File No. 231284 **Committee Item No.** 7
Board Item No. ____________

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** January 17, 2024
Board of Supervisors Meeting **Date** ____________

Cmte Board

Cmte	Board	
☐	☐	**Motion**
☐	☐	**Resolution**
☐	☐	**Ordinance**
☐	☐	**Legislative Digest**
☐	☐	**Budget and Legislative Analyst Report**
☐	☐	**Youth Commission Report**
☒	☐	**Introduction Form**
☒	☐	**Department/Agency Cover Letter and/or Report**
☐	☐	**MOU**
☐	☐	**Grant Information Form**
☐	☐	**Grant Budget**
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☐	☐	**Contract/Agreement**
☐	☐	**Form 126 – Ethics Commission**
☐	☐	**Award Letter**
☐	☐	**Application**
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OTHER **(Use back side if additional space is needed)**

☒	☐	Mayor’s Office of Public Policy and Finance Presentation 1/17/2024
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Completed by: Brent Jalipa **Date** January 11, 2024
Completed by: Brent Jalipa **Date** ____________

Budget Outlook & Department Instructions

December 2023

Overview

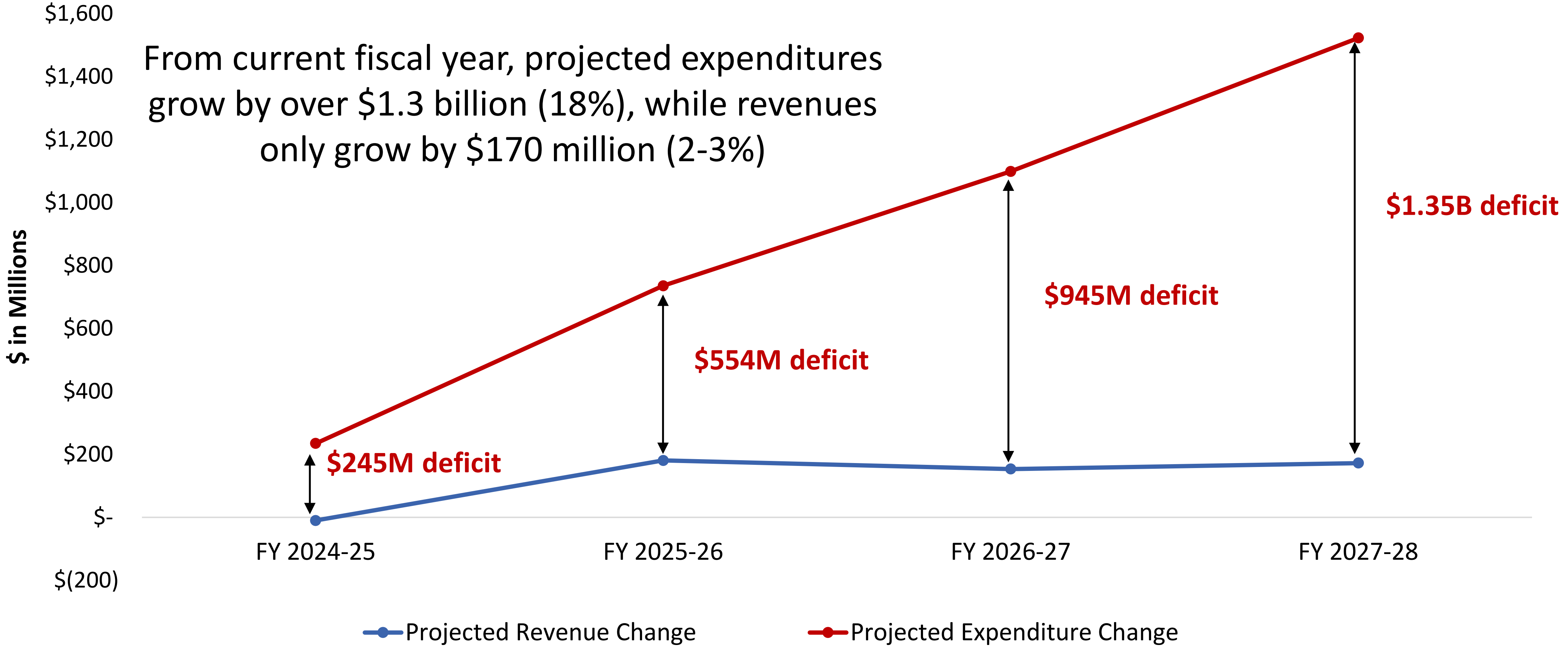
- Rate of expenditure growth far outpaces City's General Fund revenues – creating **$245 million** deficit in FY 2023-24, **$554 million** in FY 2025-26 and worsening deficits in coming years.

- **Mid-year budget reductions incorporated** into the forecast – departments must include in February budget submissions.

- Additional **reductions of 10% in each year** required to balance FY 24-25 & FY 25-26, plus **5% contingency** proposals.

Fiscal Outlook & Five Year Financial Plan Update

Fiscal Outlook – Deficit Grows to $1.3 billion



What Changed Since July?

- **Further reduced revenue** expectations, particularly in transfer, hotel & sales taxes.
- Increased **health care costs**: 9% projected health rate growth in FY 24-25.
- Multi-year **inflationary growth on CBO grants** (new ordinance).
- **Use of fund balance** spread over three-year period.

Fiscal Outlook – Major Assumptions in Forecast

- **Decline or nominal growth in major tax revenues:** ongoing reductions to property tax as office market resets, slower hospitality sector rebound, transfer taxes at 2011 levels, tepid business tax growth.

- **Salary & Benefits:** CPI growth on open contracts on same schedule as Police & Fire in next two years; 7.2% rate of return on pension investments.

- **Citywide & Departmental Costs:** CPI growth on non-personnel costs, IHSS wage agreements, full funding of Ten Year Capital & ICT Plans by FY 25-26, and other updates.

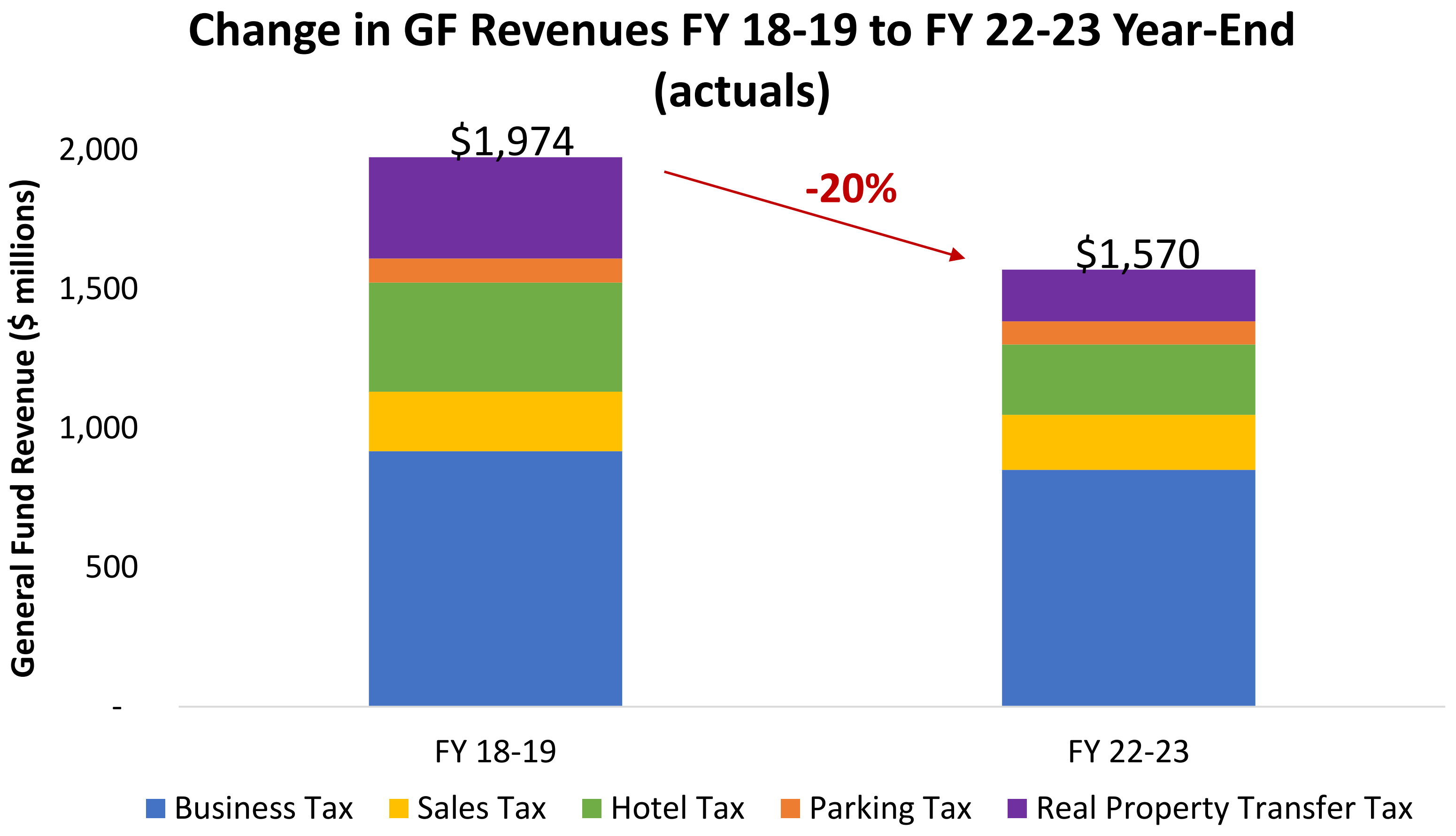
Five Year Report Update – Summary

	Projection 2024-25	Projection 2025-26	Projection 2026-27	Projection 2027-28
SOURCES Increase / (Decrease)	**(9.6)**	**181.0**	**153.9**	**172.8**
Uses				
Baselines & Reserves	(13.3)	(78.3)	(150.4)	(264.1)
Salaries & Benefits	(163.3)	(336.2)	(447.4)	(593.0)
Citywide Operating Budget Costs	(95.2)	(301.7)	(396.0)	(496.3)
Departmental Costs	36.8	(19.3)	(105.3)	(169.0)
USES Decrease / (Increase)	**(235.1)**	**(735.5)**	**(1,099.1)**	**(1,522.5)**
Projected Cumulative Projected Surplus / (Shortfall)	**(244.7)**	**(554.5)**	**(945.1)**	**(1,349.7)**
Two-Year Deficit	**(799.2)**			

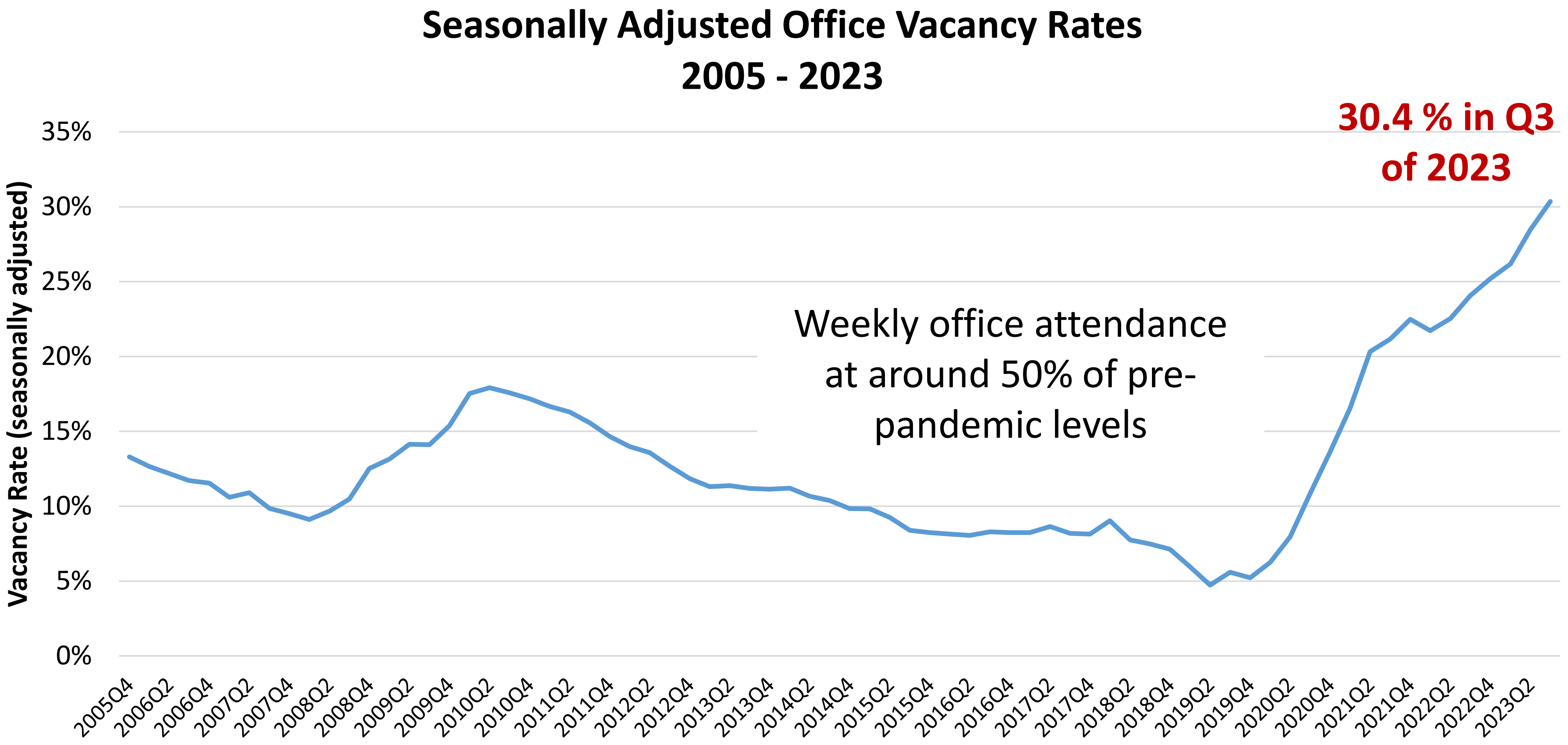
Revenue Assumptions & Trends

- **High office vacancies** negatively impact property, business, and transfer taxes.
- **Business taxes** seeing significant rates of dispute & litigation, requiring City to reserve collections for litigation risks.
- **Hospitality industry expected to recover *after* plan period**, slower than previously forecasted. The City experienced rapid "bounce back" after the pandemic, but now plateauing.
- **Local & state sales tax growth slower** than previously forecasted.
- **One-time sources** including FEMA & fund balance budgeted through FY 26-27.

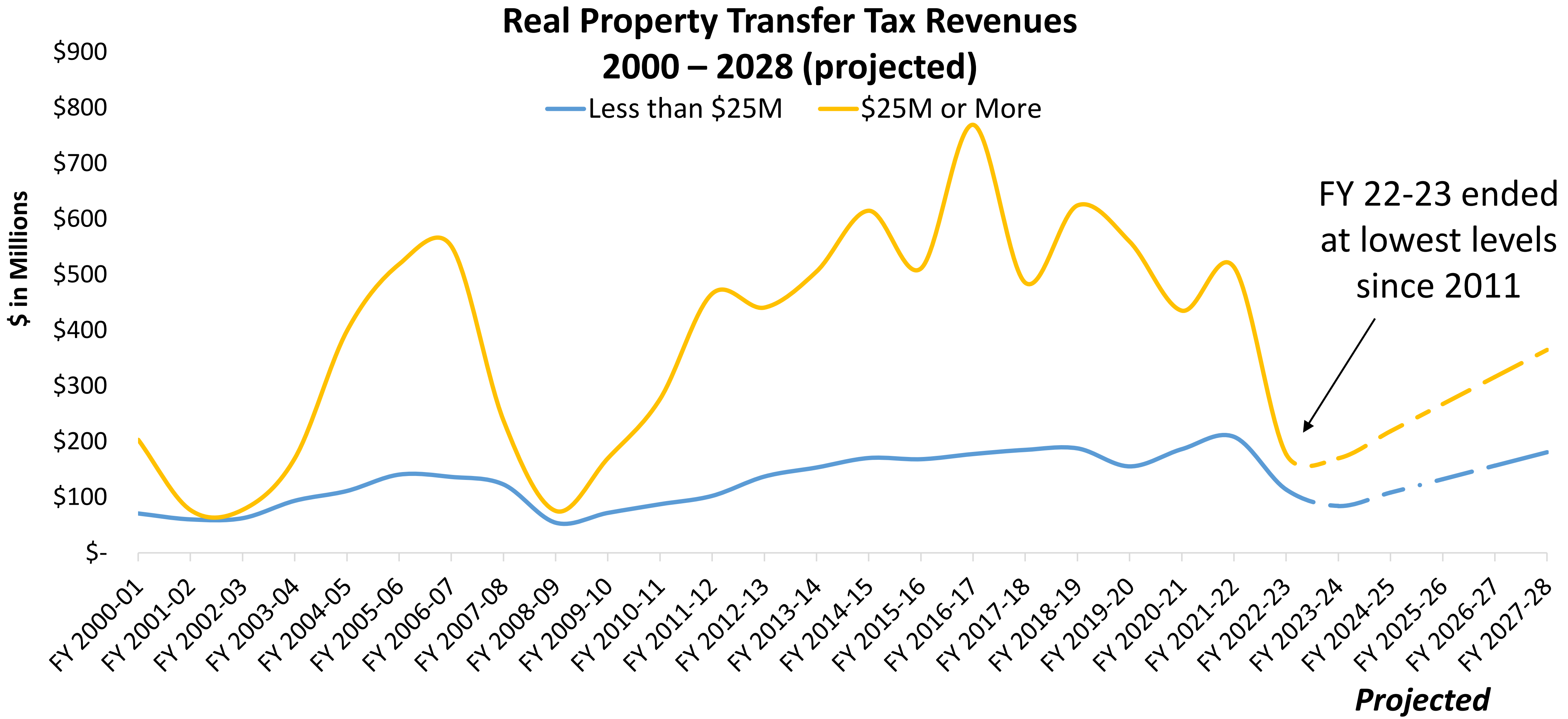
Key Revenue Sources Down by 20%



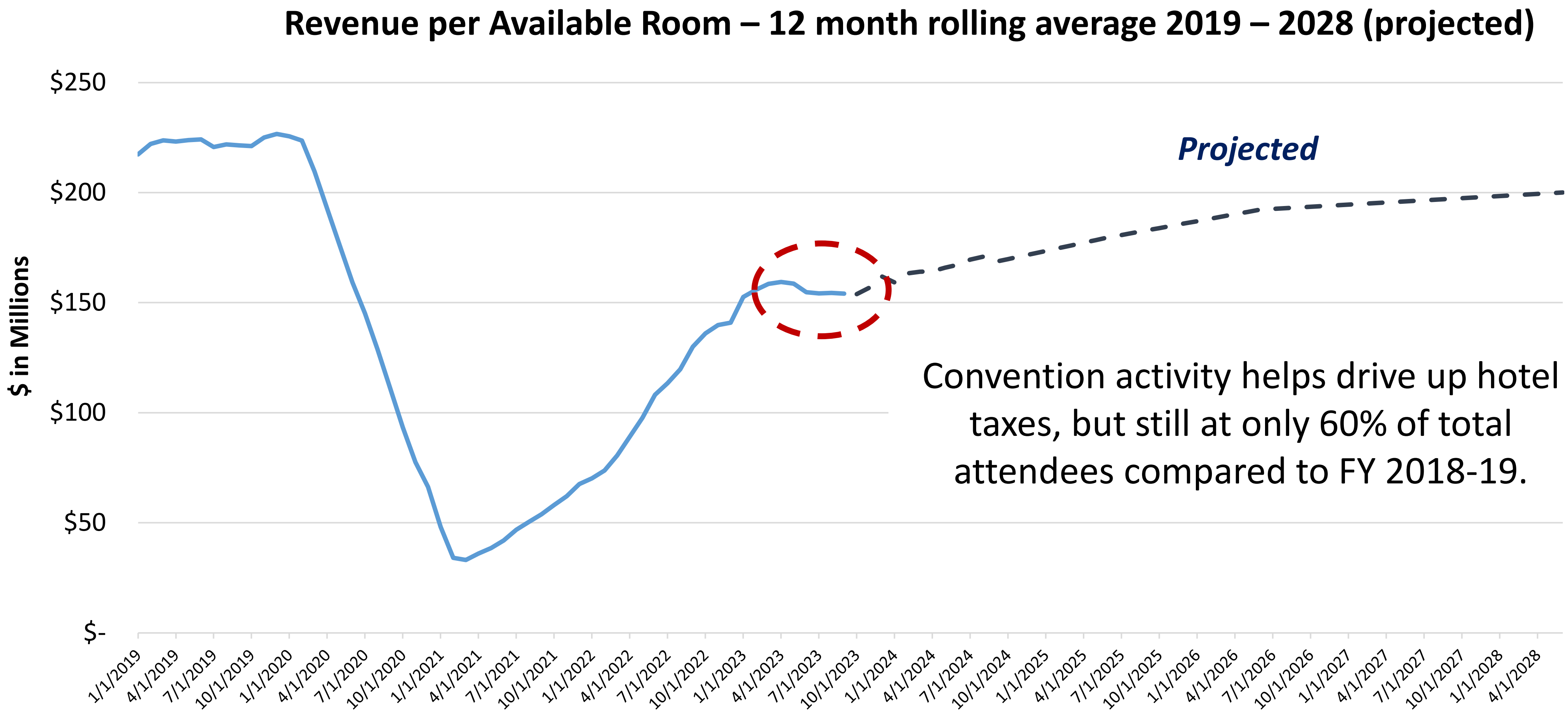
Office Vacancy Rates Still Climbing



Transfer Tax Revenue at Great Recession-Era Low

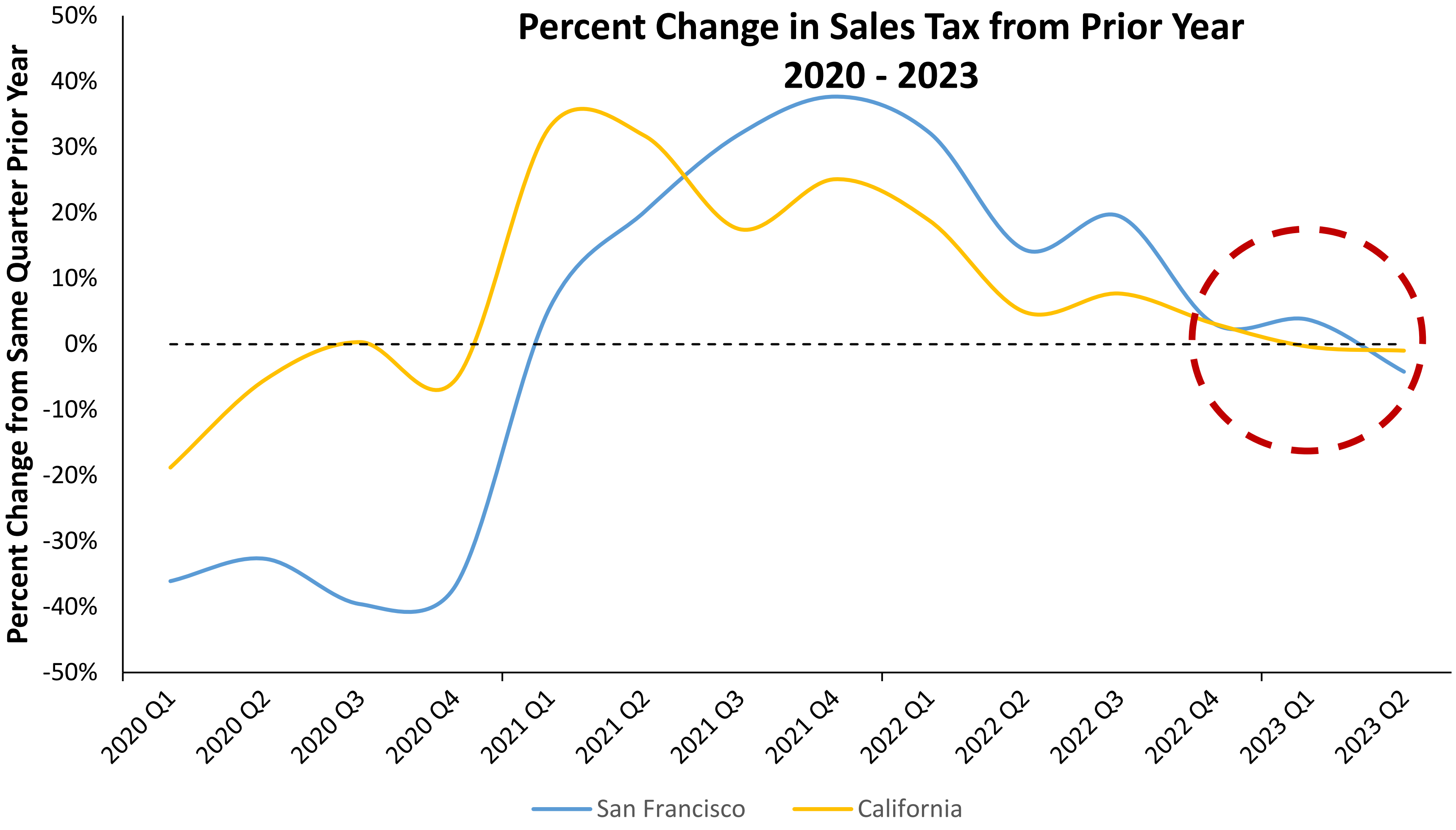


Hospitality Rebound Stalling

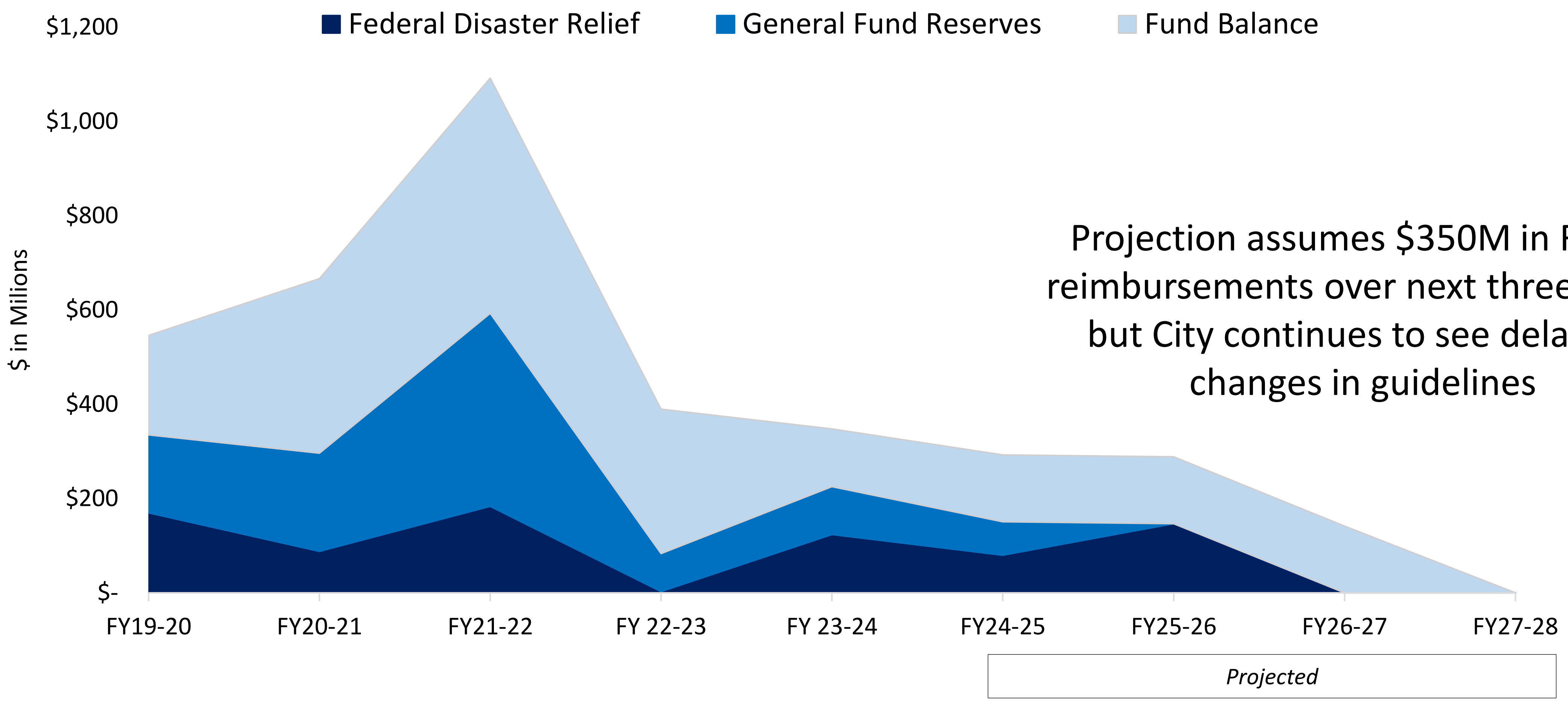


Convention activity helps drive up hotel taxes, but still at only 60% of total attendees compared to FY 2018-19.

Local & State Sales Tax Slowing



Depletion of One-Time Sources

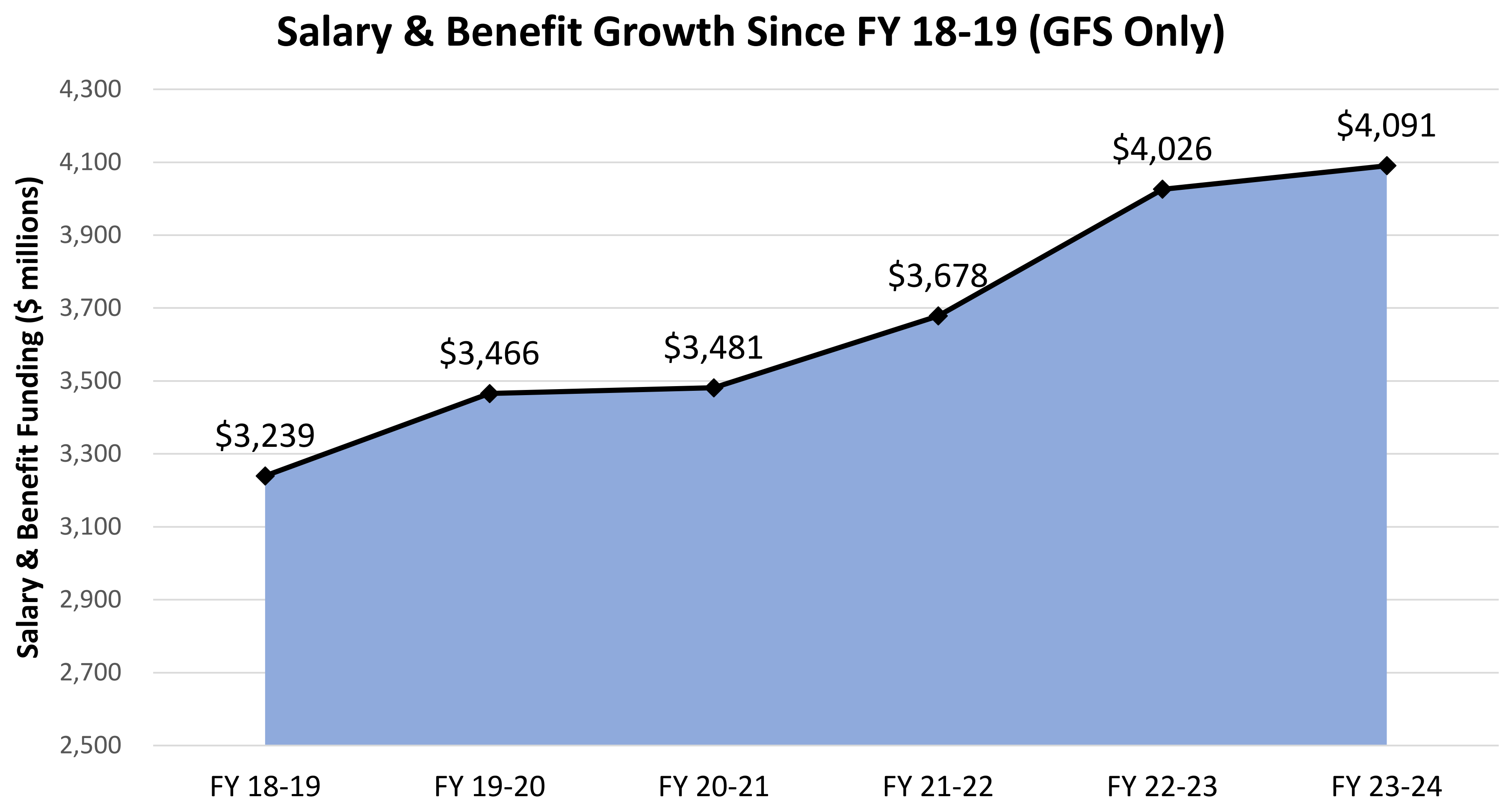


Projection assumes $350M in FEMA reimbursements over next three years, but City continues to see delays & changes in guidelines

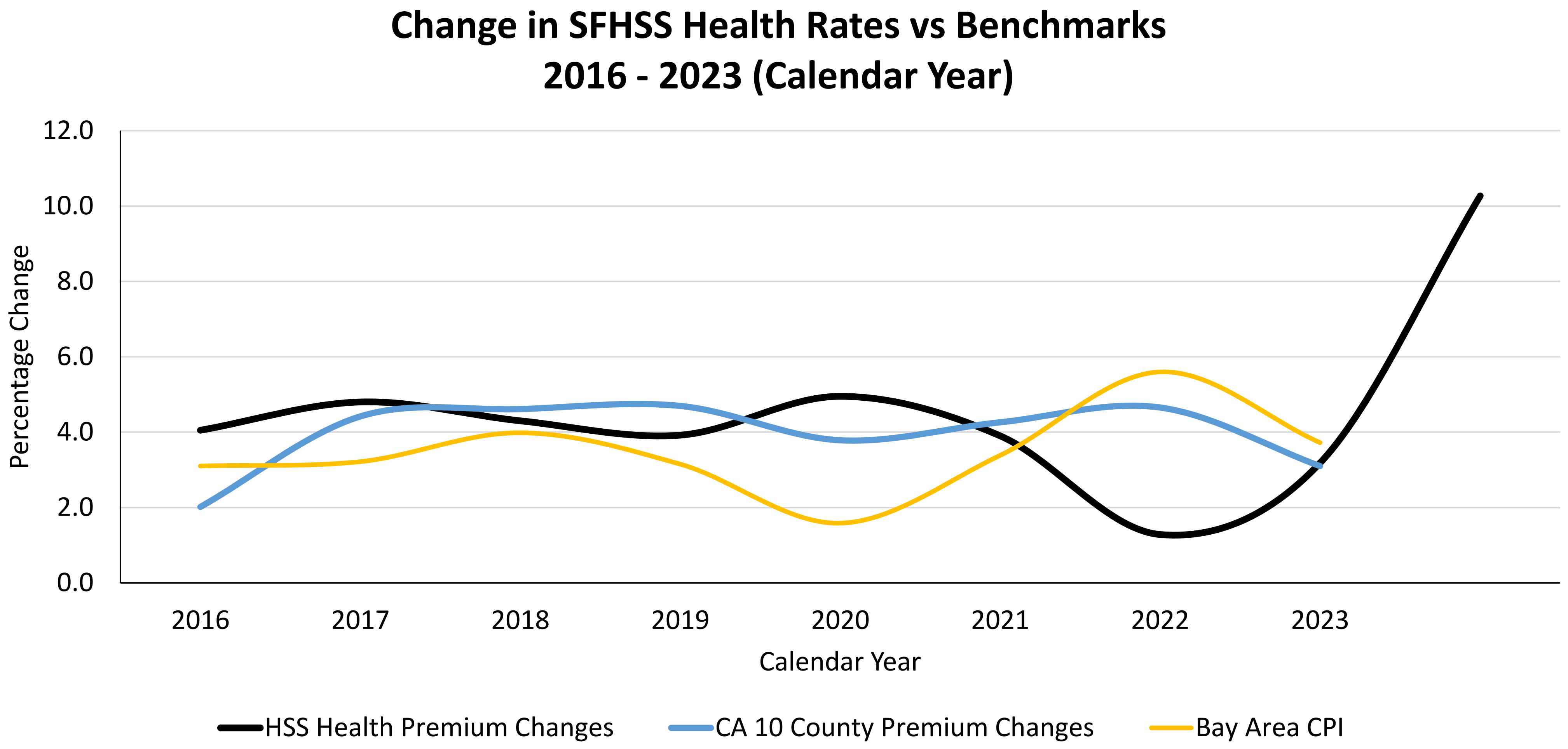
Key Expenditures

- **Salaries and benefits**: Increase by nearly $500 million over plan period.
- **Required baselines:** Grow by around $200 million & include newest Student Success Fund, which grows to $35 million in FY 2024-25 and $60 million by FY 2027-28.
- **Citywide operating costs:** Real estate, capital, debt payments, PUC rates, and implementation of multiyear inflation on all GF nonprofit grants.
- **Other major costs**: shelter costs due to expiring state grants, commitments to subsidizing housing for formerly homeless (LOSP), IHSS program growth.

Salary & Benefits – 30% Growth in 5 Years



Health Care Cost Growth at 9-10%



Fiscal Outlook – Risks & Uncertainties

- **Elevated interest rates** dampening business investments, real estate transactions, and borrowing costs.

- Level of **assessment appeals** and other tax refunds – current appeals volume has *tripled* from prior year.

- Significant **state budget shortfall** ($68 billion) and threat to ERAF, grants & funding for other programs.

- **Retirement** contribution rates - year-to-date returns trending negative, could trigger higher employer contributions.

Mayor’s Priorities & Department Budget Instructions

Mayor’s Priorities

- Improving public safety and street conditions
- Citywide economic vitality
- Reducing homelessness and transforming mental health service delivery
- Accountability & equity in services and spending

Budget Instructions to Departments

- Reduce General Fund support: 10% in FY 24-25 and 10% in FY 25-26.
- Submit contingency proposals of ongoing 5% in each year.
- Departmental budget reductions will help address only portions of total shortfall – the Mayor’s Office will convene departments to propose further citywide solutions and strategies.

Budget Instructions to Departments

- Implement mid-year cuts that are ongoing in FY 24-25 & FY 25-26.

- Do not add new FTE. Prioritize staffing key areas related to public safety and essential operations. Eliminate remaining vacancies for savings.

Departments should only fill essential FTE in the current year and plan towards using additional vacancies for budget savings.

- Focus on core department operations & services. Eliminate costs supporting non-essential, discretionary or redundant service areas.

Budget Instructions – Reminders

- Non-General Fund departments must balance their own budgets.
- MTA, PUC, Port & Airport will introduce fixed two-year budgets on May 1.
- Additional May 1 departments: Board of Appeals, Building Inspection, Child Support Services, Environment, Law Library, Library, Rent Board, Employee Retirement System.
- Budget transparency legislation requires 1-2 public meetings before February 14.

Calendar

December 13	Mayor's Budget Outlook
Late December	Five Year Financial Plan Update (Joint Report)
January 19	Capital and COIT budget requests due
Early February	Controller's 6-Month Report
February 21	Budget submissions due
March	March Update to the Joint Report
May	Controller's 9-Month Report
	Governors May Revise
May 1	May 1 Department budgets introduced
June 1	Mayor proposes a balanced budget to the Board of Supervisors
June	Budget and Appropriations Committee hearings

Thank you

Five Year Financial Plan Update: FY 2024-25 through FY 2027-28

Joint Report for General Fund Operations by the Controller's Office, Mayor's Office, and Board of Supervisors' Budget Analyst

December 22, 2023

City & County Of San Francisco

Executive Summary

PURPOSE

San Francisco Administrative Code Section 3.6(b) requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisors Budget Analyst, and Controller submit an updated estimated summary budget for the remaining four years of the City's Five-Year Financial Plan. This report provides updated expenditure and revenue projections for Fiscal Years (FYs) 2024-25, 2025-26, 2026-27, and 2027-28, assuming no changes to currently adopted policies and staffing levels. The next full update of the City's Five-Year Financial Plan will be submitted in December 2024.

OUTLOOK FOR GENERAL FUND-SUPPORTED OPERATIONS

Table 1 summarizes the projected changes in General Fund-supported revenues and expenditures over the next four years as compared to the adopted FY 2024-25 budget, as well as compared to the prior year. As shown in Table 1, this report projects a deficit of $244.7 million in FY 2024-25 and $554.5 million in FY 2025-26, for a combined $799.2 million shortfall for the upcoming two-year budget period. Deficits of $945.1 million and $1,349.7 million are projected for FY 2026-27 and FY 2027-28.

Table 1. Summary of General Fund Supported Operations Projected Budgetary Surplus / (Shortfall) ($ Millions)

	Change from FY 2024-25 Approved Budget 2024-25	Change from FY 2023-24 Budget 2024-25	Change from FY 2024-25 2025-26	Change from FY 2025-26 2026-27	Change from FY 2026-27 2027-28
SOURCES Increase / (Decrease)	(238.8)	(9.6)	181.0	153.9	172.8
Uses					
Baselines & Reserves	25.6	(13.3)	(78.3)	(150.4)	(264.1)
Salaries & Benefits	(10.5)	(163.3)	(336.2)	(447.4)	(593.0)
Citywide Operating Budget Costs	(30.8)	(95.2)	(301.7)	(396.0)	(496.3)
Departmental Costs	9.7	36.8	(19.3)	(105.3)	(169.0)
USES Decrease / (Increase)	(5.9)	(235.1)	(735.5)	(1,099.1)	(1,522.5)
Projected Cumulative Projected Surplus / (Shortfal	(244.7)	(244.7)	(554.5)	(945.1)	(1,349.7)
Two-Year Deficit		(799.2)			

These updated deficit projections are similar to those from the previous forecast published in March 2023, which reported a two-year deficit for FY 2023-24 and FY 2024-25 budget of $779.9 million and a cumulative deficit through FY 2027-28 of $1.319 billion. While the FY 2023-24 and FY 2024-25 budget was balanced, the revenue outlook has since worsened and some expenditure projections, notably the cost of health care, have grown. Growth in some departmental costs has decreased since March, however, salary, benefits, and other citywide operating costs continue to grow at the same rate as in previous forecasts. As stated in the Controller's June 2023 Revenue Letter, the adopted FY 2023-24 and FY 2024-25 budget made limited progress toward the City's structural budget gap, resulting in continued, large shortfalls during the plan period.

KEY ASSUMPTIONS

Key assumptions affecting the FY 2024-25 through FY 2027-28 projections:

- **General Fund tax revenue is expected to grow year-over-year but slower than previously projected.** Total General Fund taxes are projected to grow each year, at 0.4 percent in FY 2023-24, 0.9 percent in FY 2024-25, and an average of 2.8 percent in FY 2025-26 through FY 2027-28. This tepid revenue growth is partly related to structural changes in the local economy. Ongoing patterns of remote work, along with high interest rates, are expected to lead to declining commercial and residential real estate values, affecting property and transfer taxes. Increasing interest rates and depressed levels of venture capital investment have a negative impact on the technology sector, and the City's business tax revenue. In addition, the City is expected to receive its last reimbursement from the Federal Emergency Management Agency (FEMA) for the COVID-19 public health emergency in FY 2025-26. The City's tourism and hospitality sector is expected to continue its recovery through the plan period at a slower pace than previously anticipated, and is not expected to recover to pre-pandemic levels until after the plan period, impacting hotel, sales tax, and State sales tax-based subventions.

- **FY 2023-24 mid-year General Fund savings:** In October 2023, the Mayor issued instructions to City departments to propose budget reductions in the current fiscal year in anticipation of a significant structural deficit. The Mayor's Office reviewed proposals to pause uninitiated programs, eliminate vacant positions, take advantage of new revenues, and begin scaling back certain programs. As a result, $48 million of expenditures have been placed on reserve in FY 2023-24 and $26 million in new revenues are expected to be reported in the upcoming Six-Month Report. Based on these changes, this forecast assumes an increase in current year ending balance of approximately $75 million, and ongoing savings of approximately $38 million in each year beginning in FY 2024-25.

- **No major changes to service levels and number of employees:** The projection assumes no major changes to policies, service levels, or the number of employees from previously adopted FY 2023-24 and FY 2024-25 budgeted levels unless specified below.

- **Assumes previously negotiated wage increases and inflationary increases for open contracts in line with Consumer Price Index (CPI):** This projection assumes approved wage increases in collective bargaining agreements for miscellaneous employees through the end of FY 2023-24, and as negotiated for public safety employees through FY 2025-26. Miscellaneous contracts are open beginning in FY 2024-25 and public safety contracts are open beginning in FY 2026-27. All open contracts assume the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, equal to 2.65 percent for FY 2024-25, 2.57 percent for FY 2025-26, 2.23 percent for FY 2026-27, and 2.21 percent for FY 2027-28, applied to the first pay period in January 2025 of FY 2024-25 and the first pay period of each fiscal year thereafter in the projection period. We will update projections with Moody's February forecast and Department of Finance's January forecast. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels and are used solely for projection purposes.

- **Pension investment returns of 7.2 percent per year:** This report assumes the actuarially assumed rate of return of 7.2 percent per year, as affirmed by the Retirement Board in November 2023. Employer contributions to both SFERS and CalPERS are estimated using projected rates provided by these entities.

- **Health insurance cost increases:** This projection assumes that the employer share of health insurance costs for active employees will increase by 9.3 percent in FY 2024-25, then 7 percent in each following year, for an average of 7.6 percent annually over the projection period. Dental insurance costs are projected to decrease by 2.3 percent in FY 2024-25, then increase by 3.3 percent for each remaining year, an average of 1.9 percent annually for the projection period. Retiree health costs are assumed to grow by 9.0 percent in FY 2024-25, 7.6 percent in FY 2025-26, 7.3 percent in FY 2026-27, and 7.1 percent in FY 2027-28, an average of 7.7 percent annually over the projection period.

- **Inflationary increase on non-personnel operating costs:** This projection assumes that the cost of materials and supplies, professional services, and other non-personnel operating costs will increase by the rate of CPI starting in FY 2024-25 and each fiscal year thereafter at the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI of 2.65 percent for FY 2024-25, 2.57 percent for FY 2025-26, 2.23 percent for FY 2026-27, and 2.21 percent for FY 2027-28. The projection reflects the adopted FY 2023-24 and FY 2024-25 budget, which included a 3.75 percent cost-of-doing business increase for General Fund nonprofit contracts.

- **Ten-Year Capital Plan, Five-Year Information and Communications Technology (ICT) Plan, and inflationary increases on equipment:** The projection assumes the adopted FY 2023-24 funding level for capital, equipment, and information technology (IT). For capital, this report assumes the budgeted Capital Plan level of funding in FY 2024-25. In the remaining years the report assumes funding will catch up to the City's FY 2024-33 Ten-Year Capital Plan, which was released in 2023. The IT investment projection assumes full funding of the City's Information and Communications Technology (ICT) Plan in FY 2024-25 through FY 2027-28. For equipment, this plan assumes the budgeted level of funding in FY 2024-25, and growth of CPI in the subsequent three fiscal years.

- **Deposits and withdrawals from reserves:** The forecast assumes no reserve withdrawals beyond those previously budgeted. The projection assumes deposits to the General Reserve in each fiscal year, consistent with the financial policies adopted by the Board of Supervisors and codified in Administrative Code Section 10.60(b). As the City's economy recovers, the General Reserve value will increase from 2.0 percent of General Fund revenues in the current year to 3.0 percent by FY 2027-28. Additionally, the projection assumes deposits of $32.8 million and $99.9 million to the Budget Stabilization Reserve in FY 2026-27 and FY 2027-28 as the City's real property transfer tax is expected to exceed the average five-year transfer tax level in those years, triggering required deposits.

RISKS TO THE FORECAST

As with all projections, uncertainties exist regarding key factors that could affect the City's financial condition. These include:

- **Elevated interest rates are dampening investment and growth at the state and local levels.** Successive Federal Reserve interest rate increases appear to have slowed inflation, and professional "Blue Chip" forecasters believe a "soft landing" will likely be achieved nationally. However, high interest rates have an outsized effect on San Francisco's economy, which is highly concentrated in technology firms. Even if rate cuts occur in 2024, as the Fed has suggested, they will remain high compared to the historically low rates enjoyed in the years before and during the pandemic. Hiring and growth at technology firms is tied to venture capital investment, which has fallen locally to $21 billion for the first three quarters of 2023, compared to $46 billion in 2022 and $81 billion in 2021, as high interest rates make venture capital investment less attractive. Declining venture capital investment in the technology sector and related reductions in tech firm expenditures would most directly affect business taxes, but would also affect sales, hotel, and property-related taxes.

  Additionally, high interest rates, along with the "stickiness" of hybrid work, suppress sales and values of both commercial and residential real estate. The handful of recent office sales in the $150-$300 per square foot range represent an average price drop of over 60 percent from their prior prices and current assessed values, and while average California home prices are rising, those in San Francisco remain flat. The forecast assumes that the City's property and transfer taxes will be significantly impacted as the market adjusts to a new equilibrium over the coming decade.

- **Recession risk.** While the budget deficit is very large, the underlying revenue forecast does not assume a recession. Overall growth rates of General Fund taxes are projected each year, at 0.4 percent in FY 2023-24, 0.9 percent in FY 2024-25, and an average of 2.8 percent annually in FY 2025-26 through FY 2027-28. Should interest rates or other factors cause employment or wage levels to falter, or there is some other external economic shock, General Fund tax revenue would likely be significantly impacted. A recession scenario is detailed in the last section below. Over the plan period, a recession could worsen the deficit by nearly $1 billion, even accounting for the use of the City's economic stabilization reserves, reductions to General Reserve deposits, and baseline transfers.

- **Labor negotiations:** This projection assumes approved wage increases in collective bargaining agreements for miscellaneous employees through the end of FY 2023-24, and as negotiated for public safety employees through FY 2025-26. Miscellaneous contracts are open beginning in FY 2024-25 and public safety contracts are open beginning in FY 2026-27. All open contracts assume the average inflation projection of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, equal to 2.65 percent for FY 2024-25, 2.57 percent for FY 2025-26, 2.23 percent for FY 2026-27, and 2.21 percent for FY 2027-28, applied to applied to the first pay period in January 2025 and the first pay period of each fiscal year thereafter. Other than these costs, this report does not assume any contract changes due to active labor negotiations. Wage changes different from CPI or applied earlier or later than these assumptions would impact the projection.

- **State budget impacts:** This report does not assume significant changes in state or federal funding levels. However, on December 7, 2023, the State Legislative Analyst's Office (LAO) released their FY 2024-25 fiscal outlook, projecting a $68.0 billion deficit, primarily driven by weaker than anticipated 2023 income tax revenue. The shortfall will require the state to reduce expenditures, potentially in ways that reduce local government revenues such as excess Educational Revenue Augmentation Fund (ERAF) revenue, grants, and other programs. Flat or falling state sales tax will reduce subventions of state sales tax for public safety, health, and human services.

- **Potential revenue risk from Federal Emergency Management Agency (FEMA) reimbursements for COVID-19 related expenses.** The City assumes it will receive a total of $572.2 million FEMA of reimbursements for its COVID-19-related expenditures, unchanged from the March 2023 Five Year Financial Plan Update. However, FY 2022-23 experience illustrates the risk inherent in these assumptions, when only $2.6 million of the $243.4 million budgeted FEMA revenue was realized by year end. While the City considers this a payment delay versus a disallowance, any changes in guidance or further audits of the City's submissions could be a risk to this revenue.

  The City and dozens of peer jurisdictions in the state are in active discussions with FEMA Region 9 regarding recently published guidance on eligible costs for non congregate shelter (NCS) services, which San Francisco provided through the Shelter in Place (SIP) hotel program. This new guidance caps reimbursement for stays in SIP hotels to 20 days after June 11, 2021, and states that unoccupied rooms are generally ineligible for reimbursement. The City has reported to the California Office of Emergency Services (CalOES) that the new guidance could potentially place $114.0 million of claimed FEMA reimbursement at risk for the cost of SIP hotels for vulnerable populations past the 20-day cap, and an additional $76.0 million at risk for the cost of pre-positioned vacant hotels, and will continue working with CalOES and FEMA representatives on next steps.

- **Retirement contribution rate:** Projections assume the SFERS adopted 7.2 percent rate of return in FY 2023-24; however, calendar year-to-date returns through November 30, 2023, were 6.9 percent and fiscal year-to-date returns were 1.45 percent. Additionally, returns reported in the final audited valuation at the end of the fiscal year can vary from the year-to-date return value due to market volatility and the additional time required to get private market valuations. Final results below the 7.2 percent assumption will result in higher retirement contribution costs during the forecast period.

- **Business tax litigation:** As of FY 2022-23 year-end, the City has reserved more than $400 million of tax collections for litigation risk, including almost $200 million in gross receipts tax and almost $150 million in homelessness gross receipts tax. The legal issues vary by claimant, however, the recent acceleration of litigation underscores the growing complexity of the City's business tax regime and the impact that a few payers can have on the City's revenue outlook. Although more than 10,000 businesses pay the gross receipts tax that accrues to the General

Fund, the top ten payers accounted for 27 percent of the revenue in tax year 2022. The top ten payers accounted for 31 percent of all business taxes – including gross receipts, homelessness gross receipts, commercial rents, and overpaid executive taxes – in tax year 2022. The business tax forecast considers all known litigation initiated as of the report publication date.

SCHEDULE OF UPCOMING REPORTS CONTAINING BUDGET PROJECTIONS

- **Early February – Controller's Six-Month Budget Status Report:** This report will provide updated revenue, expenditure, and ending fund balance projections for FY 2023-24.
- **Late-March – Update to the Joint Report:** This report will update the revenue and expenditure forecasts for FY 2024-25 through FY 2027-28.
- **Early May – Controller's Nine-Month Budget Status Report:** This report will provide updated revenue, expenditure, and ending fund balance projections for FY 2023-24.
- **Mid-June – Controller's Discussion of the Mayor's Fiscal Year 2024-25 and 2025-26 Proposed Budget ("Revenue Letter"):** This report will provide the Controller's opinion regarding the reasonableness of the revenue estimates in the Mayor's Proposed Budget.

General Fund Projection

Table 2A. Base Case – Key Changes to General Fund Supported Sources and Uses – Incremental from Prior Year – FY 2024-25 - FY 2027-28 ($ Millions)

SOURCES Increase/(Decrease)	Change from FY 2024-25 Approved Budget 2024-25	Change from FY 2023-24 Budget 2024-25	Change from FY 2024-25 2025-26	Change from FY 2025-26 2026-27	Change from FY 2026-27 2027-28
Fund Balance & Reserves					
Use of Fund Balance - Gain/(Loss)	(150.0)	19.1	-	-	(141.8)
Reserves - Use	-	(19.4)	(70.8)	-	-
Subtotal Fund Balance & Reserves	(150.0)	(0.4)	(70.8)	-	(141.8)
Revenues					
General Fund Taxes, Revenues and Transfers net of items below	(110.5)	47.6	180.3	97.6	136.4
FEMA Revenue	-	(90.0)	67.0	(147.0)	-
Public Health - One-time Revenues	9.0	(16.6)	-	-	-
Public Health - Operating Revenues	15.7	31.2	17.5	15.5	15.7
Other General Fund Support	(3.0)	18.6	(3.5)	6.8	8.5
Subtotal Revenues	(88.8)	(9.3)	261.4	(27.0)	160.6
TOTAL CHANGES TO SOURCES	(238.8)	(9.6)	190.6	(27.0)	18.9
USES Decrease/(Increase)					
Baselines & Reserves					
Contributions to Baselines	14.8	(53.3)	(56.7)	(45.6)	(40.8)
Contributions to Reserves	10.8	40.0	(8.3)	(26.5)	(72.9)
Subtotal Baselines and Reserves	25.6	(13.3)	(65.0)	(72.1)	(113.7)
Salaries & Benefits					
Previously Negotiated Closed Labor Agreements	0.0	(21.8)	(34.6)	-	-
Projected Costs of Open Labor Agreements	4.1	(114.3)	(117.7)	(82.1)	(86.4)
Health & Dental Benefits - Current & Retired Employees	(6.4)	(40.4)	(36.1)	(38.9)	(41.2)
Retirement Benefits - Employer Contribution Rates	(6.4)	17.6	17.5	10.6	(17.2)
Other Salaries and Benefits Savings/(Costs)	(1.9)	(4.4)	(2.1)	(0.9)	(0.9)
Subtotal Salaries & Benefits	(10.5)	(163.3)	(172.9)	(111.1)	(145.6)
Citywide Operating Costs					
Capital, Equipment & Technology	-	4.1	(115.7)	(34.8)	(35.3)
Implementation of Multiyear Inflation on Nonprofit Congracts	(24.8)	(24.8)	(26.8)	(17.4)	(17.7)
MCO and Annualization of Prior-Year CBO COLA	-	(37.3)	(6.5)	(0.4)	(0.4)
Inflation on Non-Personnel Costs	-	-	(11.8)	(10.5)	(10.6)
Debt Service & Real Estate	(1.1)	(17.9)	(27.2)	(13.1)	(17.5)
Sewer, Water, and Power Rates	2.5	(3.7)	(7.4)	(6.9)	(6.6)
Workers' Compensation Claims	(0.8)	(3.8)	(3.2)	(3.3)	(3.5)
Citywide Technology Operating Costs	(4.9)	(8.8)	(4.8)	(5.0)	(5.4)
Other Citywide Costs	(1.6)	(3.1)	(2.9)	(2.9)	(3.4)
Subtotal Citywide Operating Costs	(30.8)	(95.2)	(206.4)	(94.3)	(100.4)
Departmental Costs					
City Administrator's Office - Convention Facilities Subsidy	1.7	1.4	0.3	(0.8)	5.5
Elections - Number of Scheduled Elections	0.0	(2.7)	1.8	(1.1)	0.3
Ethics Commission - Public Financing of Elections	(2.1)	(5.3)	3.3	1.7	(1.3)
Affordable & Permanent Supportive Housing Project Costs	1.8	(1.7)	(13.9)	(10.4)	(8.8)
Homelessness - Maintaining Shelter Capacity	(27.0)	(27.0)	-	-	-
Human Services Agency - IHSS and Other Benefit Costs	(3.4)	(17.5)	(17.5)	(21.9)	(30.5)
Public Health - Operating Costs	0.6	(14.5)	(27.7)	(49.0)	(32.5)
Economic Recovery and Activation	-	18.4	(8.7)	-	-
FY 2023-24 One-time Initiatives and Community Support Investments	-	37.6	10.0	-	-
FY 2023-24 Mid-year Reductions - Ongoing Savings	38.1	38.1	(2.4)	-	-
All Other Departmental Savings / (Costs)	0.1	10.1	(1.3)	(4.4)	3.6
Subtotal Departmental Costs	9.7	36.8	(56.1)	(86.0)	(63.7)
TOTAL CHANGES TO USES	(5.9)	(235.1)	(500.4)	(363.6)	(423.4)
Projected Surplus/(Shortfall) vs. Prior Year	(244.7)	(244.7)	(309.8)	(390.6)	(404.6)
Annual Projected Surplus/(Shortfall)	(244.7)	(244.7)	(554.5)	(945.1)	(1,349.7)
Two-Year Surplus/(Shortfall)		(799.2)			

Table 2B. Base Case – Key Changes to General Fund Supported Sources and Uses – Cumulative from Prior Year – FY 2024-25 - FY 2027-28 ($ Millions)

SOURCES Increase/(Decrease)	Change from FY 2024-25 Approved Budget 2024-25	Change from FY 2023-24 Budget 2024-25	Change from FY 2024-25 2025-26	Change from FY 2025-26 2026-27	Change from FY 2026-27 2027-28
Fund Balance & Reserves					
Use of Fund Balance - Gain/(Loss)	(150.0)	19.1	19.1	19.1	(122.7)
Reserves - Use	-	(19.4)	(90.2)	(90.2)	(90.2)
Subtotal Fund Balance & Reserves	(150.0)	(0.4)	(71.1)	(71.1)	(212.9)
Revenues					
General Fund Taxes, Revenues and Transfers net of items below	(110.5)	47.6	227.9	325.5	461.9
FEMA Revenue	-	(90.0)	(23.0)	(170.0)	(170.0)
Public Health - One-time Revenues	9.0	(16.6)	(16.6)	(16.6)	(16.6)
Public Health - Operating Revenues	15.7	31.2	48.7	64.2	79.9
Other General Fund Support	(3.0)	18.6	15.2	22.0	30.5
Subtotal Revenues	(88.8)	(9.3)	252.1	225.1	385.7
TOTAL CHANGES TO SOURCES	(238.8)	(9.6)	181.0	153.9	172.8
USES Decrease/(Increase)					
Baselines & Reserves					
Contributions to Baselines	14.8	(53.3)	(110.0)	(155.7)	(196.4)
Contributions to Reserves	10.8	40.0	31.7	5.2	(67.7)
Subtotal Baselines and Reserves	25.6	(13.3)	(78.3)	(150.4)	(264.1)
Salaries & Benefits					
Previously Negotiated Closed Labor Agreements	0.0	(21.8)	(56.4)	(56.4)	(56.4)
Projected Costs of Open Labor Agreements	4.1	(114.3)	(231.9)	(314.0)	(400.4)
Health & Dental Benefits - Current & Retired Employees	(6.4)	(40.4)	(76.5)	(115.4)	(156.6)
Retirement Benefits - Employer Contribution Rates	(6.4)	17.6	35.1	45.8	28.6
Other Salaries and Benefits Savings/(Costs)	(1.9)	(4.4)	(6.5)	(7.4)	(8.2)
Subtotal Salaries & Benefits	(10.5)	(163.3)	(336.2)	(447.4)	(593.0)
Citywide Operating Costs					
Capital, Equipment & Technology	-	4.1	(111.6)	(146.4)	(181.7)
Implementation of Multiyear Inflation on Nonprofit Congracts	(24.8)	(24.8)	(51.6)	(69.0)	(86.8)
MCO and Annualization of Prior-Year CBO COLA	-	(37.3)	(43.8)	(44.2)	(44.6)
Inflation on Non-Personnel Costs	-	-	(11.8)	(22.3)	(32.9)
Debt Service & Real Estate	(1.1)	(17.9)	(45.2)	(58.2)	(75.7)
Sewer, Water, and Power Rates	2.5	(3.7)	(11.1)	(18.0)	(24.6)
Workers' Compensation Claims	(0.8)	(3.8)	(7.0)	(10.3)	(13.8)
Citywide Technology Operating Costs	(4.9)	(8.8)	(13.6)	(18.7)	(24.1)
Other Citywide Costs	(1.6)	(3.1)	(5.9)	(8.8)	(12.2)
Subtotal Citywide Operating Costs	(30.8)	(95.2)	(301.7)	(396.0)	(496.3)
Departmental Costs					
City Administrator's Office - Convention Facilities Subsidy	1.7	1.4	1.7	0.9	6.3
Elections - Number of Scheduled Elections	0.0	(2.7)	(0.9)	(2.0)	(1.6)
Ethics Commission - Public Financing of Elections	(2.1)	(5.3)	(2.1)	(0.4)	(1.7)
Affordable & Permanent Supportive Housing Project Costs	1.8	(1.7)	(15.6)	(26.1)	(34.8)
Homelessness - Maintaining Shelter Capacity	(27.0)	(27.0)	(27.0)	(27.0)	(27.0)
Human Services Agency - IHSS and Other Benefit Costs	(3.4)	(17.5)	(34.9)	(56.8)	(87.4)
Public Health - Operating Costs	0.6	(14.5)	(42.2)	(91.2)	(123.8)
Economic Recovery and Activation	-	18.4	9.7	9.7	9.7
FY 2023-24 One-time Initiatives and Community Support Investments	-	37.6	47.6	47.6	47.6
FY 2023-24 Mid-year Reductions - Ongoing Savings	38.1	38.1	35.7	35.7	35.7
All Other Departmental Savings / (Costs)	0.1	10.1	8.8	4.4	8.0
Subtotal Departmental Costs	9.7	36.8	(19.3)	(105.3)	(169.0)
TOTAL CHANGES TO USES	(5.9)	(235.1)	(735.5)	(1,099.1)	(1,522.5)
Annual Projected Surplus/(Shortfall)	(244.7)	(244.7)	(554.5)	(945.1)	(1,349.7)
Two-Year Surplus/(Shortfall)		(799.2)			

SOURCES – REVENUES AND TRANSFERS IN

Economic Context

The U.S. economy rebounded quickly after the COVID-19 recession, the shortest recession in history. Supported by accommodative, pro-growth monetary and fiscal policies, an economic boom from late 2020 through the end of 2021 led to record-low unemployment rates, surging equity market returns, and the highest inflation in 40 years. In response, the Federal Reserve rapidly increased interest rates in early 2022 from nearly zero percent to over five percent as of December 2023.

According to the November 2023 Blue Chip consensus forecast, U.S. real gross domestic product (GDP) is expected to grow by 2.4 percent in 2023 and 1.2 percent in in 2024. Although the national economy has fared better than expected by some forecasters, slower projected 2024 growth reflects the expectation that higher interest rates and energy prices, and resumed student loan repayments, will slow economic growth.

High interest rates have had an outsized effect on San Francisco, where the technology sector has been the primary driver of economic growth, and venture capital investment fuels much of the industry's hiring. High interest rates make venture capital investment less attractive. Nationally, venture capital investment has sharply dropped from record highs set in 2020 and 2021. Locally, venture capital investment in the City was $21 billion for the first three quarters of 2023, compared with $46 billion for all of 2022, and $81 billion for all of 2021.

In 2023, hybrid and work-from-home arrangements appeared to stabilize, with weekly office attendance hovering around 50 percent of pre-pandemic levels. While hybrid work is now a national phenomenon and is expected to persist, it has an outsized impact on urban centers such as San Francisco, where office industries generate nearly three-quarters of the City's GDP.

For these reasons, the local economic outlook is worse than the national outlook. As of October 2023, San Francisco's unemployment rate was 3.4 percent, up from 2.4 percent in October 2022. This is due to job growth in Education, Health, and Leisure & Hospitality, with jobs lost in manufacturing and retail trade, and technology-related industries like information, management, and professional scientific and technical services. Local office vacancies topped 30 percent in the third quarter of 2023 and are expected to peak in mid-2024, then slowly decrease over the next decade as lower prices entice new tenants.

Overall growth rates of General Fund tax revenues are projected to be 0.4 percent in FY 2023-24, 0.9 percent in FY 2024-25, and an average of 2.8 percent in FY 2025-26 through FY 2027-28. The City's tepid revenue growth is partly related to structural changes in the local economy. Ongoing patterns of remote work, along with high interest rates, are expected to lead to declining commercial and residential real estate values, affecting property and transfer taxes. High interest rates reduce venture capital investment and thus the tech sector and business tax revenues. In addition, the City is expected to receive its last reimbursement from the Federal Emergency Management Agency (FEMA) for the COVID-19 public health emergency in FY 2025-26.

The local tourism and hospitality sector is expected to continue its recovery through the plan period at a slower pace than previously anticipated and is not expected to recover to pre-pandemic levels until after the plan period, impacting hotel tax, sales tax, and State sales tax-based subventions.

Selected General Fund Tax Revenue

Property Tax

General Fund property tax revenues are expected to remain nearly flat, ranging from $2.51 billion in FY 2023-24 to $2.54 billion in FY 2027-28. Assumptions include:

Roll growth: The locally assessed secured property roll grows based upon an annual statewide inflation factor capped at 2 percent and any changes to individual base year property values triggered by changes in ownership or new construction. The unsecured property roll generally fluctuates based upon the economic cycles and impacts on local businesses.

The change in California CPI (measured October-to-October of the two years prior to the January 1st lien date for annual assessments) is assumed at the annual 2 percent maximum. Changes in ownership and new construction are assumed to add another 0.5 percent in FY 2024-25 and 0.0 percent to the locally assessed secured property roll for the remaining years of the forecast. The projections assume that resets to office, hotel, and retail buildings' assessed values will be offset by increases for new construction and changes in ownership of single-family residential properties, which started FY 2023-24 at a median assessed value of $717,300 and comprise 73 percent of the total parcel count. The California Board of Equalization (BOE) assessed board roll and the locally assessed unsecured roll comprise approximately 6.4 percent of overall taxable property values. The values of the board and unsecured rolls are assumed to remain at their current levels of $4.36 billion and $17.50 billion, respectively.

Proposition 8 temporary reductions and Assessment Appeals Board related reserve deposits: The roll growth assumptions above speak to year-over-year changes received by the Controller's Office from the Office of the Assessor-Recorder on July 1st, after which downward adjustments to assessed values are transmitted throughout the year.

As of November 9, 2023, there were $882.7 million of assessed value reductions (or roll corrections) affecting the local secured roll for the 2023 assessment year. Corrections within the current fiscal year are considered Proposition 8 temporary reductions, though they may be the result of processing of exemptions or Proposition 19 base value transfers for residential properties. Proposition 8 temporary assessed value reductions were budgeted at $2.5 billion in FY 2023-24 and are projected to remain at that level throughout the forecast period.

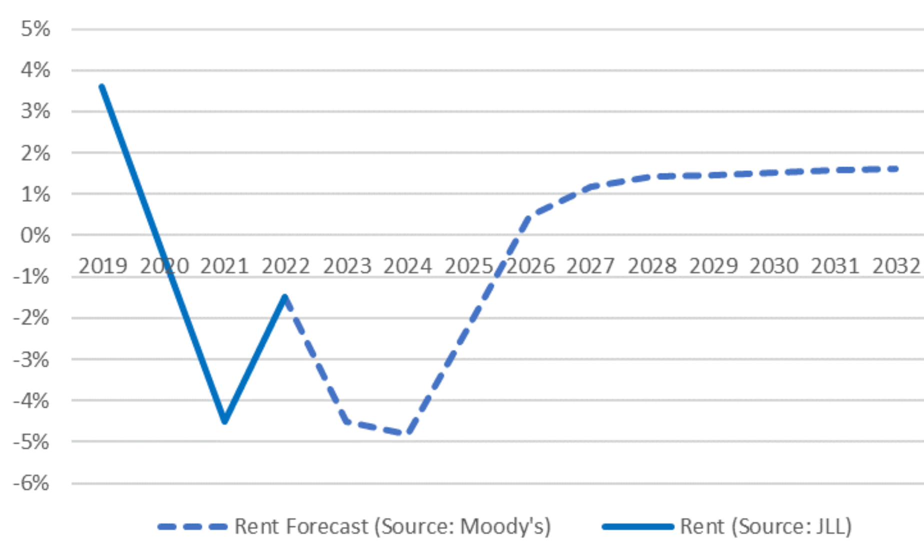
Additional current and prior year corrections are anticipated as assessment appeals and additional information are reviewed by the Assessor's Office for 2023 and the Assessment Appeals Board (AAB) renders decisions, triggering refunds of property taxes paid plus statutory interest. Prior assessment year secured roll corrections received since July 1st affecting FY 2023-24 revenues account for an additional $2.18 billion of assessed value reductions that create refunds owed from prior years' property tax collections.

As of June 30, 2023, the City is holding $147.4 million in AAB reserve for the General Fund's portion of refunds on approximately $25.13 billion in prior years' assessed value reductions, plus interest. Reserve balances are projected to grow given the capacity for hearings and requests for delays from commercial property owners' agents.

Total prior assessment year reductions assumed for this projection are $11.46 billion, $18.82 billion, $19.07 billion, $22.66 billion, and $22.50 billion in assessed values for FY 2023-24 through FY 2027-28, respectively. General Fund property tax revenue required to pay refunds that result from AAB decisions is estimated at $74.0 million, $104.6 million, $106.0 million, $126.0 million, and $125.1 million, respectively, directly reducing property tax revenue in the year of deposit.

Reserves to pay refunds on detached single family dwellings and condos are estimated using a Moody's housing price forecast for the San Francisco market, which projects an overall price decline of 10 percent in calendar year 2023, followed by increases of 2 percent, 3 percent, 6 percent, and 7 percent for 2024, 2025, 2026, and 2027, respectively. Reserves to pay refunds on office properties are estimated using vacancy and rent forecasts, derived from Jones Lang LaSalle (JLL) and Moody's data for San Francisco, that assume the direct vacancy rate (not including subleases) peaks at 19.1 percent in calendar year 2024, declines to 16.7 percent in 2025, and stabilizes at 15.2 percent going forward, and rents decline 4 percent in calendar year 2023, 5 percent in 2024, and 2 percent in 2025, remain flat in 2026, and increase 1 percent in 2027, as illustrated in Figure 1 below:

Figure 1. San Francisco Office Rent Index, 2019-2032



Supplemental and escape assessments: Supplemental assessments capture changes in value for the portion of the tax year remaining following a triggering event. A supplemental may also be issued for the full tax year following the tax year in which the event occurred and may represent decreases (or "negative supplementals") which reduce supplemental property tax revenues. Escape assessments capture a full year's increase in assessed value up to four years after the event. Projections assume supplemental and escape revenue of $62.0 million in FY 2023-24 and $53.0 million per year for FY 2024-25 through FY 2027-28.

Excess Educational Revenue Augmentation Fund (ERAF) revenues returned to the General Fund: Excess ERAF represents the portion of county, city, and special district property tax allocations that were diverted to ERAF and then reverted to the contributing taxing entity when the accumulated sum exceeded the required level of funding of a county's ERAF. In the City and County of San Francisco, the only taxing entity contributing to ERAF is the City itself. This report assumes excess ERAF revenue of $362.9 million in FY 2023-24, $321.3 million in FY 2024-25, $313.1 million in FY 2025-26, $292.3 million in FY 2026-27, and $286.3 million in FY 2027-28. While this revenue fluctuates with underlying property tax performance, it can be dramatically affected by changes in state law and school funding under Proposition 98. Such potential changes are not assumed here. However, it is assumed that the amount of City revenue required for diversion to ERAF to subsidize state aid to non-basic aid schools will continue increasing over the projection period.

Business Taxes

General Fund business tax revenue is expected to grow from $869.8 million in FY 2023-24 to $1,006.9 million in FY 2027-28. Business taxes include the gross receipts tax, business registration fees, and the administrative office tax. The gross receipts tax is highly progressive. Although more than 10,000 businesses pay the gross receipts tax, the top ten payers accounted for 27 percent of the revenue in tax year 2022.

Revenues from business taxes follow economic conditions in the City. Total wage growth spiked to nearly 9 percent in FY 2021-22 as the City recovered from the pandemic, but in FY 2022-23, wage growth slowed to 5 percent, which is lower than the six full fiscal years that preceded the pandemic. Wage growth is expected to be between 4 percent and 5 percent over the forecast period. Unemployment is expected to increase in the short term before declining to less than three percent at the end of the projection period, consistent with the unemployment rate just prior to the pandemic. The gross receipts tax base is projected to remain flat in tax year 2024, then increase two percent in tax year 2025 and three percent in tax years 2026 and 2027.

Gross receipts tax revenue is determined in part by the proportion of businesses' employees that physically work within the City limits. When workers who previously commuted into the City work from their home outside the City, business tax revenue falls. The forecast assumes that the extent of telecommuting has largely stabilized and that there will not be significant increases in gross receipts tax revenue driven by workers returning to the office.

In part because of a decreased need for office space as workers teleworked from home, the office vacancy rate rose from 5.9 percent in the fourth quarter of 2019 to 30.4 percent in the third quarter of 2023. This increase contributed to the decline in gross receipts tax revenue between FY 2021-22 and FY 2022-23. The office vacancy rate is projected to continue to increase through the first quarter of 2024 before slowly falling as existing businesses expand and new businesses enter the City. This will contribute to the growth of business tax revenue in the later years of the projection period.

In November 2020, voters passed Proposition F, which eliminated the payroll tax and modified gross receipts tax rates. The Proposition included a tax increase in 2024 for certain large business categories that has been delayed to 2025 because, as specified in the Proposition, Citywide gross receipts did not reach specified thresholds. In addition, the Mayor and the Board of Supervisors passed legislation that delayed tax increases to small businesses most affected by the pandemic. Combined, these factors are projected to reduce revenue $10.4 million in FY 2023-24, $29.2 million in FY 2024-25, and $3.5 million in FY 2025-26.

At the request of Mayor London Breed and Board President Aaron Peskin, the Controller and the Treasurer have started a process to potentially reform the City's business taxes with the goal of placing a measure on the ballot in November 2024. The goals of the reforms include reducing the risk of tax loss from remote work, reducing reliance on commercial property, and reducing volatility that arises from dependence on a small number of firms.

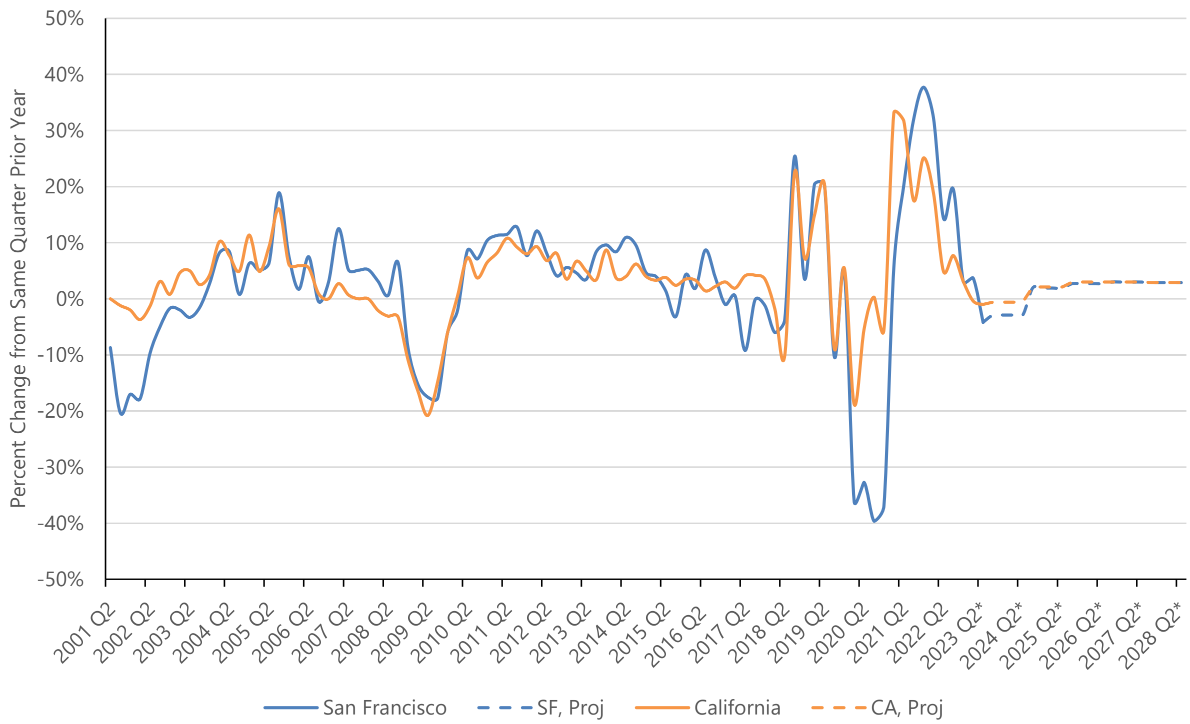
As of FY 2022-23 year-end, the City reserved more than $400 million of tax collections for litigation risk – almost $200 million in gross receipts tax and almost $150 million in homelessness gross receipts tax. The legal issues vary by claimant; however, the acceleration of litigation in the past few years underscores the growing complexity of the City's business tax regime, and the impact that a few payers can have on the City's tax outlook. The business tax forecast accounts for all known litigation.

Sales Tax

Sales tax revenues are expected to grow from $192.2 million in FY 2023-24 to $213.2 million by FY 2027-28, nearly reaching pre-pandemic levels in the last year. As shown in Figure 2, San Francisco sustained significant losses in FY 2019-20 and FY 2020-21, with sales tax revenues declining as much as 39.6 percent in the 3rd quarter of 2020. The City has seen lower daytime populations from the lack of travelers and in-commuters shopping and eating in restaurants. In addition, the Census Bureau estimates that San Francisco's resident population declined 6.7 percent between April 2020 and July 2021. In FY 2021-22, local sales tax strongly rebounded, with peak growth of 37.7 percent in the fourth quarter of 2021 as businesses reopened and restrictions on restaurants, hospitality, and travel eased. In FY 2022-23, sales tax grew 19.5 percent in the third quarter of 2022, then dropped 3 percent in the next two quarters, and finally declined 4.2 percent in the second quarter of 2023. Growth was primarily due to restaurants and hotels, as visitors from conferences and events increased daytime population, and as menu prices increased due to inflation and labor shortages.

The forecast assumes that the pandemic "bounce back" has ended, with overall slightly negative or slow growth in the future. Recent negative trends in the automotive, fuel, and general consumer goods industry groups are expected to continue in FY 2023-24. Sales tax growth in FY 2024-25 and FY 2025-26 is expected to be extremely modest, with the greatest growth in restaurants and hotels, the State and County pools, and building and construction industries. In FY 2026-27 and FY 2027-28, the projection assumes that San Francisco and California's growth keep pace with each other, at 3.0 percent and 2.9 percent, respectively.

Figure 2. Change in State and Local Sales Tax Revenues from Same Quarter Prior Year, FY 2001-02 through FY 2027-28

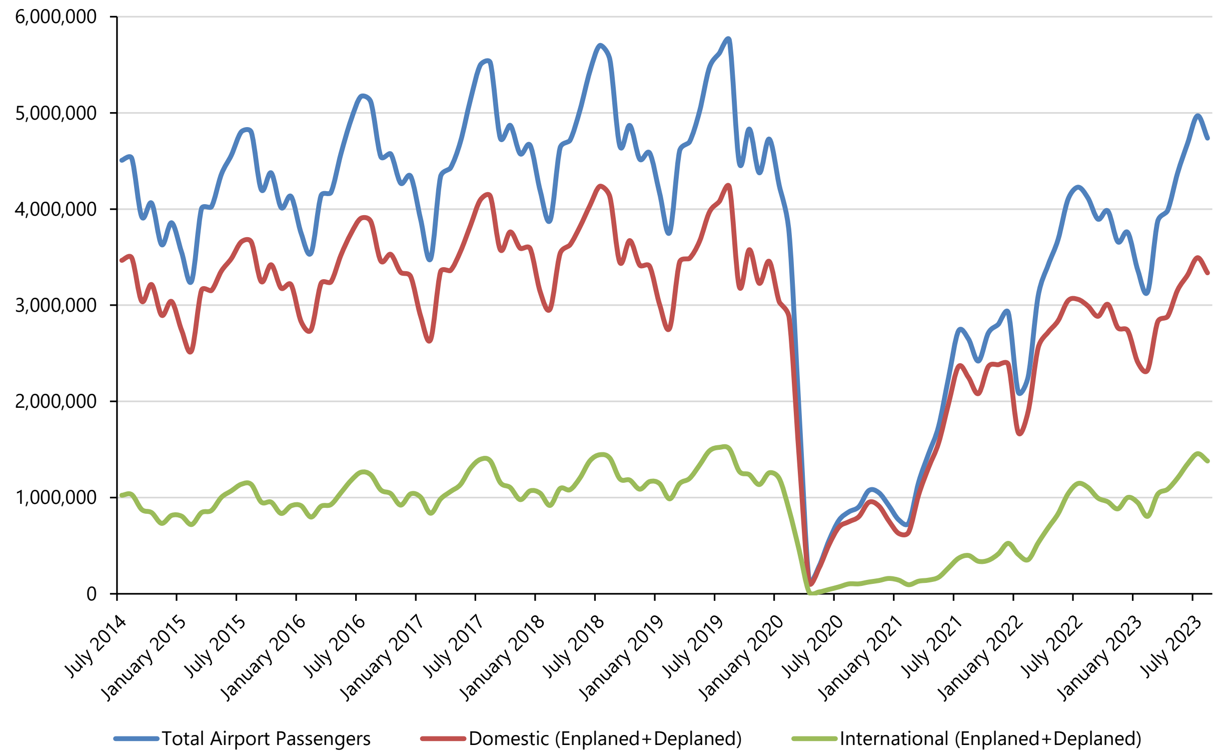


Hotel Tax

Hotel tax revenue across all funds is expected to grow from $306.1 million in FY 2023-24 to $371.5 by FY 2027-28. General Fund hotel tax is expected to grow from a projected $267.6 million in FY 2023-24 to $330.4 million by FY 2027-28. All funds hotel tax revenue declined drastically in the early months and years of the COVID-19 pandemic, from a high of $414.3 million in FY 2018-19, to $281.6 million in FY 2019-20, and $42.2 million in FY 2020-21. As restrictions eased and vaccines became more widely available, all funds' hotel taxes began to recover and totaled $179.1 million in FY 2021-22 and $283.5 million in FY 2022-23. The forecast assumes that the hospitality sector will continue to recover but will not reach pre-pandemic levels until after the plan period, slower than previously projected.

Visitors to the City, and resulting hotel tax revenues, are primarily derived from three groups of travelers: domestic and international leisure travelers, individual business travelers, and groups attending conferences and conventions. Most visitors travel to San Francisco by air; combined enplaned and deplaned passengers are shown in Figure 3. By July 2023, total domestic and international passengers at San Francisco International Airport (SFO) reached a post-pandemic peak of 4.9 million passengers, 88 percent of pre-pandemic levels. Passenger activity is expected to improve over the plan years.

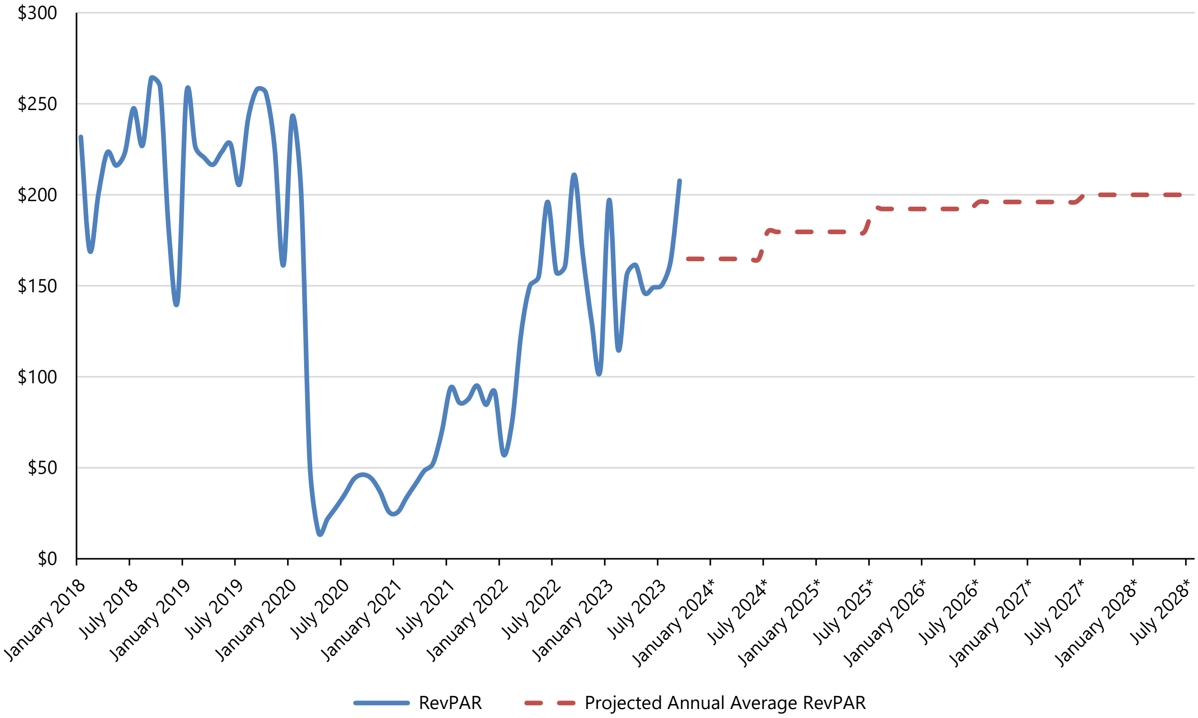
Figure 3. San Francisco International Airport Passengers, July 2014 through August 2023



Hotel tax revenue is strongly correlated with revenue per available room (RevPAR), which is influenced by average daily room rates (ADR) and occupancy rates. RevPAR declined to an all-time low of $14.40 in April 2020 from a pre-pandemic high of $224.20 in FY 2018-19. The hospitality industry is gradually recovering, with annual average RevPAR of $42.03, $108.16, and $154.76 in FY 2020-21, FY 2021-22, and FY 2022-23, respectively. Initially boosted by leisure travelers, the recovery continued in FY 2021-22 and 2022-23 largely due to the return of conferences and conventions. In FY 2021-22, San Francisco's Moscone Center hosted 23 conferences with over 126,000 attendees and in FY 2022-23 it hosted 33 conferences with over 286,000 attendees. This is compared to zero events in FY 2020-21 and 54 events with over 723,000 attendees in FY 2018-19. Though nowhere near the FY 2018-19 peak, the effects of compression pricing on RevPAR as a result of conventions is clear; RevPAR spikes with each convention, driving up hotel tax collections. Figure 4 provides actual and projected RevPAR from January 2018 through July 2028. The hotel tax forecast assumes annual average RevPAR of $164.85, $179.69, $192.27, $196.11, and $200.03 for FY 2023-24 through FY 2027-28.

November 2018 Proposition E allocated 1.5 percent of the 14 percent hotel tax rate (or approximately 10.7 percent of revenue) to arts programming outside of the General Fund. Due to the unprecedented drop in revenue, this allocation declined to $4.5 million in FY 2020-21 and $19.2 million in FY 2021-22 but was backfilled with General Fund by the Mayor and Board of Supervisors in those budget years. As hotel tax revenue recovers, the allocation is projected to increase to $33.5 million in FY 2023-24 and $41.1 million by FY 2027-28.

Figure 4. Actual Monthly and Projected Annual Average San Francisco Revenue Per Available Room (RevPAR), FY 2017-18 through FY 2027-28



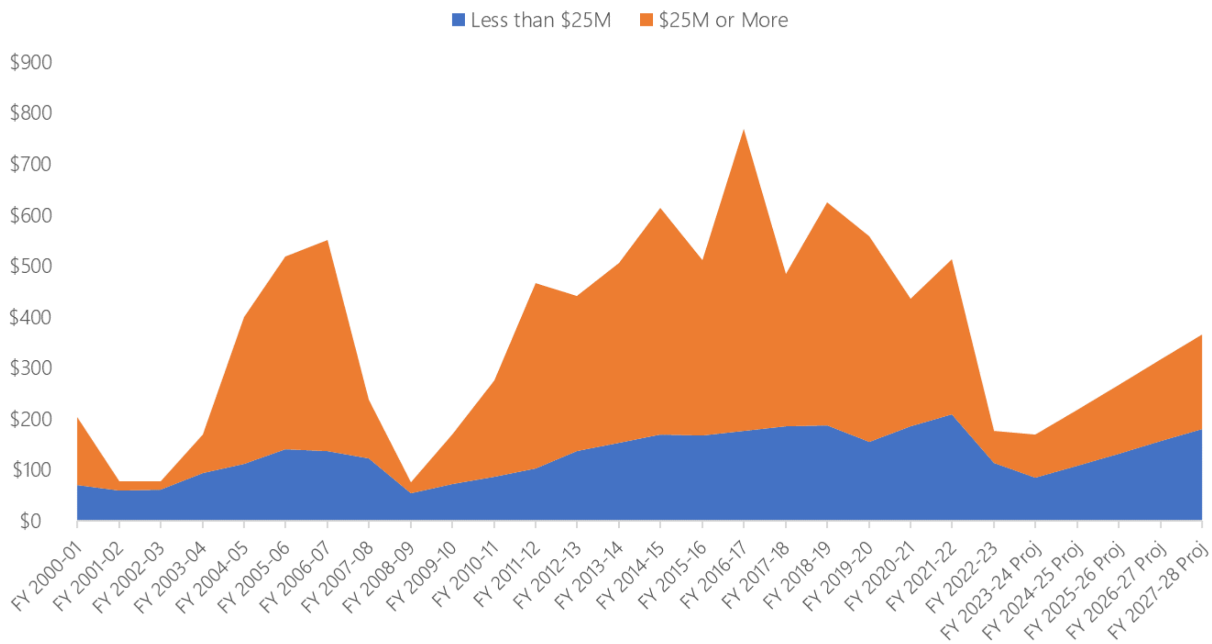
Source: FY 2017-18 to FY 2022-23: STR and SF Travel. FY 2023-24 to FY 2027-28: Controller's Office.

Real Property Transfer Tax

Real property transfer tax (RPTT) revenue is projected to grow from $170.1 million in FY 2023-24 to $365.0 million in FY 2027-28, an anticipated average steady-state. While generally increasing year over year, these figures represent reductions of $51.9 million (23.4 percent) and $50.8 million (18.8 percent) from prior projections, reflecting the current dearth of large commercial transactions. RPTT is one of the most volatile of all revenue sources and is highly sensitive to economic cycles, interest rates, and other factors affecting global real estate investment decisions. The forecast assumes that office and residential values are threatened by the interest rate environment and the persistence of working from home, resulting in lower values and fewer transfers compared to rate-adjusted historical average.

Due to the tiered structure of the tax, a small number of high-value transactions, primarily commercial, generate a disproportionate amount of revenue. For example, in FY 2022-23 transactions over $10.0 million accounted for 0.8 percent of total transactions but generated 50.2 percent of total revenue. Compounding the volatility is November 2020 Proposition I, which doubled the transfer tax rate on real estate transactions over $10.0 million. Proposition I is projected to generate $42.9 million, $55.2 million, and $67.5 million in FY 2023-24, FY 2024-25, and FY 2025-26, respectively.

Figure 5. Rate-Adjusted Real Property Transfer Tax, Actuals FY 2000-01 through FY 2022-23, Projected FY 2023-24 through FY 2027-28 ($ millions)



Overpaid Executives Tax

In November 2020, voters passed Proposition L which created a new tax on businesses that depends on the ratio of the total compensation of the highest paid managerial employee to the median compensation of its employees in the City. Although the tax was operative for tax year 2022, no payments were required until the annual business tax filing at the end of February 2023. The timing of tax payments meant that the total collected for FY 2022-23, $206.0 million, included collections for the full tax year 2022 as well as two quarterly prepayments for 2023. Revenue from the tax is forecast to be $120.0 million in all years of the forecast period. However, this is expected to be a volatile revenue source because most of the revenue is generated from a small number of businesses. In tax year 2022, more than 75 percent of the revenue came from just 10 businesses. Additionally, the levels of salary, benefits, bonuses and equity that comprise executive compensation can vary widely from year to year.

Federal Emergency Management Agency (FEMA) Revenue

The plan assumes FEMA reimbursements for COVID-19-related expenditures of $123.6 million in FY 2023-24 (shown as fund balance, see fund balance discussion below), $80.0 million in FY 2024-25, and $147.0 million in FY 2025-26. These figures reflect a reduction of $46.4 million in FY 2023-24, no change in FY 2024-25, and an increase of $67.0 million in FY 2025-26 from amounts previously projected and budgeted.

The March 2023 forecast and adopted FY 2023-24 and FY 2024-25 budget assumed the City would receive a total of $572.2 million in FEMA COVID-19 reimbursements over all years. In this forecast, the total amount of reimbursements assumed is unchanged; however, more payments are expected to be received in the latter years of the forecast. The forecast reflects current FEMA guidance and the City's claims submitted to date. Changes in guidance on eligible expenses or subsequent audits of the City's submissions represent areas of risk to these revenues.

The City and dozens of peer jurisdictions in the state are in active discussions with FEMA Region 9 regarding recently published guidance on eligible costs for non-congregate shelter (NCS) services, which San Francisco provided through the Shelter in Place (SIP) hotel program. This new guidance caps reimbursement for stays in SIP hotels to 20 days after June 11, 2021, and states that unoccupied rooms are generally ineligible for reimbursement. The City has reported to the California Office of Emergency Services (CalOES) that the new guidance could potentially place $114.0 million of claimed FEMA reimbursement at risk for the cost of SIP hotels for vulnerable populations past the 20-day cap, and an additional $76M at risk for the cost of pre-positioned vacant hotels, and will continue working with CalOES and FEMA representatives on next steps.

Table 3A. Summary of General Fund Revenues and Transfers FY 2022-23 - FY 2027-28 ($ Millions)

	FY 2022-23 Pre-Audit Year-End	FY 2023-24 Original Budget	FY 2023-24 Projection	FY 2024-25 Projection	FY 2025-26 Projection	FY 2026-27 Projection	FY 2027-28 Projection
Property Taxes	$ 2,466.9	$ 2,510.0	$ 2,527.9	$ 2,487.6	$ 2,505.5	$ 2,496.3	$ 2,535.3
Business Taxes	850.6	851.1	869.8	887.7	949.9	975.4	1,006.9
Sales Tax	197.9	200.0	192.2	195.9	201.2	207.2	213.2
Hotel Room Tax	252.9	302.9	267.6	294.3	317.5	323.9	330.4
Utility Users Tax	110.7	111.4	120.5	112.8	114.0	115.1	116.3
Parking Tax	82.7	84.1	86.0	89.3	91.2	93.1	95.0
Real Property Transfer Tax	186.2	222.0	170.1	218.8	267.6	316.3	365.0
Sugar Sweetened Beverage Tax	12.9	13.7	13.7	13.7	13.7	13.7	13.7
Stadium Admission Tax	6.0	9.1	7.4	7.4	7.4	7.4	7.4
Access Line Tax	53.2	55.6	66.8	56.4	57.9	59.1	59.1
Cannabis Tax	-	-	-	-	-	8.2	8.2
Executive Pay	206.0	100.0	120.0	120.0	120.0	120.0	120.0
Local Tax Revenues	**4,426.0**	**4,460.0**	**4,442.0**	**4,483.9**	**4,645.9**	**4,735.7**	**4,870.5**
Licenses, Permits & Franchises	29.0	30.3	31.4	31.4	31.2	31.0	30.9
Fines, Forfeitures & Penalties	3.2	3.0	3.0	3.1	3.1	3.1	3.1
Interest & Investment Income	105.0	121.1	151.5	143.6	151.0	147.6	138.1
Rents & Concessions	12.5	14.6	14.6	14.8	14.8	14.8	14.8
Licenses, Fines, Interest, Rent	**149.6**	**168.9**	**200.5**	**192.9**	**200.1**	**196.5**	**186.9**
Social Service Subventions	(3.4)	337.6	337.6	344.9	344.9	344.9	344.9
Disaster Relief - FEMA & ARPA	2.6	170.0	123.6	80.0	147.0	-	-
Other Grants & Subventions	303.9	1.5	1.5	1.5	1.5	1.5	1.5
Federal Subventions	**303.1**	**509.1**	**462.7**	**426.4**	**493.4**	**346.4**	**346.4**
Social Service Subventions	278.4	305.4	305.4	310.5	310.5	310.5	310.5
Health & Welfare Realignment - Sales Tax	247.9	233.7	223.9	229.0	236.7	244.5	252.4
Health & Welfare Realignment - VLF	42.8	48.0	43.4	45.8	45.7	45.7	45.7
Health & Welfare Realignment - CalWORKs MOE	37.6	21.7	21.7	20.3	20.3	20.3	20.3
Health/Mental Health Subventions	211.7	160.8	160.8	162.2	162.2	162.2	162.2
Public Safety Sales Tax	94.9	100.4	98.1	101.0	104.5	107.6	110.9
Motor Vehicle In-Lieu (County & City)	1.6	-	-	-	-	-	-
Public Safety Realignment (AB109)	58.5	51.6	58.5	58.5	58.6	58.7	58.7
Other Grants & Subventions	55.5	42.5	42.5	19.5	19.5	19.5	19.5
State Subventions	**1,029.0**	**964.1**	**954.3**	**946.8**	**958.0**	**969.0**	**980.2**
General Government Service Charges	48.2	51.2	51.2	54.0	54.0	54.0	54.0
Public Safety Service Charges	43.8	42.4	42.4	43.6	43.6	43.6	43.6
Recreation Charges - Rec/Park	23.7	27.6	27.6	29.1	29.1	29.1	29.1
MediCal, MediCare & Health Svc. Chgs.	84.9	105.6	105.6	91.9	91.9	91.9	91.9
Other Service Charges	22.4	19.9	19.9	19.9	19.9	19.9	19.9
Charges for Services	**223.0**	**246.7**	**246.7**	**238.4**	**238.4**	**238.4**	**238.4**
Recovery of General Gov't Costs	19.9	26.2	26.2	26.2	26.2	19.9	19.9
Other Revenues	15.6	21.4	21.4	31.1	31.1	31.1	31.1
TOTAL REVENUES	**6,166.1**	**6,396.4**	**6,353.8**	**6,345.8**	**6,593.2**	**6,537.2**	**6,673.6**
Transfers in to General Fund							
Airport	48.7	50.9	50.9	54.1	56.5	59.5	63.8
Commercial Rent Tax Transfer In	28.5	28.4	28.2	28.1	27.7	27.7	28.0
Other Transfers	114.9	132.1	132.1	124.5	124.5	124.5	124.5
Total Transfers-In	**192.1**	**211.3**	**211.1**	**206.7**	**208.7**	**211.7**	**216.3**
TOTAL GF Revenues and Transfers-In	**6,358.2**	**6,607.7**	**6,565.0**	**6,552.5**	**6,801.9**	**6,748.9**	**6,889.9**

Table 3B. Year-Over-Year Change in Projected General Fund Revenues FY 2022-23 - FY 2027-28

	FY 2023-24 % Chg from FY 2022-23 Year-End	FY 2024-25 % Chg from FY2023-24 Projection	FY 2025-26 % Chg from FY 2024-25 Projection	FY 2026-27 % Chg from FY 2025-26 Projection	FY 2027-28 % Chg from FY 2026-27 Projection
Property Taxes	0.7%	-1.6%	0.7%	-0.4%	1.6%
Business Taxes	2.2%	2.1%	7.0%	2.7%	3.2%
Sales Tax	-3.9%	1.9%	2.7%	3.0%	2.9%
Hotel Room Tax	-11.7%	10.0%	7.9%	2.0%	2.0%
Utility Users Tax	8.1%	-6.4%	1.1%	1.0%	1.0%
Parking Tax	2.3%	3.8%	2.1%	2.1%	2.0%
Real Property Transfer Tax	-23.4%	28.6%	22.3%	18.2%	15.4%
Sugar Sweetened Beverage Tax	-0.3%	0.0%	0.0%	0.0%	0.0%
Stadium Admission Tax	-18.7%	0.0%	0.0%	0.0%	0.0%
Access Line Tax	20.1%	-15.6%	2.7%	2.1%	0.0%
Cannabis Tax	N/A	N/A	N/A	100.0%	0.0%
Executive Pay	20.0%	0.0%	0.0%	0.0%	0.0%
Subtotal - Tax Revenues	**-0.4%**	**0.9%**	**3.6%**	**1.9%**	**2.8%**
Licenses, Permits & Franchises	3.7%	-0.1%	-0.6%	-0.6%	-0.3%
Fines, Forfeitures & Penalties	0.0%	4.2%	0.0%	0.0%	0.0%
Interest & Investment Income	25.1%	-5.2%	5.2%	-2.3%	-6.4%
Rents & Concessions	0.0%	1.6%	0.0%	0.0%	0.0%
Subtotal - Licenses, Fines, Interest, Rent	**18.7%**	**-3.8%**	**3.7%**	**-1.8%**	**-4.9%**
Social Service Subventions	0.0%	2.1%	0.0%	0.0%	0.0%
Disaster Relief - FEMA & ARPA	-27.3%	-35.3%	N/A	N/A	N/A
Other Grants & Subventions	0.0%	5.9%	0.0%	0.0%	0.0%
Subtotal - Federal Subventions	**-9.1%**	**-7.8%**	**15.7%**	**-29.8%**	**0.0%**
Social Service Subventions	0.0%	1.7%	0.0%	0.0%	0.0%
Health & Welfare Realignment - Sales Tax	-4.2%	2.3%	3.4%	3.3%	3.2%
Health & Welfare Realignment - VLF	-9.6%	5.6%	-0.2%	0.0%	0.0%
Health & Welfare Realignment - CalWORKs MOE	0.0%	-6.4%	0.0%	0.0%	0.0%
Health/Mental Health Subventions	0.0%	0.9%	0.0%	0.0%	0.0%
Public Safety Sales Tax	-2.3%	2.9%	3.5%	3.0%	3.1%
Motor Vehicle In-Lieu (County & City)	N/A	N/A	N/A	N/A	N/A
Public Safety Realignment (AB109)	13.3%	0.1%	0.1%	0.2%	0.0%
Other Grants & Subventions	0.0%	-54.1%	0.0%	0.0%	0.0%
Subtotal - State Subventions	**-1.0%**	**-0.8%**	**1.2%**	**1.1%**	**1.2%**
General Government Service Charges	0.0%	5.6%	0.0%	0.0%	0.0%
Public Safety Service Charges	0.0%	2.7%	0.0%	0.0%	0.0%
Recreation Charges - Rec/Park	0.0%	5.2%	0.0%	0.0%	0.0%
MediCal, MediCare & Health Svc. Chgs.	0.0%	-12.9%	0.0%	0.0%	0.0%
Other Service Charges	0.0%	-0.2%	0.0%	0.0%	0.0%
Subtotal - Charges for Services	**10.6%**	**-3.3%**	**0.0%**	**0.0%**	**0.0%**
Recovery of General Government Costs	**0.0%**	**0.0%**	**0.0%**	**-23.9%**	**0.0%**
Other Revenues	**0.0%**	**45.3%**	**0.0%**	**0.0%**	**0.0%**
TOTAL REVENUES	**-0.7%**	**-0.1%**	**3.9%**	**-0.9%**	**2.1%**
Transfers in to General Fund					
Airport	**0.0%**	**6.3%**	**4.4%**	**5.3%**	**7.2%**
Commercial Rent Tax Transfer In	**-0.6%**	**-0.3%**	**-1.4%**	**0.0%**	**1.1%**
Other Transfers	**0.0%**	**-5.7%**	**0.0%**	**0.0%**	**0.0%**
Total Transfers In	**-0.1%**	**-2.1%**	**1.0%**	**1.4%**	**2.2%**
TOTAL GF Revenues and Transfers-In	**-0.6%**	**-0.2%**	**3.8%**	**-0.8%**	**2.1%**

SOURCES – ONE-TIME SOURCES INCLUDING FUND BALANCE & RESERVES

Fund Balance

This plan assumes the use of $425.2 million of fund balance, which includes:

- $291.7 million of fund balance previously appropriated in the FY 2024-25 adopted budget
- $81.2 million of unappropriated fund balance that was assumed as a source in FY 2025-26 in the March 2023 Joint Report
- $3.1 million of additional unappropriated fund balance from the FY 2022-23 close

Additionally, the following FY 2023-24 updates are also incorporated:

- $47.2 million of current year revenue weakness
- $74.8 million of additional departmental revenues and expenditure savings resulting from the Mayor's Office direction to identify mid-year reductions to spending
- $21.6 million of inactive project closeouts

Fund balance is assumed to be used equally over three years, $141.7 million in FY 2024-25 through FY 2026-27.

Reserves

The City has a number of reserves intended to reduce the effect of revenue volatility on the City's budget and service levels, particularly in the case of economic shocks. Other reserves fund citywide expenses for labor, litigation, and other costs. Table 4 outlines the projected uses, deposits, and balances of General Fund reserves assumed in the plan.

Table 4. Projected Uses, Deposits & Balances of Reserves FY 2022-23 through FY 2027-28 ($ Millions)

	FY 2022-23	FY 2023-24			FY 2024-25			FY 2025-26			FY 2026-27			FY 2027-28		
	Pre-Audit Ending Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance
General Reserve	**$ 57.8**	**$ 70.8**	**-**	**$ 128.7**	**$ 14.1**	**-**	**$ 142.8**	**$ 21.9**	**-**	**$ 164.7**	**$ 15.1**	**-**	**$ 179.8**	**$ 20.4**	**-**	**$ 200.2**
Rainy Day Economic Stabilization City Reserve	114.5	-	-	114.5	-	-	114.5	-	-	114.5	-	-	114.5	-	-	114.5
Budget Stabilization Reserve	275.2	-	-	275.2	-	-	275.2	-	-	275.2	32.8	-	307.9	99.9	-	407.8
Economic Stabilization Reserves	**389.7**	**-**	**-**	**389.7**	**-**	**-**	**389.7**	**-**	**-**	**389.7**	**32.8**	**-**	**422.5**	**99.9**	**-**	**522.4**
Percent of General Fund Revenues	***6.3%***			***6.1%***			***6.1%***			***5.9%***			***6.5%***			***7.8%***
Budget Stabilization One Time Reserve	54.8	-	-	54.8	-	-	54.8	-	-	54.8	-	-	54.8	-	-	54.8
Rainy Day Economic Stabilization SFUSD Reserve	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Federal and State Emergency Grant Disallowance	81.3	-	-	81.3	-	(41.3)	40.0	-	-	40.0	-	-	40.0	-	-	40.0
Fiscal Cliff Reserve	220.4	-	(90.2)	130.3	-	-	130.3	-	-	130.3	-	-	130.3	-	-	130.3
Business Tax Stabilization Reserve	29.5	-	-	29.5	-	(29.5)	-	-	-	-	-	-	-	-	-	-
Public Health Revenue Management Reserve	130.3	-	-	130.3	-	-	130.3	-	-	130.3	-	-	130.3	-	-	130.3
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)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Reserves	**528.7**	**-**	**(101.5)**	**427.2**	**-**	**(70.8)**	**356.4**	**-**	**-**	**356.4**	**-**	**-**	**356.4**	**-**	**-**	**356.4**
Litigation Reserve	-	10.8	(10.8)	-	10.8	(10.8)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-
Salary and Benefits Reserve	27.9	-	(27.9)	-	21.0	(21.0)	-	29.6	(29.6)	-	30.3	(30.3)	-	31.1	(31.1)	-
Annual Operating Reserves	**27.9**	**10.8**	**(38.7)**	**-**	**31.8**	**(31.8)**	**-**	**40.6**	**(40.6)**	**-**	**41.3**	**(41.3)**	**-**	**42.1**	**(42.1)**	**-**
TOTAL, General Fund Reserves	**1,004.2**	**81.6**	**(140.3)**	**945.5**	**45.9**	**(102.6)**	**888.9**	**62.5**	**(40.6)**	**910.8**	**89.2**	**(41.3)**	**958.6**	**162.4**	**(42.1)**	**1,079.0**

General Reserve: Consistent with the financial policies adopted by the Board of Supervisors in April 2010 and codified in Administrative Code Section 10.60(b), this report anticipates the General Reserve required balance to increase from 2.0 percent of General Fund revenue in FY 2023-24 to 3.0 percent by FY 2027-28, incrementally increasing by 0.25 percent each year. Deposits to the General Reserve are projected to be $70.8 million, $14.1 million, $21.9 million, $15.1 million, and $20.4 million, in FY 2023-24 through FY 2027-28, respectively. This report assumes no use of the General Reserve in any year.

Economic Stabilization Reserves (Rainy Day and Budget Stabilization Reserves): Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50 percent of revenue growth over 5 percent, which can be used when revenues decline. Administrative Code Section 10.60(b) establishes a Budget Stabilization Reserve funded by certain one-time revenues, which can be used when revenues decline. This report reflects no withdrawals from either reserve. The City is anticipated to deposit $32.8 million and $99.9 million to the Budget Stabilization Reserve in FY 2026-27 and FY 2027-28, based on projected transfer tax exceeding the prior five-year average.

Budget Stabilization One Time Reserve: Administrative Code Section 10.60(c) establishes a Budget Stabilization One-Time Reserve, funded when the combined Rainy Day and Budget Stabilization Reserves exceed 10 percent. The FY 2022-23 budget used this $54.8 million reserve for budget balancing; however, given departmental operating results at year end, this was not needed and the reserve's balance was restored.

Federal and State Emergency Grant Disallowance Reserve, Fiscal Cliff Reserve, and Business Tax Stabilization Reserve: The FY 2023-24 and FY 2024-25 budget spent $90.2 million of Fiscal Cliff reserve in FY 2023-24, $41.3 million of Federal and State Emergency Grant Disallowance Reserve and $29.5 million of Business Tax Stabilization Reserve in FY 2024-25. No other uses of these reserves are assumed.

SOURCES – OTHER CITYWIDE AND DEPARTMENTAL REVENUES

Public Health – One-Time and Operating Revenues

The Department of Public Health (DPH) projects a revenue increase of $14.5 million in FY 2024-25 from the prior fiscal year, followed by increases of $17.5 million in FY 2025-26, $15.5 million in FY 2026-27, and $15.7 million in FY 2027-28. The increases in revenue in FY 2024-25 and FY 2025-26 are due to projected growth in revenues at Zuckerberg San Francisco General Hospital and a new assumption that DPH will receive deferred Medi-Cal revenue each year of the projection period. The growth revenue is offset by the reduction in one-time revenues budgeted in prior years. The revenue projection also assumes that there will be no growth in revenue at Laguna Honda Hospital, given the pending Medicare recertification. The future annual increases in revenues are driven by fee-for-service and capitation payments at the Zuckerberg San Francisco General Hospital, which are assumed to increase by CPI of 2.65 percent in FY 2024-25, 2.57 percent in FY 2025-26, 2.23 percent in FY 2026-27, and 2.21 percent in FY 2027-28.

Other General Fund-Supported Revenues

Other General Fund supported revenues are projected to increase by $18.6 million in FY 2024-25, decrease by $3.5 million in FY 2025-26, increase by $6.8 million in FY 2026-27, and increase by $8.5 million in FY 2027-28. These revenues include State and Federal revenues supporting the Human Services Agency, the Airport's annual service payment to the General Fund, the portion of commercial rent tax revenue ("Baby C") that go to the General Fund, as well as other small revenue changes. Major changes include:

- **Airport Revenues:** The General Fund receives 25 percent of Airport concessions revenue annually. For FY 2024-25 through FY 2027-28, the Airport projects these revenues to increase by $3.2 million, $2.4 million, $3.0 million, and $4.3 million, respectively. Revenues from public parking, car rental, ground transportation trip fees, duty-free, food and beverage, and retail activities are expected to increase with passenger traffic.

- **Human Services Agency (HSA) Revenues:** HSA is projected to draw incremental state and federal revenues to pay for a portion of salaries and fringe benefit cost growth included in this report. This results in a revenue increase of $4.3 million in FY 2024-25, $3.1 million in FY 2025-26, $2.4 million in FY 2026-27, and $2.4 million in FY 2027-28.

USES – BASELINES

The Charter specifies funding levels for various programs that are generally linked to changes in discretionary General Fund revenues ("aggregate discretionary revenue or "ADR"), though some are a function of citywide expenditures or base-year program expenditure levels. Baselines and set-asides are projected to total $1,980.6 million in FY 2024-25 and increase to $2,137.8 million by FY 2027-28.

The General Fund's mandated contributions to baselines and set-asides is increasing by $13.3 million in FY 2024-25, $65.0 million in FY 2025-26, $72.1 million in FY 2026-27, and $113.7 million in FY 2027-28, respectively. Projected baseline contributions, property tax set-asides and spending requirements are summarized below and in Table 5. Please note that Table 5 includes both General Fund contributions to baselines, non-General Fund contributions to baselines, and other mandated spending requirements. Thus, the total amounts do not match the changes in the General Fund projection presented in Table 1 and described above.

Table 5. Projected Baselines, Set-Asides and Other Mandated Costs, FY 2023-24 - FY 2027-28 ($ Millions)

	FY 2022-23 Actuals	FY 2023-24 Budget	FY 2023-24 Projection	FY2024-25 Projection	FY 2025-26 Projection	FY 2026-27 Projection	FY 2027-28 Projection	Deficit Trigger
General Fund Aggregate Discretionary Revenue (ADR)	$ 4,459.6	$ 4,497.8	$ 4,509.9	$ 4,646.2	$ 4,828.6	$ 4,914.1	$ 5,038.0	
Municipal Transportation Agency (MTA)								
MTA - Municipal Railway Baseline: 7.68% of ADR, includin	315.2	317.9	318.7	328.4	341.3	347.3	356.1	
MTA - Parking & Traffic Baseline: 2.507% ADR	112.0	112.6	113.1	116.5	121.1	123.2	126.3	
MTA - Population Adjustment	58.0	82.8	68.6	75.0	76.3	77.5	79.0	
MTA - 80% Parking Tax In-Lieu	66.2	67.3	68.8	71.4	73.0	74.5	76.0	
Subtotal Municipal Transportation Agency	$ 551.4	$ 580.6	$ 569.2	$ 591.3	$ 611.6	$ 622.5	$ 637.3	
Library Preservation Fund								
Library - Baseline: 2.286% ADR	102.1	102.7	103.1	106.2	110.4	112.3	115.2	*
Library - Property Tax: $0.025 per $100 Net Assessed Valua	78.7	79.5	80.2	79.8	80.6	80.9	82.5	
Subtotal Library	180.8	182.2	183.3	186.0	191.0	193.2	197.7	
Children's Services								
Children's Services Baseline - Requirement: 4.830% ADR	215.4	217.2	217.8	224.4	233.2	237.3	243.3	
Transitional Aged Youth Baseline - Requirement: 0.580% AD	25.9	26.1	26.2	27.0	28.0	28.5	29.2	
Early Care and Education Baseline (Jun 2018 Prop C) -	93.8	93.2	93.8	96.4	100.4	102.2	104.8	*
Public Education Services Baseline: 0.290% ADR (50% GF)	6.5	6.5	6.5	6.7	7.0	7.1	7.3	
Children and Youth Fund Property Tax Set-Aside: $0.0375-	125.5	127.2	128.3	127.6	129.0	129.3	132.0	
Public Education Enrichment Fund: 3.057% ADR	136.3	137.5	137.9	142.0	147.6	150.2	154.0	
1/3 Annual Contribution to Preschool for All	45.5	45.8	46.0	47.3	49.2	50.1	51.3	
2/3 Annual Contribution to SF Unified School District	91.0	91.6	91.9	94.7	98.4	100.1	102.7	
Student Success Fund (SFUSD)	N/A	11.0	11.0	35.0	45.0	60.0	61.5	*
Subtotal Childrens Services (Required)	603.3	618.8	621.4	659.1	690.2	714.7	732.2	
Recreation and Parks								
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	78.7	79.5	80.2	79.8	80.6	80.9	82.5	
Recreation & Parks Baseline - Requirement	82.2	82.2	82.2	85.2	88.2	89.7	92.0	*
Subtotal Recreation and Parks (Required)	160.8	161.7	162.3	164.9	168.8	170.6	174.5	
Other Financial Baselines								
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirem	215.0	215.0	215.0	215.0	215.0	215.0	215.0	
Housing Trust Fund Requirement	45.2	48.0	48.0	50.8	52.8	53.7	55.1	
Dignity Fund	56.1	56.1	56.1	59.1	62.1	65.1	66.7	*
Street Tree Maintenance Fund	23.0	22.8	23.0	23.7	24.6	25.0	25.7	*
Municipal Symphony Baseline: $0.00125 per $100 NAV	4.0	4.3	4.3	4.4	4.5	4.6	4.7	
City Services Auditor: 0.2% of Citywide Budget	26.1	26.0	26.0	26.5	27.5	28.2	29.0	
Subtotal Other Financial Baselines (Required)	369.4	372.2	372.4	379.5	386.4	391.6	396.2	
Total Financial Baselines	1,865.7	1,915.5	1,908.6	1,980.6	2,048.1	2,092.6	2,137.8	

Note: Table shows required funding levels.

Municipal Transportation Agency: Charter Section 8A.105 established a minimum level of funding for the Municipal Transportation Agency (MTA) and the Parking and Traffic Commission within the MTA. Funding for these two baselines is adjusted annually by the percent increase or decrease in General Fund Aggregate Discretionary Revenue (ADR). In addition, this baseline is required to be adjusted for significant service increases. In FY 2021-22, the MTA baseline was increased due to the opening of the Central Subway, and this increase is included in the Municipal Railway Baseline. Additionally, Charter Section 16.110 mandates an amount equal to 80 percent of annual parking tax revenue be transferred to the MTA. Proposition B, approved in November 2014, additionally adjusts these baselines by the growth in population; in FY 2015-16, by the cumulative growth in population during the most recent ten-year period, and subsequently by the annual growth in population. The population baseline is only adjusted for population increases, not population decreases. Combining all required baselines and parking tax transfers, the General Fund is expected to transfer $591.3 million to the MTA in FY 2024-25, increasing to $637.3 million by FY 2027-28.

Library Preservation Fund: Charter Section 16.109 established a Library Preservation Fund to provide library services and to construct, maintain, and operate library facilities. Consistent with the Charter, in FY 2006-07 a base amount of funding was established, which is adjusted annually by the percent increase or decrease in ADR. The City may temporarily suspend the required increases in any year in which a General Fund deficit of $300 million or more (adjusted annually by ADR) is forecasted. In addition, voters amended the Charter to require a property tax allocation of $0.025 for each $100 valuation of taxable property; this requirement was renewed in November 2022 for 25 years. The combined baseline and property tax set-aside for the Library is projected to be $186.0 million in FY 2024-25, increasing to $197.7 million by FY 2027-28.

Children's Services: Several voter-approved measures support children's services in the City. These include the Children's and Transitional Aged Youth (TAY) baselines, Early Care and Education baseline, Children's Fund property tax set-aside, the Public Education Enrichment Fund, and Student Success Fund, a new measure adopted in November 2022. Together, these requirements total $659.1 million in FY 2024-25, increasing to $732.2 million by FY 2027-28.

- **Children and TAY Baseline:** Charter Section 16.108 established a Children and Youth Fund for Children and TAY, where a base amount of required spending was established, adjusted annually by changes in ADR.

- **Early Care and Education Baseline:** June 2018 Proposition C established a special purpose commercial rent tax and an Early Care and Education baseline, where a base amount of required spending was established, adjusted annually by changes in ADR.

- **Children and Youth Fund Property Tax Set-aside:** November 2014 Proposition C extended a property tax set-aside for Children and Youth for 25 years, until June 30, 2041, and increased the property tax set-aside from $0.03 for each $100 of assessed property value in FY 2014-15 to $0.04 by FY 2018-19. In addition, Proposition C added a new priority population to benefit Transitional Aged Youth (TAY).

- **Public Education Enrichment Fund, Contribution and Baseline:** November 2014 Proposition C also extended the Public Education Enrichment Fund Annual Contribution (PEEF) for 26 years, until June 30, 2041, eliminated a provision that allowed the City to defer up to a quarter of the contribution to PEEF in any year the City had a budget shortfall of $100 million or more, and eliminated a credit for in-kind services allowed as an offset against the contribution.

- **Student Success Fund: In November 2022, voters approved Proposition G, adding** Charter Section 16.131 which established a Student Success Fund to provide grants to the San Francisco Unified School District (SFUSD) and schools in the District to implement programs that improve academic achievement and social/emotional wellness; and to require an annual appropriation in a designated amount to the Fund for 15 years. The contribution amount is set through FY 2026-27 and will be adjusted annually according to changes in ADR starting FY 2027-28 through its sunset in FY 2037-38.

The City may temporarily suspend the required increases for Early Care and Education Baseline and

Student Success Fund contribution in any year in which a General Fund deficit of $200 million or more (adjusted annually by ADR), is forecasted, as discussed below.

Recreation and Park: Similar to the Library, Charter Section Charter Sec. 16.107 establishes a property tax allocation of $0.025 for each $100 valuation of taxable property for the Recreation and Parks Department's Open Space Fund. In June 2016, voters adopted Proposition B, a charter amendment to establish additional baseline appropriations to the Recreation and Parks Department. The measure requires the City to increase General Fund appropriations by $3.0 million annually through FY 2026-27, after which the baseline is adjusted by changes ADR. The City may temporarily suspend the required increases in any year in which a General Fund deficit of $200 million or more (adjusted annually by ADR) is forecasted, as discussed below. The combined baseline and property tax set-aside for the Recreation and Park Department is projected to be $164.9 million in FY 2024-25, increasing to $174.5 million by FY 2027-28.

Other Baseline and Mandate Requirements: The City is required to contribute General Fund revenues or maintain expenditure levels in various other areas, including the Our City, Our Homes Baseline; Housing Trust Fund; Dignity Fund; Street Tree Maintenance Fund; Symphony Baseline; and City Services Auditor Baseline. Combined, these baselines and mandate requirements are projected to total $379.5 million in FY 2024-25, increasing to $396.2 million by FY 2027-28.

In the FY 2023-24 budget, the growth of three baselines – Dignity Fund, Recreation & Park, and Street Tree Maintenance – was suspended given the deficit levels forecasted in the March 2023 Joint Report. As shown in Table 6 below, for certain mandated baseline spending requirements, the City may temporarily suspend the growth in payments in FY 2024-25, should the deficit reach a certain threshold, roughly between $200 to $300 million in FY 2024-25. This report does not assume additional suspensions because the deficit triggers are activated by the deficit forecasted in the March Update to the Five-Year plan. Should the March 2024 forecast remain the same as the current forecast, with a deficit of $244.7 million in FY 2024-25, growth of the Early Care and Education and Street Tree Maintenance Fund would be paused in FY 2024-25 at FY 2023-24 levels.

Table 6: Baseline Deficit Triggers ($ Millions)

Deficit Trigger	FY2024-25
Library Presentation Fund (Est 21-22)	323.6
June Prop C Early Care and Education Baseline (Est 18-19)	209.0
DPW Street Tree Baseline (Est 18-19)	209.0
Recreation & Parks MOE Baseline (Est 16-17)	273.3
Dignity Fund (Est 17-18)	252.5

USES – SALARIES AND BENEFITS

This report projects General Fund supported salaries and fringe benefits to increase by $163.3 million in FY 2024-25, $172.9 million in FY 2025-26, $111.1 million in FY 2026-27, and $145.6 million in FY 2027-28, for a total increase of $593.0 million over the four-year period. These increases, discussed in greater detail below, reflect current staffing levels and provisions in negotiated collective bargaining agreements, health and dental benefits for current and retired employees, retirement benefit costs, and other salary and benefit costs.

Growth in salary and benefits has escalated significantly over recent years and continues to be a considerable driver of increasing deficits in the final years of this report. The rise of salary and benefit costs over the four years of this update represent 38.95 percent of the expenditure growth in the deficit projections - the largest expenditure driver of the escalating deficit. Employer pension contributions are projected to generally continue their decline from their peak in FY 2020-21, but actual rates will vary year-to-year based on market returns. Further, employer costs associated with employee health benefits continue to outpace general inflation.

Prior Year COLAs and Known Increases – Previously Negotiated Closed Labor Agreements

This report assumes the additional salary and benefit costs for previously negotiated, closed labor agreements, as well as other costs to maintain budgeted staffing levels. These costs are projected to be an additional $21.8M from the current fiscal year to FY 2024-25 and an additional cost of $34.6M for FY 2025-26, after which all unions have open contracts. The assumptions for open contracts are discussed in the next section. Police and Firefighters' unions have closed MOUs through FY 2025-26.

CPI on Open Contracts – Projected Costs of Open Labor Agreements

Miscellaneous employee unions will have open contracts starting in FY 2024-25. Police and Firefighters' unions will have open contracts starting in FY 2025-26. This report assumes wage increases for these groups based on the change in the Consumer Price Index (CPI), calculated as the average projection of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, and equal to 2.65 percent for FY 2024-25, 2.57 percent for FY 2025-26, 2.23 percent for FY 2026-27, and 2.21 percent for FY 2027-28, applied to the first pay period in January 2025 and the first pay period of each fiscal year thereafter.

The additional salary and benefit costs for open collective bargaining agreements, using these assumptions, are projected to be $78.8 million in FY 2024-25, $112.0 million in FY 2025-26, $82.5 million in FY 2026-27, and $86.9 million in FY 2027-28. These increases are provided for projection purposes only; actual costs will be determined in labor negotiations to be conducted in FY 2023-24 for miscellaneous bargaining units, in FY 2025-26 for Police and Fire unions, and possibly again in FY 2026-27 for miscellaneous bargaining units.

Health and Dental Benefits for Active Employees

Each spring, the San Francisco Health Service System (HSS) negotiates subsequent calendar year rates. The HSS Board adopts these rates in June, with approval by the Board of Supervisors in July. HSS holds open enrollment for employees every October. HSS reports that the calendar year 2024 negotiated rates increased 10.3 percent from 2023, driven primarily by healthcare wage and supply cost inflation, increase in demand for health services fueled by the increasing prevalence of chronic conditions, and increased cost shifting from government to commercial insurance.

Projections in this report assume average annual increases of approximately 7.6 percent in health rates for active employees. Dental rates declined 2.3 percent in FY 2024-25 and are assumed to increase by 3.3 percent annually through FY 2027-28. Given these assumptions, health and dental insurance premium costs paid by the employer for current employees are projected to increase by $32.7 million in FY 2024-25, $25.1 million in FY 2025-26, $27.4 million in FY 2026-27, and $29.3 million in FY 2027-28.

These rates are driven by utilization and the cost of health care. While the number of City employees is assumed to remain relatively stable, price increases on the provider side for pharmacy, high-cost claims, and more employees seeking health care could result in an increase in health care costs above what is assumed in this report. Changes to the Affordable Care Act at the federal level remain a risk, and efforts to repeal, replace, or otherwise change the law could have significant impacts on future health care costs. Other uncertainties include the rising cost of specialty pharmaceuticals and continued labor cost growth being passed through in the form of higher premiums.

Health and Dental Benefits for Retired City Employees

Charter Section A8.428 mandates health coverage for retired City employees. The projection assumes that the cost of medical benefits for retirees will increase by an average of 7.7 percent per year over the next four years. General Fund support for retiree health costs increases by $7.8 million in FY 2024-25, $11.0 million in FY 2025-26, $11.4 million in FY 2026-27, and $11.9 million in FY 2027-28. Proposition B, passed by voters in June of 2008, began to address the City's unfunded retiree health (or OPEB) liability by requiring employees hired after January 10, 2009, to contribute 2 percent of pre-tax compensation to a Retiree Health Care Trust Fund. and for the City to contribute 1 percent. Proposition C, passed by voters in November of 2011, required all employees hired before January 10, 2009, to begin contributing to the fund in FY 2016-17, and required the same level of employer contributions. Starting July 1, 2016, employees hired after January 10, 2009, began contributing 0.25 percent of pre-tax compensation into the retiree health care trust fund, increasing by 0.25 percent in each subsequent year, up to a maximum of 1 percent, with the City matching the contribution commensurately.

The key uncertainties for retiree health benefits are the impact of the increasing cost of pharmaceuticals as well as whether the federal government will continue to suspend the federal Health Insurance Tax and the excise tax on high-cost employer health benefits. As with active employees, health costs for retirees are expected to increase faster than CPI over the projection period.

Retirement Benefits – Employer Contribution Rates

Most City employees are members of the San Francisco Employees' Retirement System (SFERS). A small number of primarily public safety employees are members of the California Public Employees' Retirement System (CalPERS). Employer contributions to SFERS peaked in FY 2020-21 and have declined since then due to significant investment returns in that fiscal year. While rates continue to decrease during the forecast period through FY 2026-27, they are forecasted to increase in FY 2027-28. In FY 2021-22, the SFERS Board lowered their assumed rate of return from 7.4 percent to 7.2 percent, which is reflected throughout the forecast period. Additionally, voter approval of Proposition A in (November 2022) results in supplemental cost of living adjustments to pre-1996 retirees, which also increases the employer contribution rate.

The projected employer contribution rates shown in Table 11 below are based on projections prepared by the Retirement System's actuary in March 2023. The employer contribution varies based on three salary bands for employees. The highest percentage rate for the City contribution is for the first band, representing employees' estimated earnings up to $68,491 per year. The City's percentage of the contribution decreases in the second band, which represents employee salary earnings between band one and $136,983 per year, and the third band, salary earnings above $136,983 per year. All employees contribute 7.5 percent of their salary to retirement, and employees with salaries in bands two and three contribute an additional percentage based on the total projected wage. Variances in investment returns and changes in actuarial assumptions (on wage and price inflation and investment returns, for example) will affect employer contribution rates.

The employer contribution rate for employees in band two is projected to decrease from 15.7 percent in FY 2023-24 to 14.7 percent in FY 2024-25, 13.9 percent in FY 2025-26, and 13.4 percent in FY 2026-27, and then increase to 14.1 percent in FY 2027-28. Rates for sworn employees of the Police and Fire departments vary depending on the date of hire. This report assumes the weighted average employer contribution rate for FY 2024-25 for police officers and firefighters is 14.4 percent, declining to 13.6 percent in FY 2025-26 and 13.2 percent in FY 2026-27, then rising to 13.8 percent in FY 2027-28.

Depending on the date of hire, employees participating in CalPERS contribute a minimum of 7.5 percent to 9.0 percent of salary to retirement, plus an additional contribution based on labor agreement provisions. CalPERS rates are projected to increase over the forecast period, from 57.1 percent in FY 2024-25, to 58.4 percent in FY 2025-26, 59.7 percent in FY 2026-27, and 60.6 percent in FY 2027-28.

The net result of these changes to the employer share of SFERS and CalPERS contributions is cost decreases of $17.6 million in FY 2024-25, $17.5 million in FY 2025-26, and $10.6 million in FY 2026-27, followed by a cost increase of $17.2 million in FY 2027-28. Failure to meet the assumed rate of return or future, unbudgeted supplemental COLAs could dramatically impact this forecast.

Table 7: Estimated Contribution Rates for the San Francisco Employees Retirement System (SFERS)

SFERS Member Group	FY 2023-24 Net Employee Contribution Rates	FY 2023-24 Net Employer Contribution Rates
Miscellaneous Plan members with a base rate of pay less than $32.9092 per hour or its equivalent	Old Plan: 8.0% New Plans: 7.5%	18.24%
Miscellaneous Plan members with a base rate of pay at or above $32.9092 per hour or its equivalent, but less than $65.8190 per hour or its equivalent	Old Plan: 10.0% New Plans: 9.5%	16.24%
Miscellaneous Plan members with a base rate of pay at or above $65.8190 per hour or its equivalent	Old Plan: 10.5% New Plans: 10.0%	15.74%

Other Salaries and Fringe Benefits Costs

Other salary and benefit cost changes include contributions toward pre-funding retiree health costs and employment insurance. The report projects cost increase of $4.4 million in FY 2024-25, $2.1 million in FY 2025-26, $0.9 million in FY 2026-27, and $0.9 million in FY 2027-28.

USES – CITYWIDE OPERATING BUDGET COSTS

Over the next four years, the City will also incur increasing non-salary operating costs. Citywide non-salary operating costs are projected to increase by $95.2 million in FY 2024-25, $206.4 million in FY 2025-26, $94.3 million in FY 2026-27, and $100.4 million in FY 2027-28, as described below.

Capital, Equipment & Technology

Changes in funding for capital, equipment, and technology will result in General Fund savings of $4.1 million in FY 2024-25, and increased costs of $115.7 million in FY 2025-26, $34.8 million in FY 2026-27, and $35.3 million in FY 2027-28.

In FY 2023-24, the General Fund capital budget is $59.2 million. This projection assumes decreased funding of the City's General Fund capital program by $0.4 million in FY 2024-25 based on the previously approved two-year budget. In FY 2025-26, costs increase by $89.9 million to align with the City's Ten-Year Capital Plan, $30.0 million in FY 2026-27, and another $30 million in FY 2027-28. The total cumulative General Fund capital program cost over the projection period is $594.8M. With this proposed level of funding, the City's General Fund facilities backlog, which resulted from the reduced capital funding due to the COVID-19 budget shortfall, is projected to start decreasing in FY 2027-28. From FY 2025-26 and on, this General Fund capital program projection aligns with the updated FY 2024-33 Ten Year-Capital Plan, which was released in spring 2023.

Additionally, the City will continue to strategically furnish and equip new and upgraded City facilities. These costs will increase by $6.9M in FY 2024-25 for HSA's planned exit from 170 Otis. As there are no other currently confirmed moves or renovations between FY 2024-25 and FY 2027-28, costs decrease by $6.9M in FY 2025-26 and remain flat for the remainder of the forecast period. Decisions about the City's real estate portfolio could impact these projections.

The annual citywide equipment allocation is budgeted at $9.6 million in FY 2023-24 and is projected to decrease by $2.4 million in FY 2024-25 based on the previously adopted budget, then increase by $0.2 million in the remaining years through FY 2027-28. Increased cost assumptions based on CPI result in annual $0.2 million increases in FY 2025-26, FY 2026-27, and FY 2027-28. Equipment is defined as an item costing $5,000 or more with an excepted life span of three years or more. This projection assumes that no equipment purchases will be funded through the use of lease revenue bonds in any of the five years. By using cash instead of debt financing, the City saves on financing costs, reducing the long-term overall cost of equipment purchases.

The General Fund budget for citywide technology projects in FY 2023-24 is $23.6M – this encompasses both annual project allocations and a funding for major projects that span multiple years. This report assumes a decrease of $1.3 million in FY 2024-25 to the total citywide technology projects allocation, and alignment with the San Francisco Information and Communication Technology (ICT) Plan in every year thereafter, resulting in increases of $25.7 million in FY 2025-26, $4.6 million in FY 2026-27, and $5.1 million in FY 2027-28. Citywide costs for annual information technology projects are projected to decrease by $1.0 million in FY 2024-25, and increase by $18.2 million in FY 2025-26, $8.5 million in FY 2026-27, and $5.1 million in FY 2027-28.

The citywide costs for major information technology projects, which are multi-year projects that span many departments, are forecast to decrease by $0.3 million in FY 2024-25, increase by $7.5 million in FY 2025-26, decrease by $3.9 million in FY 2026-27, and remain flat in FY 2027-28. The major projects and annual allocation are consistent with the City's Information and Communication Technology (ICT) Plan for FY 2025-26 through FY 2027-28, released in spring 2023.

Finally, the Department of Technology's internal service rates, which are largely based on estimated cost growth on current technology contracts, are discussed further below.

Implementation of Multi-Year Cost of Doing Business on Nonprofit Contracts (CODB)

In November 2023, the Board of Supervisors approved an ordinance amending the Administrative Code to require the Controller to prepare an initial department base budget that includes anticipated cost increases in agreements with nonprofit organizations to reflect inflation in order to guide each City agency in preparation of its proposed two-year budget. The ordinance also requires the Controller to adopt a City policy that departments will enter into multi-year grants when the need for a grant program will extend beyond a single year.

In line with the requirements of this new ordinance, this report assumes cost increases of $24.8 million in FY 2024-25, $26.8 million in FY 2025-26, $17.4 million in FY 2026-27, and $17.7 million in FY 2027-28, based on a 3 percent indexed inflationary rate increase in FY 2024-25 and FY 2025-26, and 2 percent in FY 2026-27 and FY 2027-28. The CODB as approved in the adopted budget for FY 2023-24 and ongoing is also reflected in this report, as discussed further below.

Minimum Compensation Ordinance (MCO) & Annualization of Prior-Year Community-Based Organization Cost of Living Adjustment (COLA)

Per the previously adopted FY 2024-25 budget, this report assumes increased costs to cover the Minimum Compensation Ordinance (MCO), which targets the wage threshold of the lowest paid workers that help provide City services through contracts. In FY 2023-24, the required minimum compensation for workers paid through City contracts with nonprofit organizations is $18.93 per hour. Wages will be brought to $20.25 per hour in FY 2024-25 and $23.00 per hour in FY 2025-26.

Additionally, this forecast assumes funding for a Cost of Doing Business (CODB) adjustment to General Fund contracts and grants with nonprofit organizations. This is sometimes referred to as a community-based organization (CBO) cost of living adjustment (COLA). To support specific systems of care, a 4.75 percent CODB was allocated to programs related to behavioral health and homelessness. All other contracts with nonprofit organizations were allocated a 3.75 percent CODB in FY 2023-24.

Maintaining these increases for both the MCO and the CODB results in cost increases of $37.3 million in FY 2024-25, $6.5 million in FY 2025-26, $0.4 million in FY 2026-27, and $0.4 million in FY 2027-28.

Citywide Inflation on Non-Personnel Costs

This projection assumes that the cost of materials and supplies, professional services, and other non-personnel operating costs will increase by the rate of Consumer Price Index (CPI) starting in FY 2025-26 and thereafter at a rate of 2.57 percent in FY 2025-26, 2.23 percent in FY 2026-27, and 2.21 percent in FY 2027-28. In total, the CPI application to non-personnel costs results in no change to expected expenditures in FY 2024-25 based on the previously approved budget, and expected costs of $11.8 million in FY 2025-26, $10.5 million in FY 2026-27, and $10.6 million in FY 2027-28. These assumptions are provided for planning purposes only; actual costs are to be determined during the budget process and are subject to appropriation in the FY 2024-25 and FY 2025-26 budget.

Debt Service & Real Estate

In FY 2023-24, the General Fund budget for debt service and real estate is $138.5 million. Over the next four years, total debt service and real estate costs are projected to increase by $17.9 million in FY 2024-25, $27.2 million in FY 2025-26, $13.1 million in FY 2026-27, and $17.5 million in FY 2027-28. This projection is based on current debt repayment requirements and projected debt service costs for investments anticipated in the Capital Plan, as well as cost increases related to the City's leased and owned real estate portfolio. The increases over the next several years are primarily due to the repayment of new Certificates of Participation (COPs) for critical repair and recovery stimulus projects, street repaving, the exit and relocation from the Department of Public Health office building, the relocation of administrative staff from the Hall of Justice, the exit and relocation from the Human Services Agency office building, affordable housing and community development programs, HOPE SF public housing capital improvements, and debt service payments on other large capital facilities.

Citywide Sewer, Water, and Power Rates

This report assumes increased General Fund transfers to the Public Utilities Commission (PUC) for the cost of sewer, water, and power expenses, which includes the cost of natural gas provided by Pacific Gas & Electric Company and the California Department of General Services. These costs are modeled using projected utility rates and usage volumes by General Fund departments, also factoring in other macroeconomic inputs. Power rates are projected to increase by three cents per kilowatt hour per year until the cost of service is reached, over a period of up to approximately 6 years depending on the department. Sewer and water rates are scheduled to increase respectively by approximately 9.0 percent and 5.0 percent annually through FY 2025-26, and by 10.0 percent and 6.5 percent annually in FY 2026-27 and FY 2027-28.

The current fiscal year budgets $40.1 million of General Fund expenditures on sewer, water, and power. In addition to rate changes, increased power costs are driven by high gas, power purchase, and transmission and distribution costs, as well as overall economic recovery and return to office causing an increase in the electric load. Similarly, the increased costs of water and sewer are driven by escalating utility rates and COVID-19 recovery-related consumption increases. Additionally, sewer impacts to city departments result from the phase-in of a new stormwater surcharge that increases costs for departments with large real estate holdings. However, water and sewer costs also factor in conservation, as it relates to the ongoing recovery from drought. As a result, the projection assumes an annual cost increase of $3.7 million in FY 2024-25, $7.4 million in FY 2025-26, $6.9 million in FY 2026-27, and $6.6 million in FY 2027-28.

Workers’ Compensation Claims

In FY 2023-24, the General Fund budget for supporting worker’s compensation claims is $75.9 million. This report assumes that Worker’s Compensation costs will increase by $3.8 million in FY 2024-25, $3.2 million in FY 2025-26, $3.3 million in FY 2026-27, and $3.5 million in FY 2027-28. The projected cost increases are attributed to increased claim filing rates, severity, benefit rates adopted by the California Division of Workers’ Compensation, and inpatient hospitalization.

Citywide Technology Operating Costs

This report assumes that Department of Technology cost of internal services rates, which cost $85.2 million FY 2023-24, will increase by $8.8 million in FY 2024-25, $4.8 million in FY 2025-26, $5.0 million in FY 2026-27, and $5.4 million in FY 2027-28. The projected cost increases are attributed to an estimated 12 percent increase in enterprise software agreements and all telephone contracts. The increase in cost can also be attributed to inflationary rates being applied to infrastructure costs (including maintaining the City’s IT networks, cybersecurity, cloud services, and replacement of technology at the end of its life cycle) for interdepartmental services and the use of SF-GovTV to support government meetings and City related events.

Other Citywide Costs

This category includes increases in other costs across citywide services, including fleet maintenance, risk management, contract monitoring and Soda Tax-funded expenditures. These items together result in an increased General Fund cost of $3.1 million in FY 2024-25, $2.9 million in FY 2025-26, $2.9 million in FY 2026-27, and $3.4 million in FY 2027-28.

USES – DEPARTMENTAL COSTS

This section provides a high-level overview of significant departmental costs over the next four years. Departmental costs are expected to decrease by $36.8 million in FY 2024-25, due largely to savings in one-time initiatives and community support investments, as well as ongoing savings from mid-year reductions made in FY 2023-24. Costs are then expected to increase by $56.1 million in FY 2025-26, $86.0 million in FY 2026-27, and $63.7 million in FY 2027-28, due to ongoing public health operating costs, HSA IHSS and other benefit costs, and increasing affordable and permanent supportive housing project costs.

City Administrator’s Office (ADM) – Convention Facilities Subsidy

In FY 2023-24, the General Fund budget for subsidies for the Convention Facilities Fund is $45.4 million. This report assumes General Fund subsidies will decrease by $1.4 million in FY 2024-25, decrease by $0.3 million in FY 2025-26, increase by $0.8 million in FY 2026-27, and decrease by $5.5M in FY 2027-28. Over the four-year projection period, the total cumulative General Fund subsidies for the Convention Facilities Fund is $171.5M. The projected cost increases and decreases are based on currently scheduled conventions and projected attendance, which are weaker in the short-term as convention business returns from COVID-19 pandemic levels.

Department of Elections (REG) – Number of Scheduled Elections

The number of elections and the associated costs to hold elections vary annually. In November 2022, San Francisco voters passed Proposition H, shifting Mayoral and other citywide official elections to even-numbered years starting in 2024. In the current fiscal year, one election will be held at a budgeted cost of $15.5 million. The election schedule over the next four years of this forecast, results in a projected cost increase of $2.7 million in FY 2024-25 to account for a larger General election, then a decrease of $1.8 million in FY 2025-26, an increase of $1.1 million in FY 2026-27, and finally a decrease of $0.3 million in FY 2027-28. Any special election not included in this projection would result in increased General Fund costs dependent on the complexity of the ballot and the size of the electorate.

Table 8: Number of Scheduled Elections FY 2023-24 Through FY 2027-28

Fiscal Year	Date	Type
2023-24	March 2024	Presidential Primary
2024-25	November 2024	General
2025-26	June 2026	Direct Primary
2026-27	November 2026	General
2027-28	March 2028	Presidential Primary

Ethics Commission (ETH) – Public Financing of Elections

The Ethics Commission (ETH) administers the Election Campaign Fund. Per the charter, the City must appropriate $2.75 per resident each fiscal year to this fund for candidates for office who qualify under Ethics Commission criteria to partially finance their campaigns with public funds. Funds not used in one election are carried over for use in the following election, and any funds in excess of $7.0 million shall be returned to the General Fund. In addition to funds carried over from FY 2022-23, the deposit cost in the current fiscal year was $0.4 million.

The General Fund will appropriate an amount based on the Ethics Commission's projections of fund disbursement for participating candidates. As of October 16, 2023, this projection assumes 17 Supervisorial and 4 Mayoral candidates in the November 2024 election, 10 Supervisorial candidates in the November 2026 election, and 12 Supervisorial and 2 Mayoral candidates in the November 2028 election. Based on disbursement of funds for candidates in this updated projection, costs are projected to increase from an FY 2023-24 budget of $0.4 million by $5.3 million in FY 2024-25, decrease by $3.3 million in FY 2025-26, decrease by $1.7 million in FY 2026-27, and finally increase by $1.3 million in FY 2027-28.

Affordable & Permanent Supportive Housing Project Costs

The City expects to incur significant costs in all years of the five-year projection related to its current affordable and permanent supportive housing projects. The Local Operating Subsidy Program (LOSP) subsidizes housing for formerly homeless individuals and families. This City-funded subsidy enables formerly homeless individuals and families to stay securely housed and receive services from the Department of Homelessness and Supportive Housing by providing long-term financial support for operating and maintaining permanently affordable housing properties. LOSP program costs are projected to increase due to several large supportive housing projects opening in the next few years.

This forecast also includes projected inflationary costs for permanent supportive housing sites in the City's portfolio. The projected costs related to these projects are expected to increase from $53.1 million in the current fiscal year by $1.7 million in FY 2024-25, $13.9 million in FY 2025-26, $10.4 million in FY 2026-27, and $8.8 million in FY 2027-28. The LOSP program currently funds 2,194 units of permanent supportive housing and by FY 2027-28, it is expected to fund 3,289 units in total at a cost of $78.4 million annually.

Department of Homelessness and Supportive Housing (HOM) – Maintaining Shelter Capacity

The Department of Homelessness and Supportive Housing is currently relying on one-time State grant funds to operate three of its non-congregate shelters that offer 288 total beds. This funding will expire in FY 2024-25, creating an ongoing shortfall of $27.0 million. In order to maintain this shelter capacity, this update assumes General Fund to backfill the State source loss.

Human Services Agency (HSA) – In-Home Supportive Services and Other Public Benefit Programs

In-Home Supportive Services (IHSS) is an entitlement program that provides homecare services to 26,000 low-income elderly, disabled, and/or blind San Franciscans, enabling them to live safely in their own homes rather than in a nursing home or other group care facility. The program employs over 25,000 individuals in San Francisco as independent providers who assist clients with domestic and personal care services.

The local share of the IHSS program, which is funded with a mix of federal Medicaid, State, and local funds, is paid using a "maintenance of effort" (MOE) framework. Per state statute, this cost increases 4 percent annually and for a share of locally negotiated cost increases. Locally, the City has made legislative changes that further increased the costs of the IHSS program. The Minimum Compensation Ordinance (MCO), which passed in fall 2018, raised the base wages for several types of workers, including IHSS workers, above the San Francisco minimum wage. By FY 2023-24, the MCO base wage for IHSS care providers is slated to reach $20.25 per hour, subject to annual appropriation. The City's share of increased wages for IHSS workers translates into an increase to the City's IHSS MOE obligation. In FY 2023-24, the budget for the IHSS program is $179.6 million. Overall, the MOE is projected to grow to a $252.5 million General Fund cost by FY 2027-28.

Based on current estimates, which include CPI-based wage increases, City costs for IHSS are expected to increase annually by $13.2 million in FY 2024-25, $16.9 million in FY 2025-26, $20.8 million in FY 2026-27, and $22.1 million in FY 2027-28.

Another set of benefit-related costs within the Human Services Agency (HSA) is due to changes in federal funding for family and children's services, such as foster care. The Title IV-E Waiver, in effect since September 2014, has allowed San Francisco's child welfare and juvenile justice departments to shift federal out-of-home placement dollars to preventive services. Under the IV-E waiver, San Francisco invested in programs and services for families and children with the goals of improving permanency outcomes, increasing child safety, promoting family engagement, and decreasing re-entry. The waiver ended in fall 2019, so these investments are no longer eligible for the same levels of federal funding. While new federal funding under the Families First Preventative Services Act (FFPSA) will offset some local costs, the City still anticipates a net revenue loss from the end of the waiver and temporary transition funding. This report assumes that the City maintains the level of service in the adopted FY 2023-24 budget and uses one-time sources from FFPSA transition funding and savings through FY

2027-28 to cover the funding gap caused by the loss of federal funding. This will result in no General Fund cost in FY 2023-24, FY 2024-25, FY 2025-26, and FY 2026-27, and a $6.7 million cost in FY 2027-28, when one-time funds run out.

Finally, HSA projects that aid payments to clients (including programs such as CAAP, Foster Care, CalWORKs, Care Not Cash, and others) will increase costs by $4.3 million in FY 2024-25, $0.6 million in FY 2025-26, $1.1 million in FY 2026-27, and $1.8 million in FY 2027-28. These changes are due to several factors. Long-term cost growth is driven by expected annual increases to monthly aid payment grants, which are intended to help keep pace with cost-of-living increases. In the near-term, cost growth is driven by a higher-than-expected caseload in its CAAP program, as well as a spike in instances of benefits theft. Clients at times have their welfare benefits stolen via compromised card readers and other methods, which has led HSA to issue more replacement benefits than planned.

Department of Public Health (DPH) – Operating Costs

The Department of Public Health's (DPH) hospital costs related to pharmaceuticals, food, and laundry, and UCSF affiliated clinical staff at Zuckerberg San Francisco General Hospital totals $363.5 million in General Fund in the current fiscal year. These operating costs are projected to increase by $14.5 million in FY 2024-25, $27.7 million in FY 2025-26, $29.8 million in FY 2026-27, and $31.9 million in FY 2027-28. These increases reflect the inflationary pressures exceeding regular CPI increases at the Department's hospitals and clinics related to pharmaceuticals, and cost increases related to the UCSF Affiliation Agreement, which provides the clinical staff at Zuckerberg San Francisco General Hospital.

In May 2023, the City reached historic settlements with pharmaceutical chains, drug manufacturers, and distributors for their role in fueling the opioid epidemic in San Francisco. Through the work of the City Attorney's Office, San Francisco secured over $290 million of settlement funding over the course of the next 17 years. Over the forecast period, some of this funding will be used to sustain existing behavioral health and overdose prevention investments. By FY 2026-27, the projection assumes those costs shift back onto the General Fund. Therefore, the costs in FY 2026-27 are projected to be $19.2 million, growing by an additional $0.6 million in FY 2027-28.

Economic Recovery and Activation

In June 2021, the City established various measures to bolster the recovery of the City's Economic Core, which includes Downtown and other neighborhoods, and well as small businesses throughout the City. Cost changes associated with these programs are described below.

- **Treasurer & Tax Collector (TTX) – First-Year Free** The most recent budget invested $2.1 million in First-Year Free, a program to provide relief to small businesses by waiving initial license and first-year permit fees for qualifying businesses. Due to the expiration of that funding in FY 2024-25, the General Fund will realize $2.1 million in savings from FY 2023-24. Any further programmatic decisions will be a consideration for the upcoming budget process.

- **Office of Economic and Workforce Development (OEWD) – Small Business Grants** As part of its broad range of grant and loan programs in response to the pandemic, the Office of Economic and Workforce Development (OEWD) established a Small Business Grants Pool program in FY 2021-22 for impacted businesses. This was continued in FY 2022-23 with a one-time budget of $10 million. The current fiscal year further continues the program with $5 million budgeted in grants. Current policy ends this program after the current fiscal year, creating a General Fund cost decrease of $5 million in FY 2024-25, with no further impacts from FY 2025-26 through FY 2027-28.

- **Office of Economic and Workforce Development (OEWD) – Downtown Recovery, Activations and Ambassadors**

  In addition to tax changes and direct grants, the Office of Economic and Workforce Development has continued direct investment in the Economic Core's revitalization, as well as neighborhoods across the City. Funds budgeted in the current fiscal year for public space and ground floor retail activation events, lease negotiation assistance, and Core recovery support total $6.9 million. As current policy steps down funding for these programs, General Fund costs for downtown activation will decrease by $4.4 million in FY 2024-25, another $2.5 million in FY 2025-26, with no further cost changes for the remainder of the projection period.

  Part of the Mid-Market Vibrancy and Safety Plan program placed Community Safety Ambassadors on blocks in the Mid-Market area to engage with residents and visitors, support people in need and connect them with services, address safety issues, and support the cleanliness of the area. Additionally, the as tourists and commuters returned to the City's core, the San Francisco Tourism Improvement District placed Welcome Ambassadors at transit hubs and tourist attractions around Downtown to provide wayfinding and informational services. These two programs, along with Mission and BART Ambassadors funded in the current fiscal year, are budgeted at a cost of $30 million, with funds from opioid settlement revenues partially offsetting the costs of Community Safety Ambassadors. Continuing the two programs at a stepped down level will result in a cost decrease of $7.0 million in FY 2024-25, and a cost increase of $11.2 million in FY 2025-26 as the revenue source expires, with no further cost changes in the remainder of the projection period.

FY 2023-24 One-time Initiatives and Community Support Investments

This section includes other departmental changes and previous one-time investments made in the previously adopted two-year budget, including food support programming, the Asia-Pacific Economic Conference (APEC), street intervention sites, student fee forgiveness, and various Board of Supervisor and mayoral initiatives. Due to the one-time funding of most of these investments, these items together result in savings of $37.6 million in FY 2024-25 and an additional $10.0 million in FY 2025-26.

- **Human Services Agency (HSA) – Food Security** In response to the pandemic and financial crisis that ensued for many individuals, the Human Services Agency (HSA) established the City's COVID-19 food support program in 2020, now referred to as the Food Access Program. At its peak, over $35 million of additional City funding supported these programs. In the FY 2023-24 budget, these programs in HSA were funded with $20.0 million General Fund support, dropping to $10.0 million in FY 2025-26. The current projections assume the General Fund investment for enhanced programs initiated during COVID-19 is reduced by another $10 million by FY 2025-26 and thereafter. Maintaining or increasing current levels of funding is a policy choice in the upcoming budget process.

- **Asia-Pacific Economic Cooperation (APEC)** In November 2023, San Francisco hosted the Asia-Pacific Economic Cooperation (APEC) Leaders' Week. In preparation for and in execution of the week-long event, resources were drawn from across City Departments, including the Police Department, Sheriff's Department, Department of Emergency Management, and Fire Department.

In total, $10 million in City General Fund was set aside in FY 2023-24 for Citywide services related to APEC. This funding was one-time, resulting in General Fund savings of $10 million in FY 2024-25.

- **Drug Market Agency Coordination Center (DMACC)** In June 2023, the Mayor's Office and Department of Emergency Management created the Drug Market Agency Coordination Center (DMACC), a joint command center near Civic Center/U.N. Plaza, to coordinate open-air drug market and illegal fencing enforcement strategies with the Police Department, California Highway Patrol, and other city agencies. DMACC aims to disrupt illegal street markets, with a parallel objective to identify paths to recovery for those sick with substance use disorder.

  In total, $5.3 million in City General Fund was set aside in FY 2023-24 for Citywide services related to DMACC. The current projection does not incorporate ongoing costs related to DMACC, resulting in General Fund cost decrease of $5.3 million in FY 2024-25. The level of ongoing funding needed to sustain the operation will be a policy choice in the upcoming budget process.

FY 2023-24 Mid-Year General Fund Savings

In October 2023, the Mayor issued instructions to City departments to propose budget reductions for the current fiscal year in anticipation of a significant structural deficit. Departments submitted a variety of proposals, of which the Mayor's Office accepted approximately $75 million in savings for the current fiscal year. Savings from positions that are currently vacant, as well as holding additional positions vacant provide $21.7 million in savings from salary and fringe benefits. Identifying and bringing in new revenues, such as new state or grant funds that offset expenses currently supported by General Fund revenue, contributes $26.8 million. Scaling back program enhancements in the current budget, including both new programs along with expansions to existing programs, secures $22.7 million. The final $4.2 million in current fiscal year reductions involves savings achieved on capital projects, contract savings, and other operations reductions. Ongoing, the value of these savings is $38.1 million in FY 2024-25 and $35.7 million every year thereafter.

All Other Departmental Savings/Costs

This section includes all other departmental savings and costs including Free City College, the Mission Bay Transportation Improvement Fund (MBTIF), Superior Court Indigent Defense Administration contract, expiring grant funding, and the Climate Action Plan. In total, these items result in General Fund savings of $10.1 million in FY 2024-25, cost increases of $1.3 million in FY 2025-26 and $4.4 million in FY 2026-27, and savings of $3.6 million in FY 2027-28.

RECESSION PLANNING SCENARIO

Due to the difficulty of predicting recessions, the base case of this report does not anticipate an economic contraction in the next four years. Despite the large deficits projected, overall General Fund tax revenues in the base case grow year-over-year, albeit very slowly.

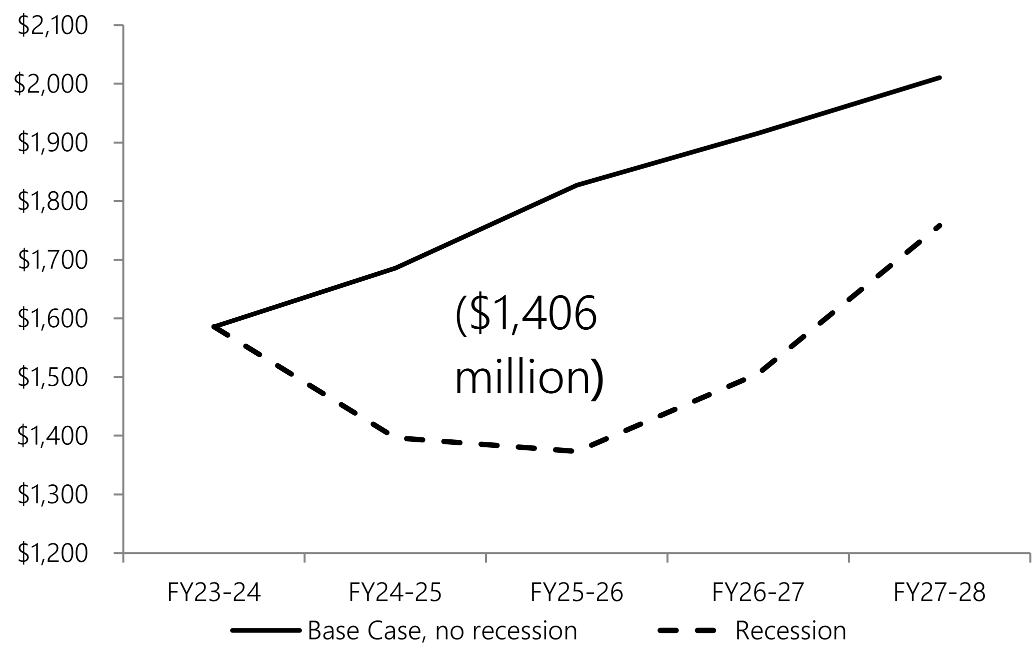
The biggest effects on the City's budget in a recession come from reduced revenues and increased employer pension contributions. The City's revenues are affected by the overall business cycle; the international, national, and regional economies; consumer confidence and spending; employment rates; and travel and tourism. In addition to business cycle fluctuations, San Francisco's economy is undergoing a far-reaching, structural change in the medium to long-term related to remote work.

Historically, revenues tend to outperform expectations in times of expansion and underperform in times of recession. Actual revenues exceeded budgeted revenues by over 6 percent in FY 2005-06, FY 2010-11, and FY 2018-19, years of rapid revenue growth. However, revenues were 2-4 percent below budget in FY 2002-03, FY 2008-09, and FY 2019-20, years of sharp economic contraction. To illustrate the effect of a hypothetical recession on San Francisco's fiscal condition, this section describes a recession scenario affecting the California and San Francisco economies beginning in FY 2024-25.

Revenue and Baselines

This scenario assumes rates of revenue loss in major local tax sources consistent with the average declines experienced during the last two asset-bubble-related economic downturns - from FY 2001-02 through FY 2003-04 (the dotcom bust) and FY 2008-09 through FY 2010-11 (the global financial crisis). Reductions in the City's projected aggregate discretionary revenue would result in reduced contributions to baselines and set-asides affecting the MTA, the Department of Children, Youth and Their Families, the Library, Recreation and Parks, and the San Francisco Unified School District, and would also result in lower required deposits to the General Reserve. Using these parameters, the net revenue loss from a recession beginning in FY 2024-25 would be approximately $1,400 million over the four years of the forecast period compared to the base case described in this plan. Figure 6 shows the difference between base case and recession scenario revenue projections.

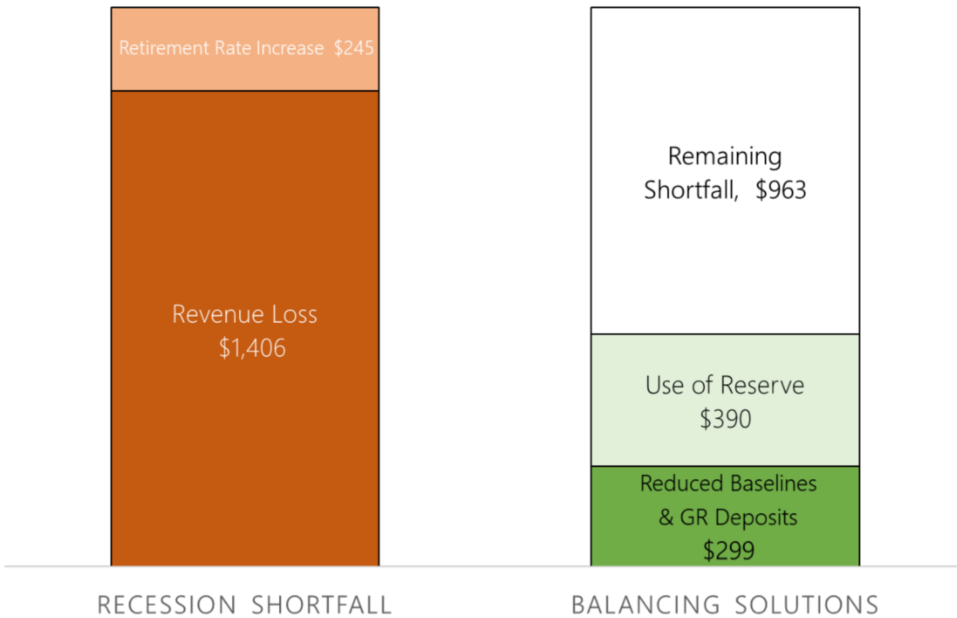
Figure 6: Base case vs Recession Scenario, Selected Local Taxes



Retirement Contributions

A recession will likely lead to pension system investment losses and related increases in employer contribution rates. The recession scenario therefore assumes a return of -10.9 percent in FY 2024-25, which would affect contribution rates for the plan period beginning in FY 2025-26. The -10.9 percent return was one of the stress testing scenarios provided to the Retirement Board by its actuary, Cheiron, in its July 1, 2021, actuarial report dated January 2022. In this scenario, employer contribution rates would rise by approximately 7 percent in FY 2025-26, 28 percent in FY 2026-27, and 41 percent in FY 2027-28. Over the plan period, this would result in a $245 million increase in employer retirement contributions. This estimate is intended to demonstrate sensitivity to a large negative return and should not be relied upon for any other purpose.

Figure 7: Nearly $1 Billion of Additional Balancing Solutions Needed in Recession Scenario ($ Millions)



The revenue losses described above would reduce required reserve deposits by $56.0 million, reduce required baseline transfers by $243.0 million, and allow the City to draw $390.0 million in reserves. Taken together, these changes in revenues and expenditures indicate that an economic downturn beginning in FY 2024-25 would result in a net remaining deficit of approximately $963.0 million over the plan period, assuming policymakers chose to completely deplete economic reserves. San Francisco's Charter requires that each year's budget be balanced.

Table 9: Projected General Fund Shortfall in Recession Scenario ($ Millions)

	FY24-25	FY25-26	FY26-27	FY27-28
Base Case Deficit Projection	(244.7)	(554.5)	(945.1)	(1,349.7)
Updated Projection - Savings/(Cost)				
Reduction in base case revenue available	(289.3)	(454.2)	(410.3)	(252.3)
Reduction in mandatory baseline spending	48.6	76.3	69.0	48.8
Reduction in General Reserve deposits	51.9	5.3	0.0	(1.5)
Permissible withdrawal from reserves	-	172.0	123.1	94.5
Increase employer retirement contribution	-	(24.9)	(89.2)	(130.7)
Updated Deficit Projection	(433.4)	(779.9)	(1,252.5)	(1,590.9)
Amount of New Fiscal Strategies Needed	(188.7)	(225.4)	(307.4)	(241.2)

BOARD of SUPERVISORS

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M E M O R A N D U M

TO: Ben Rosenfield, City Controller, Office of the Controller
Anna Duning, Budget Director, Mayor's Office of Public Policy and Finance

FROM: Brent Jalipa, Assistant Clerk
Budget and Finance Committee

DATE: December 15, 2023

SUBJECT: HEARING MATTER INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following hearing request, introduced by Supervisor Connie Chan:

File No. 231284
Hearing on the City and County of San Francisco's Five Year Financial Plan Update Fiscal Year (FY) 2024-2025 through FY2027-2028, and the Mayor's Budget Instructions for FY2024-2025 and FY2025-2026; and requesting the Controller and the Mayor's Budget Director to report.

If you have any comments or reports to be included with the file, please forward them to me by email to: brent.jalipa@sfgov.org.

c: Todd Rydstrom, Office of the Controller

Introduction Form

(by a Member of the Board of Supervisors or the Mayor)

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

- ☐ 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- ☐ 2. Request for next printed agenda (For Adoption Without Committee Reference)
  (Routine, non-controversial and/or commendatory matters only)
- ■ 3. Request for Hearing on a subject matter at Committee
- ☐ 4. Request for Letter beginning with "Supervisor ______ inquires…"
- ☐ 5. City Attorney Request
- ☐ 6. Call File No. ______ from Committee.
- ☐ 7. Budget and Legislative Analyst Request (attached written Motion)
- ☐ 8. Substitute Legislation File No. ______
- ☐ 9. Reactivate File No. ______
- ☐ 10. Topic submitted for Mayoral Appearance before the Board on ______

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

☐ Small Business Commission ☐ Youth Commission ☐ Ethics Commission

☐ Planning Commission ☐ Building Inspection Commission ☐ Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

☐ Yes ☐ No

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

Sponsor(s):

Chan

Subject:

Hearing - Five Year Financial Plan Update & Mayor's Budget Instructions

Long Title or text listed:

Hearing on the City and County of San Francisco's Five Year Financial Plan Update FY 2024-25 through FY 2027-2028 and the Mayor's Budget Instructions for FY 2024-25 and 2025-26; and requesting the Controller and the Mayor's Budget Director to report.

Signature of Sponsoring Supervisor: