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# Budget Update to Budget and Finance Committee

*February 22, 2012*

2/22/2012

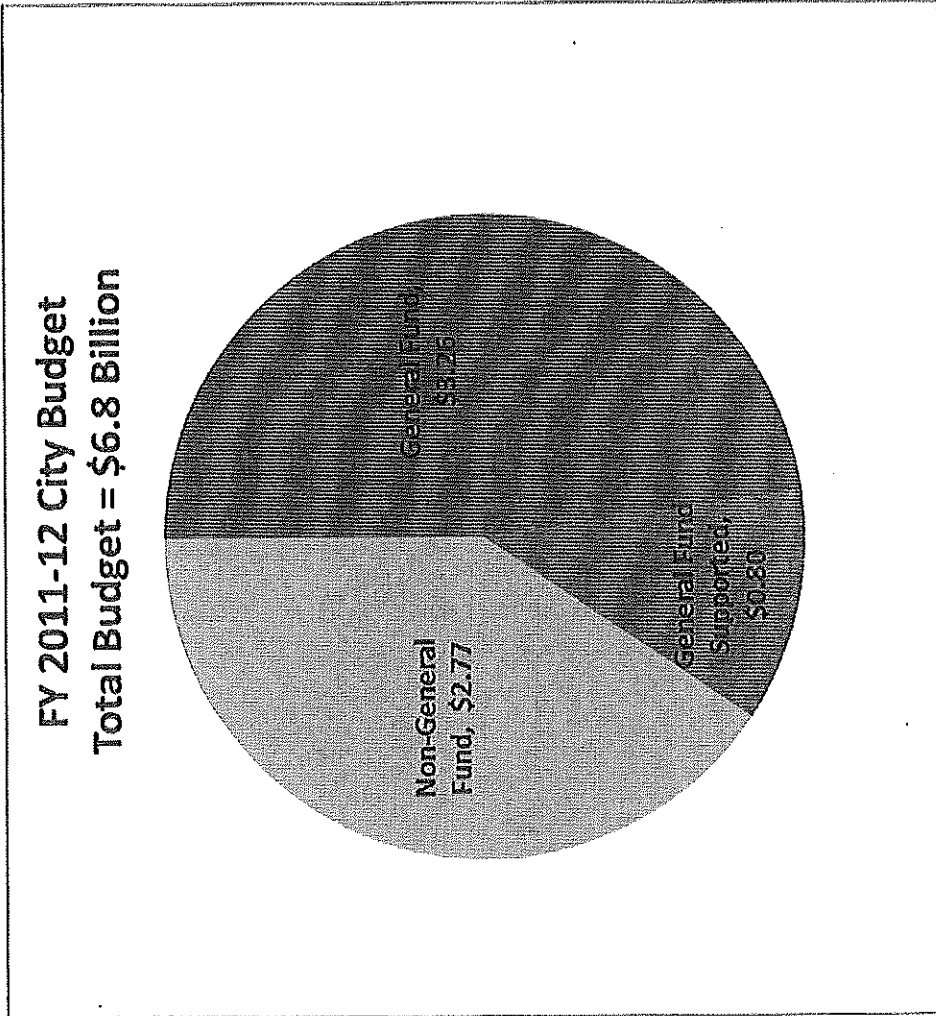


# Budget Update Overview

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- Budget Context
- Projected Budget Shortfall
- Mayor's Instructions
- Timeline
- Next Steps

# Budget Overview



**General Fund**

- Public Health
- Public Safety
- Human Services
- Public Works
- Rec & Park
- Arts/Museums
- City Administration

**General Fund Supported**

- Hospitals
- Convention Facilities

**Non-General Fund**

- Airport
- Port
- Public Utilities
- SFMTA
- Building Inspection



# Budget Context

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- Two-Year Budget for all departments
  - Need to balance both years
  - Fixed two-year budget for Enterprise Departments
- New Financial Policies
  - Increasing General Fund Reserve
  - Limits on use of one-time revenue
- Five-Year Financial Plan
- 27 labor agreements expiring
- CBO/Stakeholder process underway



# FY 2012-13 & FY 2013-14 Shortfall

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- Revenue
  - Local tax revenue improvement
  - Offset by loss of one-time revenue and state and federal funding
  
- Expenditure Increases
  - Personnel-related expenditure increases
  - Loss of one-time savings from FY 2011-12 budget

# FY 2012-13 & FY 2013-14 Initial Projected Shortfall

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FY 2012-13	FY 2013-14				
19.7	104.9				
	Sources				
(282.4)	(480.2)				
	Uses				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; width: 50%;">(262.7)</td> <td style="text-align: right; width: 50%;">(375.3)</td> </tr> <tr> <td></td> <td style="text-align: right;">Projected General Fund Deficit</td> </tr> </table>		(262.7)	(375.3)		Projected General Fund Deficit
(262.7)	(375.3)				
	Projected General Fund Deficit				



# FY 2012-13 & FY 2013-14 Shortfall

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## Key Assumptions:

- Current staffing levels
- Five Year Financial Plan assumptions for salaries and health benefits
- Reflects passage of Prop C (Pension Reform)
- \$30M State budget reserve
- Not eligible for Rainy Day withdrawal

# FY 2012-13 & FY 2013-14 Initial Projected Shortfall

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## Revenue

FY 2012-13      FY 2013-14

(114.8)                      (133.1)      Loss of Prior Year Starting Balance

### Major General Tax Revenue Changes

61.3                      96.3      Property Tax

56.9                      98.6      Business Taxes

16.5                      27.4      Hotel Room Tax

16.4                      16.4      Property Transfer Tax

14.7                      26.7      Other Local Taxes

165.9                      265.5      *Subtotal – Major Tax Revenues*



# FY 2012-13 & FY 2013-14 Initial Projected Shortfall

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## Revenue

FY 2012-13    FY 2013-14

### Major Revenue Losses Projected

(15.2)	Medi-Cal Skilled Nursing Facility Rate Reduction	
(3.1)	Other State & Federal Revenue Losses	
(10.2)	Other One-Time Revenues (Health, Settlements)	
(2.8)	Other Revenue Changes	14.6

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<b>19.7</b>		<b>104.9</b>
	<b>Revenue Total</b>	

# FY 2012-13 & FY 2013-14 Initial Projected Shortfall

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## Expenditures – Personnel Costs

<u>FY 2012-13</u>	<u>FY 2013-14</u>	
(93.5)	(136.1)	Salaries
(22.1)	(45.0)	Health & Dental - Actives & Retirees
(32.6)	(75.8)	Retirement - Employer Contributions
39.2	57.1	Retirement - Savings from Prop C and MOUs
<u>(3.3)</u>	<u>(5.2)</u>	<u>Other Salary &amp; Benefit Cost Increases</u>
(112.3)	(205.0)	<i>Subtotal - Personnel Costs</i>

# FY 2012-13 & FY 2013-14 Initial Projected Shortfall

## Expenditures - Citywide and Departmental Costs

<u>FY 2012-13</u>	<u>FY 2013-14</u>	
(42.2)	(62.3)	Baseline Funding Increases
(20.0)	(25.3)	Capital Budget
(27.6)	(58.0)	Inflation on Contracts, M&S, Grants
(5.7)	(7.6)	Equipment & Information Technology
(8.8)	(11.4)	Debt Service
(5.7)	(14.7)	New General Fund Reserve Requirement
<u>(60.2)</u>	<u>(96.0)</u>	Other Departmental Costs
<b>(282.4)</b>	<b>(480.2)</b>	<b>Uses Total</b>

# FY 2012-13 & FY 2013-14 Updated Projected Shortfall

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	FY 12-13	FY 13-14
<b>Budget Instructions - Projected Shortfall</b>	<b>(262.7)</b>	<b>(375.3)</b>
<b>Changes</b>		
1. Change in Retirement Actuarial Assumptions	(6.0)	(31.0)
2. Better than expected 6 month news	40.0	40.0
<b>Updated Projected Shortfall</b>	<b>(228.7)</b>	<b>(366.3)</b>

# Budget Instructions

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FY 2012-13   FY 2013-14

(228.7)   (366.3)   Updated Projected Deficit

58.0   58.0   5% Department Savings Target for FY 2013

58.0   5% Department Savings Target for FY 2014

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(170.7)   (250.3)   Remaining Deficit



# FY 2012-13 & FY 2013-14 Shortfall

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## UNCERTAINTIES

- Continued economic recovery
- State Budget – Trigger Cuts, Redevelopment, Realignment
- Current year overspending or supplemental appropriations
- Pension Costs
- Labor Negotiations



# Labor Update

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- 27 labor agreements up for negotiation
  - All unions except Police and Fire
- Furlough days expiring – 4.62% salary increase
- Health benefit and pension costs increasing
- May 15 new deadline for submitting agreements to the Board of Supervisors



# Calendar: Key Dates

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Dec 6	Budget Instructions
January	Governor's Budget Released
February	Controller's 6-Month Report
Feb 21	Budget Submissions & IT Projects Due
March	Joint Report Issued
	Budget Townhalls and Stakeholder Meetings Begin
May 1	Enterprise Department Budgets
May	Controller's 9-Month Report
	Governor's May Revise
June 1	Mayor Proposes Balanced Budget
June	Budget Committee Hearings
2/22/2012 July	Budget Considered at BOS





Questions?

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2/22/2012