

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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Policy Analysis Report

To: Supervisor Myrna Melgar
From: Budget and Legislative Analyst's Office
Re: Analysis of San Francisco Grant Spending and Timing
Date: January 28, 2025



Summary of Requested Action

Your office requested that we review City financial records to determine the extent to which grants are being returned unspent or are underspent or delayed.

For further information about this report, contact Fred Brousseau, Director of Policy Analysis, at the Budget and Legislative Analyst's Office.

Executive Summary

- Grants from federal, state, and private entities play a significant role in the City and County of San Francisco budget and operations. In just Fiscal Year 2023-24, grants and other contributions contributed \$2.4 billion to City revenues for operations and \$406.3 million for capital projects out of total revenues of \$15.7 billion. Between FY 2019-20 and FY 2023-24, program and capital grants and contributions made up between 18 percent and 23 percent of the City's total annual revenues.
- The City has standardized procedures and controls in place for adding grant revenues to the budget but does not have similar processes in place for ensuring grant-funded endeavors are completed timely and funds fully expended before their end dates so as to not be returned fully or partially unspent.
- The Administrative Code requires Board of Supervisors approval to accept and expend grants of \$100,000 or more. While acceptance and expenditure of most grants are approved through a Board resolution, recurring federal and state grants may be approved through the annual budget process. Acceptance and expenditure of San Francisco Municipal Transportation Agency grants do not require Board of Supervisors approval. Spending on these grants is reported in the Agency's annual financial statements.
- Larger departments that regularly receive grants have processes in place to assess the feasibility of fully and effectively using grants before they apply for them. To enhance Board of Supervisors oversight, summaries of departmental project

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feasibility assessments could be reported as part of the Board approval process of accept and expend resolutions. An annual report of underspent, returned, or delayed use of grant funds could also be reported to the Board of Supervisors to provide key information to improve oversight of grant utilization.

BLA review of 163 grants approved by the Board of Supervisors through accept and expend resolutions

- We reviewed the 163 grants approved by the Board of Supervisors through accept and expend resolutions and reported in Legistar: this included all grants in the amount of \$1 million or more approved by the Board of Supervisors in calendar years 2021 through 2023 and, to ensure we reviewed grants whose end dates had already occurred, all grants in the amount of \$1 million or more with end dates prior to December 31, 2023 approved by the Board of Supervisors in calendar years 2019 and 2020. The 163 grants included 96 program grants for operations and 67 for capital projects, with a dollar value of \$581.2 million and \$661.5 million, respectively, for a total of approximately \$1.2 billion.

Exhibit A: Overview of 163 Grants Reviewed for this Report

	Number	Amount	Grant Funds Spent as of March 2024	Remaining Grant Funds	Remaining Funds as Percent of Total Amount
Total Operating Grants	96	\$581,172,788	\$355,093,522	\$226,079,265	39%
End Date March 2024/ Earlier	47	218,130,895	195,539,874	22,591,020	10%
End Date after March 2024	49	363,041,893	159,553,648	203,488,245	56%
Total Capital Grants	67	\$661,489,865	\$269,999,752	\$391,490,113	59%
End Date March 2024/ Earlier	21	62,106,736	37,250,178	24,856,558	40%
End Date after March 2024	46	599,383,129	232,749,574	366,633,555	61%
Total Grants	163	\$1,242,662,653	\$625,093,275	\$617,569,378	50%
End Date March 2024/ Earlier	68	280,237,631	232,790,052	47,447,578	17%
End Date after March 2024	95	962,425,022	392,303,222	570,121,800	59%

- Our review included 68 grants with end dates in March 2024 or earlier so we could assess whether they were completed timely and if all funding was utilized by the grant end date. The other 95 grants that we reviewed had end dates after March 2024 and their completion and total expenditure amounts are still pending. Exhibit B shows the distribution of the 163 grants we reviewed, by grant end date.

Exhibit B: Distribution of 163 BLA-Reviewed Grants, by Grant End Date

	Capital Grants	Operating Grants	Total
End date March 2024 or earlier	21	47	68
End date after March 2024	46	49	95
Total	67	96	163

- Overall, we found that 34 of the 68 capital and operating grants we reviewed with end dates in March 2024 or prior were spent in full and within the grant timeframe (though timeframe extensions were approved by grantors in many instances due to both City-caused and grantor-caused delays). However, our grant review found that underspending and time delays occurred for the other 34 of the 68 grants we reviewed, resulting in programs and projects delayed or not executed as originally intended.

96 operating grants reviewed

- Of the 96 operating grants reviewed for this report, nearly one-half, or **49 grants**, had end dates after March 2024 and were either still in progress or were completed early. Exhibit C summarizes the results of the operating grants we reviewed.

Exhibit C: Results of BLA Review of Operating Grants

		\$ Value of Grants (mns.)
Operating grants with end dates of March 2024 or earlier:		
Grants spent in full	22	\$98.4
Grants with remaining balance:		
Grantors allowed time extensions	11	\$56.7
Some funds returned to grantor	<u>14</u>	<u>\$63.0</u>
Subtotal: grants with remaining balances	25	\$119.7
Subtotal: grants with end dates of March 2024 or earlier	47	\$218.1
Subtotal: grants with end dates after March 2024 (results still pending)	49	\$363.0
Total operating grants reviewed	96	\$581.2

- The other nearly one half of all operating grants reviewed, or **47 grants**, had end dates of March 2024 or earlier. This enabled us to determine if they were completed timely and if all funds had been expended. The total grant amount for these 47 grants was \$218.1 million.
- Of the 47 operating grants with an end date of March 2024 or earlier:

- **22 grants** had been spent in full or nearly in full, with unspent funds of \$0.3 million by the grant end date or less than 1 percent of the total value of these grants;
- **25 grants** had had not been fully spent by the original grant end date, with unspent grant funds of \$22.3 million, or more than 10 percent of the original grant amounts.

❖ For **11 of the 25 operating grants** with end dates of March 2024 and earlier and unspent grant funds, the grantors approved the carry forward of unspent grant funds or extension of the grant end dates. These 11 operating grants had unspent grant funds of \$12.9 million, or 58 percent of total unspent grant funds of \$22.3 million.

Grantors approved the extension of the grant end dates for the 11 operating grants with end dates of March 2024 or earlier due to various factors, including: (1) delays by City departments in implementing grant funded programs, including delays in staffing or procuring community based services; (2) delays in receiving the grant award or approving the grant; (3) changes in grant scope or clients to be served; (4) spending delays by other agencies allocated grant funds by primary grant recipient; (5) decisions by the grantor to extend grants for all recipients; and (6) annual grant awards with carryforward of unspent funds.

While extensions give City departments the opportunity to fully spend their grant funds, the following three departments reported that grant funds may not be spent in full even with the extensions.

1. The District Attorney's Office was granted an extension from the Crankstart Foundation for the Healing Justice Initiative, extending the end date from December 2023 to December 2025. The Foundation allowed the Department to spend \$3 million of the \$6 million grant beyond the grant end date, but the other \$3 million of available grant funds were not used.
2. The Department of Emergency Management was granted an extension from May 2023 to May 2024 by the U.S. Department of Homeland Security for the Urban Area Security Initiative (UASI) grant. The Department of Emergency Management serves as the fiscal agent, distributing funds to other Bay Area counties, and according to Department staff, grant funds may remain as of May 2024 due to underspending by other counties.
3. The federal Centers for Disease Control and Prevention allocated funding to the State for COVID Response/ Workforce Funding, which

in turn allocated grant funds to the Department of Public Health. The Centers for Disease Control and Prevention extended the State’s grant end date from June 2023 to June 2024, and according to Department of Public Health staff, the end date will be extended for an additional year to June 2025 and may not be spent in full.

- ❖ For **14 of the 25 operating grants** with end dates of March 2024 and earlier and unspent grant funds of \$9.4 million, or 42 percent of total unspent grant funds of \$22.3 million, funds were unused and returned to the grantor. The reasons for not fully spending this \$9.4 million in grant funds varied by grant type, but the major reasons were: (1) City businesses not applying for grant-funded incentive payments to implement energy efficiency projects, (2) San Francisco Public Utilities Commission customers not meeting financial eligibility requirements to apply for grant funds to pay for arrearages in utility charges, and (3) delays in implementing grant-funded programs due to delays in: grant awards and approvals, and staffing. These unspent grant funds of \$9.4 million were funds that could otherwise have been used for services to City residents.

67 Capital Grants Reviewed

- Capital grant spending presents specific risks due to the size of the grants and capital projects. We reviewed 67 capital grants for 13 City departments with a total dollar value of \$661.5 million. Exhibit D summarizes the results of our review of these capital grants.

Exhibit D: Results of BLA Capital Grants Review

		\$ Value of Grants (mns.)
Capital grants with end date of March 2024 or earlier:		
Grants completed by end date	12	\$32.0
Grants not completed by end date, w/ remaining balances		
Grantors approved time extensions	6	\$21.1
Grants with unspent funds	<u>3</u>	<u>\$9.1</u>
Subtotal: grants not completed by end dates	9	\$30.2
Subtotal: grants with end dates March 2024 <i>or earlier</i>	21	\$62.2
Subtotal: grants with end date <i>after</i> March 2024	46	\$599.4
Total capital grants reviewed	67	\$661.5

- **Twenty-one of the 67 capital grants** had end dates of March 2024 or earlier, **twelve of which** were completed by the grant end date, with \$0.6 million in grant funds that were not needed to complete the projects.
 - **Nine of the 21 grant-funded capital projects** were not completed by the grant end date with unspent funds of \$24.2 million. The grantors approved extensions for **six of these nine capital grants** beyond the original end date to allow completion of the capital project.
 - ❖ One of the six capital grants approved for an end date extension was a grant allocated to the Mayor’s Office of Housing and Community Development by the California Housing and Community Development Department for the delayed Potrero HOPE SF project, which is delayed. In August 2023, the California Housing and Community Development Department awarded San Francisco Infill Infrastructure Grant funds totaling \$45 million to be used for infrastructure development for three affordable housing projects: Sunnydale Hope SF, Potrero Hope SF, and India Basin. According to the April 19, 2024 Citywide Hope SF Affordable Housing Loan Committee report, the Mayor’s Office of Housing and Community Development “has serious concerns about starting construction and completing units at the” Potrero Hope SF and India Basin “sites, which could jeopardize the total award”.
 - The reasons that capital grants were not spent in full by the grant end dates of March 2024 or earlier for **three capital grants** varied.
 - ❖ One \$4.6 million grant was returned to the grantor because the project did not move forward as it was determined to be not feasible. The Department of the Environment returned a grant for construction of electric trucks to the California Air Resources Board because the selected manufacturer could not construct the trucks.
 - ❖ One \$3.5 million grant was allocated by the Mayor’s Office of Housing and Community Development to a nonprofit affordable housing developer, who was directly reimbursed by the State for grant-eligible expenditures.
 - ❖ One grant of \$1.0 million for the San Francisco General Hospital Telehealth project was reduced by \$50,000 by the grantor.

Municipal Transportation Agency and recurring grants

- Our review of San Francisco Municipal Transportation Agency grant funds reported in the Agency’s FY 2018-19 through FY 2022-23 financial statements as “expired, rescinded, or adjusted” found that these grant funds had been fully spent, carried forward into subsequent years as allowed by the grantors, or “de-obligated” with funds reallocated to other Municipal Transportation Agency projects or returned to the San Francisco County Transportation Authority and available for other projects.
- Our review did not include recurring grants approved in the Annual Appropriation Ordinance because these are State and federal grants awarded annually through funding formulae.

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- *Note:* Though outside the timeframe of our review, a \$625,000 MacArthur Foundation Safety and Justice Challenge grant awarded to the District Attorney’s Office and approved in February 2024 is being returned by the Office, according to recent news reports. The Foundation is reported to have first announced it would withhold the grant because the City wasn’t making sufficient progress on reducing its jail population, a performance metric tied to receipt of the funding. In return, the District Attorney’s Office announced it was severing ties with the foundation and would not be accepting the funds due to disagreements about how the funding impact should be measured.

Policy Options

The Board of Supervisors could:

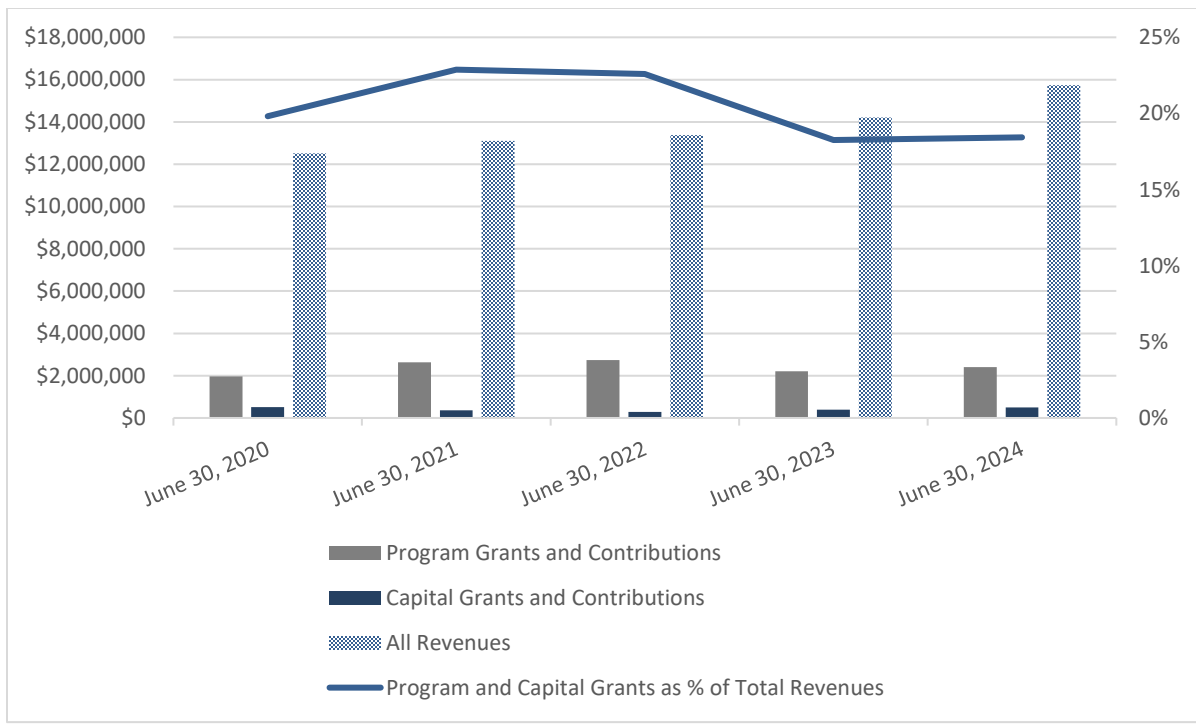
1. Request the Controller and the Clerk of the Board to revise the Grant Resolution Information Forms to require details on implementation of grant-funded programs and services, including (a) hiring plans and timelines for grant-funded positions, (b) process and timelines to procure grant funded services, including services provided by community-based organizations and construction-related services, and (c) potential barriers to implementation of grant-funded programs and services.
2. Given the importance of the Potrero Hope SF and India Basin housing projects to the City meeting its affordable housing goals, the Board of Supervisors should request a report from the Mayor’s Office of Housing and Community Development on the status of those two projects, including the status of California Department of Housing and Community Development grant funds.
3. Request the Controller’s Office to develop an annual report to the Board of Supervisors on grants at risk of major underspending or at risk of being returned to the grantor to improve oversight of grant utilization.

Project Staff: Fred Brousseau and Severin Campbell

Grant Funding in the City and County of San Francisco

Grants from federal, state, and private entities contribute to the City and County of San Francisco budget and operations. In Fiscal Year 2023-24, grants and contributions funding added \$2.4 billion to City revenues for operations and \$496.3 million for capital projects out of total revenues of \$15.7 billion.¹ Between FY 2019-20 and FY 2023-24 program and capital grants and contributions made up between 18 percent and 23 percent of total annual revenues, as shown in Exhibit 1 below.

**Exhibit 1: Program and Capital Grant Funds as a Percentage of Total Revenues
 FY 2019-20 through FY 2023-24**



Source: Annual Comprehensive Financial Reports FY 2019-20 to FY 2023-24

Grants Approved through Accept and Expend Resolutions

Administrative Code Section 10.170 defines City requirements for applying, accepting, and spending grant funds. Applications for annual or recurring federal, state, or other grants of \$5 million or more require Board of Supervisors approval. Acceptance of federal, state, or other grant funds of \$100,000 or more requires Board of Supervisors approval.

Acceptance and expenditure of grant funds are generally approved by the Board of Supervisors through a resolution. However, according to the Annual Appropriation Ordinance Administrative

¹ Annual Comprehensive Financial Report, Year Ended June 30, 2024, Page 11.

Provisions, recurring state and federal grant funds may be approved by the Board of Supervisors as part of the annual budget. Approval of grant funds through the budget process is considered compliant with Administrative Code Section 10.170.

We reviewed the 163 grants approved by the Board of Supervisors in calendar years 2019 through 2023, each for \$1 million or more. The total value of the 163 grants over the grants' terms was \$1.2 billion and total grant spending as of March 2024 was \$625.1 million. The 163 grants reviewed for this report were administered by 23 different City departments and consisted of 67 grants for capital projects or asset acquisitions and 96 grants for operations. Sixty-eight of the grants had end dates as of March 2024 and ninety-five of the grants had end dates after March 2024. Exhibit 2 below summarizes the grants reviewed for this report.

Exhibit 2: Overview of 163 Grants Reviewed for This Report

	Number	Amount	Grant Funds Spent as of March 2024	Remaining Grant Funds	Remaining Funds as Percent to Total Amount
Total Operating Grants	96	\$581,172,788	\$355,093,522	\$226,079,265	39%
End Date March 2024/ Earlier	47	218,130,895	195,539,874	22,591,020	10%
End Date after March 2024	49	363,041,893	159,553,648	203,488,245	56%
Total Capital Grants	67	\$661,489,865	\$269,999,752	\$391,490,113	59%
End Date March 2024/ Earlier	21	62,106,736	37,250,178	24,856,558	40%
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End Date after March 2024	95	962,425,022	392,303,222	570,121,800	59%

Source: Budget and Legislative Analyst Grant Review

San Francisco Municipal Transportation Agency

Grants administered by the San Francisco Municipal Transportation Agency (SFMTA) are not subject to Board of Supervisors approval. We reviewed SFMTA grant spending as reported annually in the Municipal Transportation Agency's audited financial statements. SFMTA grants are discussed in more detail below.

Attachment I summarizes the 163 grants approved by the Board of Supervisors between CY 2019 and CY 2023. Attachment II summarizes San Francisco Municipal Transportation Agency grant spending reported in the Agency's financial statements.

Capital Grants

Background to this Request: Return of the Federal BUILD Grant for Better Market Streets

The return of the \$15 million federal grant for the Better Market Street project shows the risks of capital projects due to insufficient planning or funding. The Better Market Street project was planned in three phases with total estimated project costs of \$604 million. The City initially reported phase one funding of \$140 million, including sales tax proceeds allocated by the San Francisco County Transportation Authority, Proposition A general obligation bond proceeds, and a grant of \$15 million from the federal BUILD program, but available funding was reduced when the voters rejected Proposition A in June 2022. In 2022, the San Francisco Municipal Transportation Agency reported that the federal grant of \$15 million was returned. According to discussions with City staff, the Better Market Street project scope may have been too large and the planning process too complex, making construction of the grant-funded streetcar turnaround loop within the federal grant timelines infeasible.

Our Review of Grant Funds Allocated to Capital Projects

Fourteen City departments received grant funds for capital projects or asset acquisition during our review period:

- | | |
|--|---|
| 1. Airport | 8. Police Department |
| 2. Elections | 9. Port |
| 3. Environment | 10. Public Utilities Commission |
| 4. Homelessness and Supportive Housing | 11. Public Health |
| 5. Library | 12. Public Works |
| 6. Mayor's Office of Housing and Community Development | 13. Recreation and Parks |
| 7. Municipal Transportation Agency | 14. Treasure Island Development Authority |

Note: Approval of the receipt and expenditure of grants for the Municipal Transportation Agency is not under the jurisdiction of the Board of Supervisors, unlike all other City departments. Instead, the SFMTA Board of Directors make these determinations.

Several departments, including the Airport, Library, Police Department, Port, Public Utilities Commission, Department of Public Health, Public Works Department, and Treasure Island Development Authority received federal or state grants for various infrastructure projects. The Port, Public Works Department, and Department of Public Health also received funding from private grantors for infrastructure projects and facility improvements. The Department of Elections received grant funds from the California Secretary of State for implementation of a new voting system. The Department of Homelessness and Supportive Housing received grant funds

from the California Housing and Community Development Department for permanent supportive housing projects.

Sixty-seven of the grants reviewed for this report and approved through an accept and expend resolution were for capital projects or asset acquisition. These grants totaled \$661.5 million over the grant terms, as shown in Exhibit 2 above.

Twenty-one of the 67 capital grants had end dates of March 2024 and earlier. Of these 21 capital grants, 12 grants had been completed and nine grants had remaining balances of \$24.9 million, as shown in Exhibit 3 below.

Exhibit 3: Capital Grants with End Dates of March 2024 or Earlier

Department	Number of Grants	Amount	Expenditures as of March 2024	Unspent Balance March 2024
Airport	1	\$2,011,112	\$2,011,112	\$0
Elections ^a	2	4,961,360	4,544,596	416,764
Fire ^a	2	3,733,591	3,715,634	17,957
Port	1	5,000,000	5,000,000	0
Public Health	1	1,614,160	1,614,160	0
Public Utilities Commission ^a	1	3,759,822	3,605,237	154,585
Recreation & Park ^a	4	10,878,000	10,802,849	75,151
<i>Subtotal Completed Grants</i>	<i>12</i>	<i>\$31,958,044</i>	<i>\$31,293,588</i>	<i>\$664,456</i>
Environment	1	4,562,862	0	4,562,862
Housing & Community Development	2	15,199,000	0	15,199,000
Police	1	1,161,830	310,888	850,942
Public Health	2	2,900,000	1,528,974	1,371,027
Public Utilities Commission	1	1,000,000	45,820	954,180
Public Works	2	5,325,000	4,070,909	1,254,091
<i>Subtotal Grants with Unspent Funds</i>	<i>9</i>	<i>\$30,148,692</i>	<i>\$5,956,590</i>	<i>\$24,192,102</i>
Total	21	\$62,106,736	\$37,250,178	\$24,856,558

Source: City departments

^aThe projects funded by the capital grants were completed under budget, resulting in unspent grant funds.

Exhibit 4 below summarizes capital grant spending for 21 grants with end dates in March 2024 or earlier.

Exhibit 4: Capital Grants with End Dates of March 2024 or Earlier and Unspent Funds

Reason for Grant Underspending	Number	Original Grant Amount	Grant Spending as of March 2024	Remaining Balance
Projects completed and grants spent in full	8	\$8,625,271	\$8,625,271	\$0
Project completed and remaining funds not needed	4	23,332,773	22,668,316	664,456
<i>Subtotal Completed Projects</i>	<i>12</i>	<i>\$31,958,044</i>	<i>\$31,293,588</i>	<i>\$664,456</i>
Grant term extended beyond original end date	6	\$21,085,830	\$5,006,590	\$16,079,240
Grant amount reduced to account for indirect costs	1	1,000,000	950,000	50,000
Grant funds allocated to nonprofit housing developer	1	3,500,000	0	3,500,000
Project not implemented	1	4,562,862	0	4,562,862
<i>Subtotal Projects with Unspent Funds</i>	<i>9</i>	<i>\$30,148,692</i>	<i>\$5,956,590</i>	<i>\$24,192,102</i>
Total	21	\$62,106,736	\$37,250,178	\$24,856,558

Source: City Departments

Spending on Capital Grants with End Dates of March 2024 and Earlier

Spending on the 21 capital grants that had end dates of March 2024 or earlier is summarized as follows:

Projects completed and remaining funds not needed

Twelve of the grant-funded capital projects with a total grant value of approximately \$32 million were completed by the grant end date. Of these twelve projects, eight projects spent the grant funds in full and four projects had remaining grant funds that were not needed. These four projects included: (1) purchase of a new voting system by the Department of Elections; (2) purchase of a hose tender by the Fire Department, (3) completion of a San Francisco Public Utilities Commission project funded by the California Water Resources Control Board grant; and (4) completion of a Recreation and Parks Department project funded by the California Controller’s grant.

Grant term extended beyond original end date

Six of the capital projects funded by grants were extended by the grantors beyond the original end date. This included a grant allocated to the Mayor’s Office of Housing and Community Development by the California Housing and Community Development Department for the Potrero HOPE SF project, discussed in more detail below. Four other grants to the Department of Public Health, Public Works Department, Police Department, and Public Utilities Commission were extended by the grantor to allow completion of the project. In addition, Caltrans increased the grant amount for the grant to the Public Works Department for the South of Market tree nursery from \$2.4 million to \$3.8 million and extended the grant end date to allow spending of the additional funds.

Grant amount reduced to account for indirect costs

One capital grant received by the Department of Public Health from the Gerson Bakar Foundation for the San Francisco General Hospital Telehealth project was reduced by \$50,000, from \$1,000,000 to \$950,000 to account for indirect costs.

Grant allocated to nonprofit housing developer

One capital grant for a \$3.5 million grant, which was received by the Mayor's Office of Housing and Community Development from the California Housing and Community Development Department, was allocated by the City to the nonprofit housing developer, Mission Housing Development Corporation, for development of the Balboa Park Plaza. The State directly reimburses the nonprofit housing developer for grant-eligible costs, and grant spending is not recorded in the City's financial system.

Department of Environment Grant for Electric Truck Acquisition

A project funded by a capital grant of \$4.6 million received by the Department of the Environment from the California Air Resources Board was never implemented. As shown in Exhibit 3 above, the Department of the Environment did not spend approximately \$4.6 million in grant funds from the California Air Resources Board which were for the purchase of electric trucks. The California Air Resources Board awarded this grant to the Department of the Environment in 2018 to deploy 30 zero-emission produce trucks from Sacramento and Fresno to the San Francisco Wholesale Produce Market. An additional \$4.7 million in cash and in-kind contributions from project partners increased project funding to \$9.2 million. According to the Grant Information Form, the Department of the Environment would work with the cities of Sacramento and Fresno to implement the project. Grant funds for electric trucks would be allocated to subrecipients, including the San Francisco Wholesale Produce Market, Veritable Vegetable, Ozark Trucking, Produce Express, and Vegiworks. According to discussions with Department of the Environment staff, the negotiations with the grant partners required construction of custom-built trucks. According to Department of the Environment staff, the selected manufacturer was unable to construct the trucks and grant funds were never allocated to the City. Documentation on the selection of a manufacturer to build the electric trucks was not available for this report.

Other risks that could result in capital grants not being spent in full are discussed below.

Recreation and Park Department Projects

Of the \$661.5 million in capital grants reviewed for this report, more than \$197 million in grant funds were allocated to the Recreation and Park Department for capital projects. These grants were funded by a variety of grantors, including the California Department of Parks and Recreation and private grantors. The largest grant awards were for projects associated with the India Basin Waterfront Park.

According to discussions with Recreation and Park Department staff, state grant funds are generally allocated to construction costs, and funds are generally fully encumbered when the

construction contract is awarded. Because grant funds may be restricted to certain eligible costs, the Department implements a funding strategy that prioritizes fully expending grant sources before drawing down on other funds.

Private grantors include the San Francisco Foundation, San Francisco Infrastructure, and other grantors. The San Francisco Foundation may allocate up to \$50 million to the India Basin Waterfront Park. According to discussions with Recreation and Park Department staff, the San Francisco Foundation serves as the fiscal sponsor for funding raised from other donors and is responsible for compliance with funding requirements. The Department seeks reimbursement from the San Francisco Foundation based on project cash flow requirements.

India Basin and Waterfront Park Project

We reviewed 27 Recreation and Park Department grants and did not identify grants that were at imminent risk of not being fully spent. However, \$119.3 million in grant funds have been allocated to India Basin projects, of which approximately \$29 million has been spent or encumbered with grant end dates ranging from June 2025 to June 2027. The India Basin mixed-use development project is delayed, as discussed further below. According to Recreation and Park Department staff, the park project is continuing to move forward with Phase 2 currently in construction and Phase 3 preparing to advertise. The project has had to adjust certain elements since the neighboring development has not yet been built, including modifying the Bay Trail connection and potentially leasing property that will be part of the future development. Department staff does not anticipate additional impacts to existing Recreation and Park Department grant-funded projects due to delays in the mixed-use development. One element of India Basin Waterfront Park, currently identified as India Basin Open Space, will be delivered by the India Basin Mixed Use Development; the developer has not provided an expected schedule for those park improvements.

Housing Development and Infrastructure Grants

The Mayor's Office of Housing and Community Development received nine grants from the California Housing and Community Development Department between FY 2020-21 and FY 2023 - 24, totaling \$94 million.

In August 2023, the California Housing and Community Development Department awarded San Francisco Infill Infrastructure Grant funds totaling \$45 million to be used for infrastructure development for three affordable housing projects: Sunnydale Hope SF, Potrero Hope SF, and India Basin.^{2,3} According to the April 19, 2024 Citywide Hope SF Affordable Housing Loan

² India Basin mixed use residential and commercial development does not include City funds. As noted above, the Recreation and Park Department is funding park and open space development at India Basin and the Mayor's Office of Housing and Community Development is funding street and other infrastructure development.

³ Of the \$45 million in Infrastructure Infill Grant funding, the Board of Supervisors previously approved the standard grant agreements for Potrero Hope SF of \$11.7 million and for Sunnydale Hope SF of \$6.5 million.

Committee report, the Mayor’s Office of Housing and Community Development “has serious concerns about starting construction and completing units at the” Potrero Hope SF and India Basin “sites, which could jeopardize the total award”. As of March 2024, the City had not drawn down Infrastructure Infill Grant funds for the Sunnydale Hope SF, Potrero Hope SF, and India Basin infrastructure projects. According to the Citywide Hope SF Affordable Housing Loan Committee report, the California Housing and Community Development Department will determine if the Infrastructure Infill Grant funds would be made available to the Sunnydale Hope SF project if the other two projects – Potrero Hope SF and India Basin – do not move forward within the grant timelines. According to the Mayor’s Office of Housing and Community Development staff, the Department is actively working with all sponsors of the three projects to retain the full award. If a project is at risk of not meeting an eligibility deadline, staff plan to negotiate with the California Housing and Community Development Department for an extension or propose an alternative project to keep the full award in San Francisco.

Delays in City capital projects are not uncommon for a variety of reasons, not necessarily the fault of the lead departments. Such delays do not necessarily result in underspent or returned grants. However, as in the examples above, delays and lost funding are possible outcomes that can have significant impacts on millions of dollars of planned work.

The balance of \$25.8 million for the India Basin mixed use development has not been submitted to the Board of Supervisors for approval.

Operating Grants

Ninety-six of the 163 grants reviewed for this report and approved through an accept and expend resolution were operating grants, totaling approximately \$581.2 million over the grant terms, as shown in Exhibit 2 above.

Underspending of Grants with End Dates in March 2024 and Earlier

Forty-seven of the 96 operating grants had end dates in March 2024 or earlier, with total grant amounts of \$218.1 million and total grant spending as of March 2024 of \$195.5 million. Twenty-two of these grants were spent in full as of March 2024. The remaining 25 grants had unspent balances totaling \$22.3 million. Exhibit 5 below summarizes spending for operating grants with end dates in March 2024 or earlier.

Exhibit 5: Operating Grants with End Dates of March 2024 or Earlier

Department	Number of Grants	Total Grant Amount	Spending as of March 2024	Unspent Balance as of March 2024
<i>Grants with Remaining Balance</i>				
District Attorney	1	\$6,000,000	\$2,621,382	\$3,378,618
Emergency Management	1	33,012,500	31,850,805	1,161,695
Environment	2	5,333,128	1,448,174	3,884,954
Housing & Community Development	1	26,209,982	25,444,172	765,810
Library	1	2,000,000	1,270,789	729,211
Office of Cannabis	2	6,520,420	6,252,840	267,580
Public Health	14	30,886,993	20,352,052	10,534,941
Public Utilities Commission	3	9,772,923	8,195,339	1,577,584
Subtotal Remaining Balance	25	\$119,735,946	\$97,435,552	\$22,300,394
<i>Grants Spent in Full^a</i>				
Children, Youth & Their Families	2	25,937,000	25,937,000	0
District Attorney	2	2,573,939	2,539,191	34,748
Emergency Management	5	32,275,774	32,275,774	0
Housing & Community Development	1	1,590,749	1,590,749	0
Office of Cannabis	2	6,333,683	6,332,292	1,391
Planning	1	1,500,000	1,500,000	0
Public Health	7	16,458,162	16,247,925	210,237
Public Utilities Commission	2	11,725,642	11,681,392	44,250
Subtotal Spent in Full	22	\$98,394,949	\$98,104,322	\$290,626
Total	47	\$218,130,895	\$195,539,874	\$22,591,020

Source: City departments

^a "Spent in full" includes grants in which 99 percent – 100 percent of funds were spent.

Exhibit 6 below shows the reasons for underspending for the 25 grants with end dates in March 2024 or earlier and with remaining balances. Of the \$22.3 million remaining balance for these 25 grants:

- \$12.9 million (58 percent) were approved by the grantor to carry forward or extend the grant end date, and

- \$9.4 million (42 percent) were unused and returned to the grantor.

Exhibit 6: Operating Grants with End Dates of March 2024/Earlier and Unspent Funds

Reason	Number	Original Grant Amount	Grant Spending as of March 2024	Remaining Balance	Percent of Remaining Balance
Grants to provide incentives or compensation to residents and businesses	5	\$15,106,051	\$9,643,512	\$5,462,539	
Grant funds not spent due to delays in grant award and staffing	4	7,619,460	5,121,556	2,497,904	
Other	5	40,271,102	38,839,107	1,431,995	
<i>Subtotal, Grant Funds Unused or Returned</i>	<i>14</i>	<i>\$62,996,613</i>	<i>\$53,604,175</i>	<i>\$9,392,438</i>	<i>42%</i>
Grant extensions granted by grantor	7	49,516,172	38,830,995	10,685,177	
Grant funds approved for carryforward	4	7,223,161	5,000,382	2,222,779	
<i>Subtotal, Grant Funds Extended or Carried Forward</i>	<i>11</i>	<i>\$56,739,333</i>	<i>\$43,831,377</i>	<i>\$12,907,956</i>	<i>58%</i>
Total	25	\$119,735,946	\$97,435,552	\$22,300,394	100%

Source: City Departments

The 25 grants with end dates in March 2024 and earlier and with underspending are described below.

Grants to provide incentives or compensation to residents and businesses

- The Department of the Environment received two grants from the California Energy Commission and the Association of Bay Area Governments to provide incentives to City businesses to implement energy efficiency projects. According to discussions with Department staff, the California Energy Commission/ EV Ready Blueprint and Association of Bay Area Governments/ Bay Area Regional Energy Network (BayRen) Program grants are incentive grants, distributed to businesses in San Francisco to support lower-emission and zero-waste practices. While the Department considers their outreach to businesses to be effective, the two grants supporting development of EV infrastructure (California Energy Commission) and electrification projects (Bay Area Regional Energy Network Program or BayRen) were not well utilized by businesses. The total grant amounts were \$5.3 million, and grant expenditures were \$1.5 million, with an unspent balance of \$3.8 million.
- The San Francisco Public Utilities Commission received three grants from the State Water Resources Control Board to compensate City residents for unpaid utility bills during the pandemic. The San Francisco Public Utilities Commission returned grant funds to the State because customers that would otherwise have been covered by the arrearage payments were no longer eligible due to a change in financial status. The total grant amounts were \$9.8 million, and grant expenditures were \$8.2 million, with an unspent balance of \$1.6 million.

Grant funds not spent due to delays in grant award and staffing

The Department of Public Health had four grants that were underspent due to delays in grant awards and staffing, including:

- Two Sexually Transmitted Disease Control and Prevention grants from the Center for Disease Control and Prevention were underspent because, according to Department of Public Health staff, (1) the Department received a supplemental allocation that was not approved until after the end of the grant period, and (2) the Department had a vacant position that would otherwise have been funded by the grant.
- One HIV Behavioral Surveillance grant from the Center for Disease Control and Prevention was underspent because, according to Department staff, the grantor released additional funds late in the grant period.
- One Home Visiting Program grant from the California Department of Public Health was underspent due to salary savings, according to Department staff.

The total grant amounts were \$7.6 million, and grant expenditures were \$5.1 million, with unspent grant funds of \$2.5 million.

Other

Five other grants with end dates in March 2024 or earlier were underspent for the following reasons:

- The Mayor's Office of Housing and Community Development received one grant from the U.S. Treasury to provide emergency rental assistance. The total grant amount was \$26.2 million, and grant expenditures were \$25.4 million, with unspent grant funds of approximately \$0.8 million.
- The Office of Cannabis received two grants from the Governor's Office for Business and Economic Development to provide Local Equity Grants to cannabis businesses in the City. The Local Equity Grants are provided in annual funding cycles. The total grant amounts were \$6.5 million, and grant expenditures were \$6.25 million, with unspent grant funds of approximately \$0.25 million.
- The Department of Public Health received one grant from the federal Substance Abuse and Mental Health Services Administration for Care Coordination and Transition Management, which was underspent due to the reduction of the number of clients in the program. The total grant amount was \$1 million, and grant expenditures were \$0.9 million, with unspent grant funds of \$0.1 million.
- The Department of Public Health received one grant from the Centers for Disease Control and Prevention for COVID-related laboratory and detection services. The total grant amount was \$6.5 million, and grant expenditures were \$6.2 million, with unspent funds of \$0.3 million.

Grant funds approved to carry forward

- The Department of Public Health received four annual Ryan White Parts A & B grant allocations from the federal Health Services and Resource Administration for HIV services, provided by Department clinicians and community based organizations. The total Ryan White Parts A & B allocation between March 2020 and February 2024 was \$6.2 million, and \$4.3 million was spent. Unused funds in 2024 were approved to be carried forward.

Grant Extensions

City grants that have remaining funds by the grant end date may be extended by the grantor. Grantors often extend grants end dates to allow grant-funded programs to be completed. Grant end dates may need to be extended due to various factors, including: (1) delays by City departments in implementing grant funded programs, including delays in staffing or procuring community based services; (2) delays in receiving the grant award or approving the grant; (3) changes in grant scope or clients to be served; (4) spending delays by other agencies allocated grant funds by primary grant recipient; and (5) decisions by the grantor to extend grants for all recipients.

Grant extensions for grants with end dates in March 2024 and earlier

Of the \$22.3 million in underspending on grants with end dates in March 2024 or earlier, seven grants with unspent funds of \$10.7 million had the grant end dates extended, allowing continued spending of grant funds.

- The District Attorney's Office was given an extension on its Crankstart Foundation grant for the Healing Justice Initiative from December 2023 to December 2025. The Foundation advanced \$3 million of the \$6 million award and allowed the Department to spend the \$3 million beyond the grant end date. However, \$3 million of available grant funds were not used. According to District Attorney's Office staff, the grant proposal overestimated the timeline for project planning and implementation, including the time required for approval of the accept and expend resolution and procurement process. Project implementation was further impacted by the pandemic and transition to a new administration in July 2022.
- The Department of Emergency Management approved an extension from the U.S. Department of Homeland Security for the Urban Area Security Initiative (UASI) grant; the Department of Emergency Management serves as the fiscal agent, distributing funds to other Bay Area counties. The UASI grant end date was extended from May 2023 to May 2024. According to Department staff, some unexpended grant funds may remain as of May 2024 due to underspending by other counties.
- The Library received a grant extension from the Andrew W. Mellon Foundation for the Jail and Reentry Services program, extending the grant end date by one year. According

to Library staff, the grant funds will be spent in full by the extended end date of December 2024.

- Four of the seven grant extensions were for the Department of Public Health:
 - The California Department of Public Hospitals approved two grant extensions for the Pre-trial Mental Health Diversion Pilot Program. According to Department staff, the program was extended to allow the program to increase the number of clients that were served.
 - The San Francisco General Hospital Foundation extended the end date for the Perinatal Services grant from June 2022 to June 2024. This grant provides prenatal and postpartum services to women with barriers to accessing health care. The Foundation extended the grant due to delays in entering into the contract for implementation of the grant and to ensure that funds were in place for work commencing in February 2024.
 - The federal Centers for Disease Control and Prevention allocated funding to the State for COVID Response/ Workforce Funding, which in turn allocated grant funds to the Department of Public Health. The Centers for Disease Control and Prevention extended the State's grant deadline from the initial end date of June 2023 to the revised end date of June 2024. According to Department of Public Health staff, the end date will be extended for an additional year to June 2025.
 - The California Department of Public Health extended the Future of Public Health Funding end date from June 2023 to June 2024 due to delays in the approval process. The Department received notice of the grant award on June 30, 2022, one day before the grant start date of July 1, 2022. The grant was to partially fund 17 positions in the Department, but the Department reports that it had not begun spending grant funds as of March 2024. The Department reported that these grant funds will have been spent in full by the grant end date of June 2024.

Municipal Transportation Agency

The Municipal Transportation Agency receives operating and capital grants from federal, state, and regional agencies, which are reported in the Agency's annual financial statements. In FY 2022-23, the Agency received \$400 million in operating grants, making up 28 percent of operating expenses of \$1.4 billion. The largest portion of operating grant funding to the Municipal Transportation Agency are federal grants, which increased significantly in FY 2021-22 due to federal American Rescue Plan Act funds. The annual financial statement reports operating grants when the grant funds are approved by the granting agency.

In FY 2022-23, the Municipal Transportation Agency received \$700 million in capital grants, including Federal Transit Administration capital grants of \$279.2 million. According to the

Agency's financial statement, capital grants provided by state and regional agencies, including the Metropolitan Transportation Commission and San Francisco County Transportation Authority, generally serve as matching funds to Federal Transit Administration capital grants. The annual financial statement reports capital grants when the grant funds are approved by the granting agency and the Agency has met grant eligibility requirements, including incurring reimbursable expenses.

We reviewed operating and capital grant funds reported in the financial statements as expired, rescinded, or adjusted ⁴ and identified ten grants in this category as of June 30 in FY 2019-20, FY 2020-21, and FY 2021-22. The amounts for these ten grants totaled \$36.8 million. We did not identify expired, rescinded, or adjusted grants as of June 30 in FY 2022-23.

According to follow up discussions with Municipal Transportation Agency staff, all grant funds that were reported in the financial statements as expired, rescinded, or adjusted had been fully spent, been carried forward into subsequent years, or "de-obligated" with funds reallocated to other Municipal Transportation Agency projects or returned to the San Francisco County Transportation Authority and available for other projects. Five of the grants were capital grants:

- Three grants were State Transit Security Grant Program funds from FY 2014-15 through FY 2016-17, which according to Municipal Transportation Agency staff were fully spent when the Program ended in June 2022.
- One grant was from the San Francisco County Transportation Authority, funded by the ½ cent sales tax, for the purchase of buses; unspent grant funds were reallocated to other Municipal Transportation Agency fleet projects.
- One grant was from the San Francisco County Transportation Authority, funded by local Vehicle Registration fees, and allocated to the Muni Metro Station Phase 1 project. The project was completed with unspent grant funds of \$1.0 million, which will be returned to the Transportation Authority and available for reallocation to other Municipal Transportation Agency projects.

⁴ The financial statements report (1) authorized grant funding at the beginning of the year, (2) new grant funding approved during the year, (3) grant payments received during the year, and (4) grant funds that expire or are rescinded or adjusted during the year. The authorized grant funding at the end of the year (as of June 30) is net of grant funding at the beginning of the year, new grant funding approved during the year, grant payments that are received during the year, and grant funds that expired, were rescinded, or adjusted. Adjustment of grant funds is generally due to the reassignment of the funds between capital and operating funds.

Five of the grants were operating grants:

- Two grants were awarded through the Metropolitan Transportation Commission for transit operations; unspent funds from FY 2019-20 and FY 2020-21 were carried forward to the following years.
- One grant was a State Transit Assistance grant in FY 2019-20 for which all funds had been spent by the end of 2020.
- One grant was a San Francisco County Transportation Authority grant awarded during the pandemic to support paratransit services. Unspent funds were returned to the San Francisco County Transportation Authority to be made available in the future for paratransit services.
- One grant was a Federal Transit Administration grant; according to Municipal Transportation Agency staff, the original grant was for \$14 million and the balance as of March 2024 was \$98,000.

Conclusion

Capital and operating grants are an important component of City departments' budgets. While City departments are generally able to effectively use grant funds, some grant funds are at risk of not being spent or being returned to the grantor. If grant funds are unspent or returned, the City loses the opportunity to provide grant-funded programs and services.

Capital grant funds are at risk if the grant-funded projects turn out to be infeasible or delayed beyond the grant timelines. Ensuring feasibility of the grant funded projects is part of the project planning, and capital project/asset acquisition planning and feasibility should be reported as part of the approval process of the accept and expend resolution. Capital project delays that put grant funding at risk are part of a larger discussion of the causes of project delays. Given the importance of the Potrero Hope SF and India Basin housing projects to the City meeting its affordable housing goals, the Board of Supervisors should request a report from the Mayor's Office of Housing and Community Development on the status of those two projects, including the status of California Department of Housing and Community Development grant funds.

Operating grant funds are at risk if City departments are not able to hire staff to provide grant services. The reasons for the delays in hiring staff were outside of the scope of this report but could be due to unanticipated vacancies or staff turnover, Citywide delays in hiring, or specific department practices in allocating staff time to grants. The Board of Supervisors could request further information from the Department of Public Health, District Attorney's Office, Administrative Services/ Office of Cannabis, Department on the Status of Women, and Department of Children, Youth and Their Families on the respective departments' practices to hire for grant-funded positions or allocate staff time to grant-funded positions.

Update on Current Grant

Note: Though outside the timeframe of our review, a \$625,000 MacArthur Foundation Safety and Justice Challenge grant awarded to the District Attorney’s Office and approved in February 2024 is being returned by the Office, according to recent news reports⁵. The Foundation is reported to have first announced it would withhold the grant because the City wasn’t making sufficient progress on reducing its jail population, a performance metric tied to receipt of the funding. In return, the District Attorney’s Office announced it was severing ties with the foundation and would not be accepting the funds due to disagreements about how the funding impact should be measured.

Policy Options

The Board of Supervisors should consider the following actions:

1. Request the Controller and the Clerk of the Board to revise the Grant Resolution Information Forms to require details on implementation of grant-funded programs and services, including (a) hiring plans and timelines for grant-funded positions, (b) process and timelines to procure grant funded services, including services provided by community-based organizations and construction-related services, and (c) potential barriers to implementation of grant-funded programs and services.
2. Given the importance of the Potrero Hope SF and India Basin housing projects to the City meeting its affordable housing goals, the Board of Supervisors could request a report from the Mayor’s Office of Housing and Community Development on the status of those two projects, including the status of California Department of Housing and Community Development grant funds.
3. Request the Controller’s Office to develop an annual report to the Board of Supervisors on grants at risk of major underspending or at risk of being returned to the grantor to improve oversight of grant utilization.

⁵ “SF DA Brooke Jenkins ceases work with major foundation on criminal justice reform”, San Francisco Chronicle, August 23, 2004.

Attachment I: Summary of Operating Capital Grant Amounts by Department

Department	Total Operating Grants	Total Capital Grants	Total Grants
Airport	\$46,583,990	\$33,011,112	\$79,595,102
Children, Youth & Their Families	26,937,000	0	26,937,000
District Attorney	18,521,653	0	18,521,653
Economic & Workforce Development	8,500,000	0	8,500,000
Elections	0	4,961,360	4,961,360
Emergency Management	65,288,274	0	65,288,274
Environment	5,333,128	4,562,862	9,895,990
Fire	13,760,604	3,733,591	17,494,195
Homelessness & Supportive Housing	19,620,033	132,103,080	151,723,113
Housing & Community Development	211,769,473	96,174,653	307,944,126
Human Rights Commission	11,790,072	0	11,790,072
Library	2,000,000	13,210,129	15,210,129
Office of Cannabis	21,441,663	0	21,441,663
Planning	1,500,000	0	1,500,000
Police	0	1,161,830	1,161,830
Port	0	126,226,130	126,226,130
Public Defender	1,194,950	0	1,194,950
Public Health	97,433,383	4,514,160	101,947,543
Public Utilities Commission	21,498,564	4,759,822	26,258,386
Public Works	0	9,764,594	9,764,594
Recreation & Park	0	197,306,543	197,306,543
Status of Women	8,000,000	0	8,000,000
Treasure Island Development Authority	0	30,000,000	30,000,000
Total	\$581,172,788	\$661,489,865	\$1,242,662,653

**Municipal Transportation Agency Capital and Operating Grant Funds
FY 2018-19 through FY 2022-23**

	Authorized Grant Funds as of June 30				
	June 2023	June 2022	June 2021	June 2020	June 2019
Capital Grants					
Federal Grants	\$290,457,000	\$213,852,000	\$185,420,000	\$327,849,864	\$317,765,000
California Transportation Commission	29,601,000	37,735,000	46,670,000	54,059,000	53,942,000
Metropolitan Transportation Commission	104,785,000	138,620,000	158,788,000	155,618,000	143,445,000
San Francisco Transportation Authority	275,552,000	332,025,000	376,541,000	365,921,000	314,500,000
Other	1,175,000	1,383,000	551,000	751,000	4,670,000
Total	\$701,570,000	\$723,615,000	\$767,970,000	\$904,198,864	\$834,322,000
Operating Grants					
Federal Grants	\$352,141,000	\$371,136,000	\$128,541,000	\$33,088,000	\$20,221,000
California Transportation Commission	17,243,000	16,915,000	19,809,000	15,272,000	28,741,000
Metropolitan Transportation Commission	13,492,000	21,645,000	18,162,000	24,244,000	21,679,000
San Francisco Transportation Authority	11,644,000	11,935,000	11,905,000	5,591,000	4,835,000
Other	6,080,000	4,595,000	4,159,000	6,292,000	1,287,000
Total	\$400,600,000	\$426,226,000	\$182,576,000	\$84,487,000	\$76,763,000

Source: Audited Financial Statements