



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

DAINA CHIU
CHAIR

February 21, 2019

NOREEN AMBROSE
VICE-CHAIR

The Honorable London Breed, Mayor
City Hall, Room 200

QUENTIN L. KOPP
COMMISSIONER

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

YVONNE LEE
COMMISSIONER

Re: Ethics Commission FY20/21 Budget Submission

FERN M. SMITH
COMMISSIONER

Dear Mayor Breed:

LEEANN PELHAM
EXECUTIVE DIRECTOR

Attached for your review and consideration is an overview of the Ethics Commission's budget submission for FY20/21.

In sum, the Commission is requesting \$352,556 in new funding that is focused on ensuring the Commission has essential resources necessary to ensure critical initiatives underway on core mandates will not be derailed. This figure represents a roughly 8% increase overall from the Commission's FY19 base operating budget¹ of roughly \$4.4 million. While the requested budget will deepen the Commission's organizational capacity, it does so without adding headcount. This budget submission does not propose the addition of any positions ("FTEs") to the operating budget of the Ethics Commission.

As an organization still in transformation, the Ethics Commission continues to remain sharply focused on leveraging all available resources to achieve needed improvements and broaden the impact of its programs throughout the City. Particularly as a number of new laws have taken effect in the past fiscal year, ensuring effective compliance guidance through efficient programs and services continues to be a top priority. We also remain committed to implementing effective technology solutions to both enhance filers' compliance and promote more effective public engagement with information required to be disclosed. Improving governmental accountability through audits and investigations remains a core part of our Charter mandated mission, and our work to ensure that those processes are fair, thorough, and timely remains of critical importance. In support of these ends, as highlighted in Section I of the attachment, the Commission proposes several increases to its ongoing Annual Accounts.

¹ The Ethics Commission's base operating budget does not include 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.

Requests related to the Commission's Continuing Accounts, including 1) Charter-mandated appropriations to the City's Election Campaign Fund, and 2) the Commission's proposed COIT-funded project, *"Making Disclosure Meaningful: Data Sharing and Analysis Tools for an Informed Public,"* are discussed briefly in Section II of the attachment.

Each of these budget requests closely align with Citywide budget priorities to ensure accountability for services provided and promote equitable outcomes throughout the City.

For ease of reference, organizational charts illustrating the Ethics Commission staffing and position authorities, both current and proposed, appear in Section III of the attachment.

As requested of all departments, the Commission has also identified proposed targeted and contingency cuts per the budget instructions issued by your office in December 2018. As a small department with little administrative overhead and just 23 authorized full-time positions, however, the ability of the Ethics Commission to deliver on its existing core mandates would be necessarily and negatively be impacted by those cuts. Because roughly 87% percent of the Commission's funding is attributable to personnel salaries and benefits, the required proposed targeted cuts would necessarily impact essential staffing resources. Our discussion of the proposed targeted cuts and their impact appears in Section IV of the Attachment.

We thank you in advance for your consideration of the Ethics Commission's budget request, and we look forward to working with you in support of government that is open, responsive, and accountable to all San Franciscans.

Sincerely,

LeeAnn Pelham

LeeAnn Pelham, Executive Director
Attachment

Attachment

OVERVIEW OF ETHICS COMMISSION PROPOSED BUDGET FY20/21

SECTION I - ANNUAL ACCOUNT CHANGES

Position Related Changes

Total \$ 220,156

The recent completion of the Ethics Commission's hiring plan will provide critically-needed resources with direct responsibility for heightening key compliance-focused initiatives into FY20 and beyond. Coupled with slated programmatic and operational improvements, these steps are highly aligned with the Mayor's FY20/21 Citywide budget priorities to 1) ensure accountability for services provided and 2) promote equitable outcomes throughout the City. At the same time, several areas of the Commission's work have demonstrated a demand for duties of a more complex nature equivalent to the duties of more senior-classified positions than currently reside in those work units. As such, the Commission has determined that several positions require re-alignment given the changing operational needs of the Commission. This budget request addresses these reclassification requests, required step and pay adjustments, and the removal of attrition savings, which acts as a structural salary shortfall for fully staffed small departments.

Goals Served

- ✓ *Ensure accountability through objective, thorough, and timely investigations and case resolution.*
- ✓ *Ensure audits are conducted timely as required under City statutes for campaigns and lobbyists, to provide accountability by persons subject to audit. Without the identified resources, necessary improvements in the Commission's audit program cannot be developed or sustained. Moreover, the Commission will lack critical capacity necessary to initiate lobbyist audits as required under the law.*
- ✓ *Full Retention of Base Salaries & Fringe for all 23 currently authorized positions and ensure their full funding by closing structural salary account shortfalls*

Materials & Supplies

Total \$ 49,700

New software to enhance compliance guidance, public engagement, operations.
Funding necessary to support Software and other license cost increases for essential tools, systems and infrastructure services.

Non-Personnel Services

Total \$ 6,000

Professional Services (DocuSign technical support for e-filing systems).

Services of Other Departments

Total \$ 76,700

Work order with Department of Human Resources to retain Client Services support for Commission's expanded human resources and personnel work.

Desktop support software patch management program.

Operating Budget New Request Total \$ 352,556

SECTION II - CONTINUING ACCOUNTS

Election Campaign Fund.

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"). Under CFRO, the Fund is capped at a maximum of \$7 million. Allocations to the Fund are based on a formula of \$2.75 per resident, unless the Fund has already reached its maximum. Funds may need to be appropriated to the fund in FY20 up to the formula and caps provided in the law.

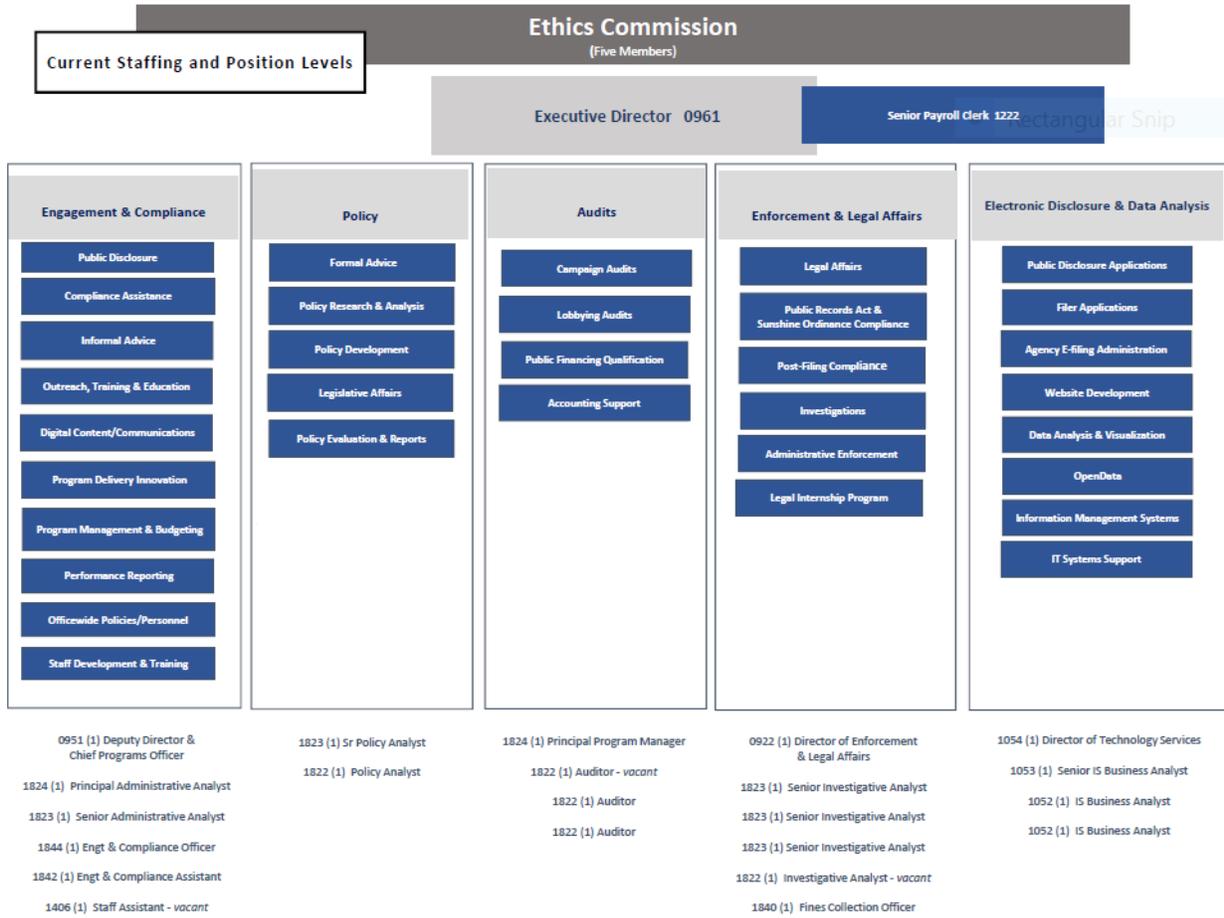
Making Disclosure Data Meaningful: *Data Sharing and Analysis Tools for an Informed Public*

A three-year limited duration project proposed for COIT funding.

This new project builds on work that the Commission has initiated to fully bring paper-based filings into a digital based environment. It proposes to provide a critical fix to ensure all digital forms are accessible via DataSF and to ensure public access to data for improved searchability and analysis, including a Campaign Application Programming Interface, or "API", which is one of the most advanced campaign finance data research tools offered by any level of government in the country. In providing the public with the ability to better search and 'connect the dots' among various data disclosures, the project will provide easier and most robust access to key disclosure data that San Franciscans continue to demand. The project will also provide improved user outreach on tools and to identify user needs, providing direct support and information to better equip the public in more fully understanding the role of money in City campaigns and in efforts to shape governmental decision-making. Absent funding for this project, other positions focused on competing projects that are critical to the efficiency and effectiveness of the Commission's other core programs and services will have to be re-deployed, thereby eliminating the Commissions' ability to achieve needed organizational and programmatic improvements.

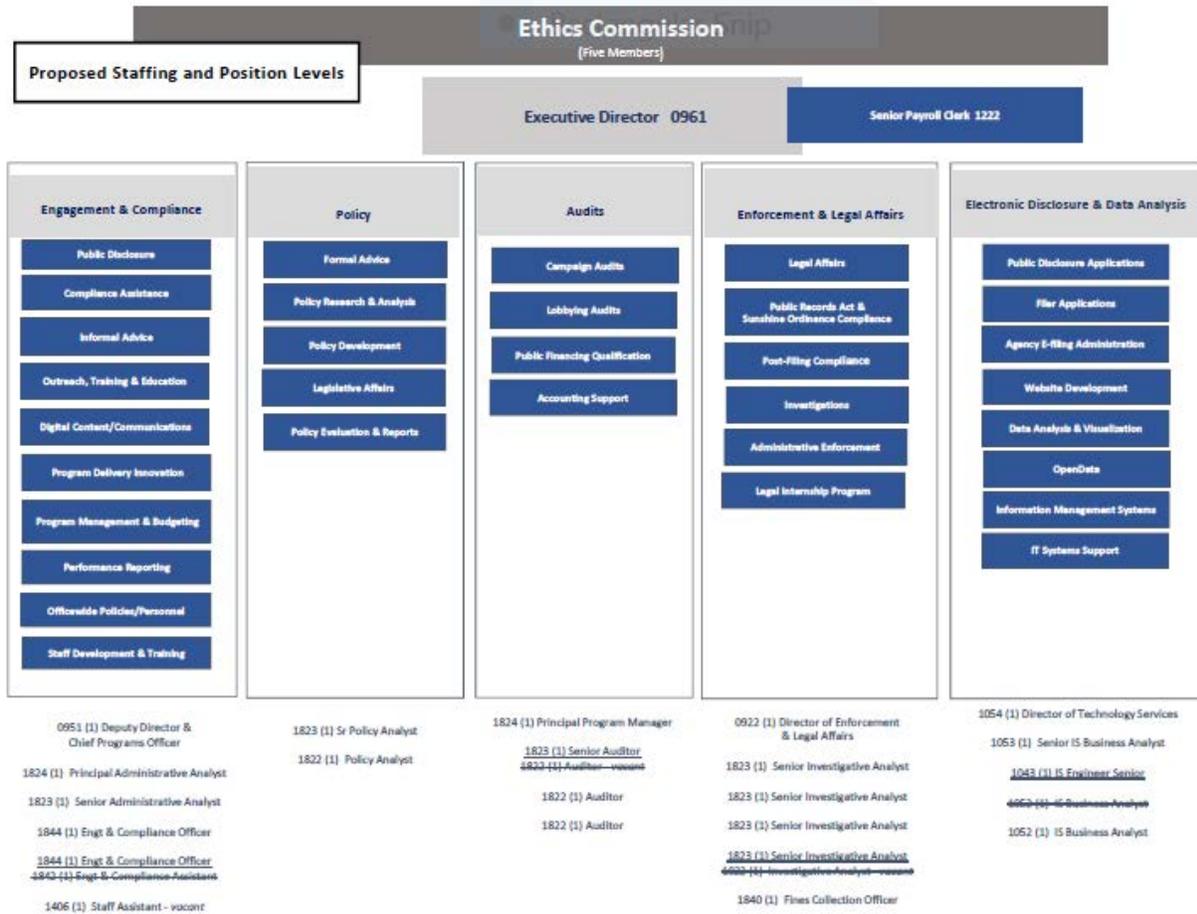
SECTION III – ORGANIZATIONAL CHART

ETHICS COMMISSION ORGANIZATIONAL CHART – CURRENT FY19



SECTION III – ORGANIZATIONAL CHART (CONTINUED)

ETHICS COMMISSION ORGANIZATIONAL CHART – PROPOSED FY20



SECTION IV

Required Proposed Targeted Cuts and Their Impact

Table 1

Target Cut and Contingency Cut Levels for Ethics Commission Annual Operating Budget as Identified by Mayor’s Office FY20/21 Budget Instructions

In budget instructions issued to all City Departments, the Mayor’s Office of Public Policy and Finance has targeted required proposals to reduce general fund allocations by each department that are equivalent to 2% of the Department’s General Fund spend in the first budget year, growing to 4% in the second budget year. Department are also required to identify contingency cut proposals of an additional 1% and 2% in the first and second budget years, respectively. These targeted cut amounts for the Ethics Commission are shown below.

	FY20	FY21
Target	\$ 83,550 (2%)	\$ 167,100 (4%)
Contingency	\$ 41,775 (1%)	\$ 83,550 (2%)

Table 2

Ethics Commission Budget Categories

Account	FY19 Budget Amount	% of Ethics Operating Budget
Personnel Services Total	\$ 3,824,804	87%
Non-Personnel Services	\$ 240,744	5.5%
Core Disclosure System Maintenance Cost	\$ 117,000	
Total of Non-Personnel Spend Less Cost of		
Core Disclosure System Maintenance	\$ 123,744	
Materials & Supplies Total	\$ 23,508	0.5%
Services from Other City Departments Total	\$ 233,735	
Total of Other City Departments Less Cost		
of one-time workstation update by DRE	\$ 114,490	5.3%

Impact

Scenario 1 – Cut Non-Personnel Services Account

- Roughly 55% of the department's FY19 Non-Personnel Services Account, or \$117,000, is attributable to annual maintenance costs of the core system used to enable electronic disclosure filings for public reports required to be filed with the Commission. Accounting for that ongoing expense, roughly \$123,000 remains in the account for items such as annual photocopy rental charges (\$9,000), court reporter services for enforcement hearings (\$7,800), legal research systems licensing and other subscriptions (\$12,300) and translation services (\$15,000). Funds for staff training (\$40,000, roughly \$1,600 per FTE) are also housed in this account and are necessary to support staff skill, professional development, and retention during a period of organizational transformation and at a time of increasing demand innovative services and programs.

Scenario 2 – Cut Materials and Supplies Account

- The department's entire Materials & Supplies budget on an annual basis is roughly \$23,000 – the equivalent of just under \$2,000 per month. Even if that account were zeroed out, another \$50,000 would remain to be accounted for to make up just the FY20 cut target. The Department cannot meet its basic business needs without the materials and supplies provided for in this already minimal account.

Scenario 3 – Cut Services from Other City Departments Account

- Like other City departments, the Ethics Commission is charged annually for services provided to all City departments. In FY19, for example, its budget included allowance for infrastructure charges to the Department of Technology (\$45,000), the City's purchasing and mail services (\$2,000), and to SFGov TV services (\$27,000) as the Ethics Commission is required under City law to televise its regular Commission meetings.
- During FY19, this Account also included a one-time, non-recurring item for roughly \$119,000 to the City's Real Estate Division for updating the Commission's workstations to accommodate current staffing levels.
- This Account also includes Client Services by the Department of Human Resources to provide essential hiring, onboarding, and other core human resources work unable to be performed by the Commission's existing full-time position authorities. The Ethics Commission plans to continue to fulfill these duties into FY20 through a work order for a half-time position equivalent.
- Because these ongoing services represent essential services required of all City departments for which little if any budgetary discretion can be exercised, targeted cuts from this Account would not be possible.

Scenario 4 – Cut Personnel Services Account

- As a small City department with 87% of its operating budget owing to the salaries and benefits of its employees, the Ethics Commission is faced with having to impact its Personnel Services Account in order to achieve the targeted cuts proposed.
- Should the Commission be required to absorb cuts through this Account, it would face the elimination of critical staffing resources in its Audit division. A vacant position would go unfilled, causing further critical delays in the Commission's mandated duties to:
 - Initiate campaign audits within specified statutory timeframes.

Among its other Charter mandates, the Commission has the responsibility and duty under San Francisco Charter Section C3.699-11(4) “to audit campaign statements and other relevant documents.” Under S.F. Campaign and Governmental Conduct Code (C&GC Code) section 1.150, all candidates who receive public funding for their campaigns must be audited. These mandatory audits must begin “within 60 days after the date the candidate committee’s first post-election campaign disclosure report is required to be filed.” S.F. C&GC Code § 1.150(a).

- Conduct lobbying audits required under the law.

Since mid-2014, San Francisco Campaign and Governmental Conduct Code has provided that lobbyists be audited by the Ethics Commission. Section 2.135(c) provides: “On an annual basis, the Executive Director shall initiate audits of one or more lobbyists selected at random.” Four lobbyists were randomly selected in 2015 for their activities in 2014, and the most recent random selection occurred at the Commission’s March 2016 regular meeting, with four lobbyists identified for audits. Due to ongoing staff resource constraints and competing programmatic mandates, however, those audits have not proceeded, and subsequent lobbyist audit selections planned were not pursued pending resolution of audits from those prior audit cycles.

- Campaign audits required for the 2018 audit cycle would be delayed and the timeliness of resolving any audit findings that require resolution through the administrative enforcement process would be significantly compromised, creating unnecessary confusion and expense for committees that may have already closed by the time those processes are able to be initiated.
- Planned steps to strengthen audit program effectiveness will remain undone, as assessments to identify program gaps, develop best practices, implement and monitor program performance tools for more effective audit management, and improve transparency and accountability for program effectiveness will not be possible.