

# Nine-Month Budget Status Report

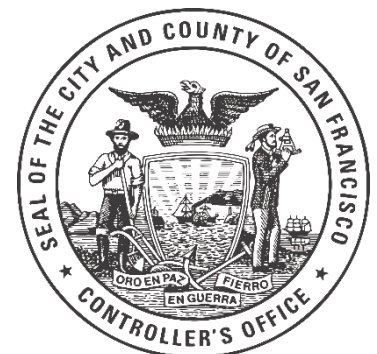
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Prepared by

**OFFICE OF THE CONTROLLER  
BUDGET AND ANALYSIS DIVISION**

**May 14, 2024**



## About the Controller's Office

The Controller is the chief financial officer and auditor for the City and County of San Francisco. We produce regular reports on the City's financial condition, economic condition, and the performance of City government. We are also responsible for key aspects of the City's financial operations — from processing payroll for City employees to processing and monitoring the City's budget.

Our team includes financial, tech, accounting, analytical and other professionals who work hard to secure the City's financial integrity and promote efficient, effective, and accountable government. We strive to be a model for good government and to make the City a better place to live and work.

## 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

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- We project a \$494.1 million General Fund ending balance in the current fiscal year, a \$28.5 million improvement from the \$465.6 million balance in our last projection (March 2024 Update to the Joint Report). Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to \$760.8 million.
- A \$103.7 million projected citywide revenue shortfall compared to budget is due to weakness across numerous sources, though the shortfall is \$9.0 million less than prior projections. Property tax projections have been updated to reduce appeals reserves by \$19.5 million, given a decline in open appeals, partially offset by \$12.5 million in refunds of taxes related to said appeals, as well as the recognition of \$37.2 million in excess ERAF revenue available with final state reconciliation of FY 2021-22 ERAF uses. This improvement in property tax and a true up of prior year interest allocations are sufficient to offset an additional \$30.9 million weakness in property transfer tax revenue from our last report, reflecting historically low cash receipts, and continued weakness in sales and hotel taxes.
- Departments are projected to end the year with a \$198.0 million net operating surplus, an \$19.5 million increase from prior projections. 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 and other savings, which together totaled \$96.4 million. The need to fund \$23.1 million in general liability litigation reserves is offset by widespread improvement in operating department performance. A \$52.5 million shortfall in patient revenue at Laguna Honda Hospital is driven by significantly reduced census due to the pause on new admissions pending recertification; in addition, the State is expected to finalize a new methodology for nursing facility payments retroactive to January 2023 in fall 2024, shifting revenue from the current to the budget year. This shortfall is offset by revenue surpluses elsewhere, particularly in CalAIM behavioral health payments and patient revenue at Zuckerberg San Francisco General due to higher than expected patient volume and census, and several one-time state payments for safety net programs.
- The Police and Sheriff's departments are expected to require additional supplemental appropriations to reallocate existing expenditure appropriation to overtime, as required by Administrative Code Section 3.17.
- Estimates of FEMA reimbursement revenue for COVID response costs have been reduced by \$6.8 million in the current year to reflect actual and expected obligations for testing, vaccination, and other health programs. In October 2023, the FEMA Region 9 Administrator provided updated guidance on eligible costs for non-congregate shelter (NCS) services incurred during the pandemic, which San Francisco provided through the Shelter in Place (SIP) hotel program through May 11, 2023. The City, peer jurisdictions, and California Office of Emergency Services (CalOES) are in continued communication with FEMA representatives regarding this issue, which will affect future year forecasts.

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

	Fall 2023 Joint Report	6-Month Report	March 2024 Joint Report	9-Month Report	Change
FY 2022-23 Ending Fund Balance	417.5	417.5	417.5	417.5	-
Appropriation in the FY 2023-24 Budget	(414.4)	(414.4)	(414.4)	(414.4)	-
<b>A. Prior Year Fund Balance Above Budgeted Levels</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	-
Citywide Revenue	(42.9)	(117.4)	(112.7)	(103.7)	9.0
Baseline Contributions	(4.3)	23.5	23.8	23.8	(0.0)
Departmental Operations	96.4	178.4	178.4	198.0	19.5
<b>B. Current Year Revenues and Expenditures</b>	<b>49.3</b>	<b>84.5</b>	<b>89.5</b>	<b>118.0</b>	<b>28.5</b>
Approved Use of General Reserve - Source	-	-	-	0.5	0.5
Approved Use of General Reserve - Use	-	-	-	(0.5)	(0.5)
<b>C. Supplemental Appropriations &amp; Use of Reserves</b>	-	-	-	-	-
<b>D. Previously Unappropriated Fund Balance</b>	<b>81.2</b>	<b>81.2</b>	<b>81.2</b>	<b>81.2</b>	-
<b>E. Fund Balance Previously Appropriated in FY 2024-25</b>	<b>291.7</b>	<b>291.7</b>	<b>291.7</b>	<b>291.7</b>	-
<b>F. FY 2023-24 Projected Ending Balance</b>	<b>425.3</b>	<b>460.5</b>	<b>465.6</b>	<b>494.1</b>	<b>28.5</b>

# FY 2023-24 Nine-Month Budget Status Report

## 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

As shown in Table 2, citywide revenues are projected to be \$103.7 million below budget and \$9.0 million above prior projections assumed in the March 2024 Joint Report. The variance from prior projection is largely due to improvement in property tax and interest income, mostly offset by weakness in real property transfer tax, hotel tax, and slower-than-expected FEMA reimbursements.

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

	FY 2022-23	FY 2023-24					Variance	
	Actuals	Budget	5-Yr (Dec 23)	6-Mo	5 Yr (Mar 24)	9-Mo	Vs Budget	Vs March 5-Yr
Property Tax	2,121.8	2,145.0	2,165.0	2,129.0	2,126.0	2,133.0	(12.0)	7.0
Excess ERAF	345.1	365.0	362.9	362.8	360.6	397.4	32.4	36.8
<b>Total Property Tax</b>	<b>2,466.9</b>	<b>2,510.0</b>	<b>2,527.9</b>	<b>2,491.8</b>	<b>2,486.6</b>	<b>2,530.4</b>	<b>20.4</b>	<b>43.8</b>
Business Taxes	850.6	851.1	869.8	821.4	825.0	825.0	(26.1)	-
Sales Tax - Local 1%	197.9	200.0	192.2	188.7	188.6	189.0	(11.0)	0.4
Hotel Room Tax	252.9	302.9	267.6	262.1	262.1	256.7	(46.2)	(5.4)
Utility User & Access Line Taxes	163.9	167.0	187.3	182.8	182.8	178.2	11.2	(4.6)
Parking Tax	82.7	84.1	86.0	86.0	84.8	84.8	0.7	-
Real Property Transfer Tax	186.2	222.0	170.1	188.3	188.3	157.4	(64.6)	(30.9)
Sugar Sweetened Beverage Tax	12.9	13.7	13.7	13.7	12.7	12.0	(1.7)	(0.7)
Stadium Admissions Tax	6.0	9.1	7.4	7.4	7.4	7.4	(1.7)	-
Cannabis Tax	-	-	-	-	-	-	-	-
Executive Pay	206.0	100.0	120.0	120.0	125.0	125.0	25.0	-
Franchise Taxes	16.9	15.6	16.7	16.5	16.5	16.5	0.9	-
Interest Income	105.0	121.1	151.5	150.3	152.2	168.9	47.8	16.7
FEMA Disaster Relief	2.6	170.0	123.6	123.6	123.6	116.8	(53.2)	(6.8)
Health & Welfare Realignment	290.7	281.6	267.2	276.0	276.0	276.7	(4.9)	0.7
Public Safety Realignment	58.5	51.6	58.5	53.9	54.1	50.5	(1.1)	(3.6)
Public Safety Sales Tax	94.9	100.4	98.1	98.1	98.1	97.5	(2.9)	(0.6)
Airport Transfer In	48.7	50.9	50.9	53.3	54.8	54.8	3.9	-
Commercial Rent Tax Transfer In	28.5	28.4	28.2	28.2	28.2	28.2	(0.2)	-
<b>Total Citywide Revenues</b>	<b>7,538.7</b>	<b>5,279.5</b>	<b>5,236.8</b>	<b>5,162.2</b>	<b>5,166.9</b>	<b>5,175.8</b>	<b>(103.7)</b>	<b>9.0</b>

## 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 \$43.4 million below budget and \$22.8 million below prior projections. Highlights include:

- MTA baselines are projected to be \$18.0 million below budget, of which \$4.3 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 \$0.6 million projected surplus in the transfer in lieu of parking tax.
- The Library baseline and property tax set-aside are projected to be \$4.3 million below budget, of which \$0.9 million is due to weakness in projected aggregate discretionary revenue (ADR) and \$3.4 million is the current projected general fund return amount.
- Required General Fund support for the Public Education Enrichment Fund baseline and annual contribution to SFUSD and OECE is projected to be \$1.3 million below budget.
- The Children and Youth Fund property tax set-aside is projected to be \$1.2 million below budget.
- The Open Space property tax set-aside is projected to be \$0.7 million below budget.
- Required spending levels for the Children and Transitional-Aged Youth expenditure baselines are projected to be \$2.1 million and \$0.3 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 FY 2023-24 budget.

**Table 3. General Fund Baselines and Set-Asides (\$ millions)**

	FY 2022-23	FY 2023-24					Variance	
	Actuals	Budget	5-Yr (Dec 23)	6-Mo (Feb 24)	5 Yr (Mar 24)	9-Mo (May 24)	Vs Budget	Vs 5-Yr
<b>General Fund Aggregate Discretionary Revenue (ADR)</b>	<b>4,459.6</b>	<b>4,497.8</b>	<b>4,509.9</b>	<b>4,429.9</b>	<b>4,431.6</b>	<b>4,454.4</b>	<b>(43.4)</b>	<b>22.8</b>
<b>Municipal Transportation Agency (MTA)</b>								
MTA - Municipal Railway Baseline (Central Subway included)	315.2	317.9	318.4	313.1	313.2	314.8	(3.1)	1.6
MTA - Parking & Traffic Baseline	112.0	112.9	113.1	111.1	111.1	111.7	(1.3)	0.6
MTA - Population Adjustment	58.0	82.8	68.6	68.6	68.6	68.6	(14.2)	-
MTA - 80% Parking Tax In-Lieu	66.2	67.3	68.8	68.8	67.8	67.8	0.6	-
<b>Subtotal Municipal Transportation Agency</b>	<b>551.3</b>	<b>580.9</b>	<b>568.8</b>	<b>561.5</b>	<b>560.8</b>	<b>562.9</b>	<b>(18.0)</b>	<b>2.2</b>
<b>Library Preservation Fund</b>								
Library - Baseline (net of General Fund Return)	102.1	102.7	103.1	101.3	101.3	98.4	(4.3)	(2.9)
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	78.7	79.5	80.2	78.6	78.5	78.8	(0.7)	0.3
<b>Subtotal Library</b>	<b>180.8</b>	<b>182.2</b>	<b>183.3</b>	<b>179.9</b>	<b>179.8</b>	<b>177.2</b>	<b>(5.0)</b>	<b>(2.6)</b>
<b>Children's Services</b>								
Children's Services Baseline - Requirement	215.4	217.2	217.8	214.0	214.0	215.1	(2.1)	1.1
Transitional Aged Youth Baseline - Requirement	25.9	26.1	26.2	25.7	25.7	25.8	(0.3)	0.1
Early Care and Education Baseline (Jun 2018 Prop C)	93.8	93.2	93.2	93.2	93.8	93.8	0.6	-
Public Education Services Baseline	6.5	6.5	6.5	6.4	6.4	6.5	(0.1)	0.0
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	125.5	127.2	128.3	125.8	125.6	126.0	(1.2)	0.5
Public Education Enrichment Fund	136.3	137.5	137.9	135.4	135.5	136.2	(1.3)	0.7
1/3 Annual Contribution to Preschool for All	45.5	45.8	46.0	45.1	45.2	45.4	(0.4)	0.2
2/3 Annual Contribution to SF Unified School District	91.0	91.6	91.9	90.3	90.3	90.8	(0.8)	0.5
Student Success Fund	N/A	11.0	11.0	11.0	11.0	11.0	-	-
<b>Subtotal Childrens Services (Required)</b>	<b>603.3</b>	<b>618.8</b>	<b>620.9</b>	<b>611.5</b>	<b>612.0</b>	<b>614.4</b>	<b>(4.4)</b>	<b>2.5</b>
<b>Recreation and Parks</b>								
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	78.7	79.5	80.2	78.6	78.5	78.8	(0.7)	0.3
Recreation & Parks Baseline - Requirement	82.2	82.2	82.2	82.2	82.2	82.2	-	-
<b>Subtotal Recreation and Parks (Required)</b>	<b>160.8</b>	<b>161.7</b>	<b>162.3</b>	<b>160.8</b>	<b>160.6</b>	<b>160.9</b>	<b>(0.7)</b>	<b>0.3</b>
<b>Other Financial Baselines</b>								
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirement	215.0	215.0	215.0	215.0	215.0	215.0	-	-
Housing Trust Fund Requirement	45.2	44.5	44.5	44.5	44.5	44.5	-	-
Dignity Fund	56.1	56.1	56.1	56.1	56.1	56.1	-	-
Street Tree Maintenance Fund	23.0	22.8	22.8	22.8	23.0	23.0	0.1	-
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	4.1	4.3	4.3	4.3	4.3	4.3	-	-
City Services Auditor: 0.2% of Citywide Budget	26.1	26.0	26.0	26.0	26.0	26.0	-	-
<b>Subtotal Other Financial Baselines</b>	<b>377.1</b>	<b>377.5</b>	<b>377.5</b>	<b>377.5</b>	<b>377.6</b>	<b>377.6</b>	<b>0.1</b>	<b>-</b>
<b>* General Fund Impact</b>							<b>(23.5)</b>	<b>0.0</b>
Reconciliation to Previously Issued Report							<b>(0.3)</b>	
<b>* Adjusted General Fund Impact</b>							<b>(23.8)</b>	<b>0.0</b>

## Departmental Operations

A projected departmental operating surplus of \$198.0 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)
<b>Net Shortfall Departments</b>			
General City Responsibility	3.0	(17.4)	(14.4)
City Planning	(10.4)	6.5	(3.9)
<b>Subtotal Net Shortfall Departments</b>	<b>(7.4)</b>	<b>(10.9)</b>	<b>(18.3)</b>
<b>Net Surplus Departments</b>			
Public Health	101.6	19.1	120.7
Mayor	-	31.8	31.8
Homelessness and Supportive Housing	(0.1)	12.4	12.3
Human Services Agency	(8.5)	16.9	8.3
Recreation and Park Department	2.0	4.8	6.8
City Administrator	(1.1)	4.9	3.8
Emergency Management	0.1	3.4	3.5
Public Works	(3.2)	6.4	3.2
Economic & Workforce Development	(15.4)	18.1	2.8
City Attorney	(4.8)	7.5	2.7
Human Rights Commission	-	2.5	2.5
Fire Department	2.0	0.2	2.2
Ethics Commission	0.0	1.9	1.9
Early Childhood	(0.5)	2.2	1.7
Children, Youth and Their Families	-	1.6	1.6
Juvenile Probation	0.0	1.5	1.6
Status of Women	-	1.3	1.3
Adult Probation	(0.0)	1.2	1.2
Treasurer / Tax Collector	(1.6)	2.7	1.1
<b>Subtotal Net Surplus Departments</b>	<b>70.5</b>	<b>140.5</b>	<b>211.0</b>
All Other	(7.0)	12.3	5.3
<b>TOTAL</b>	<b>56.1</b>	<b>141.9</b>	<b>198.0</b>

## C. SUPPLEMENTAL APPROPRIATIONS & USE OF GENERAL RESERVE

**Table 5. Approved Use of General Reserve (\$ in millions)**

Use of General Reserve	Amount
Ethics Commission - March 2024 Prop D	0.0
SFPUC - Hunters Point Shipyard Study	0.5
<b>Total</b>	<b>0.5</b>

Two uses of the General Reserve totaling \$0.5 million are approved in the current year. March 2024 Proposition D appropriated \$43,000, to support the costs of administering the amendments to City ethics laws and expanded restrictions on gifts to City officers and employees. Additionally, the Mayor and Board of Supervisors approved a supplemental appropriation of \$500,000 in April 2024 to the San Francisco Public Utilities Commission for independent analysis and research on sea level rise and groundwater impacts in the Hunters



Point Shipyard. Uses of the General Reserve in the current fiscal year require a like amount to be deposited in the budget year.

The Police and Sheriff's departments are expected to require additional supplemental appropriations to reallocate existing expenditure appropriation to overtime, as required by Administrative Code Section 3.17.

## 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 the FY 2023-24 and FY 2024-25 Budget and Appropriations Ordinance

## E. PROJECTED ENDING FUND BALANCE OF \$494.1 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2023-24 of \$494.1 million, a \$28.5 million improvement from prior projections in the March 2024 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.

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

### Nine-Month Overtime Report

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

## **APPENDICES**

1. General Fund Revenues
2. General Fund Departments
3. Reserves Status
4. Other Funds Highlights
5. Overtime Report

# Appendix 1: General Fund Revenues

As shown in Table A1-1, total General Fund revenues are projected to be \$98.5 million below revised budget, largely due to a \$103.7 million projected shortfall in citywide tax-based revenue (Table 2) partially offset by a \$5.2 million surplus in departmental General Fund revenue. Table 4 in Appendix 2 shows a \$56.1 million revenue surplus, however, the variance is driven by the inclusion of revenue at the City's two hospitals and inter-departmental work order recoveries not shown in the table below.

**Table A1-1. Detail of General Fund Revenue and Transfers In (\$ 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	5-Year Spring Update	9-Month		
<b>PROPERTY TAXES</b>	\$ 2,466.9	\$ 2,510.0	\$ 2,527.9	\$ 2,491.8	\$ 2,486.6	\$ 2,530.4	20.4	1
<b>BUSINESS TAXES</b>								
Business Registration Tax	40.6	40.0	40.0	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	785.0	785.0	(26.1)	
Admin Office Tax	-0.1	0.0	0.0	0.0	0.0	0.0	-	
<b>Total Business Taxes</b>	<b>850.6</b>	<b>851.1</b>	<b>869.8</b>	<b>821.4</b>	<b>825.0</b>	<b>825.0</b>	<b>(26.1)</b>	2
<b>OTHER LOCAL TAXES</b>								
Sales Tax	197.9	200.0	192.2	188.7	188.6	189.0	(11.0)	3
Hotel Room Tax	252.9	302.9	267.6	262.1	262.1	256.7	(46.2)	4
Utility Users Tax	110.7	111.4	120.5	118.8	118.5	114.5	3.1	5
Parking Tax	82.7	84.1	86.0	86.0	84.8	84.8	0.7	6
Real Property Transfer Tax	186.2	222.0	170.1	188.3	188.3	157.4	(64.6)	7
Sugar Sweetened Beverage Tax	12.9	13.7	13.7	13.7	12.7	12.0	(1.7)	
Stadium Admission Tax	6.0	9.1	7.4	7.4	7.4	7.4	(1.7)	
Access Line Tax	53.2	55.6	66.8	64.1	64.3	63.7	8.1	
Cannabis Tax	0.0	0.0	0.0	0.0	0.0	0.0	-	8
Overpaid Executive Tax	206.0	100.0	120.0	120.0	125.0	125.0	25.0	9
<b>Total Other Local Taxes</b>	<b>1,108.5</b>	<b>1,098.9</b>	<b>1,044.3</b>	<b>1,049.0</b>	<b>1,051.8</b>	<b>1,010.5</b>	<b>(88.4)</b>	
<b>LICENSES, PERMITS &amp; FRANCHISES</b>								
Licenses & Permits	12.0	14.7	14.7	13.3	13.3	13.8	(0.9)	
Franchise Fee	16.9	15.6	16.7	16.5	16.5	16.5	0.9	
<b>Total Licenses, Permits &amp; Franchises</b>	<b>29.0</b>	<b>30.3</b>	<b>31.4</b>	<b>29.7</b>	<b>29.7</b>	<b>30.3</b>	<b>-</b>	
<b>FINES, FORFEITURES &amp; PENALTIES</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>	<b>3.8</b>	<b>3.8</b>	<b>5.0</b>	<b>1.9</b>	
<b>INTEREST &amp; INVESTMENT INCOME</b>	<b>105.0</b>	<b>121.0</b>	<b>151.5</b>	<b>150.3</b>	<b>152.2</b>	<b>168.9</b>	<b>48.0</b>	10
<b>RENTS &amp; CONCESSIONS</b>	<b>12.5</b>	<b>14.6</b>	<b>14.6</b>	<b>13.0</b>	<b>13.0</b>	<b>13.1</b>	<b>(1.5)</b>	

12 | FY 2023-24 Nine-Month Budget Status Report

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	5-Year Spring Update	9-Month		
<b>INTERGOVERNMENTAL REVENUES</b>								
<b>Federal Government</b>	<b>303.1</b>	<b>515.7</b>	<b>462.7</b>	<b>448.6</b>	<b>455.1</b>	<b>452.0</b>	<b>(63.7)</b>	11
Social Service Subventions	303.9	344.2	337.6	323.5	330.0	333.8	(10.4)	
Disaster Relief	2.6	170.1	123.6	123.6	123.6	116.8	(53.3)	
Other Grants & Subventions	(3.4)	1.5	1.5	1.4	1.4	1.5	(0.0)	
<b>Total Federal Subventions</b>	<b>303.1</b>	<b>515.7</b>	<b>462.7</b>	<b>448.6</b>	<b>455.1</b>	<b>452.0</b>	<b>(63.7)</b>	
<b>State Government</b>								
Social Service Subventions	278.4	316.0	305.4	313.8	324.4	317.6	1.6	
Health & Welfare Realignment - Sales Tax	247.9	233.7	223.9	233.3	233.3	233.3	(0.4)	
Health & Welfare Realignment - VLF	42.8	48.0	43.4	42.8	42.8	43.4	(4.5)	
Public Safety Sales Tax	94.9	100.4	98.1	98.1	98.1	97.5	(2.9)	
Public Safety Realignment (AB109)	58.5	51.6	58.5	53.9	54.1	50.5	(1.1)	
<b>State Government</b>	<b>1029.0</b>	<b>982.8</b>	<b>954.3</b>	<b>969.7</b>	<b>988.5</b>	<b>979.1</b>	<b>(3.7)</b>	12
<b>Other Regional Government</b>	<b>1.6</b>	<b>3.9</b>	<b>3.9</b>	<b>3.5</b>	<b>3.5</b>	<b>3.6</b>	<b>(0.3)</b>	
<b>CHARGES FOR SERVICES</b>	<b>223.0</b>	<b>247.5</b>	<b>246.7</b>	<b>245.7</b>	<b>246.6</b>	<b>266.7</b>	<b>19.2</b>	
General Government Service Charges	48.2	51.6	51.2	40.6	41.1	39.3	(12.3)	
Public Safety Service Charges	43.8	43.1	42.4	44.7	45.4	44.1	1.0	
Recreation Charges - Rec/Park	23.7	28.3	27.6	25.3	25.9	25.8	(2.5)	
MediCal, MediCare & Health Service Charges	84.9	105.6	105.6	115.2	115.2	138.5	33.0	
Other Service Charges	22.4	19.0	19.9	19.9	19.0	19.0	-	
<b>Total Charges for Services</b>	<b>223.0</b>	<b>247.5</b>	<b>246.7</b>	<b>245.7</b>	<b>246.6</b>	<b>266.7</b>	<b>19.2</b>	
<b>RECOVERY OF GEN. GOV'T. COSTS</b>	<b>19.9</b>	<b>26.2</b>	<b>26.2</b>	<b>26.2</b>	<b>26.2</b>	<b>26.2</b>	<b>(0.0)</b>	
<b>OTHER REVENUES</b>	<b>14.0</b>	<b>18.4</b>	<b>17.5</b>	<b>8.8</b>	<b>9.7</b>	<b>10.1</b>	<b>(8.3)</b>	
<b>TOTAL REVENUES</b>	<b>6,166.1</b>	<b>6,423.3</b>	<b>6,353.8</b>	<b>6,261.6</b>	<b>6,291.6</b>	<b>6,320.9</b>	<b>(102.4)</b>	
<b>TRANSFERS INTO GENERAL FUND:</b>								
Airport Transfer In	48.7	50.9	50.9	53.3	54.8	54.8	3.9	13
Commercial Rent Tax Transfer In	28.5	28.4	28.2	28.2	28.2	28.2	(0.2)	14
Other Transfers	114.9	133.1	132.1	132.5	132.5	133.1	0.1	
<b>Total Transfers In</b>	<b>192.1</b>	<b>212.3</b>	<b>211.1</b>	<b>214.0</b>	<b>215.5</b>	<b>216.1</b>	<b>3.9</b>	
<b>TOTAL GENERAL FUND RESOURCES</b>	<b>\$ 6,358.2</b>	<b>\$ 6,635.6</b>	<b>\$ 6,565.0</b>	<b>\$ 6,475.6</b>	<b>\$ 6,507.1</b>	<b>\$ 6,537.1</b>	<b>(98.5)</b>	

## 1. Property Tax

Total property tax revenue in the General Fund is projected to be \$20.4 million (0.8%) above budget and \$43.8 million (1.8%) above the March Joint Report Update.

Between January 15 and March 31, 2024, the number of open assessment appeals decreased by 407, from 9,825 to 9,418, and the total assessed value under appeal declined by approximately \$14 billion, reducing the amount needed for reserves and increasing projected General Fund revenue by approximately \$19.5 million. This is partially offset by reductions of the current year secured annual property tax roll and refunds of prior year taxes paid, which reduce projected revenue by \$12.5 million.

Reductions to the current year secured annual property tax roll decrease projected revenues for educational entities, increasing their draw on ERAF (Educational Revenue Augmentation Fund) and reducing the amount of excess ERAF available to be returned to the City's General Fund by \$0.4 million. Excess ERAF from FY 2021-22 held for final recalculations from the California Department of Education (CDE) and California Community Colleges Chancellor's Office (CCCO) is now recognized, increasing revenue by \$37.2 million. 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 \$825.0 million in FY 2023-24, or \$26.1 million (3.1%) below budget and \$25.6 million (3.0%) 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 office attendance data from Kastle Systems, traffic volumes across the Bay and Golden Gate bridges, and MUNI and BART ridership data, this has proved to be true.

There continues to be significant ongoing and new litigation involving the gross receipts tax across a wide range of issues including which business activity (and therefore tax rate) businesses fall into, what receipts are attributed to businesses, and how to apportion worldwide gross receipts to San Francisco. As of May 2024, a net reduction of \$83.4 million in gross receipts tax revenue has been made in FY 2023-24 due to new claims, although a portion of the revenue was also received in FY 2023-24 and thus does not affect projected revenues for the fiscal year. The total balance of deferred gross receipts tax for all known claims is currently \$273.0 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, due in part to refunds for prior tax years 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 \$189.0 million, \$11.0 million (5.5%) below budget and \$8.9 million (4.5%) below prior year actuals. San Francisco's sales tax recovery had recently exceeded both state and other Bay Area counties, but in the most recent three quarters that trend has shifted.

The decline in FY 2023-24 projected revenue from the prior year is largely driven by decreases in auto and transportation (10.9%), general consumer goods (9.8%), and the business and industry sector (9.2%). Factors such as inflation, interest rates, consumer debt, online shopping, and a shift in spending patterns toward nontaxable services have resulted in store closures and fewer luxury and discretionary purchases.

Compared to same quarter prior year, San Francisco's sales tax adjusted for misallocations in the second quarter of FY 2023-24 declined by 6%, a greater decrease than the state (2.5%) and the Bay Area (4.8%). The declines are primarily in the auto and transportation sector (14.4%) from fewer luxury vehicle purchases; general consumer goods (10.8%) due to limited consumer spending on luxury items and business closures; county and state pools declined (6.7%) due to a shift from allocating sales tax from pools to the jurisdictions hosting distribution centers; and lower business activity (6.8%). Restaurants and hotels had the only sector increase (0.5%) due to strength in casual dining.

### 4. Hotel Room Tax

Hotel taxes for all funds are projected to be \$293.9 million, \$48.2 million (14.1%) below budget and \$10.4 million (3.7%) above prior year. General Fund hotel tax revenues are projected to be \$256.7 million, \$46.2

million (15.3%) below budget and \$3.8 million (1.5%) 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 in the first three quarters of FY 2023-24 averaged \$158.25, an increase of 1.7% versus the same period in FY 2022-23 22.9% lower than 2019.

While enplanements at San Francisco International Airport (SFO) have improved steadily since the pandemic, these gains are not resulting in proportionate growth in hotel tax, as more passengers are flying out of SFO than into SFO for leisure and work. As of March 2024, domestic and international enplanements in FY 2023-24 to date were 11.8% greater than FY 2022-23, though still 10.3% below FY 2018-19. Current domestic seat capacity is 18.5% lower and international seat capacity is 3.7% higher than FY 2018-19. International travel has shown signs of recovery since travel restrictions were lifted in Asia in early 2023, however, visitor numbers from China, the largest Asian market pre-pandemic, are far from recovery.

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 last three quarters of FY 2023-24, San Francisco hosted 28 conferences with over 320,000 attendees; for the remainder of the fiscal year, 10 conferences with over 102,500 attendees are anticipated for a projected total of 38 conferences and 423,000 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 from budget, the allocation to arts programs is projected to be \$32.5 million in FY 2023-24, or \$1.9 million (5.7%) below budget and \$1.1 million (3.7%) above the prior year. See Other Funds section for more information about the Hotel Tax for Arts fund.

## 5. Utility Users Tax

Utility user tax revenue is projected to be \$114.5 million, \$3.1 million (2.7%) above budget and \$3.8 million (3.5%) above prior year actuals. Year-to-date collections are tracking lower than the prior year 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 \$84.8 million, which is \$0.7 million (0.8%) above budget and \$2.1 million (2.5%) above prior year actual. 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.

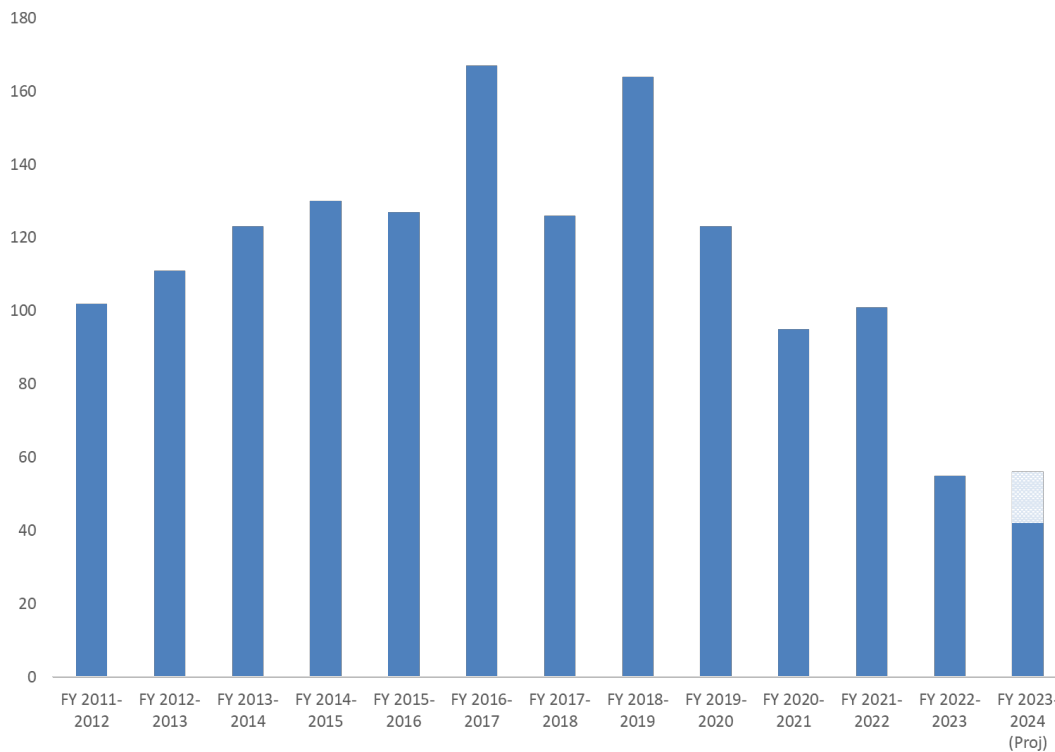
## 7. Real Property Transfer Tax

Real property transfer tax revenue is projected to be \$157.4 million, which is \$64.6 million (29.1%) below budget and \$28.8 million (15.5%) below prior year actual revenues. The impact of the November 2020 Proposition I rate change 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, 32.4% as of March 2024. This dynamic is expected to decrease commercial real estate values. Exacerbating this structural change in where and how people work is the elevated interest rate environment, which increases the cost of borrowing and dampens real estate investment. Additional factors include credit availability, borrowing costs, foreign capital flows, and the relative attractiveness of San Francisco real estate compared to other investment options.

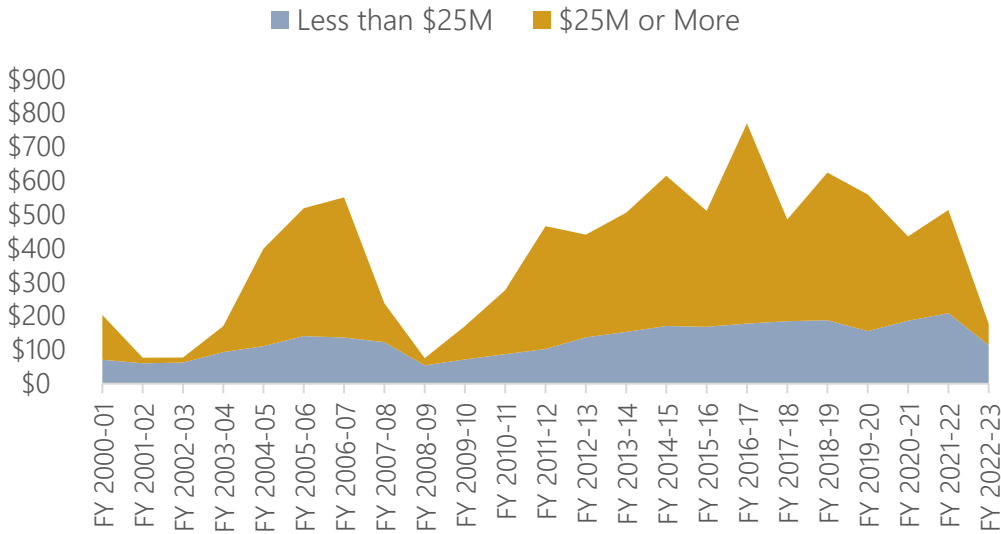
In the current year, the number of real property transfers over \$10 million (tax tiers 5 and 6) is expected to be low relative to pre-pandemic times. The average annual number of transactions over \$10 million between FY 2014-15 and FY 2018-19 was 143. Since then, the number of transactions over \$10 million has declined nearly every year; FY 2023-24 is expected to end with 55 large, taxable transactions, the same as the prior year. Similarly, real property transfers below \$10 million (tax tiers 1 through 4) are expected to fare worse than pre-pandemic times and end close to the prior year. Between 2014-15 and FY 2018-19, there were an average of 9,172 transactions in these tiers. The forecast assumes there will be approximately 6,000 transactions in these tiers, lower than the 6,712 transactions in the prior year and due in part to the cost of borrowing.

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



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 \$125.0 million, which is \$25.0 million above budget and \$81.0 million (39.3%) 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 \$168.9 million, \$47.8 million (39.5%) above budget and \$63.9 million (60.9%) above the prior year actual revenues. This projected growth is primarily due to higher-than-expected earned income yields (EIY) on the City’s pooled investments. For all funds, net earnings through March 2024 were \$387.9 million, with an average daily balance of \$15.6 billion and EIY of 3.31%.

Beginning in FY 2014-15, to reduce employer pension contribution cost growth, the City entered into an agreement with the Retirement System (SFERS) to prepay the entire fiscal year’s estimated pension contribution on July 1 of the fiscal year (rather than with each biweekly pay period), given SFERS’ ability to achieve a much higher rate of return on investments compared to cash in the Treasurer’s pool. To make implementation feasible, the General Fund prepaid the cost for all departments and funds, including enterprise funds. While the benefit of lower pension contribution rates was enjoyed by all, only the General Fund earned negative interest on the negative cash balance created by the prepayments. The FY 2023-24 General Fund



interest forecast reflects the allocation of \$3.2 million of current year and \$9.4 million of prior year (FY 2017-18 through FY 2022-23) negative interest to other funds, which is \$11.1 million more than assumed in the budget, which only contemplated \$1.5 million of repayments from the current year.

## 11. Intergovernmental Revenues – Federal

Federal revenues are projected to be \$452.0 million, or \$63.7 million (12.4%) below budget and \$149.0 million (49.2%) above prior year actuals. The variance from budget is driven by FEMA reimbursement of pandemic response costs, which were anticipated to be \$170.0 million. Given trends in the pace of FEMA obligations, the projection was lowered to \$123.6 million in the March Joint Report and is now \$116.8 million to reflect actual and expected obligations for testing, vaccination, and other health programs.

In October 2023, the FEMA Region 9 Administrator provided updated guidance on eligible costs for non-congregate shelter (NCS) services incurred during the pandemic, which San Francisco provided through the Shelter in Place (SIP) hotel program through May 11, 2023. The City, peer jurisdictions, and California Office of Emergency Services (CalOES) are in continued communication with FEMA representatives regarding this issue, which will affect future year forecasts.

## 12. Intergovernmental Revenues – State

State grants and subventions are projected to total \$979.1 million, \$3.7 million (0.4%) below revised budget and \$49.8 million (4.8%) below prior year actuals, primarily due to state sales tax-based subventions not performing as anticipated due to weaker sales tax across the state. These subventions include Health & Welfare Realignment (\$4.9 million below budget) and Public Safety Realignment and Public Safety Sales Tax (\$1.1 million and \$2.9 million below budget, respectively).

## 13. Airport Transfer In

The San Francisco International Airport (SFO) transfers 15% of its annual concession revenue to the General Fund. This revenue is dependent upon lease agreements with concessionaires and passenger traffic and spending levels. The Airport's annual service payment to the General Fund is projected to be \$54.8 million, which is \$3.9 million (7.7%) above budget and \$6.1 million (12.6%) above prior year actuals due to increased passenger traffic and parking activity.

## 14. Commercial Rent Transfer In

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 shortfall in commercial rent tax compared to budget, the associated transfer 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.

# Appendix 2: General Fund Departments

**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)	Net Surplus/ (Deficit)	Savings Previously Assumed (Fall 2023)	Notes
<b>PUBLIC PROTECTION</b>							
Adult Probation	60.0	58.8	(0.0)	1.2	1.2	0.7	1
Superior Court	32.8	32.8	-	-	-	-	
District Attorney	75.9	75.2	-	0.6	0.6	-	2
Emergency Management	84.1	80.7	0.1	3.4	3.5	3.3	3
Fire Department	491.4	491.1	2.0	0.2	2.2	2.2	4
Juvenile Probation	31.9	30.4	0.0	1.5	1.6	0.5	5
Public Defender	51.1	51.1	-	-	-	-	
Police Department	677.9	676.9	(1.0)	1.0	-	-	6
Sheriff	296.9	296.9	0.1	-	0.1	-	7
Police Accountability	10.3	10.1	(0.0)	0.2	0.1	-	8
Sheriff Office of the Inspector General	1.9	1.2	-	0.7	0.7	0.3	9
<b>PUBLIC WORKS, TRANSPORTATION &amp; COMMERCE</b>							
Public Works	108.7	102.3	(3.2)	6.4	3.2	3.1	10
Economic & Workforce Development	136.1	117.9	(15.4)	18.1	2.8	2.8	11
Board of Appeals	1.1	1.1	(0.0)	0.1	0.1	-	12
<b>HUMAN WELFARE &amp; NEIGHBORHOOD DEVELOPMENT</b>							
Children, Youth and Their Families	31.1	29.5	-	1.6	1.6	1.6	13
Human Services Agency	1,076.7	1,059.8	(8.5)	16.9	8.3	6.1	14
Human Rights Commission	17.5	15.0	-	2.5	2.5	2.5	15
Homelessness and Supportive Housing	305.1	292.7	(0.1)	12.4	12.3	3.4	16
Status of Women	16.5	15.3	-	1.3	1.3	1.3	17
Early Childhood	54.0	51.8	(0.5)	2.2	1.7	-	18
<b>COMMUNITY HEALTH</b>							
Public Health	2,734.9	2,715.8	101.6	19.1	120.7	31.0	19
<b>CULTURE &amp; RECREATION</b>							
Asian Art Museum	11.2	11.0	-	0.2	0.2	0.2	20
Arts Commission	10.1	9.6	(0.0)	0.4	0.4	0.4	21
Fine Arts Museum	21.7	21.4	-	0.2	0.2	0.2	22
Law Library	1.8	1.7	-	0.1	0.1	-	23
Recreation and Park Department	127.8	122.9	2.0	4.8	6.8	0.9	24
Academy of Sciences	7.6	7.4	-	0.3	0.3	0.2	25
War Memorial	7.3	7.3	-	-	-	-	
<b>GENERAL ADMINISTRATION &amp; FINANCE</b>							
City Administrator	182.1	177.2	(1.1)	4.9	3.8	2.7	26
Assessor/Recorder	31.8	31.4	(0.4)	0.4	0.0	-	27
Board of Supervisors	22.9	22.9	0.4	-	0.4	-	28
City Attorney	112.4	104.9	(4.8)	7.5	2.7	0.4	29
Controller	104.0	102.5	(1.0)	1.5	0.4	0.4	30
City Planning	49.1	42.6	(10.4)	6.5	(3.9)	-	31
Civil Service Commission	1.5	1.4	-	0.2	0.2	0.0	32
Ethics Commission	7.3	5.4	0.0	1.9	1.9	0.2	33
Human Resources	44.4	40.1	(4.1)	4.3	0.2	0.5	34
Health Service System	14.7	14.1	(0.2)	0.5	0.4	0.2	35
Mayor	170.6	138.8	-	31.8	31.8	29.9	36
Elections	26.4	25.7	(0.1)	0.7	0.6	0.2	37
Technology	5.2	4.2	(0.7)	1.0	0.2	0.2	38
Treasurer / Tax Collector	43.5	40.8	(1.6)	2.7	1.1	0.7	39
Retirement System	1.9	1.9	-	-	-	-	
<b>GENERAL CITY RESPONSIBILITY</b>	<b>237.8</b>	<b>255.2</b>	<b>3.0</b>	<b>(17.4)</b>	<b>(14.4)</b>	<b>0.5</b>	<b>40</b>
<b>TOTAL</b>	<b>7,538.8</b>	<b>7,396.9</b>	<b>56.1</b>	<b>141.9</b>	<b>198.0</b>	<b>96.4</b>	

## NOTES TO GENERAL FUND DEPARTMENT BUDGET PROJECTIONS

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

### 1. Adult Probation

The 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, due to \$0.8 million in salary savings and \$0.4 million in interdepartmental services savings.

### 2. District Attorney

The District Attorney's Office projects to end the fiscal year with \$0.6 million in salary and benefit savings.

### 3. Department of Emergency Management

The Department of Emergency Management anticipates ending the year with a net surplus of \$3.5 million, \$0.2 million more than the value of their mid-year savings. The department projects \$2.3 million in salary and fringe benefits savings due to vacancies and delayed hiring, \$0.5 million savings in non-personnel services, \$0.1 million in work order savings, and a \$0.1 million surplus of fee revenue.

### 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 revenue surplus is largely due to a one-time state payment of emergency services revenue. Personnel expenditures are expected to be \$0.2 million above budget. The Board of Supervisors approved a supplemental appropriation on April 2, 2024, which appropriated \$4.7 million of emergency services revenue and shifted \$10.5 million of permanent salary budget to overtime, as required by Administrative Code Section 3.17. The department also anticipates receiving \$4.7 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 \$1.6 million, which is \$1.1 million above mid-year savings. The department projects a \$1.5 million expenditure surplus from mandatory fringe benefits, non-personnel services, and interdepartmental services, and a small revenue surplus from superior court reimbursements for facilities maintenance.

### 6. Police

The Police Department projects to end the year on budget due to a \$1.0 million revenue shortfall in requested 10b and interdepartmental services offset by \$1.0 million in personnel cost savings. The department projects to end the year with salary and fringe savings offsetting a \$4.9 million worker's compensation injury claim settlement and the use of \$8.4 million from the MOU reserve for eligible one-time salary and benefit costs. The department projects the need for an additional supplemental appropriation of \$0.4 million to increase

overtime under Administrative Code section 3.17, due to permanent position vacancies and APEC (Asia-Pacific Economic Cooperation conference) related costs. The Controller's Office will work with the department to monitor spending through year end and ensure it remains within budget.

## 7. Sheriff

The Sheriff's Office projects to end the year with a net surplus of \$0.1 million. Revenues are expected to be \$0.1 million higher than budget due to more federal reimbursement for the boarding of federal prisoners. Personnel expenditures are expected to be \$7.1 million higher than budget primarily due to overtime, and non-personnel expenditures are expected to be \$0.5 million below budget. The department will seek \$1.3 million from the MOU Reserve for retirement payouts and retroactive payments. As required by Administrative Code Section 3.17 the department plans to request a supplemental appropriation to increase its overtime budget by shifting budget from capital and technology projects.

## 8. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with \$0.1 million in salary and mandatory fringe benefits savings.

## 9. Sheriff's Department of Accountability

The Sheriff's Department of Accountability projects salary savings of \$0.7 million, \$0.4 million above those assumed from mid-year savings.

## 10. Department of Public Works

The Department of Public Works projects to end the year with a net \$3.2 million surplus. Revenues are projected to be \$3.2 million below budget primarily due to decreased fee revenues and under recovery from interdepartmental services, offset by a \$6.4 million expenditure surplus in salary and fringe benefits, overhead cost allocation, grants to community-based organizations, and closing out project balances.

## 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 \$15.4 million shortfall in developer exaction revenue and expenditure recovery will be offset by \$18.1 million expenditure savings in work order expenses related to these exactions, programmatic projects, and CBO grant savings.

## 12. Board of Appeals

The Board of Appeals projects a net surplus of \$0.1 million partly due to salary savings. The impact of the implementation of AB1114, a California law limiting the types of permits that may have fees and surcharges associated with them, has had minimal impact in revenues to date.

### 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

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Aid Payments	(6.6)	4.7	(1.9)
Operations & Administration	(1.9)	12.2	10.3
<b>Total</b>	<b>(8.5)</b>	<b>16.9</b>	<b>8.3</b>

The Human Services Agency projects to end the year with a net surplus of \$8.3 million, comprised of an \$8.5 million revenue deficit and \$16.9 million in expenditure savings. The department’s net surplus is \$2.2 million above assumed mid-year savings.

The department projects a net deficit of \$1.9 million in aid payments, comprised of \$6.6 million in revenue deficit and \$4.7 million in expenditure savings. County Adult Assistance Programs (CAAP) are projected to have a net deficit of \$4.2 million primarily due to significantly higher non-homeless caseload than budgeted offset by slightly higher than budgeted SSI-IAR payments. Skim-Scam is projected to have a net deficit of \$0.6 million due to increased costs to handle higher levels of EBT fraud. Foster Care and Foster Care Childcare Aid programs are projected to have a net deficit of \$0.1 million due to lower expenses that are eligible for reimbursement. Revenues in the In-Home Supportive Services (IHSS), CalWORKs, and Kin-GAP Aid programs are largely tied to expenditures and have a combined surplus of \$2.9 million due to lower enrollment and caseload expenditures in these programs than assumed in the budget.

In operations and administration, the department projects a net surplus of \$10.3 million, comprised of a \$1.9 million revenue deficit offset by \$12.2 million in expenditure savings. CalFresh revenue is projected to be \$10.6 million above budget because of a rebased and updated methodology for determining statewide allocations. CalWORKs program revenue is projected to be \$5.9 million below budget because of State budget proposals to reduce or revert funding in CalWORKs Single Allocation, Family Stabilization, and Expanded Subsidized Employment programs that would affect not only the budget year but current year as well. Revenue projections for 2011 Realignment sales tax subventions, Child Welfare Services, and Medi-Cal are anticipated to be \$7.4 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: CalWORKs and refugee eligibility services, workforce development refugee, CalWORKs mental health and substance abuse (\$1.8 million); Medi-Cal eligibility (\$9.6 million), IHSS administration (\$2.1 million), Public Guardian, Public Conservator, Public Administrator, and Representative Payee programs (\$1.4 million); foster care services and child welfare (\$6.9 million), and CalSAWs grants (\$1.3 million). An increased allocation of staff time and costs results in projected end the year net deficits in the following programs: CalFresh Eligibility (\$5.5 million), CAAP and CAPI eligibility services (\$0.9 million), CalFresh employment and training (\$1.0 million), and Aging Grants and Community Living Fund (\$3.9 million).

## 15. Human Rights Commission

The Human Rights Commission projects a net surplus of \$2.5 million, which is equal to the value of its mid-year savings. The department projects a \$2.5 million expenditure surplus from \$0.1 million salary and fringe benefits savings 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 net savings of \$12.3 million, which is \$8.8 million more than the value of their mid-year savings. This includes \$2.3 million in salary savings net of overhead allocations, \$1.9 million in non-personnel services due to a community-based organization (CBO) agreement receiving one-time grant funding, \$5.7 million in grants to CBOs, and \$2.5 million from closing out project balances for mid-year balancing savings. The department reports that CBO savings will be used in its budget to maintain level programming in FY 2024-25 and FY 2025-26.

## 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 \$1.7 million, comprised of a \$0.5 million shortfall in state subvention revenue offset by \$2.1 million expenditure savings in community-based organization grants and \$0.1 million savings from a project close-out.

## 19. Public Health

The Department of Public Health (DPH) projects to end the fiscal year with a net surplus of \$120.7 million, as shown in Table A2-3. The surplus is comprised of a revenue surplus of \$101.6 million which includes \$23.0 million of one-time revenue assumed as part of mid-year savings and an expenditure savings of \$19.1 million, of which \$8.0 million was assumed as part of mid-year savings.

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

	Sources	Uses	Net
	Surplus/(Deficit)	Surplus/(Deficit)	Surplus/(Deficit)
Public Health General Fund	34.4	29.0	63.4
Laguna Honda Hospital	(52.5)	(0.5)	(52.9)
Zuckerberg San Francisco General Hospital	119.7	(9.5)	110.2
<b>Total</b>	<b>101.6</b>	<b>19.1</b>	<b>120.7</b>

### 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 \$63.4 million.

DPH projects a combined revenue surplus of \$34.4 million in the General Fund comprised primarily of \$21.5 million from increased reimbursement for services as a result of reforms related CalAIM behavioral health payments and \$10.7 million from Medi-Cal Managed Care supplemental payments due to a State change in reporting in the Quality Incentive Program implemented this past summer.

An expenditure surplus of \$29.0 million in the General Fund is due primarily to an expected \$15.2 million in salary savings, which include \$6.7 million in mid-year savings and \$3.3 million in savings within the Population Health division available from one-time grant funding. Additionally, \$6.1 million in debt service savings budgeted at DPH is projected by the Office of Public Finance due to timing of debt payments. For non-personnel costs, the Public Health Fund is expected to have a combined deficit of \$4.3 million in non-personnel services, materials and supplies and project savings, offset by a \$0.3 million shortfall in interdepartmental work orders.

### **Laguna Honda Hospital**

LHH projects a \$0.5 million expenditure deficit driven by past overspending in non-personnel services of \$5.6 million for increased registry and recertification contract costs. The utilization of registry is expected to decrease at LHH and ZSFG as DPH has instituted new rigorous oversight on use of registry now in effect. Savings from personnel costs (\$4.4 million) offset the non-personnel spending deficit. Notably, the projection includes an updated \$52.5 million deficit projection for LHH revenues, driven by significantly reduced census due to the pause on new admissions while awaiting certification by Medicare. The state is also expected to make a change to the allocation methodology for supplemental payments for Distinct Part Nursing Facilities (DP/NF) in California retroactive to January 2023. This new model and payment will not be finalized until sometime in fall 2024 and is now anticipated in the budget year rather than the current year.

### **Zuckerberg San Francisco General Hospital**

The department projects a \$110.2 million net surplus at Zuckerberg San Francisco General Hospital (ZSFG). Expenditures are projected to be \$9.5 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 \$6.1 million fringe benefits and \$3.6 million in interdepartmental work orders.

A total \$119.7 million revenue surplus is projected, of which \$23.0 million was assumed as part of mid-year savings proposals. A \$60.0 million surplus in patient revenues is 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 \$78.6 million better than expected revenue due to sources that are one-time in nature including prior year Medicare and Medi-Cal settlements (\$19.3 million), Medicaid Disproportionate Share (\$23.8 million), Global Payment Program revenue (\$15.1 million), supplemental Medi-Cal Managed Care revenue (\$2.8 million), and Medi-Cal Graduate Medical Education Program (\$17.6 million). The surplus also includes better than expected current year Medi-Cal Managed Care revenue (\$15.8 million), which is offset by lower than expected current year revenue related to the Global Payment Program (\$21.1 million), capitation (\$4.3 million) and the 340b program (\$11.6 million) due to delays in expanding specialty pharmacy services. Growth from both the current and prior year revenue is included in the department's budget proposal.

## 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 Fine Arts Museum projects \$0.2 million savings from services of other departments and capital project closeout offset by a deficit in salary and fringe benefits, as 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 \$6.8 million, comprised of a \$2.0 million revenue surplus and a \$4.8 million expenditure surplus. The revenue surplus includes a \$1.5 million shortfall in rents and concessions and a \$2.5 million shortfall in fees and services offset by \$6.0 million of unbudgeted overhead recoveries. The expenditure surplus is primarily salary savings. Of the net \$6.8 million projected operating surplus, \$0.9 million was included in mid-year budget reductions.

## 25. Academy of Sciences

The department projects \$0.3 million in salary and 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 \$3.8 million. A projected revenue shortfall of \$1.1 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 \$0.8 million deficit in recoveries for services, primarily due to vacancies in its human resources team and the Office of Labor Standards Enforcement. The department projects expenditure savings of \$4.9 million, including \$3.1 million in labor savings due to vacant budgeted positions, of which \$0.9 million are part of the FY 2023-24 mid-year budget reductions, \$1.0 million is mid-year budget reductions in non-personnel services and City grant programs, and \$0.8 million are expenditure savings in the Office of Cannabis and the Entertainment Commission.



## 27. Assessor Recorder

The Assessor Recorder projects to be on budget. The Department projects a \$0.4 million shortfall in fee revenue from recording documents, given the dearth of real estate transactions, offset by expenditure savings of \$0.4 million primarily in salaries and benefits.

## 28. Board of Supervisors

The Board of Supervisors projects an operating surplus of \$0.4 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 \$2.7 million. A \$7.5 million expenditure surplus is due to unspent prior year budget in non-personnel services, offset by a \$4.8 million revenue shortfall that includes \$1.5 million in unbudgeted opioid settlement legal cost reimbursement offset by a \$6.4 million shortfall in recoveries for services provided to other departments.

## 30. Controller

The Controller's Office projects to end the year with a surplus of \$0.4 million. A revenue shortfall of \$1.0 million and expenditure savings of \$1.5 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 \$3.9. A \$10.4 million revenue shortfall includes \$2.6 million less than budget in conditional use fees, \$2.2 million less in exemption fees, \$1.8 million less in building permit alterations, \$1.7 million less in new construction building permit revenue, and \$1.0 million less in other short-range city planning fees. Offsetting expenditure savings of \$6.5 million include \$2.1 million in salaries and mandatory fringe benefits, \$2.9 million in non-personnel and materials and supplies, and \$1.5 million in interdepartmental services.

## 32. Civil Service Commission

The Civil Service Commission projects \$0.2 million in salary savings from a vacant position.

## 33. Ethics

The Ethics Department projects \$1.9 million in savings, comprised of \$1.7 million in salary savings due to delays in filling vacant positions and \$0.2 million in project savings included in the mid-year reductions.

## 34. Human Resources

The Department of Human Resources expects to end the year with a surplus of \$0.2 million, slightly below its mid-year reduction target of \$0.5 million. The Department projects a \$4.1 million shortfall in recoveries from

other departments will be offset by \$4.3 million expenditure savings in labor, non-personnel costs, and workorders, including \$0.1 million in the housing authority transition project.

## 35. Health Service System

The Health Service System anticipates a surplus of \$0.4 million, of which \$0.2 million was identified for mid-year budget reductions. Expenditure savings of \$0.5 million are evenly shared between personnel savings from vacant positions and non-personnel savings and are partially offset by a shortfall in recoveries from safety departments.

## 36. Mayor

The Mayor's Office, which includes the Mayor's Office of Housing and Community Development, anticipates a surplus of \$31.8 million. Expenditure savings of \$3.9 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, \$8.3 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 \$0.6 million due largely to salaries and mandatory fringe benefits and non-personnel services savings, of which \$0.2 million were 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 due to under-recovery of \$0.7 million in interdepartmental services offset by \$1.0 million in salaries and fringe benefits and non-personnel savings.

## 39. Treasurer/Tax Collector

The Treasurer/Tax Collector projects a surplus of \$1.1 million, of which \$0.7 million was assumed in mid-year reductions. A \$2.0 million deficit in interdepartmental service revenue is offset by a like amount of savings in interdepartmental expenditures. The Department projects a \$0.4 million revenue surplus in property tax-related revenue and \$0.8 million expenditure savings primarily in salaries and benefits.

## 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 shortfall of \$14.4 million, which is \$15.2 million below savings assumed from mid-year cuts and \$21.8 million below Six-Month Report projections. A projected \$3.0 million revenue surplus includes a \$1.7 million surplus in SB 90 state mandate reimbursements and \$2.0 million in city and county motor vehicle license fees, partially offset by a \$0.7 million shortfall in revenue backfill for criminal fees and

finances eliminated by the state. The \$17.4 million expenditure shortfall is largely comprised of a \$23.1 million estimated required increase to litigation reserves partially offset by \$4.6 million of retiree health subsidy and other personnel cost savings, \$1.0 million savings in work orders transfers out, and \$0.2 million of funds remaining in the APEC project. Funds for CBO inflationary cost increases of \$18.6 million have been allocated to departments, leaving a \$19.1 million balance that is assumed spent in the subsequent budget.

# 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	(0.5)	\$ 128.1	\$ 13.8	-	\$ 141.9	1
Rainy Day Economic Stabilization City Reserve	114.5	-	-	114.5	-	-	114.5	2
Budget Stabilization Reserve	275.2	-	-	275.2	-	-	275.2	3
<b>Economic Stabilization Reserves</b>	<b>389.7</b>	-	-	<b>389.7</b>	-	-	<b>389.7</b>	
<i>Percent of General Fund Revenues</i>	<i>6.3%</i>			<i>6.2%</i>			<i>6.2%</i>	
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)	-	-	-	-	
<b>Other Reserves</b>	<b>528.7</b>	-	<b>(101.5)</b>	<b>427.2</b>	-	<b>(70.8)</b>	<b>356.4</b>	
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
<b>Annual Operating Reserves</b>	<b>27.9</b>	<b>17.8</b>	<b>(45.7)</b>	<b>-</b>	<b>31.8</b>	<b>(31.8)</b>	<b>-</b>	
<b>TOTAL, General Fund Reserves</b>	<b>1,004.2</b>	<b>88.6</b>	<b>(147.8)</b>	<b>945.0</b>	<b>45.6</b>	<b>(102.6)</b>	<b>888.0</b>	

## 1. General Reserve

Pursuant to a financial policy approved by the Board of Supervisors in 2011 and codified in Administrative Code Section 10.60(b), year-end balances in the General Reserve are carried forward into subsequent years and thereby reduce the amount of future appropriations required to support reserve requirements established by the policy. 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. Currently, there are \$0.5 million of General Reserve uses, supporting (1) the administration of March 2024 Proposition D, which amended city ethics laws and (2) an independent analysis of sea level rise and groundwater impacts in the Hunters Point Shipyard. As a result, a balance of \$128.1 million

is anticipated at FY 2023-24 year-end. Any uses of the reserve during the current year will increase the required deposit in the budget year (FY 2024-25) by a like amount.

## 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 \$0.7 million to departments and anticipates transferring an additional \$14.5 million by year end, as detailed in Table A3-2.

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

<b>Sources</b>	
FY 2023-24 Adopted Budget	7.0
Carryforward balance from FY 2022-23	27.9
<b>Total Sources</b>	<b>34.9</b>
<b>Uses</b>	
<b>Transfers to Departments</b>	
Police Recruitment	0.3
Other, including Tuition Reimbursement	0.4
<b>Total Transfers to Departments</b>	<b>0.7</b>
<b>Anticipated Allocations</b>	
Police Excess Retirement, Payouts	8.4
Fire Excess Retirement, Payouts	4.7
Sheriff Payouts	1.3
Public Defender Payouts	0.1
<b>Total Anticipated Allocations</b>	<b>14.5</b>
<b>Total Anticipated Uses in the Current Year</b>	<b>15.1</b>
<b>Total Anticipated Uses in the Budget Year</b>	<b>19.8</b>
<b>Net Surplus / (Shortfall)</b>	<b>-</b>

# 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
<b><u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u></b>									
Building Inspection Operating Fund	9.9	-	9.9	(4.5)	4.9	0.4	10.4	9.0	1
Children and Youth Fund	35.1	5.3	29.7	(1.2)	4.5	3.3	33.0	2.2	2
Public Education Early Care Fund (OECE)	7.4	-	7.4	(0.4)	-	(0.4)	7.0	-	3
Public Education Special Fund (SFUSD)	19.3	-	19.3	(0.8)	-	(0.8)	18.5	-	4
Convention Facilities Fund	33.7	12.8	20.9	(0.5)	6.6	6.0	27.0	5.7	5
Golf Fund	4.1	1.0	3.1	0.3	-	0.3	3.4	1.0	6
Marina Fund	(4.9)	-	(4.9)	(0.0)	0.5	0.4	(4.5)	-	7
Library Preservation Fund	36.4	16.1	20.3	(4.9)	7.9	8.8	29.1	-	8
Open Space Fund	41.9	5.4	36.6	(0.1)	0.3	0.2	36.8	10.2	9
Telecomm. & Information Systems Fund	20.5	5.6	14.9	(9.1)	15.1	6.0	20.9	5.0	10
General Services Agency-Central Shops Fund	2.0	0.3	1.7	0.1	1.3	1.3	3.0	-	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	0.4	(0.5)	(0.1)	3.6	0.6	13
Election Campaign Fund	3.6	0.4	4.0	-	(2.9)	(2.9)	1.1	-	14
Gas Tax Fund	3.1	2.9	0.2	(2.5)	4.3	1.8	2.1	4.3	15
Children and Families Commission	5.5	4.2	1.4	(17.7)	17.7	-	1.4	0.7	16
Street Tree Maintenance Fund	5.5	-	5.5	0.2	-	0.2	5.7	0.7	17
Public Works Overhead Fund	18.0	8.2	9.8	(3.6)	9.4	5.8	15.7	13.7	18
Public Works Paid Time Off Fund	9.9	2.7	7.2	(3.2)	8.1	4.8	12.0	-	19
Real Estate Fund	13.4	0.2	13.3	(1.5)	7.5	6.0	19.2	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	-	902.8	-	-	24.0	926.8	-	22
Solid Waste Fund	7.7	4.2	3.6	4.0	0.9	4.9	8.5	-	23
<b><u>SPECIAL PURPOSE TAXES</u></b>									
Neighborhood Beautification Fund	0.1	-	0.1	-	-	-	0.1	-	24
Culture and Recreation Hotel Tax Fund	4.1	1.6	2.5	(2.0)	2.0	-	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	2.7	9.8	12.5	69.3	-	27
Our City, Our Home Fund (Homelessness Gross Receipts Tax)	69.1	25.9	43.2	(21.1)	-	(21.1)	22.1	39.0	28
Small Business Assistance Fund (Commercial Vacancy Tax)	-	-	-	(0.7)	0.7	-	-	-	29
Fair Wages for Educators Fund (Parcel Tax)	-	-	0.0	-	-	-	0.0	-	30
<b><u>SELECT ENTERPRISE FUNDS</u></b>									
Airport Operating Funds	559.4	64.1	495.3	22.5	59.2	81.6	577.0	0.1	31
MTA Operating Funds	60.9	-	60.9	(332.0)	332.0	(0.0)	60.9	-	32
Port Operating Funds	165.5	-	165.5	18.2	4.1	22.2	187.8	-	33
PUC Hetch Hetchy Operating Funds	179.3	35.4	143.9	9.8	52.8	62.6	206.5	17.4	34
PUC Wastewater Operating Funds	155.7	-	155.7	(21.1)	32.7	11.6	167.3	-	35
PUC Water Operating Funds	175.8	-	175.8	(19.7)	12.2	(7.5)	168.3	-	36
PUC Clean Power Funds	7.4	-	7.4	9.9	36.4	46.4	53.8	-	37

## SELECT SPECIAL REVENUE & INTERNAL SERVICES FUNDS

### 1. Building Inspection Fund

The Building Inspection Fund began with a balance of \$9.9 million after closing out \$9.0 million of inactive projects at FY 2022-23 year-end. The department projects a \$0.4 million net operating surplus, as a \$4.5 million revenue shortfall in fees for building permits, plan review, and residential records, is more than offset by expenditure savings of \$4.9 million in non-personnel services. As a result, the fund is expected to have a \$10.4 million projected ending balance, of which \$9.0 million was spent in the previously approved budget.

### 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. The fund is projected to have a revenue deficit of \$1.2 million due to projected decreases in property tax and expenditure savings of \$4.5 million due to existing vacancies that are pending recruitments and delays in the information technology convergence project, resulting in a \$33.0 million projected ending balance, of which \$2.2 million was spent in the previously approved budget.

### 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 \$0.4 million below budget, reflecting a reduction in projected General Fund Aggregate Discretionary Revenue (ADR), resulting in a \$7.0 million projected ending balance.

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

The Public Education Special Fund began with a balance of \$19.3 million. Revenues are expected to be \$0.8 million below budget, reflecting a reduction in projected General Fund ADR, resulting in a \$18.5 million projected ending balance.

### 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 \$6.0 million is projected in the fund, largely driven by expenditure savings due to smaller scale events with fewer attendees and vendors. Ending fund balance is projected to be \$27.0 million, of which \$5.7 million was spent in the previously approved budget.

### 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 \$0.3 million in golf fees and concession, leaving a projected fund balance of \$3.4 million at year end, of which \$1.0 million was spent in the previously approved FY 2024-25 budget.



## 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 \$0.5 million. As a result, we project an abnormal ending balance of \$4.5 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 issue and abnormal balance.

## 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 \$4.9 million. The shortfall from budget is composed of \$0.7 million of property tax, \$0.9 million related to lower General Fund Aggregate Discretionary Revenue (ADR), and a projected general fund return of \$3.4 million. These shortfalls are partially offset by a \$0.2 million net surplus in interest after the true up of retirement contribution prepayment negative interest. The Department projects expenditure savings of \$7.9 million largely in materials and supplies, services from other departments, and labor costs. The net operating surplus of \$8.8 million results in a projected ending balance of \$29.1 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 \$0.1 million shortfall due to a \$0.8 shortfall in the property tax set aside largely offset by a \$0.7 million surplus in interest earnings (which takes into account the true up of prior year negative interest related to retirement contribution prepayments), and \$0.3 million of salary savings. The net projected operating shortfall of \$0.2 million results in a projected ending fund balance of \$36.8 million, of which \$10.2 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 \$6.0 million is projected in the current year, comprised of a \$9.1 million shortfall in recoveries from client departments offset by \$15.1 million salary and non-personnel services savings. The fund is projected to end the year with a balance of \$20.9 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 \$3.0 million. The department projects a net \$1.3 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 deficit of \$0.1 million primarily due to slight delays in billing and projects, resulting in an ending balance of \$3.6 million, of which \$0.6 million has been spent in the approved FY 2024-25 budget.

## 14. Election Campaign Fund

The Election Campaign Fund began the fiscal year with \$4.0 million in fund balance and projects to end the fiscal year with a balance of \$1.1 million given \$2.9 million in projected current year expenditures.

## 15. Gas Tax Fund

The Gas Tax Fund began with a \$0.2 million balance, net of \$2.9 million appropriated in the current year. The department projects a revenue shortfall of \$2.5 million based on a straight-line projection of current year revenues offset by \$4.3 million expenditure savings, resulting in a projected ending balance of \$2.1 million. The previously approved FY 2024-25 budget spent \$4.3 million of fund balance; 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 \$17.7 million below budget due to lower than anticipated Prop 10 tobacco tax revenue and projected shortfalls in work order recoveries. The department will close spending budgets to balance the revenue shortfall and maintain the \$1.4 million fund balance. The previously approved FY 2024-25 budget spent \$0.7 million 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, of which \$0.7 million was spent in the previously approved FY 2024-25 budget.

## 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 \$6.0 million non-personnel savings, \$2.8 million various savings including services from other departments, materials and supplies, and capital outlay, and \$0.4 million salaries and mandatory fringe benefits savings,

offset by an overhead recovery shortfall of \$3.6 million. The projected 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, net of a budgeted use of \$2.7 million. The Department of Public Works projects an operating surplus of \$4.8 million due to expenditure savings of \$8.1 million offset by an overhead recovery shortfall of \$3.2 million. The resulting ending balance is \$12.0 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 \$1.5 million, mostly in recoveries for leased space, offset by expenditure savings of \$7.5 million as renewal lease terms are estimated to come in below budget for a number of properties. The projected ending balance is \$19.2 million, of which \$9.4 million has been spent in the previously approved FY 2024-25 budget.

## 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 \$0.6 million in salary savings, 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 and a \$4.0 million interest receivable balance after adjusting for unrealized losses booked at the end of FY 2022-23. Through the beginning of April, there have been \$25.4 million in deposits and total withdrawals of \$31.8 million for claims (\$24.8 million) and payments to the vendor managing participant accounts (\$6.9 million). Based on cash balances, the fund is projected to earn \$30.4 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. The Department of the Environment projects a revenue surplus of \$0.7 million due to approved rates different than rates assumed in the budget, and

expenditure savings of \$0.9 million. The Department of Public Works does not anticipate use of the \$3.3 million budgeted fund balance. The fund is projected to have a year-end balance of \$8.5 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 \$2.0 million and expenditures will need to be reduced by a like amount. Departments and the Controller's Office will work at year end to de-appropriate spending authority to bring this fund into balance. The resulting ending balance is \$2.5 million, which was entirely spent in the previously approved FY 2024-25 budget.

### 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 below budget, meaning allocations to the 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 end to de-appropriate spending authority to bring the ending balance to zero.

### 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 offset by interest revenue projected to be \$3.8 million above budget, for a net revenue surplus of \$2.7 million. Additionally, the fund has an expenditure surplus of \$9.8 million, resulting in a projected ending balance of \$69.3 million.

## 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 \$28.5 million shortfall in homelessness gross receipts tax revenue is projected, offset partially by the projected interest revenue surplus of \$7.4 million, resulting in a projected operating shortfall of \$21.1 million for the current year and an ending balance of \$22.1 million. In the previously adopted two-year budget, \$39.0 million of fund balance was budgeted in FY 2024-25; if no expenditure reductions are made by departments in the current year, part of the previous appropriation 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 the 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. 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. FY 2023-24 revenues are projected to be \$1.8 million, a \$0.7 million shortfall from budget. Expenditures savings of a like amount are anticipated, resulting in no change to fund balance. The Fund began the current year with no fund balance and none is anticipated because spending authority will be trued-down to tax receipts each fiscal year.

## 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 March 2024, the City has remitted \$29.2 million for FY 2023-24 to SFUSD. The Controller's Office has requested a report from SFUSD on the status of projects funded by this tax, as required by Article 37, Section 3709 of the Business and Tax Regulations Code, and will allocate the remainder of FY 2023-24 collections when the report is received. 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 \$81.6 million comprised of a projected revenue surplus of \$22.5 million and expenditure savings of \$59.2 million.

The department's revenue surplus is largely due to greater than budgeted rent and concession revenues of \$26.5 million, offset by a \$9.3 million shortfall in aviation revenue. The surplus in rents and concessions is due to stronger parking, groundside, food and beverage, retail, automobile rental, and other concession sales on a per passenger basis from an increase in passengers, visitor spending, taxi and TNC trips, and parking activity. The aviation revenue deficit is driven by lower than anticipated landing fees due to the Taxiway Improvement Project to reconfigure various taxi ways that resulted in airlines reducing schedules at FAA's request to minimize delays and cancellations. The department projects an additional \$7.0 million surplus from sales of electricity, natural gas, water resale, and other miscellaneous terminal fees. 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 \$2.5 million combined.

The department's net expenditure savings are driven by a projected \$39.8 million in labor savings due to vacancies, time to hire, and higher than anticipated attrition. The department also projects savings of \$6.1 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 \$577.0 million.

### 32. Municipal Transportation Agency (MTA) Operating Funds

The MTA began the fiscal year with a \$60.9 million available fund balance and projects to end the year on budget. The Agency projects a revenue shortfall of \$332.0 million and expenditure savings of \$332.0 million.

The revenue is driven by a shortfall of \$67.9 million in parking due to slow downtown recovery impacting garage and meter revenue; a \$47.1 million transit fare shortfall due to continued slow downtown recovery impacting most fares; and \$9.0 million in operating grants. Additionally, transfers from the General Fund are expected to be \$18.0 million less than budgeted due to decreases in projected aggregate discretionary revenue (ADR) in the General Fund. An estimated interest true up from retirement contribution payments of \$5.7 million is included in MTA's revenue projection. MTA will draw \$171.7 million of federal American Rescue Plan (ARP) 5307 Transit Operating Assistance to balance the current year. This level of federal relief use is lower than budgeted by \$167.8 million due to expenditure savings projected in FY 2023-24.

The Agency projects \$332.0 million in expenditure savings, which is driven by \$239.6 million in reduced personnel costs and overhead allocations from slower hiring, \$54.3 million in non-personnel services, \$16.5 million in materials and supplies, \$11.1 million in services of other departments, and \$10.2 million in capital outlay.

### 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 \$22.2 million, including a revenue surplus of combined one-time and ongoing unanticipated sources: \$5.9 million from the SFFD land sale, \$1.0 million from a parking operator settlement, \$0.5 million from the Pier 80 music festival, and \$1.7 million from PUC power capacity rent at Pier 70; \$7.0 million associated with better than anticipated economic conditions, including record high cruise passenger count, and \$2.8 million in interest earnings above budget. Expenditure savings of \$4.1 million are largely in salary and fringe benefits due to recruitment, partially offset by \$0.5 million spending above budget in work orders, driven by workers compensation costs. The Port is preparing a surplus transfer from salary and fringe benefits savings to cover this overrun, and projects to end the fiscal year with a balance of \$187.8 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 \$62.6 million due to a \$9.8 million revenue surplus and \$52.8 million expenditure savings. The revenue surplus is mostly due to retail sales, higher attribute and resource adequacy sales, and slightly higher sales to the power market due to higher generation. Also, natural gas and steam sales are below budget due to lower usage. The revenue reduction is offset by equivalent cost savings. The expenditure savings include salaries and fringe savings from vacant positions; a favorable 2023 water year, mitigating \$15.0 million in additional power purchases; \$12.0 million in savings from power distribution costs resulting from PG&E's revised calculations; \$4.0 million in savings from Transmission and related CAISO costs; and a \$3.0 million in savings for Resource Adequacy. The remaining savings are a result of budgeted contingency projected to be unspent. Natural gas and steam sales are below budget due to lower usage. The revenue reduction is offset by equivalent cost savings.

The Hetch Hetchy Fund is projected to end the fiscal year with a balance of \$206.5 million.

### 35. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$155.7 million in available operating fund balance. The Fund is projected to end the year with a net operating surplus of \$11.6 million primarily due to expenditure savings of \$32.7 million, comprised of savings in salaries and fringe; debt service variance mainly due the issuance of the 2023C refunding of 2018C, offset partially by refunding savings from the issuance of the 2023B refunding bonds; 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 \$21.1 million primarily due to stormwater, sewer service, and lower and reduced fees. 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. Quarterly volume projections are 43.4 MGD, a decrease from budgeted volumes of 44.2 MGD.

The Fund is projected to end the fiscal year with a balance of \$167.3 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 \$7.5 million, comprised of a revenue deficit of \$19.7 million and \$12.2 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. Retail sales are projected at 52.6 MGD, a 4.7% decrease from budgeted volumes of 55.2 MGD. Revenue projections also include \$6.0 million in state grant funding for arrearages and discount programs during pandemic. 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. Projected wholesale sales are 124.6 MGD compared to budgeted assumption of 121.9 MGD. The \$12.2 million savings in expenditures is primarily due to salaries and fringes; debt service variance due to the issuance of 2023CD refunding bonds and delay of interest payment for the Mt Tunnel SRF loan; \$5.9 million in Unappropriated Rev-Designated general reserve due to higher sources than uses, which is budgeted when expected revenues exceed budgeted expenditures; and \$9.7 million in expected in legal settlements.

The Fund is projected to end the fiscal year with a balance of \$168.3 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 \$46.4 million. The Fund is projected to have a net revenue surplus of \$9.9 million which includes higher than budget projection for wholesale sales revenues offset by final rates being slightly lower than budgeted rates.

Expenditure savings of \$36.4 million are primarily due to savings from vacant positions; Power purchases variance driven by lower wholesale energy costs partially offset by increasing renewable and resource adequacy market costs.; and savings in 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 \$53.8 million.



# Appendix 5: Overtime Report

Department (\$ Millions)	FY 2022-23	FY 2023-24		
	Actual	Revised Budget	July through 4/27/2024	% of Budget through 4/27/2024
<b>Municipal Transit Agency - Total</b>	67.4	37.4	56.5	151%
<b>Police*</b>				
General Fund (Excl. Work Orders)	80.1	85.0	81.7	96%
Airport	4.6	5.0	7.4	149%
General Fund Work Orders	2.6	3.2	2.2	68%
<b>Total Annual Operating Funds</b>	<b>87.3</b>	<b>93.2</b>	<b>91.3</b>	<b>98%</b>
Special Revenue (10B)	14.1		11.6	
<i>Total</i>	<i>101.4</i>		<i>102.9</i>	
<b>Public Health*</b>				
ZSF General	35.6	39.2	25.5	65%
Laguna Honda	15.4	27.0	14.7	54%
Other Annual Funds	4.9	5.4	3.3	61%
<b>Total Annual Operating Funds</b>	<b>56.0</b>	<b>71.6</b>	<b>43.5</b>	<b>61%</b>
<b>Fire*</b>				
General Fund (Excl. Work Orders)	67.1	67.9	51.5	76%
Airport	6.1	7.8	6.3	81%
General Fund Work Orders	1.2	2.5	1.0	42%
<b>Total Annual Operating Funds</b>	<b>74.4</b>	<b>78.2</b>	<b>58.8</b>	<b>75%</b>
<b>Sheriff*</b>				
General Fund (Excl. Work Orders)	28.5	29.6	29.6	100%
General Fund Work Orders	8.7	12.7	7.0	55%
<b>Total Annual Operating Funds</b>	<b>37.2</b>	<b>42.4</b>	<b>36.6</b>	<b>86%</b>
<b>Airport*</b>				
Annual Operating Funds	2.6	4.4	3.4	78%
<b>Emergency Management*</b>				
Annual Operating Funds	7.2	8.9	6.7	76%
<b>Public Works*</b>				
Annual Operating Funds	3.3	1.8	2.3	129%
General Fund Work Orders	0.5	2.4	0.5	20%
<b>Public Utilities*</b>				
Annual Operating Funds	7.0	6.8	5.6	82%
<b>Recreation and Park*</b>				
Annual Operating Funds	3.1	2.9	2.1	72%
<b>Fine Arts Museum</b>	1.4	2.9	1.0	35%
<b>Juvenile Probation</b>	1.8	0.7	1.9	272%
<b>Elections</b>	0.6	0.7	0.2	31%
<b>Controller</b>	0.1	0.6	0.1	9%
<b>Building Inspection</b>	0.3	0.4	0.2	49%
<b>Port</b>	0.7	0.3	0.6	228%
<b>War Memorial</b>	-	0.3	0.2	94%
<b>District Attorney</b>	0.2	0.2	0.2	144%
<b>Adult Probation</b>	0.1	0.1	0.1	111%
<b>Academy of Sciences</b>	0.1	0.1	0.1	72%
<b>Public Defender</b>	0.0	0.1	0.0	19%
<b>Treasurer/Tax Collector</b>	0.0	0.0	0.0	14%
<b>City Attorney</b>	0.3	0.0	0.2	1367%
<b>Board of Supervisors</b>	0.1	0.0	0.0	235%
<b>Retirement</b>	0.1	0.0	0.1	623%
<b>Board of Appeals</b>	0.0	0.0	0.0	94%
<b>Total Overtime**</b>	<b>365.9</b>	<b>356.3</b>	<b>324.1</b>	<b>91%</b>

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

\*\* Total overtime excludes non-annual operating funds in departments listed in Administrative Code