

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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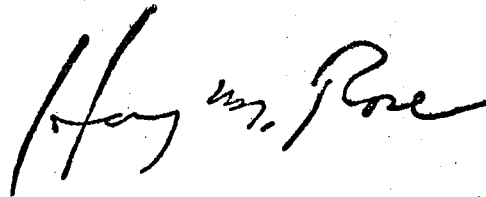
May 22, 2012

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 2012-2013 to Fiscal Year 2013-2014 Budget.

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Descriptions for Departmental Budget Hearing, May 24, 2012 Meeting, 10:00 a.m.

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Harvey M. Rose

cc: Supervisor Chu Supervisor Olague
Supervisor Avalos Clerk of the Board
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President Chiu Kate Howard
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Supervisor Mar

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

**BUDGET REVIEW EXECUTIVE SUMMARY
FIXED TWO YEAR BUDGET, FY 2012-13 & FY 2013-14**

YEAR ONE (FY 2012-13)

Budget Changes

The department's proposed budget of \$704,956,414 for FY 2012-13 is \$18,536,224 or 2.6% less than the original budget of \$723,492,638 for FY 2011-12.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2012-13 is 1,622 FTEs, which is 6 FTEs more than the 1,616 FTEs in FY 2011-12. This represents 0.4% increase in FTEs from the original budget for FY 2011-12.

Revenue Changes

Department revenues, consistent with expenditures, have decreased by \$18,536,224 or 2.6%, from the original FY 2011-12 budget of \$723,492,638 to the proposed FY 2012-13 budget of \$704,956,414.

YEAR TWO (FY 2013-14)

Budget Changes

The department's proposed budget of \$775,739,283 for FY 2013-14 is \$70,782,869 or 10.0% more than the proposed budget of \$704,956,414 for FY 2012-13.

Personnel Changes

The number of FTEs budgeted for FY 2013-14 is 1,623 FTEs, which is 1 FTE more than the 1,622 FTEs in FY 2012-13.

Revenue Changes

Department revenues, consistent with expenditures, have increased by \$70,782,869 or 10.0%, from the proposed FY 2012-13 budget of \$704,956,414 to the proposed FY 2013-14 budget of \$775,739,283.

RECOMMENDED REDUCTIONS

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$2,576,394 in FY 2012-13 and \$2,801,604 in FY 2013-14.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

SUMMARY OF PROGRAM EXPENDITURES:

| | FY 2011-12 Original Budget | FY 2012-13 Proposed Budget | Increase/ (Decrease) from FY 2011-12 | FY 2013-14 Proposed Budget | Increase/ (Decrease) from FY 2012-13 |
|--|---|---|---|---|---|
| PUBLIC UTILITIES COMMISSION | | | | | |
| ADMINISTRATION | \$112,184,853 | \$188,958,806 | \$76,773,953 | \$208,772,837 | \$19,814,031 |
| CUSTOMER SERVICES | 11,984,647 | 12,561,644 | 576,997 | 12,975,905 | 414,261 |
| DEBT SERVICE | 212,923,930 | 232,022,270 | 19,098,340 | 274,689,954 | 42,667,684 |
| ENGINEERING | 0 | 0 | 0 | 0 | 0 |
| FINANCE | 10,148,226 | 10,684,141 | 535,915 | 10,958,753 | 274,612 |
| GENERAL MANAGEMENT | (55,946,417) | (59,207,238) | (3,260,821) | (60,648,302) | (1,441,064) |
| HETCH HETCHY CAPITAL PROJECTS | 73,686,500 | 2,000,000 | (71,686,500) | 2,000,000 | 0 |
| HETCHY WATER OPERATIONS | 50,487,873 | 59,486,896 | 8,999,023 | 55,417,772 | (4,069,124) |
| HUMAN RESOURCES | 9,581,837 | 10,135,362 | 553,525 | 10,420,474 | 285,112 |
| MANAGEMENT INFORMATION | 19,542,846 | 20,525,731 | 982,885 | 20,746,225 | 220,494 |
| OPERATING RESERVE | 13,434,935 | 20,798,138 | 7,363,203 | 36,122,807 | 15,324,669 |
| POWER INFRASTRUCTURE DEVELOPMENT | 9,316,096 | 21,721,891 | 12,405,795 | 22,297,133 | 575,242 |
| POWER PURCHASING/ SCHEDULING | 44,505,295 | 45,851,628 | 1,346,333 | 45,971,131 | 119,503 |
| POWER UTILITY SERVICES | 11,869,084 | 342,000 | (11,527,084) | 357,000 | 15,000 |
| STRATEGIC PLANNING/ COMPLIANCE | 10,596,544 | 12,785,185 | 2,188,641 | 12,881,037 | 95,852 |
| WASTEWATER CAPITAL PROJECTS | 30,652,450 | 0 | (30,652,450) | 0 | 0 |
| WASTEWATER COLLECTION | 30,100,426 | 31,317,585 | 1,217,159 | 31,890,746 | 573,161 |
| WASTEWATER OPERATIONS | 6,413,336 | 3,051,622 | (3,361,714) | 3,072,021 | 20,399 |
| WASTEWATER TREATMENT | 69,931,755 | 70,704,830 | 773,075 | 72,039,834 | 1,335,004 |
| WATER CAPITAL PROJECTS | 39,270,330 | 5,001,000 | (34,269,330) | 5,713,000 | 712,000 |
| WATER SOURCE OF SUPPLY | 20,925,744 | 20,002,385 | (923,359) | 21,127,014 | 1,124,629 |
| WATER TRANSMISSION/ DISTRIBUTION | 49,043,342 | 50,988,696 | 1,945,354 | 51,668,436 | 679,740 |
| WATER TREATMENT | 37,910,802 | 42,618,602 | 4,707,800 | 42,882,303 | 263,701 |
| Subtotal | \$818,564,434 | \$802,351,174 | (\$16,213,260) | \$881,356,080 | \$79,004,906 |
| Less Interdepartmental Recoveries And Transfers | (95,071,796) | (97,394,760) | (2,322,964) | (105,616,797) | (8,222,037) |
| Net Uses | \$723,492,638 | \$704,956,414 | (\$18,536,224) | \$775,739,283 | \$70,782,869 |

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

FY 2012-13

The PUC's proposed budget for FY 2012-13 is \$18,536,224 less than the budget for FY 2011-12. The PUC has proposed the following major changes in FY 2012-13:

- Scheduled debt service has increased due to increasing debt payments for outstanding Water Revenue Bonds to fund the Water Systems Improvement Program (WSIP), which began in 2005 and involves the rebuild and retrofit of the Hetch Hetchy Water System.
- The department is proposing two new positions: (1) one new 5148 Water Operations Analyst is being requested by the Wastewater Enterprise to help respond to various sewer inquiries from the public and other agencies that have increased as a result of sewer condition assessments; and (2) one new 7246 Sewer Repair Supervisor to support sewer condition assessments and help prioritize sewer replacement for areas with critical needs.
- Professional services contracts in the Wastewater Enterprise have increased to (a) respond to an Environmental Protection Agency inspection of the Southeast Water Pollution Control Plant facility and collection system; (b) examine the unexpected results from acute toxicity tests at the Southeast Water Pollution Control Plant; and (c) enable compliance with new regulatory mandates under the revised National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System (MS4) Phase II General Permit.
- New funding is included in the Hetch Hetchy Water Division for fisheries studies as ordered by the Federal Energy Regulatory Commission (FERC) as part of the requirements under the Turlock and Modesto Irrigation Districts' FERC license to operate the Don Pedro Project.
- The Hetch Hetchy Water Division has negotiated a water transfer with Modesto Irrigation District as anticipated by the WSIP and approved by the Public Utilities Commission in October 2008. This includes funding for a California Environmental Quality Act (CEQA) review of potential water transfer from Modesto Irrigation District.
- New funding is included for the Hetch Hetchy Water Division for Western Electricity Coordinating Council (WECC)/North American Electric Reliability Corporation (NERC) regional standard compliance for owners, operators and users of the Bulk Electric System (BES).
- The Hetch Hetchy Power Division includes new funding for a business and strategic assessment to assist Hetchy Power to better serve an increasing number of retail electric customers and for the Advance Metering Infrastructure (AMI) Master Data Management (MSM) implementation.
- An increase in permanent salaries and mandatory fringe benefits due to Memoranda of Understanding (MOU) changes.
- The Department has prioritized completion of WSIP, resulting in decreased funding for Capital Improvement Projects in the Water Enterprise.
- PUC is proposing reduced administrative costs to the Water, Wastewater, and Hetch Hetchy divisions.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

FY 2013-14

The PUC’s proposed budget for FY 2013-14 is \$70,782,869 and includes the following major changes:

- Annualization of new positions.
- An increase in scheduled debt service resulting from increasing debt payments for outstanding Water Revenue Bonds to fund WSIP.
- Increases in mandatory fringe benefits for department staff.
- A decrease in the Capital Improvement Projects for the Water Division due to WSIP.

DEPARTMENT PERSONNEL SUMMARY:

The number of FTEs in FY 2012-13 is 1,622 or 6 more than the 1,616 FTEs in FY 2011-12.

The number of FTEs in FY 2013-14 is 1,623 or 1 more than the 1,622 FTEs in FY 2012-13.

The Water Enterprise’s FY 2012-13 budget includes 11 positions that are reassigned from the Infrastructure division.

The Wastewater Enterprise’s FY 2012-13 budget includes two new positions noted above, annualization of positions approved in FY 2011-12, and budget system adjustments. No positions are proposed for deletion in FY 2012-13 and FY 2013-14.

The PUC Bureaus include increased FTEs from 13 positions that were new in FY 2011-12 and are annualized in the FY 2012-13 budget. The Bureaus budget includes two positions that are new in FY 2012-13.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Revenues

The PUC receives operating revenue from utility rates charged to San Francisco individuals and businesses for water and wastewater use; wholesale water rates charged to the PUC’s wholesale customers; electricity sales from power generated by Hetch Hetchy, and other sources. Revenues in the proposed FY 2012-13 and FY 2013-14 PUC budgets include:

- Increased revenues from the sale of water to San Francisco consumers based rate increases which are 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.
- Increased revenues from sewer services to San Francisco consumers based rate increases which are part of the five-year rate plan the PUC implemented in FY 2008-09.²

LEGISLATION

Items 4 and 9. Files 12-0428 and 12-0469

File 12-0428 is an ordinance that would appropriate \$587,756,000 of proceeds from wastewater revenue bonds, wastewater revenues and interest income in order to finance improvements to the San Francisco City sewer system, renewal and replacement projects for sewer and treatment facilities, the Treasure Island Project, other wastewater capital projects, and City Auditor costs. File 12-0428 would also accept and expend a Department of Water Resources grant in the amount of \$24,146,000. **File 12-0469** is an ordinance that would increase the PUC’s authority under San Francisco’s 2002 Proposition E to issue Water Revenue Bonds by \$522,810,000.

In 2002, San Francisco voters approved Proposition E, which allows the PUC to issue debt without further approval of the voters, subject to approval of two-thirds of the Board of Supervisors.

Under File 12-0469, the PUC is requesting Proposition E authority for up to \$522,810,000 for (a) various wastewater projects (a list is in Table 3), (b) financing costs (as shown in Table 1, below), and (c) \$30,000,000 in water revenue bonds that the Board of Supervisors had previously approved for expenditure in FY 2011-12, as shown in Table 1. According to Mr. Mike Brown, Capital Finance Analyst for the PUC, legislation to issue \$30,000,000 in water revenue bonds had not been previously approved by the Board of Supervisors in FY 2011-12 and is being included in File 12-0469 for Board of Supervisors approval.

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.

² In accordance with Charter Section 8B.125, the Board of Supervisors has the authority to reject proposed increases in sewer rates. Such rate increases were previously presented to the Board of Supervisors.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Table 1

| Revenue Bond Issuance Authority | Amount |
|---|----------------------|
| Wastewater Capital Projects | \$428,530,000 |
| Financing Costs | 63,180,000 |
| City Auditor Costs | 1,100,000 |
| Subtotal: Wastewater Revenue Bonds | \$492,810,000 |
| Previously Approved Water Revenue Bonds in FY 2011-12 | 30,000,000 |
| Total | \$522,810,000 |

Under File 12-0428, the PUC is requesting a supplemental appropriation of \$587,756,000 for capital improvement projects in FY 2012-13 through FY 2013-14. The sources of funds, which include proceeds from the issuance of wastewater revenue bonds requested in File 12-0469 above, as well as the use of funds are shown in Tables 2 and 3.

Table 2

| Sources | Amount |
|---|----------------------|
| Proceeds from Sale of Wastewater Revenue Bonds (File 12-0469) | \$492,810,000 |
| Wastewater Enterprise Revenue | 70,000,000 |
| Department of Water Resources Grant | 24,146,000 |
| Interest Income | 800,000 |
| Total Sources | \$587,756,000 |

Table 3

| Uses | Amount |
|--|----------------------|
| Improvements to San Francisco City Sewer System | \$327,654,000 |
| Renewal and Replacement for Sewer and Treatment Facilities | 135,706,000 |
| Treasure Island Project | 5,470,000 |
| Other Wastewater Capital Projects | 54,647,000 |
| Financing Costs | 63,183,752 |
| City Auditor Costs | 1,095,248 |
| Total Uses | \$587,756,000 |

Recommendation: Approve Files 12-0428 and 12-0469.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Items 5 and 7. Files 12-0429 and 12-0467

File 12-0429 is an ordinance that would appropriate \$171,001,000 of proceeds from revenue bonds, water revenues, and interest income in order to finance improvements to San Francisco City water mains, regional water system improvements, and City Auditor costs. **File 12-0467** is an ordinance that would increase the PUC’s authority under San Francisco’s 2002 Proposition E to issue Water Revenue Bonds by \$163,400,000 to finance improvements to San Francisco City water mains, the PUC’s Hetch Hetchy Water and Power System, and City Auditor costs.

In 2002, San Francisco voters approved Proposition E, which allows the PUC to issue debt without further approval of the voters, subject to 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 4 below.

Table 4

| Ordinance | Date | Amount | Projects |
|------------------|-------------|------------------------|---|
| 189-09 | 8/4/2009 | \$1,310,307,119 | WSIP |
| 89-10 | 4/30/2010 | 1,737,724,038 | WSIP Other Water Capital Projects (Local Water Mains) Automated Water Meter Program |
| 100-11 | 6/20/2011 | 49,100,000 | Water System Improvement Project Other Water Capital Projects (Local Water Mains) |
| Total | | \$3,097,131,157 | |

Under **File 12-0467**, the PUC is requesting Proposition E authority for the issuance and sale of up to \$163,400,000 in water revenue bonds for two projects and City Auditor costs. According to Mr. Todd Rydstrom, Assistant General Manager and Chief Financial Officer for the PUC, the \$163,400,000 in Proposition E authority would be allocated to the following projects as shown in Table 5.

Table 5

| Water Revenue Bond Issuance Authority | Project Costs | Financing Costs | Total |
|---|----------------------|------------------------|-----------------------|
| Improvements to San Francisco City Water Mains and Regional Water System (File 12-0467) | \$96,563,000 | \$19,009,624 | \$115,572,624 |
| City Auditor Costs - Water Enterprise | 303,376 | N/A | 303,376 |
| Subtotal: Water Improvements | \$115,876,000 | \$19,009,624 | \$115,876,000 |
| Hetch Hetchy Water and Power System Improvements | 39,602,350 | 7,841,795 | 47,444,145 |
| City Auditor Costs – Hetch Hetchy Water | \$79,205 | N/A | \$79,205 |
| Total | \$136,547,931 | \$26,851,419 | \$163,399,350* |

* Rounded up to \$163,400,000.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Under File 12-0429, the PUC is requesting a supplemental appropriation of \$171,001,000 for capital improvement projects in FY 2012-13 through FY 2013-14. The sources of funds, which include proceeds from the issuance and sale of water revenue bonds requested in File 12-0467 above, as well as the use of funds are shown in Tables 6 and 7.

Table 6

| Sources | Amount |
|--|----------------------|
| Proceeds from Sale of Water Revenue Bonds (File 12-0467) | \$115,876,000 |
| Water Enterprise Revenue | 49,125,000 |
| Interest Income | 6,000,000 |
| Total Sources | \$171,001,000 |

Table 7

| Uses | Amount |
|--|----------------------|
| Improvements to City Water Mains and Regional Water System | \$151,688,000 |
| Financing Costs | 19,009,624 |
| City Auditor Costs | 303,376 |
| Total Uses | \$171,001,000 |

Recommendations: Approve Files 12-0429 and 12-0467.

Item 6. File 12-0430

File 12-0430 is an ordinance that would appropriate \$141,171,000 for the Hetch Hetchy Water and Power Enterprise’s Capital Improvement Program in FY 2012-13 and FY 2013-14. The ordinance would place applicable appropriations by project on Controller’s Reserve subject to California Environmental Quality Act (CEQA) approval, where required, as well as receipt of proceeds on indebtedness and loan funds.

Under File 12-0430, \$141,171,000 is a proposed appropriation to be funded by Hetchy revenue, a Californian Energy Commission (CEC) loan, and PUC Power Revenue bonds (File 12-0468) and Water Revenue bonds (File 12-0467) as shown in Table 8 below.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Table 8

| Sources | Amount |
|--|----------------------|
| Hetch Hetchy Revenue, Continuing Capital Project Fund | \$78,347,650 |
| Californian Energy Commission Loan Fund | 3,000,000 |
| Hetchy Power Division Revenue Bonds (File 12-0468 – see below) | 12,300,000 |
| Water Enterprise Revenue Bonds (File 12-0467) | 47,523,350 |
| Total | \$141,171,000 |

Under File 12-0430, the \$141,171,000 proposed appropriation would be appropriated for Hetch Hetchy Water and Power Enterprise’s Capital Improvement Program projects and for financing and City Auditor costs, as shown in Table 9.

Table 9

| Uses | Amount |
|---|----------------------|
| Hetch Hetchy Power Division Projects | \$91,347,650 |
| Hetch Hetchy Water Division Projects | 39,602,350 |
| Hetchy Power Enterprise Revenue Bond Financing Costs (File 12-0468) | 9,959,100 |
| City Auditor Costs | 261,900 |
| Total | \$141,171,000 |

With the approval of the Board of Supervisors, the proposed appropriations are effective July 1, 2012. The bond-funded portion shall be placed on Controller’s Reserve pending the availability of funds. Additionally, the portion of the appropriation funded by FY 2013-14 operating revenues would be placed on Controller’s Reserve until July 1, 2013.

Recommendation: Approve File 12-0430.

Item 8. File 12-0468

File 12-0468 is an ordinance that would approve the issuance and sale of power revenue bonds of an amount not to exceed \$12,300,000 by the PUC to fund Hetchy Power Division capital projects, pursuant to City Charter Section 9.107(8).

Under File 12-0468, the PUC is requesting authority to issue up to \$12,300,000 for various capital improvement projects in the Hetch Hetchy Enterprise. According to Mr. Rydstrom, of the \$12,300,000

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR FIXED BUDGET**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

not to exceed amount, an estimated \$10,000,000 would be allocated to the projects proposed under File 12-0430 noted above, and \$2,300,000 would be used for financing and City Auditor costs.

Recommendation. Approve File 12-0468.

Item 10. File 12-0544

File 12-0544 is a requested release of \$20.0 million on reserve to implement, advance, promote or enhance policies and projects consistent with City Energy Policies. The funds were placed on reserve by the Board of Supervisors on August 7, 2007 (File 07-0315). The source of funds is a \$20.0 million payment from Trans Bay Cable LLC to the PUC (the SF Electricity Reliability Payment), for Trans Bay Cable LLC's construction on and use of Port property.

Under File 07-0315, as previously approved by the Board of Supervisors, the PUC was required to consult with the Department of the Environment, the Department of Public Health (DPH), and the community in spending the \$20.0 million SF Electricity Reliability Payment on renewable energy, conservation, and environmental health programs benefiting low income, at-risk, and environmentally disadvantaged communities. On April 24, 2012, the PUC submitted a \$20.0 million spending plan, attached to this report, including (a) energy retrofits at the Human Services Agency and DPH; (b) air quality and energy retrofits at various City locations; (c) other energy projects, including energy efficiency projects with SFUSD; (d) renewable energy projects; (e) implementation of new programs, including environmental justice and education programs; and (f) green jobs training and placement. According to Mr. Carlos Jacobo, PUC Budget Manager, the PUC consulted with the Department of Environment, DPH, and the community in the development of this spending plan.

The PUC's proposed FY 2012-13 budget includes \$3.6 million of the reserved funds and the proposed FY 2013-14 budget includes an additional \$3.3 million of the reserved funds, for a total of \$6.9 million. The attached budget shows that the remaining \$13.1 million would be in FY 2014-15 through 2020-21, subject to Board of Supervisors approval.

Recommendation: Approve File 12-0544.

COMMENTS:

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$2,576,394 in FY 2012-13 and \$2,801,604 in FY 2013-14.

Proposed uses of SF Electric Reliability Payment: FY 2012-2021 (Project costs tentative, pending detailed site evaluations)
March 30, 2012

| | FY2011-12 | FY2012-13 | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 | FY2017-18 | FY2018-19 | FY2019-20 | FY2020-21 | TOTAL |
|--|-----------|-------------|-----------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Energy Efficiency / Environmental Health | | | | | | | | | | | |
| Energy Retrofits at Human Services Agency | | | | | | | | | | | |
| Project locations selected according to established location criteria: | | | | | | | | | | | |
| Carer Link Center - 3120 Mission St | \$0 | \$1,085,000 | \$715,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,800,000 |
| Earl P. Mills Community Center - 100 Whitney Young Cir | \$0 | \$1,085,000 | \$715,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,800,000 |
| Human Services Agency - 170 Otis St | | | | | | | | | | | |
| Independent Living Skills Program - 225 Valencia St | | | | | | | | | | | |
| Family & Children's Svcs / Southeast Community Services - 3801 3rd St | | | | | | | | | | | |
| Mission Neighborhood Resource Center - 165 Capp St | | | | | | | | | | | |
| MLK Childcare Center - 200 Cashmere St | | | | | | | | | | | |
| Soljourner Truth Child Center - 1 Cashmere St | | | | | | | | | | | |
| 1440 Harrison (Medical / CAP) - 1440 Harrison St | | | | | | | | | | | |
| 160 South Van Ness (Investigations) - 160 South Van Ness Ave | | | | | | | | | | | |
| Energy Retrofits at Department of Public Health: | | | | | | | | | | | |
| Project locations to be finalized in consultation with DPH, based on facility condition and energy use, according to established location criteria: | | | | | | | | | | | |
| *Caleb Clark/Potrero Health Center - 1050 Wisconsin St | \$0 | \$0 | \$450,000 | \$1,250,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,700,000 |
| *Chinatown / North Beach Mental Health Services - 729 Filbert St | | | \$450,000 | \$1,250,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$1,700,000 |
| *Chinatown Child Development Center - 720 Sacramento St | | | | | | | | | | | |
| *CHN Headquarters - 2789 25th St | | | | | | | | | | | |
| *Curry Senior Service Center - 333 Turk St | | | | | | | | | | | |
| *San Francisco City Clinic (VD Control Center) - 356 07th St | | | | | | | | | | | |
| *SE Child/Family Therapy Center - 100 Blanken Ave | | | | | | | | | | | |
| *Silver Avenue Health Center - 1525 Silver Ave | | | | | | | | | | | |
| *South of Market Mental Health Services - 760 Harrison St | | | | | | | | | | | |
| Air Quality / Energy Retrofits to Reduce Polluting Emissions: | | | | | | | | | | | |
| Project locations to be finalized based on boiler condition upon detailed site inspection, according to established location criteria: | | | | | | | | | | | |
| *Retrofit/replace non-compliant boiler at Coffman (McLaren) Community Pool - 136 Hahn St | \$0 | \$300,000 | \$300,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$600,000 |
| *Retrofit/replace non-compliant boiler at Garfield Square Pool - 25th St & Harrison St | \$0 | \$500,000 | \$300,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$800,000 |
| *Retrofit/replace non-compliant boiler at Potrero Hill Rec Center - 22nd St & Arkansas St | | | | | | | | | | | |
| *Retrofit/replace non-compliant boiler at St. Mary's Park Rec Center - 300 Murray St | | | | | | | | | | | |
| Other Projects and Project Development | | | | | | | | | | | |
| Energy audit of greenhouses and urban agriculture nursery complex - 1150 Phelps St | \$0 | \$225,000 | \$50,000 | \$50,000 | \$900,000 | \$900,000 | \$900,000 | \$900,000 | \$900,000 | \$900,000 | \$5,775,000 |
| Energy audit of Southeast Community Facility - 1800 Outdale Ave | | \$90,000 | | | | | | | | | \$90,000 |
| School energy audits and commissioning, with locations to be finalized in consultation with SFUSD. Assistance will leverage SFUSD bond funding in order to integrate energy efficiency measures at planned school improvement sites: | | \$65,000 | | | | | | | | | \$65,000 |
| *Cesar Chavez Elementary School - 825 Showell St | | | | | | | | | | | |
| *Daniel Webster Elementary & CDC - 465 Missouri St | | | | | | | | | | | |
| *Longfellow Elementary - 755 Morse St | | | | | | | | | | | |
| *Starr King Elementary - 1215 Carolina St | | | | | | | | | | | |
| *Willie Brown Alternative School - 2055 Silver Ave | | | | | | | | | | | |
| Project development, as well as other projects to be selected for consideration in future years based on facility condition and energy use, according to established location criteria. | \$0 | \$50,000 | \$50,000 | \$50,000 | \$900,000 | \$900,000 | \$900,000 | \$900,000 | \$900,000 | \$900,000 | \$5,550,000 |

| | FY2011-12 | FY2012-13 | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 | FY2017-18 | FY2018-19 | FY2019-20 | FY2020-21 | TOTAL |
|---|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Renewable Energy | \$0 | \$1,300,000 | \$1,100,000 | \$500,000 | \$500,000 | \$500,000 | \$0 | \$0 | \$0 | \$0 | \$3,900,000 |
| Project locations to be finalized based on facility condition and energy use, according to established location criteria. Feasibility studies underway at: | \$1,300,000 | \$1,100,000 | \$500,000 | \$500,000 | \$500,000 | \$500,000 | \$0 | \$0 | \$0 | \$0 | \$3,400,000 |
| *Southwest Community Facility - 1800 Oakdale Ave | | | | | | | | | | | \$1,500,000 |
| *Earl P. Mills Community Center - 100 Whitney Young Cir | | | | | | | | | | | |
| *Bayview Opera House - 4705 3rd St | | | | | | | | | | | |
| *Southeast Health Ctr. - 2401 Keith St. or Silver Avenue Health Ctr. - 1525 Silver Ave | | | | | | | | | | | |
| *School sites TBD in consultation with SFUSD, according to established location criteria. | | | | | | | | | | | |
| Other projects to be selected for consideration in future years based on facility condition and energy use, according to established location criteria. | | | | | | | | | | | |
| Implementation of New Programs | \$0 | \$475,000 | \$475,000 | \$475,000 | \$475,000 | \$475,000 | \$475,000 | \$475,000 | \$475,000 | \$475,000 | \$4,775,000 |
| Development and implementation of SFJUC Environmental Justice programs | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$120,000 | \$1,200,000 |
| Development and implementation of Environmental Education Shuttle project and other SFJUC environmental education programs | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$200,000 | \$2,000,000 |
| Development and implementation of SF green test bed program and other emerging technology initiatives | \$75,000 | \$75,000 | \$75,000 | \$75,000 | \$75,000 | \$75,000 | \$75,000 | \$75,000 | \$75,000 | \$75,000 | \$750,000 |
| Implementation of San Francisco's 2011 Updated Electricity Resource Plan | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$80,000 | \$800,000 |
| Green Jobs Training and Placement | \$0 | \$200,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$2,000,000 |
| In collaboration with DEWD, development and implementation of programs based on findings and recommendations of energy efficiency jobs strategy currently in development. | \$0 | \$200,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$225,000 | \$2,000,000 |
| SF Electric Reliability Payment - Total Funds Encumbered | \$0 | \$3,585,000 | \$3,315,000 | \$2,500,000 | \$2,400,000 | \$2,400,000 | \$1,600,000 | \$1,600,000 | \$1,600,000 | \$1,600,000 | \$20,000,000 |
| Cumulative Funds Encumbered | \$0 | \$3,585,000 | \$6,900,000 | \$9,400,000 | \$11,500,000 | \$13,600,000 | \$15,200,000 | \$16,800,000 | \$18,400,000 | \$20,000,000 | \$20,000,000 |
| **Cumulative Funds Deposited by Licensee by Beginning of Fiscal Year | \$2,000,000 | \$4,000,000 | \$6,000,000 | \$8,000,000 | \$10,000,000 | \$12,000,000 | \$14,000,000 | \$16,000,000 | \$18,000,000 | \$20,000,000 | \$20,000,000 |
| **Cumulative Funds Deposited by Licensee by Midpoint of Fiscal Year | \$4,000,000 | \$6,000,000 | \$8,000,000 | \$10,000,000 | \$12,000,000 | \$14,000,000 | \$16,000,000 | \$18,000,000 | \$20,000,000 | \$20,000,000 | \$20,000,000 |

*Indicates tentative project. As projects are developed, exact list of projects and budgets may change based on site conditions.
 ** Annual payments are subject to increases in the Consumer Price Index (Base year: 2010). Amounts shown are nominal.

PUC - Public Utility Commission Bureaus

| Object Title | FY 2012-13 | | | | | | FY 2013-14 | | | | | | | |
|---|------------|--------|----------------------|------------|----------|----|------------|------|----|----------------------|-------------|----------|----|----|
| | FTE | | Amount | | Savings | GF | IT | FTE | | Amount | | Savings | GF | IT |
| | From | To | From | To | | | | From | To | From | To | | | |
| BCR - General Management | | | | | | | | | | | | | | |
| Attrition Savings | (0.11) | (0.21) | (\$12,585) | (\$23,914) | \$11,329 | | x | | | | | | | |
| Mandatory Fringe Benefits | | | (\$4,731) | (\$8,990) | \$4,259 | | x | | | | | | | |
| | | | <i>Total Savings</i> | | \$15,588 | | | | | | | | | |
| The Assurance and Internal Controls unit has two vacant 1824 positions, only one of which it plans on having filled by July 1, 2012. An increase in attrition savings of \$11,329 will allow for sufficient salaries in FY 2012-13. | | | | | | | | | | | | | | |
| Step Adjustments | | | \$58 | (\$18,688) | \$18,746 | | | | | \$58 | (\$18,688) | \$18,746 | | |
| Mandatory Fringe Benefits | | | \$14 | (\$4,511) | \$4,497 | | | | | \$14 | (\$4,511) | \$4,497 | | |
| | | | <i>Total Savings</i> | | \$23,243 | | | | | <i>Total Savings</i> | | \$23,243 | | |
| The Assurance and Internal Controls unit has yet to fill two vacant 1824 positions. An increased step adjustment of \$18,746 will allow the department to fill these positions at the mid-step, on average. | | | | | | | | | | | | | | |
| Air Travel | | | \$1,500 | \$350 | \$1,150 | | | | | \$1,500 | \$350 | \$1,150 | | |
| Air Travel | | | \$8,953 | \$5,953 | \$3,000 | | | | | \$8,953 | \$5,953 | \$3,000 | | |
| | | | <i>Total Savings</i> | | \$4,150 | | | | | <i>Total Savings</i> | | \$4,150 | | |
| Department budgeted \$1,500 for flight costs for one staff member to San Diego. A reduction of \$1,150 will leave sufficient funding for this flight. Department budgeted \$8,953 for multiple additional flights for training; a reduction of \$3,000 will allow sufficient funds for these flights. | | | | | | | | | | | | | | |
| Rent & Leases | | | | | | | | | | \$7,500 | \$4,500 | \$3,000 | | |
| Ongoing savings. | | | | | | | | | | | | | | |
| Budget inadvertently included \$3,000 for water purification at 1155 Market Street, however the Department will have moved out of 1155 Market Street by FY 2013-14. | | | | | | | | | | | | | | |
| BCS - Management Information | | | | | | | | | | | | | | |
| Equipment | | | | | | | | | | \$1,752,499 | \$1,749,447 | \$3,052 | | x |
| Reduce requested amount by \$3,052 to reflect vendor quote. | | | | | | | | | | | | | | |
| BCT - Finance | | | | | | | | | | | | | | |
| Air Travel | | | \$5,450 | \$4,100 | \$1,350 | | | | | \$5,450 | \$4,100 | \$1,350 | | |
| A reduction of \$1,350 in air travel costs will allow for sufficient funding for air travel to conferences identified by the department. | | | | | | | | | | | | | | |

PUC - Public Utility Commission Bureaus

| Object Title | FY 2012-13 | | | | | | FY 2013-14 | | | | | |
|---------------------------------------|---|--------|----------------------|-----------------|-------------|-------|------------|------|----------------------|-----------------|-------------|-------|
| | FTE | | Amount | | Savings | GF IT | FTE | | Amount | | Savings | GF IT |
| | From | To | From | To | | | From | To | From | To | | |
| Principal Administrative Analyst II | 1.00 | 0.00 | \$121,212 | \$0 | \$121,212 | | 1.00 | 0.00 | \$121,212 | \$0 | \$121,212 | |
| Mandatory Fringe Benefits | | | \$44,015 | \$0 | \$44,015 | | | | \$49,402 | \$0 | \$49,402 | |
| Principal Administrative Analyst | 0.00 | 1.00 | \$0 | \$110,708 | (\$110,708) | | 0.00 | 1.00 | \$0 | \$110,708 | (\$110,708) | |
| Mandatory Fringe Benefits | | | \$0 | \$41,924 | (\$41,924) | | | | \$0 | \$46,914 | (\$46,914) | |
| | | | <i>Total Savings</i> | <i>\$12,595</i> | | | | | <i>Total Savings</i> | <i>\$12,992</i> | | |
| | Disapprove upward substitution. Position does not serve in supervisory role. Ongoing savings | | | | | | | | | | | |
| | BCV - External Affairs | | | | | | | | | | | |
| Attrition Savings | (0.81) | (1.75) | (\$85,593) | (\$135,258) | \$49,665 | x | | | | | | |
| Mandatory Fringe Benefits | | | (\$33,265) | (\$52,567) | \$19,302 | x | | | | | | |
| | | | <i>Total Savings</i> | <i>\$68,967</i> | | | | | | | | |
| | External Affairs Unit has 7 FTE vacancies it plans to fill in the first quarter of FY 2012-13. A one-time increase in attrition savings will still allow for full-staffing of the unit as scheduled. | | | | | | | | | | | |
| Manager IV | 1.00 | 0.00 | \$137,904 | \$0 | \$137,904 | | 1.00 | 0.00 | \$137,904 | \$0 | \$137,904 | |
| Mandatory Fringe Benefits | | | \$51,014 | \$0 | \$51,014 | | | | \$57,147 | \$0 | \$57,147 | |
| Government and Public Affairs Manager | 1.00 | 2.00 | \$114,938 | \$229,875 | (\$114,937) | | 1.00 | 2.00 | \$114,938 | \$229,875 | (\$114,937) | |
| Mandatory Fringe Benefits | | | \$46,555 | \$93,111 | (\$46,556) | | | | \$51,820 | \$103,639 | (\$51,819) | |
| | | | <i>Total Savings</i> | <i>\$27,425</i> | | | | | <i>Total Savings</i> | <i>\$28,295</i> | | |
| | Disapprove upward substitution. Unit already has 3 Managers FTEs and 1 Deputy Director FTE. Ongoing savings | | | | | | | | | | | |
| Professional Services | | | \$415,000 | \$365,000 | \$50,000 | x | | | | | | |
| | The Department is requesting an increase in its Professional Services budget \$150,000 above the previously approved amount for a new Education Initiative with a \$100,000 budget. Reduce by \$50,000 to match the budget. | | | | | | | | | | | |
| | BDA - Hetchy Hetchy Administration (5T-AAA-AAA) | | | | | | | | | | | |
| Non-Air Travel | | | \$20,546 | \$19,046 | \$1,500 | | | | \$20,446 | \$18,946 | \$1,500 | |
| | Reduce to reflect projected expenditures in FY 2011-12. Ongoing reduction. | | | | | | | | | | | |
| Air Travel | | | \$14,074 | \$12,974 | \$1,100 | | | | \$14,174 | \$13,074 | \$1,100 | |
| | Reduce to reflect projected expenditures in FY 2011-12. Ongoing reduction. | | | | | | | | | | | |
| Training | | | \$71,926 | \$63,926 | \$8,000 | | | | \$71,926 | \$63,926 | \$8,000 | |
| | Reduce to reflect projected expenditures in FY 2011-12. Ongoing reduction. | | | | | | | | | | | |

PUC - Public Utility Commission Bureaus

| Object Title | FY 2012-13 | | | | | | FY 2013-14 | | | | | |
|---|------------|--------|----------------------|-------------|-----------|-------|------------|----|----------------------|-------------|-----------|-------|
| | FTE | | Amount | | Savings | GF IT | FTE | | Amount | | Savings | GF IT |
| | From | To | From | To | | | From | To | From | To | | |
| Training | | | \$253,184 | \$214,809 | \$38,375 | | | | \$253,184 | \$214,809 | \$38,375 | |
| The Department is requesting an increase in expenditures for training in FY 2012-13. However, based on projected actual expenditures in FY 2011-12, as well as actual expenditures in previous years, \$214,809 is sufficient for training needs. | | | | | | | | | | | | |
| BDC - Wastewater Treatment (5C-AAA-AAA) | | | | | | | | | | | | |
| Attrition Savings | (2.68) | (3.09) | (\$293,463) | (\$338,573) | \$45,110 | x | | | | | | |
| Mandatory Fringe Benefits | | | (\$109,907) | (\$126,801) | \$16,894 | x | | | | | | |
| | | | <i>Total Savings</i> | | \$62,004 | | | | | | | |
| Increase attrition savings to reflect actual hire date for one vacant 5366 Engineering Associate II position that has been vacant since 2010. | | | | | | | | | | | | |
| Premium Pay | | | \$1,093,328 | \$1,043,328 | \$50,000 | | | | \$1,093,328 | \$1,043,328 | \$50,000 | |
| Mandatory Fringe Benefits | | | \$86,372 | \$82,422 | \$3,950 | | | | \$86,372 | \$82,422 | \$3,950 | |
| | | | <i>Total Savings</i> | | \$53,950 | | | | <i>Total Savings</i> | | \$53,950 | |
| Reduce Premium Pay to reflect projected actual expenditures in FY 2011-12. | | | | | | | | | | | | |
| Maintenance Services - Equipment | | | \$607,500 | \$207,500 | \$400,000 | | | | \$601,220 | \$201,220 | \$400,000 | |
| | | | \$705,225 | \$305,225 | \$400,000 | | | | \$705,225 | \$305,225 | \$400,000 | |
| | | | <i>Total Savings</i> | | \$800,000 | | | | <i>Total Savings</i> | | \$800,000 | |
| Reduce to reflect projected expenditures in FY 2011-12. | | | | | | | | | | | | |
| Equipment Purchase | | | | | | | | | \$265,039 | \$130,000 | \$135,039 | x |
| The Department has not provided sufficient justification for new equipment purchases in FY 2013-14. | | | | | | | | | | | | |
| BDE - Wastewater Collection (5C-AAA-AAA) | | | | | | | | | | | | |
| Maintenance Services - Buildings and Structures | | | \$1,210,496 | \$1,040,496 | \$170,000 | | | | \$1,134,701 | \$964,701 | \$170,000 | |
| Reduce to reflect projected expenditures in FY 2011-12. | | | | | | | | | | | | |
| Ongoing reduction. | | | | | | | | | | | | |

PUC - Public Utility Commission Bureaus

| Object Title | FY 2012-13 | | | | | | FY 2013-14 | | | | | | |
|---|--|--------|---------------|---------------|-----------|----|------------|----|---------------|---------------|----|-----------|---------|
| | FTE | | Amount | | GF | IT | FTE | | Amount | | GF | IT | |
| | From | To | From | To | | | From | To | From | To | | | Savings |
| Equipment Purchase | | | \$102,538 | \$94,892 | \$7,646 | x | | | \$102,538 | \$0 | | \$102,538 | x |
| | | | | | | | | | \$75,400 | \$0 | | \$75,400 | x |
| | | | | | | | | | \$55,552 | \$0 | | \$55,552 | x |
| | | | | | | | | | \$386,582 | \$260,710 | | \$125,872 | x |
| | Based on vendor quote. | | | | | | | | | | | | |
| | <p><i>Total Savings</i> \$359,362</p> <p>The Department has not provided sufficient justification for new equipment purchases in FY 2013-14. Additionally, the Department is requesting to replace a 2003 vehicle in FY 2013-14 (WP1415R) which has not been adequately justified.</p> | | | | | | | | | | | | |
| Professional & Specialized Services | | | \$3,327,606 | \$3,227,606 | \$100,000 | | | | \$3,497,606 | \$3,397,606 | | \$100,000 | |
| | <p>BDG Hetch Hetchy Power Purchasing/Scheduling (5T-AAA-AAA)</p> <p>Reduce to reflect prior year expenditures in FY 2011-12 and considering average expenditure since FY 2007-08 (4 years). Ongoing reduction.</p> | | | | | | | | | | | | |
| Attrition Savings | (4.61) | (4.92) | (\$414,542) | (\$442,542) | \$28,000 | x | | | | | | | |
| Mandatory Fringe Benefits | | | (\$170,729) | (\$182,261) | \$11,532 | x | | | | | | | |
| | <p><i>Total Savings</i> \$39,532</p> | | | | | | | | | | | | |
| | <p>Increase attrition savings to reflect actual hire date for one 0922 Manager I.</p> | | | | | | | | | | | | |
| Maintenance Services - Buildings and Structures | | | \$404,394 | \$184,394 | \$220,000 | | | | \$404,394 | \$184,394 | | \$220,000 | |
| | <p>Reduce to reflect projected expenditures in FY 2011-12. Ongoing reduction.</p> | | | | | | | | | | | | |
| Equipment Purchase | | | \$188,000 | \$171,556 | \$16,444 | x | | | \$188,000 | \$173,056 | | \$14,944 | x |
| | <p>Reduce Equipment Purchase to reflect vendor quotes. Reduce Equipment Purchase to reflect vendor quotes.</p> | | | | | | | | | | | | |
| Attrition Savings | | | (\$1,833,242) | (\$1,923,242) | \$90,000 | | | | (\$1,833,242) | (\$1,923,242) | | \$90,000 | |
| Mandatory Fringe Benefits | | | (\$792,747) | (\$831,666) | \$38,919 | | | | (\$879,892) | (\$923,089) | | \$43,197 | |
| | <p><i>Total Savings</i> \$128,919</p> | | | | | | | | | | | | |
| | <p>Increase Attrition Savings to reflect projected salary surplus in FY 2011-12. Ongoing reduction.</p> | | | | | | | | | | | | |

PUC - Public Utility Commission Bureaus

| Object Title | FY 2012-13 | | | | | | FY 2013-14 | | | | | | | |
|---|---|----|-------------|-------------|-----------|----|------------|------|----|-------------|-------------|-----------|----|----|
| | FTE | | Amount | | Savings | GF | IT | FTE | | Amount | | Savings | GF | IT |
| | From | To | From | To | | | | From | To | From | To | | | |
| Maintenance Services - Buildings and Structures | | | \$1,100,000 | \$670,000 | \$430,000 | | | | | \$1,100,000 | \$670,000 | \$430,000 | | |
| | Reduce to reflect projected expenditures in FY 2011-12. | | | | | | | | | | | | | |
| Equipment Purchase | | | | | | | | | | \$242,486 | \$240,431 | \$2,055 | | x |
| | Reduce Equipment Purchase to reflect vendor quotes. | | | | | | | | | | | | | |
| | BDM - Water Treatment (5W-AAA-AAA) | | | | | | | | | | | | | |
| | | | \$180,214 | \$164,285 | \$15,929 | | x | | | | | | | |
| | | | \$44,500 | \$39,823 | \$4,677 | | x | | | | | | | |
| | <i>Total Savings</i> \$20,606 | | | | | | | | | | | | | |
| | Reduce Equipment Purchase to reflect vendor quotes. | | | | | | | | | | | | | |
| | BDO - Hetchy Hetchy Water Operations (5T-AAA-AAA) | | | | | | | | | | | | | |
| Non-Air Travel | | | \$43,506 | \$41,506 | \$2,000 | | | | | \$43,506 | \$41,506 | \$2,000 | | |
| | Reduce to reflect projected expenditures in FY 2011-12. | | | | | | | | | | | | | |
| Training | | | \$62,822 | \$58,822 | \$4,000 | | | | | \$62,822 | \$58,822 | \$4,000 | | |
| | Reduce to reflect projected expenditures in FY 2011-12. | | | | | | | | | | | | | |
| Professional & Specialized Services | | | \$1,332,360 | \$1,132,360 | \$200,000 | | | | | \$967,360 | \$767,360 | \$200,000 | | |
| | Reduce to reflect prior year expenditures in FY 2011-12 and considering average expenditure since FY 2007-08 (4 years). | | | | | | | | | | | | | |
| Maintenance Services - Buildings and Structures | | | \$198,000 | \$168,000 | \$30,000 | | | | | \$198,000 | \$168,000 | \$30,000 | | |
| | Reduce to reflect projected expenditures in FY 2011-12. | | | | | | | | | | | | | |
| Facilities Maintenance | | | \$3,294,000 | \$3,255,000 | \$39,000 | | | | | \$2,194,000 | \$2,172,000 | \$22,000 | | |
| | Reduce projected budget to reflect actual salary costs. | | | | | | | | | | | | | |

FY 2012-13

Total Recommended Reductions

| | One-Time | Ongoing | Total |
|------------------|------------------|--------------------|--------------------|
| General Fund | \$0 | \$0 | \$0 |
| Non-General Fund | \$280,787 | \$2,295,607 | \$2,576,394 |
| Total | \$280,787 | \$2,295,607 | \$2,576,394 |

FY 2013-14

Total Recommended Reductions

| | One-Time | Ongoing | Total |
|------------------|------------------|--------------------|--------------------|
| General Fund | \$0 | \$0 | \$0 |
| Non-General Fund | \$514,452 | \$2,287,152 | \$2,801,604 |
| Total | \$514,452 | \$2,287,152 | \$2,801,604 |

DEPARTMENT: ENV - ENVIRONMENT

**BUDGET REVIEW EXECUTIVE SUMMARY
TWO YEAR ROLLING BUDGET, FY 2012-13 & FY 2013-14**

YEAR ONE (FY 2012-13)

Expenditure Changes

The Department of the Environment's proposed expenditures of \$18,016,350 for FY 2012-13 is \$419,604 or 2.38% more than the original budget of \$17,596,746 for FY 2011-12.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2012-13 is 72.93 FTEs, which is 14.38 FTEs more than the 58.55 FTEs in FY 2011-12. This represents a 24.56% increase in FTEs from the original budget for FY 2011-12.

Revenue Changes

Department revenues, consistent with expenditures, have increased by \$419,604 or 2.38%, from the original FY 2011-12 budget of \$17,596,746 to the proposed FY 2012-13 budget of \$18,016,350.

YEAR TWO (FY 2013-14)

Expenditure Changes

The Department of the Environment's proposed expenditures of \$14,824,114 for FY 2013-14 is \$3,192,236 or 17.72% less than the proposed budget of \$18,016,350 for FY 2012-13.

Personnel Changes

The number of FTEs budgeted for FY 2013-14 is 72.75 FTEs, which is .18 FTEs less than the 72.93 FTEs proposed for FY 2012-13.

Revenue Changes

Department revenues, consistent with expenditures, would decrease by \$3,192,236 or 17.72% from the proposed FY 2012-13 budget of \$18,016,350 to the proposed FY 2013-14 budget of \$14,824,114.

RECOMMENDED REDUCTIONS

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$127,806 in FY 2012-13 and \$95,423 in FY 2013-14. These reductions would still allow an increase of \$291,798 or 1.7% in the Department's FY 2012-13 budget.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS IN THE FY 2012-13 & 2013-14 TWO-YEAR ROLLING BUDGET**

DEPARTMENT: ENV – ENVIRONMENT

SUMMARY OF PROGRAM EXPENDITURES:

| | FY 2011-12 Original | FY 2012-13 Proposed | Increase/ (Decrease) from FY 2011- 12 | FY 2013-14 Proposed | Increase/ (Decrease) from FY 2012-13 |
|--------------------------|--------------------------------|--------------------------------|--|--------------------------------|---|
| Clean Air | \$972,716 | \$781,857 | (\$190,859) | \$801,290 | \$19,433 |
| Climate Change/Energy | 1,586,521 | 2,954,097 | 1,367,576 | 467,556 | (2,486,541) |
| Environment | 7,280,462 | 7,257,325 | (23,137) | 6,392,110 | (865,215) |
| Environment-Outreach | 219,328 | 219,521 | 193 | 224,868 | 5,347 |
| Environmental | | | | | |
| Justice/Youth Employment | 499,505 | 173,709 | (325,796) | 180,097 | 6,388 |
| Green Building | 416,919 | 383,130 | (33,789) | 397,347 | 14,217 |
| Recycling | 4,404,837 | 4,708,172 | 303,335 | 4,779,479 | 71,307 |
| Solid Waste Management | 272,162 | 0 | (272,162) | 0 | 0 |
| Toxics | 1,908,354 | 1,500,874 | (407,480) | 1,542,283 | 41,409 |
| Urban Forestry | 35,942 | 37,665 | 1,723 | 39,084 | 1,419 |
| Total | \$17,596,746 | \$18,016,350 | \$419,604 | \$14,824,114 | (\$3,192,236) |

FY 2012-13

The Department of the Environment’s proposed budget for FY 2012-13 is \$419,604 more than the original budget for FY 2011-12, largely due to:

- The Department is planning to conduct a Refuse Rate Review process for the refuse system, based on an anticipated application from Recology, the current refuse hauler, to be funded by Solid Waste Impound Fees. This Refuse Rate Review process typically occurs every five years and results in the setting of new residential refuse rates for the following five years. The last Refuse Rate Review was in 2006, six years ago. Solid Waste Impound Fees were originally budgeted in FY 2011-12 for this Review and will be carried forward to FY 2012-13 for the anticipated Refuse Rate Review process.
- The Department is launching a City-wide Zero Waste campaign in its efforts to meet the goal of achieving Zero Waste by 2020 and to support residential compliance with the City’s Mandatory Recycling and Composting Ordinance.
- The Department is continuing to devote resources to the Environment Now Program, which commenced in FY 2011-12, 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 currently receives approximately \$4,500,000 in grants from the Federal government, with approximately \$3,500,000 from the American Recovery and Reinvestment Act of 2009 (ARRA). Many of these grants terminate in FY 2011-12 and other grants will terminate in FY 2012-13, primarily impacting the Department’s Energy and Clean Transportation

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programs. The Department is increasing its fundraising efforts to secure other ongoing funding for these programs.

FY 2013-14

The Department of the Environment's proposed budget for FY 2013-14 is \$3,192,236 less than the proposed budget for FY 2012-13, largely due to:

- Termination of approximately \$1 million in Federal grants in FY 2012-13.
- Reduced funding for the Climate Change/Energy Program in FY 2013-14. However, the Department anticipates actions being taken by the State in FY 2012-13 to implement the State's cap-and-trade program which could potentially create a major local revenue stream for the Department.
- Inability to predict grant funding 18-24 months ahead of time, as the Department typically receives notice of grant awards only two to six months prior to commencement of new grants, such that the Department cannot accurately budget new grant funds for the second year of the City's two-year budget cycle. In addition, the Department advises that grant periods often do not coincide with the City's fiscal year, such that these grant funds are not included in the Department's annual budget. The Department will separately request authorization to accept and expend grant funds from the Board of Supervisors, as future year grant funding is received.
- The Department also anticipates continuing the six-year planning for a new processing facility, which would allow processing and recycling of current landfill waste.

DEPARTMENT PERSONNEL SUMMARY:

The number of FTEs in FY 2012-13 is 72.93 or 14.38 more than the 58.55 FTEs in FY 2011-12.

The number of FTEs in FY 2013-14 is 72.75 or .18 less than the 72.93 FTEs in FY 2012-13.

The Department of the Environment's FY 2012-13 budget includes an additional 14.38 FTEs, due to an increase of 14.5 FTEs in Temporary Salaries, for the Environment Now Program, which provides education and outreach on waste diversion and toxics reduction. The Education Now Program funds were previously approved in the FY 2011-12 budget, but were not designated as FTEs at that time because all funds for the new Environment Now Program were allocated in one line-item of the budget, without any specification on the use of those funds for positions. The Department has now budgeted those funds specifically in the FY 2012-13 and FY 2013-14 budgets.

DEPARTMENT REVENUES:

The Department of the Environment receives the following revenues:

- Approximately \$8 million annually of Solid Waste Impound Fees collected from San Francisco's refuse customers by Recology are used to support 68 FTE positions providing related services;

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- Approximately \$6 million annually of Public Goods charges collected from San Francisco rate payers by PG&E are used to support 15 FTE positions that provide Energy Efficiency programs;
- Approximately \$1.3 million annually of workorder funds from other City departments are used to support 9 FTE positions for Commuter Benefits, Climate and Green Building services;
- Approximately \$850,000 annually from other recurring grants support 7.5 FTE positions providing Clean Air and Oil Recycling programs; and
- Approximately \$4,500,000 of grant funds from the Federal government over the past two fiscal years, including approximately \$3,500,000 from the American Recovery and Reinvestment Act of 2009 (ARRA), will terminate in FY 2011-12 and FY 2012-13. As discussed above, although additional grant funds are anticipated for FY 2013-14, the sources and amounts of such grants cannot be fully determined at this time.

ITEM 11-- FILE 12-0454:

The proposed resolution would authorize the City, as lessee, to enter into a new lease for 24,440 square feet of space on the 12th floor at 1455 Market Street with Hudson 1455 Market, LLC (Hudson 1455 Market), as lessor, for a seven-year term from October 1, 2012 through September 30, 2019, with one option to extend the lease by an additional five years, or through September 30, 2024.

Current Department of Environment Leases

The Department of the Environment is currently housed in two separate locations, (a) the Department's main offices at 11 Grove Street, which includes basement storage space, and (b) a satellite office located at 401 Van Ness Avenue in the War Memorial building. The Department's existing 15,419 square foot lease at 11 Grove Street expires on May 31, 2012. On April 3, 2012, Mr. John Updike, Director of Real Estate, signed a 5-month Holdover Notice with the lessor at 11 Grove Street, the Yully Company, which stipulates that the Department will continue to occupy the 15,419 square feet of space at 11 Grove Street on a month-to-month basis at the current monthly rent of \$37,001, or an average of \$2.40 per square foot per month (\$28.80 per square foot annually) for the 24,440 square feet of space, until October 31, 2012. Mr. Updike advises that if the Department needs to occupy the space at 11 Grove Street past October 31, 2012, the terms and rent would need to be renegotiated at that time.

In addition, the Department's existing 3,816 square foot lease for the War Memorial Building space at 401 Van Ness Avenue expires on December 31, 2012 but allows for 60 days' notice to terminate at any point prior to its expiration. Due to pending seismic renovations at the War Memorial Building, the Department will not be able to occupy their War Memorial space past the expiration of the existing lease. As shown in Table 1 below, the Department currently leases this 3,816 square feet of space in the War Memorial Building for \$48,840 annually, or an average of \$12.80 per square foot annually. Table 1 below summarizes the total square feet, the rate per square foot, and rent paid under the Department's existing leases and the proposed lease at 1455 Market Street.

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| Table 1: Summary of Current Lease Square Footage, Annual Rates Per Square Foot, and Total Rent Paid Under Both the Existing Leases and the Proposed Lease at 1455 Market Street | | | | | |
|--|-------------------------|--------------------------|---------------------|-----------------------------|--------------------------------------|
| | 11 Grove Street Offices | 11 Grove Street Basement | 401 Van Ness Avenue | Total Under Existing Leases | Proposed Lease at 1455 Market Street |
| Total Square Feet | 14,472 | 947 | 3,816 | 19,235 | 24,440 |
| Annual Rate Per Square Foot | \$29.52 | \$17.52 | \$12.80 | \$25.62 | \$28.00 |
| Annual Rent | \$427,213 | \$16,800 | \$48,840 | \$492,853 | \$684,324 |
| Monthly Rent | \$35,601 | \$1,400 | \$4,070 | \$41,071 | \$57,027 |

Based on a review of the Department’s prior year budgets, the Department has grown from 57 FTE positions in 2006 to 119 FTE positions in 2012, an increase of 62 FTE positions, or approximately 109 percent over six years. In addition, Mr. David Assmann, Deputy Director for the Department of the Environment advises that the Department has approximately 30 Interns who work and/or volunteer for the Department, such that the current offices are over-crowded and additional square footage is needed to accommodate the current size of the Department staff. Based on the 119 FTE staff, the proposed 24,440 square feet of space will provide an average of 205 square feet per staff position.

According to Mr. Assmann, the Department has been investigating multiple space location alternatives over the past 14 months before deciding on the proposed 24,440 square foot space at 1455 Market Street, which will allow for consolidation of the Department’s two existing office spaces into one centralized facility. In addition, Mr. Assmann advises that leasing multiple office locations is inefficient for the Department, requiring frequent trips between the two locations on a daily basis, which hampers staff collaboration. Furthermore, Mr. Assmann notes that the Department would need to find additional office space to replace the office space currently leased at 401 Van Ness Avenue, once the seismic renovations commence in December of 2012.

Fiscal Impacts

As summarized in Table 1 above, the proposed lease would increase the Department’s space from 19,235 total square feet to 24,440 total square feet, an increase of 5,205 square feet, or 27 percent. In addition, as shown in Table 1 above, the proposed lease would increase the total annual rental cost for the Department from \$492,853 to \$684,324, an increase of \$191,471 or approximately 39 percent. According to Mr. Josh Keene, Project Manager for the Real Estate Division, the initial annual rate per square foot of \$28 under the proposed lease is below market rate, with other recent leases of similar spaces in the Civic Center area ranging from \$29 to \$41.05 per square feet annually. Mr. Assmann advises that both the existing and proposed rental costs are allocated to the Department’s various

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funding sources, including the Solid Waste Impound Fees, Public Goods charges, workorders and ongoing grant funds. These annual rental costs are included in the Department’s proposed FY 2012-13 and FY 2013-14 budgets.

As shown in Table 2 below, the rent under the proposed seven-year lease would increase by \$1 per square foot per year, ranging from \$513,243 in the first year, after accounting for a three-month rent credit included in the proposed first year of the lease, to \$830,964 annually in the seventh year of the proposed lease.

| Year Under Lease | Time Period | Monthly Rent | Annual Rent | Rate Per Square Foot |
|------------------|-----------------------|--------------|-------------|----------------------|
| 1 | 10/1/2012 - 9/30/2013 | \$57,027 | \$513,243* | \$28 |
| 2 | 10/1/2013 - 9/30/2014 | 59,063 | 708,756 | 29 |
| 3 | 10/1/2014 - 9/30/2015 | 61,100 | 733,200 | 30 |
| 4 | 10/1/2015 - 9/30/2016 | 63,137 | 757,644 | 31 |
| 5 | 10/1/2016 - 9/30/2017 | 65,173 | 782,076 | 32 |
| 6 | 10/1/2017 - 9/30/2018 | 67,210 | 806,520 | 33 |
| 7 | 10/1/2018 - 9/30/2019 | \$69,247 | \$830,964 | \$34 |

* Year 1 results in \$513,243 in annual rent due to the first three months’ rent of \$171,081 being credited by Hudson 1455 Market, such that the first year’s total rent would be \$684,324.

Mr. Assmann advises that, as shown in Table 3 below, the Department estimates one-time relocation, potential double rent, furniture, and wiring and related data installation costs from the existing two locations to the proposed 1455 Market Street location at \$417,080. The Department anticipates funding the estimated \$417,080 in relocation costs with one-time savings from FY 2011-12 and budgeted Solid Waste Impound Fees and workorder funds in FY 2012-13.

| | |
|---|------------------|
| Moving/Relocation | \$75,000 |
| Potential Double Rent Prior to Moving to New Location | 15,000 |
| Furniture Budget | 152,080 |
| Wiring and Data Installation | 175,000 |
| Total Estimated Relocation Expenses | \$417,080 |

In addition to a three-month rent credit, the proposed lease also provides for Hudson 1455 Market to provide \$1,490,840, or \$61 per square foot for tenant improvements. According to Mr. Keene, in addition to the above-noted one-time costs of \$417,080, the Real Estate Division estimates that the Department of the Environment’s tenant improvements will cost a total of \$1,833,000, or \$75 per square

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foot based on 24,440 square feet, leaving an additional balance of \$342,160 (\$1,833,000 total tenant improvement costs less \$1,490,840 lessor contribution), or \$14 per square foot in funding needed. The Budget and Legislative Analyst notes that the current total tenant improvement estimated cost is not based on actual bids, but rather on the Department of Real Estate’s preliminary estimates based on discussions with Hudson 1455 Market.

According to Mr. Keene, there are three possibilities for funding the \$342,160 difference for tenant improvements, or \$14 per square foot, shortfall: (1) the Department raises in-kind donations, grants, or reductions in construction cost through the donation of needed materials, (2) Hudson 1455 Market pays up to an additional \$244,400, or \$10 per square foot, of the \$342,160 needed, such that the Department amortizes the lessor’s additional contribution at an eight percent interest rate and repays those monies to Hudson 1455 Market by paying an increase in rent per square foot over the seven-year term of the proposed lease and the City pays the remaining shortfall, not to exceed \$97,760 (\$342,160 less \$244,400) which would be funded from the Department of the Environment’s FY 2012-13 budget, or (3) some combination of the above.

Table 3 below summarizes the costs if the Department were to borrow and amortize between \$244,400 and \$50,000 of additional tenant improvement funding by the lessor.

| Table 3: Estimated Increased Rent If up to \$244,400 in Tenant Improvements are Borrowed and Amortized at 8% Annually Over the 7-Year Term of the Proposed Lease | | | | | |
|---|---|--|---------------------------------------|--|--|
| | Total Annual Increased Expense Over 7 Years of the Loan | Rate Increase Per square Foot Annually | Monthly Rate Increase Per Square Foot | Total Monthly Increased Expense Over 7 Years | Total Increased Expense Over 7 Years of the Loan |
| \$244,400 Borrowed and Amortized | \$46,942 | \$1.92 | \$0.16 | \$3,912 | \$328,597 |
| \$200,000 Borrowed and Amortized | 38,414 | 1.57 | 0.13 | 3,201 | 268,901 |
| \$150,000 Borrowed and Amortized | 28,811 | 1.18 | 0.10 | 2,401 | 201,674 |
| \$100,000 Borrowed and Amortized | 19,207 | 0.79 | 0.07 | 1,601 | 134,451 |
| \$50,000 Borrowed and Amortized | \$9,604 | \$0.39 | \$0.03 | \$800 | \$67,225 |

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According to Mr. Assmann, the Department is planning to launch a capital campaign to focus on securing funding, as well as donated products and services, to cover the estimated shortfall for tenant improvements of up to \$342,160. Mr. Assmann advises that the Department has already received in-kind engineering technical assistance of \$800 and architectural assistance of \$2,000 and will begin meeting in the next two to three weeks with other potential donors.

Policy Considerations

As of the writing of this report, the Budget and Legislative Analyst notes that a final lease has not been approved by the lessor and the City. Mr. Updike advises that Real Estate is still negotiating some minor provisions, which will not significantly change the major fiscal provisions of the proposed lease. However, given that a final lease has not yet been approved by the Real Estate Division or the lessor, the Budget and Legislative Analyst recommends that the proposed resolution be continued to the Call of the Chair pending a final lease agreement.

In addition, the Budget and Legislative Analyst questions approving the proposed lease, given that the Department of the Environment has not yet secured the balance of up to \$342,160 (\$1,833,000 total tenant improvement costs less \$1,490,840 lessor contribution), or \$14 per square foot based on 24,440 square feet in funding needed for the estimated tenant improvements. Given that the Department has not identified sufficient revenues to fund the proposed tenant improvements, the Budget and Legislative Analyst further recommends that the proposed resolution be continued to the Call of the Chair.

Recommendation: Continue the proposed resolution pending (a) a final lease agreement and (b) identification of the specific funding sources for completing the required tenant improvements.

COMMENTS:

The Budget and Legislative Analyst's recommended reductions to the proposed budget total \$127,806 in FY 2012-13 and \$95,423 in FY 2013-14. These reductions would still allow an increase of \$291,798 or 1.7% in the Department's budget for FY 2012-13.

ENV - Environment

| Object Title | FY 2012-13 | | | | | | FY 2013-14 | | | | | |
|-----------------------------|----------------------|-------|---|-------------|----------|----|------------|-------|----------------------|-------------|----------|----|
| | FTE | | Amount | | GF | IT | FTE | | Amount | | GF | IT |
| | From | To | From | To | | | From | To | From | To | | |
| | CIS-Recycling | | | | | | | | | | | |
| Temporary - Miscellaneous | 16.72 | 16.55 | \$1,376,229 | \$1,361,859 | \$14,370 | | 16.73 | 16.56 | \$1,376,229 | \$1,361,859 | \$14,370 | |
| Mandatory Fringe Benefits | | | \$108,722 | \$107,587 | \$1,135 | | | | \$108,722 | \$107,587 | \$1,135 | |
| | | | <i>Total Savings</i> | | \$15,505 | | | | <i>Total Savings</i> | | \$15,505 | |
| Other Professional Services | | | \$150,000 | \$100,000 | \$50,000 | | | | \$150,000 | \$100,000 | \$50,000 | |
| | | | The Department has provided a workplan which includes \$1,361,859 in Temporary Salaries for the Environment Now Program. A reduction of \$14,370 in Temporary Salaries and \$1,135 in corresponding Mandatory Fringe Benefits would provide for sufficient monies to fund those Temporary Salaries. | | | | | | | | | |
| | | | Ongoing reduction. | | | | | | | | | |
| | | | Not adequately justified professional service contracts. | | | | | | | | | |
| Graphics | | | \$10,000 | \$7,000 | \$3,000 | x | | | \$10,000 | \$0 | \$10,000 | x |
| | | | Reduction based on vendor quote and invoice examples provided. | | | | | | | | | |
| | | | Eliminate funding in FY 2013-14 to reflect one-time need in FY 2012-13. | | | | | | | | | |
| Other Current Expenses | | | \$10,000 | \$6,000 | \$4,000 | x | | | \$10,000 | \$0 | \$10,000 | x |
| | | | Eliminate funding in FY 2013-14 to reflect one-time need in FY 2012-13. | | | | | | | | | |
| | | | Inadequate justification for the cost of producing training videos for Environment Now Program. | | | | | | | | | |
| | | | CIG-Environment | | | | | | | | | |
| Air Travel - Employees | | | \$4,155 | \$2,500 | \$1,655 | | | | \$4,155 | \$2,500 | \$1,655 | |
| | | | Reduction based on historical spending. | | | | | | | | | |
| | | | Ongoing reduction. | | | | | | | | | |
| Non-Air Travel - Employees | | | \$4,585 | \$3,000 | \$1,585 | | | | \$4,585 | \$3,000 | \$1,585 | |
| | | | Reduction based on historical spending. | | | | | | | | | |
| | | | Ongoing reduction. | | | | | | | | | |

ENV - Environment

| Object Title | FY 2012-13 | | | | | | FY 2013-14 | | | | | |
|----------------------------------|---|-----------|-----------|----------|----|----|------------|----|---------|---------|---------|----|
| | FTE | | Amount | | GF | IT | FTE | | Amount | | GF | IT |
| | From | To | From | To | | | From | To | From | To | | |
| Air Travel - Employees | | \$4,800 | \$2,978 | \$1,822 | | | | | \$4,800 | \$2,978 | \$1,822 | |
| | Reduction based on historical spending. | | | | | | | | | | | |
| Non-Air Travel- Employees | | \$5,297 | \$3,441 | \$1,856 | | | | | \$5,297 | \$3,441 | \$1,856 | |
| | Reduction based on historical spending. | | | | | | | | | | | |
| Training Costs Paid to Vendor | | \$8,041 | \$6,041 | \$2,000 | | | | | \$8,041 | \$6,041 | \$2,000 | |
| | Reduction based on historical spending. | | | | | | | | | | | |
| Training Costs Paid to Employees | | \$3,396 | \$2,396 | \$1,000 | | | | | \$3,396 | \$2,396 | \$1,000 | |
| | Reduction based on historical spending. | | | | | | | | | | | |
| Property Rent | | \$375,763 | \$330,380 | \$45,383 | | | x | | | | | |
| | The Budget and Legislative Analyst estimates that a total of \$330,380 is needed in rent and relocation, furniture and wiring installation costs for FY 2012-13 given a move-in date into the Department's new office spaces of October 1, 2012. This does not include the additional \$342,160 that the Department indicates will be funded through private fundraising efforts. | | | | | | | | | | | |

FY 2012-13

Total Recommended Reductions

| | One-Time | Ongoing | Total |
|------------------|-----------------|-----------------|------------------|
| General Fund | \$0 | \$0 | \$0 |
| Non-General Fund | \$52,383 | \$75,423 | \$127,806 |
| Total | \$52,383 | \$75,423 | \$127,806 |

FY 2013-14

Total Recommended Reductions

| | One-Time | Ongoing | Total |
|------------------|-----------------|-----------------|-----------------|
| General Fund | \$0 | \$0 | \$0 |
| Non-General Fund | \$20,000 | \$75,423 | \$95,423 |
| Total | \$20,000 | \$75,423 | \$95,423 |

BUDGET REVIEW EXECUTIVE SUMMARY

YEAR ONE: FY 2012-13

Expenditure Changes

The department's proposed \$823,675,725 budget for FY 2012-13 is \$43,108,614 or 5.5% more than the original FY 2011-12 budget of \$780,567,111.

Personnel Changes

The number of full-time equivalent operating positions (FTE) budgeted for FY 2012-13 is 4,386.15 FTEs, which is 245.56 FTEs more than the 4,140.59 FTEs in the original FY 2011-12 budget.

Revenue Changes

Department revenues have increased by \$24,458,614 or 4.1%, from the original FY 2011-12 budget of \$589,817,111 to the proposed FY 2012-13 budget of \$614,275,725.

General Fund revenues have increased by \$18,650,000 or 9.8% from the original FY 2011-12 budget of \$190,750,000 to the proposed FY 2012-13 budget of \$209,400,000.

YEAR TWO: FY 2013-14

Expenditure Changes

The department's proposed \$843,156,458 budget for FY 2013-14 is \$19,480,733 or 2.4% more than the original FY 2012-13 budget of \$823,675,725.

Personnel Changes

The number of operating FTEs budgeted for FY 2013-14 is 4,411.06 FTEs, which is 24.91 FTEs more than the 4,386.15 FTEs in the original FY 2012-13 budget.

Revenue Changes

Department revenues have increased by \$11,830,733 or 1.9%, from the original FY 2012-13 budget of \$614,275,725 to the proposed FY 2013-14 budget of \$626,106,458.

General Fund revenues have increased by \$7,650,000 or 3.7% from the original FY 2012-13 budget of \$209,400,000 to the proposed FY 2012-13 budget of \$217,050,000.

RECOMMENDATIONS

The Director of Transportation should report to the Budget and Finance Committee in the May 24, 2012 hearing on:

- The status of inactive encumbrances, funded by Muni or Parking and Traffic operating funds, totaling \$9,501,325, including the funds of \$5,284,356 encumbered for a payment to BART, and whether the unexpended balances can be reallocated to other uses; and
- The SFMTA's plans to reduce overtime use from the FY 2011-12 projected overtime expenditures of \$54,095,765 to the overtime budget of \$41,951,990 in FY 2012-13 and of \$36,951,990 in FY 2013-14.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2012-13 AND FY 2013-14**

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

SUMMARY OF PROGRAM EXPENDITURES:

| | FY 2011-12 Proposed | FY 2012-13 Proposed | Increase/ (Decrease) from FY 2011-12 | FY 2013-14 Proposed | Increase/ (Decrease) from FY 2012-13 |
|--|--------------------------------|--------------------------------|---|--------------------------------|---|
| Accessible Services | \$21,549,070 | \$20,913,337 | (\$635,733) | \$22,190,745 | \$1,277,408 |
| Administration | 58,987,665 | 69,256,239 | 10,268,574 | 68,526,331 | (729,908) |
| Agency Wide Expenses | 126,785,319 | 98,125,518 | (28,659,801) | 91,822,450 | (6,303,068) |
| Capital Programs and Construction | 0 | 104,048 | 104,048 | 105,012 | 964 |
| Development and Planning | 604,441 | 714,905 | 110,464 | 912,796 | 197,891 |
| Parking and Traffic | 73,186,298 | 80,756,408 | 7,570,110 | 88,750,313 | 7,993,905 |
| Parking Garages and Lots | 22,201,245 | 24,371,088 | 2,169,843 | 27,705,632 | 3,334,544 |
| Transit | 418,967,316 | 446,906,864 | 27,939,548 | 457,420,010 | 10,513,146 |
| Security, Safety, Training, Enforcement | 55,876,450 | 78,848,078 | 22,971,628 | 81,836,176 | 2,988,098 |
| Taxi Services | 2,409,307 | 3,679,240 | 1,269,933 | 3,886,993 | 207,753 |
| Total | \$780,567,111 | \$823,675,725 | \$43,108,614 | \$843,156,458 | \$19,480,733 |

The Department’s proposed FY 2012-13 budget has increased by \$43,108,614 largely due to staffing, including the end of unpaid furlough days for many Department employees¹. The largest increases in program budgets in FY 2012-13 are in the Transit Division, and Security, Safety, Training and Enforcement programs.

The Department’s proposed FY 2013-14 budget has increased by \$19,480,733 largely due to increases in fringe benefit costs, and materials and supplies. Most of the increases in materials and supplies are for the SFMTA’s program to increase maintenance for light rail vehicles, buses, and rights-of-way, and other maintenance (see below).

SFMTA Organization and Budget

SFMTA is divided into five divisions, reporting to the Director of Transportation:

- Administration, Safety and Training
- Capital Programs and Construction
- Finance and Information Technology
- Sustainable Streets (Parking and Traffic)
- Transit (Muni)

¹ Labor unions, with the exception of the Transport Workers’ Union (TWU), agreed to wage concessions in FY 2010-11 and FY 2011-12 in the form of unpaid furlough days.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
FOR AMENDMENT OF BUDGET ITEMS
FY 2012-13 AND FY 2013-14**

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

The SFMTA operating budget is comprised of the following funds, which are allocated to each of the five divisions, depending on the use of each of these funds:

- Muni
- Parking and Traffic
- Taxi Commission
- Off-Street Parking
- Bicycle
- Pedestrian

Transit Division Staffing

The Controller's Office projects a \$5.2 million salary and fringe benefit deficit in all SFMTA programs in FY 2011-12². This projected salary and fringe benefit deficit includes a projected deficit of \$26.9 million in the Muni operating budget, offset by surpluses in other budget areas.

SFMTA projects FY 2011-12 year-end Transit Division overtime expenditures³ of:

- \$25,685,269 for transit operators, which is \$671,215 or 2.7% more than the revised FY 2011-12 overtime budget of \$25,014,054 for transit operators; and
- \$25,280,919 for transit supervisors, automotive mechanics, electrical transit system mechanics, electronic maintenance technicians, station agents, and other miscellaneous employees in the Transit Division, which is \$20,950,559 or 483.8% more than the revised FY 2011-12 overtime budget of \$4,330,360 for these employees.

Proposed Increases in Transit Division Positions in FY 2012-13

According to Ms. Sonali Bose, SFMTA Director of Finance and Information Technology, the projected FY 2011-12 deficits in salary and fringe benefit expenditures for the Transit Division's transit operators is due to higher than budgeted staffing and Muni service. According to Ms. Bose, the FY 2010-11 and FY 2011-12 budgets provided for a higher level of Muni service reductions than actually occurred. As a result, SFMTA has more actual transit operator positions than were provided for in the budget. The SFMTA FY 2012-13 proposed budget includes an increase of 216 transit operator positions, as shown in Table 1 below, to account for the increased number of actual transit operators to meet current Muni service levels.

The SFMTA proposed FY 2012-13 budget also includes 30.08 new automotive mechanics, automotive service workers, electrical transit system mechanics, automotive machinists, and other crafts, offset by an increase in attrition savings and deletion of other positions, as shown in Table 1 below. According to Ms. Bose, the new positions shown in Table 1 are necessary to meet Muni's maintenance requirements and are part of the SFMTA's program to improve system maintenance (see below).

² Based on Controller's high level monthly financial report for the pay period ending April 13, 2012.

³ Based on SFMTA overtime report to the SFMTA Board of Directors for the pay period ending April 13, 2012.

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
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FY 2012-13 AND FY 2013-14**

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

**Table 1
Transit Division Positions
FY 2012-13 and FY 2013-14**

| | FY 2011-12 | FY 2012-13 | Increase/ (Decrease) from FY 2011-12 | FY 2013-14 | Increase from FY 2012-13 |
|--|-------------------|-------------------|---|-------------------|---|
| Transit Operators | 1,959.50 | 2,175.50 | 216.00 | 2,175.50 | 0.00 |
| Transit Supervisors | 185.50 | 176.50 | (9.00) | 176.50 | 0.00 |
| Automotive Mechanics, Automotive Service Workers, Electrical Transit System Mechanics, Automotive Machinists, and Other Crafts | 1,178.00 | 1,208.08 | 30.08 | 1,209.00 | 0.92 |
| Planning and Other | 12.75 | 13.75 | 1.00 | 13.75 | 0.00 |
| Custodial and Grounds | 62.00 | 58.00 | (4.00) | 58.00 | 0.00 |
| Administrative and Support | 41.00 | 52.00 | 11.00 | 52.00 | 0.00 |
| Senior Managers and Managers | 47.00 | 47.00 | 0.00 | 47.00 | 0.00 |
| Temporary | 6.70 | 5.98 | (0.72) | 5.98 | 0.00 |
| Attrition Savings | (395.83) | (459.40) | (63.57) | (459.40) | 0.00 |
| Total | 3,096.62 | 3,277.41 | 180.79 | 3,278.33 | 0.92 |

Overtime

Transit Division Overtime

According to Ms. Bose, the Transit Division has historically incurred overtime expenditure deficits in each year that have been offset by other salary savings. Ms. Bose states that the historical use of overtime has resulted from high vacancy rates due to staff turnover, delays in recruiting and hiring, and high numbers of newly-hired employees who do not successfully complete training. As shown in Table 2 below, SFMTA has increased total Transit Division overtime by \$10,110,243 in the proposed FY 2012-13 budget, and decreased total Transit Division overtime by \$5,000,000 in the proposed FY 2013-14 budget.

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**Table 2
Transit Division Salary and Overtime Budget
FY 2012-13 and FY 2013-14**

| | FY 2011-12 | FY 2012-13 | Increase from FY 2011-12 | FY 2013-14 | Increase/ (Decrease) from FY 2012-13 |
|--------------------------------|----------------------|----------------------|---|----------------------|---|
| Miscellaneous Salaries | \$89,718,568 | \$90,917,271 | \$1,198,703 | \$91,337,145 | \$419,874 |
| Transit Operators Salaries | 103,822,596 | 119,474,015 | 15,651,419 | 119,474,015 | 0 |
| Holiday, Premium and Other Pay | 11,060,281 | 11,053,781 | (6,500) | 11,053,781 | 0 |
| <u>Overtime</u> | | | | | |
| Miscellaneous | 4,330,360 | 17,147,016 | 12,816,656 | 10,868,037 | (6,278,979) |
| Transit Operators Unscheduled | 2,200,000 | 4,916,434 | 2,716,434 | 3,594,253 | (1,322,181) |
| Transit Operators Scheduled | 22,814,054 | 17,391,207 | (5,422,847) | 19,992,367 | 2,601,160 |
| Subtotal Overtime | 29,344,414 | 39,454,657 | 10,110,243 | 34,454,657 | (5,000,000) |
| Total | \$233,945,859 | \$260,899,724 | \$26,953,865 | \$256,319,598 | (\$4,580,126) |

Department Overtime

The SFMTA FY 2012-13 budget has increased overtime expenditures department-wide by \$10,000,000 from \$31,951,990 to \$41,951,990, as shown in Table 3 below. The proposed overtime budget of \$41,951,990 in FY 2012-13 is \$12,143,775 less than SFMTA’s projected FY 2011-12 overtime expenditures of \$54,095,765. According to Ms. Bose, SFMTA will need to actively manage overtime use in FY 2012-13 to meet the department’s overtime budget.

**Table 3
SFMTA Overtime Budget
FY 2012-13 and FY 2013-14**

| | FY 2011-12 | FY 2012-13 | Increase from FY 2011-12 | FY 2013-14 | Increase/ (Decrease) from FY 2012-13 |
|---|---------------------|---------------------|---|---------------------|---|
| Transit | 29,344,414 | 39,454,657 | 10,110,243 | 34,454,657 | (5,000,000) |
| Security, Safety, Training and Enforcement | 1,313,350 | 1,070,350 | (243,000) | 1,070,350 | 0 |
| Parking and Traffic | 542,043 | 674,800 | 132,757 | 674,800 | 0 |
| Other | 752,183 | 752,183 | | 752,183 | 0 |
| Total | \$31,951,990 | \$41,951,990 | \$10,000,000 | \$36,951,990 | (\$5,000,000) |

SFMTA should report to the May 24, 2012 Budget and Finance Committee on how the department will manage overtime and salary deficits in FY 2012-13 and FY 2013-14 to ensure that actual overtime and salary expenditures are within the budgeted amount, including how SFMTA proposes to manage a \$5,000,000 reduction in overtime in FY 2013-14.

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New Expenditures for Transit Maintenance

The proposed SFMTA budget includes \$17,555,000 for increased maintenance expenditures in FY 2012-13 and \$30,010,000 for increased maintenance expenditures in FY 2013-14, compared to FY 2011-12 maintenance expenditures. These increased expenditures include new staffing costs as well as materials and other expenditures. SFMTA has allocated 70% these new maintenance expenditures to the Transit Division in FY 2012-13, as shown in Table 4 below.

**Table 4
Proposed Increased Expenditures for Maintenance
FY 2012-13 and FY 2013-14⁴**

| | FY 2012-13 | | FY 2013-14 | |
|--------------------------------|---------------------|------------------|---------------------|------------------|
| | Amount | Percent of Total | Amount | Percent of Total |
| <u>Transit Division</u> | | | | |
| Light Rail Vehicle Maintenance | \$2,875,000 | 16% | \$5,750,000 | 19% |
| Bus Maintenance | 2,875,000 | 16% | 5,750,000 | 19% |
| Right-of-Way Maintenance | <u>6,470,000</u> | <u>37%</u> | <u>10,340,000</u> | <u>34%</u> |
| Total, Transit Division | \$12,220,000 | 70% | \$21,840,000 | 73% |
| <u>Other Divisions</u> | | | | |
| Transit Effectiveness Project | \$375,000 | 2% | \$750,000 | 2% |
| Sustainable Streets | 1,250,000 | 7% | 2,500,000 | 8% |
| Safety and Enforcement | 2,400,000 | 14% | 2,900,000 | 10% |
| Administration and Support | <u>1,310,000</u> | <u>7%</u> | <u>2,020,000</u> | <u>7%</u> |
| Total, Other Divisions | \$5,335,000 | 30% | \$8,170,000 | 27% |
| Total | \$17,555,000 | 100% | \$30,010,000 | 100% |

Security, Safety, Training, and Enforcement Division

Positions in SFMTA’s Security, Safety, Training and Enforcement program are funded by the Muni and Parking and Traffic operating budgets. These positions include transit fare inspectors, parking control officers, and related management, supervisory and support staff.

In FY 2012-13, SFMTA proposes to add 10 transit fare inspector positions to the Security, Safety, Training and Enforcement Division by decreasing attrition savings to allow for the hiring of vacant positions. According to Ms. Bose, these positions will be used to facilitate Muni’s new all-door boarding policy.

Rainy Day Reserve

The FY 2012-13 and FY 2013-14 budgets contain a rainy day reserve of \$10,000,000 in each year for a total reserve of \$20,000,000. According to Ms. Bose, the SFMTA Board of Directors has an adopted reserve policy which includes a reserve goal of 10% of the operating budget, which would be \$82,367,572 based on the proposed FY 2012-13 budget of \$823,675,725. The purpose of the reserve is

⁴ These expenditures of \$17,555,000 in FY 2012-13 and \$30,010,000 in FY 2013-14 are included in the expenditure line items for salaries, materials and supplies, and other line items in the SFMTA budget and are not detailed separately.

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to protect against SFMTA’s revenue shortfalls and unpredicted one-time expenses and to ensure that adequate funds are available for the agency.

Unexpended Project and Encumbered Funds

Unexpended Project Funds

SFMTA has \$25,300,000 in previously appropriated project funds for parking infrastructure procurement which have not been expended. According to Ms. Bose, these funds will be used to pay for new parking meters for the SF Park program. SFMTA will issue a Request for Proposals (RFP) for new parking meters citywide for the SF Park program.

SFMTA also has \$20,000,000 in previously appropriated project funds for land and building procurement which have not been expended. According to Ms. Bose, these funds will be used to purchase property (1) at Broadway and Sansome to provide long-term replacement housing for tenants displaced by construction of the Central Subway, and (2) 2650 Bayshore Avenue for storage of SFMTA vehicles currently stored on Port property.

Unexpended and Encumbered Funds

City departments encumber funds that have been appropriated by the Board of Supervisors to pay for purchase orders, work orders with other City departments, projects, and other purposes. Technically, encumbrances are funds that have been set aside to pay for goods or services that have been ordered but not yet received or billed. Therefore, encumbered funds have not yet been expended.

SFMTA has \$9,501,325 in unexpended and encumbered funds that were (1) appropriated in FY 2010-11 and prior years, (2) have not posted activity in FY 2011-12, and (3) are funded by the Muni or Parking and Traffic operating budgets. Based on the Budget and Legislative Analyst’s request, SFMTA provided the following information on the status of these encumbrances, as shown in Table 5 below:

**Table 5
SFMTA Encumbrances**

| Encumbrances | Muni Operating Funds | Parking and Traffic Operating Funds | Total |
|----------------------------|-------------------------------------|--|--------------------|
| Can be closed out | \$2,335,178 | \$874,988 | \$3,210,166 |
| Held open pending invoices | 6,272,692 | 0 | 6,272,692 |
| Subtotal | 8,607,869 | 874,988 | 9,482,857 |
| Active project | 18,095 | 373 | 18,468 |
| Total | \$8,625,964 | \$875,361 | \$9,501,325 |

As shown in Table 5, SFMTA has \$3,210,166 in encumbrances that can be closed out and the funds re-allocated to other one-time uses.

Of the \$6,272,692 in encumbered accounts, for which SFMTA is holding the account open pending the receipt of pending invoices, accounts with balances totaling \$5,704,869 have had no activity since 2010. The largest of these encumbered accounts is for a payment to the Bay Area Rapid Transit (BART), totaling \$5,284,346, for which the last date of recorded activity of December 2, 2010. SFMTA should

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immediately determine the status of the account with BART and other large inactive accounts in order to close out the unexpended balances and re-allocate the funds to other one-time uses.

SFMTA should report to the Budget and Finance Committee in the May 24, 2012 hearing on the status of \$9,501,325 in encumbered funds, including the funds of \$5,284,346 encumbered for a payment to BART, and whether the unexpended balance can be reallocated to other uses.

DEPARTMENT REVENUES:

FY 2012-13: Department revenues have increased by \$24,458,614 or 4.1%, from the original FY 2011-12 budget of \$589,817,111 to the proposed FY 2012-13 budget of \$614,275,725.

General Fund revenues have increased by \$18,650,000 or 9.8% from the original FY 2011-12 budget of \$190,750,000 to the proposed FY 2012-13 budget of \$209,400,000

FY 2013-14: Department revenues have increased by \$11,830,733 or 1.9%, from the original FY 2012-13 budget of \$614,275,725 to the proposed FY 2013-14 budget of \$626,106,458.

General Fund revenues have increased by \$7,650,000 or 3.7% from the original FY 2012-13 budget of \$209,400,000 to the proposed FY 2012-13 budget of \$217,050,000.

| | FY 2011-12 | FY 2012-13 | FY 2013-14 |
|--|----------------------|----------------------|----------------------|
| Transit Fares and Advertising Revenues | \$207,736,734 | \$224,544,634 | \$228,233,972 |
| Permits, Fees, Fines | 122,687,325 | 115,690,539 | 116,267,713 |
| Parking Meters and Garages | 91,853,058 | 94,639,056 | 98,361,428 |
| Recoveries for Services | 60,111,666 | 87,479,058 | 91,538,321 |
| State and Federal Operating Grants | 106,892,909 | 113,700,000 | 115,670,000 |
| Miscellaneous | 3,200 | 0 | 0 |
| General Fund Contribution to SFMTA | 190,750,000 | 209,400,000 | 217,050,000 |
| General Fund In Lieu of Parking Tax | 57,578,400 | 62,147,000 | 64,011,000 |
| Net Transfers ⁵ | (57,046,181) | (83,917,362) | (87,968,776) |
| Total | \$780,567,111 | \$823,682,925 | \$843,163,658 |

Transit Fares

SFMTA increases transit fares based on the Automatic Indexing Implementation Plan, approved by the SFMTA Board of Directors in April 2009, which provides for fare increases based on the Consumer Price Index (CPI) and other costs, such as labor and fuel. The Automatic Indexing Implementation Plan was not subject to Board of Supervisors approval. The FY 2012-13 and FY 2013-14 SFMTA budgets do not propose increases in cash fares but do propose increases in some monthly fast passes and other fares as follows:

⁵ Net transfers are transfers between SFMTA operating funds and project funds.

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| | FY 2011-12 | FY 2012-13 Proposed | FY 2013-14 Proposed |
|--|------------|------------------------|------------------------|
| <u>Fast Pass Combined With BART in San Francisco</u> | | | |
| Adult | \$72.00 | \$74.00 | \$76.00 |
| Disabled/Youth/Senior | \$26.00 | \$27.00 | \$28.00 |
| <u>Fast Pass Muni Only</u> | | | |
| Adult | \$62.00 | \$64.00 | \$66.00 |
| Disabled/Youth/Senior | \$24.00 | \$22.00 | \$23.00 |
| <u>Other Passes</u> | | | |
| Lifeline (Low Income) Pass | \$31.00 | \$32.00 | \$33.00 |
| Cable Car All-Day Pass | \$14.00 | \$14.00 | \$15.00 |
| One-Day Passport | \$14.00 | \$14.00 | \$15.00 |
| Three-Day Passport | \$21.00 | \$22.00 | \$23.00 |
| Seven-Day Passport | \$27.00 | \$28.00 | \$29.00 |
| Interagency Sticker (Excludes BART and Cable Car) | \$57.00 | \$59.00 | \$61.00 |
| Class Pass | \$25.00 | \$26.00 | \$27.00 |
| <u>Special Event - Round Trip</u> | | | |
| Adult | \$12.00 | \$12.00 | \$13.00 |
| Disabled/Youth/Senior | \$10.00 | \$10.00 | \$11.00 |
| Add-On Fare | \$8.00 | \$8.00 | \$9.00 |

These fare increases are not subject to Board of Supervisors approval.

Parking and Other Increases

The proposed budget includes:

- Additional parking meter revenue in FY 2012-13 FY 2013-14 for (a) parking meter enforcement on Sunday from 12 pm to 6 pm, and (b) addition of 500 to 1,000 new metered parking spaces;
- Increases to various fees and penalties, based on the Automatic Indexing Implementation Plan or cost recovery calculation; and
- Fees applied to parking citations of (a) \$2.00 to recover SFMTA’s costs for the Local Courthouse Construction Fee, which is being remitted to the State but has not been included in citation amounts, and (b) \$3.00 in FY 2012-13 to recover SFMTA’s costs for the Trial Court Trust Fund Fee, which under California Government Code, SFMTA can collect in FY 2012-13 but not in FY 2013-14.

General Fund

The proposed SFMTA budget in FY 2012-13 and FY 2013-14 includes General Fund contributions, consistent with the Three-Year Budget Projections for FY 2012-13 through FY 2014-15, prepared jointly by the Controller, Budget and Legislative Analyst, and Mayor’s Budget Director.

Free Muni for Low-Income Youth

**RECOMMENDATIONS OF THE BUDGET & LEGISLATIVE ANALYST
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The SFMTA Board of Directors approved a resolution on April 17, 2012 to provide a 22-month pilot program to provide free transit to low-income youth from August 1, 2012 through May 31, 2014. According to Ms. Bose, actual implementation of Free Muni for Low-Income Youth is contingent on funding from the Metropolitan Transportation Commission and San Francisco County Transportation Authority that has not yet been approved. The proposed FY 2012-13 budget includes a \$4.1 million reduction in fare revenues to account for the expected costs to provide free transit to low income youth.

Policy Consideration

Under the Charter, the SFMTA must submit a two-year budget in even-numbered years and budget amendments for the second fiscal year in odd-numbered years. SFMTA must submit the proposed two-year budget no later than May 1st of the even-numbered year to the Mayor and the Board of Supervisors. As long as the SFMTA stays within the revenue formulas outlined in the Charter, and does not ask for additional General Fund resources or support, the Mayor must forward the budget to the Board of Supervisors as submitted.

The Board of Supervisors may allow the SFMTA's budget to take effect without any action on its part, or it may reject the budget in its entirety by a vote of at least 7 of the 11 members.

According to the Controller, if the Board of Supervisors rejects the proposed FY 2012-13 and FY 2013-14 SFMTA budgets, the Board of Supervisors must appropriate sufficient General Fund revenues to maintain SFMTA's current operations until such time that the Board of Supervisors either affirmatively approves or allows an alternative SFMTA budget, as adopted by the SFMTA Board of Directors, to take effect.

COMMENTS:

The Director of Transportation should report to the Budget and Finance Committee in the May 24, 2012 hearing on:

- The status of inactive encumbrances, funded by Muni or Parking and Traffic operating funds, totaling \$9,501,325, including the funds of \$5,284,356 encumbered for a payment to BART, and whether the unexpended balances can be reallocated to other uses; and
- The SFMTA's plans to reduce overtime use from the FY 2011-12 projected overtime expenditures of \$54,095,765 to the overtime budget of \$41,951,990 in FY 2012-13 and of \$36,951,990 in FY 2013-14.