



# ETHICS COMMISSION

## CITY AND COUNTY OF SAN FRANCISCO

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February 22, 2021

*By Electronic Mail Only*

The Honorable London Breed, Mayor  
City Hall, Room 200  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**Re: Ethics Commission FY22 Budget Request**

Dear Mayor Breed:

Over the past year, San Francisco has witnessed the convergence of an unprecedented public health emergency, a public reckoning over longstanding systemic inequities, and a crisis of public trust that has rocked City government as federal corruption charges have alleged high-level corruption against a number of City officials and contractors. At a time when trust in the ability of public service to meet these challenges is paramount, as you have emphasized, “[n]othing 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.”

In shared commitment, the Ethics Commission has a unique duty in San Francisco to help ensure that public service builds the public trust. With a mission to practice and promote the highest standards of integrity in government, the Commission works to deliver impactful programs that promote fair, transparent, and accountable government for the benefit of all San Franciscans. Those entrusted to serve whose corrupt actions violate the law must be held publicly accountable for that public harm. The inequities corrupt actions perpetuate must not be allowed to take root and disenfranchise those whom we serve. To ensure that government works only in the public interest and that the public can trust it to do so, oversight systems must be focused, effective, and sustained.

To achieve these vital purposes, the Ethics Commission seeks an FY22 base operating budget of \$6.76 million that retains the Commission’s existing organizational capacity and also begins to address essential unmet needs. As detailed in the attached proposal, the Commission has prioritized core services that closely align with and are necessary to implement recommendations of Controller’s Office public integrity reports, and of the Budget and Legislative Analyst’s August 2020 performance audit report of the Ethics Commission. Those independent assessments only further underscore the critical significance of the Commission’s mission, the importance of investing fully in its mandate, and the urgent nature of its critical work.

Ensuring that there is no room in City government for corruption to take root requires the commitment of resources necessary for the seriousness and breadth of that work. It means investing in more than the status quo. New anti-corruption approaches require action now if the City is to begin to make crucially needed strides in restoring public confidence in our governmental institutions. Together, we must achieve in practice the high ethical standards in local government that San Franciscans demand and deserve. Toward that end, the Ethics Commission here submits its FY22 budget request and urges its adoption.

Sincerely,

*LeeAnn Pelham*

LeeAnn Pelham, Executive Director

## I. Mission, Function, and Organization

Created directly by the City's voters with the passage of Proposition K in November 1993, the Ethics Commission is composed of five members, with one each appointed by the Mayor, the Board of Supervisors, City Attorney, District Attorney and the Assessor-Recorder. Unless appointed to fill a vacancy for an unexpired term with less than three years remaining, no Commissioner may serve more than one six-year term. The Commission appoints the Executive Director, who serves at the will of the Commission. As the department's chief executive, the Director has authority to appoint and remove other employees of the Commission subject to the civil service provisions of the Charter.

Through its staff, the Commission is responsible for the independent and impartial administration and enforcement of laws related to campaign finance, governmental ethics, conflicts of interests, and registration and public disclosure reporting by lobbyists, campaign consultants, permit consultants, and major developers. The Commission also administers a \$7 million Election Campaign Fund that provides partial public financing for qualified candidates for City elective office.

The Commission acts as filing officer for over 80 different types of public disclosure statements; audits statements for compliance with state and local laws; investigates complaints alleging ethics and political reform law violations; raises public awareness of these laws; researches and proposes legislative changes; and provides guidance and advice about the applicability of the City's political reform laws to City candidates, officeholders, officers, employees and the general public. Together with its staff, the Commission works to effectively implement the laws within its jurisdiction, and to ensure those laws are strong, workable in practice, and enforceable.

Structurally, the Commission's programs are organized into [five functional divisions](#), with the Commission's 25 current staff positions distributed as shown in attachment I. Notably, as a small department with little administrative overhead, the Commission has no positions dedicated solely for budget, finance, or human resource functions. Instead, those functions are absorbed within other existing staff roles that also have unique programmatic duties and are partially outsourced through annual budgeted work orders with the city's Department of Human Resources and the Controller's Office.

Beginning with its FY17 budget proposal, the Commission established a *Blueprint for Accountability* to bring its strategic, operational, and budgetary priorities into stronger alignment. Key to its *Blueprint* was the goal of rightsizing the organization to better achieve the broad range of mandates the Commission was established to serve. This has resulted in a period of significant organizational transformation for the Commission during the past several years as it restructured its organization, realigned staffing functions, and created new positions, while also implementing process improvements to strengthen core operations and programs. As it has continued to pursue this work, the Commission has remained committed to recruiting, hiring, and retaining a diverse, collaborative, and high performing staff of individuals whose individual experiences, knowledge, and talents collectively drive achievement of the Commission's unique mission in San Francisco city government.

In establishing the campaign finance ordinance known as Proposition O in November 2000, San Franciscans sought in part to "[e]nsure that all individuals and interest groups in our city have a fair opportunity to participate in elective and governmental processes." This is one way in which the Commission's very mission is based on recognizing and helping to address obstacles to fair and equal participation and on supporting the ability of people to participate effectively in decisions that affect their lives. The Commission also promotes this by fairly and equitably administering and enforcing governmental ethics laws that help prevent the securing of preferential outcomes from city government based on privilege, money, or connections. Its public disclosure programs promote informed participation by the public, and its whistleblower protections are designed to empower those inside city government to speak out about waste, fraud, and abuse without fear of reprisal.

Importantly, as an active steward and advocate for the City’s public campaign financing system, the Commission is responsible for qualifying and disbursing public matching funds to candidates that can encourage new and diverse voices and help offset the fundraising barriers that could otherwise serve to prevent grassroots candidates from seeking office. By empowering the role of relatively small donors in City elections, public financing also serves to strengthen candidate ties to the communities they are elected to serve.

Like its programs that promote fair and equitable participation in governmental processes broadly, as a department of City government the Commission honors and values diversity, inclusion, and engagement in its own operations. The Commission is committed to promoting racial equity and to creating and sustaining a work environment that reflects and engages the diversity of our communities. In addition to providing equal employment opportunities (EEO) to all employees and applicants for employment, in December 2020 the Commission unanimously adopted an [Ethics Commission Racial Equity Action Plan](#) pursuant to [Ordinance No 188-19](#). The Commission’s Plan highlights specific departmental strategies that reflect the City’s comprehensive racial equity framework to “build a culture, space, and workplace that is accessible and welcoming to all current and future employees, and to actively build an environment in which all people, regardless of background, identity, or ability, can be equal participants.” Key strategies addressed are:

**Retention and Promotion.** The Ethics Commission is committed to promoting an inclusive work environment and employee retention and promotion practices in alignment with overall departmental Racial Equity goals and that support, develop, and equitably advance the unique knowledge, skills, and abilities of a diverse staff, including paths to promotional opportunities and leadership roles.

**Discipline and Separation.** In actively managing employee performance and applying progressive discipline when warranted, the Commission seeks to ensure both individual and organizational accountability and achievement. Aligned with the department’s overall racial equity goals, the Commission’s administrative and personnel management practices are designed to accomplish that aim fairly and equitably, through clear expectations, regular feedback, and identified pathways for improvement, so that the service we provide is consistent with the values we express and the standards to which we hold others accountable.

**Diverse and Equitable Leadership.** The Commission seeks to ensure that its staff leadership reflects and fully engages the diversity of the Commission and the communities it serves in alignment with its overall departmental racial equity goals.

**Mobility and Professional Development.** The Commission seeks to provide meaningful, practical, and impactful support for the development, mobility, and advancement of its staff aligned with the department’s overall racial equity goals.

**Organizational Culture of Inclusion and Belonging.** In alignment with its overall racial equity goals, the Commission seeks to be a dynamic and inclusive workplace of choice that attracts and retains high performing and collaborative teams that fully engage individuals with diverse experiences, perspectives, and talents to support the Commission’s unique role in city government.

**Boards and Commissions.** Members appointed to the Ethics Commission serve independently with a sworn responsibility to uphold the public trust. As stewards of that trust, Commissioners work impartially for the benefit of all San Franciscans to ensure that the laws it shapes, administers, and enforces are effective, equitable, and uphold the highest standards of governmental integrity and accountability.

The Commission anticipates that its Plan will be a living document that continues to expand and evolve to reflect the full breadth of its commitments, experiences, aspirations, and practices as a Commission and staff team.

## II. Ethics Commission FY22 Departmental Budget Request

The FY22 budget requested by the Ethics Commission reflects resources needed to meet the breadth of anti-corruption work for which it was established by San Francisco voters.

The Commission proposes a total FY22 base operating budget of \$6.76 million, which represents a 28 percent increase over the Commission's FY22 base operating budget of \$5.3 million. To right-size its staffing capacity, this total includes a proposed increase of eight staff positions, which is a 32 percent increase from the 25 authorized staff positions authorized in its FY21 operating budget.

Budget Proposed by Ethics Commission	FY22	FY23
<b>Ethics@Work</b>		
<i>Four Training Specialists - Salary, fringe, and operational costs</i>	<b>600k</b>	<b>790K</b>
<b>Enforcement</b>		
<i>Three Investigators - Salary, fringe, and operational costs</i>	<b>480k</b>	<b>600k</b>
<b>Program Performance and Reporting</b>		
<i>One Program Performance and Reporting Analyst - Salary, fringe, and operational costs</i>	<b>144k</b>	<b>187k</b>
<b>Remove Attrition Savings</b>	<b>238k</b>	<b>246k</b>
<b>Proposed Funding</b>	<b>1.46M</b>	<b>1.82M</b>
<b>Operating Base Budget</b>	<b>5.3M</b>	<b>5.45M</b>
<b>Proposed Revised Operating Budget</b>	<b>6.76M</b>	<b>7.27M</b>

In its departmental request, the Commission seeks **retention of its existing organizational capacity** through continuation of full departmental funding, including for all existing position authorities.

- This is essential to ensure a basic level of departmental service across program areas and avoid disruption of Commission services to the public and filers across core programs.
- Retention of existing capacity is also critical if the Commission is to pursue the findings and recommendations of the Controller's Public Integrity reports and continue to implement the performance audit recommendations of the Budget & Legislative Analyst (BLA).
  - In its public integrity reports issued to date to identify gaps in the law and limit future corruption risks in the City, the Controller's Office has identified a series of preliminary recommendations to strengthen the city's ethics laws and their day to day oversight. Building on those findings, the Ethics Commission has established the development of stronger ethics laws in identified areas as its top policy objective for the coming year. As the Controller reports also recommended, establishing new and regular post-filing compliance reviews will be essential for improved oversight and filer accountability. The Commission has also slated that work for priority focus in the year ahead.

- The Commission fully agreed with the 16 recommendations contained in the August 2020 BLA Audit and has initiated work to implement them and drive the Commission's programs to a new level of effectiveness and impact. In a [January 2021 implementation status report](#) on the recommendations, Commission staff identified two recommendations (13%) had been completed as of December 31; six recommendations (37%) were underway; and 8 others (50%) were planned for implementation in calendar year 2021. Retention of existing staffing levels is essential to enabling these key process improvements to proceed.

Building on existing capacity, the Commission's request also includes the following **essential new resources**:

- **Funding necessary to establish an ethics training and outreach team** to ensure employees and contractors throughout city government can be equipped with tools to effectively navigate ethical issues in public service and actively contribute to a citywide culture of integrity. Four training specialists are requested for a limited three-year project to pursue this core anti-corruption work with departments citywide.
  - Controller public integrity reports have cited the importance of 'tone at the top' in shaping organizational culture and preventing corruption risks. Equipping the city's workforce with practical tools and information to constructively deal with ethical issues that can emerge in their work is also essential to sustain and support the highest standards of integrity in city government.
  - As it also proposed last year, the Commission again requests funding to initiate a new *Ethics@Work* program. Unlike existing two-hour video training modules, this ethics training project would invest in training designed and delivered with a more specific focus to help ensure the tools and information are relevant and impactful. Development of training components would consider and assess unique areas of risk given the nature of the department's work, and *Ethics@Work* modules would be regularly evaluated to ensure the training is effective.
  - By supporting city employees with the knowledge and skills they need to effectively navigate uncertain ethical territory, the city will be making vital investments in the professional development, retention, and impact of its workforce. Initiating training for contractors on the city's standards of ethical conduct can also serve to ensure that potential breaches of those standards are surfaced and addressed before they can become embedded in practice and require significant enforcement resources to be exposed and resolved. These fundamental training investments, therefore, can yield significant benefits going forward by preserving both public resources and the public trust.
- **New investigative resources to enable case resolution times to be reduced 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. Three new Investigator positions are requested for this purpose.
  - Along with this 40% reduction in case resolution times, the number, proportion, and severity of cases investigated by the Commission would increase, as would the Commission's capacity to initiate proactive investigations into matters that result in the most severe public harm to fair and accountable government. Relying on the Commission's existing investigative staff levels will blunt the city's ability to conduct independent investigations into alleged violations of the laws for which

the Commission has jurisdiction and the Commission’s ability to apply administrative enforcement remedies and hold wrongdoers publicly accountable.

- **Funding is necessary to ensure the Ethics Commission can develop and implement standardized methods to track and regularly report on the performance of the department’s core functions.** One program performance and reporting analyst is required for this purpose.
  - Identifying effective program performance metrics and regularly evaluating and communicating them enables organizations and those they serve to consistently assess effectiveness of core functions. The BLA Audit, however, found that while the Commission uses planning tools to communicate its goals, it has not yet developed standardized tools to regularly report on progress toward identified organizational objectives. A lack of performance measurement and reporting can hinder an organization’s effectiveness and result in inefficient resource allocation.
  - To better support data driven decision-making and better engage the public in understanding and helping to shape the Commission’s work, the Commission has prioritized the development, tracking, and public reporting on standardized performance measures.

**Citywide Integrity Fund.** In developing its FY22 budget proposal, the Commission has sought to explore whether new revenue sources could be developed to provide the increased level of resources needed to meet the full breadth of the Commission’s voter mandate. Identifying new mechanisms to support and sustain additional Commission funding across budget years would provide more stabilized funding streams that are essential to the planning and execution of its core projects and operations, such as ensuring its public disclosure system infrastructure can be adapted as laws and user needs continue to evolve. Potential areas for further exploration and possible legislation include the possibility of adding a fraction of a percent on city contracts (excluding small contracts for direct services provided to low-income San Franciscans) for improved Ethics Commission outreach, oversight, and monitoring. As budget discussions continue with the Mayor’s Office and Board of Supervisors, the Commission will seek to identify specific methods that could be used to establish a Citywide Integrity Fund and allocate into it dedicated funding to be used toward the Ethics Commission’s annual budget.

### **Election Campaign Fund**

The Ethics Commission’s current budget is comprised of two main components: an operating budget, discussed above in the Budget Proposal section (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 FY22 up to the formula and caps provided in the law.

### III. Addressing Mayoral Budget Instructions: Targeted Cuts and their Impact

As outlined in the Mayor's FY22 budget instructions, City departments were directed to submit annual budget requests that:

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

For the Ethics Commission, the proposed 10% cuts would translate to the following budget reductions:

<b>Ethics Commission Budget Reductions</b>	<b>FY22</b>	<b>FY23</b>
<b>Attrition savings target</b>		
<i>Target amount</i>	\$237,792	\$246,120
<i>Two positions would have to be cut to meet salary &amp; fringe reductions</i>	(\$237,792)	(\$246,120)
<b>Mayor's proposed target reductions</b>		
<i>7.5% Cut</i>	\$372,468	\$372,468
<i>2.5% Contingency cut</i>	\$124,156	\$124,156
<i>Total cut</i>	\$496,624	\$496,624
<b>Meeting Mayor's target reductions</b>		
<i>Three additional positions would have to be cut to meet salary &amp; fringe reductions</i>	(\$422,498)	(\$471,610)
<i>Reductions in non-personnel services (technology support, Lobbyist system maintenance, and staff training)</i>	(\$74,126)	(\$25,014)
<i>Total reductions</i>	(\$496,624)	(\$496,624)
<b>Total effective cuts (attritions savings + target reductions)</b>	<b>(\$734,416)</b>	<b>(\$742,744)</b>

To address the level of cuts required by the Mayor's budget instructions in addition to the attrition savings target, the Commission would be faced with the following impacts.

**1. Citywide Form 700 electronic filing project for the city's 3,500+ departmentally designated Statement of Economic Interests filers will need to be suspended, thereby impacting core public transparency and accountability. In addition, essential tools and systems necessary to enable public disclosure and effective governmental oversight will be impacted.**

*Cuts required: Two staff positions will need to be eliminated. Reductions to technology costs.  
Budget impact: \$310,078 in FY22 and \$342,866 in FY23*

- Without necessary technical and compliance staff needed to roll-out electronic filing of Form 700 for City employees this project will need to be put on hold until staffing capacity can be restored to continue this work.
  - 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 at a time when public's trust in government needs to be strengthened.
  - Program staff's ability to conduct oversight of City employees' financial disclosure forms (Form 700) will continue to be limited due to lack of availability of electronic disclosures and related data tools.
- The Commission's ability to develop and maintain essential tools and systems needed to enable public disclosure and exercise effective oversight will be impacted.
  - With a 25 percent reduction in the Electronic Disclosure and Data Analysis division staffing, the Commission will not be able to provide timely technical resolution to e-filing system issues experienced by filers on a day-to-day basis or promptly maintain its e-filing systems to ensure that they are updated to accommodate changes driven by its core technology service providers, which could lead to disruption of e-filing services.
  - With limited IT staffing, the Commission will not be able to implement any new technology changes based on the recommendations in the Controller's Public Integrity reports and the August 2020 Budget & Legislative Analyst performance audit report.
  - Commission will not be able to build essential tools to leverage technology to identify compliance issues for improved oversight and enforcement to support the new Streamlined Administrative Resolution Program.
  - Funding available to contract technology services from vendors to enhance electronic filing systems will be reduced.

**2. Department's administrative support functions will be severely affected, leading to impacts on the Commission's core programmatic functions as that work will need to be absorbed by non-administrative program staff.**

*Cuts required: Three staff positions focused primarily on departmental administrative support functions will need to be eliminated. Temporary funding for seasonal hiring will need to be eliminated.  
Budget impact: \$325,154 in FY22 and \$405,785 in FY23*

- City officials, employees, candidates running for office, campaign committees, lobbyists and other filers would not receive the level of assistance needed to comply with the City's ethics, campaign, and other governmental laws.
  - As Commission's program staff will now need to absorb administrative support functions on a day-to-day basis, the compliance support hours available to filers will be



- drastically reduced. On-demand response to requests for compliance advice and one-on-one training to assist filers with their public disclosure obligations would be eliminated. In addition, program staff will be unable to provide pro-active outreach to filers regarding compliance laws, filing requirements, and deadlines. These changes will likely result in an increase in non-compliance, decrease in public disclosure, and affect City's ability to hold these filers accountable.
- The August 2020 Budget and Legislative Analyst performance audit of the Ethics Commission included a recommendation for the Commission to formalize and document procedures to provide training on ethics laws to City employees and officials that specify how training needs will be assessed; training goals; a process for tracking progress towards achieving training goals; and a process for routinely evaluating, updating, and revising training procedures. The Commission has developed a training plan aligned with this goal and has started taking steps to make progress towards achieving them. With reduced staffing, this effort will need to be put on hold until Commission's staffing can be restored.
  - Without the retention of existing staff capacity, the Commission will lack the ability to effectively implement the recommendations of the Controller's Public Integrity reports and August 2020 Budget & Legislative Analyst performance audit report. Enacting new policies will require programmatic bandwidth to ensure that the laws can be properly operationalized and communicated to the filers and the public. With limited bandwidth new changes cannot be effectively implemented.
  - With no funding for temporary seasonal hiring, the Commission will not be able to provide needed compliance assistance to filers during peak filing season if faced with staffing shortages.
- Commission's ability to perform post-compliance review, conduct audits, and enforce laws will be impacted.
    - As compliance staff will need to absorb administrative duties their ability to review disclosures post-filing, track late filers and non-filers, and request amendments to disclosures will be impacted thereby increasing the potential for non-filings and inaccurate filings, and impacting public's access to accurate information. This would also result in a disproportionately higher impact on candidates, committees, and other filers who do not have resources to secure professional private services to fulfil their compliance obligations.
    - Commission's existing fines collection process would be required to be absorbed by investigative staff, reducing staff hours that can be dedicated to proactively detecting violations. This coupled with the impact from reduced compliance support could compromise the ability of enforcement staff to sustain a primary focus on higher impact cases.
    - Commission's procurement processes will need to be absorbed by program staff, potentially requiring 25 percent of an Auditor's time to perform critical purchasing functions impacting the agency's ability to conduct timely audits.
  - Department's ability to timely comply with City's financial and procurement policies and procedures will be affected.
    - Eliminating administrative positions could lead to delays in revenue collection as new business processes are established and absorbed by program staff.

- City vendors who provide services to the Commission may face payment delays as procurement processes are absorbed by program staff which could lead to disruption of essential services needed to run departmental operations and maintain public disclosure systems.

**3. All funding for training and professional development for Commission staff will be eliminated.**

*Cuts required: \$20,000 in FY22*

- Training opportunities that enable staff to acquire and strengthen the skills required to meet changing organizational needs and achieve racial equity goals cannot be secured compromising the effectiveness of Commission operations and programs.
- Commission will not be able to establish and formalize training programs for investigators and auditors as recommended in the August 2020 Budget & Legislative Analyst performance audit report thereby impacting its ability to strengthen its foundation for improved oversight.
- Professional development to sustain and deepen subject matter expertise will be severely curtailed, placing at risk implementation of leading practices and staff retention.

ATTACHMENT – I: ORGANIZATIONAL CHARTS

Chart 1 – Current

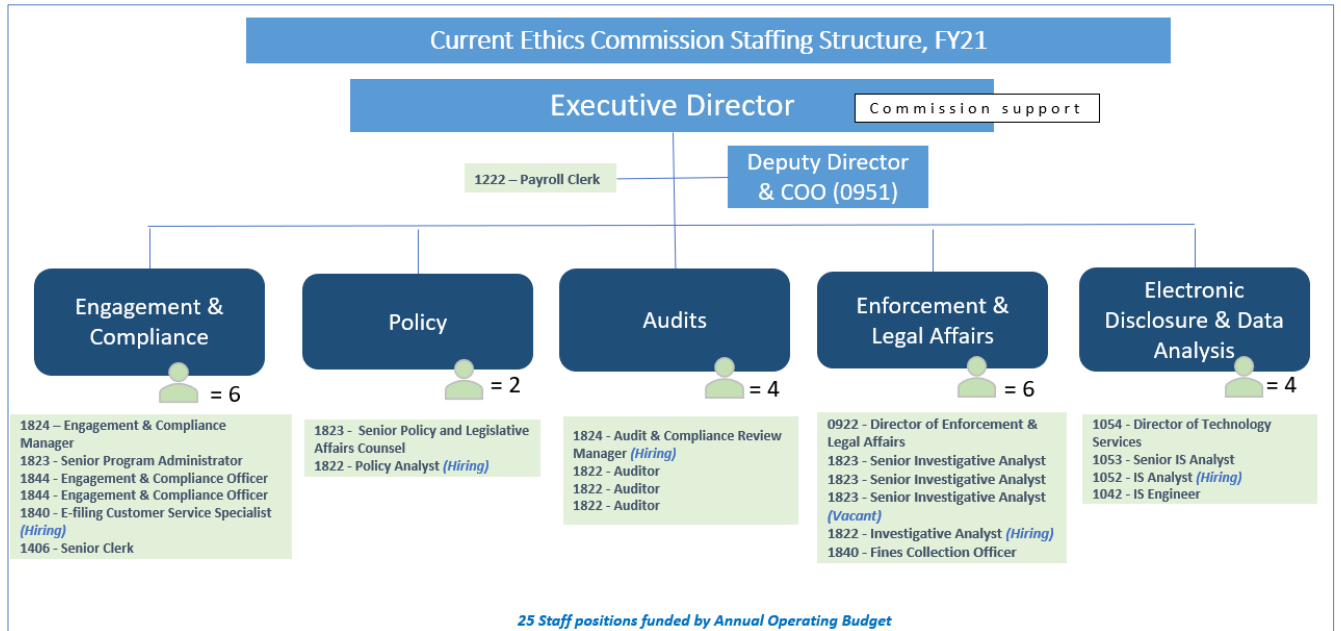


Chart 2 – Proposed

