

Update on the City's Economy & Finances

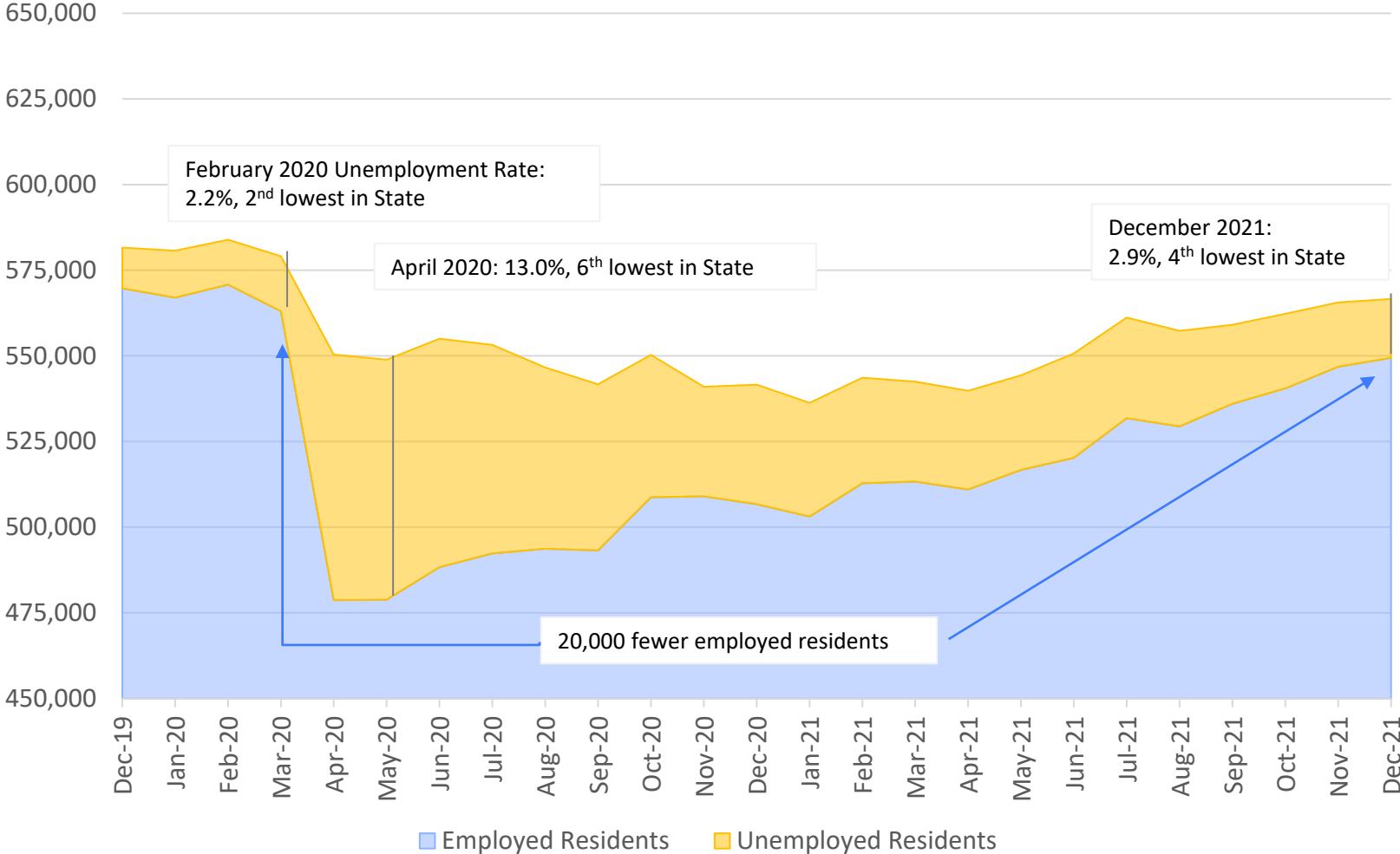
Ted Egan

Ben Rosenfield

February 1, 2022

Unemployment Improvement Clear, But Challenges Remain

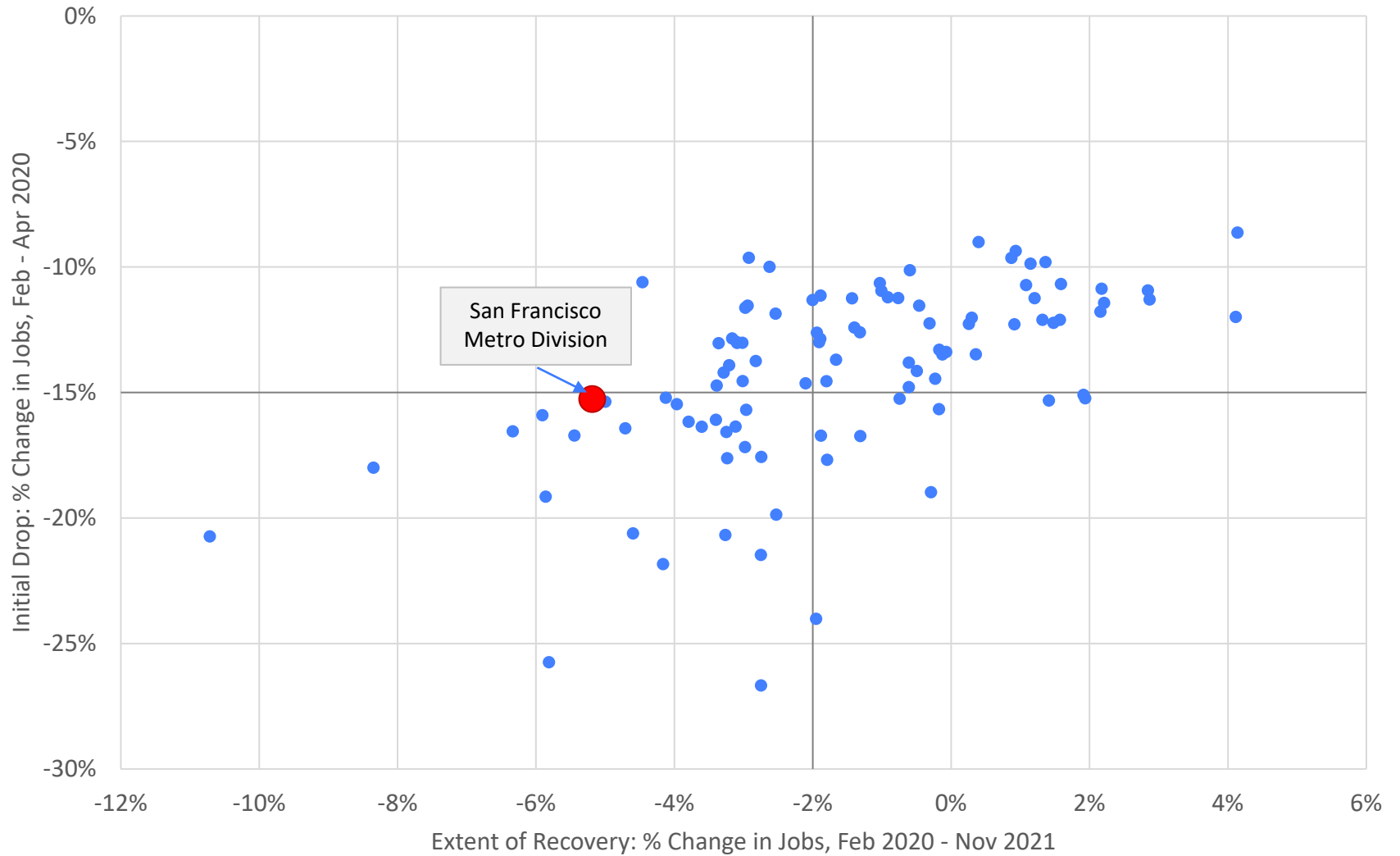
Employed and Unemployed Residents of San Francisco, December 2019 - December 2021



Source: Employment Development Department

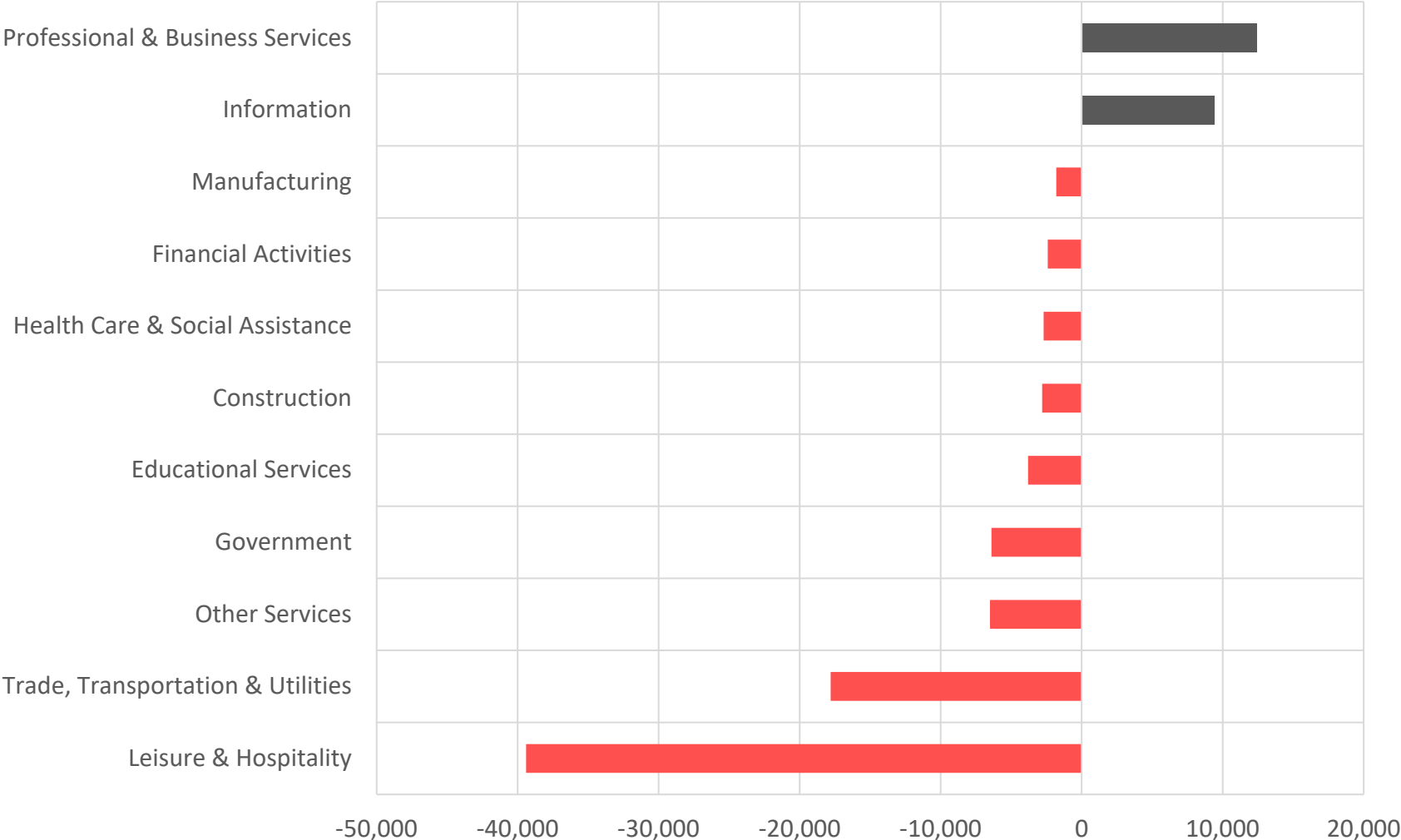
Comparatively Weak Local Job Recovery

Job Loss at the Start of the Pandemic vs. Job Loss as of November 2021:
100 Largest U.S. Metro Areas



Recovery in Some Office Industries; Most Sectors Still Down

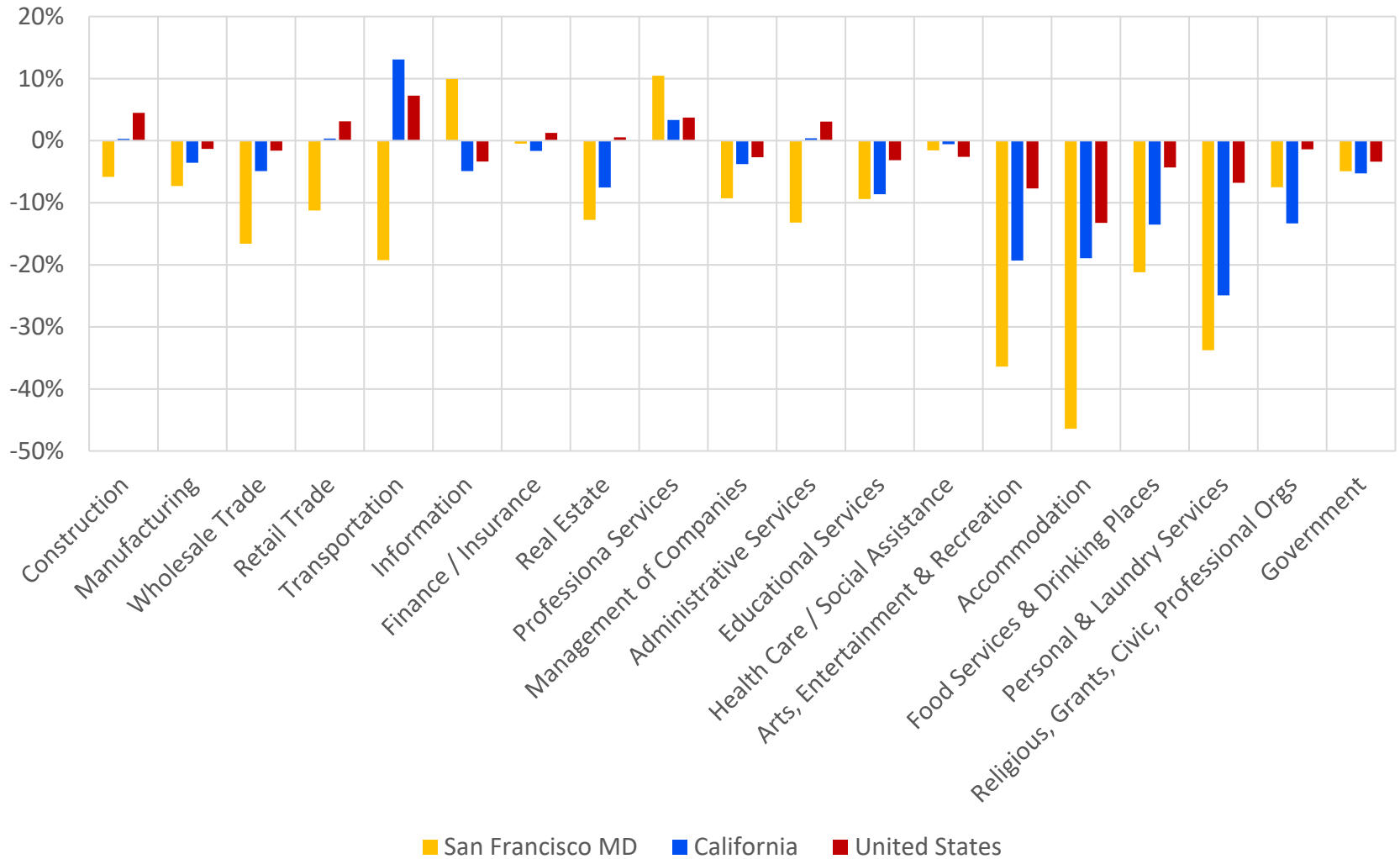
Change in Employment by Industry Sector, Feb 2020-Nov 2021:
San Francisco Metro Division



Source: Employment Development Department

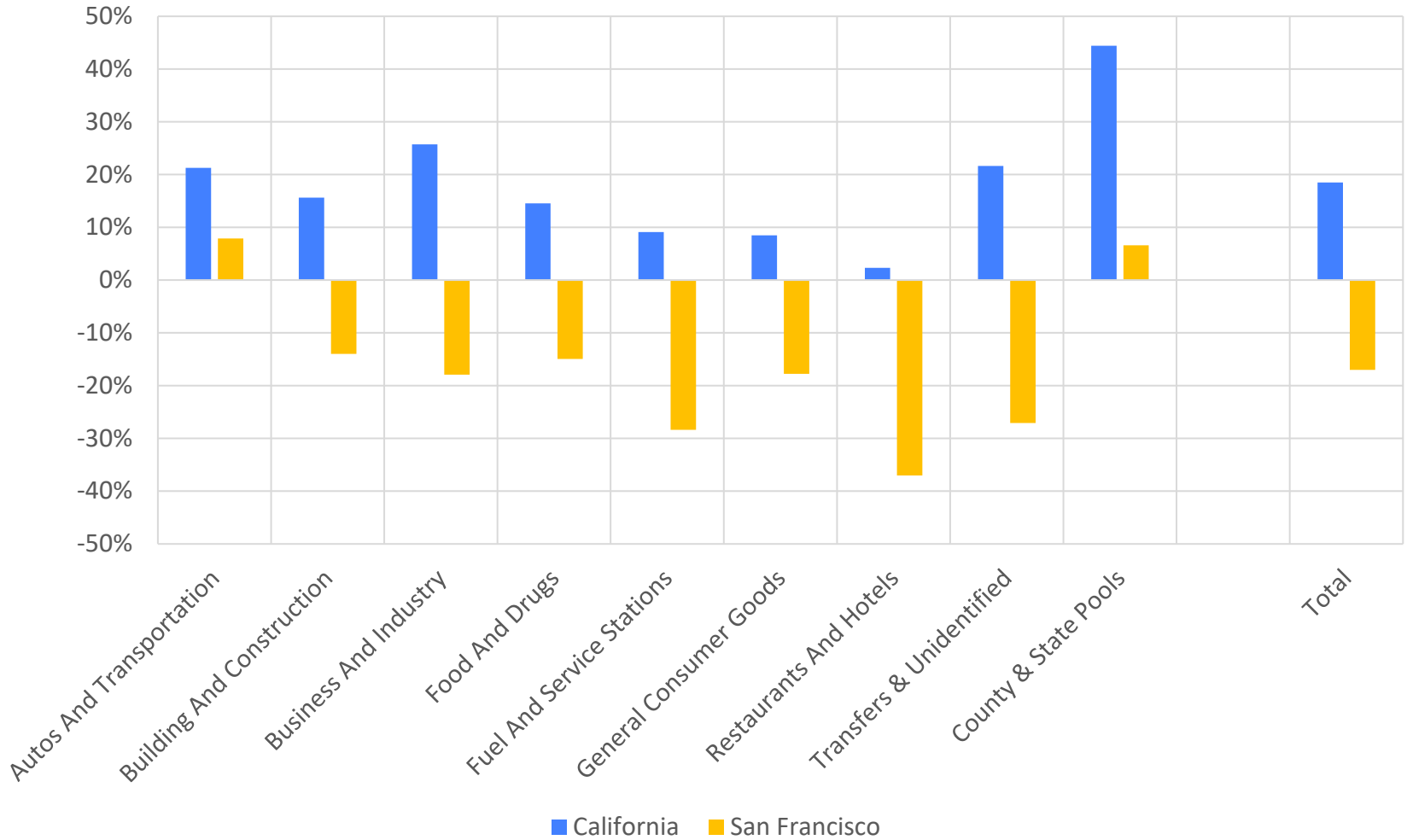
SF Sector Recovery in State & National Context

Employment in November 2021 as a Percentage of Employment in February 2020, by Industry Sector: San Francisco MD, California, and the U.S.



Taxable Sales in the State Context

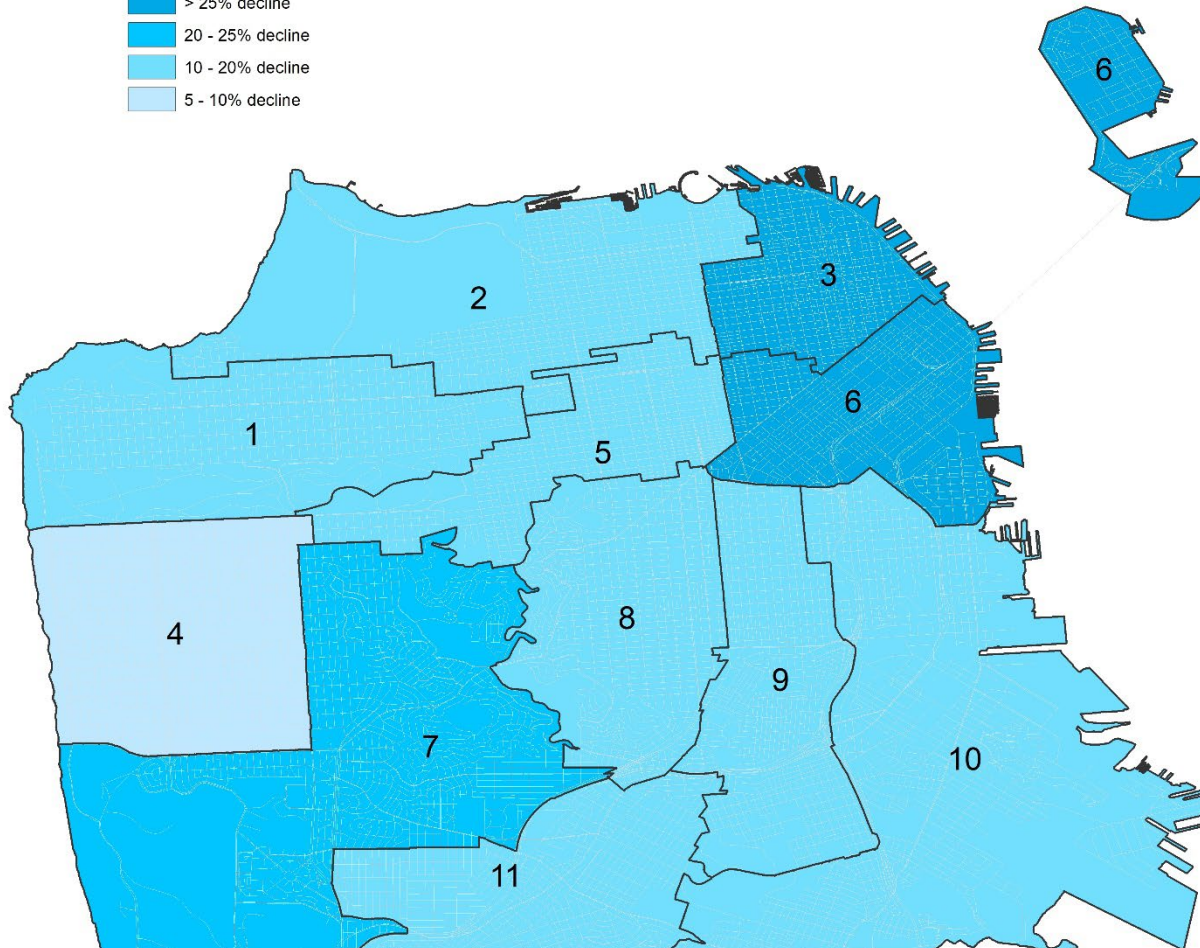
Percentage Change in Taxable Sales, 2019Q3 - 2021 Q3:
California and San Francisco



Taxable Sales Recovery Across San Francisco

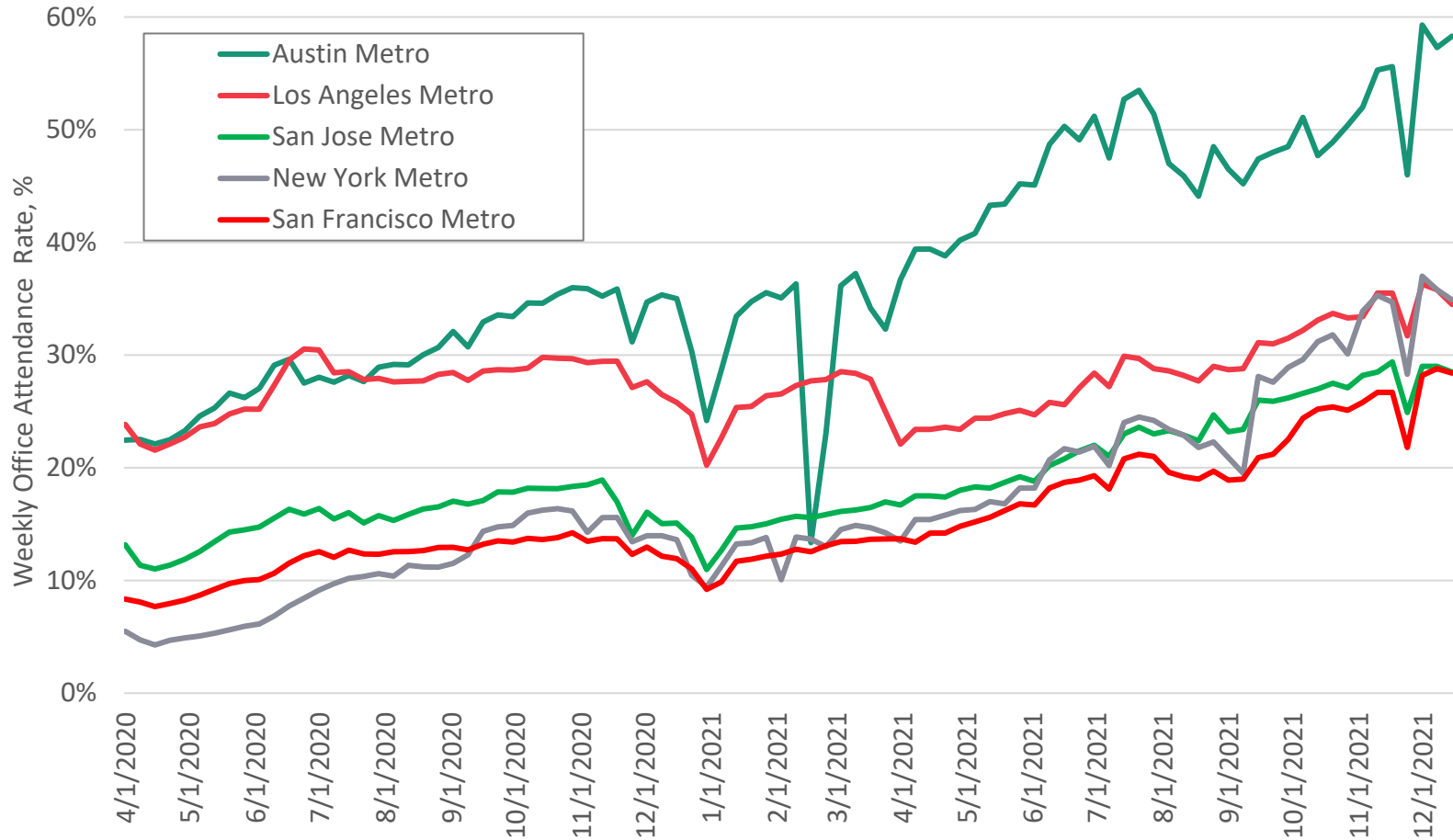
Legend

Change in Taxable Sales by Supervisorial District, 2019Q3 - 2021Q3

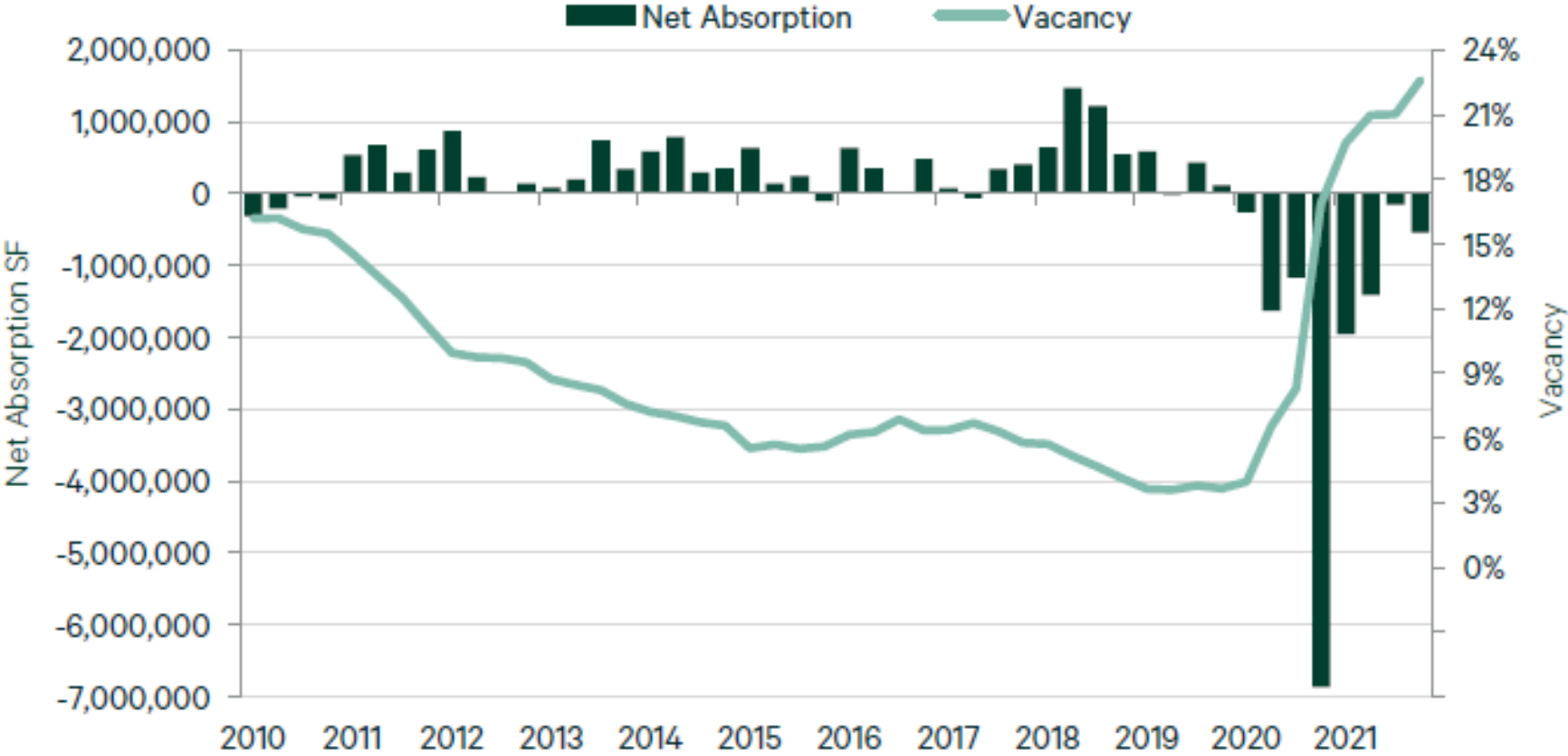


Demand-Side Concerns: Remote Office Work

Weekly Office Attendance in Selected Metros, Through December 15, 2021

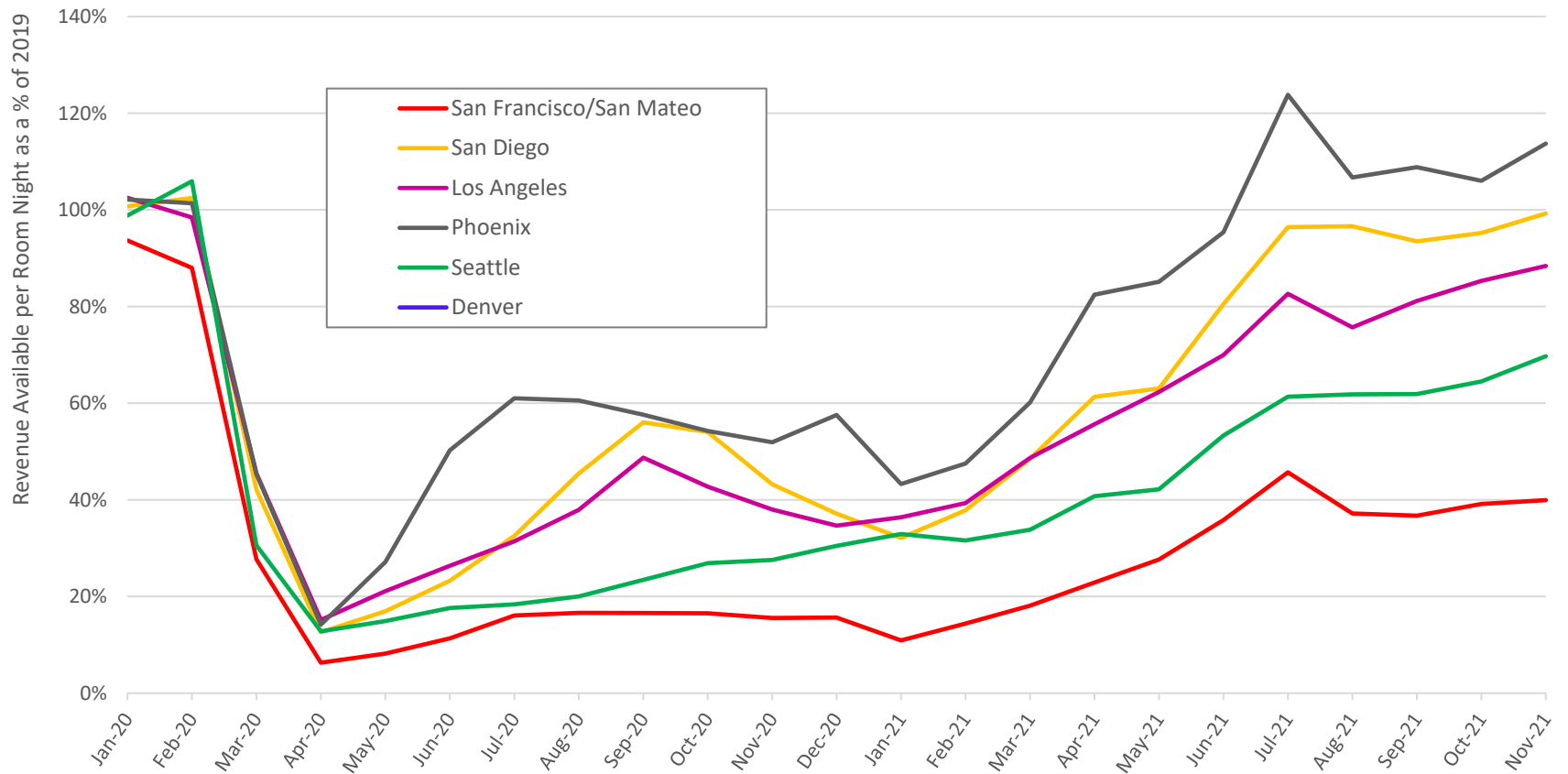


Office Market Suggests Work-From-Home May Persist

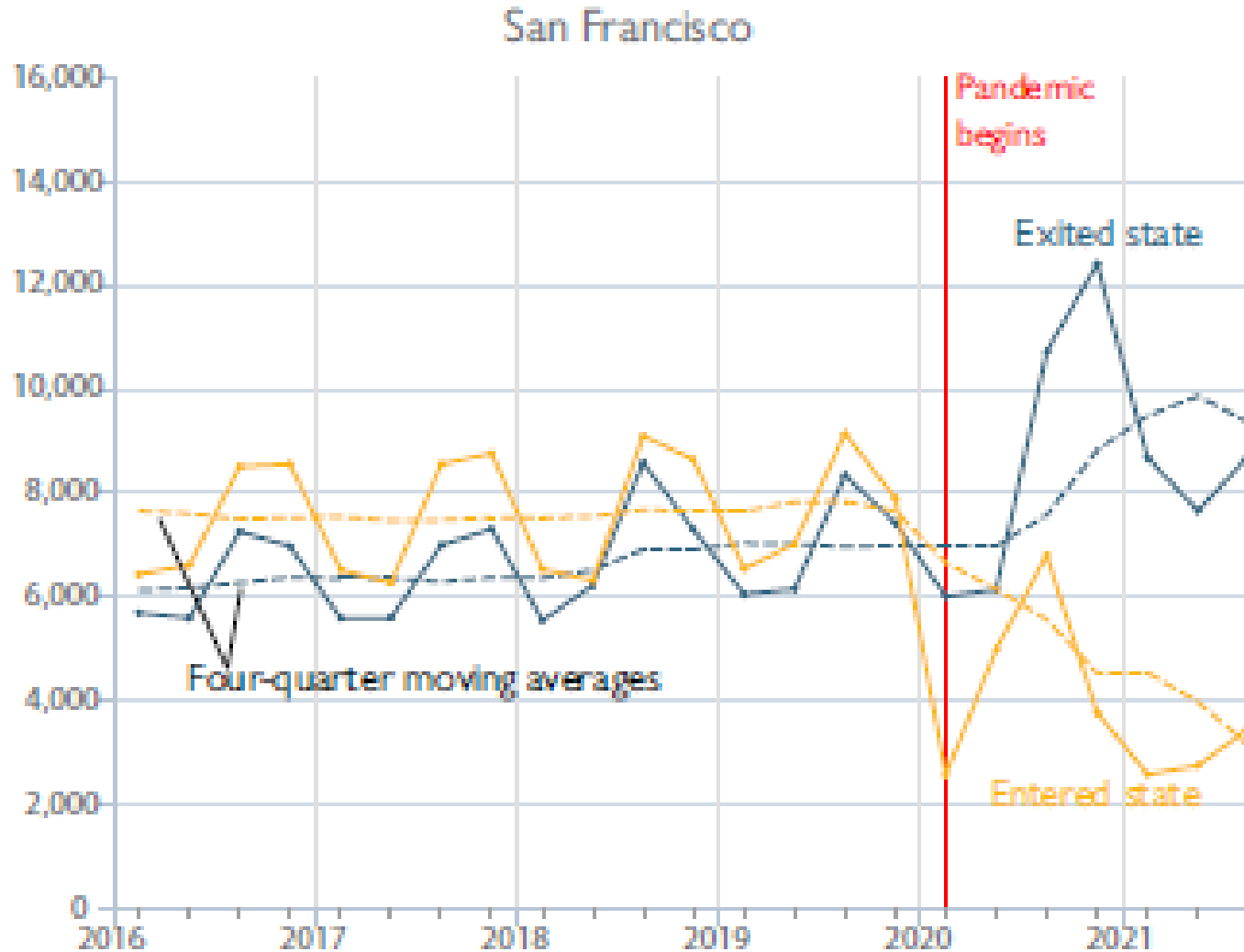


Demand-Side Concerns: Missing Tourists

Monthly Hotel Revenue Available per Room Night,
Selected Cities, Through November

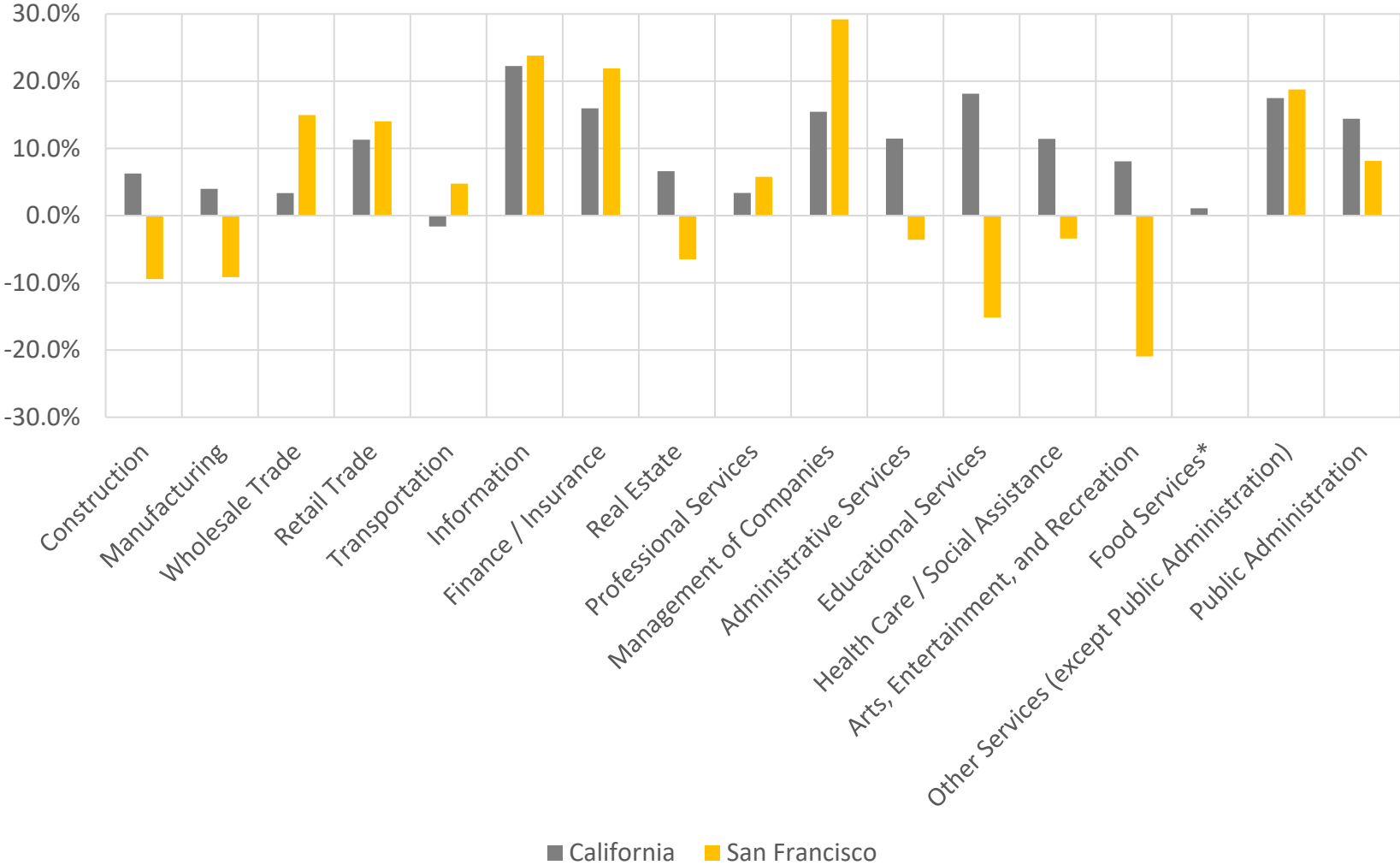


Demand-Side Concerns: Out-Migration



Supply-Side: Some Signs of Wage Pressures

Percent Change in Average Monthly Earnings of Newly-Stable Hires, by Industry Sector, 2019Q4 to 2020Q4: San Francisco and California



Source: U.S. Census. Quarterly Workforce Indicators
 * Accommodations Sector excluded for data quality reasons

Summary of Economic Conditions

Return to sub-3% unemployment is good news – but a smaller labor force than 2 years ago. San Francisco's growth lags virtually every other city.

Out-migration is not yet picked up in official data – means the city's population and economy is probably smaller than it seems.

Big Issue #1: Offices and ongoing work-from-home. Office industries are hiring but when will the offices get refilled? How much will they be worth when they do?

Big Issue #2: Tourism. Hotel revenues at ~40% of normal, supporting hospitality businesses and arts organizations are suffering, especially around downtown.

Disconnect: Economic & Financial Conditions

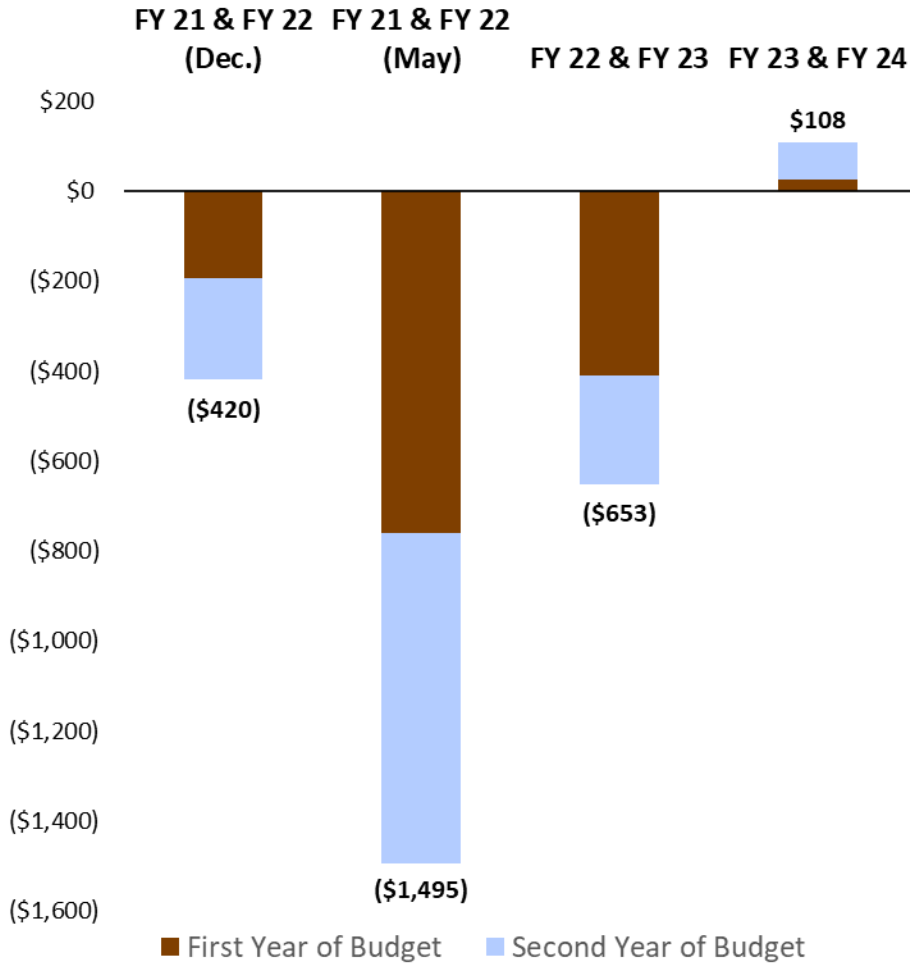
San Francisco is experiencing a slow economic recovery, but demonstrating strong financial resiliency.

Why the disconnect?

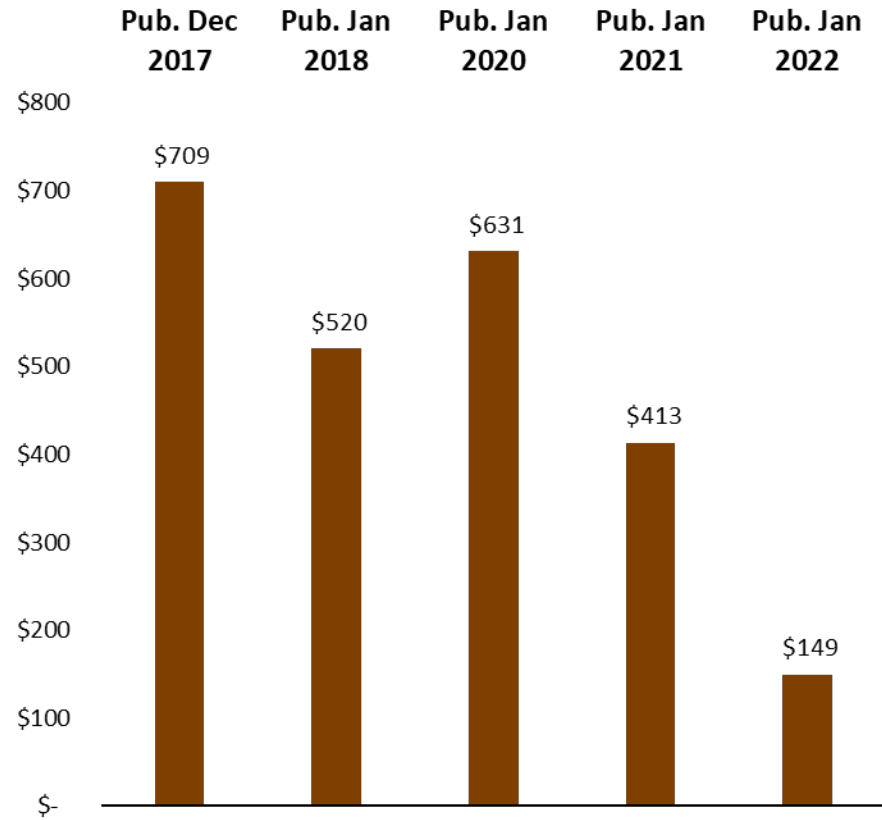
- Lags in certain tax revenue impacts.
- Pension fund improvement driving down employer contributions.
- New revenue streams offsetting stark losses in existing ones.

General Fund Budget Outlook

Deficit at Time of Budget Instructions



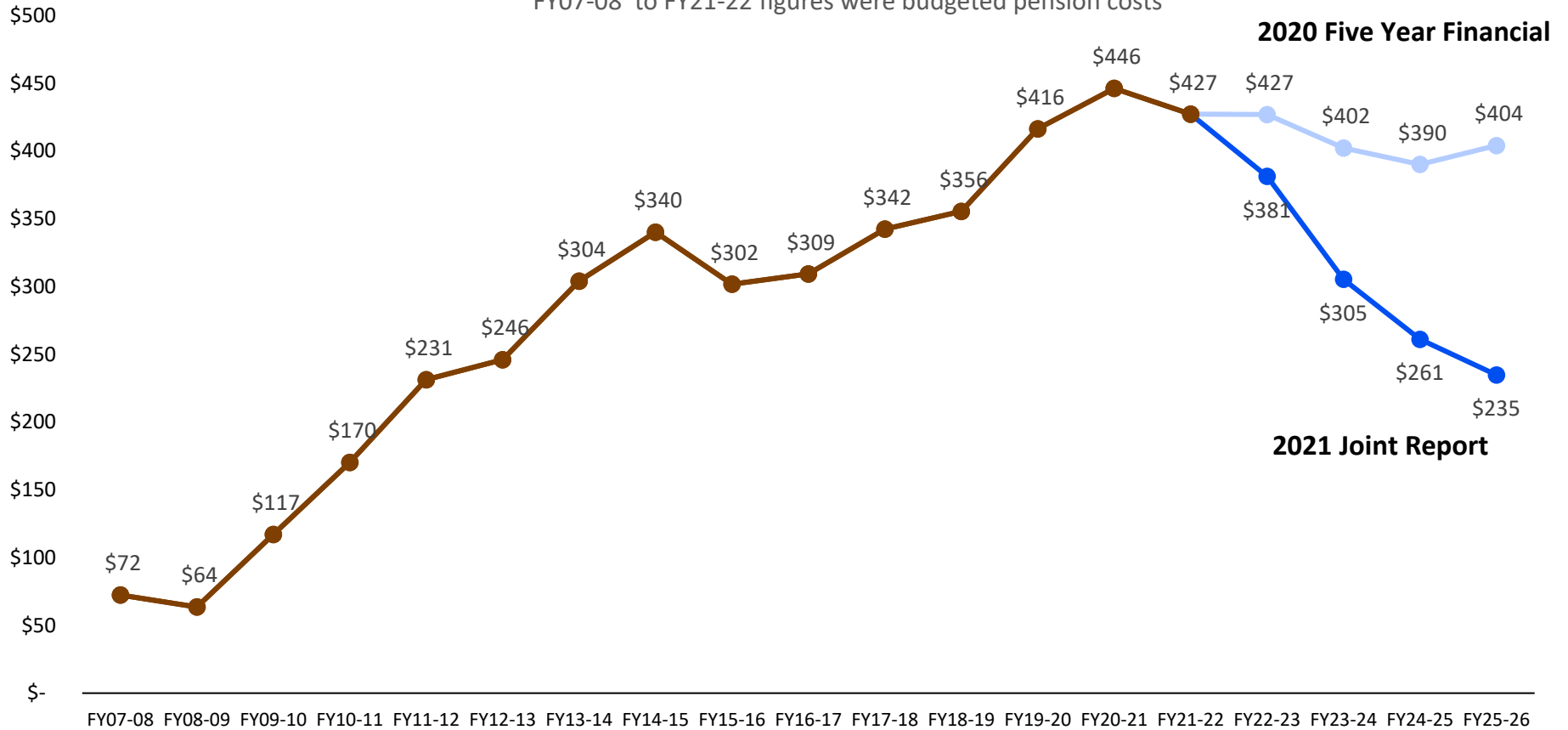
Projected 4th Year Deficit (\$M)



Pension Fund Improvement

Projected Employer Pension Contribution Cost Increases from Prior Projections (\$M)

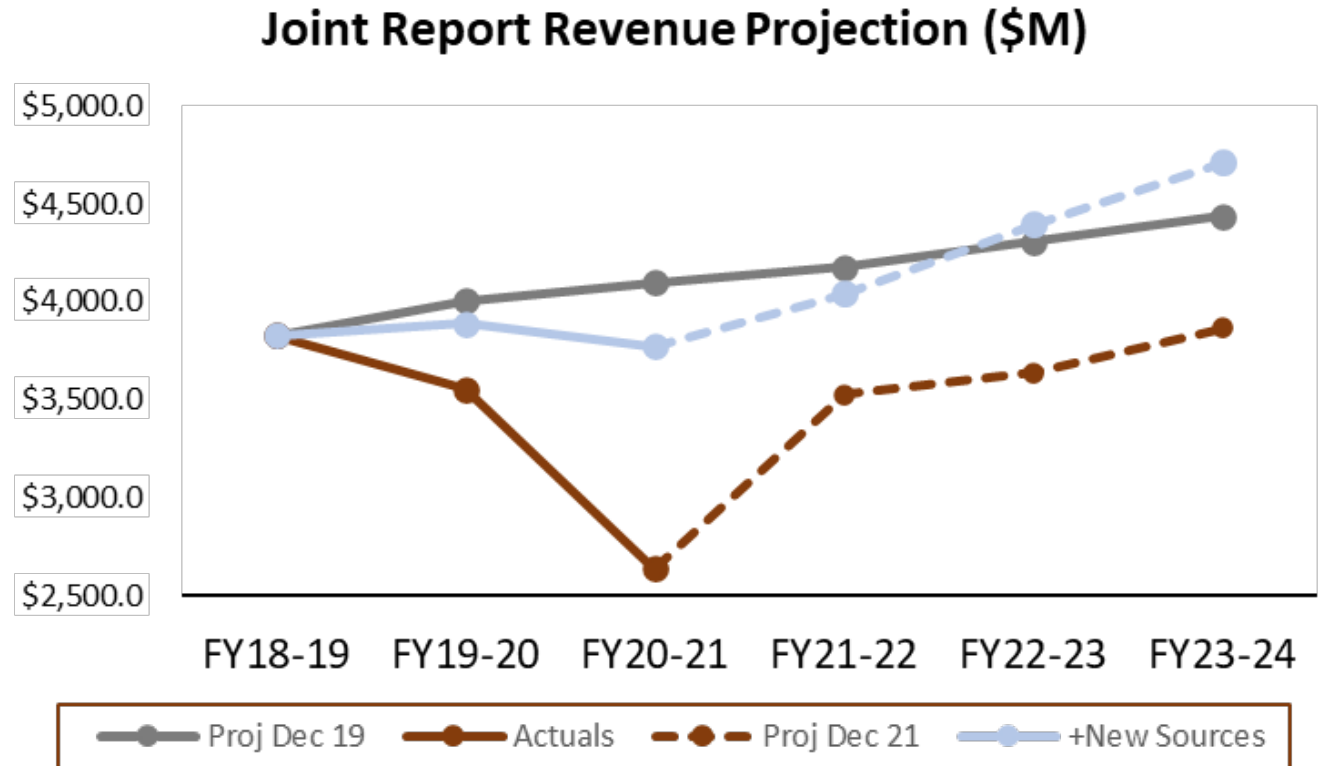
FY07-08 to FY21-22 figures were budgeted pension costs



Revenue Forecast

Overall, property, business, and other local taxes are expected to improve, but not to pre-pandemic levels

New sources including excess ERAF, federal relief, and new taxes adopted during the pandemic, and drive improved forecast



Wrap Up

The local economy is recovering slowly and lagging most peers.

The City's financial stability provides an opportunity to monitor long-term trends and respond accordingly.

This strength provides an opportunity to monitor key trends that are currently unclear – particularly the pace of the hospitality recovery and the reinflation of downtown.

Policy-makers should plan for financial and operational course corrections as these trends become clearer.