



Budget 101

February 24, 2020

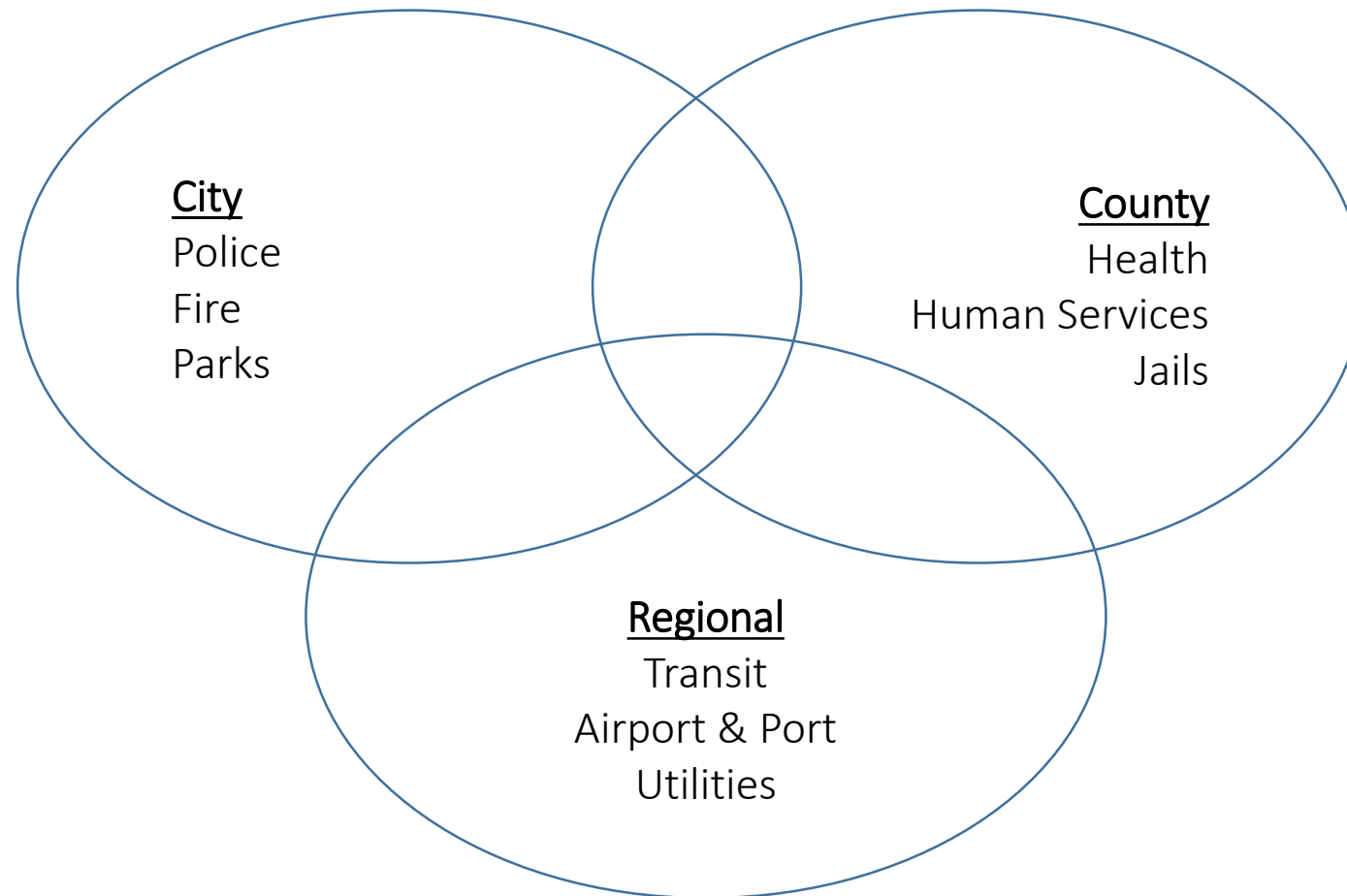


Agenda

- Budget Overview
- Fiscal Picture and Financial Reports
- Budget Process and Timeline
- Mayor's Budget Instructions
- Questions

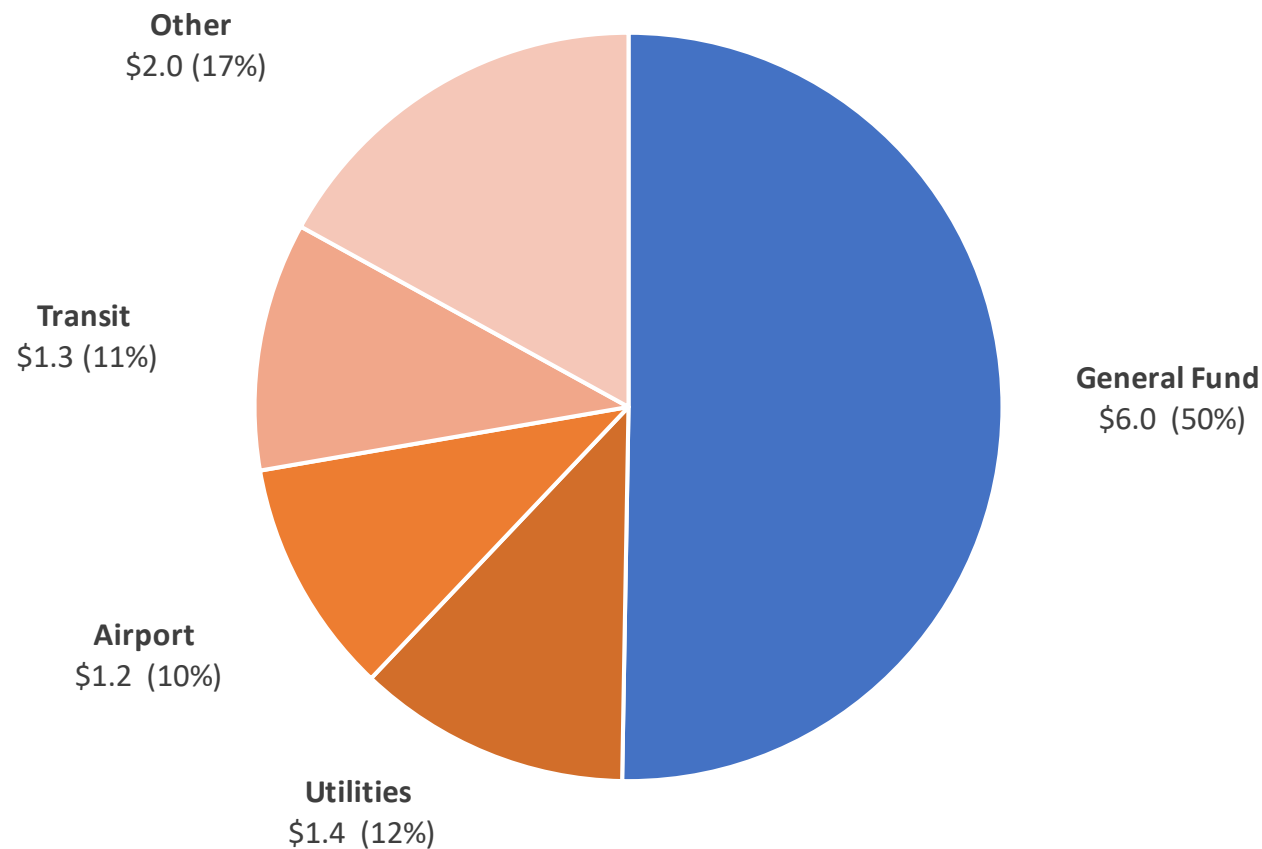


The City's Organizational Structure



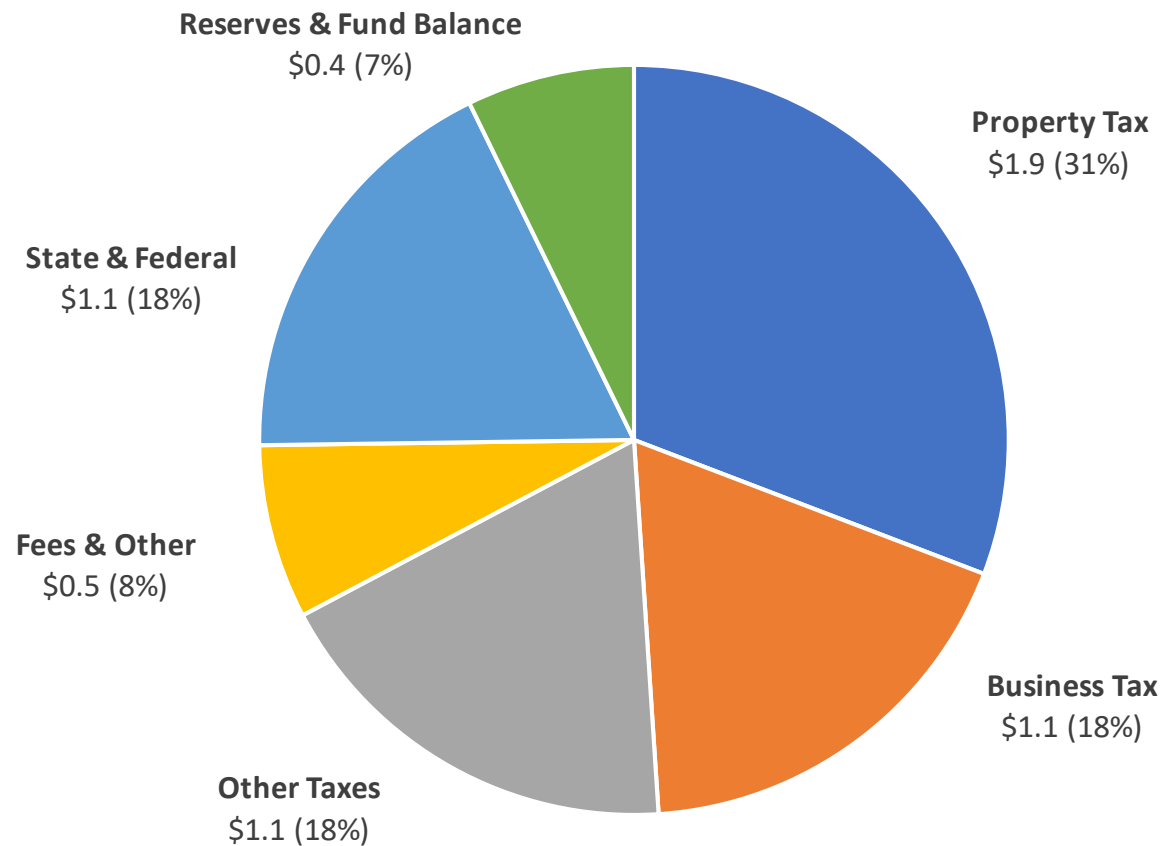


The City's Budget by Fund - \$12 billion





General Fund Revenues (\$B) - \$6 billion

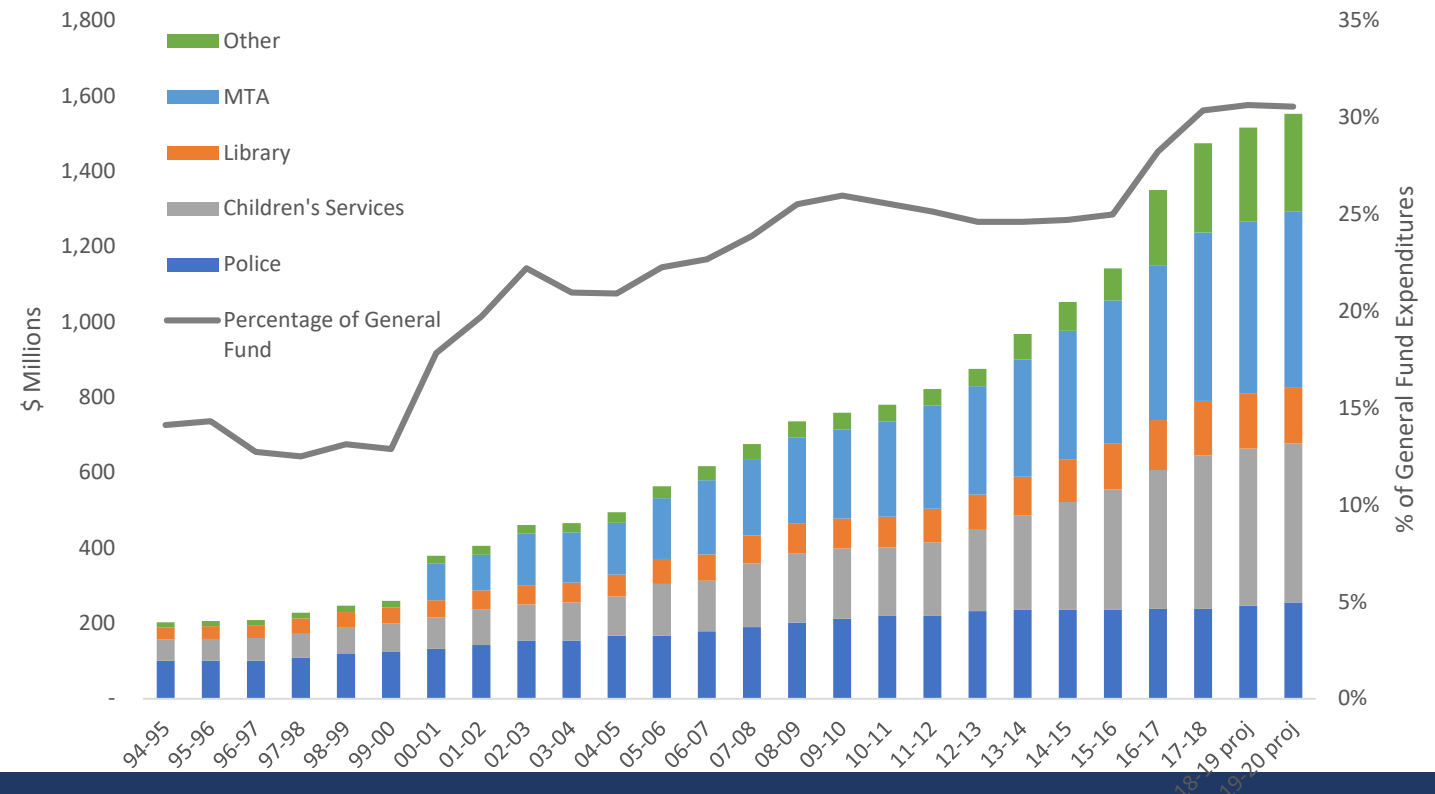




Voter Adopted Baselines

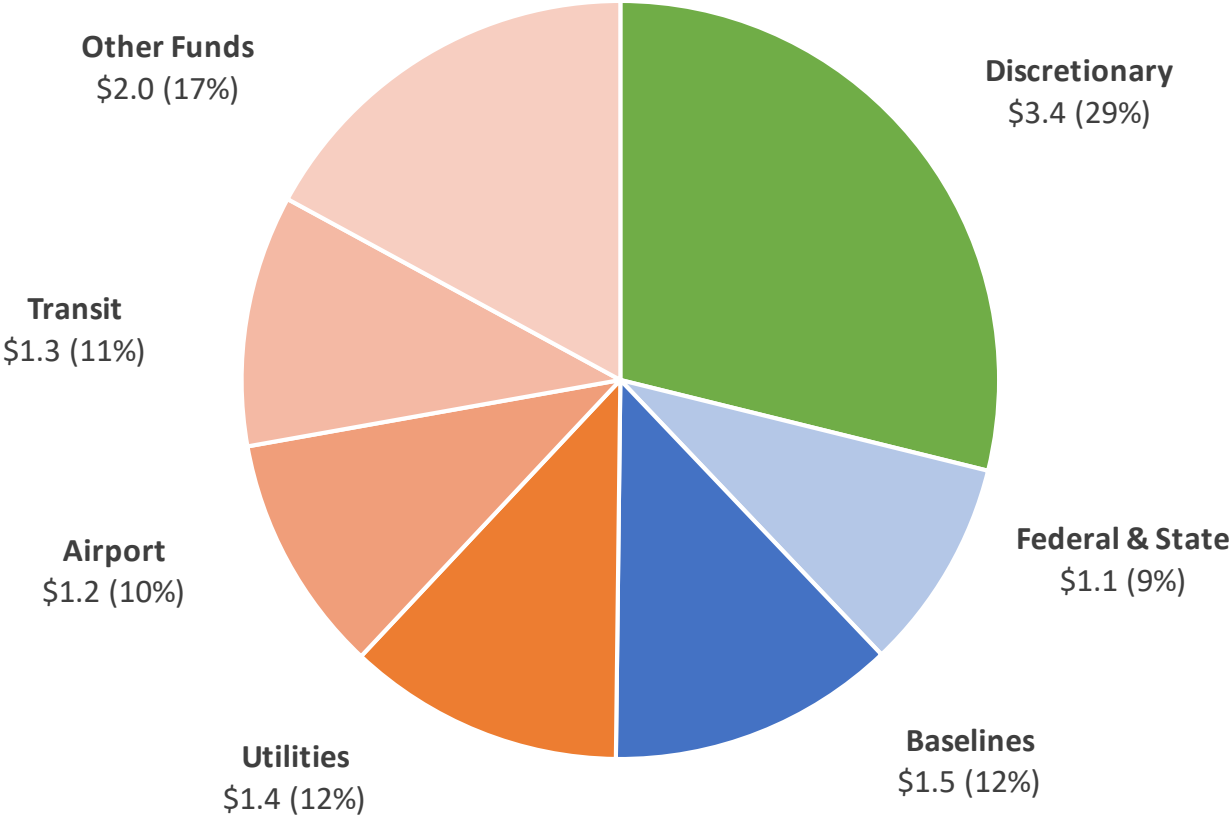
Ballot-box budgeting

Voters have roughly doubled the value of the General Fund set-aside for specific purposes, reducing discretion in the budget process.



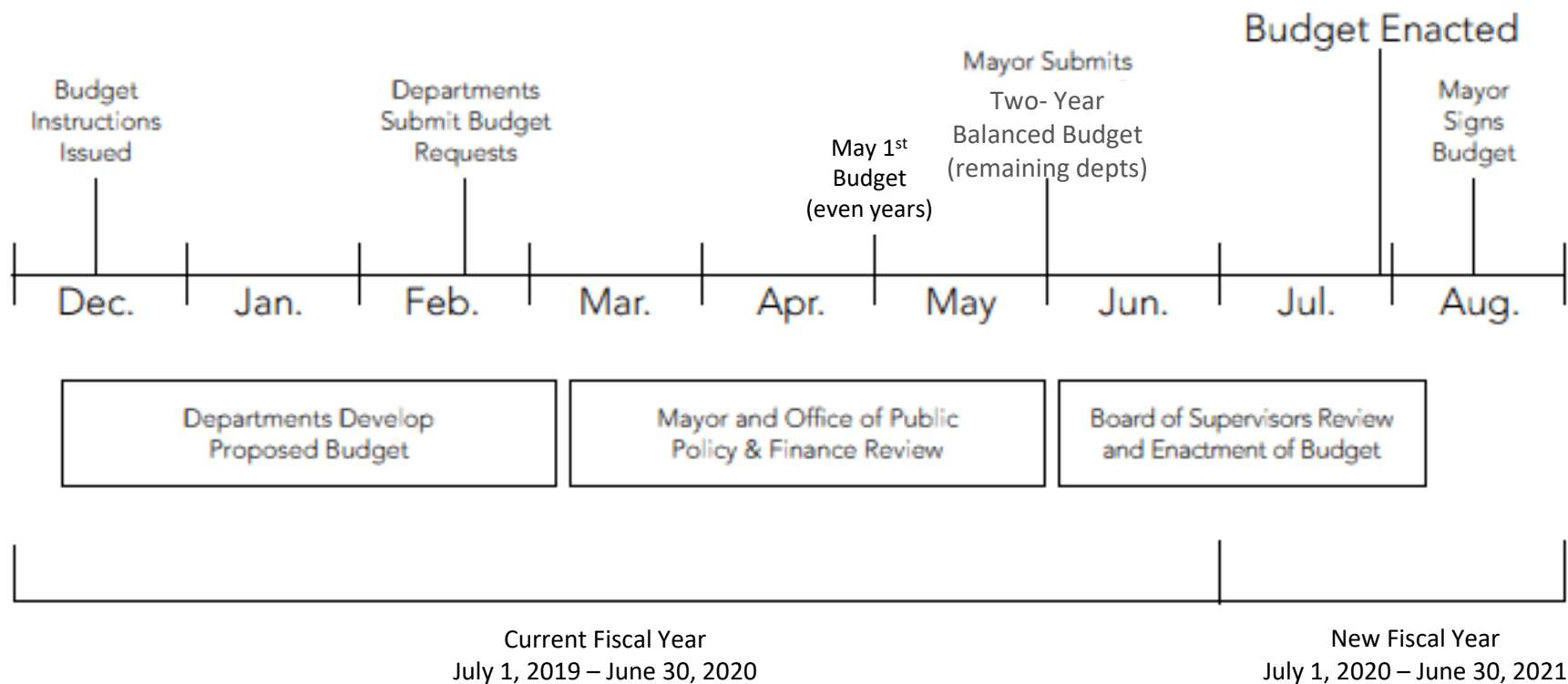


City Discretionary Budget





Budget Timeline





Two-Year Budgets

Fixed 2-year Budgets - on May 1, 2020, the Mayor will propose balanced budgets for 4 enterprise departments with fixed two-year budgets, as well as 8 non-general fund departments with rolling two-year budgets for Board consideration

1. Public Utilities Commission
2. Airport
3. Port of San Francisco
4. Municipal Transportation Agency (*introduces own budget)
 - Other rolling 2-year budgets introduced on May 1:
 - Board of Appeals; Child Support Services; Building Inspection; Environment; Library; Law Library; Retirement; Rent Board

Rolling 2-year Budgets – By June 1, 2020, the Mayor will propose FY 2020-21 and FY 2021-2022 budgets for all remaining departments.



Budget & Financial Reports

- **Long-Term Financial Planning Documents**
 - Five-Year Financial Plan
 - Ten-Year Capital Plan
 - Five-Year Information and Communication Technology Plan
- **Current Year Updates**
 - 6-Month Budget Status Report
 - 9-Month Budget Status Report
 - Annual Overtime Report (for prior year)
- **Budget Documents**
 - Mayor's Budget Book
 - Revenue Letter (Controller's Discussion of Mayor's Proposed Budget)
 - Annual Appropriations Ordinance (AAO)
 - Annual Salary Ordinance (ASO)

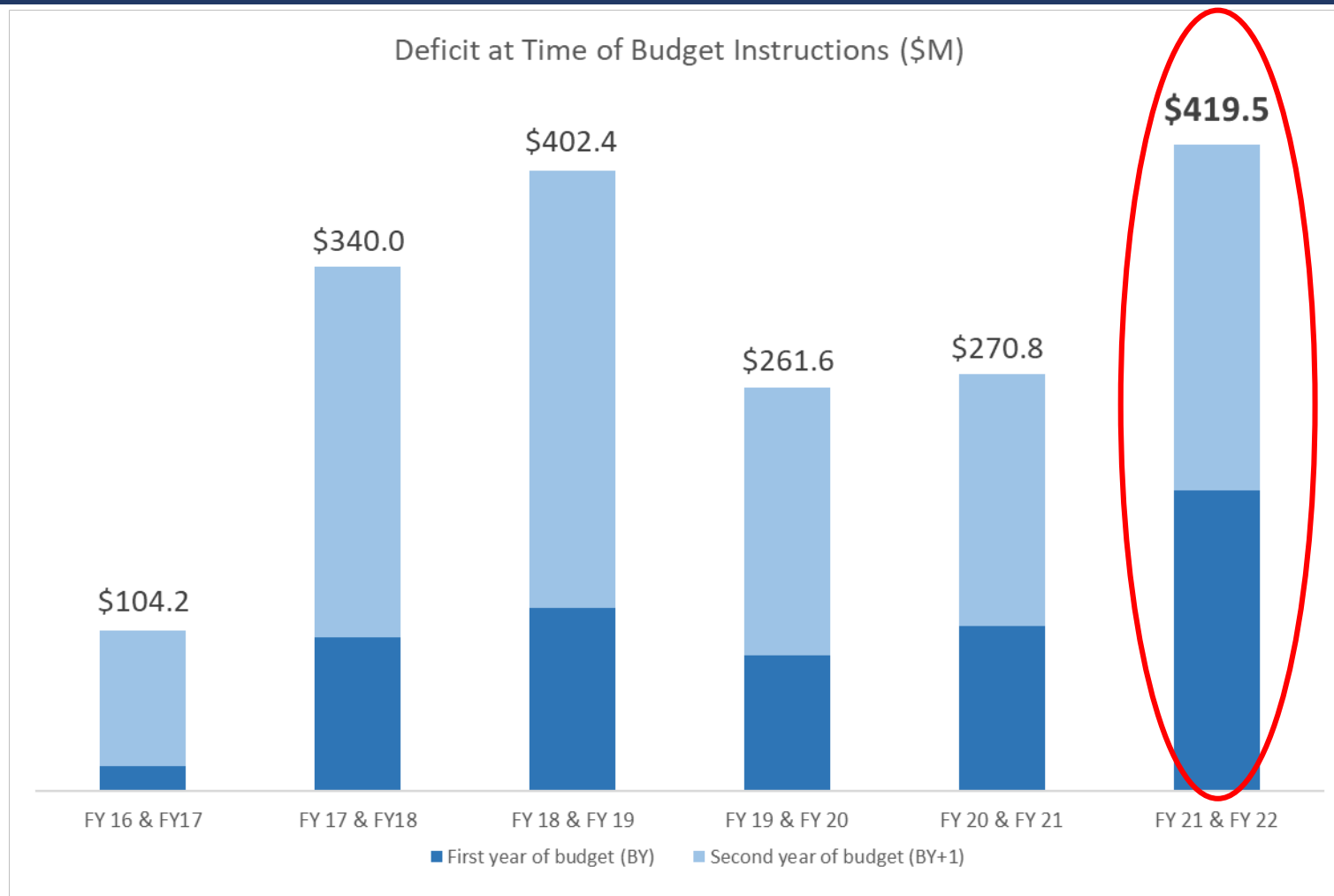


Calendar / Key Dates

Dec 16	Budget Outlook & Instructions issued
February	Controller's 6-Month Report
February 21	Department Budget submissions due
Mid-March	Update to Five-Year Report
May	Mayor proposes enterprise and select other NGFS budget to the Board of Supervisors (May 1) Controller's 9-Month Report Governor's May Revise
June	Mayor proposes balanced budget of remaining departments to Board of Supervisors (by June 1) Budget and Finance Committee hearings
July	Budget considered at Board of Supervisors



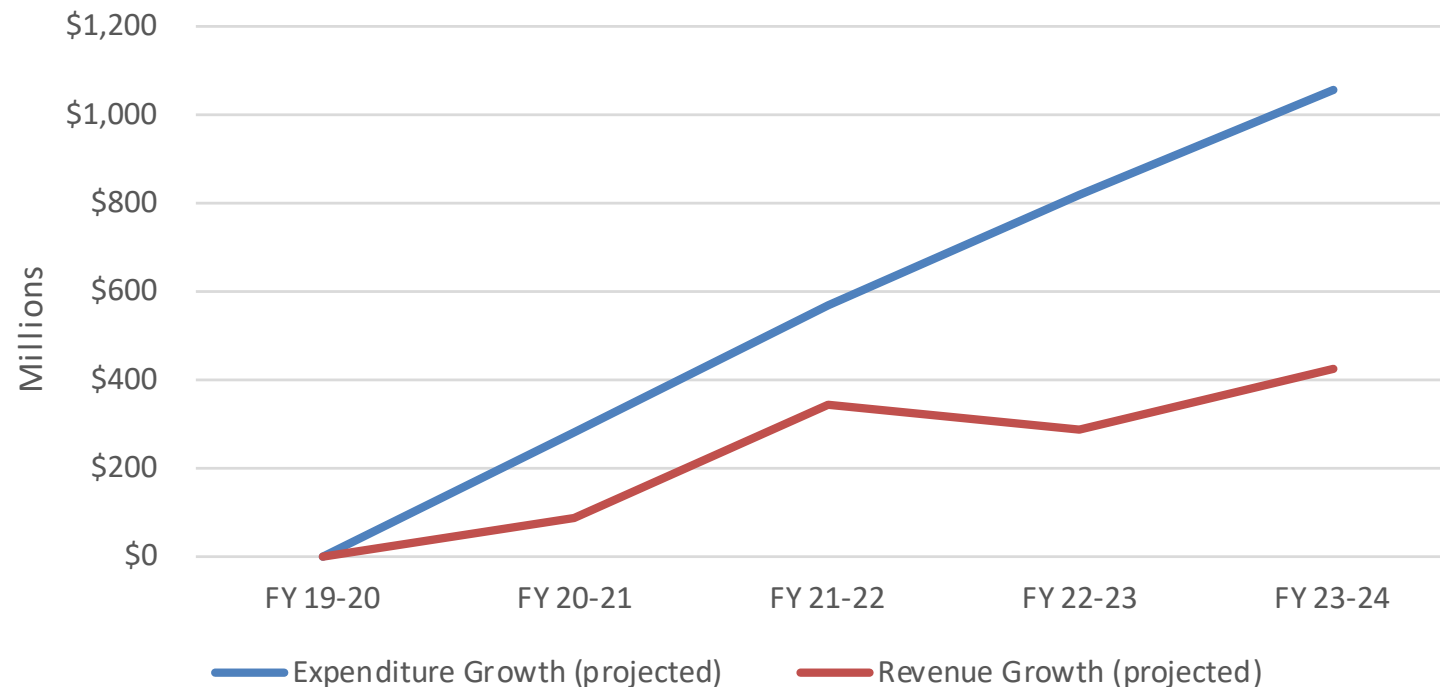
Projected Deficit vs. Historical Deficits





Deficit – Changes Summary

What changed from last year? The rate of revenue growth is slowing and rising costs are significantly outpacing revenue





Deficit Details

	FY 20-21	FY 21-22	FY 22-23	FY 23-24
<i>SOURCES Increase / (Decrease)</i>	89.0	346.0	289.4	423.6
Uses				
Baselines & Reserves	(45.5)	(54.0)	(127.1)	(163.3)
Salaries & Benefits	(167.9)	(269.6)	(338.5)	(407.5)
Citywide Operating Budget Costs	(66.9)	(167.8)	(235.0)	(314.6)
Departmental Costs	(3.9)	(78.8)	(119.9)	(168.8)
<i>USES (Increase) / Decrease</i>	(284.3)	(570.1)	(820.5)	(1,054.2)
Projected Cumulative Surplus / (Shortfall)	(195.4)	(224.1)	(531.1)	(630.6)
Two Year Deficit	(419.5)			



Revenue Projections

	Actuals			Projected		
	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
General Fund Tax Revenues (\$M)	\$3,385	\$3,652	\$3,831	\$4,006	\$4,100	\$4,176
Growth Rate	9.0%	7.9%	4.9%	4.5%	2.4%	1.9%

Continued tax revenue growth, but at a slowing rate...

- Interest earnings declining given federal interest rates cuts
- Moderated business tax growth
- Strong current year transfer tax returns, but projected to decline to norms in future years



Summary – Deficit Projections

Revenue growth is slowing and rising costs are significantly outpacing revenue

- Reliance on one-time “fund balance” to balance annual budgets
- Slowing rate of growth for business tax and interest earnings
- Growing employee costs – wages, pension, and health
- Large on-going cost commitments – IHSS, Free City College, and MCO

Long-term, fiscal outlook considerations

- Economic cycle
- Large number of baselines and set-asides
- Revenue trends and continued growing costs



Mayoral Priorities

The Mayor's top priority for the coming year is to address the challenges we face with those struggling on our streets

- Housing, shelter, and services for those in need
- Clean and safe streets for everyone
- Healthy and vibrant neighborhoods

We need to focus and reprioritize funding toward this most pressing need so we can:

- Provide assistance to those on our streets
- Be responsive to residents
- Support City workers out there trying to make a difference



Budget Instructions – Balancing the Budget

“Target” Efficiency/Reduction Proposals

- Required proposals to reduce General Fund support
 - Equivalent to 3.5% of adjusted GFS (growing to 7% in the second year of the budget)
- When developing target proposals, please seek solutions that prioritize core functions, minimize service impacts, and avoid lay-offs
- Seek and prioritize solutions that spend General Fund more effectively and efficiently, such as:
 - Explore revenue options
 - Review and consolidate service contracts for potential savings
 - Streamline programs and operations using Lean principles
 - Pilot creative solutions that reduce costs



Budget Instructions - Balancing the Budget

To help constrain growing General Fund costs:

- Departments shall not load new General Fund supported FTE requests in the budget system
- Do not load budget enhancements during department phase

New General Fund supported positions and discretionary spending will be included in the Mayor's proposed budget that align with the Mayor's targeted priorities



Questions?