

Board Education Employer Budget Positions

Presented by

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Budget Outlook

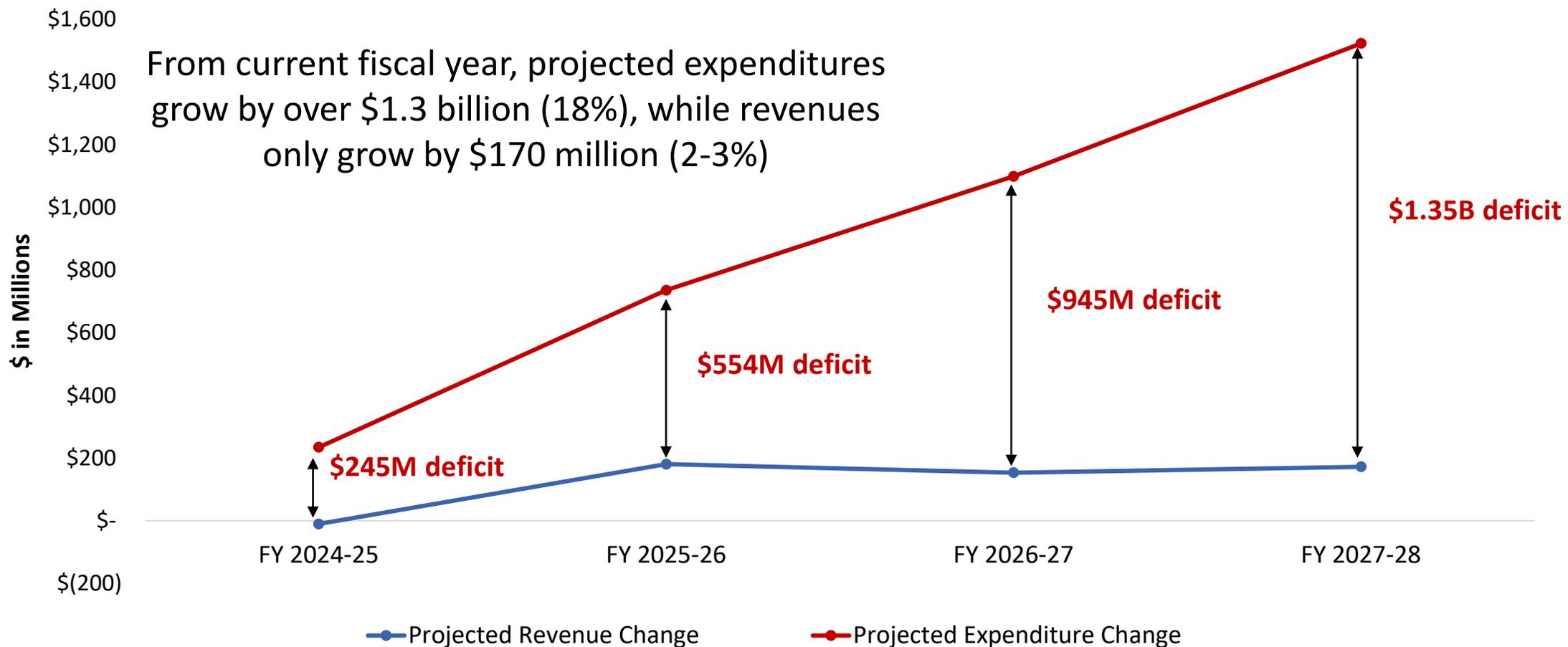
City and County of San Francisco

General Fund Financial Forecast

December 2023



Fiscal Outlook – Deficit Grows to \$1.3 billion





Fiscal Outlook – Major Assumptions in Forecast

- **Decline or nominal growth in major tax revenues:** ongoing reductions to property tax as office market resets, slower hospitality sector rebound, transfer taxes at 2011 levels, tepid business tax growth.
- **Salary & Benefits:** CPI growth (2.65%) on open contracts in January 2025, then July 2025 and July 2026; updated active and retiree health rates, 7.2% rate of return on pension investments.
- **Citywide & Departmental Costs:** CPI growth on non-personnel costs, IHSS wage agreements, full funding of Ten Year Capital & ICT Plans by FY 25-26, and other updates.



Five Year Report Update – Summary

	Projection	Projection	Projection	Projection
	2024-25	2025-26	2026-27	2027-28
SOURCES Increase / (Decrease)	(9.6)	181.0	153.9	172.8
Uses				
Baselines & Reserves	(13.3)	(78.3)	(150.4)	(264.1)
Salaries & Benefits	(163.3)	(336.2)	(447.4)	(593.0)
Citywide Operating Budget Costs	(95.2)	(301.7)	(396.0)	(496.3)
Departmental Costs	36.8	(19.3)	(105.3)	(169.0)
USES Decrease / (Increase)	(235.1)	(735.5)	(1,099.1)	(1,522.5)
Projected Cumulative Projected Surplus / (Shortfall)	(244.7)	(554.5)	(945.1)	(1,349.7)
Two-Year Deficit	(799.2)			

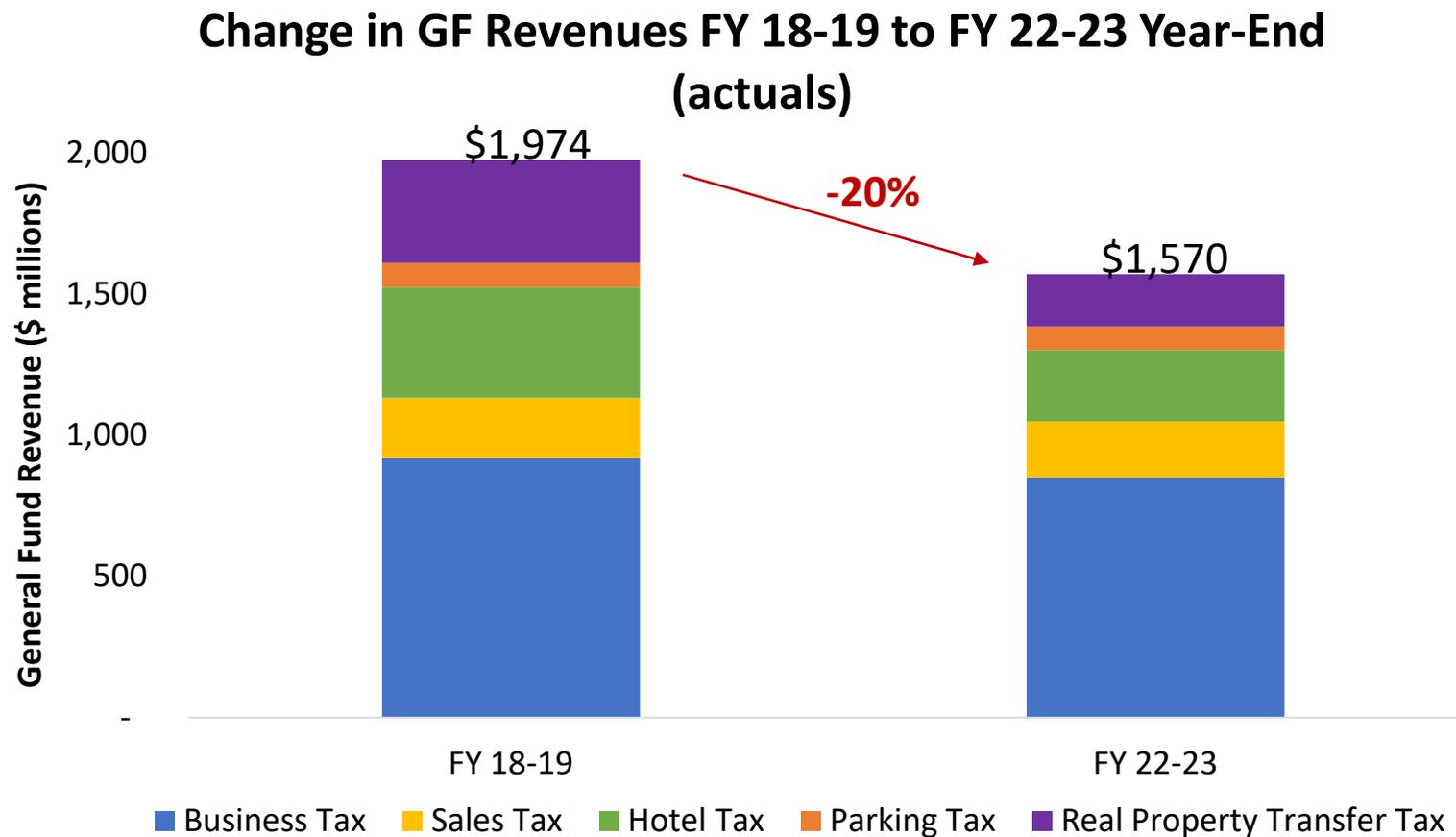


Revenue Assumptions & Trends

- **High office vacancies** negatively impact property, business, and transfer taxes.
- **Business taxes** seeing significant rates of dispute & litigation, requiring City to reserve collections for litigation risks.
- **Hospitality industry expected to recover *after* plan period**, slower than previously forecasted. The City experienced rapid “bounce back” after the pandemic, but now plateauing.
- **Local & state sales tax growth slower** than previously forecasted.
- **One-time sources** including FEMA & fund balance budgeted through FY 26-27.



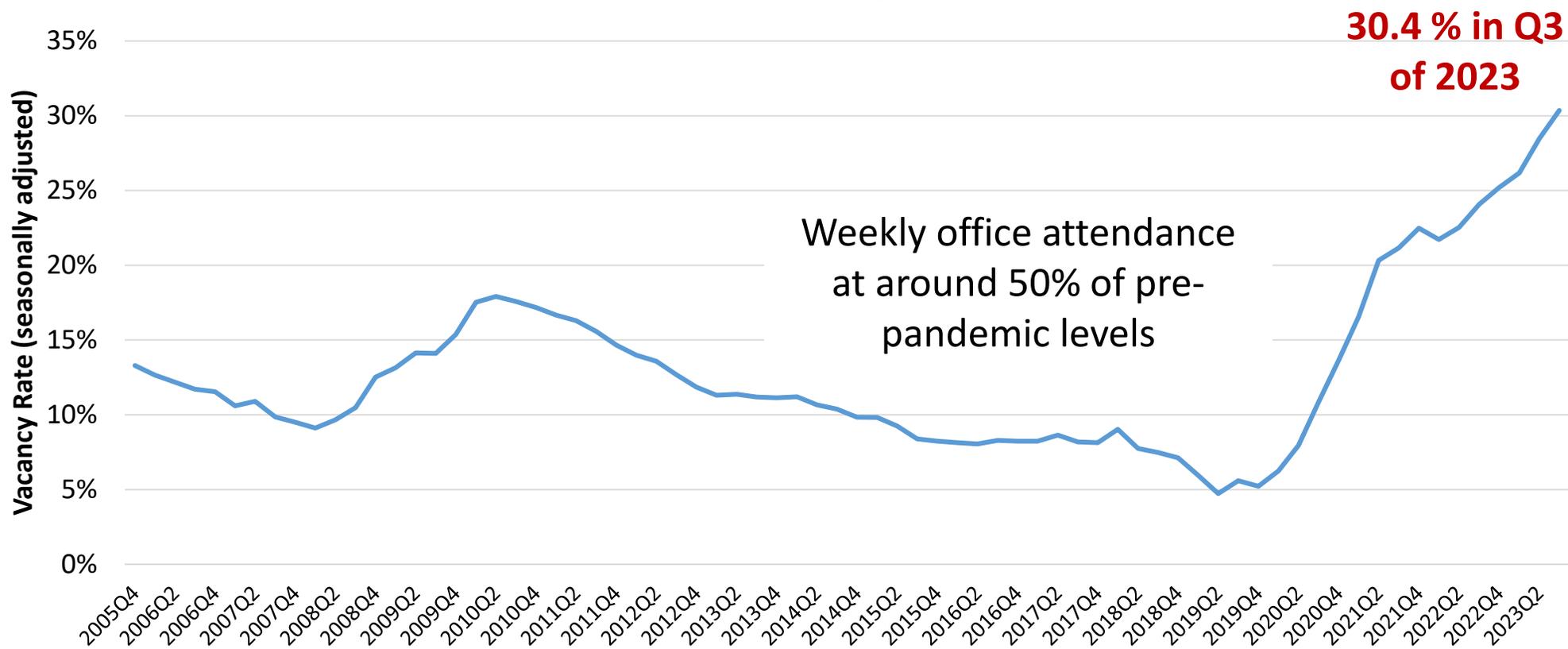
Key Revenue Sources Down by 20%





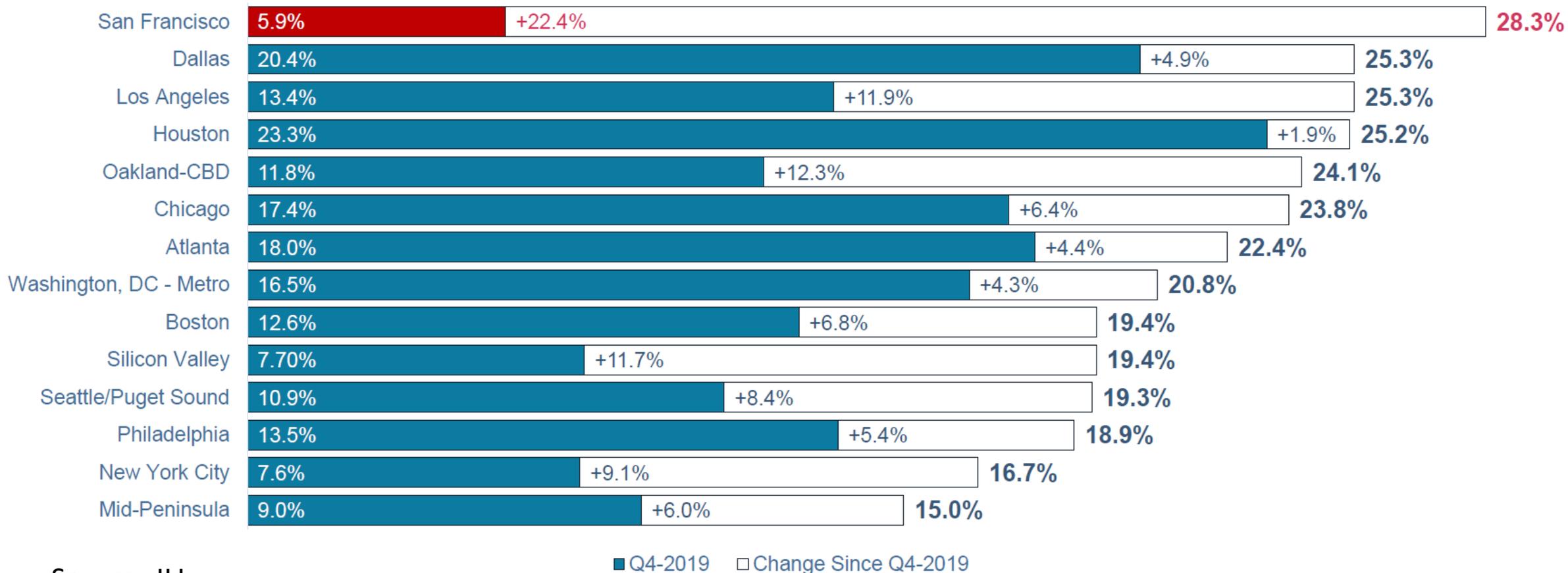
Office Vacancy Rates *Still* Climbing

Seasonally Adjusted Office Vacancy Rates 2005 - 2023





SF Worse Off Than Other Major Metros

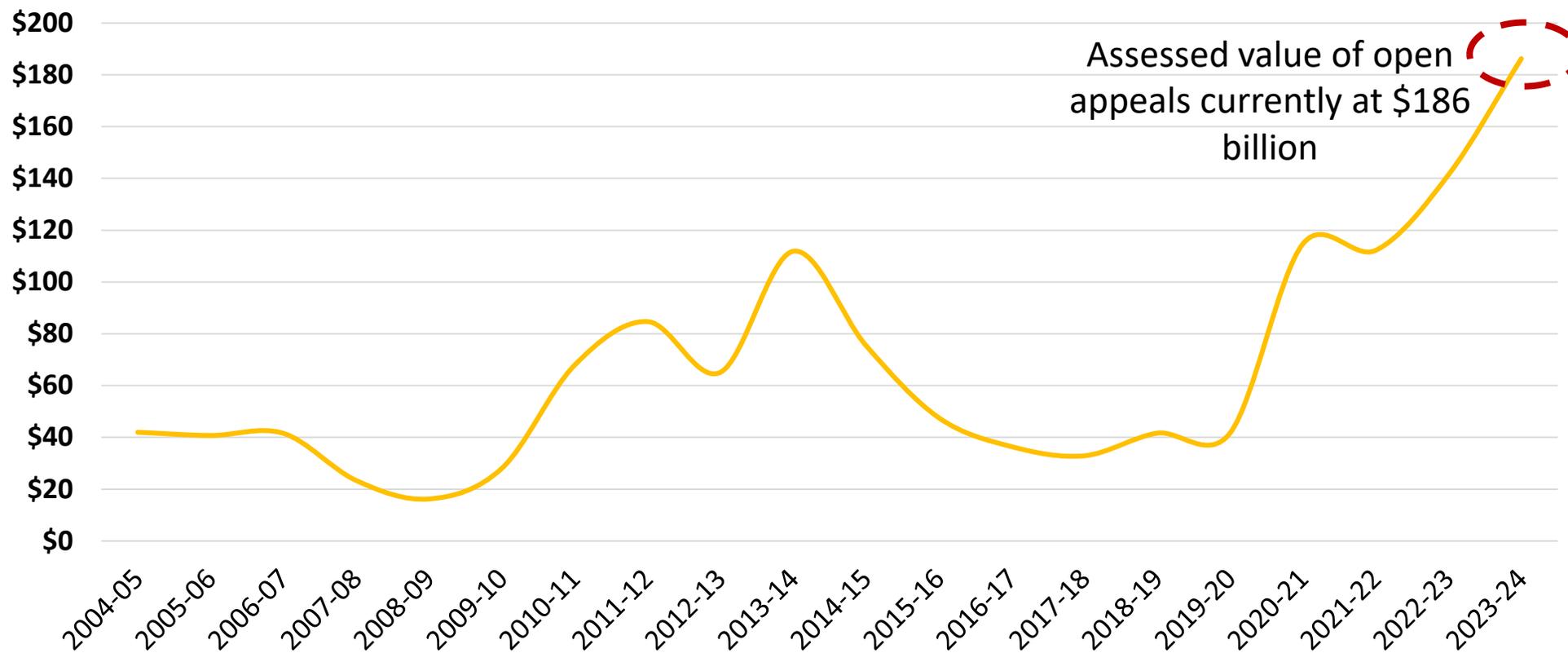


Source: JLL



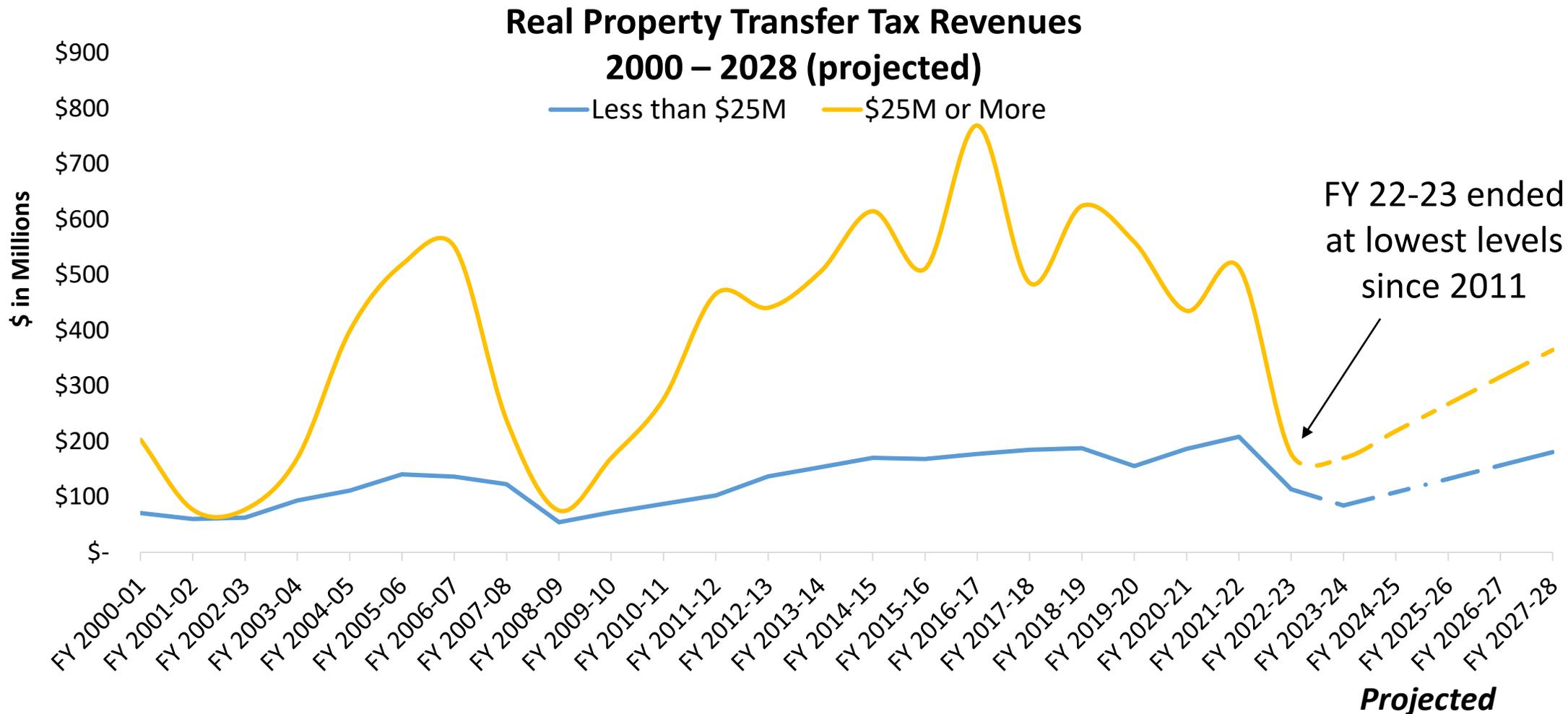
Assessment Appeals Pose Major Risk

Assessed Value of Open Appeals (in \$billions)





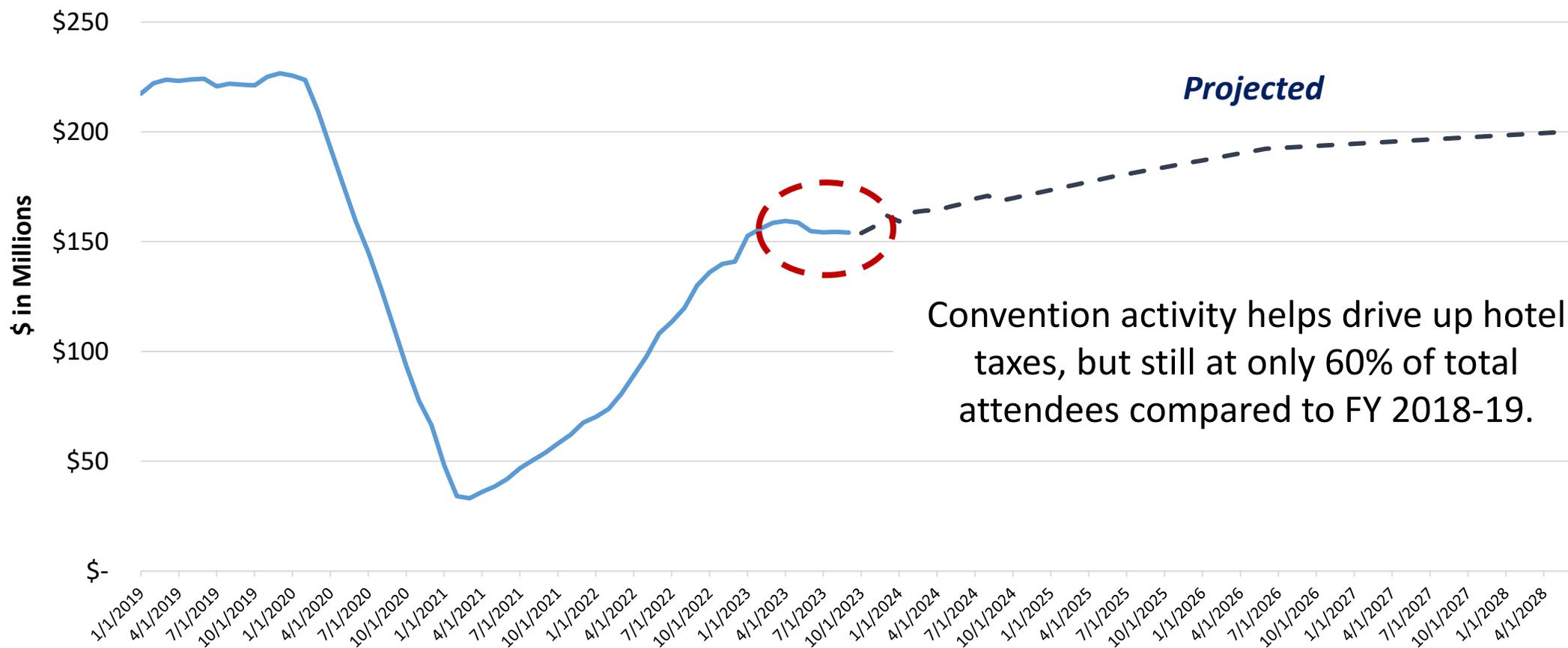
Transfer Tax Revenue at Great Recession-Era Low





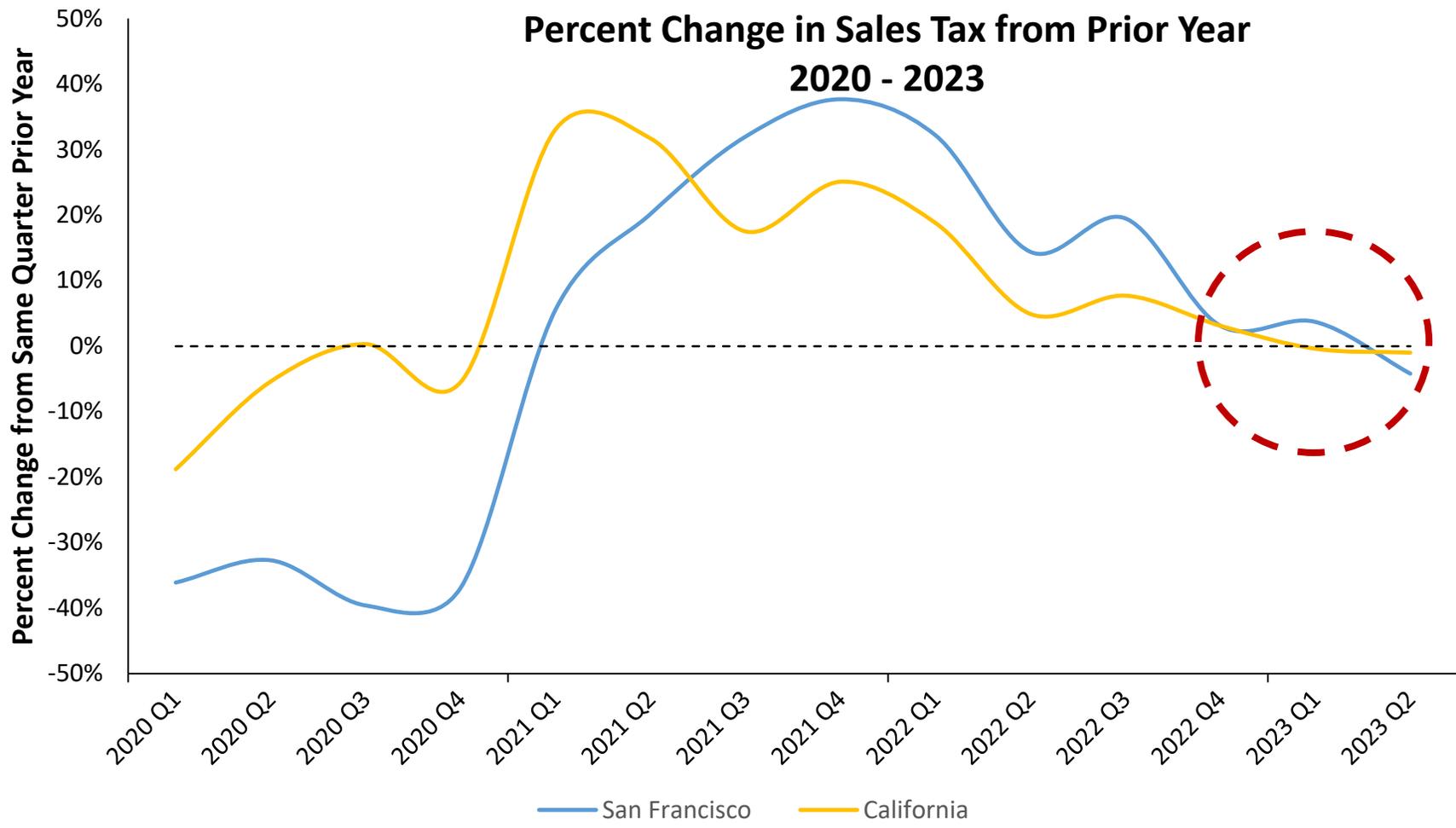
Hospitality Rebound Stalling

Revenue per Available Room – 12 month rolling average 2019 – 2028 (projected)





Local & State Sales Tax Slowing





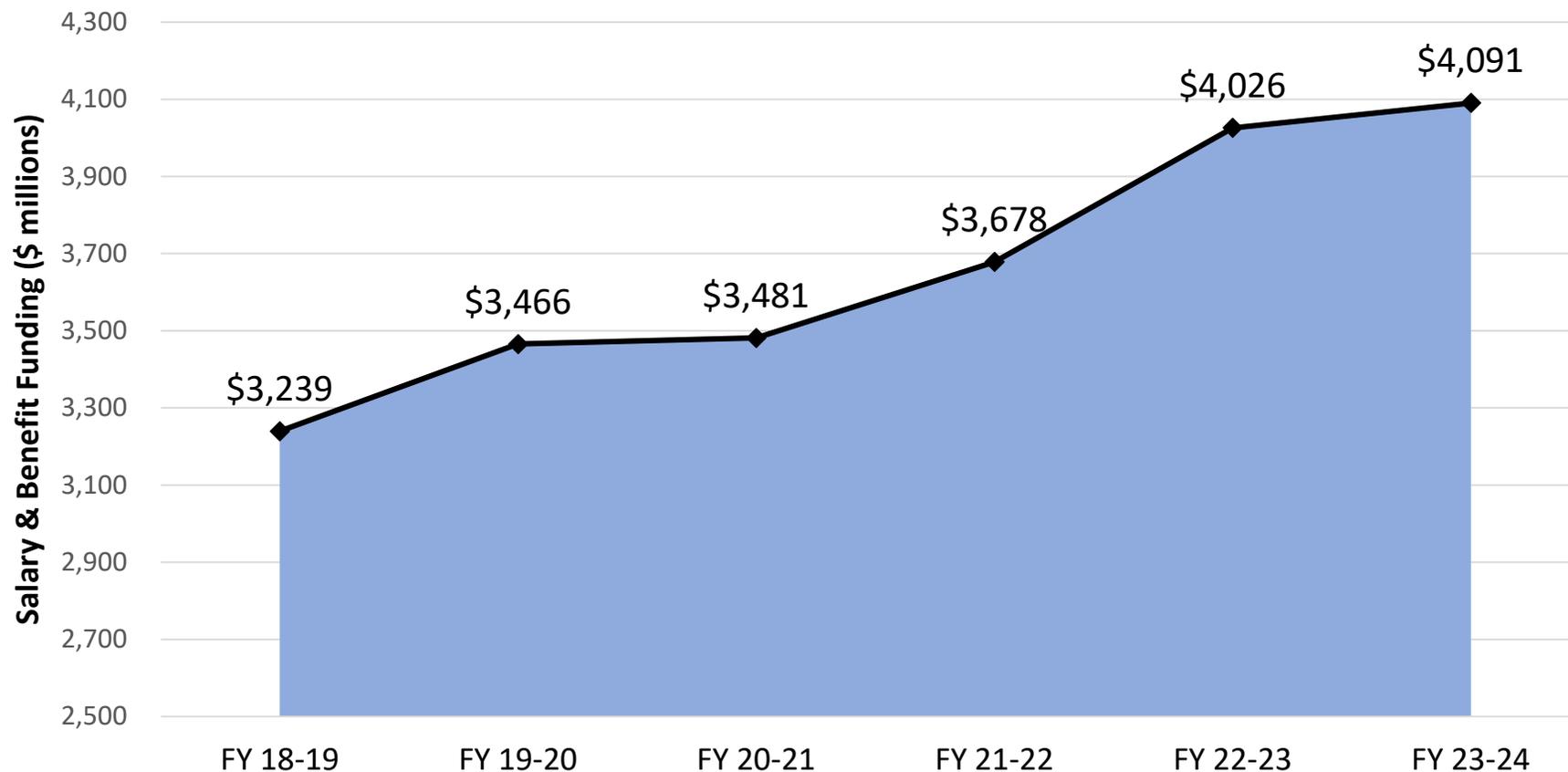
Key Expenditures

- **Salaries and benefits:** Increase by nearly \$500 million over plan period.
- **Required baselines:** Grow by around \$200 million & include newest Student Success Fund, which grows to \$35 million in FY 2024-25 and \$60 million by FY 2026-27.
- **Citywide operating costs:** Real estate, capital, debt payments, PUC rates, and implementation of multiyear inflation on all GF nonprofit grants.
- **Other major costs:** shelter costs due to expiring state grants, commitments to subsidizing housing for formerly homeless (LOSP), IHSS program growth.



Salary & Benefits – 30% Growth in 5 Years

Salary & Benefit Growth Since FY 18-19 (GFS Only)

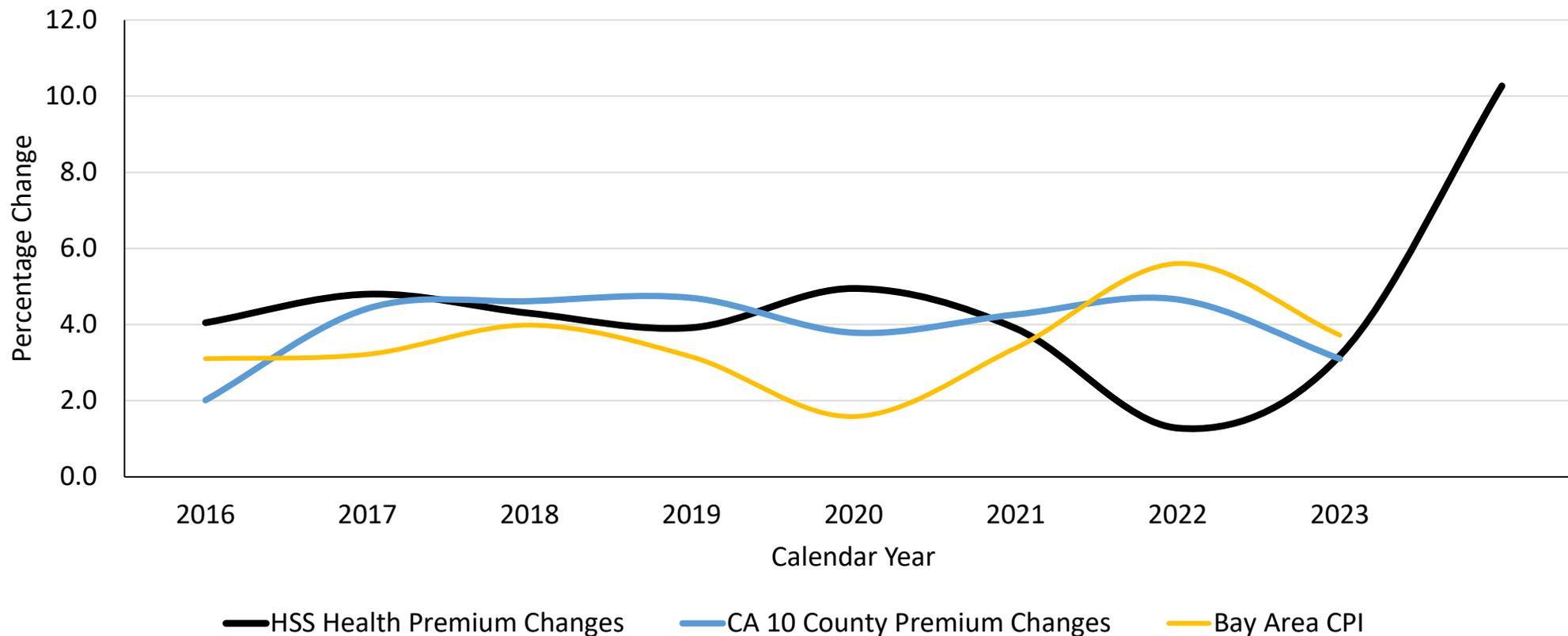


Healthcare accounts for around 12% of citywide personnel costs.



Health Care Cost Growth at 9-10%

Change in SFHSS Health Rates vs Benchmarks 2016 - 2023 (Calendar Year)

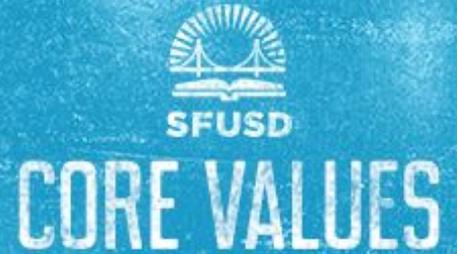


Health budgeted at around \$450 million in General Fund, and grow by \$30-40 million/year in forecast



Fiscal Outlook – Additional Risks & Uncertainties

- **Elevated interest rates** continuing to slow business investments, real estate transactions, and raise borrowing costs.
- Level of **assessment appeals** and other tax refunds – current appeals volume has *tripled* from prior year and further threatens property tax.
- Significant **state budget shortfall** (\$68 billion) and threat to ERAF, grants & funding for other programs.
- **Retirement** contribution rates - year-to-date returns trending low, could trigger higher employer contributions.



SFUSD Presentation to SFHSS February 8, 2024

Introduction

- SFUSD Employees
- Labor Groups
- Competitive Hiring Market
- Budget Realities

Employee Implications- Rate Increase

Kaiser Employee Only has been no cost

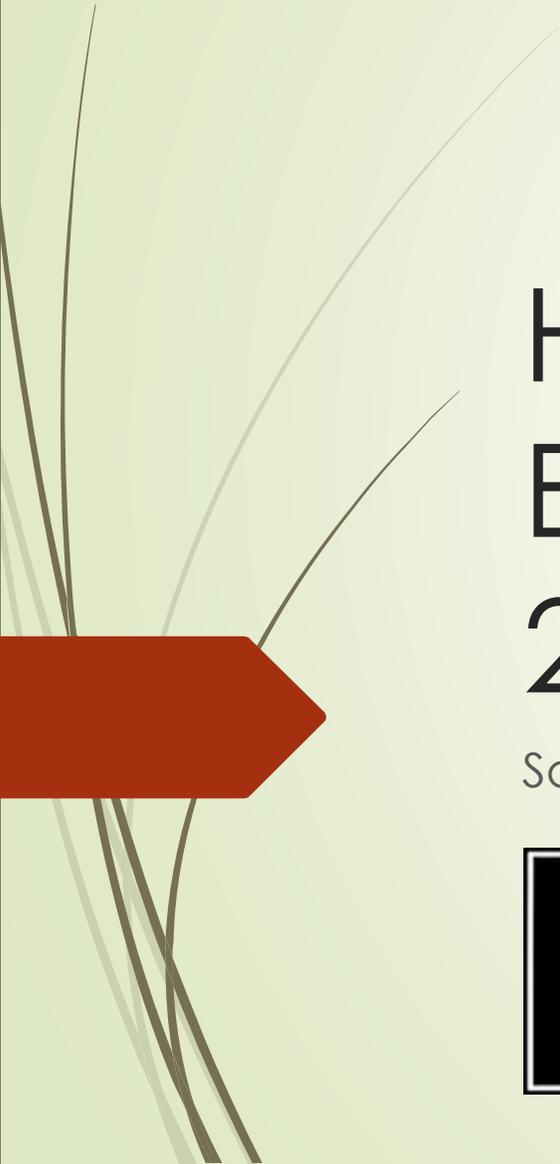
Industry Standard

Impacts Employees

District Implications

- Significant cost to district
- Employee expectations
 - Recruitment and Retention
- Subject to bargaining
- District fiscal crisis

Questions



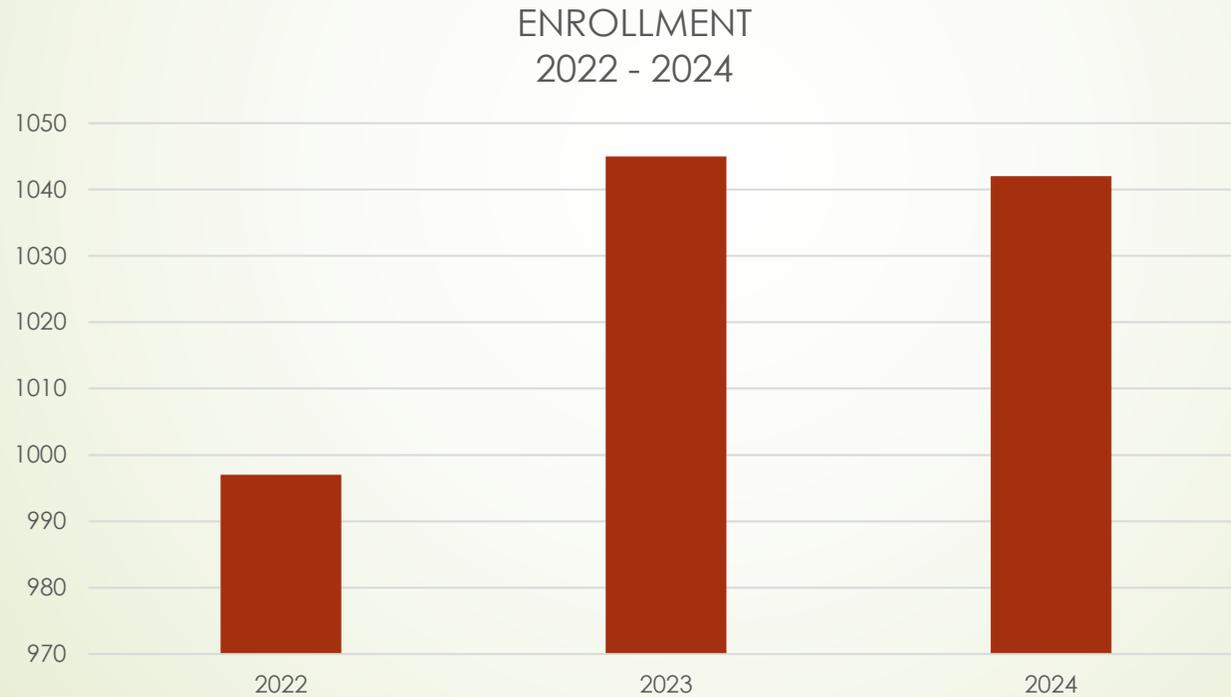
Health Insurance Employer Cost Increases 2022 - 2024

San Francisco Community College District

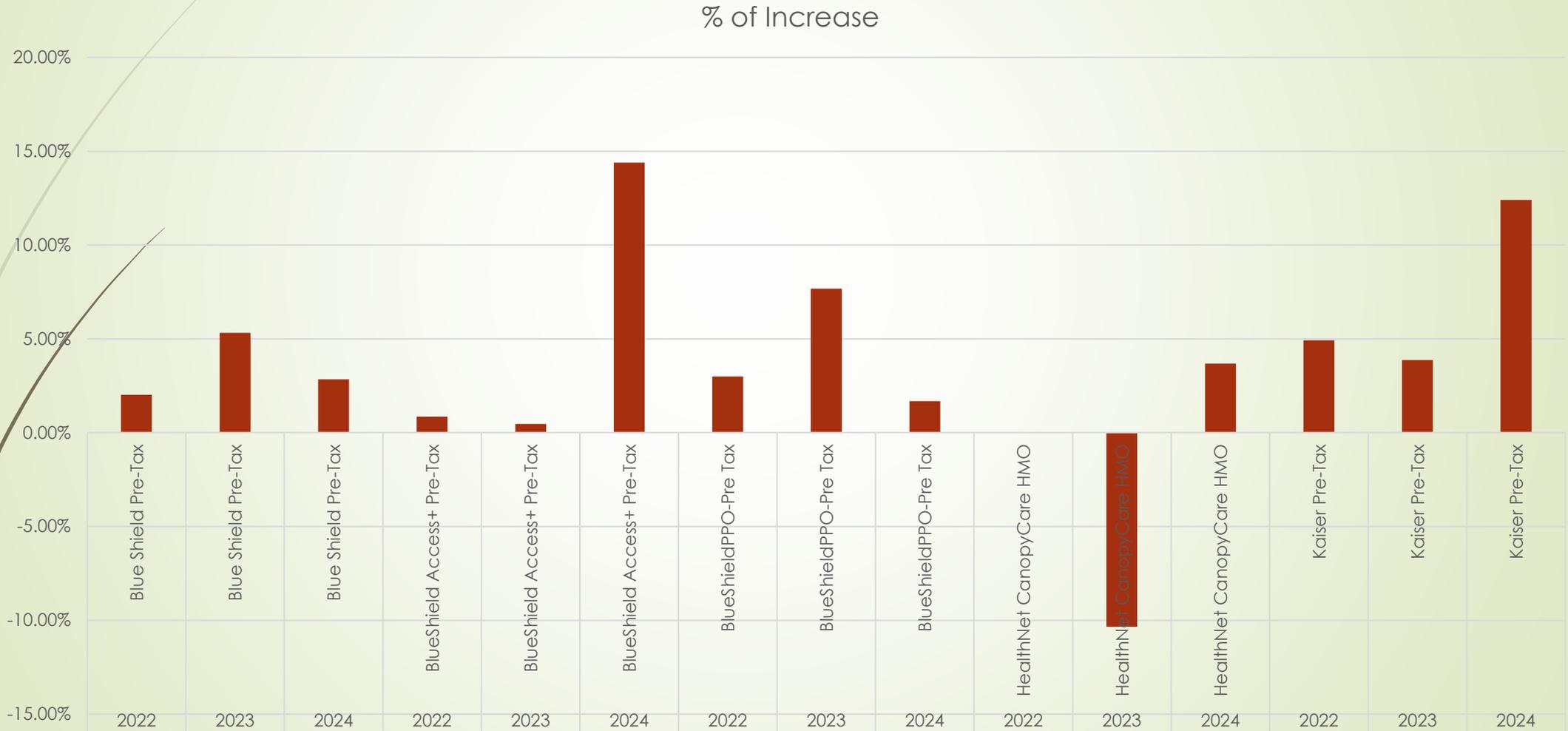


CCSF Employees Enrolled in Medical

Year	ENROLLMENT
2022	997
2023	1,045
2024	1,042



Employer Cost % of Increases





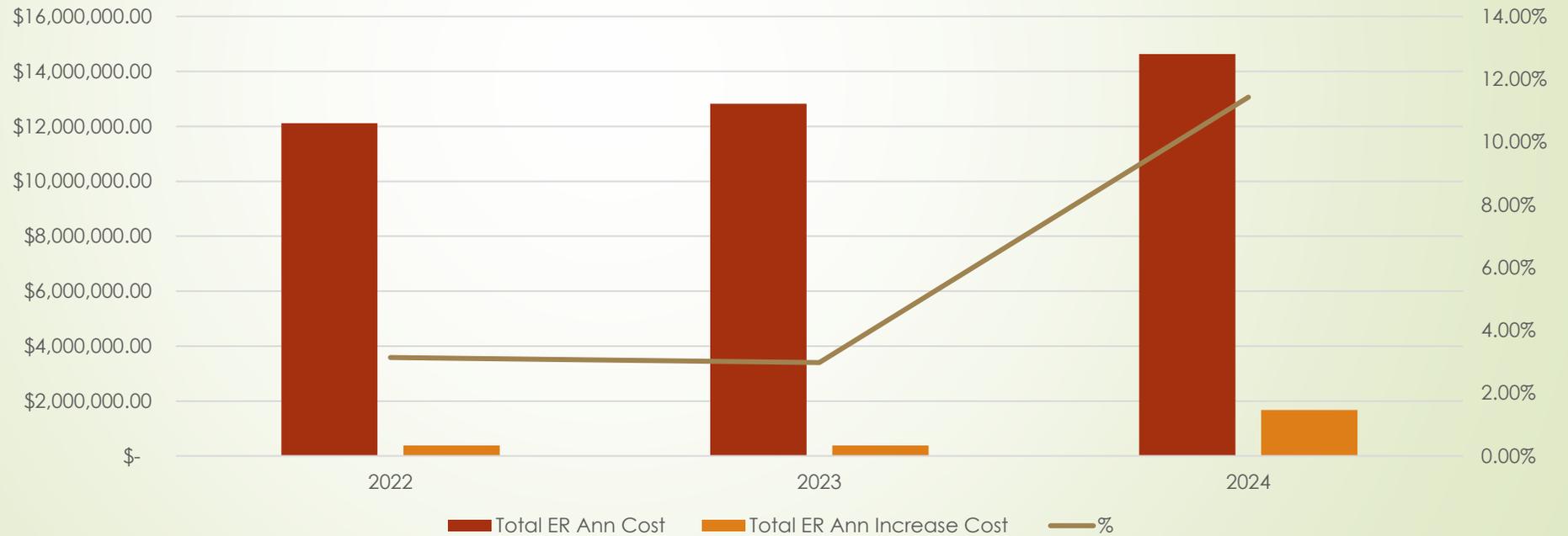
Employer Cost % of Increases

YEAR	HEALTH PLAN	% of Increase
2022	Blue Shield Pre-Tax	2.02%
2023	Blue Shield Pre-Tax	5.32%
2024	Blue Shield Pre-Tax	2.85%
2022	BlueShield Access+ Pre-Tax	0.85%
2023	BlueShield Access+ Pre-Tax	0.47%
2024	BlueShield Access+ Pre-Tax	14.40%
2022	BlueShieldPPO-Pre Tax	2.99%
2023	BlueShieldPPO-Pre Tax	7.67%
2024	BlueShieldPPO-Pre Tax	1.68%
2022	HealthNet CanopyCare HMO	0%
2023	HealthNet CanopyCare HMO	-10.35%
2024	HealthNet CanopyCare HMO	4%
2022	Kaiser Pre-Tax	4.92%
2023	Kaiser Pre-Tax	3.87%
2024	Kaiser Pre-Tax	12.41%

Employer Annual Total Cost Overview

Year	Total ER Ann Cost	Total ER Ann Increase Cost	%	ENROLLMENT
2022	\$ 12,110,805.64	\$ 380,371.83	3.14%	997
2023	\$ 12,823,935.08	\$ 381,537.73	2.98%	1,045
2024	\$ 14,631,090.02	\$ 1,672,862.89	11.43%	1,042

2022 to 2024 Health Insurance
ER Costs

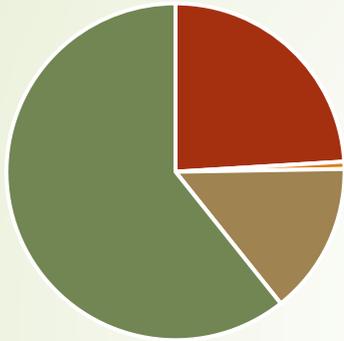


CCSF Employees Enrolled in Medical Plans

YEAR	HEALTH_PLAN	Member Only	Mbr +1 Dep	Mbr +2> Deps	Grand Total
2022	BlueShield Access+ Pre-Tax	137	51	55	243
2022	BlueShieldPPO-Pre Tax	4	3	1	8
2022	Health Ins Blue Shield Pre-Tax	83	40	24	147
2022	Health Ins Kaiser Pre-Tax	346	151	101	598
2022	HealthNet CanopyCare HMO		1		1
	Grand Total	570	246	181	997
2023	BlueShield Access+ Pre-Tax	136	50	49	235
2023	BlueShieldPPO-Pre Tax	9	6		15
2023	Blue Shield Pre-Tax	78	34	23	135
2023	Kaiser Pre-Tax	387	151	109	647
2023	HealthNet CanopyCare HMO	9	2	2	13
	Grand Total	619	243	183	1045
2024	BlueShield Access+ Pre-Tax	139	47	51	237
2024	BlueShieldPPO-Pre Tax	11	3		14
2024	Health Ins Blue Shield Pre-Tax	73	34	23	130
2024	Health Ins Kaiser Pre-Tax	389	147	110	646
2024	HealthNet CanopyCare HMO	12	1	2	15
	Grand Total	624	232	186	1042

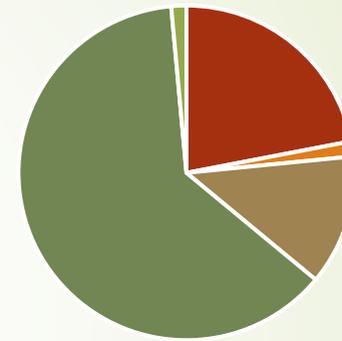
CCSF Employees Enrolled in Medical Plans

2022



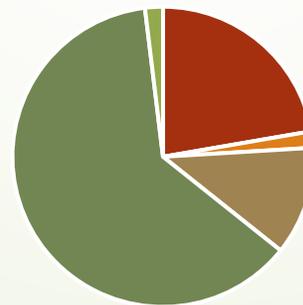
- BlueShield Access+ Pre-Tax
- BlueShieldPPO-Pre Tax
- Health Ins Blue Shield Pre-Tax
- Health Ins Kaiser Pre-Tax
- HealthNet CanopyCare HMO

2023



- BlueShield Access+ Pre-Tax
- BlueShieldPPO-Pre Tax
- Blue Shield Pre-Tax
- Kaiser Pre-Tax
- HealthNet CanopyCare HMO

2024



- BlueShield Access+ Pre-Tax
- BlueShieldPPO-Pre Tax
- Health Ins Blue Shield Pre-Tax
- Health Ins Kaiser Pre-Tax
- HealthNet CanopyCare HMO