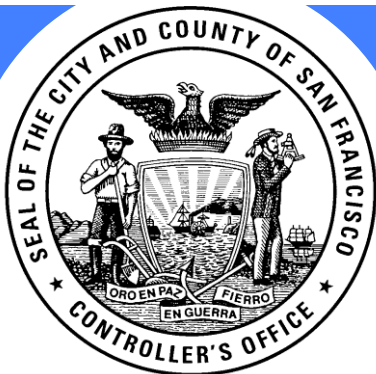


# City Budget Outlook: March Joint Report & COVID Related Budget Updates



**CITY & COUNTY OF SAN FRANCISCO**

Office of the Controller  
Mayor's Budget Office

April 1, 2020

# Presentation outline

## Current Fiscal Year

- Economic impacts
- Tax revenue losses

## Budget Outlook

- Tax revenue projections
- Updated shortfall projections

## Early economic impacts

### SF businesses and workers affected by shelter in place

- 14,000 businesses fully/partially impacted (monthly revs = \$3B)
- 166,000 employees (monthly payroll = \$900M)

### Statewide

- More than 1 million new jobless claims from March 13-25
- 10-20% unemployment likely by the end of April

# City financial impacts – Recession scenarios

## Recession

- Recession near certain
- Data is limited – early forecasts differ on severity

## Limited impact scenario

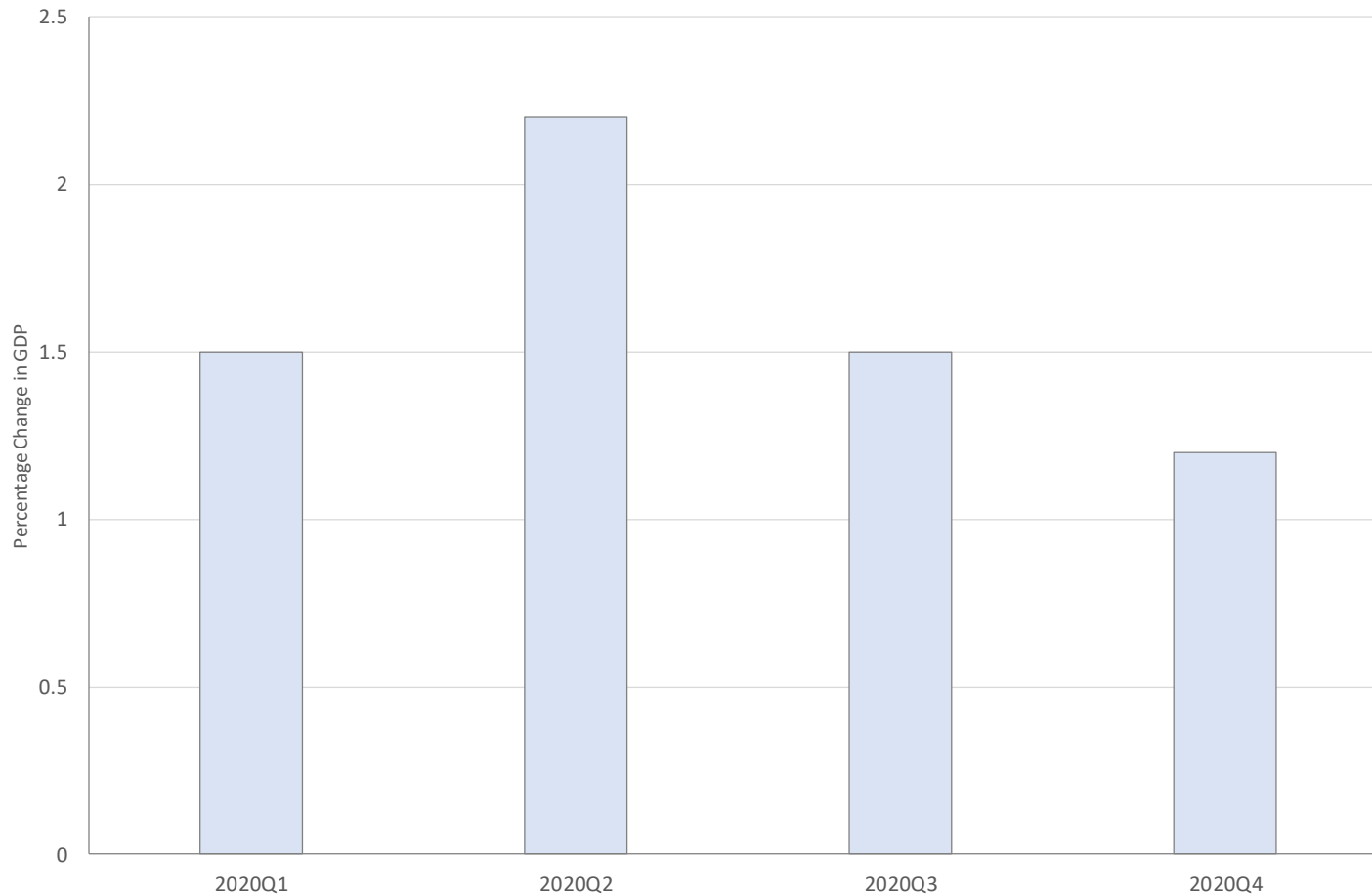
- Severe losses in coming three months
- Quick recovery underway by end of 2020

## Extended impact scenario

- More severe losses in coming six months
- Extended recovery through 2021 and beyond

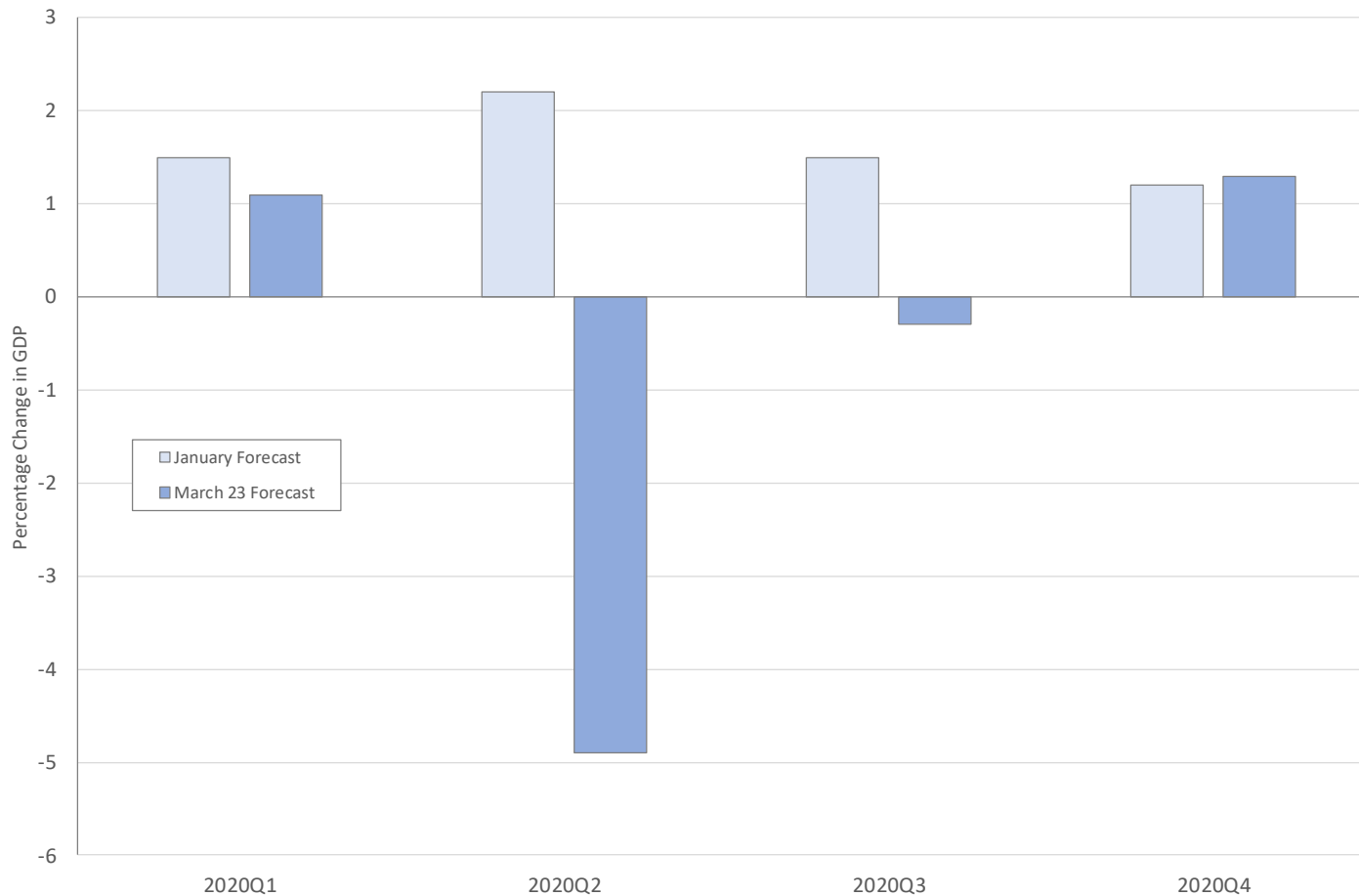
# Moody's GDP forecast: January 2020

Moody's Forecast Change in U.S. Real GDP for 2020, as of January  
Annualized, Quarter-to-Quarter



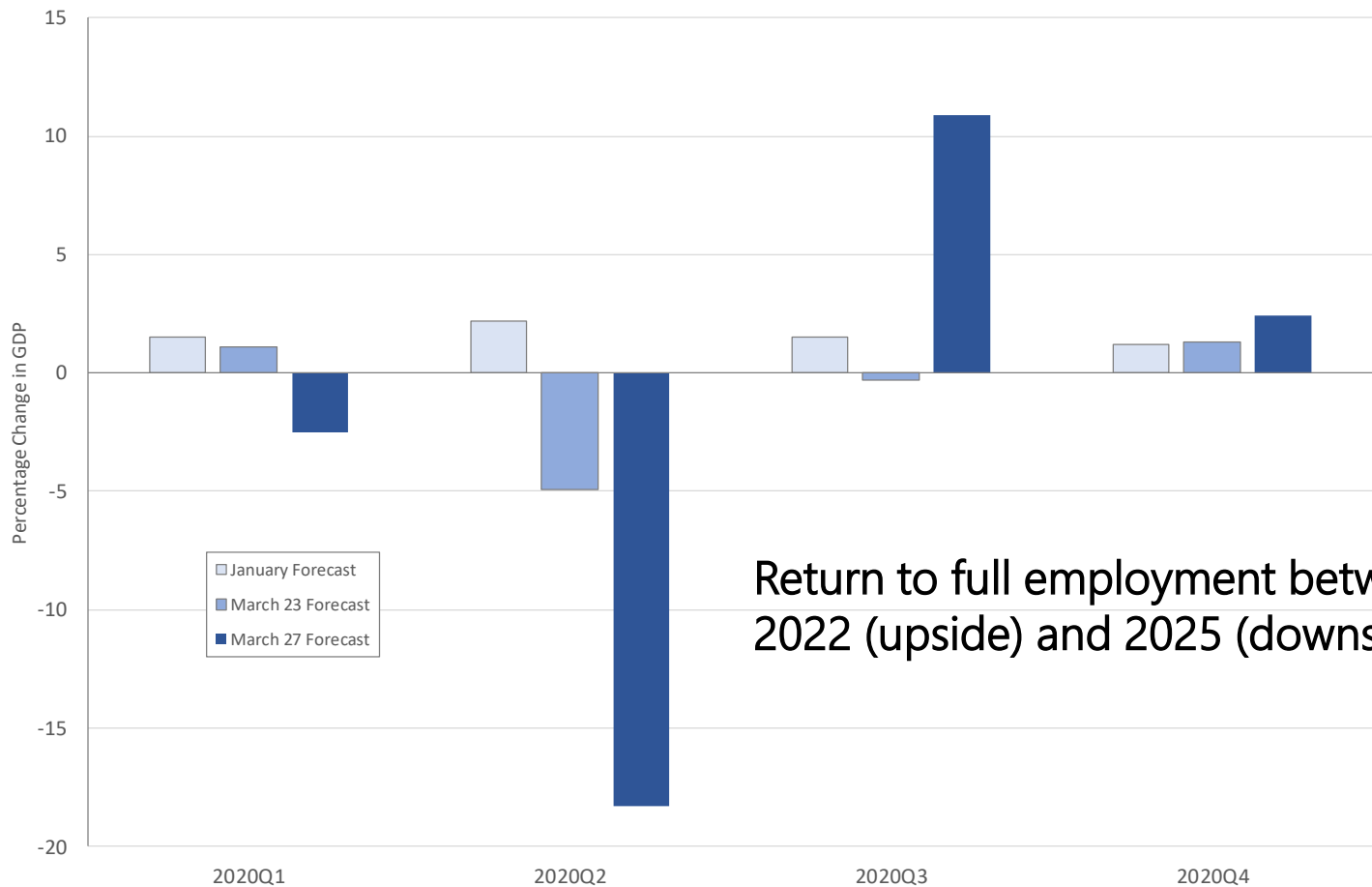
# Moody's GDP forecast: March 23<sup>rd</sup> Update

Moody's Forecast Change in U.S. Real GDP for 2020  
Annualized, Quarter-to-Quarter



# Moody's GDP forecast: March 27<sup>th</sup> Update

Moody's Forecast Change in U.S. Real GDP for 2020  
Annualized, Quarter-to-Quarter



# City financial impacts

## Sharp and immediate losses (current year)

- Hotel taxes
- Sales, parking, and other local taxes
- Transfer taxes and interest earnings

## Delayed losses (coming fiscal years)

- Property taxes
- Business taxes
- Others



## Current year losses – General Fund (\$M)

	Limited	Extended
Six month budget improvement	98	98
COVID revenue losses		
Property	(2)	(50)
Business	18	18
Hotel	(112)	(124)
Transfer	(88)	(118)
Sales	(68)	(109)
Other	(59)	(70)
	(311)	(453)
Baseline offsets	46	67
Revised March projection	(167)	(287)

## Current year losses – Other funds (\$M)

	Limited	Extended
<hr/>		
Select Enterprise Funds		
Airport	(190)	(220)
MTA	(170)	(250)
Port	(23)	(30)
<hr/>		
Select Enterprises	(383)	(500)
<hr/>		

## Three year General Fund revenue losses (\$M)

	Limited	Extended
FY19-20	(167)	(287)
FY20-21	(333)	(584)
FY21-22	(220)	(388)
Three Year Total	(720)	(1,259)

*\* Updated revenue losses net versus prior projection, net of baselines*

# March budget outlook (\$M)

## Cumulative budget shortfall through FY21-22

- January projection = \$419M
- March projection = \$1.1B - \$1.7B

	<u>Limited Scenario</u>			<u>Extended Scenario</u>		
	FY19-20	FY20-21	FY21-22	FY19-20	FY20-21	FY21-22
Previous projection (January)		(195)	(224)		(195)	(224)
Revised revenue outlook (March)	(167)	(333)	(220)	(287)	(584)	(388)
<b>Revised projection (March)</b>	<b>(167)</b>	<b>(528)</b>	<b>(444)</b>	<b>(287)</b>	<b>(779)</b>	<b>(612)</b>
<i>Cumulative through FY21-22</i>			<i>(1,139)</i>			<i>(1,678)</i>

# Not included in March projection

(Coming in April update)

- COVID response expenses
- Federal and State relief and stimulus
- Retirement system losses & contributions
- Other department revenue & expenditure trends
- Budget actions – Spending reductions, reserve draws, others

# Reserves

City reserve position better than prior two recessions

- Rainy day & stabilization reserves = \$590M
- General reserve = \$150M
- Other reserve balances available to offset some reductions in one-time program spending

Reserves will soften the budget impact but will not be sufficient to carry the City through multi-year revenue losses

# Federal and State relief and stimulus

3 Federal relief bills & 1 State stimulus bill to support workers, businesses, public health systems, and state & local governments

## Relief for private businesses and workers

- Sick leave expansion
- Unemployment extension and expansion
- Small business loans / grants
- Individual household payments
- Other

# Federal and State relief and stimulus

## Relief for public agencies

- FEMA & CalOES disaster relief
  
- Federal COVID stimulus bills
  - State and local governments
  - Transit agencies
  - Hospitals & healthcare systems
  - Other



# City Community Support

Relief for residents, workers, businesses, & City contracted non-profits

- Small Business tax & fee deferral
- Grant and relief funds for small businesses, artists, and other philanthropic support
- Relief for residents – eviction moratorium, sick leave for private sector workers, MTA and PUC fee/billing relief
- City employee leave benefits and contract continuity for city contracted non-profits

# City Emergency Response Spending

City departments have incurred costs related to direct health crisis needs, including:

- Staffing costs to stabilize and support the health care workforce
- Health equipment and safety supplies (ex. PPE)
- Testing and treatment
- Other staff time, IT, EOC supplies dedicated to COVID response

Additional work to be done on the level of reimbursement and direct support from the state and federal government to offset these costs

## Additional City Response Programs

City departments, including DPH, HSA, and HSH, have key programs underway to address additional response capacity and needs

- Additional surge planning for our hospital system
- Hotel and shelter placements for vulnerable populations and front-line workers

Review is on-going to utilize state and federal government resources available to help support these necessary programs

## Revised Budget Timeline

- March 31 – release updated projections & revised budget timeline
- Mid/Late-April - updated Joint Report issued
- May – revised budget instructions to departments
- June & July – Mayor’s phase of budget
- August – Board Budget Committee phase
- September – Budget at full Board of Supervisors
- October 1 – Mayor signs budget

# Planning for Rebalancing Plan

## Pause non-essential hiring and spending

- Instructions to departments:
  - No new hiring - except for essential workers
  - Prioritize essential capital projects – pause others
  - Pause new programs that have not started

Mayor's Office is developing current year rebalancing plan that includes reduced spending to offset current year shortfalls

Questions or comments?