

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

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: June 20, 2013 Budget and Finance Committee Meeting

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Item 8
File 13-0552

Departments:
Mayor's Office
Controller

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would approve the use of the projected \$23.4 million Budget Savings Incentive Fund as a funding source for (a) \$16,676,880 in the Mayor's Recommended FY 2013-14 budget, and (b)) \$6,750,000 in the Mayor's Recommended FY 2014-15 budget.

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

- \$13.7 million was deposited into the Budget Savings Incentive Fund at the close of FY 2011-12 and \$9.4 million is projected to be deposited into the Fund at the close of FY 2012-13.
- The Attachment identifies 36 proposed projects totaling \$16,691,273 for ten City departments in FY 2013-14, and 26 proposed projects totaling \$6,762,245 for eight City departments in FY 2014-15, or a total of \$23,453,518. All of these proposed projects are included in the Mayor's proposed FY 2013-14 and FY 2014-15 budgets, based on recommendations by COIT and the Capital Planning Committee.
- However, the proposed FY 2013-14 Budget includes \$16,676,880 of Budget Savings Incentive Funds or \$14,393 less than the \$16,691,273 shown in the Attachment. In addition, the proposed FY 2014-15 Budget includes \$6,750,000 of Budget Savings Incentive Funds or \$12,245 less than the \$6,762,245 shown in the Attachment. According to the Mayor's Office, the minor differences would be funded by the individual City departments with available other General Fund revenues each fiscal year.

Recommendation

- Approve the proposed resolution to use the Budget Savings Incentive Fund as a funding source for various specified projects in the FY 2013-14 and FY 2014-15 budgets.

MANDATE STATEMENT / BACKGROUND

In accordance with Charter Section 2.105, the Board of Supervisors shall act only by written ordinances or resolutions.

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 (a) improve the efficiency of departmental operations, (b) reduce the cost of service delivery, (c) generate additional revenue or (d) 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. In accordance with 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. 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.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the use of the Budget Savings Incentive Fund as a funding source for (a) \$16,676,880 in the Mayor's Recommended FY 2013-14 budget, and (b) \$6,750,000 in the Mayor's Recommended FY 2014-15 budget, or a total expenditure of \$23,426,880 from the Budget Saving Incentive Fund.

FISCAL IMPACTS

The Attachment, provided by Ms. Cindy Czerwin, the Mayor's Deputy Budget Director identifies 36 proposed projects totaling \$16,691,273 for ten City departments in FY 2013-14, and 26 proposed projects totaling \$6,762,245 for eight City departments in FY 2014-15, or a total of \$23,453,518. The recommendations for funding the proposed Budget Savings Incentive Fund projects, as shown in the Attachment, were based on each department's individual requests to the Committee on Information Technology (COIT) and the Capital Planning Committee for approval of the proposed projects and funding.

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.

The Mayor's Recommended FY 2013-14 Budget includes \$16,676,880 of Budget Savings Incentive Funds or \$14,393 less than the \$16,691,273 for proposed FY 2013-14 projects shown in the Attachment. In addition, the proposed FY 2014-15 Budget includes \$6,750,000 of Budget Savings Incentive Funds or \$12,245 less than the \$6,762,245 for proposed FY 2014-15 projects shown in the Attachment. According to Ms. Czerwin, the minor differences would be funded by the individual City departments with available budgeted General Fund revenues for the two fiscal years.

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.

According to Ms. Czerwin, \$13,725,401 was deposited into the Budget Savings Incentive Fund at the close of FY 2011-12 and \$9,400,000 is projected to be deposited into the Fund at the close of FY 2012-13. Ms. Czerwin advises that the Controller is not able to finalize the actual amount of the estimated \$9.4 million of FY 2012-13 savings that will be achieved until FY 2012-13 year-end close, estimated to occur in October of 2013.

As shown in the Table below, if the proposed resolution is approved, there would be no Budget Savings Incentive Fund Balance as of the end of FY 2014-15, without additional deposits into the Fund at the end of FY 2013-14 and FY 2014-15.

Budget Savings Incentive Fund*	Uses	Deposits	Fund Balance
End of FY 2010-11			\$8.7 million
FY 2011-12		\$13.7 million	22.4 million
FY 2012-13	(\$8.4 million)	9.4 million	23.4 million
FY 2013-14	(16.7 million)		6.7 million
FY 2014-15	(6.8 million)		0

*All numbers are rounded.

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. Czerwin advises that while the amount of expenditure savings from individual departments does not match the amount of projected expenditures, each City department that is proposed to receive Budget Savings Incentive Funds, achieved expenditure savings in the prior fiscal year.

RECOMMENDATION

Approve the proposed resolution to use the Budget Savings Incentive Fund as a funding source for various specified projects in the FY 2013-14 and FY 2014-15 budgets.

Item 11
File 13-0621

Departments:
Mayor's Office
Controller

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would suspend deposits to the Budget Stabilization Reserve for the upcoming budget fiscal years 2013-14 and 2014-15.

Key Points

- Section 10.60(c) of the City's Administrative Code establishes a Budget Stabilization Reserve to augment the City's Rainy Day Reserve in order to mitigate the negative effects of significant economic downturns. Section 10.60 also allows the Board of Supervisors, by resolution, adopted by a two-thirds vote to temporarily suspend deposits into the Budget Stabilization Reserve for the current or upcoming budget years.

Fiscal Impacts

- The Budget Stabilization Reserve will have a FY 2012-13 ending balance of \$102,482,000. The Mayor's Recommended FY 2013-14 budget includes \$15,895,000 of General Fund revenues in General City Responsibility (GEN) and the Mayor's Recommended FY 2014-15 budget includes \$14,377,000 of General Fund revenues in GEN to be deposited into the Budget Stabilization Reserve. With both of those fiscal year deposits into the Reserve, by the end of FY 2014-15, the Budget Stabilization Reserve would have a total ending balance of \$132,754,000.
- If the proposed resolution is approved, it would (a) suspend the deposits for FY 2013-14 and FY 2014-15, such that the remaining projected Budget Stabilization Reserve balance would continue at \$102,482,000, and (b) the FY 2013-14 budget would contain an unallocated \$15,895,000 of General Fund revenues and the FY 2014-15 budget would contain an unallocated \$14,377,000 of General Fund revenues.
- To date, no withdrawals have been made from the Budget Stabilization Reserve.

Recommendation

- Approval of the proposed resolution is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND

In accordance with Charter Section 2.105, the Board of Supervisors shall act only by written ordinances or resolutions.

Section 10.60(c) of the City's Administrative Code establishes a Budget Stabilization Reserve to augment the City's Rainy Day Reserve in order to mitigate the negative effects of significant economic downturns. In accordance with Section 10.60 (c), the Budget Stabilization Reserve Fund is funded with 75% of (a) Real Property Transfer Tax proceeds in excess of the average

annual actual receipts for the prior five fiscal years, adjusted for tax rate increases; and (b) unassigned General Fund balances beyond those appropriated as a source in the subsequent year's budget. Section 10.60(c) also provides that the Controller will not make deposits into the Budget Stabilization Reserve in those years when the City is eligible to make withdrawals from the Budget Stabilization Reserve.

Withdrawals from the Budget Stabilization Reserve are permitted when the Controller projects that budgeted regular General Fund revenues for the upcoming budget year will be less than the current year's General Fund revenues or less than the highest of any of the prior four fiscal years, adjusted by two percent, in accordance with specified guidelines. Section 10.60 also allows the Board of Supervisors, by resolution, adopted by a two-thirds vote to temporarily suspend deposits into the Budget Stabilization Reserve for the current or upcoming budget years.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would suspend deposits to the Budget Stabilization Reserve for the upcoming budget fiscal years 2013-14 and 2014-15.

As noted above, the proposed resolution requires adoption by a two-thirds vote of the Board of Supervisors for approval.

FISCAL IMPACTS

The Table below summarizes the current and projected balances in the City's Budget Stabilization Reserve, as provided by Ms. Michelle Allersma of the Controller's Office.

Budget Stabilization Reserve	Budgeted Deposits	Projected Ending Balance
FY 2011-12		\$74,330,305
FY 2012-13		102,482,000
FY 2013-14	\$15,895,000	118,377,000
FY 2014-15	14,377,000	132,754,000

As shown in the Table above, the Budget Stabilization Reserve is projected to have a FY 2012-13 ending balance of \$102,482,000. In addition, as shown in the Table above, the FY 2013-14 Mayor's recommended budget includes \$15,895,000 of General Fund revenues in the General City Responsibility (GEN) budget and the FY 2014-15 Mayor's recommended budget includes \$14,377,000 of General Fund revenues in the GEN budget to be deposited into the Budget Stabilization Reserve. With both of those fiscal year deposits into the Budget Stabilization Reserve, by the end of FY 2014-15, the Budget Stabilization Reserve would have a total ending balance of \$132,754,000.

However, if the proposed resolution is approved, it would suspend the deposits for FY 2013-14 and FY 2014-15, such that the remaining projected balance would continue at the FY 2012-13 ending balance of \$102,482,000. In addition, if the proposed resolution is approved to suspend the FY 2013-14 and FY 2014-15 deposits to the Budget Stabilization Reserve, the FY 2013-14

budget would contain an unallocated \$15,895,000 of General Fund revenues and the FY 2014-15 budget would also contain an unallocated \$14,377,000 of General Fund revenues.

Ms. Allersma advises that to date, no withdrawals have been made from the Budget Stabilization Reserve.

RECOMMENDATION

Approval of the proposed resolution is a policy decision for the Board of Supervisors.