

DEPARTMENT OF PUBLIC HEALTH

FY 17-19 BUDGET

February 7, 2017

FY 17-19 Proposed Budget

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February 7

- Review of financial outlook and budget instructions
- Goals and strategies for FY 17-19 Budget

February 21

- Balancing plan to meet target including:
 - ▣ Initiatives to meet achieve key departmental priorities
 - ▣ Revenue-neutral and regulatory initiatives
 - ▣ Update on Electronic Health Records initiative

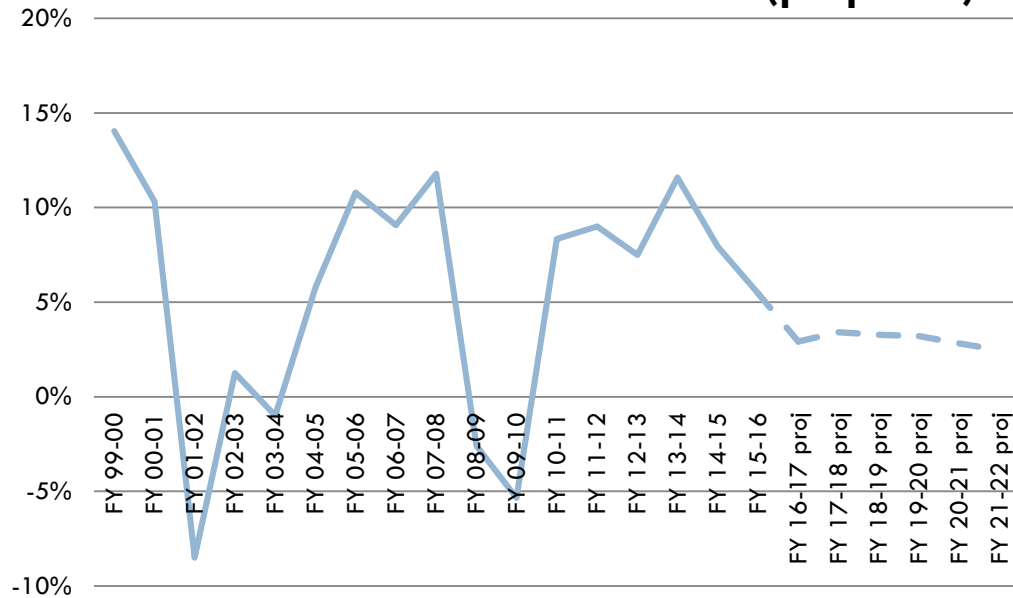
City's FY17-19 Financial Outlook

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- Over the next five years, the City's revenues are projected to grow by 11% over 5 years, while expenditures are projected to grow by 29%
- City facing growing \$119 and \$283.4 M deficits for FY 17-18 and FY 18-19, respectively
- Five Year Financial Projects a deficit of \$848.4 by FY 21-22 , if left unchecked

Slowing Revenue Growth

**General Fund Revenue Growth
FY 1999-00 to FY 2021-22 (projected)**



Note: Includes local sales tax (adjusted for 1% Triple Flip, parking, business, and

Five Year Projection

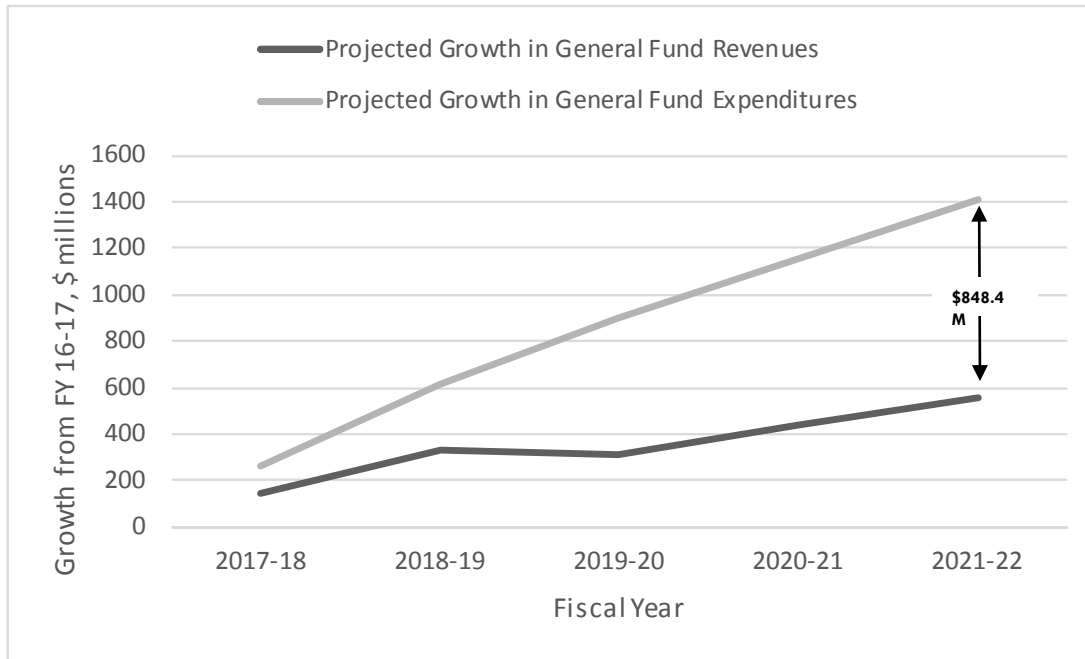
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Five Year Projection:	2017-18	2018-19	2019-20	2020-21	2021-22	% Growth
<i>SOURCES Increase / (Decrease)</i>	143.9	328.7	312.4	442.4	559.9	
Baselines and Reserves	(46.7)	(116.1)	(150.3)	(188.9)	(212.3)	15%
Salaries & Benefits	(145.8)	(273.1)	(428.2)	(574.0)	(698.0)	50%
Citywide Operating Budget Costs	(48.5)	(193.8)	(274.7)	(350.2)	(450.1)	32%
Departmental Costs	(21.9)	(29.1)	(43.8)	(42.7)	(48.0)	3%
<i>USES Increase / (Decrease)</i>	(262.9)	(612.1)	(897.1)	(1,155.8)	(1,408.3)	100%
Projected Surplus / (Shortfall):	(119.0)	(283.4)	(584.7)	(713.4)	(848.4)	

Approx \$400 million for the upcoming two year budget. Mayor must submit a balanced budget by June 1, 2017.

Five Year Projection

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Projected revenue growth of 11% and expenditure growth 29% over the period.

In other words, expenditures are projected to grow almost three times as fast as revenues.

Historical Deficit Projections

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Projection Issued	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
5/2011	(283.1)	(457.5)	(619.4)	(745.7)	(829.1)						
3/2013			(123.6)	(256.1)	(367.7)	(423.2)	(487.2)				
12/2014					(15.9)	(88.3)	(274.8)	(366.1)	(417.9)		
12/2016							(119.0)	(283.4)	(584.7)	(713.4)	(848.4)

Historical Deficit Projections

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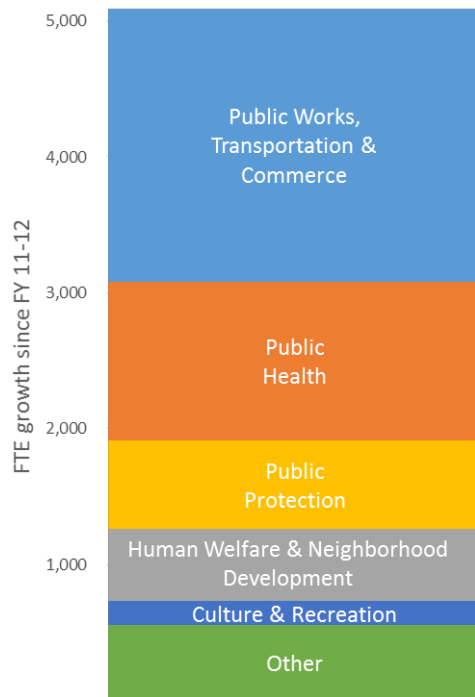
Why are deficits on the rise again? 3 main reasons:

1. Rising employee costs (largely related to pension)
2. New baselines and set asides
3. Increases in services, positions, on-going costs that grow

New Services Lead to Higher On-Going Costs

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Drivers of FTE Growth since FY 11-12



- The City has added 5,090 FTE (18% growth) since FY 2011-12
- 86% of FTE growth is in:
 - ▣ Transportation, public works and commerce
 - ▣ Public health and human welfare and neighborhood development
 - ▣ Public protection
- New FTEs also contribute to overall future deficits as employee benefits are rising faster than inflation
- We must take a disciplined approach to future growth to ensure this level of total FTEs is sustainable

Budget Instructions for Departments

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- Deficit projection for the upcoming two fiscal years is approximately \$400 million
- FY 2017-18 & FY 2018-19: Propose **on-going reductions** and revenues equal to 3% of adjusted General Fund support in each year (growing to 6% in the second year of the budget)
 - ▣ DPH Targets are \$18.4 million in FY 2017-18 and \$36.9 million in FY 2016-17
- Departments **should not grow** budgeted and funded FTE count
 - ▣ New positions approved in last year's budget process will remain
- Enterprise / self supporting must absorb all known cost increases

Budget Instructions for Departments

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Citywide Strategic Initiatives – reflect the strategic vision (outlined below), derived from the Citywide Strategic Planning process, in budget submissions:

1. Residents and families that thrive
2. Clean, safe and livable communities
3. A diverse, equitable and inclusive City
4. Excellent City services
5. A City and region prepared for the future

Risks

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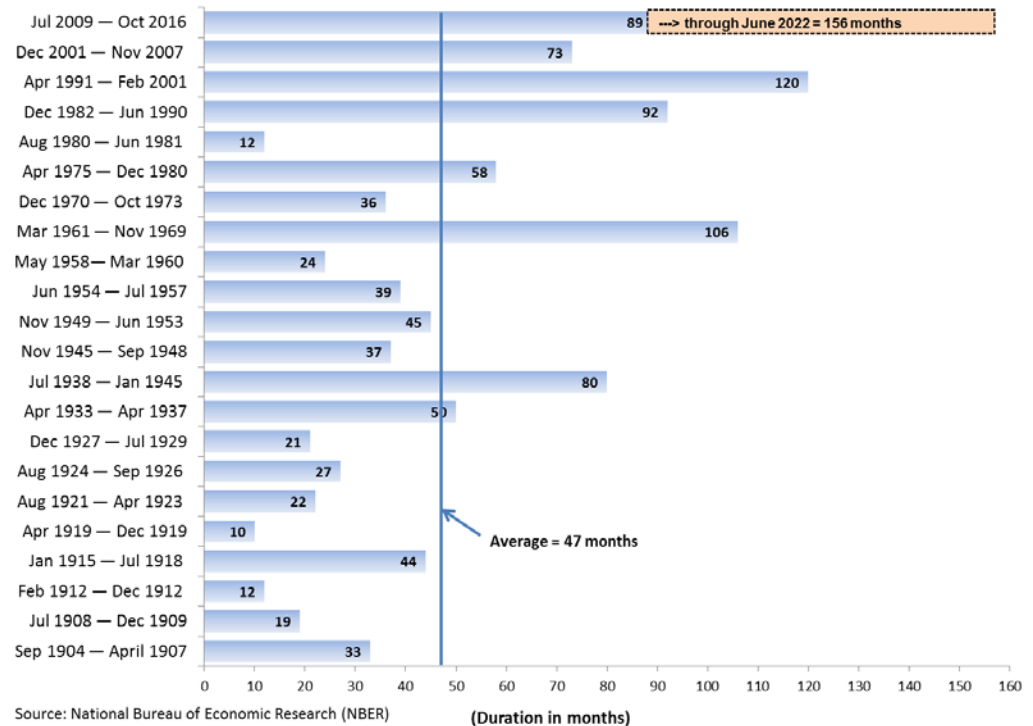
Key factors that could affect the forecast:

- Federal funding uncertainty
- Changes in the economy
- Labor costs
- Any new budgetary commitments made

Risks: Economic Climate

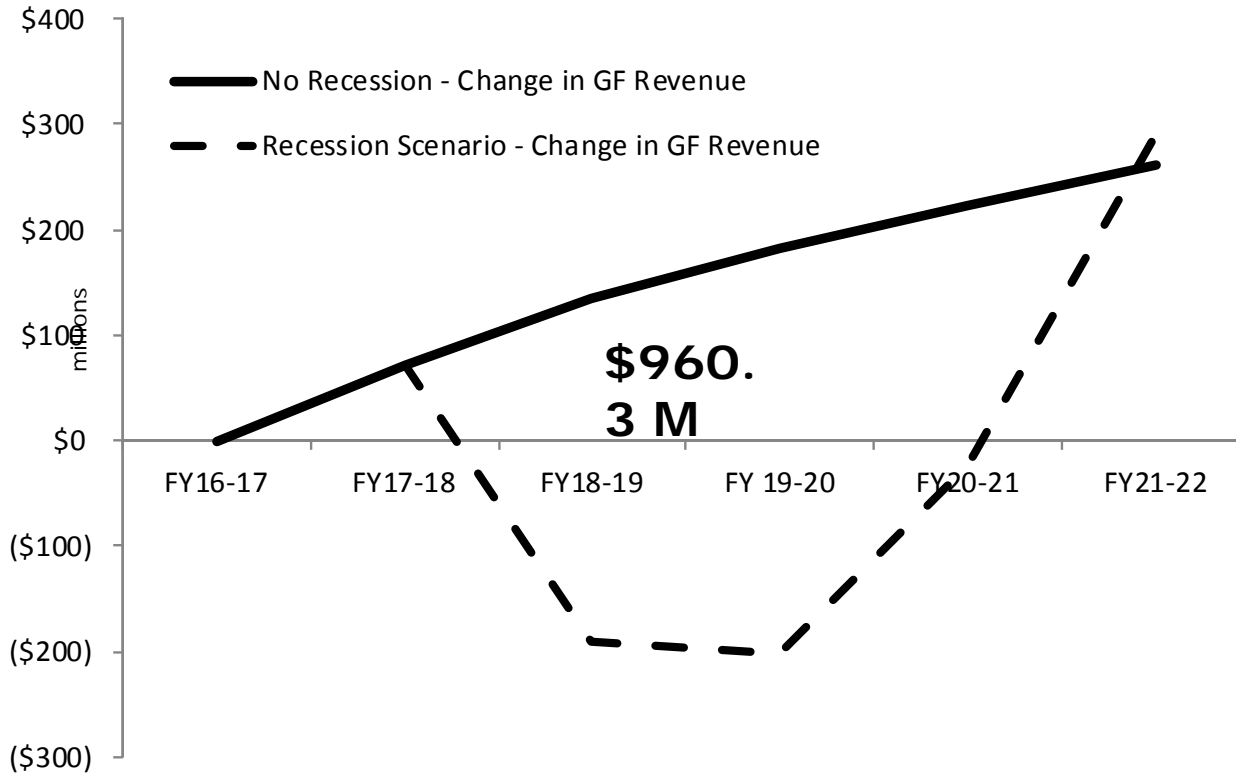
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- Since 1900, average length of time between recessions has been 47 months. The current economic expansion has lasted over 89 months.
- No recession projected during forecast period of FY 2017-18 through FY 2021-22.
- No recession through FY 2021-22 would mark the longest expansion since 1900 and exceed it by three years!



Risks: Recession Scenario

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Cumulative Projected Change to General Fund Revenue in Recession

For five General Fund revenues – Business, Hotel, Sales, Transfer and Parking tax

DPH's 17-19 Budget Priorities

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- Strengthen core services through realignment of existing resources
- Support Mayor's Office priorities on homelessness, public safety
- Creating a department wide Lean infrastructure for continuous improvement
- Focus on revenue maximization

DPH's 17-19 Budget Issues

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- ❑ Electronic Health Record
- ❑ 15 bed Addiction/mental health program at Behavior Health Center ZSFG Campus (Hummingbird navigation center)
- ❑ Whole Person Care Program
- ❑ Adjustments to ZSFG budget based on operating experience
- ❑ Transfer of EMS Program from Dept. of Emergency Management
- ❑ Harm Reduction and syringe access/cleanup

DPH's 17-19 Financial Targets

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DPH Target	FY 17-18 (Savings)/Cost	FY 18-19 (Savings)/Cost	Two-Year Total
3% General Fund Reduction Target	\$ 18,435,530	\$ 36,871,061	\$ 55,306,591
Revenue Growth Assumed in Deficit	\$ 5,364,032	\$ 12,622,163	\$ 17,986,195
Electronic Health Records Operating Costs	\$ -	\$ 15,000,000	\$ 15,000,000
	\$ 23,799,562	\$ 64,493,224	\$ 88,292,786

Next Steps

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- February 21 – Additional Health Commission Budget Hearing
- June 1 – Mayor’s Balanced Budget Submission
- June – Board of Supervisors Budget (BOS) Hearings
- Mid-July – Final BOS approval of Budget