



Memorandum

To: Department of Disability and Aging Services (DAS) Commission
Through: Kelly Dearman, DAS Executive Director
From: Alex Gleason, Principal Budget Analyst, Human Services Agency (HSA)
Genevieve Herreria, Senior Budget Analyst, HSA
Date: October 7, 2026
Subject: Dignity Fund Stabilization Reserve

This memorandum documents the establishment of a Dignity Fund Stabilization Reserve and outlines calculations of, deposits to, and withdrawals from its balance. This item is presented for information and discussion. No action is requested at this time.

Background

Voters approved the establishment of the Dignity Fund in 2016. This DAS budgetary special fund provides dedicated support to programs for seniors and adults with disabilities. Per Section 16.128-1 et seq. of the San Francisco Charter, the Dignity Fund grew on a schedule of fixed growth – \$6 million in the first year and a conditional \$3 million per year thereafter – for its first ten years.¹ From FY 2027-28 through FY 2036-37, however, the legislation specifies that the Fund is to grow or contract each year based upon the percentage increase or decrease in the City's aggregate discretionary revenues (ADRs).

Steady funding levels are needed to sustain DAS's portfolio of multi-year grants with its community partners. In contrast, City ADRs are volatile, rising and falling each year in response to broader economic conditions in San Francisco.

Therefore, DAS is establishing a Dignity Fund Stabilization Reserve to help smooth out these year-over-year revenue fluctuations. The Stabilization Reserve will provide funding stability for providers and the clients who depend on services provided by the Dignity Fund. It is intended to obviate the need for sudden, dramatic reconfigurations of the portfolio's services and/or scope.

The Reserve is not intended as a source for new program funding, nor is it intended to replace limited-term or one-time funding provided by any entity. Rather, the Reserve is intended to maintain the stability of the current, baseline portfolio if/when there is ADR shrinkage, or when ADR growth is insufficient to cover CODB.

¹ As the Dignity Fund legislation allows, the \$3 million growth allocation was suspended in FY 2020-21, FY 2023-24, and FY 2025-26, years in which the projected deficit was greater than the adjusted \$200 million trigger amount. *San Francisco Charter Section 16.128-3(c)*.

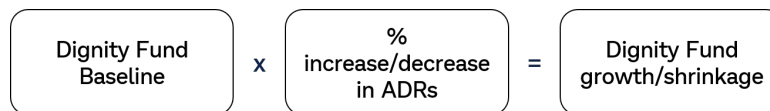




Mechanics

DAS will look to ADR levels to estimate how much funding will be available for its Dignity Fund-eligible grants portfolio. The projected changes in ADRs, year over year, constitute the projected percentage increase/contraction in the Dignity Fund each year:

Figure 1.



DAS funding needs, on the other hand, likely will grow each year due to Cost of Doing Business (CODB) increases for providers. The net of these two figures will determine the anticipated shortfall/surplus the Dignity Fund will experience over the course of four future years:

Figure 2.

$$\frac{\text{Growth/shrinkage} - \text{CODB}}{\text{Surplus / shortfall}}$$

This simple calculation will determine deposits/withdrawals from the Reserve. ADR projections will be taken from the Controller's update to the City's Five-Year Financial Plan, issued per San Francisco Administrative Code Section 3.6(b) each year in March. To start, DAS will use 2.8 percent as the CODB factor, in line with the average rate of CODB disbursed to CBO partners in San Francisco from the first ten years of the Dignity Fund's existence. Going forward, that CODB percentage will change each year based on the prior ten-year average.

Deposits. If surplus funds are available, DAS will add to the Reserve to cover any/all ADR-imposed shortfalls identified during the four-year time horizon that corresponds to the City's Five-Year Financial Plan.

Withdrawals. Funds will be released from the Reserve when its balance is greater than the sum of the shortfalls projected in any March report.

Using the March 2026 update to the City's Five-Year Financial Plan, the calculation is as follows:

Figure 3.





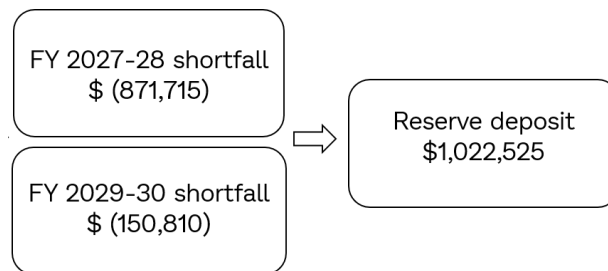
	FY 2026-27*	FY 2027-28^	FY 2028-29	FY 2029-30
ADR percent increase/decrease	n/a	-1.4%	4.9%	2.6%
ADR growth/shrinkage	\$ 3,000,000	\$ (871,715)	\$ 2,984,536	\$ 1,694,021
CODB	Covered by HSA/City	Covered by HSA/City	\$ (1,797,399)	\$ (1,844,832)
Dignity Fund surplus/shortfall	\$ 3,000,000	\$ (871,715)	\$ 1,187,137	\$ (150,810)

* Last year of \$3 million growth per year so long as projected budget deficit is less than an adjusted \$200 million. *San Francisco Charter Sec. 16.128-3(b) and (c).*

^ First year of growth/shrinkage determined by year-over-year change in ADRs. *San Francisco Charter Sec. 16.128-3(d).*

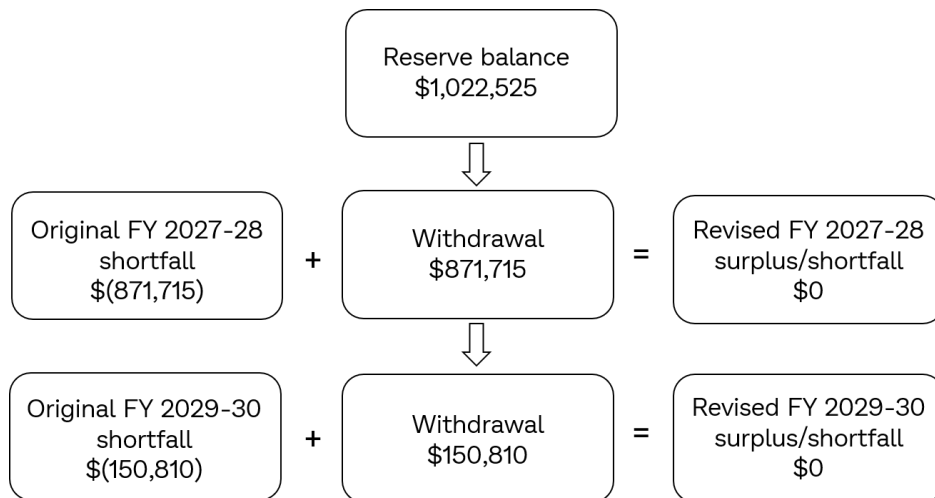
These projections call for a \$1,022,525 deposit to be made into the Reserve to address the FYs 2027-28 and 2029-30 shortfalls.

Figure 4.



In FYs 2027-28 and 2029-30, Reserve funds may be withdrawn to maintain baseline services:

Figure 5.

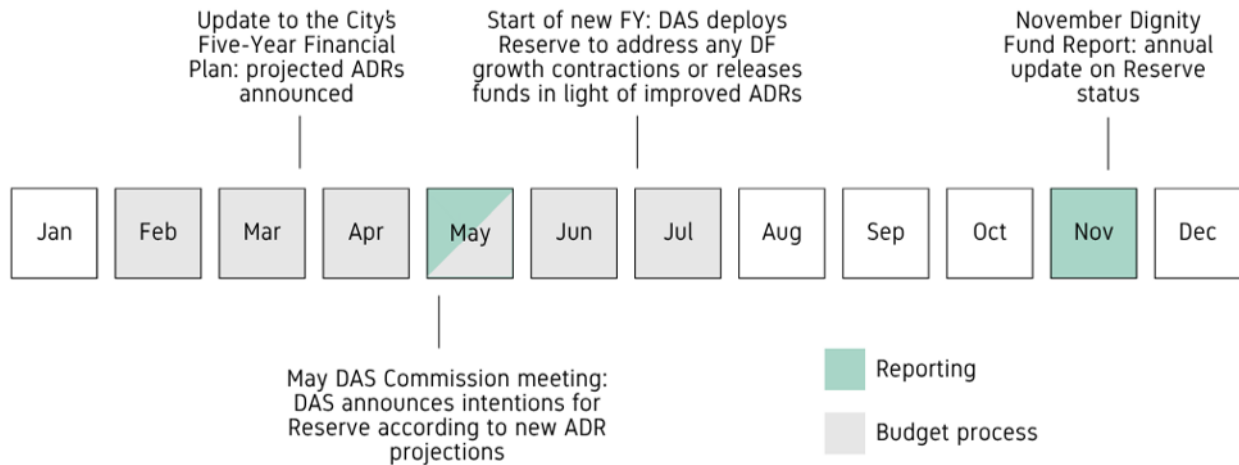




Reporting

Each year, the DAS Commission will receive an update on anticipated adjustments to the Reserve in May, following the release of the March Update to the Five-Year Financial Plan. DAS also will account for all prior year Reserve adjustments concurrently with its reporting each November on the financial position of the Dignity Fund-eligible budget.

Figure 6.



Unforeseen risks

DAS views this model as an effort to stabilize funding using predictors that can change over time. It aims to anticipate fluctuations in ADR projections and CODB estimates to balance the goal of maximizing service delivery with the need to maintain stable, predictable funding for providers and clients. Considering ADRs and CODBs alone may underestimate actual needs. In years where other cost pressures cause funding to differ significantly from expected levels, program plans may need to be revisited, and in some cases, mid-year reductions may be necessitated. Nevertheless, the Stabilization Reserve is focused only on ADRs and CODB for now. DAS will engage stakeholders if other fiscal pressures arise or if indicators suggest that projected needs may exceed available funding.