



Edward Harrington
Controller

Matthew Hyme
Chief Assistant Controller

June 14, 2001

The Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
San Francisco, California 94102

Re: Controller's Discussion of Fiscal Year 2001-02 Budget (Revenue Letter)

Dear Members of the Board:

The Controller's Office has prepared a review of the Mayor's proposed budget for fiscal year 2001-02. This letter addresses the following issues:

- Provides an analysis of the revenues contained in the Mayor's 2001-02 proposed budget.
- Reports on the required baseline for Children's services, the Library and the Municipal Transportation Agency (MTA).
- Reports on department appropriations that our office is reserving pending the receipt of actual revenue by the departments.

The Controller's discussion of the Mayor's proposed budget is organized as follows:

- I. General Fund Revenues
- II. General Fund Subsidized Departments
- III. Revised Children's Baseline per Proposition D
- IV. Baseline Funding for Library and Municipal Transportation Agency
- V. Self-Supporting Enterprise Departments
- VI. Controller's Reserves

I. GENERAL FUND REVENUES

Charter Section 9.102 requires that the Controller "provide the Board of Supervisors with an opinion regarding the accuracy of economic assumptions underlying the revenue estimates [in the Mayor's proposed budget] and the reasonableness of such estimates and revisions." My office and the Mayor's Budget Office have worked very closely to prepare the proposed 2001-02 budget revenue estimates. **In my opinion, the proposed revenue estimates contained in the Mayor's 2001-02 budget are reasonable based on our knowledge of current and projected economic conditions.**

As detailed below, the proposed budget assumes significantly less discretionary General Fund revenue growth than we have experienced the previous two fiscal years.

	Actual 1999-00	Projected 2000-01	Proposed 2001-02
Discretionary Revenue Growth	12.3%	7.6%	2.2%

The revenue estimates are largely based on the Joint Budget Report issued by the Mayor's Budget Office, the Controller's Office, and the Board of Supervisors Budget Analyst. This three-year budget projection report was developed in consultation with economic advisors of the Municipal Fiscal Advisory Committee. In some cases, the Mayor's proposed budget assumes lower growth rates than those in the Joint Budget Report because of lower-than-expected revenues in recent months.

While most revenues are expected to grow, real property transfer tax revenues are expected to decline by approximately 30% due to fewer real estate sales transactions. Revenues for April and May are 50% lower compared to the same months last year. Given the volatility of this revenue source, we will continue to monitor these revenues closely and apprise the Board of any significant changes.

Chart A provides both historical and budgeted amounts for specific revenues included in the City's General Fund discretionary revenue stream. Other than the negative growth projected for the real property transfer tax, growth rates range from a high of 7% for the utility user tax to a low of 2.7% for business taxes.

Chart A: Discretionary General Fund Revenues
 (figures in thousands of dollars)

	<u>FY99-00 Actual</u>	<u>Original Budget</u>	<u>Year-End Projection (1)</u>	<u>Proposed Budget (2)</u>
Property Taxes (3)	\$406,611	\$426,268	\$447,412 10.0%	\$461,517 3.2%
Business Taxes (4)	267,197	270,077	268,367 0.4%	275,669 2.7%
Sales Tax	133,395	130,311	147,800 10.8%	155,190 5.0%
Utility Users Tax	61,409	58,365	72,294 17.7%	77,346 7.0%
Property Transfer Tax	69,882	52,766	68,694 -1.7%	48,000 -30.1%
Hotel Tax	122,621	118,826	134,888 10.0%	141,634 5.0%
Parking Tax (5)	30,279	30,865	33,636 11.1%	35,022 4.1%
Public Safety Sales Tax	66,770	68,467	72,178 8.1%	75,066 4.0%
Motor Vehicle In-Lieu	88,345	95,284	96,388 9.1%	102,171 6.0%
Total - Major Revenues	<u><u>\$1,246,509</u></u>	<u><u>\$1,251,229</u></u>	<u><u>\$1,341,657</u></u>	<u><u>\$1,371,615</u></u>
	\$ Change		\$95,148	\$29,958
	% Change		7.63%	2.23%

Notes:

- (1) Percentage increase represents the increase in 2000-2001 year-end projection over 1999-00 actual revenues.
 The 2000-2001 year-end projections are from the Controller's nine-month report, dated May 4, 2001.
- (2) Percentage increase represents the increase in 2001-02 budget over 2000-01 year-end projected revenues.
- (3) The proposed budget is net of one-time revenues from elimination of deed backlog at Assessor's Office, the projected tax increment required for Redevelopment Agency projects and the required increase in Children's Fund allocation under Proposition D.
- (4) Projected growth of 4.0%, net of registration fee decrease for some businesses from \$150 to \$25.
- (5) Includes both General Fund and Commission on Aging share of parking tax.

Discussion of Budget Estimates for General Fund Discretionary Revenues

The General Fund share of **property tax** revenues is projected to increase by 3.2%. According to the Assessor's estimates, the tax roll will increase by between 8.4% and 9.7% from the 2000-2001 roll. For purposes of projecting the General Fund portion of property taxes, several other factors are taken into consideration. First, some of the increase in the Assessor's tax roll is already reflected in the 2000-2001 year-end revenue projection, due to mid-year reassessments and other transactions. In addition, we factor in likely appeals, reassessments, the reduction in the reassessment backlog, and major property transactions. Finally, we take into account increases in the allocation of the property tax to other non-General Fund entities such as Redevelopment and the Children's Fund. As a result, the percentage increase in property tax revenues in 2001-02 is less than the percentage increase in the value of the tax roll.

Business taxes are projected to increase by 2.7% over fiscal year 2000-01. These figures include the elimination of the gross receipts tax and the reduction of the business registration fees that were linked to gross receipts. The budget also includes the issuance of \$62.8 million in debt to pay for the business tax litigation settlement passed by the Board of Supervisors recently. The first-year debt service payment of \$7.1 million is also included in the General Fund budget.

Sales tax growth is forecast at 5.0% for fiscal year 2001-02. Receipts in the early part of the current fiscal year were strong but there are indications that growth in recent months has been much slower. Overall, sales tax revenue is projected to grow by 10.8% in fiscal year 2000-01.

Due to the current energy crisis and ongoing changes in the electric rate structure, it is difficult to forecast **utility user tax** revenues for the budget year. The Mayor's budget projects overall growth of 7.0%; gas revenues are projected to decline due to lower prices, electric revenues are forecast to increase 25% largely due to rate increases, and telephone revenue growth is projected at 2.8%. Utility user tax receipts are expected to increase by 17.7% during fiscal year 2000-01.

Real property transfer tax revenues are expected to decline by 30% in 2001-02 as compared to 2001-01. Recently, the real estate market has experienced a significant drop in sales, particularly in the high-end segment (Chart B). Since January, receipts have averaged approximately \$4 million per month which is consistent with the proposed budget of \$48 million for 2001-02.

Chart B
Real Property Transfer Tax Revenues
in \$ (000's)

Fiscal Year	Revenues	% Change
1996-97	33,573	46.2%
1997-98	44,007	31.1%
1998-99	56,133	27.6%
1999-00	69,882	24.5%
2000-01	68,694	-1.7%
2001-02 (proj.)	48,000	-30.1%

Hotel taxes have shown significant growth in the past three years, reflecting higher occupancy rates and higher room prices. Since February, however, occupancy has dropped considerably. Hotel industry experts believe occupancy will begin to increase again in June. The budget projects that hotel tax receipts will increase by 5.0% in 2001-02, well below the growth we experienced in 1999-00 and 2000-01. Because a portion of the hotel tax is designated for specific purposes, as specified by ordinance, the unallocated portion of hotel tax revenues that is available to the General Fund is \$141.6 million.

Parking tax revenues have increased over the past two years due to strong economic activity and enhanced enforcement activity. In 2001-02, the Mayor's budget projects moderate growth of 4.1% in receipts. The amount in Chart A does not include the portion of parking tax revenues that the Municipal Transportation Agency receives.

Public safety sales tax (Proposition 172) is expected to grow at 4.0%. These revenues are allocated to counties by the State separately from general sales tax.

Motor vehicle in lieu subventions experienced substantial growth in the current fiscal year because of increased vehicle sales and registration, but the Mayor's budget projects a slowdown for the budget year 2001-02. These revenues are expected to increase at a rate of 6.0% in the 2001-02 fiscal year.

Current Year-End Surplus

Each year, the budget includes the City's estimated year-end surplus from the prior year as a source of revenue. The final reconciliation of the 2000-01 year-end surplus won't be known until the independent audit is completed in the fall.

The Mayor's budget proposes to use \$148.1 million undesignated prior-year balance to support General Fund expenditures. With a few exceptions, the Mayor's Office relies on the Controller's nine-month report for the projected current-year balance. The Mayor's budgeted amount is

\$17.6 million over the \$130.5 million reported in the nine-month report. Differences from the nine-month estimate are summarized below.

An additional \$10 million is available because the budget proposes to issue judgement bonds for the entire amount of the business tax settlement. We had projected that we would reserve a total of \$17 million of business taxes received in 1999-2000 and 2000-2001. We are now estimating we need a reserve of only \$7 million to settle claims that cannot be handled by judgement bonds.

The budget assumes an additional \$5 million in year-end closeouts to the General Fund from Laguna Honda Hospital. Laguna Honda's 2000-01 budgeted a \$5 million one-time payment from the state. The state has now indicated the City would get \$4.1 million more because of a federal match of the state's payment for a total of \$9.1 million. The Mayor's Office has recently submitted a technical correction to the Board to reflect this amount.

The budget includes an additional \$2.6 million from reductions in current-year spending estimates. The nine-month budget report assumed approval of all pending supplemental appropriations and appropriated reserves. The Mayor's Proposed 2001-02 Budget assumes that \$2.6 million will be made available for the budget from reduced supplemental costs (such as \$1.6 million less for the Fire department) as well as unspent reserved appropriations at year-end.

Use of Reserves

The Mayor's budget proposes to use approximately \$40 million in reserves established in prior years. A summary of these reserved funds and their proposed uses are noted below.

Budget Incentive Reserve. Administrative Code Section 3.17 requires that 10% of departments' year-end balances be set aside in a savings incentive account to be used only to "reduce the cost of service delivery and make departmental activities more efficient." The Mayor's budget proposes to use the accumulated balance of \$13.4 million for technology and equipment upgrades. These projects include replacement of the City's Court Management System (\$1.9 million), the upgrade of the city's e-mail systems (\$1 million), improvements to the City's computer network (\$2 million), and replacement equipment (\$9 million).

Seismic Safety Reserve. The City received a \$12 million reimbursement in 2000 from the Federal Emergency Management Association (FEMA) for General Fund expenses incurred to seismically upgrade City Hall. The Mayor and Board of Supervisors appropriated these funds to a Seismic Safety Reserve. The Mayor's budget proposes to expend these funds on the replacement of Juvenile Hall (\$5 million) and for renovations and improvements to neighborhood health clinics (\$5 million). The balance of \$2 million remains on reserve pending completion of the final FEMA audit of the City's Loma Prieta claims.

City Investment Reserve. The Mayor's proposed budget uses \$9.9 million of the \$15 million Investment Reserve established in the 1998-1999 budget. This reserve was established to guard against economic downturns and to be used for investment in cost-saving initiatives. The Mayor is proposing to use these funds for the demolition of the 525 Golden Gate building and the planning for a new office building at that site. Annual Appropriation Ordinance Section 12.11

states that the intent is to reimburse these funds at the time that bonds or other debt is issued for this project.

Other Reserves. The Mayor's budget proposes to reappropriate other reserved funds totaling \$6.7 million substantially for the same purposes. This includes \$4.9 million for the Minimum Compensation Ordinance, \$1.0 million for network improvements and smaller reserves totaling \$0.8 million.

Changes since the Mayor's budget was submitted

The Mayor's budget did not include a \$2.8 million payment received as part of a litigation settlement with Old Republic Title Company. This increase in revenue has been submitted to the Board as part of the Mayor's technical corrections of their 2001-02 budget submission.

State Budget Estimates

The City's budget includes funding from the state for a number of City programs. At this time, the state's budget is still pending before the legislature, and is subject to revision as well as line-item veto by the governor.

The Governor's 2000-2001 State budget included \$200 million in so-called "local government relief" (AB1661). San Francisco received \$6.9 million using the state's allocation formula that was based on population and the amount of local property taxes transferred to schools under the Educational Revenue Augmentation Fund (ERAF). Now, however, the budget before the legislature includes no revenue for local government relief. This revenue loss is reflected in the Mayor's 2001-02 budget.

Until the state legislature passes the budget and the governor signs it, these and other provisions of the state budget are still subject to change. State allocation estimates change frequently and may even differ based on which organization is providing the estimate. We recognize that some revenue allocations from the state may change due to revised economic forecasts or based on budget negotiations in Sacramento. As additional information becomes available, and as we are able to verify state revenue allocations, we will advise the Board of those changes.

II. GENERAL FUND SUBSIDIZED DEPARTMENTS

Several departments, in addition to receiving General Fund support, have revenue sources specific to their functions. Departments with significant non-General Fund revenues include the Department of Public Health, which operates the city's two hospitals, San Francisco General and Laguna Honda; and the Department of Human Services. Increases or decreases in their revenue sources may directly affect the General Fund support to these departments. Revenue projections were developed individually by the departments and reviewed by the Controller's Office for reasonableness. These departments' non-General Fund revenue sources are presented below.

Public Health

The Department of Public Health, which consists of both the Community Health Network Division and the Public Health Division, has a total budget of \$970.2 million in 2001-02 and expects to receive more than \$673 million in non-General Fund revenues, primarily from federal and state sources.

Chart C: Health Department Revenue Sources
 (figures in thousands of dollars)

Revenue Source	Rev. Budget	Budget	FY2000-01
Federal Intergovernmental	\$67,421	\$57,317	(\$10,104)
State Intergovernmental			
Prop 99 - Tobacco Tax	4,865	5,526	661
Short-Doyle Medi-Cal	31,624	36,540	4,916
Health/Welfare Realignment	137,408	139,708	2,300
Community Mental Health	8,579	10,946	2,367
State Alcohol funds	14,934	22,895	7,961
California Children Services	3,642	5,602	1,960
Other State Revenue	17,431	21,588	4,157
Total State Intergovernmental	<u>218,483</u>	<u>242,805</u>	<u>24,322</u>
Service Charges	15,385	15,163	(222)
Patient Revenues	285,024	285,227	203
Other Revenue	40,462	42,296	1,834
Fund Balance	6,779	29,646	22,867
General Fund Support	<u>259,286</u>	<u>297,770</u>	<u>38,484</u>
Total Revenues	<u><u>\$892,840</u></u>	<u><u>\$970,224</u></u>	<u><u>\$77,384</u></u>

Overall, public health revenues are projected to increase by approximately \$77.4 million in 2001-2002, as compared to the 2000-01 revised budget. Federal revenue is \$10 million lower than the 2000-01 revised budget; however, the department typically secures additional federal grants that increase the department's revised budget during the year. This reduction is more than offset by a \$24.3 million increase in state revenue, as detailed in Chart C above. Lastly, the use of fund balance has increased by \$22.9 million due to the use of accumulated tobacco settlement funds for the rebuilding of the Laguna Honda Hospital.

The General Fund support to the two Health Department divisions is projected to increase by \$38.5 million in the 2001-2002 budget. In addition, approximately \$5.7 million will be

transferred to the Health Department from the salary and benefits reserve once all remaining contract negotiations are completed and have been approved by the Board.

Human Services

The Department of Human Services has a total budget of \$436 million in 2001-2002 and expects to receive \$314 million in non-General Fund revenues - primarily federal and state funding for specified programs. These programs include child care and children's services, foster care, adult services, food stamps, Temporary Assistance for Needy Families (TANF), in-home support services (IHSS), California Work Opportunities and Responsibility to Kids (CalWORKs), Medi-Cal, Cash Assistance Program to Indigents (CAPI), and other public assistance.

Chart D: Department of Human Services Revenue Sources
 (figures in thousands of dollars)

<u>Revenue Source</u>	<u>FY2000-01 Rev. Budget</u>	<u>FY2001-02 Budget</u>	<u>FY2001-02 v. FY2000-01</u>
State Intergovernmental	\$37,568	\$41,438	\$3,870
Federal Administrative	80,507	71,597	(8,910)
Federal Aid	50,058	44,305	(5,753)
State Administrative	94,912	102,553	7,641
State Aid	52,281	44,172	(8,109)
Other Revenue	7,733	10,338	2,605
General Fund Support	120,063	122,042	1,979
Total Revenues	\$443,122	\$436,445	(\$6,677)

The department's non-General Fund revenues are projected to decrease by \$4.7 million in 2001-2002. State and federal aid payments are projected to decrease by \$5.8 million and \$8.1 million respectively due to decreases in CALWORKs, foster care, PIC refugee, and CAPI caseloads. State intergovernmental revenue is increasing by \$3.9 million because of increases in the Health and Welfare Realignment allocation from the state. Although federal administrative revenues have declined by \$8.9 million, this is partially offset by an increase of \$7.6 million in state administrative revenue, including \$6.1 million in TANF incentive funds. Other revenues are projected to increase by \$2.6 million due to expected increases in prior-year state revenue closeouts.

The department's expenditures for General Fund support programs are anticipated to increase by \$2 million in the 2001-2002 budget. This increase largely reflects the net increase in aid payment costs for the city's general assistance program (CAAP), adoptions program, and IHSS.

These aid payment increases are partially offset by aid payment savings in the CaLWORKs and Foster Care programs.

REVISED CHILDREN'S BASELINE PER PROPOSITION D

Proposition D, adopted by the voters on November 7, 2000, amends Charter Section 16.108 and requires the City to maintain a baseline level of appropriation for children's services at no less than the level of City appropriations budgeted in Fiscal Year 2000-01.

The original Charter Section 16.108 (established by Proposition J in 1991) required the Controller's Office to establish the children's baseline on Fiscal Year 1991-92 appropriations. In addition to designating Fiscal Year 2000-01 as the new base year, Proposition D slightly broadens the criteria for the inclusion of City appropriations in the children's baseline.

Determination of the New Base Amount

Based on the provisions of Charter Section 16.108, the Proposition D Children's Baseline is calculated at this time to be \$74.3 million. This amount represents approximately \$3.1 million increase from the original Proposition J Children's Baseline. **The Mayor's proposed 2001-02 budget for children's services exceeds the Proposition D Children's Baseline requirement by \$4.1 million.**

**Chart E: Children's Baseline
 (in thousands of dollars)**

FY 2000-01 Old Base Per Prop J	FY 2001-02 New Base Per Prop D	FY 2001-02 Mayor's Proposed	Excess GF Contribution
\$68,035	\$74,317	\$78,377	\$4,060

We have reviewed most departmental spending in 2000-01 and have increased what we designated as baseline children services by approximately \$2.8 million. Please note that although we are estimating a baseline amount of \$74.3 million there may be a need for modifications to the baseline when our analysis of all city-funded programs is completed. Since the budget exceeds the required funding by \$4 million, we do not expect that any subsequent modifications will affect the City's compliance with Proposition D.

IV. BASELINE FUNDING FOR LIBRARY AND MUNICIPAL TRANSPORTATION AGENCY

The Charter specifies that the Library Preservation Fund shall receive at least a minimum level of funding from the General Fund (Section 16.109). This minimum funding level is adjusted by

any change in aggregate city appropriations from the base year. As a result, as General Fund expenditures increase, the minimum funding level for the Library Preservation Fund also increases.

Charter section 8A.105 established a Municipal Transportation Fund to provide a predictable, stable and adequate level of funding for the Municipal Transportation Agency. Consistent with the Charter, in fiscal year 2000-2001 a Base Amount of funding was established. Charter subsection (c)(1) requires the Controller's Office to adjust the Base Amount from year to year by the percent increase or decrease in aggregate City discretionary revenues.

Chart F identifies the minimum funding level (baseline) for each fund based on projected aggregate City discretionary revenues and appropriations in the 2001-02 budget and the actual funding levels in the proposed budget.

**Chart F: Baseline Funding Levels
 (in thousands of dollars)**

	FY 2000-01 Required Baseline	FY 2001-02 Required Baseline	FY 2001-02 Mayor's Proposed	Excess GF Contribution
Library	\$30,780	\$31,922	\$31,922	\$0
Municipal Transportation Authority	\$97,322	\$98,035	\$98,035	\$0

V. SELF-SUPPORTING ENTERPRISE DEPARTMENTS

Enterprise departments such as Water, Clean Water, Hetch Hetchy, the Port and the Airport are supported by user fees and are not supported by the City's General Fund. Overall, these enterprise revenues and expenditures are projected to increase by \$296.8 million in 2001-02, as illustrated in Chart G. The underlying assumptions of the 2001-02 proposed revenues for these departments are highlighted below.

**Chart G: Enterprise Revenues
 (figures in thousands of dollars)**

Enterprise	FY99-00 Actual	FY2000-2001 Revised Budget	FY2001-02 Proposed Budget	FY2001-02 v. FY2000-2001
Clean Water Program	\$165,948	\$167,944	\$181,242	\$13,298
Water Department	158,508	271,227	361,324	90,097
Hetch Hetchy	106,732	121,635	137,387	15,752
Airport Commission	380,117	492,144	635,933	143,789
Port	41,796	55,222	89,122	33,900
Total	\$853,101	\$1,108,172	\$1,405,008	\$296,836

- The Clean Water Program increased by \$13.3 million over FY2000-01. The budget includes a capital program of \$34.6 million, largely funded with \$33.1 million in fund balance from capital and bond funds. The program does not include an increase in sewer service charges for San Francisco residents.
- The Water Department has proposed water rate increases for FY2001-02 of 8.65% for San Francisco residents and 2.8% for suburban customers. The department capital program is funded at \$223.6 million, an increase of \$92.5 million over the FY2000-01 appropriation. The capital program is largely funded with \$79.6 million in voter-approved revenue bonds and \$127 million from the sale of the Bernal property.
- Hetch Hetchy's budgeted revenues are increasing by \$15.8 million over FY2000-01 revised budget, primarily due to higher revenues from the sale of power. The 2001-02 budget does not include a transfer from the power utility to the General Fund, a reduction of \$29.9 million from 2000-01. The utility has proposed a \$38.1 million capital program for 2001-02 for an increase of \$17 million over the previous year.
- The Airport's budget includes approximately \$135 million in increased revenues from charges for services to cover the increased debt service costs for new airport facilities. This includes a proposed a \$4.50 per passenger fee that would provide \$60 million in new revenue. We have reserved capital expenditures until the Airport has received approval to begin charging these passenger fees.
- The Port budget has increased by \$33.9 million largely due to capital expenditure increases. These expenditures are supported by a \$29.7 million land sale to the Municipal Transportation Agency. Capital expenditures have been reserved pending actual receipt of these funds.

VI. CONTROLLER'S RESERVES

Occasionally, departments will include a revenue source where some additional action is required in order to secure the revenues. In those cases, the Controller will reserve expenditures equal to revenues until the required action is taken and the revenues are secured. In the 2001-02 budget, the Controller has reserved \$303.7 million in expenditures. Chart H lists those reserves and the action required for the department to expend funds that are supported by the proposed revenue.

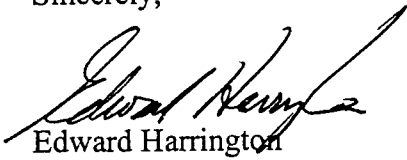
Chart H: Controller's Reserves
(figures in thousands of dollars)

Department	Reserve	Explanation for Reserve and Required Action
General Fund		
Adult and Aging	\$ 280	Transfer of Adult Protective Services
Human Services	11,016	Awaiting final state allocation for expanded programs
Human Services	140	Transfer of Adult Protective Services to Adult and Aging
General Government	2,125	Receipt of federal grant and Trial Court funds
Health Department	5,000	Receipt of federal revenue
Recreation and Park (3COM Park)	900	Receipt of additional naming-rights revenues
Subtotal General Fund	<u>19,460</u>	
Special Fund		
Administrative Services	37,830	Sale of certificates of participation (COPs)
Airport	60,000	FAA approval of passenger facilities charge
Convention Facilities Management	400	Certification of available bond revenues
Child Support Services	1,680	Federal and State Project Approval
General Government	62,800	Sale of business settlement judgment bonds
Public Works (Central Freeway Project)	7,305	Receipt of land sale proceeds and state revenues
Library	17,855	Sale of bonds for branch library improvements
Mayor's Office	40,000	Sale of affordable housing bonds
Port	29,700	Receipt of funding from MUNI for land
Recreation and Park (Downtown Park Fund)	2,400	Approval by Rec/Park and Planning Commissions
Recreation and Park	10,360	Sale of Neighborhood Parks bonds
Recreation and Park	13,525	Sale of bonds for Zoo Improvement Projects
Telecomm. and Info Services (Cable Fund)	350	Determination of year end fund balance
Subtotal Special Fund	<u>284,205</u>	
Total Reserves	<u>\$ 303,665</u>	

In addition, the budget includes approximately \$47 million in the salary and fringe reserve for labor contracts that have not been passed by the Board of Supervisors. Outstanding labor contracts include Local 21, Police, Fire, Deputy Sheriffs, Probation Officers, Municipal Executives, Municipal Attorneys and other smaller bargaining units. Since these funds are in a reserve, they are not yet reflected in department budgets.

In preparing this report, the Controller's Office has attempted to conduct a thorough review of budgeted revenues. As additional information becomes available, and as we are able to verify state revenue allocations, we will advise the Board of those changes. If you have any questions or concerns regarding the information presented in this report please feel free to contact me or Matthew Hymel, Chief Assistant Controller at 554-7500.

Sincerely,



Edward Harrington
Controller

cc: Mayor Willie L. Brown, Jr.
Steve Kawa, Mayor's Budget Office
Harvey Rose, Board of Supervisors Budget Analyst