



CITY AND COUNTY OF SAN FRANCISCO

TO: Mayor London Breed
President Shamann Walton and Members of the Board of Supervisors

FROM: Severin Campbell, Board of Supervisors Budget & Legislative Analyst
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DATE: March 31, 2021

SUBJECT: Budget Outlook Update (March Update to the Five-Year Financial Plan)

Executive Summary

San Francisco Administrative Code Section 3.6(b) requires the Mayor, Board of Supervisors Budget Analyst, and Controller to submit regular updates to the City's Five-Year Financial Plan (sometimes referred to as the Joint Report), which was published on January 15, 2021. This updated projection shows a cumulative deficit projection of \$499.3 million by FY 2025-26, which is a \$23.0 million improvement from the prior FY 2025-26 deficit of \$503.3 million. In the upcoming two fiscal years, the period for which the City is required to adopt a two-year budget, the cumulative shortfall is \$22.9 million, or an improvement of \$630.3 million from the \$653.2 million deficit projected in the January report.

Table 1. Updated Base Case – Summary of FY 2022-26 General Fund-Supported Projected Budgetary Cumulative Surplus / (Shortfall) (\$ Millions)

	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
<i>SOURCES Increase / (Decrease)</i>	255.8	466.0	577.5	880.8	1,100.7
	-	-	-	-	-
Uses	-	-	-	-	-
Baselines & Reserves	(58.9)	(162.4)	(349.1)	(417.2)	(494.6)
Salaries & Benefits	(110.3)	(209.1)	(307.9)	(414.9)	(527.1)
Citywide Operating Budget Costs	2.5	(12.3)	(106.2)	(236.7)	(332.7)
Departmental Costs	(73.4)	(120.8)	(165.1)	(202.4)	(245.6)
<i>USES (Increase) / Decrease</i>	(240.0)	(504.7)	(928.3)	(1,271.1)	(1,599.9)
Projected Cumulative Surplus / (Shortfall)	15.8	(38.7)	(350.7)	(390.3)	(499.3)
Two Year Deficit	(22.9)				

Changes to the March Update projection are primarily driven by the following factors:

- **American Rescue Plan Act of 2021.** On March 11, 2021, President Biden signed the American Rescue Plan Act (ARPA), which among many other things, provides direct and indirect funding to states and local governments. This forecast assumes \$636 million of one-time direct federal aid from the Coronavirus Local Fiscal Recovery Fund to offset revenue losses in the General Fund. The forecast assumes the funds are drawn down evenly in FY 2021-22 and FY 2022-23.
- **Modest Increase in Local Tax Revenue Projection.** Local tax revenues are expected to recover at varying speeds from the stark and immediate losses of FY 2019-20 and FY 2020-21 throughout the plan period. While the overall projection trajectory for most local tax revenues is similar to our projections in the January forecast, projected property tax revenues are materially higher, mostly due to updated State guidance on the calculation of Excess ERAF and updated assumptions about temporary reductions in assessed values. This positive change is partially offset by additional anticipated weakness in business, hotel, sales, and parking taxes, largely driven by an assumed slower return of office workers and travelers to San Francisco.
- **Changing Reserve Assumptions.** In the January forecast, the City anticipated withdrawing \$187.9 million of Economic Stabilization Reserves in each of the next two fiscal years, exhausting the full balance in those reserves. Given improvement in the budget outlook for the coming two fiscal years, these updated projections assume the withdrawal of Economic Stabilization Reserves in FY 2021-22, consistent with the adopted budget, but no further withdrawals thereafter. Furthermore, revenue growth is projected to require some deposits to these reserves beginning in FY 2023-24. Neither the January nor the March update assumes the use of the COVID Response and Economic Loss Reserve.
- **Reductions to Cost of COVID-19 Response.** This update includes a reduction in projected expenditures needed to support citywide COVID-19 response programming, compared to January projections. This reduction is due to the assumed use of FY 2020-21 projected project surplus to offset costs in the following year, and due to assumed gradual declines in program costs over the fiscal year as recovery and reopening efforts continue.
- **Salary and Benefits Costs.** This update assumes salary and benefits savings compared to the January projections, primarily due to a higher FY 2020-21 rate of return on the retirement system's investments, and also lower growth in FY 2021-22 retiree health costs. Given these projections, no wage delays are assumed in closed labor contracts, which would have been triggered under those contract terms if the projected shortfall exceeded \$200 million.

While the two-year projected deficit has declined significantly since the January projection, it is largely due to one-time federal stimulus revenue. The Government Finance Officers Association, representing public finance officials throughout the United States, has urged recipients of ARPA funds to avoid creating new programs or enhancements that require an ongoing financial commitment, given the temporary nature of the relief aid.

Even with assumed recovery of local revenues, the City continues to face a persistent structural deficit in later years of this forecast, due in part to rising employee costs, increasing voter mandated baselines

and set-asides, increased local support of existing entitlement programs, and growing citywide operating costs. While this structural shortfall is significantly reduced in the upcoming two budget years due to federal stimulus funds, expenditure growth is still projected to exceed revenue growth over the five-year period, resulting in significant shortfalls during the final three years of the projection as the one-time sources assumed in FY 2021-22 and FY 2022-23 are depleted.

Changes from the January 2021 Five-Year Financial Plan Projection

Table 2 below outlines the cumulative changes from the January 2021 projections that are reflected in this update; these changes are described in more detail below.

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

Changes - Cumulative	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Sources - Revenue and Fund Balance	373.4	197.5	90.3	148.7	137.2
Uses - Baselines & Reserves	(4.5)	(4.7)	(107.0)	(124.0)	(140.0)
Uses - Salaries & Benefits	40.5	24.4	10.2	19.0	38.1
Uses - Citywide Operating Budget Costs	23.9	(4.2)	(12.0)	(17.2)	(27.9)
Uses - Departmental Costs	(6.4)	(9.6)	(8.6)	(3.5)	(3.3)
Total Cumulative Change	426.9	203.4	(27.1)	23.0	4.1
Change in Two Year Deficit	630.3				

SOURCES- Revenue and One-Time Sources: Compared to the January Five-Year Plan, projected General Fund sources grow by \$373.4 million in FY 2021-22, and cumulatively grow by \$137.2 million over the five-year period. Key drivers of this change include:

- **One-time federal stimulus from the American Rescue Plan Act of 2021:** As described above, the updated projection assumes \$318.0 million of direct stimulus funding in FY 2021-22 and another \$318.0 million in FY 2022-23.
- **General Fund Local Tax Revenues:** As described above, General Fund revenue has improved from the prior projection, mostly due to property tax increases that offset weakness in business, hotel, sales, and parking taxes. The projections incorporate a host of revenues approved in the November 2020 election, including an increase to transfer tax rates (Prop I), overhaul of business taxes (Prop F), and establishment of a new tax on executive compensation (Prop L). In addition, in December 2020, the Mayor and Board of Supervisors delayed the imposition of the cannabis tax to January 2022. In March 2021, the Mayor and Board of Supervisors proposed to defer business registration fees originally due in April 2021 to November 2021, for businesses that have less than \$25.0 million of Gross Receipts Tax. Both of these deferrals are accounted for in the projections. The most significant changes in revenue are discussed below:
 - **Property Tax.** The largest driver of the projected increase in property tax revenues reflects guidance on the calculation of excess ERAF issued by the State Controller's Office in February, which reduced the amount of ERAF assumed allocated to the School District for charter schools by approximately \$50 million per year compared to January

projections. In addition, assumptions about temporary reductions in assessed valuations (i.e. Prop 8 reductions) have been updated to align with the overall economic forecast and recent transactions. The January projection assumed 20% reductions versus January 1, 2020 values in each year of the forecast for hotel, retail, and unsecured property. Current projections assume no reduction in hotel values in FY 2023-24 through FY 2025-26 and reductions of 10% in retail and unsecured property in FY 2024-25 and FY 2025-26. The January report assumed 7% reductions in office values versus January 1, 2020 values in each year of the forecast; these have been reduced to 5% in FY 2021-22 and FY 2022-23 and 2.5% thereafter. Multifamily residential values, previously assumed reduced 2% in each year, are assumed reduced 3% in FY 2021-22 and FY 2022-23 and 0% thereafter. Finally, projections reflect an increase in property tax increment allocations to the redevelopment successor agency (OCII) of \$65 million over the forecast period, partially offset by an additional 0.9% in secured roll growth in FY 2021-22 given changes in ownership and new construction values enrolled in the current fiscal year.

- **Business Tax.** The City's business tax revenues are determined in part by the share of a business' workforce that physically works within the City. As such, the number of workers who telecommute can dramatically affect revenue. The March projection extends the degree and duration of telecommuting by workers in office-based industries from the January projection, with 100% telework through the 2nd quarter of 2021, gradually stepping down to a permanent telecommuting factor of 25%. The projection also increases the FY 2023-24 through FY 2025-26 economic growth assumption from 2% to 3% to reflect increased productivity as more businesses can utilize the same amount of office space, as some workers work from home. Finally, the projection takes into account the impact of delays of tax year 2020 business tax filings on tax year 2021 prepayments. The Tax Collector has pushed filing deadlines for tax year 2020 from February 2021 to April 2021, and waived late penalties on tax year 2021 prepayments, which are typically based on the tax year 2020 filing. As a result, prepayments that would have typically been remitted in FY 2020-21 are anticipated to be paid in FY 2021-22.
- **Hotel Tax.** Hotel tax is still anticipated to recover to pre-pandemic levels by FY 2025-26, with pent-up demand from domestic leisure travelers leading the recovery in FY 2021-22 and FY 2022-23 and convention and business travelers returning in subsequent years. However, due to lower than expected receipts in the current year, the projection has been slightly lowered in FY 2021-22 and FY 2022-23. Revenue per available room, an industry metric highly correlated with hotel tax revenue, is assumed to be \$47, \$135, \$187, \$206 and \$222 in FY 2021-22 through FY 2025-26, respectively.
- **Fund balance:** This projection does not assume the use of any of the \$125 million in projected FY 2020-21 surplus reported in the Six-Month Report, as this entire amount is appropriated for one-time purposes in legislation pending before the Board of Supervisors. Consistent with the January projection, \$0.8 million of General Fund fund balance available for appropriation is assumed spent in FY 2021-22.

- **Use of Reserves:** This projection assumes that \$188 million from the Economic Stabilization Reserve is withdrawn in FY 2021-22, which is consistent with the FY 2021-22 adopted budget, but does not assume any additional withdrawal of reserves in FY 2022-23. This leads to a decrease of \$188 million in one-time FY 2022-23 sources as compared to the January projections, which assumed that the same amount of reserve funding would be withdrawn in each of the two budget years (which would fully deplete the Economic Stabilization Reserve by the end of FY 2022-23). Given the significant influx of one-time federal stimulus revenue in the short term, the City now does not project needing to fully deplete these reserves as originally anticipated in the January Five-Year Plan.
- **Departmental Revenues:** This projection assumes updates to various departmental revenue projections that are not otherwise included in General Fund local tax revenue projections. These updates include: increased revenue projections in the Department of Public Health; decreased permit revenue projections in the Department of City Planning; lower ambulance billing revenue and permit revenue projections in the Fire Department; and, projected rents, concessions, and fee revenue losses in the Department of Recreation and Parks.

USES- Baselines and Reserves: Increases in projected General Fund revenues result in corresponding increases to baselines and reserves. Compared to the January Five-Year Plan, projected costs grow by \$4.5 million in FY 2021-22, and cumulatively grow by \$140.0 million over the five-year period.

- **Baselines:** Most of the City's Charter-mandated baselines (including Municipal Transportation Agency, Library, and the Public Education and Enrichment Fund) are driven by changes in aggregate discretionary revenue (ADR), which typically follows the General Fund revenue projection. As projected ADR increases from the prior projection in FY 2022-23 and beyond, the City must also increase its General Fund contribution to these baseline departments and programs.
- In addition to the formula-based revenue baselines, two other major changes are included in this projection. The Municipal Transportation Agency (MTA) baseline is adjusted, on occasion, for significant changes in service. The March projection assumes the Central Subway opens for revenue service in Spring 2022, resulting in an ongoing increase in the MTA baseline. The forecast also updates the MTA's population adjustment baseline (November 2014 Proposition B), which annually adjusts the MTA's existing baselines in proportion to increases (but not decreases) in the City's daytime or night time population, whichever is greater. As San Francisco's economy recovers from pandemic, its daytime population is projected to grow by nearly 10% in 2022, as office workers return downtown and visitors travel to the City for leisure and business. As a result of this rapid increase in daytime population, the Prop B baseline is anticipated to more than double from FY 2020-21 level of \$55.6 million to \$129.7 million by FY 2025-26.
- **Deposits to Reserves:** Revenue increases trigger additional General Reserve, Budget Stabilization Reserve, and Rainy Day Reserve deposits. A higher deposit to the Salary and Benefits Reserve is also assumed to reflect recent increases in reserve draws as well as one-time costs to backfill additional COVID sick pay in FY 2020-21.

USES- Salaries & Benefits: Compared to the January Five-Year Plan, salary and benefit projected costs decrease by \$40.5 million in FY 2021-22, and cumulatively decrease by \$38.1 million over the five-year period. These changes are primarily driven by:

- **CPI Changes for Labor Projections:** In years where contracts are open, projections continue to assume consumer price index (CPI) increases, which are revised in this Plan to be 2.78% in FY 2021-22, 3.26% in FY 2022-23, 3.29% in FY 2023-24, 3.08% in FY 2024-25, and 2.93% in FY 2025-26. 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 as follows:

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
January 2021	3.01%	2.88%	3.10%	3.11%	2.98%
March 2021	2.78%	3.26%	3.29%	3.08%	2.93%
<i>Difference</i>	-0.23%	0.38%	0.19%	-0.03%	-0.05%

- **Retirement Benefits – Employer Contribution Rates:** This projection includes updates to the employer contribution rates for the San Francisco Employees' Retirement System (SFERS). The long-term savings from the prior projections are primarily due to an update to the year-to-date return assumption from 7.4% to 15% in FY 2020-21 in the SFERS investment portfolio, which drives lower employer contribution rates over the five years of the projection and triggers a supplemental cost of living adjustment (COLA) payment for eligible SFERS participants in FY 2021-22. In the budget year, savings are the result of the Retirement System Board's adoption of lower price and wage inflation assumptions, demographic assumptions that reduced the rate, a higher level of assets at FY 2019-20 close, and payroll growth experience. While the Retirement System Board has discussed reducing its actuarially assumed rate of return from 7.4% to 7.3% in recent months, and will do so again at its April 2021 meeting, it has not yet taken action to do so, therefore, the 7.4% rate assumed in our January report is unchanged.

Health and Dental Benefits for Retired City Employees: These projections also assume that health costs for retired City employees will increase at a lower rate in FY 2021-22 compared to the January projections, due largely to a drop in health care utilization in 2020 and higher Medicare subsidies for retiree health plans.

USES- Citywide Operating Costs: Compared to the January Five-Year Plan, projected citywide operating costs decrease by \$23.9 million in FY 2021-22, and cumulatively grow by \$27.9 million over the five-year period. These changes are primarily due to the City's updated COVID-19 Response expenditure projections.

- **COVID-19 Response:** This projection assumes that the City will incur \$71.9 million in General Fund costs to carry out COVID-19 response programs in FY 2021-22, a lower local cost than budgeted in FY 2020-21. The updated estimate uses FY 2020-21 projections as reported in the Controller's Six Month Report and incorporates anticipated General Fund savings and improved

FEMA recoveries also detailed in that report. The updated projection further assumes that program needs and associated costs gradually decrease over the course of FY 2021-22 as vaccine distribution accelerates and the City continues to reopen.

Table 3: FY 2021-22 COVID-19 Response Projected Costs, by Program Area (based on FY 2020-21 Projections)

COVID-19 Response Program Area	Projected General Fund Cost (\$ Millions)
Emergency Response and Coordination	(5.4)
Food Security Programs	(26.4)
Health Programs	(88.0)
Emergency Shelter and Housing	(71.0)
Projected General Fund Cost	(190.8)
<i>FY 2020-21 Savings as reported in Six Month Report</i>	<i>77.3</i>
<i>Grants and Other Non-General Fund Sources</i>	<i>41.6</i>
Total Projected General Fund Cost	(71.9)

- 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 projects increases of 2.78% in FY 2021-22, 3.26% in FY 2022-23, 3.29% in FY 2023-24, 3.08% in FY 2024-25, and 2.93% in FY 2025-26.
- Real Estate:** General Fund lease and operating costs for City-owned and leased facilities have seen minor changes since the January projections, primarily due to updated information on lease terms, changes to modeling methodology, and changes in tenancy.

USES- Departmental Operating Costs: Compared to the January Five-Year Plan, departmental projected costs grow by \$6.4 million in FY 2021-22, and cumulatively grow by \$3.3 million over the five-year period. Primary drivers of these changes include the following:

- Convention Facilities Center:** This update assumes that the Convention Facilities General Fund subsidy will decrease in FY 2021-22 and increase in FY 2022-23 due to updated operating and event schedule projections. The update also assumes the General Fund will backfill a projected shortfall of \$11.7 million in Moscone Expansion District assessment revenue to fund debt service payments.
- HSA County Aid:** This update modifies previous projections of the local cost of entitlement programs to reflect current-year trends. The reduced costs are due to slower than anticipated growth in the CAAP and CalWORKs caseloads in the current year, an anticipation of economic recovery further reducing caseloads in FY 2021-22 and FY 2022-23, and a lower COLA adjustment in line with the Governor's budget. Previous projections had assumed a surge in

CAAP and CalWORKs enrollment due to the economic downturn, as was the case in prior recessions, however caseload rates have come in below projections, consistent with statewide trends.

- **Affordable Housing & Permanent Supportive Housing projects:** This update assumes slightly increased projected costs for the City's Local Operating Subsidy Program (LOSP) and other permanent supportive housing projects, primarily due to project timeline changes and lease inflationary costs.

Key Factors that Could Affect the Forecast

Even as the City gradually recovers from the COVID-19 pandemic, significant uncertainties and outstanding policy choices remain that could affect the City's financial condition over the next five years. The following factors could materially affect the outlook:

- **Local General Fund Revenues:** Economically sensitive revenues such as business and hotel taxes are still subject to historically high levels of uncertainty as the local and national economies gradually recover from the COVID-19 pandemic, and international travel returns.
- **State and federal budget impacts:** Federal and state legislative and regulatory actions are driving large revenue improvements in this projection, and any future federal or state legislative and regulatory actions could create additional changes. This projection does not yet take into account funding from the American Rescue Plan Act of 2021 the City may be eligible for, other than direct city and county allocations from the Coronavirus Local Fiscal Recovery Fund, as departments are still working to understand magnitude and eligibility restrictions for any additional funding that may be allocated to San Francisco. Similarly, the Governor will likely introduce changes to the FY 2021-22 state budget in the upcoming May Revise, which will be further amended by the state legislature; this projection does not assume significant new state budget proposals at this time, nor does it assume legislative changes affecting excess ERAF revenue.
- **Local COVID-19 Response Costs:** As economic recovery and City reopening efforts evolve, the City will continue to refine projections of the level of General Fund support needed for local COVID-19 response programs in FY 2021-22. Changes could be driven by new information regarding federal or state reimbursement or stimulus funding, or by refined understandings of level of need and associated costs of the City's current COVID-19 response programs.
- **Pending or proposed new programs or legislation:** No pending or proposed legislative changes with a fiscal impact are assumed in this projection, with the exception of the \$125 million supplemental ordinance discussed above. 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. Subsequent projections will include impacts from any finally adopted legislation.

- **Retirement Employer Contribution Rate:** While the Retirement System Board has discussed reducing its actuarially assumed rate of return from 7.4% to 7.3% in recent months, and will revisit the question at its April 2021 meeting, it has not yet taken action; therefore, the 7.4% rate assumed in our January report is unchanged. Adoption of the 7.3% rate would increase employer contribution rates and annual costs by approximately \$48 million beginning in FY 2021-22.
- **Key policy choices:** This projection reflects current service levels and continuity of choices adopted by the Mayor and Board in recent budgets. The following significant policy choices are not assumed in this projection, but would materially change this forecast if pursued during the forecast period:
 - a. **Backfill lost hotel tax revenue for arts programs:** Proposition E, passed in 2018, allocated 1.5% of the 14% hotel tax rate (or approximately 11% of revenue) to arts programming outside of the General Fund. Due to continued weakness in hotel taxes, the revenue generated by this 1.5% rate will be insufficient to meet the funding requirements established in Prop E in FY 2021-22, which policymakers could choose to partially or fully backfill through a General Fund transfer, similar to the hotel tax backfill included in the supplemental appropriation ordinance (file 210177) currently pending at the Board. This projected shortfall totals approximately \$18.6 million in FY 2021-22 and \$2.6 million in FY 2022-23.
 - b. **Spending associated with excess ERAF:** The Mayor and Board adopted a legislated policy in 2019 that stipulates that at least 50% of excess ERAF revenues be dedicated to one-time affordable housing production and preservation, and 50% be made available for other purposes. This policy was not adhered to in the most recent adopted budget, which programmed excess ERAF as a support for the City's operating budget, and accordingly the policy is not assumed in this forecast. This report assumes the City will continue to receive excess ERAF revenues in all years of the forecast according to current state law. However, the report does not assume expenditure allocations in accordance with the legislation referenced above, and primarily uses these revenues to solve for projected revenue losses. Should the Mayor and Board adopt budgets consistent with this policy, the General Fund deficit would increase commensurately.
 - c. **Spending associated with increased transfer tax rate:** Revenue generated by the increase in transfer tax rate, approved by the voters in November 2020, has been discussed as a source for new program expenditures. Projected revenue, net of baselines, generated by this measure totals approximately \$63.9 million in FY2021-22, \$87.5 million in FY2022-23, and approximately \$111.2 million annually thereafter. To the extent that these revenues are programmed for new uses, projected shortfalls will increase commensurately.
 - d. **Slower draw of reserves:** Given the significant size of the one-time federal stimulus, the City could choose to further slow its planned withdrawals from its Economic Stabilization Reserves, retaining these funds to manage structural budget issues in later years of the forecast. This projection assumes withdrawals of \$187.9 million in FY 2021-

22; reducing this draw would increase shortfalls in the short term commensurately but reduce shortfalls in later years of the forecast.

Conclusion

This update presents a much-improved forecast for the two-year shortfall for FY 2021-22 and FY 2022-23, primarily due to the unprecedented level of federal stimulus funding contained in the American Rescue Plan Act of 2021. The temporary nature of this aid, coupled with continued uncertainty stemming from the extraordinary nature of the COVID-19 pandemic and its evolving effect on local revenues, presents meaningful downside risk to the City's financial outlook. Moreover, an unusually large number of policy choices and external factors exist that could further change this five-year outlook, either positively or negatively.

In the remaining three years of the five-year projection period, a significant structural deficit of over \$350 million persists and grows each year as expenditure growth projections outpace revenue growth projections. Closing these shortfalls will require some combination of expenditure reductions and additional revenues, and will likely pose difficult choices for policymakers. In the upcoming budget cycle, to the extent that policymakers make choices that curtail ongoing spending increases, the City can avoid exacerbating these shortfalls and reduce difficult choices in the future, thereby maximizing the City's ability to maintain its services and programs for San Franciscans.

Appendix A: Updated Base Case – Key Changes to General Fund-Supported Sources & Uses FY 2022-26 – INCREMENTAL CHANGE (\$ in millions)

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

Line	SOURCES Increase / (Decrease)	2021-22	2022-23	2023-24	2024-25	2025-26
1	General Fund Taxes, Revenues and Transfers net of items below	193.7	450.9	350.6	254.1	193.9
2	Proposition F - November 2020 (Business Tax, General Fund Repayments)	28.0	(153.0)	0.5	-	-
3	Proposition L - November 2020 (Executive Pay)	-	60.0	20.0	20.0	-
4	Proposition I - November 2020 (Transfer Tax)	82.9	30.7	30.7	-	-
5	Use of Fund Balance	(370.3)	(0.1)	-	-	-
6	Federal Stimulus Revenue	318.0	-	(318.0)	-	-
7	Use of Reserves	31.4	(187.9)	-	-	-
8	Public Health - One-time revenues	(29.0)	(21.8)	-	-	-
9	Public Health- Operating Revenues	39.4	4.3	18.4	18.1	18.8
10	Other General Fund Support	(38.3)	27.2	9.4	11.0	7.2
	TOTAL CHANGES TO SOURCES	255.8	210.2	111.5	303.2	219.9
	USES Decrease / (Increase)					
	Baselines & Reserves					
11	Contributions to Baselines	(40.5)	(106.3)	(117.6)	(71.6)	(44.8)
12	Contributions to Reserves	(18.3)	2.8	(69.1)	3.5	(32.6)
	Subtotal Baselines & Reserves	(58.9)	(103.6)	(186.6)	(68.1)	(77.4)
	Salaries & Benefits					
13	Previously Negotiated Closed Labor Agreements	(138.8)	(35.5)	(8.8)	-	-
14	Projected Costs of Open Labor Agreements	-	(63.5)	(104.8)	(98.4)	(97.7)
15	Health & Dental Benefits - Current & Retired Employees	(19.6)	(24.6)	(27.3)	(28.9)	(30.7)
16	Retirement Benefits - Employer Contribution Rates	43.9	33.9	27.1	27.9	12.6
17	Other Salaries and Benefits Savings / (Costs)	4.2	(9.2)	15.1	(7.6)	3.6
	Subtotal Salaries & Benefits	(110.3)	(98.8)	(98.8)	(107.0)	(112.2)
	Citywide Operating Budget Costs					
18	Capital, Equipment, & Technology	11.1	(11.7)	(11.4)	(61.1)	(15.6)
19	Inflation on non-personnel costs and non-profit grants	12.0	(39.4)	(41.2)	(39.8)	(39.0)
20	Debt Service & Real Estate	(39.5)	(29.8)	(18.8)	(10.6)	(15.3)
21	Sewer, Water, and Power Rates	(3.3)	(3.2)	(2.5)	(2.6)	(2.7)
22	COVID-19 Citywide Expenditures	24.4	71.9	-	-	-
23	Other Citywide Costs	(2.1)	(2.7)	(20.0)	(16.4)	(23.4)
	Subtotal Citywide Operating Budget Costs	2.5	(14.9)	(93.9)	(130.4)	(96.0)
	Departmental Costs					
24	City Administrator's Office - Convention Facilities Subsidy	(23.2)	12.2	1.3	0.7	3.5
25	Elections - Number of Scheduled Elections	(1.6)	(0.6)	(0.4)	(0.7)	(1.3)
26	Ethics Commission - Public Financing of Elections	-	(0.5)	(6.8)	7.3	(1.6)
27	Mission Bay Transportation Improvement Fund	(0.3)	(1.2)	(0.3)	(3.6)	(0.3)
28	Affordable & Permanent Supportive Housing Project Costs	(15.7)	(11.5)	(6.1)	(5.7)	(7.1)
29	Human Services Agency - IHSS and Other Benefit Costs	(10.5)	(20.7)	(8.4)	(10.1)	(9.8)
30	Public Health - Operating Costs	(29.0)	(17.8)	(22.3)	(23.8)	(25.4)
31	Proposition B - November 2020 (Department of Sanitation and Streets)	-	(6.0)	(0.2)	(0.2)	(0.2)
32	Proposition D - November 2020 (Sheriff Oversight)	(2.9)	(0.1)	(0.1)	(0.1)	(0.1)
33	All Other Departmental Savings / (Costs)	9.7	(1.3)	(1.1)	(1.2)	(0.9)
	Subtotal Departmental Costs	(73.4)	(47.4)	(44.3)	(37.3)	(43.2)
	TOTAL CHANGES TO USES	(240.0)	(264.7)	(423.6)	(342.8)	(328.8)
	Projected Surplus (Shortfall) vs. Prior Year	15.8	(54.4)	(312.0)	(39.6)	(108.9)
	Cumulative Projected Surplus (Shortfall)	15.8	(38.7)	(350.7)	(390.3)	(499.3)
	Two-Year Surplus (Shortfall)	(22.9)				

Appendix B: Updated Base Case – Key Changes to General Fund-Supported Sources & Uses FY 2022-26 – CUMULATIVE CHANGE (\$ in millions)

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

Line	SOURCES Increase / (Decrease)	2021-22	2022-23	2023-24	2024-25	2025-26
1	General Fund Taxes, Revenues and Transfers net of items below	193.7	644.5	995.1	1,249.2	1,443.0
2	Proposition F - November 2020 (Business Tax, General Fund Repayments)	28.0	(125.0)	(124.6)	(124.6)	(124.6)
3	Proposition L - November 2020 (Executive Pay)	-	60.0	80.0	100.0	100.0
4	Proposition I - November 2020 (Transfer Tax)	82.9	113.6	144.3	144.3	144.3
5	Use of Fund Balance	(370.3)	(370.4)	(370.4)	(370.4)	(370.4)
6	Federal Stimulus Revenue	318.0	318.0	-	-	-
7	Use of Reserves	31.4	(156.5)	(156.5)	(156.5)	(156.5)
8	Public Health - One-time revenues	(29.0)	(50.8)	(50.8)	(50.8)	(50.8)
9	Public Health- Operating Revenues	39.4	43.7	62.1	80.3	99.0
10	Other General Fund Support	(38.3)	(11.1)	(1.7)	9.4	16.6
	TOTAL CHANGES TO SOURCES	255.8	466.0	577.5	880.8	1,100.7
	USES Decrease / (Increase)					
	Baselines & Reserves					
11	Contributions to Baselines	(40.5)	(146.9)	(264.4)	(336.0)	(380.8)
12	Contributions to Reserves	(18.3)	(15.6)	(84.7)	(81.2)	(113.8)
	Subtotal Baselines & Reserves	(58.9)	(162.4)	(349.1)	(417.2)	(494.6)
	Salaries & Benefits					
13	Previously Negotiated Closed Labor Agreements	(138.8)	(174.3)	(183.1)	(183.1)	(183.1)
14	Projected Costs of Open Labor Agreements	-	(63.5)	(168.3)	(266.7)	(364.4)
15	Health & Dental Benefits - Current & Retired Employees	(19.6)	(44.2)	(71.5)	(100.4)	(131.1)
16	Retirement Benefits - Employer Contribution Rates	43.9	77.9	104.9	132.8	145.4
17	Other Salaries and Benefits Savings / (Costs)	4.2	(5.0)	10.1	2.5	6.1
	Subtotal Salaries & Benefits	(110.3)	(209.1)	(307.9)	(414.9)	(527.1)
	Citywide Operating Budget Costs					
18	Capital, Equipment, & Technology	11.1	(0.7)	(12.1)	(73.2)	(88.8)
19	Inflation on non-personnel costs and non-profit grants	12.0	(27.4)	(68.5)	(108.4)	(147.4)
20	Debt Service & Real Estate	(39.5)	(69.3)	(88.1)	(98.6)	(114.0)
21	Sewer, Water, and Power Rates	(3.3)	(6.5)	(9.0)	(11.6)	(14.3)
22	COVID-19 Citywide Expenditures	24.4	96.3	96.3	96.3	96.3
23	Other Citywide Costs	(2.1)	(4.8)	(24.8)	(41.2)	(64.5)
	Subtotal Citywide Operating Budget Costs	2.5	(12.3)	(106.2)	(236.7)	(332.7)
	Departmental Costs					
24	City Administrator's Office - Convention Facilities Subsidy	(23.2)	(10.9)	(9.6)	(8.9)	(5.4)
25	Elections - Number of Scheduled Elections	(1.6)	(2.1)	(2.5)	(3.2)	(4.5)
26	Ethics Commission - Public Financing of Elections	-	(0.5)	(7.3)	-	(1.6)
27	Mission Bay Transportation Improvement Fund	(0.3)	(1.5)	(1.8)	(5.3)	(5.6)
28	Affordable & Permanent Supportive Housing Project Costs	(15.7)	(27.1)	(33.2)	(38.9)	(46.1)
29	Human Services Agency - IHSS and Other Benefit Costs	(10.5)	(31.3)	(39.7)	(49.8)	(59.5)
30	Public Health - Operating Costs	(29.0)	(46.9)	(69.1)	(92.9)	(118.3)
31	Proposition B - November 2020 (Department of Sanitation and Streets)	-	(6.0)	(6.2)	(6.4)	(6.6)
32	Proposition D - November 2020 (Sheriff Oversight)	(2.9)	(3.0)	(3.1)	(3.2)	(3.3)
33	All Other Departmental Savings / (Costs)	9.7	8.5	7.4	6.2	5.3
	Subtotal Departmental Costs	(73.4)	(120.8)	(165.1)	(202.4)	(245.6)
	TOTAL CHANGES TO USES	(240.0)	(504.7)	(928.3)	(1,271.1)	(1,599.9)
	Projected Surplus (Shortfall)	15.8	(38.7)	(350.7)	(390.3)	(499.3)
	Two-Year Surplus (Shortfall)	(22.9)				

Appendix C: Updated Summary of General Fund-Supported Operating Revenues and Transfers in Sources & Uses FY 2022-26 (\$ in millions)

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

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	
	Year-End	Original Budget	6 Mo	Projection	Projection	Projection	Projection	
Property Taxes	\$ 2,071.9	\$ 2,019.6	\$ 2,215.2	\$ 2,067.3	\$ 2,168.8	\$ 2,301.5	\$ 2,458.9	\$ 2,569.1
Business Taxes	822.2	826.4	668.1	957.1	1,065.4	1,107.6	1,134.9	1,152.4
Sales Tax	180.2	183.7	140.2	156.1	184.2	198.4	209.9	219.4
Hotel Room Tax	252.2	126.2	27.9	78.5	235.3	332.8	366.5	400.9
Utility Users Tax	94.2	81.1	74.2	77.7	83.7	87.0	90.4	93.9
Parking Tax	69.5	59.4	41.5	51.0	63.7	67.7	70.3	73.1
Real Property Transfer Tax	334.5	138.0	253.8	265.9	331.8	397.7	397.7	397.7
Sugar Sweetened Beverage Tax	13.2	14.0	10.5	12.2	14.0	13.7	13.4	13.2
Stadium Admission Tax	2.8	2.5	-	2.8	5.5	10.8	10.8	10.8
Access Line Tax	49.7	48.9	50.3	51.7	53.3	55.1	56.8	58.5
Cannabis Tax	-	4.3	-	4.4	8.8	8.8	8.8	8.8
Executive Pay	-	-	-	-	60.0	80.0	100.0	100.0
Local Tax Revenues	3,890.3	3,504.0	3,481.6	3,724.7	4,274.6	4,661.1	4,918.6	5,097.8
Licenses, Fines, Interest, Rent	117.3	59.9	60.8	73.9	75.5	77.1	79.3	81.7
Federal Subventions	424.1	616.7	646.6	609.6	293.6	293.6	293.6	293.6
State Subventions	809.9	761.1	796.0	767.3	759.0	771.8	786.0	798.0
Charges for Services	220.8	235.5	206.3	223.8	223.8	223.8	223.8	223.8
Recovery of General Gov't Costs	12.9	21.8	21.8	23.6	23.6	23.6	23.6	23.6
Other Revenues	51.5	28.1	52.5	28.3	28.3	28.3	28.3	28.3
TOTAL REVENUES	5,526.8	5,227.2	5,265.5	5,451.1	5,678.4	6,079.4	6,353.2	6,546.8
Transfers in to General Fund								
Airport	33.5	25.1	12.3	23.0	35.0	40.0	47.5	51.2
Other Transfers	157.1	422.0	423.4	136.5	136.5	136.5	136.5	136.5
Total Transfers-In	190.6	447.1	435.7	159.5	171.5	176.5	184.0	187.7
TOTAL GF Revenues and Transfers-	5,717.5	5,674.3	5,701.2	5,610.5	5,849.9	6,255.9	6,537.2	6,734.5

Appendix D: Updated Summary of Projected Reserve Balances FY 2020-26 (\$ in millions)

This appendix provides an updated version of Table 9 from the January Five-Year Financial Plan.

	FY 2019-20	FY 2020-21			FY 2021-22			FY 2022-23			FY 2023-24			FY 2024-25			FY 2025-26		
	Ending Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance	Deposit	Use	Projected Balance
General Reserve	\$ 78.5	-	(0.2)	\$ 78.3	3.4	-	\$ 81.8	\$ 3.4	-	\$ 85.2	\$ 21.2	-	\$ 106.4	\$ 20.7	-	\$ 127.1	\$ 20.2	-	\$ 147.3
Rainy Day Economic Stabilization City Reserve	229.1	-	(114.5)	114.5	-	(57.3)	57.3	-	-	57.3	25.2	-	82.4	-	-	82.4	-	-	82.4
Budget Stabilization Reserve	307.8	-	(42.0)	265.8	-	(130.6)	135.2	-	-	135.2	0.2	-	135.4	46.8	-	182.1	79.1	-	261.2
Economic Stabilization Reserves	536.8	-	(156.5)	380.3	-	(187.9)	192.4	-	-	192.4	25.4	-	217.8	46.8	-	264.6	79.1	-	343.6
<i>Percent of General Fund Revenues</i>	<i>10.0%</i>			<i>6.9%</i>			<i>3.5%</i>			<i>3.4%</i>			<i>3.6%</i>			<i>4.2%</i>			<i>5.2%</i>
COVID Response and Economic Loss Reserve	507.4	-	(1.9)	505.5	-	-	505.5	-	-	505.5	-	-	505.5	-	-	505.5	-	-	505.5
Budget Stabilization Reserve - One Time Reserve	54.8	-	-	54.8	-	-	54.8	-	-	54.8	-	-	54.8	-	-	54.8	-	-	54.8
Business Tax Stabilization Reserve	-	149.0	-	149.0	-	(149.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Health Management Reserve	111.1	-	(51.7)	59.5	-	-	59.5	-	-	59.5	-	-	59.5	-	-	59.5	-	-	59.5
Rainy Day Economic Stabilization SFUSD Reserve	34.5	-	(33.5)	1.0	-	-	1.0	-	-	1.0	8.4	-	9.4	-	-	9.4	-	-	9.4
Rainy Day Reserve - One Time	-	-	-	-	-	-	-	-	-	-	16.8	-	16.8	-	-	16.8	-	-	16.8
Recreation & Parks Savings Incentive Reserve	0.8	-	-	0.8	-	-	0.8	-	-	0.8	-	-	0.8	-	-	0.8	-	-	0.8
Free City College Reserve	2.0	-	-	2.0	-	-	2.0	-	-	2.0	-	-	2.0	-	-	2.0	-	-	2.0
Mission Bay Transportation Improvement Fund - Overlapping Event Reserve	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0
Urgent Needs Reserve*	-	6.5	-	6.5	-	-	6.5	-	-	6.5	-	-	6.5	-	-	6.5	-	-	6.5
Other Reserves	711.7	155.5	(87.1)	780.2	-	(149.0)	631.2	-	-	631.2	25.2	-	656.3	-	-	656.3	-	-	656.3
Litigation Reserve	49.2	11.0	(60.2)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-
Salary and Benefits Reserve	25.4	23.5	(48.8)	-	35.5	(35.5)	-	32.7	(32.7)	-	33.5	(33.5)	-	34.3	(34.3)	-	35.1	(35.1)	-
Annual Operating Reserves	74.6	34.5	(109.0)	-	46.5	(46.5)	-	43.7	(43.7)	-	44.5	(44.5)	-	45.3	(45.3)	-	46.1	(46.1)	-
TOTAL, All Reserves	1,323.1	190.0	(352.6)	1,160.5	46.5	(383.4)	823.6	43.7	(43.7)	823.6	95.0	(44.5)	874.1	92.1	(45.3)	920.9	125.1	(46.1)	999.9

* This reserve is proposed as part of the \$125 million supplemental ordinance (File 210177) pending final approval from the Mayor and Board of Supervisors.