



# San Francisco Ethics Commission

Annual Report  
July 1, 2006 - June 30, 2007

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

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## **SAN FRANCISCO ETHICS COMMISSION ANNUAL REPORT FY 2006-2007**

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.

### **HIGHLIGHTS OF THE TWELFTH YEAR**

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

- Conducted hundreds of hours of meet and confer sessions regarding the Statements of Incompatible Activities that are in development for all City departments, boards and commissions and began deliberations on final passage;
- Completed a long-term review of the Campaign Finance Reform Ordinance, making recommendations to the Board of Supervisors on changes to strengthen, clarify, and update campaign finance law. Drafted and adopted regulations to implement such changes.
- Conducted on-going sessions of its educational program on public finance, on-line filing, lobbying, and other issues under its jurisdiction far surpassing the number of sessions of previous years;
- Offered "Interested Persons Meetings" for the general public to provide input on issues under consideration by the Commission;
- Adopted legislative changes recommended by the Board of Supervisors;
- Created a report on the status of lobbying registration programs in various other jurisdictions to use as a tool in beginning a review of the lobbyist program;
- 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 that impact funding and personnel. The Commission uses a five-year planning format to anticipate growth of staff and the dual needs for the Commission to better meet its currently existing mandates and to expand its abilities to regulate campaign finance activities and conflict-of interest laws. The five year plan is personnel-based and is adjusted yearly in consideration of budgetary influences, the creation of new laws and regulations under the Commission's jurisdiction, and housekeeping issues related to equipment, software and office space. In the long-term, the Commission estimates that it will require more than 30 staff members to provide top-quality service and remains committed to a sensible growth structure towards this goal.

### 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 distributes the fine policy to all filers and imposes fines for late statements.

Regular semi-annual filings for active committees took place on July 31, 2006 and January 31, 2007. The November 2006 election occasioned the additional filing of pre-election reports on October 5 and October 26. A report was also due on October 30, 2006 and April 30, 2007 from ballot measure committees exempt from semi-annual reports but which make financial contributions toward the passage or defeat of other measures. The Commission reminded committees of the deadlines, sent out notices to delinquent filers, and posted reports on its web site, [www.sfgov.org/ethics/](http://www.sfgov.org/ethics/).

### Public Financing

San Francisco's public financing program for candidates for the Board of Supervisors was adopted through a ballot measure (Proposition O) in November 2000. The Commission administered the public financing program in elections for candidates for the Board of Supervisors in 2002, 2004 and 2006. The public financing program provides candidates running for the Board of Supervisors with partial public funding to fund their campaigns. The Commission developed the program with the intent that it would provide candidates a neutral source of additional funding; encourage more candidates to run for office; allow candidates to spend more time discussing the issues and spend less time fundraising; and encourage candidates to limit their spending.

In 2006, elections were held in the five even-numbered districts: Districts 2, 4, 6, 8 and 10. A total of 26 candidates in five districts appeared on the November 2006 ballot; by comparison, a total of 65 candidates in seven districts and 28 candidates in five districts appeared on the November 2004 and November 2002 ballots, respectively.

The City set aside approximately \$600,000 in the Supervisorial Election Campaign Fund for the disbursement of public grants. Because only seven candidates submitted a Declaration for Public Funds, the Executive Director determined that pro-ration was not necessary. Therefore, each of the six candidates who were certified as eligible to receive public funds was eligible to receive up to the maximum allowable per candidate of \$43,750. The six eligible candidates received a total of \$216,784 in public funds. Four candidates received the maximum available amount. The average amount distributed per candidate was \$36,131.

### CFRO Amendments

In continuing its extensive review of the Campaign Finance Reform Ordinance, the Ethics Commission approved a number 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 amendments included provisions to: create training requirements for treasurers (§ 1.107); allow electronic filing of disclosures (§ 1.112); limit contributions by corporations (§ 1.114); restructure payments of accrued expenses (§ 1.118); further limit contributions by contractors doing business with the City, the Unified School District and Community College District (§ 1.126); require supplemental reporting (§ 1.135); extend deadlines that fall on weekends and holidays (§ 1.172); clarify candidate contribution trust accounts (§ 1.108); set forth the formula for adjusting expenditure ceilings (§ 1.130); clarify requirements to receive public financing (§ 1.140); and identify purposes for which public funds may be used after an election (§ 1.148).

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 20 audits of both Supervisorial campaigns and ballot measure committees. This was a significant rise in the number of audits completed in previous fiscal years. 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.

The Commission adopted a universal template in August 2006 and began a lengthy process of negotiating and customizing language with each department and commission for all individual SIA documents. The template has since been amended and updated several times. Staff completed updated drafts on over sixty SIA documents after

extensive meetings with department heads and their representatives (ultimately, staff would consolidate the number of SIAs to fifty-four in total). More than half of these documents were initially adopted by the Ethics Commission and staff proceeded with numerous meet-and-confer sessions with union representatives *spanning hundreds of hours*. Staff expects that universal implementation of SIA documents will take place in calendar year 2008. In the interim, staff will create a universal training protocol so that affected personnel of every department have access to information and training in the requirements of the SIAs. In order for these documents to be effective, the Commission recognizes that such information and training is an essential component of implementation.

### Mayoral Public Financing

The Commission approved regulations and implemented the first public financing program for Mayoral Candidates. The program was ongoing at the termination of the fiscal year.

The new partial public financing program provides public funds to candidates for Mayor who receive at least \$25,000 in qualifying contributions from at least 250 contributors by the 70th day before the election; are 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 program raised the City's voluntary expenditure ceiling for Mayoral candidates to \$1,375,000. 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 Declarations

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.

New this year was the creation of an online training process that is permitted as a substitute for attending a live annual training.

### Move

In September of 2006, the Ethics Commission office moved from 30 Van Ness Avenue across the street to 25 Van Ness Avenue. This move was the result of nearly one year in planning. The new location is 50% larger than the previous office with space for 24 staff, additional workstations for interns and temporary workers, and three public workstations. The previous location held 14 staff and one public workstation. Although staff endured

the complications normally associated with a corporate move, there was no break in service to the public.

### Lobbyist Registration and Reporting

Lobbyists are required by ordinance to register with the City and 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 reporting about \$6.5 million in activity for the fiscal year.

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.

Campaign 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. During the fiscal year, more than 21 campaign consultants reported activities of about \$1.5 million.

### 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.

During this year, the Commission staff undertook a review on the feasibility of making the investigations and enforcement process more transparent for both the Commissioners and the public; looked into whether the level of involvement and the role of Commissioners should be changed; and considered ideas on how to make the process more efficient. The report produced can be accessed at: [http://www.sfgov.org/site/ethics\\_page.asp?id=42316](http://www.sfgov.org/site/ethics_page.asp?id=42316).

For the first time in Commission history, a permanent second investigator was brought onto the staff, enhancing the Commission's ability to conduct enforcement and investigation activity.

#### Policy Recommendations

The Commission is charged with making policy recommendations on issues under its jurisdiction. It has been proactively reviewing the breadth of campaign finance law and actively making recommendations and drafting proposals for change.

In addition to the CFRO changes discussed above, the Commission adopted several regulations to implement conflict of interest laws. In particular, it issued regulations related to section 3.216 of the Campaign and Governmental Conduct Code, which reduced the annual limitation on gifts from restricted sources from \$100 to zero. The regulations, which were adopted with input from several City departments, implemented the new law as well as exempted voluntary gifts that are nominal in value. The Commission also changed the gift limit from subordinates and clarified that a person does not act with intent to influence a governmental decision when the action the person is involved with is solely ministerial, secretarial, manual or clerical.

The Commission also took action to research options to replace its On-Line Filing System ("OLFS") after learning that the Department of Telecommunications and Information Services announced that it would discontinue support for the system. As part of the process, staff hosted interested persons meetings to solicit input, comments and questions about proposed features to be included in a new system and the possibility of out-sourcing the software development to a private vendor. As a result of these and other efforts that continued into the new fiscal year, the Commission entered into a contract with Netfile, with the expectation that online filers will be using the new system in 2008.

The Commission endeavors to create new legislation that makes campaign finance and ethics laws more effective while being easier to comprehend and also works as a partner with the Board of Supervisors in effecting positive changes to the Administrative Code, the Campaign and Governmental Conduct Code and other statutes governing the City.

#### 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.

In 2007, the Commission hired its first Education and Outreach Coordinator, resulting in a dramatic increase in education and outreach with numerous different events conducted. The volume of such event doubled since the creation of this new position. Staff conducted workshops and meetings on more than 40 occasions on the following main agendas: public financing (4); online filing (3); the lobbyist ordinance (1); candidate forums for Mayor, Sherriff and District Attorney (3); Statements of Economic Interests (3); treasurer duties (1); political club outreach (1); and individual City agency conflict of interest seminars (21). Staff also conducted one-on-one sessions with officials and employees. Further, staff, along with Commission members, conducted seven ethics seminars for delegations of international visitors from over twenty nations.

The Commission works to educate City and County employees in individual departments regarding ethics rules with a focus on conflict of interest laws. Commission staff has created a uniform but flexible presentation that instructs civic employees on the several laws – local and state – that prescribe conflict of interest rules. While complex, these trainings help present the requirements in a common-sense approach. The feedback from such presentations has been quite positive and the Commission will endeavor to continue such outreach on an ever-wider basis as staffing levels allow. As noted earlier, staff will prepare a large-scale presentation process to coincide with the execution of Statements of Incompatible Activities.

### 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 2006 conference was held in New Orleans, Louisiana 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 the post-Hurricane Katrina event.

## **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
FY 06 - 07	8,416,109*

\*Includes 6,082,737 front-loaded funding for Mayoral Public Finance Program.

## **MEMBERSHIP AND ADMINISTRATION**

Commission membership was as follows:

<u>Commissioner</u>	<u>Appointed By</u>	<u>Dates of Service</u>
Kimon Manolius	City Attorney	3-2006 to 1-2007
Jamienne S. Studley	City Attorney	1-2007 to 2-2008
Eileen Hansen	Board of Supervisors	2-2005 to 2-2011
Susan J. Harriman	Mayor	3-2006 to 2-2012
Charles L. Ward	District Attorney	7-2006 to 2-2013
Emi Gusukuma	Assessor	3-2004 to 2-2010

Commissioner Emi Gusukuma served as Chairperson through February 2007, while Commissioner Kim Manolius served as Vice-chairperson until his departure in January 2007. Commissioner Susan Harriman was elected to serve as Chair beginning in March 2007 and Commissioner Gusukuma was elected Vice-Chair. Commissioner Charles Ward was re-appointed by the District Attorney to a full term commencing in February of 2007 (Commissioner Ward had served a 7-month term to fill the vacancy left by the departure of former Commissioner Joe Lynn).

The Ethics Commission had a staff of thirteen supported by interns and temporary staff throughout the year. Staff included Executive Director John St. Croix; Deputy Executive

Director Mabel Ng; Assistant Deputy Director Shaista Shaikh; Auditors Grace Chau (who transferred to the Airport) and John Chan; Public Finance Clerk Marvin Ford; Office Manager Jen Taloa; Campaign Finance Officer Kristian Ongoco; Campaign Finance Assistant Jarrod Flores; Chief Enforcement Officer Richard Mo; Assistant Investigator Paul Solis; Fines Collection Officer Oliver Luby; and Education and Outreach Coordinator Judy Chang. There were also four temporary staff, including Steven Massey functioning as the resident IT Expert, and Campaign Finance Assistants Felipe Colin, Y-Ting Hsiao and Dawn Lin. In addition to the 17 staff above, interns and part-time staff included: Kenji Shimodaira, a student at Boston University; Justin Tsui, a student at UC Berkeley; Michael Schember, a student at Bowdoin College; Susanna Myers, a law student at the University of Washington; Patrick Berry, a student at San Francisco State University; Joyce Slen, a student at Lincoln High School; and Theresa Dzikunu.

## **FUTURE INITIATIVES**

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

- The Commission is dedicated to increasing public confidence in its mission and to delivering fairness both in its actions and the perception of its actions.
- The Commission will work to simplify and improve its fine collection processes.
- The Commission will complete a review of lobbyist and consultant programs in order to seek improved regulations and reporting requirements.
- The Commission will continue to expand the educational opportunities it creates for the public, for civil servants and for the regulated community.
- The will expand the scope of its enforcement and investigation activity.
- The Commission will work with various City departments, boards and commissions to implement 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 training City officers and employees and members of the public about these new requirements and about ongoing changes in conflict of interest laws.
- The Commission and staff will take advantage of training, education and other opportunities that will help advance its capabilities.
- 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 begin conducting regular canvassing of departmentally filed Statements of Economic Interests and facial audits of SEIs filed at the Commission.
- The Commission will endeavor to provide timely and comprehensible advice.
- The Commission will work to secure sufficient budget resources to meet its mandates.

- The Commission will continue to monitor the application of laws within its jurisdiction and will continue to propose amendments and regulations as appropriate.

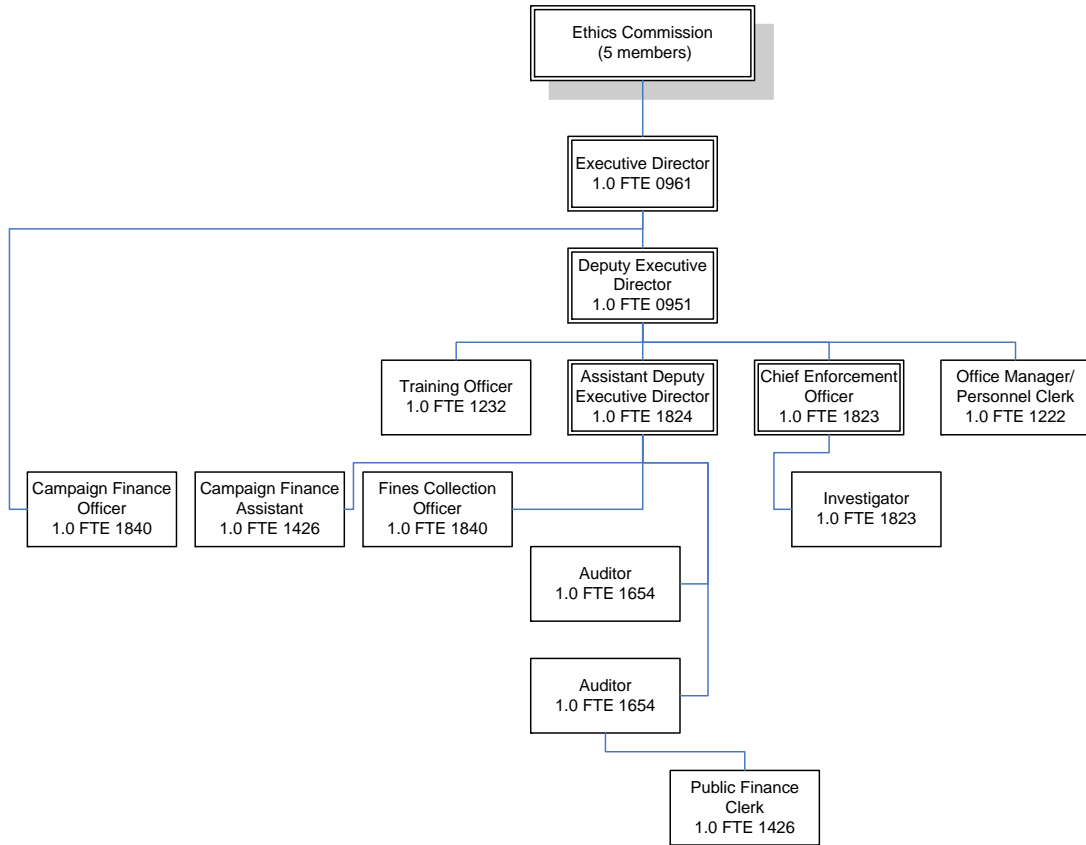
Respectfully Submitted,

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John St. Croix, Executive Director

# San Francisco Ethics Commission

FY 06-07



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