



MEMORANDUM

DATE: August 13, 2024

TO: Public Works Commission

THROUGH: Carla Short, Public Works Director

From: Bruce Robertson, Deputy Director Financial Management and Administration

SUBJECT: Fiscal Years 2024-26 Public Works Capital and Operating Budget Update

Jennifer
Marquez

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Date: 2024.08.12 12:54:30
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Executive Summary

On February 12, 2024, by Resolution No. 2024-0012, the Public Works Commission approved the department's Fiscal Year 2024-25 and Fiscal Year 2025-26 proposed operating budget. The proposed budget at that time 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 budget.

Our budget was balanced without layoffs or major impacts to core services and programs. The Board of Supervisors adopted the City's \$15.9 billion annual budget on July 30, 2024, and it was signed by Mayor Breed two days later. The approved spending plan for Public Works includes additional funding for illegal vending enforcement, with the addition of eight street inspection positions to ramp up the high-demand operation. We also received a \$400,000 addback from the Board for the citywide Pit Stop public toilet program. On the revenue side, our proposed fee increases for certain permits passed with strong support and are anticipated to take effect September 1, 2024. The fee increases are not expected to impact small businesses or inhibit the City's economic recovery goals, while allowing the department to advance the delivery of essential services.

Operating Budget Changes

The Fiscal Year 2024-25 budget totals \$452.9 million, reflecting a 0.1% reduction from the prior year's approved budget of \$453.2 million. The Fiscal Year 2025-26 budget totals \$406.2 million. The decrease in budget between the two fiscal years is primarily due to a reduction in estimated capital spending, debt service payments, and overhead spending.

After the February 12, 2024, Commission hearing, there were further reductions, additions and reallocations 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 Public Works’ 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)	Mayor Approved Budget (\$ in millions)	Difference (\$ in millions)	% Change
2024-25	\$402.7	\$452.9	\$50.3	12.5%
2025-26	\$332.8	\$406.2	\$73.4	22.1%

The net increase of \$50.3 million for Fiscal Year 2024-25 and \$73.4 million for Fiscal Year 2025-26 is predominantly a result of increases for the following initiatives:

- \$8.7 million (\$1.1 million in Fiscal Year 2025 and \$7.6 million in Fiscal Year 2026) in salaries and mandatory fringe benefits for street vending positions and the budgeted use of prior year fund balances in the second year.
- \$11.4 million (\$6.9 million in Fiscal Year 2025 and \$4.5 million in Fiscal Year 2026) in the Solid Waste Fund, primarily due to technical changes, including implementation of a departmental fund swap per the 2024 Refuse Rate Order.
- \$8.6 million in Fiscal Year 2025 for debt service to support street resurfacing.
- \$94.2 million (\$35.6 million in Fiscal Year 2025 and \$58.6 million in Fiscal Year 2026) for street resurfacing, public health safety projects, Sunset Boulevard Recycled Water Improvements, and Fourth Street Bridge repairs, among others.

The net increase in Fiscal Year 2025-26, the second year of our budget, is \$73.4 million, compared to what you approved earlier this year. The change is largely driven by an increase in 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 Year 2025-26 budget cycle and we will keep you updated as the process advances.

Capital Budget Changes

As outlined in February’s budget review for the Public Works Commission, the City’s Capital Planning Committee budget submittal occurred in April 2024 after your review. Of note, that committee approved \$23.8 million in new funding for the Street Resurfacing Program – \$13 million less than what Public Works requested. This reduction is expected to negatively impact pavement condition scores. This reduction, however, eventually could be addressed by the upcoming Healthy, Safe and Vibrant SF General Obligation Bond, dependent on the outcome of the November 2024 election, and subsequent project prioritization decisions by the Capital Planning Committee.

Key capital program updates for Fiscal Year 2025 are detailed below:

Funding Source	Capital Program Description	FY 2024-25 (\$ in millions)
Certificates of Participation (COPs)	Street Resurfacing Program to help reach our goal of repaving 500 blocks annually to maintain a regionally tracked Pavement Condition Index (PCI) of 75, a rating of “good”.	23.8
General Obligation Bond Proceeds	Public Health Safety projects.	14.0
General Fund	Right-of-way renewal for pothole repairs, sidewalk repair, street structures, plaza maintenance and upgrades to enhance public safety.	3.6
Certificates of Participation (COPs) & General Fund	Other capital projects: Sunset Boulevard Recycled Water project and Fourth Street Bridge Corrosion Repair project	5.3
General Fund	Curb Ramp Program to install new curb ramps and upgrade existing ones to expand safety and accessibility in the right of way.	4.0
General Fund	Roof and elevator program to improve resiliency and accessibility. Locations include Opera House elevator, County Jail 3, and fire stations.	2.0
General Fund	Citywide tree planting and establishment to advance San Francisco’s Climate Action Plan and ensure equity in greening initiatives.	1.3

Budget Addbacks

The City Charter authorizes the Board of Supervisors to amend the Mayor’s proposed budget. The Board may cut expenditures in the Mayor’s proposed budget and reallocate that money to increase funding for existing programs or new programs. This funding stream is known as “addbacks.” This year, the Board provided a \$400,000 budget appropriation for the Pit Stop public toilet program as part of its budget deliberations.

Supervisory District	Addback Description	FY 2024-25 (\$ in millions)	FY 2025-26 (\$ in millions)
Citywide	Pit Stop 24-hour locations	\$0.40	\$0.40
Total Addback:		\$0.40	\$0.40

A 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 2023-24	Approved Budget¹ FY 2024-25	Approved Budget² FY 2025-26
Personnel Services			
Salaries	153,580,638	157,549,350	162,589,686
Fringe Benefits	62,843,271	65,092,742	67,510,094
Overhead	928,053	1,427,128	117,750
Subtotal Personnel Services	217,351,962	224,069,220	230,217,530
Non-Personnel Services			
Air Travel - Employees	34,849	26,356	27,528
Base Rent-Debt Svc-Bldg-Struct	5,035,537	6,806,507	9,255,482
Dp-Wp Equipment Maint	19,320	29,720	29,720
Employee Recognition	80,000	75,000	75,000
Membership Fees	52,019	48,000	49,573
Non-Air Travel - Employees	99,830	79,150	82,170
Other Current Expenses - Bdgt	3,315,382	2,920,884	2,709,684
Other Professional Services	40,000	50,000	55,000
Prof & Specialized Svcs-Bdgt	7,603,001	9,310,215	7,555,090
Scavenger Services	60,875	43,000	43,000
Software Licensing Fees	4,351,021	3,684,476	4,135,289
Systems Consulting Services	2,882,500	2,474,900	2,916,836
Training - Budget	650,414	635,104	634,216
Subtotal Non-Personnel Services	24,224,748	26,183,312	27,568,588
Programmatic Projects	9,141,865	25,669,032	23,229,510
City Grants Program	9,234,885	7,617,105	7,613,676
Materials & Supplies	21,074,722	4,757,789	4,743,982
Capital Outlay			
Capital Projects	102,275,419	102,088,000	56,931,947
Equipment	5,297,843	1,403,781	1,670,735
Subtotal Capital Projects and Equipment	107,573,262	103,491,781	58,602,682
Facility Maintenance	1,040,738	-	-
Debt Service	10,477,000	8,650,000	-
Services of Other Departments			
City Administrator - Central Services	25,524,211	23,797,167	25,910,795
Department of Technology	7,189,133	7,194,237	7,649,107
Department of Human Resources	6,432,793	6,450,109	6,737,551
All Other Departments	7,764,678	9,883,243	9,960,791
Subtotal Services of Other Departments	46,910,815	47,324,756	50,258,244
Other Transfers Out	3,098,525	3,029,434	2,968,846
Designated General Reserve	3,100,656	2,160,483	993,758
Total Expenditures	453,229,178	452,952,912	406,196,816

¹ FY 2024-25 Approved Budget includes adjustments made by the Mayor's Budget Office and the Board of Supervisors.

² FY 2025-26 is the approved budget for the second year. This budget will be revisited in the fall as part of the next budget cycle.