



# ETHICS COMMISSION

## CITY AND COUNTY OF SAN FRANCISCO

PAUL A. RENNE  
CHAIRPERSON

BRETT ANDREWS  
VICE-CHAIRPERSON

BEVERLY HAYON  
COMMISSIONER

BENEDICT Y. HUR  
COMMISSIONER

PETER KEANE  
COMMISSIONER

JESSE MAINARDI  
ACTING EXECUTIVE  
DIRECTOR

Date: December 17, 2015

To: Members, Ethics Commission; Executive Director LeeAnn Pelham

From: Jesse Mainardi, Deputy Executive Director

Re: Ethics Commission Budgets for FY 2016/17 and FY 2017/18

---

This memorandum is intended to facilitate a discussion about the Commission's budget submission for FY 2016/17 and FY 2017/18. Based on guidance from the Commission, a proposed budget will be presented to the Commission for review and approval at a future meeting.

### Budget Instructions

The Mayor's office provided budget instructions to all City departments in December 2015. Pursuant to these instructions, the Commission must submit its budget requests to the Controller's Office by February 22, 2016.

The Mayor's Budget Office has projected a nearly \$100 million General Fund shortfall for FY 2016/17, and a \$240 million shortfall for FY 2017/18, primarily due to unexpected increases in required contributions to the City's employee pension plan<sup>1</sup> as well as certain voter-approved set-asides.

In light of these shortfalls, the Mayor has instructed City departments to propose a 1.5 percent reduction in their budgets for FY 2016/17, as well as an additional 1.5 percent reduction for FY 2017/18.

The Commission's operational budget for this fiscal year, as well as the projected budget for FY 2016/17 that was approved last year, is attached.<sup>2</sup> Based on the Commission's current budget, the proposed reductions would amount to \$39,402 in FY 2016/17 and \$78,804 in FY 2017/18.

---

<sup>1</sup> Pension plan contributions are rising because of lower than expected investment returns, lower retiree mortality, and the loss of a lawsuit regarding supplemental COLA payments.

<sup>2</sup> Also attached are: (a) a table of the Commission's budget historically, and (b) John St. Croix's memo from January 21, 2015 regarding last year's budget submission.

### Two-Year Fixed Budgets

In an effort to encourage long-term strategic planning, the Mayor has introduced legislation transitioning 38 General Fund departments, including the Ethics Commission, to a fixed two-year budget cycle for FY 2016/17 and FY 2017/18. As of the date of this memorandum, the legislation was still under consideration by the Board of Supervisors.

Under the legislation, in the event there are significant increases or decreases in revenues or expenditures Citywide, departments on fixed two-year budgets may propose amendments to biennial budgets during the second year of the budgetary cycle. Budget amounts determined for FY 2016/17 and FY 2017/18 in this budget cycle may also be amended with supplemental appropriation requests.

### Election Campaign Fund

The Election Campaign Fund was established to provide public financing to qualifying campaigns for Mayor and the Board of Supervisors. Its funding formula is set forth in the Campaign Finance Reform Ordinance (“CFRO”). The Election Campaign Fund has reached its cap of \$7 million. With six seats on Board of Supervisors up for election in 2016 (three with no incumbent), the projected disbursement in the upcoming fiscal year is about \$2.7 million.

CFRO section 1.138(b)(2) indicates that “[f]unds necessary for the Ethics Commission to administer the public financing program . . . shall be taken from the Election Campaign Fund. The Commission’s administrative expenses for such public financing program for any election shall not exceed 15% of the total amount of funds in the Election Campaign Fund for that election.” The Commission appears to have most recently accessed funds in the Election Campaign Fund to administer the public financing program in FY 2012/13.

### Proposition C

Effective February 1, 2016, Proposition C, which the Commission placed on the ballot and the voters subsequently approved in the November 3, 2015 election, will impose registration and reporting requirements on “expenditure lobbyists” that urge the public to lobby City officials.

Proposition C provides for a \$560,000 allocation from the General Reserve to pay for an electronic filing system (estimated at \$500,000) as well as approximately \$60,000 in staff costs for education, enforcement and outreach during the first year. These amounts are accessible to the Commission (and will roll over if not used), but are not included in the Commission’s general operating budget.

### Commission Secretary

During recent months, the Commission has expressed interest in hiring a Commission Secretary. The Commission would have to consider a number of issues if it decided to pursue this idea, including the scope of the Commission Secretary’s duties (e.g., preparing agenda

packets, facilitating correspondence from the public, etc.) whether the Commission Secretary would work full time or part-time, and to whom the Commission Secretary would report. A part-time Commission Secretary (1446 class) working 20 hours per week would earn about \$33,800 per year (i.e., 32.53 per hour), excluding benefits.<sup>3</sup>

### Form 700 E-Filing

To the extent that the Commission would like to further pursue electronic filing for all Form 700 filers with the City, the Commission would need to request an additional \$40,000 to cover the costs with our vendor for migrating over 3,000 Form 700 filers from paper filing with their individual departments to electronic filing with the Ethics Commission.

### Staffing Issues

The Mayor's budget instructions for the upcoming fiscal period would leave the Commission with basically the same staff makeup as the current year. The Commission's feedback regarding any potential staffing changes is considered during the budget submission.

In this regard, the Commission currently has a number of vacant positions. (See attached organization chart.) In particular, of the Commission's 19 approved positions, the following positions are vacant as of the beginning of January 2015:

- Deputy Executive Director (0951) – vacant since late 2015
- Investigator (1823) – vacant since 2011 due to diverted funding
- Campaign Finance Assistant (1426) – vacant since late 2015
- Campaign Finance Assistant (1406) – vacant since 2014
- Campaign Finance Assistant (1406) – vacant since late 2015

By way of background, funding does not currently exist for the Investigator (1823) position, and funding originally intended for one of the Campaign Finance Assistant (1406) positions has been used to pay for the Special Projects Assistant (1840) position as well as the pending change of the IT Officer position to a higher classification.

The Commission may wish to reconsider certain aspects of its current staffing. For example, given the increasing complexity of campaign finance rules as well as the technical issues associated with electronic campaign filings, the Commission may wish to consider changing the classification level of one of the vacant Campaign Finance Assistant positions from a Senior Clerk Typist (1426) to a Junior Management Assistant (1840). This would of course require making a specific budgetary request.

### Items for Discussion

The following is a non-exclusive list of items the Commission may wish to consider:

---

<sup>3</sup> Full time Commission Secretary for this position would likely cost approximately \$67,000 per year in salary and \$33,000 in benefits, or approximately \$100,000 per year

- Given the Mayor's budget instructions, what specific reductions should the Commission make in order to meet the 1.5 percent cut in its operating budget (i.e., \$39,402 in FY 2016/17 and \$78,804 in FY 2017/18)?
- Does the Commission believe that a Commission Secretary is still a priority, and how does the Commission reconcile that with the Mayor's budget instructions?
- How do the budget considerations impact potential staffing issues?
- What are the next steps in preparing a proposed budget?

\* \* \* \* \*

**Ethics Commission Budget – Historically**

<b>FISCAL YEAR</b>	<b>OPERATING BUDGET</b>	<b>ELECTION CAMPAIGN FUND</b>
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	777,341	1,378,954
FY 03 - 04	750,224	159,294
FY 04 - 05	761,202	961,187
FY 05 - 06	1,032,751	349,690
FY 06 - 07 <sup>4</sup>	1,711,835	6,704,274
FY 07 - 08	2,261,877	1,330,201
FY 08 - 09	2,241,818	3,212,056
FY 09 - 10 <sup>5</sup>	2,283,368	3,728,198
FY 10 - 11 <sup>6</sup>	2,201,325	1,976,494
FY 11 - 12 <sup>7</sup>	2,259,979	6,088,558
FY 12 - 13	2,256,239	1,899,308
FY 13 - 14	2,628,391	1,903,559
FY 14 - 15	2,625,384	1,948,970

S:\Budget\16-17 and 17-18 Budget\Budget Issues 16-17 and 17-18 12 15 2015.docx

<sup>4</sup> Included \$6,704,274 in front-loaded funding for Mayoral Election Campaign Fund.

<sup>5</sup> Does not include \$85,205 mid-year budget reduction.

<sup>6</sup> Agencies Citywide absorbed across-the-board budget cuts.

<sup>7</sup> Included annual deposit of \$2,009,451 for the Election Campaign Fund plus a repayment of \$4,079,107 borrowed in previous years.

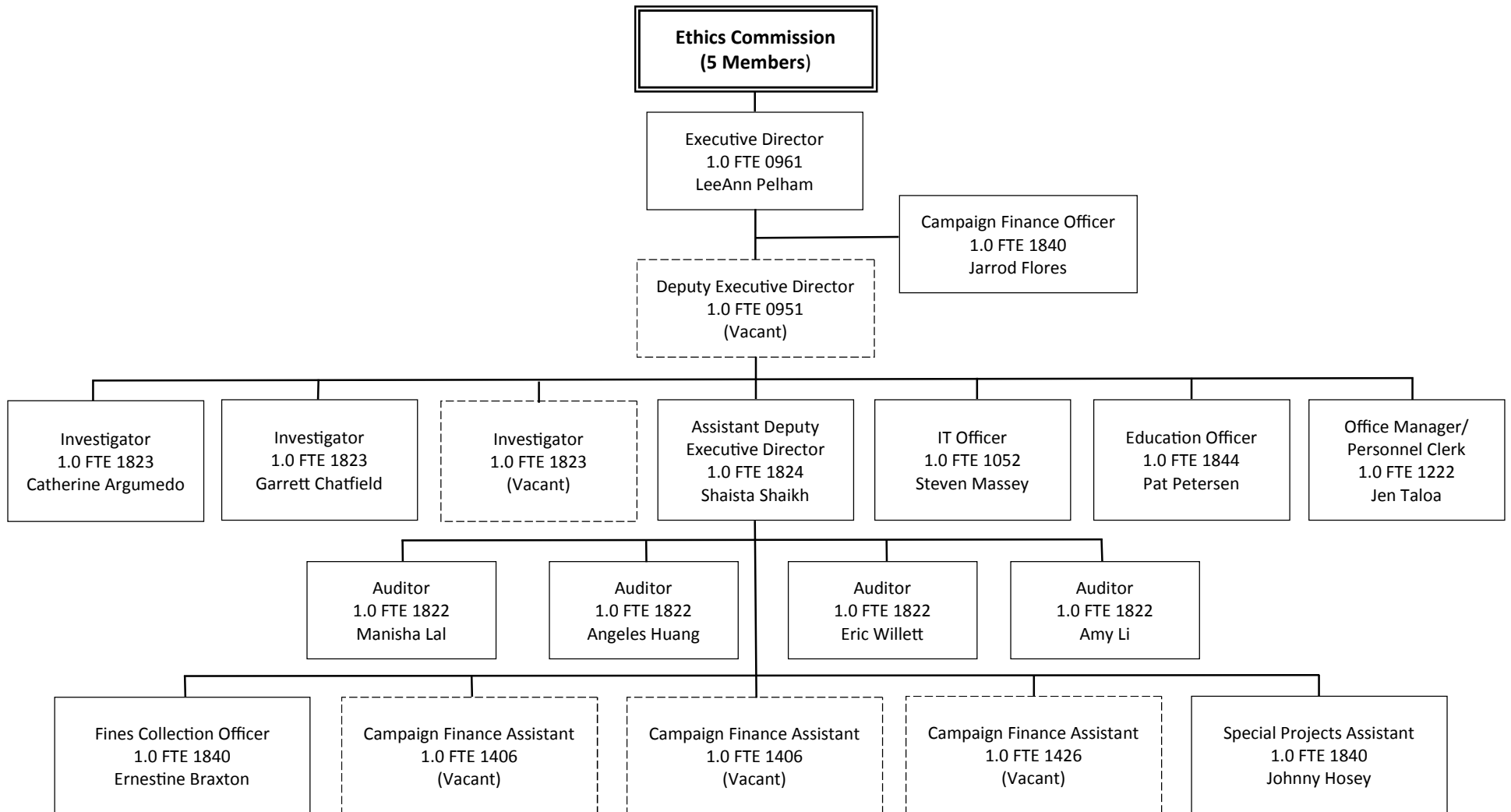
### Ethics Commission Budget

Char	Description	FY 15-16	FY 16-17	Subobject description
001	SALARIES	1,515,304	1,595,252	Salaries
001	TEMP	77,000	78,971	Temporary staff
001	MANDATORY FRINGE BENEFITS	654,940	672,240	Fringe benefits
	Total Salaries & Fringe Benefits	2,247,244	2,346,463	
021	NON-AIR TRAVEL - EMPLOYEES	450	450	Traveling expenses
021	TRAINING - BUDGET	3,661	3,661	Training expenses
021	TRAINING COSTS PAID TO VENDORS	4,250	4,250	Training expenses
021	LOCAL FIELD EXP	500	500	Mileage, public transportation reimbursements
021	MEMBERSHIP FEES	1,767	1,767	Memberships - state bar, cgel, cpa
021	COURT REPORTERS	6,000	6,000	Court reporters expenses. GC and CA uses this subobject.
021	LEGAL SERVICES	6,000	6,000	Legal services expenses. GC and CA uses this subobject.
021	SYSTEMS CONSULTING SERVICES	117,000	117,000	IT Netfile contractor expenses
021	OFFICE EQUIP MAINT	1,000	1,000	Equipment maintenance expense
021	OTHER EQUIP MAINT	500	500	Other equipment maintenance expense
021	FREIGHT/DELIVERY	3,853	3,853	Professional messenger expenses
021	COPY MACHINE	9,000	9,000	Copy machine lease
021	PRINTING	500	500	Printing expenses
021	POSTAGE	500	500	Postage expenses
021	SUBSCRIPTIONS	4,763	4,763	Annual subscription Lexis Nexis/Thompson Reuters
021	OTHER CURRENT EXPENSES	4,000	4,000	Offices expenses such as software licenses (microsoft, adobe, dreamweaver, typepad, tableau), document destruction, bank fees, office furniture and others.
	Total Non Personnel Services	163,744	163,744	
040	MATERIALS & SUPPLIES-BUDGET	12,966	12,966	Ethics has used this subobject to cover unforeseeable expenses, to balance any subobject with a negative balance, and to purchase hardware/software and office supplies.
040	OTHER EQUIPMENT MAINT SUPPLIES	500	500	Office supplies expenses
	Total Materials & Supplies	13,466	13,466	
081	IS-TIS-ISD SERVICES	3,461	3,461	IT procurement expenses
081	IS-TIS-ISD SERVICES-INFRASTRUCTURE COST	43,145	45,037	IT network and other services
081	TIS-SFGTV SERVICES (AAO)	24,347	24,347	TV broadcasting of Ethics meetings
081	GF-TIS-TELEPHONE(AAO)	6,539	6,560	Telephone system expenses
081	GF-PURCH-MAIL SERVICES	2,033	2,033	Mail expenses
081	GF-RENT PAID TO REAL ESTATE	91,690	91,690	Rent expenses
	Total Services of Other Departments	171,215	173,128	
	<b>TOTAL OPERATIONS ETH</b>	<b>2,595,669</b>	<b>2,696,801</b>	

	Budgeted	Actuals
Budget FY 14- 15	2,625,384.00	2,551,610

# San Francisco Ethics Commission

## Current (19 Positions)





# ETHICS COMMISSION

## CITY AND COUNTY OF SAN FRANCISCO

BENEDICT Y. HUR  
CHAIRPERSON

JAMIENNE S. STUDLEY  
VICE-CHAIRPERSON

BEVERLY HAYON  
COMMISSIONER

DOROTHY S. LIU  
COMMISSIONER

JOHN ST. CROIX  
EXECUTIVE DIRECTOR

### Memorandum

**To:** Members, Ethics Commission

**From:** John St. Croix, Executive Director

**Re:** Fiscal Year 2015/2016 Budget Request

**Date:** January 21, 2015

---

The Mayor's office has provided the customary budget instructions to all City departments. The Mayor's Budget Office has projected a \$100 million General Fund shortfall for FY 2015-16 of \$8.6 billion, and a \$17 million shortfall for FY 2016/17, also projected to be \$8.6 billion, based on current operations and staffing levels and estimated revenues. The budget submission target requested for all departments has no reduction from the current year's budget for FY 2015/16 and a contingency one percent reduction for FY 2016/17.

Our budget in the current fiscal year breaks down as follows:

Operating budget	\$2,635,384
Election Campaign Fund	1,948,970
	<hr/>
	\$4,584,354

A one percent reduction would amount to \$25,401 in FY 2016/17. While the Mayor's budget instructions for the upcoming fiscal period would leave us with the same staff makeup as the current year, I am recommending that we request funding for the vacant Investigator position, funding for two additional Auditors and slight increases for three existing positions (based on enhanced responsibilities). Additionally, for the second year of the cycle, we need to request an additional \$40,000 to cover the costs with our vendor for migrating over 3,000 Form 700 financial disclosure filers from paper filing with their individual departments to electronic filing with the Ethics Commission.

This translates into an increase of \$334,486 for a total budget request of \$2,960,140 for FY 15/16 and \$3,000,014 for FY 16/17 for a final increase of 12% of the current fiscal year operating budget.

For your information, the balance in the Election Campaign Fund as of today is \$6,321,009. Projected disbursement in the upcoming Fiscal Year for the 2015 Board of



Supervisors Race in District 3 is \$106,564 and the 2015 Mayoral race is \$485,294 for a total of \$591,858. A deposit is made into the fund at the beginning of each fiscal year of about \$2 million. The fund is capped at \$7.5 million.

The historical funding of the Ethics Commission is 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 (1,711,835 non-grant funding)*
FY 07 – 08	3,592,078 (2,261,877 non-grant funding)**
FY 08 - 09	5,453,874 (2,241,818 non-grant funding)
FY 09 - 10	6,011,566 (2,283,368 non-grant funding)***
FY 10 – 11	4,188,720 (2,212,226 non-grant funding)****
FY 11 – 12	4,269,979 (2,259,979 non-grant funding)*****
FY 12 – 13	4,155,547 (55,547 non-grant funding)*****
FY 13 – 14	4,531,950 (2,431,950 non-grant funding)
FY 14 – 15	4,584,354 (2,625,384 non-grant funding)

\*Includes \$6,704,274 front-loaded funding for Mayoral Election Campaign Fund

\*\*Includes \$1,358,747 annual set-aside for the Election Campaign Fund

\*\*\*Does not include \$85,205 mid-year budget reduction; includes \$1,783,858 restoration of funds previously taken from Election Campaign Fund

\*\*\*\*Does not include \$53,256 mid-year reduction

\*\*\*\*\*Does not include \$4,079,107 in repayments to Election Campaign Fund from prior-year loans to the General Fund

\*\*\*\*\*Figures are from the Annual Appropriation Ordinance – the remainder of the Commission’s operating budget came from the Election Campaign Fund (ECF). As of June 30, 2012, the ECF had \$7,713,722; the City took back \$4 million and gave back to the ECF \$1,899,308. Thus, at the beginning of FY 12-13, the ECF had \$5,613,030. Another \$2 million was taken back in FY 13-14, but the actual transaction was posted back to June 2012 for the FY 2012-13 Fiscal Year