Budget Outlook Update
FY 2019-20 through FY 2023-24

This report summarizes current projections for the City's General Fund for the period fiscal year (FY) 2019-20 through FY 2023-24:

1) The Controller's update on FY 2019-20 revenue and expenditures as required by Charter Section 3.105, with information and projections as of April 15, 2020 ("Nine-Month Report"), and

2) An update to the City's Five-Year Financial Plan prepared by the Mayor, Board of Supervisors Budget & Legislative Analyst, and Controller as required by San Francisco Administrative Code Section 3.6(b) ("May Joint Report"), and

3) A projection of expenditures and revenues associated with the City's response to the COVID-19 public health emergency for the current fiscal year, and a preliminary financial assessment of possible financial impacts for FY 2020-21 and beyond.

May 13, 2020

Board of Supervisors Budget & Legislative Analyst
Mayor's Budget Office
Controller's Office

Executive Summary

PROJECTION SUMMARY

This report summarizes current projections of the City's General Fund revenue and expenditures for the five-year period from FY 2019-20 through FY 2023-24, prepared jointly by the Mayor's Budget Office, the Board of Supervisors Budget & Legislative Analyst, and the Controller's Office.

Our assessment of the severity and duration of economic and financial losses have worsened since our March projection, leading to large shortfalls through the forecast period. **The Mayor and Board of Supervisors will be required to close projected shortfalls totaling $1.7 billion during coming months for the current fiscal year and the upcoming two-year budget period.** We project annual shortfalls of $1.0 billion and $1.1 billion in the final two years of the forecast period.

Cumulative Changes in General Fund Supported Revenues & Expenditures ($ millions)

	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
I. Current fiscal year	(246.2)				
II. Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III. Projected shortfalls	(246.2)	(753.9)	(735.4)	(1,016.4)	(1,088.5)
FY 2019-20 - FY 2021-22 Total			(1,735.5)		

While we presented the impacts of both an extended and limited recession in our March Joint Report, we no longer believe the rapid recovery underpinning our limited impact scenario from that report will occur. These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years.

SIGNIFICANT RISKS REMAIN

Economic and Revenue Recovery Delayed

These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. Underlying assumptions regarding each General Fund source are outlined in Appendix 2.

To the extent that the recovery occurs later or more gradually than assumed here, tax revenue losses will exceed those projected in this report. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks require re-imposition of public health measures that had been lifted.

Property, business, hotel, and sales tax revenue account for $3.6 billion of General Fund revenues. More significant economic losses that drive either a deeper loss or slower recovery of these revenue sources than assumed would worsen our projections significantly. For illustration, **a 10% deviation from our projections for these four sources would aggravate projected shortfalls by approximately $360 million in FY 2020-21 alone**.

Emergency Expenditures Required for Longer Duration

The City's response to the public health emergency has been expansive, and we project emergency response expenditures to total approximately $375 million during the current fiscal year alone. These costs include extensive procurement of protective equipment for medical staff and first responders, operation and augmentation of the City's public health system, new congregate and non-congregate housing alternatives for vulnerable residents, and economic and social support programs for those effected by both the public health and economic emergencies.

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain them in upcoming fiscal years, **these projections assume no additional General Fund cost for these programs beyond June 30, 2020**. However, sustained emergency and public health responses will be required. Preliminary ranges of these costs are included in Appendix 3 and will be significant. We will continue to keep the Mayor and Board updated on these future costs as they are known and refined.

Reliance on Federal and State Support

The City is reliant on federal and state revenues to support a variety of public health, social, and other government services. These funds account for approximately 20% of total General Fund revenues.

The reliance on federal funds is heightened in the current emergency, as Federal Emergency Management Agency (FEMA) and other federal grant programs are needed to offset the costs of the City's emergency response. We project that federal sources, including a significant allocation provided under the federal CARES Act for state and local governments, will offset the majority of emergency costs during the current fiscal year. However, absent additional allocations from the federal government, CARES Act funds will be largely exhausted in the current fiscal year. Similarly, the duration of reimbursements from FEMA are unknown and tied to the duration of the federal emergency. As these federal programs expire, it will significantly decrease non-City revenues available to offset future local emergency response costs.

Additionally, the City receives funding through the State of California for a number of human welfare, public health, and other programs. The public health emergency has significantly weakened the State's financial condition. The Governor is scheduled to release a proposed budget to bridge a projected $54 billion shortfall for the current and upcoming fiscal year in the coming week. To the extent that the State's budget challenge results in reductions in funding for local governments, it will increase General Fund shortfalls accordingly.

Projections in this report assume no loss of federal or state aid. We will continue to update the Mayor and Board as additional information is available.

Other Key Assumptions

This report includes our projections of all General Fund expenditures and revenues for FY 2019-20 through FY 2023-24, as detailed in the appendices that follow, and assuming current service levels and adopted policies. The City is required to adopt and maintain balanced budgets. To the extent that ongoing changes are adopted in doing so, shortfalls will be reduced in the fiscal year in which they are enacted and offset shortfalls in future fiscal years. One-time solutions will reduce projected shortfalls in the year of enactment alone.

UPCOMING BUDGET MILESTONES

Current Year Rebalancing Plan

The Mayor's Office has indicated they intend to submit a plan to offset projected revenue losses in the current fiscal year (FY 2019-20) in the coming weeks. The Board Budget and Appropriations Committee has scheduled a hearing in May to review this plan. We have assumed a plan to bridge the $246 million projected FY 2019-20 shortfall is enacted in the current year in our projections of fund balance available to support future fiscal years.

Budget Process for FY 2020-21 – FY 2021-22

The City has delayed its budget process for the two-year budget for FY 2020-21 and FY 2021-22 given the public health emergency. The Mayor's Office has indicated they intend to issue revised budget instructions to departments in May, and per the revised schedule, is required to submit a proposed balanced budget to the Board of Supervisors by August 1st. The Board will review, amend, and adopt that proposed budget by September 30th.

Periodic Updates

Throughout this process, our offices will continue to update the Mayor and Board on the City's financial condition as new information becomes available to us. Please reach out with any questions or comments regarding this report or other items regarding the City's financial condition.

APPENDICES

1. FY 2019-20 Budget Outlook ("Nine Month Report")
2. FY 2020-21 - FY 2023-24 Budget Outlook ("May Joint Report")
3. FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections

Appendix 1. FY 2019-20 Budget Outlook (Nine-Month Report)

GENERAL FUND PROJECTED ENDING BALANCE

Table A1-1. FY 2019-20 Projected General Fund Variances to Budget ($ Millions)

	FY 2018-19 Ending Fund Balance	504.7
	Appropriation in the FY 2019-20 Budget	(210.6)
A.	FY 2019-20 Starting Fund Balance	294.0
	Citywide Revenue Surplus / (Shortfall)	(436.0)
	Baseline Contributions	103.8
	Departmental Operations	123.7
	Approved Supplemental Appropriations	2.2
	Projected Use of General Reserve	(2.2)
B.	Current Year Revenues and Expenditures	(208.5)
	Deposit to Budget Stabilization Reserve	(66.8)
	Deposit to Budget Stabilization One-Time Reserve	66.8
	Deposit to Budget Savings Incentive Fund	-
C.	Withdrawals from / (Deposits) to Reserves	-
D.	FY 2019-20 Projected Ending Balance	85.5
E.	Previously Projected Available for Budget Years	331.7
F	FY 2019-20 Mid-Year Shortfall	(246.2)

A. FY 2019-20 STARTING BALANCE

Total projected uses of fund balance at the time the FY 2019-20 and FY 2020-21 budget was adopted were $495.8 million, of which $210.6 million was appropriated in FY 2019-20 and $285.2 million was appropriated in FY 2020-21. General Fund available fund balance at the end of FY 2018-19 was $8.9 million more than appropriated and assigned.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue Shortfall

Citywide revenues are anticipated to be $436.0 million below budget, a decline of $542.8 million from the Six Month Report. Revenue projections for FY 2019-20 through FY 2023-24 are detailed in Appendix 2.

Baseline Contributions

Formula-driven voter-mandated spending requirements are projected to be $103.8 million below budget, a result of revenue declines. Baseline contributions for FY 2019-20 through FY 2023-24 are detailed in Appendix 2.

Departmental Operations

The Controller's Office projects a net departmental operating surplus of $123.7 million summarized in Table A1-2 below. COVID-19 related revenues and expenditures are separately described in Appendix 3.

At the time of the Six-Month report, several departments anticipated requesting overtime supplemental appropriations in annual operating funds, as required by Administrative Code Section 3.17. This requirement is currently superseded by the Mayor's Emergency Declaration.

Supplemental Appropriations

A supplemental appropriation using $2.2 million of the General Reserve, for the District Attorney, Sheriff, and Police Department to comply with new pretrial detention policies pursuant to a legal settlement, has been approved by the Board of Supervisors. There are three supplementals totaling $28.4 million in uses of General Reserve pending at the Board of Supervisors; passage of these supplemental appropriations is not assumed in these projections.

C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

Given a significant projected revenue shortfall and as permitted by the authorizing legislation, the Controller has suspended deposits to the Citywide Budget Savings Incentive Fund, and no deposits to other reserves are projected. The funded level of the City's economic stabilization reserves remains at the target of 10% of General Fund revenue, absent appropriation of these reserves by policymakers. Due to revenue losses in the current year and high levels of excess ERAF revenues received in the prior fiscal year, the value of the 10% cap has fallen by $66.8 million in the current year, which causes the $66.8 million in excess of the cap to be shifted into the Budget Stabilization One-Time Reserve. A discussion of the status of reserves is included in Appendix 2.

D. PROJECTED ENDING FUND BALANCE OF $85.5 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2019-20 of $85.5 million. This represents a $344.3 million reduction from the Six-Month Report projection of $429.8 million.

E. PREVIOUSLY PROJECTED AVAILABLE ENDING FUND BALANCE OF $331.7 MILLION

The budget outlook for FY 2020-21 – FY 2023-24 contained in Appendix 2 assumes $331.7 million in available fund balance is drawn down to reduce shortfalls in those years. This balance is based upon our estimates of available balance as of our January 2020 projection report for those years.

F. FY 2019-20 MID-YEAR SHORTFALL OF $246.2 MILLION

The difference between our current and previous estimate of ending available fund balance totals $246.2 million. The Mayor's Office has stated they intend to implement a rebalancing plan to bridge this loss in May 2020. To the extent that this plan offsets this projected loss of fund balance, the ending balance for the current fiscal year will be restored to $331.7 million, consistent with our assumptions in Appendix 2.

GENERAL FUND DEPARTMENT PROJECTIONS

Table A1-2. General Fund Supported Operations ($ millions)

Note: Figures may not sum due to rounding

GENERAL FUND ($ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	*Notes*
PUBLIC PROTECTION						
Adult Probation	43.2	43.0	-	0.2	0.2	
Superior Court	32.8	32.1	-	0.7	0.7	*1*
District Attorney	61.5	61.5	-	-	-	
Emergency Management	62.4	61.6	-	0.8	0.8	*2*
Fire Department	400.1	400.1	1.0	-	1.0	*3*
Juvenile Probation	37.9	35.9	(4.4)	2.1	(2.3)	*4*
Public Defender	41.2	40.8	-	0.3	0.3	
Police	615.5	608.5	0.5	7.1	7.6	*5*
Sheriff	252.2	247.5	-	4.7	4.7	*6*
Police Accountability	12.0	9.9	(0.2)	2.1	1.9	*7*
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	87.8	87.8	(3.5)	-	(3.5)	*8*
Economic & Workforce Development	71.8	62.9	(9.0)	9.0	-	
Port		(9.8)	(9.8)	9.8	-	
Board of Appeals	1.2	1.2	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	33.2	33.2	-	-	-	
Human Services Agency	907.3	889.2	(30.5)	18.2	(12.3)	*9*
Human Rights Commission	6.7	6.3	-	0.4	0.4	
Homelessness and Supportive Housing	204.3	200.2	(0.2)	6.1	5.9	*10*
Status of Women	10.0	10.0	-	-	-	
COMMUNITY HEALTH						
Public Health	1,279.4	1,279.4	71.9	7.0	78.9	*11*
CULTURE & RECREATION						
Asian Art Museum	12.1	11.6	-	0.5	0.5	*12*
Arts Commission	8.5	8.3	-	0.3	0.3	
Fine Arts Museum	17.7	17.6	-	0.1	0.1	
Law Library	2.1	2.1	-	0.1	0.1	
Recreation and Park Department	107.9	105.9	(11.1)	2.0	(9.1)	*13*
Academy of Sciences	6.4	6.4	-	-	-	
War Memorial	6.4	6.4	15.8	-	15.8	*14*
GENERAL ADMINISTRATION & FINANCE						
City Administrator	117.6	114.5	(3.2)	3.1	(0.1)	
Assessor/Recorder	28.5	28.2	(0.0)	0.2	0.2	
Board of Supervisors	18.1	17.2	-	0.9	0.9	*15*
City Attorney	88.6	87.6	(1.0)	1.0	-	
Controller	85.5	85.2	0.0	0.2	0.2	
City Planning	50.1	45.1	(5.0)	5.0	-	
Civil Service Commission	1.4	1.3	-	0.1	0.1	
Ethics Commission	4.7	0.5	0.1	4.1	4.2	*16*
Human Resources	29.2	29.0	-	0.1	0.1	
Health Service System	12.4	12.3	(0.1)	0.1	-	
Mayor	79.3	77.1	-	2.2	2.2	*17*
Elections	29.4	29.4	-	-	-	
Technology	4.0	3.6	(0.6)	0.5	(0.1)	
Treasurer/Tax Collector	39.5	39.4	(0.2)	0.2	-	
Retirement System	2.7	2.7	-	-	-	
GENERAL CITY RESPONSIBILITY	170.6	151.1	4.5	19.5	24.0	*18*
TOTAL GENERAL FUND	5,083.4	4,983.7	15.2	108.6	123.8	

Projections in Table A1-2 capture changes in regular department operations. Any additional costs related to the health emergency are captured in Appendix 3 FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections.

1. Superior Court

The Superior Court projects $0.7 million in expenditure savings in the Indigent Defense program, due to the suspension of most criminal trials and preliminary hearings during the City's shelter-in-place order.

2. Emergency Management

The Department of Emergency Management is projected to end the year with a net surplus of $0.8 million. The department anticipates expenditure savings of $0.6 million in materials and supplies as a result of reimbursable COVID-19 expenditures and savings of $0.3 million in salary and fringe benefits, slightly offset by a projected deficit of $0.1 million in worker's compensation costs.

3. Fire Department

The Fire Department projects to end the fiscal year with a net revenue surplus of $1.0 million in inspection fees and ambulance billings.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with an operating deficit of $2.3 million. A revenue shortfall of $4.4 million is projected due to delayed claiming of federal and state revenue from grants and subventions. Projected expenditure savings of $2.1 million, primarily in salary and fringe benefit costs due to position vacancies and non-personnel cost savings partially offsets the revenue shortfall. The Controller's Office is closely monitoring hiring, department expenditures, and claiming of grant and subvention revenue to ensure the Department stays within budgeted appropriations.

5. Police

The Police Department projects to end the year with a net operating surplus of $7.6 million. The department projects a revenue surplus of $0.5 million, primarily from alarm permit fees. Salaries and benefits savings of $7.1 million are projected as a result of freezing most civilian hires and cancelled policing at special events during the City's shelter-in-place order.

6. Sheriff

The Sheriff's Department projects to end the fiscal year with an operating surplus of $4.7 million. A revenue surplus of $0.2 million, primarily due to reimbursements for provided services, is offset by a work order recovery deficit of $0.2 million for higher security service costs. In addition, the department projects a $4.7 million expenditure savings on department services that were repurposed to the COVID-19 emergency response and are FEMA reimbursable.

7. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with a $1.9 million surplus. Non-personnel services cost savings of $0.7 million and $1.4 million in personnel cost savings from staff vacancies and delayed hiring due to the COVID-19 emergency are slightly offset by a $0.2 million deficit in work order recoveries.

8. Public Works

Public Works projects to end the year with an operating deficit of $3.5 million due to permit fee revenue shortfalls resulting from the shelter-in-place order. The department projects expenditures to be on budget, however, uncertainty regarding the amount and potential reimbursement levels of COVID-19 expenditures may result in a net operating deficit at year-end.

9. Human Services Agency

The Human Services Agency projects to end the year with a net deficit of $12.3 million, comprised of a $30.5 million revenue shortfall and $18.2 million in projected expenditure savings.

Table A1-3. Human Services Agency ($ millions)

	Revenue Surplus / (Deficit)	Expenditure Surplus / (Deficit)	Net Surplus / (Deficit)
Aid & Assistance Programs			
In Home Supportive Services	(9.0)	17.5	8.5
Foster Care and Foster Care Child Care Assistance	(0.3)	4.5	4.2
CAAP & CalWorks	4.1	(6.3)	(2.2)
All Other Aid Programs	(0.8)	0.8	(0.0)
Subtotal Aid and Assistance Programs	**(6.1)**	**16.5**	**10.4**
Operations & Administration	(24.5)	1.7	(22.8)
Grand Total	**(30.5)**	**18.2**	**(12.3)**

The department projects a net $10.4 million surplus In Aid and Assistance programs, comprised of $16.5 million in expenditure savings partially offset by a $6.1 million revenue deficit. Revenue shortfalls are primarily due to $9.0 million less revenue in the In-Home Supportive Services program (IHSS), partially offset by a $4.1 surplus due to a technical adjustment in the County Adult Assistance Programs and CalWORKs programs. Net expenditure savings in Aid and Assistance programs are mostly due to state funding adjustments and a decrease in services in IHSS, and Foster Care/Foster Care Child Care assistance reductions in caseload and cost per case. These savings are offset by $6.3 million in projected expenditures above budget in the County Adult Assistance Programs and CalWORKs due to increased caseload and payments to homeless clients for suspended shelter reservations.

A net $22.8 million deficit is projected the department's Operations and Administration, comprised of a $24.5 million revenue shortfall, slightly offset by $1.7 million in expenditure savings. The revenue shortfall is primarily due to lower than budgeted revenues in General Operations and Special Projects ($17.6 million) and Child Welfare programs ($9.7 million), offset by an increase of $3.1 million in Medi-Cal funding. Expenditure savings are mainly due to a shift in the allocation of staff time to various program activities, and underspending in non-personnel costs in the CalWORKs and Workforce Development programs.

10. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of $5.9 million. This is due to a revenue deficit of $0.2 million from services provided to other government agencies such as BART, offset by $1.4 million in personnel cost savings due to delayed hiring as a result of the COVID-19 health crisis, and $4.7 million of savings from non-salary expenses.

11. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of $78.9 million. Overall department revenues are projected to be $71.9 million above budget, and expenditures savings of $7.0 million are projected.

Table A1-4. Department of Public Health by Fund ($ millions)

Fund	Sources Surplus/ (Deficit)	Uses Surplus/ (Deficit)	Net Surplus/ (Deficit)
Public Health General Fund	(33.0)	12.2	(20.7)
Laguna Honda Hospital	9.3	3.3	12.5
Zuckerberg San Francisco General Hospital	95.6	(8.5)	87.1
Total	**71.9**	**7.0**	**78.9**

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Public Health Division, and Central Administration, have a combined revenue shortfall of $33.0 million. Significant revenue variances from budget include an $11.9 million shortfall in 1991 State Realignment Revenue, a $10.9 shortfall in revenues from the San Francisco Health Plan under the City Option program, $8.3 million in reduced Medi-Cal and Short Doyle Revenue due to reduced service levels caused by COVID-19 restrictions, and $5.1 million less than budget in Primary Care Medi-Cal revenue. Expenditure savings of $12.2 are comprised of Health Network over-expenditures of $8.0 million offset by $12.6 million in savings in the Public Health, Behavioral Health and Central Administration divisions.

Laguna Honda Hospital

The department projects a $12.5 million surplus at Laguna Honda Hospital. Revenue is projected to be $9.3 million above budget due to a higher-than-expected Medi-Cal per diem rate, as well as $5.1 million of salary and fringe benefit savings due to staff vacancies, partially offset by over-expenditures in contracted services for temporary staffing.

Zuckerberg San Francisco General Hospital

The Department projects a $87.1 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be $95.6 million above budget. The Department projects a $9.4 million deficit in net patient revenues due to $18.4 million in losses resulting from restrictions under the COVID-19 pandemic, partially offset by higher than expected patient census and improved collections and $21.1 million in designated CARES Act funding for public health. The revenue surplus also includes a $107.1 million favorable variance in GPP (Global Payment Program)/PRIME (Public Hospital Redesign and Incentives in Medi-Cal) due primarily to favorable prior year settlements. The settlements include $40.0 million in one-time prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19 and were deferred to FY 2019-20 under AAO Sections 12.6 and 27. In addition, the department has received a $36.2 million favorable settlement under the Low Income Health Program from a previous Section 1115 Waiver. These surpluses are partially offset by a $16.3 million projected shortfall in capitation revenues resulting from decreased Medi-Cal Managed Care enrollment.

Expenditures are projected to be $8.5 million beyond budget, driven by higher-than anticipated patient census. Significant expenditure budget variances include $5.8 million expenditure overages in salaries and $6.7 million in over-expenditures for non-personnel services, partially offset by $4.0 million in fringe benefits savings due to the increased use of temporary and per diem staffing at the Hospital.

12. Asian Art Museum

The Asian Art Museum projects $0.5 million in salary and fringe benefit savings.

13. Recreation and Park

The Recreation and Park Department projects a net operating deficit of $9.1 million, primarily due to a revenue shortfall of $11.1 million from event cancellations due to the shelter-in-place order, partially offset by $2.0 million of salary and fringe benefit savings.

14. War Memorial

The War Memorial projects a surplus of $15.8 million due to unbudgeted revenue from the sale of transferable development rights.

15. Board of Supervisors

The Board of Supervisors projects $0.9 million of expenditure savings, predominantly from salary and fringe benefits savings.

16. Ethics

The Ethics Department projects a net surplus of $4.2 million, including $3.5 of expenditure savings from public financing of elections, due to fewer candidates than projected in the

November 2019 election. San Francisco Campaign Code Section 1.138(b)(1) caps the fund at $7.0 million per year, and the expenditure savings projected for this year reflect maintaining this cap. Salary and benefit savings of $0.5 million are also projected.

17. Office of the Mayor

The Mayor's Office of Housing and Community Development projects to end the year with a $2.2 million net surplus, primarily due to $1.5 million expenditure savings in the Single Room Occupancy (SRO) Elevator Rebate Program and $0.7 million in staffing and support savings for the San Francisco Housing Authority (SFHA).

18. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments and is projected to have a net surplus of $24.0 million. A revenue surplus of $4.5 million is comprised of $0.8 million in unbudgeted SB90 reimbursements and a $4.3 million multi-year retroactive payment in lieu of taxes from a tax-exempt landowner in Mission Bay, partially offset by a $0.5 million shortfall in parking penalty revenue affected by the shelter in place order. A total of $20.8 million in minimum wage increases and cost of living adjustments for community-based organizations is projected to be allocated to departments, resulting in expenditure savings of $19.5 million due to departments' abilities to cover the cost of these obligations through existing budget sources.

NINE-MONTH OVERTIME REPORT

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. The Administrative Code Section 3.17 requirement for select departments to request a supplemental appropriation to increase overtime budgets in annual operating funds is currently superseded by the Mayor's emergency declaration.

Table A1-5. FY 2019-20 Overtime Expenditures by Department

Department ($ Millions)	FY 2018-19 Actual	FY 2019-20 Revised Budget	FY 2019-20 July though 03/31/2020	FY 2019-20 % of Budget through 03/31/2020
Municipal Transit Agency - Total	**89.0**	**36.9**	**67.7**	**183%**
Police*				
General Fund (Excl. Work Orders)	19.2	20.0	15.0	75%
Airport	2.1	2.5	1.4	58%
General Fund Work Orders	4.5	6.6	3.5	52%
Total Annual Operating Funds	**25.8**	**29.1**	**19.9**	**69%**
Special Revenue (10B)	*18.5*		*13.3*	
Total	*44.3*		*33.3*	
Public Health*				
ZSF General	6.7	13.0	11.3	87%
Laguna Honda	9.2	10.8	6.9	65%
Other Annual Funds	2.8	1.6	2.2	137%
Total Annual Operating Funds	**18.7**	**25.3**	**20.4**	**80%**
Fire*				
General Fund	35.1	32.1	24.1	75%
Airport	4.5	5.7	4.0	70%
Total Annual Operating Funds	**39.6**	**37.7**	**28.1**	**74%**
Sheriff*				
General Fund (Excl. Work Orders)	21.5	19.9	16.1	81%
General Fund Work Orders	7.2	5.6	6.0	107%
Total Annual Operating Funds	**28.7**	**25.5**	**22.1**	**87%**
Airport*				
Annual Operating Funds	2.8	2.6	2.2	82%
Emergency Management*				
Annual Operating Funds	4.5	3.3	2.9	88%
Public Works*				
Annual Operating Funds	2.4	1.5	1.3	86%
General Fund Work Orders	0.5	0.8	0.4	47%
Public Utilities*				
Annual Operating Funds	6.1	5.0	3.8	76%
Recreation and Park*				
Annual Operating Funds	2.2	2.0	1.6	79%
Juvenile Probation	1.4	1.1	0.7	65%
Admin Services	3.3	0.6	2.0	317%
Elections	0.5	0.6	0.9	144%
Technology	1.0	0.6	0.7	132%
Human Services	2.8	0.5	1.8	343%
Port	0.6	0.5	0.4	69%
Controller	0.2	0.5	0.0	9%
Building Inspection	0.5	0.4	0.4	117%
Fine Arts Museum	1.0	0.3	0.5	162%
War Memorial	0.3	0.2	0.2	130%
Public Library	0.4	0.1	0.4	289%
Adult Probation	0.1	0.1	0.1	48%
District Attorney	0.2	0.1	0.1	126%
Academy of Sciences	0.1	0.1	0.0	61%
Asian Art Museum	0.2	0.1	0.1	192%
Public Defender	0.0	0.1	0.0	44%
City Attorney	0.3	0.0	0.2	1659%
Total Overtime**	232.9	175.7	179.1	102%

* Administrative Code Section 3.17 requires these departments to receive appropriation authority from the Board of Supervisors to increase the authorized budget for overtime in annual operating funds. At the time of this report, this requirement is superseded by the Mayor's Emergency Declaration.

** Total overtime excludes: special revenue (10B) and non-annual operating funds in departments listed in Administrative Code 3.17.

Additional Notes: (1) This report reflects supplemental appropriation ordinance #191070, increasing overtime budget for the Police and the Sheriff's Department. (2) This report does not identify COVID-19 related overtime costs separately.

Appendix 2. FY 2020-21 – FY 2023-24 Budget Outlook

BACKGROUND

San Francisco Administrative Code Section 3.6(b) requires that by March of each even-numbered year, the Mayor, Board of Supervisors Budget & Legislative Analyst, and Controller submit an updated estimated summary budget projection for the remaining four years of the City's Five-Year Financial Plan. This section updates our previous projection, which was issued on March 31, 2020.

PROJECTION UDPATE

In January 2020, the Five-Year Financial Plan Update for FY 2020-21 through FY 2023-24 was jointly released by the Mayor's Office, Board of Supervisors' Budget & Legislative Analyst's Office, and Controller's Office. That report projected budget shortfalls over the four-year projection period and estimated the shortfall for the upcoming two-year budget for FY 2020-21 and FY 2021-22 of $419.5 million. This January projection was updated by our offices in March 2020 to provide a range of revenue losses resulting from the public health emergency, and projected a revised shortfall of between $1.1 and $1.7 billion, including the current year. The table below summarizes our current shortfall projection, totaling $1.7 billion through FY 2021-22, with shortfalls of $1.0 billion and $1.1 billion in the final two fiscal years of the projection period.

Table A2-1: Updated Base Case – Summary of FY 2019-20 to FY 2023-24

General Fund Projected Budgetary Cumulative Surplus / (Shortfall) ($ in millions)

		FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
I.	Current fiscal year	(246.2)				
II.	Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III.	Projected shortfalls	(246.2)	(753.9)	(735.4)	(1,016.4)	(1,088.5)
	FY 2019-20 - FY 2021-22 Total			(1,735.5)		

CHANGES FROM THE JANUARY 2020 PROJECTIONS

This section, summarized in the table below, describes the changes since our January projection report.

Table A2-2: Summary Changes to Updated Projected Budgetary Surplus / (Shortfall), cumulative, as compared to January 2020 Projection

	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Sources - Revenue and Fund Balance	(739.2)	(534.2)	(479.2)	(419.1)
Uses - Baselines & Reserves	138.4	75.5	97.9	77.1
Uses - Salaries & Benefits	43.0	(37.8)	(76.6)	(87.0)
Uses - Citywide Operating Budget Costs	1.4	6.2	0.9	(0.9)
Uses - Departmental Costs	(2.1)	(20.9)	(28.4)	(28.0)
Total Cumulative Change	(558.6)	(511.2)	(485.3)	(457.9)
Change in Two Year Deficit	(1,069.8)			

- SOURCES – Revenue and Fund Balance: General Fund sources are projected to decrease by $739.2 million in FY 2020-21, $534.2 million in FY 2021-22, $479.2 million in FY 2022-23, and $419.1 million in FY 2023-24, as compared to the January 2020 projection. Incrementally, the year-over-year changes as compared to January 2020 increased by $739.2 million in FY 2020-21, decreased by $205 million in FY 2021-22, $55 million in FY 2022-23, and $60 million in FY 2023-24. These projections reflect the stark and immediate impact of the COVID-19 emergency on revenue.

    - Use of Fund Balance. The current projection is the same as the January projection, assuming the use of $331.7 million of fund balance, as well as the entirety of the fund balance draw down reserve. To achieve this level of fund balance, policymakers will need to eliminate the current year shortfall of $246.2 million, as described in Appendix 1.

    - Citywide Revenue. The current projection includes significant downward revisions of revenue, detailed in the section below.

    - Department of Public Health Revenue. In addition to the January assumptions, the current projection includes a new one-time reduction of public health revenues of $80.2 million in FY 2020-21, recovering in the following year. This amount mostly represents lost patient and Medi-Cal revenue due to the cancellation and deferral of elective medical visits as a result of the health emergency.

- USES – Baselines and Reserves: Decreases to projected General Fund sources over the next four years result in corresponding reduced contributions to baseline and reserves. As compared to January 2020, these costs decrease by $138.4 million in FY 2020-21,

$75.5 million in FY 2021-22, $97.9 million in FY 2022-23, and $77.1 million in FY 2023-24. Year-over-year, the incremental changes as compared to the January 2020 report decreased by $138.4 million in FY 2020-21, increased by $62.9 million in FY 2021-22, decreased by $22.5 million in FY 2022-23, and increased by $20.8 million in FY 2023-24.

- USES – Salaries and Benefits: Compared to January 2020, salary and benefit costs are projected to decrease by $43.0 million in FY 2020-21, increase by $37.8 million in FY 2021-22, $76.6 million in FY 2022-23, and $87.0 million in FY 2023-24. The year-over-year changes as compared to the January 2020 report decreased by $43 million in FY 2020-21, increased by $80.8 million in FY 2021-22, $38.8 million in FY 2022-23, and $10.4 million in FY 2023-24. These figures reflect the following changes:

  - Labor Agreements – This update assumes contracts for Police and Firefighter unions remain closed through FY 2020-21, and contracts for miscellaneous unions remain closed through FY 2021-22. Given that the projected shortfall in FY 2020-21 exceeded $200 million in our March Joint Report, this report assumes the six-month delay of wage increases set to go into effect in July 2020 and December 2020, consistent with language in negotiated memorandums of understanding (MOUs). Compared to the January 2020 report, this results in year-over-year savings of $46.4 million in FY 2020-21, but an additional cost of $40.4 million in FY 2021-22, as the wage increase is pushed into the following calendar year. In years in which contracts are open, the report continues to assume CPI increases, which are revised in this plan to be 3.39% in FY 2021-22, 3.04% in FY 2022-23, and 3.08% in FY 2023-24. These changes are based on updates to the projections of Moody's SF Metropolitan Statistical Area CPI. As compared to the January 2020 report, the year-over-year change increased by $13.4 million in FY 2021-22, $7.1 million in FY 2022-23, and $7.5 million in FY 2023-24.

  - Retirement Benefits – Employer Contribution Rates – Changes in the assumed employer contribution rates for SFERS are a significant driver in the change in salary and benefits costs as compared to the January 2020 report. The projection reflects the employer contribution rate set by the Retirement Board in February 2020 for the upcoming fiscal year 2020-21, resulting in a savings of $5.6 million compared to January. For the remaining years of the projection, the report assumes investment returns of -5.0% in the current year as a result of poor market performance due to the COVID-19 emergency, as opposed to the 7.4% rate of returns assumed in January. These losses result in increased year-over-year costs of $26.9 million in FY 2021-22 and an additional $30.7 million in FY 2022-23 versus the January projection.

  - Health Benefits for Active Employees and Retirees – The update includes a number of changes to the cost of health benefits for active employees and retirees. In January 2020, the average health rate increases for active and retirees was approximately 6.0% across the projection period; in this update, average health rates are projected to increase to 6.7%. For active employees, health rates were increased modestly from the January report to account for projected increases in health care costs. For retirees, the update includes increased retiree health costs in FY 2020-21 to reflect actual retiree health costs in the current fiscal year, and then assumes increased rates in the final three years of the projection. This report also assumes the elimination of the so-called Cadillac Tax, which was repealed by Congress in December 2019, reducing expected costs of health care. Together, these changes result in an additional year-over-year increase of $8.7 million in FY 2020-21, $2.1 million in FY 2021-22, $3.9 million in FY 2022-23, and $3.8 million in FY 2023-24, as compared to the January projection.

- USES – Citywide Operating Costs: Citywide operating costs are projected to decrease by $1.4 million in FY 2020-21, $6.2 million in FY 2021-22, and $0.9 million in FY 2022-23, and increase by $0.9 million in FY 2023-24, as compared to the January 2020 projection. The year-over-year changes as compared to the January 2020 report decreased by $1.4 million in FY 2020-21 and $4.9 million in FY 2021-22, and increased by $5.3 million in FY 2022-23, and $1.8 million in FY 2023-24. Changes are primarily driven by updated assumptions about debt service, real estate, and the City's capital program.

  - Debt Service & Real Estate: Changes to citywide debt service are related to the City's long-range capital planning efforts. On March 5, 2019, the City's Proposed Ten-Year Capital Plan for 2019-20 through 2028-29 was introduced to the Board of Supervisors. The assumptions in the Capital Plan, including the schedule of issuances of Certificates of Participation (COPs), are reflected in this update. This update reflects lower projected General Fund debt payments compared the January report, due to the recent issuance of a COP refunding bond series. Additionally, projected General Fund lease and operating costs for City-owned and leased facilities have increased by $7.1 million in FY 2020-21 and have incrementally decreased by $4.9 million in FY 2021-22, as compared to the January report. This change in cost is primarily due to updated information on lease terms, changes to projected lease extension schedules, and changes in tenancy in FY 2020-21. Taken together, these changes result in an increased year-over-year cost of $7.3 million in FY 2020-21, a decrease of $5.8 million in FY 2021-22, an increase of $4.1 million in FY 2022-23, and a decrease of $1.1 million in FY 2023-24.

  - Capital, Equipment, & Technology: The projected cost increases in debt service and real estate are offset by savings in the City's General Fund capital program. The City receives revenues from the Road Maintenance and Rehabilitation Program authorized in state Senate Bill 1 (SB1) that contribute to the capital program for road repaving work. For FY 2020-21, these revenues are projected to decrease by $7.2 million in FY 2020-21, and then increase along with CPI in the remaining years of the projection by $0.3 million, $0.4 million, and $0.5 million, respectively. The revised estimates reflect reduced gasoline consumption and an overall slowdown in the U.S. economy as a result of the COVID-19 emergency. To account for this revenue loss, the City's capital program is reduced by a subsequent amount in FY 2020-21 and is not assumed to be backfilled by other sources, resulting in a savings as compared to January 2020. Taken together, these changes result in a reduced year-over-year cost of $7.3 million in FY 2020-21, $0.9 million in FY 2021-22, $0.2 million in FY 2022-23, and an increase of $0.2 million in FY 2023-24.

- USES – Departmental Costs: Compared to the January 2020 report, departmental costs are projected to increase by $2.1 million in FY 2020-21, $20.9 million in FY 2021-22,

$28.4 million in FY 2022-23, and $28.0 million in FY 2023-24. The year-over-year changes as compared to the January 2020 report increased by $2.1 million in FY 2020-21, $18.8 million in FY 2021-22, and $7.4 million in FY 2022-23, and decreased by $0.4 million in FY 2023-24. These changes are primarily due to a projected increased General Fund subsidy for the Moscone Convention Center and increased cost for entitlements and other benefits, offset by some savings in the annualization of current year supplementals.

- City Administrator's Office – Convention Facilities Subsidy – This update assumes the significant impact that the COVID-19 emergency is expected to have on operating revenues and expenditures at the Moscone Center. Compared to the January report, this update assumes the General Fund subsidy to the Convention Facilities Fund will increase by $4.6 million FY 2020-21 and an additional $1.3 million in FY 2021-22, in order to offset expected revenue shortfalls from reduced convention center activity. Operating revenues and expenditures are projected to remain at previously projected levels in FY 2022-23 and FY 2023-24.

- Human Services Agency – Entitlement and Other Benefit Costs – Increases in General Fund costs for public assistance programs, including California Work Opportunity and Responsibility to Kids (CalWORKs) and County Adult Assistance Program (CAAP), are included in this report, with most of the local cost increases attributable to changes in CAAP. In March 2020, the state suspended its discontinuance policy, allowing clients to remain in the programs for a longer duration. Additionally, the updated cost projections assume growing caseloads in line with current unemployment trends, resulting in a greater number of adults becoming eligible for benefits. This report also updates assumptions in state revenues tied to sales tax, further increasing the General Fund share of these costs.

  Finally, this report assumes that a $1.00 increase to gross hourly compensation for In-Home Support Service (IHSS) workers will not take effect on July 1, 2020. The collective bargaining agreement (CBA) between the IHSS Public Authority and the union representing these workers indicates that increases are subject to appropriation in the annual budget and certified to be sufficient by the Controller. Taken together, these changes result in increased year-over-year costs of $0.7 million in FY 2020-21, $15.9 million in FY 2021-22, $5.4 million in FY 2022-23, and $0.8 million in FY 2023-24, as compared to the January 2020 report.

- Buffin Supplemental – Ongoing Costs - The January report included costs related to the ongoing implementation of a new pre-arraignment release process in lieu of cash bail, as stipulated by the September 2019 settlement in the case of *Buffin et al. vs. Vicki Hennessy in her official capacity as Sheriff*. These cost projections have since been revised downward to reflect current operations for this new pre-arraignment process, including lower personnel costs than previously assumed in the Police Department and the District Attorney. These changes result in a $1.9 million savings in FY 2020-21, as compared to the January report.

KEY FACTORS THAT COULD AFFECT THE FORECAST

As with all projections, uncertainties exist regarding key factors that could affect the City's financial condition. This level of uncertainty is at historically high levels given the current public health and economic emergency. Key risk areas are highlighted below.

Economic and Revenue Recovery Delayed

These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. Underlying assumptions regarding each General Fund source are outlined in Appendix 2.

To the extent that the recovery occurs later or more gradually than assumed here, tax revenue losses will exceed those projected in this report. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks of the disease require re-imposition of public health measures that had been lifted.

Property, business, hotel, and sales tax revenue account for $3.6 billion of General Fund revenues. More significant economic losses that drive either a deeper loss or slower recovery of these revenue sources than assumed would worsen our projections significantly. For illustration, **a 10% deviation from our projections for these four sources would aggravate projected shortfalls by approximately $360 million in FY 2020-21 alone**.

Emergency Expenditures Required for Longer Duration

The City's response to the public health emergency has been expansive, and we project emergency response expenditures to total approximately $375 million during the current fiscal year alone. These costs include extensive procurement of protective equipment for medical staff and first responders, operation and augmentation of the City's public health system, new congregate and non-congregate housing alternatives for vulnerable residents, and economic and social support programs for those effected by both the public health and economic emergencies.

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain them in upcoming fiscal years, **these projections assume no additional General Fund cost for these programs beyond June 30, 2020**. However, sustained emergency and public health responses will be required. Preliminary ranges of these costs are included in Appendix 3 to this report and will be significant. We will continue to keep the Mayor and Board updated on these future costs as they are known and refined.

Reliance on Federal and State Support

The City is reliant on federal and state revenues to support a variety of public health, social, and other government services. These funds account for approximately 20% of total General Fund revenues.

The reliance on federal funds is heightened in the current emergency, as Federal Emergency Management Agency (FEMA) and other federal grant programs are needed to offset the costs of the City's emergency response. We project that federal sources, including a significant allocation provided under the federal CARES Act for state and local governments, will offset the majority of emergency costs during the current fiscal year. However, absent additional allocations from the federal government, CARES Act funds will be largely exhausted in the current fiscal year. Similarly, the duration of reimbursements from FEMA are unknown and tied to the duration of the federal emergency. As these federal programs expire, it will significantly decrease non-City revenues available to offset future local emergency response costs.

Additionally, the City receives funding through the State of California for a number of human welfare, public health, and other programs. The public health emergency has significantly weakened the State's financial condition. The Governor is scheduled to release a proposed budget to bridge a projected $54 billion shortfall for the current and upcoming fiscal year in the coming week. To the extent that the State's budget challenge results in reductions in funding for local governments, it will increase General Fund shortfalls accordingly.

Projections in this report assume no loss of federal or state aid. We will continue to update the Mayor and Board as additional information is available.

Table A2-3 Updated Base Case – Change in year-over-year General Fund-Supported Sources & Uses FY 2020-24

Reflects changes in year-over-year costs as compared to Table A-1 from the January Five Year Financial Plan Update.

Table A-1 Base Case Projection - Change in Year-Over-Year as compared to January 2020

SOURCES Increase / (Decrease)	2020-21	2021-22	2022-23	2023-24
General Fund Taxes, Revenues and Transfers net of items below	(605.9)	104.6	56.5	61.7
Change in One-Time Sources	-	-	-	-
Public Health - Operating and one-time revenues	(84.6)	80.2	0.1	-
Other General Fund Support	(48.7)	20.2	(1.5)	(1.6)
TOTAL CHANGES TO SOURCES	**(739.2)**	**205.0**	**55.0**	**60.0**
USES Decrease / (Increase)				
Baselines & Reserves				
Contributions to Baselines	117.6	(35.5)	17.5	(20.6)
Contributions to Reserves	20.8	(27.5)	4.9	(0.2)
Subtotal Changes to Baselines & Reserves	**138.4**	**(62.9)**	**22.5**	**(20.8)**
Salaries & Benefits				
Previously Negotiated Closed Labor Agreements & Current Staffing Costs	46.4	(40.4)	0.0	-
Projected Costs of Open Labor Agreements	-	(13.4)	(7.1)	(7.5)
Health & Dental Benefits - Current & Retired Employees	(8.7)	(2.1)	(3.9)	(3.8)
Retirement Benefits - Employer Contribution Rates	5.6	(26.9)	(30.7)	(0.0)
Other Salaries and Benefits Savings / (Costs)	(0.3)	1.9	2.8	0.9
Subtotal Changes to Salaries & Benefits	**43.0**	**(80.8)**	**(38.8)**	**(10.4)**
Citywide Operating Budget Costs				
Minimum Wage and Minimum Compensation Ordinance	-	(0.0)	(0.0)	(0.0)
Capital, Equipment, & Technology	7.3	0.9	0.2	(0.2)
Inflation on non-personnel costs and grants to non-profits	-	(0.1)	(1.3)	(2.4)
Debt Service & Real Estate	(7.3)	5.8	(4.1)	1.1
Sewer, Water, and Power Rates	-	-	-	-
Other Citywide Costs	1.4	(1.7)	(0.2)	(0.2)
Subtotal Changes Citywide Operating Budget Costs	**1.4**	**4.9**	**(5.3)**	**(1.8)**
Departmental Costs				
City Administrator's Office - Convention Facilities Subsidy	(4.6)	(1.3)	0.3	0.1
Elections - Number of Scheduled Elections	-	0.0	(0.0)	(0.0)
Ethics Commission - Public Financing of Elections	-	-	-	-
Free City College	-	-	(0.0)	0.5
Mission Bay Transportation Improvement Fund	1.8	(0.8)	(0.2)	(0.1)
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(0.6)	0.2	(0.9)	0.7
Human Services Agency - IHSS and Other Benefit Costs	(0.7)	(15.9)	(5.4)	(0.8)
Public Health - Operating and one-time costs for capital projects	-	-	-	-
Buffin Supplemental - Ongoing Costs	1.9	(0.8)	0.0	0.0
All Other Departmental Savings / (Costs)	0.0	(0.2)	(1.3)	(0.0)
Subtotal Changes to Departmental Costs	**(2.1)**	**(18.8)**	**(7.4)**	**0.4**
TOTAL CHANGES TO USES	**180.7**	**(157.7)**	**(29.1)**	**(32.6)**
Change in Projected Surplus (Shortfall) vs. Prior Year	**(558.6)**	**47.4**	**25.9**	**27.4**
Change in Cumulative Projected Surplus (Shortfall)	**(558.6)**	**(511.2)**	**(485.3)**	**(457.9)**
Change in 2-Year Number		**(1,069.8)**		

Table A2-4: Updated Base Case – Updated General Fund-Supported Sources & Uses FY 2020-24 – CUMULATIVE CHANGE

This table provides an updated version of Table A-2 from the January Five Year Financial Plan Update.

Table A-2 Base Case Projection - Cumulative Change

SOURCES Increase / (Decrease)	**2020-21**	**2021-22**	**2022-23**	**2023-24**
General Fund Taxes, Revenues and Transfers net of items below	(487.3)	(306.0)	(110.3)	89.1
Change in One-Time Sources	2.0	149.1	(76.0)	(110.5)
Public Health - Operating and one-time revenues	(132.1)	(31.6)	(12.3)	7.5
Other General Fund Support	(32.9)	0.4	8.8	18.4
TOTAL CHANGES TO SOURCES	**(650.3)**	**(188.2)**	**(189.7)**	**4.4**
USES Decrease / (Increase)				
Baselines & Reserves				
Contributions to Baselines	63.6	2.3	(43.6)	(99.8)
Contributions to Reserves	29.3	19.1	14.4	13.6
Subtotal Baselines & Reserves	**92.9**	**21.4**	**(29.2)**	**(86.3)**
Salaries & Benefits				
Previously Negotiated Closed Labor Agreements & Current Staffing Costs	(69.9)	(177.6)	(171.8)	(160.6)
Projected Costs of Open Labor Agreements	-	(41.9)	(139.7)	(237.6)
Health & Dental Benefits - Current & Retired Employees	(31.4)	(56.6)	(84.5)	(114.2)
Retirement Benefits - Employer Contribution Rates	(38.2)	(35.4)	(13.5)	21.8
Other Salaries and Benefits Savings / (Costs)	14.5	4.0	(5.7)	(4.0)
Subtotal Salaries & Benefits	**(124.9)**	**(307.4)**	**(415.1)**	**(494.5)**
Citywide Operating Budget Costs				
Minimum Wage and Minimum Compensation Ordinance	-	(0.5)	(1.0)	(1.6)
Capital, Equipment, & Technology	(13.2)	(31.1)	(45.6)	(72.5)
Inflation on non-personnel costs and grants to non-profits	(14.0)	(55.7)	(94.4)	(134.8)
Debt Service & Real Estate	(34.6)	(64.5)	(75.4)	(80.3)
Sewer, Water, and Power Rates	(1.9)	(5.0)	(8.2)	(11.2)
Other Citywide Costs	(1.9)	(4.6)	(9.5)	(15.0)
Subtotal Citywide Operating Budget Costs	**(65.5)**	**(161.5)**	**(234.1)**	**(315.4)**
Departmental Costs				
City Administrator's Office - Convention Facilities Subsidy	(12.9)	(17.8)	(18.2)	(18.8)
Elections - Number of Scheduled Elections	2.0	(0.2)	(0.6)	(6.4)
Ethics Commission - Public Financing of Elections	4.7	5.1	5.1	5.1
Free City College	(9.1)	(9.8)	(10.3)	(10.3)
Mission Bay Transportation Improvement Fund	1.6	0.6	0.3	0.0
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(4.1)	(16.4)	(18.4)	(25.5)
Human Services Agency - Entitlements and Other Benefit Costs	(3.9)	(37.8)	(61.3)	(72.4)
Public Health - Operating and one-time costs for capital projects	15.1	(15.3)	(36.2)	(58.5)
Buffin Supplemental - Ongoing Costs	(1.2)	(1.2)	(1.2)	(1.3)
All Other Departmental Savings / (Costs)	1.8	(6.8)	(7.3)	(8.7)
Subtotal Departmental Costs	**(6.0)**	**(99.7)**	**(148.2)**	**(196.8)**
TOTAL CHANGES TO USES	**(103.6)**	**(547.2)**	**(826.6)**	**(1,093.0)**
Projected Surplus (Shortfall) vs. Prior Year	**(753.9)**	**(735.4)**	**(1,016.4)**	**(1,088.5)**
2-Year Number		**(1,489.3)**		

GENERAL FUND REVENUE AND TRANSFERS IN

Table A2-5: FY 2019-20 General Fund Revenue and Transfers In

GENERAL FUND ($ Millions)	FY 2018-19 Year End Actual	Prior Projections for FY 2019-20 Original Budget	Revised Budget	6-Month	Extended Projection	May Projection FY 2019-20	Surplus/ Shortfall	Note
PROPERTY TAXES	$ 2,246.3	$ 1,956.0	$ 1,956.0	$ 2,002.0	$ 1,951.8	$ 2,031.8	75.8	1
BUSINESS TAXES								
Business Registration Tax	45.3	48.2	48.2	46.9	46.9	0.0	(48.2)	
Payroll Tax	190.0	178.4	178.4	293.2	290.1	224.6	46.2	
Gross Receipts Tax	665.7	783.1	783.1	649.1	703.3	602.4	(180.7)	
Admin Office Tax	16.9	40.9	40.9	16.5	16.5	16.5	(24.4)	
Total Business Taxes	917.8	1,050.6	1,050.6	1,005.8	1,056.9	843.5	(207.1)	2
OTHER LOCAL TAXES								
Sales Tax	213.6	204.1	204.1	212.5	171.4	170.3	(33.7)	3
Hotel Room Tax	392.3	389.1	389.1	377.7	253.5	239.0	(150.1)	4
Utility Users Tax	94.0	98.7	98.7	94.5	94.5	86.4	(12.3)	5
Parking Tax	86.0	83.0	83.0	83.1	66.5	60.9	(22.1)	6
Real Property Transfer Tax	364.0	296.1	296.1	422.7	305.0	320.0	23.9	7
Sugar Sweetened Beverage Tax	16.1	16.0	16.0	16.0	16.0	14.0	(2.0)	
Stadium Admission Tax	1.2	5.5	5.5	1.2	0.9	0.3	(5.2)	
Access Line Tax	48.0	48.9	48.9	48.9	48.9	48.9	(0.0)	5
Cannabis Tax	0.0	3.0	3.0	0.0	0.0	0.0	(3.0)	
Total Other Local Taxes	1,215.3	1,144.4	1,144.4	1,256.6	956.7	939.9	(204.5)	
LICENSES, PERMITS & FRANCHISES								
Licenses & Permits	12.7	12.8	12.8	12.8	2.5	2.5	(10.2)	8
Franchise Fee	15.6	17.7	17.7	15.6	15.6	15.6	(2.0)	5
Total Licenses, Permits & Franchises	28.3	30.4	30.4	28.4	18.2	18.2	(12.3)	
FINES, FORFEITURES & PENALTIES	5.3	3.1	3.2	3.2	1.6	2.7	(0.5)	
INTEREST & INVESTMENT INCOME	80.5	76.6	76.6	67.0	49.4	49.4	(27.2)	9
RENTS & CONCESSIONS	14.2	15.1	15.1	15.1	11.8	10.4	(4.8)	8
INTERGOVERNMENTAL REVENUES								
Federal Government	257.4	280.0	289.8	289.8	289.8	268.1	-21.7	10
State Government								
Health & Welfare Realignment - Sales Tax	175.2	175.5	175.5	181.3	142.4	151.6	(24.0)	3
Health & Welfare Realignment - VLF	42.4	45.5	45.5	44.6	44.6	44.6	(0.9)	3
Public Safety Sales Tax	107.6	104.6	104.6	107.3	86.6	90.5	(14.1)	3
Public Safety Realignment (AB109)	39.4	42.1	42.1	41.6	33.5	27.3	(14.8)	3
All Other	457.4	438.1	444.6	432.0	432.0	450.5	5.9	10
Total State Grants and Subventions	822.0	805.9	812.3	806.8	739.1	764.4	(47.8)	
Other Regional Government								
Redevelopment Agency	2.1	2.7	12.5	2.7	2.7	2.4	(10.1)	
CHARGES FOR SERVICES	250.3	232.3	232.9	224.2	224.2	208.9	-24.1	
RECOVERY OF GEN. GOV'T. COSTS	13.0	12.9	12.9	12.9	12.9	12.9	-	
OTHER REVENUES	31.7	69.4	52.8	44.8	44.8	64.2	11.4	
TOTAL REVENUES	5,884.2	5,679.6	5,689.5	5,759.4	5,359.9	5,216.7	(472.8)	
TRANSFERS INTO GENERAL FUND:								
Airport	49.1	51.5	51.5	48.9	34.2	34.2	50.7	11
Other Transfers	189.9	111.9	115.9	115.9	115.9	115.9	114.7	
Total Transfers In	239.1	163.5	167.4	164.8	150.1	150.1	165.4	
TOTAL GENERAL FUND RESOURCES	$ 6,123.2	$ 5,843.0	$ 5,857.0	$ 5,924.2	$ 5,510.0	$ 5,366.8	$ (307.5)	

Table A2-6: FY 2020-21 – FY 2023-24 General Fund Revenue and Transfers In

GENERAL FUND ($ Millions)	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Note
PROPERTY TAXES	$ 2,025.9	$ 1,819.0	$ 1,922.0	$ 2,037.0	1
BUSINESS TAXES					
Business Registration Tax	95.2	49.8	51.3	52.3	
Payroll Tax	237.5	242.7	246.4	249.9	
Gross Receipts Tax	632.3	688.0	699.0	709.2	
Admin Office Tax	15.0	15.0	15.0	15.0	
Total Business Taxes	980.0	995.5	1,011.7	1,026.4	2
OTHER LOCAL TAXES					
Sales Tax	173.0	183.7	186.8	190.0	3
Hotel Room Tax	163.9	258.5	314.0	363.2	4
Utility Users Tax	89.4	92.5	93.3	94.1	5
Parking Tax	70.6	84.6	84.6	84.6	6
Real Property Transfer Tax	216.0	253.4	253.4	253.4	7
Sugar Sweetened Beverage Tax	14.0	14.0	14.0	14.0	
Stadium Admission Tax	0.9	1.2	3.8	6.5	
Access Line Tax	50.4	52.0	53.6	55.1	5
Cannabis Tax	4.3	8.5	8.5	8.5	
Total Other Local Taxes	782.6	948.5	1,012.0	1,069.4	
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	2.5	13.3	13.3	13.3	8
Franchise Fee	15.6	15.6	15.6	15.6	5
Total Licenses, Permits & Franchises	18.2	29.0	29.0	29.0	
FINES, FORFEITURES & PENALTIES	1.6	3.1	3.1	3.1	
INTEREST & INVESTMENT INCOME	26.6	23.1	22.1	22.4	9
RENTS & CONCESSIONS	11.8	15.4	15.4	15.4	8
INTERGOVERNMENTAL REVENUES					
Federal Government	284.6	284.6	284.6	284.6	10
State Government					
Health & Welfare Realignment - Sales Tax	136.8	145.7	152.1	158.7	3
Health & Welfare Realignment - VLF	44.7	44.7	47.0	47.0	3
Public Safety Sales Tax	94.7	99.7	103.7	107.8	3
Public Safety Realignment (AB109)	38.9	33.6	35.0	36.3	3
All Other	422.6	422.6	422.6	422.6	10
Total State Grants and Subventions	737.7	746.4	760.4	772.4	
Other Regional Government					
Redevelopment Agency	2.7	2.7	2.7	2.7	
CHARGES FOR SERVICES	163.7	233.7	233.7	233.7	
RECOVERY OF GEN. GOV'T. COSTS	12.9	12.9	12.9	12.9	
OTHER REVENUES	42.1	42.1	42.1	42.1	
TOTAL REVENUES	5,090.4	5,155.9	5,351.7	5,551.1	
TRANSFERS INTO GENERAL FUND:					
Airport	36.9	38.5	38.9	39.3	11
Other Transfers	98.3	98.3	98.3	98.3	
Total Transfers In	135.2	136.7	137.1	137.5	
TOTAL GENERAL FUND RESOURCES	$ 5,225.5	$ 5,292.7	$ 5,488.8	$ 5,688.6	

1. Property Tax

Changes in property tax revenues lag other recessionary revenue losses due to statutory deadlines. Current fiscal year taxable values reflect the lower of either the current market value of the property as of the January 1, 2019 lien date or the property's base year value (when first acquired or new construction improvements completed) plus accumulated annual inflation (capped at 2% per year) since that base year. Taxable values for FY 2020-21 were set as of the January 1, 2020 lien date. The first upcoming fiscal year that may reflect negative economic conditions is FY 2021-22 with a lien date of January 1, 2021.

Over two-thirds of the FY 2019-20 secured taxable value of San Francisco real estate is comprised of either single or multi-unit residential properties. Due to Prop 13 limitations on reassessments, the median taxable value of single-family dwellings of $590,000 in San Francisco is well below recent median market sales prices above $1 million, and most valuations will continue to increase with California Consumer Price Index (CPI). The revenue risk from declining residential property market values would stem largely from new construction and recently sold properties with taxable base year valuations set near their full market values. Given restrictions on travel and commerce and the move toward telecommuting, hotel and commercial retail property values are at greatest risk of reduction, followed by office space.

FY 2019-20 property tax revenue is projected to be $2,031.8 million, an increase of approximately $80 million compared to the worst case, "extended" scenario published in the March Joint Report. The improvement is primarily due to reduced risk of refunds from assessment reductions, greater certainty about the due date for FY 2019-20 secured annual property tax second installment payments, increased escape property tax assessment expectations, and an assumption about final FY 2017-18 excess ERAF results. The projection includes $224.8 million of Excess ERAF, of which $201.9 million is for FY 2019-20 and $22.9 million represents the release of a 10% reserve held for final adjustments to FY 2017-18 Excess ERAF, assuming there will be no changes in state's final FY 2017-18 input recalculations released at the end of June.

FY 2020-21 revenue projections are revised to $2,025.9 million, including $205.9 million of Excess ERAF. Updated secured roll growth information and an assumption that penalty revenues will return to historical averages underly the $18.4 million increase. Though there is little argument for reductions to values as of the January 1, 2020 lien date, there is a risk that legislators may approve changes (e.g. SB 1431) that would allow the COVID-19 public health emergency to be considered a misfortune and calamity for commercial properties such as hotels, retail, and office that could result in material losses of property tax revenue. Multi-unit residential buildings values would not be immune from downward revision if harmed by the emergency.

FY 2021-22 General Fund property tax revenues are projected to be $1,819.0 million. This is the first fiscal year that COVID-19 is anticipated to substantially impact property tax revenues. Automatic inflationary increases to taxable values, usually assumed at the 2% Prop 13 limit, have been reduced to 1%, and hotel, retail, and office assessed values are assumed reduced by $8.5 billion, reflecting declines of about 20%, 20%, and 7%, respectively. A 20% reduction in unsecured business property tax assessments is included in the projection, reflecting the real possibility that many businesses will dissolve prior to the January 1, 2021 lien date. Excess ERAF is not assumed in FY 2021-22 and beyond due to the risk of state legislative changes to address the state's own budget shortfall.

FY 2022-23 and FY 2023-24 General Fund property tax revenues are projected to be $1,922 million and $2,037 million, respectively, assuming California CPI will provide the Prop 13 capped 2% growth in secured property taxable valuations along with 2% growth from changes in ownership that result taxable values set to higher market rates.

2. Business Tax

Business tax revenue in FY 2019-20 will be negatively affected by COVID-19. The March Joint Report projection of FY 2019-20 business tax revenue of $1,056.9 million under the extended COVID-19 scenario is reduced to $843.5 million, for three main reasons.

First, the due date for business registration fees was delayed from May 31 to September 30. This delay will move an estimated $47 million out of FY 2019-20 and into FY 2020-21. There will now be two years of business registration fees received in FY 2020-21.

Second, the payroll tax is calculated based on work performed within San Francisco. With shelter in place order, more people are telecommuting from home rather than commuting into the City, as evidenced by the fact that BART traffic has decreased approximately 90% since the order went into effect. Because far more workers commute into the City than out of it, shelter-in-place reduces payroll tax revenue. Moreover, more than half of San Francisco businesses use their San Francisco payroll as a factor to determine their gross receipts subject to the gross receipts tax. As their San Francisco payroll falls, gross receipts tax revenue will also fall. We estimate that telecommuting during shelter-in-place will reduce payroll and gross receipts tax revenue by more than $60 million in FY 2019-20.

Third, the first and second quarter payments for tax year 2020 that businesses remit in April and July 2020 for revenue in FY 2019-20 are billed based on 25% of the 2019 total tax liability. However, businesses have the option of paying 25% of their current year liability, if it is lower. We estimate that this will reduce FY 2019-20 revenue by approximately $25 million.

Because of the shift in business registration fees from FY 2019-20 to FY 2020-21 offset by a continued decline in business tax revenue due to telecommuting, our projection for FY 2020-21 revenue will increase $136.5 million over the prior year, from $843.5 million to $980.0 million.

COVID-19 will continue to impact business tax revenue beyond FY 2020-21. In the extended scenario in the March Joint Report, we assumed that business tax revenues will decline 6% in tax year 2020 and increase 3% in tax year 2021. We continue to assume a 6% decline in 2020 but now assume 6% growth in 2021. We also assume 3% growth in 2022 and 2% in 2023. Given these calendar year growth rates and the policy changes discussed above that effectively shifted revenue into FY 2020-21, we project FY 2021-22 business tax revenue of $995.5 million, an increase of $15.5 million (1.6%) over the prior year; FY 2022-23 revenue of $1,011.7 million, an increase of $16.2 million, or 1.6%; and FY 2023-24 revenue of $1,026.4 million, an increase of $14.7 million, or 1.5%.

There remains significant short-term and long-term uncertainty in business tax revenue due to the effects of COVID-19. In the short-term, shelter-in-place rules could be extended, to varying degrees, until therapeutics are developed to treat the disease. Businesses could expand their use of telecommuting even after shelter-in-place rules have ended, which would lower both payroll and gross receipts revenue. The long-term risk is that the economy will be subject to future closings and even after, recover very slowly, given the magnitude of job losses to date expected business closures.

3. Local Sales Tax and State Sales Tax Subventions

Tax on the sale of goods impacts several General Fund revenues, including the local 1% sales tax and three subventions of state sales tax: public safety realignment, health and welfare realignment, and public safety sales tax. The local 1% sales tax reflects local spending – what is sold or delivered to San Francisco. State subventions to San Francisco reflect the sale of taxable goods statewide, mediated by statutory formulas for various categories of health, social service, and public safety spending. Current projections assume COVID-19 impacts San Francisco and California sales tax in the same proportions.

Like the hotel industry, the retail industry is directly impacted by the pandemic and shelter-in-place order. The significant decrease in visitors, closure of many restaurants and retail establishments, surging unemployment, and pessimistic consumer sentiment are expected to result in a significant contraction in consumer and business spending. Restaurants and bars are expected to be disproportionately affected, so we assume different rates of decline for them relative to all other industries. Sales tax collected from restaurants, bars, and food service in hotels comprises just under 35% of total revenue.

In the first quarter of 2020 (January to March), sales are projected to fall by 10% for restaurants and bars and 5% for all other categories, compared to pre-COVID-19 projections, and 60% for restaurants and bars and 30% for all other sectors in second quarter (April to June). In addition, the Governor issued executive orders to introduce two sales tax deferral programs to provide relief for qualified businesses, which has an estimated $33.0 million impact in the current year on all sales tax related revenue and subventions. Approximately 80% of the deferral is anticipated to be recovered over a 12-month period in the following year.

In FY 2020-21, our projection assumes a more moderate sales decrease from pre-COVID-19 levels in July to September to a 50% reduction for restaurants and bars and 25% for all other sectors, and a 25% reduction for restaurants and bars and 10% for all other sectors into December. Beyond FY 2020-21, consumer spending is expected to slowly recover, and sales tax is anticipated to rise to $190.0 million by FY 2023-24, which would still be 11.1% below the FY 2018-19 peak.

4. Hotel Room Tax

San Francisco hotels have closed or experienced significant drops in occupancy and room rates given travel and meeting restrictions. Hotel tax revenue is directly correlated with the combined effect of average daily room and occupancy rate, represented by the metric of revenue per available room (RevPAR). In March, RevPAR dropped by over 75%, from what was originally anticipated, and April RevPAR has declined by over 90%. During the week of April 26, San Francisco hotels had an average occupancy rate of 19.3% and an average daily rate of $120.60, which, when combined, resulted in revenue per available room (RevPAR) of $23.30, a decline of

88.4% from the same period in 2019. These figures have led to more severe hotel tax revenue losses than the prior projection in March.

Our current projection assumes a decline in RevPAR of 38% in the first quarter (January to March), and a 90% decrease into September 2020, 75% in the fourth quarter (October to December), 30% through June 2022, and 20% through the end of FY 2022-23. The industry is anticipated to slowly recover; hotel tax across all funds is projected to be $402.3 million in FY 2023-24, still below the prior peak, with $363.2 million in the General Fund, $29.2 million (7.4%) less than that in FY 2018-19.

Prop E (November 2018) caps decreases and increases of hotel tax allocations to arts programs at 10%, significantly below the FY 2019-20 projected decreases of 35.2% for all funds. Losses exceeding 10% will accrue to the General Fund. As a result, hotel tax in the General Fund is projected to decrease 39.1% to $239.0 million. Allocations to the Hotel Tax for the Arts fund are projected to be $28.8 million in the current year.

5. Utility Users and Franchise Taxes

Due to the shelter-in-place order, most businesses will reduce utility consumption (particularly electricity and gas). FY 2019-20 utility users tax (UUT) revenues are projected to decline 8% from the prior year, and to recover to FY 2018-19 levels by FY 2021-22. Franchise taxes are expected to follow a similar trajectory as they are dependent upon the gross receipts of Pacific Gas & Electric. However, given data constraints, we do not adjust our franchise tax forecast.

6. Parking Tax

Vehicle traffic has declined sharply due to emergency orders, resulting in lower estimated parking tax revenues. In FY 2019-20, revenues are assumed to fall by 85% of pre-COVID-19 levels between March and May, and to 50% of pre-COVID-19 levels in the last month of the fiscal year, resulting in an overall 30% decline from FY 2018-19 results. Revenues are projected to recover to FY 2018-19 levels by FY 2021-22 and remain steady through FY 2023-24. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

7. Real Property Transfer Tax

Transfer tax revenue is largely driven by transfers of commercial real estate and is highly dependent on credit availability, interest rates, and the relative value of San Francisco real estate compared to other investment options. As of April 31, 2020, the City recorded $306.9 million of transfer tax in FY 2019-20, of which $242.2 (or 79%) was recorded between July and December 2019.

The FY 2019-20 projection of $320 million assumes that May and June 2020 collections decrease slightly from March 2020 receipts of $10.9 million. May and June assumptions reflect diminished activity in the commercial real estate sector. Transactions underway before the pandemic will be finalized, but fewer new ones will be generated given the climate of heightened economic uncertainty. In FY 2020-21, we continue to assume dampened commercial real estate activity through the first half of the fiscal year, with monthly receipts of $15 million, rising to $21 million per month in the second half of the year. Transfer tax is assumed to return its long-term historical average of $253.4 million by FY 2021-22 and remain at that level through FY 2023-24.

8. Licenses & Permits; Fines, Forfeitures & Penalties; and Rents & Concessions

The shelter-in-place order and deferral of license fees will also result in losses of departmental revenue from licenses & permits; fines, forfeitures & penalties; and rents and concessions. In FY 2019-20, we assume a reduction of $15.5 million in revenue versus the 6-Month Report. In FY 2020-21, we continue to assume the same level of loss but by FY 2021-22, revenues recover to their prior projected levels.

9. Interest & Investment

In March 2020, the Federal Reserve made two emergency interest rate cuts, totaling 1.5%, within two weeks, in an attempt to bolster financial markets. The cuts are projected to decrease the Treasury Investment Pool's annual average earned income yield (EIY) by 0.4% in FY 2019-20. To account for reduced cash flow caused by delayed and reduced tax payments, potential use of reserves, and other factors, projections assume a 35% decrease in average daily cash balances in the final quarter of the fiscal year, and carried through FY 2023-24. This results in projected General Fund interest earnings of $49.4 million in the current year, $26.6 million in FY 2020-21, and $22.4 million in FY 2023-24.

10. State and Federal Grants and Subventions

This report does not assume changes to federal and state subventions other than state sales tax subventions. Figures will depend on reimbursements for health and human services programs. Demand for these programs is expected to spike given historically high job losses, however, funding levels may be cut as these levels of government address significant budget shortfalls of their own.

11. Airport Transfer In

Due to steep declines in passenger traffic at the San Francisco International Airport, the Airport's payment to the General Fund (based on concessions activity) is expected to decline to $34.2 million in FY 2019-20, a 30% decline from FY 2018-19 actuals. In all subsequent years, the Airport expects lowered passenger traffic, as travelers remain wary of COVID-19 risks. The anticipated Airport transfers to the General Fund are $36.9 million, $38.5 million, $38.9 million, and $39.3 million from FY 2020-21 through FY 2023-24.

RESERVE STATUS

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Tables A2-7 and A2-8 and discussed in detail below.

Table A2-7 FY 2019-20 Reserve Balances ($ Millions)

	FY 2018-19 Balance	Starting Balance	Projected Deposits - 9-Month Update	Projected Withdrawals	Projected Ending Balance
General Reserve	$ 127.3	$ 156.2	$ -	$ (2.2)	154.0
Budget Savings Incentive Fund	87.0	87.0	-	-	87.0
Recreation & Parks Savings Incentive Reserve	0.8	0.8	-	-	0.8
Rainy Day Economic Stabilization City Reserve	229.1	229.1	-	-	229.1
Rainy Day Economic Stabilization School Reserve	54.5	54.5	-	-	54.5
Rainy Day One-Time Reserve (1)	95.9	45.5	-	-	45.5
Budget Stabilization Reserve	359.3	359.3	-	(66.8)	292.6
Budget Stabilization Reserve - One Time Reserve	37.4	0.1	66.8	-	66.9
Salary and Benefits Reserve	29.0	52.5	-	(52.5)	-
Contingency Reserve - State and Federal	40.0	40.0	-	-	40.0
Contingency Reserve - Housing Authority	5.0	5.0	-	-	5.0
Contingency Reserve - Affordable Care Act	50.0	50.0	-	-	50.0
Contingency Reserve - Fund Balance Draw Down Reserve	213.0	213.0	-	-	213.0
Public Health Revenue Management Reserve	121.5	121.5	-	(40.0)	81.5
Total	**1,449.8**	**1,414.6**	**66.8**	**(161.5)**	**1,319.9**
Economic reserves					521.7
Economic reserves as a % of General Fund revenues					10.0%

Table A2-8 FY 2020-21 – FY 2023-24 Reserve Balances ($ Millions)

	FY 2020-21			FY 2021-22			FY 2022-23			FY 2023-24		
	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance
General Reserve	$ (1.2)	-	152.7	$ 2.0	-	154.7	$ 5.9	-	160.6	$ 6.0	-	166.5
Budget Savings Incentive Fund	-	-	87.0	-	-	87.0	-	-	87.0	-	-	87.0
Recreation & Parks Savings Incentive Reserve	-	-	0.8	-	-	0.8	-	-	0.8	-	-	0.8
Rainy Day Economic Stabilization City Reserve	-	-	229.1	-	-	229.1	-	-	229.1	-	-	229.1
Rainy Day Economic Stabilization School Reserve	-	-	54.5	-	-	54.5	-	-	54.5	-	-	54.5
Rainy Day One-Time Reserve (1)	-	-	45.5	-	-	45.5	-	-	45.5	-	-	45.5
Budget Stabilization Reserve	-	-	292.6	-	-	292.6	-	-	292.6	-	-	292.6
Budget Stabilization Reserve - One Time Reserve	-	-	66.9	-	-	66.9	-	-	66.9	-	-	66.9
Salary and Benefits Reserve	23.4	(23.4)	-	24.3	(24.3)	-	25.0	(25.0)	-	25.8	(25.8)	-
Contingency Reserve - State and Federal	-	-	40.0	-	-	40.0	-	-	40.0	-	-	40.0
Contingency Reserve - Housing Authority	-	-	5.0	-	-	5.0	-	-	5.0	-	-	5.0
Contingency Reserve - Affordable Care Act	-	-	50.0	-	-	50.0	-	-	50.0	-	-	50.0
Contingency Reserve - Fund Balance Draw Down Reserve	-	-	213.0	-	(100.0)	113.0	-	(75.3)	37.7	-	(37.7)	-
Public Health Revenue Management Reserve	-	-	81.5	-	-	81.5	-	-	81.5	-	-	81.5
Total	**22.2**	**(23.4)**	**1,318.6**	**26.2**	**(124.3)**	**1,220.6**	**30.9**	**(100.3)**	**1,151.1**	**31.8**	**(63.4)**	**1,119.4**

General Reserve

A supplemental appropriation of $2.2 million of the General Reserve for the District Attorney, Sheriff and Police Department to comply with new pretrial detention policies has been approved by the Board of Supervisors, resulting in a projected year-end balance of $154.0 million.

Administrative Code Section 10.60(b) requires a General Reserve starting balance not less than 3.0% of regular General Fund revenues in FY 2020-21. Table A2-8 shows the annual deposits needed to meet this requirement. The code further provides that during any fiscal year in which a withdrawal from the City Rainy Day Reserve is appropriated, the required level of the General Reserve may be reduced to 1.5% of budgeted regular General Fund revenues.

Budget Savings Incentive Fund

The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. The FY 2018-19 ending balance was $87.0 million. The Controller may suspend deposits in years when the City's financial condition cannot support deposits into the fund. In light of projected deficits, deposits in the current fiscal year have been suspended.

Recreation and Parks Savings Incentive Reserve

Through FY 2016-17, this reserve, established by Charter Section 16.107(c), was funded by the retention of net year-end revenue and expenditure savings at the Recreation and Parks Department. Due to modifications approved by voters in June 2016 (Proposition B), beginning in FY 2016-17, 100% of net revenue surpluses are deposited to the Recreation and Parks Savings Incentive Reserve and 25% of net expenditure savings are deposited to the citywide Budget Savings Incentive Fund. The FY 2018-19 balance is $0.8 million. No deposits or withdrawals are projected in the current year or in any future years.

Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District (SFUSD) operating budgets in years when revenues decline. The Charter was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve.

At FY 2018-19 year-end, the City Rainy Day Economic Stabilization Reserve had a balance of $229.1 million and the School Rainy Day Reserve had a balance of $54.4 million. There are no anticipated deposits to these reserves in any of the projection years. Due to projected revenue shortfalls, the City will be eligible to draw from these balances beginning in FY 2020-21.

Rainy Day One-Time Reserve

Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. As of FY 2018-19 year-end, the City Rainy Day One-Time Reserve had a balance of $95.9 million. The FY 2019-20 budget appropriated $50.4 million of this, resulting in a FY 2019-20 beginning balance of $45.5 million. There are no anticipated deposits or withdrawals to this reserve.

Budget Stabilization Reserve

Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above that amount is appropriated as a source in the subsequent year's budget. The FY 2018-19 ending balance of the Reserve is $359.3 million. When the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reaches 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. At FY 2018-19 year end, reserves reached this 10% cap.

Due to the projected decline in General Fund revenues in the current year and three years' of excess ERAF revenues received in FY 2018-19, this 10% cap is a smaller number, resulting in a $66.8 million shift from the Budget Stabilization Reserve proper to the Budget Stabilization One-Time Reserve, resulting in ending balances of $292.6 million and $66.9 million, respectively.

State and Federal Revenue Risk Contingency Reserve

The FY 2018-19 and FY 2019-20 budget assigned $40.0 million in unappropriated fund balance to a contingency reserve for managing state and federal revenue uncertainty in the budget. There are no projected deposits or withdrawals.

Housing Authority Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned $5.0 million in unappropriated fund balance to a contingency reserve for managing costs related to shortfalls in the San Francisco Housing Authority's available funding for housing vouchers in FY 2019-20 and mitigating uncertainty around future shortfall funding from the federal Department of Housing and Urban Development. There are no projected deposits or withdrawals.

Affordable Care Act Contingency Reserve

The FY 2017-18 and FY 2018-19 budget assigned $50.0 million in unappropriated fund balance to a budget contingency reserve for Zuckerberg San Francisco General Hospital (ZSFG) for managing cost and revenue uncertainty related to federal and state changes to the administration and funding of the Affordable Care Act (ACA) during the term of the budget. There are no projected deposits or withdrawals.

Fund Balance Draw Down Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned $213.0 million in unappropriated fund balance to a budget contingency reserve for the purpose of preserving fund balance available as a source for budget balancing in FY 2021-22 and beyond. The Joint Report projections assume the reserve is depleted through uses of $100.0 million in FY 2021-22, $75.3 million in FY 2022-23, and $37.7 million in FY 2023-24.

Public Health Revenue Management Reserve

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the ACA and funding allocations for indigent health services. The FY 2019-20 budget for ZSFG includes $40.0 million in prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19, placed in this reserve under Section 12.2 of the Administrative Provisions of the AAO, and used in the current year to align the timing of the revenue with the fiscal year in which it was appropriated.

Salary and Benefits Reserve

Administrative Provision Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The reserve had a fiscal year starting balance of $52.5 million ($29.0 million carried forward from FY 2018-19 and $23.6 million appropriated in the FY 2019-20 budget). The Controller's Office has transferred $0.6 million to departments and anticipates transferring an additional $35.1 million by year-end, as detailed in Table A2-9. Joint Report projections assume continued funding and use of the reserve in each fiscal year.

Table A2-9. Salary and Benefits Reserve ($ millions)

Sources	
Adopted AAO Salary and Benefits Reserve	23.6
Carryforward balance from FY18-19	29.0
Total Sources	**52.5**
Uses	
Transfers to Departments	
For Police Department - recruitment	0.3
Visual Display Terminal Insurance (Q1 and Q2)	0.1
For Police Department - training tech assistance	0.2
For Member MAA members' bar dues	0.1
Visual Display Terminal Insurance (Q3)	0.0
Total Transfer to Departments	**0.6**
Anticipated Allocations	
Citywide Premium, retirement and severance payouts	15.9
Public Safety, including premium, wellness, one-time	16.4
Various training, tuition, other reimbursements	2.8
Visual Display Terminal Insurance (Q4)	0.1
Total Anticipated Uses in the Current Year	**35.1**
Available for eligible expenses	**16.8**
Net Surplus / (Shortfall)	-

BASELINES AND PROPERTY TAX SET ASIDES

The projected General Fund revenues in Tables A2-5 and A2-6 above result in revenue transfers shown in Tables A2-10 and A2-11 below. Increases to the Recreation and Park baseline, Dignity Fund and Street Tree Maintenance Fund are assumed suspended due to the magnitude of projected shortfalls, as provided in the Charter.

Table A2-10. FY 2019-20 Baselines and Set Asides ($ millions)

	Original Budget	6-Month Projection	March Extended Projection	May Projection
General Fund Aggregate Discretionary Revenue (ADR)	4,205.3	4,272.0	3,904.7	3,796.4
Municipal Transportation Agency (MTA)				
MTA - Municipal Railway Baseline: 6.686% ADR	284.6	285.6	261.1	253.8
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4	107.1	97.9	95.2
MTA - Population Adjustment	56.3	49.7	49.7	49.7
MTA - 80% Parking Tax In-Lieu	66.4	66.5	53.2	48.7
Subtotal Municipal Transportation Agency	**512.7**	**509.0**	**461.9**	**447.5**
Library Preservation Fund				
Library - Baseline: 2.286% ADR	96.1	96.6	89.3	86.8
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	65.3	66.7	65.7	67.3
Subtotal Library	**161.4**	**163.3**	**155.0**	**154.0**
Children's Services				
Children's Services Baseline - Requirement: 4.830% ADR	203.1	206.3	188.6	183.4
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	24.4	24.8	22.7	22.0
Public Education Services Baseline: 0.290% ADR	12.2	12.4	11.3	11.0
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	104.5	106.8	105.2	107.6
Public Education Enrichment Fund: 3.057% ADR				
1/3 Annual Contribution to Preschool for All	42.9	43.5	39.8	38.7
2/3 Annual Contribution to SF Unified School District	85.7	87.1	79.6	77.4
Subtotal Childrens Services	**472.7**	**480.9**	**447.1**	**440.0**
Recreation and Parks				
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	65.3	66.7	65.7	67.3
Recreation & Parks Baseline - Requirement	76.2	76.2	76.2	76.2
Subtotal Recreation and Parks	**141.5**	**142.9**	**141.9**	**143.4**
Other Financial Baselines				
Housing Trust Fund Requirement	36.8	36.8	36.8	36.8
Dignity Fund	50.1	50.1	50.1	50.1
Street Tree Maintenance Fund	21.7	22.0	20.1	19.6
Mission Bay Transportation Improvement Fund	9.1	9.1	9.1	7.6

Table A2-11. FY 2020-21 – FY 2023-24 Baselines and Set Asides ($ millions)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
General Fund Aggregate Discretionary Revenue (ADR)	3,761.7	3,738.2	3,921.1	4,128.6	
Municipal Transportation Agency (MTA)					
MTA - Municipal Railway Baseline: 6.686% ADR	262.9	265.5	278.6	292.7	
MTA - Parking & Traffic Baseline: 2.507% ADR	94.3	93.7	98.3	103.5	
MTA - Population Adjustment	55.4	57.7	60.3	67.8	
MTA - 80% Parking Tax In-Lieu	56.5	67.7	67.7	67.7	
Subtotal Municipal Transportation Agency	469.1	484.6	504.8	531.7	
Library Preservation Fund					
Library - Baseline: 2.286% ADR	86.0	85.5	89.6	94.4	
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	66.7	67.3	71.4	75.8	
Subtotal Library	152.7	152.8	161.0	170.2	
Children's Services					
Children's Services Baseline - Requirement: 4.830% ADR	181.7	180.5	189.4	199.4	
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	21.8	21.7	22.7	24.0	
Public Education Services Baseline: 0.290% ADR	10.9	10.8	11.4	12.0	
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	106.8	107.7	114.2	121.3	
Public Education Enrichment Fund: 3.057% ADR					
1/3 Annual Contribution to Preschool for All	38.3	38.1	40.0	42.1	
2/3 Annual Contribution to SF Unified School District	76.7	76.2	79.9	84.1	
Subtotal Childrens Services	436.2	435.0	457.5	482.8	
Recreation and Parks					
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	66.7	67.3	71.4	75.8	
Recreation & Parks Baseline - Requirement	76.2	79.2	82.2	85.2	*
Subtotal Recreation and Parks	142.9	146.5	153.5	161.0	
Other Financial Baselines					
Housing Trust Fund Requirement	39.6	42.4	45.2	48.0	
Dignity Fund	50.1	53.1	56.1	59.1	*
Street Tree Maintenance Fund	19.4	19.3	20.2	21.3	
Mission Bay Transportation Improvement Fund	7.5	8.5	8.8	9.1	

* Growth in Recreation and Parks and Dignity Fund baselines are suspended in FY 2020-21, pursuant to the Charter.

Appendix 3. FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections

SUMMARY

The City's response to the COVID-19 public health emergency has been extensive, and has involved significant public health, emergency management, shelter and temporary housing, and social and economic support programs. This appendix summarizes our projection of these costs during the current fiscal year (FY 2019-20) and our preliminary assessment of possible spending levels in the coming fiscal year (FY 2020-21).

City costs and encumbrances in the current year are projected to total $372.2 million, which will be offset in part by FEMA reimbursements, local philanthropy, and other sources of approximately $231.9 million. The remaining projected shortfall of $140.8 million will likely be covered by one-time allocations available from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), but largely deplete the value of those allocations available to support those expenditures in coming fiscal years.

City costs for FY 2020-21, and potentially beyond, are largely unknown at this time, but are likely to be significant. The level of costs will depend on the intensity and duration of local health risks in the next phases of the COVID-19 emergency and the investment in strategies to mitigate this risk.

For illustration, if current spending rates are sustained for the coming fiscal year, local costs remaining after FEMA reimbursement would total approximately $470 million. If costs drop to to 25% of current spending levels, the local share after FEMA reimbursement would total approximately $85 million.

Local costs pressures will rise if the duration of FEMA reimbursements, which is tied to the federally-declared national emergency, is shortened.

FY 2019-20 COVID RESPONSE COSTS & REVENUES

Summary of FY 2019-20 COVID Response

Table A3-1 below summarizes projected expenditures and revenues related to the City's emergency response efforts to mitigate, prepare for, and respond to the spread of COVID-19, and to provide immediate relief and assistance to San Francisco residents and workers. The figures represent projected expenditures and revenues for the current fiscal year, ending on June 30, 2020. We project current year expenditures and encumbrances totaling $372.7 million, offset by projected claims to FEMA, local philanthropic allocations to date, and some state or federal sources that have already been allocated for specific programs of $231.9 million. We project that the remaining FY 2019-20 shortfall of $140.8 million can be covered in the current year by available one-time allocations of $183.2 million from the CARES Act Coronavirus Relief Fund and the State's Senate Bill 89. However, this will largely exhaust these CARES Act allocations, resulting in significantly higher local pressures for continued emergency response costs in FY 2020-21, discussed below.

Table A3-1. FY 2019-20 COVID-19 Response Expenditures & Revenues ($ millions)

	Total Cost	FEMA & Other	Net Local
Expenditures			
Health system costs	177.7	132.5	45.2
Shelter and housing programs	91.6	46.2	45.4
Emergency operations and staffing	30.7	10.7	20.0
Economic and social relief programs	72.7	42.5	30.2
Subtotal, Expenditures	**372.7**	**231.9**	**140.8**
Other Federal & State Sources			
CARES Act - State & Local Governments			153.8
CARES Act - Other allocations			22.0
State Senate Bill 89 - Emergency homelessness funding			7.4
Subtotal, Other Federal & State Sources			**183.2**
Balance of CARES Act Funding for Response Costs in FY 2020-21			42.4

FY 2019-20 COVID Expenditures

Our projections account for spending in four key programmatic areas summarized in the table above and described in greater detail below. The repurposing of existing staff time to support these programs is not included in this total, as these costs are already accounted for in the adopted budget and generally not reimbursable from FEMA or other sources.

Health System Costs – Our projections of these costs include costs incurred to date and projections of known costs through June 30th for the major healthcare-related efforts in response to COVID-19. The most significant expenses are for the procurement of personal protective equipment (PPE), disinfectant, and other cleaning supplies and services and include purchases made through the Department of Public Health (DPH) for a multitude of City staff and functions. Estimates for the costs of the City's testing initiatives include CityTestSF for health care workers and other essential workers, testing at the Zuckerberg San Francisco General Hospital, and several health centers. Expanded medical staffing capacity expenses include overtime for DPH medical staff as well as the contracting of additional nurses, physicians, and health workers to handle surges in medical demand. Medical transport costs account for medical-related transportation of patients serving hospitals, clinics, and health centers. Finally, miscellaneous services within DPH, such as security, translation, food, and communications related to the health crisis are accounted for.

The total projected costs of these operations through June 30th is $177.7 million. Most of these costs are expected to be reimbursed by FEMA, bringing the expected General Fund cost to $45.2 million.

As noted above, not included in this report are projections for the City's contact tracing efforts, which will be a key part of the City's ongoing health response and are likely to have a major cost impact on the City's General Fund in the upcoming fiscal year. Contact tracers are an interorganizational group that perform the time-intensive process of identifying recent contacts of those infected with COVID-19 and engaging them to take immediate action. The program will strengthen the City's response to the pandemic by allowing for swifter communication, better data tracking, and stronger interventions to reduce further spread. DPH staff are currently working to estimate the costs of a comprehensive contact tracing program in San Francisco.

Shelter and Housing Programs – Shelter and housing estimates include costs incurred to date and projections of known costs through June 30th for temporary emergency housing and shelter options for vulnerable populations, individuals directly affected by COVID-19, critical frontline workers, and individuals in the criminal justice system without secure and safe access to housing. They include costs of providing the City's shelters, permanent supportive housing sites, and single-room occupancy (SRO) hotels with additional services for residents and additional cleaning capacity to protect against the spread of COVID-19. The City has also expanded of the hours and availability of Pit Stops, monitored restrooms, public toilets, and handwashing stations which are intended to serve unhoused residents or those without regular access to restrooms to help curb the spread of the virus.

Specifically, projections for non-congregate shelter for vulnerable populations and frontline workers assume the cost of leasing approximately 630 hotel rooms for first responders and essential service workers at an estimated local cost of $4.4 million through June 30th. At the time of this report, the costs and plans for these rooms are being re-evaluated based on need, and expense projections are subject to change. This estimate for non-congregate shelter also assumes the ramp-up to providing 6,370 hotel rooms for individuals needing to isolate or self-quarantine, but without access to a safe and healthy space to do so, as well as hotel rooms for unhoused, vulnerable residents to have safe spaces to shelter.

The ramp up to 6,370 rooms for this population is estimated to cost a total of $71.6 million by June 30th, inclusive of meals, supplies, and staffing at hotel sites. After estimating FEMA reimbursement for eligible rooms, the local share is projected to be $31.3 million. Further expansion from the total 7,000 rooms in this estimate would reach individuals who do not meet current FEMA criteria and therefore, would increase the local share of the total costs on a per room basis. An additional 1,250 rooms would cost the City approximately $10.3 million per month, assuming no FEMA reimbursement.

At the time of this report, the ongoing cost is estimated to be approximately $275 per room per night, inclusive of food, supplies, and staffing costs. The costs are subject to procurement efforts and contract negotiations that are underway.

Emergency Operations and Staffing – The estimates for emergency operations and staffing costs incurred to date and projections of known costs through June 30th for operating the EOC, since the City's Emergency Declaration was made on February 25, 2020. This includes costs for newly incurred staffing and overtime expenses for public safety employees working at the EOC, clinics, testing sites, and leased hotel sites, as well as cost for Department of Public Works (DPW) staff to maintain cleanliness and safe conditions in public spaces throughout the city. These figures also include the City's costs for technology services and equipment to support the EOC and remote work operations during the Shelter-in-Place Order. Finally, they include the costs of running San Francisco's emergency child and youth care centers and providing meals for the children of first responders, health care workers, and essential City employees.

The total projected costs of these operations through June 30th is $30.7 million. After accounting the City's estimates for FEMA reimbursement, the projected General Fund cost is $20 million.

Economic and Social Relief Programs – The City has provided a host of new and expanded community programs intended to provide financial support for San Francisco residents, workers, and businesses. Our projection includes costs for the City's Small Business Emergency Loan Fund, Neighborhood Mini-Grants initiative, and the Arts Relief Program. The Workers and Families First Program provides additional weeks of sick leave pay to impacted private-sector workers. There is also funding committed to provide financial support to undocumented and extremely low-income families who do not qualify for federal stimulus relief.

The City has initiated many new programs intended to address food insecurity among residents, totaling $32.8 million in projected spending through June 30th and an expected local match of $3.9 million. The highest cost is for the City's implementation of Great Plates Delivered, which provides restaurant meals for seniors, and has been approved for reimbursement from both FEMA and Cal OES, bringing the local cost down significantly. Further, food security efforts include meal programming within the Department of Disability and Aging Services' network of senior-serving community organizations, home-delivered meals, and groceries for qualifying households requiring isolation or quarantine, as well as direct funding for grocery purchases among low-income households.

Altogether, local relief programs are projected to cost at total of $72.7 million. These costs are expected to be further offset by private donations made to the Give2SF COVID-19 Response and Recovery Fund to address critical facility and supply needs, care for vulnerable neighbors, and support local businesses and nonprofits. With the Give2SF funds and expected FEMA and Cal OES reimbursement for feeding initiatives, the local share is estimated to cost $30.2 million.

FY 2019-20 COVID Revenues

FEMA & Cal OES – Currently, the FEMA Public Assistance Grant program is expected to reimburse the City for 75% of eligible costs incurred in direct response to the health crisis. FEMA has provided some guidance around what direct response efforts are reimbursable, including:

emergency medical care, Emergency Operation Center costs, disinfection of public facilities, medical sheltering, purchase and distribution of food and protective equipment, movement of supplies and persons, security and law enforcement, and public communications of health and safety information. In general, all costs for new staff hired by the City directly for response efforts are eligible for reimbursement, while for existing budgeted City staff only overtime pay is eligible. However, the City will not know final reimbursement totals until all costs have been reviewed and obligated by FEMA. This report assumes that FEMA reimburses a full 75% of the costs incurred for direct COVID-19 response through this program. The City has begun to file claims for FEMA reimbursements, and some payments have already been obligated.

The State of California's Governor's Office of Emergency Services (Cal OES) has, in the past, matched a portion of FEMA reimbursements to reduce the cost burden on local governments, providing an additional 18.75% reimbursement of eligible costs, bringing the local share of emergency response costs down to 6.25% of the total costs. Cal OES has not yet activated this program, so this report does not assume this further reimbursement rate. The exception to this is the expected reimbursement from Cal OES for the City's Great Plates Delivered Program, which has already been approved by Cal OES.

The CARES Act and Other Revenues – The CARES Act passed Congress on March 27, 2020. The $2.2 trillion legislation provides a broad range of financial support including a $150 billion Coronavirus Relief Fund (CRF), which provides direct assistance to states and localities, based on a population formula, to use for expenditures incurred due to the public health emergency between March 1 and December 30, 2020. Of the approximately $15.3 billion that California will receive from the CRF, San Francisco has received $153.8 million.

The City will also receive at least $29.4 million in other funding from the CARES Act and state funding for homelessness and housing programs, or Project Room Key, from Senate Bill 89, as detailed in Table 3.

Table A3-2. Projected Revenues from New Federal and State Emergency Relief Programs ($ millions)

Program	San Francisco Allocation
CARES Act Local Government Relief Fund	153.8
CARES Act HUD Funds	16.4
CARES Act Miscellaneous Departmental	1.5
CARES Act: HUD Funding for HOPWA	1.0
CARES Act: HHS Funding for Aging and Disability Services	2.1
CARES Act: Healthcare & Hospitals Funding (Ryan White & Community Health)	1.0
State Senate Bill 89 - Emergency homelessness funding	7.4
Total	183.2

San Francisco will receive at least $10.9 million for Community Development Block Grants (CDBG) and $5.5 million for Emergency Solutions Grants (ESG) from the U.S. Department of Housing and Urban Development (HUD) to support local community, housing, and homelessness programs. The City will also receive about $1 million for Housing for Persons with HIV/AIDS (HOPWA) through HUD, nearly $1 million for community health clinics, and $2.1 million through the Administration for Community Living (ACL) for aging and disability services programs. The Act also includes $1.5 million for COVID-19 related expenses for public safety departments.

In addition to these state and federal sources, there are a variety other provisions within the CARES Act with potential local funding that has not yet been confirmed, either because the federal agency has not announced the allocation, a state agency has not yet determined how it will distribute funding to counties, or the funds are only accessible through an application process. Examples of these sources not yet confirmed include Federal Elections Commission funding, Assistance to Firefighter Grants, and additional CDBG and ESG grants that will be distributed based on a to-be-announced formula.

The CARES Act also provides direct funding to two of the City's enterprise departments, San Francisco International Airport (SFO) and Municipal Transportation Agency (MTA). SFO will receive $254.8 million through a Federal Aviation Administration (FAA) grant. The MTA will receive an initial amount of $197 million from the Federal Transit Administration (FTA) for operating expenses related to the response to COVID-19, and expects more after Bay Area regional deliberations are complete at the Metropolitan Transportation Commission.

FY 2020-21 COVID RESPONSE COSTS & REVENUES

Summary of FY 2020-21 COVID Response

City costs for FY 2020-21, and potentially beyond, are largely unknown at this time, but are likely to be significant. These costs will depend on future choices made by the Mayor and the Board, which in turn will depend on:

- The duration and intensity of the health risks likely to be present in the City during the coming fiscal year
- The investment in strategies to mitigate this risk
- The duration of FEMA reimbursement tied to the federally-declared national emergency, and potential future federal or state appropriations to provide local government relief
- Specific plans for reopening San Francisco and lifting of the Shelter-in-Place Order
- Changing nature of major response initiatives and new programs or efforts that may emerge to further protect residents and workers, including plans for ongoing shelter efforts, health care services, and plans to implement contact tracing

These General Fund cost pressures will be aggravated by the minimal balance from the CARES Act local and state government allocation which is projected to be largely depleted in FY 2019-20 based on current projections.

For illustration, the table below depicts a wide range of costs that would be incurred if (1) current spending rates remain at current or diminished levels in the fiscal year ahead, (2) FEMA reimbursements remain available for the full year, and (3) no additional federal or state programs are authorized to offset local government costs.

Table A3-3. FY 2020-21 COVID-19 Response Expenditure and Revenue Forecast ($ millions)

	Total	CARES Balance	FEMA	Net City Cost
Expenditures				
Sustained at current spending rate	1,190.2	42.4	678.9	468.9
At 50% spending rate	595.1	42.4	339.5	213.3
At 25% spending rate	297.6	42.4	169.7	85.4

These ranges are provided for preliminary planning purposes only, and these costs are not included in the projections of General Fund shortfalls discussed in Appendices 1 or 2. Our offices will continue to update the Mayor and Board as more information is available regarding possible health risks and the possible costs of the City's response to mitigate that risk in the weeks and months ahead. Ultimate decisions regarding these programs will be determined in the adoption of the FY 2020-21 and FY 2021-22 budget, which will be proposed by the Mayor by August 1st and, following review and amendment, adopted by the Board of Supervisors by September 30th.