



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

PETER KEANE
CHAIRPERSON

February 21, 2018

DAINA CHIU
VICE-CHAIRPERSON

The Honorable Mark Farrell, Mayor
City Hall, Room 200

PAUL A. RENNE
COMMISSIONER

1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

QUENTIN L. KOPP
COMMISSIONER

Re: Ethics Commission FY19/20 Budget Submission

YVONNE LEE
COMMISSIONER

Dear Mayor Farrell:

LEEANN PELHAM
EXECUTIVE DIRECTOR

For the past two years, supported by budgets endorsed by late Mayor Edwin Lee and the Board of Supervisors, the Ethics Commission has energetically focused on three key organizational priorities: innovation to strengthen service delivery; efficiencies to improve the City's return on its investment in the Commission's work; and heightened engagement to ensure laws the Commission administers and enforces are strong and effective.

Fundamental to achieving these goals has been a right-sizing of the Commission's organization and staffing, first established as a priority in its 2016 *Blueprint for Accountability* and reflected in its adopted FY17 budget. In the adopted FY18 budget, critical capacity-building continued with essential resources to enable the Commission to more fully deliver on a wider range of its responsibilities under the law. As described more fully in the attached overview, sustaining progress now underway on service innovations, operational efficiencies, and program impact is vital. It is essential for enabling the Commission to effectively achieve the broad mandates it was established to achieve. It is also essential for more broadly engaging communities throughout San Francisco to:

- assist voters in making informed electoral decisions;
- ensure that all individuals and interest groups in our city have a fair opportunity to participate in elective and governmental processes; and
- increase public confidence in the fairness and responsiveness of governmental decision making.

The Ethics Commission's proposed budget for FY19-20 focuses on ensuring the Commission can sustain progress on core mandates through new funding sufficient to meet the following key needs:

<p><input type="checkbox"/> Retain all 24 currently authorized positions and ensure their full funding by closing structural salary account shortfalls of prior budget years for positions that were authorized but not funded, or that were funded for a partial year only.</p>	<p><i>Catch-up in Base Salaries & Fringe</i> \$ 68,241</p>
<p><input type="checkbox"/> Return attrition savings amount to Commission’s operating budget to enable achievement of organization’s goals by allowing hiring and retention of staff at FTE levels actually authorized.</p>	<p><i>Return of Attrition Savings to Ethics Budget</i> \$ 202,630</p>
<p><input type="checkbox"/> Expand online and offline information and materials available in multiple languages to better engage diverse communities and broaden government accountability.</p>	<p><i>Translation Services</i> \$ 15,000</p>
<p><input type="checkbox"/> Improve investigative and legal research databases to support thorough and timely investigations and case resolution.</p>	<p><i>Investigative Tools</i> \$ 5,000</p>
<p><input type="checkbox"/> Investment in staff development and retention by supporting and enhancing employees’ knowledge, skills, and abilities.</p>	<p><i>Investment in Staff Training & Retention</i> \$ 37,000</p>
<p><input type="checkbox"/> Retain client services from Department of Human Resources to support Commission’s expanded HR and personnel work through interdepartmental work order.</p>	<p><i>DHR Work Order</i> \$ 27,000</p>
<p><input type="checkbox"/> Ensure sufficient funding to support increased costs of software licensing and maintenance for essential tools, systems and infrastructure services.</p>	<p><i>Increased Costs for Essential Technology Services</i> \$ 12,889</p>
<p><i>Total New Budget Request</i> <u>\$ 367,760</u></p>	

This \$367,760 request represents an overall increase for the Ethics Commission of approximately nine percent over its FY18 base operating budget¹ of roughly \$3.9 million.

¹ The Ethics Commission’s base operating budget excludes funding for system projects funded by the City’s Committee on Information Technology (“COIT”), and the required annual General Fund allocation to the Election Campaign Fund that provides limited public financing for qualified Mayoral and Supervisorial candidates.

As a small department with no professional administrative positions and just 24 FTEs, the Ethics Commission continues to work closely with the Department of Human Resources to complete its hiring plan that continues underway to fill positions secured with the current fiscal year's budget. As a result, the Ethics Commission's proposed FY19-20 budget contains no new FTEs. At the same time, because roughly 90 percent of the Commission's funding is attributable to personnel salaries and benefits, a 2.5 percent budget cut as identified in this year's budget instructions would require the Commission to eliminate essential staffing resources. Based on the Commission's expanded workload demands in connection with three upcoming city elections (June 2018, November 2018, and November 2019), core program mandates identified but not yet able to have been fulfilled, and critical new systems to improve program and service delivery that are continuing in development, the Commission is not in a position to propose any budget reductions.

The attached overview identifies for your reference progress the Ethics Commission has achieved to date on its *Blueprint for Accountability* strategic priorities. It also highlights key goals by program area for the coming fiscal year. As the Commission continues to pursue greater innovation, efficiencies, and public engagement to deepen the effectiveness and impact of its work, we ask for your support to sustain these gains working in shared purpose to promote government that is open, responsive, and accountable to all San Franciscans.

Thank you for your time and consideration of our request. We look forward to answering any questions you may have and to working with you and your Budget staff as the City's FY19-20 budgets are developed.

Sincerely,



LeeAnn Pelham
Executive Director


Attachment

Blueprint for Accountability: Sustaining Progress

Overview for Ethics Commission FY19-20 Budget Request | February 21, 2018

The strategic budget priorities of the Ethics Commission to **right-size its organization and staffing** were foundational elements first established in 2016 in the Commission's *Blueprint for Accountability*, and reflected in its adopted budget for FY17. That critical **capacity-building** continued with the Mayor and Board of Supervisor's support of the Commission's proposed FY18 budget, which provided essential funding to enable the Commission to more fully deliver on a fuller range of its responsibilities under the law. **Sustaining progress** that is now underway to improve program impact, deliver innovative service, and produce organizational efficiencies is vital to enabling the Commission to effectively achieve its broad voter mandates. The following scorecard illustrates the Commission's ongoing priorities and goals, approaches taken, and progress made to date, with additional detail and continuing priorities by program area outlined in the following pages.

Priority: Effective Investigations & Enforcement


 *Strengthen capacity to fulfill Commission's voter mandate for effective enforcement of ethics, campaign finance, disclosure, and lobbying laws.*

- ✓ reduced complaint timeframes
- ✓ increased types of investigations reflecting fuller breadth of laws
- ✓ higher proportion of cases containing most serious violations or patterns of violations
- ✓ broader range of cases brought for hearings on the merits

Progress



Priority: Strengthened Policy Focus


 *Deepen policy engagement to improve the effectiveness of laws within the Commission's jurisdiction.*

- ✓ increased frequency and scope of policy evaluations of existing laws for needed improvements
- ✓ more regular and timely analysis of emerging issues and development of potential policy approaches
- ✓ broadened policy engagement

Progress



Priority: Proactive Compliance Outreach


 *Heighten compliance engagement and outreach to improve the impact of laws within the Commission's jurisdiction.*

- ✓ broadened outreach to enhance consistency in services provided across all program areas
- ✓ institute and regularize evaluations of existing program administration practices for continuous improvement
- ✓ increased number, frequency, and timeliness of compliance guidance contacts

Progress



Priority: E-Filing Conversion and Improved Service Delivery

 *Improve organizational efficiencies and strengthen public tools for meaningful transparency about government actions.*

- ✓ improved methods for publicly accessing required disclosure data
- ✓ improved timeliness of public access to mandated disclosures
- ✓ reduced time processing paper
- ✓ increased number and proportion of timely filings across all mandated disclosure programs

Progress



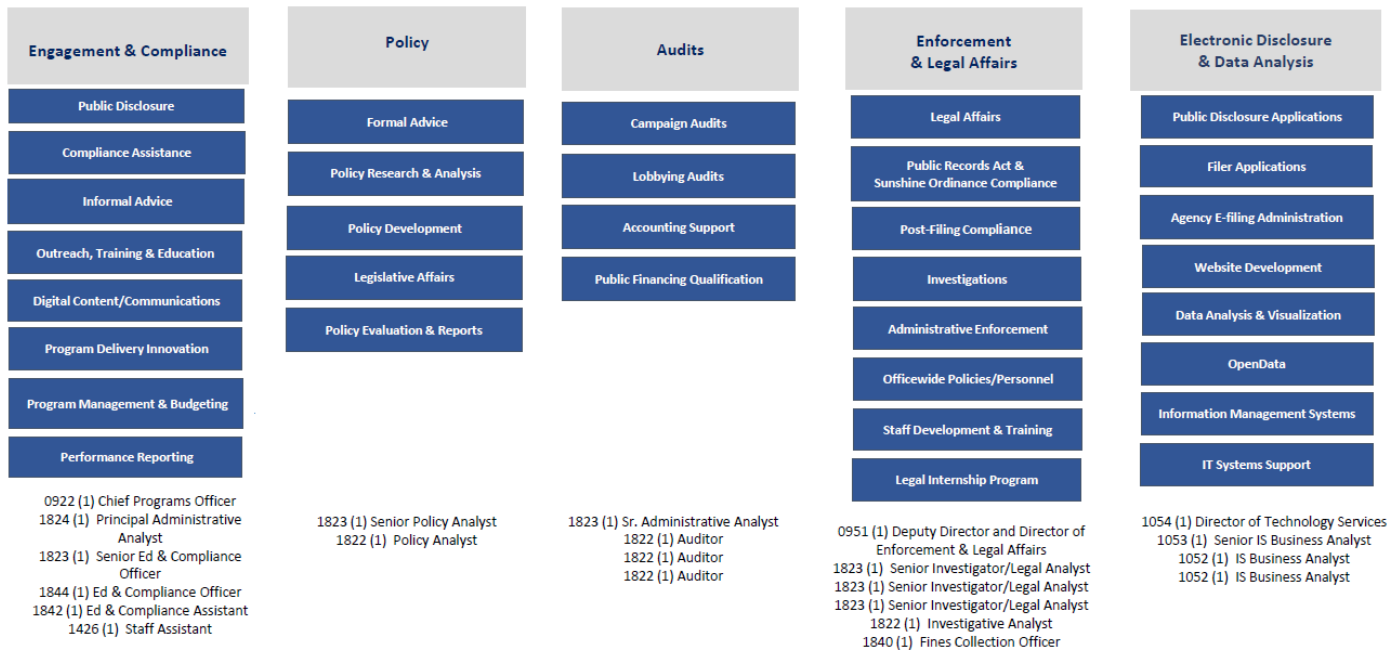
Ethics Commission FY19 Staffing and Organization

San Francisco Ethics Commission

Ethics Commission
(Five Members)

Executive Director 0961

Commission Support and Administration
1222 (1) Payroll Clerk/Office Manager



Investigations and Enforcement

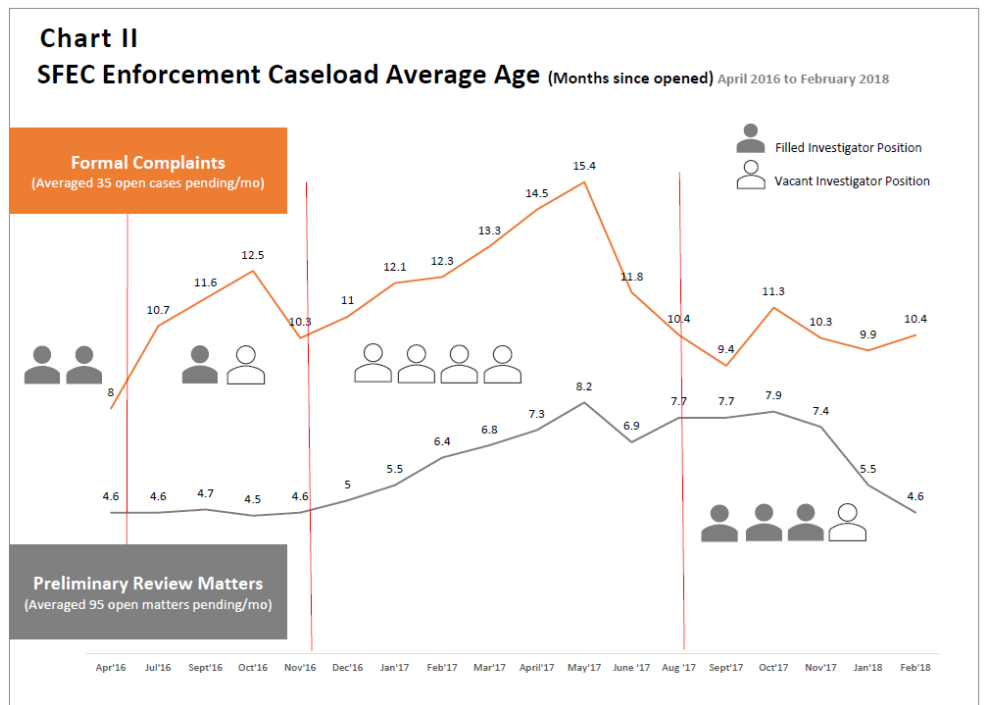
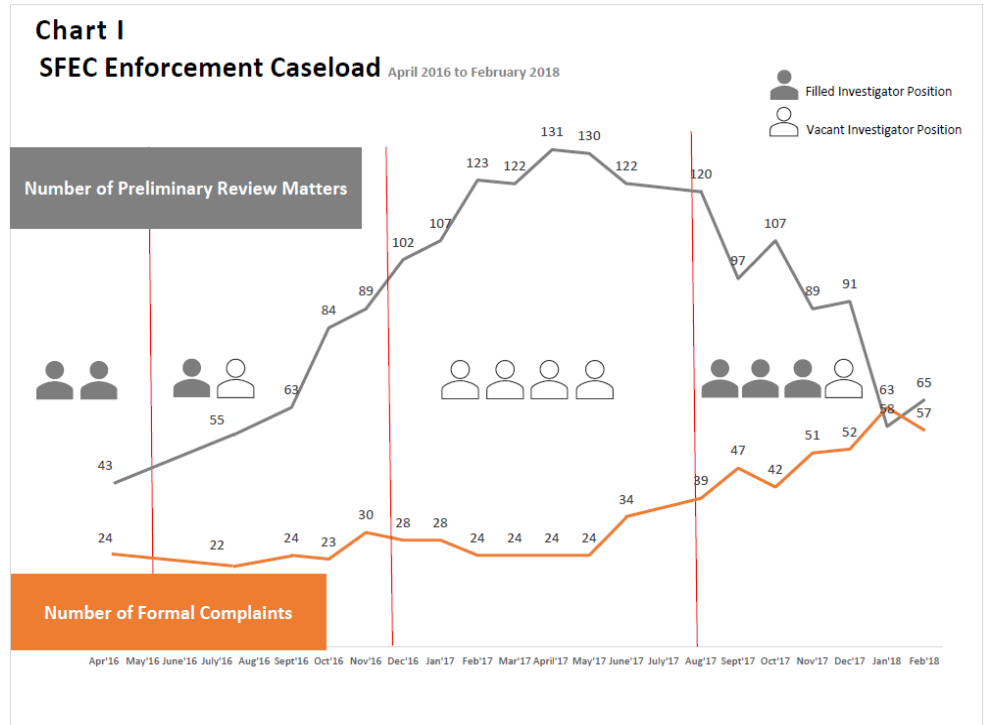
With filled Investigator positions authorized and funded in the Commission’s most recent two budgets, the Commission’s enforcement program has now begun to demonstrate progress increasing program effectiveness:

- significant reductions in preliminary review backlogs;
- open investigations now reflecting a broader range of issues;
- investigators working full caseloads, including more enforcement initiatives developed by staff.

At the same time, the Enforcement Division this year launched and completed a review of the Commission’s enforcement regulations to clarify and strengthen its enforcement procedures. The proposed new regulations were adopted by the Commission in January 2018 and are expected to take effect in March 2018.

To ensure the Commission can continue making progress with its enforcement caseload and maximize the impact of effectiveness of its enforcement program, priorities for FY19 include:

- Increased initiation of more complex cases as pending cases continue to be resolved more timely.
- Sufficient funds to contract for improved investigative and legal research databases that are essential tools for supporting thorough and timely investigations and case resolution.



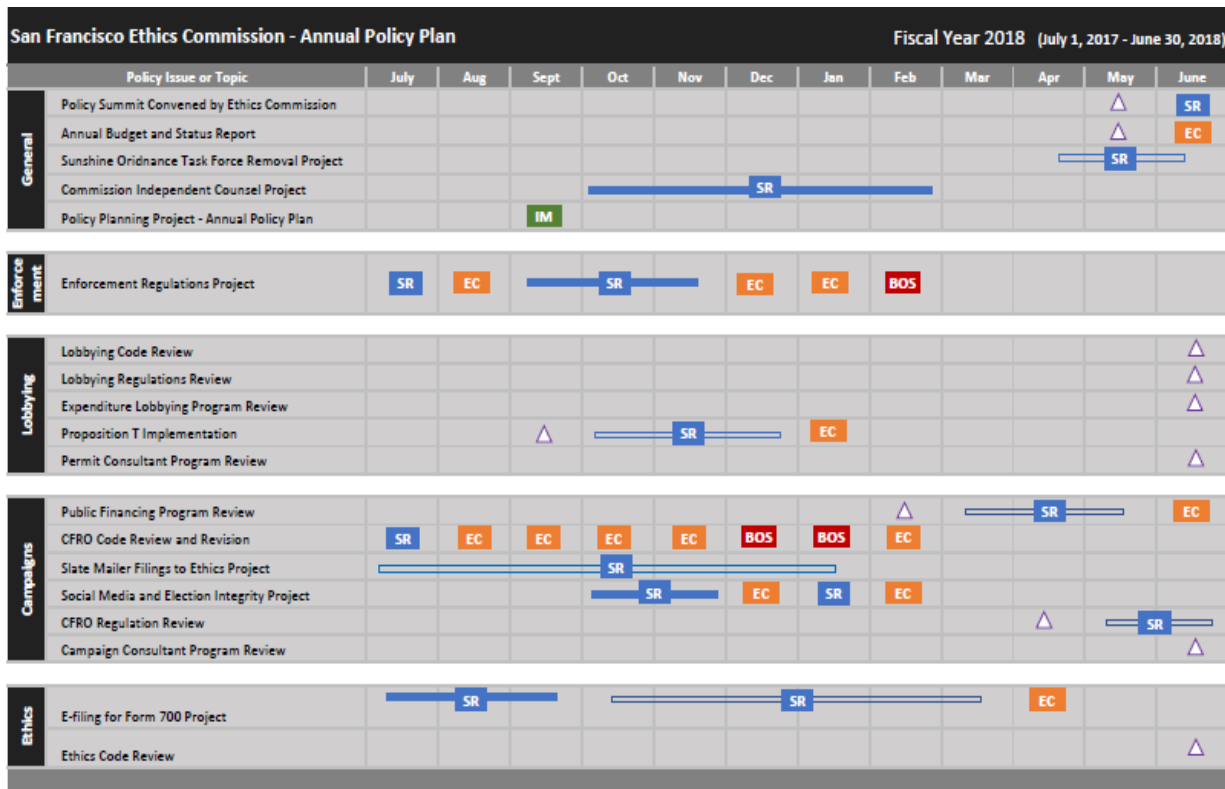
Policy

The Ethics Commission’s Policy Unit was established with the critical goal of improving the effectiveness of laws within the Commission’s jurisdiction. The unit was created to focus on policy analysis and research, and in the development and evaluation of issues and policies within the Commission’s jurisdiction. It also specializes in providing guidance on more complex policy and compliance questions, including the agency’s written informal and formal advice. Since fully staffed as of July 2017, the Commission’s new Policy unit has been able to support the Commission’s strengthened policy focus by regularly engaging on and initiating public policies to ensure the laws within its jurisdiction are strong, workable in practice, and enforceable.

The Commission has engaged in a review of legislative proposals introduced by nearly half of the Members of the Board of the Board of Supervisors, and has initiated a series of its own ordinance reviews to address emerging issues and develop recommendations for needed improvements to the law. In addition, the Policy unit is reviewing and drafting Advice and Opinion Regulations to bring to the Commission for review this fiscal year. Using its *Annual Policy Plan* and new legislative tracking process as tools to prioritize and plan its policy and legislative work, the Commission is able to assess and report to the public each month on the scope and sequencing of planned policy reviews. This transparency is designed to promote robust policy discussions and public engagement by providing some predictability about when issues are likely to be scheduled for review and analysis, Staff outreach, and consideration by the full Commission.

Priorities for FY19 include:

- implementation of new Advice and Opinion regulations
- complete reviews of public financing, Conflict of Interest Code, and lobbying ordinance and propose any needed improvements in those laws
- expanded work to engage diverse voices in the Commission’s policymaking process



Engagement & Compliance

The Ethics Commission's Engagement & Compliance division is the point of primary contact for all public disclosure, filing assistance, compliance guidance and training and education for the full range of programs the Commission administers. The division assists 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. Its day-to-day operations are led by a Chief Programs Officer working with a team of five program staff.

In its FY18 budget, the Commission reallocated an existing position to create a new Chief Programs Officer position to provide day-to-day leadership of its vital engagement and compliance assistance programs. These include filings across all areas of the Commission's work.

Key achievements in FY18 include:

- ✓ Supported candidates, committees, and the public with information and guidance regarding the upcoming Mayoral election in June 2018. Provided training to Candidates and Treasurers for June 2018 City elections.
- ✓ Designed electronic forms, developed compliance materials, and conducted filer outreach for new legislation such as Proposition T, online consolidated Sunshine and Ethics Training Certification, and electronic filing for Behested Payments reporting by City board and commission members.
- ✓ Provided monthly reminder notifications to filers regarding filing deadlines and requirements for all program areas, and assisted filers via phone, email and in-person to ensure timely compliance.

Upcoming priorities for Engagement and Compliance include:

- Additional training sessions and filing assistance to filers and filing officers for the upcoming annual Statement of Economic Interests requirements
- Provide compliance guidance to candidates and committees for the June and November 2018 City elections
- Support the design, development and outreach efforts for upcoming electronic filing implementations such as gift of travel reports, Form 700 filings by all designated filers, and online filing for expenditure lobbyists.

To ensure the Commission can broaden its engagement and outreach efforts, the Commission's FY19-20 budget reflects the following needs:

- Full funding for positions that were authorized for the Engagement and Compliance division
- Increased funding for translation services to enable more effective outreach to the city's diverse communities

Currently the Engagement and Compliance division has two unfilled positions, of which one position (1823) does not have approved funding. Funding this position is crucial to enable the Commission to thoroughly administer its programs, deliver on its upcoming priorities, and provide quality service to its filers and the public.

Translation of new tools and information about governmental transparency and accountability into multiple languages is important to be able to reach diverse communities. Historically no funding has been dedicated for specific translation or the coordination of services on an ongoing basis. The Commission currently has only two online documents translated in Chinese, Filipino, and Spanish. Although additional documents were previously translated using FY16 funding, they have since then become outdated and funding has not been available to keep them current.

Electronic Disclosure & Data Analysis

The Commission's Electronic Disclosure & Data Analysis division serves filers, Commission staff, and the public by providing integrated technology solutions for compliance, agency operations, and access to electronic disclosure records and data. This includes the ongoing development and support of the Commission's electronic disclosure services, information management systems, agency technology support, public web site, open data resources, and data visualizations and analysis. The division is also responsible for the Commission's contracting with external technology service providers and project management. Division staff produce the Commission's data visualizations and analysis.

In 2015 and 2016, San Francisco voters approved two ballot measures that appropriated funds to implement changes to the lobbyist ordinance. These changes included electronic filing of expenditure lobbyist disclosures (Prop. C, 2015) and changes affecting online lobbyist registration provisions to support a new ban on lobbyist contributions (Prop. T, 2016). In addition, in FY17, the City's Committee on Information Technology (COIT) approved a two-year project to provide electronic filing of Ethics and Sunshine training certifications required by City officials, reports of gifts of travel, and Form 700 for all designated filers. The project also included improvements to strengthen public access to campaign finance data filed with the Ethics Commission. In addition, the Commission received start-up resources from COIT to develop the a Sharepoint site to enhance staff collaboration and improve workflow efficiencies, and to integrate the City's DocuSign system with it to implement a low cost and flexible e-filing solution for filing systems that remain paper-based.

With these resources, the Commission has since July 1, 2017 launched the following:

- ✓ new online lobbyist registration system by the January 1, 2018 implementation deadline to implement provisions of Prop T;
- ✓ online consolidated Sunshine and Ethics Training Certification that is integrated with the Form 700 filing process
- ✓ electronic filing for Lobbyist Certification of required training;
- ✓ electronic filing of the local form for behested payments reporting by City board and commission members; and
- ✓ access to lobbyist and behested payments filing data via the City's Open Data portal, allowing improved public access to disclosed data in a variety of ways that are meaningful to individual users.

In addition, scheduled for launch by the end of the FY17 third quarter are:

- online public access to view lobbyist registrations enacted by Prop. T;
- electronic filing of City officials' gift of travel reports; and
- interactive, online data visualizations that summarize campaign finance activity in the June and November 2018 City elections.

Priorities for FY19 include:

- deployment of new campaign finance API for more robust and timely access to disclosed campaign data;
- implementation of electronic filing for expenditure lobbyists;
- implementation of Citywide disclosure system for online Form 700 filings by all designated filers; and
- development of new systems and reporting tools for pending legislation (*e.g., Anti-Corruption and Accountability Ordinance*).

Investing in Staff Development

By June 30, 2018, more than one-half of the Ethics Commission's 24 staff positions will be filled by individuals who joined the Commission since January 2016. The Commission's proposed FY19-20 budget ensures essential capacity-building resources are available to effectively onboard new staff and support staff already on board with core technical skills and subject matter expertise that promotes work effectiveness, staff retention and job success.

Regular training opportunities promote a strong, current knowledge base and ensure strong service delivery. Regular training opportunities that deepen all employees' knowledge, skills and abilities also help retain, develop and position staff to advance in their careers.

Historically, minimal funds (less than \$10,000) have been dedicated for training and professional development. The Commission's FY19-20 budget proposes to reverse this trend by adding \$37,000 for these purposes:

Staff training and professional development-related items identified for FY19 include:

Public outreach/communication training, Engagement & Compliance staff	\$ 4,000
Annual COGEL Annual Conference attendance (five staff)	\$ 10,000
Investigator training, Enforcement Staff	\$ 5,000
Auditor training, Audit Staff	\$ 8,000
Systems and application training, IT Staff	\$ 20,000

Aligning Resources for Organizational Success

For appropriate oversight of the public's investment in the Ethics Commission's work, clear progress indicators need to be identified, implemented, and regularly and publicly reported across all program areas. Such indicators of progress are valuable to ensure that the Commission can track its own progress toward established goals. They are also important to enable the public and elected officials to better understand the Commission's progress toward meeting those goals. With critical capacity-building in recent budgets, initiatives to benchmark and manage toward organizational performance goals are being instituted across all program areas.

In addition, to support organizational performance during a period of organizational growth and transformation, Staff launched at the outset of FY18 an improved process for conducting annual performance reviews. This process ensures that individual performance goals of each member of the Staff are closely aligned with key organizational priorities, and enables focused discussions to occur no less than twice a year about how individual contributions link directly to the Commission's overall success as an organization.

The Election Campaign Fund:

Funds Restricted for Use in the Limited Public Financing Program

The Ethics Commission's current budget is comprised of two main components: an operating budget, discussed in the sections above (also referred to in the City's budget books as "non-grant funding"), and the Election Campaign Fund ("Fund"). The Fund is established in the City's Campaign Finance Reform Ordinance ("CFRO") for purposes of funding the City's limited system of public financing for candidates for the Office of Mayor and the Board of Supervisors.

Under CFRO, the Fund is capped at a maximum of \$7 million. Annual required allocations to the Fund are based on a formula of \$2.75 per resident, unless the Fund has already reached its maximum. No more than 15 percent of the total in the Fund for any given election may be used for administering the public financing program. CFRO Section 1.138(b)(2). The FY18 deposit to the Fund was roughly \$.5 million, with an FY19 allocation proposed at approximately \$1 million.

With June 5, 2018 elections called for the Office of Mayor and in Supervisorial District 8, disbursements to qualified candidates for that election have now begun. Additional disbursements of public funds to qualified candidates for the November 2018 election will begin in mid-June 2018. For the 2019 election, disbursements can begin as early as mid-June 2019.

City law requires additional allocations to the Fund when either a Mayoral or Supervisorial seat becomes vacant and an election is held to fill the vacancy for the remainder of the term. These supplemental required allocations range from an additional \$0.25 per resident in the case of a supervisorial race to "an amount that ensures that at least \$8.00 per resident is available in the Election Campaign Fund for that election and the next regularly scheduled Mayoral election." CFRO Sec. 1.138(b)(3)-(4). As of January 2, 2018, the balance of the Fund was approximately \$7 million, which is sufficient to meet the level required by this section for the June 2018 election. Additional allocations required for FY19 and FY20 will be affected by the amount of disbursements made to qualified candidates in connection with the June and November 2018 elections.