



**Edwin M. Lee,
Mayor**

**Greg Wagner,
Chief Financial Officer**

MEMORANDUM

December 10, 2014

TO: President Ed Chow and Honorable Members of the Health Commission

THROUGH: Barbara Garcia, Director, Department of Public Health

FROM: Greg Wagner, Chief Financial Officer

RE: **Presentation to Commission on Mayor's Budget Instructions**

At the December 16 Commission meeting we have a short presentation scheduled to update the Commission on the budget forecast and instructions for fiscal years 2015-16 and 2016-17.

On December 4, the Mayor's Office presented to Department Heads and City finance staff the updated financial forecast in the City's new 5-Year Financial Plan. The plan forecasts an increasingly positive financial picture for the City and County. The projected deficit for FY 15-16 is the lowest in at least 15 years due to revenue growth resulting from the economic recovery and financial policies enacted over the last several years. As a result, departments will not receive a reduction target for FY 15-16. Instead, the Mayor has asked departments to focus on how existing resources can be better used to improve the quality of services to San Franciscans, and to mitigate the impacts of affordability challenges for City residents.

While the financial outlook is very positive compared to previous years, there are also cautions to be taken into account during the upcoming budget development cycle. First, the projected deficit increases in the later years of the forecast, as revenue growth levels and costs continue to increase. Secondly, the current economic expansion has been in progress for 64 months, while the average length of time between recessions since 1900 has been 46 months. If the City were to experience continual economic expansion over the life of the 5-year financial planning horizon, it would be the longest period of time between recessions in over a century. Consequently, the Mayor's Office and Controller's Office have developed a hypothetical "recession scenario" to illustrate how the forecast may change in a downturn, and reinforce the need for departments to plan for medium- and long-term financial sustainability.