PUBLIC WORKS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Daniel Lurie, Mayor

Correspondence Log

July 16 through September 8, 2026

Date Received	From	Subject
August 24, 2026	Denise Louie	Draft Cal Fire regulations regarding trees
September 8, 2026	Bruce Robertson, Deputy Director or Finance and Administration	Fiscal Years 2027 & 2028 Public Works Capital & Operating Budget Update

MEMORANDUM

DATE: September 8, 2026

TO: Public Works Commission

THROUGH: Carla Short, Public Works Director

FROM: Bruce Robertson, Deputy Director Finance and Administration BR

SUBJECT: Fiscal Years 2027 & 2028 Public Works Capital & Operating Budget Update

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Executive Summary

On February 12, 2026, by Resolution No. 2026-0012, the San Francisco Public Works Commission approved the Fiscal Year 2026-27 and Fiscal Year 2027-28 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 21, 2026, the Board of Supervisors, by unanimous vote, adopted the City's $16.9 billion budget and Mayor Daniel Lurie signed it on July 30, 2026.

At the beginning of the budget development process, the City faced a projected two-year General Fund deficit of $936.0 million ($296.0 million in FY 2026-27 and $640.0 million in FY 2027-28). In response, the Mayor directed all departments to closely review their spending plans and reduce General Fund spending by $400 million. In addition, the Mayor requested program inventories which included budget and position information for all departments to help identify core services. The Mayor's Office first requested reductions in workorders, overhead and discretionary programs. In later phases, departments were asked to eliminate positions and review managerial span of control. For Public Works, the budget review process included a $5 million reduction target in both FY 2026-27 and FY 2027-28, including the elimination of positions.

The budget includes an additional $1.2 million in General Fund attrition savings for FY 2026-27 and $4.6 million for FY 2027-28. This reduction in staff funding will reduce staffing capacity by approximately 5.00 full-time equivalent (FTE) positions in FY 2026-27 and 23.00 FTE in FY 2027-28. The increase in attrition savings will negatively impact the department's ability to clean streets and conduct illegal vending enforcement. The approved budget plan included the deletion of 15 vacant positions, four of which were management positions that supported accounting, permitting, urban forestry, and training and development. The Mayor's budget, as submitted on June 1, included a new Proposition J proposal to contract out the Materials Testing Lab. This proposal would have deleted 10.0 FTE position but was denied by the Board's Budget and Appropriation committee and all 10 positions were restored in the Public Works budget.

The final approved budget includes $41 million in additional capital funding in FY 2026-27, most of which represents continued critical investments in Public Works' core infrastructure programs, including curb ramps, pothole repair, street resurfacing, and equipment replacement. The Street Resurfacing Program is focused on maintaining or improving the City's Pavement Condition Index, currently at 75, while the Curb Ramp Program prioritizes locations based on accessibility needs and project coordination.

Despite this augmentation in capital programs, the department continues to operate under significant budget constraints. Funding for positions has substantially declined over the two-year period, and the spending plan reflects a pressing need to balance staffing and operating costs for the department's core services, which continues to become more challenging.

Operating Budget Changes

The FY 2026-27 budget totals $476.6 million, reflecting an 11.2% increase from the prior year's approved budget of $428.5 million. The FY 2027-28 budget totals $487.8 million. The increase in FY 2026-27 over the prior year budget is primarily driven by additional capital program funding, including investments in street resurfacing and other major infrastructure programs.

After the February 12, 2026, Commission hearing, there were further reductions and additions from the proposed budget previously approved by the Commission to reflect priorities of the Department, the Mayor and the Board of Supervisors. Decisions were made based on the City's available funding sources. In April, the City's Capital Planning Committee proposed several capital funding scenarios, of which the mid-level scenario was 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
2026-27	$441.8	$476.6	$34.8	7.9%
2027-28	$361.0	$487.8	$126.8	35.1%

The net increase of $34.8 million for Fiscal Year 2026-27 and $126.8 million for Fiscal Year 2027-28 is predominantly a result of the following:

- FY 2026-27: Incorporated capital program funding for street resurfacing, other capital projects, equipment (+$41.0 million); reduced labor budget through vacant positions and other salary accounts (-$4.6 million); and reduced expenditure authority for non-personnel services, materials and supplies, debt service, and workorders (-$1.7 million).

- The net increase in Fiscal Year 2027-28, the second year of the budget, is $126.8 million, compared to the FY 2027-28 amount approved by the Commission earlier this year. The change is largely driven by the subsequent 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 2027-28 and 2028-29 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 2025, and it was reviewed in March 2026. The approved capital plan provides significant ongoing investment in Public Works' core infrastructure programs, including street resurfacing, curb ramps, and other public-right-of-way improvements.

Of note, the committee approved $97.0 million for the Street Resurfacing Program, from a combination of General Fund, Gasoline Tax, Road Maintenance and Rehabilitation Account (RMRA), and Certificates of Participation (COP) funding sources.

We believe that street resurfacing funding allows us to maintain the City's current Pavement Condition Index (PCI), the regionally recognized standard for street pavement conditions. In calendar year 2025, San Francisco's PCI was 75, a rating of "good" and the best among large Bay Area cities. Public Works recommended a need of approximately $45.0 million of local funding to maintain the PCI score of 75 and to support progress toward a long-term PCI improvement goal of 83.

Key capital program updates for Fiscal Year 2027 are detailed below:

Funding Source	Capital Program Description	FY 2026-27 ($ in millions)
General Fund, Gasoline Tax, Road Maintenance and Rehabilitation Account, Certificates of Participation	Street Resurfacing Program	97.0
General Fund and Certificates of Participation	Curb Ramp Program	8.0
General Fund, Road Fund, Overhead Fund, and Tree Maintenance Fund	Equipment	4.6
General Fund	Pothole Repairs Budget	2.0
General Fund, Special Revenue	Sidewalk Inspection and Repair Program (SIRP)	1.9

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 2025-26	Approved Budget[1] FY 2026-27	Approved Budget[2] FY 2027-28
Personnel Services			
Salaries	156,202,505	158,230,790	161,437,441
Fringe Benefits	66,058,285	69,166,173	72,880,413
Overhead	610,383	19,855	203,925
Subtotal Personnel Services	**222,871,173**	**227,416,818**	**234,521,779**
Non-Personnel Services			
Air Travel - Employees	570	300	1,200
Dp-Wp Equipment Maint	29,720	27,320	27,320
Employee Recognition	75,000	75,000	75,000
Membership Fees	43,775	29,027	29,027
Non-Air Travel - Employees	1,300	300	3,300
Other Current Expenses - Bdgt	1,996,737	2,071,481	2,027,231
Other Professional Services	55,000	55,000	55,000
Prof & Specialized Svcs-Bdgt	8,270,861	8,711,789	2,446,388
Scavenger Services	12,000	12,000	12,000
Software Licensing Fees	3,737,034	3,481,851	3,562,371
Systems Consulting Services	2,085,900	1,842,045	1,880,900
Training - Budget	456,888	444,488	444,488
Subtotal Non-Personnel Services	**16,764,785**	**16,750,601**	**10,564,225**
Programmatic Projects	**19,843,083**	**19,036,547**	**19,776,875**
City Grants Program	**6,249,528**	**5,793,339**	**5,944,228**
Materials & Supplies	**4,489,216**	**5,035,449**	**4,998,138**
Capital Outlay			
Capital Projects	84,255,037	123,563,574	118,202,106
Equipment	3,089,951	4,630,316	3,167,697
Subtotal Capital Projects and Equipment	**87,344,988**	**128,193,890**	**121,369,803**
Certificate of Participation	4,621,000	4,621,000	-
Debt Service	12,082,857	15,596,145	18,068,757
Services of Other Departments			
City Administrator - Central Services	25,298,281	24,969,133	25,776,771
Department of Technology	7,505,513	7,307,599	7,589,778
Department of Human Resources	5,929,021	6,209,227	6,438,404
All Other Departments	9,062,827	11,289,613	11,371,502
Subtotal Services of Other Departments	**47,795,642**	**49,775,572**	**51,176,455**
Other Transfers Out	**2,968,846**	**3,098,525**	**3,098,525**
Designated General Reserve	**3,482,261**	**1,268,442**	**18,236,886**
Total Expenditures	**428,513,379**	**476,586,328**	**487,755,671**

[1] *FY 2026-27 Approved Budget includes adjustments made by the Mayor's Budget Office and the Board of Supervisors.*

[2] *FY 2027-28 is the approved budget for the second year. This budget will be revisited in the fall as part of the next budget cycle.*