



MEMORANDUM

DATE: August 15, 2025

TO: Public Works Commission

THROUGH: Carla Short, Public Works Director

From: Bruce Robertson, Deputy Director Finance and Administration

SUBJECT: Fiscal Years 2026 & 2027 Public Works Capital & Operating Budget Update

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Bruce Robertson
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Executive Summary

On February 13, 2025, by Resolution No. 2025-0019, the San Francisco Public Works Commission approved the Fiscal Year 2025-26 and Fiscal Year 2026-27 proposed operating budget. The proposed budget approved by the Commission did not include adjustments that were made subsequently by the Mayor's Budget Office and the Board of Supervisors. This memorandum provides an update on the final approved Public Works' budget.

On July 15, 2025, the Board of Supervisors, by a 10-1 vote, adopted the City's \$15.9 billion annual budget and Mayor Daniel Lurie signed it on July 24, 2025.

It was a difficult budget year. With a looming \$800 million citywide budget deficit, the mayor called for all departments to look closely at their spending plans and make permanent reductions of 15%. For Public Works, that represented \$13.8 million reductions in both FY 2025-26 and FY 2026-27. We successfully fought hard to hold onto key positions and previously approved replacement vehicles that the board's budget analyst had recommended for elimination. However, the budget plan approved by the board retains reductions in the mayor's budget, including two layoffs, loss of an additional 46 vacant positions and a major reduction in the Pit Stop public toilet program.

Some key points as to what this means for us: A two-year supplemental appropriation for street cleaning was approved by the Board of Supervisors in July 2023 and expired on June 30, 2025, resulting in a loss of 20 full-time equivalents (FTEs) and some funding of temporary staff. While only eight positions were restored, the department also received 10 new positions focused on street cleanliness for a total continuation of 18 FTEs. The Pit Stop public toilet program will return to funding levels similar to before the COVID-19 pandemic, a reduction of \$4.4 million for a revised annual budget allocation of \$5.6 million. Some community-based organization grants were impacted as well, such as elimination of the block sweeping grant and reduced funding for the sidewalk pressure washing grant, both grants servicing mainly the Chinatown neighborhood.

The approved spending plan for Public Works also includes new funding for initiatives that align with Mayor Lurie’s clean and safe streets priorities, such as the Neighborhood Street Teams mentioned earlier to augment street cleaning through the City. This is coupled with funding for new equipment and cleaning supplies (\$1.3 million), trash cans in the Tenderloin (\$100K) and enhanced cleaning around behavioral shelter sites (\$70K).

On the revenue side, our modest fee updates to the Subdivision Fund, the Excavation Fund and the General Fund passed and will take effect September 1, 2025. The subdivision and excavation fees have not increased beyond CPI adjustments in more than 20 years, and the fees are legally restricted to support the services they fund. The fee increases for the General Fund support application review and issuance for permits to use the public right of way.

Given the budget constraints, no addback funding was provided this year by the Board of Supervisors for new or enhanced programs or services.

Operating Budget Changes

The Fiscal Year 2025-26 budget totals \$428.5 million, reflecting a 5.4% reduction from the prior year’s approved budget of \$452.9 million. The Fiscal Year 2026-27 budget totals \$440.6 million. The decrease in the budget amount between the two fiscal years is primarily due to reductions in street cleaning programs, community-based organization grants, the department’s overhead spending plan and position related cuts.

After the February 13, 2025, Commission hearing, there were further reductions and additions within the budget from the amount previously approved by the Commission to reflect priorities of the Department, the Mayor and the Board. Funding decisions were made based on the City’s available funding sources. In April, the City’s Capital Planning Committee proposed major capital programs, which were incorporated into the department’s proposal during the Mayor’s phase of budget development. A comprehensive summary of the major capital budget changes can be found in the capital budget section of this memorandum.

The table below illustrates the sequence of approvals, starting with the Commission amount presented to you in February to the final budget signed by the Mayor.

Fiscal Year	Commission Budget Amount (\$ in millions)	Final Approved Budget (\$ in millions)	Difference (\$ in millions)	% Change
2025-26	\$406.0	\$428.5	\$22.5	5.5%
2026-27	\$351.9	\$440.6	\$88.7	25.2%

The net increase of \$22.5 million for Fiscal Year 2025-26 and \$88.7 million for Fiscal Year 2026-27 is predominantly a result of the following:

- Fiscal Year 2026: Incorporated capital program funding for street resurfacing, other capital projects, equipment (+\$28.7 million) and related debt service (+\$7.4 million); reduced contracting authority (-\$1.8 million); reduced labor budget through vacant positions and other

- salary accounts (-\$7.2 million); and reduced Pit Stop public toilet program and other programmatic projects (-\$4.8 million).
- The net increase in Fiscal Year 2026-27, the second year of the budget, is \$88.7 million, compared to what you approved earlier this year. The change is largely driven by the incorporation of the capital program expenditure budget provided by the Capital Planning Committee.

As a reminder, we will begin re-evaluating the second year of our budget this fall as part of the Fiscal Years 2026-27 and 2027-28 budget cycle, and we will keep you updated as the process advances.

Capital Budget Changes

As outlined in your review of the budget in February, we submitted the capital budget to the City’s Capital Planning Committee in November 2024 and it was reviewed in April 2025. Of note, the committee approved \$23.0 million in new funding for the Street Resurfacing Program, an amount we believe allows us to maintain the City’s current Pavement Condition Index (PCI), the regionally recognized standard for street pavement condition. In calendar year 2024, San Francisco’s PCI was 75, a rating of “good” and the best among large Bay Area cities. Public Works had originally requested approximately \$45 million to maintain a PCI score of 75 and to support progress toward a long-term PCI improvement goal of 83.

In November 2024, voters approved Proposition B, the \$390 million Healthy, Safe and Vibrant SF General Obligation Bond. While paving investments under Prop. B will take time to deliver and are not expected to significantly impact PCI in the immediate term, the bond provides critical support for several Public Works-led streetscape, plaza and safety projects.

Key capital program updates for Fiscal Year 2026 are detailed below:

Funding Source	Capital Program Description	FY 2025-26 (\$ in millions)
Various (i.e. Gas Tax, state Road Maintenance and Rehabilitation Account, Road Fund, Certificates of Participation	Street Resurfacing Program	66.6
Certificates of Participation and General Fund	Curb Ramp Program	4.0
General Fund, Road Fund, Overhead	Equipment	3.1
General Fund, Special Revenue	Sidewalk Inspection and Repair Program (SIRP)	2.9
General Fund	Pothole Repairs Budget	2.0

A more detailed expenditure budget summary is attached for your reference. Please do not hesitate to contact me with any questions or comments.

	Prior Year Budget FY 2024-25	Approved Budget¹ FY 2025-26	Approved Budget² FY 2026-27
Personnel Services			
Salaries	157,549,350	156,202,505	161,272,107
Fringe Benefits	65,092,742	66,058,285	69,604,276
Overhead	1,427,128	610,383	(295,585)
Subtotal Personnel Services	224,069,220	222,871,173	230,580,798
Non-Personnel Services			
Air Travel - Employees	26,356	570	300
Base Rent-Debt Svc-Bldg-Struct	6,806,507	-	-
Dp-Wp Equipment Maint	29,720	29,720	20,720
Employee Recognition	75,000	75,000	75,000
Membership Fees	48,000	43,775	48,812
Non-Air Travel - Employees	79,150	1,300	300
Other Current Expenses - Bdgt	2,920,884	1,996,737	1,985,487
Other Professional Services	50,000	55,000	55,000
Prof & Specialized Svcs-Bdgt	9,310,215	8,270,861	8,552,311
Scavenger Services	43,000	12,000	12,000
Software Licensing Fees	3,684,476	3,737,034	3,946,943
Systems Consulting Services	2,474,900	2,085,900	1,685,900
Training - Budget	635,104	456,888	463,688
Subtotal Non-Personnel Services	26,183,312	16,764,785	16,846,461
Programmatic Projects	25,669,032	19,843,083	19,318,974
City Grants Program	7,617,105	6,249,528	5,723,084
Materials & Supplies	4,757,789	4,489,216	5,429,385
Capital Outlay			
Capital Projects	102,088,000	84,255,037	84,104,550
Equipment	1,403,781	3,089,951	2,978,248
Subtotal Capital Projects and Equipment	103,491,781	87,344,988	87,082,798
Facility Maintenance	-	-	-
Certificate of Participation	-	4,621,000	4,621,000
Debt Service	-	12,082,857	16,353,957
Bond Issuance Cost	8,650,000	-	-
Services of Other Departments			
City Administrator - Central Services	23,797,167	25,298,281	26,411,983
Department of Technology	7,194,237	7,505,513	7,952,939
Department of Human Resources	6,450,109	5,929,021	6,685,241
All Other Departments	9,883,243	9,062,827	9,332,497
Subtotal Services of Other Departments	47,324,756	47,795,642	50,382,660
Other Transfers Out	3,029,434	2,968,846	3,098,525
Designated General Reserve	2,160,483	3,482,261	1,163,476
Total Expenditures	452,952,912	428,513,379	440,601,118

¹ FY 2025-26 Approved Budget includes adjustments made by the Mayor's Budget Office and the Board of Supervisors.² FY 2026-27 is the approved budget for the second year. This budget will be revisited in the fall as part of the next budget cycle.