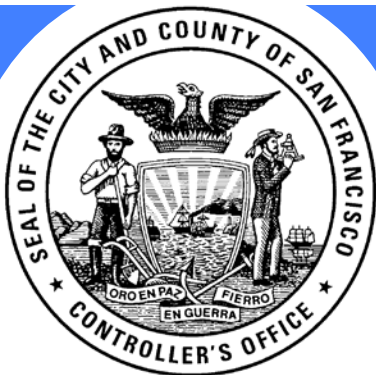


Budget Status Report Update



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

March 11, 2020

Presentation Summary

- We published our mid-year budget status report on February 13th, showing improvement in current year balances, driven by positive revenue news at the Department of Public Health and a projected transfer tax revenue surplus.
- Local economic impacts from COVID-19 since that time have been dramatic, particularly in the hospitality, restaurant, and supporting sectors.
- We are currently monitoring these developments and will issue updated projections for the current fiscal year next week. We expect losses of certain taxes in the last quarter of the year to be severe, and City costs to respond to the emergency will rise.
- Our office, the Board's Budget Analyst, and the Mayor's Budget Office will update our joint forecast of the coming four fiscal years by the end of March.

February News: Six-Month Budget Status Report

- \$98.1M increase in projected ending General Fund balance.
- Driven by positive news at the Department of Public Health (\$61.7M) and the Human Services Agency (\$20.4M).
- Transfer tax strength in the first half of the fiscal year (\$71.7M) driving code-required deposits to the Budget Stabilization One-Time Reserve.
- Most other tax trends were in line with our previous projection, with some weakness expected in hotel and admissions taxes.

General Fund Citywide Revenue Projections (6-Month)

\$ Millions

	Original	Prior	6-Month	Variance	Variance vs
	Budget	Projection	Projection	vs Budget	Prior
					Projection
Property Taxes	1,771.0	1,796.0	1,804.0	33.0	8.0
Property Taxes - Excess ERAF	185.0	194.5	198.0	13.0	3.5
Business Taxes	1,050.6	1,005.8	1,005.8	(44.9)	-
Sales Tax - Local 1%	204.1	211.8	212.5	8.4	0.6
Hotel Room Tax	389.1	389.3	377.7	(11.4)	(11.5)
Utility User & Access Line Taxes	147.6	143.5	143.4	(4.3)	(0.1)
Parking Tax	83.0	86.2	83.1	0.1	(3.1)
Real Property Transfer Tax	296.1	351.0	422.7	126.6	71.7
Sugar Sweetened Beverage Tax	16.0	16.0	16.0	-	-
Stadium Admissions Tax	5.5	5.5	1.2	(4.3)	(4.3)
Cannabis Tax	3.0	-	-	(3.0)	-
Franchise Taxes	17.7	15.6	15.6	(2.0)	-
Interest Income	76.6	67.5	67.5	(9.1)	-
Public Safety Realignment	42.1	41.1	41.6	(0.5)	0.5
Health and Welfare Realignment	221.0	219.2	225.9	4.9	6.7
Public Safety Sales Tax	104.6	107.3	107.3	2.7	-
Airport Transfer In	51.5	51.8	48.9	(2.6)	(2.9)
Total Citywide Revenues	4,664.5	4,702.1	4,771.2	106.7	69.3

Departmental Projections (6-Month)

\$ Millions

	Revenue		
Net Shortfall Department	Surplus /	Uses Savings /	Net Surplus /
	(Shortfall)	(Deficit)	(Shortfall)
Juvenile Probation	(6.1)	2.2	(3.9)
Net Surplus Departments			
Public Health	61.4	0.4	61.7
Human Services	(6.3)	26.7	20.4
Ethics Commission	-	3.9	3.9
Homelessness & Supportive Housing	(0.2)	2.2	2.0
General City Responsibility	-	1.5	1.5
War Memorial	1.2	-	1.2
Police	1.1	-	1.1
Police Accountability	-	0.6	0.6
Board of Supervisors	-	0.5	0.5
Assessor-Recorder	0.5	-	0.5
Arts Commission	-	0.3	0.3
Adult Probation	-	0.2	0.2
Law Library	-	0.1	0.1
Other Departments	(18.0)	18.6	0.6
Subtotal	39.7	55.0	94.6
TOTAL	33.6	57.1	90.7

Department Operations (6-Month)

Department of Public Health

- Revenue \$61.4 million above budget including a one-time, prior year state payment. A \$65.5 million surplus in net patient revenues at Zuckerberg San Francisco General Hospital (ZSFG) due to higher than expected patient census and collections on prior year bills, partially offset by a shortfall in capitation revenues.
- The federal Centers for Medicare and Medicaid Services has instructed the state Department of Health Care Services to complete its audits of funds allocated to counties under the California Medicaid waivers by the waiver expiration date of December 31, 2020. To the extent the City receives positive audit settlements, additional funds could be available.

Department Operations (6-Month)

Human Service Agency

- \$20.4M net surplus comprised of:
 - \$13.4M in aid programs due to reduced state change in IHSS matching contribution requirements and reduced foster care caseload and cost/case.
 - \$7.0M in operations due to underspending in County Adult Assistance, CalWORKs, and Medi-Cal.

Juvenile Probation

- \$3.9M operating deficit due to delayed claiming of \$6.1M in federal and state revenue partially offset by \$2.2M salary and benefit savings.

Overtime Spending

- The Public Utilities Commission, Department of Emergency Management, Sheriff's Department, Fire Department, and Police Department will require supplemental appropriations to use salaries, benefits, project savings and additional revenue to cover projected over-expenditures in overtime,

Budget Planning Update (6-Month)

The City's general practice has been to spend positive variances in the current year in the coming budget period.

	Upcoming Two-Year <u>Budget (\$M)</u>
Previous Projection (December)	(\$419.5)
Balance from Six-Month Report	\$98.1
Updated Projection (February)	(\$321.4)

COVID-19 Impacts: Early Indicators

Air traffic

- SFO international landings down 20% this week, domestic down 12%.

Hospitality and Conventions

- All Moscone conventions until mid-May have been cancelled. Estimated associated loss of 235,000 hotel room nights.
- Many hotels reporting stark occupancy drops this week, with reported occupancy rates of between 20% and 30% versus recent 80% to 85% rates.
- Catering and services supporting the hospitality industry reporting significant cancellations and loss of business.

COVID-19 Impacts: Early Indicators

Restaurants & Other Small Businesses

- BART ridership down 9% last week, with more significant declines last weekend in exits at certain downtown stations. San Francisco exits down 24% Monday 3/9.
- Parking garage vacancy rates at sampled City-owned garages ranged from approximately 20% to 40% last weekend.
- Loss of visitors and expanded telecommuting of local workforce has translated into sharp week-over-week reported restaurant losses, which are more stark in certain neighborhoods, including downtown, Chinatown, and others.
- Loss of visitors and foot traffic translating to significant reported losses for retailers and other small businesses, focused but not limited to impacts downtown and in certain neighborhoods.

COVID-19 Impacts: Government Impacts

We will release revised projections of current year fiscal revenues impacts in the coming week.

Significant current year General Fund revenue losses expected

- Hotel tax
- Sales tax
- Interest earnings
- Airport transfer
- Others

Significant new City expenditures associated with response

Coming Reports and Updates

Current year:

The Controller's Office expects to issue revised revenue projections in the coming week.

Budget years (FY2020-21 and FY2021-22):

The Controller's Office, Board of Supervisors Budget & Legislative Analyst's Office, and Mayor's Budget Office will issue revised projections by the end of March (Joint Report).