



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

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LEEANN PELHAM
EXECUTIVE DIRECTOR

September 4, 2020

To: Members of the Ethics Commission

From: LeeAnn Pelham, Executive Director
Steven Massey, Acting Chief Operating Officer & Dir. of Technology Services

Re: **Agenda Item 5 - Report on Fiscal Year 2021 Budget**

Summary

This item provides an update on the Commission's proposed operating budget for Fiscal Year 20-21 and 21-22 and highlights the general framework that will guide the operational prioritization of anticipated staffing resources in FY21 based on the budget expected to be adopted by October 1, 2020.

Action Requested This is provided for informational purposes and does not require action by the Commission.

Budget Update

Following the Board of Supervisors Budget and Appropriation Committee hearing on August 12 and the August 14 Commission meeting, Commission Staff had the opportunity to meet with the Director of the Mayor's Budget Office (MBO) and MBO analysts to further discuss the Commission's proposed budget in light of the Budget and Legislative Analyst Performance Audit Report issued on August 10.

Last week, we learned from the MBO that the Mayor's proposed budget for the Ethics Commission will be adjusted for FY21 to allow funding sufficient to hire the vacant 1822 Investigator position, which had been a discussion item with the Budget and Appropriations Committee. The adjustment reduces the required attrition savings rate for FY21 by \$75,000 to enable funding to hire the position for the second half of the fiscal year. At this point further adjustments for FY22 are not yet known.

Including this revision, we anticipate the proposed budget for the Commission will include the following key items:

- New 1840 E-Filing Customer Support Specialist to support the Form 700 E-filing Project;
- Half-year funding effective January 1, 2021 for a 1042 IS Engineer for a three-year limited term;

- Half-year funding effective January 1, 2021 to fill the vacant 1824 Audit Supervisor position;
- Half-year funding effective January 1, 2021 to fill the vacant 1822 Policy Analyst position;
- Reduction in the applied attrition savings rate to restore \$75,000 in salary account funding to enable hiring of the vacant 1822 Investigative Analyst position;
- New annual \$57,200 per year for accounting support with the Controller's office;
- Increases of roughly \$35,500 in FY21 and \$134,900 in FY22 for DHR assistance to expedite hiring;
- Staff training and professional development funds totaling \$18,750 in FY21 and \$15,750 in FY22, which represent cuts of 42 and 35 percent, respectively, from the Commission's FY20 training budget.

The following items requested by the Commission in its February budget submission will not be in the October 1 budget:

- No funding or position authorities for the proposed *Ethics@Work* training initiative;
- No authority or funding for a position assigned to direct Finance, Operations, and Human Resources;
- No reclassification of existing 1823 Senior Policy and Legislative Affairs Counsel to an 1824 program manager;
- No funding for temporary staffing;
- No allocation of \$40,000 to fund ongoing improvements to the Netfile system; and
- No allocation of \$12,500 for ongoing hardware and software needs.

Looking ahead, development of departmental budgets for the next fiscal year that begins on July 1, 2021 will likely begin later this calendar year with instructions issued by the Mayor's Budget Office for budget submissions due in February 2021. The budget approved October 1 will establish a base for next year's budget discussions. Those discussions, however, will also be shaped by the extent to which the City continues to face financial uncertainty or impacts due to the COVID-19 pandemic or other economic developments.

Citywide Integrity Fund. As events of 2020 have demonstrated, there are deep costs to government when it fails to fully invest in all available approaches to preventing public corruption before it can take root. There is a deep need for the Ethics Commission to continue to press for how the City can ensure and sustain a more stabilized funding model going forward that better leverages existing City resources and invests in the Commission's ability to fulfill its broad voter mandates. Sufficient and more predictable funding is necessary for the Commission to be able to plan and effectively execute broad and essential ethics training, and to ensure public disclosure system infrastructure is built and can more nimbly adapt as both the laws and user needs continue to evolve over time. Toward that end, and even as the ink on this year's budget dries, the Commission must begin now in preparation for its FY22 budget discussions to prioritize the creation of an enhanced funding mechanism, a *Citywide Integrity Fund*. As one of its operational priorities, Staff plans to bring forward to the Commission this Fall further background and recommendations about how such a mechanism might be created and funded.

FY21 Focus: Prioritizing Operations on Most Essential Mandates

As likely FY21 budget parameters have now come into sharper focus, Staff have also worked over the past month to identify key operational priorities for organization-wide work in the abbreviated budget year that begins October 1.

As discussed in prior FY21 budget reports at Commission meetings in [February 2020](#) and [July 2020](#), overall operational priorities for the year will remain focused on three goals:

- **Program Impact:** strong laws, well implemented, with timely and effective oversight to strengthen program impact. Organization-wide focus must continue on strengthening core outreach, oversight, and accountability mandates by implementing program and business process improvements that deepen the impact of those mandates in practice.
- **Broadened Understanding:** heightened awareness of the laws, including through broadly accessible public disclosure that promotes meaningful public engagement. Practical tools and information for City officials and others must enhance both understanding of the laws and compliance.
- **Service Excellence** through continuous improvement, transparency, and accountability for our work. Business operations must promote continuity of essential Commission services while also advancing health and safety of in a COVID-19 environment. All available staffing resources must be deployed with maximum flexibility to meet core business needs.

These goals provide a lens through which the allocation of staffing resources will be prioritized and managed to advance the most essential voter mandates. Work that does not most directly advance achievement of these goals will not be prioritized and may be paused or not pursued until resources are available. These goals are also important to enable linkage to clear progress indicators for each division and performance goals for each individual staff member whose contributions will drive that progress.

As staff teams implement their key objectives, we look forward to further opportunities to brief the Commission on continued developments and progress.

Electronic Filing of Form 700 for Designated Department Filers Project

At the last Commission meeting, Staff discussed the delay of the Form 700 system launch until January 1, 2022 given budgetary and hiring constraints this year. As noted above, essential staffing resources will now be available in the FY21 budget to again enable prioritization of electronic filing of Form 700 for designated department filers. Commissioners asked staff to explore whether a more limited pilot could be achieved for departments that were involved in the recent federal public corruption investigations. After reviewing how a limited pilot might be implemented, a series of factors exist that make it not feasible for this project to be rolled out at this time in a limited manor.

As discussed in the budget presentation to the Commission last month, additional support and technology staff are needed to be assigned to the project and the Commission does not presently have the resources to allocate without significantly sacrificing the ability to sustain other essential work. Form 700 project tasks are dependent upon the new positions being filled as authorized in the FY21 budget.

While designated filers will file their Form 700s using the Commission's online filing system, under current City law departments continue to be the filing officer for their designated employees. As the administrator for the Netfile system within their departments, filing officers will need to be trained to establish accounts in coordination with their departmental human resources staff, track their filers, and review and manage requests for their departmental online filings. As citywide administrator, the Ethics Commission will provide support to departmental filing officers including providing training and instructional materials and implementing consistent business processes to maximize the effectiveness of the online filing system citywide. Developing trainings, instructional material, and establishing these operational processes requires appropriate time to work in close coordination with departmental filing officers, who in turn will roll out the system within their own department.

When initially scoping the project, Commission staff explored the possible launch of the Form 700 system as a pilot with several departments. However, rolling out the system in stages via a pilot would introduce unnecessary technical challenges with migrating employee personnel data into the Netfile system that could be avoided by establishing the system for all departments at one time. In addition, after meeting with department representatives and collective bargaining units, two things became clear: the Commission lacked staff necessary to provide dedicated support to department filing officers and filers; and considering the unique business needs of only a handful of departments and constraining the rollout to a pilot would not be effective to scale the work citywide.

We look forward to answering any questions you may have at the September 11 meeting.