



Mayor's Budget Instructions

*Update to Board of Supervisors
Budget and Finance Committee*

February 13, 2013



Agenda

- Budget Basics
- FY 2013-14 & FY 2014-15 General Fund Deficit Projection
- Budget Instructions
- Timeline



Budget Basics

- \$7.4 Billion budget
 - \$3.5 Billion General Fund
 - Nearly 27,000 FTE
- Largest Revenue = Property Tax
- Largest Expenditure = Personnel
- Largest Department = DPH



2-Year Budgeting

- San Francisco now adopts two year budgets for all departments
 - 4 fixed 2-year budgets (MTA, PUC, Port, Airport)
 - All others “rolling” 2-year budgets
- Both years must balance



FY13 & FY 14 Budget Context:

City's First 2-Year Balanced Budget

- Together we balanced the City's budget for both FY 13 and FY 14
- How we balanced
 - Revenue growth
 - One-time solutions
 - Departmental and Citywide Solutions
 - Deferred full funding for General Fund Capital, IT and Equipment in FY 14

- Reserves Strong and Growing

* General Fund Reserve	\$	32.16
* State Reserve	\$	15.00
* Rainy Day	\$	23.33
* Budget Stabilization Reserve	\$	74.33



FY 14 & FY 15 Budget Context: *Looking Ahead*

- Two-Year Budget for all departments
 - Fixed second-year budgets for Enterprise Departments
- Significant Planning Year for the City
 - Five Year Financial Plan
 - Five Year ICT Plan
 - Ten Year Capital Plan
- Closed Labor Contracts in Year 1 (FY 14), Open in Year 2 (FY 15)
- Changes due to Propositions C and E



FY 14 & FY 15: *Shortfall Summary*

Summary		
Revenues	15.28	80.77
Expenditures	(144.42)	(343.99)
Projected Deficit	(129.14)	(263.22)



FY 14 & FY 15 - Sources

Revenues	FY 13-14	FY 14-15
Restore State and Federal Reserve to \$15 M	(15.00)	(15.00)
Loss of One-time Sources	(18.72)	(32.84)
Net General Fund Revenue Growth	49.00	128.61
<i>Summary of Sources Changes</i>	15.28	80.77



FY 14 & FY 15 - *Uses*

Major Expenditure Changes	FY 13-14	FY 14-15
Salary and Fringe Benefit Costs	(8.78)	(98.80)
Baselines Funding Increases	(45.72)	(61.94)
Loss of One Time Solutions	(28.50)	(112.62)
Changes to Budgeted Reserves	(31.65)	3.81
All Other Changes	(29.77)	(74.44)
<i>Summary of Major Expenditure Changes</i>	(144.42)	(343.99)



FY 14 & FY 15: *Shortfall Summary*

- Revenue
 - Local tax revenue improvement in both years
 - New voter approved business license revenue (Prop E)
 - In FY 13-14, losses of fund balance compared to budget but gains in FY 14-15
 - State / Federal Reserve at \$15 million in both years

- Expenditure Increases
 - New voter-approved set aside – Housing Trust Fund
 - Modest personnel expenditure increases *compared to budget* in FY 13-14
 - \$90 Million in personnel increases in FY 14-15
 - Losses of One Time Solutions



FY 14 & FY 15: *Shortfall Assumptions*

Key Assumptions:

- FY 14 adopted staffing levels
- Updated salary and benefit costs
- Reflects November 2012 Election
 - Prop C – Housing Trust Fund
 - Prop E – Business Tax Reform
- \$15M State and Federal budget reserve
- Full Funding of Capital Plan
- Not eligible for Rainy Day withdrawal



FY 14 & FY 15

Uncertainties Remain

- Continued economic uncertainty
- Benefit cost growth
- Unfunded Retiree Health Care (OPEB) Liability
- Labor contracts open in Year 2
- Additional State or Federal Losses
- Federal Health Care Reform
- Current year overspending or supplemental appropriations



Historical GF Deficit Projections and Reduction Targets

General Fund Deficit Projections and Targets (\$ *Millions*)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Projected Deficit	\$ (64)	\$ (229)	\$ (576)	\$ (522)	\$ (380)	\$ (263)
Primary Target	3.0%	8.0%	12.5%	20.0%	10.0%	5.0%
Contingency Target	3.0%	5.0%	12.5%	10.0%	10.0%	2.5%



FY 14 & FY 15

Budget Instructions

- Reduce General Fund Support by 3% over two years
 - FY 13-14: Propose ongoing reductions and revenues equal to 1.5% of adjusted GF support.
 - FY 14-15: Propose ongoing reductions and revenues equal to an *additional* 1.5% of adjusted GF support.
- 1.5% generates \$18.7 Million Annually

	FY 2013-14	FY 2014-15
Projected Deficit	\$ (129)	\$ (263)
Primary Target	1.5%	1.5%
Contingency Target	0.0%	0.0%
<i>Value of Target</i>	\$ 18.7	\$ 37.4



FY 14 & FY 15

Budget Instructions

- Prioritize core functions
- Minimize service impacts
- Seek and prioritize solutions such as:
 - Administrative efficiencies
 - Consolidation of programs and functions
 - Restructuring service delivery
 - Revenue options
- Utilize data to identify opportunities for greater efficiency and effectiveness of programs
- Engage with stakeholders



Calendar: *Key Dates and Next Steps*

Dec 10	Budget Instructions
January	Governor's Budget Released
February	Controller's 6-Month Report
Feb 21	Budget Submissions Due
March	Capital, ICT and 5-Year Financial Plans Issued
	Budget Townhalls and Stakeholder Meetings Begin
May 1	May 1 Department Budgets (tentative)
May	Controller's 9-Month Report
	Governor's May Revise
June 1	Mayor Proposes Balanced Budget
June	Budget Committee Hearings
July	Budget Considered at BOS



Questions?

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