



San Francisco Ethics Commission

Annual Report
July 1, 2005 - June 30, 2006

The Ethics Commission is pleased to present this report on the activities, progress, and accomplishments of its eleventh year of operation to the Mayor, Board of Supervisors, and citizens of San Francisco.

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Chairperson

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SAN FRANCISCO ETHICS COMMISSION ANNUAL REPORT FY 2005-2006

HIGHLIGHTS OF THE ELEVENTH YEAR

The Ethics Commission serves the citizens of San Francisco, City employees, elected and appointed officials, and candidates for public office by enforcing the City's governmental ethics laws, providing education about their provisions, and serving as a repository for information.

The Commission acts as filing officer for campaign finance disclosure statements; audits statements for compliance with state and local laws; administers City laws regulating lobbyists and campaign consultants; investigates complaints alleging ethics law violations; serves as the filing officer for financial disclosure statements required from City officials; raises public awareness of ethics laws; researches and proposes ethics-related legislative changes; and provides ethics advice to candidates, office-holders, public officials, City and County employees and the general public.

The Commission is pledged to a high standard of excellence in government accountability, and to that end has worked not only to implement the law, but also to amend existing law or create new law that will further the principle of the voters' right to know and to ensure integrity in government decision-making and in the campaigns of those who wish to govern.

As in past years, the Commission delivered a diverse array of work products and services to the citizens of San Francisco:

- Conducted an exhaustive review of the Campaign Finance Reform Ordinance, making changes and additions to strengthen, clarify and update this important law;
- Worked on creating a common template for the Statements of Incompatible Activities that are in development for all City departments, boards and commissions;
- Approved legislation to create a partial Public Financing program for Mayoral Candidates and adopted regulations to implement the program;
- Conducted on-going sessions of its educational program on public finance, on-line filing, lobbying, and other issues under its jurisdiction;
- Made legislative recommendations to the Board of Supervisors;
- Adopted legislative changes recommended by the Board of Supervisors;
- Enforced reporting requirements for political committees, campaign consultants, lobbyists, and City officials;
- Conducted compliance audits of campaign finance committees;

- Undertook the second review in two years of its investigation and enforcement functions and adopted changes therein;
- Took major steps to all but eliminate backlogs in the Audit Division, the Campaign Finance Division and the Enforcement and Investigations Division;
- Provided informal written or oral advice and responded to requests for formal written advice letters;
- Responded to hundreds of citizen inquiries;
- Conducted hearings on requests for waivers from conflict of interest laws; and
- Responded to requests and advice from the Civil Grand Jury.

MANDATES AND ACCOMPLISHMENTS OF THE COMMISSION

The Commission's work covers ever-growing responsibilities demanding consistent innovation in a period of shortfalls impacting funding and personnel.

Campaign Finance Regulation and Reporting

The Commission enforces the City's Campaign Finance Reform Ordinance (CFRO), which sets voluntary ceilings on campaign expenditures by candidates and imposes mandatory limits on contributions to candidates.

The Commission regularly reviews the operation of the CFRO, as well as the other City ordinances under its jurisdiction, enacts enabling regulations, and proposes substantive and operational changes. It also advises on amendments proposed by the Board of Supervisors.

Under the Charter, the Commission serves as filing officer for five categories of local candidates and committees:

1. Candidates seeking election to local office and their controlled committees,
2. Committees formed or existing primarily to support or oppose candidates seeking election to local office,
3. Committees formed or existing primarily to support or oppose qualification or passage of a ballot measure being voted on only in San Francisco,
4. County general-purpose committees active only in San Francisco, and
5. Candidates and candidate committees for county central committee office.

As filing officer, the Commission promotes compliance by candidates and committees and maintains records of reports filed. It audits campaign statements and imposes penalties for failure to adhere to filing deadlines and reporting requirements. It also imposes fines for late statements. The fine policy is distributed to all filers.

Regular semi-annual filings for active committees took place on July 31, 2005 and January 31, 2006. The November 2005 election occasioned the additional filing of pre-election reports on September 29 and October 27. A report was also due on October 31, 2005 and April 30, 2006 from ballot measure committees exempt from semi-annual

reports but making financial contributions toward the passage or defeat of other measures. The County Central Committee June 2006 election required pre-election statements that were due on March 22 and May 25, 2006. The Commission reminded committees of the deadlines, sent out notices to delinquent filers, and posted reports on its web site, www.sfgov.org/ethics/.

CFRO Amendments

In continuing its extensive review of the Campaign Finance Reform Ordinance, the Ethics Commission approved a host of changes as briefly described in the next paragraph. The Board of Supervisors ultimately adopted these changes as well and the Mayor signed them into law.

The measure included provisions to: move the False Endorsements Ordinance and the Prohibition on Multiple Campaign Accounts into the CFRO; subject School District and Community College District measures to CFRO; reenact contribution and voluntary expenditure limits at their existing levels; clarify sections of CFRO related to electronic filing requirements, candidate loan restrictions, permissible uses of campaign funds, pre-election reporting requirements, and the contractor contribution prohibition; prohibit candidates from accepting voluntary expenditure ceilings if the applicable ceiling was already lifted; create late filing fees for reports required by CFRO; create new penalties for candidates that receive public financing and exceed applicable expenditure ceilings; create new and clarify existing disclaimer requirements for campaign advertisements; create training requirements for candidates and treasurers; create new filing requirements during the signature gathering process for ballot measures; permit the return of contributions once campaign funds become surplus or a candidate withdraws only on a last in, first out basis; permit the Ethics Commission to extend filing deadlines that fall on weekends or holidays; require candidates to pay for accrued expenses within 180 days; and require expenditures that are coordinated with candidates to be treated as contributions.

The Commission adopted operational regulations to implement the new amendments.

Audit Program

The California Political Reform Act of 1974 and the City's CFRO require officeholders and candidates as well as campaign committees that support or oppose ballot measures or candidates to file finance statements disclosing campaign contributions and expenditures made in connection with a campaign.

The Commission serves as filing officer for statements required to be filed locally. The statements cover disclosure of monetary and non-monetary contributions including loans and enforceable promises, expenditures (including loans), unpaid bills and miscellaneous increases to cash. Filers must also keep detailed records of receipts and expenditures of \$25 or more.

The Commission audits the statements for compliance. Its process is outlined in an audit manual available to the public. Filers are selected for audit by random drawing at Commission meetings, or are targeted based on preliminary staff reviews. In addition, all publicly financed candidates are audited.

The Commission conducted 19 audits of the 23 publicly financed candidates who ran for the Board of Supervisors in November 2004 (the audits of the other four were completed in the prior fiscal year).

Audits are posted on the Commission's web site as they are completed.

Statements of Incompatible Activities

Proposition E, passed by the voters in 2003, required departments, boards, and commissions to file Statements of Incompatible Activities, or SIAs, with the Commission, listing activities that are incompatible with the public duties of officers and employees.

After nearly a year of consideration by the Civil Service Commission (“CSC”), the staff of the Ethics Commission began to redraft SIAs for over 60 departments. Among the chief recommendations of the CSC was the creation of a single, universal template for all SIAs to bring as much uniformity as feasible to the process. After considerable debate, the Ethics Commission adopted such a template in August 2006 and began a lengthy process of negotiating and customizing language with each department and commission for all individual SIA documents. This process continues.

Mayoral Public Financing

The Commission approved legislation to create the first public financing program for Mayoral Candidates. The Commission also adopted regulations to implement many of the provisions of the new law. Among its provisions, the program allows major changes in the way candidates for Mayor are financed.

The proposal would create a new partial public financing program for candidates for Mayor. To be eligible to participate in the program, a candidate must: have received at least \$25,000 in qualifying contributions from at least 250 contributors by the 70th day before the election; be opposed by another candidate who has either established eligibility to receive public financing, or received contributions or made expenditures that in the aggregate equal or exceed \$50,000; and agree to limit spending to no more than his or her Individual Expenditure Ceiling.

The legislation raised the City's voluntary expenditure ceiling for Mayoral candidates to \$1,375,000. This limit applies to candidates who participate in the program, provided that the limit could be raised on an individual basis for each participating candidate based on the amount of funds spent in support of the candidate's opponents or the amount of independent expenditures, electioneering communications and membership

communications spent against the candidate. The voluntary expenditure ceiling for participating candidates would be known as the candidate's individual expenditure ceiling. Candidates who qualify to participate in the program would be eligible to receive up to \$850,000 in public funds for their campaign expenses.

Sunshine Ordinance Task Force Matters

The San Francisco Sunshine Ordinance requires department heads and commissioners who are required to file Statements of Economic Interests (“SEIs”) with the Ethics Commission to sign an annual declaration stating under penalty of perjury that they have read the Sunshine Ordinance and have attended, or will attend, an annual training on the Sunshine Ordinance. The City Attorney’s Office provides annual Sunshine Training; the Ethics Commission does not have the resources to perform this function itself.

New this year was the inclusion of training under Assembly Bill 1234, which requires ethics training for state and municipal officials and which was folded into the training process for Sunshine and SEIs. Five hundred and ninety-two SEIs and 460 Sunshine Declarations were filed with the Commission, which continued to educate designated filers of their responsibility under the Sunshine Ordinance, and to follow up with late and non-filers.

Lobbyist Registration and Reporting

Lobbyists are required by ordinance to register with the City and to file quarterly reports of any activity intended to influence local legislative or administrative action. The Commission reviews lobbyist statements to ensure completeness and accuracy. It assesses penalties for failure to adhere to deadlines and other requirements.

Registration is triggered by a threshold level of activity based on the number of City officials contacted and/or the amount of payments received or made. The threshold varies according to the type of lobbying engaged in.

Statements must disclose which City officials were contacted, the positions advocated by the lobbyist, and any campaign contributions or gifts donated. Contract lobbyists are required to disclose the names of their clients and how much money they received from them. Lobbyists who advocate on their own behalf are required to disclose payments made for the purpose of influencing local legislative or administrative action.

The Commission summarizes statements in quarterly reports it issues a week after the filing deadlines. The reports are posted on the Commission's web site.

At the close of the fiscal year, there were 41 lobbyists registered with the Commission. Lobbyist registration fees for 05-06 totaled \$36,592; \$750 in fines was collected.

The Commission continued outreach efforts to potential filers and other interested parties.

Campaign Consultant Registration and Reporting

The Regulation of Campaign Consultants Ordinance, passed in 1997, requires anyone who earns \$1,000 or more in a calendar year from activity as a campaign consultant to register with the City and submit quarterly reports.

Consultants are required to report names of clients, services provided, payments received, contributions and gifts made to local officials, and other information. The Commission prepares summaries of the quarterly filings, posted on the web site, and publishes a manual.

At the close of the fiscal year, 14 campaign consultants were registered with the Commission. They paid \$7,000 in fees and \$1,805 in fines.

Investigations and Enforcement

The San Francisco Charter charges the Ethics Commission with authority to investigate alleged violations of laws governing campaign finance, lobbying, conflicts of interest, and government ethics. In addition, the Improper Government Activities Ordinance, also known as the Whistleblower Ordinance, directs the Commission to investigate charges of retaliation directed against complainants.

The Commission continued its review of the investigation processes and adopted procedural and administrative changes to accelerate the processes used in carrying out this mission. At the close of the fiscal year, 28 complaints were under Commission review. In general, the Commission carries a caseload of between 30-40 complaints at any given time.

Policy Recommendations

The Commission is charged with making policy recommendations on issues under its jurisdiction.

In FY 05-06, the Ethics Commission considered legislation introduced by Supervisor Elsbernd to amend the San Francisco Campaign and Governmental Conduct Code to disqualify any candidate who has outstanding fines or penalties for violations of state or local campaign finance laws from participation in the public finance program. The Commission approved the proposed legislation with two additional amendments to require candidates to be current in all their filings with the Ethics Commission and to extend the prohibition related to outstanding fines to any fines owed to the Commission, not just campaign-related fines.

The Commission also adopted a proposal offered by Supervisor Peskin to prohibit a corporation from making campaign contributions to candidates for City elective office with funds from the corporation's general treasury. The legislation permits a corporation

to establish and maintain a separate segregated fund to which the corporation could raise money that could be used to make campaign contributions to candidates for City elective office.

The Commission also adopted a proposal by Supervisor Sandoval to establish travel reporting requirements for sitting elected officials who accept travel paid for with funds outside of City resources or the officeholder's personal funds.

Education and Outreach

The Commission has a strong institutional commitment to educate the public about San Francisco's ethics laws and to support campaign reform and government accountability efforts consistent with City policy throughout the state and elsewhere.

It conducts ongoing informational programs about ethics-related laws and requirements. It produces educational materials and actively publicizes its outreach activities through public notices.

Commissioners and staff members are in routine communication with the public about the requirements of the laws and the record of compliance. Educational activities reach a wide variety of individuals and organizations, including neighborhood associations, political clubs, labor unions, business groups, lobbyists, campaign consultants, media, and others.

Commission availability includes member and staff attendance at community events and individual consultation in person and on-line. Commissioners and staff meet periodically with visiting dignitaries and other government officials from around the country interested in the San Francisco ethics laws. This year, the Commission met with delegations from China and also with delegations from Eastern Europe.

The Commission encourages active participation in its monthly meetings by interested community members. Regular meetings are held on the second Monday of each month at 5:30 p.m. at City Hall, 1 Dr. Carlton B. Goodlett Place, Room 408, San Francisco. Agendas of the meetings are posted in accordance with the San Francisco Sunshine Ordinance and are mailed to a large and expanding list.

Advice and Opinions

The Commission is charged with interpreting and applying the conflict laws under its jurisdiction, requiring that it consider requests for waivers, which it routinely does, and that it issue formal and informal written advice on matters requiring interpretation.

Commission staff is available each workday to answer public inquiries about San Francisco ethics laws. In FY 05-06, the Commission responded daily to dozens of requests for information by phone and at the counter in the Commission office.

AFFILIATIONS

The Commission is a member of the Council on Governmental Ethics Laws (COGEL) and participates in its annual conference. The 2005 conference was held in Boston, Massachusetts, which featured addresses by experts on governmental ethics from around the world and workshop sessions on campaign finance, freedom of information, electronic filing, and lobbying regulation among others. Over 300 participants attended.

BUDGET

The Commission's annual approved budget totals are as follows:

FY 94 - 95	157,000
FY 95 - 96	261,000
FY 96 - 97	313,274
FY 97 - 98	394,184
FY 98 - 99	475,646
FY 99 - 00	610,931
FY 00 - 01	727,787
FY 01 - 02	877,740
FY 02 - 03	1,156,295
FY 03 - 04	909,518
FY 04 - 05	1,052,389
FY 05 - 06	1,382,441

MEMBERSHIP AND ADMINISTRATION

The Ethics Commission had a staff of twelve supported by interns and temporary staff throughout the year. Staff included Executive Director John St. Croix; Deputy Executive Director Mabel Ng; Public Finance Administrator Shaista Shaikh; Auditors Grace Chau and John Chan; Public Finance Clerk Marvin Ford; Office Manager Jen Taloa; Campaign Finance Officer Kristian Ongoco, who replaced Sarah Dang; Campaign Finance Assistant Jarrod Flores who replaced Kristian Ongoco; Chief Enforcement Officer Richard Mo; Assistant Investigator Linda Bjorke; and Fines Collection Officer Oliver Luby.

Interns and temporary staff included Tairon Kimura, a graduate of Utah State University who is now attending law school; Steven Massey, a graduate student in public administration at San Francisco State University; Dawn Lin, a recent graduate of San Francisco State University; Shiwei Ye, a graduate of UC Davis who is now attending graduate studies at Columbia University; Joelle Martinella, a student at UC San Diego who is now studying in England; Erick Chin, a graduate student at the University of San Francisco; Lora Krsulich, a political science undergraduate from Boston College; Anna Hurtado, a political science graduate student at San Francisco State University; Smita Gupta, a biology and sociology undergraduate at Brown University; Lora Kagehiro, a UC

Berkeley graduate who now participates as a Coro Fellow in Public Affairs in Pittsburgh; Felipe Colin, who currently attends San Francisco State University; Kenji Shimodaira, an undergraduate now attending Boston University; Ada Liu, a student at UC Berkeley; Justin Tsui, also a student at UC Berkeley; and Michael Schember, who now attends Bowdoin College.

Commission membership was as follows:

<u>Commissioner</u>	<u>Appointed By</u>	<u>Dates of Service</u>
Michele Anglade	City Attorney	3-02 to 1-06
Kimon Manolius	City Attorney	3-06 to 2-08
Eileen Hansen	Board of Supervisors	2-05 to 2-11
Waukeen Q. McCoy	Mayor	2-02 to 2-06
Susan J. Harriman	Mayor	3-06 to 2-12
Joe Lynn	District Attorney	12-03 to 4-06
Charles L. Ward	District Attorney	7-06 to 2-07
Emi Gusukuma	Assessor	3-04 to 2-10

Commissioner Emi Gusukuma served as Chairperson in 2005 and was reelected in 2006. Commissioner Waukeen McCoy served as Vice-chairperson in 2005 until he left the Commission in 2006 when Commissioner Kimon Manolius became Vice-chairperson. In 2006, Commissioner Manolius was appointed by the City Attorney in March and Commissioner Susan J. Harriman was appointed by the Mayor, also in March. Commissioner Joe Lynn left the Commission in April and Commissioner Charles L. Ward was appointed by the District Attorney to replace him in June (Commissioner Ward began his service in July).

FUTURE INITIATIVES

The Commission will continue to fulfill its mandated duties in the forthcoming years, with a particular focus on achieving the following broad objectives:

- The Commission will work to secure sufficient budget resources to meet its mandates.
- The Commission will work with various City departments, boards and commissions to establish Statements of Incompatible Activities for the respective departments, boards and commissions. The Commission has devoted and will continue to devote many hours of staff time to this task, as well as to advising City officers and employees and members of the public about the changes in the conflict of interest laws.

- The Commission will endeavor to train newly elected and appointed officers of the City to explore the ethical dimensions of their prospective positions and offer seminars for officials on a regular basis focusing on important issues under its jurisdiction.
- The Commission will continue the ongoing process of reviewing, updating and renewing the Campaign Finance Reform Ordinance in order to keep pace with changes in policy, technology, civic needs and campaign modernization.
- The Commission will carefully administer the new Public Financing Program for Mayoral candidates as well as the existing Public Financing Program for Supervisorial candidates. In the odd-numbered years when there is no election for the Board, the Commission will continue to perform audits, produce reports, and prepare for the next round of elections.
- The Commission will continue to monitor the application of laws within its jurisdiction and will continue to propose amendments and regulations as appropriate.
- The Commission, in 2006-2007, plans a review and possible restructuring in the following areas: the enforcement/investigative process; data integration and electronic filing modernization; public education; and the lobbyist and consultant programs.

Respectfully Submitted,

Emi Gusukuma
Chairperson

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San Francisco Ethics Commission

FY 05-06

