

**City and County of San Francisco Controller's Office
Presentation Notes, Human Services Network, February 19, 2010**

Leo Levenson, Director, Budget and Analysis Division, Leo.Levenson@sfgov.org

FY 2009-10 City budget

- \$3.7B general fund-supported (includes general fund operations plus SF General Hospital, Laguna Honda Hospital)
- \$2.8B self-supporting enterprises (PUC, Airport, MTA, Port)

(Source: FY 2009-10 Annual Appropriation Ordinance, pg. 11)

FY 2009-10 Total budgeted FTE: 26,721, down 1,080 compared to prior year.

(Source: FY 2009-10 Annual Appropriation Ordinance, pg. 29)

Budgeted Spending on Community-Based Organizations: \$318M in FY 2009-10, slightly up \$313M in FY 2008-09. Includes \$12M increase in transfers to SFUSD (\$58M in 2009-10 versus \$46M in 2008-09), and \$13M increase in federal stimulus funds spending on employment and homelessness prevention services, and \$8M increase in spending of Tobacco Tax funds by the Childrens and Families Commission. If look just at General Fund, FY 2009-10 saw 16% drop in spending on CBO's, to \$147M in FY 2009-10 versus \$175M in FY 2008-09.

How we got to Structural Budget Problem (not just a result of latest downturn)

From FY 1998-99 to 2008-09 extraordinary revenue growth:

Average annual growth (compounded each year over 10 years):

Property tax: 11.3%, Business taxes: 5.5%, Other local taxes: 4.5%

Combined total all revenues: 5.2%

Average employee wage + benefit cost increase: 6%

Average annual cost of living increase: 3%

employees: Largely unchanged

(Source, Controller's Budget Improvement Project Presentation to the Mayor and Board of Supervisors, March 16, 2009, http://www.sfgov.org/site/uploadedfiles/controller/BIP_Report_3-16-09_FINAL.pdf)

Controller's Six-Month Budget Status Report published February 9, 2010

- City had to handle net \$35 million revenue shortfall in current year compared to budget.
- Major shortfalls in property tax (primarily due to level of appeals) and payroll tax. Partially offset by better-than-budgeted hotel tax and property transfer tax
- Current year general fund budget appears to be balanced after Board passed mid-year balancing plan.
- Childrens' Fund and Municipal Transportation Agency (MTA) budgets not yet balanced yet for current year.

FY 2010-11 Budget Major Shortfall to be Closed

- November 19, 2010 Mayor's projected budget shortfall \$522 million if current service levels continued unchanged—based on \$291 million in revenue shortfalls (of which \$49M was loss of rainy day reserve funds), and \$231 million in expenditure increases, of which \$105 million was due to increasing employee wage and benefit costs, including scheduled wage increases, expiration of labor concessions and increases in mandatory retirement contributions).
- Departments requested to propose budget with 20% reductions in general fund support and ideas for further 10% reductions.
- All ideas currently on table do not yet bring budget to balance.

Future Challenges past next year's budget— Pension and Retiree Health Costs

Over 5 years from FY 2010-11 to FY 2014-15 General fund-supported costs could rise from \$320M for FY 2010-11 up to a high of \$590M in FY 2014-15 under one set of reasonable assumptions. It could then decline slowly. (this assumes mandatory employer share contribution rises from 13.6% in FY 2010-11 to 27% by 2015-16).

(Source: City and County of San Francisco Employees' Retirement System July 1, 2009 Actuarial Valuation, prepared by Cheiron consulting firm, January 2010, and City and County of San Francisco Post-Retirement Benefit Valuation Report Under GASB 45 as of July 1, 2006, by Mercer Consulting Corporation, with additional Controller's Office calculations).

Budget Improvement Project

Proposition A passed November 2009

- 2-year budgets: Enterprise Depts starting in FY 2010-11, all City in FY 2012-13
- Five-year Financial Planning: Enterprise depts. This year, all City next year.
- New Financial Policies: Controller will submit on March 1 for rebuilding reserves and use of one-time revenues.