

DEPARTMENT OF PUBLIC HEALTH FY 2024-25 AND FY 2025-26 BUDGET

January 16, 2024

Agenda

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- I. Overview of DPH's Budget
 - ▣ Review of Base Budget for Divisions
 - ▣ Projected Salary Spending in Current Year (Admin Code 3.3)
- II. Five-Year Financial Projection for the City and Mayor's Budget Instructions
- III. Approach to Budgeting and Next Steps

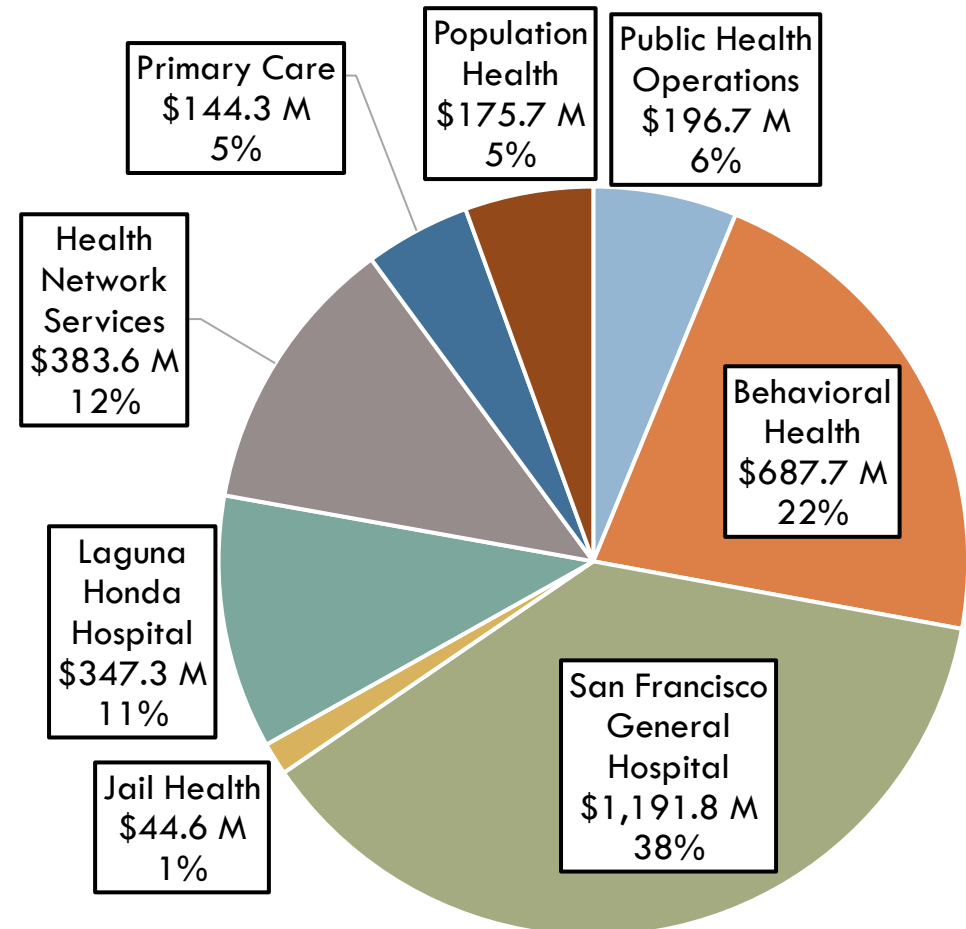
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DPH Budget Overview

DPH's Annual Budget is \$3.2 Billion

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Division	Budgeted FTE
Zuckerberg SF General	2,981
Behavioral Health	869
Laguna Honda Hospital	1,397
Health Network Services	696
Primary Care	576
Jail Health	157
DPH Operations	585
Population Health	572
Total FTE	7,881

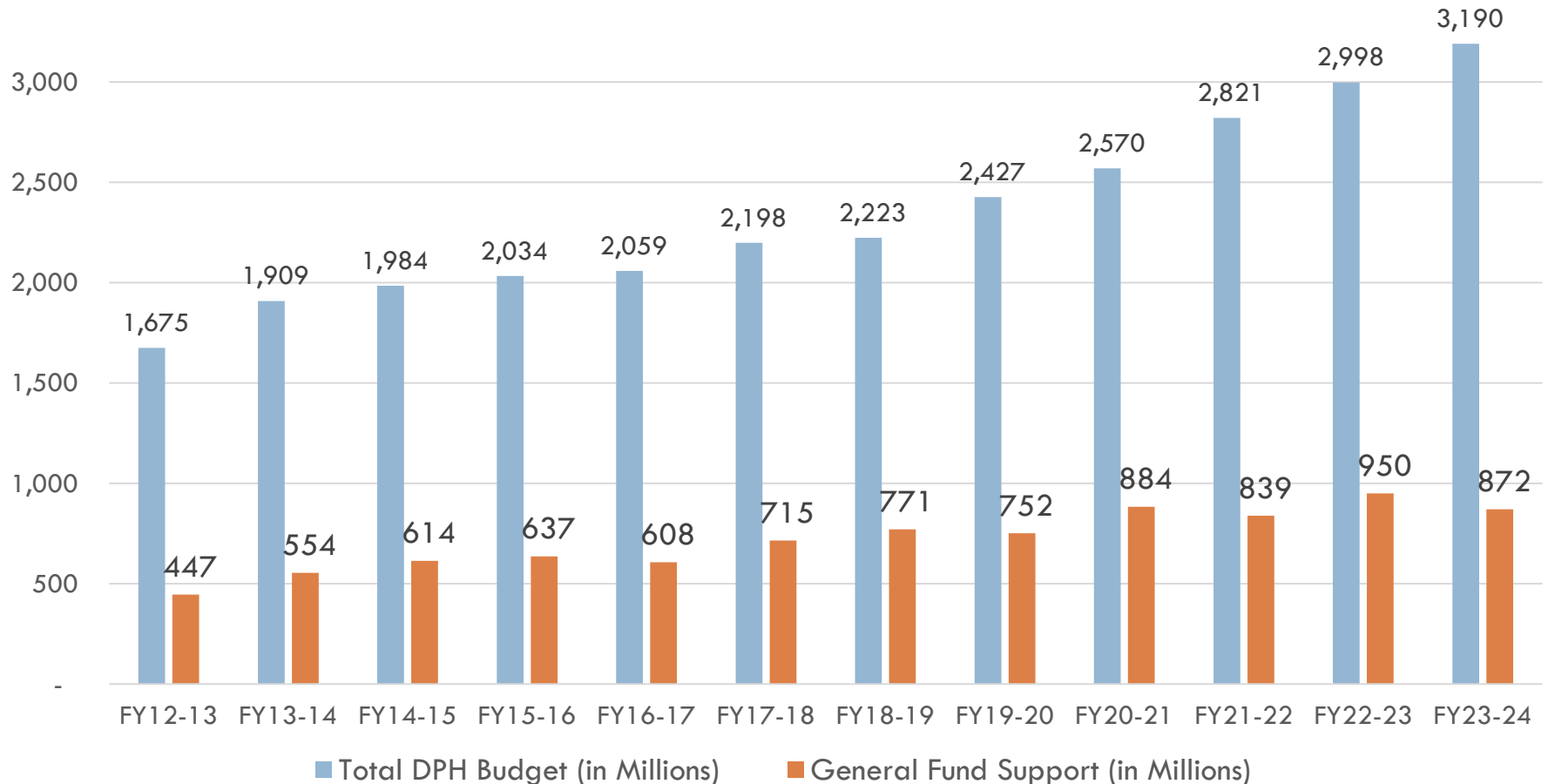


Growth in DPH Budget

DPH's budget is 70% leveraged by Revenue

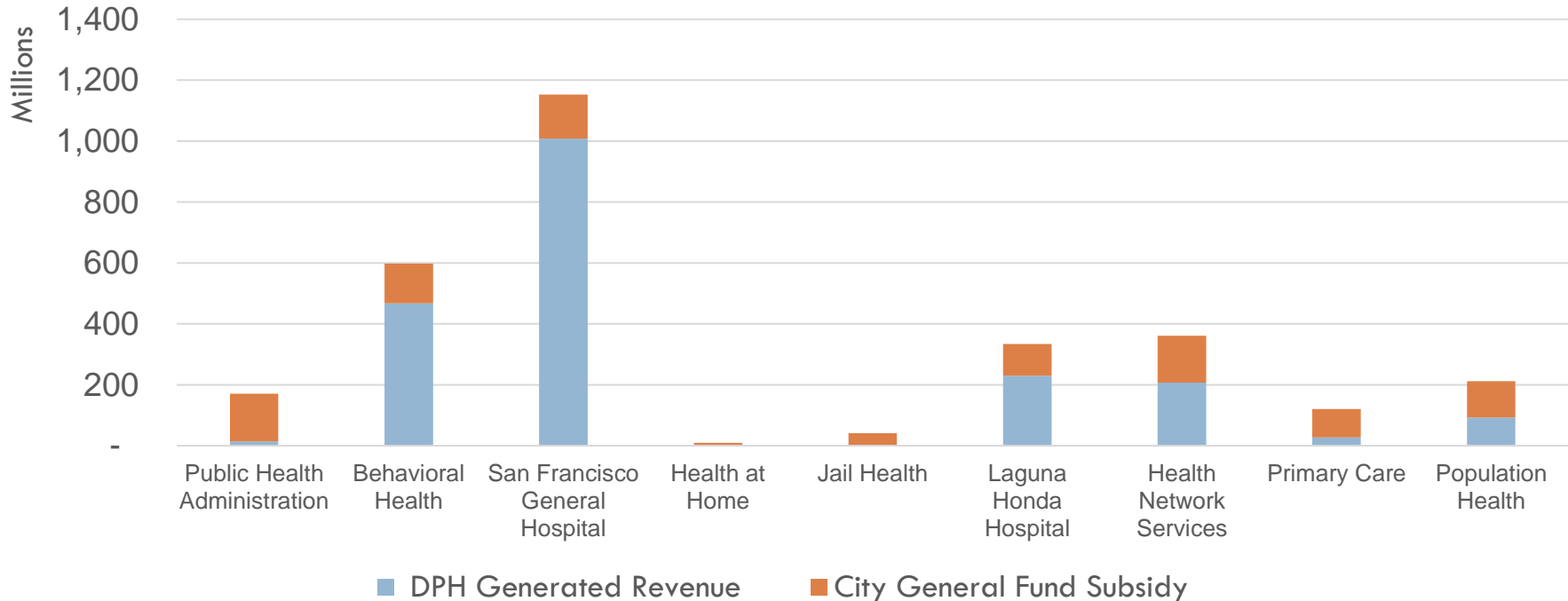
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DPH Budget (in millions)



DPH Leverages Revenue to Offset General Fund

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- DPH continues to offset ~68% of its costs with revenue, requiring a general fund subsidy of only ~32%
- General Fund share has been fairly consistent over time at around one-third of our revenue
- FY 24-25 approved budget includes about \$970 M of General Fund

Administrative Code Section 3.3 – Personnel cost projections

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- DPH's operating budget of \$1.36 billion for salary and fringe is currently projected to have \$25 M surplus (~1.8%). Savings due to:
 - ▣ \$2 million mid-year attrition savings requested by the Mayor's Office
 - ▣ \$4.5 million for elimination of 55 FTE of vacant positions
 - ▣ \$3.1 million one-time shift of general fund salaries to grants in population health
 - ▣ Continued vacancies as the department fills new positions added in the budget in the last two years
- Continued efforts to hire positions budgeted in the current year will have an impact on year-end figures.
- DPH's quarterly financial reports to the Health Commission will continue to update these projections throughout the year.

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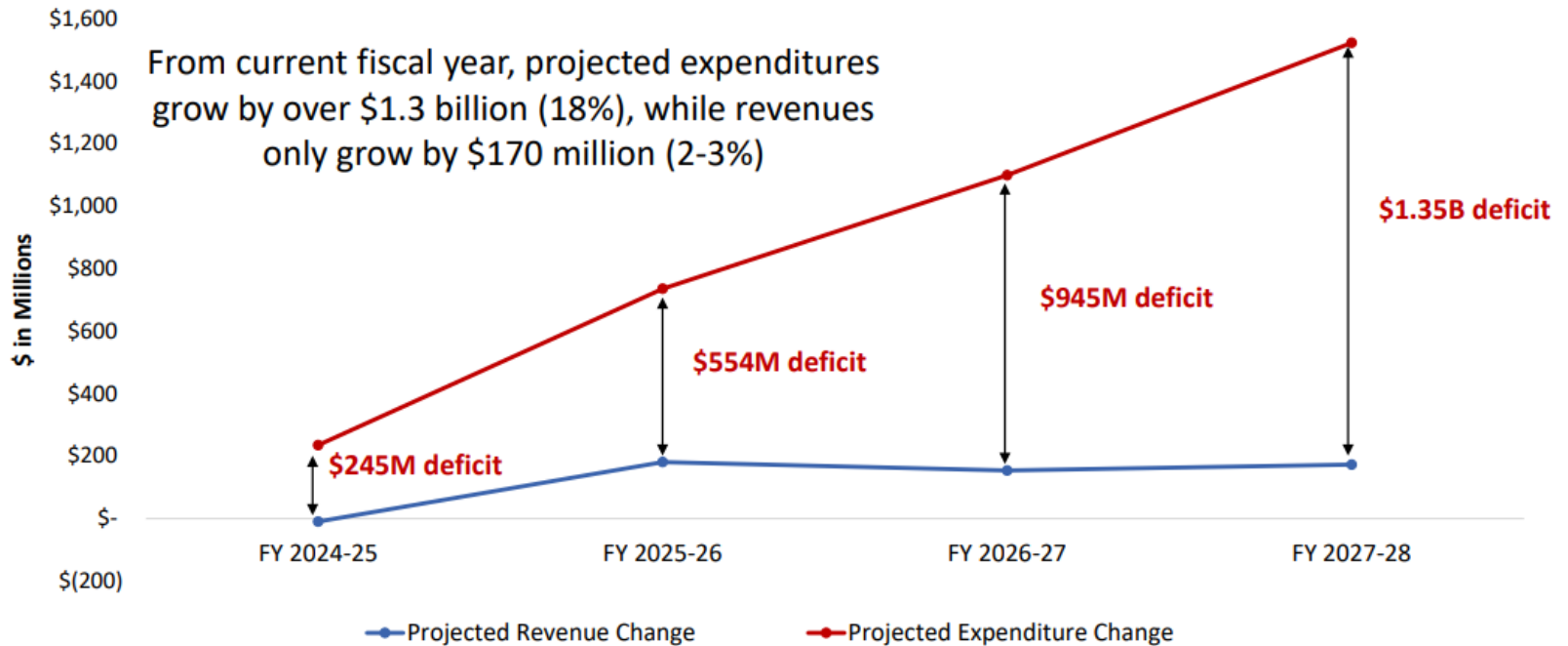
Five-Year Financial Projections &
the Mayor's Budget Instructions

City Budget Update

- San Francisco's economic reality remains challenging
 - ▣ Reduced revenue expectations, particularly in transfer, hotel & sales taxes
 - ▣ Increased health care costs: 9% projected employee health rate growth in FY 24-25
 - ▣ Multi-Year Inflationary growth on CBO contracts (new ordinance)
- Costs are growing faster than revenues and we need to address our growing structural deficit
 - ▣ Includes personnel costs, inflationary operating costs including CBO Cost of Doing Business
- Not in a recession

City Budget Update: Deficit Projection

Fiscal Outlook – Deficit Grows to \$1.3 billion



Mayor's Budget Instructions

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- **10% *General Fund* reduction target**
 - ▣ Based only on General Fund support and not total expenditure
 - ▣ Ongoing savings identified as part of mid-year reductions in FY 2023-24 will count towards meeting these target

- **Additional 5% *General Fund* contingency target**
 - ▣ The Mayor's Office will only take if necessary

DPH Reduction Targets

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	FY 24-25 General Fund Savings/(Cost)	FY 25-26 General Fund Savings/(Cost)
General Fund Reduction Target	\$ (93,820,000)	\$ (93,820,000)
DPH Revenue Growth Assumed in City Projection	<u>\$ (16,776,176)</u>	<u>\$ (34,216,796)</u>
Initial Targets	\$ (110,596,176)	\$ (128,036,796)
Mid-Year Savings	<u>\$ 7,641,094</u>	<u>\$ 7,808,996</u>
Remaining Initial 10% Target	\$ (102,955,082)	\$ (120,227,800)
5% Contingency	\$(46,910,000)	\$(46,910,000)
Total Remaining Target with Contingency	\$(149,865,082)	\$(167,137,800)

Mayor's Budget Instructions

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- Do Not Create New Positions
 - ▣ Re-purpose positions to meet new needs
 - ▣ Review vacant positions to meet reduction target
- Focus on core department operations & services
 - ▣ Reduce costs in non-essential, discretionary or redundant service areas
 - ▣ Mayor's Office is convening city departments to identify further citywide solutions and strategies
- Continue to work on the Mayor's Priorities:
 1. Improving public safety and street conditions
 2. Citywide economic vitality
 3. Reducing homelessness and transforming mental health service delivery
 4. Accountability & equity in services and spending

FY 2024-26 Approach to Budgeting and Next Steps

DPH Approach to the upcoming budget process

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- **Get Feedback**
 - ▣ Internal and External Stakeholders meetings
 - ▣ Stakeholders can send suggestions for efficiencies and budget savings to: dphbudgetideas@sfdph.org
- **Leverage revenue**
 - ▣ Increasing revenue and/or cost shifting to non GF sources where feasible.
- **Focus on Core Services**
- **Pause** new programs/services where appropriate
- Focus on implementation of new initiatives already funded in prior budgets and **limit growth of new expenditures**
- Coordinate with the Mayor's Office on **Citywide savings ideas** and opportunities for efficiencies across departments

Budget Calendar – Major Milestones

Timeline	What's happening
December 13th	Mayor's Budget Instructions and Target Reduction Released
December 19th	DPH Managers Stakeholder Meeting
December 20th	DPH CBO Stakeholder Meeting
January 16 th	Health Commission – 1 st Budget Meeting on Mayor' instructions and approach
February 6 th	Health Commission – 2 nd Budget Meeting with full DPH budget proposal
February 21 st	DPH Proposed Budget due to Mayor
June 1 st	Mayor submits budget to Board of Supervisors (BoS)
June	BoS Budget Committee Hearings
July	Budget Considered at Full Board and Passed

Next Meeting / Steps

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- Present detailed balancing plan
- Request for Health Commission approval of proposed budget for submission to Controller and Mayor's Office
- Additional hearings as necessary
- Budget Submission is due on February 21