



Meeting Date: February 13, 2025

To: Public Works Commission

Through: Carla Short, Director
Bruce Robertson, Deputy Director of Finance and Administration

From: Donna Lee, Acting Budget Manager

Subject: Approval of the Proposed Fiscal Year (FY) 2025-26 and FY 2026-27 Operating Budget

Director's Recommendation:

Approve the proposed FY 2025-26 operating and capital budget of \$406.0 million and the FY 2026-27 operating budget of \$351.9 million.

FY 2025-26 and FY2026-27 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 3, 2024, the Mayor's Office under the previous Breed Administration 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 18, 2024. 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 revenue outlook is expected to improve; however, this improvement is tempered by the depletion of one-time funding sources and the cost of City services projected to grow significantly, surpassing revenue growth each year of the five-year period. Without correction measures, the City's structural deficit is projected to reach \$1.47 billion by FY 2029-30.

Total expenditure is projected to increase by approximately \$1.9 billion over the next five years, representing a 29.0 percent increase from FY 2024-25. Key drivers of this growth include employee salaries, pensions, fringe benefits, growing departmental costs, citywide operating costs and baseline increases to services. In contrast, the General Fund sources are expected to grow by only \$518.6 million over the same period, an increase of 7.6 percent from FY 2024-25.

The deficit projections led the Mayor's Office to require City departments to make permanent General Fund reductions of 15%, which represents \$13.8 million in both FY 2025-26 and FY

2026-27 for Public Works. The budget instructions included assessment of community-based organization grant allocations and demonstration of strong outcomes and cost-effectiveness; re-examination of contracts and non-personnel expenditures; and elimination of vacancies. The instructions included no new position requests.

On January 10, 2025, Mayor Lurie announced a citywide hiring freeze to bring down spending but carved out exemptions for positions related to public safety and economic recovery. The backfilling of other critical positions may be considered on a case-by-case basis.

FY 2025-26 and FY2026-27 Budget Proposal

The proposed FY 2025-26 and FY 2026-27 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 2025-26 and FY 2026-27 that aligns with the department’s mission and vision and the budget meets the reduction target set by the Mayor’s Office. These reductions will have an impact on cleaning services, including litter removal and steam cleaning. There likely would be a delay in responding to 311 service requests and the need to scale back proactive cleaning operations. The department will use data to strategically minimize impacts but there is no getting around the fact that cuts of this magnitude will result in reduced operations.

The FY 2025-26 proposed operating and capital budget of \$406.0 million represents a 10.4% decrease over the FY 2024-25 operating budget of \$453.0 million. The decrease is driven primarily by reductions in street cleaning programs, grant funding and the department’s overhead spending plan. Since the capital budget is not finalized at the citywide level, that also represents a large percentage of the reduction.

Division/Bureau	FY 2024-25	FY 2025-26	% Change	FY 2026-27	% Change
(\$ in Millions)	Approved Budget	Proposed	Prior Year	Proposed	Prior Year
Building Design and Construction	47.8	32.6	-32%	34.1	5%
Infrastructure Design and Construction	137.7	107.2	-22%	57.1	-47%
Street-Use and Mapping	33.8	36.7	9%	34.2	-7%
Building & Street Repair	53.6	55.8	4%	50.3	-10%
Urban Forestry	51.1	50.9	0%	53.4	5%
Street Environmental Services	123.2	121.3	-2%	113.0	-7%
Commission	0.4	0.4	3%	0.4	4%
General Administration	5.4	1.0	-81%	9.4	807%
Total Budget	453.0	406.0	-10.4%	351.9	-13.3%

Division/Bureau	FY 2024-25 Total Positions	FY 2025-26 Total Positions	% Change vs. Prior Year	FY 2026-27 Total Positions	% Change vs. Prior Year
Building Design and Construction	273.00	273.00	-	273.00	-
Infrastructure Design and Construction	383.00	383.00	-	383.00	-
Street-use and Mapping	127.00	127.00	-	127.00	-
Building & Street Repair	209.00	209.00	-	209.00	-
Urban Forestry	200.00	200.00	-	200.00	-
Street Environmental Services	370.50	350.50	(20.00)	350.50	-
Commissions	12.00	12.00	-	12.00	-
General Administration	<u>215.50</u>	<u>215.50</u>	<u>-</u>	<u>215.50</u>	<u>-</u>
Grand Total	1790.00	1770.00	-20.00	1770.00	0.00

In the above table, the sunseting of the termed \$16.9 million supplemental appropriation provided to the department will result in a loss of 20 full-time positions, effective July 1, 2025.

Target Reduction

The FY 2025-26 proposed operating budget reduction of \$13.8 million in General Fund expenditure includes FY 2024-25 mid-year ongoing savings (\$1.0 million). Additional reductions include grant cleaning funding for the Pit Stop Program (\$4.7 million), other grant programs (\$1.2 million), street cleaning funding in temporary salaries (\$2.1 million), reduced and slower hiring (\$1.4 million), redirecting General Fund positions to non-General Fund sources (\$1.1 million), indirect cost plan savings (\$1.5 million), technical adjustments (\$0.6 million), and overtime funding (\$0.2 million).

Fee Increase

The department will continue its phased approach to fee increases to ensure gradual cost recovery, while minimizing financial impacts. In FY 2025-2026, we are proposing modest increases to Subdivision Mapping Fees and Excavation Fees, which support our special revenue funds. Additionally, we will implement fee adjustments for permits impacting the General Fund. However, consistent with last year’s approach, we will not increase fees that would affect small businesses, maintaining our 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 2025-26 and FY 2026-27 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 2025.

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 21, 2025
- Review of the Budget by the Mayor’s Office and Controller March-May 2025
- Submission of the Mayor’s Budget to the Board of Supervisors June 1, 2025
- Board of Supervisors review and consideration of the City Budget June-July 2025
- Mayor Signs and approved the City Budget August 2025

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

RESOLUTION NO. _____

WHEREAS, On January 23, 2025, the Public Works Commission received an overview of the Public Works Department Fiscal Year (FY) 2025-26 and the FY 2026-27 proposed operating budget; and

WHEREAS, The Department has proposed an operating budget for FY 2025-26 and the FY 2026-27 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 budget for FY 2025-26 and the FY 2026-27 consistent with and in furtherance of the Mayor’s Priorities and Department Budget Instructions to improve public safety and street conditions, improving operational and reporting efficiency in service delivery, while making a General Fund reduction of 15% for each fiscal year; and

WHEREAS, The Department has prepared the FY 2025-26 operating and capital budget in the amount of \$406.0 million; and

WHEREAS, The Department has prepared the FY 2026-27 operating budget in the amount of \$351.9 million; and

WHEREAS, The Department has prepared an operating budget for FY 2025-26 and the FY 2026-27 with the goal of minimizing core services and operational impact; and

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

RESOLVED, That this Commission has reviewed and approves the proposed FY 2025-26 operating and capital budget in the amount of \$406.0 million and the proposed FY 2026-27 operating budget in the amount of \$351.9 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 2025-26 and proposed FY 2026-27 budgets approved herein; and, be it further

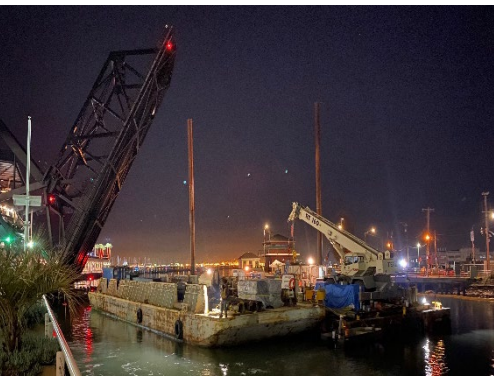
RESOLVED, That the Public Works Director is authorized to adjust the FY 2025-26 and the FY 2026-27 operating and capital budgets, as necessary, to comply with City and County of

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 2025-26 and the FY 2026-27.

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

Commission Affairs Manager
Public Works Commission

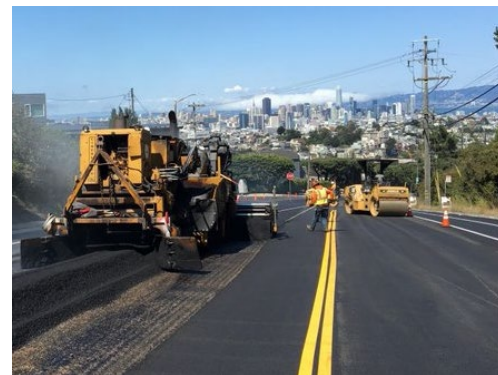
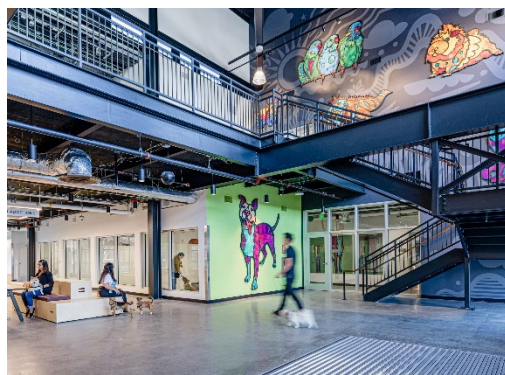
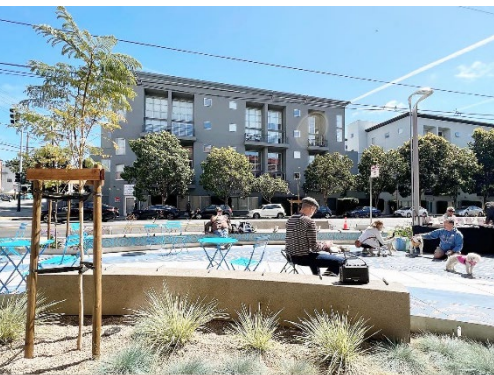


February 13, 2025

FY25/26 & FY26/27 Budget Overview

Bruce Robertson

Deputy Director of Financial Management and Administration



FY25-26 & FY26-27 Budget Commission Action Request

Recommendation:

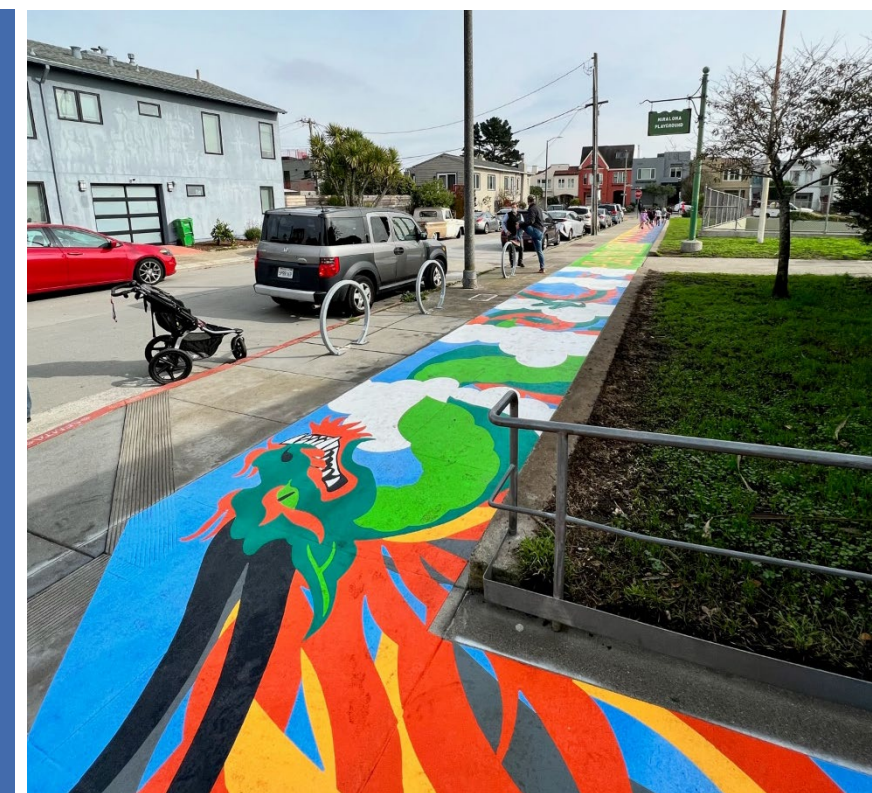
**Approve the proposed FY 2025-26 Operating and Capital Budget of \$406.0 million
and the FY 2026-27 operating budget of \$351.9 million**

Amount:

**\$406.0 million for FY 2025-26 and
\$351.9 million for FY 2026-27**



**FY 2024-2025
Adopted Budget:
\$452.9 Million**



FY25-26 & FY26-27 Budget Scenario

■ Mayor's Budget Instructions

- Reduce General Fund expenditures by 15%
- Financial impact: \$13.8M

■ Ending of Supplemental Appropriation from FY24

- \$16.7M for street cleaning over two years
- 20.0 FTE reduction
- Net result: Combined reduction going into the new fiscal year is closer to 20%

■ Operational Impacts

- Reduced nonprofit workforce development programs
- Delayed response to street cleaning service orders
- Reduced proactive cleaning operations

FY2024-25 Budget – Changes Since August

■ Mayor's Office Mid-Year Reductions

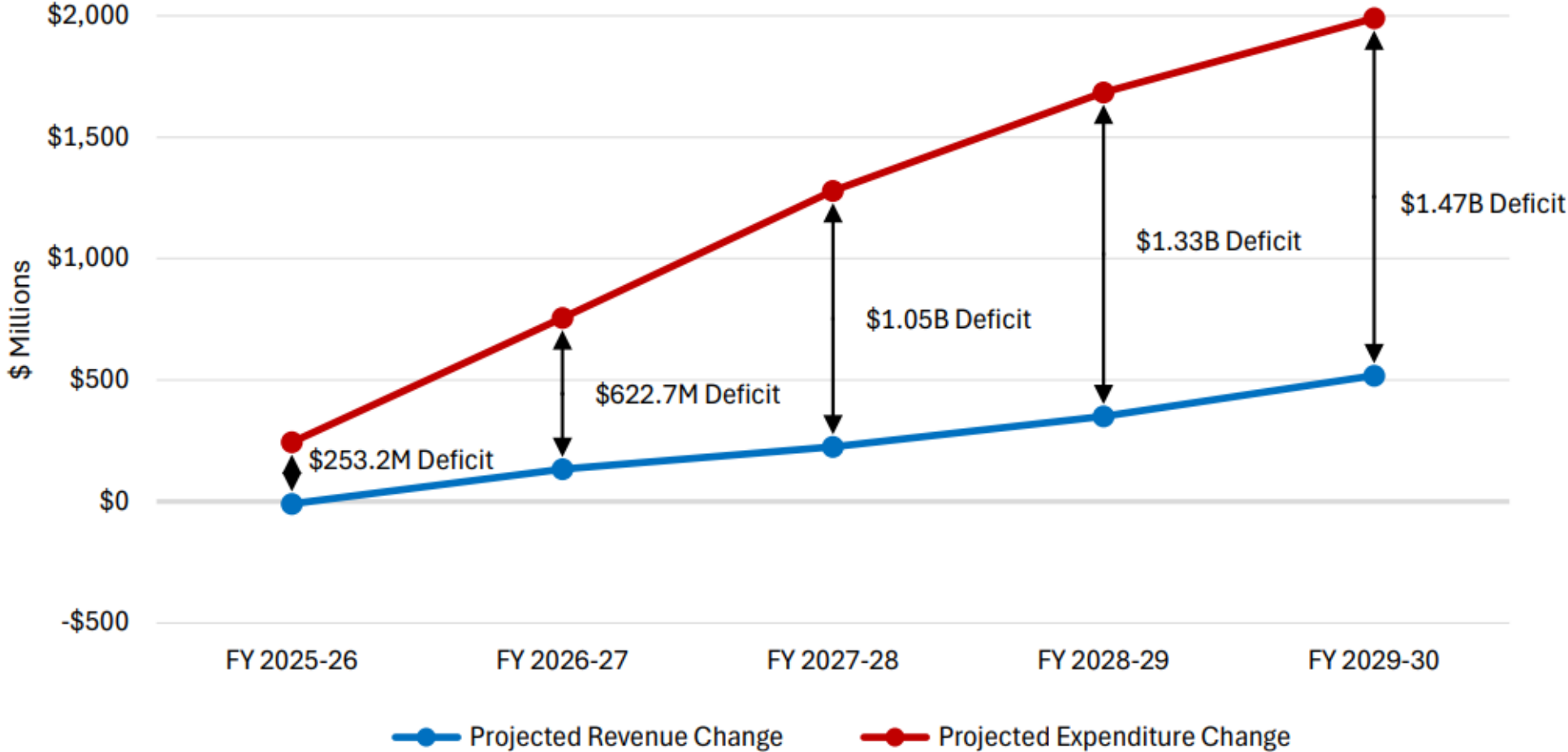
- \$3.4M reduction
 - Public Works absorbed \$2.4M for unfunded salaries due to late changes in labor negotiations
 - Corridor Worker (9916) and General Laborer Apprentice (7501) wage increase to \$25, from \$22.45
 - Street Inspector positions 2.5% base wage increase
 - Local 261 outreach (public contact) premium (1% premium for hours worked)
 - 7355 – Truck Driver hazmat premium pay (\$1.50 to Truck Drivers operating with hazmat placards)
 - \$1.0M requested for ongoing savings

FY25-30 General Fund-Supported Projected Budgetary Annual Shortfall

	Change from AAO Budget 2025-26	Projection				
		2025-26	2026-27	2027-28	2028-29	2029-30
SOURCES Increase / (Decrease)	(203.2)	(9.2)	132.9	225.8	350.4	518.6
Uses						
Baselines & Reserves	(1.5)	(53.6)	(147.1)	(232.1)	(255.8)	(254.0)
Salaries & Benefits	0.4	(175.7)	(350.4)	(607.0)	(795.3)	(943.1)
Citywide Operating Budget Costs	(7.0)	(18.7)	(125.0)	(235.4)	(316.1)	(392.5)
Departmental Costs	(41.8)	4.0	(133.1)	(204.6)	(317.8)	(400.2)
USES Decrease / (Increase)	(50.0)	(244.0)	(755.7)	(1,279.1)	(1,684.9)	(1,989.8)
 Projected Cumulative Surplus / (Shortfall)	 (253.2)	 (253.2)	 (622.7)	 (1,053.3)	 (1,334.5)	 (1,471.2)

Source: Five-Year Financial Plan, pg. 11

Projected Growth in General Fund Expenditures and Revenues



Source: Five-Year Financial Plan, pg. 12

Proposed Five-Year Financial Plan – Citywide Strategic Initiatives

Six priority areas for budget investment focus to achieve an equitable and vibrant economic recovery and future for San Francisco:

- Driving new and recovered economic activity and promoting small business development
- Exploring new tools in public safety, teamed with bolstering traditional approaches
- Investing in San Francisco's future through its children and families
- Decreasing homelessness, while increasing housing supply
- Continuing to build adaptable behavioral health systems of care and treatment
- Maintaining long-term core government operations, infrastructure and a high-talent workforce

Proposed Five-Year Financial Plan – Assumptions

■ Key Assumptions

- No major changes to the number of employees from the FY24-25 Adopted Budget
- Weak revenue growth
- Account for impact of November 2024 election measures
- Impact of new business tax structure (Prop. M)
- No change in approved City MOUs
- San Francisco Employees' Retirement System (SFERS) return of 7.2%
- Health insurance cost increases
- Non-labor operating cost increase by Consumer Price Index (CPI)
- Citywide: Ten-Year Capital Plan, Five-Year Information & Communication Technology (ICT) Plan increases

Proposed Five-Year Financial Plan – Uncertainties

■ Key Uncertainties

- Federal funding
- State funding
- Inflationary pressures
 - Slower or negative economic growth
 - Higher inflation and trade deficits
 - Higher interest rates
- New business tax structure
- New or proposed programs or legislation

FY25-26 & FY26-27 Mayor's Budget Instructions and Guidance

■ **Mayor's Priorities**

- Maintain core services, including public safety and clean streets
- Continue progress decreasing unsheltered homelessness
- Effective mental health treatment
- Proposed opportunities to improve efficiency in service delivery and City services reporting

■ **Mayor's Budget Instructions**

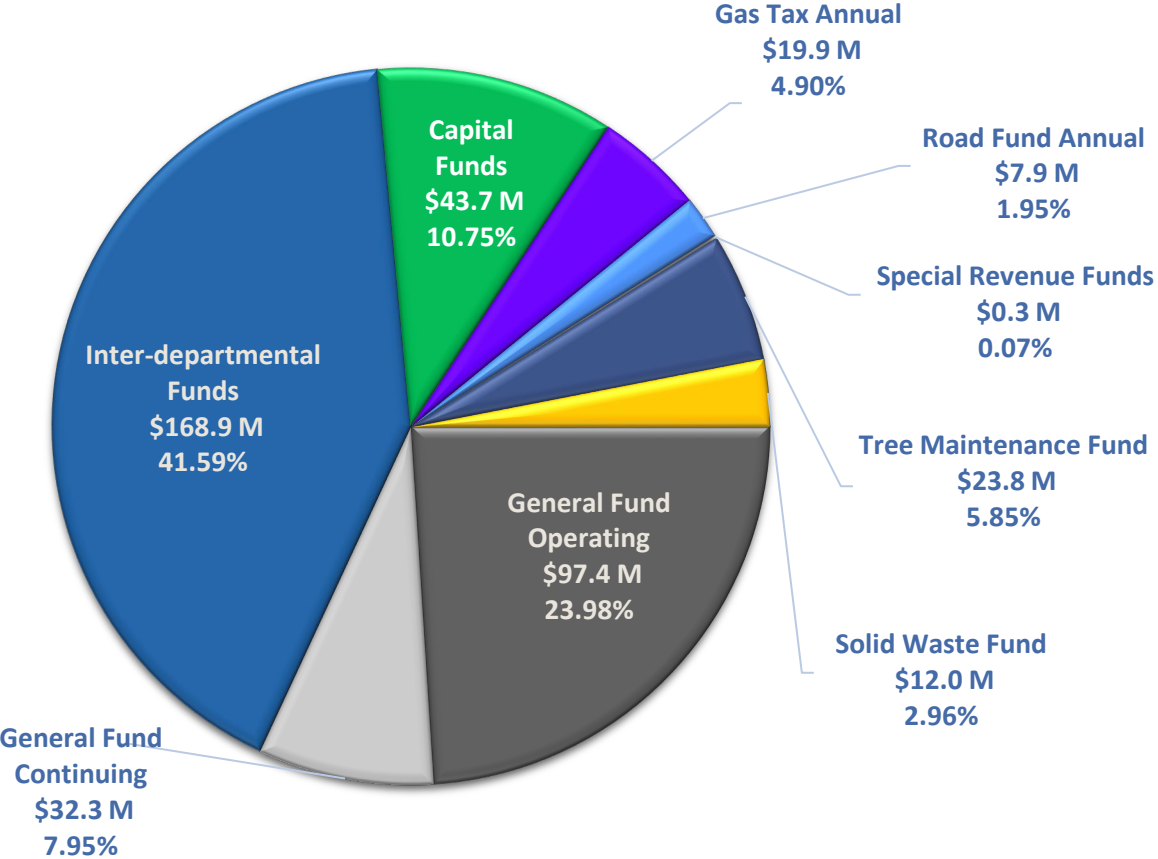
- 15% General Fund expenditure reduction (\$13.8M for Public Works)
- Assess community-based organization (CBO) grant allocations
- Examine all contractual services
- Eliminate vacancies; no new positions (FTEs)

■ **Additional Budget Instructions (issued January 9 by new mayoral administration)**

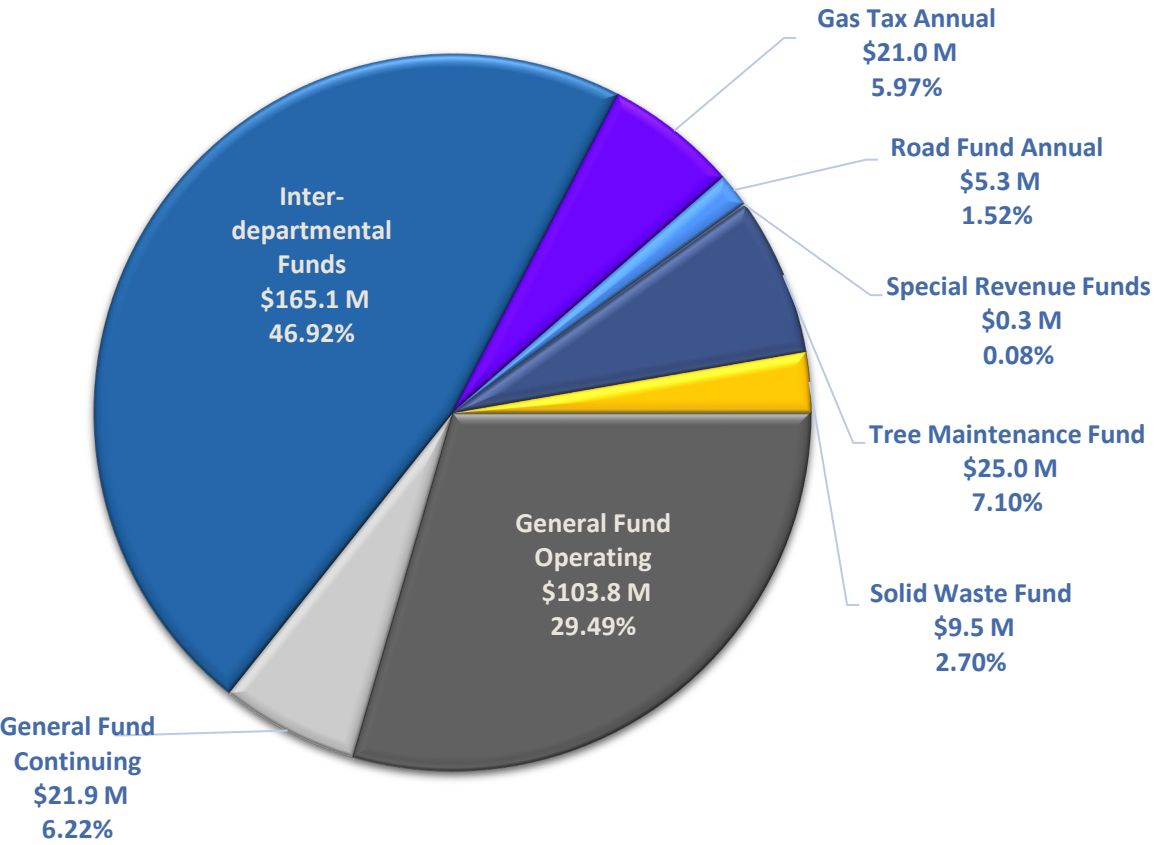
- Citywide hiring freeze
- Pause new contracts or programs not signed or implemented
- Do not submit a budget that is politically unacceptable

Department Sources

FY 2025-26 All Funds Total: \$406.0 M

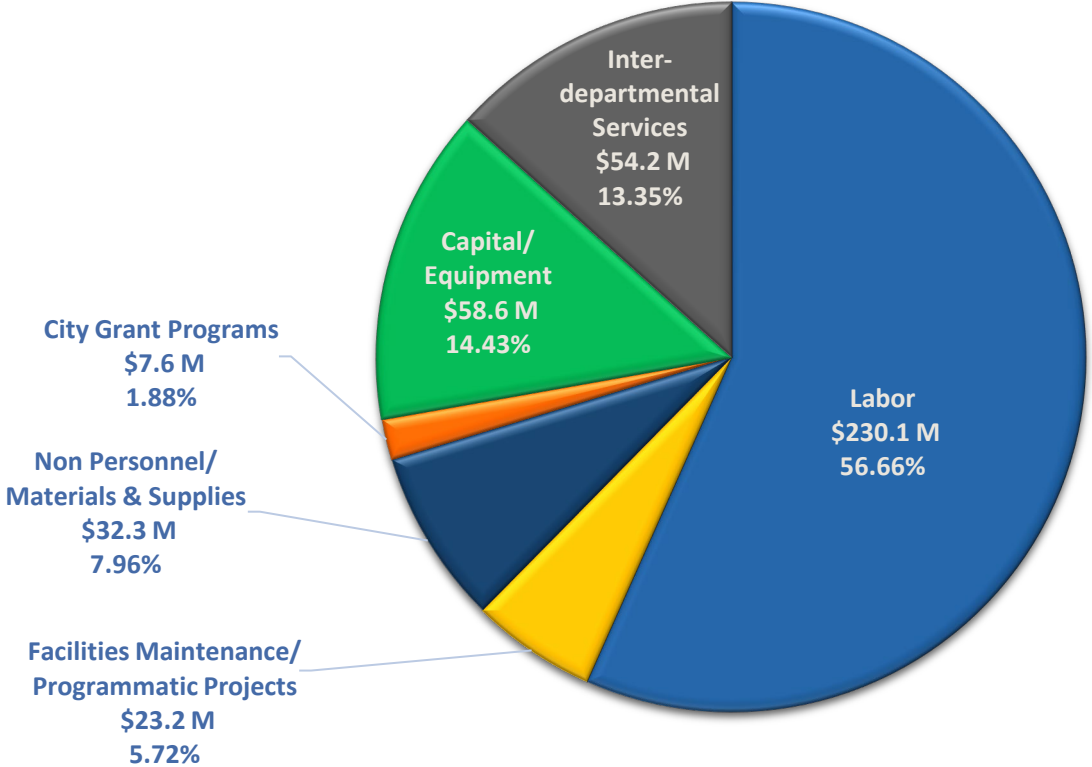


FY 2026-27 All Funds Total: 351.9 M

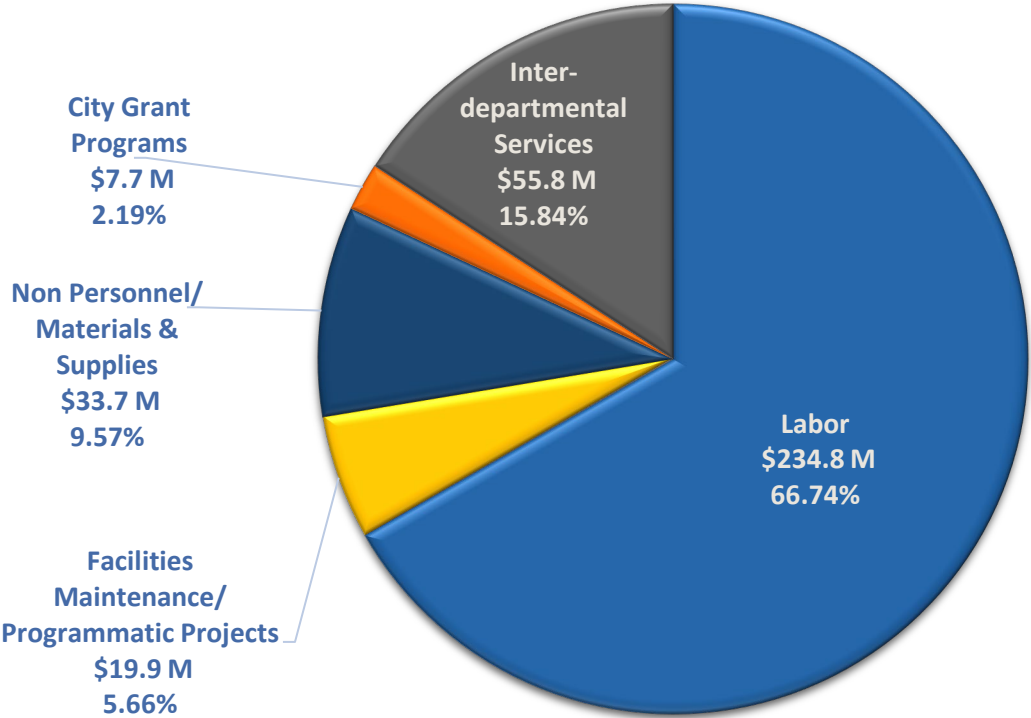


Department Uses

FY 2025-26 All Funds Total: \$406.0 M



FY 2026-27 All Funds Total: 351.9 M



Budget by Divisions and Bureaus

Division/Bureau (<i>\$ in Millions</i>)	Budget	Budget	% Change	Budget	% Change
	FY 2024-25	FY 2025-26	FY 2025-26	FY 2026-27	FY 2026-27
Building Design and Construction	\$47.8	\$32.6	-31.8%	\$34.1	4.7%
Infrastructure Design and Construction	\$137.7	\$107.2	-22.1%	\$57.1	-46.7%
Street-use and Mapping	\$33.8	\$36.7	8.7%	\$34.2	-6.9%
Building & Street Repair	\$53.6	\$55.8	4.2%	\$50.3	-9.9%
Urban Forestry	\$51.1	\$50.9	-0.4%	\$53.4	4.8%
Street Environmental Services	\$123.2	\$121.3	-1.5%	\$113.0	-6.8%
Commission	\$0.4	\$0.4	3.3%	\$0.4	3.8%
General Administration**	\$5.4	\$1.0	-80.9%	\$9.4	807.1%
Total Budget	\$453.0	\$406.0	-10.4%	\$351.9	-13.3%

*All budget amounts are subject to updates and revisions pending February 21, 2025, Department Budget Submission

** The General Administration budget is allocated to divisions through the indirect cost recovery plan

FTE by Divisions and Bureaus

Division/Bureau	FY 2024-25			FY 2025-26				FY 2026-27			
	Operating Positions	Project Positions	Total Positions	Operating Positions	Project Positions	Total Positions	Change	Operating Positions	Project Positions	Total Positions	Change
Building Design and Construction	34.00	239.00	273.00	34.00	239.00	273.00	-	34.00	239.00	273.00	-
Infrastructure Design and Construction	36.00	347.00	383.00	36.00	347.00	383.00	-	36.00	347.00	383.00	-
Street-use and Mapping	119.00	8.00	127.00	119.00	8.00	127.00	-	119.00	8.00	127.00	-
Building & Street Repair	203.00	6.00	209.00	203.00	6.00	209.00	-	203.00	6.00	209.00	-
Urban Forestry	189.00	11.00	200.00	189.00	11.00	200.00	-	189.00	11.00	200.00	-
Street Environmental Services	343.50	27.00	370.50	323.50	27.00	350.50	(20.00)	323.50	27.00	350.50	-
Commissions	12.00	-	12.00	12.00	-	12.00	-	12.00	-	12.00	-
General Administration	213.50	2.00	215.50	213.50	2.00	215.50	-	213.50	2.00	215.50	-
Grand Total	1,150.00	640.00	1,790.00	1,130.00	640.00	1,770.00	(20.00)	1,130.00	640.00	1,770.00	-

FY25-26 Public Works General Fund Base Budget

Uses	Street Environmental Services	Street-Use and Mapping	Building and Street Repair	Commissions	Total
Salaries/Fringe/Overhead Recovery	\$ 70,269,688	\$ 10,450,477	\$ 3,082,504	\$ 415,458	\$ 84,218,127
Non-Personnel Services	\$ 727,249	35,500	82,500	9,957	855,206
Grants	\$ 5,194,148	0	0	0	5,194,248
Materials & Supplies	\$ 991,794	12,600	184,163	4,711	1,193,268
Workorders	\$ 3,304,412	0	2,586,444	0	5,890,856
Grand Total	\$ 80,487,291	\$ 10,498,577	\$ 5,935,611	\$ 430,126	\$ 97,351,605
Budgeted Positions	281	34	9	12	336

FY25-26 Supplemental Cleaning Appropriation Reduction

- **\$16.7M Supplemental Appropriation for Street Cleaning in FY23-24**

- Ends at the end of FY25 (June 30, 2025)
- Results in reduction of 20.00 budgeted FTE positions

Job Class	FTE	Amount
7514 General Laborer	15.00	\$1,958,220
6230 Street Inspector	2.00	325,640
7281 Street Environmental Svcs Ops Supervisor	1.00	189,052
7215 General Laborer Supervisor I	2.00	290,002
Total	20.00	\$2,762,914

- Reduced Temporary Salaries
 - \$1,884,314 (includes 8.65% fringe benefits)
 - Approximately 30 full-time 9916 positions
- Reduced Non-Labor Expenses
 - \$970K (\$500K for graffiti, \$370K for steamer rental, \$100K for materials and supplies)

FY25-26 & FY26-27 Mayor's Budget Instructions and Guidance

■ Mayor's Budget Instructions

- 15% General Fund expenditure reduction (\$13.8M for Public Works)
- Assess CBO grant allocations
- Examine all contractual services
- Eliminate vacancies; no new positions (FTEs)

■ Additional Budget Instructions (issued January 9)

- Citywide hiring freeze
- Pause new contracts or programs not signed or implemented
- Do not submit a budget that is politically unacceptable

■ Options

- General Fund
- Overhead Fund

■ Initiatives

- Enhanced Illegal Vending
- Private Graffiti Program Expansion

FY25-26 & FY26-27 Mayor's Budget Instructions and Guidance

■ General Fund

- Funding for core services
 - Street Cleaning
 - Illegal Vending Enforcement
 - Building Maintenance
- 20.0 FTE reduction already in FY26 base budget
- 100% General Fund reduction

■ Overhead Fund

- 25% of the total overhead reductions would result in General Fund savings
- To meet target of \$13.8M, over \$55M would need to be cut, or half of overhead budget.
- Overhead budget:
 - 54% are salaries
 - 40% of budget is non-negotiable workorders

Preliminary FY25-26 & FY26-27 Budget Reduction Scenarios

Program	Type	GF Savings	Impact
Pit Stop Program	CBO	\$ 4.7M	Reduced services at locations; closing of some locations
Temporary Salaries	Labor	\$ 2.1M	Reduction of sidewalk cleaning services
Overhead Reductions	Various	\$ 1.5M	Reduction of over \$5.0M in administrative services department wide
Salary Reductions	Labor	\$ 1.4M	Reduced and slow hiring
Grant Programs	CBO	\$ 1.2M	Elimination of sidewalk steaming and block sweeping programs
Swap of Funding	Labor	\$ 1.1M	Move the funding of eight (8) General Laborers to non-General Funding sources
Mid-Year FY25 Savings	TBD	\$ 1.0M	Ongoing mid-year budget reductions
Technical Adjustments	Various	\$ 0.6M	Technical adjustments in expenditures
Overtime Reduction	Labor	\$ 0.2M	Slight reduction on overtime expenditures department wide
Total		\$13.8M	

FY25-26 & FY26-27 Budget Operational Impact

■ Reduced Pit Stop Program

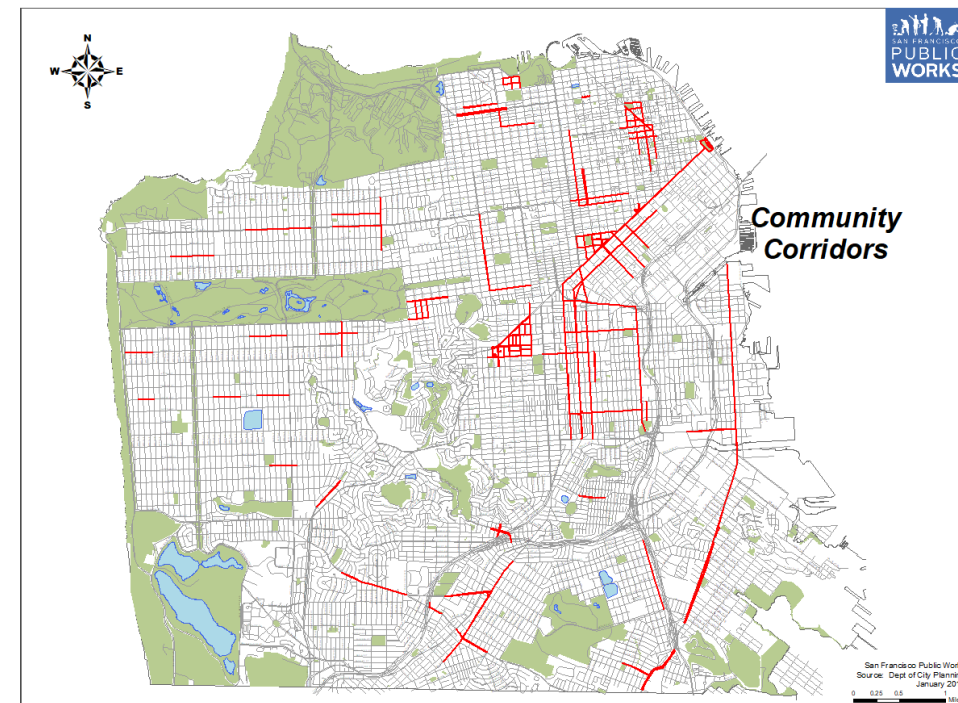
- Close locations and reduce hours at other locations; strategically select sites based on usage data
- Likely impact: increased steaming requests for human waste; some locations may see a 21% increase

■ Reduced Commercial Corridor Cleaning

- Likely impact: increased litter pickup requests; some locations may see a 20% increase

■ Reduced Cleaning Efforts

- Potential increase of 10,000 litter-related cleaning requests, resulting in an approximate 10% increase citywide
- Less proactive cleaning operations, which could lead to an even greater increase in 311 cleaning requests



FY25-26 & FY26-27 Fee Recommendations

■ No Additional Increases for Fees Near Cost Recovery

- Contractor Parking Plan
- Overwide Driveway

■ No Fee Increases Impacting Small Business

- Flower Stand
- Street Vending
- Free Sample Merchandise

■ Slight Increases for Under-Recovering Fees

- Modest Permit Increases
 - Subdivision and Mapping
 - Sidewalk Repair
 - Special Sidewalk
- Still recovering below full cost



FY25-26 & FY26-27 Budget – Next Steps

■ Operating Budget

- Budget Submittal – February 21

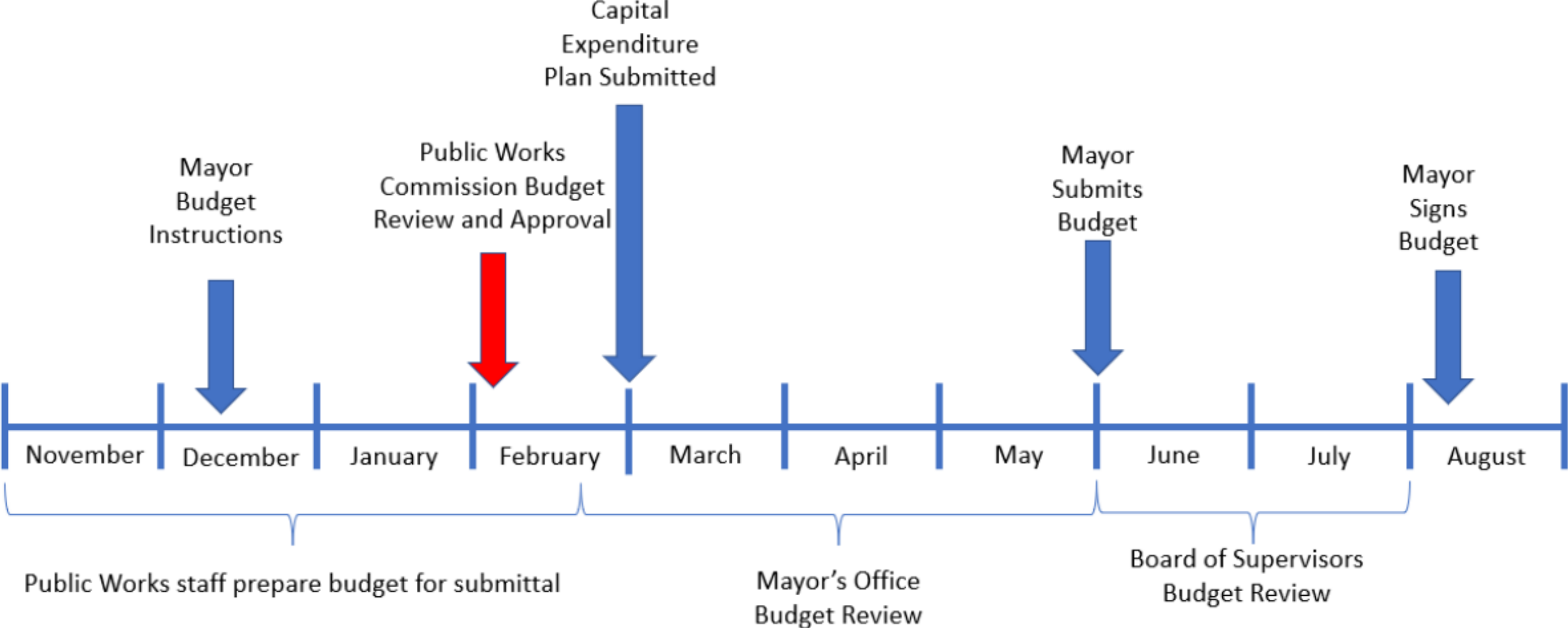
■ Capital Plan / Budget

- 10-Year Capital Plan
 - CPC Review – February 24
 - Board of Supervisor Submission – By March 1
 - Board of Supervisors Approval – May 1
- Capital Budget
 - CPC Overview Presentation – March 3
 - Public Works Capital Budget Request – March 10
 - CPC Approval – May 5
- Prop. B (November 2024 bond) Project Selection
 - CPC Review – February 24

■ Refuse Rate Board Hearings

- Multiple Hearings – February through April

FY25-26 & FY26-27 Budget Processes and Timeline



FY25-26 & FY26-27 Budget Commission Action Request

Recommendation:

**Approve the proposed FY 2025-26 Operating and Capital Budget of \$406.0 million
and the FY 2026-27 operating budget of \$351.9 million**

Amount:

**\$406.0 million for FY 2025-26 and
\$351.9 million for FY 2026-27**



QUESTIONS