



July 1, 2020

President Norman Yee
Board of Supervisors, City and County of San Francisco

Supervisor Sandra Lee Fewer
Chair, Budget and Finance Committee
Board of Supervisors, City and County of San Francisco

Re: Mayor's Priorities for the FY 2020-21 and FY 2021-22 Budget

Dear President Yee, Chair Fewer, and Members of the Board of Supervisors,

In accordance with section 6 (d) of the seventh supplemental to the Mayoral Proclamation declaring the existence of a local emergency, I would like to submit my priorities for the upcoming FY 2020-21 and FY 2021-22 budget.

The COVID-19 emergency has impacted almost every aspect of our economy and our City's operations. While it has highlighted and exacerbated many of the challenges we were already facing, it has also shown we are capable of taking bold and decisive action to address complicated challenges. I hope that we can bring that same focus and effort to the following priorities:

1. Balancing the budget responsibly during times of immense economic uncertainty.

The economic impacts of the COVID-19 emergency were stark and immediate. The City experienced significant revenue loss, requiring us to solve a \$250 million mid-year budget gap late in the fiscal year. We were able to do so with one-time solutions that did not necessitate service reductions or job losses. But the economic impacts of this emergency are expected to be long lasting, with a \$1.5 billion shortfall projected in the upcoming two-year budget. My goal in delivering a balanced budget on August 1st, which closes our \$1.5 billion shortfall, is to protect as many services and jobs as possible.

Part of closing that shortfall requires looking at new revenue, using our reserves, and department reductions. I do not believe it will be possible to both achieve the goal of preventing service and employment impacts, and fund the promised wage increases for fiscal years 2020-21 and 2021-22. Therefore, I have already proposed to our labor partners that we implement a two-year deferral of any scheduled wage increases for these two fiscal years. However, our labor partners have not yet agreed to this proposal. In addition to this deferral, my budget will spend down the full balance of the of the Rainy Day and Economic Stabilization reserves over the next three fiscal years, in accordance with the Charter and Administrative Code. The City does maintain other one-time reserves, and I intend to repurpose some of those to guard against the historic uncertainty that we face in the coming years. These risks include the possibility of a second

public health surge, a slower recovery than anticipated, premature loss of federal reimbursements to offset our public health costs, and loss of millions in state revenue. I believe this plan represents an aggressive, yet responsible, use of the reserves, that allows us to guard against future risk that could further destabilize the City's ability to maintain services and jobs in the near term.

2. Continuing to make progress on shared priorities of homelessness and behavioral health.

The challenges the City faces related to homelessness and behavioral health were present before COVID-19 arrived and will persist long after, unless we prioritize making meaningful progress, even in the face of extreme economic constraint and even greater need. I have proposed a business tax measure for the November election that, if supported by the voters, would unlock revenue dedicated for homelessness and behavioral health services. The passage of this revenue measure is absolutely critical, and I intend to utilize that revenue to ensure that we continue building on the progress we have made.

3. Prioritize racial equity in the allocation of resources.

The tragic killing of George Floyd highlighted the devastating impacts of police violence against the African American community. While San Francisco has made substantial progress on police reform in recent years, especially around our use-of-force policies, we know there are structural inequities in our city, resulting from generations of disinvestment, that continue to impact this community. That's why my budget will prioritize racial equity, seeking to close the gaps and ending the disparities that we know exist. I have already announced a plan to redirect funds from the San Francisco Police Department to the African American community, which will be developed in partnership with community stakeholders. My budget will not just seek to reform policing in the City, but will also seek to elevate communities who have been left behind for far too long.

4. Maintain a robust and data-driven driven response to the ongoing health pandemic.

We expect that the City will be responding to COVID-19 for the next 18-24 months. All throughout this emergency, we have been guided by data to ensure that the health and well-being of all San Franciscans is at the forefront of our response. We will need to maintain a robust emergency response system at least throughout the next year to ensure that we keep our residents safe, while also supporting the re-opening on our City in a responsible way.

I look forward to your partnership as we take on these immense challenges together.

Sincerely,



London N. Breed
Mayor