



# Mayor's Proposed Budget

## FY 2023-24 and FY 2024-25

June 2023



# Budget Overview

- Closes a \$780 million deficit while maintaining critical services for San Francisco residents.
- Makes targeted investments in economic recovery, public safety, homelessness, and behavioral health.
- Leverages all available funding sources to advance citywide priorities and address community needs.



# Balancing the Budget



# Balancing the Budget

- **Departmental Reductions:** salary reductions to account for vacancies, contract reductions, and use of other revenue sources.
- **Project Savings:** reduced project budgets where projects were complete, had other sources, or were non-critical to core department operations.
- **Other Funding Sources:** use of non-General Fund sources for eligible uses, including Our City, Our Home; Early Care and Education, and opioid settlement funds.
- **Citywide Savings Targets:** reductions in technology costs, real estate, materials & supplies - mostly in FY 24-25 to allow time for planning.



# Balancing the Budget

- **Debt Savings:** capitalizes on savings in City's debt portfolio.
- **Capital, IT & Equipment:** makes lower-than-projected investments in Capital, COIT, and equipment funding.
- **Use of Reserves:** budgets some use of reserves, including Business Tax Stabilization reserve (\$29.5M) and portion of the Federal Disallowance reserve (\$41.3M). Maintains use of Fiscal Cliff reserve (\$90M) appropriated in last year's budget process.



# Legislative Changes

- 3 ordinances to change business-related taxes to advance economic recovery efforts.
- 1 ordinance to allow for changes to Our City, Our Home allocations to maximize use of available funds for homelessness services.
- 1 ordinance to temporarily suspend portion of Early Care and Education General Fund baseline to help fund food access programs.
- Other ordinances to update MCO, department fees, clean up contracting requirements, and reduce election-related costs.



# Key Investments



# Economic Recovery and Small Business

Proposes three main changes to business taxes and fees:

- 1. First Year Free:** Continues program in FY 2023-24.
- 2. Tax Changes Introduced in March:** Delays planned tax increases for certain sectors including retail, restaurants and entertainment & provides tax credits for new office-based businesses.
- 3. Commercial Rent Tax:** Eliminates secondary tax on sub-lease portion of the Commercial Rent Tax.





# Economic Recovery and Small Business

- Additional \$5M allocated to the **small business grants** pool.
- **Downtown activations**, including Vacant to Vibrant program, and funding for Powell St. streetscape and storefront improvements.
- Set aside of \$3M for **neighborhood commercial corridor** activations and improvements, including dedicated \$1M for the Mission.



# Clean and Welcoming Streets

- Downtown **Welcome Ambassador** program with targeted focus on high tourist and convention areas.
- Expanded **street cleaning operations** in Public Works.
- Continued funding for **graffiti removal program and Pitstops.**



# Public Safety

- **New MOU** costs in Police, Fire & Department of Emergency Management.
- Overtime funding in **Police Department** to sustain current deployment levels citywide and allow for continuous Academy classes.
- Funding and staff investments in the **Department of Emergency Management** to improve dispatcher hiring and coordinate citywide street response initiatives.



# Public Safety

- **Community Safety Ambassador programs**, including retired SFPD officers, Mid-Market and TL ambassadors, a new Mission-based cohort, and OCEIA ambassadors.
- Eight additional **Park Rangers** to enhance unarmed public safety presence in popular open spaces, including UN Plaza and Civic Center.
- Investments in **Street Response Teams**, including Street Crisis Response (SCRT), Street Opioid Response (SORT) and new HEART team.



# Homelessness

- \$98.6 million in funding from Our City, Our Home and \$21 million of General Fund reprogramming to **expand shelter beds, housing, and prevention slots.**
- **Two-year changes to Our City, Our Home** ordinance to allow more flexible use of available dollars and advance strategic plan goals, while still funding all OCOH committee recommendations.
- Avoids shelter closures due to expiration of state funding *and adds* **594 net new beds.**



# Homelessness

- **Shelter:** expands capacity at existing sites to pre-pandemic levels, funds shelter site in the Bayview and cabin project in the Mission.
- **Housing:** 350 new rapid re-housing slots, 120 new rental assistance subsidies, 75 new permanent supportive housing units, and around 250 affordable housing units for formerly homeless residents.
- **Prevention:** 1,360 new prevention slots to help people from entering into homelessness.
- **Plus funding for** vehicular assistance program, expanded hours at existing shelters, and departmental capacity building.



# Behavioral Health

- \$200 million from OCOH (no changes to Mental Health portion) and sustained General Fund investments to continue implementation of **Mental Health SF priorities**.
- \$100 million from opioid settlement funding to support existing *and* new **overdose prevention and opioid treatment programs**, including funds for up to 3 Wellness Hubs.
- Funding to initiate **CARE Court**, a new state mandate to connect people struggling with untreated mental illness or substance use challenges to court-ordered services.



# Children, Youth, and Families

- Funds **Summer Together** for over 30,000 youth in 2023.
- Launches **Student Success Fund** with \$11M set aside in FY 23-24 and \$35M in FY 24-25.
- Continues **early educator** wage initiative, expands **childcare vouchers**, and funds capacity expansion for **childcare sites**.
- \$25M to continue **community-based grocery and meal access programs** in FY 23-24; \$15 million budgeted in FY 24-25.





# Community Support and Wage Equity

- **IHSS wages increases** for over 24,000 workers.
- **Minimum Compensation Ordinance (MCO)** update to increase hourly wages to \$18.93 in FY 23-24 and reach \$23 by FY 25-26.
- **3% CODB** increase for General Fund non-profits and an additional 1% for health and homelessness service providers.
- Continues historic **Dream Keeper Initiative** investments.



# Capital, IT and Government Operations

- \$59 million/year for **Capital Plan projects** with \$58.4 million in debt-financed projects.
- **Critical technology improvements** in citywide systems including new Property Management System (ASR), Computer-Aided-Dispatch overhaul (DEM), hiring and onboarding improvements (DHR), and a new Legislative Management System (BOS).
- Funding for **citywide initiative** on hiring, contracting, and financial reforms.



# Summary and Looking Ahead

- This budget leverages one-time sources and non-General Fund revenues to invest in critical needs for San Francisco.
- The long-term outlook still projects sizeable deficits in FY 2025-26 and beyond – even without a recession.
- Mayor's Office, departments and the Board will need to continue identifying opportunities for budget savings and revenue sources in the years ahead.



# Thank You & Questions

# Appendix: Reserves

	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance
General Reserve	\$ 57.8	\$ 70.8	-	\$ 128.6	\$ 17.3	-	\$ 145.9
Rainy Day Economic Stabilization City Reserve	114.5	-	-	114.5	-	-	114.5
Budget Stabilization Reserve	265.8	-	-	265.8	-	-	265.8
<b>Economic Stabilization Reserves</b>	<b>380.3</b>	-	-	<b>380.3</b>	-	-	<b>380.3</b>
<i>Percent of General Fund Revenues</i>	<i>6.2%</i>			<i>5.9%</i>			<i>5.8%</i>
Rainy Day Economic Stabilization SFUSD Reserve	1.0	-	-	1.0	-	-	1.0
Federal and State Emergency Grant Disallowance	81.3	-	-	81.3	-	(41.3)	40.0
Fiscal Cliff Reserve	220.4	-	(90.2)	130.3	-	-	130.3
Business Tax Stabilization Reserve	29.5	-	-	29.5	-	(29.5)	-
Public Health Revenue Management Reserve	116.9	-	-	116.9	-	-	116.9
Free City College Reserve	6.9	-	(6.9)	-	-	-	-
Mission Bay Transportation Improvement Fund	1.0	-	(1.0)	-	-	-	-
Hotel Tax Loss Contingency Reserve	3.5	-	(3.5)	-	-	-	-
<b>Other Reserves</b>	<b>460.5</b>	-	(101.5)	<b>359.0</b>	-	(70.8)	<b>288.2</b>
Litigation Reserve	-	11.0	(11.0)	-	11.0	(11.0)	-
Technical Adjustment Reserve	-	5.0	(5.0)	-	5.0	(5.0)	-
Salary and Benefits Reserve	-	7.0	(7.0)	-	31.0	(31.0)	-
<b>Annual Operating Reserves</b>	<b>-</b>	<b>23.0</b>	<b>(23.0)</b>	<b>-</b>	<b>47.0</b>	<b>(47.0)</b>	<b>-</b>
<b>TOTAL, General Fund Reserves</b>	<b>898.7</b>	<b>93.8</b>	<b>(124.5)</b>	<b>867.9</b>	<b>64.3</b>	<b>(117.8)</b>	<b>814.4</b>



# Appendix: Balancing

	FY 2023-24	FY 2024-25
Projected Surplus/(Shortfall)	(290.9)	(488.9)
<b>Balancing Solutions</b>		
Departmental Budget Reductions	142.6	158.4
Citywide Operating Savings	133.3	214.3
Use of Special Funds	63.9	66.2
Fund Balance and Project Savings	46.7	126.4
General Fund Revenue	31.7	(17.2)
Departmental Revenue	(0.9)	3.0
Use of Reserves	6.5	69.2
<b>General Fund Investments</b>		
Public Safety Investments	(48.2)	(34.4)
Community & Nonprofit Support	(31.6)	(49.0)
Labor Agreements - POL, FIR & DEM	(16.7)	(42.7)
Economic Recovery Investments	(21.2)	(2.9)
Behavioral Health & Homelessness (GF Only)	(15.2)	(2.5)
<b>Adjusted Surplus/(Shortfall)</b>	-	-