



MEMORANDUM

TO: Mayor London Breed
Members of the Board of Supervisors

FROM: Ben Rosenfield, Controller
Kelly Kirkpatrick, Mayor's Budget Director
Severin Campbell, Budget & Legislative Analyst's Office

DATE: March 19, 2019

SUBJECT: Update to the City's FY 2019-20 through FY 2023-24 Financial Plan

Executive Summary

- This memo summarizes our offices' current projections of the City's General Fund revenues and expenditures for the coming five fiscal years, through Fiscal Year (FY) 2023-24. The projection updates the Plan that was jointly prepared in January 2019.
- This projection shows a \$156.1 million cumulative shortfall for the upcoming two fiscal years – the period for which the City is required to adopt a two-year budget in the coming months. This represents an improvement of \$114.7 million versus the \$270.8 million projected in the January report. These changes are detailed in the report, but are primarily driven by stronger revenue in the early years of the report, offset by higher pension contributions.
 - The revised cumulative deficit projection for each year is as follows: \$30.6 million for FY 2019-20, \$125.5 million for FY 2020-21, \$354.5 million for FY 2021-22, \$533.9 million for FY 2022-23 and \$694.5 million for FY 2023-24.
- As was the case in the January projection, projected expenditure growth will exceed revenue growth in all years, resulting in growing shortfalls during the forecast period. The Charter requires the City to balance each fiscal year's budget, and to the extent ongoing solutions are adopted in that process, shortfalls in future years will be reduced accordingly.
- While the shortfalls during the first two years of the forecast have declined, it is in large part due to the use of one-time revenue sources. The projected shortfalls in the out years of the forecast remain significant. The shortfall for FY 2023-24, the final year of the projection, has increased from \$643.9 million in the January projection to \$694.5 million currently. This increase is driven primarily by increasing pension contributions as a result of anticipated poor pension fund returns in the current year.
- While uncertain and therefore not included in the projections above, a number of significant issues may materially affect this forecast. These issues are discussed in this report, and include:
 - **Potential additional revenues or savings:** The City may be eligible to retain additional property tax revenues from the County's Educational Revenue Augmentation Fund (ERAF) in future years, absent changes in State law and subject to considerable formula volatility. Additionally, several preliminary State budget proposals, if ultimately adopted, will provide financial benefits to the City.
 - **Labor agreements:** The City is currently engaged in negotiations with all labor unions excluding Police and Fire. For projection purposes, forecasts assume salary increases equal

to the change in the Consumer Price Index (CPI) for future wages for open contracts. Any difference from these assumptions in final negotiated agreements would impact projected shortfalls.

- **Additional costs relating to policy changes or ballot measures:** Forecasts do not assume potential costs or benefits related to future possible ballot measures, including the Charter Amendment to mandate funding levels for City College which has been placed on the November 2019 ballot. Additional potential costs associated with recently-adopted changes to the Minimum Compensation Ordinance are uncertain, as are future costs associated with possibly assuming responsibility for the essential functions currently being performed by the San Francisco Housing Authority.
- **Risk of economic climate:** Lastly, the projections in the January report, updated here, assume a continuation of current strong economic trends. Projections do not assume a downturn or large changes in the economy. Given the duration of the current period of economic expansion, this presents a significant risk to the five year projections included in this update.

Five-Year Financial Plan Update

On January 4, 2019, the Proposed Five-Year Financial Plan for FY 2019-20 through FY 2023-24 was jointly released by the Controller's Office, Mayor's Office, and Board of Supervisors Budget and Legislative Analyst's Office. This memo updates the Plan with the most recent information on the City's fiscal condition.

The cost of City services is projected to outpace revenue growth. Total General Fund expenditures are projected to grow by \$1.46 billion over the next five years, which represents an increase of 27% over FY 2018-19 budgeted spending levels. In contrast, available General Fund sources are projected to grow 14%, or \$769.4 million over the same period. If the City does not take corrective action, the projected gap between revenues and expenditures will rise from \$30.6 million in FY 2019-20 to approximately \$694.5 million in FY 2023-24, as shown in Table 1 below.

Table 1: Updated Base Case – Summary of FY 2020-24 General Fund-Supported Projected Budgetary Cumulative Surplus / (Shortfall) (\$ in millions)

	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>% of Uses</u>
SOURCES Increase / (Decrease)	274.6	525.0	562.8	651.6	769.4	
Uses						
Baselines & Reserves	(65.1)	(103.4)	(139.7)	(184.5)	(245.6)	16.8%
Salaries & Benefits	(180.3)	(324.0)	(438.6)	(539.6)	(630.2)	43.1%
Citywide Operating Budget Costs	(64.0)	(193.0)	(251.7)	(334.8)	(416.4)	28.4%
Departmental Costs	4.2	(30.0)	(87.4)	(126.6)	(171.5)	11.7%
USES (Increase) / Decrease	(305.2)	(650.5)	(917.3)	(1,185.4)	(1,463.8)	100.0%
Projected Cumulative Surplus / (Shortfall)	(30.6)	(125.5)	(354.5)	(533.9)	(694.5)	

Since January, the City has seen changes to its fiscal outlook due to:

- Additional sources identified in the Controller’s FY 2018-19 Six-Month Budget Status Report and a revision of the City’s revenue projections based on recent information;
- Changes in inflationary costs, as projected by the California Department of Finance and Moody’s;
- Increases to projected employer pension contribution rates based on poor returns-to-date in the current fiscal year;
- Updates to citywide costs based on projected operating and lease costs of City utilized office space and changes to debt costs based on the most recent Capital Plan; and
- Increases to projected departmental costs, including updates to project schedules.

Background

The Five-Year Financial Plan is required under Proposition A, a Charter amendment approved by the 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. The Proposed Five-Year Financial Plan for FY 2019-20 through FY 2023-24 was jointly released by the Mayor’s Office, Controller’s Office, and Budget and Legislative Analyst’s Office on January 4, 2019.

Changes from the Proposed Five-Year Financial Plan Projection Released in January 2019

Most of the key assumptions outlined in the Five-Year Financial Plan released in January 2019 still apply to this memo, with the changes outlined below. Table 2 identifies changes from the prior plan. The City’s projected deficit decreased by \$76.8 million in FY 2019-20, and increased by \$38.9 million in FY 2020-21, \$29.6 million in FY 2021-22, \$22.3 million in FY 2022-23, and \$36.6 million in FY 2023-24.

Table 2: Summary Changes to Updated Projected Budgetary Surplus / (Shortfall)

Incremental Changes to:	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>
Sources: Revenue and Fund Balance	92.6	(33.6)	(23.3)	(14.0)	(11.0)
Uses: Baselines & Reserves	(9.8)	5.4	14.0	(14.8)	(1.7)
Uses: Salaries & Benefits	0.4	(6.6)	(10.5)	6.2	(21.4)
Uses: Citywide Operating Budget Costs	(8.8)	(1.7)	(5.1)	(0.2)	(0.0)
Uses: Departmental Costs	2.4	(2.5)	(4.6)	0.4	(2.5)
Total Incremental Change	76.8	(38.9)	(29.6)	(22.3)	(36.6)
Total Cumulative Change	76.8	37.9	8.4	(14.0)	(50.6)

The changes from the January 2019 projections are described in more detail below:

SOURCES – Revenue and Fund Balance: Projected General Fund sources have increased by \$92.6 million in FY 2019-20, decreased by \$33.6 million in FY 2020-21, decreased by an additional \$23.3 million in FY 2021-22, an additional \$14.0 million in FY 2022-23, and \$11.0 million FY 2023-24.

- **Fund Balance:** On February 15, 2019, the Controller’s Office issued its FY 2018-19 Six-Month Budget Status Report. The Report projected the FY 2018-19 ending fund balance to be \$79.8 million above the balance assumed in the Five-Year Financial Plan. In addition, the Controller’s Office identified an additional \$24.8 million given a final year-end close balance for FY 2017-18. Consistent with the January report, this update assumes approximately two-thirds of this fund balance will be used in FY 2019-20 and FY 2020-21 with the remaining third used in FY 2021-22 and FY 2022-23, as a one-time source.
- **Local Tax Revenue:** The net increase of \$10.3 million in General Fund revenue across the five-year projection period from the January 2019 Plan reflects the minimal change in economic outlook since that time. As discussed in the January 2019 Plan, continued growth in General Fund revenues is projected, slowing in the latter years of the forecast period given the length of the current economic expansion. The projected revenue increase in FY 2019-20 in this update is driven by stronger than expected real property transfer tax in the current year. Transfer tax is one of the City’s most volatile revenue sources, due to the large proportion of the revenue generated by a small number of high-value transactions. In FY 2020-21 and beyond, transfer tax is expected to return to lower, average historic levels, while other local taxes continue to grow at moderate rates.

USES – Baselines and Reserves: Increases to projected General Fund sources over the next five years result in corresponding increases to baselines and reserves. The projections also include a correction to the required deposit projections in the January Plan. The net results are costs increased by \$9.8 million in FY 2019-20, decreased by \$5.4 million in FY 2020-21, decreased by \$14.0 million in FY 2021-22, increased by \$14.8 million in FY 2022-23, and an additional \$1.7 million in FY 2023-24.

- **Baselines:** Net increases in projected revenue baseline funding to the Municipal Transportation Agency, Library, Children’s and Public Education Enrichment Fund, Street Tree Maintenance Fund, and other baselines in all years except FY 2019-20. Based on projected aggregate discretionary revenue, this report assumes a *shortfall* from required expenditure appropriation for the Children’s Baseline.
- **Reserves:** Revenue increases also trigger additional General Reserve deposits. This report corrects the required deposits in the January 2019 report. The update does not assume any deposit to the Budget Stabilization or Rainy Day Reserves.

USES – Salaries and Benefits: Salary and benefit costs decreased by \$0.4 million in FY 2019-20, increased by \$6.6 million in FY 2020-21, increased by \$10.5 million in FY 2021-22, decreased by \$6.2 million in FY 2022-23, and increased by \$21.4 million in FY 2023-24, due to the following changes:

- **Labor Agreements:** In years where contracts are open, projections continue to assume CPI increases, which are revised in this Plan to be 2.97% in FY 2019-20, 2.79% in FY 2020-21, 2.94% in FY 2021-22, 3.02% in FY 2022-23, and 3.00% in FY 2023-24. These changes are based on updates to the average projections of the California Department of Finance SF Area CPI and Moody’s SF Metropolitan Statistical Area CPI. CPI assumptions have been updated since the January report as follows:

Table 3: Updates to CPI Assumptions

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
January 2019	2.85%	3.08%	2.99%	3.03%	3.01%
March 2019	2.97%	2.79%	2.94%	3.02%	3.00%
<i>Difference</i>	<i>0.12%</i>	<i>-0.29%</i>	<i>-0.05%</i>	<i>-0.01%</i>	<i>-0.01%</i>

- Retirement Benefits – Employer Contribution Rates:** The most significant driver of increases in projected salary and benefit costs compared to the January 2019 projections are changes to assumed employer contribution rates for SFERS. Recent estimated SFERS portfolio value (as of January 31, 2019) showed a year-to-date return of 1.0%, well below the 7.5% assumed rate of return in the January report. Updated projections reflect this 1.0% rate of return for FY 2018-19 which will be realized beginning in FY 2020-21, resulting in increases in employer contribution from the prior projection of \$14.7 million in FY 2020-21, \$10.9 million in FY 2021-22, a decrease of \$5.7 million in FY 2022-23, and an increase of \$18.3 million in FY 2023-24.

USES – Citywide Operating Costs: Citywide operating costs increased by \$8.8 million in FY 2019-20, \$1.7 million in FY 2020-21, \$5.1 million in FY 2021-22, decreased by \$0.2 million in FY 2022-23, and remain flat in FY 2023-24. These changes are primarily due to changes in debt service and real estate (detailed below), as well as updates to Workers’ Compensation projections based on latest available year-to-date actual expenditure in the current year.

- Debt Service & Real Estate:** Changes to citywide debt service are related to the City’s long-range capital planning efforts. On March 5, 2019, the City’s Proposed Ten-Year Capital Plan for 2019-20 through 2028-29 was introduced to the Board of Supervisors. The assumptions in the Capital Plan are reflected in this update. Notable changes to this update are related to the schedule of issuances of Certificates of Participation (COPs), which has changed from the schedule included in the January projections. The updated COP schedule includes a shifting of anticipated issuances into the time horizon of the report, resulting in increased costs in the near term. Additionally, General Fund lease and operating costs for City-owned and leased facilities have increased since the January report primarily due to updated information on lease terms, changes to modeling methodology, and changes in tenancy.
- Inflation on Non-Personnel Costs:** This update assumes that the cost of materials and supplies, professional services, contracts with community-based organizations, and other non-personnel operating costs will increase at the rate of the updated Consumer Price Index (CPI) projection, which results in increases of 2.97% in FY 2019-20, 2.79% in FY 2020-21, 2.94% in FY 2021-22, 3.02% in FY 2022-23, and 3.00% in FY 2023-24, as shown in Table 3.

USES – Departmental Costs: Departmental costs decreased by \$2.4 million in FY 2019-20, increased by \$2.5 million in FY 2020-21, increased by \$4.6 million in FY 2021-22, decreased by \$0.4 million in FY 2022-23, and increased by \$2.5 million in FY 2023-24. These changes include updates to CPI and the Local Operating Support Program (LOSP):

- Hope SF and Local Operating Subsidy Program:** The projected cost of the City’s Local Operating Subsidy Program (LOSP), which provides operating subsidies and social services at affordable housing developments occupied by formerly homeless individuals, has decreased. This is due to shifts in the estimated occupancy dates of upcoming developments.

Key Factors that Could Affect the Forecast

As with all projections, uncertainties exist regarding key factors that could affect the City’s financial condition. The following areas of potential revenue and funding growth as well as potential costs associated with pending ballot measures and labor negotiations, are not assumed in this update but may have material impacts on the budget.

- **Collective bargaining agreement negotiations:** With the exception of Police and Fire unions, most labor unions have open contracts beginning in FY 2019-20. In years where contracts are open, the report continues to assume CPI increases, which are revised in this update. Any changes to wages or benefits different from these assumptions would increase or decrease the City’s projected deficit. For example, a difference in wages of 1% compared to CPI assumptions in each year would change the General Fund cost for Salaries and Benefits by approximately \$23 million in FY 2019-20 and \$46 million in FY 2020-21.
- **Property tax shifts:** Given the uncertainty and potential for State changes to funding levels for K-12 and community college districts, these projections do not include allocations of property tax revenue that could accrue to the General Fund from the County’s Educational Revenue Augmentation Fund (ERAF). As mentioned in the January Plan, other counties with excess ERAF have responded to these risks by adopting financial policies that limit some or all spending of these proceeds to one-time purposes.

Assuming the State takes no legislative action to alter ERAF allocations or school funding guarantees this legislative session, Table 5 below provides the most current estimates of FY 2019-20 excess ERAF revenues. These estimates are informed by projections of local property tax revenue and the most recent available schedules of State funding for K-12 and community college districts. Absent these changes and subject to considerable volatility, these allocations in later years would likely range between \$150 - \$200 million.

Table 4: Estimated ERAF Revenue in FY 2019-20 (\$ Millions)

	<u>2019-20</u>
Revenue	183.0
Mandated Baseline Contributions and Reserve Deposits	
MTA	(16.8)
Library	(4.2)
PEEF Baseline	(0.5)
PEEF Annual Contribution	(5.6)
Children's Baseline	(8.8)
TAY Baseline	(1.1)
Street Tree Maintenance	(1.0)
General Reserve	(5.0)
Baselines & Reserves	(43.1)
Net Available - Discretionary	
General Fund	140.0

- **State and Federal budget impacts:** On January 10th, Governor Gavin Newsom proposed a \$144 billion (General Fund) FY 2019-20 State budget. Because this proposal is likely to change in the upcoming May Revised and final adopted budget, this projection does not reflect State budget proposals at this time. Many changes included in the January proposed budget would have a significant impact to the City should they be adopted in their current form, including adjustments to the In-Home Supportive Services Maintenance of Effort (IHSS MOE) and new funding sources for affordable housing production and homelessness reduction efforts.

The Governor's proposed budget includes substantial changes to the way that the IHSS MOE, which was put in place in 2012 as part of the Coordinated Care Initiative, will be calculated beginning in FY 2019-20. The MOE was most recently adjusted in FY 2017-18 resulting in a significant cost shift to counties. As a result of this cost shift, current projections assume \$56 million in additional annual costs in FY 2019-20 and \$69 million in additional costs in FY 2020-21 as compared to prior projections. If the proposal moves forward in the State budget, the City could expect meaningful savings relative to current projections. The Human Services Agency estimates an offset to the growing costs of approximately \$10 million in FY 2019-20 and \$18 million in FY 2020-21 relative to the current projection, with similar impacts anticipated in the remaining years of this forecast.

The proposed State budget also allocates \$750 million statewide (\$500 million for production, \$250 million for planning/technical assistance) in short-term grants to local governments in order to spur housing production. In addition, the Governor's proposal would provide \$250 million in technical assistance grants that the City could apply for to identify and propose new housing at small sites around the City and sell it at affordable prices to middle-income owners. The proposed State budget also includes incentives for regional collaboration and performance-based outcomes by designating \$300 million in one-time statewide funding to local jurisdictions with plans for shelter bed developments and an additional \$200 million statewide for jurisdictions that meet shelter bed and supportive housing goals. Finally, the Governor's proposed budget would allocate \$100 million statewide to extend Whole Person Care (WPC) pilot programs.

The proposed FY 2019-20 Federal Budget also contains major changes to domestic funding which, if adopted, could have significant impact on San Francisco's budget. In addition, there is a risk of another Federal government shutdown occurring in September 2019, which could have detrimental impacts on the City. These risks are not included in the projection.

Again, as final legislative adoption of these State and Federal proposals is uncertain, this projection does not assume potential State and Federal losses or gains resulting from the items enumerated above.

- **Minimum Compensation Ordinance (MCO):** Significant changes to the MCO were adopted in the fall of 2018 and included increases in minimum hourly pay for IHSS and contracted workers. The estimated costs for IHSS as well as the Controller's initial estimate for the direct cost impact on nonprofit providers to increase minimum wages was included in the January projection. The Controller's Office is currently convening an advisory group comprised of nonprofits, labor union representatives, and City department representatives to ascertain potential indirect cost impacts to nonprofit entities. The potential indirect cost impacts are estimated at \$2 million to \$20 million a year per the Controller's Office initial analysis in the fall of 2018. These potential costs have not been included in the deficit projections.
- **San Francisco Housing Authority:** On March 7, 2019, the San Francisco Housing Authority (SFHA) received a notice from the U.S. Department of Housing and Urban Development (HUD) stating that SFHA had defaulted on its obligations to administer low-income housing programs. The letter further requested that the City and County of San Francisco assume responsibility for the essential functions currently being performed by SFHA.

The City is committed to ensuring that the approximately 14,000 households that rely on SFHA subsidies are not affected by this transition. The obligations imposed by HUD are likely to have

significant costs. However, the full costs are not known at this time and are not included in the deficits projected in this report.

- **Ballot Measures:** Future ballot measures that have not yet been introduced may create an additional impact on the budget outlook; one measure is known at this time. In December 2018, the Board of Supervisors passed a charter amendment to create a Free City College Fund baseline, which will go before voters at the November 2019 election. If passed, the City would be required to make an annual baseline contribution of \$15.0 million in FY 2020-21, \$15.7 million in FY 2021-22, and \$16.4 million in FY 2022-23. Thereafter, contributions would be adjusted by the percentage increase or decrease in aggregate City discretionary revenues until the baseline expires in FY 2030-31. These funds would provide tuition assistance and stipends to San Francisco residents that participate in the Free City College Program at the City College of San Francisco. These potential costs have not been included in the projections.
- **Changes in the economic cycle:** Historically, periods of economic expansion are followed by economic contraction, or recession. Since the end of the Great Depression, there have been 13 recessions, or approximately one every six years, on average. The current economic expansion began over nine years ago. It would be a historic anomaly to not experience a recession within the projection period of this report. Because of the difficulty of projecting the timing of a recession, this report assumes slower rates of growth, rather than declines, in revenue in the final three years of the report. However, it is important for the City to monitor indicators that currently suggest the broader economic climate is cooling.

Conclusion

As noted above, revenue projections have been updated primarily due to strong current year performance of real property transfer tax, one of the most volatile revenue sources for the City, and one-time increase to fund balance. Not included in projections are potential increases in sources related to future ERAF-related property tax shifts as well as opportunities for additional programmatic funding based on the Governor's proposed budget. Should these sources come to fruition, they present opportunities to help close the projected shortfalls and meet growing service demands. However, the reliance on nonrecurring and unreliable revenues, coupled with uncertainty stemming from the timing of the economic cycle, upcoming labor negotiations, and other noted factors, present meaningful downside risk to the City's financial outlook.

While the projected shortfalls shown in the Proposed Five-Year Financial Plan and this update reflect the difference in projected revenues and expenditures if current service levels and policies continue, San Francisco's Charter requires that each year's budget be balanced. Balancing the budget each year will require some combination of expenditures reductions and additional revenues. To the extent that budgets are balanced with one-time solutions, future shortfalls will continue to be significant and pose difficult choices for policy makers.

Appendix A: Updated Base Case – Key Changes to General Fund-Supported Sources & Uses FY 2020-24 – INCREMENTAL CHANGE

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

Table A-1 Base Case Projection - Year-Over-Year Change (Incremental)

SOURCES Increase / (Decrease)	2019-20	2020-21	2021-22	2022-23	2023-24
General Fund Taxes, Revenues and Transfers net of items below	322.0	94.8	131.8	131.4	145.0
Change in One-Time Sources	(66.1)	124.8	(124.8)	(69.3)	(55.5)
Children's Fund Property Tax Setaside Revenue	2.5	4.8	4.9	4.9	5.9
Department of Public Health Revenues	3.5	16.3	16.6	17.0	17.4
Cannabis Tax	3.0	4.3	4.3	-	-
Other General Fund Support	9.7	5.4	5.0	4.9	5.0
TOTAL CHANGES TO SOURCES	274.6	250.4	37.7	88.8	117.8
USES Decrease / (Increase)					
Baselines & Reserves					
Municipal Transportation Agency (MTA) Baselines	(33.8)	(12.5)	(16.1)	(16.0)	(17.5)
MTA New Central Subway	(3.5)	(6.9)	(3.5)	(0.4)	(0.5)
Children's Fund, Baseline, and Public Education Enrichment Fund	(16.4)	(10.7)	(15.5)	(15.0)	(17.1)
Housing Trust Fund	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)
Dignity Fund	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Recreation and Parks Baseline	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
All Other Baselines	(9.3)	(3.5)	(4.3)	(4.2)	(4.6)
Deposits to General Reserve	(0.6)	4.6	12.4	0.1	(0.4)
Other Contributions to Reserves	7.3	(0.4)	(0.5)	(0.5)	(12.4)
Subtotal Baselines & Reserves	(65.1)	(38.3)	(36.3)	(44.8)	(61.2)
Salaries & Benefits					
Annualization of Partial Year Positions	(25.1)	-	-	-	-
Previously Negotiated Closed Labor Agreements	(18.0)	(23.1)	(1.8)	-	-
Projected Costs of Open Labor Agreements	(68.3)	(71.2)	(96.5)	(98.8)	(99.6)
Health & Dental Benefits - Current & Retired Employees	(10.4)	(25.6)	(23.4)	(25.2)	(26.6)
Retirement Benefits - Employer Contribution Rates	(33.8)	(27.6)	14.2	31.3	28.4
Other Salaries and Benefits Savings / (Costs)	(24.8)	3.6	(6.9)	(8.3)	7.2
Subtotal Salaries & Benefits	(180.3)	(143.7)	(114.5)	(101.0)	(90.6)
Citywide Operating Budget Costs					
Minimum Wage and Minimum Compensation Ordinance	(18.4)	(3.7)	(1.7)	(8.4)	(2.1)
Capital, Equipment, & Technology	2.9	(53.6)	6.7	(19.5)	(26.4)
Inflation on non-personnel costs and grants to non-profits	(13.5)	(32.4)	(35.1)	(37.1)	(38.0)
Debt Service & Real Estate	(21.1)	(29.3)	(17.2)	(9.5)	(6.0)
Sewer, Water, and Power Rates	(1.6)	(2.8)	(2.9)	(3.1)	(3.3)
Cannabis Tax Expenditures	(2.4)	(3.4)	(3.4)	-	-
Other Citywide Costs	(9.8)	(3.8)	(5.0)	(5.4)	(5.8)
Subtotal Citywide Operating Budget Costs	(64.0)	(129.1)	(58.6)	(83.1)	(81.7)
Departmental Costs					
City Administrator's Office - Convention Facilities Subsidy	11.2	(5.3)	(1.0)	(1.0)	(1.1)
Elections - Number of Scheduled Elections	(5.6)	3.8	(0.4)	(0.4)	(0.4)
Ethics Commission - Public Financing of Elections	(0.7)	2.9	(2.0)	1.1	(0.7)
Free City College	(3.1)	-	-	-	-
Mission Bay Transportation Improvement Fund	(6.7)	(0.2)	(0.2)	(0.3)	(0.3)
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(9.7)	(4.1)	(8.8)	(2.9)	(3.9)
Human Services Agency - IHSS	(24.7)	(16.3)	(14.0)	(16.1)	(22.4)
Public Health - Operating and one-time costs for capital projects	34.0	(9.0)	(24.8)	(15.7)	(16.7)
All Other Departmental Savings / (Costs)	9.6	(6.1)	(6.1)	(3.9)	0.6
Subtotal Departmental Costs	4.2	(34.2)	(57.4)	(39.2)	(44.9)
TOTAL CHANGES TO USES	(305.2)	(345.3)	(266.8)	(268.2)	(278.4)
Projected Surplus (Shortfall) vs. Prior Year	(30.6)	(94.9)	(229.1)	(179.3)	(160.6)
Cumulative Projected Surplus (Shortfall)	(30.6)	(125.5)	(354.5)	(533.9)	(694.5)

**Appendix B: Updated Base Case – Key Changes to General Fund-Supported
Sources & Uses FY 2020-24 – CUMULATIVE CHANGE**

This appendix provides an updated version of Table 5 from the January Five-Year Financial Plan.

Table A-1 Base Case Projection - Year-Over-Year Change (Cumulative)

SOURCES Increase / (Decrease)	2019-20	2020-21	2021-22	2022-23	2023-24
General Fund Taxes, Revenues and Transfers net of items below	322.0	416.9	548.7	680.1	825.1
Change in One-Time Sources	(66.1)	58.7	(66.1)	(135.4)	(190.9)
Children's Fund Property Tax Setaside Revenue	2.5	7.3	12.2	17.1	22.9
Department of Public Health Revenues	3.5	19.8	36.4	53.4	70.8
Cannabis Tax	3.0	7.3	11.5	11.5	11.5
Other General Fund Support	9.7	15.1	20.1	25.0	30.0
TOTAL CHANGES TO SOURCES	274.6	525.0	562.8	651.6	769.4
USES Decrease / (Increase)					
Baselines & Reserves					
Municipal Transportation Agency (MTA) Baselines	(33.8)	(46.3)	(62.5)	(78.5)	(96.0)
MTA New Central Subway	(3.5)	(10.4)	(13.9)	(14.3)	(14.7)
Children's Fund, Baseline, and Public Education Enrichment Fund	(16.4)	(27.1)	(42.6)	(57.6)	(74.7)
Housing Trust Fund	(2.8)	(5.6)	(8.4)	(11.2)	(14.0)
Dignity Fund	(3.0)	(6.0)	(9.0)	(12.0)	(15.0)
Recreation and Parks Baseline	(3.0)	(6.0)	(9.0)	(12.0)	(15.0)
All Other Baselines	(9.3)	(12.8)	(17.1)	(21.3)	(25.9)
Deposits to General Reserve	(0.6)	4.0	16.3	16.5	16.1
Other Contributions to Reserves	7.3	6.9	6.5	6.0	(6.4)
Subtotal Baselines & Reserves	(65.1)	(103.4)	(139.7)	(184.5)	(245.6)
Salaries & Benefits					
Annualization of Partial Year Positions	(25.1)	(25.1)	(25.1)	(25.1)	(25.1)
Previously Negotiated Closed Labor Agreements	(18.0)	(41.1)	(42.9)	(42.9)	(42.9)
Projected Costs of Open Labor Agreements	(68.3)	(139.5)	(236.0)	(334.8)	(434.4)
Health & Dental Benefits - Current & Retired Employees	(10.4)	(35.9)	(59.3)	(84.6)	(111.2)
Retirement Benefits - Employer Contribution Rates	(33.8)	(61.3)	(47.2)	(15.9)	12.5
Other Salaries and Benefits Savings / (Costs)	(24.8)	(21.1)	(28.1)	(36.4)	(29.2)
Subtotal Salaries & Benefits	(180.3)	(324.0)	(438.6)	(539.6)	(630.2)
Citywide Operating Budget Costs					
Minimum Wage and Minimum Compensation Ordinance	(18.4)	(22.1)	(23.8)	(32.2)	(34.4)
Capital, Equipment, & Technology	2.9	(50.7)	(44.0)	(63.4)	(89.8)
Inflation on non-personnel costs and grants to non-profits	(13.5)	(46.0)	(81.1)	(118.2)	(156.3)
Debt Service & Real Estate	(21.1)	(50.4)	(67.6)	(77.1)	(83.2)
Sewer, Water, and Power Rates	(1.6)	(4.5)	(7.3)	(10.4)	(13.7)
Cannabis Tax Expenditures	(2.4)	(5.8)	(9.2)	(9.2)	(9.2)
Other Citywide Costs	(9.8)	(13.6)	(18.7)	(24.1)	(29.9)
Subtotal Citywide Operating Budget Costs	(64.0)	(193.0)	(251.7)	(334.8)	(416.4)
Departmental Costs					
City Administrator's Office - Convention Facilities Subsidy	11.2	6.0	5.0	3.9	2.8
Elections - Number of Scheduled Elections	(5.6)	(1.7)	(2.1)	(2.5)	(3.0)
Ethics Commission - Public Financing of Elections	(0.7)	2.2	0.2	1.3	0.6
Free City College	(3.1)	(3.1)	(3.1)	(3.1)	(3.1)
Mission Bay Transportation Improvement Fund	(6.7)	(6.9)	(7.1)	(7.4)	(7.7)
Mayor's Office of Housing - HOPE SF and Local Operating Subsidy	(9.7)	(13.8)	(22.7)	(25.6)	(29.5)
Human Services Agency - IHSS	(24.7)	(41.0)	(54.9)	(71.0)	(93.4)
Public Health - Operating and one-time costs for capital projects	34.0	24.9	0.1	(15.6)	(32.3)
All Other Departmental Savings / (Costs)	9.6	3.5	(2.6)	(6.5)	(5.9)
Subtotal Departmental Costs	4.2	(30.0)	(87.4)	(126.6)	(171.5)
TOTAL CHANGES TO USES	(305.2)	(650.5)	(917.3)	(1,185.4)	(1,463.8)
Cumulative Projected Surplus (Shortfall)	(30.6)	(125.5)	(354.5)	(533.9)	(694.5)

Appendix C: Updated Summary of General Fund-Supported Operating Revenues and Transfers in Sources & Uses FY 2020-24

This appendix provides an updated version of Table 6 from the January Five-Year Financial Plan.

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2022-24
	Year-End Pre-Audit	Original Budget	Projection	Projection	Projection	Projection	Projection
Property Taxes	\$ 1,661.0	\$ 1,728.0	\$ 1,779.0	\$ 1,860.0	\$ 1,942.0	\$ 2,023.0	\$ 2,119.0
Business Taxes	897.1	879.4	1,015.9	1,051.4	1,080.8	1,113.0	1,146.2
Sales Tax	192.9	196.9	203.4	205.3	207.3	210.8	214.4
Hotel Room Tax	382.2	375.8	389.1	397.0	401.0	403.1	404.9
Utility Users Tax	94.5	99.1	97.7	99.2	100.8	102.5	104.3
Parking Tax	83.5	85.5	84.0	84.0	84.0	84.0	84.0
Real Property Transfer Tax	280.4	228.0	278.7	228.0	228.0	228.0	228.0
Sugar Sweetened Beverage Tax	7.9	15.0	15.0	15.0	15.0	15.0	15.0
Stadium Admission Tax	1.1	1.2	5.5	5.5	5.5	5.5	5.5
Access Line Tax	51.3	51.9	52.6	54.2	55.8	57.5	59.2
Cannabis Tax	-	-	3.0	7.3	11.5	11.5	11.5
Subtotal - Local Tax Revenues	3,651.8	3,660.8	3,923.9	4,006.8	4,131.7	4,253.9	4,392.0
Licenses, Permits & Franchises	28.8	30.8	30.6	30.7	30.9	31.1	31.3
Fines, Forfeitures & Penalties	8.2	3.1	3.2	3.2	3.2	3.2	3.2
Interest & Investment Income	50.4	27.3	76.6	86.6	91.4	93.8	93.8
Rents & Concessions	14.4	14.8	15.0	15.0	15.0	15.0	15.0
Subtotal - Licenses, Fines, Interest, Rent	101.7	76.0	125.3	135.5	140.5	143.1	143.3
						112.0	
Social Service Subventions	232.8	265.8	271.2	271.2	271.2	271.2	271.2
Other Grants & Subventions	1.3	12.7	13.2	13.2	13.2	13.2	13.2
Subtotal - Federal Subventions	234.1	278.4	284.4	284.4	284.4	284.4	284.4
Social Service Subventions	197.4	219.4	222.6	222.6	222.6	222.6	222.6
Health & Welfare Realignment - Sales Tax	156.0	168.0	161.7	164.8	168.0	171.4	174.9
Health & Welfare Realignment - VLF	41.9	41.1	45.5	45.9	46.3	46.7	47.1
Health & Welfare Realignment - CalWORKs	26.1	19.9	20.2	20.2	20.2	20.2	20.2
Health/Mental Health Subventions	140.8	153.1	154.6	154.6	154.6	154.6	154.6
Public Safety Sales Tax	104.8	104.7	105.1	106.9	108.7	110.6	112.6
Motor Vehicle In-Lieu (County & City)	0.8	-	-	-	-	-	-
Public Safety Realignment (AB109)	37.4	39.0	42.1	42.8	43.5	44.3	45.1
Other Grants & Subventions	24.2	15.9	16.4	16.4	16.4	16.4	16.4
Subtotal - State Subventions	729.5	761.0	768.2	774.1	780.3	786.9	793.6
General Government Service Charges	62.6	64.4	65.0	65.0	65.0	65.0	65.0
Public Safety Service Charges	43.0	43.6	44.3	44.3	44.3	44.3	44.3
Recreation Charges - Rec/Park	20.9	21.5	22.1	22.1	22.1	22.1	22.1
MediCal, MediCare & Health Svc. Chgs.	90.5	87.5	84.9	84.9	84.9	84.9	84.9
Other Service Charges	23.0	31.3	18.5	18.5	18.5	18.5	18.5
Subtotal - Charges for Services	240.0	248.4	234.9	234.9	234.9	234.9	234.9
Recovery of General Government Costs	9.9	12.9	12.9	12.9	12.9	12.9	12.9
Other General Fund Revenues	17.5	53.4	43.8	43.8	43.8	43.8	43.8
TOTAL REVENUES	4,984.5	5,090.9	5,393.4	5,492.5	5,628.6	5,759.9	5,904.9
Transfers in to General Fund							
Airport	46.5	46.6	51.5	53.7	55.6	57.2	58.8
Other Transfers	185.0	124.1	104.7	104.7	104.7	114.7	114.7
Total Transfers-In	231.5	170.7	156.2	158.4	160.2	171.9	173.5
TOTAL GF Revenues and Transfers-In	5,216.0	5,261.6	5,549.6	5,650.9	5,788.8	5,931.8	6,078.4