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San Francisco Boosts Deficit Forecast, Anticipating Higher Costs.

- Expenses will outpace revenue by about three to one, plan says
- Uncertainty on state and federal funding weighs on outlook

San Francisco's budget deficit is projected to hit \$907 million by 2022, up from a previous estimate of \$848 million, as costs such as retirement expenses outpace revenue.

Accounting for higher inflation drove the increase in the forecast, which was released Thursday in the city's five-year financial plan, updated from a previous report in December. Over the period, San Francisco's expenses are seen rising 30 percent, about three times as much as collections. The city is required to balance its budgets.

The outlook underscores the challenge fixed obligations such as pensions can impose on cities even as wealthy as San Francisco. The forecast doesn't consider the loss of any state or federal dollars, which comprise 20 percent of municipal revenue. The federal administration has pledged to withhold aid to cities such as San Francisco over its handling of undocumented residents.

That threat comes amid expectations that while property collections will remain strong, revenue sources sensitive to the economy, such as sales and hotel taxes, will slow or even decline, according to the city's report.

"This shift, coupled with great uncertainty from the state and federal budgets, results in real downside risk to the city's financial outlook," the analysis said.

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