



August 26, 2016

The Honorable John K. Stewart  
Presiding Judge  
Superior Court of California, County of San Francisco  
400 McAllister Street  
San Francisco, CA 94102

Dear Judge Stewart:

Pursuant to Penal Code sections 933 and 933.05, the following is in reply to the 2015-16 Civil Grand Jury report, *Maintenance Budgeting and Accounting Challenges for General Fund Departments, Maintenance Economics Versus Maintenance Politics: Pay Now or Pay Later*. We would like to thank the members of the Civil Grand Jury for their interest in the long-term stewardship of the City's assets and ongoing efforts to address the City's capital needs.

The Capital Planning Program provides the public with a 10-year Capital Plan every 2 years, and a 2-year Capital Budget every year. The Capital Plan is a high-level guiding document, which contains planned investment amounts for Facilities Maintenance and Facilities Renewal for each department for the next 10 years. For the first time in its history, the City has exceeded the Capital Planning Program's recommended general fund capital funding for three consecutive fiscal years, including an historic \$141.1 million for Fiscal Year (FY) 2016-17, \$122.8 million in FY 2015-16, and \$114.1 million in FY 2014-15. The continued high levels of investment in capital demonstrate the City's strong dedication to making responsible choices and taking care of its infrastructure, roads, parks, and life safety facilities.

To address many of the findings and recommendations of the Civil Grand Jury, the City continues to explore various approaches, including revising funding benchmarks, leveraging the value of City-owned assets as debt-financing vehicles, preparing projects for voter consideration at the ballot, forming public-private partnerships, and exploring new revenue sources. In addition, the Controller's City Services Auditor is conducting a performance audit of facilities maintenance management Citywide, including assessing the effectiveness of the City's facilities maintenance funding and budgeting methods. This audit will be issued in FY 2016-17 and will provide additional transparency around maintenance budgeting.

In the upcoming November 2016 election, San Franciscans will consider a Charter Amendment – City Responsibility for Maintaining Street Trees that, if approved by the voters, will transfer responsibility for maintenance of street trees from property owners to the City. The Charter Amendment implements the Phase 1 of the Urban Forestry Plan and recommendations of the Urban Forestry Council.

A detailed response from the Mayor's Office, City Administrator, City Planning, Department of Elections, Department of Human Resources, Recreation and Parks Department, and the Department of Public Works to the Civil Grand Jury's findings and recommendations follows.

Thank you again for the opportunity to comment on this Civil Grand Jury report.

Sincerely,



Edwin Lee  
Mayor



Naomi M. Kelly  
City Administrator



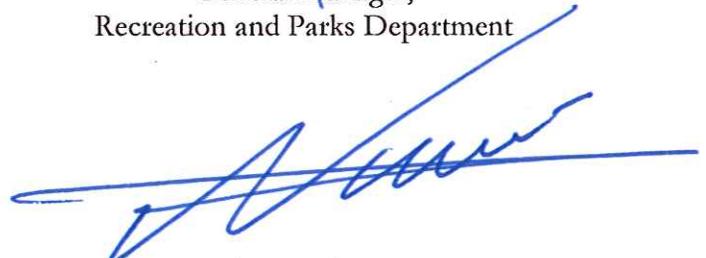
John S. Rahaim  
Director of Planning



Phil Ginsburg  
General Manager,  
Recreation and Parks Department



Micki Callahan  
Director of Human Resources



Mohammed Nuru,  
Director, Public Works



John Artanz  
Director,  
Department of Elections

**Finding:**

**Finding F:I.A.1** The gap between the City's investment in General Fund Departments' "Facilities Maintenance" assets and industry guidelines measured as a percentage of Current Replacement Value (CRV): Recommended 4%, Minimum 2%, or Total General Fund Departments' "target need" of approximately 1.7% calculated by Facilities Renewal Resource Model (FRRM), (see Figure 4 and Appendix D3) and in dollar amounts is not made available to citizens of San Francisco.

**Agree with finding.**

The City's Capital Planning Committee (CPC) issues the Capital Plan that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects Citywide. To address the gap between its capital needs and the resources available, the CPC continues to explore various approaches, including revising funding benchmarks, leveraging the value of City-owned assets as debt-financing vehicles, preparing projects for voter consideration at the ballot, forming public-private partnerships, and exploring new revenue sources.

The Capital Planning Program is aware of the CRV methodology, and % of CRV was a consideration in setting target levels of investment in Facility Renewals for the City's 10-year Capital Plan for fiscal year (FY) 2016 – 2025. The City's 10-year Capital Plan represents the vast majority of the City's spending on facility care. While the Capital Planning Program does not necessarily agree with "industry guidelines" stated, the City will continue to evaluate % of CRV as a means of setting levels of investment in Facility Renewals, and the City may incorporate maintenance into that target following further evaluation.

**Finding F:I.A.2a** Without transparent and complete information about the investment levels in the City's General Fund Departments' maintenance and repair budgets, the public does not have important information with which to assess the City's stewardship of public assets.

**Disagree with finding, partially.**

The City strives to be transparent in the use and stewardship of public assets and resources. For example, General Fund (GF) departments report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. Further, the Mayor's Office and the Controller's Office annually issue budget instructions, including those related to the reporting and tracking of budget requests for capital maintenance, renewal, replacement, and enhancement projects. CPC also issues the Capital Plan report that describes the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects Citywide.

**Finding F:I.A.2b.** The slice of the pie chart for General Fund departments labelled "Facilities Maintenance" in the Budget report is not the total maintenance budget for those departments.

**Disagree with finding, partially.**

The Capital Planning Program provides the public with a 10-year Capital Plan every 2 years, and a 2-year Capital Budget every year. The Capital Plan is a high-level guiding document, which contains planned amounts for Facilities Maintenance and Facilities Renewal for each department for the next 10 years. The

budget lists actual appropriations for Facilities Maintenance for each department, and for individual Facility Renewal projects around the City for the next two years. These two sources of information are available on the Capital Planning Program website ([onesanfrancisco.org](http://onesanfrancisco.org)) and are discussed at length during Capital Planning Committee meetings, which are public sessions, throughout the year. The public may use these materials and related discussions to assess the City's stewardship of public assets.

In addition, departments use additional funding from their operating budgets to support Facilities Maintenance, and those amounts may be reported under separate categories with the current financial system. The City is in the process of implementing a new financial system which should enable the tracking of operating dollars being spent on Facilities Maintenance.

Finally, the definition of maintenance used in the report refers to "preventive maintenance, programmed major maintenance, predictive testing and inspection, routine repairs, service calls, and replacement of obsolete items." Repairs and replacements more typically fall under the Renewals category of spending than under the Facilities Maintenance category. Therefore looking at the slice of the pie chart for GF departments labeled "Facilities Maintenance" is a misleading way to analyze the level of effort by the City to care for its assets.

Finding F:I.A.2c. The total maintenance budget for General Fund departments is not disclosed in the Budget report.

**Disagree with finding, partially.**

The Controller's Office reports the Facilities Maintenance budget for both the General Fund and All Funds Budget, along with subtotals by department, for both the Proposed and Adopted Budgets.

This finding does not acknowledge the detailed disclosures of the Capital Budget component of the Budget report. The Capital Budget lists actual appropriations for Facilities Maintenance for each department, and for individual Facility Renewal projects around the City for the next two years.

Finding F:I.A.3. As a consequence of low investment levels in General Fund departments' asset maintenance and repair, the City has a large and growing deferred maintenance and repair backlog for General Fund departments. Without transparent and complete information about these deferred maintenance and repair backlogs, the public does not have important information with which to assess the City's stewardship of General Fund Departments' assets.

**Disagree with finding, partially.**

The City has steadily increased funding for general fund capital over the last two fiscal years and has funded an historic \$141.1 million for FY 2016-17, approximately \$11.6 million more than the \$128.3 million proposed in the Capital Plan. Similarly, in FY 2015-16, the City invested \$122.8 million towards general fund capital, \$5.9 million more than the \$116.9 million proposed in the Capital Plan. The City fully funded general fund capital in FY 2014-15 in investing \$114.1 million towards general fund capital.

Two sources of information may be used by the public to understand the City's deferred maintenance and repair backlog. General Fund departments report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. For example, the Mayor's Office and the Controller's Office

annually issue budget instructions, including those related to the reporting and tracking of budget requests for capital maintenance, renewal, replacement and enhancement projects. The City's Capital Planning Committee also issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.

The City's Facilities Renewal Resource Model (FRRM) contains subsystem-level information for General Fund-supported facilities, including whether a given subsystem or facility is in backlog. FRRM is updated by departments annually, and FRRM data is the basis for determining the City's GF backlog and facility renewal needs in the 10-year Capital Plan. The Executive Summary of the Capital Plan contains a discussion of the City's overall backlog, including the impact of proposed funding levels on the backlog for the next 10 years. In addition, the impact of proposed funding levels on the backlog is discussed at the Capital Planning Committee meetings (which are open to the public) leading up to the introduction of the Capital Plan (January of every odd-numbered year).

Finding F:II.A.1-a. Adequately funding maintenance and repair of General Fund departments' facilities and infrastructure has potential beneficial consequences, such as those noted in a National Research Council report (NRC 2012).

**Agree with finding.**

The City recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, including assessing the effectiveness of the City's facilities maintenance funding and budgeting methods. This audit will be issued in FY 2016-17. The City's Capital Planning Committee also issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.

In the upcoming November 2016 election, San Franciscans will consider a three quarter-cent sales tax increase. The Mayor's Office will work with the San Francisco Municipal Transportation Agency and the San Francisco County Transportation Authority to include improvements to our street network in the San Francisco Transportation Expenditure Plan, specifying that a portion of the additional sales tax revenues is directed towards improving the pavement condition of the street infrastructure.

Finding F:II.A.1-b. Underfunding maintenance and repair of General Fund departments' facilities and infrastructure creates potential adverse consequences, such as those noted in the same National Research Council report (NRC 2012).

**Disagree with finding, partially.**

Underfunding of General Fund departments' facilities and infrastructure expenditures and other competing expenditures has the potential to create adverse consequences. The City's policymakers consider the impacts of budget requests in connection with the City's annual budget process, while balancing budget and policy priorities, available revenues, and potential adverse consequences of budget decisions.

The City has steadily increased funding for general fund capital over the last two fiscal years and has funded an historic \$141.1 million for FY 2016-17, approximately \$11.6 million more than the \$128.3 million proposed in the Capital Plan. Similarly, in FY 2015-16, the City invested \$122.8 million towards general fund capital, \$5.9 million more than the \$116.9 million proposed in the Capital Plan. The City fully funded general fund capital in FY 2014-15 in investing \$114.1 million towards general fund capital.

Finding F:II.A.1-c. The City saves money over the long term by using pay-as-you-go financing for high priority maintenance and repairs.

**Agree with finding.**

In connection with the City's budget process and constrained by available revenues, pay-as-you-go funding for maintenance and repairs is considered along with competing costs that are not eligible for financing.

Finding F:II.A.1-d. Total reliance on annually budgeted pay-as-you-go funding can result in maintenance and repairs being deferred in lean budget years. It will be a challenge for policy makers to develop a range of stable "pay-as-you-go" annual funding mechanisms for maintenance and repairs.

**Agree with finding.**

In lean budget years, maintenance and repairs and other operating costs may be deferred. Stable "pay-as-you-go" annual funding is a challenge for all of the City's operating costs, including maintenance and repairs. This challenge will be aggravated in lean years.

Finding F:II.B.1-a. The City does not know what portion (if any) of its Workers' Compensation liabilities arise out of poorly maintained General Fund department capital assets.

**Disagree with finding, wholly.**

The construct of the California workers' compensation system is "no-fault." The fundamental principle of the entire system is that employers pay for injuries or illnesses that occur in the course of business, and employees give up the right to file civil lawsuits. While "cause of injury" (such as slip & fall, fall from height, exposure to toxins, etc.) is known, can be reported on by the Department of Human Resources Workers' Compensation Division, and is used to improve employee safety, fault is never assessed. Further, there is no objective way to determine that a workers' compensation claim resulted from deferred maintenance. As a result, an audit of the data-gathering statistics is unnecessary and burdensome.

Finding F:II.B.1-b. If the City's budget decision makers knew how much (if any) of the City's Workers Compensation liabilities arose out of poorly maintained General Fund department capital assets, they would have useful information in making budget tradeoff decisions.

**Disagree with finding, wholly.**

The construct of the California workers' compensation system is "no-fault." The fundamental principle of the entire system is that employers pay for injuries or illnesses that occur in the course of business, and employees give up the right to file civil lawsuits. While "cause of injury" (such as slip & fall, fall from height, exposure to toxins, etc.) is known, can be reported on by the Department of Human Resources Workers'

Compensation Division, and is used to improve employee safety, fault is never assessed. Further, there is no objective way to determine that a workers' compensation claim resulted from deferred maintenance. As a result, an audit of the data-gathering statistics is unnecessary and burdensome.

Finding F:II.B.2-a. Hazard Logs in City General Fund departments are not being compiled and analyzed in a manner which identifies and quantifies risks of injury resulting from deferred maintenance.

**Disagree with finding, partially.**

The City has added coding on the Hazard Logs for deferred maintenance and repairs.

Finding F:II.B.2-b. If the Hazard Logs in General Fund departments were compiled and analyzed in a manner which identified and quantified risks of injury resulting from deferred maintenance, that information could be provided to budget decision makers for use in making budget tradeoffs.

**Agree with finding.**

Finding F:II.C-1-a. Because trees perform valuable environmental, economic and social functions and make San Francisco a better place to live and work, stable funding sources for maintenance of the City's urban forest is recognized as a goal in the budget process.

**Agree with finding.**

In the November 2016 election, San Franciscans will consider the transfer of maintenance responsibility for all San Francisco's street trees to Public Works and the funding of tree maintenance through an annual budget set-aside.

Finding F:II.C-1-b. San Francisco's canopy cover at 13.7% lags far behind other major cities, and varies widely between neighborhoods.

**Agree with finding.**

Finding F:II.C-1-c. The Urban Forestry Council notes in its annual Urban Forest Reports that San Francisco's urban forest managers consistently identify their highest priority as the lack of adequate resources to effectively maintain the city's trees. Recreation and Parks Department and Department of Public Works face the same challenge: both are significantly underfunded to do their needed maintenance work.

**Disagree with finding, partially.**

Making informed and economical decisions regarding the use and stewardship of public assets and resources, including the City's trees, is important. The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.

Finding F:II.C-1-d. As long as San Francisco's urban forestry program is a discretionary expenditure, its funding will remain unstable and continue to fluctuate.

**Disagree with finding, partially.**

The urban forestry program is a discretionary expenditure, and like other discretionary expenditures, funding fluctuates with available local revenues and competing discretionary expenditures with the City's annual budget process.

In the November 2016 election, San Franciscans will consider the transfer of maintenance responsibility for all San Francisco's street trees to Public Works and the funding of tree maintenance through an annual budget set-aside. The proposed amendment would require general fund contribution to a newly created fund, the Street Tree Maintenance Fund, of \$19 million beginning in fiscal year (FY) 2017-18. This fund would be used to pay for City services to maintain street trees as of July 1, 2017. The cost to the City in FY 2017-18 would be \$13.5 million as the City has already budgeted \$5.5 million for these services.

Finding F:II.C-2-a. Budget cuts for street tree maintenance led to DPW's plan to transfer maintenance responsibility for approximately 22,000 trees from the City to adjacent property owners.

**Disagree with finding, partially.**

The plan to transfer maintenance responsibility for approximately 22,000 trees from the City to adjacent property owners included availability of staffing and long-term financing for tree care. The Urban Forestry Report (2014) notes that several forestry programs increased funding and/or staffing levels. When the 100,000+ trees in the public right of way are not maintained, their health and stability is compromised. As is their potential social and environmental benefit. The purpose of the maintenance transfer program is to ensure continuity of care for as many trees as possible, and the costs must be evaluated relative to the cost of maintaining street trees. The urban forestry program is a discretionary expenditure, and like other discretionary expenditures, funding fluctuates with available local revenues and competing discretionary expenditures with the City's annual budget process.

Finding F:II.C2b. The maintenance transfer program is costly to the City, as DPW must first assess the health of each tree to be transferred; and costly to property owners who are expected to bear the maintenance costs and liability risks.

**Disagree with finding, partially.**

When the 100,000+ trees in the public right of way are not maintained, their health and stability is compromised, as is their potential social and environmental benefit. The purpose of the maintenance transfer program is to ensure continuity of care for as many trees as possible, and the costs must be evaluated relative to the cost of maintaining street trees.

Finding F:II.C-2-c. The maintenance transfer program compromises tree health and stability, risks public safety and also diminishes the social and environmental benefits that street trees provide.

**Disagree with finding, partially.**

When the 100,000+ trees in the public right of way are not maintained, their health and stability is compromised, as is their potential social and environmental benefit. The purpose of the maintenance

transfer program is to ensure continuity of care for as many trees as possible, and the costs must be evaluated relative to the cost of maintaining street trees.

Finding F:II.C-2-d. Some property owners pay to maintain “their” street trees while others do no maintenance because they are unaware that it is their responsibility or are unwilling to pay for it.

**Agree with finding.**

Finding F:II.C-2-e. Deferred maintenance leads to a street tree program that is reactive, and ultimately increases the costs of street tree care, since trees in poor condition require greater care and contribute to emergencies and claims for personal injury and property damage.

**Disagree with finding, partially.**

If maintenance is deferred beyond a reasonable period, the costs of street tree care has the potential to increase.

Finding F:II.C-2-f. For every \$1 spent on public street trees, San Francisco receives an estimated \$4.37 in benefits.

**Agree with finding.**

Finding F:II.C-2-g. One major reason new plantings do not keeping pace with tree removals is that no city maintenance program exists to care for them afterwards. There is reluctance among property owners to plant new trees because of ongoing maintenance responsibilities and potential costs associated with liabilities such as sidewalk repair.

**Disagree with finding, partially.**

One reason property owners may be reluctant to plant new trees is ongoing maintenance responsibilities. However, property owners will have many other considerations in deciding to plant trees such as shade, aesthetics, and individual preferences.

**Agree with finding.**

Finding F:II.C-2-h. The Urban Forest Plan (Phase One: Street Trees) recommends reducing long-term costs of the urban forest by having Public Works take control of all street trees under a comprehensive street tree plan, allowing for routine block pruning (instead of responding only to emergency calls on specific trees) which would drive down per tree maintenance costs and increase overall tree health.

**Agree with finding.**

The Planning Department's Urban Forest Plan (Phase 1: Street Trees) adopted by the Board of Supervisors (2015) made this recommendation but it has not yet been implemented. The Board of Supervisors approved a ballot measure to be put before voters (Fall 2016) that if approved would revert maintenance responsibility for all San Francisco's street trees to Public Works and provide funding through an annual budget set-aside to allow this.

Finding F:II.C-2-i. Routine maintenance of all street trees in the City under a comprehensive program of the Public Works Department, with stable funding, will increase overall tree health and reduce per tree maintenance costs.

**Agree with finding.**

Finding F:II.C-2-j. The Urban Forest Plan (Phase One: Street Trees) recommending the Department of Public Works take on the maintenance of all street trees will be a net benefit to all San Francisco residents.

**Agree with finding.**

Finding F:II.C-2-k. The incidence of injuries to residents and visitors and damage claims against the City are expected to decline with routine street tree maintenance by the Department of Public Works.

**Disagree with finding, partially.**

Maintenance and funding will not guarantee reduction in the incidence of injuries to residents and visitors and damage claims against the City with routine street tree maintenance by the Department of Public Works. Weather and other natural events factor in the incidence of injuries and damage claims.

Finding F:II.C-4-a. The Urban Forestry Council urges completion of Phase 2 of the Urban Forest Plan related to Parks and Open Spaces.

**Agree with finding.**

Finding F:II.C-5-a. The Recreation and Park Department has a strategic reforestation plan to plant two trees for every tree removed.

**Disagree with finding, partially.**

It is a stated goal or performance target, but not a "Strategic Reforestation Plan".

Finding F:II.C-6.a. The Recreation and Park Department has a plan to implement a programmatic tree maintenance program that will sustain a 15 year tree maintenance cycle and seeks secure funding.

**Agree with finding.**

Finding F:II.C-7-a. Using funds from the 2008 and 2012 Clean & Safe Neighborhood Parks Bonds, RPD conducted risk assessments in many parks to identify trees with failure potential, the size of the part of the tree that would fall, and the target that would be impacted should a failure occur. Hazardous tree abatement was completed in several parks.

**Agree with finding.**

Finding F:II.C-7-b. Hazardous trees in City Parks are a risk to public safety (Figures 5 and 9).

**Agree with finding.**

Finding F:II.C.2-1. The City is responsible for maintenance of three of the fourteen bridges in the City rated as “Structurally Deficient”.

**Disagree with finding, partially.**

Within the City and County of San Francisco, there are four bridges with a Structurally Deficient rating. All four of these bridges (Williams Avenue, Mariposa Street, 22nd Street, 23rd Street) are owned by the Peninsula Corridor Joint Powers Board (PCJPB). As such, the PCJPB is responsible for the structural maintenance of the bridges.

Finding F:II.C.2-2. Bridges may require substantial repairs before reaching the “Structurally Deficient” stage; e.g., the Richland Avenue bridge pictured in Figure 7.

**Agree with finding.**

Finding F:III.A.1b. Replacement or revision of the current asset management programs used by General Fund departments provides an opportunity for development of new or revised performance metrics to collect and report: (1) the dollars departments expend on annual maintenance and repair and (2) the annual costs incurred in addressing their deferred maintenance and repair backlogs.

**Disagree with finding, partially.**

Complete and accurate data is important for making informed decisions about the use and stewardship of public assets and resources. The Mayor's Office and the Controller's Office provide instructions to departments on performance measures, and responsibility for managing departmental assets rests primarily with each department. Further, maintenance management functionality may be considered for a future phase of the City's new financial system deployment, which is slated to launch in July 2017. The City's new financial system's asset management module includes such fields as City Asset Status, Condition Assessment, and Safety Assessment.

Finding F:III.B.1. The City's ability to determine the Deferred Maintenance and Repairs backlog is hampered by the aggregating of deferred maintenance expenses with capital renewal and replacement costs.

**Disagree with finding, partially.**

The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.

Finding F:III.C.1-a. Condition Assessment Surveys with cost estimates are an important factor in identifying required maintenance.

**Agree with finding.**

Condition Assessment Surveys with cost estimates can be an important factor in identifying required maintenance.

Finding F:III.C.1-b. Some old condition assessments, a key part of the maintenance needs determination process, have not been updated for ten years or longer.

**Agree with finding.**

Finding F:III.C.1-c. Updated Condition Assessment Surveys for capital assets maintained by the Real Estate Division, the Department of Public Works, and the Recreation and Parks Department will identify required maintenance needs.

**Agree with finding.**

Real Estate Division's use of Computerized Maintenance Management System (CMMS) and FRRM are used to identify maintenance needs. Condition Assessment Survey provides a physical inventory for asset, accomplishment (elimination of previously identified needs), and valuation and allows the opportunity for consistent cost estimates and replacement schedules.

Finding F:III.C.2. A new comprehensive condition assessment survey of Recreation and Parks department facilities and infrastructure is an important step toward getting adequate maintenance funding appropriated on a regular basis.

**Disagree with finding, partially.**

Maintenance funding, along with other discretionary expenditure appropriations, are subject to available revenues and the City's annual budget process.

Finding F:III.C.3-a The Mayor's announced goal of getting city streets to a Paving Condition Index rating of good condition, and keeping them there, is a good first step.

**Agree with finding.**

Finding F:III.C.3-b. The Facilities Conditions Index may be used as a means of identifying the condition of buildings and other nonstreet capital assets to assist in projecting and making resource allocations, and to determine the annual reinvestment needed to prevent further accumulation of deferred maintenance and repair.

**Disagree with finding, partially.**

The Facilities Condition Index (FCI) is calculated based on FRRM data, and assuming that facility data is updated consistently across the City's facilities, it may be used to assess the relative condition of one facility versus another. While FCI may be used as a planning tool in this manner, using it to determine the annual reinvestment needed would need further study.

Finding F:III.D.1. Below market rental rates charged to General Fund department tenants do not cover the annual Maintenance and Repair and capital replacements costs and conceal the true costs of program delivery.

**Disagree with finding, partially.**

Rental rates for departments are set to recover for expected operating costs. CPC issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.

Finding F:IV.1. The Mayor's Office of Public Policy and Finance reviews and analyzes prioritized General Fund departmental budget proposals.

**Agree with finding.**

Finding F:IV.2-a. Compliance with Section 3.5(a) of the Budget Process Ordinance provides City departments and department heads with an opportunity to make their maintenance needs known vigorously as part of the Budget Process.

**Agree with finding.**

Finding F:IV.2-b. Opportunities exist for General Fund Department managers to advocate for increased maintenance and repair funding within the strictures of Capital Budget Request Form 6.

**Agree with finding.**

Departments submit their Capital Budget requests for each fiscal year in January. Between January and May (when the Capital Planning Program presents the proposed Capital Budget to the Capital Planning Committee), department representatives have several opportunities to advocate for their capital needs. The Capital Planning Program evaluates all Capital Budget requests in light of the most recently adopted 10-year Capital Plan, however, some flexibility is maintained in order to be able to address departments' most pressing needs.

Finding F:IV.2-c. Compliance with Section 3.14 of the Budget Ordinance provides City department heads with an opportunity to make their unfunded high-priority maintenance needs known.

**Disagree with finding, partially.**

The annual budget process begins in December of each year and undergoes several phases over the course of approximately nine months. At the end of the nine month budget process, the Board of Supervisors adopts and the Mayor approves a balanced two-year budget.

Following approximately nine months of budget deliberations, Section 3.14 of the Budget Process Ordinance requires the head of each agency to, within 30 days of the adoption of the annual budget by the Board of Supervisors, by letter addressed to the Mayor, Board of Supervisors, and Controller, agree that the funding provided is adequate for his or her department, board, commission, or agency unless otherwise specifically noted by the appointing officer and acknowledged in writing by the Board.

Finding F:IV.2-d. General Fund department heads have the opportunity to make supplemental appropriation requests when they find that their department has inadequate resources to support M&R operations through the end of the fiscal year.

**Agree with finding.**

Finding F:IV.3. The Mayor's Budget Letter does not include a list with a description of the General Fund departments' high priority maintenance and repair projects which did not get funded in the budget.

**Disagree with finding, partially.**

Departments submit their Capital Budget requests for each fiscal year in January. Between January and May (when the Capital Planning Program presents the proposed Capital Budget to the Capital Planning Committee), department representatives have several opportunities to advocate for their capital needs. The Capital Planning Program evaluates all Capital Budget requests in light of the most recently adopted 10-year Capital Plan, however, some flexibility is maintained in order to be able to address departments' most pressing needs.

Finding F:V.1-a. As a basis against which to compare future actual M&R expenses, the Capital Planning Committee needs to understand the projected lifecycle cost of operating and maintaining proposed facilities to be built with General Obligation bond proceeds.

**Agree with finding.**

Finding F:V.1-b. The "Critical Project Development" program under the Capital Planning Committee continues the City's commitment to funding predevelopment planning so that project costs and impacts are clearly understood before a decision is made to either fund or place a project before voters.

**Agree with finding.**

While "Critical Project Development" has been funded through the regular Capital Budget in the past, since the FY 2016 - 2025 Capital Plan, the City has set up a revolving Capital Planning Fund in order to fund these projects. The Capital Planning Fund pays for predevelopment planning, with the condition that these funds will be reimbursed by the eventual G.O. Bond that funds the overall project.

Finding F:V.2. The Mayor's Five Year Plans are starting to mention the long term costs associated with onetime investments.

**Disagree with finding, wholly.**

Long-term costs associated with one-time investments are included in Five Year Plans.

Finding F:V.3. Voters are asked to approve General Obligation bonds for a new facility but are not informed of the projected interest cost to borrow the funds and of lifecycle cost projections for maintaining the new facility.

**Disagree with finding, wholly.**

Departments are required to fulfill a series of criteria when seeking Capital Planning Committee approval for a G.O. Bond. These requirements include a memo to CPC members, a copy of the Resolution of Public Interest and Necessity, a copy of the Ordinance placing the Bond on the ballot, and a presentation including program background and need, program components, impact to property tax rate, accountability measures, legislative schedule, and other relevant information. A projection of lifecycle costs has been added to the list of requirements.

Finding F:V.4. Lifecycle cost projections for operations and maintenance and repair are not visible to citizens when considering General Obligation Bond propositions, because this information is not included in the Voter Information Pamphlets.

**Agree with finding.**

Finding F:VI.1. Cutting the growth rate for funding the Pay-as-you-go Program from ten percent to seven percent causes a projected six year delay from 2019 to 2025 before the City begins to address its deferred backlog. Cost escalation over that six year delay will significantly increase the future cost of reducing the backlog.

**Disagree with finding, partially.**

Under the current assumptions made in the FY 2016 - 2025 Capital Plan, cutting the growth rate for funding the Pay-as-you-go Program from 10% to 7% causes a projected 10 year delay from 2021 to 2031 before the City begins to address its backlog.

Finding F:VI.2-a. Funding the Pay-as-you-go Program at historical levels would cause a further delay to 2031 before the City begins to address its deferred backlog.

**Disagree with finding, partially.**

The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including identifying appropriate funding mechanisms, such as using pay-as-you-go General Fund dollars or debt financing. Consideration of pay-as-you-go General Fund dollars for renewal of assets is balanced with the City's other critical needs and mandates.

The City has steadily increased funding for general fund capital: an historic \$141.1 million for FY 2016-17, \$122.8 million in FY 2015-16, and \$114.1 million in FY 2014-15. Funding the Pay-as-you-go Program at historical levels would mean that the City would address its backlog beyond 2031 because renewal needs that are deferred adds to the backlog.

Finding F:VII.2. The City does not have accounting and financial systems and processes in place to accurately determine and report the condition of its assets or the extent of its deferred maintenance.

**Disagree with finding, partially.**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls, including the safeguarding of assets against loss from unauthorized use or disposition

and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City is now replacing its accounting and financial system, which includes an asset management module, slated to go-live in July 2017. The City's planned new financial system's asset management module includes such fields as City Asset Status, Condition Assessment, and Safety Assessment. Further, a maintenance management module is also being considered for a future phase, post go-live, and the findings noted herein could be considered as part of the functional specifications assessment. However, systems are in place in both the City's Capital Planning Program and key enterprise agencies to model and track the state of deferred maintenance needs and expenses for City assets.

Finding F:VII.4. Existing data show that maintaining assets extends asset life and is cheaper than prematurely replacing unmaintained assets.

**Agree with finding.**

Preventative maintenance can extend some assets' life and is usually cheaper than prematurely replacing unmaintained assets. For example, Public Works has conducted an analysis that shows that maintaining streets at a "good" pavement condition index (PCI) extends their life and is cheaper than replacing unmaintained streets. Some assets have a specific life cycle.

**Recommendations:**

Recommendation R:I.A.1-a. To provide useful information for the public in assessing the City's stewardship of public assets, the City Administrator and the Director of the Capital Planning Program should use the FRRM (Facilities Renewal Resource Model) to calculate the target need for General Fund departments' facilities maintenance as a percentage of Current Replacement Value (CRV) and in dollar amounts, and disclose that information to the public; b. The City Administrator and the Director of the Capital Planning Program should determine the additional time and manpower cost to accomplish this additional calculating and reporting and include a line item for those costs in their budget requests; c. The Mayor should include in the proposed budget for Fiscal year 2017-18 and thereafter the amount requested by the City Administrator and the Director of the Capital Planning Program to accomplish this additional calculating and reporting.

**Recommendation has been implemented.**

The Capital Planning Program already uses FRRM to calculate the target need for General Fund departments' facilities renewal needs over the next 10 years. This information is disclosed to the public in the financial tables of the City's 10-year Capital Plan. Target need as a % of CRV is not currently published in the Capital Plan, but it was discussed during a Capital Planning Committee meeting (public session). How exactly the City would use CRV and what the proper target levels would be, if any, require further study.

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The budget for calculation and reporting will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:I.A.2-c. The Mayor should include in the proposed budget for fiscal year 2017-2018 and thereafter the amounts requested by the Controller for the compilation and disclosure of the total maintenance budget for General Fund departments and periodic audits.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The amounts requested by the Controller for the compilation and disclosure of the total maintenance budget will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:I.A.3c. The Mayor should include in the proposed budget for fiscal year 2017-2018 and thereafter the amounts requested by the Controller for the compilation and disclosure of the total deferred maintenance and repair backlog for General Fund departments and periodic audits; and

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The

deferred maintenance budget will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:IA.4-c. The Mayor should include in the proposed budget for fiscal year 2017-2018 and the amount requested by the Controller for the benchmark study; and

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by the Controller's Office, the benchmark study budget will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:II.A.1-1. In order to achieve beneficial consequences and avoid the potential adverse consequences from underfunding maintenance and repair of General Fund departments' facilities and infrastructure, and to save money over the long term: a. The City Administrator and the Director of the Capital Planning Program should identify a range of stable funding sources for pay-as-you-go maintenance and repair of the City's facilities and infrastructure.

**Recommendation has been implemented.**

The General Fund serves as the stable funding source for the Pay-as-you-go Program. According to the FY 2016 - 2025 Capital Plan, the current City policy is to grow the General Fund commitment to capital by 7% each year. For FY 2015-16, that commitment was \$119.1 million, which was raised to \$130 million, including addbacks from the Board of Supervisors. Of this amount, \$34.3 million went toward Facilities Renewals and Maintenance - with the remainder of the funding going towards Americans with Disabilities Act (ADA) needs, right-of-way infrastructure renewal, street resurfacing etc. The Mayor-proposed budget for FY 2016-17 includes \$128.3 million for capital, of which \$38 million is for Facilities Renewals and Maintenance.

In addition, departments with approved G.O. Bond Programs use bond funding to address renewal and deferred maintenance needs at the facilities being renovated using these funds.

Recommendation R:II.B.1-c. To reduce the risk of injury to City employees, the Mayor should include in the proposed budget for fiscal year 2017-2018 this line item in the Controller's budget request for an audit of Workers Compensation Division data gathering policies and procedures.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by the Controller's Office, the budget for an audit of the Workers Compensation Division data gathering policies and procedures will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:II.B.2-a. The Controller should assist the General Services Agency Environmental Health and Safety in developing procedures for periodic analysis of Hazard Logs to identify and quantify risks of injury created by deferred maintenance and repairs.

**Requires further analysis.**

Hazard logs have been modified to identify deferred maintenance and repairs to the Controller's Office periodically. The responding departments will work together in determining the involvement of the Controller's Office in implementing this recommendation. Existing analysis and reporting efforts on injury and hazard risks include worker's compensation studies and the California Injury and Illness Prevention Program.

Recommendation R:II.B.2.c. To reduce the risk of injury to City employees, the Mayor should include in the proposed budget for fiscal year 2017-2018 this line item in the Controller's budget request to develop procedures for periodic analysis of Hazard Logs to identify and quantify risks of injury created by deferred maintenance and repairs.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by the Controller's Office, the budget for periodic analysis of Hazard Logs will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:II.C.1-1. Maintain urban forest. Because trees perform valuable environmental, economic and social functions and make San Francisco a better place to live and work: a. the City Administrator and the Director of the Capital Planning Program should identify stable funding sources for maintaining the urban forest; b. the Mayor should identify stable funding sources for maintaining the urban forest and include them in proposed budgets; c. after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve stable funding sources for maintaining the urban forest.

**Requires further analysis.**

In the November 2016 election, San Franciscans will consider the transfer of maintenance responsibility for all San Francisco's street trees to Public Works and the funding of tree maintenance through an annual budget set-aside. Depending on the outcome of the election, further conversations may be scheduled with the Mayor's Office, City Administrator and Director of Capital Planning to discuss stable funding sources for maintaining the urban forest by December 2016.

Recommendation R:II.C.1.2. DPW street trees : Because it will increase overall street tree health and reduce per street tree maintenance costs as described in the Urban Forest Plan (Phase 1: Street Trees): a. The Department of Public Works should include line items in its budget requests for the routine maintenance of all street trees,

**Requires further analysis.**

The Urban Forest Plan, adopted by the Board of Supervisors in 2015, is a long-term vision and strategy to improve the health and sustainability of the City's urban forest of more than 110,000 trees. Every year, as part of the capital planning process, Public Works includes line items in its budget request for the routine maintenance of all street trees in accordance with the Plan.

Recommendation R:II.C.1.4. The Urban Forest Plan Phase 2 Because it will increase overall tree health in the City's parks and open spaces and reduce per tree maintenance costs: a. The Planning Department should include a line item in its budget requests for the cost of completing The Urban Forest Plan ( Phase 2: Parks and Open Space)

**Recommendation has been implemented.**

The Planning Department is currently scoping Phase II of the Urban Forest Plan to address the needs of trees in parks and open spaces. The Planning Department has included a line item in its budget to allow this work and is currently meeting its tree planning goals through existing budget.

Recommendation R:II.C.1-5. Rec & Park 2 for 1; Because it will promote the strategic reforestation of the City, thereby improving quality of life for City residents and visitors: a. The Recreation and Parks Department should include a line item in its budget requests for fiscal year 2017-2018 and thereafter for sufficient funding to plant two trees for every tree removed;

**Recommendation has been implemented.**

The Recreation and Parks Department is commencing initiatives toward achieving a 15-year tree maintenance cycle through the annual General Fund Capital Budget.

Recommendation R:II.C.1.6. Rec & Park 15 year maintenance cycle: Because it will increase overall tree health and reduce overall per tree maintenance costs: b. the Mayor should include sufficient dedicated funding in the proposed budget for upcoming fiscal years 2017-2018 and thereafter to the Recreation and Parks Department for the sustained 15 year tree maintenance cycle;

**Recommendation has been implemented.**

The Recreation and Parks Department is commencing initiatives toward achieving a 15-year tree maintenance cycle through the annual General Fund Capital Budget.

Recommendation R:II.C.1.7. Rec & Park Tree Risk Assessments. Because it will increase safety for all park users, a. The Recreation & Parks Department should seek a line item in its budget request to pay for completing tree risk assessments and hazardous tree abatement for trees in all remaining parks where that has not yet been accomplished.

**Recommendation has been implemented.**

The Recreation and Parks Department is funding a minimum of two new tree assessments per year through the annual General Fund Capital Budget.

Recommendation R:II.C.2-1-a. To prevent further deterioration and unsafe conditions, the Department of Public Works should seek prioritized line item budget funding in the fiscal year 2017-2018 for the maintenance and repair of the “Structurally Deficient” rated bridges for which it is responsible.

**Requires further analysis.**

Within the City and County of San Francisco, there are four bridges with a Structurally Deficient rating. All four of these bridges (Williams Avenue, Mariposa Street, 22nd Street, 23rd Street) are owned by the Peninsula Corridor Joint Powers Board (PCJPB). As such, the PCJPB is responsible for the structural maintenance of the bridges. Public Works is responsible for the maintenance of the roadway surface and above. Public Works will develop an estimate for the maintenance of the roadway surface and upgrade of the traffic railing for the bridges at Williams Avenue and Mariposa Street to be submitted in the fiscal year 2017-2018 budget. The PCJPB is presently replacing the bridges at 22nd Street and 23rd Street.

Recommendation R:II.C.2-1-b. To prevent further deterioration and unsafe conditions, the Mayor should approve these line items in the Department of Public Works budget request for the maintenance and repair of “Structurally Deficient” bridges and include them in the Mayor’s proposed budget for fiscal year 2017-2018 and thereafter.

**Requires further analysis.**

The Mayor’s Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by the Department of Public Works and subject to the Capital Planning Committee process, the budget for maintenance and repair of “Structurally Deficient” bridges will be considered in connection with the City’s budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:II.C.2-2-a. We acknowledge the Department of Public Works plans to repair the existing deterioration and unsafe conditions on the Richland Avenue Bridge and encourage the early completion of this important project.

**Recommendation has been implemented.**

The Department of Public Works undergoes an internal review and prioritization of maintenance needs in connection with each budget process that is submitted to the Capital Planning Program. The traffic railing replacement on the Richland Bridge has been included in the department’s request.

Recommendation R:II.C.2-2-b. To prevent further deterioration and unsafe conditions, the Department of Public Works should determine the cost of repairing the Richland Avenue Bridge and other deteriorated but not yet “Structurally Deficient” bridges for which it is responsible and include these costs as line items in its budget request for fiscal year 2017-2018.

**Recommendation has been implemented.**

Public Works will develop budgetary needs for the maintenance of all bridges under its jurisdiction and request funds in fiscal year 2017-2018.

Recommendation R:II.C.2-2-c. To prevent further deterioration and unsafe conditions, the Mayor should approve the items in the Department of Public Works budget request for the maintenance and repair of the Richland Avenue bridge and other deteriorated but not yet “Structurally deficient” bridges and include them in the Mayor’s proposed budget in the fiscal year 2017-2018 and thereafter.

**Requires further analysis.**

The Mayor’s Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by the Department of Public Works, the maintenance and repair of the Richland Avenue Bridge and other bridges will be considered in connection with the City’s budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:III.A.1.c. To focus attention on the relationship between General Fund departments annual maintenance and repair expenditures and their deferred maintenance backlogs, the Mayor should approve these line item entries in the Controller’s budget request to collect and report General Fund department costs expended on annual maintenance and repair and costs incurred in addressing their deferred maintenance and repair backlogs, and include them in the Mayor’s proposed budget for fiscal year 2017-2018.

**Requires further analysis.**

The Mayor’s Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The annual maintenance, deferred maintenance, and repair budget will be considered in connection with the City’s budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

In the upcoming November 2016 election, San Franciscans will consider a three-quarter cent sales tax increase. The Mayor’s Office will work with the San Francisco Municipal Transportation Agency and the San Francisco County Transportation Authority to include improvements to our street network in the San Francisco Transportation Expenditure Plan, specifying that a portion of the additional sales tax revenues is directed towards improving the pavement condition of the street network.

Recommendation R:III.B.1.a. For increased transparency and accountability, the City Administrator and the Director of the Capital Planning Program should report “Deferred Maintenance and Repair Backlog” separately from “projected capital renewal and replacement costs” in the Ten Year Capital Plan.

**Recommendation has been implemented.**

The City’s Facilities Renewal Resource Model (FRRM) allows users (departments) to make a distinction between backlog and renewal costs. FRRM is updated by departments annually, and FRRM data is the basis for determining the City’s GF backlog and facility renewal needs in the 10-year Capital Plan. The Capital Planning Program does report “Deferred Maintenance and Repair Backlog” separately from “projected capital renewal and replacement costs” in the Ten Year Capital Plan--this information can be found in the Executive Summary and also in the financial tables at the end of each chapter.

Recommendation R:III.B.1.b. The City Administrator and the Director of the Capital Planning Program should determine the additional time and manpower cost to collect data and report “Deferred Maintenance and Repair Backlog” separately from “projected capital renewal and replacement costs” in the Ten Year Capital Plan, and include a line item for this cost in its budget request for fiscal year 2017-2018 and thereafter.

**Recommendation will not be implemented.**

The 10-year Capital Plan already makes this distinction.

Recommendation R:III.B.1.c. For increased transparency and accountability, the Mayor should include in the proposed budget for fiscal year 2017-2018 and thereafter the City Administrator’s and the Director of the Capital Planning Project’s request for the cost to collect data and report “Deferred Maintenance and Repair Backlog” separately from “projected capital renewal and replacement costs” in the Ten Year Capital Plan.

**Recommendation will not be implemented.**

The 10-year Capital Plan already makes this distinction.

Recommendation R:III.C.1-1. To obtain updated relevant information as a basis for rational and informed budget decision making: a. The Director of the Real Estate Division should request a line item in the budget request to the Mayor for fiscal year 2017-2018 for updated condition assessment surveys of departmental facilities and infrastructure;

**Recommendation will be implemented in the future.**

The Capital Planning Committee oversees the Facilities Resource and Renewal Model (FRRM) and develops the Capital Plan. City Departments are generally responsible for maintaining the facilities that they occupy unless the buildings are multi-tenant, in which case the maintenance is the responsibility of the Real Estate Division.

The approved budgets for the Real Estate Division and the Recreation and Parks Department for FY 2016-17 and 2017-18 include funding for a facility condition assessment. When conducted, condition assessments should be a coordinated effort overseen by a policy body like the Capital Planning Committee.

Recommendation R:III.C.2-a. As an important step toward getting adequate maintenance funding on a regular basis, the General Manager of the Recreation and Parks Department should request the allocation of funds from the “Open Space Fund” for the purpose of conducting a comprehensive condition assessment of departmental facilities and infrastructure.

**Recommendation has been implemented.**

The Recreation and Parks Department (RPD) allocates 50% of the Open Space Fund contingency reserve annually for deferred maintenance projects. These funds may also be spent on condition assessments as necessary.

Recommendation R:III.C.2-b. The Mayor should include the allocation of funds from the Recreation and Parks Department's "Open Space Fund" for the purpose of conducting a comprehensive condition assessment in the proposed fiscal year 2017-2018 budget.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by RPD, the comprehensive condition assessment budget will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:III.C.3-a. As he has done for City streets' Pavement Condition Index, the Mayor should announce his goal of having the Facility Condition Index for all General Fund Departments' non-street capital assets at the level of "good" or better.

**Requires further analysis.**

In 2010, the City convened the Street Resurfacing Financing Working Group to prepare a specific set of proposals or recommendations for the Mayor, the Board of Supervisors, and the Capital Planning Committee for financing the repaving and/or reconstruction of the City's public streets and rights of way. The average Pavement Condition Index is tracked by the regional Metropolitan Transportation Commission, which assesses the condition of Bay Area roads. San Francisco's Pavement Condition Index score has increased each year for the last four years, following the implementation of recommendations of the Streets Resurfacing Financing Working Group and the voter-approved \$248 million 2011 Road Repaving and Street Safety bond.

The Facilities Condition Index (FCI) is calculated based on FRRM data, and assuming that facility data is updated consistently across the City's facilities, it may be used to assess the relative condition of one facility versus another. While FCI may be used as a planning tool in this manner, using it to determine the annual reinvestment needed would need further study.

Recommendation R:III.C.3-d. To provide useful information for the public in assessing the City's stewardship of public assets, the Mayor should include in the Mayor's Proposed Budget for fiscal year 2017-2018 these line item entries for a study of facilities with FCI of fair or poor condition in the Controller's budget requests.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by the Controller Office or Capital Planning Program through CPC, the budget for a study of facilities with FCI of fair or poor condition will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:III.D.1. To make the true cost of program delivery visible, a. The City Administrator and the Director of the Real Estate Division should charge rental rates sufficient to cover the full cost of

maintenance, repair and capital replacements in the leased premises it manages (to make the true cost transparent).

**Recommendation will not be implemented.**

Rental rates for departments are set to recover for expected operating costs. The City's Capital Planning Committee also issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects Citywide.

Recommendation R:IV.1. In recognition of maintenance of facilities and infrastructure as an important component in stewardship of City assets, the Mayor and the Office of Public Policy and Finance should encourage adequate Maintenance and Repair funding as one of the budget priorities for General Fund departments.

**Recommendation has been implemented.**

The Mayor's Budget Instructions require that departments submit accurate and complete operating budget proposals, including budgets for facilities and infrastructure maintenance.

Recommendation R:IV.2. In recognition of maintenance of facilities and infrastructure as an important component of stewardship and in fulfillment of their stewardship obligations, the managers and staff of General Fund departments: a. should make their departmental maintenance needs known vigorously throughout the budget process and reallocation process; b. should advocate vigorously in their submissions on Capital Budget Request Form 6 to demonstrate why the amount allocated for maintenance by the Capital Planning staff based on the prior year's appropriation may be insufficient, and if so, why additional funds to meet maintenance needs are required; c. in their Section 3.14 letters, should make their unfunded high priority maintenance needs known vigorously; and d. should make supplemental appropriation requests when they find that they have inadequate resources to support Maintenance and Repair operations through the end of the fiscal year.

**Recommendation has been implemented.**

Departments make their departmental maintenance needs known vigorously throughout the budget process (See F:IV.2-c.). For example, the 2015-2016 fiscal year represents a record year for the Recreation and Parks Department's General Fund capital budget. With the approval of Proposition C (2008) and the creation of a General Fund baseline, the department allocates no less than \$15 million annually to capital and maintenance needs.

Recommendation R:IV.3. To further transparency and accountability in City government, the Mayor's Budget Letter should include a section listing and describing the General Fund departments' high priority maintenance projects which did not get funded.

**Requires further analysis.**

The Mayor's Budget Letter describes local conditions, recent City accomplishments, and revenue and expenditure trends, among other important considerations of the budget proposal. Included with the budget proposal is General Fund departments' maintenance and repair budgets.

Recommendation R:V.1. In accordance with best practices for governments and in the interest of transparency and accountability, the City Administrator and the Director of the Capital Planning Program should make projection of lifecycle costs of operation and maintenance a criteria for getting its approval to add General Obligation Bond propositions to the queue.

**Recommendation has been implemented.**

Departments are required to fulfill a series of criteria when seeking Capital Planning Committee approval for a G.O. Bond. These requirements include a memo to CPC members, a copy of the Resolution of Public Interest and Necessity, a copy of the Ordinance placing the Bond on the ballot, and a presentation including program background and need, program components, impact to property tax rate, accountability measures, legislative schedule, and other relevant information.

Recommendation R:V.2. We recommend in the interest of transparency and accountability that the Mayor carry forward plans to include information on projected lifecycle operating costs and maintenance costs in Five Year Plans.

**Requires further analysis.**

Long-term costs associated with one-time investments are included in Five Year Plans. In addition, a projection of lifecycle costs has been added to the list of requirements for departments when seeking Capital Planning Committee approval for a G.O. Bond.

Recommendation R:VI.1-a. To avoid future growth and cost escalation that will result from pushing back the starting date for reducing the backlog from 2019 to 2025 (or 2031 under historical funding levels), the Mayor should include in the proposed budget to the Board of Supervisors restoration of the annual ten percent growth rate to the Pay-as-you-go Program budget.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. If proposed by the Capital Planning Program through CPC, the restoration of the annual ten percent growth rate to the Pay-as-you-go Program will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:VI.2-b. In furtherance of good stewardship, the Mayor should propose in the Fiscal Year 2017-2018 Budget and thereafter sufficient funds for General Fund department maintenance and repair to prevent the Deferred Maintenance backlog from growing larger.

**Requires further analysis.**

The City has steadily increased funding for general fund capital over the last two fiscal years and has funded an historic \$141.1 million for FY 2016-17, approximately \$11.6 million more than the \$128.3 million proposed in the Capital Plan. Similarly, in FY 2015-16, the City invested \$122.8 million towards general fund capital, \$5.9 million more than the \$116.9 million proposed in the Capital Plan. The City fully funded general fund capital in FY 2014-15 in investing \$114.1 million towards general fund capital.

Addressing the entire the Deferred Maintenance backlog is not as straightforward as budgeting a certain amount of funds. The backlog consists of a wide variety of needs spread across various departments, and it grows each year as new needs arise. Other factors, such as the resources required to deliver budgeted projects in a timely manner, also affect the City's ability to prevent the backlog from growing larger.

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The maintenance budget will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:VI.3-c. In the interests of transparency and accountability, the Mayor should include in the Mayor's proposed budget for fiscal year 2017-2018 and thereafter those line item entries in the Controller's Budget Request for tracking General Fund departments maintenance budgeting and spending to assure that assets are not deteriorating through lack of maintenance and repair to the point where premature replacement funded by General Obligation bonds will be needed.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The maintenance budget will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter

Recommendation R:VII.1-c. The Controller and the Director of Public Works should establish systems and procedures to identify types of facilities or specific buildings (i.e., capital assets) that are mission critical and mission supportive.

**Requires further analysis.**

This recommendation is not wholly within the jurisdiction of Public Works and the Controller's Office. For example, the systems and procedures contemplated may be performed by the Controller's City Services Auditor (CSA) Section in collaboration with San Francisco Public Works and other City Departments.

Recommendation R:VII.1-k. The Mayor should approve these line item entries in the Controller's budget requests to establish systems and procedures to accomplish the items in Recommendation 1-a through 1-j and include them in the Mayor's proposed Budget for fiscal year 2017-2018.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The

budget request described in Recommendation 1-a through 1-j will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.

Recommendation R:VII.4-a. Beginning in FY 2017-18, the City's Capital Planning Committee should include in its annual report a complete and accurate update of the progress made in addressing deferred maintenance.

**Recommendation will not be implemented.**

The Capital Planning Committee does not issue an annual report. The City's 10-year Capital Plan, which is published every 2 years, contains information on the deferred maintenance backlog at that point in time.

Recommendation R:VII.4-b. The City Administrator and the Director of the Capital Planning Program should determine the additional time and manpower cost to accomplish the preceding Recommendation to include in its annual report a complete and accurate update of the progress made in addressing deferred maintenance, and include a line item entry for those costs in its Budget Requests for 2017-2018 and thereafter.

**Recommendation will not be implemented.**

The Capital Planning Committee does not issue an annual report. The City's 10-year Capital Plan, which is published every 2 years, contains information on the deferred maintenance backlog at that point in time.

Recommendation R:VII.4-c. The Mayor should include in the Mayor's Proposed Budget for 2017-2018 and thereafter the line item entries in the Capital Planning Committee's Budget Requests to include in its annual report a complete and accurate update of the progress made in addressing deferred maintenance.

**Requires further analysis.**

The Mayor's Budget Instructions are provided to departments in December of each year and the Mayor proposes a balanced two year budget the following June for consideration by the Board of Supervisors. The budget request of the Capital Planning Committee will be considered in connection with the City's budget process for FY 2017-18 and FY 2018-19, as provided by the City Charter.