



Budget Outlook & Department Instructions

December 2021



Agenda

- Fiscal Outlook & Joint Report
- Mayoral Priorities & Budget Instructions for Departments



Overview

- Dramatic revenue losses due to COVID resulted in historic budget shortfalls
- Reserves, federal revenue, and restraint helped to balance budget
- Key drivers result in improved financial forecast
- Risks and uncertainties remain



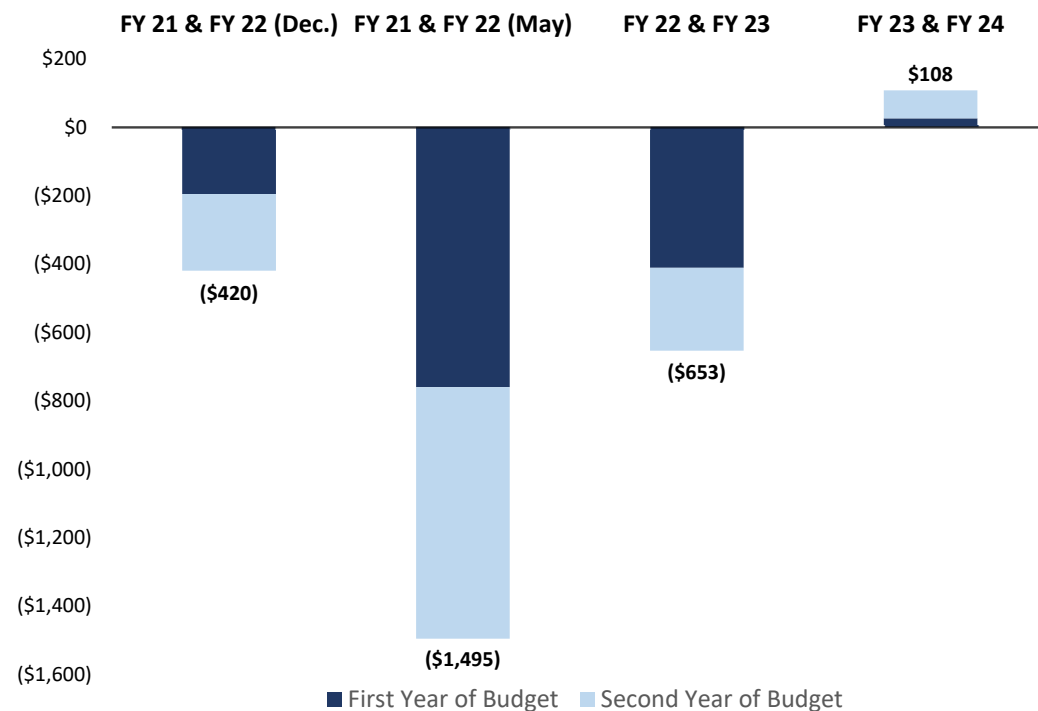
Overview: Fiscal Outlook

Financial forecast projects a \$108.1 million **surplus** over the upcoming two budget years

Key Drivers:

- Overall growth in revenue
- Significant ongoing savings in retirement due to record returns
- Constrained ongoing cost growth

Deficit at Time of Budget Instructions (\$M)





Overview: Mayoral Priorities & Instructions

- Prioritize restoring San Francisco's vibrancy, recovery, accountability, and equity
- Get "back to basics" and improve core service delivery within existing budget
- No mandatory reductions, but no increase to General Fund support



Fiscal Outlook & Joint Report

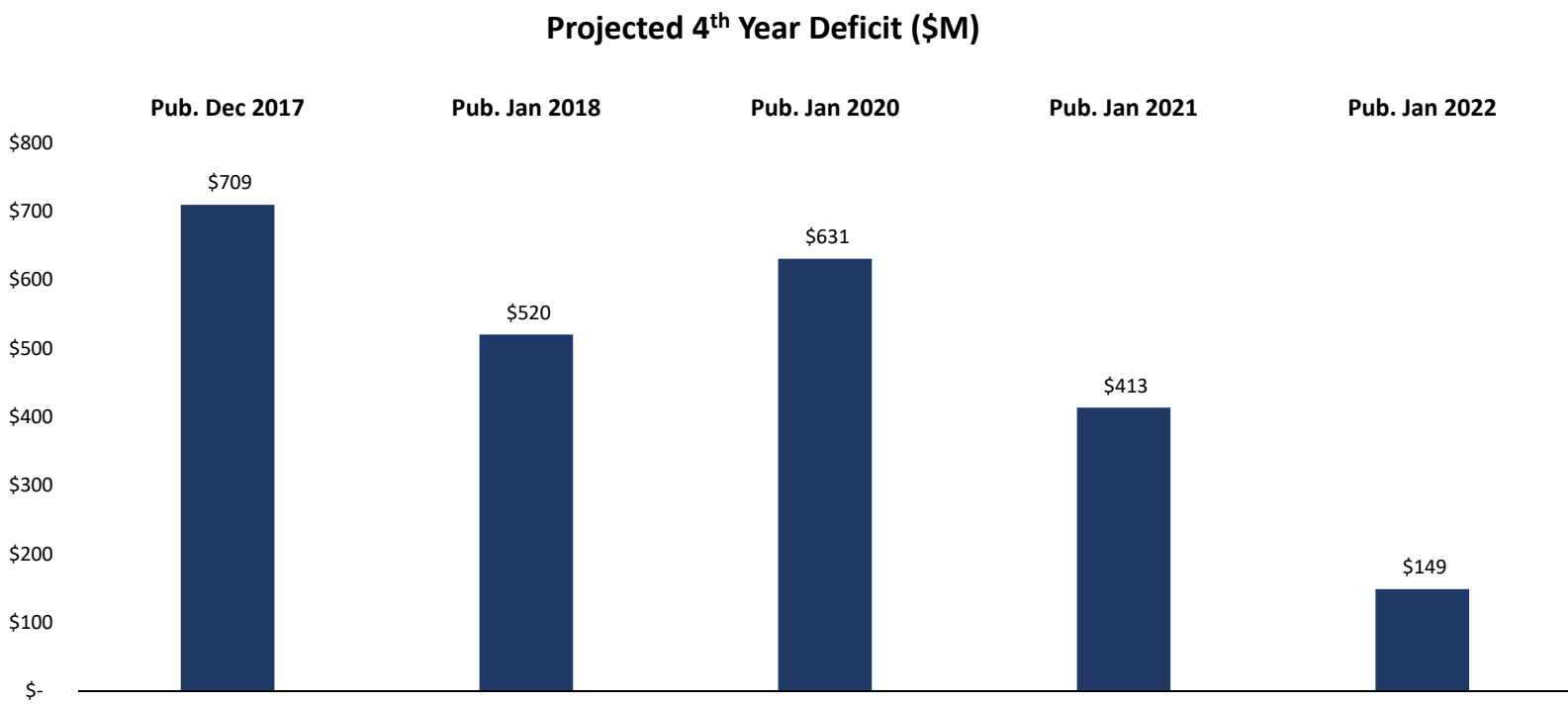


Joint Report – Assumptions

- Revenue – strength in property and real property transfer tax, weakness in business, other local taxes
- Federal disaster relief and prior year fund balance spread over longer period
- Salary & Benefits – assumes CPI on open contracts; assumes 7.2% rate of return on pension investments; accelerated pay-down of SFERS and CalPERS liability
- Citywide & Departmental Costs – CPI on non-personnel, Capital Plan funding, and other updates



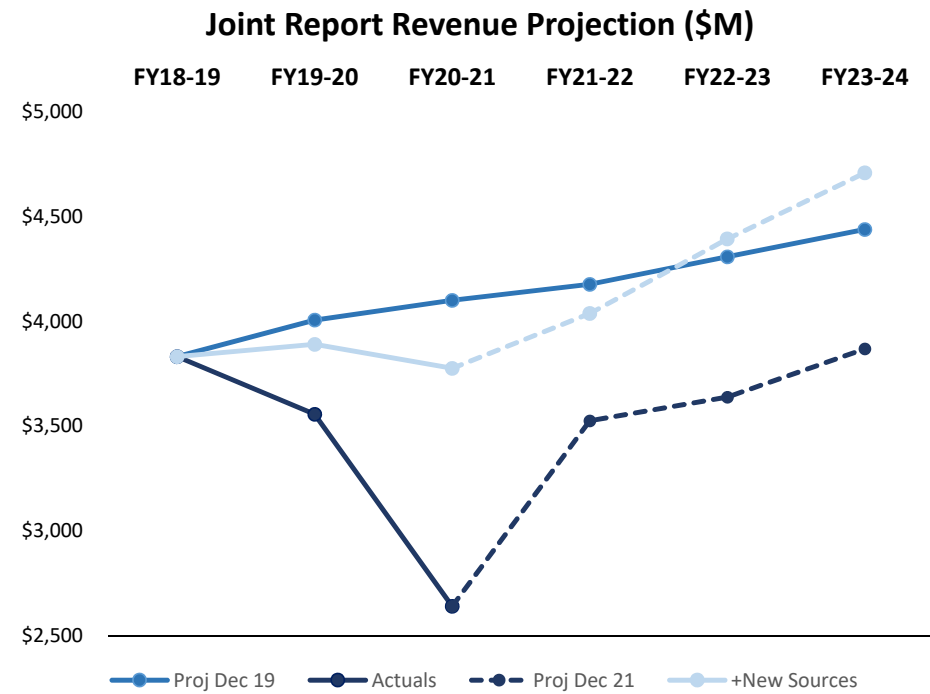
Joint Report – Structural Deficit





Joint Report – Revenue

- Property, business, and other local taxes have improved, but not to pre-pandemic levels
- New sources including excess ERAF, federal relief, and other new taxes were not known pre-pandemic, and drive improved forecast

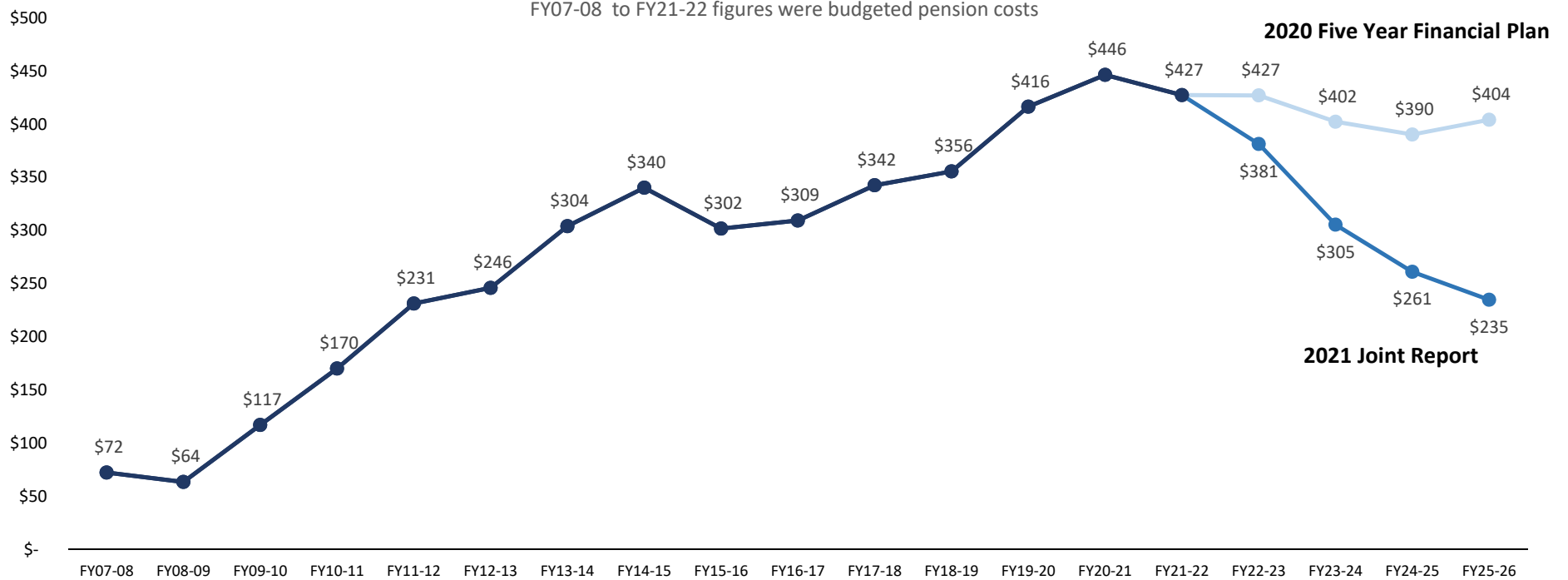




Joint Report – Pension Contributions

Projected Employer Pension Contribution Cost Increases from Prior Projections (\$M)

FY07-08 to FY21-22 figures were budgeted pension costs





Joint Report – Risks & Uncertainties

- COVID-19 variants and public health response
- Pace of recovery and continued impact on local economy
- Market volatility impacting pension returns
- State and local ballot measures
- Ongoing risk to excess ERAF at state level



Policy Priorities & Department Budget Instructions



Mayoral Policy Priorities

- **Restoring vibrancy** in San Francisco, including improved public safety and street conditions
- **Recovery** of the local economy driven by the return of residents, tourists, and office workers to downtown and public spaces; small business; and, housing production
- **Reprioritization** of funding to improve core service delivery
- **Accountability & equity** in programming, services, and spending



Budget Instructions to Departments

- No mandatory reductions, but do not increase General Fund support
- Get “back to basics”, utilize existing budget and fill current funded vacancies to improve core service delivery
- Focus on programs that produce meaningful, equitable results
- Non-General Fund departments balance within its own revenue projections



Conclusion

- Improved financial forecast resulting in projected surplus in budget year
- Risks and uncertainties could dramatically alter this forecast
- No cuts, but no new costs, rather reprioritize to better deliver core services
- Budget will prioritize vibrancy, recovery, accountability, and equity



Questions?

Thank you!