



San Francisco Ethics Commission

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Date: November 3, 2023
To: Members of the Ethics Commission
From: Gayathri Thaikkendiyil, Acting Executive Director
Subject: Agenda Item 5 – Fiscal Year 2023-24 Budget Update

Summary and Action Requested

This report provides an update regarding the Fiscal Year 2023-24 (FY24) budget. No action is required by the Commission, as this item is for informational purposes only.

FY24 Mid-Year Budget Cuts

On October 11, 2023, the Mayor issued mid-year target cut instructions to City departments directing them to propose 3% cuts to their Fiscal Year 2023-24 approved budget. The instructions applied to departments with General Fund budgets, but departments with declining non-General Fund revenues were also asked to consider options to scale back spending. The Mayor's Budget Office indicated that the City's structural deficit is too significant to wait to resolve during the usual Spring budget process. The communication from the Mayor to Department Heads cited significant delays in reimbursement from the Federal Emergency Management Agency for expenses incurred during the COVID-19 crisis, employee health care costs escalating much faster than expected, and slow growth in business tax revenue exacerbated by an increasing amount of litigation and disputes over those business taxes.

The Mayor's Budget Office provided the following guidance to identify target cuts:

- Prioritize only filling positions essential to core department operations and propose other vacancies to eliminate.
- Pause new or expanded programs.
- Propose reductions to current contract budgets based on spend rate, performance, or if non-essential.
- Identify all open or planned procurements and other information for Mayor's Office to review.
- Take other common sense cost-cutting measures.

The target cut proposals and information requested by the Mayor's Office for mid-year budget reductions were due on October 26. The FY24 mid-year reduction target provided by the Mayor's Budget Office for the Ethics Commission is \$210,000. Over the last few weeks, Staff have analyzed the Commission's FY24 spending and identified salary savings from vacancies as the potential area of reduction to meet the target cut proposal requirement. Staff have also been in communication with the Mayor's Budget Office to respond to information requests and inquiries regarding the Commission's budget.

The immediate impact of the mid-year target cuts on the Commission's operations is delays in hiring. The Commission's Engagement & Compliance Division currently has five vacancies out of a total of six staff positions and is operating under extremely limited staffing. Three positions are currently under recruitment and the mid-year target cuts will not impact the timeline of filling those positions. However, two additional positions in this Division became vacant recently – an Engagement & Compliance Officer position vacated on September 30 and a Senior Clerk position vacated on October 28. Staff have not been able to initiate recruitment for these positions due to approval pending from the Mayor's Budget Office as of the date of publishing this report. The delays in recruitment for the new vacancies have further amplified the operational constraints on the Commission's compliance programs, front-office functions, and Commission meeting support activities.

Per information from the Mayor's Office, the final FY24 mid-year cuts will be determined in November, followed by budget instructions in early December for the FY25-FY26 budget process. Staff will continue to closely monitor developments regarding the target cuts and provide an update at the next Commission meeting.