Oversight & Advisory Committee
Item V. DCYF Budget Update
January 13, 2020
Budget Update - Overview

• Budget Timeline
• City’s Fiscal Outlook
• Mayor’s Priorities & Budget Instructions
• DCYF Approach to Proposing Departmental Budget
• Education Revenue Augmentation Fund (ERAF)
• Questions
Budget Timeline (FY 2020-21 & FY2021-22)
## City’s Fiscal Outlook

### Deficit Details

<table>
<thead>
<tr>
<th>SOURCES Increase / (Decrease)</th>
<th>FY 20-21</th>
<th>FY 21-22</th>
<th>FY 22-23</th>
<th>FY 23-24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baselines &amp; Reserves</td>
<td>(45.5)</td>
<td>(54.0)</td>
<td>(127.1)</td>
<td>(163.3)</td>
</tr>
<tr>
<td>Salaries &amp; Benefits</td>
<td>(167.9)</td>
<td>(269.6)</td>
<td>(338.5)</td>
<td>(407.5)</td>
</tr>
<tr>
<td>Citywide Operating Budget Costs</td>
<td>(66.9)</td>
<td>(167.8)</td>
<td>(235.0)</td>
<td>(314.6)</td>
</tr>
<tr>
<td>Departmental Costs</td>
<td>(3.9)</td>
<td>(78.8)</td>
<td>(119.9)</td>
<td>(168.8)</td>
</tr>
<tr>
<td><strong>USES (Increase) / Decrease</strong></td>
<td><strong>(284.3)</strong></td>
<td><strong>(570.1)</strong></td>
<td><strong>(820.5)</strong></td>
<td><strong>(1,054.2)</strong></td>
</tr>
</tbody>
</table>

**Projected Cumulative Surplus / (Shortfall)**

<table>
<thead>
<tr>
<th></th>
<th>FY 20-21</th>
<th>FY 21-22</th>
<th>FY 22-23</th>
<th>FY 23-24</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(195.4)</td>
<td>(224.1)</td>
<td>(531.1)</td>
<td>(630.6)</td>
</tr>
</tbody>
</table>

**Two Year Deficit**

(419.5)
City’s Fiscal Outlook (continued)

• Rising costs are outpacing revenues (17% Expenditure vs 7% Revenues)

**Slowing revenues:**
- Slowing rate of business tax, interest earnings and transfer tax (a volatile source)

**Increasing costs:**
- Negotiated wage increases
- Pension obligations increase nearly seven-fold since FY0708
- In-Home Support Services (IHSS) cost shift
- Inflation on non-personnel (including grants for non-profits)
- City’s Capital Plans
- Free City College for San Francisco residents
City’s Fiscal Outlook (continued)

• Model assumes continued expansion

• Length of economic expansion by year
• Sorted longest to shortest
• This is the longest expansion since 1945
Budget Instructions

Mayoral Priorities

The Mayor’s top priority for the coming year is to address the challenges we face with those struggling on our streets

- Housing, shelter, and services for those in need
- Clean and safe streets for everyone
- Healthy and vibrant neighborhoods

We need to focus and reprioritize funding toward this most pressing need so we can:

- Provide assistance to those on our streets
- Be responsive to residents
- Support City workers out there trying to make a difference
Budget Instructions (continued)

• Piloted Accountability & Equitable Outcome (AEO) Plans last year, and will continue to build and grow model of Accountability
  • Departments need to demonstrate how their budget submissions help achieve these goals

• Mandated “target” efficiency/reduction proposals of 3.5% general fund reduction in first year, growing to 7% total in second year
  • $1.5M reduction from DCYF for FY 2020-21
  • Grows to $3M reduction in FY 2021-22

• Required public meetings of Department Budget Development & centralization of budget documents
DCYF Approach to Proposing Departmental Budget

• DCYF will assess and recoup any unspent funds in the current year to meet target cuts **and ensure services remain intact**

• DCYF will seek efficiency solutions that prioritize core functions and uninterrupted services to the community

• DCYF has a strong working relationship with the Mayor’s Office and the Board of Supervisors

• DCYF Leadership Team will work closely with the Mayor’s Office and Controller’s Office to ensure its budget is sufficient for stable services in the community
Education Revenue Augmentation Fund (ERAF)

- One-time funding source of $415M not assumed in deficit projections
- Appropriate on annual basis due to uncertainty
- In 2019 Mayor & Board passed legislation outlining allocation policy
  - At least 50% spent on one-time expenditures
  - 50% of ERAF allocated for housing expenditures
- FY1920 Discretionary Excess ERAF Revenue = $142M
- FY2021 Discretionary Excess ERAF Revenue = $180M
- Controller’s Office continues to refine allocation
Questions?