



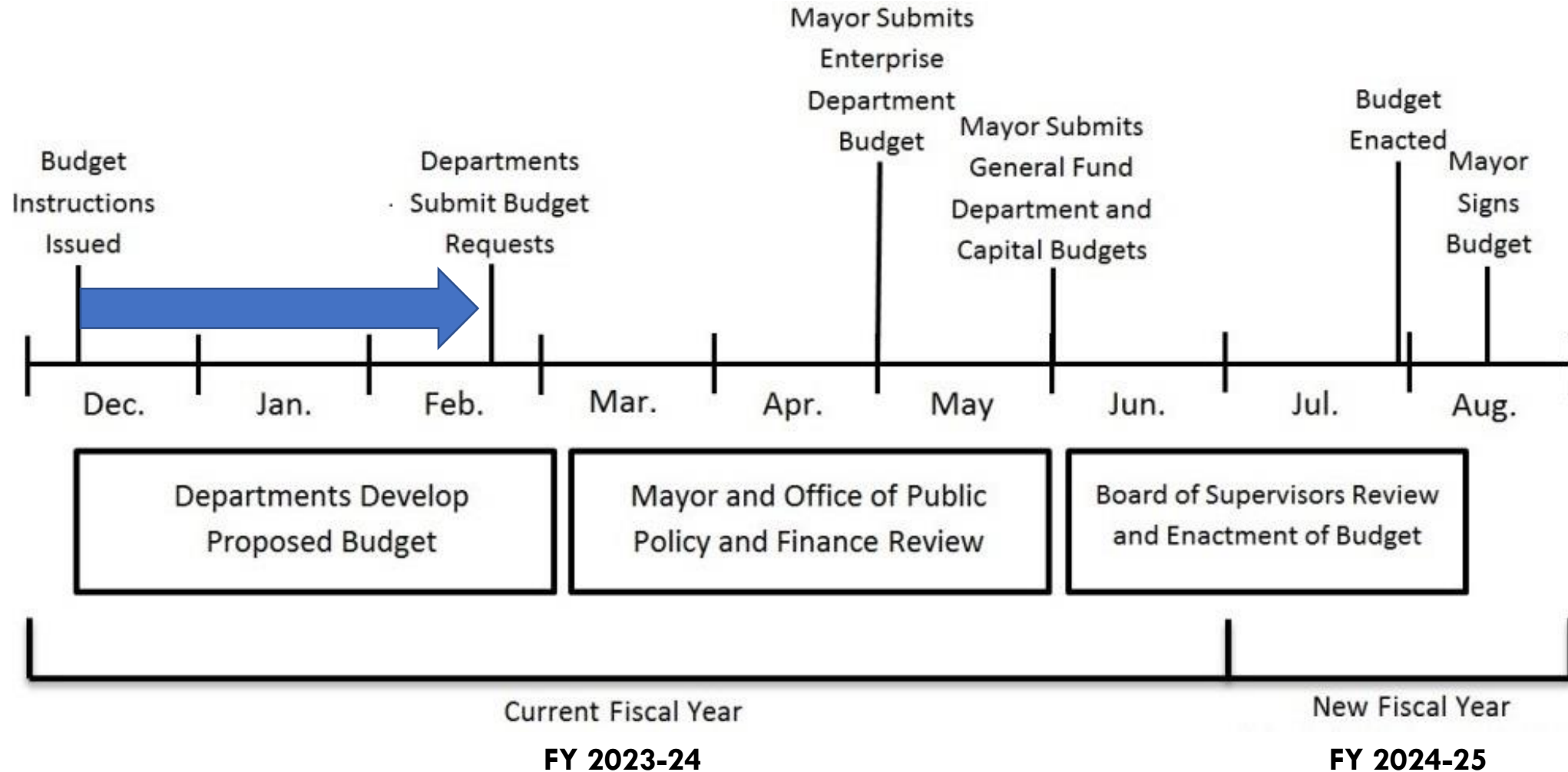
# SF Department of Children, Youth, & Their Families FY2024-25 & FY2025-26 Budget Proposal

Oversight & Advisory Committee

January 16, 2024



# Budget Timeline (FY 2024-25 & FY2025-26)



# Key Dates

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



# City's Fiscal Outlook

Source: [Proposed-5-Year-Financial-Plan-FY2023-24-FY2027-28\\_0.pdf \(sf.gov\)](#)



## Overview

---

- Rate of expenditure growth far outpaces City's General Fund revenues – creating **\$245 million** deficit in FY 2024-25, **\$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.



# City's Fiscal Outlook (continued)



## 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.



# City's Fiscal Outlook (continued)



## Five Year Report Update – Summary

	Projection 2024-25	Projection 2025-26	Projection 2026-27	Projection 2027-28
<b>SOURCES Increase / (Decrease)</b>	<b>(9.6)</b>	<b>181.0</b>	<b>153.9</b>	<b>172.8</b>
<b>Uses</b>				
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)
<b>USES Decrease / (Increase)</b>	<b>(235.1)</b>	<b>(735.5)</b>	<b>(1,099.1)</b>	<b>(1,522.5)</b>
<b>Projected Cumulative Projected Surplus / (Shortfall)</b>	<b>(244.7)</b>	<b>(554.5)</b>	<b>(945.1)</b>	<b>(1,349.7)</b>
<b>Two-Year Deficit</b>	<b>(799.2)</b>			



# City's Fiscal Outlook (continued)



## 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.



# City's Fiscal Outlook (continued)



## 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.

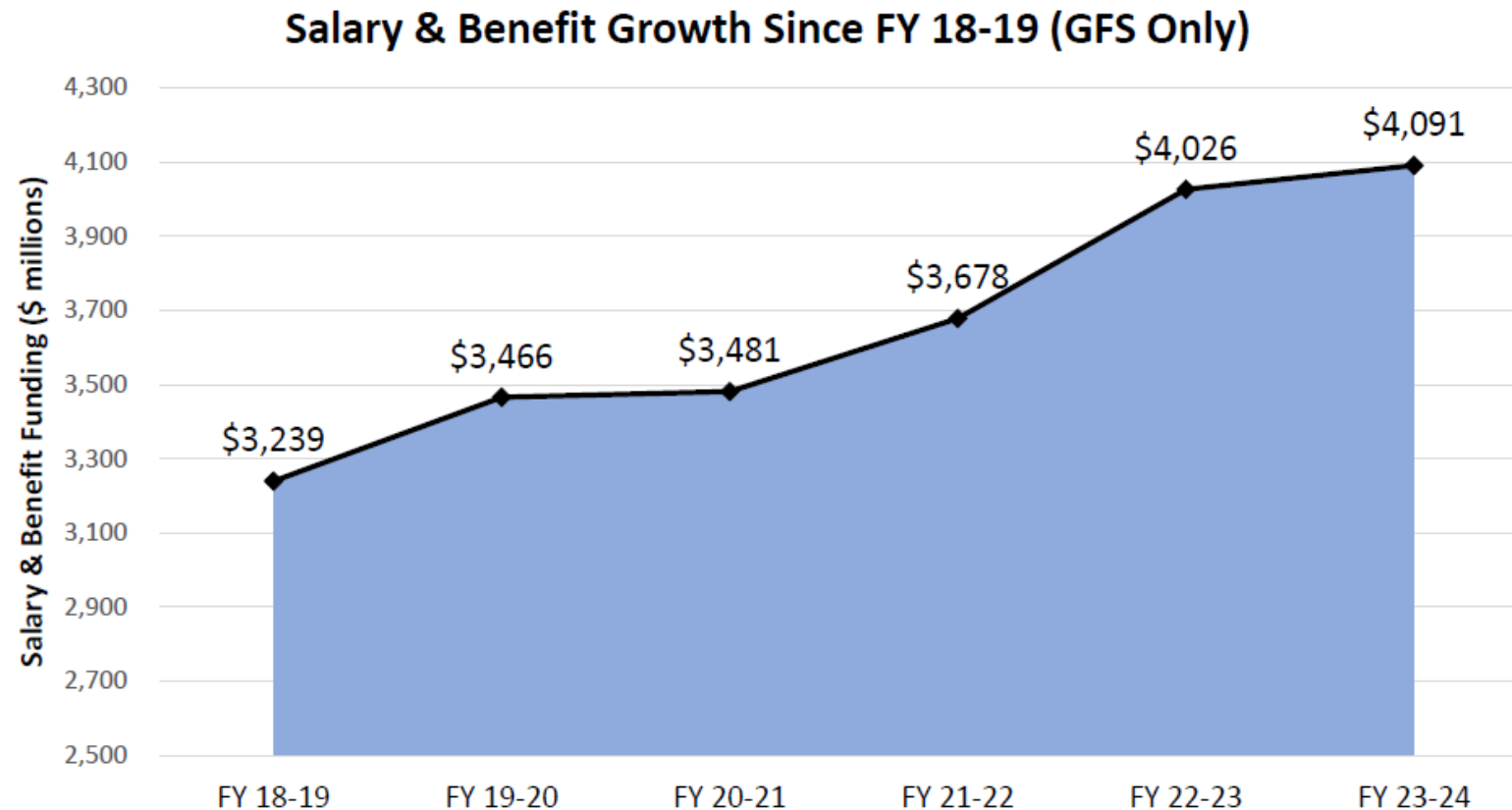




# City's Fiscal Outlook (continued)



## Salary & Benefits – 30% Growth in 5 Years

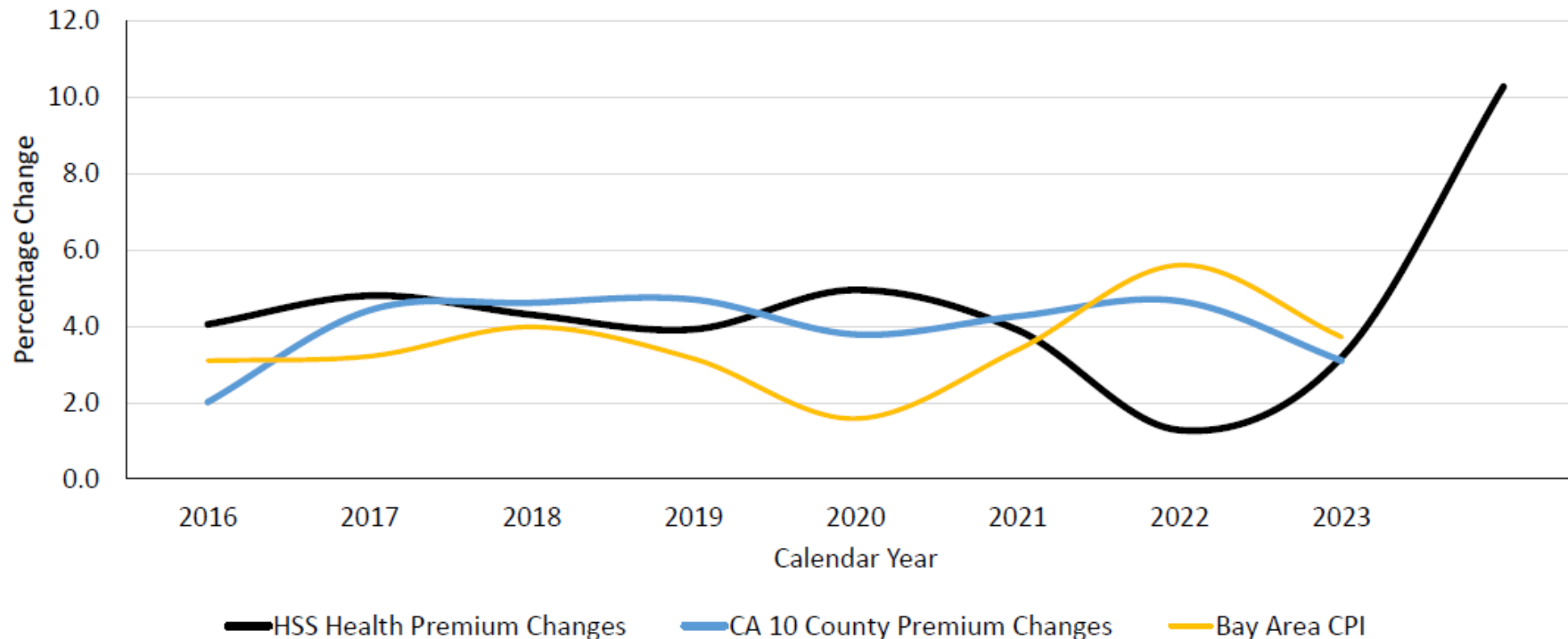


# City's Fiscal Outlook (continued)



## Health Care Cost Growth at 9-10%

Change in SFHSS Health Rates vs Benchmarks  
2016 - 2023 (Calendar Year)



# City's Fiscal Outlook (continued)



## 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.

# 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 (continued)



## 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 (continued)



## Budget Instructions to Departments

---

### For DCYF:

Target Cut: \$7.98M for each of FY24-25 and FY25-26

Contingency Cut: \$3.99M for each of FY24-25 and FY25-26



# Budget Instructions (continued)



## Budget Instructions to Departments

---

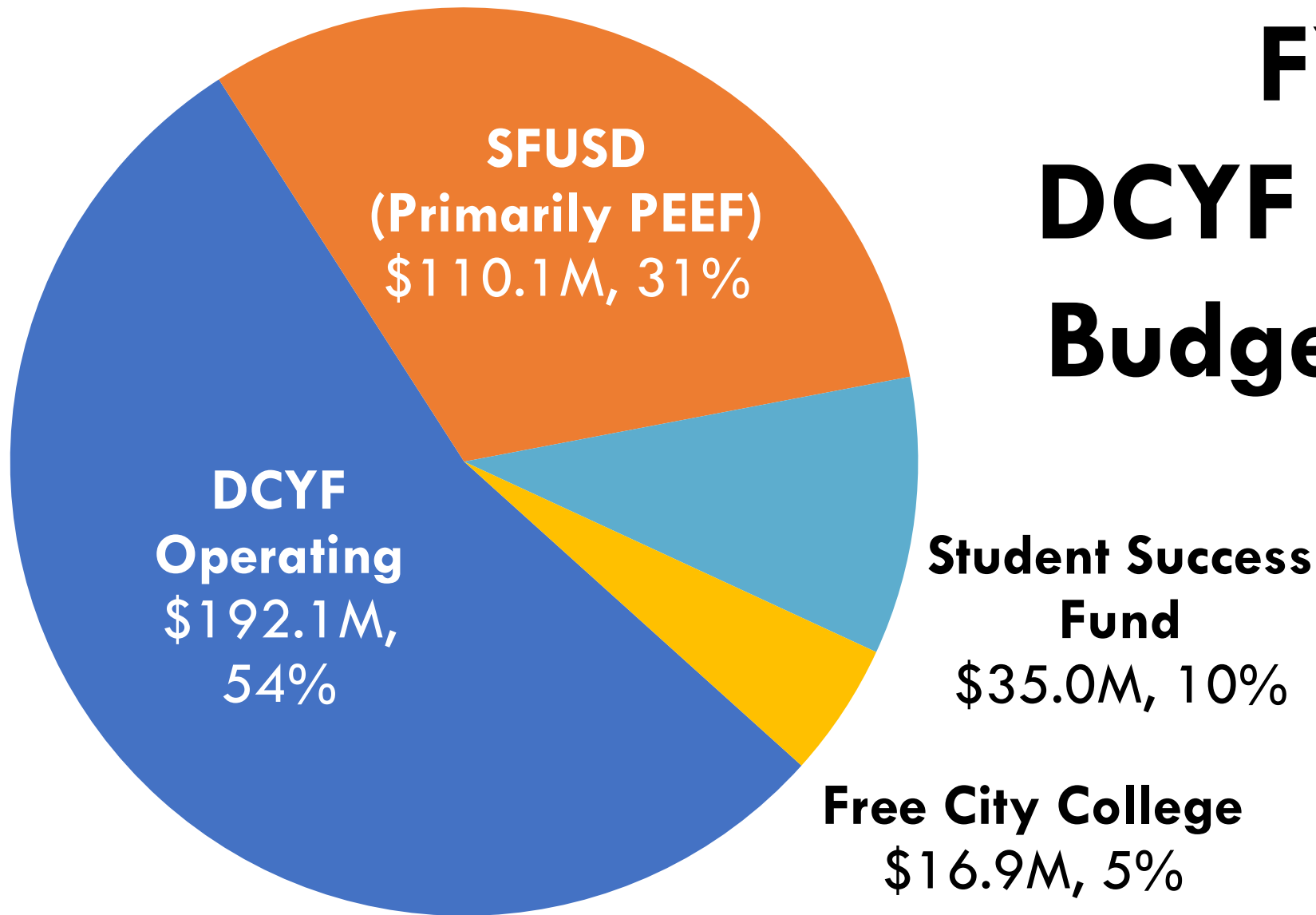
- Implement mid-year cuts that are ongoing in FY 24-25 & FY 25-26.
- Do not add new FTE. Prioritize staffing key areas related to public safety and essential operations. Eliminate remaining vacancies for savings.

*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.



# FY 2024-25 DCYF Operating Budget vs Other Programs



Note: Student Success Fund was established to provide grants to the San Francisco Unified School District and schools in the District to implement programs that improve academic achievement and social/emotional wellness of students. It is budgeted in a separate fund, Fund 11141.

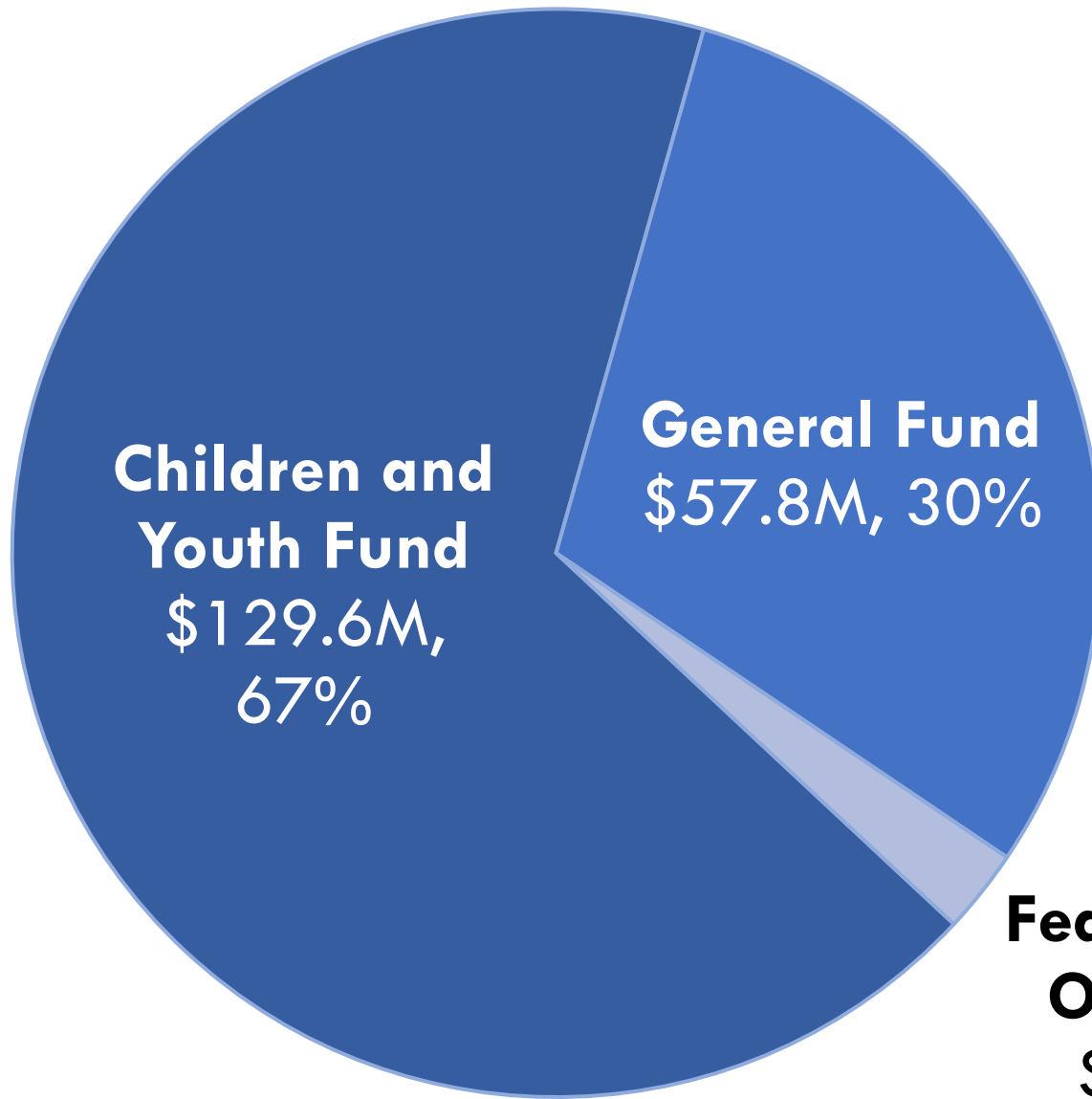




# FY 2024-25

## DCYF Operating

### General Fund vs Self Supporting



**Federal, State &  
Other Grants**  
\$4.8M, 3%



**Questions?**