

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST
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Budget Analysis Report

To: Budget and Appropriations Committee
From: Budget and Legislative Analyst's Office *DG*
Re: Budget Priority Report on General Fund Budget Compared to Actuals
Date: May 2, 2022

Summary of Requested Action

We were asked to conduct an analysis of the performance of the City's General Fund budget, including a comparison to actual revenues and expenditures, changes in fund balance, historical sources of funds for Board of Supervisors budget amendments, and detail on large departments' salary savings and vacancies.

For further information about this report, contact Dan Goncher at the Budget and Legislative Analyst's Office.

Executive Summary

Actual General Fund Revenues and Expenditures Compared to Budget

- The City's General Fund is the main funding source for government operations, consisting of property, sales, hotel, and other tax revenues; charges for services; rents, concessions, permits, and licenses; various intergovernmental revenues; and other sources. General Fund actual revenues in FY 2020-21 were \$5.7 billion, a three percent decrease from General Fund actual revenues in FY 2018-19. General Fund actual expenditures in FY 2020-21 were \$5.0 billion, a 19 percent increase from General Fund actual expenditures in FY 2018-19.
- Actual General Fund revenues were above budget in FY 2018-19, below budget in FY 2019-20, and above budget in FY 2020-21. Business and Hotel Room tax revenues were below budget in FY 2019-20 and FY 2020-21 due to COVID-19 and were partially off-set by property tax revenue and real property transfer tax revenues above budgeted levels in FY 2019-20 and fully off-set by these revenues in FY 2020-21.
- Actual General Fund expenditures were below budget in each of the three fiscal years we reviewed by three percent on average. In FY 2020-21, expenditure savings of \$186 million were driven by \$43 million in savings in Human Welfare and Neighborhood Development, \$43 million in savings in Public Health, and \$45 million in savings for budgetary reserve and designations for self-insurance funds.

- The Controller presents information from the Six-Month and Nine-Month Budget Status Reports, which provide revenue and expenditure information and projections during the year, to the Board of Supervisors, but the Controller does not currently present year-end financial information to the Board of Supervisors.

General Fund Balance

- General Fund year-end savings and losses accrue to the General Fund balance. Despite the economic downturn associated with the COVID-19 pandemic and use of stabilization reserves, the City's General Fund balance only declined by 0.5 percent between June 30, 2019 and June 30, 2021. As of June 30, 2021, the General Fund balance was \$2.80 billion.
- According to the March 2022 Joint Report Update produced by the Mayor's Office, the Controller's Office, and the Budget and Legislative Analyst, the Federal and State Emergency Grant Disallowance Reserve and the Fiscal Cliff Reserve, which are both components of the unassigned General Fund balance, are projected to have remaining balances of \$81.3 million and \$229.8 million respectively at the end of FY 2022-23.

Historical Sources of Board of Supervisors' Budget Amendments

- The Budget and Appropriations Committee's (Committee) review of the Mayor's proposed two-year budget culminates in the submission of the Committee's budget amendments. The Committee's budget amendments are funded by: (a) department budget reductions proposed by the Budget and Legislative Analyst and accepted by the Committee; (b) supplementary reductions identified and accepted by the Committee during budget hearings; and (c) additional sources identified by the Mayor's Office, the Controller's Office, and the Board of Supervisors. In the last three years, these additional sources have included allocations from reserves, updates to the Controller's forecast, close-outs and current year savings, and other adjustments to program and department budgets.
- More than three-quarters of all sources for the Board of Supervisors' budget amendments over the last three years were from allocations from the City's reserves (43 percent) and department budget reductions identified by the Budget and Legislative Analyst (35 percent), which include adjustments to department salary and benefits budgets based on our review of historical salary savings, positions, vacancy information, and other adjustments.

General Fund Salary Savings and Vacancies of Large Departments

- We reviewed salary savings information for large departments and vacancy information provided by departments to our office in June 2021. However, we did

not provide salary savings totals by department due to challenges in verifying the information within our report timeframe and peculiarities in FY 2019-20 and FY 2020-21 data due to COVID-19. According to budgeted compared to actual salary spending, salary savings in General Fund operating funds totaled \$22.0 million in FY 2020-21 citywide, which represented approximately one percent of the salary budget in these funds. However, salary savings may have offset deficits in other areas of spending. We will review projected salary savings and vacancy information for all General Fund supported departments in June 2022 during our review of the Mayor's proposed budget.

Policy Options

The Board of Supervisors could:

1. Request the Controller to report annually on year-end General Fund actual revenues and expenditures compared to budget after publication of the Annual Comprehensive Financial Report.
2. Request further information of the Mayor and Controller on the use of the Federal and State Emergency Grant Disallowance Reserve and the Fiscal Cliff Reserve funds.
3. Request City departments to report on projected FY 2021-22 salary savings, current vacancy levels, and reasons for vacancies during June budget hearings.

<i>Project Staff: Dan Goncher, Christina Malamut</i>
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General Fund Budget Performance

General Fund Budget Compared to Actuals

The City's General Fund is the main funding source for government operations, consisting of property, sales, hotel, and other tax revenues; charges for services; rents, concessions, permits, and licenses; various intergovernmental revenues; and other sources. General Fund actual revenues in FY 2020-21 were \$5.7 billion, a three percent decrease from General Fund actual revenues in FY 2018-19. General Fund actual expenditures in FY 2020-21 were \$5.0 billion, a 19 percent increase from General Fund actual expenditures in FY 2018-19, as shown in Exhibit 1 below.

Exhibit 1: General Fund Budget, Actuals, and Variance, Budgetary Basis (\$1,000s)

General Fund Budget	FY 2018-19	FY 2019-20	FY 2020-21	Three Year Change	Percent Change
Beginning Fund Balance	2,342,082	2,817,270	2,816,902	474,820	20.3%
Budgeted Revenues	5,510,019	5,781,819	5,581,775	71,756	1.3%
Budgeted Expenditures	4,309,604	4,711,842	5,141,316	831,712	19.3%
Budgeted Surplus/(Deficit)					
Before Transfers	1,200,415	1,069,977	440,459	(759,956)	-63.3%
Budgeted Net Transfers	(1,228,965)	(966,615)	(747,918)	481,047	-39.1%
Budgeted Net Surplus/(Deficit)	(28,550)	103,362	(307,459)	(278,909)	976.9%
Budgeted Ending Fund Balance	2,313,532	2,920,632	2,509,443	195,911	8.5%

General Fund Actuals	FY 2018-19	FY 2019-20	FY 2020-21	Three Year Change	Percent Change
Beginning Fund Balance	2,342,082	2,817,270	2,816,902	474,820	20.3%
Actual Revenues	5,884,155	5,521,741	5,690,271	(193,884)	-3.3%
Actual Expenditures	4,180,002	4,590,891	4,955,720	775,718	18.6%
Actual Surplus/(Deficit)					
Before Transfers	1,704,153	930,850	734,551	(969,602)	-56.9%
Actual Net Transfers	(1,228,965)	(966,615)	(747,918)	481,047	-39.1%
Actual Net Surplus/(Deficit)	475,188	(35,765)	(13,367)	(488,555)	-102.8%
Actual Ending Fund Balance	2,817,270	2,781,505	2,803,535	(13,735)	-0.5%

General Fund Variance	FY 2018-19	FY 2019-20	FY 2020-21
Variance in Revenues	374,136	(260,078)	108,496
Variance in Expenditures	129,602	120,951	185,596
Variance in Ending Fund Balance	503,738	(139,127)	294,092

Source: Annual Comprehensive Financial Reports

As shown above in Exhibit 1, actual General Fund revenues were above budget in FY 2018-19, below budget in FY 2019-20, and above budget in FY 2020-21. In FY 2019-20, actual revenues

were \$260 million below budget due to the economic downturn associated with the COVID-19 pandemic resulting in business taxes and hotel room taxes below budget (\$228 million and \$137 million below budget respectively) and partially offset by property tax revenues above budget (\$116 million). Business and Hotel Room taxes were also below budget in FY 2020-21 (\$75 million and \$93 million below budget respectively) due to the continued impacts of the COVID-19 pandemic, but were more than offset by property taxes and real property transfer taxes above budget (\$158 million and \$207 million respectively), resulting in total revenues that were \$108 million above budget. Exhibit 2 below shows the breakdown of the variance of budgeted vs. actual General Fund revenue sources over the last three fiscal years, with additional detail provided in the Appendix.

Exhibit 2: General Fund Revenue Variance, Budgetary Basis (\$1,000s)

Revenues Variance Above/(Below) Budget	FY 2018-19		FY 2019-20		FY 2020-21	
	Variance	%	Variance	%	Variance	%
<u>Taxes</u>	<u>303,888</u>	<u>7%</u>	<u>(260,580)</u>	<u>-6%</u>	<u>157,644</u>	<u>4%</u>
Property Taxes	103,575	5%	115,854	6%	182,009	8%
Business Taxes	38,397	4%	(228,238)	-22%	(75,415)	-9%
Hotel Room Taxes	16,498	4%	(136,944)	-35%	(93,053)	-74%
Real Property Transfer Tax	136,044	60%	38,482	13%	206,683	150%
All Other Taxes	9,374	2%	(49,734)	-11%	(62,580)	-16%
Licenses, permits and franchises	(2,478)	-8%	(5,235)	-17%	(2,929)	-13%
Fines, forfeitures, and penalties	2,140	68%	507	16%	2,023	85%
Interest and investment income	60,130	296%	9,267	13%	10,925	53%
Rents and concessions	(704)	-5%	(5,562)	-36%	(6,164)	-55%
Intergovernmental	9,278	1%	(3,552)	0%	(6,514)	0%
Charges for services	(26)	0%	(12,355)	-5%	(31,515)	-12%
Other Resources	1,908	6%	17,432	55%	(14,974)	-25%
Total Revenues	374,136	7%	(260,078)	-4%	108,496	2%

Source: Annual Comprehensive Financial Reports

Actual General Fund expenditures were below budget in each of the three fiscal years by three percent on average. According to Controller's Office staff, expenditure savings are often the result of intentional action to offset revenue shortfalls and generate fund balance for the next year's budget. Large variances are explained below based on the City's Annual Comprehensive Financial Reports and shown in Exhibit 3, which highlights departments with at least \$3 million in expenditures savings over the three-year period.

In FY 2018-19, expenditure savings of \$130 million were driven by:

- **\$50 million in savings in Human Welfare and Neighborhood Development**, including:

- \$20 million in savings in the Mayor’s Office of Housing and Community Development (MOHCD) due to savings from loans issued through the Housing Trust Fund and loans issued by MOHCD on behalf of other City departments;
- \$19 million in savings in the Human Services Agency due to reductions in aid assistance and aid payments for lower than expected caseloads, contracts, and services needed by other departments; and
- \$10 million in savings in the Department of Homelessness and Supportive Housing, including savings in community-based organization services for Transitional-Aged Youth and 1K Person Project and partially offset by higher-than-budgeted spending on Shelter and Housing for the Homeless Project;
- **\$28 million in savings in General City Responsibilities** due to \$25 million in unspent community-based organization grant funds, mandatory fringe benefits adjustments, and reduced services provided by other departments; and
- **\$22 million in savings in General Administration and Finance** due to salary and fringe savings, non-personnel services savings, and recoveries.

In FY 2019-20, expenditure savings of \$121 million were driven by:

- **\$35 million in budgetary reserve and designation**, including \$16.2 million for litigation, \$10.4 million for Public Health, and \$8.1 million for salaries and benefits; and
- **\$28 million in General Administration and Finance**, including \$22 million in salaries and fringe, \$11 million in professional services, and other savings, and partially offset by \$9 million in expenditure recoveries from other City departments that were below budget.

In FY 2020-21, expenditure savings of \$186 million were driven by:

- **\$43 million in savings in Human Welfare and Neighborhood Development** due to reduced aid assistance and payments, community-based organization services and salaries and fringe benefits in the Human Services Agency, Homelessness and Supportive Housing, and the Mayor’s Office of Housing and Community Development.
- **\$43 million in savings in Public Health**, including \$33 million in non-personnel services and \$9 million in salaries and fringe benefits; and
- **\$45 million in savings for budgetary reserve and designations** for self-insurance funds.

Exhibit 3: General Fund Expenditure Variance, Budgetary Basis (\$1,000s)

Expenditures Variance (Above)/Below Budget	FY 2018-19		FY 2019-20		FY 2020-21	
	Variance	%	Variance	%	Variance	%
<u>Public Protection</u>	<u>8,095</u>	<u>1%</u>	<u>14,269</u>	<u>1%</u>	<u>7,072</u>	<u>0%</u>
Juvenile Probation	2,487	7%	6,335	19%	1,689	6%
Police Department	61	0%	4,459	1%	333	0%
Police Accountability	917	11%	1,775	15%	371	4%
All Other	4,630	1%	1,700	0%	4,679	1%
<u>Public Works, Transportation and Commerce</u>	<u>11,940</u>	<u>6%</u>	<u>13,474</u>	<u>6%</u>	<u>13,328</u>	<u>6%</u>
Economic and Workforce Development	11,350	22%	11,046	17%	12,201	17%
Public Works	505	0%	2,320	2%	984	1%
All Other	85	1%	108	2%	143	1%
<u>Human Welfare and Neighborhood Development</u>	<u>49,584</u>	<u>4%</u>	<u>16,979</u>	<u>1%</u>	<u>43,158</u>	<u>3%</u>
Human Services	18,608	2%	0	0%	28,481	3%
Homelessness and Supportive Housing	10,156	5%	12,708	6%	10,535	4%
Mayor's Office of Housing & Community Dev.	19,716	23%	3,129	4%	3,019	3%
All Other	1,104	2%	1,142	1%	1,123	1%
Public Health	8,456	1%	0	0%	43,112	4%
<u>Culture and Recreation</u>	<u>1,702</u>	<u>1%</u>	<u>6,005</u>	<u>4%</u>	<u>1,823</u>	<u>1%</u>
Recreation and Park	660	1%	4,520	4%	1,104	1%
All Other	1,042	2%	1,485	3%	719	2%
<u>General Administration and Finance</u>	<u>21,674</u>	<u>7%</u>	<u>27,552</u>	<u>8%</u>	<u>19,380</u>	<u>6%</u>
City Attorney	11,452	49%	6,407	29%	2,669	10%
City Planning	2,416	5%	3,953	8%	7,230	14%
Treasurer/Tax Collector	2,885	8%	3,043	6%	971	2%
Controller	58	0%	2,119	14%	3,087	25%
Administrative Services	701	1%	3,099	5%	1,398	2%
Elections	696	4%	2,311	8%	606	3%
All Other	3,466	4%	6,620	7%	3,419	3%
General City Responsibilities	28,107	16%	7,896	6%	13,007	10%
Other Uses*	44	94%	34,776	100%	44,716	99%
Total Expenditures	129,602	3%	120,951	3%	185,596	4%

Source: Annual Comprehensive Financial Reports

*Other uses include debt service and budgetary reserves and designations

Charter Section 3.105 directs the Controller to provide periodic financial reports as requested to the Board of Supervisors and to produce the City's annual financial report. The Controller's Office produces a Six-Month Budget Status Report and a Nine-Month Budget Status Report, which provide revenue and expenditure information and projections during the year, and also produces the City's Annual Comprehensive Financial Report, which includes year-end revenue and expenditure information, as well as additional information on the City's finances. While the Controller presents information from the Six-Month and Nine-Month Budget Status Reports to

the Board of Supervisors, the Controller does not currently present year-end financial information to the Board of Supervisors. The Board of Supervisors could request that the Controller report annually on year-end General Fund actual revenues and expenditures compared to budget after publication of the Annual Comprehensive Financial Report.

General Fund Balance

General Fund year-end savings and losses accrue to the General Fund balance. The General Fund balance (budgetary basis¹) declined from \$2.82 billion to \$2.80 billion (0.5 percent) between June 30, 2019 and June 30, 2021, as shown below in Exhibit 4.

Exhibit 4: General Fund Balance, Budgetary Basis (\$1,000s)

	June 30 2019	June 30 2020	June 30 2021	Three Year Change	Percent Change
Restricted	324,977	229,069	114,539	(210,438)	-64.8%
Committed	397,563	363,410	320,637	(76,926)	-19.3%
Assigned	1,361,787	1,581,761	1,562,035	200,248	14.7%
Unassigned	732,943	607,265	806,324	73,381	10.0%
Total Fund Balance	2,817,270	2,781,505	2,803,535	(13,735)	-0.5%

Source: Annual Comprehensive Financial Reports

The General Fund budgetary balance is categorized based on the level of spending constraints according to Governmental Accounting Standards Board (GASB) definitions of fund classifications. From “restricted” to “unassigned,” the classifications group funds from most to least constrained. Over the three-year period, the City’s “Restricted” and “Committed” fund balances decreased by \$210.4 million and \$76.9 million respectively due to use of the Rainy Day Economic Stabilization Reserve (Restricted) and the Budget Stabilization Reserve (Committed). Over the same period, the “Assigned” and “Unassigned” fund balances, which are considered discretionary as they are not constrained by the City’s Charter or by ordinance, increased by \$200.2 million and \$73.4 million respectively. These four classifications are defined as follows with additional detail provided in the Appendix:

- **Restricted:** includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City’s Charter, or by enabling legislation. The restricted fund balance as of June 30, 2021 of \$114.5 million was

¹ According to Government Finance Officers Association’s (GFOA) *Fund Balance Guidelines for the General Fund*, budgetary fund balance reflects the amount accumulated from prior years at a given point in time. Budgetary fund balance differs from generally accepted accounting principles (GAAP) fund balance in part due to differences in the timing of the recognition of revenues and expenditures between budgetary and GAAP financial reporting.

attributed to the City's Rainy Day Economic Stabilization Reserve, established in Charter Section 9.113.

- **Committed:** includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. The committed fund balance as of June 30, 2021 of \$320.6 million was attributed to the City's Budget Stabilization Reserve.
- **Assigned:** includes amounts that are not classified as restricted or committed, but are intended to be used by the City for specific purposes. The assigned fund balance as of June 30, 2021 of \$1.6 billion consisted of appropriations to City programs and capital projects, reserves for contingencies and litigation, and an allocation to the FY 2022-23 budget.
- **Unassigned** – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. The unassigned fund balance as of June 30, 2021 was \$806.3 million, including \$78.3 million in the General Reserve. The General Reserve, established by Administrative Code Section 10.60(c), is a fund within the unassigned balance and is intended to address revenue weaknesses, expenditure overages, or other programmatic goals not anticipated during the annual budget process. As of April 2022, the balance of the General Reserve was \$43.8 million.²

According to the March 2022 Joint Report Update produced by the Mayor's Office, the Controller's Office, and the Budget and Legislative Analyst, the Federal and State Emergency Grant Disallowance Reserve and the Fiscal Cliff Reserve, which are both components of the unassigned fund balance, are projected to have remaining balances of \$81.3 million and \$229.8 million respectively at the end of FY 2022-23.³ The Board of Supervisors could request further information of the Mayor and Controller on the use of these reserve funds.

² As reported in the March 2022 Update to the Five-Year Financial Plan (Joint Report), which assumed passage of a supplemental appropriation to cover higher than expected workers compensation costs.

³ Administrative provisions of the FY 2021-22 and FY 2022-23 Annual Appropriation Ordinance established: (a) a Federal and State Emergency Grant Disallowance Reserve of \$100.0 million to manage revenue shortfalls related to reimbursement disallowances from the Federal Emergency Management Agency (FEMA) and other state and federal agencies; and (b) a Fiscal Cliff Reserve of \$293.9 million to manage projected budget shortfalls after the spend down of federal and state stimulus funds and other one-time sources used to balance the FY 2021-22 and FY 2022-23 budget. Both reserves were funded using the remaining balance of the COVID-19 Response Economic Loss Contingency Reserve after accounting for the use of \$113.5 million in the FY 2021-22 and FY 2022-23 budget.

Historical Sources of Board of Supervisors' Budget Amendments

The Budget and Appropriations Committee's (Committee) review of the Mayor's proposed two-year budget culminates in the submission of the Committee's budget amendments. The Committee's budget amendments are funded by: (a) department budget reductions proposed by the Budget and Legislative Analyst and accepted by the Committee; (b) supplementary reductions identified and accepted by the Committee during budget hearings; and (c) additional sources identified by the Mayor's Office, the Controller's Office, and the Board of Supervisors. In the last three years, these additional sources have included allocations from reserves, updates to the Controller's forecast, close-outs and current year savings, and other adjustments to program and department budgets.

Department budget reductions accounted for 35 percent of all sources across the three-year period, while reserve allocations accounted for 43 percent of all sources. Large sources of funds during the three-year period include:

- \$52.0 million from the Teacher & Early Care Educator Emergency Reserve⁴ for the FY 2019-2021 two-year budget;
- \$59.0 million from the Business Tax Stabilization Reserve⁵ for the FY 2020-22 two-year budget;
- \$43.7 million for the FY 2021-23 two-year budget due to a Controller Forecast Update in June 2021, or one-third of total sources for that two-year budget period.⁶

Exhibit 5 below shows sources of Board of Supervisors' budget amendments over the last three years.

⁴ The Teacher & Early Care Educator Emergency Reserve was established by Ordinance 33-19, which allocated \$52.0 million to sustain wages for SFUSD teachers and staff and early care educators in FY 2020-21 if other City revenues or SFUSD resources were not sufficient.

⁵ The Business Tax Stabilization Reserve was established by the administrative provisions of the FY 2020-21 Annual Appropriations Ordinance to allow the City to use large one-time advance repayments associated with Commercial Rent Tax (June 2018 Proposition C) and Homeless Gross Receipts Tax (November 2018 Proposition C) across fiscal years. The \$59.0 million allocation for the Board of Supervisors' budget amendments together with the \$149 million appropriation in the adopted FY 2021-22 budget fully expended this reserve.

⁶ According to a June 2021 memo from the Controller's Office to the Board of Supervisors, the \$43.7 million included real property transfer tax revenue collections that exceeded projections in the Nine-Month Report for FY 2020-21 (\$11.8 million) and State budget sales tax allocations in the Governor's May Revise budget that exceeded those in the January budget (\$39.3 million), which were partially offset by \$7.5 million in additional holiday costs associated with the recognition of Juneteenth as a legal holiday for all City employees.

Exhibit 5: Sources of Board of Supervisors' Budget Amendments (\$1,000s)

Spending Plan Source	FY 2019-21 Budget	FY 2020-22 Budget	FY 2021-23 Budget
Department Budget Reductions	\$28,699	\$69,821	\$30,178
Supplementary Committee Reductions			10,500
Additional Budgetary Actions	\$71,412	\$65,286	\$92,028
<u>Reserve Allocations</u>	<u>62,000</u>	<u>61,945</u>	<u>32,700</u>
Business Tax Stabilization		59,000	
Teacher & Early Care Educator	52,000		
Federal & State Emergency Disallowance			18,700
Technical Adjustment	10,000	2,945	6,500
Unmet Needs			6,500
San Francisco City College			1,000
Controller Forecast Update			43,674
Other Program/Department Adjustments	5,115		12,127
Closeouts and Current Year Savings	4,298	3,341	3,527
Total	\$100,111	\$135,107	\$132,705
General Fund Sources	\$96,544	\$110,942	\$121,483
Non-General Fund Sources	\$3,568	\$24,165	\$11,222

Source: Board of Supervisors' Budget Amendments

General Fund Salary Savings and Vacancies of Selected Departments

We reviewed General Fund salary savings and vacancies of large departments with approximately \$100 million or more in General Fund support and at least 100 funded full-time equivalent (FTE) positions in FY 2021-22. In FY 2021-22, General Fund support to the seven departments that met this threshold was \$2.6 billion, which reflects 61 percent of total General Fund support provided to all City departments. The departments had a total of 14,876 General Fund funded FTEs in FY 2021-22 as shown in Exhibit 6 below.

Exhibit 6: Funded FTEs and General Fund Support for Large Departments, FY 2021-22

Department	General Fund Funded FTEs	General Fund Support (\$1,000s)
Fire	1,572	\$305,880
Homelessness & Supportive Housing	200	268,394
Human Services Agency	2,151	386,550
Police	2,490	521,558
Public Health	6,813	838,642
Public Works	652	99,102
Sheriff	998	194,233
Total, 7 Departments	14,876	\$2,614,359

Source: Annual Appropriation Ordinance

We reviewed salary savings information for the seven departments. However, we did not provide totals by department due to challenges in verifying the information within our report timeframe and peculiarities in FY 2019-20 and FY 2020-21 data due to COVID-19 that may overstate savings in particular departments. During COVID-19, there were changes in how employees were deployed and where salary spending was posted in the City’s financial system in some departments. Further, some departments delivered services through contracts (rather than with permanent staff) during COVID-19 resulting in salary savings with offsetting spending on contract services. We will review projected salary savings for all General Fund supported departments in June 2022.

According to budgeted compared to actual salary spending, salary savings in General Fund operating funds⁷ totaled \$22.0 million in FY 2020-21 citywide, which represented approximately one percent of the salary budget in these funds. However, salary savings may have offset deficits in other areas of spending. According to the City’s Annual Comprehensive Financial Report, salary savings in the Department of Public Health, the Human Services Agency, and the Department of Homelessness and Supportive Housing contributed to General Fund expenditure savings overall in FY 2020-21.

Vacancies

Departments provide vacancy and other staffing information to our office during our annual review of the Mayor’s proposed budget. General Fund vacancies, based on such information provided to our office in June 2021, are shown in Exhibit 7 below. Vacancies reported to our office include positions held vacant for attrition savings, which are already accounted for in the

⁷ Includes the General Fund Annual Account Control Fund and operating funds for Laguna Honda Hospital and General Hospital.

budget. We estimated vacancies for the Fire Department and the Police Department based on staffing levels in June 2021 because we did not receive detailed vacancy information from those departments. We will review updated vacancy information for all General Fund supported departments in June 2022. The Board of Supervisors could request City departments to report on projected FY 2021-22 salary savings, current vacancy levels, and reasons for vacancies during June budget hearings.

Exhibit 7: General Fund Positions and Vacancies, June 2021

Department	General Fund Total Authorized FTE FY 2020-21	Less Off Budget Positions FY 2020-21	Budgeted Attrition FY 2020-21	General Fund Funded FTE FY 2020-21	General Fund Vacancies June 2021*
Public Health	7,571	(64)	(707)	6,800	1,008
Public Works	1,324	(625)	(46)	653	128
Fire	1,823	(17)	(270)	1,536	268 ^a
Homelessness	150	(15)	(7)	128	12
Human Svcs	2,404	(12)	(271)	2,120	210
Police	2,909	(24)	(296)	2,589	429 ^b
Sheriff	1,170	0	(171)	1,000	119 ^c

Source: Vacancy and staffing information provided to the BLA by departments in June 2021

* Includes positions held vacant for attrition savings and excludes off-budget positions because they do not generate salary savings in General Fund operating funds

^a Reflects General Fund vacancies in the Fire Department Operations Division only estimated based on headcount. In FY 2020-21, the Operations Division had 1,352 General Fund funded FTEs (88% of General Fund funded FTEs), including budgeted attrition of (235). Proposition F, approved by voters in November 2005, requires that the Fire Department maintain staffing levels to the same extent as existed in January 2004.

^b Includes 49 civilian vacancies and estimated 380 sworn vacancies based on headcount. The Police Department's General Fund funded FTE declined from 2,589 to 2,490 in FY 2021-22, a reduction of 99 FTE.

^c Includes sworn vacancies only. In FY 2020-21, the Sheriff's Department had 797 sworn General Fund funded FTEs (80% of General Fund funded FTEs), including budgeted attrition of (138).

Top General Fund Supported Job Classifications with Vacancies by Department

Based on General Fund vacancy information provided by five of the seven departments (which excludes Fire and Police), we provide information on the top job classifications with vacancies for each department below:

Homelessness and Supportive Housing

Four of the 12 General Fund vacancies (33 percent) were in the following classifications:

- 2918 Social Worker
- 1824 Principal Administrative Analyst

Human Services Agency

114 of the 210 General Fund vacancies (54 percent) were in the following classifications:

- 2905 Human Services Agency Senior Eligibility Worker
- 2940 Protective Services Worker
- 1406 Senior Clerk
- 1404 Clerk
- 2918 Human Services Agency Social Worker

Public Health

241 of the 1,008 vacancies (24 percent) were in the following classifications:

- 2320 Registered Nurse
- 2586 Health Worker II
- 2303 Patient Care Assistant
- 2587 Health Worker III
- 2930 Behavioral Health Clinician

Public Works

56 of the 128 vacancies (33 percent) were in the following classifications:

- 7514 General Laborer
- 7355 Truck Driver
- 7501 Environmental Service Worker
- 5310 Survey Assistant I
- 7502 Asphalt Worker

Sheriff

112 of the 119 vacancies (94 percent) were in the following classifications:

- 8504 Deputy Sheriff
- 8306 Senior Deputy Sheriff

Summary

Despite the economic downturn associated with the COVID-19 pandemic and use of stabilization reserves, the City's General Fund balance only declined by 0.5 percent between FY 2018-19 and FY 2020-21. Actual General Fund revenues were above budget in FY 2018-19, below budget in FY 2019-20, and above budget in FY 2020-21. Business and Hotel Room tax revenues were below budget in FY 2019-20 and FY 2020-21 due to COVID-19 and were partially off-set by property tax

revenue and real property transfer tax revenues above budgeted levels in FY 2019-20 and fully off-set by these revenues in FY 2020-21. Actual General Fund expenditures were below budget in each of the three fiscal years by three percent on average.

More than three-quarters of all sources for the Board of Supervisors' budget amendments over the last three years were from allocations from the City's reserves (43 percent) and department budget reductions identified by the Budget and Legislative Analyst (35 percent), which include adjustments to department salary and benefits budgets based on our review of historical salary savings, positions, vacancy information, and other adjustments.

Policy Options

The Board of Supervisors could:

1. Request the Controller to report annually on year-end General Fund actual revenues and expenditures compared to budget after publication of the Annual Comprehensive Financial Report.
2. Request further information of the Mayor and Controller on the use of the Federal and State Emergency Grant Disallowance Reserve and the Fiscal Cliff Reserve funds.
3. Request City departments to report on projected FY 2021-22 salary savings, current vacancy levels, and reasons for vacancies during June budget hearings.

Appendix 1: General Fund Balance Detail, Budgetary Basis (\$1,000s)

	June 30 2019	June 30 2020	June 30 2021
<u>Restricted Fund Balance:</u>	<u>324,977</u>	<u>229,069</u>	<u>114,539</u>
Rainy Day - Economic Stabilization Reserve	229,069	229,069	114,539
Rainy Day - One Time Spending Account	95,908		
<u>Committed Fund Balance:</u>	<u>397,563</u>	<u>363,410</u>	<u>320,637</u>
Budget Stabilization Reserve	396,760	362,607	320,637
Recreation and Parks Expenditure Saving Reserve	803	803	
<u>Assigned Fund Balance:</u>	<u>1,361,787</u>	<u>1,581,761</u>	<u>1,562,035</u>
Assigned for Encumbrances	351,446	394,912	407,137
Assigned for Appropriation Carryforward	496,846	630,759	753,776
Assigned for Self-Insurance			42,454
Assigned for Hotel Tax Loss Contingency			6,000*
Assigned for Subsequent Years' Budgets:			
Salaries and benefits costs (MOU)	28,965	25,371	5,088
Budget Savings Incentive Program City-wide	86,979		
Assigned for Litigation and Contingences	186,913	160,314	173,591
Assigned balance subsequently appropriated as part of the General Fund budget for use in next fiscal year (BY)	210,638	370,405	173,989
<u>Unassigned Fund Balance:</u>	<u>732,943</u>	<u>607,265</u>	<u>806,324</u>
General Reserve	130,894	78,498	78,333
Free City College and Mission Bay Transportation Improvement Reserves		3,000	
Budget for use in fiscal year after next (BY +1)	285,152	84	
COVID-19 Response and Economic Contingency Reserve		507,400	113,500*
Federal & State Emergency Revenue Reserve			100,000*
Fiscal Cliff Reserve			293,900
Business Tax Stabilization Reserve			149,000*
Gross Receipts Prepayment Reserve			26,000
Other Reserves			13,807
Reserve for Other Contingencies	308,000		
Available for future appropriations	8,897	18,283	31,784
Fund Balance - Budget basis	2,817,270	2,781,505	2,803,535

Source: Annual Comprehensive Financial Reports

* The FY 2021-22 and FY 2022-23 Adopted Budget allocated \$5.0 million of the \$6.0 Hotel Tax Loss Contingency Reserve, the entirety of the \$113.5 million COVID Response and Economic Contingency Reserve, \$18.7 million of the \$100.0 million Federal and State Emergency Revenue Reserve, and the entirety of the \$149.0 million Business Tax Stabilization Reserve.

Appendix 2: General Fund Budget Compared to Actuals Detail, Budgetary Basis (\$1,000s)

Revenue	Final Budget			Actuals			Variance		
	FY 18-19	FY 19-20	FY 20-21	FY 18-19	FY 19-20	FY 20-21	FY 18-19	FY 19-20	FY 20-21
Taxes	4,075,531	4,150,776	3,617,992	4,379,419	3,890,196	3,775,636	303,888	(260,580)	157,644
Property Taxes	2,142,727	1,956,008	2,161,945	2,246,302	2,071,862	2,343,954	103,575	115,854	182,009
Business Taxes	879,414	1,050,392	798,057	917,811	822,154	722,642	38,397	(228,238)	(75,415)
Hotel Room Taxes	375,830	389,114	126,230	392,328	252,170	33,177	16,498	(136,944)	(93,053)
Real Property Transfer Tax	228,000	296,053	138,000	364,044	334,535	344,683	136,044	38,482	206,683
All Other Taxes	449,560	459,209	393,760	458,934	409,475	331,180	9,374	(49,734)	(62,580)
Licenses, permits and franchises	30,794	30,361	22,977	28,316	25,126	20,048	(2,478)	(5,235)	(2,929)
Fines, forfeitures, and penalties	3,131	3,131	2,389	5,271	3,638	4,412	2,140	507	2,023
Interest and investment income	20,323	69,579	20,732	80,453	78,846	31,657	60,130	9,267	10,925
Rents and concessions	14,896	15,270	11,166	14,192	9,708	5,002	(704)	(5,562)	(6,164)
Intergovernmental	1,072,205	1,234,987	1,591,756	1,081,483	1,231,435	1,585,242	9,278	(3,552)	(6,514)
Charges for services	263,340	246,003	254,990	263,314	233,648	223,475	(26)	(12,355)	(31,515)
Other Resources	29,799	31,712	59,773	31,707	49,144	44,799	1,908	17,432	(14,974)
Total Revenues	5,510,019	5,781,819	5,581,775	5,884,155	5,521,741	5,690,271	374,136	(260,078)	108,496

Source: Annual Comprehensive Financial Reports

Report to Budget and Appropriations Committee
 May 2, 2022

Expenditure	Final Budget			Actuals			Variance		
	FY 18-19	FY 19-20	FY 20-21	FY 18-19	FY 19-20	FY 20-21	FY 18-19	FY 19-20	FY 20-21
<u>Public Protection</u>	<u>1,390,266</u>	<u>1,493,240</u>	<u>1,505,780</u>	<u>1,382,171</u>	<u>1,478,971</u>	<u>1,498,708</u>	<u>8,095</u>	<u>14,269</u>	<u>7,072</u>
Juvenile Probation	35,704	33,128	30,226	33,217	26,793	28,537	2,487	6,335	1,689
Police Department	542,095	584,607	572,530	542,034	580,148	572,197	61	4,459	333
Police Accountability	8,325	11,614	10,319	7,408	9,839	9,948	917	1,775	371
All Other	804,142	863,891	892,705	799,512	862,191	888,026	4,630	1,700	4,679
<u>Public Works, Transportation and Commerce</u>	<u>214,928</u>	<u>216,824</u>	<u>218,986</u>	<u>202,988</u>	<u>203,350</u>	<u>205,658</u>	<u>11,940</u>	<u>13,474</u>	<u>13,328</u>
Economic and Workforce Development	52,549	64,043	70,051	41,199	52,997	57,850	11,350	11,046	12,201
Public Works	150,763	146,109	132,446	150,258	143,789	131,462	505	2,320	984
All Other	11,616	6,672	16,489	11,531	6,564	16,346	85	108	143
<u>Human Welfare and Neighborhood Development</u>	<u>1,120,892</u>	<u>1,270,530</u>	<u>1,605,573</u>	<u>1,071,308</u>	<u>1,253,551</u>	<u>1,562,415</u>	<u>49,584</u>	<u>16,979</u>	<u>43,158</u>
Human Services	784,423	878,638	1,132,923	765,815	878,638	1,104,442	18,608	0	28,481
Homelessness and Supportive Housing	189,737	218,823	288,004	179,581	206,115	277,469	10,156	12,708	10,535
Mayor's Office of Housing & Community Dev.	87,371	84,832	100,533	67,655	81,703	97,514	19,716	3,129	3,019
All Other	59,361	88,237	84,113	58,257	87,095	82,990	1,104	1,142	1,123
Public Health	967,113	1,065,051	1,158,599	958,657	1,065,051	1,115,487	8,456	0	43,112
<u>Culture and Recreation</u>	<u>154,056</u>	<u>161,274</u>	<u>147,334</u>	<u>152,354</u>	<u>155,269</u>	<u>145,511</u>	<u>1,702</u>	<u>6,005</u>	<u>1,823</u>
Recreation and Park	106,546	113,221	101,848	105,886	108,701	100,744	660	4,520	1,104
All Other	47,510	48,053	45,486	46,468	46,568	44,767	1,042	1,485	719
<u>General Administration and Finance</u>	<u>290,274</u>	<u>332,296</u>	<u>332,997</u>	<u>268,600</u>	<u>304,744</u>	<u>313,617</u>	<u>21,674</u>	<u>27,552</u>	<u>19,380</u>
City Attorney	23,328	21,953	25,686	11,876	15,546	23,017	11,452	6,407	2,669
City Planning	48,069	47,019	52,190	45,653	43,066	44,960	2,416	3,953	7,230
Treasurer/Tax Collector	38,218	50,131	41,325	35,333	47,088	40,354	2,885	3,043	971
Controller	16,676	15,504	12,485	16,618	13,385	9,398	58	2,119	3,087
Administrative Services	63,279	67,804	78,469	62,578	64,705	77,071	701	3,099	1,398
Elections	16,132	28,865	20,397	15,436	26,554	19,791	696	2,311	606
All Other	84,572	101,020	102,445	81,106	94,400	99,026	3,466	6,620	3,419
General City Responsibilities	172,028	137,851	126,993	143,921	129,955	113,986	28,107	7,896	13,007
Other Uses	47	34,776	45,054	3	0	338	44	34,776	44,716
Total Expenditures	4,309,604	4,711,842	5,141,316	4,180,002	4,590,891	4,955,720	129,602	120,951	185,596

Source: Annual Comprehensive Financial Reports