



December 1, 2023

Dear Department Heads,

In October, I issued instructions to start making budget reductions in the current fiscal year to get a head-start on what will be a challenging budget process this spring. My office has reviewed proposals to pause uninitiated programs, eliminate vacant positions, take advantage of new revenues, and to start scaling back programs we can no longer afford or have other sources of funding. These are the types of choices we need to start making to ensure the current and long-term financial sustainability of our city.

The reductions leave intact basic City services and priorities so we can continue making progress on hiring police officers, expanding shelter beds, advancing behavioral health initiatives, and cleaning up our streets.

A full list of all General Fund budget reductions is attached, amounting to approximately \$75 million in the current fiscal year, and ongoing, around \$35 million in each year thereafter.

Meanwhile, my budget team, in partnership with the Controller's Office and the Budget & Legislative Analyst, is finalizing updates to our long-term financial forecast. We're currently projecting a deficit that grows to over \$1 billion by FY 2027-28 if no further actions are taken. This figure is based on updated General Fund revenue projections and assumptions that current spending and service levels continue, and in many cases, grow with inflation. With these initial savings, over the next four years, we'll avoid over \$200 million in additional cuts.

Thus, these reductions represent just a small down payment – much larger cuts will be needed in the months ahead, and that will require more planning and longer discussions we'll have with you, your staff, and other City stakeholders.

Next week, my budget team will share a preview of budget instructions and General Fund targets to allow departments to start planning for the budget process ahead. The following week, we will discuss more details behind the financial projections and my priorities for the upcoming budget at the December Department Head meeting.

I am committed to tackling our City's many challenges and meeting the needs of our residents, and that will require making difficult tradeoffs. Thank you for your continued focus and partnership in this work.

Sincerely,

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

London N. Breed

Mayor