

**Memorandum**

DATE: February 14, 2018

TO: Karen Breslin, President and Members of the Health Service Board

FROM: Pamela Levin, Chief Financial Officer

RE: San Francisco Health Service System FY 2019-20 and FY 2020-21 Proposed General Fund Administration Budget

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This is the second meeting regarding the San Francisco Health Service System (SFHSS) FY 2019-20 and FY 2020-21 General Fund Administration Budget. At today's meeting, the proposed budget is presented for approval by the Health Service Board (Board).

The proposed budget meets the Mayor's instructions for each fiscal year. However, over the last several years the options for reducing the SFHSS budget have diminished. Therefore, additional funding in the amount of \$277,999 for FY 2019-20 and \$354,242 for FY 2020-21 is required to restore services, address structural deficits and fund a new Well-Being position to coordinate classes staffed and located at the Recreation and Parks Department.

**Mayor's Budget Instructions for FY 2019-20 and FY 2020-21**

At the January 10, 2019 Board meeting, the Mayor's budget instructions were presented for discussion. The financial instructions and impact on SFHSS are summarized in this memo.

1. Departments must propose 'Sustainability and Efficiency Proposals' to reduce General Fund allocations. For FY 2019-20, Departments are instructed to submit budget requests that reflect an ongoing 2% reduction in adjusted General Fund support. For FY 2020-21 Department's submissions should reflect an additional 2% reduction in adjusted General Fund support.
  - a. For FY 2019-20 the impact of the reduction is \$67,058 off the FY 2019-20 base budget of \$12,159,411 resulting in \$12,092,353 for the SFHSS General Fund Administration budget.
  - b. In FY 2020-21 the reduction off the FY 2020-21 base budget of \$12,455,133 is \$134,115 resulting in \$12,321,018 for the SFHSS General Fund Administration budget.
2. Departments are to propose contingency savings that reduce General Fund support by 1.0% in FY 2019-20, and an additional 1.0% in FY 2020-21.
  - a. In FY 2019-20, the contingency proposal must further reduce the proposed budget of \$12,092,353 by \$33,529.
  - b. In FY 2020-21, the contingency proposal must further reduce the proposed budget of \$12,321,016 by \$67,058.

3. No new positions can be proposed.

**Underlying Principles for SFHSS Budget Development**

In addition to the Mayor’s instructions, SFHSS adheres to the following overarching principles:

- The Strategic Plan for Years 2020-2022 will guide budget decisions.
- The Healthcare Sustainability Fund Budget will be used to minimize cuts to the extent that the expenditures benefit all four employers and retirees. The uses of the Healthcare Sustainability Fund Budget are limited to communications, Well-Being, actuarial services, and initiatives to reduce the cost of healthcare.
- Additional funding will be requested for unfunded structural budget issues and City-wide initiatives.

**Proposed Budget**

The tables in this section, with the exception of Personnel Services (Table 3), summarize proposed budgets for FY 2019-20 and FY 2020-21 that meet the Mayor’s budget instructions. The projected revenues and expenditures for FY 2018-19 are based on the first six (6) months of actuals without the one-time funding from FY 2017-18 carryforward. The FY 2019-20 base budget is compared to the FY 2018-19 projection to illustrate the growth between the fiscal years. In addition, both the proposed FY 2019-20 and FY 2020-21 budgets are compared to the base budgets for each year to illustrate the reductions required to meet the Mayor’s budget instructions.

**Summary**

The following table summarizes the proposed budget. A thorough description of each component will follow.

<b>Table One - Summary</b>						
	<b>FY 2018-19 Original Budget</b>	<b>FY 2018-19 Projection *</b>	<b>FY 2019-20 Base Budget</b>	<b>FY 2019-20 Proposed Budget</b>	<b>FY 2020-21 Base Budget</b>	<b>FY 2020-21 Proposed Budget</b>
<b>Revenues</b>						
Non-Operating	\$ 587,335	\$ 587,335	\$ 624,637	\$ 624,637	\$ 456,530	\$ 456,530
Operating	6,000	-	6,000	9,131	6,000	9,131
Recoveries	11,038,687	10,732,559	11,528,774	11,458,585	11,992,603	11,855,357
<b>Total</b>	<b>\$ 11,632,022</b>	<b>\$ 11,319,894</b>	<b>\$ 12,159,411</b>	<b>\$ 12,092,353</b>	<b>\$ 12,455,133</b>	<b>\$ 12,321,018</b>
<b>Expenditures</b>	<b>\$ 11,632,022</b>	<b>\$ 11,319,894</b>	<b>\$ 12,159,411</b>	<b>\$ 12,092,353</b>	<b>\$ 12,455,133</b>	<b>\$ 12,321,018</b>
<i>Change</i>		\$ (312,128)	\$ 839,517	\$ (67,058)	\$ 362,780	\$ (134,115)
<b>* Projection based on 6 months of actual without carryforward funding</b>						

## REVENUES

As illustrated in Table One, the operating revenues are increasing in the proposed budgets for FY 2019-20 and FY 2020-21 commensurate with the change in expenditures.

## EXPENDITURES

Table Two summarizes the expenditures for FY 2018-19, FY 2019-20 and FY 2020-21. Each of the line items will be discussed separately.

Table Two - Expenditures						
	FY 2018-19 Original Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget
<b>Personnel</b>	\$ 7,862,593	\$ 7,573,658	\$ 8,224,421	\$ 8,224,421	\$ 8,520,143	\$ 8,520,143
<i>Change Per Controller's Office</i>		\$ (288,935)	\$ 650,763	\$ -	\$ 295,722	\$ -
<b>Non-Personnel</b>						
Training	\$ 16,755	\$ 19,861	\$ 15,715	\$ 30,640	\$ 15,715	\$ 23,266
Software Licenses	10,100	12,504	9,600	19,355	9,600	19,355
Contracts	1,590,666	1,572,666	1,616,033	1,514,837	1,616,033	1,454,080
Other Non-Personnel	87,965	109,504	87,965	82,324	87,965	83,398
<b>Total Non-Personnel</b>	\$ 1,705,486	\$ 1,714,536	\$ 1,729,313	\$ 1,647,156	\$ 1,729,313	\$ 1,580,099
<i>Change</i>		\$ 9,050	\$ 14,777	\$ (82,157)	\$ 82,157	\$ (149,214)
<b>Materials and Supplies</b>	\$ 43,197	\$ 43,197	\$ 42,999	\$ 45,130	\$ 42,999	\$ 45,130
<i>Change</i>		\$ -	\$ (198)	\$ 2,131	\$ (2,131)	\$ 2,131
<b>Work Orders</b>	\$ 2,020,746	\$ 1,988,503	\$ 2,162,678	\$ 2,175,646	\$ 2,162,678	\$ 2,175,646
<i>Change</i>		\$ (32,243)	\$ 174,175	\$ 12,968	\$ (12,968)	\$ 12,968
<b>Grand Total</b>	\$ 11,632,022	\$ 11,319,894	\$ 12,159,411	\$ 12,092,353	\$ 12,455,133	\$ 12,321,018
<i>Change</i>		\$ (312,128)	\$ 839,517	\$ (67,058)	\$ 362,780	\$ (134,115)
* Projection based on 6 months of actual without carryforward funding						

## Personnel Services

SFHSS funds personnel through both the General Fund and the Health Care Sustainability Fund budgets. Overall, the funding for salaries and fringes will increase by 4.6% in FY 2019-20 and 3.6% in FY 2020-21 as outlined in Table Three. This increase is based on assumptions used by the Controller and Mayor's Office to budget increases in wages, employer pension contributions, and health benefit contributions.

Table Three - Personnel Services						
	FY 2018-19 Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget
Salaries and Fringes	\$ 7,862,593	\$ 7,573,658	\$ 8,224,421	\$ 8,224,421	\$ 8,520,143	\$ 8,520,143
<i>Change</i>		\$ (288,935)	\$ 361,828	\$ 361,828		\$ 295,722
<i>Percent Change</i>		-3.67%	4.6%	4.60%		3.60%
* Projection based on 6 months of actual without carryforward funding						

Table Four summarizes the full-time employee positions (FTEs) by fiscal year and funding source. The comparison is between budgets rather than projected FTEs since the number of positions is established in the Annual Salary Ordinance.

<b>Table Four - Positions (FTE)</b>			
	<b>FY 2018-19 Budget</b>	<b>FY 2019-20 Proposed Budget</b>	<b>FY 2020-21 Proposed Budget</b>
<b>General Fund</b>			
SFHSS Administration	45.65	45.65	45.65
Well-Being and Employee Assistance Program (EAP)	7.00	7.00	7.00
Temporary Positions	0.11	0.11	0.11
<b>Total General Fund</b>	<b>52.76</b>	<b>52.76</b>	<b>52.76</b>
<i>Change</i>		<i>0.00</i>	<i>0.00</i>
<b>Attrition</b>	<b>-2.19</b>	<b>-2.19</b>	<b>-2.19</b>
<b>Funded Positions - General Fund</b>	<b>50.57</b>	<b>50.57</b>	<b>50.57</b>
<i>Change</i>		<i>0.00</i>	<i>0.00</i>
<b>Health Care Sustainability Fund Budget Annual Salary Ordinance</b>			
Annual Salary Ordinance	3.35	3.35	3.35
Project Based Positions	4.00	4.00	4.00
Well-Being Interns	1.00	1.00	1.00
<b>Total Health Care Sustainability Fund</b>	<b>8.35</b>	<b>8.35</b>	<b>8.35</b>
<i>Change</i>		<i>0.00</i>	<i>0.00</i>
<b>Total Positions</b>	<b>58.92</b>	<b>58.92</b>	<b>58.92</b>
<i>Change</i>		<i>0.00</i>	<i>0.00</i>
<b>* Projection based on 6 months of actual without carryforward funding</b>			

Positions funded by the Health Care Sustainability Fund Budget

In FY 2018-19, two (2) project-based positions for contracts and analytical support, funded by the Health Care Sustainability Fund\_Budget, are projected to be filled. In FY 2019-20, two (2) additional project-based FTEs, funded by the Health\_Care Sustainability Fund\_Budget, will also be filled. All four (4) FTEs will serve to execute the Strategic Plan for Years 2020-2022. There is one (1) additional FTE for a temporary year-round Well-Being intern.

The Communications Director is one of the two (2) project-based FTEs to be filled in FY 2019-20. This position will ensure benefit plans and Well-Being communications engage and empower SFHSS Members in electing and accessing benefits. SFHSS will work with a third-party Benefits Communication Consultant to develop a comprehensive long-term communication plan and engagement strategy for SFHSS and its members. The Communications Director will work with the consultant to implement the plan.

The second project-based position is a Senior Benefit Analyst who will lead project development and

oversight of new and existing customer service software vendors to create a personalized experience for every SFHSS Member pursuant to the Strategic Plan for 2020-2022. In coordination with SFHSS leadership and third-party consultants, this Senior Benefit Analyst will evaluate current work-flow processes, establish the baseline target measurements, map the member journey, and assess the information contained in the existing knowledge base associated with the SFHSS Client Relationship Management (CRM) system. A process improvement service plan, training development plan, and call-center scripts which will be incorporated into the CRM, will also be developed as well. The result will be vastly improved Member Service interactions, with an enhanced SFHSS member experience.

**Other Expenditures**

The proposed budget reflects an increase in Training, Software Licenses, Other Non-Personal Services, Materials and Supplies, and Work Orders. However, to meet the Mayor’s budget instructions, to submit a budget that reflects a total of 4% savings over the two fiscal years, contracts are substantially reduced.

**Training**

Additional training is budgeted each year to provide ongoing education and professional development to support departmental goals and objectives, increase the technical systems expertise of SFHSS staff and maintain required professional certifications for the Employee Assistance Program. Funding for Board Education will be maintained at current levels.

<b>Table Five - Training</b>						
	<b>FY 2018-19 Budget</b>	<b>FY 2018-19 Projection *</b>	<b>FY 2019-20 Base Budget</b>	<b>FY 2019-20 Proposed Budget</b>	<b>FY 2020-21 Base Budget</b>	<b>FY 2020-21 Proposed Budget</b>
Administration/Operations	\$ 650	\$ 5,653	\$ -	\$ 4,000	\$ -	\$ 3,200
Department-wide Safety Training	1,740	1,390	350	350	350	1,740
Enterprise Systems and Analytics Technical Training		2,800	1,000	9,100	1,000	1,000
Health Service Board	10,000	10,000	10,000	10,000	10,000	10,000
EAP and Well-Being Certificates	4,365	4,365	4,365	7,190	4,365	7,326
	<b>\$ 16,755</b>	<b>\$ 24,208</b>	<b>\$ 15,715</b>	<b>\$ 30,640</b>	<b>\$ 15,715</b>	<b>\$ 23,266</b>
<i>Change</i>		\$ 7,453	\$ (8,493)	\$ 14,925	\$ (14,925)	\$ 7,551
<b>* Projection based on 6 months of actual without carryforward funding</b>						

**Software Licenses**

The proposed budget for software increases in FY 2019-20 due to the quantity and category of the required licenses. Significant resources have been dedicated to data security and new software licenses, which increase the efficiency and effectiveness of SFHSS processes, while safeguarding confidential Member and City information.

An RFP will be issued in FY 2019-20 to replace the current Employee Assistance Program (EAP) Case Management Software originally purchased in 1999. The legacy case management software cannot be upgraded to meet the needs of a modern EAP program. The development and implementation of this software is contained within the Health Care Sustainability Fund Budget.

Table Six - Software Licenses						
	FY 2018-19 Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget
Virus and Malware Protection Software	\$ 2,200	\$ 6,200	\$ 2,200	\$ 6,200	\$ 2,200	\$ 6,200
Helpdesk	900	900	900	1,500	900	1,500
Web Editor	500	500	500	500	500	500
EAP Case Management Software	4,000	4,000	4,000	10,250	4,000	10,250
Medical Plan Enrollment Software	2,000	405	2,000	405	2,000	405
IRS Software	500	499		500		500
	<b>\$ 10,100</b>	<b>\$ 12,504</b>	<b>\$ 9,600</b>	<b>\$ 19,355</b>	<b>\$ 9,600</b>	<b>\$ 19,355</b>
<i>Change</i>		\$ 2,404	\$ (2,904)	\$ 9,755	\$ (9,755)	\$ 9,755
<b>* Projection based on 6 months of actual without carryforward funding</b>						

### Contracts/Professional Services

To balance the FY 2019-20 budget to meet the Mayor's instructions, funding for contracts is reduced by \$101,196 from the FY 2019-20 Base Budget level and in FY 2020-21 the reduction from the base budget is \$161,953 as found in Table Seven (a).

Table Seven (a) - Contracts						
	FY 2018-19 Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget
Actuarial, Benefit Administration, FSA and COBRA Administration, Audit Services	\$ 1,240,666	\$ 1,222,666	\$ 1,258,540	\$ 1,201,446	\$ 1,258,540	\$ 1,231,588
<i>Change</i>		\$ (18,000)	\$ 35,874	\$ (57,094)	\$ (43,486)	\$ (26,952)
Well-Being Grants	125,000	125,000	132,493	132,493	132,493	\$ 132,493
<i>Change</i>		\$ -	\$ 7,493	\$ -	\$ -	\$ -
Onsite Well-Being Activities	225,000	225,000	225,000	180,898	225,000	\$ 89,999
<i>Change</i>		\$ -	\$ -	\$ (44,102)	\$ -	\$ (135,001)
<b>Total</b>	<b>\$ 1,590,666</b>	<b>\$ 1,572,666</b>	<b>\$ 1,616,033</b>	<b>\$ 1,514,837</b>	<b>\$ 1,616,033</b>	<b>\$ 1,454,080</b>
<i>Change</i>		\$ (18,000)	\$ 43,367	\$ (101,196)	\$ 101,196	\$ (161,953)
<b>* Projection based on 6 months of actual without carryforward funding</b>						

Table Seven (b) illustrates the actual impact of the reductions to meet the Mayor's budget instructions on what SFHSS's projected contractual obligations, in each fiscal year, based on current utilization. The actual funding requirement in FY 2019-20 is \$1,641,939. While this is \$25,906 greater than the FY 2019-20 base budget totaling \$1,616,033, it is \$127,102 less than what is needed. In FY 2020-20, the actual funding requirement, based on current utilization, is \$1,659,519. This is \$43,486 greater than the FY 2020-21 base budget \$1,616,033 but, is \$205,439 less than what is needed. The additional funding will be requested.

<b>Table Seven (b) - Contracts</b>				
	<b>FY 2019-20 Funding Requirement Based on Current Utilization</b>	<b>FY 2019-20 Proposed Budget</b>	<b>FY 2020-21 Funding Requirement Based on Current Utilization</b>	<b>FY 2020-21 Proposed Budget</b>
Actuarial, Benefit Administration, FSA and COBRA Administration, Audit Services	\$ 1,284,446	\$ 1,201,446	\$ 1,302,026	\$ 1,231,588
<i>Change</i>		\$ (83,000)		\$ (70,438)
Well-Being Grants	\$ 132,493	132,493	132,493	132,493
<i>Change</i>		\$ -	\$ -	\$ -
Onsite Well-Being Activities	\$ 225,000	180,898	225,000	89,999
<i>Change</i>		\$ (44,102)	\$ -	\$ (135,001)
<b>Total</b>	<b>\$ 1,641,939</b>	<b>\$ 1,514,837</b>	<b>\$ 1,659,519</b>	<b>\$ 1,454,080</b>
<i>Change</i>		\$ (127,102)		\$ (205,439)

Credit Card Payment Processing Vendor (Other Non-Personnel)

In October 2018, the Treasurer Tax Collector introduced a new vendor for the processing of credit card payments. The SFHSS Credit Card fees have more than doubled with the new vendor's system from \$2,750 to \$5,760 per month. The vendor is working with SFHSS to develop a new member-facing portal which will allow payment by eCheck which will reduce these fees substantially. This portal will allow SFHSS members, including retirees without enough pension payments to allow for premium deductions and members on leave of absence, to pay for their premiums themselves. However, the go-live date and overall impact of the new member-facing portal is not currently available. These costs will be revisited during the Mayor's phase of the budget process. The total requirement for SFHSS based on current utilization is \$65,266 annually and the additional \$30,266, which is not included in the proposed budget, will be part of the request for additional funding.

<b>Table Eight - Other Non-Personnel</b>						
	<b>FY 2018-19 Budget</b>	<b>FY 2018-19 Projection *</b>	<b>FY 2019-20 Base Budget</b>	<b>FY 2019-20 Proposed Budget</b>	<b>FY 2020-21 Base Budget</b>	<b>FY 2020-21 Proposed Budget</b>
Credit Card Fees	\$ 29,000	\$ 59,550	\$ 29,000	\$ 35,000	\$ 29,000	\$ 35,000
Other Non-Personnel	58,965	49,954	58,965	47,324	58,965	52,965
<b>Total Other Non-Personnel</b>	<b>87,965</b>	<b>109,504</b>	<b>87,965</b>	<b>82,324</b>	<b>87,965</b>	<b>87,965</b>
<i>Change</i>		\$ 21,539	\$ (21,539)	\$ (5,641)	\$ 5,641	\$ -

\* Projection based on 6 months of actual without carryforward funding

## Materials and Supplies

The Materials and Supplies budget will be increased to fund EAP material used in training provided to City departments. These include \$1,350 for Leadership Training packets and \$7,781 Crisis Prevention Institute books. EAP revenues are increased from \$6,000 to \$9,131 to reflect the charges to departments for these materials. Additional materials will be purchased in FY 2020-21.

Table Nine - Materials and Supplies						
	FY 2018-19 Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget
General Office Supplies	\$ 43,197	\$ 43,197	\$ 41,899	\$ 35,999	\$ 41,899	\$ 35,999
Employee Assistance Program Training Materials	0	0	\$ 1,100	\$ 9,131	\$ 1,100	\$ 9,131
<b>Total Materials and Supplies</b>	\$ 43,197	\$ 43,197	\$ 42,999	\$ 45,130	\$ 42,999	\$ 45,130
<i>Change</i>		\$ -	\$ (198)	\$ 2,131	\$ (2,131)	\$ 2,131

\* Projection based on 6 months of actual without carryforward funding

## Work Orders

The budget for most Work Orders is not determined by SFHSS, but rather through negotiations between the Mayor's Office and the Departments providing the services. The budget provides for an increase of \$174,175 in FY 2019-20 compared to the FY 2018-19 projections. Furthermore, an increase in the Work Order for Reproduction and Mail Services is budgeted in FY 2019-20 to cover additional printing needs.

Table Ten - Work Orders						
	FY 2018-19 Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed	FY 2020-21 Base Budget	FY 2020-21 Proposed
DPW Building Repair	\$ -	\$ 6,392	\$ -	\$ -	\$ -	\$ -
Technology Projects	18,598	18,598	18,598	18,598	18,598	18,598
Risk Management Svcs (AAO)	2,995	4,000	2,995	2,995	2,995	2,995
Technology Infrastructure	124,632	124,632	129,412	129,412	129,412	129,412
CON-Information System Ops	43,050	43,050	43,280	43,280	43,280	43,280
City Attorney-Legal Service	170,000	170,000	170,000	167,500	170,000	167,500
SFGov TV Services	17,753	17,753	17,753	17,753	17,753	17,753
Enterprise Tech Contracts	8,302	8,302	8,551	8,551	8,551	8,551
Telecommunications Services	28,905	28,905	25,833	25,833	25,833	25,833
HR-Workers' Comp Claims	169,951	169,951	175,372	175,372	175,372	175,372
HR-Client Svc-Recrut-Assess	284,516	284,516	284,516	284,516	284,516	284,516
Leases Paid To Real Estate	1,060,545	1,054,153	1,194,869	1,194,869	1,194,869	1,194,869
Purch-Mail Services	12,423	6,212	12,423	12,423	12,423	12,423
Purch-Reproduction	32	2,032	32	13,000		13,000
HR-Management Training				2,500	32	2,500
Rec & Park Fitness Instructors	79,044	61,369	79,044	79,044	79,044	79,044
<b>Total</b>	\$ 2,020,746	\$ 1,982,111	\$ 2,162,678	\$ 2,175,646	\$ 2,162,678	\$ 2,175,646
<i>Change</i>		\$ (38,635)	\$ 180,567	\$ 12,968	\$ (12,968)	\$ 12,968

## Requests for Funding Above the Mayors' Budget Target

The proposed budget for FY 2019-20 and FY 2020-21 is insufficient to fund and support the work that is performed by SFHSS. Over the last several years, incremental reductions have been made, primarily to contract/professional services, to meet the Mayor's Budget instructions. There are very few remaining feasible options to meet the new reduction targets, for the next two fiscal years, without adversely



impacting service commitments to our members. Table Eleven outlines the requests that will be made to the Mayor’s Office for additional funding in FY 2019-20 and FY 2020-21.

<b>Table Eleven - Requests for Additional Funding</b>		
<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>Justification</b>
\$ 30,266	\$ 30,266	The proposed budget for both fiscal years does not include all the required funding for credit card processing fees pursuant to the Treasurer and Tax Collector’s new City-wide contract. SFHSS is working with the credit card payment processing vendor on building a member facing portal which will reduce the cost to the City. It is too early to estimate the savings in credit card processing fees and the request is to fully fund the shortfall.
83,000	70,438	To meet the budget targets in each fiscal year, funding for contracts/professional services was significantly reduced below the existing multi-year not-to-exceed contract values. Funding is requested to restore the contract values and meet the agreed upon service level.
44,102	135,001	Apart from further eroding the budget for contracts/professional services or eliminating personnel, the remaining area for reduction is on-site Well-Being activities. These activities are integral to the City-wide Well-Being program and funding is requested to restore the budget to the base budget for both fiscal years.
120,631	118,537	SFHSS has sponsored 960 group exercise classes with 11,355 visits at 28 City worksites in partnership with the Recreation and Parks Department (RPD). This does not include the classes the RPD provides at Enterprise Departments such as the Port and Airport. RPD provides the fitness instructors via a workorder with SFHSS and Enterprise Departments pay RDP directly. RPD staff are also responsible for administrative tasks including recording and reporting attendance, generating quarterly invoices, occasional site visits to city agencies, recruiting and hiring skilled instructors, scheduling staff, and fulfilling short term class requests. The increasing demand for programs has resulted in a drastic increase in workload for the RPD Wellness Program Coordinator and an additional Recreation Coordinator is requested. Both SFHSS and RPD support this proposal however the additional funding is not in the proposed budget for either fiscal year.
<b>\$ 277,999</b>	<b>\$ 354,242</b>	

**Contingency Proposal**

Due to the uncertainty associated with the impact of the labor negotiations and the growth in City revenues, the Mayor has directed departments to provide contingency proposals that reduce General Fund support by 1.0% in FY 2019-20, and an additional 1.0% in FY 2020-21.

For SFHSS, the contingency proposal for FY 2019-20 must total \$33,529. In FY 2020-21 an additional reduction of \$33,529 is required. The result is an overall decrease of \$67,058 over two years.

After meeting the 2% reduction target found in the Mayor’s budget instructions for each fiscal year, SFHSS is unable to meet the contingency proposal requirement without further reductions in Well-Being.

Table 12 - Contingency Proposals - Additional Reductions to Well-Being						
Fiscal Year	Grants		On-Site Activities		Grand Total	
	Funding	Change from FY 2018-19 Projection	Funding	Change from FY 2018-19 Projection	Funding	Change from FY 2018-19 Projection
FY 2018-19 Budget	\$ 125,000		\$ 225,000		\$ 350,000	
FY 2018-19 Projection *	125,000		225,000		350,000	
FY 2019-20 Base Budget	132,493		225,000		357,493	
Reduction to Meet Mayor's Reduction Target	-		(44,102)		(44,102)	
<b>FY 2019-20 Proposed Budget</b>	<b>132,493</b>	<b>6% increase</b>	<b>180,898</b>	<b>20% Reduction</b>	<b>313,391</b>	<b>13% Reduction</b>
FY 2019-20 Contingency Plan	(33,529)		-		(33,529)	
<b>FY 2019-20 Budget After Contingency Plan</b>	<b>\$ 98,964</b>	<b>21% reduction</b>	<b>\$ 180,898</b>	<b>20% Reduction</b>	<b>\$ 279,862</b>	<b>20% Reduction</b>
FY 2020-21 Base Budget	\$ 132,493		\$ 225,000		\$ 357,493	
Reduction to Meet Mayor's Reduction Target	-		(135,001)		(135,001)	
<b>FY 2020-21 Proposed Budget</b>	<b>132,493</b>	<b>6% increase</b>	<b>89,999</b>	<b>60% Reduction</b>	<b>222,492</b>	<b>36% Reduction</b>
FY 2021 Contingency Plan			\$ (67,058)		\$ (67,058)	
<b>FY 2020-21 Budget After Contingency Plan</b>	<b>\$ 132,493</b>	<b>6% increase</b>	<b>\$ 22,941</b>	<b>90% Reduction</b>	<b>\$ 155,434</b>	<b>56% Reduction</b>

The remaining budget in FY 2019-20 for Well-Being, after both the proposed budget reductions and the contingency plan reductions are taken, is total budget is \$279,862 which is 20% less than the current year projection of \$350,000. The budget for FY 2020-21 is \$155,434, after both the proposed budget reductions and the contingency plan reductions are taken, which is 56% than this year's projection. Cuts of this magnitude will severely affect the Well-Being program and will impair the SFHSS ability to make a positive impact on the health of City employees.

### Next Steps

Upon approval by the Board, the FY 2018-19 and FY 2019-20 proposed budget will be presented to the Mayor on February 21, 2019. Negotiations will proceed with the Mayor's Office to determine what will be included in the Mayor's budget proposal to the Board of Supervisors on June 1, 2018. SFHSS staff will advise the Board on the changes made by the various offices at upcoming Board meetings.

# San Francisco Health Service System Proposed FY 2019-20 and FY 2020-21 General Fund Administration Budget

February 14, 2019

# Mayor's Budget Instructions

- Submit “Sustainability and Efficiency Proposals” that reduce the General Fund budget by 2% from the base funding level which totals \$67,058 in FY 2019-20 and \$134,115 in FY 2020-21
- Submit Contingency Savings proposals that reduce the SFHSS proposed budget by 1% which totals \$33,529 in FY 2019-20 and \$67,058 in FY 2020-21
- No new positions can be proposed

# Positions

Positions (FTE)			
	FY 2018-19 Budget	FY 2019-20 Proposed Budget	FY 2020-21 Proposed Budget
<b>General Fund</b>			
SFHSS Administration	45.65	45.65	45.65
Well-Being and Employee Assistance Program (EAP)	7.00	7.00	7.00
Temporary Positions	0.11	0.11	0.11
<b>Total General Fund</b>	<b>52.76</b>	<b>52.76</b>	<b>52.76</b>
<i>Change</i>		0.00	0.00
<b>Attrition</b>	<b>-2.19</b>	<b>-2.19</b>	<b>-2.19</b>
<b>Funded Positions - General Fund</b>	<b>50.57</b>	<b>50.57</b>	<b>50.57</b>
<i>Change</i>		0.00	0.00
<b>Health Care Sustainability Fund Budget Annual Salary Ordinance</b>			
Annual Salary Ordinance	3.35	3.35	3.35
Project Based Positions	4.00	4.00	4.00
Well-Being Interns	1.00	1.00	1.00
<b>Total Health Care Sustainability Fund</b>	<b>8.35</b>	<b>8.35</b>	<b>8.35</b>
<i>Change</i>		0.00	0.00
<b>Total Positions</b>	<b>58.92</b>	<b>58.92</b>	<b>58.92</b>
<i>Change</i>		0.00	0.00
<b>* Projection based on 6 months of actual without carryforward funding</b>			

## Summary of Expenditures to Meet the 2% Reduction Targets

Expenditures						
	FY 2018-19 Original Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget
<b>Personnel</b>	\$ 7,862,593	\$ 7,573,658	\$ 8,224,421	\$ 8,224,421	\$ 8,520,143	\$ 8,520,143
<i>Change Per Controller's Office</i>		\$ (288,935)	\$ 650,763	\$ -	\$ 295,722	\$ -
<b>Non-Personnel</b>						
Training	\$ 16,755	\$ 19,861	\$ 15,715	\$ 30,640	\$ 15,715	\$ 23,266
Software Licenses	10,100	12,504	9,600	19,355	9,600	19,355
Contracts	1,590,666	1,572,666	1,616,033	1,514,837	1,616,033	1,454,080
Other Non-Personnel	87,965	109,504	87,965	82,324	87,965	83,398
<b>Total Non-Personnel</b>	\$ 1,705,486	\$ 1,714,536	\$ 1,729,313	\$ 1,647,156	\$ 1,729,313	\$ 1,580,099
<i>Change</i>		\$ 9,050	\$ 14,777	\$ (82,157)	\$ 82,157	\$ (149,214)
<b>Materials and Supplies</b>	\$ 43,197	\$ 43,197	\$ 42,999	\$ 45,130	\$ 42,999	\$ 45,130
<i>Change</i>		\$ -	\$ (198)	\$ 2,131	\$ (2,131)	\$ 2,131
<b>Work Orders</b>	\$ 2,020,746	\$ 1,988,503	\$ 2,162,678	\$ 2,175,646	\$ 2,162,678	\$ 2,175,646
<i>Change</i>		\$ (32,243)	\$ 174,175	\$ 12,968	\$ (12,968)	\$ 12,968
<b>Grand Total</b>	\$ 11,632,022	\$ 11,319,894	\$ 12,159,411	\$ 12,092,353	\$ 12,455,133	\$ 12,321,018
<i>Change</i>		\$ (312,128)	\$ 839,517	\$ (67,058)	\$ 362,780	\$ (134,115)
* Projection based on 6 months of actual without carryforward funding						

## Reductions in Contracts to Meet 2% Reduction Target

Contracts						
	FY 2018-19 Budget	FY 2018-19 Projection *	FY 2019-20 Base Budget	FY 2019-20 Proposed Budget	FY 2020-21 Base Budget	FY 2020-21 Proposed Budget
Actuarial, Benefit Administration, FSA and COBRA Administration, Audit Services	\$ 1,240,666	\$ 1,222,666	\$ 1,258,540	\$ 1,201,446	\$ 1,258,540	\$ 1,231,588
<i>Change</i>		\$ (18,000)	\$ 35,874	\$ (57,094)	\$ (43,486)	\$ (26,952)
Well-Being Grants	125,000	125,000	132,493	132,493	132,493	\$ 132,493
<i>Change</i>		\$ -	\$ 7,493	\$ -	\$ -	\$ -
Onsite Well-Being Activities	225,000	225,000	225,000	180,898	225,000	\$ 89,999
<i>Change</i>		\$ -	\$ -	\$ (44,102)	\$ -	\$ (135,001)
<b>Total</b>	<b>\$ 1,590,666</b>	<b>\$ 1,572,666</b>	<b>\$ 1,616,033</b>	<b>\$ 1,514,837</b>	<b>\$ 1,616,033</b>	<b>\$ 1,454,080</b>
<i>Change</i>		\$ (18,000)	\$ 43,367	\$ (101,196)	\$ 101,196	\$ (161,953)
<b>* Projection based on 6 months of actual without carryforward funding</b>						

## Impact of Budget Reductions on Contractual Obligations

<b>Contracts - Requirement to Meet Contractual Obligations</b>				
	<b>FY 2019-20 Funding Requirement Based on Current Utilization</b>	<b>FY 2019-20 Proposed Budget</b>	<b>FY 2020-21 Funding Requirement Based on Current Utilization</b>	<b>FY 2020-21 Proposed Budget</b>
Actuarial, Benefit Administration, FSA and COBRA Administration, Audit Services	\$ 1,284,446	\$ 1,201,446	\$ 1,302,026	\$ 1,231,588
<i>Change</i>		\$ (83,000)		\$ (70,438)
Well-Being Grants	\$ 132,493	132,493	132,493	132,493
<i>Change</i>		\$ -	\$ -	\$ -
Onsite Well-Being Activities	\$ 225,000	180,898	225,000	89,999
<i>Change</i>		\$ (44,102)	\$ -	\$ (135,001)
<b>Total</b>	<b>\$ 1,641,939</b>	<b>\$ 1,514,837</b>	<b>\$ 1,659,519</b>	<b>\$ 1,454,080</b>
<i>Change</i>		\$ (127,102)		\$ (205,439)



# Requests for Additional Funding

Requests for Additional Funding		
FY 2019-20	FY 2020-21	Justification
\$ 30,266	\$ 30,266	The proposed budget for both fiscal years does not include all the required funding for credit card processing fees pursuant to the Treasurer and Tax Collector's new City-wide contract. SFHSS is working with the credit card payment processing vendor on building a member facing portal which will reduce the cost to the City. It is too early to estimate the savings in credit card processing fees and the request is to fully fund the shortfall.
83,000	70,438	To meet the budget targets in each fiscal year, funding for contracts/professional services was significantly reduced below the existing multi-year not-to-exceed contract values. Funding is requested to restore the contract values and meet the agreed upon service level.
44,102	135,001	Apart from further eroding the budget for contracts/professional services or eliminating personnel, the remaining area for reduction is on-site Well-Being activities. These activities are integral to the City-wide Well-Being program and funding is requested to restore the budget to the base budget for both fiscal years.
120,631	118,537	SFHSS has sponsored 960 group exercise classes with 11,355 visits at 28 City worksites in partnership with the Recreation and Parks Department (RPD). This does not include the classes the RPD provides at Enterprise Departments such as the Port and Airport. RPD provides the fitness instructors via a workorder with SFHSS and Enterprise Departments pay RDP directly. RPD staff are also responsible for administrative tasks including recording and reporting attendance, generating quarterly invoices, occasional site visits to city agencies, recruiting and hiring skilled instructors, scheduling staff, and fulfilling short term class requests. The increasing demand for programs has resulted in a drastic increase in workload for the RPD Wellness Program Coordinator and an additional Recreation Coordinator is requested. Both SFHSS and RPD support this proposal however the additional funding is not in the proposed budget for either fiscal year.
<b>\$ 277,999</b>	<b>\$ 354,242</b>	

# Contingency Proposal Impact on Well-Being Budget

Contingency Proposals - Additional Reductions to Well-Being						
Fiscal Year	Grants		On-Site Activities		Grand Total	
	Funding	Change from FY 2018-19 Projection	Funding	Change from FY 2018-19 Projection	Funding	Change from FY 2018-19 Projection
FY 2018-19 Budget	\$ 125,000		\$ 225,000		\$ 350,000	
FY 2018-19 Projection *	125,000		225,000		350,000	
FY 2019-20 Base Budget	132,493		225,000		357,493	
Reduction to Meet Mayor's Reduction Target	-		(44,102)		(44,102)	
<b>FY 2019-20 Proposed Budget</b>	<b>132,493</b>	<b>6% increase</b>	<b>180,898</b>	<b>20% Reduction</b>	<b>313,391</b>	<b>13% Reduction</b>
FY 2019-20 Contingency Plan	(33,529)		-		(33,529)	
<b>FY 2019-20 Budget After Contingency Plan</b>	<b>\$ 98,964</b>	<b>21% reduction</b>	<b>\$ 180,898</b>	<b>20% Reduction</b>	<b>\$ 279,862</b>	<b>20% Reduction</b>
FY 2020-21 Base Budget	\$ 132,493		\$ 225,000		\$ 357,493	
Reduction to Meet Mayor's Reduction Target	-		(135,001)		(135,001)	
<b>FY 2020-21 Proposed Budget</b>	<b>132,493</b>	<b>6% increase</b>	<b>89,999</b>	<b>60% Reduction</b>	<b>222,492</b>	<b>36% Reduction</b>
FY 2021 Contingency Plan			\$ (67,058)		\$ (67,058)	
<b>FY 2020-21 Budget After Contingency Plan</b>	<b>\$ 132,493</b>	<b>6% increase</b>	<b>\$ 22,941</b>	<b>90% Reduction</b>	<b>\$ 155,434</b>	<b>56% Reduction</b>