

Member, Board of Supervisors  
District 1



City and County of San Francisco

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## **Principles for the 2020 Budget Process**

Since the COVID-19 crisis has made its way to San Francisco, triggering a State of Emergency to be declared by the Mayor and Bay Area health officials to announce a shelter-in-place order, we have seen many impacts on our city. Nonessential businesses have been forced to close temporarily in San Francisco and municipalities across the U.S., and many businesses deemed essential are still struggling to get by, leading to millions of people across the country losing their jobs, enormous increases in unemployment filings, and thousands of people at a local level in immediate need of help to meet their basic needs including shelter and food.

The City & County of San Francisco is expecting revenue losses for the general fund in the current fiscal year ranging from \$265 to \$386 million due to the economic recession. As a result of this recession, the City projects, under the extended impact scenario, to exceed \$1.5 billion in general fund revenue losses over the next two and a half years. Thankfully, the City has accumulated \$740 million in rainy day, stabilization and general reserves that it will likely have to draw from in order to help balance the City's budget.

The City has accrued additional expenses in the process of COVID-19 response, including staffing costs to stabilize and support the health care workforce, health equipment and safety supplies, testing and treatment, alternative housing, and other costs related to Emergency Operations Center staffing, IT, and supplies. In addition to relief funding from the state and federal governments directly for businesses and workers, relief funding for public agencies is also being made available that the City anticipates receiving, including FEMA & CalOES disaster relief, and Federal COVID-19 stimulus funding for state and local governments, transit agencies, hospitals & healthcare systems, and more. While the Controller, Mayor's Budget Office and Board's Budget and Legislative Analyst have released some early revenue estimates, projections are still being refined, including how much the City is spending on COVID-19 response and what the City expects to receive in state and federal support funds; and

The City's budget process is being delayed for two months due to the significant impacts related to the COVID-19 crisis, and the need to revise revenue projections for the coming fiscal year and beyond. The updated timeline has departments revising proposed budgets in May, the Mayor developing a proposed budget during June and July, and the Board's phase of the budget beginning August 1st, with the Mayor signing the budget by October 1st. The Mayor's Budget Office has begun working with city departments on current year rebalancing plans, and directed departments to freeze new hiring for non-essential workers, pause non-essential capital projects, and pause new programs that have not yet begun.

The current and projected dire economic circumstances undoubtedly threatens the health, stability, and well-being of many San Franciscans, and this public health and economic crisis has pulled back the curtain on the incredible and deep inequities in our city and our country with regards to class and poverty, race and immigration status, access to housing and so much more. Many communities who were already struggling to survive in San Francisco are now further impacted by job loss and loss of income, less access to services that might be closed during the shelter-in-place, the threat of evictions and accumulation of unpaid debt including rent, and inadequate access to food, medicine and basic necessities. In addition to seniors and those with compromised immune systems who are most at risk for life-threatening complications related to COVID-19, certain communities have been disproportionately impacted by this crisis and the impacts referenced above, particularly individuals who are unhoused and unsheltered, poor and low-income, immigrant and undocumented, transgender, Black and African American, limited English proficient, formerly incarcerated, those with disabilities, and those without worker protections.

The Mayor and the Board of Supervisors are working diligently to identify ways of providing financial relief and assistance to San Francisco residents and businesses, particularly for vulnerable populations who may be experience a gap in assistance from state and federal relief packages, including the solicitations of private contributions to a Give2SF Fund to minimize impact of relief efforts on the City's general fund.

The current financial projections for the City present real challenges in terms of maintaining critical services and programs, and sustaining the City's workforce, both of which must be priorities. The crisis caused by the COVID-19 state of emergency requires the Board and Mayor to have more flexibility with available resources to ensure first and foremost that the basic needs of San Franciscans are met, but in the coming weeks and months policymakers will be faced with difficult decisions about how to prioritize investments for the current and coming fiscal years, knowing there is both a decline in available revenues and also much greater need for investment in the City's residents and businesses.

As Chair of Budget and Appropriations, I am releasing these principles to guide the Committee's work in the coming weeks and months:

## **2020 Budget Principles**

**1. Inclusion of All Stakeholders.** Every member of the Board of Supervisors is invited to participate in any or all Budget and Appropriations meetings where budget discussions are held. We are committed to ongoing communication with the Mayor's Office and city departments and members of the public at every step in the process.

**2. Budget Transparency and Public Access.** The Board remains committed to the greatest level of transparency and publicly accessible information regarding revenues and spending at every phase in the budget process, in real time. The Board is also committed to ensuring transparency around expenditures and reimbursements related to COVID-19 response, relief and recovery and impact both on the current fiscal year as well as the coming two years. The Budget Committee will hold public hearings on the Mayor's rebalancing plans and revised budget instructions as well as topic and department specific hearings as needed.

**3. Leverage External Resources.** The Board is committed to leveraging new revenues for the City as much as possible, through State and Federal relief and stimulus funding, and private donations through the Give2SF fund. We are also committed to transparency regarding the funds raised or received, and associated expenditures.

**4. Realizing our Values.** The Board is committed to protecting San Francisco's most vulnerable residents and prioritizing assistance to meet basic needs, ideally through comprehensive planning that can address gaps in support. And we are committed to the preservation of existing critical services that San Francisco residents depend on, including those provided directly by the City and those provided by nonprofit community organizations. We are committed to public sector employment and protecting job security for the City and County workforce, including ensuring that public sector labor unions are at the table as budget decisions are made, and we are committed to economic and racial equity as it relates to both services and the city workforce, including looking at an equity analysis of any service reductions or staffing changes.

**5. Reevaluation of Priorities.** As the City considers critical investments, possible reductions, and difficult choices about budget priorities in the coming weeks and months, the Board remains open to direct discussions with the Mayor's Office about previously identified budget priorities (by the Board and Mayor both) that have not yet been expended, and possible reallocations to meet the most urgent needs. Considering the significant current year deficit and the certainty of needing to draw upon the City's reserves to balance the budget for Fiscal Years 2020-2021 and 2021-2022, new legislation impacting the General Fund or General Reserve should be delayed until it can be considered as part of the 2020 budget process, unless all other options have been exhausted. For any urgent need that must be addressed, I am asking all Board members to begin by working with departments and the Mayor's Office, and I am also asking that members work with the Controller's office to identify funds that do not come out of the General Reserve.

Though I think this will be a difficult budget season ahead of us, I look forward to working in collaboration with my colleagues on Budget and Appropriations Committee and the full Board to ensure a fair, transparent and equitable budget process in 2020.