



December 8, 2016

London Breed, President of the Board of Supervisors
Mark Farrell, Chair of Budget and Finance Committee
Ben Rosenfield, Controller

Dear President Breed, Chair Farrell, and Mr. Rosenfield:

Thank you for your help over the past few weeks working on this plan to rebalance the budget. This letter outlines the plan along with a series of additional steps and considerations. Table 1 below, provides a summary of my proposed rebalancing plan, which is required as a direct consequence of the changes to the budget as a result of the November 2016 election:

Table 1: Post-Election Rebalancing Plan, December 2016

Expenditures:	FY 16-17	FY 17-18	FY 18-19	Total:
Homelessness (Nav Centers, rental subsidies, supportive housing)	(6.50)	(19.85)	(19.85)	(46.20)
Street Trees - Prop E	-	(12.75)	(12.75)	(25.50)
Free City College	(0.50)	(4.25)	(4.25)	(9.00)
Legal services / comprehensive support for immigration	(1.50)	(3.00)	(3.00)	(7.50)
Subtotal Expenditures:	(8.50)	(39.85)	(39.85)	(88.20)
Revenue:	FY 16-17	FY 17-18	FY 18-19	Total:
Transfer Tax increase (net of baselines) - Prop W	14.10	27.00	27.00	68.10
Whole Person Care - Medi-cal Waiver funding	11.80	4.20	4.10	20.10
Subtotal Revenue Generated:	25.90	31.20	31.10	88.20

This rebalancing plan enables us to fund these critical services for our homeless population, while also addressing our City's other immediate priorities, including the maintenance of street trees, affordability of higher education, and legal representation for our immigrant community.

Sales Tax Did Not Pass

As noted in my early termination letter for Proposition J dated November 10, 2016, I made the difficult decision to cancel the set-asides for homelessness and transportation that were included in my balanced budget on June 1, 2016. The voters did not approve Proposition K, a sales tax increase that would have paid for the increased spending, which is why this rebalancing plan is required. This outcome represents a large reduction in anticipated City revenues of \$37.5 million in FY 2016-17 and \$155.3 million in FY 2017-18. However, Proposition J did pass with 66% of the vote, clearly demonstrating that San Franciscans believe we need to do more on homelessness and transportation.

Transportation Investments

To address the need for transportation funding, I have asked the two co-chairs Gabriel Metcalf and Monique Zmuda to reconvene the 2030 Transportation Task Force¹, the group of transportation

¹ 2030 Transportation Task Force Final Report - http://208.121.200.84/ftp/files/publications_reports/transportation_taskforce/Taskforce_AnnualReport2030V9_1113.pdf

experts that recommended pursuing a sales tax for transportation funding in 2013, to advise the City on the best steps to take moving forward. I have also discussed my concerns about the loss of this funding with the Municipal Transportation Agency (MTA) Director, Ed Reiskin. We are in agreement that the additional baseline funding of approximately \$3 million annually that the MTA will receive from the passage of Proposition W should fund critical life safety projects to further our City's Vision Zero goal of eliminating traffic fatalities by 2024.

Continue to Fund Critical Homeless Expenditures

Additionally, I am concerned about the loss of funding for our new Department of Homelessness and Supportive Housing (DHS). I want to thank you, Chair Farrell, for your leadership on this issue and help establishing this new department through the budget process this past year. The new department's success is of the utmost importance to me and to all San Franciscans, which is why I asked my Budget Director to work with DHS to identify critical services that must continue despite the failure of Proposition K.

This rebalancing plan for our City's budget maintains critical homeless service expenditures, which will keep the doors at our extremely successful Navigation Centers open, continue rental subsidies for our low-income seniors, and invest in the creation of supportive housing exits from homelessness, which are the real key to ensuring the success of our Navigation Centers. Table 2 provides a more detailed overview of these critical expenditures:

DHS Rebalancing Plan	FY 16-17 Revised Budget	FY 17-18 Revised Base Budget	FY 18-19 Proposed Budget
Navigation Centers/Shelters	(4.8)	(8.5)	(8.5)
Housing Exits	(1.7)	(10.4)	(10.4)
Transitional Housing	-	(0.7)	(0.7)
Street Homeless Solutions	-	(0.2)	(0.2)
Total Sales Tax Backfill:	(6.50)	(19.85)	(19.85)

Homelessness is clearly a big issue that we need to face as a City. To be able to help this population, government cannot do it alone. We have sought public-private partnerships with the philanthropic sector along with the nonprofit sector to harness the newest and most innovative ideas to address homelessness. Tomorrow, I will share more details on our efforts and plans to reduce family homelessness in San Francisco in addition to the resources in this rebalancing plan.

Budget Context

It is especially important to make these difficult tradeoffs and decisions now because later today I will be releasing budget instructions to my Department Heads, in which I will ask them to reduce General Fund support by 3% in each of the two upcoming budget years (resulting in a cumulative 6% reduction in the second year of the budget). I will also be advising all departments that they should not put forward in their budget submissions any net new positions and should work diligently to restrict overtime costs.

Our City's three financial offices, the Mayor's Budget Office, the Budget and Legislative Analyst's Office, and the Controller's Office, are projecting a shortfall of approximately \$400 million over the upcoming two budget years that we must bring into balance by June 1, 2017. In addition to balancing the budget this spring, we will be engaging in labor negotiations with most of the City's unions, and I believe it is important to rebalance our budget now after the outcome of the recent election to ensure that as we enter bargaining we are not adding new programs that we cannot afford. Employees are our most important asset as a City, so we must recognize their needs when prioritizing our resources.

It is important to underscore that we are not in the midst of a recession. We are not cutting services or laying employees off. We do, however, need to make responsible decisions and remain disciplined with our City's budget as we prepare for the expected, yet uncertain, changes at the federal level with the new administration in Washington D.C.

Street Trees

With regards to street tree maintenance, I will not be enacting section (j) of Proposition E to cancel the street tree set-aside. I agree with the 78% of voters that supported Proposition E that street trees are a valuable asset to our City, and because they function as critical "green infrastructure," our investments in street tree maintenance will reap future dividends in the form of public health and environmental benefits and add to the beauty and livability of our neighborhoods. As the former head of the San Francisco Public Works department, I know the hard work that goes into maintaining our street trees, and I want to thank State Senator Scott Wiener for his leadership in advancing this important piece of legislation during his time as a member of the Board of Supervisors.

Free City College

Additionally, on the City College program, I want to thank Supervisor Jane Kim for her leadership to help make City College free for San Francisco residents. Costs should not be a barrier to our residents that want to create better lives for themselves through education. Focusing on those on a path toward a certificate or degree and those with the most financial need, including our veterans and homeless students, should be our priority. Our economy requires an educated workforce, and all San Franciscans benefit when there is equitable access to affordable higher education. Today, I ask my Senior Advisor on Education and Family Services and Commissioner of the SF Board of Education, Hydra Mendoza, to work with City College of San Francisco, the San Francisco Unified School District, the Board of Supervisors, the Human Services Agency, the Department of Children, Youth and Their Families, the Controller's Office, and the Office of Economic and Workforce Development over the next 90 days to develop the parameters of this initiative with the goal of implementation for the 2017 academic year.

I plan to support the \$9 million supplemental in its current form that is moving through the Board of Supervisors and ensure that \$500,000 of this funding is made available to City College in the current year to expand their financial aid office and hire key staff and establish technical processes to administer the financial support to cover fees and books. The remainder of the funding will be placed on reserve as we work together to develop a sustainable plan to ensure affordable higher education now and into the future. In particular, I task this advisory body with determining which San Franciscans are most in need of financial assistance and understand the impact on enrollment. I ask this group to report back to me and the Board of Supervisors with a clear plan of how to assist students for the 2017-18 school year. It is also critical that this group include representatives from the philanthropic and business communities as well as experts in education at the State level. Truly affordable higher education is not just a local issue; it must be addressed at the State level as well to be successful and comprehensive.

Federal Election / Immigration

Finally, I have also asked my Budget Director to take into account our residents' needs for assistance on immigration issues in light of the federal election. The President-elect led a campaign that scapegoated immigrants and specifically targeted San Francisco, a beacon for immigrants for many generations, including 5,000 Deferred Action for Childhood Arrivals (DACA) recipients, all of whom may now be at risk of targeting by the federal government. San Francisco will stand in unity to affirm, uphold, and help defend the rights of our immigrant communities. We will continue moving forward with defending the human rights of every individual and ensure that, regardless of immigration status, everyone will have access to health, education and public safety services.

I am pleased to announce a \$7.5 million investment in immigration-related services through grants to community based organizations (CBOs). I will begin by working immediately with the Board of Supervisors to allocate \$1.5 million in funding in the current year for CBOs to perform such services as legal representation, pathways to citizenship, public outreach, and rapid response social services. This funding will be on top of the current \$3.8 million already budgeted annually to 26 community based agencies supporting our immigrant families. Taken together, this increase results in \$5.3 million in funding in FY 16-17 and \$6.8 million in funding in FY 17-18 and FY 18-19 for these critical services. I want to thank the entire Board of Supervisors and all of the City family as we stand up for San Francisco values. I specifically want to thank Supervisor Campos for his years of dedication to the issues of our immigrant community.

I task Diana Oliva-Aroche, my Director of Violence Prevention, to work with Adrienne Pon the Director of the Office of Civic Engagement and Immigrant Affairs, Sheryl Davis the Director of the Human Rights Commission, Olson Lee the Director of the Mayor's Office on Housing and Community Development, the Board of Supervisors, the community, and all our city departments over the coming months as we see what changes do come from the federal government. It is important that this funding enable a community-led, comprehensive legal defense strategy that includes mental health counseling, processing and immediate legal representation. The promises of the President-elect and members of the new Administration to deport millions of undocumented Americans would be disastrous for thousands of families here in San Francisco, and I intend these new funds to provide assistance to those in need and help bolster our San Francisco values of inclusiveness, diversity, and mutual respect.

Thank you to all the members of the Board of Supervisors, community groups, and departments that I heard from during this rebalancing process. Your input has been critical, and I am proud of the balanced and thoughtful approach we have taken that embraces true San Francisco values. We are always stronger when we stand as one, and I look forward to working with the current and new members of the Board of Supervisors in the coming months as we work together to balance the FY 2017-18 and FY 2018-19 budget.

Sincerely,



Edwin M. Lee

Mayor, City & County of San Francisco