BOARD of SUPERVISORS

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October 14, 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:

The following is a status report on the 2015-2016 Civil Grand Jury Report (Report), "Maintenance Budgeting and Accounting Challenges for General Fund Departments: Maintenance Economics Versus Maintenance Politics: Pay Now or Pay More Later."

The Board of Supervisors Government Audit and Oversight Committee conducted a public hearing on September 15, 2016, to discuss the findings and recommendations of the Civil Grand Jury and the departments' responses to the Report.

The following City departments submitted a response to the Civil Grand Jury (copies enclosed):

- Urban Forestry Council, received on July 20, 2016
- Department of Elections submitted a consolidated response with the Mayor's Office in addition to a separate response received on August 19, 2016
- Mayor's Office submitted a consolidated response for the Mayor's Office of Public Policy and Finance, City Administrator, Planning Department, Department of Elections, Department of Human Resources, Recreation and Parks Department, and Public Works, received on August 26, 2016
- Office of the Controller, received on August 26, 2016
- Elections Commission, received on September 13, 2016
- Recreation and Parks Commission, received on September 14, 2016
- Citizens' General Obligation Bond Oversight Committee, received on October 4, 2016

The Report was heard in Committee, and Resolution No. 405-16 was prepared for the Board of Supervisors approval that formally accepted or rejected the findings and recommendations. The Board of Supervisors provided the required response on September 20, 2016 (copy enclosed).

If you have any questions, please contact Erica Major at (415) 554-4441.

Sincerely,

Angela Calvillo
Clerk of the Board

c: Members, Board of Supervisors
Honorable John K. Stewart, Presiding Judge
Kathie Lowry, 2016-2017 San Francisco Civil Grand Jury
Kitsaun King, 2016-2017 San Francisco Civil Grand Jury
Jay Cunningham, 2015-2016 San Francisco Civil Grand Jury
Alison Scott, 2015-2016 San Francisco Civil Grand Jury
Kate Howard, Mayor's Office
Kelly Kirkpatrick, Mayor's Office
Nicole Elliott, Mayor's Office
Ben Rosenfield, Office of the Controller
Todd Rydstrom, Office of the Controller
Asja Steeves, Office of the Controller
Jon Givner, City Attorney's Office
John Rahaim, Planning Department
AnMarie Rodgers, Planning Department
John Arntz, Department of Elections
Jill Rowe, Elections Commission
Mei Ling Hui, Urban Forest and Agriculture Coordinator
Mohammed Nuru, Public Works
Frank Lee, Public Works
Micki Callahan, Department of Human Resources
Susan Gard, Department of Human Resources
Phil Ginsburg, Recreation and Parks Department
Gary McCoy, Recreation and Parks Commission
Severin Campbell, Budget and Legislative Analyst
Debra Newman, Budget and Legislative Analyst
Jadie Wasilco, Budget and Legislative Analyst

City and County of San Francisco

Certified Copy

Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

160614 **[Board Response - Civil Grand Jury - Maintenance Budgeting and Accounting Challenges for General Fund Departments: Maintenance Economics Versus Maintenance Politics: Pay Now or Pay More Later]**

Resolution responding to the Presiding Judge of the Superior Court on the findings and recommendations contained in the 2015-2016 Civil Grand Jury Report, entitled "Maintenance Budgeting and Accounting Challenges for General Fund Departments: Maintenance Economics Versus Maintenance Politics: Pay Now or Pay More Later;" and urging the Mayor to cause the implementation of accepted findings and recommendations through his/her department heads and through the development of the annual budget. (Government Audit and Oversight Committee)

9/20/2016 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

9/30/2016 Mayor - RETURNED UNSIGNED

STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO

CLERK'S CERTIFICATE

I do hereby certify that the foregoing Resolution is a full, true, and correct copy of the original thereof on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the offical seal of the City and County of San Francisco.

October 12, 2016
Date

Angela Calvillo
Clerk of the Board

AMENDED IN COMMITTEE
FILE NO. 160614 9/15/2016 RESOLUTION NO. 405-16

[Board Response - Civil Grand Jury - Maintenance Budgeting and Accounting Challenges for General Fund Departments: Maintenance Economics Versus Maintenance Politics: Pay Now or Pay More Later]

Resolution responding to the Presiding Judge of the Superior Court on the findings and recommendations contained in the 2015-2016 Civil Grand Jury Report, entitled "Maintenance Budgeting and Accounting Challenges for General Fund Departments: Maintenance Economics Versus Maintenance Politics: Pay Now or Pay More Later;" and urging the Mayor to cause the implementation of accepted findings and recommendations through his/her department heads and through the development of the annual budget.

WHEREAS, Under California Penal Code, Section 933 et seq., the Board of Supervisors must respond, within 90 days of receipt, to the Presiding Judge of the Superior Court on the findings and recommendations contained in Civil Grand Jury Reports; and

WHEREAS, In accordance with California Penal Code, Section 933.05(c), if a finding or recommendation of the Civil Grand Jury addresses budgetary or personnel matters of a county agency or a department headed by an elected officer, the agency or department head and the Board of Supervisors shall respond if requested by the Civil Grand Jury, but the response of the Board of Supervisors shall address only budgetary or personnel matters over which it has some decision making authority; and

WHEREAS, Under San Francisco Administrative Code, Section 2.10(a), the Board of Supervisors must conduct a public hearing by a committee to consider a final report of the findings and recommendations submitted, and notify the current foreperson and immediate past foreperson of the civil grand jury when such hearing is scheduled; and

WHEREAS, In accordance with San Francisco Administrative Code, Section 2.10(b), the Controller must report to the Board of Supervisors on the implementation of recommendations that pertain to fiscal matters that were considered at a public hearing held by a Board of Supervisors Committee; and

WHEREAS, The 2015-2016 Civil Grand Jury Report, entitled "Maintenance Budgeting and Accounting Challenges for General Fund Departments: Maintenance Economics Versus Maintenance Politics: Pay Now or Pay More Later" (Report) is on file with the Clerk of the Board of Supervisors in File No. 160614, which is hereby declared to be a part of this Resolution as if set forth fully herein; and

WHEREAS, The Civil Grand Jury has requested that the Board of Supervisors respond to Finding Nos. F:II.A.1-d, F:II.B.1-b, F:II.B.2-b, F:II.C-3-a, F:II.C-3-b, F:IV.2-c, F:IV.4, F:VI.1and F:VI.3, as well as, Recommendation Nos. R:1.A.1-a.d, R:I.A.2-d, R:I.A.3-d, R:I.A.4-d, R:II.A.1-1.c, R:II.B.1-d, R:II.B.2.d, R:II.C.1-1.c, R:II.C.1.2.c, R:II.C.1.3, R:II.C.1.4.c-d, R:II.C.1-5.c, R:II.C.1.6.c, R:II.C.1.7.c, R:II.C.2-1-c, R:II.C.2-2-d, R:III.A.1.d, R:III.B.1.d, R:III.C.1-1.f, R:III.C.2-c, R:III.C.3-e, R:III.D.1.c, R:IV.2, R:IV.4, R:VI.1-b, R:VI.2-a, R:VI.2-c, R:VI.3-d, R:VII.1-l, and R:VII.4-d contained in the subject Report; and

WHEREAS, Finding No. F:II.A.1-d states: "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;" and

WHEREAS, Finding No. F:II.B.1-b states: "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 trade-off decisions;" and

WHEREAS, Finding No. F:II.B.2-b states: "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 trade-offs;" and

WHEREAS, Finding No. F:II.C-3-a states: "The Board of Supervisors adopted the Plan by Ordinance No. 23-15;" and

WHEREAS, Finding No. F:II.C-3-b states: "On April 19, 2016, Supervisor Scott Weiner introduced a proposed Charter amendment (#160381 Charter Amendment and Business and Tax Regulations Code – City Responsibility and Parcel Tax for Street Trees) to implement and pay for Phase I of the Urban Forest Plan. (paragraph 31);" and

WHEREAS, Finding No. F:IV.2-c states: "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;" and

WHEREAS, Finding No. F:IV.4 states: "The Board of Supervisors generates a list of budget policy priorities to guide funding decisions on the unallocated pools of money resulting from expenditure reductions to the Mayor's proposed budget;" and

WHEREAS, Finding No. F:VI.1 states: "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 the deferred backlog. Cost escalation over that six year delay will significantly increase the future cost of reducing the backlog and

WHEREAS, Finding No. F:VI.3 states: "Budget hearings by the Board of Supervisors would be an opportunity to hear from General Fund departments on what factors led to the accumulation of deferred maintenance and lead to changes in funding policy to reduce these factors;" and

WHEREAS, Recommendation No. R:1.A.1-a states: To provide useful information for the public in assessing the City's stewardship of public assets, the City Administrator and the Director of 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. After review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve the amount requested by the City Administrator to accomplish this additional calculating and reporting in the approved budgets for Fiscal Year 2017-2018 and thereafter;" and

WHEREAS, Recommendation No. R:I.A.2-d states: "After review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve the amount requested by the Controller for the compilation and disclosure of the total maintenance budget for the General Fund departments and periodic audits in the approved budget for Fiscal Year 2017-2018 and thereafter;" and

WHEREAS, Recommendation No. R:I.A.3-d states: "After review by the Budget and Legislative Analyst Office, the Board of Supervisors should approve the amount requested by the Controller for the compilation and disclosure of the total deferred maintenance and repair backlog for General Fund departments and periodic audits in the approved budget for Fiscal Year 2017-2018 and thereafter;" and

WHEREAS, Recommendation No. R:I.A.4-d states: "After review by the Budget and Legislative Analyst Office, the Board of Supervisors should approve the amount requested by the Controller to accomplish this benchmark study in the approved budget for Fiscal Year 2017-2018;" and

WHEREAS, Recommendation No. R:II.A.1-1.c states: "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, after review by the Budget and Legislative Analyst Office, the Board of Supervisors should approve sufficient funding in the Fiscal Year 2017-2018 budget and thereafter from stable funding sources for all General Fund departments' high-priority maintenance and repair projects;" and

WHEREAS, Recommendation No. R:II.B.1-d states: "To reduce the risk of injury to City employees, and after review by the Budget and Legislative Analyst, the Board of Supervisors should approve this line item in the Controller's budget request for an audit of Workers Compensation Division data gathering policies and procedures and include it in the approved budget ordinance for Fiscal Year 2017-2018;" and

WHEREAS, Recommendation No. R:II.B.2.d states: "To reduce the risk of injury to City employees, and after review by the Budget and Legislative Analyst, the Board of Supervisors should approve 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 and include it in the approved budget ordinance for Fiscal Year 2017-2018;" and

WHEREAS, Recommendation No. R:II.C.1-1 states: "Maintain urban forest. Because trees perform valuable environmental, economic and social functions and make San Francisco a better place to live and work, after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve stable funding sources for maintaining the urban forest;" and

WHEREAS, Recommendation No. R:II.C.1.2 states: "DPW (Department of Public Works) 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), after Budget and Legislative Analyst's Office review, the Board of Supervisors should approve

sufficient dedicated funding in the budget for upcoming Fiscal Years 2017-2018 and thereafter to the Public Works Department for the routine maintenance of all street trees;" and

WHEREAS, Recommendation No. R:II.C.1.3 states: "Proposition #160381. The Board of Supervisors should approve placing the Street Trees proposition (#160381 Charter Amendment and Business and Tax Regulations Code – City Responsibility and Parcel Tax for Street Trees) on the November 2016 ballot;" and

WHEREAS, Recommendation No. R:II.C.1.4.c-d states: "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, after review by the Budget and Legislative Analyst Office, the Board of Supervisors should approve sufficient funding in the approved budget for Fiscal Years 2017-2018 and thereafter for the Planning Department to complete The Urban Forest Plan (Phase 2: Parks and Open Space). After review by the Budget and Legislative Analyst Office, the Board of Supervisors should pass an Ordinance incorporating The Urban Forest (Phase 2: Parks and Open Space) by reference;" and

WHEREAS, Recommendation No. R:II.C.1.5 states: "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, after Budget and Legislative Analyst's Office review, the Board of Supervisors should approve sufficient funding in the budget for upcoming Fiscal year 2017-2018 and thereafter for the Recreation and Parks Department's plan to plant two trees for every tree removed;" and

WHEREAS, Recommendation No. R:II.C.1.6.c states: "Rec and Park 15 year maintenance cycle: Because it will increase overall tree health and reduce e overall per-tree maintenance costs, after Budget and Legislative Analyst's Office review, the Board of Supervisors should approve sufficient dedicated funding in the approved budget for upcoming

Fiscal Years 2017-2018 and thereafter to the Recreation and Parks Department for the sustained 15-year tree maintenance cycle;" and

WHEREAS, Recommendation No. R:II.C.1.7.c states: "Rec & Park Tree Risk Assessments. Because it will increase safety for all park users, after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve sufficient dedicated funding in the approved budget for upcoming Fiscal Years 2017-2018 and thereafter to the Recreation and Parks Department for completion of tree risk assessments and hazardous tree abatement;" and

WHEREAS, Recommendation No. R:II.C.2-1-c states: "After review by the Budget and Legislative Analyst Office, the Board of Supervisors should approve adequate funding for the Department of Public Works for maintenance and repair of "Structurally Deficient" bridges in the Fiscal Year 2017-2018 and thereafter;" and

WHEREAS, Recommendation No. R:II.C.2-2-d states: "To prevent further deterioration and unsafe conditions, and after review by the Budget and Legislative Analyst Office, the Board of Supervisors 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 adopted budget in the Fiscal Year 2017-2018 and thereafter;" and

WHEREAS, Recommendation No. R:III.A.1.d states: "To focus attention on the relationship between General Fund departments annual maintenance and repair expenditures and their deferred maintenance backlogs, and after review by the Budget and Legislative Analyst Office, the Board of Supervisors 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 approved budget for Fiscal Year 2017-2018;" and

WHEREAS, Recommendation No. R:III.B.1.d states: "For increased transparency and accountability, and after review by the Budget and Legislative Analyst, the Board of Supervisors should approve the Capital Planning Committee'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, and include this cost in the adopted Budget for Fiscal Year 2017-2018 and thereafter; and

WHEREAS, Recommendation No. R:III.C.1-1.f states: "To obtain updated relevant information as a basis for rational and informed budget decision making, after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve amounts in the Fiscal Year 2017-2018 Budget for: (I) the Real Estate Division, (2) the Department of Public Works, (3) the Recreation and Parks Department and (4) other General Fund departments responsible for maintaining capital asset specifically for Condition Assessment surveys with cost estimates of General Fund Department facilities and infrastructure;" and

WHEREAS, Recommendation No. R:III.C.2-c states: "After review by the Budget and Legislative Analyst Office, the Board of Supervisors should approve the allocation of funds from the Recreation and Parks Department's "Open Space Fund" for the purpose of conducting a comprehensive condition assessment;" and

WHEREAS, Recommendation No. R:III.C.3-e states: "To provide useful information for the public in assessing the City's stewardship of public assets, and after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve these line item entries for a study of facilities with a Facility Condition Index (FCI) of fair or poor condition in the adopted Budget Ordinance for Fiscal Year 2017-2018;" and

WHEREAS, Recommendation No. R:III.D.1.c states: "To make the true cost of program delivery visible, after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve adjustments to tenant General Fund departments' budgets sufficient to cover rent increases;" and

WHEREAS, Recommendation No. R:IV.2 states: "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;" and

WHEREAS, Recommendation No. R:IV.4 states: "In recognition of maintenance of facilities and infrastructure as an important component in stewardship of City assets, and after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should include adequate funding for General Fund departments maintenance and repair in the list of budget policy priorities for 'unallocated monies;'" and

WHEREAS, Recommendation No. R:VI.1-b states: "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), and after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve future budgets

containing restoration of the annual ten percent growth rate to the Pay-as-you-go Program;" and

WHEREAS, Recommendation No. R:VI.2-a states: "In furtherance of good stewardship, the Board of Supervisors should require General Fund departments during budget hearings to describe what factors led to the accumulation of deferred maintenance in individual departments;" and

WHEREAS, Recommendation No. R:VI.2-c states: "In furtherance of good stewardship, and after review by the Budget and Legislative Analyst's Office, the Board of Supervisors should approve sufficient maintenance and repair funding for General Fund departments in the Fiscal year 2017-2018 Budget to prevent the Deferred Maintenance backlog from growing larger;" and

WHEREAS, Recommendation No. R:VI.3-d states: "In the interests of transparency and accountability, and after review by the Budget and Legislative Analyst Office, the Board of Supervisors should approve 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, and include them in the adopted Budget ordinance for the 2017-2018 Budget and thereafter;" and

WHEREAS, Recommendation No. R:VII.1-I states: "The Board of Supervisors, after review by the Budget and Legislative Analyst Office, should approve these line items 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 approved budget for Fiscal Year 2017-2018;" and

WHEREAS, Recommendation No. R:VII.4-d states: "The Board of Supervisors, after review by the Budget and Legislative Analyst Office, should approve these line item entries for

the Capital Planning Committee to include in its annual report a complete and accurate update of the progress made in addressing deferred maintenance, and include these line items in the adopted Budget ordinance for 2017-2018 and thereafter;" and

WHEREAS, In accordance with California Penal Code, Section 933.05(c), the Board of Supervisors must respond, within 90 days of receipt, to the Presiding Judge of the Superior Court on Finding Nos. F:II.A.1-d, F:II.B.1-b, F:II.B.2-b, F:II.C-3-a, F:II.C-3-b, F:IV.2-c, F:IV.4, F:VI.1, and F:VI.3, as well as, Recommendation Nos. R:1.A.1-a.d, R:I.A.2-d, R:I.A.3-d, R:I.A.4-d, R:II.A.1-1.c, R:II.B.1-d, R:II.B.2.d, R:II.C.1-1.c, R:II.C.1.2.c, R:II.C.1.3, R:II.C.1.4.c-d, R:II.C.1-5.c, R:II.C.1.6.c, R:II.C.1.7.c, R:II.C.2-1-c, R:II.C.2-2-d, R:III.A.1.d, R:III.B.1.d, R:III.C.1-1.f, R:III.C.2-c, R:III.C.3-e, R:III.D.1.c, R:IV.2, R:IV.4, R:VI.1-b, R:VI.2-a, R:VI.2-c, R:VI.3-d, R:VII.1-l, and R:VII.4-d contained in the Report; now, therefore, be it

RESOLVED, That the Board of Supervisors reports to the Presiding Judge of the Superior Court that they agree with Finding No. F:II.A.1-d; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:II.B.1-b; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:II.B.2-b; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:II.C-3-a and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:II.C-3-b; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:IV.2-c; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:IV.4; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:VI.1; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that they agree with Finding No. F:VI.3; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:1.A.1-a.d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:I.A.2-d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:I.A.3-d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:I.A.4-d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's

Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.A.1-1.c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.B.1-d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.B.2.d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.1-1.c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking

action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.1.2.c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation, but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.1.3 will not be implemented for reasons as follows: The parcel tax was removed from this Charter amendment; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.1.4.c–d has been implemented for reasons as follows: As stated by the Planning Director, Mayor, Mayor's Office and Public Policy and Finance, the Planning Department is currently scoping Phase II of the Urban Forest Plan. The Planning Department has included a line item in its budget to allow this work and is currently meeting its tree planning goals through the existing budget; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.1-5.c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.1.6.c will not be implemented for reasons as follows: Because the Mayor has not

proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.1.7.c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.2-1-c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:II.C.2-2-d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:III.A.1.d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's

Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:III.B.1.d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:III.C.1-1.f will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:III.C.2-c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:III.C.3-e will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking

action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:III.D.1.c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, that the Board of Supervisors reports that Recommendation No. R:IV.2 will not be implemented for reasons as follows: Although we agree that Department heads should advocate vigorously for their funding needs, we can only urge them to do so, but it is not within our purview to direct them to do so; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:IV.4 will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:VI.1-b will not implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:VI.2-a will not be implemented for reasons as follows: The future Board of Supervisors can encourage the General Fund departments to describe factors leading to the accumulation of deferred maintenance at future hearings, but cannot require them to do so; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:VI.2-c will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:VI.3-d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:VII.1-l will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be it

FURTHER RESOLVED, That the Board of Supervisors reports that Recommendation No. R:VII.4-d will not be implemented for reasons as follows: Because the Mayor has not proposed a budget for the 2017-2018 fiscal year and the Budget and Legislative Analyst's

Office has not reviewed the request yet, the Board of Supervisors cannot commit to taking action on this recommendation but urges the future Board of Supervisors to consider this request at a future hearing after the budget season resumes; and, be

FURTHER RESOLVED, That the Board of Supervisors urges the Mayor to cause the implementation of the accepted findings and recommendations through his/her department heads and through the development of the annual budget.

City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 160614 **Date Passed:** September 20, 2016

Resolution responding to the Presiding Judge of the Superior Court on the findings and recommendations contained in the 2015-2016 Civil Grand Jury Report, entitled "Maintenance Budgeting and Accounting Challenges for General Fund Departments: Maintenance Economics Versus Maintenance Politics: Pay Now or Pay More Later;" and urging the Mayor to cause the implementation of accepted findings and recommendations through his/her department heads and through the development of the annual budget.

September 15, 2016 Government Audit and Oversight Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

September 15, 2016 Government Audit and Oversight Committee - RECOMMENDED AS AMENDED AS A COMMITTEE REPORT

September 20, 2016 Board of Supervisors - ADOPTED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

File No. 160614

I hereby certify that the foregoing Resolution was ADOPTED on 9/20/2016 by the Board of Supervisors of the City and County of San Francisco.

Peggy Nevin for
Angela Calvillo
Clerk of the Board

Unsigned
Mayor

9/30/16
Date Approved

Civil Grand Jury Report: Maintenance Budgeting and Accounting Challenges for General Fund Departments

UFC Response

July 20, 2016

Findings Ref.	Item for required response	Suggested Response
F:II.C1b.	San Francisco's canopy cover at 13.7% lags far behind other major cities, and varies widely between neighborhoods.	The Urban Forestry Council agrees. The Urban Forest Plan: Phase 1, Street Trees conducted an analysis of the urban forest and found that the City has a canopy of 13.7%, that this level of canopy coverage lags behind other major cities, and that forestry cover and management varies widely between neighborhoods. The UFC affirmed these finding in UFC Resolution No. 001-14-UFC, endorsing the Urban Forest Plan, Phase 1: Street Trees, and urging the Board of Supervisors and City Departments to adopt and implement the Plan.
F:II.C1c.	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.	The Urban Forestry Council agrees. To produce the Annual Urban Forest Report, the Urban Forestry Council conducts an annual survey of urban forest managers to collect information on: - The resources used to manage the urban forest, including funding and staffing levels; - The number of trees planted, removed, and maintained; and - The opportunities and challenges faced by urban forest managers. As stated in all of the Annual Urban Forest Reports adopted by the UFC, reporting organizations consistently identified lack of funding and staffing to adequately maintain the urban forest as their chief concern and highest priority to address. In particularly, the Recreation and Park Department and Department of Public Works, which have the largest municipal forestry programs in terms of number of trees overseen by a municipal agency, each consistently report that significant lack of funding and staffing prevent their forestry programs from adequately managing the trees within their jurisdictions.
F:II.C4a.	The Urban Forestry Council urges completion of Phase 2 of the Urban Forest Plan related to Parks and Open Spaces.	The Urban Forestry Council agrees. In UFC Resolution No. 001-14-UFC, the Urban Forestry Council - Urges the Board of 5 Supervisors, Planning Department and other City Agencies to prioritize funding and 6 support for the completion of the next two phases of the Urban Forest Plan; and, - Urges the Planning Department to work with the Recreation and Parks Department and the Department of the Environment to complete the Urban Forest Plan: Phase Two, Parks and Open Spaces and the Urban Forest Plan: Phase Three, Greening Buildings and Private Property.

2015-16 Civil Grand Jury
Maintenance Budgeting and Accounting Challenges for General Fund Depts.
MASTER LIST:FINDINGS Response Template

CGJ Year	Report Title	Number	#	Findings	Dept	Respondent assigned by CGJ	2016 Responses (Agree/Disagree)Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	64	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.	REG	Department of Elections, Elections Commission	Agree with finding	The Department of Elections is able to publish additional information in the Voter Information Pamphlet regarding general obligation bonds that is provided from City agencies.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	65	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.	REG	Department of Elections	Agree with finding	The Department of Elections is able to publish additional information in the Voter Information Pamphlet regarding general obligation bonds that is provided from City agencies.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	65	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.	REG	Elections Commission		

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

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.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

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 Artnz
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) 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:I.A.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.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

August 26, 2016

The Honorable John K. Stewart
Presiding Judge
Superior Court of California, County of San Francisco
400 McAllister Street, Room 008
San Francisco, CA 94102

Re: Controller's Office response to the 2015-16 Civil Grand Jury Report entitled "Maintenance Budgeting and Accounting Challenges for General Fund Departments"

Dear Judge Stewart:

Pursuant to Penal Code Section 933 and 933.05, this letter transmits the Office of the Controller's responses to the recommendations in the 2015-16 San Francisco Civil Grand Jury report, *Maintenance Budgeting and Accounting Challenges for General Fund Departments*, issued on June 27, 2016.

We commend the Civil Grand Jury for its focus on how the City can better meet the challenge of maintaining our City streets, parks, facilities, and other critical assets. While the City has invested additional resources in these maintenance needs in recent years, it has not been at a level sufficient to reverse a growing backlog of deferred maintenance investment needs. While we concur with the broader goal of the report – to encourage administrators and policy makers to reverse this long-standing trend – we do not concur in several cases with the report's suggested means to best achieve that goal.

If you have any questions about this response, please contact Deputy Controller Todd Rydstrom or me at 415-554-7500.

Respectfully submitted,

Ben Rosenfield
Controller

cc: Todd Rydstrom, Deputy Controller, City and County of San Francisco
Angela Calvillo, Clerk of the Board, City and County of San Francisco

2015-16 Civil Grand Jury
Maintenance Budgeting and Accounting Challenges for General Fund Depts.
CON :FINDINGS Response Template

CGJ Year	Report Title	#	Findings	Respondent assigned by CGJ	2016 Responses (Agree/Disagree)Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	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.	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office has not issued any reports to the public indicating the gap between the City's investment in General Fund departments' facilities maintenance assets and industry guidelines. However, the city's Capital Planning Committee (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. To address the gap between its capital needs and the resources available, the CPC continues to explore various approaches, including, but not limited to, revising funding benchmarks, leveraging the value of City-owned assets as debt-financing vehicles, preparing projects for voter consideration at the ballot and exploring new revenue sources.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:I.A.2-a.	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.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources. 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.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:I.A.2-b.	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.	Controller	disagree with it, partially (explanation in next column)	See Controller's response to related finding F:I.A.2-a. Departments may also use additional funding from their operating budget, for example, when corrective repairs exceed the amount assumed and appropriated in the facilities maintenance line item budget.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:I.A.2c.	The total maintenance budget for General Fund departments is not disclosed in the Budget report.	Controller	disagree with it, partially (explanation in next column)	See Controller's response to related finding F:I.A.2-a. To the degree departments consistently post all budget and actuals spent in the facilities maintenance line item, it will be reflected. Further, 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.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	disagree with it, partially (explanation in next column)	See Controller's response to related finding F:I.A.2-a.
	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:I.A.4.**	San Francisco's comparison with benchmark comparable cities and counties in terms of (a) "Facilities Maintenance" investment in General Fund Departments' assets, measured as a percentage of Current Replacement Value(CRV) and dollars; (b) General Fund Departments' total maintenance and repair budgets, and (c) General Fund Departments' deferred maintenance and repair backlog would be useful for the public in assessing the City's stewardship of these General Fund Departments' assets.	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office 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.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. 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.

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Maintenance Budgeting and Accounting Challenges for General Fund Depts.
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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:III.A.1a.**	Lack of comprehensive and reliable data obscures the relationship between the amounts General Fund departments spend on annual maintenance and repair and the costs resulting from deferred maintenance backlogs.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. 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. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office acknowledges the importance of complete and accurate data in making informed decisions about the use and stewardship of public assets and resources. Although the Mayor's Office and the Controller's Office provide instructions to departments on performance measures, the primary responsibility for managing departmental assets is decentralized, resting 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, all of which are slated to be available citywide in July 2017.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources based on complete and accurate information. 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.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:III.C.3-c.**	A Controller's Study of those physical assets with a Facilities Condition Index of 0.30 or greater will help determine whether a lack of comprehensive maintenance and repair planning resulted in underinvestment in preventive maintenance work that has depreciated the value and useful life of those physical assets.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources based on complete and accurate information, but has not completed a study of the conditions of the City's physical assets. The study suggested would likely be most effectively performed by the City's Capital Planning Program or others with specific jurisdiction and specialization in these areas.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	agree with finding	The Controller's Office agrees with this finding. Section 3.5 of the Budget Process Ordinance requires departments to submit a budget containing documentation on the department's overall mission, strategic plans, policy outcome measures, and specific departmental programs and activities as part of their long-term departmental budget planning process. The process provides an opportunity for each department to make a case for additional resources for a host of identified needs.

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Maintenance Budgeting and Accounting Challenges for General Fund Depts.
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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	agree with finding	The Controller's Office agrees with this finding. The Capital Budget Request Form does allow departments to submit for consideration their Capital Budget requests of greater than $100,000 to the Capital Planning Program (CPP). However, inclusion in the Capital Plan does not guarantee funding for a project. The Capital Planning Committee reviews CPP staff recommendations as part of the budget development process.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	agree with finding	The Controller's Office agrees with this finding. 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.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:VI.2-b.**	The City wastes taxpayer money when it uses general fund bonds to pay for renewal of assets that deteriorated prematurely because of deferred maintenance and repairs.	Controller	disagree with it, wholly (explanation in next column)	The Controller's Office disagrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. 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. Using pay-as-you-go General Fund dollars for renewal of assets is not always advisable, realistic, or possible, given the City's other critical needs and mandates.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:VII.1-a.**	Leading or best practices exist on how to account for and report deferred maintenance and repair so that reliable information is provided to City managers and the general public. However, these practices are not being implemented by many, if not most, City departments.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. 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 key information on mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:VII.1-b.**	Implementation of GASB Standard 34's "modified approach" can provide some improvement in accounting for capital assets, but the City has chosen not to implement that option.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The City previously considered the implementation of GASB Standard 34's modified approach. GASB 34's modified approach requires an asset management system that must have an up-to-date inventory of eligible infrastructure assets, and requires the government to perform condition assessments of the eligible assets, summarize the results using a measurement scale, and estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government. Given the amount of resources the modified approach would require and the variations and ambiguities in maintenance reporting that could arise, the City decided to implement the standard approach, while still ensuring full compliance with government accounting procedures. 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 reliability of financial records for preparing financial statements and maintaining accountability for assets. The Controller's Office believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:VII.1-c.**	Implementing GASB Standard 34's modified approach would be an improvement over the existing practices, but is not as robust as FASB 42.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The City previously considered the implementation of GASB Standard 34's modified approach. GASB 34's modified approach requires an asset management system that must have an up-to-date inventory of eligible infrastructure assets, and requires the government to perform condition assessments of the eligible assets, summarize the results using a measurement scale, and estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government. Given the amount of resources the modified approach would require and the variations and ambiguities in maintenance reporting that could arise, the City decided to implement the standard approach, while still ensuring full compliance with government accounting procedures. 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 reliability of financial records for preparing financial statements and maintaining accountability for assets. The Controller's Office believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. 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 Controller's Office believes that 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.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:VII.3.**	The City's capital assets shown in its financial statements may be overstated because its use of straight line depreciation assumes a longer asset life span than is likely given the reduced life impact of deferred maintenance.	Controller	disagree with it, wholly (explanation in next column)	The Controller's Office disagrees with this finding. The City ensures the completeness and accuracy of its audited financial statement through the comprehensive structure of internal accounting controls to provide a reasonable assurance that the financial statements are free of material misstatements. Departments have the ability to reflect impaired asset value in the event it is materially different. The Controller continues to believe in the accuracy and completeness of the City's financial statements, as assured by the City's external financial auditors.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**F:VII.4.**	Existing data show that maintaining assets extends asset life and is cheaper than prematurely replacing unmaintained assets.	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The City's Capital Planning Committee (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. The CPC gathers departmental data and prioritizes maintenance and renewal projects, as well as identifies the City's deferred and emerging needs. 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.

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Maintenance Budgeting and Accounting Challenges for General Fund Depts

CON : RECOMMENDATIONS Response Template

CGJ Year	Report Title	#	Recommendations	Respondent assigned by CGJ	2016 Responses (implementation) Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:I.A.2-a.**	This recommendation satisfies Findings F:I.A.2a, and c: a. In order for the public to assess the City's stewardship of General Fund Departments' assets, the Controller should: (1) disclose the total maintenance budget for General Fund departments; and (2) periodically conduct an audit of investment levels in General Fund departments' asset maintenance and repair.	Controller	The recommendation has been implemented (summary of how it was implemented in next column)	The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources. General Fund departments report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. 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 specific mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, which will be issued in FY 2016-17. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:I.A.2-b.**	The Controller should determine the additional annual time and manpower cost to accomplish the compilation and disclosure of the total maintenance budget for General Fund departments, and periodic audits and include line item entries for those costs in its budget requests for fiscal year 2017-2018 and thereafter;	Controller	The recommendation has been implemented (summary of how it was implemented in next column)	See Controller's response to related recommendation R:I.A.2-a.

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Maintenance Budgeting and Accounting Challenges for General Fund Depts

CON : RECOMMENDATIONS Response Template

2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:I.A3-a.**	In order for the public to assess the City's stewardship of General Fund Departments' assets, the Controller should: (1) disclose the total deferred maintenance and repair backlog for General Fund departments; and (2) periodically conduct an audit of General Fund departments' deferred maintenance and repair backlog.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources. General Fund departments report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. The Mayor's Office and the Controller's Office provide budget instructions to departments, including those related to reporting and tracking of budget requests for capital maintenance, renewal, replacement and enhancement projects. The primary responsibility for managing departmental assets is decentralized, resting with each department. Departments maintain different systems for tracking maintenance and repair information (e.g., MAXIMO, Infor, etc.). 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 specific information on maintenance and repair projects, along with funding, prioritization, and reporting mechanisms. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, which will be issued in FY 2016-17. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:I.A.3-b.**	The Controller should determine the additional annual time and manpower cost to accomplish the compilation and disclosure of the total deferred maintenance and repair backlog for General Fund departments, and periodic audits and include line item entries for those costs in its budget requests for fiscal year 2017-2018 and thereafter;	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:I.A.3-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.

2015-16 Civil Grand Jury
Maintenance Budgeting and Accounting Challenges for General Fund Depts
CON : RECOMMENDATIONS Response Template

2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:I.A.4-a.**	To provide useful information for the public in assessing the City's stewardship of General Fund Departments' assets, the Controller should conduct a benchmark study of investment levels in General Fund departments' "Facilities Maintenance" measured as a percentage of Current Replacement Value, total maintenance and repair budgets and deferred maintenance and repair backlogs;	Controller/CSA	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	Before determining whether to accept this recommendation, the Controller's Office must determine the costs and benefits of the efforts involved in implementing it, taking into consideration available resources, mandated functions and activities, and other higher-risk areas of concern citywide. The primary responsibility for managing departmental assets is decentralized, resting with each department. Departments maintain different systems for tracking maintenance and repair information (e.g., MAXIMO, Infor, etc.). The Controller's Office continues to refine and develop approaches to providing quality data and information, including benchmarking information, to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management. Coordination with other relevant city departments and stakeholders will be conducted, as necessary, in making this determination, with completion expected in January 2017.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:I.A.4-b.**	The Controller should determine the additional time and manpower cost to conduct this benchmark study and include a line item for those costs in its budget request for fiscal year 2017-2018;	Controller/CSA	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendation R:I.A.4-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:II.B.1-a.**	The Controller should: • conduct an audit of the Workers' Compensation Division of the Department of Human Resources data gathering policies and procedures, • report to budget decisionmakers its findings of identified and quantified risks of injury created by deferred maintenance and repairs, and recommend appropriate modifications. So as budget funding tradeoff decisions are made, the Mayor and Board of Supervisors will know what portion of the City's Workers Compensation liabilities (if any) arise from poorly maintained General Fund department capital assets.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	Before determining whether to accept this recommendation, the Controller's Office must determine the costs and benefits of the efforts involved in implementing it, taking into consideration available resources, mandated functions and activities, and other higher-risk areas of concern citywide. In addition, a determination on the availability and reliability of appropriate and sufficient data (e.g., workers compensation level, type, claim causes, etc.) is needed to assess feasibility. Assessment with other relevant city departments and stakeholders, specifically the Department of Human Resources Workers' Compensation Division and the California Workers' Compensation System, will be conducted, as necessary, in making this determination, with assessment completion expected in January 2017.

2015-16 Civil Grand Jury

Maintenance Budgeting and Accounting Challenges for General Fund Depts

CON : RECOMMENDATIONS Response Template

2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:II.B.1-b.**	The Controller should determine the additional time and manpower cost to the City Services Auditor staff to accomplish this audit and report and include a line item for this cost in its budget request for fiscal year 2017-2018.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendation R:II.B.1-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The Controller's Office defers to the other responding departments in determining the Controller's involvement 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. Further, the Controller's Data Academy is open for all departments to attend to ensure data analytics skills are available to all departments.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:II.B.2.b.**	To provide budget decisionmakers with pertinent information for making tradeoff decisions, the Controller should determine the additional time and manpower cost to develop procedures for periodic analysis of Hazard Logs to identify and quantify risks of injury created by deferred maintenance and repairs and include a line item for this cost in its budget request for fiscal year 2017-2018.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:II.B.2-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:III.A.1.a.**	To focus attention on the relationship between General Fund departments' annual Maintenance and repair expenditures and these departments' deferred maintenance and repair backlogs, the Controller should utilize the replacement or revision of the current asset management programs used by General Fund departments as an opportunity for development of new or revised performance metrics to collect and report to City officials and the public: (1) the costs departments expend on annual maintenance and repair; and (2) the annual costs incurred in addressing their deferred maintenance and repair backlogs.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	Before determining whether to accept this recommendation, the Controller's Office must determine the costs and benefits of the efforts involved in implementing it, taking into consideration available resources, mandated functions and activities, and other higher-risk areas of concern citywide. 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 detailed information on maintenance and repair projects, along with specific funding, prioritization, and reporting mechanisms. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, which will be issued in FY 2016-17. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management. The City is now replacing its accounting and financial system, which includes an asset management module containing such fields as City Asset Status, Condition Assessment, and Safety Assessment.

2015-16 Civil Grand Jury

Maintenance Budgeting and Accounting Challenges for General Fund Depts

CON : RECOMMENDATIONS Response Template

2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:III.A.1.b.**	The Controller should determine the additional time and manpower cost to develop these new or revised performance metrics in asset management programs and include line item entries in its budget request for fiscal year 2017-2018.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendation R:III.A.1-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:III.C.3-b.**	The Controller should conduct a study of the General Fund Departments listed on the December 2015 FRRM (Facilities Renewal Resource Model) report "Backlog and 10Yr Need by Facility (or such updated reports as is appropriate) with a Facilities Condition Index of 0.30 or greater ("fair" or "poor") to determine: (1) Which of those physical assets (if any) are in "fair condition"; (2) Which of those physical assets (if any) are in "poor condition'; (3) Which of those physical assets (if any) are starting to approach or exceed their life expectancies; (4) Which of those physical assets (if any) should be considered high priority for maintenance and repair funding; (5) Which of those physical assets (if any) require additional maintenance and repair funding to prevent further accumulation of deferred maintenance and repair; (6) Whether lack of comprehensive maintenance and repair planning resulted in underinvestment in preventive maintenance and repair work that has depreciated the value and useful life of these physical assets; and present the report containing the Controller's findings on the above items to the Mayor and Board of Supervisors for use in the budget process.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources. The primary responsibility for managing departmental assets is decentralized, resting with each department. Departments maintain different systems for tracking maintenance and repair information for their physical assets (e.g., MAXIMO, Infor, etc.). The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management. The City is now replacing its accounting and financial system, which includes an asset management module containing such fields as City Asset Status, Condition Assessment, and Safety Assessment. As the City implements its new financial system, the Controller's Office will work with other departments in using these modules. On an ongoing basis, 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.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:III.C.3-c.**	The Controller should determine the additional time and manpower cost to accomplish the additional reporting recommended in the preceding Recommendation 3(b) and include a line item entry for those costs in his budget requests for fiscal year 2017-2018.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:III.C.3-b.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:V.3.**	In the furtherance of transparency and accountability and best practices in government, **a.** the Controller's Statement on General Obligation Bond propositions in the Department of Elections Voter Information Pamphlet should include a LifeCycle Cost estimate, containing the projected lifecycle Maintenance and Repair cost for the proposed Capital Project.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	Before determining whether to accept this recommendation, the Controller's Office must determine the costs and benefits of the efforts involved in implementing it, taking into consideration available resources, mandated functions and activities, and other higher-risk areas of concern citywide. Coordination with other relevant city departments and stakeholders will be conducted, as necessary, in making this determination, with completion expected in January 2017.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:V.3.**	**b.** the Controller should instruct General Fund departments to report annually to GOBAC: 1) the inflationadjusted LifeCycle Maintenance and Repair Cost estimate for each General Obligation Bond funded project; 2) the amount budgeted for Operating Cost and Maintenance Cost of that asset; 3) the reasons for any budgeted shortfall; and 4) the immediate and longterm consequences of any budgeted shortfall.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The Controller's Office does not have the authority or jurisdiction to require General Fund departments to report annually to the Citizens' General Obligation Bond Oversight Committee (CGOBOC), so cannot implement this recommendation. We will forward the recommendation to CGOBOC, who has the authority to request such reporting from departments.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VI.3-a.**	In furtherance of transparency, accountability and stewardship, the Controller should track 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 is needed.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	General Fund departments already report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. 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 specific mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VI.3-b.**	The Controller should determine the additional time and manpower cost to accomplish the preceding Recommendation to track 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, and include line item entries for those costs in its Budget Requests for the 2017-2018 Budget and thereafter.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:VI.3-a.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-a.**	The Controller should require all city departments to implement existing best practices as provided in FASB 42 and other best practices sources to account for and report deferred maintenance.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The City previously considered the implementation of GASB Standard 34's modified approach, which has the same elements as FASB 42, to which this recommendation pertains. GASB 34's modified approach requires an asset management system that must have an up-to-date inventory of eligible infrastructure assets, and requires the government to perform condition assessments of the eligible assets, summarize the results using a measurement scale, and estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government. Given the amount of resources the modified approach would require and the variations and ambiguities in maintenance reporting that could arise, the City decided to implement the standard approach, while still ensuring full compliance with government accounting procedures. 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 reliability of financial records for preparing financial statements and maintaining accountability for assets. The Controller's Office believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-b.**	The Controller should establish systems and procedures to establish clear maintenance and repair investment objectives and set priorities among outcomes to be achieved.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	In addition to the response provided above in R:VII.1-a., City departments already have the stewardship responsibility of their assets and facilities, which are accounted for in the Controller's citywide accounting system. Using this accounting system data, annually the Controller's Office reports the depreciation costs of all assets, based on the estimated useful lives of those assets using historical costs. For forward-looking and planning purposes, under the City Administrator's direction, City departments annually assess facility conditions, determine cost projects for renewal and proposed enhancement projects, and analyze available funding resources as part of their ten-year capital plan preparations, using the Facilities Renewal Resource Model.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**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 missioncritical and mission supportive.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.1-b.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-d.**	The Controller should establish systems and procedures to conduct condition assessments as a basis for establishing appropriate levels of funding required to reduce, if not eliminate, any deferred maintenance and repair backlog.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.1-b. The Capital Plan also contains the estimated facilities, streets and other right-of-way asset backlogs, showing both funded and deferred levels.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-e.**	The Controller should establish systems and procedures to establish performance goals, baselines for outcomes, and performance measures.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.1-b. The development of an inventory of maintenance-related performance goals, baselines for outcomes, and performance measures will be considered as part of future City Services Auditor maintenance audits.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-f.**	The Controller should establish systems and procedures to identify the primary Methods to be used for delivering maintenance and repair activities.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.1-b. Further, the development of an inventory of methods used for delivering maintenance and repair activities will be considered as part of future City Services Auditor maintenance audits.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-g.**	The Controller should establish systems and procedures to employ models for predicting the outcome of investments, analyzing tradeoffs, and optimizing among competing investments.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.1-b. This recommendation is already in part covered by the Capital Planning process and may benefit from further consideration by Capital Planning staff, who coordinate the use of the Facilities Renewal Resource Model, under the direction of the City Administrator's Office.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-h.**	The Controller should establish systems and procedures to align real property Portfolios with mission needs and dispose of unneeded assets.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.1-b. Further, the Controller's Accounting Policies & Procedures already addresses the accounting treatment and procedures for asset disposal, and the City has procedures in place for identifying and disposing of surplus property.

2015-16 Civil Grand Jury

Maintenance Budgeting and Accounting Challenges for General Fund Depts

CON : RECOMMENDATIONS Response Template

2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-i.**	The Controller should establish systems and procedures to identify the types of risks posed by lack of timely investment.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.1-b. Further, the identification and inventorying of the types of risks posed by the lack of timely investment will be considered as part of future City Services Auditor maintenance audits.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.1-j.**	The Controller should determine the additional time and manpower cost to establish systems and procedures to accomplish the preceding items in Recommendation 1-a through 1-j and include a line item for those costs in its budget requests for fiscal year 2017-2018.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's responses to related recommendations R:VII.1-a through R:VII.1-i.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.2-a.**	The Controller should include a discussion in its annual financial statements to describe what constitutes deferred maintenance and repair and how it is being measured.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	As noted in the City's 2015 Comprehensive Annual Financial Report (CAFR), the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Government Accounting Standards Board and provides a detailed accounting of annual and accumulated depreciation of City assets. The objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. The CAFR includes critical information and highlights regarding departmental assets, capital programs, and maintenance and repair projects. The Controller continues to believe in the accuracy and completeness of the City's financial statements, as assured by the City's external financial auditors.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.2-b.**	The Controller should include a discussion in its annual financial statements to include amounts of deferred maintenance and repair for each major category of Property, Plant, and Equipment.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:VII.2-a. Further, the Controller's Office routinely refers any inquiries to the Capital Planning process and documents, with their associated renewal investment backlog estimates and plans.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.2-c.**	The Controller should include a discussion in its annual financial statements to include a general reference to specific component entity reports for additional information.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:VII.2-a. Further, the Controller's Office routinely refers any inquiries to the Capital Planning process and documents, with their associated renewal investment backlog estimates and plans.

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CON : RECOMMENDATIONS Response Template

2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:VII.3.**	The Controller should immediately reassess the reported value of capitalized assets in its financial statements given the impact of the high level of deferred maintenance on reducing the useable life of these assets.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendations R:VII.1-a and R:VII.2-a. Further, the Controller's Office routinely refers any inquiries to the Capital Planning process and documents, with their associated renewal investment backlog estimates and plans.

San Francisco Elections Commission
1 Dr. Carlton B. Goodlett Place
City Hall, Room 48
San Francisco, CA 94102-4635

Received via email
9/13/2016
File Nos. 160617 and 160618

E-Mail: jillrowe1@sfgov.org

September 13, 2016

The Honorable John K. Stewart
Presiding Judge
San Francisco Superior Court
400 McAllister Street
San Francisco, CA 94102-4514

Re: **Elections Commission Response to Civil Grand Jury Request**

Dear Judge Stewart:

The San Francisco Elections Commission has been asked to send you its response to Findings F.V.3 and F.V.4 of the June 2016 Civil Grand Jury report: Maintenance Budgeting and Accounting Challenges for General Fund Departments. The Elections Commission agrees with those two findings. Attached is the Excel spreadsheet on which the Commission was asked to send its response.

Please let me know if the Court requires any additional action from the Elections Commission.

Very truly yours,

Jill B. Rowe
President, Elections Commission

Encl.

cc (by email w. encl.):
Deputy City Attorney Joshua White
Elections Commissioners
Erica Major, Assistant Clerk, Board of Supervisors

1080146.1

CGJ Year	Report Title	Number	#	Findings	Dept	Respondent assigned by CGJ	2016 Responses (Agree/Disagree)Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	64	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.	REG	Elections Commission	agree with finding	
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	65	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.	REG	Department of Elections	agree with finding	The Department of Elections is able to publish additional information in the Voter Information Pamphlet
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	65	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.	REG	Elections Commission	agree with finding	

Received via Email
9/14/2016
File Nos. 160613 and 160614

Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

To: The Honorable John K. Stewart

From: Philip A. Ginsburg, General Manager

Date: September 6, 2016

Re: 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.*

Honorable John K. Stewart:

In reviewing our department's response to Recommendation R-II.C.1-4: Urban Forest Plan Phase 2 (Page 20), it came to my attention that a description of implementation was omitted. While the response is correct, I wanted to provide a brief summary of implementation:

e. *The Parks Commission should devise a creative dedicated funding plan to implement the Urban Forest Plan (Phase 2: Parks and Open Space).*

Recommendation has been implemented.

Due to the June 2016 passage of Prop B, *The San Francisco Park, Recreation, and Open Space Fund Charter Amendment*, we now have a dedicated funding plan to implement the Urban Forest Plan (Phase 2: Parks and Open Space). This satisfies the recommendation for the Park Commission to devise a creative dedicated funding plan to implement the Urban Forest Plan, Phase 2.

Thank you,

Philip A. Ginsburg
General Manager

Received via email
10/04/2016
File No. 160613/160614

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

October 3, 2016

The Honorable John K. Stewart
Presiding Judge
Superior Court of California, County of San Francisco
400 McAllister Street, Room 008
San Francisco, CA 94102

Re: Citizens' General Obligation Bond Oversight Committee's (CGOBOC) response to the 2015-16 Civil Grand Jury Report entitled "Maintenance Budgeting and Accounting Challenges for General Fund Departments"

Dear Judge Stewart:

Pursuant to Penal Code Section 933 and 933.05, the Office of the Controller is transmitting this letter on behalf of the Citizens' General Obligation Bond Oversight Committee (CGOBOC) in response to the recommendations in the 2015-16 San Francisco Civil Grand Jury report, *Maintenance Budgeting and Accounting Challenges for General Fund Departments*, issued on June 27, 2016.

If you have any questions about this response, please contact me at 415-554-7500.

Respectfully submitted,

Ben Rosenfield
Controller

cc: Brian Larkin, Chairperson, CGOBOC
Todd Rydstrom, Deputy Controller, City and County of San Francisco
Angela Calvillo, Clerk of the Board, City and County of San Francisco

2015-16 Civil Grand Jury
Maintenance Budgeting and Accounting Challenges for General Fund Depts.
CGOBOC: RESPONSE TO FINDINGS

CGJ Year	Report Title	#	Findings	Dept	Respondent assigned by CGJ	2016 Responses (Agree/Disagree)Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:V.5.	The Citizen's General Obligation Bond Advisory Committee properly inquires as to the lifecycle maintenance and repair costs for assets built with General Obligation Bond proceeds, because that is pertinent information relating to those assets.	CON	Citizen's General Obligation Bond Advisory Committee	agree with finding	The Citizens' General Obligation Bond Oversight Committee (CGOBOC) inquires about the lifecycle maintenance and repair costs of assets built with general obligation bond proceeds as part of its general oversight and reporting responsibilities.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:VI.2-b.	The City wastes taxpayer money when it uses general fund bonds to pay for renewal of assets that deteriorated prematurely because of deferred maintenance and repairs.	CON	Citizen's General Obligation Bond Advisory Committee	disagree with it, wholly (explanation in next column)	CGOBOC disagrees with this finding. Per Section 5.31 of the San Francisco Administrative Code, CGOBOC's purpose is to inform the public concerning the expenditure of general obligation bond proceeds and to actively review and report on the bond expenditures to ensure that bond revenues are expended only in accordance with the ballot measure. CGOBOC has no specific authority to determine the appropriateness of funding mechanisms related to the maintenance and repair of city assets.

2015-16 Civil Grand Jury
Maintenance Budgeting and Accounting Challenges for General Fund Depts.
CGOBOC: RESPONSE TO RECOMMENDATIONS

CGJ Year	Report Title	#	Recommendations	Respondent assigned by CGJ	2016 Responses (implementation) Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:V.3.**	**b.** the Controller should instruct General Fund departments to report annually to GOBAC: 1) the inflation adjusted LifeCycle Maintenance and Repair Cost estimate for each General Obligation Bond funded project; 2) the amount budgeted for Operating Cost and Maintenance Cost of that asset; 3) the reasons for any budgeted shortfall; and 4) the immediate and long-term consequences of any budgeted shortfall.	Citizen's General Obligation Bond Advisory Committee	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	CGOBOC believes that a study of maintenance investments required to preserve the City's assets should be performed and considered by policy makers. CGOBOC recognizes the importance of transparency and accountability in the government's use and stewardship of public assets and resources. Per Section 5.31 of the San Francisco Administrative Code, CGOBOC's purpose is to inform the public concerning the expenditure of general obligation bond proceeds and to actively review and report on the bond expenditures to ensure that bond revenues are expended only in accordance with the ballot measure. CGOBOC already inquires with city departments on the budgets, schedules, and plans related to general obligation bond-funded projects as part of its oversight responsibilities.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	**R:V.4.**	In furtherance of transparency, accountability and the public's right to know, GOBAC should prepare an annual report summarizing each General Fund department's lifecycle Maintenance and Repair cost estimates report and a consolidated report for all General Fund departments.	Citizen's General Obligation Bond Advisory Committee	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	CGOBOC believes that a study of maintenance investments required to preserve the City's assets should be performed and considered by policy makers. CGOBOC recognizes the importance of transparency and accountability in the government's use and stewardship of public assets and resources. Per Section 5.31 of the San Francisco Administrative Code, CGOBOC's purpose is to inform the public concerning the expenditure of general obligation bond proceeds and to actively review and report on the bond expenditures to ensure that bond revenues are expended only in accordance with the ballot measure. CGOBOC's authority pertains to overseeing only those departments involved in general obligation bond programs, not all General Fund departments. Also, CGOBOC already issues an annual report on general obligation bond-funded projects' scope, schedule, and budget, including future maintenance costs related to general obligation bond programs.