

Briefing to Community Organizations Update on Key General Fund Sources

December 5, 2008



Scenarios Effect both Current & Budget Year Revenue Projections

- Best case: Downturn is relatively short and "V-Shaped". Credit availability improves quickly. Key indicators bottom out in summer 2009 and recover gradually thereafter.
- Worst case: Downturn is longer and "U-Shaped": Credit does not recover quickly, hurting real estate, retail, and small business. Gradual recovery begins late in next fiscal year or early in subsequent one.



FY 2008-09 Revenue Shortfall

	Budget		Best Case		Worst Case			
	% from FY08 Budget	\$	%	\$	Surplus / (Shortfall)	%	\$	Surplus / (Shortfall)
Property Tax	9%	1,019	8%	1,010	(8)	8%	1,010	(8)
Property Transfer Tax	-24%	94	-37%	54	(40)	-48%	45	(49)
Payroll Tax	10%	385	2.5%	386	1	0.5%	378	(7)
Sales Tax-Related	varies	363	varies	330	(33)	varies	321	(43)
Hotel Room Tax*	7%	189	5%	175	(14)	2%	170	(19)
Other Sources	varies	961		965	4		962	1
Total Discretionary	7%	3,011		2,920	(90)		2,886	(125)

*Underlying growth in hotel room supply, occupancy, and rates. Excludes shifts from other funds.

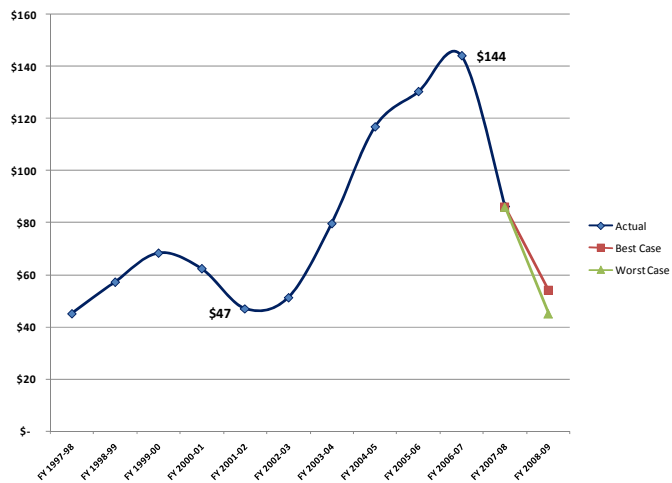


Property Tax

- No major shortfall expected in short run, as current year revenues are based on values as of 1/1/08.
- First quarter assessment appeals: number up, property tax impact down compared to prior year.
- Commercial property assessments are most sensitive to economic conditions—vacancy rates, rents, sale prices—which are being monitored.

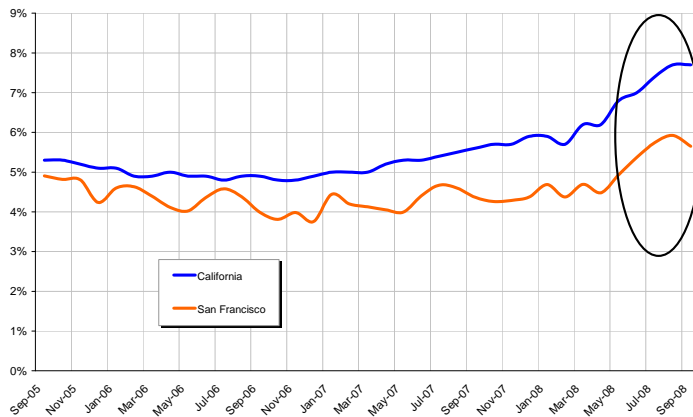


Property Transfer Tax Revenue (\$ millions)

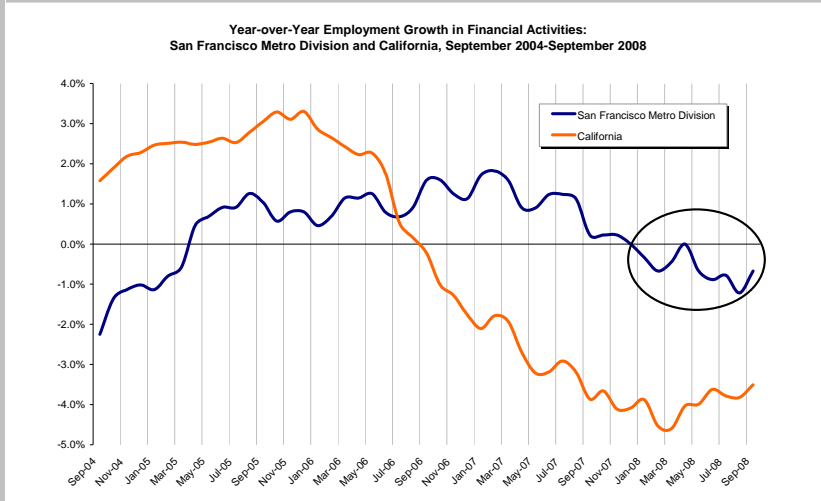


Payroll Tax Indicator – local unemployment lags state, but both are increasing

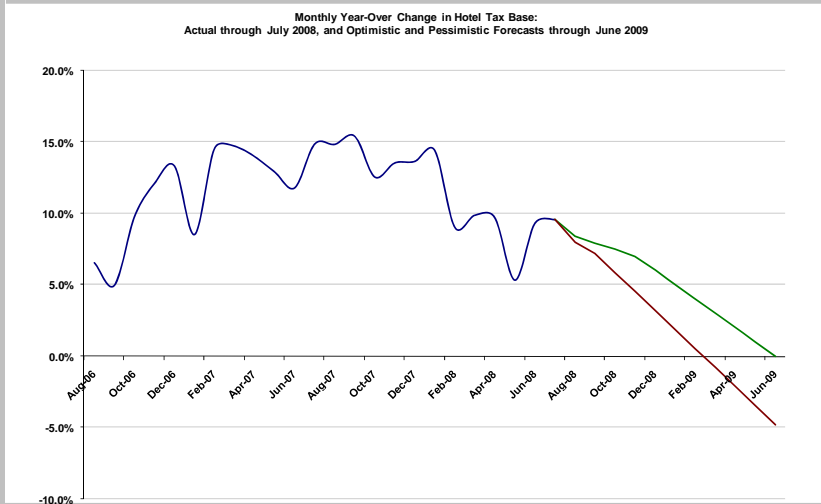
Unemployment Rate: San Francisco and California
September 2005 - September 2008



Payroll Tax Indicator – financial services jobs began to decline in January; no major drop yet



Hotel Tax Growth



Sales Tax Quarterly Growth

Fiscal Year	Quarter	San Francisco		California
		Best Case	Worst Case	
FY 2006-07	3rd Q 2006	▼ -0.5%	▼	+0.9%
	4th Q 2006	▼ +3.0%	▼	-0.1%
	1st Q 2007	▼ +12.5%	▼	+2.7%
	2nd Q 2007	▼ +5.2%	▼	+0.7%
FY 2007-08	3rd Q 2007	▼ +5.1%	▼	-2.8%
	4th Q 2007	▼ +5.2%	▼	0.0%
	1st Q 2008	▼ +3.1%	▼	-2.1%
	2nd Q 2008	▼ +0.6%	▼	-3.1%
FY 2008-09	3rd Q 2008 est	-0.6%	-1.8%	
	4th Q 2008 est	-1.8%	-4.1%	-7.5 to
	1st Q 2009 est	-2.9%	-6.4%	-10%
	2nd Q 2009 est	-4.1%	-8.7%	



FY 2009-10 Revenue Shortfall

- August 1, 2008 estimated shortfall of \$250 million assumed \$100 million in General Fund revenue growth, as published in the Joint Report.
- Current year tax revenue losses will persist in the budget year. Effect of potential State budget cuts is not included. The State budget gap is now estimated at \$11.2 billion in the current year only.
- Revenue estimates are being updated and will be reflected in budget instructions issued next week.



Current Year Budget Instructions

- Current mid-year target: \$75 million. We should make on-going reductions now to address this year's gap and next year's gap, which is likely to be higher.
- The actual shortfall is at least \$90 million in the current year. We are identifying cuts this week and will be meeting with Board members.
- Depending on this first round and our changing fiscal picture, we may do one more round of mid-year cuts this year.



Calendar: Key Dates and Next Steps

Early Dec	First round of budget cuts and layoffs announced
Early Dec	Budget Instructions Issued; may include another round of mid-year cuts
Jan 9	Governor's Budget likely released
Feb 6	Layoff Effective Date
February	Controller's 6-Month Report
Feb 20	Budget submissions due
March	Joint Report Issued



Calendar: Key Dates and Next Steps (ctd)

May 1	Submission of Ten-Year Capital Plan
May 1	Proposed Budget for select enterprise depts introduced at BOS
May	Governor's May Revise released
May	Controller's 9-month report issued
June 1	Proposed Budget introduced at BOS
June	Budget Committee hearings
July	Budget considered at full BOS

