



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

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LEEANN PELHAM
EXECUTIVE DIRECTOR

Date: January 18, 2017

To: Members of the Ethics Commission

From: LeeAnn Pelham, Executive Director

Subject: **AGENDA ITEM 9 – Proposed Budget Framework and Recommendations**

Summary This report proposes a framework and recommendations for the Ethics Commission's FY18 and FY19 budget, which must be submitted to the Mayor on February 21, 2017

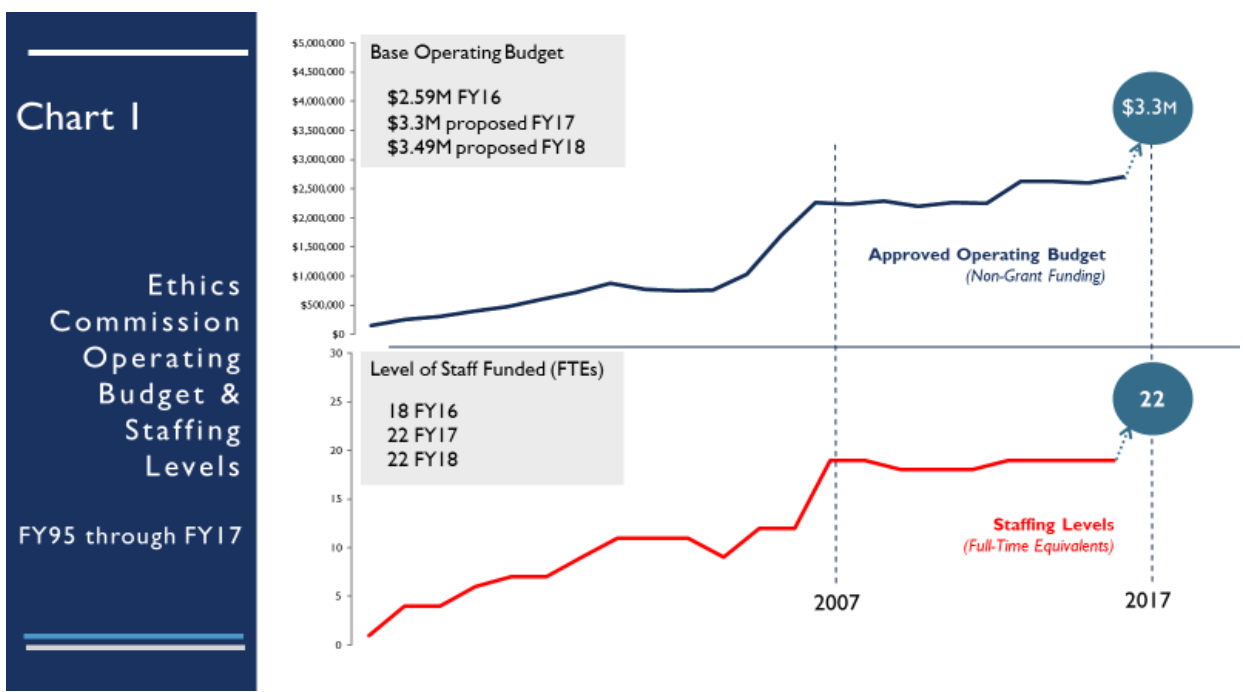
Action Requested That the Ethics Commission adopt the proposed framework and recommendations as its budget policy direction for its February budget submission.

Background

In its January 2016 [Blueprint for Accountability](#), the Ethics Commission reflected its vision of the Commission's future and the critical need to right-size the organization to better align its resources with its full Charter mission. The *Blueprint* identified several overarching priorities that would guide the agency's work 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 vision was embraced by the Mayor and Board of Supervisors with adoption of the City's FY17 budget. As illustrated in Chart 1, for the first time in nearly a decade, the Ethics Commission's operating budget included important new resources focused on advancing its voter-created mission.



For FY17, the Ethics Commission’s base operating budget is roughly \$3.3 million. For FY17-18, the Commission’s base operating budget is roughly \$3.49 million. The base operating budget excludes one-time resources for non-recurring technology projects and services (such as the FUSE Executive Fellowship, or funding provided by COIT, the city’s Committee on Information Technology) and for the required annual General Fund allocation of public funds to the Election Campaign Fund.

On December 8, 2016, Mayor Lee announced a post-election proposed rebalancing plan in the wake of SF voters’ rejection of Proposition K, a sales tax increase that appeared on the November 2016 city ballot. The Mayor announced after the election that he would cancel set-asides for homelessness and transportation including in his June 2016 budget for which Prop. K funds were intended. In the Mayor’s budget instructions, his Department Heads were asked for reduced General Fund support by 3 percent in each of the two upcoming budget years (resulting in a cumulative 6 percent reduction in the second budget year). Citing a projected budget shortfall of roughly \$400 million over the next two budget years, he asked departments to “diligently restrict overtime costs” and not put forward in budget submissions “any net new positions.”

Preliminary figures provided by the Mayor’s budget office indicate that a three percent reduction for the Ethics Commission would translate roughly to a \$103,000 cut in FY18, and a cut of \$206,000 in FY19. If required, these cuts would equate to the elimination of two Ethics Commission staff positions from the department’s staff of 22. Four positions were secured just in FY17 as the Commission began to rightsize the organization starting with the FY17 adopted budget.

Because the Ethics Commission is not on a fixed two-year budget cycle, our office is now required to submit a new budget proposal in February. Submissions are due to the Mayor’s Office no later than February 21, 2017. Because the Ethics Commission’s next Regular Meeting is February 27, 2017, this report has been prepared for the Ethics Commission’s discussion and possible action at its January monthly meeting to enable the Commission to provide its policy direction for Staff’s preparation of the February budget submission.

**Framework and Recommendations for F18 and FY19:
Building on the *Blueprint for Accountability***

Over the past year, the priorities identified in the Commission’s 2016 *Blueprint for Accountability* have closely driven the agency’s work. Existing organizational structures and functions have been assessed for improvement and new approaches and work methods have been initiated, even while mandates have continued to expand and unanticipated staff attrition has occurred. While key foundational elements for a rightsized organization were created in 2016, building on that foundation is essential in FY18 if the Commission is to fully deliver on its responsibilities under the law. Failure to complete the critical building process now will prevent progress on organizational efficiencies and programmatic innovations that are underway.

Staff proposes the following recommendations for the February budget submission.

1. Align staff positions with the changing nature of the Commission’s work.

Two new positions are necessary to provide day to day program management of core education and audit programs.

Estimate: FY18 \$314,000 FY19 \$314,000

The Commission’s Education & Compliance Division was created through an organizational restructuring in August 2016. It is the point of primary contact for all public disclosure, filing assistance, compliance guidance and training and education for the full range of programs administered by the Ethics Commission. Its focus is to assist the public, city officers and employees, lobbyists, permit consultants, major developers, and others with their responsibilities under the law to promote understanding and support compliance with the City’s ethics, campaign finance, and lobbying laws and disclosure requirements. Among these obligations are ongoing campaign filing obligations for city candidates and political committees; Form 700 filing obligations of 500+ City board and commission members, department heads and elected officials; contractor notices; and behested payment and travel reports by City officials. It oversees day to day advice and problem-solving for filers and others who seek guidance from the Commission about how to comply with these laws.

Currently, the day-to-day operations of the division are administered by two Education and Compliance Officers, both of which are classified in the Management Assistant series, as Senior Management Assistants (1844s). They work with two other staff members, a Management Assistant (1842) and a Clerk Typist (1840). The two 1844s are the senior positions in the division, and like the leads in other divisions, they report directly to the Executive Director. No other positions exist in the division with responsibility for day to day management and planning that is required to coordinate the filing assistance, public disclosure work, compliance guidance and training across all program areas. In addition, with the launch of the Commission’s new website in December 2016 and work undertaken by our FUSE Executive Fellow this year, new opportunities are being created to use that platform for improved compliance guidance. This requires resources that can meet those needs across programs

with a coordinated plan of outreach and communication that is distinct from the division's day to day program duties. Existing staff resources, however, are taxed fully with the day to day delivery of our program services. The expanding nature of work in our Education and Compliance area requires a new level of program management. We recommend a new Education and Compliance Manager position be created by authorizing and funding one new Senior Administrative Analyst (1823) to provide the level of daily program oversight required by the division's expanding workload.

The Commission's Operations & Audits Division was also created by organizational restructuring in August 2016. It is designed to lead the agency's cross-functional work to enhance performance and transparency across a range of operations and programs, with responsibility to conduct operational and program reviews, implement a staff development and training program, oversee all management analyses and reports, budget, and accounting, including qualification of eligible candidates to receive public financing. The Commission's Audit program, which conducts campaign and lobbying audits, as required by City law, is also part of this division.

Overall management responsibility for the Operations and Audits Division is assigned to the Commission's Assistant Deputy Director (Principal Administrative Analyst, 1824) who also has had direct oversight for a team of four Auditors. In addition to these duties, the Assistant Deputy Director also serves as primary staff liaison for media inquiries. Because the Commission has not historically had a dedicated chief financial officer, a budget officer, or operations officer, duties associated with these roles (all financial reporting, budget preparation, performance reporting) are, among others, functions that have been assumed by the Assistant Deputy Director. They are in addition to duties to oversee and manage the audit program on a daily basis. While assigning these related duties to one division is logical, assigning them to one individual is not workable. The breadth, necessity and ongoing nature of the city's budget, financial reporting requirements alone are a full-time job. Oversight to ensure both thoroughness and timeliness of Commission audits will continue to be compromised with these equally important duties also required of existing auditors and audit management. Existing staff resources in the Operations and Audits Division are taxed fully. Re-balancing the division's work requires a new level of program management. We recommend a new Operations and Audit Manager position be created by authorizing and funding one new Senior Administrative Analyst (1823) to provide day to day oversight of operations and audits those programs realistically require.

Two Senior Administrative Analyst (1823) positions

Total approximate annual cost of \$314,000. This reflects an approximate salary and fringe per position of roughly \$157,000 (with roughly \$110,000 in salary and roughly \$46,000 fringe).

2. Correct historic underfunding of Staff tools, training & development

Line items for technology, improved outreach, and training must be created to recognize and fund ongoing investments needed to achieve and sustain programmatic and organizational improvements

Initial Estimates: FY18 \$199,500 FY19 \$24,000

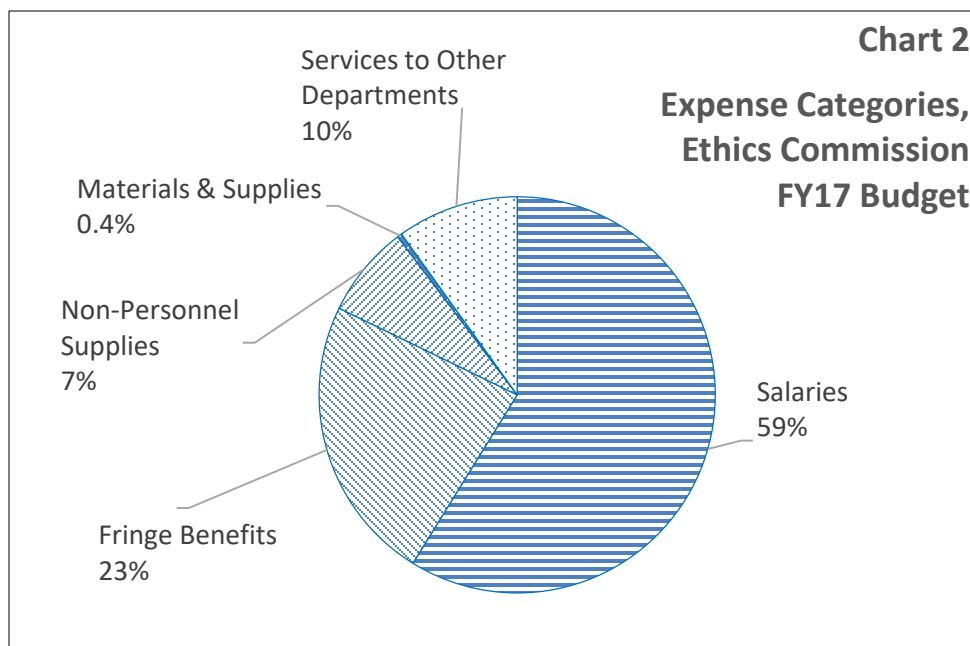
Technology. Historically, the Commission’s budget includes fees for services to other City departments including the Department of Technology. For FY17, for example, of the \$354,742 in the Ethics Commission’s budget allocated for payments to other departments, roughly \$34,000 was for IT services and infrastructure. The Commission’s budget has not included a dedicated line item for ongoing technology needs it identifies for program or organizational innovation. With new approaches to our work being identified, however, this need has become more apparent and pressing. While Staff have not historically employed case tracking software in managing the Commission’s enforcement program, following discussions with other enforcement agencies in late 2016, Staff is now exploring opportunities to obtain enforcement case management software. Staff has initially estimated a one-time purchase cost to implement this new programmatic tool at roughly \$20,000 in FY18.

In addition, recent policy initiatives adopted or proposed by the Board of Supervisors would further expand the public disclosure needs of the Commission’s current online filing capabilities effective January 1, 2018. Funding for those transparency needs, however, has not been included in the proposed ordinances. Staff estimates that IT development and support costs to address known new requirements and potential new systems could total \$150,000 in FY18

Communication. In late 2015 the Ethics Commission identified a need to fund the expansion the materials it has translated into multiple languages for broader community engagement. While the Commission has accomplished some translated documents, more remains to be done. Ensuring sufficient funds for that translations on a regular basis going forward has not yet been accomplished. To improve how the Commission delivers important information to San Franciscans in languages other than in English, additional resources need to be identified. This includes establishing a specific line item in the Commission’s budget to fund and account for translation expenses. Staff has estimated language translation costs in key programmatic areas at \$5,000 annually.

Staff development and training. Historically, the largest component of the Ethics Commission’s budget staff salaries and fringe, with minimal resources dedicated to the tools and training that help retain and develop staff. As illustrated in Chart 2, that historic trend most recently translated in FY17 to less than 1% of the Commission’s budget focused on staff training and development: less than \$4,000 was allocated for staff training. This historic trend needs to be corrected. As a re-boot of the staff onboarding process -- and a recommitment to supporting the success of staff already on board -- training in key skill areas (such as Excel, investigative and audit techniques, HTML) should be provided regularly. New tools and information are important to train and refresh Commission staff in ways that can continue to improve our services and their delivery, and to retain, develop and position all staff to advance their careers with enhanced knowledge, skills and abilities. These training opportunities include initial estimates for the following:

<i>Investigator onboarding, FY18 (deposition training; 4 investigators)</i>	<i>\$ 7,000-FY18</i>
<i>Investigator training (FY19)</i>	<i>\$ 4,000-FY19</i>
<i>Auditor training (4 auditors)</i>	<i>\$ 4,000-FY18 & 19</i>
<i>IS Business Analyst – Tableau Tools Training (1 position)</i>	<i>\$ 2,500-FY18</i>
<i>Skills training, other staff</i>	<i>\$ 5,000-FY18 & 19</i>
<i>Annual COGEL Annual Conference attendance (3 staff)</i>	<i>\$ 6,000-FY18 & 19</i>



3. Adapt Commission offices to match program priorities and Staff levels

The Commission office space needs to be reconfigured to provide functional work, meeting and training areas.

Estimate: *Estimate underway and TBD*

At present Staff levels, the Ethics Commission offices are now occupied to its maximum capacity. In FY17, the use of a former conference room was converted to house two new Policy staff, and one small conference room remains, however its size cannot accommodate a full staff meeting. To ensure the office is retrofitted appropriately to accommodate its increased number of staff and its priority work to conduct more expanded training, office modifications to ensure the most functional office space will be required. Staff are currently obtaining quotes to retrofit the currently limited electrical capacity in the office for our existing staff capacity. To date, we understand updating the number of outlets in the office may cost roughly \$8,500. With two additional Administrative Analyst positions, the remaining office conference room will have to be converted at the current office location as well to provide adequate staff workspaces. Staff plans to reach out to the City's department of Real Estate to obtain cost estimates and inquire about other possible options that may be available. No dedicated funding has yet been identified for this purpose, but our understanding is the departments bear responsibility for expenses associated with office modifications and/or relocations.

4. Extend planned use of key performance indicators across all programs

For appropriate oversight of the public’s investment in the Commission’s work, clear progress indicators will be implemented and regularly and publicly reported.

Estimate: *Neutral. Practice will be implemented by Senior Administrative Analysts with programmatic oversight duties.*

As noted in the Commission’s 2016 *Blueprint for Accountability*, performance indicators are valuable to ensure that the Ethics Commission can track progress toward its established goals. They are also important to enable the public and elected officials to better understand the Commission’s progress toward meeting those goals. Toward that end, in 2016, Commission Staff initiated tracking systems to benchmark progress in the enforcement program area and have been reporting on caseloads on a roughly monthly basis since mid-2016. Expanding those approaches to the Commission’s Education and Compliance and Audit programs will be a direct responsibility of the program administrator positions that will provide day to day oversight of those key program areas.

Chart 3
Recap of SF Ethics Commission FY17
Priorities

Goal	Approach	Sample Indicators of Performance
Improve organizational efficiencies and strengthen public tools for meaningful transparency about government actions	Establish an electronic framework for all SFEC disclosure programs that is integrated, searchable and downloadable, and that facilitates full and timely compliance.	<ul style="list-style-type: none"> ✓ increased number and proportion of timely filings across all mandated disclosure programs ✓ improved timeliness of public access to mandated disclosures ✓ improved methods for publicly accessing disclosure data ✓ reduced time processing paper
Strengthen capacity to fulfill SFEC voter mandate for effective enforcement of ethics, campaign finance, disclosure, and lobbying laws	Ensure investigative and enforcement processes are timely, thorough, fair, and consistent. Improve functionality of research and tools for effective case resolution	<ul style="list-style-type: none"> ✓ reduced complaint timeframes ✓ increased types of investigations that reflect fuller breadth of laws ✓ higher proportion of cases that contain most serious violations or patterns of violations ✓ broader range of cases brought for hearing on the merits
Deepen policy engagement and heighten compliance outreach to improve the effectiveness of laws within the Commission's jurisdiction	New Policy Unit for broad, timely, & understandable guidance on the laws and their application; conducts regular, robust policy analysis and evaluation; develops workable and enforceable approaches to policy issues.	<ul style="list-style-type: none"> ✓ increased number and frequency of compliance guidance contacts ✓ increased frequency and scope of evaluations of existing policies and programs for needed improvements ✓ more regular and timely analysis of emerging issues and development of potential policy approaches ✓ broadened policy outreach/input
Increase organizational capacity for providing thorough and timely administrative support for Immediate Disclosure Requests and Public Records Act request responses; ensure timely compilation and distribution of accurate public information and meeting materials.	Enhance and tailor administrative support structures, roles, and tools to better match public and stakeholder information needs	<ul style="list-style-type: none"> ✓ ensure systems that ensure full and timely IDR and PRA request responses ✓ increased timeliness of distribution of public materials and information ✓ establish baseline knowledge across agency programs of stakeholder information needs and align/re-align transparency efforts to better support identified approaches