



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Todd Rydstrom**  
**Deputy Controller**

August 26, 2016

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

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

Dear Judge Stewart:

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to be "Ben Rosenfield", written over the text "Respectfully submitted,".

Ben Rosenfield  
Controller

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

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Maintenance Budgeting and Accounting Challenges for General Fund Depts.  
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CGJ Year	Report Title	#	Findings	Respondent assigned by CGJ	2016 Responses (Agree/Disagree)Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:I.A.1	The gap between the City's investment in General Fund Departments' "Facilities Maintenance" assets and industry guidelines measured as a percentage of Current Replacement Value (CRV): <ul style="list-style-type: none"> <li>● Recommended 4%, ● Minimum 2%, or ● Total General Fund Departments' "target need" of approximately 1.7% calculated by Facilities Renewal Resource Model (FRRM), (see Figure 4 and Appendix D3) and in dollar amounts is not made available to citizens of San Francisco.</li> </ul>	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office has not issued any reports to the public indicating the gap between the City's investment in General Fund departments' facilities maintenance assets and industry guidelines. However, the city's Capital Planning Committee (CPC) issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. To address the gap between its capital needs and the resources available, the CPC continues to explore various approaches, including, but not limited to, revising funding benchmarks, leveraging the value of City-owned assets as debt-financing vehicles, preparing projects for voter consideration at the ballot and exploring new revenue sources.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:I.A.2-a.	Without transparent and complete information about the investment levels in the City's General Fund Departments' maintenance and repair budgets, the public does not have important information with which to assess the City's stewardship of public assets.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources. General Fund departments report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. For example, the Mayor's Office and the Controller's Office annually issue budget instructions, including those related to the reporting and tracking of budget requests for capital maintenance, renewal, replacement and enhancement projects. The City's Capital Planning Committee also issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:I.A.2-b.	The slice of the pie chart for General Fund departments labelled "Facilities Maintenance" in the Budget report is not the total maintenance budget for those departments.	Controller	disagree with it, partially (explanation in next column)	See Controller's response to related finding F:I.A.2-a. Departments may also use additional funding from their operating budget, for example, when corrective repairs exceed the amount assumed and appropriated in the facilities maintenance line item budget.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	F:I.A.2c.	The total maintenance budget for General Fund departments is not disclosed in the Budget report.	Controller	disagree with it, partially (explanation in next column)	See Controller's response to related finding F:I.A.2-a. To the degree departments consistently post all budget and actuals spent in the facilities maintenance line item, it will be reflected. Further, the Controller's Office reports the Facilities Maintenance budget for both the General Fund and All Funds Budget, along with subtotals by department, for both the Proposed and Adopted Budgets.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:I.A.3.</b>	As a consequence of low investment levels in General Fund departments' asset maintenance and repair, the City has a large and growing deferred maintenance and repair backlog for General Fund departments. Without transparent and complete information about these deferred maintenance and repair backlogs, the public does not have important information with which to assess the City's stewardship of General Fund Departments' assets.	Controller	disagree with it, partially (explanation in next column)	See Controller's response to related finding F:I.A.2-a.
	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:I.A.4.</b>	San Francisco's comparison with benchmark comparable cities and counties in terms of (a) "Facilities Maintenance" investment in General Fund Departments' assets, measured as a percentage of Current Replacement Value(CRV) and dollars; (b) General Fund Departments' total maintenance and repair budgets, and (c) General Fund Departments' deferred maintenance and repair backlog would be useful for the public in assessing the City's stewardship of these General Fund Departments' assets.	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:II.A.1-c.</b>	The City saves money over the long term by using pay-as-you-go financing for high priority maintenance and repairs.	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, including assessing the effectiveness of the City's facilities maintenance funding and budgeting methods. This audit will be issued in FY 2016-17. The City's Capital Planning Committee also issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:II.A.1-d.</b>	Total reliance on annually budgeted pay-as-you-go funding can result in maintenance and repairs being deferred in lean budget years. It will be a challenge for policy makers to develop a range of stable "pay-as-you-go "annual funding mechanisms for maintenance and repairs.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:III.A.1a.</b>	Lack of comprehensive and reliable data obscures the relationship between the amounts General Fund departments spend on annual maintenance and repair and the costs resulting from deferred maintenance backlogs.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:III.A.1b.</b>	Replacement or revision of the current asset management programs used by General Fund departments provides an opportunity for development of new or revised performance metrics to collect and report: (1) the dollars departments expend on annual maintenance and repair and (2) the annual costs incurred in addressing their deferred maintenance and repair backlogs.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office acknowledges the importance of complete and accurate data in making informed decisions about the use and stewardship of public assets and resources. Although the Mayor's Office and the Controller's Office provide instructions to departments on performance measures, the primary responsibility for managing departmental assets is decentralized, resting with each department. Further, maintenance management functionality may be considered for a future phase of the City's new financial system deployment, which is slated to launch in July 2017. The City's new financial system's asset management module includes such fields as City Asset Status, Condition Assessment, and Safety Assessment, all of which are slated to be available citywide in July 2017.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:III.B.1.</b>	The City's ability to determine the Deferred Maintenance and Repairs backlog is hampered by the aggregating of deferred maintenance expenses with capital renewal and replacement costs.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources based on complete and accurate information. The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:III.C.3-c.</b>	A Controller's Study of those physical assets with a Facilities Condition Index of 0.30 or greater will help determine whether a lack of comprehensive maintenance and repair planning resulted in underinvestment in preventive maintenance work that has depreciated the value and useful life of those physical assets.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources based on complete and accurate information, but has not completed a study of the conditions of the City's physical assets. The study suggested would likely be most effectively performed by the City's Capital Planning Program or others with specific jurisdiction and specialization in these areas.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:IV.2-a.</b>	Compliance with Section 3.5(a) of the Budget Process Ordinance provides City departments and department heads with an opportunity to make their maintenance needs known vigorously as part of the Budget Process.	Controller	agree with finding	The Controller's Office agrees with this finding. Section 3.5 of the Budget Process Ordinance requires departments to submit a budget containing documentation on the department's overall mission, strategic plans, policy outcome measures, and specific departmental programs and activities as part of their long-term departmental budget planning process. The process provides an opportunity for each department to make a case for additional resources for a host of identified needs.

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:IV.2-b.</b>	Opportunities exist for General Fund Department managers to advocate for increased maintenance and repair funding within the strictures of Capital Budget Request Form 6.	Controller	agree with finding	The Controller's Office agrees with this finding. The Capital Budget Request Form does allow departments to submit for consideration their Capital Budget requests of greater than \$100,000 to the Capital Planning Program (CPP). However, inclusion in the Capital Plan does not guarantee funding for a project. The Capital Planning Committee reviews CPP staff recommendations as part of the budget development process.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:IV.2-c</b>	Compliance with Section 3.14 of the Budget Ordinance provides City department heads with an opportunity to make their unfunded high-priority maintenance needs known.	Controller	agree with finding	The Controller's Office agrees with this finding. Section 3.14 of the Budget Process Ordinance requires the head of each agency to, within 30 days of the adoption of the annual budget by the Board of Supervisors, by letter addressed to the Mayor, Board of Supervisors, and Controller, agree that the funding provided is adequate for his or her department, board, commission, or agency unless otherwise specifically noted by the appointing officer and acknowledged in writing by the Board.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:VI.2-b.</b>	The City wastes taxpayer money when it uses general fund bonds to pay for renewal of assets that deteriorated prematurely because of deferred maintenance and repairs.	Controller	disagree with it, wholly (explanation in next column)	The Controller's Office disagrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including identifying appropriate funding mechanisms, such as using pay-as-you-go General Fund dollars or debt financing. Using pay-as-you-go General Fund dollars for renewal of assets is not always advisable, realistic, or possible, given the City's other critical needs and mandates.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:VII.1-a.</b>	Leading or best practices exist on how to account for and report deferred maintenance and repair so that reliable information is provided to City managers and the general public. However, these practices are not being implemented by many, if not most, City departments.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including key information on mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.

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

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:VII.2.</b>	The City does not have accounting and financial systems and processes in place to accurately determine and report the condition of its assets or the extent of its deferred maintenance.	Controller	disagree with it, partially (explanation in next column)	The Controller's Office partially agrees with this finding. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls, including the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The Controller's Office believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The City is now replacing its accounting and financial system, which includes an asset management module, slated to go-live in July 2017. The City's planned new financial system's asset management module includes such fields as City Asset Status, Condition Assessment, and Safety Assessment. Further, a maintenance management module is also being considered for a future phase, post go-live, and the findings noted herein could be considered as part of the functional specifications assessment. However, systems are in place in both the City's Capital Planning Program and key enterprise agencies to model and track the state of deferred maintenance needs and expenses for City assets.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:VII.3.</b>	The City's capital assets shown in its financial statements may be overstated because its use of straight line depreciation assumes a longer asset life span than is likely given the reduced life impact of deferred maintenance.	Controller	disagree with it, wholly (explanation in next column)	The Controller's Office disagrees with this finding. The City ensures the completeness and accuracy of its audited financial statement through the comprehensive structure of internal accounting controls to provide a reasonable assurance that the financial statements are free of material misstatements. Departments have the ability to reflect impaired asset value in the event it is materially different. The Controller continues to believe in the accuracy and completeness of the City's financial statements, as assured by the City's external financial auditors.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>F:VII.4.</b>	Existing data show that maintaining assets extends asset life and is cheaper than prematurely replacing unmaintained assets.	Controller	agree with finding	The Controller's Office agrees with this finding. The Controller's Office recognizes the importance of making informed and economical decisions regarding the use and stewardship of public assets and resources. The City's Capital Planning Committee (CPC) issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The CPC gathers departmental data and prioritizes maintenance and renewal projects, as well as identifies the City's deferred and emerging needs. To address the gap between its capital needs and the resources available, the CPC continues to explore various approaches, including revising funding benchmarks, leveraging the value of City-owned assets as debt-financing vehicles, preparing projects for voter consideration at the ballot, forming public-private partnerships, and exploring new revenue sources.

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CGJ Year	Report Title	#	Recommendations	Respondent assigned by CGJ	2016 Responses (implementation) Use the drop down menu	2016 Response Text
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:I.A.2-a.</b>	This recommendation satisfies Findings F:I.A.2a, and c: a. In order for the public to assess the City's stewardship of General Fund Departments' assets, the Controller should: (1) disclose the total maintenance budget for General Fund departments; and (2) periodically conduct an audit of investment levels in General Fund departments' asset maintenance and repair.	Controller	The recommendation has been implemented (summary of how it was implemented in next column)	The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources. General Fund departments report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. The Mayor's Office and the Controller's Office annually issue budget instructions, including those related to the reporting and tracking of budget requests for capital maintenance, renewal, replacement and enhancement projects. The City's Capital Planning Committee also issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including specific mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, which will be issued in FY 2016-17. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:I.A.2-b.</b>	The Controller should determine the additional annual time and manpower cost to accomplish the compilation and disclosure of the total maintenance budget for General Fund departments, and periodic audits and include line item entries for those costs in its budget requests for fiscal year 2017-2018 and thereafter;	Controller	The recommendation has been implemented (summary of how it was implemented in next column)	See Controller's response to related recommendation R:I.A.2-a.



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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:I.A.3-a.</b>	In order for the public to assess the City's stewardship of General Fund Departments' assets, the Controller should: (1) disclose the total deferred maintenance and repair backlog for General Fund departments; and (2) periodically conduct an audit of General Fund departments' deferred maintenance and repair backlog.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The Controller's Office recognizes the importance of transparency in the government's use and stewardship of public assets and resources. General Fund departments report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. The Mayor's Office and the Controller's Office provide budget instructions to departments, including those related to reporting and tracking of budget requests for capital maintenance, renewal, replacement and enhancement projects. The primary responsibility for managing departmental assets is decentralized, resting with each department. Departments maintain different systems for tracking maintenance and repair information (e.g., MAXIMO, Infor, etc.). The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including specific information on maintenance and repair projects, along with funding, prioritization, and reporting mechanisms. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, which will be issued in FY 2016-17. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:I.A.3-b.</b>	The Controller should determine the additional annual time and manpower cost to accomplish the compilation and disclosure of the total deferred maintenance and repair backlog for General Fund departments, and periodic audits and include line item entries for those costs in its budget requests for fiscal year 2017-2018 and thereafter;	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:I.A.3-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.

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

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:II.B.1-b.</b>	The Controller should determine the additional time and manpower cost to the City Services Auditor staff to accomplish this audit and report and include a line item for this cost in its budget request for fiscal year 2017-2018.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	See Controller's response to related recommendation R:II.B.1-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:II.B.2-a.</b>	The Controller should assist the General Services Agency Environmental Health and Safety in developing procedures for periodic analysis of Hazard Logs to identify and quantify risks of injury created by deferred maintenance and repairs.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The Controller's Office defers to the other responding departments in determining the Controller's involvement in implementing this recommendation. Existing analysis and reporting efforts on injury and hazard risks include worker's compensation studies and the California Injury and Illness Prevention Program. Further, the Controller's Data Academy is open for all departments to attend to ensure data analytics skills are available to all departments.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:II.B.2.b.</b>	To provide budget decisionmakers with pertinent information for making tradeoff decisions, the Controller should determine the additional time and manpower cost to develop procedures for periodic analysis of Hazard Logs to identify and quantify risks of injury created by deferred maintenance and repairs and include a line item for this cost in its budget request for fiscal year 2017-2018.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:II.B.2-a. The Controller's Office will work with the Mayor's Office in developing instructions related to these budget requests, as necessary.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:III.A.1.a.</b>	To focus attention on the relationship between General Fund departments' annual Maintenance and repair expenditures and these departments' deferred maintenance and repair backlogs, the Controller should utilize the replacement or revision of the current asset management programs used by General Fund departments as an opportunity for development of new or revised performance metrics to collect and report to City officials and the public: (1) the costs departments expend on annual maintenance and repair; and (2) the annual costs incurred in addressing their deferred maintenance and repair backlogs.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	Before determining whether to accept this recommendation, the Controller's Office must determine the costs and benefits of the efforts involved in implementing it, taking into consideration available resources, mandated functions and activities, and other higher-risk areas of concern citywide. The City's Capital Planning Committee issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including detailed information on maintenance and repair projects, along with specific funding, prioritization, and reporting mechanisms. The Controller's City Services Auditor is conducting a performance audit of facilities maintenance management citywide, which will be issued in FY 2016-17. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management. The City is now replacing its accounting and financial system, which includes an asset management module containing such fields as City Asset Status, Condition Assessment, and Safety Assessment.

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

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2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:V.3.</b>	In the furtherance of transparency and accountability and best practices in government, <b>a.</b> the Controller's Statement on General Obligation Bond propositions in the Department of Elections Voter Information Pamphlet should include a LifeCycle Cost estimate, containing the projected lifecycle Maintenance and Repair cost for the proposed Capital Project.	Controller	The recommendation requires further analysis (explanation of the scope of that analysis and a timeframe for discussion, not more than six months from the release of the report noted in next column)	Before determining whether to accept this recommendation, the Controller's Office must determine the costs and benefits of the efforts involved in implementing it, taking into consideration available resources, mandated functions and activities, and other higher-risk areas of concern citywide. Coordination with other relevant city departments and stakeholders will be conducted, as necessary, in making this determination, with completion expected in January 2017.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:V.3.</b>	<b>b.</b> the Controller should instruct General Fund departments to report annually to GOBAC: 1) the inflationadjusted LifeCycle Maintenance and Repair Cost estimate for each General Obligation Bond funded project; 2) the amount budgeted for Operating Cost and Maintenance Cost of that asset; 3) the reasons for any budgeted shortfall; and 4) the immediate and longterm consequences of any budgeted shortfall.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	The Controller's Office does not have the authority or jurisdiction to require General Fund departments to report annually to the Citizens' General Obligation Bond Oversight Committee (CGOBOC), so cannot implement this recommendation. We will forward the recommendation to CGOBOC, who has the authority to request such reporting from departments.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:VI.3-a.</b>	In furtherance of transparency, accountability and stewardship, the Controller should track General Fund departments' maintenance budgeting and spending to assure that assets are not deteriorating through lack of maintenance and repair to the point where premature replacement funded by General Obligation bonds is needed.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	General Fund departments already report their maintenance and repair budgets as part of the City's ongoing budgeting and accounting procedures. The City's Capital Planning Committee also issues the Capital Plan report that lays out the City's infrastructure investment plans over the next 10 years, including specific mechanisms and models for funding, prioritizing, and reporting maintenance and renewal projects citywide. The Controller's Office continues to refine and develop approaches to providing quality data and information to decision-makers and practitioners on critical topics involving the City's long-term liabilities, including asset and facilities management.
2015-16	Maintenance Budgeting and Accounting Challenges for General Fund Depts.	<b>R:VI.3-b.</b>	The Controller should determine the additional time and manpower cost to accomplish the preceding Recommendation to track General Fund departments maintenance budgeting and spending to assure that assets are not deteriorating through lack of maintenance and repair to the point where premature replacement funded by General Obligation bonds will be needed, and include line item entries for those costs in its Budget Requests for the 2017-2018 Budget and thereafter.	Controller	The recommendation will not be implemented because it is not warranted or reasonable (explanation in next column)	See Controller's response to related recommendation R:VI.3-a.

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

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

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



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