

## Budget Analysis Report

To: Budget and Appropriations Committee  
From: Budget and Legislative Analyst's Office *David Jones*  
Re: Summary and Analysis of Mayor's Current Year General Fund Rebalancing Plan  
Date: June 2, 2020

---

### Executive Summary

- The COVID-19 pandemic and associated economic impacts have significantly impacted the City's revenues, particularly the gross receipts tax (\$180.7 million below budget), hotel tax (\$150.1 million below budget), and sales tax (\$71.8 million below budget when combined with State sales tax pass throughs).
- The Controller's FY 2019-20 Budget Outlook Update (Nine-Month Report), released on May 13, projected a current year General Fund short fall of \$246.2 million.
- The Mayor's Office transmitted Mayor Breed's current year General Fund rebalancing plan to the Board of Supervisors on May 26<sup>th</sup>. The Mayor's rebalancing plan largely relies on the use of reserves and one-time project related reductions to close the current year deficit.
- The Mayor's rebalancing plan includes the use of \$77.6 million from the General Reserve, which is the largest source of funds being used to close the projected \$246.2 deficit.
- The rebalancing plan includes reductions and savings to capital projects totaling \$52.5 million. These reductions and savings include the following: \$35.5 million in reductions and savings to the General Fund Pay-As-You-Go Program, \$11.6 million in reductions to funding for the Department of Public Works Streets Program, and \$5.4 million in reductions to other Department of Public Works capital projects.
- The rebalancing plan includes reductions and savings to departmental budgets totaling \$38.6 million. These reductions and savings include the following: \$17.1 million in savings from closing department shortfalls identified in the May Budget Outlook Report (Recreation and Parks, Human Services Agency, and Juvenile Probation), \$12.7 million in savings from reductions to additional department budgets (Public Health, Human Resources, Treasurer and Tax Collector, and the Human Rights Commission), and \$8.8 million in additional savings across multiple department budgets, including purchase order closeouts (\$3.3 million), utility savings (\$3.5 million), and a five percent reduction to General Fund spending on training, travel, and materials and supplies (2.0 million).
- The rebalancing plan includes savings from reallocating and \$58.8 million in prior ERAF allocations. Most of these reallocations realize savings for the General Fund by shifting funding sources for affordable housing development from ERAF funds to the 2019 Affordable Housing Bond.

- The rebalancing plan includes \$15.1 million in debt savings in the current year and \$3.7 million in savings and reductions to Information Technology projects.

## Policy Options

1. *The Board of Supervisors could request that the City Administrator report back to the Budget and Appropriations Committee on further developments related to the Justice Facilities Improvement Project.*
2. *The Board of Supervisors could request that the Mayor's Budget Director work with Board staff to ensure that reallocations of ERAF funds for early childcare subsidies and/or stipends for early childcare teachers minimize impacts to vulnerable communities and are in line with the Board's budget priorities.*

*Project staff: Dan Goncher, Christina Malamut*

## Background

### **Budgetary Impacts of COVID-19**

The Controller's FY 2019-20 Budget Outlook Update (Nine-Month Report), released on May 13, projected a current year General Fund short fall of \$246.2 million.

The COVID-19 pandemic and associated economic impacts have significantly impacted the City's revenues, particularly the gross receipts tax (\$180.7 million below budget), hotel tax (\$150.1 million below budget), and sales tax (\$71.8 million below budget when combined with State sales tax pass throughs). The negative impact of declining revenues on the General Fund has been offset somewhat by directions from the Mayor for immediate reductions in departmental operations. These reductions include: (1) restrictions on hiring new staff to essential workers; (2) pausing non-essential capital projects; and, (3) pausing new programs started in prior year budgets that have not been started. These negative impacts have also been somewhat offset by lower required contributions to baselines, such as the Children's Baseline. These impacts are shown in Exhibit 1 below.

**Exhibit 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)
<b>FY 2019-20 Starting Fund Balance</b>	<b>294.0</b>
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</b>	<b>(208.5)</b>
Deposit to Budget Stabilization Reserve	(66.8)
Deposit to Budget Stabilization One-Time Reserve	66.8
Deposit to Budget Savings Incentive Fund	0.0
<b>Withdrawals from / (Deposits) to Reserves</b>	<b>0.0</b>
FY 2019-20 Projected Ending Balance	85.5
Previously Projected Available for Budget Years	331.7
<b>FY 2019-20 Mid-Year Shortfall</b>	<b>(246.2)</b>

Source: Budget Outlook Update FY 2019-20 through FY 2023-24 (Released 5/13/20)

**Overview of Mayor’s Rebalancing Plan**

The Mayor’s Office transmitted Mayor Breed’s current year General Fund rebalancing plan to the Board of Supervisors on May 26<sup>th</sup>. The plan outlines the Mayor’s choices for closing the projected \$246.2 million current year General Fund deficit with a mix of solutions as shown in Exhibit 2 below.

The Mayor’s rebalancing plan largely relies on the use of reserves and one-time project related reductions. As shown in Exhibit 2 below, the largest sources for the rebalancing are: (1) use of General Reserve monies; (2) reallocation of ERAF surplus funds; (3) capital projects; and, (4) department-specific savings and reductions. Each of these rebalancing solutions are detailed in separate subsections below Exhibit 2.

**Exhibit 2: Summary of Mayor’s FY 2019-20 Rebalancing Plan**

<b>Solutions</b>	<b>Amount (\$ millions)</b>	<b>Percent of Plan</b>
General Reserve	77.6	31.5%
Prior ERAF Allocations	58.8	23.9%
Capital Projects	52.5	21.3%
Department Savings & Reductions	38.6	15.7%
Debt Savings	15.1	6.1%
IT Projects	3.7	1.5%
<b>Total</b>	<b>\$246.2</b>	<b>100%</b>

Source: Mayor’s Budget Office

---

## Use of General Fund Reserves

The Mayor’s rebalancing plan includes the use of \$77.6 million<sup>1</sup> from the General Reserve, which is the largest source of funds being used to close the projected \$246.2 deficit. Section 10.60(b) of the Administrative Code establishes the General Reserve, which is “intended to address revenue weaknesses, expenditure overages, or other programmatic goals not anticipated during the annual budget process.”

The FY 2019-20 General Reserve starting balance was \$156.2 million. A supplemental appropriation of \$2.2 million of the General Reserve for the District Attorney, Sheriff, and Police Department was approved by the Board of Supervisors to comply with new pretrial detention policies, thereby reducing the year-end projected General Reserve balance to \$154 million. The use of \$77.6 million from the General Reserve is equal to approximately 50.4 percent of the projected FY 2019-20 year-end balance.

---

<sup>1</sup> The proposed \$77.6 million withdrawal from the General Reserve is the maximum allowed under the Administrative Code. Section 10.60(b) of the Administrative Code established a schedule for the City to increase its required funding level of the General Reserve to reach three percent of budgeted regular General Fund revenues by FY 2020-21 (“regular General Fund revenues” is further defined in the code). However, Section 10.60(b) allows the City to reduce the required level of the General Reserve to 1.5 percent of budgeted regular General Fund revenues during any fiscal year in which a withdrawal from the City Rainy Day Reserve is appropriated.

## Capital Project Adjustments

The rebalancing plan includes reductions and savings to capital projects totaling \$52.5 million. These reductions and savings include the following: \$35.5 million in reductions and savings to the General Fund Pay-As-You-Go Program, \$11.6 million in reductions to funding for the Department of Public Works Streets Program, and \$5.4 million in reductions to other Department of Public Works capital projects. Capital projects savings and reductions are summarized in Exhibit 3 below.

**Exhibit 3: Summary of Capital Projects Savings and Reductions**

<b>Solutions</b>	<b>Amount</b>
<b>General Fund Pay-Go Program Reductions &amp; Savings</b>	<b>35.5</b>
Justice Facilities Improvement Project Plan Changes	14.3
Capital Planning Fund Reductions	4.9
Police & Fire Facility Projects to ESER Bond	2.7
Other Capital Projects Savings	13.6
<b>DPW Streets Projects</b>	<b>11.6</b>
Curb Ramps	2.8
Street Structures	2.2
Street Resurfacing	6.6
<b>Other DPW Capital Reductions</b>	<b>5.4</b>
Facilities Maintenance, Sidewalk, Plaza, and Pothole Repair	1.2
Inactive Project and Project Surplus Closeouts	1.5
Additional DPW Contract Closeouts	2.7
<b>Total Capital Projects Reductions &amp; Savings</b>	<b>52.5</b>

Source: Mayor's Budget Office

### **General Fund Pay-Go Program Reductions and Savings**

The rebalancing plan includes reductions and savings to the City's General Fund Pay-As-You-Go Program totaling \$34.9 million. These reductions and savings include the following: \$14.3 million reduction to the Justice Facilities Improvement Project, \$4.9 million reduction to the Capital Planning Fund, \$2.7 million General Fund reduction to Police and Fire facility projects (as costs are shifted to ESER Bond), and \$13.6 million in other capital project cost savings.

#### *Justice Facilities Improvement Project Plan Changes*

The Justice Facilities Improvement Program (JFIP) provides for the closure of the seismically-deficient Hall of Justice (the Hall) and the construction of replacement spaces for that facility. The building currently houses the County courthouse,

County jails #3 and #4 and office space for various justice-related staff. Staff from the District Attorney's Office, Police, and Adult Probation departments will be relocated to leased space. Remaining City offices in the Hall will be consolidated on the Harriet Street side of the building and acquired properties once obtained. The Bryant Street side of the building will be demolished once all staff and inmates are vacated, and the remaining Harriet Street side will be enclosed, leaving a rectangular structure with better expected seismic performance. As of June 2020, there is no plan in place for relocation of inmates and staff from County Jail #4.

The rebalancing plan reduces the Justice Facilities Improvement Project by \$14.3 million. This includes \$13.3 million in reductions to improve leased property at 777 Brannan Street for the Police Department's evidence storage unit (currently located in the Hall) and property storage unit (located in a leased facility in the Hunters Point Naval Shipyard), as well as the Police Department's Identification Bureau and the Sheriff's Office Central Warrants and Records Unit.<sup>2</sup> The Office of Resilience and Capital Planning (Capital Planning) previously planned to use 777 Brannan Street as an interim location for Police Evidence prior to moving to 1828 Egbert Avenue,<sup>3</sup> but the unit will now move one time to 1828 Egbert Avenue instead of moving twice.

Due to this change, Sheriff Warrants and Records and Police ID will not be able to move into 777 Brannan Street as planned and will remain at the Hall until Capital Planning identifies a suitable alternative for these offices. According to Ms. Heather Green, Capital Planning Director and Deputy Resilience Officer, the City's acquisition of one adjacent property located on the Harriet Street side of the Hall is still in process, and once the City acquires the property, they will be able to plan for the permanent future home of offices remaining in the Hall. Ms. Green also reports that future plans will also seek to make the best use of the space at 777 Brannan Street.<sup>4</sup>

In addition to the \$13.3 million in reductions to improve 777 Brannan Street, the rebalancing plan also includes a \$1.0 million reduction to costs associated with the

---

<sup>2</sup> The Board of Supervisors previously approved a ten-year lease from July 2018 through June 2028 at 777 Brannan Street for the Police Department's evidence storage to relocate from the Hall of Justice (File 18-0358). Subsequent to the lease approval, the Department of Public Works and Real Estate Division determined that 777 Brannan Street would require significant improvements to meet the Police Department's security and other requirements for evidence storage, at an estimated cost of \$17 million. The Real Estate Division determined that the purchase of 1828 Egbert Avenue for the Police Department's evidence and property storage units was preferred because it meets the Department's seismic and other standards.

<sup>3</sup> In July 2019, the Board approved a resolution authorizing the director of the Real Estate Division to acquire 1828 Egbert Avenue in an amount of \$67.3 million to relocate the Police Department's evidence and property storage from the HOJ (File 19-0774).

<sup>4</sup> Pursuant to the lease at 777 Brannan Street, the City cannot legally terminate the lease prior to the initial expiration date of June 30, 2028.

lease at 945 Bryant Street for Adult Probation's move from the Hall. This includes a \$0.5 million reduction to contingencies and a \$0.5 million reduction to furniture, fixtures, and equipment. According to Ms. Green, this change will not impact the Department's move from the Hall beyond reduced flexibility for change orders and furniture.

#### *Capital Planning Fund*

The City uses a revolving Capital Planning Fund to support pre-development of projects for inclusion in bonds with the expectation that these funds will be reimbursed at bond issuance. The rebalancing plan includes \$4.9 million in reductions to the Capital Planning Fund through a combination of identification of surplus funds for completed project planning that is no longer needed and through moving some pre-development project costs to bond sources.

#### *Police and Fire Facility Projects Shifted to ESER Bond*

The Earthquake Safety and Emergency Response (ESER) General Obligation Bond Program provides funding for essential public safety projects and identifies seismic improvements and upgrades to City-owned facilities. To date, voters have approved three phases of ESER bonds (2010, 2014, and 2020). The ESER 2010 and ESER 2014 bonds funded improvements to neighborhood fire stations, district police stations and the Emergency Firefighting Water System, and the ESER 2020 bond will continue the work of the previous two ESER bonds. The rebalancing plan includes \$2.7 million in savings by moving some Police and Fire facility projects to ESER bond funds. As of June 2020, \$121 million of ESER bond funds is available for police district station and support facilities and an \$275 million is available for neighborhood fire station and support facilities. Police projects to be moved to the ESER bonds include parking lot maintenance, police station security and painting upgrades and HVAC replacement. Fire projects to be moved to the ESER Bond include boiler and generator replacements, sidewalk and roof work, and underground storage tank work and facility renewal.

#### *Other Capital Project Savings*

The rebalancing plan includes \$13.6 million in other capital projects cost savings from reductions to Heating, Ventilation, and Air Conditioning (HVAC) projects, project contingencies and facility renewal reductions across multiple departments. The City's ability to move these projects forward in future years will depend on future Pay-As-You-Go budget allocations and constraints. The five largest sources of savings include: (1) a \$1.4 million reduction to funding for barrier removal for outdoor recreation facilities; (2) a \$800 thousand reduction to façade repair for the Old Mint Courtyard; (3) a \$561 thousand reduction to exterior repairs for the De Young tower; (4) \$350 thousand in project savings to 1155 Market Street; and (5) \$300 thousand in unspent capital funds from FY 2015-16. The



### **Public Works Street Projects**

Approximately \$11.5 million in the Mayor's rebalancing solutions comes from the reduction of General Fund monies for DPW street projects, including \$2.8 million for curb ramps, \$2.2 million for street structures, and \$6.6 million for street resurfacing projects. These funds come from accounts that pay for projects previously identified and that often leverage outside funds such as federal and state grants. DPW staff has stated that they are in the process of conducting a reassessment of their street project funding in order to minimize the impact of the rebalancing reductions. DPW staff has further stated that they likely will not make final decisions on which projects will be canceled or delayed until after the FY 2020-21 budget proposal is announced in August.

A total of \$72,706,001 was allocated in FY 2019-20 for DPW street projects with \$30,200,000, or 41.5 percent, coming from General Fund Support. This reduction represents approximately 15.8 percent of the total allocation for street projects and 38 percent of the General Fund support such projects.

In order to estimate the magnitude of this reduction we requested FY 2018-19 funding and output data from DPW. In FY 2018-19, DPW received a total of \$52,985,134 in funding (a mix of State and local sources). Of this amount, \$21,824,000, or 41.2 percent, was from General Fund support. DPW staff report that the Department was able to pave 664 blocks in FY 2018-19 as well as complete roadway preservation work. We were not able to obtain data on the number of curb ramp or street structure projects completed in FY 2018-19.

### **Other Public Works Capital Reductions**

Approximately \$5.4 million in the Mayor's rebalancing solutions comes from General Fund monies for other DPW capital projects. These savings include:

- A \$1.2 million reduction for facilities maintenance, sidewalk repair, plaza repair, and pothole repair programs. DPW staff report that these funds come from an account set up for repairing City infrastructure when deficiencies are identified. To the extent that there will be less money in this fund, there will be less allocated to repair work when such deficiencies are identified in facilities, sidewalks (when not due to street trees), plazas, and potholes.
- \$1.5 million in savings from the close out of inactive projects and project surpluses.
- \$2.7 million in additional DPW contract closeouts, which DPW staff report come from numerous small project surpluses.

---

## Department Savings & Reductions

The rebalancing plan includes reductions and savings to departmental budgets totaling \$38.6 million. These reductions and savings include the following: \$17.1 million in savings from closing department shortfalls identified in the May Budget Outlook Report (Recreation and Parks, Human Services Agency, and Juvenile Probation), \$12.7 million in savings from reductions to additional department budgets (Public Health, Human Resources, Treasurer and Tax Collector, and the Human Rights Commission), and \$8.8 million in additional savings across multiple department budgets, including purchase order closeouts (\$3.3 million), utility savings (\$3.5 million), and a five percent reduction to General Fund spending on training, travel, and materials and supplies (2.0 million). Department Savings and Reductions are shown in Exhibit 4 below.

**Exhibit 4: Summary of Department Savings and Reductions**

<b>Solutions by Department</b>	<b>Amount</b>
Recreation & Parks*	9.1
Human Services Agency*	4.8
Juvenile Probation*	3.2
Public Health	8.2
Human Resources	1.5
Treasurer & Tax Collector	1.5
Human Rights Commission	1.5
Additional Savings across Multiple Departments	8.8
<i>Purchase Order Closeouts</i>	3.3
<i>Utility Savings</i>	3.5
<i>5% Reduction to GF Training, Travel, and Materials/Supplies</i>	2.0
<b>Total</b>	<b>38.6</b>

Source: Mayor's Budget Office

\*Department with budget shortfalls identified in the May Budget Outlook Report

### Recreation and Parks

The rebalancing plan includes \$9.1 million in reductions to the Recreation and Parks Department to fully offset its projected net operating deficit of \$9.1 million identified in the May Budget Outlook Report. According to the Budget Outlook Report, the Recreation and Parks Department had a projected net operating deficit of \$9.1 million 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 in savings to salary and fringe benefits.

The Recreation and Parks Department will close the \$9.1 million projected shortfall through a combination of strategies, the largest of which include \$4.1 million in overtime and salary savings due to the City's hiring freeze and \$4.4 million in reductions to capital projects. Other sources of savings include closeouts to capital projects and purchase orders, as well as other reductions. The Department does not expect any impact to operational services from these reductions.

### **Human Services Agency**

The rebalancing plan includes \$4.8 million in increased revenues to the Human Services Agency (HSA), which partially offsets its projected net operating deficit of \$12.3 million identified in the May Budget Outlook Report. According to the Budget Outlook Report, HSA had a projected net operating deficit of \$12.3 million due to a revenue shortfall of \$30.5 million largely due to lower than budgeted revenues in General Operations and Special Projects (\$17.6 million) and Child Welfare programs (\$9.7 million), partially offset by \$18.2 million in expenditure savings largely due to decreases in services in the In-Home Supportive Services program. The rebalancing plan includes \$4.8 million in unanticipated closeout revenues in CalWORKs and CalFresh from the State. These revenues are tied to expenditures and claims to the State for FY 2017-18 and were greater than anticipated in the May Budget Outlook Report.

### **Juvenile Probation**

The rebalancing plan includes \$3.2 million in reductions to the Juvenile Probation Department, which more than offsets its projected net operating deficit of \$2.3 million identified in the May Budget Outlook Report. According to the Budget Outlook Report, the Juvenile Probation had a projected net operating deficit of \$2.3 million due to a revenue shortfall of \$4.4 million due to delayed claiming of federal and state revenue from grants and subventions, partially offset by \$2.1 million in savings to salary and fringe benefits from position vacancies.

Under the rebalancing plan, Juvenile Probation is expected to claim \$3.2 million in state revenue, reducing the \$4.4 million projected revenue shortfall from delayed claiming of federal and state revenue. The Controller's Office Accounting Operations Division has been working with Juvenile Probation staff to assist with these revenue claims.

### **Public Health**

The rebalancing plan includes \$8.2 million in savings and reductions to the Department of Public Health (DPH). This includes \$4.2 million in unanticipated revenue from the State from a retroactive audit finding determination for prior

year MediCal waivers. This also includes \$3.0 million in savings from the Electronic Health Records transition at Zuckerberg San Francisco General Hospital. These funds were budgeted to help manage patient census levels during the significant technology transition, but DPH was able to maintain a workable patient census and place patients using their regular operating budget. Further, it includes \$1.0 million in savings from cancelling audio-visual upgrades at the Laguna Honda Theater.

### **Human Resources**

The Mayor's rebalancing plan includes \$1.5 million in General Fund reductions (from an original budget of \$2.5 million) to a program set up under the Department of Human Resources to assist former Housing Authority staff transition to new employment. Mayor's Office staff report that the Housing Authority budget was able to cover this \$1.5 million in expenditures. These funds are intended to provide immediate assistance, including career coaching and assessment, training, placement assistance, and job fairs for those Housing Authority staff whose jobs were eliminated when the City took over control of the agency.

### **Treasurer/Tax Collector**

The Mayor's rebalancing plan includes \$1.5 million in surplus General Fund monies that were previously allocated to the Treasurer/Tax Collector for the Gross Receipts Transition project. The project was established to enable the gross receipts tax to be managed, collected, and audited over a multi-year transition from the Payroll Tax. Project funds were primarily spent on software, professional services, staff, communications, and quarterly filings.

### **Human Rights Commission**

The Mayor's rebalancing plan includes \$1.5 million in General Fund monies that were previously allocated to the Opportunities for All program. The Opportunities for All program, led by the Human Rights Commission, provides access to career exploration and workforce development for San Francisco youth aged 13 to 24. The program includes paid internships, mentorship, and pathways to employment (including job readiness, career training, and apprenticeship). Mayor's Office staff report that the Mayor has committed to make up for the reduction in General Fund support through private fundraising.

### **Additional Savings across Multiple Departments**

The rebalancing plan includes \$8.8 million in additional savings across multiple department budgets. This includes closeouts to unspent purchase orders across

departments totaling \$3.3 million. It also includes assumed utility savings of \$3.5 million from reduced use of City offices, resulting in lower General Fund costs for water, sewer, and power. Further, the rebalancing plan includes a five percent reduction to General Fund spending on training, travel, and materials and supplies, totaling \$2.0 million across departments.

---

## **Educational Revenue Augmentation Fund (ERAF) Surplus Adjustments**

The rebalancing plan includes savings from reallocating \$58.8 million in prior ERAF allocations. Most of these reallocations realize savings for the General Fund by shifting funding sources for affordable housing development from ERAF funds to the 2019 Affordable Housing Bond. Each of the ERAF allocations are detailed below.

### **Affordable Housing Gap Financing**

The Mayor's rebalancing plan includes shifting \$40 million from FY 2019-20 ERAF allocations for affordable housing to the \$600 million 2019 Affordable Housing Bond. \$37 million of this \$40 million was previously allocated to affordable housing gap financing for two projects: (1) 4840 Mission Street and (2) Balboa Park Station Upper Yard. Another \$3 million of the \$40 million was to be used for predevelopment for a project at 772 Pacific Street. Mayor's Office staff report that none of these projects will be delayed as a result of shifting funding from ERAF monies to the 2019 Affordable Housing Bond.

Mayor's Office staff also report that the rebalancing plan assumes that other projects that are at a nascent planning stage will be moved to different sources and will be delayed to better align with project delivery timelines. These include geographic balance site acquisition, which will be moved to the Housing Trust Fund from the 2019 Affordable Housing Bond and will be moved to FY 2023-24 from late FY 2021-22 (first half of calendar year 2022). In addition, Mayor's Office staff report that the Potrero Yard project is in the process of identifying a variety of funding opportunities for the nascent project scope and viability.

### **One-time Childcare Capital**

The Mayor's rebalancing plan includes \$3.0 million from a total of \$10 million allocated for childcare facility acquisition and rehab (\$7 million was allocated from the discretionary portion of the FY 2016-17 & FY 2019-20 amounts; \$3 million was allocated from the Special Educator Reserve Fund established in the FY 2018-19 excess ERAF spending plan). Mayor's Office staff reports that of the \$10 million in ERAF monies set aside for childcare capital projects, \$6 million has been committed to six different childcare facilities either under construction or with

construction planned to start soon. They further report that another \$1 million was dedicated for facilities under the purview of First Five San Francisco. The remaining \$3.0 million would have been used as gap financing for projects further in the childcare facility pipeline, but not yet identified.

These funds are contracted out via the Office of Early Care and Education (under HSA) to the Low Income Investment Fund (LIIF), an entity that helps manage funds for childcare programs and capital projects. LIIF maintains a list of potential childcare facilities projects and allocates funds to meet gap financing needs, drawing on a variety of sources, including developer fees and in the case of FY 2019-20, additional funds from ERAF. The list of projects that are being partially financed from ERAF funds is shown below in Exhibit 5. Mayor’s Office staff reports that priority is given to City funded and/or supported projects (e.g. HOPESF or MOHCD-supported affordable housing developments with childcare facilities).

**Exhibit 5: Childcare Facility Capital Projects Supported by ERAF Funds**

Source/Status	Amount (\$ Millions)	Use
Total ERAF	<b>10.0</b>	
	1.0	Workorder to First Five
	1.0	MNC - 1240 Valencia
	1.0	C5 at 49 SVN (City building)
	1.0	Kai Ming - Mission Bay (Block 6)
	1.0	2060 Folsom (MOHCD)
	1.0	HOPESF @ 1095 Connecticut
	1.0	1990 Folsom (MOHCD)
Total Committed	<b>7.0</b>	
<i>Remaining</i>	<i>3.0</i>	

Source: Mayor’s Budget Office

**Vision Zero**

The Mayor’s rebalancing plan includes \$1.8 million from a total of \$2.5 million in FY 2019-20 ERAF allocations for Vision Zero improvements. Mayor’s Office staff report that these are unspent funds that were mostly being used for repainting equipment.

**SFUSD Mental Health Centers**

The Mayor’s rebalancing plan includes \$1.0 million from a total of \$3.5 million budgeted over multiple years for mental health services at several SFUSD campuses. Mayor’s Office staff report that the reduction will be reflected in the FY

2020-21 allocation. SFUSD staff report that the program serves nine middle and high schools that receive 1.0 FTE staff to support the social/emotional development and mental health needs of students. The identified schools are: Bessie Carmichael K8, Revere K8, SF Community K8, Denman MS, Lick MS, Visitacion Valley Middle School, Burton High School, Marshall High School, and O'Connell High School. All SFUSD school and district buildings are closed to the public until further notice due to the COVID-19 pandemic.

### **Working Families Credit**

The Mayor's rebalancing plan includes \$1.0 million from a total of \$2.5 million in FY 2019-20 ERAF allocations for the Working Families Credit. The Working Families Credit program offers up to \$250 per year to families who qualify for the federal Earned Income Tax Credit (EITC).

### **Senior Affordable Housing Pre-development near Laguna Honda Hospital**

The Mayor's rebalancing plan includes \$3.0 million from FY 2019-20 ERAF allocations to affordable housing production (from \$42.69 million that was designated for affordable housing gap financing, predevelopment, and acquisition; this was part of \$155.95 million total in ERAF funds allocated for affordable housing develop and acquisition). This \$3.0 million was slated for predevelopment of a senior affordable housing project on a City-owned parcel next to Laguna Honda Hospital. Mayor's Office staff state that these predevelopment funds will now be supported by the 2019 \$600 million Affordable Housing Bond.

### **Transitional Age Youth Residential Treatment**

The Mayor's rebalancing plan includes \$2.0 million from a total of \$2.0 million in FY 2019-20 ERAF allocations for Transitional Age Youth Residential Treatment beds (behavioral health treatment). Department of Public Health and Mayor's Office staff have reported that there was no specific program identified at the time the funds were allocated and that no provider or site has been identified in the interim for these beds.

### **Fire Hose Tenders**

The Mayor's rebalancing plan includes \$2.0 million from a total of \$4.0 million in FY 2019-20 ERAF allocations for fire hose tenders. The reduction will result in limiting the Fire Department to purchasing only two fire hose tenders instead of four tenders. Fire hose tenders are vehicles that enable portable movement of water through the City, particularly to areas that the City's Emergency Firefighting Water System does not extend.

### Small Site Housing Acquisitions

The Mayor’s rebalancing plan includes \$2.5 million from a total of \$28.46 in FY 2019-20 ERAF allocations for small sites and housing accelerator projects. Mayor’s Office staff reports that alternative funding, including the 2019 Affordable Housing Bond, has been identified to fund all active small sites projects. As a result the Mayor’s Office does not anticipate that any active small sites projects will be delayed at this time.

### Childcare Subsidies and Wage Stipends

The Mayor’s rebalancing plan includes a total of \$2.5 million in reductions to early childcare teacher stipends and/or childcare subsidies supported by prior ERAF allocations. According to the Mayor’s Office, each of these programs had the support of prior ERAF allocations as shown in Exhibit 6 below.

**Exhibit 6: ERAF Support for Teacher Stipends & New Childcare Subsidies**

Year	Early Childcare Teacher Stipend (\$ Millions)	New Childcare Subsidies (\$ Millions)
FY 2018-19	\$5.00	\$0
FY 2019-20	\$10.00	\$3.00
FY 2020-21	\$12.90	\$3.00
FY 2021-22	\$5.00	\$3.00
<b>Total</b>	<b>\$32.90</b>	<b>\$9.00</b>

Source: Mayor’s Budget Office

Mayor’s Office staff has noted that the rebalancing plan anticipates utilizing \$2.5 million from the \$12.9 million FY 2020-21 allocation to early childcare teacher stipends *and/or* the \$3.0 million FY 2021-22 allocation to new childcare subsidies.

According to HSA staff, the Office of Early Care and Education (OECE), within HSA, oversees the child subsidies with the use of federal, state, and local funds. The program prioritizes low-income families. HSA staff reports that the ERAF investment of an additional \$3 million per year for three years translates to about 125 slots per year, depending on what ages of children and settings they are used for.

According to HSA staff, the OECE issued teacher stipends twice in FY 2019-20. In the fall (2019), OECE issued an average award of \$3,234 to about 2,117 teachers. In the spring, OECE issued an average award of \$3,244 to about 2,290 teachers. The total amount of stipends issued year to date is \$14,281,190.



## Other Adjustments

The rebalancing plan includes \$15.1 million in debt savings in the current year and \$3.7 million in savings and reductions to Information Technology projects as described below.

### Debt Savings

Debt savings of \$15.1 million to the current year budget include cancelation of debt prepayment for two projects. It includes \$11.1 million in cancelled prepayment of debt from a generator project at Zuckerberg San Francisco General Hospital. Regular annual payments will continue for this project at approximately \$1.5 million per year. It also includes \$4.0 million in foregone debt prepayment for the Moscone Center. The City does not face consequences for not making this prepayment, but rather forgoes the benefits of reduced borrowing costs from paying down the debt sooner.

### Information Technology Projects

Savings and reductions of \$3.7 million to Information Technology projects includes a reduced contingency for the Department of Emergency Management's Public Radio Replacement Project to upgrade the citywide radio communications system used primarily by the City's public safety and public service agencies. It also includes the project balance from the open-source voting project, as this project will not continue at this time. Further, it includes closeouts of balances between \$20 thousand and \$150 thousand for various projects.

---

## Policy Options

1. *The Board of Supervisors could request that the City Administrator report back to the Budget and Appropriations Committee on further developments related to the Justice Facilities Improvement Project.*
2. *The Board of Supervisors could request that the Mayor's Budget Director work with Board staff to ensure that reallocations of ERAF funds for early childcare subsidies and/or stipends for early childcare teachers minimize impacts to vulnerable communities and are in line with the Board's budget priorities.*