

Memorandum

DATE: February 8, 2018

TO: Randy Scott, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: San Francisco Health Service System FY 2018-19 and FY 2019-20 Proposed General Fund Administration Budget

This is the second meeting regarding the San Francisco Health Service System (SFHSS) FY 2018-19 and FY 2019-20 General Fund Administration Budget. At today's meeting, the proposed budget will be presented for approval by the Health Service Board (Board).

The proposed budget meets the Mayor's instructions for each fiscal year. Additional funding will be requested for:

- FY 2018-19 to fund equipment purchases required for the SFHSS Continuity of Operations Plan (COOP) pursuant to the City and County of San Francisco Disaster Preparedness, Response, Recovery and Resiliency Policy.
- FY 2019-20 to restore professional service contracts to FY 2018-19 funding levels.

It is also anticipated that, during the Mayor's phase of the budget process, additional changes may be proposed by the new SFHSS Director, Abbie Yant.

Mayor's Budget Instructions for FY 2018-19 and FY 2019-20

At the January 11, 2018 Board meeting, the Mayor's budget instructions were discussed. The instructions are as follows:

- Propose ongoing reductions equal to \$83,551 in FY 2018-19. In FY 2019-20, maintain the reductions proposed in FY 2018-19 and propose an additional reduction of \$83,551.
- Maintain the current level of budgeted and funded Fulltime Employee (FTE) counts – authorized FTEs less attrition.
- Consider long-term savings and cost avoidance initiatives.
- Reflect the five vision areas set forth in the City-wide strategic planning process.¹
- Foster community engagement in the budget development process through /Board meetings.
- Consider independent reviews and audits when developing budget submissions.

¹ Available at <http://sfmayor.org/strategy-and-performance>

Underlying Principles for SFHSS Budget Development

In addition to the Mayor's instructions, SFHSS applied the following overarching principals:

- The Healthcare Sustainability Fund (\$3.00 Budget) will be used to minimize cuts to the extent that the expenditures benefit all four employers as well as retirees.
- Additional funding will be requested for unfunded structural budget issues and City-wide initiatives.

Proposed Budget Summary

The following tables summarize the proposed budget for FY 2018-19 and FY 2019-20:

Table One - Summary					
	FY 2017-18 Budget	FY 2018-19 Base Budget	FY 2018-19 Proposed Budget	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget
Revenues					
Non-Operating	\$ 456,530	\$ 456,530	\$ 456,530	\$ 456,530	\$ 456,530
Operating	6,000	6,000	6,000	6,000	6,000
Recoveries	10,981,725	11,345,332	11,261,781	11,720,013	11,552,911
Total	\$ 11,444,255	\$ 11,807,862	\$ 11,724,311	\$ 12,182,543	\$ 12,015,441
Expenditures	\$ 11,444,255	\$ 11,807,862	\$ 11,724,311	\$ 12,182,543	\$ 12,015,441
Change			\$ (83,551)	-	\$ (167,102)

Table Two - Details By Expenditure Category			
	FY 2017-18 Budget	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Personnel	\$ 7,698,806	\$ 8,015,171	\$ 8,380,926
<i>Change Per Controller's Office</i>		316,365	365,755
Non-Personnel			
Training	\$ 19,884	\$ 16,755	\$ 15,715
Software Licenses	30,756	12,200	11,700
Contracts	1,389,716	1,424,981	1,352,474
Other Non-Personnel	88,846	85,865	85,865
Total Non-Personnel	\$ 1,529,202	\$ 1,539,801	\$ 1,465,754
<i>Change</i>		\$ 10,599	\$ (74,047)
Online Premium Payment Project	150,000	-	-
<i>Change</i>		\$ (150,000)	\$ -
Materials and Supplies	\$ 49,915	\$ 43,202	\$ 42,624
<i>Change</i>		\$ (6,713)	\$ (578)
Work Orders	\$ 2,016,332	\$ 2,126,137	\$ 2,126,137
<i>Change</i>		109,805	-
Grand Total	\$ 11,444,255	\$ 11,724,311	\$ 12,015,441
<i>Change</i>		\$ 280,056	\$ 291,130

Personnel Expenditures

Salaries and fringes for SFHSS personnel are funded by the General Fund and by the \$3.00 Budget. Table Three summarizes the FTEs by fiscal year and funding sources. The number of positions funded from the \$3.00 Budget in FY 2018-19 increases by 0.22 FTEs. One FTE is involved with management of projects funded through the \$3.00 Budget. The second FTE handles the review and revision of materials provided by the plans to members both during Open Enrollment and during the year. FTE counts for temporary positions and attrition are based on salary and account for the other minor FTE changes.

Table Three - Positions (FTE)			
	FY 2017-18 Budget	FY 2018-19 Request	FY 2019-20 Request
General Fund			
SFHSS Administration	45.87	45.65	45.65
Well-Being and Employee Assistance Program (EAP)	7.00	7.00	7.00
Temporary Positions	0.12	0.11	0.11
Total General Fund	52.99	52.76	52.76
<i>Change</i>		-0.23	0.00
\$3.00 Budget	3.13	3.35	3.35
<i>Change</i>		0.22	0
Total Authorized Positons	56.12	56.11	56.11
Attrition	-2.00	-1.82	-1.87
Funded Positions	54.12	54.29	54.24

Overall, the budget for SFHSS salaries and fringes increases by over four (4) percent each year as outlined in Table Four. The increase between the fiscal years is based on assumptions by the Controller and Mayor’s Office for increases in wages, employer pension contributions, and health costs.

Table Four - Funding			
	FY 2017-18 Budget	FY 2018-19 Request	FY 2019-20 Request
Salaries and Fringes	\$ 7,698,806	\$ 8,015,171	\$ 8,380,926
Change		\$ 316,365	\$ 365,755
Percent Change		4.11%	4.56%

The increases in Personnel Services are offset by reductions in Non-Personnel Services, Materials and Supplies, and Work Orders.

Other Expenditures

The changes between the FY 2017-18 budget and the proposed budget for FY 2018-19 and FY 2019-20 are discussed below.

Training

The allocation for Board Education is left unchanged. The proposed reduction in training does not impact SFHSS service levels.

Table Five - Details By Expenditure Category			
	FY 2017-18 Budget	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Training			
Administration/Operations/EAP/Well-Being	\$ 9,884	\$ 6,755	\$ 5,715
Board Education	10,000	10,000	10,000
Total	\$ 19,884	\$ 16,755	\$ 15,715
Change		\$ (3,129)	\$ (1,040)

Software Licenses

During the development of the proposed budget, SFHSS evaluated the software licenses. Licenses specifically relating to the dissemination of information to SFHSS members per San Francisco City Charter section A8.423 will be moved to the \$3.00 Budget. These include licenses used by Communications and Member Services for plan benefits.

Table Six - Details By Expenditure Category			
	FY 2017-18 Budget	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Software Licenses			
General License Required for SFHSS Operations	\$ 12,050	\$ 10,100	\$ 9,600
One-time expenditures and Workorders	1,238		
Communications Related (Move to the \$3.00 Budget)	2,568		
Electronic Content Management System - (Move to the \$3.00 budget)	14,900		-
Total	\$ 30,756	\$ 10,100	\$ 9,600
Change		\$ (20,656)	\$ (500)

Contracts

When the FY 2017-18 budget was developed, SFHSS implemented a \$190,000 reduction in contracts with a combination of reallocating expenditures to the \$3.00 Budget and adjusting the General Fund budget to actuals. Prior year structural budget issues have been addressed by limiting contractual obligations, however, this practice if continued will ultimately adversely affect SFHSS services.

Over the last three years, the number of SFHSS members participating in Health Care and Dependent Care Flexible Spending Accounts (FSAs) has increased, especially since the implementation of the IRS \$500.00 carryforward rule in 2014. The budget for the administration of FSAs has not kept up with actual expenditures and a deficit of \$100,000 is projected in FY 2017-18. This structural budget deficit in contracts is partially addressed in FY 2018-19 with \$80,000 in additional funding. However, given the \$167,102 reduction target in FY 2019-20, the \$80,000 is eliminated from the budget. SFHSS will request

restoration of the \$80,000 for FSA administration from the Mayor's Office in FY 2019-20.

In addition, the budget for the Well-Being programs in City Departments is adjusted to prior year actuals. The grants program application process is under review and grants will only be awarded one time per calendar year.

Table Seven - Details By Expenditure Category			
	FY 2017-18 Budget	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Contracts			
Actuarial Services	\$ 759,914	\$ 759,914	\$ 759,914
Management Benefits Administration	33,165	23,165	23,165
Outside Auditor	86,804	91,144	91,144
Electronic Content Management System - (Move to the \$3.00 budget)	17,289	-	-
FSA/COBRA Administration	220,597	300,758	220,758
Well-Being Programs for City Departments (based on actuals)	271,947	250,000	257,493
Total	\$ 1,389,716	\$ 1,424,981	\$ 1,352,474
Change		\$ 35,265	\$ (72,507)

Other Non-Personnel and One-time Projects

There are minor changes proposed in Other Non-Personnel expenditures due to moving Well-Being printing, in part, to the \$3.00 Budget. In addition, the Online Premium Payment Project funded in FY 2017-18 is a one-time project.

Table Eight - Details By Expenditure Category			
	FY 2017-18 Budget	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Other Non-Personnel	\$ 88,846	\$ 87,965	\$ 87,965
Change		\$ (881)	\$ -
Online Premium Payment Project (COIT Funding)	\$ 150,000	\$ -	\$ -
Change		\$ (150,000)	\$ -

Materials and Supplies

The Materials and Supplies budget is reduced in the proposed budget. Wellness Center equipment was moved to the \$3.00 Budget. Additionally, the inventory of Employee Assistance Program (EAP) training materials is sufficient to cover FY 2018-19. Additional materials will be purchased in FY 2019-20.

Table Nine - Details By Expenditure Category			
	FY 2017-18 Budget	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Materials and Supplies	\$ 49,915	\$ 43,202	\$ 42,624
Change		\$ (6,713)	\$ (578)

Work Orders

The budget for most Work Orders is determined by negotiations between the Mayor's Office and the departments providing the associated services. When the budget was provided to SFHSS, Work Orders were increased by \$124,805 in FY 2018-19. The proposed budget reduces the original allocation by \$15,000 to reflect underspending on outside legal review.

Table Ten - Details By Expenditure Category			
	FY 2017-18 Budget	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Work Orders			
Work Orders Entered into the Budget System	\$ 1,831,332	\$ 1,956,137	\$ 1,956,137
Outside Legal Review (based on usage)	\$ 185,000	\$ 170,000	\$ 170,000
Total	2,016,332	2,126,137	2,126,137
Change		\$ 109,805	\$ -

Additional Funding Requests

SFHSS will be submitting two requests for additional funding. The first request is for the restoration of the \$80,000 for FSA/COBRA administration in FY 2019-20.

Table Eleven - Additional Funding Requests		
	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Contracts		
Restore funding for FSA/COBRA Administration	\$ -	\$ 80,000

The second one-time funding request is for equipment for SFHSS's Continuity of Operations Plan (COOP). This City initiative requires departments to develop a plan to ensure the delivery of services during and after a disaster. The nature of the work performed by SFHSS requires that the COOP cover situations that impact either the City as a whole, or situations where SFHSS facilities are no longer available. The following request will be submitted:

Table Twelve - Additional Funding Requests		
	FY 2018-19 Proposed Budget	FY 2019-20 Proposed Budget
Equipment for Disaster Preparedness, Response, Recovery and Resiliency Project		
PC Systems and Monitors	\$ 16,200	-
Phones and Headsets	2,400	\$ -
High Speed Scanner	7,000	\$ -
Total	\$ 25,600	-

Next Steps

Upon approval by the Board, the FY 2018-19 and FY 2019-20 proposed budget will be presented to the Mayor on February 21, 2018. Negotiations will occur with the Mayor’s Office to determine what will be included in the Mayor’s budget proposal submitted to the Board of Supervisors on June 1, 2018. SFHSS will advise the Board on the changes made by the various offices at upcoming Board meetings.

FY 2018-19 and FY 2019-20 General Fund Administration Budget

February 8, 2018

General Fund Administration Budget

	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Salaries and Fringes	68.36%	69.75%
Professional Services	12.15%	11.26%
Other Non-Personnel	0.98%	0.94%
Materials and Supplies	0.37%	0.35%
Workorders	18.13%	17.70%
Total Budget	\$11.72 Million	\$12.02 Million

General Fund Administration Budget Balancing – Three Pronged Strategy

	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Fund Structural Issues	\$ 84,340	\$ 4,340
Adjust Budget to Actuals	(77,929)	(79,636)
Transfer to \$3.00 Budget	(89,962)	(91,806)
GRAND TOTAL	\$ (83,551)	\$ (167,102)

General Fund Administration Budget – Fund Structural Issues

	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Non-Personnel		
Professional Services	\$ <u>84,340</u>	\$ <u>4,340</u>
Grand Total	\$ 84,340	\$ 4,340

General Fund Administration Budget Balancing – Adjust Budget to Actuals

	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Personnel	\$ (21,332)	\$ (28,414)
Non-Personnel		
Training	\$ (4,800)	\$ (5,840)
Professional Services	(31,947)	(24,454)
Licenses	(1,443)	(1,943)
Other	<u>2,019</u>	<u>2,019</u>
	\$ (36,171)	\$ (30,218)
Materials and Supplies	\$ (5,426)	\$ (6,004)
Work Orders	\$ (15,000)	\$ (15,000)
Grand Total	\$ (77,929)	\$ (79,636)

General Fund Administration Budget Balancing – Transfer to \$3.00 Budget When Expenditures Benefit All SFHSS Members

	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Personnel	\$ (51,105)	\$ (52,949)
Non-Personnel		
Professional Services	\$ (17,289)	\$ (17,289)
Licenses	<u>(19,568)</u>	<u>(19,568)</u>
Total Non-Personnel	\$ (36,857)	\$ (36,857)
Materials and Supplies	\$ (2,000)	\$ (2,000)
Grand Total	\$ (89,962)	\$ (91,806)

General Fund Administration Budget – Additional Funding Requests

	<u>FY 2018-19</u>	<u>FY 2019-20</u>
Professional Services		
Restore funding for FSA/COBRA Administration	\$ -	\$ 80,000
Equipment for Disaster Preparedness, Response, Recovery and Resiliency Project		
PC Systems and Monitors	\$ 16,200	\$ -
Phones and Headsets	2,400	-
High Speed Scanner	<u>7,000</u>	-
	\$ 25,600	\$ -
GRAND TOTAL	\$ 25,600	\$ 80,000