

**Menu of Possible Budgetary Savings to Fund a Non-Profit Cost of Doing Business Adjustment**

In the last 2 weeks of June, the Board of Supervisors Budget and Finance Committee reviews and amends the Mayor's Proposed Budget and Appropriation Ordinance. This year's overall budget is a record \$7.9 billion. Despite the size of this year's budget, a cost of doing business adjustment for the City's non-profit service providers was not included in the budget. These providers, together with SEIU Local 1021 are asking for a 4% COLA to help offset over 10% loss in the purchasing power of non-profit wages in the last 5 years. In the next week, the Budget and Finance Committee has the ability to amend the budget to fund this most important priority. Here are some areas of the budget that stand out as opportunities to redirect monies:

***Board of Supervisors Budget and Legislative Analyst Recommendations – \$19.9M***

The Board of Supervisors Budget and Legislative Analyst has reported on 33 departments and recommended almost \$20M in savings across these departments. The Budget and Finance Committee should accept the recommendations of the Budget and Legislative Analyst.<sup>1</sup>

***Kaiser Rate Increase - \$15M***

On a 4-2 vote, HSS recommended a 5.25% rate increase for Kaiser, costing the GF an estimated \$15M. This vote was made despite Kaiser's \$87M in profit from SF since 2010 and declining utilization rates. Kaiser has refused to justify their proposed rate increase, citing "proprietary" reasons.<sup>2</sup>

***LIBOR Fraud - \$3-5M***

In a hearing called by Supervisor John Avalos, City departments including the Treasurer's Office, the Airport, and SFPERS estimated millions in losses due to the manipulation of the LIBOR rate. Despite this, the City has yet to thoroughly analyze these losses or pursue their recovery. The Board of Supervisors Budget Analyst is now reviewing this information.

***America's Cup - \$9.4M***

The America's Cup Organizing Committee originally promised to reimburse the City \$32M to defray the City's costs of hosting the event. As of June 8<sup>th</sup>, they have only paid the City \$7.6M. Even with the reduced fundraising goal, ACOC owes the City \$14.4M this year. The budget proposal only assumes \$5M in payments.<sup>3</sup>

***Reduce appropriations to Budget Reserves - \$15 million***

The Mayor's recommended budget includes total appropriations to the General Fund reserve of approximately \$76 million. While San Francisco's budget strength has returned, due to years of recession and cuts, the fiscal health of the City has not yet been restored. As such we recognize that rebuilding the City's financial reserves is both necessary and prudent. However a reduction

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<sup>1</sup> Estimation provided to SEIU Local 1021 by HSS

<sup>2</sup> <http://www.californiahealthline.org/articles/2013/6/17/san-francisco-reluctantly-oks-kaisers-premium-rate-hike.aspx>

<sup>3</sup> Information provide to SEIU Local 1021 by Controller's Office

in the amount recommended would still leave approximately \$61 million in General Fund reserves being appropriated in FY 2013-14.<sup>4</sup>

***Police Academy and Fire Academy Classes - \$1.5-19.5M***

Ed Lee's budget proposal includes 3 new Police Academy and Fire Academy classes at a cost of \$5M and \$1.5M each respectively.<sup>5</sup>

***"Technical Adjustment" General Fund Reserve – \$2.5M***

This budget placeholder can be used for shared priorities instead of solely mayoral priorities.

***Reduction of New Management Positions – \$2.32M***

Included in the proposed budget is a significant increase in City management positions. By adopting a moratorium on new management positions and by increasing the scope of responsibility of those currently employed within the City's management ranks; the City's General Fund would realize approximately \$2.3 million in ongoing savings.<sup>6</sup>

***Community Justice Center - \$.9M***

DPH is backfilling lost federal grant. Services provided are duplicative and mostly information and referral. Clients can just be referred to centralized intake at DPH.

***End Operation Outreach - \$2.7M***

21 full time police officers are assigned to address homeless people. This is 2 from each station and 1 coordinator. Homeless people do not need a special police unit simply because they are poor. They need housing and jobs.

***Re-appropriate Business Tax Increase – \$26M***

SEIU Local 1021 joined together with community and business groups to pass Proposition E, the gross receipts business tax. Due to SEIU's advocacy, the tax will bring in \$26M in additional revenue this year.<sup>7</sup>

***Reduce appropriations for capital - \$4.5 million***

The City's budget includes \$45 million for capital appropriations. As is the case with the City's financial reserves, we acknowledge that now is a time for rebuilding the City's general fixed assets and infrastructure. Nonetheless, in view of competing needs and the long-lived nature of the assets to be acquired, we believe it would not be unreasonable to reduce capital appropriations by 10% in FY 2013-14 thereby generating savings of approximately \$4.5 million.<sup>8</sup>

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<sup>4</sup> <http://www.sfmayor.org/modules/showdocument.aspx?documentid=273> – pg. 60

<sup>5</sup> <http://www.sfexaminer.com/sanfrancisco/sf-mayor-maps-out-budget-proposal-for-next-two-years/Content?oid=2350101>

<sup>6</sup> <http://www.sfcontroller.org/Modules/ShowDocument.aspx?documentid=4335> – 21 new management positions – FY13 Funding Factor 0.77

<sup>7</sup> <http://sfcontroller.org/modules/showdocument.aspx?documentid=4252> – pg. 8

<sup>8</sup> <http://www.sfmayor.org/modules/showdocument.aspx?documentid=273> – pg. 77

**Implement the equivalent of “vacancy savings” for services and supplies - \$16 million.**

During the 48 months ended June 30, 2012 the City and County of San Francisco averaged approximately \$64 million in unspent appropriations for services and supplies which were carried over as budgetary reserves. These budgetary reserves were held in the form of assigned General Fund Balance for funds encumbered on contracts and purchase orders let but not yet fully expended. The amount of budgetary savings realized and subsequently reserved represents about four percent of annual General Fund spending. We believe the significant savings realized from unspent funds on contracts let in previous years constitutes a compelling argument for an across the board 1% reduction in appropriations for professional and contractual services would generate budgetary savings of \$16 million in FY 2013-14.<sup>9</sup>

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<sup>9</sup> <http://www.sfcontroller.org/modules/showdocument.aspx?documentid=3935> – pg. 52