



Department of Public Health Budget Update FY2025-26 & FY2026-27

January 13, 2025

Agenda

I. Overview of DPH's Budget

- Review of Base Budget for Divisions
- Projected Salary Spending in Current Year (Admin Code 3.3)

II. Five-Year Financial Projection for the City and Mayor's Budget Instructions

III. Approach to Budgeting and Next Steps

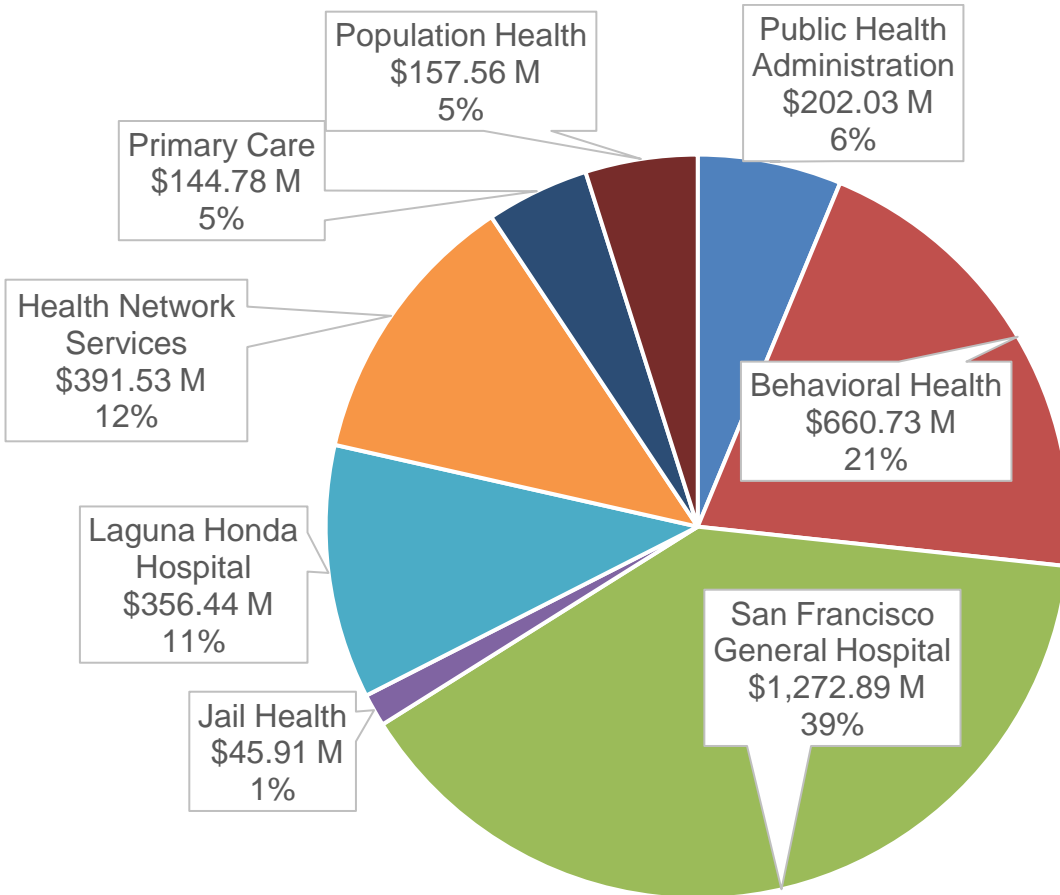


Overview of DPH Budget



San Francisco
Department of Public Health

DPH's Annual Budget is \$3.2 Billion with 7,677 Budgeted FTE



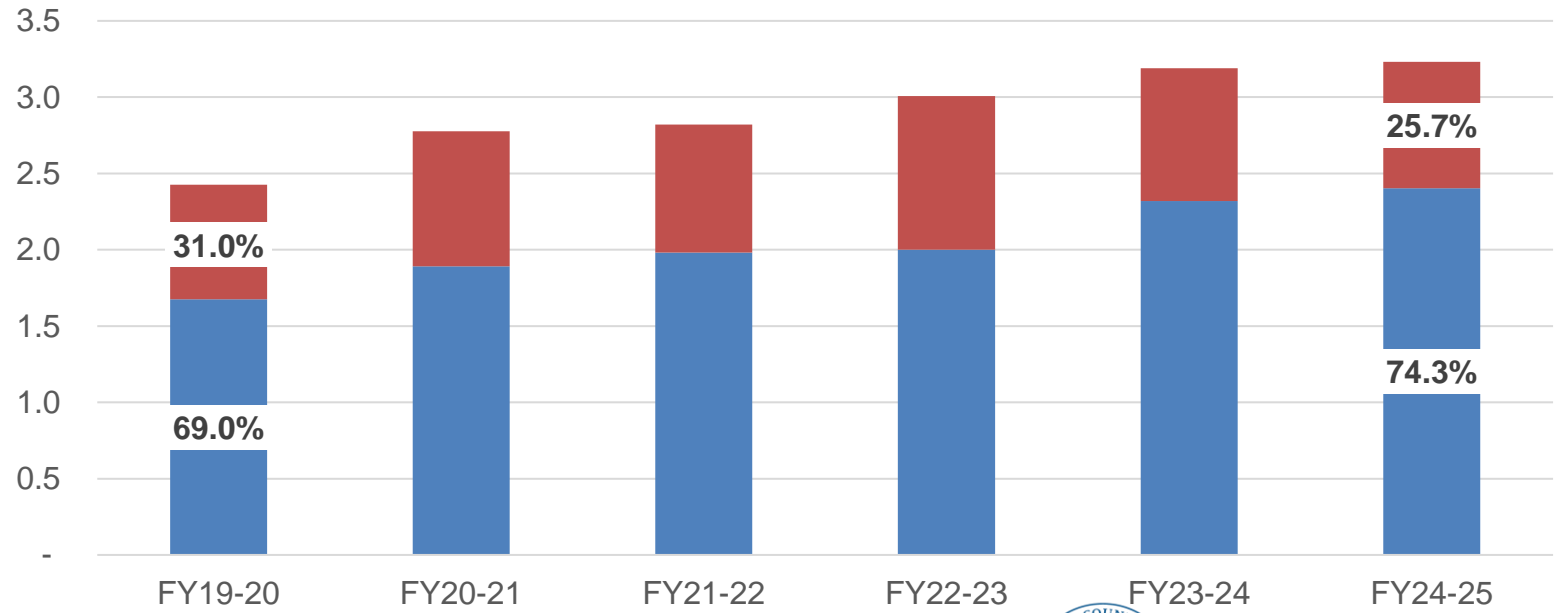
Division	Budgeted FTE
Zuckerberg SF General	2,986
Behavioral Health	821
Laguna Honda Hospital	1,329
Health Network Services	782
Primary Care	522
Jail Health	158
DPH Operations	599
Population Health	480
Total FTE	7,677



**San Francisco
Department of Public Health**

DPH Leverages Revenue to Offset General Fund Subsidy

- DPH continues to maximize generation of revenue to offset growth in expenditures
- DPH revenues have grown at the same pace as expenditures since FY2019-20 (~ \$800M), reducing our GF subsidy share of revenue from 31.0% to 25.7% in FY2024-25



Administrative Code Section 3.3 – Personnel cost projections

- DPH's operating budget of \$1.46 billion for personnel is currently projected to have \$8M surplus (~0.5%). Savings due to:
 - Continued ramp up in hiring to match growth in new positions in Population Health and Behavioral Health
 - Partially offset by higher-than-budgeted-levels of spending on special nursing, holiday and premium pay at ZSFG and temporary staffing in Operations
- The Citywide hiring freeze effective January 9 will impact these projections
- DPH's quarterly financial reports to the Health Commission will continue to update these projections throughout the year.

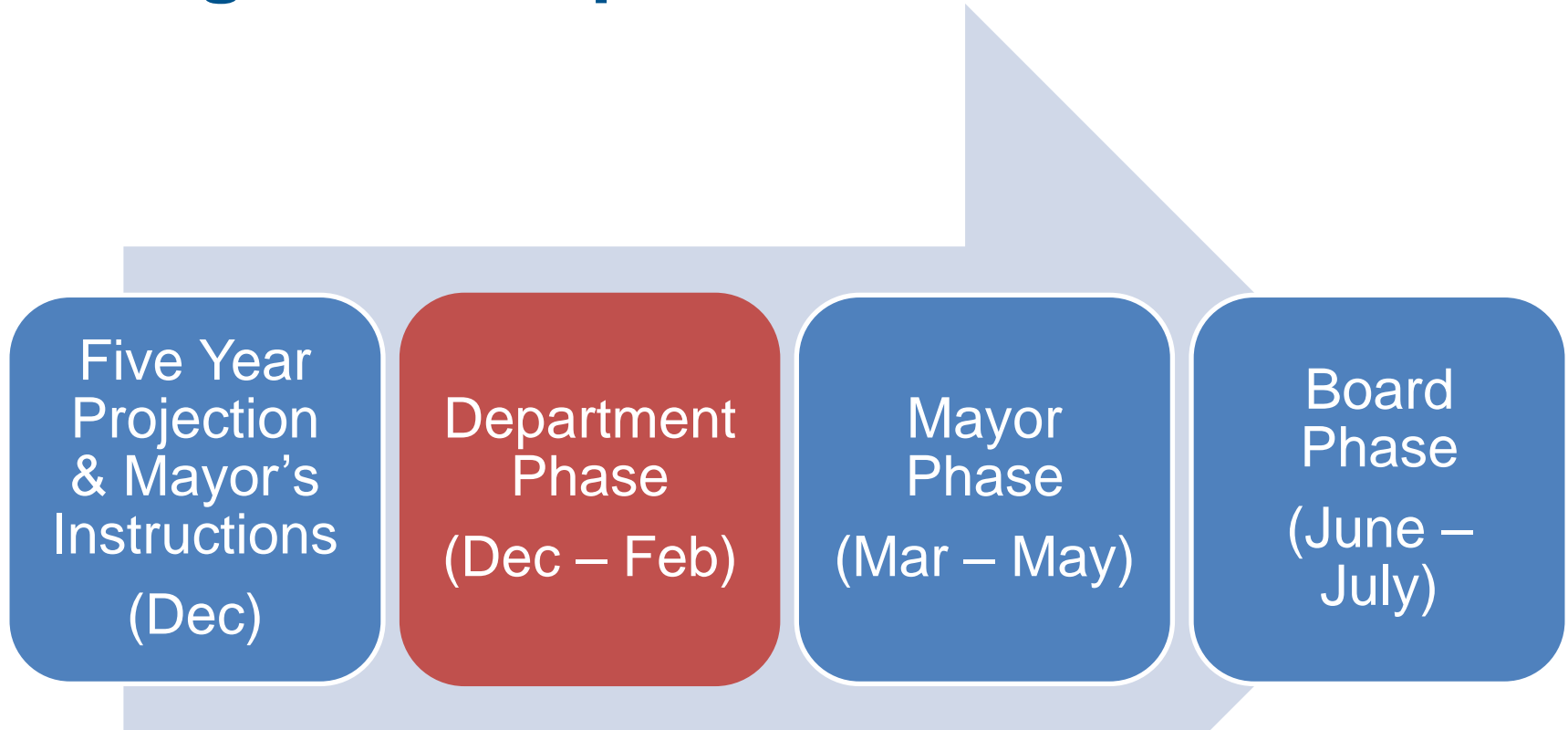


Five-Year Financial Projections & Mayor's Budget Instructions



San Francisco
Department of Public Health

Budget Development Phases



True North Principles

- Financial Stewardship
- Safety & Security
- Health Impact
- Workforce
- Equity
- Service Experience



City Fiscal Outlook: Five Year Outlook

Fiscal Outlook:

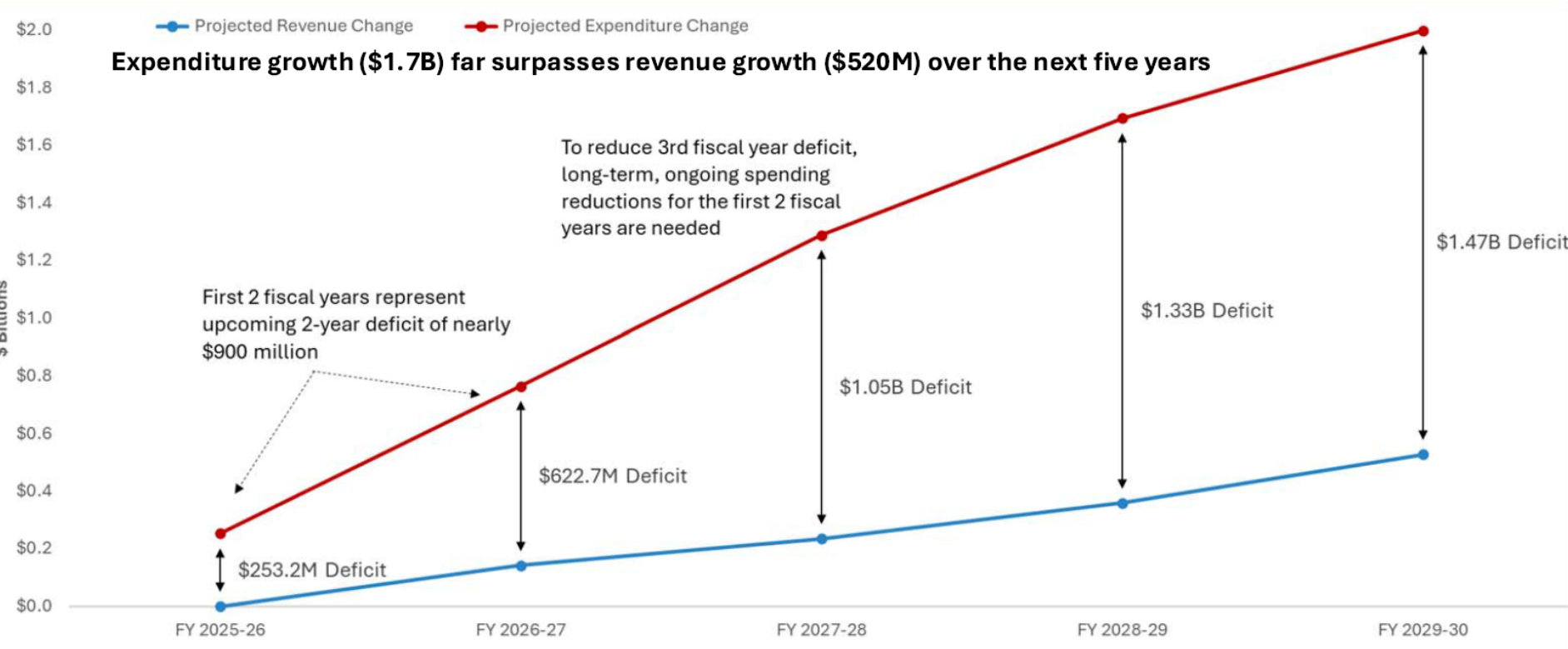
- Rate of expenditure growth far outpaces City's General Fund revenues – creating an **\$876M two-year deficit** (**\$253M** deficit in FY 2025-26, **\$623M** in FY 2026-27)
- **Expenditure growth of \$1.7B far surpasses revenue growth of \$520M** over the next five years

Budget Instructions to Departments:

- **Ongoing, permanent spending reductions of 15% starting in FY25-26**



Fiscal Outlook

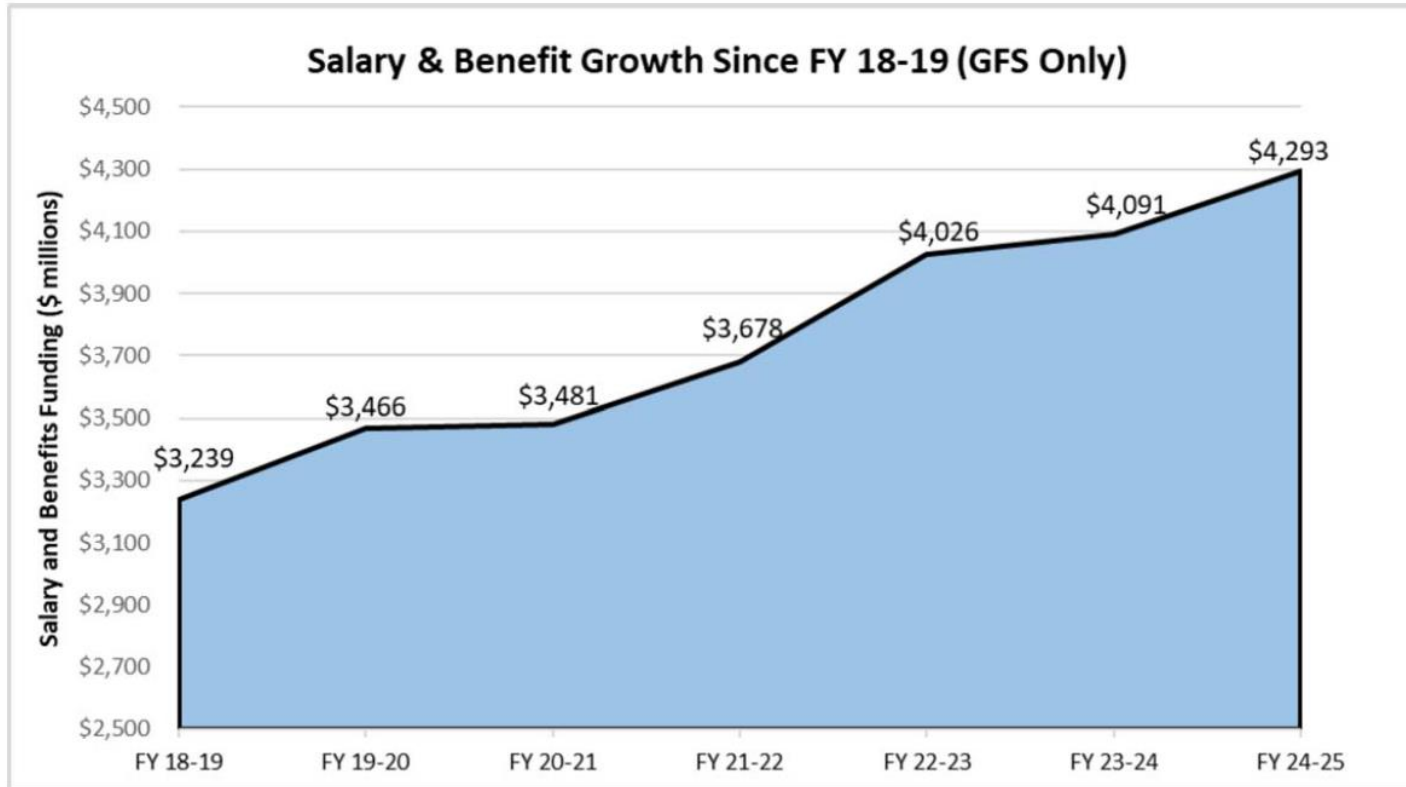


Fiscal Outlook: Five Year Outlook

(\$ millions)	Change from AAO Budget		Projection		
	2025-26	2026-27	2027-28	2028-29	2029-30
SOURCES Increase / (Decrease)	(203.2)	132.9	225.8	350.4	518.6
Uses:					
Baselines & Reserves	(1.5)	(147.1)	(232.1)	(255.8)	(254.0)
Salaries & Benefits	0.4	(350.4)	(607.0)	(795.3)	(943.1)
Citywide Operating Budget Costs	(7.0)	(125.0)	(235.4)	(316.1)	(392.5)
Departmental Costs	(41.8)	(133.1)	(204.6)	(317.8)	(400.2)
USES Decrease / (Increase)	(50.0)	(755.7)	(1,279.1)	(1,684.9)	(1,989.8)
Projected Cumulative Surplus / (Shortfall)	(253.2)	(622.7)	(1,053.3)	(1,334.5)	(1,471.2)
Two-Year Deficit		(875.9)			



Key Expenditure Drivers: Salaries & Benefits



Fiscal Outlook: FY26 & FY27

FY 25-26's \$253M deficit driven by \$203M revenue reduction

- FY24 year-end fund balance **lower by \$118M**; distributes more evenly across years
- **\$132M reduction** in expected General Fund revenue
 - \$35M in business tax shifts
 - \$30M in Excess ERAF
 - \$40M in Hotel Tax receipts
 - \$10M in DPW & DPH fees due to Prop M fee elimination
- **\$53M increase** in expected DPH revenues

Estimated changes since June 2024

FY 26-27's \$623M deficit driven by \$705M expense increase

- **\$305M increase** of Salary & Benefit costs
- **\$108M increase** in baseline contributions
- **\$55M in assumed backfill** to one-time funds for ongoing shelter and opioid programming
- **Inflation assumptions** for contracts, materials & supplies, etc.
- **\$50M cost increase** for November 2024 Ballot measure approvals



City Fiscal Outlook: Risks

- **State Budget Shortfall:** Potential revenue loss if proposals like cuts to education-related property taxes return
- **Federal Policies:** Trump-era economic policies have unknown future impacts to the City and National economies. Changes to Medicare and Medicaid may strain local health services. Future FEMA reimbursements (\$244M outstanding) depend on Congressional approval.
 - **Uncertain Federal Grant Disbursement:** Grants may not be awarded or released in the upcoming administration.
- **Assessment Appeals:** Declining property values risk lowering tax revenue with at-risk revenue tied to appeal outcomes
- **Business Tax Risks:** Pending tax appeals threaten over \$400M in business tax revenue



Budget Instructions from Mayor



Budget Instructions: For Departments

Overall:

- **Permanently reduce General Fund spending by 15% beginning in FY 25-26**
- **Assess CBO grant allocations for efficiency.** Only fund community-based organizations that demonstrate strong outcomes and cost-effectiveness, focused on direct service to clients
- **Re-examine all contractual services and non-personnel** expenditures
- **Eliminate vacancies, do not add new FTEs.** Hire only for core department functions
- **Effective January 9, a Citywide hiring freeze is in place** Layoff are not preferred but if necessary to meet target please identify specifics in budget submission

Year Two only:

- **Reorganize to eliminate redundancy.** MBO will work with departments to identify programs for Year Two consolidation



San Francisco
Department of Public Health

Budget Instructions



Budget Instructions: For Departments (continued)

Other:

- **Do not book travel.** Effective 12/15/24, City-funded overnight and/or air travel is prohibited unless required by an outside funder or third-party agreement. MBO will be monitoring all travel expenditures monthly
- **Prepare grant performance data.** During Mayor phase, MBO may request detailed program- and grant-level performance data for all existing grants to CBOs



San Francisco
Department of Public Health

FY 2025-27 Approach to Budgeting and Next Steps



San Francisco
Department of Public Health

DPH General Fund Reduction Targets

	FY25-26	FY26-27
Description	General Fund Reduction	
15 Percent General Fund Reduction Target	\$ (149,400,000)	\$(149,400,000)
Enhanced Payment Program and Quality Improvement Program Revenue Growth	\$36,225,741	\$72,558,100
Total Savings / Revenue Needed for Target	\$(113,174,259)	\$(76,841,900)



Additional Considerations

- The Mayor instituted a Citywide hiring freeze on January 9. The directive exempts positions which are historically challenging to staff and that directly support public safety and health. Details are still being clarified
- The FY25-26 Budget already includes a reduction of ~5% (\$10.0M) of funds contracted to CBOs that are not from external sources or used to match external funds
- Over the next month DPH will develop a plan to address FY2025-26 & FY2026-27 targets and previously budgeted contract spending reductions.
- DPH is positioned to have revenue tools available to offset a significant portion of the required reductions, but expenditure reductions are necessary
- Layoffs are not preferred and should be considered only if necessary to meet targets. Given the current number of vacancies, DPH doesn't expect to need to eliminate filled positions (e.g. no layoffs expected) as DPH will focus on eliminating vacant positions first.



Budget Calendar

Steps	Date
DPH Managers Stakeholder Meeting	Friday January 10, 2025
DPH CBO Stakeholder Meeting	Friday January 10, 2025
First Health Commission	Monday January 13, 2025
Second Health Commission	Monday February 3, 2025
Final Department Submission	Friday February 21, 2025
Mayor submits budget to Board of Supervisors (BoS)	Friday May 30, 2025
BoS Budget Committee Hearings	June
Budget Considered at Full Board and Passed	July



Next Meeting / Steps

- Present detailed balancing plan
- Request for Health Commission approval of proposed budget for submission to Controller and Mayor's Office
- Additional hearings as necessary
- Budget Submission is due on February 21



Thank you



San Francisco
Department of Public Health