

# FY 2020-21 Six-Month Budget Status Report



**CITY & COUNTY OF SAN FRANCISCO**

Office of the Controller

February 17, 2021

# Summary

	<b>3-Month</b>	<b>6-Month</b>	<b>Change</b>
FY 2019-20 Ending Fund Balance	391.7	388.8	(2.9)
Appropriation in the FY 2020-21 Budget	(370.4)	(370.4)	-
<b>A. FY 2020-21 Starting Fund Balance</b>	<b>21.3</b>	<b>18.4</b>	<b>(2.9)</b>
Citywide Revenue Shortfall	(132.1)	(18.3)	113.8
Baseline Contributions	46.4	34.2	(12.2)
Departmental Operations	(51.4)	90.9	142.3
Approved Supplemental Appropriations	-	-	-
Projected Use of General Reserve	-	-	-
<b>B. Current Year Revenues and Expenditures</b>	<b>(137.1)</b>	<b>106.8</b>	<b>243.9</b>
<b>C. Withdrawals from / (Deposits) to Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D. FY 2020-21 Projected Ending Balance</b>	<b>(115.9)</b>	<b>125.2</b>	<b>241.0</b>

# Summary

- Federal and state actions drive large revenue improvements:
  - New state guidelines on the calculation of excess ERAF
  - Redevelopment successor agencies no longer “bank” property tax increment for future allocations
  - December federal action delayed end date for DSH payments for uninsured care
  - Accelerated state reconciliation of prior year behavioral health claims
- Mixed performance in local tax revenues:
  - Real property transfer taxes exceed budget due to commercial sales
  - Additional weakness in hotel, sales and business taxes

# Current Year Changes Not Assumed

- Absent action, the projected \$125M ending balance would reduce the projected two-year budget shortfall to \$528M.
- However, current year policy proposals, if adopted, would reduce this ending balance:
  - Social housing and rental subsidies (\$11M-\$20M)
  - Small business fee and tax waivers, deferrals, loans, and grants (\$50-70M)
  - Arts organization hotel tax loss backfill (\$15M-\$22M)
  - Other possible uses
- Federal stimulus bill outcome & impact unknown
- Further current year tax revenue weakness possible – Update in 9 Mo Report

# Revenues

	FY 2019-20	FY 2020-21			Variance		
	Actuals	Budget	3-Mo	6-Mo	3-Mo Vs Budget	Vs Budget	Vs 3-Mo
Property Taxes	2,071.9	2,019.6	2,067.6	2,215.2	48.0	195.6	147.6
Property Tax	1,833.6	1,832.6	1,860.0	1,922.0	27.4	89.4	62.0
Excess ERAF	238.3	187.0	207.6	293.2	20.6	106.2	85.6
Business Taxes	822.2	826.4	727.5	668.1	(98.9)	(158.3)	(59.4)
Sales Tax - Local 1%	180.2	183.7	171.3	140.2	(12.4)	(43.5)	(31.0)
Hotel Room Tax	252.2	126.2	82.8	27.9	(43.4)	(98.4)	(55.0)
Utility User & Access Line Taxes	143.9	130.0	126.8	124.4	(3.2)	(5.5)	(2.4)
Parking Tax	69.5	59.4	41.5	41.5	(17.8)	(17.8)	-
Real Property Transfer Tax	334.5	138.0	138.0	253.8	-	115.8	115.8
Sugar Sweetened Beverage Tax	13.2	14.0	10.5	10.5	(3.5)	(3.5)	-
Stadium Admissions Tax	2.8	2.5	-	-	(2.5)	(2.5)	-
Cannabis Tax	-	4.3	4.9	-	0.7	(4.3)	(4.9)
Franchise Taxes	16.0	15.6	14.1	14.1	(1.6)	(1.6)	-
Interest Income	78.8	23.5	21.9	32.4	(1.6)	8.9	10.5
Public Safety Realignment	41.1	36.0	33.2	38.8	(2.8)	2.8	5.6
Public Safety Sales Tax	103.9	97.1	103.6	103.9	6.5	6.9	0.4
Airport Transfer In	33.5	25.1	15.2	12.3	(9.9)	(12.9)	(2.9)
<b>Total Citywide Revenues</b>	<b>4,163.6</b>	<b>3,701.4</b>	<b>3,558.9</b>	<b>3,683.0</b>	<b>(143.5)</b>	<b>(18.3)</b>	<b>125.2</b>

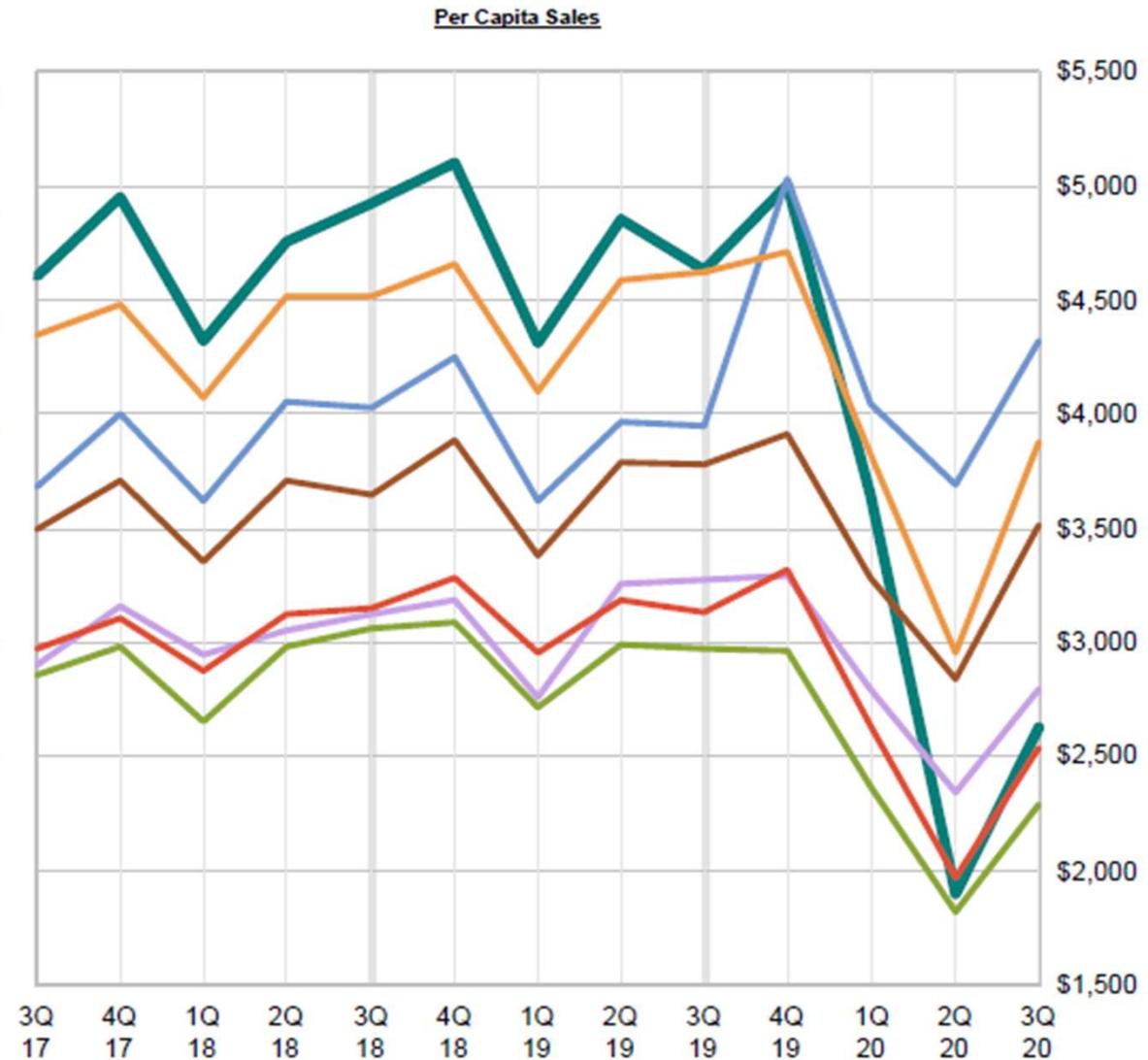
# Q3: 32.4% Annual Drop in Sales Tax

Comparisons:

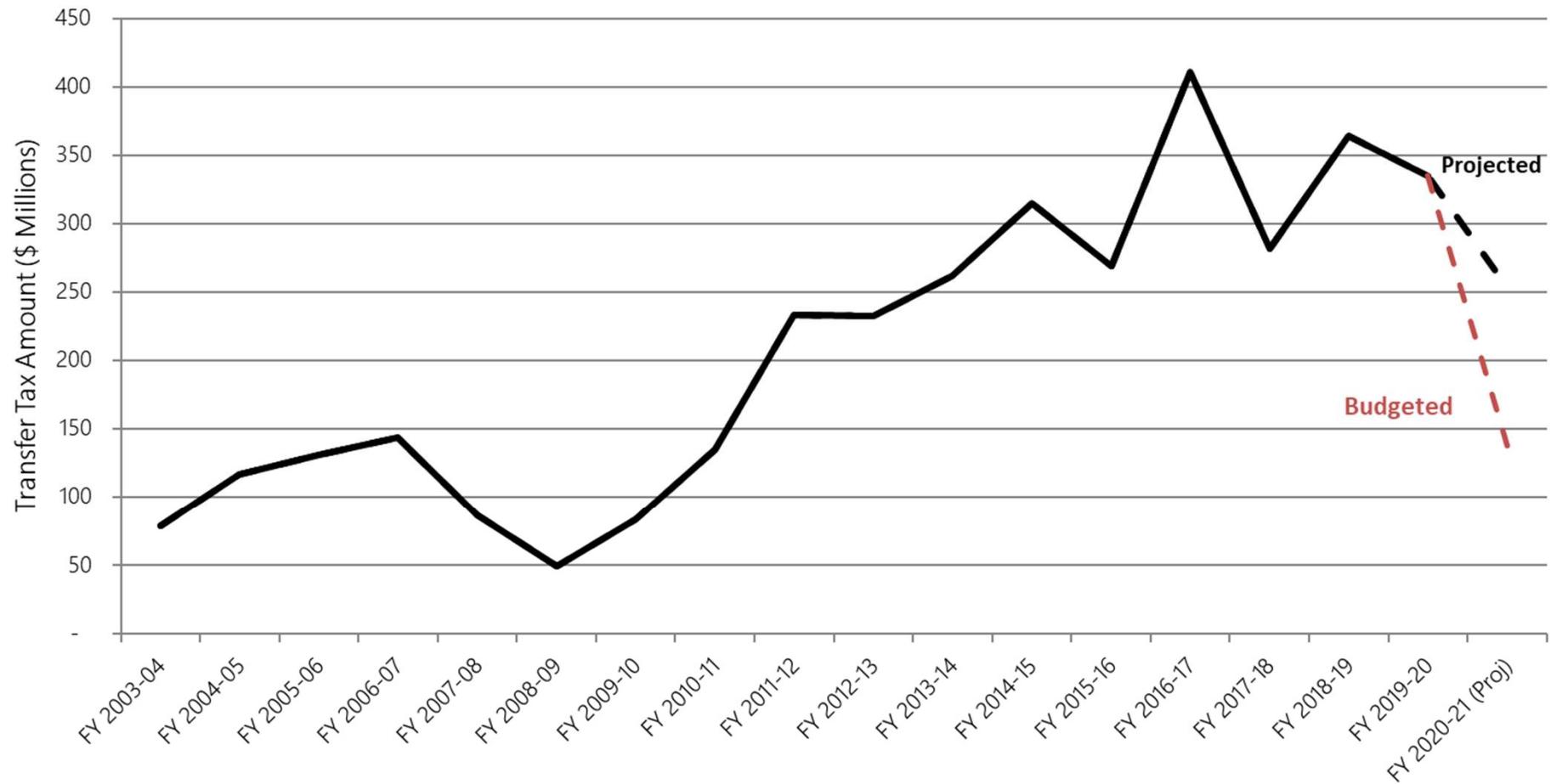
-5.8% Bay Area

-0.9% State

<b>San Francisco</b>	Count: 32,012
<b>San Jose</b>	Count: 25,122
<b>San Diego</b>	Count: 47,084
<b>Oakland</b>	Count: 13,884
<b>Long Beach</b>	Count: 14,459
<b>Los Angeles</b>	Count: 143,477
<b>Sacramento</b>	Count: 16,883



# Property Transfer Tax

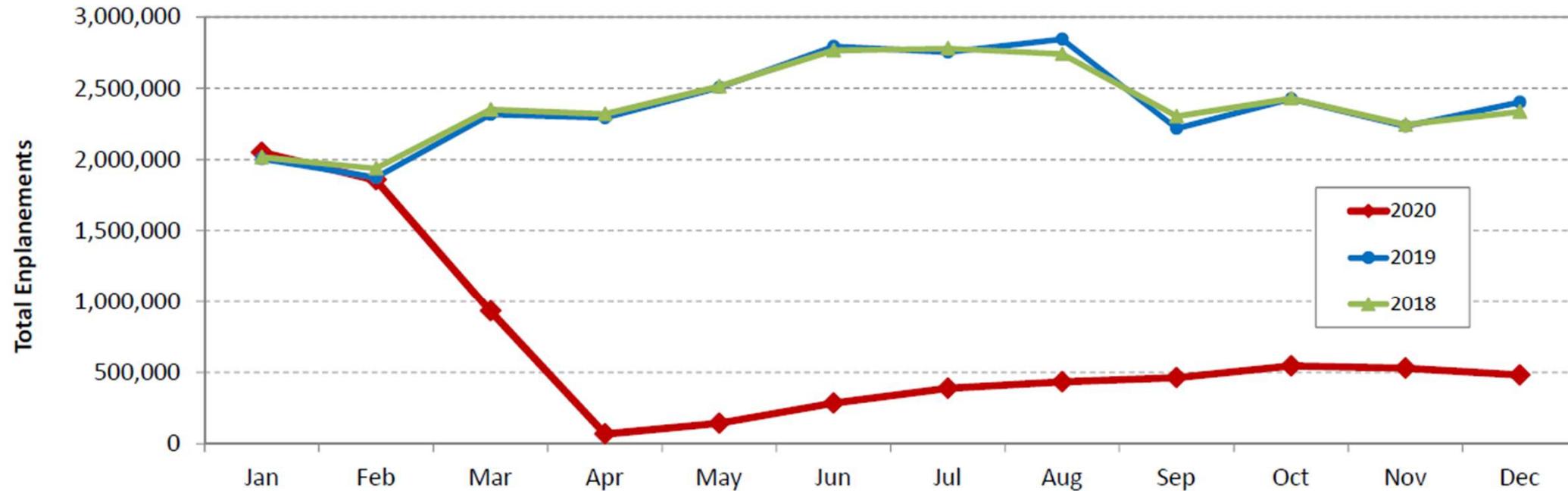


# Minimal Recovery in SFO Enplanements

## December and Calendar Year 2020 Air Traffic Dashboard

CY 2020 vs. 2019 Enplanements

Change over prior yr.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CY 2020
Domestic	1.6%	4.0%	-59.1%	-96.5%	-92.7%	-87.1%	-82.9%	-82.1%	-74.3%	-73.1%	-72.3%	-77.4%	-68.9%
International	4.4%	-14.7%	-62.0%	-98.7%	-98.3%	-96.9%	-94.5%	-92.4%	-91.4%	-90.0%	-87.5%	-86.6%	-78.7%
<b>Total</b>	<b>2.4%</b>	<b>-0.9%</b>	<b>-59.8%</b>	<b>-97.0%</b>	<b>-94.2%</b>	<b>-89.8%</b>	<b>-85.9%</b>	<b>-84.7%</b>	<b>-79.1%</b>	<b>-77.5%</b>	<b>-76.3%</b>	<b>-79.9%</b>	<b>-71.5%</b>



# Hotel Tax Allocations

	Budget	6-Month	Variance
Grants for the Arts	13.2	2.0	(11.2)
Arts Impact Endowment	2.0	0.3	(1.7)
Cultural Centers	3.1	0.5	(2.6)
Cultural Equity Endowment	5.2	0.8	(4.4)
Cultural Districts	2.4	0.4	(2.1)
<b>Total</b>	<b>25.9</b>	<b>3.9</b>	<b>(22.0)</b>

# Departments

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Recreation and Park	(13.6)	3.4	(10.3)
Fire Department	(6.5)	(0.1)	(6.6)
City Planning	(9.8)	3.7	(6.1)
Public Works	(2.0)	(2.1)	(4.1)
Police	(1.3)	(1.9)	(3.2)
Children, Youth, and Their Families	-	(0.8)	(0.8)
Treasurer/Tax Collector	(0.8)	0.3	(0.6)
<b>Subtotal Departments with Net Shortfall</b>	<b>(34.0)</b>	<b>2.5</b>	<b>(31.7)</b>
Public Health	68.6	1.4	70.0
Human Services Agency	7.4	27.5	35.0
General City Responsibility	2.0	1.1	3.1
Homelessness & Supportive Housing	-	2.6	2.6
Juvenile Probation	0.1	1.9	2.0
City Administrator	(2.4)	4.1	1.7
Sheriff	0.5	0.8	1.3
Other	(9.3)	16.0	6.8
<b>Subtotal Departments with Net Surplus</b>	<b>66.9</b>	<b>55.4</b>	<b>122.5</b>
<b>TOTAL</b>	<b>32.9</b>	<b>57.9</b>	<b>90.9</b>

# COVID Emergency Response

- Total projected response expenditures of \$725.3 million represent an increase of \$145.8 million from Three-Month Report projections but are more than offset by increased federal revenues.
- Projected General Fund balance of \$77.3 million:
  - Largely attributable to February 3<sup>rd</sup> changes in FEMA reimbursement rates: all costs previously determined eligible for reimbursement increase from 75% to 100% rate for January 1, 2020 through September 30, 2021.
  - Available to manage unanticipated current year costs and/or offset need for new appropriations in FY 2021-22 to support continuing response

# COVID Emergency Response

Department - Project	6-Month Projection				Projected Surplus/Shortfall		
	Expenditures	FEMA	Grants/Special Funds	General Fund	General Fund	Grants/Special Funds	All Sources
FY 2019-20 Increased FEMA Reimb.					18.7	1.8	20.5
DEM - COVID Command, Joint Info & Oth.	19.5	17.5	-	2.0	7.1		7.1
DEM/DPH - Vaccination	6.6	6.6	-	-	-		-
DPH	328.7	209.6	7.0	112.1	73.4	-	73.4
DPW - Expanded Pit Stops & Oth.	14.2	4.6	-	9.6	(0.1)		(0.1)
HOM - SIP Hotels	238.1	196.9	41.2	-	3.5	42.2	45.7
HOM - RVs, Shelter & Safe Sleeping	37.2	6.1	28.0	3.1	1.3		1.3
HOM - Medical Support, Staffing, Oth.	4.1	1.9	0.4	1.7	0.0		0.0
HSA - Feeding	76.9	28.8	2.2	45.9	(6.0)		(6.0)
<b>Subtotal</b>					<b>97.9</b>	<b>44.1</b>	<b>142.0</b>
<i>Reserve for FEMA Claim Disallowance</i>		(40.7)			(20.6)	(19.7)	(40.3)
<b>Available for Continuing COVID Response</b>					<b>(77.3)</b>	<b>(24.4)</b>	<b>(101.7)</b>
<b>Total</b>	<b>725.3</b>	<b>431.2</b>	<b>78.8</b>	<b>174.5</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Key Current Year Uncertainties

- Pace of local economic recovery, particularly for hospitality and office sectors
- Legislative proposals on Excess ERAF
- Pending federal stimulus bill & changes in FEMA reimbursement eligibility

## Coming Updates

- March: Five-year budget forecast update.
- May: Update to current year projections (Nine Month Report).

# Reserves

	FY19-20	FY 2020-21		FY 2021-22			
	Ending Balance	Deposits	Withdrawals	Projected Ending Balance	Deposits	Withdrawals	Projected Ending Balance
<b>General Reserve*</b>	78.5	-	-	78.5	-	-	78.5
Rainy Day Economic Stabilization City Reserve	229.1	-	(114.5)	114.5	-	(57.3)	57.3
Budget Stabilization Reserve	307.8	-	(42.0)	265.8	-	(130.6)	135.2
<b>Subtotal Economic Stabilization Reserves</b>	<b>536.8</b>	<b>-</b>	<b>(156.5)</b>	<b>380.3</b>	<b>-</b>	<b>(187.9)</b>	<b>192.4</b>
<b>Percent of General Fund Revenues</b>	<b>10.0%</b>			<b>7.2%</b>			<b>3.8%</b>
COVID Response and Economic Loss Reserve	507.4	-	(1.9)	505.5	-	-	505.5
Budget Stabilization Reserve - One Time Reserve	54.8	-	-	54.8	-	-	54.8
Business Tax Stabilization Reserve	-	149.0	-	149.0	-	(149.0)	-
Public Health Management Reserve	111.1	-	(51.7)	59.5	-	-	59.5
Rainy Day Economic Stabilization SFUSD Reserve	34.5	-	(33.5)	1.0	-	-	1.0
Recreation & Parks Savings Incentive Reserve	0.8	-	-	0.8	-	-	0.8
Free City College	2.0	-	-	2.0	-	-	2.0
Mission Bay Transportation Improvement Fund - Overlapping Minimum Reserve	1.0	-	-	1.0	-	-	1.0
<b>Subtotal</b>	<b>711.7</b>	<b>149.0</b>	<b>(87.1)</b>	<b>773.6</b>	<b>-</b>	<b>(149.0)</b>	<b>624.6</b>
<b>Annual Operating Reserves</b>							
Litigation Reserve	49.2	11.0	(60.2)	-	11.0	(11.0)	-
Salary and Benefits Reserve	25.4	23.5	(48.8)	-	23.5	(23.5)	-
<b>Total, All Reserves</b>	<b>1,323.1</b>	<b>183.5</b>	<b>(352.6)</b>	<b>1,154.0</b>	<b>34.5</b>	<b>(371.4)</b>	<b>817.1</b>

\* A deposit of \$0.9 million was budgeted in FY 2021-22 to the General Reserve. Based on the latest revenue projection, this deposit is no longer required.