

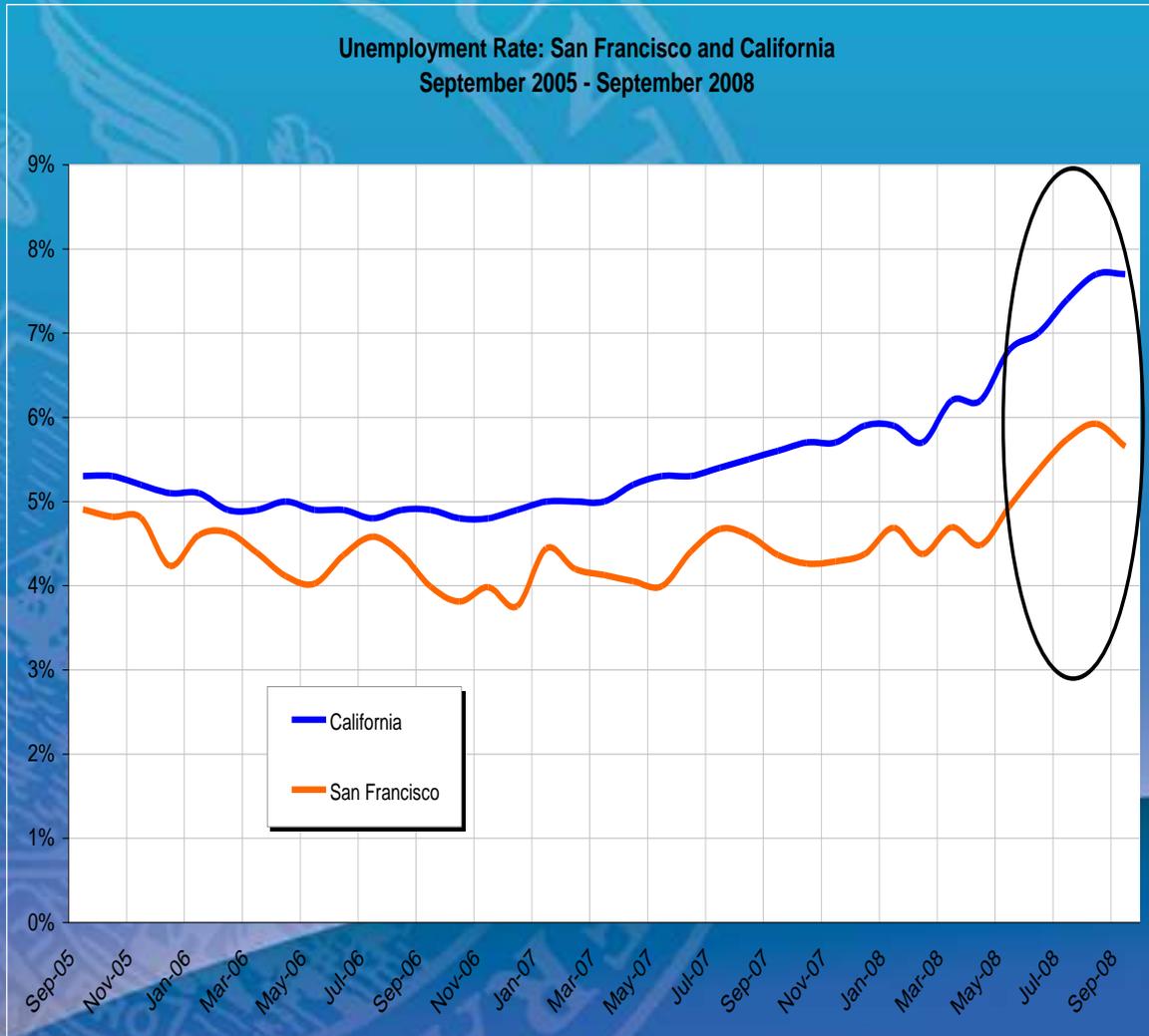
“ECONOMIC CLIMATE”



Despite national economic problems, San Francisco is faring better than much of the country

- **Unemployment**
- **Commercial Vacancies**
- **Emerging Industries**
- **Tourism and Visitors**
- **Air Travel indicators**
- **Retail Sales**

Unemployment Rate

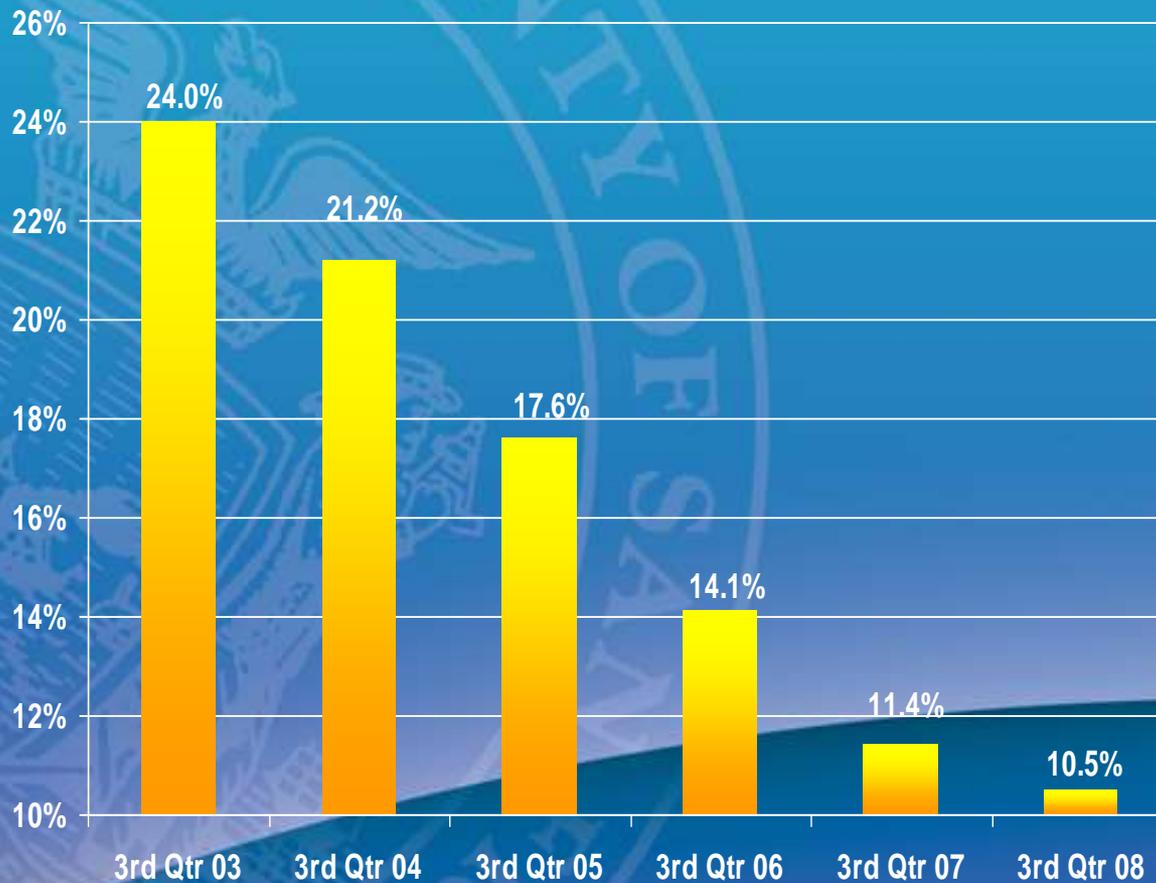


Unemployment

(as of October 2008)

- San Francisco County has 5th lowest unemployment rate statewide (behind Marin, San Mateo, Napa, and Santa Barbara counties)
- SF unemployment rate for October was 6.0%
 - lower than State (8.2%)
 - and US (6.5%)

Office Space Vacancy Rate



Emerging New Industries

- **Clean Tech - Advisory Council**
- **Information Technology/Digital Media - Advisory Council**
- **Biotech - Advisory Council**

Information Technology (IT)

- **Since 2004**
 - **475 technology companies have committed to approximately**
 - **5.3 million square feet of space**
 - **30 percent from companies relocating from outside of SF**
- **San Francisco is home to: Google, Salesforce.com, Microsoft, Wiki, Adobe, Yahoo, Cisco, About.com Autodesk, Hotwire, Razorfish, and Bebo**
- **In March, Google expanded into 200,000 square feet to accommodate more than 600 employees**

Headquartered & Newly Located Companies

- Google
- The Wikimedia Foundation
- Lucas Arts
- Riverbed
- Microsoft
- CurrentTV
- Gymboree
- FibroGen
- Cathay Pacific
- The Body Shop
- Suntech
- Yahoo!

53 HQ locations; 160 non-HQ

Visitor Spending and Total Visitors

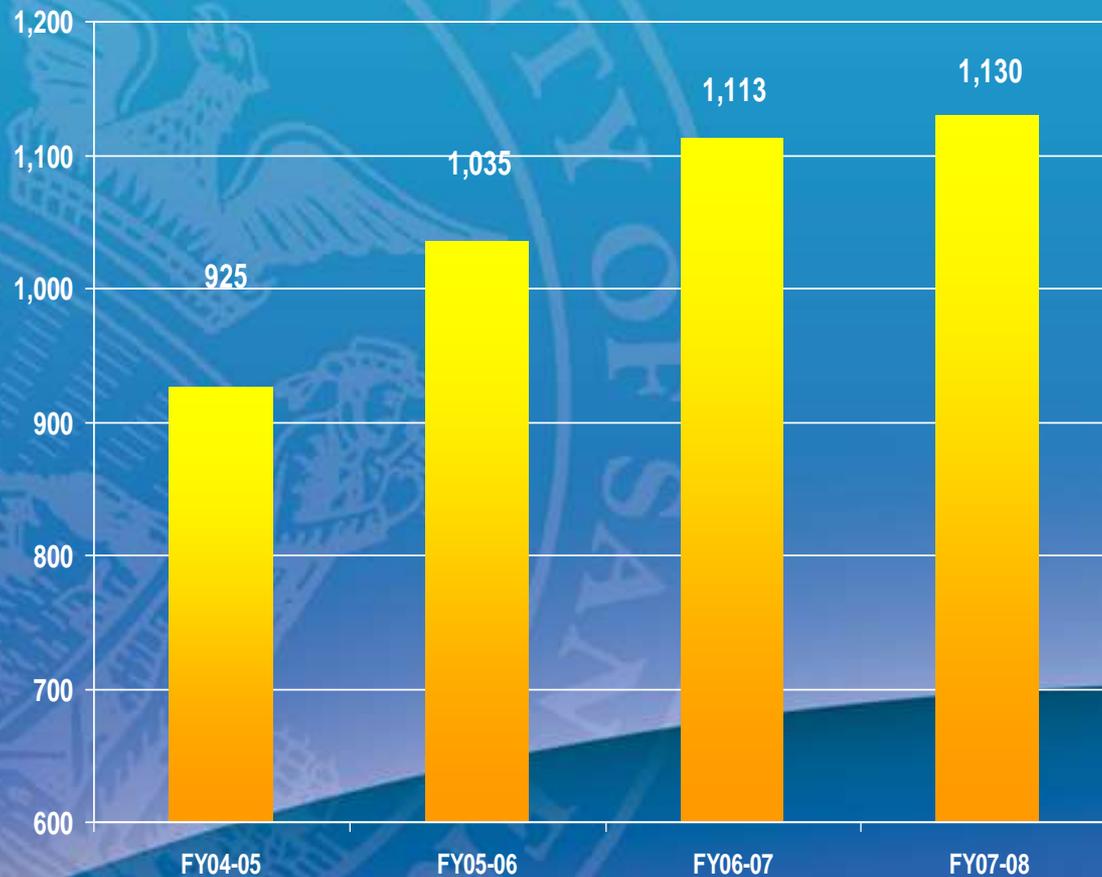
**San Francisco Convention and Visitor's Bureau
Total Visitor Volume and Visitor Spending
2001 - 2007**

	Total Visitors (000's)	% Change from Previous Year	% Change from 2001
Total Visitors			
2007	16,100	1.9%	2.5%
2006	15,804	0.4%	0.7%
2005	15,737	4.1%	0.2%
2004	15,120	3.8%	-3.7%
2003	14,560	6.0%	-7.3%
2002	13,732	-12.5%	-12.5%
2001	15,701	NA	NA

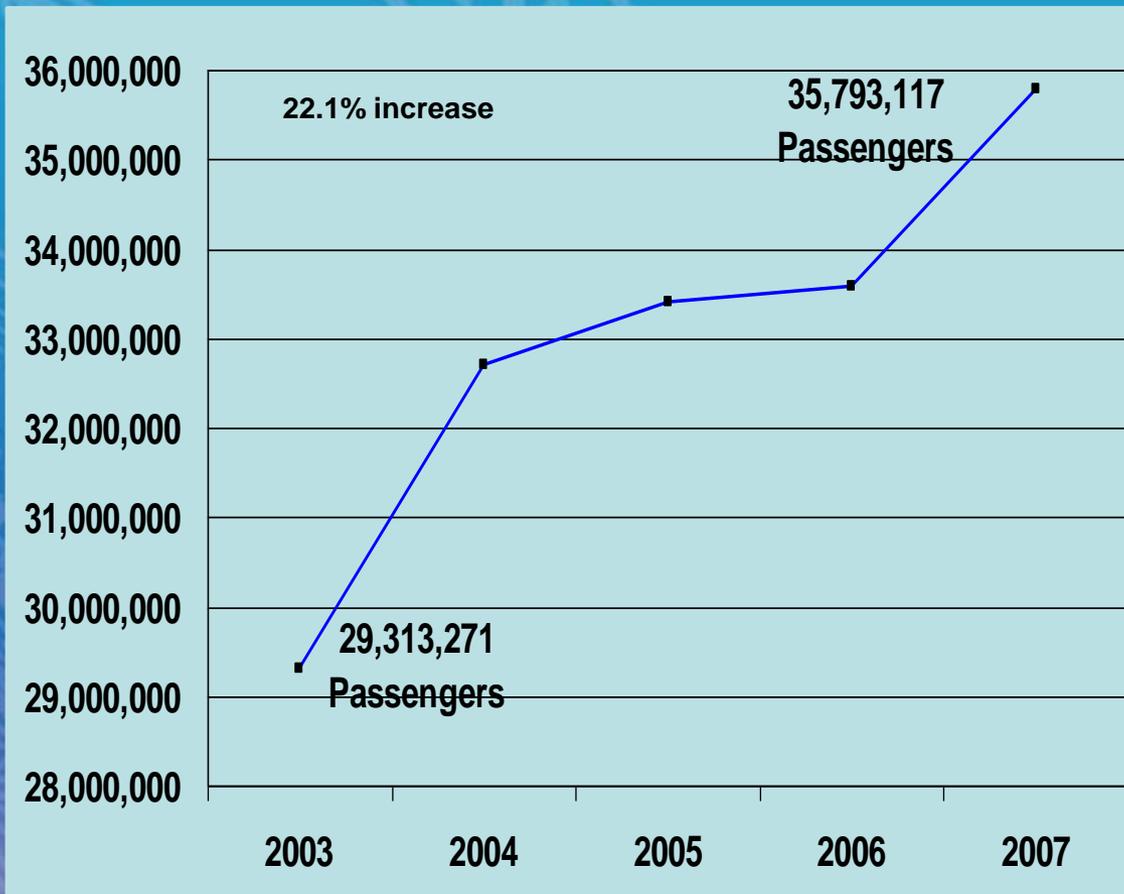
Visitor Spending			
2007	\$ 8,200,000	5.7%	26.0%
2006	\$ 7,760,000	5.3%	19.2%
2005	\$ 7,372,651	9.5%	13.3%
2004	\$ 6,730,000	6.8%	3.4%
2003	\$ 6,300,000	6.5%	-3.2%
2002	\$ 5,913,381	-9.2%	-9.2%
2001	\$ 6,510,000	NA	NA

Source: Dan Goldes, San Francisco Convention and Visitor Bureau.

Convention Group Bookings



SFO Passenger Traffic



International Flights

Air New Zealand

Air China

Aer Lingus

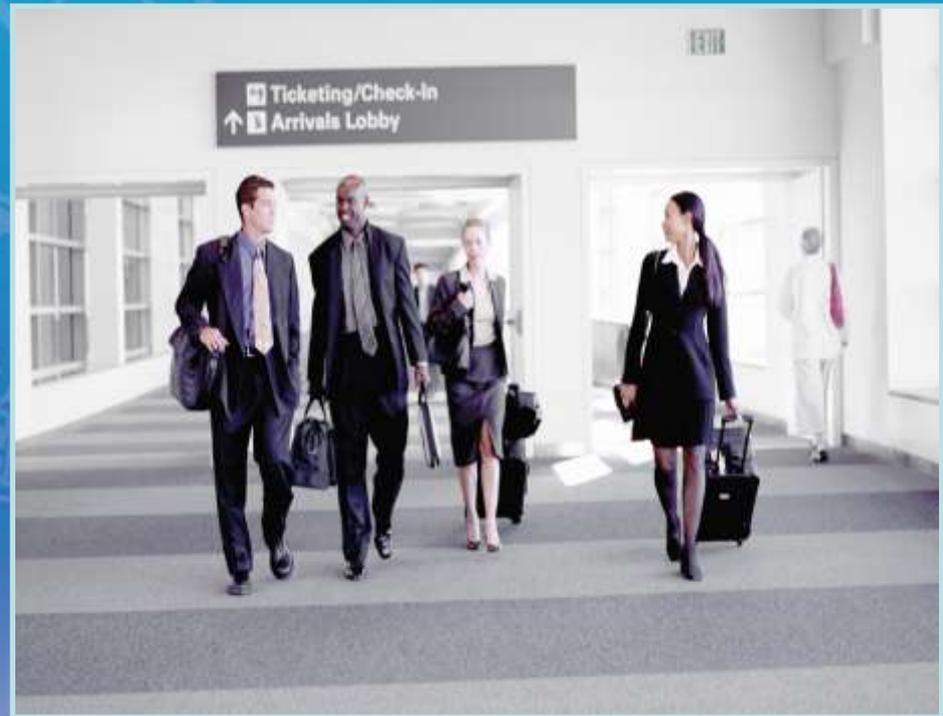
Cathay Pacific

Philippine

TACA

United

- Taipei
- Seoul
- Frankfurt
- Cancun
- Guangzhou
- Hong Kong
- London
- Tokyo



72 Daily

Domestic Flights

Virgin America - HQ

- Los Angeles
- Las Vegas
- New York
- Washington
- Seattle
- San Diego

Jet Blue

- New York (JFK)
- Long Beach
- Austin
- Salt Lake City

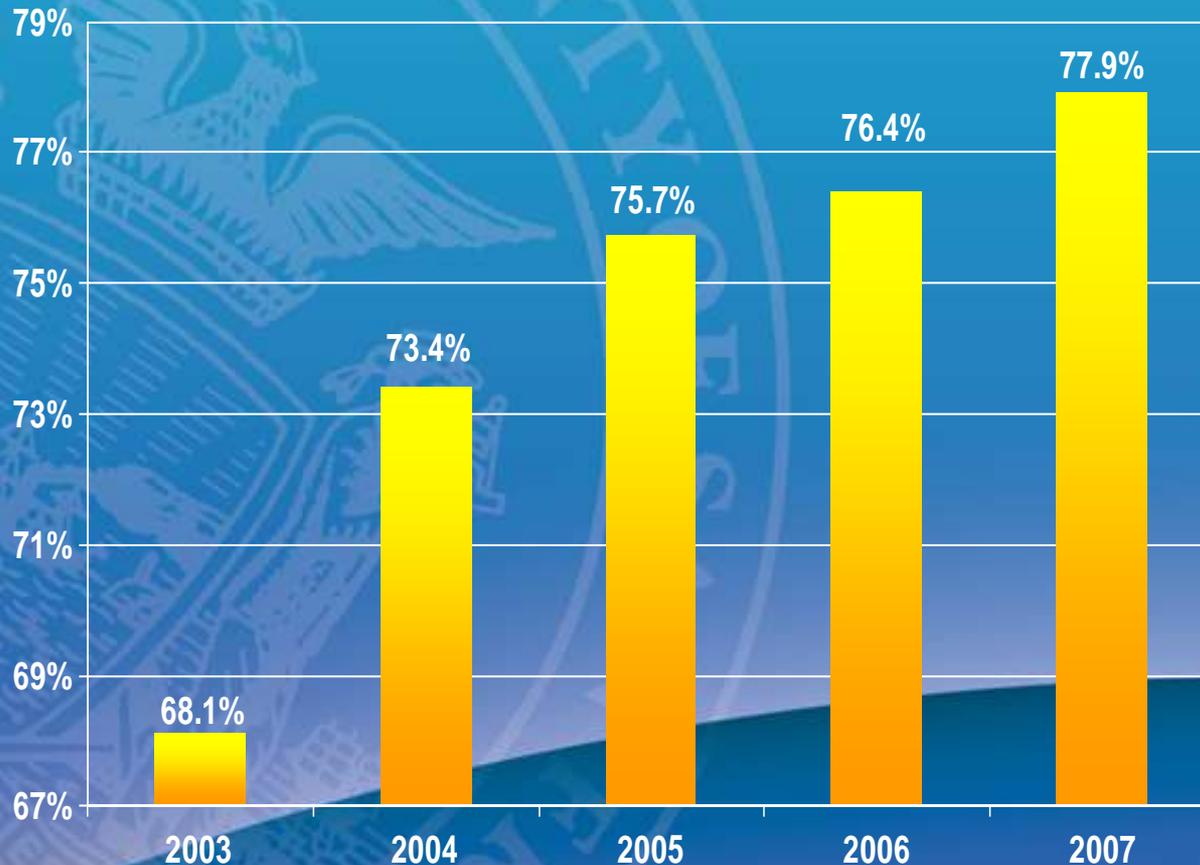
Southwest

- Chicago
- Las Vegas
- Los Angeles
- San Diego
- Denver

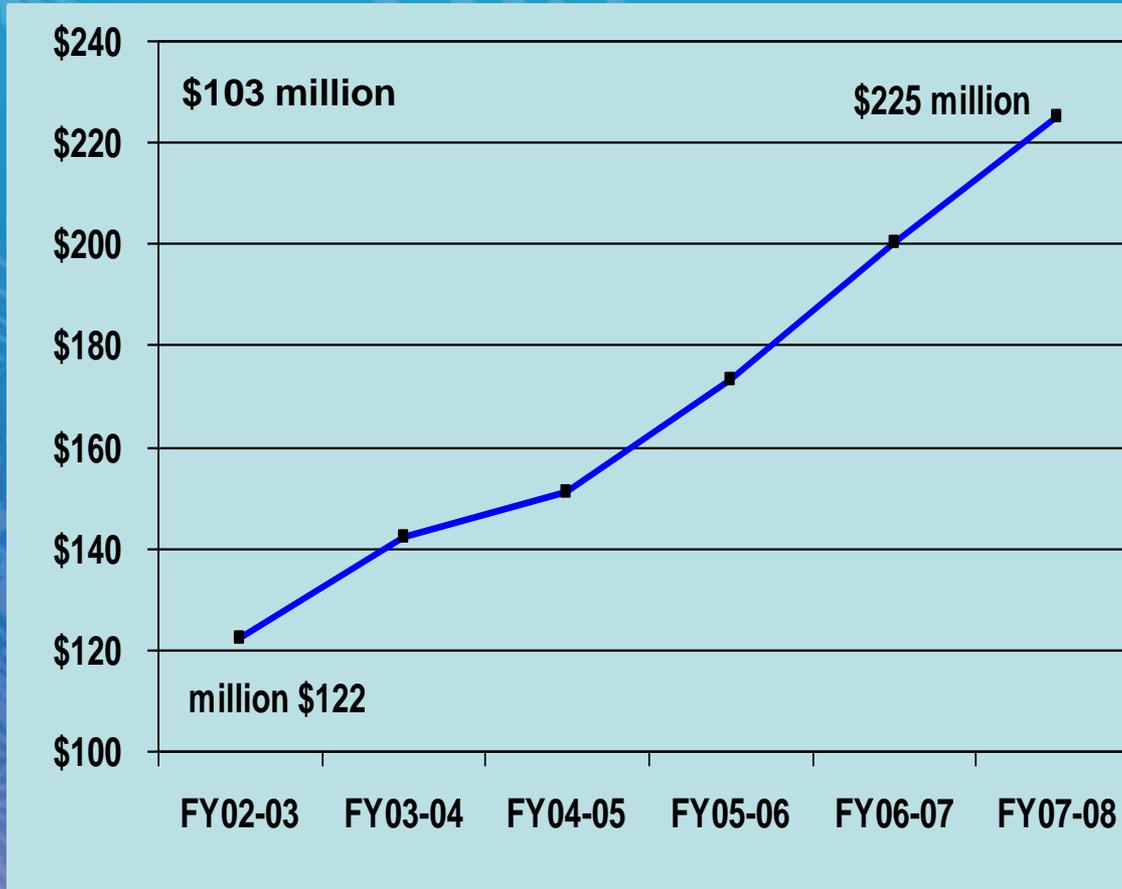


444 Daily

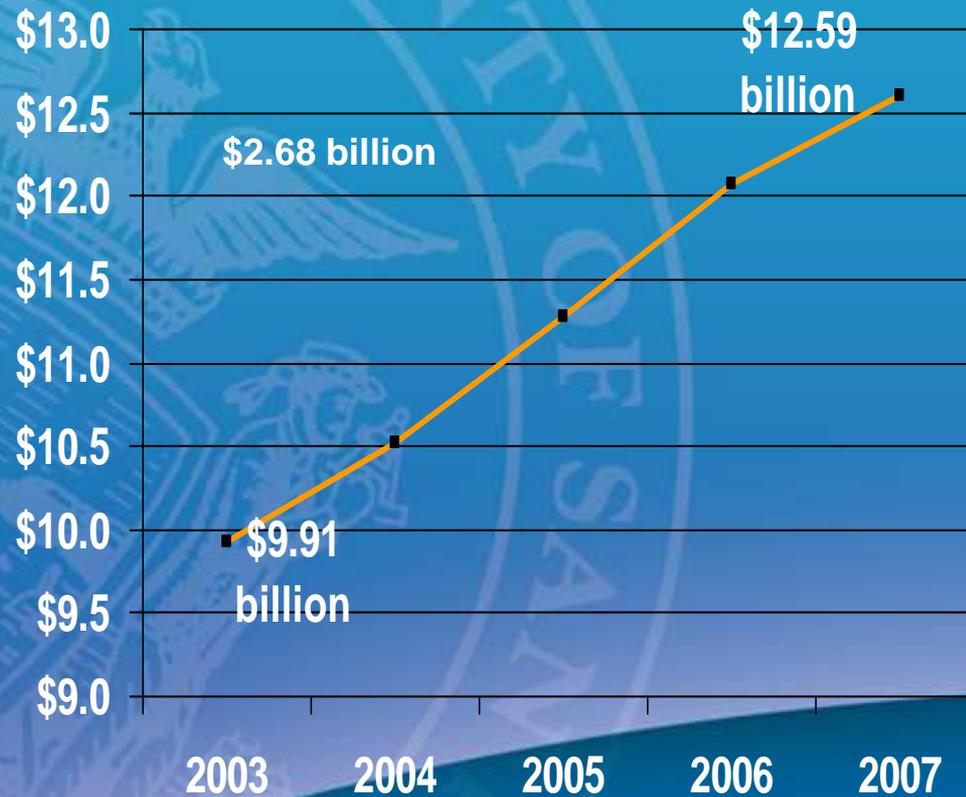
Hotel Occupancy Rate



Hotel Tax Revenue



Retail Sales Growth



Taxable Sales – Year ended 2Q'08

- Statewide, retail sales declined 3.4% in the past year.
- In the SF Bay Area region, sales declined 1.1% in the past year.
- In San Francisco, sales *increased* 3.2% during the same time period.

Despite relatively good economic news...

San Francisco Is NOT Immune

Worldwide credit crunch and nationwide economic downturn will likely impact:

- Retail
- Hospitality
- Construction
- Financial Services
- Professional Services
- Small Businesses

Economic Uncertainty and the City Budget

Budget Assumption

	\$ Millions	Growth Rate	Actual Outlook
Property Tax	\$ 1,019	7%	Slower growth
Business Tax	\$ 395	6%	Slower growth
Hotel Room Tax	\$ 189	14%	Slower growth / potential real losses
Utility Users Tax	\$ 83	2%	At budget
Parking Tax	\$ 65	1%	Slower growth
Real Property Transfer Tax	\$ 94	3%	Real losses
Interest & Investment Income	\$ 21	-37%	Real losses
Sales Tax / Public Safety			
Sales Tax	\$ 193	5%	Real losses
Health & Welfare			
Realignment	\$ 170	1%	Real losses

Economic Uncertainty and the City Budget

- Since August, identified \$90 - \$125 million current year revenue shortfall
- At least 7.5% of the City's \$1.2 billion discretionary budget
- At least \$250 million projected deficit for next year – likely to be much higher
- State estimates \$11.2 billion current year shortfall

Commercial Property Sales

Year	Volume
2007	\$6.746 billion
2008*	\$1.022 billion

*through July

2008 (projected) \$1.752 billion; Would be 74% drop from 2007

Economic Uncertainty and the City Budget

What we have already done:

- Hiring Freeze
- Overtime reductions
- Limit Overtime to 16% of regular hours for any given employees
- Freeze discretionary bonuses and payouts
- Voluntary and negotiated furloughs
- Reduce standby, callback and holiday pay
- Restrict out-of-town travel
- Reduce vehicle fleet by 5%
- Reduce cell phone budgets by 50%
- Reduce travel budgets by 20%
- Reduce training budget by 15%
- Reduce materials, supplies and personal service contract expenditures
- Reduce paper use by 20%
- Reduce energy consumption by 5%
- Reduce water consumption by 10%

Civil Service Reform

- **Implemented 38 of 47 Recommendations**
- **Performance evaluations now required for all City employees, including department heads**
- **Satisfactory performance required for salary step advancement**
- **Reduced hiring times from 6 months to 2 months**
- **GASB reform—SF led the way with employee contributions to fund retiree health care**
- **No “bumping” between departments by laid-off managers**
- **Expanded outreach for hiring the disabled**
- **Succession planning efforts for key positions**

Civil Service Reform

Second Phase of Civil Service

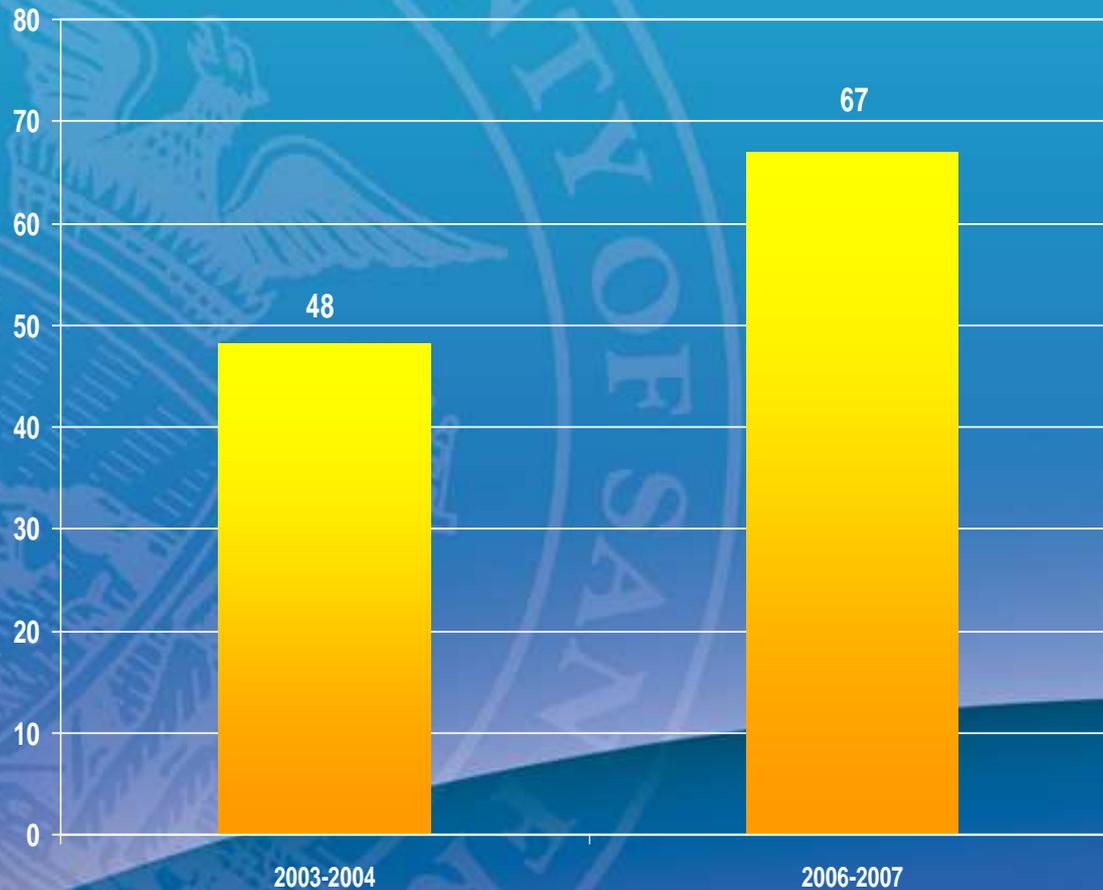
- Reform-To be launched in early 2009
- Improve Attendance Standards
- Increase Productivity
- Streamline Obsolete and Complex Civil Service Rules



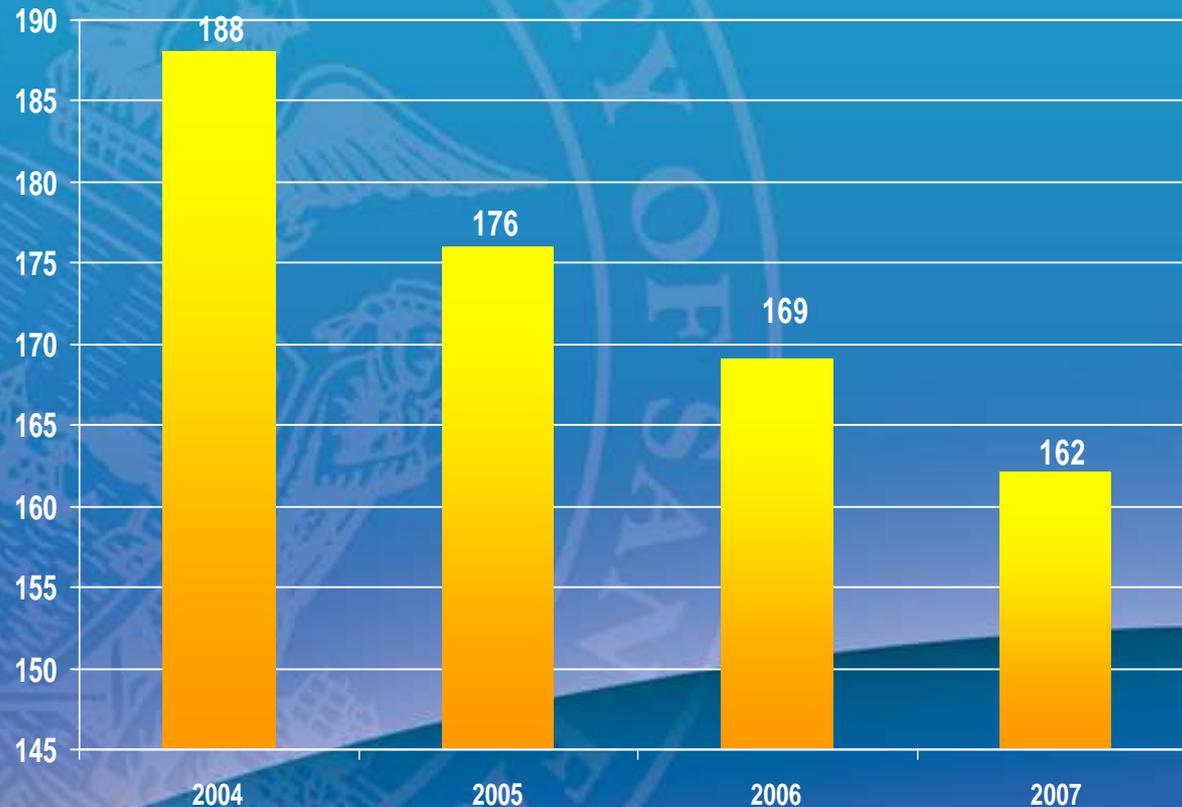
Consolidations/Efficiency

- **Consolidated 14 City departments and agencies**
- **Eliminated 4 City departments**
- **Online reservation system through Recreation and Parks**
- **Muni Fast Passes and parking meter payment cards**
- **E-procurement**
- **Human Resources consolidation / Project eMerge**

Increased Audits



Reduced Sole Source Contracts

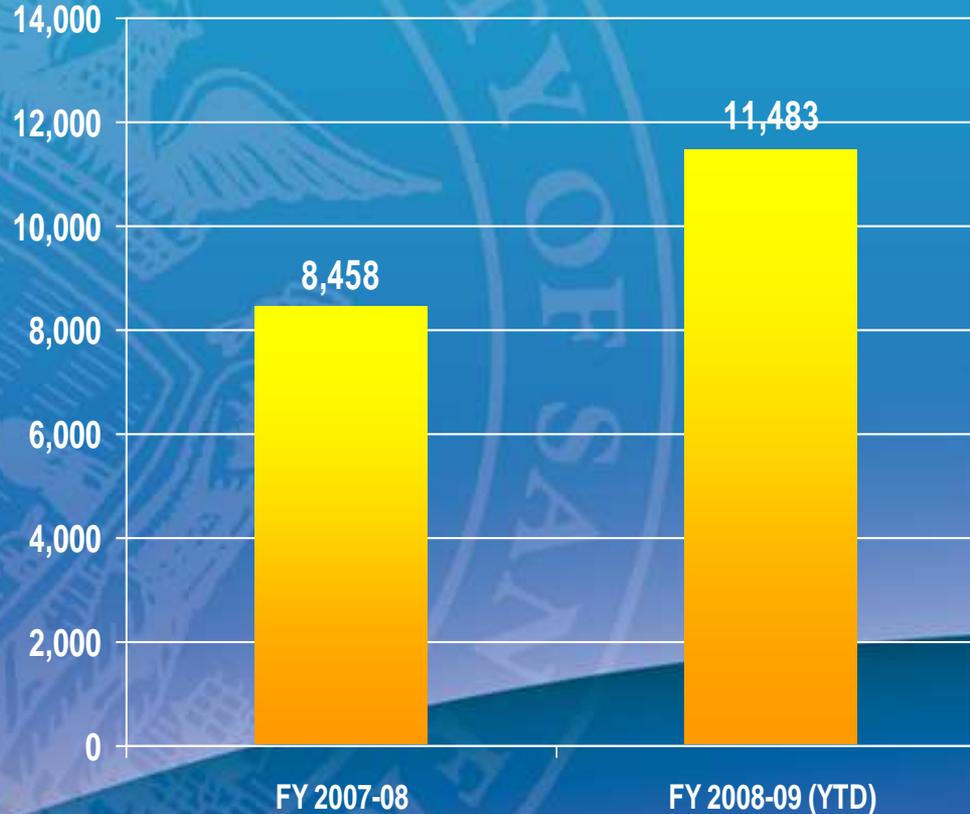


311 – “The Power of One”



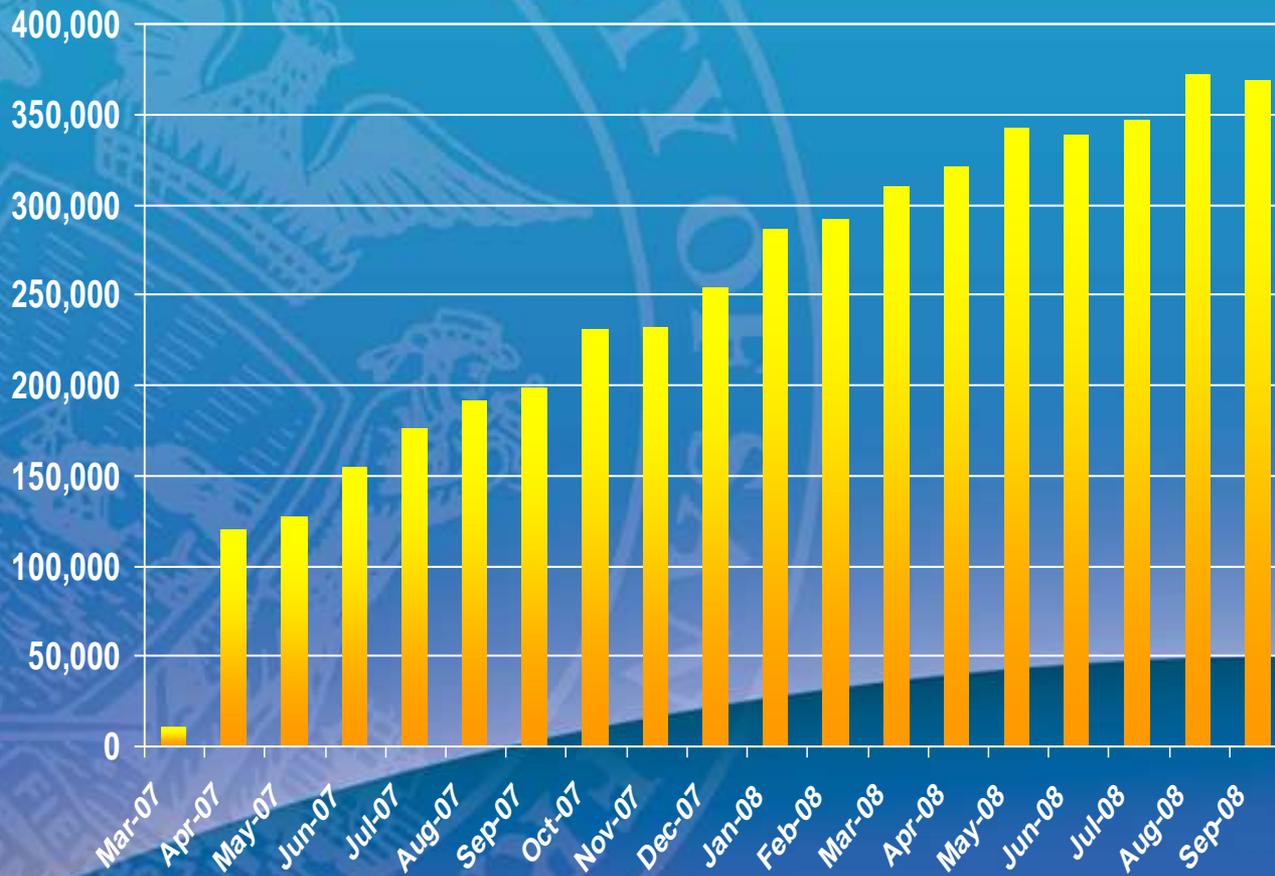
311

Average Daily Calls Received

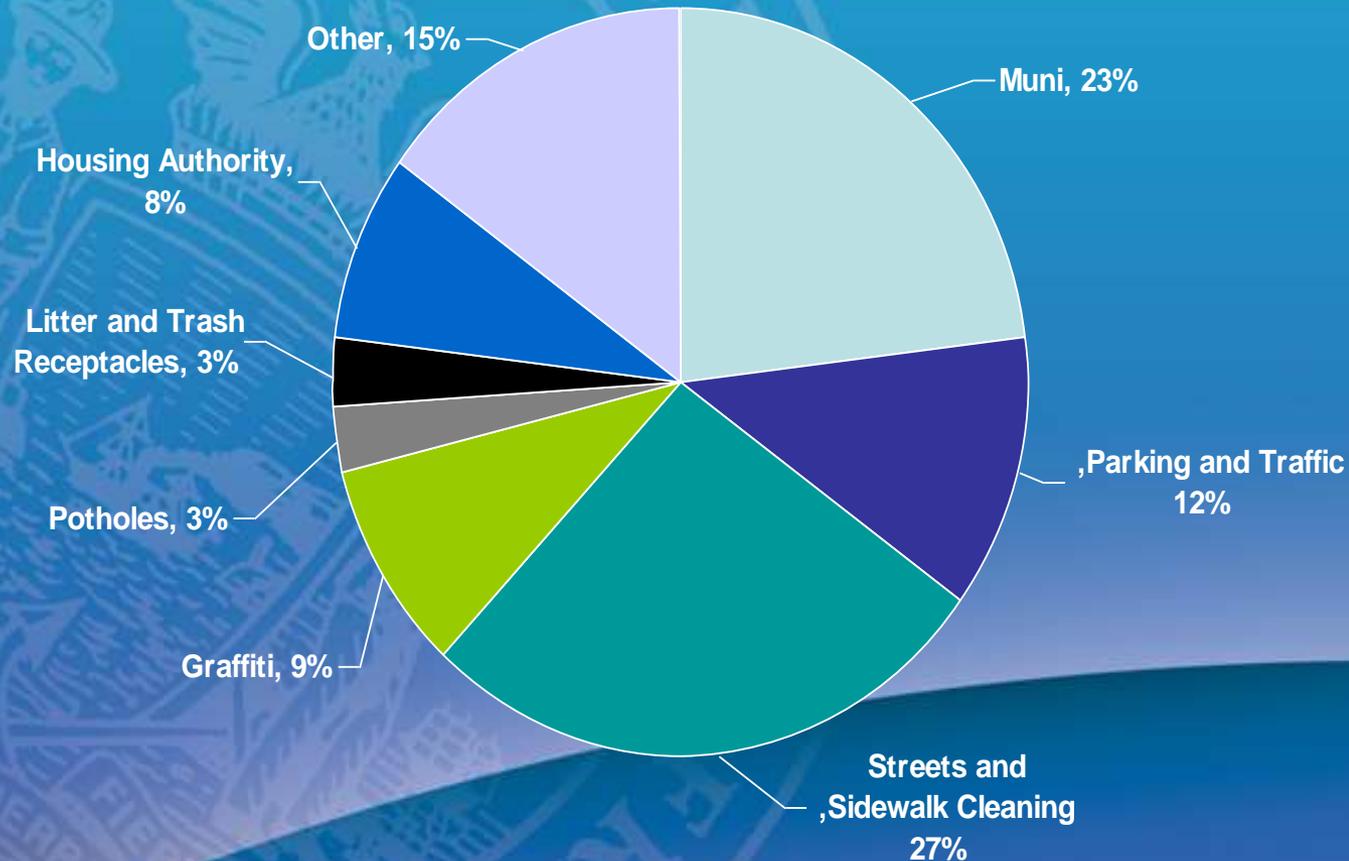


311

Monthly Call Volumes



311 Service Requests



Project eMerge

An innovative system to improve human resource information management

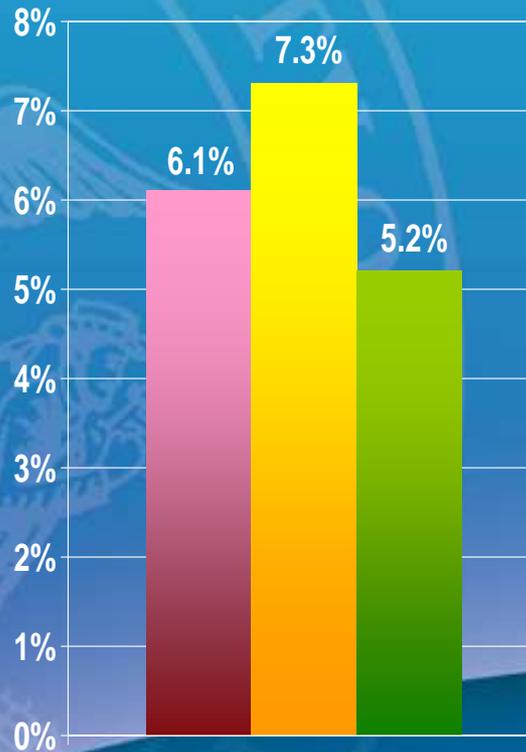
- Integrate outdated and redundant systems into a single citywide system
- Provide employees the capability to access their own payroll information and to self-manage healthcare enrollment, address changes, etc.
- Improve City's capability to identify and deploy employees with special skills in the event of a disaster
- Make government more efficient; reduce reliance on paper and manual processes



Retiree Health Benefits GASB 45

- **Estimated \$4 billion owed for retiree health benefits over next 30 years**
- **Passed Prop B: June 2008 Ballot Measure established Retiree Health Care Trust Fund**
- **Funded by contributions by CCSF and new employees**
- **Next step: City will seek participation by active employees through the negotiation process**

Budget Growth Comparison 2003-2009



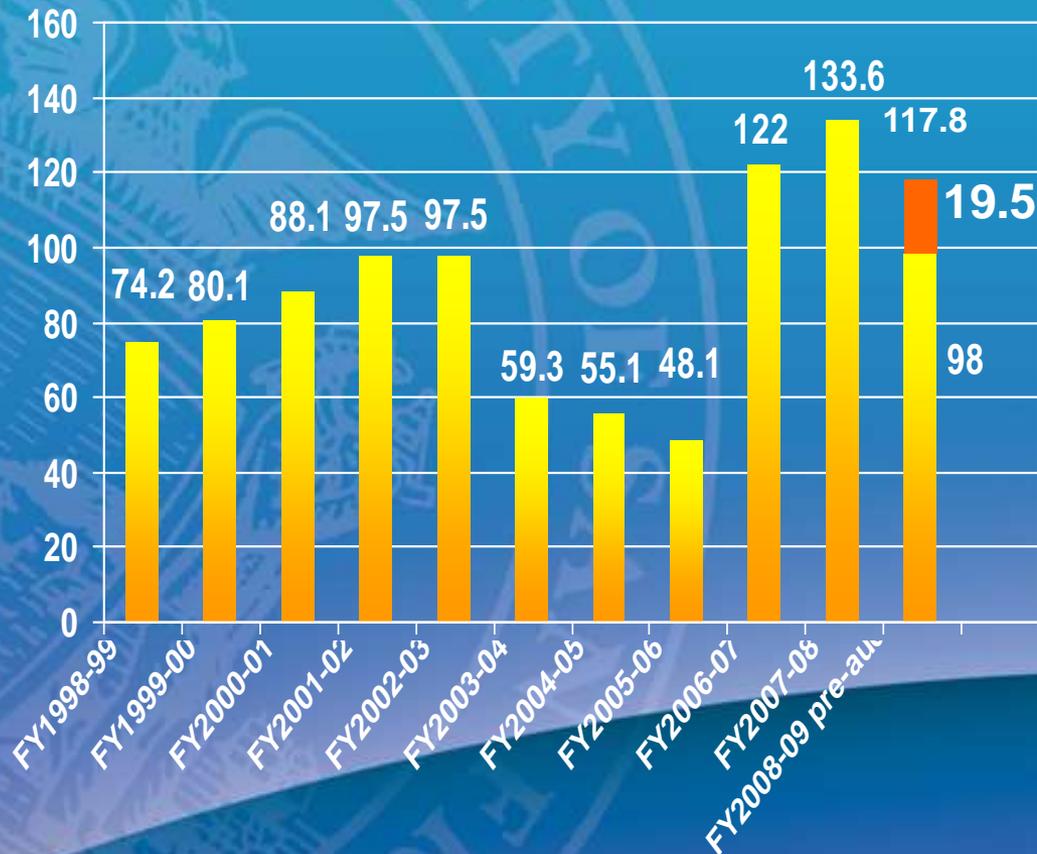
California

Federal Government

San Francisco

Rainy Day Reserves

\$ In Millions Beginning Balances



Bond Rating

August 2008: G.O. Bond Rating upgraded from Aa2 to Aa3

2008 Clean and Safe Neighborhood Park Bonds	\$185 million
2008 San Francisco General Hospital Rebuild Projects	\$887 million
2009 Fire Protection System Earthquake Safety	\$89 million
2010 Criminal Justice Facility Earthquake Safety	\$600 million
2013 Park System Renovation	\$150 million
2015 Public Safety Facility Modernization	\$241 million
Total	\$2.2 billion

Economic Uncertainty and the City Budget: What's Next

- Departments turned in \$75 million of options; Will identify an additional \$50 million.

Ways to generate savings:

- Continue non-essential hiring freeze
- Delay or eliminate certain new programs and initiatives
- Freeze general fund capital spending
- Resurrect and assess any rejected savings ideas

Controller's Budget Improvement Project

Reviewing barriers to the achievement of long-term, structural balance in the City's budget

- **A review of the processes and policies the City uses to plan for, prepare, and adopt the annual budget,**
- **A review of spending and revenue growth during the past decade, focusing on the categories of spending that have outpaced the growth of revenues used to pay for them,**
- **The sustainability and diversification of the tax and fee revenues used to support City services,**
- **A comparison of targeted revenue and expenditure categories versus peer cities and counties**

A Stimulus Package for the SF economy

- **Accelerate Capital Spending**
- **Keep Local dollars Local**
- **Increase Foreign Investment**
- **Reduce the Costs of doing Business in San Francisco**

Accelerate Capital Spending

\$20 billion 10-Year Capital Plan

\$5.3 billion - funding in place, planned to start within 5 years

- **Water System Rebuild**
- **Airport Improvements**
- **SF General Hospital**
- **Transbay Terminal**
- **HOPE SF**

Keep Local dollars Local

- **Leverage Purchasing Power to Create Jobs Through City Workforce Programs**
- **Focus San Francisco Tourism Regionally**
- **Expedite New Tourism Improvement District**
- **Expand Neighborhood Market Place Initiatives and Community Benefit Districts**



Keep Local dollars Local

- “Shop Local” Campaign
- Act as a Convener Between Local Businesses and Buyers and Sellers



Increase Foreign Investment

ChinaSF

- Establish San Francisco as the gateway between Chinese business and North America

Facilitate Investment in Construction Projects

- Promote SF's solid real estate market, status as international destination



Bangalore Sister City

- Agreement strengthens ties between cities in biotechnology, medical technology and digital technology.
- Promotes greater cultural understanding, infrastructure development, economy investment, university and research exchanges, “best practices” sharing, tourism development, and information exchange.

Reduce the Cost of Doing Business

- **Help Businesses Take Advantage of Federal, State and Local Tax Credits**
- **Implement Targeted Tax Incentives for New Job Generation**
- **Avoid Shifting the City's Budget Burdens to Businesses**

Small Business Assistance Center

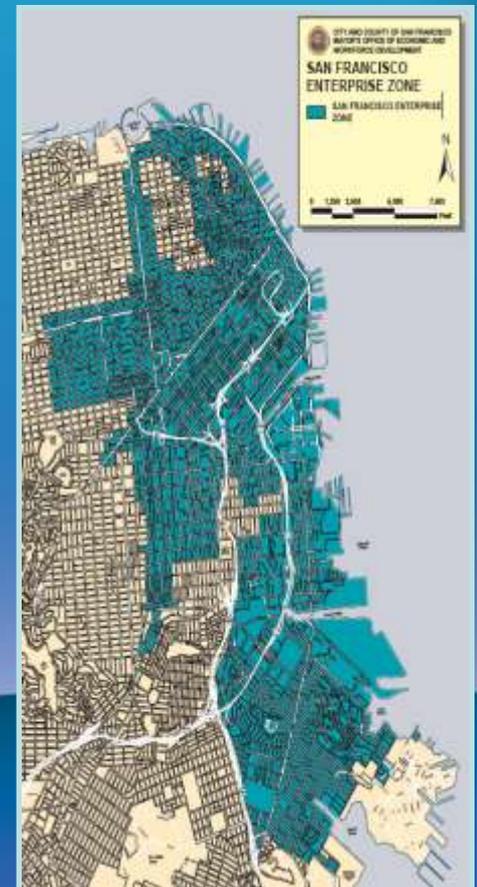
- Launched May 12, 2008 – 5 months of operation.
- 879 business cases
- Average 45 new cases a week
- 80% of cases are for Start-up Businesses
- Remaining 20% of cases are Existing Businesses seeking
 - Permitting, Zoning, and Licensing for expansion
 - Access to Financing
 - Seeking Legislative and Policy Advocacy

One Stops

- **Three One Stop Workforce Centers (Southeast, Mission and Turk Street)**
- **In 2008 will provide career counseling, job training, and placement to more than 600 San Francisco job and place a minimum of 75% of job seekers.**
- **In July, Chinatown Workforce Center opened its doors.**
- **In December, the Western Addition Workforce Center will open.**
- **Developing expanded One Stop Workforce Center in the Southeast neighborhoods, available in mid-2009.**

Enterprise Zone Tax Credits

- The State EZ provides tax credits to San Francisco businesses for hiring employees from targeted employment groups.
- Management of the State EZ moved to OEWD to coordinate administration and marketing.
- Under OEWD, Tax Credit vouchers are up by 1,562 or 40% from this point last year.



Streamlining Workforce Development

Mayor's Office of Economic and WORKFORCE Development (MOEWD)

Providing policy direction and consolidating resources

- Human Services Agency
- Public Utilities Commission
- DPW
- Airport

Focusing efforts on at-risk youth ages 16-24 through the RAMP program

Workforce Development / Job Training

- **Mayor's Office of Economic and Workforce Development (MOEWD)**
- **Partnerships**
 - **San Francisco State University**
 - **City College**
 - **SF Unified School District**
- **CityBuild Academy**

CityBuild

- **In August, 2008, CityBuild launched its seventh training Academy with 62 students admitted. Two more CityBuild classes in 08-09**
- **CityBuild graduates have achieved an unprecedented success in the job market: 89% placement rate for its graduates**
- **CityBuild has placed over 850 San Francisco residents in construction employment**

Federal Advocacy

- **Congress and the Administration have proposed an Economic Stimulus Package designed to help state and local governments through the current economic crisis**
- **San Francisco will work to secure critical funding that will offset recent Federal and State cuts and help our stimulate economy and create jobs**
- **Projects likely to qualify for these proposed federal funds include:**
 - **Doyle Drive**
 - **Central Subway**
 - **Funding to repair and rebuild our public housing**
 - **Funding for the development of renewable energy technologies**
 - **Funding for food stamps**
 - **Medicaid assistance**
 - **Job training dollars**