

Memorandum

DATE: June 11, 2020

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: San Francisco Health Service System Revised FY 2020-21 and FY 2021-22 Proposed General Fund Administration Budget

The COVID-19 virus has severely impacted the City and County's General Fund revenues. The aggregate deficit has grown from \$420 million to \$1.7 billion for FY 2020-21 and FY 2021-22. In order to address the shortfall, the Mayor's Office and Board of Supervisors have delayed approval of the FY 2020-21 and FY 2021-22 budget from July 2020 to October 2020. New budget instructions were issued by the Mayor, on May 18, 2020 for development of a revised FY 2020-21 and FY 2021-22 budget. The revised budget is due to the Mayor's Office on June 12, 2020. The new instructions supersede the previous ones so that the budget process is starting anew.

This memo provides information on the Mayor's Budget instructions and the FY 2020-21 and FY 2021-22 San Francisco Health Service System (SFHSS) Revised General Fund Administration Budget. Approval of the Revised Budget is requested today.

Mayor's Revised Budget Instructions for FY 2020-21 and FY 2021-22

The revised budget instructions are as follows:

1. General Fund departments' proposals must consist of mandatory budget reductions to close the deficit.

For FY 2020-21, the mandatory budget reduction is 10% of the General Fund support. The value is \$360,349. In addition, a contingency reduction of 5% must be submitted but the Mayor's office may not need it to balance unless fiscal conditions worsen. The amount is \$180,325.

For FY 2021-22, the mandatory cut is 15% of the General Fund support, however this is not in addition to the 10% reduction. The value of the 15% is \$540,574.

2. Personnel costs must be reduced.

A hiring freeze that began in March 2020 will continue through FY 2020-21. The exception to the freeze is for positions that are critical to the department's operations. In addition, vacant positions should be eliminated unless there is an over-riding reason not to. In this case, the attrition must be increased to reflect the savings for not filling the positions.

3. Operations must be streamlined and consolidated.
4. New revenue options may be proposed.
5. Budget decisions should be based on guidance from the DPH Health Officer and other City departments regarding office re-openings, whether services must be delivered in-person or if they can be delivered remotely, and how increasing the use of technology can help operations to be provided online.

FY 2020-21 and FY 2021-22 Proposed Revised Budget

There are many overarching principles that will be used in developing the Revised Budget. The Revised Budget proposals must be consistent with the SFHSS Strategic Plan and reflect how services will be provided in the current environment. The City has issued strict guidance for planning any return to the office and working remotely will be the primary way that SFHSS will provide services for the foreseeable future. SFHSS must also consider what services were done in-person in the pre-COVID world that will not be possible in the future due to social distancing requirements. In addition, technology will be used to streamline work processes.

Positions

In April, the Mayor’s Office instituted a hiring freeze that will last at a minimum until the end of FY 2020-21 but may extend into FY 2021-22. The Mayor’s Office will only fill mission critical positions. Since there are several vacant positions that cannot be filled, it is more advantageous in the budget to increase the attrition rather than cut positions outright. When the City finances do improve, SFHSS will still have the position authority and will not need to re-justify adding them back to the budget.

Positons (FTE)							
	FY 2020-21 Revised Base FTE	FY 2020-21 Proposed Revised FTE	Change FY 2020-21 Proposed vs. Revised Base		FY 2021-22 Revised Base FTE	FY 2021-22 Proposed Revised FTE	Change FY 2021-22 Proposed vs. Revised Base
General Fund							
SFHSS Administration	45.65	45.65	0		45.65	45.65	0
Well-Being and Employee Assistance Program (EAP)	6.74	6.74	0		6.74	6.74	0
Temporary Positions	0.11	0.11	0		0.10	0.10	0
Total General Fund	52.5	52.5	0		52.49	52.49	0
Attrition	-2.66	-5.32	-2.66		-2.66	-4.05	-1.39
Funded Positions - General Fund	49.84	47.18	-2.66		49.83	48.44	-1.39

Expenditures

The reductions in the budget are made from the Revised Base Budget. Due to the City’s delay of cost of living increases the revised base budget is less than the budget that was approved by the Board in February.

In developing the revised budget, the expenditure reductions proposed in the budget submitted in February, are a part of the mandatory reduction. When possible, the increases in expenditures that were proposed in the February budget are carried into the Revised Budget if they are considered mission critical. For example, many employees are required to have certificates to perform their jobs which may not be able to be delayed.

Workorders with other departments, that have been historically over budgeted, were evaluated and reduced to appropriate levels. For example, the cost of leasing the office space at 1145 Market is overbudgeted and

this would have been adjusted in the Mayor’s phase of budget development and therefore not count against our reduction target. In the Revised Budget, the Mayor’s Office is allowing the savings to be part of the mandatory reductions.

FY 2020-21 Revised Budget

The following table provides the FY 2020-21 Proposed Budget approved by the Board in February and the Revised Budget that includes the \$360,649 mandatory reduction.

FY 2020-21 Mandatory Reduction						
	Budget Approved by HSB in February (reduction target \$126,227)			Revised Budget (Mandatory Reduction from Revised Base \$360,649)		
	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget	Change FY 2020-21 Proposed vs. Base	FY 2020-21 Revised Base	FY 2020-21 Proposed Revised	Change FY 2020-21 Proposed vs. Revised Base
Personnel	\$ 8,540,367	\$ 8,582,867	\$ 42,500	\$ 8,400,865	\$ 7,969,391	\$ (431,474)
Non-Personnel						
Training	\$ 23,266	\$ 33,582	\$ 10,316	\$ 23,266	\$ 31,072	\$ 7,806
Software Licenses	19,355	14,035	(5,320)	19,355	14,035	(5,320)
Contracts	1,327,633	1,322,658	(4,975)	1,327,633	1,513,376	185,743
Onsite Activities	195,693	205,453	9,760	195,693		(195,693)
Well-Being Grants	161,759	70,073	(91,686)	161,759	161,759	-
Credit Card Fees	65,000	20,000	(45,000)	65,000	20,000	(45,000)
Other Current Expenses	48,398	45,081	(3,317)	48,398	45,081	(3,317)
Total Non-Personnel	\$ 1,841,104	\$ 1,710,882	\$ (130,222)	\$ 1,841,104	\$ 1,785,323	\$ (55,781)
Materials and Supplies	\$ 45,130	\$ 49,125	\$ 3,995	\$ 45,130	\$ 49,085	3,955
Work Orders	\$ 2,261,307	\$ 2,218,807	\$ (42,500)	\$ 2,261,307	\$ 2,040,954	\$ (220,353)
Grand Total	\$ 12,687,908	\$ 12,561,681	\$ (126,227)	\$ 12,548,406	\$ 11,844,753	\$ (703,653)
Contingency Reduction						\$ (360,649)
Expanded Employee Assistance Programs Added in April						\$ 343,004

As previously discussed, attrition is increased in the FY 2021-22 Revised Budget in order to retain position authority. Funding for Training is reduced from the level requested in the February submission, since there will be no associated travel or lodging costs. In addition, due to social distancing requirements, the funding for Onsite Well-Being Activities is repurposed for other non-in-person Well-Being programs focusing on Mental Health. Materials and Supplies reflect the increases proposed in the February budget and rent is reduced to reflect over-budgeting in prior years. In FY 2020-21, the savings in rent will be used to partially fund the expansion of the Employee Assistance Program that was rolled out in April. The balance after the mandatory \$360,649 reduction will be used to fund the expanded EAP services that were added in April.

FY 2020-21 Contingency Budget

Based on the Mayor's budget instructions, SFHSS was directed to propose an additional \$180,325 reduction as a Contingency Plan that may be necessary to balance the City budget.

FY 2020-21 Contingency Plan			
	Contingency (Reduction \$180,325)		
	FY 2020-21 Proposed Revised	Proposed Budget	Change FY 2020-21 vs Revised Base
Work Orders	\$ 2,040,954	\$ 1,860,629	\$ (180,325)
Grand Total	\$ 2,040,954	\$ 1,860,629	\$ (180,325)
Contingency Reduction			\$ (180,325)

The Contingency Plan includes further reductions in rent due to historical over budgeting and elimination of the workorder with Recreation and Park for the fitness instructors since in-person classes will not be possible in FY 2020-21.

FY 2021-22 Revised Budget

The table on the following page provides the FY 2021-22 Proposed Budget approved by the Board in February and the proposed Revised Budget that includes the \$540,974 mandatory reduction.

As in the FY 2020-21 Revised Budget, attrition is increased, in order to preserve position authority, but at a lower dollar value. This decrease assumes that SFHSS will be able to fill some of the important positions that were left vacant in FY 2021-22. The request for Training, in the FY 2021-22 Revised Budget, is less than that found in the February Budget submission based on the continued assumption that no travel or lodging will be possible, and funding for the EAP Counselor's certifications also decreases since many will be obtained in FY 2020-21. Funding for Contracts reflects the proposed increase reflected in the February Budget submission which is offset by continuation of the reductions made in the FY 2020-21 Revised Budget. It is also assumed that On-Site Well-Being activities will not be possible in FY 2021-22. The overbudgeting for rent is also reflected in the FY 2021-22 Revised Budget.

FY 2021-22 Revised Budget						
	Budget Approved by HSB in February (reduction target \$252,455)			Revised Budget (Mandatory Reduction from Revised Base \$540,974)		
	FY 2021-22 Base Budget	FY 2021-22 Proposed Budget	Change FY 2021-22 Proposed vs. Base	FY 2021-22 Revised Base Budget	FY 2021-22 Proposed Budget	Change FY 2021-22 Proposed vs. Revised Base
Personnel	\$ 8,783,599	\$ 8,826,099	\$ 42,500	\$ 8,840,794	\$ 8,603,096	\$ (237,698)
Non-Personnel						
Training	\$ 23,266	\$ 25,822	\$ 2,556	\$ 23,266	\$ 23,481	\$ 215
Software Licenses	19,355	14,035	(5,320)	19,355	14,035	(5,320)
Contracts	1,327,633	1,330,487	2,854	1,327,633	1,520,472	192,839
Onsite Activities	195,693	142,637	(53,056)	195,693		(195,693)
Well-Being Grants	161,759	-	(161,759)	161,759	161,759	-
Credit Card Fees	65,000	20,000	(45,000)	65,000	20,000	(45,000)
Other Current Expenses	48,398	45,081	(3,317)	48,398	46,892	(1,506)
Total Non-Personnel	\$ 1,841,104	\$ 1,578,062	\$ (263,042)	\$ 1,841,104	\$ 1,786,639	\$ (54,465)
Materials and Supplies	\$ 45,130	\$ 55,717	\$ 10,587	\$ 45,130	\$ 55,717	10,587
Work Orders	\$ 2,261,307	\$ 2,218,807	\$ (42,500)	\$ 2,261,307	\$ 2,001,909	\$ (259,398)
Grand Total	\$ 12,931,140	\$ 12,678,685	\$ (252,455)	\$ 12,988,335	\$ 12,447,361	\$ (540,974)
Mandatory Reduction						\$ (540,974)

Next Steps

SFHSS will submit the FY 2020-21 and FY 2021-22 Revised Budget to the Mayor's Office on June 12, 2020 as required. We will work with the Mayor's Office until the budget becomes the purview of the Board of Supervisors on August 1, 2020. The Budget and Appropriations Committee hearings will take place in August and the Board of Supervisors will consider the budget in September. On October 1, 2020 the budget will be signed by the Mayor. During the months between July and October, SFHSS will be operating on the FY 2019-20 funding levels until the budget is approved for FY 2020-21.