

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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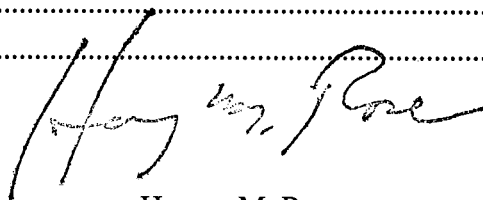
May 17, 2011

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: Recommendations of the Budget and Legislative Analyst for Amendment of the Mayor's Fiscal Year 2011-2012 Budget.

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Descriptions for Departmental Budget Hearing, May 19, 2011 Meeting, 10:00 a.m.

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Harvey M. Rose

cc: Supervisor Chu
Supervisor Mirkarimi
Supervisor Kim
Supervisor Wiener
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

BUDGET REVIEW EXECUTIVE SUMMARY

YEAR ONE: FY 2011-12

Budget Changes

The department’s proposed \$822,240,789 budget for FY 2011-12 is \$60,706,692 or 8.0 percent more than the original FY 2010-11 budget of \$761,534,097.

Personnel Changes

The number of Net Operating full-time equivalent positions (FTE) budgeted for FY 2011-12 is 1,626.91 FTEs, which is 43.06 FTEs more than the 1583.85 FTEs in the original FY 2010-11 budget. This represents a 2.7 percent change in FTEs from the original FY 2010-11 budget.

YEAR TWO: FY 2012-13

Budget Changes

The department’s proposed \$872,906,980 budget for FY 2012-13 is \$50,666,191 or 6.2 percent more than the original FY 2011-12 budget of \$822,240,789.

Personnel Changes

The number of Net Operating FTEs budgeted for FY 2012-13 is 1,628.89 FTEs, which is 1.98 FTEs more than the 1,626.91 FTEs in the original FY 2011-12 budget.

RECOMMENDED REDUCTIONS

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$4,181,439 in FY 2011-12 and \$4,068,903 in FY 2012-13. These reductions would still allow an increase of \$56,525,253 or 7.4 percent in the Department’s FY 2011-12 budget and \$46,597,288 or 5.7 percent in the Department’s FY 2012-13 budget.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12 & 2012-13**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

SUMMARY OF PROGRAM EXPENDITURES:

Program	FY 2010-11	2011-2012	Change From 2010-2011	Pct Change	2012-2013	Change From 2011-2012	Pct Change
	Original Budget	Proposed Budget			Proposed Budget		
HETCH HETCHY							
ADMINISTRATION	9,777,986	11,947,704	2,169,718	22%	12,542,558	594,854	5%
DEBT SERVICE	1,546,668	1,845,468	298,800	19%	2,759,035	913,567	50%
HETCH HETCHY CAPITAL PROJECTS	75,327,000	72,264,500	(3,062,500)	(4%)	43,386,000	(28,878,500)	(40%)
HETCHY WATER OPERATIONS	46,627,367	50,607,584	3,980,217	9%	52,699,759	2,092,175	4%
POWER INFRASTRUCTURE DEVELOPMENT	9,451,861	9,348,510	(103,351)	(1%)	9,568,937	220,427	2%
POWER PURCHASING/ SCHEDULING	42,542,924	44,758,768	2,215,844	5%	45,070,620	311,852	1%
POWER UTILITY FIELD SERVICES	493,319	0	(493,319)	(100%)	0	0	N/A
POWER UTILITY SERVICES	13,051,753	11,869,084	(1,182,669)	(9%)	12,403,267	534,183	5%
Subtotal	198,818,878	202,641,618	3,822,740	2%	178,430,176	(24,211,442)	(12%)
Bureaus							
CUSTOMER SERVICES	11,626,697	11,996,867	370,170	3%	12,796,484	799,617	7%
FINANCE	9,830,757	10,155,781	325,024	3%	10,656,132	500,351	5%
GENERAL MANAGEMENT	(52,310,120)	(56,373,238)	(4,063,118)	(8%)	(58,978,538)	(2,605,300)	5%
HUMAN RESOURCES	8,261,495	9,437,422	1,175,927	14%	9,841,573	404,151	4%
MANAGEMENT INFORMATION	19,067,986	20,025,984	957,998	5%	20,495,880	469,896	2%
STRATEGIC PLANNING/COMPLIANCE	3,523,185	4,757,184	1,233,999	35%	5,188,469	431,285	9%
Subtotal	0	0	0	N/A	0	0	N/A
Wastewater							
ADMINISTRATION	31,607,979	35,461,728	3,853,749	12%	37,460,754	3,853,749	11%
DEBT SERVICE	61,386,219	53,808,845	(7,577,374)	(12%)	56,448,496	2,639,651	5%
OPERATING RESERVE	20,883,914	9,517,889	(11,366,025)	(54%)	14,141,097	4,623,208	49%
STRATEGIC PLANNING/COMPLIANCE	6,005,213	5,909,987	(95,226)	(2%)	6,042,882	132,895	2%
WASTEWATER CAPITAL PROJECTS	14,067,180	30,487,450	16,420,270	N/A	32,776,000	2,288,550	N/A
WASTEWATER COLLECTION	30,377,645	30,109,997	(267,648)	(1%)	30,765,504	655,507	2%
WASTEWATER OPERATIONS	10,217,994	6,023,804	(4,194,190)	(41%)	2,811,484	(3,212,320)	(53%)
WASTEWATER TREATMENT	63,991,494	70,337,495	6,346,001	10%	71,525,278	1,187,783	2%
Subtotal	238,537,638	241,657,195	3,119,557	1%	251,971,495	10,314,300	4%
WATER							
ADMINISTRATION	58,798,294	64,657,831	5,859,537	10%	73,215,740	8,557,909	13%
DEBT SERVICE	116,368,523	157,269,617	40,901,094	35%	185,076,337	27,806,720	18%
OPERATING RESERVE	1,050,047	8,201,265	7,151,218	681%	0	(8,201,265)	(100%)
WATER CAPITAL PROJECTS	40,840,671	38,570,330	(2,270,341)	(6%)	71,083,266	32,512,936	84%
WATER SOURCE OF SUPPLY	20,677,950	20,935,775	257,825	1%	21,018,303	82,528	0%
WATER TRANSMISSION/ DISTRIBUTION	49,709,395	50,390,013	680,618	1%	52,882,270	2,492,257	5%
WATER TREATMENT	36,732,701	37,917,145	1,184,444	3%	39,229,393	1,312,248	3%
Subtotal	324,177,581	377,941,976	53,764,395	17%	442,505,309	64,563,333	17%
Total Uses	761,534,097	822,240,789	60,706,692	8%	872,906,980	50,666,191	6%

The Department's proposed FY 2011-12 budget has increased by \$60,706,692 largely due to the following increases.

- The Department has prioritized completion of the Water Systems Improvement Program (WSIP), which began in 2005 and involves the rebuild and retrofit of the Hetch Hetchy Water System, resulting in increased funding for Capital Improvement Projects in the Water Enterprise.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12 & 2012-13**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

- Scheduled debt service has increased due to increasing debt payments for outstanding Water Revenue Bonds to fund the WSIP.
- The PUC is implementing the Community Benefits Division in the Customer Service Bureau, which would include one new 0933 Manager V to serve as Community Benefits Division Director, and three new 1825 Principal Analyst II positions: Economic Development Manager, Environmental Justice Manager, and Community Benefits Program Coordinator.
- New funding is included in the Wastewater Enterprise to move the SFGreasecycle Program from the pilot stage to a full program in the Wastewater Enterprise's Pollution Prevention Program. In order to eliminate the disposal of oils, fats, and grease into the sewer system, which results in clogging of sewer drains, the SFGreasecycle Program sets up alternative grease disposal locations for commercial and residential customers. The SFGreasecycle Program is proposing to add four new positions to administer the program: three 7514 General Laborers and one 7215 General Laborer Supervisor I. The cost of these positions is partially offset by a reduction in funding for Temporary Salaries. The Wastewater Enterprise anticipates that cost savings and revenues from recycled grease will exceed program costs in less than five years.
- Two additional new positions: (1) one additional new 1825 Principal Administrative Analyst II are being requested in the External Affairs/Communications Bureau to serve as the PUC's technical editor for agency publications, legislation, online materials, grants, and policies; and (2) one 1044 IS Engineer-Principal is being requested in the PUC's Information Technology Bureau to assist with the ongoing development and maintenance of the PUC's Meter Data Management System.

The Budget and Legislative Analyst is recommending approval of these new positions.

The Department's proposed FY 2012-13 budget will be increasing by \$50,666,191 largely due to:

- An increase in the Capital Improvement Projects for the Water Division due to the WSIP.
- An increase in scheduled debt service resulting from increasing debt payments for outstanding Water Revenue Bonds to fund the WSIP.
- Three new 7215 General Laborers for the SF Greasecycle Program. The Budget and Legislative Analyst is recommending approval of these three new positions.
- Annualization of positions in the PUC's new Community Benefits Division and SFGreasecycle Program.
- Offsetting reductions to Hetch Hetchy's Capital Projects due to decreases in projected revenues, including the reduced sustainability of the Clean Renewable Energy Bonds (CREBS).

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12 & 2012-13**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

DEPARTMENT PERSONNEL SUMMARY:

The number of Net Operating full-time equivalent positions (FTE) budgeted for FY 2011-12 is 1,626.91 FTEs, which is 43.06 FTEs more than the 1583.85 FTEs in the original FY 2010-11 budget. This represents a 2.7 percent change in FTEs from the original FY 2010-11 budget. The increase in FTEs is due to the ten new positions noted above, annualization of positions approved in FY 2010-11, and budget system adjustments.

The number of Net Operating FTEs budgeted for FY 2012-13 is 1,628.89 FTEs, which is 1.98 FTEs more than the 1,626.91 FTEs in the original FY 2011-12 budget.

There are no position deletions in the Department's FY 2011-12 or FY 2012-13 Budgets.

DEPARTMENT REVENUES:

Department revenues have increased by \$60,702,692 or 8.0 percent in the proposed FY 2011-12 budget. Specific changes in the Department's FY 2011-12 revenues include:

- Water Revenue Bond revenues, as discussed in the Legislation section below, for funding WSIP, Hetch Hetchy Water and Power improvements, local San Francisco water main improvements, and Treasure Island improvements.
- Increased revenues from the water rate increases for San Francisco retail customers as part of the five-year rate plan the PUC implemented in FY 2008-09.¹
- Increased revenues from the water rate increases for wholesale customers, as part of the five-year rate plan the PUC implemented in FY 2008-09.
- Additional rate increases for wholesale customers, approved by the Public Utilities Commission, to account for reduced water consumption and a corresponding reduction in water revenues.

Department revenues have increased by \$50,666,191 or 6.2 percent in the proposed FY 2012-13 budget. Specific changes in the Department's FY 2012-13 revenues include:

- Revenue Bond funding for Hetch Hetchy Water capital projects.
- Continued planned increases in water rates for PUC's retail and wholesale customers.

¹ In accordance with Charter Section 8B.125, the Board of Supervisors has the authority to reject proposed increases in water rates. Such rate increases were previously presented to the Board of Supervisors.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12 & 2012-13**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

LEGISLATION

Projected revenues for FY 2011-12 and FY 2012-13 are based on the proposed pieces of legislation:

- **File 11-0554** is an ordinance that would increase the PUC’s authority under San Francisco’s 2002 Proposition E to issue Water Revenue Bonds by \$49,100,000 in order to finance improvements to the PUC’s Hetch Hetchy Water and Power System, San Francisco City water mains, and the Treasure Island Project.

In 2002, San Francisco voters approved Proposition E, which allows the PUC to issue debt without further approval of the voters, as long as the PUC secured the approval of two-thirds of the Board of Supervisors. The Board of Supervisors has previously approved two ordinances authorizing the PUC to issue Water Revenue Bonds as shown in Table 1.

Table 1

Ordinance	Date	Amount	Projects
189-09	8/4/2009	\$1,310,307,119	Water System Improvement Project
89-10	4/30/2010	1,737,724,038	Water System Improvement Project Other Water Capital Projects (Local Water Mains) Automated Water Meter Program
Total		\$3,048,031,157	

Source: PUC

Under File 11-0554, the PUC is requesting Proposition E authority for up to \$49,100,000 for three projects. According to Mr. Mike Brown, Capital Finance Analyst for the PUC, the \$49,100,000 in Proposition E authority would be allocated to three projects as shown in Table 2.

Table 2

Uses	Project Costs	Financing Costs	Total
Hetch Hetchy Water and Power System Improvements	\$27,710,000	\$3,452,500	\$31,162,500
Improvements to San Francisco City Water Mains	9,568,636	0	9,568,636
Treasure Island Development Improvements	6,525,000	1,768,536	8,293,536
Total	\$43,803,636	\$5,221,036	\$49,024,672*

* Rounded up to \$49,100,000.

The impact on water rates is noted in the discussion of File 11-0555, below.

According to Mr. Brown, the authority to issue additional Water Revenue Bonds in the amount of \$8,293,536 for Treasure Island Development improvements would likely be incorporated in a debt issuance request to be made by PUC in December 2011, subject to Board of Supervisors approval.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12 & 2012-13**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Currently, the PUC is permitted to issue Commercial Paper for WSIP uses. In addition to increasing the PUC’s Proposition E authority described above, File 11-0554 would clarify that the PUC has the authority to issue Commercial Paper to provide financing for non-WSIP uses.

Because this clarification may be considered an expansion of the PUC’s debt issuance authority, File 11-0554 is a policy matter for the Board of Supervisors.

- **File 11-0555** is a resolution that would (a) authorize the issuance of Water Revenue Bonds and Water Revenue Refunding Bonds to be issued by the PUC; (b) affirm covenants contained in the indenture pursuant to which the Water Revenue Bonds are issued; (c) authorize the taking of appropriate actions in connection therewith; and (d) authorize related matters.

According to Mr. Brown, the PUC would issue up to \$700,000,000 in Water Revenue Bonds in mid-July 2011. Debt service for the \$700,000,000 Water Revenue Bonds issuance would total an estimated \$2,244,888,888 over 30 years, including \$700,000,000 in principal and \$1,544,888,888 in interest. The PUC estimates the average annual debt service would be \$51,080,088 per year for 30 years. According to Mr. Brown, File 11-0555 would authorize the PUC to refund the Water Revenue Bonds with Water Revenue Refunding Bonds in the future if market rates were favorable to such an exchange.

The uses for the Water Revenue Bond revenue are shown below. Currently the PUC is only considering issuing \$634,175,976 of the \$700,000,000 debt issuance authority sought under File 11-0555. According to Mr. Brown, the PUC may increase the issuance amount up to \$700,000,000 limit depending on market conditions and updated project spending needs at the time of sale.

Table 3

Uses	Project Costs	Financing Costs	Total
Water System Improvement Program	\$471,166,415	\$93,803,585	\$564,970,000
Hetch Hetchy Water and Power System Improvements	27,710,000	3,452,500	31,162,500
Improvements to San Francisco City Water Mains	33,772,250	4,271,226	38,043,476
Total	\$532,648,665	\$101,527,311	\$634,175,976

Approximately \$590,897,830 of the \$634,175,976 in Water Revenue Bonds revenue has been requested in the PUC’s FY 2011-12 budget.

According to Mr. Brown, repayment of the \$634,175,976 Water Revenue Bonds would impact the average single San Francisco family’s water bill by \$0.03 per month in FY 2011-12; \$0.13 per month in FY 2012-13; \$0.13 for FY 2013-14; and \$0.79 per month for FY 2014-15. Full repayment would impact water rates for 30 years. Repayment of debt for WSIP uses would be shared between San Francisco retail water customers and PUC’s wholesale water customers.

The Budget and Legislative Analyst recommends approval of File 11-0555.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12 & 2012-13**

DEPARTMENT: **PUC – PUBLIC UTILITIES COMMISSION**

- **File 11-0579** is an ordinance that would amend Chapter 10, Article XIII of the Administrative Code to create the Public Utilities Water Enterprise Environmental Enhancement Surcharge Fund. Under File 11-0579, the Environmental Enhancement Surcharge Fund would expire on December 31, 2018. The Environmental Enhancement Surcharge Fund is only charged to PUC’s retail and wholesale water customers if PUC water withdrawal volumes exceed a withdrawal level established in an agreement between the PUC and its wholesale customers. The Environmental Enhancement Surcharge Fund is required under the PUC’s April 28, 2009 Water Supply Agreement with wholesale water customers.

According to Mr. Crispin Hollings, Financial Planning Director for the PUC, the PUC has not in recent history withdrawn the volume of water that would trigger the Environmental Enhancement Surcharge, nor does the PUC anticipate approximating the volume of water that would necessitate the PUC to levy the Surcharge. Mr. Hollings notes that the PUC has not assumed any costs or revenues from the Environmental Enhancement Surcharge Fund in the FY 2011-12 or FY 2012-13 budgets.

File 11-0579 is a policy matter for the Board of Supervisors.

COMMENTS:

The Budget and Legislative Analyst’s recommended reductions to the proposed budget total \$4,181,439 in FY 2011-12 and \$4,068,903 in FY 2012-13. These reductions would still allow an increase of \$56,525,253 or 7.4 percent in the Department’s FY 2011-12 budget and \$46,597,288 or 5.7 percent in the Department’s FY 2012-13 budget.

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012			FY 2012-2013		
	FTEs From To	Amount From To	Savings GF IT	FTE From To	Amount From To	Savings GF IT
BCS - Administration (SW-PUC-OPF)						
9993M - Attrition Savings - Misc	(5.11) (7.28)	(\$589,039) (\$839,039)	\$250,000	(5.37) (7.54)	(\$617,960) (\$867,960)	\$250,000
The Controller projects that the PUC Bureaus will have a salary surplus of between \$1.9 and \$2.2 million at the end of FY 2010-2011. The PUC Bureaus have also under expended permanent salaries by more than \$1 million in each of the previous two years. An increase in Attrition Savings of \$250,000 will allow for sufficient staffing in FY 2011-2012.						
Mandatory Fringe Benefits		(\$217,133) (\$309,289)	\$92,156		(\$249,010) (\$349,749)	\$100,739
Corresponds to reduction in Attrition Savings, above.						
BCV - Strategic Planning/Compliance (SW-PUC-OPF)						
Professional & Specialized Services		\$265,000 \$200,000	\$65,000			
The Department has requested \$265,000 for a contractor to assist the PUC in developing an evaluation, monitoring, and reporting framework for the newly created Community Benefits Program, described in the narrative to this report. In addition professional services expenditures will be incurred to bring on additional support to assist external affairs in programming PUC operated community centers in San Francisco, Alameda, and in the San Joaquin Valley and Tuolumne County. The Department will not be staffing the Program until the Second Quarter of FY 2011-12 and has not identified a contractor. A one-time reduction of \$65,000 will allow for sufficient contracting services in FY 2011-12.						
BDA - Wastewater Administration (5C-AAA-AAA)						
Other Safety Expenses		\$279,489 \$100,000	\$179,489		\$279,489 \$100,000	\$179,489
Wastewater Administration has only expended or encumbered \$35,470 of its FY 2010-11 Other Safety Expenses budget of \$279,489, and has expended less than \$90,000 in this expense in each of the previous two fiscal years, despite a consistent funding level of \$279,489. A reduction of \$179,489 will allow for sufficient Other Safety Expenses funding in FY 2011-12.						
Ongoing reduction.						

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012				FY 2012-2013									
	FTEs From	To	Amount From	To	Savings	GF	IT	FTE From	To	Amount From	To	Savings	GF	IT
BDA - Hetch Hetchy Administration (5T-AAA-AAA)														
Air Travel			\$17,700	\$14,200	\$3,500					\$17,700	\$14,200	\$3,500		
Reduce to reflect projected expenditures in FY 2010-11.										Ongoing reduction.				
Non Air Travel			\$26,922	\$21,422	\$5,500					\$26,922	\$21,422	\$5,500		
Reduce to reflect projected expenditures in FY 2010-11.										Ongoing reduction.				
Training			\$71,925	\$62,925	\$9,000					\$71,925	\$56,925	\$15,000		
Reduce to reflect projected expenditures in FY 2010-11.										Ongoing reduction.				
Membership Fees			\$223,150	\$213,150	\$10,000					\$223,150	\$213,150	\$10,000		
Reduce to reflect projected expenditures in FY 2010-11.										Ongoing reduction.				
BDC - Wastewater Treatment (5C-AAA-AAA)														
Premium Pay			\$1,112,078	\$1,012,078	\$100,000		x							
The Department is underexpending Premium Pay due to numerous vacancies in FY 2010-11. A one-time reduction of \$100,000 will allow for sufficient funding for Premium Pay in FY 2011-12.														
Mandatory Fringe Benefits			\$88,410	\$80,460	\$7,950		x							
Corresponds to reduction in Premium Pay.														

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012				FY 2012-2013					
	FTEs		Amount		FTE		Amount			
	From	To	From	To	From	To	From	To		
Premium Pay							\$1,112,078	\$1,093,328	\$18,750	
	<p>Employees covered by the Memoranda of Understanding (MOUs) between the City and the labor unions for the Consolidated Crafts, Electrical Workers, Plumbers and Steamfitters, Laborers, and other employee unions receive lead worker premium pay if (1) the employee is assigned to be lead in a crew of at least two employees of the same classification, or (2) plans, designs, sketches, lays out, details, estimates, or orders materials. In the Budget and Legislative Analyst's pending performance audit of City Departments' Management of Lead Worker Premium Pay and Standby Pay, the Budget and Legislative Analyst found that City departments lack effective management oversight of lead worker assignments. Many lead worker assignments are rotated among all or most of the employees in a classification without adequate distinction between the lead worker and other employees within the classification. Also, City departments may pay lead worker premiums to employees who supervise no other employees but are considered to "plan, design, sketch, lay out, detail, estimate, or order materials."</p> <p>The Budget and Legislative Analyst recommends that the Department of Human Resources meet and confer with the respective labor unions prior to the expiration of the subject MOUs on June 30, 2012 to (1) define the responsibilities and span of control of a lead worker assignment and qualifications of lead workers, and (2) negotiate revised MOU provisions. A reduction in lead worker premium pay would result in an estimated savings of \$18,750, or 50 percent, from \$37,500 in FY 2011-12 to \$18,750 in FY 2012-13.</p>									
Mandatory Fringe Benefits				\$0			\$88,410	\$86,920	\$1,490	
	Corresponds to recommended decrease in Premium Pay									
Overtime - Misc			\$281,755	\$181,755			\$281,755	\$181,755	\$100,000	
	According to the Department, numerous vacancies drove up Overtime payments in FY 2010-11 in the Wastewater Enterprise Operations and Treatment Division. The Department reports that these vacancies are being filled in late FY 2010-11 and early 2011-12. A reduction of \$100,000 would allow for a sufficient level of Overtime funding in FY 2011-2012.									
Mandatory Fringe Benefits			\$22,399	\$14,449			\$22,399	\$14,449	\$7,950	
	Ongoing reduction.									
	Corresponds to reduction in Overtime									
	Ongoing reduction.									

GF = General Fund

IT = One-time Reductions

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012			FY 2012-2013		
	FTEs From To	Amount From To	Savings GF IT	FTEs From To	Amount From To	Savings GF IT
Overtime - Misc		\$216,988 \$124,143	\$92,845		\$216,988 \$124,143	\$92,845
According to the Department, numerous vacancies drove up Overtime payments in FY 2010-11 in the Wastewater Enterprise Operations Division. The Department reports that these vacancies are being filled in late FY 2010-2011 and early 2011-12. A reduction of \$92,845 would allow for a sufficient level of Overtime funding in FY 2011-12.						
Mandatory Fringe Benefits		\$17,250 \$9,869	\$7,381		\$17,250 \$9,869	\$7,381
Corresponds to reduction in Overtime.						
Automotive and Other Vehicles - #WPI211R		\$312,027 \$279,177	\$32,850 x			
The Department is requesting six electric carts to replace four electric carts that are old and difficult to maintain. Reducing the number of replacement carts from six to four will allow for sufficient equipment continuity, resulting in a savings of \$32,850.						
Other Equipment					\$414,551 \$381,701	\$32,850 x
Reduce FY 2012-2013 funding for Other Equipment to reflect recommended equipment expenditure level for FY 2011-2012.						
BDG - Power Purchasing/Scheduling (5T-AAA-AAA)						
Power for Resale		\$11,906,986 \$11,406,986	\$500,000		\$11,906,986 \$11,406,986	\$500,000
Reduce to reflect projected underspending in FY 2010-11 for Power for Resale. A reduction of \$500,000 will allow for sufficient Power for Resale funding for FY 2011-12.						
Power for Resale		\$19,390,572 \$18,390,572	\$1,000,000		\$19,390,572 \$18,390,572	\$1,000,000
Reduce to reflect projected underspending in FY 2010-11 for Power for Resale. A reduction of \$1,000,000 will allow for sufficient Power Transmission Distribution funding for FY 2011-12.						
Ongoing reduction.						
Ongoing reduction.						

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012				FY 2012-2013									
	FTEs From	To	Amount From	To	Savings	GF	IT	FTE From	To	Amount From	To	Savings	GF	IT
BDD - Power Infrastructure Development (5T-AAA-AAA)														
Maintenance Services - Buildings & Structures			\$19,108	\$9,108	\$10,000					\$19,108	\$9,108	\$10,000		
Reduce to reflect projected underspending in FY 2010-11 for Maintenance Services - Buildings & Structures. A reduction of \$10,000 will allow for sufficient Maintenance Services - Buildings & Structures, LHP Administration funding for FY 2011-12.														
Maintenance Services - Buildings & Structures			\$35,000	\$15,000	\$20,000					\$35,000	\$15,000	\$20,000		
Reduce to reflect projected underspending in FY 2010-11 for Maintenance Services - Buildings & Structures. A reduction of \$20,000 will allow for sufficient Maintenance Services - Buildings & Structures, Long Range Planning for FY 2011-12.														
BDD - Water Transmission/Distribution (5W-AAA-AAA)														
7388 Utility Plumber	40.0	37.0	\$3,604,604	\$3,334,259	\$270,345			40.0	37.0	\$3,778,321	\$3,494,947	\$283,374		
Delete three positions that have been vacant since 2008.														
Mandatory Fringe Benefits			\$1,519,217	\$1,405,276	\$113,941					\$1,710,094	\$1,581,837	\$128,257		
Corresponds to reduction in positions.														
Overtime			\$789,408	\$619,408	\$170,000					\$789,408	\$619,408	\$170,000		
Reduce Overtime to reflect projected surplus in FY 2010-11.														
Mandatory Fringe Benefits			\$62,757	\$49,242	\$13,515					\$62,757	\$49,242	\$13,515		
Corresponds to reduction in Overtime.														

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012				FY 2012-2013					
	FTEs		Amount		FTE		Amount			
	From	To	From	To	From	To	From	To		
Premium Pay - Miscellaneous							\$571,472	\$508,972	\$62,500	
<p>Employees covered by the Memoranda of Understanding (MOUs) between the City and the labor unions for the Consolidated Crafts, Electrical Workers, Plumbers and Steamfitters, Laborers, and other employee unions receive lead worker premium pay if (1) the employee is assigned to be lead in a crew of at least two employees of the same classification, or (2) plans, designs, sketches, lays out, details, estimates, or orders materials. In the Budget and Legislative Analyst's pending performance audit of City Departments' Management of Lead Worker Premium Pay and Standby Pay, the Budget and Legislative Analyst found that City departments lack effective management oversight of lead worker assignments. Many lead worker assignments are rotated among all or most of the employees in a classification without adequate distinction between the lead worker and other employees within the classification. Also, City departments may pay lead worker premiums to employees who supervise no other employees but are considered to "plan, design, sketch, lay out, detail, estimate, or order materials".</p> <p>The Budget and Legislative Analyst recommends that the Department of Human Resources meet and confer with the respective labor unions prior to the expiration of the subject MOUs on June 30, 2012 to (1) define the responsibilities and span of control of a lead worker assignment and qualifications of lead workers, and (2) negotiate revised MOU provisions. A reduction in lead worker premium pay would result in an estimated savings of \$62,500, or 50 percent, from \$125,000 in FY 2011-12 to \$62,500 in FY 2012-13</p>										
Mandatory Fringe Benefits							\$47,420	\$42,234	\$5,186	
Corresponds to recommended reduction in Premium Pay.										

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012			FY 2012-2013										
	FTEs From	To	Amount From	To	Amount From	To								
			Savings	GF	IT	Savings	GF	IT						
Maintenance Services- Buildings and Structures			\$1,173,081	\$1,100,000		\$73,081			\$1,100,000	\$73,081			x	
Reduce to reflect projected expenditures in FY 2010-11.														
Air Control with radio and headset			\$10,280	\$7,736		\$2,544		X						
Based on vendor quote.														
Ford Ranger XLT, 4X2, Reg Cab, Short Bed			\$66,808	\$57,367		\$9,441		X						
Based on vendor quote.														
Ford F350 SRW			\$69,699	\$54,860		\$14,839		X						
Based on vendor quote.														
Instrument Communicator			\$46,000	\$30,817		\$15,183		X						
Based on vendor quote.														
Equipment Purchase									\$902,981	\$860,974			\$42,007	
The Department has requested \$902,981 for purchases of Equipment in FY 2012-13. The Budget and Legislative Analyst recommends a reduction of \$42,007 to reflect the recommended expenditure level for vehicles and equipment in FY 2011-2012.														

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012				FY 2012-2013									
	FTEs From	To	Amount From	To	Savings	GF	IT	FTE From	To	Amount From	To	Savings	GF	IT
BDM - Water Treatment (5W-AAA-AAA)														
Maintenance Services- Buildings and Structures			\$237,090	\$165,000	\$72,090					\$237,090	\$165,000	\$72,090		
Reduce to reflect projected expenditures for FY 2010-11.								Ongoing reduction						
9993M Attrition Savings			(\$1,065,567)	(\$1,165,567)	\$100,000					(\$1,110,866)	(\$1,210,866)	\$100,000		
Reduce Attrition Savings to reflect projected surplus in FY 2010-11.								Ongoing reduction in Attrition Savings						
Mandatory Fringe Benefits			(\$405,825)	(\$443,910)	\$38,085					(\$466,349)	(\$508,330)	\$41,981		
Corresponds to reduction in Attrition Savings								Ongoing reduction.						
Gas Chromatography (GC) - Electron Caption			\$24,000	\$22,224	\$1,776		X							
Based on vendor quote.														
Equipment Purchases										\$360,881	\$359,105	\$1,776		
The Department has requested \$360,881 for purchases of Equipment in FY 2012-13. The Budget and Legislative Analyst recommends a reduction of \$1,776 to reflect the recommended expenditure level for equipment in FY 2011-2012.														

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012				FY 2012-2013									
	FTEs From	To	Amount From	To	Savings	GF	IT	FTE From	To	Amount From	To	Savings	GF	IT
BDO - Hetchy Water Operations (5T-AAA-AAA)														
Premium Pay - Miscellaneous										\$656,722	\$644,222	\$12,500		
<p>Employees covered by the Memoranda of Understanding (MOUs) between the City and the labor unions for the Consolidated Crafts, Electrical Workers, Plumbers and Steamfitters, Laborers, and other employee unions receive lead worker premium pay if (1) the employee is assigned to be lead in a crew of at least two employees of the same classification, or (2) plans, designs, sketches, lays out, details, estimates, or orders materials. In the Budget and Legislative Analyst's pending performance audit of City Departments' Management of Lead Worker Premium Pay and Standby Pay, the Budget and Legislative Analyst found that City departments lack effective management oversight of lead worker assignments. Many lead worker assignments are rotated among all or most of the employees in a classification without adequate distinction between the lead worker and other employees within the classification. Also, City departments may pay lead worker premiums to employees who supervise no other employees but are considered to "plan, design, sketch, lay out, detail, estimate, or order materials".</p> <p>The Budget and Legislative Analyst recommends that the Department of Human Resources meet and confer with the respective labor unions prior to the expiration of the subject MOUs on June 30, 2012 to (1) define the responsibilities and span of control of a lead worker assignment and qualifications of lead workers, and (2) negotiate revised MOU provisions. A reduction in lead worker premium pay would result in an estimated savings of \$12,500 or 50 percent, from \$25,000 in FY 2011-12 to \$12,500 in FY 2012-13.</p>														
Mandatory Fringe Benefits										\$52,209	\$51,215	\$994		
<p>Corresponds to recommended reduction in Premium Pay.</p>														

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FY 2011-2012				FY 2012-2013									
	FTEs From	To	Amount From	To	Savings	GF	IT	FTE From	To	Amount From	To	Savings	GF	IT
Non Air Travel			\$62,827	\$32,827	\$30,000					\$62,827	\$32,827	\$30,000		
Reduce to reflect projected expenditures in FY 2010-11.														
Training			\$202,443	\$179,443	\$23,000					\$202,443	\$179,443	\$23,000		
Reduce to reflect projected expenditures in FY 2010-11.														
Employee Field Expenses			\$14,000	\$8,000	\$6,000					\$14,000	\$8,000	\$6,000		
Reduce to reflect projected expenditures in FY 2010-11.														
Professional & Specialized Services			\$1,799,860	\$1,749,860	\$50,000					\$1,799,860	\$1,749,860	\$50,000		
The Department has requested \$50,000 for a contractor to analyze Powerhouse operations staffing schedules, recommend a reduction of \$50,000 for the contract as the Department has not identified a contractor.														
Maintenance Services - Buildings & Structures			\$298,000	\$198,000	\$100,000					\$298,000	\$198,000	\$100,000		
Reduce to reflect projected expenditures in FY 2010-11.														
Equipment Purchase			\$664,938	\$564,938	\$100,000					\$664,938	\$564,938	\$100,000		
Reduce to reflect projected underspending in FY 2010-11 for Equipment Purchase. A reduction of \$100,000 will allow for sufficient Equipment Purchase for Automotive & Other Vehicles for FY 2011-12.														
Equipment Purchase			\$101,975	\$51,975	\$50,000					\$101,975	\$51,975	\$50,000		
Reduce to reflect projected underspending in FY 2010-11 for Equipment Purchase. A reduction of \$50,000 will allow for sufficient Equipment Purchase for Other Equipment for FY 2011-12.														

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

PUC - Public Utilities Commission

Object Title	FTEs		FY 2011-2012		FY 2012-2013		Savings	GF	IT
	From	To	From	To	From	To			

FY 2011-2012

Total Recommended Reductions			
One-Time	Ongoing	Subtotal	
General Fund Impact	\$0	\$0	\$0
Non-General Fund Impact	\$249,583	\$3,931,856	\$4,181,439
Subtotal	\$249,583	\$3,931,856	\$4,181,439

FY 2012-2013

Total Recommended Reductions			
One-Time	Ongoing	Subtotal	
	\$0	\$0	\$0
	\$105,931	\$3,962,972	\$4,068,903
	\$105,931	\$3,962,972	\$4,068,903

BUDGET REVIEW EXECUTIVE SUMMARY

FY 2011-12

Budget Changes

The department's proposed \$17,111,003 budget for FY 2011-12 is \$3,573,743 or 26.4 percent more than the original FY 2010-11 budget of \$13,537,260.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2011-12 is 58.79 FTEs, which is 2.59 FTEs more than the 56.20 FTEs in the original FY 2010-11 budget. This represents a 4.6 percent change in FTEs from the original FY 2010-11 budget.

Revenue Changes

Department revenues have increased by \$3,573,743 or 26.4 percent, from the original FY 2010-11 budget of \$13,537,260 to the proposed FY 2011-12 budget of \$17,111,003.

RECOMMENDED REDUCTIONS

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$263,903 in FY 2011-12. These reductions would still allow an increase of \$3,309,840 or 24.4 percent in the Department's FY 2011-12 budget.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12**

DEPARTMENT: ENV – ENVIRONMENT

SUMMARY OF PROGRAM EXPENDITURES:

Program	2010-2011	2011-2012	Change From	Pct
	Budget	Proposed	2010-2011	Change
CLEAN AIR	680,506	972,871	292,365	43%
CLIMATE CHANGE/ENERGY	456,241	1,587,008	1,130,767	N/A
ENVIRONMENT	5,554,133	6,322,165	768,032	14%
ENVIRONMENT-OUTREACH	219,487	219,342	(145)	(0%)
ENVIRONMENTAL JUSTICE / YOUTH EMPLOYMENT	248,218	509,963	261,745	N/A
GREEN BUILDING	369,170	435,734	66,564	18%
POWER UTILITY FIELD SERVICES	0	0	0	N/A
RECYCLING	3,887,663	4,564,288	676,625	17%
SOLID WASTE MANAGEMENT	191,290	272,162	80,872	42%
TOXICS	1,897,965	2,191,483	293,518	15%
URBAN FORESTRY	32,587	35,987	3,400	10%
ENVIRONMENT Total	13,537,260	17,111,003	3,573,743	26%

The Department’s proposed FY 2011-12 budget has increased by \$3,573,743, as noted below:

- The Department is expanding its Environment Now program, funded by Solid Waste Impound fees, which includes an extensive education and outreach campaign in neighborhoods with the goal of increased participation in the City’s waste diversion and toxics reduction programs.
- The Department is creating a new program, Retrofit California, funded by grants received via the American Recovery and Reinvestment Act of 2009, which will retrofit buildings that consume high amounts of energy. The Department plans to focus on multifamily buildings throughout the City, with the goal of reducing these large buildings’ energy use.
- The Department is creating a new program, funded by the Centers for Disease Control and Prevention (CDC), designed to improve indoor air quality in the Alice Griffith Public Housing Project in the Bay View and reduce the currently high asthma rates of its residents.
- The Department is conducting its Refuse Rate Review process for the refuse system, which will be funded by Solid Waste Impound fees. This process takes place every five years and results in the setting of refuse rates for the following five years.

It should be noted that while the Department’s budget is increasing by 26.4 percent for the reasons listed above, none of the increased expenditures, including the expenditures for the additional 2.59 FTEs, will be funded from the City’s General Fund revenues.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS, FISCAL YEARS 2011-12**

DEPARTMENT: ENV – ENVIRONMENT

DEPARTMENT PERSONNEL SUMMARY:

The number of FTEs in FY 2011-12 is 2.59 more than the 56.20 FTEs in FY 2010-11 due to annualization of new positions hired in FY 2010-11 and the transfer of one new position from the Public Utilities Commission's budget to the Department of the Environment's budget as of January 1, 2012. No positions are proposed for deletion in FY 2011-12.

DEPARTMENT REVENUES:

Department revenues have increased by \$3,573,743 or 26.0 percent. Specific changes in the Department's FY 2011-12 revenues include:

- Increased Solid Waste Impound revenue authorized to cover the cost of conducting the Refuse Rate Review process scheduled for fiscal FY 2011-12.
- Increase in Department's share of Solid Waste Impound fees based on a change in allocation of those fees as a result of the FY 2006-07 Refuse Rate setting process.
- Increased revenues which reflect an overall increase in Federal, State, and local/regional grants received by the Department.

COMMENTS:

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$263,903 in FY 2011-12. These reductions would still allow an increase of \$3,309,840 or 24.4 percent in the Department's FY 2011-12 budget.

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

ENV - Environment

FY 2011-2012						
ENV - Environment (2S-PWF-SWN)						
Object Title	FTE		Amount		Savings	GF IT
	From	To	From	To		
Training Costs Paid to Employees			\$3,168	\$1,584	\$1,584	
Reduction based on historical spending.						
Training Costs Paid to Vendors			\$7,500	\$3,750	\$3,750	
Reduction based on historical spending.						
Attrition Savings Miscellaneous				(\$70,812)	(\$80,812)	\$10,000
Increase Attrition Savings to offset a projected salary surplus in FY 2010-11.						
Mandatory Fringe Benefits				(\$28,845)	(\$32,919)	\$4,074
Corresponds to reduction in Attrition Savings, above.						
Air Travel Employees				\$4,478	\$2,978	\$1,500
The Department has requested an increase in Air Travel of \$3,544, from \$934 in FY 2010-11 to \$4,478 in FY 2011-12. A reduction of \$1,500 would provide the Department sufficient funds for Air Travel in FY 2011-12.						

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

ENV - Environment

FY 2011-2012						
ENV - Environment (2S-PWF-SWN)						
Object Title	FTE		Amount		Savings	GF IT
	From	To	From	To		
Non-Air Travel Employees			\$4,941	\$3,441	\$1,500	
<p>The Department has requested an increase in Non- Air Travel of \$3,685, from \$1,256 in FY 2010-11 to \$4,941 in FY 2011-12. A reduction of \$1,500 would provide the Department sufficient funds for Non-Air Travel in FY 2011-12.</p>						
ENV - Green Building (2S-PWF-SWN)						
Professional & Specialized Services			\$92,463	\$73,970	\$18,493	
<p>Reduction based on historical spending.</p>						
ENV - Recycling (2S-PWF-SWN)						
Professional & Specialized Services			\$636,000	\$623,280	\$12,720	
<p>Reduction based on historical spending.</p>						
Programmatic Budget			\$962,225	\$762,225	\$200,000	
<p>The Department has included \$962,225 for expansion of the Environment Now program to provide education, outreach, and workforce development in order to increase City residents' participation in the City's waste diversion program. The Department has not sufficiently justified expenditures of \$962,225, including a detailed spending plan for FY 2011-12. A reduction of \$200,000 will provide the Department sufficient funding for implementing the program in FY 2011-12.</p>						

**RECOMMENDATIONS OF THE BUDGET AND LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
2011-2012 and 2012-2013**

ENV - Environment

FY 2011-2012									
ENV - Environment (2S-PWF-SWN)									
Object Title	FTE		Amount		Savings	GF	IT		
	From	To	From	To					
ENV - Environmental Justice/Youth Employment (2S-PWF-SWN)									
Temporary Salaries			\$29,525	\$20,000	\$9,525				
Miscellaneous									
The Department has allocated Temporary Salaries to the Environmental Justice/Youth Employment program for the first time. A reduction of \$9,525 will allow the Department sufficient funding for Temporary Salaries in FY 2011-12.									
Mandatory Fringe Benefits			\$2,348	\$1,591	\$757				
Corresponds to reduction in Temporary Salaries, above.									

FY 2011-2012

Total Recommended Reductions			
One-Time	Ongoing	Subtotal	
General Fund Impact	\$0	\$0	\$0
Non-General Fund Impact	\$0	\$263,903	\$263,903
Subtotal	\$0	\$263,903	\$263,903