

Budget Ground Rules:

General Fund Reserves, Baselines, & Set-Asides

March 13, 2013

Budget & Finance Committee

Presentation Outline

Reserves

- General Reserve
- Rainy Day Reserve
- Budget Stabilization Reserve
- Incentive Reserves (Citywide and Recreation & Parks)

Voter-Approved Expenditure Requirements

- Indexed to General Fund revenues
- Indexed to other tax revenues
- Service or staffing level requirements

General Reserve

- Reserve Policy was passed unanimously by the Board of Supervisors in April 2010, per process in voter-approved budget reform Charter amendment (Prop A – November 2010).
- Purpose is to absorb current year revenue or expenditure pressures not anticipated during budget development; uses designated by supplemental appropriations.
- Increases beginning in FY 2012-13 at 1% of General Fund revenues (~\$32M), growing incrementally to 2% of revenues by FY 2016-17 (~\$74M). The minimum balance must be restored in each year's budget.
- Requirement may be suspended for a given year by 2/3rd vote of the Board of Supervisors.

General Reserve Balances (\$m)

Fiscal Year	% of General	
	Fund Revenues	Starting Balance
FY2010-11	0.85%	25.0
FY2011-12	0.79%	25.0
FY2012-13*	1.00%	32.2
FY2013-14*	1.25%	42.9
FY2014-15*	1.50%	53.0
FY2015-16*	1.75%	63.5
FY2016-17*	2.00%	74.0
FY2017-18*	2.00%	75.9

*Projected.



Rainy Day Reserve

- Charter –requirement adopted by voters in November 2003.
- Deposits are made in years when General Fund revenue growth exceeds 5%. 50% of growth over this value to economic stabilization account, 25% into a one-time spending account.
- Withdrawals are made when General Fund revenues decline versus the prior year or the highest of any other previous year's total General Fund revenues.
- The budget may draw up to 50% of the Reserve balance, but no more than the shortfall in total General Fund revenues.
- Additional withdrawal allowance of up to 25% of the reserve balance for the San Francisco Unified School District (USD), if If the inflation-adjusted per pupil revenue of the San Francisco Unified is projected to decline and the District has noticed significant layoffs.

Budget Stabilization Reserve

- Included in the Controller's Reserve Policy as passed by the Board of Supervisors on April 20, 2010.
- Augments the City's Rainy Day Reserve. Designed to mitigate the negative effects of significant economic downturns, including required service reductions and layoffs.
- Deposits = 75% of selected highly volatile revenue sources, including property transfer tax collection above the average of the prior five years and unanticipated fund balance not already appropriated in the subsequent year's budget.
- Withdrawals from the reserve triggered in much the same way as the Rainy Day Reserve, but are spread over a three-year horizon.
- Policy may be suspended for a given year by a 2/3rd vote of the Board.

Budget Stabilization & Rainy Day Reserve Balances (\$m)

Fiscal Year	Budget Stabilization	Rainy Day		Total
		Economic Stabilization	One-Time	
FY 2003-04	-	55.1	-	55.1
FY 2004-05	-	48.1	-	48.1
FY 2005-06	-	97.9	24.1	122.0
FY 2006-07	-	117.8	16.1	133.9
FY 2007-08	-	117.8	0.2	118.0
FY 2008-09	-	98.3	-	98.3
FY 2009-10	-	39.6	-	39.6
FY2010-11	27.2	33.4	-	60.6
FY2011-12	74.3	31.1	3.0	108.4
FY2012-13*	94.9	23.3	3.0	121.2

*Projected.



Savings Incentive Reserves

Citywide Budget Savings Incentive Fund

- Established in Administrative Code Sec. 10.20, requires that up to 25% of departments' year-end savings shall be carried forward and used to encourage cost saving strategies and to fund one-time expenditures. May be suspended in years when Controller determines the City's financial condition cannot support deposits into the reserve.

Rec & Park Savings Incentive Reserve

- Established in Charter Section 16.107, required that overall expenditure savings and surplus revenue within the department shall be dedicated to capital and facility maintenance.

Baselines: Indexed to Overall General Fund Revenues

Indexed to overall aggregate discretionary General Fund revenues, excluding those that are not discretionary in use, such as state and federal subventions and fee revenues.

Title	% of ADR	FY12-13 Budget (\$m)	Sunset
MTA - Municipal Railway Baseline	6.686%	154.9	none
MTA - Parking & Traffic Baseline	2.507%	58.1	none
Library Baseline	2.286%	53	FY 2023-24
Children's Services Baseline Requirement	4.973%	115.2	none
Eligible Items Budgeted		127.1	
Public Education Services Baseline	0.2898%	6.7	FY 2014-15
Public Education Enrichment Fund	3.057%		FY 2014-15
1/3 Preschool for All		17.7	
2/3 to SF Unified School District		32.7	
Total Budgeted	19.8%	450.2	

Baselines: Indexed to Other General Fund Taxes

Budget practices, in-lieu payments, or requirements that effectively index some appropriations to other discretionary revenues.

Title	Requirement	FY12-13 Budget (\$m)	Sunset
MTA - 80% Parking Tax In-Lieu	80% of parking tax	61.2	none
Library - Property Tax Set-Aside	2.5% of property tax	37.3	FY 2023-24
Open Space Property Tax Set-Aside	2.5% of property tax	37.3	FY 2030-31
Children's Fund Property Tax Set-Aside	3.0% of property tax	44.7	FY 2015-16
Municipal Symphony Property Tax Set-Aside	0.125% of property tax	2.0	none
Hotel Tax to Special Revenue Funds			
Required under Administrative Code	varying % of hotel tax	88.0	none
Budgeted		56.4	
Total Budgeted		238.9	

Baselines: Other Service and Staffing Requirements

Program Title	Requirement	FY12-13 Budget (\$m)	Sunset
City Services Auditor	0.2% of citywide budget	12.4	none
Human Services Homeless Care Fund	Amount based on aid savings	13.7	none
Office of Economic Analysis	staff the Office	0.4	none
Police Minimum Staffing	1,971 full duty officers	n/a; requirement likely not met	none
Neighborhood Firehouse Baseline	minimum firehouse and apparatus staffing	n/a: requirement met	none
Treatment on Demand	substance abuse treatment	n/a; requirement likely not met	none
Housing Trust Fund	FY2013-14: \$20m	n/a	FY 2042-43