



CITY AND COUNTY OF SAN FRANCISCO

TO: Mayor London Breed
President Aaron Peskin and Members of the Board of Supervisors

FROM: Dan Goncher, Board of Supervisors Budget & Legislative Analyst
Anna Duning, Mayor's Budget Director
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DATE: March 31, 2023

SUBJECT: **Budget Outlook Update (March Five Year Update)**

Executive Summary

San Francisco Administrative Code Section 3.6(b) requires the Mayor, Board of Supervisors Budget Analyst, and Controller to submit regular updates to the City's Five-Year Financial Plan. This report (sometimes referred to as the Joint Report) updates our offices' last projection, which was published in the City's Five-Year Financial Plan in January 2023.

Given more recent information and trends, our offices project larger future shortfalls than in our January forecast:

- The shortfall for the coming fiscal year (FY 2023-24) is forecast to grow to \$290.9 million, or \$90.1 million higher than our last projection.
- In the upcoming two fiscal years, the period for which the City is required to adopt a balanced two-year budget, our offices now project a \$779.8 million shortfall, or \$51.5 million more than the deficit of \$728.3 million projected in the January report.
- Structural shortfalls in later years of our projection are also rising, growing to \$1,319.8 million by FY 2027-28, which is \$95.6 million greater than the January projection.

As summarized in this update, these worsening trends are largely the result of lower revenue projections, higher employee benefit costs, and new spending proposals adopted by the City since the January forecast.

Table 1. Base Case – General Fund-Supported Projected Budgetary Surplus / (Shortfall)
(\$ Millions)

	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
<i>SOURCES Increase / (Decrease)</i>	(116.0)	18.3	85.6	72.8	191.3
Uses					
Baselines & Reserves	(55.6)	(56.0)	(91.2)	(162.6)	(210.5)
Salaries & Benefits	(65.5)	(216.8)	(324.7)	(433.2)	(574.7)
Citywide Operating Budget Costs	(83.9)	(204.3)	(317.0)	(413.2)	(517.8)
Departmental Costs	30.1	(30.1)	(76.7)	(139.1)	(207.9)
<i>USES (Increase) / Decrease</i>	(174.9)	(507.3)	(809.6)	(1,148.1)	(1,511.1)
Projected Annual Surplus / (Shortfall)	(290.9)	(488.9)	(723.9)	(1,075.3)	(1,319.8)
Two Year Deficit	(779.8)				

Various financial provisions exist in various contracts and ballot measures that are dependent on the projections in this March report. The FY 2023-24 projected deficit of \$290.9 million is below the \$300.0 million threshold, which, if exceeded, would have delayed negotiated wage increases in miscellaneous labor contracts by six months. However, the FY 2023-24 projected deficit is above the deficit thresholds of several voter-adopted baselines, which will result in the suspension of requirements to increases for the following baselines: Early Care and Education, Dignity Fund, Street Tree Maintenance Fund, and Recreation and Parks.

Changes from the January 2023 Five Year Financial Plan Report

Table 2 below outlines the cumulative changes from the January 2023 projections that are reflected in this update; these changes are described in more detail below.

Table 2: Cumulative Changes to Updated Projected Budgetary Surplus / (Shortfall) (\$ Millions)

	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Sources - Revenue, Fund Balance, and Reserves	(38.6)	93.6	78.2	(3.7)	(10.0)
Uses - Baselines & Reserves	(54.0)	(10.3)	7.3	(14.4)	(5.6)
Uses - Salaries & Benefits	(10.6)	(47.2)	(67.0)	(69.0)	(84.0)
Uses - Citywide Operating Budget Costs	(5.4)	(4.7)	(4.2)	(3.5)	(2.9)
Uses - Department Costs	18.4	7.2	7.3	7.0	6.9
Total Annual Change	(90.1)	38.6	21.7	(83.6)	(95.6)
Change in Two-Year Deficit	(51.5)				

SOURCES – Revenue, Fund Balance, and Reserves: Compared to the January Five-Year Plan, projected General Fund sources decrease by \$38.6 million in FY 2023-24, increase by \$93.6 million in FY 2024-25, \$78.2 million in FY 2025-26, decrease by \$3.7 million in FY 2026-27, and \$10.0 million in FY 2027-28. Key drivers of this change include:

- **General Fund Tax Revenues:** General Fund revenue has declined from the prior projection. Improvements in property and business tax are more than offset by declines in Federal Emergency Management Agency (FEMA) reimbursements, State sales tax-based subventions, and sales, hotel, and transfer taxes. The most significant changes in revenue are discussed below:
 - **Property Tax.** Projected revenues are modestly higher through the forecast period given that the secured assessment roll growth assumption for FY 2023-24 increased from 2.5% to 4.0% based upon the Assessor-Recorder's working roll values through the end of February 2023, which increases the starting basis for all future year roll growth. The unsecured roll growth assumption has declined from 0% to -0.5% for each of the fiscal years 2023-24 through 2025-26, to match the actual 2022 decline, and flat thereafter.

Based upon updated office vacancy and rent projections from February 2023, General Fund property tax revenue anticipated for reserves to fund Assessment Appeals Board (AAB) decisions is assumed at \$64.0 million for FY 2023-24, \$103.1 million for FY 2024-25, \$118.1 million for FY 2025-26, \$136.3 million for FY 2026-27, and \$146.1 million for FY 2027-28. While assumed changes in residential values are unchanged from the prior report, office vacancy is assumed to peak at 33.0% in FY 2025-26 (versus previous report's peak at 28.8% in FY 2024-25) and rents are higher than previously assumed for FY 2023-24 and FY 2024-25 before declining to even lower levels over the forecast period.

- **Business Tax.** Each tax year, businesses make three quarterly prepayments and then true up to the actual tax obligation when they file their taxes. Prepayments are generally made as one quarter of the prior year tax obligation, and this was the assumption underlying previous projections. However, for tax year 2022, the prepayments were lower than expected and the year-end true-up payments were stronger than expected, leading to higher total revenue for tax year 2022 compared to prior projections. The higher revenue in 2022 leads to higher revenue projections in future years. This forecast now assumes that going forward prepayments will be less than would be expected based on one quarter of the prior year tax obligation. This effectively pushes revenue collections toward the end of the tax year, which reduces revenue in the near term. On net, revenue projections for FY 2023-24 remain essentially constant from the prior projection, while later years increase between \$23 million and \$44 million. Assumptions about telecommuting and future economic growth are unchanged from our last forecast.
- **Transfer Tax.** Transfers of residential and commercial real estate continue to stagnate and decrease from the prior fiscal year, as the interest rate environment makes borrowing more difficult and the work-from-home dynamic makes office space an unattractive investment. This forecast anticipates FY 2022-23 transfer activity to decline from FY 2021-22, even after adjusting for two historic transfers that generated nearly \$100 million of transfer tax. In FY 2023-24, FY 2024-25, and FY 2025-26 transfer tax is

expected to increase year-over-year as it recovers to an anticipated long-run average of \$365.0 million by FY 2026-27.

- **Federal Emergency Management Agency (FEMA) reimbursement for COVID response costs.** Given the lack of obligations in the current fiscal year and clarification about claims criteria, projections of FEMA cost recoveries have been reduced and are projected to occur over a longer time horizon than our last projection. The January 2023 report projected revenues of \$383.2 million during FY 2022-23 and 2023-24. In this report, a total of \$353.4 million is projected to be received during FY 2022-23, FY 2023-24, and FY 2024-25.
- **Sales Tax-Based Subventions.** The City's forecast of health and welfare realignment, public safety realignment, and public safety sales tax have decreased by approximately \$30 to \$40 million in each year, based on lowered sales tax expectations in the Governor's January Proposed Budget.
- **Use of Reserves:** This update assumes no major changes to the use of reserves from the January 2023 report.

USES – Baselines and Reserves: Changes in projected General Fund revenues result in corresponding changes to baselines and reserves. An additional \$54.0 million in baseline and reserves cost is projected for FY 2023-24, cumulative cost increase by \$10.3 million in FY 2024-25, and cumulative cost decrease by \$7.3 million in FY 2025-26, cost increase by \$14.4 million in FY 2026-27, and \$5.6 million in FY 2027-28 compared to the January report from the prior projection.

- **Baselines:** Most of the City's Charter-mandated baselines (including Municipal Transportation Agency, Library, and the Public Education and Enrichment Fund) are driven by changes in aggregate discretionary revenue (ADR), which typically follows the General Fund revenue projection. These changes since our last report adjust projections given our most recent revenue forecasts, summarized above. They do not account for the suspension of growth triggered by the projected shortfall for several baselines, noted above.
- **Deposits to Reserves:** The use of General Reserve to fund supplemental appropriations in the current year, as well as changes in revenue projections, trigger additional General Reserve deposits during the plan period. Since the January 2023 Joint Report, two supplemental appropriations (for overtime in the Police Department and services of the Department of Public Works) that draw from the General Reserve have been passed on first reading by the Board of Supervisors. These uses of the General Reserve require additional deposits in FY 2023-24, leading to an increase in General Reserve deposits of \$49.9 million in FY 2023-24, and modest changes in the subsequent years in this update.

USES – Salaries & Benefits: Compared to the January Five-Year Report, salary and benefit projected costs increase by \$10.6 million in FY 2023-24, by \$47.2 million in FY 2024-25, by \$67.0 million in FY 2025-26, \$69.0 million in FY 2026-27, and \$84.0 million in FY 2027-28. These changes are primarily driven by changes in employer pension contribution rates and changes to projected costs of health benefits:

- **CPI Changes for Labor and Non-Labor Cost Projections:** In years where labor contracts are open, projections continue to assume consumer price index (CPI) increases. At the time of issuance, these are projected to be 3.56% in FY 2023-24, 2.62% in FY 2024-25, 2.66% in FY 2025-26, 2.45% in FY 2026-27, and 2.51% in FY 2027-28.
- **Retirement Benefits – Employer Contribution Rates:** This projection includes updates to the employer contribution rates to the San Francisco Employees’ Retirement System (SFERS). The increased costs compared to the prior projections are due to an update to the FY 2023-24 employer contribution rate, which increased from 17.0% in the January projections, prior to employee cost-sharing, to 18.24% in this report. The new rate, adopted by the SFERS Board in February 2023, reflects the final Fiscal Year 2022-23 audited asset valuation of a net -6.5% return, compared to the -2.78% return estimated in the fall. While the plan is fully funded given the market value of assets, contribution rates are determined based on the actuarial valuation of assets, and that funding percentage is less than 100%. Most of the cost increases in the first two years of the projection since the January report are due to this change.
- **Health and Dental Benefits for Retired City Employees:** Health costs for active members are higher compared to the fall projection as they include medical inflation and updated medical enrollments as of March 2023. These projections also assume that health costs for retired City employees will decrease in FY 2023-24 compared to the January projections based on the Charter-required 10-county average, which was updated in March 2023.

USES – Citywide Operating Costs: Compared to the January 2023 Five-Year Report, projected citywide operating costs increase by \$5.4 million in FY 2023-24 with further increases in the subsequent years. This change is primarily driven by savings in the City’s projection of workers’ compensation costs to align with current year trends and an assumed 4 percent inflation in future years to account for rising state-mandated fees and medical costs. This savings is offset by a salaries and benefits adjustment that is now assumed in the salaries and benefits section above.

USES – Departmental Operating Costs: Compared to the January Five Year Report, departmental projected costs decrease by \$18.4 million in FY 2023-24 and decrease by \$7.2 million in FY 2024-25. These changes are due to a one-time correction for a debt payment and updates to the Human Services Agency’s (HSA) In-Home Supportive Services (IHSS) and entitlement programs costs.

- **HSA County Aid & IHSS:** This update modifies previous projections of the local cost of entitlement programs to reflect current-year trends and incorporate State policy changes. CalWORKs grants are projected to increase in FY 2023-24 by 2.9 percent, per the Governor’s proposed January budget, and local ordinance applies CalWORKs increases to County Adult Assistance program (CAAP) grants, which are local costs. This projection assumes that CAAP grants will receive the 2.9 percent increase, but overall CAAP expenditures are projected to decrease due to moderately declining caseloads over the forecast period. In In-Home Supportive Services (IHSS), the decreased cost reflects a small adjustment to align estimates with State Maintenance of Effort (MOE) actuals.

Key Factors that Could Affect the Forecast

Significant uncertainties and outstanding policy choices remain that could affect the City's financial condition over the next four years. The following factors could materially affect the outlook:

- **Labor negotiations:** This projection continues to assume approved wage increases in collective bargaining agreements for most labor unions through the end of FY 2023-24, and applies inflation increases on open contracts in all other years based on the same CPI rates used in the January Report. Other than these costs, this report does not assume any contract changes due to active labor negotiations with Police and Firefighters' unions. Wage or benefit changes above or below these assumptions would impact the projection. The membership of the Police Officer's Association has approved a tentative agreement with the City that would increase wages and premiums by rates greater than the CPI-based wage increases assumed in this report; this cost is not included in the update as the Board has not approved the MOU.

Additionally, the update does not assume any changes to IHSS care provider wages from the January 2023 report, which assumed a CPI increase applied on July 1 of each year, but negotiations between the City and IHSS Public Authority, the employer of record, and SEIU Local 2015, the union for IHSS independent providers, are currently underway, the outcome of which may affect local cost.

- **Additional interest rate increases or other factors that may tip the nation into recession:** This report assumes successive Fed interest rate increases will slow inflation without inducing a recession. However, the Fed's ability to engineer such a "soft landing" remains to be seen, and the impact of the failure of Silicon Valley Bank and Signature Bank in the past weeks is also unfolding. Should a recession occur, and assuming policymakers chose to completely deplete the City's economic stabilization reserves, the report estimates such a recession would increase the total shortfall amount by \$339.0 million over the forecast period.
- **Retirement contribution rate:** Projections assume the SFERS adopted 7.2% rate of return in FY 2022-23, however, returns through February 28, 2023, were 0.66%. Additionally, variances between the final actuarial audited valuation at the end of the fiscal year could 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% assumption will result in higher retirement contribution costs during the forecast period.
- **State and federal budget impacts:** This report does not assume significant changes in federal funding levels beyond those described in this report. While this projection reflects changes to subventions of state sales tax revenues to align to the Governor's January budget proposal, it does not assume any significant state budget or policy changes. The Governor will introduce changes to the FY 2023-24 state budget in the May Revise, which will be further amended by the state legislature. Given the state's own budget shortfall, we will monitor budget trailer legislation for changes that would affect excess ERAF revenue.

Pending or Proposed Policy Decisions with Fiscal Impact

Legislative or voter-approved increases to existing baselines, set-asides, or other new spending increases without commensurate revenue increases from new funding sources will impact the projections included in this report.

Pending or Proposed Policy Decisions	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY27-28
Annualization of Police & Public Works Supplementals	(28.6)	(40.8)	(47.3)	(48.0)	(48.8)
Extension of Downtown Ambassador Programs	(10.7)	(28.1)	(28.1)	(28.1)	(28.1)
Maintaining Shelter Capacity	(24.0)	(39.8)	(27.0)	(27.0)	(27.0)
Tax Change Proposals (Delayed Changes & Credits)	(14.8)	(21.8)	(20.8)	(17.2)	(17.2)
Total Annual Cost	(78.1)	(130.5)	(123.2)	(120.3)	(121.1)

The Five-Year Financial Plan Update does not assume increased General Fund support in order to implement or continue the following expenditures, which have been topics of recent policy discussions. The decisions to increase General Fund contributions to support or continue these programs are considered a policy matter for the current budget process.

- **Annualization of Police & Public Works Supplementals:**
 - **Police Staffing:** At the time of the Controller’s FY 2022-23 Six-Month Report, the Police Department projected a \$27.6 million deficit due to staffing shortages backfilled with overtime to sustain service levels through the end of the fiscal year. A supplemental appropriation to increase the department’s overtime budget has been approved on first reading. This update does not assume increased contributions from the General Fund to the Police Department to address the structural staffing shortages and resulting overtime costs in future years. However, absent decisions to change service levels or deployment practices, status quo operations indicate the department will continue to incur high levels of overtime costs of at least \$28.6 million in the budget year and increasing by CPI annually.
 - **Public Works Street Cleaning:** The Public Works supplemental for street cleaning and graffiti abatement approved on first reading by the Board of Supervisors appropriates additional funding in the current year to expand street cleaning and graffiti abatement services for 18 months. This update does not assume increased contributions from the General Fund to the Department of Public Works to continue the street cleaning enhancement after the initial supplemental funding is spent. The estimate to continue this level of service once that funding expires is at least \$17.1 million annually.
- **Extension of Downtown Ambassadors Programs:** The January Five-Year report assumed the same level of funding from the adopted FY 2022-23 and FY 2023-24 budget, which planned for a gradual ramp-down of the Downtown and Mid-market ambassador programs funded as economic recovery initiatives in the Office of Economic and Workforce Development. If current levels of service for ambassadors are maintained or increased, this will result in an additional cost of at least \$10.7 million in FY 2023-24 and an annual cost of \$28.1 million.

- Maintain Shelter Capacity:** The Department of Homelessness and Supportive Housing is currently relying on one-time State funds to operate many of its shelters. Over the five-year forecast period, much of this funding expires, creating a shortfall of at least \$24.0 million FY 2023-24, growing to at least \$39.8 million in FY 2024-25 – if the City chooses to continue operating these shelters at current levels. This update does not assume General Fund to backfill the State source loss; decisions to backfill will be a policy matter for the budget process.
- Tax Change Proposals:** There is also pending legislation introduced by the Mayor that aims to provide tax relief for existing businesses and tax credits for new businesses. The legislation is intended to spur additional business activity, which could, in turn, increase tax revenues. In the short term, however, the change could result in a reduction of tax revenues from the current assumptions by an estimated \$14.8 million in FY 2023-24 and \$21.8 million in FY 2024-25.
- Other Pending Supplemental Appropriations:** In addition to the Police and Public Works supplementals, several appropriations for new programs or initiatives are pending at the Board of Supervisors, and others may be proposed. At the time of publication, pending mid-year supplementals total \$66.2 million in uses of the General Reserve. They include \$5.5 million for Wellness Hubs in the Department of Public Health, \$0.2 million for positions in the Office of the District Attorney to address open-air drug dealing, \$10.0 million for Tenderloin Emergency Safety, \$50.0 million for an Office of Reparations, and \$0.5 million for a Hunters Point Shipyard independent analysis on sea level rise and groundwater impacts. These reserve uses would require an equivalent reserve deposit in the budget year, increasing the projected shortfall by this amount.

Pending Supplemental Appropriations	Amt (\$M)
Wellness Hubs	(5.5)
Positions in the Office of the District Attorney	(0.2)
Tenderloin Emergency Safety	(10.0)
Office of Reparations	(50.0)
Hunters Point Shipward Analysis	(0.5)
Total Proposed Cost to General Reserve	(66.2)

Conclusion

This update presents an overall increase to the projected two-year deficit compared to the January 2023 forecast, with cost increases primarily in the first year. Revenues have declined from the prior projection and expectations of FEMA revenues have been reduced and delayed to latter years of the forecast. Further, the use of reserves to fund supplemental appropriations in the current year requires additional deposits to the General Reserve, and finally, health and retirement costs have grown. As discussed above, the City is in active labor negotiations with Police and Firefighters’ unions and with the IHSS independent providers union. The outcome of these negotiations would impact the projection. Furthermore, there are numerous pending or proposed policy decisions with fiscal impacts, some of which are discussed above. Funding these programs without commensurate new sources to support them would further increase the size of the deficit.

Appendix A: Updated Base Case – Key Changes to General Fund-Supported Sources & Uses FY 2023-28 – INCREMENTAL CHANGE (\$ in millions)

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

SOURCES Increase / (Decrease)		2023-24	2024-25	2025-26	2026-27	2027-28
Fund Balance & Reserves						
1	Use of prior Year Fund Balance Gain/(Loss)	(229.4)	83.9	(81.7)	(79.5)	-
2	Reserves - Use	12.0	(90.2)	-	-	-
	Subtotal Balance & Reserves	(217.4)	(6.3)	(81.7)	(79.5)	-
Revenues						
3	General Fund Taxes, Revenues and Transfers net of items below	182.1	200.9	123.5	122.7	92.7
4	FEMA Revenue	(73.4)	(90.0)	-	(80.0)	-
5	Public Health - One-time Revenues	(38.0)	-	-	-	-
6	Public Health - Operating Revenues	22.7	15.5	16.2	15.3	16.1
7	Other General Fund Support	7.9	14.3	9.3	8.7	9.7
	Subtotal Revenues	101.3	140.6	149.0	66.7	118.5
	TOTAL CHANGES TO SOURCES	(116.0)	134.4	67.3	(12.8)	118.5
USES Decrease / (Increase)						
Baselines						
8	Contributions to Baselines	(53.9)	(49.9)	(33.5)	(31.5)	(22.2)
9	Contributions to Reserves	(1.7)	49.4	(1.7)	(40.0)	(25.8)
	Subtotal Baselines and Reserves	(55.6)	(0.5)	(35.1)	(71.4)	(47.9)
Salaries & Benefits						
10	Previously Negotiated Closed Labor Agreements	(101.2)	-	-	-	-
11	Projected Costs of Open Labor Agreements	(37.6)	(138.0)	(89.9)	(84.7)	(93.2)
12	Health & Dental Benefits - Current & Retired Employees	(30.0)	(34.1)	(33.7)	(32.3)	(34.2)
13	Retirement Benefits - Employer Contribution Rates	74.5	23.5	16.7	9.3	(13.2)
14	Other Salaries and Benefits Savings / (Costs)	29.5	(1.6)	1.5	1.4	1.5
	Subtotal Salaries & Benefits	(65.5)	(151.3)	(107.9)	(108.5)	(141.5)
Citywide Operating Budget Costs						
15	Capital, Equipment, & Technology	(66.5)	(29.5)	(38.5)	(39.0)	(39.8)
16	Inflation on non-personnel costs and non-profit grants	-	(35.6)	(37.0)	(35.0)	(36.8)
17	Debt Service & Real Estate	(30.8)	(40.4)	(22.4)	(8.7)	(14.1)
18	Sewer, Water, and Power Rates	(9.3)	(6.0)	(6.0)	(5.8)	(5.6)
19	Workers' Compensation Claims	(3.9)	(3.3)	(3.5)	(3.6)	(3.7)
20	COVID-19 Citywide Expenditures	32.3	0.0	-	-	-
21	Other Citywide Costs	(5.8)	(5.6)	(5.3)	(4.1)	(4.7)
	Subtotal Citywide Operating Budget Costs	(83.9)	(120.3)	(112.7)	(96.2)	(104.6)
Departmental Costs						
22	City Administrator's Office - Convention Facilities Subsidy	1.6	(2.8)	5.1	0.0	(0.2)
23	Elections - Number of Scheduled Elections (Even-Numbered Years)	(1.1)	0.2	(1.2)	0.3	(1.2)
24	Ethics Commission - Public Financing of Elections	-	(5.1)	5.0	(1.2)	(0.7)
25	Mission Bay Transportation Improvement Fund	(0.3)	(3.6)	(0.3)	(0.3)	(0.3)
26	Affordable & Permanent Supportive Housing Project Costs	(1.1)	(6.7)	(5.9)	(10.5)	(8.9)
27	Human Services Agency - IHSS and Other Benefit Costs	(12.2)	(9.9)	(10.2)	(11.0)	(18.9)
28	Public Health - Operating Costs	(20.4)	(25.3)	(25.6)	(26.9)	(34.2)
29	Downtown Recovery and Activation	14.4	19.9	-	-	-
30	2022 Election Measures (June 2022 & November 2022)	(13.2)	(24.0)	(10.0)	(15.0)	(1.0)
31	FY 2022-23 One-time Community Support Initiatives	62.0	-	-	-	-
32	All Other Departmental Savings / (Costs)	0.5	(3.0)	(3.5)	2.2	(3.4)
	Subtotal Departmental Costs	30.1	(60.3)	(46.6)	(62.4)	(68.8)
	TOTAL CHANGES TO USES	(174.9)	(332.4)	(302.3)	(338.6)	(362.9)
	Projected Surplus (Shortfall) vs. Prior Year	(290.9)	(198.0)	(235.0)	(351.4)	(244.4)
	Annual Projected Surplus (Shortfall)	(290.9)	(488.9)	(723.9)	(1,075.3)	(1,319.8)
	2-Year Number	(779.8)				

Appendix B: Updated Base Case – Key Changes to General Fund-Supported Sources & Uses FY 2023-28 – CUMULATIVE CHANGE (\$ in millions)

This appendix provides an updated version of Table 2B from the January Five-Year Financial Plan.

SOURCES Increase / (Decrease)		2023-24	2024-25	2025-26	2026-27	2027-28
Fund Balance & Reserves						
1	Use of prior Year Fund Balance Gain/(Loss)	(229.4)	(145.5)	(227.2)	(306.7)	(306.7)
2	Reserves - Use	12.0	(78.2)	(78.2)	(78.2)	(78.2)
Subtotal Balance & Reserves		(217.4)	(223.6)	(305.3)	(384.8)	(384.8)
Revenues						
3	General Fund Taxes, Revenues and Transfers net of items below	182.1	383.0	506.4	629.1	721.8
4	FEMA Revenue	(73.4)	(163.4)	(163.4)	(243.4)	(243.4)
5	Public Health - One-time Revenues	(38.0)	(38.0)	(38.0)	(38.0)	(38.0)
6	Public Health - Operating Revenues	22.7	38.2	54.5	69.7	85.8
7	Other General Fund Support	7.9	22.2	31.4	40.2	49.9
Subtotal Revenues		101.3	242.0	391.0	457.7	576.1
TOTAL CHANGES TO SOURCES		(116.0)	18.3	85.6	72.8	191.3
USES Decrease / (Increase)						
Baselines						
8	Contributions to Baselines	(53.9)	(103.8)	(137.2)	(168.7)	(190.9)
9	Contributions to Reserves	(1.7)	47.8	46.1	6.1	(19.7)
Subtotal Baselines and Reserves		(55.6)	(56.0)	(91.2)	(162.6)	(210.5)
Salaries & Benefits						
10	Previously Negotiated Closed Labor Agreements	(101.2)	(101.2)	(101.2)	(101.2)	(101.2)
11	Projected Costs of Open Labor Agreements	(37.6)	(175.6)	(265.5)	(350.2)	(443.4)
12	Health & Dental Benefits - Current & Retired Employees	(30.0)	(64.1)	(97.8)	(130.0)	(164.2)
13	Retirement Benefits - Employer Contribution Rates	74.5	98.0	114.7	124.0	110.8
14	Other Salaries and Benefits Savings / (Costs)	29.5	27.9	29.5	30.9	32.4
Subtotal Salaries & Benefits		(65.5)	(216.8)	(324.7)	(433.2)	(574.7)
Citywide Operating Budget Costs						
15	Capital, Equipment, & Technology	(66.5)	(95.9)	(134.5)	(173.5)	(213.2)
16	Inflation on non-personnel costs and non-profit grants	-	(35.6)	(72.6)	(107.6)	(144.4)
17	Debt Service & Real Estate	(30.8)	(71.3)	(93.6)	(102.4)	(116.5)
18	Sewer, Water, and Power Rates	(9.3)	(15.3)	(21.3)	(27.1)	(32.7)
19	Workers' Compensation Claims	(3.9)	(7.2)	(10.6)	(14.2)	(17.9)
20	COVID-19 Citywide Expenditures	32.3	32.3	32.3	32.3	32.3
21	Other Citywide Costs	(5.8)	(11.4)	(16.7)	(20.7)	(25.4)
Subtotal Citywide Operating Budget Costs		(83.9)	(204.3)	(317.0)	(413.2)	(517.8)
Departmental Costs						
22	City Administrator's Office - Convention Facilities Subsidy	1.6	(1.2)	3.9	4.0	3.8
23	Elections - Number of Scheduled Elections (Even-Numbered Years)	(1.1)	(1.0)	(2.2)	(1.8)	(3.1)
24	Ethics Commission - Public Financing of Elections	-	(5.1)	(0.1)	(1.4)	(2.1)
25	Mission Bay Transportation Improvement Fund	(0.3)	(3.9)	(4.2)	(4.4)	(4.7)
26	Affordable & Permanent Supportive Housing Project Costs	(1.1)	(7.8)	(13.7)	(24.1)	(33.0)
27	Human Services Agency - IHSS and Other Benefit Costs	(12.2)	(22.1)	(32.4)	(43.3)	(62.2)
28	Public Health - Operating Costs	(20.4)	(45.7)	(71.2)	(98.2)	(132.4)
29	Downtown Recovery and Activation	14.4	34.3	34.3	34.3	34.3
30	2022 Election Measures (June 2022 & November 2022)	(13.2)	(37.2)	(47.3)	(62.3)	(63.3)
31	FY 2022-23 One-time Community Support Initiatives	62.0	62.0	62.0	62.0	62.0
32	All Other Departmental Savings / (Costs)	0.5	(2.5)	(6.0)	(3.8)	(7.3)
Subtotal Departmental Costs		30.1	(30.1)	(76.7)	(139.1)	(207.9)
TOTAL CHANGES TO USES		(174.9)	(507.3)	(809.6)	(1,148.1)	(1,511.1)
Annual Projected Surplus (Shortfall)		(290.9)	(488.9)	(723.9)	(1,075.3)	(1,319.8)
2-Year Number		(779.8)				

Appendix C: Updated Summary of General Fund-Supported Operating Revenues and Transfers in Sources & Uses FY 2021-22 through FY 2027-28 (\$ in millions)

This appendix provides an updated version of Table 3A from the January Five-Year Financial Plan.

	FY 2021-22	FY 2022-23	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Year-End	Original Budget	Projection	Projection	Projection	Projection	Projection	Projection
Property Taxes	\$ 2,337.2	\$ 2,379.5	\$ 2,466.0	\$ 2,469.0	\$ 2,456.0	\$ 2,444.0	\$ 2,436.0	\$ 2,465.0
Business Taxes	861.2	902.3	900.9	880.8	969.5	986.3	1,017.5	1,049.7
Sales Tax	188.3	182.9	201.4	202.0	207.3	214.0	221.0	228.2
Hotel Room Tax	158.2	188.9	260.5	304.8	344.1	374.7	391.6	403.4
Utility Users Tax	105.2	82.6	108.2	109.3	110.4	111.5	112.6	113.8
Parking Tax	71.1	80.2	80.2	84.1	87.9	90.6	92.5	94.5
Real Property Transfer Tax	520.3	390.5	193.9	236.7	279.4	322.2	365.0	365.0
Sugar Sweetened Beverage Tax	12.0	13.3	13.7	13.7	13.7	13.7	13.7	13.7
Stadium Admission Tax	4.6	5.4	8.0	10.1	10.1	10.1	10.1	10.1
Access Line Tax	55.8	47.1	52.9	54.7	56.2	57.7	59.1	59.1
Cannabis Tax	-	-	-	-	-	-	9.7	9.7
Executive Pay	-	60.0	140.0	80.0	90.0	100.0	100.0	100.0
Local Tax Revenues	4,313.9	4,332.7	4,425.7	4,445.3	4,624.7	4,724.9	4,828.8	4,912.1
Licenses, Fines, Interest, Rent	73.3	87.5	114.7	148.2	156.1	164.8	167.3	159.3
Federal Subventions	793.2	561.6	341.6	504.5	459.4	364.4	334.4	334.4
State Subventions	1,003.7	942.3	980.7	939.8	956.4	971.0	987.2	1,004.7
Charges for Services	216.3	217.5	206.1	236.9	226.7	226.7	226.7	226.7
Recovery of General Gov't Costs	23.6	19.9	19.9	19.9	19.9	19.9	19.9	19.9
Other Revenues	23.7	22.0	13.2	21.9	22.0	22.0	22.0	22.0
TOTAL REVENUES	6,447.8	6,183.4	6,102.0	6,316.4	6,465.2	6,493.7	6,586.4	6,679.1
Transfers in to General Fund								
Airport	37.9	37.1	48.0	45.8	52.1	55.4	58.0	61.3
Commercial Rent Tax Transfer In	28.7	34.0	29.0	28.4	31.7	33.5	35.6	37.8
Other Transfers	121.8	129.8	129.8	123.4	119.4	119.4	119.4	119.4
Total Transfers-In	188.5	200.9	206.8	197.6	203.2	208.4	213.1	218.5
TOTAL GF Revenues and Transfers-In	6,636.3	6,384.3	6,308.8	6,514.0	6,668.4	6,702.1	6,799.4	6,897.6

Appendix D: General Fund Baselines and In-Lieu Transfers FY 2021-22 through FY 2027-28 (\$ millions)

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	Deficit Triggers
	Actuals	Budget	Projection	Projection	Projection	Projection	Projection	
General Fund Aggregate Discretionary Revenue (ADR)	\$ 4,307.2	\$ 4,329.1	\$ 4,405.7	\$ 4,457.4	\$ 4,642.0	\$ 4,750.5	\$ 4,856.6	\$ 4,932.5
Municipal Transportation Agency (MTA)								
MTA - Municipal Railway Baseline: 6.686% ADR	288.0	289.4	294.6	298.0	310.3	317.6	324.7	329.8
MTA - Central Subway	3.9	16.5	16.5	17.5	18.3	19.0	19.0	19.0
MTA - Parking & Traffic Baseline: 2.507% ADR	108.0	108.5	110.5	111.8	116.4	119.1	121.8	123.7
MTA - Population Adjustment	55.6	58.0	58.0	82.8	91.7	97.5	102.4	105.9
MTA - 80% Parking Tax In-Lieu	56.9	64.1	64.2	67.3	70.3	72.5	74.0	75.6
Subtotal Municipal Transportation Agency	\$ 512.3	\$ 536.7	\$ 543.7	\$ 577.4	\$ 607.0	\$ 625.7	\$ 641.9	\$ 654.0
Library Preservation Fund								
Library - Baseline: 2.286% ADR	98.5	99.0	100.7	101.9	106.1	108.6	111.0	112.8
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	72.6	75.6	78.9	78.9	79.4	79.4	79.7	81.1
Subtotal Library	171.0	174.6	179.6	180.7	185.5	188.0	190.7	193.8
Children's Services								
Children's Services Baseline - Requirement: 4.830% ADR	208.0	209.1	212.8	215.3	224.2	229.4	234.6	238.2
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	25.0	25.1	25.6	25.9	26.9	27.6	28.2	28.6
Early Care and Education Baseline (Jun 2018 Prop C) - Requirement: 2.2122% ADR	90.6	91.1	92.7	93.8	97.6	99.9	102.2	103.8
Public Education Services Baseline: 0.290% ADR (50% GF)	6.2	6.3	6.4	6.5	6.7	6.9	7.0	7.2
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	116.1	121.2	125.8	126.2	127.1	127.1	127.5	129.7
Public Education Enrichment Fund: 3.057% ADR	131.7	132.3	134.7	136.3	141.9	145.2	148.5	150.8
1/3 Annual Contribution to Preschool for All	43.9	44.1	44.9	45.4	47.3	48.4	49.5	50.3
2/3 Annual Contribution to SF Unified School District	87.8	88.2	89.8	90.8	94.6	96.8	99.0	100.5
Student Success Fund (SFUSD)	N/A	N/A	N/A	11.0	35.0	45.0	60.0	60.0
Subtotal Children's Services (Required)	577.6	585.1	597.9	614.8	659.5	681.1	707.9	718.2
Recreation and Parks								
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	72.6	75.6	78.9	78.9	79.4	79.4	79.7	81.1
Recreation & Parks Baseline - Requirement	79.2	82.2	82.2	85.2	88.2	91.2	93.2	94.7
Subtotal Recreation and Parks (Required)	151.7	157.8	161.0	164.0	167.6	170.6	172.9	175.7
Other Financial Baselines								
Our City, Our Home Baseline (Nov 2018 Prop C) - Requirement	215.0	215.0	215.0	215.0	215.0	215.0	215.0	215.0
Housing Trust Fund Requirement	42.4	45.2	45.2	44.5	47.3	48.5	49.6	50.5
Dignity Fund	53.1	56.1	56.1	59.1	62.1	65.1	68.1	69.1
Street Tree Maintenance Fund	22.2	22.3	22.7	23.0	23.9	24.5	25.0	25.4
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	3.7	4.0	4.1	4.3	4.4	4.4	4.5	4.6
City Services Auditor: 0.2% of Citywide Budget	23.4	26.1	26.1	26.4	27.0	27.6	28.2	28.9
Mission Bay Transportation Improvement Fund	7.6	8.8	8.8	8.8	12.7	13.0	13.2	13.5
Subtotal Other Financial Baselines (Required)	367.4	377.5	378.0	380.9	392.3	398.0	403.7	407.1
Total Financial Baselines	1,780.1	1,831.6	1,860.2	1,917.9	2,011.9	2,063.4	2,117.1	2,148.9

Appendix E: Summary of Projected Reserve Balances - FY 2021-22 through FY 2027-28 (\$millions)

This appendix provides an updated version of Table 4 from the January Five-Year Financial Plan.

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Ending Balance	Projected Balance	Projected Balance	Projected Balance	Projected Balance	Projected Balance	Projected Balance
	Use	Use	Use	Use	Use	Use	Use
	Deposit	Deposit	Deposit	Deposit	Deposit	Deposit	Deposit
General Reserve	\$ 43.8	\$ 57.8	\$ 126.3	\$ 19.1	\$ 16.9	\$ 18.8	\$ 19.2
Rainy Day Economic Stabilization City Reserve	114.5	114.5	114.5	114.5	114.5	114.5	114.5
Budget Stabilization Reserve	265.8	265.8	265.8	265.8	265.8	265.8	265.8
Economic Stabilization Reserves	380.3	380.3	380.3	380.3	380.3	380.3	380.3
<i>Percent of General Fund Revenues</i>	<i>5.9%</i>	<i>6.2%</i>	<i>6.7%</i>	<i>5.9%</i>	<i>5.9%</i>	<i>6.4%</i>	<i>7.3%</i>
Rainy Day Economic Stabilization SFUSD Reserve	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Budget Stabilization Reserve - One Time Reserve	54.8	(54.8)	-	-	-	-	-
COVID Response and Economic Loss Reserve	14.0	(14.0)	-	-	-	-	-
Federal and State Emergency Grant Disallowance	81.3	81.3	81.3	81.3	81.3	81.3	81.3
Fiscal Cliff Reserve	229.8	(9.3)	(90.2)	130.3	130.3	130.3	130.3
Business Tax Stabilization Reserve	29.5	29.5	29.5	29.5	29.5	29.5	29.5
Public Health Revenue Management Reserve	123.9	(14.8)	109.1	109.1	109.1	109.1	109.1
Free City College Reserve	10.9	(4.0)	6.9	6.9	6.9	6.9	6.9
Mission Bay Transportation Improvement Fund	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Hotel Tax Loss Contingency Reserve	3.5	(2.5)	1.0	1.0	1.0	1.0	1.0
Alternative Response Reserve	3.0	(3.0)	-	-	-	-	-
Other Reserves	552.6	450.2	360.0	360.0	360.0	360.0	360.0
Litigation Reserve	-	10.8	11.0	11.0	11.0	11.0	11.0
Salary and Benefits Reserve	17.9	21.7	28.1	28.8	29.6	30.3	31.1
Annual Operating Reserves	17.9	32.5	39.1	39.8	40.6	41.3	42.1
TOTAL, General Fund Reserves	994.7	886.3	866.6	858.8	902.7	962.3	1,045.7