Mayor’s Budget Instructions

Presentation to the Board of Supervisors’ Budget and Finance Committee on December 7, 2011
Overview

- Budget Context
- General Fund Deficit Projection
- Budget Instructions
- Labor Update
- Timeline
Budget Context

- Two-Year Budget for all departments
  - Need to balance both years
  - Fixed two-year budget for Enterprise Departments

- New Financial Policies
  - Increasing General Fund Reserve
  - Limits on use of one-time revenue

- Five-Year Financial Plan

- 27 labor agreements expiring

- CBO/Stakeholder process underway
FY 2012-13 & FY 2013-14 Shortfall

- Revenue
  - Local tax revenue improvement
  - Offset by loss of one-time revenue and state and federal funding

- Expenditure Increases
  - Personnel-related expenditure increases
  - Loss of one-time savings from FY 2011-12 budget
### FY 2012-13 & FY 2013-14 Shortfall

<table>
<thead>
<tr>
<th></th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources</td>
<td>19.7</td>
<td>104.9</td>
<td>Sources</td>
</tr>
<tr>
<td>Uses</td>
<td>(282.4)</td>
<td>(480.2)</td>
<td>Uses</td>
</tr>
<tr>
<td></td>
<td>(262.7)</td>
<td>(375.3)</td>
<td>Projected General Fund Deficit</td>
</tr>
</tbody>
</table>
FY 2012-13 & FY 2013-14 Shortfall

Key Assumptions:

- Current staffing levels
- Five Year Financial Plan assumptions for salaries and health benefits
- Reflects passage of Prop C (Pension Reform)
- $30M State budget reserve
- Not eligible for Rainy Day withdrawal
## FY 2012-13 & FY 2013-14 Shortfall

<table>
<thead>
<tr>
<th>Revenue</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
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</thead>
<tbody>
<tr>
<td>Loss of Prior Year Starting Balance</td>
<td>(114.8)</td>
<td>(133.1)</td>
</tr>
<tr>
<td><strong>Major General Tax Revenue Changes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>61.3</td>
<td>96.3</td>
</tr>
<tr>
<td>Business Taxes</td>
<td>56.9</td>
<td>98.6</td>
</tr>
<tr>
<td>Hotel Room Tax</td>
<td>16.5</td>
<td>27.4</td>
</tr>
<tr>
<td>Property Transfer Tax</td>
<td>16.4</td>
<td>16.4</td>
</tr>
<tr>
<td>Other Local Taxes</td>
<td>14.7</td>
<td>26.7</td>
</tr>
<tr>
<td><strong>Subtotal – Major Tax Revenues</strong></td>
<td><strong>165.9</strong></td>
<td><strong>265.5</strong></td>
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</tbody>
</table>
## FY 2012-13 & FY 2013-14 Shortfall

### Revenue

<table>
<thead>
<tr>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major Revenue Losses Projected</strong></td>
<td></td>
</tr>
<tr>
<td>(15.2)</td>
<td>(15.2)</td>
</tr>
<tr>
<td>(3.1)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>(10.2)</td>
<td>(23.7)</td>
</tr>
<tr>
<td>(2.8)</td>
<td>14.6</td>
</tr>
<tr>
<td><strong>Revenue Total</strong></td>
<td></td>
</tr>
<tr>
<td>19.7</td>
<td>104.9</td>
</tr>
</tbody>
</table>
## FY 2012-13 & FY 2013-14 Shortfall

### Expenditures – Personnel Costs

<table>
<thead>
<tr>
<th></th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
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<tbody>
<tr>
<td>Salaries</td>
<td>(93.5)</td>
<td>(136.1)</td>
</tr>
<tr>
<td>Health &amp; Dental - Actives &amp; Retirees</td>
<td>(22.1)</td>
<td>(45.0)</td>
</tr>
<tr>
<td>Retirement - Employer Contributions</td>
<td>(32.6)</td>
<td>(75.8)</td>
</tr>
<tr>
<td>Retirement - Savings from Prop C and MOUs</td>
<td>39.2</td>
<td>57.1</td>
</tr>
<tr>
<td>Other Salary &amp; Benefit Cost Increases</td>
<td>(3.3)</td>
<td>(5.2)</td>
</tr>
<tr>
<td><strong>Subtotal - Personnel Costs</strong></td>
<td><strong>(112.3)</strong></td>
<td><strong>(205.0)</strong></td>
</tr>
</tbody>
</table>
### FY 2012-13 & FY 2013-14 Shortfall

#### Expenditures – Citywide Costs

<table>
<thead>
<tr>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(42.2)</td>
<td>(62.3)</td>
<td>Baseline Funding Increases</td>
</tr>
<tr>
<td>(20.0)</td>
<td>(25.3)</td>
<td>Capital Budget</td>
</tr>
<tr>
<td>(27.6)</td>
<td>(58.0)</td>
<td>Inflation on Contracts, M&amp;S, Grants</td>
</tr>
<tr>
<td>(5.7)</td>
<td>(7.6)</td>
<td>Equipment &amp; Information Technology</td>
</tr>
<tr>
<td>(8.8)</td>
<td>(11.4)</td>
<td>Debt Service</td>
</tr>
<tr>
<td>(5.7)</td>
<td>(14.7)</td>
<td>New General Fund Reserve Requirement</td>
</tr>
</tbody>
</table>
## FY 2012-13 & FY 2013-14 Shortfall

### Expenditures – Departmental Costs

<table>
<thead>
<tr>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(17.5)</td>
<td>(25.0)</td>
<td>Convention Facilities (mostly debt service)</td>
</tr>
<tr>
<td>(7.7)</td>
<td>(4.6)</td>
<td>DPH - Electronic Medical Records</td>
</tr>
<tr>
<td>(6.2)</td>
<td>(11.1)</td>
<td>HSA - County Aid</td>
</tr>
<tr>
<td>(3.1)</td>
<td>(6.7)</td>
<td>Police - COPs Grant MOE</td>
</tr>
<tr>
<td>5.0</td>
<td>(0.7)</td>
<td>Election Costs</td>
</tr>
<tr>
<td>(30.7)</td>
<td>(47.9)</td>
<td>Other Costs</td>
</tr>
<tr>
<td>(282.4)</td>
<td>(480.2)</td>
<td>Uses Total</td>
</tr>
</tbody>
</table>
FY 2012-13 & FY 2013-14 Shortfall

UNCERTAINTIES

• Continued economic recovery
• Benefit cost growth (updated estimates in early 2012)
• State Budget – Trigger Cuts, Redevelopment, Realignment
• Current year overspending or supplemental appropriations
• Labor Negotiations
## FY 2012-13 & FY 2013-14 Shortfall

### Projection History

<table>
<thead>
<tr>
<th></th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Report - March 2011</td>
<td>(306)</td>
<td>(480)</td>
<td>(642)</td>
</tr>
<tr>
<td>Five-Year Financial Plan - May 2011</td>
<td>(283)</td>
<td>(458)</td>
<td>(619)</td>
</tr>
<tr>
<td>Budget Instructions - December 2011</td>
<td>-</td>
<td>(263)</td>
<td>(375)</td>
</tr>
</tbody>
</table>

- Revenue Improvement
- Prop C and other Ongoing Solutions
Budget Instructions

• 5% target each year, plus 2.5% contingency
• Propose ongoing reductions and revenues equal to 5% of adjusted General Fund support for FY 2012-13
• Propose ongoing reductions and revenues equal to an additional 5% of adjusted General Fund support for FY 2013-14
• Provide an additional 2.5% contingency proposal
• Reduce General Fund FTEs by 1% in each year
Budget Instructions

- Prioritize core functions
- Minimize Service Impacts
- Seek and prioritize solutions such as:
  - Administrative efficiencies
  - Streamlining programs and operations
  - Revenue options
- Consider Independent Reviews and Audits
- Review position classifications
- Review and renegotiate contracts
- Foster Community Engagement
## Budget Instructions

<table>
<thead>
<tr>
<th></th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting Deficit</strong></td>
<td>(262.7)</td>
<td>(375.3)</td>
</tr>
<tr>
<td><strong>5% Department Savings Target for FY 2013</strong></td>
<td>58.0</td>
<td>58.0</td>
</tr>
<tr>
<td><strong>5% Department Savings Target for FY 2014</strong></td>
<td>58.0</td>
<td>58.0</td>
</tr>
<tr>
<td><strong>Remaining Deficit</strong></td>
<td>(204.7)</td>
<td>(259.3)</td>
</tr>
</tbody>
</table>
Labor Update

• 27 labor agreements up for negotiation
  • All unions except Police and Fire
• Furlough days expiring – 4.62% salary increase
• Health benefit costs
• May 15 new deadline for submitting agreements to the Board of Supervisors
# Calendar: Key Dates and Next Steps

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec 6</td>
<td>Budget Instructions</td>
</tr>
<tr>
<td>January</td>
<td>Governor’s Budget Released</td>
</tr>
<tr>
<td>Jan 20</td>
<td>Deadline for Capital Budget Requests</td>
</tr>
<tr>
<td>February</td>
<td>Controller’s 6-Month Report</td>
</tr>
<tr>
<td>Feb 21</td>
<td>Budget Submissions &amp; IT Projects Due</td>
</tr>
<tr>
<td>March</td>
<td>Joint Report Issued</td>
</tr>
<tr>
<td>May 1</td>
<td>Enterprise Department Budgets</td>
</tr>
<tr>
<td>May</td>
<td>Controller’s 9-Month Report</td>
</tr>
<tr>
<td>May</td>
<td>Governor’s May Revise</td>
</tr>
<tr>
<td>June 1</td>
<td>Mayor Proposes Balanced Budget</td>
</tr>
<tr>
<td>June</td>
<td>Budget Committee Hearings</td>
</tr>
<tr>
<td>July</td>
<td>Budget Considered at BOS</td>
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