

File No. 200230

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Appropriations Committee

Date August 12, 2020

Board of Supervisors Meeting

Date _____

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- PowerPoint Presentations - April 1, 8, 15, 22, and 29, 2020
- PowerPoint Presentations - May 6, 13, and 20, 2020
- PowerPoint Presentations - June 10, and 11, 2020
- Mayor's Budget Priorities Letter - July 1, 2020
- PowerPoint Presentation - July 8, 2020
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Completed by: Linda Wong Date August 7, 2020

Completed by: Linda Wong Date _____

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST**
1390 Market Street, Suite 1150, San Francisco, CA 94102
(415) 552-9292 FAX (415) 252-0461

Budget Analysis Report

To: Budget and Appropriations Committee
 From: Budget and Legislative Analyst's Office *David Jones*
 Re: Budget and Policy Analysis Report of Eight Departments
 Date: July 17, 2020

Executive Summary

- We reviewed current and historical budgeted expenditures and positions, General Fund support, and COVID-19 fiscal impacts for eight City departments.
- Exhibit A below shows that total budgeted expenditures increased for these eight departments between 47 and 133 percent over the 10-year period since FY 2010-11.

Exhibit A: Total Budget and FTEs Department Summary, FY 2019-20

Department	FY 2019-20		10-Year Percent Change (Since FY 2010-11)	
	Total Original Budget	Funded FTEs	Total Original Budget	Total Funded FTEs
City Administrator's Office	\$526,530,214	943.84	121%	52%
Emergency Management	96,330,705	284.47	133%	15%
Fire Department	424,133,020	1,756.77	47%	16%
Homelessness and Supportive Housing*	367,690,818	147.04	*	*
Human Resources	111,929,472	212.25	56%	79%
Human Services Agency	1,075,337,178	2,178.21	61%	28%
Recreation and Parks	219,570,100	962.65	73%	10%
Sheriff	260,818,489	1,031.38	68%	8%

Source: Annual Appropriation Ordinances and Mayor's Budget Books

*New Department created as of FY 2016-17; 10-Year percent change figures not available.

- General Fund support increased at a faster rate for three of the eight departments than the rate of increase of citywide General Fund Budget over the period (107 percent). These departments include: the City Administrator's Office, Human Resources, and Recreation and Parks, as shown in Exhibit B below.

Exhibit B: Total General Fund Support and Department Summary, FY 2019-20

Department	General Fund Support Original Budget	10-Year Percent Change in General Fund Support (Since FY 2010-11)
City Administrator's Office	\$94,425,164	177%
Emergency Management	68,378,792	74%
Fire Department	276,630,970	43%
Homelessness and Supportive Housing*	201,347,451	*
Human Resources	22,710,337	150%
Human Services Agency	319,920,819	53%
Recreation and Parks	82,146,671	137%
Sheriff	199,011,360	50%
Citywide General Fund Budget	\$3,175,510,969	107%

Source: Annual Appropriation Ordinances

*New Department created as of FY 2016-17; 10-Year percent change figures not available.

- Total Covid-19 spending for the eight departments as of July 8, 2020 is shown in Exhibit C below.

Exhibit C: COVID-19 Spending Department Summary, as of July 8, 2020

Department	Total Spending & Encumbrance	% of City Total
City Administrator's Office	\$4,896,264	1.3%
Emergency Management	6,710,024	1.7%
Fire Department	3,195,440	0.8%
Homelessness and Supportive Housing	13,481,995	3.5%
Human Resources	2,132,330	0.5%
Human Services Agency	71,905,734	18.5%
Recreation and Parks	9,287,495	2.4%
Sheriff	7,737,124	2.0%
All Other Departments	269,790,668	69.3%
Total	\$389,137,075	100.0%

Source: FSP Budget System COVID-19 Reports

Project staff: Dan Goncher, Christina Malamut, Emily Firgens, Mary Lindeblad-Fry, Karrie Tam, Cody Xuereb

Overview

We reviewed current and historical budgeted expenditures and positions, General Fund support, and COVID-19 fiscal impacts for the following eight departments: (1) City Administrator's Office, (2) Emergency Management, (3) Fire Department, (4) Homelessness and Supportive Housing, (5) Human Resources, (6) Human Services Agency, (7) Recreation and Parks, and (8) Sheriff. We summarize these areas at a high level below and provide additional detail, including descriptions of department operations and key factors impacting growth in department expenditures, in the sections that follow.

Current and Historical Budgeted Expenditures and Positions

Exhibit 1 below shows a summary of each Department's total budget and funded Full Time Equivalent (FTE) positions for FY 2019-20 and how these figures have changed since FY 2010-11.

Exhibit 1: Total Budget and FTEs Department Summary, FY 2019-20

Department	FY 2019-20		10-Year Percent Change (Since FY 2010-11)	
	Total Original Budget	Funded FTEs	Total Original Budget	Funded FTEs
City Administrator's Office	\$526,530,214	943.84	121%	52%
Emergency Management	96,330,705	284.47	133%	15%
Fire Department	424,133,020	1,756.77	47%	16%
Homelessness and Supportive Housing*	367,690,818	147.04	*	*
Human Resources	111,929,472	212.25	56%	79%
Human Services Agency	1,075,337,178	2,178.21	61%	28%
Recreation and Parks	219,570,100	962.65	73%	10%
Sheriff	260,818,489	1,031.38	68%	8%

Source: Annual Appropriation Ordinances and Mayor's Budget Books

*New Department created as of FY 2016-17; 10-Year percent change figures not available.

Exhibit 2 below shows a summary of each Department's total General Fund Support in FY 2019-20 and percent change since FY 2010-11.

Exhibit 2: General Fund Support Department Summary, FY 2019-20

Department	General Fund Support Original Budget	Percent of Total Original Budget	10-Year Percent Change in General Fund Support (Since FY 2010-11)
City Administrator's Office	\$94,425,164	18%	177%
Emergency Management	68,378,792	71%	74%
Fire Department	276,630,970	65%	43%
Homelessness and Supportive Housing*	201,347,451	55%	*
Human Resources	22,710,337	20%	150%
Human Services Agency	319,920,819	30%	53%
Recreation and Parks	82,146,671	37%	137%
Sheriff	199,011,360	76%	50%
Citywide General Fund Budget	\$3,175,510,969		107%

Source: Annual Appropriation Ordinances

*New Department created as of FY 2016-17; 10-Year percent change figures not available.

COVID-19 Fiscal Impacts

Exhibit 3 below shows a summary of each Department's COVID-19 spending as of July 8, 2020.

Exhibit 3: COVID-19 Spending Department Summary, as of July 8, 2020

Department	Personnel Spending	Non-Personnel Spending	Encumbrance	Total Spending & Encumbrance	% of City Total
City Administrator's Office	\$4,503,197	\$349,204	\$43,863	\$4,896,264	1.3%
Emergency Management	2,415,840	2,730,154	1,564,030	6,710,024	1.7%
Fire Department	2,110,961	855,745	228,733	3,195,440	0.8%
Homelessness and Supportive Housing	1,200,402	3,962,895	8,318,698	13,481,995	3.5%
Human Resources	2,052,811	73,918	5,601	2,132,330	0.5%
Human Services Agency	12,305,012	42,677,512	16,923,210	71,905,734	18.5%
Recreation and Parks	9,038,117	145,865	103,513	9,287,495	2.4%
Sheriff	7,499,563	165,751	71,811	7,737,124	2.0%
All Other Departments	105,445,196	79,781,199	84,564,272	269,790,668	69.3%
Total	\$146,571,099	\$130,742,243	\$111,823,733	\$389,137,075	100.0%

Source: F\$P Budget System COVID-19 Reports

Reimbursement from Federal and State Emergency Agencies

According to the May 2020 Budget Outlook Update, the City expects the U.S. Federal Emergency Management Agency (FEMA) to reimburse 75 percent of eligible costs

incurred in direct response to the health emergency. FEMA provided some initial guidance around what expenses will be reimbursed, such as emergency medical care, Emergency Operation Center costs, medical sheltering, etc. In most cases, costs for new staff hired by the City directly for response efforts are eligible for reimbursement, but for existing budgeted City staff, only overtime pay is eligible. In the past, the State of California's Office of Emergency Services (Cal OES) has matched a portion of FEMA reimbursements, providing an additional 18.75 percent reimburse of eligible costs. This would bring the local portion of costs down to 6.25 percent. However, Cal OES has not yet activated this program.

The City also expects to receive a total of \$183.2 million from the CARES Act and other state funding for other COVID-19 response activities. However, CARES Act and other one-time allocations will largely be exhausted by FY 2019-20 spending.

City Administrator's Office

Mission

The City Administrator's Office provides a variety of services to other City Departments and to the public. The Office is made up of over 25 departments and programs whose functions include: public safety (311), citywide contract administration, civic engagement, capital and IT planning, real estate and asset management, code enforcement, disaster mitigation and resilience, tourism promotion, and economic development. Key programs include the 311 Customer Service Center, Animal Care and Control, Community Challenge Grant Program, Office of Contract Administration, Moscone Convention Facilities Management, Medical Examiner, and County Clerk.¹

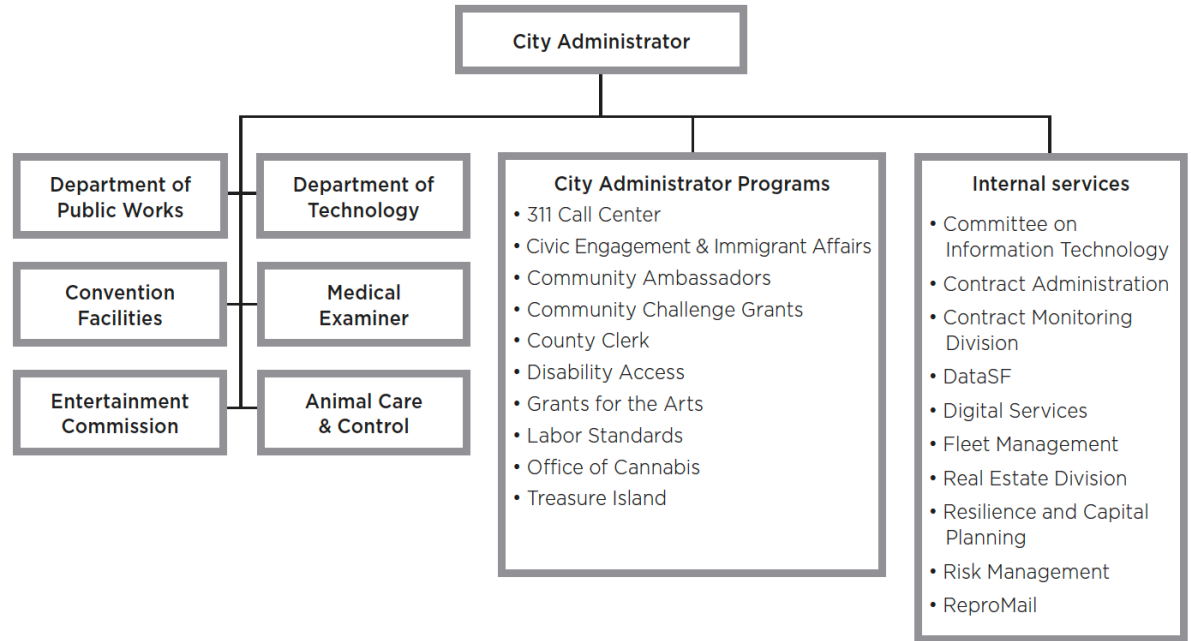
Organizational Structure

Within the City's budget system, the City Administrator's Office is organized into eight major divisions: (1) Internal Services, (2) Convention Facilities Management, (3) City Administrator Programs, (4) Animal Care and Control, (5) Office of Community Investment & Infrastructure, (6) Entertainment Commission, (7) Medical Examiner, and (8) Administration. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each Department, organized into divisions and accounts. In general, Departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts (and across divisions) if the money is in the same fund and the same Department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required).

Over this period, a number of small and medium-sized offices and divisions have been created or relocated within the City Administrator's Office, including the Office of Cannabis, DataSF, Digital Services Program, Justice Tracking Information System (JUSTIS), and Office of Short Term Rentals. Exhibit 4 below shows the Department's organization chart for FY 2019-20.

¹ FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book

Exhibit 4: City Administrator’s Office Organization Chart



Source: FY 2019-20 and FY 2020-21 Mayor’s Proposed Budget Book

Note: Department of Public Works and Department of Technology are not included in this report.

Current and Historical Budgeted Expenditures and Positions

The Department’s FY 2019-20 total original budget was \$526,530,214, of which \$94,425,164 (18 percent) comes from General Fund support. Exhibit 5 below shows a summary of the Department’s 10-year historical expenditures and funded FTE positions. The Department’s General Fund support has increased by 177 percent since FY 2010-11 (\$60.3 million), which is greater than the percent change in the Citywide General Fund budget over this period (107 percent). The share of the Department’s budget funded by General Fund support has also increased to 18 percent from a low of 14 percent in FY 2010-11. The Department’s funded personnel count increased by just over half (52.4 percent) over the past 10 years, from 619.23 to 943.84 FTEs, an increase of 324.61 FTEs.

Significant drivers of budget growth over this period include the physical development and relocation of major City functions and departments, capital outlays related to publicly-owned infrastructure like the Moscone Center and the new animal shelter, and transfers of existing or new functions from other departments. In FY 2015-16, for example, the Department’s total budget increased by \$62.9 million (20 percent) due to relocation expenses related to the Medical Examiner’s Office, increased funding for the Capital Asset program, expansion of City Administrator programs (i.e. Contract Monitoring Division, Office of Civic and Immigrant Affairs, and Office of Labor Standards Enforcement), and a new Office of Short-Term Rentals.

In FY 2018-19 and FY 2019-20, a number of major capital and administrative relocation projects and the consolidation of cross-Department initiatives increased spending by \$84.8 million (22 percent) and \$50.4 million (11 percent), respectively. These projects include:

- **Hall of Justice Exit:** relocation of City departments out of the Hall of Justice;
- **New City Office Building and Permit Center:** coordination of the opening of a new multi-department City office building and Permit Center at 49 South Van Ness;
- **Moscone Center Upgrades:** revenue-backed capital upgrades;
- **Digital Services Program and DataSF Consolidation:** transfer of DataSF and Digital Services Program staff and spending from the Department of Technology (including the City’s permit digitization project).

A portion of these costs were recovered from other Departments or existing revenue sources.

Exhibit 5: 10-Year Historical Budgets and Funded FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Funded FTEs
FY 2010-11	\$34,100,128	\$238,598,268	619.23
FY 2011-12	46,554,621	251,499,218	646.47
FY 2012-13	44,388,098	268,543,747	698.39
FY 2013-14	51,161,358	294,559,401	727.78
FY 2014-15	51,711,488	309,169,005	765.15
FY 2015-16	55,632,670	372,101,195	818.91
FY 2016-17	51,119,186	364,813,180	847.06
FY 2017-18	65,743,836	391,306,903	852.78
FY 2018-19	70,363,790	476,146,601	894.03
FY 2019-20	94,425,164	526,530,214	943.84
10-Year Chg	\$60,325,036	\$287,931,946	324.61
10-Year Chg. (%)	176.9%	120.7%	52.4%

Source: Annual Appropriation Ordinances and Mayor’s Budget Books

COVID-19 Fiscal Impacts

As of July 8, 2020, the City Administrator’s Office has spent \$4.8 million on COVID-19 related activities and encumbered an additional \$51,213. Most of this spending (92 percent or \$4.5 million) was for personnel costs related to COVID-19 response. The remainder (\$393,068) went to non-personnel services (primarily printing and professional services) and materials and supplies (i.e. data processing, cleaning and other supplies).

The City Administrator’s Office is responsible for leading various aspects of the COVID-19 emergency response as well as post-emergency economic recovery and reopening. Key responsibilities include: leading the Logistics Branch of the City’s Emergency

Operations Center (EOC) (procures and manages Personal Protective Equipment inventory); coordinating the housing of the EOC and temporary homeless shelter at the Moscone Center; developing online COVID-19 related dashboards and moving City services online; coordinating and staffing shelter-in-place hotels; coordinating Community Emergency Response Teams (CERT); performing extra cleaning for City offices; and reassigning staff as Disaster Service Workers. The Department is also coordinating the City’s reopening plan for government services and participating in the Economic Recovery Task Force. Spending for these efforts has mainly included personnel costs to provide services. Non-personnel costs have included outreach, data reporting systems, and cleaning supplies.

The exact level of reimbursement for City Administrator’s Office COVID-19 expenditures is not currently known.

Budget Summary by Division

Exhibit 6 below summarizes each of the Department’s divisions, as organized in the City’s budget system.

Exhibit 6: Three Year Historical Budget and FTE, by Budget Division

Division	FY 2017-18	FY 2018-19	FY 2019-20	3-Year Change		Funded FTEs FY 2019-20
				\$ chg.	% chg.	
Internal Services	\$ 205,895,884	\$ 242,210,524	\$ 280,373,430	\$74,477,546	36%	500.12
Convention Facilities Mgmt.	87,822,236	117,710,971	96,295,478	8,473,242	10%	4.00
City Admin. Programs	64,047,567	78,837,640	94,558,879	30,511,312	48%	268.57
Animal Care & Control	7,657,546	10,533,698	26,256,778	18,599,232	243%	49.07
Administration	14,083,020	15,636,286	16,478,428	2,395,408	17%	78.95
Medical Examiner	9,659,380	9,928,967	11,180,607	1,521,227	16%	35.83
Entertainment Commission	978,102	1,003,898	1,085,653	107,551	11%	5.75
OClI	1,163,168	284,617	300,961	(862,207)	-74%	1.55

Source: Annual Appropriation Ordinances and Positions Report

The activities of each of these divisions are summarized below.

Internal Services

The Department’s Internal Services Division provides services to other City Departments including contract management and administration, capital planning, IT planning (COIT), DataSF, Digital Services Program, fleet management, management of publicly owned property, risk and resilience management, reprographic services, and others.

Convention Facilities Management

Operates the Moscone Center and responsible for promoting San Francisco as a tourist and convention destination.

City Administrator Programs

Includes a variety of programs and sub-divisions including the City's 311 Customer Service Center, the Office of Civic Engagement and Immigrant Affairs, Community Challenge Grants to support neighborhood beautification, Community Ambassadors, County Clerk, Mayor's Office on Disability, Grants for the Arts, the Office of Labor Standards Enforcement, the Office of Cannabis, and Treasure Island Development Authority.

Animal Care and Control

Provides services to care for stray, injured, abandoned and mistreated animals in the City.

Administration

Provides finance and administrative services for the City Administrator's Office.

Medical Examiner

Responsible for investigating sudden, unexpected, suspicious and violent deaths in the City, per State mandate, as well as drug and poison analysis.

Entertainment Commission

Responsible for promoting entertainment and cultural events and providing permits to the entertainment industry and coordinating City services for major events.

Office of Community Investment and Infrastructure (OCII)

Successor Agency to San Francisco's Redevelopment Agency since 2012, responsible for overseeing the dissolution of the former Redevelopment Agency and its obligations. OCII is also responsible for overseeing the funding and coordination of affordable housing and infrastructure development in Mission Bay, Transbay and Hunters Point/Candlestick Point.

Department of Emergency Management

Mission

The mission of the Department of Emergency Management is to lead the City in planning, preparedness, communication, response, and recovery for daily emergencies, large-scale citywide events, and major disasters. Emergency Management is the vital link in emergency communication between the public and first responders, providing key coordination and leadership to City departments, stakeholders, residents, and visitors.²

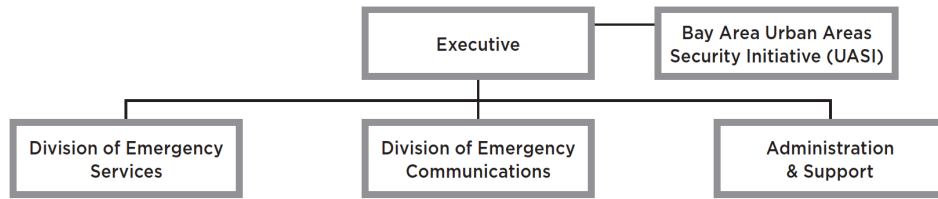
Organizational Structure

Within the City's budget system, the Department of Emergency Management is organized into four divisions: (1) Administration; (2) Emergency Communications; (3) Emergency Services; and, (4) Homeland Security Grants. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each department, organized into divisions and accounts. In general, departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts (and across divisions) if the money is in the same fund and the same department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required). In addition, increases to the Department of Emergency Management's overtime budget require Board of Supervisors' approval.

Exhibit 7 below shows the Department's organization chart. The organizational structure largely mirrors the budget structure described above. Although not a budgetary division, the Bay Area Urban Areas Security Initiative (UASI) is shown below. UASI is the regional initiative to improve capacity, prepare for, prevent, mitigate, and respond to regional terrorist attacks and catastrophic events. In FY 2004-05, the City, through the Department of Emergency Management, started serving as the fiscal agent for the Bay Area Region UASI Grant Program. This Division is responsible for overseeing the grant revenues that come from the Federal Department of Homeland Security Grant Program.

² FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book

Exhibit 7: Department of Emergency Management Organization Chart



Source: FY 2019-20 and FY 2020-21 Mayor’s Proposed Budget Book

Current and Historical Budgeted Expenditures and Positions

The Department’s FY 2019-20 total original budget was \$96,330,704, \$68,378,792 (71 percent) of which comes from General Fund support. Exhibit 8 below shows a summary of the Department’s 10-year historical expenditures and funded FTEs.

The Department’s original budget increased 133 percent over the past ten years. One of the largest annual increases of 46 percent took place between FY 2012-13 and FY 2013-14. This increase was largely driven by the inclusion of \$22.9 million in pass-through grant revenues from the Department of Homeland Security (DHS), which is funding that supports the UASI. In years prior to FY 2013-14, this revenue was accepted into the budget mid-year through the City’s Accept and Expend process and not included in the annual budget figure. FY 2016-17 also saw a large annual increase (13 percent), which was due to a ramping up of the citywide 800 MHz Radio Replacement project, which replaced outdated radio infrastructure; increases in 911 Communications Center personnel costs; and, one-time capital costs related to space planning for the Department. The FY 2017-18 budget decrease reflects reduced costs associated with the Public Safety Radio Replacement project.

Exhibit 8: 10-Year Historical Budgets and Funded FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Funded FTEs
FY 2010-11	\$39,347,844	\$41,268,358	247.3
FY 2011-12	41,302,284	43,548,861	233.6
FY 2012-13	42,050,560	47,674,920	243.7
FY 2013-14	44,471,198	69,492,934	245.1
FY 2014-15	50,073,512	76,100,127	254.3
FY 2015-16	55,907,608	82,869,070	259.9
FY 2016-17	66,148,244	93,693,797	254.2
FY 2017-18	60,415,475	87,850,081	260.2
FY 2018-19	67,163,554	95,248,365	272.5
FY 2019-20	68,378,792	96,330,705	284.5
10-Year Change	\$29,030,948	\$55,062,347	37.18
10-Year Percent Change	73.8%	133.4%	15.0%

Source: Annual Appropriation Ordinances and Mayor’s Budget Books

COVID-19 Fiscal Impacts

As of July 8, 2020, the Department of Emergency Management has spent \$5,145,994 on COVID-19 related activities and encumbered an additional \$1,564,030. Of the \$5,145,994 spent on COVID-19 related expenses, \$2,415,840 (47 percent) went toward personnel costs and \$2,730,154 (53 percent) went toward non-personnel costs. The personnel costs account for any Emergency Management employee who is working on- or offsite supporting Emergency Operations Center (EOC) work. Of the non-personnel costs, \$1,992,370 was spent on management consulting services, which reflect payments to the onsite property contractor for Moscone South where the EOC is located. Costs include payment for custodial, facility, security, IT, and engineering contractor staff.

The exact level of reimbursement for Emergency Management COVID-19 expenditures is not currently known.

Budget Summary by Division

Exhibit 9 below summarizes each of the Department’s divisions, as organized in the City’s budget system.

Exhibit 9: Three Year Historical Budget and FTE, by Budget Division

Original Budget	Administration	Emergency Communications	Emergency Services	Homeland Security Grants
FY 2017-18	\$26,732,664	\$32,365,383	\$3,374,017	\$25,378,017
FY 2018-19	29,428,322	36,916,873	3,514,204	25,388,966
FY 2019-20	27,611,976	39,259,979	4,063,443	25,395,307
3-Year Change	\$879,312	\$6,894,596	\$689,426	\$17,290
Percent Change	3%	19%	20%	0%
Funded FTEs				
FY 2019-20	40.5	210.4	17.8	15.8

Source: Annual Appropriation Ordinances and Positions Report

The activities of each of these divisions are summarized below.

Administration

The Administration Division provides the Department with overall administrative support, such as payroll and personnel services; budgeting and accounting; and IT systems planning and management.

Emergency Communications

The Emergency Communications Division is comprised of personnel who serve as Public Safety Communications dispatchers who are cross trained to process police, medical and fire emergency calls. Personnel in this division are also responsible for monitoring and coordinating communications between public safety responders and monitoring the status of field personnel through the computer dispatch system.

Emergency Services

The Emergency Services Division is comprised of personnel working closely with emergency responders, community partners, and residents to plan for, respond to, and recover from both intentional and natural disasters. This division is also responsible for providing emergency notifications through AlertSF and also serves as the City's primary link to emergency management at the state and federal level as well as Homeland Security partners.

Homeland Security Grants

The Urban Areas Security Initiative Division is responsible for overseeing the grant revenues that come from the Federal Department of Homeland Security Grant Program.

Fire Department

Mission

The Fire Department's mission is to protect the lives and property of the people of San Francisco from fires, natural disasters, and hazardous materials incidents; provide emergency medical services; prevent fires through prevention and education programs; and, provide a work environment that values health, wellness, and cultural diversity, free of harassment and discrimination.³

Organizational Structure

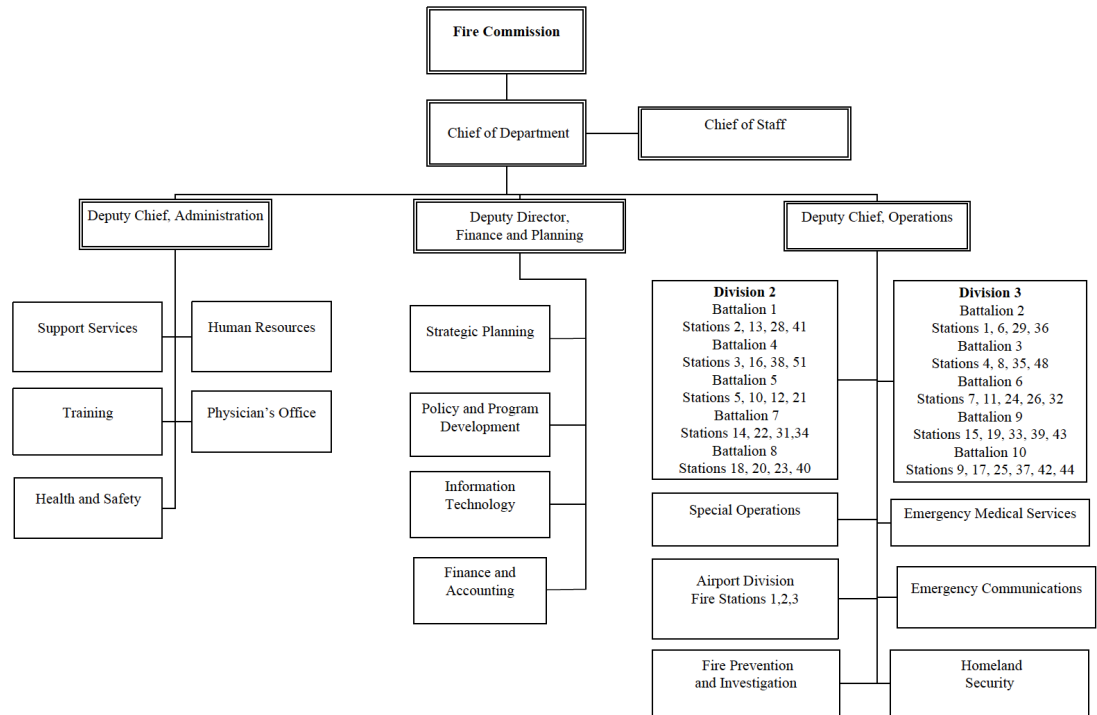
Within the City's budget system, the Fire Department is organized into 10 divisions: (1) Administration; (2) Airport; (3) Capital Project & Grants; (4) Fireboat; (5) Investigation; (6) Neighborhood Emergency Response Teams (NERT); (7) Operations; (8) Prevention; (9) Support Services; and, (10) Training. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each Department, organized into divisions and accounts. In general, Departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts (and across divisions) if the money is in the same fund and the same Department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required). In addition, increases to the Fire Department's overtime budget requires Board of Supervisors' approval.

The organizational structure has remained relatively stable over the past 10 years. In FY 2015-16 the Department created the Office of the Deputy Director for Planning, which oversees Strategic Planning, Policy and Program Development, and Departmental Outreach for the Fire Department.

Exhibit 10 below depicts the Department's organization chart.

³ FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book

Exhibit 10: Fire Department Organization Chart



Source: Fire Department

Current and Historical Budgeted Expenditures and Positions

The Department’s FY 2019-20 total original budget was \$424,133,020, \$276,630,970 (65 percent) of which comes from General Fund support. Exhibit 11 below shows a summary of the Department’s 10-year historical expenditures and funded FTEs

Over the past 10 years, the Fire Department’s budget increased 47 percent. These increases were primarily driven by increases in salary and fringe costs, purchasing new and updating equipment, increasing staffing to respond to calls, providing additional fire and paramedic academies, and increases in funding for Emergency Medical Services (EMS).

Exhibit 11: 10-Year Historical Budgets and Funded FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Budgeted FTE
FY 2010-11	\$193,751,584	\$289,107,737	1,514.1
FY 2011-12	204,855,484	301,252,668	1,475.8
FY 2012-13	215,128,383	326,072,813	1,465.5
FY 2013-14	215,141,560	333,614,911	1,468.5
FY 2014-15	221,874,544	343,967,112	1,498.6
FY 2015-16	232,758,847	355,800,902	1,581.4
FY 2016-17	240,648,644	373,728,683	1,662.6
FY 2017-18	245,890,345	381,557,710	1,725.6
FY 2018-19	255,006,892	397,834,807	1,755.6
FY 2019-20	276,630,970	424,133,020	1,756.8
10-Year Change	\$82,879,386	\$135,025,283	242.7
10-Year Percent Change	42.8%	46.7%	16.0%

Source: Annual Appropriation Ordinances and Mayor's Budget Books

COVID-19 Fiscal Impacts

As of July 8, 2020, the Fire Department has spent \$2,966,706 on COVID-19 related activities and encumbered an additional \$228,733. Of the funds already spent, personnel costs account for \$2,110,961 (71 percent) of the COVID-19 related costs and non-personnel costs account for \$855,745 (29 percent). Of the non-personnel costs, the largest expense as of July 8, 2020 is \$532,429 for medical supplies.

The exact level of reimbursement for the Fire Department's COVID-19 expenditures is not currently known. The Fire Department's expenses that may be eligible for FEMA reimbursement include costs for personnel staffed at the Emergency Operations Center, Fire Department Operations Center, and non-personnel costs associated with personal protective equipment. In addition, the Federal CARES Act authorized funding for Assistance to Firefighter COVID-19 Supplemental Grants to help purchase personal protective equipment and related supplies for first responders. San Francisco recently received an award of \$883,145 through this program.⁴

⁴ FEMA Assistance to Firefighters 2020 – COVID-19 Supplemental Awards, July 8, 2020. <https://www.fema.gov/assistance-firefighters-2020-covid-19-supplemental-awards>.

Budget Summary by Division

Exhibit 12 below summarizes each of the Department’s divisions, as organized in the City’s budget system.

Exhibit 12: Three Year Historical Budget and FTE, by Budget Division

Division	FY 2017-18	FY 2018-19	FY 2019-20	3-Year Change	Percent Change	FTEs FY 2019-20
Administration	\$21,647,140	\$26,557,294	\$25,834,400	\$4,187,260	19%	47.1
Airport**	25,916,460	28,381,635	30,200,452	4,283,992	17%	105.7
Capital Project & Grants	3,376,369	4,060,002	4,308,878	932,509	28%	77.0
Fireboat***	3,650,992	635,883	3,744,439	93,447	3%	13.0
Investigation	2,344,975	2,416,518	2,586,208	241,233	10%	11.1
NERT*	566,188	583,612	477,846	(88,342)	-16%	1.0
Operations	278,046,369	287,317,961	304,383,719	26,337,350	9%	1,375.5
Prevention	18,541,650	19,474,001	22,934,598	4,392,948	24%	88.6
Support Services	23,453,320	24,280,796	25,031,816	1,578,496	7%	21.5
Training	4,014,247	4,127,105	4,630,664	616,417	15%	16.3

*NERT stands for Neighborhood Emergency Response Team

**Funded by San Francisco International Airport

***Funded by the Port of San Francisco

Source: Annual Appropriation Ordinances and Positions Report

The activities of each of these divisions is summarized below.

Administration

The Administration Division provides overall administrative oversight for the Department, including supporting and overseeing areas such as accounting and finance, planning and research, human resources, payroll, public information, the physician’s office, workers compensation, and management information services.

Airport

The Airport Division provides fire services at San Francisco International Airport. This includes providing Fire Suppression, EMS, Water Rescue, and other services.

Capital Project & Grants

The Capital Project and Grants Division is responsible for overseeing bond funding and funding from federal and other grant sources to provide fire services in certain areas (e.g. the Presidio).

Fireboat

The Fireboat Division is responsible for operating and maintaining the City’s two fireboats along with overseeing Water Rescue and Fire Suppression on the San Francisco Bay.

Investigation

The Investigation Division determines, documents, and reports on the origins and causes of fires and explosions. When appropriate, this division is also responsible for ensuring incidents can be prosecuted.

NERT

The Neighborhood Emergency Response Team (NERT) Division is responsible for the administration of NERT training and services, which provides community based trainings for neighborhood groups and organizations to learn the basics of emergency preparedness and prevention.

Operations

The Operations Division reflects funding for the City's primary firefighting operations, including costs for fire stations as well as costs associated with a vast array of emergency medical services (EMS), including 911 ambulance response and the EMS-6 program. This Division also encompasses Emergency Communications and Special Operations.

Prevention

The Prevention Division is charged with minimizing injuries, deaths, and property loss as a result of fire. This work includes code enforcement, public education, and inspection programs to determine and eliminate fire hazards.

Support Services

The Support Services Division is responsible for services that oversee the Department's facilities, equipment, and water supply. This division also oversees work related to maintenance, repairs, and capital improvements.

Training

The Training Division is responsible for instructing and evaluating all Department personnel and new recruits. This work also includes providing comprehensive Fire and EMS training to all staff.

Department of Homelessness and Supportive Housing

Mission

The mission of the Department of Homelessness and Supportive Housing is to make homelessness in San Francisco rare, brief, and one-time, through the provision of coordinated, compassionate, and high-quality services.⁵

Organizational Structure

The Department of Homelessness and Supportive Housing was formed in 2016 and consolidated existing homeless service programs from five other City agencies, primarily from the Human Services Agency (HSA) and the Department of Public Health (DPH). Additionally, 98 positions were transferred to the Department of Homelessness and Supportive Housing from HSA, DPH, and the Mayor’s Office of Housing Opportunity, Partnership, and Engagement (HOPE).⁶

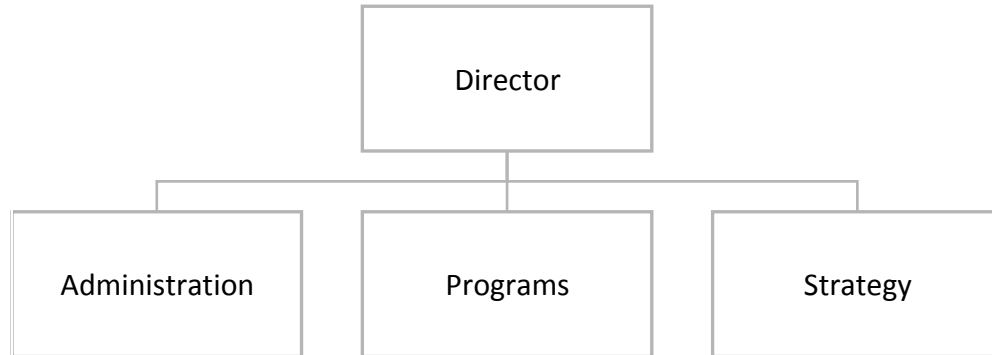
Within the City’s budget system, the Department of Homelessness and Supportive Housing is organized into two divisions: (1) Administration; and (2) Programs. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each department, organized into divisions and accounts. In general, departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts (and across divisions) if the money is in the same fund and the same department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required).

While funding for the Department flows through the two budgetary divisions described above, operationally, the Department is organized into three divisions: Administration and Finance; Programs; and Strategy and External. Exhibit 13 below shows the Department’s organizational chart.

⁵ FY 2019-20 and FY 2020-21 Mayor’s Proposed Budget Book

⁶ FY 2017-18 and FY 2019-20 Mayor’s Proposed Budget Book

Exhibit 13: Department of Homelessness and Supportive Housing Organizational Chart



Source: FY 2019-20 and FY 2020-21 Mayor’s Proposed Budget Book

Current and Historical Budgeted Expenditures and Positions

The Department’s FY 2019-20 total original budget was \$367,690,818, \$201,347,451 (55 percent) of which comes from General Fund support. The Department’s budget has increased 64 percent (\$143.5 million) over the four-year period since the Department was formed in FY 2016-17. Over the same four-year period, funded FTEs for the Department increased by 36.4 FTEs from 110.68 to 147.04, or by 32 percent. We note that approximately one-third of this increase in funded FTEs (12.9 out of 36.4 FTEs) was driven by increases in non-operating (project-based) positions.

Exhibit 14 below shows a summary of the Department’s historical expenditures and funded FTEs. The FY 2019-20 budget represents a 29 percent increase (\$83.2 million) compared to the FY 2018-19 budget. Much of this increase was the result of large investments towards the development of new temporary shelters, specifically Navigation Centers, as well as increased funding for homelessness prevention services, and permanent supportive housing.⁷

⁷ FY 2019-20 and FY 2020-21 Mayor’s Proposed Budget Book

Exhibit 14: Four-Year Historical Budgets and FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Funded FTEs
FY 2016-17	\$162,664,891	\$224,153,460	110.68
FY 2017-18	165,545,718	250,384,474	118.98
FY 2018-19	176,499,181	284,528,389	126.92
FY 2019-20	201,347,451	367,690,818	147.04
4-Year Change	\$38,682,560	\$143,537,358	36.36
4-Year Percent Change	23.8%	64.0%	32.9%

Source: Annual Appropriation Ordinances and Mayor’s Proposed Budget Books

COVID-19 Fiscal Impacts

As of July 9, 2020, the Department of Homelessness and Supportive Housing has spent \$5,163,297 on COVID-19 related activities and encumbered an additional \$8,318,698. Approximately 23 percent (\$1,200,402) of the amount so far spent went towards personnel costs, and the remaining 77 percent (\$3,962,895) went towards non-personnel costs. Approximately 90 percent (\$3,564,114) of the non-personnel expenditures to date went towards funding Community-Based Organization (CBO) services, and the remaining 10 percent went towards non-personnel services, programmatic projects, and materials and supplies. CBO expenditures include operating Safe Sleep sites, providing meals to people experiencing homelessness, operating Shelter-In-Place sites, expanding hours and operations at congregate shelter sites, and additional nonprofit costs needed to safely respond to COVID-19.

The exact level of reimbursement for the Department of Homelessness and Supportive Housing COVID-19 expenditures is not currently known. According to the May 2020 Budget Outlook Update, the City is expected to receive at least \$29.4 million in funding from the CARES Act and state funding for homelessness and housing programs from Senate Bill 89. While these funds would be distributed among several departments, the Department of Homelessness and Supportive housing expects to receive a portion of these funds. The Department of Homelessness and Supportive Housing is expected to receive \$5.5 million in Emergency Solutions Grant funding to support local community housing and homelessness programs.

Budget Summary by Division

Exhibit 15 below summarizes each of the Department’s divisions, as organized in the City’s budget system. According to the Department, the decline in budgeted funding for the Administration Division reflects the one-time purchase that the Department made in in FY 2017-18 of the 440 Turk Street building as the Department’s headquarters.

Exhibit 15: Three Year Historical Budget and FTE, by Budget Division

Original Budget	Administration	Programs
FY 2017-18	12,844,257	237,540,217
FY 2018-19	7,761,646	276,766,743
FY 2019-20	9,224,114	358,466,704
3-Year Change	(\$3,620,143)	120,926,487
Percent Change	-28%	51%
Funded FTEs FY 2019-20	45.06	101.98

Source: Annual Appropriation Ordinances and Annual Salary Ordinances

The activities of each of these divisions is summarized below.

Administration

The Administration Division includes the Department’s strategic and external affairs, financial, contracting, IT, data and performance, real estate and facilities management, and other administrative functions. This Division encompasses these staff salaries and benefits, as well as telecommunications support and other administrative needs. The purchase, maintenance, and licensing of the Department’s headquarters also falls within this Division.

Programs

The Programs Division includes all services, which are provided by programs staff directly and through contracts with homelessness service providers, funded through the Department in support of each of the Department’s Core Components, including:

- **Coordinated Entry** provides the centralized data system of homelessness service clients, as well as organizes the Homelessness Response System (HRS) with an assessment tool to match clients with appropriate interventions.
- **Street Outreach** connects individuals living outside the HRS to services, shelter and medical care.
- **Problem Solving** includes a combination of both monetary and non-monetary solutions to prevent homelessness.
- **Temporary Shelter** includes Navigation Centers, transitional housing, and emergency shelter beds for families, adults, and youth.
- **Housing** provides housing subsidies and placements, including rental subsidies and permanent supportive housing.
- **Housing Ladder** provides permanent supportive housing or rapid rehousing clients with tenant-based rental subsidies to relocate to housing in the private housing market.

Human Resources Department

Mission

The mission of the Department of Human Resources (DHR) is to use “fair and equitable practices to hire, develop, support, and retain a highly-qualified workforce.” The Department provides centralized human resources services for City Departments including classification and compensation management, equal employment opportunity and employee leave oversight, Workers’ Compensation, workforce development, coordination of labor negotiations, and coordination of the City’s human resources diversity, equity, and inclusion efforts. Human Resources also negotiates and administers the collective bargaining agreements between the City and labor organizations.⁸

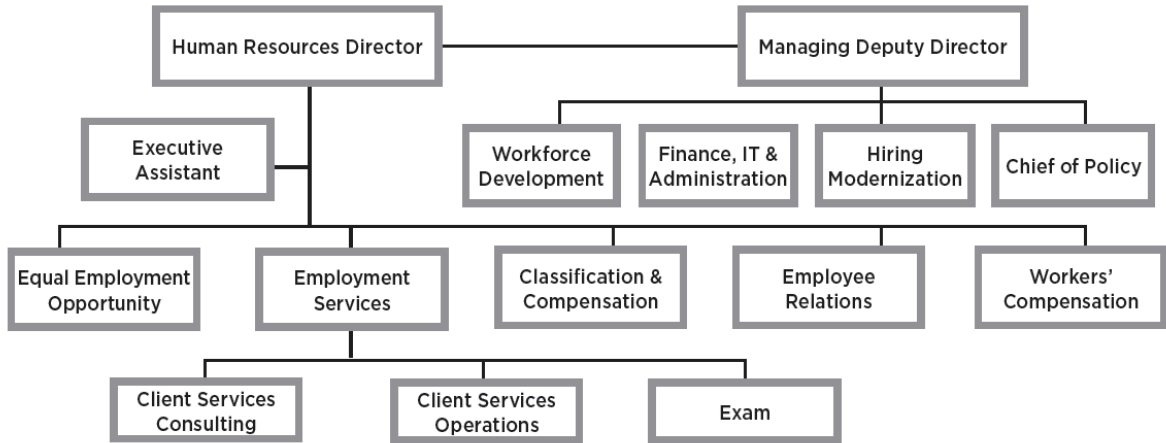
Organizational Structure

Within the City’s budget system, the Department of Human Resources is organized into six divisions:⁹ (1) Workers Compensation, (2) Recruit/Assess/Client Services, (3) Administration, (4) Equal Employment Opportunity, (5) Employee Relations, and (6) Workforce Development. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each department, organized into divisions and accounts. In general, departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts (and across divisions) if the money is in the same fund and the same department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required). Exhibit 16 below shows the Department’s organization chart.

⁸ FY 2019-20 and FY 2020-21 Mayor’s Proposed Budget Book

⁹ Listed in order of FY 2019-20 budget amount.

Exhibit 16: Human Resources Organization Chart*



Source: FY 2019-20 and FY 2020-21 Mayor’s Proposed Budget Book

Note: * A new “Diversity, Equity & Inclusion” team was added in FY 2019-20 under the Human Resources Director, which is not reflected in the chart above.

Current and Historical Budgeted Expenditures and Positions

The Department’s FY 2019-20 total original budget was \$111,929,472, of which \$22,710,337 (20 percent) comes from General Fund support. Exhibit 17 below shows a summary of the Department’s 10-year historical expenditures and funded FTE positions. Most of the Department’s non-General Fund revenue is spending recovered from other departments for providing HR services. The Department’s General Fund support has increased by 150 percent since FY 2010-11, which is faster than the average annual change in the citywide General Fund budget over this period (107 percent) and over three times as fast as the Department’s non-General Fund support growth (43 percent in total). In addition, the share of the Department’s budget funded by General Fund support has increased by almost half, from 13 percent in FY 2010-11 to 20 percent in FY 2019-20. According to the Department, non-recoverable special projects in recent years have led to increases in General Fund support (i.e. citywide HR modernization and support for the Housing Authority transition). The Department’s funded personnel count increased by 79 percent over the past 10 years, from 118.52 to 212.25 FTEs (an increase of 93.73 FTEs).

Significant drivers of budget growth over this period include:

- **Worker’s Compensation Claim Costs:** continuing increases in the cost of Worker’s Compensation claims, estimated at \$56.7 million in FY 2018-19, an increase of almost 25 percent since FY 2010-11.
- **Labor Negotiations:** temporary staffing needs to support citywide labor negotiations.¹⁰
- **IT Modernization Projects:** including hiring system modernization and the digitization of Workers Compensation payments in FY 2018-19 and FY 2019-20.
- **Training and Workforce Development programs:** including citywide Implicit Bias training starting in FY 2015-16, expansion of the internal and external workforce development programs, addition of a new director for diversity recruitment and career pathways programs, and expansion of workforce equity training for City staff in FY 2019-20. The cost of many of these programs are not recovered from departments.
- **Expansion of HR services for departments:** including additional staffing for the Worker’s Compensation, Client Services, and Equal Employment Opportunity divisions, and the addition of the Diversity, Equity, and Inclusion Division in FY 2019-20.
- **Transfer of functions from departments:** transfer of Equal Employment Opportunity investigations from the Municipal Transportation Authority and Department of Social Services in FY 2013-14. In addition, DHR supported the transition of San Francisco Housing Authority employees to City employment following federally mandated staffing reductions.

In particular, these factors led to above average budget increases in FY 2015-16 (\$6.6 million, or eight percent, increase over the prior year), FY 2016-17 (\$7.0 million, or eight percent, increase), FY 2018-19 (\$7.7 million, or eight percent, increase), and FY 2019-20 (\$11.0 million, or 11 percent, increase).

¹⁰ Labor negotiations take place on a three-year rotating schedule with negotiations every two out of three years.

Exhibit 17: 10-Year Historical Budgets and Funded FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Funded FTEs
FY 2010-11	\$9,087,699	\$71,681,954	118.52
FY 2011-12	9,603,209	72,892,526	123.06
FY 2012-13	9,378,557	73,942,657	123.77
FY 2013-14	11,226,178	77,898,019	138.32
FY 2014-15	12,136,863	81,400,546	147.82
FY 2015-16	13,225,792	87,992,304	171.41
FY 2016-17	15,740,808	95,016,164	193.88
FY 2017-18	15,701,537	93,296,222	187.09
FY 2018-19	18,669,381	100,967,482	204.40
FY 2019-20	22,710,337	111,929,472	212.25
<i>10-Year Chg</i>	\$13,622,638	\$40,247,518	93.73
<i>10-Year Chg. (%)</i>	149.9%	56.1%	79.1%

Source: Annual Appropriation Ordinances and Mayor's Budget Books

COVID-19 Fiscal Impacts

DHR is responsible for coordinating the deployment of Disaster Service Workers (DSW) and operates its own Department Operations Center in support of the Emergency Operations Center Logistics section during emergencies such as the COVID-19 pandemic. As of July 8, 2020, the Department has spent \$2.1 million on COVID-19 related activities and encumbered an additional \$5,601. Of the amount spent to date, most (97 percent or \$2.1 million) was for personnel costs related to COVID-19 response. The remainder (\$73,918) went primarily to materials and supplies (i.e., equipment to support the Emergency Operations Center work and other supplies) and non-personnel services.

Specific activities DHR has undertaken related to the COVID-19 response include: developing and implementing emergency HR policies (i.e. worksite safety, employee leave, DSW policies, telecommuting, etc.); managing all aspects of the DSW deployment process; operating the Emergency Volunteer Center to recruit and deploy non-City employee volunteers; internal COVID-19 response communications with City employees; managing labor relations and addressing union concerns; and, managing COVID-19-related Workers' Compensation and employee safety claims.

The exact level of reimbursement for DHR COVID-19 expenditures is not currently known.

Budget Summary by Division

Exhibit 18 below summarizes each of the Department's divisions, as organized in the City's budget system.

Exhibit 18: Three Year Historical Budget and FTE, by Budget Division

Original Budget	Workers Compensation	Recruit/ Assess/ Client Svcs.	Admin.	Equal Employment Opportunity	Employee Relations	Workforce Development
FY 2017-18	\$69,908,431	\$9,640,358	\$3,929,806	\$3,605,114	\$3,861,368	\$2,351,145
FY 2018-19	71,964,903	11,336,150	4,462,090	4,370,593	6,603,736	2,230,010
FY 2019-20	79,234,074	11,459,376	8,650,859	4,865,372	4,658,598	3,061,193
3-Year Change	\$9,325,643	\$1,819,018	\$4,721,053	\$1,260,258	\$797,230	\$710,048
% Change	13%	19%	120%	35%	21%	30%
Funded FTEs FY 2019-20	59.94	67.15	29.20	26.18	13.67	16.11

Source: Annual Appropriation Ordinances and Positions Report

The activities of each of these divisions are summarized below.

Workers' Compensation

Responsible for administering workers' compensation benefits and other benefits associated with workplace injuries and illnesses as well as coordinating citywide safety and prevention initiatives.

Recruit/ Assessment/ Client Services

Provides human resources services to all City departments on recruitment, employment, personnel and disciplinary matters. This division also develops new classifications, determines relevant compensation, reviews and approves department requests for position authorization, develops and administers selection processes, administers Civil Service list adoptions, citywide referrals, appointment processing, and manages the Employment Information Center and the Conviction History program.

Administration, Finance, Budget and Information Services

This division provides internal administrative support to the Department. The FY 2019-20 division budget also includes funding for a new Director of Diversity, Equity, and Inclusion, support for the San Francisco Housing Authority transition, and a citywide HR Modernization Project.

Equal Employment Opportunity and Leaves Programs

This division provides direct and consultation services to City Departments, including investigating and resolving discrimination issues, harassment prevention and other staff training, reasonable accommodation for individuals with disabilities, and establishing citywide leave management policies and protocols.

Employee Relations

This division negotiates and administers the City's collective bargaining agreements with labor organizations, including managing the grievance process and advising departments on the application of agreement provisions.

Workforce Development

This division coordinates internal and external workforce development for the City's workforce. This includes training and development for City staff as well as management of citywide apprenticeship and fellowship programs (i.e. ApprenticeshipSF, SF Fellows, etc.).

Human Services Agency

Mission

The mission of the Human Services Agency (HSA) is to promote well-being and self-sufficiency among individuals, families, and communities in San Francisco.¹¹

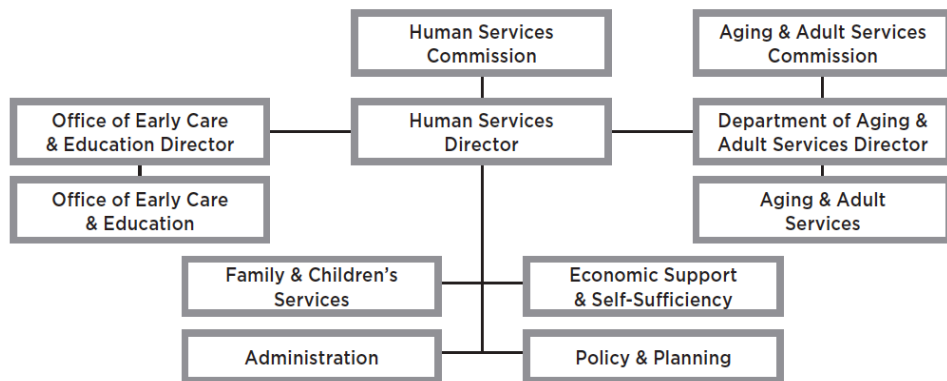
Organizational Structure

Within the City's budget system, HSA is organized into four divisions: (1) Admin Support; (2) Disability & Aging Services; (3) Early Care & Education; and, (4) Human Services. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each department, organized into divisions and accounts. In general, departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts (and across divisions) if the money is in the same fund and the same department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required).

Over the past 10 years, HSA has included both the Human Services and Aging & Adult Services branches for this entire period. In 2013, the City created the Office of Early Care & Education, to consolidate early childhood programs within HSA.

Exhibit 19 below shows the Department's organization chart.

Exhibit 19: Human Services Agency Organization Chart



Source: FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book

¹¹ FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book

Note: In 2019, the Disability & Aging Services Division changed its name through a ballot measure from Aging and Adult Services to Disability & Aging Services. The three boxes on the right should read: 1) Disability & Aging Commission; 2) Department of Disability & Aging Services Director; and, 3) Disability & Aging Services.

Current and Historical Budgeted Expenditures and Positions

The Department's FY 2019-20 total original budget was \$1,075,337,178, \$319,920,819 (30 percent) of which comes from General Fund support. Much of the Department's General Fund support is in the form of the Public Education Enrichment Fund (PEEF) and Dignity Fund set-aside measures. Exhibit 20 below shows a summary of the Department's 10-year historical expenditures and funded FTEs. As noted above, the Office of Early Care and Education was a newly created division within HSA during this 10-year period. Services within divisions have changed slightly over the years. For example, in FY 2016-17 the Department's funding for homelessness and housing services was transferred to the newly created Department of Homelessness and Supportive Housing, resulting in an overall decline of eight percent in HSA's budget.

Over this 10-year period, the original budget for HSA increased 61 percent. The changes largely stem from increases in program revenues and costs. In FY 2014-15, the budget increased 18 percent due to increases in revenue to support employment and family stabilization services through the California Work Opportunity and Responsibility to Kids program (CalWORKs), and in revenue related to social service realignment and the administration of in-home supportive services (IHSS). In FY 2019-20 the original budget increased 11 percent due to increases in IHSS costs, increases associated with aid payments through the County Adult Assistance Program and Title IV-E (Federal Foster Care program) waiver program as well as other increases from voter mandated growth in the Dignity Fund, early care and education funding, and negotiated salary and benefits costs.

Exhibit 20: 10-Year Historical Budgets and Funded FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Funded FTEs
FY 2010-11	\$208,924,339	\$669,474,811	1,701.1
FY 2011-12	234,524,382	693,555,992	1,704.5
FY 2012-13	231,000,380	703,528,686	1,767.1
FY 2013-14	224,372,693	737,923,441	1,869.3
FY 2014-15	234,447,513	835,703,901	1,984.4
FY 2015-16	288,661,725	937,931,970	2,067.7
FY 2016-17	219,472,100	862,944,407	2,096.7
FY 2017-18	245,925,556	913,783,257	2,130.9
FY 2018-19	276,579,548	971,834,732	2,126.6
FY 2019-20	319,920,819	1,075,337,178	2,178.2
10-Year Change	\$110,996,480	\$405,862,367	477
10-Year Percent Change	53.1%	61%	28%

Source: Annual Appropriation Ordinances and Mayor’s Budget Books

COVID-19 Fiscal Impacts

As of July 8, 2020, HSA has spent \$54,982,523 on COVID-19 related activities and encumbered an additional \$16,923,210. Of the costs already incurred, HSA has spent \$12,305,012 (22 percent) on personnel costs and \$42,677,512 (78 percent) on non-personnel costs. The largest of these non-personnel costs includes \$28,934,650 in facilities rentals, which includes costs for the City's Alternative Housing Program that provides shelter-in-place and isolation and quarantine hotels, congregate shelter, first responder and essential worker housing, and an RV site; \$4,293,994 in food costs; \$2,147,679 in grants to community based organizations; and, \$1,049,192 for social services contracts. In addition, HSA increased funding for providers delivering the IHSS program by offering an additional \$2 per hour to support providers in delivering continuity of care for IHSS clients and provide care to clients who may have had their normal arrangement interrupted due to the health emergency.¹² As of July 8, 2020, HSA has spent \$405,617 on emergency backup IHSS, including the premiums and services to clients in the emergency housing system, and encumbered \$807,927 for that purpose.

HSA is involved in the City’s response to provide shelter and housing programs for frontline workers and those most vulnerable who do not have access to shelter. As of

¹² BLA Nonprofit Contractors Incentive Pay Analysis, April 28, 2020.
https://sfbos.org/sites/default/files/BLA%20Nonprofit%20Contractors%20Incentive%20Pay%20Analysis_042820.FINAL_.pdf.

June 30, 2020, HSA estimates that it incurred \$52 million in costs for the Alternative Housing Program, but invoices are still being processed so the full costs are not reflected. Based on a conservative understanding of FEMA’s reimbursement rules, HSA estimates that \$25 million will be reimbursed, but the exact level of reimbursement is not currently known. Through the Federal CARES Act, the City will also receive \$2.1 million from the Administration for Community Living (ACL) for aging and disability services.

Budget Summary by Division

Exhibit 21 below summarizes each of the Department’s divisions, as organized in the City’s budget system.

Exhibit 21 Three Year Historical Budget and FTE, by Budget Division

Original Budget	Disability &			
	Admin Support	Aging Services	Early Care & Education	Human Services
FY 2017-18	\$115,658,301	\$296,892,538	\$98,587,388	\$402,645,030
FY 2018-19	122,097,801	334,689,970	106,382,412	408,664,544
FY 2019-20	129,513,561	379,266,603	134,940,474	431,616,540
3-Year Change	\$7,415,760	\$44,576,633	\$36,353,086	\$28,971,510
Percent Change	6%	13%	37%	7%
Funded FTEs				
FY 2019-20	316.8	338.9	25.0	1,497.5

Source: Annual Appropriation Ordinances and Positions Report

The activities of each of these divisions is summarized below.

Admin Support

Admin Support provides administrative support and shared administrative across HSA, including lease and facilities costs; payroll and personnel services; budgeting and accounting; IT systems and management; and the Agency’s contribution to retiree health costs.

Disability & Aging Services

Disability and Aging Services (DAS) provides services to support the City’s aging and disabled population. These services include: IHSS, which supports low-income elderly, disabled and/or blind San Franciscans to safely live in their own homes; Protective Services, which includes Adult Protective Services, Public Guardian, Public Administrator, Public Conservator, and Representative Payee programs; the Office of Community Partnerships, which oversees more than 240 unique contracts, mainly with local nonprofits; and, the DAS Benefits and Resources Hub at 2 Gough which includes Eligibility and Integrated Intake, as well as being home to the County Veterans’ Service

Office. DAS administers the Dignity Fund, a special fund voted into law in 2016, which provides substantial support to disability and aging services delivered via community-based organizations in every district in the City.

Early Care & Education

The Early Care and Education Division oversees services and funding for the City's early childhood programs. This includes funding for childcare, administration of San Francisco's Preschool for All program, supporting public policy efforts to advance early care and education, and conducting data and evaluation work to help assess the impact of early education on children's development and improve services for families and children.

Human Services

The Human Services Division oversees funding and services offered through the CalWORKs program and Welfare-to-Work Services; County Adult Assistance Program; Family and Children's Services; and, SF Benefits Net, which connects low-income residents of San Francisco to free and low-cost health coverage through Medi-Cal and nutrition assistance through CalFresh.

Recreation and Park Department

Mission

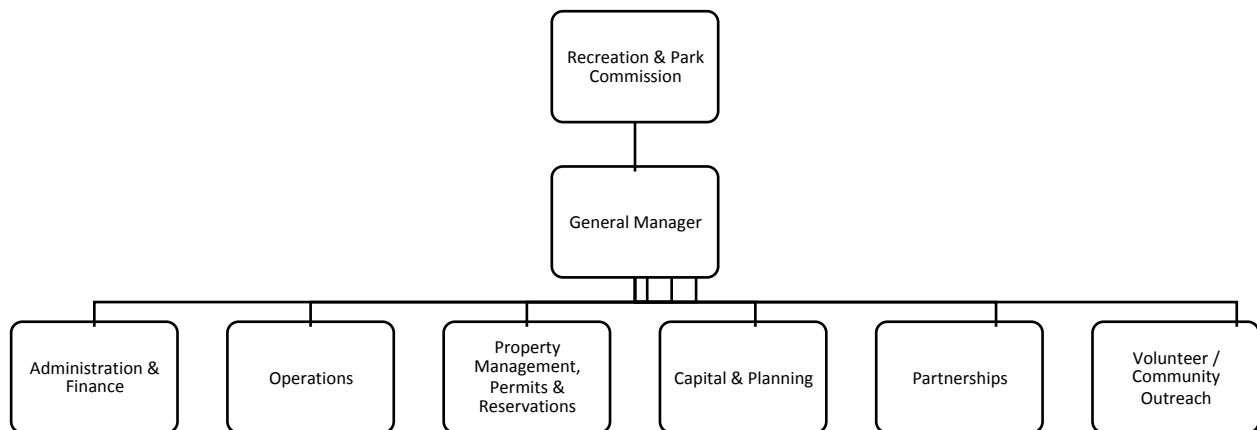
The mission of the Recreation and Park Department (RPD) is to provide enriching recreational activities, maintain beautiful parks and preserve the environment for the well-being of everyone in San Francisco’s diverse community.

Organizational Structure

Within the City’s budget system, the Recreation and Park Department is organized into four divisions: Recreation, Golden Gate Park, Parks, and Structural Maintenance. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each department, organized into divisions and accounts. In general, departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts (and across divisions) if the money is in the same fund and the same department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required). In addition, increases to the Recreation and Park Department overtime budget require Board of Supervisors’ approval.

While funding for the Department flows through the four budgetary divisions described above, operationally, the Department is organized into six divisions: Administration and Finance, Operations, Property Management Permits and Reservations, Capital and Planning, Partnerships, and Volunteer/Community Outreach. Exhibit 22 below shows the department’s organization chart.

Exhibit 22: Recreation and Park Organization Chart



Source: Recreation and Park Department

Current and Historical Budgeted Expenditures and Positions

The Department’s FY 2019-20 total original budget was \$219,570,100, \$82,146,671 (37 percent) of which comes from General Fund support. Exhibit 23 below shows a summary of the Department’s 10-year historical expenditures and Funded FTEs. During this timeframe, FY 2013-14 and FY 2016-17 saw the largest budget increases at 16 and 17 percent, respectively. The Department’s FY 2013-14 budget increased by 16 percent largely due to: increases in salaries and fringe benefits; increases in equipment purchases, the purchase of aging replacement vehicles in the Department’s fleet; funding of capital projects to improve parks and recreation facilities;¹³ funding of budgetary reserves, such as funding for the purchase of a land parcel at 17th and Folsom from SFPUC for the development of a new park in the Mission.¹⁴ The Department’s FY 2016-17 budget increased by 17 percent largely due to citywide salary and fringe benefit costs, capital expenditures funded through developer impact fees and growth in the Open Space Fund, and growth in earned revenue.

Exhibit 23: 10-Year Historical Budgets and Funded FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Funded FTEs
FY 2010-11	\$34,662,157	\$127,016,119	873.82
FY 2011-12	34,142,643	127,822,235	855.97
FY 2012-13	44,633,289	138,504,752	865.5
FY 2013-14	48,709,246	160,938,278	895.28
FY 2014-15	50,201,609	163,224,442	893.00
FY 2015-16	64,158,363	178,699,938	939.36
FY 2016-17	68,883,515	208,806,728	965.75
FY 2017-18	73,422,135	221,545,353	955.70
FY 2018-19	77,004,847	230,857,939	947.42
FY 2019-20	82,146,671	219,570,100	962.65
10-Year Change	\$47,484,514	\$92,553,981	88.83
10-Year Percent Change	137.0%	72.9%	10.2%

Source: Annual Appropriation Ordinances and Annual Salary Ordinances

¹³ Including Glen Park, Joe DiMaggio Playground, Balboa Swimming Pool and Mountain Lake Playground

¹⁴ The department budgeted an Interagency Plan Implementation Committee (IPIC) reserve, which is a non-RPD reserve to purchase the land parcel at 17th and Folsom.

COVID-19 Fiscal Impacts

As of July 8, 2020, the RPD has spent \$9,183,982 on COVID-19 related activities and encumbered an additional \$103,513. Of the \$9,183,982 spent on COVID-19 related activities, \$9,038,117 (98 percent) funded personnel costs, while \$145,865 (two percent) funded non-personnel costs, such as materials and supplies, non-personnel services, and equipment. According to the Department, RPD activated the Department Operation Center¹⁵ and its COVID-19 funding priorities included the following: (1) providing emergency child care services and developing remote learning opportunities for children grades K-8 of parents who are working in San Francisco-based hospitals, Department of Public Health employees, and activated Disaster Service Workers; (2) implementing the Health Order to disrupt the spread of COVID-19 and provide services for vulnerable populations by providing signage, closing and locking amenities as necessary; and (3) providing clean and safe open space areas in parks where people can enjoy the mental and physical benefits of being outdoors while practicing social distancing and best safety practices.

The exact level of reimbursement for the Department’s COVID-19 expenditures is not currently known.

Budget Summary by Division

Exhibit 24 below summarizes each of the Department’s divisions, as organized in the City’s budget system. According to the Department, the Administration Division reduced overhead costs in FY 2018-19 and FY 2019-20.

Exhibit 24: Three Year Historical Budget and FTE, by Budget Division

	Operations	Administration*	Capital Program	Zoo
Original Budget				
FY 2017-18	\$154,861,392	\$2,140,664	\$60,358,497	\$4,184,800
FY 2018-19	177,571,246	(628,295)	49,730,188	4,184,800
FY 2019-20	187,286,619	(1,732,650)	29,831,331	4,184,800
3-Year Change	\$32,425,227	(\$3,873,314)	(\$30,527,166)	\$0
Percent Change	21%	(181%)	(51%)	0%
Funded FTEs				
FY 2019-20	844.85	80.69	37.11	0.00

Source: Annual Appropriation Ordinances and Annual Salary Ordinances

¹⁵ This was established and activated by departments to coordinate and control actions during an emergency event.

*The Administration Division's budget is fully recovered from the other divisions through a cost allocation mechanism. The division's budget figures were negative in the AAOs in FY 2018-19 and FY 2019-20 because these amounts had not yet been reallocated after changes that were made in the Mayor's and Board of Supervisors' budget phases. After the overhead allocation is performed, the division's budget should be zero according to Department fiscal staff.

The activities of each of these divisions are summarized below.

Operations

The Operations Division delivers the day-to-day mission of the Department in providing and maintaining clean, green, and safe parks as well as a wide range of recreational activities and programs for all San Franciscans. The Operations Division is comprised of seven service delivery sections, which include Asset Management, Golden Gate Park, Park Patrol, Parks and Open Spaces, Recreation and Community Services, Structural Maintenance Yard, and Urban Forestry.

Administration

The Administration and Finance Division provides the Department's operating divisions with shared support services that include accounting/finance, budget, capital finance, contract administration, human resources, information technology, and strategic planning. More than 50 staff in the Administration and Finance Division provide services to further the Department's strategic plan and goals and help ensure programs and services are delivered to park visitors and recreation program users. The Division manages the Department's operating budget and supports over 2,000 employees.

Capital Program

The Capital Program uses multiple funding sources to renovate or develop the City's recreation and park system. Locations and facilities are identified for future improvements, including recreation centers, children's play areas, aquatic facilities, playfields, outdoor sports courts, nature trails, and forested areas. Currently, the Division is working to implement the 2012 Clean and Safe Neighborhood Parks bond projects. In total, the Capital Program Division is managing approximately \$330 million in capital projects.

Zoo

The San Francisco Zoo is home to over 2,000 exotic, endangered and rescued animals representing more than 250 species, as well as gardens of native and non-native plants. The San Francisco Zoo offers recreational activities, educational programs and events for children of all ages.

Sheriff's Department

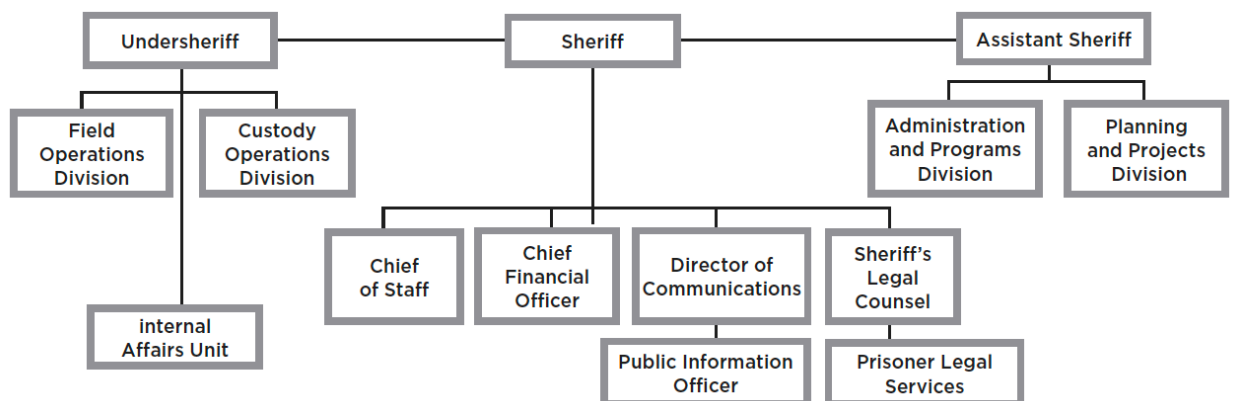
Mission

The mission of the Sheriff's Department is to "provide for the safe, secure, humane and constitutional detention of persons arrested or under court order." The Sheriff also operates county jail facilities, operates alternative sentencing community programs for people in and out-of-custody, provides law enforcement services for City and County facilities, provides bailiffs for all County superior courts, and executes criminal and civil warrants and court orders.¹⁶

Organizational Structure

Within the City's budget system, the Sheriff's Department is organized into just one budgetary division which encompasses all department activities. However, in practice, the Department is organized into four operational divisions, shown in the organization chart in Exhibit 25 below. These divisions include: (1) Administration and Programs, (2) Custody Operations, (3) Field Operations, and (4) Planning and Projects. The Annual Appropriation Ordinance approved by the Board of Supervisors each year specifies funding for each department, organized into divisions and accounts. In general, departments may, with authorization from the Controller, move up to 10 percent of appropriated funds between accounts if the money is in the same fund and the same department (unless that account was reduced by the Board of Supervisors, in which case a supplemental appropriation would be required). In addition, increases to the Sheriff's Department overtime budget require Board of Supervisors' approval.

Exhibit 25: Sheriff's Department Organization Chart



Source: FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book

¹⁶ FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book

Current and Historical Budgeted Expenditures and Positions

The Department's FY 2019-20 total original budget was \$260,818,489, of which \$199,011,360 (76 percent) comes from General Fund support. Exhibit 26 below shows a summary of the Department's 10-year historical expenditures and funded FTEs. The Department's General Fund support has increased by 50 percent (\$66.6 million) since FY 2010-11, which is less than the total increase in the citywide General Fund budget over this period (107 percent). The share of the Department's budget funded by General Fund support fell to 76 percent in FY 2019-20 from a high of 85 percent in FY 2010-11. The Department's funded personnel count increased by just eight percent over the past 10 years, from 953.27 to 1,031.38 FTEs, an increase of 78.11 FTEs.

Significant drivers of budget growth over this period include:

- **Salary and benefits costs:** increases in the salaries and benefits of Sheriff officers pursuant to collective bargaining agreements. The Department spent \$194 million on salaries and benefits in FY 2018-19, or 78 percent of total spending. According to the Sheriff's Department, from FY 2015-16 to FY 2019-20, increases in average employee salary and benefits from cost of living adjustments were responsible for 56 percent of the increase to the Sheriff's budget (\$32 million in total or \$7.9 million per year on average).¹⁷
- **Justice reform initiatives:** the deployment of body-worn cameras in FY 2018-19, eliminating fees for in-custody telephone calls in FY 2019-20, compliance with new public records request legislation, and increasing access to behavioral health services have pushed non-personnel costs up. A 2018 court ruling regarding bail reform also led to an increase in the Sheriff's out-of-custody caseload including electronic monitoring and community-based programming. According to the Sheriff's Department, justice reform initiatives were the second largest driver of budget increases; for example, from FY 2015-16 to FY 2019-20, justice reform expenses increased by an average of \$2.8 million annually (around 20 percent of the total budget increase over this period or \$11.3 million in total).
- **Inter-Departmental security service requests:** new requests to provide security services at San Francisco General Hospital, the new San Francisco Public Utilities Commission (PUC) Headquarters, and Traffic Court (FY 2016-17). According to the Sheriff's Department, inter-departmental security service requests were the third

¹⁷ Based on calculations provided by the Sheriff's Department. This includes salary and benefits costs from increases in the number of staff added each year to respond to justice reform and inter-departmental security service requests.

largest driver of Sheriff budget increases. From FY 2015-16 to FY 2019-20, security service request expenses, paid for by the requesting departments, increased by an average of \$1.4 million annually (\$5.7 million in total or around 10 percent of the total budget increase).

- **State Public Safety Realignment:** in 2012 the state legislature shifted responsibility for housing non-serious, non-violent and non-sexual offenders from the state to counties, resulting in one-time and on-going increases in the county jail population.
- **Capital improvements** at the Hall of Justice and County Jail facilities (e.g. \$710,000 in FY 2016-17).

Exhibit 26: 10-Year Historical Budgets and Funded FTEs

Fiscal Year	Original General Fund Support	Original Total Budget	Funded FTEs
FY 2010-11	\$132,447,480	\$155,450,151	953.27
FY 2011-12	148,620,251	176,600,812	1,010.78
FY 2012-13	137,142,147	174,723,549	1,013.20
FY 2013-14	139,447,335	179,368,715	984.20
FY 2014-15	150,444,115	192,594,114	1,014.92
FY 2015-16	156,614,754	205,975,205	1,005.76
FY 2016-17	167,926,373	221,236,892	1,056.16
FY 2017-18	176,070,925	231,834,969	1,000.53
FY 2018-19	192,620,618	248,593,015	1,019.73
FY 2019-20	199,011,360	260,818,489	1,031.38
<i>10-Year Chg</i>	\$66,563,880	\$105,368,338	78.11
<i>10-Year Chg. (%)</i>	50.3%	67.8%	8.2%

Source: Annual Appropriation Ordinances and Mayor's Budget Books

COVID-19 Fiscal Impacts

As of July 8, 2020, the Sheriff's Department has spent \$7.7 million on COVID-19 related activities and encumbered an additional \$71,811. Most of the amount spent to date (98 percent or \$7.5 million) was for personnel costs related to COVID-19 response. The remainder (\$165,751) went to materials and supplies (i.e. safety expenses, food, cleaning and other supplies), non-personnel services, and office equipment.

According to the Sheriff's Department, COVID-19 activities consisted primarily of staffing security requests made by the Emergency Operations Center (e.g. additional security for public hospitals and to support other City staff carrying out COVID-19 operations). The exact level of reimbursement for Sheriff's Department COVID-19 expenditures is not currently known.

Budget Summary by Division

The Sheriff's Department does not currently have any divisions in the budget system. However, the activities of the Department's operational divisions are summarized below.¹⁸

Administration and Programs

Provides administrative services for the Department, including recruitment and training, as well as management of in and out of community programs.

Custody Operations

Operates the County's three jail facilities as well as the San Francisco General Hospital Security Ward, Central Warrants Bureau, the Records Unit, and other specialized custody units.

Field Operations

This division provides law enforcement services to City Departments and County Superior Courts, including for MTA, Medical Examiner, Public Library, San Francisco General and Laguna Honda Hospitals, PUC, City Hall, and the Department of Emergency Management.

Planning and Projects

Provides coordination and strategic planning services for internal and citywide initiatives, as well as capital planning, analytical and technical services for the Department.

¹⁸ Based on the FY 2019-20 and FY 2020-21 Mayor's Proposed Budget Book



State Budget Updates

July 8, 2020



State Budget Update – Highlights

Gov. Newsom signed a \$202.1 billion budget on June 29

- Does not include education cuts proposed in May Revise, but defers \$12 billion in education funding
- Identifies \$11.1 billion of proposed reductions and deferrals that will be restored if the State receives at least \$14 billion in federal funds by October 15. Triggers include:
 - Restore half of the education deferrals
 - \$2.9 billion state employee reductions
 - Increase county realignment backfill by \$250M
- Also balances through reserve draws, other revenue increases, and borrowing



State Budget Update – Local Impacts

- Backfills reduced realignment revenues (due to sales tax collections) to counties by at least \$750 million, estimated \$28 million local impact
- Increases funding for homelessness by \$300 million, local impact TBD
- Includes \$750 million for Project Roomkey to secure hotel rooms for vulnerable people experiencing homelessness, local impact TBD
- Distributes CARES Act money to cities and counties, \$20 million impact for San Francisco



State Budget Update – Excess ERAF

- The final state budget does not clawback Excess ERAF funds immediately, but does leave significant risks for a portion of expected revenues pending the outcome of a legislated process to be completed by the State Controller by the end of this calendar year.
- This risk applies to future years and last fiscal year (FY19-20). One year of initially proposed retroactivity (FY18-19) was dropped in the final budget deal.
- That process will question approximately \$60M of Excess ERAF funds annually, related to how Charter school and redevelopment tax increment work through the calculations.
- Approximately \$150M annually is not in question. The Controller's Office is completing calculations to refine this estimate in coming weeks.



Questions?



July 1, 2020

President Norman Yee
Board of Supervisors, City and County of San Francisco

Supervisor Sandra Lee Fewer
Chair, Budget and Finance Committee
Board of Supervisors, City and County of San Francisco

Re: Mayor's Priorities for the FY 2020-21 and FY 2021-22 Budget

Dear President Yee, Chair Fewer, and Members of the Board of Supervisors,

In accordance with section 6 (d) of the seventh supplemental to the Mayoral Proclamation declaring the existence of a local emergency, I would like to submit my priorities for the upcoming FY 2020-21 and FY 2021-22 budget.

The COVID-19 emergency has impacted almost every aspect of our economy and our City's operations. While it has highlighted and exacerbated many of the challenges we were already facing, it has also shown we are capable of taking bold and decisive action to address complicated challenges. I hope that we can bring that same focus and effort to the following priorities:

1. Balancing the budget responsibly during times of immense economic uncertainty.

The economic impacts of the COVID-19 emergency were stark and immediate. The City experienced significant revenue loss, requiring us to solve a \$250 million mid-year budget gap late in the fiscal year. We were able to do so with one-time solutions that did not necessitate service reductions or job losses. But the economic impacts of this emergency are expected to be long lasting, with a \$1.5 billion shortfall projected in the upcoming two-year budget. My goal in delivering a balanced budget on August 1st, which closes our \$1.5 billion shortfall, is to protect as many services and jobs as possible.

Part of closing that shortfall requires looking at new revenue, using our reserves, and department reductions. I do not believe it will be possible to both achieve the goal of preventing service and employment impacts, and fund the promised wage increases for fiscal years 2020-21 and 2021-22. Therefore, I have already proposed to our labor partners that we implement a two-year deferral of any scheduled wage increases for these two fiscal years. However, our labor partners have not yet agreed to this proposal. In addition to this deferral, my budget will spend down the full balance of the of the Rainy Day and Economic Stabilization reserves over the next three fiscal years, in accordance with the Charter and Administrative Code. The City does maintain other one-time reserves, and I intend to repurpose some of those to guard against the historic uncertainty that we face in the coming years. These risks include the possibility of a second

public health surge, a slower recovery than anticipated, premature loss of federal reimbursements to offset our public health costs, and loss of millions in state revenue. I believe this plan represents an aggressive, yet responsible, use of the reserves, that allows us to guard against future risk that could further destabilize the City's ability to maintain services and jobs in the near term.

2. Continuing to make progress on shared priorities of homelessness and behavioral health.

The challenges the City faces related to homelessness and behavioral health were present before COVID-19 arrived and will persist long after, unless we prioritize making meaningful progress, even in the face of extreme economic constraint and even greater need. I have proposed a business tax measure for the November election that, if supported by the voters, would unlock revenue dedicated for homelessness and behavioral health services. The passage of this revenue measure is absolutely critical, and I intend to utilize that revenue to ensure that we continue building on the progress we have made.

3. Prioritize racial equity in the allocation of resources.

The tragic killing of George Floyd highlighted the devastating impacts of police violence against the African American community. While San Francisco has made substantial progress on police reform in recent years, especially around our use-of-force policies, we know there are structural inequities in our city, resulting from generations of disinvestment, that continue to impact this community. That's why my budget will prioritize racial equity, seeking to close the gaps and ending the disparities that we know exist. I have already announced a plan to redirect funds from the San Francisco Police Department to the African American community, which will be developed in partnership with community stakeholders. My budget will not just seek to reform policing in the City, but will also seek to elevate communities who have been left behind for far too long.

4. Maintain a robust and data-driven driven response to the ongoing health pandemic.

We expect that the City will be responding to COVID-19 for the next 18-24 months. All throughout this emergency, we have been guided by data to ensure that the health and well-being of all San Franciscans is at the forefront of our response. We will need to maintain a robust emergency response system at least throughout the next year to ensure that we keep our residents safe, while also supporting the re-opening on our City in a responsible way.

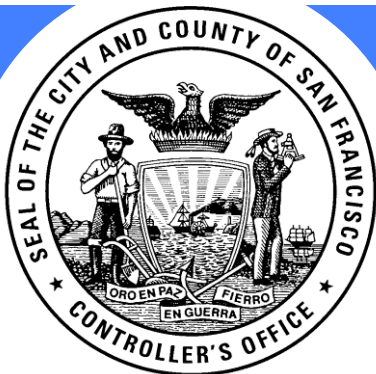
I look forward to your partnership as we take on these immense challenges together.

Sincerely,



London N. Breed
Mayor

Overview of Budget Impacts of Prior Recessions

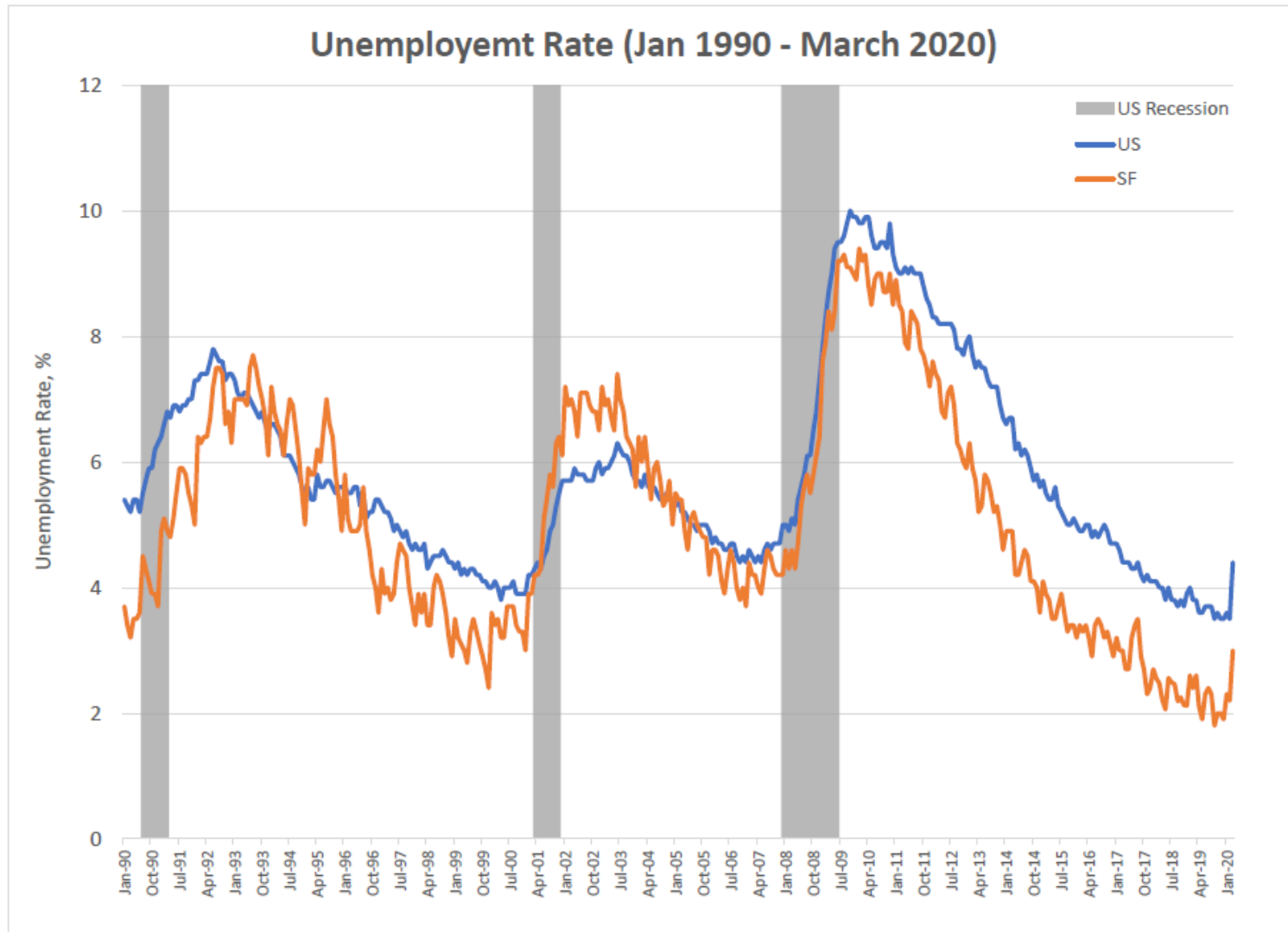


CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

June 11, 2020

Recessions During the Last Thirty Years



The Dot.Com Bust: 2001-2004

Change in Major Tax Revenues from Prior Year

(\$ Millions)

	2001-02	2002-03	2003-04	2004-05
Property Tax	48.1	8.7	28.1	163.7
Business Tax	-3.0	2.0	-11.8	27.8
Sales Tax	-32.5	4.3	5.1	-26
Hotel Tax	-59.1	2.4	23.7	10.5
Utility Users Tax	-6.4	0.6	-0.4	1.6
Parking Tax	-3.3	-0.8	2.3	1.1
Property Transfer Tax	-15.1	4.2	27.4	38
Total of Major Taxes	-71.4	21.5	74.3	216.7
% of General Fund	-3.6%	1.1%	3.6%	9.8%

The Dot.Com Bust: 2001-2004

Projected Budget Year Deficit in the March Joint Reports (\$ Millions)

Fiscal Year	Deficit
2000-01	-24.4
2001-02	-66.1
2002-03	-154.1
2003-04	-347.2
2004-05	-299.3
2005-06	-102.2
2006-07	-12.5

The Dot.Com Bust: 2001-2004

Mayor's Budget Instructions

- Three rounds of mid-year budget reductions required
- Budget reduction targets:
 - 5% in FY01-02
 - 17% in FY02-03
 - 4% in FY03-04
- Additional contingency plans ranged from 5%-15%

The Dot.Com Bust: 2001-2004

Reserve depletion (from peak to trough)

- \$48M draw on reserves (40%)
- \$283M reduction in total fund balance (59%)

Reduction in General Fund positions

- 1,366 FTE reduction from FY 2000-01 to FY 2004-05 (8.5%)

The Dot.Com Bust: 2001-2004

Labor contracts

- No general wage increase in FY 2003-04
- City employees picked-up retirement contribution (7.5%) for three fiscal years
- Five additional paid floating holidays in FY 2003-04
- Wage increase to employee retirement pick-up at end of recession.

The Dot.Com Bust: 2001-2004

Budget Year Addbacks (\$ Millions)

Fiscal Year	General Fund	Non-General Fund
2000-01	7.0	-
2001-02	15.9	3.3
2002-03	9.9	-
2003-04*	6.6	1.5
2004-05	17.0	11.0
2005-06	16.3	10.7
2006-07	28.8	5.3

* Amounts are for general and non-general fund cuts. Addback amounts are unavailable.

The Great Recession: 2008-2010

Change in Major Tax Revenues from Prior Year (\$ Millions)

	2008-09	2009-10	2010-11
Property Tax	77.8	39.0	1.6
Business Tax	-7.0	-33.8	37.6
Sales Tax	-9.7	-5.1	9.7
Hotel Tax	-3.8	-26.2	23.4
Utility Users Tax	2.8	4.7	-2.9
Parking Tax	-2.7	1.9	6.2
Property Transfer Tax	-37.3	34.7	51.5
Total of Major Taxes	20.1	15.3	127.2
% of General Fund	0.7%	0.5%	4.3%

The Great Recession: 2008-2010

Projected Budget Year Deficit in the March Joint Reports

Fiscal Year	Deficit
2007-08	-25.4
2008-09	-338.4
2009-10	-438.1
2010-11	-482.7
2011-12	-306.4
2012-13	-169.6
2013-14	-123.6
2014-15	-66.7

The Great Recession: 2008-2010

Mayor's Budget Instructions

- Three rounds of mid-year budget reductions required
- Budget reduction targets:
 - 8% in FY08-09
 - 12.5% in FY09-10
 - 20% in FY10-11
 - 7.5% in FY11-12
- Additional contingency plans ranged from 5%-12.5%

The Great Recession: 2008-2010

Reserve depletion (from peak to trough)

- \$73M draw on reserves (53%)
- \$349M reduction in total fund balance (65%)

Reduction in General Fund positions

- 851 FTE reduction from FY 2008-09 to FY 2010-11 (6.8%)

Labor contracts

- For most unions, 12 unpaid furloughs days per year in FY 2010-11 and FY 2011-12
- Furloughs equal to a 4.6% wage reduction

The Great Recession: 2008-2010

Budget Year Addbacks (\$ Millions)

Fiscal Year	General Fund	Non-General Fund
2007-08	35.8	6.6
2008-09	30.7	9.2
2009-10	47.4	7.7
2010-11	40.3	5.8
2011-12	17.3	3.2
2012-13	17.2	3.4
2013-14	25.0	0.8
2014-15	19.2	4.0

Quick Observations

Time to new equilibrium was 3-4 years in last two recessions

Quick Observations

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Repeated mid-year adjustments required in past, likely this time as well

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Revenue declines more rapid this time, shape of recovery less certain

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Closed labor contracts will reduce flexibility

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Avg workforce reduction of 7.5% in prior recessions – 1,200 FTEs today

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Similar? State budget reductions key factor

Quick Observations

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Reserves & one-time programs higher versus prior recessions

Closed labor contracts will reduce flexibility

Avg workforce reduction of 7.5% in prior recessions – 1,200 FTEs today

Similar? State budget reductions key factor

New? Importance of federal support to address new costs

Questions or comments?



State Budget Update

June 10, 2020



Governor's May Revise

Gov. Newsom presented his revised budget on May 14

- \$54.3 billion shortfall over two years, as compared to a nearly \$6 billion projected **surplus** from January
- Total budget \$203 billion, a \$19 billion reduction from January
- 9.3% decrease from the FY 2019-20 budget

Key contributors to the deficit include:

- \$41 billion (22%) reduction in state revenues
- 18% unemployment rate in California in the current year
- Increased participation in social safety net programs



Governor's May Revise

Proposed balancing solutions include:

- Spend the entirety of the state's \$16.2 billion "Rainy Day Fund" over three years
- Utilize the \$9.5 billion from the CARES Act
- \$15 billion in one-time and ongoing spending reductions that could be restored if there is additional federal funding (i.e. HEROES Act)
- Plan to increase revenues from business tax collections



Governor's May Revise

Proposed expenditure changes include:

- Distributes \$1.3 billion in CARES Act funding to counties – estimated to be approximately \$20 million for San Francisco
- Utilizes \$750 million of state CARES Act funding for Project Roomkey
- \$8.6 billion in direct COVID-19 related expenditures
- Eliminates California Division of Juvenile Justice
- Reduction in public safety realignment revenues



State Legislature Budget

- The Legislature must pass a balanced budget by June 15
- Key issues currently being negotiated:
 - Coronavirus response spending
 - Cuts to schools and safety net programs
 - Medi-Cal for undocumented immigrants 65+
 - Reliance on federal funds
- Propose to reduce trigger cuts from \$15 billion to \$7 billion and delaying them until October 1 pending federal funding
- Excess ERAF deliberations



Questions?



Revised Budget Outlook & Department Instructions

May 20, 2020



Forecast Through FY 2023-24

	<u>FY2019-20</u>	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23</u>	<u>FY2023-24</u>
I. Current fiscal year	(246.2)				
II. Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III. Projected shortfalls	<u>(246.2)</u>	<u>(753.9)</u>	<u>(735.4)</u>	<u>(1,016.4)</u>	<u>(1,088.5)</u>
FY 2019-20 - FY 2021-22 Total			(1,735.5)		



Risks & Uncertainty

- Duration and intensity of public health risks
- Slower or later recovery than assumed
- Level of City response sustained in coming years
- Federal & State revenue risks



Department Budget Instructions



Budget Priorities

- Meet General Fund reduction requirements
- Prioritize core services that provide critical government functions
- Evaluate current operations for realignment with City outlined COVID operating measures and guidelines
 - What operations can and should be performed remotely?
 - What services need to be provided in person? And how?
 - What services can be moved online?
- Prioritize services for vulnerable populations and providing equitable services for underserved populations



Department Reduction Plans

Mandatory budget reductions to help close the deficit

- Required reduction of General Fund support
 - Equivalent to 10% of adjusted GFS in FY 20-21
 - Growing to 15% in in FY 21-22 (an additional 5%)
 - Additional 5% in second year – contingency in FY 20-21 if fiscal conditions worsen
- Non-General Fund departments and funds must balance within their own revenue projections



Department Reduction Plans

When developing reduction plans, prioritize solutions that maintain core functions – at modified levels. Consider:

- Contract savings – reduce or cancel underperforming contracts, services that do not conform to physical distancing, or those supporting non-essential activities
 - For necessary contracts, consider re-bidding at reduced rates
- Reduction of personnel costs - including elimination of vacant positions, attrition savings, or project suspensions
- Streamlining operations and consolidation
- New revenue options



Reduction Plan – Timeline & Logistics

- Mandated reduction plans are due to the Mayor's Budget Office by June 12, 2020
- Departments will provide mandatory reduction plans from the base budget
 - Provide technical plan to implement reductions
- Provide clear, written description of service and staffing impacts of reductions



Future Planning - Re-opening

Make budget decisions based on the following re-opening considerations

- Identify core services – critical government functions
- Incorporate public health guidance for re-opening operation planning
- Equity principles and considerations need to guide any service changes to ensure people can still access needed services in a safe manner
- Citywide guidance to follow – do not implement or communicate changes until guidance is issued



Future Planning - Re-opening

Make budget decisions based on the following re-opening considerations

- Workforce
 - City employees who can work from home, should work remotely
 - How will physical space and supply needs change for work that must continue in person and work that can happen remotely?
- Required public services - in-person & online considerations
 - What are services, or that must be delivered in person - statutory, regulatory, equity?
 - How should they be delivered differently – queuing, appointments, & space needs
 - What services can be moved online and how would that impact different residents?



Additional Budget Directions

- No new hiring – except for direct COVID response and essential workforce
- Communicate with other departments & MBO analyst on work order reductions that may have a General Fund impacts

For the remainder of the current fiscal year (FY 2019-20):

- Only those cash-funded, general fund supported capital projects necessary to address legal, life-safety issues, and other essential needs may proceed from design into construction for now - with approval from the Capital Planning and DPW
- Contracts –
 - RFP schedules – do not issue new RFPs until pending guidance
 - Contract continuity across fiscal years process – guidance forthcoming
- Do not move forward with new programs currently on pause, until rebalancing plan decisions are made and communicated



Interim Budget

Allow department operations to continue from July 1, 2020 until Mayor's Proposed budget is adopted by the Board of Supervisors (October 2020)

- FY 2020-21 & FY 2021-22 base budget
- Policy choices reserved for August 1 Mayor's Budget
- Introduced by June 1; needs to be approved by the Board by July 1
- Controller guidance on contract continuity forthcoming



Public Input & Process

- Departments should provide updates to commissions and advisory bodies of reduction plans
- Where feasible, share budget proposals in an online format or forum prior to submission to the Mayor's Office in order to receive feedback
- Discussing fiscal picture with labor partners & CBO partners in the coming week



Budget Priorities

- Meet General Fund reduction requirements
- Prioritize core services that provide critical government functions
- Evaluate current operations for realignment with City outlined COVID operating measures and guidelines
 - What operations can and should be performed remotely?
 - What services need to be provided in person? And how?
 - What services can be moved online?
- Prioritize services for vulnerable populations and providing equitable services for underserved populations



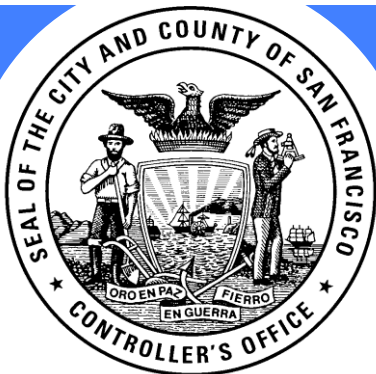
Calendar / Key Dates

May 12	Revised Joint Report, 9-Month Report, & COVID Spending
May 14	Governor's May Revise Budget
May 18	Revised department budget instructions issued
Late May	Current fiscal year rebalancing plan introduced
June 1	Interim budget introduced to the Board of Supervisors & adopted for FY 20-21 fiscal year continuity
June 12	Department budget reduction plans due to the Mayor's Office
August 1	Mayor proposes balanced budget to Board of Supervisors
August	Budget and Finance Committee hearings
September	Budget considered at Board of Supervisors
October 1	Mayor signs budget



Questions?

City Budget Outlook: May Update



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
Board of Supervisor's Budget & Legislative Analyst
Mayor's Budget Office

May 13, 2020

Presentation Outline

Projected Shortfalls

Current Year (FY 2019-20)

Future Years (FY 2020-21 through FY 2023-24)

COVID Emergency Spending & Revenues

Risks & Uncertainty

Slower economic recovery

Sustained emergency response costs

Federal & State revenues

May Shortfall Projections

Projected shortfalls through FY21-22

- March projection: \$1.1B - \$1.7B
- May projection: \$1.7B

FY19-20 Local Taxes

FY19-20 Local Tax Losses (\$M)

Property tax	75.8
Business taxes	(207.1)
Hotel tax	(150.1)
Parking tax	(22.1)
Sales tax	(33.7)
Other local taxes	1.4
<hr/>	
Local tax losses	(335.8)
<hr/>	

FY19-20 Projection Summary

FY19-20 Summary (\$M)

FY19-20 Starting Balance	294.1
Current year revenues	(436.0)
Baseline contributions	103.8
Current year expenditures	123.7
FY19-20 ending balance	85.5
Previously projected (January)	331.7
<hr/>	
Variance	(246.2)
<hr/>	

May Baseline Forecast

	<u>FY2019-20</u>	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23</u>	<u>FY2023-24</u>
I. Current fiscal year	(246.2)				
II. Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III. Projected shortfalls	<u>(246.2)</u>	<u>(753.9)</u>	<u>(735.4)</u>	<u>(1,016.4)</u>	<u>(1,088.5)</u>
FY 2019-20 - FY 2021-22 Total			(1,735.5)		

Forecast Through FY 2023-24

May Budget Outlook (\$M)

	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
Sources					
General fund sources		(487)	(306)	(110)	89
Public health revenues		(132)	(32)	(12)	8
Other		(31)	150	(67)	(93)
		(650)	(188)	(190)	4
Uses					
Baselines & reserves		93	21	(29)	(86)
Salaries & benefits		(125)	(307)	(415)	(495)
Citywide operating costs		(66)	(162)	(234)	(315)
Department costs		(6)	(100)	(148)	(197)
		(104)	(547)	(827)	(1,093)
Projected shortfall	(246)	(754)	(735)	(1,016)	(1,089)
<i>Through FY21-22</i>			<i>(1,735)</i>		

COVID Spending & Revenues

Current fiscal year

Projected spending and encumbrances of \$373M in the current year will likely be offset by federal & other revenues.

But the City will largely deplete the CARES Act allocations available to support sustained response costs after July 1st.

Next fiscal year and beyond

Spending requirements for next fiscal year will be shaped by unknown ongoing community health risk.

Duration of FEMA reimbursement a key financial risk.

Additional federal aid packages for local response?

COVID Spending & Revenues: FY 2019-20

	Total Cost	FEMA & Other	Net Local
Expenditures			
Health system costs	177.7	132.5	45.2
Shelter and housing programs	91.6	46.2	45.4
Emergency operations and staffing	30.7	10.7	20.0
Economic and social relief programs	72.7	42.5	30.2
Subtotal, Expenditures	372.7	231.9	140.8
Other Federal & State Sources			
CARES Act - State & Local Governments			153.8
CARES Act - Other allocations			22.0
State Project Roomkey			7.4
Subtotal, Other Federal & State Sources			183.2
Balance of CARES Act Funding for Response Costs in FY 2020-21			42.4

COVID Spending & Revenue Ranges: FY 2020-21

Unknowns:

- Arc of COVID in community in FY20-21 and beyond
- Scale and design of City programs to mitigate risks
- FEMA duration
- Additional federal local government aid?

	Total	CARES Balance	FEMA	Net City Cost
Expenditures				
Sustained at current spending rate	1,190.2	42.4	678.9	468.9
At 50% burn rate	595.1	42.4	339.5	213.3
At 25% burn rate	297.6	42.4	169.7	85.4

Risks & Uncertainty

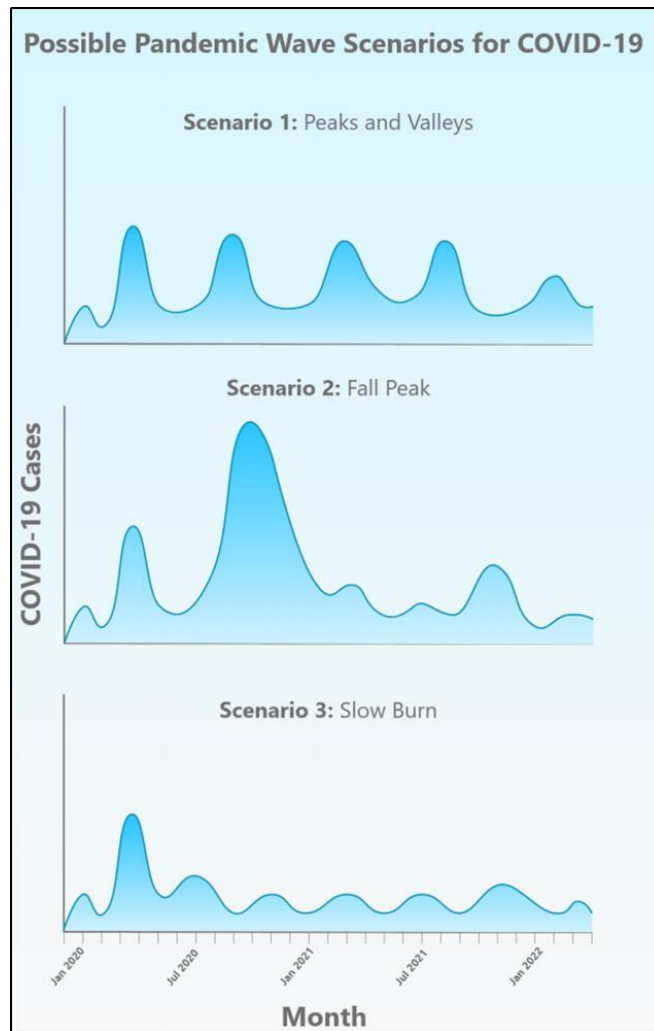
Duration and intensity of public health risks

Slower or later recovery than assumed

Level of City response sustained in coming years

Federal & State revenue risks

Duration and intensity of public health risks?



Center for Infectious Disease Research & Policy (CIDRAP)

1. Because of a longer incubation period, more asymptomatic spread, and a higher reproductive rate, COVID-19 appears to spread more easily than flu.
2. Based on the most recent flu pandemics, this outbreak will likely last 18 to 24 months.
3. Depending on control measures and other factors, cases may come in waves of different heights (with high waves signaling major impact) and in different intervals.

Slower or later recovery?

Local Tax Base (\$M)

FY20-21

Property tax	2,026	}	Additional 5% decline =	(189)
Business taxes	980		Additional 10% decline =	(379)
Hotel tax	164			
Parking tax	85			
Sales tax	173			
Other local taxes	361			
Local tax base	3,789			

Level of required City response in future years?

City spending in current year projected at \$375M

Spending levels in FY20-21 and beyond?

- Hospital system (surge capacity, PPE, other)

- Testing and contact tracing

- Temporary housing & shelter

- Economic and social aid programs

- Other interventions & strategies

Federal and State revenue risks & unknowns?

Projections assume no loss of Federal or State revenues

Key Federal Risks

Duration of national emergency (FEMA)

Additional Federal aid packages?

Key State Risks

CalOES emergency match

State budget shortfall of \$54B

Questions or comments?

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Ben Rosenfield, Controller

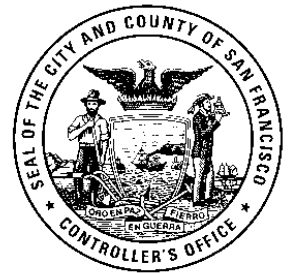
ben.rosenfield@sfgov.org

Budget Outlook Update

FY 2019-20 through FY 2023-24

This report summarizes current projections for the City's General Fund for the period fiscal year (FY) 2019-20 through FY 2023-24:

- 1) The Controller's update on FY 2019-20 revenue and expenditures as required by Charter Section 3.105, with information and projections as of April 15, 2020 ("Nine-Month Report"), and
- 2) An update to the City's Five-Year Financial Plan prepared by the Mayor, Board of Supervisors Budget & Legislative Analyst, and Controller as required by San Francisco Administrative Code Section 3.6(b) ("May Joint Report"), and
- 3) A projection of expenditures and revenues associated with the City's response to the COVID-19 public health emergency for the current fiscal year, and a preliminary financial assessment of possible financial impacts for FY 2020-21 and beyond.



May 13, 2020

Board of Supervisors Budget & Legislative Analyst
Mayor's Budget Office
Controller's Office

Executive Summary

PROJECTION SUMMARY

This report summarizes current projections of the City's General Fund revenue and expenditures for the five-year period from FY 2019-20 through FY 2023-24, prepared jointly by the Mayor's Budget Office, the Board of Supervisors Budget & Legislative Analyst, and the Controller's Office.

Our assessment of the severity and duration of economic and financial losses have worsened since our March projection, leading to large shortfalls through the forecast period. **The Mayor and Board of Supervisors will be required to close projected shortfalls totaling \$1.7 billion during coming months for the current fiscal year and the upcoming two-year budget period.** We project annual shortfalls of \$1.0 billion and \$1.1 billion in the final two years of the forecast period.

Cumulative Changes in General Fund Supported Revenues & Expenditures (\$ millions)

	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
I. Current fiscal year	(246.2)				
II. Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III. Projected shortfalls	(246.2)	(753.9)	(735.4)	(1,016.4)	(1,088.5)
FY 2019-20 - FY 2021-22 Total			(1,735.5)		

While we presented the impacts of both an extended and limited recession in our March Joint Report, we no longer believe the rapid recovery underpinning our limited impact scenario from that report will occur. These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years.

SIGNIFICANT RISKS REMAIN

Economic and Revenue Recovery Delayed

These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. Underlying assumptions regarding each General Fund source are outlined in Appendix 2.

To the extent that the recovery occurs later or more gradually than assumed here, tax revenue losses will exceed those projected in this report. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks require re-imposition of public health measures that had been lifted.

Property, business, hotel, and sales tax revenue account for \$3.6 billion of General Fund revenues. More significant economic losses that drive either a deeper loss or slower recovery of these revenue sources than assumed would worsen our projections significantly. For illustration, **a 10% deviation from our projections for these four sources would aggravate projected shortfalls by approximately \$360 million in FY 2020-21 alone.**

Emergency Expenditures Required for Longer Duration

The City's response to the public health emergency has been expansive, and we project emergency response expenditures to total approximately \$375 million during the current fiscal year alone. These costs include extensive procurement of protective equipment for medical staff and first responders, operation and augmentation of the City's public health system, new congregate and non-congregate housing alternatives for vulnerable residents, and economic and social support programs for those effected by both the public health and economic emergencies.

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain them in upcoming fiscal years, **these projections assume no additional General Fund cost for these programs beyond June 30, 2020.** However, sustained emergency and public health responses will be required. Preliminary ranges of these costs are included in Appendix 3 and will be significant. We will continue to keep the Mayor and Board updated on these future costs as they are known and refined.

Reliance on Federal and State Support

The City is reliant on federal and state revenues to support a variety of public health, social, and other government services. These funds account for approximately 20% of total General Fund revenues.

The reliance on federal funds is heightened in the current emergency, as Federal Emergency Management Agency (FEMA) and other federal grant programs are needed to offset the costs of the City's emergency response. We project that federal sources, including a significant allocation provided under the federal CARES Act for state and local governments, will offset the majority of emergency costs during the current fiscal year. However, absent additional allocations from the federal government, CARES Act funds will be largely exhausted in the current fiscal year. Similarly, the duration of reimbursements from FEMA are unknown and tied to the duration of the federal emergency. As these federal programs expire, it will significantly decrease non-City revenues available to offset future local emergency response costs.

Additionally, the City receives funding through the State of California for a number of human welfare, public health, and other programs. The public health emergency has significantly weakened the State's financial condition. The Governor is scheduled to release a proposed budget to bridge a projected \$54 billion shortfall for the current and upcoming fiscal year in the coming week. To the extent that the State's budget challenge results in

reductions in funding for local governments, it will increase General Fund shortfalls accordingly.

Projections in this report assume no loss of federal or state aid. We will continue to update the Mayor and Board as additional information is available.

Other Key Assumptions

This report includes our projections of all General Fund expenditures and revenues for FY 2019-20 through FY 2023-24, as detailed in the appendices that follow, and assuming current service levels and adopted policies. The City is required to adopt and maintain balanced budgets. To the extent that ongoing changes are adopted in doing so, shortfalls will be reduced in the fiscal year in which they are enacted and offset shortfalls in future fiscal years. One-time solutions will reduce projected shortfalls in the year of enactment alone.

UPCOMING BUDGET MILESTONES

Current Year Rebalancing Plan

The Mayor's Office has indicated they intend to submit a plan to offset projected revenue losses in the current fiscal year (FY 2019-20) in the coming weeks. The Board Budget and Appropriations Committee has scheduled a hearing in May to review this plan. We have assumed a plan to bridge the \$246 million projected FY 2019-20 shortfall is enacted in the current year in our projections of fund balance available to support future fiscal years.

Budget Process for FY 2020-21 – FY 2021-22

The City has delayed its budget process for the two-year budget for FY 2020-21 and FY 2021-22 given the public health emergency. The Mayor's Office has indicated they intend to issue revised budget instructions to departments in May, and per the revised schedule, is required to submit a proposed balanced budget to the Board of Supervisors by August 1st. The Board will review, amend, and adopt that proposed budget by September 30th.

Periodic Updates

Throughout this process, our offices will continue to update the Mayor and Board on the City's financial condition as new information becomes available to us. Please reach out with any questions or comments regarding this report or other items regarding the City's financial condition.

APPENDICES

1. FY 2019-20 Budget Outlook ("Nine Month Report")
2. FY 2020-21 - FY 2023-24 Budget Outlook ("May Joint Report")
3. FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections

Appendix 1. FY 2019-20 Budget Outlook (Nine-Month Report)

GENERAL FUND PROJECTED ENDING BALANCE

Table A1-1. 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)
A. FY 2019-20 Starting Fund Balance	294.0
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	(208.5)
Deposit to Budget Stabilization Reserve	(66.8)
Deposit to Budget Stabilization One-Time Reserve	66.8
Deposit to Budget Savings Incentive Fund	-
C. Withdrawals from / (Deposits) to Reserves	-
D. FY 2019-20 Projected Ending Balance	85.5
E. Previously Projected Available for Budget Years	331.7
F. FY 2019-20 Mid-Year Shortfall	(246.2)

A. FY 2019-20 STARTING BALANCE

Total projected uses of fund balance at the time the FY 2019-20 and FY 2020-21 budget was adopted were \$495.8 million, of which \$210.6 million was appropriated in FY 2019-20 and \$285.2 million was appropriated in FY 2020-21. General Fund available fund balance at the end of FY 2018-19 was \$8.9 million more than appropriated and assigned.

B. CURRENT YEAR REVENUES AND EXPENDITURES

Citywide Revenue Shortfall

Citywide revenues are anticipated to be \$436.0 million below budget, a decline of \$542.8 million from the Six Month Report. Revenue projections for FY 2019-20 through FY 2023-24 are detailed in Appendix 2.

Baseline Contributions

Formula-driven voter-mandated spending requirements are projected to be \$103.8 million below budget, a result of revenue declines. Baseline contributions for FY 2019-20 through FY 2023-24 are detailed in Appendix 2.

Departmental Operations

The Controller's Office projects a net departmental operating surplus of \$123.7 million summarized in Table A1-2 below. COVID-19 related revenues and expenditures are separately described in Appendix 3.

At the time of the Six-Month report, several departments anticipated requesting overtime supplemental appropriations in annual operating funds, as required by Administrative Code Section 3.17. This requirement is currently superseded by the Mayor's Emergency Declaration.

Supplemental Appropriations

A supplemental appropriation using \$2.2 million of the General Reserve, for the District Attorney, Sheriff, and Police Department to comply with new pretrial detention policies pursuant to a legal settlement, has been approved by the Board of Supervisors. There are three supplementals totaling \$28.4 million in uses of General Reserve pending at the Board of Supervisors; passage of these supplemental appropriations is not assumed in these projections.

C. WITHDRAWALS FROM / DEPOSITS TO RESERVES

Given a significant projected revenue shortfall and as permitted by the authorizing legislation, the Controller has suspended deposits to the Citywide Budget Savings Incentive Fund, and no deposits to other reserves are projected. The funded level of the City's economic stabilization reserves remains at the target of 10% of General Fund revenue, absent appropriation of these reserves by policymakers. Due to revenue losses in the current year and high levels of excess ERAF revenues received in the prior fiscal year, the value of the 10% cap has fallen by \$66.8 million in the current year, which causes the \$66.8 million in excess of the cap to be shifted into the Budget Stabilization One-Time Reserve. A discussion of the status of reserves is included in Appendix 2.

D. PROJECTED ENDING FUND BALANCE OF \$85.5 MILLION

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2019-20 of \$85.5 million. This represents a \$344.3 million reduction from the Six-Month Report projection of \$429.8 million.

E. PREVIOUSLY PROJECTED AVAILABLE ENDING FUND BALANCE OF \$331.7 MILLION

The budget outlook for FY 2020-21 – FY 2023-24 contained in Appendix 2 assumes \$331.7 million in available fund balance is drawn down to reduce shortfalls in those years. This balance is based upon our estimates of available balance as of our January 2020 projection report for those years.

F. FY 2019-20 MID-YEAR SHORTFALL OF \$246.2 MILLION

The difference between our current and previous estimate of ending available fund balance totals \$246.2 million. The Mayor's Office has stated they intend to implement a rebalancing plan to bridge this loss in May 2020. To the extent that this plan offsets this projected loss of fund balance, the ending balance for the current fiscal year will be restored to \$331.7 million, consistent with our assumptions in Appendix 2.

GENERAL FUND DEPARTMENT PROJECTIONS

Table A1-2. General Fund Supported Operations (\$ millions)

Note: Figures may not sum due to rounding

GENERAL FUND (\$ MILLIONS)	Expenditures - Revised Budget	Expenditures - Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	43.2	43.0	-	0.2	0.2	
Superior Court	32.8	32.1	-	0.7	0.7	1
District Attorney	61.5	61.5	-	-	-	
Emergency Management	62.4	61.6	-	0.8	0.8	2
Fire Department	400.1	400.1	1.0	-	1.0	3
Juvenile Probation	37.9	35.9	(4.4)	2.1	(2.3)	4
Public Defender	41.2	40.8	-	0.3	0.3	
Police	615.5	608.5	0.5	7.1	7.6	5
Sheriff	252.2	247.5	-	4.7	4.7	6
Police Accountability	12.0	9.9	(0.2)	2.1	1.9	7
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	87.8	87.8	(3.5)	-	(3.5)	8
Economic & Workforce Development	71.8	62.9	(9.0)	9.0	-	
Port		(9.8)	(9.8)	9.8	-	
Board of Appeals	1.2	1.2	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	33.2	33.2	-	-	-	
Human Services Agency	907.3	889.2	(30.5)	18.2	(12.3)	9
Human Rights Commission	6.7	6.3	-	0.4	0.4	
Homelessness and Supportive Housing	204.3	200.2	(0.2)	6.1	5.9	10
Status of Women	10.0	10.0	-	-	-	
COMMUNITY HEALTH						
Public Health	1,279.4	1,279.4	71.9	7.0	78.9	11
CULTURE & RECREATION						
Asian Art Museum	12.1	11.6	-	0.5	0.5	12
Arts Commission	8.5	8.3	-	0.3	0.3	
Fine Arts Museum	17.7	17.6	-	0.1	0.1	
Law Library	2.1	2.1	-	0.1	0.1	
Recreation and Park Department	107.9	105.9	(11.1)	2.0	(9.1)	13
Academy of Sciences	6.4	6.4	-	-	-	
War Memorial	6.4	6.4	15.8	-	15.8	14
GENERAL ADMINISTRATION & FINANCE						
City Administrator	117.6	114.5	(3.2)	3.1	(0.1)	
Assessor/Recorder	28.5	28.2	(0.0)	0.2	0.2	
Board of Supervisors	18.1	17.2	-	0.9	0.9	15
City Attorney	88.6	87.6	(1.0)	1.0	-	
Controller	85.5	85.2	0.0	0.2	0.2	
City Planning	50.1	45.1	(5.0)	5.0	-	
Civil Service Commission	1.4	1.3	-	0.1	0.1	
Ethics Commission	4.7	0.5	0.1	4.1	4.2	16
Human Resources	29.2	29.0	-	0.1	0.1	
Health Service System	12.4	12.3	(0.1)	0.1	-	
Mayor	79.3	77.1	-	2.2	2.2	17
Elections	29.4	29.4	-	-	-	
Technology	4.0	3.6	(0.6)	0.5	(0.1)	
Treasurer/Tax Collector	39.5	39.4	(0.2)	0.2	-	
Retirement System	2.7	2.7	-	-	-	
GENERAL CITY RESPONSIBILITY	170.6	151.1	4.5	19.5	24.0	18
TOTAL GENERAL FUND	5,083.4	4,983.7	15.2	108.6	123.8	

Projections in Table A1-2 capture changes in regular department operations. Any additional costs related to the health emergency are captured in Appendix 3 FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections.

1. Superior Court

The Superior Court projects \$0.7 million in expenditure savings in the Indigent Defense program, due to the suspension of most criminal trials and preliminary hearings during the City's shelter-in-place order.

2. Emergency Management

The Department of Emergency Management is projected to end the year with a net surplus of \$0.8 million. The department anticipates expenditure savings of \$0.6 million in materials and supplies as a result of reimbursable COVID-19 expenditures and savings of \$0.3 million in salary and fringe benefits, slightly offset by a projected deficit of \$0.1 million in worker's compensation costs.

3. Fire Department

The Fire Department projects to end the fiscal year with a net revenue surplus of \$1.0 million in inspection fees and ambulance billings.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with an operating deficit of \$2.3 million. A revenue shortfall of \$4.4 million is projected due to delayed claiming of federal and state revenue from grants and subventions. Projected expenditure savings of \$2.1 million, primarily in salary and fringe benefit costs due to position vacancies and non-personnel cost savings partially offsets the revenue shortfall. The Controller's Office is closely monitoring hiring, department expenditures, and claiming of grant and subvention revenue to ensure the Department stays within budgeted appropriations.

5. Police

The Police Department projects to end the year with a net operating surplus of \$7.6 million. The department projects a revenue surplus of \$0.5 million, primarily from alarm permit fees. Salaries and benefits savings of \$7.1 million are projected as a result of freezing most civilian hires and cancelled policing at special events during the City's shelter-in-place order.

6. Sheriff

The Sheriff's Department projects to end the fiscal year with an operating surplus of \$4.7 million. A revenue surplus of \$0.2 million, primarily due to reimbursements for provided services, is offset by a work order recovery deficit of \$0.2 million for higher security service costs. In addition, the department projects a \$4.7 million expenditure savings on department services that were repurposed to the COVID-19 emergency response and are FEMA reimbursable.

7. Department of Police Accountability

The Department of Police Accountability projects to end the fiscal year with a \$1.9 million surplus. Non-personnel services cost savings of \$0.7 million and \$1.4 million in personnel cost savings from staff vacancies and delayed hiring due to the COVID-19 emergency are slightly offset by a \$0.2 million deficit in work order recoveries.

8. Public Works

Public Works projects to end the year with an operating deficit of \$3.5 million due to permit fee revenue shortfalls resulting from the shelter-in-place order. The department projects expenditures to be on budget, however, uncertainty regarding the amount and potential reimbursement levels of COVID-19 expenditures may result in a net operating deficit at year-end.

9. Human Services Agency

The Human Services Agency projects to end the year with a net deficit of \$12.3 million, comprised of a \$30.5 million revenue shortfall and \$18.2 million in projected expenditure savings.

Table A1-3. Human Services Agency (\$ millions)

	Revenue Surplus / (Deficit)	Expenditure Surplus / (Deficit)	Net Surplus / (Deficit)
Aid & Assistance Programs			
In Home Supportive Services	(9.0)	17.5	8.5
Foster Care and Foster Care Child Care Assistance	(0.3)	4.5	4.2
CAAP & CalWorks	4.1	(6.3)	(2.2)
All Other Aid Programs	(0.8)	0.8	(0.0)
Subtotal Aid and Assistance Programs	(6.1)	16.5	10.4
Operations & Administration	(24.5)	1.7	(22.8)
Grand Total	(30.5)	18.2	(12.3)

The department projects a net \$10.4 million surplus In Aid and Assistance programs, comprised of \$16.5 million in expenditure savings partially offset by a \$6.1 million revenue deficit. Revenue shortfalls are primarily due to \$9.0 million less revenue in the In-Home Supportive Services program (IHSS), partially offset by a \$4.1 surplus due to a technical adjustment in the County Adult Assistance Programs and CalWORKs programs. Net expenditure savings in Aid and Assistance programs are mostly due to state funding adjustments and a decrease in services in IHSS, and Foster Care/Foster Care Child Care assistance reductions in caseload and cost per case. These savings are offset by \$6.3 million in projected expenditures above budget in the County Adult Assistance Programs and CalWORKs due to increased caseload and payments to homeless clients for suspended shelter reservations.

A net \$22.8 million deficit is projected the department’s Operations and Administration, comprised of a \$24.5 million revenue shortfall, slightly offset by \$1.7 million in expenditure savings. The revenue shortfall is primarily due to lower than budgeted revenues in General Operations and Special Projects (\$17.6 million) and Child Welfare programs (\$9.7 million), offset by an increase of \$3.1 million in Medi-Cal funding. Expenditure savings are mainly due to a shift in the allocation of staff time to various program activities, and underspending in non-personnel costs in the CalWORKs and Workforce Development programs.

10. Homelessness and Supportive Housing

Homelessness and Supportive Housing projects to end the fiscal year with a net operating surplus of \$5.9 million. This is due to a revenue deficit of \$0.2 million from services provided to other government agencies such as BART, offset by \$1.4 million in personnel cost savings due to delayed hiring as a result of the COVID-19 health crisis, and \$4.7 million of savings from non-salary expenses.

11. Public Health

The Department of Public Health projects to end the fiscal year with a net operating surplus of \$78.9 million. Overall department revenues are projected to be \$71.9 million above budget, and expenditures savings of \$7.0 million are projected.

Table A1-4. Department of Public Health by Fund (\$ millions)

Fund	Sources Surplus/ (Deficit)	Uses Surplus/ (Deficit)	Net Surplus/ (Deficit)
Public Health General Fund	(33.0)	12.2	(20.7)
Laguna Honda Hospital	9.3	3.3	12.5
Zuckerberg San Francisco General Hospital	95.6	(8.5)	87.1
Total	71.9	7.0	78.9

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Behavioral Health, Jail Health, Home Health, SF Health Network, Public Health Division, and Central Administration, have a combined revenue shortfall of \$33.0 million. Significant revenue variances from budget include an \$11.9 million shortfall in 1991 State Realignment Revenue, a \$10.9 shortfall in revenues from the San Francisco Health Plan under the City Option program, \$8.3 million in reduced Medi-Cal and Short Doyle Revenue due to reduced service levels caused by COVID-19 restrictions, and \$5.1 million less than budget in Primary Care Medi-Cal revenue. Expenditure savings of \$12.2 are comprised of Health Network over-expenditures of \$8.0 million offset by \$12.6 million in savings in the Public Health, Behavioral Health and Central Administration divisions.

Laguna Honda Hospital

The department projects a \$12.5 million surplus at Laguna Honda Hospital. Revenue is projected to be \$9.3 million above budget due to a higher-than-expected Medi-Cal per diem

rate, as well as \$5.1 million of salary and fringe benefit savings due to staff vacancies, partially offset by over-expenditures in contracted services for temporary staffing.

Zuckerberg San Francisco General Hospital

The Department projects a \$87.1 million surplus at Zuckerberg San Francisco General Hospital (ZSFG). Revenues are projected to be \$95.6 million above budget. The Department projects a \$9.4 million deficit in net patient revenues due to \$18.4 million in losses resulting from restrictions under the COVID-19 pandemic, partially offset by higher than expected patient census and improved collections and \$21.1 million in designated CARES Act funding for public health. The revenue surplus also includes a \$107.1 million favorable variance in GPP (Global Payment Program)/PRIME (Public Hospital Redesign and Incentives in Medi-Cal) due primarily to favorable prior year settlements. The settlements include \$40.0 million in one-time prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19 and were deferred to FY 2019-20 under AAO Sections 12.6 and 27. In addition, the department has received a \$36.2 million favorable settlement under the Low Income Health Program from a previous Section 1115 Waiver. These surpluses are partially offset by a \$16.3 million projected shortfall in capitation revenues resulting from decreased Medi-Cal Managed Care enrollment.

Expenditures are projected to be \$8.5 million beyond budget, driven by higher-than anticipated patient census. Significant expenditure budget variances include \$5.8 million expenditure overages in salaries and \$6.7 million in over-expenditures for non-personnel services, partially offset by \$4.0 million in fringe benefits savings due to the increased use of temporary and per diem staffing at the Hospital.

12. Asian Art Museum

The Asian Art Museum projects \$0.5 million in salary and fringe benefit savings.

13. Recreation and Park

The Recreation and Park Department projects a net operating deficit of \$9.1 million, primarily 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 of salary and fringe benefit savings.

14. War Memorial

The War Memorial projects a surplus of \$15.8 million due to unbudgeted revenue from the sale of transferable development rights.

15. Board of Supervisors

The Board of Supervisors projects \$0.9 million of expenditure savings, predominantly from salary and fringe benefits savings.

16. Ethics

The Ethics Department projects a net surplus of \$4.2 million, including \$3.5 of expenditure savings from public financing of elections, due to fewer candidates than projected in the

November 2019 election. San Francisco Campaign Code Section 1.138(b)(1) caps the fund at \$7.0 million per year, and the expenditure savings projected for this year reflect maintaining this cap. Salary and benefit savings of \$0.5 million are also projected.

17. Office of the Mayor

The Mayor's Office of Housing and Community Development projects to end the year with a \$2.2 million net surplus, primarily due to \$1.5 million expenditure savings in the Single Room Occupancy (SRO) Elevator Rebate Program and \$0.7 million in staffing and support savings for the San Francisco Housing Authority (SFHA).

18. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments and is projected to have a net surplus of \$24.0 million. A revenue surplus of \$4.5 million is comprised of \$0.8 million in unbudgeted SB90 reimbursements and a \$4.3 million multi-year retroactive payment in lieu of taxes from a tax-exempt landowner in Mission Bay, partially offset by a \$0.5 million shortfall in parking penalty revenue affected by the shelter in place order. A total of \$20.8 million in minimum wage increases and cost of living adjustments for community-based organizations is projected to be allocated to departments, resulting in expenditure savings of \$19.5 million due to departments' abilities to cover the cost of these obligations through existing budget sources.

NINE-MONTH OVERTIME REPORT

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. The Administrative Code Section 3.17 requirement for select departments to request a supplemental appropriation to increase overtime budgets in annual operating funds is currently superseded by the Mayor's emergency declaration.

Table A1-5. FY 2019-20 Overtime Expenditures by Department

Department (\$ Millions)	FY 2018-19	FY 2019-20		
	Actual	Revised Budget	July through 03/31/2020	% of Budget through 03/31/2020
Municipal Transit Agency - Total	89.0	36.9	67.7	183%
Police*				
General Fund (Excl. Work Orders)	19.2	20.0	15.0	75%
Airport	2.1	2.5	1.4	58%
General Fund Work Orders	4.5	6.6	3.5	52%
Total Annual Operating Funds	25.8	29.1	19.9	69%
Special Revenue (10B)	18.5		13.3	
<i>Total</i>	44.3		33.3	
Public Health*				
ZSF General	6.7	13.0	11.3	87%
Laguna Honda	9.2	10.8	6.9	65%
Other Annual Funds	2.8	1.6	2.2	137%
Total Annual Operating Funds	18.7	25.3	20.4	80%
Fire*				
General Fund	35.1	32.1	24.1	75%
Airport	4.5	5.7	4.0	70%
Total Annual Operating Funds	39.6	37.7	28.1	74%
Sheriff*				
General Fund (Excl. Work Orders)	21.5	19.9	16.1	81%
General Fund Work Orders	7.2	5.6	6.0	107%
Total Annual Operating Funds	28.7	25.5	22.1	87%
Airport*				
Annual Operating Funds	2.8	2.6	2.2	82%
Emergency Management*				
Annual Operating Funds	4.5	3.3	2.9	88%
Public Works*				
Annual Operating Funds	2.4	1.5	1.3	86%
General Fund Work Orders	0.5	0.8	0.4	47%
Public Utilities*				
Annual Operating Funds	6.1	5.0	3.8	76%
Recreation and Park*				
Annual Operating Funds	2.2	2.0	1.6	79%
Juvenile Probation	1.4	1.1	0.7	65%
Admin Services	3.3	0.6	2.0	317%
Elections	0.5	0.6	0.9	144%
Technology	1.0	0.6	0.7	132%
Human Services	2.8	0.5	1.8	343%
Port	0.6	0.5	0.4	69%
Controller	0.2	0.5	0.0	9%
Building Inspection	0.5	0.4	0.4	117%
Fine Arts Museum	1.0	0.3	0.5	162%
War Memorial	0.3	0.2	0.2	130%
Public Library	0.4	0.1	0.4	289%
Adult Probation	0.1	0.1	0.1	48%
District Attorney	0.2	0.1	0.1	126%
Academy of Sciences	0.1	0.1	0.0	61%
Asian Art Museum	0.2	0.1	0.1	192%
Public Defender	0.0	0.1	0.0	44%
City Attorney	0.3	0.0	0.2	1659%
Total Overtime**	232.9	175.7	179.1	102%

* Administrative Code Section 3.17 requires these departments to receive appropriation authority from the Board of Supervisors to increase the authorized budget for overtime in annual operating funds. At the time of this report, this requirement is superseded by the Mayor's Emergency Declaration.

** Total overtime excludes: special revenue (10B) and non-annual operating funds in departments listed in Administrative Code 3.17.

Additional Notes: (1) This report reflects supplemental appropriation ordinance #191070, increasing overtime budget for the Police and the Sheriff's Department. (2) This report does not identify COVID-19 related overtime costs separately.

Appendix 2. FY 2020-21 – FY 2023-24 Budget Outlook

BACKGROUND

San Francisco Administrative Code Section 3.6(b) requires that by March of each even-numbered year, the Mayor, Board of Supervisors Budget & Legislative Analyst, and Controller submit an updated estimated summary budget projection for the remaining four years of the City's Five-Year Financial Plan. This section updates our previous projection, which was issued on March 31, 2020.

PROJECTION UPDATE

In January 2020, the Five-Year Financial Plan Update for FY 2020-21 through FY 2023-24 was jointly released by the Mayor's Office, Board of Supervisors' Budget & Legislative Analyst's Office, and Controller's Office. That report projected budget shortfalls over the four-year projection period and estimated the shortfall for the upcoming two-year budget for FY 2020-21 and FY 2021-22 of \$419.5 million. This January projection was updated by our offices in March 2020 to provide a range of revenue losses resulting from the public health emergency, and projected a revised shortfall of between \$1.1 and \$1.7 billion, including the current year. The table below summarizes our current shortfall projection, totaling \$1.7 billion through FY 2021-22, with shortfalls of \$1.0 billion and \$1.1 billion in the final two fiscal years of the projection period.

Table A2-1: Updated Base Case – Summary of FY 2019-20 to FY 2023-24

General Fund Projected Budgetary Cumulative Surplus / (Shortfall) (\$ in millions)

	FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
I. Current fiscal year	(246.2)				
II. Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III. Projected shortfalls	(246.2)	(753.9)	(735.4)	(1,016.4)	(1,088.5)
FY 2019-20 - FY 2021-22 Total			(1,735.5)		

CHANGES FROM THE JANUARY 2020 PROJECTIONS

This section, summarized in the table below, describes the changes since our January projection report.

Table A2-2: Summary Changes to Updated Projected Budgetary Surplus / (Shortfall), cumulative, as compared to January 2020 Projection

	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Sources - Revenue and Fund Balance	(739.2)	(534.2)	(479.2)	(419.1)
Uses - Baselines & Reserves	138.4	75.5	97.9	77.1
Uses - Salaries & Benefits	43.0	(37.8)	(76.6)	(87.0)
Uses - Citywide Operating Budget Costs	1.4	6.2	0.9	(0.9)
Uses - Departmental Costs	(2.1)	(20.9)	(28.4)	(28.0)
Total Cumulative Change	(558.6)	(511.2)	(485.3)	(457.9)
Change in Two Year Deficit	(1,069.8)			

- **SOURCES** – Revenue and Fund Balance: General Fund sources are projected to decrease by \$739.2 million in FY 2020-21, \$534.2 million in FY 2021-22, \$479.2 million in FY 2022-23, and \$419.1 million in FY 2023-24, as compared to the January 2020 projection. Incrementally, the year-over-year changes as compared to January 2020 increased by \$739.2 million in FY 2020-21, decreased by \$205 million in FY 2021-22, \$55 million in FY 2022-23, and \$60 million in FY 2023-24. These projections reflect the stark and immediate impact of the COVID-19 emergency on revenue.
 - **Use of Fund Balance.** The current projection is the same as the January projection, assuming the use of \$331.7 million of fund balance, as well as the entirety of the fund balance draw down reserve. To achieve this level of fund balance, policymakers will need to eliminate the current year shortfall of \$246.2 million, as described in Appendix 1.
 - **Citywide Revenue.** The current projection includes significant downward revisions of revenue, detailed in the section below.
 - **Department of Public Health Revenue.** In addition to the January assumptions, the current projection includes a new one-time reduction of public health revenues of \$80.2 million in FY 2020-21, recovering in the following year. This amount mostly represents lost patient and Medi-Cal revenue due to the cancellation and deferral of elective medical visits as a result of the health emergency.
- **USES – Baselines and Reserves:** Decreases to projected General Fund sources over the next four years result in corresponding reduced contributions to baseline and reserves. As compared to January 2020, these costs decrease by \$138.4 million in FY 2020-21,

\$75.5 million in FY 2021-22, \$97.9 million in FY 2022-23, and \$77.1 million in FY 2023-24. Year-over-year, the incremental changes as compared to the January 2020 report decreased by \$138.4 million in FY 2020-21, increased by \$62.9 million in FY 2021-22, decreased by \$22.5 million in FY 2022-23, and increased by \$20.8 million in FY 2023-24.

- **USES – Salaries and Benefits:** Compared to January 2020, salary and benefit costs are projected to decrease by \$43.0 million in FY 2020-21, increase by \$37.8 million in FY 2021-22, \$76.6 million in FY 2022-23, and \$87.0 million in FY 2023-24. The year-over-year changes as compared to the January 2020 report decreased by \$43 million in FY 2020-21, increased by \$80.8 million in FY 2021-22, \$38.8 million in FY 2022-23, and \$10.4 million in FY 2023-24. These figures reflect the following changes:

 - **Labor Agreements –** This update assumes contracts for Police and Firefighter unions remain closed through FY 2020-21, and contracts for miscellaneous unions remain closed through FY 2021-22. Given that the projected shortfall in FY 2020-21 exceeded \$200 million in our March Joint Report, this report assumes the six-month delay of wage increases set to go into effect in July 2020 and December 2020, consistent with language in negotiated memorandums of understanding (MOUs). Compared to the January 2020 report, this results in year-over-year savings of \$46.4 million in FY 2020-21, but an additional cost of \$40.4 million in FY 2021-22, as the wage increase is pushed into the following calendar year. In years in which contracts are open, the report continues to assume CPI increases, which are revised in this plan to be 3.39% in FY 2021-22, 3.04% in FY 2022-23, and 3.08% in FY 2023-24. These changes are based on updates to the projections of Moody’s SF Metropolitan Statistical Area CPI. As compared to the January 2020 report, the year-over-year change increased by \$13.4 million in FY 2021-22, \$7.1 million in FY 2022-23, and \$7.5 million in FY 2023-24.
 - **Retirement Benefits – Employer Contribution Rates –** Changes in the assumed employer contribution rates for SFERS are a significant driver in the change in salary and benefits costs as compared to the January 2020 report. The projection reflects the employer contribution rate set by the Retirement Board in February 2020 for the upcoming fiscal year 2020-21, resulting in a savings of \$5.6 million compared to January. For the remaining years of the projection, the report assumes investment returns of -5.0% in the current year as a result of poor market performance due to the COVID-19 emergency, as opposed to the 7.4% rate of returns assumed in January. These losses result in increased year-over-year costs of \$26.9 million in FY 2021-22 and an additional \$30.7 million in FY 2022-23 versus the January projection.
 - **Health Benefits for Active Employees and Retirees –** The update includes a number of changes to the cost of health benefits for active employees and retirees. In January 2020, the average health rate increases for active and retirees was approximately 6.0% across the projection period; in this update, average health rates are projected to increase to 6.7%. For active employees, health rates were increased modestly from the January report to account for projected increases in health care costs. For retirees, the update includes increased retiree health costs in FY 2020-21 to reflect actual retiree health costs in the current fiscal year, and then assumes increased rates in the final three years of the

projection. This report also assumes the elimination of the so-called Cadillac Tax, which was repealed by Congress in December 2019, reducing expected costs of health care. Together, these changes result in an additional year-over-year increase of \$8.7 million in FY 2020-21, \$2.1 million in FY 2021-22, \$3.9 million in FY 2022-23, and \$3.8 million in FY 2023-24, as compared to the January projection.

- **USES – Citywide Operating Costs:** Citywide operating costs are projected to decrease by \$1.4 million in FY 2020-21, \$6.2 million in FY 2021-22, and \$0.9 million in FY 2022-23, and increase by \$0.9 million in FY 2023-24, as compared to the January 2020 projection. The year-over-year changes as compared to the January 2020 report decreased by \$1.4 million in FY 2020-21 and \$4.9 million in FY 2021-22, and increased by \$5.3 million in FY 2022-23, and \$1.8 million in FY 2023-24. Changes are primarily driven by updated assumptions about debt service, real estate, and the City’s capital program.

 - **Debt Service & Real Estate:** Changes to citywide debt service are related to the City’s long-range capital planning efforts. On March 5, 2019, the City’s Proposed Ten-Year Capital Plan for 2019-20 through 2028-29 was introduced to the Board of Supervisors. The assumptions in the Capital Plan, including the schedule of issuances of Certificates of Participation (COPs), are reflected in this update. This update reflects lower projected General Fund debt payments compared the January report, due to the recent issuance of a COP refunding bond series. Additionally, projected General Fund lease and operating costs for City-owned and leased facilities have increased by \$7.1 million in FY 2020-21 and have incrementally decreased by \$4.9 million in FY 2021-22, as compared to the January report. This change in cost is primarily due to updated information on lease terms, changes to projected lease extension schedules, and changes in tenancy in FY 2020-21. Taken together, these changes result in an increased year-over-year cost of \$7.3 million in FY 2020-21, a decrease of \$5.8 million in FY 2021-22, an increase of \$4.1 million in FY 2022-23, and a decrease of \$1.1 million in FY 2023-24.
 - **Capital, Equipment, & Technology:** The projected cost increases in debt service and real estate are offset by savings in the City’s General Fund capital program. The City receives revenues from the Road Maintenance and Rehabilitation Program authorized in state Senate Bill 1 (SB1) that contribute to the capital program for road repaving work. For FY 2020-21, these revenues are projected to decrease by \$7.2 million in FY 2020-21, and then increase along with CPI in the remaining years of the projection by \$0.3 million, \$0.4 million, and \$0.5 million, respectively. The revised estimates reflect reduced gasoline consumption and an overall slowdown in the U.S. economy as a result of the COVID-19 emergency. To account for this revenue loss, the City’s capital program is reduced by a subsequent amount in FY 2020-21 and is not assumed to be backfilled by other sources, resulting in a savings as compared to January 2020. Taken together, these changes result in a reduced year-over-year cost of \$7.3 million in FY 2020-21, \$0.9 million in FY 2021-22, \$0.2 million in FY 2022-23, and an increase of \$0.2 million in FY 2023-24.
- **USES – Departmental Costs:** Compared to the January 2020 report, departmental costs are projected to increase by \$2.1 million in FY 2020-21, \$20.9 million in FY 2021-22,

\$28.4 million in FY 2022-23, and \$28.0 million in FY 2023-24. The year-over-year changes as compared to the January 2020 report increased by \$2.1 million in FY 2020-21, \$18.8 million in FY 2021-22, and \$7.4 million in FY 2022-23, and decreased by \$0.4 million in FY 2023-24. These changes are primarily due to a projected increased General Fund subsidy for the Moscone Convention Center and increased cost for entitlements and other benefits, offset by some savings in the annualization of current year supplementals.

- **City Administrator’s Office – Convention Facilities Subsidy** – This update assumes the significant impact that the COVID-19 emergency is expected to have on operating revenues and expenditures at the Moscone Center. Compared to the January report, this update assumes the General Fund subsidy to the Convention Facilities Fund will increase by \$4.6 million FY 2020-21 and an additional \$1.3 million in FY 2021-22, in order to offset expected revenue shortfalls from reduced convention center activity. Operating revenues and expenditures are projected to remain at previously projected levels in FY 2022-23 and FY 2023-24.
- **Human Services Agency – Entitlement and Other Benefit Costs** – Increases in General Fund costs for public assistance programs, including California Work Opportunity and Responsibility to Kids (CalWORKs) and County Adult Assistance Program (CAAP), are included in this report, with most of the local cost increases attributable to changes in CAAP. In March 2020, the state suspended its discontinuance policy, allowing clients to remain in the programs for a longer duration. Additionally, the updated cost projections assume growing caseloads in line with current unemployment trends, resulting in a greater number of adults becoming eligible for benefits. This report also updates assumptions in state revenues tied to sales tax, further increasing the General Fund share of these costs.

Finally, this report assumes that a \$1.00 increase to gross hourly compensation for In-Home Support Service (IHSS) workers will not take effect on July 1, 2020. The collective bargaining agreement (CBA) between the IHSS Public Authority and the union representing these workers indicates that increases are subject to appropriation in the annual budget and certified to be sufficient by the Controller. Taken together, these changes result in increased year-over-year costs of \$0.7 million in FY 2020-21, \$15.9 million in FY 2021-22, \$5.4 million in FY 2022-23, and \$0.8 million in FY 2023-24, as compared to the January 2020 report.

- **Buffin Supplemental – Ongoing Costs** - The January report included costs related to the ongoing implementation of a new pre-arraignment release process in lieu of cash bail, as stipulated by the September 2019 settlement in the case of *Buffin et al. vs. Vicki Hennessy in her official capacity as Sheriff*. These cost projections have since been revised downward to reflect current operations for this new pre-arraignment process, including lower personnel costs than previously assumed in the Police Department and the District Attorney. These changes result in a \$1.9 million savings in FY 2020-21, as compared to the January report.

KEY FACTORS THAT COULD AFFECT THE FORECAST

As with all projections, uncertainties exist regarding key factors that could affect the City's financial condition. This level of uncertainty is at historically high levels given the current public health and economic emergency. Key risk areas are highlighted below.

Economic and Revenue Recovery Delayed

These projections assume a slower economic recovery begins later in 2020 and continues into subsequent fiscal years. Underlying assumptions regarding each General Fund source are outlined in Appendix 2.

To the extent that the recovery occurs later or more gradually than assumed here, tax revenue losses will exceed those projected in this report. Deeper losses would occur if continued community exposure to COVID-19 requires a slower resumption of economic activity, or subsequent outbreaks of the disease require re-imposition of public health measures that had been lifted.

Property, business, hotel, and sales tax revenue account for \$3.6 billion of General Fund revenues. More significant economic losses that drive either a deeper loss or slower recovery of these revenue sources than assumed would worsen our projections significantly. For illustration, **a 10% deviation from our projections for these four sources would aggravate projected shortfalls by approximately \$360 million in FY 2020-21 alone.**

Emergency Expenditures Required for Longer Duration

The City's response to the public health emergency has been expansive, and we project emergency response expenditures to total approximately \$375 million during the current fiscal year alone. These costs include extensive procurement of protective equipment for medical staff and first responders, operation and augmentation of the City's public health system, new congregate and non-congregate housing alternatives for vulnerable residents, and economic and social support programs for those effected by both the public health and economic emergencies.

Given uncertainty regarding the duration of the public health emergency and nascent financial planning regarding the need to sustain them in upcoming fiscal years, **these projections assume no additional General Fund cost for these programs beyond June 30, 2020.** However, sustained emergency and public health responses will be required. Preliminary ranges of these costs are included in Appendix 3 to this report and will be significant. We will continue to keep the Mayor and Board updated on these future costs as they are known and refined.

Reliance on Federal and State Support

The City is reliant on federal and state revenues to support a variety of public health, social, and other government services. These funds account for approximately 20% of total General Fund revenues.

The reliance on federal funds is heightened in the current emergency, as Federal Emergency Management Agency (FEMA) and other federal grant programs are needed to offset the costs of the City's emergency response. We project that federal sources, including a significant allocation provided under the federal CARES Act for state and local governments, will offset the majority of emergency costs during the current fiscal year. However, absent additional allocations from the federal government, CARES Act funds will be largely exhausted in the current fiscal year. Similarly, the duration of reimbursements from FEMA are unknown and tied to the duration of the federal emergency. As these federal programs expire, it will significantly decrease non-City revenues available to offset future local emergency response costs.

Additionally, the City receives funding through the State of California for a number of human welfare, public health, and other programs. The public health emergency has significantly weakened the State's financial condition. The Governor is scheduled to release a proposed budget to bridge a projected \$54 billion shortfall for the current and upcoming fiscal year in the coming week. To the extent that the State's budget challenge results in reductions in funding for local governments, it will increase General Fund shortfalls accordingly.

Projections in this report assume no loss of federal or state aid. We will continue to update the Mayor and Board as additional information is available.

Table A2-3 Updated Base Case – Change in year-over-year General Fund-Supported Sources & Uses FY 2020-24

Reflects changes in year-over-year costs as compared to Table A-1 from the January Five Year Financial Plan Update.

Table A-1 Base Case Projection - Change in Year-Over-Year as compared to January 2020

SOURCES Increase / (Decrease)	2020-21	2021-22	2022-23	2023-24
General Fund Taxes, Revenues and Transfers net of items below	(605.9)	104.6	56.5	61.7
Change in One-Time Sources	-	-	-	-
Public Health - Operating and one-time revenues	(84.6)	80.2	0.1	-
Other General Fund Support	(48.7)	20.2	(1.5)	(1.6)
TOTAL CHANGES TO SOURCES	(739.2)	205.0	55.0	60.0
USES Decrease / (Increase)				
Baselines & Reserves				
Contributions to Baselines	117.6	(35.5)	17.5	(20.6)
Contributions to Reserves	20.8	(27.5)	4.9	(0.2)
Subtotal Changes to Baselines & Reserves	138.4	(62.9)	22.5	(20.8)
Salaries & Benefits				
Previously Negotiated Closed Labor Agreements & Current Staffing Costs	46.4	(40.4)	0.0	-
Projected Costs of Open Labor Agreements	-	(13.4)	(7.1)	(7.5)
Health & Dental Benefits - Current & Retired Employees	(8.7)	(2.1)	(3.9)	(3.8)
Retirement Benefits - Employer Contribution Rates	5.6	(26.9)	(30.7)	(0.0)
Other Salaries and Benefits Savings / (Costs)	(0.3)	1.9	2.8	0.9
Subtotal Changes to Salaries & Benefits	43.0	(80.8)	(38.8)	(10.4)
Citywide Operating Budget Costs				
Minimum Wage and Minimum Compensation Ordinance	-	(0.0)	(0.0)	(0.0)
Capital, Equipment, & Technology	7.3	0.9	0.2	(0.2)
Inflation on non-personnel costs and grants to non-profits	-	(0.1)	(1.3)	(2.4)
Debt Service & Real Estate	(7.3)	5.8	(4.1)	1.1
Sewer, Water, and Power Rates	-	-	-	-
Other Citywide Costs	1.4	(1.7)	(0.2)	(0.2)
Subtotal Changes Citywide Operating Budget Costs	1.4	4.9	(5.3)	(1.8)
Departmental Costs				
City Administrator's Office - Convention Facilities Subsidy	(4.6)	(1.3)	0.3	0.1
Elections - Number of Scheduled Elections	-	0.0	(0.0)	(0.0)
Ethics Commission - Public Financing of Elections	-	-	-	-
Free City College	-	-	(0.0)	0.5
Mission Bay Transportation Improvement Fund	1.8	(0.8)	(0.2)	(0.1)
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(0.6)	0.2	(0.9)	0.7
Human Services Agency - IHSS and Other Benefit Costs	(0.7)	(15.9)	(5.4)	(0.8)
Public Health - Operating and one-time costs for capital projects	-	-	-	-
Buffin Supplemental - Ongoing Costs	1.9	(0.8)	0.0	0.0
All Other Departmental Savings / (Costs)	0.0	(0.2)	(1.3)	(0.0)
Subtotal Changes to Departmental Costs	(2.1)	(18.8)	(7.4)	0.4
TOTAL CHANGES TO USES	180.7	(157.7)	(29.1)	(32.6)
Change in Projected Surplus (Shortfall) vs. Prior Year	(558.6)	47.4	25.9	27.4
Change in Cumulative Projected Surplus (Shortfall)	(558.6)	(511.2)	(485.3)	(457.9)
Change in 2-Year Number		(1,069.8)		

Table A2-4: Updated Base Case – Updated General Fund-Supported Sources & Uses FY 2020-24 – CUMULATIVE CHANGE

This table provides an updated version of Table A-2 from the January Five Year Financial Plan Update.

Table A-2 Base Case Projection - Cumulative Change

SOURCES Increase / (Decrease)	2020-21	2021-22	2022-23	2023-24
General Fund Taxes, Revenues and Transfers net of items below	(487.3)	(306.0)	(110.3)	89.1
Change in One-Time Sources	2.0	149.1	(76.0)	(110.5)
Public Health - Operating and one-time revenues	(132.1)	(31.6)	(12.3)	7.5
Other General Fund Support	(32.9)	0.4	8.8	18.4
TOTAL CHANGES TO SOURCES	(650.3)	(188.2)	(189.7)	4.4
USES Decrease / (Increase)				
Baselines & Reserves				
Contributions to Baselines	63.6	2.3	(43.6)	(99.8)
Contributions to Reserves	29.3	19.1	14.4	13.6
Subtotal Baselines & Reserves	92.9	21.4	(29.2)	(86.3)
Salaries & Benefits				
Previously Negotiated Closed Labor Agreements & Current Staffing Costs	(69.9)	(177.6)	(171.8)	(160.6)
Projected Costs of Open Labor Agreements	-	(41.9)	(139.7)	(237.6)
Health & Dental Benefits - Current & Retired Employees	(31.4)	(56.6)	(84.5)	(114.2)
Retirement Benefits - Employer Contribution Rates	(38.2)	(35.4)	(13.5)	21.8
Other Salaries and Benefits Savings / (Costs)	14.5	4.0	(5.7)	(4.0)
Subtotal Salaries & Benefits	(124.9)	(307.4)	(415.1)	(494.5)
Citywide Operating Budget Costs				
Minimum Wage and Minimum Compensation Ordinance	-	(0.5)	(1.0)	(1.6)
Capital, Equipment, & Technology	(13.2)	(31.1)	(45.6)	(72.5)
Inflation on non-personnel costs and grants to non-profits	(14.0)	(55.7)	(94.4)	(134.8)
Debt Service & Real Estate	(34.6)	(64.5)	(75.4)	(80.3)
Sewer, Water, and Power Rates	(1.9)	(5.0)	(8.2)	(11.2)
Other Citywide Costs	(1.9)	(4.6)	(9.5)	(15.0)
Subtotal Citywide Operating Budget Costs	(65.5)	(161.5)	(234.1)	(315.4)
Departmental Costs				
City Administrator's Office - Convention Facilities Subsidy	(12.9)	(17.8)	(18.2)	(18.8)
Elections - Number of Scheduled Elections	2.0	(0.2)	(0.6)	(6.4)
Ethics Commission - Public Financing of Elections	4.7	5.1	5.1	5.1
Free City College	(9.1)	(9.8)	(10.3)	(10.3)
Mission Bay Transportation Improvement Fund	1.6	0.6	0.3	0.0
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(4.1)	(16.4)	(18.4)	(25.5)
Human Services Agency - Entitlements and Other Benefit Costs	(3.9)	(37.8)	(61.3)	(72.4)
Public Health - Operating and one-time costs for capital projects	15.1	(15.3)	(36.2)	(58.5)
Buffin Supplemental - Ongoing Costs	(1.2)	(1.2)	(1.2)	(1.3)
All Other Departmental Savings / (Costs)	1.8	(6.8)	(7.3)	(8.7)
Subtotal Departmental Costs	(6.0)	(99.7)	(148.2)	(196.8)
TOTAL CHANGES TO USES	(103.6)	(547.2)	(826.6)	(1,093.0)
Projected Surplus (Shortfall) vs. Prior Year	(753.9)	(735.4)	(1,016.4)	(1,088.5)
	2-Year Number	(1,489.3)		

GENERAL FUND REVENUE AND TRANSFERS IN

Table A2-5: FY 2019-20 General Fund Revenue and Transfers In

GENERAL FUND (\$ Millions)	FY 2018-19	Prior Projections for FY 2019-20				May Projection		Note
	Year End Actual	Original Budget	Revised Budget	6-Month	Extended Projection	FY 2019-20	Surplus/ Shortfall	
PROPERTY TAXES	\$ 2,246.3	\$ 1,956.0	\$ 1,956.0	\$ 2,002.0	\$ 1,951.8	\$ 2,031.8	75.8	1
BUSINESS TAXES								
Business Registration Tax	45.3	48.2	48.2	46.9	46.9	0.0	(48.2)	
Payroll Tax	190.0	178.4	178.4	293.2	290.1	224.6	46.2	
Gross Receipts Tax	665.7	783.1	783.1	649.1	703.3	602.4	(180.7)	
Admin Office Tax	16.9	40.9	40.9	16.5	16.5	16.5	(24.4)	
Total Business Taxes	917.8	1,050.6	1,050.6	1,005.8	1,056.9	843.5	(207.1)	2
OTHER LOCAL TAXES								
Sales Tax	213.6	204.1	204.1	212.5	171.4	170.3	(33.7)	3
Hotel Room Tax	392.3	389.1	389.1	377.7	253.5	239.0	(150.1)	4
Utility Users Tax	94.0	98.7	98.7	94.5	94.5	86.4	(12.3)	5
Parking Tax	86.0	83.0	83.0	83.1	66.5	60.9	(22.1)	6
Real Property Transfer Tax	364.0	296.1	296.1	422.7	305.0	320.0	23.9	7
Sugar Sweetened Beverage Tax	16.1	16.0	16.0	16.0	16.0	14.0	(2.0)	
Stadium Admission Tax	1.2	5.5	5.5	1.2	0.9	0.3	(5.2)	
Access Line Tax	48.0	48.9	48.9	48.9	48.9	48.9	(0.0)	5
Cannabis Tax	0.0	3.0	3.0	0.0	0.0	0.0	(3.0)	
Total Other Local Taxes	1,215.3	1,144.4	1,144.4	1,256.6	956.7	939.9	(204.5)	
LICENSES, PERMITS & FRANCHISES								
Licenses & Permits	12.7	12.8	12.8	12.8	2.5	2.5	(10.2)	8
Franchise Fee	15.6	17.7	17.7	15.6	15.6	15.6	(2.0)	5
Total Licenses, Permits & Franchises	28.3	30.4	30.4	28.4	18.2	18.2	(12.3)	
FINES, FORFEITURES & PENALTIES	5.3	3.1	3.2	3.2	1.6	2.7	(0.5)	
INTEREST & INVESTMENT INCOME	80.5	76.6	76.6	67.0	49.4	49.4	(27.2)	9
RENTS & CONCESSIONS	14.2	15.1	15.1	15.1	11.8	10.4	(4.8)	8
INTERGOVERNMENTAL REVENUES								
Federal Government	257.4	280.0	289.8	289.8	289.8	268.1	-21.7	10
State Government								
Health & Welfare Realignment - Sales Tax	175.2	175.5	175.5	181.3	142.4	151.6	(24.0)	3
Health & Welfare Realignment - VLF	42.4	45.5	45.5	44.6	44.6	44.6	(0.9)	3
Public Safety Sales Tax	107.6	104.6	104.6	107.3	86.6	90.5	(14.1)	3
Public Safety Realignment (AB109)	39.4	42.1	42.1	41.6	33.5	27.3	(14.8)	3
All Other	457.4	438.1	444.6	432.0	432.0	450.5	5.9	10
Total State Grants and Subventions	822.0	805.9	812.3	806.8	739.1	764.4	(47.8)	
Other Regional Government								
Redevelopment Agency	2.1	2.7	12.5	2.7	2.7	2.4	(10.1)	
CHARGES FOR SERVICES	250.3	232.3	232.9	224.2	224.2	208.9	-24.1	
RECOVERY OF GEN. GOV'T. COSTS	13.0	12.9	12.9	12.9	12.9	12.9	-	
OTHER REVENUES	31.7	69.4	52.8	44.8	44.8	64.2	11.4	
TOTAL REVENUES	5,884.2	5,679.6	5,689.5	5,759.4	5,359.9	5,216.7	(472.8)	
TRANSFERS INTO GENERAL FUND:								
Airport	49.1	51.5	51.5	48.9	34.2	34.2	50.7	11
Other Transfers	189.9	111.9	115.9	115.9	115.9	115.9	114.7	
Total Transfers In	239.1	163.5	167.4	164.8	150.1	150.1	165.4	
TOTAL GENERAL FUND RESOURCES	\$ 6,123.2	\$ 5,843.0	\$ 5,857.0	\$ 5,924.2	\$ 5,510.0	\$ 5,366.8	\$ (307.5)	

Table A2-6: FY 2020-21 – FY 2023-24 General Fund Revenue and Transfers In

GENERAL FUND (\$ Millions)	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Note
PROPERTY TAXES	\$ 2,025.9	\$ 1,819.0	\$ 1,922.0	\$ 2,037.0	1
BUSINESS TAXES					
Business Registration Tax	95.2	49.8	51.3	52.3	
Payroll Tax	237.5	242.7	246.4	249.9	
Gross Receipts Tax	632.3	688.0	699.0	709.2	
Admin Office Tax	15.0	15.0	15.0	15.0	
Total Business Taxes	980.0	995.5	1,011.7	1,026.4	2
OTHER LOCAL TAXES					
Sales Tax	173.0	183.7	186.8	190.0	3
Hotel Room Tax	163.9	258.5	314.0	363.2	4
Utility Users Tax	89.4	92.5	93.3	94.1	5
Parking Tax	70.6	84.6	84.6	84.6	6
Real Property Transfer Tax	216.0	253.4	253.4	253.4	7
Sugar Sweetened Beverage Tax	14.0	14.0	14.0	14.0	
Stadium Admission Tax	0.9	1.2	3.8	6.5	
Access Line Tax	50.4	52.0	53.6	55.1	5
Cannabis Tax	4.3	8.5	8.5	8.5	
Total Other Local Taxes	782.6	948.5	1,012.0	1,069.4	
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	2.5	13.3	13.3	13.3	8
Franchise Fee	15.6	15.6	15.6	15.6	5
Total Licenses, Permits & Franchises	18.2	29.0	29.0	29.0	
FINES, FORFEITURES & PENALTIES	1.6	3.1	3.1	3.1	
INTEREST & INVESTMENT INCOME	26.6	23.1	22.1	22.4	9
RENTS & CONCESSIONS	11.8	15.4	15.4	15.4	8
INTERGOVERNMENTAL REVENUES					
Federal Government	284.6	284.6	284.6	284.6	10
State Government					
Health & Welfare Realignment - Sales Tax	136.8	145.7	152.1	158.7	3
Health & Welfare Realignment - VLF	44.7	44.7	47.0	47.0	3
Public Safety Sales Tax	94.7	99.7	103.7	107.8	3
Public Safety Realignment (AB109)	38.9	33.6	35.0	36.3	3
All Other	422.6	422.6	422.6	422.6	10
Total State Grants and Subventions	737.7	746.4	760.4	772.4	
Other Regional Government					
Redevelopment Agency	2.7	2.7	2.7	2.7	
CHARGES FOR SERVICES	163.7	233.7	233.7	233.7	
RECOVERY OF GEN. GOV'T. COSTS	12.9	12.9	12.9	12.9	
OTHER REVENUES	42.1	42.1	42.1	42.1	
TOTAL REVENUES	5,090.4	5,155.9	5,351.7	5,551.1	
TRANSFERS INTO GENERAL FUND:					
Airport	36.9	38.5	38.9	39.3	11
Other Transfers	98.3	98.3	98.3	98.3	
Total Transfers In	135.2	136.7	137.1	137.5	
TOTAL GENERAL FUND RESOURCES	\$ 5,225.5	\$ 5,292.7	\$ 5,488.8	\$ 5,688.6	

1. Property Tax

Changes in property tax revenues lag other recessionary revenue losses due to statutory deadlines. Current fiscal year taxable values reflect the lower of either the current market value of the property as of the January 1, 2019 lien date or the property's base year value (when first acquired or new construction improvements completed) plus accumulated annual inflation (capped at 2% per year) since that base year. Taxable values for FY 2020-21 were set as of the January 1, 2020 lien date. The first upcoming fiscal year that may reflect negative economic conditions is FY 2021-22 with a lien date of January 1, 2021.

Over two-thirds of the FY 2019-20 secured taxable value of San Francisco real estate is comprised of either single or multi-unit residential properties. Due to Prop 13 limitations on reassessments, the median taxable value of single-family dwellings of \$590,000 in San Francisco is well below recent median market sales prices above \$1 million, and most valuations will continue to increase with California Consumer Price Index (CPI). The revenue risk from declining residential property market values would stem largely from new construction and recently sold properties with taxable base year valuations set near their full market values. Given restrictions on travel and commerce and the move toward telecommuting, hotel and commercial retail property values are at greatest risk of reduction, followed by office space.

FY 2019-20 property tax revenue is projected to be \$2,031.8 million, an increase of approximately \$80 million compared to the worst case, "extended" scenario published in the March Joint Report. The improvement is primarily due to reduced risk of refunds from assessment reductions, greater certainty about the due date for FY 2019-20 secured annual property tax second installment payments, increased escape property tax assessment expectations, and an assumption about final FY 2017-18 excess ERAF results. The projection includes \$224.8 million of Excess ERAF, of which \$201.9 million is for FY 2019-20 and \$22.9 million represents the release of a 10% reserve held for final adjustments to FY 2017-18 Excess ERAF, assuming there will be no changes in state's final FY 2017-18 input recalculations released at the end of June.

FY 2020-21 revenue projections are revised to \$2,025.9 million, including \$205.9 million of Excess ERAF. Updated secured roll growth information and an assumption that penalty revenues will return to historical averages underly the \$18.4 million increase. Though there is little argument for reductions to values as of the January 1, 2020 lien date, there is a risk that legislators may approve changes (e.g. SB 1431) that would allow the COVID-19 public health emergency to be considered a misfortune and calamity for commercial properties such as hotels, retail, and office that could result in material losses of property tax revenue. Multi-unit residential buildings values would not be immune from downward revision if harmed by the emergency.

FY 2021-22 General Fund property tax revenues are projected to be \$1,819.0 million. This is the first fiscal year that COVID-19 is anticipated to substantially impact property tax revenues. Automatic inflationary increases to taxable values, usually assumed at the 2% Prop 13 limit, have been reduced to 1%, and hotel, retail, and office assessed values are assumed reduced by \$8.5 billion, reflecting declines of about 20%, 20%, and 7%, respectively. A 20% reduction in unsecured business property tax assessments is included in the projection, reflecting the real possibility that many businesses will dissolve prior to the January 1, 2021 lien date. Excess ERAF

is not assumed in FY 2021-22 and beyond due to the risk of state legislative changes to address the state's own budget shortfall.

FY 2022-23 and FY 2023-24 General Fund property tax revenues are projected to be \$1,922 million and \$2,037 million, respectively, assuming California CPI will provide the Prop 13 capped 2% growth in secured property taxable valuations along with 2% growth from changes in ownership that result taxable values set to higher market rates.

2. Business Tax

Business tax revenue in FY 2019-20 will be negatively affected by COVID-19. The March Joint Report projection of FY 2019-20 business tax revenue of \$1,056.9 million under the extended COVID-19 scenario is reduced to \$843.5 million, for three main reasons.

First, the due date for business registration fees was delayed from May 31 to September 30. This delay will move an estimated \$47 million out of FY 2019-20 and into FY 2020-21. There will now be two years of business registration fees received in FY 2020-21.

Second, the payroll tax is calculated based on work performed within San Francisco. With shelter in place order, more people are telecommuting from home rather than commuting into the City, as evidenced by the fact that BART traffic has decreased approximately 90% since the order went into effect. Because far more workers commute into the City than out of it, shelter-in-place reduces payroll tax revenue. Moreover, more than half of San Francisco businesses use their San Francisco payroll as a factor to determine their gross receipts subject to the gross receipts tax. As their San Francisco payroll falls, gross receipts tax revenue will also fall. We estimate that telecommuting during shelter-in-place will reduce payroll and gross receipts tax revenue by more than \$60 million in FY 2019-20.

Third, the first and second quarter payments for tax year 2020 that businesses remit in April and July 2020 for revenue in FY 2019-20 are billed based on 25% of the 2019 total tax liability. However, businesses have the option of paying 25% of their current year liability, if it is lower. We estimate that this will reduce FY 2019-20 revenue by approximately \$25 million.

Because of the shift in business registration fees from FY 2019-20 to FY 2020-21 offset by a continued decline in business tax revenue due to telecommuting, our projection for FY 2020-21 revenue will increase \$136.5 million over the prior year, from \$843.5 million to \$980.0 million.

COVID-19 will continue to impact business tax revenue beyond FY 2020-21. In the extended scenario in the March Joint Report, we assumed that business tax revenues will decline 6% in tax year 2020 and increase 3% in tax year 2021. We continue to assume a 6% decline in 2020 but now assume 6% growth in 2021. We also assume 3% growth in 2022 and 2% in 2023. Given these calendar year growth rates and the policy changes discussed above that effectively shifted revenue into FY 2020-21, we project FY 2021-22 business tax revenue of \$995.5 million, an increase of \$15.5 million (1.6%) over the prior year; FY 2022-23 revenue of \$1,011.7 million, an increase of \$16.2 million, or 1.6%; and FY 2023-24 revenue of \$1,026.4 million, an increase of \$14.7 million, or 1.5%.

There remains significant short-term and long-term uncertainty in business tax revenue due to the effects of COVID-19. In the short-term, shelter-in-place rules could be extended, to varying

degrees, until therapeutics are developed to treat the disease. Businesses could expand their use of telecommuting even after shelter-in-place rules have ended, which would lower both payroll and gross receipts revenue. The long-term risk is that the economy will be subject to future closings and even after, recover very slowly, given the magnitude of job losses to date expected business closures.

3. Local Sales Tax and State Sales Tax Subventions

Tax on the sale of goods impacts several General Fund revenues, including the local 1% sales tax and three subventions of state sales tax: public safety realignment, health and welfare realignment, and public safety sales tax. The local 1% sales tax reflects local spending – what is sold or delivered to San Francisco. State subventions to San Francisco reflect the sale of taxable goods statewide, mediated by statutory formulas for various categories of health, social service, and public safety spending. Current projections assume COVID-19 impacts San Francisco and California sales tax in the same proportions.

Like the hotel industry, the retail industry is directly impacted by the pandemic and shelter-in-place order. The significant decrease in visitors, closure of many restaurants and retail establishments, surging unemployment, and pessimistic consumer sentiment are expected to result in a significant contraction in consumer and business spending. Restaurants and bars are expected to be disproportionately affected, so we assume different rates of decline for them relative to all other industries. Sales tax collected from restaurants, bars, and food service in hotels comprises just under 35% of total revenue.

In the first quarter of 2020 (January to March), sales are projected to fall by 10% for restaurants and bars and 5% for all other categories, compared to pre-COVID-19 projections, and 60% for restaurants and bars and 30% for all other sectors in second quarter (April to June). In addition, the Governor issued executive orders to introduce two sales tax deferral programs to provide relief for qualified businesses, which has an estimated \$33.0 million impact in the current year on all sales tax related revenue and subventions. Approximately 80% of the deferral is anticipated to be recovered over a 12-month period in the following year.

In FY 2020-21, our projection assumes a more moderate sales decrease from pre-COVID-19 levels in July to September to a 50% reduction for restaurants and bars and 25% for all other sectors, and a 25% reduction for restaurants and bars and 10% for all other sectors into December. Beyond FY 2020-21, consumer spending is expected to slowly recover, and sales tax is anticipated to rise to \$190.0 million by FY 2023-24, which would still be 11.1% below the FY 2018-19 peak.

4. Hotel Room Tax

San Francisco hotels have closed or experienced significant drops in occupancy and room rates given travel and meeting restrictions. Hotel tax revenue is directly correlated with the combined effect of average daily room and occupancy rate, represented by the metric of revenue per available room (RevPAR). In March, RevPAR dropped by over 75%, from what was originally anticipated, and April RevPAR has declined by over 90%. During the week of April 26, San Francisco hotels had an average occupancy rate of 19.3% and an average daily rate of \$120.60, which, when combined, resulted in revenue per available room (RevPAR) of \$23.30, a decline of

88.4% from the same period in 2019. These figures have led to more severe hotel tax revenue losses than the prior projection in March.

Our current projection assumes a decline in RevPAR of 38% in the first quarter (January to March), and a 90% decrease into September 2020, 75% in the fourth quarter (October to December), 30% through June 2022, and 20% through the end of FY 2022-23. The industry is anticipated to slowly recover; hotel tax across all funds is projected to be \$402.3 million in FY 2023-24, still below the prior peak, with \$363.2 million in the General Fund, \$29.2 million (7.4%) less than that in FY 2018-19.

Prop E (November 2018) caps decreases and increases of hotel tax allocations to arts programs at 10%, significantly below the FY 2019-20 projected decreases of 35.2% for all funds. Losses exceeding 10% will accrue to the General Fund. As a result, hotel tax in the General Fund is projected to decrease 39.1% to \$239.0 million. Allocations to the Hotel Tax for the Arts fund are projected to be \$28.8 million in the current year.

5. Utility Users and Franchise Taxes

Due to the shelter-in-place order, most businesses will reduce utility consumption (particularly electricity and gas). FY 2019-20 utility users tax (UUT) revenues are projected to decline 8% from the prior year, and to recover to FY 2018-19 levels by FY 2021-22. Franchise taxes are expected to follow a similar trajectory as they are dependent upon the gross receipts of Pacific Gas & Electric. However, given data constraints, we do not adjust our franchise tax forecast.

6. Parking Tax

Vehicle traffic has declined sharply due to emergency orders, resulting in lower estimated parking tax revenues. In FY 2019-20, revenues are assumed to fall by 85% of pre-COVID-19 levels between March and May, and to 50% of pre-COVID-19 levels in the last month of the fiscal year, resulting in an overall 30% decline from FY 2018-19 results. Revenues are projected to recover to FY 2018-19 levels by FY 2021-22 and remain steady through FY 2023-24. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

7. Real Property Transfer Tax

Transfer tax revenue is largely driven by transfers of commercial real estate and is highly dependent on credit availability, interest rates, and the relative value of San Francisco real estate compared to other investment options. As of April 31, 2020, the City recorded \$306.9 million of transfer tax in FY 2019-20, of which \$242.2 (or 79%) was recorded between July and December 2019.

The FY 2019-20 projection of \$320 million assumes that May and June 2020 collections decrease slightly from March 2020 receipts of \$10.9 million. May and June assumptions reflect diminished activity in the commercial real estate sector. Transactions underway before the pandemic will be finalized, but fewer new ones will be generated given the climate of heightened economic uncertainty. In FY 2020-21, we continue to assume dampened commercial real estate activity through the first half of the fiscal year, with monthly receipts of \$15 million, rising to \$21 million per month in the second half of the year. Transfer tax is

assumed to return its long-term historical average of \$253.4 million by FY 2021-22 and remain at that level through FY 2023-24.

8. Licenses & Permits; Fines, Forfeitures & Penalties; and Rents & Concessions

The shelter-in-place order and deferral of license fees will also result in losses of departmental revenue from licenses & permits; fines, forfeitures & penalties; and rents and concessions. In FY 2019-20, we assume a reduction of \$15.5 million in revenue versus the 6-Month Report. In FY 2020-21, we continue to assume the same level of loss but by FY 2021-22, revenues recover to their prior projected levels.

9. Interest & Investment

In March 2020, the Federal Reserve made two emergency interest rate cuts, totaling 1.5%, within two weeks, in an attempt to bolster financial markets. The cuts are projected to decrease the Treasury Investment Pool's annual average earned income yield (EIY) by 0.4% in FY 2019-20. To account for reduced cash flow caused by delayed and reduced tax payments, potential use of reserves, and other factors, projections assume a 35% decrease in average daily cash balances in the final quarter of the fiscal year, and carried through FY 2023-24. This results in projected General Fund interest earnings of \$49.4 million in the current year, \$26.6 million in FY 2020-21, and \$22.4 million in FY 2023-24.

10. State and Federal Grants and Subventions

This report does not assume changes to federal and state subventions other than state sales tax subventions. Figures will depend on reimbursements for health and human services programs. Demand for these programs is expected to spike given historically high job losses, however, funding levels may be cut as these levels of government address significant budget shortfalls of their own.

11. Airport Transfer In

Due to steep declines in passenger traffic at the San Francisco International Airport, the Airport's payment to the General Fund (based on concessions activity) is expected to decline to \$34.2 million in FY 2019-20, a 30% decline from FY 2018-19 actuals. In all subsequent years, the Airport expects lowered passenger traffic, as travelers remain wary of COVID-19 risks. The anticipated Airport transfers to the General Fund are \$36.9 million, \$38.5 million, \$38.9 million, and \$39.3 million from FY 2020-21 through FY 2023-24.

RESERVE STATUS

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Tables A2-7 and A2-8 and discussed in detail below.

Table A2-7 FY 2019-20 Reserve Balances (\$ Millions)

	FY 2018-19 Balance	Starting Balance	Projected		Projected Ending Balance
			Deposits - 9- Month Update	Projected Withdrawals	
General Reserve	\$ 127.3	\$ 156.2	\$ -	\$ (2.2)	154.0
Budget Savings Incentive Fund	87.0	87.0	-	-	87.0
Recreation & Parks Savings Incentive Reserve	0.8	0.8	-	-	0.8
Rainy Day Economic Stabilization City Reserve	229.1	229.1	-	-	229.1
Rainy Day Economic Stabilization School Reserve	54.5	54.5	-	-	54.5
Rainy Day One-Time Reserve (1)	95.9	45.5	-	-	45.5
Budget Stabilization Reserve	359.3	359.3	-	(66.8)	292.6
Budget Stabilization Reserve - One Time Reserve	37.4	0.1	66.8	-	66.9
Salary and Benefits Reserve	29.0	52.5	-	(52.5)	-
Contingency Reserve - State and Federal	40.0	40.0	-	-	40.0
Contingency Reserve - Housing Authority	5.0	5.0	-	-	5.0
Contingency Reserve - Affordable Care Act	50.0	50.0	-	-	50.0
Contingency Reserve - Fund Balance Draw Down Reserve	213.0	213.0	-	-	213.0
Public Health Revenue Management Reserve	121.5	121.5	-	(40.0)	81.5
Total	1,449.8	1,414.6	66.8	(161.5)	1,319.9
Economic reserves					521.7
Economic reserves as a % of General Fund revenues					10.0%

Table A2-8 FY 2020-21 – FY 2023-24 Reserve Balances (\$ Millions)

	FY 2020-21			FY 2021-22			FY 2022-23			FY 2023-24		
	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance
General Reserve	\$ (1.2)	-	152.7	\$ 2.0	-	154.7	\$ 5.9	-	160.6	\$ 6.0	-	166.5
Budget Savings Incentive Fund	-	-	87.0	-	-	87.0	-	-	87.0	-	-	87.0
Recreation & Parks Savings Incentive Reserve	-	-	0.8	-	-	0.8	-	-	0.8	-	-	0.8
Rainy Day Economic Stabilization City Reserve	-	-	229.1	-	-	229.1	-	-	229.1	-	-	229.1
Rainy Day Economic Stabilization School Reserve	-	-	54.5	-	-	54.5	-	-	54.5	-	-	54.5
Rainy Day One-Time Reserve (1)	-	-	45.5	-	-	45.5	-	-	45.5	-	-	45.5
Budget Stabilization Reserve	-	-	292.6	-	-	292.6	-	-	292.6	-	-	292.6
Budget Stabilization Reserve - One Time Reserve	-	-	66.9	-	-	66.9	-	-	66.9	-	-	66.9
Salary and Benefits Reserve	23.4	(23.4)	-	24.3	(24.3)	-	25.0	(25.0)	-	25.8	(25.8)	-
Contingency Reserve - State and Federal	-	-	40.0	-	-	40.0	-	-	40.0	-	-	40.0
Contingency Reserve - Housing Authority	-	-	5.0	-	-	5.0	-	-	5.0	-	-	5.0
Contingency Reserve - Affordable Care Act	-	-	50.0	-	-	50.0	-	-	50.0	-	-	50.0
Contingency Reserve - Fund Balance Draw Down Reserve	-	-	213.0	-	(100.0)	113.0	-	(75.3)	37.7	-	(37.7)	-
Public Health Revenue Management Reserve	-	-	81.5	-	-	81.5	-	-	81.5	-	-	81.5
Total	22.2	(23.4)	1,318.6	26.2	(124.3)	1,220.6	30.9	(100.3)	1,151.1	31.8	(63.4)	1,119.4

General Reserve

A supplemental appropriation of \$2.2 million of the General Reserve for the District Attorney, Sheriff and Police Department to comply with new pretrial detention policies has been approved by the Board of Supervisors, resulting in a projected year-end balance of \$154.0 million.

Administrative Code Section 10.60(b) requires a General Reserve starting balance not less than 3.0% of regular General Fund revenues in FY 2020-21. Table A2-8 shows the annual deposits needed to meet this requirement. The code further provides that during any fiscal year in which a withdrawal from the City Rainy Day Reserve is appropriated, the required level of the General Reserve may be reduced to 1.5% of budgeted regular General Fund revenues.

Budget Savings Incentive Fund

The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support

deposits into the fund. The FY 2018-19 ending balance was \$87.0 million. The Controller may suspend deposits in years when the City's financial condition cannot support deposits into the fund. In light of projected deficits, deposits in the current fiscal year have been suspended.

Recreation and Parks Savings Incentive Reserve

Through FY 2016-17, this reserve, established by Charter Section 16.107(c), was funded by the retention of net year-end revenue and expenditure savings at the Recreation and Parks Department. Due to modifications approved by voters in June 2016 (Proposition B), beginning in FY 2016-17, 100% of net revenue surpluses are deposited to the Recreation and Parks Savings Incentive Reserve and 25% of net expenditure savings are deposited to the citywide Budget Savings Incentive Fund. The FY 2018-19 balance is \$0.8 million. No deposits or withdrawals are projected in the current year or in any future years.

Rainy Day Economic Stabilization Reserve

Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District (SFUSD) operating budgets in years when revenues decline. The Charter was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve.

At FY 2018-19 year-end, the City Rainy Day Economic Stabilization Reserve had a balance of \$229.1 million and the School Rainy Day Reserve had a balance of \$54.4 million. There are no anticipated deposits to these reserves in any of the projection years. Due to projected revenue shortfalls, the City will be eligible to draw from these balances beginning in FY 2020-21.

Rainy Day One-Time Reserve

Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. As of FY 2018-19 year-end, the City Rainy Day One-Time Reserve had a balance of \$95.9 million. The FY 2019-20 budget appropriated \$50.4 million of this, resulting in a FY 2019-20 beginning balance of \$45.5 million. There are no anticipated deposits or withdrawals to this reserve.

Budget Stabilization Reserve

Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above that amount is appropriated as a source in the subsequent year's budget. The FY 2018-19 ending balance of the Reserve is \$359.3 million. When the combined value of the City Rainy Day Reserve and the Budget Stabilization Reserve reaches 10% of General Fund revenues, amounts above this cap are deposited into a Budget Stabilization One-Time Reserve for nonrecurring expenses. At FY 2018-19 year end, reserves reached this 10% cap.

Due to the projected decline in General Fund revenues in the current year and three years' of excess ERAF revenues received in FY 2018-19, this 10% cap is a smaller number, resulting in a \$66.8 million shift from the Budget Stabilization Reserve proper to the Budget Stabilization One-Time Reserve, resulting in ending balances of \$292.6 million and \$66.9 million, respectively.

State and Federal Revenue Risk Contingency Reserve

The FY 2018-19 and FY 2019-20 budget assigned \$40.0 million in unappropriated fund balance to a contingency reserve for managing state and federal revenue uncertainty in the budget. There are no projected deposits or withdrawals.

Housing Authority Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned \$5.0 million in unappropriated fund balance to a contingency reserve for managing costs related to shortfalls in the San Francisco Housing Authority's available funding for housing vouchers in FY 2019-20 and mitigating uncertainty around future shortfall funding from the federal Department of Housing and Urban Development. There are no projected deposits or withdrawals.

Affordable Care Act Contingency Reserve

The FY 2017-18 and FY 2018-19 budget assigned \$50.0 million in unappropriated fund balance to a budget contingency reserve for Zuckerberg San Francisco General Hospital (ZSFG) for managing cost and revenue uncertainty related to federal and state changes to the administration and funding of the Affordable Care Act (ACA) during the term of the budget. There are no projected deposits or withdrawals.

Fund Balance Draw Down Contingency Reserve

The FY 2019-20 and FY 2020-21 budget assigned \$213.0 million in unappropriated fund balance to a budget contingency reserve for the purpose of preserving fund balance available as a source for budget balancing in FY 2021-22 and beyond. The Joint Report projections assume the reserve is depleted through uses of \$100.0 million in FY 2021-22, \$75.3 million in FY 2022-23, and \$37.7 million in FY 2023-24.

Public Health Revenue Management Reserve

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the ACA and funding allocations for indigent health services. The FY 2019-20 budget for ZSFG includes \$40.0 million in prior year Disproportionate Share Hospital (DSH) funds resulting from audit settlements and a retroactive State determination that certain Federally Qualified Health Center (FQHC) costs may be claimed under DSH funding. These funds were received in FY 2018-19, placed in this reserve under Section 12.2 of the Administrative Provisions of the AAO, and used in the current year to align the timing of the revenue with the fiscal year in which it was appropriated.

Salary and Benefits Reserve

Administrative Provision Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The reserve had a fiscal year starting balance of \$52.5 million (\$29.0 million carried forward from FY 2018-19 and \$23.6 million appropriated in the FY 2019-20 budget). The Controller's Office has transferred \$0.6 million to departments and anticipates transferring an additional \$35.1 million by year-end, as detailed in Table A2-9. Joint Report projections assume continued funding and use of the reserve in each fiscal year.

Table A2-9. Salary and Benefits Reserve (\$ millions)

Sources	
Adopted AAO Salary and Benefits Reserve	23.6
Carryforward balance from FY18-19	29.0
Total Sources	52.5
Uses	
Transfers to Departments	
For Police Department - recruitment	0.3
Visual Display Terminal Insurance (Q1 and Q2)	0.1
For Police Department - training tech assistance	0.2
For Member MAA members' bar dues	0.1
Visual Display Terminal Insurance (Q3)	0.0
Total Transfer to Departments	0.6
Anticipated Allocations	
Citywide Premium, retirement and severance payouts	15.9
Public Safety, including premium, wellness, one-time	16.4
Various training, tuition, other reimbursements	2.8
Visual Display Terminal Insurance (Q4)	0.1
Total Anticipated Uses in the Current Year	35.1
Available for eligible expenses	16.8
Net Surplus / (Shortfall)	-

BASELINES AND PROPERTY TAX SET ASIDES

The projected General Fund revenues in Tables A2-5 and A2-6 above result in revenue transfers shown in Tables A2-10 and A2-11 below. Increases to the Recreation and Park baseline, Dignity Fund and Street Tree Maintenance Fund are assumed suspended due to the magnitude of projected shortfalls, as provided in the Charter.

Table A2-10. FY 2019-20 Baselines and Set Asides (\$ millions)

	Original Budget	6-Month Projection	March Extended Projection	May Projection
<i>General Fund Aggregate Discretionary Revenue (ADR)</i>	4,205.3	4,272.0	3,904.7	3,796.4
Municipal Transportation Agency (MTA)				
MTA - Municipal Railway Baseline: 6.686% ADR	284.6	285.6	261.1	253.8
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4	107.1	97.9	95.2
MTA - Population Adjustment	56.3	49.7	49.7	49.7
MTA - 80% Parking Tax In-Lieu	66.4	66.5	53.2	48.7
Subtotal Municipal Transportation Agency	512.7	509.0	461.9	447.5
Library Preservation Fund				
Library - Baseline: 2.286% ADR	96.1	96.6	89.3	86.8
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	65.3	66.7	65.7	67.3
Subtotal Library	161.4	163.3	155.0	154.0
Children's Services				
Children's Services Baseline - Requirement: 4.830% ADR	203.1	206.3	188.6	183.4
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	24.4	24.8	22.7	22.0
Public Education Services Baseline: 0.290% ADR	12.2	12.4	11.3	11.0
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	104.5	106.8	105.2	107.6
Public Education Enrichment Fund: 3.057% ADR				
1/3 Annual Contribution to Preschool for All	42.9	43.5	39.8	38.7
2/3 Annual Contribution to SF Unified School District	85.7	87.1	79.6	77.4
Subtotal Childrens Services	472.7	480.9	447.1	440.0
Recreation and Parks				
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	65.3	66.7	65.7	67.3
Recreation & Parks Baseline - Requirement	76.2	76.2	76.2	76.2
Subtotal Recreation and Parks	141.5	142.9	141.9	143.4
Other Financial Baselines				
Housing Trust Fund Requirement	36.8	36.8	36.8	36.8
Dignity Fund	50.1	50.1	50.1	50.1
Street Tree Maintenance Fund	21.7	22.0	20.1	19.6
Mission Bay Transportation Improvement Fund	9.1	9.1	9.1	7.6

Table A2-11. FY 2020-21 – FY 2023-24 Baselines and Set Asides (\$ millions)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
General Fund Aggregate Discretionary Revenue (ADR)	3,761.7	3,738.2	3,921.1	4,128.6
Municipal Transportation Agency (MTA)				
MTA - Municipal Railway Baseline: 6.686% ADR	262.9	265.5	278.6	292.7
MTA - Parking & Traffic Baseline: 2.507% ADR	94.3	93.7	98.3	103.5
MTA - Population Adjustment	55.4	57.7	60.3	67.8
MTA - 80% Parking Tax In-Lieu	56.5	67.7	67.7	67.7
Subtotal Municipal Transportation Agency	469.1	484.6	504.8	531.7
Library Preservation Fund				
Library - Baseline: 2.286% ADR	86.0	85.5	89.6	94.4
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	66.7	67.3	71.4	75.8
Subtotal Library	152.7	152.8	161.0	170.2
Children's Services				
Children's Services Baseline - Requirement: 4.830% ADR	181.7	180.5	189.4	199.4
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	21.8	21.7	22.7	24.0
Public Education Services Baseline: 0.290% ADR	10.9	10.8	11.4	12.0
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	106.8	107.7	114.2	121.3
Public Education Enrichment Fund: 3.057% ADR				
1/3 Annual Contribution to Preschool for All	38.3	38.1	40.0	42.1
2/3 Annual Contribution to SF Unified School District	76.7	76.2	79.9	84.1
Subtotal Childrens Services	436.2	435.0	457.5	482.8
Recreation and Parks				
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	66.7	67.3	71.4	75.8
Recreation & Parks Baseline - Requirement	76.2	79.2	82.2	85.2 *
Subtotal Recreation and Parks	142.9	146.5	153.5	161.0
Other Financial Baselines				
Housing Trust Fund Requirement	39.6	42.4	45.2	48.0
Dignity Fund	50.1	53.1	56.1	59.1 *
Street Tree Maintenance Fund	19.4	19.3	20.2	21.3
Mission Bay Transportation Improvement Fund	7.5	8.5	8.8	9.1

* Growth in Recreation and Parks and Dignity Fund baselines are suspended in FY 2020-21, pursuant to the Charter.

Appendix 3. FY 2019-20 and FY 2020-21 Emergency Expenditure and Revenue Projections

SUMMARY

The City's response to the COVID-19 public health emergency has been extensive, and has involved significant public health, emergency management, shelter and temporary housing, and social and economic support programs. This appendix summarizes our projection of these costs during the current fiscal year (FY 2019-20) and our preliminary assessment of possible spending levels in the coming fiscal year (FY 2020-21).

City costs and encumbrances in the current year are projected to total \$372.2 million, which will be offset in part by FEMA reimbursements, local philanthropy, and other sources of approximately \$231.9 million. The remaining projected shortfall of \$140.8 million will likely be covered by one-time allocations available from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), but largely deplete the value of those allocations available to support those expenditures in coming fiscal years.

City costs for FY 2020-21, and potentially beyond, are largely unknown at this time, but are likely to be significant. The level of costs will depend on the intensity and duration of local health risks in the next phases of the COVID-19 emergency and the investment in strategies to mitigate this risk.

For illustration, if current spending rates are sustained for the coming fiscal year, local costs remaining after FEMA reimbursement would total approximately \$470 million. If costs drop to to 25% of current spending levels, the local share after FEMA reimbursement would total approximately \$85 million.

Local costs pressures will rise if the duration of FEMA reimbursements, which is tied to the federally-declared national emergency, is shortened.

FY 2019-20 COVID RESPONSE COSTS & REVENUES

Summary of FY 2019-20 COVID Response

Table A3-1 below summarizes projected expenditures and revenues related to the City's emergency response efforts to mitigate, prepare for, and respond to the spread of COVID-19, and to provide immediate relief and assistance to San Francisco residents and workers. The figures represent projected expenditures and revenues for the current fiscal year, ending on June 30, 2020. We project current year expenditures and encumbrances totaling \$372.7 million, offset by projected claims to FEMA, local philanthropic allocations to date, and some state or federal sources that have already been allocated for specific programs of \$231.9 million. We project that the remaining FY 2019-20 shortfall of \$140.8 million can be covered in the current year by available one-time allocations of \$183.2 million from the CARES Act Coronavirus Relief Fund and the State's Senate Bill 89. However, this will largely exhaust these CARES Act allocations, resulting in significantly higher local pressures for continued emergency response costs in FY 2020-21, discussed below.

Table A3-1. FY 2019-20 COVID-19 Response Expenditures & Revenues (\$ millions)

	Total Cost	FEMA & Other	Net Local
Expenditures			
Health system costs	177.7	132.5	45.2
Shelter and housing programs	91.6	46.2	45.4
Emergency operations and staffing	30.7	10.7	20.0
Economic and social relief programs	72.7	42.5	30.2
Subtotal, Expenditures	372.7	231.9	140.8
Other Federal & State Sources			
CARES Act - State & Local Governments			153.8
CARES Act - Other allocations			22.0
State Senate Bill 89 - Emergency homelessness funding			7.4
Subtotal, Other Federal & State Sources			183.2
Balance of CARES Act Funding for Response Costs in FY 2020-21			42.4

FY 2019-20 COVID Expenditures

Our projections account for spending in four key programmatic areas summarized in the table above and described in greater detail below. The repurposing of existing staff time to support these programs is not included in this total, as these costs are already accounted for in the adopted budget and generally not reimbursable from FEMA or other sources.

Health System Costs – Our projections of these costs include costs incurred to date and projections of known costs through June 30th for the major healthcare-related efforts in response to COVID-19. The most significant expenses are for the procurement of personal protective equipment (PPE), disinfectant, and other cleaning supplies and services and include purchases made through the Department of Public Health (DPH) for a multitude of City staff

and functions. Estimates for the costs of the City's testing initiatives include CityTestSF for health care workers and other essential workers, testing at the Zuckerberg San Francisco General Hospital, and several health centers. Expanded medical staffing capacity expenses include overtime for DPH medical staff as well as the contracting of additional nurses, physicians, and health workers to handle surges in medical demand. Medical transport costs account for medical-related transportation of patients serving hospitals, clinics, and health centers. Finally, miscellaneous services within DPH, such as security, translation, food, and communications related to the health crisis are accounted for.

The total projected costs of these operations through June 30th is \$177.7 million. Most of these costs are expected to be reimbursed by FEMA, bringing the expected General Fund cost to \$45.2 million.

As noted above, not included in this report are projections for the City's contact tracing efforts, which will be a key part of the City's ongoing health response and are likely to have a major cost impact on the City's General Fund in the upcoming fiscal year. Contact tracers are an interorganizational group that perform the time-intensive process of identifying recent contacts of those infected with COVID-19 and engaging them to take immediate action. The program will strengthen the City's response to the pandemic by allowing for swifter communication, better data tracking, and stronger interventions to reduce further spread. DPH staff are currently working to estimate the costs of a comprehensive contact tracing program in San Francisco.

Shelter and Housing Programs – Shelter and housing estimates include costs incurred to date and projections of known costs through June 30th for temporary emergency housing and shelter options for vulnerable populations, individuals directly affected by COVID-19, critical frontline workers, and individuals in the criminal justice system without secure and safe access to housing. They include costs of providing the City's shelters, permanent supportive housing sites, and single-room occupancy (SRO) hotels with additional services for residents and additional cleaning capacity to protect against the spread of COVID-19. The City has also expanded the hours and availability of Pit Stops, monitored restrooms, public toilets, and handwashing stations which are intended to serve unhoused residents or those without regular access to restrooms to help curb the spread of the virus.

Specifically, projections for non-congregate shelter for vulnerable populations and frontline workers assume the cost of leasing approximately 630 hotel rooms for first responders and essential service workers at an estimated local cost of \$4.4 million through June 30th. At the time of this report, the costs and plans for these rooms are being re-evaluated based on need, and expense projections are subject to change. This estimate for non-congregate shelter also assumes the ramp-up to providing 6,370 hotel rooms for individuals needing to isolate or self-quarantine, but without access to a safe and healthy space to do so, as well as hotel rooms for unhoused, vulnerable residents to have safe spaces to shelter.

The ramp up to 6,370 rooms for this population is estimated to cost a total of \$71.6 million by June 30th, inclusive of meals, supplies, and staffing at hotel sites. After estimating FEMA reimbursement for eligible rooms, the local share is projected to be \$31.3 million. Further expansion from the total 7,000 rooms in this estimate would reach individuals who do not meet current FEMA criteria and therefore, would increase the local share of the total costs on a per room basis. An additional 1,250 rooms would cost the City approximately \$10.3 million per month, assuming no FEMA reimbursement.

At the time of this report, the ongoing cost is estimated to be approximately \$275 per room per night, inclusive of food, supplies, and staffing costs. The costs are subject to procurement efforts and contract negotiations that are underway.

Emergency Operations and Staffing – The estimates for emergency operations and staffing costs incurred to date and projections of known costs through June 30th for operating the EOC, since the City’s Emergency Declaration was made on February 25, 2020. This includes costs for newly incurred staffing and overtime expenses for public safety employees working at the EOC, clinics, testing sites, and leased hotel sites, as well as cost for Department of Public Works (DPW) staff to maintain cleanliness and safe conditions in public spaces throughout the city. These figures also include the City’s costs for technology services and equipment to support the EOC and remote work operations during the Shelter-in-Place Order. Finally, they include the costs of running San Francisco’s emergency child and youth care centers and providing meals for the children of first responders, health care workers, and essential City employees.

The total projected costs of these operations through June 30th is \$30.7 million. After accounting the City’s estimates for FEMA reimbursement, the projected General Fund cost is \$20 million.

Economic and Social Relief Programs – The City has provided a host of new and expanded community programs intended to provide financial support for San Francisco residents, workers, and businesses. Our projection includes costs for the City’s Small Business Emergency Loan Fund, Neighborhood Mini-Grants initiative, and the Arts Relief Program. The Workers and Families First Program provides additional weeks of sick leave pay to impacted private-sector workers. There is also funding committed to provide financial support to undocumented and extremely low-income families who do not qualify for federal stimulus relief.

The City has initiated many new programs intended to address food insecurity among residents, totaling \$32.8 million in projected spending through June 30th and an expected local match of \$3.9 million. The highest cost is for the City’s implementation of Great Plates Delivered, which provides restaurant meals for seniors, and has been approved for reimbursement from both FEMA and Cal OES, bringing the local cost down significantly. Further, food security efforts include meal programming within the Department of Disability and Aging Services’ network of senior-serving community organizations, home-delivered meals, and groceries for qualifying households requiring isolation or quarantine, as well as direct funding for grocery purchases among low-income households.

Altogether, local relief programs are projected to cost at total of \$72.7 million. These costs are expected to be further offset by private donations made to the Give2SF COVID-19 Response and Recovery Fund to address critical facility and supply needs, care for vulnerable neighbors, and support local businesses and nonprofits. With the Give2SF funds and expected FEMA and Cal OES reimbursement for feeding initiatives, the local share is estimated to cost \$30.2 million.

FY 2019-20 COVID Revenues

FEMA & Cal OES – Currently, the FEMA Public Assistance Grant program is expected to reimburse the City for 75% of eligible costs incurred in direct response to the health crisis. FEMA has provided some guidance around what direct response efforts are reimbursable, including:

emergency medical care, Emergency Operation Center costs, disinfection of public facilities, medical sheltering, purchase and distribution of food and protective equipment, movement of supplies and persons, security and law enforcement, and public communications of health and safety information. In general, all costs for new staff hired by the City directly for response efforts are eligible for reimbursement, while for existing budgeted City staff only overtime pay is eligible. However, the City will not know final reimbursement totals until all costs have been reviewed and obligated by FEMA. This report assumes that FEMA reimburses a full 75% of the costs incurred for direct COVID-19 response through this program. The City has begun to file claims for FEMA reimbursements, and some payments have already been obligated.

The State of California’s Governor’s Office of Emergency Services (Cal OES) has, in the past, matched a portion of FEMA reimbursements to reduce the cost burden on local governments, providing an additional 18.75% reimbursement of eligible costs, bringing the local share of emergency response costs down to 6.25% of the total costs. Cal OES has not yet activated this program, so this report does not assume this further reimbursement rate. The exception to this is the expected reimbursement from Cal OES for the City’s Great Plates Delivered Program, which has already been approved by Cal OES.

The CARES Act and Other Revenues – The CARES Act passed Congress on March 27, 2020. The \$2.2 trillion legislation provides a broad range of financial support including a \$150 billion Coronavirus Relief Fund (CRF), which provides direct assistance to states and localities, based on a population formula, to use for expenditures incurred due to the public health emergency between March 1 and December 30, 2020. Of the approximately \$15.3 billion that California will receive from the CRF, San Francisco has received \$153.8 million.

The City will also receive at least \$29.4 million in other funding from the CARES Act and state funding for homelessness and housing programs, or Project Room Key, from Senate Bill 89, as detailed in Table 3.

Table A3-2. Projected Revenues from New Federal and State Emergency Relief Programs (\$ millions)

Program	San Francisco Allocation
CARES Act Local Government Relief Fund	153.8
CARES Act HUD Funds	16.4
CARES Act Miscellaneous Departmental	1.5
CARES Act: HUD Funding for HOPWA	1.0
CARES Act: HHS Funding for Aging and Disability Services	2.1
CARES Act: Healthcare & Hospitals Funding (Ryan White & Community Health)	1.0
State Senate Bill 89 - Emergency homelessness funding	7.4
Total	183.2

San Francisco will receive at least \$10.9 million for Community Development Block Grants (CDBG) and \$5.5 million for Emergency Solutions Grants (ESG) from the U.S. Department of Housing and Urban Development (HUD) to support local community, housing, and homelessness programs. The City will also receive about \$1 million for Housing for Persons with HIV/AIDS (HOPWA) through HUD, nearly \$1 million for community health clinics, and \$2.1 million through the Administration for Community Living (ACL) for aging and disability services

programs. The Act also includes \$1.5 million for COVID-19 related expenses for public safety departments.

In addition to these state and federal sources, there are a variety other provisions within the CARES Act with potential local funding that has not yet been confirmed, either because the federal agency has not announced the allocation, a state agency has not yet determined how it will distribute funding to counties, or the funds are only accessible through an application process. Examples of these sources not yet confirmed include Federal Elections Commission funding, Assistance to Firefighter Grants, and additional CDBG and ESG grants that will be distributed based on a to-be-announced formula.

The CARES Act also provides direct funding to two of the City's enterprise departments, San Francisco International Airport (SFO) and Municipal Transportation Agency (MTA). SFO will receive \$254.8 million through a Federal Aviation Administration (FAA) grant. The MTA will receive an initial amount of \$197 million from the Federal Transit Administration (FTA) for operating expenses related to the response to COVID-19, and expects more after Bay Area regional deliberations are complete at the Metropolitan Transportation Commission.

FY 2020-21 COVID RESPONSE COSTS & REVENUES

Summary of FY 2020-21 COVID Response

City costs for FY 2020-21, and potentially beyond, are largely unknown at this time, but are likely to be significant. These costs will depend on future choices made by the Mayor and the Board, which in turn will depend on:

- The duration and intensity of the health risks likely to be present in the City during the coming fiscal year
- The investment in strategies to mitigate this risk
- The duration of FEMA reimbursement tied to the federally-declared national emergency, and potential future federal or state appropriations to provide local government relief
- Specific plans for reopening San Francisco and lifting of the Shelter-in-Place Order
- Changing nature of major response initiatives and new programs or efforts that may emerge to further protect residents and workers, including plans for ongoing shelter efforts, health care services, and plans to implement contact tracing

These General Fund cost pressures will be aggravated by the minimal balance from the CARES Act local and state government allocation which is projected to be largely depleted in FY 2019-20 based on current projections.

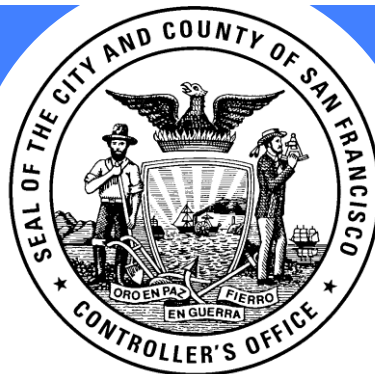
For illustration, the table below depicts a wide range of costs that would be incurred if (1) current spending rates remain at current or diminished levels in the fiscal year ahead, (2) FEMA reimbursements remain available for the full year, and (3) no additional federal or state programs are authorized to offset local government costs.

Table A3-3. FY 2020-21 COVID-19 Response Expenditure and Revenue Forecast (\$ millions)

Expenditures	Total	CARES Balance	FEMA	Net City Cost
Sustained at current spending rate	1,190.2	42.4	678.9	468.9
At 50% spending rate	595.1	42.4	339.5	213.3
At 25% spending rate	297.6	42.4	169.7	85.4

These ranges are provided for preliminary planning purposes only, and these costs are not included in the projections of General Fund shortfalls discussed in Appendices 1 or 2. Our offices will continue to update the Mayor and Board as more information is available regarding possible health risks and the possible costs of the City's response to mitigate that risk in the weeks and months ahead. Ultimate decisions regarding these programs will be determined in the adoption of the FY 2020-21 and FY 2021-22 budget, which will be proposed by the Mayor by August 1st and, following review and amendment, adopted by the Board of Supervisors by September 30th.

City Budget Update: COVID Spending & State and Federal Resources



CITY & COUNTY OF SAN FRANCISCO

Mayor's Budget Office

May 6, 2020

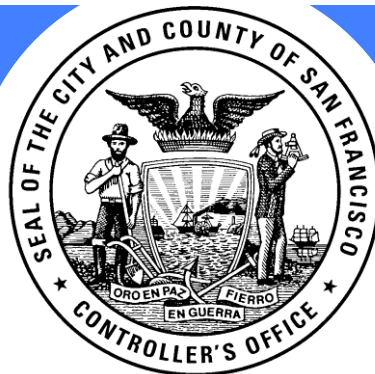
City Emergency Response Spending

City department spending has increased and is anticipated to continue to grow significantly based on expected costs.

To date City departments have expended about \$68.9M, including:

- Salary and benefit costs for City staff involved in health crisis response - \$31.7M
 - Most of this cost is reallocation of existing staff to response work. Expect FEMA reimbursement to include: overtime, comp time, and any new staffing added for direct health crisis response
- Health response – staffing, transportation, & safety supplies (ex. PPE) - \$19.9M
- Non-congregate shelter and other homelessness support services- \$8.1M
- Other expenses: IT needs, taxes, EOC supplies, facilities maintenance - \$9.2M

City Budget Update: COVID Spending & State and Federal Resources



CITY & COUNTY OF SAN FRANCISCO

Mayor's Budget Office
Controller's Office

April 29, 2020

City Emergency Response Spending

City department spending has increased and is anticipated to continue to grow significantly based on expected costs that will be incurred

To date City departments have expended/spent about \$63.5M, including:

- Salary and benefit costs for City staff involved in health crisis response - \$32.1M
 - Most of this cost is reallocation of existing staff to response work. Expect FEMA reimbursement to include: overtime, comp time, and any new staffing added for direct health crisis response
- Health response – staffing, transportation, & safety supplies (ex. PPE) - \$14.8M
- Non-congregate shelter and other homelessness support services- \$6.1M
- Other expenses: IT needs, EOC supplies, transportation services, facilities maintenance - \$10.5M

The Controller's Office will review anticipated additional costs (encumbered expenses)

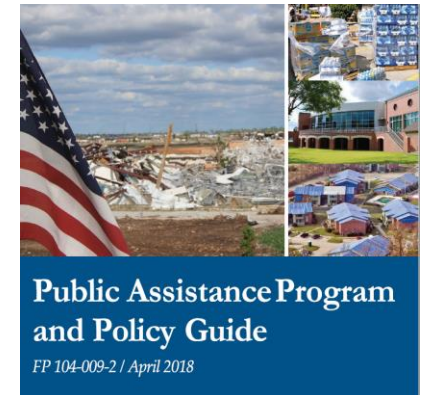
FEMA Public Assistance Grants (FEMA PAG)

Citywide Cost Recovery Objectives

- Maximize cost recovery from FEMA and Cal OES by submitting reimbursement claims in a timely manner.
- Lead the collection, monitoring, review, and reporting on citywide costs related to COVID-19 response.

FEMA PAG Purpose

- The Stafford Act, Title 42 U.S.C. §5121, authorizes the president to provide federal assistance to state, territorial, Indian tribal, or local government.
- FEMA provides assistance only after the president declares that an emergency or major disaster exists.
- FEMA aims to provide PAGs so that communities can quickly respond to and recover from major disasters or emergencies declared by the president.
- FEMA will not duplicate public assistance provided by other federal agencies.



FEMA Public Assistance Grants (FEMA PAG)

FEMA PAG Category B Emergency Protective Measures COVID-19 Eligible Costs

1. Management, control, and reduction of immediate threats to public health/safety
2. Medical sheltering
3. Household and pet sheltering/containment
4. Movement of supplies and persons
5. Security and law enforcement
6. Communications of general health and safety information to the public
7. Emergency medical care
8. Purchase and distribution of consumable supplies and protective equipment
9. Search and rescue to locate and recover members of the population requiring assistance
10. Reimbursement for state, tribal, territorial, and/or local government force account overtime costs

Public Assistance Cost Breakdown

- ✓ 75% FEMA-PAG (federal)
- ✓ 18.75% Cal OES CDAA (state)
- ✓ 6.25% San Francisco (local)

FEMA Public Assistance Grants (FEMA PAG)

FEMA PAG Process

- Expedited Funding Request Based on Estimated Costs
 - ✓ Immediate need for Emergency Work funding based on estimated costs provided to FEMA that substantiate the work is eligible and cost estimates are reasonable.
- Cost Recovery Processing
 - ✓ 3/25 – Submitted Request for Public Assistance
 - ✓ 3/25 – Submitted Request for FEMA Pre-Approval for Non-Congregate Sheltering
 - ✓ 3/26 – Submitted Information Request for Expedited Funding to Cal OES
 - ✓ 3/27 – FEMA assigned SF's point of contact (Ricardo Morales)
 - ✓ 4/2 – Submitted required Cal OES Form 89 and Form 130
 - ✓ 4/6 – Submitted First Expedited Funding Request (Emergency Protective Measures)
 - ✓ 4/13 – Submitted Second Expedited Funding Request (Non-Congregate Sheltering)
 - ✓ 4/15 – Submitted Third Expedited Funding Request (Emergency Medical Care)
 - ✓ Week of 4/27 – City should begin to receive first FEMA PAG Expedited Funding check from Cal OES
- Regular Reimbursements Based on Actual Costs
 - ✓ In addition to the expedited funding, the plan is to submit our FEMA-PAG reimbursement requests with actual costs and supporting documentation every two weeks (following biweekly payroll).

Citywide Cost Recovery: Expenditures, Reimbursements & Donations

	As of April 28 th
1. City's COVID-19 Effort Cost to Date	\$190.9 M
Personnel	\$53.9 M
Personnel (including OT/CT/Fringe)	\$32.1 M
Personnel Not FEMA reimbursable (0010)	\$21.8 M
Non-Personnel	\$137.0 M
Non-Personnel (Actuals)	\$31.4 M
Non-Personnel (Encumbered)	\$105.6 M
2. Reimbursements (FEMA, CalOES, CARES, etc.)	
FEMA reimbursement-eligible costs to date	\$40.4 M
FEMA expedited funding request to date	\$15.2 M
FEMA expedited funding obligated to date (forthcoming)	\$14.1 M
FEMA reimbursement received to date	-
CARES Act Funding Anticipated	\$153.8 M
CARES Act funding received to date	\$153.8 M
3. Financial Donations	
Give2SF	\$5.9 M
SF Foundation	\$3.6 M

Give2SF Updates

Donation Amounts Received *as of 4/24/20*

Total donations received: \$9,497,974

City Fund: \$5,892,356


- Mailed in checks: \$2,392,924
- Online: \$611,432
- Wire: \$2,888,000

SF Foundation: \$3,605,618

Approved Disbursements

- 1st disbursement approved:
 - \$1.35 million to OEWD for small business and worker support programs
 - \$1 million to HSA for food security programs
- 2nd disbursement approved:
 - \$1.5 million to HSA for food security programs
 - \$750,000 to MOHCD for access to housing programs
 - \$750,000 to OEWD for small business and worker support programs

Total disbursed to departments: \$2.75 million



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

Give2SF COVID-19 Response and Recovery Fund
Biweekly Status Update

TO: Mayor's Office
Board of Supervisors

FROM: Ben Rosenfield, Controller

CC: Naomi Kelly, City Administrator, General Services Agency
Mary Ellen Carroll, Executive Director, Department of Emergency Management

DATE: April 17, 2020

SUBJECT: City and County of San Francisco's Give2SF COVID-19 Response and Recovery Fund

The Give2SF COVID-19 Response and Recovery Fund is a special fund established by the City and County of San Francisco (City) as part of the Second Supplement to Mayoral Proclamation Declaring the Existence of a Local Emergency, dated February 25, 2020, and issued on March 13, 2020.

The Second Supplement authorizes the Controller to accept and expend funds to provide shelter, food, financial assistance, and other assistance to individuals and families in San Francisco who are impacted by the emergency; to replace, repair, and rebuild public buildings, infrastructure, and other assets for use in the City's efforts to respond to the emergency; to issue and administer grants and/or interest-free loans to small businesses in San Francisco to compensate for economic harms resulting from COVID-19; and for other City efforts to address the impacts of COVID-19.

Within the authorized uses outlined above, the City has identified three priority areas for the immediate use of the Give2SF COVID-19 Response and Recovery Fund: (1) food security; (2) access to housing; and (3) security for workers and small businesses. Disbursements of funds are approved by a committee consisting of myself, City Administrator Naomi Kelly, and Director of Emergency Management Mary Ellen Carroll.

As of April 14, 2020, the City had received \$3,912,437 in donations through check, credit card, and wire transfer. This does not include donations received through the San Francisco Foundation. Donations pledged to the City through Give2SF and the San Francisco Foundation total \$5,074,618. As of April 17, 2020, disbursements have been approved for \$5,350,000 and \$2,000,000 has been disbursed to the Human Services Agency and Office of Economic of Workforce Development. The attachment shows the individual donations, including donor name, date, amount, and method of donation. The exhibits below summarize this information.

CITY HALL • 1 DR. CARLTON B. GOODLETT PLACE • ROOM 316 • SAN FRANCISCO, CA 94102-4694
PHONE 415-554-7500 • FAX 415-554-7466

Administration Committee

Makes final decisions/approvals on sources and uses of the fund.

- Mary Ellen Carroll, Executive Director, Department of Emergency Management
- Naomi Kelly, City Administrator
- Ben Rosenfield, Controller

Oversight Committee

Ensures sources and uses of fund comply with letter and spirit of March 13th public health order.

- Dan Adams, Acting Director, Mayor's Office of Housing and Community Development
- Carmen Chu, Assessor
- Jose Cisneros, Treasurer
- Sheryl Davis, Executive Director, Human Rights Commission
- Sean Elsbernd, Chief of Staff, Mayor's Office
- Trent Rhorer, Executive Director, Human Services Agency
- Hillary Ronen Supervisor
- Andrew Shen, Deputy City Attorney
- Catherine Stefani, Supervisor
- Joaquin Torres, Director, Office of Economic and Workforce Development

Questions or comments?

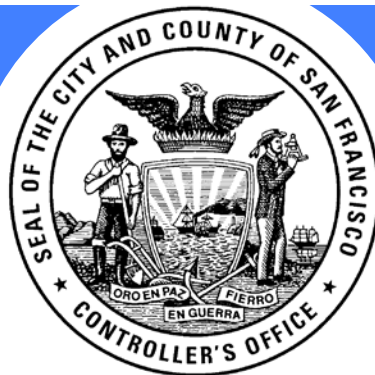
Kelly Kirkpatrick, Mayor's Budget Director

kelly.kirkpatrick@sfgov.org

Mark de la Rosa, Acting Director of Audits, Controller's Office

mark.p.delarosa@sfgov.org

City Budget Update: COVID Spending & State and Federal Resources



CITY & COUNTY OF SAN FRANCISCO

Mayor's Budget Office

April 22, 2020

City Emergency Response Spending

City departments will spend an estimated \$50M - \$100M for costs related to direct, operational health crisis needs in the coming months.

To date, City departments have expended about \$42M, including:

- Additional salary and benefit costs for City staff involved in health crisis response - \$21.5M
 - Most of this cost is reallocation of existing staff to response work; expect FEMA reimbursement to include: overtime, comp time, and any new staffing added for direct health crisis response
- Health equipment and safety supplies (ex. PPE) - \$9.2M
- Non-congregate shelter and other homelessness support services- \$5.7M
- Other expenses: IT needs, EOC supplies, medical transportation services, sales taxes on supplies - \$4.6M

Federal and State Relief Updates

Gov. Newsom announced \$75M Disaster Relief Fund for undocumented immigrants

- Additional \$50M will come from nonprofit foundations
- 150,000 undocumented adults will receive one-time payment of \$500 with a cap of \$1,000 per household

Senate passed \$484B deal on small business loans and healthcare funding

- \$310B to replenish Paycheck Protection Program
- \$60B for SBA disaster relief fund
- \$75B for hospitals
- \$25B for testing and contact tracing

CARES 2.0 - 4th major relief package expected to come together in May

State Budget Update

Highlights from LAO Report at Senate Budget Committee Hearing

- LAO reported that California has entered a recession
- 12-15% of Californians have lost their jobs
- Projected budget shortfall of \$35 billion for FY 20-21, could reach up to \$85B in the years that follow
- At least \$6B additional state spending expected on COVID response
- Current federal funding will help cover COVID-related spending, but not revenue losses

City Business Fee Relief

Deferral of Business Registration Fee

- 2020 Business Registration Fee deadline extended by four months to September 30, 2020.
- \$49 million in deferrals for 89,000 businesses

Deferral of Unified License Bill

- Further delaying deadline for Unified License Bill to September 30, 2020. Bill had been previously delayed to July 31, 2020.
- \$14 million in deferrals impacting 11,000 payees

Other, existing local business support programs:

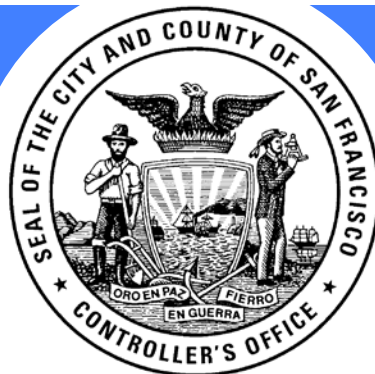
- Business tax deferral for small businesses; Workers and Families First Paid Sick Leave Program; small business emergency loan fund & resiliency grants; working artist sand cultural organizations; and more.

Questions or comments?

Kelly Kirkpatrick, Mayor's Budget Director

kelly.kirkpatrick@sfgov.org

City Budget Update: COVID Spending & State and Federal Resources



CITY & COUNTY OF SAN FRANCISCO

Mayor's Budget Office

April 15, 2020

City Emergency Response Spending

City departments will spend an estimated \$50M - \$100M for costs related to direct health crisis staffing and operating needs in the coming months.

To date, City departments have expended \$27.4M, including:

- Salary and benefit costs for City staff involved in health crisis response - \$16.5M
- Health equipment and safety supplies (ex. PPE) - \$6.1M
- IT needs for new facilities, emergency response operations, and City staff working remotely - \$1.7M
- Other expenses: arts relief grants, homelessness support services, EOC supplies, medical transportation services - \$3.1M

Working to recover and receive reimbursements from FEMA and state sources to cover as much of these expenses as possible.

State Relief Updates

\$500M State Emergency Funding Further Detail

- \$50M for childcare for essential workers and at-risk children
- \$50M for protective gear and cleaning supplies at childcare facilities
- \$50M for small businesses
- \$42M for foster youth and families
- \$5M for enhanced services for IHSS Clients

State Senate & Assembly Hearings

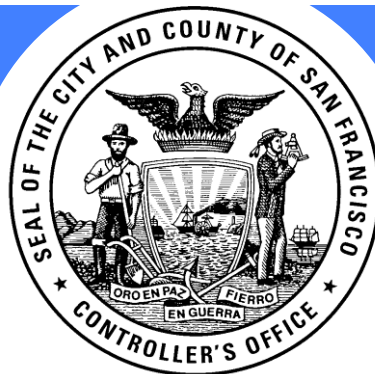
- Subcommittee for oversight of \$1B for emergency spending
- First hearing to review COVID expenditures scheduled tomorrow

Questions or comments?

Kelly Kirkpatrick, Mayor's Budget Director

kelly.kirkpatrick@sfgov.org

City Budget Update: COVID Spending & State and Federal Resources



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
Mayor's Budget Office

April 8, 2020

City Emergency Response Spending

City departments will spend an estimated \$50M - \$100M for costs related to direct health crisis needs in the coming months.

To date, City departments have expended \$15M, including:

- Salary and benefit costs for City staff involved in health crisis response- \$10M
- Health equipment and safety supplies (ex. PPE) - \$2M
- Arts relief grants -\$1.3M
- IT needs for new facilities, emergency response operations, and City staff working remotely - \$1M
- Other expenses: Homelessness support services, EOC supplies, Medical Transportation Services - \$1M

Working to recover and receive reimbursements from FEMA and state sources to cover as much of these expenses as possible.

City Emergency Response Spending

Mayor's Budget Office and Controller's Office working to project costs for significant future service expansions:

- Medical surge staffing, supplies, and facilities
- Temporary housing
- Inspection and contact tracing programs
- Food services
- Emergency responder supports
- Inspection and hygiene services

Full projection of costs will be included in our April projection update.

Hotel and temporary housing

Approximately 1,977 hotel units under or near contract.

- Preliminary three month cost of \$35M.
- FEMA reimbursements variable, but may cover up to \$20M.
- Assessing other sources for balance of \$15M.

Current planning for up to 7,000 units.

- Preliminary three month cost of \$105M.
- FEMA reimbursements variable, but may cover up to \$55M.
- Assessing other sources for balance of \$50M.

Above costs do not include health services or shelter expansion costs.

Philanthropy

Give2SF Fund

- Donations accepted by Controller
- Program recommended by EOC
- Approved by Controller, City Administrator and Emergency Management Director

Gifts and Pledges through April 5

- Two accounts: City & SF Foundation
- \$2.4M received, \$6.3M pledged
- No payouts to date
- Initial week ahead approved payments:
\$1.3M for small business & \$1.0M for food security

Federal and State relief and stimulus: local funding estimates

FEMA & CalOES

- 75% FEMA reimbursement for eligible emergency costs
- Portion of remaining 25% will be supported by CalOES

CARES Act - Coronavirus Relief Fund for State & Local Governments

- Estimated \$150M for SF to cover:
 - COVID-19 expenditures
 - Budgets costs not accounted for in adopted budget
 - Costs incurred between March – December 2020

Federal relief: local funding estimates

CARES Act – Support for MTA and Airport

- MTA hopes to receive \$300-400M from FTA to cover operating expenses and revenue losses
- Airport estimates receiving at least \$200M from FAA to prepare for, prevent, and respond to Coronavirus

CARES Act – Other Local Allocations

- HUD allocations (CDBG, Homeless Assistance Grant & HOPWA); Byrne Grant for justice partners; Aging and disability services; Support for hospitals and healthcare systems

State Emergency Funding

- \$100M emergency homelessness funding – \$6M allocated to SF
- \$50M statewide for hotels and alternative housing leasing

Our April Work

Refine projections for the current and coming years (April Projection Update)

- Refine revenue projections
- Emergency expense projections
- Federal and State revenues
- Underlying department revenue and expenditure trends

Mayor's Office rebalancing plan

- Instructions issued to departments this week
- Finalize actions to rebalance the current year budget

Refine budget process plan for May through September

Questions or comments?

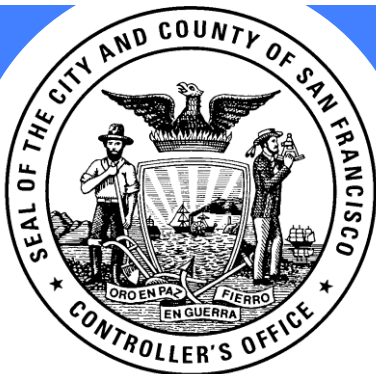
Ben Rosenfield, Controller

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Kelly Kirkpatrick, Mayor's Budget Director

kelly.kirkpatrick@sfgov.org

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

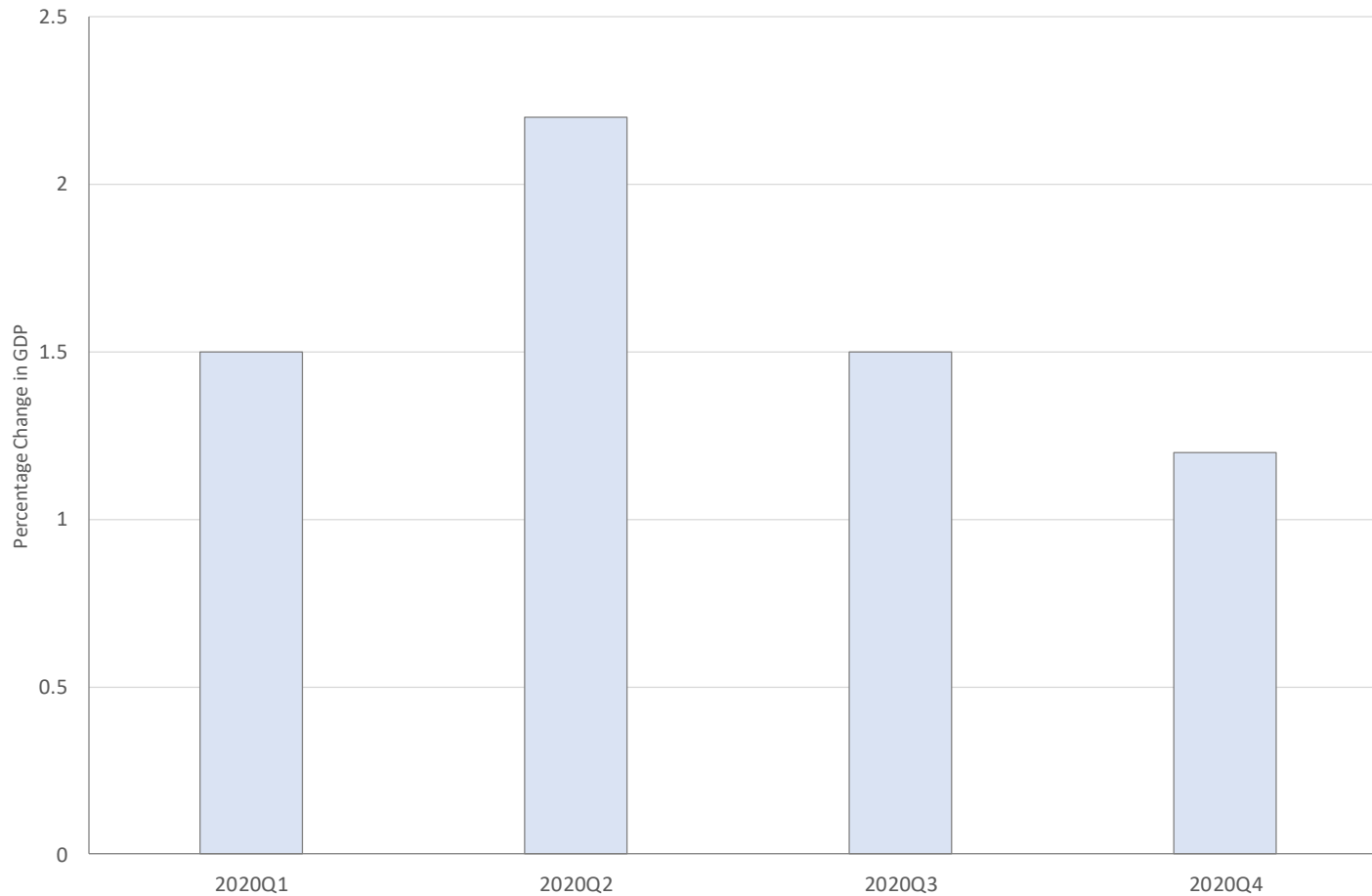
- Severe losses in coming three months
- Quick recovery underway by end of 2020

Extended impact scenario

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

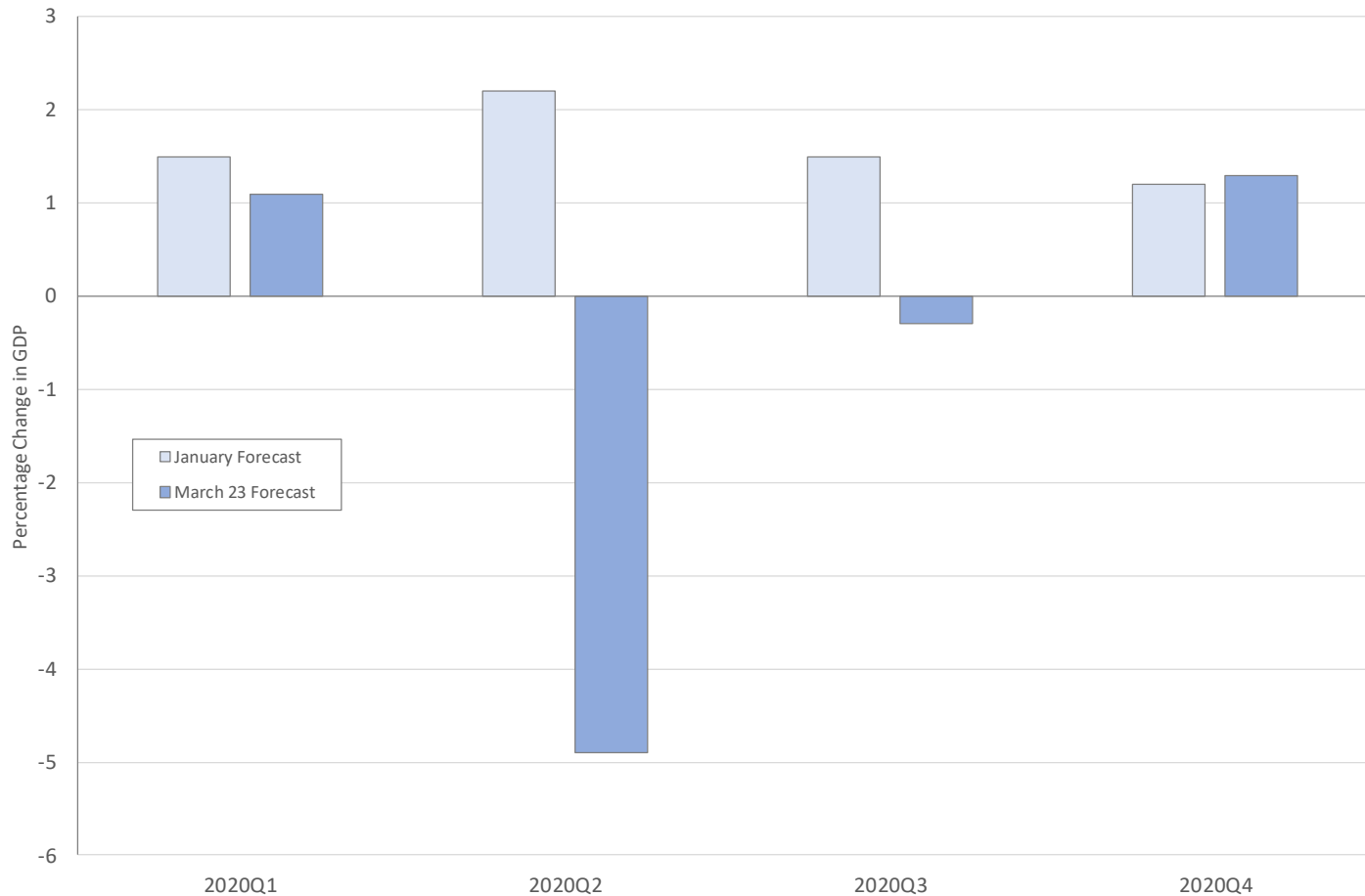
Moody's GDP forecast: January 2020

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



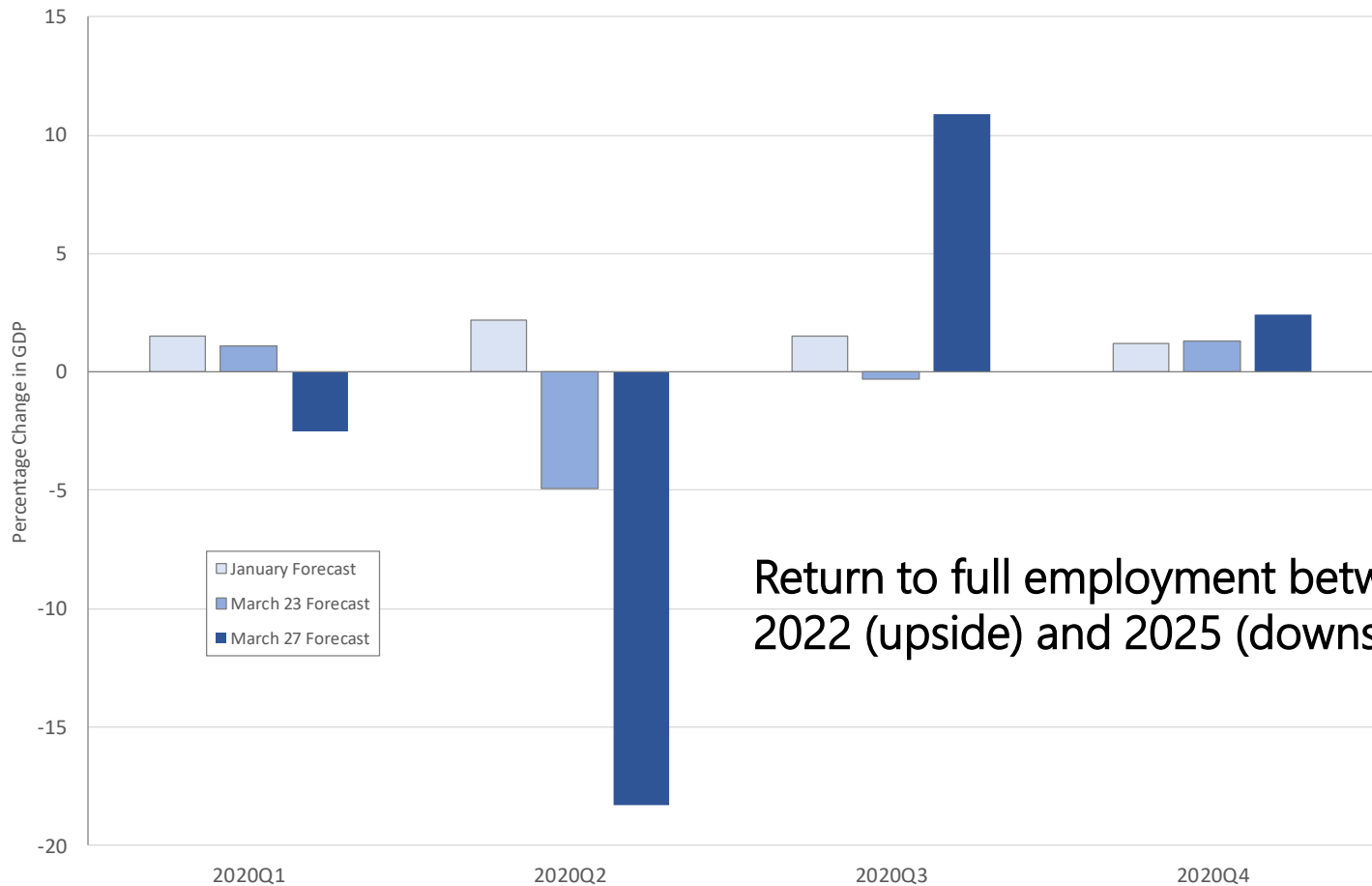
Moody's GDP forecast: March 23rd Update

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



Moody's GDP forecast: March 27th 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)
Revised projection (March)	(167)	(528)	(444)	(287)	(779)	(612)
<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?

Introduction Form

By a Member of the Board of Supervisors or Mayor

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BOARD OF SUPERVISORS
SAN FRANCISCO

2020 FEB 25

Time stamp
or meeting date

BY



I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor inquiries"
- 5. City Attorney Request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Fewer

Subject:

Hearing- FY 2020-21 and FY 2021-22 Budget Process and Updates

The text is listed:

Hearing to review the budget process and related updates for Fiscal Years 2020-2021 and 2021-2022.

Signature of Sponsoring Supervisor:



For Clerk's Use Only