



# San Francisco Ethics Commission

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January 19, 2024

To: Members of the Ethics Commission

From: Gayathri Thaikkendiyil, Acting Executive Director

Subject: January 24 Meeting Agenda Item 7 - Presentation, public hearing, and possible action on Ethics Commission budget priorities for the Fiscal Year 2024-25 and Fiscal Year 2025-26

## Summary and Action Requested

The attached overview is presented for informational purposes only as background on the Ethics Commission's departmental budget. No action is required at this public hearing. The Agenda item has been noticed for both discussion and possible action should the Commission wish to take action at this meeting after receiving public comment on departmental budget priorities for FY25-FY26.

## Budget Submission Deadline

Departmental budget submissions for the Fiscal Years that begin July 1, 2024 and end June 30, 2026 must be submitted to the Mayor's Office by February 21, 2024. As part of the annual budget process, departments are subject to requirements that took effect in 2020 under Ordinance No. 294-19. That ordinance was adopted by the Board of Supervisors in December 2019 and modified the process for adopting the City's annual budget with the goal of expanding public input in the development of the City's annual budget.

## Public Hearing on Departmental Budget Priorities

Under the Ordinance, following the issuance of annual budget instructions from the Mayor, departments are required to hold a public meeting concerning departmental budget priorities at which members of the public may provide input. The purpose of the meeting is to allow for public input on departmental budget priorities for the upcoming Fiscal Years prior to the department finalizing its budget proposal for submission to the Mayor's office. For departments subject to the oversight of a commission, this requirement may be satisfied by holding a public hearing regarding budget priorities at a regular or special meeting subject to both the Brown Act and the Sunshine Ordinance. The meeting must be held at least 15 days prior to the commission's final approval of the agency's proposed budget.

## Subsequent Public Hearing on Department's Proposed Budget

The Ordinance also requires that by no later than February 14 each year, agencies must hold a public meeting concerning the department's proposed budget to allow for public input prior to the agency's submission of their proposed budget. At that meeting, information provided must include information about the agency's divisions; budget totals and major changes including new or reduced initiatives and staffing changes; changes in service levels; projected salary savings; and how the agency is meeting

budget instruction targets. The Ordinance requires this public meeting to occur no less than 15 days after the public meeting to obtain input on budget priorities. For Commissions, this requirement can be satisfied at a regular or special meeting at which it considers final approval of the agency's proposed budget.

### Mayor's Budget Instructions for Fiscal Years 2024-25 (FY25) and 2025-26 (FY26)

The Mayor issued [annual budget instructions](#) to City departments for FY25 and FY26 on December 13, 2023. The City is projecting a budget shortfall of approximately \$799 million with a \$245 million deficit in the first year and \$554 million in the second year. Therefore, City departments are required to propose cuts of 10% in FY25 and 10% in FY26 from their General Fund budgets. An additional proposed contingency cut of 5% is required in each year as well. The budget instructions to departments are outlined below.

- Reduce general fund support by ongoing 10% in each year.
- Submit contingency proposals of ongoing 5% in each year.
- Do not add new FTE positions.
- Focus on core department operations & services. Eliminate costs supporting non-essential, discretionary or redundant service areas.

The priorities that the Mayor has identified for the City are below.

- Improving public safety and street conditions.
- Citywide economic vitality.
- Reducing homelessness and transforming mental health service delivery.
- Accountability & equity in services and spending.

Following submission of the budget proposals, the Mayor's Budget Office will evaluate the requests and develop the Mayor's proposed balanced budget to submit to the Board by June 1, 2024. The Board of Supervisors then considers the budget and must send a balanced budget back to the Mayor for signature by August 1, 2024.

### Public Input on Ethics Commission Budget

In preparation for submitting its FY25-FY26 budget to the Mayor's Office by February 21, as required, the Ethics Commission has planned the following opportunities to receive public input on its budget:

- In accordance Ordinance 294-19, the Ethics Commission has scheduled a public hearing on departmental budget priorities for Wednesday, January 24, 2024. This meeting will be held in person and remotely via Webex and livestreamed via [SFGovTV website](#). For the January 24 public hearing, Commission Staff will present an overview of budget priorities, which appears in **Attachment 1**.
- Also in accordance Ordinance 294-19, the Commission will schedule a public hearing related to the department's proposed budget at its next Regular Meeting on Friday, February 9, 2024. At this meeting Staff will provide a detailed presentation on FY25-FY26 budget proposal planned for submission. As a regular monthly meeting of the Commission, this meeting will be held in

person and remotely via Webex and cablecast live on SFGovTV. Details and materials for this meeting will be posted in advance of the meeting as required by the Brown Act and Sunshine Ordinance.

- Written comment on the Commission's budget priorities and proposals may also be submitted to [ethics.commission@sfgov.org](mailto:ethics.commission@sfgov.org).



City & County of San Francisco  
**Ethics Commission**



**FY24-25 and FY25-FY26 Budget Overview**  
Commission Meeting Agenda Item 7 - Attachment 1  
Wednesday, January 24, 2024

Gayathri Thaikkendiyil, Acting Executive Director  
Steven Massey, Acting Deputy Director & Chief Operating Officer



# FY25 & FY26 Budget Submission Process



Departments are required to hold **two public hearings** concerning budget priorities and budget proposals respectively to receive public input prior to submitting their proposed budgets:

- **January 24, 2024 (Regular Meeting):** This agenda item constitutes the Commission's first hearing to receive public input on its budget priorities.
- **February 9, 2024 (Regular Meeting):** A second hearing to receive public input on the Commission's proposed budget.

# FY25 & FY26 Budget Submission Process



- **February 21, 2024:** Departmental budget submissions for the Fiscal Years that begin July 1, 2024 and end June 30, 2026 must be submitted to the Mayor's Office by February 21, 2024.
- **By June 1, 2024:** Following budget submission by departments, the Mayor's Budget Office will develop the Mayor's proposed balanced budget and submit to the Board of Supervisors.
- **By August 1, 2024:** The Board of Supervisors must send a balanced budget back to the Mayor for signature.

# Commission's Funding Snapshot



	<b>FY24 Approved</b> (July 1, 2023-June 30, 2024)	<b>FY25 Baseline</b> (July 1, 2024-June 30, 2025)	<b>FY26 Baseline</b> (July 1, 2025-June 30, 2026)
Annual Operating Budget	\$7.09m	\$6.87m	\$7.06m
Total Positions	34	32*	32
Funded Positions**	30.55	29.18	29.18

\* Staffing level in FY25 has decreased, as funding for two positions will expire in FY24 by June 30, 2024.

\*\* Funded positions are lower than total positions as departments are required to meet specific attrition savings targets identified in their baseline budget.

*There are 25 staff positions currently filled.*

# Election Campaign Fund



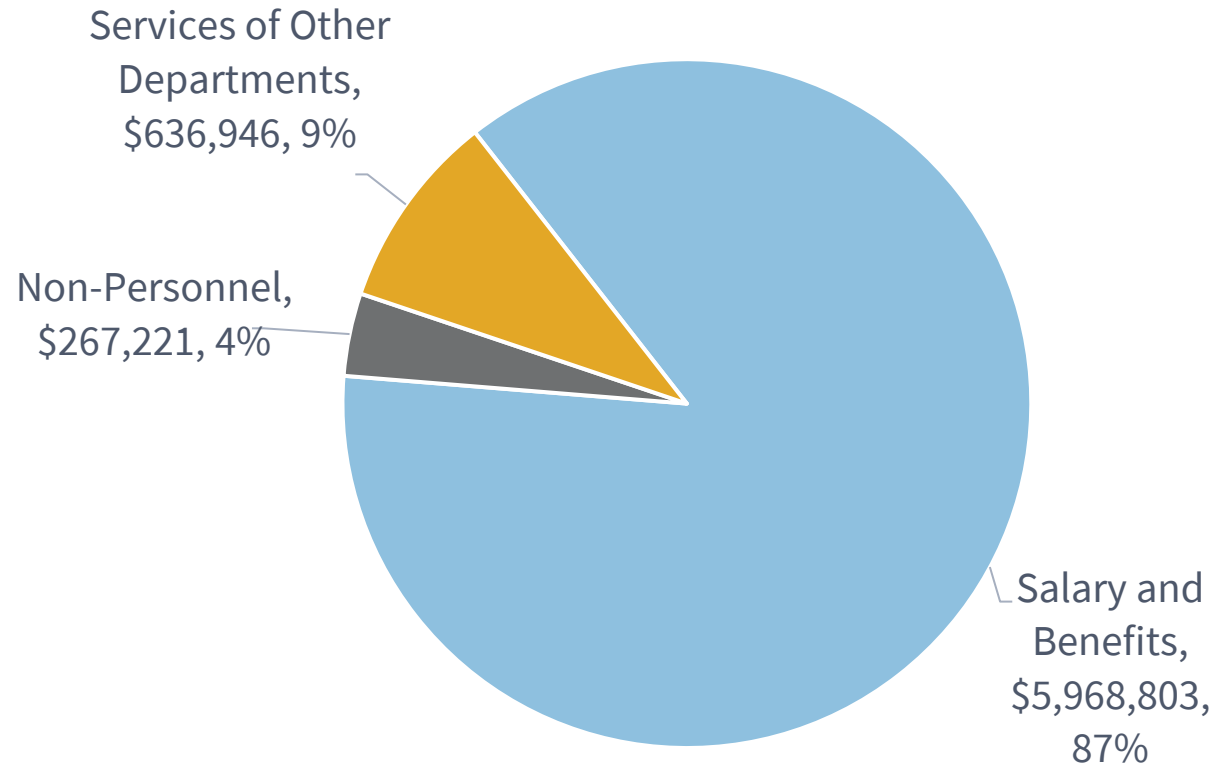
- Established in the City's Campaign Finance Reform Ordinance to provide partial public financing for candidates for Mayor and the Board of Supervisors who meet the required eligibility criteria.
- Fund has a balance of \$4 million and is capped at a maximum of \$7 million.
- City's baseline budget for FY25 and FY26 currently provides an additional allocation of \$446,860 each year.



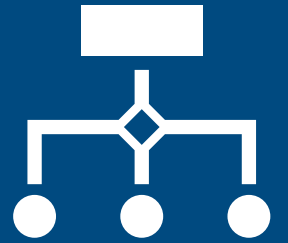
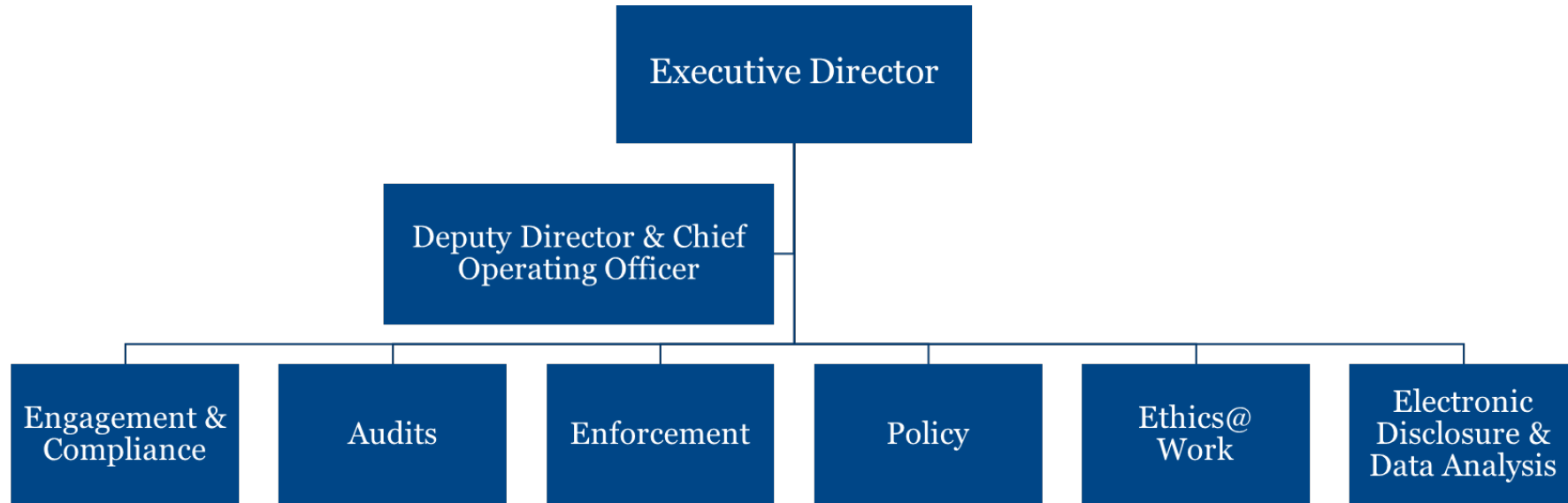
# Budget Distribution



## FY25 Baseline

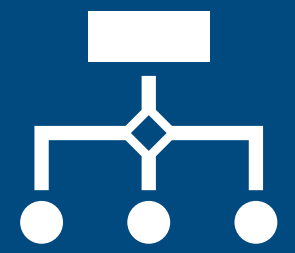
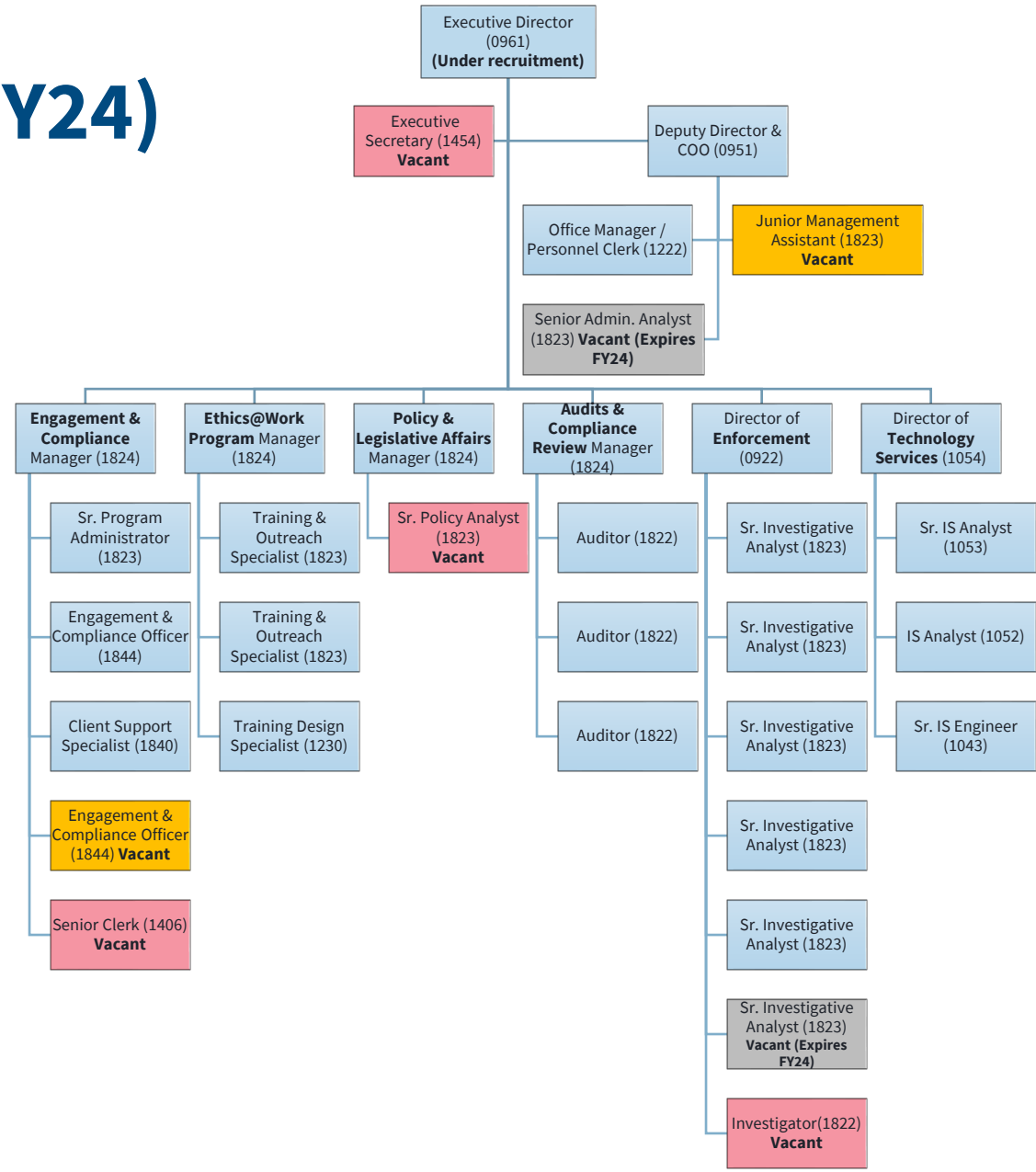


# Ethics Commission Divisions (FY24)



# Organization Chart (FY24)

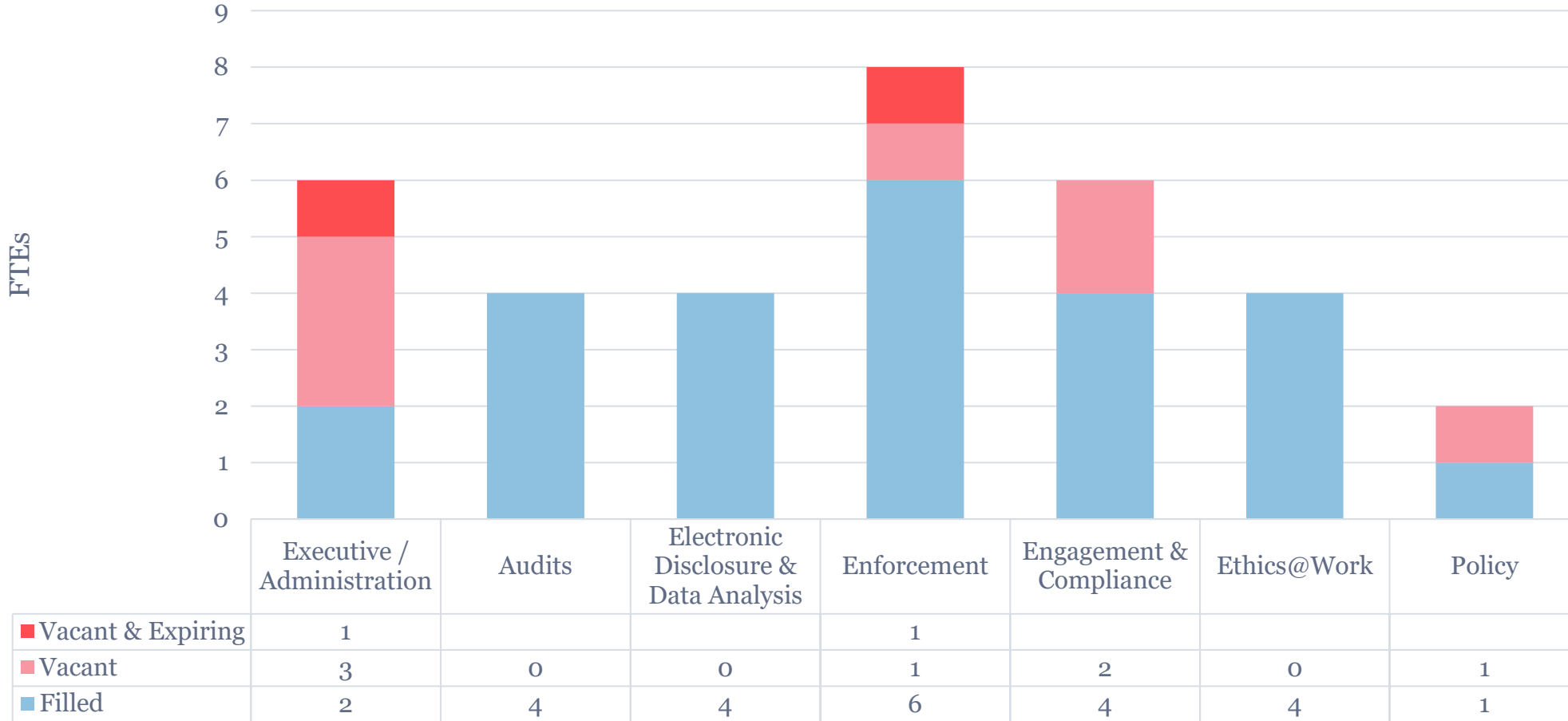
- **34** positions total
  - **25** positions filled
  - **9** vacancies (26%)
    - Executive Director under recruitment
    - **6** vacancies currently held for attrition and budget cuts
    - **2** positions expire June 30, 2024
- Positions held vacant for attrition savings.
- Positions originally planned to be filled in FY24 but are left vacant due to FY25-FY26 target cuts.
- Positions expiring on June 30, 2024.



# Staffing Distribution (FY24)



FTEs by Division



# Mayor's Priorities for the City

- Improving public safety and street conditions.
- Citywide economic vitality.
- Reducing homelessness and transforming mental health service delivery.
- Accountability & equity in services and spending.



# Budget Instructions to City Departments

- 1. Reduce general fund support:** 10% in FY24-25 and 10% in FY25-26.
  - *For the Ethics Commission 10% translates to **\$680k in each year.***
- 2. Submit contingency proposals:** Ongoing additional 5% in each year.
  - *For the Ethics Commission 5% translates to **\$340k in each year.***
- 3. No new FTE positions.**
- 4. Focus on core department operations & services:** Eliminate costs supporting non-essential, discretionary or redundant service areas.





# Budget Needed To Fund All Positions



	<b>FY25</b> (July 1, 2024-June 30, 2025)	<b>FY26</b> (July 1, 2025-June 30, 2026)
Baseline Budget	\$6,872,970	\$7,061,175
Adding Attrition Savings	\$644,659	\$646,076
Funding for two positions expiring in FY24	\$391,186	\$405,458
<b>Total Budget</b> (for 34 FTEs)	<b>\$7,908,815</b>	<b>\$8,112,709</b>

# Funding Gap with 10% Budget Cut



	<b>FY25</b> (July 1, 2024-June 30, 2025)	<b>FY26</b> (July 1, 2025-June 30, 2026)
Attrition Savings	\$(644,659)	\$(646,076)
10% Budget Cut	\$(680,000)	\$(680,000)
<b>Total Funding Gap</b>	<b>\$(1,324,659)</b>	<b>\$(1,325,076)</b>

# Funding Gap with Additional 5% Budget Cut



	<b>FY25</b> (July 1, 2024-June 30, 2025)	<b>FY26</b> (July 1, 2025-June 30, 2026)
Attrition Savings	\$(644,659)	\$(646,076)
10% Budget Cut	\$(680,000)	\$(680,000)
5% Budget Cut	\$(340,000)	\$(340,000)
<b>Total Funding Gap</b>	<b>\$(1,664,659)</b>	<b>\$(1,666,076)</b>

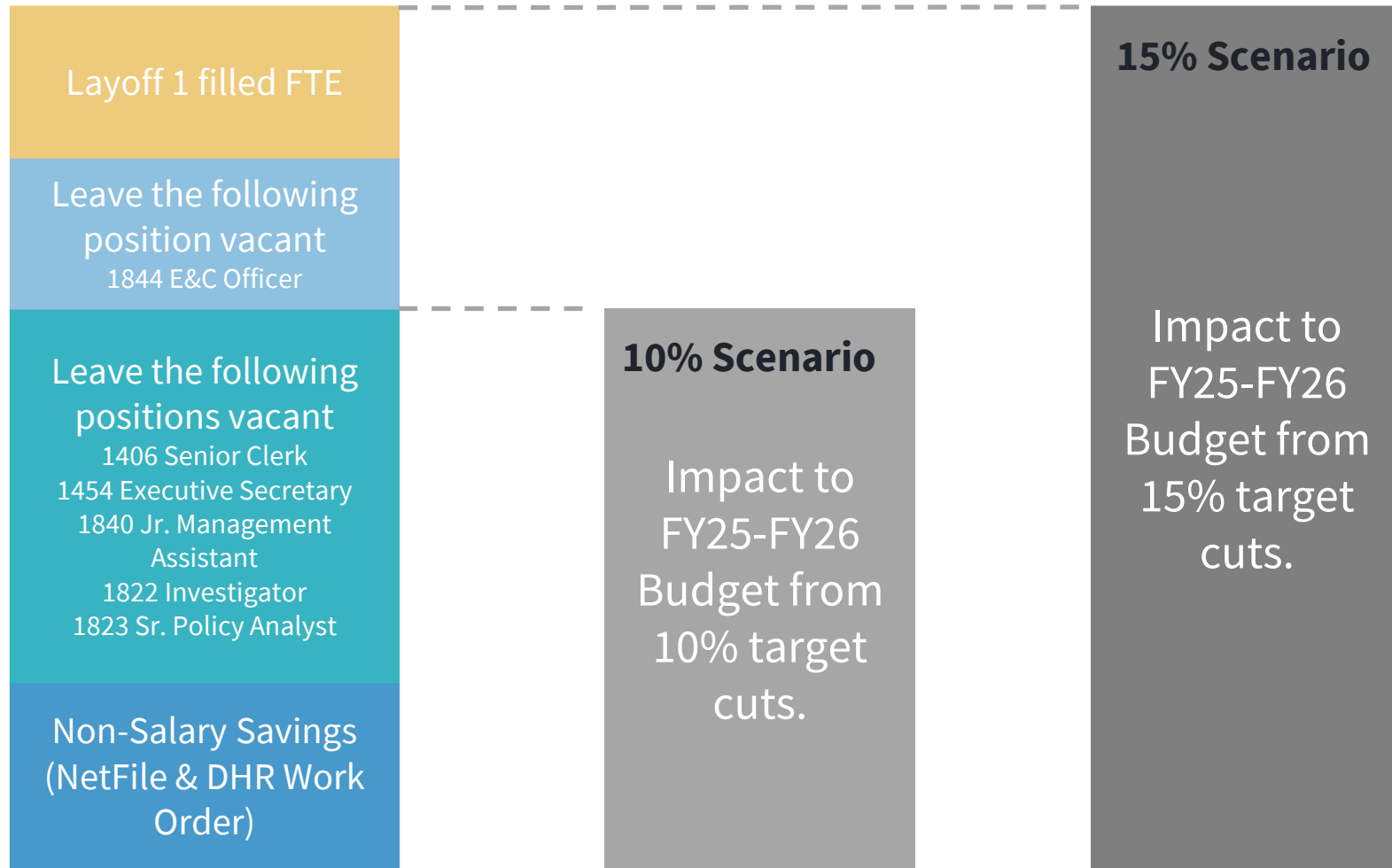
# Achieving Target Cuts

- Commission’s budget accounts and current allocations were analyzed to identify potential areas of savings.
- Majority of the cuts will need to be accounted for using salary savings from existing vacancies.
- In addition, the following non-salary savings identified will be used.

Direct Netfile Lobbyist System Maintenance Fees to the Expenditure	59k
Lobbyist Project Funding (instead of charging it to operating budget)	
Reduce the workorder for the Department of Human Resources by 50%	140k
Total	199K



# Snapshot of FY25-FY26 Budget Cut Impact



# FY25 – FY26 Vacancies Impacted



<b>Position</b>	<b>Division</b>
1406 Senior Clerk	Engagement & Compliance Division
1454 Executive Secretary	Administrative
1840 Junior Management Assistant*	Administrative
1822 Investigator	Enforcement Division
1823 Senior Policy Analyst	Policy Division
1844 Engagement & Compliance Officer*	Engagement & Compliance Division

\*Originally was planned to be filled in FY24 but had to be paused due to potential budget cuts.



# Impact of 10% Cut to Services

- Continued reduction in capacity to conduct policy analysis, provide advice and guidance, and compliance assistance.
- Continued reduction in enforcement capacity.
- Continued impact due to insufficient administrative staffing for basic departmental and commission responsibilities, including office front-counter service, commission meeting preparation and clerking, human resources, contracting, procurement, accounting and finance, and other general operations.



# Impact of 15% Cut to Services

In addition to the impact identified for the 10% cut, the following areas will be impacted.

- Without the 1844 Engagement & Compliance Officer position, the Commission will not have a dedicated program administrator for the Form 700 program and other conflict of interest requirements.
- An existing FTE will need to be laid off from one of our functional areas which will severely impact our ability to deliver essential services and affect staff morale and retention.



# FY25 Key Priorities

- Retain existing staff to support the Commission’s programmatic operations, including the capacity to successfully implement Proposition D, should it pass in the March 5, 2024 primary.
- Fill additional positions to address gaps in the Commission’s staffing to meet critical business needs, including compliance functions and other critical operations.
- Maintain existing information technology services and e-filing systems to enable filer compliance and public’s access to disclosure filings.

