

Patrick Ford
Executive Director

Jeffrey Zumwalt
Acting Director of Enforcement

San Francisco Ethics Commission
25 Van Ness Avenue, Suite 220
San Francisco, CA 94102
(415) 252-3100

BEFORE THE SAN FRANCISCO
ETHICS COMMISSION

In the Matter of)	SFEC Complaint Nos. 24-725
)	
Deneen Hadley,)	
)	
Respondent.)	STIPULATION, DECISION, AND ORDER
)	
)	
_____)	

THE PARTIES STIPULATE AS FOLLOWS:

1. This Stipulation, Decision, and Order (Stipulation) is made and entered into by and between Deneen Hadley (hereinafter "Respondent") and the San Francisco Ethics Commission (the Commission).

2. Respondent and the Commission agree to settle and resolve all factual and legal issues in this matter and to reach a final disposition without an administrative hearing. Respondent represents that Respondent has accurately furnished to the Commission all information and documents that are relevant to the conduct described in Exhibit A. Upon approval of this Stipulation and full performance of the terms outlined in this Stipulation, the Commission will take no future action against Respondent regarding the violations of law described in Exhibit A, and this Stipulation shall constitute the complete resolution of all claims by the Commission against Respondent related to such violations. Respondent

understands and knowingly and voluntarily waives all rights to judicial review of this Stipulation and any action taken by the Commission or its staff on this matter.

3. Respondent acknowledges responsibility for and agrees to pay an administrative penalty as set forth in Exhibit A. Respondent agrees that the administrative penalty set forth in Exhibit A is a reasonable administrative penalty.

4. Within ten business days of the Commission's approval of this Stipulation, Respondent shall either pay the penalty through the City's online payment portal or otherwise deliver to the following address the sum as set forth in Exhibit A in the form of a check or money order made payable to the "City and County of San Francisco":

San Francisco Ethics Commission
Attn: Enforcement & Legal Affairs Division
25 Van Ness Avenue, Suite 220
San Francisco, CA 94102

5. If Respondent fails to comply with the terms of this Stipulation, then the Commission may reopen this matter and prosecute Respondents under Section C3.699-13 of the San Francisco Charter for any available relief.

6. Respondent understands, and hereby knowingly and voluntarily waives, any and all procedural rights under Section C3.699-13 of the San Francisco Charter and the Commission's Enforcement Regulations with respect to this matter. These include, but are not limited to, the right to appear personally at any administrative hearing held in this matter, to be represented by an attorney at Respondent's expense, to confront and cross-examine all witnesses testifying at the hearing and to subpoena witnesses to testify at the hearing.

7. Respondent understands and acknowledges that this Stipulation is not binding on any other government agency with the authority to enforce the San Francisco Campaign & Governmental Conduct Code section 1.100 *et seq.*, and does not preclude the Commission or its staff from cooperating

with or assisting any other government agency in its prosecution of Respondent for any allegations set forth in Exhibit A, or any other matters related to those violations of law set forth in Exhibit A.

8. This Stipulation is subject to the Commission's approval. In the event the Commission declines to approve this Stipulation, the Stipulation shall become null and void, except Paragraph 9, which shall survive.

9. In the event the Commission rejects this Stipulation, and further administrative proceedings before the Commission are necessary, Respondent agrees that the Stipulation and all references to it are inadmissible. Respondent moreover agrees not to challenge, dispute, or object to the participation of any member of the Commission or its staff in any necessary administrative proceeding for reasons stemming from his or her prior consideration of this Stipulation.

10. This Stipulation, along with the attached Exhibit A, reflects the entire agreement between the parties hereto and supersedes any and all prior negotiations, understandings, and agreements with respect to the transactions contemplated herein. This Stipulation may not be amended orally. Any amendment or modification to this Stipulation must be in writing duly executed by all parties and approved by the Commission at a regular or special meeting.

11. This Stipulation shall be construed under, and interpreted in accordance with, the laws of the State of California. If any provision of the Stipulation is found to be unenforceable, the remaining provisions shall remain valid and enforceable.

12. The parties hereto may sign different copies of this Stipulation, which will be deemed to have the same effect as though all parties had signed the same document.

05-10-2024 | 09:46:47 PDT
Dated: _____

DocuSigned by:
Patrick Ford
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PATRICK FORD
EXECUTIVE DIRECTOR SAN FRANCISCO ETHICS COMMISSION

04-24-2024 | 14:26:29 PDT
Dated: _____

DocuSigned by:
Deneen Hadley
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DENEEN HADLEY

DECISION AND ORDER

The foregoing Stipulation of the parties in the matter of “Deneen Hadley, SFEC Complaint No. 24-725,” including the attached Exhibit A, is hereby accepted as the final Decision and Order of the San Francisco Ethics Commission, effective upon execution below by the Chairperson.

IT IS SO ORDERED.

Dated: _____

THEIS FINLEV, CHAIRPERSON
SAN FRANCISCO ETHICS COMMISSION

Exhibit A

I. Introduction

Respondent Deneen Hadley assumed office as a Governing Board Member of the Health Authority Board in July 2022. The Health Authority Board decides on major policies and oversees the administration of the San Francisco Health Plan. As a Governing Board Member, Respondent is required to file Annual Statements of Economic Interests (Form 700) to disclose reportable financial interests as required by the city's Conflict of Interest Code. While Respondent filed an Assuming Office Form 700 for the 12-month period prior to when she assumed office on July 1, 2022, Respondent failed to file her Statement covering the remainder of the 2022 calendar year by the required deadline of April 3, 2023, in violation of San Francisco Campaign and Governmental Code (SF C&GCC) section 3.1-102(a). Following contacts by Ethics Commission compliance and investigative Staff, Respondent filed her 2022 Statement on December 27, 2023.

II. Applicable Law

SF C&GCC section 3.1-102(a) requires that Governing Board Members of the Health Authority Board file a Form 700 Statement of Economic Interests within 30 days of assuming office, annually by April 1st, and within 30 days of leaving office. *See* 2 CCR section 18730.

Governing Board Members of the Health Authority Board must file their Form 700s electronically and must file at Disclosure Category 2, disclosing "all investments in, business positions with, and income from business entities, including nonprofit entities, which may receive funds from the Health Authority, or contract with the Health Authority, or provide services of the type utilized by the Health Authority, including but not limited to health care providers and community-based health and social service organizations. SF C&GCC § 3.1-103(a)(2), *Id.* § 3.1-260.

Members of City boards or commissions who have failed to file a Statement of Economic Interests by the applicable filing deadline are disqualified from all participation in and voting on matters listed on their boards' and commissions' meeting agendas. SF C&GCC § 3.1-102.5(c). Participating in such agenda items is a violation of law.

III. Summary of Material Facts and Analysis

In 2022, Respondent assumed office as a Governing Board Member of the Health Authority Board. She was required to file an Assuming Office Form 700 and the Form 700 each year that she served in this capacity. Respondent filed her Assuming Office Form 700.

On February 9, 2023, February 16, 2023, February 21, 2023, March 29, 2023, and April 3, 2023, the Ethics Commission sent emails to Respondent's email address of record that notified her that she was required to file her Form 700 covering calendar year 2022, by April 3, 2023. Respondent failed to file her Annual Form 700 by this deadline.

The failure to comply with her annual Form 700 filing requirement was a violation of City law. The requirement that Respondent failed to fulfill is summarized in Table 1.

Table 1

Requirement	Assuming Office/Annual	Due Date
Form 700	Annual (Covering 2022)	4/3/23

Respondent was disqualified from participating in or voting on any matter listed on her board's meeting agenda before, during, or after a meeting while her filing obligation remained unfulfilled.

From April 4, 2023, through December 26, 2023, Respondent attended at least four meetings of the Health Authority Board. During these meetings Respondent participated in discussions, approved on consent Board and committee minutes, credentialing and recredentialing recommendations, approved an employee benefits package for FY 23-24, and approved year to date unaudited financial statements and investment income reports. Respondent also voted to approve committee members, participated in closed sessions for strategic planning (no actions taken), deliberated on contracts over a one-million-dollar threshold, grievances, and appeals. Most notably, Respondent approved two contracts over the one-million-dollar threshold with contractors Health Management Associates and Modivcare, Fiscal Year 2022-2023 year-end staff bonuses, the Annual CEO Performance Evaluation and Compensation Recommendation, and approved payment of CalPERS Unfunded Accrued Liability and revisions to the MAC section of the Governing Board Bylaws.

Respondent had still not filed the Form 700 covering calendar year 2022 at the time of these meetings.

After being contacted by Commission investigators as part of this investigation on December 19, 2023, Respondent filed her outstanding Form 700 covering calendar year 2022 on December 27, 2023. This filing was made 268 days after the deadline.

IV. Violations of Law

Count 1:

Failure to File an Annual Statement of Economic Interests (Form 700)

Count 1: By failing to file her required Annual Statement of Economic Interest for calendar year 2022, Respondent violated SF C&GCC section 3.1-102(a).

Count 2:

Participating in and Voting on Matters Appearing on Health Authority Board Meeting Agendas while Disqualified

Count 2: By participating in and voting on matters listed on Health Authority Board meeting agendas while disqualified for failing to file the Form 700, Respondent violated SF C&GCC section 3.1-102.5(c).

V. Penalty Assessment

This matter consists of one count for a failure to timely file an annual Form 700 and one count for participating in and voting on matters listed on the agendas of four meetings of the Health Authority Board while disqualified from doing so.

The San Francisco Charter authorizes the Commission to assess a monetary penalty to the

general fund of the City of up to \$5,000 for each violation, or three times the amount which the respondent failed to report properly. SF Charter § C3.699-13(c). Pursuant to its Enforcement Regulations, when determining penalties the Ethics Commission considers all of the relevant circumstances surrounding the case, including but not limited to: (1) the severity of the violation; (2) the presence or absence of any intention to conceal, deceive, or mislead; (3) whether the violation was willful; (4) whether the violation was an isolated incident or part of a pattern; (5) whether the respondent has a prior record of violations of law; (6) the degree to which the respondent cooperated with the investigation and demonstrated a willingness to remedy any violations; and (7) the respondent's ability to pay. SF Ethics Commission Enforcement Regulations § 9(D).

Failure to File Form 700

Regarding count 1, Respondent's failure to file the Form 700 deprives the public of seeing what a City official's personal financial interests are and assessing whether they are in conflict with any official actions taken by the official. Here, Respondent failed to file and This failure to publicly disclose her reportable financial interests for several months prevented the effective monitoring of her financial interests and the identification of when those interests might conflict with her government actions. This important disclosure requirement thus serves both to prevent conflicts of interest and to protect public confidence in governmental processes. Failure to disclose reportable financial interests as the law requires deprives the public full knowledge about instances in which City officers or employees are prohibited from using their official position to influence a governmental decision in which they have a financial interest. In this instance, because Respondent failed to disclose the full extent of her reportable financial interests for several months, she prevented the public from knowing about the existence and scope of her reportable financial interests during that period.

When considering the penalty amount, the Enforcement Division analyzed the financial penalty modifiers in the Commission's Streamlined Administrative Resolution Program (SARP) for Form 700 violations and previous stipulated agreements that the Commission approved in analogous matters. As it relates to the penalty modifiers in SARP, for failing to file a Form 700 as required, SARP sets \$500, \$700, and \$900 penalties for matters resolved within 30, 60, and 90 days, respectively.

Additionally, the Enforcement Division considered the Commission's prior stipulated agreements for analogous violations. In the matter of *Celine Kennelly, SFEC Complaint No. 2122-145*, the Commission approved a penalty of \$1,000 against a commissioner of an advisory body who resolved her enforcement matter in SARP Tier 1. This matter included one count of \$500 in SARP Tier 1 for failing to file a Form 700. In the matter of *David Wadhvani, SFEC Complaint No. 2021-033*, the Commission approved a total penalty of \$2,400 against a member of a board that makes governmental decisions and who resolved his violations in SARP Tiers 1 and 3. This matter included one count of \$900 in SARP Tier 3 for failing to file a Form 700 and one count of \$500 in SARP Tier 1 for failing to file another Form 700. The facts of the current case are similar to the Kennelly and Wadhvani cases, and it is thus appropriate to use the same penalty rate.

Participating in Agenda Items while Disqualified

Regarding count 2, Respondent's failure to timely file her Form 700 disqualified her from participating in and voting on matters agendized before the Health Authority Board. Notably, Respondent presided over financial decisions that included the approval of two contracts in excess of the one-million-dollar threshold, staff bonuses, CEO compensation, and CalPERS payments. This rule

exists to ensure that if an official has not disclosed their personal financial interests as required, they will not participate in government decisions during the time that their financial interests remain undisclosed. Nonetheless, Respondent participated in and voted on matters before the Health Authority Board while she was disqualified from doing so.

To determine the penalty amount for acting while disqualified, the Enforcement Division again considered the Commission's prior stipulated agreements for analogous violations. In the matter of *Celine Kennelly, SFEC Complaint No. 2122-145*, the Commission approved a penalty of \$500 against a commissioner for acting while disqualified during six meetings, though the meetings were only of an advisory body that lacked authority to make government decisions. In the matter of *David Wadhvani, SFEC Complaint No. 2021-033*, the Commission approved a penalty of \$1,000 against a member of a board that makes governmental decisions for acting while disqualified during two meetings. Because Respondent participated at more meetings while disqualified than did Wadhvani and the Health Authority Board appears to have made significant government decisions at the relevant meetings, it is appropriate to use a penalty rate higher than that of the Wadhvani matter.

In mitigation, Respondent cooperated with Staff's investigation, does not have a history of prior enforcement matters with the Commission, and, as a result of the investigation, has filed the outstanding Form 700 covering calendar year 2022. Finally, Respondent had no reportable interests on her Form 700 and Investigators did not find any evidence that the decisions in which Respondent participated had a financial effect on any of her reportable financial interests.

In balancing the totality of factors described above and to promote a future deterrent effect, a penalty of \$500 for Count 1 and \$1,300 for Count 2 is warranted. The penalty for Count 2 takes into account the fact that Respondent appears to have attended four meetings of the Health Authority Board and took action on several financial matters while being disqualified from doing so. The parties agree that this \$1,800 in total penalties is warranted based on the facts in this matter.

Count 1 (Failure to File Form 700 under the SARP Tier 1 Penalty Modifier): \$500

Count 2 (Participation in Agenda Items while Disqualified): \$1,300

Total Penalties: \$1,800