

BOARD of SUPERVISORS



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MEMORANDUM

TO: Harvey Rose, Budget and Legislative Analyst
Joaquin Torres, Director, Office of Economic and Workforce Development

FROM: John Carroll, Assistant Clerk,
Government Audit and Oversight Committee, Board of Supervisors

DATE: August 19, 2020

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following hearing request, introduced by Supervisor Mar on August 11, 2020:

File No. 200925

Hearing to consider the findings and recommendations of the Budget and Legislative Analyst's 2020 performance audit of the City's Workforce Development and Pre-Apprenticeship Programs; and requesting the Budget and Legislative Analyst and Office of Economic and Workforce Development to report.

If you have any additional comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Office of Chair Mar
Severin Campbell, Office of the Budget and Legislative Analyst
Nicholas Menard, Office of the Budget and Legislative Analyst
Amanda Guma, Office of the Budget and Legislative Analyst
J'Wel Vaughan, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development

**Performance Audit of the
City's Workforce Development
and Pre-Apprenticeship Programs**

Prepared for the

**Board of Supervisors
of the City and County of San Francisco**

by the

San Francisco Budget and Legislative Analyst

August 3, 2020

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 | (415) 552-9292

August 3, 2020

Supervisor Gordon Mar, Chair, Government Audit and Oversight Committee and Members of the San Francisco Board of Supervisors
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear Chair Mar and Members of the Board of Supervisors:

The Budget and Legislative Analyst is pleased to submit this *Performance Audit of Workforce Development and Pre-Apprenticeship Programs*. In response to a motion adopted by the Board of Supervisors in July 2019 (Motion 19-108), the Budget and Legislative Analyst conducted this performance audit, pursuant to the Board of Supervisors powers of inquiry as defined in Charter Section 16.114 and in accordance with U.S. Government Accountability Office (GAO) standards, as detailed in the Introduction to the report.

The performance audit contains five findings and 17 recommendations, of which 16 are directed to various directors of the Office of Economic and Workforce Development. The Executive Summary, which follows this transmittal letter, summarizes the Budget and Legislative Analyst's findings and recommendations. The recommendations are intended to improve the effectiveness of programs and services meant to prepare target populations to qualify for and obtain employment.

The Director of the Office of Economic and Workforce Development has provided a written response to our performance audit, attached to this report on page 70. The Department agrees or partially agrees with all of the recommendations.

Chair Mar and Members of the Board of Supervisors

August 3, 2020

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We would like to thank the staff at the Office of Economic and Workforce Development, the San Francisco Public Utilities Commission, and the Office of Labor Standards Enforcement for the assistance they provided during the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Goncher". The signature is written in a cursive style with a long horizontal flourish at the end.

Dan Goncher
Principal

cc: Supervisor Fewer
Supervisor Haney
Supervisor Mandelman
Supervisor Mar
Supervisor Peskin
Supervisor Preston
Supervisor Ronen
Supervisor Safai
Supervisor Stefani
Supervisor Walton

Mayor Breed
OEWD Executive Director
Clerk of the Board
City Attorney's Office
Mayor's Budget Director
Controller

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Executive Summary

The Board of Supervisors directed the Budget and Legislative Analyst’s Office to conduct a performance audit of the effectiveness of City departments’ workforce development programs and pre-apprenticeship programs in preparing the target populations to qualify for and obtain employment through a motion (M19-108) passed in July 2019. The scope of this performance audit includes the Department’s governance and oversight, staffing, contracting, program monitoring, and information systems. Broadly, we looked for opportunities to improve the effectiveness and efficiency of Department operations.

San Francisco’s Workforce Development System

The City’s workforce development system works to bring people with barriers to employment into the labor force through the provision of training, work experiences, job placement services, barrier removal, and supportive services.

Workforce Investment San Francisco (WISF)

As mandated by the Workforce Investment Act of 1998, the City established a local planning and oversight body called Workforce Investment San Francisco (WISF), whose membership includes representatives of the Board of Supervisors and the business and labor community.

Administrative Code Section 30

The Board of Supervisors approved Administrative Code Section 30 in November 2007 to centralize policymaking and oversight for all City workforce development programs under the Office of Economic and Workforce Development (OEWD). Specifically, Section 30 required OEWD to: (1) identify City departments’ annual funding for workforce development programs; (2) work with respective City departments to develop an annual workforce development program plan and budget that would be submitted to the Board of Supervisors during the annual appropriation process; and, (3) develop standard performance and outcome criteria for City workforce development programs.

In 2014, the Board of Supervisors amended Administrative Code Section 30 to establish the Committee on Citywide Workforce Alignment (“the Alignment Committee”) to “coordinate workforce development services across City departments in order to increase their effectiveness” and the Workforce

Community Advisory Committee to “advise the WISF on workforce development system priorities, client needs and services.” The Administrative Code established a sunset date for these committees, June 2019; the Board of Supervisors formally dissolved these bodies in November 2019.

Committee on City Workforce Alignment (“the Alignment Committee”)

As established in the Administrative Code, the Alignment Committee, under the leadership of the Mayor’s Office, included the membership of the following City departments: the Human Services Agency, the Office of Economic and Workforce Development, the Department of Children, Youth and Their Families, the San Francisco Public Utilities Commission, Human Rights Commission, the Department of Public Works, the Department of Human Resources, and the Human Rights Commission.

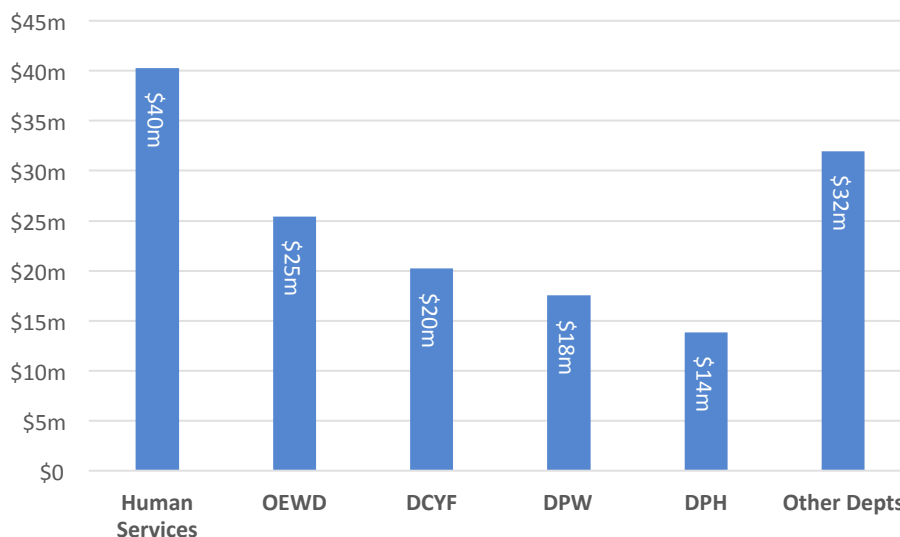
The Alignment Committee was responsible for producing a five-year strategic plan and providing annual updates to the plan.

The Alignment Committee also commissioned and analyzed the annual Workforce Services Inventory, which provided critical data on City workforce programs to inform the development of the five-year plan and its annual updates. The Office of Economic and Workforce Development provided staffing and leadership of this Committee and its activities, including the production of the Plan and the annual Inventory.

San Francisco’s Workforce Services Inventory

Exhibit A below shows total allocations for workforce development programs and services by department for FY 2018-19. The five departments with the largest allocations include the Human Services Agency, the Office of Economic and Workforce Development, the Department of Children Youth and Their Families, the Department of Public Works, and the Department of Public Health.

Exhibit A: FY 2018-19 Total Workforce Development Budgets by Department



Source: FY 2018-19 Inventory Survey Submissions, OEWD

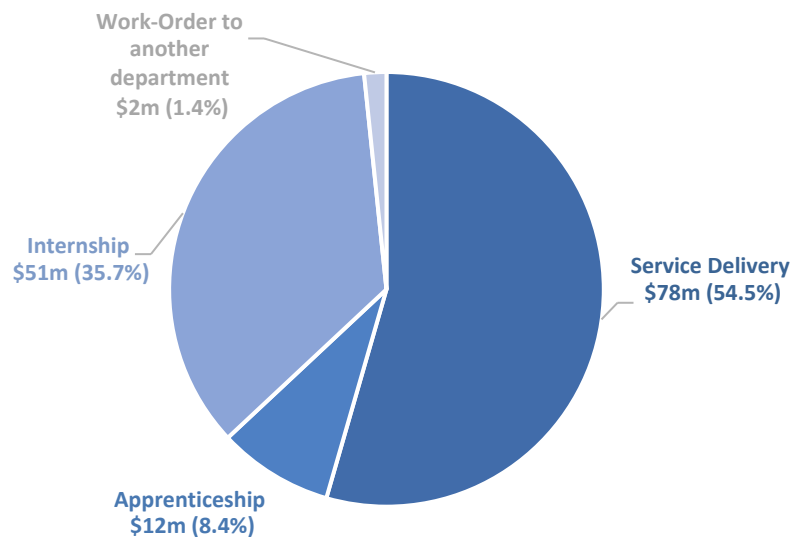
Of the total \$149,250,161 budgeted expenditures for workforce development programs in FY 2018-19, the Human Service Agency had the highest amount of funding—\$40.3 million, or 27 percent of the total workforce funding allocation. However, as with the Department of Public Health, nearly half of the Department’s workforce allocation in FY 2018-19 came from State and Federal sources.

Departments also provided expenditure data by program type, as defined in the Inventory instrument. These include service delivery, apprenticeship, internship, and work-orders to other departments as described below. The total breakdown of workforce allocations by program type is shown in Exhibit B below.

- **Service Delivery:** A program that enables participants to acquire the knowledge, skills and attitudes needed for gainful employment or improved work performance, but is not an apprenticeship or internship.
- **Apprenticeship:** An apprenticeship is a combination of on-the-job training and related instruction in which workers learn the practical and theoretical aspects of a highly skilled occupation. Apprenticeship programs can be sponsored by individual employers, joint employer and labor groups, and/or employer associations.

- **Internship:** An internship is an official program offered by an employer to potential employees. Interns work either part time or full time at an organization for a certain period of time. The main difference between an apprenticeship and an internship is that internships are more exploratory.
- **Work-Order to Another Department:** A transfer of funds from one City department to another for the purpose of providing a set of services reflected within the receiving department's mission or expertise.

Exhibit B: Total FY 2018-19 Workforce Allocations by Program Type



Source: FY 2018-19 Inventory Survey Submissions, OEWD

As shown in Exhibit B above, the largest expenditures were budgeted for service delivery (54.5 percent) and internships (35.7 percent). Apprenticeship funding accounted nine percent of the total, and work-orders accounted for two percent.

The Office of Economic and Workforce Development

OEWD acts as the primary coordinator of the City's workforce development system, and administers federally funded programs (through the Workforce Investment Act and the Community Development Block Grant) as well as General Fund programs.

1. There is an ongoing need for citywide coordination of workforce development programs

Workforce development programs operate out of 17 City departments, and in FY 2019-20, these departments reported 292 programs.

Given the continued decentralization of the administration, oversight, and funding for workforce development programs across the City, the value of ensuring ongoing, formalized coordination as provided through the CCWA seems clear. As the City faces economic and workforce uncertainty because of the COVID-19 pandemic, the need to maintain a mechanism for citywide workforce planning and management will become more urgent.

The Annual Workforce Services Inventory lacks key data points that could enhance performance measurement

While the CCWA has made improvements to the Inventory tool since 2016, there remain important opportunities to expand the data collected in order to provide more meaningful information to enhance decision-making regarding workforce development spending and programming. Specifically, the Inventory does not currently provide program-level information, actual expenditures, or de-duplicated client counts. We recognize the challenges and privacy concerns related to de-duplicating client counts, but believe that the efforts to do so currently underway between the Human Services Agency and OEWD could be expanded across the City's workforce system over time. The Department should present estimated costs and a proposed implementation plan for this expansion and enhancement of the Annual Workforce Inventory to the Board of Supervisors no later than January 31, 2021.

Recommendation 1.1: The Board of Supervisors should adopt legislation reauthorizing the Citywide Committee on Workforce Alignment (CCWA), under the leadership of OEWD. This reauthorization should include the expansion of the CCWA to include the Department of Public Health and the Department of Homelessness and Supportive Housing. This reauthorization should be adopted without a sunset date.

Recommendation 1.2: The Director of the Office of Economic and Workforce Development should work with the CCWA Data Working Group to expand the Annual Workforce Inventory to include program-level information and actual expenditures, as well as un-duplicated client counts, where possible.

Recommendation 1.3: The Director of the Office of Economic and Workforce Development should present the estimated costs and a proposed implementation plan to enhance the Annual Workforce Inventory to the Board of Supervisors no later than January 31, 2021.

Recommendation 1.4: The Director of the Office of Economic and Workforce Development should work with the CCWA Data Working Group to continue to identify opportunities to provide training and technical assistance to department staff completing the inventory template to ensure quality data collection.

2. The Department should develop and publish performance metrics aligned to priorities and goals.

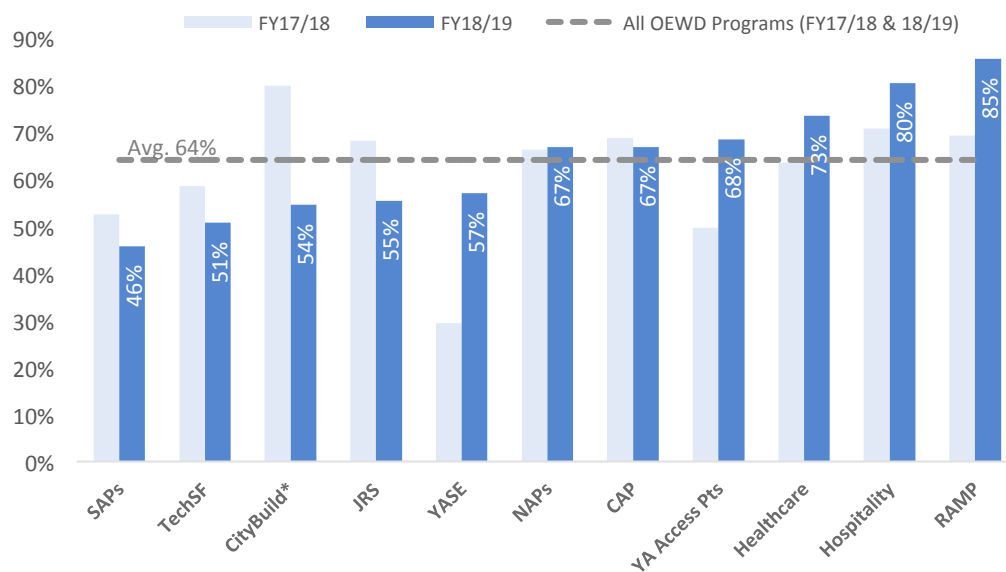
The Department's use and reporting of program performance data is limited.

The Department does not appear to routinely analyze or use outcome data on employment or retention in targeted employment sectors or wages in decision-making or program performance assessment.

This prevented us from being able to provide a comprehensive assessment of whether the Department's workforce development programs lead to employment in targeted occupations that provide economic mobility and self-sufficiency, as set out in its latest strategic plan.

The Department's primary published outcome measure, placement in unsubsidized employment, shows significant variation across programs, as shown in Exhibit C below.

**Exhibit C: OEWD Workforce Programs Placement Rates,
FY 2017-18 & 2018-19**



Even with this placement data, it is difficult to comprehensively assess the benefits of placements made as limited data was provided by the Department on how long the placements lasted, the range of earnings for those in employment (i.e. the average wage could be skewed by a few participants earning high wages), or the types of employment benefits secured.

[The Department should align its performance metrics with best practices.](#)

In reviewing industry best practices for reporting on workforce development performance, we found that OEWD's current reporting deficient as follows:

- Lack of year on year comparisons in performance measures reported to the local workforce development board, WISF;
- Lack of efficiency measures to allow continuous improvement (i.e. cost per job placement);
- Unable to tie to resource allocation comparisons; and,
- Only partial match to strategic planning and program goals and objectives (see discussion below).

Exhibit D below shows that OEWD monitors four of eight workforce development performance measures identified by best practice sources and federal workforce legislation, and publishes three of these.

**Exhibit D: Best Practice Workforce Performance Measures by OEWD
Monitoring and Publication Status**

Performance Measure	Monitored by OEWD	Published by OEWD
Number of participants	✓	✓
Successful program completion	✓	✓
Client/ Customer Satisfaction	a	X
Measurable skills or credentials gained during the program	✓	X
Placement in unsubsidized employment following program completion	✓	✓
Retention in unsubsidized employment	b	X
Type of benefits provided with employment	X	X
Wages before and after program completion	c	c

Sources: The Urban Institute and The Center for What Works (2006)¹; Social Policy Research Associates (2013)²; Workforce Innovation Opportunity Act (2014), Public Law 113-128, Sec. 116.

Notes: ^a : Customer satisfaction monitoring is done by OEWD as part of compliance monitoring, only 1.9 percent of program participants (86 of 4,609) were interviewed in program year 2018-19.

^b : OEWD monitors retention for some, but not all, workforce program participants. See discussion above.

^c : OEWD collects and monitors data on wages after program completion only.

The Department should work with the Controller's Office to review existing priorities and goals and develop a comprehensive set of performance measures aligned to such priorities and goals. The Department should then regularly report these performance measures internally and externally.

Recommendation 2.1: The Director of Workforce Development should direct the Data & Performance Manager to coordinate with the California Employment Development Department to ensure OEWD has the legal, technical, and analytical capacity to receive, analyze and report new post-program employment data available under AB 593.

¹ http://www.urban.org/sites/default/files/employment_training.pdf

² <https://www.spra.com/wordpress2/wp-content/uploads/2016/08/Career-Pathways-System-Measurement.pdf>

Recommendation 2.2: The Director of Workforce Development should work with the Controller’s Office to review existing performance measures and develop a comprehensive set of performance measures aligned to existing priorities and goals. These performance measures should be regularly published on OEWD’s website (at least annually) and be reported to the local Workforce Development Board. At a minimum, these measures should include

- Interim performance measures (i.e. job readiness completion, skill attainment, program completion);
- Short- and long-term outcome measures (i.e. placement & retention in employment, placement in program-targeted occupations, wages before and after program participation, and employment benefits);
- Measurement of achievement of departmental strategic priorities and goals;
- Efficiency indicators and comparisons over time; and,
- Analysis or other narrative explaining any changes in performance on key measures.

Recommendation 2.3: The Director of Workforce Development should direct the Data & Performance Manager to develop a Workforce Division data integration and management plan. In order to inform this plan, the Data & Performance Manager should identify options for integrating and/or consolidating the Department’s various data systems (i.e. from full integration to more flexible data sharing/exchanges), which balance upfront costs with potential resource savings/benefits from reduced use of manual workarounds and matching work.

3. Two of OEWD’s key sector academies—CityBuild and TechSF—have been underperforming

CityBuild Academy funding has increased while outcomes have declined over the past five years

The CityBuild Academy (CBA) construction sector program consists of a two-part pre-apprentice program: a one-week Job Readiness Training Course (JRT) and then an 18-week Occupational Skills Training course (OST). From 2017 to 2019, San Francisco and San Mateo added 45,550 jobs, a 4.1 percent increase in employment overall. Construction occupations accounted for 3,430 of net jobs

added (8 percent) and grew by 11 percent. However, employment placements for graduates of OEWD's CityBuild Academy program fell by 30 percent from 136 to 95.

OEWD's CityBuild budget for provider services increased by \$1.2 million (39 percent) between FY 2014-15 and FY 2018-19, growing an average of nine percent annually as shown in Exhibit E below.

Exhibit E: CityBuild Academy Providers Budget vs. Actuals, FY 2014-15 to FY 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19	% chg. (FY15 - FY19)	Annual Growth Rate (FY15-19)
Budget	\$2,981,208	\$2,917,474	\$4,138,418	\$4,187,753	\$4,142,779	39%	9%
Actuals	2,921,876	3,112,154	3,086,113	3,025,901	3,489,611	19%	5%
Carryforward Encumbrances	19,392	(39,284)	689,963	573,694	360,142	1757%	108%
Actuals (incl. Carryforward Encumbrances)	2,941,268	3,072,870	3,776,076	3,599,594	3,849,754	31%	7%
Overspend (Underspend) - incl. Carryforwards	(39,940)	155,395	(362,342)	(588,158)	(293,025)	634%	65%
% Overspend (Underspend) of Total Budget (incl. cfwd)	(1%)	5%	(9%)	(14%)	(7%)		

Source: Source: OEWD provided budget and actuals data

TechSF performance results also indicate a need for evaluation

OEWD's Information Technology sector academy, TechSF, placed 51 percent of participants in employment in FY 2018-19, down from 58 percent in the previous year, despite a 20 percent increase in participants. Over a similar period, employment in computer occupations in San Francisco and San Mateo counties increased by 11,560 or 11.9 percent (May 2017 to May 2019). The Department should identify causes for declining performance and options to modify these programs to improve employment outcomes.

Recommendation 3.1: The Workforce Development Director should review CityBuild Academy provider performance and structure by soliciting feedback from program participants who did and didn't complete the program to improve retention and completion of the full two-part program. The review should also include feedback from key stakeholders including industry and labor groups. This

review should also consider options for meeting changing labor market conditions following the economic impacts of the COVID-19 pandemic (i.e. adding additional safety certifications, working with employers and unions to identify labor shortages, etc.). The results of this review should be reported to the local Workforce Development Board by January 31, 2021.

Recommendation 3.2: The Workforce Development Director should review the TechSF sector strategy (i.e. approach, curriculum targeted occupations, and performance measures) to ensure these are evidence-based and align with local Technology Sector labor market demands. The Department should engage employer and partner stakeholders as well as program participants to identify opportunities to improve placement rates for programs specifically aimed at placing participants in employment. The Department should also develop performance measures that monitor progress against all program goals (i.e. including interim indicators to measure progress for programs with longer-term employment objectives or that involve wider industry change). The results of this review should be reported to the local Workforce Development Board by January 31, 2021.

4. Local Hire compliance varies across contractors, trades and projects

External reporting on compliance provides limited information.

While the share of construction hours completed by local workers across all covered public works contracts is generally at or above the 30 percent requirement specified in the Local Hire ordinance, we found significant variation in compliance across contractors, trades, and projects.

Currently, the Department's Annual Report on the Local Hire Policy, the primary document that records citywide Local Hire compliance, does not provide the following information:

- Compliance over time
- Compliance for completed versus ongoing projects
- Project and/or contractor-level compliance
- Use of corrective actions, including Direct Entry Agreements

As part of our review, we analyzed certified payroll records for 120 public works projects covered by the Local Hire ordinance completed between

2014 and 2018, covering approximately 1.2 million construction hours commissioned by the Department of Public Works (DPW), Recreation & Parks, Municipal Transport Agency (MTA), and the Port. Across these projects, the overall share of work hours completed by local residents was 41 percent, or 483,016 hours. However, we found that 58 percent of projects had at least one trade with a Local Hire deficiency and 19 percent of all trades across projects had a Local Hire deficiency, as set out in Exhibit F below.

Exhibit F: BLA Estimates of Local Hire Compliance and Deficiencies for Public Works Projects Completed between 2014 and 2018³

Compliance by Metric	All Work Hours	Apprentice Work Hours ¹
Local Hire Requirement²	30%	50%
Work Hours		
Total Hours	1,178,792	114,083
Local Hours	483,016	71,265
<i>% Local</i>	41%	62%
LH Deficient Hours ³	45,737	10,708
% Deficient	4%	9%
Projects		
Total Projects	120	112
LH Deficient Projects ³	70	51
% Deficient	58%	46%
Project Trades		
Total Project Trades	714	302
LH Deficient Project Trades ³	133	80
% Deficient	19%	26%

Source: BLA analysis of electronic certified payroll data for completed Local Hire projects.

Notes: Only includes public works projects completed by DPW, Recreation & Parks, MTA & Port.

¹ The number of projects and project trades are lower for apprentice work hours as not all trades are required to have apprentices (for example, some trades are exempted from state apprentice requirements on public works projects).

² Two requirements are specified in the Local Hire ordinance are: 1) 30% of total work hours in each non-exempt trade that makes up more than 5% of total project hours must be completed by local workers; 2) 50% of total apprentice hours in each non-exempt trade that makes up more than 5% of total project hours must be completed by local apprentices.

³ Number of deficient hours, projects, or project trades for projects with Local Hire deficiencies. See text box above for definition of deficiencies vs. non-compliance. Deficient hours, projects and project trades are calculated at the project-level first, excluding trades exempted from Local Hire requirements (i.e. specialized trades identified by OEWD and trades that make up less than five percent of total project work hours).

³ See footnote 4 above regarding the inclusion of two exempt trades in deficient hours calculations.

Although these deficiencies represented a relatively small share of the total work hours completed, their prevalence across projects could indicate systematic issues with the implementation or enforcement of the ordinance.

Recommendation 4.1: The CityBuild Director should update the Annual Report on Local Hire Policy implementation to include the:

- Number and percent of work hours that are *not in compliance* with the Local Hire total hours requirement and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade;
- Number and percent of work hours that are *deficient* with the Local Hire total work hours requirement, and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade;
- Percent of completed projects in compliance with Local Hire with as well as without corrective action;
- Percent of ongoing projects in compliance with Local Hire with as well as without corrective action;
- Percent of local work hours and local apprentice hours by department and trade for completed projects;
- Information required by the Local Hire Ordinance on the use of Direct Entry Agreements (a type of apprentice sponsorship) as a corrective action; and,
- Percent of local work hours and local apprentice hours completed by year, separating out work hours for completed projects compared to all projects.

Recommendation 4.2: The CityBuild Director should regularly monitor Local Hire compliance data at the trade level to identify any shortages by trade and to ensure that the CityBuild Academy curriculum aligns most effectively with Local Hire needs by trade.

Recommendation 4.3: The CityBuild Director should review and update its engagement protocols with newer contractors to more proactively offer access to CityBuild and other sources of local construction labor (i.e. labor unions, hiring halls, etc.).

Recommendation 4.4: The CityBuild Director should review, in consultation with the City Attorney, the feasibility of implementing the “disadvantaged worker” requirements in the Local Hire Policy and submit recommendations to the Board

of Supervisors on either (a) strategies for implementing these requirements or (b) amending the ordinance language.

Recommendation 4.5: The CityBuild Director should review and update all internal policies and procedures to ensure these are in line with the current ordinance and practices.

5. Local Hire compliance data, including corrective actions, is tracked ineffectively and inconsistently

Contractors unable to meet the Local Hire requirements can avoid the assessment of penalties by either: (1) using hours completed by a local resident on another non-covered project to offset the deficiency (“offsite credit hours”); (2) sponsoring an apprentice on the current construction project; or, (3) hiring an apprentice that is subject to a Direct Entry Agreement between OEWD and the relevant apprenticeship committee.

As shown in Exhibit G below, our analysis of a judgmental sample of 27 completed Local Hire covered projects shows a significant reliance on off-site credits to correct Local Hire deficiencies. We identified 11 of 27 projects (41 percent) with deficiencies that were cured through corrective action plans. For these deficient projects, 61 percent of the deficient hours were cured through offsite credit hours⁴ and 30 percent were cured through apprentice sponsorships/direct entry agreements.

⁴ The Local Hire Policy authorizes contractors who are below the required local hire work hours requirement to use work hours completed by local residents on non-Local Hire covered projects to reach the required threshold (i.e. “off site credit hours”). However, the ordinance specifies that local workers be paid prevailing wages in order to be used.

Exhibit G: Number of Sample Projects by Compliance Status, 2014-2018

Compliance Status	Number of Projects	Percent of Projects	Project Value	Total Hours (at Project Close)	Percent of Total Hours
Full Compliance ¹	13	48%	\$ 181,481,277	510,935	61%
Compliance after Mitigation ²	11	41%	119,089,800	326,348	39%
Unable to Determine	3	11%	9,600,000	N/A	N/A
Grand Total	27	100%	\$ 310,171,077	837,283	100%

Source: BLA Analysis of Department-provided Local Hire documentation for sample of projects.

Notes:

¹ No Off Ramp or Corrective Action Plan

² Compliance after deficiencies cured by Corrective Action Plan

N/A: Not Available (data not provided)

While permitted by the ordinance, the over reliance on off-site credit hours could undermine the ordinance’s stated purpose of creating employment opportunities for low-income residents from public works projects covered by the ordinance.

The City’s data systems (both previous and current) have not allowed for tracking and reporting on the use of corrective actions to address deficiencies with the Local Hire policy, and we found that OEWD lacks strong internal controls to ensure that corrective action plans are consistently applied, documented, and enforced.

The Department should review existing protocols and institute formalized internal controls to improve the consistency of application and monitoring of off-ramps and Corrective Action Plans.

Recommendation 5.1: The CityBuild Director should work with the Director of the Office of Labor Standards & Enforcement (OLSE) to establish a clear timeline to finalize deployment of the outstanding “Tradesforce” module and determine what additional changes to the electronic certified payroll system would enable more comprehensive analysis and reporting on compliance and the use of policy off-ramps (including the Local Hire Policy required reporting on Direct Entry Agreements to correct compliance deficiencies).

Recommendation 5.2: The CityBuild Director should review and formalize the internal controls in place for approval of policy off-ramps to correct Local Hire deficiencies and update relevant policies and procedures to improve the consistency of application and monitoring of off-ramps and Corrective Action Plans.

Recommendation 5.3: The CityBuild Director should engage with the relevant apprentice committees to review existing direct entry agreements and establish formal agreements that are in compliance with the Local Hire Ordinance.

Introduction

Scope and Methodology

The Board of Supervisors approved Motion 19-108 in July 2019, directing the Budget and Legislative Analyst to conduct a performance audit of the effectiveness of City departments' workforce development programs and pre-apprenticeship programs, including CityBuild Academy, TechSF, and the automotive pre-apprenticeship program, in preparing the target populations to qualify for and obtain employment, and of all Community Benefits programs operated by enterprise departments such as the Public Utilities Commission, Municipal Transportation Agency, S Airport, Department of the Environment, and Port of San Francisco.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards as revised and published in July 2018 by the U.S. Government Accountability Office. We held an entrance conference with San Francisco Public Utilities Commission representatives on September 5, 2019, and an entrance conference with representatives of the Office of Economic and Workforce Development on October 1, 2019, to discuss the scope, timeline, and process of the performance audit, and make an initial request for information.

We interviewed staff from the Office of Economic and Workforce Development, the Public Utilities Commission, the Department of Human Resources, the Port, the Department of Public Works, the Department of the Environment, the Office of Labor Standards and Enforcement, and the San Francisco Municipal Transportation Agency. The purpose of these interviews was to obtain an understanding of the workforce development and community benefits programs managed by the different offices and the ways in which the departments collaborate.

We reviewed core documents, including budget data, program performance data, annual reports, relevant legislation, meeting minutes, public works certified payroll data, provider contracts, and department policies and procedures.

We also sampled project files to evaluate compliance with the City’s Local Hire Ordinance, as described in Section 5 of this report.

We provided a draft report on our findings and recommendations to the Office of Economic and Workforce Development on June 29, 2020, and held an exit conference on July 17, 2020. We considered information provided to us by OEWD and revised the draft report as needed. We provided the final draft report incorporating these revisions to OEWD on July 24, 2020, and received their written comments to our findings and recommendations, which are attached to this report on page 67.

Audit Scope Adjustments

Automotive Pre-Apprenticeship Program

As part of our review and per the audit motion, we evaluated the pre-apprenticeship programs administered by the Department of Human Resources. The City, through the Department of Human Resources, manages five apprenticeship programs including Automotive (Pre-Apprenticeship), Automotive Mechanic, Gardener, Stationary Engineer, and Utility Plumber. Exhibit 1 below shows a summary of apprentice positions over the past five fiscal years.

**Exhibit 1: Summary of Apprentice Positions
FY 2015-16 to FY 2019-20**

Apprenticeship Program	2015-16	2016-17	2017-18	2018-19	2019-20
Automotive - Pre Apprenticeship	0	0	0	21	11
Automotive Machinist	0	0	9	0	0
Gardener	0	0	0	0	0
Stationary Engineer	6	3	5	0	0
Utility Plumber	0	5	0	0	0
Total Apprentices	6	8	14	21	11

Source: Dept of Human Resources data

Given the small size of this program, we identified its impact on workforce development programs and funding as relatively low risk during our risk assessment process.

SFPUC Community Benefits Programs

As noted, the initial scope of the audit included an evaluation of the community benefits programs at the San Francisco Public Utilities Commission. The audit team initiated this evaluation, but in conjunction with the Board of Supervisors, ultimately determined that the assessment would be redundant with an upcoming audit by the Controller's Office. Appendix A provides a summary of our research and analysis.

Audit Acknowledgements

We would like to thank the staff at the Office of Economic and Workforce Development, the San Francisco Public Utilities Commission, and the Office of Labor Standards and Enforcement for their assistance during this audit process.

San Francisco's Workforce Development System

The City's workforce development system works to bring people with barriers to employment into the labor force through the provision of training, work experiences, job placement services, barrier removal, and supportive services.

Workforce Investment San Francisco (WISF)

As mandated by the Workforce Investment Act of 1998, the City established a local planning and oversight body called Workforce Investment San Francisco (WISF), whose membership includes representatives of the Board of Supervisors and the business and labor community. The WISF Board oversees funding to the City from the federal Workforce Innovation and Opportunity Act (WIOA), and provides primary leadership for citywide planning regarding workforce development.

Administrative Code Section 30

The Board of Supervisors approved Administrative Code Section 30 in November 2007 to centralize policymaking and oversight for all City workforce development programs under the Office of Economic and Workforce Development (OEWD). Specifically, Section 30 required OEWD to: (1) identify City departments' annual funding for workforce

development programs; (2) work with respective City departments to develop an annual workforce development program plan and budget that would be submitted to the Board of Supervisors during the annual appropriation process; and, (3) develop standard performance and outcome criteria for City workforce development programs.

Section 30 also required OEWD to have oversight of all federal, state and local workforce development funding and to manage all General Fund workforce development expenditures.

In 2014, the Board of Supervisors amended Administrative Code Section 30 to establish the Committee on Citywide Workforce Alignment (“the Alignment Committee”) to “coordinate workforce development services across City departments in order to increase their effectiveness” and the Workforce Community Advisory Committee to “advise the WISF on workforce development system priorities, client needs and services.” The Administrative Code established a sunset date for these committees, June 2019; the Board of Supervisors formally dissolved these bodies in November 2019.

Committee on City Workforce Alignment (“the Alignment Committee”)

As established in the Administrative Code, the Alignment Committee, under the leadership of the Mayor’s Office, included the membership of the following City departments: the Human Services Agency, the Office of Economic and Workforce Development, the Department of Children, Youth and Their Families, the San Francisco Public Utilities Commission, Human Rights Commission, the Department of Public Works, and the Department of Human Resources.

The Alignment Committee was responsible for producing a five-year strategic plan and providing annual updates to the plan. The Citywide Workforce Development Plan 2017-2022 established specific goals to improve coordination among departments and target services for low-income residents. These included:

1. Contribute to breaking the cycle of poverty for San Francisco residents through targeted outreach and service delivery
2. Develop a Workforce Transit Map to show how clients navigate the workforce development system

3. Build data sharing infrastructure across City workforce development departments
4. Actively use demand-side relationships and data to guide workforce development programming
5. Continue to streamline procurement and contracting across City workforce development departments

The Alignment Committee also commissioned and analyzed the annual Workforce Services Inventory, which provided critical data on City workforce programs to inform the development of the five-year plan and its annual updates. The Office of Economic and Workforce Development provided staffing and leadership of this Committee and its activities, including the production of the Plan and the annual Inventory.

Office of Economic and Workforce Development

OEWD acts as the primary coordinator of the City’s workforce development system, and administers federally funded programs (through the Workforce Investment Act and the Community Development Block Grant) as well as General Fund programs. Under its Workforce Division, OEWD offers services to provide job search and placement assistance to San Francisco residents at “Access Points” located throughout the City. The Department also offers job readiness services, including driver license attainment, GED/high school diploma attainment, and basic computer skills. OEWD has also developed four sector-specific academies to target workforce programs and services to high-demand sectors, including: (1) construction, (2) hospitality, (3) healthcare and, (4) technology.

FY 2018-19 Annual Workforce Services Inventory

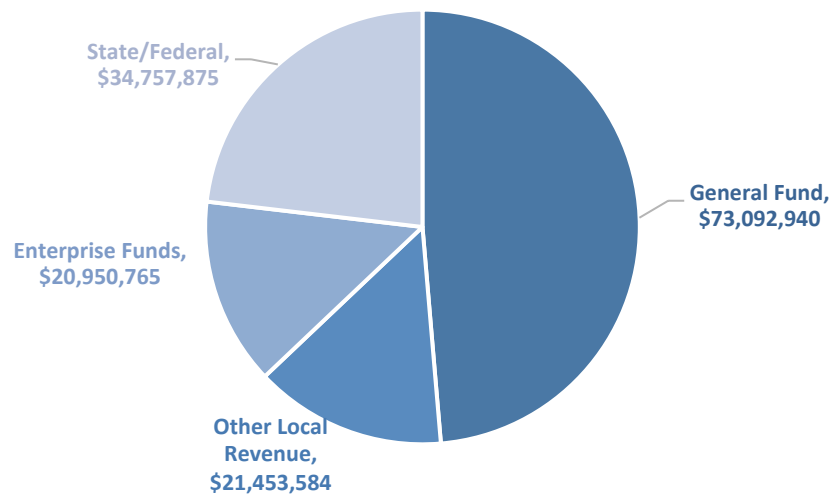
As of FY 2018-19, at least 17 different departments administer the City’s workforce development programs, which receive funding from a variety of federal, state, and local funding sources.

According to data collected by the Office of Economic and Workforce Development from these 17 departments, in FY 2018-19 the City’s workforce development programs and services served a reported 26,142 clients. Because these client counts provided by the departments

have not been de-duplicated—meaning, departments have not shared client information with each other in order to identify those clients served by multiple programs—the actual number of **unique** clients served by San Francisco’s workforce development programs would be much lower (Section 1 of this report discusses this in more detail).

According to the survey responses, the City invested \$149,250,161 in its workforce development system in FY 2018-19. Of this amount, \$73.1 million (or 49 percent) of the total allocations came from the City’s General Fund. The distribution of workforce development allocations by funding source is shown in Exhibit 2 below.

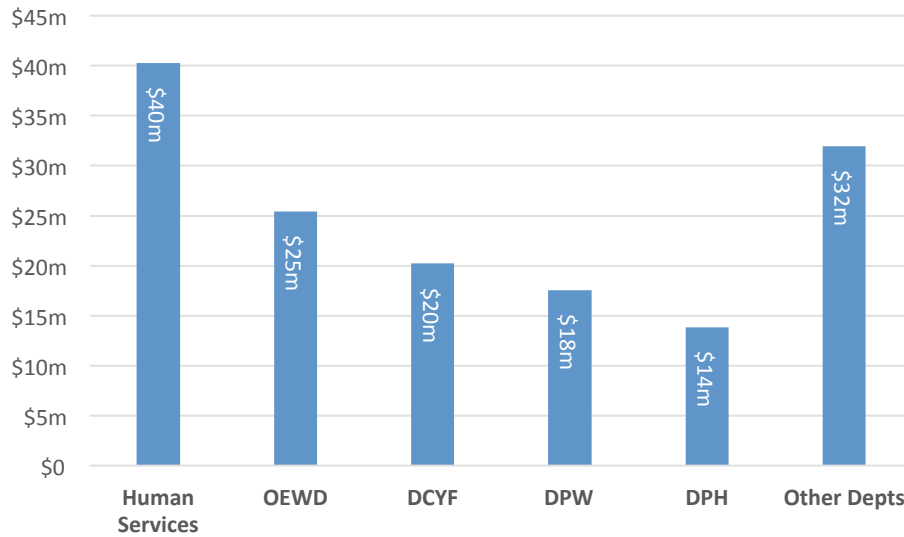
**Exhibit 2: Funding Sources for Citywide Workforce Allocations
FY 2018-19**



Source: FY 2018-19 Inventory Survey Submissions, OEWD

Exhibit 3 below shows total allocations for workforce development programs and services by department for FY 2018-19. The five departments with the largest allocations include the Human Services Agency, the Office of Economic and Workforce Development, the Department of Children Youth and Their Families, the Department of Public Works, and the Department of Public Health.

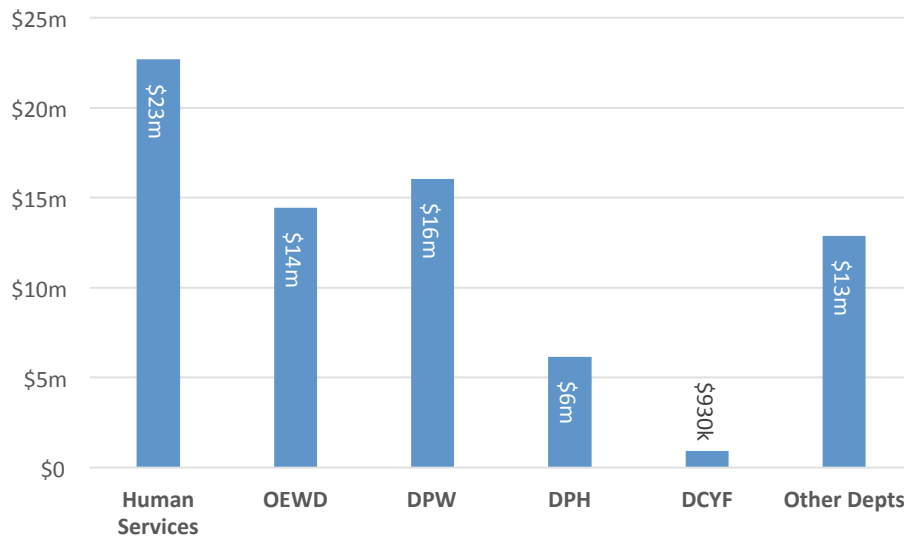
Exhibit 3: FY 2018-19 Total Workforce Development Budgets by Department



Source: FY 2018-19 Inventory Survey Submissions, OEWD

Of the total \$149,250,161 budgeted expenditures for workforce development programs in FY 2018-19, the Human Service Agency had the highest amount of funding—\$40.3 million, or 27 percent of the total workforce funding allocation. However, as with the Department of Public Health, nearly half of the Department’s workforce allocation in FY 2018-19 came from State and Federal sources. Exhibit 4 below shows the breakdown of General Fund support for workforce development programs by department.

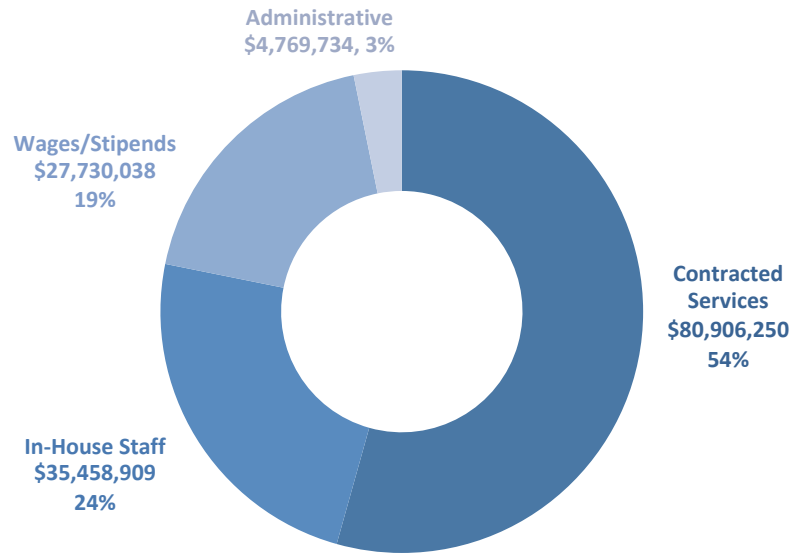
Exhibit 4: FY 2018-19 General Fund Workforce Allocations by Department



Source: FY 2018-19 Inventory Survey Submissions, OEWD

The Inventory also tracks the functional expenses for which funding has been allocated by the departments. The categories for functional expense for workforce development programs include in-house staff, contracted services, and subsidized wages. According to the FY 2018-19 submissions, total allocations were budgeted across the functional expense categories as shown in Exhibit 5 below. A further breakdown by department is shown in Exhibit 6 below.

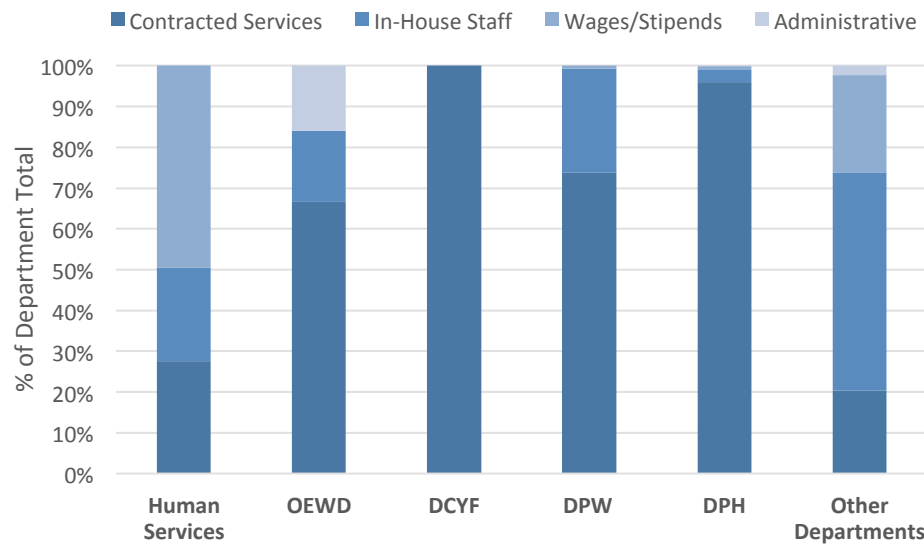
Exhibit 5: Total FY 2018-19 Allocations by Functional Expense



Source: FY 2018-19 Inventory Survey Submissions, OEWD

As shown above in Exhibit 5 above, over half (54.3 percent) of expenditures were budgeted for contracted services. Exhibit 6 below shows the total allocations by functional expense within each department.

Exhibit 6: Total FY 2018-19 Allocations by Functional Expense, by Department

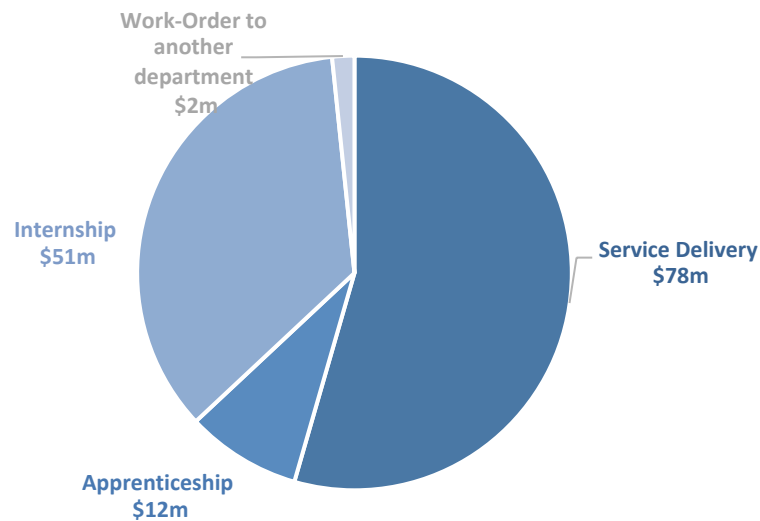


Source: FY 2018-19 Inventory Survey Submissions, OEWD

Departments also provided expenditure data by program type, as defined in the Inventory instrument. These include service delivery, apprenticeship, internship, and work-orders to other departments as described below. The total breakdown of workforce allocations by program type is shown in Exhibit 7 below.

- **Service Delivery:** A program that enables participants to acquire the knowledge, skills and attitudes needed for gainful employment or improved work performance, but is not an apprenticeship or internship.
- **Apprenticeship:** An apprenticeship is a combination of on-the-job training and related instruction in which workers learn the practical and theoretical aspects of a highly skilled occupation. Apprenticeship programs can be sponsored by individual employers, joint employer and labor groups, and/or employer associations.
- **Internship:** An internship is an official program offered by an employer to potential employees. Interns work either part time or full time at an organization for a certain period of time. The main difference between an apprenticeship and an internship is that internships are more exploratory.
- **Work-Order to Another Department:** A transfer of funds from one City department to another for the purpose of providing a set of services reflected within the receiving department's mission or expertise.

Exhibit 7: Total FY 2018-19 Workforce Allocations by Program Type



Source: FY 2018-19 Inventory Survey Submissions, OEWD

As shown in Exhibit 7 above, the largest expenditures were budgeted for service delivery (54 percent) and internships (35 percent). Apprenticeship funding accounted nine percent of the total, and work-orders accounted for two percent.

Potential Economic Impacts of COVID-19

During the course of this audit, San Francisco began to face the unprecedented public health emergency caused by the COVID-19 pandemic. The Mayor's Public Health Order, issued on March 16, 2020, is still in effect as of the writing of this report. The Public Health Order included a Stay at Home mandate, having a great impact on non-essential businesses.

The short-term economic impacts of the COVID-19 pandemic have been swift and severe. Approximately 26.5 million Americans filed initial claims for unemployment during the five weeks ending on April 18, an unprecedented event in the economic history of the United States. The U.S. Department of Labor reported that the national unemployment rate in May 2020 was approximately 13.3 percent.¹ At the same time, California's unemployment rate reached a record 16.3 percent.² The

¹ <https://www.bls.gov/news.release/empsit.nr0.htm>

² <https://www.bls.gov/news.release/laus.nr0.htm>

latest data for the City indicated 69,400 residents were unemployed in May 2020, around 12.6 percent of the labor force.³ The job losses at the state level are unprecedented and unemployment is at the highest recorded rate since the start of the data series in 1976, and are a direct result of the impacts of the COVID-19 pandemic.

As a result of the impacts on the economy, WISF and OEWD will need to be nimble and efficient in order to adapt workforce programming to respond to increased demand, within a rapidly changing business environment.

³ <https://www.labormarketinfo.edd.ca.gov/file/lfmonth/2005pmsa.pdf>

1. Citywide Coordination

Workforce development programs operate out of 17 City departments. To provide a mechanism for coordination, the City established the Citywide Committee for Workforce Alignment (CCWA) in 2014 under the leadership of OEWD. The CCWA has collected an annual inventory of workforce development programs from City departments since FY 2013-14. Although the Inventory provides citywide information on workforce programs, it has several limitations, including: (1) lack of program-level information; (2) only budgeted allocations are collected, rather than actual expenditures; and, (3) duplicated client counts. As of June 2019, the CCWA was technically sunset per Section 30 of the Administrative Code.

The Board of Supervisors should re-establish this committee to allow for ongoing coordination of workforce development efforts across the City. As the lead Department of the CCWA, OEWD should immediately thereafter reestablish the CCWA Data Working Group to focus on opportunities to improve the annual inventory to provide more meaningful information about program spending, performance, and outcomes.

Citywide Committee on Workforce Alignment provided key opportunities for coordination

In 2014, the Board of Supervisors amended Section 30 of the City's Administrative Code to establish a system for enhanced coordination of workforce development programs through the Citywide Committee on Workforce Alignment (CCWA). Under the leadership of the Office of Economic and Workforce Development (OEWD), this committee included representatives from the Mayor's Office, the Board of Supervisors, the Human Services Agency, the Department of Children, Youth and their Families, the San Francisco Public Utilities Commission, Human Rights Commission, and the Department of Public Works. Notably, the CCWA membership did not include the Department of Public Health (DPH), despite this agency's significant workforce investment.

The CCWA was responsible for producing a five-year workforce development strategic plan for the City and providing annual updates to the plan. The CCWA also commissioned and analyzed the annual Workforce Services Inventory, discussed in more detail below.

Given the continued decentralization of the administration, oversight, and funding for workforce development programs across the City, the value of ensuring ongoing, formalized coordination as provided through the CCWA seems clear. As the City faces economic and workforce uncertainty because of the COVID-19 pandemic, the need to maintain a mechanism for citywide workforce planning and management will become more urgent.

While we understand from Department officials that the membership agencies of the CCWA have continued to collaborate¹⁵ in the months since the authorization for the CCWA expired, we recommend that the Board of Supervisors adopt an ordinance to amend Section 30 of the Administrative Code to re-establish this committee formally and without a sunset date. As noted above, DPH makes significant contributions related to workforce development, and we recommend that DPH, as well as the Department of Homelessness and Supportive Housing, which targets services to a vulnerable population, but did not exist when the CCWA was established, should be included in the membership of the reauthorized CCWA.

Citywide Workforce Services Inventory offered a critical mechanism to consolidate workforce program information

In a 2013 policy analysis report to former Board President David Chiu, our office recommended the establishment of a workforce committee that would “implement and track standard program performance measures citywide, to the extent such measures can be applied to a given program.” Since 2015, in its leadership role on the CCWA, OEWD has collected and analyzed data on workforce

¹⁵ According to OEWD, the Data Working Group was also informally reactivated in FY 2019-20.

programming and client outcomes through an annual Citywide Workforce Services Inventory (“the Inventory”).

According to the 2017-18 Workforce Services Inventory Summary, “the Inventory surveys all City departments that invest in the workforce development system, with the goal of gaining a better understanding of citywide workforce services, including programmatic gaps and redundancies.”

To collect the data, OEWD sends an Excel template to all City departments managing workforce programs and funds. As noted in the Methodology section of the 2017-18 Inventory, “the spreadsheet requires manual data entry of program, financial, outcome, and aggregate client data.”

As noted in the Introduction to this report, according to the submissions from the departments, in FY 2018-19 the City allocated \$149,250,161 to 17 departments to provide 281 workforce development programs. Of the \$149.3 million total, \$73.1 million (or 49 percent) of the allocations came from the City’s General Fund.

Given the size and decentralization of these programs, it is critical that the City have a tool to track spending and performance citywide.

Annual Workforce Inventory lacks key data points that could provide important performance measurement

While the CCWA has made improvements to the Inventory tool since 2016, there remain important opportunities to expand the data collected in order to provide more meaningful information to help guide decisions on workforce development spending and programming. Some of these areas have also been identified by the CCWA in previous years.

Total Annual Workforce Spending

There is no citywide tracking of workforce development expenditures. While the Inventory collects self-reported budget information, not all departments provide this information, and the

expenditure data that is provided (which is not verified) reflects budgeted amounts rather than actual expenditures. In both our 2007 Management Audit of San Francisco’s workforce development programs and the 2013 policy analysis report, our office has recommended the coordination of the City’s workforce development expenditures. As budgets for workforce programs have significantly increased, from \$94.5 million in FY 2013-14 to \$149.4 million in FY 2018-19, there is an increasingly important need to track spending citywide.

Program-Level Information

Currently, the Inventory collects information related to function (contracted services, in-house staff, wages/stipends, and administrative) and program type (service delivery, apprenticeship, internship, and work-order to another department). The Inventory template includes a tab called “Program Inventory” where departments self-report all workforce related programs, including funding amount, funding source, service type, function, mission, service population, and number of clients served.

Some of these data points get rolled up into the Summary tab. However, the performance data collected on the Inventory’s “Program Metrics” tab reflect cumulative performance. These metrics include demographics and outcomes (program completion, job placement, earnings), but they are tracked for the department as a whole, rather than by program, making it impossible to determine program effectiveness from the report.

Collecting program-level performance data could improve the quality of information available to the City Committee on Workforce Alignment and policymakers in coordinating citywide workforce development efforts and ensuring effective resource allocation to high-performing programs.

Duplication of Clients

The 2018-19 Inventory, like the inventory reports for the years prior, does not de-duplicate clients, making it impossible to

evaluate the true breadth of impact. According to the FY 2018-19 Citywide Workforce Development Plan Update, OEWD reported:

as in years past, system infrastructure to de-duplicate clients across the system does not exist, and it would require a substantial investment in data sharing systems and methods. All client data in this report assumes system duplication, and some results may reflect duplication within programs, providers and departments...variations among departments for duplicated and unduplicated client counts create errors in overall system evaluation and lead to limited systems-level insights...All demographic data are based on this initial reporting, and so we cannot possibly determine true dispersion of service delivery across vulnerable populations and economically-impacted communities without a baseline.

While efforts to de-duplicate clients present challenges and privacy concerns, the client counts on the Inventory currently offer little value to policymakers. OEWD and the Human Services Agency have begun efforts to overcome the challenges of de-duplication; this should be a goal for all 17 departments with workforce development programs.

As noted in our 2013 Review of the City's Workforce Development System, "a valuable result of coordination is the increased ability to identify opportunities for aligning or linking programs administered by different departments, gaps in or duplicated services, and the extent to which clients move across different departments' programs without reaching self-sufficiency."

We recommend that the CCWA, through its Data Working Group, expand the Annual Workforce Inventory to include program-level information and actual expenditures, as well as de-duplicated client counts, where possible.

We also recommend that OEWD present estimated costs and a proposed implementation plan for this expansion and enhancement of the Annual Workforce Inventory to the Board of Supervisors no later than January 31, 2021.

Data Quality Issues Limit Inventory's Usefulness

A review of the Inventory submissions for FY 2018-19, the most recent completed Inventory, reveals inconsistencies in how staff at the 17 departments surveyed have completed the forms. For example, only nine of the 17 departments (53 percent) provided retention data. Of these nine, only the Human Services Agency is able to provide reliable and validated retention data due to its access to state-level employment data. Retention is a critical performance metric for workforce programs, as it provides insight into the long-term impact and effectiveness of the investment.

A June 2018 report completed by OEWD & Google as part of a Civic Bridge¹⁶ project found that improving the quality of data collected through the Workforce Inventory Survey could improve the identification of critical client touch points and system improvements. The report recommended, "alignment around collection of automated, high quality data points" in part by developing common intake processes and a single integrated data system for all workforce development programs. Although the financial and operational challenges of creating a single citywide data system limit the prospect of this option in the near term, we recognize the work of the CCWA Data Working Group in improving the Inventory collection tool and providing training and support to staff across the City completing the Inventory.

Given the ongoing data quality issues, we recommend that CCWA, upon re-establishment, reconvene the Data Working Group to continue to identify opportunities to provide training and technical assistance to department staff completing the inventory template to ensure quality data collection.

¹⁶ Civic Bridge recruits private sector professionals to volunteer their time to work alongside government employees on critical City issues. The City Bridge program is overseen by the Mayor's Office of Civic Innovation.

Conclusion

With workforce programs decentralized across the City, coordination is critical to ensuring performance and reporting. The Citywide Committee on Workforce Alignment, which sunset in June 2019, provided an important mechanism for collaboration and data tracking through its annual Inventory. This Committee should be re-established to provide ongoing coordination, particularly in light of the COVID-19 pandemic and the ongoing economic challenges it presents.

Recommendations

The Board of Supervisors should:

Recommendation 1.1: Adopt legislation reauthorizing the Citywide Committee on Workforce Alignment (CCWA), under the leadership of OEWD. This reauthorization should include the expansion of the CCWA to include the Department of Public Health and the Department of Homelessness and Supportive Housing. This reauthorization should be adopted without a sunset date.

The Director of the Office of Economic and Workforce Development should:

Recommendation 1.2: Work with the CCWA Data Working Group to expand the Annual Workforce Inventory to include program-level information and actual expenditures, as well as un-duplicated client counts, where possible.

Recommendation 1.3: Present the estimated costs and a proposed implementation plan to enhance the Annual Workforce Inventory to the Board of Supervisors no later than January 31, 2021.

Recommendation 1.4: Work with the CCWA Data Working Group to continue to identify opportunities to provide training and technical assistance to department staff completing the inventory template to ensure quality data collection.

Benefits and Costs

The benefits of implementation include enhanced coordination across the City to streamline and improve workforce development programs, enabling the most effective investment in services to support San Francisco residents facing barriers to employment.

While the efforts to facilitate the activities of the CCWA and its Data Working Group will require staff time, the Department has been doing this work since 2015. Our

recommendations may require additional staffing or resources, particularly related to the efforts to de-duplicate client counts. Other recommendations, such as the inclusion of annual expenditure data in the Inventory, should not require additional costs.

2. Performance Management

OEWD’s use and reporting of program performance data is limited, preventing adequate transparency and accountability for progress against strategic goals and objectives. In particular, current performance measures do not allow assessment of the Department’s strategic priority of “enabling upward mobility and economic self-sufficiency” for disadvantaged San Franciscans. OEWD’s performance measures are also limited in coverage compared to best practices. The Department should develop and publish a comprehensive set of performance metrics, which measure achievement of goals and priorities.

The Department was successful in advocating for a 2019 statute that will provide access to high-quality post-program employment data. OEWD should focus on improving internal monitoring systems, integrating new State data to evaluate program employment outcomes, and improving external performance reporting.

Performance Metrics do not Sufficiently Assess Progress

The Office of Economic and Workforce Development (OEWD or Department) does not appear to routinely analyze or use outcome data on employment or retention in targeted employment sectors or wages in decision-making or program performance assessment. This prevented us from being able to provide a comprehensive assessment of whether the Department’s workforce development programs lead to employment in targeted occupations that provide economic mobility and self-sufficiency, as set out in its latest strategic plan.¹ While some of this data, such as retention in initial placement and educational attainment is monitored internally, we did not find consistent external reporting on outcomes beyond

¹ 2017-2020 WISF Local WIOA Strategic Plan. The last Department-wide strategic plan we were able to identify was the Workforce Strategic Plan: 2013-2017. The Workforce Director indicated a new Department strategic plan was under development at the start of our audit. See extract of goals in Appendix B.

initial placement in employment. While initial placement is a helpful short-term measure, workforce development best practices (and federal workforce legislation) encourage the use of additional measures to comprehensively assess program performance. Published performance data on placement outcomes indicated significant variation across programs and declining performance in several of these.

Employment Placement Outcomes Across OEWD Programs

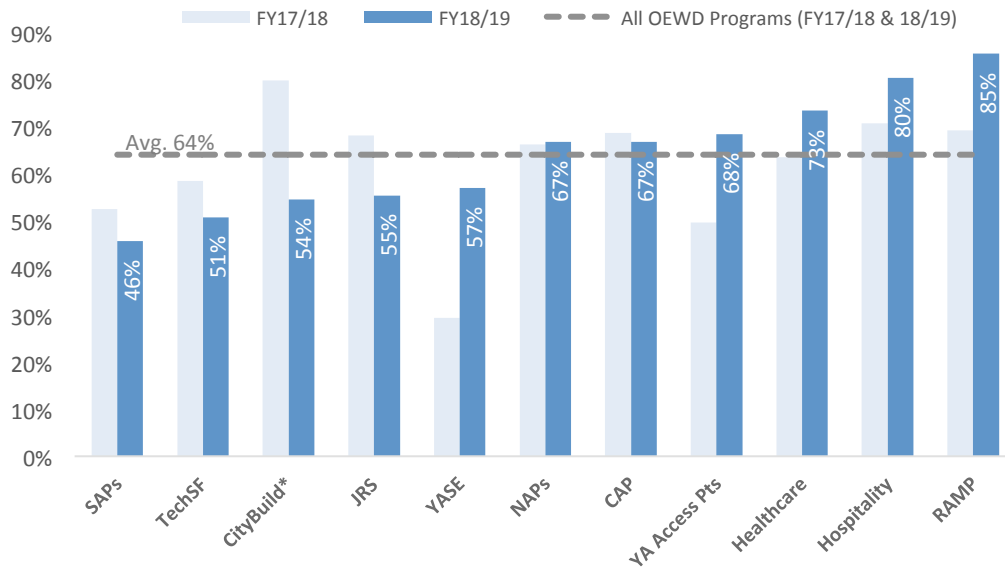
The Department's primary published outcome measure, placement in unsubsidized employment, shows significant variation across programs. While other metrics are also important in assessing program performance, we focus on placement data given its completeness and availability across all programs. Overall, program participants had an average placement rate of 64 percent, with a range from 46 percent for Specialized Access Points² to 85 percent for a youth employment program (RAMP)³ as shown in Exhibit 2.1 below. Some variation in placement would be expected as these programs serve vulnerable populations facing multiple barriers (i.e. youth involved with the criminal justice system, veterans, immigrants, etc.). However, the Department's two long-standing sector academies ended the last two fiscal years with below average placement rates. These include a placement rate of 51 percent for TechSF (technology sector academy) and 54 percent for CityBuild (construction sector academy), both of which declined from the previous year.⁴ Section 3 of this report discusses performance for these two programs in more detail.

² OEWD funds nine providers to run "specialized access points" serving target populations with multiple barriers to employment: individuals involved with the criminal justice system, immigrants with limited English proficiency, immigrant professionals, veterans, individuals with disabilities, and LGBTQI individuals.

³ RAMP-SF (Reconnecting All through Multiple Pathways), is a workforce development program targeted at youth with multiple barriers to employment and includes job readiness training, paid work experience, educational services and intensive case management.

⁴ Subsequent information provided by OEWD indicates that only placements that occurred within the fiscal year were included in placement rate calculations. Allowing for a longer follow-up period, the placement rate for CityBuild participants increased to 66 percent. However, since the placement data published by the Department was the only consistent performance data across programs, we believe the findings remain accurate. More up-to-date data for CityBuild is discussed in Section 3. After the Audit Exit

Exhibit 2.1: OEWD Workforce Programs Placement Rates, FY 2017-18 & 2018-19 ⁴



Source: Annual OEWD Performance Reports to the San Francisco Workforce Investment Board (WISF)

Notes: Detailed table with performance data is included in Appendix C.

* Subsequent data provided by OEWD indicated that when a longer follow up period was included, CityBuild placement rate was 66 percent. 54 percent left in Exhibit to provide consistent comparison with other programs.

SAPs: Specialized Access Points; JRS: Job Readiness Services; YASE: Young Adult Subsidized Employment
 NAPs: Neighborhood Access Points; CAP: Comprehensive Access Point; YA Access Points: Young Adult Access Points; RAMP: Reconnecting All Through Multiple Pathways program (youth workforce program)

Even with this placement data, it is difficult to comprehensively assess the benefits of placements made as limited data was provided by the Department on how long the placements lasted, the range of earnings for those in employment (i.e. the average wage could be skewed by a few participants earning high wages), or the types of employment benefits secured. The Department’s Workforce Director indicated that providers have had difficulties collecting post-placement data due to a lack of responsiveness from clients served and privacy concerns from employers. The Department has legal access to State employment data for

Conference, OEWD also indicated that the CityBuild program provides funding for ad hoc trainings and employment retention services which result in additional placements or identification of new employment. Given the limited ability to validate this data and its variability from year to year, it is not included in the analysis in this report.

federally-funded programs, but these only make up around 20 percent of the program caseload, according to Department staff.⁵

In 2019, OEWD successfully advocated for a change in state law⁶ which should allow local workforce development boards (including WISF) to access post-program employment data starting in 2020 (exact timing will depend on the State Employment Development Department). The Department should focus on working with the State to understand how the data will be provided and ensuring it has the technical and analytical capacity to receive, analyze, and report post-program employment data.

Post Program Hourly Wages

According to the last Workforce Strategic Plan (2013-2017) and the federally-required Workforce Innovation and Opportunity Act Plan (2017-2020), the Department has a stated priority to ensure the City's workforce development system enables "economic self sufficiency" for participants and a goal for youth to "achieve credentials, transition to post-secondary education, and/or secure living wage employment."⁷ However, data provided by the Department showed significant variation in average post-program completion wages across the Department's programs and wages below estimates of the "living wage" needed to reside in the City.

Overall, the average hourly wage for workforce program participants placed in employment was \$19.04 per hour, or \$39,611 per year (assuming full-time employment). While this is 20 percent higher than San Francisco's minimum wage of \$15.59, it is seven percent below the estimated living wage needed to live in the City for a single adult household with no children (\$20.58 per hour or

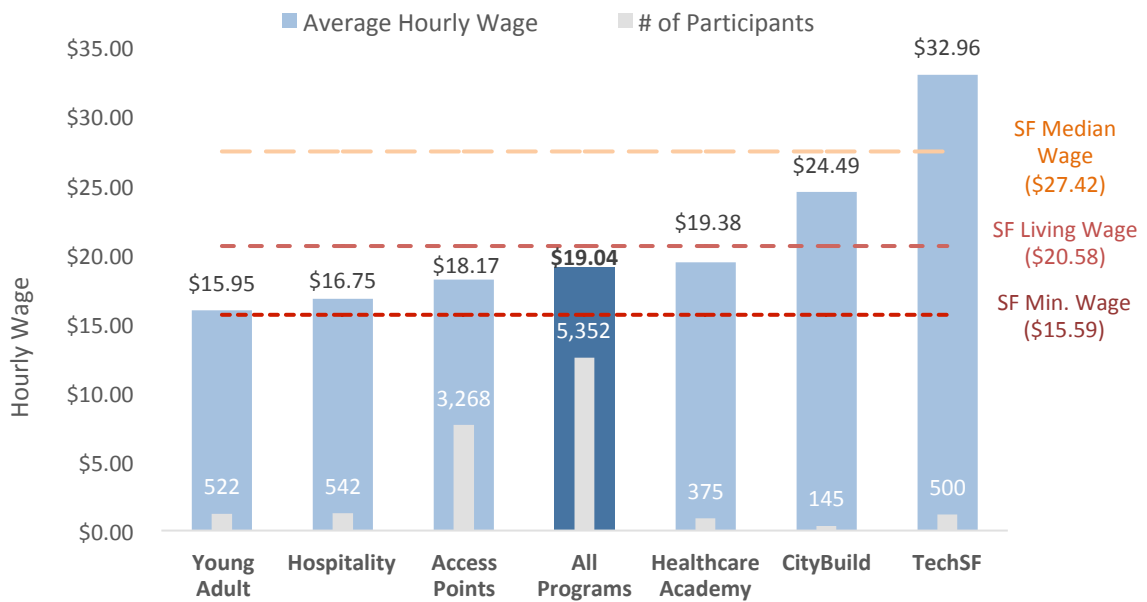
⁵ OEWD staff estimated that 20 percent of workforce program participants served in FY 2018-19 participated in federally funded Workforce Innovation Opportunity Act programs, which allow access to state employment data for program participants after program completion.

⁶ AB 593 was signed into law by Governor Newsom on October 8, 2019.

⁷ See San Francisco Local Workforce Innovation and Opportunity Act (WIOA) Plan (pg. 1 – 2) for 2017-2020 and San Francisco Workforce Strategic Plan: 2013-2017 (pg. 2)

\$42,806 annually).⁸ As shown in Exhibit 2.2 below, the average wages for all programs except TechSF were below San Francisco’s median wage and MIT’s living wage estimate. We used MIT’s Living Wage Calculator as the Department has not identified any specific source or criteria to measure its “living wage” or “economic self-sufficiency” goals.⁹

Exhibit 2.2: Average Hourly Wage and Participation by OEWD Program, FY 2018-19



Source: OEWD provided data from Workforce Central & GMS systems.

Notes: **SF Median Wage:** BLS Occupational Employment Statistics median wage estimate for San Francisco-Oakland-Hayward MSA, May 2019 (https://www.bls.gov/oes/current/oes_41860.htm)

SF Living Wage: Household with a single adult with no children. The calculator takes into account expenses such as food, health, housing, transportation and taxes to calculate the minimum wage needed to break even. <https://livingwage.mit.edu/counties/06075>

⁸ MIT Living Wage Calculator, the calculator takes into account expenses such as food, health, housing, transportation and taxes to calculate the minimum wage needed to break even (<https://livingwage.mit.edu/counties/06075>).

⁹ According to Department staff, they identified the Insight Center’s Family Needs Calculator as its standards for measuring self-sufficiency. We only found one reference to this tool in the Citywide Workforce Development Plan 2017-22 as contextual information. Notably the Insight Center’s tool had a higher “self-sufficiency standard” wage than the MIT Living Wage Calculator (\$26.45 per hour vs. \$20.58 per hour for 2018).

Performance Measurement Best Practices

Currently, external reporting on the outcomes of the Department's workforce programs is limited in scope, timeliness, and comprehensiveness relative to general governmental performance best practices. The Government Finance Officers' Association (GFOA) performance management best practice states that performance measures should meet the following criteria:¹⁰

- Linked to long-term strategic planning
- Linked to the budget process
- Based on program goals/objectives tied to a statement of program mission or purpose
- Measure program outcomes
- Provide for resource allocation comparisons over time
- Measure efficiency and effectiveness for continuous improvement
- Verifiable, understandable, and timely
- Reported internally and externally
- Monitored and used in managerial decision-making processes
- Designed in such a way to motivate staff at all levels to contribute toward organizational improvement

Based on our review of published performance data, Exhibit 2.3 below summarizes the three performance measures consistently published by the Department covering all workforce programs.

¹⁰ GFOA (2018): <https://gfoa.org/performance-measures>

Exhibit 2.3: Externally Reported Workforce Development Performance Measures

Source	Performance Measure Type	Performance Measure Description	Frequency	Level of Detail	Year to Year Comparisons
Controller's Office Annual Performance Results	Placement in Employment	Placement rate of individuals 18 and older who complete a program in jobs that are either full-time or part-time	Annual	Summary (across all programs)	YES
WISF Program Year Outcomes Presentation	Placement in Employment	Number and percent of participants placed out of total enrollment	Annual	High-Level Program Detail	NO
	Participant Characteristics	Number and percent of participants served by various demographic characteristics (age, race, and gender identity)	Annual	Summary (across all programs)	NO

Source: Performance documents provided by Department

Notes: This does not include performance measures reported as part of the HUD-required Comprehensive Annual Performance Report (CAPER) as this only covers part of the workforce program caseload provided by OEWD (20 percent) and is not presented to OEWD's governing board, WISF.

As indicated in Exhibit 2.3 above, these measures do not fully meet the GFOA best practices. In particular, the following deficiencies were identified:

- Lack of year on year comparisons in performance measures reported to the local workforce development board, WISF;
- Lack of efficiency measures to allow continuous improvement (i.e. cost per job placement);
- Unable to tie to resource allocation comparisons; and,
- Only partial match to strategic planning and program goals and objectives (see discussion below).

The lack of comprehensive performance measures was also raised by the City's local workforce development board (WISF) in a 2019 meeting.

Performance Measurement Best Practices: Workforce Development-Specific

The Department also monitors and reports on a limited number of workforce development specific measures identified by best practices. Exhibit 2.4 below shows that OEWD monitors four of eight workforce development performance measures identified by best practice sources and federal workforce legislation, and publishes three of these.

Exhibit 2.4: Best Practice Workforce Performance Measures by OEWD Monitoring and Publication Status

Performance Measure	Monitored by	Published by
	OEWD	OEWD
Number of participants	✓	✓
Successful program completion	✓	✓
Client/ Customer Satisfaction	^a	X
Measurable skills or credentials gained during the program	✓	X
Placement in unsubsidized employment following program completion	✓	✓
Retention in unsubsidized employment	^b	X
Type of benefits provided with employment	X	X
Wages before and after program completion	^c	^c

Sources: The Urban Institute and The Center for What Works (2006)¹¹; Social Policy Research Associates (2013)¹²; Workforce Innovation Opportunity Act (2014), Public Law 113-128, Sec. 116.

Notes: ^a : Customer satisfaction monitoring is done by OEWD as part of compliance monitoring, only 1.9 percent of program participants (86 of 4,609) were interviewed in program year 2018-19.

^b : OEWD monitors retention for some, but not all, workforce program participants. See discussion above.

^c : OEWD collects and monitors data on wages after program completion only.

The City Committee on Workforce Alignment’s 2017-2022 Workforce Development Plan highlighted the importance of several of these outcomes in measuring the success of the workforce development system, including: (1) skill attainment; (2)

¹¹ http://www.urban.org/sites/default/files/employment_training.pdf

¹² <https://www.spra.com/wordpress2/wp-content/uploads/2016/08/Career-Pathways-System-Measurement.pdf>

unsubsidized employment placement; (3) living wages; and, (4) employment retention. However, the Department only appears to be reporting on two of these measures (skill attainment for young adult programs and unsubsidized employment placement). Additionally, it was unclear if, or how, the Department or the Alignment Committee plans to assess whether workforce program participants are receiving “living wages.” As suggested above, several research and academic organizations have developed estimates of “living” or “self-sufficiency” wages, including the Massachusetts Institute of Technology (MIT) and the University of Washington.¹³

The Department should work with the Controller’s Office to review existing priorities and goals and develop a comprehensive set of performance measures aligned to such priorities and goals. The Department should then regularly report these performance measures internally and externally.

Lack of Department-wide Data Integration

The Department maintains several different data systems and applications for case management and job search services. While some of this separation is due to requirements related to federal grants (i.e. GMS for Community Development Block Grant vs. WFC for WIOA & General Fund programs), there does not appear to be comprehensive integration or interaction between these systems. Interviews with OEWD operational and technical staff indicated this lack of integration results in manual workarounds. Exhibit 2.5 below summarizes the Department’s data systems and level of integration.

¹³ University of Washington, School of Social Work’s Center for Women’s Welfare: Self-Sufficiency Standard by State and County (<http://www.selfsufficiencystandard.org/California>)

Exhibit 2.5: OEWD Data Systems and Applications

System/ Application	Purpose	Integrated with other data systems?
Workforce Central	Case management system for WIOA & General Fund workforce development programs	No
GMS (Grant Management System)	Case management system for HUD & Community Development Block Grant workforce development programs/ clients	No
Jobs Portal	Application for jobseekers and employers to search, post, and apply for employment opportunities. Also used for First Source compliance.	No
Certified Payroll System (Local Hire Compliance/ CityBuild)	City-wide application used for public works and other Local Hire-covered contractors to submit certified payroll. Used by OEWD to track Local Hire compliance and, previously, to manage CityBuild placements on covered projects	No

Source: BLA interviews with Department staff

Although the Department has contracted with a consultant to develop a data warehouse and hired an in-house Data & Performance Manager in 2019, there does not yet appear to be a strategic plan to integrate data and/or improve system functionality to reduce manual and technical workarounds.¹⁴

The Department should identify options for integrating and/or consolidating the various data systems (i.e. from full integration to more flexible data sharing/exchanges), which balance upfront costs with potential resource savings/benefits from reduced use of manual workarounds and matching work.

Conclusion

Effective performance monitoring and management is critical to ensuring accountability and efficiency for publicly funded programs. The Department’s current performance monitoring is limited and doesn’t align with general and workforce development specific best practices.

Fragmented data systems also prevent comprehensive and efficient performance monitoring and reporting. The Department should integrate its data systems and develop a comprehensive set of

¹⁴ The Department indicated it does have a data integration plan but no such plan was provided

performance measures, which allow measurement of progress on strategic goals

Recommendations

The Director of Workforce Development should:

Recommendation 2.1: Direct the Data & Performance Manager to coordinate with the California Employment Development Department to ensure OEWD has the legal, technical, and analytical capacity to receive, analyze and report new post-program employment data available under AB 593.

Recommendation 2.2: Work with the Controller's Office to review existing performance measures and develop a comprehensive set of performance measures aligned to existing priorities and goals. These performance measures should be regularly published on OEWD's website (at least annually) and be reported to the local Workforce Development Board. At a minimum, these measures should include:

- Interim performance measures (i.e. job readiness completion, skill attainment, program completion);
- Short- and long-term outcome measures (i.e. placement & retention in employment, placement in program-targeted occupations, wages before and after program participation, and employment benefits);
- Measurement of achievement of departmental strategic priorities and goals;
- Efficiency indicators and comparisons over time; and,
- Analysis or other narrative explaining any changes in performance on key measures.

Recommendation 2.3: Direct the Data & Performance Manager to develop a Workforce Division data integration and management plan. In order to inform this plan, the Data & Performance Manager should identify options for integrating and/or consolidating the Department's various data systems (i.e. from full integration to more flexible data sharing/exchanges), which balance upfront costs with potential resource savings/benefits from reduced use of manual workarounds and matching work.

Costs and Benefits

Improving the Department's performance monitoring capacity and processes are critical to addressing poor program performance and ensuring the maximum return on public investment in workforce development. Integrating data systems and improving

performance measures to include medium- and long-term outcomes will also provide greater transparency, accountability as well as information for policymakers to ensure resources are allocated to the most effective programs.

Implementing the recommendations may require additional staff time but are within the scope of duties already in place within the Department. Additionally Department staff indicated that the Controller's Office has already agreed to work with OEWD to review existing performance measures. Implementation of the data integration specified in Recommendation 2.3 may require additional funding for consulting or IT services. The Department and the City will need to balance the potential benefits from this work for the workforce development system relative to any costs identified. Such investments can also be scaled or phased to reduce upfront costs.

3. CityBuild and TechSF Academy Performance

Contractor performance for two of OEWD’s key sector programs, CityBuild Academy and TechSF, have been stagnant or declining while employment in these industries has expanded. From FY 2014-15 to FY 2018-19, funding for providers of OEWD’s construction sector workforce development program, CityBuild Academy, increased while performance goals remained the same and program completion and employment placements declined. From FY 2016-17 to FY 2018-19, the number of participants placed in employment fell by 30 percent, from 136 to 95. However, employment in construction occupations increased by 3,430 or 10.8 percent from May 2017 to May 2019.

OEWD’s Information Technology sector academy, TechSF, placed 51 percent of participants in employment in FY 2018-19, down from 58 percent in the previous year, despite a 20 percent increase in participants. Over a similar period, employment in computer occupations in San Francisco and San Mateo increased by 11,560 or 11.9 percent (May 2017 to May 2019). The Department should identify causes for declining performance and options to modify these programs to improve employment outcomes.

CityBuild Academy Performance

The CityBuild Academy (CBA) construction sector program consists of a two-part pre-apprentice program: a one-week Job Readiness Training Course (JRT) and then an 18-week Occupational Skills Training course (OST).¹ Completion of the JRT is a pre-requisite for the OST course, along with a panel interview. Following graduation from the program, providers help participants find placements in construction apprenticeships. The wider CityBuild sector program also includes a Construction Administration and Professional Services Academy

¹ According to OEWD, the Job Readiness Training course includes an introduction to construction trades, soft skills development, career exploration, and construction jobsite visits. The Occupational Skills Training course is a pre-apprenticeship program which provides class-based instruction on basic skills needed for a construction apprenticeship (i.e. math, basic laborer and carpentry skills, etc.) as well as safety and other industry certifications (i.e. OSHA, CPR, etc.).

program (CAPSA), employment retention services for program graduates, and ad hoc special trainings (i.e. Chase Center training and placement program).

From 2017 to 2019, San Francisco and San Mateo counties added 45,550 jobs, a 4.1 percent increase in employment overall. Construction occupations accounted for 3,430 of net jobs added (8 percent) and grew by 11 percent.² However, employment placements for graduates of OEWD's CityBuild Academy program fell by 30 percent from 136 to 95.³

While recruitment increased by roughly two-thirds from FY 2014-15 to FY 2018-19 (from 435 to 722), participation in and completion of the JRT course and completion of the OST courses has lagged behind and fallen below contractual performance goals in the last fiscal year after declining since FY 2016-17.

The share of jobseekers recruited by CityBuild Academy who go on to participate in the OST program has more than halved, from a high of 29 percent (around 1 in 3) in FY 2015-16 to 14 percent (around 1 in 7) in FY 2018-19 as shown in Exhibit 3.1 below. According to Department staff, this decline was caused by the tightening labor market and large supply of jobs available to potential candidates without the training commitment.

² Based on US Occupational Employment Statistics (OES) survey results for the San Francisco-Redwood City-San Mateo Metropolitan Statistical Area. See Appendix D for details for all major occupational groups.

³ At the Audit Exit Conference, OEWD indicated that the CityBuild program also provides funding for ad hoc trainings and employment retention services which result in additional placements or identification of new employment. Given the limited ability to validate this data and its variability from year to year, it was not included in the analysis for this report.

Exhibit 3.1: CityBuild Academy Participation & Graduation Rates by Training Component, FY 2014-15 to FY 2018-19

Measure	2014-15	2015-16	2016-17	2017-18	2018-19	% chg. 2014-15 – 2018-19	% chg. 2016-17 – 2018-19
% of recruited participants* who enroll in OST	23%	29%	19%	18%	14%	-37%	-51%
% of recruited participants who graduate OST	10%	16%	17%	16%	11%	3%	-33%
% of JRT Participants who enroll in OST	46%	90%	56%	34%	36%	-21%	-60%
% of JRT Participants who graduate OST	21%	49%	50%	30%	27%	29%	-46%

Source: Department-provided contractor performance data

Notes:

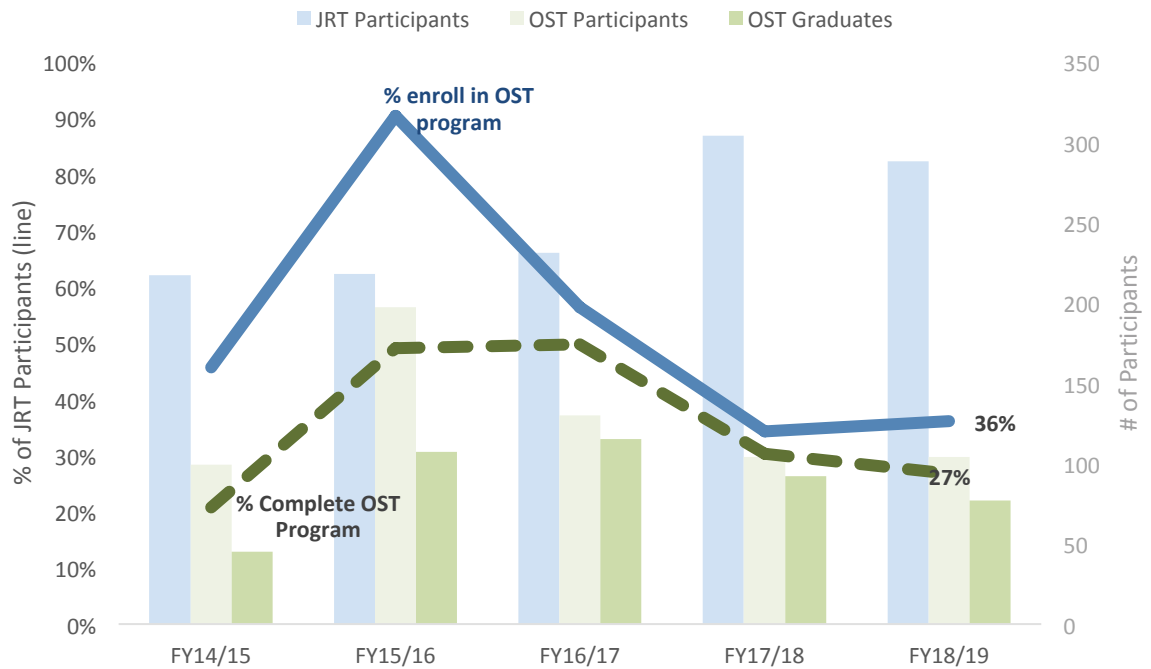
* Recruited participants includes all individuals recruited by the CityBuild Academy provider as potential candidates for the JRT program.

OST: Occupational Skills Training

JRT: Job Readiness Training

As shown in Exhibit 3.2 below, despite an increase in the number of participants, fewer than half completed the training in FY 2018-19 (123 of 288). As fewer jobseekers completed the JRT program, the number of OST participants and graduates has also fallen. Only 74 percent of OST participants completed the program in FY 2018-19 (86 percent of the contractual goal).

Exhibit 3.2: Job Readiness Training & Occupational Skills Training Participation & Completion, FY 2014-15 to FY 2018-19



Source: Contractor performance data provided by OEWD.

OST: Occupational Skills Training

JRT: Job Readiness Training

In addition, over the five years reviewed, JRT completion has been below the contractual goal, and in FY 2018-19 JRT completion was 41 percent of its goal, as shown in Exhibit 3.3 below.

**Exhibit 3.3: CityBuild Academy Performance Outputs as a Percent of Contract Goals
FY 2014-15 to FY 2018-19**

Outcomes (% of Goal)	2014-15	2015-16	2016-17	2017-18	2018-19	% chg. FY 14-15 – FY 18-19	% chg FY 15-16 – FY 18-19
Recruitment	73%	113%	113%	97%	120%	66%	7%
JRT Participation	68%	68%	72%	95%	90%	33%	32%
JRT Completion	53%	58%	59%	65%	41%	-23%	-30%
Participants Enrolled in OST	99%	197%	93%	104%	104%	5%	-47%
Case Management	87%	197%	93%	104%	104%	20%	-47%
OST completion	*	*	*	102%	86%	-	-
Performance Goals							
Recruitment	600	600	600	600	600	0%	0%
JRT Participation	320	320	320	320	320	0%	0%
JRT Completion	300	300	300	300	300	0%	0%
Participants Enrolled in OST	100	100	140	100	100	0%	0%
Case Management	100	100	140	100	100	0%	0%
OST completion	*	*	*	90	90	*	*

Source: Contractor performance data provided by OEWD.

Notes:

* OEWD contract with provider did not specify an OST completion goal until FY 2017-18.

As the completion rate for the OST program declined so has the number and percent of participants placed in employment. In FY 2018-19, 69 percent of participants were placed in employment, compared to 78 percent the year before as shown in Exhibit 3.4 below. While the percent of graduates placed remained high (84 percent), the number of placements fell 40 percent in FY 2018-19 compared to FY 2016-17, due to the falling enrollment and completion rates discussed above.

**Exhibit 3.4: CityBuild Enrollment & Placement Outcomes,
FY 2016-17 to FY 2018-19***

Outcomes	2016-17	2017-18	2018-19	% chg. FY 16-17 – 18-19
Enrollments ^a	136	106	94	-31%
Graduates	120	89	77	-36%
Placements ^b	108	83	65	-40%
<i>% Placed of:</i>				
<i>Participants</i>	<i>79%</i>	<i>78%</i>	<i>69%</i>	<i>-10ppt</i>
<i>Graduates</i>	<i>90%</i>	<i>93%</i>	<i>84%</i>	<i>-6ppt</i>

Source: OEWD provided data.

Notes:

* Enrollment and graduate numbers differ slightly from previous exhibits as information was provided by Department after Audit Exit Conference following further validation.

^a Defined as enrollment in CityBuild Academy Occupational Skills Training program.

^b Placements within one year of graduation.

^c Percent of participants placed in employment

CityBuild Academy Budget and Spending

While the number of jobseekers completing the CityBuild Academy and CAPSA program has declined, program spending has increased, resulting in a 54 percent increase in the cost per graduate from FY 2014-15 to FY 2018-19, from \$9,371 to \$14,361.⁴ The cost per placement increased by four percent from \$16,762 to \$17,384 (this increase in cost per placement is less than the increase in the cost per graduate due to increasing CAPSA placements).

OEWD's CityBuild budget for provider services increased by \$1.2 million (39 percent) between FY 2014-15 and FY 2018-19, growing an average of nine percent annually as shown in Exhibit 3.5 below. Actual spending has lagged behind budgeted spending, increasing just 19 percent over this period (31 percent including encumbrances carried forward to the following year). OEWD has underspent on CityBuild provider services every year except one during this period, by amounts ranging from \$40,000 to \$588,000. In FY 2018-19, the most recent fiscal year with complete data available, the Department underspent by \$293,000 (roughly seven percent of the total CityBuild Academy budget). According to Department staff, the budget increased in FY 2016-17 to

⁴ This includes the total actual spend by the CityBuild Academy provider divided by the number of participants who completed the CityBuild Academy and CAPSA program.

fund an extra program “cycle” and provide additional recruitment, case management, and retention services for participants.

Exhibit 3.5: CityBuild Academy Providers Budget vs. Actuals, FY 2014-15 to FY 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19	% chg. (FY15 - FY19)	Annual Growth Rate (FY15-19)
Budget	\$2,981,208	\$2,917,474	\$4,138,418	\$4,187,753	\$4,142,779	39%	9%
Actuals	2,921,876	3,112,154	3,086,113	3,025,901	3,489,611	19%	5%
Carryforward Encumbrances	19,392	(39,284)	689,963	573,694	360,142	1757%	108%
Actuals (incl. Carryforward Encumbrances)	2,941,268	3,072,870	3,776,076	3,599,594	3,849,754	31%	7%
Overspend (Underspend) - incl. Carryforwards	(39,940)	155,395	(362,342)	(588,158)	(293,025)	634%	65%
% Overspend (Underspend) of Total Budget (incl. cfwd)	(1%)	5%	(9%)	(14%)	(7%)		

Source: Source: OEWD provided budget and actuals data

Funding for CityBuild Academy’s primary training provider and sector “coordinator” has increased by 72 percent from FY 2014-15 to FY 2018-19, from approximately \$1.2 million to approximately \$2.0 million as shown in Exhibit 3.6 below. This funding has increased without a corresponding change in the number of participants or performance targets over this period. Additionally, this provider has only fully spent the budgeted amount in one of the past five years. Under-spending has ranged from 12 percent (\$201,980 in FY 2017-18) to 29 percent (\$485,807 in FY 2015-16) of budget.

Exhibit 3.6: CityBuild Academy Coordinator & Training Provider Budget vs Actuals and Cost per Graduate, FY 2014-15 – FY 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19	% chg. (FY 15 – FY 19)
Budget	\$1,190,107	\$1,654,825	\$2,020,662	\$1,674,066	\$2,044,807	72%
Actuals	1,190,107	1,169,018	1,748,327	1,472,086	1,651,495	39%
Variance (Budget – Actuals)	-	(485,807)	(272,335)	(201,980)	(393,312)	-
% Variance (of Adj Act)	-	-29%	-13%	-12%	-19%	-
CBA & CAPSA Graduates	127	121	161	127	115	-9%
CBA & CAPSA Placements	71	95	136	110	95	34%
Cost per Graduate*	\$9,371	\$9,661	\$10,859	\$11,591	\$14,361	53%
Cost per Placement*	\$16,762	\$12,305	\$12,855	\$13,383	\$17,384	4%

Source: OEWD provided budget and actuals data; OEWD provided graduation and placement data.

* Based on actual (vouchered) expenditure.

CityBuild Performance Management

CityBuild Academy programs appear to be subject to a lower level of monitoring and performance management than the Department's other workforce development programs. For example, OEWD's Operations Division, which oversees the Department's three other sector academies and the workforce services access points, has developed a comprehensive performance and program monitoring dashboard for internal use, which includes contractual and other outcomes measures that are updated and monitored monthly for all its programs. No such dashboard or regular performance monitoring framework was identified for CityBuild Academy.⁵ CityBuild Academy outcomes, including information about average wages of graduates and the most common employment placements, were also not included in quarterly program demographic reports provided by the Department.

⁵ Department staff indicated that work to develop CityBuild dashboards has started but was put on hold due to COVID-19 response work.

TechSF Academy Performance

From 2017 to 2019, Computer occupations were the third largest contributor to employment growth in San Francisco, adding 14,650 jobs and growing by 16 percent.⁶ However, as shown in Exhibit 3.7 below, in FY 2017-18 and FY 2018-19, OEWD's Information Technology training program, TechSF, placed 148 and 156 participants in unsubsidized employment and had a placement rate of 58 percent and 51 percent, respectively. These placement rates were below OEWD's overall target placement rate (67 and 68 percent in FY 2017-18 and 2018-19, respectively) and lower than OEWD's overall actual placement rate of 64 percent in FY 2017-18 and FY 2018-19. The cost per placement was \$13,340 in FY 2017-18 and \$11,585 in FY 2018-19.

Data provided by OEWD indicates that 51 percent of TechSF graduates have been placed in full-time employment in FY 2018-19, earning an average hourly wage of \$32.96 as shown in Exhibit 3.7 below. At \$68,600 per year, these program graduates earn approximately 10 percent more than the area median wage. However, the Department did not have data on the distribution of earnings for graduates (to confirm the high average wage was not due to a few high earners) or the length of retention in employment, making it difficult to fully assess the benefits to participants or the overall net return on investment for this program.

⁶ Based on US Occupational Employment Statistics (OES) survey results for the San Francisco-Redwood City-San Mateo Metropolitan Statistical Area. See Appendix D for details for all major occupational groups.

Exhibit 3.7: Cost, Output, and Outcome Information for OEWD TechSF Program, FY 2017-18 and FY 2018-19

OEWD Program	FY 2017-18	FY 2018-19
TechSF		
Budget	\$1,974,249	\$1,807,290
Participants	253	308
Placements	148	156
% Placed	58%	51%
<i>Fed. Placement % Target</i>	<i>67%</i>	<i>68%</i>
Cost per Participant	\$7,803	\$5,868
Cost per Placement	\$13,340	\$11,585
Avg. Hourly Wage	N/A	\$32.96

Source: OEWD information provided to BLA and 12/11/19 OEWD Program Year 2018-19 Outcomes presentation to Workforce Investment San Francisco (WISF).

While the data shows that the average hourly earnings for those placed in employment is high, the low and decreasing placement rate for the program indicates that almost half of participants are not reaping these benefits.

TechSF approach

According to OEWD, TechSF aims to build “talent pipelines to employment” by: (1) connecting firms in the tech industry to apprenticeship opportunities; (2) offering work-based learning opportunities that connect students and jobseekers to industry firms; and, (3) funding local training and education partners to adequately prepare and improve the skills of jobseekers.

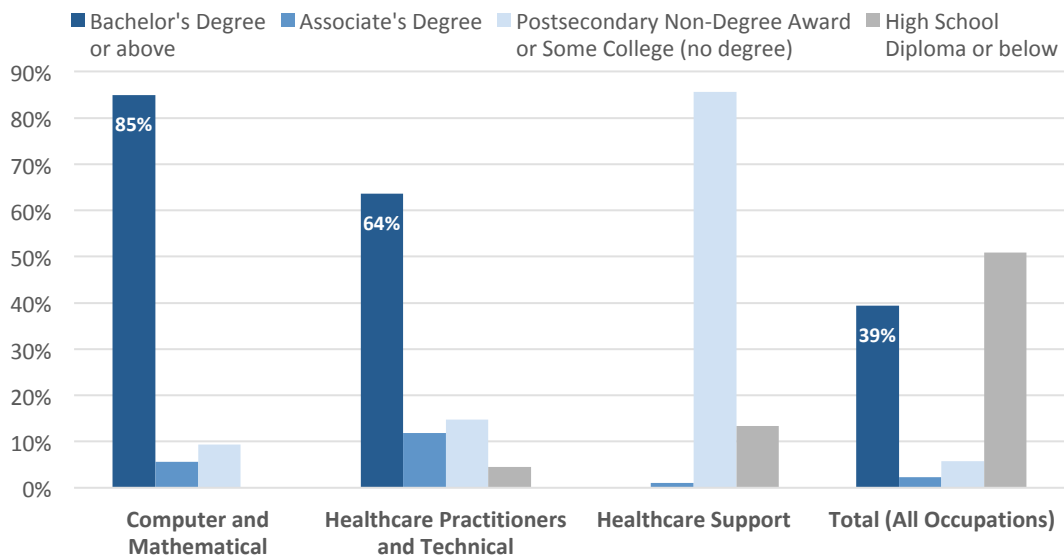
TechSF programs provide technical trainings on the following topics:

- Networking
- IT Support
- Digital Marketing
- Software and Web Development
- Video Pre & Post-Production
- Salesforce Business Analyst

These programs include work-based learning opportunities to allow participants to build their professional experience in the technology field. TechSF also offers certificates and Associate Degrees in Broadcast Electronic Media Arts, Computer Science, Visual Media Design and Computer Networking, and Information Technology through a partnership with City College.

Despite the certificate and degrees offered by TechSF, participants may still be at a significant disadvantage when competing for jobs in the IT sector. According to federal Occupational Employment Statistics data, in 2019, 85 percent of computer occupations in San Francisco and San Mateo counties required a bachelor’s degree as an entry-level education requirement. As shown in Exhibit 3.8 below, this was more than twice the share across all jobs regardless of occupation. There is also a strong correlation between higher educational attainment and wages in the sector.

Exhibit 3.8: Percent of Jobs by Entry-Level Educational Requirement and Occupational Group in San Francisco-Redwood City-South San Francisco Metropolitan Division, 2019



Source: California Employment Development Department, Occupational Employment Statistics
 Note: High school diploma includes equivalent qualifications (i.e. GED). “Computer and Mathematical Occupations” includes most core occupations within the Information Technology sector (i.e. programmers, web designer/ developers, etc.), however, it does not include some IT occupations which cross multiple occupations (i.e. creative occupations such as marketing and audio and video production).

It is unclear what specific services or pathways exist for obtaining degrees beyond an Associate Degree through the TechSF program. Given the high proportion of technology sector occupations requiring at least a bachelor’s degree, it is unclear what the program offers to help jobseekers compete for jobs requiring higher educational credentials. OEWD indicated that the aim of TechSF is to expose young adults to IT

career options early on, help adults enter the technology sector without an advanced degree and to work with tech sector employers to reduce reliance on such degrees as a pre-requisite to employment through its apprenticeship program. This approach is likely to require monitoring over several years to confirm if industry-change around entry requirements is being achieved and young people who participate in work-based learning programs establish careers in IT. The Department should review its current approach and targeted occupations to ensure these align with industry labor demands, identify appropriate interim and long-term performance indicators to monitor program effectiveness, and identify options for addressing low and decreasing placement rates for direct employment/placement programs. The Department should also develop performance measures that monitor progress against all program goals (i.e. including interim indicators to measure progress for programs with longer-term employment objectives or that involve wider industry change).

Conclusion

Performance and employment outcomes for two of OEWD's key workforce development programs, TechSF and CityBuild Academy, have declined despite increasing local employment in the targeted sectors. Additionally, contractual goals for the CityBuild Academy provider have remained unchanged while spending has increased. To ensure the most effective investment of resources, OEWD should review these programs to identify what changes should be made to improve employment outcomes and performance.

Recommendations

The Workforce Development Director should:

Recommendation 3.1: Review CityBuild Academy provider performance and structure by soliciting feedback from program participants who did and didn't complete the program to improve retention and completion of the full two-part program. The review should also include feedback from key stakeholders including industry and labor groups. This review should also consider options for meeting changing labor market conditions

following the economic impacts of the COVID-19 pandemic (i.e. adding additional safety certifications, working with employers and unions to identify labor shortages, etc.). The results of this review should be reported to the local Workforce Development Board by January 31, 2021.

Recommendation 3.2: Review the TechSF sector strategy (i.e. approach, curriculum targeted occupations, and performance measures) to ensure these are evidence-based and align with local Technology Sector labor market demands. The Department should engage employer and partner stakeholders as well as program participants to identify opportunities to improve placement rates for programs specifically aimed at placing participants in employment. The Department should also develop performance measures that monitor progress against all program goals (i.e. including interim indicators to measure progress for programs with longer-term employment objectives or that involve wider industry change). The results of this review should be reported to the local Workforce Development Board by January 31, 2021.

Benefits and Costs

Poor performance results in an inefficient allocation of public resources, a particularly concerning issue during times of budget reductions. Regular reviews of underperforming programs are needed to identify root causes and modify the program structure to improve outcomes. The reviews recommended can likely be completed using the Department's existing staff and stakeholder groups (i.e. WISF and relevant sub-committees), though collecting additional participant feedback may require additional staff or provider resources. These reviews could also be incorporated into the Department's planned update of its strategic plan.

4. Local Hire Compliance Tracking and Reporting

While the share of construction hours completed by local workers across all covered public works contracts is generally at or above the 30 percent requirement specified in the Local Hire ordinance, we found significant variation in compliance across contractors, trades, and projects. In particular, we found that roughly 58 percent of projects completed between 2014 and 2018 had Local Hire deficiencies for one or more trade.

Although these deficiencies represented a relatively small share of the total work hours completed (four percent), their prevalence across projects could indicate systematic issues with the implementation or enforcement of the ordinance.

Local Hire Ordinance History and Purpose

The San Francisco Board of Supervisors enacted the Local Hiring Policy for Construction (“the Policy”) in 2011 in order to leverage public works spending to provide employment opportunities for local residents. Starting in 2013, the Policy requires that 30 percent of work hours for each trade on a public works project be completed by local residents, and 50 percent of apprentice work hours be completed by local resident apprentices.¹ The Policy applies to all City departments that commission public works as set out in Administrative Code Chapter 6. In 2017, the Board of Supervisors amended the Local Hire ordinance to include construction work for affordable housing projects where the City is the property holder or sold the property for affordable housing development purposes. If a contractor is unable to meet Local Hire requirements, they can request a conditional waiver for using labor in specialized trades identified by OEWD or avoid penalties by hiring or sponsoring local apprentices or hiring local disadvantaged workers on projects not covered by the ordinance. Compliance with the Policy is monitored and enforced by the Office of Economic and Workforce Development’s (OEWD’s or Department’s) CityBuild compliance division.

¹ Specialized trades exempted by OEWD and trades that make up less than 5 percent of the project’s total hours are not subject to the Local Hire ordinance.

Compliance on individual projects varies significantly and is offset at the aggregate level by over-compliance for a few trades and corrective actions

While the share of construction hours completed by local workers across all covered public works contracts is generally at or above the 30 percent requirement specified in the Local Hire ordinance, we found significant variation in compliance across contractors, trades, and projects.

Non-Compliance vs. Deficiencies with the Local Hire Policy

“Non-compliance” with the Local Hire Policy is defined as instances where a contractor failed to meet the Local Hire requirements for a covered project and, either (1) did not receive a conditional waiver for utilizing specialized trades identified by OEWD, or, (2) did not get approval to avoid penalties by completing offsetting corrective actions.

Local Hire “deficiencies” are defined as instances where a contractor failed to meet the Local Hire requirements but completed a corrective action or received a conditional waiver to avoid penalties.

While OEWD indicated that there were very few instances of non-compliance, we focused our review (described below) on Local Hire deficiencies, given the lack of internal or external information on the extent of corrective actions used to achieve compliance or the type of corrective action permitted. We used certified payroll data to estimate project-level deficiencies based on the requirements in the Ordinance and OEWD policies. More detail on our methodology is included in Appendix E.

Reporting does not provide sufficient detail to comprehensively assess compliance as defined in the ordinance

OEWD’s Annual Report on the Local Hire Policy, the primary document that records citywide Local Hire compliance, provides information on: (1) the number of work hours on covered projects and the number of local work hours for all workers and apprentices; (2) breakdowns of total and local work hours by Department; and, (3) demographic information on workers on covered projects compared to the overall labor pool.

While these reports provide a high-level overview of compliance with the policy, they do not provide sufficient detail to assess compliance with the ordinance or the prevalence of corrective actions, and do not address two provisions

required by the ordinance. Specifically, the Annual Report does not cover the following:

- **Compliance over time:** the total number and share of local work hours is provided as a cumulative total since the Policy was first adopted. The report does not offer year-to-year performance data, making it impossible to assess whether compliance has been improving or deteriorating over time.
- **Compliance for completed versus on-going projects:** the total number and share of local work hours in the Annual Report is an aggregate of all completed and on-going projects. This means compliance may be over- or under-stated based on the current stage of construction. This also makes it hard to assess whether compliance is improving for on-going projects.
- **Project and/or contractor-level compliance:** Administrative Code section 82.9(f) of the Local Hire Policy requires the Annual Report to include information on contractor and sub-contractor compliance by Department.² Information on contractor compliance is only provided at the trade level by aggregating local hours across all projects. However, since compliance is required at the project level, this aggregation obscures the level of compliance *among* contractors. Specifically, deficiencies by smaller contractors may be offset by over-compliance of larger contractors.
- **Use of Corrective Actions, including Direct Entry Agreements:** the Annual Report does not include any information on the use of corrective actions, preventing an assessment of compliance achieved after the project was completed (or substantially completed) and instances where corrective actions were used to achieve compliance. Additionally, Administrative Code section 82.5(b)(4) specifically requires the Annual Report include

² Section 82.9(f): "That [annual] report shall document each Awarding Department's performance under the terms of this Policy, including, among other things, **the compliance of each department's Contractors and Subcontractors with the requirements of this Policy**, any significant challenges experienced by OEWD or Awarding Departments in implementing or enforcing this Policy, and proposed remedies to address any such challenges." [emphasis added]

information on the use of Direct Entry Agreements (a type of apprentice sponsorship) as a corrective action.

Local Hire compliance among covered projects completed from 2014 to 2018

We analyzed certified payroll records for 120 public works projects covered by the Local Hire ordinance completed between 2014 and 2018, covering approximately 1.2 million construction hours commissioned by the Department of Public Works (DPW), Recreation & Parks, Municipal Transport Agency (MTA), and the Port.³ To provide a more in-depth analysis of these projects, we also selected a sample of 27 completed projects (including projects from PUC and the Airport) to review compliance, the prevalence of deficiencies, and documentation maintained by OEWD. For more details on the analytical methods used, see Appendix E.

Across these projects, the overall share of work hours completed by local residents was 41 percent, or 483,016 hours. However, we found that 58 percent of projects had at least one trade with a Local Hire deficiency and 19 percent of all trades across projects had a Local Hire deficiency, as set out in the exhibit below. In total, these resulted in a deficiency of four percent of total hours, or 45,737 hours.⁴

Similar levels of deficiencies were found for the Local Hire apprentice requirement.⁵ Exhibit 4.1 below shows that despite 62 percent of all apprentice hours being completed by local workers, project-level deficiencies made up nine percent of total apprentice hours, or 10,708 hours. Among projects with apprentices, 46 percent had at least one trade with a Local Hire apprentice deficiency, and 26 percent of all trades across projects had a deficiency.

³ Due to the inclusion of non-San Francisco workers as “local workers” in Airport and PUC projects outside the City, we were unable to assess Local Hire compliance for projects completed by the Airport or PUC within our audit timeframe. These two departments accounted for 54 percent of public works construction hours during this period (1.3 million hours).

⁴ According to OEWD, two trades (Drivers and Teamsters) included in the analysis were actually exempt from Local Hire requirements, despite not being on the Department’s published Local Hire exemption list. After review, we determined that excluding these trades from the analysis only had minimal effect on Local Hire deficient hours estimates (1,951 hours, 0.2 percentage points) . We have left these trades in our results, given project time constraints. c

⁵ 50 percent of apprentice works hours must be completed by local apprentices

**Exhibit 4.1: BLA Estimates of Local Hire Compliance and Deficiencies for Public Works
Projects Completed between 2014 and 2018⁶**

Compliance by Metric	All Work Hours	Apprentice Work Hours¹
Local Hire Requirement²	30%	50%
Work Hours		
Total Hours	1,178,792	114,083
Local Hours	483,016	71,265
<i>% Local</i>	<i>41%</i>	<i>62%</i>
LH Deficient Hours ³	45,737	10,708
% Deficient	4%	9%
Projects		
Total Projects	120	112
LH Deficient Projects ³	70	51
% Deficient	58%	46%
Project Trades		
Total Project Trades	714	302
LH Deficient Project Trades ³	133	80
% Deficient	19%	26%

Source: BLA analysis of electronic certified payroll data for completed Local Hire projects.

Notes: Only includes public works projects completed by DPW, Recreation & Parks, MTA & Port.

¹ The number of projects and project trades are lower for apprentice work hours as not all trades are required to have apprentices (for example, some trades are exempted from state apprentice requirements on public works projects).

² Two requirements are specified in the Local Hire ordinance are: 1) 30% of total work hours in each non-exempt trade that makes up more than 5% of total project hours must be completed by local workers; 2) 50% of total apprentice hours in each non-exempt trade that makes up more than 5% of total project hours must be completed by local apprentices.

³ Number of deficient hours, projects, or project trades for projects with Local Hire deficiencies. See text box above for definition of deficiencies vs. non-compliance. Deficient hours, projects and project trades are calculated at the project-level first, excluding trades exempted from Local Hire requirements (i.e. specialized trades identified by OEWD and trades that make up less than five percent of total project work hours).

While these deficiencies represented a relatively small share of the total work hours completed (four percent), their prevalence could indicate systematic issues with the implementation or enforcement of the ordinance.

To comply with all reporting requirements of the Local Hire Ordinance, and to ensure that the public and policymakers have adequate performance information to evaluate compliance, OEWD should update the Annual Report on Local Hire Policy to include the following measures:

⁶ See footnote 4 above regarding the inclusion of two exempt trades in deficient hours calculations.

- Number and percent of work hours that are *not in compliance* with the Local Hire total hours requirement and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade;
- Number and percent of work hours that are *deficient* with the Local Hire total work hours requirement, and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade;
- Percent of completed projects in compliance with Local Hire with as well as without corrective action;
- Percent of ongoing projects in compliance with Local Hire with as well as without corrective action;
- Percent of local work hours and local apprentice hours by department and trade for completed projects;
- Information required by the Local Hire Ordinance on the use of Direct Entry Agreements (a type of apprentice sponsorship) as a corrective action⁷; and,
- Percent of local work hours and local apprentice hours completed by year, separating out work hours for completed projects compared to all projects.

Analysis of Compliance by Trade and Contractors

Since the Local Hire requirements apply to each trade within a project, analyzing compliance at the project level is critically important in understanding compliance across projects and contractors. OEWD also monitors and enforces Local Hire at the project level. Our analysis shows that the prevalence of deficiencies across projects is primarily due to over-compliance in larger more common trades on large projects (e.g. laborers) which offsets deficiencies in more specialized trades and on smaller projects. The extent of deficiencies is concerning from an efficiency perspective (i.e. minimizing resources and administrative burdens needed

⁷ San Francisco Administrative Code, Sec. 82.5(b)(4): OEWD's annual report to the Board of Supervisors as required by subsection [82.9\(f\)](#) shall include the number of releases from penalties granted based on this subsection [82.5\(b\)\(4\)](#), the number of Local Residents enrolled as Apprentices based on direct entry agreements, and the number of direct entry agreements in effect, and shall identify the trades in question.

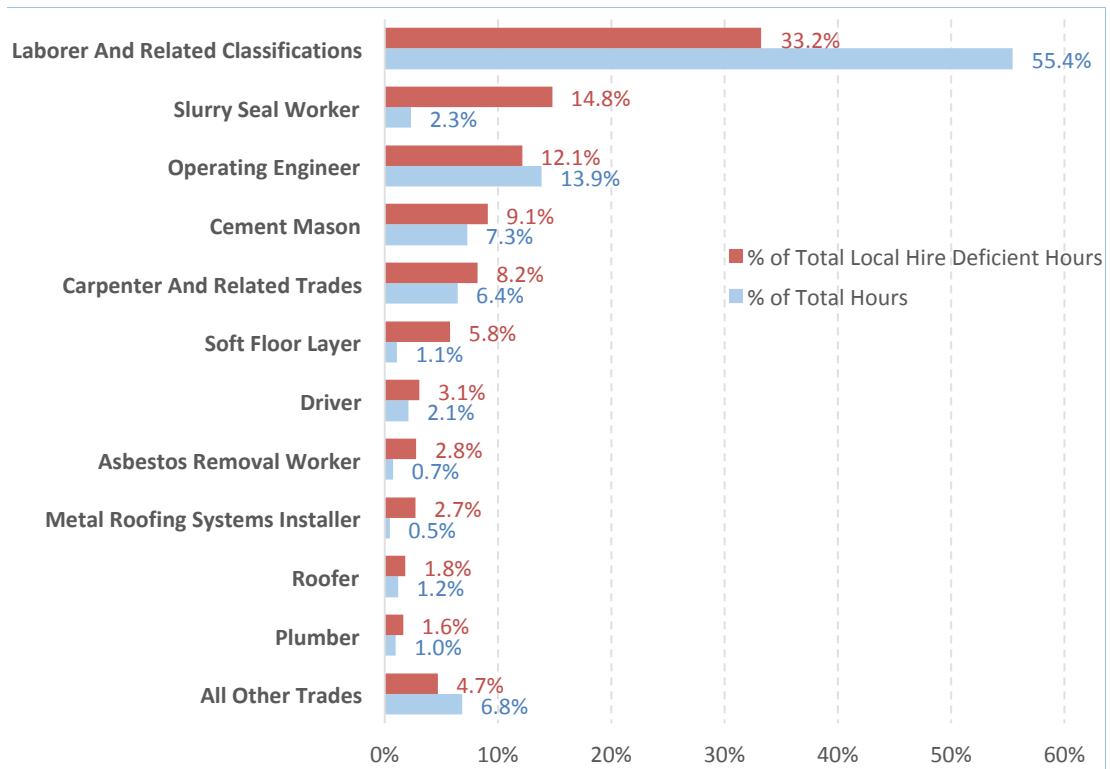
to achieve compliance) and in terms of the stated purpose of the ordinance to create employment opportunities for low-income residents.⁸ Sources of variation in compliance and deficiencies are discussed below by analyzing project-level information and aggregating this across trades and contractors.

Variation in deficiencies by trade

Five trades accounted for 77 percent of all Local Hire deficiency hours, including: (1) Laborers, (2) Slurry Seal Workers, (3) Operating Engineers, (4) Cement Masons, and (5) Carpenters. While several of these are among the most common trades in public works projects (i.e. Laborers, Operating Engineers, Cement Masons, Carpenters), there appear to be shortages of local workers in more specialized trades such as Slurry Seal Workers, Soft Floor Layers, Metal Roofing Installers, etc. The proportion of local workers in these trades was low among Local Hire-covered projects even though these trades pay similar or higher wages than the more common trades. Additionally, as shown in Exhibit 4.2 below, these trades are over-represented in terms of Local Hire non-compliance relative to their share of total project work hours.

⁸ San Francisco Administrative Code, Sec. 82.2(d)

Exhibit 4.2: Percent of Total Work Hours and Local Hire Deficient Hours by Trade for Local Hire Deficient Trades, 2014-2018*



Source: BLA analysis of electronic certified payroll data for completed Local Hire projects.
 Notes: Only includes public works projects completed by DPW, Recreation & Parks, MTA & Port.
 * See footnote 4 above, Driver and Teamster trades are exempt from Local Hire requirements.
 All other trades includes: Parking And Highway Improvement Painter, Brick Tender, Painter, Bricklayer/Blocklayer, Iron Worker, Teamster, Electrician. Hours estimated based on project-level deficiencies.
 Excludes hours for trades, which made up less than five percent of a project's total work hours.

To identify potential local shortages in particular trades, the CityBuild Director should regularly monitor Local Hire compliance data at the trade level to ensure that the CityBuild Academy curriculum aligns most effectively with Local Hire needs by trade.

Variation in deficiencies across contractors

Variation in compliance across contractors appears to be another reason for high levels of deficiencies across projects, despite a high aggregate share of local workers. While repeat contractors make up the majority of total work hours, first-time contractors were disproportionately

responsible for Local Hire deficiencies as shown in Exhibit 4.3 below. First-time contractors were responsible for about 46 percent of Local Hire deficient hours, despite only accounting for 31 percent of total hours on completed projects (i.e. they were 50 percent more likely to violate the Local Hire ordinance than repeat contractors).

Exhibit 4.3: Local Hire Deficiencies by Contractor Type (One-time or Repeat) for Public Works Completed from 2014-2018

Contractor Type	Number of Prime Contractors	Total Hours	Local Hire Deficient Hours	% of Total Hours	% of Local Hire Deficient Hours
One time/ Single Project	30	360,634	21,109	30.6%	46.2%
Repeat/ Multiple Projects	24	818,158	24,627	69.4%	53.8%
Total	54	1,178,792	45,737	-	-

Source: BLA analysis of electronic certified payroll data for completed Local Hire projects.

Note: Only includes public works projects completed by DPW, Recreation & Parks, MTA, & Port.

The disproportionate representation of contractors that are new to working with the City could be an indication of a lack of familiarity with local regulations or limited connections to local construction labor supply. The Department should review and update its engagement protocols with newer contractors to more proactively offer access to CityBuild and other sources of local construction labor (i.e. labor unions, hiring halls, etc.).

Disadvantaged workers and public reporting provisions have not been implemented consistent with legislative intent

The Local Hire Ordinance includes three provisions related to “disadvantaged workers,” i.e. workers who live in a high unemployment area, have income below 80 percent of area median income, or have faced a “barrier to employment.”⁹ Specifically, these provisions include:

- 1) Disadvantaged worker participation hours:** Sections 82.5(a)(1) and (2) specify that half of the local worker hours and local

⁹ SF Administrative Code section 82.3

apprentice hours should be completed by local “disadvantaged workers.” However, there is no specific penalty for contractors who do not meet the “disadvantaged worker” requirement;¹⁰

- 2) **Annual reporting on the number of hours performed by disadvantaged workers** (Section 82.9(f)); and,
- 3) **Off-site Credit Hours must be completed by “disadvantaged workers”** to offset Local Hire deficiencies (Section 82.5(b)(2)).

The Department provided documentation from public meetings held by an advisory and implementation committee in 2011 showing that the committee agreed to modify public works bid specifications to clarify that contractors were not required to verify whether their workers met the ordinance’s “disadvantaged” definition. We found that current public works bid documentation for Department of Public Works contracts included provisions exempting contractors from verifying “disadvantaged” status of employed workers and allowing them to use hours worked by local residents for off-site credit hours.¹¹ The latter provision is at odds with the San Francisco Administrative Code section on off-site credit hours.

OEWD’s internal policy¹² indicates there are no penalties for violation of the Disadvantaged Worker requirement and specifies OEWD's role is to verify disadvantaged worker status and calculate the disadvantaged worker participation rate for covered projects. We did not find any evidence of either of these responsibilities being carried out (other than for CityBuild participants).

We recommend that the Director, in consultation with the City Attorney, review the feasibility of implementing the “disadvantaged worker” requirements in the Local Hire Policy and submit recommendations to the

¹⁰ Sec. 82.8(f)(2) on enforcement only specifies the penalty assessment amount for non-compliance with the work hours performed by "Local Residents." However, section 82.8(f)(7) specifies that any violation of the policy would "constitute violations of contract terms, for which the full range of remedies under the contract may be invoked, including but not limited to withholding of progress payments."

¹¹ Department of Public Works Manual Section 00 73 30, sections 1.3.E, 1.4.B.2, and 1.5.A.2. Accessed through the Department of Public Works Electronic Bid Documents portal (<https://stgint.sfdpw.org/biddocs/pages/default.aspx>).

¹² OEWD Policy # 100.2 (dated 3/25/11)

Board of Supervisors on either implementing these requirements or amending the ordinance language.

Many of the Department’s Local Hire policies and procedures have not been finalized or updated since 2011

Just over a third of the Department’s internal policies and procedures on implementing the Local Hire ordinance (six of 17) were still in draft form at the time of our review. While some these policies appeared to be finalized, it was unclear why they were still marked as draft given the Department has been responsible for enforcement since its implementation in 2011. Only two of the policies appeared to have been updated since the original implementation of the ordinance, despite several amendments to update the Local Hire contract thresholds and projects covered.

Current and detailed policies and procedures are an effective tool for ensuring the achievement of Department and City objectives, including enforcement of the Local Hire ordinance. The Department should update and finalize these policies to ensure comprehensive and consistent enforcement of compliance.

Conclusion

While compliance with Local Hire provisions for public works projects is high when analyzed across all projects, our analysis at the project- and contractor-level reveals deficiencies across specific trades and types of contractors. The Department should expand its annual monitoring and reporting to identify deficiencies and ensure implementation of all aspects of the Local Hire Ordinance. The Department should finalize and update all of its internal policies to ensure consistent implementation, including a review of the feasibility of implementing the “disadvantaged worker” requirements.

Recommendations

The CityBuild Director should:

Recommendation 4.1: Update the Annual Report on Local Hire Policy implementation to include the:

- Number and percent of work hours that are *not in compliance* with the Local Hire total hours requirement and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade;
- Number and percent of work hours that are *deficient* with the Local Hire total work hours requirement, and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade;
- Percent of completed projects in compliance with Local Hire with as well as without corrective action;
- Percent of ongoing projects in compliance with Local Hire with as well as without corrective action;
- Percent of local work hours and local apprentice hours by department and trade for completed projects;
- Information required by the Local Hire Ordinance on the use of Direct Entry Agreements (a type of apprentice sponsorship) as a corrective action¹³; and,
- Percent of local work hours and local apprentice hours completed by year, separating out work hours for completed projects compared to all projects.

Recommendation 4.2: Regularly monitor Local Hire compliance data at the trade level to identify any shortages by trade and to ensure that the CityBuild Academy curriculum aligns most effectively with Local Hire needs by trade.

Recommendation 4.3: Review and update its engagement protocols with newer contractors to more proactively offer access to CityBuild and other sources of local construction labor (i.e. labor unions, hiring halls, etc.).

Recommendation 4.4: Review, in consultation with the City Attorney, the feasibility of implementing the “disadvantaged worker” requirements in the Local Hire Policy and submit

¹³ San Francisco Administrative Code, Sec. 82.5(b)(4): OEWD’s annual report to the Board of Supervisors as required by subsection 82.9(f) shall include the number of releases from penalties granted based on this subsection 82.5(b)(4), the number of Local Residents enrolled as Apprentices based on direct entry agreements, and the number of direct entry agreements in effect, and shall identify the trades in question.

recommendations to the Board of Supervisors on either (a) strategies for implementing these requirements or (b) amending the ordinance language.

Recommendation 4.5: Review and update all internal policies and procedures to ensure these are in line with the current ordinance and practices.

Benefits and Costs

Given the City's FY 2019-20 and 2020-21 Capital Budget of \$452 million, the Local Hire Policy is a significant tool for ensuring public works benefits flow to local residents in the form of construction employment opportunities. Comprehensive and accurate reporting is essential to ensure the Board of Supervisors can hold City Departments and public works contractors accountable for complying with the Local Hire Policy. Improving reporting and implementation of all Local Hire provisions will likely result in greater access to unionized construction jobs for residents.

Implementing the recommendations proposed may require some additional staff time but can likely be completed with the existing resources of the Department. Recommendations 4.1 and 4.2 may require the Department to work with OLSE to develop new reports to be produced from the certified payroll system.

5. Local Hire Compliance Data Systems and Corrective Action Monitoring

The City's new certified payroll system for public works projects (implemented in 2018) lacks connectivity and essential functionality for efficient and effective Local Hire record keeping and reporting. The use of fragmented and highly manual systems increases the likelihood of errors, reduces transparency, and is an inefficient use of staff resources.

Although the Local Hire Ordinance provides for corrective actions for when a contractor is unable to meet the ordinance's requirements, we found that OEWD lacks strong internal controls to ensure that corrective action plans are consistently applied, documented, and enforced. Our sampling of completed projects found that at least two projects with corrective action plans did not follow prevailing wage requirements. In addition, Local Hire deficiencies resulted in up to an estimated \$1.7 million in foregone local wages and an unknown amount in additional foregone wages on projects that received "off-site credits," but did not pay prevailing wages. In addition, OEWD does not appear to have entered into direct entry agreements with apprenticeship programs and labor unions as required by the Local Hire ordinance or its own policies.

Local Hire data systems lack connectivity and essential functionality for efficient and effective record-keeping and reporting

Compliance with Local Hire requirements is mainly tracked through contractor payroll data entered into the City's certified payroll reporting system (operated by an outside vendor, LCP Tracker). The contract for this system is managed by the Office of Labor Standards Enforcement (OLSE) on behalf of departments who oversee public works contracts subject to state and local contracting requirements.¹ The City transitioned to a new certified payroll system in 2018 after the previous vendor's contract reached the maximum number of extensions without a competitive procurement (10 years).

The new certified payroll system no longer allows contractors to submit and store Local Hire compliance documents through the certified payroll system, requiring the maintenance of separate systems and manual effort

¹ California Labor Code, Part 7 and SF Administrative Code, Ch. 6

to monitor compliance. Local Hire compliance reports were also unavailable for eight months following the launch of the new system. The contract with the new vendor specified that a key module for tracking compliance (“Workforce Management – Tradesforce”) was due to be launched by January 2019. As of May 2020, only part of this module, allowing the Office of Economic and Workforce Development (OEWD or Department) to enter information about CityBuild graduates, had been fully deployed according to OEWD staff. The Department does not have a timeline for the deployment of outstanding functionality from the previous system.

While OEWD was involved in the re-bidding and contracting process, a lack of technical expertise, issues with the existing vendor and lack of a dedicated OEWD liaison or project manager appear to have hindered full specification of the Department’s needs and implementation of requested Local Hire related functionalities. The use of fragmented and highly manual systems increases the likelihood of errors, reduces transparency, and is an inefficient use of staff resources.

The Department should work with the Director of the Office of Labor Standards & Enforcement (OLSE) to establish a clear timeline to finalize deployment of the outstanding “Tradesforce” module and determine what additional changes to the electronic certified payroll system would enable more comprehensive analysis and reporting on compliance and the use of policy “off-ramps” (including the Local Hire Policy required reporting on Direct Entry Agreements to correct compliance deficiencies).

No systemic tracking, monitoring, or reporting of corrective actions and other mitigations offered to contractors to cure Local Hire deficiencies

Contractors unable to meet the Local Hire requirements can avoid the assessment of penalties (equal to foregone wages of local workers) by either: (1) using hours completed by a local resident on another non-covered project to offset the deficiency (“offsite credit hours”); (2) sponsoring an apprentice on the current construction project; or, (3) hiring an apprentice that is subject to a Direct Entry Agreement between OEWD and the relevant apprenticeship committee.

However, the City's data systems (both previous and current) have not allowed for tracking and reporting on the use of corrective actions to address non-compliance with the Local Hire policy. This includes both the extent of use of these corrective actions or off ramps, the consistency of application, or the type of corrective action being used (e.g. "off-site credit hours"). Our analysis of a sample of projects found inconsistencies in the documentation of corrective actions and instances of corrective actions being granted in violation of relevant Local Hire ordinance provisions. These inconsistencies are likely due to a lack of an effective internal control in the review and approval of corrective actions.

As shown in Exhibit 5.1 below, our analysis of a judgmental sample of 27 completed Local Hire covered projects shows a significant reliance on off-site credits to correct Local Hire deficiencies. We identified 11 of 27 projects (41 percent) with deficiencies that were cured through corrective action plans. For these deficient projects, 61 percent of the deficient hours were cured through offsite credit hours² and 30 percent were cured through apprentice sponsorships/direct entry agreements. We were unable to confirm compliance for three projects (11 percent) due to a lack of documentation. While permitted by the ordinance, the over reliance on off-site credit hours could undermine the ordinance's stated purpose of creating employment opportunities for low-income residents from public works projects covered by the ordinance.³ This concern is heightened by the missing documentation regarding prevailing wage compliance documented above.

² The Local Hire Policy authorizes contractors who are below the required local hire work hours requirement to use work hours completed by local residents on non-Local Hire covered projects to reach the required threshold (i.e. "off site credit hours"). However, the ordinance specifies that local workers be paid prevailing wages in order to be used.

³ San Francisco Administrative Code, Sec. 82.2(d) states: "The Board of Supervisors desires to ensure that employment and training opportunities created by such projects provide consistent and high-quality opportunities to the San Francisco labor pool, especially low-income residents of San Francisco and other disadvantaged residents."

Exhibit 5.1: Number of Sample Projects by Compliance Status, 2014-2018

Compliance Status	Number of Projects	Percent of Projects	Project Value	Total Hours (at Project Close)	Percent of Total Hours
Full Compliance ¹	13	48%	\$ 181,481,277	510,935	61%
Compliance after Mitigation ²	11	41%	119,089,800	326,348	39%
Unable to Determine	3	11%	9,600,000	N/A	N/A
Grand Total	27	100%	\$ 310,171,077	837,283	100%

Source: BLA Analysis of Department-provided Local Hire documentation for sample of projects.

Notes:

¹ No Off Ramp or Corrective Action Plan

² Compliance after deficiencies cured by Corrective Action Plan

N/A: Not Available (data not provided)

Wide discretion provided to compliance officers with little formal oversight

The lack of systemic tracking and analysis of corrective actions could lead to inconsistent application of the Local Hire policy due to the high degree of discretion provided to compliance officers. For example, the Local Hire Ordinance and OEWD’s policies do not specify the number of apprenticeship sponsorships needed to correct deficiencies in meeting the Local Hire requirements. This determination is made by compliance officers on a case-by-case basis. The Department’s policies and procedures provide some factors for compliance officers to consider when determining the adequate number of sponsorships to correct deficiencies, but do not provide specific thresholds that must be met. This discretion raises the risk of inconsistent and/or subjective enforcement of the Local Hire policy.

The Department’s internal policies on Local Hire enforcement primarily date from 2011 and 2012 and do not specifically set out any formal internal controls for the review and approval of corrective actions determined by compliance officers. Department staff indicated that the usual protocol is for the CityBuild Compliance Manager to review and approve Compliance Officer Corrective Action Plan recommendations before finalizing the plan.

As set out by the US Government Accountability Office (GAO), effectively designed and implemented internal controls are necessary to ensure “reasonable assurance of achieving effective and efficient operations, reliability of reporting for internal and external use, or compliance with

provisions of applicable laws and regulations.”⁴ The lack of definition of an internal control for reviewing and approving Corrective Action Plans represents a risk to the Department in ensuring consistent and effective enforcement of the Local Hire Policy.

Inconsistent documentation of corrective action plans

Across the 27 sampled projects, we found that Department staff inconsistently documented corrective action plans. Only 18 percent of projects with a corrective action plan (two of 11) had completed documentation of compliance with the Corrective Action Plan.

About 45 percent of sampled projects with a corrective action plan (five of 11) had only partial documentation of compliance with the corrective action plan. These projects were valued at \$87.2 million and represented over 179,304 total work hours and 5,406 deficient work hours. About 36 percent of sampled projects with a corrective action plan (four of 11) had substantially incomplete or no documentation of compliance with the Corrective Action Plan. These projects were valued at \$18.4 million and included 56,985 work hours.

Incorrectly authorized and poorly documented corrective actions

Our sampling also identified two projects out of 11 with an off-site credit corrective action, which did not meet the Local Hire ordinance requirement that prevailing wages be paid on the off-site project. As shown in Exhibit 5.2 below, these two projects made up 14 percent of Local Hire deficient hours among sampled projects with an off-site corrective action. Although the compliance documentation for these projects clearly showed prevailing wages had not been paid, as indicated by the contractor, the Department still approved corrective actions and final compliance.

We were unable to find documentation supporting the payment of prevailing wages for seven (or 64 percent) of the 11 sampled projects with an off-site corrective action plan. These seven projects made up 80 percent of the Local Hire deficient hours among sampled projects with an off-site corrective action.

⁴ US GAO (2018), Government Auditing Standards 2018 Revision (GAO-18-568G), Sec. 1.22(b).
<https://www.gao.gov/products/GAO-18-568G>

**Exhibit 5.2: Sampled Projects with Off-Site Credit Corrective Action
by Prevailing Wage Status**

Prevailing Wages Status	Number of Projects	Number of Trades within Project	Local Hire Deficient Hours	Percent of Total Local Hire Deficient Hours
No Prevailing Wages Paid	2	3	872	14%
Prevailing Wages Paid	2	2	415	6%
Not Documented/ Unable to Determine	7	16	5,095	80%
Total	11	21	6,382	100%

Source: BLA Analysis of Department-provided Local Hire documentation for sample of projects.

Notes: Only includes projects in the sample, which had an off-site credit corrective action. Seven projects did not have sufficient information or documentation to determine whether prevailing wages were paid.

Cost and impact of non-compliance

Using data from a national occupational employment survey and certified payroll data, we estimate the foregone local wages for the deficient hours identified to be between \$1.5 and \$2.1 million, with a central estimate of \$1.7 million as detailed in Exhibit 5.3 below.⁵ In terms of hours, this is equivalent to around 22 full-time construction positions or up to 152 apprentice sponsorships.⁶ The cost of the foregone wages for these projects is small compared to the total public works project spending, but represents significant losses to the local residents missing out on these hours, which are compensated at prevailing wages and with significant benefits (including pension, health, and annual leave). These estimates do not account for local wages resulting from corrective actions or conditional waivers granted to cure these deficiencies, which would reduce the amount of foregone wages. This estimate also does not include any additional foregone wages from the non-payment of prevailing wages on projects used for “off site credit.” These additional wages and foregone

⁵ The low-end estimate of \$1.5 million is based on using the hourly median wage for Construction and Extraction occupations in the San Francisco-Oakland-Hayward Metropolitan Statistical Area from the Bureau of Labor Statistics, May 2019 Occupational Employment Survey. The high-end estimate of \$2.1 million is based on the average hourly gross wage from certified payroll records for completed public works projects. The central estimate of \$1.7 million uses the average hourly gross wage from the certified payroll system by trade.

⁶ Based on OEWD’s guide of 300 deficient hours per apprentice sponsorship for curing Local Hire deficiencies.

wages could be significant, but we are unable to provide estimates based on the current information collected by OEWD.

Exhibit 5.3: Estimates of Foregone Wages from Local Hire Deficiencies by Trade, 2014 – 2018 ⁷

Trades with Local Hire Deficiencies	Local Hire Deficient Hours	Local Hire Deficient Hours as % of Total Hours	Average Gross Wage	Foregone Wages from Local Hire Deficiency
Laborer And Related Classifications	15,206	2.3%	\$32.17	\$489,139
Slurry Seal Worker	6,763	24.7%	\$26.62	\$180,022
Operating Engineer	5,553	3.4%	\$43.88	\$243,684
Cement Mason	4,169	4.9%	\$33.72	\$140,582
Carpenter And Related Trades	3,753	4.9%	\$45.96	\$172,490
Soft Floor Layer	2,645	20.5%	\$48.70	\$128,775
Driver	1,404	5.7%	\$68.04	\$95,515
Asbestos Removal Worker	1,278	14.6%	\$26.45	\$33,811
Metal Roofing Systems Installer	1,240	23.3%	\$36.53	\$45,292
Roofer	837	6.0%	\$31.99	\$26,782
All Other Trades*	2,889	6.32%	\$54.06	\$165,098
Total	45,737	3.9%	\$46.05	\$1,721,190

Source: BLA analysis of electronic certified payroll data for completed Local Hire projects.

Notes: Only includes public works projects completed by DPW, Recreation & Parks, MTA & Port between 2014 and 2018.

*All other trades includes: Plumber, Electrician, Teamster, Iron Worker, Bricklayer/Blocklayer, Painter, Brick Tender, Parking And Highway Improvement Painter

The Department should review existing protocols and institute formalized internal controls for approval of policy off-ramps to correct Local Hire deficiencies, including an update of relevant policies and procedures to improve the consistency of application and monitoring of off-ramps and Corrective Action Plans.

⁷ OEWD informed us that two trades included in the analysis were actually exempt from Local Hire requirements during the draft report review, despite not being on the Department's published Local Hire exemption list. After review, we determined that excluding these trades from the analysis only had minor effect on Local Hire deficient hours estimates (1,951 hours, 0.2 percentage points) and deficient projects estimates. We have left these trades in given the limited time to complete additional analysis and quality review. Driver and Teamster trades should not be included in calculations of foregone wages.

Apprenticeship Direct Entry Agreements do not meet ordinance requirements and provide significant discretion to deny CityBuild referrals

OEWD does not appear to have entered into direct entry agreements with apprenticeship programs and labor unions as required by the Local Hire ordinance or its own policies.⁸

In particular, the ordinance specifies that direct entry agreements must meet the following requirements: (1) be enforceable contracts; (2) the apprenticeship program must enroll a class every year; (3) all admission standards must be specified; (4) must include a specific number of targeted workers who will be admitted into the apprenticeship; and, (5) be filed with, and approved by, the State Division of Apprenticeship Standards.⁹

As shown in Exhibit 5.4 below, the direct entry agreements in place are relatively informal and provide labor unions and apprenticeship programs significant discretion to accept or reject CityBuild graduates. None of the seven “agreements” reviewed met all of the ordinance requirements. While these agreements appear to have been working adequately in a time of construction sector expansion, it is unclear what levers the Department would have if demand for construction workers begins to fall. This would put pressure on apprenticeship programs and their associated unions to scale back admission into these programs to protect current union member employment. None of the agreements provided included a minimum number of CityBuild referrals to be admitted and several explicitly indicated the apprenticeship program manager would determine the number of admissions.

⁸ See SF Administrative Code Sec. 82.5(b)(4) and OEWD Policy & Procedure # 200.3: Direct Entry Agreements

⁹ SF Administrative Code Sec. 82.5(b)(4)

Exhibit 5.4: BLA Review of OEWD Direct Entry Agreements

Labor Union	Union Apprenticeship Organization	Date of Agreement	Agreement Type	Number of Apprentices Committed	Local Hire Policy Requirements (Ch. 82)				
					Enf. Contract	Annual Class	Admission Stds.	Min. # to be admitted	DAR approved
Carpenters Union	Carpenters Training Committee for Northern California	7/1/2009	MOU	Determined by Union	Y	N	*	N	N
Laborers	Northern California Laborers Joint Apprenticeship Training Committee	11/3/2010	Letter	Determined by Union	N	N	Y	N	N
Plasterers' and Cement Masons' (Local Union 300)	Bay Area Northern California Joint Apprenticeship Training Committee	2/1/2013	Letter	Determined by Union	N	*	N	N	N
Operating Engineers (Local 3)	Joint Apprenticeship Committee for Northern California	10/26/2012	Letter	Determined by Union	N	*	Y	N	N
Sheet Metal Workers' (Local 104)	Bay Area Industry Training Fund	1/7/2013	Letter	Not specified	N	N	N	N	N
Plasterers' and Cement Masons' (Local Union 300)	Bay Area Plastering Industry Joint Apprenticeship Committee	9/26/2017	Letter/ MOU	Not specified	*	*	Y	N	N
IBEW (Local 6) [Electrical Workers]	IBEW Local 6 SF Joint Apprenticeship Training Committee	*	Apprenticeship Program Standards?	Determined by Union, every even year	*	N	Y	N	*

Source: BLA Review of direct entry agreements/ documentation provided by OEWD.

* Unable to determine from agreements/ documents provided.

To ensure compliance with the Local Hire Policy, the CityBuild Director should engage with the relevant apprentice committees to review existing direct entry agreements and establish formal agreements.

Conclusion

The City's new payroll system (implemented in 2018) lacks connectivity and essential functionality for efficient and effective record keeping and reporting. The use of fragmented and highly manual systems increases the likelihood of errors, reduces transparency, and is an inefficient use of staff resources.

Although the Local Hire Ordinance provides for corrective actions for when a contractor is unable to meet the ordinance's requirements, we found that OEWD lacks strong internal controls to ensure that corrective action plans are consistently applied, documented, and enforced. Our sampling of completed projects found that at least two projects with corrective action plans did not follow prevailing wage requirements. There was up to an estimated \$1.7 million in foregone local wages from Local Hire non-compliance. This estimate does not include any foregone wages from the non-payment of prevailing wages on projects used for "off site credit." These additional costs could be significant, but we are unable to provide estimates without further information from OEWD and OLSE.

In addition, OEWD does not appear to have entered into direct entry agreements with apprenticeship programs and labor unions as required by the Local Hire ordinance or its own policies.

Recommendations

The CityBuild Director should:

Recommendation 5.1: Work with the Director of the Office of Labor Standards & Enforcement (OLSE) to establish a clear timeline to finalize deployment of the outstanding "Tradesforce" module and determine what additional changes to the electronic certified payroll system would enable more comprehensive analysis and reporting on compliance and the use of policy off-ramps (including the Local Hire Policy required reporting on Direct Entry Agreements to correct compliance deficiencies).

Recommendation 5.2: Review and formalize the internal controls in place for approval of policy off-ramps to correct Local Hire deficiencies and update relevant policies and procedures to improve the consistency of application and monitoring of off-ramps and Corrective Action Plans.

Recommendation 5.3: Engage with the relevant apprentice committees to review existing direct entry agreements and establish formal agreements that are in compliance with the Local Hire Ordinance.

Benefits and Costs

Implementing the recommendations above will result in improvements in compliance internal controls, formalized pathways for providing apprenticeship opportunities, and compliance

monitoring. These changes are needed to ensure consistent implementation of the Local Hire Policy and effective monitoring of compliance overall as well as reducing staff time spent on manual workarounds. Ultimately, this will ensure that public works projects benefit more workers who are San Francisco residents with hundreds of thousands, if not millions, of dollars in more aggregate wages.

Recommendations 5.2 and 5.2 could likely be carried out by existing staff within the CityBuild division without additional resources. Recommendation 5.1 may require additional IT contractor funding depending on whether the remaining system and functionality changes are covered by existing contract and spending authority for the City's certified payroll system. These changes could be scaled or phased over time to reduce upfront costs.

Written Response from the Office of Economic and Workforce Development



SAN FRANCISCO

OFFICE OF ECONOMIC &
WORKFORCE DEVELOPMENT

City and County of San Francisco /
Mayor London N. Breed
Economic and Workforce Development /
Joaquín Torres, Director

July 30, 2020

Dan Goncher
San Francisco Board of Supervisors
Budget and Legislative Analyst's Office

RE: Performance Audit of Workforce Development and Pre-Apprenticeship Programs

Dear Mr. Goncher:

Thank you for your Office's work on the Performance Audit of Workforce Development and Pre-Apprenticeship Programs. The Office of Economic and Workforce Development (OEWD) is grateful for the opportunity to review your report.

The Performance Audit aligns with many of the improvement measures already underway at OEWD that will inform our next workforce development services' Request for Proposals and respond to the unprecedented increase in unemployment resulting from COVID-19.

Taken together with forthcoming proposals from the City's Economic Recovery Task Force, your Office's recommendations provide valuable guidance for us and our partner City agencies to continue improving our tracking and reporting of workforce development program outcomes. We accept each of the Performance Management recommendations proposed in the Performance Audit as keys for enhancing our program evaluation and success. In fact, OEWD has been in the process of developing and implementing new and improved performance measures with the Performance Unit of the Controller's Office throughout FY19-20, and our Workforce Development Division is next to begin this work with the Controller. As we seek to meet the unprecedented workforce demands created by COVID-19, and to do so with limited resources, these performance measurements will be more important than ever to our ongoing success.

OEWD's workforce programs are community-driven partnerships with non-profit job centers, training providers, Unions, educational institutions and employers. As cited in the Performance Audit, nearly two-thirds of individuals who signed up for one of our job preparation, barrier removal, or training programs last year achieved job placement. That placement rate increases to an average of 76% for last year's 817 graduates of our vocational training partnerships including CityBuild, TechSF, Healthcare Academy, and the Hospitality Initiative.

The Audit's comprehensive review of CityBuild and TechSF will help us improve our program monitoring practices and refine the delivery of our services. We plan to increase our CityBuild reporting beyond Academy placements to ensure that all placements are properly assessed and reported, including those from: our innovative CityBuild Special Trainings; Interrupt, Predict, and Organize (IPO) Trainings for justice-involved participants; and the CityBuild partnership with the San Francisco Labor Council to train especially vulnerable workers.

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We understand that the Budget and Legislative Analyst's Office is unable to include these additional placements in the audit because these outcomes have not yet been presented to our Workforce Investment San Francisco Board. However, we would like to note that these placements show that CityBuild enrollments and placements actually increased over the past three years from 136 in FY 2016-17 to 227 in FY 2018-19. Going forward, this data will be presented to the WISF to ensure comprehensive reporting in future audits.

As noted by the Performance Audit, TechSF seeks to place San Francisco's most underrepresented and disadvantaged community members into employment in what is perhaps the City's most competitive and lucrative industry. As we discussed with your Office, a placement rate above 50% for participants who take that critical first step to sign up for a non-traditional pathway to the tech sector is substantial for an industry in which the average worker received an average salary of \$155,000 last year. TechSF participants are better positioned for success in the tech industry, whether they immediately secure employment following graduation or instead continue their education and job preparation after the program. Your Office's recommendations will help us make improvements to the TechSF program design and have highlighted the need to develop additional program measurements to better tell the story of TechSF success beyond immediate placements.

Finally, thank you for highlighting the City's landmark Local Hire Ordinance and its role in putting San Franciscans to work. Prior to the policy's adoption in 2010, local hiring on City-funded public construction averaged from 20% to 24%, whereas the BLA's review of sample projects found an average of 41% since its inception. These outcomes are the result of a collaborative community-labor partnership with the San Francisco Building and Construction Trades Council and its affiliates, one we will seek to continue as we implement the essential reporting and oversight improvement measures identified in the Performance Audit.

Please find OEWD's responses to all of the individual Performance Audit recommendations below and enclosed. I look forward to implementing the recommendations within OEWD and to working with our partner agencies to incorporate the recommendations related to inter-departmental Workforce Development coordination.

Sincerely,



Joaquín Torres
Director



**OEWD Responses to Recommendations of Performance Audit of
Workforce Development and Pre-Apprenticeship Programs**

Recommendation #	Recommendation	Agree/ Disagree	Comments
1.1	The Board of Supervisors should: Adopt legislation reauthorizing the Citywide Committee on Workforce Alignment (CCWA), under the leadership of OEWD. This reauthorization should include the expansion of the CCWA to include the Department of Public Health and the Department of Homelessness and Supportive Housing. This reauthorization should be adopted without a sunset date.	Agree	OEWD accepts this recommendation and has been in conversation with the Mayor's Office and Supervisor Walton about reauthorizing the CCWA following the board hearing held on October 28, 2019 that confirmed the expiration of this committee.
1.2	The Director of the Office of Economic and Workforce Development should: Work with the CCWA Data Working Group to expand the Annual Workforce Inventory to include program-level information and actual expenditures, as well as un-duplicated client counts, where possible.	Agree	OEWD accepts this recommendation and asks for the Board's support in making resources available to OEWD and other City Departments in order to implement.
1.3	The Director of the Office of Economic and Workforce Development should: Present the estimated costs and a proposed implementation plan to enhance the Annual Workforce Inventory to the Board of Supervisors no later than January 31, 2021.	Agree	OEWD accepts this recommendation.
1.4	The Director of the Office of Economic and Workforce Development should: Work with the CCWA Data Working Group to continue to identify opportunities to provide training and technical assistance to department staff completing the inventory template to ensure quality data collection.	Agree	OEWD accepts this recommendation.
2.1	The Director of Workforce Development should: Direct the Data & Performance Manager to coordinate with the California Employment Development Department to ensure OEWD has the legal, technical,	Agree	OEWD accepts this recommendation and has already begun this coordination following the passage of AB 593.

	and analytical capacity to receive, analyze and report new post-program employment data available under AB 593.		
2.2	<p>The Director of Workforce Development should:</p> <p>Work with the Controller’s Office to review existing performance measures and develop a comprehensive set of performance measures aligned to existing priorities and goals. These performance measures should be regularly published on OEWD’s website (at least annually) and be reported to the local Workforce Development Board. At a minimum, these measures should include:</p> <ul style="list-style-type: none"> · Interim performance measures (i.e. job readiness completion, skill attainment, program completion); · Short- and long-term outcome measures (i.e. placement & retention in employment, placement in program-targeted occupations, wages before and after program participation, and employment benefits); · Measurement of achievement of departmental strategic priorities and goals; · Efficiency indicators and comparisons over time; and, · Analysis or other narrative explaining any changes in performance on key measures. 	Agree	OEWD accepts this recommendation and is already under contract with the Performance Unit of the Controller's Office to work with us to develop and implement these measures.
2.3	<p>The Director of Workforce Development should:</p> <p>Direct the Data & Performance Manager to develop a Workforce Division data integration and management plan. In order to inform this plan, the Data & Performance Manager should identify</p>	Agree	OEWD accepts this recommendation and has made significant progress over the last two years to standardize data, integrate data systems and develop a timeline for full integration and public and transparent data sharing.

	options for integrating and/or consolidating the Department’s various data systems (i.e. from full integration to more flexible data sharing/exchanges), which balance upfront costs with potential resource savings/benefits from reduced use of manual workarounds and matching work.		
3.1	<p>The Workforce Development Director should:</p> <p>Review CityBuild Academy provider performance and structure by soliciting feedback from program participants who did and didn’t complete the program to improve retention and completion of the full two-part program. The review should also include feedback from key stakeholders including industry and labor groups. This review should also consider options for meeting changing labor market conditions following the economic impacts of the COVID-19 pandemic (i.e. adding additional safety certifications, working with employers and unions to identify labor shortages, etc.). The results of this review should be reported to the local Workforce Development Board by January 31, 2021.</p>	Agree	<p>OEWD agrees with the recommendation to continue to seek feedback to improve our training. We already have exit evaluations for program graduates and retention surveys from past graduates. In November 2019, we hosted a “CityBuild Partnership Forum” with key stakeholders including labor groups, construction employers, community college, and nonprofit service providers. We will coordinate with the Workforce Development Board on a schedule to develop the report and make the presentation.</p>
3.2	<p>The Workforce Development Director should:</p> <p>Review the TechSF sector strategy (i.e. approach, curriculum targeted occupations, and performance measures) to ensure these are evidence-based and align with local Technology Sector labor market demands. The Department should engage employer and partner</p>	Agree	<p>OEWD agrees with the importance of reviewing the TechSF Strategy through enhanced industry partner engagement to evaluate existing and potential trainings offering and to discuss strategies to enhance participant success. TechSF has prioritized and plans to further implement the following:</p>

	<p>stakeholders as well as program participants to identify opportunities to improve placement rates for programs specifically aimed at placing participants in employment. The Department should also develop performance measures that monitor progress against all program goals (i.e. including interim indicators to measure progress for programs with longer-term employment objectives or that involve wider industry change). The results of this review should be reported to the local Workforce Development Board by January 31, 2021.</p>		<ul style="list-style-type: none"> ▪ Revamping of the ICT Subcommittee to ensure members commitment and involvement to providing the following: Succinct labor market data pertinent to their company; and commitments in terms of supporting workforce opportunities and/or supports (i.e. such as job offers, apprenticeships, internships, work-based learning activities, job shadows, networking events, and other exposure opportunities) ▪ TechSF will continue to prioritize industry engagement to assess workforce trends, labor market data and validity of existing trainings to further inform programming.
4.1	<p>The CityBuild Director should: Update the Annual Report on Local Hire Policy implementation to include the: * Number and percent of work hours that are not in compliance with the Local Hire total hours requirement and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade; * Number and percent of work hours that are deficient with the Local Hire total work hours requirement, and, separately, deficient with Local Hire apprentice work hours requirement, overall and by trade; * Percent of completed projects in compliance with Local Hire with as well as without corrective action; * Percent of ongoing projects in</p>	Agree in Part	<p>Although OEWD agrees and acknowledges the importance of updating the Annual Report on Local Hire Policy, we are concerned that the level of recommended reporting will require additional OEWD capacity because (a) the complexity of reporting will require significant change and investment in the current reporting system in order to meet the capacity demand, (b) only one of the bulleted items is required under the current ordinance and we will need legislative amendments for the Annual Report, and (c) the administrative burden on the team members to track the recommended reporting will take staff away from their day to day compliance</p>

	<p>compliance with Local Hire with as well as without corrective action;</p> <p>* Percent of local work hours and local apprentice hours by department and trade for completed projects;</p> <p>* Information required by the Local Hire Ordinance on the use of Direct Entry Agreements (a type of apprentice sponsorship) as a corrective action; and,</p> <p>* Percent of local work hours and local apprentice hours completed by year, separating out work hours for completed projects compared to all projects.</p>		<p>duties that focus on employing local residents.</p> <p>We believe the following reporting recommendations on future Annual Reports can be provided in the current system:</p> <ul style="list-style-type: none"> • Percent of completed projects in compliance with Local Hire with as well as without corrective action; • Percent of ongoing projects in compliance with Local Hire with as well as without corrective action; • Percent of local work hours and local apprentice hours by department and trade for completed projects; and, • Information required by the Local Hire Ordinance on the use of Direct Entry Agreements (a type of apprentice sponsorship) as a corrective action.
4.2	<p>The CityBuild Director should: Regularly monitor Local Hire compliance data at the trade level to identify any shortages by trade and to ensure that the CityBuild Academy curriculum aligns most effectively with Local Hire needs by trade.</p>	Agree	<p>OEWD agrees and has included this process in our CityBuild Academy planning, training, and job placements.</p>
4.3	<p>The CityBuild Director should: Review and update its engagement protocols with newer contractors to more proactively offer access to CityBuild and other sources of local construction labor (i.e. labor unions, hiring halls, etc.).</p>	Agree	<p>OEWD agrees. This is our daily task to engage contractors and labor partners with participating in the CityBuild program for training and hiring of our graduates.</p>
4.4	<p>The CityBuild Director should: Review, in consultation with the City Attorney, the feasibility of implementing the “disadvantaged worker” requirements in the Local Hire Policy</p>	Agree	<p>We agree and had previous conversations with the City Attorney to address the “disadvantaged worker” requirement in the Policy. We will continue to engage with the City</p>

	and submit recommendations to the Board of Supervisors on either (a) strategies for implementing these requirements or (b) amending the ordinance language.		<p>Attorney for additional recommendations for the feasibility of the implementation and provide a timeline to submit recommendations to the Board of Supervisors for either (a) strategies for implementing these requirements or (b) amending the ordinance language.</p> <p>In additional, the Audit notes that 2011 rulemaking led to current method of “disadvantaged worker” compliance, in larger part based on discussions with our partners at the San Francisco Building and Construction Trades Council. We will want to once again work with the Building Trades to implement this recommendation.</p>
4.5	The CityBuild Director should: Review and update all internal policies and procedures to ensure these are in line with the current ordinance and practices.	Agree	OEWD agrees and is currently working on updating all internal policies and procedures to ensure these are in line with the current ordinance and practices. We will complete the updates where applicable before the end of calendar year 2020.
5.1	The CityBuild Director should: Work with the Director of the Office of Labor Standards & Enforcement (OLSE) to establish a clear timeline to finalize deployment of the outstanding “Tradesforce” module and determine what additional changes to the electronic certified payroll system would enable more comprehensive analysis and reporting on compliance and the use of policy off-ramps (including the Local Hire Policy required reporting on Direct Entry Agreements to correct compliance deficiencies).	Agree	OEWD agrees and this has been completed and is currently active from July 1, 2020. The new module that replaces “Tradesforce” is called “Workforce Manager.” CityBuild and OLSE will continue to work with the Vendor to update and improve the system to enable more comprehensive analysis and reporting on compliance and the use of policy off-ramps (including the Local Hire Policy required reporting on Direct Entry Agreements to correct compliance deficiencies).

5.2	<p>The CityBuild Director should: Review and formalize the internal controls in place for approval of policy off-ramps to correct Local Hire deficiencies and update relevant policies and procedures to improve the consistency of application and monitoring of off-ramps and Corrective Action Plans.</p>	Agree	<p>We agree and is currently working on updating and improving all controls in place for approval of policy off-ramps to correct Local Hire deficiencies and update relevant policies and procedures to improve the consistency of application and monitoring of off-ramps and Corrective Action Plans. We will work with the City Attorney to ensure the controls are aligned with the legislation. We plan to complete this by the end of Fiscal Year 20-21.</p>
5.3	<p>The CityBuild Director should: Engage with the relevant apprentice committees to review existing direct entry agreements and establish formal agreements that are in compliance with the Local Hire Ordinance.</p>	Agree	<p>We agree and will continue to have ongoing discussions with the relevant apprenticeship committees to review existing direct entry agreements and establish formal agreements with additional labor partners. We want to also note that these agreements, and indeed the strength of the CityBuild program, depend on our collaborative partnership with the Building and Construction Trades Council and its affiliates, based on state and federal guidelines and internal processes among and between the different Building Trade Unions. We plan to approach implementation of this recommendation from this perspective, that of partnership.</p>

Appendix A: Summary of SFPUC Community Benefits Program Research

In January 2011, the SFPUC Commission adopted a Community Benefits Policy ((Resolution No. 11-0008), which defines community benefits as those positive effects on a community that result from the SFPUC’s operation and improvement of its water, wastewater, and power services. The policy calls for SFPUC to develop processes, a staffing plan, an implementation strategy, performance measures, communication strategies, and initiatives with the aim of eliminating disproportionate impacts of SFPUC decisions and activities in all service areas.

SFPUC provides community benefits primarily through workforce-related grants and its Social Impact Partnerships. The two grant programs include the Project Learning Grants (which provides 24 grantees \$25,000 annually for three years) and the Greenhouse Grant Program.

Social Impact Partnerships is the program through which SFPUC ensures that private firms who are awarded contracts valued at \$5 million or more provide community benefits in an effort to be a “good neighbor” to the communities impacted by the operation of the City’s water, wastewater and power services. Prospective contractors detail these proposed community benefits in their responses when bidding on contracts at SFPUC valued at \$5 million or more, and once a contract is awarded, the community benefits commitments as proposed are codified in the contract agreement with SFPUC.

Typically, within three months of the Notice to Proceed, the SFPUC staff meet with the contractor’s Community Benefits coordinator to discuss the implementation plan, timeline, reporting, and verification requirements associated with delivering these benefits.

Contractors submit biannual reports on the implementation of their commitments through the Social Impact Partnerships reporting tool, and work with the SFPUC throughout the duration of the contract on the ongoing implementation of community benefits plans.

As of October 2019, the SFPUC had community benefits commitments for 75 contracts totaling \$34.2 million on projects valued at \$2.2 billion. The average contract duration was 6.8 years, with durations ranging from one year to 15 years.

Appendix B: Extract of OEWD Workforce Development Strategic Priorities and Goals

Extract from Workforce Investment San Francisco's Local Workforce Innovation and Opportunity Act Local Plan: 2017-2020, Mission, Priorities & Goals (pg. 1 – 2)

Mayor Edwin M. Lee, the Chief Local Elected Official, and WISF envision that San Francisco will have an educated and skilled workforce that attracts, retains, and expands competitive industries and enhances the standard of living for all of the City's residents, by supporting regional economic growth and economic mobility. The City & County of San Francisco will implement this vision by building upon its successful sector strategy, a strategy that aligns the city's workforce programs around the needs of local and regional industry growth sectors, and through its 11 access points strategy that creates training and employment pathways for disadvantaged San Franciscans.

Consistent with the State of California's policy objectives, the vision for San Francisco's workforce development system is anchored in three priorities:

- Fostering demand-driven skills attainment via regional sector based career pathways*
- Enabling upward mobility and economic self sufficiency*
- Aligning, coordinating, and integrating programs and services*

The Mayor and WISP defined nine goals to achieve the above vision and mission:

- **Goal One:** Improve the responsiveness of the workforce system to meet the demands of sustainable and growing industries, providing employers with skilled workers and expanding employment opportunity for San Francisco residents.*
- **Goal Two:** Re-engage youth disconnected from the education system and labor market to achieve academic credentials, transition to post-secondary education, and/or secure living wage employment.*

- **Goal Three:** Increase access to workforce services for populations underserved by the workforce system.
- **Goal Four:** Improve the quality of services available to businesses through the workforce system to promote hiring San Francisco job seekers.
- **Goal Five:** Streamline and align policy and administration across multiple funding sources.
- **Goal Six:** Strengthen policy and programmatic coordination between the workforce system and the city's educational institutions, specifically the San Francisco Unified School District and City College of San Francisco.
- **Goal Seven:** Work collaboratively across City departments to implement effective workforce strategies- such as subsidized employment and "earn while you learn" programming - tailored to the needs of targeted populations, including public housing residents, ex-offenders, transitional age youth (TAY), and English language learners.
- **Goal Eight:** Equipped with the most current labor market analysis, meet the workforce needs of growth sectors within the local and regional economy.
- **Goal Nine:** Support local government and private sector succession planning efforts through targeted skill building programs aligned with job vacancy projections.

Appendix C: OEWD Workforce Program Outcome Data

Exhibit C.1: OEWD Program Outcome Data, FY 2017-18 & FY 2018-19

Program	Enrollment		Placement		Placement Rate	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
All OEWD Programs	4,943	4,609	3,139	2,948	64%	64%
All Adult Services	2,428	2,724	1,499	1,636	62%	60%
<i>CAP</i>	274	319	188	213	69%	67%
<i>NAPs</i>	1,324	1,543	876	1,029	66%	67%
<i>SAPs</i>	830	881	435	402	52%	46%
<i>JRS</i>	799	641	544	355	68%	55%
All Young Adult Services	430	522	227	372	53%	71%
<i>Access Points</i>	242	304	120	208	50%	68%
<i>RAMP</i>	130	144	90	123	69%	85%
<i>Youth Subsidized Employment</i>	58	79	17	45	29%	57%
All Sector Programs	1,286	1,400	869	968	68%	69%
<i>CityBuild</i>	183	145	146	79	80%	54%
<i>TechSF</i>	253	308	148	156	58%	51%
<i>Hospitality</i>	494	575	349	462	71%	80%
<i>Healthcare</i>	356	375	226	275	63%	73%

Source: Annual OEWD Performance Reports to the San Francisco Workforce Investment Board (WISF)

Notes:

SAPs: Specialized Access Points

JRS: Job Readiness Services

YASE: Young Adult Subsidized Employment

NAPs: Neighborhood Access Points

CAP: Comprehensive Access Point

YA Access Points: Young Adult Access Points

RAMP: Reconnecting All Through Multiple Pathways program (youth workforce program)

Appendix D: Local Employment Statistics by Occupation

Exhibit D.1 Employment by Major Occupational Group in the San Francisco-Redwood City-San Mateo Metropolitan Statistical Area, 2017 – 2019

Major Occupational Group	Employment (as of May)			Difference (2017 - 2019)		
	2017	2018	2019	#	%	% of Net Employment Change
Management	90,630	101,690	116,890	26,260	29%	57.7%
Healthcare Support	14,880	15,040	38,930	24,050	162%	52.8%
Computer and Mathematical	93,670	96,760	108,320	14,650	16%	32.2%
Transportation and Material Moving	61,770	61,690	74,610	12,840	21%	28.2%
Educational Instruction and Library	44,140	48,700	55,000	10,860	25%	23.8%
Business and Financial Operations	108,740	112,430	116,240	7,500	7%	16.5%
Construction and Extraction	31,880	33,430	35,310	3,430	11%	7.5%
Food Preparation and Serving Related	107,660	104,560	109,180	1,520	1%	3.3%
Community and Social Service	15,170	16,340	16,510	1,340	9%	2.9%
Installation, Maintenance, and Repair	24,740	25,300	25,610	870	4%	1.9%
Arts, Design, Entertainment, Sports, and Media	29,500	29,450	30,030	530	2%	1.2%
Legal	15,750	15,960	16,040	290	2%	0.6%
Farming, Fishing, and Forestry	700	1,070	930	230	33%	0.5%
Sales and Related	98,110	96,730	97,530	-580	-1%	-1.3%
Life, Physical, and Social Science	19,210	19,510	18,600	-610	-3%	-1.3%
Building and Grounds Cleaning and Maintenance	36,630	38,050	35,380	-1,250	-3%	-2.7%
Architecture and Engineering	23,940	21,950	22,590	-1,350	-6%	-3.0%
Production	25,170	23,870	21,780	-3,390	-13%	-7.4%
Office and Administrative Support	151,820	144,580	134,410	-17,410	-11%	-38.2%
Personal Care and Service	54,850	50,500	24,990	-29,860	-54%	-65.6%
Total	1,116,390	1,121,840	1,161,940	45,550	4%	-

Source: US Occupational Employment Statistics (OES) Survey Results

Appendix E: Local Hire Compliance Analysis & Sampling Methodology

This Appendix sets out the analytical methods used to analyze project-level compliance with the Local Hire Policy ordinance and enforcement by OEWD. This includes the project-level analysis for completed projects between 2014 and 2018 and the sampling of a selection of completed projects.

Local Hire Project Compliance Analysis

In order to assess contractor compliance with the Local Hire Policy ordinance in a way that could be generalized to completed projects, we matched data on projects tracked by OEWD’s CityBuild division to electronic certified payroll data on public works projects submitted by contractors to the San Francisco Office of Labor Standards and Enforcement (OLSE). This payroll data is also used by OEWD to monitor Local Hire compliance. The payroll data was used due to its assumed high quality, as contractors are required to certify under penalty of perjury that the records are accurate, and detail. The data contains information on the number of hours works, gross pay and addresses of workers on all public works projects and other projects covered by the Local Hire and other local ordinances.

We analyzed Local Hire covered projects completed between 2014 and 2018 (advertised between 2013 and 2017) Unfortunately, due to the inclusion of non-San Francisco workers as “local workers” in SFO and PUC projects outside the City, we were unable to assess Local Hire compliance for projects completed by these departments within our audit timeframe. These two departments accounted for 54 percent of public works construction hours during this period (1.3 million hours).

For the Department of Public Works (DPW), Recreation & Parks, the Municipal Transportation Authority (MTA), and the Port, we were able to find certified payroll records for 96 percent of completed projects awarded that were monitored by OEWD (120 of 125 projects). These projects represented 1.2 million public works construction hours. To provide a more in-depth analysis of these projects, we also selected a

sample of 27 of completed projects (including projects from PUC & SFO) to review compliance and documentation maintained by OEWD.

It is worth noting that we did find errors and missing data in several of the data fields included in the certified payroll data during our analysis (in particular address). OLSE indicated many of the data quality issues were due to the transition to a new vendor to maintain the certified payroll system in 2018. We used our best judgment and consulted with OLSE to identify the best way to handle these errors and missing data. The full STATA code used to extract and clean the data received from OLSE is available from the BLA upon request.

Local Hire Sampling Methodology

In order to assess the project-level compliance and enforcement of the Local Hire Policy ordinance by the Office of Economic and Workforce Development, we selected a judgmental sample of the largest completed public works projects from 2014 to 2018. This section sets out the methodology used to select the sample and the testing carried out to assess compliance. Given we used a non-statistical sampling approach, the results cannot be generalized to the sampling frame or all Local Hire-covered projects. The non-statistical approach was used to identify higher risk projects (i.e. those with higher project values) and due to the audit timeframe and resources available.

Sampling Frame Selection

Given the mainly qualitative nature of the sampling objectives and the lack of population-level data on the metrics of interest, a judgmental sample was selected to assess compliance. The following criteria, shown in Exhibit E.1 below, were applied to select the sampling frame.

Exhibit E.1: Sampling Frame Selection Criteria

#	Criteria	# of Projects	% of Universe
0	All Local Hire Projects identified by OEWD CityBuild (advertised, active, completed, cancelled, in planning, etc.) – i.e. population universe	921	100%
1	Projects marked as “complete” as of 2/14/20	393	43%
2	Projects with a project “city” of San Francisco or “blank”/missing ¹	389	42%
3	Projects subject to the most recent Local Hire Policy local worker percentage requirements (i.e. 30% for San Francisco projects, 11% for SFO projects), effective since March 2013	231	25%

Sample Selection Methodology

In order to select the sample from the sampling frame, the following criteria were applied to identify a semi-random judgmental sample:

- 1) 10% sample of sampling frame
- 2) At least one project from each department (other than “Other” and “CTA”)
- 3) In order to capture high-risk projects (i.e. those with a high Project Value), projects in the bottom two quartiles by project value were excluded and projects in the top quartile were oversampled (see Exhibit A1.2 below for distribution of sample by percentile group and oversampling rates).
- 4) The number of projects to include in each Sampling Grouping (i.e. percentile group) was rounded up to ensure a whole number of projects were selected.
- 5) Each project in the sampling frame was assigned a random number and the projects with the highest N random numbers within each sampling group were selected (i.e. top 6 highest random numbers

¹ 53% of projects had a “blank” or missing project city.

Appendix E: Local Hire Compliance Analysis & Sampling Methodology

selected from the 50th Percentile group, 6 highest from the 75th percentile, etc.)

The sampling parameters and under/over-sampling rates are provided in Exhibit E.2 below.

Exhibit E.2: Sample Parameters & Under/ Oversampling Rate

Sample Grouping*	Min Project Value	Max Project Value	# included in Sample	% of sample	Sampling Frame Proportion	Under/ Oversampling Rate (Final)
Bottom quartile	\$0	\$1,000,000	0	0%	25%	0%
25th Percentile	\$1,000,000	\$2,033,988	0	0%	25%	0%
50th	\$2,033,988	\$3,929,750	8	30%	25%	119%
75th	\$3,929,750	\$6,887,349	8	30%	15%	198%
90th	\$6,887,349	\$9,862,144	5	19%	5%	370%
95th	\$9,862,144	\$29,856,788	4	15%	4%	370%
99th	\$29,856,788	\$111,446,805	2	7%	1%	741%
Total			27	100%	75%	133%

Source: BLA analysis of OEWD-provided Local Hire project list.

Notes:

* Percentile groups start from bottom of group to top (i.e. 25th Percentile group includes projects in the 25th to 50th percentile groups, 50th Percentile group includes 50th to 75th percentile groups).

Sample Projects Selected

The final list of projects selected for the sample are included in Exhibit E.6 at the end of this section. Summary descriptive statistics for the sample and sampling frame are included in Exhibits E.3 and E.4 below. These show the over-sampling working as expected with higher average project value in the sample than for the sampling frame. The final sample represents 12 percent of the projects in the Sampling Frame but 35 percent of the total value of projects in the Sampling Frame (\$310 million of \$881 million).

Exhibit E.3: Sampling Frame & Sample Summary Statistics

Statistic	Sample	Sampling Frame
Count of Projects	27	231
% of Projects	12%	100%
Sum of Project Value (\$)	\$ 310,171,077	\$ 880,977,996
% of Project Value (\$)	35%	100%
Avg Project Value (\$)	\$ 11,487,818	\$ 3,830,339
Min Project Value (\$)	\$ 2,041,010	\$ -
Max Project Value (\$)	\$ 111,446,805	\$ 111,446,805
Std Dev. Of Project Value	\$ 21,225,406	\$ 8,539,275

Source: BLA analysis of OEWD-provided Local Hire project list.

Exhibit E.4: Sampling Frame & Sample Statistics by Department

Department/ Statistic	Sample	Sampling Frame
DPW		
Count of Projects	10	88
% of Projects	37%	38%
Average Project Value	\$7,275,743	\$2,355,881
PUC		
Count of Projects	8	65
% of Projects	30%	28%
Average Project Value	\$8,399,394	\$4,369,637
SFO		
Count of Projects	5	40
% of Projects	19%	17%
Average Project Value	\$29,938,897	\$7,090,924
RPD		
Count of Projects	3	25
% of Projects	11%	11%
Average Project Value	\$6,161,000	\$1,910,330
Port		
Count of Projects	1	7
% of Projects	4%	3%
Average Project Value	\$2,041,010	\$2,822,640
OTHER		
Count of Projects	0	3
% of Projects	0%	1%
Average Project Value		\$12,900,000
MTA		
Count of Projects	0	2
% of Projects	0%	1%
Average Project Value		\$1,000,000
CTA		
Count of Projects	0	1
% of Projects	0%	0%
Average Project Value		\$2,150,000
Count of Projects	27	231
% of Projects	100%	100%
Average Project Value	\$11,487,818	\$3,830,339

Source: BLA analysis of OEWD-provided Local Hire project list.

Documentation Requested

For each of the projects identified in the sample, the following documentation was requested from OEWD to carry out compliance testing described in the next section:

- 1) Workforce Projection Form (Form 1)
- 2) Local Hiring Plan (Form 2)
- 3) Conditional Waiver Form (Form 4)
- 4) Local Hire Deficiency Reports generated and/or emails documenting Local Hire Deficiency Report was sent to contractor
- 5) Documentation of any off ramp agreements between OEWD and the contractor (email, written memo, etc.)
- 6) Corrective Action Plan agreed between OEWD and Contractor.
- 7) Final Report or other written documentation submitted to Awarding Department & Contractor regarding compliance with the Local Hire Policy (and email)
- 8) Documentation of any corrective action notices or penalties assessed against contractor for non-compliance with the Local Hire Policy or a Corrective Action Plan

Sample Questionnaire and Testing

The following questionnaire, shown in Exhibit E.5 below, was used by BLA analysts to test and document compliance among the sample projects.

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Exhibit E.5: Sample Questionnaire/ Testing

#	Question	Response Values	Supporting Documentation
1)	a) Is there a completed Workforce Projection Form (Form 1)?	Y/ N	Workforce Projection Form (Form 1)
	b) Date the Workforce Projection Form was submitted?	MM/DD/YY	
2)	a) <i>IF the Engineer Estimate for the Project is over \$1 million: Is there a Local Hiring Plan (Form 2)</i>	Y/ N	Local Hiring Plan (Form 2)
	b) <i>IF a Form 2 was completed: Date the Local Hiring Plan was approved by OEWD?</i>	MM/DD/YY	
3)	Was the Workforce Projection Form (and Local Hiring Plan, if required) completed before the Notice to Proceed (NTP) was issued?	Y/ N	Compare date of Workforce Projection Form (Form 1) submission to NTP date
4)	a) Did contractor’s projections indicate they expected to meet the Local Hire Policy requirements?	Y/N	Workforce Projection Form (Form 1)
	b) <i>IF contractor’s projection indicate they did not expect to meet the Local Hire Policy Requirements: List the trades where the contractor expected to be deficient, the total journey, apprentice and total hours and local journey, apprentice and total hours.</i>	<i>Fill in separate sheet</i>	
5)	a) <i>IF contractor’s projection indicate they did not expect to meet the Local Hire Policy Requirements: Was a Conditional Waiver (Form 4) or other off-ramp agreement agreed and documented?</i>	Y – Form 4 Y – Other Agreement N	Conditional Waiver (Form 4) or other documentation of off-ramp agreement b/w OEWD & contractor
	b) <i>IF a Conditional Waiver Form was submitted & approved or there is another off-ramp agreement documented: What type of off-ramp/ pipeline and retention mechanism was approved?</i>	1 – Specialized Trades only 2 – Sponsoring Apprentices only 3 – Credit for Hiring on Non-covered Projects 4 – 1 & 2 5 – 1 & 3 6 – 2 & 3 7 – 1, 2 & 3	

Appendix E: Local Hire Compliance Analysis & Sampling Methodology

	c)	<i>IF a Conditional Waiver Form was submitted & approved or there is another off-ramp agreement documented: List the details for the Sponsoring Apprentices & Credit for Hiring on Non-Covered Projects agreed.</i>	<i>Fill in separate sheet</i>	
6)	a)	Are there Local Hire Deficiency Reports included in the folder?	Y/N	Local Hire Deficiency Report
	b)	<i>IF there are Local Hire Deficiency Reports included in the folder: Do the reports appear to be have been generated for each month the project was active?</i>	Y/ N	
7)	a)	Is there documentation of an off-ramp agreement after construction started (not a Corrective Action Plan)?	Y/N	Email documentation or other written agreement/ memo
	b)	<i>IF a post-construction off-ramp agreement was documented: What type of off-ramp/ pipeline and retention mechanism was approved?</i>	1 – Specialized Trades only 2 – Sponsoring Apprentices only 3 – Credit for Hiring on Non-covered Projects 4 – 1 & 2 5 – 1 & 3 6 – 2 & 3 7 – 1, 2 & 3	Conditional Waiver (Form 4) or other documentation of off-ramp agreement b/w OEWD & contractor
	c)	<i>IF a post-construction off-ramp agreement was documented: List the details for the Sponsoring Apprentices & Credit for Hiring on Non-Covered Projects agreed.</i>	<i>Fill in separate sheet</i>	
8)	a)	Is there documentation of a Corrective Action Plan?	Y/ N	Corrective Action Plan or similar documentation
	b)	<i>IF there is a Corrective Action Plan, what date was the Corrective Action Plan was approved?</i>	MM/DD/YY	
	c)	<i>IF there is a Corrective Action Plan, what are the details of the Corrective Action Plan?</i>	<i>Fill in separate sheet</i>	
9)	a)	<i>IF an off-ramp, Conditional Waiver or Corrective Action Plan was approved: Did the Contractor fulfill the terms of the off-ramp agreement?</i>	Y – Fully complied Y – Partial Compliance N – Did not comply or substantial non-	Based on documentation and/or memo from OEWD

Appendix E: Local Hire Compliance Analysis & Sampling Methodology

		compliance	
b)	<i>IF an off-ramp, Conditional Waiver or Corrective Action Plan was approved: Is there documentation of compliance with the off-ramp agreement?</i>	<p>Y – Fully documented</p> <p>Y – Partially documented</p> <p>N – No documentation or substantially incomplete</p>	<p>Documentation should include:</p> <ul style="list-style-type: none"> - verifiable completion of off-site credit hours (i.e. Excel and/or Certified Payroll records) - Union letter(s) evidencing apprentice sponsorship
10) a)	Is there a Final Report or other memo from OEWD to the Awarding Department and Contractor indicating compliance with the Local Hire Policy and/or any Corrective Action Plan	Y / N	Memo, report or other documentation by OEWD (including email) to Awarding Department & Contractor
b)	What were the final deficiencies recorded in the Final Report or memo (before accounting for Corrective Actions)?	Fill in separate sheet	
11)	Are there any other observations or comments regarding compliance with the Local Hire Policy?	Free-text	N/A

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Exhibit E.6: Sample Project List

Dept.	Project Name	General Company Name	Project Type	Engineer Estimate	Project Value	Advertise Date	End Date	Rank (Project Value)	Sample Grouping (Percentile)
SFO	SFO 10003.71 CMGC - Services for Temporary Boarding Area B & Security Screening Checkpoint Project	Turner Construction Company	Infrastructure	\$65,000,000	\$111,446,805	7/14/14	6/22/16	230	99th Percentile
SFO	SFO 10005.61 Taxilanes H & M Realignment	Golden Gate Constructors	Infrastructure	\$30,700,000	\$30,205,681	4/20/16		228	99th Percentile
DPW	2269J-Pavement Renovation and Sewer Replacement Crescent and Hudson Avenues	Shaw Pipeline, Inc.	Infrastructure	\$25,000,000	\$25,000,000	10/18/14		226	95th Percentile
PUC	SFPUC WW-626 Southeast Water Pollution Control Plant Primary and Secondary Clarifier Upgrades	Monterey Mechanical	Infrastructure	\$27,500,000	\$23,588,000	9/25/15	12/20/17	225	95th Percentile
RPD	RPD 3073V Mission Dolores Park Rehabilitation Project	Alten Construction		\$0	\$10,000,000	10/11/13		220	95th Percentile
PUC	SFPUC WD-2685 Aux Water Supply System	Cal State Constructors, Inc		\$8,750,000	\$9,997,000	5/21/13	8/30/15	219	95th Percentile
DPW	2489J - Various Locations Pavement Renovation and Sewer Replacement No. 19	Harty Pipelines, Inc	Infrastructure	\$9,697,320	\$9,697,320	4/12/15	1/13/17	218	90th Percentile
PUC	SFPUC WW-603 As-Needed Main Sewer Replacement (#5)	D'Arcy & Harty Construction	Infrastructure	\$8,400,000	\$7,700,000	5/1/15	3/29/17	214	90th Percentile
DPW	2066J - Pavement Renovation, Sewer Replacement and Water Main Installation Gough Street	M Squared Construction	Infrastructure	\$0	\$7,500,000	9/18/13		213	90th Percentile

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Dept.	Project Name	General Company Name	Project Type	Engineer Estimate	Project Value	Advertise Date	End Date	Rank (Project Value)	Sample Grouping (Percentile)
PUC	SFPUC WW-619 As-Needed Spot Sewer Replacement No. 34	J. Flores Construction Inc.	Infrastructure	\$8,000,000	\$7,311,000	10/9/15	3/31/17	212	90th Percentile
PUC	SFPUC WD-2817 Peninsula Pipelines Seismic Upgrade - Phase III (Regional)	Mitchell Engineering	Infrastructure	\$8,500,000	\$6,979,152	2/25/16		209	90th Percentile
DPW	2424J - As-Needed Paving Contract No. 10	Esquivel Grading & Paving Inc.	Infrastructure	\$6,200,000	\$6,200,000	4/19/14	4/20/17	202	75th Percentile
DPW	2260J - Dolores Street Pavement Renovation, Sewer Replacement, and Water Main Installation	A. Ruiz Construction	Infrastructure	\$6,000,000	\$6,000,000	6/16/14		201	75th Percentile
RPD	RPD 3077V-Minnie & Lovie Ward Athletic Field Renovation	O.C. Jones & Sons	Infrastructure	\$3,700,000	\$4,483,000	5/18/13		186	75th Percentile
DPW	2293J - Fulton Street Pavement Renovation & Muni Forward	Esquivel Grading & Paving Inc.	Infrastructure	\$4,160,109	\$4,160,109	3/19/15		180	75th Percentile
PUC	SFPUC WD - 2697 Auxilliary Water Supply System - New Cisterns C	Cal State Constructors, Inc	Infrastructure	\$4,500,000	\$4,147,000	10/7/13		179	75th Percentile
DPW	2266J - Vicente Street Pavement, Sewer and Water Main Installation	LC General Engineering and Construction, Inc.	Infrastructure	\$4,000,000	\$4,000,000	7/18/14		174	75th Percentile
RPD	3216V NORTH BEACH/JOE DIMAGGIO PLAYGROUND RENOVATION	Bauman Landscape, Inc.	Public Facility	\$0	\$4,000,000	7/29/14		174	75th Percentile
PUC	SFPUC WD-2696 New Cisterns B	Azul Works, Inc.	Infrastructure	\$4,000,000	\$3,973,000	6/15/13	1/25/15	173	75th Percentile

Budget and Legislative Analyst's Office

Appendix E: Local Hire Compliance Analysis & Sampling Methodology

Dept.	Project Name	General Company Name	Project Type	Engineer Estimate	Project Value	Advertise Date	End Date	Rank (Project Value)	Sample Grouping (Percentile)
DPW	2062J - Pavement Renovation - Pine Street, Sacramento Street, and Stockton Street	Shaw Pipeline, Inc.	Infrastructure	\$0	\$3,800,000	4/10/13	7/1/14	172	50th Percentile
PUC	SFPUC WW-583 As-Needed Main Sewer Repair	Precision Engineering, Inc.	Infrastructure	\$3,300,000	\$3,500,000	9/27/13	4/1/15	167	50th Percentile
SFO	9159R SFO-International Terminal Carpet Replacement	Golden State Carpet Service, Inc.		\$3,500,000	\$3,500,000	3/15/14	2/10/15	167	50th Percentile
DPW	7981A (R) Zuckerberg San Francisco General Hospital and Trauma Center - Hybrid MRE/IR Project	Rodan Builders, Inc.	Public Facility	\$2,471,000	\$3,400,000	7/14/16		163	50th Percentile
DPW	2183J-Ocean Avenue and Persia Avenue Pavement Renovation	Precision Engineering, Inc.	Infrastructure	\$0	\$3,000,000	10/21/14		153	50th Percentile
SFO	SFO T.I. - Union Street GastroPub	Swinerton Builders	Commercial	\$0	\$2,300,000			128	50th Percentile
SFO	SFO 10647.61 - International Terminal Building Roadway Expansion Joints Repairs And Storm Drain Gutter System Replacement	Schembri Construction Company Inc.	Infrastructure	\$1,800,000	\$2,242,000	3/15/17	3/23/18	125	50th Percentile
Port	2765 Pier 35 Building & Roof Repair Project	Roebuck Construction		\$0	\$2,041,010	5/12/14	12/31/15	116	50th Percentile

Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor inquiries"
- 5. City Attorney Request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Subject:

The text is listed:

Signature of Sponsoring Supervisor:

For Clerk's Use Only