



Five-Year Financial Plan

April 2021



Five-Year Financial Plan - Overview

- Long-term financial planning document to forecast revenues and expenditures during the upcoming five-year period
- Utilizes a “base case” projection
- Initial projection in early winter, with an update in March
- Initial projection serves as a basis for the Mayor’s budget instructions



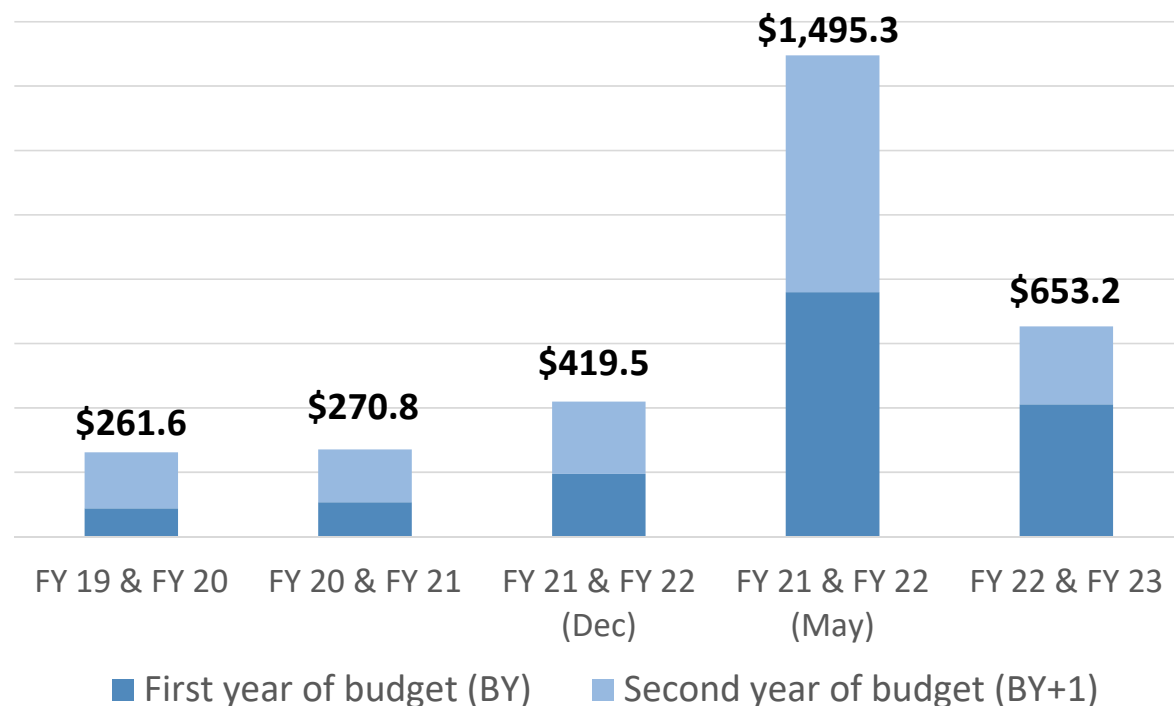
December Fiscal Outlook

FY 2021-22 and FY 2022-23 deficit projection: **\$653.2 million over two years**

Key Drivers:

- Slower revenue recovery
- Unbudgeted labor costs
- Ongoing COVID expenses

Deficit at Time of Budget Instructions (\$M)





December Projection – Assumptions

- Revenue
 - Slower growth in FY 2021-22, and accelerated growth in subsequent years
 - Voter-adopted revenue measures from November 2020
- Salary and Benefits
 - Assumes MOU wage increases, CPI in open years
 - No recession trigger
- Citywide Costs
 - COVID-19 response
 - Debt & capital, inflation on non-personnel
- No additional federal relief

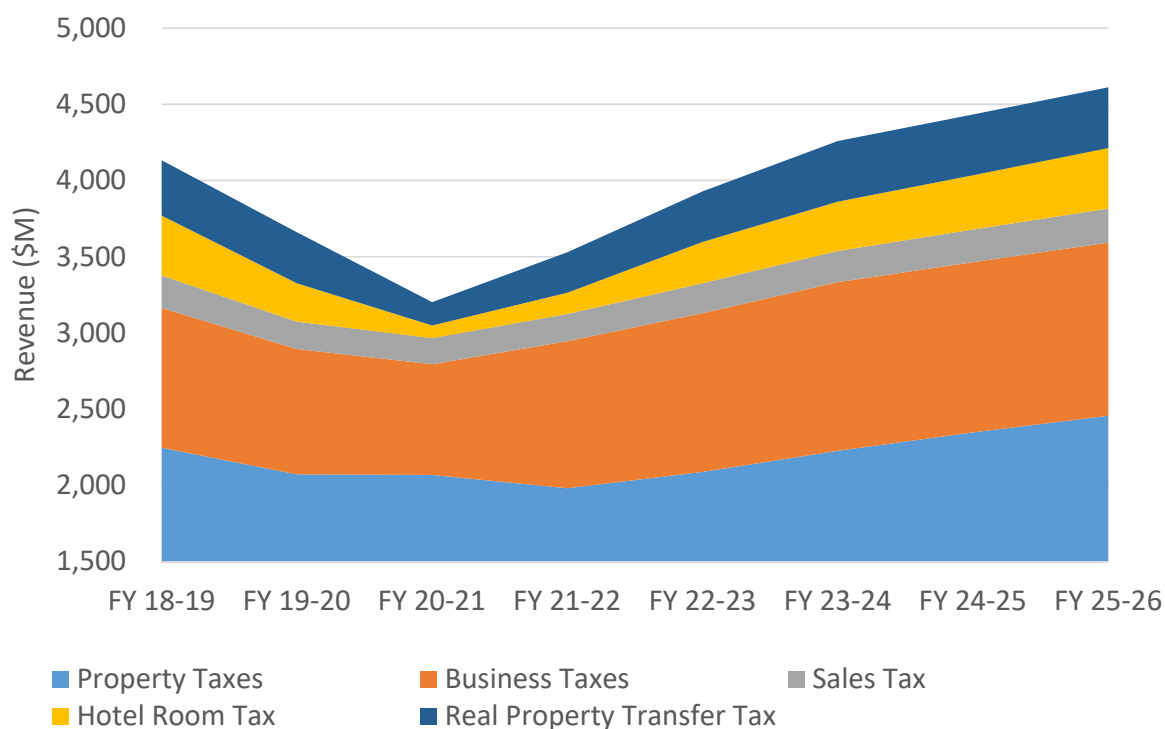


December Five-Year Financial Plan Projection

	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
<i>SOURCES Increase / (Decrease)</i>	(117.6)	268.5	487.2	732.1	963.4
	-	-	-	-	-
Uses	-	-	-	-	-
Baselines & Reserves	(54.4)	(157.7)	(242.1)	(293.2)	(354.6)
Salaries & Benefits	(150.8)	(233.4)	(318.0)	(433.8)	(565.1)
Citywide Operating Budget Costs	(21.4)	(8.2)	(94.2)	(219.4)	(304.8)
Departmental Costs	(67.0)	(111.2)	(156.5)	(198.9)	(242.2)
<i>USES (Increase) / Decrease</i>	(293.6)	(510.6)	(810.9)	(1,145.4)	(1,466.8)
Projected Cumulative Surplus / (Shortfall)	(411.1)	(242.1)	(323.7)	(413.3)	(503.3)
Two Year Deficit	(653.2)				



Local Tax Revenues

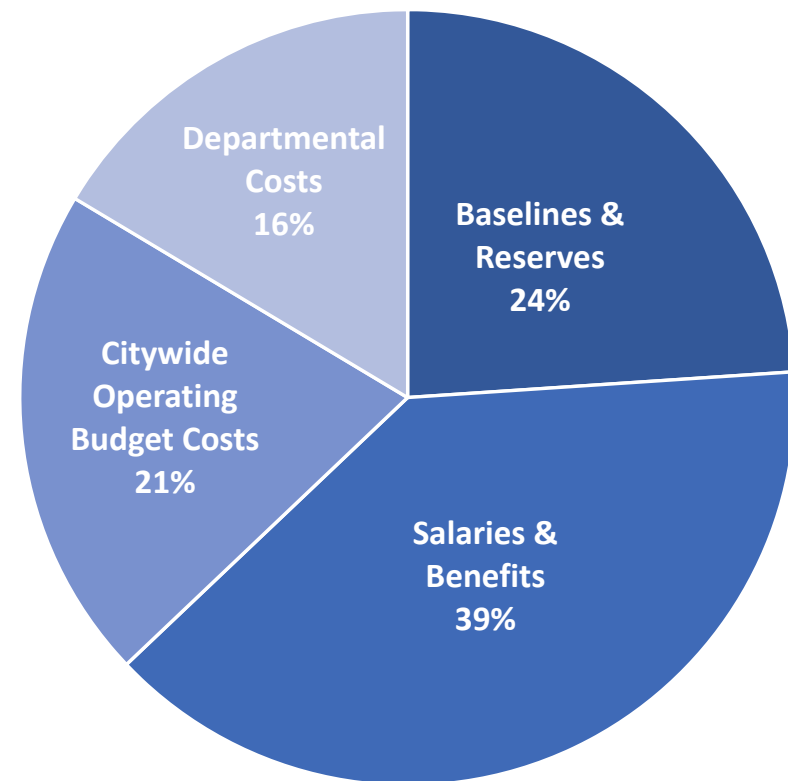


- Transfer, hotel, sales, and business taxes most impacted by COVID, while property tax remains the most stable
- New revenues assumed to offset General Fund shortfall



Projected Expenditure Growth

- Total projected expenditure growth over the five year period is \$1.5 billion
- Salary and benefit costs driven by growth in wages and health cost, offset by pension savings
- Baseline contributions continue to be a major cost driver as revenues rebound
- Citywide operating costs assumes COVID response, inflation on non-personnel & grants to nonprofits, rebuilding Pay-Go Capital Program
- Departmental costs, nearly half of the growth is related to Public Health





Budget Instructions to Departments

- Mandatory reduction proposals of 7.5% in adjusted General Fund support, with an additional 2.5% contingency should fiscal conditions worsen
- Departments should prioritize core services, and present clear tradeoffs
- Reduction proposals can include contract savings, efficiencies, new revenue sources, and reduction in personnel costs, including reduction in filled positions
- Non-General Fund departments and funds must balance within their own revenue projections



March Update

- American Rescue Plan Act (ARPA) includes \$636 million in direct local aid to SF
- Modest increase in local tax revenues, especially property tax
- Reduction to cost of COVID-19 response
- Reduced employee benefit costs, particularly retirement and health
- Changing reserve assumptions
- Other miscellaneous changes



Revised Fiscal Outlook – March Update

	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
<i>SOURCES Increase / (Decrease)</i>	255.8	466.0	577.5	880.8	1,100.7
	-	-	-	-	-
Uses	-	-	-	-	-
Baselines & Reserves	(58.9)	(162.4)	(349.1)	(417.2)	(494.6)
Salaries & Benefits	(110.3)	(209.1)	(307.9)	(414.9)	(527.1)
Citywide Operating Budget Costs	2.5	(12.3)	(106.2)	(236.7)	(332.7)
Departmental Costs	(73.4)	(120.8)	(165.1)	(202.4)	(245.6)
<i>USES (Increase) / Decrease</i>	(240.0)	(504.7)	(928.3)	(1,271.1)	(1,599.9)
Projected Cumulative Surplus / (Shortfall)	15.8	(38.7)	(350.7)	(390.3)	(499.3)
Two Year Deficit	(22.9)				



Use of One-Time Sources

- Reliance on one-time sources in short-term drives up deficit in out-years
- Guidance for ARPA urges against the use of funds to create new ongoing programs, given the non-recurring nature of the relief
- Will have used nearly **\$2.0 billion** in one-time sources from FY 2020-21 through FY 2022-23, including:
 - ARPA - \$636 million
 - Economic Stabilization Reserve - \$350 million
 - Prior Year Fund Balance - \$370 million
 - General Fund repayments related to Prop F - \$300 million
 - CARES Act - \$174 million



Risks and Uncertainties Remain

- Economically sensitive local revenues
- State and federal budget impacts
- Local COVID-19 response costs
- Pending policy choices



Calendar / Key Dates

Dec 16	Budget Outlook & Instructions issued
Early Feb	Controller's 6-Month Report
February 22	Budget submissions due
May	Controller's 9-Month Report Governor's May Revise
June 1	Mayor proposes balanced budget to Board of Supervisors
June	Budget and Finance Committee hearings
July	Budget considered at Board of Supervisors



Conclusion

- Preliminary financial projections informed departmental budget proposals
- Updated fiscal outlook will likely offset the need for painful cuts in order to balance budget by June 1
- Structural deficit highlights need to constraint new ongoing expenditures to ensure financial resiliency exiting the pandemic



Questions?