



# Joint Report Budget Update

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## Presentation to the Human Services Network

*March 16, 2012*

# Overview

## Summary of GF-Supported Projected Budgetary Surplus / (Shortfall), \$ M

	FY 2011-12				
	Original	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Sources	Budget	Projection	Projection	Projection	Projection
Use of Prior Year General Fund Balance	\$ 159	\$ 65	\$ 65	\$ -	\$ -
Regular Revenues, Transfers & Other	3,902	4,102	4,198	4,276	4,364
<b>Subtotal - Sources</b>	<b>4,062</b>	<b>4,167</b>	<b>4,263</b>	<b>4,276</b>	<b>4,364</b>
<b>Uses</b>					
Salaries & Fringe Benefits	2,192	2,304	2,425	2,537	2,622
Other Exps, Reserves & Transfers	1,869	2,033	2,150	2,231	2,238
<b>Subtotal - Uses</b>	<b>4,062</b>	<b>4,336</b>	<b>4,575</b>	<b>4,768</b>	<b>4,860</b>
<b>Projected Surplus/(Shortfall)</b>	<b>\$ -</b>	<b>\$ (170)</b>	<b>\$ (312)</b>	<b>\$ (492)</b>	<b>\$ (495)</b>
<b>Change from Prior Year</b>	<b>\$ -</b>	<b>\$ (170)</b>	<b>\$ (142)</b>	<b>\$ (180)</b>	<b>\$ (4)</b>



# Key Assumptions

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- Continued economic recovery that will be reflected in tax revenue increases, many of which will reach prior peak levels in FY 2011-12.
- No major changes to service levels and numbers of employees
- State and Federal budget – Preliminary estimate of \$50M in further reductions



# Key Assumptions continued:

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- Employer Contribution Retirement Rates and implementation of Proposition C are assumed to be consistent with the projection scenario provided by the Cheiron Consulting Group in January 2012
- Health rates are projected to increase by approximately 6% per year. Dental rates are projected to increase by 3% per year
- No change in closed labor agreements and assuming inflationary increase using the Consumer Price Index (CPI) on open labor agreements beginning in FY 2013-14
- Non-salary operating costs are projected to increase by CPI each year



# Fund Balance and Revenues

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**\$94.8 million net loss of Fund Balance in FY 2012-13**, primarily due to:

- \$159.4 million loss of prior year (FY 2011-12) fund balance offset by a \$129.1 million gain in Starting Fund Balance as noted in the 6-month report to be used evenly in FY 2012-13 and FY 2013-14

**\$221.5M increase in Revenues and Transfers In**, primarily due to:

- **Real Property Transfer Tax:** \$76.9M increase projected as these revenues have exceeded expectations in the current year and are expected to peak in FY 2012-13, driven by capital investment.
- **Property tax:** \$51.3M increase, assuming the residential property tax base will remain relatively stable, while commercial property tax revenues (after reserving for potential appeals and refunds) will increase due to rebounding commercial real estate values.



# Revenues and Baselines

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- **Business tax:** \$46.1M increase, as private employment growth and wages are projected to rise as part of a sustained jobs recovery

## **Revenue Increases lead to Increased Baseline Contributions:**

- **Public Education Enrichment Fund Annual Contribution:** \$22.8M increase in FY 2012-13 based on assumed restoration of full funding
- **Other baseline contributions to MTA, Library, etc.:** \$29.0M increase in FY 2012-13 due to anticipated increases in Citywide aggregate discretionary revenue compared to FY 2011-12 budgeted levels.



# Revenue Issues

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**State and Federal Impacts:** \$50M preliminary assumption for reductions due to the State's severe budget shortfall and other pending State and Federal decision. Issues include:

- Redevelopment Dissolution
- AIDS/HIV funding
- Laguna Honda skilled nursing facility Medi-cal reimbursement rate
- In-Home Support Services potential program changes
- CDBG and other federal programs
- Public Safety and Social Services Realignment
- Additional potential state and federal FY 2012-13 cuts

# Salaries & Benefits: \$111 million increase for 2012-13 at current staffing

	Change from Prior Year Budget (\$ Millions)			
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
<b>Salaries &amp; Benefits</b> <i>Decrease / (Increase)</i>				
Annualization of Partial Year Positions	(9.8)	2.2	-	-
Projected Costs of Closed Labor Agreements	(81.3)	-	-	-
Projected Costs of Open Labor Agreements	-	(47.7)	(52.6)	(63.5)
<b>Subtotal Salaries</b>	<b>(91.1)</b>	<b>(45.5)</b>	<b>(52.6)</b>	<b>(63.5)</b>
Health & Dental Benefits - Current Employees	(12.7)	(12.9)	(13.0)	(13.8)
Health & Dental Benefits - Retired Employees	(7.6)	(9.2)	(10.4)	(11.4)
Retirement Benefits - Employer Contribution Rates	(6.9)	(46.5)	(36.7)	12.4
Other Misc. Costs (Unemployment Insurance & Work Days)	7.0	(6.9)	-	(8.1)
<b>Subtotal Benefits</b>	<b>(20.2)</b>	<b>(75.5)</b>	<b>(60.1)</b>	<b>(20.9)</b>
<b>Total Salaries + Benefits</b>	<b>(111.3)</b>	<b>(121.0)</b>	<b>(112.7)</b>	<b>(84.4)</b>

Note: Assumptions detailed in Joint Report pages 12-15





# Citywide & Departmental Operating Costs

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**Table A-1 (pg. 6) provides details. Major items include:**

- Capital and Debt: \$32.1M increase in FY 2012-13
- Inflation on non-salary items (contracts, grants etc.): \$26.4M increase in FY 2012-13 and ~\$30M additional increases in following years
- New facilities fixtures and equipment: ~\$18M over two years for Public Safety Building and ~\$170M for SFGH, of which \$65M planned to come from fundraising
- Public Health programs (DSRIP, EMR, etc.): \$12.9M increase in FY 2012-13
- Convention Facilities Subsidy: \$11.9M increase in FY 2012-13



# Changes to Reserves

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**\$11.2 million net change to Reserves in FY 2012-13**, primarily due to:

- \$21.4 million increased deposit to Budget Stabilization Reserve in FY 2012-13, due to anticipated above-average Transfer Tax revenues
- \$14.3 million decreased deposit to General Reserve due to anticipated carry-forward of unspent reserve from current year
- \$4.4 million decreased use of Recreation and Park Reserve in FY 2012-13

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# FY 2012-13 & FY 2013-14 Balancing

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- Mayor issued 5% targets for each of next two fiscal years
  - 5% = 58 Million
- Uncertainty Remains
  - Continued economic recovery
  - State Budget – Redevelopment, Realignment
  - Current year overspending or supplemental appropriations
  - Pension Costs
  - Labor Negotiations



# Questions?

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