



Edwin M. Lee,  
Mayor

Greg Wagner,  
Chief Financial Officer

## MEMORANDUM

June 5, 2017

TO: President Ed Chow and Honorable Members of the Health Commission

FROM: Greg Wagner, Chief Financial Officer *GW*

THROUGH: Barbara Garcia, Director *BG*

RE: **FY 2016-17 and 2018-19 Proposed Budget – June Update**

On June 1, the Mayor's Office released its proposed budget for FY 2017-18 and 2018-19. At the June 6<sup>th</sup> Commission meeting we will update you on the implications of the Mayor's proposed budget to Department of Public Health. As you recall, the Commission approved a balanced budget submission with \$26.9 million of annual ongoing initiatives including:

- \$10 million to support operations at Zuckerberg San Francisco General
- \$1.4 million to support a Central Lean "Kaizen" Promotion Office
- \$0.5 million to support HR infrastructure
- \$15 million to fully fund an enterprise Electronic Health Record through FY 18-19

Over the last several months, DPH has been working closely with the Mayor's Office on a number of initiatives that support Mayor's strategic initiatives related to reducing harm on the street, addressing homelessness, and ensuring financial stability. The Mayor's proposed budget for FY 2017-18 and 2018-19 includes \$22.9 million in new investments for DPH for Behavioral Health and Population Health and \$24.7 million in new funding for capital improvement projects at DPH facilities

### **Behavioral Health Investments – approximately \$23.9 million annually for new programs**

*\$5.3 million for new Conservatorship Beds* – This funding increases long term care capacity by up to 40 beds to relieve individuals that are identified as MIST and assessed for Murphy Conservatorship. These beds will allow our clients with behavioral health issues to avoid unnecessary incarceration and receive the care they need.

*\$3.0 million for a new Behavioral Health Navigation Center* - Following a successful pilot of navigation centers for the homeless, DPH will convert Hummingbird Place, currently a daytime drop in program at Zuckerberg San Francisco General, into a 24/7 behavioral health navigation center. This center will be designed to complement other navigation centers, with low thresholds for entry and services on site. In addition, it will have a behavioral health focus in its programming to help stabilize clients and prepare them for long term placements.

*\$2 million for Promoting Recovery & Services for the Prevention of Recidivism (PRSPR)* – This program is designed to interrupt the cycle of substance abuse, unaddressed mental health issues, homelessness, and incarceration by increasing the availability of residential SUD treatment for criminal justice system-involved adults who may also have co-occurring mental health issues. This three year pilot program is also funded with a \$6.0 million grant under Prop 47 from the Board of State & Community Corrections.

*\$11.8 million for Whole Person Care (WPC)* – WPC is program under the Medi-Cal 1115 Waiver designed improve the coordination of health, behavioral health, and social services with the goals of improved beneficiary health and wellbeing. DPH will be partnering with other city agencies and nonprofits to improve client engagement and care coordination. In addition, DPH will be the lead agency to establish the Multi-Agency Care Coordination System (MACCS), a data sharing platform that can be used as both a real-time care management tool that links information across agencies and disciplines and an integrated data system for analysis and monitoring. DPH's budget appropriates a total \$22 million over FY 2017-18 and 2018-19. In addition, the Department of Homelessness and Supportive Housing is seeking a second round of funding still pending final approval.

*\$1.8 million for Law Enforcement Assisted Diversion (LEAD SF)* - LEAD SF is an innovative pre-booking diversion program coordinated by multi-city agencies that will refer repeat, low-level drug offenders, at the earliest contact with law enforcement, to community-based health and social services as an alternative to jail and prosecution. This three year pilot program is funded with a \$5.9 million grant from the Board of State & Community Corrections.

### **Population Health Investments - \$4 million annually for new programs**

*\$0.75 million for Adult Use Cannabis* – To ensure adequate oversight of health related aspects of state-wide adult use cannabis approved by voters in November, DPH will allocate six positions to its Environmental Health branch. These positions will support programs for food inspection, agricultural cultivation, weights and measures, and hazardous materials used in manufacturing and will be offset by increases inspection revenue. This team of inspectors will work closely with the new Office of Cannabis that will be established by the City Administrator to coordinate oversight activities with the Department of Public Health, the Planning Department, the Department of Building Inspection, the Fire Department, the Police Department, and other regulatory agencies. Additional environmental health revenues will offset these increases in costs.

*\$1.5 million for Emergency Services Management* -- The Emergency Medical Services Agency (EMSA), currently housed at the Department of Emergency Management (DEM), will transfer to DPH effective July 1, 2017. Five positions are transferring from DEM to DPH and will integrate within DPH along with seven repurposed positions to ensure adequate infrastructure for this body. Overall program increase is \$1.5 million offset by \$1.2 million of repurposed positions for net general fund increase of \$0.3 million.

*\$0.75 million to backfill Federal Reductions to Emergency Preparedness and STD* – This backfill will allow DPH to maintain core services in Population Health related to Public Health Emergency Preparedness and Response and STD.

*\$1.0 million to expand the Harm Reduction Center* - The Harm Reduction Center provides a continuum of services to help keep streets safe and communities healthy and vibrant. The proposed budget makes strategic investments across the system serving people who are homeless, mentally ill, or struggle with substance abuse; this includes places for immediate respite from the street and connection to services for people ready for treatment. This investment will increase the hours by 36%.

### **Capital and Facilities Investments**

The Mayor's proposed budget includes very significant investments in public infrastructure, fully funding capital investments at the amount recommended in the City's 10 Year Capital Plan for both FY 2017-18 and 2018-19. The proposed capital program includes continuing work on the 2016 Public Health and Safety General Obligation Bond, which includes \$222 million to renovate Building 5 on the ZSFG campus and \$50 million for improvements to community primary care clinics. The 10 Year Capital Plan also includes \$155 million in Certificates of Participation to finance relocation of current functions from 101 Grove and renovation of the old Laguna Honda Hospital building. Finally, the Mayor's budget proposes \$24.7 million in cash investments in DPH facilities, including replacement of critical building systems and infrastructure.

### **Financial Stability Initiatives in Mayor's Budget**

In addition to these investments, the Mayor's proposed budget includes a \$50 million reserve to mitigate the impact of federal legislative actions over the next two years. With the new federal administration and Congressional majorities following the November 2016 election, there has been active discussion around policy and budgetary changes to the Affordable Care Act (ACA) and other federally-funded health care programs. In San Francisco, more than 133,000 previously uninsured individuals have gained coverage under the ACA's expansion of Medicaid and creation of subsidized state health insurance exchanges. Much of this progress could be reversed under legislative proposals under discussion in Congress. DPH is actively working with elected officials, professional associations, and patient groups to advocate for San Franciscans who could be impacted by these changes.

Finally, to continue support of community based nonprofits in San Francisco, the Mayor's Office is funding a 2.5% Cost of Doing Business (CODB) each year for a total increase of 5% over the course of the FY 2017-19 Budget. For DPH, this increase is worth approximately \$5.7 million for FY 2017-18 and doubles to \$11.4 million in FY 2018-19.

### **Next Steps**

The budget will now move forward for review and approval by the Board of Supervisors Budget and Finance committee on June 16<sup>th</sup> and June 22<sup>nd</sup>. Following committee approval of the budget, the Full board will hear the budget on July 18<sup>th</sup> and 25<sup>th</sup>. We will continue to keep you updated of any major changes that may occur.