

Proposed SFHSS General Fund Administration Budget FYE 2025 and FYE 2026

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Background and Board Action

- The General Fund Administrative Budget is the biannual administrative budget guided by the Mayor's budget instructions and priorities
- Based on the City's projected fiscal deficits, Mayor's budget has set \$430K cost reduction target for HSS.
- The Mayor has also requested a contingency plan of an additional \$215K savings. This plan may be implemented after the financial projection update in March 2025.
- Mayor's guidance is to use attrition to meet the cost reduction targets
- The proposed budget includes requests by HSS to meet our strategic goals and meets the Mayor's target
- Recommendation to the Board:
 - APPROVE SAN FRANCISCO HEALTH SERVICE SYSTEM FYE 2025 AND FYE 2026 PROPOSED GENERAL FUND ADMINISTRATIVE BUDGET AND GENERAL FUND CONTINUING AUTHORITY FUND

HSS Budget Overview

Health Benefits Trust – \$844M CCSF aggregate plan cost

- HSS Impact
 - Rates negotiation, RFPs
 - Manage flex funded plans
 - Wellness activities to promote health
 - Mental Health EAP services
 - Member support for open enrollment

General Fund - \$13.9M

- Targeted reduction of 10% in FYE 2025 and an additional 5% contingency plan

General Fund - Continuing Authority Fund – 1M

- Dream Keeper fund transfer from DPH beginning in FYE 2024

Healthcare Sustainability Fund - \$5 M

- Use for member communications, programs to reduce healthcare costs and member well-being programs
- Funded with \$3 pmpm charge in benefit costs. The charge was last increased in plan year 2017
- Proposing \$1 assessment increase to keep the fund sustainable
- Current Annual revenue is \$2.5M
- Uses above \$2.5M reduce balance accumulated in prior years

General Fund Budget Highlights

The main changes in the budget are as follows:

- Continue First Responder EAP program funded by the supported departments - \$259K
- Additional legal expenses for plan year 2026 health plan RFP - \$75K
- Cost of HSB Election - \$70K
- Movement of 2 Manager positions to HSF to meet GF budget target - \$521K

General Fund Proposed Budget vs Target

\$ in thousands

The proposed budget meets the Mayor's Budget Target

	FYE 25	FYE 26
Starting Budget Expenses	13,823	14,207
Savings Target, excluding FYE 2024 mid year savings	(301)	(298)
Target Expenses	13,522	13,909
Proposed Expenses	13,782	13,909
Less First Responder funded by departments	(260)	0
Adjusted Proposed Expenses	13,523	13,909
Variance From Target	(0)	0

The proposed plan to meet the additional 5% contingency target is to increase attrition by 1 more vacant position.

General Fund Budget

\$ in thousands

	FYE 23 Act.	FYE 24 Budget	FYE 25			FYE 26		
			Myr. Proposed includes	HSS Adj	HSS Proposed Budget	Myr. Proposed includes	HSS Adj	HSS Proposed Budget
General Fund FTE's	37.65	47.65	47.07	(2.00)	45.07	47.06	(2.00)	45.06
Healthcare Sustainability Fund FTE's	4.75	9.35	9.35	2.00	11.35	6.35	5.00	11.35
Total FTE's	42.40	57.00	56.42	-	56.42	53.41	3.00	56.41
Sources								
Charges for Services		9	9	(9)		9	(9)	
Other Revenues		460	641		641	475		475
Expenditure Recovery	12,561	13,200	13,173	(292)	12,882	13,723	(289)	13,434
EAP recovery		193		260	260			
General Fund Support - Carryforward	278							
Sources Total	12,839	13,862	13,823	(41)	13,782	14,207	(298)	13,909
Uses - Operating Expenditures								
Personnel								
Salaries	5,411	6,309	6,413	(385)	6,028	6,695	(400)	6,295
Mandatory Fringe Benefits	2,517	2,614	2,662	(136)	2,526	2,767	(141)	2,626
Personnel Total	7,928	8,923	9,075	(521)	8,553	9,461	(541)	8,920
Non-Personnel Services Total								
Training and Travel	26	30	25	()	25	25	15	40
Software Licenses	122	170	123	(53)	70	123	(55)	68
Contracts	2,125	2,273	2,119	308	2,427	2,116	212	2,328
Other	20	50	65	16	80	65	(12)	53
Non-Personnel Services Total	2,293	2,523	2,332	271	2,603	2,329	160	2,489
Materials & Supplies	35	44	40	23	63	40	60	100
Services of Other Departments	1,923	2,372	2,377	186	2,564	2,377	23	2,400
Uses Total	12,180	13,862	13,823	(41)	13,782	14,207	(298)	13,909

General Fund – Labor and Benefits

	Act. FYE 20	Act. FYE 21	Act. FYE 22	Act. FYE 23	FYE 24 Budget	FYE 25			FYE 26		
						Myr. Proposed	HSS Adj	HSS Proposed Budget	Myr. Proposed	HSS Adj	HSS Proposed Budget
GF	48.44	46.55	43.38	37.65	47.65	47.07	(2.00)	45.07	47.06	(2.00)	45.06
HSF	6.25	6.71	8.35	4.75	9.35	9.35	2.00	11.35	6.35	5.00	11.35
Total FTE's	54.69	53.26	51.73	42.40	57.00	56.42	-	56.42	53.41	3.00	56.41

- Budget FTE changes consist of moving the Well Being and Communications manager positions to HSS
- The numbers above exclude 6 FTEs held for attrition

General Fund - Continuing Authority Fund – Dream Keeper

The Dream Keeper Initiative is a citywide effort launched in 2021 to reinvest \$60 million annually into San Francisco’s diverse Black communities. This Initiative is part of Mayor London N. Breed’s roadmap for reforming public safety and addressing structural inequities in San Francisco.

The Dream Keeper Initiative aims to break the cycle of poverty and involvement in the criminal justice system for the families in City programs and ensure that new investments, including in youth development, economic opportunity, community-led change, arts and culture, workforce, and homeownership, are accessible to San Francisco’s families who are most in need.

The \$1 million transfer to HSS will provide group sessions as follows:

Service	FY23-24 (Jan.-Jun.)	FY24-25	FY25-26	All Years
Staff Including medical fringe benefits -			Adjusted	
Principal Administrative Analyst - 1824 (PEX/TEX) *	122	249	102	473
Senior Health Program Planner - 2820(PEX/TEX) *	0	220	91	311
Clinician Cost				
Number of Groups				
	4	50		
	5	65		
	7		101	101
<i>Total</i>	173	534	294	1,000
<i>* Job classification subject to DHR review</i>				

Recommendation to HSB

Approve the San Francisco Health Service System Fiscal Year 2024-2025 and Fiscal Year 2025-2026 General Fund Administrative Budget and General Fund Continuing Authority Fund.

Appendix

CCSF Fiscal Outlook –Major Assumptions in Forecast

Decline or nominal growth in major tax revenues:

- Ongoing reductions to property tax as office market resets. **High office vacancies** negatively impact property, business, and transfer taxes. Transfer taxes at 2011 levels, tepid business tax growth.
- **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.

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 2024-25	Projection 2025-26	Projection 2026-27	Projection 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)			

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Mayor's Budget Instructions to Departments

- Reduce General Fund support: 10% in FY 24-25 and 10% in FY 25-26.
- Submit contingency proposals of ongoing 5% in each year.
- Departmental budget reductions will help address only portions of total shortfall –the Mayor's Office will convene departments to propose further citywide solutions and strategies.
- Implement mid-year cuts that are ongoing in FY 24-25 & FY 25-26.
- Do not add new FTE. Prioritize staffing key areas related to public safety and essential operations. Eliminate remaining vacancies for savings.
- Departments should only fill essential FTE in the current year and plan towards using additional vacancies for budget savings.
- Focus on core department operations & services. Eliminate costs supporting non-essential, discretionary or redundant service areas.