

CITY AND COUNTY OF SAN FRANCISCO

Five-Year Financial Plan

March 2026 Update

FY 2026-27 through FY 2029-30

Board of Supervisors Budget & Finance Committee | April 8, 2026

Deficit Overview — General Fund Projected Shortfalls, FY 2026-27 through FY 2029-30

FY 2026-27

\$168.5M

Annual Shortfall

↓ \$127.8M vs. Dec 2025

FY 2027-28

\$474.3M

Annual Shortfall

↓ \$166.0M vs. Dec 2025

FY 2028-29

\$741.7M

Annual Shortfall

↓ \$167.6M vs. Dec 2025

FY 2029-30

\$1.09B

Annual Shortfall

↓ \$79.9M vs. Dec 2025

Two-Year Deficit (FY 2026-28)

\$642.8M

↓ \$293.8M improvement vs. December 2025 forecast

H.R.1 Federal Cuts — 2-Year Impact

\$306.3M

~48% of the total two-year shortfall

Year 1 Revenue Forecast Improvements vs. December 2025

+\$115M

Business Tax (FY 2026-27)

Prop M (Nov 2024) timing effects shift revenue from FY 2025-26 into FY 2026-27; actual filings within ~1% of projections

+\$17.3M

Hotel & Sales Tax (FY 2026-27)

Hotel and sales tax strength partially offsetting property tax weakness in FY 2026-27

+\$44.3M

Real Property Transfer Tax

Reset in post-pandemic commercial real estate values driving growth over the full 5-year period

+\$149.1M

Fund Balance (FY 2025-26)

\$89.4M from Six-Month Report + \$59.7M additional current-year tax revenue; distributed across FY 2027-28 and FY 2028-29

+\$29.5M

Public Health Revenue

Increased patient census at ZSFG & Laguna Honda; expanded billable encounters in Whole Person Care and Primary Care

Other Major Cost Pressures — Cost Increases & Downward Revenue Pressures

COST INCREASES

Salaries & Benefits

—\$205.7M in FY26-27

Rising fixed labor costs from negotiated CBAs; Police/Fire contracts still outstanding

Retirement Contributions

Partially offset

Lower employer contributions partially offset costs; 7.2% return assumed, actual YTD 8.45%

Health Insurance

9.5%

Health Rates are projected to increase by 9.5%, which is higher than previous projections.

Citywide Operating Costs

—\$50.2M in FY26-27

Departmental operating budget changes, including leases, debt, risk, etc.

DOWNWARD REVENUE PRESSURES

Property Tax — Appeals Refunds

\$56M additional appeals in FY25-26

AAB refund liability rising; commercial values remain below 2020 sale prices

Property Tax — OCII Correction

—\$44M cumulative

SB-593 housing bond debt service now 86% property tax funded; prior forecast was incorrect

Excess ERAF Risk

Structurally volatile

AB 2526 (2026) may divert more ERAF to special education, reducing City's share; tentatively \$90M at risk

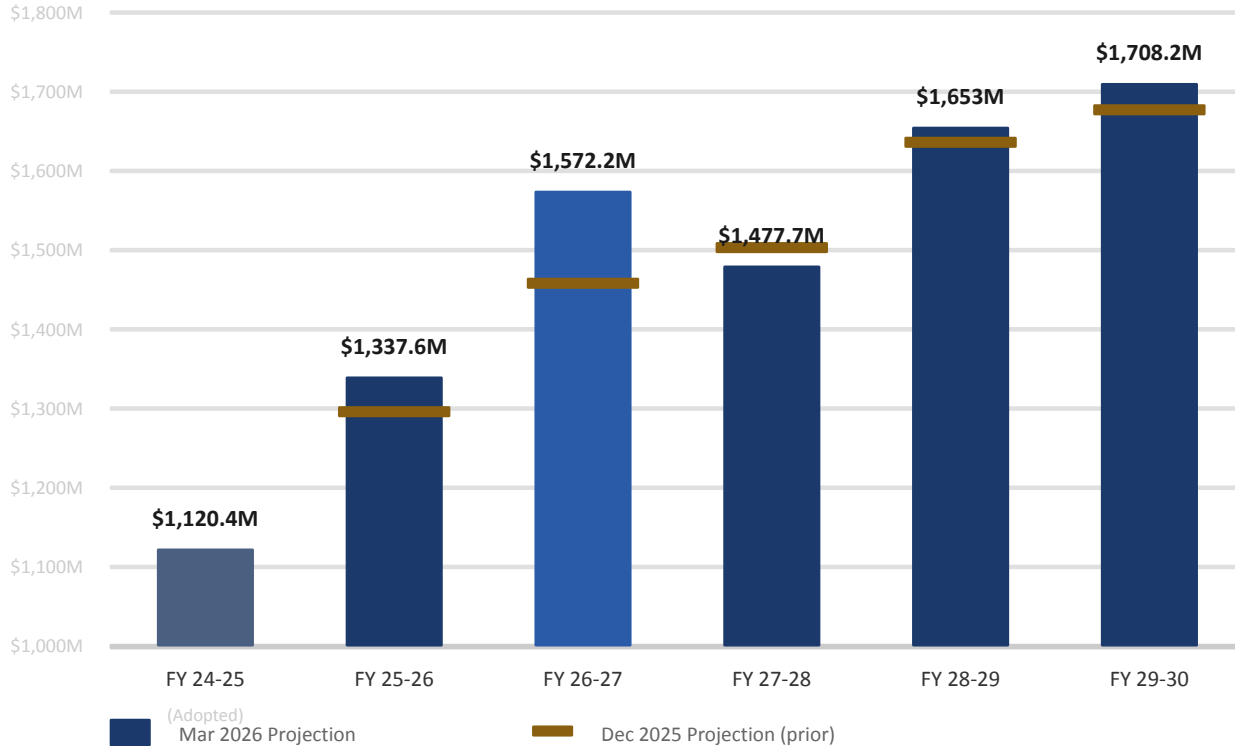
Prop M Filing Timing (FY25-26)

Shift to FY26-27

Only 60% of tax base filed by March 2; remaining revenue shifts forward — total unchanged

Business Tax Revenue Projections

General Fund | FY 2024-25 through FY 2029-30 | March 2026 Update



2-Year Upside:

+\$90.7M vs. December forecast

FY 2026-27 → FY 2027-28

Prop M (Nov 2024)

Restructured gross receipts rates & categories. FY 26-27 spike reflects filing timing — only 60% filed by Mar 2; remainder shifts collections into FY 26-27.

FY 27-28 Dip

Payback of FY 26-27 timing surge. Total revenue over both years unchanged; the spike simply reverses as the deferred FY25 taxes are absorbed.

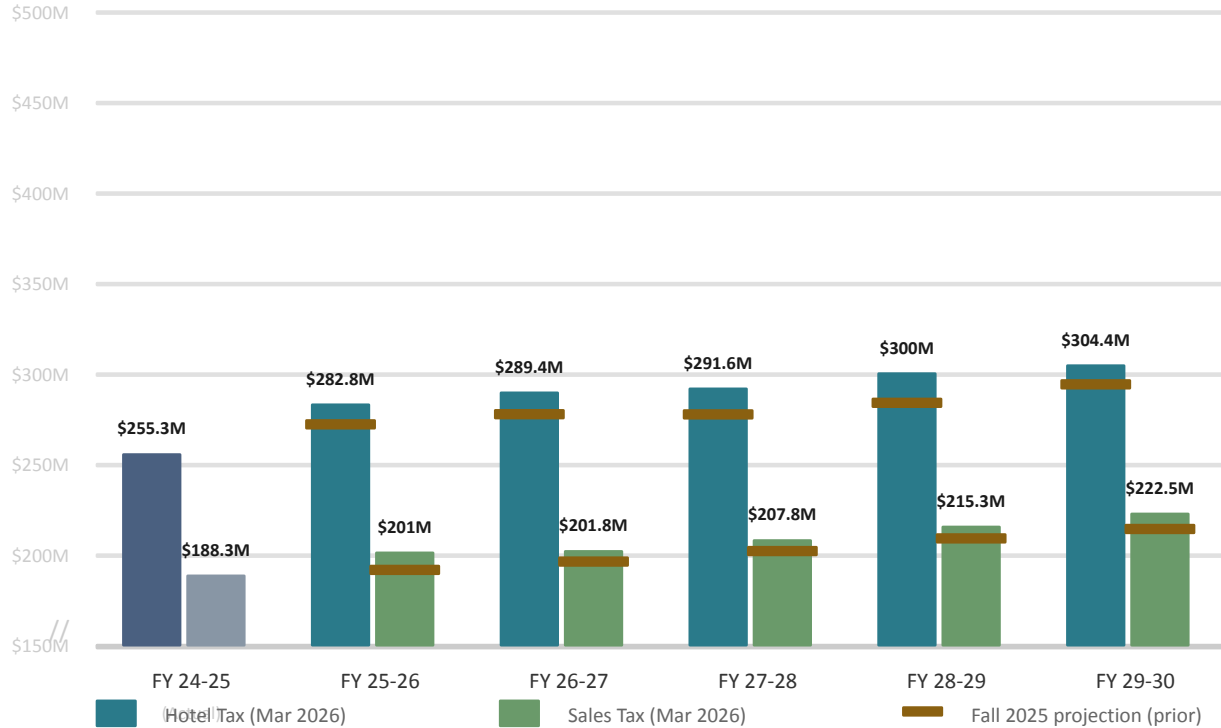
Underlying Driver

Growth driven by worldwide sales of tech & professional services firms. Litigation reserves (~\$384M) remain a material downside risk.

Uncertainty

Full Prop M impact unknown until Nov 2026 extension deadline. Updated Prop M performance report due Sept 1, 2026.

Hotel & Sales Tax Revenue Projections



2-Year Upside:

Hotel +\$25.9M

Sales +\$11.1M

Modest Growth Overall

Both taxes growing, but at or below inflation through FY 2029-30 — local economy still below pre-pandemic levels in tourism and retail.

Hotel Tax: FY25-26 Boost

Mar 2026 projects \$282.8M vs. Fall 2025's \$272.0M — upside from strong Moscone Center events and Super Bowl LX in early February 2026.

Hotel Tax: Post-FY25-26 Taper

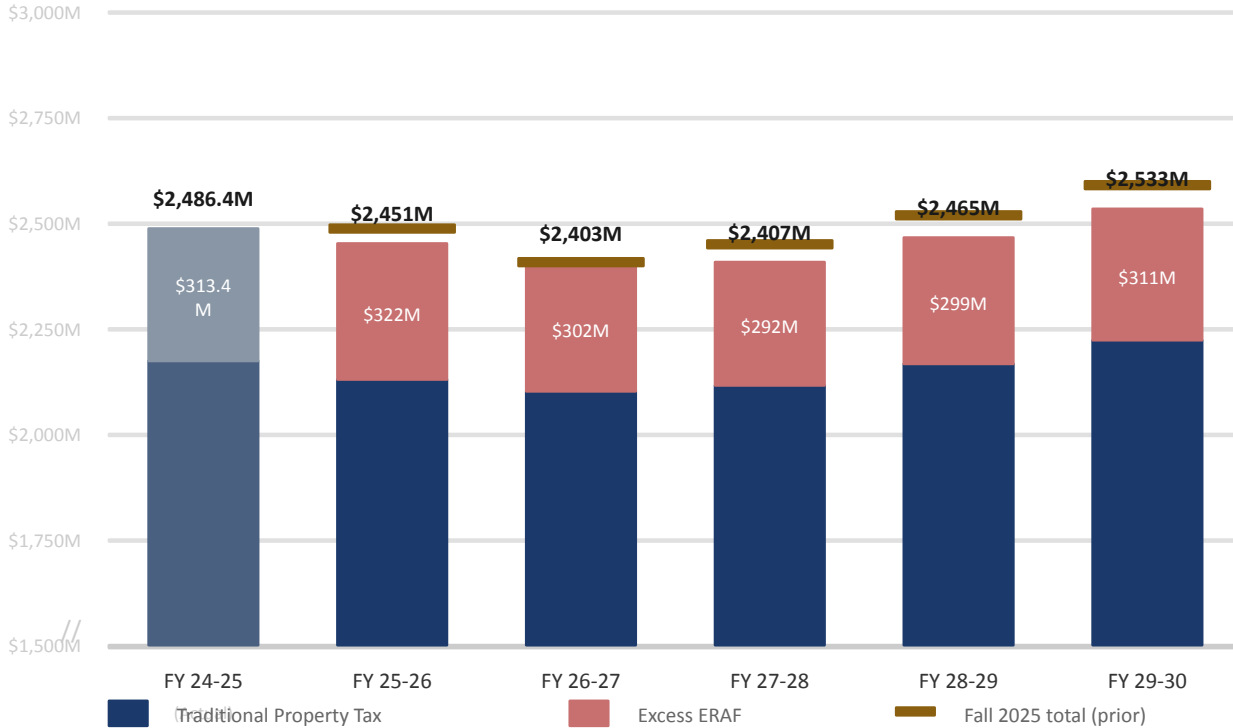
Gains slow as the Super Bowl tailwind fades. Uncertainty around international travel and Moscone bookings constrains later years.

Sales Tax: Minimal Upside

Grows from \$188M to \$222M over 5 years. Nearly unchanged vs. Fall 2025 — continued weakness in downtown foot traffic and retail activity.

Property Tax Revenue Projections

General Fund | FY 2024-25 through FY 2029-30 | March 2026 Update | Traditional Property Tax + Excess ERAF



2-Year Deficit Change:

FY26-27 + FY27-28 combined

Traditional \$-51M

Excess ERAF +\$5.1M

Total Change \$-45.8M

Assessment Appeals

AAB refund liability rising — GF must fund \$56M more in FY25-26, \$15M more in FY26-27 vs. prior projections. Many commercial properties still valued below their last sale price; appeals backlog remains elevated.

OCII Bond Correction

SB-593 housing bond debt service now 86% GF-funded — a \$44M cumulative reduction vs. prior forecasts. Prior projection incorrectly allocated this cost.

Excess ERAF: Volatile

AB 2526 (introduced Feb 2026) may increase special education ERAF allocations to schools, directly reducing the City's share. State law changes or shifts in Prop 98 school funding can dramatically affect this line.

Charter-Mandated Baseline Projections

General Fund | March 2026 Update | Appendix B row = cumulative change vs. FY25-26 Adopted, \$ millions | Individual baselines = absolute Mar JR values, \$ millions

Baseline	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Contributions to Baselines (Appendix B, cumulative vs. FY25-26 Adopted)	(142.5)	(140.3)	(199.5)	(231.5)
Individual Baselines — Absolute Mar JR Values (\$M)				
MTA (incl. Parking Tax In-Lieu)	572.1	565.0	589.3	603.0
Library	120.6	118.9	124.7	128.0
Children's Baseline	254.9	251.3	263.5	270.5
Transitional Aged Youth (TAY)	30.6	30.2	31.7	32.5
Public Education Baseline	15.3	15.1	15.8	16.2
PEEF	161.3	159.1	166.8	171.2
Street Trees	23.9	23.5	24.7	25.3
Early Care & Ed (Prop C)	97.3	96.0	100.7	103.3
Recreation & Parks	91.5	90.2	94.6	97.1
Dignity Fund	62.1	61.2	64.2	65.9
Student Success Fund	45.0	60.0	62.9	64.6
Affordable Housing Opp Fund	8.3	8.1	8.4	8.6
Housing Trust Fund (net)	53.8	53.0	59.3	60.9
Municipal Symphony	4.6	4.6	4.7	4.8
Subtotal — Individual Baselines	1541.3	1536.2	1611.3	1651.9

Sources: Appendix B, March 2026 Joint Report (cumulative row); SOURCES_3-24-2026_SK_baselines Mar JR column (individual rows). Individual subtotal may not reconcile to Appendix B due to netting/grouping differences.

Federal & State Funding Changes and Threats

SF relies on ~\$1.8B in federal funding annually (~20% of total City budget). Health care is the single largest federally-funded program.

H.R.1 — Medicaid Cuts

\$306M over 2 years; ~\$210M annualized

Previously noted revenue loss in DPH and HSA over UIS, work requirement,

President's Reconciliation Bill

~\$55M+ annually at risk

Proposes further reductions to MediCal for non-Citizens; eliminates Continuum of Care funding, threatens SFO granting.

State Funding — ERAF & Discretionary Grants

Mixed Impact

Governor and legislature may reduce excess ERAF returned to SF. AB 2526 could divert more ERAF to schools. Discretionary housing/CJ grants also vulnerable. Governor expected to backfill administrative cost share for CalFresh loss.

Federal & State Revenue Risk Reserve

~\$400M set aside (one-time)

Board-established reserve to buffer sudden federal/state revenue losses. One-time source only — H.R.1 impacts are ongoing and will require structural solutions.

Key Risks to the Forecast

Recession Scenario

A recession could worsen the cumulative deficit by over \$800M through FY 2029-30, even after drawing down economic stabilization reserves.

H.R.1 Implementation Uncertainty

Current projections assume \$84.5M–\$226M/yr in losses; prior estimates of \$300–400M/yr could materialize. Federal & state implementation decisions remain unresolved.

Federal Policy Volatility

Tariffs, H-1B limits, deportations, Fed independence threats, AI market correction, and US/Israel-Iran oil shock create concurrent labor market weakness and inflationary pressure.

Pension Return Rate

Projections assume 7.2% SFERS return. YTD FY 2025-26 returns were 8.45%, but market volatility and private valuations could produce returns below the assumption, increasing costs.

Police & Fire Labor Negotiations

Report does not reflect contract changes from ongoing negotiations with Police and Firefighter unions.

Ballot Measures — June 2026 (C & D)

WATCH

Measures C and D would modify gross receipts and overpaid executive taxes. Only the higher-vote measure takes effect if both pass; neither impacts revenue until FY 2027-28.