

File No. 161015

Committee Item No. 13

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 30, 2016

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date November 22, 2016
 Completed by: Linda Wong Date _____

1 [Appropriation - Real Property Transfer Tax for Funding Community College Fund -
2 FY2016-2017 - \$9,000,000]

3 **Ordinance appropriating a total of \$9,000,000 of Real Property Transfer Tax in**
4 **FY2016-2017 for funding the Community College Fund to support students**
5 **attending the City College of San Francisco and placing funds on Controller's**
6 **Reserve pending the outcome of General Fund tax revenue measures in the**
7 **November 8, 2016, Election.**

8
9 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
10 **Additions to Codes** are in *single-underline italics Times New Roman font*.
11 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
12 **Board amendment additions** are in double-underlined Arial font.
13 **Board amendment deletions** are in ~~strikethrough Arial font~~.
14 **Asterisks (* * *)** indicate the omission of unchanged Code
15 Subsections or parts of tables.

16 Be it ordained by the People of the City and County of San Francisco:

17 Section 1. The sources of funding outlined below are herein appropriated to reflect the
18 funding available for Fiscal Year 2016-2017.

19 **SOURCES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
1G AGF AAA – General Fund Unallocated	995031	12510	Real Property Transfer Tax	\$9,000,000

1 **Total SOURCES Appropriation** \$9,000,000

2
3 Section 2. The uses of funding outlined below are herein appropriated in Subobject 03800
4 City Grant Program and reflect the projected uses of funding to support student attending
5 the City College of San Francisco at the Department of Children, Youth and Their Families
6 for Fiscal Year 2016-2017.

7
8 **USES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
1G AGF AAA	XXXXXX / XXXXXXXX	03800 – City Grant Program.	Financial Support to Student attending The City College of San Francisco	\$9,000,000
Total USES Appropriation				<u><u>\$9,000,000</u></u>


17
18
19
20 Section 3: The uses of funding outlined above for \$9,000,000 are herein placed on
21 Controller's Reserve pending the outcome of General Fund tax revenue measures to be
22 determined in the November 8, 2016 Election.

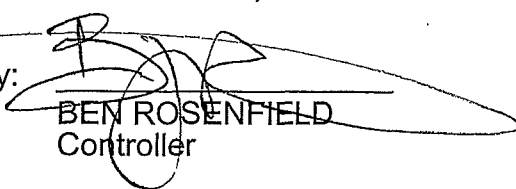
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1 Section 4: The Controller is authorized to record transfers between funds and adjust the
2 accounting treatment of sources and uses appropriated in this ordinance as necessary
3 to conform with Generally Accepted Accounting Principles.
4

5
6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

8 By: 
9 BUCK DELVENTHAL
Deputy City Attorney

By: 
BEN ROSENFELD
Controller

Item 13 File 16-1015	Department: Department of Children, Youth and Their Families (DCYF)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • Ordinance appropriating \$9,000,000 of Real Property Transfer Tax in FY 2016-17 for funding the Community College Fund to support students attending City College of San Francisco and placing funds on Controller’s Reserve pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • On September 27, 2016, the Board of Supervisors amended the Administrative Code to establish the San Francisco City College Enrollment Fee Assistance Fund as a category four fund for use by DCYF to make block grants to City College to offset student enrollment fees and other education-related costs for eligible students. • Proposition W was approved by San Francisco voters in November, 2016, which will increase transfer tax rates for properties over \$5,000,000. The Controller’s Office estimates the new transfer tax rates will generate an additional \$14 million in FY 2016-17. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • DCYF has not yet negotiated nor entered into any agreements with City College regarding the amount of block grants that would be awarded, nor the specific process that would be used to apply for, calculate, award or disburse payments to individual students. DCYF does not yet know how the \$9,000,000 would be allocated, if approved. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Proposition K, which would have increased the City’s Sales Taxes, was not approved by San Francisco voters. However, the FY 2016-17 City budget included \$37.5 million of additional funding from projected increased Sales Tax revenues, with 2/3^{rds} in SFMTA’s budget and 1/3rd in the new Department of Homelessness’s budget. Expenditure reserves prevent these two City departments from incurring these expenditures in FY 2016-17. • The Mayor’s Office will provide a plan to rebalance the FY 2016-17 and FY 2017-18 budgets by mid-December, 2016. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed ordinance to delete the language on page 1, lines 5-7 “ and placing the funds on Controller’s Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election” and all of Section 3 on page 2, “Section 3. The uses of funding outline above for \$9,000,000 are herein placed on Controller’s Reserve pending the outcome of General Fund tax revenue measures to be determined in the November 8, 2016 election.” • Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.105 provides that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

City College Enrollment Fee Assistance Fund

On September 27, 2016, the Board of Supervisors approved an ordinance amending the City's Administrative Code to establish the San Francisco City College Enrollment Fee Assistance Fund (File 16-0892; Ordinance No. 186-16). This Fund was established as a category four fund¹ for use by the Department of Children, Youth and Their Families (DCYF) to make block grants to City College to offset student enrollment fees and provide other education-related financial support for eligible students enrolled in credit courses at City College who

(1) Reside in San Francisco; or

(2) Are employees of the City and County of San Francisco (CCSF), San Francisco Unified School District (SFUSD) or City College.

City College would use these funds to

(1) Reduce or waive enrollment fees for eligible students, less any state or federal financial aid the student receives, or

(2) For other education-related financial support, including purchasing required books and supplies, lab fees and activity fees, as specified in the block grant agreement².

While benefits would not be based on individual need, no student can receive more than \$1,000 for any academic year. City College can use up to 1% of the total block grant each fiscal year for administration of the program. An Oversight Committee, consisting of nine members appointed by the City College Board of Trustees (3 members), City College Academic Senate (2 members), City College Associated Students Executive Council (1 member), the Board of Supervisors (2 members) and the San Francisco Board of Education (1 member), would review implementation of the grant agreement and provide annual reports on implementation of the grant agreement and disbursements from the Fund to the Mayor, Board of Supervisors, DCYF and City College.

¹ In accordance with Section 10.100 of the City's Administrative Code, a category four fund (a) is not automatically appropriated, but rather is subject to Board of Supervisors appropriation approval, (b) accumulates interest and (c) the fund balance carries forward.

² The ordinance specified that DCYF and City College develop and execute an agreement governing the block grants and the process for applying for, calculating, awarding and disbursing payments to individual students. The block grant agreement would give priority to offsetting enrollment fee increases over other education-related financial support.

City Real Property Transfer Tax

Currently, the City collects a one-time real property transfer tax at the time of most transactions of residential and commercial real estate in San Francisco, based on the sales price. This transfer tax also applies to leases that extend for 35 years or more and on real estate owned when a business changes ownership. The revenues collected from transfer taxes are deposited into the City's General Fund. Table 1 below shows the actual and budgeted transfer taxes over the past three fiscal years.

Table 1: Transfer Tax Revenues in FY 2014-17

Fiscal Year	Transfer Taxes
FY 2014-15 (actual)	\$314.6 million
FY 2015-16 (actual)	269.1 million
FY 2016-17 (budgeted)	235.0 million

Proposition W

Proposition W, which was approved by San Francisco voters on the November 8, 2016 San Francisco ballot, will increase transfer tax rates for real estate with a sale price of more than \$5,000,000, including leases of 35 years or more. Table 2 below shows the existing and new transfer tax rates based on Proposition W.

Table 2: Current and New City Transfer Tax Rates based on Proposition W

Real Estate Sale Price	Current Transfer Tax Rates	New Transfer Tax Rates	Change
Greater than \$250,000 and less than \$1,000,000	0.68%	0.68%	No change
At least \$1,000,000 and less than \$5,000,000	0.75%	0.75%	No change
At least \$5,000,000 and less than \$10,000,000	2.00%	2.25%	0.25%
At least \$10,000,000 and less than \$25,000,000	2.50%	2.75%	0.25%
At least \$25,000,000	2.50%	3.00%	0.50%

The new transfer tax rates will become effective when the election results are certified, or approximately mid-December 2016. The Controller's Office estimates the new transfer tax rates under Proposition W will generate an additional \$14 million in FY 2016-17.

The Controller's statement in the San Francisco Voters Information Pamphlet estimates that Proposition W would result in additional annual revenue to the City's General Fund ranging from \$10,000,000 to \$73,000,000, with an average of \$45,000,000 annually. However, the Controller cautions that transfer taxes are the City's most volatile revenue source and that this estimate is based on recent economic cycle transactions. Therefore, the Controller notes that estimates based on prior years' activity may not accurately predict future revenues.

DETAILS OF PROPOSED LEGISLATION

Ordinance (a) appropriating a total of \$9,000,000 of Real Property Transfer Tax in FY 2016-17 for funding the Community College Fund to support students attending City College of San Francisco and (b) placing funds on Controller's Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election.

The proposed sources and uses for the requested \$9,000,000 are shown in Table 3 below.

Table 3: Proposed Sources and Uses

Sources	
General Fund-Real Property Transfer Tax	\$9,000,000
Uses	
City Grants-Financial Support for City College Students	\$9,000,000

Given that the November 8, 2016 Election has already occurred, and based on discussions with the Controller's Office, the proposed ordinance should be amended to delete the language placing the funds on Controller's Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election.

FISCAL IMPACT

According to Mr. Leo Chyi, Chief Financial Officer for the Department of Children, Youth and Their Families (DCYF), the proposed ordinance that created the San Francisco City College Enrollment Fee Assistance Fund (File 16-0892) specified under Administrative Code Section 10.100-288(d)(4) the Fund "shall not become operative until the City appropriates monies to the Fund". The proposed \$9,000,000 supplemental appropriation of Transfer Tax revenues would be the first monies appropriated into the Fund. Therefore, DCYF has not yet negotiated nor entered into any agreements with City College regarding specifics of the amount of block grants that would be awarded, nor the specific process that would be used to apply for, calculate, award or disburse payments to individual students. As a result, DCYF does not yet know specifically how the \$9,000,000 would be allocated, if approved by the Board of Supervisors.

The Controller's Office conducted a cost analysis of providing City funding for City College for students who live in San Francisco or work for City College, SFUSD or the City, assuming implementation beginning in FY 2017-18. Table 4 below summarizes the Controller's cost analysis which shows a range of estimated costs based on various assumptions regarding City College enrollment and fee levels.

Table 4: Controller's Analysis of Estimated Costs

Cost Estimates (\$Mil)	FY 2017-18		Average Annual	
	Low	High	Low	High
Enrollment Fee	\$6.5	\$8.8	\$8.3	\$12.1
Financial Aid Support	\$5.1	\$7.9	\$6.8	\$10.9
Total	\$11.6	\$16.7	\$15.1	\$23.0

While the above analysis is for FY 2017-18, the requested \$9,000,000 supplemental appropriation would be appropriated for FY 2016-17. If approved, the \$9,000,000 would be deposited into the newly created San Francisco City College Enrollment Fee Assistance Fund, which as a category four fund, would carry forward any fund balance to the following fiscal years. Revenue transfers into this Fund and expenditures from this Fund would be subject to future annual appropriations by the Board of Supervisors.

POLICY CONSIDERATION

As noted above, Proposition W was approved by San Francisco voters on November 8, 2016, which increased City Real Property transfer taxes. However, Proposition K, also on the November 8, 2016 ballot, which would have increased the City's Sales Taxes by 0.75% for a total tax rate of 9.25%, was not approved by San Francisco voters. The FY 2016-17 City budget assumed that Proposition K would be approved, and included \$37.5 million of additional funding from the projected increased Sales Tax revenues.

Of the \$37.5 million in the FY 2016-17 budget, approximately 2/3rds is in the San Francisco Municipal Transportation Agency's (SFMTA) budget and approximately 1/3rd is in the new Department of Homelessness's budget. The Controller's Office has placed expenditure reserves on the \$37.5 million of funds, which prevents these two City departments from incurring these expenditures in FY 2016-17. The FY 2017-18 City budget also assumed \$155 million of increased revenues from the passage of Proposition K, such that \$155 million is also on expenditure reserve in the FY 2017-18 budget. The Controller's Office, Mayor's Budget Office and the Board of Supervisors Budget and Legislative Analyst's Office are currently preparing the FY 2018-2022 Five Year Budget Projections, which should be completed on December 8, 2016. The current FY 2017-18 budget projection reflects an approximate \$130 million shortfall.

Ms. Melissa Whitehouse, Mayor's Budget Director, advises that the Mayor's Office is currently analyzing the FY 2016-17 and FY 2017-18 budgets and will provide a plan to re-balance these budgets by mid-December, 2016. As part of this re-balancing plan, the Mayor's Office is reviewing the proposed expenditures for transportation, homelessness, street trees, free City College and also potential impacts from the federal election.

RECOMMENDATIONS

1. Amend the proposed ordinance to delete the language on page 1, lines 5-7 “ and placing the funds on Controller’s Reserve, pending the outcome of General Fund tax revenue measures in the November 8, 2016 Election” and all of Section 3 on page 2, “Section 3. The uses of funding outline above for \$9,000,000 are herein placed on Controller’s Reserve pending the outcome of General Fund tax revenue measures to be determined in the November 8, 2016 election.”
2. Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2016 SEP 20
Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Kim, Campos, Avalos, Yee, Mar, Peskin

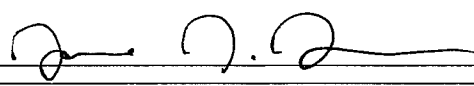
Subject:

Appropriation for funding Community College Fund

The text is listed below or attached:

Please see attached.

Signature of Sponsoring Supervisor: _____



For Clerk's Use Only:

