

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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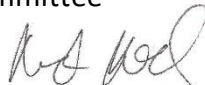
TO: Budget and Appropriations Committee
FROM: Budget and Legislative Analyst 
SUBJECT: March 27, 2024 Rescheduled Budget and Appropriations Committee Meeting

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<p>Item 1 Files 23-0314 <i>(Continued from 3/20/24 meeting)</i></p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$500,000 from the General Reserve to the Public Utilities Commission’s Water Enterprise to fund independent analysis and research on sea level rise and groundwater impacts in the Hunters Point Shipyard. <p>Key Points</p> <ul style="list-style-type: none"> • The June 2022 Civil Grand Jury Report, “Buried Problems and a Buried Process: The Hunters Point Shipyard in the Time of Climate Change,” concluded that the City was not adequately monitoring the impact of sea level rise on the environmental contamination in the Hunters Point area. The report recommended that the Mayor and/or City Administrator commission a report on potential interactions of groundwater with hazardous materials and planned modifications to the site under multiple sea level rise scenarios and that the Mayor and Board provide funding for the study. • The Mayor’s Office responded to the report on August 11, 2022, stating that it disagreed (in whole or in part) with the Civil Grand Jury’s six findings and would not implement any of the six recommendations directed to the Mayor’s Office because it deemed them not warranted or unreasonable. The Board of Supervisors agreed with the findings and recommendations related to the sea level rise study. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$500,000 from the General Reserve. <p>Policy Consideration</p> <ul style="list-style-type: none"> • If the Board of Supervisors approves the proposed appropriation, the General Reserve balance would be reduced by \$0.5 million to \$128.2 million. Any uses of the reserve during the current year (FY 2023-24) will increase the required deposit in the next budget year (FY 2024-25) by a like amount. <p>Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The June 2022 Civil Grand Jury Report, “Buried Problems and a Buried Process: The Hunters Point Shipyard in the Time of Climate Change,” concluded, among other things, that the City was not adequately managing and monitoring the impact of sea level rise on the environmental contamination in the Hunters Point area (Finding #1). Recommendation #1 of the Civil Grand Jury was:

“By September 1st, 2022, the Mayor and/or the City Administrator should direct the Office of Resilience and Capital Planning, in collaboration with the Department of Public Health, to commission and manage an independent, third-party study of Hunters Point Shipyard to predict the future shallow groundwater surface, groundwater flows, and potential interactions of groundwater with hazardous materials and planned modifications to the site under multiple sea level rise scenarios.”

Recommendation #2 stated, “the Mayor and the Board of Supervisors should collaborate to provide funding for the study recommended in R1, in the Fiscal Year 22-23 budget, or by October 1st, 2022.” The Board of Supervisors agreed with Finding #1 and Recommendations #1 and #2 (File 22-0721).

The Mayor’s Office responded to the report on August 11, 2022, stating that it disagreed (in whole or in part) with the Civil Grand Jury’s six findings and would not implement any of the six recommendations directed to the Mayor’s Office because it deemed them not warranted or unreasonable.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$500,000 from the General Reserve to the Public Utilities Commission’s Water Enterprise to fund independent analysis and research on sea level rise and groundwater impacts in the Hunters Point Shipyard. The ordinance was amended in the March 20, 2024 Budget & Appropriations meeting to change the budget year from FY 2022-23 to FY 2023-24. The Committee also discussed changing the source of funds from the General Reserve to the PUC Water Enterprise fund balance, pending a determination from the City Attorney and Controller on whether Water Enterprise monies could be used for this purpose.

FISCAL IMPACT**General Reserve**

Administrative Code Section 10.60 requires the City to budget a General Reserve of at least 3.0 percent of General Fund revenues to address revenue weakness, excess spending, or other needs not anticipated during the annual budget process. The balance requirement is reduced to 1.5 percent of General Fund revenues if the City withdraws from the Rainy Day Reserve and then increases by 0.25 percent per year until the 3.0 percent balance requirement is fully restored. The General Reserve balance is required to be 2.0 percent of budgeted regular General Fund revenues in FY 2023-24 and 2.25 percent of budgeted General Fund Revenues in FY 2024-25.

According to the Controller's Office FY 2023-24 Six-Month Budget Status Report, the General Reserve's FY 2023-24 ending balance is projected to be \$128.7 million.

If the Board of Supervisors approves the proposed appropriation, the General Reserve balance would be reduced by \$0.5 million to \$128.2 million. Any uses of the reserve during the current year (FY 2023-24) will increase the required deposit in the budget year (FY 2024-25) by a like amount.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.