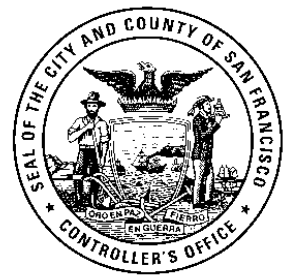
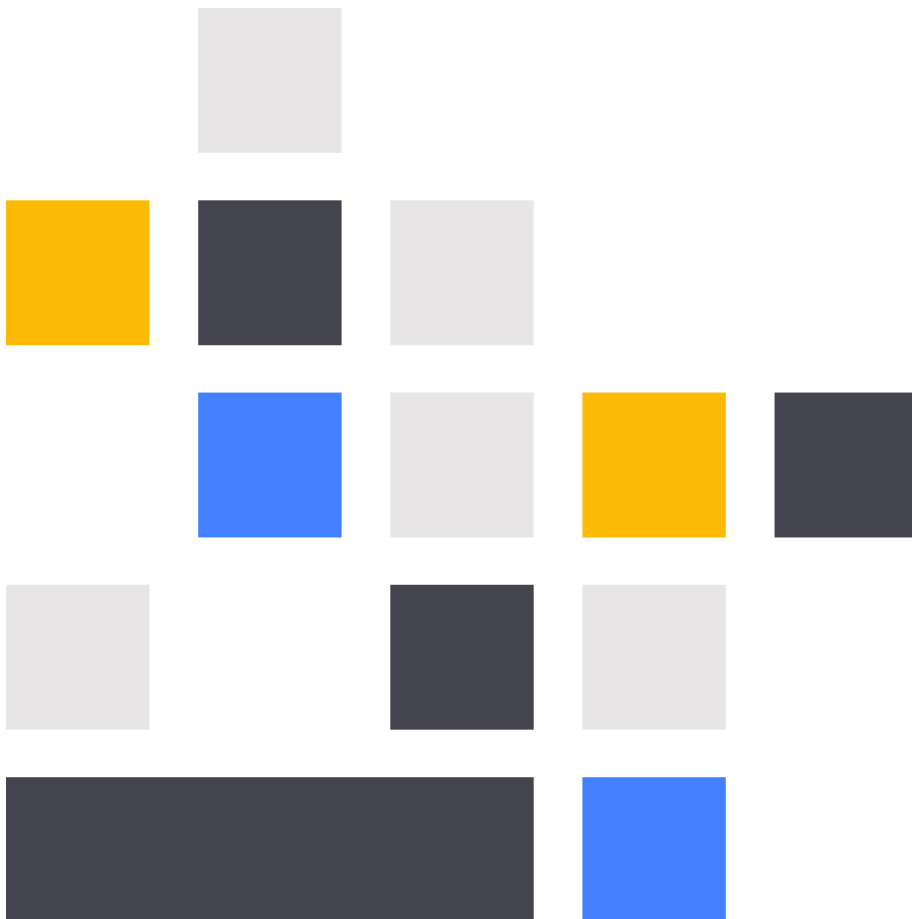


# FY 2021-22

## Nine-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 March 31, 2022, incorporating more current information up to the date of publication as available.



May 16, 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, [michelle.allersma@sfgov.org](mailto:michelle.allersma@sfgov.org)

Mark Chen, Budget and Revenue Analyst, [mark.y.chen@sfgov.org](mailto:mark.y.chen@sfgov.org)

Edward de Asis, Assistant Citywide Budget Manager, [edward.deasis@sfgov.org](mailto:edward.deasis@sfgov.org)

Yuri Hardin, Assistant Citywide Revenue Manager, [yuri.hardin@sfgov.org](mailto:yuri.hardin@sfgov.org)

Ken Hinton, Budget and Revenue Analyst, [ken.hinton@sfgov.org](mailto:ken.hinton@sfgov.org)

Nicholas Leo, Budget and Revenue Analyst, [nicholas.leo@sfgov.org](mailto:nicholas.leo@sfgov.org)

Carol Lu, Citywide Revenue Manager, [carol.lu@sfgov.org](mailto:carol.lu@sfgov.org)

Michael Mitton, Budget and Revenue Analyst, [michael.mitton@sfgov.org](mailto:michael.mitton@sfgov.org)

Calvin Quock, Budget and Revenue Analyst, [calvin.quock@sfgov.org](mailto:calvin.quock@sfgov.org)

Risa Sandler, Citywide Budget Manager, [risa.sandler@sfgov.org](mailto:risa.sandler@sfgov.org)

Jamie Whitaker, Property Tax Manager, [james.whitaker@sfgov.org](mailto: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](mailto:michelle.allersma@sfgov.org)

Or visit:

<http://www.sfcontroller.org>

## Executive Summary

- **Current year.** We project a \$252.5 million General Fund ending balance in the current fiscal year, resulting in a net improvement of \$120.9 million versus our last projection report. As described in this report, this includes a \$149.2 million improvement in projected ending balance in the current year offset by a \$28.3 million deposit in the coming fiscal year required to replenish current year reserve draws.
- **Implications for upcoming fiscal years.** This improved balance from the current year will increase the projected surplus for the coming two-year budget period, should the Mayor and Board choose to spend it. This improvement is offset by the cost of labor contracts currently pending final negotiation, ratification, and approval. The cost of these labor contracts is higher than assumed in our prior projection by approximately \$180 million during the two year period, given our preliminary assessment of them. Accounting for these two significant factors alone – the current year improvement noted in this report and the cost of pending labor contracts – would result in projected surplus for the upcoming two-year budget of approximately \$15 million.
- **Primary drivers of this change.** The majority of the change versus our last current fiscal year projection are driven by a \$77.1 million improvement in revenues at the Department of Public Health (DPH). The majority of DPH’s revenue variance is driven by large, one-time grants and audit settlements, including a \$35.7 million threshold change for the Global Payment Program, a \$26.4 million improvement resulting from the extension of the Federal Medical Assistance Percentage emergency rate, and \$17.8 million in other one-time grant and audit settlements. Other notable change projected in this report include a \$38.2 million improvement in citywide tax revenues, predominantly driven by property taxes, and \$18.6 million in improvement due to lower than previously anticipated costs for overtime costs associated with COVID staffing shortages.
- **Major risks and uncertainties.** This report includes our projections of the City’s finances over the remaining three months of the fiscal year. Some notable uncertainties remain that may materially affect these projections, and are discussed in the report, most notably:
  - The City has received notice from the Centers for Medicare and Medicaid Services (CMS) of termination of eligibility for participation in those federal programs for services provided at Laguna Honda Hospital. The city is seeking an extension of those revenue sources during the reaccreditation process, which may take six months or longer to complete. If this request for continuity of payment is not successful, the City would lose approximately \$25 million during the remainder of this fiscal year and continuing at approximately \$16 million per month in the subsequent fiscal year. The City maintains a Public

Health Revenue Reserve that may be utilized to offset these losses in the current year, should it occur.

- Remaining uncertainty about the pace of economic recovery and its implications for tax revenues. Business tax revenues, in particular, are subject to uncertainty given the tepid pace of return to offices and signs of slowing growth in technology industry gross receipts. Year to date receipts for tax year 2022 prepayments are below expectations derived from tax year 2021 filings but will not be known until late summer.
- **Estimated emergency response costs are reflected in these projections.** Emergency appropriations have increased the COVID response budget by \$139.7 million, and the Department of Public Health (DPH) has transferred \$10.9 million of Whole Person Care pilot program budget to COVID response. The Board of Supervisors has approved the use of \$32.3 million of state Project RoomKey revenue for the Shelter in Place (SIP) hotel program; while this will fund the program through the end of the current fiscal year, it may not be sufficient for damage repair costs as the City exits hotels. DPH's Nine-Month Report projection reflects additional need of \$9.8 million for its response activities. For the Tenderloin Drug Overdose Emergency, emergency appropriations have increased budget by \$7.4 million, and the Department of Emergency Management has repurposed \$2.0 million of COVID response budget to the Tenderloin Emergency.

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

	March JR	9-Month	Change
FY 2020-21 Ending Fund Balance	205.8	205.8	-
FY 2021-22 Anticipated ARPA	324.9	324.9	-
Appropriation in the FY 2021-22 Budget	(498.8)	(498.8)	-
<b>A. Prior Year Fund Balance Above Budgeted Levels</b>	<b>31.8</b>	<b>31.8</b>	<b>-</b>
Citywide Revenue	2.5	40.7	38.2
Baseline Contributions	(41.0)	(49.3)	(8.3)
Departmental Operations	91.5	210.8	119.3
<b>B. Current Year Revenues and Expenditures</b>	<b>52.9</b>	<b>202.1</b>	<b>149.2</b>
General Reserve Appropriated - Source	9.4	37.6	28.2
Fiscal Cliff Reserve Appropriated - Source	64.2	64.2	-
Supplemental Appropriations - Expenditures	(73.6)	(101.8)	(28.2)
FY 2021-22 Mid-Year Appropriation of Fund Balance	(7.4)	(7.4)	-
<b>C. Approved Supplementals + Mid-Year Appropriations</b>	<b>(7.4)</b>	<b>(7.4)</b>	<b>-</b>
Use of Business Tax Prepayment Reserve	26.0	26.0	-
<b>D. Withdrawals from / (Deposits) to Reserves</b>	<b>26.0</b>	<b>26.0</b>	<b>-</b>
<b>E. FY 2021-22 Projected Ending Balance</b>	<b>103.3</b>	<b>252.5</b>	<b>149.2</b>
<b>F. FY 2022-23 Required General Reserve Replenishment</b>	<b>(9.4)</b>	<b>(37.6)</b>	<b>(28.2)</b>
<b>G. Improvement versus Prior Projection</b>	<b>93.9</b>	<b>214.9</b>	<b>120.9</b>

# FY 2021-22 Nine-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 Surplus

As shown in Table 2, citywide revenues are projected to be \$38.2 million above the March Joint Report projections, largely due to improvements in property, real property transfer, and hotel taxes. Revenue variances are further described in Appendix 1.

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

	FY 2020-21	FY 2021-22						Variances	
	Actuals	Original Budget	Jan 2022 5-Yr	Feb 2022 6-Mo	Revised Budget	Mar 2022 5-Yr	May 2022 9-Mo	Vs Rev Budget	Vs Mar 2022
Property Taxes	2,344.0	2,115.6	2,217.5	2,217.5	2,115.6	2,292.1	2,309.6	194.0	17.5
Property Tax	1,974.0	1,870.6	1,955.0	1,955.0	1,870.6	1,961.0	1,951.0	80.4	(10.0)
Excess ERAF	369.9	245.0	262.5	262.5	245.0	331.1	358.6	113.6	27.5
Business Taxes	722.6	957.1	885.4	878.4	957.1	873.2	873.2	(83.9)	-
Sales Tax - Local 1%	146.9	145.7	174.9	174.8	145.7	174.8	174.8	29.0	-
Hotel Room Tax	33.2	78.5	120.2	114.0	78.5	113.8	123.1	44.6	9.3
Utility User & Access Line Taxes	126.1	127.3	138.2	134.6	127.3	134.6	134.6	7.3	-
Parking Tax	47.6	55.9	66.9	66.9	55.9	66.9	66.9	11.0	-
Real Property Transfer Tax	344.7	350.1	418.2	459.0	350.1	479.1	491.7	141.6	12.6
Sugar Sweetened Beverage Tax	10.4	12.2	12.2	11.6	12.2	11.6	11.6	(0.6)	-
Stadium Admissions Tax	0.2	3.6	3.6	3.6	3.6	3.6	3.6	-	-
Cannabis Tax	-	4.4	-	-	4.4	-	-	(4.4)	-
Franchise Taxes	14.9	14.3	14.3	14.3	14.3	14.3	14.3	-	-
Interest Income	31.7	36.2	24.3	24.3	36.2	28.8	28.8	(7.4)	-
FEMA Disaster Relief	(22.3)	49.5	249.0	249.0	189.1	186.5	186.5	(2.6)	-
ARPA	312.4	324.8	12.4	12.4	324.8	12.4	12.4	(312.4)	-
Public Safety Realignment	38.4	51.5	58.5	58.8	51.5	58.8	58.8	7.3	-
Public Safety Sales Tax	105.0	82.0	88.9	91.5	82.0	91.5	91.5	9.5	-
Motor Vehicle In-Lieu	1.2	-	-	-	-	-	1.9	1.9	1.9
Airport Transfer In	15.0	23.0	23.0	29.7	23.0	30.7	30.7	7.7	-
Commercial Rent Tax Transfer In	74.1	32.8	34.0	34.0	32.8	34.0	31.0	(1.8)	(3.0)
<b>Total Citywide Revenues</b>	<b>4,345.9</b>	<b>4,464.5</b>	<b>4,541.4</b>	<b>4,574.3</b>	<b>4,604.2</b>	<b>4,606.7</b>	<b>4,644.8</b>	<b>40.7</b>	<b>38.2</b>

## Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. The General Fund portion of the baseline contribution increased by \$8.3 million versus March Joint Report. Highlights:

- MTA baselines are projected to be \$3.4 million above March Joint Report, due to modest growth in Aggregate Discretionary Revenue (ADR).
- The Library baseline and property tax set-aside is projected to be \$3.5 million above March Joint Report.
- The total Public Education Enrichment Fund (PEEF) annual contribution to SFUSD and OECE is projected to increase by \$1.1 million from March Joint Report.
- 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					Variances	
	Actuals	Budget	Jan 5-Yr	6-Mo	Mar 5-Yr	9-Mo	Vs Budget	Vs Mar 5-Yr
<b>General Fund Aggregate Discretionary Revenue (ADR)</b>	<b>3,766.0</b>	<b>3,847.5</b>	<b>4,011.8</b>	<b>4,030.6</b>	<b>4,125.6</b>	<b>4,162.9</b>	<b>315.4</b>	<b>37.3</b>
<b>Municipal Transportation Agency (MTA)</b>								
MTA - Municipal Railway Baseline: 6.686% ADR	251.8	257.2	268.2	269.5	275.8	278.3	21.1	2.5
MTA - Central Subway	-	11.7	11.7	3.9	3.9	3.9	(7.8)	-
MTA - Parking & Traffic Baseline: 2.507% ADR	94.4	96.5	100.6	101.1	103.4	104.4	7.9	0.9
MTA - Population Adjustment	55.6	57.6	57.6	58.0	58.0	58.0	0.4	-
MTA - 80% Parking Tax In-Lieu	38.0	44.7	53.5	53.5	53.5	53.5	8.8	-
<b>Subtotal Municipal Transportation Agency</b>	<b>439.8</b>	<b>467.7</b>	<b>491.6</b>	<b>485.9</b>	<b>494.7</b>	<b>498.1</b>	<b>30.4</b>	<b>3.4</b>
<b>Library Preservation Fund</b>								
Library - Baseline: 2.286% ADR, net of General Fund Return	86.1	87.9	91.7	89.5	91.6	95.2	7.2	3.5
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	67.4	68.9	72.1	72.1	72.1	72.0	3.1	(0.1)
<b>Subtotal Library</b>	<b>153.4</b>	<b>156.9</b>	<b>163.8</b>	<b>161.6</b>	<b>163.7</b>	<b>167.1</b>		
<b>Children's Services</b>								
Children's Services Baseline - Requirement: 4.830% ADR	168.4	185.8	193.8	194.7	199.3	201.1	15.2	1.8
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	20.2	22.3	23.3	23.4	23.9	24.1	1.8	0.2
Early Care and Education Baseline (Jun 2018 Prop C) - Requirement: 2.212% ADR	79.7	85.1	88.7	89.2	91.3	92.1	7.0	0.8
Public Education Services Baseline: 0.290% ADR (50% GF)	10.9	11.2	11.6	11.7	12.0	12.1	0.9	0.1
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	107.8	110.3	115.4	115.4	116.0	115.8	5.5	(0.2)
Public Education Enrichment Fund: 3.057% ADR	115.1	117.6	122.6	123.2	126.1	127.3	9.6	1.1
1/3 Annual Contribution to Preschool for All	38.4	39.2	40.9	41.1	42.0	42.4	3.2	0.4
2/3 Annual Contribution to SF Unified School District	76.7	78.4	81.8	82.1	84.1	84.8	6.4	0.8
<b>Subtotal Childrens Services (Required)</b>	<b>502.1</b>	<b>532.3</b>	<b>555.4</b>	<b>557.5</b>	<b>568.5</b>	<b>572.4</b>	<b>40.1</b>	<b>3.9</b>
<b>Recreation and Parks</b>								
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	67.4	68.9	72.1	72.1	72.1	72.0	3.1	(0.1)
Recreation & Parks Baseline - Requirement	76.2	79.2	79.2	79.2	79.2	79.2	-	-
<b>Subtotal Recreation and Parks (Required)</b>	<b>143.5</b>	<b>148.1</b>	<b>151.3</b>	<b>151.3</b>	<b>151.3</b>	<b>151.1</b>		
<b>Other Financial Baselines</b>								
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirement	215.0	215.0	215.0	215.0	215.0	215.0	-	-
Housing Trust Fund Requirement	39.6	42.4	42.4	42.4	42.4	42.4	-	-
Dignity Fund	50.1	53.1	53.1	53.1	53.1	53.1	-	-
Street Tree Maintenance Fund	19.4	19.8	20.7	20.8	21.3	21.5	1.6	0.2
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	3.8	3.7	3.7	3.7	3.7	3.7	-	-
City Services Auditor: 0.2% of Citywide Budget	23.0	23.4	23.4	23.4	23.4	23.4	-	-
Mission Bay Transportation Improvement Fund	7.4	7.6	7.6	7.6	7.6	7.6	-	-
<b>Subtotal Other Financial Baselines</b>	<b>358.2</b>	<b>365.1</b>	<b>366.0</b>	<b>366.1</b>	<b>366.5</b>	<b>366.7</b>	<b>1.6</b>	<b>0.2</b>
<b>* General Fund Impact</b>							<b>49.3</b>	<b>8.3</b>

## Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$210.8 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.*

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
<b>Net Shortfall Departments</b>			
Public Works	(4.1)	0.4	(3.7)
Sheriff	(0.1)	(2.1)	(2.2)
Police Accountability	(0.1)	(0.1)	(0.2)
Asian Art Museum	-	(0.1)	(0.1)
Board of Appeals	(0.1)	0.0	(0.1)
<b>Subtotal Departments with Net Shortfall</b>	-	-	-
	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
<b>Net Surplus Departments</b>			
Public Health	128.2	3.0	131.3
Human Services Agency	10.5	39.4	49.9
Mayor	-	9.1	9.1
Homelessness and Supportive Housing	(0.2)	6.3	6.1
City Administrator	(1.7)	6.1	4.4
Superior Court	-	2.8	2.8
Adult Probation	-	0.3	0.3
Juvenile Probation	0.2	2.5	2.7
Sheriff Accountability	-	1.9	1.9
Ethics Commission	0.0	1.4	1.5
City Attorney	(4.8)	6.0	1.2
All Other, Net	(23.0)	29.0	6.0
<b>TOTAL</b>	<b>104.8</b>	<b>106.0</b>	<b>210.8</b>

## C. SUPPLEMENTAL APPROPRIATIONS

Five supplemental appropriations using \$37.6 million of the General Reserve, one supplemental using \$64.2 million of the Fiscal Cliff Reserve, and two supplementals using \$42.7 million of department revenues have been approved by the Board of Supervisors, as noted in Table 5. 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. 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	FIR Overtime	Approved	14.6
General Reserve	MTA - Portsmouth Square Garage Free Parking	Approved	0.6
General Reserve	Various Departments - Worker's Compensation	Approved	13.1
<b>Subtotal, General Reserve</b>			<b>37.6</b>
Fiscal Cliff Reserve	MOHCD - Social Housing	Approved	64.2
Operating Revenue	REG - Unforeseen Elections	Approved	5.1
State/Federal Revenue	HSA - SIP Hotel and Other Programs	Approved	37.6
<b>Total Approved Supplementals</b>			<b>144.6</b>

## 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 \$252.5 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2021-22 of \$252.5 million.

## OTHER FUNDS

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

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

Projected General Fund Support requirements for these funds are included in the department budget projections in Appendix 2. Appendix 4 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

## NINE-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 nine 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. At the time of this report, this requirement is superseded by the Mayor's Emergency Declaration.

## APPENDICES

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

# Appendix 1. General Fund Revenues and Transfers In

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

GENERAL FUND (\$ Millions)	FY 2020-21	FY 2021-22						Var Vs Rev		Note
	Year End Actual	Original Budget	Revised Budget	5-Year Fall Update	6-Month	5-Year Spring Update	9-Month	Budget	Var Vs 5Yr	
<b>PROPERTY TAXES</b>	\$ 2,344.0	\$ 2,115.6	\$ 2,115.6	\$ 2,217.5	\$ 2,217.5	\$ 2,292.1	\$ 2,309.6	194.0	17.5	1
<b>BUSINESS TAXES</b>										
Business Registration Tax	51.4	48.2	48.2	48.2	48.2	48.2	48.2	-	-	
Payroll Tax	138.0	7.5	7.5	0.0	(7.0)	(7.0)	(7.0)	(14.5)	-	
Gross Receipts Tax	526.7	889.2	889.2	831.2	837.2	832.0	832.0	(57.2)	-	
Admin Office Tax	6.6	12.3	12.3	6.0	0.0	0.0	0.0	(12.3)	-	
<b>Total Business Taxes</b>	<b>722.6</b>	<b>957.1</b>	<b>957.1</b>	<b>885.4</b>	<b>878.4</b>	<b>873.2</b>	<b>873.2</b>	<b>(83.9)</b>	-	2
<b>OTHER LOCAL TAXES</b>										
Sales Tax	146.9	145.7	145.7	174.9	174.8	174.8	174.8	29.0	-	3
Hotel Room Tax	33.2	78.5	78.5	120.2	114.0	113.8	123.1	44.6	9.3	4
Utility Users Tax	81.4	77.7	77.7	82.5	84.4	84.4	84.4	6.8	-	5
Parking Tax	47.6	55.9	55.9	66.9	66.9	66.9	66.9	11.0	-	6
Real Property Transfer Tax	344.7	350.1	350.1	418.2	459.0	479.1	491.7	141.6	12.6	7
Sugar Sweetened Beverage Tax	10.4	12.2	12.2	12.2	11.6	11.6	11.6	(0.6)	-	
Stadium Admission Tax	0.2	3.6	3.6	3.6	3.6	3.6	3.6	-	-	
Access Line Tax	44.8	49.6	49.6	55.7	50.2	50.2	50.2	0.5	-	
Cannabis Tax	0.0	4.4	4.4	0.0	0.0	0.0	0.0	(4.4)	-	8
<b>Total Other Local Taxes</b>	<b>709.0</b>	<b>777.8</b>	<b>777.8</b>	<b>934.2</b>	<b>964.4</b>	<b>984.3</b>	<b>1,006.2</b>	<b>228.5</b>	<b>21.9</b>	
<b>LICENSES, PERMITS &amp; FRANCHISES</b>										
Licenses & Permits	5.2	13.7	13.7	13.7	13.7	13.7	13.7	-	-	
Franchise Fee	14.9	14.3	14.3	14.3	14.3	14.3	14.3	-	-	
<b>Total Licenses, Permits &amp; Franchises</b>	<b>20.0</b>	<b>27.9</b>	<b>27.9</b>	<b>27.9</b>	<b>27.9</b>	<b>27.9</b>	<b>27.9</b>	<b>-</b>	<b>-</b>	
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>4.4</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>3.6</b>	<b>(0.4)</b>	<b>(0.4)</b>	
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>31.7</b>	<b>36.2</b>	<b>36.2</b>	<b>24.3</b>	<b>24.3</b>	<b>28.8</b>	<b>28.8</b>	<b>(7.4)</b>	-	9
<b>RENTS &amp; CONCESSIONS</b>	<b>5.0</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>11.7</b>	<b>-</b>	<b>-</b>	
<b>INTERGOVERNMENTAL REVENUES</b>										
Federal Government	679.5	359.6	513.3	469.2	572.5	496.7	510.7	(2.6)	14.0	10
State Government	896.6	854.4	895.8	899.4	907.5	903.6	971.3	75.5	67.7	11
Other Regional Government	9.1	2.8	4.7	2.8	4.6	2.7	4.6	(0.1)	1.9	
<b>CHARGES FOR SERVICES</b>	<b>201.7</b>	<b>231.5</b>	<b>238.4</b>	<b>231.5</b>	<b>223.2</b>	<b>221.6</b>	<b>220.0</b>	<b>(18.5)</b>	<b>(1.7)</b>	
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>21.8</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>-</b>	<b>0.0</b>	
<b>OTHER REVENUES</b>	<b>37.7</b>	<b>24.2</b>	<b>44.7</b>	<b>24.2</b>	<b>35.0</b>	<b>14.5</b>	<b>32.7</b>	<b>(12.0)</b>	<b>18.2</b>	
<b>TOTAL REVENUES</b>	<b>5,683.2</b>	<b>5,426.6</b>	<b>5,651.0</b>	<b>5,755.7</b>	<b>5,894.6</b>	<b>5,884.8</b>	<b>6,023.9</b>	<b>372.9</b>	<b>139.1</b>	
<b>TRANSFERS INTO GENERAL FUND:</b>										
Airport Transfer In	15.0	23.0	23.0	23.0	29.7	30.7	30.7	7.7	-	12
Commercial Rent Tax Transfer In	74.1	32.8	34.0	34.0	34.0	32.8	31.0	(3.0)	(1.8)	13
Other Transfers	327.9	102.5	102.5	102.5	103.9	102.5	102.5	-	0.0	
<b>Total Transfers In</b>	<b>416.9</b>	<b>158.3</b>	<b>159.5</b>	<b>159.5</b>	<b>167.7</b>	<b>166.0</b>	<b>164.2</b>	<b>4.7</b>	<b>(1.8)</b>	
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>\$ 6,100.2</b>	<b>\$ 5,584.9</b>	<b>\$ 5,810.5</b>	<b>\$ 5,915.3</b>	<b>\$ 6,062.3</b>	<b>\$ 6,050.8</b>	<b>\$ 6,188.2</b>	<b>\$ 251.7</b>	<b>\$ 137.4</b>	

## 1. Property Tax

Property tax revenue in the General Fund is projected to be \$194.0 million (9.2%) above budget and \$17.5 million (0.8%) above March Joint Report. The budget was established assuming potentially unprecedented temporary reductions in assessed values of hotel, retail, office, and multifamily residential properties and a significant drop in unsecured business property tax assessments. FY 2021-22 property tax revenues are based on values as of the January 1, 2021, lien date, the first lien date affected by the pandemic's effects on tourism, office, and retail activity. The number and value of assessment appeals filed for 2021 annual property tax bills is

now known, and the assumption regarding refunds that may result has been adjusted downward.

The main drivers of revenue variance from budget are \$41.6 million in projected annual secured and unsecured revenues, \$28.2 million in projected supplemental and escape related revenues, \$10.2 million in vehicle license fee (VLF) and redevelopment pass-through revenues recognized as property taxes, and \$113.9 million in excess ERAF. Compared to our most recent projections, revenues have improved by \$17.5 million, as we anticipate additional excess ERAF revenue of \$27.5 million will be recognized given updated state education enrollment reporting, partially offset by weakness in current year supplementals.

The same factors that increase (or decrease) the City's primary property tax revenues will affect school property tax allocations, reducing (or increasing) the amount of City and County of San Francisco property tax revenues shifted by state law to the county's ERAF to subsidize the State's general fund Prop 98 obligation to local schools.

Excess ERAF revenue is subject to volatility created both by changes in state law and legal actions. We will monitor state budget-related legislation introduced in the coming weeks for proposals intended to reduce county excess ERAF draws, which would create uncertainty about future excess ERAF revenue. We will update policymakers on pending litigation filed by the California School Boards Association (CSBA) and its Education Legal Alliance against State Controller Betty Yee regarding ERAF calculation guidance her office issued to county auditor-controllers on February 16, 2021. Should the court rule in favor of the plaintiffs, it is likely more City and County of San Francisco property tax revenue will be shifted to ERAF for allocations to schools, reducing the state's direct Prop 98 obligation to San Francisco schools and reducing the amount of excess ERAF returned to the City (schools are held harmless by the shift).

## **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 \$873.2 million in FY 2021-22, or \$83.9 million (8.8%) below budget and \$150.6 million (20.8%) above prior year actual revenues. The forecast is not changed from the March Joint Report projection. 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.

### **3. Local Sales Tax**

Local sales tax revenues are projected to be \$174.8 million, which is \$29.0 million (20.0%) above original budget and \$27.9 million (19.0%) above prior year. The forecast is not changed from the March Joint Report projection. The projection assumes the City continues to recover from the pandemic, particularly in general consumer goods, restaurants and hospitality sectors, which were significantly affected by the pandemic. With the end of restrictions on indoor dining and the return of visitors for work and travel, large gains from the prior year are expected. 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 and 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 \$142.9 million, \$49.9 million (53.7%) above budget, \$100.7 million (218.9%) above prior year, and \$10.4 million (7.8%) above March Joint Report projections. General Fund hotel tax revenues are projected to be \$123.1 million, \$44.6 million (56.8%) above budget, \$89.9 million (271.0%) above prior year revenue, and \$9.3 million (8.1%) above March Joint Report.

Hotel tax is highly correlated with the hotel industry indicator revenue per available room (RevPAR), which is the combined effect of occupancy and average daily room rates. TRI (Total Room Inventory, which is adjusted for hotel closures) RevPAR for the first nine months of FY 2021-22 averaged \$79.74, an increase of 255.9% from TRI RevPAR of \$22.40 over the same period of the prior year. March 2022 TRI RevPAR averaged \$114.45, which was 33.3% better than the next highest month of October 2021. Recent trends in RevPAR seem to indicate a strong post-Omicron recovery for hotel tax in this fiscal year. Enplanements at San Francisco International Airport (SFO) have improved steadily since the onset of the pandemic, though total passengers are 45% lower this year to date through February than FY 2019-20 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. The allocation to arts programs is projected to be \$15.3 million, or \$5.3 million (53.7%) above budget, \$10.8 million (238.6%) above prior year actual revenues, and \$1.1 million (7.8%) above March Joint Report projections. The original budget assumes a General Fund transfer of \$18.6 million to support spending in this special revenue fund. A contingency reserve of \$2.5 million has been established to mitigate the impact of unexpected future losses in hotel tax revenue.

Table A1.1 Hotel Tax for the Arts, FY 2021-22 Budget versus Projected Allocations (\$ millions)

	<u>Budget</u>	<u>9-Month</u>	<u>Variance</u>
Grants for the Arts	5.1	7.8	2.7
Arts Impact Endowment	0.8	1.2	0.4
Cultural Centers	1.2	1.8	0.6
Cultural Equity Endowment	2.0	3.1	1.1
Cultural Districts	0.9	1.4	0.5
<b>Total</b>	<b>9.9</b>	<b>15.3</b>	<b>5.3</b>

## 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 \$3.0 million (3.7%) above prior year actuals. The forecast is not changed from the March Joint Report projection. 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

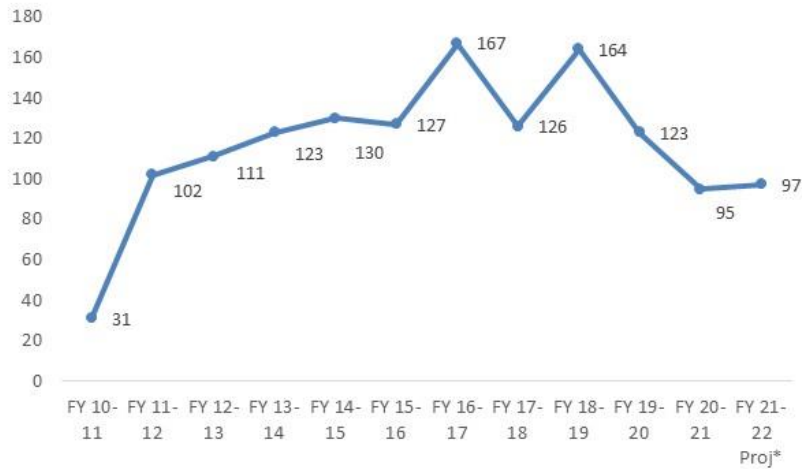
Parking tax revenue in FY 2021-22 is projected at \$66.9 million, which is \$11.0 million (19.7%) above budget and \$19.3 million (40.6%) above prior year actuals. The forecast is not changed from the March Joint Report projection and reflects year to date collections, which have increased compared to 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 \$491.7 million, which is \$141.6 million (40.4%) above budget, \$147.0 million (42.7%) above prior year actual revenues, and \$12.6 (2.5%) million above the March Joint Report projection. Despite a decrease in the number of large transactions since FY 2018-19, transfer tax revenue is increasing primarily due to the Proposition I rate change and two large, once-in-a-generation transfers in the first six months of the fiscal year. The effect of Proposition I in FY 2021-22, which took effect in January 2021, is estimated to be \$165.3 million in FY 2021-22, or approximately \$132.2 million after

baselines. This represents an \$8.4 million improvement in projected Prop I discretionary revenues versus our last projection.

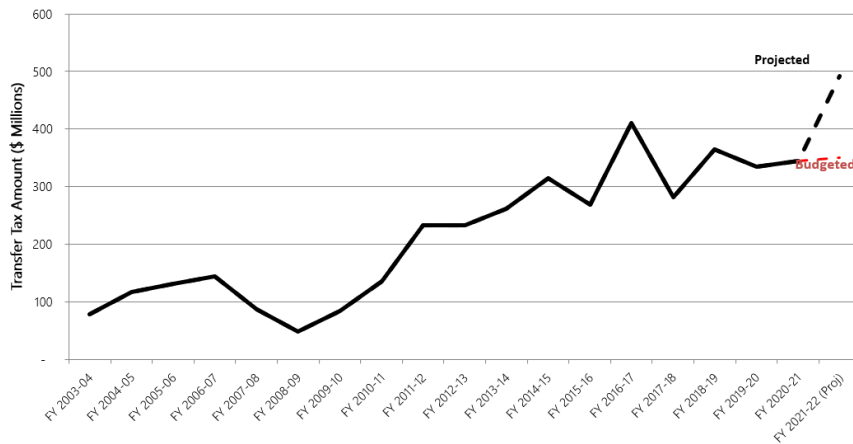
Number of Transfers Over \$10 million, FY 2011-12 through FY 2021-22



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. As a result, the City has seen fewer number of high-value transfers since FY 2019-20 since the onset of the pandemic, as buyers and sellers wait for more market certainty and agreement on prices.

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 in the General Fund are projected to be \$28.8 million, \$7.4 million (20.5%) below budget and \$2.8 million (8.9%) below prior year actual revenues. The forecast is not changed from the March Joint Report projection and is based on year-to-date performance of the Treasurer’s investment pool and increased earned income yield expectations related to rising interest rates. Projections reflect forecasted average earned income yield of 0.55% for the fiscal year. The Federal Reserve 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. To tamp down inflation, the Federal Reserve raised interest rates in the second half of the fiscal year by 25 basis point in March 2022 and signaled six more increases during 2022. Resulting 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. Federal Subventions

Federal revenues are projected to be \$510.7 million, or \$2.6 million (0.5%) below budget and \$168.9 million (24.9%) below prior year actuals. The change 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 June 30, 2022, projections now assume \$186.5 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 \$91.5 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)

Original Budget	Jan 5-Yr Projection	6-Mo Projection	Mar 5-Yr Projection	Revised Budget as of 9-Mo	9-Mo Projection	Surplus / (Shortfall)
49.5	249.0	249.0	186.5	189.1	186.5	(2.6)



## **11. State Subventions**

State grants and subventions are projected to total \$971.3 million, \$75.5 million (8.4%) above revised budget and \$74.8 million (8.3%) above prior year actual revenues. The sales tax and VLF-based subventions forecast is not changed from the March Joint Report projection. All changes are described in departmental budgets below. Changes from budget are primarily due to strength in sales tax in the rest of California relative to San Francisco in the City's sales tax-based subventions. 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 \$30.7 million, which is \$7.7 million (33.5%) above budget and \$15.7 million (105.3%) above prior year actuals. The forecast is not changed from the March Joint Report projection. 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. Through March 2022, enplanements have improved, growing 182.6% over the same period in the prior fiscal year, though they are still 44.0% below FY 2018-19 levels. 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 Tax Transfer In**

The Commercial Rent Transfer In to the General Fund is projected to be \$31.0 million, which is \$1.8 million (5.5%) below budget and \$43.1 million (58.2%) below prior year actuals, and \$3.0 million (8.9%) below the March Joint Report projection. In June 2018, voters adopted a commercial rent tax to support early childcare and education spending. 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 decrease in commercial rent tax from budget, the associated transfer-in to the General Fund is decreased. 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)** *May not sum due to rounding.*

	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
<b>PUBLIC PROTECTION</b>						
Adult Probation	49.6	49.4	-	0.3	0.3	1
Superior Court	33.5	30.7	-	2.8	2.8	2
District Attorney	67.3	66.8	-	0.5	0.5	3
Emergency Management	64.3	63.7	-	0.7	0.7	4
Fire Department	438.3	438.3	0.8	-	0.8	5
Juvenile Probation	33.5	30.9	0.2	2.5	2.7	6
Public Defender	45.4	44.6	-	0.8	0.8	7
Police	591.0	591.0	-	-	-	8
Police Accountability	9.6	9.7	(0.1)	(0.1)	(0.2)	9
Sheriff	272.4	274.5	(0.1)	(2.1)	(2.2)	10
Sheriff Accountability	2.0	0.1	-	1.9	1.9	11
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>						
Public Works	87.0	86.5	(4.1)	0.4	(3.7)	12
Economic & Workforce Development	112.6	101.6	(11.0)	11.0	-	13
Port	9.0	9.0	-	-	-	
Board of Appeals	1.1	1.1	(0.1)	0.0	(0.1)	14
<b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>						
Children, Youth and Their Families	33.2	33.2	-	-	-	
Human Services Agency	1,020.7	981.3	10.5	39.4	49.9	15
Human Rights Commission	20.0	20.0	-	-	-	
Homelessness & Supportive Housing	238.8	232.5	(0.2)	6.3	6.1	16
Status of Women	12.5	12.5	-	-	-	
<b>COMMUNITY HEALTH</b>						
Public Health	1,348.1	1,345.1	128.2	3.0	131.3	17
<b>CULTURE &amp; RECREATION</b>						
Asian Art Museum	10.3	10.4	-	(0.1)	(0.1)	18
Arts Commission	12.8	12.8	-	-	-	
Fine Arts Museum	20.0	20.0	-	-	-	
Law Library	2.0	2.0	-	0.1	0.1	19
Recreation and Park Department	119.1	115.8	(3.3)	3.3	-	20
Academy of Sciences	5.6	5.6	-	-	-	
War Memorial	9.5	9.5	-	-	-	
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>						
City Administrator	150.8	144.7	(1.7)	6.1	4.4	21
Assessor/Recorder	28.5	28.5	0.3	-	0.3	22
Board of Supervisors	20.5	20.0	-	0.5	0.5	23
City Attorney	99.0	93.0	(4.8)	6.0	1.2	24
Controller	100.9	99.9	(0.8)	0.9	0.1	25
City Planning	50.7	43.6	(7.1)	7.1	-	26
Civil Service Commission	1.4	1.4	-	0.1	0.1	27
Ethics Commission	6.7	5.2	0.0	1.4	1.5	28
Human Resources	37.6	36.6	(1.0)	1.0	(0.0)	29
Health Service System	12.8	12.0	(0.2)	0.7	0.5	30
Mayor	141.6	132.6	-	9.1	9.1	31
Elections	47.8	47.8	-	-	-	
Technology	4.7	4.4	(0.3)	0.3	-	32
Treasurer/Tax Collector	40.1	39.3	-	0.8	0.8	33
Retirement System	3.1	2.2	-	0.9	0.9	34
<b>GENERAL CITY RESPONSIBILITY</b>						
	223.7	223.3	(0.5)	0.5	-	35
<b>TOTAL GENERAL FUND</b>	<b>5,639.0</b>	<b>5,533.1</b>	<b>104.8</b>	<b>106.0</b>	<b>210.8</b>	

## NOTES TO GENERAL FUND DEPARTMENT BUDGET PROJECTIONS

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

### **1. Adult Probation**

The department projects \$0.3 million expenditure savings in salary and fringe costs.

### **2. Superior Court**

The Superior Court projects \$2.8 million in expenditure savings in the Indigent Defense program due to the reduced level of jury trials caused by the pandemic.

### **3. District Attorney**

The District Attorney's Office projects to end the year with \$0.5 million of expenditure savings mostly due to salary and fringe benefits related to attrition and vacancies.

### **4. Emergency Management**

The Department of Emergency Management projects to end the fiscal year with net expenditure savings of \$0.7 million given salary and fringe benefits savings offset by a \$0.07 million shortfall in UASI grant reimbursement.

### **5. Fire Department**

The Fire Department projects to end the fiscal year with a \$0.8 million operating surplus from EMS and inspection fee revenue. Expenditures are projected to remain within budget given approved supplemental appropriations and an estimated MOU Reserve allocation of \$15.7 million.

### **6. Juvenile Probation**

The Juvenile Probation Department projects an operating surplus of \$2.7 million. A revenue surplus of \$0.2 million is from Title IV revenue offset by a deficit in recoveries from Trial Courts for rent. Expenditure savings of \$2.5 million include \$1.4 million of salary and fringe benefit savings, \$0.6 million of unspent budget for non-personnel services, and \$0.5 million in savings in services from other city departments (largely workers' compensation).

### **7. Public Defender**

The Public Defender's Office projects to end the fiscal year with an operating surplus of \$0.8 million, comprised of \$0.7 million of salary and benefits savings and \$0.1 million of non-personnel costs.

### **8. Police**

The Police Department projects to end the year on budget given recent trends in COVID-related leaves and overtime incurred to address sworn staffing shortages in public safety programs including patrol.

## 9. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with a \$0.2 million shortfall given a \$0.1 million shortfall in recoveries from other departments and \$0.1 million in salary overspending, which the department will work with the Mayor and Controller’s Offices to address.

## 10. Sheriff

The Sheriff’s Department projects to end the fiscal year with an operating deficit of \$2.2 million, comprised of \$0.1 million revenue shortfall mainly due to a revenue deficit for boarding of prisoners as a result of falling inmate population and a \$2.1 million expenditure deficit primarily due to COVID-related leave costs. Mayor’s Office emergency appropriations for these expenses is pending.

## 11. Sheriff’s Department of Accountability

The Sheriff’s Department of Accountability projects an operating surplus of \$1.9 million due to expenditure savings from on-going delays in hiring and in commencing department operations.

## 12. Department of Public Works

The Department of Public Works projects to end the year with a net \$3.7 million shortfall. Revenues are projected to be \$4.1 million below budget mainly due continued weakness in Bureau of Street Use and Mapping (BSM) permit revenue as a result of the pandemic. The department projects expenditure savings of \$0.4 million in capital outlay and community-based programs.

## 13. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year on budget. A projected \$11.0 million shortfall in developer exaction revenue will be offset by \$11.0 million in expenditure savings.

## 14. Board of Appeals

The Board of Appeals projects to have a net operating shortfall of \$0.1 million due to weakness in surcharge revenues as a result of hearing fewer appeals.

## 15. Human Services Agency

The Human Services Agency projects to end the year with a net surplus of \$49.9 million, comprised of a \$10.5 million revenue surplus and a \$39.4 million expenditure savings, as shown in Table A2-2.

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

	Revenue Surplus/(Deficit)	Expenditure Surplus/(Deficit)	Net Surplus/(Deficit)
Aid Payments	(12.9)	16.9	4.0
Operations & Administration	23.3	22.5	45.9
<b>Grand Total</b>	<b>10.5</b>	<b>39.4</b>	<b>49.9</b>

In aid payments, the department projects a net \$4.0 million surplus, comprised of \$16.9 million in expenditure savings and \$12.9 million revenue deficit. 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. These savings are partially offset by higher caseloads costs 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; 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 \$45.9 million surplus is projected, comprised of a \$23.3 million revenue surplus and \$22.5 million in expenditure savings. The revenue surplus is primarily due to higher than anticipated state sales tax growth in General Operations and Special Projects (\$11.9 million) and Child Welfare (\$12.3 million), 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 (\$2.0 million) and manage a steadily increasing caseload in CalFresh Eligibility, Employment & Training (\$0.6 million). This is offset by projected revenue decreases in CalWORKs and Workforce Development (\$1.9 million), CAAP (\$0.8 million), Medi-Cal (\$0.5 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 redetermination waivers granted during the pandemic to ensure continued access to services in Medi-Cal (\$11.2 million), a reduced shift to the Human Services Care Fund in CAAP (\$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, Employment & Training (\$4.5 million) and additional state-funded spending in General Operations & Special Projects (\$0.4 million).

## **16. Homelessness and Supportive Housing**

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of \$6.1 million given expenditure savings of \$1.3 million in salaries and benefits, \$2.1 million in CBO contract savings resulting from shelter closures required by the public health emergency, and \$2.8 million in non-personnel costs savings given historical spending patterns.

## **17. Public Health**

The Department of Public Health projects to end the fiscal year with a net operating surplus of \$131.3 million, as shown in Table A2-3. Overall department revenues are projected to be \$128.2 million above budget, driven primarily by one-time federal and state revenue. Net expenditure savings of \$3.0 million result from an operating savings of \$12.8 million offset by the need for \$9.8 million for the department wide response to COVID related needs, such as increased testing and staffing costs.

Approximately \$85 million of the projected \$128.2 million surplus is one-time or temporary in nature, the result of temporary state and federal funding changes during the fiscal year:

- \$26.4 million due to the extension of the Public Health Emergency which continues the temporary increase in federal financial participation through an increase in the Federal Medical Assistance Percentage 6.2%. This increase is now set to expire September 2022.

This extension change was not assumed in the budget and results in one-time revenue increases of approximately \$8.0 million in Behavioral Health, \$3.4 million at Laguna Honda Hospital, and \$15.0 million at Zuckerberg San Francisco General (ZSFG).

- In addition, the Center for Medicare and Medicaid Studies (CMS) approved one-time threshold change for the Global Payment Program for all participating health systems for the current fiscal year, resulting in a \$40.7 million increase at ZSFG.
- \$8.4 million one-time State General Fund Grant under AB 128 to continue to support hospital systems during the pandemic.
- \$9.4 million in a favorable one-time prior year settlement recognized in Behavioral Health Services.

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

Fund	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Public Health General Fund	28.4	19.0	47.5
Laguna Honda Hospital	11.3	7.1	18.4
Zuckerberg San Francisco General Hospital	88.5	(13.3)	75.2
COVID Expenditures		(9.8)	(9.8)
<b>Total</b>	<b>128.2</b>	<b>3.0</b>	<b>131.3</b>

### Public Health General Fund

Department of Public Health 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 net surplus of \$47.5 million. A revenue surplus of \$28.4 million is driven by a surplus of \$17.2 million in 1991 Realignment revenues and \$17.0 million in 2011 Realignment revenues due to stronger than projected sales tax revenues at the state level. Patient service revenues are projected to be \$21.8 million above budget primarily due to Medi-Cal revenues. These are offset by a \$16.0 million shortfall in San Francisco Health Plan City Option fees due to ongoing migration to Affordable Care Act marketplace plans and a \$7.1 million shortfall in primarily driven by a \$6.0 million shortfall in deactivated funds from the San Francisco Health Plan. Fees are projected to be under budget by \$2.4 million primarily due to environmental health fees and lower billing for Medi-Cal Administrative Activities will result in a shortfall of \$1.7 million in Medi-Cal. An expenditure surplus of \$19.0 million is due primarily to a projected savings of \$11.6 million in personnel costs, \$5.3 million in Health Network Services contracted services, and \$2.0 million in debt service.

### Laguna Honda Hospital

The projected net surplus of \$18.4 million at Laguna Honda Hospital includes a revenue surplus of \$11.3 million due to an increase in Medi-Cal Skilled Nursing Facility (SNF) per diem rates and a \$7.1 million expenditure surplus driven by \$4.6 million savings in salary and fringe benefits and \$2.5 million in material and supplies.

## **Zuckerberg San Francisco General Hospital**

DPH projects a \$75.2 million net operating surplus at Zuckerberg San Francisco General Hospital (ZSFG), driven primarily by higher-than-expected one-time federal and state revenue. The \$88.5 million revenue surplus includes \$14.8 million in 1991 Realignment revenues due to stronger than projected sales tax revenues at the state level. In addition, ZSFG projects a \$27.5 million surplus in patient revenues comprised of a \$33.1 million surplus in Medicare, a \$9.2 million surplus in Medi-Cal, offset by \$11.8 million in other patient revenue and \$2.9 million in prior year settlements. In addition, Medi-Cal waiver programs are projected to be \$62.0 million higher than budget due to increased revenues under the Global Payment Program (\$34.7 million), Medi-Cal Graduate Medical Education program (\$8.9 million), one-time state grant to public hospital systems and improvement in the Hospital Quality Assurance Program (\$11.4 million), and the Quality Incentive Program (\$6.9 million). These increases are offset by a \$6.4 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 \$13.3 million over budget due to a \$5.9 million overage in personnel costs due to increased staffing and backfill needs caused by COVID-19, \$6.3 million in materials and supplies, and a \$1.1 million shortfall in interdepartmental workorders.

### **18. Asian Art Museum**

The Asian Art Museum currently projects an operating shortfall of \$0.1 million due to unplanned overtime and temporary salary costs caused by COVID-related sick leaves and utility cost increases and will work with the Mayor's and Controller's Offices to address the issue.

### **19. Law Library**

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

### **20. Recreation and Park Department**

Recreation and Park Department projects to end the year on budget in the General Fund. The department projects a \$3.3 million revenue shortfall, including a \$7.9 million shortfall in fee revenue from cancellation of special events, partially offset by a \$4.6 million surplus in rents and concessions from Camp Mather, Outside Lands, and other facility reopenings. The revenue shortfall will be offset by projected labor savings.

### **21. City Administrator**

The City Administrator projects to end the year with a net General Fund operating surplus of \$4.4 million. A projected shortfall of \$1.7 million in recoveries from services provided to other departments is a result of lower billable labor costs due to staff vacancies, primarily from the Office of the Chief Medical Examiner, the Office of Contract Administration, and the Office of Labor Standards Enforcement. The department projects revenues to be on budget as a surplus in OLSE penalties from large settlements is available to offset shortfalls in charges for services, such as marriage licenses and Office of Cannabis licenses and permits. The department projects \$6.1 million salary and fringe benefit cost savings due to position vacancies, higher than projected separations and retirements, and slowed hiring.

### **22. Assessor Recorder**

The Assessor Recorder projects a \$0.3 million revenue surplus due to an increase in recording fees related to a stronger than expected refinancing market.

### **23. Board of Supervisors**

The Board of Supervisors projects a \$0.5 million surplus due to salary and fringe benefit savings.

### **24. City Attorney**

The City Attorney's Office projects to end the year with a net operating surplus of \$1.2 million. A revenue shortfall of \$4.8 million is due to projected recoveries below budget for legal services required by other departments offset by expenditure savings of \$4.0 million in non-personnel services and \$2.0 million in salary and fringe benefits.

### **25. Controller**

The Controller's Office projects to end the year with a net surplus of \$0.1 million in salary and benefit costs. A \$0.8 million recovery shortfall will be offset by corresponding savings on services to other departments.

### **26. City Planning**

City Planning projects to end the year on budget. A revenue shortfall of \$7.1 million is due to a \$0.9 million shortfall in recoveries from other departments and \$6.3 shortfall in building permit revenue. Although permit volume is strong, volatility is high and there are fewer large development projects compared to prior years. Expenditure savings of \$7.1 million are projected due to \$2.6 million in salaries and fringe savings from vacant staff positions, \$0.5 million less than budgeted expenditures for services from other departments, and \$3.9 million savings in non-personnel, materials and supplies, and other expenditures. Revenue projections have declined from the Six-Month Report, reflecting additional weakness in year to date receipts.

### **27. Civil Service Commission**

The Civil Service Commission expects \$0.1 million salary and fringe benefits savings from delayed hiring.

### **28. Ethics Commission**

The Ethics Commission projects a \$1.5 million surplus due to salary and fringe benefits cost savings resulting from delays in filling vacancies.

### **29. Human Resources**

The Department of Human Resources projects to end the year on budget. A shortfall of \$1.0 million in recoveries for interdepartmental services is offset by expenditure savings of \$1.0 million, which include \$0.9 million of savings in salaries and fringe benefits and \$0.1 million of savings related to services of other departments.

### **30. Health Service System**

The Health Service System projects to end the year with a \$0.5 million operating surplus. A revenue shortfall of \$0.2 million due to lower than anticipated forfeitures and charges for EAP



class training materials and forfeitures is offset by savings of \$0.4 million in salaries and fringe benefits due to vacancies and \$0.3 million in non-personnel services.

### **31. Mayor**

The Mayor's Office of Housing and Community Development projects a \$9.1 million surplus, including \$2.3 million in salary and fringe savings due to staff vacancies in various programs such as the Low Income Capacity Building Project and HOPE SF, \$2.8 million of unspent CBO Grant Pool funds, and \$4.0 million savings of Local Operating Subsidy Program funds from three affordable housing projects whose opening dates have been delayed to FY 2022-23 due to supply chain and electrification issues.

### **32. Department of Technology**

The Department of Technology projects to end the year on budget given a \$0.3 million shortfall in work order recoveries offset by \$0.3 million in expenditure savings, largely in salaries and fringe benefits and unspent project budgets from prior years.

### **33. Treasurer/Tax Collector**

The Treasurer/Tax Collector projects a net surplus of \$0.8 million from expenditure savings created by allocation of costs related to homelessness gross receipts tax administration. Year to date expenditure on the First Year Free program are significantly below budget. The program expects to with a balance of approximately \$11.7 million available at the end of the fiscal year, assumed in this report to be retained to support program costs in the coming fiscal year.

### **34. Retirement System**

The Retirement System projects \$0.9 million of expenditure savings from close out of unneeded prior year budget in the Deferred Compensation Program.

### **35. 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 shortfall of \$0.5 million is projected, largely from \$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, offset by shortfalls of \$0.4 million in traffic fines, \$1.1 million in payments in lieu of taxes received via the redevelopment successor agency (OCII), and \$1.0 million in OLSE escheatment revenue. Net expenditure savings of \$0.5 million includes a \$5.4 million estimated required increase to litigation reserves offset by \$5.0 million of retiree health subsidy savings and \$0.8 million savings in services from other departments. A balance of \$16.1 million for CBO cost increases is assumed to be spent in the upcoming budget year.

## 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)**

Reserves - Nine Month

	FY 2020-21	FY 2021-22			FY 2022-23			Note
	Ending Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	
<b>General Reserve</b>	<b>\$ 78.3</b>	<b>3.1</b>	<b>(37.6)</b>	<b>\$ 43.8</b>	<b>48.0</b>	<b>-</b>	<b>\$ 91.8</b>	1
Rainy Day Economic Stabilization City Reserve	114.5	-	(0.0)	114.5	-	(0.0)	114.5	2
Budget Stabilization Reserve	265.8	-	-	265.8	-	-	265.8	3
<b>Economic Stabilization Reserves</b>	<b>380.3</b>	<b>-</b>	<b>(0.0)</b>	<b>380.3</b>	<b>-</b>	<b>(0.0)</b>	<b>380.3</b>	
<i>Percent of General Fund Revenues</i>	<i>6.7%</i>			<i>6.3%</i>			<i>6.2%</i>	
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	
<b>Other Reserves</b>	<b>862.2</b>	<b>11.7</b>	<b>(369.9)</b>	<b>504.0</b>	<b>-</b>	<b>(14.0)</b>	<b>490.0</b>	
Litigation Reserve	-	10.8	(10.8)	-	11.0	(11.0)	-	
Salary and Benefits Reserve	5.1	42.3	(47.4)	-	43.7	(43.7)	-	9
<b>Annual Operating Reserves</b>	<b>5.1</b>	<b>53.1</b>	<b>(58.2)</b>	<b>-</b>	<b>54.7</b>	<b>(54.7)</b>	<b>-</b>	
<b>TOTAL, General Fund Reserves</b>	<b>1,325.9</b>	<b>67.9</b>	<b>(465.6)</b>	<b>928.2</b>	<b>102.6</b>	<b>(68.7)</b>	<b>962.1</b>	

### 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, which was no less than 1.5% of budgeted regular General Fund revenues in FY 2021-22.

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 2022-23 deposit by a like amount. There are currently \$37.6 million approved uses of the General Reserve, supporting five mid-year appropriations: \$2.5 million for paramedic staffing at the Fire Department, \$6.9 million for unforeseen special elections, \$14.6 million for overtime costs at the Fire Department, \$0.6 million for free parking at

Portsmouth Square Garage, and \$13.1 million for workers' compensation costs across multiple departments.

## **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 Reserve was \$114.5 million and that of the School Reserve was \$1.0 million. In FY 2021-22 and FY 2022-23, there is a minimal withdrawal of the City 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, resulting in a current balance of \$81.3 million.

## **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 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 \$113.3 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 \$6.0 million to departments and anticipates transferring an additional \$25.0 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
<b>Total Sources</b>	<b>47.4</b>

**Uses****Transfers to Departments**

Police Training, Recruitment, and Payouts	5.0
Healthy Workers, VDT + Other	1.0
<b>Total Transfers to Departments</b>	<b>6.0</b>

**Anticipated Allocations**

Fire Excess Retirement, Payouts, Premiums	15.7
Police Excess Retirement, Payouts	4.1
CalPERS contribution shortfall	0.2
All Other (Healthy Workers, tuition, retirements)	5.0
<b>Total Anticipated Allocations</b>	<b>25.0</b>

<b>Total Anticipated Uses in the Current Year</b>	<b>31.0</b>
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<b>Total Anticipated Uses in the Budget Year</b>	<b>16.4</b>
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<b>Net Surplus / (Shortfall)</b>	<b>-</b>
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# Appendix 4. Other Funds Highlights

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

	Prior Year		FY 2021-22					FY 2022-23	Notes
	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	
<b><u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u></b>									
Building Inspection Operating Fund	2.3	10.9	(8.5)	7.8	2.8	10.5	2.0	12.2	7
Building Inspection Continuous Fund						17.6		17.6	
Children and Youth Fund	12.1	4.0	8.0	5.5	1.6	7.1	15.1	5.8	2
Public Education Early Care Fund (OECE)	1.5	-	1.5	3.2	0.3	3.5	5.0	-	3
Public Education Special Fund (SFUSD)	19.3	14.7	4.6	7.3	-	7.3	12.0	-	4
Convention Facilities Fund	8.1	-	8.1	(6.0)	7.8	1.8	9.9	-	5
Golf Fund	8.4	3.6	4.8	(0.8)	0.8	0.0	4.8	2.5	6
Marina Fund	(4.2)	-	(4.2)	0.4	0.0	0.4	(3.8)	-	7
Library Preservation Fund	37.7	5.5	32.2	9.9	3.9	13.9	46.1	-	8
Open Space Fund	35.0	9.3	25.7	3.1	-	3.1	28.7	1.9	9
Telecomm. & Information Systems Fund	8.7	3.4	5.3	(5.3)	12.7	7.4	12.6	2.0	10
General Services Agency-Central Shops Fund	1.8	-	1.8	0.9	(0.8)	0.0	1.8	-	11
General Services Agency-Reprographics Fund	1.5	-	1.5	(0.8)	0.3	(0.5)	0.9	-	12
War Memorial Fund	3.7	0.8	3.0	0.6	1.1	1.7	4.6	-	13
Election Campaign Fund	4.2	-	4.2	-	-	-	4.2	0.4	14
Gas Tax Fund	5.7	3.0	2.7	(1.6)	1.6	-	2.7	2.4	15
Neighborhood Beautification Fund	(0.2)	-	(0.2)	(0.0)	0.0	-	(0.2)	-	16
Traffic Congestion Mitigation Fund (TNC Tax)	(0.0)	-	(0.0)	3.8	(3.8)	-	(0.0)	-	17
Culture and Recreation Hotel Tax Fund	0.05	-	-	5.4	-	5.4	5.4	-	18
Children and Families Commission	13.4	2.3	11.1	(3.3)	1.3	(2.0)	9.1	2.3	19
Street Tree Maintenance Fund	2.1	-	2.1	1.6	0.5	2.1	4.2	2.3	20
Public Works Overhead Fund	17.3	6.1	11.2	(5.2)	5.2	-	11.2	4.0	21
Public Works Paid Time Off Fund	2.2	0.7	1.6	(0.7)	2.9	2.2	3.8	0.7	22
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	107.4	103.5	3.9	(41.3)	41.3	-	3.9	-	23
Babies and Families First Fund (Commercial Rents Tax)	110.2	-	110.2	(11.8)	-	(11.8)	98.4	-	24
Real Estate Fund	7.6	0.9	6.7	(4.7)	12.3	7.6	14.3	-	25
Museum Admissions Fund	(0.5)	0.0	(0.5)	(0.1)	0.1	-	(0.5)	-	26
<b><u>SELECT ENTERPRISE FUNDS</u></b>									
Airport Operating Funds	298.0	-	298.0	(11.3)	68.5	57.2	355.2	62.0	27
MTA Operating Funds	219.4	68.7	150.7	(56.3)	102.0	45.7	196.4	14.4	28
Port Operating Funds	50.6	-	50.6	21.7	3.9	25.6	76.1	9.9	29
PUC Hetch Hetchy Operating Funds	88.8	7.1	81.8	9.5	7.3	16.9	98.6	7.7	30
PUC Wastewater Operating Funds	174.1	9.6	164.5	(30.7)	8.9	(21.8)	142.7	13.0	31
PUC Water Operating Funds	186.1	22.0	164.1	(37.9)	9.0	(28.9)	135.3	27.1	32
PUC Clean Power Funds	41.5	-	41.5	(0.4)	4.9	4.6	46.1	2.5	33

## SELECT SPECIAL REVENUE & INTERNAL SERVICE FUNDS

### 1. Building Inspection Fund

The Building Inspection Fund began FY 2021-22 with an abnormal balance of \$8.5 million. In its operating fund, the Department projects a net operating surplus of \$10.5 million and an ending balance of \$2.0 million. A \$7.8 million revenue surplus is projected due to growth in plan checking, building and electrical permit revenues. Expenditures are projected to be \$2.8 million under budget primarily due to \$1.2 million in non-personnel services, \$0.7 million in the citywide cost allocation and \$0.4 million in community based-organization service costs.

The Controller's Office has been working with the department and Mayor's Office in the current year to close the \$8.5 million shortfall this fund began the year with, and address the known FY 2022-23 shortfall, since the previously approved budget for FY 2022-23 was balanced using \$12.2 million of fund balance. In addition to increasing the net operating surplus in the operating fund, \$17.6 million of savings have been generated in the department's continuing fund through project closeouts. The continuing fund balance includes reserves.

In addition to a \$10.9 million use of fund balance, the FY 2021-22 budget was balanced by the use of \$27.2 million of reserves. Current reserve balances total \$45.9 million, of which the previously approved FY 2022-23 budget spent \$27.2 million.

### 2. Children and Youth Fund

The Children's Fund had a beginning fund balance of \$8.0 million. A projected revenue surplus of \$5.5 million is primarily due to increases in property tax set-aside and expenditure savings of \$1.6 million in labor costs, materials and supplies, and programmatic projects. The resulting net operating surplus of \$7.1 million will lead to a projected ending balance of \$15.1 million, of which \$5.8 million was spent to balance the previously approved FY 2022-23 budget.

### 3. Public Education Early Care Fund (OECE)

The Public Education Early Care Fund began the year with a fund balance of \$1.5 million. An operating surplus of \$3.2 million is projected due to the increase in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund and \$0.3 million expenditure savings. As a result, the Fund is estimated to have an ending balance of \$5.0 million.

### 4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of \$4.6 million. Revenues are expected to be \$7.3 million above budget, reflecting increases in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund, resulting in an \$12.0 million projected ending balance.

### 5. Convention Facilities Fund

The Convention Facilities Fund began with a balance of \$8.1 million. A net operating surplus of \$1.8 million is projected due to expenditure savings as a result of cancellations and delays of

conventions and shows due to COVID-19. Events that have taken place are smaller in scale, with fewer attendees and vendors leading to less need for event staffing and utilities such as electricity and water. 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 \$2.3 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 is projected to be \$9.9 million.

## **6. Golf Fund**

The Gold fund began the year with a balance of \$4.8 million. A projected revenue shortfall \$0.8 million due to event cancellations is offset by a like amount of savings in event-related costs, and there is no projected change to fund balance. The previously approved FY 2022-23 budget spent \$2.5 million of this balance.

## **7. Marina Fund**

The Marina Fund began the year with an abnormal balance of \$4.2 million. A projected revenue surplus of \$0.4 million in fees and net expenditure savings of \$0.4 million and minor labor savings will result in a \$0.4 million net operating surplus and a \$3.8 million projected abnormal balance. The Controller's Office will work with the department to review expenditures to address the shortfall in the current year, and to balance the fund in the upcoming year budget submission.

## **8. Library Preservation Fund**

The Library Preservation Fund began with a balance of \$32.2 million. The Library projects a revenue surplus of \$9.9 million, due to a \$3.1 million increase in property tax set-aside, \$7.2 million increase in General Fund support resulting from higher aggregate discretionary revenue (ADR), offsetting \$0.4 million of revenue shortfalls largely due to lower than budgeted performance in charges for services, fines and penalties. The Department projects \$3.9 million savings in salaries and fringe benefits costs and services from other departments and no General Fund baseline return. The resulting net operating surplus of \$13.9 million will lead to a projected ending balance of \$46.1 million.

## **9. Open Space Fund**

The Open Space Fund began the fiscal year with a balance of \$25.7 million. The Recreation and Parks Department projects a revenue surplus of \$3.1 million in property tax allocations and an ending balance of \$28.7 million after. The previously approved FY 2022-23 budget appropriated \$1.9 million of fund balance.

## **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 \$7.4 million is projected in the current year, comprised of a net revenue shortfall of \$5.3 million, offset by \$12.7 million in expenditure savings. Expenditure savings are in large part due to high staff vacancy rates, which reduces the amount of work performed for client departments and related cost recoveries from those departments. The fund is projected to end the year with a balance of \$12.6 million. The previously approved FY 2022-23 budget used \$2.0 million of this fund balance.



## **11. General Services Agency - Central Shops Fund**

The Central Shops Fund began the fiscal year with \$1.8 million in fund balance. The fund is projected to have a revenue surplus of \$0.9 million from recoveries paid by other departments for higher than budgeted fuel prices. Expenditures are projected to be over budget by \$0.8 million also as a result of higher fuel prices, resulting in a net zero change in fund balance at year end.

## **12. General Services Agency - Reprographics Fund**

The Reprographics Fund began the fiscal year with a fund balance of \$1.5 million. Revenues are projected to be under budget by \$0.8 million due to lower print volumes and higher postage prices. Expenditure savings of \$0.3 million due to fewer than budgeted printing jobs. The net operating deficit of \$0.5 million will result in an ending balance of \$0.9 million.

## **13. War Memorial Fund**

The War Memorial Fund began the fiscal year with \$3.0 million in fund balance. The Department projects a \$0.6 million revenue surplus and \$1.1 million of expenditure savings largely related to salaries and fringe benefit costs, resulting in an ending balance of \$4.6 million.

## **14. Election Campaign Fund**

There are no projected changes to the Election Campaign Fund's beginning balance of \$4.2 million. The previously approved FY 2022-23 budget appropriated \$0.4 million of fund balance.

## **15. Gas Tax Fund**

The Gas Tax Fund began the fiscal year with \$2.7 million in fund balance. The Public Works Department projects no change in the balance given \$1.6 million in expenditure savings mainly in salary, fringe benefit, and overhead, which are offset by a \$1.6 million shortfall in state subvention revenue due to pandemic-induced reductions in gasoline tax revenue. The previously approved FY 2022-23 budget appropriated \$2.4 million of this balance.

## **16. Neighborhood Beautification Fund**

The Neighborhood Beautification Fund began the fiscal year with an abnormal balance of \$0.2 million, which is not projected to change.

## **17. 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 (CTA). Transportation Network Company (TNC) tax revenues in the current year are projected to be \$3.8 million above budget due to relaxation of COVID pandemic protocols and increased mobility and activity. The additional \$3.8 million will be distributed equally to the MTA and the CTA and the fund is projected to end the fiscal year with a zero balance.

San Francisco Business and Tax Regulations Code Article 32, section 3208(d) requires the Controller to report on revenues and expenditures in the Traffic Congestion Mitigation Fund. Revenues collected totaled \$5.3 million in FY 2019-20 and \$6.2 million in FY 2020-21. The CTA has allocated TNC funds on Vision Zero Quick-Build Programs, implementing pedestrian and bicycle safety projects along Vision Zero High Injury locations. These projects include traffic control modifications such as paint, signs, and parking/loading changes. The MTA has allocated TNC funds towards transit operating expenses.

## 18. 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 \$5.4 million, resulting in a fund balance of \$5.4 million.

San Francisco Business and Tax Regulations Code section 515.01 (d) requires the Controller to report on revenues and expenditures in the Hotel Room Tax Fund. In FY 2020-21, \$23.0 million was transferred to the Culture and Recreation Hotel Tax Fund to support programs in Grants for the Arts, Arts Impact Endowment, Cultural Centers, Cultural Equity Endowment, and Cultural Districts as shown in the table below. Of the \$23.0 million, \$4.5 million was transferred from Hotel Tax revenue collections and \$18.5 million was transferred as backfill from the General Fund to offset the revenue shortfall due to COVID-19.

<b>Hotel Room Tax for Arts (FY2020-21)</b>	<b>Revenue</b>	<b>Expenditures</b>
Grants for the Arts	13.5	15.5 *
Arts Impact Endowment	1.3	3.0
Cultural Centers	1.3	3.4
Cultural Equity Endowment	5.2	5.2
Cultural Districts	1.7	1.8
<b>Total</b>	<b>23.0</b>	<b>28.9</b>

\* Programs are funded by multiple funding sources, including hotel room tax from Prop E. Expenditures on this table reflect FY 2020-21 spending regardless of funding source.

<b>Revenue Summary</b>	<b>Hotel Room Tax</b>	<b>Backfill</b>
Grants for the Arts	2.0	11.6
Arts Impact Endowment	0.5	0.8
Cultural Centers	0.7	0.6
Cultural Equity Endowment	0.8	4.4
Cultural Districts	0.6	1.1
<b>Total</b>	<b>4.5</b>	<b>18.5</b>

Grant for the Arts (GFTA) spent \$15.5 million on grant-making operations, including 249 general operating support for Grants for the Arts related public programs, including parades and festivals. The Arts Impact Endowment awarded \$1.9 million for programs such as Re-Opening Safely, Arts Hub, Guaranteed Income, and the SanKofa Initiative. An additional \$1.0 million was distributed to the City Administrator to support grants with various arts organizations. In Cultural Centers, the Art Commission disbursed \$2.4 million for operating grants, \$0.7 million for construction work on the Mission Cultural Center for Latino Arts, and \$0.1 million for facilities maintenance. For Cultural Equity, the Art Commission awarded \$5.2 million in grants to 64

individual artists and 34 arts organizations based in San Francisco as part of the FY 2020-21 grant cycle.

Eight of the established Cultural Districts receive \$0.2 million per year for operations and activities. A ninth Cultural District was approved by the Board of Supervisors and is expected to receive funding in the Spring of 2022. In response to emerging needs compounded by the pandemic, each Cultural District applied for and was awarded \$265,000 additional one-time "Community Building and Impact" funding to support COVID-related response, resilience, and stabilization activities aligned with the City's Economic Recovery Task Force policy strategies. In FY 2020-21, Cultural District expenditures were \$1.8 million. The funds were used to hire staff, begin coordinating neighborhood-based activities, establish and maintain their community based advisory boards, support local businesses, engage artists, and begin writing their strategic planning reports entitled the Cultural Heritage, Housing and Economic Stabilization Strategy (CHHESS) Reports.

## **19. Children and Families Commission**

The Children and Families Commission fund began with a balance of \$11.1 million. The department projects a \$3.3 million shortfall in recoveries from services provided to other departments. Revenue shortfalls are partially offset by \$1.3 million in expenditure savings, comprised of \$0.5 million savings in labor cost, \$0.3 million savings in grants to community based organizations, \$0.2 million savings in non-personnel cost savings, \$0.2 million in savings from services from other departments, and \$0.1 million savings in other cost, resulting in an overall net operating shortfall of \$2.0 million and a \$9.1 million ending balance. The previously approved FY 2022-23 budget appropriated \$2.3 million of this balance.

## **20. 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 \$2.1 million due to a \$1.6 million surplus of baseline revenue from the General Fund and expenditure savings of \$0.5 million mainly from capital outlay and personnel costs. The baseline revenue surplus reflects projected increases in General Fund Aggregate Discretionary Revenue (ADR), which increases the General Fund transfer to this fund. The department projects an ending balance of \$4.2 million. The previously approved FY 2022-23 budget used \$2.3 million of fund balance.

## **21. Public Works – Overhead Fund**

The Overhead Fund began the fiscal year with a fund balance of \$11.2 million. The Department projects no change in the balance given an expenditure surplus of \$5.2 million, from personnel and operating cost expenditures for administration, which is offset by an overhead recovery deficit of \$5.2 million. The approved FY 2022-23 budget spent \$4.0 million of fund balance.

## **22. Public Works – Paid Time-Off Fund**

The Paid Time-Off Fund began the fiscal year with a fund balance of \$1.6 million. The Department projects an operating surplus of \$2.2 million, from overhead recoveries below budget by \$0.7 million offset by an expenditure surplus of \$2.9 million in salary and fringe benefits from time off taken by employees, resulting in an ending balance of \$3.8 million. The approved FY 2022-23 budget spent \$0.7 million of fund balance.

## 23. Our City, Our Home Fund (Homelessness Gross Receipts Tax)

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 \$41.3 million is anticipated. The Department of Public Health and the Department of Homelessness and Supportive Housing have identified current year expenditure savings to offset this projected revenue shortfall.

## 24. 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 \$11.8 million below budget, resulting in an ending balance of \$98.4 million.

San Francisco Business and Tax Regulations Code Article 21, section 2112(i) requires the Controller to report on revenues and expenditures in the Babies and Families First Fund.

During FY 2019-20, commercial tax revenue was not available due to on-going litigation, and the General Fund advanced the funding to support the Early Learning Scholarships program. Following the decision of the Court of Appeal validating the tax, the original FY 2020-21 budget appropriated commercial rent tax revenue collected during FY 2019-20 and projected to be collected during FY 2020-21.

Revenues realized in FY 2020-21 totaled \$490.3 million in commercial rent tax and \$3.9 million in interest. FY 2019-20 spending of General Fund advances and FY 2020-21 spending of tax proceeds are detailed in the tables below.

FY 2019-2020			
Project or Program	Description of Project or Program	Programmed Budget	FY Expenditure
<b>CBO Services</b>			
Early Learning Scholarships (Wu Yee and Children's Council)	Early Learning Scholarship (ELS) vouchers are provided to high quality preschool programs securing spots for children of low income families. ELS funds qualified programs at (1) the fully funded QRIS Tier 3 cost or (2) as an enhancement to a state or federally funded subsidized child, to reimburse at QRIS Tier 3. \$3 Million allocated for FY20 ELS Vouchers and distributed equally by Wu Yee and Children's Council.	\$ 3,000,000	\$ 3,000,000
CARES 2.0 (Children's Council)	Compensation and Retention Early Educators Stipend (CARES) is a three year, \$30 Million workforce compensation initiative providing direct stipends to teachers and preschool staff employed at licensed family childcare or center-based programs in San Francisco that are funded by the Early Learning Scholarship (ELS) or Preschool for All (PFA) initiatives.	\$ 7,500,000	\$ 5,516,000
<b>Subtotal - CBO Services</b>		<b>\$ 10,500,000</b>	<b>\$ 8,516,000</b>
<b>Low Income Investment Fund (LIIF)</b>			
Low Income Investment Fund (LIIF)	The purpose of the grant is to provide both technical assistance and affordable capital to child care providers in order to retain and increase the quantity and enhance the quality of licensed child care available to families and children. This is accomplished through the administration of the Child Care Facilities Fund.	\$ -	\$ -
First 5 Workorder - Family Resource Center (FRC) Renovation & Repair Grant and FRC Health & Safety Grant	Administration of two Family Resource Center (FRC) grant programs on behalf of First 5: the FRC Renovation and Repair Grant Program, for the renovation or repair of existing FRC facilities, and the FRC Health and Safety Grant Program, for the health and safety of existing FRC facilities, in order to help city contractors meet applicable health and safety standards.	\$ 250,000	\$ 175,435
<b>Subtotal - Low Income Investment Fund (LIIF)</b>		<b>\$ 250,000</b>	<b>\$ 175,435</b>
<b>Total - FY 2019-2020</b>		<b>\$ 10,750,000</b>	<b>\$ 8,691,435</b>

FY 2020-2021			
<b>CBO Services</b>			
Early Learning Scholarships (Wu Yee and Children's Council)	Early Learning Scholarship (ELS) vouchers are provided to high quality preschool programs securing spots for children of low income families. ELS funds qualified programs at (1) the fully funded QRIS Tier 3 cost or (2) as an enhancement to a state or federally funded subsidized child, to reimburse at QRIS Tier 3. \$3 Million allocated for FY21 ELS Vouchers and distributed equally by Wu Yee and Children's Council.	\$ 3,000,000	\$ 3,000,000
CARES 2.0 (Children's Council)	Compensation and Retention Early Educators Stipend (CARES) is a three year, \$30 Million workforce compensation initiative providing direct stipends to teachers and preschool staff employed at licensed family childcare or center-based programs in San Francisco that are funded by the Early Learning Scholarship (ELS) or Preschool for All (PFA) initiatives.	\$ 15,384,000	\$ 15,000,000
Economic Recovery Grants (Children's Council)	Funding to support ELS programs impacted by the pandemic.	\$ 2,891,937	\$ 2,891,937
<b>Subtotal - CBO Services</b>		<b>\$ 21,275,937</b>	<b>\$ 20,891,937</b>
<b>Low Income Investment Fund (LIIF)</b>			
Early Education Economic Recovery Loans	Financial support program providing access to no-risk, zero-interest loans up to \$50,000 to ECE centers and FCC educators in San Francisco (both ELS/PFA participants and non-City funded programs); specifically for those negatively impacted by COVID-19.	\$ 10,000,000	\$ 4,090,000
Low Income Investment Fund (LIIF)	The purpose of the grant is to provide both technical assistance and affordable capital to child care providers in order to retain and increase the quantity and enhance the quality of licensed child care available to families and children. This is accomplished through the administration of the Child Care Facilities Fund.	\$ 6,000,000	\$ 3,607,964
Family Resource Center (FRC) Renovation & Repair Grant and FRC Health & Safety Grant	Administration of two Family Resource Center (FRC) grant programs on behalf of First 5: the FRC Renovation and Repair Grant Program, for the renovation or repair of existing FRC facilities, and the FRC Health and Safety Grant Program, for the health and safety of existing FRC facilities, in order to help city contractors meet applicable health and safety standards.	\$ 750,000	\$ 724,565
<b>Subtotal - Low Income Investment Fund (LIIF)</b>		<b>\$ 16,750,000</b>	<b>\$ 8,422,529</b>
<b>Administration &amp; Other</b>			
First 5 Workorder	First 5 San Francisco will work with CBO(s) to build child and provider libraries for young children. There is an emphasis on procuring multicultural and linguistically appropriate books especially for FCCs.	\$ 150,000	\$ 150,000
OECE Staff	Funding to expand OECE department FTEs in support of overseeing Prop C funds.	\$ 539,600	\$ -
Other CBO Services	Program supports	\$ 660,173	\$ 660,173
<b>Subtotal - Administration &amp; Other</b>		<b>\$ 1,349,773</b>	<b>\$ 810,173</b>
<b>Total - FY 2020-2021</b>		<b>\$ 39,375,710</b>	<b>\$ 30,124,639</b>

## 25. Real Estate Fund

The Real Estate Fund began the fiscal year with \$6.7 million in fund balance. A shortfall of \$4.7 million in recoveries of leases, facilities maintenance, services, and other property rental revenues will be offset by \$12.3 million in expenditure savings due to COVID impacts on service demands and operating costs such as utilities and occupancy reductions. This results in ending balance of \$14.3 million.

## 26. 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. At the Asian Art Museum, a projected revenue shortfall of \$0.4 million from is offset by expenditure savings of \$0.4 million, resulting in no net change. At the Fine Arts Museums, a projected revenue surplus of \$0.2 million due to stronger than expected ticket sales is offset by

a projected expenditure shortfall of \$0.2 million. As a result, there is no net operating surplus or shortfall, and the fund is projected to continue to have a negative \$0.5 million balance.

## SELECT ENTERPRISE FUNDS

### **27. Airport Operating Fund**

The Airport began the fiscal year with \$298.0 million in available fund balance. The department projects a net operating surplus of \$57.2 million comprised of a projected revenue deficit of \$11.3 million and expenditure savings of \$68.5 million.

The department's revenue shortfall is due to a net \$117.76 million lower than budgeted need for transfers-in to the Airport's operating fund from deferred aviation revenues, Passenger Facility Charge (PFC) revenues, and fund balance. Mostly offsetting these shortfalls, the department projects revenue surpluses in rents and concessions of \$68.3 million due to stronger parking, groundside, food and beverage, retail, automobile rentals, and other concession sales as a result of increased passengers, visitor spending, taxi and TNC trips, and parking activity. The department projects to have a surplus of \$43.4 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 \$41.6 million in other revenues from greater Airtrain activity, sales of electricity and water, fees, licenses, and permits. Earned interest revenue is estimated to be \$2.6 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 \$37.3 million in labor savings due to higher vacancies and a hiring freeze. The department also projects savings of \$10.6 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. Transfers-out of the operating fund are projected to be \$7.7 million over budget due to higher Annual Service Payments to the General Fund, a positive result of stronger concession revenues.

The department is projected to end the fiscal year with a balance of \$355.2 million, of which \$62.0 million has been appropriated in the previously approved FY 2022-23 budget.

### **28. Municipal Transportation Agency (MTA) Operating Funds**

The MTA began the fiscal year with \$150.7 million in available fund balance. The department projects a net operating surplus of \$45.7 million comprised of a projected revenue deficit of \$56.3 million offset by expenditure savings of \$102.0 million.

The projected \$56.3 million revenue deficit is driven by lower than expected revenues from transit fares and parking and transit fees and fines. These deficits are due to various effects of the COVID-19 pandemic, including reduced transit ridership and reduced parking meter revenue. Partially offsetting these losses are \$194 million of federal relief, as well as \$30 million of growth in General Fund transfers due to projected increases in aggregate discretionary revenue (ADR).

The agency also projects \$102.0 million in expenditure savings comprised of \$86.7 million in personnel costs from reduced overtime, unfilled new positions, and slower hiring; \$3.4 million in materials and supplies; \$12.3 million in non-personnel costs; and \$0.4 million in equipment and maintenance due to reduced inventory usage.

SFMTA operating funds are projected to end the fiscal year with a balance of \$196.4 million, of which \$14.4 million has been appropriated in the previously approved FY 2022-23 budget.

## **29. 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 \$25.6 million, comprised of a revenue surplus of \$21.7 million and net expenditure savings of \$3.9 million.

The \$21.7 million revenue surplus is due to better than budgeted revenues from rents, continuing a trend seen in the prior fiscal year, as well as the earlier than expected return of cruise ships in October 2021. Expenditure savings of \$3.9 million include \$1.2 million in salary and fringe benefit savings due to vacant positions and \$1.7 million in non-personnel costs driven by negotiation of \$0.9 million in reduced office rent expense for Port offices at Pier 1.

Port operating funds are projected to end the fiscal year with a balance of \$76.1 million. The previously approved FY 2022-23 budget appropriated \$9.9 million of fund balance.

## **Public Utilities Commission**

The Public Utilities Commission (PUC) projects net operating surpluses in the Hetch Hetchy Operating and the Power Funds, and net operating deficits in the Wastewater Operations and Water Enterprise Funds.

## **30. Public Utilities Commission – Hetch Hetchy Operating Fund**

The Hetch Hetchy Fund began the fiscal year with \$81.8 million in available operating fund balance, net of \$7.1 million used to support the FY 2021-22 budget. The Fund is projected to end the year with a net operating surplus of \$16.9 million. Retail and wholesale electric sales revenue surpluses are projected to be \$8.8 million and \$2.7 million, respectively, due to higher than expected increases to enterprise rates based on average PG&E increases of 7% in January and an additional 10% in March. Recoveries from other city departments for natural gas and steam are projected to be under budget by \$2.9 million due to continued City employee remote work. A \$2.5 million shortfall in interest income is projected due to differences in budgeted and actual rates. Miscellaneous income is projected to be \$3.5 million higher than budget as a result of resumed water purchases by the Lawrence Livermore National Labs.

Expenditure savings of \$7.3 million are projected in the fund. Power purchases and distribution costs are expected to be lower than budget due to unspent funds from the prior year. Natural gas and steam expenditures are projected to be below budget because of continued remote work by City employees.

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of \$98.6 million, of which \$7.7 million has been appropriated in the FY 2022-23 budget.

## **31. Public Utilities Commission – Wastewater Operations Fund**

The Wastewater Operations Fund began the fiscal year with \$164.5 million in available operating fund balance net of the \$9.6 million used to support the FY 2021-22 budget, and is projected to end the year with a net operating deficit of \$21.8 million. Revenues are projected to be \$30.7 million below budget as a result of a \$30.4 million deficit in sewer service charges due to lower than budgeted retail wastewater billings, assuming a 5% drought surcharge effective April 2022 and \$2.0 million in COVID-19 emergency discounts. Interest income is projected to be lower than budget by \$2.2 million due to higher budgeted interest rates than actual yields. Other revenues are projected to be higher than budget by \$1.8 million, primarily due to increased revenue from permitting fees and non-utility services to other City departments. Expenditure savings of \$8.9 are projected, largely due to \$7.1 million personnel savings from position vacancies, \$0.7 million in non-personnel services due to decreased activity throughout the City and reductions in hauling and disposal of biosolids. Additional savings of \$1.1 million are also reflected in lower overhead costs.

The Fund is projected to end the fiscal year with a balance of \$142.7 million, of which \$13.0 million has been appropriated in the FY 2022-23 budget.

### **32. 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 \$28.9 million, comprised of a revenue deficit of \$37.9 million offset by \$9.0 million in expenditure savings. The revenue shortfall is comprised of \$12.3 million in reduced retail water sales and \$24.1 million in reduced wholesale water sales of \$24.1 million, largely due to lower wholesale water sales volume, and also by a \$1.1 million cost of COVID-19 emergency discount programs and \$7.3 million in state COVID-19 utility debt forgiveness program. The department projects a \$1.5 million surplus from excess reserve funds from the fully-refunded 2011 ABCD water bonds. Interest income is projected to be lower than budget by \$1.6 million due to lower than budgeted actual interest rates. Expenditure savings of \$9.0 million include \$5.4 million in personnel savings from position vacancies, \$1.5 million in overhead savings, non-personnel savings of \$0.5 million, and city grant program savings of \$1.5 million due to historical usage as well as lower spending associated with customer rebate and incentive programs, respectively.

The Fund is projected to end the fiscal year with a balance of \$135.3 million, of which \$27.1 million has been appropriated in the FY 2022-23 budget.

### **33. Public Utilities Commission – Clean Power Fund**

The Clean Power Fund began the fiscal year with a balance of \$41.5 million, and is projected to end the fiscal year with a net operating surplus of \$4.6 million. The Fund is projected to have a revenue deficit of \$0.4 million, primarily due to lower electric sales than budgeted in the beginning of the fiscal year and COVID relief programs, and \$0.8 million less interest revenue than budgeted. Expenditure savings of \$4.9 million include personnel savings of \$3.0 million due to position vacancies and \$1.4 million in lower spending for non-personnel services due to lower than budgeted contract work.

The Fund is projected to end the fiscal year with a balance of \$46.1 million, of which \$2.5 million has been appropriated in the FY 2022-23 budget.



# Appendix 5. Overtime Report

Department (\$ Millions)	FY 2020-21	FY 2021-22		
	Actual	Revised Budget	July through 3/31/2022	% of Budget through 3/31/2022
<b>Municipal Transit Agency - Total</b>	<b>37.0</b>	<b>57.0</b>	<b>37.4</b>	<b>66%</b>
<b>Police*</b>				
General Fund (Excl. Work Orders)	17.6	14.6	28.5	195%
Airport	0.3	2.3	0.8	34%
General Fund Work Orders	1.6	3.4	1.7	50%
<b>Total Annual Operating Funds</b>	<b>19.5</b>	<b>20.3</b>	<b>30.9</b>	<b>153%</b>
Special Revenue (10B)	14.2		11.5	
Total	33.7		42.4	
<b>Public Health*</b>				
ZSF General	12.7	12.9	16.7	129%
Laguna Honda	12.7	10.8	9.2	85%
Other Annual Funds	7.1	1.9	4.6	240%
<b>Total Annual Operating Funds</b>	<b>32.5</b>	<b>25.6</b>	<b>30.5</b>	<b>119%</b>
<b>Fire*</b>				
General Fund	47.3	47.9	54.5	114%
Airport	6.2	5.9	5.1	86%
<b>Total Annual Operating Funds</b>	<b>53.6</b>	<b>53.8</b>	<b>59.6</b>	<b>111%</b>
<b>Sheriff*</b>				
General Fund (Excl. Work Orders)	16.8	16.3	17.6	108%
General Fund Work Orders	6.1	5.2	5.9	114%
<b>Total Annual Operating Funds</b>	<b>22.9</b>	<b>21.5</b>	<b>23.6</b>	<b>110%</b>
<b>Airport*</b>				
Annual Operating Funds	1.6	2.8	1.5	53%
<b>Emergency Management*</b>				
Annual Operating Funds	5.0	5.4	4.2	77%
<b>Public Works*</b>				
Annual Operating Funds	1.4	1.5	1.4	95%
General Fund Work Orders	0.3	2.2	0.3	13%
<b>Public Utilities*</b>				
Annual Operating Funds	5.8	5.9	4.5	77%
<b>Recreation and Park*</b>				
Annual Operating Funds	2.0	1.8	1.6	89%
<b>Human Services</b>	2.3	2.9	2.0	69%
Juvenile Probation	1.1	0.9	1.0	106%
Elections	0.7	1.4	0.6	41%
Admin Services	1.3	0.6	1.1	170%
Technology	0.5	0.6	0.3	58%
Controller	0.1	0.4	0.1	36%
Building Inspection	1.0	0.4	0.4	93%
Port	0.4	0.3	0.4	152%
Fine Arts Museum	0.7	0.3	0.8	245%
Public Library	0.2	0.1	0.3	262%
Adult Probation	0.0	0.1	0.0	8%
District Attorney	0.1	0.1	0.1	119%
War Memorial	0.0	0.2	0.2	114%
Academy of Sciences	0.1	0.1	0.0	57%
Public Defender	0.0	0.1	0.0	27%
Asian Art Museum	0.1	0.0	0.1	277%
City Attorney	0.2	0.0	0.2	1847%
Homelessness	0.2	0.0	0.1	636%
<b>Total Overtime**</b>	<b>205.0</b>	<b>206.4</b>	<b>214.9</b>	<b>104%</b>

\* 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.