



Tuesday, March 31, 2020

Dear City Department Heads:

San Francisco is experiencing an unprecedented public health emergency, which has changed the way we all live and work. Across our country and the world, this pandemic is not only wreaking havoc on public health, but it is undermining the economic vitality of our communities. This has been, and will continue to be a time of unprecedented challenges for us all.

What gives me hope in the middle of this crisis has been the incredible ability of this great City to respond. Our health care workers and first responders are providing care for those suffering in our hospitals. City workers who continue to serve our City and those who have shifted from their normal duties to staff our Emergency Operations Center, which is the heart of a massive citywide response to this pandemic. Across the entire City, San Franciscans have embraced their role in this emergency through collective action and social distancing to slow the spread of COVID-19.

We have come together as one City with a focus and resolve that we must maintain in the challenging days, months, and years ahead. This includes our efforts to address the devastating economic fallout from this pandemic.

Beyond the significant strain on our healthcare system and the health of our residents, COVID-19 is having alarming and wide-ranging financial impacts. From staggering financial losses for small businesses, debilitating income loss for workers, and declining hotel and transfer tax funds, we are witnessing devastating financial impacts for our residents and the City budget.

Today, the March Joint Report update issued by the Controller's Office, the Board of Supervisors' Budget and Legislative Analyst, and the Mayor's Budget Office projects revenue reductions for the final quarter of this fiscal year that are staggering – we are anticipating between \$167 million to \$288 million in General Fund losses. That is not for the entire year, but for just three months alone. The reductions are driven by significant changes in major taxes including hotel tax, transfer tax, and sales tax. The Report also projects that these significant revenue losses will continue into the next two fiscal years driving up the projected deficits to between \$525 million and \$776 million for FY 2020-21 and \$438 million and \$606 million for FY 2021-22. That's a combined shortfall between \$1.1 billion and \$1.7 billion compared to prior projections driven by health crisis related revenue loss.

San Francisco has adopted many prudent financial policies since the last recession that will strengthen our ability to respond to financial events like the one we are currently experiencing, including building healthy reserves, restricting the use of one-time revenues, long-term financial planning, and two-year budgeting. This puts us in a better position to address these economic impacts, but given the sheer size of the financial losses we are facing, we will have to implement meaningful solutions and make difficult choices.



Over the next month, my Budget Office will be developing a plan to bring costs in alignment with these lower revenues for the current year. We will be focused and deliberative to ensure our response to the significant shortfalls and ongoing economic contraction are considered with impacts to City departments, labor partners, and community organizations at the forefront.

In order to offset these significant financial losses, I am instructing departments to help identify cost reductions and curb spending immediately. We also need to focus staff time and resources on our essential workforce, programs, and efforts that help our City respond to the health crisis and support vulnerable residents. To meet these two goals my Budget Office is implementing the following measures over the next month:

- Only allow hiring of essential workers. There are many important staffing needs of Departments who are responding to the health crisis, and we must focus our hiring efforts to ensure that they have the support they need. Over the next month, all requests to fill positions will be approved by my Budget Office to ensure we are prioritizing the hiring of our essential workforce.
- Evaluating and pausing non-essential capital projects funded in the current year.
- Reviewing and pausing new programs funded in prior budgets that have not started.

These measures will allow us to develop a current year rebalancing plan that combines reduced spending and some appropriate use of reserves, as well as prioritize resources to support our COVID-19 response and recovery efforts. Further instructions will be issued to departments in May to help us address the budget year shortfalls.

If you have any questions, please reach out to my Budget Office.

Thank you for your partnership during this challenging time. Together, we will get through this time of crisis, take care of our residents, and reposition our City for recovery.

Sincerely,

A handwritten signature in blue ink that reads "London Breed".

Mayor London N. Breed