



Meeting Date: February 3, 2023

To: Public Works Commission
Lauren Post, Chair
Fady Zoubi, Vice Chair
Lynne Newhouse Segal
Paul Woolford CA

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

From: Devin Macaulay, Public Works Budget Manager

Subject: Approval of the Proposed Fiscal Year (FY) 2023-24 and FY 2024-25
Operating and Capital Budget

Director’s Recommendation:

Approve the department’s proposed \$391.6 million operating and capital budget for Fiscal Year (FY) 2023-24 and the \$335.2 million operating budget for Fiscal Year 2024-25.

FY 2023-24 and FY2024-25 Budget Background:

According to the San Francisco Charter, the Public Works Commission is required to approve the department’s budget following a public hearing and “subject to the Mayor’s final authority to initiate, prepare and submit the annual proposed budget on behalf of the executive branch and the Board of Supervisors’ authority under [Administrative Code] Section 9.103.” (S.F. Charter Sec. 4.103.)

On December 16, 2022, the Mayor’s Office issued its five-year financial outlook for the City and budget instructions for City departments. This was followed by the proposed five-year financial plan issued on January 13, 2023. These two documents outline the current financial situation for the City and County of San Francisco; the forecast is not positive.

The five-year financial plan shows the City’s financial forecast is projected to deteriorate. The plan projects San Francisco will see substantial revenue slowing of key tax sources, including transfer taxes, business taxes and property taxes. These softening revenues are compounded by a loss of one-time federal sources provided for COVID-19 pandemic relief initiatives. With the slowing of key tax revenues and the costs of providing City services increasing, projections show expenditures outpacing revenue growth. The forecast assumes higher wages and benefits for City employees as a result of recent negotiated labor agreements. There are also higher costs associated with the voter-approved school funding set-aside and consumer price index (CPI) increases for non-personnel costs.

The City is projecting a budget shortfall of approximately \$728.3 million over the next two budget cycles. Even with this significant deficit, the Mayor’s budget instructions highlighted concerns and risks that could lead to the possibility of additional departmental budget reductions. The pace of the downtown recovery and office vacancies, the impact of inflation and interest rates, the downsizing of the tech sector and the impact of the state budget could necessitate additional departmental reductions.

With the economic forecast showing a deficit of \$200.8 million in FY2023-24 and a \$527.5 million deficit in FY 2024-25, the Mayor’s Office requested a 5% reduction, or about a \$3.6 million reduction in Public Works’ General Fund allocation, for FY 2023-24 and an 8% reduction, or about a \$5.7 million reduction in FY 2024-25.

The Mayor’s Office has indicated the administration’s policy priorities, many of which are core functions provided by Public Works. These priorities include improving street conditions, including cleanliness and street behavior, and prioritizing the recovery of the local economy with a focus on downtown and the commercial core. The Mayor has also prioritized accountability and equity in services and spending.

FY 2023-24 and FY2024-25 Budget Proposal

The proposed FY2023-24 and FY2024-25 Public Works budget is balanced, meets the General Fund reduction targets, and prioritizes those policies identified by the Mayor’s Office. The Department has proposed an operating and capital budget for FY2023-24 and FY2024-25 that is 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, more resilient and more beautiful; keeping public spaces clean and green; and promoting diversity, equity and inclusion. The proposed budget is balanced with no service reductions and no staff layoffs. The proposed FY2023-24 and FY2024-25 Public Works budget also includes moving the Sanitation and Streets Department back into the Public Works budget based on overwhelming voter approval of the Proposition B November 2022 ballot measure that reunited the former Sanitation and Streets Department with the Public Works Department into one department.

The FY2023-24 proposed operating and capital budget of \$391.6 million represents a 13.2% decrease over the FY2022-23 budget. The decrease primarily is driven by the operational efficiencies resulting from the reunification of the departments following the passage of Proposition B and the pending allocation of the capital budget by the City’s Capital Planning Committee and the Mayor’s Office.

Division/Bureau (\$ in Millions)	FY 2022-23 Approved Budget	FY 2023-24 Proposed	% Change vs. Prior Year	FY 2024-25 Proposed	% Change vs. Prior Year
Building Design and Construction	29.7	32.3	9.1%	31.4	-3.0%
Infrastructure Design and Construction	145.5	108.1	-25.7%	55.7	-48.5%
Street-Use and Mapping	32.7	32.0	-1.9%	28.6	-10.8%
Building & Street Repair	52.1	53.7	3.0%	51.1	-4.8%
Urban Forestry	51.2	48.9	-4.4%	49.5	1.2%
Street Environmental Services	112.6	112.5	-0.1%	111.4	-1.0%
Commission	0.9	0.5	-39.3%	0.5	2.0%
General Administration**	26.4	3.6	-86.4%	7.1	96.5%
Total Budget	451.0	391.6	-13.2%	335.2	-14.4%

The FY2023-24 proposed operating and capital budget maintain the staffing levels to continue to provide the critical services provided by Public Works. The focus of proposed budgetary positions ensure that frontline employees have coverage to ensure staffing levels are sufficient. The overall increase of 9.99 FTE is a result of annualizing position primarily related to the additional staff for Public Works Human Resources. There are reduced positions from the deletion of finance and administrative position no needed because of the passage of Proposition B.

Division/Bureau	FY 2022-23			FY 2023-24				FY 2024-25			
	Operating Positions	Project Positions	Total Positions	Operating Positions	Project Positions	Total Positions	% Change vs. Prior Year	Operating Positions	Project Positions	Total Positions	% Change vs. Prior Year
Building Design and Construction	37.00	239.95	276.95	37.00	241.00	278.00	1.05	37.00	241.00	278.00	-
Infrastructure Design and Construction	38.00	346.79	384.79	38.00	347.00	385.00	0.21	38.00	347.00	385.00	-
Street-use and Mapping	112.32	6.00	118.32	114.00	6.00	120.00	1.68	114.00	6.00	120.00	-
Building & Street Repair	205.00	6.00	211.00	204.00	6.00	210.00	(1.00)	204.00	6.00	210.00	-
Urban Forestry	190.25	8.25	198.50	190.00	11.00	201.00	2.50	190.00	11.00	201.00	-
Street Environmental Services	322.25	26.00	348.25	324.50	26.00	350.50	2.25	324.50	26.00	350.50	-
Commissions	13.70	-	13.70	12.00	-	12.00	(1.70)	12.00	-	12.00	-
General Administration	203.50	5.00	208.50	208.50	5.00	213.50	5.00	208.50	5.00	213.50	-
Grand Total	1,122.02	637.99	1,760.01	1,128.00	642.00	1,770.00	9.99	1,128.00	642.00	1,770.00	-

Target Reduction

The FY2023-24 proposed operating and capital budget reduction of \$3.6 million in General Fund expenditure was increased by an additional \$1.3 million based on projected revenue decreases for street space permits. Street-use permits are issued for construction projects impacting the public right of way. With the anticipated slowing of the construction industry, revenue related to large projects is projected to decrease.

	FY 2023-24	FY 2024-25
Target Reduction	Proposed	Proposed
Revenue Increase	(\$1.3)M	(\$0.1)M
Expenditure Decrease	\$4.9M	\$5.8M
Target Achieved	\$3.6M	\$5.7M

The decrease in revenue collected by the Bureau of Street-use and Mapping is driven by a projected \$1.5 million drop in street space permit revenue in FY2023-24 and \$0.5 million in FY2024-25. These revenue reductions are offset by interdepartmental revenue increase from the other departments for additional street cleaning of \$0.2 million in FY2023-24 and \$0.4 million FY2024-25. The reductions required to meet the targets come from decreases in the General Administration overhead charges related to the passage of Proposition B in November 2022 and the \$0.7 million cut to non-profit grant program work.

Budget Adjustments

Once Public Works submits its balanced budget proposal to the Mayor's Office and City Controller, adjustments are made by the Mayor's Office and the Board of Supervisors through the lens of citywide budget priorities. Public Works likely will need to adjust the proposed budget for FY2023-24 and FY2024-25 after its initial approval, given the uncertainty of the downtown recovery and office vacancies, impact of high inflation and interest rates, potential cutbacks in the tech sector, state budget uncertainties and other factors, changes to the proposed

budget are probable. Staff will report back with an update on the final budget once fully approved by the Board of Supervisors in August 2023.

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, 2023
- Review of the Budget by the Mayor’s Office and Controller March-May 2023
- Submission of the Mayor’s Budget to the Board of Supervisors June 1, 2023
- Board of Supervisors review and consideration of the City Budget June-July 2023
- Mayor Signs and approved the City Budget August 2023

PUBLIC WORKS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. _____

WHEREAS, On January 20, 2023, the Public Works Commission received an overview of the Public Works Department FY2023-24 and the FY2024-25 proposed operating and capital budgets; and

WHEREAS, The Department has proposed operating and capital budgets for FY2023-24 and FY2024-25 that support the Department's mission and vision and ensure the budgets will provide resources to meet the departmental priorities in making San Francisco cleaner, more resilient and more beautiful; keeping public spaces clean and green; and promoting diversity, equity and inclusion; and

WHEREAS, The Department has prepared the FY2023-24 operating and capital budget in the amount of \$391.6 million; and

WHEREAS, The Department has prepared the FY2024-25 operating and capital budget in the amount of \$335.2 million; 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 City policies; now, therefore, be it

RESOLVED, That this Commission has reviewed and approves the proposed FY2023-24 operating and capital budget in the amount of \$391.6 million and the proposed FY2024-25 operating and capital budget in the amount of \$335.2 million; and, be it further

RESOLVED, That the Interim Public Works Director or Public Works Director is authorized to adjust the FY2023-24 and FY2024-25 operating budgets, as necessary, to comply with City and County of San Francisco labor agreements, the City's budget review process, and other directives; and, be it further

RESOLVED, That the Interim Public Works Director or Public Works Director is authorized to make adjustments and reallocate the FY2023-24 and FY2024-25 operating and capital budgets to align expenditures with revenue levels, as appropriate, for FY2023-24 and FY2024-25.

I hereby certify that the foregoing resolution was adopted by the Public Works Commission at its meeting of February 3, 2023.

Robert Fuller, Commission Affairs Manager
Public Works Commission

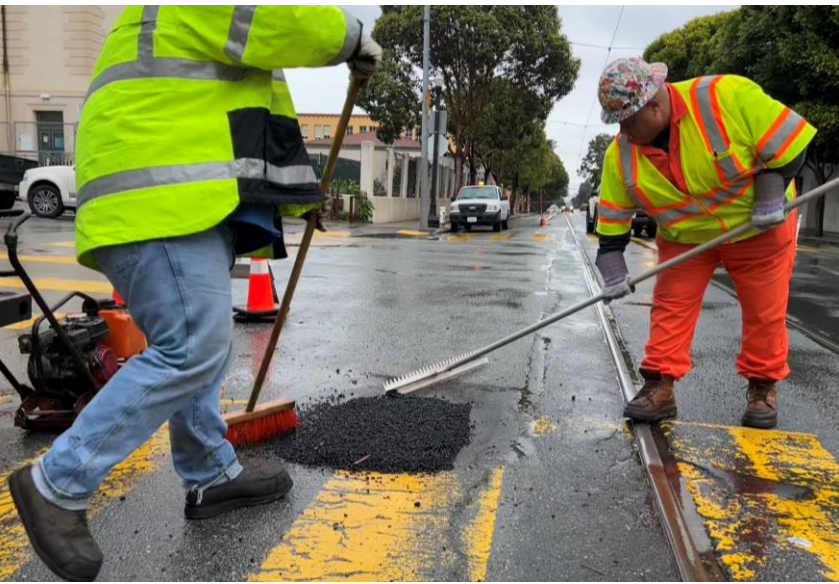


SAN FRANCISCO PUBLIC WORKS

FY 2023-24 & FY 2024-25 Budget Overview

February 3, 2023

Devin Macaulay, Budget Manager



**FY 2022-2023
Adopted Budget:
\$450.95 Million**



7 Bureaus



Building Design
and Construction



Infrastructure Design
and Construction



Street-Use and
Mapping



Building and
Street Repair



Urban Forestry

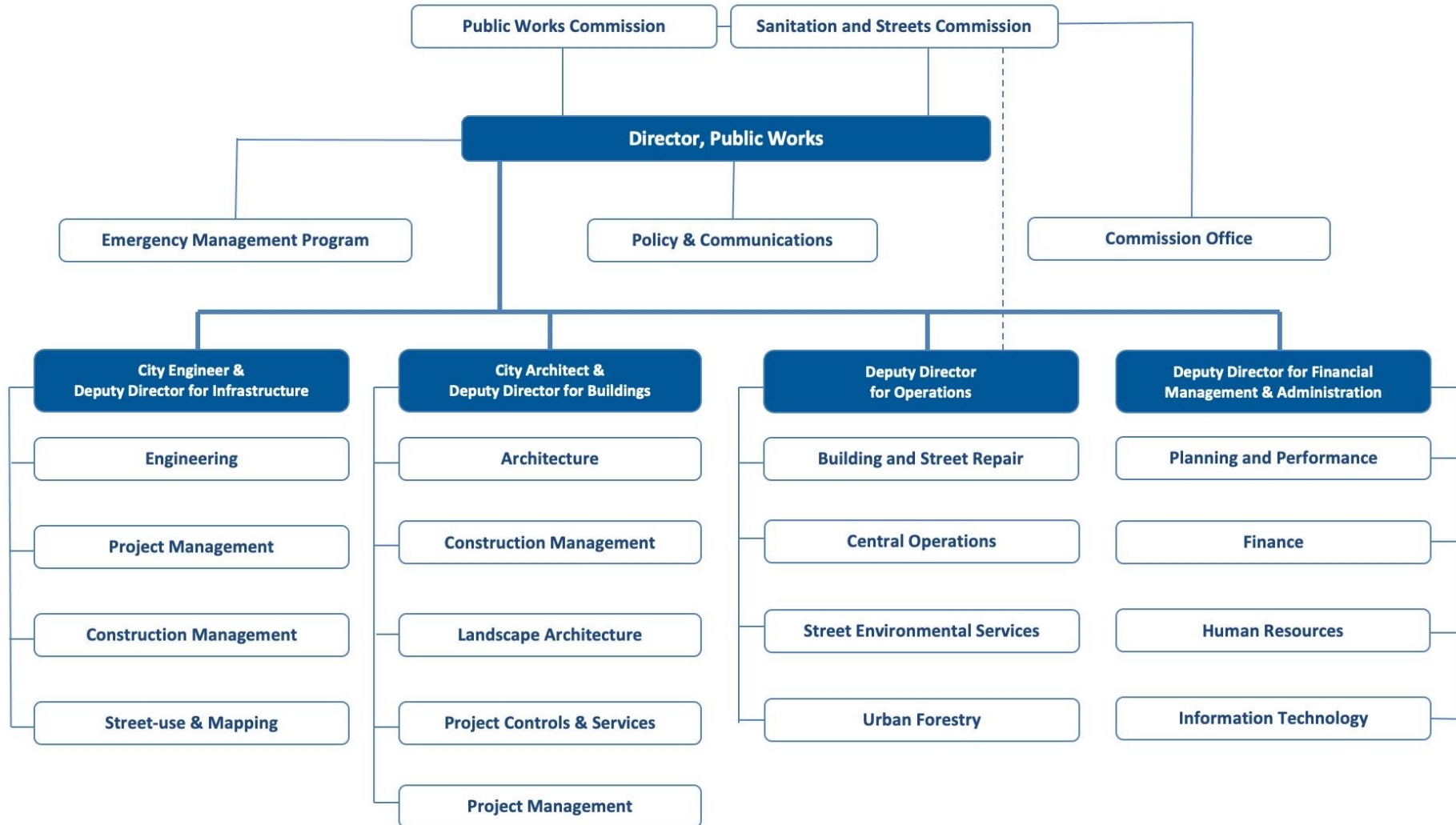


Street Environmental
Services



General
Administration

Organizational Structure



Public Works by the Numbers

Statistics measured by FY 2021-22 performance metrics



1,078

Curb Ramps
Constructed



158,535

Street Cleaning
Service Requests



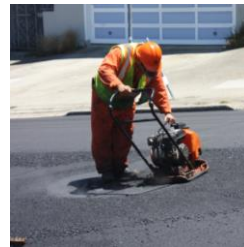
43,037

Graffiti Service
Requests



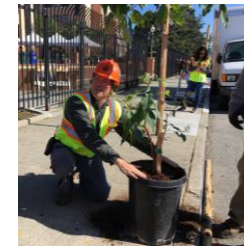
504

Blocks
Paved



9,139

Potholes
Filled



1,320

Trees
Planted



10,424

Trees
Maintained



2,654

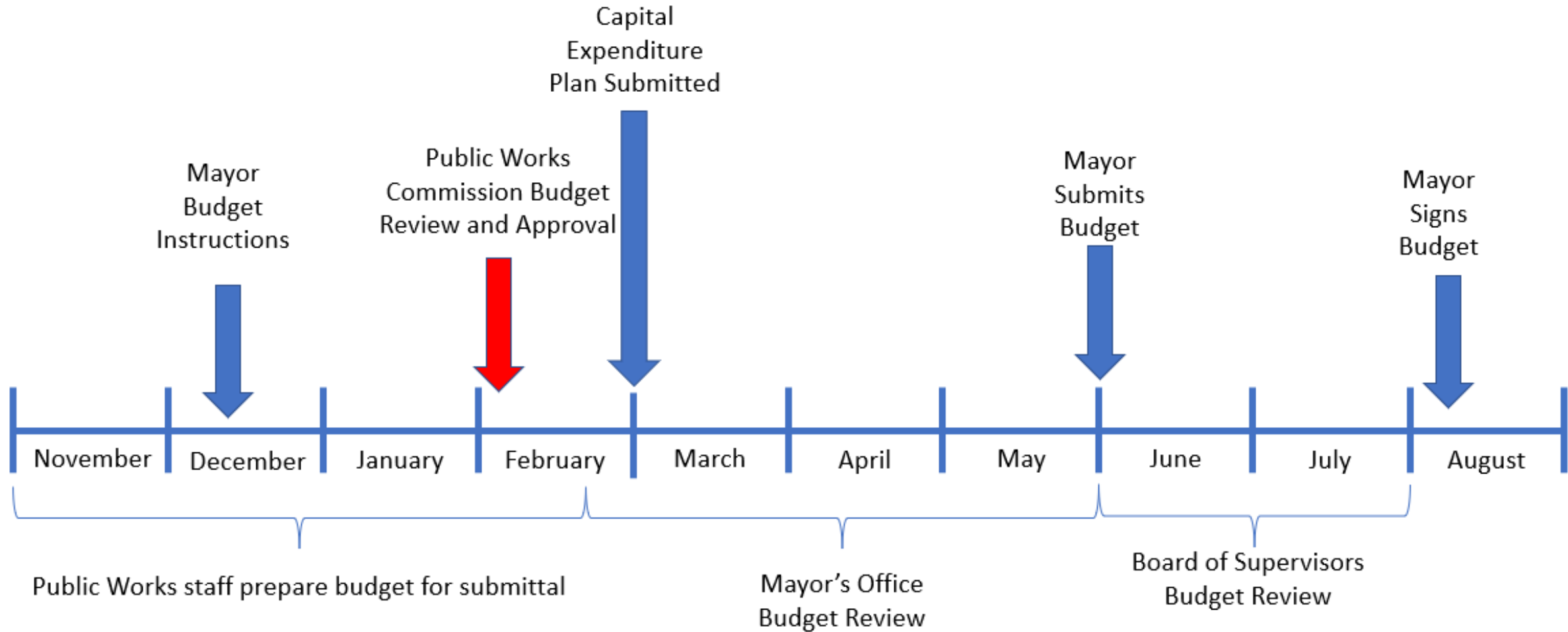
Building
Service Requests



163,041

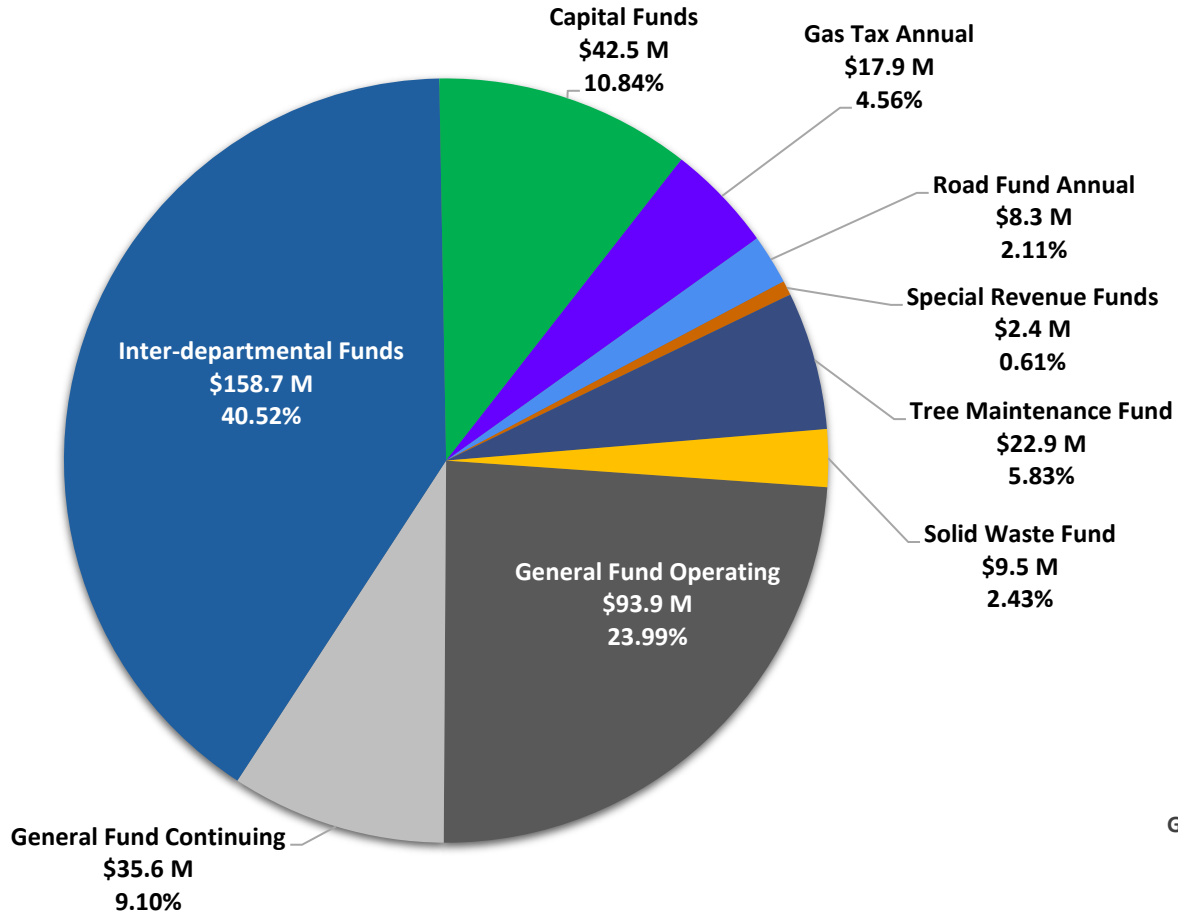
Miles Swept by
Mechanical Sweeper

Budget Timeline

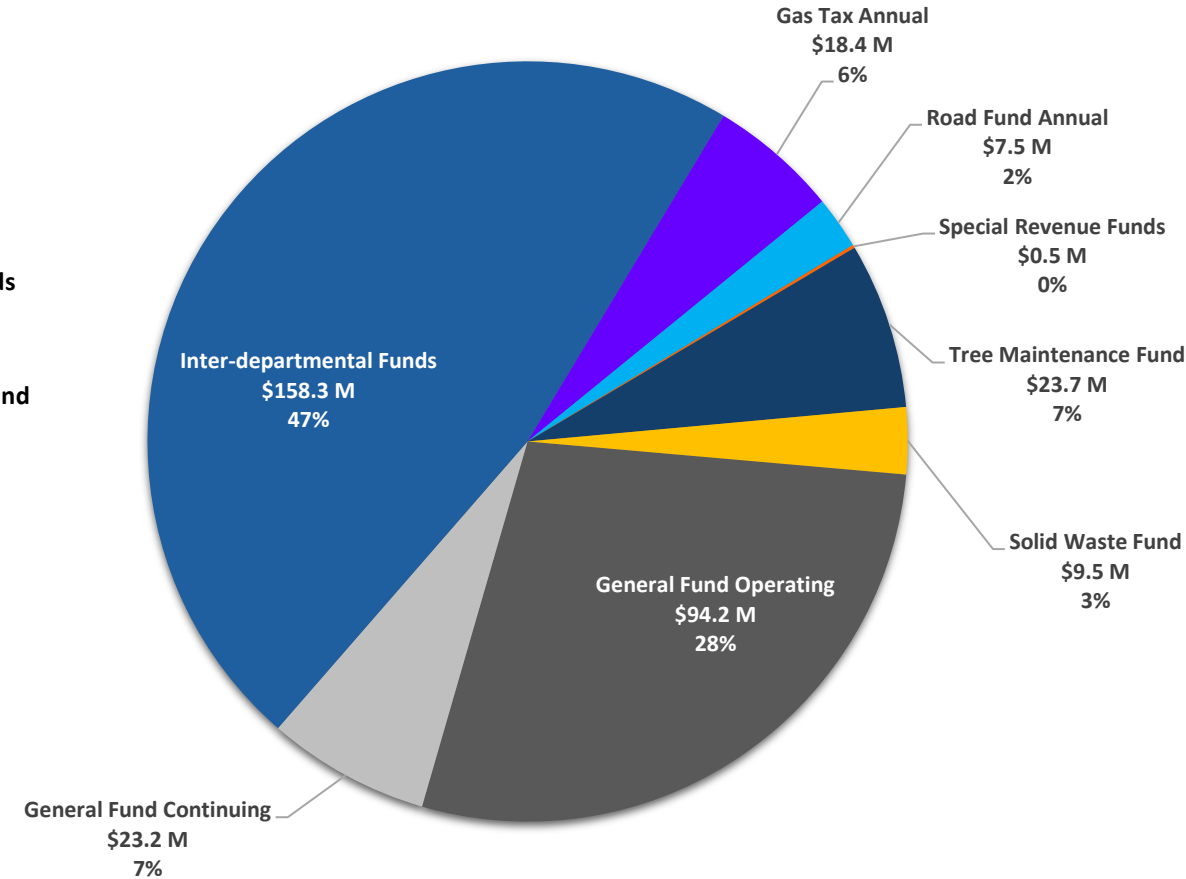


Department Sources*

FY 2023-24 All Funds Total: \$391.6 M



FY 2024-25 All Funds Total: \$335.2 M**

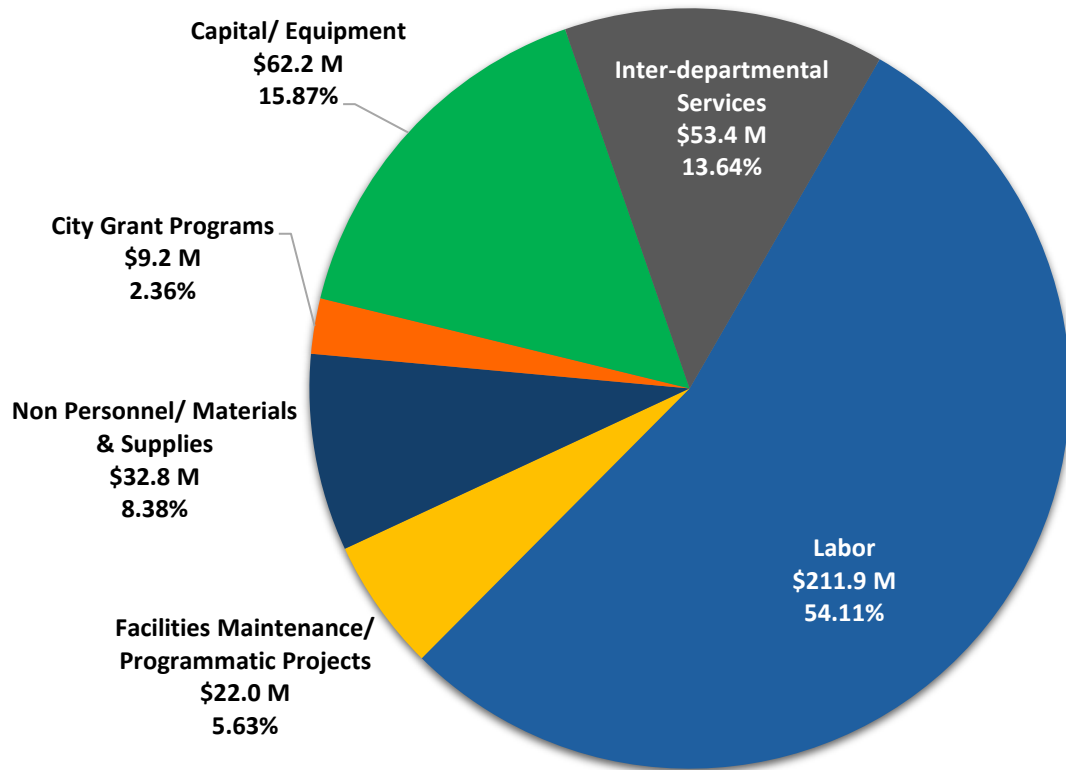


*All budget amounts are subject to updates and revisions pending February 21, 2023 Department Budget Submission

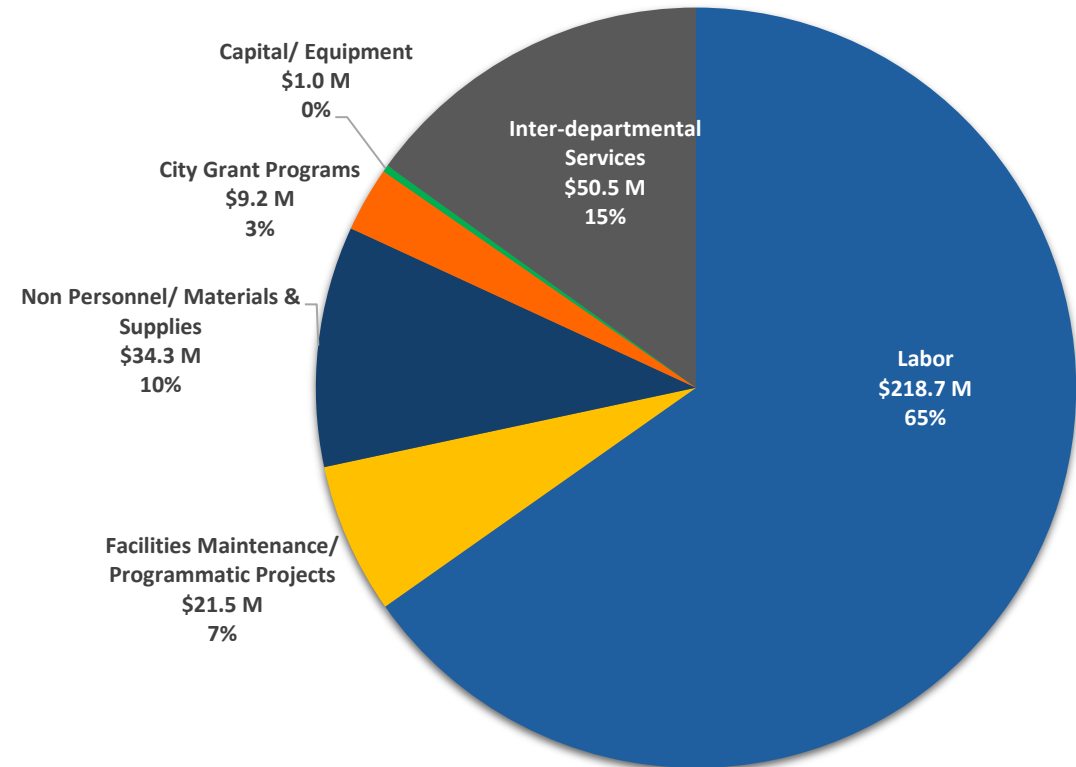
**FY 2024-25 Capital/Equipment budget not included in the department's proposed budget

Department Uses*

FY 2023-24 All Funds Total: \$391.6 M



FY 2024-25 All Funds Total: \$335.2 M**

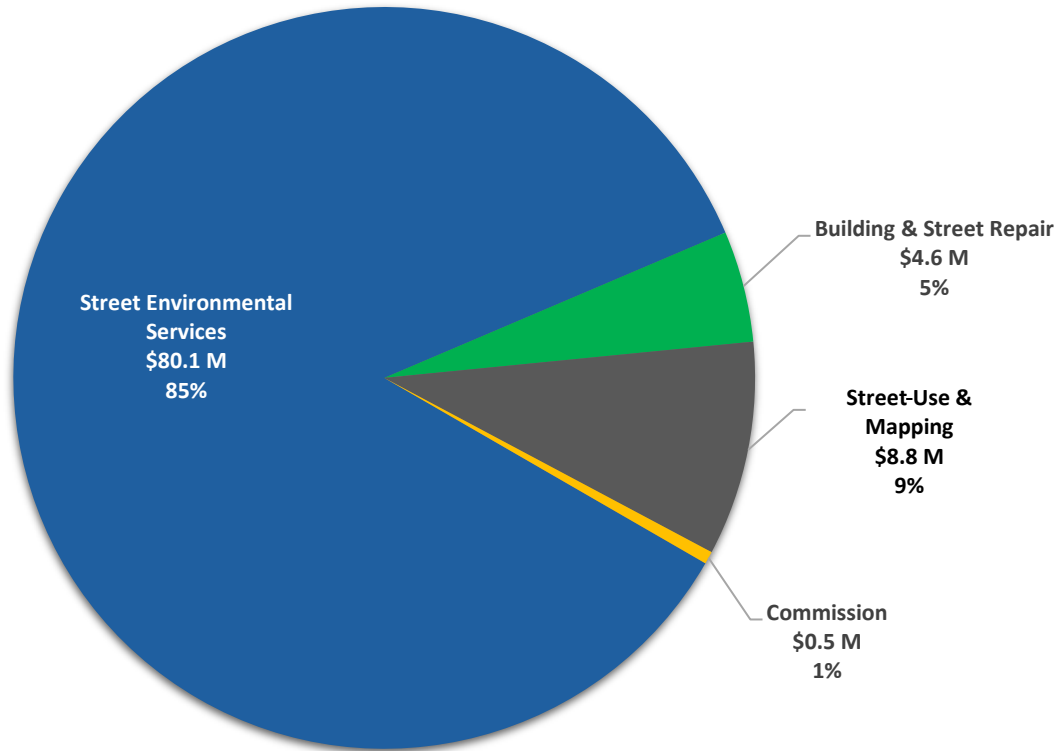


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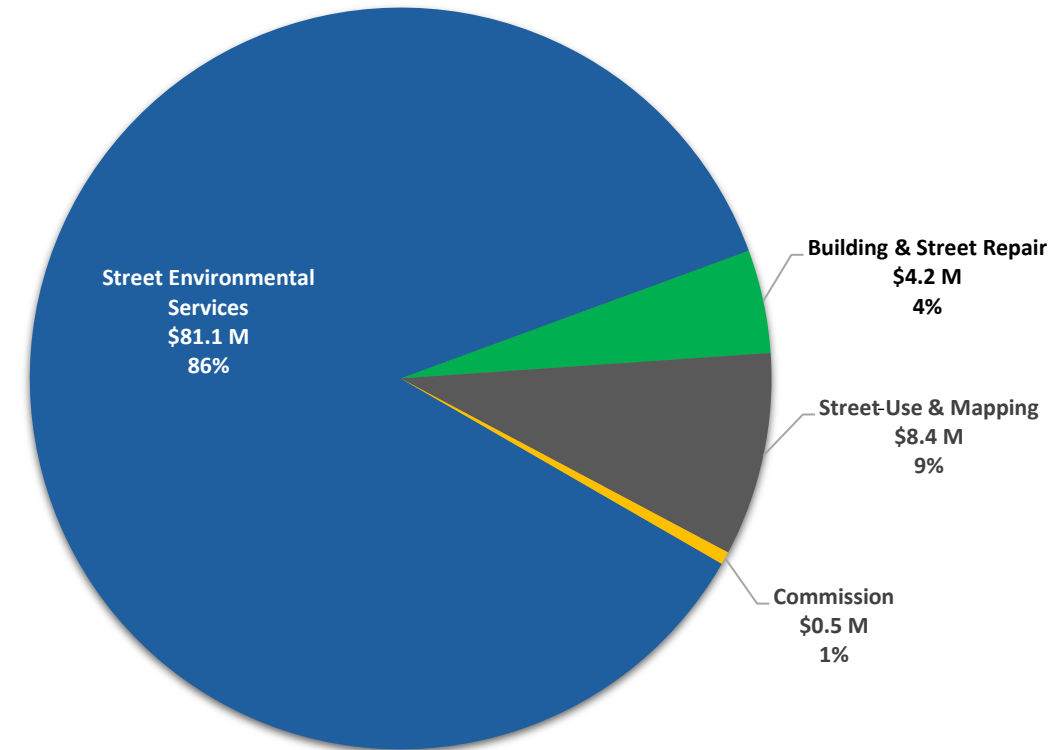
**FY 2024-25 Capital/Equipment budget not included in the department's proposed budget

General Fund Operating Uses by Divisions and Bureaus *

FY 2023-24 General Fund Total: \$93.9 M



FY 2024-25 General Fund Total: \$94.2 M**



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**FY 2024-25 Capital/Equipment budget not included in the department's proposed budget

Budget Snapshot by Divisions and Bureaus – All Funds*

Division/Bureau (<i>\$ in Millions</i>)	Budget	Budget	% Change	Budget	% Change
	FY 2022-23	FY 2023-24	FY 2023-24	FY 2024-25	FY 2024-25
Building Design and Construction	\$ 29.65	\$ 32.34	9.1%	\$ 31.37	-3.0%
Infrastructure Design and Construction	\$ 145.48	\$ 108.07	-25.7%	\$ 55.71	-48.5%
Street-Use and Mapping	\$ 32.65	\$ 32.03	-1.9%	\$ 28.56	-10.8%
Building & Street Repair	\$ 52.12	\$ 53.68	3.0%	\$ 51.10	-4.8%
Urban Forestry	\$ 51.16	\$ 48.90	-4.4%	\$ 49.50	1.2%
Street Environmental Services	\$ 112.60	\$ 112.51	-0.1%	\$ 111.42	-1.0%
Commission	\$ 0.85	\$ 0.52	-39.3%	\$ 0.53	2.0%
General Administration**	\$ 26.44	\$ 3.59	-86.4%	\$ 7.05	96.5%
Total Budget	\$ 450.95	\$ 391.63	-13.2%	\$ 335.23	-14.4%

** The General Administration budget of \$70.20 M in FY 2023-24 and \$72.43 M in FY 2024-25 is allocated to divisions through the indirect cost recovery plan

*All budget amounts are subject to updates and revisions pending February 21, 2023 Department Budget Submission



Full-Time Equivalent Positions (FTE) by Divisions and Bureaus - All Funds*

Division/Bureau	FY 2022-23			FY 2023-24				FY 2024-25			
	Operating Positions	Project Positions	Total Positions	Operating Positions	Project Positions	Total Positions	Change	Operating Positions	Project Positions	Total Positions	Change
Building Design and Construction	37.00	239.95	276.95	37.00	241.00	278.00	1.05	37.00	241.00	278.00	-
Infrastructure Design and Construction	38.00	346.79	384.79	38.00	347.00	385.00	0.21	38.00	347.00	385.00	-
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Grand Total	1,122.02	637.99	1,760.01	1,128.00	642.00	1,770.00	9.99	1,128.00	642.00	1,770.00	-

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Indirect Cost Plan Components

For Public Works, there are three components of the Indirect Cost Plan

PAID TIME OFF (PTO)

Accrues the cost of paid time off as it is earned and is set aside for current and future use

- The budget for projected time off for all Public Works employees is moved annually from their division/bureau into the paid time off fund
- All employee costs related to paid time off are posted in the PTO Fund
- Costs are allocated to all funding sources

BUREAU OVERHEAD (INDIRECT)

This is the budget for bureau-level indirect costs. As direct employees work, the indirect costs are assessed

- Management positions
- Rent and facilities costs
- Materials/supplies
- Copier rentals
- Other equipment
- Work orders

DEPARTMENT OVERHEAD (INDIRECT)

This is the budget for department-level indirect costs. As direct employees work, the indirect costs are assessed

- Director's Office
- Communications & Public Affairs
- All Deputy Directors
- Fleet, Storeroom
- Finance (Budget & Accounting)
- Contract Administration
- Human Resources
- Materials Procurement
- Information Technology
- Performance Management
- Materials/supplies
- Office rent (49SVN)
- Other work orders (City Attorney, Controller's Internal Audits, Financial System)

Direct and Indirect Expenditures: Prior Fiscal Year Comparison

Total Expenditures (\$ in Millions)	FY 2018-19		FY 2019-20		FY 2020-21		FY 2021-22		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Direct	\$ 608.1	83%	\$ 749.9	85%	\$ 567.0	81%	\$ 411.3	75%	\$ 2,336.3	82%
Overhead	\$ 89.7	12%	\$ 100.2	11%	\$ 93.0	13%	\$ 98.4	18%	\$ 381.4	13%
Paid Time-Off	\$ 32.0	4%	\$ 36.1	4%	\$ 36.1	5%	\$ 40.4	7%	\$ 144.6	5%
Total	\$ 729.8	100%	\$ 886.3	100%	\$ 696.1	100%	\$ 550.1	100%	\$ 2,862.3	100%
Approved Budget (AAO)/ Percent of Total Fiscal Year Expenditure	\$ 374.1	51%	\$ 386.7	44%	\$ 351.9	51%	\$ 357.5	65%	\$ 1,470.3	51%



Proposed Major Capital Programs



Street Resurfacing / Paving Program

- On track to resurface FY22-23 goal of 500 blocks
- Current citywide Pavement Condition Index score is 74, highest among large Bay Area cities
- FY 2023-24 goal is to resurface 500 blocks with proposed funding support of \$33.5M in General Fund and an existing \$42.1M from capital sources



Curb Ramp Program

- \$4.2M in General Fund for over 100 curb ramp repair and expansion projects
- Proposed funding \$2.5M in General Fund support in FY 2023-24 for curb ramps with sub-sidewalk basements



Right-of-Way Renewal

- General Fund allocations of \$3.0M for pothole repairs, \$5.0M for sidewalk repair, and \$3.3M for street structures and \$0.5M plaza inspection and repair

Other Project Proposals

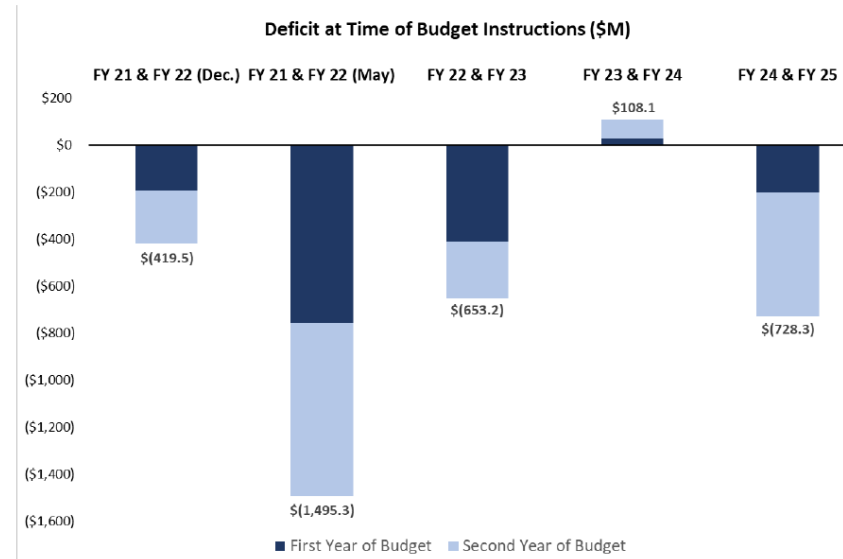
- \$2.4M for Sunset Boulevard recycled water project
- \$2.0M for street tree planting and establishment in equity priority neighborhoods
- \$0.7M for Innes Avenue catchment fence
- \$0.6M for Vermont Street guardrail repair

Mayor's Budget Overview: Fiscal Outlook



Overview: Fiscal Outlook

Financial forecast projects a \$728 million **deficit** over the upcoming two budget years



- Financial Picture has worsened since FY2022-23
- Weakening revenue and loss of Federal revenues
- Higher staff wages and growing health benefit costs
- New and growing General Fund commitments
- 5% General Fund Reduction for FY 2023-24 (\$3.5M) and 8% General Fund Reduction for FY 2024-25 (\$5.7M)

Tentative General Fund Operating Budget Reduction Plan



Target Reduction	FY 2023-24	FY 2024-25
Revenue Increase	(\$1.3)M	(\$0.1)M
Expenditure Decrease	\$4.9M	\$5.8M
Target Achieved	\$3.6M	\$5.7M

- Revenue decreases primarily due to reduced street space demand and other revenues reductions
- Expenditure decreases primarily due to a reduction in general administration and non-profit expenditure
- No planned layoffs and expedited hiring of critical positions
- No anticipated service reductions

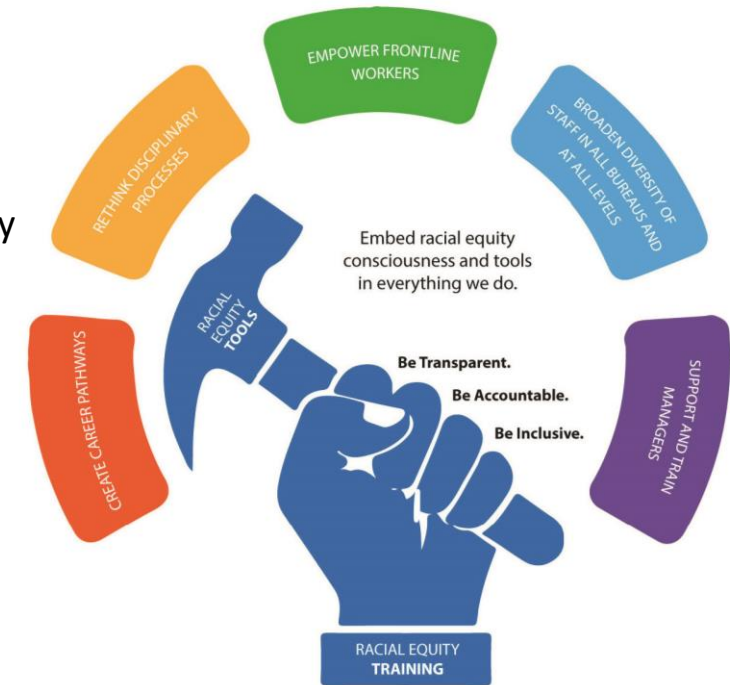
Preliminary Department Initiatives and Enhancements

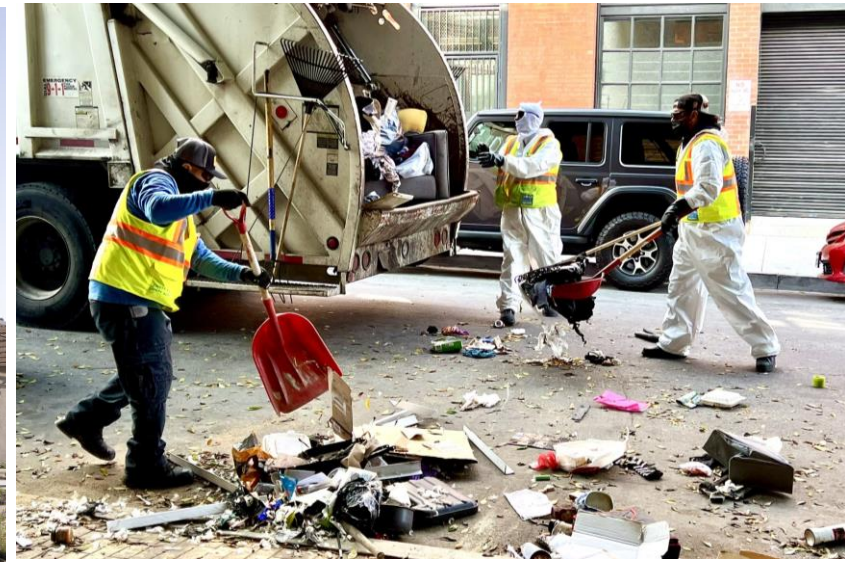
Initiative	Initiative Description	FY 2023-24 Budget	FY 2024-25 Budget
Mechanical Street Cleaning Expansion	Additional funding is to expand Public Works' regular cleaning mechanical street sweeping operations	\$ 10.2M	\$ 6.3M
Private Graffiti Expansion	Expanded enforcement and removal of graffiti on private property in high-impact neighborhoods	\$ 3.3M	\$ 2.6M
Green Waste Composting Site	Development of a green waste site for processing and composting	\$ 1.3M	\$ 0.4M
Moscone Center Cleaning Expansion	Additional staff for expanded regular cleaning operations in the Moscone Center area surrounding SoMa neighborhood	\$ 0.7M	\$ 0.3M
Expedited Mapping Review and Approval Improvement	Funding for additional mapping review and approval	\$ 0.9M	\$ 0.5M
BSM Front Counter Support	Staff dedicated to improving the customer experience at the Public Works permit center	\$ 0.3M	\$ 0.4M
Contractor Performance Database Management	Staff to support the implementation and monitoring of a construction contractor performance database as recommended by Civil Grand Jury	\$ 0.2M	\$ 0.2M
	Grand Total	\$ 16.9M	\$ 10.7M



Racial Equity Initiative

- Guided by priorities that emerged from data and research across the department:
 - Create career pathways
 - Rethink disciplinary processes
 - Empower frontline workers
 - Broaden diversity of staff
 - Support and train managers
- Vision: Organizational infrastructure is in place to ensure the continued sustainability of the Racial Equity Initiative.
- Goals to achieve this vision:
 - Engage racial equity organizational change subject matter experts
 - Broaden and build leadership
 - Embed racial equity into policies and procedures
 - Keep the racial equity conversation going





Public Comment

FY 2023-24 & FY 2024-25 Budget Overview