



March 2, 2010

A message from Mayor Gavin Newsom to all employees of the City and County of San Francisco

Over the last several months, you have no doubt heard about the City's projected budget deficit for the upcoming fiscal year. I know that the deficit causes a great deal of uncertainty for our City family, and I want to take this opportunity to share my perspective with you regarding the deficit and the steps we are taking to address it. I believe that you, as a City employee, have a right to know how we find ourselves in this situation.

Like families, public agencies, and businesses across the country, our City and County government faces real and significant challenges as a result of the struggling national economy. Our local tax revenues are falling due to the economic slowdown, costs like retirement and health care continue to rise dramatically, and the State of California's financial problems mean reduced support to local governments for critical public services.

As you are aware, because of all of these factors, San Francisco is facing a \$522.2 million General Fund shortfall for the coming fiscal year. This shortfall means that we face difficult decisions in the coming months. All of us, as City employees, will be called upon to make sacrifices, tighten our belts, and rethink the way we operate. I am obligated by the City Charter to submit a balanced budget to the Board of Supervisors by June 1. In December, I asked all department heads to develop and submit their 2010-11 budgets with significant reductions to General Fund support, namely, a 20% overall reduction and an additional 10% contingency.

This is not the first large deficit we have faced in San Francisco. Just last year, we had a \$438 million budget gap to close. While we balanced our budget in the face of large deficits before, many of the solutions we have used in the past are not an option this year. Key federal economic stimulus programs, which gave us tens of millions of dollars to balance our budget last year, are set to expire next fiscal year. Our Rainy Day Reserve, which has helped us balance our budget in the past, is nearly depleted. And unlike the federal government, we cannot borrow our way out of this deficit, nor can we print money. Significantly, last year most of our labor unions stepped up and gave back to help close the deficit. But many of these concessions will expire or partially expire during the coming year.

As you know, our government is made up of the employees who provide services every day. Over half of our City budget is used for employee salaries and benefits. While I take no pleasure in the fact, I cannot deliver a balanced budget without reorganizing the City workforce.

Many of you will receive sixty-day layoff notices this Friday, March 5. This will include many different classifications from managers to line workers. Even though these layoffs are necessary, a large number of part-time positions will be added as part of our reorganization, most working up to 37.5 hours per week. Our intention is to minimize service impacts and the number of employees who will ultimately become unemployed. We anticipate that a

majority of laid-off employees will be provided with opportunities for continued part-time employment, and we will process those job offers as rapidly as possible to reduce the uncertainty and anxiety that these actions will no doubt create for City employees and their families.

I know employees who are given the opportunity for part-time jobs will have questions about how part-time status will affect their benefits. For example, eligibility for health benefits will not be affected. Each person who receives a lay-off notice will be contacted by DHR within two weeks with information about his or her individual situation. Please refer to the DHR website for additional information at www.sfgov.org/layoff. I also encourage you to attend DHR's Employee Education and Information Sessions and Workshops (for more information, go to the DHR layoff website).

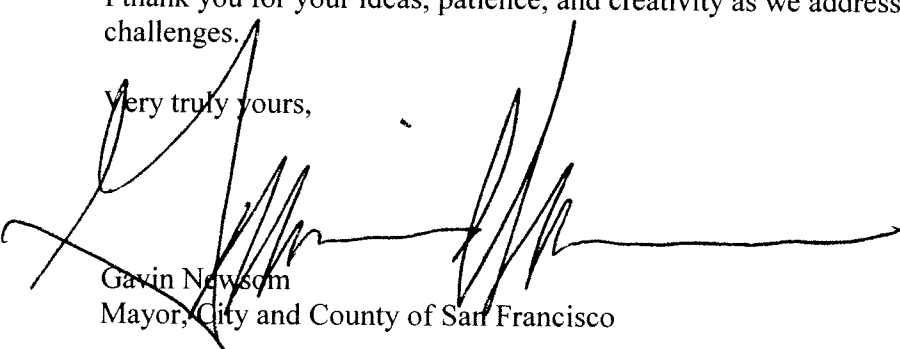
We continue to search for other alternatives to address this budget shortfall. I know that our City employees, who spend their days on the front lines delivering services, are in a position to provide ideas about how we can deliver services more efficiently. Over the next two weeks, I'm looking for your best ideas to help save the City money, and to make our city's government the best in the nation. We have set up a new website at www.ImproveSF.org, where City employees can log on and submit ideas to help save money. All of the submitted ideas will be considered by a review panel for implementation in my budget. We need your best thinking, now more than ever.

I know this is a difficult time, full of uncertainty. None of us, myself included, is happy about our financial situation and the challenges it creates. But I have no doubt in our ability to meet these challenges together. This is a time when City residents, who are facing their own challenges, need government the most.

The City is in continued discussions with our labor organizations about possible alternatives to layoffs or other measures which will reduce the impact of layoffs on employees.

I thank you for your ideas, patience, and creativity as we address these difficult financial challenges.

Very truly yours,



Gavin Newsom
Mayor, City and County of San Francisco