

FY 2019-20

Six-Month Budget Status Report

The Controller's Office provides periodic budget status updates to the City's policy makers during each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of December 31, 2019, incorporating more current information up to the date of publication as available.



February 13, 2020

City & County of San Francisco
Office of the Controller
Budget & Analysis Division

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 and various fee-related reports. 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 \$98.1 million improvement in current year General Fund ending balance over projections contained in the December 2019 Joint Report for FY 2020-21 through FY 2023-24, from \$331.7 million to \$429.8 million.
- Application of this additional current year fund balance would reduce the projected shortfalls in the upcoming two-year budget to \$321.4 million. The December 2019 Joint Report projected shortfalls of \$195.4 million in FY 2020-21 and an additional \$224.1 million in FY 2021-22, for a cumulative total of \$419.5 million. These projections will be updated in March 2020.
- The improvement is driven largely by increased real property transfer tax revenue in the General Fund, Public Health hospital revenue, and cost savings at the Human Services Agency. Real property transfer taxes are projected to exceed budgeted levels due to a small number of exceptionally large transfers this fiscal year to date, and expected strength through year end. A surplus in net patient revenue at Zuckerberg San Francisco General Hospital due to higher than expected patient census and improved collections is partially offset by a shortfall in capitation revenues. Expenditure savings at the Human Services Agency are projected due to reduced caseloads in the In Home Support Services, CalWORKs, and Medi-Cal programs and changes in state matching requirements.
- The City will remain at the 10% target for economic stabilization, with additional projected deposits to reserves for one-time purposes. City financial policies provide that when the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reach 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. Due to a decrease in projected revenues compared to the previous year (due to the recognition of three years' excess ERAF proceeds in FY 2018-19), the revenue cap will decline by \$12.5 million, requiring a like amount to be transferred from the Budget Stabilization Reserve to the Budget Stabilization One-Time Reserve. In addition, \$53.7 million of transfer tax revenue exceeding the prior five-year average is projected to be deposited into the Budget Stabilization One-Time Reserve.
- Overtime supplemental appropriations will likely be required for several departments. The Public Utilities Commission, Department of Emergency Management, Sheriff's Department, Fire Department, and Police Department will require supplemental appropriations to use salaries and benefits, projects savings and additional revenue to address over-expenditures in overtime.

Table 1. FY 2019-20 Projected General Fund Variances to Budget (\$ Millions)

	Prior Projection	6-Month	Change
FY 2018-19 Ending Fund Balance	504.7	504.7	-
Appropriation in the FY 2019-20 Budget	(210.6)	(210.6)	-
A. FY 2019-20 Starting Fund Balance	294.0	294.0	-
Citywide Revenue Surplus	37.4	106.7	69.3
Baseline Contributions	0.2	0.8	0.6
Departmental Operations	-	90.7	90.7
Approved Supplemental Appropriations	-	4.9	4.9
Projected Use of General Reserve	-	(4.9)	(4.9)
B. Current Year Revenues and Expenditures	37.6	198.2	160.6
Deposit to Rainy Day Reserves	-	-	-
Deposit to Budget Stabilization Reserve	-	12.5	12.5
Deposit to Budget Stabilization One-Time Reserve	-	(66.2)	(66.2)
Deposit to Budget Savings Incentive Fund	-	(8.8)	(8.8)
C. Withdrawals from / (Deposits) to Reserves	-	(62.5)	(62.5)
D. FY 2019-20 Projected Ending Balance	331.7	429.8	98.1

FY 2019-20 Six-Month Budget Status Report

A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2019-20 and FY 2020-21 budget was adopted were \$495.8 million, of which \$210.6 million was appropriated in FY 2019-20 and \$285.2 million was appropriated in FY 2020-21. General Fund available fund balance at the end of FY 2018-19 was \$8.9 million more than appropriated and assigned.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue Surplus

As shown in Table 2, citywide revenues have improved \$69.3 million from the fall 2019 projections included in the FY 2020-21 through FY 2023-24 Joint Report due largely to historic activity in real property transfer tax offsetting weakness in various other local taxes. Revenue variances are further described in Appendix 1.

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

	Original Budget	Prior Projection	6-Month Projection	Variance vs Budget	Variance vs Prior Projection
Property Taxes	1,771.0	1,796.0	1,804.0	33.0	8.0
Property Taxes - Excess ERAF	185.0	194.5	198.0	13.0	3.5
Business Taxes	1,050.6	1,005.8	1,005.8	(44.9)	-
Sales Tax - Local 1%	204.1	211.8	212.5	8.4	0.6
Hotel Room Tax	389.1	389.3	377.7	(11.4)	(11.5)
Utility User & Access Line Taxes	147.6	143.5	143.4	(4.3)	(0.1)
Parking Tax	83.0	86.2	83.1	0.1	(3.1)
Real Property Transfer Tax	296.1	351.0	422.7	126.6	71.7
Sugar Sweetened Beverage Tax	16.0	16.0	16.0	-	-
Stadium Admissions Tax	5.5	5.5	1.2	(4.3)	(4.3)
Cannabis Tax	3.0	-	-	(3.0)	-
Franchise Taxes	17.7	15.6	15.6	(2.0)	-
Interest Income	76.6	67.5	67.5	(9.1)	-
Public Safety Realignment	42.1	41.1	41.6	(0.5)	0.5
Health and Welfare Realignment	221.0	219.2	225.9	4.9	6.7
Public Safety Sales Tax	104.6	107.3	107.3	2.7	-
Airport Transfer In	51.5	51.8	48.9	(2.6)	(2.9)
Total Citywide Revenues	4,664.5	4,702.1	4,771.2	106.7	69.3

Baseline Contributions

Table 3 shows projections for voter-mandated spending requirements decreased by \$0.8 million compared to budget and decreased \$0.6 million versus the prior projection. MTA baselines are projected to be \$3.8 million under budget, due to modest growth in Aggregate Discretionary Revenue (ADR) fully offset by a reduction in the Prop B population change baseline as the daytime population of San Francisco did not grow as fast as projected in FY 2018-19. The Library baseline is projected to be \$0.5 million above budget, after a \$1.1 million return to the General Fund. The Public Education Enrichment Fund is projected to increase by \$2.0 million from budget. The Children and Transitional-Aged Youth expenditure baselines were funded above the required levels in the adopted FY 2019-20 budget, therefore the projected increase in ADR does not increase spending requirements for them.

Table 3. General Fund Baseline and In-Lieu Transfers (\$ millions)

	Original Budget	Prior Projection	6-Month Projection	Variance vs Budget	Variance vs Prior Projection
Aggregate Discretionary Revenue	4,205.3	4,242.8	4,272.0	66.7	29.2
MTA Baseline	390.1	392.3	392.7	2.7	0.4
MTA Population Change Baseline	56.3	49.7	49.7	(6.5)	0.0
80% Parking Tax In-Lieu Transfer to MTA	66.4	69.0	66.5	0.1	(2.5)
MTA Baseline Transfers	512.7	511.0	509.0	(3.8)	(2.0)
DPW Street Trees Maintenance Fund	21.7	21.8	22.0	0.3	0.2
Library Baseline	96.1	96.7	96.6	0.5	(0.1)
Public Education Fund Baseline	6.1	6.1	6.2	0.1	0.1
Public Education Enrichment Fund	128.6	129.3	130.6	2.0	1.3
2/3 to Schools	85.7	86.2	87.1	1.4	0.9
1/3 to Preschool for All	42.9	43.1	43.5	0.7	0.4
Total Baseline Transfers	765.2	764.9	764.4	(0.8)	(0.6)

Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$90.7 million summarized in Table 4 below and further detailed in Appendix 2.

Table 4. FY 2019-20 Departmental Operating Summary (\$ millions)

Note: Figures may not sum due to rounding

Net Shortfall Department	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Juvenile Probation	(6.1)	2.2	(3.9)
Net Surplus Departments			
Public Health	61.4	0.4	61.7
Human Services	(6.3)	26.7	20.4
Ethics Commission	-	3.9	3.9
Homelessness & Supportive Housing	(0.2)	2.2	2.0
General City Responsibility	-	1.5	1.5
War Memorial	1.2	-	1.2
Police	1.1	-	1.1
Police Accountability	-	0.6	0.6
Board of Supervisors	-	0.5	0.5
Assessor-Recorder	0.5	-	0.5
Arts Commission	-	0.3	0.3
Adult Probation	-	0.2	0.2
Law Library	-	0.1	0.1
Other Departments	(18.0)	18.6	0.6
Subtotal	39.7	55.0	94.6
TOTAL	33.6	57.1	90.7

The Public Utilities Commission, Department of Emergency Management, Sheriff's Department, Fire Department, and Police Department will require supplemental appropriations to use salaries, benefits, project savings and additional revenue to cover projected over-expenditures in overtime, pursuant to Administrative Code Section 3.17.

Approved Supplemental Appropriations

Two supplemental appropriations using a total of \$4.9 million of the General Reserve have been approved by the Board of Supervisors, including \$2.2 million for the District Attorney, Sheriff, and Police Department to comply with new pretrial detention policies pursuant to a legal settlement, and \$2.7 million to support reinstatement of cancelled classes at City College. Uses of the Reserve require a like amount of deposits in the budget year.

Department	Status	Use
DAT and SHF - Buffin Settlement	Passed	\$ 2.2
DCYF - Free City College	Passed	\$ 2.7
Uses of General Reserve		\$ 4.9

C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

A total of \$8.8 million is projected to be deposited into the Citywide Budget Savings Incentive Fund due to projected departmental expenditure savings. No deposits to the Rainy Day reserves (City or School) are anticipated. The funded level of the City's economic stabilization reserves will remain at the target of 10%. Given high levels of excess ERAF revenues received in FY 2018-19, the value of the 10% cap has fallen by \$12.5 million in the current year. The \$12.5 million in excess of the cap, as well as a deposit of \$53.7 million generated in the current year from real property transfer tax revenues exceeding the prior five-year adjusted average, will be deposited into the Budget Stabilization One-Time Reserve. A discussion of the status of reserves is included in Appendix 3.

D. PROJECTED ENDING FUND BALANCE OF \$429.8 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2019-20 of \$429.8 million. This represents a \$98.1 million improvement from the December 2019 Joint Report projection of \$331.7 million.

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.

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

PROJECTION UNCERTAINTY REMAINS

Projection uncertainties include:

- The potential for continued fluctuations in general tax revenues, particularly in transfer and business taxes, given the length of the current economic expansion and the availability of business tax filing information.

- Based on currently available information, this report assumes a \$5.0 million reduction in hotel tax revenue due to travel restrictions imposed after the outbreak of coronavirus in China that began in December 2019.
- Volatility in revenue at the Department of Public Health, which is projected to be \$61.4 million above budget, primarily due to one-time, prior year state payments. The greatest variances are a projected \$65.5 million surplus in net patient revenues at Zuckerberg San Francisco General Hospital (ZSFG) due to higher than expected patient census and improved collections, partially offset by a shortfall in capitation revenues. Additional variances include higher than budgeted Medi-Cal per diem rates at Laguna Honda Hospital and a projected shortfall in Healthy San Francisco enrollee fees and state mental health revenues in the General Fund.

Finally, the federal Centers for Medicare and Medicaid Services has instructed the state Department of Health Care Services to accelerate its audits of funds allocated to counties under the California's Section 1115(a) Medicaid waivers so they are complete by the waiver expiration date of December 31, 2020. To the extent the City receives positive audit settlements, additional funds could be available.

UPCOMING PROJECTIONS

An update to the Joint Report in mid-March 2020 will provide revenue and expenditure projections for FY 2020-21 through FY 2023-24, and will incorporate fund balance projections identified in this report. FY 2019-20 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2019.

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. Currently, the Department of Emergency Management, Fire Department, Police Department, Public Utilities Commission, and Sheriff's Department anticipate supplemental appropriations to move savings from other areas to increase overtime budgets.

APPENDICES

1. General Fund Revenues and Transfers In
2. General Fund Department Projections
3. Status of Reserves
4. Other Funds Highlights
5. Overtime Report

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$67.2 million above revised budget, of which \$106.7 million is due to improvements in citywide revenue as discussed in this Appendix 1, offset by departmental shortfalls in state subventions, charges for services, and other revenues.

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

GENERAL FUND (\$ Millions)	FY 2018-19		FY 2019-20		
	Year End Actual	Original Budget	Revised Budget	6-Month	Surplus/ Shortfall
PROPERTY TAXES	\$ 2,246.3	\$ 1,956.0	\$ 1,956.0	\$ 2,002.0	46.0
BUSINESS TAXES	917.8	1,050.6	1,050.6	1,005.8	(44.9)
Business Registration Tax	45.3	48.2	48.2	46.9	(1.3)
Payroll Tax	190.0	178.4	178.4	293.2	114.8
Gross Receipts Tax	665.7	783.1	783.1	649.1	(134.0)
Admin Office Tax	16.9	40.9	40.9	16.5	(24.4)
Total Business Taxes	917.8	1050.6	1050.6	1005.8	(44.9)
OTHER LOCAL TAXES					
Sales Tax	213.6	204.1	204.1	212.5	8.4
Hotel Room Tax	392.3	389.1	389.1	377.7	(11.4)
Utility Users Tax	94.0	98.7	98.7	94.5	(4.3)
Parking Tax	86.0	83.0	83.0	83.1	0.1
Real Property Transfer Tax	364.0	296.1	296.1	422.7	126.6
Sugar Sweetened Beverage Tax	16.1	16.0	16.0	16.0	-
Stadium Admission Tax	1.2	5.5	5.5	1.2	(4.3)
Access Line Tax	48.0	48.9	48.9	48.9	(0.0)
Cannabis Tax	0.0	3.0	3.0	0.0	(3.0)
Total Other Local Taxes	1,215.3	1,144.4	1,144.4	1,256.6	112.2
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	12.7	12.8	12.8	12.8	-
Franchise Fee	15.6	17.7	17.7	15.6	(2.0)
Total Licenses, Permits & Franchises	28.3	30.4	30.4	28.4	(2.0)
FINES, FORFEITURES & PENALTIES	5.3	3.1	3.2	3.2	-
INTEREST & INVESTMENT INCOME	80.5	76.6	76.6	67.0	(9.6)
RENTS & CONCESSIONS					
Garages - Rec/Park	7.7	8.7	8.7	8.7	-
Rents and Concessions - Rec/Park	5.9	5.9	5.9	5.9	-
Other Rents and Concessions	0.5	0.6	0.6	0.6	-
Total Rents and Concessions	14.2	15.1	15.1	15.1	-

GENERAL FUND (\$ Millions)	FY 2018-19	FY 2019-20			
	Year End Actual	Original Budget	Revised Budget	6-Month	Surplus/ Shortfall
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	260.8	270.2	280.0	280.0	-
Other Grants & Subventions	(3.5)	9.8	9.8	9.8	-
Total Federal Subventions	257.4	280.0	289.8	289.8	-
State Government					
Social Service Subventions	220.7	230.2	230.6	218.0	(12.6)
Health & Welfare Realignment - Sales Tax	175.2	175.5	175.5	181.3	5.8
Health & Welfare Realignment - VLF	42.4	45.5	45.5	44.6	(0.9)
Health & Welfare Realignment - CalWORKs MOE	27.9	20.7	20.7	20.7	-
Health/Mental Health Subventions	179.7	170.4	173.1	173.1	-
Public Safety Sales Tax	107.6	104.6	104.6	107.3	2.7
Motor Vehicle In-Lieu	0.8	-	-	-	-
Public Safety Realignment (AB109)	39.4	42.1	42.1	41.6	(0.5)
Other Grants & Subventions	28.4	16.9	20.2	20.2	-
Total State Grants and Subventions	822.0	805.9	812.3	806.8	(5.5)
Other Regional Government					
Redevelopment Agency	2.1	2.7	12.5	2.7	(9.8)
CHARGES FOR SERVICES:					
General Government Service Charges	63.6	54.9	54.9	55.0	0.1
Public Safety Service Charges	57.7	46.1	46.2	50.8	4.6
Recreation Charges - Rec/Park	22.7	23.3	24.0	24.0	-
MediCal, MediCare & Health Service Charges	77.0	82.0	82.0	68.5	(13.4)
Other Service Charges	29.3	26.0	25.9	25.9	-
Total Charges for Services	250.3	232.3	232.9	224.2	(8.7)
RECOVERY OF GEN. GOV'T. COSTS	13.0	12.9	12.9	12.9	-
OTHER REVENUES	31.7	69.4	52.8	44.8	(8.0)
TOTAL REVENUES	5,884.2	5,679.6	5,689.5	5,759.4	69.8
TRANSFERS INTO GENERAL FUND:					
Airport	49.1	51.5	51.5	48.9	(2.6)
Other Transfers	189.9	111.9	115.9	115.9	-
Total Transfers In	239.1	163.5	167.4	164.8	(2.6)
TOTAL GENERAL FUND RESOURCES	\$ 6,123.2	\$ 5,843.0	\$ 5,857.0	\$ 5,924.2	67.2

Property Tax

Property tax revenue in the General Fund is projected to be \$46.0 million (2.4%) above budget and \$244.3 million (10.9%) below prior year actual revenue. FY 2018-19 revenue was exceptionally high due to \$347.8 million in excess ERAF recognized from two previous fiscal years (FY 2016-17 and FY 2017-18) in addition to \$200.3 of FY 2018-19 million in excess ERAF.

The FY 2019-20 original budget assumed 7.4% growth in net assessed valuation in the locally assessed secured roll, but actual growth in the final roll was slightly higher, at 7.9%. Revenue

from supplemental and escape property assessments, which is realized when new construction and changes in ownership that occurred in prior periods is brought onto the rolls in the current year, is projected to be 14.2% higher than budgeted. Given the Assessor's successful effort to minimize the age of items in the enrollment queue in recent years, escape assessments were expected to decline significantly. However, escape assessment revenue has exceeded the budgeted amount in the first two quarters, resulting in a projection exceeding budget by \$12.2 million.

Of the \$46.0 million variance from budget, \$13.0 million is estimated to come from increased excess ERAF revenue returned to the City's General Fund after meeting funding minimums dictated by California Revenue and Taxation Code Section 97. Excess ERAF amounts may fluctuate based upon changes in current year actual property tax revenues and school funding minimums updated in reports published each February and June by the California Department of Education (CDE) and the California Community Colleges Chancellor's Office (CCCCO).

Property tax set asides to special revenue funds are increased by \$5.2 million, as shown below.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	104.5	106.8	2.3
Open Space Fund	65.3	66.7	1.4
Library Preservation Fund	65.3	66.7	1.4
Total	235.1	240.3	5.2

Business Tax

Business tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes, and administrative office taxes. Business tax revenue is projected to be \$44.9 million (4.3%) below budget and \$87.9 million (9.6%) above prior year actual revenues. The variance from budget is driven by lower than expected results at FY 2018-19 year end. Year over year growth in revenues is due to growth in wages and employment in San Francisco continued from last fiscal year. Preliminary FY 2018-19 data from the Bureau of Labor Statistics show 3.7% growth in private employment and 16.2% wage growth over the previous fiscal year.

The City completed its phase in of the gross receipts tax in FY 2018-19. This means tax rates are unchanged from FY 2018-19 to FY 2019-20. Payroll and gross receipts tax projections are made by calendar quarter using tax filing data and aggregated into fiscal years. Projections in this report continue to assume underlying economic growth of 7.5%, consistent with budget. Payroll tax collections are expected to increase 55.4% over the prior year due to changes in the timing of payments throughout the tax years. Businesses paid only 31% of their 2018 payroll taxes in FY 2018-19, but they are projected to pay 58% of their 2019 payroll taxes in FY 2019-20.

Gross receipts tax collections are expected to decline by 2.5% from the prior year. Businesses paid 65% of their 2018 gross receipts taxes in FY 2018-19, but they are projected to pay 53% of their 2019 gross receipt taxes in FY 2019-20, due in part to the same changes in timing. Business

registration revenues are projected to grow by 3.5% over the prior year while administrative office revenues are projected to decline by 2.4%.

Local Sales Tax

Local sales tax revenues are projected to be \$8.4 million (4.1%) above budget and \$1.2 million (0.5%) below FY 2018-19 actuals. All taxing entities in the state continue to receive delayed payments due to the implementation of new systems at the California Department of Tax and Fee Administration (CDTFA), although the effect is significantly lower than in FY 2018-19. In October 1, 2019, CDTFA began to implement the United States Supreme Court *Wayfair* decision, collecting sales tax from marketplace facilitators that had not previously collected and remitted sales and use taxes to California. The projection reflects an increase of approximately \$1.0 million given receipts from the implementation to date.

Hotel Room Tax

General Fund hotel tax revenues are projected to be \$11.4 million (2.9%) below budget and \$14.6 million (3.7%) below prior year actual revenues due to a drop in anticipated Revenue per Available Room (RevPAR) in FY 2019-20.

RevPAR is the combined effect of occupancy and average daily room rates. The projected RevPAR growth rate fell from 4.9% to 1.2% between the fall of 2019 and early 2020. Industry experts point to a January 2020, Institute for Supply Management (ISM) report showing the Manufacturing Purchasing Manager Index (PMI) dropped to 47.2%, the lowest level since June 2009, reflecting lower confidence in the economy among purchasing managers in the manufacturing and service sectors, as a factor in this decline. This is reflected in monthly RevPAR changes, which declined from a monthly average of 5.4% in July through November 2018 to 2.2% during the same period in 2019. Also, beginning in late January 2020 and accelerating in February, airlines have cancelled flights to and from China to contain the spread of the novel coronavirus detected in December 2019. We have projected a \$5.0 million shortfall in hotel taxes across all funds given an estimated 28% drop in total U.S. visits from China during 2020. Reductions will likely be experienced in hotel tax, sales tax, and the annual service payment from the Airport as a result of travel restrictions. Revenues will be updated in the Nine-Month Report.

These decreases are partially offset by \$3.0 million in funds from the Office of Community Investment and Infrastructure (OCII) available after the sale of Jessie Square Garage, which were applied to the annual hotel tax revenue bond debt service payments of the Redevelopment Agency.

Utility Users Tax

Utility Users Tax revenues are projected to be \$4.3 million (4.3%) below budget, and \$0.5 million (0.5%) above prior year actuals. This projection reflects a decline in gas and electric utility users tax, partially offset by higher than expected collections of water users tax and telephone tax.

Parking Tax

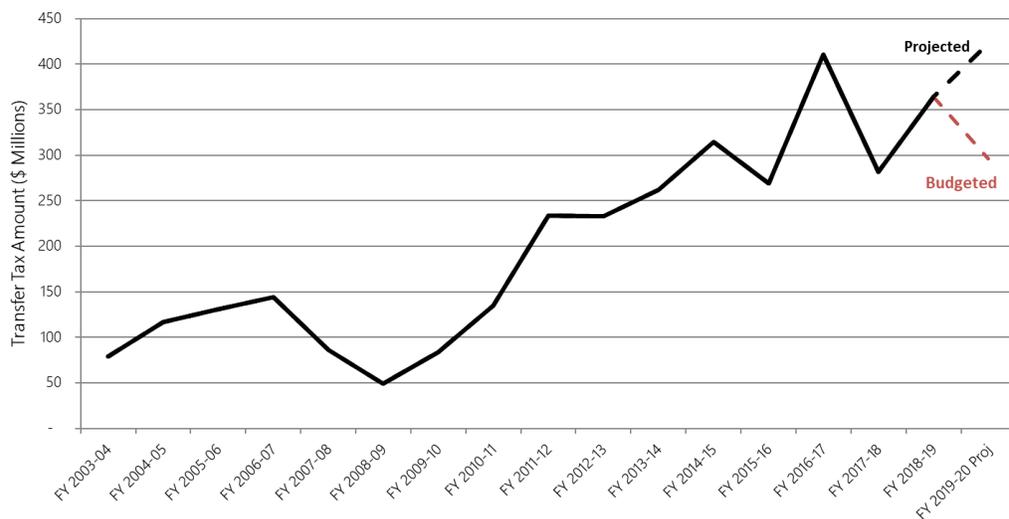
Parking tax revenues are projected to be on budget, a decrease of \$2.9 million (3.4%) from prior year actual, reflecting year to date collections through the first half of the year. The City expects more parking revenue in future years due to a recent court ruling requiring UCSF Regents, Hastings College of the Law, and CSU Trustees to collect local parking taxes on rates paid at their parking lots. Revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

Real Property Transfer Tax

Real property transfer tax revenues are projected to be \$126.6 million (42.8%) above budget and \$58.6 million (16.1%) above prior year actual revenues. Transfer tax revenue is one of the General Fund’s most volatile sources and is highly dependent on several factors, including interest rates, credit availability, foreign capital availability, and the relative attractiveness of San Francisco real estate compared to other investment options, all of which have been favorable for San Francisco commercial and residential real estate in recent years. Pursuant to November 2016 Prop W, the highest tax tier imposes a 3% tax on transactions valued at more than \$25.0 million. While the number of transactions in this tier is small (less than 1% in FY 2018-19), the proportion of total transfer tax revenue generated by this tier is large (60% in FY 2018-19). The progressive tax structure applied to this small number of high-value transactions is the primary reason for revenue volatility.

Demand from institutional investors and owner-users for San Francisco real estate across all property types (office, hotel, retail, and residential) is expected to be stronger in 2020 than 2019, resulting in the increase over FY 2018-19 actuals and eclipsing the FY 2016-17 peak of \$410.6 million. The strength in demand of San Francisco’s real estate market is due in large part to the relative attractiveness of San Francisco real estate compared with other global investment options. The graph below shows the volatility of this revenue over the past 15 years.

Real Property Transfer Tax, FY 2003-04 through FY 2019-20 (Projected), \$millions



Access Line Tax

Access line tax revenues are projected to be on budget and \$0.9 million (2.0%) higher than FY 2018-19 actual revenues.

Interest & Investment

Interest and investment revenues are projected to be \$9.6 million (12.5%) below budget in the General Fund and \$13.4 million (16.7%) below prior year actual revenues. Projections reflect the three interest rate cuts the Federal Reserve has made since July 2019, after the current year budget was prepared. The projection assumes there are no further interest rate cuts.

State and Federal Grants and Subventions

State and federal grants and subventions are projected to be \$5.5 million (0.7%) under budget and \$17.2 million (1.6%) above prior year actual revenues. The projected decrease from budget is due to a \$12.6 million decrease in federal and state social service subventions and a \$0.5 million decrease in 2011 Public Safety Realignment, offset by a \$4.9 million increase in 1991 Health and Welfare Realignment, and a \$2.7 million increase in Public Safety Sales Tax.

Appendix 2. General Fund Department Projections

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

Note: Figures may not sum due to rounding

GENERAL FUND (\$ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	43.2	42.9	-	0.2	0.2	7
Superior Court	32.8	32.7	-	0.1	0.1	2
District Attorney	61.4	61.4	-	-	-	
Emergency Management	62.4	62.0	-	0.4	0.4	3
Fire Department	399.7	403.2	3.5	(3.5)	-	4
Juvenile Probation	38.7	36.5	(6.1)	2.2	(3.9)	5
Public Defender	41.2	41.2	-	-	-	
Police	611.0	611.0	1.1	-	1.1	6
Sheriff	258.8	258.8	-	-	-	7
Police Accountability	12.0	11.4	-	0.6	0.6	8
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	87.2	87.2	-	-	-	
Economic & Workforce Development	66.8	57.8	(9.1)	9.1	-	9
Port		(9.8)	(9.8)	9.8		10
Board of Appeals	1.2	1.2	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	33.2	33.2	-	-	-	
Human Services Agency	905.8	879.0	(6.3)	26.7	20.4	11
Human Rights Commission	6.6	6.6	-	-	-	
Homelessness and Supportive Housing	202.5	200.3	(0.2)	2.2	2.0	12
Status of Women	10.0	10.0	-	-	-	
COMMUNITY HEALTH						
Public Health	1,307.1	1,306.7	61.4	0.4	61.7	13
CULTURE & RECREATION						
Asian Art Museum	12.1	12.1	-	-	-	
Arts Commission	8.5	8.2	-	0.3	0.3	14
Fine Arts Museum	17.7	17.7	-	-	-	
Law Library	2.1	2.1	-	0.1	0.1	15
Recreation and Park Department	107.7	107.7	-	-	-	
Academy of Sciences	6.4	6.4	-	-	-	
War Memorial	9.4	9.4	1.2	-	1.2	16
GENERAL ADMINISTRATION & FINANCE						
City Administrator	117.8	117.8	-	-	-	17
Assessor/Recorder	28.5	28.5	0.5	-	0.5	18
Board of Supervisors	18.1	17.6	-	0.5	0.5	19
City Attorney	88.6	88.6	-	-	-	
Controller	84.8	84.8	0.1	-	0.1	20
City Planning	50.5	49.1	(1.4)	1.4	-	21
Civil Service Commission	1.4	1.4	-	-	-	
Ethics Commission	4.7	0.8	0.0	3.8	3.9	22
Human Resources	29.1	29.1	-	-	-	
Health Service System	12.4	12.2	(0.3)	0.3	-	23
Mayor	74.3	74.3	-	-	-	
Elections	29.4	29.4	-	-	-	
Technology	4.0	3.5	(0.5)	0.5	-	24
Treasurer/Tax Collector	37.8	37.4	(0.5)	0.5	-	25
Retirement System	2.7	2.7	-	-	-	
GENERAL CITY RESPONSIBILITY						
	190.3	188.8	-	1.5	1.5	26
TOTAL GENERAL FUND	5,120.0	5,062.8	33.6	57.1	90.7	

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 \$0.2 million in projected salary and fringe benefits savings due to staff vacancies and extended leaves.

2. Superior Court

The Superior Court projects \$0.1 million in expenditure savings in the Indigent Defense program.

3. Emergency Management

The Department of Emergency Management is projected to end the year with a net surplus of \$0.4 million. The department projects a deficit of \$0.1 million in workers compensation claims offset by savings of \$0.5 million in salary and benefits. The department anticipates greater than budgeted dispatcher-related overtime costs, which are expected to be offset by expenditure savings in other areas. A request to re-appropriate regular salaries and fringe benefits for overtime expenses is anticipated.

4. Fire Department

The Fire Department projects to end the fiscal year on budget. A revenue surplus of \$3.5 million due to greater than budgeted receipts of inspection fees and ambulance billings is projected. This surplus will offset overtime expenditures greater than budget, which will require a supplemental appropriation.

5. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with an operating deficit of \$3.9 million due to delayed claiming of \$6.1 million of federal and state revenue from grants and subventions offset by \$2.2 million of salary and benefit savings. To ensure the Department stays within budget, the Controller's Office is closely monitoring hiring, department expenditures, and the claiming of grant and subvention revenue. However, if the department is unable to claim outstanding revenue before the end of the fiscal year, a supplemental appropriation for unclaimed grant and subvention expenditures would be required.

6. Police

The Police Department projects to end the year with a net operating surplus of \$1.1 million. The department projects a revenue surplus of \$1.1 million, primarily due to greater than budgeted collection of public safety service charges, mainly from alarm permits. The department expects its expenditures to be within budget. The department anticipates a supplemental appropriation ordinance to re-appropriate salaries and benefits for overtime expenditures exceeding budget.

7. Sheriff

The Sheriff's Department projects to end the fiscal year on budget. A supplemental appropriation ordinance request to re-appropriate regular salaries and fringe benefits for overtime expenses is anticipated.

8. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with a \$0.6 million surplus. This is due to \$0.8 million in expenditure savings due to savings in non-personnel services and staff vacancies. This expenditure savings is slightly offset by \$0.2 million in higher than budgeted costs for a departmental move to a different office location.

9. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year within budget. A revenue shortfall of \$9.1 million primarily due to decreased developer exactions is expected to be fully offset by related expenditure savings in project costs.

10. Port

The Port projects ending FY 2019-20 on budget in the General Fund. The Port does not expect to incur \$9.8 million in budgeted expenditures for the Mission Bay Ferry Landing project this fiscal year due to a delay in the project, and therefore will not receive associated revenue from the Office of Community Investment and Infrastructure (OCII).

11. Human Services Agency

The Human Services Agency projects to end the year with a net surplus of \$20.4 million, comprised of a \$6.3 million revenue shortfall and a \$26.7 million projected expenditure savings.

In aid and assistance programs, the department projects a net \$13.4 million surplus, with \$20.4 million in expenditure savings, offset by a \$7.0 million revenue deficit. The net surplus is primarily due to reduced cost per case in Foster Care, the State's change in the implementation of the required matching contribution by San Francisco to state funds for In-Home Supportive Services (IHSS), and reduced caseload and cost per case in Foster Care Child Care Assistance. In IHSS, the change in the implementation of the required matching contribution by San Francisco to state funds and less IHSS care services provided resulted in projected expenditure savings of \$17.1 million, offset by a revenue shortfall of \$8.0 million. Reduced costs in Foster Care are projected to result in expenditure savings of \$4.2 million, offset by a revenue shortfall of \$0.7 million.

For the department's operations and administration, a net \$7.0 million surplus is projected, comprised of \$6.3 million in expenditure savings and an \$0.7 million revenue surplus. The expenditure savings are primarily due to underspending in the County Adult Assistance Programs, CalWORKS and Workforce Development, and Medi-Cal, and are offset by increased spending in Aging and Adult Services based on a shift in the allocation of staff time to various program activities. The revenue surplus is primarily due to increases in funding in CalWORKS and Workforce Development (\$3.2 million), and Medi-Cal (\$3.1 million), offset by a decrease of

\$3.6 million in County Adult Assistance Programs and \$3.9 million in General Operations and Special Projects.

Table A2-2. Human Services Agency (\$ millions)

	Revenue Surplus / (Deficit)	Expenditure Surplus / (Deficit)	Net Surplus / (Deficit)
Aid & Assistance Programs			
In Home Supportive Services	(8.0)	17.1	9.1
Foster Care and Foster Care Child Care Assistance	(0.7)	4.2	3.5
All Other Aid Programs	1.6	(0.9)	0.7
Subtotal Aid & Assistance Programs	(7.0)	20.4	13.4
Operations & Administration			
Aging & Adult Services	0.9	(3.9)	(3.0)
CalWORKs and Workforce Development	3.2	3.6	6.8
Child Welfare	(0.4)	0.4	0.1
County Adult Assistance Programs	(3.6)	4.1	0.5
Food Stamps Eligibility, Employment & Training	1.0	0.1	1.1
General Operations & Special Projects	(3.9)	-	(3.9)
Medi-Cal	3.1	3.4	6.5
All Other Programs	0.4	(1.4)	(1.0)
Subtotal Operations & Administration	0.7	6.3	7.0
Grand Total	(6.3)	26.7	20.4

12. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of \$2.0 million. This is due to a revenue deficit of \$0.2 million from services provided to other government agencies, offset by \$0.4 million in personnel cost savings due to vacancies and \$1.8 million of current year savings mainly from contractual services.

13. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of \$61.7 million. Overall department revenues are projected to be \$61.4 million above budget, and expenditures are projected to have \$0.4 million in savings.

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

Fund	Sources Surplus/ (Deficit)	Uses Surplus/ (Deficit)	Net Surplus/ (Deficit)
Public Health General Fund	\$ (13.4)	\$ 5.4	\$ (8.0)
Laguna Honda Hospital	\$ 9.3	\$ 0.7	\$ 10.1
Zuckerberg San Francisco General Hospital	\$ 65.5	\$ (5.8)	\$ 59.7
Total	\$ 61.4	\$ 0.4	\$ 61.7

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Public Health Division, and Central Administration, have a combined revenue shortfall of \$13.4 million. Significant revenue variances from budget included a \$10.9 million shortfall in revenues from the San Francisco Health Plan under the City Option program, and a \$4.0 million shortfall in Short Doyle Medi-Cal revenue. Expenditure savings of \$5.4 million partially offset this revenue shortfall. The Department projects \$5.4 million in expenditure savings in nonpersonnel services in the Jail Health division and \$2.9 million in salary and fringe benefit savings in the Public Health Division, partially offset by salary overspending in the Health Network division.

Laguna Honda Hospital

The Department projects a \$10.1 million net surplus at Laguna Honda Hospital. Revenue is projected to be \$9.3 million above budget due to a higher-than-expected Medi-Cal per diem rate. The Department projects expenditures savings of \$0.7 million based on salary and fringe benefit savings due to staff vacancies, offset by over expenditures in contracted services for temporary staffing.

Zuckerberg San Francisco General Hospital

The Department projects a \$59.7 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be \$65.5 million above budget. The Department projects a \$69.7 million surplus in net patient revenues due to higher than expected patient census and improved collections. This surplus includes \$40.0 million in one-time prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19 and were deferred to FY 2019-20 under AAO Sections 12.6 and 27. The revenue surplus also includes a \$16.2 million favorable variance in GPP (Global Payment Program)/PRIME (Public Hospital Redesign and Incentives in Medi-Cal) due to favorable prior year settlements. These surpluses are partially offset by a \$20.5 million projected shortfall in capitation revenues.

Significant expenditure budget variances include \$5.9 million expenditure overages in salaries and \$1.7 million in over-expenditures for nonpersonnel services, slightly offset by \$2.0 million

in fringe benefits savings due to the increased use of temporary and per diem staffing at the Hospital.

This report assumes the use of this \$40.0 million of the public health management reserve, to align the timing of the revenue with the fiscal year in which it was appropriated.

14. Arts Commission

The Arts Commission projects to end the fiscal year with \$0.3 million in salary and fringe benefits savings due to staff vacancies earlier in the year. These vacancies have either been filled or are in the process of being filled at this time.

15. Law Library

The Law Library projects \$0.1 million in salary and benefits savings due to staff vacancies.

16. War Memorial

The War Memorial projects \$1.2 million in unbudgeted revenue from the sale of transferable development rights.

17. City Administrator

The City Administrator projects to end the year on budget. A projected shortfall of \$0.2 million in cannabis fee revenue is projected to be offset by increases in other revenues by year end.

18. Assessor Recorder

The Assessor Recorder projects a \$0.5 million revenue surplus due to an increase in lien release fees set by the State of California.

19. Board of Supervisors

The Board of Supervisors projects \$0.5 million of expenditure savings, mainly due to salary and fringe benefit savings.

20. Controller

The Controller's Office projects to end the year with a revenue surplus of \$0.1 million. This is primarily due to additional fees and support for audit services.

21. City Planning

City Planning is projected to end the year on budget. While the department does project a revenue deficit of \$1.4 million, overall permit and planning applications have exceeded prior year volume. This projected shortfall in revenues is mainly due to the delay of two environmental review projects with the Airport, and a delay in sea level rise work with the Port. This deficit will be fully offset by savings in salary and fringe benefits.

22. Ethics

The Ethics Department projects expenditure savings of \$3.9 million, including \$3.4 million less in expenditures for the public financing of elections than budgeted due to a lower number of

candidates than projected in the Fall 2019 election. San Francisco Campaign code Section 1.138(b)(1) sets a maximum cap for the fund at \$7.0 million per year, and the expenditure savings projected for this year reflect maintaining this cap. Expenditure savings also include \$0.5 million in salary and fringe benefits savings.

23. Health Service System

The Health Service System projects to end the year on budget. The department projects a revenue shortfall of \$0.3 million, equally offset by savings in salaries and fringe benefits.

24. Department of Technology

The Department of Technology projects to end the year on budget. The department projects under recovery of interdepartmental services of \$0.5 million offset by \$0.5 million in expenditure savings in salaries, benefits, and non-personnel services.

25. Treasurer/Tax Collector

The Treasurer/Tax Collector projects it will be on budget for FY 2019-20. The department recovers its costs for administering the City's investment pool. Administration costs have been lower than expected, leading to an expenditure surplus of \$0.5 million that is offset by a revenue shortfall of \$0.5 million.

26. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. The department is projected to have a net surplus of \$1.5 million due to estimated retiree health subsidy savings. A plan to allocate \$5.8 million to departments for Minimum Compensation Ordinance costs of nonprofit contractors has been approved and will be implemented shortly. This report assumes \$12.4 million budgeted for minimum wage increases is allocated to departments by year end. To date, \$0.9 million in cost of living adjustments for Community Based Organizations has been allocated, and the remaining \$21.5 million is assumed to be spent. Spending will be monitored in the coming months and remaining balances reported in the Nine-Month Report.

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 deposits and withdrawals included in the approved FY 2019-20 budget.

Table A3-1 Reserve Balances (\$ Millions)

	FY 2019-20					FY 2020-21		
	FY 2018-19 Balance	Starting Balance	Projected Deposits - 6-Month Update	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance
General Reserve	\$ 127.3	\$ 156.2	\$ -	\$ (4.9)	151.3	\$ 23.5	\$ -	\$ 174.8
Budget Savings Incentive Fund	87.0	87.0	8.8	-	95.8	-	-	95.8
Recreation & Parks Savings Incentive Reserve	0.8	0.8	-	-	0.8	-	-	0.8
Rainy Day Economic Stabilization City Reserve	229.1	229.1	-	-	229.1	-	-	229.1
Rainy Day Economic Stabilization School Reserve	54.5	54.5	-	-	54.5	-	-	54.5
Rainy Day One-Time Reserve (1)	95.9	45.5	-	-	45.5	-	-	45.5
Budget Stabilization Reserve	359.3	359.3	-	(12.5)	346.9	-	-	346.9
Budget Stabilization Reserve - One Time Reserve	37.4	0.1	66.2	-	66.3	-	-	66.3
Salary and Benefits Reserve	29.0	52.5	-	(52.5)	-	23.5	(23.5)	-
Contingency Reserve - State and Federal	40.0	40.0	-	-	40.0	-	-	40.0
Contingency Reserve - Housing Authority	5.0	5.0	-	-	5.0	-	-	5.0
Contingency Reserve - Affordable Care Act	50.0	50.0	-	-	50.0	-	-	50.0
Contingency Reserve - Fund Balance Draw Down Reserve	213.0	213.0	-	-	213.0	-	-	213.0
Public Health Revenue Management Reserve	121.5	121.5	-	(40.0)	81.5	-	-	81.5
Total	1,449.8	1,414.6	75.0	(109.9)	1,379.7	47.0	(23.5)	1,403.1
Economic reserves					575.9			
Economic reserves as a % of General Fund revenues					10.0%			

General Reserve

Two supplemental appropriations using \$4.9 million of the General Reserve have been approved by the Board of Supervisors, resulting in a projected ending General Reserve balance of \$151.3 million, which will be carried forward to FY 2020-21. The approved budget includes a \$28.9 million deposit to the reserve in FY 2019-20. Any proposed uses of the reserve during the current year will increase the required FY 2020-21 deposit by a like amount.

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. For FY 2019-20 and FY 2020-21, the policy requires the General Reserve to be no less than 2.75% and 3.0% of budgeted regular General Fund revenues, respectively.

Budget Savings Incentive Fund

The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. The FY 2018-19 ending balance was \$87.0 million. A projected deposit of \$8.8 in the current year would result in a projected year-end balance of \$95.8 million.

Recreation and Parks Savings Incentive Reserve

Through FY 2016-17, this reserve, established by Charter Section 16.107(c), was funded by the retention of net year-end revenue and expenditure savings at the Recreation and Parks Department. Due to modifications approved by voters in June 2016 (Proposition B), beginning in FY 2016-17, 100% of net revenue surpluses are deposited to the Recreation and Parks Savings Incentive Reserve and 25% of net expenditure savings are deposited to the citywide Budget Savings Incentive Fund. The FY 2018-19 balance is \$0.8 million. No deposits or withdrawals are projected in the current year.

Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District (SFUSD) operating budgets in years when revenues decline.

Charter Section 9.113.5 was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve.

At FY 2018-19 year-end, the City Rainy Day Economic Stabilization Reserve had a balance of \$229.1 million and the School Rainy Day Reserve had a balance of \$54.4 million. There are no anticipated deposits to these reserves.

Rainy Day One-Time Reserve

Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. As of FY 2018-19 year-end, the City Rainy Day One-Time Reserve had a balance of \$95.9 million. In the FY 2019-20 budget, \$50.4 million of the City One-Time Reserve was used to balance the budget, resulting in a beginning balance in FY 2019-20 of \$45.5 million. There is no anticipated deposit to this reserve.

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 that amount is appropriated as a source in the subsequent year's budget. The FY 2018-19 ending balance of the Reserve is \$359.3 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. The City is projected to exceed the 10% cap in the current year, resulting in a \$12.5 million deposit to this Budget Stabilization One-Time Reserve and a \$12.5 million reduction to the Budget Stabilization Reserve. In addition, because real property transfer tax (RPTT) revenue is expected to exceed the prior five-year average, an additional deposit of \$53.7 million to the Budget Stabilization One-Time Reserve is projected, for a total deposit of \$66.2 million.

State and Federal Revenue Risk Contingency Reserve

The FY 2018-19 and FY 2019-20 budget assigned \$40.0 million in unappropriated fund balance to a contingency reserve for managing state and federal revenue uncertainty in the budget. There are no projected withdrawals in the current fiscal year.

Housing Authority Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned \$5.0 million in unappropriated fund balance to a contingency reserve for managing costs related to shortfalls in the San Francisco Housing Authority's available funding for housing vouchers in FY 2019-20 and mitigating uncertainty around future shortfall funding from the federal Department of Housing and Urban Development. There are no projected withdrawals in the current fiscal year.

Affordable Care Act Contingency Reserve

The FY 2017-18 and FY 2018-19 budget assigned \$50.0 million in unappropriated fund balance to a budget contingency reserve for Zuckerberg San Francisco General Hospital (ZSFG) for managing cost and revenue uncertainty related to federal and state changes to the administration and funding of the Affordable Care Act (ACA) during the term of the budget. There are no projected withdrawals in the current fiscal year.

Fund Balance Draw Down Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned \$213.0 million in unappropriated fund balance to a budget contingency reserve for the purpose of preserving fund balance available as a

source for budget balancing in fiscal years 2021-22 and beyond. In the FY 2020-21 to FY 2023-24 Joint Report, this reserve is assumed depleted in the final three years of the forecast period, which are beyond the scope of the Six-Month Report.

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 the ACA and funding allocations for indigent health services. The FY 2019-20 budget for ZSFG includes \$40.0 million in prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19, placed in this reserve under Section 12.2 of the Administrative Provisions of the AAO, and used in the current year to align the timing of the revenue with the fiscal year in which it was appropriated.

Salary and Benefits Reserve

Administrative Provision Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The reserve had a fiscal year starting balance of \$52.5 million (\$29.0 million carried forward from FY 2018-19 and \$23.6 million appropriated in the FY 2019-20 budget). The Controller's Office has transferred \$0.5 million to departments and anticipates transferring an additional \$35.1 million by year-end, as detailed in Table A3-2.

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

Sources	
Adopted AAO Salary and Benefits Reserve	23.6
Carryforward balance from FY18-19	29.0
Total Sources	52.5
Uses	
Transfers to Departments	
For Police Department - recruitment	0.3
Visual Display Terminal Insurance (Q1)	0.0
Visual Display Terminal Insurance (Q2)	0.0
For Police Department - training tech assistance	0.2
Total Transfer to Departments	0.5
Anticipated Allocations	
Citywide Premium, retirement and severance payouts	15.5
Public Safety, including premium, wellness, one-time	19.2
Various training, tuition, other reimbursements	0.4
Visual Display Terminal Insurance (Q3 + Q4)	0.1
Total Anticipated Uses	35.1
Available for eligible expenses	16.9
Net Surplus / (Shortfall)	-

Appendix 4. Other Funds Highlights

Table A4-1. Other Fund Highlights, \$ millions

	Prior Year		FY 2019-20					FY 2020-21		Notes
	FY 2018-19 Year End Fund Balance	Fund Balance Used in FY 2019-20 Budget	Beginning Fund Balance	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	Fund Balance Used in FY 2020-21 Budget		
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u>										
Building Inspection Operating Fund	\$ 29.6	\$ 21.7	\$ 7.9	\$ 8.2	\$ 3.6	\$ 11.7	\$ 19.6	\$ 17.9	7	
Children's Fund	8.7	4.9	3.8	2.9	0.1	3.0	6.8	3.4	2	
Public Education Special Fund	12.3	4.3	8.1	1.6	-	1.6	9.6	1.0	3	
Convention Facilities Fund	21.1	3.0	18.1	-	1.3	1.3	19.4	-	4	
Golf Fund	6.8	-	6.8	-	-	-	6.8	-	5	
Library Preservation Fund	28.3	9.0	19.2	2.4	4.4	6.8	26.0	5.0	6	
Local Courthouse Construction Fund	1.2	-	1.2	-	-	-	1.2	-	7	
Open Space Fund	16.1	-	16.1	1.4	-	1.4	17.5	0.3	8	
Telecomm. & Information Systems Fund	2.7	1.7	1.0	(14.3)	14.1	(0.2)	0.9	0.9	9	
General Services Agency-Central Shops Fund	(0.2)	-	(0.2)	-	0.2	0.2	-	-		
Arts Commission Street Artist Fund	0.1	-	0.1	-	-	-	0.1	-	10	
War Memorial Fund	3.4	0.4	3.0	-	0.1	0.1	3.1	0.1	11	
Gas Tax Fund	4.9	-	4.9	-	-	-	4.9	-		
Neighborhood Beautification Fund	0.3	-	0.3	-	-	-	0.3	-		
Culture and Recreation Hotel Tax Fund	-	-	-	(1.7)	1.7	-	-	-	12	
Inmate Welfare Fund	1.3	1.3	-	0.5	0.8	1.3	1.3	1.3	13	
Street Tree Maintenance Fund	1.7	0.8	0.9	0.4	-	0.4	1.2	1.8	14	
<u>SELECT ENTERPRISE FUNDS</u>										
Airport Operating Funds	\$ 200.9	\$ 62.4	\$ 138.5	\$ (30.2)	\$ 80.1	\$ 49.9	\$ 188.4	\$ 77.2	15	
MTA Operating Funds	448.8	-	448.8	(12.7)	8.9	(3.8)	445.0	65.7	16	
Port Operating Funds	58.4	10.6	47.9	8.4	5.5	14.0	61.8	16.9	17	
PUC Hetch Hetchy Operating Funds	57.3	7.7	49.6	(7.2)	1.1	(6.1)	43.5	7.0	18	
PUC Wastewater Operating Funds	210.5	3.5	207.0	2.3	6.9	9.2	216.2	7.7	19	
PUC Water Operating Funds	216.4	17.2	199.3	8.3	17.0	25.3	224.6	22.1	20	
PUC Clean Power Funds	(17.9)	-	(17.9)	24.6	47.0	71.6	53.7	-	21	

SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

1. Building Inspection Fund

The Department projects a net operating surplus of \$11.7 million. An \$8.2 million revenue surplus is projected due to expected growth in plan checking, building and electrical permit revenues. Expenditures are projected to be \$3.6 million under budget due to savings in salary and fringe benefits of \$1.5 million, non-personnel services of \$1.2 million, and workorder expenditures of \$0.8 million. The result is a \$19.6 million operating balance, of which \$17.9

million was previously appropriated in the FY 2020-21 budget. In addition, the estimated balances of the department's contingency and other post-employment benefit reserves are currently \$41.0 million and \$32.0 million, respectively.

2. Children's Fund

The Children's Fund is projected to have a revenue surplus of \$2.9 million due primarily to projected increases in property tax, and expenditure savings of \$0.1 million, resulting in a net operating surplus of \$3.0 million. The approved FY 2020-21 budget uses \$3.4 million of the projected \$6.8 million current year ending balance.

3. Public Education Special Fund

Revenues are expected to be \$1.6 million above budget, reflecting growth in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund, resulting in a \$9.6 million projecting ending balance, of which \$1.0 million was spent in the approved FY 2020-21 budget.

4. Convention Facilities Fund

Debt service savings of \$1.3 million are projected in the current year, resulting in an available balance of \$19.4 million.

5. Golf Fund

The Recreation and Parks Department projects both revenues and expenses to be on budget, resulting in an ending balance of \$6.8 million.

6. Library Preservation Fund

The Library projects a net revenue surplus of \$2.4 million, of which \$3.4 million is from increased General Fund support resulting from higher ADR, partially offset by the General Fund claw back of \$1.1 million. The Department projects expenditure savings of \$4.4 million in non-personnel costs, materials and supplies, and services needed from other departments, resulting in a net operating surplus of \$6.8 million and an ending balance of \$26.0 million, of which \$5.0 million was spent in the approved FY 2020-21 budget.

7. Local Courthouse Construction Fund

Revenues and expenditures are expected to be on budget in the Local Courthouse Construction Fund, resulting in no change to the prior year fund balance. This fund will be closed after the final debt service payment on courthouse construction bonds is made in April 2021.

8. Open Space Fund

The Open Space Fund began the fiscal year with \$16.1 million in available fund balance. The Department projects to have an operating surplus of \$1.4 million from projected increases in property tax, resulting in a projected year-end balance of \$17.5 million, of which \$0.3 million has been appropriated in the FY 2020-21 budget.

9. Telecommunications & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with \$1.0 million in fund balance, net of \$1.7 million of fund balance appropriated in the current year. The Fund is projected to end the fiscal year with a net operating deficit of \$0.2 million, comprised of a revenue deficit of \$14.3 million primarily driven by shortfalls in interdepartmental service recoveries offset by an expenditure savings of \$14.1 million in billable interdepartmental service expenditures, primarily in non-personnel services and savings in information technology projects such as the Broadband Connectivity and Virtual Desktop Infrastructure projects. The projected ending balance of \$0.9 million has been fully spent in the approved FY 2020-21 budget.

10. Arts Commission Street Artist Fund

The Street Artist Program Fund began the fiscal year with \$0.1 million in fund balance. The Street Artist Program Fund is projected to be on budget, ending the year with a \$0.1 million available balance.

11. War Memorial Fund

The War Memorial Fund began the fiscal year with \$3.0 million in fund balance, net of \$0.4 million of fund balance appropriated in the current year. The Department projects expenditure savings of \$0.1 million in salary and fringe benefits in the War Memorial Operating Fund, resulting in an ending balance of \$3.1 million, of which \$0.1 million was spent in the approved FY 2020-21 budget.

12. Culture and Recreation Hotel Tax Fund

With the passage of Proposition E in November 2018, \$16.0 million of hotel room tax was transferred 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 2018-19, as shown in the table below.

Hotel Room Tax for Arts (Jan-Jun 2019)	Revenue	Expenditures
Grants for the Arts	8.2	8.7 *
Arts Impact Endowment	1.3	0.0
Cultural Centers	1.9	1.6 *
Cultural Equity Endowment	3.2	0.7 *
Cultural Districts	1.5	-
Total	16.0	11.0

* Programs are funded by multiple funding sources, including hotel room tax from Prop E. Expenditures on this table reflect spending from January through June 2019 regardless of funding source.

Grant for the Arts (GFTA) funded grant-making operations for over 200 general operating support grants for arts-related public programs. The Arts Commission, along with GFTA, conducted outreach to develop a Cultural Services Allocation Plan for 2019-2024. Funding in operating grants to Cultural Centers have been increased, and the Department of Public Works will perform condition assessments on all four centers to deploy funds for the capital needs of

each building. The cycle for the Cultural Equity grants started in the spring of 2019 and disbursement of funds occurred in the fall. The Cultural Districts program procured its first cohort, made up of five cultural districts, and a consulting firm was contracted to facilitate the Cultural District Accelerator Trainings.

In FY 2019-20, due to the decrease in projected hotel tax revenue, the Culture and Recreation Hotel Tax Fund is expected to have a revenue shortfall of \$1.7 million, offset by expenditure savings of the same amount. The Fund is expected to have no ending balance.

13. Sheriff – Inmate Welfare Fund

The Sheriff's Inmate Welfare Fund began the fiscal year with no fund balance, as the entire \$1.3 million prior year ending balance was spent in the current year. The Sheriff projects an operating surplus of \$1.3 million in the current year, given a revenue surplus of \$0.5 million in correction services revenue and net expenditure savings of \$0.8 million in salary and benefits, nonpersonnel services, materials and supplies, and facilities maintenance. The approved FY 2020-21 budget spends this entire balance.

14. Public Works – Street Tree Maintenance Fund

The Street Tree Maintenance Fund began the fiscal year with a fund balance of \$0.9 million, net of \$0.8 million of fund balance appropriated in the current year. The Department projects an operating surplus of \$0.4 million from baseline transfers higher than budgeted, resulting in an ending balance of \$1.2 million. The approved FY 2020-21 budget spent \$1.8 million of fund balance. The Controller's Office will work with the department during budget preparation to ensure the coming budget submission for the fund is balanced.

SELECT ENTERPRISE FUNDS

15. Airport Operating Fund

The Airport began the fiscal year with \$138.5 million in available fund balance, net of \$62.4 million of fund balance appropriated in the current year. The department projects a net operating surplus of \$49.9 million comprised of a projected revenue deficit of \$30.2 million and expenditure savings of \$80.1 million.

The revenue shortfall is primarily due to a \$17.2 million deficit from rent and concessions. The primary drivers for this are a decrease in duty free store sales, a decline in parking revenues due to lower long-term parking rates, and a decline in rental car revenues. The department's projected need for use of deferred aviation revenue is less than budgeted by \$14.9 million. This revenue shortfall is slightly offset by a surplus of \$1.3 million in air traffic fines and penalties.

Expenditure savings are driven by a savings of \$70.0 million in debt service primarily due to bond refundings not assumed in the budget, and lower than projected fees and interest payments. The department also projects a savings of \$5.9 million in salaries and benefits due to vacant positions, \$2.7 million in non-personnel services, \$1.8 million in materials and supplies, and \$2.0 million less in services needed from other departments. These expenditure savings are

offset by \$2.4 million in expenditures beyond budget, including transfers to other funds within the Airport, primarily to the department's Other Postemployment Benefits fund.

The department is projected to end the fiscal year with a balance of \$188.4 million, of which \$77.2 million has been appropriated in the FY 2020-21 budget.

16. Municipal Transportation Agency (MTA) Operating Funds

MTA began the fiscal year with \$448.8 million in available fund balance. The department projects to finish with an operating deficit of \$3.8 million due to a revenue deficit of \$12.7 million offset by expenditure savings of \$8.9 million. The revenue deficit is mainly due to shortfalls in transit fares (\$11.7 million), parking and traffic fees and fines (\$25.0 million), and baseline transfers (\$3.8 million), offset by surpluses in operating grants (\$15.9 million), interest earnings (\$10.2 million), and miscellaneous revenue (\$1.8 million). Expenditure savings are mainly due to personnel costs savings (\$1.9 million), equipment and maintenance and other operating costs savings (\$4.2 million), and a budgeted reserve deposit that will not be made (\$6.6 million), offset by shortfalls in (\$3.2 million) and judgments and claims (\$0.6 million).

The MTA operating funds are projected to end the fiscal year with a balance of \$445.0 million, of which \$65.7 million has been appropriated in the FY 2020-21 budget.

17. Port Operating Funds

The Port began the fiscal year with \$47.9 million in available operating fund balance net of the \$10.6 million appropriated to support the FY 2019-20 budget. The department projects a current year net operating surplus of \$14.0 million, comprised of a revenue surplus of \$8.4 million and net expenditure savings of \$5.5 million.

The \$8.4 million revenue surplus is due to an increase of \$4.4 million in maritime revenue from increased auto volume and storage revenue at Pier 80 of \$1.3 million; cruise revenue increases of \$1.5 million due to increased calls and passenger fee increases; \$0.7 million more than budgeted in parking revenue, and \$1.0 million from increased permitting. These surpluses are partially offset by a \$0.8 million shortfall in rent and real estate revenues caused by a delay in projects to build out rental space. Expenditure savings of \$5.5 million include \$1.8 million in salaries and fringe benefits from currently vacant positions, \$1.9 million in non-personnel services and equipment, and \$0.9 million from lower utility costs.

Port operating funds are projected to end the fiscal year with a balance of \$61.8 million, of which \$16.9 million has been appropriated in the FY 2020-21 budget.

Public Utilities Commission

The Public Utilities Commission (PUC) projects net operating surpluses for the Wastewater Operations Fund, Water Operating Fund, and the Clean Power Fund and a net operating deficit for the Hetch Hetchy Operating Fund. The PUC anticipates requesting a supplemental ordinance to re-appropriate savings to cover over-expenditures in overtime per San Francisco Administrative Code Section 3.17.

18. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Fund began the fiscal year with \$49.6 million in available operating fund balance net of the \$7.7 million appropriated to support the FY 2019-20 budget. The Fund is projected to end the year with a net operating deficit of \$6.1 million due to revenue shortfalls of \$7.2 million offset by \$1.1 million of expenditure savings. The revenue deficit is due to lower-than-budgeted electric, water, gas and steam revenue of \$13.7 million offset by \$6.5 million of low carbon fuel standard credits. Expenditure savings of \$1.1 million are due to savings of \$1.0 million in personnel costs from vacancies; \$2.4 million in contracted natural gas and steam purchases; \$1.3 million in debt service from delays in power bond sales; \$4.0 million in power purchase price volatility contingency reserve; which are offset by \$7.6 million in higher-than-budgeted energy purchases due to system shut downs and higher purchase prices.

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of \$43.5 million, of which \$7.0 million has been appropriated in the FY 2020-21 budget.

19. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$207.0 million in available operating fund balance net of the \$3.5 million appropriated to support the FY 2019-20 budget. The Fund is projected to end the year with a net operating surplus of \$9.2 million due to a revenue surplus of \$2.3 million from sewer service changes due to higher discharge volumes; \$2.5 million of personnel cost savings from vacancies; and \$4.4 million of savings on debt service from postponement of the issuance of 2019 Wastewater Revenue Notes. The Fund is projected to end the fiscal year with a balance of \$216.2 million, of which \$7.7 million has been appropriated in the FY 2020-21 budget.

20. Public Utilities Commission – Water Operating Fund

The Water Operations Fund began the fiscal year with \$199.3 million in available operating fund balance net of the \$17.2 million appropriated to support the FY 2019-20 budget. The Fund is projected to end the year with a net operating surplus of \$25.3 million due to a revenue surplus of \$4.6 million from retail and wholesale water sales; \$3.7 million of surplus miscellaneous income from water service installation charges; \$1.9 million of personnel cost savings from vacancies; and \$15.1 million of savings on debt service from the 2019 Series ABC Water Revenue Refunding Bonds. The Fund is projected to end the fiscal year with a balance of \$224.6 million, of which \$22.1 million has been appropriated in the FY 2020-21 budget.

21. Public Utilities Commission – Clean Power Fund

The Clean Power Fund began the fiscal year with an abnormal balance of \$17.9 million. CleanPowerSF is projected to end the year with a net operating surplus of \$71.6 million due to a revenue surplus of \$24.6 million from electric sales due to higher sales volumes and rates; \$45.5 million of savings from budgeted reserve deposits that will not be made; and \$3.5 million of personnel cost savings from vacancies, offset by \$2.0 million of unbudgeted loan repayments. The Fund is projected to end the fiscal year with a balance of \$53.7 million.

Appendix 5. Overtime Report

Department (\$ Millions)	FY 2018-19	FY 2019-20		
	Actual	Revised Budget	July through 12/31/2019	% of Budget through 12/31/2019
Municipal Transit Agency - Total	89.0	36.9	46.6	126%
Police*				
General Fund (Excl. Work Orders)	19.2	20.0	10.5	52%
Airport	2.1	2.5	1.2	48%
General Fund Work Orders	4.5	4.2	2.5	58%
Total Annual Operating Funds	25.8	26.7	14.1	53%
Special Revenue (10B)	18.5		9.4	
<i>Total</i>	<i>44.3</i>		<i>23.5</i>	
Public Health*				
ZSF General	6.7	13.0	7.7	59%
Laguna Honda	9.2	10.8	4.9	46%
Other Annual Funds	2.8	1.6	1.5	98%
Total Annual Operating Funds	18.7	25.3	14.1	56%
Fire*				
General Fund	35.1	32.1	16.7	52%
Airport	4.5	5.7	2.7	47%
Total Annual Operating Funds	39.6	37.7	19.4	52%
Sheriff*				
General Fund (Excl. Work Orders)	21.5	19.9	11.1	56%
General Fund Work Orders	7.2	5.6	4.2	75%
Total Annual Operating Funds	28.7	25.5	15.3	60%
Airport*				
Annual Operating Funds	2.8	2.6	1.4	53%
Emergency Management*				
Annual Operating Funds	4.5	3.3	1.9	59%
Public Works*				
Annual Operating Funds	2.4	1.5	0.9	62%
General Fund Work Orders	0.5	0.8	0.3	37%
Public Utilities*				
Annual Operating Funds	6.1	5.0	2.7	54%
Recreation and Park*				
Annual Operating Funds	2.2	1.9	1.3	68%
Juvenile Probation	1.4	1.1	0.5	43%
Admin Services	3.3	0.6	1.4	213%
Elections	0.5	0.6	0.4	60%
Human Services	2.8	0.5	1.2	229%
Technology	1.0	0.5	0.5	94%
Port	0.6	0.5	0.2	51%
Controller	0.2	0.5	0.0	7%
Building Inspection	0.5	0.4	0.3	83%
War Memorial	0.3	0.2	0.1	89%
Fine Arts Museum	1.0	0.2	0.4	247%
Public Library	0.4	0.1	0.2	190%
Adult Probation	0.1	0.1	0.1	47%
District Attorney	0.2	0.1	0.1	104%
Academy of Sciences	0.1	0.1	0.0	42%
Asian Art Museum	0.2	0.1	0.1	131%
Public Defender	0.0	0.1	0.0	10%
City Attorney	0.3	0.0	0.1	1091%
Total Overtime**	232.9	172.9	123.9	72%

* Administrative Code Section 3.17 requires these departments to receive appropriation authority from the Board of Supervisors to increase the authorized budget for overtime in annual operating funds.

** Total overtime excludes: special revenue (10B) and non-annual operating funds in departments listed in Administrative Code 3.17.

*** This report reflects supplemental appropriation ordinance #191070, increasing overtime budget for the Police Department and the Sheriff's Department.