



**Meeting Date:** February 12, 2026

**To:** Public Works Commission

**Through:** Carla Short, Director  
Bruce Robertson, Deputy Director Financial Management and Administration

**From:** Victoria Chan, Budget Manager

**Subject:** Approval of the Proposed Fiscal Year (FY) 2026-27 Operating and Capital Budget and FY 2027-28 Operating Budget

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**Director's Recommendation:**

Approve the proposed FY 2026-27 operating and capital budget of \$441.8 million and the FY 2027-28 operating budget of \$361.0 million.

**FY 2026-27 and FY2027-28 Budget Background:**

The San Francisco City Charter requires the Public Works Commission to approve the department's budget following a public hearing and subject to the Mayor's final authority to initiate, prepare and submit the City's annual proposed budget on behalf of the executive branch and the Board of Supervisors' authority. (Charter § 4.103; Administrative Code § 9.103.)

On December 12, 2025, the Mayor's Office shared the fiscal outlook for the City, which included budget development instructions for City departments. This was followed by the proposed five-year financial plan issued on December 19, 2025. The financial plan provides a forecast of expenditures and revenues for the upcoming five-year period.

The five-year financial plan shows the City's outlook for General Fund-supported operations, with a forecasted two-year deficit for the FY 2025-26 and FY 2026-27 budget of \$817.5 million and a cumulative deficit through FY 2029-30 of \$1.4 billion. This is attributed to cost increases and projected losses of federal revenues due to the federal budget reconciliation bill known as H.R. 1 having resulted in a higher deficit.

The City made progress in reducing the City's structural budget gap in the adopted FY 2025-26 and FY 2026-27 budget; however, the after Controller reflected on projected cuts to federal revenues, the two-year deficit for FY 2026-27 and FY 2027-28 budgets have grown to \$936.6 million, driven by H.R. 1 revenue impacts, increase of salaries and benefits, required baseline contributions, increasing citywide operating costs in real estate, capital, debt payments, Public Utilities Commission rates, and inflation on non-personnel services and multi-year nonprofit grants. Other major costs include inflation on public health operating costs and shelter costs due to expiring state grants.

The deficit projections led the Mayor's Office to require City departments to make additional ongoing General Fund reductions to achieve \$400 million in ongoing savings. This year, the budget instructions included a program-level inventory in support of outcome-based budgeting, a framing exercise intended to inform budget discussions and decisions. This was provided to the Mayor's Office on January 20, 2026. The request focused on describing our core programs and services. In addition to this exercise, we were asked to reduce \$5.0 million across the next two fiscal years as part of our budget submission.

The Mayor's Office is maintaining the citywide hiring freeze implemented in January 2025 and continues to evaluate and approve requests to fill critical positions on a case-by-case basis.

### **FY 2026-27 and FY2027-28 Budget Proposal**

The proposed FY 2026-27 and FY 2027-28 Public Works budget meets the General Fund reduction amounts and prioritizes those policies highlighted by the Lurie administration. The department has proposed an operating budget for FY 2026-27 and FY 2027-28 that aligns with the department's mission and vision and the budget meets the reduction target set by the Mayor's Office. Due to the department's reorganization in December 2024, the department can implement technical adjustments in this budget to represent staffing in the correct cost centers, resulting in General Fund savings. The department also plans to make a slight reduction in services at Sunset Boulevard and reduce overhead labor and non-labor costs to meet target.

The FY 2026-27 proposed operating and capital budget of \$441.8 million represents a 3.1% increase over the FY 2025-26 operating budget of \$428.5 million. The increase is driven primarily by increases in salaries and benefits, debt service payments, and work orders. The following table represents the budget by division/bureau.

Division/Bureau (\$ in Millions)	FY 2025-26 Approved Budget	FY 2026-27 Proposed	% Change Prior Year	FY 2027-28 Proposed	% Change Prior Year
Project Delivery	48.0	49.1	0.0	46.4	(0.1)
Project Design and Development	128.3	134.3	0.0	62.9	(0.5)
Support Services	5.7	5.8	0.0	1.8	(0.7)
Building and Street Repair	52.0	55.3	0.1	51.4	(0.1)
Urban Forestry	54.9	56.3	0.0	55.5	(0.0)
Street Environmental Services	124.5	117.9	(0.1)	119.9	0.0
Commission	0.4	0.5	0.0	0.5	0.1
General Administration	14.7	22.7	0.5	22.6	0.0
<b>Total Budget</b>	<b>428.6</b>	<b>441.8</b>	<b>3.1%</b>	<b>361.0</b>	<b>-18.3%</b>

The department's position authorities are represented in the table below.

Division/Bureau	FY 2025-26 Total Positions	FY 2026-27 Total Positions	% Change vs. Prior Year	FY 2027-28 Total Positions	% Change vs. Prior Year
Project Delivery	277.00	277.00	-	277.00	-
Project Design and Development	336.00	336.00	-	336.00	-
Support Services	83.24	83.00	(0.24)	83.00	-
Building & Street Repair	191.00	191.00	-	191.00	-
Urban Forestry	200.00	200.00	-	200.00	-
Street Environmental Services	392.50	394.50	2.00	394.50	-
Commissions	12.00	12.00	-	12.00	-
General Administration	241.74	241.50	(0.24)	241.50	-
<b>Grand Total</b>	<b>1,733.48</b>	<b>1,735.00</b>	<b>1.52</b>	<b>1,735.00</b>	<b>0.00</b>

## **Target Reduction**

The FY 2026-27 proposed operating budget reduction of \$5.0 million in General Fund expenditure includes ongoing savings through position realignment due to the department reorganization, reduction in the Sunset Boulevard addback, and overhead labor and non-labor reductions.

## **Fee Increase**

The department will continue its phased approach to fee increases to ensure gradual cost recovery, while minimizing financial impacts. In FY 2025-26, we proposed modest increases to Subdivision Mapping Fees and Excavation Fees, which support our special revenue funds. This year, the department will review right of way and street improvement permits, encroachment permits, and sidewalk-related permits. However, consistent with last year's approach, the department will not increase fees that would affect small businesses, maintaining its commitment to supporting economic recovery and business sustainability.

## **Budget Adjustments**

To comply with the City and County of San Francisco budget process, which includes requests and changes to the proposed budget by the City's Capital Planning Committee, the Mayor's Office and the Board of Supervisors, potential revenue changes, Public Works will likely need to adjust the proposed budget for FY 2026-27 and FY 2027-28 after its initial approval. Given the uncertainty of federal and state funding, inflationary pressures, the City's new business tax structure and potential new programs or legislation, changes to the proposed budget are probable. Staff will report back with an update on the final budget once fully approved in August 2026.

## **Budget Calendar**

The next steps of the budget process and key dates are outlined below.

• Submission of the Proposed Budget to the Mayor's Office and Controller	February 23, 2026
• Review of the Budget by the Mayor's Office and Controller	March-May 2026
• Submission of the Mayor's Budget to the Board of Supervisors	June 1, 2026
• Board of Supervisors review and consideration of the City Budget	June-July 2026
• Mayor Signs and approved the City Budget	August 2026

**PUBLIC WORKS COMMISSION**  
**CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. \_\_\_\_\_**

WHEREAS, On January 22, 2026, the Public Works Commission received an overview of the Public Works Department Fiscal Year (FY) 2026-27 proposed operating and capital budget and Fiscal Year 2027-28 proposed operating budget; and

WHEREAS, The Department has proposed an operating and capital budget for FY 2026-27 and an operating budget for FY 2027-28 that are aligned with the Department's mission and vision, and the budget will provide the necessary resources to meet the departmental priorities in making San Francisco cleaner and more beautiful, keeping public spaces clean, green and resilient, and promoting diversity, equity and inclusion; and

WHEREAS, The Department has proposed an operating and capital budget for FY 2026-27 and an operating budget for FY 2027-28 consistent with and in furtherance of the Mayor's Priorities and Department Budget Instructions to reorient City spending toward priority core services of safe and clean streets and economic revitalization, continue to reduce the structural deficit, and invest in long-term operational efficiencies, while making a General Fund reduction of \$5.0 million across two fiscal years and focusing on core department operations and services; and

WHEREAS, The Department has prepared the FY 2026-27 operating and capital budget in the amount of \$441.8 million; and

WHEREAS, The Department has prepared the FY 2027-28 operating budget in the amount of \$361.0 million; and

WHEREAS, The Department has prepared balanced Operating Budgets for both fiscal years in accordance with the Mayor's budget instructions and other relevant policies that increase selected fees to improve cost recovery and reduce expenditures; now, therefore, be it

**RESOLVED**, That this Commission has reviewed and approved the proposed FY 2026-27 operating and capital budget in the amount of \$441.8 million and the proposed FY 2027-28 operating budget in the amount of \$361.0 million; and, be it further

**RESOLVED**, That this Commission hereby recommends that the Mayor propose amendments to the Public Works Code to increase selected fees for service to improve cost recovery for providing services consistent with the proposed FY 2026-27 and FY 2027-28 budgets approved herein; and, be it further

**RESOLVED**, That the Public Works Director is authorized to adjust the FY 2026-27 and FY 2027-28 operating and capital budgets, as necessary, to comply with City and County of San

Francisco labor agreements, the City's budget review process, and other changes; and, be it further

RESOLVED, That the Public Works Director is authorized to make adjustments to reallocate the operating and capital budgets, as necessary, to meet revenue levels, as appropriate, for FY 2026-27 and FY 2027-28.

*I hereby certify that the foregoing resolution was adopted by the Public Works Commission at its meeting of \_\_\_\_\_.*

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Commission Affairs Manager  
Public Works Commission