FY 2021-22

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, 2021, incorporating more current information up to the date of publication as available.

February 15, 2022

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. 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.

Budget & Analysis Team:
Michelle Allersma, Director of Budget & Analysis, michelle.allersma@sfgov.org
Ysabel Catapang, Budget and Revenue Analyst, ysabel.catapang@sfgov.org
Mark Chen, Budget and Revenue Analyst, mark.y.chen@sfgov.org
Edward de Asis, Assistant Citywide Budget Manager, edward.deasis@sfgov.org
Ken Hinton, Budget and Revenue Analyst, ken.hinton@sfgov.org
Nicholas Leo, Budget and Revenue Analyst, nicholas.leo@sfgov.org
Carol Lu, Citywide Revenue Manager, carol.lu@sfgov.org
Michael Mitton, Budget and Revenue Analyst, michael.mitton@sfgov.org
Calvin Quock, Budget and Revenue Analyst, calvin.quock@sfgov.org
Risa Sandler, Citywide Budget Manager, risa.sandler@sfgov.org
Jamie Whitaker, Property Tax Manager, james.whitaker@sfgov.org

For more information, please contact:

Michelle Allersma
Office of the Controller
City and County of San Francisco
(415) 554-4792 | michelle.allersma@sfgov.org

Or visit:

http://www.sfcontroller.org

Executive Summary

- **We project a $96.2 million General Fund ending balance in the current fiscal year, a $32.7 million improvement from the $63.4 million surplus projected in the January 2022 Update to the Five-Year Financial Plan (5-Year Plan).** Application of this additional current year fund balance would increase the projected surplus in the upcoming two-year budget to $131.4 million after accounting for required General Reserve deposits of $9.4 million.

- **A net $15.4 million reduction in citywide revenues is due to higher levels of transfer taxes realized since our previous projections, and higher projected airport concession revenues, offset by the appropriation of $48.2 million of FEMA revenue for COVID-related costs.** Other sources are generally unchanged, however, economically sensitive revenues, such as business and hotel taxes, remain subject to high levels of uncertainty given the course of the pandemic and reopening efforts. These projections will be revised in the March 2022 Update to the Five-Year Financial Plan to reflect updated information about the recovery of the hospitality industry and office-using sectors.

- **A $46.7 million increase in departments' General Fund net operating balances is projected due to hospital and state sales tax subvention revenues above budget, expenditure savings at the Human Services Agency, and emergency response and public safety department cost overages.** Strength in aggregate sales tax revenues at the state level, as reflected in the proposed FY 2022-23 state budget, has increased estimated allocations to Public Health and the Human Services Agency $42.6 million above budget. Medi-Cal and Medicare hospital revenues are partially offset by Medi-Cal FQHC out of network costs audit risk and the need for $10.1 million additional COVID response appropriations in Public Health. Expenditure savings at the Human Services Agency are due in part to unfilled positions, as well as the state's pandemic-related waiver on Medi-Cal eligibility determinations, which results in a temporary workload reduction despite caseload growth. Surpluses in these two agencies are partially offset by personnel and worker's compensation overspending at the Police, Fire, and Sheriff's departments.

- **Projections reflect the myriad effects of high levels of staff vacancies that are both shorter and longer term in nature.** Record numbers of staff were out of the workplace due to isolation and quarantine requirements during the Omicron surge that began in December and peaked in January, resulting in the costly use of overtime, temporary, and contract employees to staff critical health and safety functions.

  These absences exacerbated overall staffing shortfalls that have built over the course of the pandemic, which began in early 2020 when hiring efforts halted due to fiscal uncertainty and the focus on emergency response and have grown due to the tight labor market and shift of human resources staff time toward implementation of health and safety measures (e.g., contact tracing, vaccine mandates, leaves). The fiscal effects of vacancies include high levels of permanent salary savings, offset in certain departments by increased overtime and other costs in some departments and reductions in fee for service revenue in others. These costs include high levels of worker's compensation expenditures, which are projected to exceed budget by $11.4 million in the current year.

- **Estimated emergency response costs are reflected in these projections.** These include $115.2 million appropriated year to date for COVID response costs, $7.4 million appropriated for the Tenderloin Drug Overdose Emergency, and $10.1 million of above-budgeted emergency response costs at the Department of Public Health. Projections also assume the Board of Supervisors approves the use of $32.3 million of state Project RoomKey revenue for the Shelter in Place (SIP) hotel program as proposed by the Human Services Agency. While these sources are projected to be adequate to fund the program through the end of the current fiscal year, it is not yet known whether additional funds will be needed for damage repair costs as the City exits hotels used for shelter during the public health emergency.

- **Projections do not reflect the likely staff costs driven by the recent allowance of additional COVID-19 paid sick leave provided by the City in January.** These hours are set to expire on March 4, 2022 but may be extended to conform to the timelines in AB 84, the state requirement that large employers provide additional paid sick leave, which was signed by the governor on February 9, 2022. Based on payroll data for the prior leave policy, the cost of the extension for public safety departments alone is estimated to be between $11.6 million and $18.6 million, depending on rates of usage and backfill.

Table 1. FY 2021-22 Projected General Fund Variances to Budget ($ millions)

	Prior Projection	6-Month	Change
A. Prior Year Fund Balance Above Budgeted Levels	**31.8**	**31.8**	-
Citywide Revenue	9.9	(5.4)	(15.4)
Baseline Contributions	(35.4)	(26.6)	8.8
Departmental Operations	31.1	77.8	46.7
B. Current Year Revenues and Expenditures	**5.7**	**45.8**	**40.1**
General Reserve Appropriated - Source	-	9.4	9.4
Fiscal Cliff Reserve Appropriated - Source	-	64.2	64.2
Supplemental Appropriations - Expenditures	-	(73.6)	(73.6)
FY 2021-22 Mid-Year Appropriation of Fund Balance	-	(7.4)	(7.4)
C. Approved Supplementals + Mid-Year Appropriations	-	**(7.4)**	**(7.4)**
Use of Business Tax Prepayment Reserve	26.0	26.0	-
D. Withdrawals from / (Deposits) to Reserves	**26.0**	**26.0**	-
E. FY 2021-22 Projected Ending Balance	**63.4**	**96.2**	32.7

FY 2021-22 Six-Month Budget Status Report

A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2021-22 and FY 2022-23 adopted budget were $798.8 million, of which $498.8 million was appropriated in FY 2021-22 and $300.0 million was appropriated in FY 2022-23. Including $324.9 million of American Rescue Plan Act funds anticipated to be used in FY 2021-22, General Fund available fund balance at the end of FY 2021-22 was $31.8 million more than appropriated and assigned.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue Shortfall

As shown in Table 2, citywide revenues are projected to be $5.4 million below budget, a reduction of $15.4 million from prior projection included in the January 2022 Update to the Five-Year Financial Plan. The change is largely due to historically large transactions generating real property transfer tax and stronger than anticipated concessions revenue at San Francisco International Airport, offset by weakness in business and hotel taxes.

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

	FY 2020-21	FY 2021-22			Variance	
	Actuals	Budget	5-Yr	6-Mo	Vs Budget	Vs 5-Yr
Property Taxes	2,344.0	2,115.6	2,217.5	2,217.5	101.9	-
Property Tax	1,974.0	1,870.6	1,955.0	1,955.0	84.4	-
Excess ERAF	369.9	245.0	262.5	262.5	17.5	-
Business Taxes	722.6	957.1	885.4	878.4	(78.7)	(7.0)
Sales Tax - Local 1%	146.9	145.7	174.9	174.8	29.0	(0.1)
Hotel Room Tax	33.2	78.5	120.2	114.0	35.5	(6.2)
Utility User & Access Line Taxes	126.1	127.3	138.2	134.6	7.3	(3.6)
Parking Tax	47.6	55.9	66.9	66.9	11.0	-
Real Property Transfer Tax	344.7	350.1	418.2	459.0	108.8	40.7
Sugar Sweetened Beverage Tax	10.4	12.2	12.2	11.6	(0.6)	(0.6)
Stadium Admissions Tax	0.2	3.6	3.6	3.6	-	-
Cannabis Tax	-	4.4	-	-	(4.4)	-
Franchise Taxes	14.9	14.3	14.3	14.3	-	-
Interest Income	31.7	36.2	24.3	24.3	(11.9)	-
FEMA Disaster Relief	(22.3)	164.6	249.0	249.0	84.4	(48.2)
ARPA	312.4	324.8	12.4	12.4	(312.4)	-
Public Safety Realignment	38.4	51.5	58.5	58.8	7.3	0.3
Public Safety Sales Tax	105.0	82.0	88.9	91.5	9.5	2.6
Airport Transfer In	15.0	23.0	23.0	29.7	6.7	6.7
Commercial Rent Tax Transfer In	74.1	32.8	34.0	34.0	1.2	-
Total Citywide Revenues	**4,344.7**	**4,579.7**	**4,541.4**	**4,574.3**	**(5.4)**	**(15.4)**

General Fund FEMA revenues are projected to be $84.4 million above budget, or $48.2 million less than assumed in the January 2022 Update to the Five-Year Financial Plan due to the appropriation of $48.2 million of this revenue for COVID-related salary and benefits expenditures in public safety departments and to extend the Right to Recover Program, pursuant to the Mayor's emergency appropriation authority. Additional details are provided in Appendix 1 below.

Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. The General Fund portion of the baseline contribution increased by $26.6 million compared to budget and decreased by $7.2 million versus prior projections. Highlights:

- MTA baselines are projected to be $18.2 million above budget, due to growth in Aggregate Discretionary Revenue (ADR), partially offset by reductions to the baseline related to delays in the opening of the Central Subway for revenue service.
- The Library baseline and property tax set-aside is projected to be $4.7 million above budget, after a $2.7 million return to the General Fund.
- The total Public Education Enrichment Fund annual contribution to SFUSD and OECE is projected to increase by $5.6 million from budget.
- The Children and Transitional-Aged Youth expenditure baselines were funded above the required levels in the adopted FY 2021-22 budget, therefore the projected increase in ADR does not increase spending requirements for them.

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

	FY 2020-21	FY 2021-22			Variance		
	Actuals	Budget	5-Yr	6-Mo	Vs Budget	Vs 5-Yr	
General Fund Aggregate Discretionary Revenue (ADR)	*3,766.0*	*3,847.5*	*4,011.8*	*4,030.6*	*183.2*	*18.9*	
Municipal Transportation Agency (MTA)							
MTA - Municipal Railway Baseline: 6.686% ADR	251.8	257.2	268.2	269.5	12.2	1.3	
MTA - Central Subway	-	11.7	11.7	3.9	(7.8)	(7.8)	
MTA - Parking & Traffic Baseline: 2.507% ADR	94.4	96.5	100.6	101.1	4.6	0.5	
MTA - Population Adjustment	55.6	57.6	57.6	58.0	0.4	0.4	
MTA - 80% Parking Tax In-Lieu	38.0	44.7	53.5	53.5	8.8	-	
Subtotal Municipal Transportation Agency	439.8	467.7	491.6	485.9	18.2	(5.6)	*
Library Preservation Fund							
Library - Baseline: 2.286% ADR, net of General Fund Return	86.1	87.9	91.7	89.5	1.5	(2.3)	*
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	67.4	68.9	72.1	72.1	3.2	-	
Subtotal Library	153.4	156.9	163.8	161.6	4.7	(2.3)	
Children's Services							
Children's Services Baseline - Requirement: 4.830% ADR	*168.4*	*185.8*	*193.8*	*194.7*	*8.8*	*0.9*	
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	*20.2*	*22.3*	*23.3*	*23.4*	*1.1*	*0.1*	
Early Care and Education Baseline (Jun 2018 Prop C) - Requirement: 2.212% AD	*79.7*	*85.1*	*88.7*	*89.2*	*4.1*	*0.4*	
Public Education Services Baseline: 0.290% ADR (50% GF)	10.9	11.2	11.6	11.7	*0.5*	*0.0*	*
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	107.8	110.3	115.4	115.4	*5.1*	-	
Public Education Enrichment Fund: 3.057% ADR	*115.1*	*117.6*	*122.6*	*123.2*	*5.6*	*0.6*	*
1/3 Annual Contribution to Preschool for All	38.4	39.2	40.9	41.1	*1.9*	*0.2*	
2/3 Annual Contribution to SF Unified School District	76.7	78.4	81.8	82.1	3.7	0.4	
Subtotal Childrens Services (Required)	502.1	532.3	555.4	557.5	25.2	2.1	
Recreation and Parks							
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	67.4	68.9	72.1	72.1	3.2	-	
Recreation & Parks Baseline - Requirement	76.2	79.2	79.2	79.2	-	-	
Subtotal Recreation and Parks (Required)	143.5	148.1	151.3	151.3	3.2	-	
Other Financial Baselines							
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirement	215.0	215.0	215.0	215.0	-	-	
Housing Trust Fund Requirement	39.6	42.4	42.4	42.4	-	-	*
Dignity Fund	50.1	53.1	53.1	53.1	-	-	*
Street Tree Maintenance Fund	19.4	19.8	20.7	20.8	0.9	0.1	*
Municipal Symphony Baseline: $0.00125 per $100 NAV	3.8	3.7	3.7	3.7	-	-	
City Services Auditor: 0.2% of Citywide Budget	23.0	23.4	23.4	23.4	-	-	
Mission Bay Transportation Improvement Fund	7.4	7.6	7.6	7.6	-	-	*
Subtotal Other Financial Baselines	358.2	365.1	366.0	366.1	0.9	0.1	
* General Fund Impact					26.6	(7.2)	

Departmental Operations

The Controller's Office projects a net departmental operating surplus of $77.8 million summarized in Table 4 below and further detailed in Appendix 2.

Table 4. FY 2021-22 Departmental Operating Summary ($ millions)

Note: Figures may not sum due to rounding.

Net Shortfall Departments	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Fire Department	(0.4)	(19.1)	(19.5)
Police	-	(8.0)	(8.0)
Public Works	(4.1)	0.1	(4.0)
Sheriff	(0.1)	(1.7)	(1.8)
Human Resources	(0.8)	-	(0.8)
Emergency Management	-	(0.2)	(0.2)
Board of Appeals	(0.2)	-	(0.2)
Technology	(0.5)	0.3	(0.2)
Subtotal Departments with Net Shortfall	**(6.0)**	**(28.6)**	**(34.7)**

Net Surplus Departments	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Public Health	64.1	(10.1)	53.9
Human Services Agency	14.1	32.0	46.0
City Administrator	(2.5)	4.9	2.4
Superior Court	-	2.3	2.3
Sheriff Accountability	-	1.0	1.0
City Attorney	(7.0)	8.0	1.0
Ethics Commission	-	1.0	1.0
Homelessness and Supportive Housing	-	0.8	0.8
Juvenile Probation	0.1	0.5	0.7
General City Responsibility	0.6	-	0.6
District Attorney	-	0.6	0.6
Board of Supervisors	0.0	0.5	0.5
Assessor/Recorder	0.5	-	0.5
Subtotal Departments with Net Surplus	69.9	41.4	111.3
All Other	(15.9)	17.1	1.2
TOTAL	**47.9**	**29.9**	**77.8**

C. SUPPLEMENTAL APPROPRIATIONS

Two supplemental appropriations using $9.4 million of the General Reserve have been approved by the Board of Supervisors for paramedic staffing and election expenses. Two supplementals appropriating $23.2 million of General Reserve have been introduced, including $22.5 million for public safety personnel costs and $0.7 million for free parking at Portsmouth Square Garage. Finally, a supplemental utilizing $64.2 million of the Fiscal Cliff Reserve for social housing has been approved.

Uses of the General Reserve in the current fiscal year require a like amount to be deposited in the budget year. Should the Board of Supervisors approve the supplemental for the Police and Fire Departments, this required deposit would be offset by a reduction of the same amount in the operating shortfalls reported for these departments in Appendix 2, for a net zero impact on projected ending balance.

Table 5. Pending and Approved Supplemental Appropriations ($ millions)

Source	Use	Status	Amount
General Reserve	FIR - Paramedic Staffing	Approved	2.5
General Reserve	REG - Unforeseen Elections	Approved	6.9
General Reserve	POL + FIR Overtime	Pending	22.5
General Reserve	MTA - Portsmouth Square Garage Free Parking	Pending	0.7
Fiscal Cliff Reserve	MOHCD - Social Housing	Approved	64.2
	Total Pending and Approved Supplementals		96.8

D. WITHDRAWALS FROM / DEPOSITS TO RESERVES

Projections include the approved reserve uses in Table 5 above and a $9.2 million deposit to the Public Health Revenue Reserve. A discussion of the status of reserves is provided in Appendix 3.

E. PROJECTED ENDING FUND BALANCE OF $96.2 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2021-22 of $96.2 million, a $32.7 million improvement from prior projections.

OTHER FUNDS

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds receive General Fund baseline transfers and other subsidies. Others are used to record dedicated tax revenues and related expenditures.

Enterprise funds are used primarily for self-supporting agencies, including the Airport, 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.

UPCOMING PROJECTIONS

An update to the Five-Year Financial Plan in March 2022 will provide revenue and expenditure projections for FY 2022-23 through FY 2025-26 and will incorporate fund balance projections identified in this report. FY 2021-22 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2022.

SIX-MONTH OVERTIME REPORT

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. Appendix 5 presents actual overtime expenditures through the first six months of the year. Administrative Code Section 3.17 requires select departments to request a supplemental appropriation to increase overtime budgets in annual operating funds.

APPENDICES

1. General Fund Revenues 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 $319.2 million above revised budget, including $222.6 million in citywide revenue, $84.4 million in FEMA revenue, and $12.2 million in departmental General Fund revenues, particularly in charges for services and other revenue.

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

	FY 2020-21	FY 2021-22						
GENERAL FUND ($ Millions)	Year End Actual	Original Budget	Revised Budget	5-Year	6-Month	Var Vs Rev Budget	Var Vs 5Yr	Note
PROPERTY TAXES	$ 2,344.0	$ 2,115.6	$ 2,115.6	$ 2,217.5	$ 2,217.5	101.9	-	1
BUSINESS TAXES								
Business Registration Tax	51.4	48.2	48.2	48.2	48.2	-	-	
Payroll Tax	138.0	7.5	7.5	0.0	-7.0	(14.5)	(7.0)	
Gross Receipts Tax	526.7	889.2	889.2	831.2	837.2	(52.0)	6.0	
Admin Office Tax	6.6	12.3	12.3	6.0	0.0	(12.3)	(6.0)	
Total Business Taxes	722.6	957.1	957.1	885.4	878.4	(78.7)	(7.0)	2
OTHER LOCAL TAXES						-		
Sales Tax	146.9	145.7	145.7	174.9	174.8	29.0	(0.1)	3
Hotel Room Tax	33.2	78.5	78.5	120.2	114.0	35.5	(6.2)	4
Utility Users Tax	81.4	77.7	77.7	82.5	84.4	6.8	2.0	5
Parking Tax	47.6	55.9	55.9	66.9	66.9	11.0	-	6
Real Property Transfer Tax	344.7	350.1	350.1	418.2	459.0	108.8	40.7	7
Sugar Sweetened Beverage Tax	10.4	12.2	12.2	12.2	11.6	(0.6)	(0.6)	
Stadium Admission Tax	0.2	3.6	3.6	3.6	3.6	-	-	
Access Line Tax	44.8	49.6	49.6	55.7	50.2	0.5	(5.5)	
Cannabis Tax	0.0	4.4	4.4	0.0	0.0	(4.4)	-	8
Total Other Local Taxes	709.0	777.8	777.8	934.2	964.4	186.6	30.2	
LICENSES, PERMITS & FRANCHISES								
Licenses & Permits	5.2	13.7	13.7	13.7	13.7	-	-	
Franchise Fee	14.9	14.3	14.3	14.3	14.3	-	-	
Total Licenses, Permits & Franchises	20.0	27.9	27.9	27.9	27.9	-	-	
FINES, FORFEITURES & PENALTIES	4.4	4.0	4.0	4.0	4.0	-	-	
INTEREST & INVESTMENT INCOME	31.7	36.2	36.2	24.3	24.3	(11.9)	-	9
RENTS & CONCESSIONS	5.0	11.7	11.7	11.7	11.7	-	-	

GENERAL FUND ($ Millions)	FY 2020-21 Year End Actual	FY 2021-22 Original Budget	Revised Budget	5-Year	6-Month	Var Vs Rev Budget	Var Vs 5Yr	Note
INTERGOVERNMENTAL REVENUES								
Federal Government	679.5	310.2	488.1	469.2	572.5	84.4	103.3	10
State Government								
Health & Welfare Realignment - Sales Tax	172.7	188.9	188.9	220.3	216.4	27.4	(3.9)	
Health & Welfare Realignment - VLF	38.3	49.5	49.5	49.2	49.9	0.4	0.6	
Public Safety Sales Tax	105.0	82.0	82.0	88.9	91.5	9.5	2.6	
Public Safety Realignment (AB109)	38.4	51.5	51.5	58.5	58.8	7.3	0.3	
All Other	542.1	482.5	486.8	482.5	491.0	4.2	8.5	
Total State Grants and Subventions	896.6	854.4	858.7	899.4	907.5	48.8	8.1	11
Other Regional Government								
Redevelopment Agency	9.1	2.8	4.7	2.8	4.6	(0.1)	1.8	
CHARGES FOR SERVICES	201.7	231.5	233.2	231.5	223.2	(9.9)	(8.3)	
RECOVERY OF GEN. GOV'T. COSTS	21.8	23.6	23.6	23.6	23.6	-	-	
OTHER REVENUES	37.7	24.2	44.7	24.2	35.0	(9.8)	10.7	
TOTAL REVENUES	5,683.2	5,377.1	5,583.3	5,755.7	5,894.6	311.3	138.9	
TRANSFERS INTO GENERAL FUND:								
Airport Transfer In	15.0	23.0	23.0	23.0	29.7	6.7	6.7	12
Commercial Rent Tax Transfer In	74.1	32.8	32.8	34.0	34.0	1.2	-	13
Other Transfers	327.9	102.5	103.9	102.5	103.9	-	1.4	
Total Transfers In	416.9	158.3	159.7	159.5	167.7	7.9	8.1	
TOTAL GENERAL FUND RESOURCES	$ 6,100.2	$ 5,535.4	$ 5,743.1	$ 5,915.3	$ 6,062.3	$ 319.2	$ 147.0	

1. Property Tax

Total property tax revenue in the General Fund is projected to be $101.9 million (4.8%) above budget and $126.5 million (-5.4%) below prior year actual revenue. These figures are unchanged from the January 2022 Update to the Five-Year Financial Plan.

Supplemental and escape related property assessments, which are triggered by new construction or changes in the majority ownership of properties, are being enrolled by the Assessor at higher rates than assumed in the budget, increasing projected revenue by approximately $43.0 million and $10.0 million, respectively. Secured property tax collections are projected to be $11.9 million over budget, as the $2.6 billion of temporary (or Prop 8) valuation reductions made by the Assessor for properties impacted by the pandemic, including hotels, retail, office buildings and condominiums, were less than assumed in the budget. Unsecured property tax collections are projected at $12.7 million over budget, as values declined less than anticipated (8.9% versus 20%) and the rate of unpaid bills as of the August 31, 2021 due date was 5%, versus 8% assumed in the budget. In addition, the 7.1% increase in state-assessed property (Board Roll) values and anticipated residual redevelopment project tax increment returned to the General Fund are modestly higher than anticipated.

Taken together, these changes increase the amount of revenue deposited into ERAF (the Educational Revenue Augmentation Fund) and also the direct property tax allocations to the San Francisco Unified School District, San Francisco County Office of Education, and City College. As more of these entities' revenue limits are achieved through direct allocations, their distributions from ERAF are reduced, leaving approximately $17.8 million more excess ERAF to be returned to the General Fund. Finally, local roll growth above expectations increases the State Vehicle License Fee backfill by $8.8 million compared to budget.

The decrease of $126.5 million from prior year actuals is largely due to a $107.5 million decline in excess ERAF, as FY 2020-21 revenues included revenue recognized for two fiscal years, FY 2019-20 and FY 2020-21, related to State Controller's Office guidance on charter schools and redevelopment residual tax increment.

As of January 20, 2022, approximately 1,500 FY 2021-22 assessment appeals representing $44.9 billion in total assessed value remained open (undecided) at the Assessment Appeals Board (AAB). As open cases are decided by the AAB or withdrawn for lack of supporting documentation, refund assumptions included in current year property tax revenue projections will adjust.

At the end of February, the California Department of Education and California Community Colleges Chancellor's Office will release FY 2019-20 recalculation reports, FY 2020-21 annual reports, and the FY 2021-22 First Principal Apportionment (P-1) reports – any of which may result in adjusted ERAF entitlement amounts for local education entities in all three open years, which would in turn affect the City's FY 2021-22 excess ERAF revenue.

Legislative changes included in the Governor's January proposed budget for FY 2022-23 would reduce excess ERAF revenue by approximately $27 million annually; unlike previous proposals, however, they would not apply retroactively, and would only affect future year excess ERAF revenue.

Property tax set asides to special revenue funds are shown in Table 3 of the report.

2. Business Tax

Business tax revenues in the General Fund include business registration fees, gross receipts taxes, and administrative office taxes, and are projected to be $878.4 million in FY 2021-22, or $78.7 million (8.2%) below budget and $155.8 million (21.6%) above prior year actual revenues. Due to the passage of Proposition F, the business tax overhaul, on the November 2020 ballot, the payroll tax has been eliminated for tax year 2021 with lost revenue offset by increases in the gross receipts tax rates.

The COVID-19 emergency continues to significantly affect the business tax revenue base. Because of the timing of business tax payments, revenues in FY 2021-22 are driven by economic conditions in 2021. The economy continues to improve over the lows in 2020 and our projection assumes underlying economic growth of 8% in tax year 2021 versus 6% assumed in the budget.

For certain categories of businesses, the gross receipts tax is dependent in part on their San Francisco payroll. Businesses only include payroll for employees that physically work within the City. Approximately 70% of the payroll base comes from office-using sectors, like Information and Professional Services, and approximately half of workers in these sectors live outside of San Francisco. The payroll base for the City has been reduced as these workers telecommute from home. The decline, however, has been partially offset by some workers who previously commuted outside of the City but now telecommute from within the City.

The budget assumed that in office-using sectors, workers telecommuted near full-time at the start of the fiscal year and would gradually fall to 25% by the end of FY 2022-23. Tax return data for 2020, however, indicate that businesses did not reduce their San Francisco payroll as much as expected, partly because there was less telecommuting than expected and partly because workers who previously worked outside the City now worked from home within the City. Because the telecommuting decline was lower than expected in tax year 2020, the City has seen a smaller increase in payroll than expected as workers returned to the office.

The budget did not account for the delayed return to office caused by the waves of cases from both the delta variant of the virus in the late summer of 2021 or the omicron variant in the winter of 2021-22. These delays raise additional uncertainty about FY 2021-22 that may not be resolved until businesses have filed their 2021 tax returns.

In addition, the budget assumed that the City would receive $7.5 million in residual payments of payroll tax from corrections and revisions of previous years' filings. However, through the first six month of FY 2021-22, refunds have exceeded payments. We now project that refunds in payroll tax will reduce business taxes in FY 2021-22 by $7.0 million, a net decrease of $14.5 million from budget.

3. Local Sales Tax

Local sales tax revenues are projected to be $174.8 million, which is $29.0 million (19.9%) above budget and $27.9 million (19.0%) above prior year actuals. The improvement is a result of pandemic recovery and continued re-opening of the economy, and particularly notable in general consumer goods and restaurants and hospitality. Reduced restrictions on indoor dining and a return of visitors for work and travel resulted in large gains as compared to FY 2020-21. Consumer spending in apparel, electronics, jewelry, and home furnishings have grown year over year. Sales tax from vehicle purchases is strong due to high demand along with inventory constraints, and tax from fuel sales has risen with higher prices and consumption. Despite rapid growth in FY 2021-22, sales tax revenues are not projected to not reach pre-pandemic levels until FY 2025-26.

4. Hotel Room Tax

Hotel taxes for all funds are projected to be $132.7 million, $39.8 million (42.8%) above budget and $90.5 million (214.4%) above prior year. General Fund hotel tax revenues are projected to be $114.0 million, $35.5 million (45.2%) above budget and $80.8 million (243.5%) above prior year actual revenues due to recovery in the industry as a result of eased restrictions on travel and re-opening of the economy.

Hotel tax is highly correlated with the hotel industry indicator, revenue per available room (RevPAR). RevPAR is the combined effect of occupancy and average daily room rates. RevPAR for the first half of FY 2021-22 increased to $83.67 in December 2021, a 393.3% increase from December 2020 RevPAR of $16.96. As a result of stronger than expected summer travel in 2021, hotel tax revenue in FY 2020-21 closed higher than previously projected. Hotel tax revenues for FY 2021-22 were based on spring 2021 forecasts and data, and as a result of better than projected activity, our FY 2021-22 hotel tax revenues projections are increased. For the remainder of the fiscal year, we project RevPAR will continue to slowly improve to an average of $89.55, barring setbacks such as new coronavirus variants. Enplanements at the San Francisco

International Airport (SFO) have improved steadily since the onset of the pandemic, but total airport passengers at SFO are less than 40% of pre-pandemic levels, with international travel growing at a much slower rate than domestic travel. Because conventions drive up hotel room rates through compression pricing, the return of conferences and conventions will be a key factor in recovery of hotel tax revenues to prior levels. As conventions will be slower to recover, hotel tax is not expected to recover to pre-pandemic levels until calendar year 2026.

November 2018 Proposition E allocates 1.5% of the 14% hotel tax rate (or approximately 10.7% of total hotel tax revenue) to arts programming outside of the General Fund. Due to greater than budgeted hotel tax revenues, the allocation to arts programs is projected to be $14.2 million, or $4.3 million (43.4%) above budget and $9.7 million (214.1%) above the prior year of $4.5 million.

Table A1.1 Hotel Tax for the Arts, FY 2021-21 Budget versus Projected Allocations ($ millions)

	Budget	6-Month	Variance
Grants for the Arts	5.1	7.2	2.2
Arts Impact Endowment	0.8	1.1	0.3
Cultural Centers	1.2	1.7	0.5
Cultural Equity Endowment	2.0	2.8	0.9
Cultural Districts	0.9	1.3	0.4
Total	9.9	14.2	4.3

5. Utility Users Tax

Utility user tax revenue in FY 2021-22 is projected to be $84.4 million, $6.8 million (8.7%) above budget and $3.1 million (3.8%) above prior year actuals. Business activity is expected to increase from the prior year, as the City's economy continues to recover from the pandemic, resulting in higher utility consumption, particularly electricity and gas. In addition, year-to-date collections include a large, one-time audit correction of nearly $5.0 million to telephone users tax, for underpayment in the prior fiscal year. Residential utility consumers are exempt from the tax on electricity and gas consumption.

6. Parking Tax

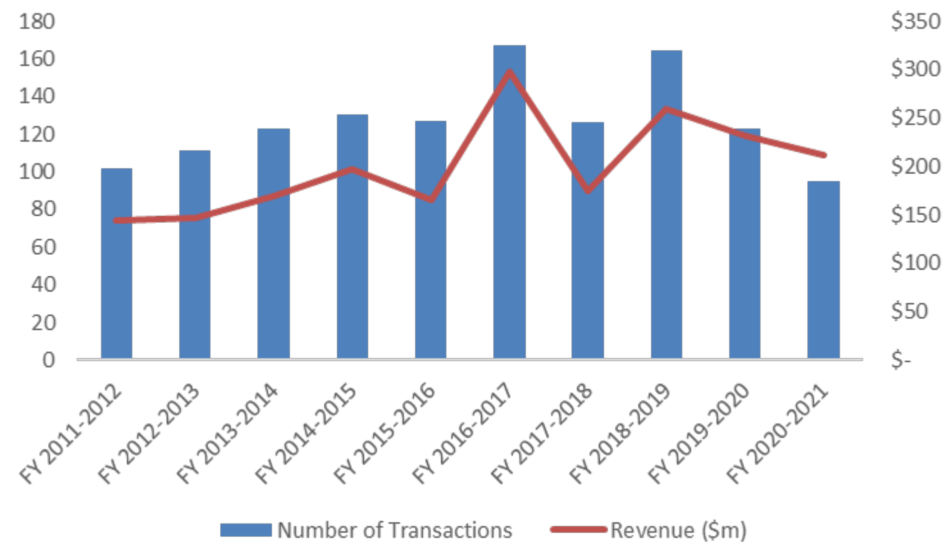
Parking tax revenue in FY 2021-22 is projected to be $66.9 million, which is $11.0 million (19.7%) above budget and $19.3 million (40.6%) above prior year actual. This projection reflects year to date collections through the first half of the year, which have increased compared to the prior year, although still below pre-pandemic levels due to fewer commuters and tourists visiting the City. 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 8A.105.

7. Real Property Transfer Tax

Real property transfer tax revenue in FY 2021-22 is projected to be $459.0 million, which is $108.8 million (31.1%) above budget and $114.3 million (33.2%) above prior year actual revenues. Despite a decrease in the number of large transactions since FY 2018-19, the total dollar value of transfer tax is increasing primarily due to the Proposition I rate change and to a handful of large, once-in-a-generation transfers in the first six months of this year. The effect of

Proposition I in FY 2021-22, which took effect in January 2021, is estimated to be $154.8 million in FY 2021-22, or approximately $123.8 million after baselines, an increase of $40.7 million since our last projection, or $32.6 million after baselines.

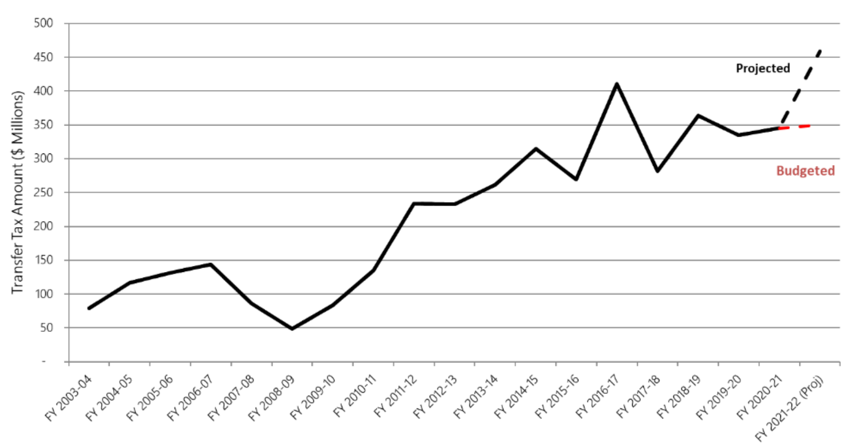
Transfer Tax Revenue and Number of Transfers Over $10 million, FY 2011-12 through FY 2020-21



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 flows, and the relative attractiveness of San Francisco real estate compared to other investment options. While the environment has been favorable for San Francisco commercial and residential real estate in recent years, the effect of increased telecommuting on office values is highly uncertain.

The tax is highly progressive and volatile, with a handful of high-value transactions generating a majority of the tax. For example, of the 9,890 total transactions that generated $334.0 million of revenue in FY 2020-21, the 36 largest (or 0.4% of total) generated $237.3 million (or 71% of total revenue). The graph below shows the volatility of this revenue over the past 15 years.

Real Property Transfer Tax, FY 2003-04 through FY 2021-22 (Projected) ($millions)



8. Cannabis Tax

In November 2021, the Mayor and Board of Supervisors delayed the imposition of the local cannabis excise tax from January 1, 2022 to January 1, 2023, therefore, the $4.4 million of revenue budgeted in FY 2021-22 will not be realized. Furthermore, in the first year the tax is imposed, the Treasurer-Tax Collector will not collect prepayments, which means the first collection of cash and recognition of revenue will occur in February 2023 or FY 2023-24.

9. Interest & Investment Income

Interest and investment revenues are projected to be $24.3 million, $11.9 million (32.9%) below budget and $7.3 million (23.1%) below prior year actual revenues. Projections reflect forecasted average earned income yield of 0.46% for the fiscal year. The Federal Reserve has maintained interest rates in the 0 to 25 basis point range in the first half of the fiscal year, resulting in continued declines in interest income. Although the Federal Reserve has signaled raising interest rates in March 2022, increases to earned income yields in the City's pooled funds will likely lag, as lower-yield investments expire and are replaced with higher-yield investments.

10. Intergovernmental Revenues - Federal

Federal revenues are projected to be $572.5 million, or $84.4 million (17.3%) above budget and $107.0 million (15.8%) below prior year actuals. The entire variance is driven by Federal Emergency Management Agency (FEMA) reimbursements of pandemic response costs.

The original FY 2021-22 budget assumed $49.5 million of FEMA reimbursement revenue. Given updated timelines upon which FEMA will obligate and remit funds for the entire declared disaster period, as well as the federal extension of that period through April 1, 2022, projections now assume $249.0 million of FEMA reimbursements in FY 2021-22, with remaining amounts expected in the upcoming two fiscal years. Using the Mayor's emergency authority, the City has appropriated FEMA revenue to support COVID expenditures during the course of the current year, including a total of $67.0 million to the Human Services Agency and Department of Homelessness and Supportive Housing for the SIP hotel program, $42.8 million for public safety overtime, and $5.4 million to extend the Right to Recovery program.

FY 2021-22 FEMA Revenue Budget Revisions ($ millions)

	5-Year Projection			6-Month Projection			
Original Budget	Revised Budget as of 5-Yr	5-Yr Projection	Surplus / (Shortfall)	Revised Budget as of 6-Mo	6-Mo Projection	Surplus / (Shortfall)	Change in Surplus
49.5	116.4	249.0	132.6	164.6	249.0	84.4	**(48.2)**

11. Intergovernmental Revenues – State

State grants and subventions are projected to total $907.5 million, $48.8 million (5.7%) above revised budget and $10.9 million (1.2%) above prior year actual, primarily due to state sales tax-based subventions performing better than anticipated due to strength in sales tax in the rest of

California relative to San Francisco. These subventions include Health & Welfare realignment, Public Safety realignment, and Public Safety sales tax.

12. Airport Transfer In

The Airport's annual service payment to the General Fund is projected to be $29.7 million, which is $6.7 million (39.1%) above budget and $14.7 million (98.6%) above prior year actuals. The San Francisco International Airport (SFO) transfers 15% of its annual concession revenue to the City's General Fund. This revenue is dependent upon lease agreements with concessionaires and passenger traffic. At the height of the COVID shutdown, in April 2020, enplanements at SFO decreased by 97% from the prior year. As of December 2021, enplanements have improved but are still 38.6% below 2019. Confidence in the safety of resuming travel, the state of the City's entertainment, restaurant, and retail sectors, and the course of the pandemic with new variants of concern drive the airport transfer in and hotel tax. Given the strong connection between these two revenues, the Controller's Office projects changes to the airport transfer-in using factors similar to the hotel tax projection and will work closely with the Airport to monitor passenger activity levels and to revise the forecast.

13. Commercial Rent Transfer In

The Commercial Rent Transfer In to the General Fund is projected to be $34.0 million, which is $1.2 million (3.7%) above budget and $36.0 million (51.4%) below prior year actuals. In June 2018, voters adopted a commercial rent tax to support early childcare and education. However, the City Controller did not release the funds until spring 2021, when the California Superior Court affirmed a lower court's ruling to uphold the tax. Pursuant to the measure, 15% percent of commercial rent tax revenue is transferred to the General Fund. Due to a slight projected increase in commercial rent tax from budget, the associated transfer-in to the General Fund is increased. Compared to the prior year, the transfer-in is decreased because in FY 2020-21, several years of commercial rent tax was recognized in one year.

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	49.3	49.3	-	-	-	
Superior Court	33.5	31.2	-	2.3	2.3	*1*
District Attorney	67.3	66.7	-	0.6	0.6	*2*
Emergency Management	64.3	64.6	-	(0.2)	(0.2)	*3*
Fire Department	419.4	438.5	(0.4)	(19.1)	(19.5)	*4*
Juvenile Probation	34.0	33.5	0.1	0.5	0.7	*5*
Public Defender	45.4	45.1	-	0.3	0.3	*6*
Police	577.8	585.8	-	(8.0)	(8.0)	*7*
Police Accountability	9.6	9.6	-	-	-	
Sheriff	259.2	260.9	(0.1)	(1.7)	(1.8)	*8*
Sheriff Accountability	2.0	1.0	-	1.0	1.0	*9*
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	86.2	86.1	(4.1)	0.1	(4.0)	*10*
Economic & Workforce Developme	109.5	100.0	(9.6)	9.6	-	*11*
Port	9.0	9.0	-	-	-	
Board of Appeals	1.1	1.1	(0.2)	-	(0.2)	*12*
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	30.0	30.0	-	-	-	
Human Services Agency	1,017.2	985.2	14.1	32.0	46.0	*13*
Human Rights Commission	18.4	18.4	-	-	-	
Homelessness and Supportive Hou	238.8	238.0	-	0.8	0.8	*14*
Status of Women	12.0	12.0	-	-	-	
COMMUNITY HEALTH						
Public Health	1,332.6	1,342.7	64.1	(10.1)	53.9	*15*
CULTURE & RECREATION						
Asian Art Museum	10.3	10.3	-	-	-	
Arts Commission	12.8	12.8	-	-	-	
Fine Arts Museum	20.0	20.0	-	-	-	
Law Library	2.0	2.0	-	0.1	0.1	*16*
Recreation and Park Department	119.0	117.0	(1.7)	2.0	0.3	*17*
Academy of Sciences	5.6	5.6	-	-	-	
War Memorial	9.5	9.5	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	150.2	145.3	(2.5)	4.9	2.4	*18*
Assessor/Recorder	28.5	28.5	0.5	-	0.5	*19*
Board of Supervisors	20.5	20.0	0.0	0.5	0.5	*20*
City Attorney	99.0	91.0	(7.0)	8.0	1.0	*21*
Controller	99.1	98.8	(0.1)	0.4	0.3	*22*
City Planning	50.7	46.5	(4.2)	4.2	-	*23*
Civil Service Commission	1.4	1.4	-	0.1	0.1	*24*
Ethics Commission	6.7	5.7	-	1.0	1.0	*25*
Human Resources	37.6	37.6	(0.8)	-	(0.8)	*26*
Health Service System	12.8	12.5	(0.2)	0.3	0.1	*27*
Mayor	140.4	140.3	-	0.1	0.1	*28*
Elections	35.8	35.8	-	-	-	
Technology	4.5	4.2	(0.5)	0.3	(0.2)	*29*
Treasurer/Tax Collector	40.2	40.0	(0.2)	0.2	-	*30*
Retirement System	2.8	2.8	-	-	-	
GENERAL CITY RESPONSIBILITY	233.9	233.9	0.6	-	0.6	*31*
TOTAL GENERAL FUND	5,560.1	5,530.2	47.9	29.9	77.8	

NOTES TO GENERAL FUND DEPARTMENT BUDGET PROJECTIONS

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

1. Superior Court

The Superior Court projects $2.3 million in expenditure savings in the Indigent Defense program due to the reduced level of criminal prosecutions as a result of COVID-19.

2. District Attorney

The District Attorney's Office projects to end the year with $0.6 million of expenditure savings in salary and mandatory fringe benefits due to vacant positions.

3. Department of Emergency Management

The Department of Emergency Management anticipates ending the year with a net shortfall of $0.2 million due to worker's compensation costs in excess of budget.

4. Fire Department

The Fire Department projects to end the fiscal year with an operating deficit of $19.5 million due to a $0.4 million shortfall in ambulance billing revenue and expenditure deficits of $14.6 million in overtime and $4.5 million in workers' compensation. A supplemental appropriation for the overtime overage is pending approval by the Board of Supervisors.

5. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with an operating surplus of $0.7 million, due to a revenue surplus of $0.1 million mainly from Title IV-E revenue and a $0.5 million expenditure surplus in services requested from other departments, non-personnel expenditures, and materials and supplies.

6. Public Defender

The Public Defender's Office projects to end the fiscal year with $0.3 million of salary savings.

7. Police

The Police Department projects to end the year with a net operating deficit of $8.0 million due to overtime incurred to address sworn staffing shortages in public safety programs including patrol. A supplemental for $8.0 million is pending approval by the Board of Supervisors.

8. Sheriff

The Sheriff's Department projects to end the fiscal year with an operating deficit of $1.8 million due to an expenditure deficit of $1.9 million in workers' compensation offset by personnel cost savings of $0.2 million due to new grant funding expected to be received mid-year. The department projects a revenue shortfall of $0.1 million in revenue from boarding of federal prisoners due to a falling inmate population.

9. Sheriff’s Department of Accountability

The Sheriff's Department of Accountability projects an operating surplus of $1.0 million due to expenditure savings from delays in commencing department operations.

10. Department of Public Works

The Department of Public Works projects to end the year with a net $4.0 million deficit. Revenues are projected to be $4.1 million below budget due to decreased fee revenues in the Bureau of Street Use and Mapping, partially offset by personnel cost savings of $0.1 million due to hiring delays.

11. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year on budget. A projected $9.6 million shortfall in developer exaction revenue will be offset by $9.6 million in expenditure savings in work order expenses related to developer exactions.

12. Board of Appeals

The Board of Appeals projects to have a net deficit of $0.2 million at year end due to lower than budgeted surcharge revenues as a result of hearing fewer appeals.

13. Human Services Agency

The Human Services Agency projects to end the year with a net surplus of $46.0 million, comprised of a $14.1 million revenue surplus and a $32.0 million expenditure savings, as shown in Table A2-2.

In aid payments, the department projects a net $4.9 million surplus, comprised of $14.3 million in expenditure savings, offset by a $9.4 million revenue deficit. The expenditure savings are primarily due to lower health and dental benefit enrollment in the In-Home Supportive Services (IHSS) Program, and lower than anticipated caseloads in County Adult Assistance Programs (CAAP), Foster Care, and Foster Care Child Care Assistance Programs. These savings are partially offset by higher caseload and cost per case, and the pass-through of Federal Pandemic Emergency Assistance payments in CalWORKs. Revenues in the IHSS, CAAP, CalWORKs, Foster Care, and Foster Care Child Care Assistance programs are tied to expenditures, therefore the revenue shortfall is due to lower claimable expenditures in these programs than assumed in the budget.

For the department’s operations and administration, a net $41.4 million surplus is projected, comprised of a $23.5 million revenue surplus and $17.7 million in expenditure savings. The revenue surplus is primarily due to higher than anticipated growth in state sales tax subventions in General Operations and Special Projects and Child Welfare, with the remaining surplus mainly due to increases in state and federal funding to support the implementation of new mandates in Aging and Adult Services ($3.1 million) and manage a steadily increasing caseload in CalFresh Eligibility, Employment & Training ($0.8 million). This is offset by projected revenue decreases in CalWORKs and Workforce Development ($2.0 million), CAAP ($0.8 million), Medi-Cal ($0.2 million), and other programs ($0.2 million), due to lower claimable expenditures than assumed in the budget. The projected expenditure savings is largely due to eligibility redetermination waivers granted during the pandemic to ensure continued access to services in Medi-Cal ($13.9 million), savings in the Human Services Care Fund due to Homeless Aid clients choosing to receive cash rather than services ($2.7 million), and other personnel and non-personnel savings largely resulting from the pandemic's continued impact on Agency operations. These expenditure savings are offset by additional spending in CalFresh Eligibility (food stamps), and Employment & Training ($5.2 million), and Aging and Adult Services ($2.0 million), in response to the needs of vulnerable populations more severely impacted by the pandemic, and additional state funded spending in General Operations & Special Projects ($0.4 million).

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

	Revenue Surplus/(Deficit)	Expenditure Surplus/(Deficit)	Net Surplus/(Deficit)
Aid Payments			
CalWORKs	2.8	(3.1)	(0.3)
County Adult Assistance Programs	(0.2)	4.6	4.5
Foster Care and Foster Care Child Care Assistance	(8.5)	9.3	0.9
In Home Supportive Services	(3.4)	3.0	(0.3)
All Other Aid Programs	(0.2)	0.4	0.2
Subtotal Aid Payments	(9.4)	14.3	4.9
Operations & Administration			
Aging & Adult Services	3.1	(2.0)	1.1
CalWORKs and Workforce Development	(2.0)	6.1	4.1
Child Welfare	10.7	2.4	13.1
County Adult Assistance Programs	(0.8)	2.7	1.9
Food Stamps Eligibility, Employment & Training	0.8	(5.2)	(4.4)
General Operations & Special Projects	12.0	(0.4)	11.6
Medi-Cal	(0.2)	13.9	13.7
All Other Programs	(0.2)	0.3	0.1
Subtotal Operations & Administration	23.5	17.7	41.1
Grand Total	14.1	32.0	46.0

14. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of approximately $0.8 million primarily due to $4.8 million in budgeted salary and mandatory fringe benefit savings offset by a $4.0 million shortfall in recoveries from the Our City Our Home fund due to staffing shortfalls.

15. Public Health

The Department of Public Health (DPH) projects to end the fiscal year with a net operating surplus of $53.9 million, as shown in Table A2-3. Overall department revenues are projected to be $64.0 million above budget, partially offset by the need for an additional $10.1 million in expenditure authority for COVID response across the department.

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

Fund	Sources Surplus/(Deficit)	Uses Surplus/(Deficit)	Net Surplus/(Deficit)
Public Health General Fund	18.7	2.6	21.3
Laguna Honda Hospital	6.7	9.2	15.9
Zuckerberg San Francisco General Hospital	38.7	(9.7)	29.0
COVID Expenditures		(12.2)	(12.2)
Total	**64.0**	**(10.1)**	**53.9**

Public Health General Fund

General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Population Health Division, and Public Health Administration, have a combined revenue surplus of $18.7 million. The department is projecting a surplus of $17.2 million in 1991 Realignment and $17.0 million in 2011 Behavioral Health Realignment due to stronger than projected sales tax revenues at the state level. In addition, Behavioral Health patient revenues are expected to be $11.4 million above budget. These are offset by a $14.5 million shortfall in San Francisco Health Plan City Option fees due to ongoing migration to Affordable Care Act marketplace plans, a $6.0 million shortfall in deactivated funds from the San Francisco Health Plan, a $2.4 million shortfall in patient revenues for Population Health clinics, $1.4 million in reduced Medi-Cal due to lower billing for Medi-Cal Administrative Activities, and a $1.5 million shortfall in environmental health fees due to lower than expected productivity during the pandemic.

An expenditure surplus of $2.6 million is due primarily to a projected savings of $5.4 million in savings from Behavioral Health contracted services offset by overages of approximately $3.1 million in personnel costs from accelerated hiring of key positions, including Behavioral Health staff.

Laguna Honda Hospital

The projected net surplus of $15.9 million at Laguna Honda Hospital includes a revenue surplus of $6.7 million due to an increase in Medi-Cal Skilled Nursing Facility (SNF) per diem rates and a $9.2 million expenditure surplus driven by $6.9 million savings in salary and fringe benefits and $3.1 million in material and supplies.

Zuckerberg San Francisco General Hospital

DPH projects a $29.0 million net surplus at Zuckerberg San Francisco General Hospital (ZSFG). The $38.7 million revenue surplus includes is $14.8 million in 1991 Realignment revenues due to stronger than projected sales tax revenues at the state level. In addition, ZSFG projects a $12.0 million surplus in patient revenues comprised of a $27.7 million surplus in Medicare, offset by a potential $15.8 million prior year settlement due to an audit issue related to FQHC payment reconciliation. In addition, Medi-Cal waiver programs are projected to be $29.4 million higher than budget due to increased revenues under the Global Payment Program ($16.1 million), Medi-Cal Graduate Medical Education program ($3.4 million), the 340b shared savings program ($3.8 million), and the Quality Incentive Program ($6.2 million). These increases are offset by an $8.4 million shortfall in capitation revenue due to an increase in out of network costs. The department expects to deposit $9.2 million of surplus revenues into its management reserve to buffer against future fluctuations.

Expenditures are projected to be $9.7 million over budget due to a $3.2 million overage in personnel costs due to increased staffing and backfill needs due to COVID-19, $1.8 million due to increases in non-personnel costs, and $4.7 million shortfall in interdepartmental workorders including $3.2 million in Workers Compensation Costs, $0.3 million with the Public Utilities Commission, $0.6 million for Controller's Office Systems Support, and $0.6 million for City Attorney.

16. Law Library

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

17. Recreation and Parks Department

The department projects a net $0.3 million General Fund surplus, comprised of a revenue shortfall of $1.7 million in recreation program revenue arising from lower attendance due to the pandemic offset by $2.0 million in salary and benefit savings from hiring delays.

18. City Administrator

The City Administrator projects to end the year with a net General Fund operating surplus of $2.4 million. A projected revenue shortfall of $2.5 million is comprised of $1.1 million in reduced recoveries for the Office of the Chief Medical Examiner, the Office of Contract Administration, and the Office of Labor Standards Enforcement. The department projects a $1.4 million shortfall in charges for services revenues such as county clerk and marriage fees ($0.9 million) and Office of Cannabis licenses and permits ($0.5 million). The department projects $4.9 million salary and fringe benefit cost savings due to vacancies, higher than projected separations and retirements, and slowed hiring.

19. Assessor Recorder

The Assessor Recorder projects a surplus of $0.5 million due to strong recorded document revenue.

20. Board of Supervisors

The Board of Supervisors projects a net $0.5 million surplus due to savings in salary and fringe benefits and a small surplus in assessment appeals fee revenue.

21. City Attorney

The City Attorney's Office projects to end the fiscal year with an operating surplus of $1.0 million due to an expenditure surplus of $8.0 million from vacancies and unspent carryforward budget in non-personnel services offset by $7.0 million shortfall in recoveries for legal services provided to other departments.

22. Controller

The Controller's Office projects to end the year with a net surplus of $0.3 million, due to $0.4 million in salary and mandatory fringe benefit savings from vacant positions, slightly offset by

$0.1 million lower revenue than budget from the Office of Community Investment and Infrastructure.

23. City Planning

City Planning projects to end the year on budget given a revenue deficit of $4.2 million offset by a like amount of expenditure savings. The revenue shortfall includes $2.2 million less than budget in building permit revenue; $0.75 million less in new construction building permits; $1.6 million less in exemption fees; $1.1 million less in other short range planning fees; slightly offset by $2.2 million more fee revenue from environmental review and $0.5 million less in application refunds. An additional $0.3 million shortfall in recoveries from various departments, including the Airport and the Port, is projected due to delays in environmental review projects and resiliency work. Offsetting expenditure savings include $3.6 million in salary and mandatory fringe benefits and $0.6 million in non-personnel services savings and materials and supplies.

24. Civil Service Commission

The Civil Service Commission projects $0.1 million in salary and mandatory fringe benefits cost savings due to hiring delays.

25. Ethics

The Ethics Department projects $1.0 million in salary and mandatory fringe benefits cost savings due to delays in filling vacant positions.

26. Human Resources

The Department of Human Resources projects a net shortfall of $0.8 million in recoveries from other departments. Expenditures are projected to be on budget.

27. Health Service System

The Health Service System anticipates a surplus of $0.1 million, comprised of a shortfall of $0.2 million in recoveries from other departments, offset by $0.3 million in expenditure savings primarily in personnel savings.

28. Mayor

The Mayor's Office projects a $0.1 million surplus from salary and fringe savings resulting from hiring delays.

29. Department of Technology

The Department of Technology projects to end the year with a $0.2 million shortfall. The department projects under recovery of interdepartmental services of $0.5 million in order to meet a higher need for virtual public meetings than anticipated in the budget, partially offset by $0.3 million in expenditure savings in non-personnel services and materials and supplies. The Department is working with the Controller's and Mayor's Offices to reduce the shortfall and will update in the next quarterly report.

30. Treasurer/Tax Collector

The Treasurer/Tax Collector projects to be on budget. A revenue shortfall of $0.2 million due to property tax penalty waivers and an extension of registration deadlines is offset by expected savings of $0.2 million in non-personnel services.

31. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. The department is projected remain on budget. A net revenue surplus of $0.6 million is projected, comprised of $0.9 million in unbudgeted SB 90 state mandate reimbursements and $1.2 million AB 1869 revenue backfill for criminal fees and fines eliminated by the state legislature, partially offset by a $0.4 million shortfall in traffic fines and $1.1 million shortfall in payments in lieu of taxes received via the redevelopment successor agency (OCII). A net expenditure shortfall of $0.6 million includes a $5.0 million estimated required increase to litigation reserves largely offset by $4.4 million of retiree health subsidy savings. At this time, $38.4 million of budget for CBO inflationary cost increases is unspent, as the Mayor’s Office is currently working with departments to identify amounts needed. 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 anticipated deposits and withdrawals.

Table A3-1. Reserve Balances ($ millions)

Note: Figures may not sum due to rounding.

	FY 2020-21	FY 2021-22			FY 2022-23			
	Ending Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Note
General Reserve	$ 78.3	3.1	(9.4)	$ 72.1	34.6	-	$ 106.6	1
Rainy Day Economic Stabilization City Reserve	114.5	-	(0.0)	114.5	-	-	114.5	2
Budget Stabilization Reserve	265.8	-	-	265.8	-	-	265.8	3
Economic Stabilization Reserves	380.3	-	(0.0)	380.3	-	-	380.3	
Percent of General Fund Revenues	*6.7%*			*6.5%*			*6.2%*	
Rainy Day Economic Stabilization SFUSD Reserve	1.0	-	-	1.0	-	-	1.0	2
Budget Stabilization Reserve - One Time Reserve	54.8	-	-	54.8	-	-	54.8	3
COVID Response and Economic Loss Reserve	113.5	-	(99.5)	14.0	-	(14.0)	-	4
Federal and State Emergency Grant Disallowance Reserve	100.0	-	(18.7)	81.3	-	-	81.3	5
Fiscal Cliff Reserve	293.9		(64.2)	229.8			229.8	6
Business Tax Stabilization Reserve	149.0	-	(149.0)	-	-	-	-	7
Gross Receipts Tax Prepayment Reserve	26.0	-	(26.0)	-	-	-	-	
Public Health Management Reserve	104.1	9.2	-	113.3	-	-	113.3	8
Free City College Reserve	6.3	-	(1.0)	5.3	-	-	5.3	
Mission Bay Transportation Improvement Fund	1.0	-	-	1.0	-	-	1.0	
Urgent Needs Reserve	6.5	-	(6.5)	0.0	-	-	0.0	
Hotel Tax Loss Contingency Reserve	6.0	2.5	(5.0)	3.5	-	-	3.5	
Other Reserves	862.2	11.7	(369.9)	504.0	-	(14.0)	490.0	
Litigation Reserve	-	10.8	(10.8)	-	11.0	(11.0)	-	
Technical Adjustments Reserve	-	2.5	(2.5)	-	2.5	(2.5)	-	
Salary and Benefits Reserve	5.1	42.3	(47.4)	-	43.7	(43.7)	-	9
Annual Operating Reserves	5.1	55.6	(60.7)	-	57.2	(57.2)	-	
TOTAL, General Fund Reserves	1,325.9	70.4	(439.9)	956.4	91.8	(71.2)	977.0	

1. General Reserve

Pursuant to a financial policy approved by the Board of Supervisors in 2011 and codified in Administrative Code Section 10.60(b), year-end balances in the General Reserve are carried forward into subsequent years and thereby reduce the amount of future appropriations required to support reserve requirements established by the policy. Due to the public health emergency and its economic impacts, the General Reserve balance in FY 2021-22 is required to be no less than 1.5% of budgeted regular General Fund revenues.

The FY 2020-21 ending balance of the General Reserve was $78.3 million, and the FY 2021-22 approved budget includes a $3.1 million deposit. Any uses of the reserve during the current year will increase the required FY 2021-22 deposit by a like amount. There are currently $9.4

million approved uses of the General Reserve, supporting two mid-year appropriations: $2.5 million for paramedic staffing at the Fire Department and $6.9 million for unforeseen special elections. Two additional ordinances to use $23.2 million of General Reserve have been proposed, including $22.5 million for public safety personnel costs and $0.7 million for free parking at Portsmouth Square Garage.

2. 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.

The FY 2020-21 ending balance of the City Rainy Day Economic Stabilization Reserve was $114.5 million and of the School Rainy Day Reserve is $1.0 million. In FY 2021-22, there is no anticipated withdrawal of the City Rainy Day Reserve or the School Rainy Day Reserve.

3. Budget Stabilization Reserve

Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above the fund balance appropriated as a source in the subsequent year's budget.

The FY 2020-21 ending balance of the Budget Stabilization Reserve was $265.8 million and the Budget Stabilization One Time Reserve was $54.8 million. When the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reaches 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses.

No withdrawals are anticipated from the Budget Stabilization Reserve or the Budget Stabilization One Time Reserve.

4. COVID Response and Economic Loss Reserve

Section 32 of the administrative provisions of the FY 2020-21 and FY 2021-22 Annual Appropriations Ordinance established a COVID Response and Economic Loss Reserve by consolidating the balances of seven existing reserves into a single $507.4 million reserve. The FY 2021-22 and FY 2022-23 budget appropriated withdrawals of $99.5 million and $14.0 million in each of the respective budget years and reassigned $100.0 million of the remaining balance to the Federal and State Emergency Grant Disallowance Reserve and $293.9 million to the Fiscal Cliff Reserve as detailed below.

5. Federal and State Emergency Grant Disallowance Reserve

Section 32 of the administrative provisions of the FY 2021-22 and FY 2022-23 Annual Appropriations Ordinance established a Federal and State Emergency Grant Disallowance Reserve of $100.0 million for the purpose of managing revenue shortfalls related to reimbursement disallowances from the Federal Emergency Management Agency (FEMA) and other state and federal agencies. This reserve is comprised of a portion of the remaining balance of the COVID-19 Response and Economic Loss Contingency Reserve, and $18.7 million of it was used to support the FY 2021-22 budget.

6. Fiscal Cliff Reserve

Section 32.1 of the administrative provisions of the FY 2021-22 and FY 2022-23 Annual Appropriations Ordinance established a Fiscal Cliff Reserve of $293.9 million for the purpose of managing projected budget shortfalls following the spend down of federal and state stimulus funds and other one-time sources used to balance the FY 2021-22 and FY 2022-23 budget. This reserve is comprised of the balance of the COVID-19 Response and Economic Loss Contingency Reserve (COVID Reserve) remaining after funding the Federal and State Emergency Grant Disallowance Reserve in Section 32 and accounting for the use of the COVID Reserve in the FY 2021-22 and FY 2022-23 budget.

7. Business Tax Stabilization Reserve

The FY 2020-21 and FY 2021-22 budget established and used a Business Tax Stabilization Reserve of $149.0 million to equalize the benefit of one-time sources enabled by the passage of November 2020 Proposition F (Business Tax Overhaul). The entire reserve balance was appropriated as a source in the current year budget.

8. Public Health Revenue Management Reserve

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with funding allocations for indigent health services in order to manage revenue volatility. At its December 7, 2021, meeting, the San Francisco Health Commission affirmed the department's methodology for calculating the maximum reserve level at 5% of total Medi-Cal, Medicare, and net patient revenue in the most recent adopted two-year budget. The $64.0 million revenue surplus reported for DPH in Table A2-1 above assumes a $9.2 million deposit to the reserve in FY 2021-22, based on current revenue projections, and would result in an ending balance of $113.5 million.

9. Salary and Benefits Reserve

Section 10.4 of the administrative provisions of the AAO authorizes the Controller to transfer funds from the Salary and Benefits Reserve to adjust appropriations for employee salaries and benefits stipulated in Board-adopted collective bargaining agreements. The reserve had a fiscal year starting balance of $47.4 million, including $5.1 million remaining from FY 2020-21 and $42.3 million appropriated in the FY 2021-22 budget. The Controller's Office has transferred $1.4 million to departments and anticipates transferring an additional $32.0 million by year end, as detailed in Table A3-2.

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

Sources	
FY 2021-22 Adopted Budget	42.3
Carryforward balance from FY 2020-21	5.1
Total Sources	47.4
Uses	
Transfers to Departments	
Police Training + Recruitment	0.5
Healthy Workers, VDT + Other	1.0
Total Transfers to Departments	1.4
Anticipated Allocations	
Fire Excess Retirement, Payouts, Premiums	19.5
Police Excess Retirement, Payouts	7.5
All Other (Healthy Workers, tuition, retirements)	5.0
Total Anticipated Allocations	32.0
Total Anticipated Uses in the Current Year	33.4
Anticipated Uses in the Budget Year	14.0
Net Surplus / (Shortfall)	-

Appendix 4. Other Funds Highlights

Table A4-1. Other Fund Highlights ($ millions)

Note: Figures may not sum due to rounding.

	Prior Year		FY 2021-22					FY 2022-23	
	FY 2020-21 Year End Fund Balance	Fund Balance Used in FY 2021-22 Budget	Beginning Fund Balance	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	Fund Balance Used in FY 2022-23 Budget	*Notes*
SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS									
Building Inspection Operating Fund	$ 2.3	$ 10.9	**$ (8.5)**	$ 3.3	$ 2.4	$ 5.7	**$ (2.8)**	$ 12.2	*1*
Children and Youth Fund	12.1	4.0	**8.0**	4.9	1.1	5.9	**14.0**	5.8	*2*
Public Education Early Care Fund (OECE)	1.5	-	**1.5**	1.9	-	1.9	**3.4**	-	*3*
Public Education Special Fund (SFUSD)	19.3	14.7	**4.6**	3.7	-	3.7	**8.4**	-	*4*
Convention Facilities Fund	8.1	-	**8.1**	(6.8)	4.3	(2.4)	**5.7**	-	*5*
Golf Fund	8.4	3.6	**4.8**	(0.9)	1.0	-	**4.8**	2.5	*6*
Marina Fund	(4.2)	-	**(4.2)**	(0.2)	0.3	0.1	**(4.1)**		*7*
Library Preservation Fund	37.7	5.5	**32.2**	7.1	6.4	13.5	**45.8**	-	*8*
Open Space Fund	35.0	9.3	**25.7**	3.1	2.2	5.3	**31.0**	1.9	*9*
Telecomm. & Information Systems Fund	8.7	3.4	**5.3**	(11.8)	13.7	1.9	**7.2**	2.0	*10*
General Services Agency-Central Shops Fund	1.8	-	**1.8**	(2.2)	2.2	-	**1.8**	-	
General Services Agency-Reprographics Fund	1.5	-	**1.5**	(0.2)	0.2	-	**1.5**	-	
Arts Commission Street Artist Fund	0.1	-	**0.1**	-	-	-	**0.1**	-	*11*
War Memorial Fund	3.7	0.8	**3.0**	-	0.6	0.6	**3.6**	-	*12*
Election Campaign Fund	4.2	-	**4.2**	-	(1.3)	(1.3)	**2.9**	0.4	*13*
Gas Tax Fund	5.7	3.0	**2.7**	(1.4)	1.4	-	**2.7**	2.4	*14*
Neighborhood Beautification Fund	-0.2	-	**(0.2)**	-	-	-	**(0.2)**	-	*15*
Traffic Congestion Mitigation Fund (TNC Tax)	-	-	**(0.0)**	3.5	-	3.5	**3.5**	-	*16*
Culture and Recreation Hotel Tax Fund	-	-	**-**	4.3	-	4.3	**4.3**	-	*17*
Children and Families Commission	13.4	2.3	**11.1**	-	5.3	5.3	**16.4**	2.3	*18*
Street Tree Maintenance Fund	2.1	-	**2.1**	0.9	-	0.9	**3.0**	2.3	*19*
Public Works Overhead Fund	17.3	6.1	**11.2**	(3.3)	8.3	5.0	**16.2**	4.0	*20*
Public Works Paid Time Off Fund	2.2	0.7	**1.6**	(0.3)	0.5	0.2	**1.8**	0.7	*21*
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	107.4	103.5	**3.9**	(31.9)	-	(31.9)	**(28.0)**	-	22
Babies and Families First Fund (Commercial Rents Tax)	110.2	-	**110.2**	8.2	-	8.2	**118.4**	-	23
Real Estate Fund	7.6	0.9	**6.7**	(1.9)	1.9	-	**6.7**	-	*24*
Museum Admissions Fund	(0.5)	-	**(0.5)**	(0.1)	-	(0.1)	**(0.6)**	-	*25*
SELECT ENTERPRISE FUNDS									
Airport Operating Funds	$ 298.0	$ -	**$ 298.0**	$ (16.3)	$ 73.5	$ 57.2	**355.2**	$ 62.0	*26*
MTA Operating Funds	219.4	68.7	**150.7**	35.9	59.4	95.3	**246.0**	14.4	*27*
Port Operating Funds	50.6	-	**50.6**	12.2	3.9	16.1	**66.7**	-	*28*
PUC Hetch Hetchy Operating Funds	88.8	7.1	**81.8**	3.8	4.9	8.7	**90.5**	7.7	*29*
PUC Wastewater Operating Funds	174.1	9.6	**164.5**	(27.0)	2.7	(24.3)	**140.2**	13.0	*30*
PUC Water Operating Funds	186.1	22.0	**164.1**	(32.9)	2.5	(30.4)	**133.7**	27.1	*31*
PUC Clean Power Funds	41.5	-	**41.5**	(0.3)	4.8	4.5	**46.0**	2.5	*32*

SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

1. Building Inspection Fund

The Building Inspection Fund began FY 2021-22 with an abnormal balance of $8.5 million. The department projects a revenue surplus of $3.3 million and expenditure savings of $2.4 million, for a net projected operating surplus of $5.7 million. Projected revenue surpluses include $4.2 million in plan check, building, electrical and plumbing permit fees, offset by $1.5 million less in interest earned. Expenditure savings include $1.0 million from salary and mandatory fringe benefit due to open positions, $0.7 million in expected savings in overhead, and $0.7 projected savings in professional services and community base organization services.

2. Children and Youth Fund

The Children's Fund has a beginning fund balance of $8.0 million. It is projected to have a revenue surplus of $4.9 million due primarily to projected increases in property tax, and an expenditure surplus of $1.1 million due to delays in moving costs, resulting in a net operating surplus of $5.9 million, and an ending fund balance of $14.0 million, of which $5.8 million was used the previously adopted FY 2022-23 budget.

3. Public Education Early Care Fund (OECE)

The Public Education Early Care Fund began the year with a beginning fund balance of $1.5 million. Revenues are expected to be $1.9 million above budget, reflecting projected increases in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund, resulting in a $3.4 million projected ending balance.

4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of $4.6 million. Revenues are expected to be $3.7 million above budget, reflecting projected increases in General Fund ADR which increase the General Fund transfer to this fund, resulting in a $8.4 million projected ending balance.

5. Convention Facilities Fund

The Convention Facilities Fund began with a balance of $8.1 million. A net operating deficit of $2.4 million is projected due to cancellations and delays of conventions and shows (revenue shortfall of $6.8 million partially offset by expenditure savings of $4.3 million) as a result of the continued impacts of COVID-19. Events that have taken place are smaller in scale, with fewer attendees and vendors. Because revenues from hotels are projected to be greater than anticipated in the budget, the Moscone Expansion District fund is projected to have a revenue surplus of $3.2 million, all of which must be used to replenish the fund’s required reserves, resulting in no net operating surplus or deficit. As a result, ending fund balance in this larger fund is projected to be $5.7 million.

6. Golf Fund

The Golf Fund began with a balance of $4.8 million, net of $3.6 million of fund balance appropriated in the current year. The Recreation and Parks Department projects a revenue shortfall of $0.9 million in golf fees offset by expenditure savings of $1.0 million, leaving the ending balance of the fund essentially unchanged.

7. Marina Fund

The Marina Fund began with an abnormal balance of $4.2 million. The Recreation and Parks Department projects a revenue shortfall of $0.2 million primarily in berth and mooring fees due to a decline in occupancy of the East Harbor, boat abandonment, and non-payment of fees offset by expenditure savings of $0.3 million. As a result, we project an abnormal ending balance of $4.1 million.

8. Library Preservation Fund

The Library Preservation Fund began with a balance of $32.2 million. The Library projects a net revenue surplus of $7.1 million, due to increased General Fund support resulting from higher ADR and property tax allocations than budgeted. The Department projects expenditure savings of $9.1 million largely in salaries and fringe benefits costs, services from other departments and materials and supplies, offset by the General Fund baseline return of $2.7 million. The resulting net operating surplus of $13.5 million results in a projected ending balance of $45.8 million.

9. Open Space Fund

The Open Space Fund began the fiscal year with $25.7 million in available fund balance. The Recreation and Parks Department projects a revenue surplus of $3.1 million due to projected increases in property tax allocations, and salary and benefit cost savings of $2.2 million, for an operating surplus of $5.3 million and ending fund balance of $31.0 million, of which, $1.9 million was used to balance the previously adopted FY 2022-23 budget.

10. Telecommunications & Information Services Fund

The Telecommunication & Information Services Fund began the year with a balance of $5.3 million. A net operating surplus of $1.9 million is projected in the current year, comprised of an $11.8 million shortfall in interdepartmental service recoveries, offset by $13.7 million in savings in labor costs, slightly offset by increased non-personnel spending. The fund is projected to end the year with a balance of $7.2 million.

11. 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 end the year on budget with no net operating surplus or shortfall and no change in ending balance.

12. War Memorial Fund

The War Memorial Fund began the fiscal year with $3.0 million in fund balance, net of $0.8 million of fund balance appropriated in the current year. The Department projects $0.6 million in salary and fringe benefit savings in its operating fund, resulting in an ending balance of $3.6 million, of which $0.8 million has been budgeted in the approved FY 2022-23 budget.

13. Election Campaign Fund

The Election Campaign Fund began the fiscal year with $4.2 million in fund balance and projects to end the fiscal year with a balance of $2.9 million, given $1.3 million in projected current year expenditures for the November 2022 election.

14. Gas Tax Fund

The Gas Tax Fund began the fiscal year with $2.7 million in fund balance, net of $3.0 million of fund balance appropriated in the current year. The department projects to be on budget given $1.4 million in expenditure savings in salary, fringe benefit, and overhead, which are offset by a $1.4 million shortfall in state subvention revenue due to pandemic-induced reductions in gasoline tax revenue. The fund projects to end the fiscal year with $2.7 million in fund balance, of which $2.4 million has been appropriated in the approved FY 2022-23 budget.

15. Neighborhood Beautification Fund

The Neighborhood Beautification Fund began the fiscal year with an abnormal balance of $0.2 million. No net operating surplus or shortfall or change in fund balance is projected.

16. Traffic Congestion Mitigation Fund (Transportation Network Companies Tax)

The Traffic Congestion Mitigation Fund began the fiscal year with a minor negative fund balance. All prior year collections have been allocated to the San Francisco Municipal Transportation Agency (MTA) and the San Francisco County Transportation Authority (SFCTA). Transportation Network Company (TNC) Tax revenues in the current year are projected to be $12.1 million, which is $3.5 million above budget of due to relaxation of COVID pandemic protocols and increased mobility and activity. The fund is projected allocate up to budget to the SFCTA and the SFMTA, resulting in a $3.5 million projected ending balance.

17. Culture and Recreation Hotel Tax Fund

Due to better performance than budgeted in hotel tax revenue as described in Appendix 1 of this report, the Culture and Recreation Hotel Tax Fund is expected to have a revenue surplus of $4.3 million, resulting in a fund balance of $4.3 million in this fund.

18. Children and Families Commission

The Children and Families Commission began with a balance of $11.1 million, net of $2.3 million appropriated in the current year. Revenues are projected to be on budget. Total expenditure savings of $5.3 million are projected given $2.0 million in personnel savings from vacancies, $2.5 million spending below budget for grants to community organizations based on delayed program implementation, and $0.9 million spending below budget for services from other departments. The department projects to end the year with $16.4 million in fund balance, of which $2.3 million is spent in the previously approved Fiscal Year 2022-23 budget.

19. Public Works – Street Tree Maintenance Fund

The Street Tree Maintenance Fund began the fiscal year with a fund balance of $2.1 million. The Department projects a net operating surplus of $0.9 million, reflecting projected increases in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund, resulting in an ending balance of $3.0 million. The previously approved FY 2022-23 budget used $2.3 million of fund balance.

20. Public Works – Overhead Fund

The Overhead Fund began the fiscal year with a fund balance of $11.2 million, net of $6.1 million of fund balance appropriated in the current year. The Department projects an operating surplus of $5.0 million, from personnel and operating cost expenditures for administration $8.3 million below budget offset by an overhead recovery deficit of $3.3 million, resulting in an ending balance of $16.2 million. The approved FY 2022-23 budget spent $4.0 million of fund balance.

21. Public Works – Paid Time-Off Fund

The Paid Time-Off Fund began the fiscal year with a fund balance of $1.6 million, net of $0.7 million of fund balance appropriated in the current year. The Department projects an operating surplus of $0.2 million, from overhead recoveries below budget by $0.3 million offset by an expenditure surplus of $0.5 million in salary and fringe benefits from time off taken by employees, resulting in an ending balance of $1.8 million. The approved FY 2022-23 budget spent $0.7 million of fund balance.

22. Our City, Our Home Fund (Homelessness Gross Receipts and Homelessness Administrative Office Taxes)

The Our City, Our Home Fund began the fiscal year with a fund balance of $3.9 million. A shortfall in homelessness gross receipts tax revenue of $31.9 million is anticipated, resulting in an ending balance of negative $28.0 million. The Controller's Office will work with the Department of Public Health and the Department of Homelessness and Supportive Housing to identify current year expenditure savings to offset the revenue shortfall.

23. Babies and Families First Fund (Early Care and Education Commercial Rent Tax)

The Babies and Families First Fund began the fiscal year with a fund balance of $110.2 million. Commercial rent tax is projected to be $8.2 million above budget, resulting in an ending balance of $118.4 million.

24. Real Estate Fund

The Real Estate Fund began the fiscal year with $6.7 million in fund balance, net of $0.9 million of fund balance appropriated in the current year. A shortfall of $1.9 million in property rental revenues will be offset by expenditure savings due to COVID impacts on service demands.

25. Museum Admissions Fund

The Museum Admissions fund began the year with a negative balance of $0.5 million. Both the Asian Art Museum and the Fine Arts Museums have budgeted revenue and expenditures in this fund. A projected revenue shortfall of $0.1 million from weakness in museum admissions is projected, increasing the abnormal balance to $0.6 million. The Controller's Office will work with departments at year end close to address the abnormal balance.

SELECT ENTERPRISE FUNDS

26. Airport Operating Fund

The Airport began the fiscal year with $298.0 million in available fund balance, net of a less than $0.1 million of fund balance appropriated in the current year. The department projects a net operating surplus of $57.2 million comprised of a projected revenue deficit of $16.3 million and expenditure savings of $73.5 million.

The department's revenue shortfall is due to a $161.3 million lower than budgeted need for transfers in to the Airport's operating fund from deferred aviation revenues, PFC revenues, and/or fund balance. The department projects revenue surpluses in rents and concessions of $61.5 million due to stronger parking, groundside, food and beverage, retail, automobile rentals, and other concession sales as a result of an increase in passengers, visitor spending, taxi and TNC trips, and parking activity. The department projects to have a surplus of $15.4 million in aviation revenues due to higher landing fees offset by lower terminal rental revenues as a result of improving levels of passengers and cargo. The department projects an additional $6.3 million in other revenues from greater Airtrain activity, sales of electricity and water, fees, licenses, and permits. Earned interest revenue is estimated to be $1.3 million above budget due to better than projected market conditions. Recoveries from services provided to other departments are projected to be $0.8 million greater than budget.

The department's net expenditure savings are driven by a projected $39.5 million in labor savings due to higher vacancies and a hiring freeze. The department also projects savings of $14.2 million in non-personnel costs as a result of delays in invoice processing and initialization of contracts. Materials and supplies are projected to have savings of $6.7 million due to delays in setting up purchase orders, primarily in Airport Facilities. Capital outlay is estimated to have a savings of $4.3 million due to delivery and manufacturing delays.

The department is projected to end the fiscal year with a balance of $355.2 million.

27. Municipal Transportation Agency (MTA) Operating Funds

The Municipal Transportation Agency (MTA) began the fiscal year with $150.7 million in available fund balance, and projects a net operating surplus of $95.6 million, comprised of a projected revenue surplus of $35.9 million and expenditure savings of $59.4 million.

The MTA's revenue surplus is driven by an increase from budget of federal relief monies of $298.0 million, including the draw-down of Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSSA) and American Rescue Plan Act (ARP) funds. Additionally, transfers from the General Fund are expected to be higher than budgeted by $19.8 million, due to increases in projected aggregate discretionary revenue (ADR) in the General Fund. These large positive variances are partially offset by weakness in projected transit fares of $130.2 million, operating grants of $25.1 million less than budget, and projected parking and traffic fees and fine revenue of $76.0 million less than budget. The MTA also assumes it will not need to use $44.4 million of fund balance that it had previously assumed in its budget to balance in the current year.

The Agency projects $59.4 million in expenditure savings, comprised of $55.2 million in reduced personnel costs net of overhead allocations from slower hiring and $4.2 million rent and building savings from facilities rentals. Its operating funds are projected to end the fiscal year with a balance of $246.0 million.

28. Port Operating Funds

The Port began the fiscal year with $50.6 million in available operating fund balance. The department projects a current year net operating surplus of $16.1 million, comprised of a revenue surplus of $12.2 million from higher-than-budgeted rent and net expenditure savings of $3.9 million from vacancies and savings on contracts.

Port operating funds are projected to end the fiscal year with a balance of $66.7 million.

Public Utilities Commission

The Public Utilities Commission (PUC) projects net operating surpluses for the Hetch Hetchy Operating Fund and Clean Power Fund and net operating deficits in Wastewater Operations Fund and Water Operating Fund.

29. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Fund began the fiscal year with $81.8 million in available operating fund balance. The Fund is projected to end the year with a net operating surplus of $8.7 million due to a $3.8 million revenue surplus and $4.9 million in expenditure savings. The net revenue increase is due to greater-than-budgeted wholesale sales revenue given higher than budgeted power prices, including an increase of $6.8 million in sales to the California Independent System Operator (CAISO). Retail sales are projected to be $0.1 million less than budget due to lower than budgeted volume, including $1.2 million in from state COVID-19 utility debt forgiveness program grants. Other revenue shortfalls include $4.5 million in gas and steam work orders from City departments and $2.4 million in interest earnings. Unanticipated water sales of $2.4 million to Lawrence Livermore National Labs have offset some noted revenue shortfalls. Expenditure savings include $4.5 million less than budgeted for natural gas and steam due to lower usage, and a savings of $0.4 million in power purchase, transmission distribution and related charges is the net of a combination of a slight increase in purchased power and increased prices, $2.1 million in payments to PG&E for unmetered loading to start in February, offset by a $4.0 million power purchase contingency budget.

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of $90.5 million.

30. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with $164.5 million in available operating fund balance. The Fund is projected to end the year with a net operating deficit of $24.3 million due to a revenue deficit of $27.0 million, comprised of $24.5 million less in sewer service charges and $2.2 million less than budgeted interest income. Expenditure savings of $2.7 million are projected in personnel savings, due to position vacancies.

The Fund is projected to end the fiscal year with a balance of $140.2 million.

31. Public Utilities Commission – Water Operating Fund

The Water Operations Fund began the fiscal year with $164.1 million in available operating fund balance net of the $22.0 million appropriated to support the FY 2021-22 budget. The Fund is projected to end the fiscal year with a net operating deficit of $30.4 million, comprised of a revenue deficit of $32.9 million, partially offset by $2.5 million in expenditure savings. The revenue shortfall is comprised by $9.9 million in reduced retail water sales and $18.8 million less than budgeted wholesale water sales. The department also projects $1.7 million less than budgeted interest income. Expenditures are largely projected on budget, with the exception of $2.5 million savings in salary and mandatory fringe benefits due to position vacancies.

The Fund is projected to end the fiscal year with a balance of $133.7 million.

32. Public Utilities Commission – Clean Power Fund

The Clean Power Fund began the fiscal year with a balance of $41.5 million. CleanPowerSF is projected to end the fiscal year with a net operating surplus of $4.5 million. The Fund is projected to have a revenue deficit of $0.3 million due to $1.6 million lower than budgeted green product sales, offset by $2.0 million in increased Super Green product sales electric sales. Interest income is projected to be $0.7 million less than budgeted. Expenditure savings of $4.8 million are projected, primarily due to personnel savings of $3.6 million due to position vacancies and $1.2 million less spending than budgeted for power purchases.

The Fund is projected to end the fiscal year with a balance of $46.0 million.

Appendix 5. Overtime Report

Department ($ Millions)	FY 2020-21 Actual	FY 2021-22 Revised Budget	FY 2021-22 July through 12/31/2021	FY 2021-22 % of Budget through 12/31/2021
Municipal Transit Agency - Total	37.0	56.9	25.4	45%
Police*				
General Fund (Excl. Work Orders)	17.6	14.6	17.7	121%
Airport	0.3	2.3	0.6	26%
General Fund Work Orders	1.6	3.3	1.2	36%
Total Annual Operating Funds	19.5	20.2	19.5	97%
Special Revenue (10B)	14.2		8.7	
Total	*33.7*		*28.2*	
Public Health*				
ZSF General	12.7	12.9	10.3	80%
Laguna Honda	12.7	10.8	6.3	58%
Other Annual Funds	7.1	1.9	3.0	154%
Total Annual Operating Funds	32.5	25.6	19.6	76%
Fire*				
General Fund	47.3	31.3	36.8	118%
Airport	6.2	5.9	3.5	59%
Total Annual Operating Funds	53.6	37.2	40.3	108%
Sheriff*				
General Fund (Excl. Work Orders)	16.8	3.6	11.5	323%
General Fund Work Orders	6.1	5.2	4.1	78%
Total Annual Operating Funds	22.9	8.8	15.5	177%
Airport*				
Annual Operating Funds	1.6	2.8	0.9	33%
Emergency Management*				
Annual Operating Funds	5.0	5.4	2.8	52%
Public Works*				
Annual Operating Funds	1.4	1.5	1.0	66%
General Fund Work Orders	0.3	1.7	0.2	13%
Public Utilities*				
Annual Operating Funds	5.8	5.9	3.2	54%
Recreation and Park*				
Annual Operating Funds	2.0	1.6	1.2	72%
Human Services	2.3	2.9	1.2	41%
Juvenile Probation	1.1	0.9	0.7	72%
Elections	0.7	0.7	0.4	55%
Admin Services	1.3	0.6	0.7	109%
Technology	0.5	0.5	0.2	38%
Controller	0.1	0.5	0.1	13%
Building Inspection	1.0	0.4	0.3	70%
Port	0.4	0.3	0.3	102%
Fine Arts Museum	0.7	0.1	0.5	400%
Public Library	0.2	0.1	0.2	159%
Adult Probation	0.0	0.1	0.0	7%
District Attorney	0.1	0.1	0.1	91%
War Memorial	0.0	0.2	0.1	78%
Academy of Sciences	0.1	0.1	0.0	46%
Public Defender	0.0	0.1	0.0	21%
Asian Art Museum	0.1	0.0	0.1	155%
City Attorney	0.2	0.0	0.1	1233%
Homelessness	0.2	0.0	0.1	433%
Total Overtime**	205.0	175.4	143.4	82%

* 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.