a $0.4 million surplus from increased County Clerk certificate and Entertainment Commission fees offset by a $0.1 million shortfall Office of Cannabis due to lower market demand, and a $0.2 million surplus in workorder recoveries primarily driven by increased Medical Examiner lab recoveries. The department projects a $1.9 million expenditure surplus, primarily due to salary and fringe benefit savings, particularly from the Community Ambassadors program.

## 24. Assessor/Recorder

The Assessor/Recorder projects an operating surplus of $0.3 million, including a $0.3 million revenue surplus due to higher than expected real estate transactions. Projected salary and fringe benefit savings of $0.2 million will be applied to the property tax system replacement project per Section 26.1 of the administrative provisions of the AAO.

## 25. City Attorney

The City Attorney's Office projects an operating surplus of $2.0 million. An expenditure surplus of $6.8 million consists of $3.8 million in salary and fringe benefit savings and $3.0 million of non-personnel savings primarily driven by prior year carryforward budget offset by a $4.8 million shortfall in recoveries for services provided to other departments.

## 26. Controller

The Controller's Office projects to end the year on budget. A revenue shortfall of $0.2 million in recoveries is offset by salary and fringe benefit savings of $0.2 million, both of which are related to the liquidation of a personnel work order with the San Francisco Unified School District.

## 27. City Planning

City Planning projects a $1.8 million operating deficit. The department projects a $4.2 million revenue shortfall driven primarily by lower recoveries for services provided to other departments and lower conditional use and environmental review fee revenue. Recent state legislative changes have made these types of reviews ministerial (instead of discretionary), meaning that City Planning expects to complete fewer of these reviews and collect less in these fees. Expenditure savings of $2.4 million, including $1.4 million from salaries and fringe benefits, $0.6 million from non-personnel and materials and supplies, and $0.4 million from interdepartmental services, only partially offset the revenue shortfall.

## 28. Ethics

The Ethics Commission projects $0.6 million in salary and fringe benefit savings from vacant positions.

## 29. Human Resources

The Department of Human Resources expects to end the year with a deficit of $0.2 million. The Department projects a $5.0 million revenue shortfall primarily due to a shortfall in recoveries from other departments that will be mostly offset by $4.8 million of expenditure savings, primarily from salaries and fringe benefits in the EEO division and savings in interdepartmental services.

## 30. Health Service System

The Health Service System anticipates a net surplus of $0.2 million, primarily due to expenditure savings from salaries and fringe benefits, non-personnel services, and services of other departments.

## 31. Mayor

The Mayor's Office, which includes the Mayor's Office of Housing and Community Development (MOHCD), projects to end the year with an operating surplus of $1.0 million. MOHCD anticipates expenditure savings of $1.2 million, comprised of $1.0 million from unspent prior year grant balances and $0.2 million from staff vacancies in grant-related projects.

## 32. Elections

The Department of Elections projects to end the fiscal year with a $0.2 million revenue surplus, comprised of a $0.3 million in to higher-than-expected candidate filing fees and ballot argument fees partially offset by a $0.1 million shortfall in recoveries for services provided to other departments.

## 33. Department of Technology

The Department of Technology projects to end the year with a surplus of $0.1 million due to under-recovery of $0.1 million in interdepartmental services and $0.2 million in salary and non-personnel savings.

## 34. Treasurer/Tax Collector

The Treasurer/Tax Collector projects a surplus of $1.3 million. A $3.8 million shortfall in interdepartmental service revenue is offset by a like amount of savings in interdepartmental expenditures. The Department projects a $1.2 million surplus in delinquent revenue collection fees and commissions and $0.1 million of cost savings driven by salary and fringe benefit savings offset by non-personnel shortfalls including workers compensation.

## 35. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments and is projected to have a revenue surplus of $3.2 million, including $3.1 million in SB 90 state mandate reimbursements and $1.4 million in city and county motor vehicle license fees, partially offset by a $1.2 million shortfall in escheatment revenue. The $3.2 million expenditure shortfall reflects a current year correction to prior year closeouts that were overstated. Additionally, a balance of $7.6 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 2024-25 | FY 2025-26 | | | FY 2026-27 | | | |
|---|---|---|---|---|---|---|---|---|
| | Ending Balance | Deposit | Use | Projected Balance | Deposit | Use | Projected Balance | Note |
| **General Reserve** | **$ 136.8** | **$ 27.6** | **(3.5)** | **$ 160.8** | **$ 29.3** | **-** | **$ 190.1** | *1* |
| Rainy Day Economic Stabilization City Reserve | 114.5 | - | - | 114.5 | - | - | 114.5 | *2* |
| Budget Stabilization Reserve | 390.9 | 8.4 | - | 399.3 | 8.5 | - | 407.8 | *3* |
| **Economic Stabilization Reserves** | **505.4** | **8.4** | **-** | **513.8** | **8.5** | **-** | **522.4** | |
| ***Percent of General Fund Revenues*** | ***7.6%*** | | | ***7.5%*** | | | ***7.6%*** | |
| 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 | 2.1 | - | (1.1) | 1.1 | - | (1.1) | - | *4* |
| Fiscal Cliff Reserve | 40.0 | - | (25.0) | 15.0 | - | (15.0) | - | *4* |
| Federal and State Revenue Risk Reserve | 221.6 | 240.8 | (9.1) | 453.3 | - | - | 453.3 | *4* |
| Business Tax Stabilization Reserve | 29.5 | - | - | 29.5 | - | - | 29.5 | |
| Public Health Revenue Management Reserve | 174.2 | - | - | 174.2 | - | - | 174.2 | *5* |
| Free City College Reserve | 0.1 | 8.0 | (8.1) | - | - | - | - | |
| Student Success Fund Reserve | 18.1 | - | - | 18.1 | - | - | 18.1 | |
| **Other Reserves** | **541.4** | **248.8** | **(43.2)** | **747.0** | **-** | **(70.9)** | **676.1** | |
| Litigation Reserve | - | 11.0 | (11.0) | - | 11.0 | (11.0) | - | |
| Salary and Benefits Reserve | 9.6 | 22.0 | (17.0) | 14.6 | 21.3 | (35.9) | - | *6* |
| **Annual Operating Reserves** | **9.6** | **33.0** | **(28.0)** | **14.6** | **32.3** | **(46.9)** | **-** | |
| **TOTAL, General Fund Reserves** | **1,193.2** | **317.9** | **(74.7)** | **1,436.3** | **70.2** | **(117.8)** | **1,388.7** | |

## 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 2025-26 is required to be no less than 2.50% of budgeted regular General Fund revenues.

The FY 2024-25 ending balance of the General Reserve was $136.8 million, and the FY 2025-26 approved budget includes a $27.6 million required deposit. This report assumes a one-time use of the General Reserve of $3.5 million in the current year for immigration legal services approved by the Board. Any additional uses

of the reserve during the current year increase the required deposit in the budget year (FY 2026-27) by a like amount. Two additional proposed uses of the General Reserve in the current year include $4.2 million to DEM and HRC for street conditions and $0.3 million for Portsmouth Square Parking during Lunar New Year events.

## 2. Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 established a Rainy Day Economic Stabilization Reserve, 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), 75% is deposited to the City Reserve and 25% to the School Reserve.

The FY 2024-25 ending balance of the City Rainy Day Economic Stabilization Reserve was $114.5 million and the School Rainy Day Reserve was $1.0 million. In FY 2025-26, the City is not withdrawing from or depositing to either Rainy Day Reserves.

## 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 2024-25 ending balance of the Budget Stabilization Reserve was $390.9 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. As discussed in the Real Property Transfer Tax section above, due to the increase in transfer tax projection above the prior five-year average, the City is anticipating an $8.4 million deposit to the Budget Stabilization Reserve.

## 4. Federal and State Revenue Risk Reserve

Through the FY 2025-26 and FY 2026-27 budget and FY 2024-25 fiscal year close, the City created a new Federal and State Revenue Risk Reserve by combining the unspent balances of the Fiscal Cliff Reserve ($142.4 million) and Federal and State Emergency Grant Disallowance Reserve ($79.2 million). The latter was created to manage revenue shortfalls related to reimbursement disallowances from the Federal Emergency Management Agency (FEMA) and other state and federal agencies. The new Federal and State Revenue Risk Reserve expands the scope to manage a portion of potential revenue shortfalls related to changes in federal and state funding levels, including revenue losses due to H.R.1. The City will further deposit all revenue escheated to the General Fund in the current year from City Option Medical Reimbursement Accounts, currently estimated to be $240.0 million (down from the $274.0 million projected in October 2025). The Board of Supervisors has approved the use of $9.1 million of the reserve to support families who lost access to Supplemental Nutrition Assistance Program (SNAP) benefits during the October to November 2025 federal shutdown. The projected ending balance of the reserve is $453.3 million.

The HCSO City Option Fund is a fiduciary fund containing the balances of medical reimbursement accounts created pursuant to the Health Care Security Ordinance (HCSO), which generally requires employers to make

a minimum level of health care expenditures for their San Francisco employees. One way to comply with the HCSO is to make payments under the SF City Option on behalf of employees who are then eligible for a medical reimbursement account. 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 San Francisco Health Plan (SFHP) deposits employer contributions into, and issues reimbursements to account holders from, its accounts outside the City. Should the value of contributions exceed the value of reimbursements, the City Option Fund would receive a net transfer from the SFHP. In recent fiscal years, the value of reimbursements has exceeded the value of contributions, and the City Option Fund has made periodic transfers to SFHP for cash flow purposes.

This fund began the fiscal year with a cash balance of $939.4 million and an $8.7 million interest receivable balance. As discussed above, $240.0 million is expected to be escheated to the General Fund, reducing the cash balance by a like amount. We expect interest earnings to slightly exceed the cost of managing participant accounts, slightly offsetting the escheatment.

## 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 2024-25, the balance of the reserve is $174.2 million. No deposits or withdrawals are projected in the current year.

## 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 $31.6 million, including $22.0 million appropriated in the current year and $9.6 million from prior year budgets. The Controller's Office has transferred $1.0 million to departments and anticipates transferring an additional $16.0 million by year end, as detailed in Table A3-2.

**Table A3-2. FY 2025-26 Salary and Benefits (MOU) Reserve Uses ($ millions)**

| | |
|---|---|
| Sources | |
| FY 2025-26 Adopted Budget | 22.0 |
| Carryforward balance from FY 2024-25 | 9.6 |
| Total Sources | 31.6 |
| Uses | |
| Transfers to Departments | |
| Police Recruitment | 0.3 |
| Other, including Tuition Reimbursement | 0.7 |
| Total Transfers to Departments | 1.0 |
| | |
| Anticipated Allocations | |
| Police Excess Retirement, Payouts | 7.4 |
| Fire Excess Retirement, Payouts | 3.6 |
| CalPERS Contribution Shortfall | 2.9 |
| Sheriff Payouts | 1.5 |
| All Other (tuition, retirements) | 0.5 |
| Total Anticipated Allocations | 16.0 |
| | |
| Total Anticipated Uses in the Current Year | 17.0 |
| Total Anticipated Uses in the Budget Year | 14.6 |
| | |
| 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 2025-26 | | | | | FY 2026-27 | |
|---|---|---|---|---|---|---|---|---|---|
| | FY 2024-25 Year End Fund Balance | Fund Balance Used in FY 2025-26 Budget | Beginning Fund Balance | Revenue Projection | Expenditure Projection | Net Operating Surplus/ (Deficit) | Estimated Ending Fund Balance | Fund Balance Used in FY 2026-27 Budget | *Notes* |
| **SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS** | | | | | | | | | |
| Building Inspection Operating Fund | - | - | - | 15.2 | 2.6 | 17.7 | 17.7 | - | *1* |
| Children and Youth Fund | 51.2 | 8.8 | 42.4 | (1.0) | 1.7 | 0.7 | 43.0 | 11.4 | *2* |
| Public Education Early Care Fund (OECE) | 15.7 | 5.7 | 9.9 | 5.8 | - | 5.8 | 15.8 | 2.6 | *3* |
| Public Education Special Fund (SFUSD) | 22.7 | 6.4 | 16.3 | 7.7 | - | 7.7 | 24.0 | 6.6 | *4* |
| Convention Facilities Fund | 44.4 | 14.3 | 30.1 | 4.9 | 7.9 | 12.8 | 42.9 | 7.7 | *5* |
| Golf Fund | 4.4 | 2.0 | 2.4 | 0.2 | 0.0 | 0.3 | 2.6 | - | *6* |
| Marina Fund | 2.3 | 2.5 | (0.1) | (0.2) | 0.3 | 0.1 | (0.0) | 0.5 | *7* |
| Library Preservation Fund | 31.5 | 6.8 | 24.6 | 8.4 | 5.0 | 13.4 | 38.1 | - | *8* |
| Open Space Fund | 36.1 | 4.6 | 31.6 | (0.7) | 0.0 | (0.7) | 30.9 | 1.9 | *9* |
| Telecomm. & Information Systems Fund | 17.1 | 5.0 | 12.1 | (0.0) | 2.6 | 2.5 | 14.6 | 5.6 | *10* |
| General Services Agency-Central Shops Fund | 7.4 | 1.2 | 6.3 | 2.4 | (1.2) | 1.2 | 7.4 | 1.2 | *11* |
| General Services Agency-Repro Fund | 1.7 | 0.3 | 1.4 | (0.4) | 0.9 | 0.5 | 1.9 | - | *12* |
| War Memorial Fund | 4.9 | 0.6 | 4.3 | - | 0.0 | 0.0 | 4.3 | 0.5 | *13* |
| Election Campaign Fund | 0.0 | - | 0.0 | - | - | - | 0.0 | - | *14* |
| Gas Tax Fund | 16.6 | 3.2 | 13.4 | (0.3) | 1.2 | 0.9 | 14.3 | 6.2 | *15* |
| Street Tree Maintenance Fund | 7.1 | - | 7.1 | - | - | - | 7.1 | - | *16* |
| Public Works Overhead Fund | 17.7 | 9.4 | 8.4 | 0.1 | 5.9 | 6.0 | 14.3 | 3.1 | *17* |
| Public Works Paid Time Off Fund | 19.7 | 8.6 | 11.1 | (3.7) | 1.8 | (2.0) | 9.2 | - | *18* |
| Real Estate Fund | 16.9 | 15.9 | 1.0 | (11.4) | 24.0 | 12.7 | 13.7 | 0.4 | *19* |
| Museum Admissions Fund | (3.9) | - | (3.9) | (0.2) | 2.8 | 2.6 | (1.3) | - | *20* |
| Solid Waste Fund | 4.1 | 1.2 | 2.9 | - | - | - | 2.9 | - | *21* |
| Housing Trust Fund | 6.3 | - | 6.3 | 2.3 | - | 2.3 | 8.6 | - | *22* |
| Affordable Housing Opportunity Fund | - | - | - | - | - | - | - | - | *23* |
| **SPECIAL PURPOSE TAXES** | | | | | | | | | |
| Neighborhood Beautification Fund | 0.6 | - | 0.6 | - | - | - | 0.6 | - | *24* |
| Culture and Recreation Hotel Tax Fund | 1.4 | 0.7 | 0.7 | 1.3 | - | 1.3 | 2.0 | 0.2 | *25* |
| Traffic Congestion Mitigation Fund (TCM Tax) | 0.1 | - | 0.1 | - | (0.1) | (0.1) | - | - | *26* |
| Babies and Families First Fund (Commercial Rents Tax) | 60.3 | - | 60.3 | 1.1 | - | 1.1 | 61.4 | - | *27* |
| Our City, Our Home Fund (Homelessness Gross Receipts Tax) | 198.6 | 124.2 | 74.4 | 61.1 | - | 61.1 | 135.6 | 74.4 | *28* |
| Small Business Assistance Fund (Commercial Vacancy Tax) | 2.0 | 1.7 | 0.4 | - | - | - | 0.4 | - | *29* |
| Fair Wages for Educators Fund (Parcel Tax) | 0.4 | - | 0.4 | - | (0.4) | (0.4) | - | - | *30* |
| Housing Activation Fund (Empty Homes Tax) | - | - | - | - | - | - | - | - | *31* |
| **SELECT ENTERPRISE FUNDS** | | | | | | | | | |
| Airport Operating Funds | 182.7 | - | 182.7 | (26.6) | 113.7 | 87.1 | 269.8 | - | *32* |
| MTA Operating Funds | 135.5 | 6.4 | 129.1 | 14.7 | 15.1 | 29.8 | 158.9 | 3.9 | *33* |
| Port Operating Funds | 211.0 | - | 211.0 | (10.5) | 10.5 | 0.0 | 211.0 | - | *34* |
| PUC Hetch Hetchy Operating Funds | 246.6 | 33.4 | 213.2 | (5.3) | 52.2 | 46.9 | 260.1 | 17.0 | *35* |
| PUC Wastewater Operating Funds | 181.3 | 34.6 | 146.7 | (7.9) | 7.0 | (0.9) | 145.8 | - | *36* |
| PUC Water Operating Funds | 218.5 | 33.0 | 185.5 | (33.8) | 33.6 | (0.2) | 185.2 | - | *37* |
| PUC Clean Power Funds | 216.5 | - | 216.5 | 2.2 | 63.3 | 65.6 | 282.1 | - | *38* |

# SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

## 1. Building Inspection Fund

The Building Inspection Fund began the year with available unappropriated reserves of $23.4 million. The department projects a $17.7 million net surplus with a net $15.2 million revenue surplus in fees for building permits, plan review, and apartment and hotel license fees, and net expenditure savings of $2.6 million, primarily due to salary and fringe benefit savings and non-personnel services. As a result, the department expects to end the year with net available unappropriated reserves of $41.1 million.

## 2. Children and Youth Fund

The Children's Fund began with a balance of $42.4 million, net of a budgeted use of $8.8 million in the current year. The fund is projected to have a $1.0 million shortfall in property tax revenues and expenditure savings of $1.7 million from staff vacancies and the Department of Technology's work order, resulting in a $43.0 million projected ending balance, of which $11.4 million was used to balance the previously adopted FY 2026-27 budget.

## 3. Public Education Early Care Fund (OECE)

The Public Education Early Care Fund began with a balance of $9.9 million, net of a budgeted use of $5.7 million in the current year. Higher interest earnings and growth in projected General Fund Aggregate Discretionary Revenue (ADR) increase net projected revenue to $5.8 million over budget. DEC expects all unspent balances in their expenditure budget to roll into the next fiscal year as carryforward, so they do not expect any surplus or deficit within their expenditure budget. As a result, this fund is expected to have a $15.7 million ending balance, of which $2.6 million was previously appropriated in FY 2026-27.

## 4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of $16.3 million, net of a budgeted use of $6.4 million in the current year. Revenues are expected to be $7.7 million above budget, reflecting an increase in projected General Fund ADR, resulting in a $24.0 million projected ending balance, of which $6.6 million was spent in the previously approved FY 2026-27 budget.

## 5. Convention Facilities Fund

The Convention Facilities Fund began with a balance of $30.1 million, net of a budgeted use of $14.3 million in the current year. A net operating surplus of $12.8 million is projected due to a revenue surplus of $4.9 million from event and hotel assessment revenue surpluses and an expenditure surplus of $7.9 million from non-personnel services, debt service, and work order savings. Ending fund balance is projected to be $42.9 million, of which $7.7 million was used to balance the previously adopted FY 2026-27 budget.

## 6. Golf Fund

The Golf Fund began with a balance of $2.4 million, net of $2.0 million appropriated in the current year. The Recreation and Parks Department projects a revenue surplus of $0.2 million in golf fees and concessions and a projected fund balance of $2.6 million at year end.

## 7. Marina Fund

The Marina Fund began the year with an abnormal balance of $0.1 million. The Recreation and Parks Department projects a shortfall of $0.2 million in marina fee revenue will be offset by expenditure savings of $0.3 million. As a result, the fund is projected to end the fiscal year with an abnormal balance of under $0.1 million. This abnormal 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 $24.6 million, net of $6.8 million appropriated in the current year. The Library projects a net revenue surplus of $8.8 million, composed of an $8.7 million surplus related to higher General Fund Aggregate Discretionary Revenue (ADR) and $1.0 million of better-than-anticipated interest income, partially offset by a $0.7 million property tax shortfall and $0.5 million General Fund claw-back of the baseline. The library also reports expenditure savings of $5.0 million in fringe benefits, materials and supplies, non-personnel services, and services from other departments, resulting in a net operating surplus of $13.4 million and a projected ending balance of $38.0 million, none of which was used to balance the previously adopted FY 2026-27 budget.

## 9. Open Space Fund

The Open Space Fund began with a balance of $31.6 million, net of a budgeted use of $4.6 million in the current year. The property tax set aside is projected to be $0.7 million below budget, partially offset by salary and fringe benefit savings of $0.1 million. The projected ending fund balance is $30.9 million, of which $1.9 million was used to balance the previously adopted FY 2026-27 budget.

## 10. Telecommunications & Information Services Fund

The Telecommunication & Information Services Fund began the year with a balance of $12.1 million, net of $5.0 million appropriated in the current year. A net operating surplus of $2.5 million is projected, primarily driven by $1.9 million in labor savings and $0.8 million in services from other departments. The fund is projected to end the year with a balance of $14.6 million, of which $5.6 million was used to balance the previously adopted FY 2026-27 budget.

## 11. General Services Agency-Central Shops Fund

The Central Shops Fund began the fiscal year with $6.3 million in fund balance, net of $1.2 million appropriated in the current year. The department projects an expenditure shortfall of $1.2 million due to increased volume and scale of vehicle repairs primarily from the Fire and Police departments, offset by a revenue surplus of $2.4

million primarily driven by higher reimbursements from departments. The fund is projected to end the fiscal year with a balance of $7.4 million, of which $1.2 million was used to balance the previously adopted FY 2026-27 budget.

## 12. General Services Agency-Repro Fund

The Reproduction Fund began the fiscal year with $1.4 million in fund balance, net of $0.3 million appropriated in the current year, and projects to end the fiscal year with a balance of $1.9 million. The department projects a net operating surplus of $0.5 million due to labor savings that will be offset by lower reimbursements from departments.

## 13. War Memorial Fund

The War Memorial Fund began the fiscal year with $4.3 million in fund balance, net of $0.6 million appropriated in the current year. The Department projects $0.1 million in salary and fringe benefit savings, resulting in an ending balance of $4.3 million, of which $0.5 million was used to balance the previously adopted FY 2026-27 budget.

## 14. Election Campaign Fund

Election Campaign Fund began the fiscal year with a budget of $2.4 million, all of which was carried forward from the prior fiscal year. The fund is expected to be fully expended in the current year for disbursement to eligible candidates in the June 2026 election and end the fiscal year with a zero balance. Should disbursements exceed the current balance, the department would seek a supplemental appropriation.

## 15. Gas Tax Fund

The Gas Tax Fund began with a $13.4 million balance, net of $3.2 million appropriated in the current year. The department projects a revenue shortfall of $0.3 million based on the California State Association of Counties revenue estimate of gas tax revenues, offset by $1.2 million expenditure savings, resulting in a projected ending balance of $14.3 million, of which $6.2 million was used to balance the previously approved FY 2026-27 budget.

## 16. Public Works – Street Tree Maintenance Fund

The Street Tree Maintenance Fund began the fiscal year with a balance of $7.1 million. No operating surplus or shortfall is expected.

## 17. Public Works – Overhead Fund

The Overhead Fund began the fiscal year with a balance of $8.4 million, net of a budgeted use of $9.4 million in the current year. Public Works projects an operating surplus of $6.0 million due to $5.9 million of expenditure savings primarily driven by unappropriated reserve, which accounts for under-recoveries from prior years. Public Works projects a revenue surplus of $0.1 million mainly due to overhead recovery. The projected ending balance is $14.3 million, of which $3.1 million was used to balance the previously adopted FY 2026-27 budget.

## 18. Public Works – Paid Time-Off Fund

The Paid Time-Off Fund began the fiscal year with a balance of $11.1 million, net of a budgeted use of $8.6 million. Public Works projects an operating shortfall of $2.0 million due to an overhead recovery shortfall of $3.7 million offset by $1.8 million of salary and benefit savings, and an ending balance of $9.2 million.

## 19. Real Estate Fund

The Real Estate Fund began the fiscal year with $1.0 million in fund balance, net of $15.9 million appropriated in the current year. The fund is projected to have a revenue shortfall of $11.4 million, mostly in recoveries for leased space, offset by expenditure savings of $24.0 million as renewal lease terms are estimated to come in below budget for a number of properties. The projected ending balance is $13.7 million, of which $0.4 million was used to balance the previously adopted FY 2026-27 budget.

## 20. Museum Admissions Fund

The Museum Admissions fund began the year with an abnormal balance of $3.9 million. Both the Asian Art Museum and the Fine Arts Museums have budgeted revenue and expenditures in this fund. A projected revenue shortfall of $0.2 million is offset by $2.8 million in salary savings, decreasing the expected year-end abnormal balance to $1.3 million. The Asian Art Museum (AAM) reports that the abnormal balance in this fund reflects a structural issue in how AAM transfers admissions revenue to the City and will work with the Controller's Office to resolve it. AAM reports that the structural deficit is compounded by lower museum admission levels. The Controller's Office will work with the department and Mayor's Office to identify solutions and will provide an update in the Nine-Month Budget Status Report.

## 21. Solid Waste Fund

The Solid Waste Fund began the year with a balance of $2.9 million, net of $1.2 million appropriated in the current year. The Controller adjusted appropriations from the Solid Waste Impound Funds to reconcile with the final adopted refuse rate order established by the Refuse Rate Board as authorized by Section 11.26 of the administrative provisions of the AAO. 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 year on budget.

## 22. Housing Trust Fund

The Housing Trust Fund began the year with a balance of $6.3 million. The Controller's Office projects $2.3 million surplus in revenue due to increases in ADR and expenditures on budget, so the department expects to end the year with available fund balance of $8.6 million.

## 23. Affordable Housing Opportunity Fund

The Affordable Housing Opportunity Fund is first appropriated in FY 2026-27, outside the timeframe of this report. However, beginning in 2025, the San Francisco City Charter Section 16.132 (d) (5) requires the Controller's Office to report annually to the Board of Supervisors by March 1st on the amount of monies from each non-general fund source projected to be available for the Affordable Housing Opportunity Fund

(November 2024 Proposition G). At this time, the following funds have projected fund that could be available, subject to appropriation:

- Housing Trust Fund. FY 2025-26 estimated ending fund balance of $8.6 million (see Housing Trust Fund section above for more detail).
- Our City, Our Home Fund. FY 2025-26 estimated ending fund balance of $135.6 million, of which $74.4 million was previously used to balance the FY 2026-27 budget. Assuming the FY 2026-27 use does not change in the next budget cycle, $61.1 million of fund balance (in all categories) is available for appropriation. (see Our City, Our Home section below for more detail).

## SPECIAL PURPOSE TAXES

# 24. Neighborhood Beautification Fund (Dedication of Business Tax)

The Neighborhood Beautification Fund began the fiscal year with a fund balance of $0.6 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. Revenue 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 Fund began the year with a balance of $0.7 million, net of a budgeted use of $0.7 million. Due to projected increases in hotel tax revenue described in Appendix 1, the Fund is expected to have a revenue surplus of $1.3 million. Expenditures are expected to be on budget, so the fund is expected to end the year with net fund balance of $2.0 million, of which $0.2 million was used to balance the previously adopted FY 2026-27 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 2024-25, a total of $33.1 million of hotel tax fund sources ($32.0 million of hotel tax and $1.1 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. In FY 2024-25, Grants for the Arts (GFTA) spent $16.5 million in grants and grantmaking operations, including 266 general operating support awards for Grants for the Arts-related arts and culture programs, including parades, festivals and art services/regranting. For the FY 2024-25 grant cycle, in Arts Impact Endowment, the Arts Commission awarded and encumbered $3.2 million in grants. In Cultural Centers, the Arts Commission disbursed $3.2 million for operating grants and $0.2 million for facilities maintenance. In Cultural Equity Endowment, the Arts Commission awarded and committed $4.4 million in grants to 68 individual artists and 32 arts organizations based in San Francisco.

In FY 2024-25, Cultural District expenditures totaling $4.0 million 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 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. Traffic Congestion Mitigation tax revenues in the current year are projected to be $20.0 million, which is also the budgeted amount. All revenue is allocated to the MTA and SFCTA each year, resulting in no projected fund balance.

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 2024-25, MTA reports expenditures from the Traffic Congestion Mitigation Funds on the projects listed below.

| Location | Scope | Status |
|---|---|---|
| Beach St (Embarcadero to Van Ness) | Protected bikeway, parking and loading changes, signal timing changes | Implementation in progress |
| Larkin St (Market to Geary) | Painted safety zones, signal timing changes, parking and loading changes | Implementation in progress |
| Cesar Chavez St (Pennsylvania to Kansas) | Protected bikeway, parking and loading changes, signal timing changes | Ongoing outreach and design |
| Clarendon Ave (Laguna Honda to Johnstone) | Protected bikeway, pedestrian refuge islands | Implementation pending SFPW paving coordination |
| Guerrero St (Market to 20th) | Painted safety zones, daylighting, signal timing changes | Completed construction. |
| Oak St (Shrader to Kezar) | Protected bikeway, lane reduction, signal timing changes complementary to the | Implementation pending SFPW paving coordination |
| Lincoln Wy (22nd to Great Hwy) | Painted safety zones, daylighting, turn calming treatments, signal lens upgrades | Completed construction |
| Dr. Carlton B. Goodlett Pl (McAllister to Grove) | Protected bikeway, protected corners, pedestrian safety improvements, curb | Completed construction |
| Winston Dr (Lake Merced to Buckingham) | Protected bikeway, repaving, signal timing improvements | Implementation pending SFPW paving coordination |
| BASIP Quick-Build (Brotherhood Way, Alemany Boulevard, Sagamore Street Improvement Project) | Separated bikeways, pedestrian safety improvements | Ongoing outreach and design |
| Bayview Quick-Build (Evans Avenue, Hunters Point Boulevard, Innes Avenue) | Traffic calming, pedestrian safety improvements, placemaking | Ongoing outreach and design |
| Glen Park Quick-Build (Monterey Boulevard, Circular Avenue, Bosworth Street, San Jose Avenue) | Bikeways, signal timing improvements, road diet, pedestrian safety | Ongoing outreach and design |
| Cesar Chavez Street (Pennsylvania to Illinois ) | Separated bikeways, pedestrian safety improvements | Ongoing outreach and design |
| Mission Bay Boulevard (7th to 4th) | Separated bikeways, parking and loading reconfiguration | Ongoing outreach and design |
| Point Lobos Avenue (48th to Balboa) | Roadway and parking reconfiguration | Ongoing outreach and design |
| Daylighting | Installing intersection daylighting citywide | Implementation in progress and design of more locations is ongoing |
| Speed Limit Reduction | Installing speed limit signs on safety corridors | Analysis for identifying locations is ongoing |
| Bikeway Hardening | Installing bikeway protection using concrete medians, k-rail, or other | Implementation in progress and design of more locations is ongoing. |
| Quick-Build Toolkit: Core Improvements | Daylighting, advanced limit lines, continental crosswalks, leading | Implementation in progress |
| Quick-Build Toolkit: Location-Specific Improvements | Painted safety zones, turn calming, signal lens upgrades | Implementation in progress |

## 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 (DEC). The fund began the fiscal year with a balance of $60.3 million. Commercial rent tax is projected to be $181.5 million, $2.9 million below budget. This fall off in tax revenue is more than offset by $4.1 million in interest income above budget, resulting in a $1.1 million revenue surplus. DEC expects all unspent balances in their expenditure budget to roll into the next fiscal year as carryforward, so they do not expect any surplus or deficit within their expenditure budget. Taken together, the City anticipates the fund to have an ending balance of $61.4 million.

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. In FY 2024-25 commercial rent tax revenues totaled $179.6 million, of which 15%, or $26.7 million, was transferred to the General Fund as stipulated by law. The remaining FY 2024-25 spending is detailed in Table A4-3 below. (Note that the table below includes expenditure levels for all FY 2024-25 activities, including a programmatic advance from FY 2023-24. Total expenditures below exceed revenues realized in FY 2024-25).

| FY 2024-2025 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 For All (ELFA) vouchers and MRA funded slots provided to high quality preschool programs securing spots for children of families with incomes up to 150% of Area Median Income (AMI). ELFA funds qualified programs at the fully or partial funding reimbursement rate, depending on the family's income. | $ 83,026,558 |
| Workforce Initiatives (Children's Council) | **Workforce Compensation**<br>(1) Early Educators Salary Support Grant (EESSG) - A groundbreaking initiative ensuring early educators serving San Francisco's most vulnerable children are fairly compensated and earn a living wage.<br>(2) Compensation and Retention Early Educators Stipend (CARES 3.0) - An initiative providing direct stipends to early educators at licensed family childcare or center-based programs in San Francisco serving less than 50% subsidy eligible children.<br>(3) CA Registry data repository, SEQUAL survey and other infrastructure for program admin. | $ 50,077,941 |
| | **Workforce Development**<br>(1) Stipends for Early Educator's Professional Development (SEEPD) - provides financial support for early educators seeking ECE units/credits<br>(2) Workforce Pathways - direct financial support for course-based professional development | $ 8,314,839 |
| Childcare Capital/Facilities (Low Income Investment Fund "LIIF") | The purpose of the grant is to provide both technical assistance and affordable capital to child care providers in order to preserve/increase the quantity and enhance the quality of licensed child care spaces available to families and children. | $ 11,937,324 |
| Family Resource Centers (multiple grantees) | Family Resource Center (FRC) Initiative, Prop C interest backfill for General Fund plus board of supervisors one-time supplement. | $ 6,150,176 |
| Other CBO Services (Children's Council) | Early Intervention Services, ECE Community Building and Peer Support, San Francisco Child Care Planning & Advisory Council (CPAC) | $ 2,662,937 |
| **Subtotal - CBO Services[1]** | | **$ 162,169,775** |
| **Administration & Other** | | |
| DEC Staff | Salaries & benefits for 46 DEC full time equivalents (FTEs)[2] | $ 5,458,511 |
| Administration | Non-personnel services and materials and supplies | $ 881,034 |
| Services of Other Departments | Administration (Prop C and DEC)<br>- Tax Collector ($1,714,882)<br>- DT Technology Projecects ($68,293)<br>- HR Mgmt Training ($4,465)<br>- CON Budget & Analysis ($1,200 )<br>- DPW Office Repairs ($57,810)<br>Programmatic<br>- OEWD Support for Black Early Educators ($705,007)<br>- Pregnancy Family Village and Dyadic Care($133,606) | $ 2,685,263 |
| Prop C 15% Tax to General Fund | Legislated 15% of Prop C Commercial Rents Tax transferred annually to the City's General Fund | $ 26,687,860 |
| **Subtotal - Administration & Interdepartmental Services** | | **$ 35,712,668** |
| **Total - FY 2024-2025** | | **$ 197,882,442** |

1. Report does not match 5380 spending in PeopleSoft ($132,988,425.09) which reflects period of payment; Amount reported above ($162,169,775) is adjusted to reflect funding expended on FY25 activities only; therefore, it includes a programmatic advance made in FY24 for FY25 activities and excludes a programmatic advance for FY26 expenditure.
2. Number of FTEs as of Pay Period Ending (PPE) 6/30/2025. Salary and Fringe excludes DPW staff funded via direct work order. DPW employee costs are included in IDS.

# 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 $74.4 million, net of $124.2 million appropriated in the current year. The large FY 2024-25 fund balance was intentionally created through prior year spending reductions to support spending in FY 2025-26 and FY 2026-27. A $61.1 million surplus in homelessness gross receipts tax

revenue is projected, resulting in an ending balance of $135.6 million. In the previously adopted two-year budget, $74.4 million of fund balance was budgeted in FY 2026-27.

## 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 (OEWD). 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 $0.4 million. FY 2025-26 revenues are projected to be $2.0 million, flat compared to budget, but down $0.7 million from FY 2024-25 actuals due to recent legislation exempting vacant parcels near City construction sites. Expenditures are projected to be on budget, leaving an ending balance of $0.4 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 2024-25, the fund largely supported the City's First Year Free program and Treasurer Tax Collector's administrative costs.

## 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, $51.6 in FY 2023-24, and $53.6 million in FY 2024-25 to SFUSD. In FY 2025-26, the City budgeted $54.0 million of parcel tax revenue, balanced with a $54.0 million transfer to SFUSD. The fund began the fiscal year with $0.4 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. 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 it. The City has appealed the trial court's ruling. File number 250001 was passed by the Board of Supervisors in March 2025 and signed by the Mayor in April 2025 to suspend the tax until the year after a final court ruling in the City's favor, should it occur. Pending the resolution of the court case, revenues and expenditures associated with the Housing Activation Fund have not been budgeted.

# SELECT ENTERPRISE FUNDS

## 32. Airport Operating Fund

The Airport began FY 2025-26 with $182.7 million in available fund balance, none of which was appropriated in the current year. The department projects a net operating surplus of $87.1 million at year end, comprised of a projected revenue deficit of $26.6 million and expenditure savings of $113.7 million.

The department's operating revenue forecast is below budget due to lower than anticipated airline landing fees, rent and concession sales, totaling $69.3 million, reflecting airline schedule adjustments in response to softer passenger demand, continued delays in aircraft deliveries and this impact to sales in food, beverage, retail and duty free The Airport outperformed budget in parking and groundside revenue, driven by higher domestic garage revenues and transportation network companies and limousines. Terminal rentals are estimated to be slightly above budget due to airline leased space estimates.

Revenue transfers-in are expected to be $50.6 million below budget due to the department's projected expenditure savings at year end. Deferred aviation revenues are projected to be $84.4 million at fiscal year-end for remaining expenditures per the residual agreement with airlines.

The department projects savings of $53.6 million in labor, $32.1 million in professional services, $12.2 million in capital outlay, and $8.5 million in public safety. Employee turnover, vacancies, and hiring and procurement delays contributed to the underspending in these cost categories.

The department projects to end the fiscal year with $269.8 million in available fund balance.

## 33. Municipal Transportation Agency (MTA) Operating Funds

The MTA began the fiscal year with an available balance of $129.1 million, net of $6.4 million appropriated in the current year. The Agency projects to end the year with a net operating surplus of $29.8 million due to a revenue surplus of $14.7 million and expenditure savings of $15.1 million.

The revenue surplus of $14.7 million is primarily driven by transfers from the General Fund. The MTA estimates a $23.8 million shortfall from Federal relief due to exhaustion of federal stimulus in the prior year, a $9.9 million shortfall in operating grants, and $6.9 million shortfall in other revenue given shelter contracts renegotiated with lower revenue expectations compared to budget. These revenue shortfalls are offset by revenue surpluses of $16.2 million in transit fares and $7.3 million parking revenue due to better than budget expectations in citations, meters, and garages, particularly in the neighborhood garages, offset by weakness in permits and fees. Additionally, transfers from the General Fund are expected to be $30.9 million above budget. This is due to the increase in projected aggregate discretionary revenue (ADR) in the General Fund offset by the General Fund transfer to the MTA determined by population growth that partially supports capital projects, which is expected to be $1.1 million below budget, and the portion of the transfer that supports operating expenditures is expected to be $31.8 million above budget.

The Agency projects $15.1 million in expenditure savings, driven by $14.4 million in reduced non-personnel costs, $3.5 million of savings in materials and supplies, partially offset by shortfalls of $2.8 million in salaries and fringe benefits and overhead allocations. The Agency is projected to end the fiscal year with a balance of $158.9 million, of which $3.9 million was appropriated in the previously approved FY 2026-27 budget.

## 34. Port Operating Funds

The Port began the fiscal year with $211.0 million in available annual fund balance and projects a net operating surplus of $0.01 million.

A net revenue deficit of $10.5 million is due to parking revenue. The budget assumes full impact of the MTA partnership expansion to off-street, Port lots. However, due to delays in MOU execution, new revenue from citations and additional revenue from improved space management did not materialize in time. Moreover, parking lots not under MTA's oversight were slated for a new parking operator, for which the Request for Proposal has not yet been issued. The parking operation changes are still anticipated in future budget years. Expenditure savings of $10.5 million include: $1.2 million in salary and fringe benefits due to review of all Requests-to-Fill and reclassification of eligible personnel costs from Operating to Capital, following an internal review of budgeted positions; $1.1 million in Overhead and Allocations due to alignment with centrally-loaded COWCAP/City Overhead amounts, avoiding duplication; $5.1 million savings 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 from pending installations of new parking meters; $0.4 million savings in Materials & Supplies; and $2.7 million savings in Interdepartmental Services from Risk Management's lower-than-anticipated insurance premiums and MTA's parking management delays. Port Operating Funds are projected to end the fiscal year with a balance of $211.0 million.

# Public Utilities Commission (PUC)

PUC projects net operating surpluses for the Hetch Hetchy Operating Fund and Clean Power Fund and net operating deficits for the Wastewater Operations Fund and Water Operating Fund.

## 35. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Fund began the fiscal year with $213.2 million in available operating fund balance net of the use of $33.4 million in the FY 2025-26 budget and is projected to end the year with a net operating surplus of $46.9 million due to a $5.3 million revenue deficit and $52.2 million expenditure savings. The PUC projects to require an overtime supplemental to increase its overtime budget by $0.3 million for a total overtime expenditure estimate of $1.3 million. As required by Administrative Code Section 3.17, the introduction of a supplemental appropriation to shift available balance from permanent salaries to overtime would be determined upon further review and monitoring.

The revenue deficit is mostly due to a lower volume of retail sales. Gas and steam sales are also lower due to projected usage, but this variance is offset by equivalent cost savings. Expenditure savings are primarily due to lower-than-projected power purchase costs, and include $5.0 million in energy supply costs, $2.0 million in transmission costs, and $1.0 million in distribution costs. The remaining savings are a result of budgeted contingency and carryforward budget projected to be unspent. Other expenditure savings include salary savings due to vacancies as well as savings from gas and steam sales mentioned above.

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of $260.1 million. The department appropriated $17.0 million of fund balance in the previously approved FY 2026-27 budget.

## 36. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with $146.7 million in available operating fund balance, net of using $34.6 million in the FY 2025-26 budget. The Fund is projected to end the year with a net operating deficit of $0.9 million primarily due to a revenue deficit of $7.9 million offset by expenditure savings of $7.0 million. The revenue deficit is mostly due to lower usage and volume and is offset by salary savings from vacancies and from debt service due to defeasance of the 2021 Series A Notes and 2021 Series B Notes.

The Fund is projected to end the fiscal year with a balance of $145.8 million, of which $17.0 million was appropriated in the previously approved FY 2026-27 budget.

## 37. Public Utilities Commission – Water Operating Fund

The Water Operations Fund began the fiscal year with $185.5 million in available operating fund balance, net of the use of $33.0 million in the FY 2025-26 budget. The Fund is projected to end the fiscal year with a net operating deficit of $0.2 million, comprised of a revenue deficit of $33.8 million and $33.6 million in expenditure savings. The revenue shortfall is mostly due to lower usage and volume combined with a revenue transfer to Wastewater to fund discount programs. Expenditure savings are primarily due to salary savings from vacancies as well as a delay in payments for SRF loans and the 2025 Water Revenue Refunding Bonds Series ABCF.

The Fund is projected to end the fiscal year with a balance of $185.2 million, which includes $27.0 million of unapproved reserves. No fund balance was used in the previously approved FY 2026-27 budget.

## 38. Public Utilities Commission – Clean Power Fund

The Clean Power Fund began the fiscal year with $216.5 million in available operating fund balance. The fund is projected to end the fiscal year with a net operating surplus of $65.6 million.

A net projected revenue surplus of $2.2 million includes retail revenues driven by changes in regulatory obligations resulting in excess resource adequacy available to sell, which is offset by lower retail revenues driven primarily by a 3% budgeted rate increase that did not occur. Expenditure savings are primarily due to salary savings from vacancies and as well as lower costs for energy purchases and energy attributes.

The Fund is projected to end the fiscal year with a balance of $282.1 million, which includes $137.4 million of unapproved reserves as well as carry forwards.

# Appendix 5: Overtime Report

| Department ($ in Millions) | FY2024-25 Actual | FY 2025-26 Overtime Budget | FY 2025-26 Overtime Actuals through 1/2/26 | % of Budget Expended through 1/2/26 |
|---|---|---|---|---|
| **Airport*** | | | | |
| Annual Operating Fund | $ 5.3 | $ 5.9 | $ 3.6 | 60% |
| **Airport Annual Operating Fund** | **$ 5.3** | **$ 5.9** | **$ 3.6** | **60%** |
| **Emergency Management*** | | | | |
| General Fund | $ 8.5 | $ 7.8 | $ 4.0 | 51% |
| **Emergency Management Annual Operating Fund** | **$ 8.5** | **$ 7.8** | **$ 4.0** | **51%** |
| **Fire*** | | | | |
| General Fund | $ 55.4 | $ 46.7 | $ 29.5 | 63% |
| General Fund Work Order | $ 1.9 | $ 4.5 | $ 0.8 | 17% |
| Airport Annual Operating Fund | $ 7.9 | $ 7.9 | $ 4.3 | 55% |
| **Fire Annual Operating Funds** | **$ 65.1** | **$ 59.2** | **$ 34.6** | **59%** |
| **Police*** | | | | |
| General Fund | $ 97.7 | $ 71.6 | $ 48.6 | 68% |
| General Fund Work Order | $ 2.9 | $ 3.0 | $ 1.4 | 45% |
| *Subtotal - General Fund* | *$ 100.5* | *$ 74.7* | *$ 49.9* | *67%* |
| Airport Annual Operating Fund | $ 10.2 | $ 9.9 | $ 7.3 | 73% |
| **Police Annual Operating Funds** | **$ 110.7** | **$ 84.6** | **$ 57.2** | **68%** |
| *Special Revenue (10B)* | $ 14.7 | | $ 8.7 | |
| *Total - Police Annual Operating Funds and 10B* | *$ 125.4* | | *$ 65.9* | |
| **Public Health*** | | | | |
| ZSF General Hospital Annual Operating Fund | $ 27.4 | $ 32.6 | $ 14.4 | 44% |
| Laguna Honda Hospital Annual Operating Fund | $ 12.7 | $ 18.0 | $ 8.9 | 49% |
| Other Annual Funds | $ 4.1 | $ 4.2 | $ 2.5 | 60% |
| **Public Health Annual Operating Funds** | **$ 44.3** | **$ 54.8** | **$ 25.8** | **47%** |
| **Public Utilities Commission*** | | | | |
| PUC Annual Operating Funds | $ 6.9 | $ 6.2 | $ 3.8 | 61% |
| **Public Utilities Commission Annual Operating Funds** | **$ 6.9** | **$ 6.2** | **$ 3.8** | **61%** |
| **Public Works*** | | | | |
| DPW Annual Operating Funds | $ 3.2 | $ 4.0 | $ 1.9 | 47% |
| **Public Works Annual Operating Funds** | **$ 3.2** | **$ 4.0** | **$ 1.9** | **47%** |
| **Recreation & Parks*** | | | | |
| General Fund** | $ 1.6 | $ 2.4 | $ 1.1 | 43% |
| **Recreation & Parks Annual Operating Fund** | **$ 1.6** | **$ 2.4** | **$ 1.1** | **43%** |
| **Sheriff*** | | | | |
| General Fund | $ 42.1 | $ 31.7 | $ 23.5 | 74% |
| General Fund Work Order | $ 9.2 | $ 9.5 | $ 4.9 | 52% |
| **Sheriff Annual Operating Funds** | **$ 51.3** | **$ 41.2** | **$ 28.4** | **69%** |
| **City Attorney** | $ 0.2 | $ 0.0 | $ 0.1 | 801% |
| **Juvenile Probation** | $ 2.7 | $ 0.4 | $ 1.8 | 462% |
| **Board Of Supervisors** | $ 0.0 | $ 0.0 | $ 0.0 | 168% |
| **City Administrator** | $ 3.3 | $ 1.2 | $ 2.0 | 164% |
| **Public Library** | $ 0.6 | $ 0.2 | $ 0.3 | 164% |
| **District Attorney** | $ 0.3 | $ 0.1 | $ 0.2 | 131% |
| **Port** | $ 0.7 | $ 0.3 | $ 0.4 | 128% |
| **Asian Art Museum** | $ 0.1 | $ 0.1 | $ 0.1 | 126% |
| **Municipal Transportation Agency** | $ 69.4 | $ 44.4 | $ 35.6 | 80% |
| **War Memorial** | $ 0.3 | $ 0.3 | $ 0.2 | 76% |
| **Building Inspection** | $ 0.4 | $ 0.3 | $ 0.3 | 74% |
| **Human Services** | $ 5.1 | $ 2.4 | $ 1.6 | 67% |
| **Public Defender** | $ 0.0 | $ 0.0 | $ 0.0 | 43% |
| **Academy Of Sciences** | $ 0.0 | $ 0.1 | $ 0.0 | 42% |
| **Board Of Appeals** | $ 0.0 | $ 0.0 | $ 0.0 | 42% |
| **Child Support Services** | $ 0.0 | $ 0.0 | $ 0.0 | 37% |
| **Superior Court** | $ 0.2 | $ 0.1 | $ 0.0 | 32% |
| **Adult Probation** | $ 0.1 | $ 0.1 | $ 0.0 | 17% |
| **Fine Arts Museum** | $ 1.1 | $ 3.1 | $ 0.4 | 15% |
| **Retirement System** | $ 0.0 | $ 0.0 | $ 0.0 | 11% |
| **Elections** | $ 0.4 | $ 0.6 | $ 0.1 | 9% |
| **Controller** | $ 0.0 | $ 0.2 | $ 0.0 | 7% |
| **Treasurer/Tax Collector** | $ 0.0 | $ 0.0 | $ 0.0 | 3% |
| **Total Overtime*** ** | **$ 396.6** | **$ 320.1** | **$ 203.4** | **64%** |

* 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.

** Recreation & Parks increased overtime appropriation as allowed by Section 11.5 Tenant Overtime in the AAO Administration Provisions.

** Total overtime excludes non-annual operating funds in departments listed in Administrative Code Section 3.17.