



London N. Breed
Mayor

Greg Wagner
Chief Financial Officer

MEMORANDUM

July 27, 2020

TO: Ashley Groffenberger, Mayor's Budget Director

FROM: Greg Wagner, Chief Financial Officer, SFDPH

RE: General Fund Reduction Target

This memo is in response to the direction to City departments to provide additional options for General Fund savings, should they be needed to mitigate unrealized savings from negotiated deferrals of wage increases or other financial uncertainty. DPH's share of these General Fund targets is \$15.1 million in FY 2020-21 and \$62.5 million in FY 2021-22.

As you know, DPH was fortunately able to meet its previous \$188.7 million General Fund target without proposing service level reductions. This was accomplished by relying on increased revenue, deferrals and refinancing of capital projects, savings from vacant positions, and other administrative savings. Given that these options have been exhausted, if the additional \$15.1 million and \$62.5 million targets are needed the department would be required to propose substantial staffing and service level reductions. The following calculations describe the scale of reductions that would be required to meet this reduction target.

The vast majority of DPH's General Fund operating budget is in salaries, fringe benefits, and contracts (non-personnel services). Combined, the budgets for these accounts total \$1.84 billion. Salary and fringe benefits account for \$1.21 billion (66%) of this total, and contracts account for \$635.7 million (34%). Proportionately allocating the latest General Fund reduction targets yields the following:

Budget Category	Budget	Pct.	Reduction Amount - FY 2021-22	Reduction Amount - FY 2021-22	Estimated FTE
Salary and Fringe Benefits	\$ 1,210,231,341	66%	\$ 9,965,605	\$ 40,976,996	223.4
Operating Contracts	\$ 635,669,192	34%	\$ 5,234,395	\$ 21,523,004	-
	\$ 1,845,900,533		\$ 15,200,000	\$ 62,500,000	223.4

Expenditure reductions of this size would likely have notable impacts on service levels, and would require workforce reductions for both civil service employees and our nonprofit contractors. Given the significant demands on the City's health system we hope this course of action will not be necessary. If these reductions are needed, DPH staff will develop specific options to present to the Health Commission.