



# 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  
Ashley Groffenberger, Mayor's Budget Director  
Ben Rosenfield, Controller

**DATE:** March 31, 2022

**SUBJECT:** **Budget Outlook Update (March Joint Report Update)**

## 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 12, 2022. In the upcoming two fiscal years, the period for which the City is required to adopt a balanced two-year budget, we now project a \$74.7 million surplus, which is \$33.4 million less than the surplus of \$108.1 million projected in the January report. This updated projection shows a cumulative deficit projection of \$156.2 million by FY 2025-26, roughly in line with our prior projection of a \$148.9 million by FY 2025-26.

**Table 1. Base Case – General Fund-Supported Projected Budgetary Surplus / (Shortfall)**  
(\$ Millions)

	FY 22-23	FY 23-24	FY 24-25	FY 25-26
<b>SOURCES Increase / (Decrease)</b>	<b>111.2</b>	<b>365.7</b>	<b>549.6</b>	<b>743.1</b>
<b>Uses</b>				
Baselines & Reserves	(160.4)	(237.6)	(324.0)	(387.5)
Salaries & Benefits	(78.5)	(106.3)	(144.4)	(262.5)
Citywide Operating Budget Costs	124.0	62.4	(59.1)	(135.4)
Department Costs	18.4	(24.4)	(66.3)	(113.9)
<b>USES (Increase) / Decrease</b>	<b>(96.5)</b>	<b>(305.8)</b>	<b>(593.8)</b>	<b>(899.3)</b>
<b>Projected Cumulative Surplus / (Shortfall)</b>	<b>14.7</b>	<b>60.0</b>	<b>(44.2)</b>	<b>(156.2)</b>
<b>Two-Year Surplus</b>	<b>74.7</b>			

## Changes from the January 2022 Joint Report

Table 2 below outlines the cumulative changes from the January 2022 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)**

	<b>FY 22-23</b>	<b>FY 23-24</b>	<b>FY 24-25</b>	<b>FY 25-26</b>
Sources - Revenue & Fund Balance	39.9	21.6	7.6	13.2
Uses - Baselines & Reserves	(16.2)	(0.8)	(7.0)	(13.1)
Uses - Salaries & Benefits	(20.7)	(24.5)	(3.8)	3.8
Uses - Citywide Operating Budget Costs	(8.9)	(9.4)	(10.1)	(10.9)
Uses - Department Costs	(5.5)	(8.9)	7.8	(0.3)
<b>Total Cumulative Change</b>	<b>(11.5)</b>	<b>(22.0)</b>	<b>(5.6)</b>	<b>(7.3)</b>
<b>Change in Two-Year Surplus</b>	<b>(33.4)</b>			

**SOURCES – Revenue, Fund Balance, and Reserves:** Compared to the January Five-Year Plan, projected General Fund sources grow by \$39.9 million in FY 2022-23, and cumulatively grow by \$13.2 million over the four-year period. Key drivers of this change include:

- **General Fund Local Tax Revenues:** General Fund revenue has improved modestly from the prior projection, due to improvements in property tax, Federal Emergency Management Agency (FEMA) reimbursements, and interest income. These gains are partially offset by weakness in business, hotel and transfer taxes. The most significant changes in revenue are discussed below:
  - **Property Tax.** Property tax revenue projections have been updated to account for the risk from the pandemic-induced changes in normal operations, and therefore values of, San Francisco real estate. Projections assume that only those properties that received Prop 8 temporary reductions in value in 2021 will be considered for reductions in subsequent years (state regulations require county Assessors to review the previous years' Prop 8 reductions as a matter of course). For all other properties, we are estimating potential reductions to those for which an appeal has actually been filed with the Assessment Appeals Board, rather than for the class of properties as a whole. For appeals filed prior to 2021, we assume average reductions on open cases based on recent experience. For appeals of the January 1, 2021 lien date value filed in 2021, we assume a total of \$8.9 billion of value at risk, with average reductions of: 11.3% for single family residential (largely condominiums); 17.5% for multifamily residential (apartments); 11.3% for office; 18.6% for hotels; and 36.1% for retail. The increase in revenue from this shift is partially offset by a reduction in assumed supplemental assessment revenues reflecting a reduced volume of large commercial transactions, as buyers and sellers of these properties remain far apart on price.

This update to direct property tax revenue increases deposits to the Educational Revenue Augmentation Fund (ERAF), which are a fixed percentage of revenue. As a greater portion of local education entities' revenue limits are achieved through direct

property tax allocations, their distributions from ERAF are reduced, leaving more excess ERAF to be returned to the General Fund in the first two years of the forecast than previously projected. This return of excess ERAF to the City is partially offset by assuming adoption of education funding changes in the governor's January budget proposal to adjust the Local Control Funding Formula (LCFF) for declining attendance and increasing the per student special education base rate by approximately 15%. In the final two years of the projection, assumed growth in education funding formula allocations results in a decline in excess ERAF revenue from prior projections. The net effect of all changes is an increase in total property tax revenue from January 2022 projections in each year of the projection, from \$81.4 million in FY 2022-23, slowing to \$27.8 million in FY 2025-26.

- **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 Joint Report issued in January assumed that the average office worker would telecommute 15% of the time. In recent weeks, more companies have announced specifics for their long-term telecommuting plans, with many companies returning to the office in March and April. Reflecting these plans, the March projection increases its projection of long-term telecommuting from 15% to 33%, beginning in the first quarter of FY 2022-23. Considering current levels of available office space and the potential for more efficient use of existing space, the projection also increases the economic growth assumption from 4% to 5% in FY 2022-23 and from 3% to 4% in all other years of the projection. Compared to the Joint Report issued in January, these changes are projected to reduce business tax revenue in each year of the projection. The reduction is expected to be \$64.6 million (or 7%) in FY 2022-23 with reductions decreasing to \$41.8 million (or 4%) in the final year of the projection.
- **Hotel Tax.** Hotel tax is anticipated to recover to pre-pandemic levels during calendar year 2026. It is projected to grow slightly faster than prior forecast in FY 2022-23, because of pent-up demand from domestic leisure travelers. However, uncertainty related to the return of international, business, and convention-related travel result in slightly lower projections for FY 2023-24, FY 2024-25, and FY 2025-26. Revenue per available room, an industry metric highly correlated with hotel tax revenue, is projected to be \$146, \$183, \$218, and \$237 in FY 2022-23 through FY 2025-26, respectively.
- **Transfer Tax.** Transfers in commercial real estate are expected to stagnate in the next fiscal year as buyers wait for prices to drop and sellers hold during an unfavorable market. This forecast anticipates FY 2022-23 transfer activity to be largely the same as FY 2021-22, adjusting for two historic transfers that generated nearly \$100 million of transfer tax. In FY 2023-24 and FY 2024-25, transfer tax is expected to increase, recovering to its long-run average of \$456.2 million by FY 2024-25.
- **Federal Emergency Management Agency (FEMA) reimbursement for COVID response costs.** The March update forecasts a net increase of \$45.9 million during the plan period versus the

January update, largely due to FEMA’s extension of eligible costs through June 30, 2022. Total FY 2022-23 and FY 2023-24 revenue increased from \$298.7 million to \$407.5 million, partially offset by a reduction in current year to reflect the City’s experience in the timing of actual revenue receipts.

- **Fund balance:** The update assumes \$12.3 million of additional FY 2021-22 surplus compared to the January report. The change includes \$32.7 million as reported in the Six-Month Report, an additional \$18.1 million related to current year revenue, \$18.6 million of additional costs not forecasted in the Six-Month Report related to COVID sick pay, and net departmental savings of \$4.6 million. This is further offset by a \$24.5 million emergency appropriation for emergency shelter programs due to FEMA extension in March 2022.
- **Reserves:** This update assumes no major changes to the use of reserves as revenue sources from the January 2022 report.

**CPI Changes for Labor and Non-Labor Cost Projections:** In years where labor contracts are open, projections continue to assume consumer price index (CPI) increases. At the time of issuance, these are projected to be 3.32% in FY 2022-23, 2.28% in FY 2023-24, 2.71% in FY 2024-25, and 2.57% in FY 2025-26. These changes are based on projections of Moody’s SF Metropolitan Statistical Area CPI. Given the minimal change from January projections, cost projections below have not been updated.

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>January 2022</b>	3.25%	2.82%	2.71%	2.56%
<b>March 2022</b>	3.32%	2.82%	2.71%	2.57%
<i>Difference</i>	0.07%	0.00%	0.00%	-0.01%

**USES – Baselines and Reserves:** Change in projected General Fund revenues result in corresponding changes to baselines and reserves. An additional \$16.2 million in baseline and reserve costs is projected for FY 2022-23 since the January report with costs growing by a cumulative \$13.1 million FY 2025-26 from the prior projection.

- **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. In the case of this update, baseline contributions were reduced by \$7.9 million in FY 2022-23. However, due to lower current expenditure levels meeting the Children’s Baseline requirements, additional General Fund costs are projected in the upcoming budget years. Together, these changes result in a modest increase of \$2.6 million compared to the January Joint Report in FY 2022-23. Projected costs cumulatively grow by \$15.6 million over the four-year period.
- **Deposits to Reserves:** The use of General Reserve in the current year, as well as increase in revenue projections, triggers additional General Reserve deposits during the plan period. Since the January 2022 Joint Report, two additional supplemental appropriations (for overtime in the Fire Department and free parking at Portsmouth Square) that draw from the General Reserve

have passed and a third supplemental for FY 2021-22 workers' compensation deficits is pending. These uses of the General Reserve require additional deposits in FY 2022-23, leading to an increase in General Reserve deposits of \$13.6 million in FY 2022-23 in this update.

**USES – Salaries & Benefits:** Compared to the January Joint Report, salary and benefit projected costs increase by \$20.7 million in FY 2022-23, by \$24.5 million in FY 2023-24, then see modest changes from the prior projection in the third and fourth years of the report. These changes are primarily driven by changes in employer contribution rates to the Retirement System, with some smaller changes to projected costs of health benefits:

- **Retirement Benefits – Employer Contribution Rates:** This projection includes updates to the employer contribution rates for the San Francisco Employees' Retirement System (SFERS). The increased costs compared to the prior projections are due to an update to the FY 2022-23 employer contribution rate, which increased from 19.91% in the January projections to 21.35% in this report. The new rate, adopted by the SFERS Board in February 2022, reflects a reduction of the amortization period for actuarial gains and losses, which includes the investment gains from FY 2020-21, from twenty years to five years, in order to transition the SFERS retirement system to 100% fully-funded status based on the actuarial value of assets. While the plan is fully funded given the market value of assets, contribution rates are determined based on the actuarial valuation of assets, and that funding percentage is less than 100%. Most of the cost increases in the first two years of the projection since the January report are due to these changes.
- **Health and Dental Benefits for Retired City Employees:** Health costs for active members are lower compared to prior projections reflecting updated medical enrollments as of March 2022. These projections also assume that health costs for retired City employees will increase at a higher rate in FY 2022-23 compared to the January projections due to increased health care utilization in 2021.

**USES – Citywide Operating Costs:** Compared to the January 2022 Joint Report, projected citywide operating costs increase by \$8.9 million in FY 2022-23 with further increases in the subsequent years. This change is primarily driven by increases to the City's projection of workers' compensation costs. In FY 2021-22, an increase in claim filings exceeding 30% and significantly increased state temporary disability rates were two key contributors to the cost increases. The revised projection incorporates current-year trends and applies an inflationary factor of 4% to account for rising state-mandated fees and medical costs.

**USES – Departmental Operating Costs:** Compared to the January Joint Report, departmental projected costs increase by \$5.5 million in FY 2022-23 and \$8.9 million in FY 2023-24. Primary drivers of these changes include the following:

- **Convention Facilities Center:** This update assumes the General Fund subsidy to the Convention Facilities Fund will decrease by \$8.4 million in FY 2022-23 after a one-time General Fund subsidy budgeted in FY 2021-22. This is a reduction in initial savings projected in the January Joint Report of \$2.6 million due to a slower return to in-person scheduled events than previously projected. The January 2022 Joint Report had anticipated that all events would be held in-person, however they continue to be hybrid with remote access. This has had a

significant impact on projected revenues from ancillary services to attendees (food purchases, internet usage, etc.). Over the course of the projection period, total General Fund costs for subsidizing the Convention Facilities increase by \$4 million since the prior projection.

- **HSA County Aid:** This update modifies previous projections of the local cost of entitlement programs to reflect current-year trends and incorporate State policy changes. The increased expenditures are due to higher forecasted CAAP costs due to a 7.1% increase in CAAP grants, and continued but slower caseload growth in FY 2022-23. Caseloads are projected to remain flat in the remaining years of the projection. CalWORKs grants increased by 7.1% in the Governor's proposed budget, and local ordinance applies CalWORKs increases to CAAP grants, which are local costs. These changes are offset by decreased expenditures in foster care due to declining caseloads.

## Key Factors that Could Affect the Forecast

Significant uncertainties and outstanding policy choices remain that could affect the City's financial condition over the next four years. The following factors could materially affect the outlook:

- **Labor negotiations:** This projection continues to assume approved wage increases in collective bargaining agreements for public safety through the end of FY 2022-23, and applies inflation increases on open contracts in all other years based on the same CPI rates used in the January Report. Other than these costs, this report does not assume any contract changes due to active labor negotiations. Wage or benefit changes above or below these assumptions would impact the projection.
- **Recession risk:** Since the January forecast, economists have become increasingly concerned about the potential for a recession in the next twelve months. The war in Ukraine has increased prices of gasoline, metals, and other raw materials. These increases, along with the excess demand in the labor market, are increasing pressure on the Federal Reserve to raise interest rates to tamp down inflation. Aggressive rate hikes would increase the risk of recession.
- **Retirement contribution rate:** Projections assume the SFERS adopted 7.2% rate of return in FY 2021-22, however, returns through February 28, 2022 were 2.31%. Global markets remain volatile due to continued uncertainty about tighter monetary policy, inflation, and the effect of the war in Ukraine. Final results below the 7.2% assumption will result in higher retirement contribution costs during the forecast period.
- **COVID-19 pandemic and public health response:** As noted in the Joint Report, the COVID-19 pandemic and its impact on both the local economy and the demands on the City's public health system continue to be areas of great uncertainty. The projection only assumes modest expenses to address COVID-19 that were budgeted in the previous two-year budget process. Any increase in the level of public health response without subsequent additional revenue would impact this forecast.

- **State and federal budget impacts:** In recent years, federal funding has been a significant source of revenue in this forecast. Other than some improvements in FEMA revenue based on current year claims, this forecast does not project any major changes in federal revenue allocations. Further, the Governor will likely introduce changes to the FY 2022-23 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, aside from modest education funding formula changes noted in the property tax section above.
- **Pending or proposed new programs or legislation:** Legislative or voter-approved increases to existing baselines, set-asides, or other new spending increases without commensurate revenue increases from new funding sources will impact the projections included in this report.

## Conclusion

On net, this update presents modest changes to the January 2022 forecast, but swings in the City's revenue sources and retirement costs continue to drive the underlying changes. With each update to the financial forecast, new information about trends in post-pandemic office usage and travel is incorporated, but has proven difficult to predict. And even as recovery continues, the prospect of another variant-driven COVID surge remains, which would further impact these projections. Finally, as noted above, the City is actively negotiating updates to labor MOUs with its unions. Changes to salaries and benefits greater than CPI will have a significant impact in all years of this forecast.

## 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 2A from the January Five-Year Financial Plan.

<b>SOURCES Increase / (Decrease)</b>		<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
<b>Fund Balance &amp; Reserves</b>					
1	Use of prior Year Fund Balance Gain / (Loss)	(386.6)	(12.3)	-	(36.6)
2	All Other Reserves - Gain / (Loss)	(265.0)	(15.3)	(1.3)	(13.7)
<b>Subtotal Fund Balance &amp; Reserves</b>		<b>(651.6)</b>	<b>(27.6)</b>	<b>(1.3)</b>	<b>(50.3)</b>
<b>Revenues</b>					
3	General Fund Taxes, Revenues and Transfers net of items below	537.3	335.9	321.1	217.2
4	FEMA Revenue	243.4	(79.3)	(164.1)	-
5	Public Health - One-time Revenues	(72.7)	-	-	-
6	Public Health - Operating Revenues	25.2	18.6	17.2	19.5
7	Other General Fund Support	29.7	6.8	10.9	7.1
<b>Subtotal Revenues</b>		<b>762.8</b>	<b>282.1</b>	<b>185.1</b>	<b>243.8</b>
<b>TOTAL CHANGES TO SOURCES</b>		<b>111.2</b>	<b>254.5</b>	<b>183.9</b>	<b>193.5</b>
<b>USES Decrease / (Increase)</b>					
<b>Baselines &amp; Reserves</b>					
8	Contributions to Baselines	(115.5)	(105.4)	(87.2)	(62.9)
9	Deposits to the General Reserve	(44.8)	28.2	0.7	(0.6)
<b>Subtotal Baselines &amp; Reserves</b>		<b>(160.4)</b>	<b>(77.2)</b>	<b>(86.5)</b>	<b>(63.5)</b>
<b>Salaries &amp; Benefits</b>					
10	Previously Negotiated Closed Labor Agreements	(42.8)	(8.6)	-	-
11	Projected Costs of Open Labor Agreements	(57.5)	(73.0)	(77.2)	(76.8)
12	Health & Dental Benefits - Current & Retired Employees	(9.6)	(26.3)	(28.0)	(29.7)
13	Retirement Benefits - Employer Contribution Rates	30.5	81.6	68.0	(10.7)
14	Other Salaries and Benefits Savings / (Costs)	0.9	(1.4)	(0.9)	(0.8)
<b>Subtotal Salaries &amp; Benefits</b>		<b>(78.5)</b>	<b>(27.8)</b>	<b>(38.1)</b>	<b>(118.1)</b>
<b>Citywide Operating Budget Costs</b>					
15	Hotel Tax for the Arts Backfill	13.4	2.6	-	-
16	Capital, Equipment, & Technology	78.7	(8.2)	(63.7)	(18.0)
17	Inflation on Non-personnel Costs and Non-profit Grants	(15.9)	(33.0)	(32.6)	(31.7)
18	Debt Service & Real Estate	(18.1)	(26.2)	(14.2)	(15.6)
19	Sewer, Water, and Power Rates	(5.7)	(6.1)	(5.6)	(5.2)
20	COVID-19 Citywide Expenditures	79.2	14.4	-	-
21	Workers' Compensation	(15.1)	(3.4)	(3.5)	(3.7)
22	Other Citywide Costs	7.5	(1.6)	(1.8)	(2.1)
<b>Subtotal Citywide Operating Budget Costs</b>		<b>124.0</b>	<b>(61.6)</b>	<b>(121.5)</b>	<b>(76.3)</b>
<b>Departmental Costs</b>					
23	City Administrator's Office - Convention Facilities Subsidy	8.4	(0.2)	3.0	3.7
24	Elections - Number of Scheduled Elections	3.5	(1.9)	1.3	(1.2)
25	Ethics Commission - Public Financing of Elections	(0.7)	(6.6)	7.2	(2.0)
26	Mission Bay Transportation Improvement Fund	(1.2)	(0.3)	(3.6)	(0.3)
27	Affordable & Permanent Supportive Housing Project Costs	(8.2)	(5.1)	(6.2)	(7.8)
28	Human Services Agency - IHSS and Other Benefit Costs	(9.3)	(11.8)	(10.8)	(17.8)
29	Public Health - Operating Costs	(50.3)	(17.5)	(24.7)	(23.5)
30	Proposition B - November 2020 (Department of Sanitation and Streets)	(6.0)	(0.2)	(0.2)	(0.2)
31	Proposition D - November 2020 (Sheriff Oversight)	(0.9)	(0.1)	(0.1)	(0.1)
32	Other FY 2021-22 One-time Programs	89.8	-	-	-
33	All Other Departmental Savings / (Costs)	(6.7)	0.9	(7.8)	1.5
<b>Subtotal Departmental Costs</b>		<b>18.4</b>	<b>(42.8)</b>	<b>(42.0)</b>	<b>(47.6)</b>
<b>TOTAL CHANGES TO USES</b>		<b>(96.5)</b>	<b>(209.3)</b>	<b>(288.1)</b>	<b>(305.4)</b>
<b>Projected Surplus (Shortfall) vs. Prior Year</b>		<b>14.7</b>	<b>45.3</b>	<b>(104.2)</b>	<b>(112.0)</b>
<b>Cumulative Projected Surplus (Shortfall) Two-Year Number</b>		<b>14.7</b>	<b>60.0</b>	<b>(44.2)</b>	<b>(156.2)</b>



## 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 2B from the January Five-Year Financial Plan.

<b>SOURCES Increase / (Decrease)</b>		<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>
<b>Fund Balance &amp; Reserves</b>					
1	Use of prior Year Fund Balance Gain / (Loss)	(386.6)	(398.9)	(398.9)	(435.5)
2	All Other Reserves - Gain / (Loss)	(265.0)	(280.3)	(281.5)	(295.2)
<b>Subtotal Fund Balance &amp; Reserves</b>		<b>(651.6)</b>	<b>(679.2)</b>	<b>(680.4)</b>	<b>(730.7)</b>
<b>Revenues</b>					
3	General Fund Taxes, Revenues and Transfers net of items below	537.3	873.2	1,194.3	1,411.5
4	FEMA Revenue	243.4	164.1	-	-
5	Public Health - One-time Revenues	(72.7)	(72.7)	(72.7)	(72.7)
6	Public Health - Operating Revenues	25.2	43.8	61.0	80.5
7	Other General Fund Support	29.7	36.5	47.4	54.5
<b>Subtotal Revenues</b>		<b>762.8</b>	<b>1,044.9</b>	<b>1,230.0</b>	<b>1,473.8</b>
<b>TOTAL CHANGES TO SOURCES</b>		<b>111.2</b>	<b>365.7</b>	<b>549.6</b>	<b>743.1</b>
<b>USES Decrease / (Increase)</b>					
<b>Baselines &amp; Reserves</b>					
8	Contributions to Baselines	(115.5)	(220.9)	(308.1)	(371.0)
9	Required Deposits to General Reserve	(44.8)	(16.7)	(16.0)	(16.5)
<b>Subtotal Baselines &amp; Reserves</b>		<b>(160.4)</b>	<b>(237.6)</b>	<b>(324.0)</b>	<b>(387.5)</b>
<b>Salaries &amp; Benefits</b>					
10	Previously Negotiated Closed Labor Agreements	(42.8)	(51.4)	(51.4)	(51.4)
11	Projected Costs of Open Labor Agreements	(57.5)	(130.5)	(207.7)	(284.5)
12	Health & Dental Benefits - Current & Retired Employees	(9.6)	(35.9)	(63.9)	(93.6)
13	Retirement Benefits - Employer Contribution Rates	30.5	112.1	180.0	169.3
14	Other Salaries and Benefits Savings / (Costs)	0.9	(0.5)	(1.4)	(2.2)
<b>Subtotal Salaries &amp; Benefits</b>		<b>(78.5)</b>	<b>(106.3)</b>	<b>(144.4)</b>	<b>(262.5)</b>
<b>Citywide Operating Budget Costs</b>					
15	Hotel Tax for the Arts Backfill	13.4	16.0	16.0	16.0
16	Capital, Equipment, & Technology	78.7	70.5	6.9	(11.2)
17	Inflation on Non-personnel Costs and Non-profit Grants	(15.9)	(49.0)	(81.6)	(113.3)
18	Debt Service & Real Estate	(18.1)	(44.3)	(58.4)	(74.0)
19	Sewer, Water, and Power Rates	(5.7)	(11.8)	(17.4)	(22.6)
20	COVID-19 Citywide Expenditures	79.2	93.6	93.6	93.6
21	Workers' Compensation	(15.1)	(18.5)	(22.1)	(25.8)
22	Other Citywide Costs	7.5	5.9	4.0	2.0
<b>Subtotal Citywide Operating Budget Costs</b>		<b>124.0</b>	<b>62.4</b>	<b>(59.1)</b>	<b>(135.4)</b>
<b>Departmental Costs</b>					
23	City Administrator's Office - Convention Facilities Subsidy	8.4	8.1	11.1	14.7
24	Elections - Number of Scheduled Elections	3.5	1.6	2.9	1.7
25	Ethics Commission - Public Financing of Elections	(0.7)	(7.2)	-	(2.0)
26	Mission Bay Transportation Improvement Fund	(1.2)	(1.5)	(5.1)	(5.3)
27	Affordable & Permanent Supportive Housing Project Costs	(8.2)	(13.2)	(19.4)	(27.2)
28	Human Services Agency - IHSS and Other Benefit Costs	(9.3)	(21.1)	(32.0)	(49.8)
29	Public Health - Operating Costs	(50.3)	(67.8)	(92.5)	(116.0)
30	Proposition B - November 2020 (Department of Sanitation and Streets)	(6.0)	(6.2)	(6.3)	(6.5)
31	Proposition D - November 2020 (Sheriff Oversight)	(0.9)	(1.0)	(1.1)	(1.2)
32	Other FY 2021-22 One-time Programs	89.8	89.8	89.8	89.8
33	All Other Departmental Savings / (Costs)	(6.7)	(5.8)	(13.7)	(12.2)
<b>Subtotal Departmental Costs</b>		<b>18.4</b>	<b>(24.4)</b>	<b>(66.3)</b>	<b>(113.9)</b>
<b>TOTAL CHANGES TO USES</b>		<b>(96.5)</b>	<b>(305.8)</b>	<b>(593.8)</b>	<b>(899.3)</b>
<b>Projected Surplus (Shortfall) vs. Prior Year</b>		<b>14.7</b>	<b>60.0</b>	<b>(44.2)</b>	<b>(156.2)</b>
<b>Cumulative Projected Surplus (Shortfall) Two-Year Number</b>		<b>14.7</b>	<b>60.0</b>	<b>(44.2)</b>	<b>(156.2)</b>

## Appendix C: Updated Summary of General Fund-Supported Operating Revenues and Transfers in Sources & Uses FY 2020-21 through FY 2025-26 (\$ millions)

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

	FY2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
	Original					
	Year-End	Budget	Projection	Projection	Projection	Projection
Property Taxes	\$2,344.0	\$ 2,115.6	\$ 2,379.5	\$ 2,494.9	\$ 2,605.8	\$ 2,716.4
Business Taxes	722.6	957.1	902.3	960.2	1,026.2	1,054.5
Sales Tax	146.9	145.7	182.9	193.1	203.3	213.1
Hotel Room Tax	33.2	78.5	188.9	237.5	283.7	313.7
Utility Users Tax	81.4	77.7	82.6	83.8	85.0	86.3
Parking Tax	47.6	55.9	80.2	82.6	84.9	87.4
Real Property Transfer Tax	344.7	350.1	390.5	423.3	456.2	456.2
Sugar Sweetened Beverage Tax	10.4	12.2	13.3	13.0	12.7	12.5
Stadium Admission Tax	0.2	3.6	5.4	11.3	11.3	11.3
Access Line Tax	44.8	49.6	47.1	48.6	50.0	51.6
Cannabis Tax	-	4.4	-	10.3	10.3	10.3
Executive Pay	-	-	60.0	80.0	100.0	100.0
<b>Local Tax Revenues</b>	<b>3,775.6</b>	<b>3,850.5</b>	<b>4,332.6</b>	<b>4,638.6</b>	<b>4,929.5</b>	<b>5,113.2</b>
<b>Licenses, Fines, Interest, Rent</b>	<b>61.1</b>	<b>80.0</b>	<b>89.0</b>	<b>104.5</b>	<b>115.3</b>	<b>129.1</b>
<b>Federal Subventions</b>	<b>679.5</b>	<b>359.6</b>	<b>555.6</b>	<b>476.3</b>	<b>312.2</b>	<b>293.6</b>
<b>State Subventions</b>	<b>896.6</b>	<b>854.4</b>	<b>860.1</b>	<b>874.6</b>	<b>893.9</b>	<b>869.6</b>
<b>Charges for Services</b>	<b>201.7</b>	<b>231.5</b>	<b>232.5</b>	<b>232.5</b>	<b>232.5</b>	<b>223.8</b>
<b>Recovery of General Gov't Costs</b>	<b>21.8</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>23.6</b>	<b>21.8</b>
<b>Other Revenues</b>	<b>46.9</b>	<b>27.0</b>	<b>25.6</b>	<b>25.6</b>	<b>25.6</b>	<b>28.3</b>
<b>TOTAL REVENUES</b>	<b>5,683.2</b>	<b>5,426.6</b>	<b>6,119.0</b>	<b>6,375.6</b>	<b>6,532.6</b>	<b>6,679.4</b>
<b>Transfers in to General Fund</b>						
Airport	15.0	23.0	35.0	40.0	47.5	51.2
Commercial Rent Tax Transfer In	74.1	32.8	33.9	34.5	34.5	34.5
Other Transfers	327.9	102.5	99.1	99.1	99.1	108.5
<b>Total Transfers-In</b>	<b>416.9</b>	<b>158.3</b>	<b>168.1</b>	<b>173.6</b>	<b>181.1</b>	<b>194.1</b>
<b>TOTAL GF Revenues and Transfers-In</b>	<b>6,100.2</b>	<b>5,584.9</b>	<b>6,287.1</b>	<b>6,549.2</b>	<b>6,713.7</b>	<b>6,873.5</b>

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

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

	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		
<b>General Reserve</b>	<b>\$ 78.3</b>	<b>3.1</b>	<b>(37.6)</b>	<b>\$ 43.8</b>	<b>48.0</b>	<b>-</b>	<b>\$ 91.8</b>	<b>\$ 19.8</b>	<b>-</b>	<b>\$ 111.6</b>	<b>\$ 19.1</b>	<b>-</b>	<b>\$ 130.7</b>	<b>\$ 19.6</b>	<b>-</b>	<b>\$ 150.3</b>		
Rainy Day Economic Stabilization City Reserve	114.5	-	(0.0)	114.5	-	-	114.5	-	-	114.5	-	-	114.5	-	-	114.5		
Budget Stabilization Reserve	265.8	-	-	265.8	-	-	265.8	-	-	265.8	-	-	265.8	12.5	-	278.3		
<b>Economic Stabilization Reserves</b>	<b>380.3</b>	<b>-</b>	<b>(0.0)</b>	<b>380.3</b>	<b>-</b>	<b>-</b>	<b>380.3</b>	<b>-</b>	<b>-</b>	<b>380.3</b>	<b>-</b>	<b>-</b>	<b>380.3</b>	<b>12.5</b>	<b>-</b>	<b>392.8</b>		
<b>Percent of General Fund Revenues</b>	<b>6.7%</b>			<b>6.6%</b>			<b>6.2%</b>			<b>6.0%</b>			<b>5.8%</b>			<b>5.8%</b>		
Rainy Day Economic Stabilization SFUSD Reserve	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0		
Budget Stabilization Reserve - One Time Reserve	54.8	-	-	54.8	-	-	54.8	-	-	54.8	-	-	54.8	-	-	54.8		
COVID Response and Economic Loss Reserve	113.5	-	(99.5)	14.0	-	(14.0)	-	-	-	-	-	-	-	-	-	-		
Federal and State Emergency Grant Disallowance Reserve	100.0	-	(18.7)	81.3	-	-	81.3	-	-	81.3	-	-	81.3	-	-	81.3		
Fiscal Cliff Reserve	293.9	-	(64.2)	229.8	-	-	229.8	-	-	229.8	-	-	229.8	-	-	229.8		
Business Tax Stabilization Reserve	149.0	-	(149.0)	-	-	-	-	-	-	-	-	-	-	-	-	-		
Gross Receipts Tax Prepayment Reserve	26.0	-	(26.0)	-	-	-	-	-	-	-	-	-	-	-	-	-		
Public Health Management Reserve	104.1	-	-	104.1	-	-	104.1	-	-	104.1	-	-	104.1	-	-	104.1		
Free City College Reserve	6.3	-	(1.0)	5.3	-	-	5.3	-	-	5.3	-	-	5.3	-	-	5.3		
Mission Bay Transportation Improvement Fund	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0	-	-	1.0		
Urgent Needs Reserve	6.5	-	(6.5)	0.0	-	-	0.0	-	-	0.0	-	-	0.0	-	-	0.0		
Hotel Tax Loss Contingency Reserve	6.0	2.5	(5.0)	3.5	-	-	3.5	-	-	3.5	-	-	3.5	-	-	3.5		
<b>Other Reserves</b>	<b>862.2</b>	<b>2.5</b>	<b>(369.9)</b>	<b>494.8</b>	<b>-</b>	<b>(14.0)</b>	<b>480.8</b>	<b>-</b>	<b>-</b>	<b>480.8</b>	<b>-</b>	<b>-</b>	<b>480.8</b>	<b>-</b>	<b>-</b>	<b>480.8</b>		
Litigation Reserve	-	10.8	(10.8)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-	11.0	(11.0)	-		
Technical Adjustments Reserve	-	2.5	(2.5)	-	2.5	(2.5)	-	2.5	(2.5)	-	2.5	(2.5)	-	2.5	(2.5)	-		
Salary and Benefits Reserve	5.1	42.3	(47.4)	-	43.7	(43.7)	-	45.0	(45.0)	-	46.2	(46.2)	-	47.4	(47.4)	-		
<b>Annual Operating Reserves</b>	<b>5.1</b>	<b>55.6</b>	<b>(60.7)</b>	<b>-</b>	<b>57.2</b>	<b>(57.2)</b>	<b>-</b>	<b>58.5</b>	<b>(58.5)</b>	<b>-</b>	<b>59.7</b>	<b>(59.7)</b>	<b>-</b>	<b>60.9</b>	<b>(60.9)</b>	<b>-</b>		
<b>TOTAL, General Fund Reserves</b>	<b>1,325.9</b>	<b>61.2</b>	<b>(468.1)</b>	<b>919.0</b>	<b>105.1</b>	<b>(71.2)</b>	<b>952.9</b>	<b>78.2</b>	<b>(58.5)</b>	<b>972.7</b>	<b>78.8</b>	<b>(59.7)</b>	<b>991.8</b>	<b>93.0</b>	<b>(60.9)</b>	<b>1,023.9</b>		