

Joint Report Update

**Joint Projection by the Mayor's Budget Office,
Controller's Office, & Board of Supervisors'
Budget Analyst**

Budget & Finance Committee

April 6, 2016



Summary of Key Findings

- Overall two-year shortfall reduced from \$350 million to \$246.4 million.
- Improvement driven by improved current and future year revenue outlook
- Offset partially by worsening pension returns and additional current year supplementals



Joint Report Update March 2016 Projection

Table 1: Updated Base Case – Summary of General Fund Supported Projected Budgetary Surplus/(Shortfall)

	Savings/ (Cost) Change from Prior Year, \$ Million			
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Sources				
Use of One-Time Sources, Prior Year Fund Balance & Reserves	(95.1)	108.3	(216.5)	-
Regular Revenues, Transfers, & Other	194.7	138.6	154.5	158.0
Subtotal - Sources	99.6	246.9	(62.0)	158.0
Uses				
Salaries & Benefits	(115.0)	(144.4)	(137.8)	(160.1)
Other Expenditures, Reserves & Transfers	(70.1)	(177.8)	(194.7)	(132.8)
Subtotal - Uses	(185.1)	(322.2)	(332.4)	(292.8)
Total Net General Fund Impact (from Prior Year)	(85.5)	(75.3)	(394.4)	(134.9)
Projected Cumulative Surplus / (Shortfall)	(85.5)	(160.9)	(555.3)	(690.1)



Summary of Changes to Updated Financial Projection

	2016-17	2017-18	2018-19	2019-20
Cumulative Surplus / (Shortfall) - December 2015	(99.8)	(240.2)	(474.5)	(538.4)
INCREMENTAL INCREASE / (DECREASE) TO:				
Sources - Revenue and Fund Balance	24.0	94.4	(104.0)	(6.6)
Uses - Baselines and Reserves	(3.3)	1.9	(5.7)	(5.1)
Uses - Salaries and Benefits	(2.6)	(44.2)	(39.1)	(39.2)
Uses - Citywide Operating Budget Costs	(2.7)	9.6	(15.2)	(13.3)
Uses - Departmental Costs	(1.1)	3.5	3.8	(6.7)
Total Incremental Change	14.3	65.1	(160.2)	(71.0)
Total Cumulative Change	14.3	79.4	(80.8)	(151.8)
Updated Cumulative Surplus / (Shortfall) - March 2016	(85.5)	(160.9)	(555.3)	(690.1)



Changes in Sources

- **Fund Balance**
 - Increase of projected FY 2016-17 fund balance identified in Controller’s Office Six-Month Budget Status Report (\$58.8M)
 - Additional current year funds related to reduced revenue uncertainty at the Department of Public Health
- **Revenue**
 - Increased citywide revenue mainly due to increased projected supplemental and escape assessments.
 - Overall lower-than-expected Department of Public Health revenues due to expected losses related to the Section 1115 Medi-Cal Waiver



Changes in Baselines and Reserves

- **Baselines**
 - Overall increases in projected revenue increases baselines
 - Proposition B (Nov. 2014) MTA Baseline increase due to projected growth in City's daytime population
 - Proposed Park, Recreation, and Open Space Fund Revenue Baseline
- **Reserves**
 - Increase projected General Reserve deposit mostly due to requirement to replenish the reserve from current year supplemental appropriations.



Changes in Salaries and Benefits

- **Labor Agreements**
 - For closed labor agreements, 3.25% raise assumed July 1, 2016 for most employees.
 - For open contracts, update assumes salary increases equivalent to Consumer Price Index projected by the Department of Finance to be 3.1% for FY 2017-8 through FY 2019-20.
- **Retirement Benefits**
 - Pension contribution cost estimate in December 2015 Joint Report reflected assumption that Retirement System will achieve an average annual rate of return of 7.5%.
 - However, year-to-date returns are -5.0%, so this updated projection assumes returns of -5.0% through the remainder of the current fiscal year.



Changes in Citywide Operating Costs

- **Inflation on Non-Personnel Costs**
 - Update assumes inflationary increases consistent with the Consumer Price Index projected by the Department of Finance to be 3.1% for FY 2017-18 through FY 2019-20.
- **Debt Payments**
 - Joint Report Update includes two changes to the City's Ten Year Capital Plan
 - Board of Supervisors Resolution No. 02-16 to Re-Envision Jail Replacement Project
 - New Facility for Animal Care and Control



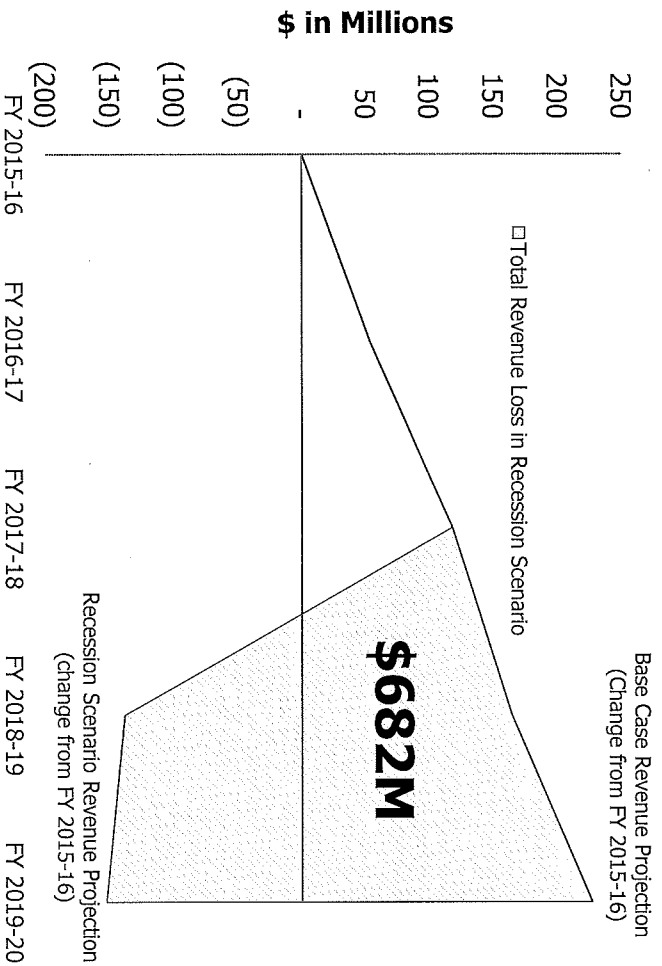
Key Factors That Could Affect the Forecast

- Continued Economic Recovery
- Adoption of Additional Current Year Policy Changes



Recession Scenario Reminder

- Due to revenue loss and higher pension contributions, the City's projected deficit would grow by approximately \$120 million and \$320 million in FY 2018-19 and FY 2019-20.
- Updated deficits of \$594.3 and \$857.9 million, respectively.



Summary of Key Findings

- Overall two-year shortfall reduced from \$350 million to \$246.4 million.
- Improvement driven by improved current and future year revenue outlook
- Offset partially by worsening pension returns and additional current year supplementals



City and County of San Francisco

Questions?

