

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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June 14, 2012

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: June 18, 2012 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File	Page
1,2&3	12-0616 Interim Proposed Budget and Annual Appropriation Ordinance – FYs 2012-2013 and 2013-2014	
	12-0617 Interim Annual Salary Ordinance – FYs 2012-2013 and 2013-2014	
	12-0594 Interim Treasurer Island Development Authority Budget – FYs 2012-2013 and 2013-2014	1,2&3 – 1
10	12-0640 Expenditures from the Budget Savings Incentive Fund – FYs 2012-2013 and 2013-2014	10 - 1

Items 1, 2 and 3 Files 12-0616, 12-0617 and 12-0594	Department(s):
EXECUTIVE SUMMARY	

The proposed legislation would approve for FY 2012-13 and FY 2013-14: (a) the Interim Annual Appropriation Ordinance (File 12-0616), (b) the Interim Annual Salary Ordinance (File 12-0617), and one resolution approving an Interim Budget for the Treasure Island Development Authority (TIDA) (File 12-594).

Overview of Interim Budget

Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance

The annual budget process for the City and County requires that the Board of Supervisors approve an Interim Annual Appropriation Ordinance and an Interim Annual Salary Ordinance for the two-year budgets for FY 2012-13 and FY 2013-14 on or before June 30, 2012. The purpose of these interim ordinances is to provide position and expenditure authorization for the various departments of the City and County during the time that the Budget and Finance Committee of the Board of Supervisors is reviewing the Mayor's recommended budget for FY 2012-13.

In accordance with the FY 2012-13 Budget Calendar, the Interim Annual Appropriation Ordinance and the Interim Annual Salary Ordinance are anticipated to be passed on first reading at the June 19, 2012 meeting of the Board of Supervisors. Final passage of these ordinances is anticipated for June 26, 2012.

The Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance are based on the FY 2012-13 and FY 2013-14 proposed budget recommendations of the Mayor. Therefore, these ordinances include authorization and funding for all programs and program revisions which are included in the Mayor's proposed FY 2012-13 and FY 2013-14 budgets. An analysis of departmental programs and program revisions, together with the Budget and Legislative Analyst's recommendations will be submitted in budget reports for the Budget and Finance Committee's budget hearings scheduled from June 18 through June 28, 2012.

Interim Treasure Island Development Authority Budgets

The proposed resolution (File 12-0594), approving an interim budget for the Treasure Island Development Authority (TIDA), provides expenditure authority for TIDA for the period from July 1, 2012 until the Board of Supervisors adopts final approval of the FY 2012-13 and FY 2013-14 budgets for TIDA, as required by State Community Redevelopment Law. Approval of this proposed resolution would not constitute final approval of (a) any new positions, programs, capital improvements and equipment for TIDA.

Interim Annual Appropriation Ordinance

As a general policy, in previous years, the Board of Supervisors has not approved new positions, programs, capital improvements and equipment during the interim budget period without detailed review unless the Budget and Finance Committee and the full Board authorizes exceptions requested by the Mayor's Office. This general policy has been implemented by instructing the Controller not to certify the availability of funds for new positions, programs, capital improvements and equipment during the interim budget period between July 1 and July 31. If an exception is approved by the Board of Supervisors, new positions can be filled effective July 1, 2012. Otherwise, new positions will generally not be filled until October 1 of each fiscal year.

Exceptions to the Interim Budget

In certain cases, specific exceptions requested by the Mayor's Office to these general policies have been approved by the Board of Supervisors. Approval of such exceptions have been based on such factors as new positions and programs that produce revenue or cost savings or prevent major service deficiencies which would result from delays in filling new positions or starting new programs.

The Mayor's Budget Director submitted a memorandum on June 12, 2012, requesting hiring of 162.60 new positions as of July 1, 2012. We will review this request and make recommendations to the Budget and Finance Committee pertaining to the requested 162.60 new positions as exceptions to the interim budget as part of our review of each department's FY 2012-13 and FY 2013-14 proposed budgets.

Revisions to the Administrative Provisions of the Interim Annual Appropriation Ordinance

The Controller has recommended the following changes to the Administrative Provisions of the FY 2012-13 and FY 2013-14 Interim Annual Appropriation Ordinance:

Section 3.1. Two-Year Budget. The Board of Supervisors approved fixed two-year budgets for the Port, Airport, and Public Utilities Commission in FY 2012-13 and FY 2013-14, which are subject to amendment if actual revenues or expenditures change by more than 5% compared to the adopted two-year budget (Resolution 464-11). Under the proposed Section 3.1, the Controller is authorized to allot funds to the Port, Airport, and Public Utilities Commission on July 1, 2014, in accordance with the FY 2012-13 and FY 2013-14 budgets, unless budget amendments are approved. The proposed Section 3.1 also authorizes the Controller to allot funds to the Municipal Transportation Agency on July 1, 2014, in accordance with the FY 2012-13 and FY 2013-14 budgets, as provided under Charter Section 8A.

Section 11.24 Affordable Housing Loan Repayments and Interest The proposed Interim Annual Appropriation Ordinance contains a new provision that loan repayments and interest earnings in special revenue funds designated for affordable housing can only be used for affordable housing program expenditures.

Section 12.13 The proposed Interim Annual Appropriation Ordinance contains a new provision that addresses the City's role as successor agency to the former Redevelopment Agency. Section 12.13 authorizes the Controller to set up accounts within the City's financial systems to receive former Redevelopment Agency funds and to establish appropriation authority and to expend or encumber funds consistent with (a) the FY 2012-13 and FY 2013-14 budgets, approved by the Board of Supervisors, for former Redevelopment Agency functions, and (b) enforceable obligations that remain in effect as of July 1, 2012, consistent with State requirements.

Section 12.13 also authorizes the Purchaser to follow applicable contracting and purchasing procedures for the former Redevelopment Agency, including waiving inconsistent provisions of the City's Administrative Code. This provision applies only to contracts or purchasing procedures in effect at the time of the dissolution of the former Redevelopment Agency or as part of an enforceable obligation, as defined by the State. The authority to waive contract or purchasing procedures that are inconsistent with the City's Administrative Code expires on June 30, 2014.

Section 12.13 also provides the following:

- The Controller may increase or decrease former Redevelopment Agency appropriations, consistent with increases or decreases in Property Tax increment revenues allocated to redevelopment project areas or to enforceable obligations.
- The City Administrator's Office will act as the fiscal agent from Community Facilities District funds previously administered by the Redevelopment Agency.
- They Mayor's Office of Housing will act as the fiscal agent for the nonprofit Public Initiatives Development Corporation, established by the Redevelopment Agency for the development of affordable housing.

Hotel Taxes and Business Improvement Districts

Attachment I shows the FY 2012-13 and FY 2013-14 Hotel Tax allocations, specified under the City's Business and Tax Regulations Code. As noted in the Budget and Legislative Analyst's *Performance Audit of Governance and City Support of the Asian Art Museum, Fine Arts Museums, War Memorial, and the Academy of Sciences*, although the Business and Tax Regulations Code does not require the City to allocate Hotel Tax revenues to the Academy of Sciences Steinhart Aquarium, the Board of Supervisors has allocated Hotel Tax revenues to the Steinhart, which totaled \$1,200,000 since FY 2004-05. The proposed FY 2012-13 and FY 2013-14 Hotel Tax allocations to the Steinhart Aquarium is \$1,208,000 in each fiscal year. We recommend that the Board of Supervisors amend the Business and Tax Regulations Code to include the Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium, consistent with previously Board of Supervisors policy.

Attachment II shows the FY 2012-13 and FY 2013-14 Business Improvement District assessments. These assessments are levied on real property in the Business Improvement Districts, established by ordinance of the Board of Supervisors, and are used for purposes defined

in the district plans, budgets, and management agreements, as approved by the Board of Supervisors.

Revisions to the Administrative Provisions of the Annual Salary Ordinance

The Department of Human Resources has recommended the following change to the Administrative Provisions of the Interim Annual Salary Ordinance:

Section 2.1. PUC Employees Assigned to Hetch Hetchy and Recreation and Park Department Employees Assigned to Camp Mather. Public Utilities Commission (PUC) and Recreation and Park Department employees, who work and reside locations that are not serviced by the Health Maintenance Organizations (HMOs) contracted by the City's Health Service System, and therefore are only eligible to enroll in the City Health Plan, receive a monthly stipend to compensate for the higher cost of the City Health Plan compared to the HMOs. Section 2.1 has been revised to show the new stipend amounts for Recreation and Park Department and PUC employees with two or more dependents, and for PUC employees with one dependent. These new stipend amounts are effective from July 1, 2012 through December 31, 2012, and may change as of January 1, 2013.

Approval of the Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance

Generally, in past years, the Mayor's recommended Interim Annual Appropriation Ordinance and the Interim Annual Salary Ordinance have been routinely approved by the Board of Supervisors, excluding exceptions for new positions, programs, capital improvements and equipment.

The Budget and Legislative Analyst has previously been advised by Ms. Adams of the City Attorney's Office that the Board of Supervisors is required to approve an Interim Annual Appropriation Ordinance and an Interim Annual Salary Ordinance (and therefore the Interim Budget). Ms. Adams has further advised the Budget and Legislative Analyst that if these ordinances are not approved by the Board of Supervisors by June 30, the Controller will no longer have authority to issue payroll warrants to City and County employees or to issue other warrants to pay for any other City and County services.

The Controller has previously advised the Budget and Legislative Analyst that he concurs with the opinion of Ms. Adams. The Controller would cease to issue any further City and County warrants unless the Board of Supervisors approves an Interim Annual Appropriation Ordinance and Interim Annual Salary Ordinance (the Interim Budget) by June 30.

Summary

- File 12-0616 is an ordinance approving the FY 2012-13 and FY 2013-14 Interim Annual Appropriation Ordinance and File 12-0617 is an ordinance approving the FY 2012-13 Interim Annual Salary Ordinance for the period from July 1, 2012 until the Board of Supervisors finally adopts the FY 2012-13 and FY 2013-14 budgets. These two ordinances will be

superseded by any further changes made by the Board of Supervisors during the Board of Supervisors FY 2012-13 and FY 2013-14 budget review.

- File 12-0594 is a resolution approving the interim budget for the Treasure Island Development Authority. Approval of this resolution provides expenditure authority for TIDA for the period from July 1, 2012 until the Board of Supervisors final approval of the FY 2012-13 and FY 2013-14 budgets, as required by State Community Redevelopment Law. Approval of this proposed resolution would not constitute final approval of any new positions, programs, capital improvements and equipment for TIDA.

Recommendations

- Except for the exemption to the Interim Budget, which as noted above include the hiring of 162.60 new positions as of July 1, 2012, positions which the Budget and Legislative Analyst will analyze and make recommendations to the Budget and Finance Committee during the review of each Department's budgets, approve (a) the FY 2012-13 and FY 2013-14 Interim Annual Appropriation Ordinance (File 12-0616), (b) the FY 2012-13 and FY 2013-14 Interim Annual Salary Ordinance (File 12-0617), and (d) the FY 2012-13 and FY 2013-14 Interim Treasure Island Development Authority Budget (File 12-0594).
- Amend the Business and Tax Regulations Code to include the annual Hotel Tax allocation to the Academy of Sciences Steinhart Aquarium, consistent with previous Board of Supervisors policy.

Specified Hotel Tax Allocations	FY 2012-13	FY 2013-14
Publicity/Advertising: Recurring Events	11,177,000	11,177,000
Publicity/Advertising: Nonrecurring Events	191,000	191,000
Fine Arts Museum	5,620,000	5,620,000
Asian Art Museum	2,229,000	2,229,000
Steinhart Aquarium	1,208,000	1,208,000
Tax Collector	114,000	114,000
Culture Centers	1,516,000	1,516,000
Cultural Equity Endowment Fund	1,716,000	1,716,000
Convention Facilities	34,147,000	34,147,000
Convention and Visitors Bureau	7,580,000	7,580,000
Affordable Housing—Rental Assistance	5,500,000	5,560,000
War Memorial	9,158,500	9,071,000
Yerba Buena Gardens Debt Service	3,177,400	3,088,000

District/Resolution No./Special Assessment No.	FY 2012-13	FY 2013-14
Castro/Upper Market Community Benefit District, 582-05, 63	\$408,091	\$408,091
Central Market Community Benefit District, 631-06, 66	574,164	574,164
Civic Center Community Benefit District, 021-11, 31	695,819	695,819
Fisherman's Wharf Community Benefit District, 540-05, 64	600,215	600,215
Fisherman's Wharf Portside, 539-05, F-107	187,464	187,464
Greater Union Square Business Improvement District, 550-10, 57	3,025,830	3,025,830
Mission Miracle-2500 Block of Mission Street Business Improvement District, 473-10, 65	85,002	85,002
Noe Valley Community Benefit District, 583-05, 61	232,710	232,710
North of Market/Tenderloin Community Benefit District, 584-05, 62	1,004,623	1,004,623
Ocean Avenue, 587-10, 73	239,578	239,578
Tourism Improvement District, 504-08, 75	22,700,000	22,700,000
Yerba Buena Community Benefit District 330-08, 96	2,346,649	2,346,649

Item 10
File 12-0640

Departments:
Mayor's Office
Controller

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve the use of the projected \$18.3 million Budget Savings Incentive Fund as a funding source for (a) \$8,467,058 in FY 2012-13, and (b) \$9,926,880 in FY 2013-14, or a total expenditure of \$18,393,938.

Key Points

- Section 10.20(a) of the Administrative Code established a Budget Savings Incentive Fund to encourage City departments to implement cost-saving strategies and allow for the reinvestment of those savings in one-time expenditures.

Fiscal Impacts

- \$8.7 million was deposited into the Budget Savings Incentive Fund at the close of FY 2010-11 and \$9.6 million is projected to be deposited into the Fund at the close of FY 2011-12, for a total Fund balance of \$18.3 million.
- The Attachment identifies the 18 proposed projects totaling \$8,467,058 for 12 City departments in FY 2012-13, and the 30 proposed projects totaling \$9,926,880 for 11 City departments in FY 2013-14. All of these proposed projects and funding are included in the Mayor's proposed FY 2012-13 and FY 2013-14 budgets, based on recommendations by COIT and the Capital Planning Committee.

Recommendation

- Approve the proposed resolution to use the Budget Savings Incentive Fund as a funding source for various specified projects in the FY 2012-13 and FY 2013-14 budgets.
- The Budget and Legislative Analyst will be reviewing each of the specified projects, for potential reductions, as part of the overall review of each City department's budget.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

According to Charter Section 2.105, the Board of Supervisors shall act only by written ordinances or resolutions.

Background

Section 10.20(a) of the City's Administrative Code established a Budget Savings Incentive Fund as a category eight fund¹ to encourage City departments to implement cost-saving strategies and allow for the reinvestment of those savings in one-time expenditures, including but not limited to expenditures that improve the efficiency of departmental operations, reduce the cost of service delivery, generate additional revenue or meet deferred maintenance needs. In accordance with Section 10.20(b) of the City's Administrative Code, at the end of each fiscal year, up to 25 percent of the total appropriations closed to the General Fund balance shall be appropriated into the Budget Savings Incentive Fund and placed on Controller's reserve. However, the Controller can suspend the carry forward amount in years when the Controller determines that the City's financial condition cannot support deposits into the Fund.

According to Section 10.20(a), disbursements from the Budget Savings Incentive Fund can only be made to those City departments that generated net year-end expenditure savings at the close of the most recent prior fiscal year, as certified by the Controller. According to Ms. Monique Zmuda, Deputy Controller, \$8.7 million was deposited into the Budget Savings Incentive Fund at the close of FY 2010-11 and \$9.6 million is projected to be deposited into the Fund at the close of FY 2011-12, for a total estimated Fund balance of \$18.3 million as of June 30, 2012.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the use of the estimated \$18.3 million Budget Savings Incentive Fund as a funding source for (a) \$8,467,058 in FY 2012-13, and (b) \$9,926,880 in FY 2013-14, or a total expenditure of \$18,393,938. The Attachment, provided by Ms. Zmuda identifies the 18 proposed projects totaling \$8,467,058 for 12 City departments in FY 2012-13, and the 30 proposed projects totaling \$9,926,880 for 11 City departments in FY 2013-14.

According to Ms. Zmuda, all of the identified projects and funds are included in the proposed FY 2012-13 and FY 2013-14 Mayor's Budget, for each of the respective departments. The Budget and Legislative Analyst will be reviewing each of the proposed projects as part of the overall review of each City department's budget.

FISCAL IMPACTS

Ms. Zmuda advises that the Controller was not able to accurately determine the amount of \$18.3 million of FY 2010-11 savings achieved until year-end close was completed in November of 2011. Ms. Zmuda further advises that the projected \$9.6 million savings for FY 2011-12 is a minimum amount that is anticipated to be achieved.

As noted above, according to Section 10.20(a), disbursements from the Budget Savings Incentive Fund can only be made to those City departments that generated net year-end expenditure savings at the close of the most recent prior fiscal year, as certified by the Controller. Ms. Zmuda advises that while the amount of expenditure savings from individual departments does not

¹ In accordance with Section 10.100-1 of the City's Administrative Code, a category eight fund is automatically appropriated, accumulates interest and carries forward any unexpended and unencumbered fund balance each year.

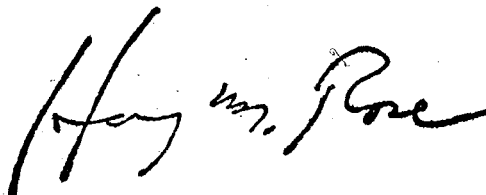
match the amount of projected expenditures, as shown in the Attachment, each City department that is proposed to receive Budget Savings Incentive Funds, achieved expenditure savings in the prior fiscal year.

The recommendations for funding the proposed Budget Savings Incentive Fund projects, as shown in the Attachment, were based on each departments' individual requests to the Committee on Information Technology (COIT) and the Capital Planning Committee for approval of the proposed projects and funding.

RECOMMENDATION

Approve the proposed resolution to use the Budget Savings Incentive Fund as a funding source for various specified projects in the FY 2012-13 and FY 2013-14 budgets.

The Budget and Legislative Analyst will be reviewing each of the specified projects, for potential reductions, as part of the overall review of each City department's budget.



Harvey M. Rose

- cc: Supervisor Chu
- Supervisor Avalos
- Supervisor Kim
- Supervisor Cohen
- Supervisor Wiener
- President Chiu
- Supervisor Campos
- Supervisor Elsbernd
- Supervisor Farrell
- Supervisor Mar
- Supervisor Olague
- Clerk of the Board
- Cheryl Adams
- Mayor Lee
- Controller
- Kate Howard

FY 2012-13 Budget Savings Incentive Fund Proposal

Dept	Project Title	Total	Committee
Asian Art Museum	FACILITIES MAINTENANCE	156,900	Capital
Art Commission	Mission Cultural Center for Latino Arts HVAC Replacement	214,760	Capital
Art Commission	Mission Cultural Center for Latino Arts Roof System Replacement	227,563	Capital
Art Commission	Cultural Centers Facilities Maintenance	100,507	Capital
Board of Supervisors	Replace Assessment Appeals Tracking Systems	350,000	COIT
Controller	SYSTEMS DISASTER RECOVERY PROJECT	500,000	COIT
District Attorney	DAMION Upgrades for full functionality / JUSTIS implementation	320,428	COIT
Dept Public Works	DPW - Facilities Maintenance	350,000	Capital
Human Services Agency	HVAC replacement at 170 Otis, & Facilites Maintenance	3,274,000	Capital
Emergency Management Agency	911 Center Gaseous Fire Suppression System	260,000	Capital
Fire	FIR - Facilities Maintenace	400,000	Capital
Juveline Probation	Youth Guidance Center - Facilities Maintenance	250,000	Capital
Police	Mission Station Chiller Replacement	152,900	Capital
Police	Roof Replacements - Ingleside, Bayview, and Park Police Stations	180,000	Capital
Police	Mobile Devices for Officers	200,000	COIT
Police	Crime Data Warehouse - Phases 3, 4, and 5	380,000	COIT
Police	Improve network speed at all Police Stations	150,000	COIT
Treasurer Tax Collector	Business Tax Application Procument and Implementation	1,000,000	COIT
		8,467,058	

FY 2013-14 Budget Savings Incentive Fund Proposal

Dept	Project Title	Total	Committee
Asian Art Museum	AAM - Facilities Maintenance	210,845	Capital
Art Commission	ART - Monument Maintenance & Conservation	78,750	Capital
Art Commission	Civic Art Collection Restoration	190,000	Capital
Art Commission	African American Art & Culture Complex Electrical Wiring & Distribution Upgrade	159,005	Capital
Art Commission	African American Arts & Cultural Center Roof Replacement	281,666	Capital
Art Commission	SOMArts Roofing System Replacement	370,822	Capital
Art Commission	ART - Cultural Centers Facilities Maintenance	105,532	Capital
District Attorney	DAMION Upgrades for full functionality / JUSTIS implementation	243,480	COIT
Dept Public Works	DPW - Capital Emergency Repairs	315,000	Capital
Dept Public Works	Public Works City Facility Maintenance	786,450	Capital
Dept Public Works	DPW - Facilities Maintenance	367,500	Capital
Human Services Agency	170 Otis and other Facilites Maintenance	269,500	Capital
Fine Arts Museum	FAM - Facilities Maintenance, Legion of Honor	980,759	Capital
Fire	FIR - Facilities Maintenace	420,000	Capital
Juvenile Probation	Replace Plumbing Fixtures and Rough-in at Log Cabin Ranch	61,000	Capital
Juvenile Probation	Replace Culvert and Repair Road Leading to Log Cabin Ranch	200,000	Capital
Juvenile Probation	HVR - Facilities Maintenance	21,000	Capital
Juvenile Probation	YGC - Facilities Maintenance	262,500	Capital
Juvenile Probation	LCR - Facilities Maintenance	63,000	Capital
Juvenile Probation	Fire Notification Replacement and System Upgrades	497,000	Capital
Juvenile Probation	Juvenile Justice Center Buildings Exterior Repair	250,000	Capital
Juvenile Probation	Juvenile Justice Center - Resurface roadways and parking lots	200,000	Capital
Police	GGP Police Stables Renovation	227,071	Capital
Police	Lake Merced Range Maintenance Project	500,000	Capital
Academy of Sciences	SCI - Facilities Maintenance	157,500	Capital
Sheriff	SHF - Facilities Maintenance	689,500	Capital
Sheriff	County Jails Kitchen Components, Security CCTV/Recording System, and Laundry Equipment	435,000	Capital
Sheriff	County Jail 6 (San Bruno): Roof Replacement and Fall Protection Devices	447,000	Capital
Sheriff	San Bruno Water Service Pipeline Replacement (I-280 Portion)	890,000	Capital
Sheriff	County Jail 6 (San Bruno): System Upgrades and Repairs	247,000	Capital
Total		9,926,880	