

SF Budget

“If something cannot go on forever, it will eventually stop”
- Economist Herbert Stein

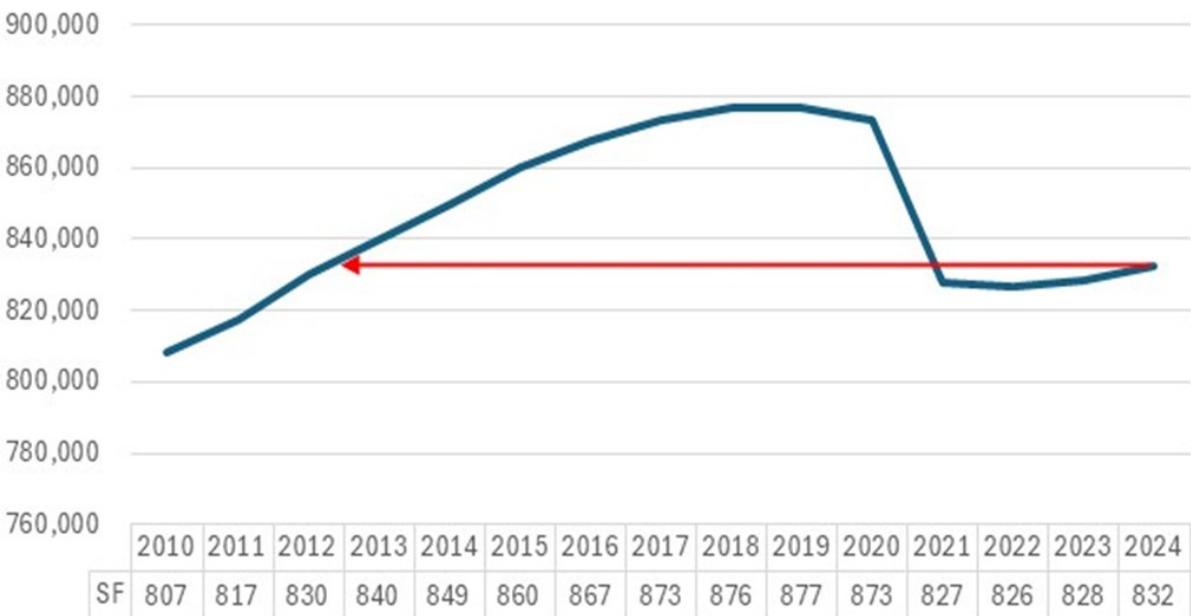
Resetting the City’s Budget to Match Today’s Reality

May 2025 Analysis

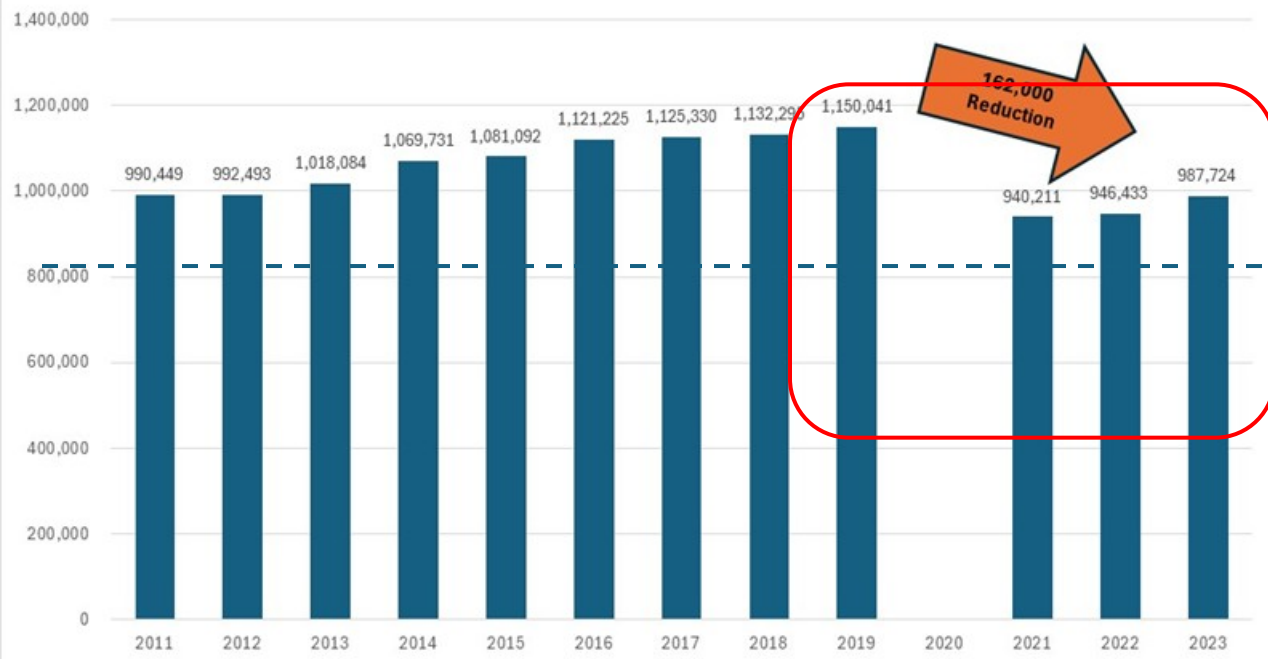
Coming to Grips With Our New Reality

- SF resident population down 45k since 2019 (5%)... back to 2012 level, largest exodus since 1906
- SF weekday (workday) population down 160k since 2019 (11%)... back to 2011 level
- We need to reset our operations and expectations to fit the city we have moving forward

SF Resident Population



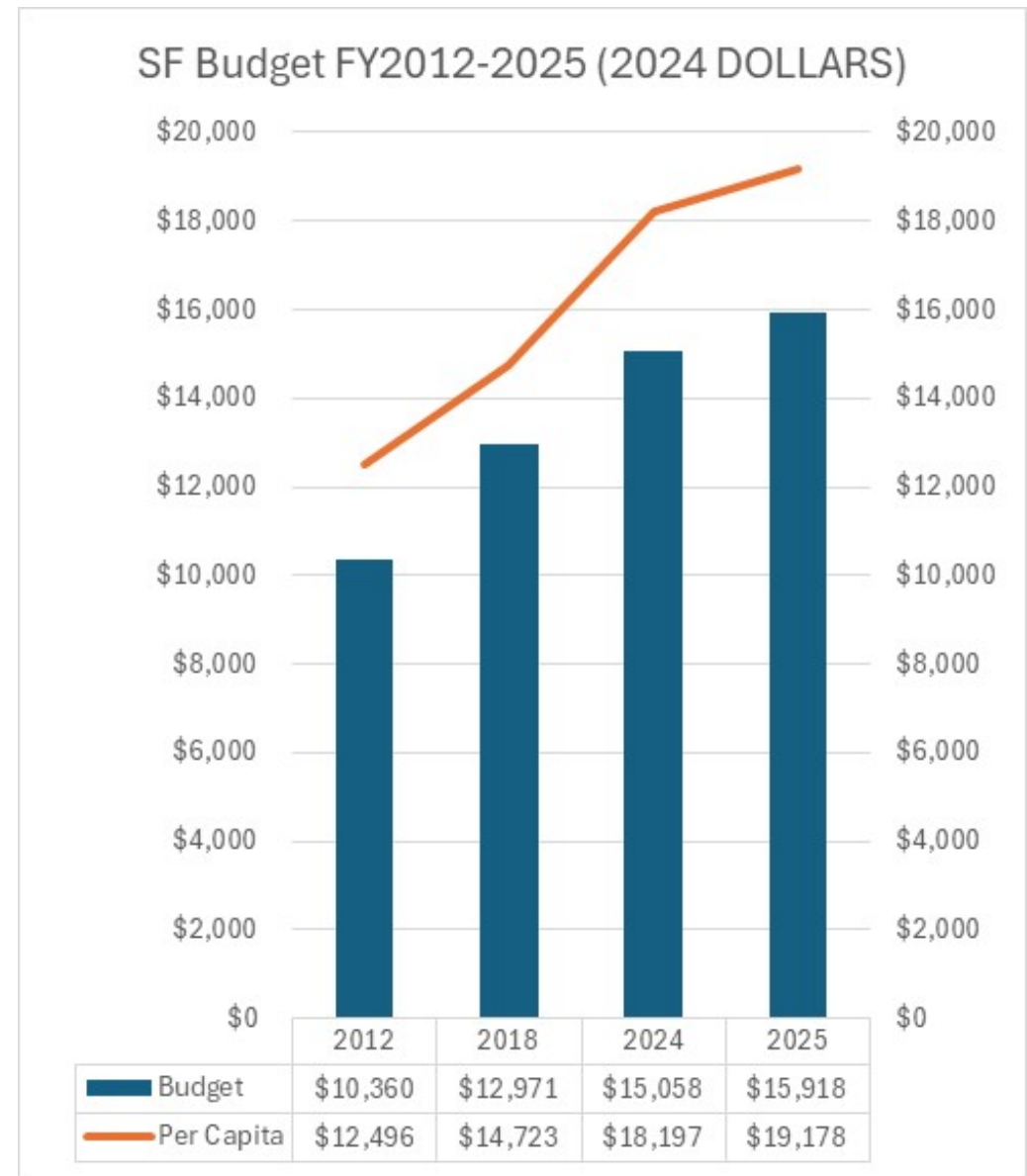
SF Commuter-Adjusted Population



Surging City Budget

Budget in \$millions, per capita in \$
Fiscal years ending in June

- SF inflation-adjusted budget is up 54% since 2012
- **\$5.5B extra dollars**
- *SF budget does not include SFUSD (\$1.3B) or OCII – Transbay and Treasure Island Redevelopment Agencies (\$685M)*



<https://fred.stlouisfed.org/series/CASANF0POP>
<https://abag.ca.gov/tools-resources/data-tools/consumer-price-index>
https://data.sfgov.org/City-Management-and-Ethics/Budget/xdgd-c79v/about_data

Understanding the City/County Budget

- City’s budget cycle runs from July to June
- FY2024 budget which ended June 2024 was \$14.6B in total
- City budget includes so-called “enterprise departments” which are run like stand-alone entities, charging their customers/users fees for service, and are supposed to be self-funding
- We consider here the “SF City/County budget” which excludes enterprise departments
 - **\$10.1B SF City/County budget** in FY2024
 - **\$12,100 per capita**

CITY BUDGET BENCHMARKS	
U.S. Consolidated Cities and Counties	
<i>(US\$ in 000s)</i>	
	San Francisco
2024 City Budget	\$14,631,000
Airport Budget	(\$1,369,000)
Transit Budget	(\$1,468,000)
Utility Budget	(\$1,591,000)
Port Budget	(\$150,000)
Schools Budget	
Other Enterprise	
CITY/COUNTY BUDGET	\$10,053,000
City Population	832,346
County Population	832,346
CoLA-Adjusted Budget Per Capita	\$12.1

Peer Cities Benchmarking

- 8 consolidated city/counties in the U.S. with populations ranging from half to twice SF's
 - Denver, Philadelphia, Honolulu, Jacksonville, Indianapolis, Kansas City, Nashville, New Orleans
- *Adjusted to reflect SF cost of living, the average budget per capita is \$6,300 in our peer cities*
- **The SF City/County budget would have to contract by half to be in line with peer cities**
- **To do so would mean reducing spend by \$5B**

CITY BUDGET BENCHMARKS			
U.S. Consolidated Cities and Counties (US\$ in 000s)			
	San Francisco	8-CITY PEER AVERAGE	
2024 City Budget	\$14,631,000	\$4,381,875	
Airport Budget	(\$1,369,000)	(\$217,125)	
Transit Budget	(\$1,468,000)	(\$91,375)	
Utility Budget	(\$1,591,000)	(\$149,625)	
Port Budget	(\$150,000)	\$0	
Schools Budget		(\$150,777)	
Other Enterprise		(\$22,375)	
CITY/COUNTY BUDGET	\$10,053,000	\$3,750,599	
City Population	832,346	755,906	
County Population	832,346	882,098	
Budget Per Capita - County		\$4.3	Better /
Forbes 2024 CoLA Adj. (Move to SF)		1.48	(Worse)
CoLA-Adjusted Budget Per Capita	\$12.1	\$6.3	(\$5.8)
			-48%

Department-Level Detail

- 52 city/county departments... **9 grew more than \$100M** FY2012-2025 after adjusting for inflation (*dark orange*)
- **These 9 comprise increase of \$2.9B ... half is DPH and HOM**
 - *DPH includes SFGH, LHH, Mental Health, SFHN, etc.*
 - *HSA includes over 20 subcategory programs for children and adults*
 - *HOM is partly funded by Nov '18 Prop C homeless GRT of \$250M*
 - *POL spend is up, but significant shift to civilian staff to handle paperwork*
 - *GEN includes debt service, contingency, etc.*
 - *CHF includes afterschool, jobs, and other youth- and family-focused spend*
 - *DPW handles street and sidewalk maintenance*
 - *DEC formed in 2022 by '18 Prop C comm'l rent tax, coordinates preschool programs*
 - *MYR handles much of the city's subsidized housing portfolio*
- One "enterprise department" receives significant general fund support
 - **MTA is not self-funding, has grown \$354M since 2012, and receives \$540M+ from the general fund**
 - **Projecting additional need of \$300M+ annually beginning 2027**
 - *Large capital projects at SFO and PUC skew their numbers*

Largest 20 Departments + "Enterprise"

	2012	2024	2025	Change '12-25
DPH Public Health	2,314	3,226	3,185	871
HSA Human Services Agency	1,001	1,181	1,186	185
HOM Homelessness Services	0	723	835	835
POL Police	669	791	815	146
GEN General City / Unallocated	510	705	680	170
FIR Fire Department	445	513	514	69
CHF Children, Youth & Families	176	343	344	169
DPW - Public Works	101	299	294	193
SHF Sheriff	229	266	290	61
ADM GSA - City Administrator	201	280	288	87
DEC Dept of Early Childhood + CFC Cl	36	273	251	215
REC Recreation & Park Commsn	188	267	250	63
LIB Public Library	129	206	187	58
MYR Mayor	12	167	167	155
DEM Emergency Management	64	142	139	75
ECN Economic & Wrkfrce Dvlpmnt	38	140	122	83
DAT District Attorney	59	92	93	34
DBI Building Inspection	71	88	88	17
PDR Public Defender	39	54	57	18
RET Retirement System	29	53	55	26
<i>OTHER DEPARTMENTS</i>	<i>602</i>	<i>657</i>	<i>655</i>	<i>71</i>
SF CITY/COUNTY	6,913	10,464	10,496	3,583
AIR Airport Commission	1,085	1,291	1,945	860
PRT Port	116	154	156	40
MTA Municipal Transprtn Agency	1,163	1,511	1,518	354
PUC	1,082	1,638	1,803	721
ENTERPRISE DEPT TOTAL	3,447	4,594	5,422	1,976

Dramatically Higher Compensation Spend Per Resident...

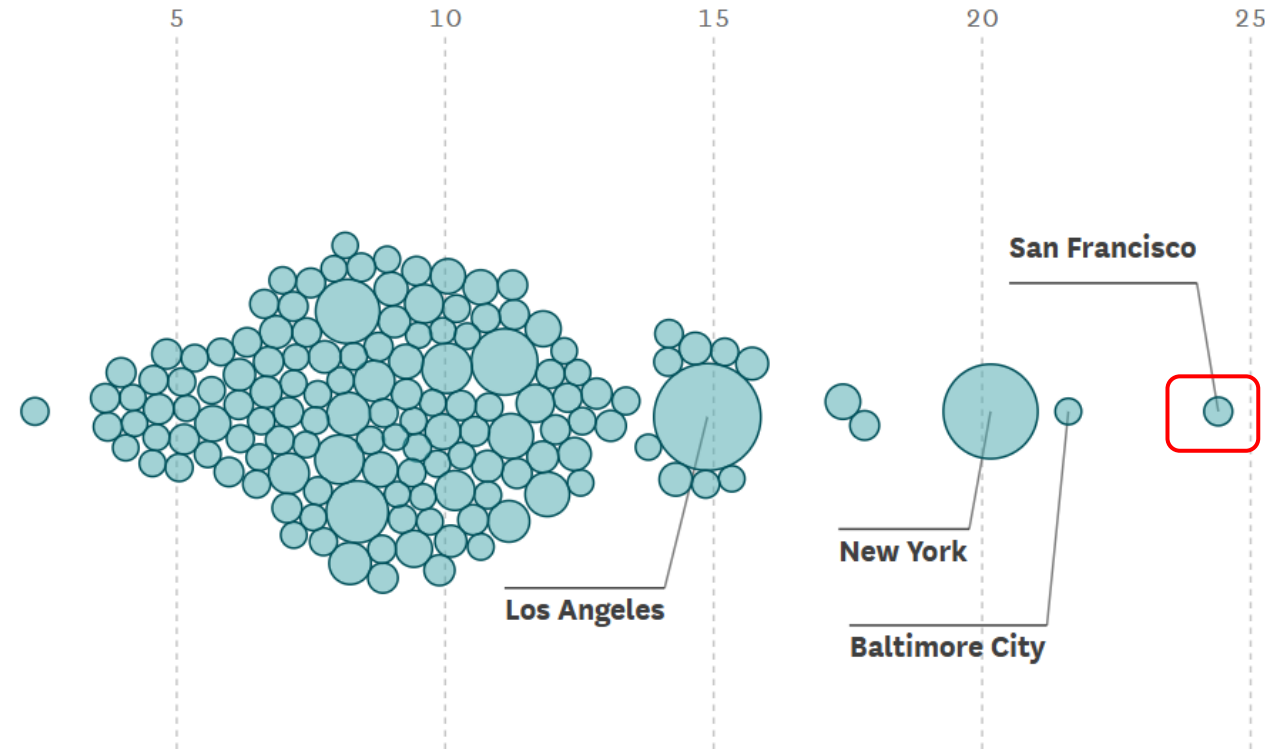
- The Mercury News reported that SF spends \$7,025 per resident on its public employees
 - 3-14x as much as other large CA cities
- The typical explanation is that SF is a city/county and has enterprise departments...
- But making those adjustments results in SF City employee compensation of \$3,220 per capita
 - 42% higher** than the next highest city (LA)
 - Over **200% higher** than the median CA peer city
 - Grew at twice the rate** of bay area inflation since 2018

	City	Residents	Employees	Total Costs	\$ per resident	% benefits
1	Los Angeles	3,814,318	70,772	\$8,671,091,252	\$2,273	18%
2	San Diego	1,385,379	13,888	\$1,439,804,117	\$1,039	18%
3	San Jose	969,491	8,646	\$1,087,486,343	\$1,122	18%
4	San Francisco	843,071	40,142	\$5,922,186,307	\$7,025	21%
5	Fresno	546,971	5,486	\$464,541,135	\$849	20%
6	Sacramento	520,407	5,774	\$524,139,542	\$1,007	20%
7	Long Beach	458,813	6,862	\$816,226,225	\$1,779	28%
8	Oakland	425,093	5,731	\$844,264,863	\$1,986	34%
9	Bakersfield	411,109	2,238	\$209,041,679	\$508	23%
10	Anaheim	340,160	3,496	\$353,800,403	\$1,040	18%

Higher Compensation Spend Driven By Headcount

- SF employs 24.4 per 1k residents in core city/county functions *
 - 20k of the city’s 33k employees are included in this ratio
 - 13% more than the next highest (Baltimore)
 - 20-80% more than NYC, Philly, Minneapolis, LA, Denver, Austin, Portland, Boston, and Nashville
- Benchmarking suggests SF city/county extra employment of:
 - NYC: 3,500 (18% excess)
 - LA: 7,900 (40%)
 - Portland: 8,300 (42%)
 - Boston: 8,300 (42%)

Municipal and county employees in core local government functions per 1K residents



Only includes counties with 500K+ residents. Analysis does not include school or special districts.

* In counties with >500k residents; excludes enterprise depts, hospitals, etc.

<https://www.sfchronicle.com/projects/2025/sf-city-employees/>

Headcount Increase Over Time

- From 2018 to 2025, total funded headcount went up 2,344 or 8%, while resident population dropped 5% and commuter adjusted population dropped 14%... **headcount per capita up 14-26% since 2018**
- Aside from fully self-funding entities and public safety, **5 departments were 61% of total increase since 2018**: Public Health, Human Svcs, Homelessness, City Admin, and MTA
- Note that police staffing dropped and also mix shifted away from FDSOs* to civilians, masking a much larger drop in patrol officers

- If city government employees per capita were to be rewound to 2018 level, there would be **4,000-7,000 fewer**
 - Average salary and benefits for a city employee is \$205k, so **\$800M-1.4B of spend reduction**

SF GOVT HEADCOUNT		FY2018	FY2025	FY2025 v FY2018	Growth
GRANDTOTAL		30,901	33,245	2,344	8%
public health		6,867	7,638	771	11%
human svcs		2,118	2,302	184	9%
homelessness and supportive housing		112	260	148	132%
gsa - city admin		821	944	123	15%
mta		5,176	5,380	204	4%
airport commission		1,586	1,799	213	13%
police		3,016	2,971	(45)	-1%
ALLOTHERS		11,205	11,951	746	7%
HIGHLIGHTED SUBTOTAL		15,094	16,524	1,430	9%
% of total		49%	50%	61%	

* Full Duty Sworn Officers

Working From Home

- A quarter of city employees are working from home two days per week or more
 - Bus drivers, nurses, etc. cannot do their jobs from home, so this represents a significant portion of the city’s office workers
- The 6 departments with most hiring since 2018 represent 50% of the current telecommuters (5,292)
- **58% of city employees live outside SF**

Department	Full-Time Onsite Employees	Telecommuting Employees	Total Full-Time Employees	Telecommuting portion	Cumulative Telecommuting Employees	%	
Citywide	23,667	10,605	34,272	31%			
Public Health	4,660	2,189	6,849	32%	2,189	21%	2,189
Human Services Agency	936	1,333	2,269	59%	3,522	33%	1,333
Public Utilities Commsn	1,510	999	2,509	40%	4,521	43%	
Municipal Transprtn Agency	5,513	616	6,129	10%	5,137	48%	616
Public Works	950	520	1,470	35%	5,657	53%	520
Airport Commission	1,257	469	1,726	27%	6,126	58%	
GSA - City Administrator	532	427	959	45%	6,553	62%	427
City Attorney	8	324	332	98%	6,877	65%	
Controller	10	321	331	97%	7,198	68%	
Human Resources	21	210	231	91%	7,408	70%	
Homelessness Services	27	207	234	89%	7,615	72%	207
Police	2,366	189	2,555	7%	7,804	74%	
District Attorney	125	188	313	60%	7,992	75%	
Treasurer/Tax Collector	18	168	186	90%	8,160	77%	
GSA - Technology	95	168	263	64%	8,328	79%	
City Planning	23	159	182	87%	8,487	80%	
Recreation & Park Commsn	794	159	953	17%	8,646	82%	
OTHERS	4,822	1,959	6,781	29%	10,605	100%	
							TOTAL
							5,292
							50%

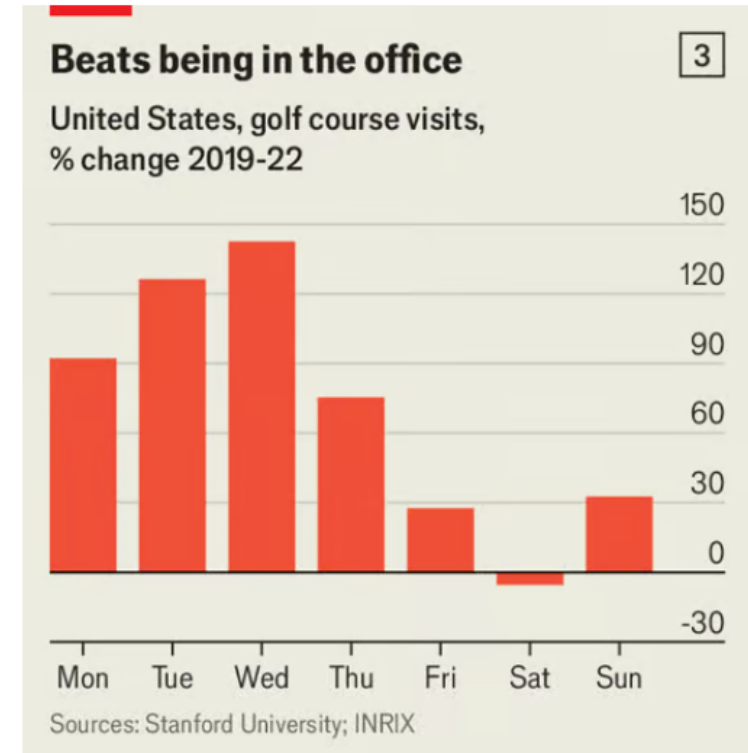


CHART: THE ECONOMIST

Corporate and Nonprofit Vendors

- SF spends **\$5.8 billion on contracts with outside vendors** (including grant program on following page)
- **10,900 active contracts** with more than **4k vendors**
- Only **44 vendors** have contractual relationships **more than \$100M**
 - \$9.2B of total contract value over multiple years
- Nearly **600 vendors are nonprofit organizations**
 - 15% of active suppliers are nonprofits, but **36% of the 44 largest** are and comprise \$3.1B of total contract value
 - **54 had nonprofit statuses that were revoked, suspended or considered delinquent by the California Attorney General's Office as of 2023**
- **No centralized dashboard for vendor contract performance**
 - Identified as a critical shortcoming for many years

Supplier	Nonprofit?	Number of active contracts	Not to exceed
			\$9240M
Siemens Mobility		2	\$1000M
S.F. In-Home Supportive Services Public Authority	x	2	\$440M
McKesson Corporation		1	\$380M
Children's Council of San Francisco	x	6	\$370M
Regents of the University of California	x	29	\$340M
LAZ Parking		4	\$300M
McKesson Plasma and Biologics		1	\$300M
Calpine Energy Services		2	\$270M
Goodwill SF Urban Development		1	\$270M
Clark Construction Group		1	\$260M
APX		1	\$260M
Maverick Solar 6		1	\$250M
HealthRIGHT 360	x	10	\$240M
New Flyer of America		4	\$240M
Crestwood Behavioral Health		1	\$220M
San Pablo Raceway		1	\$220M
Bombardier Transportation Holdings USA		1	\$210M
Complete Coach Works		2	\$200M
Tenderloin Housing Clinic	x	12	\$190M
City College of San Francisco	x	9	\$180M
Pacific Gas and Electric Company		21	\$170M
Episcopal Community Services of San Francisco	x	31	\$170M
Epic City Government		1	\$170M
Baker Places	x	4	\$150M
Wu Yee Children's Services	x	6	\$150M
Homebridge	x	4	\$150M
Oasis Power Partners		1	\$140M
Blythe Solar IV		1	\$140M
Michels Pipeline		1	\$130M
Regents University of CA / SFGH Psychiatry Dept.	x	3	\$130M
Five Keys Schools & Programs	x	21	\$130M
Felton Institute	x	24	\$130M
New South Parking-California Gp		1	\$120M
Voyager Wind Iv Expansion		1	\$120M
350 Rhode Island Operating Company		1	\$120M
Xtech		2	\$120M
YMCA of San Francisco	x	60	\$110M
S.F. Community Health Authority		4	\$110M
Meda Small Properties		30	\$110M
Arrowstreet Capital		1	\$110M
BVHP Foundation for Community Improvement	x	18	\$110M
Catholic Charities	x	11 36	\$110M
Anvil Builders		8	\$100M
Convergeone		4	\$100M

As of January 2023

<https://data.sfgov.org/City-Management-and-Ethics/Supplier-Contracts/cqi5-hm2d/data>

<https://sfstandard.com/2023/01/12/san-francisco-nonprofits-revoked-suspended-delinquent-millions/>

Rapid Growth of City Grant Program (Non Profit Funding)

- The city budgeted **grants of \$1.6B** in FY2025 which are **92%** concentrated in six departments Homeless, Early Childhood, Children/Families, Human Svcs, Economic and Workforce Development, Mayor
- Grants have **grown by \$1B since 2018**
- Press coverage of fraud... how widespread?
 - 2023 Citizen Grand Jury report: significant opportunity to reduce waste, fraud, and abuse through better goals and metrics and more oversight, **without materially impacting outcomes for residents**
 - Controller recently implemented increased audit requirements, but **performance tracking still absent**

CITY GRANT PROGRAM						
				PERCENT OF TOTAL		
	2024	2025	2026	2024	2025	2026
homelessness, supp housing	485,968	607,230	471,786	31%	37%	32%
early childhood	278,800	284,513	284,078	18%	17%	19%
children, youth, families	273,215	276,455	284,827	17%	17%	19%
human services	178,132	166,776	163,451	11%	10%	11%
econ, workforce dev	100,996	92,323	68,376	6%	6%	5%
mayor	97,104	86,778	97,852	6%	5%	7%
building inspection	48,000	4,320	4,320	3%	0%	0%
city administrator	33,885	32,475	32,758	2%	2%	2%
adult probation	15,192	17,085	14,614	1%	1%	1%
arts commission	13,426	10,418	10,709	1%	1%	1%
sheriff	12,198	12,647	12,647	1%	1%	1%
status of women	11,824	10,276	528	1%	1%	0%
public health	10,950	11,614	11,614	1%	1%	1%
public works	9,235	7,617	7,614	1%	0%	1%
general city resp	7,200	11,621	16,182	0%	1%	1%
puc	2,832	3,182	3,179	0%	0%	0%
recreation and parks	2,264	2,365	2,292	0%	0%	0%
human rights	1,547	1,645	1,646	0%	0%	0%
district attorney	1,100	1,100	1,000	0%	0%	0%
environment	683	2,183	831	0%	0%	0%
public library	650	826	847	0%	0%	0%
TOTAL	1,585,201	1,643,449	1,491,151			

https://data.sfgov.org/City-Management-and-Ethics/Budget/xdgd-c79v/about_data
<https://abag.ca.gov/tools-resources/data-tools/consumer-price-index>
https://media.api.sf.gov/documents/2023_CGJ_Report_Hitting_the_Performance_Bullseye_-_Contracting_for_Better_Outc_h8IGNXC.pdf

Official City Forecast

City/County
Budget
General Fund
+ Req'd MTA

GENERAL FUND	FY26	FY27	FY28	FY29	FY30	30 v 25
Projected ACTUAL NUMBERS						
Local Taxes	\$4,509	\$4,778	\$4,854	\$5,056	\$5,185	\$776
Lic's, Fines, Int, Rent	\$195	\$175	\$157	\$150	\$150	(\$65)
Fed Subventions	\$517	\$365	\$365	\$363	\$363	(\$80)
State Subventions	\$881	\$894	\$907	\$922	\$934	\$71
Charges for Services	\$325	\$325	\$325	\$325	\$325	\$1
Recovery of Gen Gov't Costs	\$28	\$28	\$28	\$28	\$28	\$0
Other	\$21	\$31	\$21	\$21	\$21	(\$3)
TOTAL REVENUES	\$6,476	\$6,596	\$6,657	\$6,865	\$7,006	\$700
Airport Transfers	\$62	\$65	\$68	\$71	\$74	\$16
Comm'l Rent Tax Transfers	\$28	\$28	\$28	\$28	\$28	\$0
Other Transfers	\$115	\$115	\$115	\$115	\$115	(\$5)
TOTAL SOURCES	\$6,681	\$6,804	\$6,868	\$7,079	\$7,223	\$711

Projected TOTAL	FY26	FY27	FY28	FY29	FY30	30 v 25
Projected TOTAL CHANGE						
Baselines	(\$46)	(\$109)	(\$129)	(\$176)	(\$207)	(\$205)
Reserves	(\$8)	(\$38)	(\$105)	(\$81)	(\$48)	(\$49)
Previously Negotiated CBAs	(\$148)	(\$264)	(\$387)	(\$387)	(\$387)	(\$390)
Open CBAs	\$0	(\$21)	(\$89)	(\$199)	(\$301)	(\$301)
Health & Dental Benefits	(\$36)	(\$74)	(\$111)	(\$149)	(\$195)	(\$195)
Retirem't Benefits - City Contr	\$8	\$10	(\$16)	(\$55)	(\$54)	(\$51)
Cap'l, Equip, Tech	\$29	(\$4)	(\$37)	(\$66)	(\$95)	(\$88)
CPI - Nonprofit Grants	\$0	(\$24)	(\$49)	(\$66)	(\$84)	(\$84)
Affordable, Perm Supp Housing	(\$13)	(\$21)	(\$31)	(\$50)	(\$58)	(\$58)
HSA - IHSS, Other Benefits	(\$15)	(\$36)	(\$68)	(\$97)	(\$125)	(\$125)
Public Health - Operating Costs	(\$31)	(\$78)	(\$115)	(\$154)	(\$197)	(\$197)
FY24 Initiatives, Investments	(\$35)	(\$35)	(\$35)	(\$35)	(\$35)	\$0
Debt Svc, RE	(\$28)	(\$50)	(\$75)	(\$84)	(\$87)	(\$87)
Other Items	\$82	(\$9)	(\$32)	(\$85)	(\$114)	(\$108)
TOTAL CUMULATIVE CHANGE	(\$241)	(\$753)	(\$1,279)	(\$1,684)	(\$1,987)	(\$1,684)

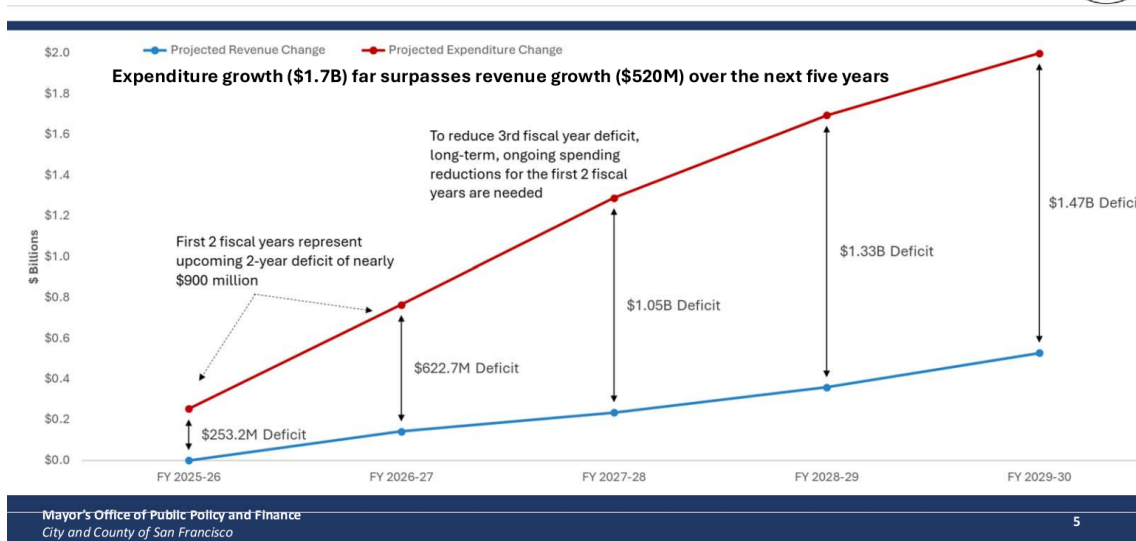
TOTAL USES	(\$7,150)	(\$7,662)	(\$8,188)	(\$8,593)	(\$8,896)	(\$1,987)
OPERATING CASH FLOW						
	(\$469)	(\$858)	(\$1,320)	(\$1,514)	(\$1,673)	(\$1,623)
Fund Balance	(\$116)	\$0	\$0	\$111	\$0	\$118
Reserves	(\$13)	(\$55)	\$0	\$0	\$0	\$0
Prior Year Balance, Reserves *	\$345	\$290	\$267	\$68	\$202	
BUDGET EXCESS/(DEFICIT)	(\$253)	(\$623)	(\$1,053)	(\$1,335)	(\$1,471)	(\$1,505)

* Plug to match official forecast

- **Annual deficit of \$1.5B by FY2030**
 - Driven by \$2B growth in spending, offset by modest revenue growth
 - **City charter requires a balanced 2-year budget (9.101(c))**

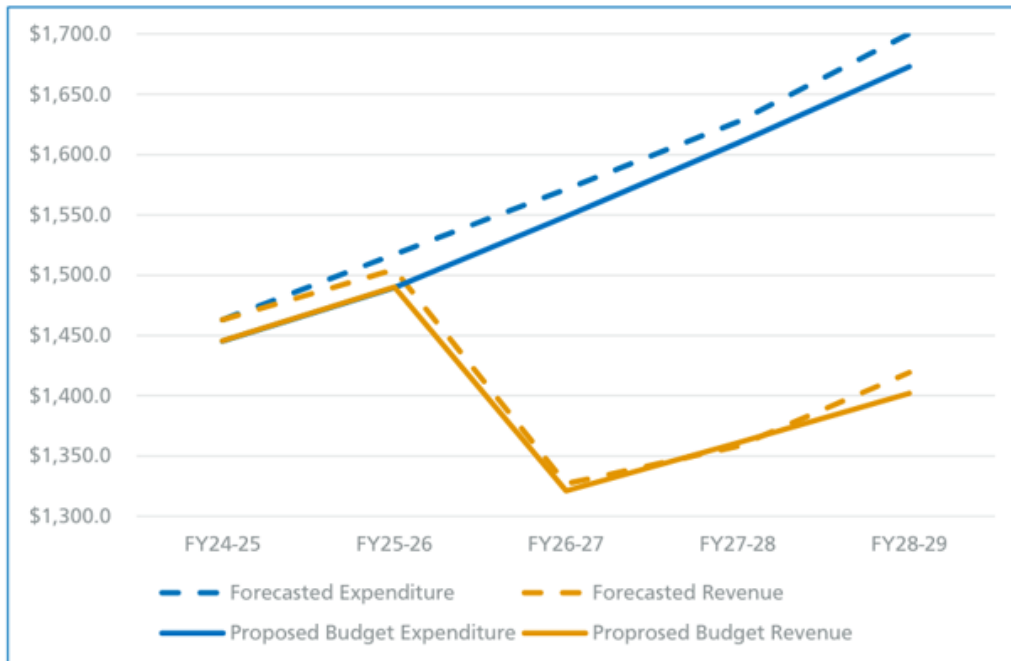
- **Mayor's budget team confronting how much to accomplish now versus over time**
 - Better to take the pain now and move beyond it, or do only what is required each year?

Fiscal Outlook: Spending Outpaces Revenue



Full Deficit Picture

- MTA currently receives \$500M+ per year from the General Fund
 - Additional unfunded \$300M+ annual deficits beginning in 2027 when pandemic-era relief ends
 - Expect local/regional transit revenue initiatives at the ballot box (BART too)
- Risks to property tax forecast as downtown recovery lags and to federal transfers
- Recession scenario becoming a bigger risk
- Full deficit risk of \$1.9-2.6B by 2030



(\$ in millions)	Fiscal Years Ending June 30,				
	2026	2027	2028	2029	2030
<u>General Fund</u>					
Revenues + Transfers-In	6,681	6,804	6,868	7,079	7,223
Costs (Incl. ~\$500M to MTA)	(6,934)	(7,427)	(7,921)	(8,414)	(8,694)
Projected Surplus / (Shortfall)	(253)	(623)	(1,053)	(1,335)	(1,471)
Additional MTA Projected Surplus / (Shortfall)	0	(300)	(325)	(350)	(400)
Total Projected Surplus (Shortfall) - EXPECTED	(253)	(923)	(1,378)	(1,685)	(1,871)
Risks to Property Taxes	(50)	(200)	(400)	(400)	(400)
Risks to Federal Transfers	(156)	0	0	0	0
Total Projected Surplus (Shortfall) - HIGH	(459)	(1,123)	(1,778)	(2,085)	(2,271)
Recession Impact	(246)	(244)	(284)	(221)	(318)
Total Projected Surplus (Shortfall) - RECESSION	(705)	(1,367)	(2,062)	(2,306)	(2,589)

Making the Budget Fit the City We Have

- FY2012 was the most recent budget year with today's population
- A relevant starting point for the FY2026 budget could be 2012 spending levels increased for bay area inflation
 - FY2025 budget is \$4B in excess of 2012 (inflation adjusted) for SF City/County + MTA

	CURRENT \$ (millions)			
	2012	2025	\$EXCESS	%EXCESS
Grand Total - SF CITY/COUNTY/ENTERPRISE	10,360	15,918	5,558	35%
PUC	1,082	1,803	721	40%
Airport	1,085	1,945	860	44%
MTA	1,163	1,518	354	23%
Port	116	156	40	26%
TOTAL ENTERPRISE DEPARTMENTS	3,447	5,422	1,976	36%
SF CITY/COUNTY	6,913	10,496	3,583	34%

FY2025 numbers include large capital projects at PUC and SFO

What Can Be Cut Without Voter Approval?

- A portion of the city/county budget is funded by charges and fees, with the remaining \$6.5B amount referred to as the “General Fund”, or GF
- Much of the GF is restricted or mandated spending, required by federal or state authorities, or the result of voter-approved ballot propositions
- After reducing the GF to exclude state and federal non-discretionary spending, there is \$4.5B remaining, called “Aggregate Discretionary Revenue” or ADR
- Reducing that amount by the \$1.9B of voter-mandated baselines leaves **\$2.6B available for discretionary reduction**

(\$millions)	2024	2025
local taxes	4,445	4,408
lic, fines, int, rent	220	215
federal	388	443
state	1,006	863
charges for svcs	255	324
other	47	51
gen fd revenues	6,361	6,304
airport transfer in	56	58
comm rent tax	28	28
other transfers in	144	120
transfers in	228	206
TOTAL GENERAL FUND	6,589	6,510
non-discretionary	(2,047)	(1,978)
aggregate discr'y revenue (adr)	4,542	4,532

baselines worksheet	actual 2023	actual 2024	budget 2025	% of 2025 gen fund
general fund aggregate discretionary revenue (adr)	4,460	4,542	4,532	6,510
mta - muni 7.059% adr	315	321	320	4.9%
mta - pkg & traffic 2.507% adr	112	114	114	1.8%
mta - population adj	58	69	75	1.2%
mta - 80% pkg tax in-lieu	66	69	70	1.1%
subtotal - mta	551	573	579	8.9%
library - 2.286% adr	102	104	104	1.6%
library - prop tax \$0.025 per \$100	79	80	79	1.2%
subtotal - library	181	184	183	2.8%
children's svcs - 4.830% adr	215	219	219	3.4%
transitional aged youth - 0.58% adr	26	26	26	0.4%
early care and ed (jun 2018 prop c) - 2.212% adr	94	77	76	1.2%
pub ed svcs - 0.29% adr, 50% gf	7	13	13	0.2%
children, youth prop tax - \$0.0375-0.4 per \$100 nav	126	127	127	2.0%
pub ed enrich - 3.057% adr	136	138	139	2.1%
student success fund	0	11	35	0.5%
subtotal childrens svcs	604	611	635	9.8%
open space prop tax - \$0.025 per \$100 nav	79	80	79	1.2%
rec & parks baseline	82	82	85	1.3%
subtotal - rec and parks	161	162	164	2.5%
our city our home (nov 2018 prop c)	215	215	215	3.3%
housing trust fund	45	45	47	0.7%
dignity fund	56	56	59	0.9%
street tree maintenance	23	23	23	0.4%
symphony - \$0.00125 per \$100 nav	4	4	4	0.1%
city svcs auditor - 0.2% of citywide budget	26	26	28	0.4%
subtotal - other	369	369	376	5.8%
grand total - 21 baselines for 8 departments	1,866	1,899	1,937	29.8%
general fund ADR net of baselines	2,594	2,643	2,595	39.9%

Department Budget Submissions

- Mayor instructed non-public-safety departments to reduce general fund spend 15%, which would be \$977M, or 38% of ADR net of baselines
- Vast majority of departments have submitted their FY2026 budget proposals
- Only 14 of the 52 non-enterprise departments met the target
- Spot checking 8 of the largest departments that are 67% of the city/county budget:
 - Proposed FY2026 spending is up 9%
 - However, requested general fund support is down 9% by assuming higher fees, charges, etc. (see DPH)
 - 3 departments have complied with budget instructions, 3 have not, and 2 claim to have, but math does not check

• Lots of work to do

FY2026 DEPT SUBMISSIONS										
EXPENSES		FY2025	TOTAL		GFSONLY		Reduction / (Expansion) v Baseline		Meets Target?	
(\$000s)		dm deck	FY26	dept	FY26	dept	FY26	%	Calc'd	Rep't'd
DPH	Public Health	3,185	3,360	3,513	700	546	154	22%		
HSA	Human Svcs	1,186	1,280	1,291	299	290	9	3%		
HOM	Homelessness	835	677	757	306	305	1	0%		
POL	Police	815	840	843	674	674	0	0%		
CHF	Children/Youth/Families	314	363	356	49	37	12	24%		
DPW	Public Works	294	410	407	99	85	14	14%		
DEC	Early Childhood	251	336	342	0	0	0	#DIV/0!		
MYR-MOH	Mayor/Ofc of Housing	167	223	174	71	62	9	13%		
Subtotal		7,047	7,489	7,683	2,198	1,999	199	9%		
			v baseline	3%		-9%				17
			v FY25	9%						

What's Next?

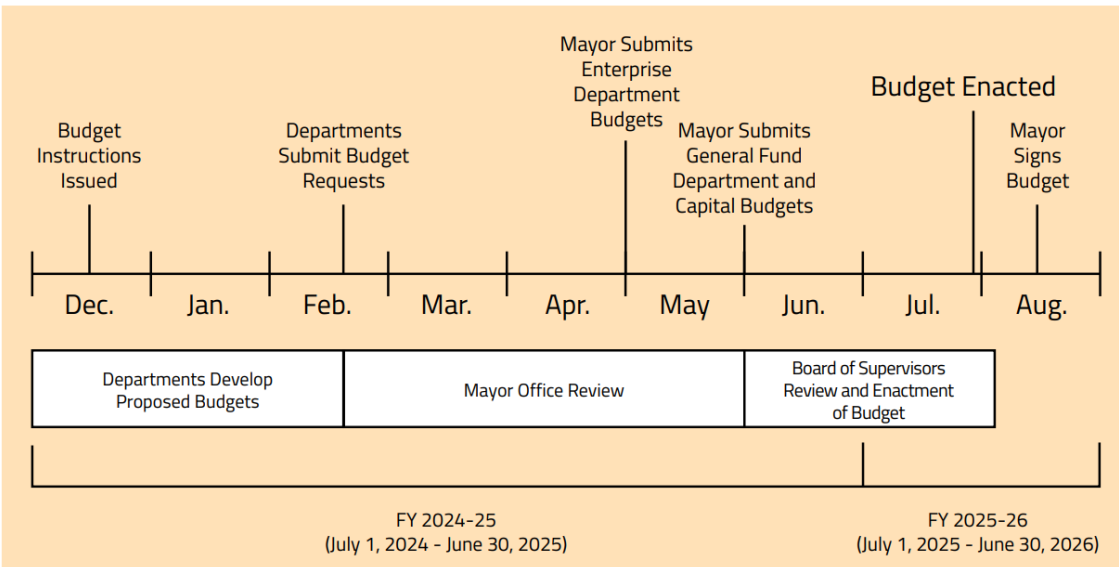
- By charter, the mayor must deliver a balanced budget to the BoS by June 1
- June: BoS Budget & Appropriations Committee hearings
- July: 2 BoS budget readings/amendments
- August 1-10: Mayor can line-item veto BoS-amended budget
- August 10-20: 2/3 BoS needed to override

Upon receiving the Mayor's proposed budget, the Budget and Appropriations Committee of the Board of Supervisors holds public hearings during the month of June to review departmental requests and solicit public input. The Budget and Appropriations Committee makes recommendations to the full Board for budget approval along with their proposed changes. Since budget review lapses into the new fiscal year, the Interim Budget—usually the Mayor's proposed budget—is passed by the Board as a continuing resolution and serves as the operating budget until the budget is finalized in late July. The Mayor typically signs the budget ordinance into law by August.

As required by the City Charter, the Board of Supervisors must vote on the budget twice between July 15 and August 1.

The Mayor has 10 days to approve the final budget, now called the Budget and Appropriation Ordinance. The Mayor may sign the budget as approved by the Board, making it effective immediately, or may veto any portion, whereupon the budget returns to the Board of Supervisors. The Board has ten-days to override any or all of the Mayor's vetoes with a two-thirds majority vote. In this case, upon Board vote, the budget is immediately enacted, thus completing the budget process for the fiscal year

<https://www.sf.gov/step-by-step--budget-process-timeline>



One More Thing...

- City contributes about \$1B per year into the pension and OPEB funds*, which is insufficient to fully cover estimated future liabilities
- Pension net liabilities are about \$4B using the official discount rate of 7.2%
 - Using a more-realistic 6.2% discount rate results in pension net liabilities of \$9B
 - OPEB* estimated at \$3.7B in 2023
 - Total pension and retiree healthcare **unfunded liability of \$13B**
- This problem will need to be addressed over time... the sooner the start, the more and better options exist

* Other post-employment benefits... *healthcare*

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2024
 (Dollars in Thousands)

Sensitivity of Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL/(NPA) for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

<u>Cost-Sharing Pension Plans</u>	<u>1% Decrease Share of NPL/(NPA) @ 6.20%</u>	<u>Current Share of NPL/(NPA) @ 7.20%</u>	<u>1% Increase Share of NPL/(NPA) @ 8.20%</u>
SFERS.....	\$ 8,107,768	\$ 3,456,687	\$ (378,110)
	<u>1% Decrease Share of NPL/(NPA) @ 5.90%</u>	<u>Current Share of NPL/(NPA) @ 6.90%</u>	<u>1% Increase Share of NPL/(NPA) @ 7.90%</u>
City CalPERS Miscellaneous Plan.....	\$ (15,889)	\$ (18,263)	\$ (20,218)
Transportation Authority CalPERS Classic & PEPR Miscellaneou Plans...	6,730	3,964	1,687
Successor Agency CalPERS Classic & PEPR Miscellaneou Plans.....	54,722	39,202	26,427
Treasure Island Development Authority CalPERS Miscellaneou Plan.....	15	4	(5)

The following presents the NPL for the City's CalPERS Safety Plan (agent multiple-employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

<u>Agent Pension Plan</u>	<u>1% Decrease @ 5.90%</u>	<u>Measurement Date @ 6.90%</u>	<u>1% Increase @ 7.90%</u>
City CalPERS Safety Plan.....	\$ 588,026	\$ 360,919	\$ 173,044
	<u>1% Decrease @ 2.65%</u>	<u>Measurement Date @ 3.65%</u>	<u>1% Increase @ 4.65%</u>
<u>Single Employer Plan</u>			
Replacement Benefits Plan.....	\$ 156,516	\$ 132,134	\$ 112,920

(d) Net OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2023, the City reported a net OPEB liability related to the Plan of \$3.7 billion. The Retirement System's proportionate share of the City's net OPEB liability as of June 30, 2023 was \$11,279.

