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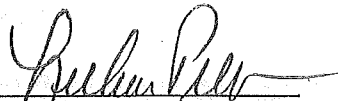
LEEANN PELHAM
EXECUTIVE DIRECTOR

Date: January 22, 2016
To: Members of the Ethics Commission
From: LeeAnn Pelham, Executive Director
Subject: **AGENDA ITEM #6 - Budget Recommendations for FY17 and FY18**

- Summary** This report provides recommendations for the Ethics Commission's FY 17 and FY18 budgets.
- Action Requested** The item is presented to facilitate a discussion by the Commission about the Commission's budget submission, and to request that the Commission provide its guidance and approval for the recommendations contained in this memo.

As outlined in the Mayor's December 2015 budget instructions, each department is to submit its recommendations to the Mayor's Budget Office no later than February 22, 2016. To encourage long-term strategic planning, the Mayor is initiating a two-year budget cycle for 38 General Fund departments, including the Ethics Commission.

The attached *Blueprint for Accountability* has been prepared to present recommendations for the Ethics Commission's budget FY17 and FY18. These recommendations are necessary to begin to equip the Commission with the resources needed to fully achieve the broad voter mandate it has been given the responsibility to achieve. As such, the recommendations are designed to move the Ethics Commission's own work to the next level of effectiveness, accomplishment, and public trust.


LeeAnn Pelham
Executive Director

Attachment



Blueprint for Accountability

FY17 and FY18 Budget Recommendations
for the San Francisco Ethics Commission

January 22, 2016

I. Introduction

In the Fall of 2015, the San Francisco Ethics Commission, in connection with its search for its next Executive Director, identified several overarching priorities for the agency going forward:

- ✓ Organizational efficiencies: employing new structure, tools, and approaches that can better serve achievement of the Ethics Commission's mission;
- ✓ Effective enforcement: strengthening current structure and processes to ensure accountability for compliance with appropriate transparency and the most proactive, thorough, fair, timely, and consistent investigations and case resolution;
- ✓ Supporting compliance: providing enhanced guidance to a broad range of stakeholders to promote practical understanding of the laws and facilitate compliance; and
- ✓ Strengthened policy focus: initiating the development of sound policy and collaborating broadly to identify and address emerging issues through effective legislation and regulation.

This budget blueprint reflects this vision of the Commission's future and drives the core recommendation that the Commission must be right-sized to better align resources with its full Charter mission.¹

It is also premised on staff work that is committed to continuous improvement.

Organizations that continuously improve use the challenge of emerging issues, expanded mandates, and new technology as important opportunities for change. Toward that end, Ethics Commission Staff is committed to improving the efficiency and effectiveness of existing resources through ongoing innovation, by working to simplify the complex, and by identifying new, more nimble processes, structures, and systems for the agency's work. As part of this effort, over the coming year the staff will work to

- assess existing structures and functions for needed improvements;
- examine what approaches in the organization are, or should be changing, and why; and
- identify operational interdependencies to better understand where more collaborative approaches, both internally and with external stakeholders, would benefit the delivery of Commission programs and services.

Ultimately, achieving the voters' directives requires political will, sufficient resources, and the right legal and structural frameworks to lead change and implement it effectively. This blueprint for accountability presents a strategic and aggressive set of budget recommendations necessary to enable the Ethics Commission to achieve its mission consistent with the voters' continuing strong mandate for both good and effective governance in the City and County of San Francisco.

¹ See San Francisco Charter Sections C3.699-10 and C3.699-11 at Attachment 1.

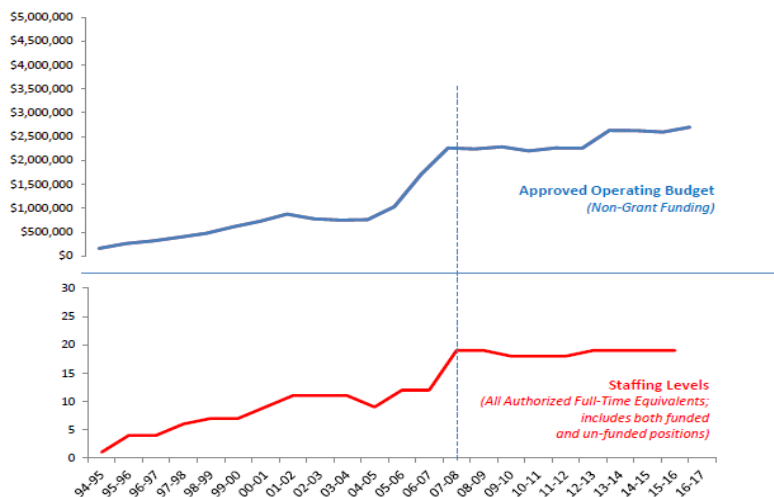
II. Background and Context

In the past decade, issues confronting local government have become more complex. As public officials and employees pursue new and creative approaches to difficult public policy questions, the need to effectively navigate ethical considerations of those choices and ensure accountability for governmental decisions has only increased. Over this same period, the policy and political landscape for agencies that administer and enforce campaign finance, governmental ethics, lobbying regulation, and transparency laws have also continued to change.

In San Francisco, in just the past five years, three City and County Civil Grand Jury Reports² were issued focusing on the Ethics Commission’s own role and responsibilities, with each report raising a series of important questions about how the Commission should most effectively pursue its voters’ mandate for meaningful transparency and accountability in City and County government. Against this fluid and evolving backdrop, however, in the past decade the Ethics Commission’s annual operating budget and staffing have remained relatively level, as Chart 1 below illustrates.

Chart 1

**San Francisco Ethics Commission Operating Budget & Staffing Levels
FY95 through FY16**



For FY17, Staff recommends a total operating budget of \$3,377,858, and an FY18 operating budget of \$3,299,203. This includes new funding requests of \$782,189 for FY17 and \$703,534 for FY18. When compared to the Commission’s FY16 operating budget of \$2,595,669, the proposed FY17 operating budget represents a 30 percent increase over current levels. While robust, these recommendations are necessary to begin to equip the Commission with the resources needed to fully achieve the broad voter mandate it has been charged with the responsibility to achieve. As such, the recommendations are designed to move the Ethics Commission’s own work to the next level of effectiveness, accomplishment, and public trust.

The priorities identified by Staff to pursue these ends in FY17 and FY18 are detailed as new funding packages in the following section.

² See *San Francisco’s Whistleblower Protection Ordinance Is In Need of Change*, City and County of San Francisco Civil Grand Jury 2014-15, May 2015; *Ethics in the City: Promise, Practice or Pretense*, City and County of San Francisco Civil Grand Jury 2013-14, June 2014; and *San Francisco Ethics Commission: The Sleeping Watch Dog*, City and County of San Francisco Civil Grand Jury 2010-11.

III. Priorities for New Funding

Priority and Goals	Estimated Investment
E-Filing Conversion Project	
<p>✓ Improve organizational efficiencies and strengthen public tools for meaningful transparency about government actions by establishing an integrated, searchable and downloadable framework for all Commission public disclosure programs.</p> <p><i>To develop a comprehensive network of fully online systems, additional staff is required to develop project scope and specifications; design system features; and conduct testing.</i></p>	
Project development and implementation →	\$ 250,000 FY17 \$ 50,000 FY18
One IS Business Analyst position (1052) to provide systems support for timely project development and implementation →	\$ 140,522 per FY
One IS Business Analyst-Assistant (1051) to serve as an E-Filing Project Assistant beginning in FY18; converted from an existing Jr. Management Assistant position (1840) first authorized for a three-year project basis only →	\$ 121,345 FY18
<i>E-Filing Conversion Project Package Total</i>	<u>\$ 390,522</u> in FY17 <u>\$ 311,867</u> in FY18

Effective Investigations & Enforcement	
<p>✓ Strengthen agency’s capacity to fulfill its voter mandate for effective enforcement of ethics, campaign finance, disclosure, and lobbying laws, including resolution of Whistleblower and Sunshine complaints, by ensuring investigative and enforcement processes are thorough, timely, fair, and consistent.</p>	
Commitment of the balance of funds needed to fully fund one authorized, vacant Investigator (1823) position through retention of departmental “attrition savings” (In FY14-15, for example, these savings totaled approximately \$124,400)	<i>No new funding requested</i>
One Administrative Analyst (1822) position to serve as an Investigator →	\$ 126,856 per FY
Additional funds necessary to update enforcement tools for improved functionality of legal and investigative research, and to ensure appropriate access to process server and court reporter resources →	\$ 5,000 per FY
<i>Strengthened Enforcement Capacity Package Total</i>	<u>\$ 131,856</u> per FY

Proactive Policy and Compliance Outreach

- ✓ Deepen policy engagement and heighten compliance outreach to improve the effectiveness of laws within the Commission’s jurisdiction by creating a dedicated Policy unit/function that provides broad, timely, and understandable guidance on the laws and their practical application; conducts regular, robust policy analysis and evaluation; and identifies and develops workable and enforceable approaches to emerging policy issues.

One Administrative Analyst (1822) position
to provide policy analysis and compliance outreach → \$ 126,856 per FY

One Senior Administrative Analyst (1823) position
to provide senior level policy analysis and compliance outreach → \$ 147,980 per FY

Proactive Policy and Compliance Outreach Package Total \$ 274,836 per FY

Administrative Support and Transparency

- ✓ Heighten capacity to sustain timely, accurate, and complete public information and assistance (including for Immediate Disclosure Requests, Public Records Act request responses, and public meeting materials) by enhancing and tailoring administrative support roles to better match public and stakeholder information needs.

Fill existing vacant Senior Clerk Typist (1426) position.
This position has duties as assigned by the Executive Director for broad administrative support for the Commission and staff, including preparation and distribution of meeting materials and notices; handling of public inquiries and general front office duties, such as phones, photocopies, public counter assistance, and other administrative tasks as assigned. *No new funding requested*

Reclassify two authorized but vacant Senior Clerk(1406) positions into one new Management Assistant (1842) position to provide a higher level of administrative, hands-on support through a broader range of analytical and technological knowledge, skills, and abilities. → (\$ 81,374) per FY
(\$ 81,374) per FY
\$ 116,753 per FY
(\$ 45,995) per FY net

Reclassify one existing, exempt Jr. Management Assistant (1840) position that functions as a Campaign Finance Officer to a Sr. Management Assistant (1844) to more appropriately align it with its more expansive and complex duties.
This position provides independent trouble-shooting guidance and hands-on training and compliance assistance to filers with reporting and e-filing obligations under the law; it analyzes, compiles and responds to data requests, and to public records and disclosure requests under state and City law; and has day to day responsibility for web and social media postings. → (\$ 102,866) per FY
\$ 133,836 per FY
\$ 30,970 per FY net

Proactive Policy and Compliance Outreach Package Total (\$ 15,025) per FY net

New Funding Request Total, FY17 **\$782,189**
New Funding Request Total, FY18 **\$703,534**

IV. Accountability: Indicators of Progress

For each of the priority recommendations identified above, the Commission’s budget submission to the Mayor’s Office on February 22 will include anticipated impacts and benefits that would accrue from these new investments in the Commission’s work. To provide accountability for that funding, information submitted will also identify specific performance indicators that will guide the Commission’s own accountability for the new funding requests.

Performance indicators for each priority project are valuable to ensure that Staff can track progress toward established goals. They are also important to enable appropriate transparency to the Commission, policymakers, and public so that they can exercise sufficient oversight of the agency’s progress toward meeting those goals.

V. Current Budget Components

The Ethics Commission’s overall budget is comprised of two main components: an operating budget, discussed in the foregoing sections (also referred to as “non-grant funding”), and the Election Campaign Fund (“Fund”).

As a point of reference, for FY16, the Commission’s expenditures can be broken down as follows:

Table 1
Ethics Commission Budgeted Expenditures, by Category, FY16

Total Salaries	\$ 1,592,304	
Total Benefits	\$ 654,940	
Total Salaries & Benefits		\$2,247,244
Non-Air Travel and Local Field Expenses	\$ 950	
Training	\$ 7,911	
Membership Fees	\$ 1,767	
Court Reporters, Legal Services and Subscriptions	\$ 16,763	
Electronic Filing System	\$ 117,000	
Equipment, Copy Machine, Printing	\$ 11,000	
Delivery and Postage	\$ 4,353	
Other Current Expenses (i.e., document storage and retrieval, business cards and other miscellaneous expenses)	\$ 4,000	
Total Non-Personnel		\$163,744
Total Materials and Supplies		\$13,466
IT Services from DT to Ethics	\$ 46,606	
Televised Meetings	\$ 24,347	
Telephone Costs	\$ 6,539	
Mail Services	\$ 2,033	
Rent Paid to City	\$ 91,690	
Total Services of other departments to Ethics Commission		\$171,215
Total Operating Expenses		\$2,595,669

Election Campaign Fund (“Fund”). Established in the City’s Campaign Finance Reform Ordinance (“CFRO”). Under CFRO, the Fund is capped at a maximum of \$7 million, and no more than 15 percent of the total amount of funds in the Fund for any given election may be used for administering the public financing program. CFRO section 1.138(b)(2). As of January 22, 2016, the balance of the Fund has reached its maximum. Staff projects that disbursements for the 2016 November election to be approximately \$3,172,571. Allocations to the Fund are based on a formula of \$2.75 per resident, unless the Fund has already reached its maximum.

One other area of funding available to the Ethics Commission derives from Prop. C. Upon passage by the voters of Prop. C in November 2015, funding was allocated in the General Reserve for an electronic filing system for Expenditure Lobbyist disclosures, and for staff costs for education and outreach during the first year of the Expenditure Lobbyist program. While the \$560,000 established for those purposes is accessible to the Ethics Commission (and will roll over if not used), those funds are not included in the Commission’s general operating budget.

V. FY17 and FY18 Constraints: Possible Budget Reductions

The Mayor’s Budget Office has projected a nearly \$100 million General Fund shortfall for FY17, and a \$240 million shortfall for FY18, primarily due to unanticipated increases in required contributions to the city’s employee pension plan and certain voter-approved set asides. In light of these expected shortfalls, the Mayor has instructed City departments to propose a 1.5 percent reduction in their budgets for FY17, and an additional 1.5 percent reduction for FY18.

Based on the Commission’s current budget, the proposed reductions would require cuts in existing funding of \$39,402 in FY17 and \$78,804 in FY18. If ultimately faced with these cuts in the FY17 and FY18 budgets that are adopted this year, those reductions would be addressed as shown below.

Table 2 – Impact of Potential Reductions

	If Cut 1.5% in FY17	If Cut an Additional 1.5% in FY18
Reduction	\$39,402	\$78,804
Area of Impact	Campaign Filing & Compliance Assistance	Campaign Filing & Compliance Assistance
Impact	Elimination of part-time, as-needed funding	Elimination of one 1840 position. Currently authorized on a three-year project basis only, it would expire at the end of FY17 and not be available for reallocation to the Commission’s E-Filing Conversion Project

VI. Next Steps

Following the Commission’s discussion and input on January 25, Staff will further develop detailed supporting documentation for the Commission’s final package of recommendations and submit that full package to the Mayor’s Budget Office by the February 22 departmental submission deadline. Should the Commission wish to have further discussion or provide further guidance about the FY17 and FY18 Commission budget requests at its next regularly scheduled meeting on February 22, any updated recommendations would be submitted following that discussion to the Mayor’s Budget Office.

Charter Mandates of the San Francisco Ethics Commission

C3.699-10 ADMINISTRATION AND IMPLEMENTATION

The Commission shall have responsibility for the impartial and effective administration and implementation of the provisions of this charter, statutes and ordinances concerning campaign finance, lobbying, conflicts of interest and governmental ethics.

C3.699-11 DUTIES

The ethics commission shall have the following duties and responsibilities:

1. To administer the provisions of the San Francisco Municipal Elections Campaign Contribution Control Ordinance, and Proposition F, adopted by voters at the June 1986 election, which appears as Appendix K to this charter or any successors to these ordinances.
2. To receive documents required to be filed pursuant to, and to otherwise administer, the provisions of the city's lobbyist registration ordinance.
3. To act as the filing officer and to otherwise receive documents in any instance where the clerk of the board of supervisors, the registrar of voters and, with respect to members of the boards and commissions, department heads would otherwise be authorized to do so pursuant to Chapters 4 and 7 of the California Political Reform Act of 1974 (Government Code sections 81000, et seq.), as amended.
4. To audit campaign statements and other relevant documents and investigate alleged violations of state law, this charter and city ordinances relating to campaign finance, governmental ethics and conflicts of interest and to report the findings to the district attorney, city attorney and other appropriate enforcement authorities. Commission investigation of alleged violations of state law shall be conducted only after the commission has provided to the district attorney and city attorney the information set forth in Section 3.699-12 and the district attorney and city attorney notify the commission that no investigation will be pursued.
5. To provide assistance to agencies, public officials and candidates in administering the provisions of this charter and other laws relating to campaign finance, conflicts of interest and governmental ethics.
6. To make recommendations to the mayor and the board of supervisors concerning (a) campaign finance reform, (b) adoption of and revisions to city ordinances laws related to conflict of interest and lobbying laws and governmental ethics and (c) the submission to the voters of charter amendments relating to campaign finance, conflicts of interest and governmental ethics. The commission shall report to the board of supervisors and mayor annually concerning the effectiveness of such laws. The commission shall transmit its first set of recommendations to the board of supervisors and mayor no later than July 1, 1995.
7. To maintain a whistleblower hot line and administer the provisions of the city's improper government activities ordinance.
8. To annually adjust any limitation and disclosure thresholds imposed by city law to reflect any increases or decreases in the Consumer Price Index. Such adjustments shall be rounded off to the nearest hundred dollars for the limitations on contributions.
9. To assist departments in developing and maintaining their conflict of interest codes as required by state law.
10. To advocate understanding of the charter and city ordinances related to campaign finance, conflicts of interest, lobbying, governmental ethics and open meetings and public records, and the roles of elected and other public officials, city institutions and the city electoral process.
11. To have full charge and control of its office, to be responsible for its proper administration, subject to the budgetary and fiscal provisions of the charter.
12. To prescribe forms for reports, statements, notices and other documents required by this charter or by ordinances now in effect or hereafter adopted relating to campaign finance, conflicts of interest, lobbying and governmental ethics.
13. To prepare and publish manuals and instructions setting forth methods of bookkeeping, preservation of records to facilitate compliance with and enforcement of the laws relating to campaign finance, conflicts of interest, lobbying and governmental ethics, and explaining applicable duties of persons and committees.
14. To develop an educational program, including but not limited to the following components:
 - (a) Seminars, when deemed appropriate, to familiarize newly elected and appointed officers and employees, candidates for elective office and their campaign treasurers, and lobbyists with city, state and federal ethics laws and the importance of ethics to the public's confidence in municipal government.
 - (b) Annual seminars for top-level officials, including elected officers and commissioners, to reinforce the importance of compliance with, and to inform them of any changes in, the law relating to conflicts of interest, lobbying, governmental ethics and open meetings and public records.
 - (c) A manual which will include summaries, in simple, non-technical language, of ethics laws and reporting requirements applicable to city officers and employees, instructions for completing required forms, questions and answers regarding common problems and situations, and information regarding sources of assistance in resolving questions. The manual shall be updated when necessary to reflect changes in applicable city, state and federal laws governing the ethical conduct of city employees.
 - (d) A manual which will include summaries, in simple, non-technical language, of city ordinances related to open meetings and public records, questions and answers regarding common problems and situations, and information regarding sources of assistance in resolving questions. The manual shall be updated when necessary to reflect changes in applicable city ordinances related to open meetings and public records.