

# Mayor's Budget Instructions and Opportunity for Public Input

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# Mayor's Budget Instruction for SFHSS General Fund FY 2026 and 2027

# HSS Budget Overview

## **Health Benefits Trust** – \$1,041M CCSF aggregate plan cost

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

## **General Fund - \$12.7M**

- Targeted ongoing reduction of \$600K

## **Healthcare Sustainability Fund - \$5.5 M**

- Use for member communications, programs to reduce healthcare costs and member well-being programs
- Funded with \$4 pmpm charge in benefit costs. The charge was last increased in plan year 2025
- Annual revenue of \$3.3M

# Mayor's Priorities

- Maintaining core city services including public safety and clean streets
- Continue significant progress decreasing unsheltered homelessness; ensuring effective mental health treatment
- Propose opportunities to improve operational efficiency in service delivery and reporting across all areas of City services

# CCSF Fiscal Outlook –Major Assumptions in Forecast

- Rate of expenditure growth far outpaces the City’s General Fund Revenues – creating an **\$876M** two-year deficit (**\$253M** deficit in FY 2025-26, **\$623M** in FY 2026-27)
- **Expenditure growth of \$1.7B far surpasses revenue growth of \$520M** over the next five years
- **Very modest economic and revenue growth**, does not assume recession
- **Delayed or revised growth in major tax revenues:** shift of revenue timing for business tax as part of voter approval of Prop M, slower property tax recovery and hospitality sector rebound, reduced availability of one-time sources.
- **Salary & Benefits:** Consumer Price Index (CPI) growth on all open contracts assumed July 1 from FY 2028-29 onward; 7.2% rate of return on pension investments
- **Citywide & Departmental Costs:** CPI growth on non-personnel costs, full funding of Ten-Year Capital & Information and Communication Technology (ICT) Plans by FY 2026-27

Table 2: Base Case – Summary of FY 2025-30 General Fund-Supported Projected Budgetary Annual Surplus/(Shortfall) (\$ millions)

	Change from	Projection				
	AAO Budget	2025-26	2026-27	2027-28	2028-29	2029-30
<b>SOURCES Increase / (Decrease)</b>	(203.2)	(9.2)	132.9	225.8	350.4	518.6
<b>Uses</b>						
Baselines & Reserves	(1.5)	(53.6)	(147.1)	(232.1)	(255.8)	(254.0)
Salaries & Benefits	0.4	(175.7)	(350.4)	(607.0)	(795.3)	(943.1)
Citywide Operating Budget Costs	(7.0)	(18.7)	(125.0)	(235.4)	(316.1)	(392.5)
Departmental Costs	(41.8)	4.0	(133.1)	(204.6)	(317.8)	(400.2)
<b>USES Decrease / (Increase)</b>	(50.0)	(244.0)	(755.7)	(1,279.1)	(1,684.9)	(1,989.8)
<b>Projected Cumulative Projected Surplus / (Shortfall)</b>	(253.2)	(253.2)	(622.7)	(1,053.3)	(1,334.5)	(1,471.2)
<b>Two-Year Deficit</b>		(875.9)				

# Mayor's Budget Instructions to Departments

- Permanently reduce General Fund spending by 15% beginning in FYE 2026
- Assess Community Based Organizations (CBO) grant allocations for efficiency. Only fund community-based organizations that demonstrate strong outcomes and cost-effectiveness, focused on direct service to clients
- Re-examine all contractual services and non-personnel expenditures
- Eliminate vacancies, do not add any new FTEs. Hire only for core department functions
- Consider hiring freezes. Layoffs are not preferred, but if necessary to meet the target, please identify specifics in the budget submission
- Year 2 only
  - Reorganize to eliminate redundancy. Mayor's Budget Office (MBO) will work with departments to identify programs for year two consolidation
  - Update nonprofit Cost of Living Adjustment (COLA) from base to reflect CPI (revise from 3% down to 2.4%) in year two
- Other
  - Do not book travel. Effective 12/15/24, City-funded overnight and or air travel is prohibited unless required by an outside funder or third-party agreement. MBO will be monitoring travel expenditures monthly
  - Prepare grant performance data. During the Mayor's budget phase, MBO may request detailed program and grant level performance data for all existing grants to CBOs

# Budget Calendar

January 9 - Mayor's Instructions, 1<sup>st</sup> Opportunity for Public Input

February - HSB Finance Committee, 2<sup>nd</sup> Opportunity for Public Input, TBD

February 13 - HSB Review and Approval

February 21 - Budget submissions to CCSF

June 1 - The Mayor proposes a balanced budget to the Board of Supervisors

June 12 - Present Mayor's revisions to HSB

June - Budget and Appropriations Committee hearings

July - Budget considered by the Board of Supervisors

# Opportunity for Public Input