

DEPARTMENT OF PUBLIC HEALTH FY 2019-2021 BUDGET

February, 5 2019

Five-Year Financial Plan and Mayor's Budget Instructions

Five-Year Financial Plan Projection

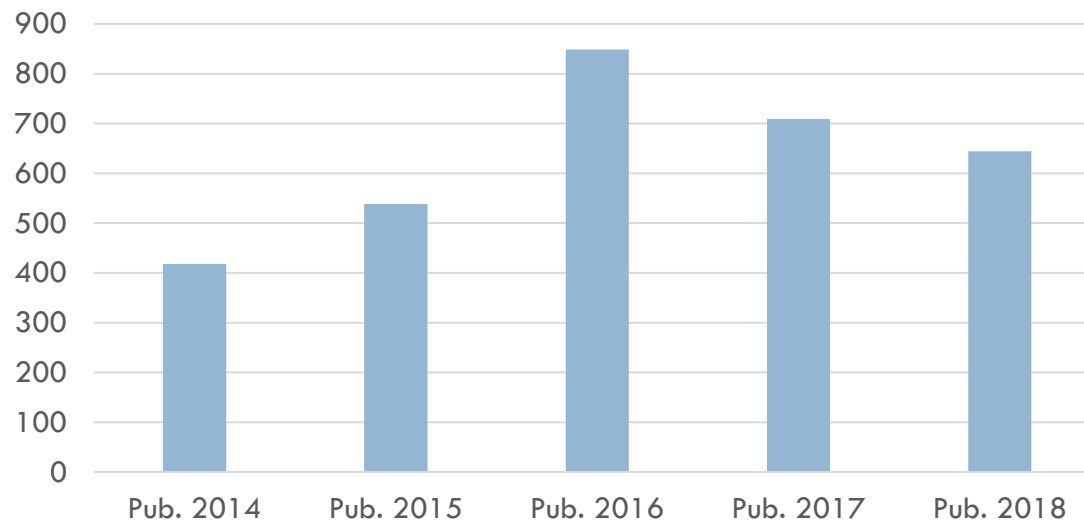
	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>% of Uses</u>
SOURCES Increase / (Decrease)	182.0	466.0	527.1	630.0	758.7	
Uses						
Baselines & Reserves	(55.3)	(99.1)	(149.3)	(179.4)	(238.9)	17.0%
Salaries & Benefits	(180.7)	(317.9)	(421.9)	(529.2)	(598.4)	42.7%
Citywide Operating Budget Costs	(55.1)	(182.5)	(236.0)	(319.0)	(400.6)	28.6%
Departmental Costs	1.8	(29.9)	(82.7)	(122.4)	(164.8)	11.7%
USES (Increase) / Decrease	(289.4)	(629.4)	(890.0)	(1,149.9)	(1,402.7)	100.0%
Projected Cumulative Surplus / (Shortfall)	(107.4)	(163.4)	(362.9)	(519.9)	(643.9)	

Approx. \$270.8 million for the upcoming two-year budget. Mayor must introduce a balanced budget each year.

Structural Long-term Deficit

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**Projected Final Year Deficit
(in millions)**

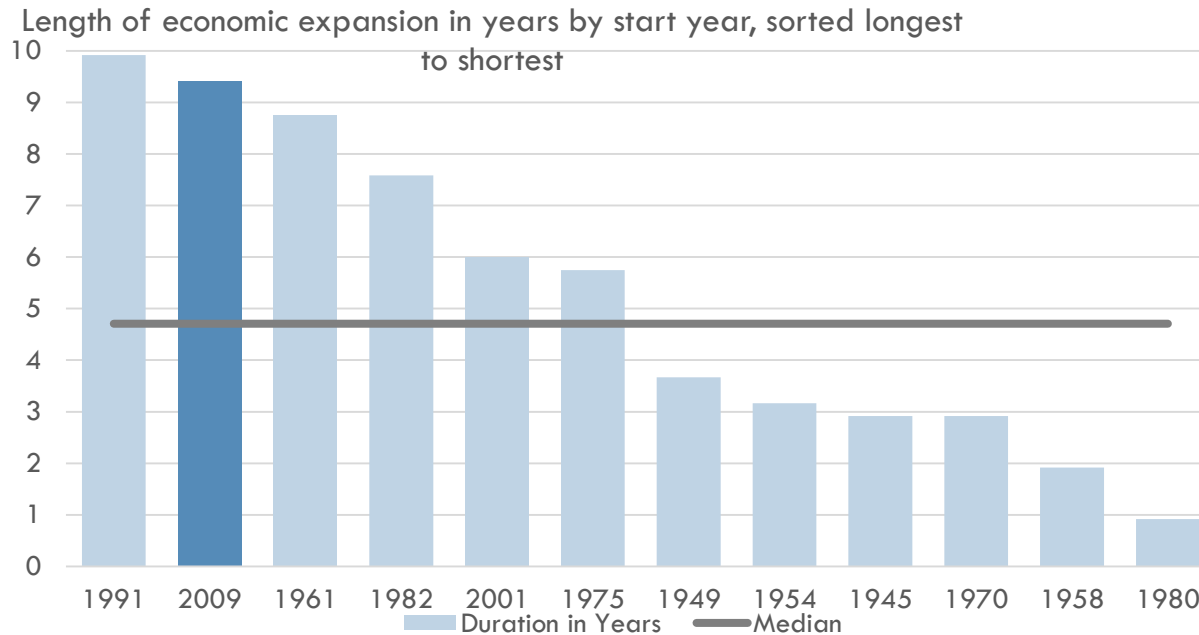


- Long-term deficit is higher than post-recession recovery levels
- Strong revenue is the largest driver of the reduction in the structural deficit in last two years

Looking Forward – Risk of Economic Climate

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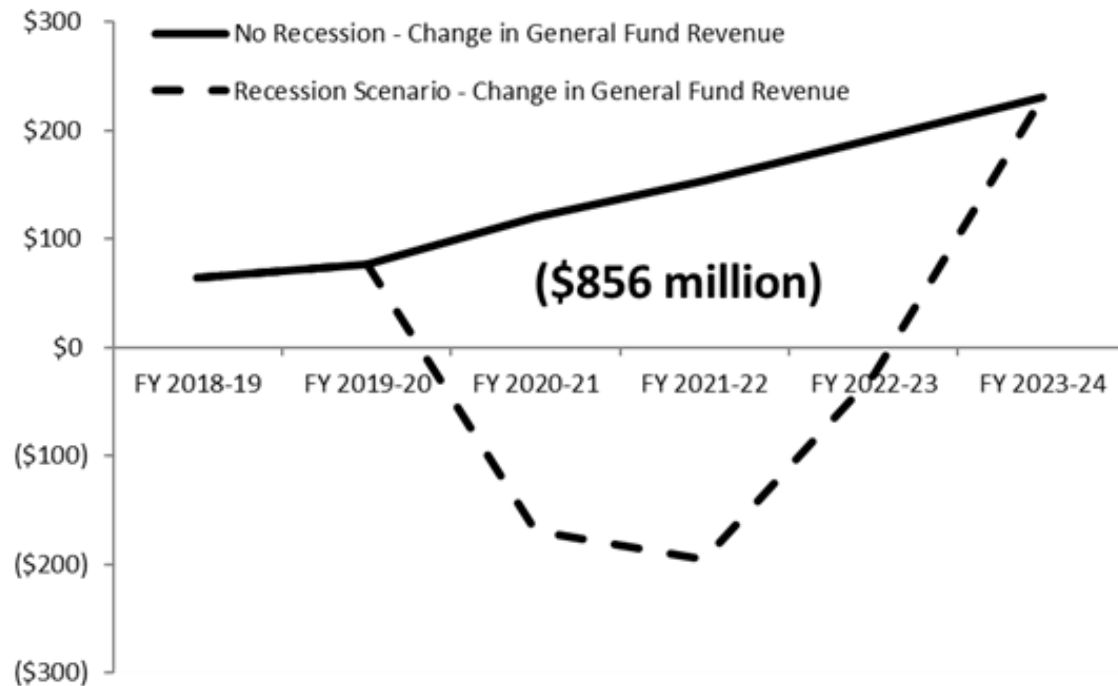
Our current expansion is the 2nd longest since 1945



- Five-Year Plan assumes continued expansion, which would be the *longest* ever expansion by 3 years
- Indicators that economy is cooling:
 - Rising interest rates
 - Flattening yield curve (investor uncertainty about future economic growth)
 - Trade and other federal policy uncertainty

Looking Forward – Recession Scenario

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Instructions to Departments

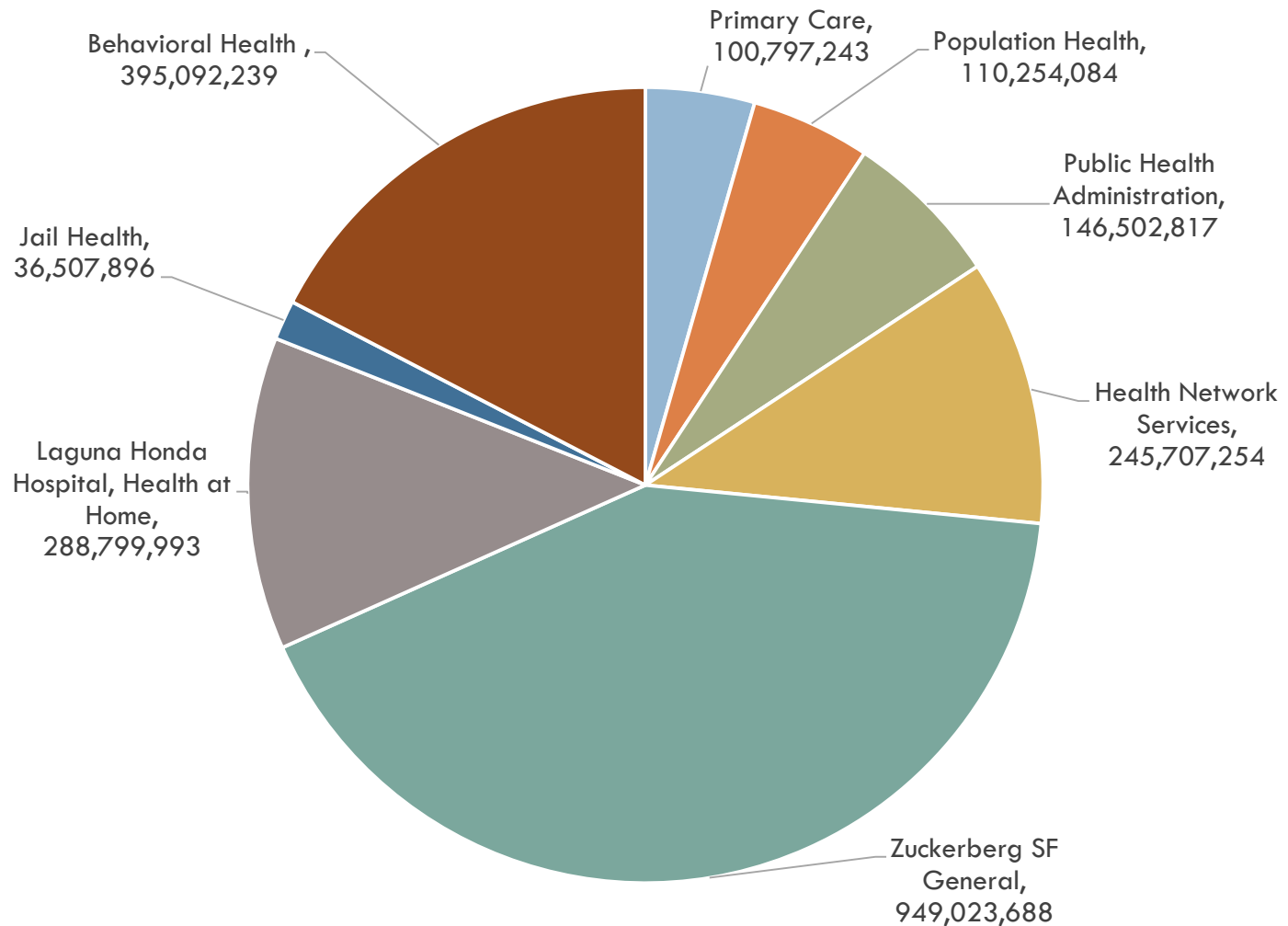
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- Focus on accountability and equitable outcomes
- Mandated departmental sustainability and efficiency proposals of 2% reduction in adjusted general fund support (growing to 4% in second year)
 - 1% contingency proposals (growing to 2% in second year)
- Reprioritize funding and positions within departmental budget for “highest & best use”
- New positions may be considered that align with the Mayor’s priorities

Base Budget Overview and Initial FY 19-20 Proposals

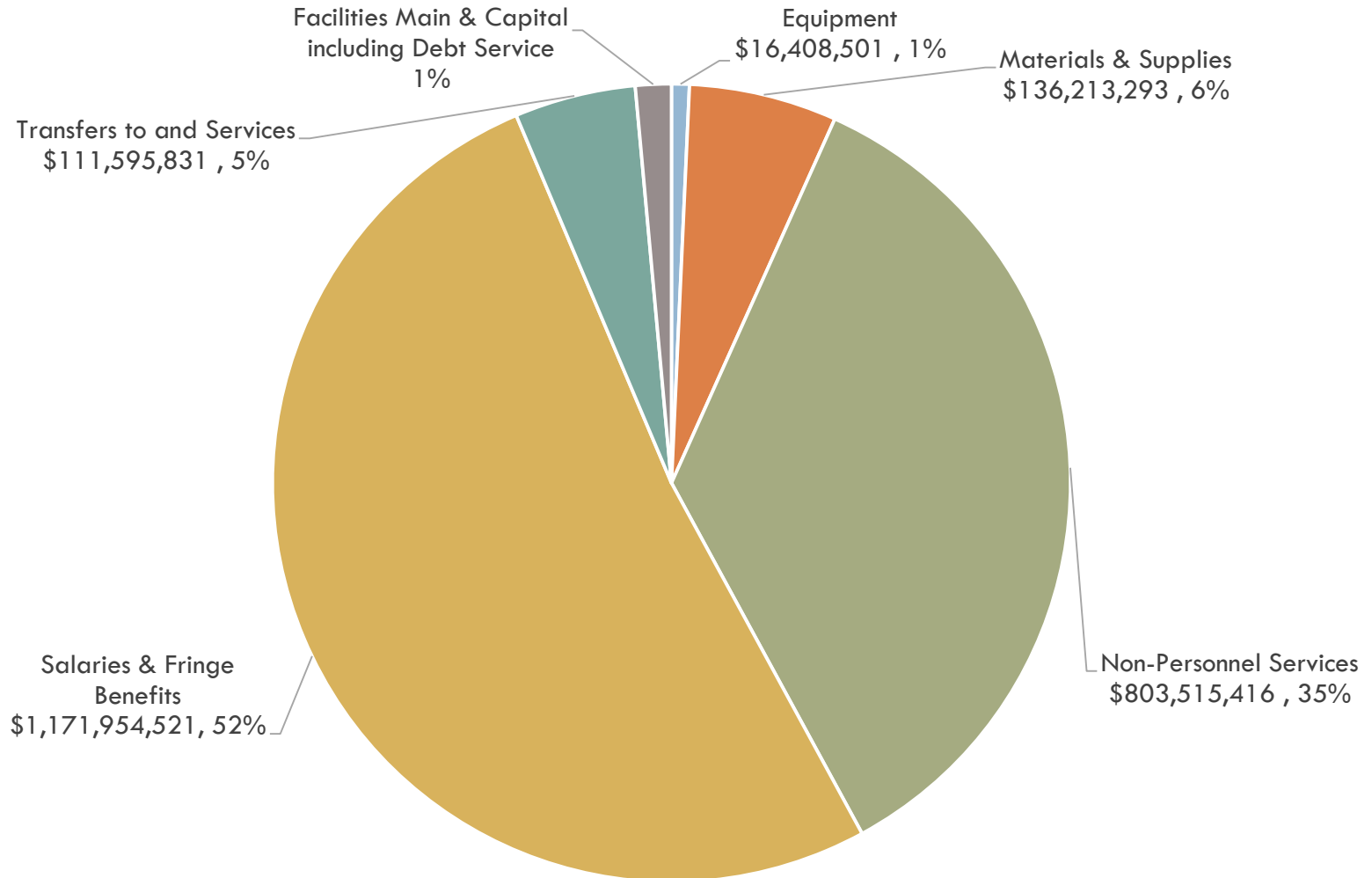
DPH 19-20 Approved Base Budget \$2.27B

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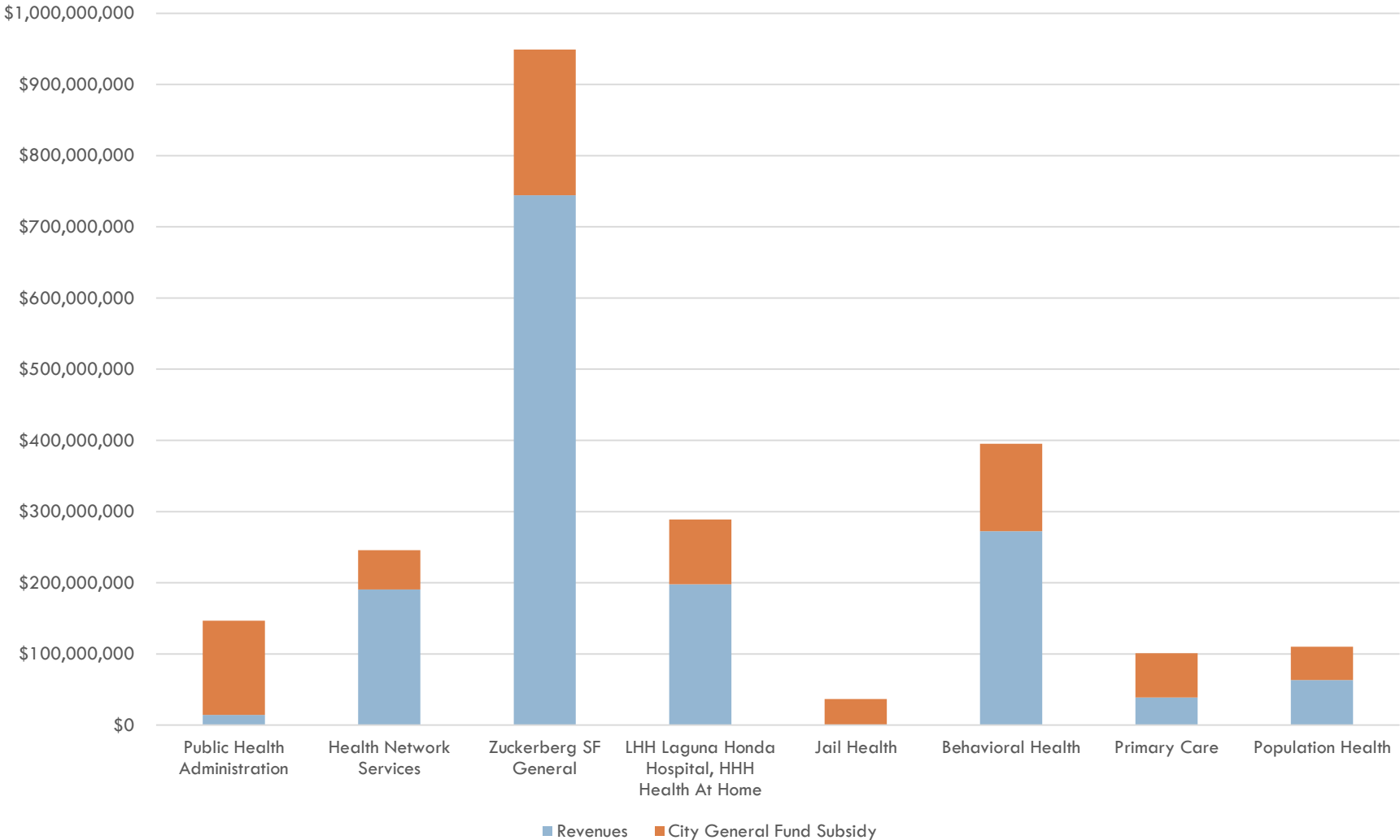
DPH 19-20 Base Budget Expenses by Type

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DPH Leverages \$1.52 Billion of Revenue to Offset General Fund

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Revenues and City General Fund Subsidy

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Division	Expenditures	Revenues	City General Fund Subsidy
Public Health Administration	\$146,502,817	\$14,147,888	\$132,354,929
Health Network Services	\$245,707,254	\$190,578,489	\$55,128,765
Zuckerberg SF General	\$949,023,688	\$744,280,214	\$204,743,474
LHH Laguna Honda Hospital, HHH Health At Home	\$288,799,993	\$197,932,313	\$90,867,680
Jail Health	\$36,507,896	\$389,326	\$36,118,570
Behavioral Health	\$395,092,239	\$272,241,751	\$122,850,488
Primary Care	\$100,797,243	\$38,705,900	\$62,091,343
Population Health	\$110,254,084	\$63,259,554	\$46,994,530
Total	\$2,272,685,214	\$1,521,535,434	\$751,149,780

Detailed Budget Initiatives – 1 of 2

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REVENUES		FY 19-20	FY 20-21
		Net GF Impact Favorable/ (Unfavorable)	Net GF Impact Favorable/ (Unfavorable)
A1	ZSFG Baseline Revenues and Medi-Cal 1115 Waiver Changes	\$ 52,218,911	\$ 29,996,509
A2	LHH Baseline Revenues	\$ 7,631,049	\$ 11,553,674
TOTAL REVENUES		\$ 59,849,960	\$ 41,550,183

BUDGET NEUTRAL		FY 19-20	FY 20-21
		Net GF Impact Favorable/ (Unfavorable)	Net GF Impact Favorable/ (Unfavorable)
B1	Environmental Health Fee Adjustments	\$ -	\$ -
TOTAL BUDGET NEUTRAL		\$ -	\$ -

Detailed Budget Initiatives – 2 of 2

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EMERGING NEEDS		FY 19-20	FY 20-21
		Net GF Impact Favorable/ (Unfavorable)	Net GF Impact Favorable/ (Unfavorable)
C1	LHH and ZSFG Salary Adjustments	\$ (4,527,796)	\$ (4,731,547)
C2	ZSFG and Population Health Clinical Materials and Supplies Adjustments	\$ (2,678,091)	\$ (2,678,091)
C3	Continuing Hepatitis C Treatment for Jail Health Patients	\$ (332,678)	\$ (332,678)
TOTAL EMERGING NEEDS		\$ (\$7,538,565)	\$ (7,742,316)

INFLATIONARY (Does not affect target)		FY 19-20	FY 20-21
		Net GF Impact Favorable/ (Unfavorable)	Net GF Impact Favorable/ (Unfavorable)
D1	Pharmacy and Other Inflationary Costs	\$ -	\$ -
TOTAL INFLATIONARY		\$ -	\$ (6,406,332)

Current Balancing

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Budget Instructions	FY 19-20	FY 20-21	Two-Year Total
2% General Fund Reduction Target	\$ (13,062,251)	\$ (26,124,502)	\$ (39,186,753)
Revenue Growth Assumed in Deficit	<u>(12,935,644)</u>	<u>(29,260,883)</u>	<u>\$ (42,196,527)</u>
	(25,997,895)	(55,385,385)	(81,383,280)
Initial Set of Initiatives to Meet Target			
Revenue	\$ 59,849,960	\$ 41,550,183	\$ 101,400,143
Revenue Neutral	\$ -	\$ -	\$ -
Emerging Needs	<u>\$ (7,538,565)</u>	<u>\$ (7,742,316)</u>	<u>\$ (15,280,880)</u>
Total Proposed	\$ 52,311,395	\$ 33,807,867	\$ 86,119,263
Net Balancing - Above/(Below) Target	\$ 26,313,500	\$ (21,577,518)	\$ 4,735,983
1% Contingency Reduction - Proposal pending	(13,062,251)	(26,124,502)	\$ (39,186,753)

Next Meeting

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- Additional proposed initiatives
- Plan for meeting Contingency Reduction
- Completed balancing plan
- Request for Health Commission approval of proposed budget for submission to Controller and Mayor's Office