

**SAN FRANCISCO HEALTH SERVICE SYSTEM
FISCAL YEAR 2022-23 AND FISCAL YEAR 2023-2024
PROPOSED GENERAL FUND ADMINISTRATIVE
BUDGET**

Presented by Iftikhar Hussain

February 9, 2022

Background and Board Action

- The General Fund Administrative Budget is the biannual administrative budget guided by the Mayor's budget instructions and priorities.
- Unlike prior year, the current year targets do not have reductions but also do not allow increases in expenses beyond inflation.
- We have had discussions with the Mayor's office about new needs. Based on that discussion, these need are listed separately from the budget in this presentation.
- The Mayor's office is considering these needs along with other requests and the final decision will be made by June.
- Recommendation to the Board:
 - APPROVE SAN FRANCISCO HEALTH SERVICE SYSTEM FISCAL YEAR 2022-23 AND FISCAL YEAR 2023-2024 PROPOSED GENERAL FUND ADMINISTRATIVE BUDGET
 - Approve HSS budget requests to Mayor's office. Any items approved by the Mayor's office will become part of the HSS budget.

Mayoral Priorities & Instructions

- Prioritize restoring San Francisco’s vibrancy, recovery, accountability, and equity
 - Restoring vibrancy in San Francisco, including improved public safety and street conditions
 - Recovery of the local economy driven by the return of residents, tourists, and office workers to downtown and public spaces; small business; housing production
 - Reprioritization of funding to improve core service delivery
 - Accountability & equity in programming, services, and spending
- Get “back to basics” and improve core service delivery within existing budget
- No mandatory reductions, but no increase to General Fund support

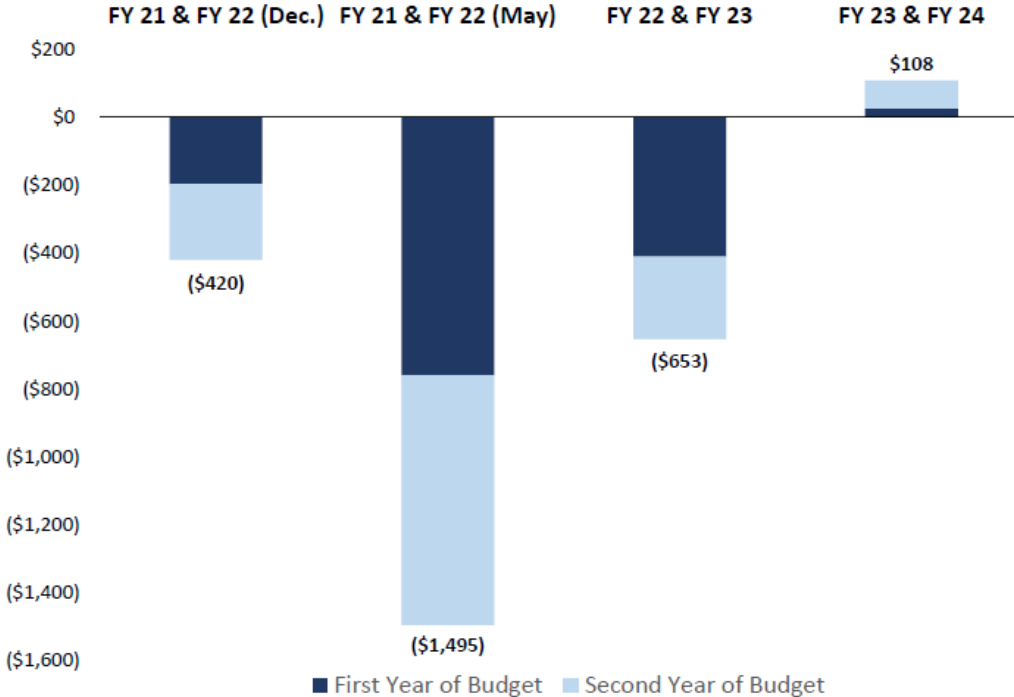
Mayor's Fiscal Outlook

Financial forecast projects a \$108.1 million **surplus** over the upcoming two budget years

Key Drivers:

- Overall growth in revenue
- Significant ongoing savings in retirement due to record returns
- Constrained ongoing cost growth

Deficit at Time of Budget Instructions (\$M)



Mayor's Financial Forecast

| | FY 2022-23 | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|-------------------|-------------------|-------------------|-------------------|
| <i>SOURCES Increase / (Decrease)</i> | 40.1 | 323.4 | 522.5 | 710.9 |
| Uses | | | | |
| Baselines & Reserves | (112.9) | (202.7) | (271.2) | (318.9) |
| Salaries & Benefits | (57.8) | (81.7) | (140.6) | (266.3) |
| Citywide Operating Budget Costs | 132.9 | 58.4 | (75.2) | (161.0) |
| Departmental Costs | 24.0 | (15.5) | (74.1) | (113.6) |
| <i>USES Decrease / (Increase)</i> | (13.9) | (241.5) | (561.1) | (859.8) |
| Projected Cumulative Projected Surplus/(Shortfall) | 26.2 | 81.9 | (38.6) | (148.9) |
| Two-year Surplus/(Shortfall) | 108.1 | | | |

HSS Impact on SF City and County Budget

SF City and County Non-Pension Benefits - \$845 M

- HSS Impact
 - Rates negotiation, RFPs
 - Manage self insured plans
 - Wellness
 - EAP
 - Open enrollment

General Fund - \$12.5 M – this presentation

- ***Ongoing Expenses***

Healthcare Sustainability Fund - \$4 M – this presentation

- Special projects
- Funded with \$3 pmpm charge in benefit costs
- Annual revenue of \$2.5 million.
- Amounts over \$2.5 million use up remaining balances from prior years

Trust (7Q)

- Funds flow of health benefit premiums charges and payments.

General Fund Budget before Requests to Mayor

- These amounts meet Mayor’s target
- Minor revisions to the base budget

| Table I. SFHSS Propose General Fund Administrative Budget - Achieving Mayor's Target Budget Reductions | 2022-2023 Budget Proposal Per MYR Target (GF) | Change From Requested to Revised/Target 2021-2022 | 2023-2024 Revised Base Budget (GF) | 2023-2024 Budget Proposal Per MYR Target (GF) | Change From Requested to Revised/Target 2022-2023 |
|--|---|---|------------------------------------|---|---|
| Approved FTEs | 56.59 | 0.00 | 56.83 | 56.83 | 0.00 |
| Non-Operating Positions (cap/other) | -9.40 | 0.00 | -9.61 | -9.61 | 0.00 |
| Net Operating Positions | 47.19 | 0.00 | 47.22 | 47.22 | 0.00 |
| Sources | | | | | |
| Charges for Services | 9,131 | 0 | 9,131 | 9,131 | 0 |
| Other Revenues | 450,000 | -175,958 | 625,958 | 445,000 | (180,958) |
| Expenditure Recovery | 12,347,820 | 74,104 | 12,273,716 | 12,388,596 | 114,880 |
| General Fund Support | | 0 | | | |
| Sources Total | 12,806,951 | -101,854 | 12,908,805 | 12,842,727 | -66,078 |
| Uses - Operating Expenditures | | | | | |
| Personnel | | | | | |
| Salaries | 5,859,750 | 15,009 | 6,004,095 | 6,019,471 | 15,376 |
| Mandatory Fringe Benefits | 2,642,267 | 5,709 | 2,512,980 | 2,518,316 | 5,336 |
| | 8,502,017 | 20,718 | 8,517,075 | 8,537,787 | 20,712 |
| Training & Travel | 23,481 | 0 | 23,481 | 23,481 | 0 |
| Software License | 177,035 | 0 | 177,035 | 177,035 | 0 |
| Contracts | 2,037,917 | 0 | 2,037,917 | 2,027,565 | -10,352 |
| Other | 46,717 | -20,125 | 66,842 | 40,792 | -26,050 |
| Non-Personnel Services | 2,285,150 | -20,125 | 2,305,275 | 2,268,873 | -36,402 |
| Materials & Supplies | 61,362 | -10,000 | 71,362 | 68,481 | -2,881 |
| Services Of Other Depts | 1,958,422 | 9,407 | 1,949,015 | 1,967,586 | 18,571 |
| Uses Total | 12,806,951 | 0 | 12,842,727 | 12,842,727 | 0 |

General Fund – Labor and Benefits

- Total FTEs unchanged from current year
- Non-Operating items represent positions funded with HSF fund
- FTEs below are net of 5.5 attrition/vacancy.

| Table II. SFHSS Propose General Fund Administrative Budget - FTE's, Salary & Mandatory Fringe Benefits | 2022-2023 Budget Proposal Per MYR Target (GF) | Change From Requested to Revised/Target 2020-2021 | 2023-2024 Revised Base Budget (GF) | 2023-2024 Budget Proposal Per MYR Target (GF) | Change From Requested to Revised/Target 2022-2023 |
|--|---|---|------------------------------------|---|---|
| Approved FTEs | 56.59 | 0.00 | 56.83 | 56.83 | 0.00 |
| Non-Operating Positions (cap/other) | -9.40 | 0.00 | -9.61 | -9.61 | 0.00 |
| Net Operating Positions | 47.19 | 0.00 | 47.22 | 47.22 | 0.00 |
| Personnel | | | | | |
| Salaries | 5,859,750 | 15,009 | 6,004,095 | 6,019,471 | 15,376 |
| Mandatory Fringe Benefits | 2,642,267 | 5,709 | 2,512,980 | 2,518,316 | 5,336 |
| | 8,502,017 | 20,718 | 8,517,075 | 8,537,787 | 20,712 |

General Fund – Non-Labor

- Non-Labor expenses are primary purchased services for actuarial, benefit administration and Employee Assistance Program (EAP)

| Table III. SFHSS Propose General Fund Administrative Budget - Non-Personnel Expenditures | 2022-2023 Revised Base Budget (GF) | 2022-2023 Budget Proposal Per MYR Target (GF) | Change From Requested to Revised/Target 2020-2021 | 2023-2024 Revised Base Budget (GF) | 2023-2024 Budget Proposal Per MYR Target (GF) | Change From Requested to Revised/Target 2022-2023 |
|--|------------------------------------|---|---|------------------------------------|---|---|
| Training & Travel | 23,481 | 23,481 | 0 | 23,481 | 23,481 | 0 |
| Software License | 177,035 | 177,035 | 0 | 177,035 | 177,035 | 0 |
| Contracts | 2,037,917 | 2,037,917 | 0 | 2,037,917 | 2,027,565 | -10,352 |
| Other | 66,842 | 46,717 | -20,125 | 66,842 | 40,792 | -26,050 |

General Fund Requests to Mayor's Office

- \$200K for First responder EAP enhancements for Fire, Police and Sheriff.
 - RFP process to address needs of first responders
 - RFP selection committee picked a new vendor MHN
 - Increase visits per issue to 8 from 6 per year.
 - Critical Incident support
- \$ 1.7 M Transition Wellness and Communication from HSF to General Fund
 - Programs implemented in HSF fund and have made an impact in reducing healthcare costs.
 - Trust fund will be depleted FYE 2024.