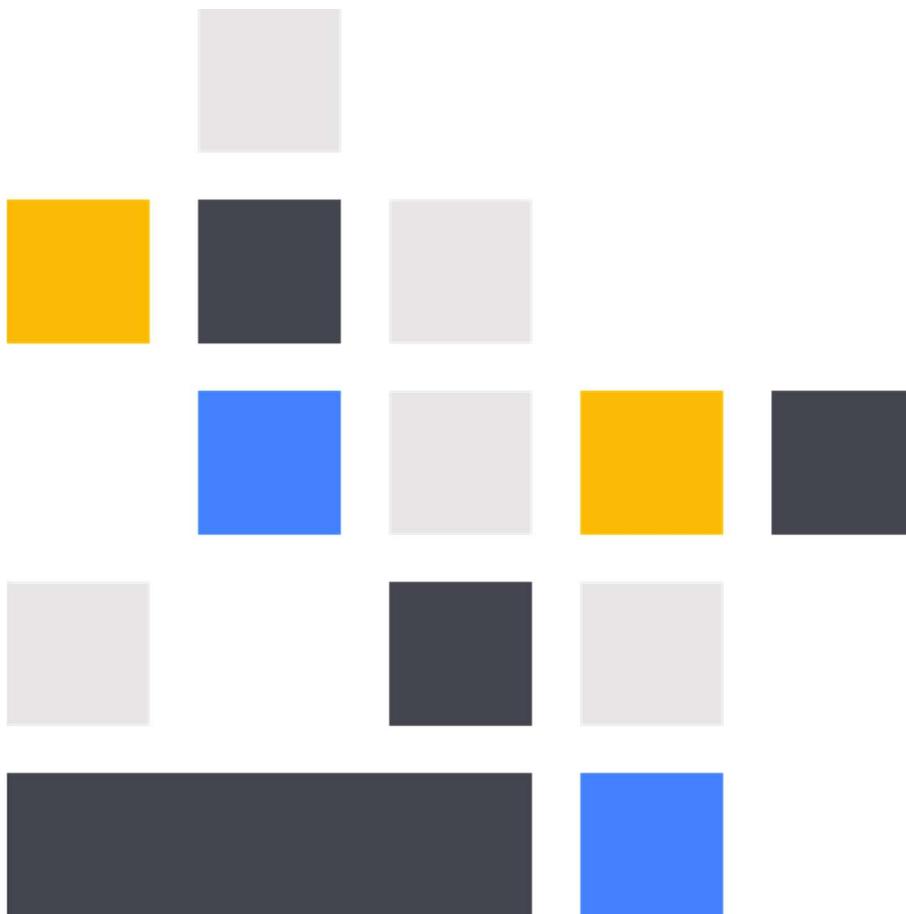


FY 2023-24

Six-Month Budget Status Report

The Controller's Office provides periodic budget status updates to the City's policy makers during each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of December 31, 2023, incorporating more current information up to the date of publication as available.



February 15, 2024

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.

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Executive Summary

- **We project a \$459.7 million General Fund ending balance in the current fiscal year, a \$34.5 million improvement from the \$425.3 million balance in our last projection (December 2023 Five-Year Financial Plan, or 5-Year Plan).** Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to \$764.7 million.
- **A \$117.4 million projected citywide revenue shortfall is due to weakness across numerous tax and other revenue sources, an increase in the shortfall of \$74.6 million from prior projections.** Property tax projections have been updated to include the need to reserve \$36.0 million for appeals on the full complement of 2023 assessed values of commercial properties, which were not known at the time of the Joint Report. An additional shortfall of \$48.4 million in business tax reflects the impact of litigation brought against the City and refunds for prior tax years recorded in the current year. Modestly larger shortfalls in sales and hotel taxes from prior projections reflect additional monthly revenue performance. While still \$33.6 million below budget, transfer tax projections are \$18.2 million higher than previous projections given November 2023 collections resulting from demand letters issued by the Assessor. There is no change from our previous projection of FEMA revenue.
- **Departments are projected to end the year with a \$178.4 million net operating surplus.** This includes \$78.4 million of expenditure savings and additional revenues identified by departments in response to the Mayor's September request for mid-year cuts, which are largely projected to be realized. The \$82.0 million increase from prior projection is largely due to a \$67.3 improvement at the Department of Public Health, which is primarily composed of revenue surpluses at Zuckerberg San Francisco General Hospital, behavioral health, and primary care. In addition, there are modest salary and benefit savings across a wide array of departments, citywide retiree health savings, and overhead fund savings at Recreation and Parks.
- **New risks related to COVID-19 FEMA reimbursements have come to light in recent months.** The City and other peer jurisdictions in the state are in active discussions with the California Office of Emergency Services (CalOES) regarding the FEMA Region 9 Administrator's October 2023 guidance on eligible costs for non-congregate shelter (NCS) services, which San Francisco provided through the Shelter in Place (SIP) hotel program through May 11, 2023. We will update total FEMA revenue projections when there is more information available about the actual or likely outcome of the discussion. This guidance would not affect current year revenues but will likely affect future year forecasts.

Table 1. FY 2023-24 Projected General Fund Variances to Budget (\$ millions)

	Fall 2023 Projection	6-Month	Change
FY 2022-23 Ending Fund Balance	417.5	417.5	-
Appropriation in the FY 2023-24 Budget	(414.4)	(414.4)	-
A. Prior Year Fund Balance Above Budgeted Levels	3.1	3.1	-
Citywide Revenue	(42.9)	(117.4)	(74.6)
Baseline Contributions	(4.3)	22.7	26.9
Departmental Operations	96.4	178.4	82.0
B. Current Year Revenues and Expenditures	49.3	83.7	34.5
Approved Use of General Reserve	-	-	-
Public Health Revenue Management Reserve	-	-	-
C. Supplemental Appropriations & Use of Reserves	-	-	-
D. Previously Unappropriated Fund Balance	81.2	81.2	-
E. Fund Balance Previously Appropriated in FY 2024-25	291.7	291.7	-
F. FY 2023-24 Projected Ending Balance	425.3	459.7	34.5

A. GENERAL FUND STARTING BALANCE

Total projected uses of fund balance at the time the FY 2023-24 and FY 2024-25 adopted budget were \$414.4 million, of which \$122.7 million was appropriated in FY 2023-24 and \$291.7 million was appropriated in FY 2024-25. General Fund available fund balance at the end of FY 2022-23 was \$3.1 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 \$117.4 million below budget and \$74.6 million from prior projections assumed in the December 2023 Five-Year Plan Update (Joint Report). The variance from budget is largely due to anticipated weakness in property, business, hotel, and real property transfer tax, as well as lower COVID-related reimbursements from FEMA in the current year. These shortfalls are partially offset by anticipated strength in interest income and overpaid executive, utility user, and access line taxes.

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

	FY 2022-23	FY 2023-24			Variance	
	Actuals	Budget	5-Yr	6-Mo	Vs Budget	Vs 5-Yr
Property Taxes	2,466.9	2,510.0	2,527.9	2,491.8	(18.2)	(36.1)
Property Tax	2,121.8	2,145.0	2,165.0	2,129.0	(16.0)	(36.0)
Excess ERAF	345.1	365.0	362.9	362.8	(2.2)	(0.1)
Business Taxes	850.6	851.1	869.8	821.4	(29.7)	(48.4)
Sales Tax - Local 1%	197.9	200.0	192.2	188.7	(11.4)	(3.5)
Hotel Room Tax	252.9	302.9	267.6	262.1	(40.8)	(5.5)
Utility User & Access Line Taxes	163.9	167.0	187.3	182.8	15.8	(4.5)
Parking Tax	82.7	84.1	86.0	86.0	1.9	-
Real Property Transfer Tax	186.2	222.0	170.1	188.3	(33.6)	18.2
Sugar Sweetened Beverage Tax	12.9	13.7	13.7	13.7	(0.0)	-
Stadium Admissions Tax	6.0	9.1	7.4	7.4	(1.7)	-
Cannabis Tax	-	-	-	-	-	-
Executive Pay	206.0	100.0	120.0	120.0	20.0	-
Franchise Taxes	16.9	15.6	16.7	16.5	0.9	(0.3)
Interest Income	105.0	121.1	151.5	150.3	29.3	(1.2)
FEMA Disaster Relief	2.6	170.0	123.6	123.6	(46.4)	-
Health & Welfare Realignment	290.7	281.6	267.2	276.0	(5.6)	8.8
Public Safety Realignment	58.5	51.6	58.5	53.9	2.3	(4.6)
Public Safety Sales Tax	94.9	100.4	98.1	98.1	(2.3)	(0.0)
Airport Transfer In	48.7	50.9	50.9	53.3	2.4	2.4
Commercial Rent Tax Transfer In	28.5	28.4	28.2	28.2	(0.2)	-
Total Citywide Revenues	5,071.8	5,279.5	5,236.8	5,162.2	(117.4)	(74.6)

Baseline Contributions

Table 3 shows the impact of voter-mandated spending requirements. Due to projected shortfalls in Aggregate Discretionary Revenue (ADR), the General Fund portion of baseline contributions is projected to be \$22.7 million below budget and \$11.3 million below prior projections. Highlights include:

- MTA baselines are projected to be \$19.3 million below budget, of which \$6.6 million is due to weakness in projected aggregate discretionary revenue (ADR) and \$14.2 million is due to the true-up of the FY 2022-23 Prop B Population Adjustment, as actual population growth was below projected growth. These shortfalls are partially offset by a \$1.5 million projected surplus in the transfer in lieu of parking tax.
- The Library baseline and property tax set-aside are projected to be \$2.3 million below budget. No general fund return is anticipated at this time.
- Required General Fund support for the Public Education Enrichment Fund baseline and annual contribution to SFUSD and OECE is projected to be \$2.2 million below budget.
- The Children and Youth Fund property tax set-aside is projected to be \$1.5 million below budget.
- The Open Space property tax set-aside is projected to be \$0.9 million below budget.
- Required spending levels for the Children and Transitional-Aged Youth expenditure baselines are projected to be \$3.2 million and \$0.4 million below budget, respectively.

- The Street Tree Maintenance Fund baseline and Early Care and Education expenditure baseline increased by \$0.1 million and \$0.6 million, respectively. Growth in these baselines was suspended in FY 2023-24 at FY 2022-23 levels, given the deficit levels forecasted in the March 2023 Joint Report. These baselines are increasing compared to budget because FY 2022-23 actuals were higher than the estimates used to prepare the FY2023-24 budget.

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

	FY 2022-23	FY 2023-24			Variance	
	Actuals	Budget	5-Yr	6-Mo	Vs Budget	Vs 5-Yr
General Fund Aggregate Discretionary Revenue (ADR)	4,459.6	4,497.8	4,509.9	4,430.7	(67.1)	(79.2)
Municipal Transportation Agency (MTA)						
MTA - Municipal Railway Baseline: 7.059% ADR	315.2	317.9	318.4	313.1	(4.8)	(5.2)
MTA - Parking & Traffic Baseline: 2.507% ADR	112.0	112.9	113.1	111.1	(1.9)	(2.0)
MTA - Population Adjustment	58.0	82.8	68.6	68.6	(14.2)	-
MTA - 80% Parking Tax In-Lieu	66.2	67.3	68.8	68.8	1.5	-
Subtotal Municipal Transportation Agency	551.3	580.9	568.8	561.6	(19.3)	(7.2)
Library Preservation Fund						
Library - Baseline: 2.286% ADR, net of General Fund Return	102.1	102.7	103.1	101.3	(1.4)	(1.8)
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	78.7	79.5	80.2	78.6	(0.9)	(1.6)
Subtotal Library	180.8	182.2	183.3	179.9	(2.3)	(3.4)
Children's Services						
Children's Services Baseline - Requirement: 4.830% ADR	215.4	217.2	217.8	214.0	(3.2)	(3.8)
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	25.9	26.1	26.2	25.7	(0.4)	(0.5)
Early Care and Education Baseline (Jun 2018 Prop C) - Requirement: 2.212% ADR	93.8	93.2	93.2	93.8	0.6	0.6
Public Education Services Baseline: 0.290% ADR (50% GF)	6.5	6.5	6.5	6.4	(0.1)	(0.1)
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	125.5	127.2	128.3	125.8	(1.5)	(2.5)
Public Education Enrichment Fund: 3.057% ADR	136.3	137.5	137.9	135.4	(2.1)	(2.4)
1/3 Annual Contribution to Preschool for All	45.5	45.8	46.0	45.1	(0.6)	(0.8)
2/3 Annual Contribution to SF Unified School District	91.0	91.6	91.9	90.3	(1.3)	(1.6)
Student Success Fund	N/A	11.0	11.0	11.0	-	-
Subtotal Childrens Services (Required)	603.3	618.8	620.9	612.1	(6.7)	(8.7)
Recreation and Parks						
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	78.7	79.5	80.2	78.6	(0.9)	(1.6)
Recreation & Parks Baseline - Requirement	82.2	82.2	82.2	82.2	-	-
Subtotal Recreation and Parks (Required)	160.8	161.7	162.3	160.8	(0.9)	(1.6)
Other Financial Baselines						
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirement	215.0	215.0	215.0	215.0	-	-
Housing Trust Fund Requirement	45.2	44.5	44.5	44.5	-	-
Dignity Fund	56.1	56.1	56.1	56.1	-	-
Street Tree Maintenance Fund	23.0	22.8	22.8	23.0	0.1	0.1
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	4.1	4.3	4.3	4.3	0.0	-
City Services Auditor: 0.2% of Citywide Budget	26.1	26.0	26.0	26.0	-	-
Subtotal Other Financial Baselines	377.1	377.5	377.5	377.6	0.2	0.1
* General Fund Impact					(22.7)	(11.3)

Departmental Operations

A projected departmental operating surplus of \$178.4 million is summarized in Table 4 below and further detailed in Appendix 2.

Table 4. FY 2023-24 Departmental Operating Summary (\$ millions)

Note: Figures may not sum due to rounding.

	Revenue Surplus / (Shortfall)	Expenditure Savings/ (Deficit)	Net Surplus / (Shortfall)
Net Shortfall Departments			
City Planning	(9.7)	5.7	(4.0)
Board of Appeals	(0.1)	0.1	(0.01)
Subtotal Net Shortfall Departments	(9.8)	5.8	(4.0)
Net Surplus Departments			
Department of Public Health	89.6	8.7	98.3
Mayor	-	30.7	30.7
Recreation & Park	3.7	4.1	7.8
General City Responsibility	1.0	6.4	7.4
Human Services Agency	(4.3)	11.0	6.7
Dept. of Homelessness and Supportive Housing	(0.0)	3.4	3.4
Emergency Communications	-	3.3	3.3
Economic & Workforce Development	(10.3)	13.1	2.8
General Services Agency - Administrative Services	(1.3)	3.9	2.7
Human Rights Commission	-	2.5	2.5
Fire Department	2.0	0.2	2.2
Children, Youth & Their Families	-	1.6	1.6
Juvenile Probation	0.1	1.4	1.5
Department of Early Childhood	(3.7)	5.1	1.3
Department on the Status of Women	-	1.3	1.3
Adult Probation	(0.0)	1.2	1.2
Ethics Commission	-	1.1	1.1
Treasurer / Tax Collector	(2.3)	3.2	0.9
Sheriff's Department of Accountability	-	0.8	0.8
Public Works	(2.6)	3.3	0.8
Subtotal Net Surplus Departments	71.9	106.1	178.0
All Other	(8.3)	12.7	4.4
TOTAL	53.8	124.6	178.4

C. SUPPLEMENTAL APPROPRIATIONS & USE OF RESERVES

No General Fund supplemental appropriations are pending or approved by the Board of Supervisors in the current year. Uses of the General Reserve in the current fiscal year require a like amount to be deposited in the budget year.

D. PREVIOUSLY UNAPPROPRIATED FUND BALANCE

The projection includes \$81.2 million of unappropriated fund balance, which was designated for balancing future budget shortfalls in Section 32.1 of the Administrative Provisions of FY 2023-24 and FY 2024-25 of the Budget and Appropriations Ordinance.

E. PROJECTED ENDING FUND BALANCE OF \$459.7 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2023-24 of \$459.7 million, a \$34.5 million improvement from prior projections in the December 2023 Update to the 5-Year Plan (Joint Report).

OTHER FUNDS

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

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

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

UPCOMING PROJECTIONS

The March 2024 Update to the December 2023 5-Year Plan (Joint Report) will provide updated revenue and expenditure projections for FY 2024-25 through FY 2027-28 and will incorporate fund balance projections in this report. FY 2023-24 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in May 2024.

SIX-MONTH OVERTIME REPORT

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

APPENDICES

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

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$133.2 million below revised budget, largely due to a \$117.4 million projected shortfall in citywide tax-based revenue (Table 2) plus a \$15.5 shortfall in departmental General Fund revenue. Table 4 in Appendix 2 shows a \$45.5 million revenue surplus; the variance is driven by the inclusion of revenue in the Zuckerberg San Francisco General Hospital Fund and inter-departmental work order recoveries, which is partially offset by departmental weakness in the General Fund captured in the below table.

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

GENERAL FUND (\$ Millions)	FY 2022-23	FY 2023-24			Var Vs Rev Budget	Note
	Year End Actual	Revised Budget	5-Year Fall Update	6-Month		
PROPERTY TAXES	\$ 2,466.9	\$ 2,510.0	\$ 2,527.9	\$ 2,491.8	(18.2)	1
BUSINESS TAXES						
Business Registration Tax	40.6	40.0	40.0	40.0	-	
Payroll Tax	9.6	0.0	0.0	-	-	
Gross Receipts Tax	800.4	811.1	829.8	781.4	(29.7)	
Admin Office Tax	-0.1	0.0	0.0	0.0	-	
Total Business Taxes	850.6	851.1	869.8	821.4	(29.7)	2
OTHER LOCAL TAXES						
Sales Tax	197.9	200.0	192.2	188.7	(11.4)	3
Hotel Room Tax	252.9	302.9	267.6	262.1	(40.8)	4
Utility Users Tax	110.7	111.4	120.5	118.8	7.3	5
Parking Tax	82.7	84.1	86.0	86.0	1.9	6
Real Property Transfer Tax	186.2	222.0	170.1	188.3	(33.6)	7
Sugar Sweetened Beverage Tax	12.9	13.7	13.7	13.7	(0.0)	
Stadium Admission Tax	6.0	9.1	7.4	7.4	(1.7)	
Access Line Tax	53.2	55.6	66.8	64.1	8.5	
Cannabis Tax	0.0	0.0	0.0	0.0	-	8
Overpaid Executive Tax	206.0	100.0	120.0	120.0	20.0	9
Total Other Local Taxes	1,108.5	1,098.9	1,044.3	1,049.0	(49.9)	
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	12.0	14.7	14.7	13.3	(1.4)	
Franchise Fee	16.9	15.6	16.7	16.5	0.9	
Total Licenses, Permits & Franchises	29.0	30.3	31.4	29.7	(0.6)	
FINES, FORFEITURES & PENALTIES	3.2	3.0	3.0	3.8	0.8	
INTEREST & INVESTMENT INCOME	105.0	121.0	151.5	150.3	29.4	10
RENTS & CONCESSIONS	12.5	14.6	14.6	13.0	(1.6)	

GENERAL FUND (\$ Millions)	FY 2022-23	FY 2023-24			Var Vs Rev Budget	Note
	Year End Actual	Revised Budget	5-Year Fall Update	6-Month		
INTERGOVERNMENTAL REVENUES						
Federal Government	303.1	515.7	462.7	455.1	(60.7)	11
State Government	1029.0	982.8	954.3	988.4	5.6	12
Other Regional Government	1.6	3.9	3.9	3.5	(0.4)	
CHARGES FOR SERVICES	223.0	247.5	246.7	246.6	(1.0)	
RECOVERY OF GEN. GOV'T. COSTS	19.9	26.2	26.2	26.2	(0.0)	
OTHER REVENUES	14.0	18.4	17.5	9.7	(8.7)	
TOTAL REVENUES	6,166.1	6,423.3	6,353.8	6,288.5	(134.9)	
TRANSFERS INTO GENERAL FUND:						
Airport Transfer In	48.7	50.9	50.9	53.3	2.4	13
Commercial Rent Tax Transfer In	28.5	28.4	28.2	28.2	(0.2)	14
Other Transfers	114.9	133.1	132.1	132.5	(0.5)	
Total Transfers In	192.1	212.3	211.1	214.0	1.7	
TOTAL GENERAL FUND RESOURCES	\$ 6,358.2	\$ 6,635.6	\$ 6,565.0	\$ 6,502.5	(133.2)	

2. Property Tax

Total property tax revenue in the General Fund is projected to be \$18.2 million (0.7%) below budget and \$24.9 million (1.0%) above prior year actual revenue, including a \$16.0 million shortfall in regular property tax revenues and \$2.2 million shortfall in excess Educational Revenue Augmentation Fund (ERAF) monies. Excess ERAF revenues represent property tax originally shifted from the City's General Fund to help subsidize the State of California's Prop 98 obligations to non-basic aid public schools; once schools reach this mandated amount, the excess is returned to the City. Property tax projections have been updated in this report to include the need to reserve \$36.0 million for appeals on the full complement of 2023 assessed values of commercial properties, which were not known at the time of the Joint Report.

The annual property assessment rolls (state and local assessed property) received by the Controller's Office by July 1, 2023, for FY 2023-24 taxation grew \$15.4 billion or 4.7% compared to the assessment rolls received by July 1, 2022, for FY 2022-23, which was \$3.2 billion or 0.9% more than anticipated in the budget. This added \$20.4 million in projected General Fund revenue after anticipated property tax increment financing district diversions compared to budget, plus \$2.4 million in additional Vehicle License Fee (VLF) backfill revenue, which is indexed to year-to-year local assessed value growth.

According to data provided by the Assessment Appeals Board (AAB), the number of property assessment appeals received and open as of January 15, 2024, included 8,724 secured appeals representing \$177.2 billion in assessed value and 1,101 unsecured appeals representing \$29.7 billion of value. We estimate total current year General Fund reserve deposits of \$89.2 million will be required to pay refunds to property owners who receive assessment reductions in a future year. Including the \$20.6 million in refunds paid through January 15, this represents a \$45.8 million (71.4%) increase from reserve needs projected in the budget.

Supplemental and escape property assessments are triggered by new construction or changes in majority ownership of properties. Supplementals are being enrolled by the Assessor at

slightly lower levels than anticipated in the budget, resulting in a \$6.3 million revenue shortfall, while escapes are being enrolled at slightly higher rates, resulting in a \$9.3 million surplus.

Penalties and interest revenues from late or redeemed defaulted property tax bill payments are projected to be \$3 million above budget. Statutory passthrough revenues from gross property tax increment generated within the former redevelopment agency's project areas (now administered by the Office of Community Investment and Infrastructure) are projected to be \$1.0 million above budget.

The \$2.2 million shortfall in excess ERAF revenues reflects \$1.9 million in adjustments from the California Department of Education (CDE) and California Community Colleges Chancellor's Office (CCCCO) June 2023 certified reports and a \$0.3 million increase in Total Computational Revenue (TCR) published in July 2023 by the CCCCCO for City College's ERAF entitlement compared to budget. The CDE and CCCCCO will release FY 2021-22 recalculation reports, FY 2022-23 annual reports, and FY 2023-24 First Principal Apportionment (P-1) reports in late February, which may change their ERAF entitlement amounts and excess ERAF revenues.

Property tax set asides to special revenue funds are shown in Table 3 above.

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 \$821.4 million in FY 2023-24, or \$29.7 million (3.5%) below budget and \$29.2 million (3.4%) below prior year actual revenues.

Gross receipts tax revenue is determined in part by the proportion of businesses' employees that physically work within City limits. When workers who previously commuted into the City work from their home outside the City, business tax revenue falls. The budget assumed that the extent of telecommuting has largely stabilized and that there will not be significant increases in gross receipts tax revenue driven by workers returning to the office. Based on available data, this has proved to be true.

According to Kastle Systems, a company that provides security for office buildings, office attendance in the San Francisco area at the end of 2023 was about the same as it was in July of 2023, around 40% to 45% of pre-pandemic levels. Traffic volume across the Bay and Golden Gate bridges in December 2023 is similar to December 2022. Muni ridership, which had been slowly increasing in the first half of 2023 stalled in the second half of 2023, around 55% of pre-pandemic levels. Relative to pre-pandemic levels, BART exits to downtown stations are slightly lower in December 2023 than in July 2023.

There continues to be significant ongoing and new litigation involving the gross receipts tax across a wide range of issues including which business activity is appropriate, what receipts are attributed to businesses, and how to apportion worldwide gross receipts to San Francisco. A total of \$40 million in gross receipts tax revenue has been deferred in FY 2023-24 due to new claims, although a portion of the deferred revenue was also received in FY 2023-24 and thus does not affect projected revenues for the fiscal year. The total amount of deferred gross receipts tax revenue for all known claims is currently \$265 million. Revenues will continue to be updated with new claims and the results of litigation.

Additionally, revenue collected in FY 2023-24 to-date is weaker than expected when the budget was developed. This is due in part to refunds for prior tax years that are recorded in the current fiscal year.

Proposition F (2020) contained a provision that tax increases in certain business sectors scheduled for 2024 would be delayed to 2025 if total gross receipts in 2022 were less than 95% of total gross receipts in 2019. The budget assumed that there would be no delay in the increases. However, total gross receipts did not reach the 95% threshold, so the increases originally scheduled for 2024 will be delayed to 2025. This will affect the first two quarterly prepayments that businesses make for 2024, which are paid in FY 2023-24, and reduce projected revenues by an estimated \$10 million.

3. Local Sales Tax

Local sales tax revenues are projected to be \$188.7 million, \$11.4 million (5.7%) below budget and \$9.3 million (4.7%) below prior year actuals. San Francisco's sales tax recovery had recently exceeded both state and other Bay Area counties, but now lags both in year over year growth. In the first three months of FY 2023-24, revenue decreased by \$3.6 million (6.9%) compared to the same quarter of FY 2022-23, surpassing decreases in both state (1.9%) and Bay Area (4.1%) tax revenue. This decline can primarily be seen in the auto and transportation sectors (11.9%) due to statewide re-allocations; fuel and service stations (14.7%) due to lower prices; general consumer goods (12.1%) due to lower general retail spending; business and industry (19.5%); and in county and state pools (2.8%) due to a shift from allocating sales tax from pools to the jurisdictions hosting distribution centers. Restaurants and hotels had the only sector increase (2.8%) due to higher than expected casual dining activity.

4. Hotel Room Tax

Hotel taxes for all funds are projected to be \$300 million, \$42.1 million (12.3%) below budget and \$16.5 million (5.8%) above prior year. General Fund hotel tax revenues are projected to be \$262.1 million, \$40.8 million (13.5%) below budget and \$9.2 million (3.7%) above prior year.

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. RevPAR for the first six months of FY 2023-24 has barely changed from the prior year, averaging \$158.70, an increase of 2.4% versus FY 2022-23 annual average RevPAR of \$154.82. When compared to pre-pandemic levels in 2019, RevPAR for FY 2023-24 through December was 29.9% lower over the same period.

Enplanements at San Francisco International Airport have improved steadily since the onset of the pandemic. Unfortunately, these gains are not resulting in proportionate growth in the City's hotel room tax. As of December 2023, domestic and international enplanements in FY 2023-24 to date were 13.3% greater than FY 2022-23, though still 10.4% below FY 2018-19. In FY 2023-24, international enplanements increased 24.6% over FY 2022-23, a 2.0% increase over FY 2018-19. FY 2023-24 domestic enplanements to date have improved 9.4% over FY 2022-23 but are still 14.5% behind FY 2018-19. Current domestic seat capacity is 17.6% lower and international seat capacity is 5.9% higher than FY 2018-19. International travel has shown signs of recovery since travel restrictions were lifted in Asia in early 2023. Current fiscal year enplanements from Asia are 5.3% below FY 2018-19 compared to an increase of 2.0% for all regions.

Because conventions drive up hotel room rates through compression pricing, the return of conferences and conventions plays a key role in the recovery of hotel tax revenues. In FY 2022-23, a total of 33 conferences with over 286,000 attendees took place in Moscone Center. This is compared to 23 events with over 126,000 in FY 2021-22 and 54 events with over 723,000 attendees in FY 2018-19. In the first two quarters of FY 2023-24, San Francisco hosted 21 conferences with over 226,000 attendees; for the remainder of the fiscal year, 17 conferences with over 194,000 attendees are anticipated for a projected total of 38 conferences and 460,000 attendees.

November 2018 Proposition E allocates 1.5% of the 14% hotel tax rate (or approximately 10.7% of total hotel tax revenue) to arts programming outside of the General Fund. Due to projected shortfalls, the allocation to arts programs is projected to be \$33.2 million in FY 2023-24, or \$1.3 million (5.4%) below budget and \$7.1 million (27.4%) above the prior year.

Table A1.1 Hotel Tax for the Arts, FY 2023-24 Budget versus Projected Allocations (\$ millions)

	Budget	6-Month	Variance
Grants for the Arts	17.6	16.9	(0.7)
Arts Impact Endowment	2.7	2.6	(0.1)
Cultural Centers	4.1	3.9	(0.2)
Cultural Equity Endowment	6.9	6.6	(0.3)
Cultural Districts	3.2	3.1	(0.1)
Total	34.5	33.2	(1.3)

5. Utility Users Tax

Utility user tax revenue is projected to be \$118.8 million, \$7.3 million (6.6%) above budget and \$8.1 million (7.3%) above prior year actuals. Year-to-date revenue collections are tracking lower than prior year collections across all utility user taxes. The surplus is solely attributable to a net \$8.8 million increase in telephone utility tax revenue from a settlement of disputed tax revenues offsetting lower collections than assumed in the budget.

6. Parking Tax

Parking tax revenue is projected to be \$86.0 million, which is \$1.9 million (2.3%) above budget and \$3.3 million (4.0%) above prior year actual. This projection reflects year-to-date collections through the first half of the year, which have increased slightly compared to the prior year. Although there are fewer commuters coming into the City now than pre-pandemic, a higher share is commuting by car rather than public transportation, and projected revenue is approximately equal to pre-pandemic levels. 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.

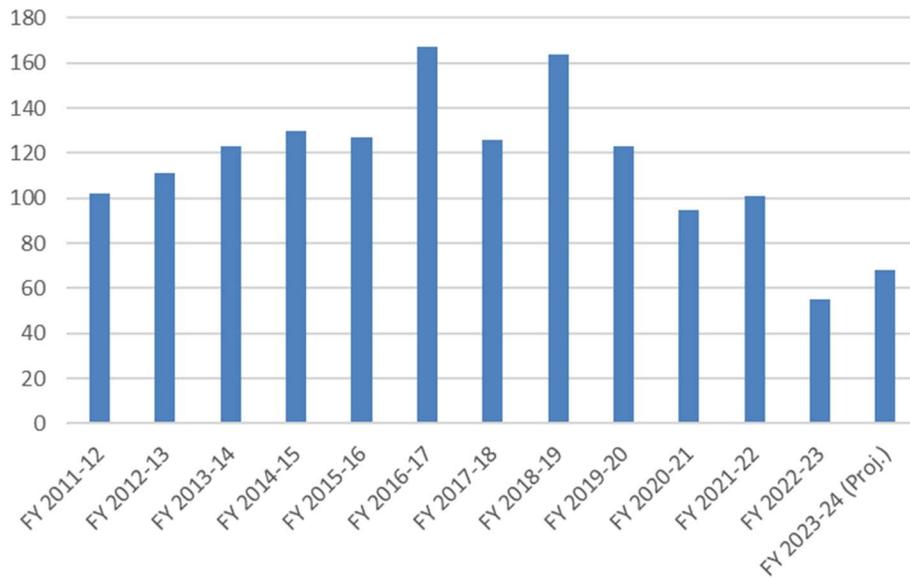
7. Real Property Transfer Tax

Real property transfer tax revenue is projected to be \$188.3 million, which is \$33.6 million (15.2%) below budget and \$2.1 million (2.5%) above prior year actual revenues. The impact of the November 2020 Proposition I rate change in FY 2022-23 is estimated to be \$42.9 million or approximately \$34.4 million after baselines.

Since the beginning of the COVID-19 pandemic in spring 2020, businesses in office-using sectors have largely adopted remote and hybrid work practices, resulting in persistently high office vacancies, about 32% as of December 2023. This dynamic is expected to decrease commercial real estate values. Exacerbating this structural change in where and how we work is the elevated interest rate environment, which increases the cost of borrowing and dampens real estate investment. Additional factors include credit availability, foreign capital flows, and the relative attractiveness of San Francisco real estate compared to other investment options.

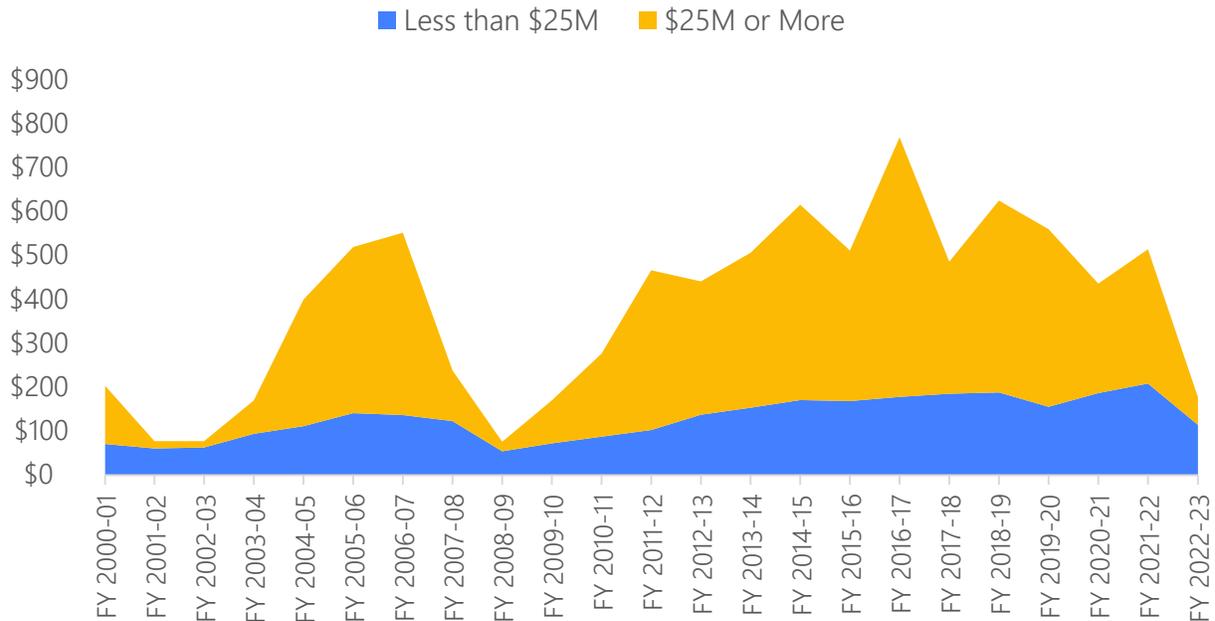
In the current year, the number of real property transfers over \$10 million is expected to be low relative to pre-pandemic times. The average annual number of transactions over \$10 million between FY 2014-15 and FY 2018-19 was 143. Between FY 2020-21 and FY 2023-24 (projected), the average annual number of transactions over \$10 million is expected to decline 44%, to 80.

Number of Transfers Over \$10 million, FY 2011-12 through FY 2023-24 (Projected)



Transfer tax revenue is one of the General Fund’s most volatile sources. The tax is highly progressive, with a handful of high-value transactions generating a majority of the tax. Of the roughly 6,800 transactions that generated \$186.2 million of revenue in FY 2022-23, 16 transactions (or 0.2% of total) over \$25.0 million generated \$63.4 million (or about 34% of total revenue). The graph below shows rate-adjusted transfer tax from FY 2000-01 through FY 2022-23, broken out by the value of transactions above and below \$25.0 million. The graph underscores the magnitude and volatility of the highest tier, commercial transactions.

Rate-Adjusted Real Property Transfer Tax, FY 2000-01 through FY 2022-23 (\$millions)



8. Cannabis Tax

In December 2022, the Mayor and Board of Supervisors delayed the imposition of the local cannabis excise tax from January 1, 2023, to January 1, 2026. The first collection of cash and recognition of revenue will occur in FY 2026-27.

9. Overpaid Executive Tax

Overpaid Executive Tax revenue is projected to be \$120.0 million, which is \$20.0 million above budget and \$86.0 million (41.8%) below prior year actual. The tax became operative in tax year 2022, but because the Tax Collector does not require prepayments in the first year of a tax, the revenue recognized in FY 2022-23 included all of tax year 2022 payments in addition to the first two quarterly prepayments for tax year 2023. The revenue from this tax is expected to be highly variable.

10. Interest & Investment Income

Interest and investment revenues are projected to be \$150.3 million, \$29.3 million (24.2%) above budget and \$45.4 million (43.2%) above prior year actual revenues. This projected growth is due to higher than expected earned income yields on the City’s pooled investments. Average growth in net monthly interest earnings in the City’s cash pool for all funds is projected to be approximately 200% to 300% over the prior year. Additionally, starting in FY 2023-24, the General Fund will recover from other funds the negative interest earned by the General Fund as a result of the retirement contribution prepayment made at the beginning of the fiscal year. The estimated total annual recovery amount from FY 2023-24 is \$3.0 million. First quarter interest allocations will occur at the end of February, after the quarter is closed in the financial system.

11. Intergovernmental Revenues – Federal

Federal revenues are projected to be \$455.1 million, or \$60.7 million (11.9%) below budget and \$152.0 million (50.2%) above prior year actuals. The variance is driven by FEMA reimbursements of pandemic response costs. The FY 2023-24 budget assumed \$170.0 million of FEMA reimbursement revenue. Given recent trends in the pace of FEMA obligations, the projection was lowered to \$123.6 million in the current fiscal year and assumed received in a future year.

The City and other peer jurisdictions in the state are in active discussions with the California Office of Emergency Services (CalOES) regarding the FEMA Region 9 Administrator’s October 2023 guidance on eligible costs for non-congregate shelter (NCS) services, which San Francisco provided through the Shelter in Place (SIP) hotel program through May 11, 2023. This new guidance appears to retroactively cap reimbursement for stays in SIP hotels after June 11, 2021, to 20 days, and states that unoccupied rooms are generally ineligible for reimbursement. While also noting that exceptions for unoccupied room costs might be made for reasonable pre-positioning of resources, the City has yet to receive confirmation for our pre-positioning cost justification submitted to FEMA in October 2021. The City has reported to CalOES that this guidance would place \$114.0 million of claimed FEMA reimbursement for the cost of SIP hotel stays above the 20-day cap at risk. Mayor’s and Controller’s Office staff are working with state representatives on follow up actions and appeal options. Revenue projections across all years will be updated when there is more information available about the actual or likely outcome of the discussion.

12. Intergovernmental Revenues – State

State grants and subventions are projected to total \$988.4 million, \$4.8 million (0.5%) above revised budget and \$41.35 million (4.0%) below prior year actual, primarily due to state sales tax-based subventions not performing as anticipated due to weaker sales tax in California and San Francisco. These subventions include Health & Welfare realignment (\$5.6 million below adopted budget) and Public Safety realignment and Public Safety sales tax (\$2.31 million below adopted budget).

13. Airport Transfer In

The Airport’s annual service payment to the General Fund is projected to be \$53.3 million, which is \$2.4 million (4.7%) above budget and \$4.6 million (9.4%) above prior year actuals. The San Francisco International Airport (SFO) transfers 15% of its annual concession revenue to the City’s General Fund. This revenue is dependent upon lease agreements with concessionaires and passenger traffic. As discussed in the hotel tax section above, enplanements at SFO have recovered to nearly 90% of pre-pandemic levels; strong transfers reflect this trend.

14. Commercial Rent Transfer In

The Commercial Rent Transfer In to the General Fund is projected to be \$28.2 million, which is \$0.2 million (0.6%) below budget and \$0.3 million (1.1%) below prior year actuals. In June 2018, voters adopted a commercial rent tax to support early childcare and education. Pursuant to the measure, 15% percent of commercial rent tax revenue is transferred to the General Fund. Due to a projected decrease in commercial rent tax from budget, the associated transfer to the General Fund is decreased.

Appendix 2. General Fund Projections

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

Note: Figures may not sum due to rounding.

GENERAL FUND SUPPORTED OPERATING (\$ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Savings Previously Assumed (Fall 2023)	Net New Surplus/ (Deficit)	Notes
PUBLIC PROTECTION							
Adult Probation	58.2	57.1	(0.0)	1.2	0.7	0.5	1
Superior Court	32.8	32.8	-	-	-	-	
District Attorney	75.9	75.5	(0.0)	0.4	-	0.4	2
Emergency Management	84.1	80.9	-	3.3	3.3	-	3
Fire Department	490.9	490.7	2.0	0.2	2.2	-	4
Juvenile Probation	32.2	30.8	0.1	1.4	0.5	1.0	5
Public Defender	51.1	51.1	-	-	-	-	
Police Department	678.2	677.3	(0.9)	0.9	-	-	6
Sheriff	292.8	293.1	0.3	(0.3)	-	-	7
Police Accountability	10.0	9.9	0.3	0.1	-	0.4	8
Sheriff Office of the Inspector General	1.9	1.1	-	0.8	0.3	0.4	9
PUBLIC WORKS, TRANSPORTATION & COMMERCE							
Public Works	108.8	105.4	(2.6)	3.3	3.1	(2.3)	10
Economic & Workforce Development	133.0	119.9	(10.3)	13.1	2.8	-	11
Board of Appeals	1.2	1.1	(0.1)	0.1	-	(0.0)	12
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT							
Children, Youth and Their Families	31.1	29.5	-	1.6	1.6	-	13
Human Services Agency	1,076.2	1,065.2	(4.3)	11.0	6.1	0.7	14
Human Rights Commission	17.4	14.9	-	2.5	2.5	-	15
Homelessness and Supportive Housing	305.1	301.6	(0.0)	3.4	3.4	-	16
Status of Women	16.5	15.3	-	1.3	1.3	-	17
Early Childhood	54.5	49.4	(3.7)	5.1	-	1.3	18
COMMUNITY HEALTH							
Public Health	2,719.3	2,710.6	89.6	8.7	31.0	67.3	19
CULTURE & RECREATION							
Asian Art Museum	11.5	11.2	-	0.2	0.2	-	20
Arts Commission	10.1	9.6	-	0.4	0.4	-	21
Fine Arts Museum	21.7	21.4	-	0.2	0.2	-	22
Law Library	1.8	1.8	-	0.1	-	0.1	23
Recreation and Park Department	131.8	127.7	3.7	4.1	0.9	6.9	24
Academy of Sciences	7.6	7.1	-	0.5	0.2	0.3	25
War Memorial	9.6	9.6	-	-	-	-	
GENERAL ADMINISTRATION & FINANCE							
City Administrator	182.3	170.0	(9.6)	12.3	2.7	-	26
Assessor/Recorder	31.8	31.2	(0.6)	0.6	-	-	27
Board of Supervisors	22.9	22.9	0.2	-	-	0.2	28
City Attorney	112.4	109.2	(2.8)	3.2	0.4	-	29
Controller	105.9	104.9	(0.6)	1.0	0.4	-	30
City Planning	49.1	43.4	(9.7)	5.7	-	(4.0)	31
Civil Service Commission	1.5	1.5	-	0.1	0.0	0.0	32
Ethics Commission	7.3	6.2	-	1.1	0.2	0.9	33
Human Resources	44.1	39.8	(3.8)	4.3	0.5	-	34
Health Service System	14.7	14.3	(0.0)	0.3	0.2	0.1	35
Mayor	169.2	138.5	-	30.7	29.9	0.8	36
Elections	26.4	26.2	0.0	0.2	0.2	0.0	37
Technology	5.1	4.6	(0.3)	0.5	0.2	-	38
Treasurer / Tax Collector	43.5	40.3	(2.3)	3.2	0.7	0.2	39
Retirement System	1.9	1.9	-	-	-	-	
GENERAL CITY RESPONSIBILITY	257.4	251.0	1.0	6.4	0.5	6.9	40
TOTAL	7,540.6	7,407.6	45.5	133.0	96.4	82.0	

NOTES TO GENERAL FUND DEPARTMENT BUDGET PROJECTIONS

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

1. Adult Probation

The Adult Probation Department projects to end the fiscal year with a net operating surplus of \$1.2 million, which is \$0.5 million above savings assumed from mid-year savings. The department projects \$0.9 million in salary savings and \$0.3 million in interdepartmental services savings.

2. District Attorney

The District Attorney's Office projects to end the fiscal year with a net operating surplus of \$0.4 million due to salaries and mandatory fringe benefits savings.

3. Department of Emergency Management

The Department of Emergency Management anticipates ending the year with a net surplus of \$3.3 million, which is equal to the value of their mid-year savings. The department projects \$2.8 million in salaries and mandatory fringe benefits savings due to vacancies and delayed hiring and \$0.5 million savings in non-personnel services.

4. Fire Department

The Fire Department projects to end the fiscal year with a net operating surplus of \$2.2 million, which is equal to the value of their mid-year savings and included a \$2.0 million revenue surplus and \$0.2 million expenditure savings. The department's total revenue surplus is projected to be \$2.0 million, including a one-time state payment of emergency services revenue. Personnel expenditures are expected to be \$0.2 million above budget assuming the Board approves a supplemental appropriation which will be introduced to appropriate \$4.7 million of emergency services revenue and shift \$10.5 million of permanent salary budget to overtime, as required by Administrative Code Section 3.17. The department also anticipates receiving \$4.5 million from the MOU Reserve for eligible one-time salary and benefit payments.

5. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with an operating surplus of \$1.5 million, which is \$1.0 million above mid-year savings assumed in prior projections. The department projects a \$0.1 million revenue surplus from superior court reimbursements for facilities maintenance and a \$1.4 million expenditure surplus from mandatory fringe benefits, non-personnel services, and interdepartmental services.

6. Police

The Police Department projects to end the year on budget due to a projected \$0.9 million deficit in revenue from requested 10b and interdepartmental services, offset by a \$0.9 million expenditure savings from personnel vacancies. The department projects an overtime spending

deficit of \$43.6 million due to permanent position vacancies and APEC (Asia-Pacific Economic Cooperation conference) related costs. The department will seek \$3.2 million from the MOU reserve for eligible one-time salary and mandatory fringe benefit costs and a supplemental appropriation to resolve the overtime overspending, seeking Board of Supervisors approval to increase overtime budget per Administrative Code section 3.17.

7. Sheriff

The Sheriff's Office projects to end the year on budget. Revenues are expected to be \$0.3 million higher than budget due to more federal reimbursement for the boarding of federal prisoners. Personnel expenditures are expected to be \$5.0 million higher than budget primarily due to overtime. The department will receive a \$1.9 million allocation from the APEC project for related expenses, \$0.5 million from the MOU Reserve for retirement payouts, and up to \$3.3 million from the Drug Market Agency Coordination Center (DMACC) project for any personnel expenditure overages. A supplemental appropriation for the increased overtime spending, per Administrative Code Section 3.17, and increased revenue will be introduced to the Board of Supervisors.

8. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with an operating surplus of \$0.4 million due to a \$0.3 million surplus from interdepartmental services recovery, primarily from the Sheriff's Department of Accountability, and \$0.1 million of non-personnel savings.

9. Sheriff's Department of Accountability

The Sheriff's Department of Accountability projects an operating surplus of \$0.8 million due to expenditure savings from hiring delays. The net operating surplus is \$0.5 million above savings assumed from mid-year savings.

10. Department of Public Works

The Department of Public Works projects to end the year with a net \$0.8 million surplus. Revenues are projected to be \$2.6 million below budget primarily due to decreased fee revenues and under recovery from interdepartmental services, offset by a \$3.3 million expenditure surplus from salaries and mandatory fringe benefits, overhead cost allocation, grants to community-based organizations, and closing out project balances. At the time of this report, the projected net surplus is \$2.3 million less than the assumed \$3.1 million mid-year savings due to the projected revenue shortfall. Public Works will monitor expenditures and explore additional savings methods to meet the mid-year savings amount, and the Controller's Office will provide an update in the 9-Month Report.

11. Economic and Workforce Development

The Office of Economic and Workforce Development projects an operating surplus of \$2.8 million, which is equal to the value of their mid-year savings.

A projected \$10.3 million shortfall in developer exaction revenue and interdepartmental services recovery in the annual authority-controlled fund will be offset by expenditure savings of \$12.0

million in economic development projects and \$7.6M in public private development projects, partially offset by \$5.5 million spending above budget in workforce development.

12. Board of Appeals

The Board of Appeals projects a net deficit of \$0.01 million largely due to lower than budgeted surcharge revenues caused by the implementation of AB1114, which is partially offset by savings from salaries and closing out a project balance. The department will continue to monitor the impact of AB1114 and address the projected deficit.

13. Children, Youth, and Their Families

The Department of Children, Youth, and Their Families projects a net surplus of \$1.6 million, which is equal to the value of their mid-year savings, from closing out a project balance.

14. Human Services Agency

The Human Services Agency projects to end the year with a net surplus of \$6.7 million, comprised of a \$4.3 million revenue deficit and \$11.0 million in expenditure savings, as shown in Table A2-2. The department’s net surplus is \$0.7 million above assumed mid-year savings.

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

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Aid Payments	(5.8)	3.6	(2.2)
Operations & Administration	1.5	7.5	8.9
Total	(4.3)	11.0	6.7

The department projects a net deficit of \$2.2 million in aid payments, comprised of \$5.8 million in revenue deficit and \$3.6 million in expenditure savings. County Adult Assistance Programs (CAAP) are projected to have a net deficit of \$1.9 million primarily due to significantly higher non-homeless caseload than budgeted and lower than budgeted SSI-IAR payments. Skim-Scam is projected to have a net deficit of \$0.5 million due to increased costs to handle higher EBT fraud. Foster Care and Foster Care Childcare Aid programs are projected to have a net deficit of \$0.2 million due to higher caseload expenditures offset by corresponding increased revenues resulting from increased reimbursement rates. Revenues in the In-Home Supportive Services (IHSS) and CalWORKs programs are tied to expenditures and have a combined surplus of \$0.2 million due to higher claimable expenditures in these programs than assumed in the budget.

In operations and administration, the department projects a net surplus of \$8.9 million, comprised of \$1.5 million in revenue surplus and \$7.5 million in expenditure savings. CalFresh revenue allocation is projected to be \$12.1 million above budget because of a rebased and updated methodology for determining statewide allocation. CalWORKs program revenue allocation is projected to be \$5.9 million below budget because of proposals in the State budget that reduce or revert funding in CalWORKs Single Allocation, Family Stabilization, and Expanded Subsidized Employment programs. Revenue projections for 2011 Realignment sales tax subventions, Child Welfare Services, Medi-Cal, and CalWIN are anticipated to be \$8.6 million below budget because of decreased or deferred allocations. As a result of changes in the

allocation of staff time across fund sources and labor savings, the following programs are projected to end the year with net surpluses: CAAP and CAPI eligibility services (\$0.2 million); Medi-Cal eligibility (\$9.4 million); IHSS administration (\$0.8 million); foster care services and child welfare (\$9.1 million); Public Guardian, Public Conservator, Public Administrator, and Representative Payee programs (\$0.2 million), and CalWIN grants (\$1.0 million). An increased allocation of staff time and costs in the following programs results in projected net deficits in the following programs: CalFresh Eligibility (\$6.0 million); CalWORKs and refugee eligibility services, workforce development refugee, CalWORKs mental health and substance abuse (\$1.6 million); CalFresh employment and training (\$0.4 million), and Aging Grants and Community Living Fund (\$1.7 million).

15. Human Rights Commission

The Human Rights Commission projects a net surplus of \$2.5 million, which is equal to the value of their mid-year savings. The department projects a \$2.5 million expenditure surplus from \$0.1 million in salaries and mandatory fringe benefits and \$2.4 million from closing out project balances.

16. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with \$3.4 million of expenditure savings, which is equal to the value of their mid-year savings. This includes \$0.8 million in salary savings, \$0.1 million in non-personnel services, \$0.2 million in grants to community-based organizations, and \$2.5 million from closing out project balances.

17. Status of Women

The Department on the Status of Women projects to end the fiscal year with a net surplus of \$1.3 million, which is equal to the value of their mid-year savings, from savings in grants to community-based organizations.

18. Early Childhood

The Department of Early Childhood projects a net operating surplus of \$1.3 million, comprised of a \$3.7 million revenue shortfall and \$5.1 million expenditure savings. Revenue shortfalls are due to shortfalls state subvention revenue and under recovery in interdepartmental services, offset by an expenditure surplus in grants to community-based organizations.

19. Public Health

The Department of Public Health (DPH) projects to end the fiscal year with a net surplus of \$98.3 million, as shown in Table A2-3. The surplus is comprised of a revenue surplus of \$89.6 million and expenditure savings of \$8.7 million. The projected net surplus includes the \$31.0 million from the current year's midyear savings.

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

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Public Health General Fund	11.6	36.8	48.5
Laguna Honda Hospital	-	(15.3)	(15.3)
Zuckerberg San Francisco General Hospital	78.0	(12.9)	65.1
Total	89.6	8.7	98.3

Public Health General Fund

The projected net surplus for Public Health General Fund programs (including Primary Care, Behavioral Health, Jail Health, SF Health Network, Population Health Division, and Public Health Administration) is \$48.5 million. DPH projects a combined revenue surplus of \$11.6 million in the General Fund comprised of \$10.7 million (23.1%) from Medi-Cal Managed Care supplemental payments due to a State change in reporting in the Quality Incentive Program implemented this past summer; \$4.3 million (3.0%) in surplus revenue from patient revenues; and \$0.8 million (1.3%) in surplus revenue from better than expected 2011 realignment revenue. These surpluses are partially offset by a \$2.0 million (63.9%) shortfall in County Medi-Cal Administrative claiming and a \$1.9 million (30.9%) shortfall in net capitation revenue.

An expenditure surplus of \$36.8 million in this Fund is due primarily to an expected \$35.4 million (8.5%) in combined salary and mandatory fringe benefits. These savings include \$6.2 million in mid-year savings identified at the request of the Mayor's Office and \$3.3 million in savings within the Population Health division available from one-time grant funding. For non-personnel costs, the Public Health Fund is expected to have a combined deficit of \$1.7 million in non-personnel services and project savings, offset by \$0.6 million shortfall in interdepartmental work orders.

Laguna Honda Hospital

LHH projects a \$15.3 million expenditure deficit driven by overspending in non-personnel services of \$21.2 million for increased registry and recertification contract costs. Savings from personnel costs (\$4.1 million) and materials and supplies (\$3.4 million) partially offset the non-personnel spending deficit. The projection does not include an updated revenue projection for LHH revenues for two reasons. First and most significantly, while LHH is a certified facility under Medi-Cal, it is still pending certification by Medicare. While the department remains optimistic about its prospects for recertification, a new admission timeline and census projections cannot be developed until the facility is certified by both Medi-Cal and Medicare. Second, the state is in the process of developing a new formula for allocating supplemental payments for all Distinct Part Nursing Facilities (DP/NF) in California and there is currently no detail as to the impact of these the changes to the department. The state is expected to finalize a new rate model that would be retroactive to January 2023 sometime in the fall of calendar year 2024. Projections will be updated when more detail regarding these issues is available.

Zuckerberg San Francisco General Hospital

The department projects a \$65.1 million net surplus at Zuckerberg San Francisco General Hospital (ZSFG). The \$78.0 million revenue surplus includes a \$45.9 million surplus in patient revenues largely due to the change in payment rates for services provided to Medi-Cal covered by the San Francisco Health Plan, higher than expected patient volume and census, and better than expected outpatient pharmacy revenue. Additionally, ZSFG projects better than expected Global Payment Program revenue (\$10.6 million), supplemental Medi-Cal Managed Care revenue (\$20.4 million), and Medi-Cal Graduate Medical Education Program revenue (\$15.1 million). The surplus is offset by lower than expected 340b program revenue due to delays in expanding specialty pharmacy services. The department's mid-year savings proposal included \$23 million of this surplus.

Expenditures are projected to be \$12.9 million over budget largely due to registry nurse costs due to higher census, unanticipated expenditures for purchases of COVID testing and supplies, and inflationary costs for goods and services, partially offset by savings of \$5.3 million in fringe benefits and \$3.6 million in interdepartmental work orders.

20. Asian Art Museum

The Asian Art Museum projects \$0.2 million in salary and benefit savings due to staff vacancies, which is equal to the savings assumed in the mid-year cuts.

21. Arts Commission

The Arts Commission projects \$0.4 million in salary and benefit savings due to staff vacancies, which were identified in the mid-year budget reductions.

22. Fine Arts Museum

The department projects \$0.2 million savings in salary and fringe and capital projects. These savings were identified in the mid-year budget reductions.

23. Law Library

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

24. Recreation and Park Department

The Recreation and Park Department projects a budget surplus of \$7.8 million, comprised of a revenue surplus of \$3.7 million and salary savings of \$4.1 million. The revenue surplus includes a \$1.6 million shortfall in rents and concessions and a \$2.3 million shortfall in recreation fees, offset largely by unbudgeted overhead recoveries of \$6.9 million. Of the net \$7.8 million projected operating surplus, \$0.9 million was included in mid-year budget reductions.

25. Academy of Sciences

The department projects \$0.5 million in salary and mandatory fringe benefits savings due to staff vacancies, of which \$0.2 million was identified for mid-year budget reductions.

26. City Administrator

The City Administrator projects to end the year with a net General Fund operating surplus of \$2.7 million, which is equal to the value of its mid-year budget reductions. A projected revenue shortfall of \$1.3 million is comprised of a \$0.3 million shortfall in revenue for licenses, permits, and charges for services such as dog walker licenses, marriage licenses, and wedding fees, a \$0.4 million shortfall in Office of Cannabis licenses and permits, and a \$0.3 million shortfall in Entertainment Commission revenue. The department projects a \$0.4 million deficit in recoveries for services, primarily due to vacancies in the City Administrator's Human Resources team and the Office of Labor Standards Enforcement. The department projects expenditure savings of \$3.9 million, including \$1.7 million in labor savings, of which \$0.9 million are part of the FY 2023-24 mid-year budget reductions due to vacant budgeted positions, \$1.0 million is mid-year budget reductions in non-personnel services and City grant programs, and \$0.3 million are expenditure savings in the Office of Cannabis and the Entertainment Commission.

27. Assessor Recorder

The Assessor Recorder projects to be on budget. There is a \$0.6 million revenue deficit due to a decline in fees for recording documents, balanced by projected expenditure savings of \$0.6 million primarily in salaries and benefits.

28. Board of Supervisors

The Board of Supervisors projects an operating surplus of \$0.2 million in assessment appeals fee revenue due to higher than expected levels of assessment appeals filings.

29. City Attorney

The City Attorney's Office projects an operating surplus of \$0.4 million, equal to the value of its mid-year savings. A \$3.2 million expenditure surplus from unspent prior year budget in non-personnel services and \$0.4 million revenue surplus from unbudgeted opioid settlement legal cost reimbursement are partially offset by a projected \$3.2 million shortfall in recoveries for legal services provided to other departments.

30. Controller

The Controller's Office projects to end the year with a surplus of \$0.4 million. The revenue shortfall of \$0.6 million and expenditure savings of \$1.0 million include the \$0.4 million FY 2023-24 midyear budget reductions that the Controller's Office committed to, including elimination of three positions and one-time work order savings.

31. City Planning

City Planning projects to end the fiscal year with a deficit of \$4.0 million due to a revenue shortfall of \$9.7 million. The revenue shortfall includes \$2.5 million less than budget in conditional use fees, \$2.2 million less in exemption fees, \$1.4 million less in new construction building permit revenue, \$0.9 million less in other short-range city planning fees, \$0.8 million less in environmental review fees, and \$0.8 million in building permit alterations revenue. Offsetting expenditure savings of \$5.7 million include \$1.8 million in salaries and mandatory

fringe benefits, \$2.9 million in non-personnel and materials and supplies, and \$0.9 million in interdepartmental services.

32. Civil Service Commission

The Civil Service Commission projects a budget surplus of \$0.1 million due to savings in salaries and benefits from a vacant position.

33. Ethics

The Ethics Department projects \$1.1 million in savings, comprised of \$0.9 million in salary and mandatory fringe benefits cost savings due to delays in filling vacant positions and \$0.2 million in capital project savings included in the mid-year reductions. \$0.2 million of these savings were identified in the FY2023-24 budget reductions.

34. Human Resources

The Department of Human Resources expects to end the year with a surplus of \$0.5 million due to expenditure savings in salaries and benefits of \$0.4 million and \$0.1 million in the housing authority transition project. These savings were identified in the FY2023-24 budget reductions.

35. Health Service System

The Health Service System anticipates a surplus of \$0.3 million, comprised of \$0.3 million in expenditure savings primarily in personnel savings from vacant positions, and non-personnel. \$0.2 million of these savings were identified in the FY2023-24 budget reductions.

36. Mayor

The Mayor's Office, which includes the Mayor's Office of Housing and Community Development, anticipates a surplus of \$30.7 million. Expenditure savings of \$2.7 million are from capacity building work and affordable housing and community facilities debt service. Also, \$21.6 million of savings are from previously budgeted project revenue for Hunters View and Potrero Market land sales that have not been realized; the revenue budget was closed out at FY 2022-23 year end, and corresponding expenditure authority will be closed in the current year. These savings were included in the fund balance reported in the December Joint Report. Finally, \$6.3 million of savings are mid-year budget reductions the department committed to, including elimination of two positions and \$6.0 million of savings from right sizing the Down Payment Assistance Loan Program.

37. Elections

The Department of the Elections projects to end the fiscal year with an operating surplus of \$0.2 million due largely to non-personnel services savings. The projected net savings of \$0.2 million are included in the mid-year budget reductions.

38. Department of Technology

The Department of Technology projects to end the year with a surplus of \$0.2 million, which is equal to the value of its FY2023-24 budget reductions, due to under-recovery of \$0.3 million in interdepartmental services offset by \$0.5 million in salaries and fringe benefits savings.

39. Treasurer/Tax Collector

The Treasurer/Tax Collector projects a surplus of \$0.9 million. A \$2.5 million deficit in interdepartmental service revenue is offset by \$2.5 million of savings in interdepartmental expenditures. There is a \$0.2 million revenue surplus in state unclaimed property and expenditure savings of \$0.7 million due primarily to savings in salaries and benefits, of which \$0.7 million are included in the mid-year budget reductions.

40. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments and is projected to have an operating surplus of \$7.4 million, which is \$6.9 million above savings assumed from mid-year cuts. A projected \$1.0 million revenue surplus includes \$1.7 million in unbudgeted SB 90 state mandate reimbursements partially offset by a \$0.7 million shortfall in revenue backfill for criminal fees and fines eliminated by the state. In addition to mid-year savings in work orders with various departments, the net expenditure surplus of \$6.8 million includes \$5.6 million of retiree health subsidy savings. CBO inflationary cost increases of \$18.5 million are included in department projections in this report, leaving a \$19.1 million balance. The Mayor's Office is working with departments to identify additional needs, and spending will be monitored in the coming months and remaining balances reported in the Nine-Month Report.

Appendix 3. Reserve Status

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Table A3-1 and discussed in detail below. Table A3-1 also includes anticipated deposits and withdrawals.

Table A3-1. Reserve Balances (\$ millions)

Note: Figures may not sum due to rounding.

	FY 2022-23	FY 2023-24			FY 2024-25			Note
	Ending Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	
General Reserve	\$ 57.8	\$ 70.8	-	\$ 128.7	\$ 14.1	-	\$ 142.8	1
Rainy Day Economic Stabilization City Reserve	114.5	-	-	114.5	-	-	114.5	2
Budget Stabilization Reserve	275.2	-	-	275.2	-	-	275.2	3
Economic Stabilization Reserves	389.7	-	-	389.7	-	-	389.7	
Percent of General Fund Revenues	6.3%			6.2%			6.1%	
Budget Stabilization One Time Reserve	54.8	-	-	54.8	-	-	54.8	3
Rainy Day Economic Stabilization SFUSD Reserve	1.0	-	-	1.0	-	-	1.0	2
Federal and State Emergency Grant Disallowance	81.3	-	-	81.3	-	(41.3)	40.0	
Fiscal Cliff Reserve	220.4	-	(90.2)	130.3	-	-	130.3	4
Business Tax Stabilization Reserve	29.5	-	-	29.5	-	(29.5)	-	
Public Health Revenue Management Reserve	130.3	-	-	130.3	-	-	130.3	5
Free City College Reserve	6.9	-	(6.9)	-	-	-	-	
Mission Bay Transportation Improvement Fund	1.0	-	(1.0)	-	-	-	-	
Hotel Tax Loss Contingency Reserve	3.5	-	(3.5)	-	-	-	-	
Other Reserves	528.7	-	(101.5)	427.2	-	(70.8)	356.4	
Litigation Reserve	-	10.8	(10.8)	-	10.8	(10.8)	-	
Salary and Benefits Reserve	27.9	7.0	(34.9)	-	21.0	(21.0)	-	6
Annual Operating Reserves	27.9	17.8	(45.7)	-	31.8	(31.8)	-	
TOTAL, General Fund Reserves	1,004.2	88.6	(147.3)	945.5	45.9	(102.6)	888.9	

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. The General Reserve balance in FY 2023-24 is required to be no less than 2.0% of budgeted regular General Fund revenues.

The FY 2022-23 ending balance of the General Reserve was \$57.8 million, and the FY 2023-24 approved budget includes a \$70.8 million deposit, resulting in a balance of \$128.7 million. Any uses of the reserve during the current year (FY 2023-24) will increase the required deposit in the budget year (FY 2024-25) by a like amount. Currently, there are no uses of the General Reserve in the current year.

2. Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 established a Rainy Day Economic Stabilization Reserve; it 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 (50% of revenue growth in good years) 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 2022-23 ending balance of the City Rainy Day Economic Stabilization Reserve was \$114.5 million and of the School Rainy Day Reserve is \$1.0 million. In FY 2023-24, the City is not eligible to withdraw or deposit to the 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 2022-23 ending balance of the Budget Stabilization Reserve was \$275.2 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. In FY 2023-24, the City is not eligible to withdraw or deposit to the Budget Stabilization Reserve.

4. Fiscal Cliff Reserve

Section 32.1 of the administrative provisions of the FY 2021-22 and FY 2022-23 Budget and 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.

The current year budget used \$90.2 million of the reserve, resulting in an estimated ending balance of \$130.3 million.

5. 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. As of the end of FY 2022-23, the balance of the reserve is \$130.3 million. As of this report, the Department of Public Health forecasts no deposits or withdrawals from this reserve.

6. 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 \$34.9 million, including \$7.0 million appropriated in the current year and \$27.9 million appropriated from prior year budgets. The Controller's Office has transferred \$0.5 million to departments and anticipates transferring an additional \$11.7 million by year end, as detailed in Table A3-2.

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

Sources	
FY 2023-24 Adopted Budget	7.0
Carryforward balance from FY 2022-23	27.9
Total Sources	34.9
Uses	
Transfers to Departments	
Police Recruitment	0.3
Other, including Tuition Reimbursement	0.3
Total Transfers to Departments	0.5
Anticipated Allocations	
Fire Excess Retirement, Payouts	4.5
Negotiated Health Rate Increases	3.5
Police Excess Retirement, Payouts	3.2
Sheriff Payouts	0.5
Total Anticipated Allocations	11.7
Total Anticipated Uses in the Current Year	12.2
Total Anticipated Uses in the Budget Year	22.7
Net Surplus / (Shortfall)	-

Appendix 4. Other Funds Highlights

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

Note: Figures may not sum due to rounding.

	Prior Year		FY 2023-24				FY 2024-25		Notes
	FY 2022-23 Year End Fund Balance	Fund Balance Used in FY 2023-24 Budget	Beginning Fund Balance	Revenue Surplus/ (Deficit)	Expenditures Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Ending Fund Balance	Fund Balance Used in FY 2024-25 Budget	
SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS									
Building Inspection Operating Fund	9.9	-	9.9	(2.8)	2.8	-	9.9	9.0	1
Children and Youth Fund	35.1	5.3	29.7	(1.5)	-	(1.5)	28.2	2.2	2
Public Education Early Care Fund (OECE)	7.4	-	7.4	(0.6)	-	(0.6)	6.8	-	3
Public Education Special Fund (SFUSD)	0.9	-	0.9	(1.5)	-	(1.5)	(0.6)	-	4
Convention Facilities Fund	33.7	12.8	20.9	4.5	0.5	5.0	25.9	5.7	5
Golf Fund	4.1	1.0	3.1	0.5	-	0.5	3.5	1.0	6
Marina Fund	(4.9)	-	(4.9)	(0.0)	0.4	0.3	(4.6)	-	7
Library Preservation Fund	36.4	16.1	20.3	(1.7)	10.9	8.4	28.7	-	8
Open Space Fund	41.9	5.4	36.6	(1.0)	0.2	(0.8)	35.8	10.2	9
Telecomm. & Information Systems Fund	20.5	5.6	14.9	(1.5)	3.7	2.2	17.1	5.0	10
General Services Agency-Central Shops Fund	2.0	0.3	1.7	1.5	(0.8)	0.7	2.4	-	11
General Services Agency-Repro Fund	1.5	0.1	1.4	0.4	(0.2)	0.2	1.6	-	12
War Memorial Fund	4.4	0.8	3.7	(0.2)	0.7	0.5	4.1	0.6	13
Election Campaign Fund	3.6	0.4	3.1	-	1.5	1.5	4.6	-	14
Gas Tax Fund	3.1	2.9	0.2	(0.8)	2.7	1.9	2.1	4.3	15
Children and Families Commission	5.5	4.2	1.4	(13.7)	13.1	(0.6)	0.7	0.7	16
Street Tree Maintenance Fund	5.5	-	5.5	0.1	-	0.1	5.7	0.7	17
Public Works Overhead Fund	18.0	8.2	9.8	(10.9)	16.7	5.8	15.7	13.7	18
Public Works Paid Time Off Fund	9.9	2.7	7.2	(4.5)	9.6	5.1	12.3	-	19
Real Estate Fund	13.4	0.2	13.3	(4.8)	12.7	8.0	21.3	9.4	20
Museum Admissions Fund	(3.4)	-	(3.4)	(0.3)	0.6	0.3	(3.1)	-	21
Health Care Security Ordinance Fund	902.8	-	-	-	-	16.7	919.5	-	22
Solid Waste Fund	7.8	4.2	3.6	0.0	3.8	3.8	7.5	-	23
SPECIAL PURPOSE TAXES									
Neighborhood Beautification Fund	0.1	-	0.1	-	-	-	0.1	-	24
Culture and Recreation Hotel Tax Fund	4.1	1.6	2.5	(1.3)	1.3	-	2.5	2.5	25
Traffic Congestion Mitigation Fund (TCM Tax)	0.1	-	0.1	(1.5)	1.5	-	0.1	-	26
Babies and Families First Fund (Commercial Rents Tax)	66.6	9.8	56.8	2.4	-	2.4	59.2	-	27
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	69.1	25.9	43.2	(47.1)	-	(47.1)	(4.0)	39.0	28
Small Business Assistance Fund (Commercial Vacancy Tax)	-	-	-	-	-	-	-	-	29
Fair Wages for Educators Fund (Parcel Tax)	-	-	0.0	-	-	-	0.0	-	30
SELECT ENTERPRISE FUNDS									
Airport Operating Funds	559.4	64.1	495.3	29.8	62.7	92.5	587.9	0.1	31
MTA Operating Funds	60.9	-	60.9	(196.8)	277.0	80.2	141.1	-	32
Port Operating Funds	165.5	-	165.5	20.7	4.5	25.2	190.7	-	33
PUC Hetch Hetchy Operating Funds	179.3	35.4	143.9	12.4	24.9	37.3	181.2	17.4	34
PUC Wastewater Operating Funds	155.7	-	155.7	(22.7)	31.9	9.1	164.8	-	35
PUC Water Operating Funds	175.8	-	175.8	(26.5)	13.4	(13.1)	162.8	-	36
PUC Clean Power Funds	7.4	-	7.4	29.8	23.6	53.4	60.9	-	37

SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

1. Building Inspection Fund

The Building Inspection Fund began with a balance of \$9.9 million after the \$9.0 million inactive project closeout at FY 2022-23 year end. The department projects no net operating surplus, a \$2.8 million revenue shortfall in fees for building permits, plan review, and residential records, offset by expenditure savings of \$2.8 million in non-personnel services.

2. Children and Youth Fund

The Children's Fund began with a balance of \$29.7 million, net of a budgeted use of \$5.3 million in the current year. It is projected to have a revenue deficit of \$1.5 million due to projected decreases in property tax, resulting in a \$28.2 million projected ending balance.

3. Public Education Early Care Fund (OECE)

The Public Education Early Care Fund began with a balance of \$7.4 million. Revenues are expected to be \$0.6 million below budget, reflecting a reduction in projected General Fund Aggregate Discretionary Revenue (ADR), resulting in a \$6.8 million projected ending balance.

4. Public Education Special Fund (SFUSD)

The Public Education Special Fund began with a balance of \$0.9 million. Revenues are expected to be \$1.5 million below budget, reflecting a reduction in projected General Fund ADR, resulting in a negative \$0.6 million projected ending balance. The Controller's Office will work closely with the Department of Children, Youth & Families to monitor and control spending in this fund to bring it into balance by fiscal year end.

5. Convention Facilities Fund

The Convention Facilities Fund began with a balance of \$20.9 million, net of a budgeted use of \$12.8 million in the current year. A net operating surplus of \$5.0 million is projected in the fund, largely driven by better than budgeted revenues from conventions and shows, though the events that have taken place are smaller in scale, with fewer attendees and vendors. Ending fund balance is projected to be \$25.9 million.

6. Golf Fund

The Golf Fund began with a balance of \$3.1 million, net of \$1.0 million of fund balance appropriated in the current year. The Recreation and Parks Department projects a revenue surplus of \$0.5 million in golf fees and concession, leaving a projected fund balance of \$3.5 million at year end.

7. Marina Fund

The Marina Fund began the year with an abnormal balance of \$4.9 million. The Recreation and Parks Department projects a small revenue shortfall from concession and fees, offset by debt service savings of \$0.4 million. As a result, we project an abnormal ending balance of \$4.6 million. This abnormal fund balance resulted from a technical issue where the carryforward

revenue budget gets closed out through the year end process; the Controller's office will work with the department to address this technical issue and abnormal balance in this fund.

8. Library Preservation Fund

The Library Preservation Fund began with a balance of \$20.3 million, net of \$16.1 million of fund balance appropriated in the current year. The library projects a net revenue shortfall of \$1.7 million, primarily due to projected reductions in property taxes and General Fund ADR. The Department projects expenditure savings of \$10.9 million largely in materials and supplies, services from other departments, and labor costs. No General Fund baseline return is projected for the year. The net operating surplus of \$8.4 million results in a projected ending balance of \$28.7 million.

9. Open Space Fund

The Open Space Fund began with a balance of \$36.6 million, net of a budgeted use of \$5.4 million in the current year. The Recreation and Park Department projects a \$1.0 million shortfall in the property tax set aside, an estimated interest true up from retirement contribution prepayment of \$0.1 million, and \$0.2 million of salary savings. The net projected operating shortfall of \$0.8 million results in a projected ending fund balance of \$35.8 million, of which \$10.5 million was used to balance the previously adopted FY 2024-25 budget.

10. Telecommunications & Information Services Fund

The Telecommunication & Information Services Fund began the year with a balance of \$14.9 million. A net operating surplus of \$2.2 million is projected in the current year, comprised of a \$1.5 million shortfall in recoveries from client departments offset by a \$3.7 million expenditure surplus, mainly from salary and mandatory fringe benefits savings. The fund is projected to end the year with a balance of \$17.1 million, of which \$5.0 million was used to balance the previously adopted FY 2024-25 budget.

11. General Services Agency-Central Shops Fund

The Central Shops Fund began the fiscal year with \$1.7 million in fund balance and projects to end the fiscal year with a balance of \$2.4 million. The department projects a net \$0.7 million surplus in interdepartmental recoveries due to higher billing rates to recover increases in repair and maintenance parts expenses.

12. General Services Agency-Repro Fund

The Reproduction Fund began the fiscal year with \$1.4 million in fund balance and projects to end the fiscal year with a balance of \$1.6 million. The department projects a net \$0.2 million surplus in interdepartmental recoveries due to higher billing rates to recover increases in postage and supplier expenses.

13. War Memorial Fund

The War Memorial Fund began the fiscal year with \$3.7 million in fund balance, net of \$0.8 million of fund balance appropriated in the current year. The Department projects a net operating surplus of \$0.5 million primarily due to savings in services of other departments,

resulting in an ending balance of \$4.1 million, of which \$0.6 million has been budgeted in the approved FY 2024-25 budget.

14. Election Campaign Fund

The Election Campaign Fund began the fiscal year with \$3.1 million in fund balance and projects to end the fiscal year with a balance of \$4.6 million given \$1.5 million in projected current year expenditures savings.

15. Gas Tax Fund

The Gas Tax Fund began with a \$0.2 million balance, net of \$2.9 million of fund balance appropriated in the current year. The department projects a revenue shortfall of \$0.8 million based on the five-year trend of gas tax revenue and \$2.7 million expenditure savings to offset the shortfall. The fund is projected to end with \$2.1 million in fund balance, of which \$4.3 million has been appropriated in the previously approved FY 2024-25 budget. The Controller's Office will work with the department and Mayor's Office to reduce the use of fund balance appropriated in FY 2024-25.

16. Children and Families Commission

The Children and Families Commission began with a balance of \$1.4 million, net of \$4.2 million appropriated in the current year. Revenues are projected to be \$13.7 million below budget due to lower than anticipated Prop 10 tobacco tax revenue. The department will close sufficient spending budgets to keep the fund balanced and leave enough fund balance to support the FY 2024-25 budgeted use of fund balance.

17. Public Works – Street Tree Maintenance Fund

The Street Tree Maintenance Fund began the fiscal year with a balance of \$5.5 million. Given a modest projected revenue surplus the projected ending balance is \$5.7 million.

18. Public Works – Overhead Fund

The Overhead Fund began the fiscal year with a balance of \$9.8 million, net of a budgeted use of \$8.2 million in the current year. The Department of Public Works projects an operating surplus of \$5.8 million due to total expenditure savings of \$16.7 million primarily from services from other departments, non-personnel, and labor costs offset by an overhead recovery shortfall of \$10.9 million. The resulting ending balance is \$15.7 million, of which \$13.7 million was used to balance the previously adopted FY 2024-25 budget.

19. Public Works – Paid Time-Off Fund

The Paid Time-Off Fund began the fiscal year with a balance of \$7.2 million. The Department of Public Works projects an operating surplus of \$5.1 million due to expenditure savings of \$9.6 million offset by an overhead recovery shortfall of \$4.5 million. The resulting ending balance is \$12.3 million.

20. Real Estate Fund

The Real Estate Fund began the fiscal year with \$13.3 million in fund balance, net of \$0.2 million appropriated in the current year. The fund is projected to have a revenue shortfall of \$4.8 million, mostly in recoveries for leased space, offset by expenditure savings of \$12.7 million as renewal lease terms are estimated to come in below budget for a number of properties. The projected ending balance is \$21.3 million.

21. Museum Admissions Fund

The Museum Admissions fund began the year with a negative balance of \$3.4 million. Both the Asian Art Museum and the Fine Arts Museums have budgeted revenue and expenditures in this fund. A projected revenue shortfall of \$0.3 million from weakness in museum admissions is offset by a \$0.6 million expenditure savings in salaries and mandatory fringe benefits, decreasing the abnormal balance to \$3.1 million. The Controller's Office will work with departments at year end close to address the abnormal balance.

22. Health Care Security Ordinance Fund

The Health Care Security Ordinance (HCSO) Fund is a fiduciary fund containing the balances of medical reimbursement accounts created pursuant to the HCSO, which requires employers in San Francisco to provide either health insurance or contributions on their employees' behalf via the San Francisco City Option. In FY 2022-23, City Option funds previously held in a non-interest bearing account of the San Francisco Health Plan were deposited into the City's treasury.

The Health Care Security Ordinance Fund began the fiscal year with a cash balance of \$902.8 million after adjusting for unrealized losses booked at the end of FY 2022-23. During FY 2023-24, through the end of January, there were \$7.7 million in deposits and total withdrawals of \$20.7 million for claims (\$15.7 million) and payments to the vendor managing participant accounts (\$5.0 million). Based on the cash balance, the fund is projected to earn \$29.7 million interest revenue for the year, which will be added to the cash balance at the end of the year.

23. Solid Waste Fund

The Solid Waste Fund began the year with a balance of \$3.6 million, net of \$4.2 million fund balance appropriated in the current year. The Department of the Environment, Controller, and the Department of Public Works have budgeted revenue and expenditures in this fund. With expenditure savings of \$3.8 million due to programmatic projects and materials and supplies savings offset by overhead and personnel overages in the Department of Public Works, the fund is projected to have a year-end balance of \$7.5 million.

SPECIAL PURPOSE TAXES

24. Neighborhood Beautification Fund (Dedication of Business Tax)

The Neighborhood Beautification Fund began the fiscal year with a fund balance of \$0.1 million. No net operating surplus or shortfall or change in fund balance is projected.

25. Culture and Recreation Hotel Tax Fund (Dedication of Hotel Tax)

In November 2018, voters adopted an ordinance to dedicate a portion of hotel tax to support arts organizations. The dedicated hotel tax is deposited in the Culture and Recreation Hotel Tax Fund and allocated to the Arts Commission, General Services Agency, and Mayor’s Office of Housing and Community Development.

The Culture and Recreation Hotel Tax Fund began the year with a fund balance of \$2.5 million, net of a budgeted use of \$1.6 million. Due to weaker performance than budgeted in hotel tax revenue as described in Appendix 1 of this report, the fund is expected to have a revenue deficit of \$1.3 million and expenditures will need to be reduced by a like amount. Departments and the Controller’s Office will work at year’s end to de-appropriate spending authority to bring this fund into balance. The resulting ending balance is \$2.5m.

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 2022-23, a total of \$31.4 million of hotel tax fund sources (\$26.1 million of current year hotel tax and \$5.3 million of prior year fund balance) were allocated 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.

Table A4-2. Hotel Room Tax for the Arts FY 2022-23 (\$ millions)

Hotel Room Tax for Arts (FY 2022-23)	Revenue	Expenditures*
Grants for the Arts	16.0	17.1
Arts Impact Endowment	2.5	1.5
Cultural Centers	3.7	3.5
Cultural Equity Endowment	6.3	4.9
Cultural Districts	2.9	3.0
Total	31.4	30.0

* Programs are funded by multiple funding sources, including hotel room tax from Prop E. Expenditures on this table reflect spending in FY 2022-23 regardless of funding source.

Grants for the Arts (GFTA) spent \$17.1 million on grant-making operations, including 274 general operating support awards for Grants for the Arts-related public programs, including parades, festivals, and art services/regranting. The Arts Impact Endowment awarded and encumbered \$1.6 million for the First-Time Grantee Initiative. In Cultural Centers, the Art Commission disbursed \$3.0 million for operating grants and \$0.2 million for facilities

maintenance. For Cultural Equity, the Art Commission awarded and committed \$4.8 million in grants to 70 individual artists and 42 arts organizations based in San Francisco as part of the FY 2022-23 grant cycle.

In FY 2022-23, Cultural District expenditures totaled \$3 million to support each of the ten established districts working to stabilize cultural communities across San Francisco. The operational support funds were used to hire and retain staff; organize neighborhood-based activities and community engagement sessions; build and maintain advisory and governance boards; support and engage local businesses, residents, artists, and culture bearers; and develop and implement place-keeping priorities as part of their strategic planning reports entitled the Cultural Heritage, Housing and Economic Stabilization Strategy (CHHESS) Reports.

26. Traffic Congestion Mitigation Fund (Traffic Congestion Mitigation Excise Tax)

In November 2019, voters adopted a traffic congestion mitigation tax on rides facilitated by commercial ride-share companies, autonomous vehicles, or private transit services, to support spending on transit and infrastructure improvements. Proceeds are deposited in the Traffic Congestion Mitigation Fund and allocated primarily between MTA and the San Francisco County Transportation Authority (SFCTA).

The Traffic Congestion Mitigation Fund began the fiscal year with a fund balance of \$0.1 million. All prior year collections have been allocated to the MTA and the SFCTA. Transportation Network Company (TNC) Tax revenues in the current year are projected to be \$17.0 million, which is \$1.5 million less than budget. Allocations to MTA and SFCTA will need to be reduced by a total of \$1.5 million. Departments and the Controller's Office will work at year's end to de-appropriate spending authority to bring this fund into balance. The resulting ending balance will be \$0.

San Francisco Business and Tax Regulations Code section 3208(d) requires the Controller to report on revenues and expenditures in the Traffic Congestion Mitigation Fund, as well as the status of projects authorized to be funded. The Controller's Office has requested a report from the County Transportation Authority (CTA) on the status of projects funded by this tax. In FY 2022-23, MTA expended \$182,418 of Traffic Congestion Mitigation Funds on the projects listed below:

Location	Scope	Status
Lincoln Wy (Great Highway to Arguello)	Painted safety zones, daylighting, signal timing changes	Under construction
Oak St/JFK Drive (Kezar to Baker)	Protected bikeway, lane reduction, signal timing changes, signal modifications	Planning, outreach, and design in progress
Alemanly Blvd (Congdon to Ellsworth)	Protected bikeway	Planning, outreach, and design in progress
Beach St (Embarcadero to Van Ness)	Pedestrian safety improvements, protected bikeway	Planning, outreach, and design in progress
Clarendon Ave (Laguna Honda to Johnstone)	Pedestrian safety improvements, lane reduction	Planning, outreach, and design in progress
Guerrero St (Market to 20 th)	Pedestrian safety improvements	Planning, outreach, and design in progress
Cesar Chavez St (Pennsylvania to Maryland)	Protected bikeway, pedestrian safety improvements	Planning, outreach, and design in progress
Larkin St (Market to Geary)	Pedestrian safety improvements, lane reduction, curb management	Planning, outreach, and design in progress

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

In June 2018, voters adopted a commercial rents tax on businesses leasing commercial space in San Francisco to support spending on early childhood care and education. Proceeds are deposited in the Babies and Families First Fund and allocated to the Department of Early Childhood.

The fund began the fiscal year with a fund balance of \$56.8 million, net of \$9.8 million appropriated in the current year. Commercial rent tax is projected to be \$1.1 million below budget but the tax revenue shortfall is projected to be offset by interest revenue, which is projected to be \$3.5 million above budget for a net revenue surplus of \$2.4 million, resulting in an ending balance of \$59.2 million.

San Francisco Business and Tax Regulations Code Article 21, section 2112(i) requires the Controller to report on the prior year's revenues and expenditures in the Babies and Families First Fund annually before February 15th. Revenues realized in FY 2022-23 totaled \$200.2 million in commercial rent tax and \$10.2 million in interest. Per the legislation, 15% of tax proceeds, or \$28.5 million, is transferred to General Fund and the remaining FY 2022-23 spending is detailed in Table A4-3 below.

Table A4-3. Babies and Families First Fund FY 2022-23 Report (\$ millions)

FY 2022-2023 Baby Prop C (Fund 11201) Expenditure Report		
Project or Program	Description of Project or Program	Expenditure
Services of Community Based Organization		
Early Care and Education Tuition Assistance (Children's Council & Wu Yee)	Early Learning Scholarship (ELS) vouchers or MRA funding provided to high quality preschool programs securing spots for children of families with incomes up to 110% of Area Median Income (AMI). ELS funds qualified programs at (a) the fully funded QCRIS Tier 3 cost or (b) as an enhancement to a state or federally funded subsidized child, to reimburse at QCRIS Tier 3.	\$ 43,234,317
Workforce Compensation (Children's Council)	Augmentation of Early Educator's Compensation through two programs: (1) Early Educators Salary Support Grant (EESG) A groundbreaking initiative ensuring caregivers serving San Francisco's most vulnerable students are fairly compensated for their education, paid at parity with San Francisco Unified School District and earn a living wage. (2) Compensation and Retention Early Educators Stipend (CARES 3.0) An initiative providing direct stipends to teachers and preschool staff employed at licensed family childcare or center-based programs in San Francisco serving less than 50% subsidy eligible children.	\$ 44,799,387
Childcare Capital/Facilities (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 preserve/increase the quantity and enhance the quality of licensed child care spaces available to families and children.	\$ 19,104,023
Family Resource Centers (multiple grantees)	Family Resource Center (FRC) Enhancements FRC - Multi-phase planning FRC - Cross-Sector	\$ 1,075,106
Child Health (Support for Families)	Provide training, coaching and technical assistance to child care providers and families in an effort to reduce suspension/expulsion and build capacity for more inclusive early childcare education practices. Additionally, this grant supports Care Coordinators who provide 1:1 support for families to understand and navigate services and supports for their child/ren with disabilities and/or special healthcare needs aged 0-5.	\$ 617,030
Other CBO Services (Children's Council)	San Francisco Child Care Planning & Advisory Council (CPAC), Program Capacity Supports, Quality and Capacity Building	\$ 1,457,049
Subtotal - CBO Services¹		\$110,286,912
Administration & Other		
DEC Staff	Salaries & benefits for 12 DEC staff members (13.58 FTEs)	\$ 1,507,406
Administration	Non-personnel services + materials and supplies	\$ 606,273
Office Improvement	1650 Mission Office Improvement Through DPW	\$ 10,125
Services of Other Departments	DPW Building Repair (\$20,694); CON Budget & Analysis (\$9,200); HR Mgmt Training (\$3,750), and Tax Collector (\$1,055,023)	\$ 1,088,668
Prop C 15% Tax to General Fund	Legislated 15% of Prop C Commercial Rents Tax transferred annually to the City's General Fund	\$ 28,501,340
Subtotal - Administration & Other		\$ 31,713,812
Total - FY 2022-2023		\$142,000,724

1. Report does not match 5380 spending in PeopleSoft (\$148,301,547); Amount reported above (\$110,286,912) is adjusted to reflect funding expended on FY23 activities only and excludes a programmatic advance for FY24 expenditure required for July 1 salary support to ECE teachers.

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

In November 2018, voters adopted an additional gross receipts tax of 0.175% to 0.69% on taxable gross receipts over \$50.0 million to support spending on homelessness, housing, and mental health. Proceeds are deposited in the Our City, Our Home Fund and allocated primarily between the Department of Homelessness and Support Housing (HSH) and Department of Public Health (DPH).

The fund began the fiscal year with a balance of \$43.2 million, net of \$25.9 million appropriated in the current year. The large FY 2022-23 fund balance was intentionally created through prior year spending reductions to support spending in FY 2023-24 and FY 2024-25. A \$51.8 million shortfall in homelessness gross receipts tax revenue is projected, offset partially by the projected interest revenue surplus of \$4.6 million, resulting in a projected operating shortfall of \$47.1 million for the current year. If no expenditure reductions are made by departments, the projected ending balance will be negative \$4.0 million, and the \$39.0 million budgeted use of fund balance in FY 2024-25 will be unsupported. The Controller's Office will work with the departments of Public Health and Homelessness and Supportive Housing to identify offsetting expenditure savings to bring FY 2023-24 into balance while also supporting FY 2024-25 and FY 2025-26 expenditure budgets.

29. Small Business Assistance Fund (Commercial Vacancy Tax)

In March 2020, voters adopted a tax on keeping certain commercial spaces vacant for more than 182 days in a calendar year. This tax supports the maintenance and operation of small businesses in the City. Proceeds are deposited in the Small Business Assistance Fund and allocated primarily to the Office of Economic and Workforce Development. The tax took effect in tax year 2022, and was first collected in FY 2022-23, with receipts of \$0.7 million for that fiscal year. For FY 2023-24, revenues are projected to be \$1.0 million, a \$1.5 million shortfall from budget. Expenditures savings of a like amount are anticipated, resulting in no fund balance. The Small Business Assistance Fund began with no fund balance, and no fund balance is anticipated, as spending authority will be trued-down to tax receipts each fiscal year.

Pursuant to Article 29, Section 2907 of the Business and Tax Regulations Code, the Controller is required to report on prior year revenues and expenditures. In FY 2022-23, the work performed for this fund has largely focused on the Treasurer & Tax Collector's Office increasing the education and compliance around this tax.

30. Fair Wages for Educators Fund (SFUSD Parcel Tax)

In November 2020, voters adopted a \$288 per parcel tax to support the San Francisco Unified School District (SFUSD). Proceeds are deposited into the Fair Wages for Educators Fund and transferred to SFUSD, which certifies that funds will be spent in accordance with San Francisco and Business and Tax Regulations Code. The tax was first imposed in FY 2021-22. The City remitted \$47.3 million in FY 2021-22 and \$49.1 million in FY 2022-23 to SFUSD. As of FY 2023-24, the City has remitted \$29.2 million to-date to SFUSD. The Controller's Office has requested a report from SFUSD on the status of projects funded by this tax, pursuant to Article 37, Section 3709 of the Business and Tax Regulations Code. The fund began the fiscal year with no fund balance. Because all funds are passed through to SFUSD, no fund balance is anticipated.

SELECT ENTERPRISE FUNDS

31. Airport Operating Fund

The Airport began the fiscal year with \$495.3 million in available fund balance, net of \$64.1 million of fund balance appropriated in the current year. The department projects a net operating surplus of \$92.5 million comprised of a projected revenue surplus of \$29.8 million and expenditure savings of \$62.7 million.

The department's revenue surplus is largely due to greater than budgeted aviation revenues of \$5.0 million and rent and concession revenues of \$16.3 million. As a result of operating revenue surpluses, the department projects a lower than budgeted need for transfers-in to support the Airport's operating fund from deferred aviation revenues, PFC revenues, and fund balance to balance expenditures of \$8.8 million combined. The aviation revenue surplus is driven by higher than anticipated landing fees and terminal rents from increased airline activity, enplanements, and cargo levels. The surplus in rents and concessions is due to stronger parking, groundside, food and beverage, retail, automobile rental, and other concession sales from an increase in passengers, visitor spending, taxi and TNC trips, and parking activity. The department projects an additional \$7.2 million surplus from sales of electricity, natural gas, water resale, and other miscellaneous terminal fees.

The department's net expenditure savings are driven by a projected \$47.6 million in labor savings due to vacancies, time to hire, and attrition higher than previously anticipated. The department also projects savings of \$6.3 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 \$1.2 million due to delays in setting up purchase orders. The department estimates savings of \$7.5 million in capital outlay due to delivery and manufacturing delays, especially for large items such as vehicles and customized equipment.

The department is projected to end the fiscal year with a balance of \$587.9 million.

32. Municipal Transportation Agency (MTA) Operating Funds

The MTA began the fiscal year with \$60.9 million in available fund balance, and projects a net operating surplus of \$80.2 million, comprised of a projected revenue deficit of \$196.8 million and expenditure savings of \$277.0 million.

The MTA's revenue is driven by a shortfall of \$74.4 million Federal Relief American Rescue Plan Act (ARP) 5307 Transit Operating Assistance; a shortfall of \$45.2 million in transit fares due to continued slow downtown recovery impacting most fares; a \$56.0 million parking shortfall due to slow downtown recovery impacting garage and meter revenue, and a \$28.0 million shortfall in other revenue, partially offset by an increase of \$13.5 million in operating grants from the Federal Transit Administration (FTA). Additionally, transfers from the General Fund are expected to be \$5.2 million less than budgeted due to decreases in projected aggregate discretionary revenue (ADR) in the General Fund, and an estimated interest true up from retirement contribution prepayment of \$1.5 million is included in MTA's revenue projection.

The Agency projects \$277.0 million in expenditure savings, comprised of \$198.2 million in reduced personnel costs and overhead allocations from slower hiring, \$40.6 million in non-

personnel services, and \$16.6 million in materials and supplies. Its operating funds are projected to end the fiscal year with a balance of \$141.1 million.

33. Port Operating Funds

The Port began the fiscal year with \$165.5 million in available annual fund balance. The department projects a net operating surplus of \$25.2 million, including a revenue surplus of \$20.7 million in rents from higher levels of leasing and parking activity than anticipated in the budget and one-time land sale revenue. Expenditure savings of \$4.5 million are largely in salary and fringe benefits, with a plan to reduce staff vacancies by the end of FY 2023-24. Port operating funds are projected to end the fiscal year with a balance of \$190.7 million.

Public Utilities Commission (PUC)

PUC projects net operating surpluses for the Wastewater Operations Fund, Clean Power Fund, and Hetch Hetchy Operating Fund and a net operating deficit in the Water Operating Fund.

34. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Fund began the fiscal year with \$143.9 million in available operating fund balance and is projected to end the year with a net operating surplus of \$37.3 million due to a \$12.4 million revenue surplus and \$24.9 million expenditure savings. The revenue surplus is mostly due to higher attribute and resource adequacy sales than budgeted. The projection also reflects slightly higher market sales due to higher than budgeted generation. The expenditure savings includes \$5.5 million in savings in power purchase due primarily to purchases avoided in the first quarter at the end of a very high generation 2023 Water Year as well as a modest \$1.5 million savings in transmission and distribution and related costs. Savings are also attributed to a favorable 2023 water year, avoiding additional power purchases in the first quarter. The \$24.9 million savings also includes \$784,000 salaries and fringe savings. In addition, gas and steam sales are slightly below budget due to lower usage. The bureau does not currently anticipate a need to access the \$8.0 million operating risk reserve or the \$10.0 million carryforward budget from FY 2022-23.

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of \$181.2 million.

35. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$175.8 million in available operating fund balance. The Fund is projected to end the year with a net operating surplus of \$9.1 million due to expenditure savings of \$31.9 million, comprised of savings in salaries and fringe as well as \$27.8M in Unappropriated Rev-Designated general reserve due to higher sources than uses, which is budgeted when expected revenues exceed budgeted expenditures. These savings are offset by a revenue deficit of \$22.7 million primarily due to sewer service. The FY 2023-24 budget was adopted assuming the 5.0% drought surcharge would remain in effect. The surcharge accounted for approximately \$18.8 million in revenues. Q1 volume projections are 44.1 MGD, a decrease from budgeted volumes of 44.2 MGD.

The Fund is projected to end the fiscal year with a balance of \$164.8 million.

36. Public Utilities Commission – Water Operating Fund

The Water Operations Fund began the fiscal year with \$175.8 million in available operating fund balance. The Fund is projected to end the fiscal year with a net operating deficit of \$13.1 million, comprised of a revenue deficit of \$26.5 million and \$13.4 million in expenditure savings. The deficit in revenue is primarily due to retail and wholesale water sales. For retail sales, the FY 2023-24 budget was adopted assuming the 5% drought surcharge would remain in effect. The surcharge accounted for approximately \$14.1 million in revenues. Q1 retail sales projections are 54.0 MGD, a 2.7% decrease from budgeted volumes of 55.2 MGD. For wholesale water sales, the FY 2023-24 wholesale budget was adopted assuming higher volumetric rate of \$5.30. The adopted rate was subsequently set at \$5.21, or 1.7% lower. This was driven by higher water sale projections due to the end of drought restrictions. Q1 projected wholesale sales are 122.1 MGD compared to budgeted assumption of 121.9 MGD. The \$13.4 million savings in expenditures is primarily due to \$2.3 million in salaries and fringes, \$5.2 million in debt service and \$5.9 million in Unappropriated Rev-Designated general reserve due to higher sources than uses, which is budgeted when expected revenues exceed budgeted expenditures.

The Fund is projected to end the fiscal year with a balance of \$162.8 million.

37. Public Utilities Commission – Clean Power Fund

The Clean Power Fund began the fiscal year with a surplus balance of \$7.4 million and is projected to end the fiscal year with a net operating surplus of \$53.4 million. The Fund is projected to have a net revenue surplus of \$29.8 million which includes higher than budget projection for electric sales green product and wholesale sales revenues due to 8% load growth from customer enrollments, as well as higher SuperGreen load, and wholesale revenues.

Expenditure savings of \$23.6 million are primarily due to \$32.7 million savings in in Unappropriated Rev-Designated general reserve due to higher sources than uses, which is budgeted when expected revenues exceed budgeted expenditures, offset by \$10.1 million variance due to greater power purchases, transmission distribution and related charges driven by increasing renewable and resource adequacy market costs.

The Fund is projected to end the fiscal year with a balance of \$60.9 million.

Appendix 5. Overtime Report

Department (\$ Millions)	FY 2022-23	FY 2023-24		
	Actual	Revised Budget	July through 12/31/2023	% of Budget through 12/31/2023
Municipal Transit Agency - Total	67.4	37.2	33.9	91%
Police*				
General Fund (Excl. Work Orders)	80.1	41.4	48.5	117%
Airport	4.6	5.0	4.7	94%
General Fund Work Orders	2.6	3.2	1.3	40%
Total Annual Operating Funds	87.3	49.6	54.5	110%
Special Revenue (10B)	14.1		6.8	
<i>Total</i>	<i>101.4</i>		<i>61.3</i>	
Public Health*				
ZSF General	35.6	39.2	15.8	40%
Laguna Honda	15.4	27.0	9.5	35%
Other Annual Funds	4.9	5.5	2.1	39%
Total Annual Operating Funds	56.0	71.7	27.5	38%
Fire*				
General Fund (Excl. Work Orders)	67.1	53.4	32.3	61%
Airport	6.1	7.0	3.6	51%
General Fund Work Orders	1.2	2.4	0.8	32%
Total Annual Operating Funds	74.4	62.8	36.7	143%
Sheriff*				
General Fund (Excl. Work Orders)	28.5	7.1	16.6	232%
General Fund Work Orders	8.7	8.8	4.1	46%
Total Annual Operating Funds	37.2	16.0	20.7	130%
Airport*				
Annual Operating Funds	2.6	4.4	2.5	58%
Emergency Management*				
Annual Operating Funds	7.2	5.4	3.9	72%
Public Works*				
Annual Operating Funds	3.3	1.8	1.5	85%
General Fund Work Orders	0.5	2.4	0.3	11%
Public Utilities*				
Annual Operating Funds	7.0	5.9	3.2	55%
Recreation and Park*				
Annual Operating Funds	3.1	2.6	1.5	56%
Fine Arts Museum	1.4	2.9	0.6	20%
Juvenile Probation	1.8	0.7	1.1	157%
Elections	0.6	0.7	0.0	0%
Controller	0.1	0.6	0.0	8%
Building Inspection	0.3	0.4	0.1	29%
Port	0.7	0.3	0.4	134%
War Memorial	-	0.3	0.1	47%
District Attorney	0.2	0.2	0.1	83%
Adult Probation	0.1	0.1	0.1	52%
Academy of Sciences	0.1	0.1	0.0	52%
Public Defender	0.0	0.1	0.0	11%
Treasurer/Tax Collector	0.0	0.0	0.0	10%
City Attorney	0.3	0.0	0.1	893%
Board of Supervisors	0.1	0.0	0.0	118%
Retirement	0.1	0.0	0.0	408%
Board of Appeals	0.0	0.0	0.0	55%
Total Overtime**	365.9	266.0	195.8	74%

* 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 non-annual operating funds in departments listed in Administrative Code