



December 17, 2009

Board President David Chiu
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear President Chiu:

On November 16, the Controller issued a report estimating a \$53 million current-year General Fund shortfall due primarily to the economic climate and resulting decline in tax revenues. That estimate has since been revised to \$45 million due to the removal of an \$8 million supplemental appropriation pending at the Board of Supervisors. This letter and the attached documents contain my proposal for addressing the projected shortfall. I have requested that the City Controller review the attached plan, and certify that we have brought our budget back into balance under the City Charter.

We have acted quickly to bring our budget back into balance for several reasons. First, credit rating agencies have continually emphasized the importance of speedy and decisive action in response to mid-year budget problems as a positive factor in evaluating the City's financial condition. After the City's most recent credit rating meetings, Moody's noted San Francisco's "regular, detailed mid-year budget monitoring and timely implementation of budget adjustments" as a positive factor in its rating decision, and Standard and Poor's cited "substantial spending reductions to address continued contraction in local receipts." By making quick, fiscally responsible decisions, we can preserve our financial standing and save millions of dollars.

But perhaps most importantly, we need to act quickly to put our mid-year problems behind us so we can begin to address the challenges ahead. Our Fiscal Year 2010-11 deficit is projected at \$522.2 million. While the decisions to address our \$45 million current-year problem are not easy, they pale in comparison to the obstacles we will face together in the coming months.

The attached plan restores balance to the budget that we adopted just months ago. In addition, it restores our City's General Fund reserve to \$25 million and provides ongoing savings of at least \$25 million, bringing next year's deficit from \$522.2 million to \$497.2 million.

While nobody takes pleasure in making difficult budget decisions, I believe the attached plan represents an effort to bring our budget back into balance while improving efficiency to minimize short-term service reductions. This common-sense belt-tightening will result in over \$8.5 million in new revenues to offset the need for reductions to City services, and another \$30.9 million of efficiencies that will not reduce services on which San Franciscans depend. We propose revising and renegotiating over two dozen City contracts to generate \$3 million in savings, and trimming 80 vehicles from the City's vehicle fleet—a plan that will yield modest savings in the current year, but will be the first step in a year-long

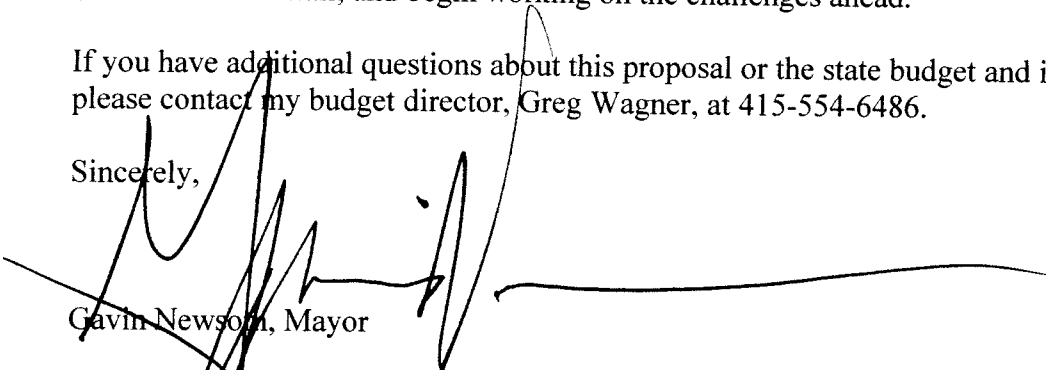
process to eliminate 300 vehicles and save \$1.7 million. Reductions to overtime and new plans to staff services more efficiently will save millions more. In a year when we will once again ask our City employees to make sacrifices to help protect City services, I have asked my office to lead by example. Senior Mayor's Office staff will be asked to accept salary reductions effective January 1. Other elements of our plan may prove more controversial, but my goal will continue to be reforming and restructuring our government to preserve City services.

Last year, we worked together to balance a \$575 million General Fund deficit and restore over \$43 million to important City programs as part of the Board of Supervisors Budget and Finance Committee's efforts. As part of that process, I agreed that I would consult with the Board if I believed it was necessary to reconsider those restorations. Our plan to address the \$45 million shortfall continues funding for the restored programs.

I invite your thoughts and ideas on our proposal. I hope we can act quickly to address our current-year \$45 million shortfall, and begin working on the challenges ahead.

If you have additional questions about this proposal or the state budget and its impact on San Francisco, please contact my budget director, Greg Wagner, at 415-554-6486.

Sincerely,



Gavin Newsom, Mayor

Cc: Angela Calvillo, Clerk of the Board of Supervisors
Harvey Rose, Board of Supervisors Budget Analyst
Ben Rosenfield, Controller

Mayor's FY 2009-10 Mid-Year Solutions - Department Detail

Department	Description	Reduction Amount
Academy of Sciences	Reduce Non-Personnel Services	119,413
Academy of Sciences Total		119,413
Adult Probation	Salary and Fringe Benefits Savings	464,245
Adult Probation Total		464,245
Arts Commission	Reduce unallocated grant funds	80,050
Arts Commission Total		80,050
Assessor/Recorder	Salary and Fringe Benefits Savings	809,000
Assessor/Recorder Total		809,000
Board of Supervisors	Budget Analyst selection process savings	10,000
	Salary and Fringe Benefits Savings	58,000
Board of Supervisors Total		68,000
Children, Youth and their Families	Eliminate unneeded prior year work order balances	235,183
	Reduce unallocated grant funds	812,046
Children, Youth and their Families Total		1,047,229
City Administrator	Increased City Hall Event Revenue	200,000
	Reduce contract for 311 Customer Relationships Management (CRM) project	265,133
	Salary and Fringe Benefits Savings	100,000
	Savings in Convention Facilities Contract	200,000
City Administrator Total		765,133
City Attorney	Salary and Fringe Benefits Savings	322,654
City Attorney Total		322,654
City Planning	Salary and Fringe Benefits Savings	97,000
City Planning Total		97,000
Citywide	Airport Concession Revenue	700,000
	City Vehicle Reductions	81,815
	Convention facilities debt service savings	1,900,000
	Defer County Jail #5 completion projects to FY 10-11 capital budget	3,050,000
	Do not assume new positions are hired in the Public Defender's Office	400,000
	Reductions to various capital projects, materials, supplies	2,960,159
	Revised revenue assumption for Fire Department service agreements	1,000,000
	Juvenile Hall Settlement Revenue	1,100,000
Citywide Total		11,191,974
Controller	Absorb contract expenses from Department of Technology	115,935
	Allocate Share of Retiree Health Subsidy with City Service Auditor funds	95,329
	Salary and Fringe Benefits Savings	290,208
Controller Total		501,472
District Attorney	Salary and Fringe Benefits Savings	91,592
District Attorney Total		91,592
Economic and Workforce	Delay implementation of NMI project until FY10-11	64,825
	Reduce grant funds available in upcoming RFP	73,000
	Salary and Fringe Benefits Savings	135,060
Economic and Workforce Total		272,885
Elections	Salary and Fringe Benefits Savings	347,380
Elections Total		347,380
Emergency Management	Salary and Fringe Benefits Savings	115,836
	Savings in contracts, travel, training, materials and supplies	290,181
Emergency Management Total		406,017
Ethics	Miscellaneous contract reductions	8,205
	Salary and Fringe Benefits Savings	77,000
Ethics Total		85,205

Mayor's FY 2009-10 Mid-Year Solutions - Department Detail

Department	Description	Reduction Amount
Fire Department	Closeout of work order to DPW for work on Station 1 Project	133,401
	Eliminate standby premium pay for on call public information officer at night	21,658
	Reassign 7 Acting Inspectors to Field as Firefighters	463,098
	Restructure ambulance deployment staffing	259,192
	Salary and Fringe Benefits Savings	117,745
	Sale of 909 Tennessee Fire House	725,000
Fire Department Total		1,720,094
Health Service System	Revenues from Forfeited Employee Benefits	77,720
Health Service System Total		77,720
Human Resources	Reductions in Training and Professional Services	100,000
	Salary and Fringe Benefits Savings	121,528
Human Resources Total		221,528
Human Rights Commission	Pay for a portion of existing staff using PUC funding instead of General Fund Support	31,452
Human Rights Commission Total		31,452
Human Services Agency	Savings from vendor contract negotiations	168,500
	Bring grant writing and Cal-Learn teens contract services in-house	55,000
	Reduce contracts based on need and availability of service	866,269
	Savings from administrative and operational efficiencies related to supportive housing services	225,079
	Savings by deferring maintenance at facilities, while maintaining ADA and code compliance requirements	516,908
	Close out prior year workorders to DPH; fully funded in FY 2009-10	1,237,260
	Continue existing restrictions on ancillary aid support services	259,529
	Reduce employee training budget	23,500
Human Services Agency Total		3,352,044
Juvenile Probation	Reduce contracts for Ombudsman and Electronic Monitoring of Juvenile Offenders	42,500
	Salary and Fringe Benefits Savings	36,251
	Shift costs for 8326 Assistant Director from General Fund to grant	57,278
Juvenile Probation Total		136,029
Mayor	Salary and Fringe Benefits Savings	201,520
Mayor Total		201,520
Office of Citizen's Complaints	Materials and Supplies	10,000
	Professional & Equip Maintenance	10,000
	Reduce Overtime	5,736
	Salary and Fringe Benefits Savings	5,000
	Telephone workorder reduction to DT	10,000
Office of Citizen's Complaints Total		40,736
Police	Reduce Overtime	3,000,000
	Reductions in departmental projects	1,000,000
	Salary and Fringe Benefits Savings	500,000
	Staffing Changes to reduce Holiday and Premium Pay	1,500,000
Police Total		6,000,000
Public Health	Accelerate Implementation of RFP for Substance Abuse Residential Treatment Centers	450,000
	Cohorting Non-Acute Medical Surgical Inpatients	378,876
	Cohorting Non-Acute Psychiatric Inpatients	408,590
	Discontinue State Backfill for trauma recovery services	347,529
	Do Not Backfill State Drug Medi-Cal Reduction	500,000
	Do Not Backfill State Prop 36 Reduction	1,224,942
	Increases in Grant Funding to Offset General Fund Programs	622,405
	Medical Staffing Consolidation at Laguna Honda	57,525

Mayor's FY 2009-10 Mid-Year Solutions - Department Detail

Department	Description	Reduction Amount
Public Health	Projected Underspensing in Contracts and Programs	2,102,076
	Reduce Funding for Ark House Program Due to Loss of Site	144,913
	SFGH Messenger Service Changes	12,426
	Smaller than Expected State Reductions to HIV Health Services	706,045
	Standardize Methadone Maintenance Costs	74,711
	Use HIV/AIDS Reserve to pay for State HIV Prevention Reductions	391,106
Public Health Total		7,421,144
Public Works	Salary and Fringe Benefits Savings	388,085
	Shift staffing costs from General Fund to Work Order	154,128
	Use grant funds for road crack sealing	50,000
	Contract savings for private property/vacant lot clean up	50,000
Public Works Total		642,213
Recreation and Park*	Anticipated revenues from increased marketing of recreation facilities and activities	250,000
	Closeout old capital projects	-
	Implement two-Year Resident Card renewal	250,000
	Increase BART permit revenues	172,000
	Salary and Fringe Benefits Savings	-
Recreation and Park* Total		672,000
Sheriff	Reduce alternative and reentry programs with community based organizations.	426,924
	Revised projections for salary overspending	2,560,000
	Salary and Fringe Benefits Savings	248,000
	Use of San Bruno jail settlement revenue	2,983,400
Sheriff Total		6,218,324
Status of women	Increased marriage license fee revenue	81,000
	Reduce unallocated grant funds	45,927
Status of women Total		126,927
Technology	Delay upgrades to current telecom systems	36,000
	Negotiate savings with the vendor for telephone infrastructure equipment support	162,000
	Postpone expansion of 800MHz Public Safety Radio System coverage to Rincon Hill	42,000
	Reduce contract to Customer Relationships Management (CRM) development and upgrades for 311	779,407
	Reduce maintenance services of Back-Up Radios, Bay Area Microwave, and Mobile Trunking systems	88,920
Technology Total		1,108,327
Treasurer / Tax Collector	Other current expense reduction	30,000
	Salary and Fringe Benefits Savings	330,694
Treasurer / Tax Collector Total		360,694
Grand Total		45,000,000

* In accordance with Charter Section 16.107, mid-year expenditure reductions in the Recreation and Park Department cannot be used to offset the projected FY 2009-10 General Fund shortfall. Savings will be deposited in the Recreation and Park Budget Savings Incentive Reserve and used as a source in the FY 2010-11 budget.