May 26th 2023 Submission Updates to Recology's Initial Refuse Rate Change Request (Submitted March 7th, 2023)

Updates received by the Refuse Rate Administrator 5/23/23 – 5/26/23

This document includes all non-confidential refuse rate change request submission files which Recology has provided to the Refuse Rate Administrator (RRA) during the week of 5/23/23 – 5/26/23 in response to the RRA's ongoing review and requests. The RRA plans to post additional submissions on a weekly basis as they are received.

Recology submitted the following items and exhibits during the week of 5/23/23 – 5/26/23:

- Status Quo Program Details
- Summary Of Proposed Changes
- Recycling Revenue
- Recology Rate Submission SLAs
- Recology Rate Proposal Recycling Revenue
- Recology Rate Proposal Professional Services
- Recology Rate Proposal Pre-Processing Organics
- Recology Rate Proposal Payroll
- Recology Rate Proposal Health Insurance
- Rate Model – All Six Changes
- Rate Model – Remove Black Cart Processing and Seismic Study
- Rate Model – Removal of Waste Zero Enhancements Contamination Outreach and Contamination Revenue
- Rate Model – Pension Adjustment from $25M to $12M
- Rate Model – Organics Pre-Processing Alternative
- Rate Model – Inflation Adjustment
- Rate Model – Impound Increase
- Professional Services GGSS and RSF
- Payroll
- Health Insurance
- Growth Assumptions Update
- Five Year Financial Plan
- Recology Presentation for Commission on the Environment 5/23/23
- Armanino Recology Cost Allocation Methodology Analysis

List of programs and their tracking metrics

1. Recyclables Collection – already discussed during the ratemaking process
2. Organics Collection – already discussed during the ratemaking process
3. Trash Collection – already discussed during the ratemaking process
4. Bulky Item Recycling
   a. # of Appointments
   b. Appointment scheduling goal of 48 hours or less
5. Public Refuse Receptable Collection – already discussed during the ratemaking process
6. Abandoned Materials Collection – already discussed during the ratemaking process
7. Disposal of Steet Sweeping and abandoned waste
   a. Tons
   b. Vehicle count
8. District clean up – already discussed during the ratemaking process
9. Battery recycling
   a. Pounds Shipped (quarterly)
10. Christmas Tree
    a. Tons
    b. 311 Response time
11. Construction and Demolition
    a. Diversion
    b. Tons
12. Public Refuse and Recycling Area (PPR)
    a. Customer count
    b. tons
13. Household hazardous waste drop off
    a. Customer count (monthly)
    b. Pounds Shipped (monthly)
14. Door to door household hazardous waste collection
    a. Stops per day
    b. Gallons
15. Household hazardous Take back
    a. Stops per day
    b. Pounds
16. Very small quantity generator program
    a. Number of appointments
    b. Pounds
17. E-waste recycling
    a. Tons (2 trailers/week)
18. Safe needle Program
    a. Number of stores/customers
    b. Pounds collected
19. Perfectly-good reuse program
    a. Weight of Outbound trailers for beneficial reuse
20. Mattress recycling
    a. Mattress Weight
21. Toilet recycling
    a. Included in BIR

22. Tire recycling
    a. tons
23. Styrofoam drop off
    a. Number of drop offs
    b. Outbound weights
24. Film Plastic drop off
    a. Number of drop offs
25. Litter collection from CBDs
    a. Customers
    b. Service level
    c. cost
26. Event recycling
    a. Number of events
    b. Volume
27. Artist in residence
    a. Artists per year
    b. Visitors per year
    c. Social Media and Internet Analytics
    d. Number of applicants
28. Educational tour program
    a. Number of school tours & presentations
    b. Number of adult tours and presentations
29. Compost giveaway
    a. volume
    b. Number of events

		RY2024		RY2025	
Proposals	**Company**	**%**	**$**	**%**	**$**
Inflation	RSF	-0.09%	(112,473)	-0.06%	(205,007)
	GGSS	-0.05%	(165,791)	-0.04%	(306,756)
Pension	RSF	-3.44%	(4,408,870)	1.71%	(2,024,714)
	GGSS	-3.50%	(12,319,537)	1.87%	(6,191,222)
ZWI	RSF	-2.42%	(3,099,669)	1.08%	(1,622,682)
	GGSS	-2.18%	(7,697,490)	-0.36%	(6,548,833)
Outreach/ Contamination	GGSS	1.23%	4,333,218	-0.06%	4,282,385
Seismic/ Black Cart Processing	RSF	-0.92%	(1,171,372)	0.43%	(561,798)
	GGSS	-0.27%	(963,335)	0.15%	(448,082)
Organics Pre-Processing	RSF	0.15%	202,247	-0.16%	(34,686)
	GGSS	0.05%	166,328	-0.06%	(30,921)
Impound Increase	GGSS	0.11%	370,894	0.09%	748,457
	RSF Submitted	16.36%	-	0.08%	-
	RSF Proposals	-6.72%	(8,590,137)	3.00%	(4,448,887)
	RSF Proposed	9.64%	(8,590,137)	3.08%	(4,448,887)
	GGSS Submitted	3.90%	-	2.17%	-
	GGSS Proposals	-4.61%	(16,275,713)	1.59%	(8,494,972)
	GGSS Proposed	-0.71%	(16,275,713)	3.76%	(8,494,972)
Aggregated Proposals	*RSF Proposed*	*9.75%*	*(8,472,521)*	*3.09%*	*(4,328,360)*
	GGSS Proposed	*-0.63%*	*(15,974,179)*	*3.74%*	*(8,385,405)*

Recology San Francisco
Rate Application Schedule **F.3**
Recycling Revenue

Recycle Central	Submitted on 3/7/2023: Q1 2023 Actuals — Actual RY 2023	Projection Q2 2023 — Projection RY 2023	Fcst Q3 and Q4 of 2023 — Projection RY 2023	Projection RY 2023	Revised with Q2 2023 actuals: Q1 2023 Actuals — Actual RY 2023	Q2 2023 Actuals — Actual RY 2023	Fcst 2Q of 2023 — Projection RY 2023	Projection RY 2023	Q2 only change — Change	Total 2023 Change — Projection Change
Tons										
Mixed Paper	9,616	9,616	19,233	38,466	9,616	7,606	17,223	34,445	(2,010)	(4,021)
Cardboard	10,391	10,391	20,781	41,562	10,391	10,042	20,432	40,865	(349)	(698)
Aseptic Carton	42	42	85	170	42	43	86	171	1	1
EPS Foam	-	-	-	-	-	-	-	-	-	-
Aluminum	142	142	285	570	142	183	326	651	41	81
Metal/Ferrous	470	470	939	1,879	470	610	1,080	2,160	140	281
PET	617	617	1,234	2,467	617	491	1,108	2,216	(126)	(252)
HDPE Blend	371	371	741	1,483	371	349	719	1,438	(22)	(44)
Plastic Film	18	18	35	70	18	17	34	69	(1)	(1)
Mixed Plastics 3-7	44	44	87	174	44	142	186	372	99	197
Flint Glass	-	-	-	-	-	-	-	-	-	-
Amber Glass	-	-	-	-	-	-	-	-	-	-
Green Glass	-	-	-	-	-	-	-	-	-	-
Mixed Glass	5,720	5,720	11,441	22,881	5,720	5,715	11,435	22,870	(6)	(11)
Glass Fines	-	-	-	-	-	-	-	-	-	-
Total Tons	**27,431**	**27,431**	**54,861**	**109,723**	**27,431**	**25,198**	**52,628**	**105,257**	**(2,233)**	**(4,466)**
Price Per Ton										
Mixed Paper	$ 26.17	$ 66.53	$ 66.53	$ 56.44	$ 26.17	$ 54.41	$ 66.53	$ 52.59	$ (12.12)	$ (3.85)
Cardboard	85.47	135.01	135.01	122.62	85.47	122.64	135.01	119.37	(12.37)	(3.25)
Aseptic Carton	20.00	6.67	6.67	10.00	20.00	20.00	6.67	13.33	13.33	3.33
EPS Foam	-	230.01	-	-	-	-	230.01	-	(230.01)	-
Aluminum	4,092.42	3,867.19	3,867.19	3,923.50	4,092.42	3,886.02	3,867.19	3,921.77	18.83	(1.73)
Metal/Ferrous	107.99	139.47	139.47	131.60	107.99	155.61	139.47	137.18	16.14	5.58
PET	1,581.75	1,718.66	1,718.66	1,684.43	1,581.75	1,535.21	1,718.66	1,639.89	(183.45)	(44.54)
HDPE Blend	792.97	673.60	673.60	703.44	792.97	926.91	673.60	765.74	253.31	62.30
Plastic Film	267.16	189.51	189.51	208.92	267.16	200.00	189.51	211.88	10.49	2.96
Mixed Plastics 3-7	179.51	191.73	191.73	188.68	179.51	157.63	191.73	177.25	(34.10)	(11.43)
Flint Glass	-	161.89	-	-	-	-	161.89	-	(161.89)	-
Amber Glass	-	78.77	-	-	-	-	78.77	-	(78.77)	-
Green Glass	-	152.57	-	-	-	-	152.57	-	(152.57)	-
Mixed Glass	121.36	131.69	131.69	129.11	121.36	122.45	131.69	126.80	(9.23)	(2.31)
Glass Fines	-	-	-	-	-	-	-	-	-	-
Revenue										
Mixed Paper	$ 251,642	$ 639,813	$ 1,279,625	$ 2,171,079	$ 251,642	$ 413,871	$ 1,145,875	$ 1,811,388	$ (225,941)	$ (359,692)
Cardboard	888,100	1,402,802	2,805,603	5,096,505	888,100	1,231,526	2,758,510	4,878,135	(171,276)	(218,369)
Aseptic Carton	850	283	567	1,700	850	861	570	2,281	577	581
EPS Foam	-	-	-	-	-	-	-	-	-	-
Aluminum	583,129	551,036	1,102,072	2,236,236	583,129	711,608	1,259,195	2,553,932	160,572	317,696
Metal/Ferrous	50,721	65,508	131,015	247,244	50,721	94,936	150,595	296,252	29,428	49,008
PET	975,718	1,060,171	2,120,343	4,156,232	975,718	753,879	1,904,135	3,633,732	(306,293)	(522,500)
HDPE Blend	293,914	249,671	499,341	1,042,926	293,914	323,083	484,461	1,101,458	73,412	58,532
Plastic Film	4,686	3,324	6,648	14,658	4,686	3,370	6,517	14,573	46	(85)
Mixed Plastics 3-7	7,828	8,361	16,723	32,913	7,828	22,407	35,616	65,852	14,046	32,939
Flint Glass	-	-	-	-	-	-	-	-	-	-
Amber Glass	-	-	-	-	-	-	-	-	-	-
Green Glass	-	-	-	-	-	-	-	-	-	-
Mixed Glass	694,240	753,294	1,506,587	2,954,120	694,240	699,794	1,505,856	2,899,890	(53,500)	(54,230)
Glass Fines	-	-	-	-	-	-	-	-	-	-
Recycle Central Revenue	**$ 3,750,827**	**$ 4,734,262**	**$ 9,468,524**	**$ 17,953,613**	**$ 3,750,827**	**$ 4,255,333**	**$ 9,251,332**	**$ 17,257,492**	**$ (478,928)**	**$ (696,120)**

Recycle Central	Submitted on 3/7/2023 — Rate Application RY 2024	Revised with Q2 2023 actuals — Rate Application RY 2024	Rate Application Change	Submitted on 3/7/2023 — Rate Application RY 2025	Revised with Q2 2023 actuals — Rate Application RY 2025	Rate Application Change
Tons						
Mixed Paper	39,235	35,134	(4,101)	40,020	35,837	(4,183)
Cardboard	42,393	41,682	(712)	43,241	42,515	(726)
Aseptic Carton	173	174	1	177	178	1
EPS Foam	-	-	-	-	-	-
Aluminum	581	664	83	593	678	85
Metal/Ferrous	1,916	2,203	286	1,955	2,247	292
PET	2,517	2,260	(257)	2,567	2,305	(262)
HDPE Blend	1,512	1,467	(45)	1,542	1,497	(46)
Plastic Film	72	70	(1)	73	72	(1)
Mixed Plastics 3-7	178	379	201	181	387	205
Flint Glass	-	-	-	-	-	-
Amber Glass	-	-	-	-	-	-
Green Glass	-	-	-	-	-	-
Mixed Glass	23,339	23,328	(11)	23,806	23,794	(12)
Glass Fines	-	-	-	-	-	-
Total Tons	**111,917**	**107,362**	**114,156**	**114,156**	**109,509**	**114,156**
Price Per Ton						
Mixed Paper	$ 56.44	$ 52.59	$ (3.85)	$ 56.44	$ 52.59	$ (3.85)
Cardboard	122.62	119.37	(3.25)	122.62	119.37	(3.25)
Aseptic Carton	10.00	13.33	3.33	10.00	13.33	3.33
EPS Foam	-	-	-	-	-	-
Aluminum	3,923.50	3,921.77	(1.73)	3,923.50	3,921.77	(1.73)
Metal/Ferrous	131.60	137.18	5.58	131.60	137.18	5.58
PET	1,684.43	1,639.89	(44.54)	1,684.43	1,639.89	(44.54)
HDPE Blend	703.44	765.74	62.30	703.44	765.74	62.30
Plastic Film	208.92	211.88	2.96	208.92	211.88	2.96
Mixed Plastics 3-7	188.68	177.25	(11.43)	188.68	177.25	(11.43)
Flint Glass	-	-	-	-	-	-
Amber Glass	-	-	-	-	-	-
Green Glass	-	-	-	-	-	-
Mixed Glass	129.11	126.80	(2.31)	129.11	126.80	(2.31)
Glass Fines	-	-	-	-	-	-
Revenue						
Mixed Paper	$ 2,214,501	$ 1,847,615	$ (366,886)	$ 2,258,791	$ 1,884,568	$ (374,223)
Cardboard	5,198,435	4,975,698	(222,737)	5,302,403	5,075,212	(227,191)
Aseptic Carton	1,734	2,326	593	1,768	2,373	604
EPS Foam	-	-	-	-	-	-
Aluminum	2,280,961	2,605,011	324,050	2,326,580	2,657,111	330,531
Metal/Ferrous	252,189	302,177	49,988	257,233	308,220	50,988
PET	4,239,357	3,706,407	(532,950)	4,324,144	3,780,535	(543,609)
HDPE Blend	1,063,784	1,123,487	59,703	1,085,060	1,145,957	60,897
Plastic Film	14,951	14,865	(86)	15,250	15,162	(88)
Mixed Plastics 3-7	33,571	67,169	33,598	34,242	68,512	34,270
Flint Glass	-	-	-	-	-	-
Amber Glass	-	-	-	-	-	-
Green Glass	-	-	-	-	-	-
Mixed Glass	3,013,203	2,957,888	(55,315)	3,073,467	3,017,046	(56,421)
Glass Fines	-	-	-	-	-	-
Recycle Central Revenue	**$ 18,312,685**	**$ 17,602,642**	**$ (710,043)**	**$ 18,678,938**	**$ 17,954,695**	**$ (724,243)**

					Q1	Q2		Q1 - Q2 actuals and Q3 - Q4 projections	
	Actual	**Actual**	**Actual**	**Actual**	**Actual**	**Actual**			
Recycle Central	**2019**	**RY 2020**	**RY 2021**	**RY 2022**	**RY 2023**	**RY 2023**	**Average of two quarters of 2023**	**RY 2023**	
Tons									
Mixed Paper	48,194	44,447	33,965	30,758	9,616	7,606		34,445	2023 Revised Tonnage
Cardboard	42,661	40,831	39,014	34,893	10,391	10,042		40,865	2023 Revised Tonnage
Aseptic Carton	22	336	141	240	42	43		171	2023 Revised Tonnage
EPS Foam	15	59	27	27	-	-		-	
Aluminum	533	626	645	636	142	183		651	2023 Revised Tonnage
Metal/Ferrous	2,114	1,750	1,903	2,137	470	610		2,160	2023 Revised Tonnage
PET	1,987	2,385	1,969	1,935	617	491		2,216	2023 Revised Tonnage
HDPE Blend	1,067	1,504	1,573	1,419	371	349		1,438	2023 Revised Tonnage
Plastic Film	-	140	567	414	18	17		69	2023 Revised Tonnage
Mixed Plastics 3-7	444	234	530	354	44	142		372	2023 Revised Tonnage
Flint Glass	228	190	11	-	-	-		-	
Amber Glass	164	120	-	-	-	-		-	
Green Glass	142	93	14	-	-	-		-	
Mixed Glass	24,905	23,106	23,499	22,418	5,720	5,715		22,870	2023 Revised Tonnage
Glass Fines	-	-		-	-	-			
Total Tons	**122,477**	**115,822**	**103,860**	**95,230**	**27,431**	**25,198**		**105,257**	
Price Per Ton									
Mixed Paper	$ 31.14	$ 23.20	$ 77.62	$ 98.78	$ 26.17	$ 54.41	$ 40.29	$ 54.21	Average of last 4 years of actuals and 2023 actuals
Cardboard	124.49	93.94	147.36	163.72	85.47	122.64	$ 104.06	126.71	Average of last 4 years of actuals and 2023 actuals
Aseptic Carton	-	-	-	20.00	20.00	20.00	$ 20.00	8.00	Average of last 4 years of actuals and 2023 actuals
EPS Foam	-	-	-	690.02	-	-	$ -	138.00	Average of last 4 years of actuals and 2023 actuals
Aluminum	3,751.07	3,462.72	3,712.42	4,426.42	4,092.42	3,886.02	$ 3,989.22	3,868.37	Average of last 4 years of actuals and 2023 actuals
Metal/Ferrous	124.86	79.93	152.19	186.28	107.99	155.61	$ 131.80	135.01	Average of last 4 years of actuals and 2023 actuals
PET	1,740.19	1,665.54	1,622.71	1,867.73	1,581.75	1,535.21	$ 1,558.48	1,690.93	Average of last 4 years of actuals and 2023 actuals
HDPE Blend	506.76	543.23	726.30	751.28	792.97	926.91	$ 859.94	677.50	Average of last 4 years of actuals and 2023 actuals
Plastic Film	-	94.76	138.93	334.83	267.16	200.00	$ 233.58	160.42	Average of last 4 years of actuals and 2023 actuals
Mixed Plastics 3-7	41.78	83.97	183.28	307.94	179.51	157.63	$ 168.57	157.11	Average of last 4 years of actuals and 2023 actuals
Flint Glass	232.66	242.68	243.00	-	-	-	$ -	143.67	Average of last 4 years of actuals and 2023 actuals
Amber Glass	227.64	236.30	-	-	-	-	$ -	92.79	Average of last 4 years of actuals and 2023 actuals
Green Glass	247.87	228.55	229.16	-	-	-	$ -	141.12	Average of last 4 years of actuals and 2023 actuals
Mixed Glass	135.81	132.94	131.43	130.69	121.36	122.45	$ 121.91	130.55	Average of last 4 years of actuals and 2023 actuals
Glass Fines	-	-	-	-	-	-	$ -	-	
Revenue									
Mixed Paper	1,500,919	1,031,236	2,636,251	3,038,314	$ 251,642	$ 413,871		$ 1,867,156	
Cardboard	5,310,816	3,835,761	5,749,162	5,712,668	888,100	1,231,526		5,178,086	
Aseptic Carton	2,803	13,870	4,708	4,803	850	861		1,368	
EPS Foam	13,318	22,297	10,352	18,458	-	-		-	
Aluminum	2,000,633	2,168,876	2,395,923	2,814,408	583,129	711,608		2,519,161	
Metal/Ferrous	264,016	139,874	289,689	398,154	50,721	94,936		291,569	
PET	3,457,000	3,971,972	3,194,996	3,613,255	975,718	753,879		3,746,825	
HDPE Blend	540,763	816,920	1,142,262	1,065,772	293,914	323,083		974,532	
Plastic Film	1,719	13,302	78,821	138,603	4,686	3,370		11,034	
Mixed Plastics 3-7	18,565	19,688	97,084	109,083	7,828	22,407		58,369	
Flint Glass	53,088	46,211	2,773	-	-	-		-	
Amber Glass	37,435	28,384	-	-	-	-		-	
Green Glass	35,268	21,186	3,238	-	-	-		-	
Mixed Glass	3,382,219	3,071,691	3,088,473	2,929,791	694,240	699,794		2,985,834	
Glass Fines	-	-	-	-	-	-		-	
Recycle Central Revenue	**$ 16,618,561**	**$ 15,201,269**	**$ 18,693,732**	**$ 19,843,310**	**$ 3,750,827**	**$ 4,255,333**		**$ 17,633,933**	

Exhibit: Proposed SLAs

Background

The Refuse Rate Administrator has asked the SF Recology Companies for proposed Service Level Agreements (SLAs) for (1) collection of abandoned materials; (2) collection from public receptacles; and (3) repair of public receptacles.

The proposed SLA for abandoned materials collection assumes the addition of one Abandoned Materials Collection Zone as requested in the SF Recology Companies' rate submission. The proposed SLA for public receptacles collection assumes the addition of two public receptacle routes as requested in the SF Recology Companies' rate submission. If these assumptions are not adopted as part of a rate order, the proposed SLAs below would need to be adjusted.

Proposed Rate Order Text

Abandoned Materials Collection SLA

The SF Recology Companies shall be required to collect materials abandoned in the public right of way within the City and County of San Francisco within four hours of receiving notice of such abandoned materials during the period Monday through Friday, not including San Francisco public holidays, and during the hours of operation described below. The SF Recology Companies shall be required to collect materials abandoned in the public right of way within the City and County of San Francisco within eight hours of receiving notice of such abandoned materials on Saturdays, Sundays, and San Francisco public holidays, and during the hours of operation described below. The SF Recology Companies shall operate Abandoned Materials Collection routes from the hours of 5:30 a.m. until 2:00 p.m. This SLA shall not apply in the event that the SF Recology Companies have responded to (a) more than 310 notices of abandoned materials in one day or (b) more than 113,282 notices of abandoned materials in one rate year. The SF Recology Companies shall ensure that all notices of abandoned materials receive a response using existing and available resources, but if either of the caps described in the preceding sentence is exceeded, the SF Recology Companies shall not be required to respond to those notices of abandoned materials within the time limits prescribed above.

Public Receptacles Collection SLA

The SF Recology Companies shall be required to collect from public receptacles located within the City and County of San Francisco within eight hours of receiving notice from a senor that a public receptacle is full and during the hours of operation described below. The SF Recology Companies shall operate public receptacle collection routes from the hours of 10:00 a.m. until 6:30 p.m. daily. This SLA shall not apply in the event that the SF Recology Companies have responded to (a) more than 241 requests for public receptacle collection in one day or (b) more than 87,825 requests for public receptacle collection in one rate year. The SF Recology Companies shall ensure that all public receptacles are collected using existing and available resources, but if either of the caps described in the preceding sentence is exceeded, the SF Recology Companies shall not be required to respond to requests for collection of public receptacles within the time limits prescribed above.

Public Receptacles Repair SLA

The SF Recology Companies shall be required to repair public receptacles located within the City and County of San Francisco within 72 hours of receiving notice that such receptacles require repair during the period Monday through Friday, not including San Francisco public holidays. For the purposes of this SLA, “repair” is defined as repairing doors on public receptacles with outer facings of concrete only and replacing liners in (a) public receptacles with outer facings of concrete and (b) “Renaissance” receptacles. The SF Recology Companies’ ability to repair public receptacles is dependent on receiving necessary parts and liners from San Francisco Public Works. In the event that Public Works is unable to supply the SF Recology Companies with necessary parts or liners, this SLA shall not apply.

Recology San Francisco Rate Proposal Sheet

Recycle Central Revenue

- **Reduction: Revenue has decreased by $(700K) from the initial submission due to less Q2 2023 volume and lower price per ton than previously forecasted. As a result, the run rate been pushed forward to RY24/25.**

Recycle Central Revenue	Rate Year 2024	Rate Year 2025
Rate Submission on 3/7/2023	$18,312,685	$18,678,938
Q2 2023 Revenue Change – Increase (Decrease)	$(710,043)	$(724,243)
Revised Recycle Central Revenue	$17,602,642	$17,954,695

Recology San Francisco Rate Proposal Sheet

Professional Services

- **Adjusted: Per correspondence with the RRA during the rate setting process, Professional Services expense have been adjusted down by $(500K) due to the exclusion of specific legal expenses. These changes are reflected for RY24 and RY25.**

Professional Services Expense	Rate Year 2024	Rate Year 2025
Rate Submission on 3/7/2023	$2,657,148	$3,452,860
Q2 2023 Expense Change – Increase (Decrease)	$(510,964)	$(539,659)
Revised Professional Services Expense	$2,146,184	$2,913,201

Recology Sunset Scavenger and Recology Golden Gate Rate Proposal Sheet

Professional Services

- **Adjusted: Per correspondence with the RRA during the rate setting process, Professional Services expense have been adjusted down by $(400K) due to the exclusion of specific legal expenses. These changes are reflected for RY24 and RY25.**

Professional Services Expense	Rate Year 2024	Rate Year 2025
Rate Submission on 3/7/2023	$1,434,553	$1,506,155
Q2 2023 Expense Change – Increase (Decrease)	$(378,331)	$(401,046)
Revised Professional Services Expense	$1,056,222	$1,105,109

Recology San Francisco Rate Proposal Sheet

Interim Organics Pre-Processing

- **An alternate interim organics pre-processing system is now being proposed**
- **Addition: Estimated cost is $180K per year plus cost to connect to the electrical system of $36K.**

Alternate Interim Organics Pre-Processing	Rate Year 2024	Rate Year 2025
Outside Equipment Rental expense - increase (decrease)	$180,000	$180,000

Recology Sunset Scavenger and Recology Golden Gate Rate Proposal Sheet

Payroll & Payroll Taxes

- **Increase: Payroll expenses increased by $1.7M from the initial submission due to a formulation error for the additional FTEs. Payroll taxes increased by $120K due to the additional FTEs.**

Payroll Expense	Rate Year 2024	Rate Year 2025
Rate Submission on 3/7/2023	$93,463,579	$96,128,919
Formulation Error for 13 FTEs	$1,692,939	$1,739,907
Revised Payroll Expense	$95,156,518	$97,868,826

Payroll Taxes Expense	Rate Year 2024	Rate Year 2025
Rate Submission on 3/7/2023	$6,579,842	$6,767,482
Formulation Error for 13 FTEs	$119,183	$122,490
Revised Payroll Taxes Expense	$6,699,025	$6,889,972

Recology Sunset Scavenger and Recology Golden Gate Rate Proposal Sheet

Health Insurance

- **Increase: Health Insurance Expense increased by $600K and $1M for RY24 and RY25, respectively, from the initial submission due to a methodology change. The update has been revised from a quarterly estimate to cost per employee approach as this is a more accurate forecast of future health insurance costs.**

Health Insurance Expense	Rate Year 2024	Rate Year 2025
Rate Submission on 3/7/2023	$24,464,336	$25,403,344
Q2 2023 Expense Change – Increase (Decrease)	$614,480	$1,035,890
Revised Health Insurance Expense	$25,078,817	$26,439,234

Recology Sunset Scavenger/Recology Golden Gate
Rate Application, Schedule **B.1**
Rate Calculations - Total Revenues

	RY 2024	Less Non-Rate Activity	Less City Services Agreement	RY 2024 Adjusted	RY 2025	Less Non-Rate Activity	Less City Services Agreement	RY 2025 Adjusted
Operating Ratio Expenses	$ 214,808,007	$ (9,978,250)	$ (4,737,777)	$ 200,091,979	$ 223,648,005	$ (10,581,204)	$ (4,158,061)	$ 208,908,740
Calculated Operating Ratio Expenses	**214,808,007**	**(9,978,250)**	**(4,737,777)**	**200,091,979**	**223,648,005**	**(10,581,204)**	**(4,158,061)**	**208,908,740**
Allowed Operating Ratio	91.00%	100.00%	100.00%	91.00%	91.00%	100.00%	100.00%	91.00%
Operating Expense with Operating Ratio	**$ 236,052,755**	**$ (9,978,250)**	**$ (4,737,777)**	**$ 219,881,296**	**$ 245,767,039**	**$ (10,581,204)**	**$ (4,158,061)**	**$ 229,570,044**
Non Operating Ratio Expense								
Disposal Cost	56,484,861	(2,623,832)	(1,311,042)	52,549,988	59,406,828	(2,810,648)	(1,378,862)	55,217,318
Processing Cost	68,137,081	(3,165,100)	(1,581,495)	63,390,486	71,668,292	(3,390,760)	(1,663,457)	66,614,075
Impound Account	24,218,665	-	-	24,218,665	24,596,228	-		24,596,228
License Expenses	2,599,825	(120,767)	(45,257)	2,433,800	2,674,960	(126,557)	(62,087)	2,486,315
Revenue								
Non Rate Revenue	(27,566,221)	17,642,007	7,006,491	(2,917,723)	(20,904,424)	17,986,701		(2,917,723)
Residential 20-Gallon Transition Credit								
Contamination Charges								
Apartment Migration								
Commercial Migration								
Zero Waste Incentives (2% OR)								
Net Revenue Requirement	**$ 359,926,966**	**$ 1,754,058**	**$ (669,081)**	**$ 359,556,512**	**$ 383,208,922**	**$ 1,077,532**	**$ (7,262,467)**	**$ 375,566,258**
				(15,974,179)				(8,385,405)
Revenue @ Current Rates	352,224,256			352,224,256	362,032,711			362,032,711
Difference	**$ 7,702,710**	**$ 1,754,058**	**$ (669,081)**	**$ 7,332,256**	**$ 21,176,211**	**$ 1,077,532**	**$ (7,262,467)**	**$ 13,533,547**
Rate Increase	2.19%			2.08%	5.85%			3.74%
Deposit to Reserve Fund				$ -				$ -
Rate Stabilization Fund	$ 4,250,000			$ 4,250,000				$ -
RY 2023 ZWI Addback (4 Tiers)	$ 5,313,635			$ 5,313,635				$ -
RY 2024 ZWI Addback (2 Tiers)								$ -
Revenue Requirement Reduction	$ 9,563,635			$ 9,563,635	$ -			$ -
RY 2024 & RY 2025 Net Increase	**-0.53%**			**-0.63%**	**5.85%**			**3.74%**
Operating Expenses with 89% OR	241,357,311			224,822,449	251,289,893			234,728,921
Variance to 91% OR	5,304,556			4,941,153	5,522,855			5,158,877
Net Revenue Requirement @ 89% OR	$ 365,231,523			$ 364,497,665	$ 388,731,777			$ 380,725,135

Recology San Francisco
Rate Application, Schedule **B**
Rate Calculations - Processing and Disposal

	RY 2024	RY 2025
Operating Ratio Expenses	$ 120,692,640	$ 123,367,082
Calculated Operating Ratio Expenses	**120,692,640**	**123,367,082**
Allowed Operating Ratio	*91.00%*	*91.00%*
Operating Expense with Operating Ratio	**$ 132,629,275**	**$ 135,568,222**
Non Operating Ratio Expense		
Intercompany Processing and Disposal	28,029,003	29,398,070
Licenses & Permits	4,684,828	4,818,825
Revenue		
Other Commercial Revenues	(3,639,266)	(3,649,443)
Recycling Revenues	(17,844,796)	(18,198,888)
Zero Waste Incentives		
Net Revenue Requirement	**$ 143,859,043**	**$ 147,936,786**
	$ (8,472,521)	**(5,878,194)**
Percent Increase	***12.22%***	***3.09%***
Current Tipping Charge per Ton	$ 219.86	$ 241.29
Proposed Tipping Charge per Ton	$ 246.73	$ 248.75
RY 2023 ZWI Addback (4 Tiers)	3,172,268	
RY 2024 ZWI Addback (2 Tiers)		-
Adjusted Percent Increase	*9.75%*	*3.09%*
Adjusted Tipping Fee	***241.29***	***248.75***
Total Revenue Tons	583,063	594,725
Operating Expenses with 89% OR	$ 135,609,708	$ 138,614,698
Variance to 91% OR	2,980,433	3,046,477
Net Revenue Requirement @ 89% OR	**$ 146,839,476**	**$ 150,983,263**

Recology San Francisco
Rate Application, Schedule **B**
Rate Calculations - Processing and Disposal

	RY 2024		RY 2025	
Operating Ratio Expenses	$	124,478,561	$	125,281,488
Calculated Operating Ratio Expenses		**124,478,561**		**125,281,488**
Allowed Operating Ratio		*91.00%*		*91.00%*
Operating Expense with Operating Ratio	**$**	**136,789,627**	**$**	**137,671,964**
Non Operating Ratio Expense				
Intercompany Processing and Disposal		28,092,680		29,511,394
Licenses & Permits		4,685,676		4,820,307
Revenue				
Other Commercial Revenues		(3,639,266)		(3,649,443)
Recycling Revenues		(17,842,450)		(18,194,791)
Zero Waste Incentives		3,073,924		3,093,752
Net Revenue Requirement	**$**	**151,160,192**	**$**	**153,253,183**
Percent Increase		***17.92%***		***1.53%***
Current Tipping Charge per Ton	$	219.86	$	253.81
Proposed Tipping Charge per Ton	$	259.25	$	257.69
RY 2023 ZWI Addback (4 Tiers)		3,172,268		
RY 2024 ZWI Addback (2 Tiers)				1,536,962
Adjusted Percent Increase		*15.44%*		*0.51%*
		0.91%		
Adjusted Tipping Fee		***253.81***		***255.10***
Total Revenue Tons		583,063		594,725
Operating Expenses with 89% OR	$	139,863,551	$	140,765,716
Variance to 91% OR		3,073,924		3,093,752
Net Revenue Requirement @ 89% OR	**$**	**151,160,192**	**$**	**153,253,183**
		-1,171,372	$	(561,798)

Recology Sunset Scavenger/Recology Golden Gate
Rate Application, Schedule **B.1**
Rate Calculations - Total Revenues

	RY 2024	Less Non-Rate Activity	Less City Services Agreement	RY 2024 Adjusted	RY 2025	Less Non-Rate Activity	Less City Services Agreement	RY 2025 Adjusted
Operating Ratio Expenses	$ 223,823,129	$ (10,397,020)	$ (4,945,392)	$ 208,480,717	$ 228,840,452	$ (10,826,868)	$ (4,290,499)	$ 213,723,085
Calculated Operating Ratio Expenses	**223,823,129**	**(10,397,020)**	**(4,945,392)**	**208,480,717**	**228,840,452**	**(10,826,868)**	**(4,290,499)**	**213,723,085**
Allowed Operating Ratio	91.00%	100.00%	100.00%	91.00%	91.00%	100.00%	100.00%	91.00%
Operating Expense with Operating Ratio	**$ 245,959,482**	**$ (10,397,020)**	**$ (4,945,392)**	**$ 229,099,689**	**$ 251,473,025**	**$ (10,826,868)**	**$ (4,290,499)**	**$ 234,860,533**
Non Operating Ratio Expense								
Disposal Cost	59,392,029	(2,758,875)	(1,378,518)	55,254,635	60,911,721	(2,881,847)	(1,413,791)	56,616,083
Processing Cost	71,689,406	(3,330,113)	(1,663,947)	66,695,347	73,507,150	(3,477,760)	(1,706,137)	68,323,253
Impound Account	23,847,771	-	-	23,847,771	23,847,771	-		23,847,771
License Expenses	2,605,731	(121,041)	(45,360)	2,439,330	2,685,271	(127,045)	(62,326)	2,495,900
Revenue								
Non Rate Revenue	(27,566,221)	17,642,007	7,006,491	(2,917,723)	(20,904,424)	17,986,701		(2,917,723)
Residential 20-Gallon Transition Credit								
Contamination Charges	(5,000,000)	-		(5,000,000)	(5,000,000)	-		(5,000,000)
Apartment Migration								
Commercial Migration								
Zero Waste Incentives (2% OR)	5,527,179			5,148,308	5,651,079			5,277,765
Net Revenue Requirement	**$ 376,455,378**	**$ 1,034,958**	**$ (1,026,726)**	**$ 374,567,357**	**$ 392,171,593**	**$ 673,180**	**$ (7,472,754)**	**$ 383,503,581**
Revenue @ Current Rates	352,224,256			352,224,256	372,303,796			372,303,796
Difference	**$ 24,231,122**	**$ 1,034,958**	**$ (1,026,726)**	**$ 22,343,100**	**$ 19,867,797**	**$ 673,180**	**$ (7,472,754)**	**$ 11,199,785**
Rate Increase	6.88%			6.34%	5.34%			3.01%
Deposit to Reserve Fund				$ -				$ -
Rate Stabilization Fund	$ 4,250,000			$ 4,250,000				$ -
RY 2023 ZWI Addback (4 Tiers)	$ 5,313,635			$ 5,313,635				$ -
RY 2024 ZWI Addback (2 Tiers)					$ 2,574,154			$ 2,574,154
Revenue Requirement Reduction	$ 9,563,635			$ 9,563,635	$ 2,574,154			$ 2,574,154
RY 2024 & RY 2025 Net Increase	**4.16%**			**3.63%**	**4.65%**			**2.32%**
Operating Expenses with 89% OR	251,486,662			234,247,996	257,124,104			240,138,298
Variance to 91% OR	5,527,179			5,148,308	5,651,079			5,277,765
Net Revenue Requirement @ 89% OR	$ 376,455,378			$ 374,567,357	$ 392,171,593			$ 383,503,581
				$ (963,335)				$ (448,082)

Recology Sunset Scavenger/Recology Golden Gate
Rate Application, Schedule **B.1**
Rate Calculations - Total Revenues

	RY 2024 Adjusted	RY 2025 Adjusted
Operating Ratio Expenses	$ 207,886,559	$ 213,081,456
Calculated Operating Ratio Expenses	**207,886,559**	**213,081,456**
Allowed Operating Ratio	91.00%	91.00%
Operating Expense with Operating Ratio	**$ 228,446,768**	**$ 234,155,447**
Non Operating Ratio Expense		
Disposal Cost	55,688,560	56,819,239
Processing Cost	67,225,568	68,571,494
Impound Account	23,847,771	23,847,771
License Expenses	2,439,330	2,495,900
Revenue		
Non Rate Revenue	(2,917,723)	(2,917,723)
Residential 20-Gallon Transition Credit		
Contamination Charges	-	-
Apartment Migration		
Commercial Migration		
Zero Waste Incentives (2% OR)	5,133,635	5,261,920
Net Revenue Requirement	**$ 379,863,909**	**$ 388,234,048**
Revenue @ Current Rates	352,224,256	377,706,279
Difference	**$ 27,639,652**	**$ 10,527,768**
Rate Increase	7.85%	2.79%
Deposit to Reserve Fund	$ -	$ -
Rate Stabilization Fund	$ 4,250,000	$ -
RY 2023 ZWI Addback (4 Tiers)	$ 5,313,635	$ -
RY 2024 ZWI Addback (2 Tiers)		$ 2,566,818
Revenue Requirement Reduction	$ 9,563,635	$ 2,566,818
RY 2024 & RY 2025 Net Increase	**5.13%**	**2.11%**
Operating Expenses with 89% OR	233,580,403	239,417,367
Variance to 91% OR	5,133,635	5,261,920
Net Revenue Requirement @ 89% OR	$ 379,863,909	$ 388,234,048

Recology San Francisco
Rate Application, Schedule **B**
Rate Calculations - Processing and Disposal

	RY 2024	RY 2025
Operating Ratio Expenses	$ 121,597,187	$ 123,979,492
Calculated Operating Ratio Expenses	**121,597,187**	**123,979,492**
Allowed Operating Ratio	*91.00%*	*91.00%*
Operating Expense with Operating Ratio	**$ 133,623,283**	**$ 136,241,200**
Non Operating Ratio Expense		
Intercompany Processing and Disposal	28,092,680	29,511,394
Licenses & Permits	4,685,676	4,820,307
Revenue		
Other Commercial Revenues	(3,639,266)	(3,649,443)
Recycling Revenues	(17,842,450)	(18,194,791)
Zero Waste Incentives	3,002,770	3,061,600
Net Revenue Requirement	**$ 147,922,694**	**$ 151,790,267**
Percent Increase	***15.39%***	***2.81%***
Current Tipping Charge per Ton	$ 219.86	$ 248.26
Proposed Tipping Charge per Ton	$ 253.70	$ 255.23
RY 2023 ZWI Addback (4 Tiers)	3,172,268	
RY 2024 ZWI Addback (2 Tiers)		1,501,385
Adjusted Percent Increase	*12.92%*	*1.79%*
Adjusted Tipping Fee	***248.26***	***252.70***
Total Revenue Tons	583,063	594,725
Operating Expenses with 89% OR	$ 136,626,053	$ 139,302,800
Variance to 91% OR	3,002,770	3,061,600
Net Revenue Requirement @ 89% OR	**$ 147,922,694**	**$ 151,790,267**

Recology Sunset Scavenger/Recology Golden Gate
Rate Application, Schedule **B.1**
Rate Calculations - Total Revenues

	RY 2024	Less Non-Rate Activity	Less City Services Agreement	RY 2024 Adjusted	RY 2025	Less Non-Rate Activity	Less City Services Agreement	RY 2025 Adjusted
Operating Ratio Expenses	$ 215,510,153	$ (10,010,866)	$ (4,753,958)	$ 200,745,329	$ 224,451,429	$ (10,619,215)	$ (4,175,891)	$ 209,656,322
Calculated Operating Ratio Expenses	**215,510,153**	**(10,010,866)**	**(4,753,958)**	**200,745,329**	**224,451,429**	**(10,619,215)**	**(4,175,891)**	**209,656,322**
Allowed Operating Ratio	91.00%	100.00%	100.00%	91.00%	91.00%	100.00%	100.00%	91.00%
Operating Expense with Operating Ratio	**$ 236,824,344**	**$ (10,010,866)**	**$ (4,753,958)**	**$ 220,599,262**	**$ 246,649,922**	**$ (10,619,215)**	**$ (4,175,891)**	**$ 230,391,563**
Non Operating Ratio Expense								
Disposal Cost	58,102,924	(2,698,994)	(1,348,598)	54,055,332	60,343,384	(2,854,958)	(1,400,600)	56,087,826
Processing Cost	70,114,223	(3,256,942)	(1,627,386)	65,229,895	72,812,688	(3,444,904)	(1,690,019)	67,677,766
Impound Account	23,847,771	-	-	23,847,771	23,847,771	-		23,847,771
License Expenses	2,605,731	(121,041)	(45,360)	2,439,330	2,685,271	(127,045)	(62,326)	2,495,900
Revenue								
Non Rate Revenue	(27,566,221)	17,642,007	7,006,491	(2,917,723)	(20,904,424)	17,986,701		(2,917,723)
Residential 20-Gallon Transition Credit								
Contamination Charges	(5,000,000)	-		(5,000,000)	(5,000,000)	-		(5,000,000)
Apartment Migration								
Commercial Migration								
Zero Waste Incentives (2% OR)	5,321,895			4,957,287	5,542,695			5,177,338
Net Revenue Requirement	**$ 364,250,668**	**$ 1,554,164**	**$ (768,811)**	**$ 363,211,154**	**$ 385,977,307**	**$ 940,578**	**$ (7,328,836)**	**$ 377,760,441**
Revenue @ Current Rates	352,224,256			352,224,256	360,720,470			360,720,470
Difference	**$ 12,026,411**	**$ 1,554,164**	**$ (768,811)**	**$ 10,986,898**	**$ 25,256,837**	**$ 940,578**	**$ (7,328,836)**	**$ 17,039,971**
Rate Increase	3.41%			3.12%	7.00%			4.72%
Deposit to Reserve Fund				$ -				$ -
Rate Stabilization Fund	$ 4,250,000			$ 4,250,000				$ -
RY 2023 ZWI Addback (4 Tiers)	$ 5,313,635			$ 5,313,635				$ -
RY 2024 ZWI Addback (2 Tiers)					$ 2,478,643			$ 2,478,643
Revenue Requirement Reduction	$ 9,563,635			$ 9,563,635	$ 2,478,643			$ 2,478,643
RY 2024 & RY 2025 Net Increase	**0.70%**			**0.40%**	**6.31%**			**4.04%**
Operating Expenses with 89% OR	242,146,240			225,556,549	252,192,617			235,568,902
Variance to 91% OR	5,321,895			4,957,287	5,542,695			5,177,338
Net Revenue Requirement @ 89% OR	$ 364,250,668			$ 363,211,154	$ 385,977,307			$ 377,760,441

Recology Sunset Scavenger/Recology Golden Gate
Rate Application, Schedule **B.1**
Rate Calculations - Total Revenues

	RY 2024	**Less Non-Rate Activity**	**Less City Services Agreement**	**RY 2024 Adjusted**	**RY 2025**	**Less Non-Rate Activity**	**Less City Services Agreement**	**RY 2025 Adjusted**
Operating Ratio Expenses	$ 223,823,129	$ (10,397,020)	$ (4,946,238)	$ 208,479,871	$ 228,840,452	$ (10,826,868)	$ (4,293,958)	$ 213,719,626
Calculated Operating Ratio Expenses	**223,823,129**	**(10,397,020)**	**(4,946,238)**	**208,479,871**	**228,840,452**	**(10,826,868)**	**(4,293,958)**	**213,719,626**
Allowed Operating Ratio	91.00%	100.00%	100.00%	91.00%	91.00%	100.00%	100.00%	91.00%
Operating Expense with Operating Ratio	**$ 245,959,482**	**$ (10,397,020)**	**$ (4,946,238)**	**$ 229,098,759**	**$ 251,473,025**	**$ (10,826,868)**	**$ (4,293,958)**	**$ 234,856,732**
Non Operating Ratio Expense								
Disposal Cost	59,938,976	(2,784,282)	(1,391,213)	55,763,480	61,115,596	(2,891,493)	(1,418,523)	56,805,580
Processing Cost	72,357,731	(3,361,158)	(1,679,459)	67,317,115	73,756,269	(3,489,547)	(1,711,920)	68,554,803
Impound Account	23,847,771	-	-	23,847,771	23,847,771	-		23,847,771
License Expenses	2,605,731	(121,041)	(45,360)	2,439,330	2,685,271	(127,045)	(62,326)	2,495,900
Revenue								
Non Rate Revenue	(27,566,221)	17,642,007	7,006,491	(2,917,723)	(20,904,424)	17,986,701		(2,917,723)
Residential 20-Gallon Transition Credit								
Contamination Charges	(5,000,000)	-		(5,000,000)	(5,000,000)	-		(5,000,000)
Apartment Migration								
Commercial Migration								
Zero Waste Incentives (2% OR)	5,527,179			5,148,287	5,651,079			5,277,679
Net Revenue Requirement	**$ 377,670,650**	**$ 978,506**	**$ (1,055,779)**	**$ 375,697,019**	**$ 392,624,587**	**$ 651,748**	**$ (7,486,727)**	**$ 383,920,741**
Revenue @ Current Rates	352,224,256			352,224,256	373,456,052			373,456,052
Difference	**$ 25,446,394**	**$ 978,506**	**$ (1,055,779)**	**$ 23,472,763**	**$ 19,168,534**	**$ 651,748**	**$ (7,486,727)**	**$ 10,464,689**
Rate Increase	7.22%			6.66%	5.13%			2.80%
Deposit to Reserve Fund				$ -				$ -
Rate Stabilization Fund	$ 4,250,000			$ 4,250,000				$ -
RY 2023 ZWI Addback (4 Tiers)	$ 5,313,635			$ 5,313,635				$ -
RY 2024 ZWI Addback (2 Tiers)					$ 2,574,143			$ 2,574,143
Revenue Requirement Reduction	$ 9,563,635			$ 9,563,635	$ 2,574,143			$ 2,574,143
RY 2024 & RY 2025 Net Increase	**4.51%**			**3.95%**	**4.44%**			**2.11%**
Operating Expenses with 89% OR	251,486,662			234,247,046	257,124,104			240,134,411
Variance to 91% OR	5,527,179			5,148,287	5,651,079			5,277,679
Net Revenue Requirement @ 89% OR	$ 377,670,650			$ 375,697,019	$ 392,624,587			$ 383,920,741

Recology San Francisco
Rate Application, Schedule **B**
Rate Calculations - Processing and Disposal

	RY 2024	RY 2025
Operating Ratio Expenses	$ 125,701,082	$ 125,750,617
Calculated Operating Ratio Expenses	**125,701,082**	**125,750,617**
Allowed Operating Ratio	*91.00%*	*91.00%*
Operating Expense with Operating Ratio	**$ 138,133,057**	**$ 138,187,491**
Non Operating Ratio Expense		
Intercompany Processing and Disposal	28,092,680	29,511,394
Licenses & Permits	4,685,676	4,820,307
Revenue		
Other Commercial Revenues	(3,639,266)	(3,649,443)
Recycling Revenues	(17,842,450)	(18,194,791)
Zero Waste Incentives	3,104,114	3,105,337
Net Revenue Requirement	**$ 152,533,811**	**$ 153,780,295**
Percent Increase	***18.99%***	***0.94%***
Current Tipping Charge per Ton	$ 219.86	$ 256.17
Proposed Tipping Charge per Ton	$ 261.61	$ 258.57
RY 2023 ZWI Addback (4 Tiers)	3,172,268	
RY 2024 ZWI Addback (2 Tiers)		1,552,057
Adjusted Percent Increase	*16.51%*	*-0.08%*
Adjusted Tipping Fee	***256.17***	***255.96***
Total Revenue Tons	583,063	594,725
Operating Expenses with 89% OR	$ 141,237,170	$ 141,292,828
Variance to 91% OR	3,104,114	3,105,337
Net Revenue Requirement @ 89% OR	**$ 152,533,811**	**$ 153,780,295**

Recology San Francisco
Rate Application, Schedule **B**
Rate Calculations - Processing and Disposal

	RY 2024	RY 2025
Operating Ratio Expenses	$ 125,480,497	$ 125,704,854
Calculated Operating Ratio Expenses	**125,480,497**	**125,704,854**
Allowed Operating Ratio	*91.00%*	*91.00%*
Operating Expense with Operating Ratio	**$ 137,890,657**	**$ 138,137,202**
Non Operating Ratio Expense		
Intercompany Processing and Disposal	28,029,003	29,398,070
Licenses & Permits	4,684,828	4,818,825
Revenue		
Other Commercial Revenues	(3,639,266)	(3,649,443)
Recycling Revenues	(17,844,796)	(18,198,888)
Zero Waste Incentives	3,098,666	3,104,207
Net Revenue Requirement	**$ 152,219,091**	**$ 153,609,973**
Percent Increase	***18.74%***	***1.04%***
Current Tipping Charge per Ton	$ 219.86	$ 255.63
Proposed Tipping Charge per Ton	$ 261.07	$ 258.29
RY 2023 ZWI Addback (4 Tiers)	3,172,268	
RY 2024 ZWI Addback (2 Tiers)		1,549,333
Adjusted Percent Increase	*16.27%*	*0.02%*
Adjusted Tipping Fee	***255.63***	***255.68***
Total Revenue Tons	583,063	594,725
Operating Expenses with 89% OR	$ 140,989,323	$ 141,241,409
Variance to 91% OR	3,098,666	3,104,207
Net Revenue Requirement @ 89% OR	**$ 152,219,091**	**$ 153,609,973**

Recology Sunset Scavenger/Recology Golden Gate
Rate Application, Schedule **B.1**
Rate Calculations - Total Revenues

	RY 2024	**Less Non-Rate Activity**	**Less City Services Agreement**	**RY 2024 Adjusted**	**RY 2025**	**Less Non-Rate Activity**	**Less City Services Agreement**	**RY 2025 Adjusted**
Operating Ratio Expenses	$ 223,758,431	$ (10,394,015)	$ (4,944,662)	$ 208,419,755	$ 228,717,423	$ (10,821,048)	$ (4,291,052)	$ 213,605,323
Calculated Operating Ratio Expenses	**223,758,431**	**(10,394,015)**	**(4,944,662)**	**208,419,755**	**228,717,423**	**(10,821,048)**	**(4,291,052)**	**213,605,323**
Allowed Operating Ratio	91.00%	100.00%	100.00%	91.00%	91.00%	100.00%	100.00%	91.00%
Operating Expense with Operating Ratio	**$ 245,888,386**	**$ (10,394,015)**	**$ (4,944,662)**	**$ 229,032,698**	**$ 251,337,827**	**$ (10,821,048)**	**$ (4,291,052)**	**$ 234,731,125**
Non Operating Ratio Expense								
Disposal Cost	59,813,661	(2,778,461)	(1,388,305)	55,646,895	61,048,862	(2,888,335)	(1,416,974)	56,743,552
Processing Cost	72,204,606	(3,354,045)	(1,675,905)	67,174,657	73,674,725	(3,485,689)	(1,710,027)	68,479,010
Impound Account	23,847,771	-	-	23,847,771	23,847,771	-		23,847,771
License Expenses	2,599,825	(120,767)	(45,257)	2,433,800	2,674,960	(126,557)	(62,087)	2,486,315
Revenue								
Non Rate Revenue	(27,566,221)	17,642,007	7,006,491	(2,917,723)	(20,904,424)	17,986,701		(2,917,723)
Residential 20-Gallon Transition Credit								
Contamination Charges	(5,000,000)	-		(5,000,000)	(5,000,000)	-		(5,000,000)
Apartment Migration								
Commercial Migration								
Zero Waste Incentives (2% OR)	5,525,582			5,146,802	5,648,041			5,274,857
Net Revenue Requirement	**$ 377,313,610**	**$ 994,720**	**$ (1,047,638)**	**$ 375,364,900**	**$ 392,327,762**	**$ 665,072**	**$ (7,480,140)**	**$ 383,644,906**
Revenue @ Current Rates	352,224,256			352,224,256	373,117,291			373,117,291
Difference	**$ 25,089,353**	**$ 994,720**	**$ (1,047,638)**	**$ 23,140,644**	**$ 19,210,471**	**$ 665,072**	**$ (7,480,140)**	**$ 10,527,616**
Rate Increase	7.12%			6.57%	5.15%			2.82%
Deposit to Reserve Fund				$ -				$ -
Rate Stabilization Fund	$ 4,250,000			$ 4,250,000				$ -
RY 2023 ZWI Addback (4 Tiers)	$ 5,313,635			$ 5,313,635				$ -
RY 2024 ZWI Addback (2 Tiers)					$ 2,573,401			$ 2,573,401
Revenue Requirement Reduction	$ 9,563,635			$ 9,563,635	$ 2,573,401			$ 2,573,401
RY 2024 & RY 2025 Net Increase	**4.41%**			**3.85%**	**4.46%**			**2.13%**
Operating Expenses with 89% OR	251,413,968			234,179,500	256,985,869			240,005,981
Variance to 91% OR	5,525,582			5,146,802	5,648,041			5,274,857
Net Revenue Requirement @ 89% OR	$ 377,313,610			$ 375,364,900	$ 392,327,762			$ 383,644,906

Recology Sunset Scavenger/Recology Golden Gate
Rate Application, Schedule **B.1**
Rate Calculations - Total Revenues

	RY 2024 Adjusted	RY 2025 Adjusted
Operating Ratio Expenses	$ 208,479,995	$ 213,720,134
Calculated Operating Ratio Expenses	**208,479,995**	**213,720,134**
Allowed Operating Ratio	91.00%	91.00%
Operating Expense with Operating Ratio	**$ 229,098,896**	**$ 234,857,290**
Non Operating Ratio Expense		
Disposal Cost	55,688,560	56,819,239
Processing Cost	67,225,568	68,571,494
Impound Account	24,218,665	24,596,228
License Expenses	2,439,330	2,495,900
Revenue		
Non Rate Revenue	(2,917,723)	(2,917,723)
Residential 20-Gallon Transition Credit		
Contamination Charges	(5,000,000)	(5,000,000)
Apartment Migration		
Commercial Migration		
Zero Waste Incentives (2% OR)	5,148,290	5,277,692
Net Revenue Requirement	**$ 375,901,585**	**$ 384,700,120**
Revenue @ Current Rates	352,224,256	373,664,709
Difference	**$ 23,677,329**	**$ 11,035,410**
Rate Increase	6.72%	2.95%
Deposit to Reserve Fund	$ -	$ -
Rate Stabilization Fund	$ 4,250,000	$ -
RY 2023 ZWI Addback (4 Tiers)	$ 5,313,635	$ -
RY 2024 ZWI Addback (2 Tiers)		$ 2,574,145
Revenue Requirement Reduction	$ 9,563,635	$ 2,574,145
RY 2024 & RY 2025 Net Increase	**4.01%**	**2.26%**
Operating Expenses with 89% OR	234,247,186	240,134,982
Variance to 91% OR	5,148,290	5,277,692
Net Revenue Requirement @ 89% OR	$ 375,901,585	$ 384,700,120

Recology San Francisco
Professional Services Expenses

Item	Rate Application RY 2024	Rate Application RY 2025
Accounting Fees	$ 81,671	$ 84,164
Engineering Fees	540,271	541,500
Legal Fees	1,456,894	1,539,002
Other Professional Fees	578,312	1,288,194
Total Professional Services	**$ 2,657,148**	**$ 3,452,860**

Item	Rate Application RY 2024	Rate Application RY 2025
Accounting Fees	$ 81,671	$ 84,164
Engineering Fees	514,352	514,790
Legal Fees - Gross	***1,456,894***	***1,539,002***
Legal Fees - Forecast Adjustment	***(465,060)***	***(492,964)***
Other Professional Fees	558,327	1,268,209
Total Professional Services	**$ 2,146,184**	**$ 2,913,201**

Recology Golden Gate and Recology Sunset Scavenger
Professional Services Expenses

	Submitted on 3/7/2023	
	Rate Application	**Rate Application**
Item	**RY 2024**	**RY 2025**
Accounting Fees	$ 178,790	$ 184,248
Engineering Fees	2,138	2,204
Legal Fees	943,591	1,000,207
Other Professional Fees	310,033	319,497
Total Professional Services	**$ 1,434,553**	**$ 1,506,155**

	Forecast Adjustment	
	Rate Application	**Rate Application**
Item	**RY 2024**	**RY 2025**
Accounting Fees	$ 178,790	$ 184,248
Engineering Fees	2,650	2,731
Legal Fees - Gross	***943,591***	***1,000,207***
Legal Fees - Forecast Adjustment	***(378,843)***	***(401,574)***
Other Professional Fees	310,033	319,497
Total Professional Services	**$ 1,056,222**	**$ 1,105,109**

Salaries, Wages and Payroll Headcount Schedule H.1 <Accrual basis in account	RYE 6/30/20 Actuals FTE	Dollars	RYE 6/30/21 Actuals FTE	Dollars	RYE 9/30/22 Actuals FTE	Dollars	RYE 9/30/23 Projection FTE	Dollars	RYE 9/30/24 New Rate Yr 1 FTE	Dollars	RYE 9/30/25 New Rate Yr 2 FTE	Dollars	
Total													
Total Payroll													
Non-Union Exempt	137.0	##########	126.0	##########	129.0	##########	140.0	$14,969,130	143.0	##########	143.0	$ 15,765,325	
Non-Union Non-Exempt	24.0	$1,514,032	19.0	$1,233,704	15.0	$1,152,049	19.0	$ 1,510,894	19.0	$ 1,550,555	19.0	$ 1,591,257	
Union - Clerical	41.0	$3,253,628	45.0	$3,634,271	44.0	$3,692,971	45.0	$ 3,922,678	45.0	$ 4,025,648	45.0	$ 4,131,322	
Union - Driver/Helper	563.0	##########	548.0	##########	551.0	##########	553.0	$80,943,596	562.0	##########	562.0	$ 85,762,569	
Union - Equipment Operator	47.0	$5,917,246	46.0	$5,494,187	47.0	$5,875,466	47.0	$ 6,110,484	47.0	$ 6,270,884	47.0	$ 6,435,495	
Union - Shop/Facility	113.0	##########	111.0	##########	109.0	##########	113.0	$15,064,175	113.0	##########	113.0	$ 15,865,424	
Union - Sorter/Material Handler	125.0	$9,086,234	65.0	$6,492,235	61.0	$4,426,105	61.0	$ 4,603,150	61.0	$ 4,723,982	61.0	$ 4,847,987	
Union - Technician	13.0	$1,250,140	14.0	$1,322,579	15.0	$1,367,929	15.0	$ 1,422,646	15.0	$ 1,459,990	15.0	$ 1,498,315	
Union - Utility Person	28.0	$1,834,258	77.0	$3,597,032	69.0	$5,528,568	69.0	$ 5,749,711	69.0	$ 5,900,641	69.0	$ 6,055,533	
Union - Weighmaster/Dispatcher	17.0	$3,265,851	17.0	$3,137,506	16.0	$3,589,148	16.0	$ 3,732,713	16.0	$ 3,830,697	16.0	$ 3,931,253	
Sub-Total Total Payroll	**1,108.0**	**##########**	**1,068.0**	**##########**	**1,056.0**	**##########**	**1,078.0**	**##########**	**1,090.0**	**##########**	**1,090.0**	**##########**	
										$ 3,917,287		$ 3,938,015	Does not include the 13 FTE
										2.84%		2.77%	YoY % Below Inflation Assumptions
									13.0	$ 1,692,939	13.0	$ 1,739,907	Estimated Impact (Conservative) for Additional FTE
										$ 5,610,226		$ 5,677,922	Inclusive of Additional FTE Est. Impact
										4.06%		4.00%	YoY Increase More In Line w/ Expectations
Regular Payroll - FTE													
Non-Union Exempt	137.0	##########	126.0	##########	129.0	##########	140.0	$12,594,321	143.0	##########	143.0	$ 13,264,202	
Non-Union Non-Exempt	24.0	$1,165,801	19.0	$1,016,130	15.0	$ 934,804	19.0	$ 1,229,876	19.0	$ 1,262,160	19.0	$ 1,295,292	
Union - Clerical	31.7	$2,430,175	32.3	$2,544,418	34.8	$2,720,860	35.8	$ 2,898,870	35.8	$ 2,974,965	35.8	$ 3,053,058	
Union - Driver/Helper	435.8	##########	408.5	##########	404.9	##########	406.9	$46,638,118	415.9	##########	415.9	$ 49,542,597	
Union - Equipment Operator	40.9	$3,586,545	38.5	$3,502,552	38.5	$3,568,281	38.5	$ 3,711,012	38.5	$ 3,808,426	38.5	$ 3,908,397	
Union - Shop/Facility	86.7	$8,621,618	82.3	$8,528,140	79.1	$8,489,219	83.1	$ 9,304,473	83.1	$ 9,548,715	83.1	$ 9,799,369	
Union - Sorter/Material Handler	88.3	$5,722,959	59.1	$4,033,170	36.5	$2,618,499	36.5	$ 2,723,239	36.5	$ 2,794,724	36.5	$ 2,868,086	
Union - Technician	10.7	$ 917,058	10.6	$ 944,905	10.5	$ 952,284	10.5	$ 990,375	10.5	$ 1,016,373	10.5	$ 1,043,052	
Union - Utility Person	16.8	$1,135,107	33.8	$2,368,693	48.6	$3,435,238	48.6	$ 3,572,647	48.6	$ 3,666,429	48.6	$ 3,762,673	
Union - Weighmaster/Dispatcher	16.3	$1,730,327	16.3	$1,782,987	16.2	$1,791,959	16.2	$ 1,863,637	16.2	$ 1,912,557	16.2	$ 1,962,762	
Sub-Total Payroll - FTE	**888.2**	**##########**	**826.4**	**##########**	**813.0**	**##########**	**835.0**	**$85,526,569**	**847.0**	**##########**	**847.0**	**$ 90,499,488**	
Sick, Vacation & Holiday Off													
Non-Union Exempt	-	$1,854,307	-	$1,743,116	-	$2,045,242	-	$ 2,374,809	-	$ 2,437,148	-	$ 2,501,123	
Non-Union Non-Exempt	-	$ 187,590	-	$ 145,562	-	$ 177,209	-	$ 232,449	-	$ 238,551	-	$ 244,813	
Union - Clerical	-	$ 528,474	-	$ 629,866	-	$ 717,601	-	$ 757,907	-	$ 777,802	-	$ 798,219	
Union - Driver/Helper	-	##########	-	##########	-	##########	-	$13,750,240	-	##########	-	$ 14,481,603	
Union - Equipment Operator	-	$ 623,147	-	$ 738,975	-	$ 666,800	-	$ 693,472	-	$ 711,675	-	$ 730,357	
Union - Shop/Facility	-	$1,644,883	-	$1,921,066	-	$2,234,734	-	$ 2,456,477	-	$ 2,520,959	-	$ 2,587,135	
Union - Sorter/Material Handler	-	$1,238,354	-	$1,157,180	-	$ 759,745	-	$ 790,135	-	$ 810,876	-	$ 832,162	
Union - Technician	-	$ 227,007	-	$ 275,146	-	$ 290,173	-	$ 301,780	-	$ 309,702	-	$ 317,831	
Union - Utility Person	-	$ 330,299	-	$ 684,954	-	$ 949,792	-	$ 987,784	-	$ 1,013,713	-	$ 1,040,323	
Union - Weighmaster/Dispatcher	-	$ 386,778	-	$ 394,988	-	$ 515,651	-	$ 536,277	-	$ 550,354	-	$ 564,801	
Sub-Total Sick, Vacation & Holiday Of	**-**	**##########**	**-**	**##########**	**-**	**##########**	**-**	**$22,881,330**	**-**	**##########**	**-**	**$ 24,098,366**	
Overtime													
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Non-Union Non-Exempt	-	$ 157,577	-	$ 72,011	-	$ 39,721	-	$ 48,242	-	$ 49,508	-	$ 50,808	
Union - Clerical	-	$ 188,230	-	$ 280,604	-	$ 130,054	-	$ 136,466	-	$ 140,048	-	$ 143,725	
Union - Driver/Helper	-	$7,364,236	-	$6,649,955	-	$8,489,031	-	$ 8,902,274	-	$ 9,135,959	-	$ 9,375,778	
Union - Equipment Operator	-	$ 511,374	-	$ 405,424	-	$ 567,159	-	$ 589,845	-	$ 605,329	-	$ 621,218	
Union - Shop/Facility	-	$1,660,136	-	$ 520,673	-	$ 877,264	-	$ 954,744	-	$ 979,806	-	$ 1,005,526	
Union - Sorter/Material Handler	-	$ 330,433	-	$ 227,425	-	$ 18,269	-	$ 19,000	-	$ 19,499	-	$ 20,011	
Union - Technician	-	$ 56,943	-	$ 45,703	-	$ 41,281	-	$ 42,932	-	$ 44,059	-	$ 45,216	
Union - Utility Person	-	$ 76,851	-	$ 166,995	-	$ 360,598	-	$ 375,022	-	$ 384,866	-	$ 394,969	
Union - Weighmaster/Dispatcher	-	$ 252,367	-	$ 220,554	-	$ 318,711	-	$ 331,459	-	$ 340,160	-	$ 349,089	
Sub-Total Overtime	**-**	**##########**	**-**	**$8,589,345**	**-**	**##########**	**-**	**$11,399,984**	**-**	**##########**	**-**	**$ 12,006,338**	
Holiday & Weekend Payroll													
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Non-Union Non-Exempt	-	$ 3,064	-	$ -	-	$ 315	-	$ 327	-	$ 336	-	$ 345	
Union - Clerical	-	$ 106,749	-	$ 179,383	-	$ 124,457	-	$ 129,435	-	$ 132,833	-	$ 136,320	
Union - Driver/Helper	-	##########	-	$9,445,537	-	##########	-	$11,652,963	-	##########	-	$ 12,362,592	
Union - Equipment Operator	-	$1,196,181	-	$ 847,235	-	$1,073,226	-	$ 1,116,155	-	$ 1,145,454	-	$ 1,175,523	
Union - Shop/Facility	-	$2,114,210	-	$2,025,952	-	$2,152,771	-	$ 2,348,481	-	$ 2,410,129	-	$ 2,473,395	
Union - Sorter/Material Handler	-	$1,794,487	-	$1,074,460	-	$1,029,592	-	$ 1,070,775	-	$ 1,098,883	-	$ 1,127,729	
Union - Technician	-	$ 49,132	-	$ 56,825	-	$ 84,191	-	$ 87,558	-	$ 89,857	-	$ 92,215	
Union - Utility Person	-	$ 292,001	-	$ 376,390	-	$ 782,940	-	$ 814,258	-	$ 835,632	-	$ 857,567	
Union - Weighmaster/Dispatcher	-	$ 896,379	-	$ 738,978	-	$ 962,828	-	$ 1,001,341	-	$ 1,027,626	-	$ 1,054,601	
Sub-Total Holiday & Weekend Payro	**-**	**##########**	**-**	**##########**	**-**	**##########**	**-**	**$18,221,295**	**-**	**##########**	**-**	**$ 19,280,286**	
Refuse Collection													
Total Payroll													
Non-Union Exempt	48.0	$4,011,624	47.0	$4,007,605	50.0	$4,265,192	52.0	$ 4,611,779	53.0	$ 4,732,838	53.0	$ 4,857,075	
Non-Union Non-Exempt	2.0	$ 263,260	2.0	$ 231,707	2.0	$ 165,884	2.0	$ 172,519	2.0	$ 177,048	2.0	$ 181,695	
Union - Clerical	3.0	$ 138,420	-	$ 6,190	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Driver/Helper	410.0	##########	411.0	##########	424.0	##########	426.0	$61,002,134	434.0	##########	434.0	$ 64,760,440	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	1.0	$ 5,453	-	$ 77,712	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Total Payroll	**464.0**	**##########**	**460.0**	**##########**	**476.0**	**##########**	**480.0**	**$65,786,432**	**489.0**	**##########**	**489.0**	**$ 69,799,210**	
Regular Payroll - FTE													
Non-Union Exempt	48.0	$3,410,268	47.0	$3,355,251	50.0	$3,628,357	52.0	$ 3,923,562	53.0	$ 4,026,556	53.0	$ 4,132,253	
Non-Union Non-Exempt	2.0	$ 202,299	2.0	$ 195,695	2.0	$ 124,325	2.0	$ 129,298	2.0	$ 132,692	2.0	$ 136,176	
Union - Clerical	1.2	$ 91,191	0.0	$ 3,255	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Driver/Helper	315.9	##########	301.0	##########	305.8	##########	307.8	$35,304,622	315.8	##########	315.8	$ 37,606,283	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	0.0	$ 4,845	0.4	$ 45,270	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Regular Payroll - FTE	**367.2**	**##########**	**350.5**	**##########**	**357.8**	**##########**	**361.8**	**$39,357,482**	**370.8**	**##########**	**370.8**	**$ 41,874,711**	
Sick, Vacation & Holiday Off													
Non-Union Exempt	-	$ 601,356	-	$ 652,354	-	$ 636,835	-	$ 688,217	-	$ 706,282	-	$ 724,822	
Non-Union Non-Exempt	-	$ 24,360	-	$ 18,618	-	$ 24,557	-	$ 25,540	-	$ 26,210	-	$ 26,898	
Union - Clerical	-	$ 17,360	-	$ 1,480	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Driver/Helper	-	$7,064,160	-	$8,651,119	-	$9,489,526	-	$ 9,923,171	-	##########	-	$ 10,450,975	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	-	$ 604	-	$ 29,086	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Sick, Vacation & Holiday O	**-**	**$7,707,840**	**-**	**$9,352,657**	**-**	**##########**	**-**	**$10,636,927**	**-**	**##########**	**-**	**$ 11,202,695**	
Overtime													
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Non-Union Non-Exempt	-	$ 33,536	-	$ 17,394	-	$ 16,687	-	$ 17,354	-	$ 17,810	-	$ 18,277	
Union - Clerical	-	$ 11,646	-	$ 567	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Driver/Helper	-	$4,960,622	-	$5,410,350	-	$6,791,819	-	$ 7,137,173	-	$ 7,324,524	-	$ 7,516,793	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	-	$ 4	-	$ 1,498	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Overtime	**-**	**$5,005,808**	**-**	**$5,429,809**	**-**	**$6,808,505**	**-**	**$ 7,154,527**	**-**	**$ 7,342,334**	**-**	**$ 7,535,070**	
Holiday & Weekend Payroll													
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Non-Union Non-Exempt	-	$ 3,064	-	$ -	-	$ 315	-	$ 327	-	$ 336	-	$ 345	
Union - Clerical	-	$ 18,223	-	$ 888	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Driver/Helper	-	$7,871,680	-	$7,324,786	-	$8,276,167	-	$ 8,637,169	-	$ 8,951,415	-	$ 9,186,390	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	-	$ -	-	$ 1,858	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Holiday & Weekend Payro	**-**	**$7,892,967**	**-**	**$7,327,532**	**-**	**$8,276,482**	**-**	**$ 8,637,496**	**-**	**$ 8,951,751**	**-**	**$ 9,186,735**	
Truck and Garage													
Total Payroll													
Non-Union Exempt	7.0	$ 745,205	7.0	$ 737,343	8.0	$ 757,084	7.0	$ 692,409	7.0	$ 710,584	7.0	$ 729,237	
Non-Union Non-Exempt	-	$ 21,195	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Clerical	3.0	$ 256,502	3.0	$ 260,601	3.0	$ 264,706	3.0	$ 275,295	3.0	$ 282,521	3.0	$ 289,937	
Union - Driver/Helper	15.0	$2,288,563	13.0	$1,513,189	14.0	$1,927,002	14.0	$ 2,004,082	14.0	$ 2,056,689	14.0	$ 2,110,677	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	72.0	##########	73.0	$8,745,212	71.0	$9,473,053	75.0	$10,612,002	75.0	##########	75.0	$ 11,176,445	
Union - Sorter/Material Handler	-	$ 378	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Total Payroll	**97.0**	**##########**	**96.0**	**##########**	**96.0**	**##########**	**99.0**	**$13,583,787**	**99.0**	**##########**	**99.0**	**$ 14,306,296**	
Regular Payroll - FTE													
Non-Union Exempt	7.0	$ 630,866	7.0	$ 659,029	8.0	$ 666,933	7.0	$ 610,714	7.0	$ 626,746	7.0	$ 643,198	
Non-Union Non-Exempt	-	$ 12,258	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Clerical	2.5	$ 185,662	2.6	$ 199,246	2.6	$ 202,553	2.6	$ 210,655	2.6	$ 216,185	2.6	$ 221,860	
Union - Driver/Helper	13.4	$1,374,098	9.8	$1,028,303	11.6	$1,272,587	11.6	$ 1,323,490	11.6	$ 1,358,232	11.6	$ 1,393,886	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	59.2	$6,173,308	54.0	$5,875,270	52.0	$5,938,212	56.0	$ 6,651,426	56.0	$ 6,826,026	56.0	$ 7,005,209	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Regular Payroll - FTE	**82.1**	**$8,376,192**	**73.4**	**$7,761,849**	**74.2**	**$8,080,285**	**77.2**	**$ 8,796,286**	**77.2**	**$ 9,027,189**	**77.2**	**$ 9,264,152**	
Sick, Vacation & Holiday Off													
Non-Union Exempt	-	$ 114,339	-	$ 78,314	-	$ 90,151	-	$ 81,694	-	$ 83,839	-	$ 86,039	
Non-Union Non-Exempt	-	$ 8,933	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Clerical	-	$ 41,020	-	$ 51,752	-	$ 45,003	-	$ 46,804	-	$ 48,032	-	$ 49,293	
Union - Driver/Helper	-	$ 355,070	-	$ 370,078	-	$ 468,582	-	$ 487,325	-	$ 500,117	-	$ 513,245	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	-	$1,124,171	-	$1,226,015	-	$1,614,944	-	$ 1,811,895	-	$ 1,859,458	-	$ 1,908,268	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Sick, Vacation & Holiday O	**-**	**$1,643,533**	**-**	**$1,726,158**	**-**	**$2,218,681**	**-**	**$ 2,427,718**	**-**	**$ 2,491,446**	**-**	**$ 2,556,846**	
Overtime													
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Non-Union Non-Exempt	-	$ 4	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Clerical	-	$ 17,338	-	$ 2,222	-	$ 7,495	-	$ 7,794	-	$ 7,999	-	$ 8,209	
Union - Driver/Helper	-	$ 319,828	-	$ 77,813	-	$ 100,898	-	$ 104,934	-	$ 107,689	-	$ 110,515	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	-	$1,292,426	-	$ 319,264	-	$ 544,359	-	$ 608,523	-	$ 624,496	-	$ 640,889	
Union - Sorter/Material Handler	-	$ 378	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Overtime	**-**	**$1,629,975**	**-**	**$ 399,299**	**-**	**$ 652,752**	**-**	**$ 721,251**	**-**	**$ 740,184**	**-**	**$ 759,614**	
Holiday & Weekend Payroll													
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Clerical	-	$ 12,481	-	$ 7,382	-	$ 9,655	-	$ 10,042	-	$ 10,305	-	$ 10,576	
Union - Driver/Helper	-	$ 239,567	-	$ 36,995	-	$ 84,935	-	$ 88,332	-	$ 90,651	-	$ 93,031	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	-	$1,422,297	-	$1,324,661	-	$1,375,537	-	$ 1,540,158	-	$ 1,580,587	-	$ 1,622,078	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Holiday & Weekend Payro	**-**	**$1,674,345**	**-**	**$1,369,039**	**-**	**$1,470,127**	**-**	**$ 1,638,532**	**-**	**$ 1,681,544**	**-**	**$ 1,725,684**	
Debris Box													
Total Payroll													
Non-Union Exempt	10.0	$ 751,895	9.0	$ 844,813	7.0	$ 709,236	7.0	$ 737,606	7.0	$ 756,968	7.0	$ 776,839	
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Clerical	5.0	$ 420,881	1.0	$ 126,472	1.0	$ 122,694	1.0	$ 127,602	1.0	$ 130,952	1.0	$ 134,389	
Union - Driver/Helper	43.0	$6,262,005	33.0	$5,073,109	30.0	$4,453,752	30.0	$ 4,631,902	30.0	$ 4,753,489	30.0	$ 4,878,268	
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Shop/Facility	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
Sub-Total Total Payroll	**58.0**	**$7,434,781**	**43.0**	**$6,044,393**	**38.0**	**$5,285,683**	**38.0**	**$ 5,497,110**	**38.0**	**$ 5,641,409**	**38.0**	**$ 5,789,496**	
Regular Payroll - FTE													
Non-Union Exempt	10.0	$ 630,784	9.0	$ 725,634	7.0	$ 574,533	7.0	$ 597,514	7.0	$ 613,199	7.0	$ 629,295	
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

Salaries, Wages and Payroll Headcount Schedule H.1 <Accrual basis in account	RYE 6/30/20 Actuals FTE	 Dollars	RYE 6/30/21 Actuals FTE	 Dollars	RYE 9/30/22 Actuals FTE	 Dollars	RYE 9/30/23 Projection FTE	 Dollars	RYE 9/30/24 New Rate Yr 1 FTE	 Dollars	RYE 9/30/25 New Rate Yr 2 FTE	 Dollars
Sub-Total Holiday & Weekend Payro	-	$ 954,057	-	$ 822,839	-	$ 962,461	-	$ 1,000,959	-	$ 1,027,234	-	$ 1,054,199
Processing												
Total Payroll												
Non-Union Exempt	21.0	$2,149,786	20.0	$2,021,870	20.0	$2,026,422	22.0	$ 2,456,321	22.0	$ 2,520,800	22.0	$ 2,586,971
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	4.0	$ 389,748	4.0	$ 400,656	4.0	$ 407,746	4.0	$ 424,056	4.0	$ 435,187	4.0	$ 446,611
Union - Driver/Helper	80.0	##########	76.0	$9,819,188	69.0	##########	69.0	$11,363,785	69.0	##########	69.0	$ 11,968,214
Union - Equipment Operator	39.0	$4,811,288	38.0	$4,517,376	39.0	$4,658,538	39.0	$ 4,844,879	39.0	$ 4,972,057	39.0	$ 5,102,574
Union - Shop/Facility	33.0	$3,450,357	32.0	$3,626,534	35.0	$3,816,948	35.0	$ 3,969,626	35.0	$ 4,073,829	35.0	$ 4,180,767
Union - Sorter/Material Handler	122.0	$8,813,646	61.0	$6,277,038	57.0	$4,113,129	57.0	$ 4,277,654	57.0	$ 4,389,943	57.0	$ 4,505,179
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	28.0	$1,834,258	77.0	$3,597,032	69.0	$5,528,568	69.0	$ 5,749,711	69.0	$ 5,900,641	69.0	$ 6,055,533
Union - Weighmaster/Dispatcher	14.0	$2,650,817	14.0	$2,483,489	13.0	$2,889,174	13.0	$ 3,004,741	13.0	$ 3,083,615	13.0	$ 3,164,560
Sub-Total Total Payroll	**341.0**	**##########**	**322.0**	**##########**	**306.0**	**##########**	**308.0**	**$36,090,773**	**308.0**	**##########**	**308.0**	**$ 38,010,407**
Regular Payroll - FTE												
Non-Union Exempt	21.0	$1,892,105	20.0	$1,764,714	20.0	$1,768,523	22.0	$ 2,144,011	22.0	$ 2,200,292	22.0	$ 2,258,049
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	3.2	$ 269,650	3.2	$ 275,627	3.1	$ 273,119	3.1	$ 284,044	3.1	$ 291,500	3.1	$ 299,152
Union - Driver/Helper	60.9	$6,377,244	60.4	$6,521,051	56.8	$6,277,224	56.8	$ 6,528,313	56.8	$ 6,699,682	56.8	$ 6,875,548
Union - Equipment Operator	34.1	$2,941,702	32.6	$2,908,270	31.7	$2,874,877	31.7	$ 2,989,872	31.7	$ 3,068,356	31.7	$ 3,148,901
Union - Shop/Facility	22.8	$2,041,265	24.0	$2,239,184	23.9	$2,244,635	23.9	$ 2,334,420	23.9	$ 2,395,699	23.9	$ 2,458,586
Union - Sorter/Material Handler	85.8	$5,563,630	57.0	$3,887,311	33.8	$2,425,589	33.8	$ 2,522,613	33.8	$ 2,588,832	33.8	$ 2,656,788
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	16.8	$1,135,107	33.8	$2,368,693	48.6	$3,435,238	48.6	$ 3,572,647	48.6	$ 3,666,429	48.6	$ 3,762,673
Union - Weighmaster/Dispatcher	13.3	$1,417,764	13.1	$1,425,286	13.1	$1,455,873	13.1	$ 1,514,108	13.1	$ 1,553,853	13.1	$ 1,594,642
Sub-Total Regular Payroll - FTE	**257.9**	**##########**	**243.9**	**##########**	**231.0**	**##########**	**233.0**	**$21,890,030**	**233.0**	**##########**	**233.0**	**$ 23,054,340**
Sick, Vacation & Holiday Off												
Non-Union Exempt	-	$ 257,681	-	$ 257,156	-	$ 257,900	-	$ 312,310	-	$ 320,508	-	$ 328,922
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ 73,335	-	$ 91,300	-	$ 92,090	-	$ 95,774	-	$ 98,288	-	$ 100,868
Union - Driver/Helper	-	$1,770,092	-	$1,783,256	-	$2,013,531	-	$ 2,094,073	-	$ 2,149,042	-	$ 2,205,454
Union - Equipment Operator	-	$ 566,337	-	$ 683,477	-	$ 601,790	-	$ 625,861	-	$ 642,290	-	$ 659,150
Union - Shop/Facility	-	$ 450,604	-	$ 585,808	-	$ 585,358	-	$ 608,772	-	$ 624,752	-	$ 641,152
Union - Sorter/Material Handler	-	$1,210,962	-	$1,138,291	-	$ 706,643	-	$ 734,909	-	$ 754,200	-	$ 773,998
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	-	$ 330,299	-	$ 684,954	-	$ 949,792	-	$ 987,784	-	$ 1,013,713	-	$ 1,040,323
Union - Weighmaster/Dispatcher	-	$ 300,017	-	$ 316,136	-	$ 408,425	-	$ 424,762	-	$ 435,912	-	$ 447,355
Sub-Total Sick, Vacation & Holiday O	**-**	**$4,959,327**	**-**	**$5,540,377**	**-**	**$5,615,529**	**-**	**$ 5,884,245**	**-**	**$ 6,038,706**	**-**	**$ 6,197,222**
Overtime												
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ 45,004	-	$ 32,948	-	$ 39,784	-	$ 41,375	-	$ 42,461	-	$ 43,576
Union - Driver/Helper	-	$ 991,728	-	$ 303,947	-	$ 882,622	-	$ 917,927	-	$ 942,022	-	$ 966,750
Union - Equipment Operator	-	$ 403,477	-	$ 336,074	-	$ 427,148	-	$ 444,234	-	$ 455,895	-	$ 467,862
Union - Shop/Facility	-	$ 357,981	-	$ 191,424	-	$ 324,979	-	$ 337,978	-	$ 346,850	-	$ 355,955
Union - Sorter/Material Handler	-	$ 325,497	-	$ 218,215	-	$ 18,227	-	$ 18,956	-	$ 19,454	-	$ 19,965
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	-	$ 76,851	-	$ 166,995	-	$ 360,598	-	$ 375,022	-	$ 384,866	-	$ 394,969
Union - Weighmaster/Dispatcher	-	$ 233,959	-	$ 200,942	-	$ 298,734	-	$ 310,683	-	$ 318,839	-	$ 327,208
Sub-Total Overtime	**-**	**$2,434,496**	**-**	**$1,450,545**	**-**	**$2,352,091**	**-**	**$ 2,446,175**	**-**	**$ 2,510,387**	**-**	**$ 2,576,284**
Holiday & Weekend Payroll												
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ 1,758	-	$ 781	-	$ 2,753	-	$ 2,863	-	$ 2,938	-	$ 3,015
Union - Driver/Helper	-	$2,507,462	-	$1,210,934	-	$1,753,338	-	$ 1,823,472	-	$ 1,871,338	-	$ 1,920,461
Union - Equipment Operator	-	$ 899,772	-	$ 589,555	-	$ 754,723	-	$ 784,912	-	$ 805,516	-	$ 826,661
Union - Shop/Facility	-	$ 600,507	-	$ 610,118	-	$ 661,976	-	$ 688,455	-	$ 706,527	-	$ 725,074
Union - Sorter/Material Handler	-	$1,713,557	-	$1,033,222	-	$ 962,669	-	$ 1,001,176	-	$ 1,027,457	-	$ 1,054,428
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	-	$ 292,001	-	$ 376,390	-	$ 782,940	-	$ 814,258	-	$ 835,632	-	$ 857,567
Union - Weighmaster/Dispatcher	-	$ 699,078	-	$ 541,126	-	$ 726,142	-	$ 755,188	-	$ 775,011	-	$ 795,356
Sub-Total Holiday & Weekend Payro	**-**	**$6,714,136**	**-**	**$4,362,126**	**-**	**$5,644,542**	**-**	**$ 5,870,324**	**-**	**$ 6,024,420**	**-**	**$ 6,182,561**
Special Waste												
Total Payroll												
Non-Union Exempt	2.0	$ 226,681	2.0	$ 226,101	2.0	$ 243,511	3.0	$ 379,878	3.0	$ 389,849	3.0	$ 400,083
Non-Union Non-Exempt	-	$ 7,072	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Driver/Helper	3.0	$ 330,821	3.0	$ 336,470	3.0	$ 357,885	3.0	$ 372,200	3.0	$ 381,970	3.0	$ 391,997
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Shop/Facility	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Technician	13.0	$1,250,140	14.0	$1,322,579	15.0	$1,367,929	15.0	$ 1,422,646	15.0	$ 1,459,990	15.0	$ 1,498,315
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Sub-Total Total Payroll	**18.0**	**$1,814,713**	**19.0**	**$1,885,150**	**20.0**	**$1,969,324**	**21.0**	**$ 2,174,723**	**21.0**	**$ 2,231,810**	**21.0**	**$ 2,290,395**
Regular Payroll - FTE												
Non-Union Exempt	2.0	$ 192,515	2.0	$ 192,803	2.0	$ 206,272	3.0	$ 321,784	3.0	$ 330,231	3.0	$ 338,899
Non-Union Non-Exempt	-	$ 7,072	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Driver/Helper	2.7	$ 243,308	2.7	$ 252,916	2.7	$ 257,127	2.7	$ 267,412	2.7	$ 274,432	2.7	$ 281,636
[illegible]												
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Sub-Total Total Payroll	**92.0**	**$8,490,528**	**91.0**	**$8,496,817**	**87.0**	**$8,461,987**	**99.0**	**$10,167,852**	**101.0**	**##########**	**101.0**	**$ 10,708,671**
Regular Payroll - FTE												
Non-Union Exempt	44.0	$4,525,898	37.0	$4,083,218	38.0	$3,756,649	45.0	$ 4,709,097	47.0	$ 4,832,710	47.0	$ 4,959,569
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Non-Union Non-Exempt	22.0	$ 944,172	17.0	$ 820,435	13.0	$ 810,479	17.0	$ 1,100,578	17.0	$ 1,129,468	17.0	$ 1,159,116
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	20.8	$1,561,359	25.5	$1,972,310	28.2	$2,154,787	29.2	$ 2,310,155	29.2	$ 2,370,796	29.2	$ 2,433,029
Union - Driver/Helper	-	$ -	-	$ -	0.0	$ 1,802	0.0	$ 1,875	0.0	$ 1,924	0.0	$ 1,974
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Shop/Facility	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Sub-Total Regular Payroll - FTE	**86.8**	**$7,031,429**	**79.5**	**$6,875,964**	**79.2**	**$6,723,717**	**91.2**	**$ 8,121,703**	**93.2**	**$ 8,334,898**	**93.2**	**$ 8,553,689**
Sick, Vacation & Holiday Off												
Non-Union Exempt	-	$ 694,047	-	$ 569,840	-	$ 819,546	-	$ 1,022,781	-	$ 1,049,629	-	$ 1,077,182
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Non-Union Non-Exempt	-	$ 154,296	-	$ 126,944	-	$ 152,652	-	$ 206,910	-	$ 212,341	-	$ 217,915
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ 322,153	-	$ 463,652	-	$ 560,783	-	$ 594,817	-	$ 610,431	-	$ 626,454
Union - Driver/Helper	-	$ -	-	$ 1,410	-	$ -	-	$ -	-	$ -	-	$ -
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Shop/Facility	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Sub-Total Sick, Vacation & Holiday O	**-**	**$1,170,496**	**-**	**$1,161,845**	**-**	**$1,532,981**	**-**	**$ 1,824,507**	**-**	**$ 1,872,401**	**-**	**$ 1,921,551**
Overtime												
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Non-Union Non-Exempt	-	$ 124,037	-	$ 54,618	-	$ 23,035	-	$ 30,888	-	$ 31,698	-	$ 32,531
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ 107,892	-	$ 243,614	-	$ 81,012	-	$ 85,463	-	$ 87,707	-	$ 90,009
Union - Driver/Helper	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Shop/Facility	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Sub-Total Overtime	**-**	**$ 231,929**	**-**	**$ 298,232**	**-**	**$ 104,047**	**-**	**$ 116,351**	**-**	**$ 119,405**	**-**	**$ 122,539**
Holiday & Weekend Payroll												
Non-Union Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Non-Union Non-Exempt	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Accounting	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Engineering	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Legal	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Technology	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -

Final Rate Application

Salaries, Wages and Payroll Headcount *Schedule H.1 <Accrual basis in account*	RYE 6/30/20 Actuals FTE	 Dollars	RYE 6/30/21 Actuals FTE	 Dollars	RYE 9/30/22 Actuals FTE	 Dollars	RYE 9/30/23 Projection FTE	 Dollars	RYE 9/30/24 New Rate Yr 1 FTE	 Dollars	RYE 9/30/25 New Rate Yr 2 FTE	 Dollars
Human Resources	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Corporate Management	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Environmental Services	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Other Professional Staff	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Clerical	-	$ 56,674	-	$ 160,777	-	$ 101,241	-	$ 105,291	-	$ 108,055	-	$ 110,891
Union - Driver/Helper	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Equipment Operator	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Shop/Facility	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Sorter/Material Handler	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Technician	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Utility Person	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Union - Weighmaster/Dispatcher	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -
Sub-Total Holiday & Weekend Payro	**-**	**$ 56,674**	**-**	**$ 160,777**	**-**	**$ 101,241**	**-**	**$ 105,291**	**-**	**$ 108,055**	**-**	**$ 110,891**

Recology Sunset Scavenger/Recology Golden Gate

	Submitted on 3/7/2023		
	Projection	Rate Application	Rate Application
	RY 2023	RY 2024	RY 2025
Health Insurance			
Health Insurance	$ 17,426,936	$ 18,261,093	$ 19,010,746
Post Retirement Medical Plan	6,203,243	6,203,243	6,392,597
Total Contributions	**$ 23,630,180**	**$ 24,464,336**	**$ 25,403,344**

	Methodology Change		
	Projection	Rate Application	Rate Application
	RY 2023	RY 2024	RY 2025
Health Insurance			
Health Insurance	$ 17,714,184	$ 18,900,281	$ 20,072,098
Post Retirement Medical Plan	6,178,536	6,178,536	6,367,135
Total Contributions	**$ 23,892,719**	**$ 25,078,817**	**$ 26,439,234**
Inflation Factor Per Mercer	***6.70%***	***4.70%***	***6.20%***
Cost per Employee	***$ 25,974***	***$ 27,195***	***$ 28,881***
Payroll HC	***682***	***695***	***695***
Total Cost per year for Health Insurance	***$ 17,714,184***	***$ 18,900,281***	***$ 20,072,098***
Change	***$ 262,540***	***$ 614,480***	***$ 1,035,890***

	RY 2022		RY 2022	
		Q1	*$ 4,655,840*	
		Q2	*$ 4,370,344*	
Cost per Employee	**$ 24,343**	Q3	*$ 4,214,245*	
Payroll HC	***668***	Q4	*$ 3,020,630*	
Total Cost per year for Health Insurance	***$ 16,261,059***	Total	***$ 16,261,059***	**Agrees to Audited F/S**

March 2023 Update

	City Business Projected Growth [1][A]	City Residential Projected Growth [1][B]	Recology Projection
FY 2024	-2.23%	0.12%	-1.00%
FY 2025	10.07%	-0.53%	4.50%

Recology Data based on the FY 2023 projections

Commercial Revenue	$ 164,978,093	47.78%
Residential Revenue	$ 180,339,805	52.22%
Total Revenue	$ 345,317,898	

Recology Growth RY 2024

Commercial	$ 161,297,263	-2.23%
Residential	$ 180,559,196	0.12%
Total Revenue Growth	$ 341,856,459	-1.00%

Recology Growth RY 2025

Commercial	$ 177,540,527	10.07%
Residential	$ 179,608,500	-0.53%
Total Revenue Growth	$ 357,149,027	4.47%

January 2023 Report

	City Data Projected Growth	City Business Projected Growth [2][A]	City Residential Projected Growth [2][B]	Recology Projection
FY 2024	3.56%	5.00%	-0.40%	2.00%
FY 2025	2.62%	4.10%	0.00%	2.00%

Recology Data based on the FY 2023 projections

Commercial Revenue	$ 164,978,093	47.78%
Residential Revenue	$ 180,339,805	52.22%
Total Revenue	$ 345,317,898	

Recology Growth RY 2024

			Dollar Difference
Commercial	$ 173,226,998	5.00%	$ (11,929,735)
Residential	$ 179,618,446	-0.40%	$ 940,751
Total Revenue Growth	$ 352,845,443	2.18%	$ (10,988,984)

Recology Growth RY 2025

			Dollar Difference
Commercial	$ 180,329,305	4.10%	$ (2,788,777)
Residential	$ 179,618,446	0.00%	$ (9,946)
Total Revenue Growth	$ 359,947,750	2.01%	$ (2,798,723)

[1] From March 31, 2023 Proposed Five-Year Financial Plan Fiscal Years 2023-24 through 2027-28
[2] From January 13, 2023 Proposed Five-Year Financial Plan Fiscal Years 2023-24 through 2027-28
[A] Business Taxes assumptions
[B] Property Taxes assumptions

###

https://sf.gov/sites/def

CITY AND COUNTY OF **SAN FRANCISCO, CALIFORNIA**

Proposed Five-Year Financial Plan

Fiscal Years 2023-24 through 2027-28

JANUARY 13, 2023

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Acknowledgements

Department	Staff
Mayor's Budget Office	Anna Duning, Sally Ma, Radhika Mehlotra, Damon Daniels, Jack English, Xang Hang, Matthew Puckett, Fisher Zhu
Controller's Office	Ben Rosenfield, Ted Egan, Todd Rydstrom
Controller's Office: Budget and Analysis	Michelle Allersma, Mark Chen, Yuri Hardin, Ken Hinton, Sylvia Ho, Nicholas Leo, Carol Lu, Michael Mitton, Calvin Quock, Risa Sandler, Jamie Whitaker
Board of Supervisors' Budget and Legislative Analyst	Severin Campbell, Dan Goncher, Christina Malamut
Office of Resilience and Capital Planning	Brian Strong, Kate Faust, Nishad Joshi, Olivia Chen
Committee on Information Technology	Jillian Johnson, Julia Chrusciel, Neil Dandavati, Danny Vang

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Executive Summary

PURPOSE OF THE PLAN

The Five-Year Financial Plan is required under Proposition A, a charter amendment approved by voters in November 2009. The City Charter requires the plan to forecast expenditures and revenues during the five-year period, propose actions to balance revenues and expenditures during each year of the plan, and discuss strategic goals and corresponding resources for City departments.

ECONOMIC OVERVIEW

Presented in this report is an overview of the economic context which informs the revenue projections in the Five-Year Plan.

FIVE-YEAR OUTLOOK

Over the next five years, the plan projects the City will experience a slow-growth revenue outlook, due to anticipated structural changes in San Francisco's economy, and a loss in one-time sources in the first three years of the plan. The Five-Year Financial Plan shows that the cost of City services significantly outpaces revenue growth during the five-year period. If the City does not take corrective action, the gap between revenues and expenditures will reach approximately $1,224.1 million by Fiscal Year (FY) 2027-28.

Table 1: Base Case - Summary of General Fund-Supported Projected Budgetary Surplus / (Shortfall) ($ Millions)

	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	% of Uses
SOURCES Increase / (Decrease)	(29.2)	(24.7)	49.9	105.4	206.2	
Uses						
Baselines	(49.8)	(96.3)	(140.9)	(177.1)	(209.9)	15%
Salaries & Benefits	(55.0)	(169.6)	(257.7)	(364.2)	(490.7)	34%
Citywide Operating Budget Costs	(78.5)	(199.5)	(312.8)	(409.6)	(514.9)	36%
Departmental Costs	11.7	(37.3)	(84.0)	(146.1)	(214.9)	15%
USES (Increase) / Decrease	(171.6)	(502.8)	(795.4)	(1,097.0)	(1,430.4)	100%
Projected Annual Surplus / (Shortfall)	(200.8)	(527.5)	(745.6)	(991.7)	(1,224.1)	

Total expenditures are projected to grow by approximately $1,430.4 million over the next five years, which represents an increase of 21.1% from FY 2022-23. During the five years of the plan, baselines grow by $209.9 million (15% of total expenditure growth), employee salary, pension, and fringe benefit costs grow by $490.7 million (34% of total expenditure growth), citywide operating costs grow by $514.9 million (36% of total expenditure growth), and departmental costs grow by $214.9 million (15% of total expenditure growth).

In contrast to expenditure growth, available General Fund sources are projected to increase by $206.2 million over the same period, an overall growth of 3% from FY 2022-23.

As required by the Charter, the City will need to implement strategies to close the gap between sources and uses over the five-year time period.

FISCAL STRATEGIES

The City projects budget deficits over the next five years if proactive steps are not taken to address the imbalance between revenues and expenditures. Unlike the major budget shortfalls that followed the 2001 and 2008 recessions, the current projection reflects longer-term structural challenges, even absent another recession. Given this economic reality and the major risks that could deepen the projected deficits, the fiscal strategies discussed in this report propose implementing ongoing budget solutions while limiting the use of one-time sources to close remaining gaps.

This approach aims to ensure the City is able to maintain services and respond to future economic challenges, and acknowledges the need for planning for longer-term and more complex budget solutions in the coming years. Detailed projections regarding the Base Case and fiscal strategies are included starting on page 20 of this report.

CITYWIDE STRATEGIC INITIATIVES SECTION

The plan also includes an update to the Citywide Strategic Initiatives section. This section describes the long-term strategy for City investments, under Mayor London N. Breed's leadership, to achieve an equitable and vibrant economic recovery through focusing on key areas: recovery that prioritizes Downtown and the surrounding area, as well as neighborhood business corridors and small businesses; public safety and improved street conditions for all communities to feel safe and welcomed in their neighborhoods; decreasing homelessness through housing and shelter; building housing to make San Francisco more affordable; Improving and building on systems of care that focus on the growing mental and behavioral health needs of the City; and investing in the future of San Francisco.

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Economic Overview

PROSPECTS FOR THE POST-COVID-19 SAN FRANCISCO ECONOMY

The nature, size, and direction of changes to the national economy wrought over the course of the pandemic has no parallel. The COVID-19 pandemic shutdown ended the longest economic expansion in U.S. history and caused the sharpest economic decline since the Great Depression. It was, however, also the shortest recession in history. By the summer of 2020, the economy had started growing rapidly again. Supported by extremely accommodative and pro-growth monetary and fiscal policy, the next two years saw an economic boom that led to record-low unemployment rates, alongside the highest inflation in 40 years. As of December 2022, with interest rates having rapidly risen in the second half of the year, the U.S. economy is preparing to turn yet again—perhaps to a so-called "soft landing," or perhaps to another recession.

In San Francisco, the economy is less diverse than it once was, rising interest rates spell trouble for two key industries: tech and real estate. Tech start-ups flourished during the extremely low interest rate environment of the 2010s, as investment flowed into risky areas. Higher rates have already caused venture capital investment to sharply drop, and the stock prices of large tech companies suffered severe drops in 2022. Both are signs of an impending slowdown in hiring. Construction and real estate both thrived when property prices were high, but a combination of reduced demand and higher interest rates have weakened the local housing and commercial real estate markets.

Cyclical issues aside, the pandemic appears to have brought about fewer permanent structural changes to the U.S. economy than many feared in 2020. Entertainment, recreation, and travel industries have bounced back rapidly with the end of COVID-19 restrictions, as people have been eager to socialize and have in-person experiences again. Restaurants are struggling more with labor shortages than a lack of customers, and are not being replaced by delivery services, as some predicted. Robots and automation have not eliminated routine jobs in other industries either, like manufacturing, distribution, or accommodation. And while brick-and-mortar retail lost ground during the pandemic to internet-based retailers, it has made a comeback; foot traffic in stores and malls around the country is nearly back to pre-pandemic levels.

However, some structural changes adopted during the pandemic are persisting, namely, the high level of remote work, which has significant economic implications for San Francisco. Office attendance in large metropolitan areas is only 45% - 65% of pre-pandemic levels. The San Francisco area is trailing most other metro areas in office attendance, and office industries produce approximately three-quarters of the City's GDP. Remote work is one of the major reasons why San Francisco's economy has been slower to recover than other cities.

Over the next five years, the City's financial planning will need to consider both cyclical and structural economic risks. This section reviews the data of San Francisco's economic recovery from the pandemic and considers how the re-emergence of inflation and rising interest rates could affect the City during this five-year forecast period.

To begin with, the city's employment recovery from COVID-19 has been relatively slow, though by the end of 2022, nearly all local jobs that were lost have been regained. Figure 1 below shows total employment in the San Francisco Metro Division, which includes San Mateo and San Francisco counties, compared to the state and nation, indexed to November 2019.

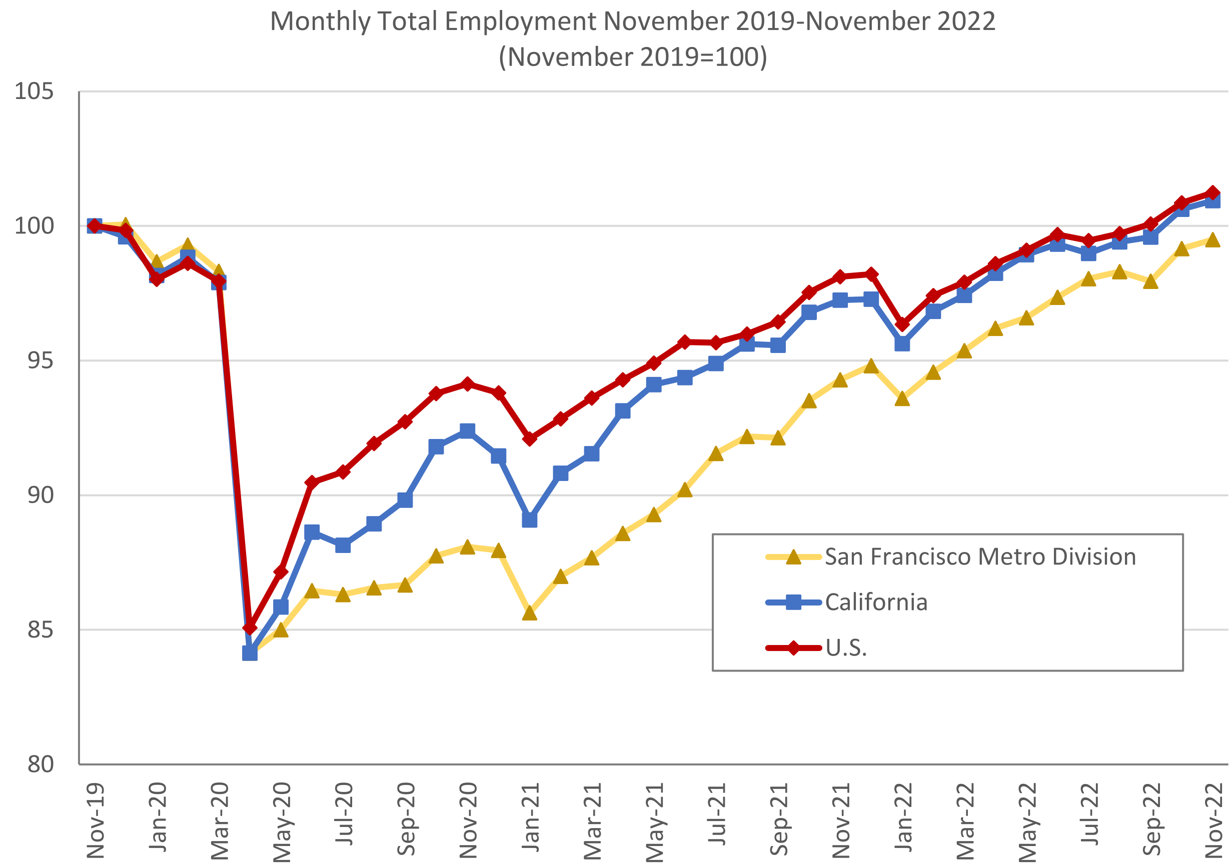

Figure 1

For most sectors of the local economy, the pandemic period was worse than the aggregate numbers imply. In the three-year period from November 2019 to November 2022, twelve of sixteen industry sectors in the San Francisco metro division showed declining employment[1]. The decline was led by the leisure and hospitality sector which, despite some recovery throughout 2022, still employed 30,000 fewer people than in November 2019.

Growth was concentrated in the Professional, Scientific, and Technical Services sector, and the Information sector, which together added 51,300 jobs during the period. Most technology companies in San Francisco are classified in these two sectors. Both 2020 and 2021 were record years for venture capital investment in the Bay Area, and despite a slowdown and some notable layoffs at the end of 2022, the sector overall has experienced very strong growth in the past three years.

[1] The San Francisco Metro Division includes San Francisco and San Mateo counties. San Francisco makes up approximately 63% of employment in the metro division.

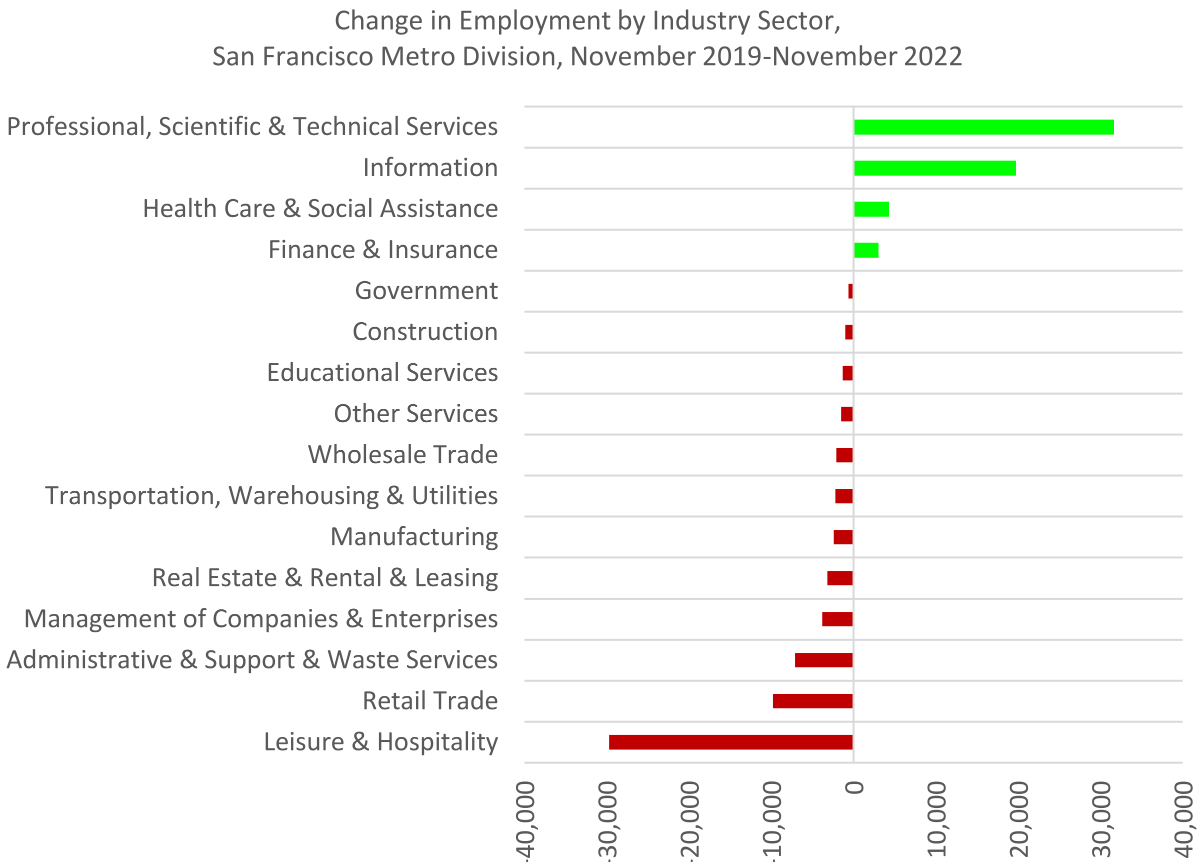

Figure 2

These sectoral employment trends, with tech growing faster than other industries, represents a continuation of, and not a break with, pre-pandemic economic trends in the city. In 2007, just before the Great Recession, the information technology sector accounted for 4.0% of all private sector employment in San Francisco[2]. By 2019, just before the pandemic, 15.5% of all private sector jobs in the city were tech jobs, and this number rose again, to 18.7%, by 2021.

Despite the growth in employment in tech and other office-using industries, physical attendance in commercial offices in San Francisco is far below levels seen before the pandemic. This is part of a national trend, made necessary by public health controls early in the pandemic that limited in-person work by non-essential workers. The remote work trend is the practice of employees doing their jobs from a location other than the central office operated by their employer. Across the country, however, office attendance has been slow to recover even after public health controls were no longer necessary.

San Francisco has led this trend. According to office attendance data published by Kastle Systems, metro San Francisco's office attendance was only 42% of pre-pandemic levels in mid-December 2022. This is lower than most other comparable metro areas, although no area was above 65% of normal.

[2] Data comes from the Bureau of Labor Statistics, Quarterly Census of Employment and Wages, "Information technology" refers to NAICS codes 5112, 518, 51913, and 5415.

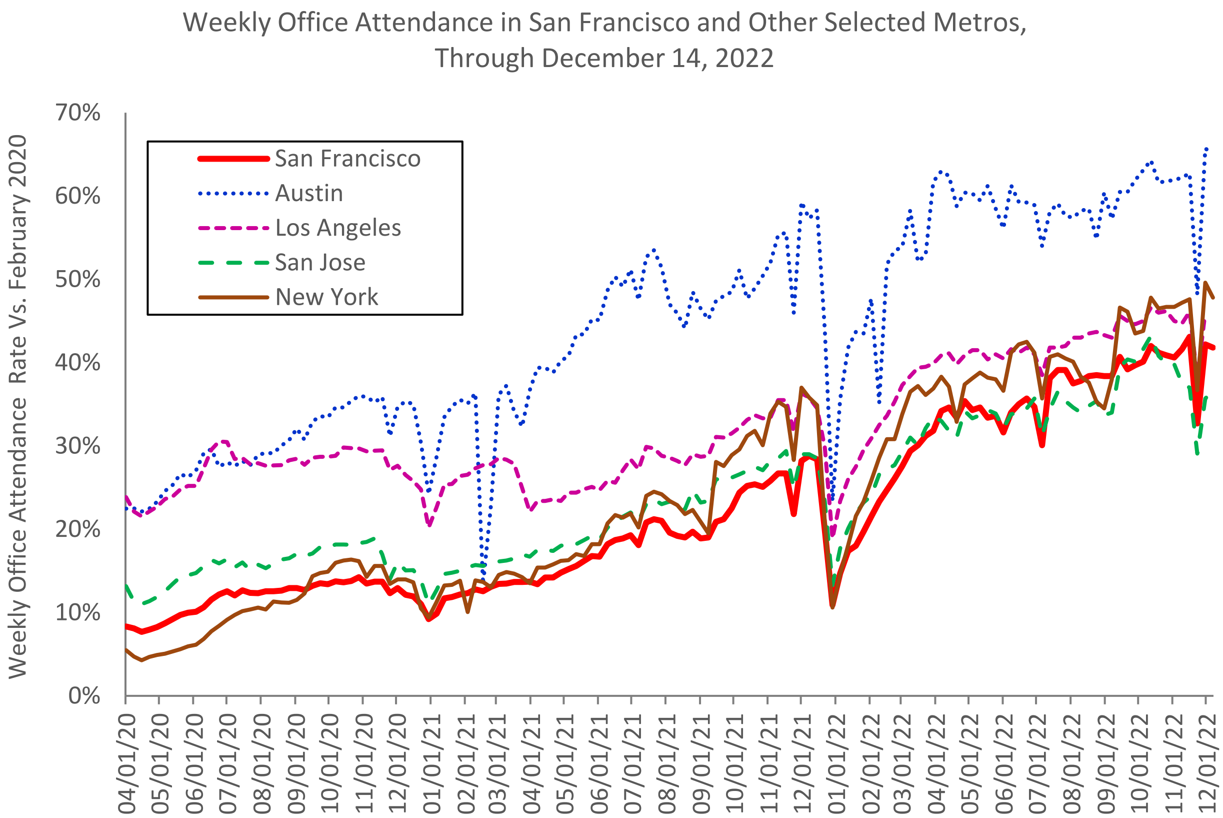

Figure 3

The fact that office attendance is less than half of normal, despite considerable employment growth in office-using industries, is clear evidence that patterns of remote work have persisted after the pandemic and are leading to reductions in office demand. San Francisco's office vacancy rate reached 24% in the third quarter of 2022, up from less than 5% below the pandemic[3].

This is also a national trend: office vacancies have risen in every major market, during a two-year period of strong economic growth. But again, San Francisco is leading this trend, as no office market has seen a larger increase in vacancy than San Francisco. To some extent, this is due to the importance of the tech industry in the San Francisco office market, as tech has embraced remote work more than other office industries.

However, a comparison with the San Jose office market is instructive. Like San Francisco, the South Bay's office market is dominated by tenants in the tech industry; like San Francisco, its office attendance numbers have been among the lowest in the country. But according to JLL, the office vacancy rate is much lower, indicating a greater willingness among office tenants to hold on to office space for the future.

[3] According to data in JLL's report *Pulse of the Market: San Francisco, 2022*.

The trend towards remote work, and high office vacancy, has also weakened the economic linkages between the tech and other office-using industries that largely drive the city's economy, and the supporting industries that have grown up to support them. This can clearly be seen in sales tax trends in the map below, which shows the three-year change in taxable sales by zip code, after adjusting for inflation.

By the middle of 2022, only two zip codes in the City have recovered to the real taxable sales level of mid-2019, making San Francisco the slowest-recovering county in California in terms of taxable sales, according to the sales tax consultant HDL. The contraction is greatest in zip codes in the downtown core, where the loss of office commuters and other customers is most acutely felt.

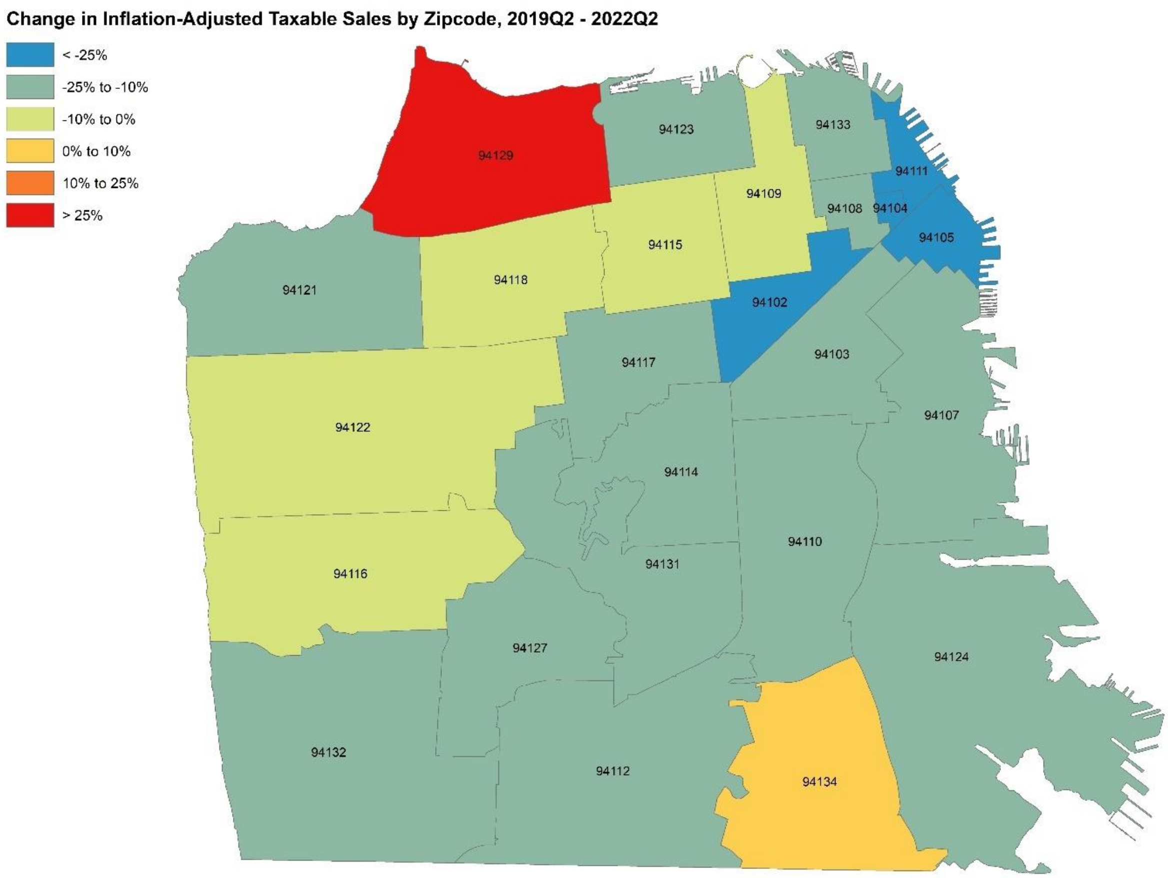

Figure 4

A decline in office attendance is not the only factor behind the slow recovery in sales tax. San Francisco's tourism industry – also concentrated downtown - was also badly hit by the pandemic and has lagged other cities in recovery. While competing tourism centers are at or above their 2019 hotel revenue levels, San Francisco's October revenue per available room (RevPAR) was only about 70% of October 2019 levels. Tourism in the City was adversely affected by the loss of international tourists, particularly from China, as well as the postponement of business conventions during the pandemic. While leisure tourism has recovered strongly in the first part of 2022, business and convention travel recovery has been much more modest.

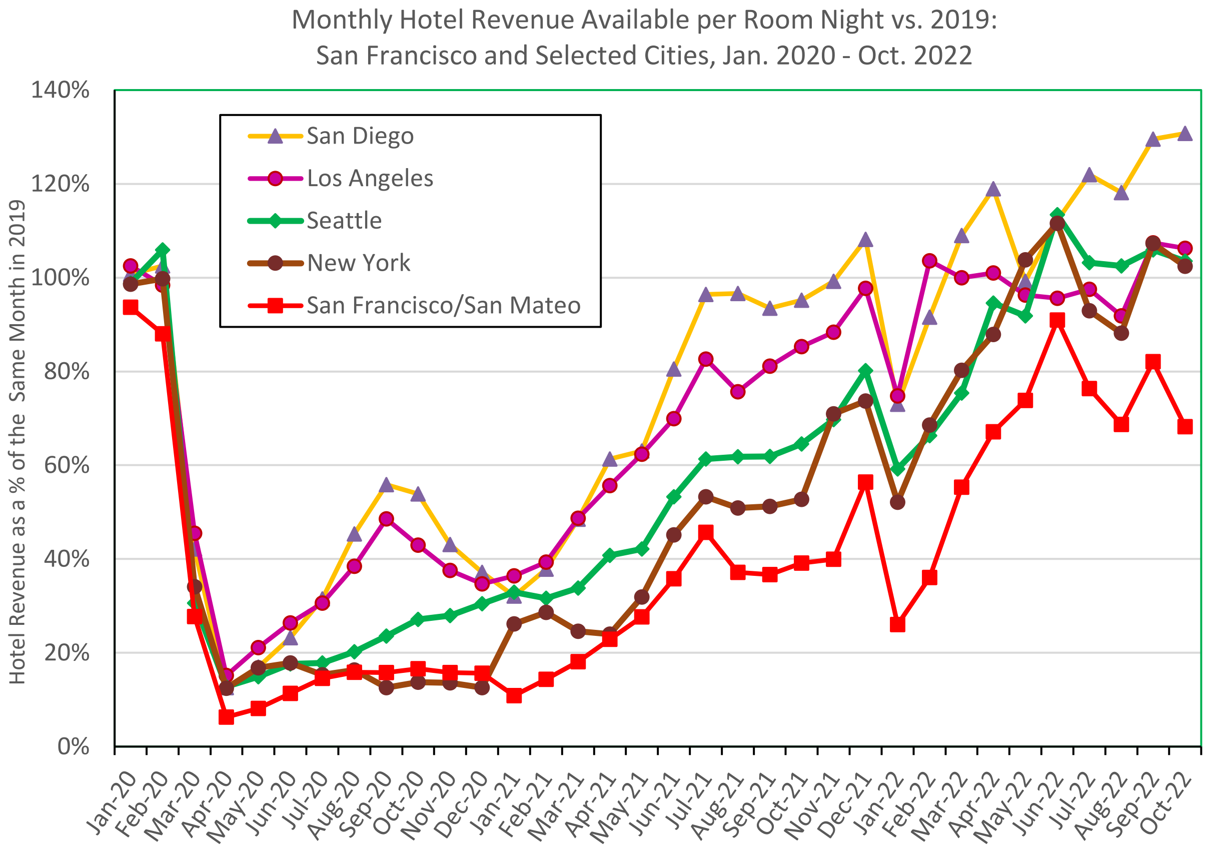

Figure 5

Aside from office workers and hotel guests, downtown and the city as a whole have also experienced a dramatic loss in resident population since the start of the pandemic. According to Census data, San Francisco's population loss between July 2020 and July 2021 was the steepest of any city above 50,000 in population[4], at 6.3%.

San Francisco's population loss has been associated with softness in the city's housing market. As the chart below illustrates, both apartment rents and owner-occupied housing prices in San Francisco have widely diverged from the U.S. average since the beginning of 2020. By November 2022, apartment asking rents in the city were down more than 10% in the nearly 3 years since January 2020, compared to a more than 20% growth nationally. For owner-occupied housing prices, the gap was even wider: a 43% growth for U.S. housing, compared to only a 3% growth for San Francisco housing. As mortgage interest rates began to rise quickly during 2022, prices have begun to level off nationally by the middle of the year. In San Francisco, however, they had already dropped 9% in the 6 months from May to November.

[4] Census Bureau, "Annual Estimates of the Resident Population for Incorporated Places of 50,000 or More, Ranked by July 1, 2021 Population: April 1, 2020 to July 1, 2021"

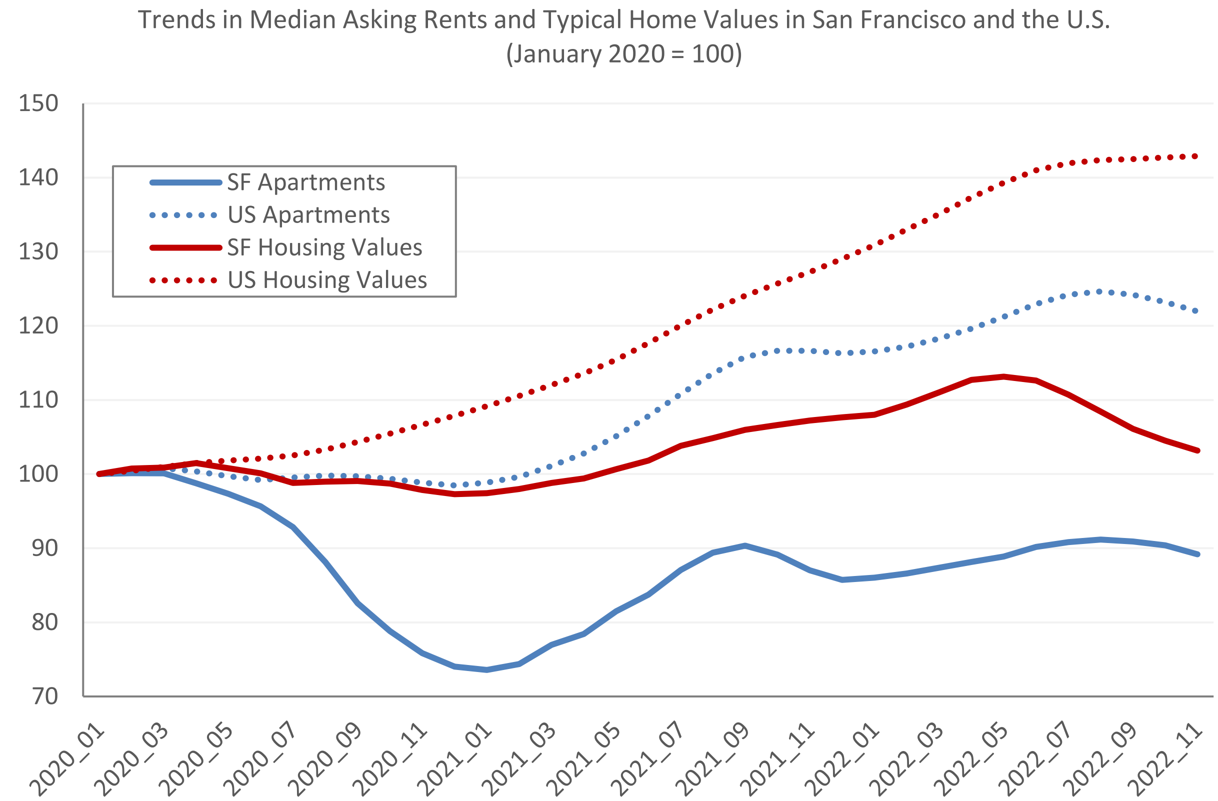

Figure 6

This loss of population is clearly a contributing factor to declining taxable sales across the city, and the weakness of its housing market, but it also constrains the ability of the city's labor force to expand to meet the needs of the office workers and tourists that have returned. Census data indicates the changing nature of the San Francisco resident labor force. The table below shows the change in the number of residents of San Francisco, and the five-county San Francisco metro area[5], by occupation between 2019 and 2021.

Within the city, there was a small (1%) increase in the number of residents working in social services, education, or legal services during this time period, however, the number of residents working in all other occupational groups declined. In the metro area as a whole, which has also experienced an overall population drop since 2019, declines were also widespread, but generally smaller than in San Francisco proper.

[5] San Francisco, Alameda, Contra Costa, San Mateo, and Marin counties.

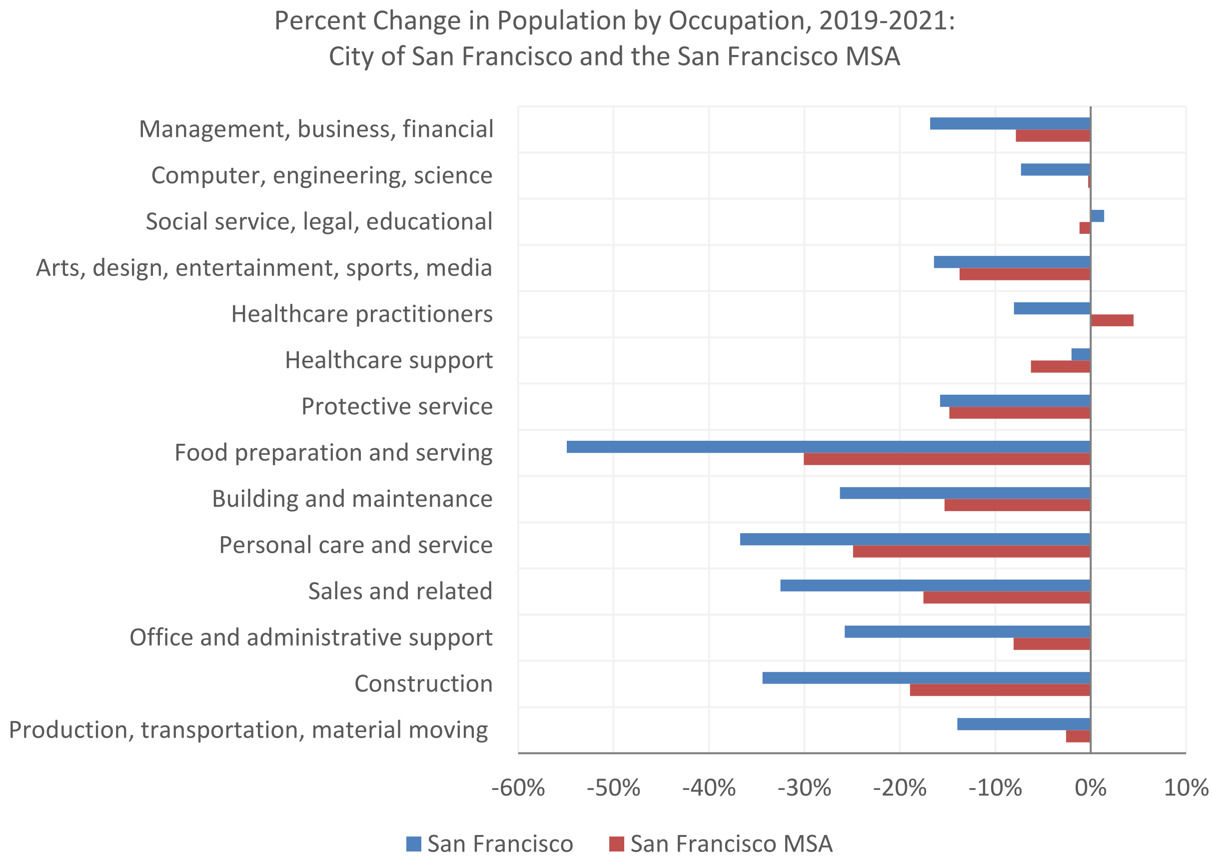

Figure 7

While there has been considerable concern that the prevalence of remote work in the technology sector would lead to a loss of San Francisco's talent pool in that industry, the evidence for that happening is rather weak. San Francisco did lose 8% of its residents in computer, engineering, and science occupations, but the metro area lost negligible amounts. Since residents in the metro area can still work in San Francisco offices as the need arises, local tech companies have generally the same talent pool that was available to them before the pandemic.

By contrast, the city suffered severe population losses in occupations like food preparation and serving, personal care and service, sales, building and maintenance, protective services, arts and design, production and transportation, and construction. In these fields, two-year population declines ranged from 15% to over 50% of the resident population in the city in 2019.

Given that San Francisco remains one of the most expensive cities in the country, notwithstanding the recent decline in housing prices, the loss of so many low- and middle-income workers could lead to longer-term, structural labor supply challenges for the local industries that rely on them. These include activities that are vital to the city's attractiveness to visitors and its quality of life, such as restaurants, art and entertainment venues, neighborhood services, retail trade, and home renovation.

Some signs of a labor shortage can be seen in local wage growth data. In a reversal of long-standing trends, beginning in 2021, wage growth in the restaurant industry began to out-pace wage growth across all industries in San Francisco. While the 2021 second quarter data is likely an anomaly due to wage interruptions at the beginning of the pandemic, annual wage growth in the second and third quarters of 2021 exceeded 20%.

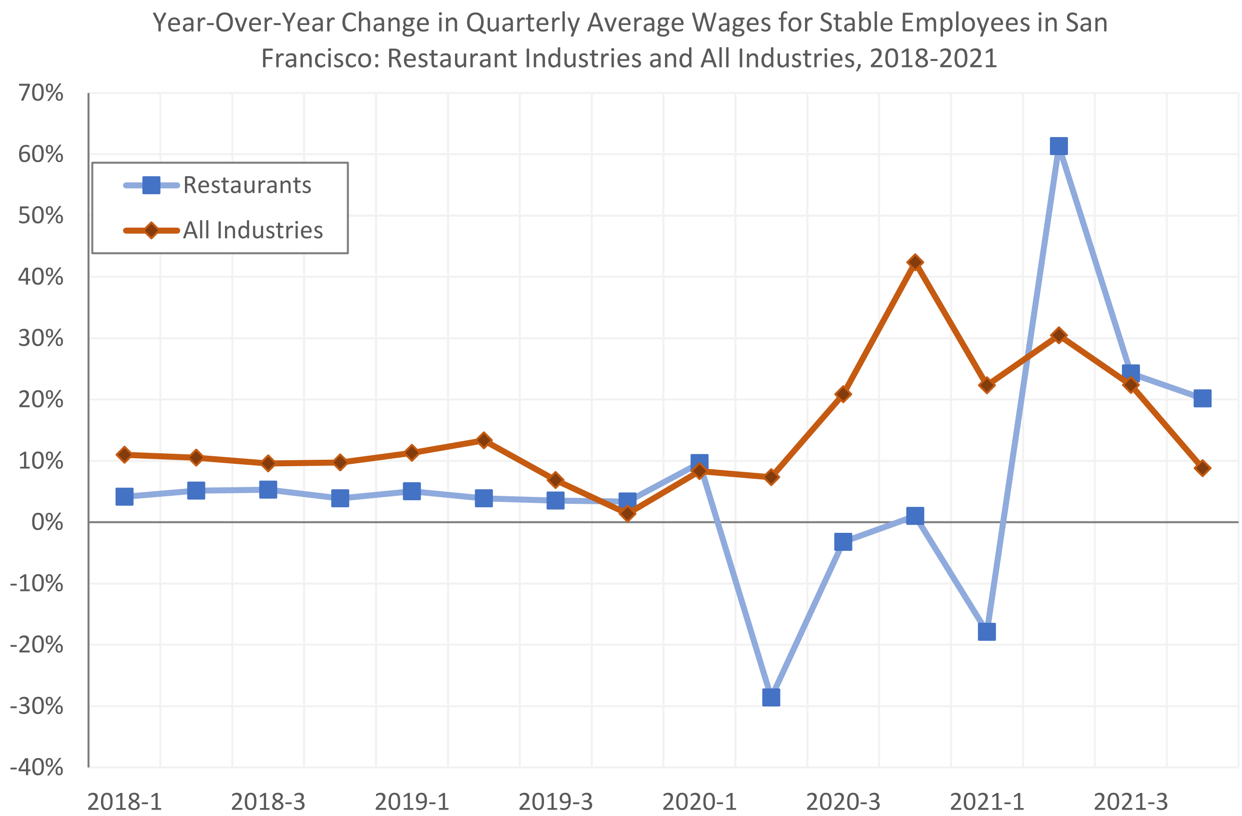

Figure 8

Though this is good news for the food service and preparation workers who remained in San Francisco while restaurants re-opened in 2021, this level of wage growth is likely not sustainable for the restaurant industry over the long term. Higher wages can create an incentive for workers to move back to the San Francisco area. But even a 10% drop in apartment asking rents, and a short-term boost in wages, may not be enough to provide a large number of housing options for newly arriving workers for the restaurant industry and other lower-wage industries. For this reason, alongside the remote-work phenomenon, labor shortage in low-wage industries has the potential to remain a structural impediment to economic growth in the city for the next several years.

The structural changes in the city's economy initiated by the pandemic mostly occurred during a favorable macroeconomic environment for growth. The mandated shutdowns and stay-at-home orders of the pandemic were faded within a year, and both the Federal Government and the Federal Reserve system provided unprecedented levels of financial support and liquidity for the financial system.

Federal expenditures had spiked from an annual rate of $4.9 trillion in the first quarter of 2020 to $8.9 trillion in the second, and again to $8.2 trillion in the first quarter of 2021.

The Federal Reserve had expanded its balance sheet from $4 trillion at the start of the pandemic to close to $9 trillion by March 2022. This has had the effect of lowering short-term interest rates to near zero, and long-term rates to record lows.

In the wake of these historically-accommodative policy conditions, growth soared. U.S. real GDP grew by 5.7% in 2021, the fastest rate since 1984. Unemployment, which had risen to 14.7% in April 2020, had dropped back to 3.5% by mid-2022, essentially the same rate as held before the pandemic.

However, inflation rose as well, and this prompted a change of course by the Federal Reserve. Inflation had not exceeded 3% since 2011 but had risen to 8.6% by March of 2022. In that month, the Fed stopped its quantitative easing program and began to raise the federal funds rate above zero. By the end of 2022, the federal funds rate was approximately 4.25%, the highest it had been since before the Great Recession.

Fiscal policy changed significantly during 2022 as well. By the end of 2021, Federal expenditures had dropped back to $6 trillion annualized, and remained at that rate throughout 2022. This effectively removed $2-3 trillion of pandemic-era spending from the economy in 2022.

In the wake of these policy shifts, economic forecasts for 2023 have changed a great deal throughout 2022. The chart below illustrates how the median forecast from the Blue Chip panel of professional forecasts have changed throughout 2022, for the U.S. GDP growth rate, unemployment rate, and 10-year interest rates. By the December 2022 forecast, the median forecast for the entire year of 2023 was below 0.5% - not necessarily a recession, but a clear slowdown from 2021 and 2022 growth rates. Forecasts of interest rates and the unemployment rate progressed higher throughout the year as well.

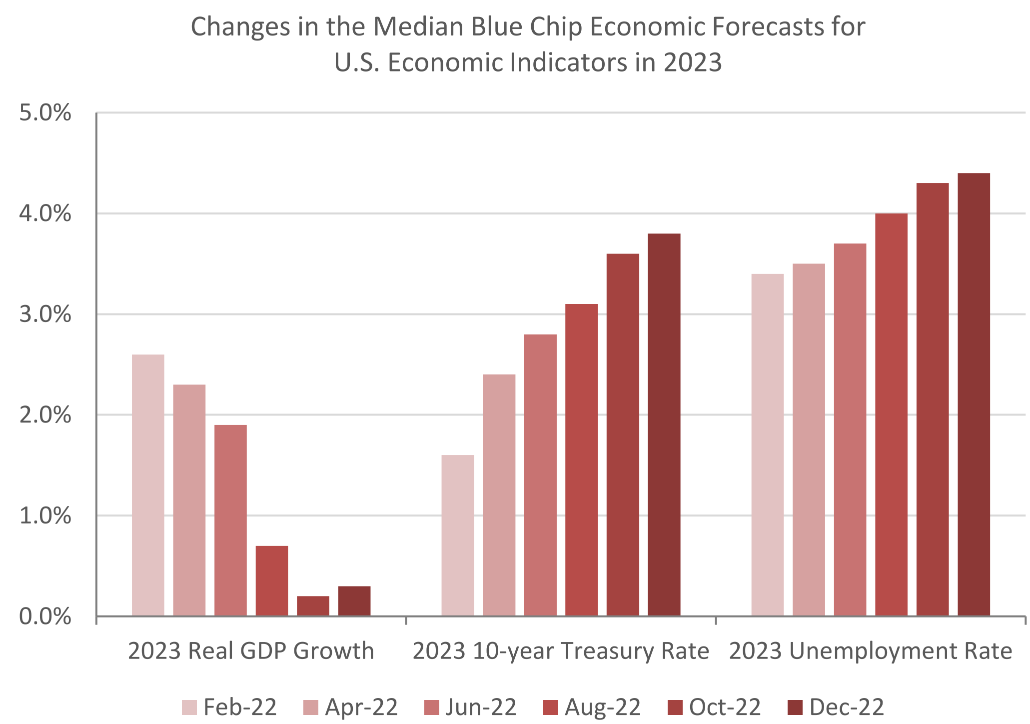

Figure 9

While the national economy was still resilient at the end of 2022, with unemployment only at 3.7% in November, expectations are that rising rates will take a toll on growth, and the labor market, in at least the first half of 2023.

For San Francisco, this means the macroeconomic tailwinds that have supported the recovery in employment and commercial activity may wane in 2023. There are also reasons to believe that San Francisco could fare worse in any recession than most other cities, because of the continuing importance of the tech industry to the City's economy and its post-COVID-19 recovery. Despite remote work, as noted above, tech has led the city's employment recovery, and the wealth effects of a booming stock market led San Francisco to have the fastest GDP growth rates of any large county in the country, despite weak employment growth[6].

Tech investment is highly sensitive to interest rates, however. In 2022, the stock market tumbled, and tech stocks fared worse than most other parts of the market. Venture capital investment, which generally tracks tech stocks, dropped as well. According to Pitchbook, U.S. venture capital dropped 52% between the third quarter of 2021 and the third quarter of 2022[7]. San Francisco's tech industry has always relied on early-stage investment in start-up companies to generate a sizable amount of its employment growth, and without that investment, growth will most likely slow.

A slew of larger tech companies also announced layoffs, including DoorDash, SalesForce, Lyft, and Twitter. While net employment in the tech sector was still rising through November 2022, it appears likely that tech will lead any employment slowdown that San Francisco experiences in 2023. And, although remote work has weakened the linkages between office commuters and downtown businesses, those workers still live in the city and near the city, spend at local businesses, and invest in local real estate. An economic shock that adversely affects the tech sector would inevitably ripple out to the rest of the local economy, notwithstanding the downtown office vacancies.

In 2023 and beyond, the key macroeconomic question is how inflation responds to rising interest rates. The Fed has remained committed to its 2% inflation target, and despite some recent softening of inflation, it remains well above that target. If the Fed is required to maintain unusually high interest rates for an extended period of time to curb inflation, that will continue to curtail the investment that drove San Francisco's property values for the past decade.

In summary, the cyclical and structural economic risks facing San Francisco in the next five years can be summarized in Table 2 below.

Table 2: Structural Economic Risks

<table>
<tr><th></th><th></th><th colspan="2">Structural Change</th></tr>
<tr><th></th><th></th><th>Return-to-Office</th><th>Permanent Work from Home</th></tr>
<tr><td rowspan="2">Cyclical Change (23-24)</td><td>Soft Landing</td><td>Tech slowdown - office recovery
Stronger tourism recovery
Brief Housing pause
Strong population recovery</td><td>Tech slowdown - no office recovery
Weaker tourism recovery
Extended Housing weakness
Population steady</td></tr>
<tr><td>Recession</td><td>Tech downturn
Tourism downturn
Housing correction
Slower population recovery</td><td>Tech downturn - no office recovery
Extended tourism downturn
Deep housing correction, slow recovery
Continuing population decline</td></tr>
</table>

[6] Bureau of Economic Analysis, "Gross Domestic Product by County, 2021".
[7] Pitchbook, *Venture Monitor Q3 2022*.

On the structural side, fundamental uncertainty is the return-to-office question. If remote work remains significant for office-using industries, and their office demand does not recover during the next five years, then the path to economic growth will be more challenging, regardless of cyclical factors. In this event, in time, the office market will adjust and San Francisco offices could become more affordable and attractive to a wider array of businesses. However, this process will likely be slow and not completed within the forecast period.

For as long as remote work is limiting office demand by the city's leading industries – particularly the tech industry – then the recovery office market, downtown commercial activity, business tourism, and housing demand are will be dampened. Unless there are further substantial declines in housing prices, affordability is likely to remain a barrier to population recovery, and the city could remain below its pre-pandemic peak population for some time.

If, on the other hand, current trends around remote work reverse and normal levels of office demand is restored during the forecast period, the challenges facing sectors like housing, tourism, and small business will be eased, and a population recovery is more likely.

The extent and duration of an economic slowdown in 2023 could either exacerbate or ameliorate these structural challenges. A soft landing, a quickly tamed inflation rate, and falling interest rates in late 2023 or early 2024 would be excellent news for the city's economy, particularly if the slowdown encourages more office attendance. On the other hand, if inflation remains stubbornly high, and the Fed continues to raise interest rates and/or keep them high for longer, then macroeconomic headwinds can deepen the city's economic problems.

Five-Year Base Case Projection

PURPOSE OF THE PLAN

The Five-Year Financial Plan is part of a comprehensive effort by the City to improve its long-range financial management and planning. This section, the Base Case projection, is a joint effort by the Mayor's Office, the Controller's Office, and the Board of Supervisors' Budget and Legislative Analyst's Office to forecast the impact of existing service levels and policies on revenues and expenditures over the next five years. The City is currently implementing the following strategies as part of its long-range financial management and planning:

- **The Five-Year Financial Plan:** The City is forecasting revenues and expenses for the next five years on a citywide basis, including departmental operations, facilities, debt management, capital, and technology.
- **Two-Year Budgeting:** The FY 2012-13 and FY 2013-14 budget was the first citywide two-year budget adopted by the Mayor and the Board of Supervisors. The City has continued to utilize two-year rolling budgets and most recently adopted the FY 2022-23 and FY 2023-24 budget.
- **Citywide Capital and Technology Plans:** These plans, which are released by March 1 every other year, include detailed financial information and project descriptions outlining the City's planned spending on capital over the next ten years and technology over the next five years. This Five-Year Financial Plan incorporates, to the extent possible, standards and assumptions that will be included in the upcoming Capital and Technology Plans.
- **Financial Policies:** To date, the City has adopted a number of financial policies, including the creation of an Economic Stabilization Reserve, modification of the General Reserve to increase deposits and make withdrawals more flexible in a downturn, and restricting the use of one-time revenues. The forecast assumes the City makes required deposits to the General Reserve. While preferable to the alternative, these deposits will not be sufficient to return to pre-pandemic levels when the City had reached its goal of 10% of General Fund revenue.

Multi-year budgeting and forecasting are best practices for all governments. The Five-Year Financial Plan is designed to enhance the City's ability to identify the key drivers of its revenues, expenditures, and needed public services. The projected gap between revenues and expenditures is historically high due to sharp cost increases at a time of very slow growth in tax revenues, including the loss of federal revenues and other one-time sources. This five-year planning process will enable San Francisco to thoughtfully plan for the evolving fiscal picture and adapt programs accordingly. Overall, the City will minimize volatility and risk by looking beyond the immediate two-year budget horizon, resulting in more stable public service delivery that citizens can expect and rely on.

BUDGET OVERVIEW

The City and County of San Francisco's budget for FY 2022-23 is $14.0 billion. Over half of the budget, $7.2 billion, is comprised of self-supporting activities at the City's enterprise departments, which focus on City-related business operations and include the Port, the Municipal Transportation Agency (MTA), the Airport, the Public Utilities Commission (PUC), and others. The remaining 48%, or $6.8 billion, is comprised of General Fund monies, which support public services such as public health, police and fire services, and public works. The City's budget can be broken down into six major service areas: Public Protection; Public Works, Transportation & Commerce; Human Welfare & Neighborhood Development; Community Health; Culture & Recreation; and General Administration & Finance.

Figure 10 shows the total $14.0 billion citywide budget by major service area. The Public Works, Transportation & Commerce major service area has the largest overall budget, due primarily to the budgets of large enterprise departments.

Total Budget by Major Service Area FY 2022-23

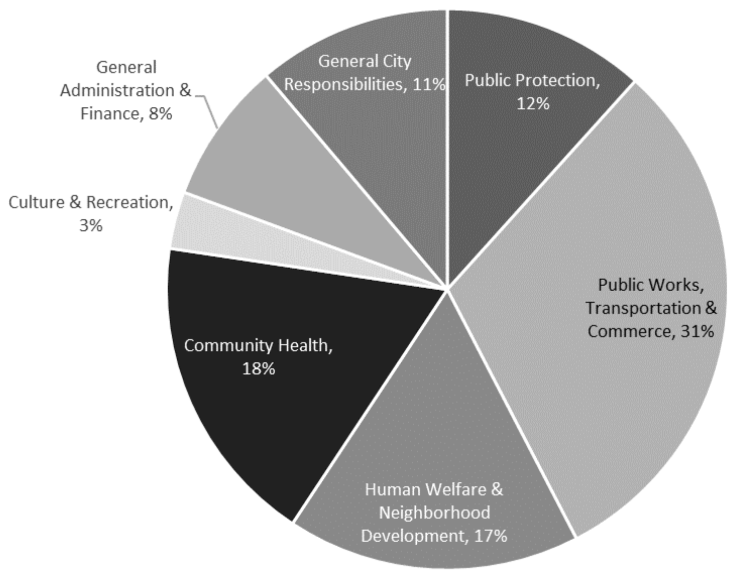

Figure 10

There are 33,207 full-time equivalent positions (FTEs) budgeted and funded between all six major service areas in FY 2022-23. As shown in Figure 11, the Public Works, Transportation, and Commerce service area also has the largest share of FTEs, which is largely driven by the MTA.

Full Time Equivalent Positions (FTEs) by Major Service Area FY 2022-23

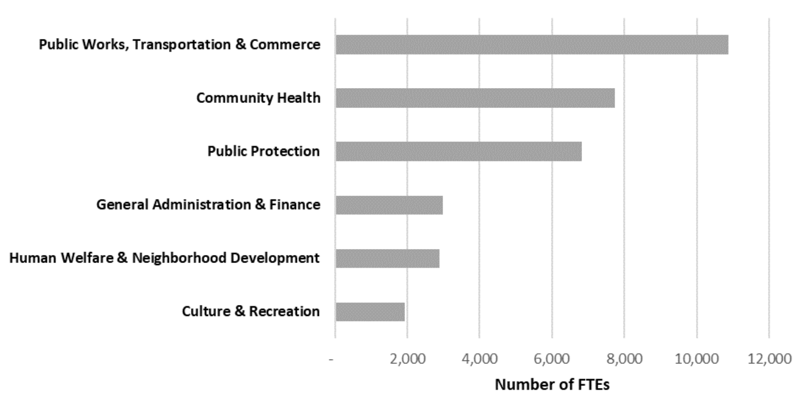

Figure 11

FIVE-YEAR OUTLOOK FOR GENERAL FUND-SUPPORTED OPERATIONS

San Francisco Administrative Code Section 3.6(b) requires that in each odd-numbered year, the City must submit a Five-Year Financial Plan; in even-numbered years, a similar report, called the Joint Report, must be issued with an update to the remaining four years of the previous year's Five-Year Financial Plan. In both the Five-Year Financial Plan and the Joint Report, the Mayor, the Controller, and the Board of Supervisors' Budget and Legislative Analyst must forecast expenditures and revenues during the projection period. In the Five-Year Financial Plan, the Mayor's Office must also propose actions to balance revenues and expenditures during each year of the plan and discuss strategic goals and corresponding resources for City departments. This Five-Year Financial Plan provides expenditure and revenue projections for FY 2023-24, FY 2024-25, FY 2025-26, FY 2026-27, and FY 2027-28.

Summary of 'Base Case' Projections and Findings

This Five-Year Financial Plan describes the 'Base Case' – a forecast of revenues and expenditures that projects revenue trends and the costs to support current service levels, adjusting for adopted or proposed policy changes where noted. Significant changes include known revenue and expenditure changes in all areas where there is reasonable information or basis for a projection. Key assumptions are also detailed below.

Table 3 summarizes the projected changes in General Fund-supported revenues and expenditures over the next five years. As previously shown in Table 1, this report projects shortfalls of $200.8 million in FY 2023-24, $527.5 million in FY 2024-25, $745.6 million in FY 2025-26, $991.7 million in FY 2026-27, and $1,224.1 million in FY 2027-28.

Table 3: Base Case – Summary of FY 2023-28 General Fund-Supported Projected Budgetary Annual Surplus/ (Shortfall) ($ Millions)

	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	% of Uses
SOURCES Increase / (Decrease)	(29.2)	(24.7)	49.9	105.4	206.2	
Uses						
Baselines	(49.8)	(96.3)	(140.9)	(177.1)	(209.9)	15%
Salaries & Benefits	(55.0)	(169.6)	(257.7)	(364.2)	(490.7)	34%
Citywide Operating Budget Costs	(78.5)	(199.5)	(312.8)	(409.6)	(514.9)	36%
Departmental Costs	11.7	(37.3)	(84.0)	(146.1)	(214.9)	15%
USES (Increase) / Decrease	(171.6)	(502.8)	(795.4)	(1,097.0)	(1,430.4)	100%
Projected Annual Surplus / (Shortfall)	(200.8)	(527.5)	(745.6)	(991.7)	(1,224.1)	
Two Year Deficit	(728.3)					

The projection demonstrates that revenue growth from FY 2022-23 to FY 2023-24 is offset by slow growth in tax revenue and loss of one-time sources, leading to an overall decrease in FY 2023-24 and FY 2024-25 sources compared to the prior year. In all other fiscal years, revenues are projected to grow, but at a slow pace due to anticipated structural changes in San Francisco's economy that are easily outpaced by projected cost increases.

The City currently projects revenue growth of $206.2 million, or 3% over the five-year period of this report, and expenditure growth of $1,430.4 million, or 21.1%, as shown in Figure 12 below.

Projected Growth in General Fund Expenditures and Revenues

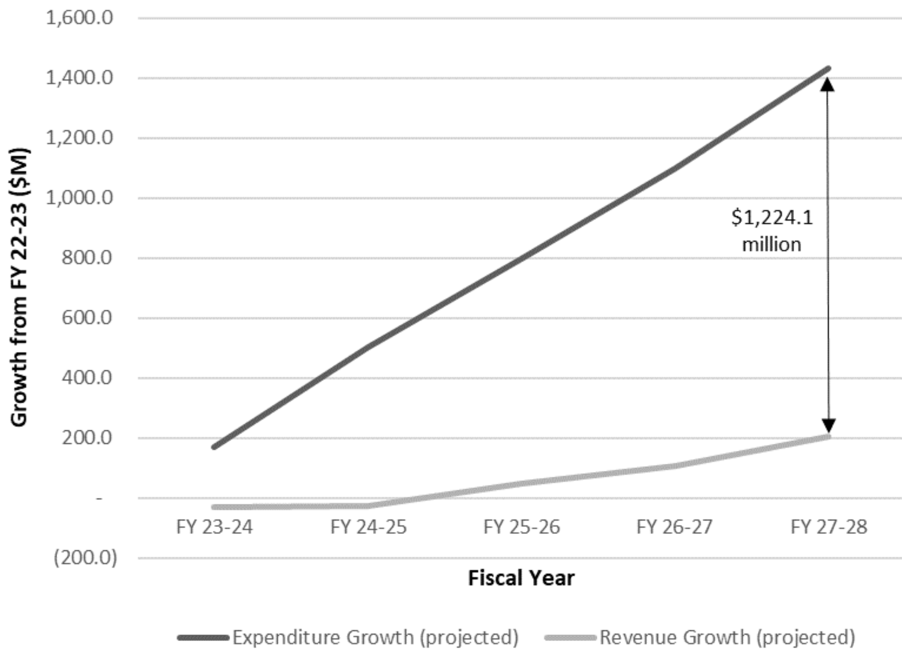

Figure 12

Total expenditure growth is shown below in Figure 13, which illustrates that citywide operating budget costs represent the largest driver of the City's deficit projection with 36% of the growth over the next five years, or an increase of $514.9 million over the five-year period. Salaries and benefits represent the second largest area of expenditure growth at 34%, or $490.7 million. The next largest drivers of expenditure growth are other department-specific cost increases of $214.9 million (15%) and baselines cost growth of $209.9 million (15%).

General Fund-Supported Expenditure Increases by Expenditure Type FY 2024-28

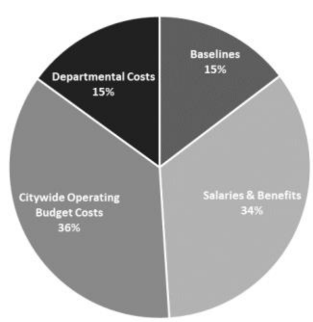

Figure 13

While the projected shortfalls previously shown in Table 3 reflect the difference in projected revenues and expenditures over the next five years if current service levels and policies continue, San Francisco's Charter requires that each year's budget be balanced. Balancing the budget will require some combination of expenditure reductions and additional revenues. To the extent that budgets are balanced with new on-going solutions, future shortfalls will decrease.

A key driver of projected shortfalls is increases in mandated costs. Many of the projected expenditure increases are unavoidable, with limited ability to reduce spending to balance the budget. The City is required by law to fund certain voter-mandated baselines and set-asides at specific levels. Additionally, assuming a constant City workforce, non-discretionary health benefits will continue to rise. This limits the funding available for other uses such as employee wage increases, cost-of-doing-business increases for non-profit service providers, capital and technology investments, and other improvements to services to the public.

Key Assumptions Affecting the FY 2034-24 through FY 2027-28 Projections

- **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 2022-23 and FY 2023-24 budgeted levels unless specified below.

- **Recovery continues, but high levels of remote work persist:** San Francisco's economic growth, and the revenue derived from it, is heavily dependent on changes in employment, business activity, and tourism. This report assumes changes in office use that occurred during the pandemic are long lasting, affecting commercial and residential real estate and taxable gross receipts. While the recovery in travel and tourism is stronger than prior forecasts, hotel tax revenues are not projected to reach their pre-pandemic levels until FY 2026-27 and are subject to weakness in business travel and convention activity. The Citywide Revenue Projections section of this report more fully details revenue assumptions.

- **Implementation of measures adopted by voters in the November 2022 election:** Projections assume a net expenditure increase from these measures, including: costs to provide additional inflationary increases to pre-1996 retiree pensions; savings from the elimination of the Department of Streets and Sanitation and the consolidation of elections; creation of an oversight commission for the Department of Homelessness and Housing; extension of General Fund transfers to the Library Preservation Fund; and funding of a new baseline, the Student Success Fund.

- **Previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** This report assumes the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters' unions have closed memorandums of understanding (MOU) through FY 2022-23 as a result of an amendment. Miscellaneous unions have closed MOUs through FY 2023-24. This report does not assume the recession trigger in these MOUs is met, which will be revaluated for future projection updates. In open contract years, this report projects salary increases equal to the change in CPI using the average projection of the California Department of Finance San Francisco Area CPI and Moody's SF Metropolitan Statistical Area CPI. This corresponds to 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. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels, but rather are used for projection purposes.

- **Pension investment returns meet expectations, but do not trigger a supplemental COLA**: This report assumes a return on San Francisco Employees' Retirement System (SFERS) assets of 7.2%, the actuarially assumed rate of return. This projection does not assume that any on-going supplemental COLA payment to certain retirees is triggered, which would require increased employer contributions.

- **Health insurance cost increases**: This projection assumes that the employer share of health insurance costs for active employees will increase by 5.2% in FY 2023-24, 6.8% in FY 2024-25, 6.3% in FY 2025-26. and then 6.0% in each of the remaining two years of the projection period, for an average of 6.0% annually over the five years. Retiree health costs are assumed to grow by 5.3% in FY 2023-24, 6.8% in FY 2024-25, 6.3% in FY25-26, and then 6.0% in each of the remaining two years, an average of 6.1% annually over the projection period.

- **Inflationary increase on non-personnel operating costs**: This projection assumes that the cost of materials and supplies, professional services, contracts with community-based organizations, and other non-personnel operating costs will increase by the rate of Consumer Price Index (CPI) starting in FY 2024-25 and thereafter. The projection reflects the adopted FY 2022-23 and FY 2023-24 budget, which included a 4% cost-of-doing business increase for General Fund nonprofit contracts.

- **Ten-Year Capital Plan, Five-Year ICT Plan, and inflationary increases on equipment**: For capital, this report assumes an increase to the adopted FY 2022-23 budget funding levels of $30 million in FY 2023-24, with annual increases of $30 million thereafter, in line with the forthcoming recommendations in the City's upcoming FY 2024-33 Ten-Year Capital Plan. The IT investment projection assumes a $10 million increase in FY 2023-24 funding of projects in the City's Information and Communications Technology (ICT) Plan with annual 10% increase in the following four years. For equipment, this report assumes the budgeted level of funding in FY 2023-24, and annual growth based on CPI, which results in annual $0.3 million increases in the remaining four years of the forecast period.

- **Deposits and withdrawals from reserves:** Because General Fund revenue is generally forecasted to grow slowly year-over-year, the City is not eligible to withdraw from or deposit to the City's Rainy Day or Budget Stabilization reserves. The projection only assumes reserve withdrawals that were previously budgeted in FY 2023-24, primarily $90.2 million from the Fiscal Cliff Reserve, leaving an available balance of $130.3 million. In accordance with Administrative Code Section 10.60(b), deposits to the General Reserve are assumed in all years of the plan period, increasing from 2.0% of General Fund revenue in FY 2023-24 to 3.0% in FY 2027-28. Furthermore, deposits to the Budget Stabilization Reserve are expected in FY 2025-26, FY 2026-27, and FY 2027-28 as real property transfer tax begins to exceed the prior five-year average as it begins to recover in the out-years.

- **Property tax shifts:** Beginning in FY 2018-19, the City's General Fund received "Excess ERAF" property tax allocations, after distributions from the Educational Revenue Augmentation Fund (ERAF) fulfilled all other statutory distributions to other local taxing entities. This report assumes the City will continue to receive Excess ERAF revenues in all years of the report according to current state law and assuming enrollment increases in local schools. However, state budget shortfalls are very likely to result in legislative proposals to alter ERAF allocations in a way that helps the state meet its Prop 98 school funding requirements and reduces excess ERAF that reverts to the City.

- **COVID-19 Response:** The local cost of directly responding to the COVID-19 pandemic is projected to decrease by $32.3 million in FY 2023-24 and will remain flat at $25 million during the remaining fiscal years of the forecast period.

- **Non-General Fund revenue declines:** This forecast only projects changes in General Fund revenues and General Fund-funded expenditures. Other special purpose revenues, such as the November 2018 Proposition C Homeless Gross Receipts Tax and June 2018 Commercial Rents Tax, are also forecasted to decline over the five-year period. However, because this report focuses on the General Fund's position, anticipated shortfalls in special revenue funds are not directly incorporated in the deficit.

Key Factors That Could Affect These Forecasts

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

- **Interest rate increases or other factors tip the nation into recession:** This report assumes very modest revenue growth over the forecast period given structural changes in office using sectors. It assumes successive Fed interest rate increases slow growth without inducing a recession. However, there is continuing discussion among economic forecasters of the likelihood of a mild recession beginning in the first half of 2023. 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.

- **Pending or proposed new programs or legislation:** No pending or proposed legislative changes with a fiscal impact are assumed in this projection. Legislation adopted by the Mayor and Board of Supervisors with a fiscal impact would increase the projected shortfalls. Several appropriations for new program initiatives are pending at the Board of Supervisors, and others may be proposed. Future projections will include impacts from any subsequently adopted legislation.

- **Revenue volatility from a highly progressive tax structure:** The General Fund projection includes revenue from the tax on executive compensation (November 2020 Proposition L) as well as revenue from new transfer tax rates (November 2020 Proposition I). These sources add to the City's already progressive tax structure, increasing revenue volatility. In addition, both taxes will likely lead to a variety of tax avoidance behaviors that are difficult to project in both form and timing, resulting in revenue that could be higher or lower than projected.

- **State fiscal shortfall:** These projections assume excess ERAF property tax allocations continue under current legal requirements. However, in its November 2022 fiscal outlook report, the state Legislative Analyst Office projected a $24 billion shortfall in FY 2023-24 and ongoing deficits thereafter, increasing the likelihood of legislative proposals to alter ERAF allocations in a way that reduces the draw on the state's general fund to meet its Prop 98 school funding requirements, which would reduce excess ERAF that reverts to the City. In addition, discretionary state funding for housing, criminal justice, and other local government grants will likely decline.

Tables 4 and 5 below, in addition to the subsequent narrative section, explain revenue and expenditure changes in the citywide deficit in detail. First, revenue changes will be discussed, followed by expenditures changes, including: changes to baselines and reserves; salary and benefit costs; citywide operating costs; and department-specific changes.

Table 4: Base Case – Key Changes to General Fund-Supported Sources & Uses – INCREMENTAL CHANGE Sources & Uses FY 2024-28 ($ Millions)

SOURCES Increase / (Decrease)	2023-24	2024-25	2025-26	2026-27	2027-28
Fund Balance & Reserves					
Use of prior Year Fund Balance Gain/(Loss)	(229.4)	83.9	(81.7)	(79.5)	-
Reserves - Use and Contribution	60.3	(87.8)	(8.1)	(13.6)	(23.9)
Subtotal Balance & Reserves	**(169.1)**	**(3.9)**	**(89.8)**	**(93.1)**	**(23.9)**
Revenues					
General Fund Taxes, Revenues and Transfers net of items below	192.3	180.1	139.1	124.8	99.2
FEMA Revenue	(43.6)	(199.8)	-	-	-
Public Health - One-time Revenues	(38.0)	-	-	-	-
Public Health - Operating Revenues	24.7	13.8	16.3	15.3	16.1
Other General Fund Support	4.5	14.2	9.1	8.6	9.5
Subtotal Revenues	**140.0**	**8.4**	**164.4**	**148.6**	**124.8**
TOTAL CHANGES TO SOURCES	**(29.2)**	**4.4**	**74.6**	**55.5**	**100.9**
USES Decrease / (Increase)					
Baselines					
Contributions to Baselines	(49.8)	(46.5)	(44.6)	(36.2)	(32.8)
Subtotal Baselines	**(49.8)**	**(46.5)**	**(44.6)**	**(36.2)**	**(32.8)**
Salaries & Benefits					
Previously Negotiated Closed Labor Agreements	(99.2)	-	-	-	-
Projected Costs of Open Labor Agreements	(41.1)	(133.0)	(86.6)	(83.2)	(89.5)
Health & Dental Benefits - Current & Retired Employees	(28.5)	(31.5)	(31.3)	(31.9)	(33.8)
Retirement Benefits - Employer Contribution Rates	89.6	52.6	30.7	9.4	(2.3)
Other Salaries and Benefits Savings / (Costs)	24.2	(2.7)	(0.9)	(0.9)	(0.9)
Subtotal Salaries & Benefits	**(55.0)**	**(114.6)**	**(88.1)**	**(106.5)**	**(126.5)**
Citywide Operating Budget Costs					
Capital, Equipment, & Technology	(66.5)	(29.5)	(38.5)	(39.0)	(39.8)
Inflation on non-personnel costs and non-profit grants	-	(35.6)	(37.0)	(35.0)	(36.8)
Debt Service & Real Estate	(30.8)	(40.4)	(22.4)	(8.7)	(14.1)
Sewer, Water, and Power Rates	(9.3)	(6.0)	(6.0)	(5.8)	(5.6)
Workers' Compensation Claims	(6.3)	(3.8)	(4.0)	(4.2)	(4.4)
COVID-19 Citywide Expenditures	32.3	0.0	-	-	-
Other Citywide Costs	2.0	(5.7)	(5.3)	(4.1)	(4.7)
Subtotal Citywide Operating Budget Costs	**(78.5)**	**(121.0)**	**(113.3)**	**(96.8)**	**(105.3)**
Departmental Costs					
City Administrator's Office - Convention Facilities Subsidy	1.6	(2.8)	5.1	0.0	(0.2)
Elections - Number of Scheduled Elections (Even-Numbered Years)	(1.1)	0.2	(1.2)	0.3	(1.2)
Ethics Commission - Public Financing of Elections	-	(5.1)	5.0	(1.2)	(0.7)
Mission Bay Transportation Improvement Fund	(0.3)	(3.6)	(0.3)	(0.3)	(0.3)
Affordable & Permanent Supportive Housing Project Costs	(1.1)	(6.7)	(5.9)	(10.5)	(8.9)
Human Services Agency - IHSS and Other Benefit Costs	(19.5)	(9.8)	(10.3)	(10.7)	(18.7)
Public Health - Operating Costs	(20.4)	(25.3)	(25.6)	(26.9)	(34.2)
Downtown Recovery and Activation	14.4	19.9	-	-	-
2022 Election Measures (June 2022 & November 2022)	(13.2)	(24.0)	(10.0)	(15.0)	(1.1)
FY 2022-23 One-time Community Support Initiatives	62.0	-	-	-	-
All Other Departmental Savings / (Costs)	(10.7)	8.2	(3.5)	2.2	(3.4)
Subtotal Departmental Costs	**11.7**	**(49.0)**	**(46.7)**	**(62.1)**	**(68.8)**
TOTAL CHANGES TO USES	**(171.6)**	**(331.2)**	**(292.6)**	**(301.6)**	**(333.3)**
Projected Surplus (Shortfall) vs. Prior Year	**(200.8)**	**(326.8)**	**(218.0)**	**(246.1)**	**(232.5)**
Annual Projected Surplus (Shortfall)	**(200.8)**	**(527.5)**	**(745.6)**	**(991.7)**	**(1,224.1)**
Two-Year Surplus (Shortfall)	**(728.3)**				

Table 5: Base Case – Key Changes to General Fund-Supported Sources & Uses – ANNUAL CHANGE Sources & Uses FY 2024-28 ($ Millions)

SOURCES Increase / (Decrease)	2023-24	2024-25	2025-26	2026-27	2027-28
Fund Balance & Reserves					
Use of prior Year Fund Balance Gain/(Loss)	(229.4)	(145.5)	(227.2)	(306.7)	(306.7)
Reserves - Use and Contribution	60.3	(27.6)	(35.7)	(49.3)	(73.3)
Subtotal Balance & Reserves	**(169.1)**	**(173.1)**	**(262.9)**	**(356.0)**	**(379.9)**
Revenues					
General Fund Taxes, Revenues and Transfers net of items belo	192.3	372.4	511.5	636.2	735.4
FEMA Revenue	(43.6)	(243.4)	(243.4)	(243.4)	(243.4)
Public Health - One-time Revenues	(38.0)	(38.0)	(38.0)	(38.0)	(38.0)
Public Health - Operating Revenues	24.7	38.5	54.8	70.1	86.1
Other General Fund Support	4.5	18.7	27.9	36.4	46.0
Subtotal Revenues	**140.0**	**148.3**	**312.8**	**461.4**	**586.2**
TOTAL CHANGES TO SOURCES	**(29.2)**	**(24.7)**	**49.9**	**105.4**	**206.2**
USES Decrease / (Increase)					
Baselines					
Contributions to Baselines	(49.8)	(96.3)	(140.9)	(177.1)	(209.9)
Subtotal Baselines	**(49.8)**	**(96.3)**	**(140.9)**	**(177.1)**	**(209.9)**
Salaries & Benefits					
Previously Negotiated Closed Labor Agreements	(99.2)	(99.2)	(99.2)	(99.2)	(99.2)
Projected Costs of Open Labor Agreements	(41.1)	(174.1)	(260.7)	(343.9)	(433.4)
Health & Dental Benefits - Current & Retired Employees	(28.5)	(60.0)	(91.3)	(123.1)	(156.9)
Retirement Benefits - Employer Contribution Rates	89.6	142.2	173.0	182.4	180.1
Other Salaries and Benefits Savings / (Costs)	24.2	21.5	20.5	19.6	18.7
Subtotal Salaries & Benefits	**(55.0)**	**(169.6)**	**(257.7)**	**(364.2)**	**(490.7)**
Citywide Operating Budget Costs					
Capital, Equipment, & Technology	(66.5)	(95.9)	(134.5)	(173.5)	(213.2)
Inflation on non-personnel costs and non-profit grants	-	(35.6)	(72.6)	(107.6)	(144.4)
Debt Service & Real Estate	(30.8)	(71.3)	(93.6)	(102.4)	(116.5)
Sewer, Water, and Power Rates	(9.3)	(15.3)	(21.3)	(27.1)	(32.7)
Workers' Compensation Claims	(6.3)	(10.2)	(14.2)	(18.4)	(22.8)
COVID-19 Citywide Expenditures	32.3	32.3	32.3	32.3	32.3
Other Citywide Costs	2.0	(3.7)	(9.0)	(13.0)	(17.7)
Subtotal Citywide Operating Budget Costs	**(78.5)**	**(199.5)**	**(312.8)**	**(409.6)**	**(514.9)**
Departmental Costs					
City Administrator's Office - Convention Facilities Subsidy	1.6	(1.2)	3.9	4.0	3.8
Elections - Number of Scheduled Elections (Even-Numbered Ye	(1.1)	(1.0)	(2.2)	(1.8)	(3.1)
Ethics Commission - Public Financing of Elections	-	(5.1)	(0.1)	(1.4)	(2.1)
Mission Bay Transportation Improvement Fund	(0.3)	(3.9)	(4.2)	(4.4)	(4.7)
Affordable & Permanent Supportive Housing Project Costs	(1.1)	(7.8)	(13.7)	(24.1)	(33.0)
Human Services Agency - IHSS and Other Benefit Costs	(19.5)	(29.3)	(39.6)	(50.3)	(69.0)
Public Health - Operating Costs	(20.4)	(45.7)	(71.2)	(98.2)	(132.4)
Downtown Recovery and Activation	14.4	34.3	34.3	34.3	34.3
2022 Election Measures (June 2022 & November 2022)	(13.2)	(37.2)	(47.3)	(62.3)	(63.4)
FY 2022-23 One-time Community Support Initiatives	62.0	62.0	62.0	62.0	62.0
All Other Departmental Savings / (Costs)	(10.7)	(2.5)	(6.0)	(3.8)	(7.3)
Subtotal Departmental Costs	**11.7**	**(37.3)**	**(84.0)**	**(146.1)**	**(214.9)**
TOTAL CHANGES TO USES	**(171.6)**	**(502.8)**	**(795.4)**	**(1,097.0)**	**(1,430.4)**
Annual Projected Surplus (Shortfall)	**(200.8)**	**(527.5)**	**(745.6)**	**(991.7)**	**(1,224.1)**
Two-Year Surplus (Shortfall)	**(728.3)**				

BASE CASE PROJECTION DETAIL

CITYWIDE REVENUE PROJECTIONS

The projections outlined in this section highlight changes in the City's key revenues over the next five years, building on both the trends outlined in the Economic Overview section and the most recent available data on revenue collections. Detailed revenue assumptions are provided below.

General Fund Taxes, Revenues & Transfers

General Context Underlying Revenue Estimates
As detailed in the Economic Overview section, San Francisco faces the same macroeconomic and structural pressures other cities face – high inflation, rising interest rates, and the persistence of work from home. However, these trends are likely to have a larger impact on San Francisco than many other jurisdictions because its economy is highly concentrated in sectors that are office-using and sensitive to interest rates. The Base Case revenue forecast reflects the expectations of economic forecasters of very slow growth, and though the local economy will need to contend with lasting structural change associated with remote work, the Federal Reserve will be able to bring the economy into a "soft landing," without triggering a recession. Should a recession occur, revenues will be lower than forecasted in this report.

Overall growth rates of General Fund taxes, revenues, and transfers in are projected to be 2.9% in FY 2023-24, -0.2% in FY 2024-25, and approximately 2.0% in FY 2025-26 through FY 2027-28. The City's tepid revenue growth is largely related to anticipated structural changes in the local economy, as office workers continue part- or full-time remote work on a permanent basis, and in an elevated interest rate environment. These dynamics are expected to result in sustained levels of office vacancies over the plan period and declining commercial and residential real estate values, affecting property and transfer taxes. Increasing interest rates and sustained remote work have a negative impact on the City's business taxes. Rising interest rates change businesses' investment decisions, and for some industries, businesses' gross receipts taxes use payroll in San Francisco to attribute business activity to San Francisco. 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 2023-24, driving the overall decline in revenue in FY 2024-25.

Partially offsetting these reductions are the City's tourism and hospitality sector, which expected to continue its strong recovery through the plan period, benefitting hotel and sales taxes. In FY 2021-22, the City saw pent up demand driving leisure travel, as well as the return of some conventions. Further bolstering the forecast, the General Fund projection includes revenue from two new tax measures which the City has not yet begun collecting: the tax on executive pay (November 2020 Proposition L) and the cannabis excise tax, which has been delayed until FY 2026-27 (November 2018, Proposition D).

Below are details on key revenue streams included in the General Fund Taxes, Revenues, and Transfers line of Table 4.

Property Tax
Overall General Fund property tax revenues are expected to grow slowly over the forecast period, from the budgeted total of $2,379.5 million in FY 2022-23 to $2,449.6 million in FY 2027-28. General Fund property tax revenue assumptions include:

- **Roll growth:** The locally assessed secured property roll typically grows based upon an annual statewide inflation factor (California CPI, capped at 2%) and new property value assessments triggered by changes in ownership or newly constructed buildings. The unsecured property roll grows or shrinks based upon the economic cycles and impacts on local businesses.

  Projections for FY 2023-24 and FY 2024-25 assume 2.5% annual increases in the secured property roll and no changes in the unsecured property roll compared to the July 1, 2022, valuations for FY 2022-23 (reflected on the 2022 Certificate of Assessed Valuation, or CAV). The rapid increase in interest rates during calendar year 2022 dampened demand for commercial and residential purchases and new construction, and the valuation of office properties is expected to be affected by a permanent increase in remote work affecting office leasing demand and rents as existing leases come up for renewal. FY 2025-26 through FY 2027-28 projections assume the maximum annual Prop 13 allowable increase of 2%, and all projections assume interest rates remain at levels similar to current rates throughout the forecast period. The unsecured property roll is projected to remain unchanged through FY 2027-28.

- **Supplemental and escape assessments:** Supplemental assessments capture changes in value for the portion of the tax year remaining after a trigger date that results in a change in the base year assessed value of a property. The escape assessment captures a full year's increase in assessed value up to four years after the trigger date. This report assumes supplemental assessment revenue of $29.8 million in FY 2023-24, $44.7 million in FY 2024-25, and $39.7 million per year in FY 2025-26 through FY 2027-28. FY 2023-24 projected revenues are dampened by the expectation that the mid-year go live date of the Assessor's new property assessment system will pause enrollments for a period of time. Escape assessment revenue of $12.7 million per year is assumed in all years, as the Assessor's Office is largely up to date with assessments and there is currently a dearth of transactions.

- **Assessment Appeals Board reserve requirements:** General Fund property tax revenue required to fund Assessment Appeals Board (AAB) decisions is assumed at $70.8 million for FY 2023-24, $109.1 million for FY 2024-25, $122.1 million for FY 2025-26, $133.9 million for FY 2026-27, and $137.6 million for FY 2027-28. These projections include estimates derived from a model developed by the Controller's Office of Economic Analysis to gauge assessed value of office properties at risk given existing lease expiration data and assumptions about vacancy, rental, and capitalization rates during the forecast period. The model assumes office vacancy rates peak at 28.8% in 2023 and decline to 22.6% in 2026 and forward; gross rent per square foot bottoms out at $151 in 2023 and increases to $165 by 2026; and cap rates of just over 8% in 2023 and 7.5% in 2026. These assumptions yield a total office value at risk of $5.6 billion in FY 2023-24, $10.4 billion in FY 2024-25, $11.1 billion in FY 2025-26, $13.3 billion in FY 2026-27, and $14.9 billion in FY 2027-28. A separate model for residential properties assumes market values of some detached single-family homes and other single-family dwellings (townhomes, condominiums) fall below taxable values, starting with FY 2024-25 (FY 2023-24 value at risk of $1.7 billion is estimated). The model's output indicates assessed value at risk of refund of $4.3 billion in FY2024-25, $6.4 billion in FY 2025-26, $6.8 billion in FY 2026-27, and $5.6 billion in FY 2027-28.

  In general, properties that were most recently built or traded are the most likely to receive temporary reductions in assessed valuations, resulting in property tax refunds when applied to prior tax years. Properties that have not changed ownership in recent years or were built many years ago are likely already taxed at below current market value, making it less likely such properties will receive temporary decreases. Timing of refund payments is dependent upon the appeals hearing schedule, which is currently calendared with 2021 cases. Appellants often waive the statutory deadline for hearings so that multiple years’ appeals can be heard at the same time, increasing uncertainty and revenue volatility projections as several years' tax refunds and statutory interest might get triggered in one future year.

- **Excess Educational Revenue Augmentation Fund (ERAF):** Excess ERAF represents the portion of California county, city, and special district property tax revenues that revert to taxing entities once a county’s educational entities reach the level of funding stipulated in state Proposition 98. In the City and County of San Francisco, the only taxing entity contributing to ERAF, and therefore receiving excess ERAF, is the City and County itself. Projections assume student attendance numbers and Proposition 98 funding levels along with property tax revenues for the City to arrive at excess ERAF estimates. This report currently assumes excess ERAF revenue of $326.7 million in FY 2023-24, $292.8 million in FY 2024-25, $274.5 million in FY 2025-26, $261.2 million in FY 2026-27, and $254.6 million in FY 2027-28.

Business Taxes
General Fund business tax revenue is projected to grow from $881.7 million in FY 2023-24 to $1,025.0 million in FY 2027-28. Business taxes include gross receipts taxes, business registration fees, and the administrative office tax. Revenue from business taxes historically has followed economic conditions in the City. Figure 14 shows actual and projected unemployment and wage growth from FY 2011-12 through FY 2027-28. Projected unemployment remains low through the forecast period, as does projected wage growth.
However, in recent years, especially since the passage of Proposition F (discussed below), the gross receipts tax has become dependent on fewer taxpayers. The top 10 taxpayers accounted for 19% of gross receipts tax revenue in 2019 and 25% in 2021. Similarly, the top 50 taxpayers accounted for 34% of gross receipts tax revenue in 2019 and 43% in 2021. Increasingly, circumstances specific to the largest companies could result in large swings in gross receipt tax revenue, making it harder to project. This projection anticipates no economic growth in the gross receipts tax base in 2023, 1% in 2024, and 3% in each of the remaining years of the forecast.

San Francisco Unemployment and Wage Growth
FY 2011-12 to FY 2027-28 Actuals and Projected

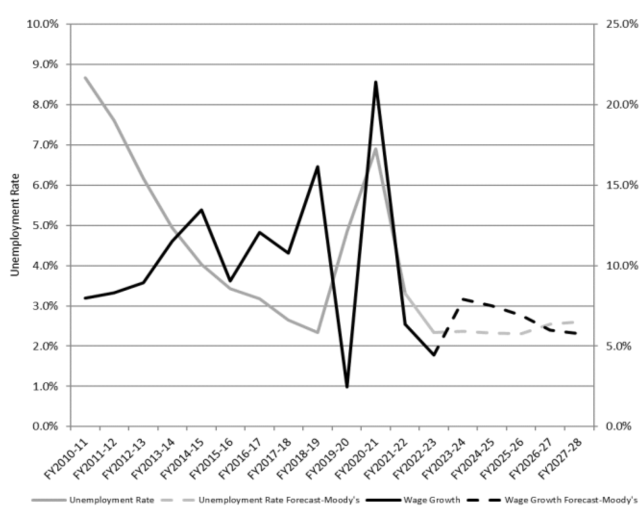

Figure 14
Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Moody’s Analytics Forecast

Telecommuting and the Gross Receipts Tax Base
Since the pandemic began, there has been a fundamental shift in where office employees work. Originally, telecommuting began as a public safety response to the pandemic, when offices were closed and on-site work

was limited to essential employees. But over time, the severity of COVID-19 has lessened, in part due to increased immunity from vaccines and from exposure to the virus. As it has lessened, the reasons for telecommuting have shifted away from safety concerns to employee job satisfaction and productivity. This suggests that there is no longer an expected increase in office work tied to the severity of the pandemic. Now, returning to the office depends on negotiations between employers and employees. According to polling data from WFH Research, soon after the pandemic began, employers planned on just over 1.5 days per week at home on average when the pandemic ended but employees wanted more than 2.5 days at home. In polling data from October 2022, employees' desired amount of telecommuting had increased slightly to approximately 2.75 days per week at home while employers' plans have increased to about 2.25 days worked from home. This narrowing gap suggests that employers and employees are coming closer to an agreement on how much work can be done at home. While the degree of telecommuting in the long-term is still uncertain, it may be that the level of in-office work has begun to stabilize.

In addition to the decline of the workforce in the City due to telecommuting, the population has declined as well. From April 2020 to July 2021, the population of San Francisco declined by 6.7% according to the Census Bureau. The population decline reduces payroll and thus reduces the gross receipts tax base in most industries. Both telecommuting and population are important for the gross receipts tax base. For some business sectors, such as information and financial services, the gross receipts tax depends in part on the share of a company's payroll that physically works within San Francisco. For example, if an employee works two days per week in the office and three days per week at home from outside the City, then only 40% of that employee's compensation is included when determining the share of a company's payroll generated in the City for gross receipts tax purposes. This would then reduce the gross receipts tax generated by this employee by 40% in office-based sectors, except information, where it would be reduced by half that amount, or 20%.

Telecommuting does have a smaller mitigating factor that supports the gross receipts tax base. Some San Francisco residents previously commuted *out* of the City for work. To the extent that these out-commuters telecommute from within the City, their payroll would now be included when calculating the gross receipts tax.

This report assumes that changes in telecommuting and population will reduce San Francisco payroll in office-using industries by 40% from what it would have been without these changes. This assumption includes the net effect of telecommuting from both in-commuters and out-commuters. There remains significant uncertainty about this assumption. Currently, employers want more office work than employees do, which could lead to further increases in office work. But this may change over time as office leases come up for renewal and telecommuting allows employers to reduce their office space. In addition, in the past few months, layoffs have been announced by some large San Francisco employers, such as Twitter, Meta, and Salesforce, which could also decrease the gross receipts tax base.

Proposition F (2020)

In November 2020, voters adopted the Business Tax Overhaul measure (Proposition F) that altered the structure of the City's business tax to eliminate the payroll tax and increase the gross receipts tax over a period of four to five years, beginning with tax year 2021. For certain business sectors, including information and financial services, tax rate increases for tax year 2023 would be delayed to 2024 if citywide gross receipts in 2021 are less than 90% of gross receipts in 2019 and increases for 2024 would be delayed to 2025 if gross receipts in 2022 are less than 95% of gross receipts in 2019. The 90% threshold was not met. This report assumes that the 95% threshold will be met and the tax increases on these sectors will be implemented in 2024. Should the 95% threshold not be met in tax year 2024, business tax revenues will be approximately $20 million less in tax year 2024 than this report assumes, with the loss divided between FY 2023-24 and FY 2024-25.

Sales Tax

Sales tax revenues are expected to grow from $205.8 million in FY 2023-24 to $232.2 million by FY 2027-28, exceeding pre-pandemic levels by the end of the forecast period. Sales tax experienced significant losses in FY 2019-20 and FY 2020-21 because of the COVID-19 public health emergency. 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% between April 2020 and July 2021. During this time, sales taxes declined by 15.7% year-over-year from a peak of $213.6 million in FY 2018-19 to $180.2 million in FY 2019-2020 and by 18.5% year-over-year in FY 2020-21 to $146.9 million. As businesses reopened and restrictions on restaurants, hospitality, and travel eased in mid-2021, sales taxes in San Francisco and in the state have rebounded. Sales taxes grew to $188.3 million in FY 2021-22, an annual improvement of $41.5 million or 28.2%. The recovery was attributable to growth in restaurants and hotels, business and industry, general consumer goods, and fuel and service stations. Higher prices due to inflation also contributed to higher sales tax revenues. Sales taxes from restaurants and hotels grew by $18.0 million (76.2%), the business and industry sector grew by $9.5 million (93.4%), general consumer goods grew by $7.5 million (25.1%), and sales tax from fuel and service stations grew by $5.4 million (118.4%). Figure 15 shows the changes in local sales tax.

Change in Local Sales Tax Revenues from Same Quarter Prior Year, FY 2011-12 through FY 2027-28

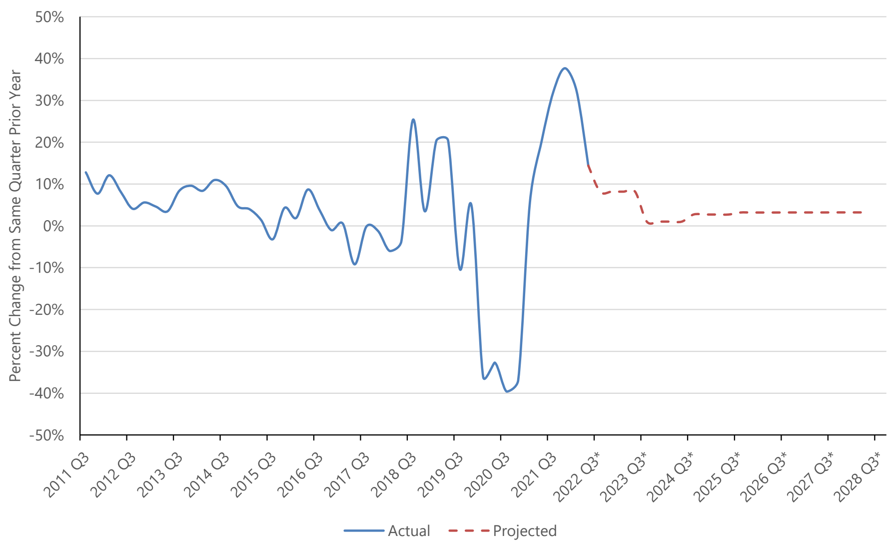

Figure 15

*Projected. Data adjusted for corrections by the California Department of Tax and Fee Administration.

Projected growth in FY 2023-24 is driven by continued but slowing recovery in the restaurant and hotel industry, largely due to improved tourism and conventions, as well as elevated prices due to inflation. Sales taxes from the statewide pool, fuel and service stations, and general consumer goods are all forecasted to grow, although at a lesser pace. However, revenue growth in other industries is expected slow as consumer spending shifts due to rising interest rates and recession concerns. In FY 2024-25 and beyond, the projection assumes growth between 2.7% and 3.2% annually.

Hotel Tax

Hotel tax revenue for all funds is expected to grow from $302.6 million in FY 2023-24 to $412.7 million by FY 2027-28. The forecast assumes the hospitality industry recovers to pre-pandemic levels by the end of the plan period. During the pandemic, a large portion of the City's hotels were closed as a result of global travel restrictions, public health policies, and cancellation of conventions and events. Hotel tax revenues in FY 2019-20 and in FY 2020-21 declined 35.7% and 86.8% year-over-year. FY 2020-21 revenues were 91.5% below the FY 2018-19 peak, the last full pre-pandemic fiscal year. As COVID-19 restrictions eased and vaccines became more widely available in FY 2021-22, the City's hotel taxes began to recover and totaled $158.2 million, an improvement of 376.7% over the prior year.

Visitors to the City, and resulting hotel tax revenues, are primarily derived from three groups of travelers - leisure domestic and international tourists, individual business travelers, and from group events such as conferences and conventions. Most visitors travel to San Francisco by air, with combined enplaned and deplaned passengers shown in Figure 16. By July 2022, total domestic and international airline passengers at San Francisco International Airport (SFO) hit a pre-pandemic peak of 4.2 million passengers. The total number of passengers traveling through SFO was 155% greater in FY 2021-22 than the prior year, with growth of 137% in domestic visitors and 281% in international visitors. The improvement in the international sector is primarily due to easing of travel restrictions to most international regions. Passenger activity is projected to continue to improve from pandemic related service reductions in both the domestic and international sectors.

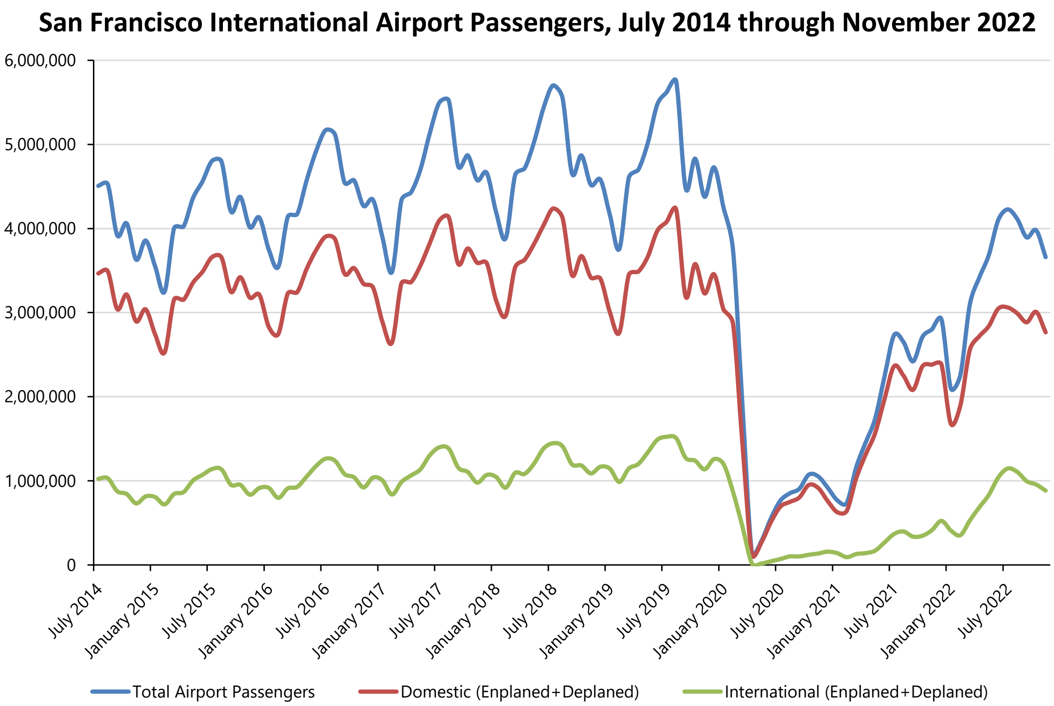

Figure 16

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. As a result of low occupancy rates and hotel closures, the "Total Room Inventory" (TRI) methodology is used when calculating RevPAR to provide a consistent comparison to pre-pandemic RevPAR. The industry gradually recovered in FY 2020-21 because of eased restrictions and vaccines. FY 2020-21 annual average TRI RevPAR was $28 and hit a peak of $61 in June 2021. The recovery continued in FY 2021-22 largely due to the return of conferences and conventions. In FY 2021-22, a total of 23 conferences with over 126,000 attendees took place in Moscone Center, primarily in the third (24.0%) and fourth (62.7%) quarters of the fiscal year. 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 and as a result drives up hotel tax collections. The average TRI RevPAR was $100 and peaked at $191 in June 2022. We project annual average RevPAR will continue to improve as tourists and conventions return to San Francisco. Figure 17 provides actual and projected RevPAR levels from January 2018 through July 2028.

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

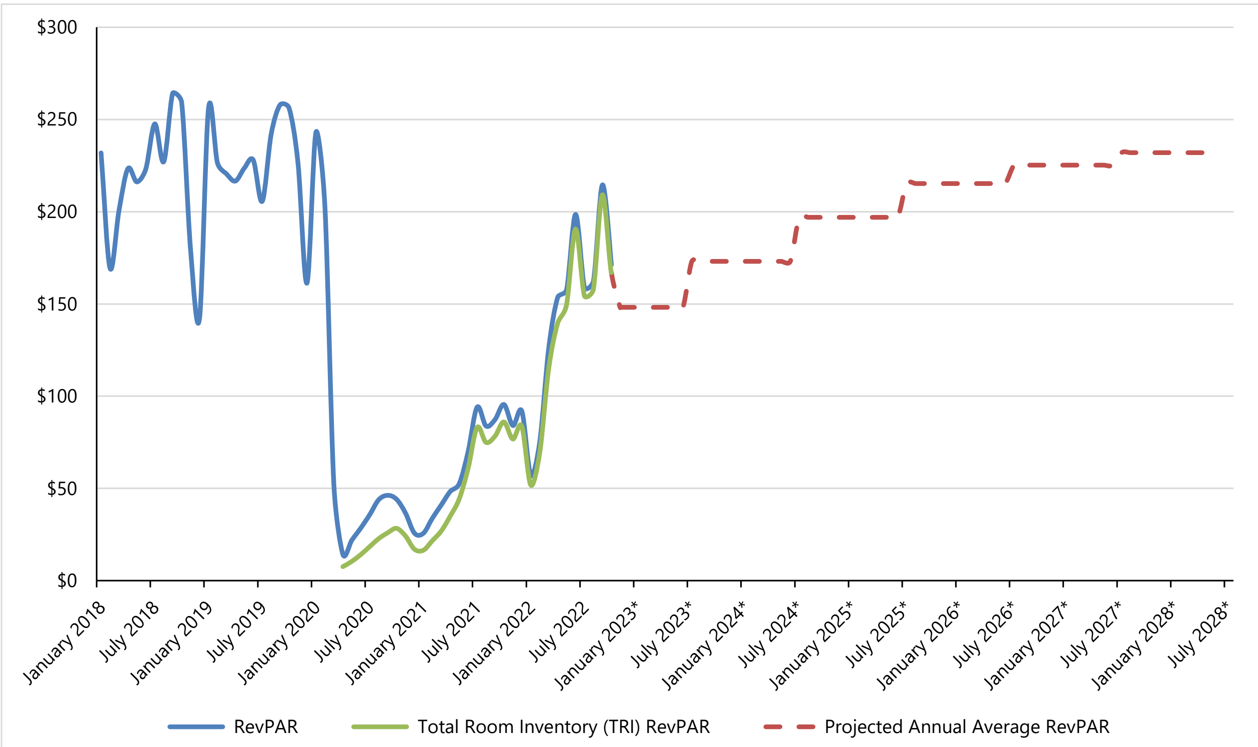

Figure 17

November 2018 Proposition E allocates 1.5% of the 14% hotel tax rate (or approximately 10.7% of revenue) to arts programming outside of the General Fund. Due to the unprecedented drop off in revenue, this allocation declined to $4.5 million in FY 2020-21 and $19.2 million in FY 2021-22. As hotel tax revenue recovers, we project the allocation will increase to $34.5 million in FY 2023-24 and $44.7 million by FY 2027-28.

Real Property Transfer Tax

Real property transfer tax (RPTT) revenue is projected to increase from $277.5 million in FY 2023-24 to $365.0 million in FY 2025-26 and thereafter. While increasing year over year, these figures represent reductions of $145.8 million (34.4%) and $91.2 million (20.0%) from prior projections, reflecting the current decade-long low in 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 persistent trend to work from home during the plan period, resulting in fewer transfers and revenue compared to rate-adjusted historical average.

Due to the tiered structure of the tax, a small number of transactions (primarily high-value, commercial real estate transactions) generates a disproportionate amount of revenue. For example, in FY 2021-22 transactions over $10.0 million accounted for 1.0% of the number of total transactions but generated 69.6% of the revenue. Compounding this source's revenue volatility is November 2020 Proposition I, which doubled the transfer tax rate on real estate transactions over $10.0 million. Prop I is projected to generate $119.3 million in FY 2023-24 and $156.9 million in FY 2027-28.

Tax on Executive Pay

In November 2020, voters approved Proposition L, which imposed a new general tax on businesses in the City tied to the ratio of the total compensation of the highest-paid managerial employee to the total compensation of the median employee in San Francisco. If this ratio is greater than 100:1, businesses will pay a tax that is a percentage of their total San Francisco gross receipts. In this report, the measure is expected generate revenue of $60 million in FY 2023-24, $80 million in FY 2024-25, and $100 million thereafter. This source is expected to be highly volatile given the narrow base of expected payers, annual fluctuations in the value and form of executive compensation, and potential relocation risk associated with tax increases.

Federal Emergency Management Agency Reimbursements

The plan assumes the City's General Fund will receive $199.8 million of FEMA reimbursements for COVID-19-related expenditures (incurred in prior years) in FY 2023-24, the last year of a five-year process. No FEMA reimbursement revenue is anticipated after FY 2023-24.

Table 6: Summary of General Fund Operating Revenues and Transfers in FY 2021-28 ($ Millions)

	FY 2021-22 Year-End	FY 2022-23 Original Budget	FY 2022-23 Projection	FY 2023-24 Projection	FY 2024-25 Projection	FY 2025-26 Projection	FY 2026-27 Projection	FY 2027-28 Projection
Property Taxes	$ 2,337.2	$ 2,379.5	$ 2,429.0	$ 2,425.0	$ 2,415.0	$ 2,400.0	$ 2,415.0	$ 2,450.0
Business Taxes	861.2	902.3	831.1	881.7	925.4	963.3	993.8	1,025.0
Sales Tax	188.3	182.9	203.7	205.8	211.3	218.1	225.0	232.2
Hotel Room Tax	158.2	188.9	257.4	302.6	347.9	382.9	400.7	412.7
Utility Users Tax	105.2	82.6	104.6	105.6	106.7	107.7	108.8	109.9
Parking Tax	71.1	80.2	80.4	84.1	87.9	90.6	92.5	94.5
Real Property Transfer Tax	520.3	390.5	233.8	277.5	321.2	365.0	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	5.4	11.3	11.3	11.3	11.3	11.3
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	100.0	60.0	80.0	80.0	100.0	100.0
Local Tax Revenues	**4,313.9**	**4,332.7**	**4,312.1**	**4,422.0**	**4,576.6**	**4,690.2**	**4,794.5**	**4,883.1**
Licenses, Permits & Franchises	24.6	26.8	28.1	29.0	29.0	29.0	29.0	29.0
Fines, Forfeitures & Penalties	5.7	3.1	3.1	2.6	2.6	2.6	2.6	2.6
Interest & Investment Income	31.7	44.5	71.7	100.6	107.8	116.5	119.0	110.9
Rents & Concessions	11.3	13.1	13.1	13.3	13.3	13.3	13.3	13.3
Licenses, Fines, Interest, Rent	**73.3**	**87.5**	**116.0**	**145.6**	**152.7**	**161.4**	**163.9**	**155.9**
Social Service Subventions	14.8	1.8	316.4	322.6	322.6	322.6	322.6	322.6
Disaster Relief - FEMA & ARPA	495.8	243.4	183.4	199.8	-	-	-	-
Other Grants & Subventions	282.5	316.4	1.8	1.7	1.7	1.7	1.7	1.7
Federal Subventions	**793.2**	**561.6**	**501.6**	**524.1**	**324.3**	**324.3**	**324.3**	**324.3**
Social Service Subventions	264.7	294.8	294.8	298.3	298.3	298.3	298.3	298.3
Health & Welfare Realignment - Sales Tax	234.2	222.6	247.3	252.8	261.9	271.1	281.0	291.1
Health & Welfare Realignment - VLF	49.3	46.6	45.8	49.1	51.9	51.9	51.9	51.9
Health & Welfare Realignment - CalWORKs	25.9	17.6	17.6	17.4	17.4	17.4	17.4	17.4
Health/Mental Health Subventions	220.2	177.8	177.8	169.5	169.5	169.5	169.5	169.5
Public Safety Sales Tax	93.8	89.7	93.1	98.1	102.6	108.1	113.8	120.0
Motor Vehicle In-Lieu (County & City)	1.9	-	-	-	-	-	-	-
Public Safety Realignment (AB109)	52.1	61.7	60.9	66.5	68.4	70.6	72.9	75.3
Other Grants & Subventions	61.6	31.6	31.6	27.9	27.9	27.9	27.9	27.9
State Subventions	**1,003.7**	**942.3**	**968.9**	**979.7**	**998.0**	**1,014.8**	**1,032.7**	**1,051.4**
General Government Service Charges	51.7	54.7	54.7	54.9	54.9	54.9	54.9	54.9
Public Safety Service Charges	41.7	39.1	39.1	42.6	42.6	42.6	42.6	42.6
Recreation Charges - Rec/Park	19.4	26.9	26.9	27.0	27.0	27.0	27.0	27.0
MediCal, MediCare & Health Svc. Chgs.	71.3	75.1	75.1	73.9	73.9	73.9	73.9	73.9
Other Service Charges	32.3	21.6	21.6	20.6	20.6	20.6	20.6	20.6
Charges for Services	**216.3**	**217.5**	**217.5**	**219.1**	**219.1**	**219.1**	**219.1**	**219.1**
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	22.0	23.1	23.1	23.1	23.1	23.1
TOTAL REVENUES	**6,447.8**	**6,183.4**	**6,158.0**	**6,333.4**	**6,313.7**	**6,452.8**	**6,577.6**	**6,676.8**
Transfers in to General Fund								
Airport	37.9	37.1	37.1	45.8	52.1	55.4	58.0	61.3
Commercial Rent Tax Transfer In	28.7	34.0	27.3	26.0	29.1	30.8	32.8	34.8
Other Transfers	121.8	129.8	129.8	131.9	131.9	131.9	131.9	131.9
Total Transfers-In	**188.5**	**200.9**	**194.1**	**203.6**	**213.1**	**218.1**	**222.7**	**228.0**
TOTAL GF Revenues and Transfers-In	**6,636.3**	**6,384.3**	**6,352.1**	**6,537.1**	**6,526.8**	**6,670.9**	**6,800.2**	**6,904.8**

Table 7 shows the percent change in General Fund revenues projected over the next five years.

Table 7: Year-Over-Year Changes in General Fund Revenue
FY 2021-28 ($ Millions)

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	% Chg from FY 2022-23 Projection	**% Chg from FY2023-24 Projection**	**% Chg from FY 2024-25 Projection**	**% Chg from FY 2025-26 Projection**	**% Chg from FY 2026-27 Projection**
Property Taxes	-0.2%	-0.4%	-0.6%	0.6%	1.4%
Business Taxes	6.1%	5.0%	4.1%	3.2%	3.1%
Sales Tax	1.0%	2.7%	3.2%	3.2%	3.2%
Hotel Room Tax	17.5%	15.0%	10.1%	4.6%	3.0%
Utility Users Tax	1.0%	1.0%	1.0%	1.0%	1.0%
Parking Tax	4.6%	4.5%	3.1%	2.1%	2.2%
Real Property Transfer Tax	18.7%	15.8%	13.6%	0.0%	0.0%
Sugar Sweetened Beverage Tax	0.0%	0.0%	0.0%	0.0%	0.0%
Stadium Admission Tax	109.3%	0.0%	0.0%	0.0%	0.0%
Access Line Tax	3.6%	2.6%	2.7%	2.4%	0.1%
Cannabis Tax	N/A	N/A	N/A	100.0%	0.0%
Executive Pay	-40.0%	33.3%	0.0%	25.0%	0.0%
Subtotal - Tax Revenues	**2.6%**	**3.5%**	**2.5%**	**2.2%**	**1.8%**
Licenses, Permits & Franchises	3.3%	0.0%	0.0%	0.0%	0.0%
Fines, Forfeitures & Penalties	-16.2%	0.0%	0.0%	0.0%	0.0%
Interest & Investment Income	40.4%	7.1%	8.0%	2.1%	-6.7%
Rents & Concessions	1.3%	0.0%	0.0%	0.0%	0.0%
Subtotal - Licenses, Fines, Interest, Rent	**25.5%**	**4.9%**	**5.7%**	**1.5%**	**-4.9%**
Social Service Subventions	2.0%	0.0%	0.0%	0.0%	0.0%
Disaster Relief - FEMA & ARPA	8.9%	-100.0%	N/A	N/A	N/A
Other Grants & Subventions	-3.9%	0.0%	0.0%	0.0%	0.0%
Subtotal - Federal Subventions	**4.5%**	**-38.1%**	**0.0%**	**0.0%**	**0.0%**
Social Service Subventions	1.2%	0.0%	0.0%	0.0%	0.0%
Health & Welfare Realignment - Sales Tax	2.2%	3.6%	3.5%	3.6%	3.6%
Health & Welfare Realignment - VLF	7.2%	5.8%	-0.2%	0.0%	0.0%
Health & Welfare Realignment - CalWORKs MOE	-1.0%	0.0%	0.0%	0.0%	0.0%
Health/Mental Health Subventions	-4.7%	0.0%	0.0%	0.0%	0.0%
Public Safety Sales Tax	5.3%	4.7%	5.3%	5.4%	5.4%
Motor Vehicle In-Lieu (County & City)	N/A	N/A	N/A	N/A	N/A
Public Safety Realignment (AB109)	9.3%	2.8%	3.2%	3.3%	3.3%
Other Grants & Subventions	-11.7%	0.0%	0.0%	0.0%	0.0%
Subtotal - State Subventions	**1.1%**	**1.9%**	**1.7%**	**1.8%**	**1.8%**
General Government Service Charges	0.3%	0.0%	0.0%	0.0%	0.0%
Public Safety Service Charges	8.9%	0.0%	0.0%	0.0%	0.0%
Recreation Charges - Rec/Park	0.6%	0.0%	0.0%	0.0%	0.0%
MediCal, MediCare & Health Svc. Chgs.	-1.7%	0.0%	0.0%	0.0%	0.0%
Other Service Charges	-4.5%	0.0%	0.0%	0.0%	0.0%
Subtotal - Charges for Services	**0.7%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Recovery of General Government Costs	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Other Revenues	**5.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
TOTAL REVENUES	**2.8%**	**-0.3%**	**2.2%**	**1.9%**	**1.5%**
Transfers in to General Fund					
Airport	**23.4%**	**13.8%**	**6.3%**	**4.7%**	**5.7%**
Commercial Rent Tax Transfer In	**-4.8%**	**12.2%**	**5.9%**	**6.3%**	**6.1%**
Other Transfers	**1.6%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Total Transfers In	**4.9%**	**4.7%**	**2.4%**	**2.1%**	**2.4%**
TOTAL GF Revenues and Transfers-In	**2.9%**	**-0.2%**	**2.2%**	**1.9%**	**1.5%**

Changes in Use of One-Time Sources

The change in use of one-time sources consists of a combination of the change in use of starting fund balance and use of reserves as described below.

Changes in Fund Balances

This report assumes the use of $318.0 million of fund balance, which includes $149.3 million of fund balance previously appropriated in the FY 2023-24 adopted budget, $163.4 million previously assumed as a source in the FY 2024-25 and FY 2025-26 shortfall projections, and $39.8 million of additional unappropriated fund balance from the FY 2021-22 close. These balances are partially offset by $34.5 million of projected revenue weakness in FY 2022-23. In this report, the $318.0 million of fund balance is spread across FY 2023-24 through FY 2025-26, meaning that it is fully depleted mid-way through the forecast period by FY 2025-26.

Changes in 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 8 outlines the projected balances of the City's major reserves. The forecast assumes the deposit of $57.5 million and withdrawal of $192.2 million to and from General Fund reserves in FY 2023-24. In FY 2024-25, it assumes deposits of $55.2 million and withdrawals of $39.8 million; in FY 2025-26, deposits of $63.3 million and withdrawals of $40.6 million; in FY 2026-27 deposits of $76.9 million and withdrawals of $41.3 million, and in FY 2027-28 deposits of $100.8 million and withdrawals of $42.1 million.

Selected key reserves are detailed below:

- **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% of General Fund revenue in FY 2023-24 to 3.0% by FY 2027-28, incrementally increasing by 0.25% each year. During the COVID-19 public health emergency, the City's eligibility to draw from the Rainy Day Reserve allowed the General Reserve required deposit to drop from 3% to 1.5%. This report assumes no use of the General Reserve in any year.

- **Rainy Day Economic Stabilization Reserve:** Charter Section 9.113.5 establishes the Rainy Day Reserve Economic Stabilization Fund, an economic stabilization reserve funded by 50% of revenue growth over 5% that can be used to support the General Fund and San Francisco Unified School District (SFUSD) operating budgets in years when revenue declines. Proposition C (November 2014) divided the existing Rainy Day Economic Stabilization Reserve into a City Rainy Day Reserve (City Reserve) and a School Rainy Day Reserve (School Reserve) with each reserve account receiving 50% of the existing balance. Beginning in FY 2015-16, 25% of Rainy Day deposits went to the School Reserve, and 75% went go to the City Reserve. No withdrawals from or deposits to this reserve are projected, because General Fund revenues grow such that the withdrawal threshold is not met. There are also no anticipated deposits to the Rainy Day School Reserve. Withdrawals from the School Reserve are made at the discretion of SFUSD. In FY 2020-21, SFUSD authorized a $33.5 million withdrawal from this reserve, leaving a balance of $1.0 million.

- **Budget Stabilization Reserve:** Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five-year average (adjusted for policy changes) and ending unassigned fund balance above the amount appropriated as a source in the subsequent year's budget. Consistent with the Rainy Day Reserve, this report assumes no withdrawals from the Budget Stabilization Reserve. The City is anticipated to deposit to the Budget Stabilization Reserve in FY 2025-26, FY 2026-27, and FY 2027-28, given transfer tax projections.

- **Fiscal Cliff Reserve:** The previously adopted FY 2023-24 budget appropriates $90.4 million of this reserve, leaving a balance of $130.3 million. No other deposits or withdrawals are assumed for this reserve.

Table 8: Projected Reserve Balances FY2023-FY2028 ($ Millions)

Projected Reserve Balances FY 2021-28 ($ in millions)

	FY 2021-22	FY 2022-23			FY 2023-24			FY 2024-25			FY 2025-26			FY 2026-27			FY 2027-28		
	Ending Balance	Deposit	Use	Proj Bal	Deposit	Use	Proj Bal	Deposit	Use	Proj Bal	Deposit	Use	Proj Bal	Deposit	Use	Proj Bal	Deposit	Use	Proj Bal
General Reserve	$ 43.8	64.4	-	$108.2	$ 18.5	-	$126.7	$ 15.4	-	$142.1	$ 19.3	-	$161.3	$ 19.6	-	$180.9	$ 19.4	-	$200.3
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	3.5	-	269.3	16.0	-	285.3	39.3	-	324.6
Economic Stabilization Reserves	380.3	-	-	380.3	-	-	380.3	-	-	380.3	3.5	-	383.8	16.0	-	399.8	39.3	-	439.2
Percent of General Fund Revenues	*5.9%*			*6.2%*			*6.0%*			*6.0%*			*5.9%*			*6.1%*			*6.6%*
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 Reserve	81.3	-	-	81.3	-	-	81.3	-	-	81.3	-	-	81.3	-	-	81.3	-	-	81.3
Fiscal Cliff Reserve	229.8	-	(9.3)	220.4	-	(90.2)	130.3	-	-	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 Management Reserve	123.9	-	-	123.9	-	-	123.9	-	-	123.9	-	-	123.9	-	-	123.9	-	-	123.9
Free City College Reserve	10.9	-	(4.0)	6.9	-	-	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	-	-	1.0
Alternative Response Reserve	3.0	-	(3.0)	-	-	-	-												
Other Reserves	552.6	-	(87.7)	465.0	-	(90.2)	374.8	-	-	374.8	-	-	374.8	-	-	374.8	-	-	374.8
Litigation Reserve	-	10.8	(10.8)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-
Salary and Benefits Reserve	17.9	21.7	(39.6)	-	28.1	(28.1)	-	28.8	(28.8)	-	29.6	(29.6)	-	30.3	(30.3)	-	31.1	(31.1)	-
Annual Operating Reserves	17.9	32.5	(50.4)	-	39.1	(39.1)	-	39.8	(39.8)	-	40.6	(40.6)	-	41.3	(41.3)	-	42.1	(42.1)	-
TOTAL, General Fund Reserves	994.7	96.8	(138.0)	953.5	57.5	(129.2)	881.8	55.2	(39.8)	897.2	63.3	(40.6)	919.9	76.9	(41.3)	955.5	100.8	(42.1)	1,014.3

Other General Fund Revenues

Department of Public Health Revenues

The Department of Public Health (DPH) budget included $38 million in one-time revenue from Medi-Cal settlements in FY 2022-23 budget. This one-time source is going away in FY 2023-24, resulting in a year-over-year $38 million revenue decline.

Overall, DPH operating revenue is projected to increase by $24.7 million in FY 2023-24, $13.8 million in FY 2024-25, $16.3 million in FY 2025-26, $15.3 million in FY 2026-27, and $16.1 million in FY 2027-28. The annual increases in revenues are primarily driven by fee-for-service and capitation payments at the Zuckerberg San Francisco General Hospital which are assumed to increase in line with CPI projections by 3.56% in FY23-24, 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. This report assumes no change in revenue at Laguna Honda Hospital. Additionally, this report assumes no change in SF City Option revenue which cannot be recognized until the completion of a three-year escheatment process as determined by the City Attorney.

Several other General Fund sources vary in their year-over-year change, and in total are projected to increase by $4.5 million in FY 2023-24, $14.2 million in FY 2024-25, $9.1 million in FY 2025-26, $8.6 million in FY 2026-27, and $9.5 million in FY 2027-28. These sources include Human Services Agency revenues and Airport revenues, as well as other small changes.

- **Human Services Agency Revenues:** The Human Services Agency (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 $3.0 million in FY 2023-24, $3.4 million in FY 2024-25, $2.7 million in FY 2025-26, $2.6 million in FY 2026-27, and $2.7 million in FY 2027-28.

- **Airport Transfer In:** The General Fund receives a portion of Airport concessions revenue annually. For FY 2023-24 through FY 2027-28, the Airport projects these revenues to increase by $8.7 million, $6.3 million, $3.3 million, $2.6 million, and $3.3 million respectively. The increase over the years reflects higher revenues from public parking, car rental, ground transportation trip fees, duty-free, food and beverage, and retail activities as it is expected that passenger traffic will continue to improve.

CITYWIDE EXPENDITURE PROJECTIONS

Uses – Baselines

The Charter specifies baseline-funding levels for various programs or functions that are generally linked to changes in discretionary General Fund revenues (known as aggregate discretionary revenue or "ADR"), though some are a function of citywide expenditures or base-year program expenditure levels.

The City's mandated contribution to baselines is changing by $49.8 million, $46.5 million, $44.6 million, $36.2 million, and $32.8 million in FY 2023-24, FY 2024-25, FY 2025-26, FY 2026-27, and FY 2027-28 respectively. Projected baseline contributions, property tax set-asides, and spending requirements are summarized below and in Table 9. Please note that Table 9 includes both General Fund contributions to baselines, property tax set-asides, non-General Fund contributions to baselines, and other mandated spending requirements. Thus, the amounts do not match the changes in the General Fund projection presented in Table 1 and described above.

Table 9: Projected Baselines, Set-asides and Other Mandated Costs, FY 2022-28 ($ Millions)

	FY 2021-22 Actuals	FY2022-23 Budget	FY2022-23 Projection	FY 2023-24 Projection	FY2024-25 Projection	FY 2025-26 Projection	FY 2026-27 Projection	FY 2027-28 Projection	Deficit Triggers
General Fund Aggregate Discretionary Revenue (ADR)	$ 4,307.2	$ 4,329.1	$ 4,291.8	$ 4,433.2	$ 4,595.3	$ 4,772.0	$ 4,883.1	$ 4,969.7	
Municipal Transportation Agency (MTA)									
MTA - Municipal Railway Baseline: 6.686% ADR	288.0	289.4	286.9	296.4	307.2	319.0	326.5	332.3	
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	107.6	111.1	115.2	119.6	122.4	124.6	
MTA - Population Adjustment	55.6	59.8	58.0	82.5	91.4	97.2	102.1	105.7	
MTA - 80% Parking Tax In-Lieu	56.9	64.1	64.3	67.3	70.3	72.5	74.0	75.6	
Subtotal Municipal Transportation Agency	$ 512.3	$ 538.4	$ 533.4	$ 574.9	$ 602.4	$ 627.4	$ 644.0	$ 657.2	
Library Preservation Fund									
Library - Baseline: 2.286% ADR	98.5	99.0	98.1	101.3	105.0	109.1	111.6	113.6	*
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	72.6	75.6	77.7	77.7	78.3	78.2	79.1	80.6	
Subtotal Library	171.0	174.6	175.8	179.0	183.4	187.3	190.7	194.2	
Children's Services									
Children's Services Baseline - Requirement: 4.830% ADR	208.0	209.1	207.3	214.1	221.9	230.5	235.8	240.0	
Children's Services Baseline - Eligible Items Budgeted	224.4	231.4	231.4						
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	25.0	25.1	24.9	25.7	26.7	27.7	28.3	28.8	
Transitional Aged Youth Baseline - Eligible Items Budgeted	39.4	37.1	37.1						
Early Care and Education Baseline (Jun 2018 Prop C) - Requirement: 2.2122% ADR	90.6	91.1	90.3	93.3	96.7	100.4	102.7	104.5	*
Public Education Services Baseline: 0.290% ADR (50% GF)	6.2	6.3	6.2	6.4	6.7	6.9	7.1	7.2	
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	116.1	121.2	124.3	124.3	125.3	125.1	126.6	129.0	
Public Education Enrichment Fund: 3.057% ADR	131.7	132.3	131.2	135.5	140.5	145.9	149.3	151.9	
1/3 Annual Contribution to Preschool for All	43.9	44.1	43.7	45.2	46.8	48.6	49.8	50.6	
2/3 Annual Contribution to SF Unified School District	87.8	88.2	87.5	90.3	93.6	97.2	99.5	101.3	
Student Success Fund (SFUSD)				11.0	35.0	45.0	60.0	61.1	*
Subtotal Childrens Services (Required)	577.6	585.1	584.2	610.3	652.7	681.4	709.8	722.6	
Recreation and Parks									
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	72.6	75.6	77.7	77.7	78.3	78.2	79.1	80.6	
Recreation & Parks Baseline - Requirement	79.2	82.2	82.2	85.2	88.2	91.2	93.3	94.9	*
Recreation & Parks Baseline - Budgeted	92.4	88.6	88.6						
Subtotal Recreation and Parks (Required)	151.7	157.8	159.9	162.9	166.5	169.4	172.4	175.6	
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	48.0	50.8	52.8	54.0	54.9	
Housing Trust Fund Budget	60.0	45.2	45.2						
Dignity Fund	53.1	56.1	56.1	59.1	62.1	65.1	68.1	69.3	*
Street Tree Maintenance Fund	22.2	22.3	22.1	22.8	23.7	24.6	25.2	25.6	
Municipal Symphony Baseline: $0.00125 per $100 NAV	3.7	4.0	4.0	4.2	4.3	4.4	4.5	4.5	
City Services Auditor: 0.2% of Citywide Budget	15.6	16.7	16.7	17.0	17.4	17.6	18.0	18.3	
Mission Bay Transportation Improvement Fund	7.6	8.8	8.8	9.1	12.7	13.0	13.2	13.5	
Subtotal Other Financial Baselines (Required)	359.6	368.1	367.9	375.2	385.9	392.3	397.9	401.2	
Total Financial Baselines	1,772.3	1,824.0	1,821.2	1,902.3	1,990.9	2,057.7	2,114.9	2,150.8	

Deficit Trigger	FY2022-23	FY 2023-24	FY2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Library Deficit Trigger (Est 21-22)	298.9	308.8	320.1	332.4	340.1	346.1
Student Success Fund (Est 22-23)	300.0	309.9	321.2	333.6	341.3	347.4
June Prop C Early Care and Education Baseline (Est 18-19)	193.0	199.4	206.7	214.6	219.6	223.5
DPW Street Tree Baseline (Est 18-19)	193.0	199.4	206.7	214.6	219.6	223.5
Recreation & Parks MOE Baseline (Est 16-17)	252.4	260.7	270.3	280.7	287.2	292.3
Dignity Fund (Est 17-18)	233.3	241.0	249.8	259.4	265.4	270.1

Municipal Transportation Agency Baselines: Charter section 8A.105 establishes 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 ADR. In addition, this baseline is required to be adjusted for significant service increases. Beginning in FY 2023-24, the MTA baseline will be increased due to the anticipated opening of the Central Subway for revenue service. Also included in the MTA baseline total is an amount equal to 80% of annual parking tax revenue as mandated by Charter Section 16.110. Proposition B, passed by the voters in November 2014, additionally adjusts these baselines by the growth in population; first, 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 MTA is expected to receive $574.9 million in FY 2023-24, increasing to $657.2 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, which is adjusted annually by ADR or more is forecasted, discussed below. In addition, the Charter established a property tax allocation of $0.025 for each $100 valuation of taxable property. A Charter Amendment to renew the Library Preservation Fund for 25 years was adopted by voters in November 2022. The combined baseline and property tax set-aside for the Library is projected to be $179.0 million in FY 2023-24, increasing to $194.2 million by FY 2027-28.

Children's Services: Several voter-approved measures support children's services in the City. These include the Children and Transitional Aged Youth baselines, Early Care and Education baseline, Children's Fund property tax set-aside, Public Education Enrichment Fund, and Student Success Fund, a new measure adopted in November 2022. Together, these requirements total $610.3 million in FY 2023-24, increasing to $722.6 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. Table 8 shows expenditure amounts required by the measure.

- **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 (PEEF) Annual Contribution 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:** Charter Section 16.131 through Proposition G in November 2022 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, which is adjusted annually by ADR, or more is forecasted, as discussed below.

Recreation and Parks: Similar to the Library Preservation Fund, Charter Section 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 appropriations by $3.0 million annually through FY 2025-26, after which the baseline is adjusted by changes in ADR. The City may temporarily suspend the required increases in any year in which a General Fund deficit of $200 million, which is adjusted annually by ADR, or more is forecasted, as discussed below. This report does not assume suspension of required increases in any years. The combined baseline and property tax set-aside for the Recreation and Parks Department is projected to be $162.9 million in FY 2023-24, increasing to $164.5 million by FY 2027-28.

As shown in Table 10 below, for certain mandated baseline spending requirements, the City may temporarily suspend the growth in payments to the baselines, should the City's deficit reach a certain threshold, generally between $200 to $300 million in FY 2023-24. This report does not assume suspension of required increases in any years because the deficit triggers are activated by the deficit forecasted in the March Update to the Five-Year plan. Should the March forecast remain the same as the current forecast, with a deficit of $200.8 million in FY 2023-24, growth in the Street Tree Maintenance Fund and the Early Care and Education baselines could be suspended for one year.

Table 10: Baseline Deficit Triggers ($ Millions)

Deficit Trigger	FY 2023-24	FY2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Library Deficit Trigger (Est 21-22)	308.8	320.1	332.4	340.1	346.1
Student Success Fund (Est 22-23)	309.9	321.2	333.6	341.3	347.4
June Prop C Early Care and Education Baseline (Est 18-19)	199.4	206.7	214.6	219.6	223.5
DPW Street Tree Baseline (Est 18-19)	199.4	206.7	214.6	219.6	223.5
Recreation & Parks MOE Baseline (Est 16-17)	260.7	270.3	280.7	287.2	292.3
Dignity Fund (Est 17-18)	241.0	249.8	259.4	265.4	270.1

Uses – Salaries & Benefits

This report projects General Fund supported salaries and fringe benefits to increase by $55.0 million in FY 2023-24, $114.6 million in FY 2024-25, $88.1 million in FY 2025-26, $106.5 million in FY 2026-27, and $126.5 million in FY 2027-28 for a total increase of $490.7 million over the five-year period. These increases, discussed in greater detail below, reflect current staffing costs 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 continue to be a considerable driver of increasing deficits in the final years of this report. The rise of salary and benefit costs over the five years of this plan represent 34% of the expenditure growth in the deficit projections - the second largest expenditure driver of the escalating deficit. Employer pension contributions continue to fall since peaking in FY 2020-21, but the forecast varies year-to-year based on market returns. Further, employer costs associated with employee health benefits continue to outpace general inflation.

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 include prior-year cost of living adjustments (COLAs) and known increases on closed MOUs and are projected to be $99.2 million for FY 2023-24. Costs for open contracts are discussed in the next section.

Projected Costs of Open Labor Agreements: Police and Firefighters' unions have open MOUs through FY 2027-28. This report assumes wage increases for these groups equal to 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 3.56% for FY 2023-24, 2.62% for FY 2024-25, 2.66% for FY 2025-26, 2.45% for FY 2026-27, and 2.51% for FY 2027-28.
In addition to Police and Firefighters, most labor unions have open contracts starting in FY 2024-25 and will enter negotiations for MOUs with the City in spring 2024. Therefore, beginning in FY 2024-25, this projection assumes that these unions will also have wage increases equal to the change in CPI.

The additional salary and benefit costs for open collective bargaining agreements, using these assumptions, are projected to be an additional $41.1 million in FY 2023-24, $133.0 million in FY 2024-25, $86.6 million in FY 2025-26, $83.2 million in FY 2026-27, and $89.5 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 police officers and firefighters and in FY 2024-25 for most other employees.

Health and Dental Benefits for Current 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.

Projections in this report assume average increases of approximately 6.0% in health rates in each year for active employees. Given these assumptions, health and dental insurance premium costs paid by the employer related to current employees are projected to increase by $26.2 million in FY 2023-24, $22.0 million in FY 2024-25, $21.8 million in FY 2025-26, $22.3 million in FY 2026-27, and $23.6 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 pharmaceuticals and high labor costs can result in increased costs of health care, and ultimately 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 4.2% per year over the next five years. General Fund support for retiree health costs increases by $2.2 million in FY 2023-24, $9.5 million in FY 2024-25, $10.2 million in FY 2025-26, $4.8 million in FY 2026-27, and $5.0 million in FY 2027-28. Proposition B, passed by voters in June of 2008, began to address the City's unfunded liability by requiring employees hired after January 10, 2009, and the City to contribute 2% and 1% of pre-tax compensation, respectively, into a Retiree Health Care Trust Fund. Proposition C, passed by voters in November of 2011, enhanced Proposition B's effects by requiring all remaining employees to begin contributing to this fund beginning in FY 2016-17 with corresponding employer contributions. Starting July 1, 2016, employees hired after January 10, 2009, began contributing 0.25% of pre-tax compensation into the retiree health care trust fund with additional 0.25% in each subsequent year, up to a maximum of 1%, 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 benefit places. Health costs are expected to increase faster than CPI over the five-year projection period.

Employer Retirement Contribution Rates Above Previous Projections

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 since then have decreased due to significant investment returns in that fiscal year. While rates continue to decrease during the forecast period, as projected in the previous forecast, they are decreasing at a lower rate due to weakness in actual investment returns. In FY 2021-22, the SFERS Board lowered their assumed rate of return from 7.4% to 7.2%. 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 November 2022. 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% of 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 for the five-year outlook for employees in band two is projected to decrease from 15.0% in FY 2023-24 to 12.5% in FY 2024-25 and to 11.3% in FY 2025-26. Rates are projected to continue to decrease to 10.8% in FY 2026-27, and then increase to 11.0% 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 2023-24 for police officers and firefighters was 14.7%; lowering to 13.4% in FY 2024-25, and again rising to 14.2% in FY 2025-26, 14.8% in FY 2026-27, and to 17.3% in FY 2027-28.

Depending on the date of hire, employees participating in CalPERS contribute a minimum of 7.5% to 9.0% of salary to retirement, plus an additional contribution based on labor agreement provisions. CalPERS rates are projected to decrease over the forecast period, from 54.1% in FY 2023-24, to 49.6% in FY 2024-25, 45.2% in FY 2025-26, 41.0% in FY 2026-27, and 36.3% in FY 2027-28.

The net result of these changes to the employer share of SFERS and CalPERS contribution rates is a decrease in costs of $89.6 million in FY 2023-24, then further decreases of $52.6 million in FY 2024-25, $30.7 million in FY 2025-26, $9.4 million in FY 2026-27, and an increase of $2.3 million in FY 2027-28. Failure to meet the assumed rate of return or future, unbudgeted supplemental COLAs could dramatically impact this forecast.

Table 11: Estimated Contribution Rates for the San Francisco Employees Retirement System (SFERS)

San Francisco Employees Retirement System (SFERS)	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Estimated Total Contribution Rates	24.5%	21.7%	19.7%	18.2%	18.4%
Non-Safety Employees					
Employee Contribution (1)					
Band 1,< $32.93/hour	7.5%	7.5%	7.5%	7.5%	7.5%
Band 2, < $65.86/hour	9.0%	8.5%	8.0%	7.0%	7.0%
Band 3, > $65.86/hour	9.5%	9.0%	8.0%	7.0%	7.0%
Additional Rate Factors					
Band 1,< $32.93/hour	0.6%	0.5%	0.4%	0.4%	0.4%
Band 2, < $65.86/hour	0.5%	0.5%	0.4%	0.4%	0.4%
Band 3, > $65.86/hour	0.5%	0.4%	0.4%	0.4%	0.4%
Estimated Net Employer Contribution (1)					
Band 1,< $32.93/hour	16.4%	13.71%	11.78%	10.33%	10.53%
Band 2, < $65.86/hour	15.0%	12.75%	13.30%	10.82%	11.01%
Band 3, > $65.86/hour	14.5%	12.27%	13.30%	10.82%	11.01%
Police and Fire Safety Employees (2)					
Estimated Total Contribution Rates	33.6%	30.8%	28.8%	27.3%	27.5%
Employee Contribution and additional rate factors	10.0%	9.5%	8.8%	7.8%	7.8%
Estimated Net Employer Contribution	23.5%	21.2%	20.0%	19.5%	19.7%

(1) Employees' contribution is based on wages. The wages shown are based on the estimated FY 2023-24 wage floors.

(2) Employees' base contribution rates vary with hire date.

Other Salaries and Fringe Benefits Costs: Other salary and benefit cost changes include contributions toward pre-funding retiree health costs, employment insurance, and overtime costs. Primarily due to one-time public safety overtime costs in FY 2022-23 that are going away in FY 2023-24, the report projects a $24.2 million savings in FY 2023-24. The report projects cost increase of $2.7 million in FY 2024-25, $0.9 million in FY 2025-26, $0.9 million in FY 2026-27, and $0.9 million in FY 2027-28.

Uses – Citywide Operating Costs

Over the next five years, the City will also incur increasing non-salary operating costs. Citywide non-salary operating costs are projected to increase by $78.5 million in FY 2023-24, $121 million in FY 2024-25, $113.3 million in FY 2025-26, $96.8 million in FY 2026-27, and an additional $105.3 million in FY 2027-28. The impacts and costs associated with these increases span multiple departments and are described in more detail below.

Citywide – Inflation on Non-Personnel Costs and Non-Profit Grants

This projection assumes that the cost of materials and supplies, professional services, contracts with community-based organizations, and other non-personnel operating costs will increase by the rate of Consumer Price Index (CPI) starting in FY 2024-25 and thereafter at a rate of 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. The projection reflects the adopted FY 2022-23 and FY 2023-24 budget, which included a 4% cost-of-doing business increase for General Fund nonprofit contracts. 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 2023-24 and FY 2024-25 budget.

This report also includes cost projections over the five years to implement San Francisco's minimum wage laws and Minimum Compensation Ordinance (MCO). Minimum wage laws in San Francisco govern base wages for all workers within the geographic perimeters of the City and County of San Francisco. The MCO applies only to workers on contracts with the City and County of San Francisco.

In sum, these changes to the City's projected costs result in an increase in General Fund costs of $35.6 million in FY 2024-25, $37 million in FY 2025-26, $35 million in FY 2026-27, and $36.8 million in FY 2027-28.

Citywide – Capital, Equipment & Technology

Changes in funding for capital, equipment, and technology will result in General Fund costs of $66.5 million in FY 2023-24, $29.5 million in FY 2024-25, $38.5 million in FY 2025-26, $39 million in FY 2026-27, and $39.8 million in FY 2027-28.

Table 12: Capital, Equipment, & Technology ($ Millions)

	Projected Levels - One-time Costs				
	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Capital Plan Budget	88.7	118.7	148.7	178.7	208.7
Capital FF&E, Move Costs	8.4	-	-	-	-
Equipment	11.6	11.9	12.3	12.6	12.9
Information & Communications Technology Budget	15.8	26.2	22.7	31.2	36.3
Major IT Investments	22.6	16.1	23.9	20.0	20.0
Total One-time Costs	**147.2**	**172.9**	**207.5**	**242.4**	**277.9**

	Incremental Change - One-time & On-going Costs				
	2023-24	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Capital Plan Budget	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Capital FF&E, Move Costs	(8.4)	8.4	-	-	-
Equipment	(1.7)	(0.3)	(0.3)	(0.3)	(0.3)
Information & Communications Technology Budget	(9.7)	(10.4)	3.5	(8.5)	(5.1)
Major IT Investments	(5.3)	6.5	(7.7)	3.9	-
Department of Technology Rates	(11.3)	(3.7)	(4.0)	(4.0)	(4.3)
Incremental Change	(66.5)	(29.5)	(38.5)	(39.0)	(39.8)

This projection assumes increased funding of the City's General Fund capital program by $30 million annually throughout the forecast period from FY 2023-24 through FY 2027-28. 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. This General Fund capital program projection is expected to align with the updated FY 2024-33 Ten Year-Capital Plan, to be released in spring 2023.

Additionally, the City will incur costs to furnish and equip new and upgraded City facilities. These costs will increase by $8.4 million in FY 2023-24, decrease by $8.4 million in FY 2024-25, and remain at no cost during the remainder of the forecast period. These costs are associated with HSA's exit from 170 Otis and the retrofits and renovations of the African American Art and Culture Complex (AAACC) and the Mission Cultural Center for Latino Art (MCCLA). The subsequent savings and flat budget are due to no other planned moves or renovations between FY 2024-25 through FY 2027-28.

Citywide equipment costs are projected to increase by $1.7 million in FY 2023-24, as reflected in the previously adopted FY 2022-23 and FY 2023-24 budget. Increased cost assumptions based on CPI result in annual $0.3 million increases in FY 2024-25, 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.

This report assumes an increase of $10 million in FY 2023-24 to the total citywide technology projects allocation, and growth of 10% in every year thereafter. Citywide costs for annual information technology projects are projected to increase by $9.7 million in FY 2023-24 and $10.4 million in FY 2024-25, then decrease by $3.5 million in FY 2025-26, and increase by $8.5 million in FY 2026-27 and $5.1 million in FY 2027-28.

The citywide costs for major information technology projects are forecast to increase by $5.3 million in FY 2023-24, decrease by $6.5 million in FY 2024-25, increase by $7.7 million in FY 2025-26, decrease by $3.9 million in FY 2026-27, and remain flat in FY 2027-28. The primary driver of the FY 2023-24 increase is the investment to replace the City's Computer Aided Dispatch (CAD) systems. The major and annual allocation is consistent with the City's Information and Communication Technology (ICT) Plan for FY 2023-24 through FY 2027-28, to be released in spring 2023.

Finally, the Department of Technology's rates, which are based on estimated cost growth on technology contracts, are projected to increase by $11.3 million in FY 2023-24, $3.7 million in FY 2024-25, $4.0 million in FY 2025-26, $4.0 million in FY 2026-27, and $4.3 million in FY 2027-28 due to inflationary increases on technology services and contracts.

Citywide – Debt Service & Real Estate

Over the next five years, total debt service and real estate costs are projected to increase by $30.8 million in FY 2023-24, $40.4 million in FY 2024-25, $22.4 million in FY 2025-26, $8.7 million in FY 2026-27, and $14.1 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, and debt service payments on other large capital facilities.

Citywide – Sewer, Water, and Power Rates

The Base Case 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. These costs are modeled using projected utility rates and volume usage by General Fund departments, factoring in other macroeconomic inputs. Power rates are projected to increase by three cents per kilowatt hour per year until cost of service is reached. Sewer and water rates are assumed to increase respectively by approximately 9% and 6% annually.

In addition to the rate, increases in power expenses are driven by high gas 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. However, water and sewer costs also factor in conservation, as it relates to the ongoing drought. As a result, the projection assumes increased annual cost increases of $9.3 million in FY 2023-24, $6.0 million in FY 2024-25, $6.0 million in FY 2025-26, $5.8 million in FY 2026-27, and $5.6 million in FY 2027-28.

COVID-19 Response

The local cost of directly responding to the COVID-19 pandemic is projected to decrease by $32.3 million in FY 2023-24 to reflect a continued reduction in response service levels related to the pandemic. This projection assumes the costs incurred by the General Fund related to COVID-19 response efforts will remain flat at $25 million during the forecast period.

Worker's Compensation

This report assumes that Worker's Compensation costs will increase by $6.3 million in FY 2023-24, $3.8 million in FY 2024-25, $4.0 million in FY 2025-26, $4.2 million in FY 2026-27, and $4.4 million in FY 2027-28. The projected cost increases are attributed to increased claim filing rates, largely related to the COVID-19 pandemic, and the more severe nature of reported injuries. Additional factors contributing to projected cost growth include increased benefit rates adopted by the California Division of Workers' Compensation that have risen sharply in the last two fiscal years, inflation on medical services, and increased employer assessments from the California Department of Industrial Relations.

Other Citywide Costs

This category includes increases in other costs across citywide services, including fleet maintenance, risk management, and contract monitoring. Additionally, it includes Soda Tax expenditures, the temporary General Fund backfill of the Hotel Tax for the Arts, and one-time savings in FY 2023-24 from the radio maintenance project. These items together result in a decreased General Fund cost of $2.0 million in FY 2023-24, then a cost increase of $5.7 million in FY 2024-25, $5.3 million in FY 2025-26, $4.1 million in FY 2026-27, and $4.7 million in FY 2027-28.

Uses – Departmental Costs

This section provides a high-level overview of significant departmental costs over the next five years. Table 4 displays departmental cost decreases of $11.7 million in FY 2023-24, followed by increases of $49.0 million in FY 2024-25, $46.7 million in FY 2025-26, $62.1 million in FY 2026-27, and $68.8 million in FY 2027-28.

City Administrator's Office – Convention Facilities Subsidy

This report assumes the Convention Facilities Fund General Fund subsidy will decrease by $1.6 million in FY 2023-24, increase by $2.8 million in FY 2024-25, decrease by $5.1 million in FY 2025-26, no change in FY 2026-27, and increase by $0.2 million in FY 2027-28. The projected cost increases and decreases are based on currently scheduled conventions and projected attendance, which is weaker in the short-term as convention business returns from COVID-19 pandemic levels.

Elections – 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. With this change, current projections assume five elections during the projection period, shown in Table 12. This schedule results in a projected cost increase of $1.1 million in FY 2023-24, a decrease of $0.2 million in FY 2024-25, an increase of $1.2 million in FY 2025-26, a decrease of $0.3 million in FY 2026-27, and finally an increase of $1.2 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 13: 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 – Public Financing of Elections

The Ethics Commission administers the Election Campaign Fund. Per the charter, the City must appropriate $2.75 per resident each fiscal year. In the case of a Mayoral vacancy, the fund is required to contain $8.00 per resident for that election and for the next regularly scheduled Mayoral election. 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.

This projection assumes that the General Fund will appropriate an amount equal to $8.00 per resident in FY 2024-25 and that eligible candidates will qualify and accept disbursements each fiscal year based on historical actuals. Therefore, no cost increase is projected for FY 2023-24. However, costs are projected to increase by $5.1 million in FY 2024-25, decrease by $5.0 million in FY 2025-26, increase by $1.2 million in FY 2026-27, and finally increase by $0.7 million in FY 2027-28.

Mission Bay Transportation Improvement Fund

The Golden State Warriors completed the construction of a multipurpose event center, retail, and office project at 16th Street and 3rd Street in Mission Bay in September 2019. In November 2015, the Mayor and Board of Supervisors approved the creation of the Mission Bay Transportation Improvement Fund to pay for public infrastructure improvements, equipment, and public services to address the community's transportation needs and other impacts in connection with events at the center. The deposits to the fund are calculated based on general purpose revenues generated by the arena and event space through the increased property, business, sales, hotel, utility user, and stadium admission taxes. This report projects estimated annual incremental project costs of $0.3 million in FY 2023-24, $3.6 million in FY 2024-25, $0.3 million in FY 2025-26, $0.3 million in FY 2026-27, and $0.3 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 lease inflationary costs for permanent supportive housing sites in the City's portfolio. The projected costs related to these projects are expected to increase by $1.1 million in FY 2023-24, $6.7 million in FY 2024-25, $5.9 million in FY 2025-26, $10.5 million in FY 2026-27, and $8.9 million in FY 2027-28.

Human Services Agency – In-Home Supportive Services and Other Public Benefit Programs
In-Home Supportive Services (IHSS) is an entitlement program that provides homecare services to 25,000 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 24,000 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% 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 2022-23, the MCO base wage for IHSS care providers is slated to reach $19.25 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. Overall, the MOE is projected to grow to a $219.3 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 $12.5 million in FY 2023-24, $8.6 million in FY 2024-25, $9.5 million in FY 2025-26, $10.0 million in FY 2026-27, and $10.9 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.

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 $6.9 million in FY 2023-24, $1.2 million in FY 2024-25, $0.8 million in FY 2025-26, $0.7 million in FY 2026-27, and $1.2 million in FY 2027-28. These changes are primarily due to several causes. One driver is a recent surge in the homeless CAAP caseload, which has both grown and cost more per case while the City, during the pandemic, has been less able to offer shelter beds in lieu of cash aid. San Francisco's refugee aid caseload has also grown recently because of an influx of Ukrainian refugees. Lastly, both the CalWORKs and CAAP monthly aid payment amounts have increased significantly as of October 2022, due to policy efforts to make these aid benefits maintain pace with the increased cost of living.

Downtown Recovery and Activation

In June 2021, the City established measures to bolster the recovery of the City's Economic Core, which includes Downtown, South of Market, Union Square, Civic Center, Mid-Market, Yerba Buena, and Mission Bay. Part of the Mid-Market Vibrancy and Safety Plan One program placed Community 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. Along with the Community Ambassadors, the program also funds activations of public spaces and ground floor retail spaces. This report assumes the same level of funding from the adopted FY 2022-23 and FY 2023-24 budget, which is a reduction of $14.4 million in FY 2023-24, and an additional reduction of $19.9 million in FY 2024-25, with no further costs assumed for the remainder of the projection period. Any expansions of these programs will be part of later policy decisions and are not incorporated into this report.

2022 Election Measures

The costs of implementing several election measures that voters passed in June and November 2022 are assumed in this report.

In June 2022, San Francisco voters approved Proposition D, creating the Office of Victim and Witness Rights. This Office will add an estimated $1.0 million in annual costs beginning in FY 2023-24 for staffing and basic operations.

In November 2022, San Francisco voters approved Proposition B, dissolving the Sanitation and Streets Department (SAS) created in 2020, and returning its functions to DPW. The Sanitation and Streets Commission will remain to hold public hearings and set policies regarding sanitation standards and protocols, and maintenance of the public right of way. In the previous budget, building out SAS was projected to increase costs by $2.3 million in FY 2023-24. Now, returning departmental resources to DPW reduces the cost by $1.4 million, to an increased cost of $0.8 million in FY 2023-24, with costs remaining flat for the rest of the projection period. Voters also approved Proposition C in November 2022, creating a Homelessness Oversight Commission costing an estimated $0.4 million for staffing in FY 2023-24 and staying flat for the remainder of the projection period. Lastly, San Francisco voters approved Proposition G to establish a Student Success Fund baseline that will cost $11 million in FY 2023-24, increasing by $24 million in FY 2024-25, $10 million in FY 2025-26, $15 million in FY 2026-27, and $1.1 million in FY 2027-28 to reach a total General Fund contribution of at least $60 million annually.

In total, in order to implement 2022 election measures adopted by San Francisco voters, the General Fund cost will increase by $13.2 million in FY 2023-24, $24 million in FY 2024-25, $10 million in FY 2025-26, $15 million in FY 2026-27, and $1.1 million in FY 2027-28 for a total of $63.4 million by the final year of the projection.

Public Health – Operating Costs

Department of Public Health (DPH) operating cost projections increase by $20.4 million in FY 2023-24, $25.3 million in FY 2024-25, $25.6 million in FY 2025-26, $26.9 million in FY 2026-27, and $34.2 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, FF&E costs, and cost increases related to the UCSF Affiliation Agreement, which provides the clinical staff at Zuckerberg San Francisco General Hospital.

FY 2022-23 One-Time Community Support Initiatives

The FY 2022-23 budget included one-time funding for a variety of community support initiatives. This projection assumes the expiration of these one-time funds in line with adopted budget, including $15.0 million for COVID-19 food security programs, $14.0 million for nonprofit capital and acquisition, $11.0 million for the Sunnydale Commercial and Community Center, $10.0 million for the Small Business Grants pool, and $5.0 million for Permanent Supportive Housing capital improvements. Costs related to these projects result in a decrease of $62.0 million of General Fund in FY 2023-24 with no further changes in the later years.

All Other Departmental Savings/(Costs)

This section includes other smaller departmental changes including the expiration of limited-term funding project costs and several other small changes. These items together result in a cost of $10.7 million in FY 2023-24, incremental savings of $8.2 million in FY 2024-25, a cost of $3.5 million in FY 2025-26, savings of $2.2 million in FY 2026-27, and a cost of $3.4 million in FY 2027-28.

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FISCAL STRATEGIES FOR A CHANGED LONG-TERM OUTLOOK

The COVID-19 pandemic that began in March 2020 brought about dramatic financial changes for the City and County of San Francisco, beginning with an historically high $1.5 billion two-year deficit projection in the initial two budget years. Despite substantial local revenue losses, the City overcame this deficit with the help of federal revenues, a disciplined use of reserves, and exercising financial constraint in its spending throughout the last few years. By January 2022 – just a year ago – this City projected a modest surplus in the two-year budget outlook with the help of record returns in the City's pension investments. Today, that optimistic outlook has taken a stark turn yet again, but this time based on a more negative *long*-term outlook in the City's revenue sources.

This base case projection considers revenue trends and costs to support current service levels, with cost growth projected where there is a reasonable basis to assume such increases. As is typical in these forecasts, expenditure growth escalates throughout the five-year period, although from an even higher basis than in previous forecasts due to new wage rates for most City employees and other Citywide operating and departmental program costs. What's changed most significantly from prior projections is the rate of revenue growth. Where earlier projections assumed a gradual recovery from the substantial losses during the pandemic, this report now assumes that changes in office use that began in the pandemic are long-lasting, a shift that has major repercussions for San Francisco's largest two tax revenues: business and property tax. With minimal growth assumed in the City's revenues and ever-growing costs, the structural deficit grows to over $1.2 billion by FY 2027-28.

Expenditures Growth Projected to Outpace Growth in General Fund Revenues

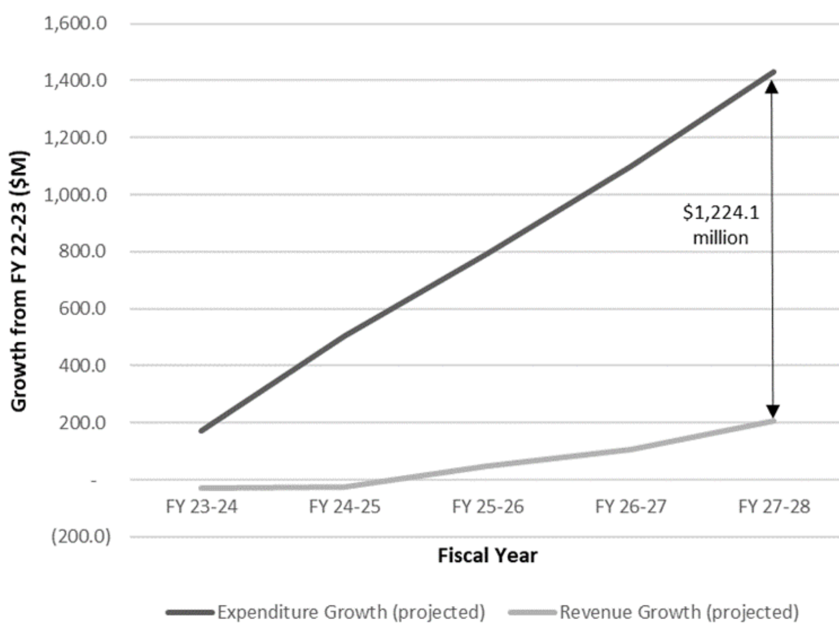

Figure 18

In order to close this gap, especially in the long term, City leaders will need to consider major structural changes that both constrain costs as well as grow the City's revenue base. This kind of economic restructuring will take experimentation, time, and some solutions may even require voter approval. Work is already underway among City departments, leaders, and the broader business community to review and implement some strategies, especially focused on the City's downtown and economic core – some of which are highlighted in the Strategic Initiatives section of this report.

The strategies outlined below are meant to offer a framework for budget changes, likely spending reductions, as the City works to develop more refined and longer-term revenue, savings, and operational proposals that will likely require multi-year planning and multi-stakeholder engagement.

Fiscal Strategies: Overview and Approach

Unlike the large and immediate budget gaps that followed the 2001 and 2008 recessions, the financial outlook in the current projection reflects a set of much longer-term structural challenges facing the City in this post-pandemic economic reality. Each year, the budget gap grows by about $200 to $300 million. Consequently, each year the budget challenge is not addressed in an ongoing way, the problem exacerbates, stacking up to a $1.2 billion deficit by FY 2027-28.

Meanwhile, the risks of further losses in the City's revenue base, whether driven by a recession, deeper structural shifts in the City's economy, or other macro-economic factors, are significant. These risks will need to be carefully monitored and responsibly guarded against in order to minimize major impacts to critical City services.

In the upcoming two-year budget cycle, initial ongoing changes – whether reductions in spending or leveraging new, ongoing revenue sources – must be implemented as more significant and complex proposals are planned to then take effect in future years. One-time solutions through the use of reserves, many consciously established by the City during better times, should be used to bridge remaining gaps and the City's rainy day reserves must be maintained to manage even greater budget deficits should a recession occur.

Table 14 below provides a conceptual view of this approach with annual, ongoing adjustments of $200 – 250 million paired with one-time solutions to solve for the remaining forecasted shortfalls. This approach aims to minimize service disruptions while recognizing the time required to implement larger, more complex solutions in future years. Importantly, it maintains adequate reserves as a stop-gap for a recession or further weakening in the local economy.

Table 14: Fiscal Strategies Framework

Base Case Outlook ($ Millions)	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total
Cumulative Projected Surplus/(Shortfall)	**(201)**	**(528)**	**(746)**	**(992)**	**(1,224)**	**(3,691)**
Proposed fiscal strategy - Annual ongoing solutions and limited one-time sources ($ Millions)						
FY 23-24 ongoing solutions	201	201	201	201	201	**1,005**
FY 24-25 ongoing solutions		250	250	250	250	**1,000**
FY 25-26 ongoing solutions			250	250	250	**750**
FY 26-27 ongoing solutions			-	250	250	**500**
FY 27-28 ongoing solutions					250	**250**
Total annual ongoing budget solutions	**201**	**451**	**701**	**951**	**1,201**	**3,505**
Remaining gap	-	(77)	(45)	(41)	(23)	**(186)**
One-time solutions		**77**	**45**	**41**	**23**	**186**
Adjusted Outlook	-	-	-	-	-	-

In the following section, examples of initial budget-savings strategies, largely focused on managing expenditure growth, are discussed.

Fiscal Strategies: Manage Employee Salary and Benefit Costs

The Five-Year outlook anticipates that, absent change, the rate of growth in employee salary and fringe benefit costs will rise significantly during the coming five years, representing 34% of all projected expenditure growth, the second largest driver of the growth in the City's deficit and expenditure increases. In order to minimize service reductions and impacts on the City's workforce, these strategies assume that the City will take action to constrain growth in employee costs throughout the five-year period, through approaches such as negotiation of future labor contracts and the management of pension and health benefit costs.

Labor Costs: The Base Case assumes the implementation of previously negotiated labor agreements for miscellaneous employees through FY 2023-24, with assumed cost-of-living adjustments in line with CPI through FY 2027-28. The remaining police and firefighter employees are covered by labor contracts that expire at the end of FY 2022-23. For these employees, the Base Case outlook assumes cost-of-living adjustments in line with projected CPI commencing in FY 2023-24.

However, given the gap between revenue and expenditure growth, it is unlikely the City can afford these increases without expenditure reductions beyond the departmental and citywide reductions discussed in these fiscal strategies. Over the next five years, the City will need to set goals for labor contract agreements that reduce costs relative to the projections assumed above.

Provisions in the adopted MOUs allows for negotiated wage increases to be delayed should the projected shortfall for the upcoming fiscal year exceed a certain threshold. In the negotiated labor agreements for miscellaneous employees, should the projected shortfall for the upcoming fiscal year exceed $300 million at the time of the March Update to this report, the base wage adjustment can be delayed by six months.

Pension Costs: Employer contributions to the San Francisco Employees' Retirement System (SFERS) peaked in FY 2020-21 after a series of changes had been fully amortized and further, due to significant investment returns. The City, led by the Retirement Board, will need to continue to seek opportunities to skillfully invest - especially during more volatile times – as well as implement responsible policies to reduce future liability and constrain cost growth.

Health Benefits: Employer contributions for active and retiree health benefits are expected to grow much faster than inflation over the next five years. Reducing this rate of growth is a top priority for the Health Service Board and the City. The Health Service System (HSS) continues to explore innovative ways to make health care affordable and sustainable for current and future members through value-driven decisions, programs, designs, and services. In the coming years, HSS will continue to focus on quality, value-based payments and going to market with health plans aligned with these strategies.

General Fund savings resulting from these strategies would result in ongoing cost reductions. These proposals represent planning goals, and many of these solutions will require agreements with employee unions and health care providers.

Fiscal Strategies: Citywide Expenditure Savings

Capital, Equipment, and Information Technology Spending: The City's FY 2024-33 Capital Plan, set to be published in early 2023, calls for an annual $30 million increase in the level of General Fund cash investment in city-owned infrastructure. This $30 million annual rate of growth is included in the plan's Base Case projected costs. The current projection estimates a $626.0 million General Fund facilities backlog at the end of FY 2023-24, thus the significant investment in capital funding assumed in the Base Case addresses and lessens this backlog over the forecast period.

The City's Information and Communication Technology (ICT) Plan that will be released in spring 2023 similarly recommends an increase of $10 million in FY 2023-24 and annual increase of 10% for total ICT allocations. This growth is also included in the City's Base Case projection.

Ways in which savings could be realized related to the Capital, Equipment, and ICT Plans include:

- Reduce spending in portfolios below their recommended growth each year;
- Assume the Capital and ICT Plan General Fund support level grows at CPI rather than the recommended levels in each year;
- Fully fund the Capital and ICT Plan in the first year, but at lower growth rates in the latter years of the budget;
- Leverage alternative revenue sources to support capital, IT, and equipment needs, which could come with a cost (such as debt), but would delay costs.

Managing the City's Debt and Real Estate Portfolios: In recent years, the City has successfully pursued refinancing and restructuring of existing debt obligations, resulting in lower annual debt service costs on General Fund capital projects and real estate ventures. The projections in this report expect that the City will continue to proactively manage and restructure planned debt to achieve additional savings, and leverage debt as a tool where appropriate to fund capital work that would otherwise increase General Fund costs and contribute to the deficit. In addition, the City has adopted a policy to limit the General Fund Certificates of Participation (COP) debt program to 3.25% of aggregate discretionary revenue. However, this does not mean that the City must fund projects using debt.

A changing real estate market and remote work standards, while detrimental to City revenues, could nonetheless provide the City with opportunities to renegotiate leases on City buildings, revise on-going cost projections for new leases, or re-consider its space needs for City employees, generating savings in on-going real estate costs. The City has adopted a Telecommuting Policy and Program, with approval, that allows employees to arrange a hybrid work model of being in-office and remote. The City Administrator's Office is currently analyzing office space needs given this new policy and practice with forthcoming recommendations for City leaders to consider.

Limit Non-Personnel Inflationary Costs: The Base Case of this plan assumes that departments will absorb inflationary increases on many non-salary costs (such as spending on contracts or materials and supplies) in FY 2023-24, but that inflationary costs will contribute significantly to citywide costs for the last four years of the projection. Given the projected deficits facing the City, these fiscal strategies assume that some level of this cost escalation is absorbed by departments within existing budgets for most non-personnel costs in the final four years of the five-year period. This strategy will likely require continual re-evaluation by City departments of priority purchasing needs, finding opportunities for efficiencies, and a focus on effective purchasing practices – or even reforms – to ensure the lowest possible price.

If changes such as these are made each year, they could result in ongoing savings from the projected deficits. To the extent possible, the City should continue to make investments in capital and IT spending as it is an important goal to ensure the resiliency of San Francisco's infrastructure, but those needs must be balanced against the City's ability to fund them. To supplement the General Fund sources discussed above, the City will continue to work to leverage alternative sources to support capital, IT, and equipment needs.

Fiscal Strategies: On-going Departmental Revenues and Savings Initiatives

Thanks to the use of one-time revenue sources and citywide saving strategies utilized in the recent budget years to address the COVID-19 shortfalls and fiscal impacts, departments did not need to make significant cuts to their budgets in the last few years. Given the current outlook, departments will now need to find ways to reduce their projected spending or find new sources to support current levels of spending.

In December 2022, the Mayor instructed departments to reduce on-going General Fund support by 5% in FY 2023-24 and 8% in FY 2024-25. Departments were also instructed to prepare for the economic outlook to worsen, and that further reductions may be requested. If departments meet the required budget targets of 5% and 8%, ongoing, this would generate over $500 million in budget savings in the upcoming cycle, making a significant dent in the five-year structural shortfall.

To achieve ongoing operational savings, departments have been instructed to:

- Identify alternative revenue sources;
- Evaluate and right-size core service level needs and consolidate contracts;
- Eliminate or reduce contracts and other costs for non-essential or discretionary services;
- Suspend programs and initiatives that are funded in the base budget, but have not yet started; and,
- Analyze and determine how staffing vacancies can be used for savings

While the goals set forth in the Mayor's budget instructions and this plan are ambitious, the General Fund budget reduction targets of 5 and 8% are significantly less than the requested departmental reductions in the five years following the 2008 downturn, which ranged from 5% to 25% each year. These changes will nonetheless require difficult decisions, prioritization, and tradeoffs.

The strategy outlined above offers a framework for City departments and leaders to approach this difficult financial outlook. Initial budget solutions that make lasting reductions in the City's General Fund commitments will be necessary as longer-term solutions are planned and in time, implemented. Additional strategies will be required in a recession.

RECESSION PLANNING SCENARIO: SPRING RECESSION

Due to the difficulty of predicting recessions, the Base Case of this report does not anticipate an economic contraction in the next five years. Despite the large deficits projected, overall General Fund tax revenues in the Base Case grow year-over-year, albeit very slowly. However, a Bloomberg survey from December 2022 found that 70% of professional economic forecasters anticipated a recession some time in calendar year 2023.

The biggest impact on the City's budget deficits in a time of recession comes from reduced revenues and increased employer pension contribution rates. 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 change, San Francisco's economy is still recovering from the COVID-19 pandemic, and the Base Case forecast already assumes medium to long-term structural change in the local economy related to work-from-home. The bounds of this conceptual framework are summarized previously in Table 2

Historically, projection variances follow the economic cycle, and revenues tend to outperform expectations in times of expansion and underperform in times of recession. Actual revenues exceeded budgeted revenues by over 6% in FY 2005-06, FY 2010-11, and FY 2018-19, years of rapid revenue growth. However, revenues were 2-4% 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 that assumes weakness in the California and San Francisco economies beginning in spring 2023.

Revenue

The recession scenario roughly models the lower righthand quadrant in the table above, where a cyclical recession converges with deep structural change in San Francisco's economy. This scenario results in immediate revenue loss in all major local tax sources – property, business, hotel, sales, and transfer taxes – with near recovery in sales and hotel tax by the last year of the forecast but lingering weakness in other sources relative to the Base Case. Reductions in the City's projected aggregate discretionary revenue would result in reduced contributions to baselines and set-asides. The revenue loss from a recession beginning in late FY 2022-23 would be approximately $953.4 million through FY 2027-28. Reductions to baselines total $167.4 million, resulting in an estimated net impact of $786.0 million from FY 2022-23 through FY 2027-28. Figure 19 shows the difference between Base Case and Worse Scenario revenue projections before General Fund savings from reduced baseline contributions are considered.

Base Case vs Worse Scenario, Selected Local Taxes

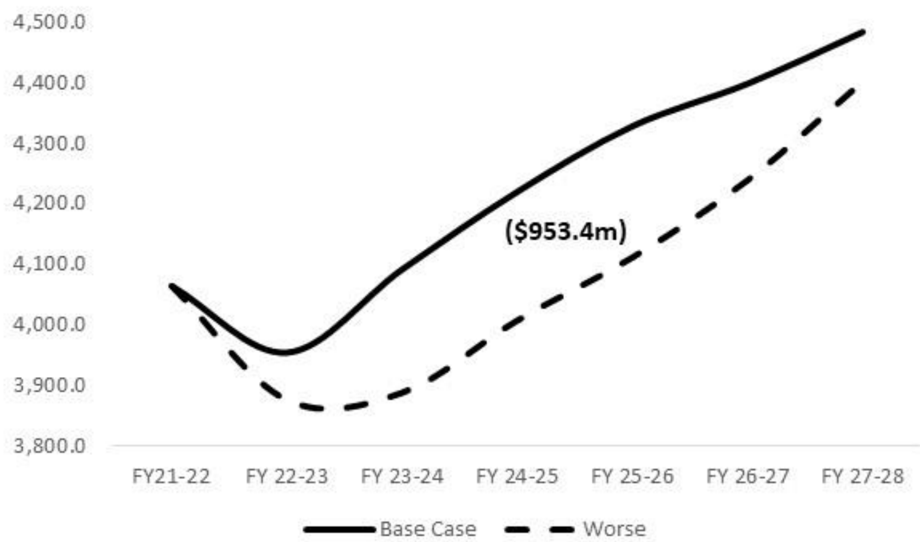

Figure 19

Pension Contributions

An economic 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% in FY 2022-23, which would affect contribution rates for a five-year period beginning in FY 2024-25. The -10.9% 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 8% in FY 2024-25 and by 28% in FY 2025-26. This estimate is intended to demonstrate sensitivity to a large negative return and should not be relied upon for any other purpose.

The revenue losses described above would reduce required reserve deposits by $100.3 million and allow the City to draw $380.3 million in reserves. Taken together, these changes in revenues and expenditures indicate that an economic downturn beginning in late FY 2022-23 would result in a net remaining deficit of approximately $339.0 million over the five-year period, assuming policymakers chose to completely deplete economic reserves.

Table 15: Projected General Fund Shortfall in Recession Scenario ($ Millions)

	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Base Case Deficit Projection	**(200.8)**	**(527.5)**	**(745.6)**	**(991.7)**	**(1,224.1)**
Updated Projection - Savings/(Cost)					
Reduction in base case revenue available	(203.9)	(212.7)	(216.9)	(159.6)	(82.0)
Reduction in mandatory baseline spending	31.0	34.7	39.5	33.2	17.1
Reduction in General Reserve deposits	20.7	15.1	21.3	21.7	21.4
Permissible withdrawal from reserves	154.2	127.4	98.8	-	-
Increase employer retirement contribution	-	(5.9)	(20.4)	(28.1)	(45.7)
Updated Deficit Projection	**(198.8)**	**(568.9)**	**(823.3)**	**(1,124.4)**	**(1,313.3)**
Amount of New Fiscal Strategies Needed	**2.0**	**(41.4)**	**(77.7)**	**(132.7)**	**(89.2)**

San Francisco's Charter requires that each year's budget be balanced. Balancing the budget in each year with this recession scenario would require an even greater combination of expenditure reductions and additional revenues as compared to the fiscal strategies discussed earlier in this plan.

Existing Fiscal Strategies Not Sufficient in Recession Scenario

Under the recession scenario, the City's cumulative deficit in the final two years of the plan would increase from $991.7 million and $1,224.1 million in FY 2026-27 and FY 2027-28 to $1,124.4 million and $1,313.3 million. In this scenario, the fiscal strategies offered in this report would not be sufficient to close the projected gaps between revenues and expenditures. At a high level, the recession scenario would necessitate larger reductions in expenditures than the Base Case.

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Citywide Strategic Initiatives

Citywide Long-Term Strategic Planning

San Francisco is committed to long-term planning to ensure the sustainable stewardship of public dollars. In addition to the Five-Year Financial Plan, the City publishes the Citywide Ten-Year Capital Plan and Five-Year Information and Communication Technology (ICT) Plan in order to identify and assess near- and long-term capital and information technology needs. These plans also help policymakers prioritize how to program limited city funds through a disciplined, coordinated planning process while allowing sufficient flexibility to address critical needs as they arise. Together, these documents and planning processes represent the City's commitment toward long-term, strategic planning.

In March 2020, the COVID-19 pandemic ushered in stark economic changes and, in turn, new fiscal realities for the City of San Francisco. The pandemic created new ongoing operational challenges for the City to respond to: an urgent and all-encompassing public health crisis, immense challenges for the city's small businesses, and new hardships for its most vulnerable residents. But over the last three years, an infusion of state and federal resources, as well new tax revenues, and strong pension fund returns allowed the City to fund both essential services while also adding new programs to respond to pandemic-era needs. These revenues sources allowed for financial stability in times of uncertainty.

Now, although the COVID-19 pandemic has ebbed, the City's financial situation has drastically changed. Time-limited federal sources have run out and the very structure of the City's economic foundations are shifting with what appears to be a permanent transition to hybrid work, driving down property and business tax revenues that depend on the sustained presence and growth of office workers. Together, this loss of one-time Federal funds, reductions in tax revenue projections, and escalating costs result in a $200.8 million General Fund deficit for FY 2023-24 and a $527.5 million deficit for FY 2024-25, a combined two-year deficit of $728.3 million, which grows to over $1 billion by the end of the five-year projection period.

San Francisco has been an exemplary leader in navigating the unprecedented COVID-19 public health crisis. The collective efforts of City leaders and residents resulted in the lowest death rate of any major city in the country, and high vaccination rates. As the City rises up from this pandemic, it must tackle both, the challenges that have long plagued San Francisco and the new ones that have appeared in its aftermath, with the same resolve.
In alignment with long-standing financial planning practices and in light of a new economic reality, upcoming budget investments will focus on realizing an equitable and vibrant economic recovery and future for San Francisco.

With those goals in mind, the initiatives described below highlight City programs in the following priority areas:

1. Recovery that prioritizes Downtown and the surrounding area, as well as neighborhood business corridors and small businesses

2. Public safety and improved street conditions for all communities to feel safe and welcomed in their neighborhoods
3. Decreasing homelessness through housing and shelter
4. Building more housing to make San Francisco more affordable
5. Improving and building on systems of care that focus on the growing mental and behavioral health needs of the City
6. Investing in the future of San Francisco

1. Recovery that prioritizes Downtown and the surrounding area, as well as neighborhood business corridors and small businesses

San Francisco's post-pandemic economic recovery is taking place during a time of continued economic uncertainty, as remote work patterns continue to evolve and the prospect of a national recession looms. But while some economic realities are beyond the City's control, San Francisco has significant advantages as an economic engine for the region, and as a global center of innovation. City departments are working to implement strategies to bolster a city-wide recovery, with Downtown at its core, that build on San Francisco's strengths, while responding to changes in broader economic and work-place trends.

Investment in downtown and the surrounding area

San Francisco's Downtown, South of Market, Union Square, Civic Center, Mis-Market, Yerba Buena, and Mission Bay are the heart of the City and region's economy. These areas continue to experience ongoing and significant disruptions to the employee and tourist-based foot traffic that they relied on prior to the pandemic. The City Core Recovery Fund, established in 2022, provides $10.5 million over 2 years to support initiatives aimed at reestablishing economic vibrancy in these areas. Ongoing efforts include: funding new festivals; beautification, improvement, and the addition of local artist displays to public spaces; partnering property owners with small businesses and artists to fill vacant storefronts; and ad campaigns aimed at attracting both residents and visitors to visit Downtown, as well as recruiting entrepreneurs looking to start new businesses. Additionally, in FY 2022-23, the City budgeted $7.2 million to support enhanced street cleaning in the Tenderloin as an expansion of Public Works' current cleaning operations in the area. This funds a dedicated work crew that provides daily daytime cleaning services during the week and maintains a healthy, safe, and clean environment that improves quality of life and work conditions for residents and businesses in the Tenderloin area.

In addition to interim solutions to activate and draw foot traffic in the near term, the Office of Economic and Workforce Development (OEWD) is leading the City's efforts to retain existing businesses and attract new businesses to San Francisco. As employers reduce their office-based footprints in response to hybrid work schedules, San Francisco has an unprecedented availability of office space and with that, the ability to recruit new industries that serve to diversify the City's economic foundation and provide a new range of opportunities for its residents. OEWD began an assessment in 2022 to better understand the economic ramifications of the pandemic on San Francisco's mix of industries, assess changes to its competitiveness in the new economic context, and identify high-potential sectors to target for recruitment as the City pursues economic recovery and improved economic resilience for the future. This assessment will create a series of recommendations for strategies the City can employ to attract high-potential sectors and successfully recruit new businesses.

Staffing the City's workforce and restoring transit service

A key component to Downtown's recovery is the restoration of services to its neighborhoods including transit, maintenance, and public safety to maintain its inviting and accessible presence. To broadly achieve these restoration goals, the City is working to counter high vacancy rates across departments by expediting and streamlining hiring processes, and investing in the current workforce through negotiated wage increases and various other programing. At the center of this effort is the HR Modernization Project, which is rolling out more intuitive, user-friendly tools and processes to improve the City's human resources system. The Department of Human Resources is also upgrading the hiring process through the Digital Exam project to improve access and flexibility of test takers and by shifting from paper to computer-based exams. The Digital Onboarding & e-Personnel Files project will improve efficiency, consistency, and understanding for new hires. The Mayor also funded a new city-wide team in the FY 2022-23 budget focused on hiring and contracting reforms to find ways to further cut the red tape in the way of getting talented people employed by the City faster. This team will help move modernizing projects forward and introduce legislative reforms needed to implement these changes.

Specific to transit, access to Downtown from other parts of the city will help bolster foot traffic for businesses from both residents and visitors. Transit service went through dramatic changes in response to COVID-19, but the San Francisco Municipal Transportation Agency (SFMTA) is now working to restore and expand services to build back ridership to accelerate the City's economic recovery and support workers returning to the office. In addition, SFMTA, in partnership with OEWD, is hosting the CityDrive training program to provide opportunity to jobseekers who may face barriers to employment and create career pathways by providing free training and hands on support. CityDrive also provides transit jobseekers professional development and financial support while obtaining a commercial driver's license permit and a Department of Transportation medical examination.

SFMTA is also dedicated to increasing ridership by adding service where customers have provided feedback about crowding and wait times, upgrading SFMTA shelters and platforms, and partnering with regional transit agencies to serve as many riders and counties as possible. Improvements include bringing back the 1X California to provide express service from Western neighborhoods to Downtown and partnering with Golden Gate Transit to provide express service for riders who use the temporarily suspended 30X. The SFMTA is also moving forward with a plan to increase transit shelter cleanings across the City by 50% — going from two days a week at all locations to three. Boarding platforms will be cleaned five days a week, and the Department will invest in refreshing shelters across the city after a full evaluation of their condition.

Bringing back tourism and business travel

Tourism contributes significantly to the City's overall economy and job market. Before the COVID-19 pandemic, San Francisco saw record high tourism levels in 2019 with over 26 million visitors and contributing more than $10.3 billion to the local economy. This spending generated over $819 million in taxes and fees for the General Fund and supported more than 86,000 jobs in the tourism industry. The COVID-19 pandemic sharply disrupted the tourism market and has been responsible for a significant decline in the number of visitors and the associated declines in revenue.

The City is working to restore tourism-related economic activity to pre-pandemic levels by both investing in its tourism infrastructure and attracting business travelers as well as international, regional, and domestic visitors. To the same end, San Francisco International Airport is partnering with international carriers to restore passenger volume and the Tourism Improvement District (TID), created in 2009, was renewed in September 2022 for another 15 years with expanded assessment criteria to include short-term rental accommodations. The

TID assesses hotels and other accommodations to fund sales, marketing, and promotional activities related to tourism and special industry events designed to attract leisure travelers, conventions, meetings, and events.

Prior to the COVID-19 pandemic, conventions at the City-owned Moscone Center represented a special revenue stream, annually drawing over one million convention attendees and exhibitors and accounting for 21 percent of San Francisco's travel and tourism industry. Between March 2020 and September 2021, this revenue stream was cutoff as the Moscone Center transformed into the City's temporary Emergency Operations Center to address the COVID-19 pandemic. Since September 2021, the Moscone Center has seen the return of conventions to San Francisco, with 34 conventions held in 2022, the largest of which was the September 2022 Dreamforce conference with 40,000 in-person attendees. To continue attracting more conventions, the Moscone Center will use increased revenues from the TID expansion. The Moscone Center also plans to leverage $250 million over 5 years for capital improvement projects. These combined efforts aim to ensure that San Francisco remains competitive as a global destination for both business and leisure travel.

Future planning for downtown

In addition to responding to the current conditions, OEWD is also coordinating a city-wide recovery effort to supporting the long-term economic recovery of Downtown and the surrounding area. This coordination comes in response to new market conditions that impact the decisions of employees, visitors, and businesses to return to downtown. In partnership with the SFMTA, the Department of Emergency Management (DEM), and Public Works (DPW), OEWD is working to ensure that services critical to the success of Downtown are deployed in a strategic and responsive manner. OEWD is also working with the Planning Department, Arts Commission and the City Administrator's Office to identify regulatory and administrative improvements as Downtown evolves to meet new business needs. Part of this evolution shifts the economic context to include needs for Downtown beyond work. As these ideas and strategies take shape, the City will remain focused on ensuring that both Downtown and its surrounding neighborhoods preserve their roles as drivers of economic activity and jobs in both the City and the region.

Support for small businesses

Since the onset of the pandemic, San Francisco has provided immediate and ongoing support for small businesses, including investing more than $83 million in grants and loans to support over 4,800 small businesses. This year an additional $10 million in direct grants and loans will be distributed to help small businesses launch, stabilize, scale up, and adapt their business models to the changing conditions of ongoing recovery.
Along with direct funding, the City located new support services from the Office of Small Business in the Permit Center. Thus, launching a Small Business Inspections Ambassadors Team to provide proactive outreach service to those going through the permitting process, removing a burdensome requirement to create new architectural drawings even when no construction is being done, and strengthening review and tracking of small business applications under Proposition H - the City's streamlined permitting process for small businesses.

Other ongoing efforts to reduce burdens on existing businesses include a newly DPW launched courtesy graffiti abatement program for storefront and other private properties in neighborhood commercial corridors. The $4 million pilot program funds graffiti removal by professional Public Works crews or City contractors, reversing the degraded look and feel of neighborhoods that graffiti brings, at zero cost to effected property and business owners. The City also allocated $5 million in FY 2022-23 to support the enforcement of a new street vending ordinance. Together, the two investments support legitimate entrepreneurial street vendors and disincentivizes the resale of stolen goods, while additionally ensuring safety and accessibility of public rights-of-way.

2. Public Safety and improved street conditions for all communities to feel safe and welcomed in their neighborhoods

San Franciscans deserve to feel safe in their city, and the City is investing in plans to ramp up public safety efforts and improve street conditions to aid the City's economic recovery and ensure communities feel safe and welcomed in their neighborhoods. While public safety includes enforcing laws and making arrests, it also means deploying creative solutions that effectively and efficiently reduce community harms, and engaging with the City's diverse communities to build relationships, gather input, and collaborate to foster overall community safety.

Over the last few years, San Francisco has had persistent police staffing shortage, similar to other urban regions across the country. At a time of heightened retail theft and organized crime, gun-related violence, and an on-going epidemic of drug use and drug sales, this has been a significant barrier. Increased investments in recruiting efforts for the San Francisco Police Department aim to build back a more robust uniformed force over time, while innovative, non-traditional public safety strategies will help ensure the appropriate responses to challenges on the streets that require other types of resources and staffing.

Public safety staffing

The results of a March 2022 staffing analysis by the San Francisco Police Department (SFPD) indicate that the Department has a significant staffing deficit across both sworn and non-sworn professional staff – 352 sworn officers and 133 civilian positions below recommended levels based on call volume and workload and concentrated heavily in Field Operations.

As San Francisco continues to recover from pandemic-related staffing shortages, and amid a nationwide trend of declining police staffing and recruitment challenges, new investments in the SFPD include funding to hire up to 220 new police officers to fill officer vacancies. Entry-level salaries at the Department were also raised in 2022 to increase competitiveness with other forces in the state and region. Investments have also been made in an outside recruiting firm to professionalize recruitment operations.

In addition to combatting recruitment challenges, $10.5 million has been invested in retention bonuses to prevent veteran officers from leaving the force, representing two percent salary bonuses when officers reach years five years and fifteen years with the Department. The Department has also implemented a new Retention Unit designed to help keep officers on the force, focusing on strategies to stay competitive with other departments through training, equipment, and salaries, as well as using the existing Recruitment Unit to more strategically advertise open positions.

Supporting healthy street conditions

In addition to traditional public safety resources such as police, San Francisco will continue to invest in innovative programs that provide targeted alternatives to law enforcement.

Street Response Teams: Street Response teams were launched through an early pilot supported by Mental Health SF and community members who wanted to see an alternative to police. The Street Response team pilots focused on behavioral health crises, overdoses, and wellness concerns were launched in November 2020, August 2021, and January 2022 respectively. The teams consist of community paramedics, clinicians and people with lived experience through partnerships between the Fire Department, the Department of Public Health, and the Homelessness and Supportive Housing. Individuals sometimes need acute care at an emergency room, but a larger percentage are transported to a non-emergency facility, or de-escalated and referred to ongoing care for follow-up and treatment. Due to is work:

- Teams respond to as many as 16,000 calls per year, including over 8,800 behavioral health calls, 5,200 wellness calls, and 1,800 overdose calls annually
- The average response time (time of dispatch to time on scene) for a response teams in 2022 was 16 minute, 45 seconds.
- As of June 2022, all 800-B calls are now diverted to emergency medical services instead of police and additional calls to 911 are in the process of being diverted to emergency medical services

In 2023, the teams are adapting to respond to behavioral health, wellness, and overdose crises, while also providing additional clinical support beyond the emergency call to coordinate care for people in need. Further, through coordination by the Department of Emergency Management, Street Response Teams are aligning efforts with ongoing outreach and engagement to help people access critical services and housing. To that end, Response Teams will partner with a community team launching in the first half of 2023.

Ambassador Programs: Multiple safety ambassador programs have been deployed to support a safe, consistent, and intentional presence throughout Downtown and the surrounding area during the recovery process. All of the ambassador programs have been well received by businesses and individuals, and the City is currently exploring expansions for these programs through the budget process. OEWD supports some ambassador programs through grants, in collaboration with different community stakeholders, investing over $40 million in the Community Safety Ambassadors program since its launch in June 2021. Staffed by Urban Alchemy, Community Safety Ambassadors are stationed around the Mid-Market area and work in coordination with other City initiatives, including the Healthy Streets Operation Center, the new Street Crisis Response Teams, and others to ensure awareness of and appropriate responses to challenges or issues related to cleanliness and safety that may arise.

Building on this program's success, a new Welcome Ambassadors program was implemented to create a hospitable environment as visitors, commuters, and workers return to the City's busiest corridors. Welcome Ambassadors are stationed at key transit and tourist nodes such as Downtown BART stations, Union Square, the Moscone Center, and along the Embarcadero. These programs provide a consistent and visible presence, as well as proactive positive engagement and friendly assistance in wayfinding, making referrals or recommendations, and coordinating with other City departments and community-based efforts to support positive street conditions.

Retired Officers and Police Services Aides: In 2020, the SFPD began the Retired Police Community Ambassadors Program, which aims to provide an extra layer of protection and visibility through the presence of unarmed, former police officers in neighborhood commercial corridors. The City is also exploring the expansion of SFPD Police Services Aides (PSAs) – civilian positions that provide supportive duties to police. PSAs allow sworn officers to focus on responding to calls for services, investigating crimes, and conducting community policing efforts like walking foot beats. PSAs allow for effective and efficient community harm reduction while engaging with and building relationships with communities. SFPD currently employs approximately 220 aides and 20 community police services aide supervisors.

Violence prevention and victims' services
In addition to the efforts detailed above, violence prevention and victims' services are key to the City's public safety strategy, policies, and investments. City's efforts across these areas include:

Violence Reduction Initiative: The San Francisco Violence Reduction Initiative (VRI) is a collaborative project developed by SFPD, in partnership with the University of Pennsylvania, the California Partnership for Safe Communities, the Street Violence Intervention Program (SVIP), and Operation Genesis Inc. The goals of the VRI are to reduce shootings and homicides, break the cycle of recidivism, and build trust between law enforcement and communities impacted by violence. In June 2022, the City announced a $6 million grant awarded to the SFPD from the California Board of State and Community Corrections. This grant allows the City to continue supporting residents most at risk of committing violent offenses by meeting them where they are to prevent crime from happening in the first place and by identifying individuals who are at the greatest risk of either engaging in gun violence or falling victim to gun violence. The grant will continue funding VRI and support the City's efforts to prevent violent crime over the next three years.

AAPI Violence Prevention: From the onset of the COVID-19 pandemic began, reported hate crimes and incidents against Asians and Pacific Islanders increased exponentially, including by 567% in 2021. Since then, 2022 data on prejudice-fueled incidents indicates a significant decrease in reported hate crimes against Asians, with the SFPD reporting a total of 6 hate crimes against API targets for the year and a total of 36 hate crimes citywide against any and all targets. The city's overall response to anti-Asian violence highlighted the fact that language and cultural barriers continue to chill crime-reporting by Asian crime victims. Moreover, services for victims in areas such as trauma recovery and mental health services were much less accessible for non-English speakers. Therefore, in June 2022, the City announced $500,000 in new funding to expand services for Asian victims of crime. The investment increases services and capacity to serve Asian victims of crime who are limited in their English proficiency.

While the SFPD responds in these situations to make arrests and hold people accountable, many in the community also need mental health support and wraparound services, which can be difficult for those with language barriers. This funding is key to providing victim-centered services, and will assist in providing communities dedicated trauma recovery clinical services in Cantonese, training and technical assistance for community-based providers, expanded treatment in Cantonese at community-based mental health service providers, capacity building in community-based organizations to services, and increased senior escort services citywide. For example, one prevention grant allows seniors to obtain training on how to use online banking -- this minimizes the need for seniors who receive public benefits through the mail to physically travel to a bank to deposit or cash these benefits and carry large amounts of cash on their person.

The City is also working in collaboration between the District Attorney's (DA) office, SFPD, Sheriff, City Attorney's office, and community-based organizations to establish a citywide protocol for any prejudice-fueled incidents against members of the Asian and Pacific Islander (API) community. The objective is to ensure that any contact by a possible victim of a prejudice-fueled crime, whether in community or to a law enforcement agency, will elicit an immediate response that minimizes additional trauma to the victim, connects the victim to desired services, and allows for clear communication between all the relevant entities. These entities are also working together to advocate at the state level for resources so that the District Attorney's office can have prosecutor(s) who are able to have a dedicated caseload of potential prejudice-fueled crimes, which typically require an increased level of collaboration and investigation between investigators and prosecutors for an effective outcome.

District Attorney's Office Victim Services Division: The City offers a wide variety of services to support victims of crime and specifically, the San Francisco District Attorney's Office provides information and help with crisis counseling, funeral arrangements, witness relocation, potential assistance with crime-related medical expenses and attorney's fees.

The Victim Services Division (VSD) of the San Francisco District Attorney's Office strives to make the criminal justice system humane and accessible by providing support and assistance to victims and their families in the aftermath of a crime, during criminal prosecution, and after a verdict has been reached. Even if justice is served in the courtroom, it does not always immediately change the way victims feel in their day-to-day lives afterwards. The division provides victims with advocacy, streamlines the process for collecting restitution and recouping compensation for financial losses when possible, and, in general, works tirelessly to support victims regain control over their lives.

In September 2022, the office expanded support services within the VSD and added a new Vulnerable Victims and Community Engagement Unit to provide specialized services for vulnerable victims. The new unit within the Victim Services Division will ensure that all vulnerable and underserved victims will have a trained advocate that facilitates communication and coordination with other government agencies and victim advocacy organizations, links victims with local resources, provides case updates, and offers support during court hearings and testimony. The VSD now better serves crime victims and their families, while ensuring the rights of victims are protected. Investments in VSD will allow the division to focus mental health, provide specialized services for survivors of domestic violence and human trafficking, as those with immigration issues. The team includes Spanish, Cantonese, and Mandarin speakers, with additional language capacity provided by video translation services in 41 languages.

3. Decreasing homelessness through housing and shelter

San Francisco provides shelter and housing to over 14,000 homeless and formerly homeless people across the community every night, and saw a 3.5% decrease in overall homelessness and a 15% decrease in unsheltered homelessness between 2019 and 2022. Despite this progress, the most recent Point in Time Count identified 7,754 people experiencing homelessness on a given night. The Department of Homelessness and Supportive Housing (HSH) calculates that for every one person who exits homelessness, four more enter homelessness. Therefore, preventing and ending homelessness in San Francisco continues to be one of the City's most important and most challenging priorities.

Over the last two years, the City set and achieved bold goals as part of the Mayor's Homelessness Recovery Plan announced in July 2020. The plan, in part, aimed to decrease homelessness by bringing more shelter and housing resources online, with the support of federal, state and local funding. These investments scale up the City's Homeless Response System through extensive outreach, a coordinated system of entry, temporary shelter and crisis interventions, housing, prevention and problem-solving approaches. The City almost doubled the goal of 1,500 units of permanent supportive housing, creating 2,918 units between 2020 and 2022, representing the greatest increase in permanent supportive housing (PSH) in 20 years. In that same time period, the City created

4,679 prevention, shelter, and housing placements while also strengthening outreach and emergency services for people on the streets.

Leveraging Homekey funds to house formerly homeless residents

A big contributor to meeting the goals of the Homelessness Recovery plan was the City's investment in HomeKey projects, in partnership with the state's HomeKey program. Administered by the California Department of Housing and Community Development (HCD), Homekey equips state, regional, and local public entities to develop a wide range of housing types. Homekey builds on the success of Project Roomkey, which is a statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at risk of becoming homeless. The state has released two rounds of Homekey funding that allowed the City to make nearly 800 units across 6 sites available to formerly homeless residents. The sites include: Hotel Diva, a 130-unit hotel that provides PSH for people experiencing chronic homelessness; the Granada Hotel, a 232-unit Single Room Occupancy building that includes low-income senior residents, who are at-risk of potential displacement due to unrestricted rents; 1321 Mission Street, formerly known as the Panoramic, which consists of 40 multi-bedroom units for families and 120 units for adults with histories of homelessness; the 25-room Eula Hotel that offers PSH for transitional age youth (TAY); a 52-room motel, formerly known as the Mission Inn, that provides affordable units with onsite social services to help TAY tenants gain and maintain housing and stability; and City Gardens with 200 multi-bedroom units, which range from two-five bedrooms, that is the first exclusively family serving PSH building purchased through the acquisition process.

Implementation of the Mayor's Homelessness Recovery plan investments and additional investments continue to create shelter, housing, and prevention resources to address homelessness in San Francisco. This work will be guided by a city-wide strategic plan on homelessness to be released in spring of 2023.

Adding and innovating shelter

While the City lost almost 70 percent of its shelter beds during the COVID-19 pandemic, it has now reactivated or created new beds to exceed pre-COVID capacity, with a current capacity of over 3,000 beds. As shelter in San Francisco expands, the way shelter is viewed is diversifying. While congregate shelters will always be part of the Homelessness Response System, COVID-19 era learnings and feedback from people experiencing homelessness have informed the strategy for new shelter concepts.

Two recent examples of this include the Baldwin SAFE Navigation Center and 711 Post. The converted the Baldwin Hotel, which was underutilized due to small rooms without their own bathrooms, to approximately 180 units of non-congregate shelter for adults. 711 Post is a former youth hostel located in the lower Nob Hill neighborhood that the City master leased in partnership with the non-profit provider Urban Alchemy. This site now provides temporary, 123 semi-congregate shelter units (single, double, and quad units) for adults experiencing homelessness. The City also continues to operate alternative shelter through its Safe Sleep sites in the Mission and Bayview districts, and a 70-unit cabin site providing temporary non-congregate shelter to adults experiencing homelessness at 33 Gough. The City continues to seek effective shelter solutions, and recently added new funding to cover capital costs for approximately 70 cabins at a new site in the Mission to address street homelessness.

Creating new housing for people exiting homelessness

Shelter alone will not end homelessness. In order to create flow through the system, people need support to exit to housing. In addition to the units already created through the Mayor's Homelessness Recovery Plan, almost 3,000 new housing placements will be created through a combination of local, state, and federal funds. This includes new development and acquisition of over 800 units for youth and families, as well as over 2,000 additional Flexible Housing Pool subsidies and placements for adults, youth, and families and an additional 70 placements for families through the Housing Ladder program, which are placements for people who no longer need PSH, but continue to need some level of rental assistance.

Investing equitably in the permanent supportive housing portfolio
To ensure equity across the portfolio, which now supports over 11,000 units of PSH, the City also invested $67.4 million in total, primarily aimed at legacy housing sites to provide support to front-line service workers, increased levels of case management services consistent with newer programs, and improvement to the capital infrastructure across the portfolio. This investment includes increased wages for frontline workers (such as janitors and desk clerks) who operate buildings in the PSH portfolio. It also includes investments in wages to bring PSH and Transitional housing case manager wages up to a base of $28/hour. The funding for service enhancement aims to increase supportive services to achieve closer to a 1:25 case manager-to-client ratio for adults in PSH and a 1:20 case manager-to-client ratio for families and youth in PSH. The investments in infrastructure are for one-time capital repairs and Wi-Fi installation in legacy PSH sites.

Focusing on prevention
Prevention helps people identify possible pathways to resolve their current housing crisis without needing ongoing shelter or a housing resource from the Homeless Response System. A prevention resolution is achieved when a household has found a safe, indoor solution to their housing crisis. Prevention services in San Francisco include problem-solving conversations to help identify real-time solutions to a housing crisis, housing location assistance to help households with income but without an immediate housing plan locate a place to rent, reunification, mediation, and conflict resolution, and flexible financial resources to cover specific costs that will assist households to stay in a safe, indoor place. In the last two years, over 12,300 households were served through the COVID-19 Rent Relief Program. This past year, the Department of Homelessness and Supportive Housing prevented homelessness for 900 households. As the program continues to serve people with financial assistance, legal support, it will also look to offer services that can help with housing stability and homelessness prevention, including financial counseling and developing housing stability plans.

4. Building more housing to make San Francisco more affordable

The development of new housing across all income levels is key to countering the lack of housing affordability in San Francisco. It’s also central to making progress on other major citywide goals from supporting workforce development, to making San Francisco a vibrant home for families, to preventing homelessness. Key investments in the City’s housing programs are highlighted below.

Creating a housing plan for the next decade
State law requires the updating of the Housing Element of San Francisco’s General Plan every eight years. The plan helps define San Francisco’s priorities for housing solutions, guiding decisions and resource allocation for creating housing and providing housing services. The Housing Element includes an analysis of housing needs in the city and policies that address those needs. The update is required to also include policies that provide equal housing opportunities to city residents, assist in housing development, preserve units at-risk of conversion from affordable to market rate, and improve and conserve existing housing stock. In addition to developing the plan to accommodate 82,000 units of housing by 2031, the City’s Planning Department has also created an

implementation roadmap that includes extensive rezoning, legislation to reform local approval processes, feasibility and constraints analyses, community outreach processes, ongoing programmatic monitoring, and fulfilment of other required Housing Element programs. The City will turn to Housing Element implementation in 2023 and develop further details on next steps, working across agencies and in collaboration with the State.

Bringing more affordable housing online, faster

Housing Accelerator Funding: The City has been advancing its affordable housing pipeline by leveraging all available funding sources to bring more housing online, faster. Most recently, San Francisco secured nearly $348 million in state funding from the California Housing Accelerator that will allow the City to bring more than 800 units of affordable housing online, many of which will target specific high-needs populations. This funding will help support eight shovel-ready projects, including three HOPE SF projects that seek to rebuild San Francisco's severely distressed public housing sites, while increasing affordable housing and ownership opportunities. This will include Hunters View Phase III, Sunnydale Block 3B, and Potrero Block B projects. Altogether, the financing will bring 341 replacement public housing units and new affordable units online. In addition to the units, the financing for the Sunnydale Block 3B will also support 3,400 square feet of community serving retail for its residents. This project also received $11 million as part of the FY 2022-23 budget in funding for the Sunnydale Commercial and Community Center. The California Housing Accelerator funding will also support 471 additional units that will serve several populations, including previously unhoused veterans and seniors, people with developmental disabilities, and previously unhoused families.

Operating Subsidies: Local Operating Subsidy Program (LOSP) is a partnership between the Mayor's Office of Housing and Community Development (MOHCD), the Department of Homelessness and Supportive Housing (HSH), and nonprofit housing operators. As the City acquires and develops affordable housing sites, portions of these sites are reserved as supportive housing units for individuals exiting homelessness. The City provides a subsidy to housing operators to cover the cost of this housing while also providing supportive services to these formerly homeless individuals to assist them in permanently exiting homelessness through LOSP. The City is projected to operate 2,143 of these units as part of LOSP in FY 2023-24, growing to 2,276 in FY 2024-25 as more sites are acquired. The City's investment in this program will total approximately $48.3 million in FY 2023-24 and $54.3 million in FY 2024-25. The most recent budget also made significant one-time investments in additional operating subsidies, including $4 million to increase the number of units subsidized under the existing Senior Operating Subsidies program. This funding is estimated to subsidize 28 units over a 15-year period. The FY 2022-23 budget also added $10 million in funding for emergency repairs and capital improvements identified in existing non-profit affordable housing projects' capital needs assessments. Emergency repairs are work needed to mitigate immediate threats to the health, safety, and/or quality of life of the tenants. In addition, this maintenance is crucial to the long-term habitability of the infrastructure.

Preventing displacement

As part of a comprehensive housing strategy, several efforts focus specifically on preventing displacement and increasing housing stability for all San Franciscans, while also preserving the City's cultural foundation. When San Franciscans are displaced from their homes, particularly low-income and longtime San Franciscans, they are left to contend with finding housing in one of the most expensive rental markets in the country. They typically move far away from their workplaces and social networks, or into a situation with even more severe housing problems, such as overcrowding, unsafe or unsanitary conditions, and severe rent burden. Displacement can also have a direct and long-lasting detrimental impact on a household's mental and financial wellbeing. To that end, the Small Sites Program supports local nonprofit sponsors with acquisition and preservation loans, stabilizing at-risk communities by converting rent-controlled properties to permanently affordable housing. A program redesign was underway in FY 2021-22, culminating in revised underwriting guidelines and a new scoring rubric, finalized in FY 2022-23. To date, these acquisition and preservation programs have deployed over $217 million in funding to preserve 50 projects with 39 commercial spaces, and 519 residential units for low and moderate-income households.

In addition to these programs, MOHCD funds community-based organizations (CBOs) to deliver essential anti-displacement services to residents, such as eviction legal assistance, including implementation of the Tenant Right to Counsel, tenants' rights counseling, education and outreach, tenant-landlord mediation and technical assistance to housing providers, emergency rental assistance and ongoing deep and shallow tenant-based subsidies. In response to the devastating impact that COVID-19 has had on San Francisco renters' ability to pay their rent, MOHCD partnered with more than a dozen community-based organizations to launch the San Francisco Emergency Rental Assistance Program (SF ERAP) – a large-scale, low-barrier and community-based program. Additionally, the City partnered with the State of California Department of Housing and Community Development (HCD) for its COVID-19 Rent Relief Program, which operated from March 2021 to March 2022. Combined, the local and state programs distributed more than $200 million to more than 20,000 predominately extremely and very low-income tenant households of color. Of these, SF ERAP served approximately 5,000 households with more than $30 million.

5. **Improving and building on systems of care that focus on the growing mental and behavioral health needs of the City**

San Francisco continues to establish innovative practices and build on successes in caring for people experiencing homelessness, mental illness, and substance use disorder. The City's unprecedented investment in behavioral health services enables the implementation of key Mental Health SF strategies and programs with a focus on people experiencing homelessness, who also have behavioral health challenges. In recent years, the Department of Public Health (DPH) has led new initiatives, including responding to the COVID-19 pandemic, while maintaining core programs and services. In support of all this work, the City has also invested in infrastructure building within the department to strengthen its workforce, emergency preparedness and response, high-quality prevention, care, and treatment services.

Behavioral and mental health

Mental Health SF: The City continues to invest in the implementation of key aspects of Mental Health SF (MHSF), legislation which passed in December 2019, and the provision of services for people experiencing homelessness through the Our City, Our Home fund. MHSF legislated a comprehensive overhaul of San Francisco's mental health system, and provides mental health care to underserved San Franciscans, such as those who have serious mental illness or substance use disorder and lack insurance, or who are experiencing homelessness. These programs have already improved access to behavioral health services in the City and will continue to expand. In the recently adopted FY 2022-23 and FY 2023-24 budget, $58.5 million was allocated for assertive outreach programs, including three Street Overdose Response teams and seven Street Crisis Response teams. These efforts are preventing overdoses in the City and helping connect most vulnerable residents to treatments.

Expanding the City's behavioral health treatment bed capacity remains a priority, and $57.5 million was included in the recent budget for the operation of new-acquired bed facilities. This funding will support 360 beds, greatly improving access to these services for those who need them most. In 2022, the City also increased its capacity by approximately 190 beds across the continuum to support San Franciscans with mental and behavioral health challenges.

9-8-8 Suicide Prevention Hotline: Other recent budget investments include $6.3 million to expand comprehensive crisis care, including the implementation of a nationwide 9-8-8 suicide prevention hotline. This funding will expand the Crisis Line to evening and nighttime coverage and expand the DPH's bereavement program.

Improving the City's processes for initiating and coordinating conservatorships is another aspect of improving mental health services. The City had an estimated 13,000 cases of individuals being placed on involuntary psychiatric holds in FY 2020-21, and about five percent of those cases are individuals who have had multiple detentions in the past. These individuals need more timely support, follow-up, and care coordination in order to successfully be treated, and the recent budget includes $3.7 million over the two budget years and 11 new positions to accomplish this. These staff will improve communication across the City's health care providers to coordinate care for these individuals who experience multiple involuntary holds.

Residential System of Care: DPH will also create a new Residential System of Care unit under Behavioral Health Services that will oversee the placement of clients, support discharge and patient flow for the SFHN clients, develop new beds and facilities, track data on available beds and manage contracts to ensure optimal care is delivered. Targeted improvements to outpatient services for specific vulnerable populations, such as older adults and children, are also funded in the FY 2022-23 and FY 2023-24 budget. These will include $1.4 million over the budget years to develop a Children's Center of Excellence, expanding outpatient therapy, psychiatry, and specialty clinics for children, youth, and families. These improvements also include $1.7 million over the budget years to add staff in four clinics that will specialize in mental health services for adults and older adults.

Reducing overdose deaths and increasing connections to services

Drug overdoses are a public health crisis. San Francisco has the highest overdose rate among large California counties. While every demographic group has been affected, profound disparities exist among Black/African American San Franciscans in opioid death rate. San Francisco has made progress in reducing overdose deaths since the start of the COVID-19 pandemic in 2020 which marked the highest accidental overdose rate locally. Innovative practices such as opening a first-of-its-kind Drug Sobering Center and rapid overdose response teams (see Street Response section) have contributed to a reduction in fatal overdoses, but this remains a high priority for the City.

As such, San Francisco continues to make significant investment in connecting people to treatment and resources, and save lives. In 2022, the City and County of San Francisco launched the Office of Coordinated Care, which assigns case managers to people who are disconnected from behavioral health services, or who are making transitions in care from one setting to another. Once fully expanded, the Office of Coordinate Care will manage the cases of approximately 4,000 individuals annually who have mental health and/or substance use disorders, and who have been historically underserved by the healthcare system because of trauma, homelessness, racism, and other social determinants of health.

Tenderloin Center (the Center): The Center was part of the San Francisco's Tenderloin Emergency Initiative, and planned as a temporary site to reduce overdose deaths and increase connections to services, as well as to collect data for future sites and services. The purpose of the Tenderloin Center was to create a safe, welcoming location for people who suffer from substance use disorder in the Tenderloin where they can access hygiene resources and social space as well as to provide a single location for those who are ready to access city health and human services to link to those programs easily and quickly. Food, water, hygiene supplies, dignity services, and social space was available at the Center. The Center also included staff and referrals into programs including behavioral health care and treatment, temporary winter shelter, transitional housing, homeward bound, sobering/substance use treatment, food coordination, vocational support, therapy and mentoring, child and family care. The Center closed in December 2022 and lessons learned from its temporary operations will inform the opening of new sites in 2023, serving this and other high needs population.

Managing COVID-19

Since early in the COVID-19 pandemic, the case rate in San Francisco has been consistently lower than the case rates in California and the United States as a whole. While loss of life caused by COVID-19 on San Francisco is tragic, the hard work and dedication of front-line workers, City employees, partnerships with businesses and non-profits, and sustained efforts by San Franciscans to follow health guidelines, has protected communities from even greater losses. Department of Public Health (DPH) has led the City's direct COVID-19 response services. Recognizing that the pandemic remains ongoing at a less acute level than in the past, ongoing funding ensures the continued provision of testing and vaccination services, isolation and quarantine, and community public health outreach services.

The recently adopted budget includes $12.1 million over the budget years to capitalize on the lessons learned during the COVID-19 pandemic, adding staff to the Public Health Emergency Preparedness and Response team, expanding the Population Health Division's epidemiological capacity, and preparing San Francisco for future public health emergencies.

6. **Investing in the future of San Francisco**

In addition to responding to the urgent and immediate needs of residents, longer-term plans are essential to ensuring San Francisco remains a vibrant, thriving, and resilient City for decades to come. This means making meaningful investments in San Francisco's children and families and also in the City's physical infrastructure.

Children, Families, and Early Education

Children and Family Recovery Plan (Recovery Plan): In May 2021, the Department of Children, Youth and Their Families (DCYF) led the development of a recovery plan with the intention of elevating and addressing the urgent needs of the City's children, young adults, and families who have all been impacted by the pandemic. This plan allowed leaders and the community to work together to fill gaps in recovery approaches and offer a unified vision of needs and strategies. The Children and Family Recovery Plan has offered three main goals:

1. Create a 3-5-year, City-wide strategy for children and family pandemic recovery to align resources, steer implementation, and coordinate advocacy efforts

2. Capitalize on a collaborative and barrier-busting approach to COVID response that brings together multi-sector partners and collective strategy
3. Leverage relationships between children, family, and youth serving organizations across the City

This plan presents a list of strategies that respond directly to the recovery needs as voiced by children, youth, and families. It includes goals of improving the coordination of cross-departmental projects and information, as well as, increasing collaboration between City departments and community members. It is grounded in a commitment to equity and in the lived experiences of San Franciscans.

The City has begun the implementation of many of these initiatives, with an investment of $50.7 million over two years in the recently adopted two-year budget. The funding supports more than 550 families per year who earn less than 200% of the Area Median Income (AMI) and with children aged 0 to 3, as well as, 150 transition-aged young adults per year who earn less than 85% of the State Median Income (SMI) and with children aged 0 to 5 with child care vouchers. The investment also adds an additional staff member at each of the 26 Family Resource Centers in the City to provide parenting support, training, and classes to parents of children aged 0 to 5 that is expected to benefit up to 5,000 families per year from across the City. Furthermore, the City has invested in improving the Citywide communication, referral, and navigation of children's services to create a Service Inventory, a database of children's programs, making it easier for families to learn about and sign up for existing services and provide navigators with more extensive training about the wide array of existing City programs. Finally, the City continues to expand its work with CBOs and City programs, such as UCSF hospital clinicians, through a $5 million investment to provide trained clinical support to children, their families, and CBO staff.

Early Educator Pay: The City has also recently made significant investments in its early educator workforce. Such investments include the Early Educators Pay Raise Initiative, also known as the Workforce Compensation Initiative, the first early childhood educator wage initiative of its kind in the nation. Through funding from the 2018 Commercial Rent Tax, this initiative provides wage raises, increases benefits, and aims to improve working conditions, and support educational attainment for San Francisco's workforce of over 2,000 City-funded early educators. The investment will enable educators to be paid more fairly for their crucial work, and also help attract new, quality educators to the field. By 2025, San Francisco intends to support a living wage of no less than $28 an hour for all early educators in City-funded programs.

The Early Educators Pay Raise Initiative builds on the success of the former Office of Early Care and Education's Compensation and Retention Educator Stipend (CARES 2.0) program, which has provided $30 million in stipends to early educators working at City-funded Family Child Care programs and centers since 2019. These programs serve over 6,500 children ages 0-5 every year and will expand eligibility for City-subsidized enrollment in high-quality Early Childhood Education programs serving children ages birth to 5, bringing greater opportunity and affordability to working and middle-class families.

Infrastructure and Resiliency

The City's long-term planning also includes the long-term sustainability of the its capital assets and resiliency. In the face of everyday wear-and-tear, ever-present seismic risks, and the threats of climate change, these strategies and investments are crucial for a vibrant future of San Francisco.

Ten-year Capital Plan: Developed by the Office of Resilience and Capital Planning (ORCP) and the Capital Planning Committee, the 10-year Capital Plan lays ahead a plan for the next decade of infrastructure development, construction, and maintenance. This Plan gathers input from Citywide stakeholders, resulting in a road map for investments in San Francisco's streets, facilities, utilities, parks, waterfront, and transportation systems. The latest plan, set to be published in Spring 2023, will cover FY 2023-24 to FY 2032-33. It will also set out the City's plans for issuing General Obligation (GO) Bonds to finance capital enhancements with long useful lives and high upfront costs. Priority areas for GO bond financing include public health, affordable housing, transportation, waterfront safety and climate change, earthquake safety & emergency response, and Parks & Open Space.

As the guiding document for City infrastructure investments, the Ten-year Capital Plan will recommend funding for eight Service Areas: Affordable Housing, Economic and Neighborhood Development, General Government, Health and Human Services, Infrastructure and Streets, Public Safety, Recreation, Culture, and Education, and Transportation. Each of these areas include several types of capital projects, such as renewal programs, enhancement projects, deferred projects, and emerging needs. Together, these projects allow the City to create a built environment that will be fit for the future of San Francisco.

Climate Action Plan: San Francisco, like cities around the world, is faced with the threat of a growing climate emergencies. In an effort to alleviate short-term impacts and plan for the future, The City adopted its initial Climate Action Plan in 2004 and has led the way in local climate action, environmental justice, and launching innovative community programs and outreach campaigns for residents and businesses. The City has achieved emissions reductions, driven primarily by cleaner electricity supply, improved energy codes, and city-wide energy efficiency. This progress has not just reduced emissions, but has also come with other important benefits, such as reduced air pollution and dampening of other environmental stressors. San Francisco aims to further reduce emissions by 61% below 1990 levels by 2030 and reach net-zero emissions by 2040. In tandem with Citywide strategies, the Department of Environment continues its efforts toward equity-centered solutions. These include recent investments to increase inclusive outreach and engagement with the community by working with organizations to assist in decarbonizing buildings and create strategies for improving the health of the local ecosystem. The healthy ecosystems work is focused on urban greening outreach and education with a prioritization of projects in neighborhoods that have been underserved and identified as being at greater risk of climate change impacts.

Sustainable City Planning: The San Francisco Eco-District program endeavors to amplify sustainability performance and co-benefits through neighborhood-scale projects. The Sustainable City Team works with stakeholders, partner agencies, developers, and utilities to develop policies and programs that help accelerate the City goals and requirements. The Sustainable City Team coordinates on green building policy and studies that address improving the efficiency and sustainability of the City's new and existing building stock.

Waterfront and Seawall Safety: To defend San Francisco from current and future flood risk, the Port of San Francisco leads the Embarcadero Seawall Program, a citywide effort to create a more sustainable and resilient waterfront. Part of the Port's Waterfront Resilience Program, the Embarcadero Seawall Program provides the tools to address current and future risks over time. The Port and other City partner agencies are developing a locally-endorsed Waterfront Adaptation Strategy, which will identify a preferred approach to adapting the waterfront to flood hazards. Adaptation Strategies are a combination of construction and policy efforts to address the San Francisco waterfront's unique combination of earthquake and flood risks in the short and long term.

Green Purchasing: Under the Precautionary Purchasing Ordinance, City departments are required to buy green commodities. The Department of the Environment works with other City departments to prioritize targeted categories of products, and creates lists of green products and green purchasing specifications. This List includes vendors, cost issues, and criteria for over 1,000 safer, more environmentally friendly products. This work helps City departments comply with City green purchasing mandates, and helps local businesses gain recognition through the SF Green Business Program.

Conclusion

The Five-Year Financial Plan informs some of San Francisco's most important fiscal decisions for years to come, guided by Mayor Breed's goals for the City. Long-term planning enables the City government to set to respond to the day-to-day issues that arise as well as the unexpected crises that lie ahead. Looking ahead to the next five years, equity and resiliency will be the guiding values as the City charts a robust, long-term recovery from the devastating impacts of the COVID-19 pandemic and changed economic realities that have come in its aftermath.

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Appendices

Other Long-Range Financial Planning
Major Department Issues and Goals

Other Long-Range Financial Planning

In addition to this document, which provides a high-level look at projected revenues and expenditures in the next five years, the City has additional citywide long-term planning processes, including reports specifically focused on investments in capital projects and information and communication technology. Outlined below are additional long-term financial liabilities that extend beyond the scope of the five-year outlook of this report. Further, the Ten-Year Capital Plan and Five-Year Information and Communication Technology Plan inform the Five-Year Financial Plan Base Case, and the Five-Year Financial Plan fiscal strategies inform the development of the funding for each of these two plans.

LONG-TERM LIABILITIES

While this report focuses on the financial outlook of the City over the next five fiscal years, the City has financial obligations that extend decades into the future, such as its pension liability, the cost of providing health care to retirees and their dependents (OPEB, or Other Post-Employment Benefits), and capital and deferred maintenance.

Pension Liability

Employer contribution rates to the City's retirement system (SFERS) have changed significantly over the past decade, particularly the employer portion, which increased from 6.6% of payroll in FY 2005-06 to 22.6% in FY 2020-21, representing employer contributions of $126.5 million and $739.3 million, respectively. This plan anticipates contribution rates decline from their FY 2020-21 peak as exceptional investment returns of 35.8% in that year and the cost of retroactive supplemental COLAs and other demographic and financial assumption changes are fully amortized. Net liability is highly sensitive to year over year changes in the market value of the retirement system's assets. According to estimates presented by the system's actuary, Cheiron, in September 2022, total pension contribution rates are projected to decrease 40% over the next decade, as illustrated in Figure 20 below.

Note that the rate estimates in this section vary from those presented in the base case discussion above as they are based in different assumptions about future supplemental COLA increases, prepayment discounts, and future wage increases. Projections are highly sensitive to actuarial assumptions, most notably investment returns, and fluctuations in these factors will need to be carefully monitored to effectively manage this long-term liability.

Retirement Contribution Rates, FY 2022-23 through FY 2031-32
(Source: Cheiron)

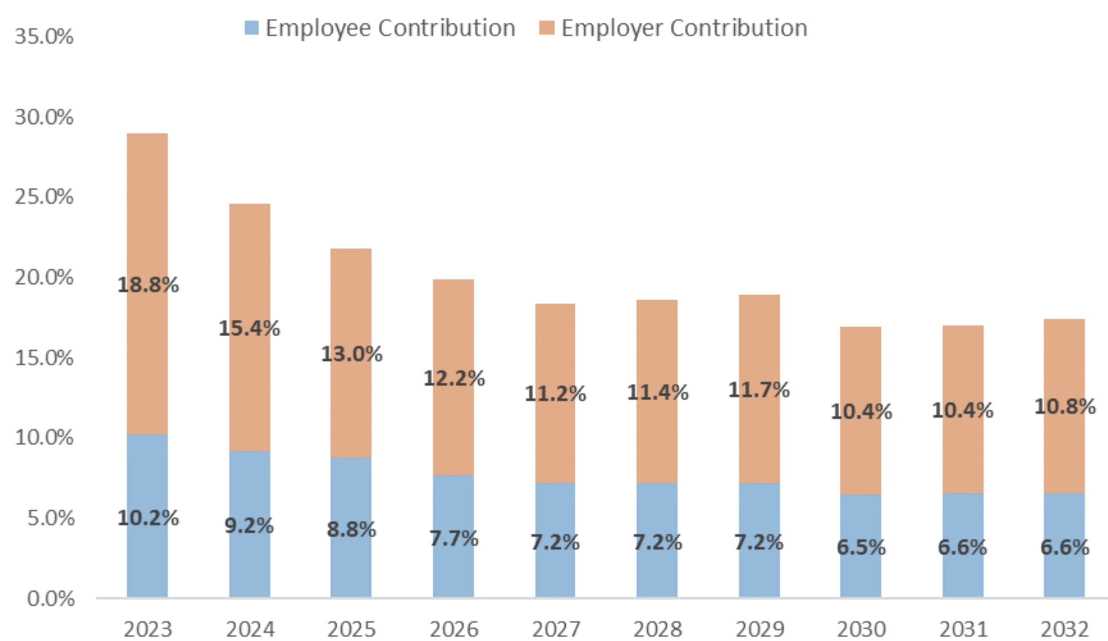

Figure 20

Other Post-Employment Benefits (OPEB) Liability

The City also carries a significant unfunded OPEB liability, predominantly due to a retiree health benefit in place prior to recent voter changes. For retirees hired before January 2009, the City guaranteed the full cost of health benefits for retirees after five years of City service. The estimated actuarial liability measured on June 30, 2020, is $3.8 billion, according to the most recent valuation report (December 2021).

Voters have adopted several significant changes to these benefits in the past decade and a half, including creation of a new lower-cost benefit plan for new employees, establishment of a trust to prefund OPEB, and requirements for both employees and the City to contribute to this fund. As result, projections indicate that the percent of liabilities that are covered by the trust will gradually increase over time, from 0.4% as of July 2012 to 35% by FY 2030-31, reaching full funding by 2050. Achievement of full funding has been pushed further out in more recent valuations given mortality improvements and other actuarial updates.

As with all long-term projections, these incorporate assumptions regarding events far into the future, including the rate of investment returns, the size of the workforce, wage increases, and healthcare cost trends. The most significant cost driver is medical inflation, and to the extent the City can control future inflationary increases, future costs will be lower than projected. However, if medical inflation exceeds projections by 1% per year compared to assumptions, the trust will likely never be fully funded.

The City's ability to achieve full funding will depend heavily on the investment returns of the Trust and employee demographics, among other factors, and will need to be monitored in carefully in future years.

Capital and Deferred Maintenance

A strong economy and the support of the Mayor, Board of Supervisors, and citizens of San Francisco gave rise to historic levels of capital investment in the years leading up to 2020. Since then, the COVID-19 crisis has led to shortfalls in the Pay-as-you-go program. The funding levels shown in Figure 21 below seek to restore a healthy level of funding for capital. Even at recommended levels a funding gap still remains for deferred facilities and other capital needs ORCP in General Fund departments over the next 10 years. These funding levels will be supplemented by Critical Repairs COPs programmed into the Capital Plan.

Pay-as-you-go Program Proposed Funding Level by Expenditure Type

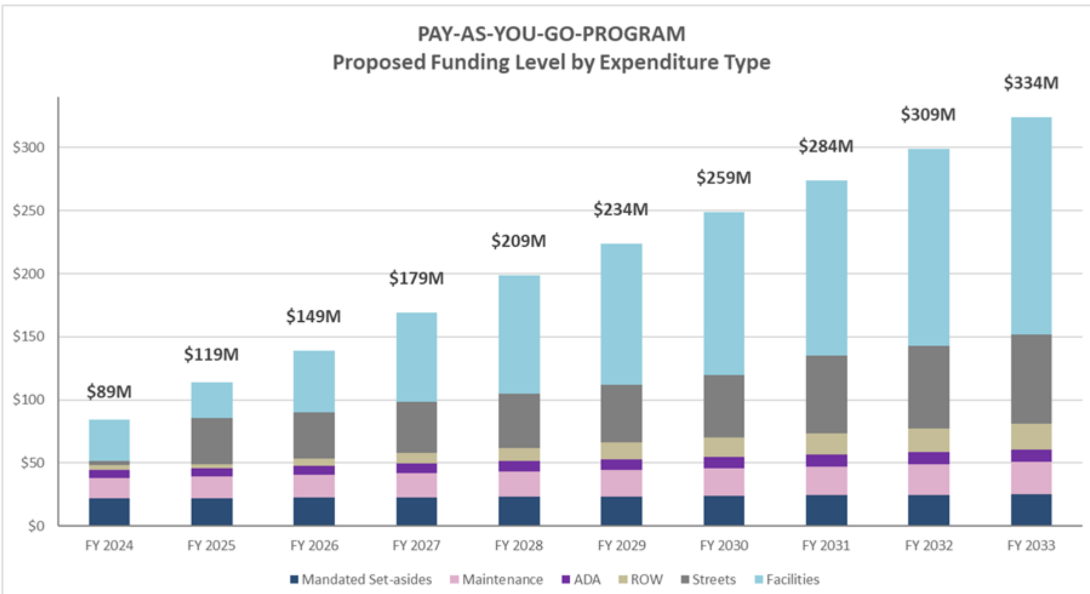

Figure 21

Current projections estimate a facilities backlog of $626.0 million for General Fund facilities at the end of FY 2023-24 (not including buildings and sites for Recreation and Parks and Streets). As shown in Figure 22 below, at currently proposed funding levels (including the Critical Repairs COPs), this backlog is expected to reduce to $480.0 million by FY 2032-33. The backlog is projected to start decreasing in FY 2027-28.

Pay-as-you-go Program Impact of Facility Renewal Funding Level on Facilities Backlog

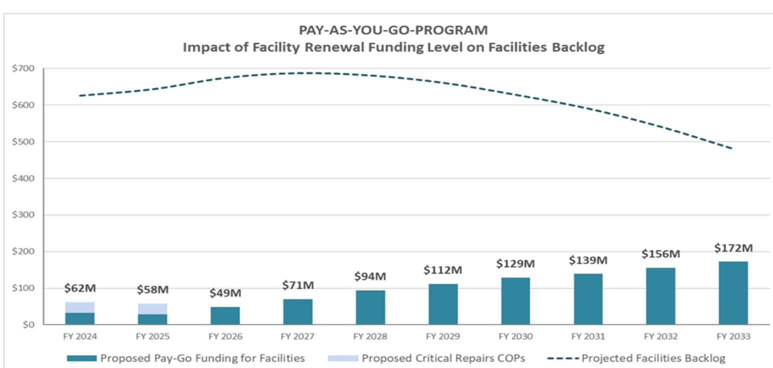

Figure 22

OTHER LONG-TERM PLANNING DOCUMENTS

Ten-Year Capital Plan
The Ten-Year Capital Plan represents the City's commitment to building a stronger, more vibrant future for residents, workers, and visitors of San Francisco. Updated every other year, the Capital Plan is a fiscally constrained ten-year expenditure plan that lays out infrastructure investments over the next decade. The upcoming Capital Plan, set to be adopted by the Capital Planning Committee in spring 2023 and submitted to the Board of Supervisors and the Mayor, will cover FY 2023-24 to FY 2032-33.

There are two main funding sources for General Fund capital projects outlined in the plan:

- **Pay-As-You-Go program**: Projects funded through this program are supported through the annual budget process with General Fund sources as described in the Capital Plan. It is used to fund on-going maintenance, American Disabilities Act (ADA) improvements, critical project development, right-of-way infrastructure investments, facility renewals, and critical enhancement projects. Currently, the funds available in this program receive a significant $30 million increase in FY 2023-24, and annual $30 million increases in the remainder fiscal years of the forecast.

- **Debt financing tools**: This category of funding includes the General Obligation (G.O.) bond program and the Certificates of Participation (COP) program. Debt financing is an appropriate revenue source for major capital projects, given that these projects involve assets with long useful lives and high upfront costs, which the City would not be able to cover through its annual Pay-Go program. The City has adopted policies to limit the use of both of these debt programs, including:
    - When issued, G.O. bonds proposed by the Capital Plan will not increase voters' long-term property tax rates above 2006 levels. Therefore, new G.O. bonds are typically used as existing approved and issued debt is retired and/or the property tax base grows.
    - The City will maintain the percentage of the General Fund spent on debt service at or below 3.25% of discretionary revenues. As a result, the City's ability to issue secured debt is limited. Financing instruments will only be used when existing General Fund debt is retired and/or the City's General Fund grows.

Since the first Capital Plan was created in 2007, the City has made significant progress in addressing critical infrastructure needs. These investments enable the City to make critical capital investments that strengthen aging infrastructure, increase the City's ability to respond to and recover from an earthquake, foster safe and thriving communities, and promote economic development.

For more information on the City's Ten-Year Capital Plan please visit: *http://onesanfrancisco.org/*

Five-Year Information and Communication Technology Plan
The Five-Year Information and Communication Technology Plan (ICT Plan) provides a framework over the next five years for the City to proactively plan, fund, and implement projects which align with the City's goals of being innovative, sustainable, and resilient. The ICT Plan outlines a path for coordination and planning to maximize current and future resources for IT projects. As with the Capital Plan, it is updated every other year and released by March. The next iteration will cover FY 2023-24 through FY 2027-28 and is expected to be adopted by the Committee on Information Technology (COIT) in the spring of 2023. Since the adoption of the last ICT Plan in

2021, the City has begun implementation of several key priorities, including upgrading the City's network and telephone systems, and replacing critical City systems such as the public safety radio system. The upcoming ICT plan will focus on continuing to support those projects as well as outline future IT funding priorities.

There are two main funding sources for General Fund IT projects outlined in the plan:

- **Information & Communications Technology investments**: this category is supported through the annual budget process with General Fund cash. It is used to fund projects such as enhancements, new projects, renewals, and critical project development.

- **Major IT investments**: this category is also supported through the annual budget process with General Fund cash; however, it is intended to address funding needs for major IT projects that are large in scale, complex, and that face longer timelines and need significant financial investments.

The total IT investment projection assumes a $10 million increase in FY 2023-24 funding of projects in the City's ICT plan with annual 10% increases in the following four years of the forecast period.

COIT prioritizes funding towards proposed IT projects that support the City's strategic IT goals.

For more information on the City's Five-Year ICT Plan please visit: *http://www.sfcoit.org/*

Major Departmental Issues and Goals

This section provides a high-level overview of major departmental issues and goals.

Academy of Sciences

- Revitalize human connections with the natural world, and be a powerful voice for biodiversity and environmental learning across the globe;
- Facilitate collaborative engagement, including community convenings, collective impact alliances, and partnering with BIPOC communities in pursuit of social justice;
- Provide science, technology, engineering, art, and museum (STEAM) education opportunities to all, especially currently underrepresented communities;
- Be a leader in workforce inclusivity, and enhance racial equity practices to ensure that opportunities reach and serve diverse communities;
- Maintain viability as a public attraction through sustainable fiscal operations;
- Expand the Museum for All program beyond daytime admission, and into Night Life and Membership.

Adult Probation

- Continue the development of the strategic plan and the Racial Equity Action Plan;
- Support and invest in the department's workforce;
- Continue investments with community partners;
- Expand treatment options with emphasis on justice-involved BIPOC women and monolingual Spanish speakers;
- Expand research capacity to inform decision-making, practices and efficacy of programs.

Airport

- Transform the post-pandemic travel experience in a uniquely San Francisco Bay Area way;
- Elevate the safety, security, health, and well-being for Commission employees;
- Enhance the financial resilience, stability, and vitality of SFO and its business partners;
- Care for and support SFO's communities and workforce partners;
- Continue to be a community leader in sustainability and resiliency;
- Achieve racial equity and inclusive growth by uplifting and empowering BIPOC and other underrepresented communities through equitable policies, programs, and practices;
- Continue to develop travel markets and launch new carriers and destinations to boost tourism and business activities.

Arts Commission

- Support and invest in a thriving, vibrant, diverse, and equitable arts community to ensure affordability, sustainability, and economic recovery for individual artists and non-profit organizations;
- Enrich the urban environment by commissioning high-quality and diverse public artworks, ensuring the quality of the built environment, and preserving the City's cultural assets;
- Raise the visibility of San Francisco's arts community by collaborating with city partners to shape innovative cultural policy and recovery policy, events, and activations for the arts and culture sector and the San Francisco economy;

- Utilize racial equity and accessibility as a key lens to assess agency-wide grant applications and guidelines, RFPs and RFQs, and artist agreements to ensure parity of artists receiving financial and exhibition opportunities;
- Ensure consistent racial equity training for staff and Commission to advance the agency's racial equity goals and action plan;
- Align and ensure efficient delivery of City resources and improve the experience for artists grantees, and prospective applicants looking to access resources, ensuring transparency, accountability, and equitable opportunities for all**.**

Asian Art Museum

- Promote inclusivity, belonging, and cross-cultural dialogue throughout the museum experience;
- Accelerate digital transformation to enable the museum to create new offerings to enliven the visitor experience at the museum and online;
- Grow and diversify audiences to increase social impact and secure financial sustainability, serving both the local and global communities;
- Make the museum one of San Francisco's most relevant and visited cultural destinations;
- Increase and diversify revenues by increasing attendance and related income and growing membership.

Assessor-Recorder

- Improve access, transparency, and customer service by modernizing key technology platforms;
- Maintain operational excellence in all work streams and build on past success by standardizing assessment practices and strengthening data integrity;
- Contribute to the City's economic recovery by leading fair and accurate assessment activities and defending appraiser value determinations before the Assessment Appeals Board;
- Advance an office that is grounded in fairness, inclusion, and equity;
- Provide all communities, especially historically marginalized immigrant and low-income communities, with access to resources and education through the Office's Estate Plan Program, Family Wealth Series, informational webinars and presentations, and other external events and outreach activities.

Board of Appeals

- Enhance the appeal process for all participants (the public, Board members, and staff) through the increased use of technology and the Board's website;
- Foster workplace development through cross-training employees to ensure coverage and service provisions at all times;
- Advance economic recovery by expediting the hearing process so disputes can be resolved as soon as possible.

Board of Supervisors

- Provide public information and accommodations for equitable access to legislative matters that impact marginalized communities, as introduced by the Board of Supervisors, including language interpretation services for Board and Committee meetings;
- Conduct legislative processing, targeted neighborhood outreach, referrals to City resources, and civic engagement with the public at large and historically marginalized communities;
- Provide timely website updates and public noticing, ensuring equitable accessibility for public participation;
- Promote diversity in the Department's workforce by recruiting highly qualified candidates and fostering meaningful collaborative partnerships with City departments and community stakeholders;

- Implement new, state-of-the-art software systems including an enhanced assessment appeals online application filing system and a legislative management system;
- Maintain the history and legacy of the Board of Supervisors by archiving legislative records; upgrading the Department's electronic systems and facilities; and preserving historically significant furniture and fixtures in the Legislative Chamber and Committee rooms.

Building Inspection
- Review plans and issue building permits safeguarding life and property in compliance with city and state regulations;
- Perform inspections to enforce codes and standards to ensure safety and quality of life;
- Deliver the highest level of customer service and utilize efficient and effective administrative practices;
- Engage and educate customers, contractors, and stakeholders on DBI's services, functions, and legislated programs;
- Advance racial equity by continuing to increase recruitment efforts to include a diverse applicant pool and expanding outreach efforts with diverse communities to ensure building safety throughout San Francisco;
- Aid economic recovery by increasing service delivery speed, resulting in increased economic activity.

Child Support Services
- Increase child support collections and payment reliability;
- Reduce the complexity of the customer experience and strengthen customer engagement;
- Enhance program outreach to deliver a clear and accurate image of the child support program to the public;
- Expand recruit, retention and development of child support professionals;
- Enhance program performance and build collaborative partnerships to benefit families;
- Foster innovation and improve service delivery;
- Expand data analytics and modernize the development and delivery of documents.

Children, Youth, and Their Families
- Prioritize children, youth, Transitional Age Youth (TAY), and families' voices in setting funding priorities and build the Department's knowledge of and presence in neighborhoods across San Francisco;
- Provide leadership in developing high-quality programs and strong community-based organizations in the interest of promoting positive outcomes;
- Provide enhanced support to students who have experienced learning loss via intensive summer programming and school-year support for literacy and math;
- Expand access to mental health services by increasing mobile rapid treatment services;
- Work with city agencies to coordinate and align services in order to increase impact, especially for the populations and groups who are most in need;
- Implement an equity-based funding framework, ensuring DCYF partners with nonprofit grantees with the cultural competence and community connection needed to effectively serve San Francisco's children, youth, TAY, and their families.

City Administrator
- Strengthen the City Administrator's administrative infrastructure by building up human resources, contracting, and central administration functions;
- Simplify and speed-up citywide contracting processes to aid government operations recovery and improve local business access;

- Develop a Real Estate Strategic Plan with a focus on Civic Center and Hall of Justice clusters and initiate an assessment of citywide capital delivery;
- Lay the foundation for resilient City operations by advancing a concrete building program and a waterfront sea-level rise strategy;
- Improve the work environment for the employees by backfilling vacancies, recognizing employee contributions, supporting hybrid work, and creating more efficient onboarding processes;
- Actively position San Francisco's tourism business through effective deployment of rent incentives and institutionalizing pre-conference planning meetings with planners;
- Improve service levels and transparency at the Permit Center by transitioning Permit Center's joint governance to the next phase and by focusing on data sharing and systems.

City Attorney

- Partner with City clients to provide effective, responsive, and creative problem-solving on legal issues related to efficiently and equitably administering the local government, delivering public services, and advancing policy priorities;
- Represent the City in both defensive and affirmative civil litigation matters to enhance the lives and well-being of San Franciscans and protect City finances and operations, while recommending changes in City policies, practices, and trainings to mitigate liability;
- Recruit, retain, and promote exceptional employees representing the full spectrum of the San Francisco legal community while providing an inclusive, supportive workplace where employees are valued for their work and contributions to the Office and the City;
- Continue to meet the challenges of the time-by identifying, investigating, and litigating cases on behalf of the City and County of San Francisco and the People of the State of California, which includes addressing civil rights, climate change, consumer protection, housing issues, and worker protection;
- Continue to provide advice and counsel to City departments and officials to advance the City's policy and operational goals;
- Continue to ensure accountability and integrity in City government through ethics advice and public integrity investigations.

City Planning

- Create opportunities for new housing throughout the City, prioritizing affordable and workforce housing;
- Center racial and social equity and environmental justice in all aspects of the Department's work;
- Foster excellent design in the Department's buildings and civic spaces;
- Enhance customer service and organizational efficiency both internally and as a partner with the Permit Center;
- Advance a revitalized downtown through short-term activations and long-term diversification;
- Promote the City's neighborhood corridors through dense, transit-oriented housing alongside neighborhood-serving businesses;
- Guide growth and support a resilient and sustainable future.

Civil Service Commission

- Amend rules, policies, and procedures to increase transparency and remove barriers to the expedited hiring of qualified candidates and expand racial equity within the merit system;
- Expand employment opportunities by reviewing job classifications and minimum qualifications to determine if requirements are applicable or restrictive to the employee's ability to perform the work at the time of hire;

- Expedite the timely resolution of investigations and appeals on matters such as examinations, discrimination, and future employment restrictions through the submission of appeals and complaints online;
- Support the development and implementation of training programs for management and staff in partnerships with other departments and unions.

Community Investment and Infrastructure
- Continue the wind-down of redevelopment activities, and the completion of existing enforceable obligations in the Major Approved Development Project Areas;
- Accelerate the production of new housing and the creation of new public infrastructure and open spaces;
- Invest in disadvantaged and at-risk communities while prioritizing connectivity, sustainability, and resilience;
- Maximize opportunities for local business and workers, use low-cost public financing, and invest in and value employees.

Controller
- Ensure government is accountable to city residents, and provide high-quality financial services;
- Support informed policy decisions;
- Safeguard the City’s long-term financial health;
- Increase access to useful and timely information;
- Invest in and value employees;
- Support the recovery of government services through work with the Department of Human Resources & City Administrator’s Office to accelerate city hiring, contracting, and financial operations processes, necessary to catch up on operational backlogs created during the pandemic.

District Attorney
- Continue an enhanced focus on restoring accountability and consequences to the San Francisco criminal justice system so that residents and visitors feel safe;
- Prioritize the creation of innovative new programs that can serve as tools for rehabilitation, while working to give offenders the opportunity to address the root causes of their criminal behavior;
- Creatively and diligently work cases to prevent any furthering of the court's backlog, while making certain the criminal justice system moves forward during challenging times;
- Ensure the Office reflects the diverse cultures, races, religions, gender, and sexual orientation of the communities the Department serves;
- Pursue fair and equal justice for all, while supporting the furthering of safe neighborhoods through ethical prosecution and protection of victims;
- Respect the privacy and due process rights of those directly involved with each case and provide transparency into outcomes of cases to ensure results of the process are fair and consistent with the pursuit of justice;
- Improve the use of data to examine factors of crime, prevention strategies, and overall work production and opportunities for efficiency.

Department of Early Childhood
- Facilitate innovative work between organizations, communities, and public agencies to advance the well-being of children from birth to age eight and their families;

- Build a citywide Early Care and Education system that enables all families with children from birth to age five to access high-quality early education and care;
- Ensure that all City-funded Early Care and Education sites participate in the Quality Rating and Improvement System and meet quality standards;
- Provide family support programs and systems to improve families' ability to successfully raise their children in San Francisco;
- Establish a system of universal early identification and intervention for children birth to age five;
- Evaluate and improve strategies to recruit, retain, and promote San Francisco's early childhood workforce.

Economic and Workforce Development

- Shape economic recovery and strengthen the city's economic resilience by developing and implementing a roadmap that accelerates San Francisco's transformation to a new economy;
- Create economic prosperity for all residents, by preparing, training, and connecting San Franciscans to sustainable jobs with strong career pathways;
- Support diverse and vibrant communities by strengthening and investing in small business, non-profits, community organizations, commercial organizations, commercial corridors, and public spaces;
- Lead the approval and implementation of significant development projects to create space for jobs, recreation, community benefits, and housing affordable to a variety of income levels;
- Strive for operational excellence that focuses on improving systems, enhances cross-departmental collaboration, centers data-driven decision making, prioritizes engagement with the communities served, and fosters partnership with CBOs and consultant organizations.

Elections

- Provide accessible, equitable, and convenient voter registration and voting options for all eligible San Francisco residents;
- Strengthen outreach strategies to provide information about registration and voting to the city's vulnerable populations, including individuals experiencing homelessness, individuals involved in the criminal justice system, people with disabilities, and members of minority language communities;
- Further equity in all public services and programs, internal policies and practices, and financial decision-making;
- Maintain operational transparency to increase public awareness and confidence in local election processes.

Emergency Management

- Improve the City's ability to respond to emergencies and crises impacting San Francisco by coordinating first responder resources, supporting operational response needs, and maintaining citywide situational awareness during all planned and unplanned events and incidents;
- Improve the City's resiliency and ability to recover from an emergency event or natural disaster;
- Increase equity in emergency preparedness through the development of partnerships with community-serving organizations, educational institutions, neighborhood groups, and businesses;
- Meet current and new performance standards for answering 9-1-1 calls and dispatching police, fire, and medics and enhance and improve call-taking and dispatching capabilities with major system upgrades;
- Coordinate and leverage funding opportunities with local, regional, state, and federal partners to collaboratively plan for and respond to large-scale emergencies;

- Emphasize diversity, equity, and inclusion in the Department's recruiting, professional development, and training practices, and develop occupational pathways for those interested in pursuing and sustaining a career in the field of Emergency Management.

Environment

- Implement recommended strategies to achieve the City's environment goals which include reaching net-zero emissions by 2040, advancing towards zero waste, ensuring 80 percent of all trips are low carbon modes of transit, building 5,000 or more units of sustainable housing each year, and transitioning to 100 percent renewable energy;
- Protect first responders, vulnerable populations, and all San Franciscans by reducing the impact of toxic chemicals;
- Expand biodiversity and compost initiatives to support healthy ecosystems, enhance livability, increase wellness, and meet carbon reduction goals through carbon sequestration;
- Use Climate Action initiatives to create good paying, long-term jobs, while ensuring a just transition that trains new workforces, promotes equitable access to green jobs for BIPOC and low-income communities, and develops new local supply chains and green industries;
- Position Climate Action work to facilitate economic recovery and make San Francisco attractive to clean and climate technology companies and their workforces;
- Capitalize on the economics of sustainability by incentivizing cost-effective energy efficiency upgrades and saving money for residents and businesses.

Ethics Commission

- Strengthen ethics, lobbying, and campaign finance laws to ensure that they are effective and enforceable in practice;
- Provide useful disclosure tools that support full compliance and strengthen public engagement in City elections and governance;
- Conduct independent oversight that promotes accountability in government through fair, timely, and thorough audits, investigations, and administrative enforcement;
- Develop and implement a Racial Equity Action Plan to advance racial equity in services to the public and in departmental operations, policies, and practices.

Fine Arts Museums

- Sustain and develop the City's prestigious collections of world art;
- Mirror and model the diversity of San Francisco in hiring, exhibitions, accessibility, programs, and community outreach that welcomes the underserved;
- Continue to diversify staff through alternative recruitment strategies and updated outreach
- Increase engagement with BIPOC and other underrepresented groups to the Museums by becoming a more inclusive and welcoming environment for staff and visitors;
- Continue to expand programming to bring Bay Area and California visitors as well as national and international tourists to the City.

Fire Department

- Ensure appropriate staffing levels to provide proper service to the public as the Department recovers from staffing shortages during COVID-19 pandemic;
- Complete construction on a modern, state-of-the-art training facility;
- Maintain facility, fleet, and equipment to support front line Fire Suppression and Emergency Medical Services (EMS) operations;

- Provide public safety and public health services to the City's most vulnerable populations through EMS and Community Paramedicine;
- Support and enhance both internal and external equity and diversity initiatives;
- Work closely with City partners to assist small businesses in their recovery from the COVID-19 pandemic.

Health Services System

- Transform healthcare purchasing and delivery to provide quality, affordable, and sustainable care through value-driven decisions, programs, and services;
- Move toward an integrated delivery system, focusing on primary care and prevention through targeted and personalized care that improves clinical outcomes;
- Ensure that programs, services, and resources address the entire cycle of health, elevating engagement, and strengthening member knowledge and confidence in accessing and utilizing health plan benefits;
- Offer a spectrum of design, cost, and services and collaborate with stakeholder organizations, agencies, and departments to deliver on the whole person perspective;
- Support members and their families in living holistically and fostering an environment of well-being, targeting the social determinants of health that affect a wide range of quality-of life-risks and outcomes;
- Center racial equity within the Department's policies, practices, and budget in a formalized, intentional, specific, and explicit way and address health disparities affecting historically marginalized communities, including Black, Indigenous and People of Color;
- Cultivate organizational excellence as a reflection of the inclusive standards, processes, and employee culture that engages and empowers the staff to deliver the highest standard of member services.

Homelessness and Supportive Housing

- Advance racial justice by addressing the racial disparities in homelessness;
- Improve the performance and capacity of the Homeless Response System to maximize impact of the existing resources;
- Continue to reduce unsheltered homelessness through a service-first approach;
- Expand and strengthen temporary shelter and crisis interventions for people experiencing homelessness to reduce unsheltered homelessness and increase in the health and safety of people experiencing homelessness;
- Increase permanent supportive housing capacity and placements to reduce overall homelessness;
- Expand the impact of homelessness prevention to help households avoid the crisis of homelessness altogether.

Human Resources

- Modernize tools and technologies to create an environment that allows employees to perform optimally. Champion diversity, fairness, and equity to provide an inclusive and safe work environment;
- Improve candidate experience by streamlining application process thus shortening the time-to-hire and increasing accessibility to City employment;
- Provide career planning, trainings, and opportunities for employees to help achieve professional and organizational goals;
- Teach best practices, provide trainings, and model an inclusive environment for the City;
- Provide support and guidance to departments to help ensure external regulatory requirements are being met, with a focus on injury and illness prevention.

Human Rights Commission

- Continue to advance economic rights, racial equity, and social justice;

- Connect community stakeholders to resources and supports to address hate incidents and discrimination;
- Convene listening sessions and community forums and continue to create spaces to amplify community voices;
- Serve as liaison between City departments and community;
- Develop an infrastructure that is responsive to City and community needs to advance the work of the Department;
- Hire enough staff to support community needs, with sufficient personnel in discrete, standalone roles;
- Advise and provide technical assistance to City departments and community.

Human Services Agency

- Continue to provide equitable access and outcomes across race, ethnicity, age, ability, gender identity, sexual orientation, immigration status, and neighborhood in all of the Department’s programs, services, and systems;
- Ensure that the staff and community partners feel supported, heard, valued, and connected to one another and the Department’s common mission;
- Provide a stable source of income and an opportunity to increase individuals' and families' economic well-being;
- Ensure that community members receive food, shelter, healthcare, supportive services, and community connection to thrive;
- Provide services that ensure safety in all stages of life, free from abuse, neglect, and exploitation;
- Provide high quality and impactful services to reduce inequities of income, health, and wellness and to help shape San Francisco’s recovery from the COVID-19 emergency for years to come.

Juvenile Probation

- Reimagine how the City addresses juvenile crime and delinquency – from referral through reentry – in collaboration with community and government partners; emphasizing research, evidence-based practices, and innovation; and sustainably addressing pervasive racial disparities throughout the system;
- Advance a whole family engagement strategy that places racial equity at its center to ensure that all youth have full and equal access to opportunities, power, and resources;
- Create a non-institutional home-like secure setting for both detained and incarcerated youth and young and implement daily community presence of community partners;
- Continue to organize and right-size the department and budget to reflect changes in caseloads, increased emphasis on community-based services, and changes in approach and responsibilities, including Division of Juvenile Justice (DJJ) realignment duties;
- Bolster equitable leadership development opportunities for Black, Latino and Asian/Pacific Islander staff throughout the Department, implement change that meaningfully improves the workplace experience of BIPOC staff;
- Develop a collaborative approach to policymaking and service provision to work effectively with community agencies and appropriate city agencies, including health, law enforcement and schools.

Law Library

- Expand outreach to the local community to promote legal information resource and service awareness and promote access to justice through print and online resources, one on one reference assistance, educational programs, comprehensive legal databases, resource guides, newsletters, and forms;
- Continue to develop partnerships with local legal services and lawyers for San Franciscans in need of legal advice;

- Ensure continued exceptional services by maintaining and supporting staff and facilitating their professional development;
- Collaborate and develop partnerships with local, state, and national legislators and agencies to expand resources to support the law library and outreach and awareness to the public about the free services and legal resources available at the law library.

Mayor’s Office of Housing and Community Development

- Create permanently affordable housing opportunities by building new affordable housing, helping households qualify for below market rate housing, acquiring rent-controlled properties at risk of market-rate conversion, preserving existing affordable properties through rehabilitation, and providing down payment assistance loans to income-qualified first-time homebuyers;
- Coordinate with City, State and Federal agency partners to connect San Francisco’s residents with critical tenant support resources;
- Improve access to affordable housing and protect housing rights through housing counseling, application assistance, and eviction prevention services;
- Promote resiliency and economic self-sufficiency for families and individuals through community-based services rooted in racial equity;
- Stabilize communities through healthy physical, social, and business infrastructures, especially for those communities at risk of displacement;
- Continue to advance opportunities and improve programmatic outcomes for Black, Brown, and low-income residents by assessing programs, contracts, and procurements to ensure they advance the City's racial equity goals;
- Produce, preserve, and protect affordable housing to stabilize communities and bolster economic resiliency as San Francisco emerges out of the COVID-19 pandemic.

Municipal Transportation Agency

- Deliver reliable and equitable transportation services;
- Eliminate pollution and greenhouse gas emissions by increasing use of transit, walking, and bicycling;
- Build stronger relationships with stakeholders and deliver quality projects on-time and on-budget;
- Identify and reduce disproportionate outcomes and resolve past harm towards marginalized communities;
- Create a work environment that is responsive, equitable and inclusive and includes recruiting, hiring and investing in a diverse workforce;
- Modernize the department’s infrastructure and systems in the City.

Police

- Improve public safety by building strong, respectful partnerships with the community and City agencies;
- Improve ability to respond in a timely, informed, unbiased and procedurally just way, and work towards collaborative resolutions;
- Align on a shared vision and transparent ways of measuring safety with respect in order to improve Department operations and relationships with the community;
- Instill safety with respect into how the Department organizes, evaluates performance, recruits, trains, promotes, rewards, deploys, leads, and retains a diverse pool of talented, highly qualified personnel to serve our community;
- Develop a future-focused, longer-term strategic plan for a more modern, evolving, and inclusive department with input from internal and external stakeholders.

Police Accountability

- Address civilian complaints of police misconduct professionally and efficiently which include investigating all officer-involved shootings for police misconduct;
- Ensure officers have access to view and submit case documents;
- Regularly audit the Police Department's internal policies on use-of-force and officer misconduct;
- Educate vulnerable populations about their rights and resources through community outreach and provide internship and job training opportunities for students from underrepresented backgrounds;
- Explore existing City programs to develop new technology solutions for increasing investigation transparency;
- Collaborate with the community, youth, and City agencies to develop educational material.

Port

- Develop and implement strategies to address the economic impacts of the COVID-19 pandemic and stabilize the Port's financial position;
- Grow business portfolio to create an economically successful and vibrant waterfront;
- Create a diverse, equitable, and inclusive organization and waterfront, and empower the BIPOC community in Port operations and opportunities through equitable policies and practices;
- Reduce seismic and climate change risks to protect the waterfront, City neighborhoods, and infrastructure;
- Advance environmental stewardship to limit climate change and protect the Bay;
- Evolve the waterfront to respond to changing public and Port needs;
- Implement economic strategies in waterfront neighborhoods and facilities to create dynamic communities along the waterfront.

Public Defender

- Provide competent, vigorous, and ethical legal representation to indigent persons accused of crimes or involved in conservatorship matters in San Francisco;
- Protect vulnerable populations, advocate for clients' release, and provide re-entry services to clients upon release;
- Ensure fair and transparent treatment of all cases, including providing immigrant representation and improving language access for non-English speaking clients;
- Advocate for law enforcement transparency and accountability;
- Address and combat racial inequities throughout the criminal legal system through public defense strategies and policy change;
- Recruit, hire, train, support, and mentor diverse public defenders to ensure that the office reflects the clients served;
- Connect clients with social workers that provide referrals to housing, employment, and other essential social services immediately after they are booked into jail and before their first court appearance.

Public Health

- Advance equity through community engagement;
- Improve health outcomes for people experiencing homelessness;
- Hire and develop the Department's diverse workforce;
- Turn data into actionable knowledge anytime anywhere;
- Continue responding to COVID-19 to mitigate the health impacts of the pandemic.

Public Library

- Provide accessible and welcoming library facilities open seven days a week to meet the needs of all San Franciscans;
- Promote literacy and learning;
- Engage youth in learning, workforce development, and personal growth opportunities;
- Provide access to innovative information services through access to high-speed broadband, technology, and the library's virtual presence;
- Support the economic recovery and resiliency of San Francisco with targeted programs and services;
- Implement the San Francisco Public Library's departmental Racial Equity Action Plan;
- Foster a culture of continuous improvement and organizational excellence.

Public Utilities Commission

- Provide reliable service and value to customers by optimizing the operations, maintenance, replacement, and improvement of all assets in the most cost-effective manner;
- Attract, retain, and develop an effective workforce, reflective and supportive of the communities, that consistently delivers high-quality services to stakeholders;
- Assure financial integrity and sustainability, meeting today's operating and capital investment needs while managing risk and long-term affordability for the future;
- Continue to foster trust and engagement with customers, employees, and the communities the department serves through open and timely communication and education;
- Manage the resources entrusted to the Department's care to ensure environmental and community health;
- Commit to the fair treatment of people of all races, cultures, and incomes, and affirm diversity, inclusiveness, and respect as the agency's core value. Recognize the need to proactively take on structural racism and prioritize racial equity in both policy and practice.

Public Works

- Ensure safe, clean, sustainable, and inviting streets and public spaces;
- Proactively anticipate client needs, engage community stakeholders, and communicate timely and accurate information to the public;
- Drive innovation to strengthen intra-departmental coordination points and improve organizational efficacy and efficiency;
- Deliver exceptional service by implementing new safety practices and developing a comprehensive Public Works asset management plan;
- Build and strengthen stakeholder partnerships to both activate public spaces and maintain trees, public rights-of-way, buildings, and capital projects through an equity lens; and
- Attract, engage, and empower a diverse, creative, and motivated workforce by streamlining time-to-hire, improving employee performance plan and appraisal processes, providing career-development opportunities, and strengthening apprenticeship programs.

Recreation and Parks

- Continue to prioritize renovating outdated parks and playgrounds while also building new parks;
- Increase access to parks, recreational classes, and facilities through language services, promoting park services and resources for residents in low-income neighborhoods, and applying equity analyses as future programming is created;
- Inspire the Recreation and Parks staff by using data-driven decision-making for all programs and operations and providing job training and career pathways;

- Invest in programs and services that support equitable park access, recreation and youth development programs, and family-friendly activities that support local small businesses;
- Identify and support partnerships opportunities to enhance and further develop more accessible parks and open space for the city;
- Continue to support and cultivate a diverse, connected, and engaged workforce that delivers outstanding service.

Rent Arbitration Board

- Develop and maintain the first-ever Housing Inventory of residential units in the City & County of San Francisco and educate property owners and tenants on the reporting requirements;
- Expand services in equity and programming by establishing racial equity norms throughout all services in the Department;
- Grow and strengthen residential property data sharing across departments help expedite permitting and decision-making processes;
- Educate landlords and tenants on the complex Rent Ordinance in English, Chinese, Spanish and Filipino and other languages;
- With exceptional customer service, assess and collect the Rent Board Fee while maintaining regularly-improved data to ensure the department is assessing and collecting the proper Fee to fully support the Department.

Retirement System

- Educate employees about retirement planning and options;
- Enhance member experience through a self-service website and 24/7 modules for active and retired members;
- Enhance service quality and responsiveness;
- Support a qualified and sustainable workforce.

Sheriff

- Work with the community with respect and dignity and engages in public safety strategy development and relationship-building activities;
- Improve organizational accountability;
- Invest in more effective and efficient systems for reducing crime and providing services to underserved communities;
- Provide all staff with the highest quality training to best address the City’s needs;
- Continue maximizing workforce potential through employee recruitment, managing workloads, minimizing stress, encouraging career success, and creating succession plans.

Sheriff Accountability

- Perform all investigative, oversight, and recommendation functions;
- Build the infrastructure for a fully functional and independent agency to meet all legal responsibilities and mandates for the Office of Inspector General/Sheriff’s Department of Accountability;
- Develop data-driven policies, procedures, and protocols by creating a team of analysts, auditors, and policy specialists;
- Establish a mediation process for certain classes of misconduct allegations.

Status of Women

- Advocate for gender equitable policies and laws both locally and beyond, and serve as the City and County of San Francisco's internal watchdog and accountability partner on all matters related to gender equality and inclusion;
- Convene community partners and other government institutions to tackle longstanding and evolving societal problems that disproportionately and negatively impact women, girls and nonbinary people;
- Promote the health and safety of all women, girls and nonbinary people with particular focus on mental wellness and an individual's connectivity to and interdependence on their environment and community;
- Advance the economic security of women, gender nonconforming individuals and their respective families through education, programming and citywide policies;
- Recruit and energize women, girls, nonbinary people and other underrepresented communities to ensure greater civic engagement and the realization of political empowerment.

Technology

- Deliver a digital workplace to enable the future of work through enterprise applications, modern IT infrastructure, smart office enablement, and internal and external collaboration technologies for on-premise and remote city workers;
- Leverage enterprise business systems to accelerate the transition and transformation to paperless, digital business processes and deliver quick system development, data-sharing capabilities, and enterprise analytics;
- Expand fiber connectivity to support community access to the internet, student distance learning, telemedicine, and government operations;
- Strengthen resiliency of core network and infrastructure systems that support the foundation of City business operations, including public safety and the City's emergency response;
- Enhance cybersecurity efforts to secure networks and data, and remain vigilant against cyber threats;
- Continue to implement a Racial Equity Action Plan that aligns with the Department's Strategic Plan and implement insightful metrics to create racial equity within the workplace.

Treasurer-Tax Collector

- Maximize revenue by building and executing high-quality collections and compliance systems that balance equity, security, and ease of use;
- Assess and reform fines, fees, and financial penalties that have a disproportionate impact low-income people and people of color;
- Manage the City's investment portfolio to preserve capital, maintain liquidity, and enhance yield;
- Provide high quality customer service and diverse communication channels that support all San Franciscans;
- Equip San Franciscans with knowledge, skills, and resources to strengthen their financial health;
- Design and extend programs that support small businesses.

War Memorial

- Provide first-class facilities that are accessible to all residents and visitors for cultural, educational, and entertainment activities;
- Offer affordable spaces for nonprofit organizations that support veterans or provide cultural, artistic, and educational programming;
- Maintain, upgrade, and preserve important historic facilities and capital assets for the future;
- Expand opportunities that promote more equitable access to venues;

- Support post-pandemic economic recovery by promoting tourism and attracting visitors and residents to the neighborhoods surrounding the facilities.

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Recology
WASTE ZERO

Commission On Environment Hearing #2

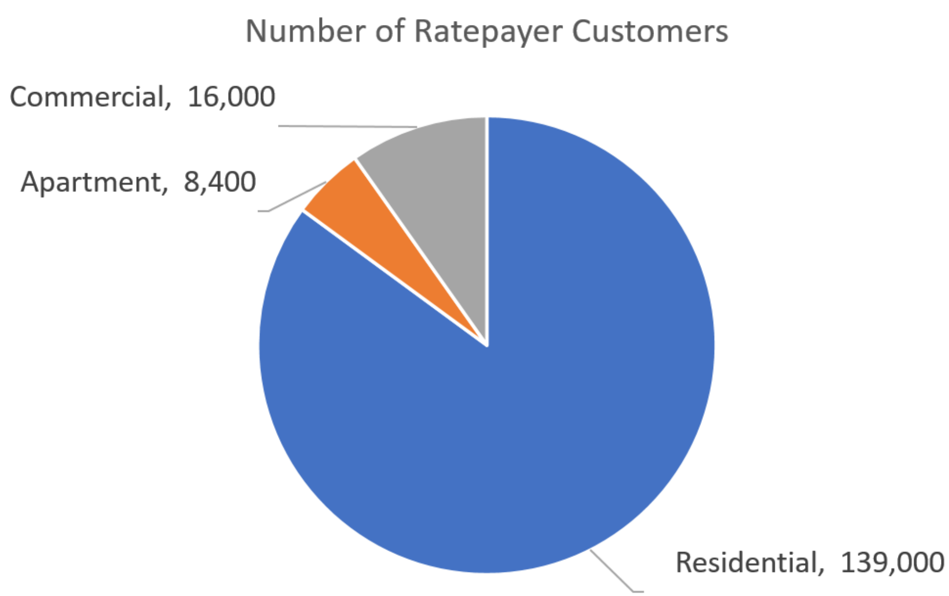
May 23, 2023

Business Overview

Business Structure

- Collections provided by Recology Sunset Scavenger ("RSS") and Recology Golden Gate ("RGG")

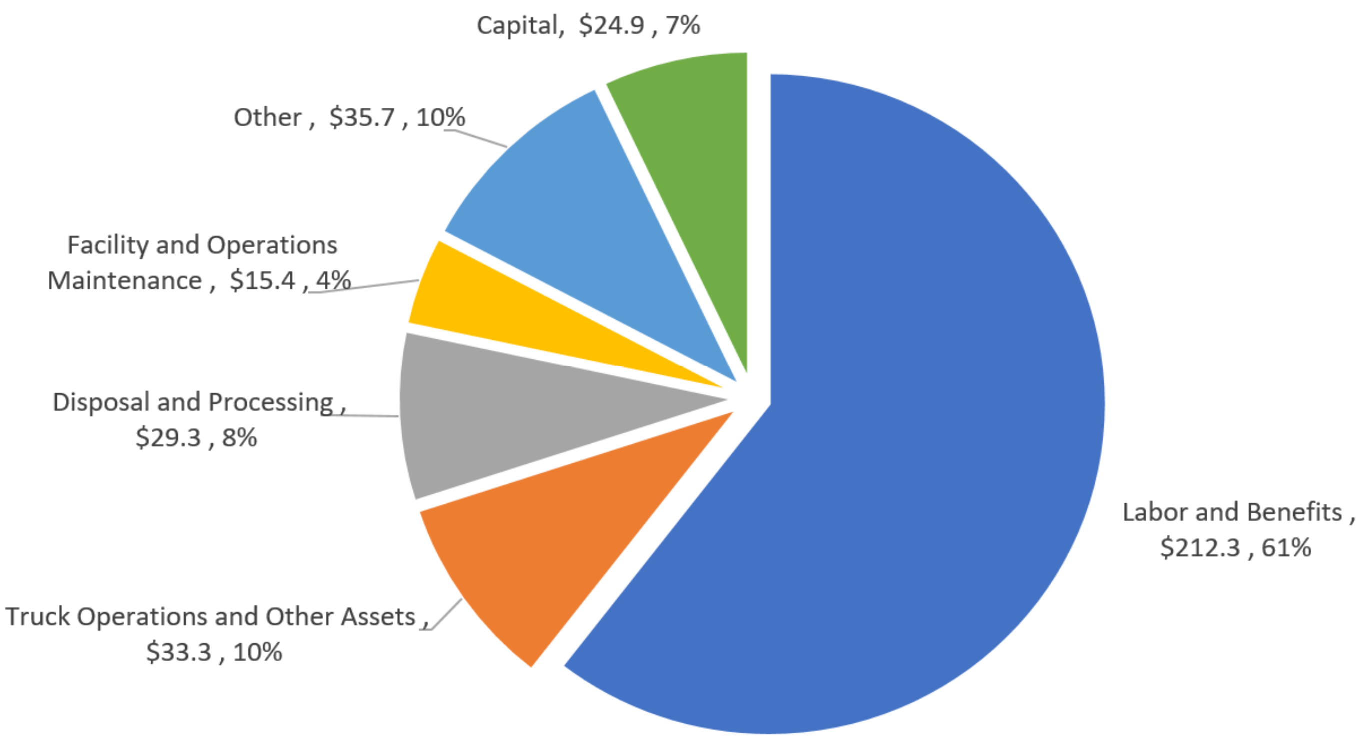
- Disposal and processing provided by Recology San Francisco ("RSF")
    - Recycle Central
    - iMRF
    - Transfer Station
    - Organics
    - Public Reuse and Recycling Area
    - Household Hazardous Waste



Costs

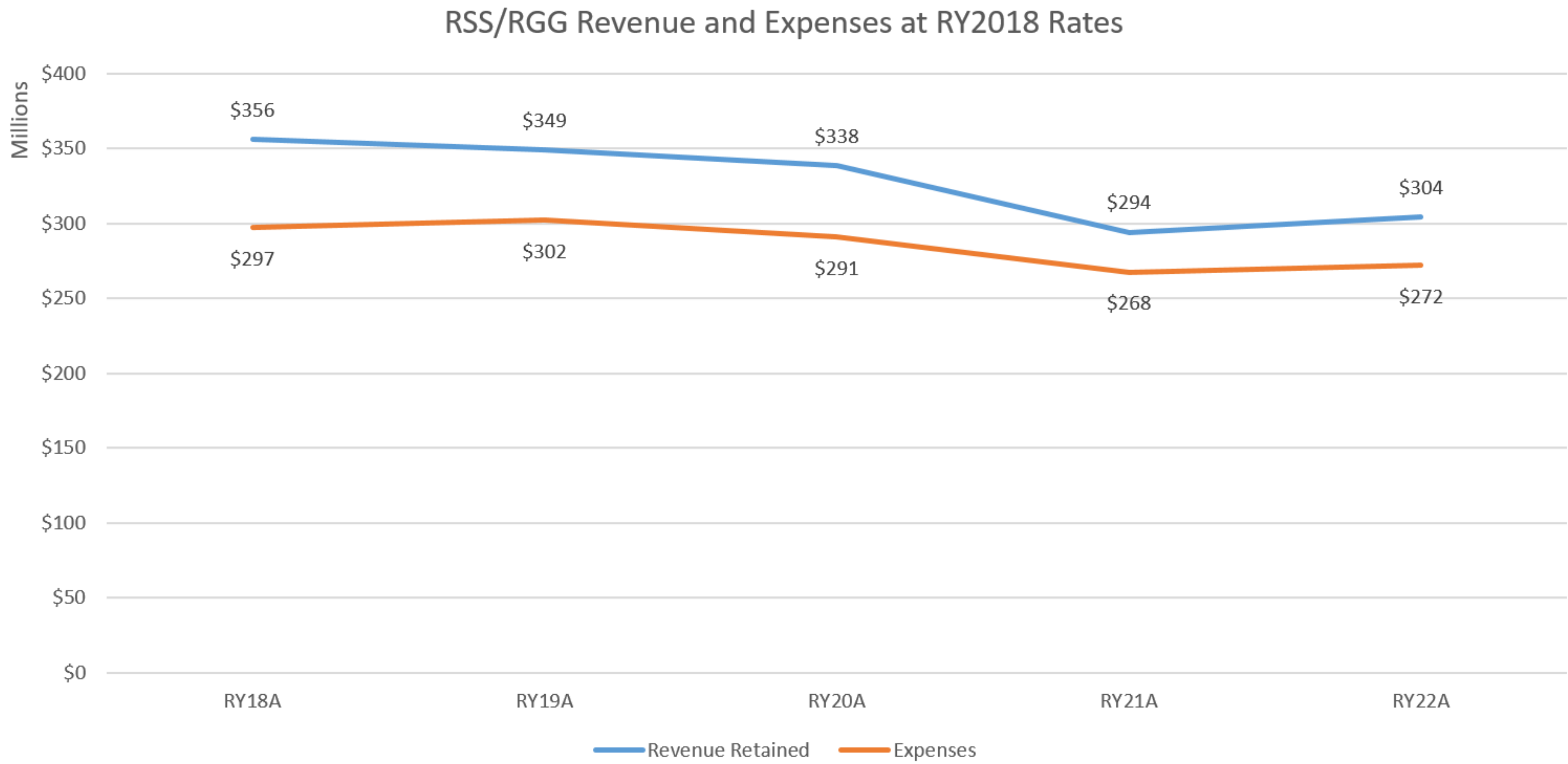
Consolidated SF Recology Companies Costs

RY 2022A, in millions



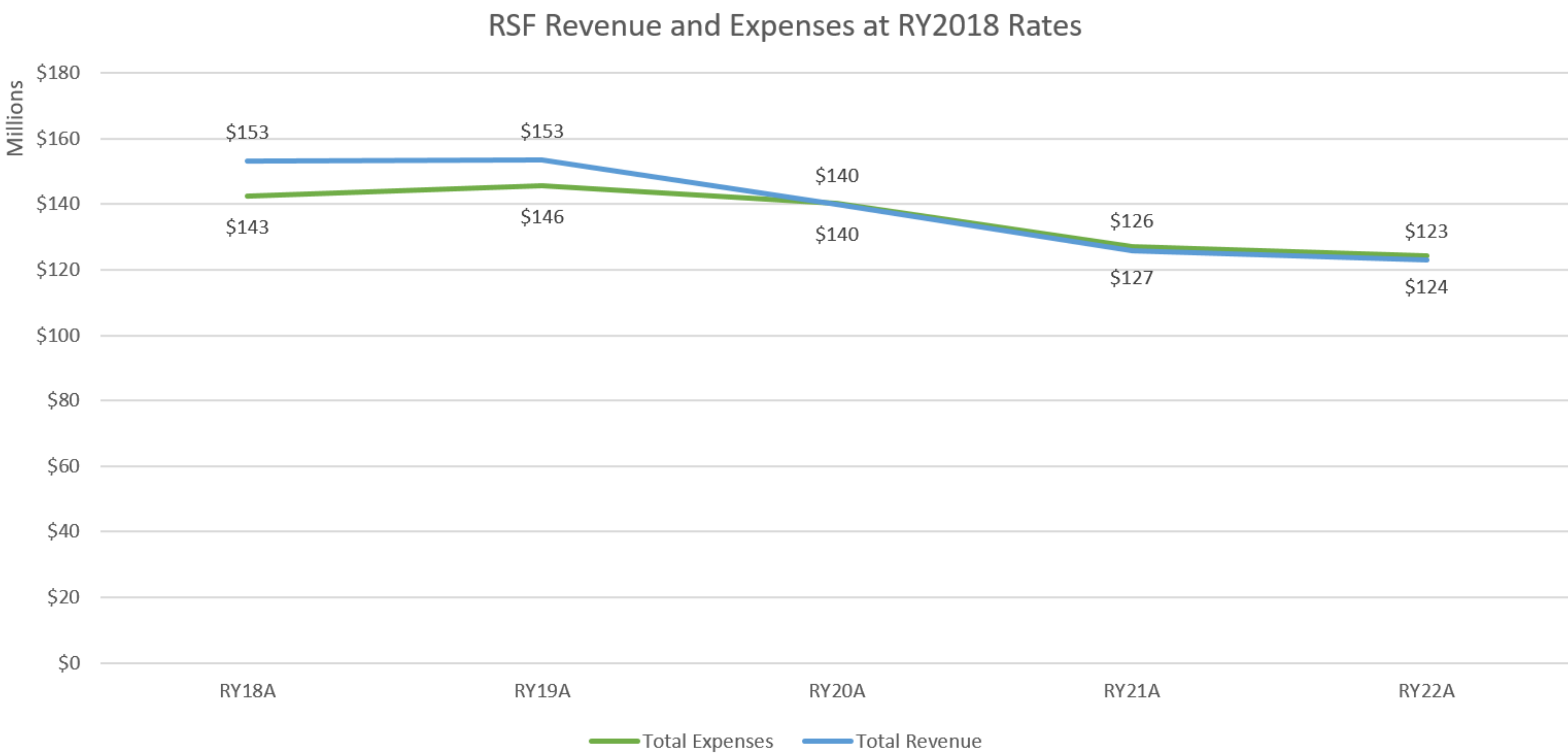
Managing Costs: RSS / RGG

- Costs managed in response to pandemic-related service changes:



Managing Costs: RSF

- Costs managed in response to pandemic-related service changes:

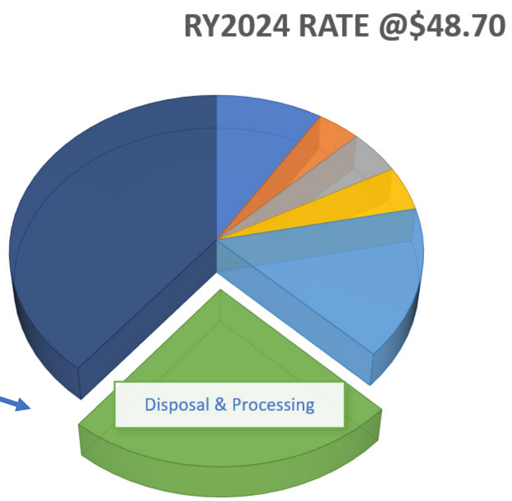


Rate Change Request

	RY 2024	RY 2025
Collection increase	3.90%	2.17%
Tipping fee increase	16.36%	0.08%

Impact of tipping fee increase on ratepayer:

- ~30% of collection rates are for tipping fees



Outreach and Education

Outreach and Education

- Recology's Waste Zero Department currently provides the following outreach

- On Site Audits and Consultation
  - Site visit to evaluate the specific waste stream and provide recommendations
  - Audits of waste stream to optimize service
  - Provide printed materials and waste sorting guides
  - Provide on-site multilingual trainings
- Online Resources
  - WhatBin Tool: sorting information
  - Online residential and apartment rate calculator
  - Digital Newsletter
- Phone & Mail Outreach
  - Contamination – offering assistance to property managers
  - Multi-family & Commercial Building
  - Extras - offering service adjustments, increasing diversion, and reducing extras charges

Continued on next slide…

Outreach and Education

- Recology's Waste Zero Department currently provides the following outreach
  - Waste Zero Champion Program
  - Special Event Collection & Hauling
    - Provide event services with incentives for increased diversion
  - Tabling Outreach at Events
    - Provide sorting guides, information about recycling and composting
  - Educational Tours
    - Facility Tours of the Transfer Station, Organics West Wing, and Recycle Central

- Recology coordinates with SFE and Public Works
  - Coordinating with SFE on all outreach efforts, including reporting to SFE on RSO audits
  - Supporting Public Works' compliance efforts

Outreach and Education

- Examples of Outreach and Education activity conducted
  - ✓ 1,200 customer contacts regarding increasing diversion, improving recycling
  - ✓ 610 total audits for Refuse Separation Ordinance Compliance – auditing all large refuse generators citywide every 3 years
  - ✓ Year-round recycling program support for UCSF, SF State, City College, and SFUSD
  - ✓ 165 In-person training sessions and on-site visits
  - ✓ 265 Individual Special Events managed
  - ✓ Composting Video <u>Back to the Core</u> received 142,000 views in first two weeks

Outreach and Education Enhancements

- Education and Outreach Programs

Goal: Prevent contamination at the source

In alignment with SFE priorities:

- Distribute Recology service guides to all residential and apartment customers every other year
- Provide Recology service guides for commercial customers detailing what goes where, how to avoid/remove contamination charges, and additional services such as locking and indoor services to discourage illegal dumping
- Targeted Outreach – Contact all new apartment and commercial accounts above 2 yards of service, with low diversion (less than 50%)

Breakdown of annual costs

- Cost = $395K per year
- Printing, production, and distribution of service guides for approximately 320K customers
- 1 additional FTE to conduct focused outreach to low diversion customers
- Automated email distribution of newsletter

These enhanced services will be provided by Recology if costs are included in the approved rate order.

Contamination Management

Contamination Program

- Recology’s current contamination program
  - Point of collection, facility cameras and onboard cameras
  - Onboard technology and process
  - Diversion Auditors provide QA inspections of landfill, recycle, and compost
  - Phone and letter outreach
  - Onsite multilingual trainings, posters and signage plus one-on-one site visits
  - Information about importance of sorting correctly and potential for contamination charges

Contamination Enhancements

Goal: Reduce contamination to improve diversion and product quality

At point of collection

- On-board technology - identify contamination at source
- Additional targeted outreach and education

- Cost = $239K per year
  - 1 additional FTE to evaluate photos, conduct trainings, manage customer account data, contamination warnings, and process
  - On-board technology and cameras installed on 38 trucks

These enhanced services will be provided by Recology if costs are included in the approved rate order.

Point of collection: Photo of recycling truck hopper, from on-board camera pilot program

Weekend Clean-up Events

Weekend Clean-up Events

Rate application proposed the addition of 22 Saturday events across San Francisco to enhance street cleanliness

- Weekend Clean-ups for smaller, easily transportable items
    - BIR generally for larger, hard to handle items
- Promotes proper disposal and is a complement to the BIR program
    - Events may reduce abandoned materials
- Estimated Annual Cost = $608K
    - Includes 1 Supervisor FTE

RRA requested cost estimate for an alternate “3-Bin” and reuse events

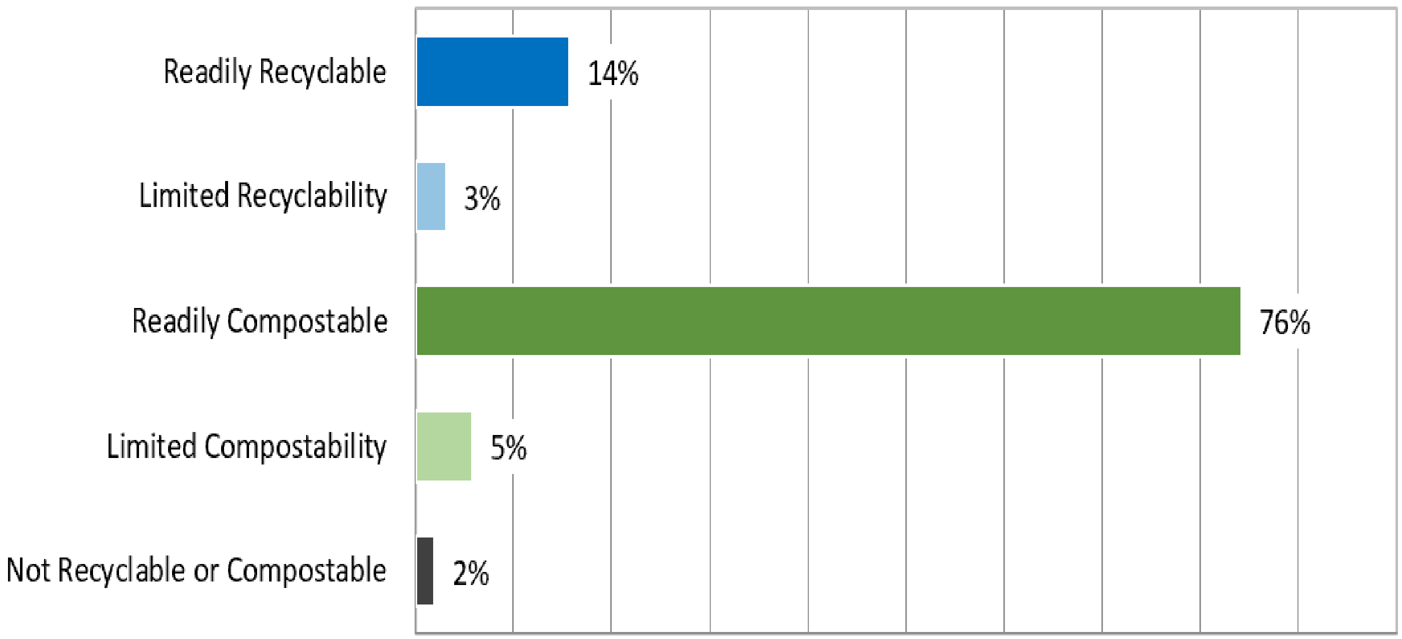
- Provide source-separated disposal of refuse / recycle / compost
- Would require significant resources above proposed program
- Feasibility in doubt due to space required for alternate event structure
- Estimated Annual Cost = $1.3M
    - Includes 1 Supervisor and 1 Waste Zero FTE

Organics Compliance

Organics Compliance

- Currently, 24% of total organics tonnage collected by SF Recology Companies is non-compostable or has limited composability

Subtotals by Recoverability



Organics Compliance

- Rate application proposed the following pre-processing system requirements
  - Max. 50 tons/hour throughput
  - Projected need of 35-40 tons/hour (550 tons / 14-16 processing hours)
  - Projected contamination removal requirement of 5.5 to 4.8 tons per hour
  - Estimated cost was $3.2M

- An alternate interim organics pre-processing system is now being proposed
  - System will not be capable of processing all of the incoming tonnages
  - Target the most contaminated loads
  - Allow Recology to assess the requirements for long term permanent solution
  - Estimated cost is $180K per year plus cost to connect to the electrical system

Organics Compliance

- Interim Organics Pre-Processing System
  - Portable Electric Trommel with Bag Breaker attachments to liberate compost from bags
  - Estimate 10 to 15 tons/hour throughput
  - Projected removal of up to 9.66% of contamination in organics feedstock
  - No size reduction

Organics Compliance

First Run
5/3/23
Portland Metro
Source Separated
Organics
34.2 Tons

Date	Metro #	Tons
5/3/2023	96281	2.71
5/3/2023	94318	2.33
5/3/2023	96281	4.37
5/3/2023	96552	0.63
5/3/2023	94834	6.55
5/3/2023	10218	1.38
5/3/2023	94612	4.98
5/3/2023	94653	1.58
5/3/2023	94395	4.24
5/3/2023	94722	5.43
5/4/2023	94662	0.77
5/4/2023	94668	1.74
5/4/2023	10465	7.63
5/4/2023	94363	3.68
5/4/2023	96238	4.37
5/4/2023	96293	6.21
5/4/2023	96391	3.47
5/4/2023	94672	1.17
5/4/2023	10402	3.49
5/4/2023	94378	6.16
5/4/2023	94612	5.63
5/4/2023	96238	5.74

Second Run
5/4/23
Portland Metro Source
Separated Organics
50.06 Tons

Organics Compliance

Sorted organics post-trommel

	Net Weight	%
First Run	10.41	12.35%
Second Run	5.87	6.97%

Sorted residue post-trommel

Organics Compliance

- RRA has requested an estimate of the cost to utilize manual sorters
  - Recology believes that a manual solution would be many times more expensive than the deployment of high-volume screening technology
  - A bag breaker, size reduction system and sorting line would be still be required along with the service electrical upgrades
  - Manual sorting would essentially replace the screening component of the proposal
    - 6 to 8 sorters working two shifts on a purpose-built sorting line could easily cost between $1.4M to $1.7M per year
    - Only savings from the proposed costs is $405K for a screen
  - Recology does not believe that manual sorting represents a viable solution

Recology
WASTE ZERO

Thank you

Recology Inc.

CORPORATE FEE ALLOCATION

armanino

CORPORATE FEE ALLOCATION

Prepared by:

Armanino LLP

On behalf of:

Recology Inc.

August 2, 2018

I. Introduction

In conjunction with a planned change in the allocation of corporate fees, Recology Inc. engaged Armanino LLP to evaluate the proposed methodology change and determine, in our professional opinion, the applicability of the new allocation methodology. Armanino has been assisting solid waste companies of all sizes with expense allocations in conjunction with rate application filings, responses to request for proposals and financial statement attestations for over 50 years. We have developed comprehensive technical expertise in this field and are more than qualified to conduct this evaluation.

II. Summary

Recology Inc. has allocated expenses commonly associated with corporate services using a myriad of different methodologies from a set of weighted measures (payroll/accounts payable checks and accounts receivable customers) for information technology services to headcount for human resource services and revenues for all others such as finance, sustainability, legal and corporate administration. These various methodologies can be complicated, time-consuming and outside the established methodologies commonly used by other solid waste entities. The Company has prepared a revised allocation model that allocates all of the common corporate services based on revenues.

III. Conclusion

Armanino has worked with dozens of California solid waste companies and assisted in the preparation of hundreds of rate applications, annual budgets, new contract RFP submissions and attestation engagements. Each of these would include the allocation of expenses between lines of business, contracts and inter-company. In our professional experience, using revenue as the allocation method for corporate services is one of the more common practices employed by solid waste companies, including entities as large as Recology Inc. and this practice is in line with industry standards.