DEPARTMENT OF PUBLIC HEALTH

FY15-17 BUDGET UPDATE

December 16, 2014
## 5 Year Base Case Outlook is Improved but Still Requires Corrective Actions

### Summary of General Fund Supported Projected Budgetary Surplus / (Shortfall) ($ Millions)

<table>
<thead>
<tr>
<th>Sources</th>
<th>FY15-16</th>
<th>FY16-17</th>
<th>FY17-18</th>
<th>FY18-19</th>
<th>FY19-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of One-Time Sources, Prior Year Fund Balance &amp; Reserves</td>
<td>(60.8)</td>
<td>6.9</td>
<td>(123.2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regular Revenues, Transfers, &amp; Other</td>
<td>200.7</td>
<td>106.0</td>
<td>164.3</td>
<td>136.8</td>
<td>136.1</td>
</tr>
<tr>
<td><strong>Subtotal - Sources</strong></td>
<td>139.9</td>
<td>112.9</td>
<td>41.2</td>
<td>136.8</td>
<td>136.1</td>
</tr>
<tr>
<td>Uses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Benefits</td>
<td>(33.9)</td>
<td>(58.5)</td>
<td>(76.1)</td>
<td>(72.1)</td>
<td>(100.0)</td>
</tr>
<tr>
<td>Other Expenditures, Reserves &amp; Transfers</td>
<td>(122.0)</td>
<td>(126.8)</td>
<td>(151.6)</td>
<td>(155.9)</td>
<td>(87.9)</td>
</tr>
<tr>
<td><strong>Subtotal - Uses</strong></td>
<td>(155.9)</td>
<td>(185.2)</td>
<td>(227.7)</td>
<td>(228.0)</td>
<td>(187.9)</td>
</tr>
<tr>
<td>Total Net General Fund Impact (from Prior Year)</td>
<td>(15.9)</td>
<td>(72.3)</td>
<td>(186.6)</td>
<td>(91.2)</td>
<td>(51.8)</td>
</tr>
<tr>
<td>Projected Cumulative Surplus / (Shortfall)</td>
<td>(15.9)</td>
<td>(88.3)</td>
<td>(274.8)</td>
<td>(366.1)</td>
<td>(417.9)</td>
</tr>
</tbody>
</table>
Since 1900, average length of time between recessions has been 46 months. The current economic expansion has lasted over 64 months.

If no recession through FY20, it will mark the longest economic expansion since 1900.
Recession Scenario

Recession Scenario - Five Year Forecast

<table>
<thead>
<tr>
<th></th>
<th>FY 15-16</th>
<th>FY 16-17</th>
<th>FY 17-18</th>
<th>FY 18-19</th>
<th>FY 19-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Case Deficit Projection</td>
<td>(16)</td>
<td>(88)</td>
<td>(275)</td>
<td>(366)</td>
<td>(418)</td>
</tr>
<tr>
<td>Updated Deficit Projection</td>
<td>(16)</td>
<td>(88)</td>
<td>(556)</td>
<td>(773)</td>
<td>(821)</td>
</tr>
</tbody>
</table>

Change in Projected Deficit

- - (281) (407) (403)
Contingency Cuts proposed in August will not be needed.

FY 2015-16: No target reductions requested. Absorb revenue losses.

FY 2016-17: Propose ongoing reductions and revenues equal to 1.0% of adjusted GF support. (DPH Target is $6.2 million)
Challenges Ahead for DPH

- Revenue Uncertainty
  - Disproportionate Share Hospital Revenue Loss
  - Realignment “Claw Back”
  - Dual Eligibles Managed Care Conversion Pilot
  - 1115 Medi-Cal Waiver

- Strengthening information systems
  - Fully supporting current operations
  - Implementing ICD-10
  - Developing integrated electronic medical record

- Investing in Population Health
- Opening the new San Francisco General Hospital
- Continuing focus on access and patient retention
Timeline

February 3rd & 17th
Health Commission Hearing on Budgets

February 23
Budget Submissions Due

June 1
Mayor Proposes Balanced Budget

June
Budget Committee Hearings

July
Budget Considered at Board of Supervisors