

Building San Francisco

Designing, Constructing, and Maintaining City Infrastructure



June 20, 2024



CITY AND COUNTY OF SAN FRANCISCO

2023–2024 CIVIL GRAND JURY

About the San Francisco Civil Grand Jury

The San Francisco Civil Grand Jury (“the Jury”) is a government oversight panel of volunteers who serve for one year. Each Jury determines which local government entities within San Francisco it will investigate. Private citizens may also submit written complaints to the Jury, for investigation at the Jury’s discretion. The Jury cannot investigate disputes between private parties, criminal activity, or activities outside its jurisdiction, which is the government of the City and County of San Francisco and any other local governments within city limits.

In reports made available to the public, the Jury documents findings and recommendations based on its investigations. Reports do not identify individuals by name, and disclosure of the specific identity of anyone interviewed by the Jury is prohibited.

The San Francisco Civil Grand Jury consists of 19 city residents impaneled by a Superior Court Judge. By state law, a person is eligible for Civil Grand Jury service if he or she is a U.S. citizen, 18 years of age or older, of ordinary intelligence and good character, and has a working knowledge of the English language.

2023–2024 Civil Grand Jurors

Michael Carboy Foreperson

Carol Healey

Carol Anderson

Jim Ketcham

Peter Boyd

Roe Landesman

Jonathan E. Cowperthwait

Ralph Lane

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Will McCaa

Paul Dravis

John Monson

Bart Fisher

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Will Fox

Fred Waldman

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Summary

San Francisco residents know that building anything here is tough, and it doesn't get any easier when the builder is the City and County of San Francisco. Maintaining \$18.9 billion worth of facilities and completing over \$5.5 billion of construction in progress requires a significant amount of labor hours and funding. Yet despite millions of dollars budgeted for maintenance, the city has not kept up.

The Department of Public Works (DPW) is one of six departments tasked with building and maintaining city buildings such as fire stations, police stations, and hospitals. Does Public Works do a good job building and maintaining infrastructure? It's a harder question to answer than one would think. It depends on whom you ask and what you look at. The Jury found several instances of recently constructed buildings that appear to have design and/or construction defects, or that were built in locations ill-suited for the building's purpose.

The Jury believes the city should investigate and reform processes that have led to these and similar situations. Although its oversight powers have yet to be fully defined, the newly formed Public Works Commission is statutorily well situated to provide that oversight, not just over DPW's budget and contracts as it does now, but also over the quality of DPW's design, construction, and maintenance of city infrastructure. The Commission should require public accountability and transparency from DPW regarding capital project budgets, timelines, and quality.

The city, by its own admission, has for years neglected maintenance of existing infrastructure due to lack of funding – but how far behind is it? The city doesn't have an answer. The current capital plan includes increases to asset renewal (the city's term for repair and maintenance), but how much of that is due to neglected maintenance, and is that costing taxpayers more than if the city had simply maintained those assets in the first place? The city needs to find out. To properly allocate capital, the Capital Planning Committee needs to understand the true long-term costs of restoring degraded infrastructure.

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Background

How well does San Francisco design, construct, and maintain city infrastructure?

Time Is Money and Delays Are Costly

Generally speaking, the longer a capital project takes, the more expensive it becomes. A longer timeline means more labor hours, more interest expense on borrowed money, and inflation of material costs. Cost increases in a project may impact program budgets. When a capital project's budget increases, that increase must be offset somehow. One option is to try to find savings elsewhere in the project budget, and the other option is to find savings in another project, including deferring or entirely eliminating future projects. For example, a municipal bond proposed to build replacements for 5 fire stations might ultimately only be able to replace 4.

Because time is money, proper planning is critical when budgeting capital building projects. The city issues bonds in tranches and does so only as project funds are needed, thus reducing interest expense.¹ But doing so requires knowing when the funds will be needed, making project planning that much more important. Additionally, the accuracy of each capital building project budget and its timeline has real effects on the overall capital facilities budget and how much can be done with voter-approved bonds, thus affecting long-term planning.

The budget for a facilities building project initially starts out as a rough estimate based on previous similar projects and high-level adjustments to account for known differences such as size, cost inflation, labor markets, and demand for contractor services. During the project development process, changes in the specifications for the project are refined, affecting both the project's estimated cost and development timelines. The more detailed and accurate this refinement is prior to approving the project budget and signing contracts with vendors, the greater the likelihood that the project will require fewer changes and be completed on-time and

¹ Controller's Office of Public Finance, 2020, "[Debt Policy of the City and County of San Francisco](#)," SF Controller, 3.

on-budget. However, for early planning, money is required up front, and some funding must be available for planning before the bonds for the project are sold. Within the private sector, the percentage of a project's design that should be completed before approving budgets and contracts varies, but is usually about 50%. However, for larger, more complex projects, that percentage would be increased.

The city's General Fund budget includes funds for this planning work called the Capital Planning Fund. Planning and design costs are paid from this fund. Later, when the bonds for the project are sold, the bonds reimburse the fund for those planning costs. The fund amount is limited and if reimbursement isn't repaid promptly, it can be used up by planning for other projects, so, the timing of project development must be managed with this limitation in mind. Inadequate funds available may require the planning and design for a project to be less than would otherwise be deemed necessary in order to have funds available for planning on other capital projects. Insufficient planning increases the risk that significant changes will be required later as deficiencies in the design are discovered. For example, San Francisco Fire Department's Fireboat Station #35's initial budget was \$38 million and its ending budget was \$51 million,² with significant portions of the cost increase due to changes to the plan after the design had been contracted.

Capital building projects require detailed, lengthy processes for planning and management. Some of the time needed is obvious, like drawing schematics of a new facility. Other requirements are less obvious, such as the need to obtain all the necessary permits from relevant city, state, and even federal agencies. Sometimes, requirements are more obscure, but time-consuming nonetheless: by city statutory requirement, 2% of total construction costs for large projects in the downtown and surrounding areas must go to public art. Public art proposals require public input and approval from the Arts Commission.³ As noted in the 2022 Controller's office annual report for GO Bonds:⁴

² Department of Public Works, November 6, 2023, Public Works Fire Station 35 Fireboat Monthly Financial Report Summary, Memo to San Francisco Fire Department, 3.

³ City and County of San Francisco, "Administrative Code," [Sec 3.19\(a\) SEC. 3.19. Appropriation for Art Enrichment of Proposed Public Buildings, Above Ground Structures, Parks, and Transportation Improvement Projects](#)," Eff. Nov. 5, 2018.

⁴ San Francisco Controller, 2022, "[Annual General Obligation Bond Program Report](#)," City of San Francisco, April 14, 2022, 10.

“Bond managers report that approvals can be time-consuming to navigate and often require multiple presentations to the same or multiple commissions (e.g., Arts Commission, Planning Commission). Moreover, a change to a project’s scope may necessitate revisiting some commissions for additional approvals. This process can increase project costs as the price of construction continues to increase while departments navigate approval processes.”

Capital Planning Committee

The Capital Planning Committee (CPC) coordinates planning for capital spending across the various departments⁵ of city government and guides the Office of Public Finance in planning bond sales.⁶ The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, Mayor’s Budget Director, Controller, City Planning Director, Director of Public Works, Airport Director, Executive Director of the Municipal Transportation Agency, General Manager of the Public Utilities System, General Manager of the Recreation and Park Department, and the Executive Director of the Port of San Francisco. The committee makes recommendations to the Mayor and Board of Supervisors on the city’s capital expenditures and maintenance budgets regardless of the department responsible for the project or the project’s funding.

The CPC produces a 10-year capital plan that is issued every 2 years. The current plan was adopted in May 2023, and the next cycle begins in the fall of 2024, with publication of the plan expected in January 2025. The capital plan is aspirational in two ways: first, the plan includes projects that identify a need but that currently are not funded and are deferred. Second, funding levels for maintenance are paid for out of the General Fund and are included in each city department’s operating budget. Although the CPC can recommend funding levels for maintenance, the Mayor and the Board of Supervisors may determine for themselves how much funding will be included in each department’s operating budget.

⁵ San Francisco Office of Resilience and Capital Planning, 2023, [“About the CPC Committee.”](#)

⁶ Controller’s Office of Public Finance, 2020, [“Debt Policy of the City and County of San Francisco Controller’s Office of Public Finance.”](#)

Some departments that are dependent on the city's General Fund are not members of the CPC, although their projects may be managed by DPW, which is a member. The CPC is not responsible for oversight of any particular project's capital budget. Such oversight remains the responsibility of the department managing the capital project. When a project requires an increase in funding, the committee must approve that increase, but accountability of any budget variance is managed within the department responsible for the project.

Maintaining Current Assets, or Not

Maintaining \$18.9 billion in facilities and over \$5.5 billion of construction in progress⁷ takes a lot of work, and a lot of money. When capital assets are properly repaired and maintained, the owner gets full use of the asset for at least its expected useful life. However, when a capital asset is not maintained and allowed to degrade, the full use of the asset is put at risk. The longer an asset goes without needed maintenance or repair, the cost of the eventual repair likely will increase. The cost of repair may increase so much that it becomes higher than the asset is worth, necessitating that it be replaced.

Not all deferred maintenance is created equal, however. Delaying painting an exterior wall is not the same thing as ignoring a leaky roof, for example. Water entering a building can rapidly diminish the useful life of the structure, resulting in the need for expensive repairs of interior framing, ceilings, electrical systems, and drywall, and potentially introducing mold and mildew, making the structure unsafe to occupy. As any homeowner or car owner knows, timing of maintenance is a balancing act between the risks of delay and increased future costs of repair versus the amount of money available for maintenance.

Some maintenance is intentionally deferred because of legitimate, logical reasons that actually save the city money. If the city plans to replace a building completely in the next year, it may not need to spend money making repairs to problems that don't affect operations. The city also can choose to defer maintenance for specific types of repairs in order to realize economies of scale. For example, it may wait to replace some boilers until there are sufficient boilers in need of replacement so that the city can do all the replacements at the same time. The downside to this

⁷ ["Annual Comprehensive Financial Report Year ended June 30, 2023,"](#) 2023, City of San Francisco, 21.

intentional delay is that citizens, taxpayers, and city employees may have to put up with inconveniences, and the increasing costs of delayed repairs adds a further burden on the affected department's budget.

The city uses multiple systems to track its capital assets, necessitated by the diversity of assets to track. For example, DPW uses a system called Facilities Renewal Resource Model (FRRM), but Rec and Park needs to be able to track land and open spaces and FRRM is not designed for that type of asset.

Within DPW, building managers regularly update information in FRRM on the condition of capital assets and it is that updated information that gives the city insight into its maintenance needs and long-term planning for replacement. For example, an asset's useful life in the system can be updated to push out its replacement date if the condition of the asset is sufficiently satisfactory that the building manager expects the asset to last beyond that original end-of-useful-life date.

Generally speaking, regular maintenance projects, deferred or not, are paid for from the General Fund annual operating budget, referred to as the "Pay-As-You-Go" Plan. However, maintenance costs can be paid for using capital funding in certain circumstances, such as when the required maintenance can be rolled up into a broader renovation capital project. When managing asset maintenance and capital projects, the city must balance all the competing considerations: Where does the money come from? How much money is available? What else is happening to the asset? What is the longer-term plan for the asset?

The issue of existing city assets that have fallen behind on maintenance is discussed in the City's 10-year Capital Plan (Capital Plan). The Capital Plan has two categories for all capital projects, "funded," which are capital projects where funding has been approved, and "deferred," which are "project[s] not funded in the Capital Plan either due to lack of funding or the timeline of the project falls outside of the 10-year planning cycle."⁸ Capital projects also are divided into three categories defining what type of project it is:

Renewal.⁹ An investment that preserves or extends the useful life of facilities or infrastructure. Examples of renewal projects include the repair and replacement of major

⁸ San Francisco Office of Resilience and Capital Planning, 2023, [Ten-Year Capital Plan FY2024-33](#), 238.

⁹ [Ten-Year Capital Plan FY2024-33](#), 240.

building systems including roofs, exterior walls, windows, HVAC, mobility, and specialty subsystems for service equipment.

Enhancement:¹⁰ An investment that increases an asset’s value and/or changes its use. Enhancements typically result from the passage of new laws or mandates, functional changes, or technological advancements. Examples include building additions to facilities and building entirely new facilities.

Emerging Need:¹¹ A project not funded in the Capital Plan because additional planning is needed or there is significant uncertainty around project-specific issues. Emerging needs are included in the Plan to show the city’s awareness that they may become more significant and/or defined in coming years.

In addition to the “renewal” capital projects, there is “routine maintenance,” defined as “facilities maintenance,” which are “projects that provide for the day-to-day maintenance of existing buildings and infrastructure, including labor costs. Unlike renewals and enhancements, these are annual allocations”¹² and are part of each department’s operating budget. This money is for small maintenance issues that aren’t part of an overall project.

Per the Capital Plan for General Fund departments, San Francisco has \$1.3 billion budgeted for facilities capital renewal projects,¹³ as well as \$1.0 billion of spending for “Facility Renewal” and \$205 million for routine maintenance over ten years as part of departments’ operating budgets, together totalling \$2.5 billion. Finally, there is \$30 million for “critical repairs”¹⁴ as part of the Certificates of Participation budget for 2025.¹⁵ It is notable that it is not clear how much of this amount represents the cost of restoring facilities that were allowed to degrade or otherwise not be 100% maintained.

During flush economic times, organizations have less pressure to make trade-offs on various choices for spending. When economic times are tight, like the present, the pressure to maintain service levels, prevent layoffs, and achieve policy goals can take priority over asset

¹⁰ [Ten-Year Capital Plan FY2024–33](#), 238–239.

¹¹ [Ten-Year Capital Plan FY2024–33](#), 238.

¹² [Ten-Year Capital Plan FY2024–33](#), 241.

¹³ [Ten-Year Capital Plan FY2024–33](#), 6.

¹⁴ [Ten-Year Capital Plan FY2024–33](#), 8.

¹⁵ [Ten-Year Capital Plan FY2024–33](#), 11.

maintenance. The cost of deferring maintenance and repair for one year may seem relatively small, and voters may not see the impact of those deferrals, making it easier for funding of more public-facing activities. Multiple years of deferrals increases their cost and visibility, however, particularly when improperly maintained systems fail or cease functioning.

The past 20 years have been rough on San Francisco's assets. The Great Recession of December 2007 to June 2009 saw a significant decline in maintenance spending. Although restored during San Francisco's following boom years, maintenance took another hit during the COVID-19 pandemic. In the "new normal" of post pandemic San Francisco, funding has improved but remains at risk as the city faces more than \$1 billion in budget deficits in the next few years.¹⁶ The tough capital allocation decisions concerning maintenance of existing infrastructure vs. new policy-driven building programs inevitably challenge the city's executive and legislative leadership, especially when the increased cost of delaying repair or replacement of degraded infrastructure is unknown.

Observed Problems with Newly Constructed City Buildings

The Jury undertook inspections of a number of recent and expensive building projects that were designed, managed, and completed by DPW. At each location, issues with the building's location, design, and/or construction were identified.

Fireboat Station 35

The city's original fireboat station on the Embarcadero, situated almost beneath the Bay Bridge, had numerous issues associated with its age. Originally built in 1915, the station houses one fire engine and includes docks for the San Francisco Fire Department's (SFFD) fireboats. In modern San Francisco, the station was too small and relied on decaying piers for operations. The station, like all of the Embarcadero, is in danger of regular flooding due to sea level rise. Additionally, the original structure was built without female firefighters in mind and lacked appropriate locker room facilities.

¹⁶ City and County of San Francisco. 2023. "[Five Year Financial Plan Update: FY 2024-25 through FY 2027-28.](#)" Budget Process Documents for Fiscal Years 2025 & 2026, 2.

As part of the 2014 Earthquake Safety and Emergency Response (ESER) bond approved by San Francisco voters in June 2014, the station was slated for a major upgrade. The construction project was originally budgeted at approximately \$38M, but this ultimately increased to \$51M related to mandated design changes from the San Francisco Bay Conservation and Development Commission (BCDC), increased costs of steel from China due to tariffs, and unplanned challenges of upgrading Pacific Gas and Electric Company's power grid, among other, unforeseen costs.

Rather than replace the existing structure, the upgrade to the station is a new structure that floats on the Bay itself right behind the original building. This new, one-of-a-kind, floating fire station solved some of the original issues, but did not entirely address sea level rise. The SFFD's fire truck is not legally allowed to be housed on the floating station. Relocating the station that housed the engine and, crucially, the firefighters to a new location, away from the pier where the fireboats are located, was impractical and would negatively impact response times to water-based emergencies. Thus, while the new floating station solves many of the problems of the original station, the original station remains the home of the single fire engine and is still vulnerable to flooding related to sea level rise.

Additionally, new fireboat station equipment has already failed. Mechanized lifts to raise and lower small watercraft in and out of the Bay have stopped working, believed to be caused by the corrosive effect of salt air. Additionally, cleats used to secure fireboats to the pier were installed with incorrect dimensions: the cleats were too small for the size of the securing ropes. Lastly, due to lack of power during an atmospheric river storm that occurred during construction, the bay doors of the station were left open, resulting in water damage requiring additional time – at additional DPW labor costs – to remediate.

Fire Station 49

The 2014 ESER bond also funded construction of Fire Station 49 located at 2241 Jerrold Avenue. It is now the home of the Fire Department's fleet of ambulances and serves as their resupply facility as well as a place for EMTs to gather. Originally budgeted at \$44M and started

on October 1, 2018, Fire Station 49 was “officially completed” on May 7, 2021 with a final cost of \$50.1M.¹⁷

Nearly three years after completion, construction and design problems remain. Rainwater penetrates areas of the facility, and firefighters must push it out using large squeegees. Water also intrudes through an exterior door, requiring the door to be permanently closed. Additionally, ambulance recharging equipment has been rusting since shortly after installation.

The public art installed on this facility’s entrance gate represents another planning failure. The piece consists of metal shapes similar to sails; when storms occur, wind is directed against the “sails” on the facility entrance gate, placing a heavy load on the gate’s motors. Repeatedly overloading the motors damages them, sometimes destroying them. When the motors are broken, ambulances have difficulty departing, creating the risk of increased emergency response times.

Traffic Company and Forensic Services Division

Located at 1995 Evans Avenue in the Bayview District, the 100,000 square foot facility that houses the Police Department Traffic Company and Forensic Services Division was completed in August 2021 and occupied by early 2022. The project was funded by the 2014 ESER bond with an announced projected budget of \$165 million, and a final budget of around \$181 million. Parking for officers is very limited because a portion of the site intended for employee parking was repurposed as one of the city’s Navigation Centers, which provide shelter and other services for people experiencing homelessness. Officers must park on the surrounding streets, which are prone to vandalism and theft, or park their personal vehicles at other locations, like the Hall of Justice, then commute to the station.

When it rains, the streets adjoining this facility frequently flood, resulting in traffic slowdowns on those streets. However, when there is sufficient rain in a sufficiently short amount of time, the resulting water levels can impair station operations. On New Year’s Eve 2022, flooding was severe enough to prevent police motorcycles from entering or leaving the facility, effectively taking the station out of service for several hours on one of the Police Department’s busiest

¹⁷ Department of Public Works. “[New SFFD Station 49 \(Ambulance Deployment Facility Project\) | Public Works.](#)” San Francisco Public Works. Accessed May 12, 2024.

nights of the year. This flooding additionally caused water damage to gate motors and a new Dodge Charger police car. Despite Herculean efforts to repair the damage, the vehicle is no longer reliable enough for use as a patrol car, and is relegated to use as a recruiting tool.

Location, Location, Location

The risk of sea level rise has put at least two new buildings in harm's way, according to a recently-released US Army Corps of Engineers (USACE) report.¹⁸ One example is the newly constructed Office of the Medical Examiner (OME), also funded by the 2014 ESER bond, which relocated the OME from the seismically risky Bryant Street Hall of Justice building to a new purpose built facility at 1 Newhall St. This project had a budget of \$65M¹⁹ and ultimate cost of \$67.5M.²⁰ The second example is the joint facility housing the Police Department Headquarters, SFPD Southern Station, and Fire Station 4, located in Mission Bay and funded by the 2010 ESER bond.

According to the USACE study, both of these locations are at risk of flooding in the future unless the USACE raises the city seawall and the coastline of San Francisco. If initiated as currently envisioned, the seawall project will cost the state and the city \$7.2 billion, which is not yet accounted for in the current capital plan. The city is already near its maximum borrowing limit.²¹

While the city takes several factors into consideration when locating a parcel of land for a new facility, trade-offs must be made. San Francisco has limited available space to build new buildings and what space is available can be expensive to purchase, which makes building on land that the city already owns an especially appealing option. In some cases, a location may be chosen for operational reasons like proximity to other facilities or major roads. When these tradeoffs are made, however, issues like frequency and severity of street flooding during increasingly intense rainstorms either are not considered, or are outweighed by other competing factors.

¹⁸ United States Army Corps of Engineers, 2024, "[San Francisco Waterfront Coastal Flood Study](#), 56.

¹⁹ City and County of San Francisco, 2014, "[2014 Earthquake Safety and Emergency Response Bond: Safeguarding San Francisco](#)," City and County of San Francisco, 4.

²⁰ Department of Public Works, 2023, "[Earthquake Safety and Emergency Response Bond Program](#) 2010, 2014 & 2020 Quarterly Status Report for Citizens General Obligation Bond Oversight Committee, 15.

²¹ [Ten-Year Capital Plan FY2024–33](#), 10.

Selection of design criteria and site performance characteristics can require balancing trade-offs between mutually exclusive options which can materially adversely impact the functionality of a new facility. If low-to-the-ground police motorcycles are unable to enter or exit the Traffic Division station due to street flooding, were the right trade-offs made? The latest Ten-Year Capital Plan mentions flooding from increasingly intense rainstorms, and the SFPUC has issued a report on the risks associated with extreme precipitation.²² Yet that awareness does not appear to inform selection of locations for critical “must operate” facilities, resulting in stations and facilities that are inadequate for their intended purpose.

Department of Public Works

History

Founded in 1900 with a simple mandate to manage street construction and paving, the Department of Public Works (DPW) has evolved over time to become the city department in charge of building and maintaining the majority of San Francisco government facilities. It is one of six “Chapter Six” departments²³ that manages, maintains, and builds the infrastructure that San Francisco needs to function. These departments get their name from where public works responsibilities are defined in the Charter. The Charter provides that Public Works, San Francisco Municipal Transportation Authority, the San Francisco Airport, the Port of San Francisco, the Public Utilities Commission, and Recreation and Park are the only departments of government authorized to “contract for Public Works or Improvements or professional services related to a Public Work or Improvement” and that “all other departments or commissions must procure construction or related professional services through San Francisco Public Works.”²⁴

For some departments, this entails simple changes to office building layouts and landscaping; for others, like the police and fire departments, the county’s hospitals, and the jails, DPW builds facilities that are much more complex and specialized.

²² Patricola, CM, et al. “[Future Changes in Extreme Precipitation Over the San Francisco Bay Area: Dependence on Atmospheric River and Extratropical Cyclone Events](#),” *Weather and Climate Extremes* 36, 2022.

²³ City and County of San Francisco, “[Administrative Code Chapter 6: Public Works Contracting Policies and Procedures](#),” Chapter 6. Eff. Aug. 1, 2015.

²⁴ City and County of San Francisco, “[Administrative Code Chapter 6: Public Works Contracting Policies and Procedures](#),” Chapter 6 Sec 6.2. Eff. Aug. 1, 2015.

DPW Budgets

Like most organizations, DPW has two different budgets: operations and capital. Funding for each budget comes from various sources, including inter-departmental payments, the city's General Fund, and the capital fund and the sources of the funding range from tax revenues, user fees, and state and federal grants, among others. Each source comes with different rules on how the money can be spent. State and federal grants are mostly restricted to specific purposes, such as clean-up costs of soil contamination or affordable housing. General funds, primarily generated by tax receipts and fees, are the least restrictive and can be spent mostly at the discretion of the Board of Supervisors. Money raised by the city when it issues bonds are restricted to the uses included in the ballot measure approved by San Francisco voters and further restricted by the covenant terms of the bonds sold to investors.

A department's operations budget pays for the day-in and day-out functions of government. This includes salaries and benefits of government employees, rent and maintenance of buildings, office supplies, and so forth.

The city's capital budget pays for building things like office buildings, fire stations, and hospitals along with some categories of furniture and equipment. Per city policy, capital budgets must be spent on assets that will be used for at least 1 year and cost above a specific threshold, with different types of assets requiring different minimum costs. Items that do not qualify typically are considered as expenses in a department's operations budget and are not paid for by the capital budget – but there are exceptions.

The line between these two budgets isn't as absolute as it sounds. For example, laws and accounting rules dictate that employee compensation costs (salaries and fringe benefits) of people directly working on a capital project, like an architect or a plumber, be paid from the capital project(s) budget of projects they work on. It is also required that a capital project budget pay for a portion of DPW's operations costs that are indirectly related to the project, such as department executive salaries and department's own office rent, because those things are required for the direct labor employees to do their work.

There is another layer of indirect costs charged to capital projects: a portion of the city's central services costs, such as the operating costs of the Board of Supervisors, Health Services, Mayor's office, and depreciation expense for the buildings where the central services functions

are located. Each department is allocated a proportional amount of the costs of central services and that amount is based on a complex formula specific to each department. Year to year, variations within the factors used in that formula (for example, changes in headcount, or growth or decline of department budgets relative to each other) impact the amount of cost of central services that is allocated to each department.

It is important for taxpayers to understand the implication of the allocation for both categories of cost. Effectively, both allocations move a portion of the city's *operating* budget to the *capital* budget, which reduces the burden on the General Fund but consumes part of the bond resources. This is both a benefit and a burden to taxpayers, for without the capital budget paying for part of the city's operations costs, taxpayers would have to pay higher taxes or accept less services. However, because these operations costs are paid for by money from bonds, the taxpayer is ultimately paying more overall in the form of higher interest for borrowing the money over a longer period of time.

This allocation also makes capital projects more expensive. The allocated costs are charged to the capital budget by increasing the nominal hourly rate of the direct labor used on the project. For example, if an employee who earns \$50/hr. in salary and benefits works on a capital project, the project is actually charged a higher hourly rate for that worker, in order to pay for the allocated costs. To anyone unfamiliar with the allocation of DPW overhead and the allocation of city central services costs, that employee looks expensive.

The allocation requirement is generally unknown outside of city finance employees, and the mechanics of how the allocation amount can fluctuate depending on the number of projects are complex. Also generally unknown is the effect of the number of projects on which DPW is working, and how that affects the allocation. Simply put, the amount of DPW's indirect costs is relatively stable, so as DPW works on more projects, these costs are allocated across a larger number of project budgets, which reduces the amount allocated to each project. Effectively, it is the effect of economies of scale: that the more work DPW does for client departments, the lower the hourly rates for direct labor become.

Public Works Commission

The Public Works Commission is a commission created by voters with the approval of Proposition B in November 2020. Proposition B separated street sanitation into a new department and split DPW oversight between this body and a new Sanitation and Streets Commission. However, two years later, voters partially reversed that decision, which returned street sanitation to DPW but left the Sanitation and Streets Commission in place. Predictably, there now exists some ambiguity to the two commissions' relative roles and responsibilities.

DPW regularly reports to the Public Works Commission, which currently reviews and approves contracts and changes to contracts. As of May, 2024, however, the Public Works Commission is without a Charter-mandated Annual Statement of Purpose.²⁵ Once it is created and approved by the Mayor and the Board of Supervisors, this statement will define the commission's "jurisdiction, authorities, purpose and goals." Until that document is created and approved, the Commission's oversight responsibilities are undefined, and its role in determining how well DPW is performing at building and maintaining the city's infrastructure is ambiguous.

DPW Performance Reporting

Performance reporting can be considered in two categories: budget performance and operations execution performance. Budget performance measures how well the department does at keeping costs under control and within the approved budget. Operations execution performance is somewhat more amorphous, as it includes less quantifiable measurements like "customer satisfaction" as well as more quantifiable measurements like adherence to timelines.

Public information on financial and operational performance on DPW's website about large facilities capital projects discloses only the *current* approved budget and project timeline for completion and delivery of a building. Previous timelines and project budgets are replaced, and the evolution of each project over time is not shown.

An initial budget for a facilities project is calculated at a high level and is adjusted as the project design is refined. Once construction starts, changes are required, some of which require the project budget to increase. When DPW approves change orders to a project, the updated budget

²⁵ City and County of San Francisco, "[Article IV, Section 4.02](#)," Charter of the City and County of San Francisco, 1995.

amount and timeline information replace the prior budget and timeline information on the department's website. As some projects have multiple change orders over the course of the project's life cycle, each subsequent change order replaces information from the immediately prior change order. As a consequence, to the general public, the evolution of the project's budget and timeline is lost, and with it the ability of the public to evaluate how well DPW is managing the project.

Finding the history of a project and the changes to its budget and project timelines requires knowing where disparate data can be found across a vast array of city websites – in some cases including two versions of each website, an “old” site design and a “new” site design.

A DPW presentation about a project to a client department's oversight commission may include the evolution of the project, but finding that presentation requires reviewing every commission agenda and meeting minutes to find the meeting when the presentation occurred. If no such presentation was made, finding this information is difficult if not impossible.

Using Fireboat Station 35 as an example, the original budget was \$37.8M but the final budget was \$51.1 million,²⁶ an increase of just over 35%. Financial reporting shows that the final actual cost of the project came in at \$50.4 million²⁷ so in that final reporting, the project came in under budget. But that result omitted the comparison to the original budget, which would show the actual, significant increase in cost. The history of the project and explanations for the changes to the project over time do exist – for example, they were discussed at a Fire Commission meeting on October 13, 2021²⁸ – but finding that commission meeting on the DPW's own website evaded the Jury's expertise.

Capital project spending reports also come from oversight bodies like the Citizen's General Obligation Bond Oversight Committee (CGOBOC).²⁹ That Committee monitors bond fund

²⁶ Fireboat Monthly Financial Report Summary, Memo to San Francisco Fire Department, 3.

²⁷ Fireboat Monthly Financial Report Summary, Memo to San Francisco Fire Department, 3.

²⁸ City and County of San Francisco, [“Fire Commission Meeting October 13, 2021,”](#) SFGov TV. Accessed May 3, 2024.

²⁹ Per the ordinance (Proposition F) passed by voters in March 2002 creating CGOBOC, the San Francisco Civil Grand Jury (SFCGJ) is required to choose 1 person to sit on the committee. The current seat appointed by the SFCGJ was filled by the 2022-2023 Civil Grand Jury and the 2023-24 SFCGJ will not need to appoint anyone during our term.

spending, however CGOBOC does not approve spending on the front end but reviews it after the fact for compliance with the stated use.

Another entity that can monitor DPW spending is the City Services Auditor, part of the Controller's Office. Funded by statute allocating 0.2% of the city's annual operating budget,³⁰ the San Francisco Charter tasks this office with, among other responsibilities, establishing "[m]easures of effectiveness including the quality of service provided, citizen perceptions of quality, and the extent a service meets the needs for which it was created."

³⁰ City and County of San Francisco, ["Appendix F, Section F1.113 Controller's Audit Fund,"](#) Charter of the City and County of San Francisco, 1995.

Analysis

Initially, the Jury was interested in investigating the problems encountered in creating one of San Francisco's most notable new structures, Fireboat Station 35. Our investigation expanded to investigate how well San Francisco government plans and constructs large building projects as well as how well the city maintains existing assets. We chose to focus this investigation on building projects conducted by the Department of Public Works primarily because DPW building projects are funded by bonds using taxpayer dollars, as opposed to other Chapter Six departments such as the Airport and the Port which have their own revenue sources.

The Jury found the following:

- Some recently constructed fire and police stations appear to have deficiencies in building design, construction, and/or location, implying deficiencies in DPW's planning and execution processes.
- The recently created Public Works Commission's oversight role is not yet determined which presents an opportunity for the Commission to define for itself how it will provide oversight of the Department of Public Works. Oversight is crucial to ensure taxpayers get value for money and that the city gets high-quality infrastructure, especially for critical life-safety operations.
- The Capital Planning Fund is insufficient which limits the amount of project design and planning that can be done prior to a project's budget being finalized and the project contracted. However, it is unknown how much additional funding is needed.
- Clearing the well-known maintenance backlog for existing city assets would require millions of dollars and considerable time to bring these assets back to proper condition. The additional cost to taxpayers of allowing assets to degrade and the impact on city operations is unknown.

Planning and Managing Construction Projects

When the Jury investigated Fireboat Station 35, we uncovered a more nuanced and complicated story than first appeared. The Department of Public Works was recovering from years of turmoil related to the corruption scandal and criminal conviction of its department head, a period of significant numbers of open positions, and the disruptive effect of the COVID-19 pandemic. The net effect of this turmoil was damage to DPW's reputation within other departments.

The Jury also found efforts already underway within DPW to improve performance and earn back the lost trust of its client departments. In interviews there and across other city departments, we met earnest public servants who wanted to get the “biggest bang for the buck” from citizens' tax dollars. To that end, the Jury has made modest suggestions to improve on that progress.

In our focus on performance, accountability, and deferred (possibly negligent) maintenance of current assets, the Jury encountered numerous recently constructed buildings which had significant problems. Members of the Jury toured several facilities built by Public Works that appeared to have construction deficiencies or design deficiencies which negatively impacted operations. These deficiencies meant the facilities were less than 100% of what San Francisco taxpayers paid for. Public Works distinguishes between “vertical infrastructure” which is essentially city buildings, and “horizontal infrastructure” which includes roads, curbs, and sidewalks. For this investigation, the Jury focused only on vertical infrastructure capital projects.

We also identified capital projects that were not built with the various climate change risks, particularly surface flooding from more intense rainstorms, in mind. Strikingly, the departments involved in the process of procuring land and building on it each viewed climate change as someone else's responsibility.

To be clear, the issue is thorny, and the task of determining departmental responsibility is complex. To elaborate on one example, the Traffic Company and Forensic Services Division building at 1995 Evans: was the observed damage the result of an ill-prepared storm and sewer system, and thus within the purview of the Public Utilities Commission? Or was the building's design flawed because it did not take this flooding risk into account – and thus a failure by

Public Works? The Jury is open to the possibility that the answer is both. It is urgent to better understand how “silos” between departments complicate the responsible use of the city’s scarce tax dollars.

The Jury notes that the Charter requires city departments to work with DPW, which can complicate how loudly these departments raise concerns when they surface. To this end, the Jury hopes that the new Public Works Commission can play a role in addressing this issue.

Maintaining Existing City Assets

San Francisco has a staggering amount of assets in need of repair: \$2.7B in “renewal” projects and \$6.7B in “enhancement” projects over the next 10 years.³¹ The city uses the term “deferred” to refer to projects that do not have funding and are not being worked on yet, but which the city is aware there is a need.³² For simplicity, we use the term “degraded assets” to refer to existing city assets that have not been properly maintained. The true quantity of degraded assets is nearly impossible to decipher.

The city uses the term “renewal” for projects that both “preserve” or otherwise “extend the useful life” of existing assets. In the Jury’s view “preserve” could include both assets that are long in need of repair or maintenance as well as conducting that repair and maintenance immediately when needed. The phrase “extend the useful life” doesn’t obviously distinguish between neglected maintenance of assets and up-to-date maintenance. Further complicating matters, the executive summary of the city’s 10 Year Capital Plan contains both a line for “routine maintenance” and another for “facility renewal.” It is unclear to the Jury, and presumably to taxpayers, the true costs of repairing and bringing back to proper condition any assets the city has let degrade.

San Francisco’s operating budget increased from \$7.4B³³ in 2013 to \$14.0B³⁴ in 2023, but during that time of growing revenues, the city failed to use those higher tax revenues and other fees received during the “good times” to properly fund maintenance for assets already bought and

³¹ [Ten-Year Capital Plan FY2024–33](#), 6-7.

³² [Ten-Year Capital Plan FY2024–33](#), 238.

³³ Office of the Controller, 2013, “[ANNUAL APPROPRIATION ORDINANCE No. 164-12 for fiscal year 2013 and 2014](#),” 12.

³⁴ Office of the Controller. 2022. “[BUDGET AND APPROPRIATION ORDINANCE No. 161-22 for fiscal year 2023 and 2024](#),” 10.

paid for by San Francisco taxpayers. By allowing assets to degrade, the city is inflicting more financial pain on its taxpayers, since the longer an asset is allowed to decay, the more costly it is to fix. Now that the city is facing painful, years-long financial constrictions and budget cuts, this abdication of responsibility during the boom-time years is all the more grievous.

Multiple individuals in city government shared the prevailing view that voters are more likely to approve borrowing money for new buildings than for the maintenance of existing buildings. Additionally, some interviewees told us that they did not bother to report issues with facilities and equipment because there was no money to fix the problem.

The Jury is cognizant that building maintenance employees may be logging these problems in the Facilities Renewal Resource Model (FRRM) system, so these “unreported” issues may actually be reported. Even with that caveat, however, there exists the concern that city assets are in worse shape than is currently publicly known.

On April 14, 2022, the Controller’s office published the “Annual General Obligation Bond Program Report, Fiscal Years 2019–2021” explicitly identifying the issue of deferred maintenance and its impact on the city.³⁵

The City currently has a backlog of capital maintenance projects that may unnecessarily increase the need for additional GO bond funding. The City estimates that it currently has a multi-billion-dollar backlog of deferred maintenance. (i.e., the value of identified maintenance projects that have yet to be addressed.) When maintenance is deferred, it can reduce the expected life of a facility. Bond managers have indicated that deferred maintenance can result in certain assets and buildings that may need to be replaced earlier than they otherwise would, thus increasing the City’s long-term costs. Failure to renew systems on an ongoing schedule can also result in prolonged system failures and hard to procure replacements, such as with delays with City Hall’s HVAC system repair that has taken over a year and half to complete. Regular maintenance is crucial to lowering the City’s long-term capital costs and ensuring that systems remain functional.

³⁵ [Annual General Obligation Bond Program Report, Fiscal Years 2019-2021](#), 13.

Opportunity: The City could explore options to expand regular capital maintenance funding and define which aspects of maintenance are to be funded by departments' operating budget or by the City's General Fund.

The Jury agrees.

Maintenance Spending

The city has essentially two options for managing the cost of maintaining and repairing infrastructure. The first option is using General Fund or bond funds that is sufficient to keep infrastructure in proper condition instead of allowing it to degrade. Keeping assets in good condition helps keep maintenance costs lower over the long-term. The second option is that the city can sell off physical assets which reduces the overall asset base needing repair and, by definition, decreasing the cost of maintenance.

DPW Capital Project Planning and Reporting

Compared to the publicly available information that other cities provide about bond-funded capital projects, DPW's website is, in the Jury's opinion, clearly deficient. For example, the New York City Capital Project Dashboard³⁶ is a digital and interactive website which shows budget and timeline history as well as current budgets and actual spending. Taxpayers can see how the budget for any particular project has changed over time from its inception to present day. The DPW website is static, and shows only current budget and current expected completion date without the history of either, nor does it explain how or why a project has changed over time. Without this information, the public lacks key information to hold DPW, the client department, and city leadership accountable for performance.

In theory, the newly formed Public Works Commission should provide performance oversight. The Commission can hold DPW accountable for the accuracy of capital project budgeting, and the execution of those projects, including adherence to timelines and quality of design and construction. Indeed, the City Charter gives the Commission the power to "conduct investigations into any aspect of governmental operations within its jurisdiction through the

³⁶ New York City, "[NYC Capital Projects Dashboard](#)," nyc.gov. Accessed May 5, 2024.

power of inquiry, and make recommendations to the Mayor or the Board of Supervisors” and to “hold hearings and take testimony.”³⁷

Yet the impact of this oversight remains to be seen. The commission is new and still forming governance documents, and important issues, such as the relationship between the Public Works Commission and the Sanitation and Streets Commission, remain unresolved. To date, the reporting from DPW to the Commission has focused on other aspects of oversight and review, such as contracting and department operating budget approval— although these elements are important too.

San Franciscans are keenly aware that city capital projects often cost more and take more time than original projections indicated. SFMTA’s Central Subway project, Fireboat Station 35, and the Transbay Terminal³⁸ are just three examples where the project cost was far more than originally planned and took considerably longer than expected. These big projects get a lot of press attention and the city is rightly criticized in the press for the cost overruns and the missed deadlines. But that same scrutiny does not cover all the bond-funded projects that the city manages. The 2014 ESER bond that funded Fireboat Station 35 was for \$400M also funded the construction of the Traffic Company and Forensic Services Division (\$165M planned budget and now \$178.9M final budget) and the Office of the Chief Medical Examiner building (\$65M planned budget and now \$67.5M final budget).³⁹ However, press attention primarily focused on the trials and tribulations of Station 35. Capital budgets usually include contingency funds to cover unexpected expenses. But for these buildings, their cost overruns exceeded their contingency budget, and make those overruns even more glaring.

The Jury believes DPW can and should improve on its reporting to the Public Works Commission and to the general public. Initial budget and timeline information, as well as explanations of subsequent revisions, must exist somewhere. To improve transparency and accountability, that information – which accounts for hundreds of millions of dollars in capital

³⁷ City and County of San Francisco, “[Article IV, Section 4.02](#)” subsections 7 and 10, Charter of the City and County of San Francisco, 1995.

³⁸ SFChronicle, March 21, 2018, [Missing the buses: Transbay Transit Center’s opening delayed until at least August.](#)

³⁹ [Ten-Year Capital Plan FY2024–33](#), 27, for current budgets. For original budget data, “[Earthquake Safety and Emergency Response Bond 2014.](#)”

spending – should be made available and comprehensible to the Public Works Commission and to the public.

Within DPW's Finance and Administration function there is an existing manager role for planning and performance. The Jury views this role as appropriate to gather and update the information needed by the Commission to provide strong transparency and accountability.

That accountability matters because the city's self-imposed limit on total borrowing capacity limits the amount of debt San Francisco is able to issue for capital projects. The city is already approaching that limit⁴⁰ and that is without yet addressing its portion of the cost to repair and raise the seawall and the shoreline.⁴¹ The USACE report notes an estimated \$7.2 billion cost to be shared by the State of California and San Francisco, but the city's share of that amount is unknown. Cost overruns due to facility project design changes, issues with construction, or extended timelines consume capital funds that further limit San Francisco's capacity to build needed infrastructure.

The Jury recognizes that planning for and executing capital projects is not an easy task. Initial budgets and timelines are high-level and based on prior projects, so changes to those budgets and timelines are inevitable as project planning progresses. But the original estimate is important because it helps determine the size of the bond issuance necessary to pay for the project, which in turn dictates what the city can expect to build using those bonds. If the original estimates are significantly incorrect compared to the eventual approved budget, voters may not be getting all that they were expecting.

The better the city is at planning a project from the beginning, the more accurate the budgets and timelines will be. That accuracy can save the city significant amounts of money. The Jury is fully aware that city budgets are tightening and every department is scrambling to find ways to cut costs. However, in this case, a higher up-front spending can save money in the long run by reducing the risk the project will cost more from higher interest expense and labor costs due to longer than planned timelines or from significant design changes after the project has started.

⁴⁰ Capital Planning Committee, 2023, "[The City and County of San Francisco Capital Plan Fiscal Years 2024-2033](#)," 10.

⁴¹ "[San Francisco Waterfront Coastal Flood Study](#)," Table 1-7, ES-9.

Again the Controller's General Obligation Bond report speaks to the issue of insufficiently funded pre-planning for capital projects stating:

Pre-bond funding is beneficial and could be more extensively utilized. Pre-bond funding enables departments to identify the amount of funding required to meet a capital need, begin planning for capital funding, and plan the regulatory and approval process, prior to a bond being proposed for the ballot. It improves the city's understanding of its broader capital needs and how to prioritize projects with the greatest need.⁴²

It goes on to discuss the limitations of the Capital Planning Revolving Fund as currently used by the city, specifically the challenges around insufficient funding. The report provides a suggestion to solve for this that the Jury fully supports:

The city could evaluate whether the Capital Planning Revolving Fund has sufficient funding to meet the city's planning needs and/or should be linked to estimates of need for capital improvements citywide. The city could explore whether additional funding sources for capital planning may also need to be expanded for those efforts that are not eligible for the Fund⁴³.

The timing of the Controller's report's publication was unfortunate because the city at that time was intensely focused on its response to the COVID-19 pandemic. Two years after its publication, the problem of underfunding the Capital Planning Revolving Fund is continuing.

⁴² [Annual General Obligation Bond Program Report, Fiscal Years 2019-2021](#), 13.

⁴³ [Annual General Obligation Bond Program Report, Fiscal Years 2019-2021](#), 13.

Findings and Recommendations

The Jury made the following findings and recommendations in regard to the cost and oversight of the building of new facilities built by the Department of Public Works and the maintenance of city assets.

Finding 1 The Amount of Degraded Assets is Unknown

The city's significant amount of degraded assets is not properly quantified or understood, resulting in an increased cost to taxpayers and a lack of transparency and accountability regarding the city's stewardship of taxpayer funded assets.

Recommendations

Recommendation 1.1 By March 31, 2025, the Controller shall conduct a financial analysis of the additional cost to the city entailed by delaying full repair of “degraded facilities assets” and issue the report to the Mayor, the Board of Supervisors, and publish the report to the public.

Recommendation 1.2 By June 30, 2025, Department of Public Works shall issue a report to the Public Works Commission detailing all instances starting on January 1, 2021 to the present day where maintenance work of material cost and scope has on at least 3 occasions been required for essentially the same issue in which a root cause of the issue is that the asset has been allowed to degrade or otherwise has not been properly maintained. Material cost and scope shall be defined by the Public Works Commission.

Recommendation 1.3 By June 30, 2025, Department of Public Works shall issue a report to the Public Works Commission detailing all instances starting on January 1, 2021 to present day where degraded assets left unrepaired materially impacted the operations of the facility or city employees. Materially impacted shall be defined by the Public Works Commission.

Recommendation 1.4 Included in the publication in 2025 of the 2026-2035 10 Year Capital Plan and each future biennial 10 year capital plan, the Capital Planning Committee shall add and update in future plans a subsection discussing only “degraded assets” to each relevant section of the Plan (Sections 6 -13 in the 2024-2033 10 Year Capital Plan). Each subsection shall describe: (1) the types of degraded assets, (2) the total cost to repair them to baseline, (3) the risks to the city by not repairing them, and (4) the 10 year plan to get degraded assets back to baseline and do so at the equivalent level of granularity as is in the report in Section 3: Accomplishments (relevant pages 29, 31, 33, 35, 37, 39, 41, and 43 in the 2024-2033 10 Year Capital Plan).

Recommendation 1.5 If recommendation 1.4 is not implemented administratively, the Board of Supervisors shall pass an ordinance making the bi-annual reporting on degraded assets a legal requirement.

Finding 2 Capital Facilities Projects Require More Accountability and Oversight

The Public Works Commission lacks appropriate reporting necessary to adequately oversee the performance of Department of Public Works capital facilities projects resulting in insufficient oversight of the department and a lack of sufficient transparency and accountability for hundreds of millions of dollars of capital spending.

Recommendations

Recommendation 2.1 Budget Reporting: By March 31, 2025, DPW shall issue a report to the Public Works Commission, updated quarterly for all currently active and planned bond-funded capital facilities projects to include end-to-end performance information detailing budget accuracy and timeline planning accuracy from initial design to contracting to construction to completion with explanations for material deviations. Material deviations shall be defined by the Public Works Commission.

Recommendation 2.2 Capital Project Facility Design Reporting: By March 31, 2025 DPW shall issue a report to the Public Works Commission, which shall be updated quarterly, for all ongoing

bond-funded capital facilities projects, of any material changes to the project design once the project budget has been approved by the Commission through the end of construction, detailing the reasons for the changes, the financial impact of the changes, and the impacts to project timelines. Material changes shall be defined by the Public Works Commission.

Recommendation 2.3 Capital Project Facility Construction Reporting: By March 31, 2025 DPW shall issue a report to the Public Works Commission, updated quarterly, on all ongoing bond-funded capital facilities projects, detailing material issues regarding construction quality from the beginning of construction through the end of construction, where construction work had to be re-done including the reason(s) for the re-work, the impact on the project financially, on project timelines, and any legal disputes. Material issues regarding construction quality shall be defined by the Public Works Commission.

Recommendation 2.4 Capital Project Facility Post-Construction Reporting: By March 31, 2025 DPW shall issue a report to the Public Works Commission, updated quarterly, on all ongoing bond-funded capital facilities projects detailing material issues regarding construction quality for the period from the issuance of the certificate of occupancy until 2 years after the facility has been in use by the client department detailing the reasons for the problem(s) with the facility, estimate of the cost to repair or replace, timeline to repair or replace, and the impact on functionality of the facility until issues are repaired or replaced. Material issues regarding construction quality shall be defined by the Public Works Commission.

Recommendation 2.5: Within 1 week of the quarterly reports in Recommendations 2.1, 2.2, 2.3, and 2.4 all the information presented in those recommendations shall be published prominently on DPW's website and available to the public.

Recommendation 2.6: Within 1 month of DPW submitting the reporting specified in Recommendations 2.1, 2.2, 2.3, and 2.4, the Public Works Commission shall hold a public hearing with the Department of Public Works to discuss the information in the reports.

Recommendation 2.7: The Public Works Commission shall include in the forthcoming Annual Statement of Purpose between the Department of Public Works and the Public Works Commission that the Commission is tasked with assisting the Department with determining and

implementing changes to the Department's processes and procedures regarding capital facilities project design and construction to improve Department performance.

Recommendation 2.8: By December 31, 2024, Department of Public Works shall update its website for completed capital facilities projects to include original budget information, original timeline information, and material changes to the project budget and timelines including explanations for the changes. Material changes shall be defined by the Public Works Commission.

Recommendation 2.9: By December 31, 2024, the Public Works Commission shall physically visit and inspect the capital projects mentioned above, and the Jury further recommends that for future capital facilities projects, the Commission and a representative from CGOBOC should visit and inspect each new capital facilities project at the time when the project is deemed to be "substantially completed."

Recommendation 2.10: By March 31, 2025, the Public Works Commission shall initiate a process for obtaining and reviewing feedback from client departments of DPW regarding concerns or unresolved issues about clients' capital facilities projects.

Finding 3 Completed Capital Facilities Projects Require Auditing

Some newly constructed facilities built by the Department of Public Works were observed to have deficiencies in the design and/or construction resulting in additional costs for repair or replacement which may have been preventable requiring further investigation and analysis.

Recommendations

Recommendation 3.1: By March 31, 2025 the City Services Auditor shall audit a minimum of 5 completed or nearly-completed bond-funded capital facilities projects, excluding Fireboat Station 35, over the past 5 years and assess end-to-end performance on budget accuracy and management, timeline forecast accuracy, and quality of design and construction and shall report the findings of the audit and recommendations for improvement to the Board of Supervisors and the Mayor's office.

Recommendation 3.2: By March 31, 2025, the Controller's office shall analyze the use of the Capital Planning Fund to evaluate if additional funding is required such that all planned capital facilities projects over \$10M will have sufficient available funds to cover a minimum of 50% of the planning costs for those projects.

Recommendation 3.3: By March 31, 2025, should the Controller determine that the current budgeted funding for the Capital Planning Fund is insufficient, the Controller shall make recommendations to the BoS and the Mayor on the appropriate amount the Fund should be and options for including that additional funding in the next budget.

Recommendation 3.4: By March 31, 2025, the Controller shall report to the Board of Supervisors and the Mayor detailing the financial impact of change orders to capital facility budgets that were caused by imprecise or incorrect pre-planning and design.

Recommendation 3.5: By March 31, 2025, the Controller shall report to the Board of Supervisors and the Mayor's Office detailing the impact of change orders on timeliness of the bond-funded capital facilities projects design and construction that were caused by imprecise or incorrect pre-planning.

Finding 4 Department of Public Works Needs to Educate Other Departments about How It Calculates Labor Costs

The perception that the hourly rates for employees of the Department of Public Works for work performed for client departments are expensive leads to frustration and to irritation with DPW at client departments which can negatively impact the working relationship between departments.

Recommendation

Recommendation 4: The Mayor shall direct the Department of Public Works to create a report by December 31, 2024 for client departments detailing how the hourly rates are calculated including explanations regarding the allocation of DPW indirect costs and the allocation of central services of city government to explain in layman's terms how DPW billing works, and how the number of projects impacts those rates.

Required and Requested Responses

Pursuant to California Penal Code §933, the Jury requires a response to the finding and recommendation shown in *Table 1* within 60 calendar days

Table 1: Required responses

Respondent	Findings	Recommendations
Mayor	F4	R4

And requires a response to the finding and recommendation shown in *Table 2* within 90 calendar days.

Table 2: Required responses

Respondent	Findings	Recommendations
Board of Supervisors	F1	R1.5

The Jury requests responses to the findings and recommendations shown in *Table 2* within 60 calendar days.

Table 3: Requested responses

Respondent	Findings	Recommendations
Department of Public Works	F1, F2, F4	R1.2, R1.3, R2.1, R2.2, R2.3, R2.4, R2.5, R2.8, R4
Controller	F1, F3	R1.1, R3.1, R3.2, R3.3, R3.4, R3.5

Capital Planning Committee	F1	R1.4
Public Works Commission	F1, F2	R2.6, R2.7, R2.9, R2.10

Methodology

To prepare this report, the Jury conducted interviews with city employees from multiple city departments as well as private parties involved in construction. The Jury also reviewed reports issued by various city departments and commissions.

The Jury reviewed and analyzed:

- Annual General Obligation Bond Program Report, for Fiscal Years 2019-2021 issued April 14, 2022
- The City and County of San Francisco 10 Year Capital Plan for Fiscal Years 2024-2033 issued May 9, 2023
- 2014 ESER Bond Program Audit issued March 1, 2018
- The Controller’s Office report “The City Needs More Centralized Leadership, Monitoring, and Relevant Data to Ensure Cost-Effective Facilities Maintenance” Citywide Facilities Maintenance Report issued February 19, 2019
- The Controller’s Office Annual GO Bond Program Report issued Jun 13, 2022