



San Francisco Department of Public Health

# Health Commission Financial Planning Session

December 19, 2017



# Agenda

1. Review Mayor's Office Financial Projections and Budget Instructions
2. DPH's General Fund Support and Citywide Context
3. DPH 5-Year Projection Update
4. Major Initiatives
5. Contingency Planning for Federal/State or Economic Impacts



# 1. Mayor's Office Financial Projections and Budget Instructions

- In the short term, fiscal picture is similar to last year.
- In the medium to long term –
  - Existing areas of concern:
    - 1) Growing employee costs;
    - 2) Cost shift from state on IHSS; and
    - 3) Large number of baselines and set asides.
  - Future risks / uncertainty related to:
    - 1) The timing of the economic cycle;
    - 2) Federal risks: tax reform, Affordable Care Act, and budget.



# 1. Mayor's Office Financial Projections and Budget Instructions

- Need to continue responsible fiscal policies:
  - Building our reserves;
  - Limit on-going cost growth; and
  - Fund strategic one-time investments.
- Instructions to Departments:
  - Revenue or reduction targets (2.5% growing to 5%);
  - No growth and absorb cost increases; and
  - No new FTEs.



# 1. Mayor's Office Financial Projections and Budget Instructions

## Joint Report Projection – Assumptions

- “Base case” projection
- Revenue
  - Economy strong but revenue growth slowing and signs of growth constraints
- Salary and Benefits
  - Benefit cost increases – health and pension
  - Inflation increase on personnel (average of Moody's & CA DOF)
- Citywide Costs
  - Inflation on nonpersonnel (including grants for nonprofits)
  - IHSS cost increases from the State
  - Funding the Hall of Justice Exit plan



# 1. Mayor's Office Financial Projections and Budget Instructions

	<u>FY 18-19</u>	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>% of Uses</u>
<b><i>Total - Sources</i></b>	<b>189.9</b>	<b>450.7</b>	<b>330.3</b>	<b>436.8</b>	
<b>Uses</b>					
Baselines & Reserves	(78.2)	(117.0)	(158.1)	(180.3)	16%
Salaries & Benefits	(132.7)	(290.8)	(437.8)	(559.0)	49%
Citywide Operating Budget Costs	(50.6)	(152.5)	(208.8)	(282.0)	25%
Departmental Costs	(16.6)	(63.8)	(86.8)	(124.9)	11%
<b><i>Subtotal - Uses</i></b>	<b>(278.1)</b>	<b>(624.1)</b>	<b>(891.4)</b>	<b>(1,146.0)</b>	100%
<b>Projected Cumulative Surplus / (Shortfall)</b>	<b>(88.2)</b>	<b>(173.4)</b>	<b>(561.2)</b>	<b>(709.3)</b>	

Approx. \$262 million for the upcoming two-year budget. Mayor must introduce a balanced budget each year.

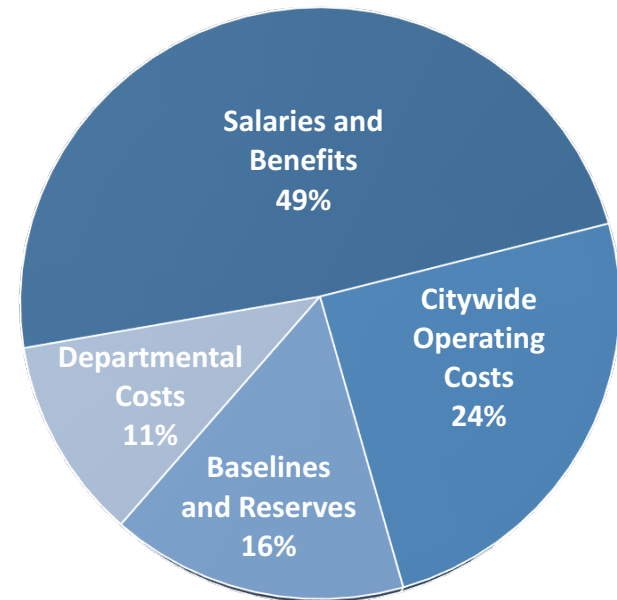


# 1. Mayor's Office Financial Projections and Budget Instructions

## Joint Report Projection - Projected Expenditure Growth

- Total projected expenditure growth over the four year period is \$1.1 billion
- The salaries and benefits section is driven by inflation on wages, and pension and health cost increases
- For Citywide operating costs, 42% of this growth is inflation on non-personnel & grants to nonprofits
- For baselines and set asides, MTA and the Children's Fund make up 76% of the growth
- For Departmental costs, 65% of the growth is related to the IHSS cost shift from the state

**Projected Cost Increases FY18-19 through FY21-22**





# 1. Mayor's Office Financial Projections and Budget Instructions

## Looking Forward – Rapid Employee Cost Growth

- Pension – supplemental COLA / loss of lawsuit, returns below 7.5%, and people living longer
- Wages – CPI increasing and more employees
- Health benefits – almost double-digit cost growth projected each year
  - Rich benefits; uncertainty at federal level pushing costs up

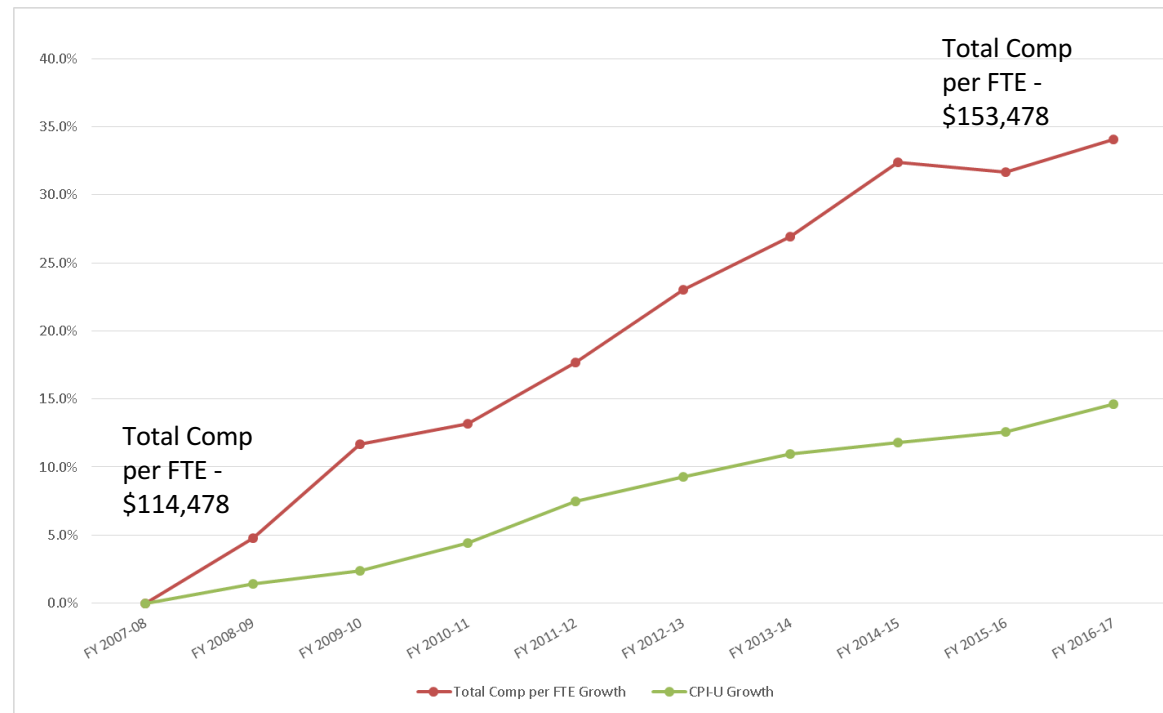




# 1. Mayor's Office Financial Projections and Budget Instructions

## Looking Forward – Employee Compensation Cost Growth

Personnel costs per FTE have grown at more than twice the rate of inflation during the past decade.

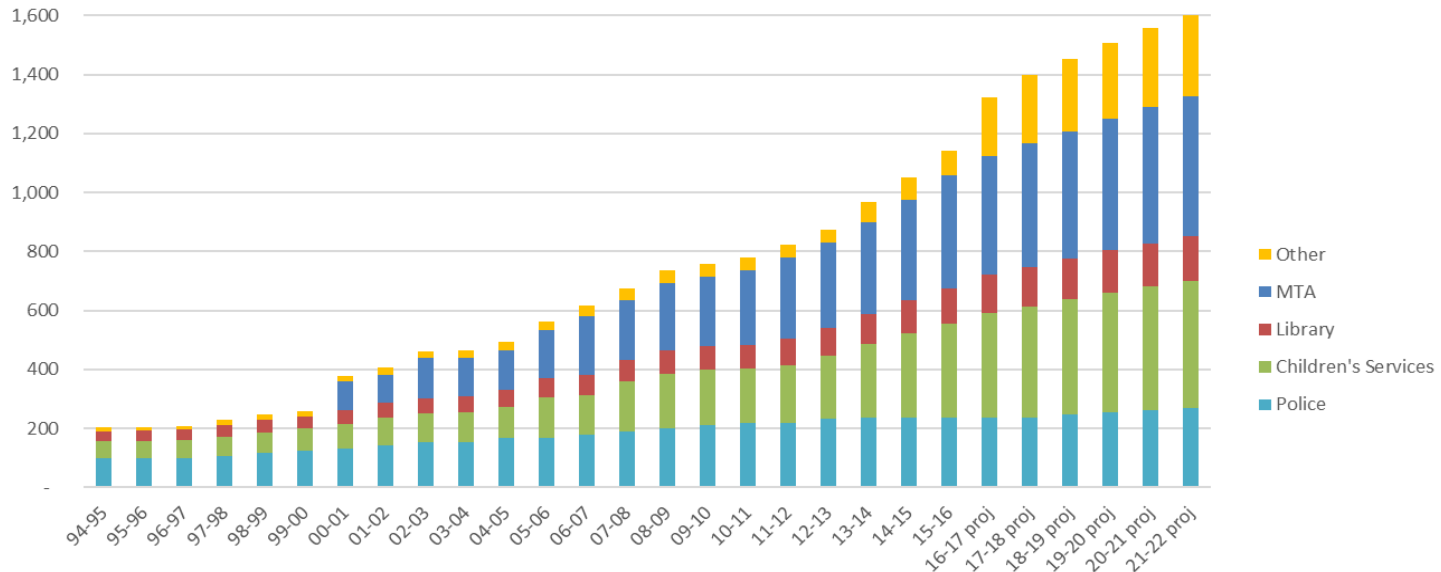




# 1. Mayor's Office Financial Projections and Budget Instructions

## Long Term Fiscal Picture – Baselines and Set-asides

Baseline spending levels by category FY 94-95 to FY 21-22



Baseline spending has grown dramatically from \$200 million in FY94-95 to a projected \$1.6 billion in FY21-22.

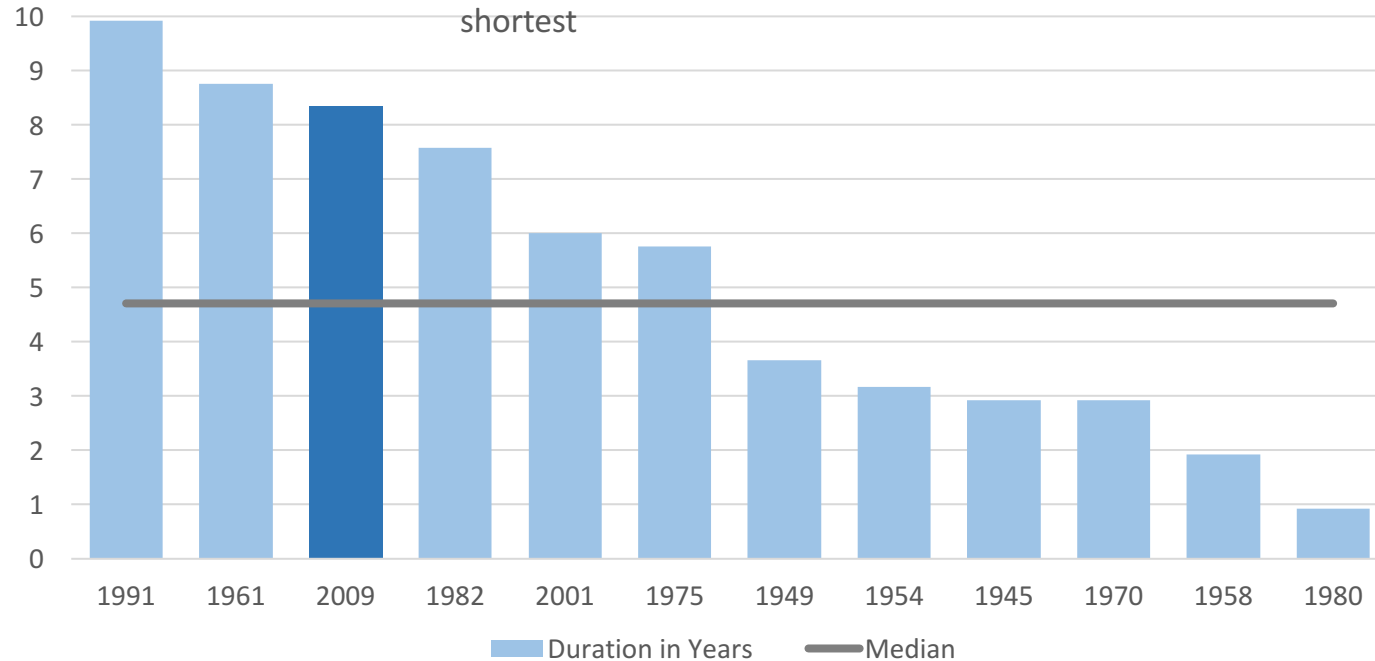


# 1. Mayor's Office Financial Projections and Budget Instructions

## Looking Forward – Risk on Economic Climate

### Our current expansion is the 3rd longest since 1945

Length of economic expansion in years by start year, sorted longest to shortest



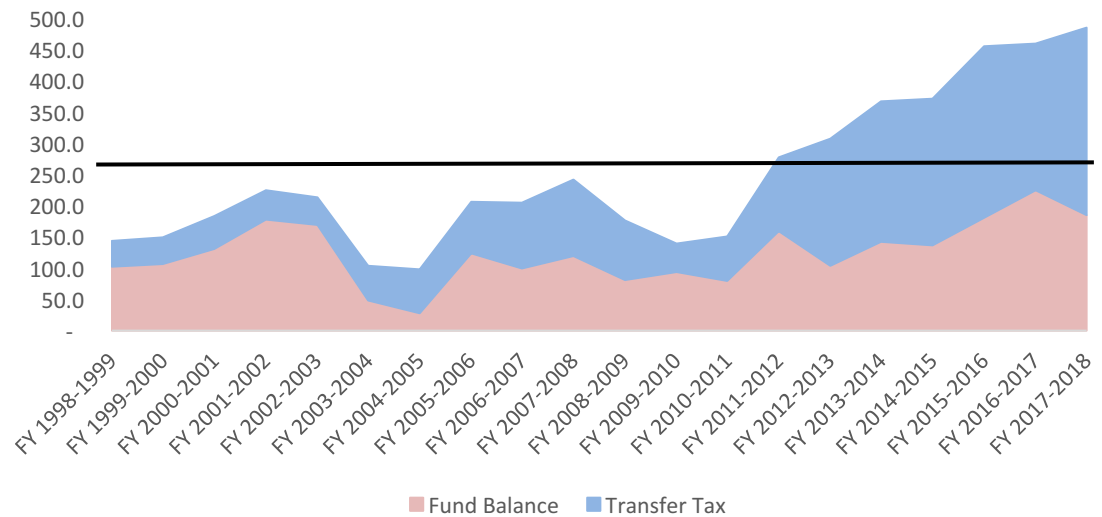


# 1. Mayor's Office Financial Projections and Budget Instructions

## Looking Forward – Risk on Economic Climate

Fund balance and transfer tax are the biggest risk on the revenue side; these sources combined have been almost \$400 million lower in down years compared to FY 17-18 budgeted levels.

Budgeted One-Time Sources:  
Transfer Tax and Fund Balance  
(in millions)





# 1. Mayor's Office Financial Projections and Budget Instructions

## Looking Forward – Risk from Federal Government

- Potential federal impacts from tax reform, healthcare changes, and federal budget:
  - Elimination of State and Local Tax (SALT) Deduction;
  - Reduction of mortgage interest deduction;
  - Potential ending of the Low Income Housing Tax Credit, which would greatly impact the MOHCD's affordable housing program;
  - Repeal of ACA individual mandate could result in 13 million fewer insured nationwide, resulting in market uncertainty and higher premiums;
  - State will run out of funding for Children's Health Insurance Program by end of 2017; and
  - Efforts to convert Medicaid to a block grant or per capita cap also remain a risk.



# 1. Mayor's Office Financial Projections and Budget Instructions

## Budget Instructions for Departments

- FY 2018-19 & FY 2019-20: Propose **on-going reductions** and revenues equal to 2.5% of adjusted General Fund support in each year (growing to 5% in the second year of the budget)
- Departments **should not grow** budgeted and funded FTE count
- Enterprise / self supporting must absorb all known cost increases
- Legally mandated to balance the budget by June 1

DPH General Fund Target is \$16.5 Million for FY 18-19, growing to \$33.1 million in FY 19-20



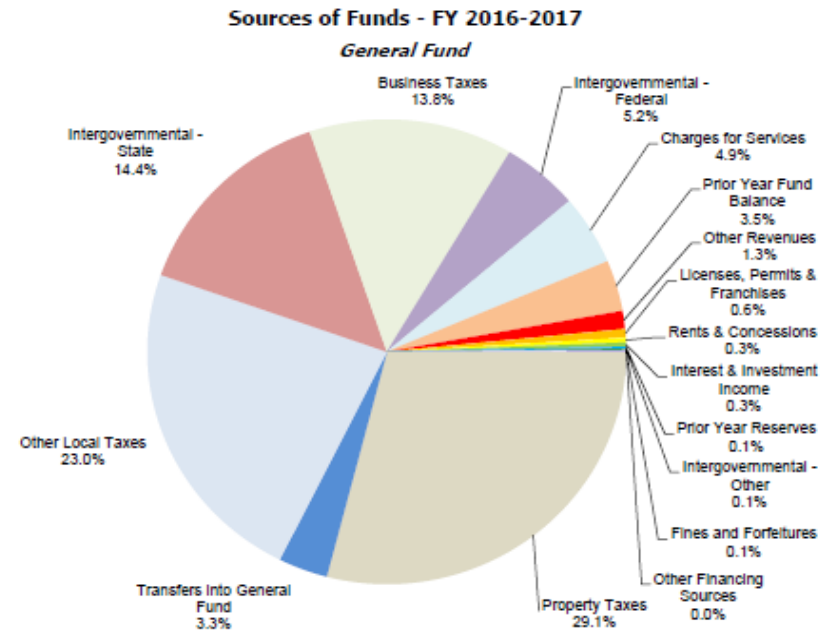
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- 2. DPH's General Fund Support and Citywide Context**
3. DPH 5-Year Projection Update
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## 2. DPH's General Fund Support and Citywide Context

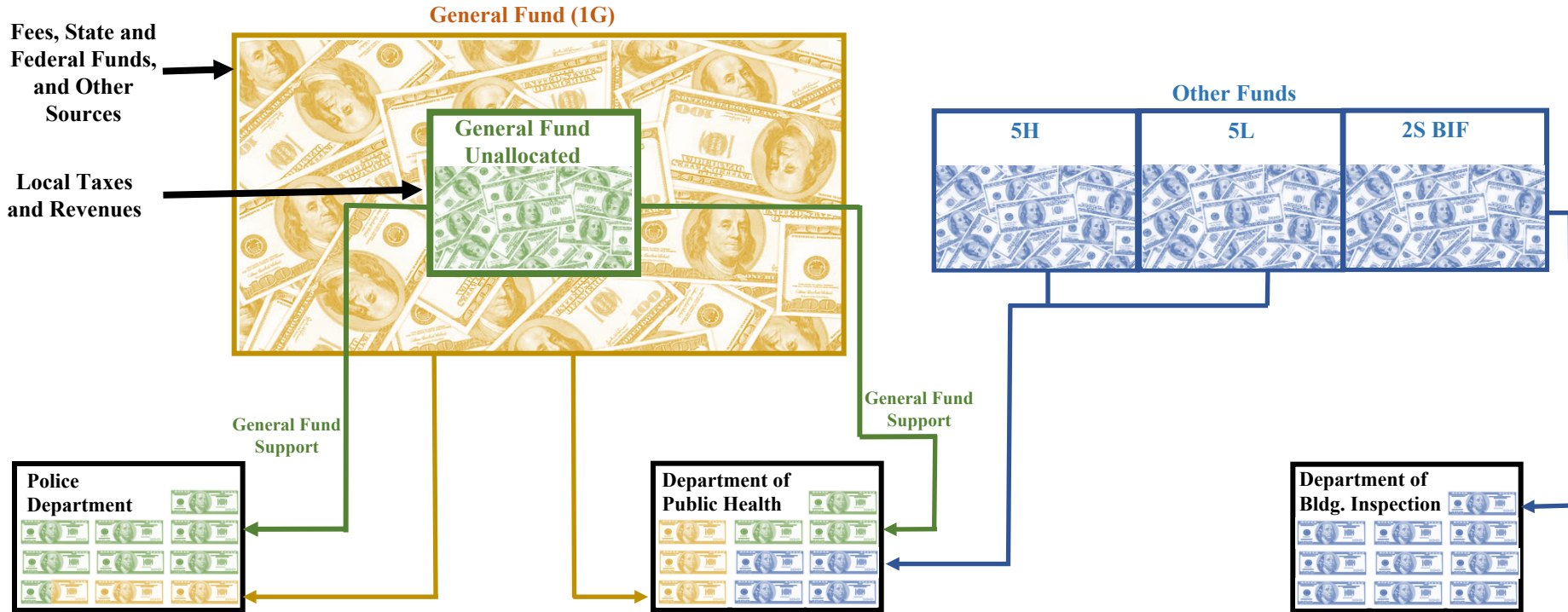
- “The General Fund” is governmental accounting fund that includes a wide range of revenues and types of expenses
- Within the General Fund is a pool of local tax revenues that may be allocated for any lawful governmental use by the Mayor and Board of Supervisors through the annual budget process.
- “General Fund Support” is an allocation of these discretionary tax dollars received in the General Fund support a Department’s operations.
- General Fund Support may be allocated to departmental operations within the General Fund itself or in certain other funds.
- Some of DPH’s operations are within the General Fund, some are in other funds (ZSFG, LHH, Grant Funds, etc). Both hospital funds receive a transfer of General Fund Support to close the gap between revenues and expenses, even though they are in separate funds.
- Financial management is focused on the level of General Fund support required across DPH.







## 2. DPH's General Fund Support and Citywide Context



- Example 1: DPH's behavioral health programs are within the General Fund, and receive General Fund Support to close the gap between revenues and expenses
- Example 2: DPH's Restaurant Inspection program is within the General Fund, but it recovers its costs through fees, and therefore does not receive budgeted General Fund Support.
- Example 3: Zuckerberg San Francisco General Hospital has its own accounting fund (5H), outside of the General Fund. However, the Mayor and Board of Supervisors each year allocate General Fund Support to subsidize ZSFG's operations
- Example 4: Some Departments such as the Port, Airport, or Department of Building Inspection (Enterprise Funds) are wholly outside of the General Fund do not receive any General Fund Support

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## Sources of Funds by Service Area and Department

Department	Fiscal Year 2017-2018			Fiscal Year 2018-2019		
	Departmental Revenue and Recoveries	Allocated General Fund Support	Total Departmental Sources	Departmental Revenue and Recoveries	Allocated General Fund Support	Total Departmental Sources
<b>01: Public Protection</b>						
ADP ADULT PROBATION	18,645,291	16,529,383	35,174,674	19,127,279	17,481,482	36,608,761
CRT SUPERIOR COURT	3,076,244	31,323,909	34,400,153	3,076,052	31,323,909	34,399,961
DAT DISTRICT ATTORNEY	8,996,470	53,864,539	62,861,009	8,392,331	55,488,848	63,881,179
DPA DEPARTMENT OF POLICE ACCOUNTABILITY	8,000	7,192,138	7,200,138	8,000	7,500,817	7,508,817
ECD EMERGENCY MANAGEMENT	27,434,606	60,415,475	87,850,081	27,349,780	62,324,960	89,674,740
FIR FIRE DEPARTMENT	135,667,365	245,890,345	381,557,710	137,964,752	249,064,307	387,029,059
JUV JUVENILE PROBATION	8,369,824	33,314,094	41,683,918	8,325,637	36,145,251	44,470,888
PDR PUBLIC DEFENDER	932,825	35,710,644	36,643,469	987,220	36,506,282	37,493,502
POL POLICE	128,306,480	459,970,004	588,276,484	130,441,147	467,266,627	597,707,774
SHF SHERIFF	55,764,044	176,070,925	231,834,969	56,633,515	189,060,912	245,694,427
<b>TOTAL Public Protection</b>	<b>387,201,149</b>	<b>1,120,281,456</b>	<b>1,507,482,605</b>	<b>392,305,713</b>	<b>1,152,163,395</b>	<b>1,544,469,108</b>
<b>02: Public Works, Transportation &amp; Commerce</b>						
AIR AIRPORT COMMISSION	987,785,877	0	987,785,877	981,109,210	0	981,109,210
DBI BUILDING INSPECTION	76,533,699	0	76,533,699	75,951,972	0	75,951,972
DPW GENERAL SERVICES AGENCY - PUBLIC WORKS	232,730,485	122,721,524	355,452,009	163,093,133	108,893,522	271,986,655
ECN ECONOMIC AND WORKFORCE DEVELOPMENT	28,413,685	33,928,274	62,341,959	26,571,221	33,765,588	60,336,809
MTA MUNICIPAL TRANSPORTATION AGENCY	869,878,406	313,590,000	1,183,468,406	811,626,459	329,570,000	1,141,196,459
PAB BOARD OF APPEALS	1,038,570	0	1,038,570	1,069,987	0	1,069,987
PRT PORT	133,202,027	0	133,202,027	106,602,999	0	106,602,999
PUC PUBLIC UTILITIES COMMISSION	1,052,841,388	0	1,052,841,388	1,058,766,629	0	1,058,766,629
<b>TOTAL Public Works, Transportation &amp; Commerce</b>	<b>3,382,424,137</b>	<b>470,239,798</b>	<b>3,852,663,935</b>	<b>3,224,791,610</b>	<b>472,229,110</b>	<b>3,697,020,720</b>
<b>03: Human Welfare &amp; Neighborhood Development</b>						
CFC CHILDREN AND FAMILIES COMMISSION	31,830,264	0	31,830,264	28,009,599	0	28,009,599
CHF CHILDREN; YOUTH & THEIR FAMILIES	174,017,922	39,835,807	213,853,729	182,519,316	38,556,079	221,075,395
CSS CHILD SUPPORT SERVICES	13,662,238	0	13,662,238	13,678,050	0	13,678,050
DSS HUMAN SERVICES	672,094,704	241,688,553	913,783,257	672,351,823	255,255,324	927,607,147
ENV ENVIRONMENT	23,081,438	0	23,081,438	21,418,181	0	21,418,181
HOM HOMELESSNESS AND SUPPORTIVE HOUSING	84,838,756	165,545,718	250,384,474	76,045,035	166,340,224	242,385,259
HRC HUMAN RIGHTS COMMISSION	7,200	4,292,400	4,299,600	0	4,386,122	4,386,122
RNT RENT ARBITRATION BOARD	8,074,900	0	8,074,900	8,227,649	0	8,227,649
USD COUNTY EDUCATION OFFICE	0	116,000	116,000	0	116,000	116,000
WOM STATUS OF WOMEN	384,903	7,663,809	8,048,712	384,963	7,407,932	7,792,895
<b>TOTAL Human Welfare &amp; Neighborhood Development</b>	<b>1,007,992,325</b>	<b>459,142,287</b>	<b>1,467,134,612</b>	<b>1,002,634,616</b>	<b>472,061,681</b>	<b>1,474,696,297</b>

## Sources of Funds by Service Area and Department

Department	Fiscal Year 2017-2018			Fiscal Year 2018-2019		
	Departmental Revenue and Recoveries	Allocated General Fund Support	Total Departmental Sources	Departmental Revenue and Recoveries	Allocated General Fund Support	Total Departmental Sources
<b>04: Community Health</b>						
DPH PUBLIC HEALTH	1,482,702,431	715,478,756	2,198,181,187	1,452,708,330	770,567,201	2,223,275,531
TOTAL Community Health	1,482,702,431	715,478,756	2,198,181,187	1,452,708,330	770,567,201	2,223,275,531
<b>05: Culture &amp; Recreation</b>						
AAM ASIAN ART MUSEUM	695,000	10,267,397	10,962,397	695,000	10,352,904	11,047,904
ART ARTS COMMISSION	6,850,279	11,125,296	17,975,575	6,826,377	11,039,772	17,866,149
FAM FINE ARTS MUSEUM	4,827,500	17,444,124	22,271,624	4,827,500	18,593,970	23,421,470
LIB PUBLIC LIBRARY	59,870,825	77,980,000	137,850,825	61,784,469	79,350,000	141,134,469
LLB LAW LIBRARY	0	1,855,758	1,855,758	0	1,950,532	1,950,532
REC RECREATION AND PARK COMMISSION	148,123,218	73,422,135	221,545,353	120,429,441	75,007,381	195,436,822
SCI ACADEMY OF SCIENCES	0	6,468,078	6,468,078	0	6,411,498	6,411,498
WAR WAR MEMORIAL	17,635,706	9,274,936	26,910,642	22,508,502	9,272,835	31,781,337
TOTAL Culture & Recreation	238,002,528	207,837,724	445,840,252	217,071,289	211,978,892	429,050,181
<b>06: General Administration &amp; Finance</b>						
ADM GENERAL SERVICES AGENCY - CITY ADMIN	325,563,067	65,743,836	391,306,903	333,919,687	64,540,843	398,460,530
ASR ASSESSOR / RECORDER	8,449,802	30,968,499	39,418,301	8,876,243	32,452,387	41,328,630
BOS BOARD OF SUPERVISORS	382,156	15,345,651	15,727,807	379,146	15,218,561	15,597,707
CAT CITY ATTORNEY	65,532,566	16,822,821	82,355,387	66,286,162	19,955,659	86,241,821
CON CONTROLLER	57,073,962	10,210,325	67,284,287	54,805,012	10,638,351	65,443,363
CPC CITY PLANNING	51,917,317	2,584,044	54,501,361	46,242,433	4,056,055	50,298,488
CSC CIVIL SERVICE COMMISSION	360,839	889,743	1,250,582	360,839	920,390	1,281,229
ETH ETHICS COMMISSION	127,700	4,659,808	4,787,508	127,700	4,984,148	5,111,848
HRD HUMAN RESOURCES	77,594,685	15,701,537	93,296,222	78,822,355	17,253,454	96,075,809
HSS HEALTH SERVICE SYSTEM	11,501,095	(56,840)	11,444,255	11,786,820	0	11,786,820
MYR MAYOR	93,747,249	31,744,631	125,491,880	85,120,770	31,028,832	116,149,602
REG ELECTIONS	146,825	14,700,407	14,847,232	882,737	14,155,623	15,038,360
RET RETIREMENT SYSTEM	97,622,827	0	97,622,827	113,748,184	0	113,748,184
TIS GENERAL SERVICES AGENCY - TECHNOLOGY	113,144,776	3,556,302	116,701,078	117,080,202	3,539,832	120,620,034
TTX TREASURER/TAX COLLECTOR	17,105,869	23,996,386	41,102,255	17,333,299	24,612,453	41,945,752
TOTAL General Administration & Finance	920,270,735	236,867,150	1,157,137,885	935,771,589	243,356,588	1,179,128,177

## Sources of Funds by Service Area and Department

Department	Fiscal Year 2017-2018			Fiscal Year 2018-2019		
	Departmental Revenue and Recoveries	Allocated General Fund Support	Total Departmental Sources	Departmental Revenue and Recoveries	Allocated General Fund Support	Total Departmental Sources
<b>07: General City Responsibilities</b>						
GEN GENERAL CITY RESPONSIBILITY	299,859,064	1,002,410,126	1,302,269,190	234,710,430	1,034,161,207	1,268,871,637
UNA GENERAL FUND UNALLOCATED	4,212,257,297	(4,212,257,297)	0	4,356,518,074	(4,356,518,074)	0
<b>TOTAL General City Responsibilities</b>	<b>4,512,116,361</b>	<b>(3,209,847,171)</b>	<b>1,302,269,190</b>	<b>4,591,228,504</b>	<b>(3,322,356,867)</b>	<b>1,268,871,637</b>
Less Citywide Transfer Adjustments	(902,575,814)		(902,575,814)	(888,314,165)		(888,314,165)
Less Interdepartmental Recoveries	(909,055,852)		(909,055,852)	(926,111,839)		(926,111,839)
<b>Net Total Sources of Funds</b>	<b>10,119,078,000</b>	<b>0</b>	<b>10,119,078,000</b>	<b>10,002,085,647</b>	<b>0</b>	<b>10,002,085,647</b>

\*The table above reflects Fiscal Year 2017-18 appropriations for the Airport Commission, the San Francisco Public Utilities Commission, the Municipal Transportation Agency, the Child Support Services, and the Port of San Francisco that were previously approved or amended. For Fiscal Year 2018-19 this contains preliminary revenue estimates for these departments.



## 2. DPH's General Fund Support and Citywide Context

IN FY 17-18...

- \$4.2 Billion Total General Fund Unallocated
- ~\$750 Million of this amount is locked in by voter-approved Baselines and Set-Asides
- \$1.0 Billion of this amount is dedicated to General City Responsibilities such as retiree subsidies and health services administration
- Leaving \$2.5 billion available in remaining General Fund sources
- DPH's \$715.5 million in General Fund Support is ~29% of the remaining amount



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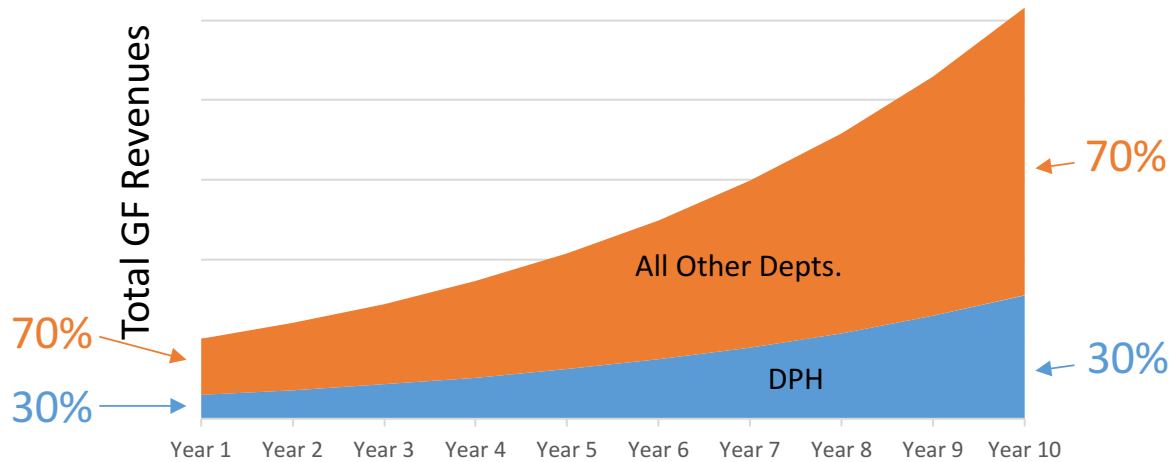
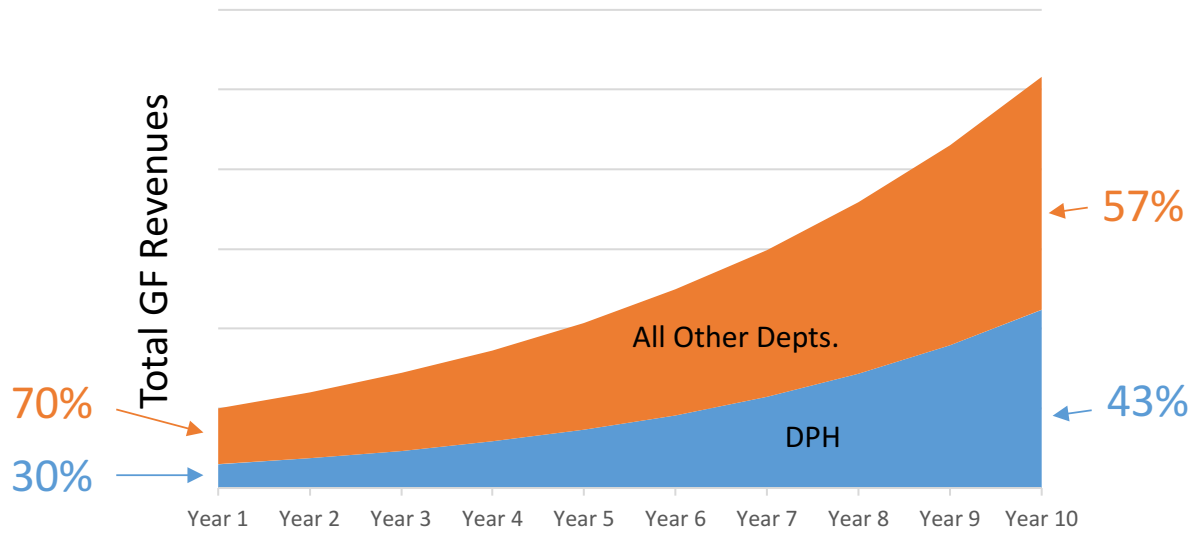
## 3. DPH 5-Year Projection Update

### Revisiting Health Commission's October 2016 Financial Planning Session

- Goal established: Rate of growth in DPH's General Fund Support should not exceed rate of growth in City General Fund Revenues
  - DPH will plan to grow at a rate comparable to the City as a whole (although ultimate funding decisions are made by elected officials)
  - If successful, DPH will consume only its proportionate share of growth
  - This means DPH will not exacerbate future City deficits, which lead to budget pressure and financial instability
- Principal has been adopted as part of Lean "True North" metrics at the DPH and SFHN levels



# 3. DPH 5-Year Projection Update



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### 3. DPH 5-Year Projection Update

	FY 17-18	FY 18-19
Health Commission October 2015 Planning Target (GFS)	\$711,635,334	\$740,100,747
Adopted FY 17-19 AAO GFS	\$715,478,756	\$770,567,201
FY 16-17 YE Fund Balance Contribution	\$(32,995,751)	\$(65,991,501)
GFS Minus DPH Fund Balance Contribution	\$682,483,005	\$704,575,700
Favorable/(Unfavorable) vs. Health Commission Target	\$29,152,329	\$35,525,047



## 3. DPH 5-Year Projection Update

Looking forward...

[see attached excel file]



## 3. DPH 5-Year Projection Update

### Key Strategies

1. Limit Cost growth (e.g., limit FTE growth, seek opportunities to reduce materials and supplies, contract cost growth)
2. Revenue Maximization



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## 4. Major Initiatives

The largest initiatives affecting financial performance over the coming five years:

1. Electronic Health Records Initiative (including workforce readiness)
2. Capital Investments and Space Planning

These initiatives have been singled out as top priorities in the Lean “True North” strategic planning process for DPH



## 4. Major Initiatives

### Electronic Health Records Initiative

- Financial Oversight of EHR Project
- Revenue Cycle Risks/Opportunities
- Preparing our People and Operations for the Transition

[see attached spreadsheet]



## 4. Major Initiatives

Capital Investments and Space Planning - \$800 Million + planned expenditures over next 8 years

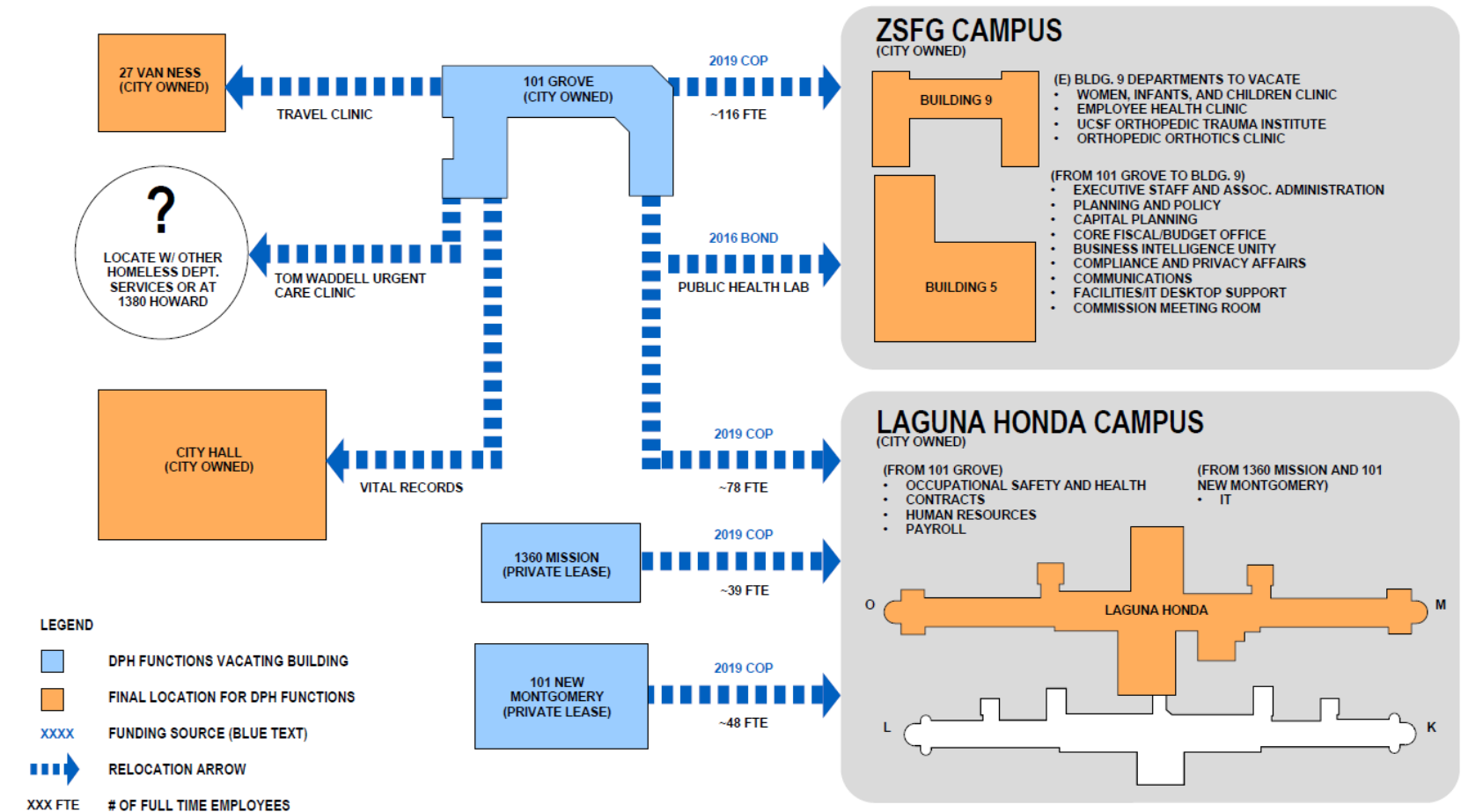
1. 2016 Proposition A - \$277 Million G.O. Bond
  1. ZSFG Building 5 Renovation
  2. Southeast Health Center Renovation and Expansion
  3. Maxine Hall, Castro Mission renovations/retrofits
  
2. 2018-19 Certificates of Participation – up to \$155 Million
  1. ZSFG Building 9 Retrofit
  2. LHH Old Building Wings M, O
  
3. November 2022 G.O. Bond - \$300 Million
  1. Scope still under discussion
  2. ZSFG Building 80/90 Renovations/Retrofit



# 4. Major Initiatives

## DPH CIVIC CENTER RELOCATION STRATEGY

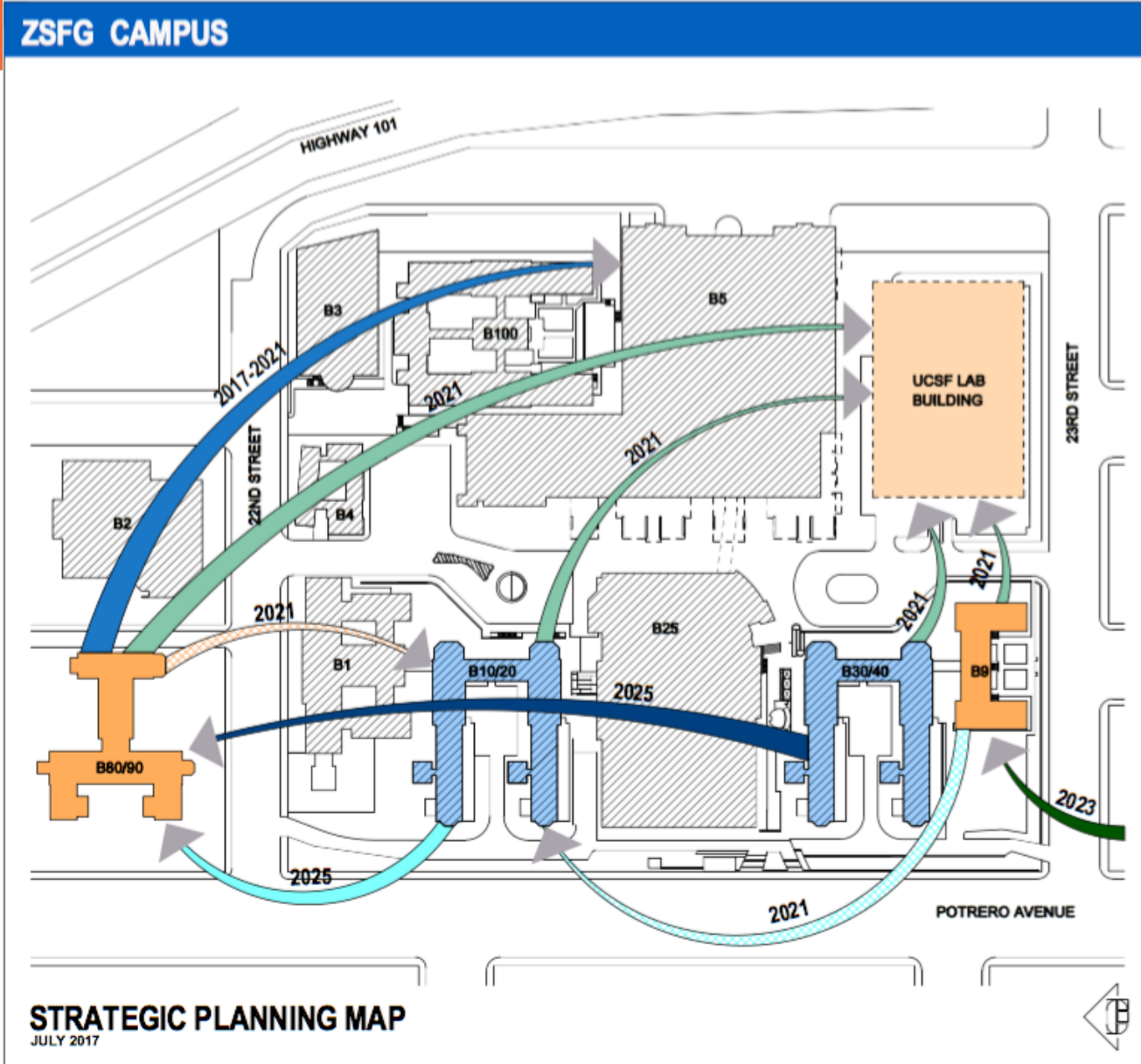
### RELOCATION DETAILS BY BUILDING







# 4. Major Initiatives



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## 5. Contingency Planning

### Risks and Uncertainties

- Federal or State policy changes affecting funding
- Economic changes

### Strategies

- Increase reserves
  - \$92.1 Million DPH Management reserve
  - \$50 Million City ACA reserve
  - Pre-funding of EHR Program
  - General Fund Reserves grown from <1% to 8% of total GF revenues
- Focus on expanding revenue generation
  - EHR Revenue Cycle planning
  - Pursue new billing opportunities



**QUESTIONS?**