



## MEMORANDUM

**DATE:** August 14, 2023

**TO:** Public Works Commission

**THROUGH:** Carla Short, Interim Public Works Director

**From:** Bruce Robertson, Deputy Director Financial Management and Administration

**SUBJECT:** Fiscal Years 2023-25 Public Works Capital and Operating Budget Update

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### Executive Summary

On February 3, 2023, by Resolution No. 2023-0008, the Public Works Commission approved the department's Fiscal Years (FY) 2023-24 and 2024-25 proposed operating budget. The proposed budget at that time did not include adjustments to be made by the Mayor's Budget Office or the Board of Supervisors. This memorandum provides an update on the final approved budget.

Our budget was balanced without layoffs or impacts to core services and programs. With the support of the Mayor and Board of Supervisors, which adopted the City's \$14.6 billion annual budget on July 26, 2023, the department now has additional funding for power washing and block sweeping citywide and for courtesy graffiti abatement on private property in neighborhood commercial corridors. In addition, there is funding to staff our new Love Our Neighborhoods permit initiative and to resurface an additional 500 blocks.

### Operating Budget Changes

The FY 2023-24 budget totals \$453.2 million, reflecting a 0.5% change from the prior year's final approved \$450.9 million budget. The FY 2024-25 budget totals \$408.4 million. The difference between the two fiscal years is largely due to a reduction in estimated capital project spending.

After the February 3 Commission hearing, there were further reductions, additions and reallocations within the budget from the previously approved Commission amount to reflect Departmental, Mayor and Board of Supervisor priorities. 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 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 in July.

<b>Fiscal Year</b>	<b>Commission Budget Amount (\$ in millions)</b>	<b>Mayor Approved Budget (\$ in millions)</b>	<b>Difference (\$ in millions)</b>	<b>% Change</b>
2023-24	\$391.6	\$453.2	\$61.6	15.7%
2024-25	\$335.2	\$408.4	\$73.2	21.8%

The net increases of \$61.6 million for FY 2023-24 and \$73.2 million for FY 2024-25 is predominantly a result from increases for the following initiatives:

- \$5.4 million from the salaries and mandatory fringe benefits accounts for new positions supporting street cleaning.
- \$15 million from the materials and supplies account for new trash receptacles.
- \$10.5 million from the debt service account to support street resurfacing.
- \$45.4 million from the capital projects and equipment account for the centralized citywide elevator and roof modernization program.

There was a \$12.4 million reduction in programmatic projects, savings that will not impact core service delivery, and \$2.5 million in non-personnel services for base rent debt service.

The net increase for the second year of our budget is \$73.2 million, compared to what you approved earlier this year. The change primarily is driven by an increase in capital program expenditures. As a reminder, we will begin reevaluating the second year of our budget this fall as part of the FY 2024-25 budget cycle and we will keep you updated as the process advances.

There was also one significant budget change during the Mayor's phase, in which the \$25.0 million supplemental cleaning appropriation authorized by the Board of Supervisors was included in the citywide budget closeout. The Mayor's Budget Office addressed this reduction by providing \$16.7 million to our Bureau of Street Environmental Services over the next two fiscal years for expanded street cleaning efforts. The additional \$16.7 million is comprised of the following items:

Categories	Description	Total (\$ in millions)
<b>Labor Costs</b>	Additional staff including Street Inspectors, General Laborers, General Laborer Supervisor I, Street Environmental Services Operating Supervisor (Supervisor 2), and additional Block Sweepers. 20.0 Full-Time Equivalents (FTEs)	\$12.0
<b>Equipment</b>	Packer trucks and steamers	2.7
<b>Professional Services/ Materials &amp; Supplies</b>	Illegal-dumping cameras, graffiti abatement services, cleaning supplies and equipment rental.	2.0
<b>Total Source of Funds</b>		<b>\$16.7</b>

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 after your review. Of note, that Committee approved a new citywide program to be centralized in Public Works for ongoing roof and elevator upgrades. The Street Resurfacing Program that is currently budgeted at \$73.2 million includes \$32.8 million in new funding – an increase that provides sufficient resources to pave 500 blocks. Key capital program updates are detailed below:

Funding Source	Capital Program Description	FY2023-24 Total (\$ in millions)
Certificates of Participation (COPs)	Street Resurfacing Program to ensure repaving 500 blocks annually to achieve a regionally tracked Pavement Condition Index (PCI) of 75, a rating of “good.”.	\$32.8
General Obligation Bond Proceeds Interest Income	Earthquake Safety and Emergency Response (ESER) bond program for the Fire Department, Police Department and Office of Chief Medical Examiner projects.	14.3
General Fund Continuing & Certificates of Participation (COPs)	New elevator and roof maintenance and rehabilitation program that consolidates the work needed by various City departments under Public Works. Elevator project locations include City Hall, juvenile detention facilities and the Opera House. Roofing project locations include various health and public safety facilities.	9.8
Certificates of Participation (COPs)	Debt service payments related to the use of COPs for the Street Resurfacing Program.	10.5
General Fund Continuing	Mission Cultural Center for Latino Arts (MCCLA). Funding moved from Public Works to the Arts Commission.	(8.8)
General Fund Continuing	Curb Ramp Program from \$3.5 million to \$2.0 million.	2.0

**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 included \$673,574 for FY 2023-24 and \$768,252 for FY 2024-25 in ongoing funding for three Public Works addbacks as part of their review of the budget. They are:

<b>Supervisory District</b>	<b>Addback Description</b>	<b>FY 2023-24 (\$ in millions)</b>	<b>FY 2024-25 (\$ in millions)</b>
District 9	Bernal Heights neighborhood greening and an ADA-compliant portable Pit Stop public toilet	\$0.35	\$0.30
District 9	The new Public Works-initiated Love Our Neighborhoods permit program. This funding includes two new positions to support the community-serving initiative.	0.22	0.37
District 10	Portola neighborhood greening and beautification construction costs.	0.10	0.10
<b>Total Addbacks:</b>		<b>\$0.67</b>	<b>\$0.77</b>

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

**San Francisco Public Works  
Expenditure Budget Summary  
FY 2023-24 FY 2024-25**

	<b>Prior Year Budget FY 2022-23</b>	<b>Approved Budget<sup>1</sup> FY 2023-24</b>	<b>Approved Budget<sup>2</sup> FY 2024-25</b>
<b>Personnel Services</b>			
Salaries	143,357,009	153,580,638	159,138,428
Fringe Benefits	62,736,500	62,843,271	64,839,990
Overhead	509,905	928,053	863,170
Subtotal Personnel Services	<u>206,603,414</u>	<u>217,351,962</u>	<u>224,841,588</u>
<b>Non-Personnel Services</b>			
Air Travel - Employees	1,912	34,849	34,849
Base Rent-Debt Svc-Bldg-Struct	5,035,038	5,035,537	7,288,250
Dp-Wp Equipment Maint	110,099	19,320	26,720
Employee Recognition	80,000	80,000	80,000
Membership Fees	39,284	52,019	52,019
Non-Air Travel - Employees	3,770	99,830	99,830
Other Current Expenses - Bdgt	4,157,835	3,315,382	3,319,382
Other Professional Services	50,000	40,000	50,000
Prof & Specialized Svcs-Bdgt	5,960,583	7,603,001	9,753,439
Scavenger Services	60,000	60,875	60,875
Software Licensing Fees	4,007,670	4,351,021	4,468,241
Systems Consulting Services	1,775,000	2,882,500	2,594,150
Training - Budget	714,148	650,414	659,854
Subtotal Non-Personnel Services	<u>21,995,339</u>	<u>24,224,748</u>	<u>28,487,609</u>
Programmatic Projects	22,248,679	9,141,865	19,855,543
City Grants Program	9,224,526	9,234,885	9,234,885
Materials & Supplies	6,041,164	21,074,722	5,932,954
<b>Capital Outlay</b>			
Capital Projects	99,497,087	102,275,419	66,859,156
Equipment	4,030,267	5,297,843	1,648,309
Subtotal Capital Projects and Equipment	<u>103,527,354</u>	<u>107,573,262</u>	<u>68,507,465</u>
Facility Maintenance	514,989	1,040,738	567,775
Debt Service	8,940,000	10,477,000	-
<b>Services of Other Departments</b>			
City Administrator - Central Services	26,878,762	25,524,211	25,393,462
Department of Technology	5,962,976	6,202,840	6,296,602
Department of Human Resources	5,962,976	7,189,133	7,533,343
All Other Departments	25,598,174	7,994,631	8,397,687
Subtotal Services of Other Departments	<u>64,402,888</u>	<u>46,910,815</u>	<u>47,621,094</u>
Other Transfers Out	4,771,191	3,098,525	3,098,525
Designated General Reserve	2,682,257	3,100,656	277,288
<b>Total Expenditures</b>	<b><u>450,951,801</u></b>	<b><u>453,229,178</u></b>	<b><u>408,424,726</u></b>

<sup>1</sup> FY 2023-24 Approved Budget includes adjustments made by the Mayor's Budget Office and the Board of Supervisors.

<sup>2</sup> FY 2024-25 is the approved budget for the second year. This budget will be revisited in the fall as part of the next budget cycle.