



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

<u>FY 2012-13</u>	<u>FY 2013-14</u>	
19.7	104.9	Sources
(282.4)	(480.2)	Uses
(262.7)	(375.3)	Projected General Fund Deficit



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

Revenue

<u>FY 2012-13</u>	<u>FY 2013-14</u>	
(114.8)	(133.1)	Loss of Prior Year Starting Balance
		<u>Major General Tax Revenue Changes</u>
61.3	96.3	Property Tax
56.9	98.6	Business Taxes
16.5	27.4	Hotel Room Tax
16.4	16.4	Property Transfer Tax
14.7	26.7	Other Local Taxes
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165.9	265.5	<i>Subtotal – Major Tax Revenues</i>



FY 2012-13 & FY 2013-14 Shortfall

Revenue

FY 2012-13 FY 2013-14

Major Revenue Losses Projected

(15.2)	(15.2)	Medi-Cal Skilled Nursing Facility Rate Reduction
(3.1)	(3.1)	Other State & Federal Revenue Losses
(10.2)	(23.7)	Other One-Time Revenues (Health, Settlements)
(2.8)	14.6	Other Revenue Changes

19.7 **104.9** **Revenue Total**



FY 2012-13 & FY 2013-14 Shortfall

Expenditures – Personnel Costs

<u>FY 2012-13</u>	<u>FY 2013-14</u>	
(93.5)	(136.1)	Salaries
(22.1)	(45.0)	Health & Dental - Actives & Retirees
(32.6)	(75.8)	Retirement - Employer Contributions
39.2	57.1	Retirement - Savings from Prop C and MOUs
<u>(3.3)</u>	<u>(5.2)</u>	Other Salary & Benefit Cost Increases
(112.3)	(205.0)	<i>Subtotal - Personnel Costs</i>



FY 2012-13 & FY 2013-14 Shortfall

Expenditures – Citywide Costs

<u>FY 2012-13</u>	<u>FY 2013-14</u>	
(42.2)	(62.3)	Baseline Funding Increases
(20.0)	(25.3)	Capital Budget
(27.6)	(58.0)	Inflation on Contracts, M&S, Grants
(5.7)	(7.6)	Equipment & Information Technology
(8.8)	(11.4)	Debt Service
(5.7)	(14.7)	New General Fund Reserve Requirement



FY 2012-13 & FY 2013-14 Shortfall

Expenditures – Departmental Costs

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



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

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

- 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

FY 2012-13 FY 2013-14

(262.7) (375.3) Starting Deficit

58.0 58.0 5% Department Savings Target for FY 2013

58.0 5% Department Savings Target for FY 2014

(204.7) (259.3) Remaining Deficit



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

Dec 6	Budget Instructions
January	Governor's Budget Released
Jan 20	Deadline for Capital Budget Requests
February	Controller's 6-Month Report
Feb 21	Budget Submissions & IT Projects Due
March	Joint Report Issued
May 1	Enterprise Department Budgets
May	Controller's 9-Month Report
May	Governor's May Revise
June 1	Mayor Proposes Balanced Budget
June	Budget Committee Hearings
July	Budget Considered at BOS