

City and County of San Francisco
Recovery Plan

**State and Local Fiscal Recovery
Funds**

2022 Report

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Executive Summary

The COVID-19 pandemic ended the longest period of economic expansion in U.S. history. Within the first month, over 20 million jobs were lost across the country – equal to nearly all the jobs gained during the preceding ten years. In the San Francisco metro division, the City lost more than 115,000 jobs, and its unemployment rate rose to 13 percent from 2.2 percent in two months. While many indicators have stabilized or improved, the tourism, small business, and office sectors continue to face structural challenges to recovery for years to come.

As an office employment center, perhaps the most important single change to the City’s economy has been the switch of office workers to remotely working from home. Office activities, including government, generated about 75% of the City’s GDP before the pandemic, and about half of the City’s employment base commuted from outside the City. BART commuter rail exits at downtown San Francisco stations were still below 30% of prepandemic levels. The absence of in-commuters has seriously impacted businesses that formerly served those workers and threatens commercial real estate values. The rise of remote work has reduced or eliminated the premium of housing close to jobs, and average asking apartment rents are still 12% below normal. As a tourist destination disproportionately dependent on international (particularly Asian) travelers and convention activity, continuing travel restrictions and disruptions have profoundly affected a pillar of the local economy and tax revenues.

From July 2021, the Controller’s Office of Economic Analysis has produced monthly reports on economic indicators such as office work, tourism, small business, transportation, and real estate to help track the City’s economic recovery. The [June 2022 report](#) highlighted the metro division unemployment rate dipped to 1.9% in May 2022, though job growth has slowed as labor force growth has stalled. Leisure and hospitality employment led job growth, though it was still 30,000 jobs below prepandemic levels. Weekly office attendance in San Francisco, under 35% in San Francisco in June, remains the lowest among selected peers, including Austin, Los Angeles, and New York. In early June, hotel room and occupancy rates exceeded the 2019 average for the first time since the onset of the pandemic, with the help of a number of conventions and strong domestic tourism. Table 1 below illustrates the severity of the City’s revenue losses among three of its most economically sensitive sources—business gross receipts, sales, and hotel taxes—from FY 2018-19 peak levels. Taken together, these ended FY 2020-21 \$621 million below FY 2018-19 and are not expected to recover until FY 2023-24 or beyond. Without the allocation of State and Local Fiscal Recovery Funds (SLFRF), local government employment and service levels would have been subject to sharp reductions, severely limiting our ability to respond to the pandemic and promote economic recovery.

Table 1. Select General Fund Revenues (\$ millions)

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
	Actual	Actual	Actual	Projected	Budget	Budget
Business Taxes	918	822	723	873	902	960
Sales Tax	214	180	147	175	183	193
Hotel Room Tax	392	252	33	123	189	238
Total	1,524	1,255	903	1,171	1,274	1,391
Change v FY 2018-19		-18%	-41%	-23%	-16%	-9%

Uses of Funds

Due to the severity and scale of revenue loss, the City is using the entirety of its State and Local Fiscal Recovery Funds (SLFRF) to partially offset revenue shortfalls, providing revenue replacement for the Provision of Government Services (Expenditure Category 6.1). Half of the funds were recognized and spent in each fiscal year, FY 2020-21 and FY 2021-22, as assumed in the City's [Five Year Financial Plan](#) update and adopted in the City's [FY 2021-22 and FY 2022-23 budget](#), both approved by the Mayor and Board of Supervisors.

Using the revenue loss calculation methodology required by the U.S. Treasury, the City and County of San Francisco calculated its FY 2019-20 (i.e., July 1, 2019, through June 30, 2020) revenue loss to be \$1.13 billion, and its FY 2020-21 revenue loss at \$1.04 billion, well above its total SLFRF allocation of \$624.8 million. For the period July 1, 2021, through June 30, 2022, the City has expended well over \$312.4 million on the provision of government services across its 56 departments. For efficiency and accuracy of financial accounting and reporting, the City has identified General Fund payroll expenditures of \$312.4 million not claimed from other sources for both fiscal years, allowing these departments' operations to continue without major disruption and loss of workforce.

The [proposed FY 2022-23 and FY 2023-24 budget](#), now modified and finally approved by the Board of Supervisors, provides an overview of the strategy and investments made to continue San Francisco's pandemic recovery in a variety of program areas, a sampling of which are provided below.

Public and behavioral health

The COVID-19 pandemic created significant mental health stress, particularly among children, youth, and their families and revealed limitations on access to care. The budget invests \$5 million for UCSF hospital clinicians to work with community based organizations (CBOs) to provide onsite support to children and youth, train and coach CBO staff to identify signs and symptoms of mental health needs, provide clinical support to CBO staff, and increase agency capacity to provide wellness and referral services.

Addressing economic impacts on businesses and nonprofits

Supporting neighborhood businesses, vulnerable workers, and community-serving nonprofits has been a central goal of San Francisco's COVID-19 response and will continue to shape the City's investments to advance economic recovery. The budget invests \$48.9 million to promote economic recovery through direct support for small businesses, as well as new events, activations, and public space improvements to support areas that rely on workers, tourists, and other visitors.

Since the beginning of the pandemic, San Francisco has provided immediate and ongoing relief for small businesses, including directing more than \$50 million in grants and loans to support more than 3,500 businesses. The grants and loans have complemented tens of millions of dollars in tax and fee deferrals and waivers as well as technical assistance programs to drive access to state and federal resources such as the Paycheck Protection Program. Additionally, to provide critical relief to impacted workers, especially those who cannot access state and federal aid, the City has delivered nearly \$25 million in funding to support 27,700 workers and families through programs like Right to Recover and the Family Relief Fund. The proposed budget includes an additional \$10 million in direct grants and loans aimed at helping small businesses stabilize, scale up, and adapt business models to changing conditions. New

funding will expand programs to serve businesses throughout the City, including businesses within the downtown area.

The loss of foot traffic throughout downtown has had a significant impact on the area, where economic activity remains below pre-pandemic levels. The budget includes \$10.5 million to establish the City Core Recovery Fund to support events, public space and ground floor activations, as well as a citywide marketing campaign. This funding will support community-driven efforts to beautify, improve, and activate public spaces and ground floor vacancies and support the creation of new, or the expansion of existing, large-format events of regional significance to take place downtown, particularly those produced by and showcasing local and neighborhood-based cultural amenities, artists, and merchants. The budget also maintains convention center rental incentives and funds dedicated street and sidewalk cleaning around the downtown convention center area.

Addressing economic impacts on families with children

The budget funds just under \$50 million of aspects of the Children and Family Recovery Plan, a set of recommendations to be implemented over the next three to five years to help children and families recover from the impacts of the pandemic. This includes \$16 million annually to provide childcare vouchers to more than 550 families with children under age three who earn less than 200 percent of the Area Median Income, and \$4 million annually to provide childcare vouchers to 150 transition-aged young adults with children under age five earning less than 85 percent of the State Median Income.

Public sector capacity

The collective focus on the emergency health response created delays in hiring, contracting, and other processes. The budget funds a new project team across the City Administrator's Office, the Controller, the Department of Human Resources, and the City Attorney to develop and implement reforms to core City processes that will promote faster hiring and contracting and ultimately improve the provision of services across City government. Hiring pauses and slowdowns over the last two years, on top of higher-than-usual attrition across a variety of positions, have led to higher vacancy rates in many departments.

Supporting nonprofit workers

The proposed budget provides \$70 million over the two years to support wages for nonprofit workers, sufficient for providing a 5.25 percent cost of living adjustment for nonprofit wages in FY 2022-23, as well as \$30 million over the two years to increase wages for staff in the City's permanent supportive housing portfolio, including wages for frontline workers, such as janitors and desk clerks.

Supporting early educators

The budget utilizes \$60 million annually to improve pay, benefits, and working conditions of 2,000 City-funded early educators, including raising annual salaries by approximately \$8,000 to \$30,000 annually.

Rental assistance and affordable housing

Coordinating with more than a dozen community-based partners, the Emergency Rental Assistance Program (ERAP) implemented by the Mayor's Office of Housing and Community Development has provided direct rental assistance to close to 2,500 vulnerable households facing eviction and financial disaster since inception in May 2021, utilizing ERA funds from the American Recovery Plan Act. This

network of CBOs has been able to conduct outreach to our most hard to reach communities and has provided close to \$20 million in rental assistance to those impacted most severely by the effects of COVID. This work has occurred alongside [existing programs](#) to build and maintain stable and affordable housing, and in parallel with affordable housing production funded by San Francisco's Redevelopment Successor Agency, the Office of Community Investment and Infrastructure, which will complete 218 affordable housing units in FY 2022-23.

Promoting equitable outcomes

Before the pandemic

Before the onset of the COVID-19 pandemic, San Francisco had begun the work to create structures to address historical racial and gender inequities in our community. The City's [Office of Racial Equity \(ORE\)](#) was established in July 2019 to address the history of structural and institutional racism in delivery of services to the public and the City's own internal practices and systems. ORE has enacted a citywide Racial Equity Framework to direct City departments to develop and implement Racial Equity Action Plans, to analyze the disparate impacts of pending ordinances, and implement other policy and reporting functions. In addition, the legislation requires departments designate employees as racial equity leaders acting as a liaison to ORE and requires the Department of Human Resources to assess and prioritize racial equity within the City's workforce. Lastly, ORE centers racial equity within the City's budget process, and can make recommendations on funding of departments should certain racial equity metrics not be met.

Departments completed the first year of their three year racial equity action plans on December 31, 2021, and submitted annual progress reports to the ORE, Board of Supervisors, and Mayor's Office in the spring of 2022. These reports outlined results achieved and focused next steps across seven areas: hiring and recruitment; retention and promotion; discipline and separation; diverse and equitable leadership and management; mobility and professional development; organizational culture of inclusion and belonging; and boards and commissions.

The City's third Annual Workforce Report was published, including disaggregation by race, sub-ethnicity, gender, and department, and city of residence for current employees, applicants, promotions, new hires, classifications and salaries. These reports and other City workforce demographics reporting is available at the City's Department of Human Resources [website](#).

In order to maintain a consistent strategy across the entire organization, the City's adopted FY 2022-23 and FY 2023-24 budget includes continued centralized investments in the Office of Racial Equity and Department of Human Resources (DHR) to develop and implement a citywide approach and work directly with department-based equity staff. Additionally, in order to better understand the experiences of City employees, funding is included to implement a citywide equity climate survey. This survey will support a deeper understanding of what employees need to thrive and feel supported in their work lives. The survey results will help guide the DHR and ORE coordination of citywide equity governance. Additionally, funding is included for ORE to develop and implement racial equity training. This training, along with departmental-led trainings, are expected to reach over 5,000 employees each year and will be recorded to reach additional employees in coming months and years, as well as in onboarding new

hires. This coordinated approach will help to ensure that all employees are receiving consistent guidance, resources, and support in order to make our workplace more equitable and further inclusive and belonging initiatives.

The City has focused its efforts to achieve gender equity through the Department of Status of Women (DOSW), which was established in 1975 by ordinance. The department promotes equitable treatment and fosters the advancement of women and girls throughout San Francisco through policies, legislation, and programs. The Department's major areas of work include eliminating discrimination in all forms; promoting family-friendly, equal-pay, and gender equality policies in the workplace; and reducing family violence.

In response to the pandemic

The City's work to address historic issues of inequity in public services and outcomes quickly developed to address the disparate health, economic, and educational outcomes caused by COVID-19.

San Francisco's Black, Latino, API, and Indigenous communities disproportionately suffered the pandemic's health and economic impacts. As the City builds the foundation for economic recovery, there is an opportunity to build a stronger and more equitable economy—one centering on racial equity and economic justice. Through the Office of Economic and Workforce Development, the City worked to create programs targeted to communities of color and vulnerable populations who lack equitable safety nets and have been historically excluded from wealth building opportunities. By FY 2020-21 year end over \$52.5 million went to loan and grant programs to support more than 1,200 small businesses and their employees, and an additional \$17.7 went to aid for workers. San Francisco's Economic Recovery Task Force (ERTF) guided the City's efforts to sustain and revive local businesses, mitigate the impacts of COVID-19 on the most vulnerable residents, and build an equitable future. The Task Force's Shared Spaces program promoted safer operations by allowing merchants and community groups to use sidewalks, streets, and other public spaces for a variety of restaurant and retail activities. Through April 2021, the City issued more than 1,900 shared space permits.

Equity was a guiding principle of San Francisco's COVID public health response. The COVID Command Center (CCC) worked with community leaders, CBOs, local businesses and trusted community partners to design outreach strategies and solutions specifically for each community. Examples include:

- A robust food security program that delivered more than two million bags of groceries and two million meals for food insecure San Franciscans;
- Partnerships with community-based organizations representing the Asian American and Pacific Islander, Black/African American, Latinx, LGBTQ+, Faith, Youth, Tenderloin, Bayview and Excelsior communities to support community-led COVID-19 public education campaigns. These campaign concepts were driven by community input with the CCC providing the graphic design, translation, multimedia production, printing, neighborhood canvassing and advertising support.
- Commitment to Language Access: The CCC maintained a robust translation capacity and translated more than 5,200 documents into 10 languages including the threshold languages of Spanish, Chinese and Filipino. Through the activation more than 130 disaster services workers were deployed as translators.
- CCC tracked virus-related data based on demographics, including race/ethnicity, as well as neighborhood in order to identify and try to mitigate inequities. Positive cases are

disproportionately high in the Latinx population, deaths are disproportionately high in the Asian population, and vaccine rates are disproportionately low in the Black African American population.

- The COVID Command Center worked individually with community leaders, CBOs, local businesses and trusted community partners to design outreach strategies and solutions specifically for each community.
- Additionally, testing, vaccine, and COVID-19 education events are planned and occur during pre-existing community events and celebrations, and known entities for specific communities such as Carnival, Pride, Juneteenth, Lighthouse for the Blind, Slow Streets, and others.

Additional programs

In addition to government-wide efforts led by ORE and DOSW, the City has funded and made progress on a range of specific equity initiatives, such as:

- **Fees & Fines Reform and the Financial Justice Project.** The Treasurer’s Office [Financial Justice Project](#) was launched to assess how fees and fines affect low income residents and communities of color and advance reforms to lift the disproportionate financial burden they create. Accomplishments to date include waiving \$33 million in criminal justice fees and penalties, eliminating \$1.5 million in library fines and clearing 88,000 driver’s license holds for people who missed traffic court. Fees associated with a variety of Medical Examiner services, obtaining a City ID Card, owner surrender of animal, and dog license late fees have been eliminated, with service costs assumed by the City’s General Fund. Additionally, the Street Artist License Fee assessed by the Arts Commission is being reduced to provide relief to individual artists. The Project has developed a [Fine and Fee Discount Guide](#) to help low income residents pay, reduce, or address through community service hours fees and penalties related to parking, traffic, fare evasion, transit, tow fees, quality of life citations, water and sewage bills, ambulance bills, museum entry, and child support.
- **Financial Empowerment.** The Treasurer’s [Office of Financial Empowerment](#) advocates to strengthen the economic security and mobility of all residents through a variety of services, including finding a safe and affordable bank account, free individual financial coaching, publicly funded universal Children’s Savings Accounts for all public school students, and consumer fraud protection.

Community Engagement

The City’s CSLFRF allocations are being used to replace revenues that support the Provision of Government Services (EC6) contained in the City’s budget, as proposed by the Mayor and approved by the Board of Supervisors, using existing community engagement processes, including extensive public Board and Commission hearings, town hall meetings and other outreach with the Mayor and Board of Supervisors, and district-specific participatory budgeting. In addition, the City’s budget website, sf.gov/topics/budget, centralizes key documents and timelines to help community members learn about and participate in budget decisions.

Most of the City’s operating departments are governed not only by elected officials – the Mayor, 11-member Board of Supervisors, and other elected officials (Sheriff, Assessor, Tax Collector, District Attorney, Public Defender, City Attorney) –but also by appointed boards, commissions, and other oversight bodies, each of which is required to hold public meetings with opportunities for public comment on the departments proposed budget submission. Live broadcast and archived recordings of

meetings of these bodies have historically been available through the City's two public access channels (television and streaming); at the start of the pandemic, many added the option to participate remotely as well. A selection of key departments governed by commission includes: the Department of Public Health; the Human Services Agency; Fire Department; Police Department; Public Library; Department of Recreation and Parks; Department of Children, Youth and Families; San Francisco International Airport; Port of San Francisco; Public Utilities Commission; Municipal Transportation Agency Commission; Arts Commission; Juvenile Probation Department; among others.

The City's budget development process sets overall policies and priorities for the City and includes active community outreach and opportunities for feedback. Departments submit their budgets to the Mayor's Office in February of each year, after working through their respective commission and board processes. From March through May, the Mayor's Office analyzes each budget proposal, examining policy and service implication. Concurrently, the Mayor conducts budget outreach with community members to obtain feedback on budget priorities. Mayor's office staff conduct a comprehensive outreach process to understand the budget priorities of San Francisco's communities; during the FY 2022-23 and FY 2023-24 process, the Mayor and her office hosted a public meeting to obtain input on budget priorities and met with dozens of community groups and stakeholders to understand community members' neighborhood and citywide priorities. All San Franciscans have an opportunity to share their budget feedback and priorities by emailing the Mayor's Office of Public Policy and Finance. Feedback from these various forums is used to make decisions about the upcoming budget.

Beginning in February, the Board of Supervisor's three-member Budget and Finance Committee is expanded to a five-member Budget and Appropriations Committee, with separate duties and public meetings, including delineating the budget process for the coming months, setting hearing topics, outlining how it will identify and publicly communicate its budget policy priorities, and its guidelines regarding public transparency and decision-making. The committee holds a public hearing on the Mayor's budget priorities (as required by Chapter 3 of the Administrative Code) and a proposed response. As the committee considers the Mayor's June 1 proposed budget, it posts on its website one or more proposed spending plan describing proposed allocations of available funds in the budget at least 72 hours before the Committee votes to forward the annual appropriations ordinance to the full Board. These plans are discussed in public hearings on the budget in June.

Labor Practices

Although this section is not directly applicable as San Francisco is using all SLFRF funds for Revenue Replacement (EC6), the City and County has incorporated many of these practices into its local laws and policies:

- Since its inception in 2001, San Francisco's [Office of Labor Standards Enforcement](#) (OLSE) has enforced local labor [laws](#), including the Minimum Wage Ordinance, Minimum Compensation Ordinance, Health Care Accountability Ordinance, and Prevailing Wage Ordinance. A description of these laws, enforcement actions, and outcomes, including wage restitution for workers, is detailed in the Office's [Annual Report](#).
- Prior to 2019, the City adopted Project Labor Agreements on a project basis, for example, in its \$4.8 billion Water System Improvement Project. In 2019, the City adopted the [Citywide Project Labor Agreement Ordinance](#) to require project labor agreements for projects with projected costs over threshold amounts (generally ranging from \$1,000,000 to \$5,000,000 but \$10,000,000 for projects funded by a source other than a general obligation bond or revenue bond).
- The Planning Commission and Board of Supervisors approve development agreements to garner community benefits through legislated requirements, including preservation and acquisition of affordable housing community serving retail (such as grocery stores), community facilities (such as child care), arts and cultural protections, and more. Development agreement processing and approval requirements are set forth in local code and described on the Planning Commission's [website](#).
- The [San Francisco Local Hiring Policy for Construction](#) is administered by the Office of Economic and Workforce Development to promote the utilization of local residents on locally sponsored projects. [The First Source Hiring Program](#), enacted in 1998, requires developers, contractors, and employers utilize good faith efforts toward employing economically disadvantaged San Franciscan residents for entry level positions on applicable projects. The Program provides a ready supply of qualified workers to employers with hiring needs, and it gives economically disadvantaged individuals the first opportunity to apply for entry level jobs in San Francisco.

Use of Evidence

Although this section is not directly applicable as San Francisco is using all SLFRF fund for Revenue Replacement (EC 6), the City and County has incorporated evidence-based practices into its operations, communication, and decision making.

While operating agencies within the city conduct program evaluations and other relevant assessments, the City also measures and reports its performance centrally through the City Services Auditor (CSA). CSA was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco that voters approved in 2003. Charter Appendix F grants CSA broad authority, which includes reporting on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions, and conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services. The City's performance group publishes its work through:

- Performance scorecards on the efficiency and effectiveness of San Francisco government in the areas of livability, public health, safety net, public safety, transportation, environment, economy, and finance.
- Ongoing performance and cost benchmarking using both publicly available and survey data to provide information about how San Francisco compares to peer cities, counties, and other public agencies performing similar functions in the areas of transportation, public safety, livability, demographics, safety net, homelessness, public health, and finance. Peers are selected using a “likeness score” methodology that accounts for population and population density, and include Baltimore, MD; Boston, MA, Chicago, IL; Denver, CO; Long Beach, CA; Los Angeles, CA; Miami, FL; Minneapolis, MN; Oakland, CA; Philadelphia, PA; Portland, OR; Sacramento, CA; San Diego, CA; San Jose, CA; Seattle, WA; and Washington, DC
- The Mayor’s Proposed Budget
- An annual report and work plan.

Performance Report

The project inventory and performance report is not applicable as the Provision of Government Services (EC 6) is not a project.