



ETHICS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

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EXECUTIVE DIRECTOR

February 8, 2021

To: Members of the Ethics Commission

From: LeeAnn Pelham, Executive Director
Gayathri Thaikkendiyil, Deputy Director & Chief Operating Officer
Steven Massey, Director of Technology Services

Subject: **Agenda Item 8 - Overview of Ethics Commission FY22 Budget Proposal**

Summary The item provides an opportunity for the Commission to be briefed and take action on a departmental budget for Fiscal Year 22 that begins July 1, 2021.

Action Requested That the Commission receive public comment on and adopt the department's FY22 proposal to be finalized and submitted to the Mayor by the February 22, 2021 deadline.

This memo and the attached overview have been prepared to enable the Commission to consider and take action on the department's proposed budget for FY22 so that it may be finalized and submitted as required by the February 22 deadline submission to the Mayor's Office.

As has been the practice of the Commission in recent years, and as required of all departments under a City law that took effect in 2020, departmental information required to be considered in a public meeting prior to the adoption of an annual budget proposal includes: a description of agency divisions; budget totals and major changes, including new or reduced initiatives and staffing changes; changes in service levels; and projected salary savings. How departments plan to meet Mayoral budget instruction targets must also be addressed. This information, including about targeted cuts and their impact were they to be imposed, is addressed below and in the attachments referenced.

Development of the Ethics Commission Budget

Through its annual budget proposal, the Commission seeks to ensure funding sufficient to achieve the purposes for which the Commission was established. With the Commission's mission to practice and promote the highest standards of integrity in government, the department works to achieve that by delivering impactful programs that promote fair, transparent, and accountable governmental decision making for the benefit of all San Franciscans.

In its November 1993 proponent's argument in support of Proposition K to establish the Ethics Commission, the Board of Supervisors stated: "Without constant oversight, the city's ethics rules are being flaunted." Where essential organizational capacity of the Commission remains unmet

to achieve the voters' mandates those resource gaps must be acknowledged and addressed. Initiatives that remain essential to the achievement of effective laws, heightened compliance, strengthened public engagement, and improved accountability through an independent administrative enforcement process but that go unfunded must be identified and resourced appropriately.

Developments in 2020 that revealed high-level corruption allegations underscore the continuing critical need to sufficiently fund core Ethics operations that have for too long suffered from a lack of essential funding.

Over the past year, federal corruption charges have alleged high-level corruption against a number of City officials and contractors, and several Department heads have resigned in the wake of these allegations. As Mayor Breed has emphasized in 2020, "Nothing matters more than restoring the public trust in our government. Our residents deserve it, and the hard-working men and women of our city deserve it. This requires us to not only hold anyone involved in any illegal or unethical actions accountable, but also to do the work to prevent corruption from occurring in our City."

Created directly by the voters as an independent and objective oversight body in City government, the Commission has a unique duty to San Franciscans to advance the practice of applying the highest ethical standards throughout City government. The alleged schemes of public corruption brought to light over the past year only continue to demonstrate the urgency of this work. The recommendations and findings of the series of public integrity reports issued by the Controller's Office to date provide important insights into ethics laws that warrant strengthening, and into the essential and ongoing need to broadly reinforce expectations of public transparency and of adherence to existing standards of ethical behavior. To do this work meaningfully, resources necessary to effectively address the prevention of corruption in all its forms before it can occur must be secured.

Ensuring that there is no room in City government for corruption to take root means investing in more than the *status quo*. It means new approaches and investments that require action now if the City is to begin to make crucially needed strides in restoring public confidence in our governmental institutions and help achieve the high ethical standards in local government that San Franciscans demand and deserve.

Ethics Commission FY22 Budget Proposal

As recommended in its FY22 budget request, the Ethics Commission will propose a total FY22 operating budget of \$6.5M. This represents a 26% percent increase over the Commission's FY21 operating budget of \$4.7M, including a 33% increase of eight new staff positions over FY21 levels.

As proposed, this proposal will allow for the following essential needs:

- **Retention of existing organizational capacity, which is necessary to pursue the findings and recommendations of the Controller's Public Integrity reports and to implement the Budget & Legislative Analyst audit recommendations.** The Commission proposes continuation of full funding for all existing position authorities.
- **Investigative resources to enable the Commission to reduce case resolution times by 40%**, to no more than 18 months on average from the date the Enforcement Division identifies allegations to be investigated to the date of final action by the Commission. At the same time, the number, proportion, and severity of cases investigated would also increase as the Division increases its capacity to initiate proactive investigations into matters that result in the most

severe public harm to fair and accountable government. Three new investigative positions are required for this purpose.

- **Training and outreach resources necessary to develop and deliver across City departments practical education on navigating ethical issues to promote and support ethical leadership at all levels of departmental decision making.** By initiating its *Ethics@Work* program, targeted training needs would be developed and conducted for City employees and officials based on an assessment of their specific training needs and that addresses key areas of risk specific to the nature of their duties. Four new training specialists are required for this purpose.
- **Develop effective metrics to evaluate and communicate organizational performance and programmatic impact across Commission's core functions** to inform program priorities and operational decisions. Dashboards and reports to ongoingly communicate the performance and impact of the Commission's programs to the public would also be created to better engage the public in understanding and helping to shape the Commission's work. One program performance and reporting analyst is required for this purpose.

Mayor's Proposed 10% Cuts and their Impact

The Mayor issued annual budget instructions to City Departments for FY22 on December 16, 2020. Those instructions cited a projected shortfall for the upcoming two-year budget of \$653.2 million and the following Mayoral policy priorities for the fiscal year that begins July 1, 2021:

- Supporting small business and economic recovery;
- Prioritizing programs with demonstrated outcomes centered around equity;
- Implementing homelessness and mental health programming; and
- Continuing to respond to COVID.

The Mayor's budget instructions also include the following directives to City departments:

- mandatory reduction proposals of 7.5% adjusted General Fund support, with an additional 2.5% contingency;
- departments should prioritize core services and present clear tradeoffs;
- reduction proposals can include contract savings, efficiencies, new revenue sources, and reduction in personnel costs, including reduction in filled positions;
- emphasis on racial equity in departmental proposals;
- describe budget proposals through an equity lens; and
- internal racial equity work should be prioritized within existing budget.

To address the level of cuts required by the Mayor's budget instructions, the Commission would:

- I. Eliminate three staff positions focused primarily on departmental administrative support. *This cut would account for approximately \$409,133 of the targeted \$733,593 for FY22*
 - With no administrative support positions remaining at the Commission, on-demand response for requests for assistance would be eliminated.
 - Delay in revenue collection likely as new business processes are established and absorbed by program staff.

- City vendors may face payment delays and service disruptions may result as essential procurement processes are impacted by staff cuts.
 - Reduces staff hours available for programmatic duties as administrative functions will be absorbed by non-administrative staff.
 - No temporary seasonal hiring will be available to offset these cuts as that fund will also be eliminated.
- II. Eliminate two further positions and suspend the Citywide Form 700 electronic filing project for the city's 3,500+ departmentally-designated Statement of Economic Interests filers.
This cut would account for approximately \$249,175 of the targeted cut of \$733,593 for FY22
- Public transparency of potential conflicts of interest of designated City employees will be blunted as Form 700 statements continue to be filed on paper with the departments until resources are available to continue this effort.
 - Limited oversight of City officials' financial disclosure forms (Form 700) remains.
 - Filing and technical assistance will be reduced across all program areas due to cuts in IT and compliance staff.
- III. Eliminate all funding for staff training and professional development.
This cut would account for approximately \$20,000 of the targeted cut of \$733,593 for FY22
- Training opportunities that enable staff to acquire and strengthen the skills required to meet changing organizational needs cannot be secured compromising the effectiveness of Commission operations and programs
 - Professional development to sustain and deepen subject matter expertise will be severely curtailed, placing at risk implementation of leading practices and staff retention.

Attachments

An overview of the Commission's organization and functional structure appears in Attachment I.

An overview of the department's proposed budget appears in Attachment II.

At the Commission's January 21, 2021 special meeting on budget priorities, the Commission expressed its consensus that the Commission should develop a public statement on the Commission's budget. A statement drafted by the Commission Chair for consideration by the full Commission on February 12 appears in Attachment III.

Next Steps

Following the Commission's discussion and any policy direction it may wish to adopt at its upcoming meeting, Staff will finalize the budget for submission on February 22.

Commission Organizational Structure and Functional Divisions



The Engagement & Compliance Division serves as the primary point of contact for the public and the regulated community by providing public disclosure and filing assistance, compliance guidance, and training and education for the full range of programs administered by the Ethics Commission.

The Electronic Disclosure & Data Analysis (EDDA) team serves filers, Commission staff, and the public by providing integrated and effective technology solutions for compliance, agency operations, and access to electronic disclosure records and data.

The Policy Division leads the Commission’s public policy research, analysis, and legislative work. It is responsible for analyzing how well current laws and programs are achieving their intended purposes and formulating new regulatory and legislative approaches to ensure the City’s political reform laws are strong, workable, and enforceable. Related duties assigned to the Division include media relations, interpreting and advising on the law, and stakeholder outreach and engagement.

The Audit Division is responsible for conducting campaign audits pursuant to the Commission’s Charter authority and mandate under City law to determine whether committees have materially complied with applicable requirements of State and local laws. The Division also administers the Public Campaign Financing Program qualification and claim review process to determine candidate eligibility and public funds disbursements. In addition, the Audit Division is responsible for conducting audits required under City law related to the lobbyist registration and reporting and for conducting post-filing compliance reviews of other disclosures, such as public economic interest filings by City officials.

The Enforcement Division is charged with ensuring fair, thorough, and timely investigations and case outcomes that serve as an effective deterrent and promote accountability in government. The Division has responsibility to identify, investigate, and remedy unlawful conduct within the scope of the Commission’s jurisdiction. The Division investigates alleged violations of the law to ensure allegations are fully and objectively evaluated and that those who violate the law are held publicly accountable for their actions, which can include imposition of monetary penalties levied by the five-member Ethics Commission as provided for under the law.

Public service that builds public trust.



San Francisco Ethics Commission

Overview of FY22 Departmental Budget Proposal

February 12, 2021

Commission Meeting Agenda Item 8 – Attachment II

LeeAnn Pelham, Executive Director

Gayathri Thaikkendiyil, Deputy Director & Chief Operating Officer

Steven Massey, Director of Technology Services

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Our mission is to practice and promote the highest standards of integrity in government. We achieve that by delivering impactful programs that promote fair, transparent, and accountable governmental decision making for the benefit of all San Franciscans.

With public service a public trust, our aim is to ensure that San Franciscans can have confidence that the operations of the City and County and decisions made by its officials and employees are fair, just, and made without any regard to private or personal gain.

“Public office
is a public trust...”

San Francisco Charter Section 15.103

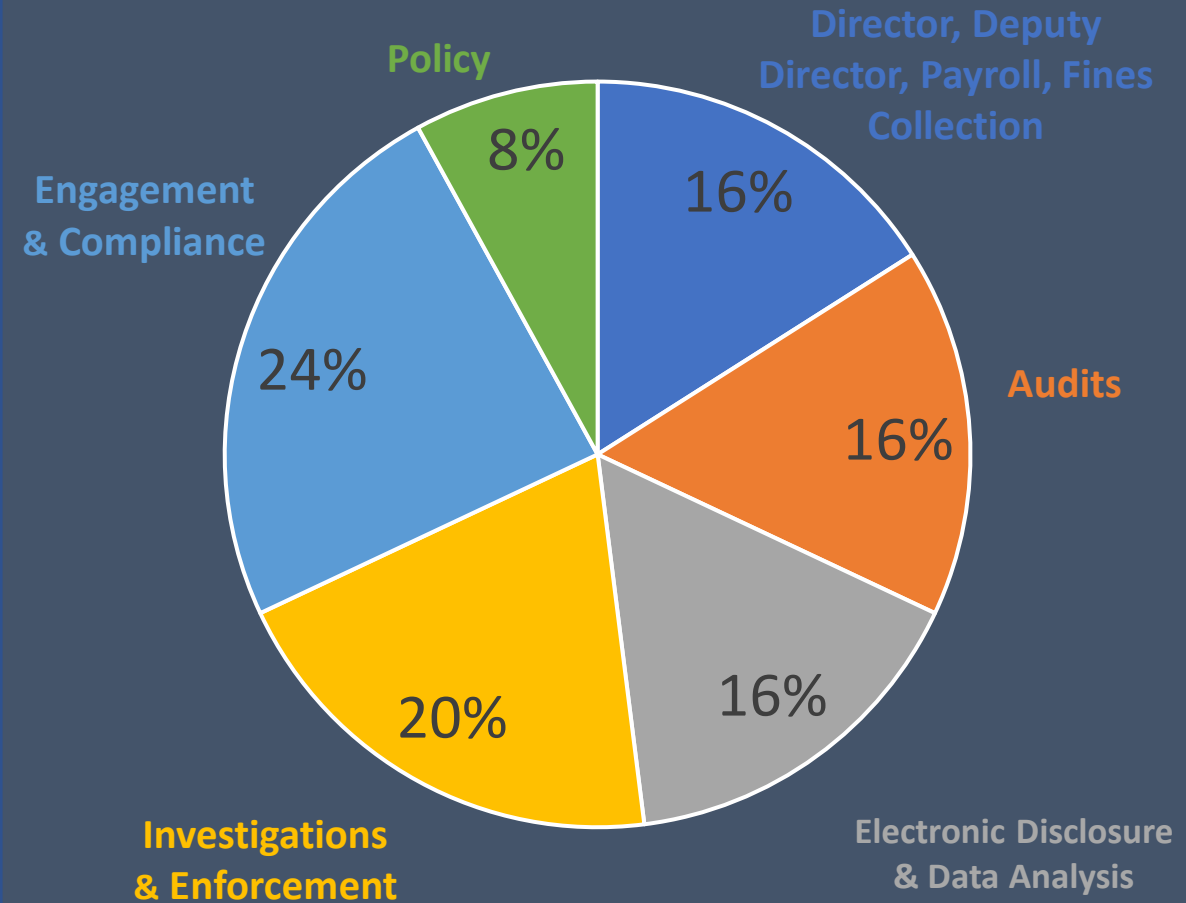


Snapshot of Funding & FTEs

Budget	FY21	FY22 Base	FY23 Base
Operating Budget	\$4,724,515	\$5,300,268	\$5,455,207
Election Campaign Fund Contribution	\$0	\$0	\$0
Authorized Positions (Full-Time Equivalents or "FTEs")	24	25*	25
Temporary Staff	.75	.69	.67
Attrition Savings Target	-1.97	-1.34	-1.34
Budgeted FTEs	22.78	24.35	24.33

*Reflects two full time FTEs that were authorized for only half a year in FY21

Distribution of FY21 Staffing Resources





Overview of the proposed budget

Requests in addition to retaining full allocation of existing budget

Ethics Commission Budget Proposal	FY22	FY23
Ethics@Work		
<i>Four Training Specialists - Salary, fringe, and operational costs</i>	600k	790K
Enforcement		
<i>Three Investigators - Salary, fringe, and operational costs</i>	480k	600k
Program Performance and Reporting		
<i>One Program Performance and Reporting Analyst - Salary, fringe, and operational costs</i>	144k	187k
Total proposed	1.22M	1.57M
Revised operating budget including retention of full base budget	6.52M	7M



“Providing proactive outreach on the City’s ethics laws promotes voluntary compliance with these laws, reducing the need for enforcement efforts against those who want to comply...”

2020 Budget and Legislative Analyst Performance Audit of Ethics Commission

Goal over three-year project period

Develop and conduct targeted, practical *Ethics@Work* trainings for City employees and officials based on an assessment of their specific training needs and that addresses key areas of risk specific to the nature of their duties

Required New Investments:

- Four training specialists
- Funding for training software, materials, and supplies

FY22

FY23

+\$600k

+\$790k



“The length of time to close investigations detracts from the Department’s mission to promote public confidence in government and ensure the deterrence effect of enforcement.”

2020 Budget and Legislative Analyst Performance Audit of Ethics Commission

Goal over three-year project period

Reduce case resolution times by 40%, to no more than 18 months on average from the date the Enforcement Division identifies allegations to be investigated to the date of final action by the Commission. At the same time, the number, proportion, and severity of cases investigated would also increase as the Division increases its capacity to initiate proactive investigations into matters that result in the most severe public harm to fair and accountable government.

Required New Investments:

- Three additional Investigators
- Professional services funds to develop an online case management system that is an essential tool for case intake, review, investigation, and resolution

FY22

FY23

+\$480k

+\$600k



“The Department has not standardized tools to regularly report on progress toward identified organizational objectives that allow staff and members of the public to consistently assess effectiveness of core functions.”

2020 Budget and Legislative Analyst Performance Audit of Ethics Commission

Goal over three-year project period

Develop effective metrics to evaluate and communicate organizational performance and programmatic impact across Commission’s core functions to inform program priorities and operational decisions. Create dashboards and reports to ongoingly communicate the performance and impact of the Commission’s programs to the public to better engage the public in understanding and helping to shape the Commission’s work.

Required New Investments:

- One Program Performance and Reporting Analyst

FY22

FY23

+\$144k

+\$187k



Mayor's Budget Instructions

Proposed Cuts

Ethics Commission Budget	FY22	FY23
Base operating budget	\$5,300,268	\$5,455,207
Base salary and fringe (85% of base operating budget)	\$4,528,987	\$4,683,926
Mayor's proposed reductions		
Attrition savings target (from salaries & fringe)	(\$236,969)	(\$245,269)
7.5% Cut	(\$372,468)	(\$372,468)
2.5% Contingency cut	(\$124,156)	(\$124,156)
Total proposed cuts	(\$733,593)	(\$741,893)



Impact I

Administrative Support

Eliminate three staff positions focused primarily on departmental administrative support.

Total cut approximately \$409k

- With no administrative support positions remaining at the Commission, on-demand response for requests for assistance would be eliminated.
- Delay in revenue collection likely as new business processes are established and absorbed by program staff.
- City vendors may face payment delays and service disruptions may result as essential procurement processes are impacted by staff cuts.
- Reduces staff hours available for programmatic duties as administrative functions will be absorbed by non-administrative staff.
- No temporary seasonal hiring will be available to offset these cuts as that fund will also be eliminated.



Impact II

Citywide E-Filing of Form 700

In addition to Impact I cuts, eliminate two staff positions and suspend Citywide Form 700 electronic filing project.

Total cut approximately \$249k

- Public transparency of potential conflicts of interest of designated City employees will be blunted as Form 700 statements continue to be filed on paper with the departments until resources are available to continue this effort.
- Limited oversight of City officials' financial disclosure forms (Form 700) remains.
- Filing and technical assistance will be reduced across all program areas due to cuts in IT and compliance staff.



Impact III

Staff Training

In addition to Impact I and II cuts, eliminate all funding for training and professional development

Total cut approximately \$20k

- Training opportunities that enable staff to acquire and strengthen the skills required to meet changing organizational needs cannot be secured compromising the effectiveness of Commission operations and programs.
- Professional development to sustain and deepen subject matter expertise will be severely curtailed, placing at risk implementation of leading practices and staff retention.

Draft Ethics Commission Statement on San Francisco Ethics Commission Funding*February 8, 2021*

San Francisco is in crisis, make that plural, crises.

We have a pandemic and its progeny: loved ones lost, health systems strained, massive evictions pending, schools closed, and businesses failing, all while City revenues are falling. Then there is the climate catastrophe threatening the City with persistent wildfire smoke and increasing sea levels. Add these to challenges that we have long been confronting: systemic racism, income inequality, youth unemployment, addiction, and concomitant homelessness.

Daunting! Yes, but we are San Franciscans, our very symbol is the Phoenix rising from the ashes to begin anew. Yet there is another crisis that directly threatens our ability to rise to meet these challenges. That is the corruption convictions and indictments involving bribery, fraud, self-dealing, contract bid rigging and pay for play entitlements infecting multiple City departments. To address these crises, we need leadership to set the course, and equally important, trust in that leadership for the public to endure the sacrifices and devote the energy and resources necessary to achieve it.

Desmond Tutu instructs us, he said, "A time of crisis is not just a time of anxiety and worry, it gives a chance, an opportunity, to choose well or to choose badly." Mayor Breed is the woman charged with making that choice as she prepares the City budget for submission to the Board for approval.

Every February the Mayor asks departments to submit proposed budgets; this year requiring every department to show how they would implement a very significant reduction of 7.5%, with an additional 2.5% contingency cut. Some context - the Ethics Commission current budget is \$4.7 million, a minuscule fraction of the City's \$13 billion total budget. San Franciscans have consistently voted to establish high ethical standards for behavior, disclosure and compliance, with an emphasis on verification in order to ensure the public's trust in its officials and elections. And equally consistently, the Ethics Commission has been underfunded relative to its mandates.

In the wake of the FBI's corruption indictments, in September 2020 Mayor Breed authorized vacant positions to be filled to improve Commission investigations, audits, disclosure and compliance. An across the board target cut of 7.5% could eliminate those small advances before

the positions can be fully filled, or alternatively, eliminate numerous existing checks on ethical compliance with the law.

When there is a crisis, priorities come into focus.

Should we ignore the voter's mandate to audit campaign finances, or lobbyists expenditures? Should we ignore the Controller and Budget Analyst careful recommendation that we eliminate loopholes in legislation that were exploited as revealed in the corruption indictments? Should we fail to examine filings for gifts to, or payments at the behest of, government officials; conflicts of interest; or travel expenses? Should we defer collecting penalties for violations? Should we be less responsive to public requests, or provide less guidance on compliance?

As Ethics Commission members, we believe this is a discussion that ought not to be left to those in City Hall alone. This is about how to make government effective in the public interest, not simply accepting across the board budget cuts, rather than making hard choices. We saw this past year our neighborhoods suffer when maintaining our streets and sidewalks was decidedly ill managed, that our City's small (and big) businesses lose when contract decisions are rigged. As the Mayor makes the hard choices in preparing her proposed budget to submit to the Board in May, we invite the public to get involved in these consequential decisions for democracy in our City. Please take some time to read the Commission's action on February 12th when it considers its response to the Mayor's requested budget, and share your feedback by sending an email to ethics.commission@sfgov.org.