

REVISED BUDGET OUTLOOK & DEPARTMENT INSTRUCTIONS

May 18, 2020

Agenda

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- Deficit Projection – Joint Report Update
 - ▣ Projected Shortfalls – Current Year & Future Years (FY 20-21 through FY 23-24)
 - ▣ COVID Emergency Spending & Revenues
 - ▣ Risks & Uncertainty
- Mayoral Priorities & Budget Instructions for Departments

May Shortfall Projections

Projected shortfalls through FY 2021-22

- March projection:
\$1.1B - \$1.7B
- **May projection:**
\$1.7B

Forecast Through FY 2023-24

	<u>FY2019-20</u>	<u>FY2020-21</u>	<u>FY2021-22</u>	<u>FY2022-23</u>	<u>FY2023-24</u>
I. Current fiscal year	(246.2)				
II. Future fiscal years		(753.9)	(735.4)	(1,016.4)	(1,088.5)
III. Projected shortfalls	<u>(246.2)</u>	<u>(753.9)</u>	<u>(735.4)</u>	<u>(1,016.4)</u>	<u>(1,088.5)</u>
FY 2019-20 - FY 2021-22 Total			(1,735.5)		

Forecast Through FY 2023-24

	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
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Sources					
General fund sources		(487)	(306)	(110)	89
Public health revenues		(132)	(32)	(12)	8
Other		(31)	150	(67)	(93)
		(650)	(188)	(190)	4
Uses					
Baselines & reserves		93	21	(29)	(86)
Salaries & benefits		(125)	(307)	(415)	(495)
Citywide operating costs		(66)	(162)	(234)	(315)
Department costs		(6)	(100)	(148)	(197)
		(104)	(547)	(827)	(1,093)
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Projected shortfall	(246)	(754)	(735)	(1,016)	(1,089)
<i>Through FY21-22</i>			<i>(1,735)</i>		
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COVID Spending & Revenues

Current fiscal year

- Projected spending of \$373M in the current year will likely be offset by federal & other revenues
- But the City will largely deplete the CARES Act allocations available to support sustained response costs after July 1st

Next fiscal year and beyond

- Spending needs for FY 2020-21, are largely unknown at this time, but are likely to be significant
- Will be shaped by unknown ongoing community health risk
- Duration of FEMA reimbursement a key financial risk. Additional federal aid packages for local response?

Budget Priorities

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- Meet General Fund reduction requirements
- Prioritize core services that provide critical government functions
- Evaluate current operations for realignment with City outlined COVID operating measures and guidelines
 - ▣ What operations can and should be performed remotely?
 - ▣ What services need to be provided in person? And how?
 - ▣ What services can be moved online?
- Prioritize services for vulnerable populations and providing equitable services for underserved populations

Department Reduction Plans

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Mandatory budget reductions to help close the deficit

- Required reduction of General Fund support
 - ▣ Equivalent to 10% of adjusted GFS in FY 20-21
 - ▣ Growing to 15% in in FY 21-22 (an additional 5%)
 - ▣ Additional 5% in second year – contingency in FY 20-21 if fiscal conditions worsen
- Non-General Fund departments and funds must balance within their own revenue projections

Reduction Plan – Timeline & Logistics

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- ▣ Mandated reduction plans are due to the Mayor's Budget Office by June 12, 2020
- ▣ Departments will provide mandatory reduction plans from the base budget
 - ▣ Provide technical plan to implement reductions
- ▣ Provide clear, written description of service and staffing impacts of reductions

Calendar / Key Dates

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May 12	Revised Joint Report, 9-Month Report, & COVID Spending
May 14	Governor's May Revise Budget
May 18	Revised department budget instructions issued
Late May	Current fiscal year rebalancing plan introduced
June	Interim budget introduced to the Board of Supervisors & adopted for FY 20-21 fiscal year continuity
June 12	Department budget reduction plans due to the Mayor's Office
August 1	Mayor proposes balanced budget to Board of Supervisors
August	Budget and Finance Committee hearings
September	Budget considered at Board of Supervisors
October 1	Mayor signs budget

Questions?