

City and County of San Francisco
Board of Supervisors
Budget and Legislative Analyst

Fiscal Year 2011-2012 Annual Report

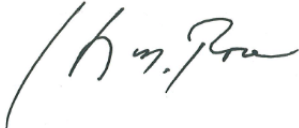


Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, California 94102

Dear Ms. Calvillo:

The Budget and Legislative Analyst's Office is pleased to present our Fiscal Year 2011-2012 Annual Report. Fiscal Year 2011-12 was a period of fiscal adjustment for the Board of Supervisors, as the City enjoyed a fiscal recovery while also absorbing additional responsibilities from the State. To assist Board decision making, the Budget and Legislative Analyst provided independent review of the Mayor's first two-year proposed budget, for Fiscal Years 2012-13 and 2013-14. Additionally, we continued to provide fiscal impact analyses, performance audits of City operations, and policy analyses on various matters. We hope you find this report useful.

Sincerely,



Highlights of Fiscal Year 2011-12

Annual Budget Review Allows for \$30.5 Million in Departmental Restorations

In its annual review of the proposed Citywide budget, the Budget and Legislative Analyst's Office identified budget savings totaling more than \$30.5 million for the Board of Supervisors Budget and Finance Committee for Fiscal Years 2012-13 and 2013-14. Combined with additional budgetary adjustments, the Budget and Legislative Analyst's recommendations enabled the Board of Supervisors to return funding to a number of City departments and programs.

Legislative Reviews Yield \$119 Million in Multi-Year Savings for the City

In FY 2011-12, the Budget and Legislative Analyst's Office analyzed 135 pieces of legislation for the Board of Supervisors. The cumulative value associated with this legislation totaled more than \$7.4 billion in long-term debt issuances, property leases, multiyear contracts, and various other matters. The Budget and Legislative Analyst's recommendations, as accepted by the Board of Supervisors in FY 2011-12, had a total value of \$119 million, including ongoing annual savings and increased revenues.

Legislative and Policy Analysis Reports Address Individual Supervisors' Concerns

In response to individual Supervisors' requests, the Budget and Legislative Analyst's Office produced 16 legislative and policy analysis reports in FY 2011-12. Report topics included a cost-benefit analysis of making Muni free for all San Francisco youth; options for the City to foster community banking; costs and incentives for filming in San Francisco; and a comparison of campaign finance and ethics laws in San Francisco and the City of Los Angeles.

Performance Audits Reveal Opportunities for Savings and Efficiency

The Budget and Legislative Analyst's Office conducted and released three performance audits in FY 2011-12: (1) San Francisco's Lead Worker, Standby, Acting Assignment, and Supervisory Differential Pay Practices; (2) Affordable Housing Policies and Programs; and (3) Governance and City Support of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences. The performance audits disclosed efficiency opportunities that, if implemented, could increase City revenues by more than \$1.4 million annually.

Budget Review, Fiscal Years 2012-13 and 2013-14

The Budget and Legislative Analyst’s Office reviews the San Francisco Mayor’s proposed budget and provides recommendations to the Board of Supervisors’ Budget and Finance Committee on areas where expenditures can be reduced, without reducing service levels, or revenues can be increased.

By the Numbers

14. The number of days from the release of the Mayor’s Proposed City Budget until the submission of the first round of Budget and Legislative Analyst Office recommendations.

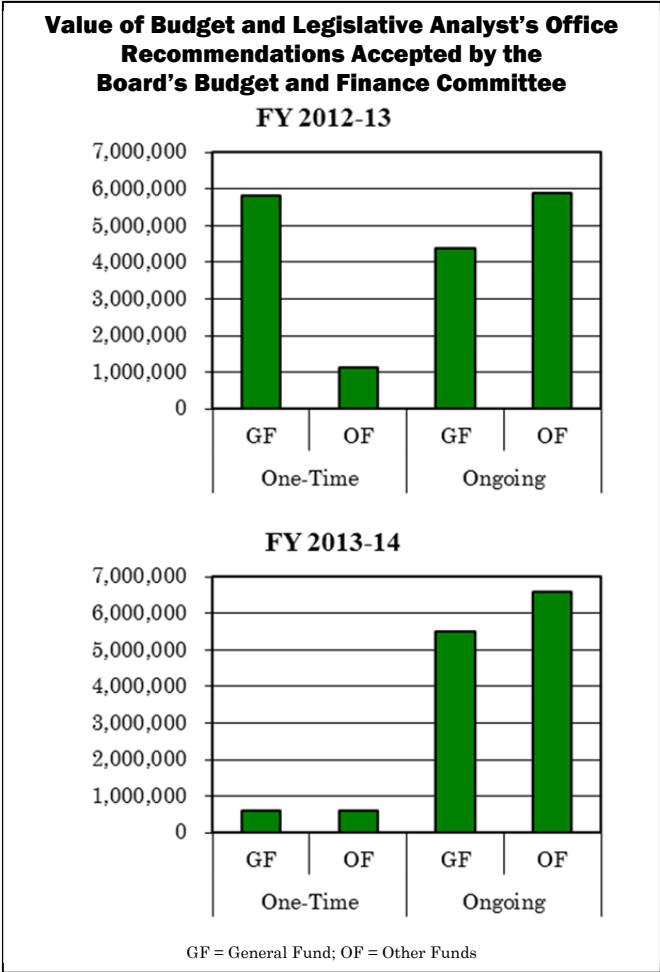
\$30.5 Million. Budget savings identified by the Budget and Legislative Analyst’s Office and approved by the Board of Supervisors, comprised of \$17.2 million in FY 2012-13 and \$13.3 million in savings in FY 2013-14.

Highlights

With the Mayor’s submission of the FY 2012-13 and FY 2013-14 budget, this year was the first in which the Board considered a City-wide two-year rolling budget. In addition, the Board of Supervisors approved fixed two-year budgets for the Airport, Port and Public Utilities Commission. Barring significant changes in revenue or costs, these three departmental budgets won’t come back before the Board until May 2014. The figures to the right illustrate the Budget and Legislative Analyst’s recommendations accepted by the Board of Supervisors, by fund and duration.

Through its review of the Mayor’s proposed \$7.3 billion FY 2012-13 and \$7.6 billion FY 2013-14 Citywide budgets, the Budget and Legislative Analyst’s Office identified one-time and ongoing General Fund savings of \$10.2 million in FY 2012-13 and \$6.1 million in FY 2013-14. The Budget and Legislative Analyst also identified \$14.2 million in savings from other City funds for the two years.

The savings identified by the Budget and Legislative Analyst provided one source of funds used by the Board of Supervisors to help restore a number of other funding priorities in the FY 2012-13 and FY 2012-14 budget, including: homeless shelters; small business payroll tax exemptions; street cleaning and landscaping; recreation and park investments; rental eviction defense services; and, other services.



Legislative Items

The Budget and Legislative Analyst’s Office analyzes and reports on legislation, referred to Board of Supervisors committees, if such legislation has an impact of \$200,000 or more.

By the Numbers

135. The number of pieces of legislation reviewed by the Budget and Legislative Analyst’s Office in FY 2011-12.

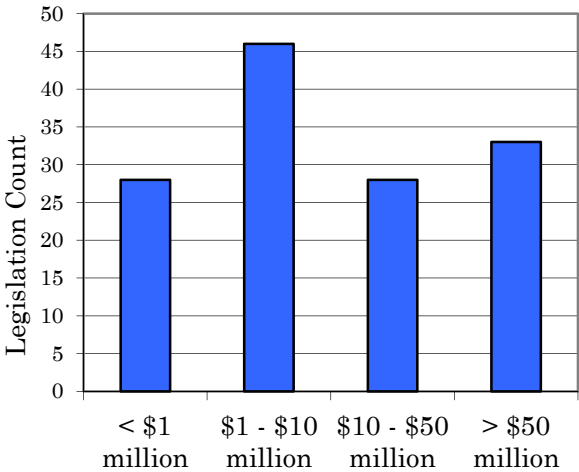
\$119 Million. The total fiscal impact of the Budget and Legislative Analyst’s recommendations, as approved by the Board of Supervisors.

Highlights

Charting San Francisco’s Future

In FY 2011-12, the Budget and Legislative Analyst’s Office reviewed 135 pieces of legislation with associated costs and revenues amounting to \$7.4 billion. Legislation reviewed covered a diverse group of issues, including major initiatives for the City’s future, such as planning for the 34th America’s Cup, development of the 8 Washington Street condominium project, the sale of bonds for major City capital projects including street resurfacing and the SF General Hospital rebuild, supplemental appropriations for initiatives including the Small Business Revolving Loan Fund, as well as contract renewals, changes to City codes, and other issues.

Number of Pieces of Legislation Reviewed, by Fiscal Value



Savings Add Up for City

The Budget and Legislative Analyst’s Office made recommendations to amend legislation submitted to the Board of Supervisors that resulted in reduced City costs of \$119 million in FY 2011-12. In several instances, savings were realized after the Budget and Legislative Analyst’s Office recommended decreasing the amount of bond debt assumed by several agencies (including the MTA and the PUC). In other instances, the Office identified savings in City contracts, including \$8 million in savings from modified Department of Public Health contracts.

In FY 2011-12, 61 of the 135 legislative items reviewed by the Budget and Legislative Analyst’s Office had a fiscal value of \$10 million or more, representing 45% of the items reviewed.

Types of Legislation Reviewed in FY 2011-12

Legislation Intent	Count
Leases and Sale of Property	32
Appropriation	28
Amend Contract	18
Loans and Bonds	16
New Contract	10
Code Changes	10
Other	9
Fees	7
Audits	2
Release of Reserves	2
CEQA	1
Total	135

As the above table shows, legislation pertaining to leases and property sales accounted for 32 of the 135 pieces of legislation (24%) reviewed by the Budget and Legislative Analyst’s Office in FY 2011-12.

Legislative and Policy Analyses

The Budget and Legislative Analyst's Office performs special analyses at the request of individual members of the Board of Supervisors. Examples include these four reports.

Costs and Benefits of Free Muni for Youth

(September 19, 2011) This report provided a cost-benefit analysis of waiving Muni fares for youth ages 5 to 17 to ride SF Muni. The analysis considered projected ridership levels, bus service changes, fare evasion, and revenue losses. The report estimated that Muni's total ridership would increase 4.6% if youth fares were waived, at a net cost of \$5.9 million per year.



The Board of Supervisors weighed the benefits and costs of waiving SF Muni fares for all youth aged 5 to 17.

Options for Community Banking

(September 8, 2011) The Budget and Legislative Analyst's Office detailed several options for the City to invest in banking institutions with a community-development focus. Options included investing in local credit unions or community development banks, or appropriating City funds to community development initiatives. Though the City is barred under California State law from operating a public bank, the report identified steps the City could take to lay the foundation for a public bank, assuming existing State law is amended.

Costs and Incentives for Filming

(October 31, 2011) This report compared San Francisco's film production incentives to those in 16 other jurisdictions and found that San Francisco's permit and police fees were among the highest. In a follow-up memorandum (April 24, 2012), the Budget and Legislative Analyst estimated the economic impact of three film productions since 2010: the City provided a total of \$606,284 in rebates and received an estimated direct and indirect stimulus benefit totaling \$10.8 million. However, less than 2% of productions that receive permits to film in the City apply for the rebate, presumably because they do not meet the requirement that 55% or more of all principal photography, be performed in the City.

Comparing Ethics Policies in San Francisco and Los Angeles

(June 5, 2012) The Budget and Legislative Analyst compared the City and County of San Francisco's ethics laws, policies, and enforcement with those of the City of Los Angeles, highlighting key differences. The review focused on four areas of policy and enforcement: (1) campaign financing; (2) enforcement and education; (3) lobbying; and (4) transparency. The comparison revealed alternative policies and approaches that San Francisco could consider with regard to influencing campaign financing, enforcing laws, educating and informing the public, and managing lobbying practices. In addition, the analysis indicated that investigations into ethics improprieties resulted in significantly different outcomes in San Francisco and Los Angeles, with San Francisco dismissing 76% of its cases, compared to just 19% in Los Angeles. Furthermore, Los Angeles levied higher average fines than San Francisco — \$7,746 in the City of Los Angeles compared to \$6,088 in the City and County of San Francisco over the seven-year period ending in November 2011.

Performance Audits

The Budget and Legislative Analyst's Office conducts performance audits of City and County departments and services as requested by a formal motion approved by the Board of Supervisors.

The Budget and Legislative Analyst's Office works with the Board of Supervisors to develop a performance audit work plan for each calendar year. In FY 2011-12, the Budget and Legislative Analyst released three performance audits.

San Francisco's Lead Worker, Standby, Acting Assignment, and Supervisory Differential Pay Practices

(August 3, 2011) The purpose of the audit was to evaluate City departments' management of standby, lead, acting assignment, and supervisory differential pay for City workers. The audit found that lead worker pay was used to compensate employees for job duties that are core job functions. In addition, the report found a lack of standard practices across departments and possible inefficiencies in assigning standby pay.

The audit recommended that:

- The Department of Human Resources establish guidelines for departments on lead workers and renegotiate MOUs between the City and employee unions to clearly define lead workers;
- City departments clearly define standby pay and eliminate its unnecessary use;
- The Department of Public Health and the Municipal Transportation Agency reevaluate certain scheduling practices to eliminate unnecessary costs.

Implementing these recommendations would save the City \$1.4 million per year in annual costs for lead and standby pay.

Performance Audit of Affordable Housing Policies and Programs

(January 18, 2012) The audit evaluated: the effectiveness of current policies to meet housing needs; funding sources; and implementation of regional housing plans, including transit-oriented housing. The audit found that the 2010 revisions to the Inclusionary Affordable Housing Ordinance have slowed the development and funding availability of new affordable housing. Further, funding sources for affordable housing are uncertain following the dissolution of the State Redevelopment Agency.

The audit recommended that:

- The Board of Supervisors study the effect of the 2010 Fee Deferral Program and consider a policy to dedicate non-recurring revenues to affordable housing;
- The Planning Department provide additional reporting on the development of affordable and transit-oriented housing;
- The Mayor's Office of Housing provide an annual report on supportive housing units for chronically homeless individuals and families and improve marketing of inclusionary affordable housing units.

Performance Audit of Governance and City Support of the Asian Art Museum, Fine Arts Museums, War Memorial, and Academy of Sciences

(June 5, 2012) The purpose of the audit was to evaluate the City's oversight and fiscal support of the City's Charitable Trust Departments (the Asian Art Museum, Fine Arts Museums, and War Memorial) and the Academy of Sciences. The report found that while General Fund monies fund a significant share of the institutions' budgets, oversight by the City is uneven.



An Installation from the Asian Art Museum's "Phantoms of Asia" exhibit, which opened in May 2011.

The audit recommended that the institutions coordinate reporting on debt incurred and review by-laws on commission or trustee diversity, and that the Board of Supervisors assess the direct benefits to San Francisco residents when considering funding levels for the institutions.

Additional Highlights from Fiscal Year 2011-12

Annual Work Plan Sets Performance Audit Agenda for First Half of FY 2012-13

The Budget and Legislative Analyst's Office's annual work plan is approved by the Board of Supervisors on a semiannual basis. In addition to the reports noted above, the Budget and Legislative Analyst's Office conducted fieldwork in FY 2011-12 for a performance audit that will be released in FY 2012-13: **Professional Services Contracts in the Department of Public Health and the Human Services Agency**. In addition, as directed by the Board's work plan, the Budget and Legislative Analyst will be conducting an audit of the **State's Public Safety Realignment Program**.



The new Richardson Apartments at Fell and Gough are operated by Community Housing Partnerships. Redeveloped in partnership with Mercy Housing California, the facility won recognition for its innovative design.

Formal Performance Evaluation

To ensure that Budget and Legislative Analyst's Office's services are meeting the standards and analytical needs of the Board of Supervisors, the agreement for the Office's services requires that a performance evaluation of the Budget and Legislative Analyst's Office be conducted each year by the Board of Supervisors. Such an evaluation was conducted in January 2012.

The Board's Civil Grand Jury Response

Each year the San Francisco Civil Grand Jury issues reports of its investigations into operations of the City's officers, departments, and agencies. In FY 2010-11 the Civil Grand Jury issued seven new reports, covering topics including *Hiring Practices of the City and County of San Francisco*, *San Francisco's Ethics Commission: The Sleeping Watchdog*, and *Central Subway: Too Much Money for too Little Benefit*. During FY 2011-12, the Budget and Legislative Analyst's Office provided briefings to inform the Board of Supervisors' Government Audit and Oversight Committee members of each report's content and the pertinent City department responses to the Grand Jury's report findings and recommendations. Working with the Clerk of the Board, the Budget and Legislative Analyst's Office then prepared draft resolutions outlining the Grand Jury's report findings and recommendations for approval by the Government Audit and Oversight Committee.

Sharing Best Practices with Other Auditors and Fiscal Analysts

In order to share best practices and earn Budget and Legislative Analyst's Office required training hours, the Office participates in an ongoing **training consortium** with auditors and fiscal analysts from **Santa Clara County** and the **City of San Jose**. Day-long trainings are held quarterly, and have included topics such as staffing and municipal debt analysis.

In accordance with the **Generally Accepted Government Auditing Standards (GAGAS)** established by the United States Government Accountability Office, and consistent with the Budget and Legislative Analyst's Office's agreement with the Board of Supervisors, the Budget and Legislative Analyst's Office requires all employees to receive a minimum of 40 hours of training per year on average, and no less than 20 hours in any given year, on topics relevant to local government fiscal and policy analysis and performance auditing.

About the Budget and Legislative Analyst's Office

Serving the Board of Supervisors for the City and County of San Francisco since 1979

The Budget and Legislative Analyst's Office conducts independent fiscal and policy analyses, special studies, and performance audits of City departments and programs for the San Francisco Board of Supervisors.



Severin Campbell addressing the Budget and Finance Committee during the review of the Mayor's proposed Fiscal Year 2012-13 and 2013-14 budgets.

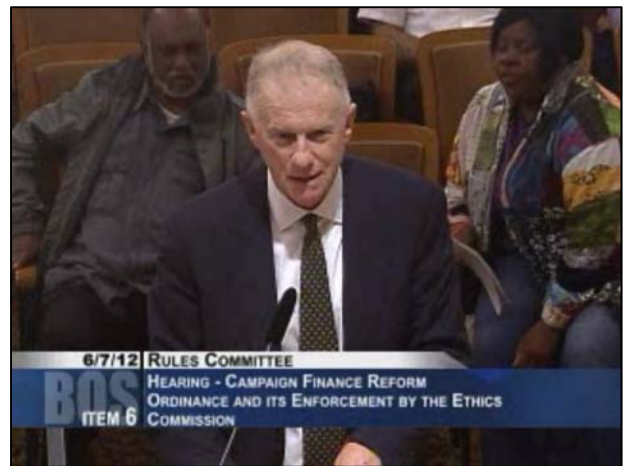
The Budget and Legislative Analyst's Office's responsibilities include:

- Reviewing the City and County of San Francisco Mayor's Proposed Annual Budget and reporting recommendations to the Board of Supervisors Budget and Finance Committee.
- Analyzing and reporting on all legislation with an annual fiscal impact of \$200,000 or more.
- Conducting performance audits of City and County departments as requested by formal motion of the Board of Supervisors.
- Performing policy and legislative analyses as requested by individual Board members.
- Attending each full Board meeting and each meeting of the Board's Budget and Finance Committee and other Committee meetings as necessary.



Harvey M. Rose.

The Budget and Legislative Analyst's Office is staffed by a joint venture partnership comprised of: **Harvey M. Rose Associates, LLC; Debra A. Newman and Associates; Louie & Wong LLP Certified Public Accountants** with Local Business Enterprise subcontractors **Pedro Rodriguez CPAs** and **Hampton Smith**. The Budget and Legislative Analyst's Office is managed by **Harvey M. Rose..**



Fred Brousseau presented the Budget and Legislative Analyst's special analysis comparing ethics laws and enforcement in San Francisco and Los Angeles to the Board's Rules Committee.

**City and County of San Francisco
Board of Supervisors Budget and Legislative Analyst's Office**