

FILE NO. 150153

Petitions and Communications received from February 2, 2015, through February 13, 2015, for reference by the President to Committee considering related matters, or to be ordered filed by the Clerk on February 24, 2015.

Personal information that is provided in communications to the Board of Supervisors is subject to disclosure under the California Public Records Act and the San Francisco Sunshine Ordinance. Personal information will not be redacted.

From Komal Panjwani, regarding Urban Forest general plan amendments. File No. 141264. Copy: Each Supervisor. (1)

From concerned citizens, regarding vape lounges. 2 letters. Copy: Each Supervisor. (2)

From Christopher Heinmiller, regarding vector control program. Copy: Each Supervisor. (3)

From Zbigniew Boyfrendt, regarding police misconduct. Copy: Each Supervisor. (4)

From Controller, regarding Population Health report. Copy: Each Supervisor. (5)

From Sue Todd, regarding public littering. Copy: Each Supervisor. (6)

From Gerri Hayes, regarding free Muni for seniors. Copy: Each Supervisor. (7)

From Controller, regarding compliance audit reports of BAE Systems San Francisco Ship Repair and Scoma's Restaurant. Copy: Each Supervisor. (8)

From Controller, issuing report titled "Assisting Homeowners with Troubled Mortgages." Copy: Each Supervisor. (9)

From Ana Sophia Mifsud, regarding female bicycle ridership. Copy: Each Supervisor. (10)

From Max Dupont, regarding the Judge Judy Show. Copy: Each Supervisor. (11)

From Allen Jones, regarding racism. Copy: Each Supervisor. (12)

From Max Schweitzer, regarding homeless plan. (13)

From David Nadler, regarding bicyclists in the pedestrian diversion. Copy: Each Supervisor. (14)

From concerned citizen, regarding SFERS hedge fund investment. Copy: Each Supervisor. (15)

From Controller, submitting citywide payroll operations audit report. Copy: Each Supervisor. (16)

From Luke Bornheimer, regarding home sharing legislation. Copy: Each Supervisor. (17)

From concerned citizens, regarding sale of ivory to California. 3 letters. Copy: Each Supervisor. (18)

From Controller, regarding follow-up of 2012 assessment of the Community Assistance Program. (19)

From concerned citizens, regarding fires on Ocean Beach. 2 signatures. Copy: Each Supervisor. (20)

From John Cash, regarding the homeless in Portsmouth Square. Copy: Each Supervisor. (21)

From City Administrator, submitting 2014 report on Slavery Era Disclosure Ordinance. Copy: Each Supervisor. (22)

From concerned citizens, regarding Vision Zero. 3 signatures. Copy: Each Supervisor. (23)

From Controller, submitting FY2014-2015 six-month budget status report. Copy: Each Supervisor. (24)

From Beverly Dobrus, regarding ratepayer advocate seat on the SF Public Utilities Commission. Copy: Each Supervisor. (25)

From Aaron Goodman, regarding Google and Genentech buses and safety. Copy: Each Supervisor. (26)

From Controller, issuing Government Barometer - Quarter 2, FY2015. (27)

From Assessor-Recorder, submitting 2014 Annual Report. (28)

From Police Commission, submitting response to Three Point Plan for Police Practices. Copy: Each Supervisor. (29)

From Recreation and Parks, submitting 2nd quarter report for FY2014-2015 Lead Poisoning Prevention plan. Copy: Each Supervisor. (30)

From: Board of Supervisors (BOS) [board.of.supervisors@sfgov.org]
Sent: Wednesday, February 04, 2015 9:21 AM
To: BOS-Supervisors
Subject: File 141264 FW: Support for BoS Agenda Item 23 File No. 141264

From: Komal Panjwani [mailto:komal@sfbeautiful.org]
Sent: Tuesday, February 03, 2015 2:27 PM
To: Board of Supervisors (BOS)
Subject: Support for BoS Agenda Item 23 File No. 141264

Dear Supervisors,

I am writing on behalf of SF Beautiful, in support of Urban Forest Plan, Item 23 on today's Agenda.

The Phase I of Urban Forest Plan on Street Trees and its recommendations will be beneficial to the long term increase and maintenance of trees on our public streetscape. By reversing the responsibility of installation and maintenance of street trees from property owners to the City will help relive the pressure on the SF's residents and business owners and will also ensure state of the art maintenance procedures are utilized to ensure the upkeep and longevity of street trees.

Since its conception, San Francisco Beautiful has been on the forefront of trees. We launched the first citywide tree planting program in the 1970s, planting the seed for the Friends of the Urban Forest. We also supported the passage of the 1998 ordinance which required the Department of Public works to notice adjacent property owners and other interested organizations prior to removing a street tree. The ordinance also established an appeal process for tree removal and a permitting process for community members interested in planting or removing street trees.

We urge you to codify this comprehensive vision for the care and management of the city's street trees into the General Plan.

Best,

Komal Panjwani
Policy Manager

San Francisco Beautiful
100 Bush Street, Suite 1812
San Francisco, CA 94104
(415) 421-2608 | komal@sfbeautiful.org

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From: Board of Supervisors (BOS) [board.of.supervisors@sfgov.org]
Sent: Wednesday, February 04, 2015 9:26 AM
To: BOS-Supervisors
Subject: FW: Vape Lounges

-----Original Message-----

From: michaelrussom@sbcglobal.net [mailto:michaelrussom@sbcglobal.net]
Sent: Wednesday, February 04, 2015 9:18 AM
To: Board of Supervisors (BOS)
Subject: Vape Lounges

Members of the Board:

Please stop approval of vape lounges in San Francisco. The health effects of vaping and the support some of you have shown for big tobacco's seduction of young people into nicotine addiction is atrocious! Please nip this in the bud!

Sincerely,
Michael Russom

Sent from my iPhone

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: (Opposition to the "vape shop" at 1963 Ocean Ave.)

From: Ellen Wall [<mailto:ewall@ccsf.edu>]
Sent: Sunday, February 08, 2015 1:20 PM
To: BOS Legislation (BOS); Board of Supervisors (BOS); Yee, Norman (BOS)
Cc: ellen.hegman@gmail.com
Subject: (Opposition to the "vape shop" at 1963 Ocean Ave.)

Support of appeal of the Conditional Use Authorization for Case No. 2014.0206C.

(Opposition to the "vape shop" at 1963 Ocean Ave.)

From: Ellen Wall

CCSF English Department, Emeritus

225 Edna Street

ewall@ccsf.edu

To:

bos.legislation@sfgov.org

Board.of.Supervisors@sfgov.org

Norman.Yee@sfgov.org

I support the appeal and oppose the opening of the vape shop that would sell e-cigarettes, e-liquids (the flavored nicotine liquids used to create the "vapor"), and other tobacco paraphernalia.

I was horrified when a friend told me about this legislation. I want to tell you how I first learned about e-cigarettes. I was at a party chatting with friends when I started non-stop sneezing. Tears rolled down my cheeks and I gasped for breath. I quickly got a tissue and began blowing my nose and looking around for what could be causing the problem. I saw a man sucking on a small tube. Is that a cigarette I asked him. "No," he said quite defensively, "there's no tobacco in it." How about mint, vanilla and other flavors? "Probably," he said. I responded with anger as I walked out of the party: burning herbs is enough to kill both of us and other sensitive people.

My reaction had not occurred for many years – then from someone standing behind me smoking a menthol cigarette. When I turned, sneezing, she apologized for smoking and threw away her cigarette.

I can't believe the people of San Francisco, who have worked so hard to create smoke-free areas, want to return to this horror. Please refer this matter to the Health Department. The health of San Franciscans is not the purview of the Planning Department.

Sincerely,

Ellen Wall

225 Edna Street

San Francisco, CA 94112

ewall@ccsf.edu

From: Chris Miller [cheinmiller@gmail.com]
Sent: Wednesday, February 04, 2015 10:21 AM
To: Avalos, John (BOS); Breed, London (BOS); Campos, David (BOS); Christensen, Julie (BOS); Cohen, Malia (BOS); Farrell, Mark (BOS); Kim, Jane (BOS); Mar, Eric (BOS); Tang, Katy (BOS); Wiener, Scott; Yee, Norman (BOS); Law, Ray (BOS); Board of Supervisors (BOS)
Subject: Re: Failure to Enforce
Attachments: DSC04617.JPG; 100_0582.JPG; 100_0584.JPG; 100_0587.JPG

Dear President and Board of Supervisors:

We asked our children what their New Year's resolutions were, and by no power of suggestion from us, you will find attached what our 9 year old daughter wrote. We had another instance with her months ago where we had to flee to hotels for nine days. Upon her Mom driving her to school from a Milpitas hotel one of the mornings, our daughter, Anastasia, was in the backseat of the car in tears.

"What's the matter, Anastasia?" her Mom asks. Her response, "I'm just worried Daddy's is going to have to go to the hospital."

I have to admit; I even wondered the same some might as I am allergic to mites.

What I wonder even more from a humane perspective is why Supervisor Katy Tang, nor the SF DPH, have still not taken appropriate measures. There are young children here. We urge her office, including the board as a whole, to please have the Department of Public Health provide proper assistance with our vector issue.

Sincerely,
Christopher Heinmiller
415-335-2545



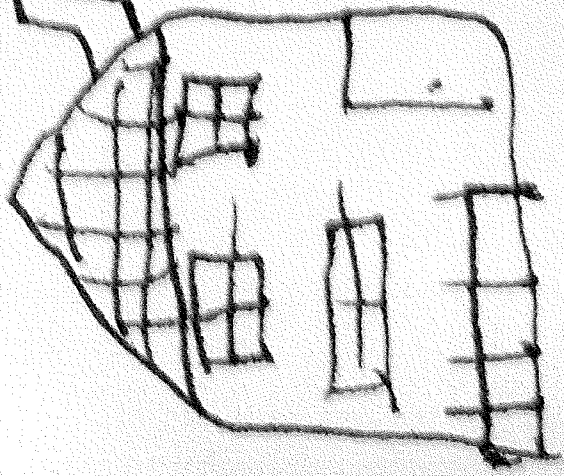
2015 I
Pr for my normal
hope to be
life to be
(no mites, no landlord
problems)

Anastasia

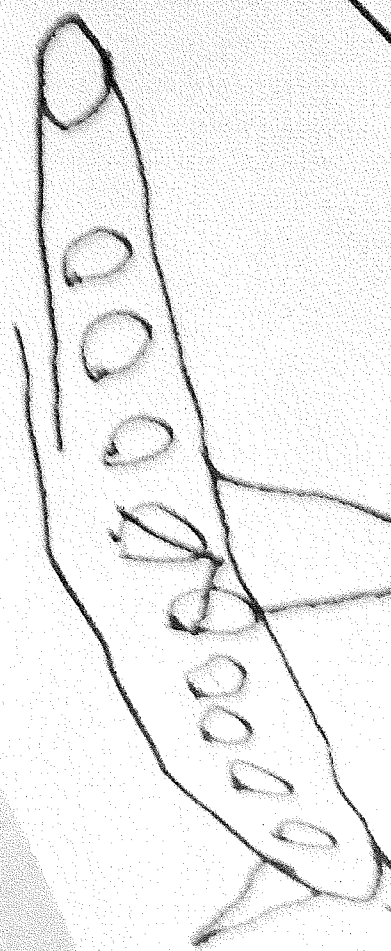
2015

My new year
resolutions are
to exercise more
not to eat too
many sweets
and to go on
vacations

PLEASE!



House to us m a



VACATION

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: What are civilians supposed to do with bad police?

From: Zbigniew Boyfrendt [<mailto:yourspookybf@yahoo.com>]
Sent: Wednesday, February 04, 2015 2:36 PM
To: Board of Supervisors (BOS)
Subject: What are civilians supposed to do with bad police?

The City and County of San Francisco is currently facing a federal civil rights lawsuit over a prior incident in which Sergeant Brian Stansbury and two of his colleagues allegedly engaged in racial profiling during a traffic stop with an off-duty African-American police officer in 2013.

Police can't be fired? What would a cop have to do to be proven bad enough at their job to be relieved of duties?

From: Reports, Controller (CON)
Sent: Wednesday, February 04, 2015 2:52 PM
To: Calvillo, Angela (BOS); Gosiengfiao, Rachel (BOS); BOS-Supervisors; BOS-Legislative Aides; Kawa, Steve (MYR); Howard, Kate (MYR); Falvey, Christine (MYR); Elliott, Jason (MYR); Steeves, Asja (CON); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); sfdocs@sfpl.info; CON-EVERYONE; CON-CCSF Dept Heads; CON-Finance Officers
Subject: Issued: Benchmarking Report: Population Health

The City and County of San Francisco Charter requires the Controller's Office City Services Auditor (CSA) to compare the cost and performance of San Francisco government services with other cities, counties, and public agencies. As a part of its ongoing City Services Benchmarking series, the CSA compared San Francisco to thirteen peer counties on twenty-two measures of population health. Most metrics were previously identified as strategic priorities by the Department of Public Health, Population Health Division. Where applicable, the report also shows performance against national Healthy People public health goals.

San Francisco ranked best or among the best in its peer group at many measures of general health. It enjoys the lowest smoking, obesity, and breast cancer mortality rates among its peers, and it ranked among the best for level of physical activity, air quality, food security, and pre-term births.

At the same time, vulnerable sub-populations showed worse health outcomes than peers. San Francisco's African-American population showed much higher mortality rates than most peers, and on two of three measures of African-American health, San Francisco had the widest disparity between the health of the black and general populations. San Francisco also diagnoses new cases of HIV at a rate three times higher than the state's second highest county.

To view the report, please visit our website at: <http://openbook.sfgov.org/webreports/details3.aspx?id=1876>

This is a send-only e-mail address.

For questions about the report, please contact Ryan Hunter, Performance Analyst, at 415-554-7533 or ryan.hunter@sfgov.org.

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CITY & COUNTY OF SAN FRANCISCO

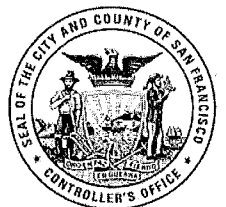
Office of the Controller

City Services Auditor

City Services Benchmarking:

Population Health

February 4, 2015





City Services Benchmarking: Population Health CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

February 4, 2015

Summary

The City and County of San Francisco Charter requires the City Services Auditor (CSA) to monitor the level and effectiveness of City services. Specifically, CSA shall review performance and cost benchmarks and conduct comparisons of the cost and performance of San Francisco City government with other cities, counties, and public agencies performing similar functions.

This report compares the general health of the population of San Francisco to that of thirteen other peer counties. Most metrics have been previously identified as strategic priorities by the Department of Public Health, Population Health Division. Where applicable, San Francisco's performance is also shown against national Healthy People public health goals.

Peer counties

California	Non-California
Alameda	Denver, CO
Los Angeles	District of Columbia
Orange	Hennepin, MN (Minneapolis)
Sacramento	King, WA (Seattle)
San Diego	Philadelphia, PA
Santa Clara	Suffolk, MA (Boston)
	Travis, TX (Austin)

Highlights

- San Francisco ranks best or among the best in its peer group at many measures of general health. It enjoys the lowest smoking, obesity, and breast cancer mortality rates among its peers and ranks among the best for level of physical activity, air quality, food security, and pre-term births.
- While the health of the general population is robust, San Francisco's African-American population shows higher mortality rates than most of its peers. On two of three measures of African-American health, San Francisco has the widest disparity between the health of its African-American and general populations.
- No California county diagnoses more new HIV cases than San Francisco. The rate of new HIV diagnoses is almost three times higher in San Francisco than in the second highest county, Los Angeles.
- San Francisco has a lower rate than its peers in cycling fatalities but a higher rate of cycling injury and pedestrian fatalities and injuries.
- San Francisco performs as well as or better than at least half of its peers on 13 of the 21 performance measures examined in this benchmarking report.

Contents

Summary2

Contents3

Agency profile: San Francisco Department of Public Health, Population Health Division.....4

Healthy People 2020.....5

Peer jurisdictions5

Citywide health.....7

 Health insurance coverage and cost of care7

 Physical activity and obesity.....8

 Food insecurity8

 Smoking and air quality.....9

 Pedestrian safety10

 Cyclist safety10

Vulnerable populations12

 African-Americans.....12

 African-American heart disease.....12

 African-American breast cancer13

 African-American alcohol-related death.....14

 Children15

 Vaccination and child maltreatment15

 Pre-term infants16

 People living with HIV/AIDS.....16

 New HIV diagnoses16

Future research.....17

Benchmarking methodology.....18

 Data sources.....18

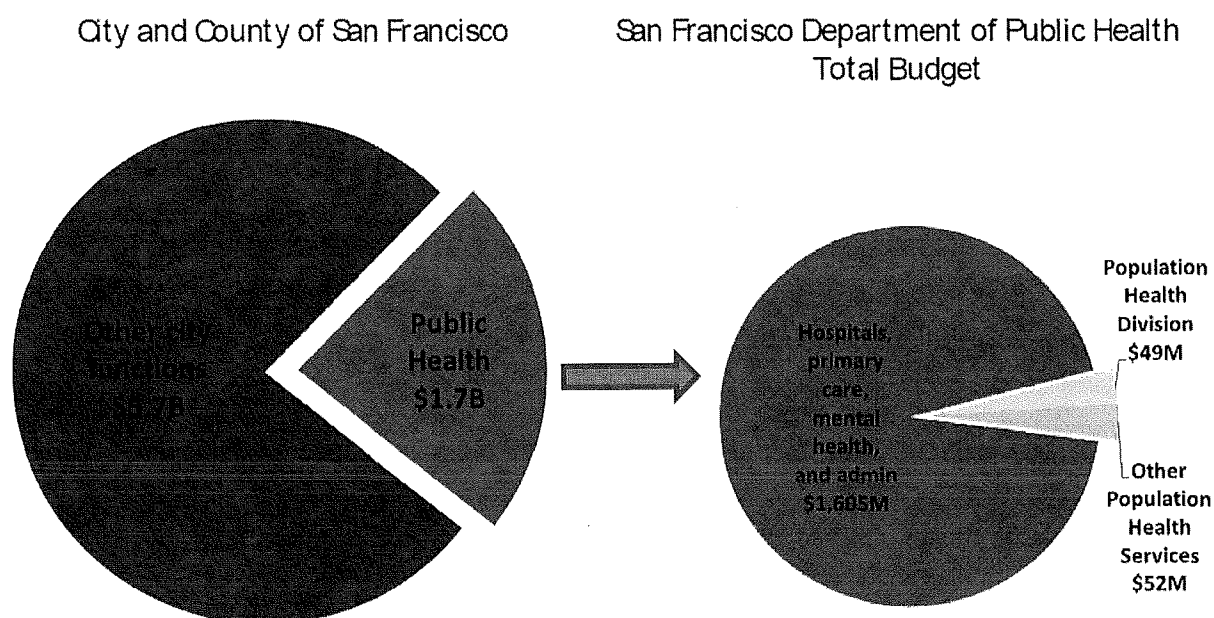
 Peer selection.....23

References24

Agency profile: San Francisco Department of Public Health, Population Health Division

The mission of the San Francisco Department of Public Health (DPH) is to protect and promote the health of all San Franciscans. With an annual budget exceeding \$1.7 billion, DPH is the City’s largest department, representing 23% of the City’s total expenditure. It is governed by the San Francisco Health Commission, whose members are appointed by the Mayor.

DPH’s Population Health Division (PHD) is responsible for a wide spectrum of traditional public health services, including disease prevention and control, emergency preparedness, HIV research, health permitting and inspection, and health equity improvement. PHD had a FY2014 budget of \$49 million, or 3% of DPH’s total budget. The San Francisco Health Network (SFHN) receives most of DPH’s budget to run the City’s two hospitals, a network of primary care and mental health clinics, and managed care. SFHN also provides additional population health services on HIV and Maternal, Child, and Adolescent Health that total \$52 million per year, for a total annual investment in population health of \$101 million.



Sources: Mayor’s Budget Book 2014, Population Health Division self-reports

In June 2014, PHD published a Strategic Plan that identified seventeen Headline Indicators to track key results the department hopes to achieve in the following areas:

- Safe and Healthy Living Environments
- Healthy Eating and Physical Activity
- Access to Quality Health Care and Services
- Black/African-American Health
- Mother, Child, and Adolescent Health
- Health for People at Risk and Living with HIV

This benchmarking report compares San Francisco’s performance on PHD’s Headline Indicators to that of peer counties in California and the United States.

Population Health Division Mission

Drawing upon community wisdom and science, we support, develop, and implement evidence-based policies, practices, and partnerships that protect and promote health, prevent disease and injury, and create sustainable environments and resilient communities.

Healthy People 2020

The Healthy People initiative provides 10-year national objectives for improving the health of the United States as a whole. The program is led by the US Department of Health and Human Services, Office of Disease Prevention and Health Promotion, and targets are set by a federal interagency workgroup. The current version of the program, Healthy People 2020, includes over 1,200 objectives in 42 topic areas (US Department of Health and Human Services).

Most of the metrics presented in this report map to one of the Healthy People objectives. Where possible, this report uses the same data source and definition as the federal objective. Graphs on the following pages display both national baselines, indicating the value of the indicator nationally in 2010, and national targets, indicating the national goal by 2020. Healthy People goals are for the United States as a whole, including rural and suburban areas with different strengths and challenges than San Francisco’s.

More information about the Healthy People initiative is available at www.healthypeople.gov.

Peer jurisdictions

Benchmarking is a process in which an organization compares its performance to the performance of other similar agencies, or “peers.” This section briefly describes how the City and County of San Francisco compares as a whole to the peers selected for this analysis.

Because most state and federal health data is reported at the county level, we compare San Francisco with other counties. The chart below shows the six California and seven non-California peer counties benchmarked. San Francisco is the only joint city-county government in California; three peers from outside California jointly provide city and county services.

Peer counties

	County	Principal city	Population 2013	Density 2013 pop per mi ²	Poverty rate 2008-12	Median household income 2008-12
California	San Francisco*	San Francisco	837,442	17,867	13.2%	\$73,802
	Alameda	Oakland	1,578,891	2,136	12.0%	\$71,516
	Los Angeles	Los Angeles	10,017,068	2,469	17.1%	\$56,241
	Orange	Anaheim, Santa Ana	3,114,363	3,939	11.7%	\$75,566
	Sacramento	Sacramento	1,462,131	1,516	16.5%	\$55,846
	San Diego	San Diego	3,211,252	763	13.9%	\$63,373
	Santa Clara	San Jose	1,862,041	1,443	9.7%	\$90,747
Non-California	Denver, CO*	Denver	649,495	4,245	18.9%	\$49,091
	District of Columbia*	Washington	646,449	10,589	18.5%	\$64,267
	Hennepin, MN	Minneapolis	1,198,778	2,165	12.6%	\$63,559
	King, WA	Seattle	2,044,449	966	10.9%	\$71,175
	Philadelphia, PA*	Philadelphia	1,553,165	11,582	26.2%	\$37,016
	Suffolk, MA	Boston	755,503	12,992	20.7%	\$52,700
	Travis, TX	Austin	1,120,954	1,132	17.4%	\$56,403

* indicates joint city-county government. The District of Columbia is neither a city nor county, but performs functions of both.

Source: US Census Bureau

Local health departments (LHDs) provide indirect benefits to the entire population. For example, monitoring and mitigating air pollution contributes to clean air, lower rates of respiratory disease, and general well-being. Inspection of food facilities potentially decreases disease among anyone who buys food in San Francisco. Unlike other reports in the Controller's benchmarking series, this report discusses the general health of all San Francisco residents, not direct service levels. The indicators benchmarked here show long-term outcomes that public health programs aim to affect. A future report could compare the types of services provided by the San Francisco Public Health Department with those provided by other LHDs.

Many different factors drive population health outcomes: age, geography, state and local law, socioeconomic variables, social norms, and racial diversity, to name a few. A consistent challenge for the benchmarking program is that every county and municipality is unique: San Francisco is the smallest and densest county in the peer group, and it enjoys above-average income and below-average poverty. Nevertheless, each of the counties in the peer group bears similarities to San Francisco in terms of size, diversity, income and poverty, and other characteristics. For a full description of peer selection methodology, see the appendix.

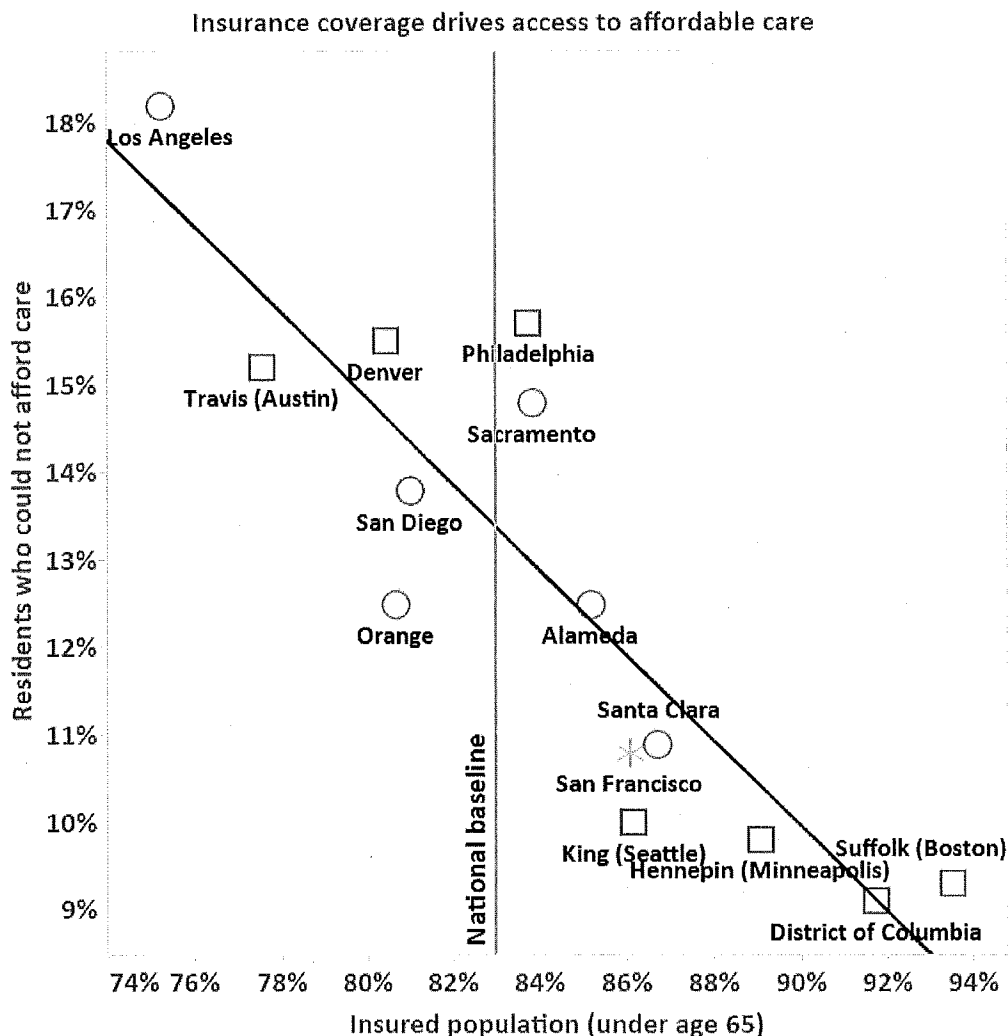
Comparisons are by county. Where non-California county names differ from the name of their principal city, the city's name is given in parentheses for clarity. California counties are presented in blue; non-California counties are presented in red; San Francisco is presented in yellow. Data sources are briefly indicated with each chart; the appendix maps benchmarked metrics to PHD Headline Indicators and gives fuller data definitions and source information.

National baselines and targets refer to Healthy People 2020. Note that these values are for the nation as a whole, including suburban and rural areas. Baselines were set in 2010, and targets are meant to be achieved by 2020. Unless otherwise noted, metrics use the same source data as Healthy People targets. In some instances, these data sources differ from those used by PHD in their strategic plan.

Citywide health

Health insurance coverage and cost of care

According to the US Census Bureau, 86% of San Franciscans below Medicare eligibility age had health insurance coverage in 2011, placing the county ahead of most California counties and the national average but well behind several other jurisdictions. The most recent data are from before full implementation of the Affordable Care Act (ACA), which requires most Americans to have health insurance coverage and has driven a rapid increase in insurance enrollment nationwide. Suffolk County, Massachusetts, leads the peer group in insurance enrollment. Massachusetts implemented health care reform similar to the ACA in 2006.



Sources: US Census Bureau, Small Area Health Insurance Estimates 2011; CDC Behavioral Risk Factor Surveillance System 2006-2012

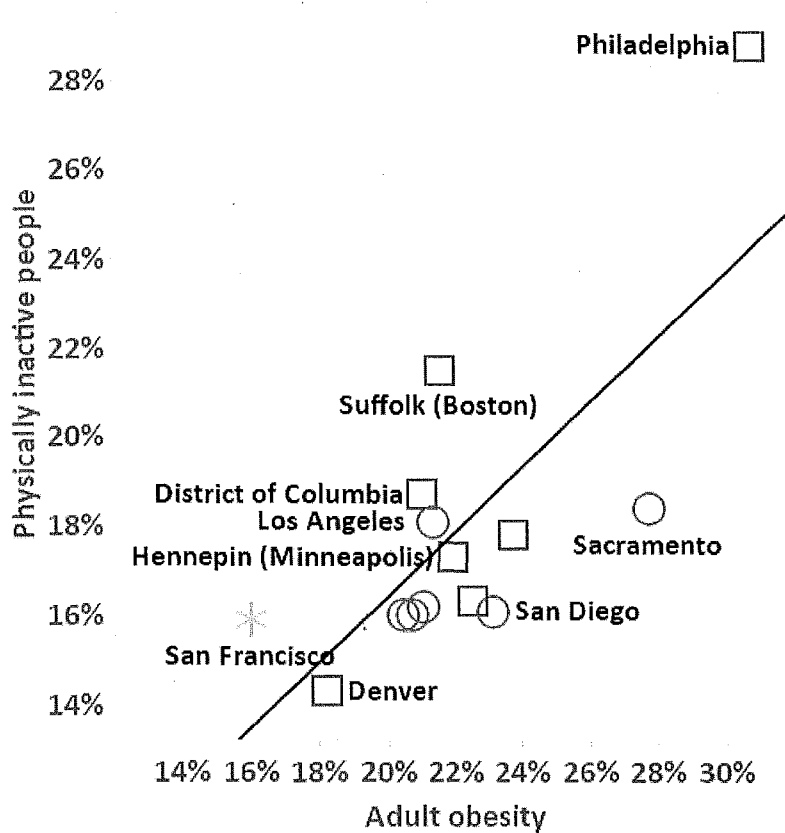
Health insurance coverage is shown below on a scatterplot with the percentage of the population who reported that they were unable to visit a doctor due to cost. The high correlation between these two factors ($r^2 = 0.77$) shows that increased insurance coverage reduces financial barriers to care.

The San Francisco Department of Public Health administers a health care coverage program called Healthy San Francisco (HSF) that allows uninsured residents to access affordable health care in San Francisco. HSF is not health insurance. The primary difference between HSF and insurance is portability: HSF enrollees are not covered outside of San Francisco. HSF coverage is not shown on the graph; DPH estimates that 94% of San Franciscans were covered by either insurance or Healthy SF in 2011 (Strategic Plan).

Under the ACA, many HSF enrollees will purchase health insurance through Covered California, decreasing HSF enrollment. However DPH estimates that 20,000 San Franciscans will still lack insurance. HSF will continue to provide health services to those not covered by the ACA, such as undocumented immigrants.

Physical activity and obesity

San Franciscans are more physically active and less obese

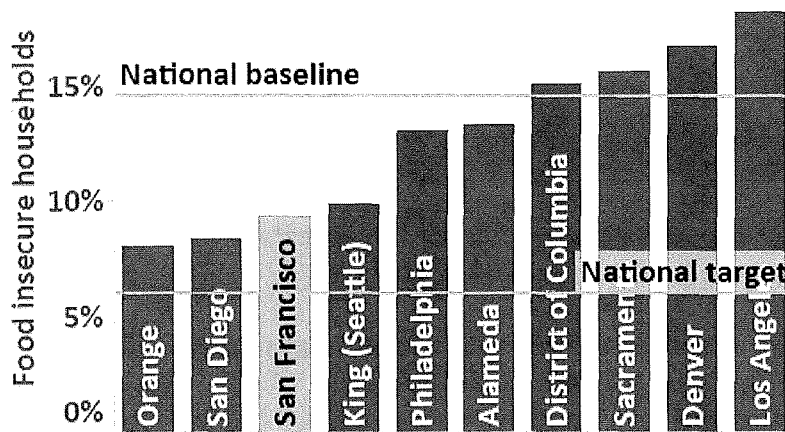


The graph at left shows the proportion of the population with no leisure time physical activity and the proportion that is obese (has a body mass index greater than 30 kg/m²). These data come from a national telephone survey conducted by the CDC.

San Franciscans were the least obese and second most physically active in the peer group. San Francisco's rate of physical activity puts it in line with neighboring counties Alameda and Santa Clara, but with a much lower corresponding obesity level.

All the peer counties except Philadelphia surpassed both the Healthy People targets (not shown) for physical activity (less than 32.6% inactive) and obesity (less than 30.5% obese).

Nine percent of SF residents struggle to find food



Sources: CDC Behavioral Risk Factor Surveillance 2010; US Census Bureau; Current Population Survey, Food Security Supplement 2013

Food insecurity

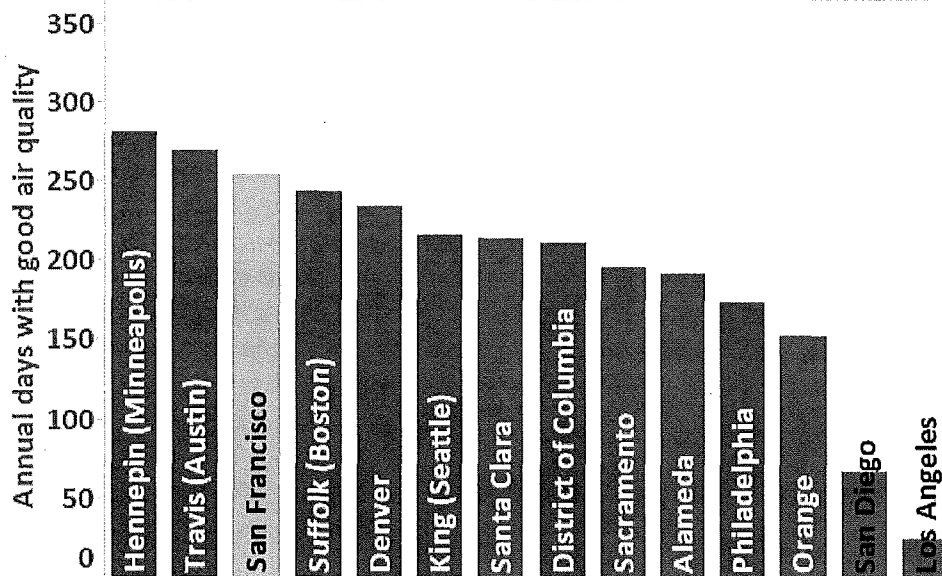
When a household cannot reliably secure adequate food, it is called food insecure. The graph at left shows households with "low" and "very low" food security, based on a survey by the US Census Bureau that asks about skipping meals, food affordability, hunger, and unwanted weight loss.

Food insecurity tracks closely with poverty. Orange, San Diego, San Francisco, and King counties all had among the lowest poverty rates and food insecurity in the data set (see page 6). At 9% food insecure, San Francisco still falls short of the ambitious Healthy People goal of 6% by 2020.

Food access is also impacted by state and local variation in implementation of federal programs like the Supplemental Nutrition Assistance Program (food stamps) as well as the availability of community-based free food resources like food pantries.

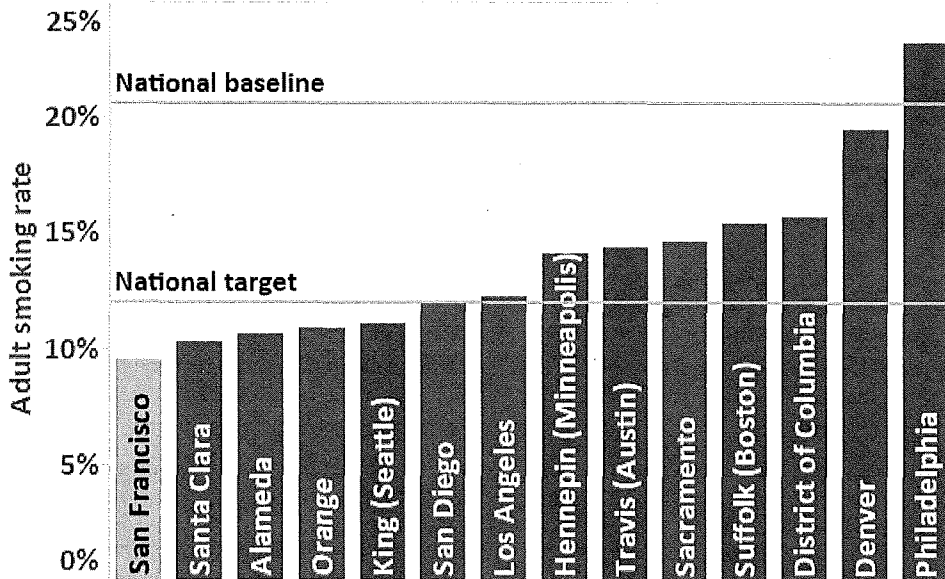
Smoking and air quality

San Francisco's air quality best among California peers



PHD's Environmental Health department includes the Air Quality, Smoking, and Tobacco program, charged with limiting air-based pollutants, enforcing local restrictions on tobacco sales and public smoking, and working with other local agencies to control stationary sources of air pollution. San Francisco has passed and subsequently expanded many laws to restrict smoking over the past two decades.

San Francisco has lowest smoking rate among peers



The US Environmental Protection Agency publishes the daily level of air pollutants around the country; the graph at left shows the number of days in 2013 that each county's Air Quality Index rating was "good" (the best on a five-point scale). San Francisco had "good" quality air more than two-thirds of the time – considerably more often than any of its California peers.

Sources: US EPA Air Quality Index 2013; Behavioral Risk Factor Surveillance System 2006-2012

The overall Air Quality Index may mask variation in air quality within a county. For example, although San Francisco's air quality is generally better than that of peer counties, the Bay Area

Air Quality Management District identified the eastern half of the city, particularly Bayview-Hunter's Point, as especially vulnerable to air pollution (Martien).

Smoking and secondhand smoke also affect the quality of a city's environment. In general, benchmarked counties in California showed much lower smoking rates than other US counties. With an adult smoking rate of 9.5%, San Francisco was the lowest among all its peers.

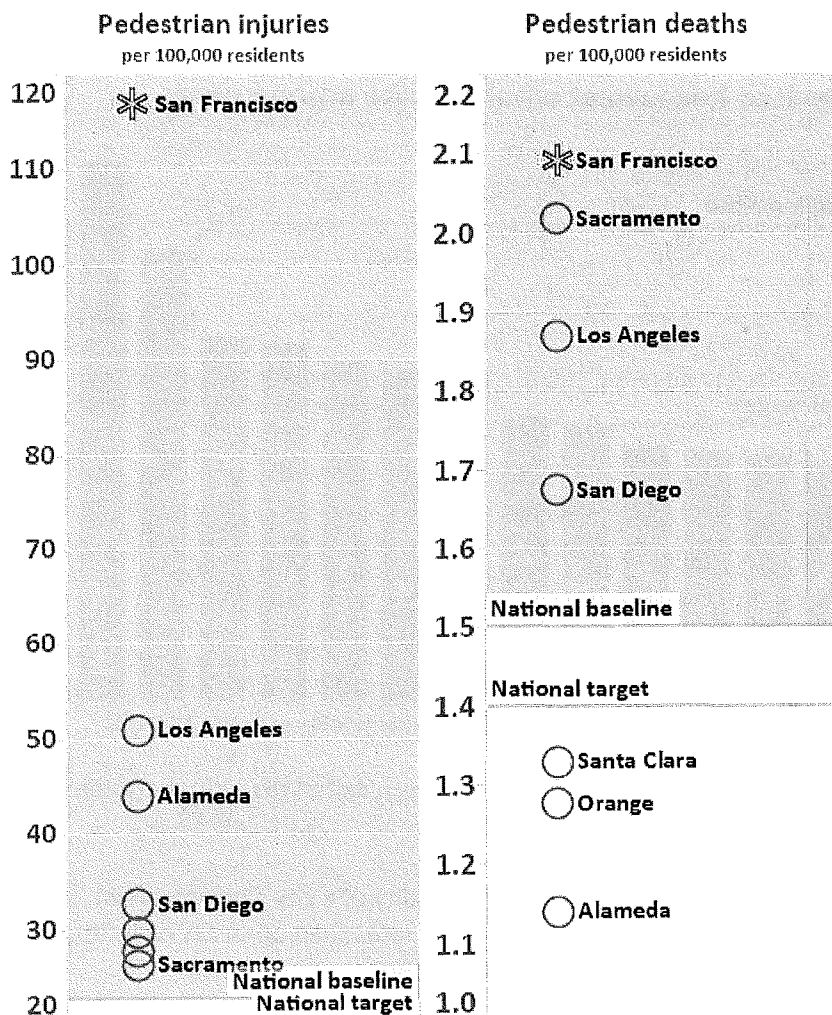
Pedestrian safety

Cars, bicycles, and pedestrians share close quarters in urban areas. In San Francisco, DPH shares responsibility for traffic safety with many other city agencies, including the Department of Public Works, the Municipal Transportation Agency, and the Police Department. In 2014, San Francisco formally adopted Vision Zero as City policy with a goal of eliminating traffic fatalities by 2024.

The charts below show per capita traffic death and injury rates for pedestrians. According to California Highway Patrol data, 16 pedestrians were killed in San Francisco traffic in 2012. San Francisco’s pedestrian death rate places it well above the national average and above all other benchmarked counties. Neighboring Alameda County has half as many pedestrian deaths per capita as San Francisco.

In non-fatal pedestrian injuries, San Francisco’s rate was the highest in the peer group of California counties and more than double that of the second-highest county. DPH reports that San Francisco’s level of pedestrian injury has remained relatively stable in recent years. All peer counties in California exceed the national baseline level of pedestrian injury.

Lowest ranking for pedestrian safety



Source: California Highway Patrol Integrated Traffic Records System. Injuries: 2012; deaths: 2009-2012

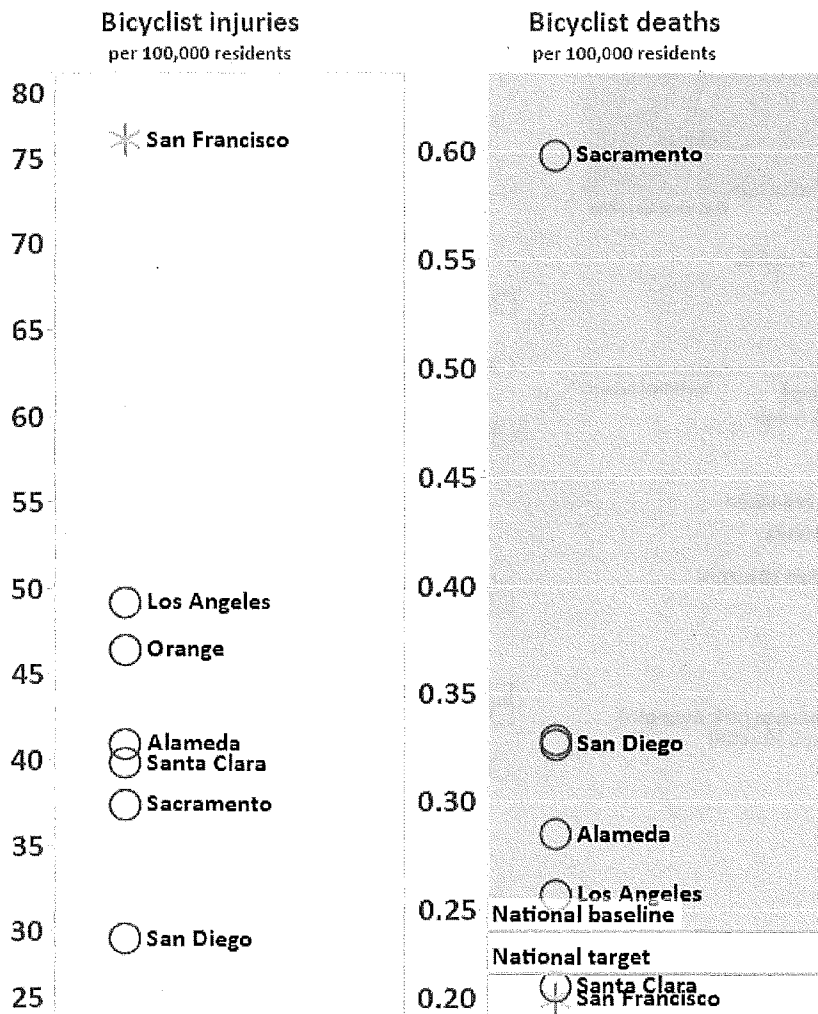
Cyclist safety

The charts below show per capita traffic death and injury rates for cyclists. According to California Highway Patrol data from 2009 to 2012, between one and three cyclists are killed in San Francisco traffic each year.

San Francisco paradoxically appears both at the top and bottom of the peer group for cycling safety: San Franciscans were the most likely to be injured cycling but the least likely to be killed. The ranking of counties on non-fatal cycling injuries mirrors that on pedestrian injuries from the previous page; San Francisco has the worst rate by a wide margin, followed by Los Angeles. DPH reports that the rates of cyclist injury and death have been increasing in recent years, as have the number of cyclists on San Francisco streets.

Only San Francisco and Santa Clara counties already exceed Healthy People targets for reducing cycling death. A fundamental principal of Vision Zero – whose goal is zero traffic deaths – is that mistakes on the road should not lead to death. Future research might untangle where the causes and circumstances of cycling injury differ from those of cycling death.

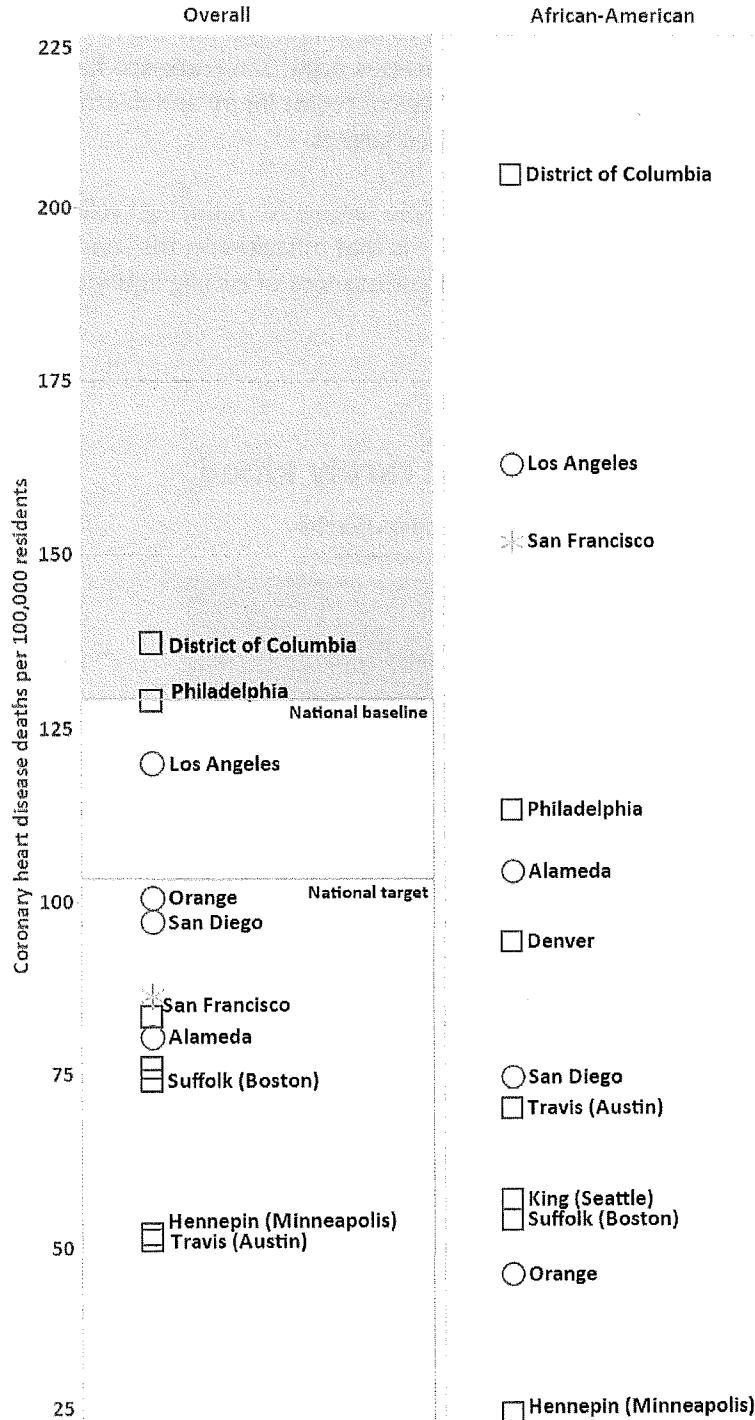
SF cyclists frequently injured but rarely killed



Source: California Highway Patrol Integrated Traffic Records System.
 Injuries: 2012; deaths:2009-2012

Vulnerable populations
African-Americans

SF shows large disparity in racial heart disease mortality



Sources: CDC National Center for Health Statistics, Compressed Mortality File 2010-2012, US Census Bureau 1970-2010

African-American heart disease

Over the past several decades, African-Americans have migrated out of San Francisco, dropping from 13% of the population in 1970 to about 6% of the population in 2010 (US Census Bureau). Over that time, middle- and upper-income black households have left at a higher rate than low-income households. Today, San Francisco’s black residents face more than double the poverty and unemployment rates of non-black residents (Mayor’s Task Force).

African-Americans leaving San Francisco

Year	Black San Franciscans	As a % of population
1970	96,000	13.4%
1980	86,000	12.7%
1990	79,000	10.9%
2000	61,000	7.8%
2010	49,000	6.1%

In response to large health disparities between the black population and general population, PHD has a focus on African-American health. The data show not only that African-Americans suffer from poorer health than the general population, but also that the size of the disparity (i.e., the gap between black and non-black rates) is greater in San Francisco than in peer jurisdictions. (In the graphs that follow, baselines and targets are shown in dark and light grey and are only available for the overall population.)

The graph at left shows the rate of death from heart disease. While San Francisco’s overall mortality rate is better than HP2020 targets, our rank in African-American heart disease is the third worst.

Only Washington, D.C. has a bigger disparity between general and black heart disease rates. In contrast, about half of the benchmarked counties show lower heart disease in the black population.

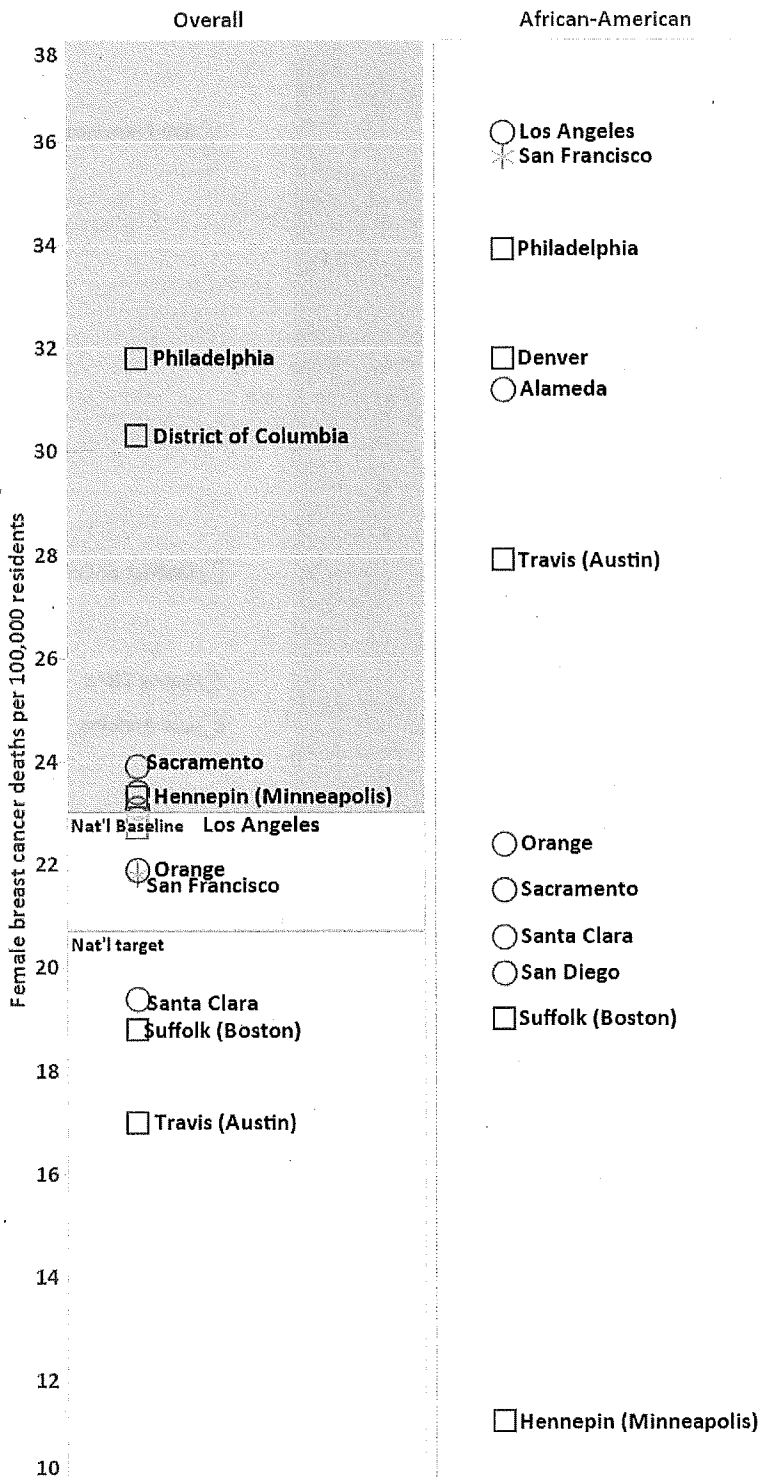
African-American breast cancer

African-American women die of breast cancer at a much higher rate than the general population.

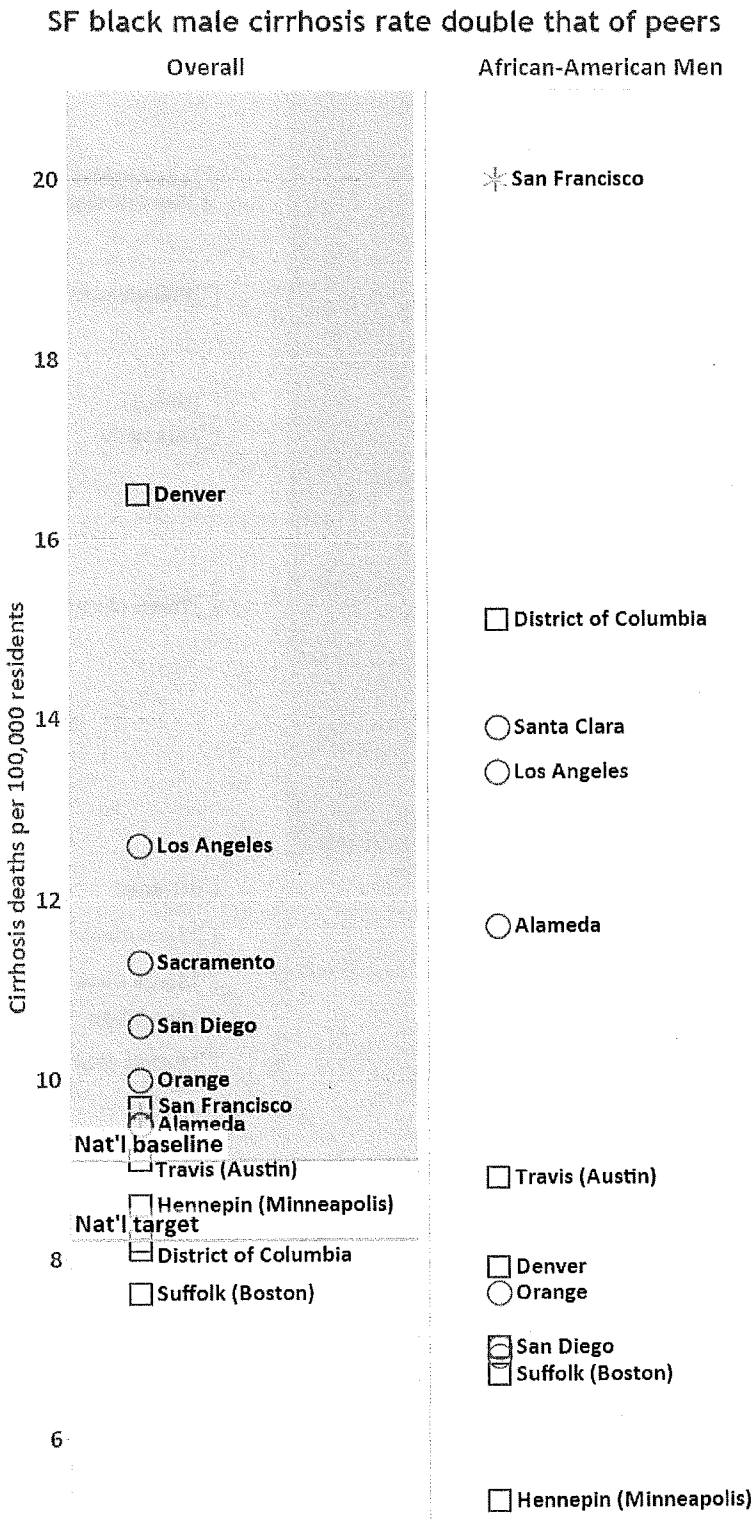
Among the general population, San Francisco’s breast cancer mortality was lower than most peers and the national baseline, though still in excess of the HP2020 target.

San Francisco’s African-American breast cancer death rate, on the other hand, is among the worst. The health disparity – the difference between the overall and African-American rates – is greater in San Francisco than in any peer jurisdiction. Contrast San Francisco to nearby Santa Clara, whose overall rate is similar, but whose African-American rate was hardly worse than the national baseline for the general population. Several peer counties, notably Hennepin, showed substantially lower cancer rates in the black community.

SF shows high black breast cancer mortality



Source: CDC National Center for Health Statistics, Compressed Mortality File 2010-2012



Source: CDC National Center for Health Statistics, Compressed Mortality File 2009-2012

African-American alcohol-related death

The graph at left shows the rate of death by cirrhosis, a liver condition frequently caused by alcoholism, among the general population versus black men.

In San Francisco, black men die of cirrhosis at more than double the rate of the general population. While the City's overall cirrhosis rate lies just above the national average, its African-American male rate far exceeds all peers.

Here again, San Francisco has the worst disparity among all the peers (a difference of 10.4 deaths per 100,000 residents). The county with the second-largest gap, Washington D.C., has a disparity of only seven. Neighboring Santa Clara County has the third biggest disparity, but at 4.4, Alameda's gap is less than half the size of San Francisco's.

In about half of peer counties, black men enjoy a lower rate of cirrhosis than the general population. While Denver's overall cirrhosis mortality is by far the highest in the group, cirrhosis death among black men is lower than the HP2020 target.

A fuller analysis of racial disparities would take into account differences in the size and socioeconomic status of the black community in each county.

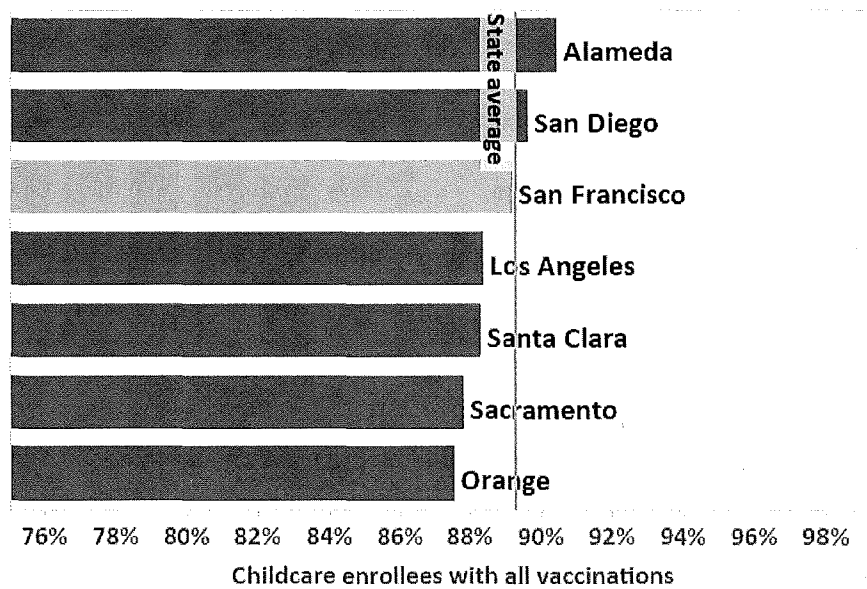
Children

Vaccination and child maltreatment

These graphs show two different measures of childhood health. In both measures, neighboring Alameda County posts the best numbers in the state.

San Francisco ranks third among the seven California counties in the percent of all childcare-enrolled children who have all required immunizations. Approximately a third of children age 2 to 5 attend state licensed childcare facilities, which are required by state law to assess whether each child has received a standard set of childhood immunizations. Statewide, 89.3% of childcare enrollees were fully vaccinated. San Francisco’s vaccination rate of 89.2% places it just shy of the state average but ahead of most of its urban peers (California DPH).

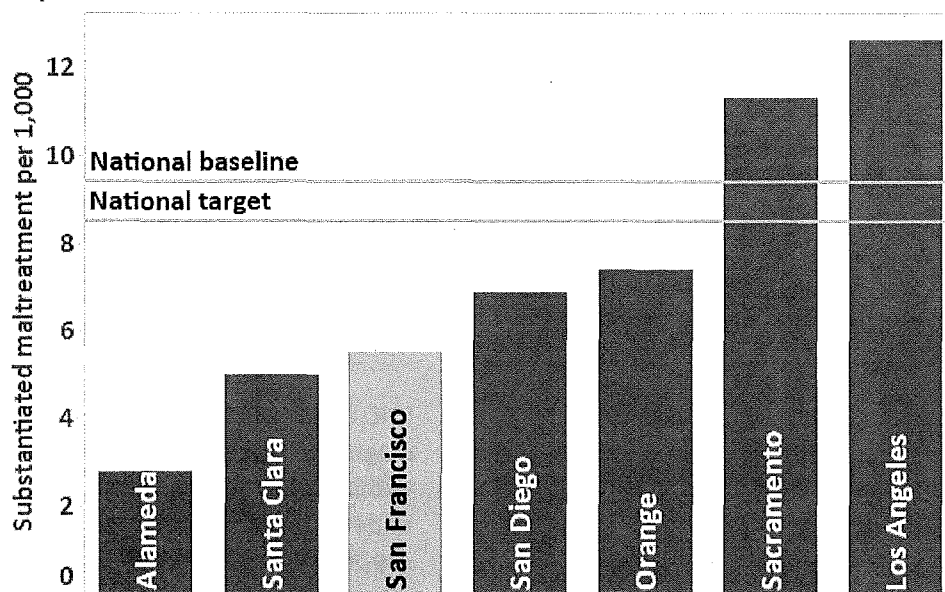
San Francisco childhood vaccinations at state average



Source: California DPH 2013-14

San Francisco also shows the third lowest rate of substantiated child maltreatment among its peers. These data are compiled by a team at UC Berkeley from the California Child Welfare System, which investigates reports of physical, sexual, or emotional abuse against children. In 2013, about one of every 200 children in San Francisco was found by the state to have been mistreated – that rate is about half the national average, though still higher than the two other Bay Area counties in the analysis.

Bay Area counties show lowest child maltreatment



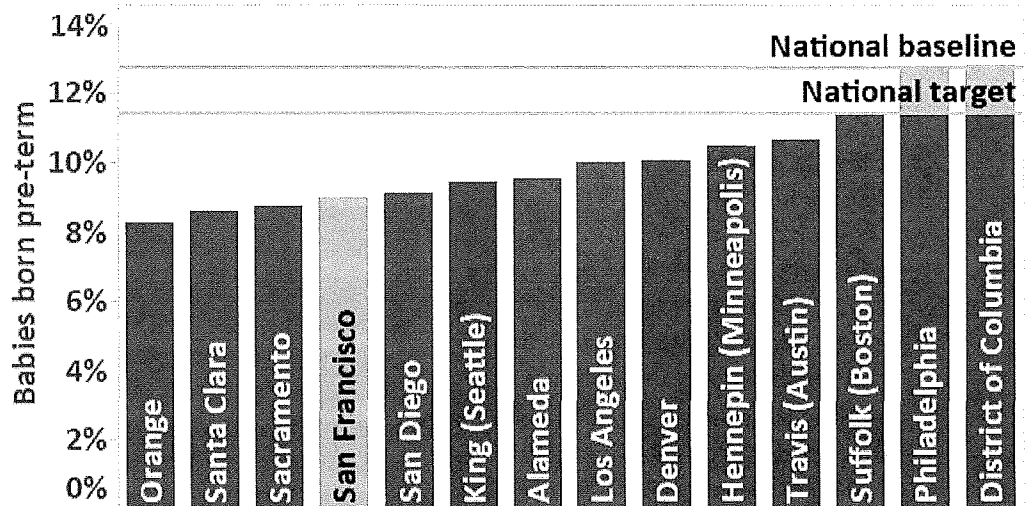
Source: California Child Welfare Services 2013

Pre-term infants

California counties showed much better infant health than other counties around the nation. The graph at right shows the number of babies born early (before 37 weeks), as reported by the Centers for Disease Control. All California counties far exceed the national target.

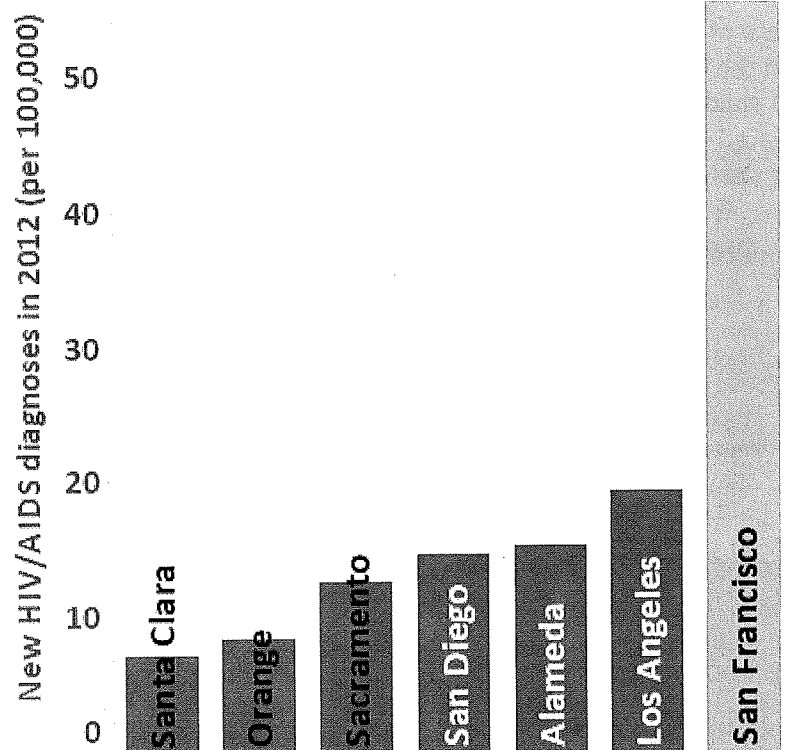
In San Francisco, 9% of all births were pre-term. That figure places San Francisco in line with other Bay Area counties.

Bay Area counties comparable on pre-natal health



Source: CDC National Center for Health Statistics, Compressed Natality File 2007-2012

HIV diagnosis still strongest in SF



Source: California DPH, Immunization Branch 2012

People living with HIV/AIDS

New HIV diagnoses

People in San Francisco continue to be disproportionately affected by HIV, compared to people in other California counties. The graph at left shows HIV or AIDS cases newly diagnosed in 2012, as reported to the California DPH. Health care providers are required by law to report new HIV or AIDS cases to the California Office of AIDS for monitoring.

San Francisco diagnosed 465 new cases of HIV or AIDS in 2012. When adjusted for population size, the rate of new diagnoses in San Francisco is nearly triple that of the next highest county in the state. San Francisco's high rate could be due in part to greater efforts at identifying undiagnosed HIV.

PHD estimates that 85% of those newly diagnosed with HIV are linked to care within three months, and that just under 70% of new HIV cases are virally suppressed within a year (PHD Strategic Plan). These two headline indicators were not available for other counties

Future research

This report examined health indicators for both the general San Francisco population and specific at-risk sub-groups, compared to the health of peer counties. A future report in the Controller's office benchmarking series could compare the types of services provided by the San Francisco Public Health Department with those provided by other local health departments.

Benchmarking methodology

Data sources

Metric	Agency	Data Source	Year	Headline indicator?	HP 2020 target (baseline)	Definition and description
Insured population	US Census Bureau, via County Health Rankings	Small Area Health Insurance Estimates (SAHIE)	2011	YES (if including Healthy SF)	100% (83%)	The proportion of the population aged 65 and older (below Medicare age) who are insured. The SAHIE program uses several federal data sources to estimate insurance coverage.
Could not afford care	Centers for Disease Control, via County Health Rankings	Behavioral Risk Factor Surveillance System (BRFSS)	2006-2012	NO	--	The proportion of respondents who reported they could not see a doctor in the past year. The BRFSS is a national survey that assesses health behaviors.
Physical inactivity	Centers for Disease Control, via County Health Rankings	Behavioral Risk Factor Surveillance System (BRFSS)	2010	YES (different data source)	32.6% (36.2%)	The proportion of the population aged 18 and older who reported no leisure time physical activity in the past 12 months. On BRFSS, see above.
Obesity	Centers for Disease Control, via County Health Rankings	Behavioral Risk Factor Surveillance System (BRFSS)	2010	NO	30.5% (33.9%)	The proportion of the population aged 18 and older with a body mass index (BMI) of 30 kg/m ² or higher. On BRFSS, see above.
Food insecurity	US Census Bureau	Current Population Survey, Food Security Supplement (CPS-FSS)	2013	YES (different data source)	6.0% (14.6%)	The proportion of the population aged 18 and older who reported that they did not have enough food to eat in the past 12 months. Data were collected in a survey conducted annually by the United States Department of Agriculture (USDA) and the US Census Bureau.

City Services Benchmarking: Population Health

Metric	Agency	Data Source	Year	Headline indicator?	HP 2020 target (baseline)	Definition and desc
Days with good air quality	US Environmental Protection Agency	Air Quality Index	2013	YES	--	The AirData system values for US county rating of "Good," "M sensitive groups," "I
Adult smoking rate	Centers for Disease Control, via County Health Rankings	Behavioral Risk Factor Surveillance System (BRFSS)	2006-2012	YES (different data source)	12.0% (20.6%)	The proportion of th that currently smok has smoked at least On BRFSS, see above
Traffic injury data	California Highway Patrol	Statewide Integrated Traffic Records System (SWITRS)	2012	YES (pedestrian data only)	Ped injury 20.3 (22.6) (Cyclist injury N/A)	Pedestrian and cycli calculated by taking pedestrians injured county's population Records System (SW scenes.
Traffic mortality data	California Highway Patrol	Statewide Integrated Traffic Records System (SWITRS)	2009 - 2012	YES (pedestrian data only)	Ped death 1.4 (1.5) Cyclist death 0.22 (0.24)	Pedestrian and cycli calculated by taking cyclists and pedestr dividing by the cour Integrated Traffic Re data from collision s

City Services Benchmarking: Population Health

Metric	Agency	Data Source	Year	Headline indicator?	HP 2020 target (baseline)	Definition and desc
Coronary heart disease mortality, age-adjusted	Centers for Disease Control	National Vital Statistics System, Compressed Mortality File	2010-2012	YES	103.4 (129.2)	Death due to ischen coronary artery dise 10 codes I20-I25). Mortality data from System (NVSS) are a demographic, geogr information. This is related data that ar geographic areas an period in the United adjusted to account size of the populati
Female breast cancer mortality, age-adjusted	Centers for Disease Control	National Vital Statistics System, Compressed Mortality File	2010 - 2012	YES	20.7 (23)	Death due to malign breast (ICD-10 code On NVSS, see above
Cirrhosis mortality, age-adjusted	Centers for Disease Control	National Vital Statistics System, Compressed Mortality File	2009 - 2012	YES	8.2 (9.1)	Deaths due to cirrho On NVSS, see above
Childhood vaccination rate	California Department of Public Health	Immunization Levels in Child Care and Schools	2013-14	NO	--	The percent of child licensed child care f immunizations: dipt measles/mumps/ru varicella. The Califoi requires students tc for school and child schools and child ca annually the immun

City Services Benchmarking: Population Health

Metric	Agency	Data Source	Year	Headline indicator?	HP 2020 target (baseline)	Definition and desc
Substantiated child maltreatment	California Department of Social Services, via the California Child Welfare Indicators Project	California Child Welfare Services / Case Management System	2013	YES	8.5 (9.4)	Rate per 1,000 child California Child Welfare non-fatal abuse or r given year are comp unduplicated count maltreatment subst and then multiplying Welfare Indicators F venture between th Berkeley (UCB) Schc California Departme
Rate of pre-term births	Centers for Disease Control and Prevention	National Vital Statistics System, Natality (Birth) Data	2007 - 2012	YES	11.4% (12.7%)	The percent of infar 37 th week of gestati and rates of births c to U.S. residents and are defined by the n recorded on the birt
New HIV diagnoses	California Department of Public Health	HIV/AIDS Surveillance	2012	YES (different data source)	--	The number of new adjusted for popula required by law to r California Office of / number of surveillai infections (new and those at elevated ris
Demographic data	US Census Bureau	American Communities Survey (ACS)	2013			Data on population, proficiency, poverty American Communi Bureau's QuickFacts

City Services Benchmarking: Population Health

Metric	Agency	Data Source	Year	Headline indicator?	HP 2020 target (baseline)	Definition and desc
--	County Health Rankings	various	varies			The County Health F a collaboration betv Foundation and the Population Health Ir vital health factors, rates, obesity, smok healthy foods, the q and teen births in n CHR's summary of d used in many of the
--	Office of Disease Prevention and Health Promotion	Healthy People 2020	Varies			Healthy People prov national objectives f Americans. For thre established health b progress over time. cites Healthy People and uses Healthy Pe People does not pro

Peer selection

Because the purpose of the peer group is to provide a basis for comparison with a particular government of interest, the selection of an appropriate peer group is an important part of the benchmarking process. Applying objective criteria allows for unbiased peer selection.

Because most health data at the state and federal level is reported by county, we compared San Francisco to peer counties rather than cities. We restricted our search to counties with a population greater than 500,000 that were classified in the National Center for Health Statistics 2013 Urban-Rural Classification Scheme as a Large Central Metro county (Ingram), the most urban category.

We calculated “likeness scores” to determine the degree of similarity between San Francisco and potential peers with respect to total population, population density, poverty rate, English proficiency, household income, and the uninsured rate (Census Bureau QuickFacts and Census Bureau Small Area Health Insurance Estimates, via County Health Rankings). Likeness scores are based on the percentage difference between San Francisco and the candidate peers on each of the six factors. Potential peers included all California Large Central Metro counties, counties containing the 15 most populous cities in the United States, and other select counties. The individual percentage difference scores were averaged to yield a total likeness score between zero and one. Counties with lower scores were more similar to San Francisco.

We selected for comparison the five California counties with lowest likeness scores, plus Los Angeles (commonly used as a peer by the San Francisco Department of Public Health Population Health Division) as well as the seven non-California counties with the lowest likeness scores.

Peer county likeness scores

	County	Principal city	Likeness score
California	San Francisco*	San Francisco	0.00
	Alameda	Oakland	0.31
	Orange	Anaheim, Santa Ana	0.35
	Santa Clara	San Jose	0.37
	Sacramento	Sacramento	0.40
	San Diego	San Diego	0.43
	Los Angeles	Los Angeles	0.46
Non-California	Suffolk, MA	Boston	0.30
	District of Columbia*	Washington	0.39
	Hennepin, MN	Minneapolis	0.39
	King, WA	Seattle	0.40
	Denver, CO*	Denver	0.40
	Travis, TX	Austin	0.40
	Philadelphia, PA*	Philadelphia	0.41

* indicates joint city-county government. The District of Columbia is neither a city nor county, but performs functions of both.

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**CONTROLLER'S OFFICE
CITY SERVICES AUDITOR**

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the city to other public agencies and jurisdictions.
- Conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of city resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of city government.

Project Team: Peg Stevenson, Director
Randle McClure, Project Manager
Ryan Hunter, Performance Analyst

For more information, please contact:

Ryan Hunter
Office of the Controller
City and County of San Francisco
(415) 554-7533 | ryan.hunter@sfgov.org

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: San Francisco is Dirty - Let's clean it up!!!

From: Sue Todd [mailto:st_ppw@outlook.com]
Sent: Wednesday, February 04, 2015 4:24 PM
To: Board of Supervisors (BOS)
Subject: San Francisco is Dirty - Let's clean it up!!!

Can we please do something to clean our streets? What about an awareness campaign hitting all neighborhoods to make San Francisco clean again?

Litter is a big problem and everyone visiting here notices how dirty the City is and comment about it...I am sure you've heard this already, but what are YOU doing about it? We have no campaigns to bring this issue to the light. Why not? Let's take a stand on this issue and now!

Our City has exploded with more people and more people makes for more litter problems. Our streets are filthy dirty, trash cans overflowing and not enough trash cans on the street in enough locations. We need our street sweepers more often and we need building owners to take care of the sidewalk in front of their building. Frankly, I am sick of walking by doorways where people have pissed and the smell is staggering. It should be the building owners responsibility to keep the sidewalk and doorways clean(that also includes the fact people smoke and throw their butts all over the street. Buildings should be required to have an ashtray that is emptied day by day to avoid the tonnage of butts that litter our streets) whether the owner lives locally or not...they should be required to have someone take care of the street in front of your building just like the do in Europe. They have clean streets and people know not to litter or pee in someone's doorway.

It seems our City focuses on building more buildings which mean MORE people, but what are we doing to make changes to the existing problem of dirty streets (realizing that the homeless population contribute a great deal to this problem but that does not make it right). Let's deal with the litter problem - create an awareness campaign for all to pitch in and set up the rules, asking merchants and building owners to do their part, provide more trash cans and empty them more often, make it a law that outdoor ashtrays must be provided for all buildings where smokers congregate and create butt litter which means more street clean up. Everyone has to take part and buy into this concept and they will if you will start the awareness of the problem. We took a walk from Fisherman's Wharf to 2nd street recently and I was so sad about all the garbage in our streets. It is disgusting and I find it baffling why we are not doing anything about it. Take a walk around town if you don't know what I am talking about.

We have a beautiful City and we are all lucky to live here. I would like to see City government take a stand on the litter issues here and do something NOW. Please.

Sue

Sent from Windows Mail

From: Gerri Hayes [gerjhay@hotmail.com]
Sent: Thursday, February 05, 2015 10:36 AM
To: Board of Supervisors (BOS); Olague, Christina; Kim, Jane (BOS); Campos, David (BOS); Chiu, David (BOS); Mar, Eric (BOS); Supervisor San Francisco Supervisor San Francisco; Elsbernd, Sean; Supervisor; Cohen, Malia (BOS); Farrell, Mark (BOS)
Subject: Citizen concern..Free Muni

Hello,
I am a citizen of San Francisco and I am sending this email to your board as you all are the ones who voted to have the Free Muni for Seniors(and disabled) added as of March 2015. I have become aware of a discrepancy, in my humble opinion.

I first notified a staff member of Free Muni but saw no results forthcoming. So, now, I am informing San Francisco board and Free Muni through writing. Below is the information I sent to Free Muni and I feel I should send it to you all as well so the misleading paper forms are corrected. Please see below.

Thank you in advance for taken the time to read my concerns via email:

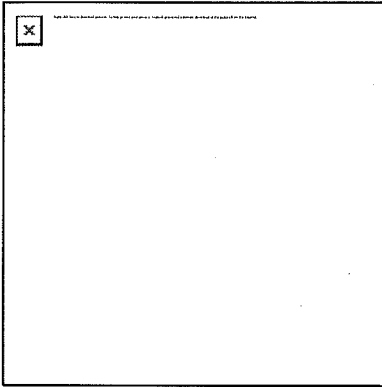
Pasted here from my Free Muni form: Tracking Number is: 4462063

Hello,
I called Free Muni January 22nd 2015 and I spoke to a muni lady by phone and I asked her to let Muni know that the paper form that was given out is misleading because it does not have the information on it that Senior citizens are people 65 and over! One has to actually go to the Muni site and read the fine print to find out that if you are 50 plus you do not qualify for Senior citizen status with Free Muni. Even AARP considers those 50 plus as Senior Citizens; so, many will think that they qualify when they do not. Therefore, if people do not take the time to go to the site, they will not know this important information and think that they qualify when they do not for the free muni. It has been a couple of weeks since I phone that misleading inquiry in and yet, there has not been any information forthcoming on the local NEWS to correct this because the forms are misleading unless you reprinted them and added that fact since January 21 2015. It is on the site and should be in the printed form so we do not waste our time applying as Seniors when you have a strict guideline as to what the age requirement is for Seniors. I was hoping that clarification would be forthcoming via the news but since it has not, I am writing you about it. Maybe the lady did not pass that information along as she told me she would do? I do hope that Free Muni takes on the responsibility of clarifying that important point via the same media you advertised from(local NEWS) for Seniors because a person is also considered a senior at 50. Tell the people they need to be 65 or over to qualify!

Thank you very much for taken the time to read this inquiry and my comments on Free Muni for Seniors.

Have a wonderful and blessed day, Gerri Hayes

With God All Things Are Possible..



From: Reports, Controller (CON) [controller.reports@sfgov.org]
Sent: Thursday, February 05, 2015 1:59 PM
To: Calvillo, Angela (BOS); BOS-Supervisors; Kawa, Steve (MYR); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); sfdocs@sfpl.info; CON-EVERYONE; Moyer, Monique (PRT); Quesada, Amy (PRT); Forbes, Elaine (PRT); Woo, John (PRT); onguyen@kpmg.com; nrose@kpmg.com; Eugene.Yano@YanoCPA.com; Rick.brandt@baesystems.com; mcostello@scomas.com
Subject: Issued: Port Commission: Compliance Audits of BAE Systems San Francisco Ship Repair, Inc., and Scoma's Restaurant, Inc.

The San Francisco Port Commission (Port) coordinates with the Office of the Controller's City Services Auditor Division (CSA) to periodically audit the Port's tenants. CSA engaged KPMG LLP to audit tenants at the Port of San Francisco to determine whether they comply with the reporting, payment, and selected other provisions of their agreements with the Port.

CSA presents the reports for the audits of BAE Systems San Francisco Ship Repair, Inc., and Scoma's Restaurant, Inc.

BAE Systems San Francisco Ship Repair, Inc.: <http://openbook.sfgov.org/webreports/details3.aspx?id=1878>

BAE Systems San Francisco Ship Repair, Inc., (BAE Systems) inaccurately calculated its rent due to the Port. BAE Systems overstated the exclusion for revenues derived from services not performed on the leased premises by \$105,422, causing it to underpay \$3,479 in percentage rent. BAE Systems remitted the underpayment to the Port in November 2014. During the audit period BAE Systems reported \$171,533,416 in gross receipts and paid \$5,376,215 in rent to the Port.

Scoma's Restaurant, Inc.: <http://openbook.sfgov.org/webreports/details3.aspx?id=1877>

Scoma's Restaurant, Inc., (Scoma's) inaccurately calculated and reported gross receipts to the Port. Scoma's misstated gross receipts because it underreported and overreported various exclusions and sales revenue, resulting in a net overreporting of gross receipts of \$27,083 and a net overpayment of \$1,833 in rent. During the audit period Scoma's reported \$46,092,939 in gross receipts and paid \$2,996,946 in rent to the Port.

This is a send-only e-mail address.

For questions about the reports, please contact Director of City Audits Tonia Lediju at Tonia.Lediju@sfgov.org or 415-554-5393 or the CSA Audits Unit at 415-554-7469.

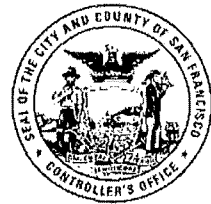
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City and County of San Francisco

Office of the Controller – City Services Auditor

PORT COMMISSION:

**BAE Systems San Francisco
Ship Repair, Inc., Underpaid
Rent by \$3,479 to the Port for
2011 Through 2013**



February 5, 2015

**OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR**

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and Web site and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts its audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions about the report, please contact Director of City Audits Tonia Lediju at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

CSA Audit Team: Winnie Woo, Associate Auditor

Audit Consultants: KPMG LLP



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

February 5, 2015

San Francisco Port Commission
Pier 1, The Embarcadero
San Francisco, CA 94111

Ms. Monique Moyer
Executive Director
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, CA 94111

Dear Commission President, Commissioners, and Ms. Moyer:

The City and County of San Francisco's Port Commission (Port) coordinates with the Office of the Controller's City Services Auditor Division (CSA) to conduct periodic concession and compliance audits of the Port's tenants. CSA engaged KPMG LLP (KPMG) to audit the Port's tenants to determine whether they comply with the reporting, payment, and other selected provisions of their leases.

CSA presents the report for the audit of BAE Systems San Francisco Ship Repair, Inc. (BAE Systems) prepared by KPMG. BAE Systems leases Port property to provide ship repair services.

Reporting Period: January 1, 2011, through December 31, 2013

Rent Paid: \$5,376,215

Results:

BAE Systems did not accurately calculate its rent due to the Port. This occurred because BAE Systems overstated the exclusion for revenues derived from services not performed on the leased premises by \$105,422, causing it to underpay \$3,479 in rent. BAE Systems remitted the underpayment to the Port in November 2014. During the audit period BAE Systems reported \$171,533,416 in gross receipts and paid \$5,376,215 in rent to the Port.

The Port's response is attached to this report. BAE Systems agrees with audit finding.

CSA appreciates the assistance and cooperation of Port and tenant staff during the audit. For questions about the report, please contact me at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Tonia Lediju
Director of City Audits

Attachment

cc: Mayor
Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Public Library



KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Performance Audit Report

San Francisco Port Commission
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, California 94111

President and Members:

We have completed a performance audit of the Gross Revenues and related percentage rent reported and paid or payable by BAE Systems San Francisco Ship Repair, Inc. ("Tenant"), to the Port of San Francisco ("Port") for the period from January 1, 2011 to December 31, 2013.

Objective and Scope

The objective of this performance audit was to determine whether the Tenant was in substantial compliance with the reporting, payment, and other rent-related provisions of its lease #L-11320, together with the six amendments to this lease ("Amended Lease") with the City and County of San Francisco ("City"), operating through the San Francisco Port Commission ("Port Commission"). To meet the objective of our performance audit, we verified that Gross Revenues for the audit period were reported to the Port in accordance with the lease provisions, and that such amounts agreed with the Tenant's underlying accounting records; identified and reported the amount and cause of any error(s) (over or under) in reporting, together with the impact on rent paid or payable to the Port; and identified and reported any recommendations to improve record keeping and reporting processes of the Tenant relative to its ability to comply with Amended Lease provisions.

The scope of our performance audit included the Gross Revenues and related percentage rent reported and paid or payable by the Tenant to the Port for the period from January 1, 2011 to December 31, 2013.

This performance audit and the resulting report relates only to the Gross Revenues and percentage rent reported by the Tenant, and does not extend to any other performance or financial audits of either the Port Commission or BAE Systems San Francisco Ship Repair, Inc. taken as a whole.

Methodology

To meet the objective of our performance audit, we performed the following procedures: reviewed the applicable terms of the Amended Lease and the Tenant's procedures and internal controls for collecting, recording, summarizing, and reporting its Gross Revenues and calculating its payments to the Port; judgmentally selected and tested samples of revenues; recalculated monthly rent due; and verified the accuracy and timeliness of reporting Gross Revenues and rent and submission of rent payments to the Port.



We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objective.

Tenant Background

The predecessor in interest to the Tenant entered into lease #L-11320 with an agreed-upon commencement date of December 17, 1987. The current Tenant assumed all of the rights and obligations of the lease and its first amendment on September 29, 1994. The Tenant provides ship repair services on the Leased Premises. The Port and Tenant have agreed to five additional amendments to the lease since the assumption of the lease and first amendment.

Rent consists of the following:

- (1) Monthly minimum rent of \$79,166.67 between January 1, 2011 and December 31, 2012, and \$87,500.00 thereafter.
- (2) Percentage Rent of 3.3% of annual Gross Revenues from sales and other business transactions performed in, upon, or from the leased premises. The Tenant is allowed to deduct all minimum rent paid from percentage rent due.

The Tenant is allowed to exclude the following from Gross Revenues: collections for revenues and other business transactions not performed in, upon, or from the leased premises, and sales taxes or similar impositions. The Tenant provides "outside yard" repair services for other customers at locations other than the Leased Premises. The Tenant is allowed to exclude these outside yard revenues from Gross Revenues. The Tenant is required to submit quarterly reports to the Port of Gross Revenues and percentage rent within 30 days of the end of the calendar quarter and pay the percentage rent obligation in excess of minimum rent, if any. Any excess of quarterly percentage rent payments over annual percentage rent due to the Port is applied as a credit to the next year. The Tenant is also reimbursed for certain capital improvement expenditures in the form of rent credits.



Audit Results

The following summarizes total rent due to the Port, paid or payable to the Port, rent credits, and any underpayment based on procedures performed and pursuant to the Amended Lease as summarized above:

	January 1 to December 31			
	2011	2012	2013	Total
Rent due to the Port:				
Minimum rent	\$ 950,000	950,000	1,050,000	2,950,000
Percentage rent	478,275	960,900	990,519	2,429,694
Total rent due to the Port	1,428,275	1,910,900	2,040,519	5,379,694
Rent paid or payable to the Port, and other credits:				
Rent paid or payable to the Port	1,029,036	1,610,900	1,740,519	4,380,455
Rent credits	395,760	300,000	300,000	995,760
Total rent paid or payable to the Port, and other credits	1,424,796	1,910,900	2,040,519	5,376,215
Underpayment of rent	\$ (3,479)	—	—	(3,479)



The following summarizes audited Gross Revenues and related percentage rent paid or payable after deductions or minimum rent during the three-year period ended December 31, 2013:

	January 1 to December 31			
	2011	2012	2013	Total
Gross revenues:				
Gross revenues as reported:				
Total revenues	\$ 47,794,191	60,380,757	63,358,468	171,533,416
Less outside yard sales	(4,618,556)	(2,474,690)	(1,524,571)	(8,617,817)
Net gross revenues as reported	43,175,635	57,906,067	61,833,897	162,915,599
Audit adjustments, incorrect exclusion of outside yard sales	105,422	—	—	105,422
Audited gross revenues	43,281,057	57,906,067	61,833,897	\$ 163,021,021
Times 3.30%	3.30%	3.30%	3.30%	
Percentage rent before deduction for minimum rent	1,428,275	1,910,900	2,040,519	5,379,694
Deduction for minimum rent	(950,000)	(950,000)	(1,050,000)	(2,950,000)
Percentage rent after deduction for minimum rent	\$ 478,275	960,900	990,519	2,429,694

Finding 2013-01 – The Tenant Overstated the Exclusion for Gross Revenues Not Performed In, Upon, or From the Leased Premises

Criteria

Section 4.E.(2) of the Amended Lease specifies the Tenant's requirement to pay percentage rent and states in part that "...Tenant shall pay Port percentage rent equal to 3.3% of Gross Revenues..."

Section 4.E.(4)(i) of the Amended Lease defines Gross Revenues and states in part that Gross Revenues "...means all payments, revenues, fees or amounts received by Tenant or by any other person or entity from any sales or business transacted or services performed in, upon or from any part of the Premises..."

Section 4.C of the Amended Lease specifies a late payment charge "...equivalent to 1.5% of all rent charges and fees or any portion thereof due and unpaid for more than thirty (30) days will be paid by Tenant for each month that such rent, charges and fees or any portion thereof remain due and unpaid..."

Conditions and Effects

The Tenant overstated the exclusion for revenues not performed in, upon, or from any part of the leased premises by \$105,422 in April 2011. This resulted in underpayment of percentage rent by \$3,479 for the quarter ended June 30, 2011. Late fees of \$52.18 per month also accrue from July 31, 2011. Accrued late fees are \$1,513 as of December 31, 2013, and increase by \$52.18 per month until paid.



Cause

The cause resulted from the Tenant's inadequate review over the calculation for exclusions from Gross Revenue for the quarter ended June 30, 2011.

Recommendation

We recommend that the Port collect the \$3,479 of underpayment of rent, accrued interest of \$1,513 as of December 31, 2013, and any additional accrued interest until paid.

Views of Responsible Officials

The Tenant agrees with the finding.

Conclusion

Based upon the performance audit procedures performed and the results obtained, we have met our audit objective. Except as described above, we concluded that the Tenant was in substantial compliance with the reporting, payment, and other rent-related provisions of its lease #L-11320, as amended, with the Port.

This performance audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards* or auditing standards generally accepted in the United States of America. KPMG LLP was not engaged to, and did not, render an opinion on the Tenant's internal controls over financial reporting, or over the Tenant's financial management systems.

Restriction on Use

The purpose of this performance audit report is solely to evaluate BAE Systems San Francisco Ship Repair, Inc.'s compliance with lease requirements on the reporting of Gross Revenues and related percentage rent. Accordingly, this performance audit report is not suitable for any other purpose.

KPMG LLP

January 14, 2015



January 21, 2015

Tonia Lediju, Director of City Audits
Office of the Controller
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 477
San Francisco, CA 94102

Re: Performance Audit – BAE Systems San Francisco Ship Repair, Inc

Dear Ms. Lediju:

Thank you for the opportunity to review the draft performance audit report prepared by KPMG LLP covering Port lease no. L-11320 with BAE Systems San Francisco Ship Repair, Inc. Based on the report details provided by KPMG, Port management accepts the draft report. Please find attached the City's standard Recommendations and Responses form for inclusion with the final published report.

We are pleased to note that our tenant has also accepted the report and, on November 24, 2014, paid the identified rent underpayment plus accrued interest. This one audit finding is resolved.

Please do not hesitate to contact us if you have any questions or require further information.

Sincerely,



Peter A. Dailey
Director of Maritime



John J. Woo
Fiscal Officer

Enclosure

Cc: Elaine Forbes, Director of Finance and Administration
Nancy Rose, KPMG LLP
Oanh Nguyen, KPMG LLP

PORT COMMISSION: PERFORMANCE AUDIT OF BAE SYSTEMS SAN FRANCISCO SHIP REPAIR, INC.

For each recommendation, indicate whether the department concurs, does not concur, or partially concurs. If the department concurs, please indicate the expected implementation date and implementation plan. If the department does not concur, please provide an explanation and an alternate plan of action to address the identified issue.

RECOMMENDATIONS AND RESPONSES

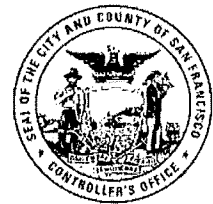
Recommendation	Responsible Agency	Response
1. We recommend that the Port collect the \$3,479 of underpayment of rent, accrued interest of \$1,513 as of December 31, 2013, and any additional accrued interest until paid.	Port	Concur and resolved. Tenant remitted payment for the identified underpayment and associated interest.

City and County of San Francisco

Office of the Controller – City Services Auditor

PORT COMMISSION:

Scoma's Restaurant, Inc., Had Inadequate Internal Controls Over the Reporting of Gross Receipts to the Port for 2011 Through 2013



February 5, 2015

**OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR**

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
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CSA conducts its audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions about the report, please contact Director of City Audits Tonia Lediju at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

CSA Audit Team: Winnie Woo, Associate Auditor

Audit Consultants: KPMG LLP



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

February 5, 2015

San Francisco Port Commission
Pier 1, The Embarcadero
San Francisco, CA 94111

Ms. Monique Moyer
Executive Director
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, CA 94111

Dear Commission President, Commissioners, and Ms. Moyer:

The City and County of San Francisco's Port Commission (Port) coordinates with the Office of the Controller's City Services Auditor Division (CSA) to conduct periodic concession and compliance audits of the Port's tenants. CSA engaged KPMG LLP (KPMG) to audit the Port's tenants to determine whether they comply with the reporting, payment, and other selected provisions of their leases.

CSA presents the report for the audit of Scoma's Restaurant, Inc., (Scoma's) prepared by KPMG. Scoma's leases Port property to operate a restaurant and a retail store in the Fisherman's Wharf area.

Reporting Period: January 1, 2011, through December 31, 2013

Rent Paid: \$2,996,946

Results:

Scoma's did not accurately calculate and report gross receipts to the Port. This occurred because Scoma's underreported and overreported various exclusions and gross receipts, resulting in a net overreporting of \$27,083 in gross receipts and a net overpayment of \$1,833 in rent. Scoma's also lacked internal controls to ensure the accuracy of its gross receipts reporting. During the audit period Scoma's reported \$46,092,939 in gross receipts and paid \$2,996,946 in rent to the Port.

The responses of Scoma's and the Port are attached to this report.

CSA appreciates the assistance and cooperation of Port and tenant staff during the audit. For questions about the report, please contact me at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

Tonia Lediju
Director of City Audits

Attachment

cc: Mayor
Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Public Library



KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Performance Audit Report

San Francisco Port Commission
Port of San Francisco
Pier 1, The Embarcadero
San Francisco, CA 94111

President and Members:

We have completed a performance audit of the gross receipts and related percentage rent reported and paid or payable by Scoma's Restaurant, Incorporated ("Scoma's" or "Tenant"), to the Port of San Francisco ("Port") for the period from January 1, 2011 to December 31, 2013.

Objective and Scope

The objective of this performance audit was to determine whether the Tenant was in substantial compliance with the reporting, payment and other rent-related provisions of its lease #L-8996 with the City and County of San Francisco ("City"), operating through the San Francisco Port Commission ("Port Commission"). To meet the objective of our performance audit, we verified that gross receipts for the audit period were reported to the Port in accordance with the lease provisions, and that such amounts agreed with the Tenant's underlying accounting records; identified and reported the amount and cause of any significant error(s) (over or under) in reporting, together with the impact on rent paid or payable to the Port; and identified and reported any recommendations to improve record-keeping and reporting processes of the Tenant relative to its ability to comply with lease provisions.

The scope of our audit included the gross receipts and related percentage rent reported and paid or payable by the Tenant to the Port for the period from January 1, 2011 to December 31, 2013.

This audit and the resulting report relates only to the gross receipts and percentage rent reported by Scoma's, and does not extend to any other performance or financial audits of the Port Commission or Scoma's taken as a whole.

Methodology

To meet the objective of our performance audit, we performed the following procedures: reviewed the applicable terms of the lease and the adequacy of the Tenant's procedures and internal controls for collecting, recording, summarizing, and reporting its gross receipts and calculating its payments to the Port; judgmentally selected and tested samples of daily and monthly revenues; recalculated monthly rent due; and verified the accuracy and timeliness of reporting gross receipts and rent and submitting rent payments to the Port.



We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objective.

Tenant Background

The Tenant entered into lease #L-8996 (the Lease Agreement) commencing on May 1, 1975 for a 61-year term with the City ending April 30, 2036. Two amendments to the Lease Agreement increased the size of Leased Premises. The Tenant operates Scoma's Restaurant, which includes a retail store, in the Fisherman's Wharf area.

Rent consists of the following:

- (1) Monthly minimum rent, subject to escalation every five years. Monthly minimum rent was \$20,105.44 for the entire three-year period ended December 31, 2013.
- (2) Percentage Rent on Gross Receipts, which consist of the following components:
 - a) Six and one-half percent (6.50%) on food;
 - b) Six and one-half percent (6.50%) on alcoholic beverages and all other items sold through the bar; and
 - c) Eight and one-half percent (8.50%) on all other uses.

The Tenant is entitled to exclude collections for sales taxes or similar impositions, and employee meals, from Gross Receipts. The Tenant is required to submit monthly reports to the Port of gross receipts and percentage rent by the 20th day of the following month and pay the percentage rent obligation in excess of minimum rent, if any.

Audit Results

The following summarizes total rent due, and paid or payable, to the Port, and any underpayment based on procedures performed and pursuant to the Lease Agreement as summarized above:

	January 1 to December 31			
	2011	2012	2013	Total
Rent due to the Port:				
Minimum rent	\$ 241,268	241,268	241,268	723,804
Percentage rent	743,564	769,280	758,465	2,271,309
Total rent due to the Port	984,832	1,010,548	999,733	2,995,113
Total rent paid or payable to the Port	985,641	1,010,522	1,000,783	2,996,946
Overpayment or (underpayment) of rent	\$ 809	(26)	1,050	1,833



The following summarizes audited gross receipts and related percentage rent paid or payable after deductions or minimum rent during the three-year period ended December 31, 2013:

	January 1 to December 31			
	2011	2012	2013	Total
Audited gross receipts subject to percentage rent of:				
Food and beverage (6.5%)	\$ 15,141,035	15,522,625	15,360,588	46,024,248
All other sales (8.5%)	7,826	18,549	15,233	41,608
Total audited gross receipts	\$ 15,148,861	15,541,174	15,375,821	46,065,856
Percentage rent on audited gross receipts subject to percentage rent of:				
Food and beverage (6.5%)	\$ 984,167	1,008,971	998,438	2,991,576
All other sales (8.5%)	665	1,577	1,295	3,537
Percentage rent before deduction for minimum rent	984,832	1,010,548	999,733	2,995,113
Deduction for minimum rent	(241,268)	(241,268)	(241,268)	(723,804)
Percentage rent paid or payable	\$ 743,564	769,280	758,465	2,271,309



The following summarizes gross receipts reportable by the Tenant for the three-year period ended December 31, 2013:

	January 1 to December 31			Total
	2011	2012	2013	
Gross receipts:				
Subject to 6.50% percentage rent:				
As reported	\$ 15,152,547	15,520,167	15,375,002	46,047,716
Audit adjustments:				
Incorrect calculation of food and beverage gross receipts	4,265	4,091	4,847	13,203
Incorrect calculation of complimentary food and beverage exclusion	9,407	9,249	7,674	26,330
Differences between recorded and reported gross receipts	(388)	20,834	—	20,446
Incorrect exclusion of spillage	(24,796)	(31,716)	(26,935)	(83,447)
Total audit adjustments	(11,512)	2,458	(14,414)	(23,468)
Audited gross receipts subject to 6.50% percentage rent	15,141,035	15,522,625	15,360,588	46,024,248
Subject to 8.50% percentage rent:				
As reported	8,531	20,126	16,566	45,223
Audit adjustments, sales taxes not excluded	(705)	(1,577)	(1,333)	(3,615)
Audited gross receipts subject to 8.50% percentage rent	7,826	18,549	15,233	41,608
Total audited gross receipts	\$ 15,148,861	15,541,174	15,375,821	46,065,856



Finding 2013-01 – Gross Receipts Were Not Reported Accurately

Criteria

Section 2(b) of the lease specifies the Tenant’s requirement to pay percentage rent and states in part that the Tenant “...agrees to pay Port that percentage received by Tenant for gross receipts as herein defined...”

Section 2(b) of the lease also specifies allowable exclusions from Gross Receipts and states in part that the Tenant “...exclude the amount of sales tax, or similar tax or imposition imposed on such sales or charges where such sales tax or similar imposition is billed to the purchaser as a special item, and shall exclude meals served to employees of Tenant during the course of employment whether such meals are served with or without charge or whether such meals are treated as meals sold for any other purpose...”

Section 2(b) of the lease also specifies reporting requirements for percentage rent and states in part that the Tenant “...shall furnish a statement showing the computation of percentage rental covered by such payment...”

Conditions and Effects

The Tenant incorrectly reported Gross Receipts in all 36 months in the three-year period ended December 31, 2013. The following summarizes the types of misstatements observed and related effects on reported Gross Receipts:

<u>Misstatement</u>	<u>Overreporting or (Underreporting) of Gross Receipts</u>
1. The Tenant under-reported food and beverage Gross Receipts before exclusions in all 36 months in the audit period. The monthly under-reporting ranged from \$(21) to \$(793).	\$ (13,203)
2. The Tenant overstated complimentary food and beverage exclusions in all 36 months in the audit period by the amount of imputed sales taxes in the exclusions. The monthly under-reporting of Gross Receipts ranged from \$(476) to \$(929).	(26,330)
3. The Tenant under-reported food and beverage Gross Receipts by \$(21,000) in February 2012. The Tenant also over-reported food and beverage Gross Receipts in March 2011, July 2011 and September 2012 by \$55, \$333 and \$166, respectively.	(20,446)
4. The Tenant over-reported retail sales Gross Receipts in all 36 months in the period under audit by the amount of imputed sales taxes. The monthly over-reporting of gross receipts ranged from \$20 to \$2,196.	3,615
5. The Tenant was entitled to, but did not exclude, “spillage” in all 36 months for which cash was never collected. The monthly spillage not excluded ranged from \$1,918 to \$4,155.	83,447



The net over-reporting of Gross Receipts during the period under audit was \$27,083, and related net over-reported rent paid or payable was \$1,833.

Causes

The following are the cause(s) of misstatement noted above:

1. The first type of misstatement was caused by a system configuration error, which incorrectly summarized sales taxes and reportable Gross Receipts.
2. The second type of misstatement was caused by the Tenant's system not properly segregating sales taxes from total Gross Receipts.
3. The third type of misstatement was caused by the Tenant's inadequate review and approval of the Gross Receipts reports to ensure that reports accurately reflected the system-summarized totals.
4. The fourth type of misstatement was caused by the Tenant's system not properly segregating sales taxes from total Gross Receipts.
5. The fifth type of misstatement was caused by the Tenant not understanding its systems for summarizing different types of allowable exclusions from Gross Receipts.

Recommendation

1. The Port should credit or refund the tenant \$1,833 of overpaid rent, resulting from the misstatements of gross receipts.
2. The Port should instruct the Tenant to use correct methodologies for calculating Gross Receipts and related exclusions, and to improve its internal controls over reporting of Gross Receipts.

Conclusion

Based upon the performance audit procedures performed and the results obtained, we have met our audit objective. We concluded that the Tenant was in substantial compliance with the reporting, payment, and other rent-related provisions of its lease #L-8996 with the Port.

This performance audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards* or auditing standards generally accepted in the United States of America. KPMG LLP was not engaged to, and did not, render an opinion on the Tenant's internal controls over financial reporting or over the Tenant's financial management systems.

Restriction on Use

The purpose of this performance audit report is solely to evaluate Scoma's Restaurant, Incorporated's compliance with lease requirements on the reporting of Gross Receipts and related percentage rent. Accordingly, this performance audit report is not suitable for any other purpose.

KPMG LLP

January 13, 2015



Scoma's Restaurant, Inc.
Pier 47 on Al Scoma Way · San Francisco · California 94133
415.771.4383 415.775.2601 (Fax) scomas.com

January 13, 2014

To Whom It May Concern:
RE: Port of San Francisco Audit

Scoma's has reviewed the findings of the report and has no response. Thank you for the opportunity to review and respond.

Mariann Costello
Vice President



January 22, 2015

Tonia Lediju, Director of City Audits
Office of the Controller
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 477
San Francisco, CA 94102

Re: Performance Audit – Scoma's Restaurant, Incorporated

Dear Ms. Lediju:

Thank you for the opportunity to review the draft performance audit report prepared by KPMG LLP covering Port lease no. L-8996 with Scoma's Restaurant, Incorporated. Based on the report details provided by KPMG, Port management accepts the draft report.

Please find attached the City's standard Recommendations and Responses form for inclusion with the final published report. We have been advised that the Tenant has also accepted the report and will be working on improving its processes and procedures for reporting gross revenues.

Please do not hesitate to contact us if you have any questions or require further information.

Sincerely,

Susan Reynolds
Director of Maritime

John J. Woo
Fiscal Officer

Enclosure

Cc: Elaine Forbes, Director of Finance and Administration
Nancy Rose, KPMG LLP
Oanh Nguyen, KPMG LLP

PORT COMMISSION: PERFORMANCE AUDIT OF SCOMA'S RESTAURANT, INCORPORATED

For each recommendation, indicate whether the department concurs, does not concur, or partially concurs. If the department concurs, please indicate the expected implementation date and implementation plan. If the department does not concur, please provide an explanation and an alternate plan of action to address the identified issue.

RECOMMENDATIONS AND RESPONSES

Recommendation	Responsible Agency	Response
1. The Port should credit or refund the tenant \$1,833 of overpaid rent, resulting from the misstatements of gross receipts.	Port	Concur. Based on confirmed acceptance of tenant, the Port will credit the tenant for the net amount of \$1,833. The credit memo will be issued.
2. The Port should instruct the Tenant to use correct methodologies for calculating Gross Receipts and related exclusions, and to improve its internal controls over reporting of Gross Receipts.	Port	Concur. The Tenant and Port property manager will address the findings. The Tenant will work on correcting procedures and intend to report its Gross Receipts in accordance with sound business practices and Port's lease provisions.

To: BOS-Supervisors
Subject: FW: Issued: Assisting Homeowners with Troubled Mortgages

From: Reports, Controller (CON)

Sent: Thursday, February 05, 2015 2:22 PM

To: BOS-Supervisors; BOS-Legislative Aides; Calvillo, Angela (BOS); Kawa, Steve (MYR); Howard, Kate (MYR); Falvey, Christine (MYR); Tsang, Francis; Elliott, Jason (MYR); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); sfdocs@sfpl.info; gmetcalf@spur.org; olsen.m.lee@sfgov.org; Benjamin, Maria (MYR); Kirsten.jensen@sfgov.org; Crossman, Brian (CAT); CON-EVERYONE

Subject: Issued: Assisting Homeowners with Troubled Mortgages

The Controller's Office has released a report entitled "Assisting Homeowners with Troubled Mortgages." The report was prepared in response to a Board of Supervisor's resolution (item #140709) that asked Controller to study possible approaches to assisting homeowners with troubled mortgages.

The report may be downloaded here: <http://openbook.sfgov.org/webreports/details3.aspx?id=1879>

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9

City and County of San Francisco

Controller's Office

Assisting Homeowners with Troubled Mortgages

February 05, 2015

Resolution #140709



Executive Summary: Background

- On October 28th, 2014, the Board of Supervisors issued a resolution asking the Controller to study possible approaches to assisting homeowners with troubled mortgages. The intent of this study is to recommend possible foreclosure prevention measures to help current homeowners in default or at risk of default, and to establish a system that will mitigate the effects of another mortgage default crisis.

Background: San Francisco Housing Stock and History of Foreclosures

- There are an estimated 378,186 housing units in San Francisco, a small portion of which face foreclosure every year. San Francisco foreclosure rates have been historically low relative to the rest of the nation. In 2014, San Francisco had 528 foreclosures bringing the foreclosure rate to 0.15%. In comparison, the U.S. foreclosure was 1.04%, seven times greater than San Francisco.
- While the impact of the mortgage default crisis has hit harder in other regions of the country, San Francisco has not been completely insulated. Between 2008 and 2012, the height of the mortgage default crisis, San Francisco had 3,827 foreclosures. The five years prior to this period, San Francisco had 605 foreclosures. This represents a 533% increase in foreclosures.
- Across the city, the volume of foreclosures have been falling steadily since 2011 and the mortgage default crisis appears to be receding. However, zip codes representing southern and southeastern areas of the city continue to have comparatively high foreclosure rates. Bayview-Hunters Point has a foreclosure rate of 0.62%, four times the citywide foreclosure rate.



Executive Summary: Factors of Foreclosure

Factors of Foreclosure

- Increasing foreclosure rates are typically attributable to economic factors and bank lending practices. This report looks at three main causes of foreclosures during the mortgage crisis:
 1. Unemployment rate
 2. Home values
 3. Prevalence of high-cost and private-label securities (PLS)
- Borrowers typically default on mortgages when they lack the capacity to make payments, such as when they lose their job, but if there is any equity remaining in the home, the borrower has every incentive to sell the home and keep the equity rather than foreclose.
- Even when home prices fall, borrowers who can afford their mortgage payments will typically continue to do so even if they owe more than the property is worth since the cost to a borrower's credit rating from default is substantial. In addition, a choice to sell the property means the borrower will have to realize the loss on the home whereas keeping the home preserves the option of future gains in the property's value.
- However, an income loss in combination with an underwater home puts borrowers in a situation where the incentive is greater to foreclose rather than realize the losses from selling the home.
- Lastly, high-cost and private-label securities perform significantly worse than conventional loans, and the prevalence of these loans preceded the run-up of foreclosures during the mortgage default crisis. At the height of originations of these types of loans, the prevalence was greatest in the Black population and in southern and southeastern neighborhoods of San Francisco.



Executive Summary: The Population At Risk of Foreclosure

The Population At Risk of Foreclosure

- 3,002 loans in San Francisco, or 2.4% of all loans with owner-occupied units, are underwater or near-underwater.
- Nearly half of these underwater or near-underwater homes are concentrated in the section of the city contained in zip codes 94112, 94124, and 94134. These zip codes are concentrated in the south and southeastern neighborhoods of the city and represent Ingelside-Excelsior/Crocker-Amazon, Bayview-Hunters Point, and Visitacion Valley/Sunnydale.
- 746 of at-risk borrowers also have a feature that increases their risk of default. These risky features include interest-only, negative amortization, or a balloon payment.
- Certain loan and borrower attributes can make it difficult to assist the at-risk population. These attributes include the number of loans, the size of the loan, and the income of the borrower. Programs often exclude borrowers with more than one loan, with debt over the conforming limit, and income over a certain threshold. Of the at-risk population, only 256 at-risk borrowers have taken out one loan that is below the conforming level with an income estimated to fall within a 120% AMI threshold for a family of four.
- In addition to the population most at risk of foreclosure, borrowers who have equity but lack the capacity to make payments may be subject to a short-sale. In the case of a short-sale, the borrower would have to leave her home. And despite gains received from the sale of the home, the current housing market would make it difficult to relocate into a home within the city.



Executive Summary: Mortgage Assistance Programs

Mortgage Assistance Programs

- In our review, few post-purchase assistance programs for homeowners exist at the municipal level. The ones that do are mainly in the form of home maintenance loans with the aim of helping low-income homeowners bring their homes up to code.
- At the federal and state level, few programs existed until recently when a number of assistance programs were created in response to the mortgage default crisis. These programs provide assistance to homeowners in three ways:
 1. Principal reduction
 2. Refinance Incentives
 3. Income support/One-time grants
- In addition to government programs, a number of Community Development Financial Institutions (CDFI's) and nonprofits exist with the goal of stabilizing communities through the acquisition of non-performing loans. The acquired loans are then restructured and stabilized before being resold.
- Outside of mortgage assistance programs, recent legislation from the State of California and rule changes from the Consumer Financial Protection Bureau have changed underwriting standards in the last year, which may mitigate the prevalence of high-cost loans, PLS loans, and loans with risky attributes.
- The prevalence of PLS loans has been increasing in recent years, which suggests there is a need for financial education among potential borrowers of these loans. Pre-purchase housing counseling has been shown to be an effective way to reduce delinquency rates and to mitigate credit risk.



Executive Summary: Recommendations

Recommendations

- Programs currently available to San Francisco homeowners with troubled mortgages have a positive impact on reducing foreclosures, but have a number of limitations. This report makes two recommendations for reducing negative equity or mitigating the impact of sudden economic hardship should policymakers wish to assist homeowners with troubled mortgages:
 1. Develop a mortgage assistance program for homeowners with troubled mortgages that would reduce a borrower's principal loan amount in order to support a loan restructure.
 2. Develop an emergency assistance program targeting homeowners who have had an unexpected hardship and have defaulted or are at risk of default.
- Should policymakers wish to pursue these recommendations, the structure of the programs, including income and other restrictions will need to be set to define an eligible population to target limited resources. An analysis on the number of borrowers served and staffing would also be needed in order to determine the cost of the programs.
- In addition to these recommendations, three ideas were introduced in this report that warrant further exploration:
 1. CDFI's and nonprofits acquiring non-performing loans seem to pose low financial risks and low administrative burden to the City, with possible, but likely minimal, benefits that warrant an exploration of a partnership.
 2. Enhanced legal assistance may be helpful for homeowners seeking legal representation against lenders violating recently implemented mortgage servicing rules.
 3. Enhanced pre-purchase housing counseling services for outreach to neighborhoods with comparatively high prevalence rates of high-cost loans and PLS loans.



Table of Contents

Report Section	Slide Numbers
Executive Summary.....	2-6
Introduction.....	8-10
Section 1: The Mortgage Crisis and Factors of Foreclosure.....	11-22
Section 2: The Population At Risk of Foreclosure.....	23-36
Section 3: A Survey of Mortgage Assistance Programs.....	37-56
Section 4: Recommendations.....	57-63
Appendix: Data and Methodology.....	64
End Notes.....	65-66
Contact Information.....	67

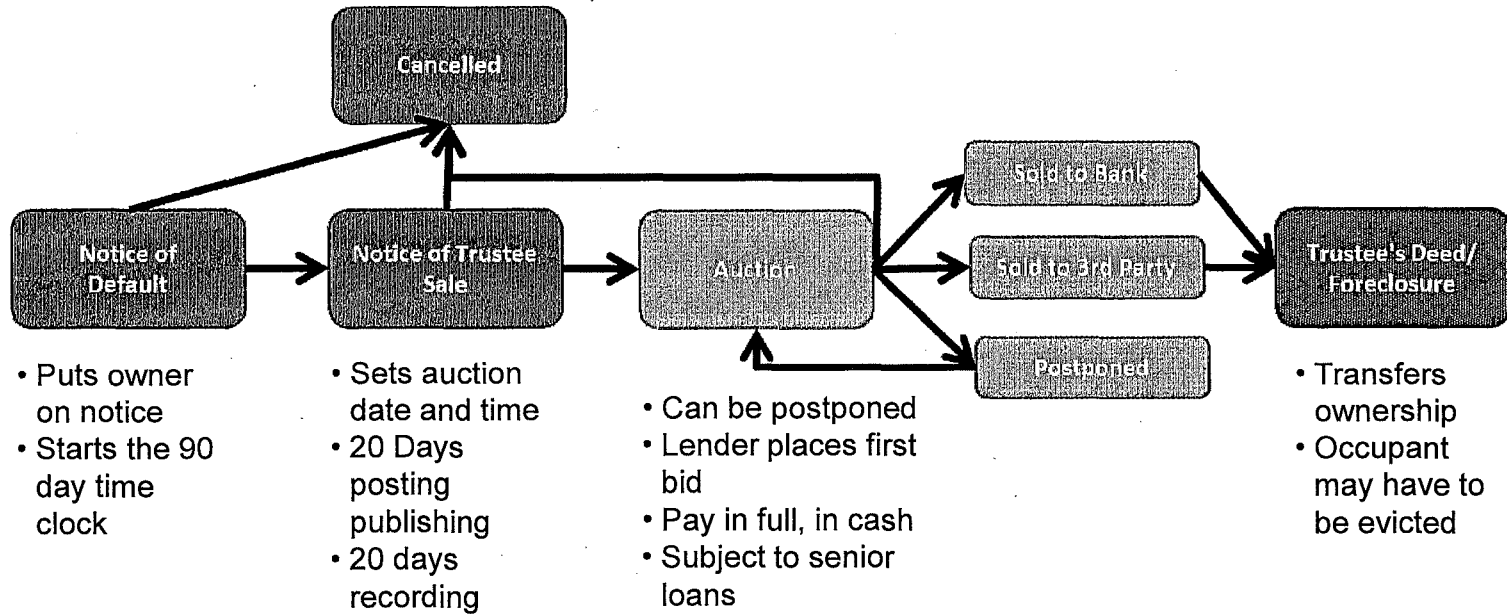


Introduction

- On October 28th, 2014, the Board of Supervisors issued a resolution asking the Controller to study possible approaches to assist homeowners with troubled mortgages. The intent of this study is to recommend possible foreclosure prevention measures to help current homeowners in default or at risk of default, and to establish a system that will mitigate the effects of another mortgage default crisis.
- There are an estimated 378,186 housing units in San Francisco, 345,344 which are occupied. Of these occupied units, 63.4% are renter-occupied, while the remaining 36.6% are owner-occupied. Of the 126,394 owner-occupied units in San Francisco, 70.3% have at least one mortgage.¹ In 2014, San Francisco had 528 foreclosures.²
- While foreclosures are small in comparison to the number of housing units in San Francisco, mortgage foreclosures are costly for homeowners, lenders, servicers, insurers, and cities.¹⁸
 - Homeowners lose a stable, secure place to live, they lose equity, their credit rating is damaged, and in the current housing market, they face potentially higher costs to replace lost housing if they wish to remain in the city.
 - Lenders absorb the loss for outstanding principal, legal fees, costs of holding and maintaining the property, and real estate broker fees less the amount recovered from sale.
 - Servicers lose the income stream from servicing fees when borrowers halt payments.
 - Mortgage insurers pay for claims equal to the outstanding principal and all expenses incurred less the proceeds from the sale of the house.
 - Foreclosed properties deteriorate and lose value. Cities lose tax revenue from vacant homes. In addition foreclosed properties affect the value and marketability of neighboring homes.



Introduction: Foreclosures Process



- Puts owner on notice
- Starts the 90 day time clock

- Sets auction date and time
- 20 Days posting publishing
- 20 days recording

- Can be postponed
- Lender places first bid
- Pay in full, in cash
- Subject to senior loans

- Transfers ownership
- Occupant may have to be evicted

- At any time, before Trustee Deed/Foreclosure, the process can be cancelled.
- In 2013, the average time from Notice of Default to Trust of Deed in California was approximately 425 days.¹



Introduction: Report Outline

- This report has four sections:
 1. The Mortgage Default Crisis and Factors of Foreclosure
 - This section first looks at the impact of the mortgage default crisis and the effect it has had across different parts of San Francisco.
 - It then looks at three key factors of foreclosure: home values, unemployment, and the prevalence of high-cost loans and private-label security loans.
 2. The Population At Risk of Foreclosure Today
 - This section estimates the population at risk of foreclosure today.
 3. A Survey of Mortgage Assistance Programs
 - This section reviews a number of existing government programs, various loan acquisition strategies by non-governmental entities, and state and federal mortgage servicing rules that have been recently implemented.
 4. Recommendations
 - This section recommends possible actions that can be taken by the City and County of San Francisco based on the findings in this report.



Section 1: The Mortgage Default Crisis and Factors of Foreclosures in San Francisco

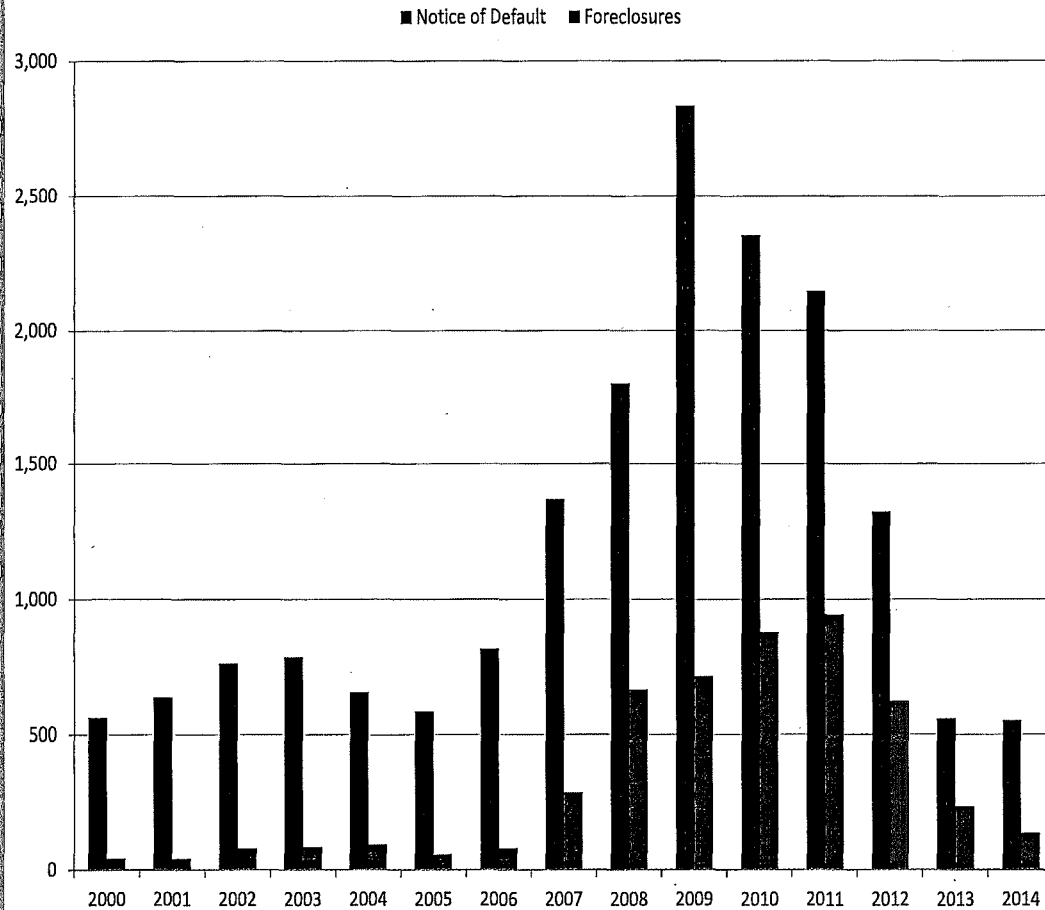


San Francisco's Housing Stock and History of Foreclosures

- There are an estimated 378,186 housing units in San Francisco, a small portion of which face foreclosure every year.¹ San Francisco foreclosure rates have been historically low relative to the rest of the nation. In 2014, San Francisco had 528 foreclosures bringing the foreclosure rate to 0.15%. In comparison, the U.S. foreclosure was 1.04% in 2014, seven times greater than San Francisco.²
- While the impact of the mortgage default crisis has hit harder in other regions of the country, San Francisco has not been completely insulated. Between 2008 and 2012, the height of the mortgage default crisis, San Francisco had 3,827 foreclosures. The five years prior to this period, San Francisco had 605 foreclosures. This represents a 533% increase in foreclosures.
- In 2008, the likelihood of defaults being cured fell to the point that defaulting borrowers were just as likely to foreclose as they were to cure a default.
- Across the city, the volume of foreclosures have been falling steadily since 2011 and the mortgage default crisis appears to be receding. However, zip codes representing southern and southeastern areas of the city continue to have comparatively high foreclosure rates. Bayview-Hunters Point has a foreclosure rate of 0.62%, four times the citywide foreclosure rate.



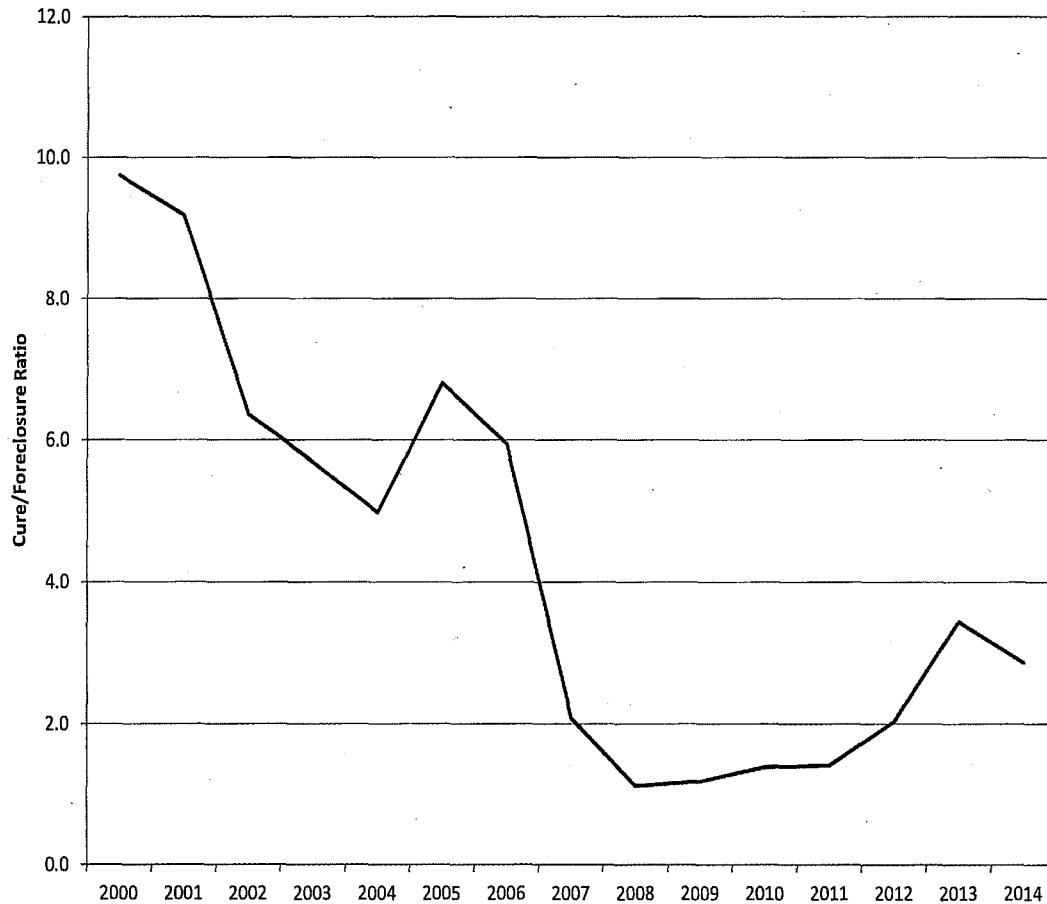
Impact of the Mortgage Default Crisis in San Francisco



- Notices of Default and foreclosures increased modestly between 2000 and 2003 after the dot-com bust compared to increases during the mortgage crisis.
- Notices of Default began to escalate between 2006, peaking in 2009, growing at an average annual rate of 64.1%.
- Foreclosures began to increase during this period as well, but peaked two years later in 2011.
- Between 2006 and 2011, foreclosures grew at an average annual rate of 250%.



Cure/Foreclosure Ratio



- This chart shows the Cure/Foreclosure ratio
- A higher ratio means more defaults ended in a cure than foreclosure in a given year.
- This ratio has been as high as 10 cures to every default ending in foreclosure.
- Before the mortgage crisis, in 2005, the ratio was 6 to 1.
- By 2008, this ratio was 1 to 1, meaning that defaulting borrowers were just as likely to foreclose as they were to cure their default.
- The ratio remained low through 2011 before it began to pick back up.
- In 2014, the ratio was at 3 cures to every default ending in foreclosure.



High foreclosure rates are concentrated in southern and southeastern neighborhoods of San Francisco.

Zip Code	Neighborhood	Foreclosure Rate 2011	Foreclosure Rate 2014
94124	Bayview-Hunters Point	2.06%	0.62%
94127	St. Francis Wood/Miraloma/West Portal	1.18%	0.45%
94112	Ingelside-Excelsior/Crocker-Amazon	1.20%	0.31%
94134	Visitacion Valley/Sunnydale	1.20%	0.31%
All Other Zip Codes	All Other San Francisco Neighborhoods	0.43%	0.11%
Citywide	San Francisco Citywide Average	0.56%	0.15%

- Foreclosures are mainly concentrated in the zip codes representing the southern and southeastern neighborhoods.
- Since the mortgage default crisis, the number and the rate of foreclosures have receded significantly. Since 2011, at the height of foreclosures, the citywide average foreclosure rate has fallen from .56% to .15%.
- However, foreclosure rates still remain comparatively high in certain low-income neighborhoods. Bayview-Hunters Point has a foreclosure rate over four times the citywide average.

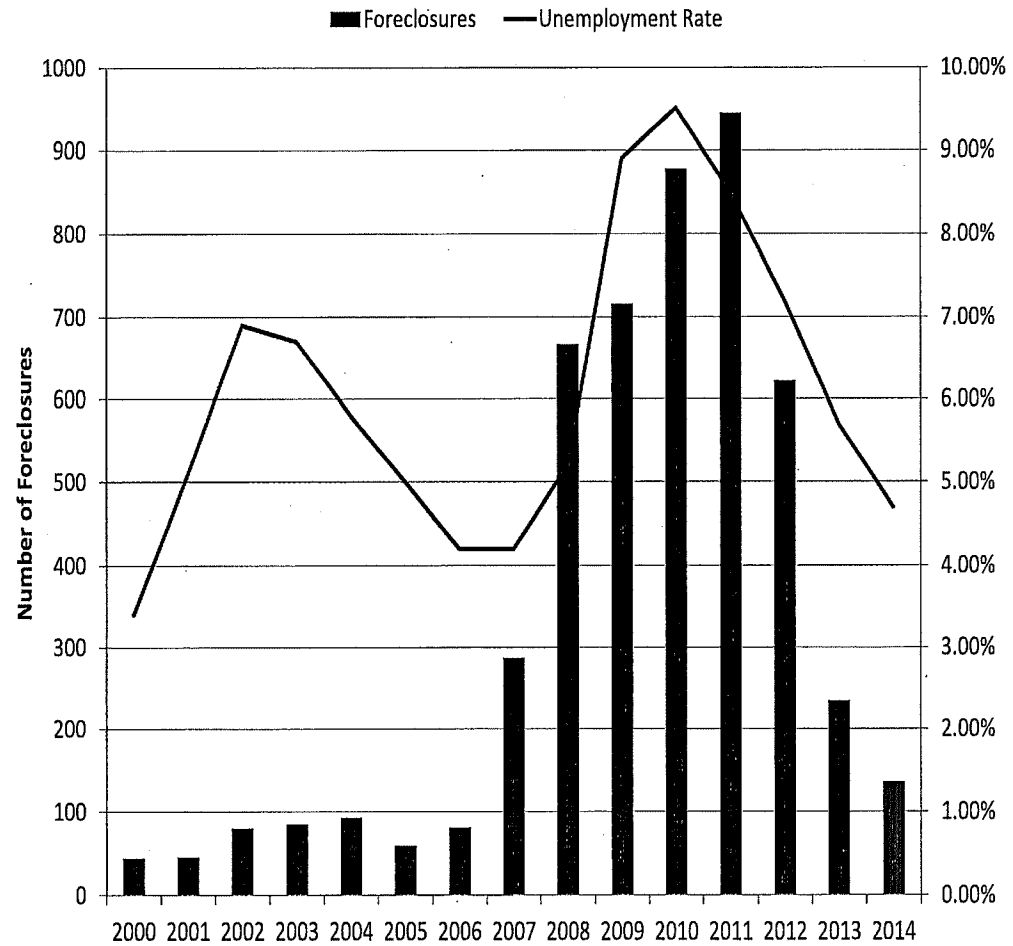


Foreclosure Factors

- Increasing foreclosure rates are typically attributable to economic factors and bank lending practices. This report looks at three main causes of foreclosures during the mortgage crisis:
 1. Unemployment rate
 2. Home values
 3. Prevalence of high-cost and private-label securities (PLS) lending.
- Borrowers typically default on mortgages when they lack the capacity to make payments, such as when they lose their job, but if there is any equity remaining in the home, the borrower has every incentive to sell the home and keep the equity rather than foreclose.
- Even when home prices fall, borrowers who can afford their mortgage payments will typically continue to do so even if they owe more than the property is worth since the cost to a borrower's credit rating from default is substantial. In addition, a choice to sell the property means the borrower will have to realize the loss on the home whereas keeping the home preserves the option of future gains in the property's value.
- However, an income loss in combination with an underwater home puts borrowers in a situation where the incentive is greater to foreclose rather than realize the losses from selling the home.^{3,4,5}
- Lastly, high-cost and private-label securities perform significantly worse than conventional loans, and the prevalence of these loans preceded the run-up of foreclosures during the mortgage default crisis. At the height of originations of these types of loans, the prevalence was greatest in the Black population and in southern and southeastern neighborhoods of San Francisco.



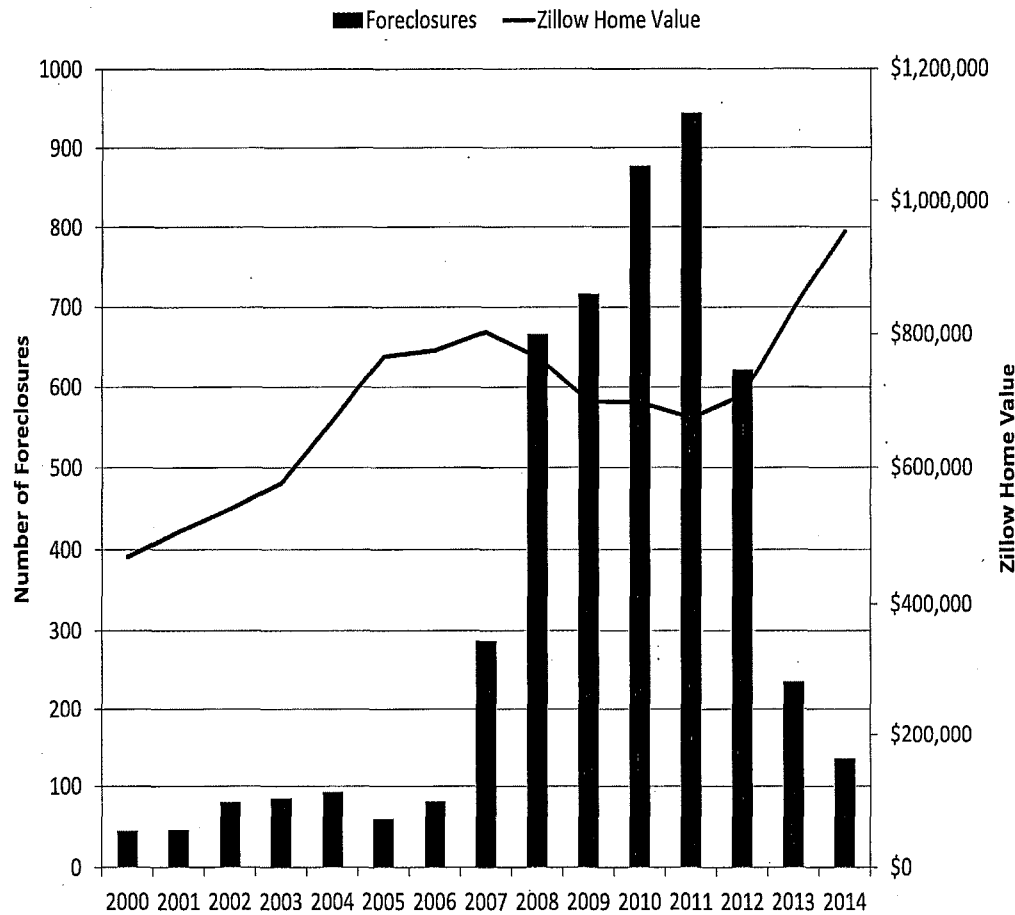
Foreclosures vs Unemployment Rate 2000-2014



- After the dot-com bust, unemployment rose as high as 6.9% in 2002, while foreclosures remained relatively level.
- As demonstrated in the next slide, home prices increased during this period, which may account for the modest response of foreclosures to increasing unemployment compared to the period during the mortgage default crisis.
- By 2007, foreclosures coincided with rising unemployment rates, which grew from 4.2% to a peak of 9.5% between 2007 and 2010.



Foreclosures vs Home Values 2000-2014



- In 2002, when unemployment rates rose to 6.9%, home values had increased by 6.5% from 2001.
- It is likely that increasing home values during this period contributed to the low rates of foreclosures, because borrowers were able to sell their homes and retain their equity rather than foreclose.
- After 2007, during the second unemployment peak, home prices dropped, declining at an annual average rate of 4.2% between 2008 and 2011.
- The combination of high unemployment and negative equity led to a rise in foreclosures over this period.



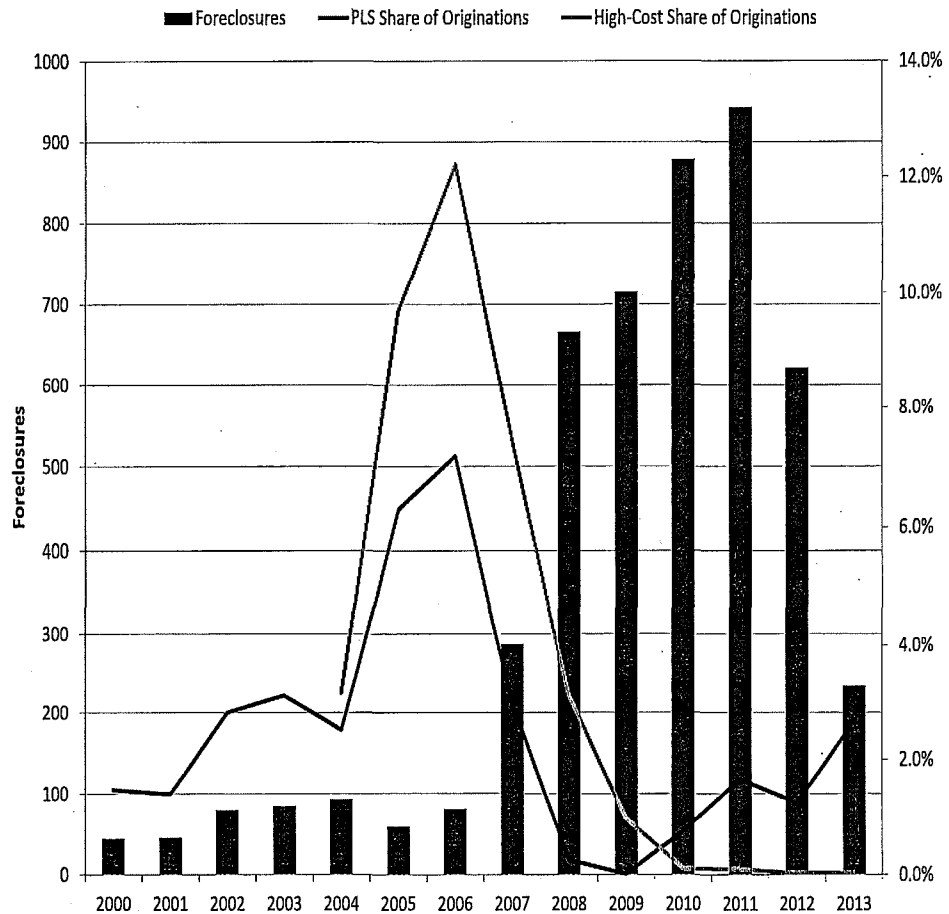
Prevalence of High-Cost and Privately-Label Security Lending

- Mortgage-backed securities (MBS) are debt obligations that represent claims to the cash flows from pools of mortgage loans. Most of which are issued by the federal agency Ginnie Mae or the federally sponsored enterprises, Fannie Mae and Freddie Mac.
- Some private institutions also securitize mortgages, and these types of mortgage-backed securities are known as **private-label securities (PLS)**. PLS loans are mortgage loans in these private-label securities.
- **High-cost loans** are defined in this report as loans with a high interest rate spread between the loan rate and the rate of Treasury securities with comparable maturity.⁶
- Both PLS and high-cost loans perform significantly worse than prime loans.^{7, 8, 9}
- In the two years before the mortgage default crisis hit, originations in these types of loans increased dramatically in San Francisco. In particular, the prevalence of high-cost/PLS loans was greatest for Blacks. The prevalence of high-cost/PLS loans was between 11% to 24% greater for Blacks than Whites. The highest prevalence across all categories was among Blacks with \$150,000 to \$199,999 in income with a prevalence 36%, compared to 21% for Hispanics, 19% for Asians, and 12% for Whites.^g
- In addition, these loans had the highest prevalence among zip codes representing the southern and southeastern zip codes of San Francisco. This would suggest a targeted marketing effort in specific geographical locations.

^g Race and ethnicity categorizations are based on Home Mortgage Disclosure Act data designations.



Prevalence of High Cost and PLS Loans



- The trend of increasing PLS loan originations began in 2002. After a small decline in 2004, the share of PLS originations increased from 2.5% to a peak of 7.2% in 2006.
- A similar spike in the share high-cost originations occurred between 2004 and 2006 as the share went from 2.3% to 12.2%.
- Since 2006, the share of high-cost loan originations has fallen dramatically.
- High-cost share of loans have remained low, falling to 0.02% in 2013, but the share of PLS originations has been increasing. In 2013, the share of PLS originations was 2.6%.



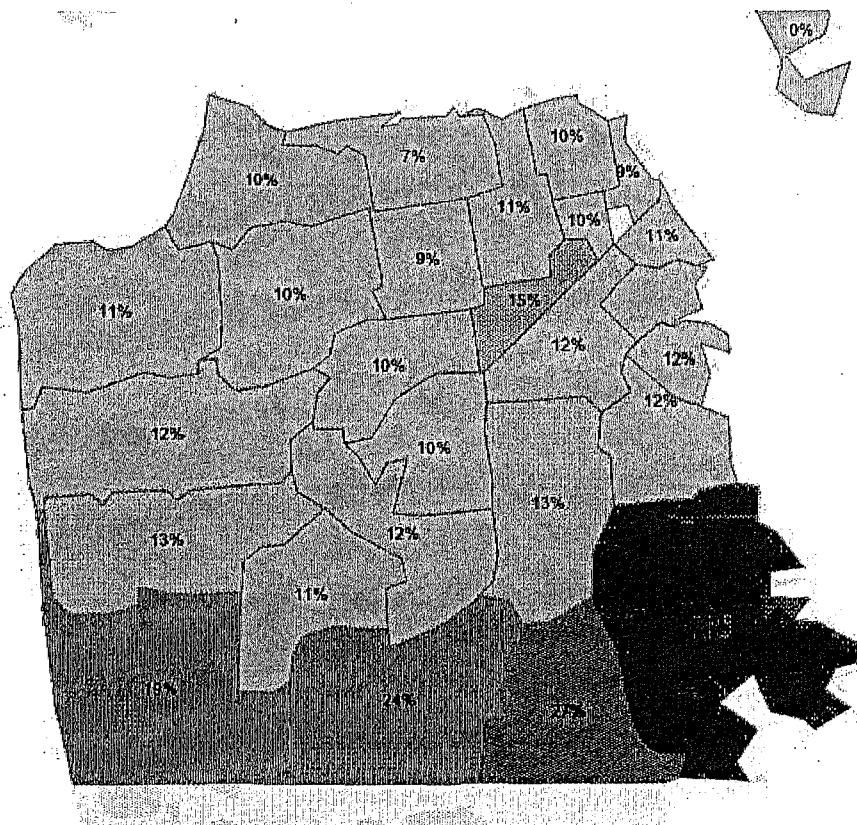
Prevalence of High-Cost and PLS Originations in 2005-2006 by Borrower Income and Race

Borrower Income	Loan Type	Asian	Black	Hispanic	White
Less than \$50,000	High-Cost/PLS	18%	28%	16%	16%
	Prime Loan	82%	72%	84%	84%
\$50,000-\$99,999	High-Cost/PLS	7%	20%	14%	9%
	Prime Loan	93%	80%	86%	91%
\$100,000-\$149,999	High-Cost/PLS	13%	30%	18%	9%
	Prime Loan	87%	70%	82%	91%
\$150,000-\$199,999	High-Cost/PLS	19%	36%	21%	12%
	Prime Loan	81%	64%	79%	88%
\$200,000 or more	High-Cost/PLS	18%	35%	15%	10%
	Prime Loan	82%	65%	85%	90%

- In order to compare the prevalence of originations of high-cost/PLS loans across race, we divided the number high-cost/PLS loans originated within each race by the total number of loans originated within each race. For example, for borrower incomes less than \$50,000, 18% of all loans made to Asians were high-cost/PLS. This table looks at originations from 2005-2006, the height of high-cost/PLS originations.
- Across all income categories, the prevalence of high-cost/PLS loans was greatest for Blacks. The prevalence was between 11% to 25% greater for Blacks than Whites. The highest prevalence across all categories was among Blacks with \$150,000 to \$199,999 in income with a prevalence 36%, compared to 21% for Hispanics, 19% for Asians, and 12% for Whites.



Prevalence of High-Cost and PLS Originations in 2005-2006 by Zip Code¹⁰



- This map shows the prevalence of high-cost and PLS loans by zip code between 2005 and 2006, the height of high-cost/PLS originations.‡
- Zip Codes with the highest prevalence of high-cost and PLS originations were concentrated along the southern and southeastern border of San Francisco.
- The greatest prevalence was in Bay View-Hunters Point where nearly a third of originations were high-cost or PLS loans.
- Other southern neighborhoods with high prevalence include Lake Merced, Visitacion Valley/Sunnydale, and Ingelside-Excelsior/Crocker-Amazon.
- The concentration of these loans suggests targeted marketing efforts in specific geographical locations.

‡ This calculation is made by dividing the number of high-cost/PLS loan originations in a particular zip code by total loan originations in the same zip code.



**Section 2: The Population At Risk of Foreclosure
Today**



The Population At Risk of Foreclosure Today

- 3,002 loans in San Francisco, or 2.4% of all loans with owner-occupied units, are underwater or near-underwater.[±]
- Nearly half of these underwater or near-underwater homes are concentrated in the section of the city contained in zip codes 94112, 94124, and 94134. These zip codes are concentrated in the south and southeastern neighborhoods of the city and represent Ingelside-Excelsior/Crocker-Amazon, Bayview-Hunters Point, and Visitacion Valley/Sunnydale.
- 746 of at-risk borrowers also have another feature that increases their risk of default. These risky features include interest-only, negative amortization, or a balloon payment.
- Certain loan and borrower attributes can make it difficult to assist the at-risk population. These attributes include the number of loans, the size of the loan, and the income of the borrower. Programs often exclude borrowers with more than one loan, with debt over the conforming limit, and income over a certain threshold. Of the at-risk population, only 256 at-risk borrowers have taken out one loan that is below the conforming level with an income estimated to fall within a 120% AMI threshold for a family of four.
- In addition to the population most at risk of foreclosure, borrowers who have equity but lack the capacity to make payments may be subject to a short-sale. In the case of a short-sale, the borrower would have to leave her home. And despite gains received from the sale of the home, the current housing market would make it difficult to relocate into a home within the city.

[±]This excludes homes with a current value over \$1.5 million, homes more than \$1 million underwater, below-market rate homes, and homes with Federal Housing Administration loans.



Defining the Population At Risk of Foreclosure Today

- The population at greatest risk of foreclosure today are borrowers with homes that are underwater or near-underwater. In the case of another recession, an increase in unemployment would make this group more likely to foreclose than other homeowners.
- **Underwater Home or Negative Equity:** A home is considered underwater when the borrower has a higher debt balance on the home purchase loan than the current market value of the home. This means these homes have a loan-to-value (LTV) ratio greater than 100%.
- **Near-Underwater Home:** A home is considered near-underwater when the borrower has an LTV between 91% and 100%.
- **At-Risk Population:** For the purposes of our estimates, the Controller's Office defines the at-risk population as a borrower that:
 - Occupies his or her home
 - Has a loan-to-value ratio greater than 90%
 - Is not participating in the City's Below Market Rate (BMR) program or has a Federal Housing Administration (FHA) loan.
 - Has a current home value of less than \$1.5 million
 - Is less than \$1 million underwater¹¹
- In addition to defining the at-risk population, this report looks at loans within this population with additional risky features as well as the population of borrowers in this at-risk population that is most reachable to a mortgage assistance program.



All Mortgages in San Francisco, 2014±

Loan Feature	Count	%
All Owner-Occupied Loans	121,731	100%
Multiple Mortgages	29,068	23.9%
PLS	3,377	2.8%
Risky Attribute	5,385	4.4%
Reverse Mortgage	879	0.7%
Near-Underwater (LTV 91%-100%)	1,744	1.4%
Underwater (LTV>100%)	2,328	1.9%

- There are over 174,010 loans in San Francisco, including 2nd and 3rd liens. Of these loans 121,731 are in owner-occupied units, nearly a quarter of which have more than one loan.
- 2.8% of owner-occupied loans are PLS.
- 4.4% of loans in San Francisco have a risky feature, which includes one or more of the following: interest-only, negative amortization, or balloon payment
- 3.3% of San Francisco loans are underwater or near-underwater.

±The number of loans include 2nd and 3rd liens, which is why there are nearly as many loans as there are owner-occupied units in San Francisco.



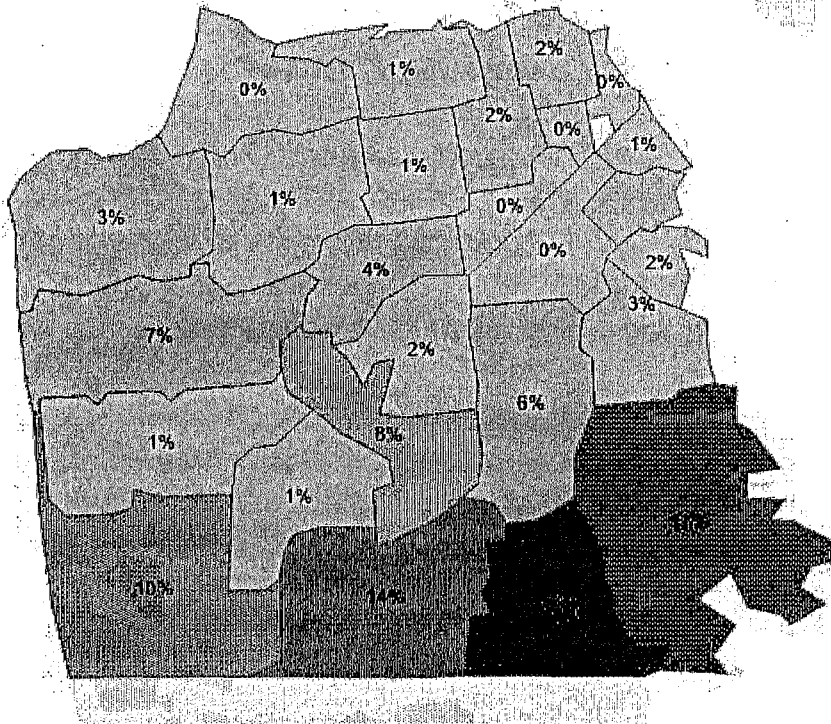
At-risk population in San Francisco makes up approximately 3% of city wide borrowers.

Loan-to-Value Ratio	All Borrowers	PLS
Greater than 100%	1,455	37
91% to 100%	1,547	23
Total	3,002	60

- After excluding homes with a current value greater than \$1.5 million, homes that are more than \$1 million underwater, BMR loans, and FHA loans, the current estimated at-risk population comes to 3,002 homes. This makes up approximately 2.4% of all loans with owner-occupied units in San Francisco.
- Of these homes, 1,455 are underwater making up over 48% of the at-risk loans. 37 of these underwater loans are PLS.
- The Controller's Office also considers near-underwater loans at-risk because the gains from selling a near-underwater home would be little or negative after commissions and fees. Near-underwater homes also face the risk of becoming underwater, even with small declines in home prices. There are 1,547 near-underwater homes, 23 of which are PLS. A 5% drop in home prices will push nearly half of these loans from near-underwater to underwater.



Percent of At-Risk Population by Zip Code



- Nearly half of the 3,002 at-risk borrowers live within three zip codes: 94112, 94124, and 94134 zip codes, which contain many low-income communities.
- The 94124 and 94134 zip codes, which represent Bay View Hunters Point and Visitacion Valley/Sunnydale, make up the highest proportion of the at-risk borrowers, each with 17% of the at-risk population.
- The 94112 zip code, which represents Excelsior/Crocker-Amazon, makes up 14% of at-risk borrowers.



First Mortgage Loan Attributes of At-Risk Borrowers

Loan Feature	Borrowers	% of At-Risk Borrowers
Interest Only	510	17.0%
Negative Amortization	346	11.5%
Balloon Payment	44	1.5%
One or More Risky Attribute	746	24.9%
Adjustable Rate Mortgage	1,344	44.8%

- Risky attributes are considered attributes leading to adjustments in a loan that make it more difficult for borrowers to make their payments. These attributes include:
 - **Interest-only:** the borrower pays only the interest on the principal balance for a set term.
 - **Negative amortization:** For a set term, the borrower has a loan payment less than the interest charged. The difference in the payment and interest is added to the unpaid principal balance.
 - **Balloon loan:** a loan that does not fully amortize over the term of the loan, leaving a balance due at maturity.
- Nearly a quarter of at-risk borrowers has one or more risky attributes. 17.0% have an interest only feature, 11.5% have a negative amortization feature, and 1.5% have a balloon payment feature.
- In addition to these risky attributes, 44.8% of at-risk borrowers have an adjustable rate mortgage (ARM) on their first mortgage that is pending adjustment.



First Mortgage Loan Adjustments

Time Until Next Rate Adjustment	At-Risk Borrowers with Pending Adjustments		ARM with Risky Attributes	ARM without Risky Attributes
		%		
6 Months	886	65.9%	619	561
6-12 Months	207	15.4%	76	139
1-3 Years	82	6.1%	22	60
3 or More Years	169	12.6%	18	157
Total	1344	100.0%	735	917

- 81% of at-risk borrowers with pending rate adjustments will see their rates adjust in the next year, but not all rate adjustments are necessarily harmful to borrowers.
- Today's low interest rates lower the probability of significant payment increases after rate adjustments.
- However, there is a particularly high rate of borrowers among this group with both a rate adjustment and a risky attribute.
- 735 of these borrowers have some form of risky attribute in their loan, which makes up 55% of the population with pending adjustments. These 735 borrowers have a higher likelihood of facing unmanageable payments in the future than other borrowers.



Lien Status of At-Risk Borrowers

Lien Status	At-Risk Borrowers	%	Adjustable First	
			Loans	Risky Attribute
First Mortgage Only	925	31%	387	211
Loan Secured with 2nd Lien	1659	55%	846	470
Loan Secured with 3rd Lien	418	14%	111	65
Total	3002	100%	1344	746

- Of the at-risk borrower population, 2,919 are secured with more than one loan, which makes assistance programs aimed at restructuring these mortgages challenging. This means that two-thirds of the at-risk population will have trouble becoming eligible for assistance.
- In addition, a large number of borrowers with multiple mortgages also have adjustable loans or risky attributes. Of these borrowers with multiple mortgages, 1,249 have adjustable loans and 535 have loans with risky attributes.



Conforming Loans

Combined Loan Value	Borrowers	First Mortgage Only
Less than \$300,000	56	35
\$300,000 to \$625,500	1125	438
\$625,500 to \$800,000	837	159
\$800,000 to \$1,000,000	452	116
\$1,000,000 or more	532	177

- Loan size is a factor that could affect a borrower's ability to receive assistance in a loan modification. A conforming loan amount in San Francisco is \$625,500. This means, 1,181 at-risk borrowers have conforming loans. Of these, 473 are borrowers with only one mortgage.



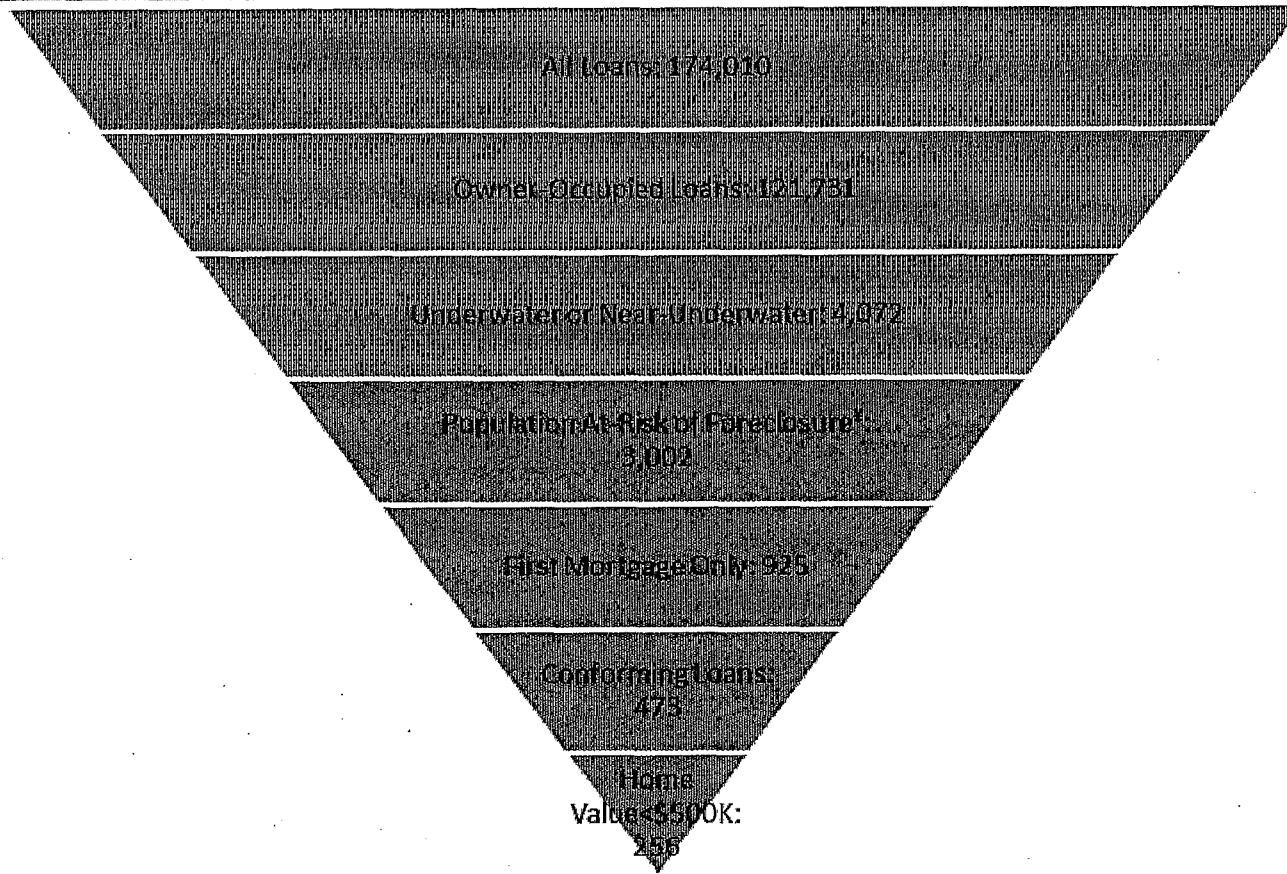
At-Risk Borrowers by Home Value

Home Value	Borrowers	Conforming Loans	
		Conforming Loans	First Mortgage Only
Less than \$250,000	13	13	10
\$250,000 to \$500,000	562	522	246
\$500,000 to \$750,000	1337	646	217
\$750,000 to \$1,000,000	635	0	0
\$1,000,000 or more	455	0	0
Total	3002	1181	473

- The data used to look at at-risk borrowers does not include income information. However, home values can be used as a rough approximation.
- Assistance programs often have income limits set to some level of area median income (AMI). For example, the income threshold for the existing San Francisco down payment loan assistance program is set at 120% of AMI. A household of four at 120% of AMI would have an income of \$116,500. Depending on factors such as down payment, interest rate, other debt, etc., this household could afford a home between \$400,00 and \$500,000.
- This suggests that an assistance program restructuring only conforming loans with first mortgages set at 120% AMI would be eligible to 256 at-risk borrowers. A higher AMI threshold would support a broader program.



At-Risk Population Break Down



¥ This cut excludes home values greater than \$1.5 million, homes more than \$1 million underwater, BMR loans, and FHA loans.



Underwater Borrowers

Estimate	Underwater Conforming Loans First Mortgage Only	Underwater Conforming Loans First Mortgage Only Home Value < \$500k
Borrowers	222	160
Total Home Value	\$97 million	\$63 million
Total Loan Value	\$110 million	\$74 million
Amount Underwater	-\$13 million	-\$11 million

- The amount of negative equity in a borrower's home tells us how much would be needed in principal reduction to bring the home above water.
- If we exclude the near-underwater population from at-risk borrowers with conforming loans, a single mortgage, and a home value of less than \$500,000, only 160 at-risk borrowers remain.
- These borrowers have a combined total home value of \$63 million, and a combined total loan value of \$74 million, which means that this group of borrowers has \$11 million in negative equity.



Population At Risk of Default and Relocation

- The analysis in this section focuses on the population most at risk of foreclosure based mainly on loan-to-value ratios underwater or near-underwater. The reason for defining this as the population at-risk of foreclosure is because any loss of income or increase in payment that forces a borrower into default creates an incentive for the borrower to foreclose rather than realize the losses from selling the home.
- A borrower that has equity in the home, but lacks the capacity to make payments has every incentive to sell her home and keep the equity rather than foreclose. Borrowers with equity have more options than underwater borrowers. They are generally better candidate for a mortgage restructure and they have the option of a sale. However, in the situation of a short-sale, the borrower would have to leave her home. And despite gains received from the sale of her home, the current housing market would make it difficult to relocate into a home within the city.



Section 3: A Survey of Mortgage Assistance Programs



Homeowner Assistance Program Summary

- In our review, few post-purchase assistance programs for homeowners exist at the municipal level. The ones that do are mainly in the form of home maintenance loans with the aim of helping low-income homeowners bring their homes up to code.
- At the federal and state level, few programs existed until recently when a number of assistance programs were created in response to the mortgage default crisis. These programs provide assistance to homeowners in three ways:
 1. Principal reduction
 2. Refinance Incentives
 3. Income support/One-time grants
- In addition to government programs, a number of Community Development Financial Institutions (CDFI's) and nonprofits exist with the goal of stabilizing communities through the acquisition of non-performing loans. The acquired loans are then restructured and stabilized before being resold.
- This report also looks at how recent legislation from the State of California and rules from the Consumer Financial Protection Bureau have changed underwriting standards in the last year, which may mitigate the prevalence of high-cost loans, PLS loans, and loans with risky attributes.
- Lastly, the prevalence of PLS loans has been increasing in recent years, which suggests there is a need for financial education among potential borrowers of these loans. Pre-purchase housing counseling has been shown to be an effective way to reduce delinquency rates and to mitigate credit risk.



Principal Reduction Programs

- The intent of principal reduction programs is to help borrowers establish an appropriate level debt and an affordable payment, by reducing the principal balance of a homeowner's first loan in connection with a recast, modification or a stand-alone curtailment.
- Two notable programs exist aimed at principal reduction:
 1. **Keep Your Home CA (KYHCA) Principal Reduction Program:** The California Housing Finance Authority (CalHFA) uses Hardest Hit Fund money from the U.S. Treasury to administer a set of post-purchase homeowner assistance programs through Keep Your Home CA. Included in this set of programs is the KYHCA Principal Reduction Program, which provides a principal reduction grant to homeowners with demonstrable hardship.
 2. **New York City Mortgage Assistance Program (MAP):** New York City used public and philanthropic funding to create a grant program in the form of a second loan. MAP loans feature no interest and deferred payment for a 30-year term. In addition, the program has a process for exceptions for payment at the end of the loan term.



Principal Reduction Programs

- There is a large difference in the number of borrowers served by each program. This is due in part to the different populations being served and different eligibility criteria.
- The KYHCA program has only served three borrowers in San Francisco in its four year existence. Of the 65 applicants, 32% withdrew their application, while 42% were ineligible. This low approval rate is due in part to the fact that KYHCA serves the entire state and assists more borrowers in areas of California with greater concentrations of distressed mortgages. However, some of this may have to do with the eligibility criteria.
- MAP, which began in 2010 and ended in 2014, served 233 borrowers. Of the 855 applicants, 22% withdrew their application and 50% were ineligible.
- These programs can be designed with a number of eligibility criteria, such as:
 - Maximum income level, generally set to a percentage of area median income (AMI)
 - Debt-to-income (DTI) ratio levels pre- and post- assistance
 - Loan-to-value (LTV) ratios pre- and post- assistance
- The MAP program has a more expansive criteria compared to the other two programs.. KYHCA's eligibility criteria is more restrictive in its LTV, DTI, and AMI thresholds than the MAP program.



Principal Reduction Programs

- These programs demonstrate that program design can greatly affect the number of borrowers being served. Eligibility criteria can have a large effect on restricting the pool of borrowers or expanding it.
- The drawback of more expansive criteria is that it could potentially lead to lower homeownership retention rates. However, despite MAP's more generous eligibility criteria, it has a 100% homeownership retention rate with only one loan currently in default.
- A principal reduction program can be designed to provide either a grant or a loan, both of which have benefits and drawbacks.
- In a grant program, the borrower has the advantage of being free and clear of any new debt and the benefits of having a reduced principal balance remain through the life of the loan. However, in order to sustain a grant program indefinitely, an on-going funding source would be needed.
- A loan program has the advantage of being more sustainable. Like the grant program, a loan program can only serve as many borrowers as funds are available. However, the advantage of a loan program is that as loans are paid back, funds will become available to service new loans. In addition, a loan program could be designed in a way that loans are repackaged and sold to free up capital to service additional loans.



Refinance Incentive Program

- The goal of a refinance incentive program is to encourage lenders and servicers to modify loans through cash bonuses.
- The U.S. Treasury and the U.S. Department of Housing and Urban Development (HUD), administers a refinance incentive program called the Home Assistance Mortgage Program (HAMP), which targets troubled mortgages that were originated before 2009. Homeowners in this program have their delinquencies immediately resolved and the program aims to reduce monthly mortgage payments through the following methods:
 - Change mortgage loan type (e.g. adjustable rate mortgage to a fixed-rate).
 - Extend the term of the mortgage (e.g. from a 30-year to a 40-year term)
 - Lower interest rates either temporarily or permanently to as low as 2%.
 - Add any past-due amounts, such as interest and escrow, to the unpaid principal balance, which is then re-amortized over a new term.
- The program works through incentives to lenders and services that include:
 - Shared cost of reductions in monthly payments on first mortgages with lenders from 38% debt-to-income to 31% debt-to-income by HAMP.
 - Bonuses based on the number of modifications and on performing loans serviced.
- In the San Francisco-Oakland-Fremont MSA in the third quarter of 2014, this program had 38,342 active permanent modifications. The median reduction of pre-modification payments is around 40%.



Refinance Incentive Program

- One of the main barriers to loan modification is denial of a loan modification request by the borrower's bank. The bank may still deny requests for loan modifications even when borrowers are able to receive assistance through government programs that make them a better candidate for modification. Generally, denials are made because gains from modification are small or in some cases non-existent relative to foreclosure from the investor's point of view.³
- Rather than bolster a borrower's financial situation to make them a better candidate for modification, a refinance incentive program tries to increase the benefits to the lender from modification through a cash bonus to the bank. The advantage to the borrower is that a modification through a program like HAMP will reduce their monthly payment. However, a HAMP-like program does not necessarily reduce the amount of total debt to the borrower. For example, one method of reducing monthly payments is to add past-due amounts to the principal, which actually increases the borrowers total debt amount.
- Because this type of program works as a cash incentive to banks, in order to make it sustainable, an on-going funding source would be needed.



Income Assistance/One-Time Grant Programs

- The intent of an income assistance program is to help homeowners facing sudden, unexpected economic hardship that makes it difficult for them to make their mortgage payments.
- The most notable existing program is through **KYHCA's Unemployment Mortgage Assistance Program (UMAP)**, which gives cash assistance to homeowners who have experienced involuntary job loss and receive CA Employment Development Department (CA EDD) unemployment benefits. Approved applicants can receive up to \$3,000 a month for up to 18 months (\$54,000 maximum).
- In addition to income assistance, KYHCA also has two other one-time grant programs:
 1. **Mortgage Reinstatement Assistance Program (MRAP):** This program targets borrowers who have fallen behind on payments and need help reinstating their past due first mortgage loans. Approved applicants are eligible for a one-time payment of up to \$25,000 to cover principal, interest, taxes, insurance, and HOA fees.
 2. **Transition Assistance Program (TAP):** This program provides funds to homeowners who have been through a foreclosure to help them transition into a new home. Households can receive up to \$5,000 in funding.



Income Assistance/One-Time Grant Programs

Program	Applicants	Approved Borrowers	Reduction per Borrower	Total Cost	Approved	Withdrawn	Ineligible
UMAP	363	203	\$16,924	\$3,435,610	56%	33%	12%
MRAP	310	24	\$17,089	\$410,143	8%	51%	42%
TAP	5	0	\$0	\$0	0%	40%	60%

- UMAP is KYHCA's largest program in San Francisco, both in number of borrowers served, and in total cost. In its four years of existence, UMAP has served 203 borrowers in San Francisco with an applicant approval rate of 56%. This approval rate is high relative to KYHCA's other programs. This could be due in part to the criteria that requires borrowers to be receiving CA EDD unemployment benefits. Borrowers seeking assistance are likely selecting out if they aren't receiving CA EDD assistance, which restricts the pool to borrowers that are more likely to be eligible.
- KYHCA's one-time grant programs have been less robust in San Francisco. Only 24 borrowers were served through the MRAP program and no borrowers were served in TAP. MRAP has only an 8% applicant approval rate, but the reasons for ineligible applications are not possible to determine based on KYHCA information provided. However, for KYHCA programs as a whole, servicers not approving applications for assistance make up one-fifth of ineligibility reasons.



Income Assistance Program/One-Time Grant Programs

- An income assistance program addresses the issue of sudden economic hardship, which combined with negative equity, becomes the biggest reason for foreclosure.
- The relatively high take-up of the KYHCA Unemployment Mortgage Assistance Program provides evidence that this is an important program in helping homeowners retain their homes.
- Income supports can be designed in a number of ways that include maximum amounts, time limits, income tests, etc. An advantage of an income assistance program over a one-time grant is that it can sustain a borrower over a period of time through regular payments. In the case of KYHCA, this is an 18 month period of unemployment support. However, like any cash assistance program, in order for it to be sustainable, an on-going funding source would be needed.
- A one-time grant or time-limited grant program can be designed to serve the purpose of emergency funding. The likelihood of default greatly increases when a borrower faces a sudden economic hardship. An emergency assistance program can serve to bridge the borrower through a difficult period.



Loan Acquisition by CDFI's and Nonprofits

- A number of Community Development Financial Institutions (CDFI)¹² and nonprofit investment companies have the mission of stabilizing communities through the acquisition, modification, and reselling of troubled mortgages using a combination of private capital and public funding.
- These organizations mainly acquire loans at a discount through either HUD pools of non-performing loans or through direct agreements with lenders.
- Three programs are reviewed in this report:
 1. National Community Capital (NCC): This is the subsidiary of a CDFI, that acquires loans mainly through HUD pools of non-performing loans. NCC has acquired loans in New Jersey, Florida, and North Carolina and uses a combination of private capital and money from the Hardest Hit Fund to those loans.
 2. Hogar Hispano: This group is a nonprofit that works directly with banks to acquire pools of loans. These loans are restructured using mainly private capital and in some cases Hardest Hit Fund money.
 3. Mortgage Resolution Partners (MRP): This organization had the goal of seizing private-label securities through eminent domain to restructure and resell. To date, MRP has not been able to operationalize their plan, and recent federal legislation has limited their strategy.



Loan Acquisition by CDFI's and Nonprofits

Program Profile	National Communtiy Capital	Hogar Hispano
Borrowers Receiving Program Service	379	463
Average Pre-Assistance UPB	\$189,091	\$72,203
Public Funding Principal Reduction	\$29,082	\$0
Private Capital Principal Reduction	\$42,175	\$5,791
Average Post-Assistance UPB	\$117,833	\$66,412

- NCC has serviced 379 loans mainly through HUD pools of non-performing loans while Hogar Hispano has served 463 loans mainly through pools of loans bought directly from banks.
- NCC draws its public funding from the Hardest Hit Fund money to supplement private capital principal reduction. Hogar Hispano uses private capital to pay down principal balances.
- NCC has stated that 60% of its loans are stabilized. 67.6% of Hogar Hispano loans have a status of re-performing, modified, short sale, or paid in full.
- These loans are from state-level pools. Our review has not found a municipal-level strategy for acquiring loans. However, NCC has been in discussions with Oakland in trying to acquire loans.
- Given the small geographical area of a city, and the rising home prices in the Bay Area, the number of loans investors would be willing to sell to CDFI's and nonprofits may be very small.



The Use of Eminent Domain: Program Design

- The City of Richmond CARES program and its partnership with Mortgage Resolution Partners (MRP) represents a model of acquiring underwater PLS loans through the use of eminent domain.
- MRP's program would rely primarily on refinancing seized loans through the Federal Housing Administration's (FHA) short refinance program and securitization through Ginnie Mae.
- An example from an Urban Institute study assumes a home with a market value of \$200,000 was purchased for \$400,000, with a loan of \$300,000.
- The City would use eminent domain to seize the loan, and with MRP financing, compensate the lender by 80% of the fair market value (\$160,000).
- The loan would be transferred to MRP for servicing, and MRP would help the homeowner refinance the loan for \$195,500, with \$5,000 of proceeds held by HFA for initial loan insurance premium.
- Fees to fund city staff and MRP's expenses would come from the difference between the refinance proceeds and the loan cost ($\$190,500 - \$160,000 = \$30,500$).
- MRP would receive a \$4,500 servicing fee per successful transaction, and the rest of the proceeds would go to MRP's funders and the City.¹³



The Use of Eminent Domain: Federal Limitations

- The strategy of using eminent domain to restructure loans has been limited with the passage of the Fiscal Year 2015 Omnibus Appropriations bill, which contains language that effectively prohibits HUD, FHA, or Ginnie Mae's involvement with any mortgage seized through eminent domain, or any mortgage replacing a seized mortgage.¹⁴
- The provision does not preclude the participation of the Federal Housing Finance Agency (FHFA), Fannie Mae, or Freddie Mac from the purchase of seized mortgages.
- However, FHFA General Counsel issued a memorandum in opposition to the use of eminent domain, finding that it "presents a clear threat to the safe and sound operations of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks..." and would "run contrary to the goals set by Congress for the operation of conservatorships by FHFA..."¹⁵
- In a subsequent statement, FHFA described possible actions that it could take, which include initiating legal challenges to any jurisdiction sanctioning the use of eminent domain to restructure loans and cease business activities within any jurisdiction employing eminent domain to restructure loans.¹⁶
- The Controller's Office reached out the General Counsel and confirmed that the positions taken in the memo and statement have remain unchanged.
- Precluding any participation from Fannie Mae or Freddie Mac, the use of eminent domain would seem to be an inviable option.
- One possible option would be the purchase of loans from third parties and the sale of loans to third parties, but this option poses similar legal risks as outlined in the FHFA General Counsel memo.



The Use of Eminent Domain: Risks to the City

- Securitized loans are particularly difficult to restructure in large part because they exist in pools of loans with multiple investors and contracts governing the pools that make it difficult to restructure individual loans. Eminent domain circumvents this problem by seizing these loans.
- However, the use of eminent domain comes with a number of risks, including risks to the City's borrowing costs, legal risks, and the impact on cost of lending in the city.

Borrowing Cost Impact:

- The City's participation in an eminent domain program will likely have broader negative impacts on the City's participation in financial markets, at least for an initial period following program adoption.
- Approval of proposed legislation will likely be negatively perceived by financial markets, insurers, other financial intermediaries, and potential investors in the city. It is likely that after proposing an eminent domain program, the City would need to use a "negotiated sale" versus a "competitive sale" approach to selling City bonds for a some period after the proposal, which would draw fewer potential investors and transaction participants, resulting in higher sale costs and less competitive interest rates.
- If this occurs, this would increase debt service costs over the life of the bonds, or reduce the amount of bond proceeds available for various financed projects. For example, a modest 10 basis point (or 0.1%) increase equates to a net present value of \$30 million in additional interest costs over the 20 to 30 year life of the \$1.62 billion in bonds the City plans to issue this fiscal year.



The Use of Eminent Domain: Risks to the City

Legal Risks to the City:

Lenders are likely to challenge any eminent domain proceedings in two ways:

1. Right to Take: Questions on the "Right to Take" center around whether or not there is a public purpose, whether or not a "taking" is necessary, and whether or not mortgages are within the City's territorial jurisdiction.
 - The MRP strategies uses eminent domain to seize performing loans. Opponents of this program have argued that this is an improper "taking" because a performing loan creates no threat to the community, particularly when no assurance exists that the asset would cease performing.
 - Since mortgage backed securities are traded domestically and internationally, some opponents have suggested that using eminent domain this way would be a violation of the Commerce clause, which requires states not to interfere with interstate commerce except where there is a legitimate interest.
2. Just Compensation: When using eminent domain, the City must pay just compensation (i.e. fair market value) as defined under state and federal law. Such a program will encounter difficulty in determining values of performing loans. MRP's strategy calls for a price that they say factors in the risk of default, but opponents argue that this price is below market value. Opponents also argue that the forfeiture discount is based on an exaggeration of foreclosure risk.



The Use of Eminent Domain: Risks to the City

Impact on Mortgage Lending in San Francisco:

- The use of eminent domain will likely have an impact on the availability of credit to potential borrowers.
- Lenders currently do not account for the possibility of eminent domain seizures in their risk models and the implementation of an eminent domain program would warrant an adjustment. Lenders are likely to risk adjust by either raising interest rates, demanding larger down payments, or both.
- These adjustments would be made to compensate for future potential seizures and to provide a buffer against losses in the event of a seizure. The adjustments create restrictions in credit that would make it more difficult for potential homebuyers to get affordable loans and lower the number of homebuyers in the market.
- Lastly, the effect of such a program could actually artificially depress the value of homes.



Mortgage Servicing Rules

- In response to the mortgage crisis, federal and state governments implemented new mortgage rules aimed at reducing foreclosures and tightening underwriting standards.
- The California Homeowners Bill of Rights became law on January 1, 2013 to ensure fair lending and borrowing practices for California Homeowners. The laws are designed to guarantee basic fairness and transparency for homeowners in the foreclosure process.
- Key provisions include:
 - Restriction on dual track foreclosure: Mortgage servicers are restricted from advancing the foreclosure process if the homeowner is working on securing a loan modification.
 - Guaranteed single point of contact: Homeowners are guaranteed a single point of contact as they navigate the system and try to keep their homes.
 - Verification of documents (i.e. no robo-signing): Lenders that record and file multiple unverified documents will be subject to a civil penalty of up to \$7,500 per loan in action brought by a civil prosecutor.
 - Enforceability: Borrowers will have authority to seek redress of "material" violations of the new foreclosure process protections.
- These key provisions were created to reduce the likelihood of foreclosure.



Mortgage Servicing Rules

- The Consumer Financial Protection Bureau (CFPB) issued new mortgage servicing rules, which began implementation in 2014.
- There were many key provisions implemented to make it easier for borrowers to cure defaults and two key provisions that affect underwriting standards.
- The first provision affecting underwriting standards is the “Ability-to-repay” provision, which requires creditors to make a reasonable and good-faith determination that a borrower has the ability to repay the loan according the loan terms. The provision lists a guideline for basis of determination of the ability to pay and includes rules on verification of documents, such as income or assets, employment status, and credit report. This tightening of underwriting rules will have an impact on originations of high-cost and PLS loans.
- The second key provision is a new category of loan called the “qualified mortgage.” A “qualified mortgage” is a category of loans that has certain, more stable features that make it more likely that a borrower will be able to afford the loan. For example, interest-only loans are not permitted. Servicers are incentivized to issue “qualified mortgages” because the creditor or assignee enjoys certain legal protections in the form of a safe harbor or rebuttable presumption of compliance with the ability-to-pay requirements. This provision seeks to reduce loans with risky features through incentives to creditors.



Housing Counseling and Financial Education

- Before the onset of the mortgage default crisis, there was a sharp increase in the prevalence of high-cost and PLS loan originations in 2005 and 2006. In the three years after this spike, lenders dramatically reduced originations of these types of loans. Since 2009, the prevalence of high-cost loans has remained low. However, PLS loans have begun to see an increase in prevalence, making up 2.6% of loan originations in 2013. While this is well below its 2006 prevalence rate of 7.2%, the percentage of PLS loan originations is still trending upwards.
- Pre-purchase housing counseling has been shown to be an effective way to reduce delinquency rates and to mitigate credit risk.¹⁷ However, the use of housing counseling services has been tied mainly to loans and programs that make housing counseling a requirement. High-cost loans and PLS loans are generally market rate purchases not tied to programs that require housing counseling services, which makes it harder for housing counselors to access borrowers who may potentially be entering into these types of loans.
- In addition, since the dissolution of redevelopment agencies, housing counseling agencies have seen diminished funding, which affects their ability to reach borrowers who could be helped by pre-purchase housing counseling services.



Section 4: Recommendations



Recommendations

- Programs currently available to San Francisco homeowners with troubled mortgages have a positive impact on reducing foreclosures, but have a number of limitations. This report makes two recommendations for reducing negative equity or mitigating the impact of sudden economic hardship should policymakers wish to assist homeowners with troubled mortgages:
 1. Develop a mortgage assistance program for homeowners with troubled mortgages that would reduce a borrower's principal loan amount in order to support a loan restructure.
 2. Develop an emergency assistance program targeting homeowners who have had an unexpected hardship and have defaulted or are at risk of default.
- Should policymakers wish to pursue these recommendations, the structure of the programs, including income and other restrictions will need to be set to define an eligible population to target limited resources. An analysis on the number of borrowers served and staffing would also be needed in order to determine the cost of the programs.
- In addition to these recommendations, three ideas were introduced in this report that warrant further exploration:
 1. CDFI's and nonprofits acquiring non-performing loans seem to pose low financial risks and low administrative burden to the City, with possible, but likely minimal, benefits that warrant an exploration of a partnership.
 2. Enhanced legal assistance may be helpful for homeowners seeking legal representation against lenders violating recently implemented mortgage servicing rules.
 3. Enhanced pre-purchase housing counseling services for outreach to neighborhoods with comparatively high prevalence rates of high-cost loans and PLS loans.



Recommendations: Down Payment Assistance Loan Program

- The risk of foreclosure greatly increases when a borrower is underwater and options for homeowners are limited in terms of principal reduction.
- HAMP is able to assist borrowers whose originations were before 2009, but over 40% of the estimated at-risk borrowers had loan originations in 2009 or later. This leaves a large number of at-risk borrowers whose only safety net is KYHCA should they have trouble with their mortgages. But given KYHCA's strict eligibility requirements and its expiration in 2016, these borrowers have few good options in terms of principal reduction programs.
- Given the large number of borrowers at-risk without a safety-net, this report concludes that the Mayor's Office of Housing should develop a mortgage assistance program for homeowners with troubled mortgages that would support a loan restructure by reducing the principal amount through a second loan.
- Eligibility criteria can include loan-to-value ratios, debt-to-income ratios, and area median income percentage in order to define a population to target limited resources.



Recommendations: Emergency Assistance Program

- Underwater borrowers having trouble with their mortgage payments are more likely to find that their best alternative is to foreclose. Bringing a borrower above water or helping them with their payments removes this incentive.
- In some cases, reducing the borrower's principal amount to support a loan restructure as the first recommendation suggests is not the appropriate solution for borrowers facing a sudden economic hardship. In such cases, it's possible the borrower needs one-time or short-term assistance to carry them through an economic hardship.
- An emergency assistance program can be as either a loan or a grant. And since this program would act as emergency support it would require parameters for a maximum assistance amount, and a time-limited duration of support.
- An income assistance program should include criteria such as the ability of the borrower to demonstrate economic hardship (e.g. receiving CA EDD unemployment benefits, sudden unexpected medical expense, etc.). A program like this could be developed in conjunction with the expiration of KYHCA.



Recommendations: Explore partnership with CDFI or nonprofit

- CDFI's and nonprofits in the business of acquiring, restructuring, and reselling loans generally acquire pools of loans at the state level.
- It is unclear how effective a program like this would be at the municipal level, given the small geographical location and San Francisco's rising home prices. As home prices continue to rise in San Francisco, investors will be less willing to sell loans in their portfolio.
- However, the only participation by the City would be to connect these organizations with the banks. The City would have no fiscal exposure, and seemingly no administrative responsibility aside from making the initial connection between the organization and the banks.
- Since the risks seem minimal, but the benefits unclear, we believe a partnership with a CDFI or nonprofit warrants some exploration.



Recommendations: Explore Enhanced Legal Assistance

- The recently enacted mortgage servicing rules were created to reduce the likelihood of foreclosure and to reduce the prevalence of originations of riskier loans. These rules also allow borrowers to seek redress of “material” violations of the new foreclosure process protections.
- However, not all borrowers have the knowledge necessary to seek redress of “material” violations and not all borrowers have the means to acquire legal counsel in order to seek redress of these violations.
- This report recommends exploring the use of funds for enhanced legal assistance to borrowers facing lenders who have violated the new mortgage servicing rules.



Recommendations: Enhanced Housing Counseling Services

- Pre-purchase housing counseling has been shown to be an effective way to reduce delinquency rates and to mitigate credit risk. However, the use of housing counseling services has been tied mainly to loans and programs that make housing counseling a requirement. High-cost loans and PLS loans are generally market rate purchases not tied to programs that require housing counseling services, which makes it harder for housing counselors to access borrowers who may potentially be entering into these types of loans.
- Since the dissolution of redevelopment agencies, housing counseling agencies have seen diminished funding, which affects their ability to reach borrowers who could be helped by pre-purchase housing counseling services.
- This report recommends exploring enhanced housing counseling services with the purpose of outreach to communities and neighborhoods where there is a comparatively high prevalence of high-cost loans.



Appendix: Data Description

- **U.S. Census Bureau, American Community Survey:** This data was used for its estimate on the number of housing units in San Francisco. This data was used to report the number of housing units and to calculate foreclosure rates.
- **Assessor-Recorder Foreclosure Data:** This data comes from the Office of the Assessor. It is used mainly in the first section of the report to analyze the impact of the mortgage default crisis, including trends in defaults and foreclosure, cure rates, and foreclosure rates by neighborhood. In addition, the data was compared to home value trends, unemployment rate, and the prevalence of high-cost and PLS loans.
- **Zillow Home Values:** Zillow estimates the market value of homes using tax assessments, prior and current transactions, and physical attributes of the home such as location, lot size, square footage, number of bedrooms and bathrooms, and other details.
- **California Employment Development Department:** Unemployment rate estimates were taken from the CA EDD.
- **Home Mortgage Disclosure Act data:** This data was used to estimate the prevalence of high-cost and PLS loans.
- **Corelogic Listsource data:** This data was used to estimate the population at-risk of foreclosure, and to analyze various loan attributes of this population.



End Notes

1. American Community Survey 2009-2013 5-Year Estimate.
2. San Francisco foreclosure rate calculated using data from the San Francisco Assessor's Office, American Community Survey. The U.S. foreclosure rate comes from RealtyTrac average of quarterly foreclosure rates in 2014.
3. Deng, Yong Heng, John Quigley, and Robert Van Order. 2000. "Mortgage Terminations, Heterogeneity, and the Exercise of Mortgage Options." *Econometrica* 68 (2): 275-307.
4. Lacour-Little, Michahel. 20047. "Equity Dilution: An Alternative Perspective on Mortgage Default." *Real Estate Economics* 32 (3):359-384
5. Cutts, Amy Crews, and Richard K. Green. 2005. "Innovative Servicing Technology: Smart Enough to Keep People in Their Houses?" In N. Retsinas, & E. Belsky (Eds.), *Building Assets, Building Credit: Creating wealth in Low-Income Communities*, pp. 348-377. Washington DC: The Brookings Institution press.
6. This method of identifying high-cost loans is a replication of the method used by the Furman Center for Real Estate & Urban Policy in the report, "Declining Credit & Growing Disparities: Key Findings from HMDA 2007.": HMDA requires lenders to report when the spread between the annual percentage rate of a loan and the rate of Treasury securities of comparable maturity is greater than three percentage points for first lien loans, and five percentage points for junior lien loans. In this report, all loans with APRs above this threshold are referred to as high-cost loans. The high-cost loan estimate serves as a proxy for subprime loans.
7. Foote, Christopher, Kristopher Gerardi, and Paul Willen, 2008, "Negative Equity and Foreclosure: Theory and Evidence," *Journal of Urban Economics*, 6 (2), 234-245
8. Mayer, Christopher, Karen Pence, Shane M. Sherlund. 2009, "The Rise in Mortgage Defaults." *Journal of Economic Perspectives*, 23 (1), 27-50.
9. Furman Center for Real Estate & Urban Policy, 2008, "Declining Credit & Growing Disparities: Key Findings from HMDA 2007." Furman Center for Real Estate & Urban Policy, New York University School of Law and Wagner School of Public Service.
10. This map is based on 2014 zip code boundaries in Tableau. Two zip codes from the data do not exist in Tableau, 94160 and 94143. 16 originations were transferred from 94160 to 94102 and 302 originations were transferred from 94143 to 94122.
11. We exclude homeowners that are more than \$1 million underwater because these borrowers generally have high-value homes and are too deeply underwater to be reached by any meaningful assistance program.
12. Community Development Financial Institutions are U.S. Treasury certified institutions that provide credit and financial services to underserved markets and populations



End Notes

13. Lee, Pamela. 2013. "Eminent Domain: The Debate Distracts from Pressing Problems." Urban Institute, Housing Finance Policy Center.
14. Section 236 of the FY 2015 Omnibus Appropriations bill: "None of the funds made available in this Act shall be used by the Federal Housing Administration, the Government National Mortgage Administration, or the Department of Housing and Urban Development to insure, securitize, or establish a Federal guarantee of an mortgage or mortgage backed security that refinances or otherwise replaces a mortgage that has been subject to eminent domain condemnation or seizure, by a state, municipality, or any other political subdivision of a state."
15. Pollard, Alfred M., General Counsel. *Summary of Comments and Additional Analysis Regarding Input on Use of Eminent Domain to Restructure Mortgages* [General Counsel Memorandum]. Washington, DC: Federal Housing Finance Agency. August 7, 2013.
16. Federal Housing Finance Agency. *FHFA Statement on Eminent Domain* [Federal Housing Finance Agency Statement]. Washington, DC. Federal Housing Finance Agency. August 8, 2013.
17. Hatcher, Desiree. 2006 "Foreclosure Alternatives: A Case for Preserving Homeownership." Profitwise News and Views.



Contact

Jay Liao, Office of the Controller
415.554.5159
jay.liao@sfgov.org

Ben Rosenfield, Controller
415.554.7500
ben.rosenfield@sfgov.org



From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Women Biking San Francisco

From: Ana Sophia Mifsud [<mailto:amifsud@stanford.edu>]
Sent: Thursday, February 05, 2015 5:17 PM
To: Board of Supervisors (BOS)
Subject: Women Biking San Francisco

Hello,

My name is Ana Sophia Mifsud and I am currently a student at Stanford University.

I am in a group with two other Stanford students (whom I've cc'd to this email) who are working on a project, in partnership with the San Francisco Bike Coalition, to increase women bike ridership in San Francisco.

As a part of our project we are trying to reach out to women who don't already bike in San Francisco. We are looking for ways to distribute a survey to gather data on why women in San Francisco are not riding bikes.

We were wondering if you had a list of women's organizations that would be interested in partnering with us and distributing our survey to their members.

Please let me know if you would like to talk about this more either by email or by phone. This project is on a very tight deadline, so we would really appreciate any sort of response before Tuesday the 10th of February.

Thank you for your time and consideration.

Hope to hear from you soon,

Ana Sophia

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: The Judge Judy show
Attachments: JUDGE Judy Show.pdf

From: Max Dupont [<mailto:dupontmaxb@att.net>]
Sent: Saturday, February 07, 2015 11:26 AM
To: Board of Supervisors (BOS)
Cc: dupontmaxb@gmail.com
Subject: The Judge Judy show

February 7, 2015

To all the members of the Board of Supervisors of the City of San Francisco both jointly and separately :

Kindly find attached our own very clear and totally educated opinion on the show in question which, in our opinion again, falls in the category of "those things" we all (with the accent, certainly, on our "elected officials") have both a personal and civic duty to rise against, on the ground of it being highly contrary to "what this country was founded to be" and its "future interest".

We have just finished a fifty four pages long article which, in line with W. C. Fields own stance on such matters, completely supports all the contents of the attached and which we would like to submit to your own sense of what constitutes "right" versus "wrong" before going public with it. Please let us know whether you would be interested in just one copy of it which, then, could be easily duplicated by your office so that each one of you could appreciate its possible impact in all comforts.

Some (if not all) of you might feel it below your dignity to have anything to do with what may be, erroneously, perceived by you as being just a "television show", which, even then, would be the "wrong stand" to take as no one (of any mind) will deny that "television" is, perhaps and by design, the "most influential factor" in most lives and the "bitch" in question (which, as such, was specifically chosen by no one less than the initiator of the "60 minutes" show for, actually, the "absolute direct opposite" for just one more particularity!) is presently heralded by "media" (of a "specific misguided denomination") as the "American Mandella" of the "judicial profession", which where, in our opinion, "television" ceases to be just "perverted entertainment" for its own "bottom of the barrel".

At this point, please reread the attached and measure the importance of the "absolute defection" of the FCC, the Department of Justice and the entire Press in the matter for over nineteen years now.

Judge Wapner said: of the "Bitch" in question: "She is not portraying a judge as I view a judge should act. Judge Judy is discourteous and she is abrasive. She is not slightly insulting, she is INSULTING in capital letters", to which the "mentally deranged bitch" who built an entire career on having nothing nice to say about anyone (including her husband who was raised to love it), to the tune of 7 1/2 hours per week for the last 19 years, responded: "I refuse (all the while doing it of course) to engage in similar similar mud slinging. I don't know where or by whom Judge Wapner was raised (both of which happen to be just fat lies, of course, just like anything else pertaining to the "show" in question because she had no reason to figure that he had been raised by anyone else other than by his parents, etc., etc.) but my parents taught me when you don't have something nice to say about someone, say nothing" and, if just the "incredible effrontery and absurd stupidity of the statement in question" does not motivate anyone of you, at the Board of Supervisors of San Francisco to do "something" about it, SO BE IT but NOT without a confrontation.

All we are asking of you at the moment is just your "personal opinion" (which could be expressed with just a few words or more depending on your own orientation) on the "show" in question and we believe that it is NOT an "out of place demand" on your own either "political or personal time". We are NOT asking you to agree with us. As a matter of fact, we will welcome the opposite because it would give us a chance to, publicly, defend our case against yours.

For the "ALLIANCE FOR THE PRESERVATION OF THIS COUNTRY AS IT WAS FOUNDED TO BE",

Sincerely,

Max B. Dupont (dupontmaxb@gmail.com)

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Racism from City Hall

From: Allen Jones [<mailto:jones-allen@att.net>]
Sent: Saturday, February 07, 2015 11:09 AM
To: Kim, Jane (BOS)
Cc: Breed, London (BOS); CohenStaff (BOS); Cohen, Malia (BOS); Heather Knight; CamposStaff (BOS); Johnston, Conor (BOS); Low, Jen (BOS); Christensen, Julie (BOS); Farrell, Mark (BOS); Board of Supervisors (BOS)
Subject: Racism from City Hall

To All Members of the San Francisco Board of Supervisors,

I think it is a shame that I have a website that has chronicled some of the racism that I see many Blacks here have to navigate through. In all honesty, my only problem has been with City Hall's treatment (ignoring) of race related issues. I have not been treated rudely by San Franciscans. The link, if you care to follow is more embarrassment for the city but it is obvious City Hall does not care to address it.

<http://www.blacknews.com/news/san-francisco-host-city-super-bowl-50-penalty-flag-racial-taunting101.html#.VNPA-y6vzNI>

Allen Jones
(415) 756-7733
jones-allen@att.net

The only thing I love more than justice is the freedom to fight for it!
--Allen Jones--

From: Max Schweitzer [maximillian.schweitzer@gmail.com]
Sent: Monday, February 09, 2015 4:25 AM
To: Board of Supervisors (BOS); Campos, David (BOS); Mar, Eric (BOS); Kim, Jane (BOS); Avalos, John (BOS); Christensen, Julie (BOS); Tang, Katy (BOS); Breed, London (BOS); Cohen, Malia (BOS); Farrell, Mark (BOS); Yee, Norman (BOS); Wiener, Scott
Subject: Homeless Plan

This is the basic plan to get all homeless off the streets permanently. There are currently more than enough facilities to house every homeless person on the street immediately.

Most SF homeless have severe brain damage and are unable to make logical rational decisions for themselves. Homeless are dying at a rate of 1 every other day. "Laura's Law" recently approved in SF will be used to force homeless into programs and treatment.

Approximately 50% of all SF homeless are US military veterans intentionally being dumped by Congress to literally die of criminal negligence in the street. VA is denying them benefits for "non-combat injuries" and SSA further denies them.

MAP OF FACILITIES

1. Point of Contact

Lava Mae mobile shower service will be required with most cases.

- SFPD/FD Ambulance
- HOT (Homeless Outreach Teams)
- Park Ranger(s)/Police
- CHP
- FPS
- GGBHD
- VA
- Swords to Plowshares

2. Medical Attention

Under direction of HHS and eventual control pending Federal legislation

- SF General Hospital/Laguna Honda
- Navigation Center
- UCSF
- VA Hospital/Clinics
- SFDPH Clinics
- Kaiser Permanente
- Dignity Health
- CPMC
- Chinese Hospital
- NEMS

3. Detox and Rehabilitation

American Red Cross management and coordination of all detox facilities.

- Delancey Street Foundation
- Salvation Army
- St. Vincent de Paul

- St. Anthony's

3A. Juveniles

City control of all various facilities, programs, and management. Coordination with SFUSD, SFPD, SFDA, SFDPH, SFHSA.

4. Housing/Shelter

American Red Cross control and management of all various facilities. A total of 7380 units can currently be found with the 3 criminal non-profit housing developers.

- TNDC (Red Cross controlled)
- CCDC (Red Cross controlled)
- Mercy Housing (Red Cross controlled)
- Unorganized unofficial unlisted in 311 shelters (Red Cross controlled)
- SFHA (HUD)
- HUD vouchers

4A. Veterans Housing

Vets have different needs and must be in separate supportive residential units. VA is building a facility in the former Bohemian Club building. CalVet is building a facility on the former UCSF Laurel Heights campus. Swords to Plowshares will have another location in the Presidio at Ft. Scott.

- Swords to Plowshares
- Planned VA Bohemian location
- Planned CalVet Laurel Heights location

5. Case Management/Oversight/Training

- HHS
- SFDPH Social Workers
- SFHSA
- VA
- Swords to Plowshares
- Goodwill Industries
- CCSF

6. Release

Mostly unlikely due to severe health issues. FBI will be monitoring and working.

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Bicyclists in the PEDESTRIAN diversion on First Street between Mission and Howard

From: David Nadler [<mailto:mr.zydeco@yahoo.com>]
Sent: Monday, February 09, 2015 10:16 AM
To: info@transbaycenter.org; Board of Supervisors (BOS); SFPD Southern Station (POL)
Subject: Bicyclists in the PEDESTRIAN diversion on First Street between Mission and Howard

I will first lament the more or less complete lack of enforcement of the laws against bicycling on the sidewalks in commercial districts in San Francisco.

It's bad enough that we pedestrians are routed around the various TJPA projects like rats in a maze. It's even worse that there's a pedestrian diversion on First Street between Mission and Howard that has one-way traffic as steel beams are hoisted by cranes and get a little bit too close to overhead for comfort. I had a cyclist whiz past me in this pedestrian diversion this morning. That is beyond the limit of what is acceptable.. I don't really care what it costs the project or the City and County of San Francisco, but if you're going to have this pedestrian diversion, IT MUST BE KEPT CLEAR OF BICYCLE RIDERS 100% OF THE TIME. An accident could easily send a pedestrian over the plastic barrier and into traffic.

Respectfully submitted,
David Nadler

I live and work in San Francisco.

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: SFERS Investment

From: Jackie Brown [<mailto:rbelle888@gmail.com>]
Sent: Monday, February 09, 2015 11:11 AM
To: Board of Supervisors (BOS)
Subject: SFERS Investment

Dear Board of Supervisors:

I have sent you an e-mail to urge the SFERS Board not to invest in any hedge funds. Today I read in the SF Examiner that there are over 3,000 homes in the City that could foreclose. Some of the occupants of these home could be SFERS members.

I ask you again that SFERS not invest in hedge funds.

Thank you,
Anonymous

From: Reports, Controller (CON)
Sent: Monday, February 09, 2015 11:20 AM
To: Calvillo, Angela (BOS); BOS-Legislative Aides; BOS-Supervisors; Kawa, Steve (MYR); Howard, Kate (MYR); Falvey, Christine (MYR); Elliott, Jason (MYR); Steeves, Asja (CON); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); sfdocs@sfpl.info; gmetcalf@spur.org; bob@sfchamber.com; jballesteros@sanfrancisco.travel; CON-
EVERYONE; Hui, Tom (DBI); ed.reiskin@sfmta.com; Hayes-White, Joanne (FIR); Rhorer, Trent (HSA); Suhr, Greg (POL); Mirkarimi, Ross (SHF); Ginsburg, Phil (REC); John Martin (AIR); Gascon, George (DAT); Garcia, Barbara (DPH); Wood, Jack (CON); Nebreda, Debra (CON); Turner, Laurel (CAT)
Cc: osephine.racelis@sfgov.org; Keohane, Mike (MTA); Neuneker, Rob (FIR); Chin, Belinda (POL); Gannon, Maureen (POL); Chau, Cindy (SHF); Kensinger, Joleen (REC); Chan, Dorothy (CAT); Wallace Tang (AIR); Ivar Satero (AIR); Leo Fermin (AIR); Cecilia Chan (AIR); Clendinen, Eugene (DAT); Espana, Martha (DPH); Esquivel, Rosa (MTA); Yee, Connie (FIR); Chan, Karen (SHF); Janis Ito (AIR); Weigelt, Ron (DPH); Bushong, Jesusa (FIR); michael.brown@sfdph.org; Su, Jesse (DPH); Sakelaris, Kathleen (MTA); Alicia.John-Baptiste@sfmta.com; Sue, Candace (MTA); Christine.beetz@sfgov.org; Kim, Luenna (HSA); Simmons, Noelle (HSA)
Subject: Issued: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Did Not Comply With Citywide Policies and Procedures

The Office of the Controller's City Services Auditor Division (CSA) today issued a report on its audit of citywide payroll operations. The audit found that 11 of the 20 tested departments need to improve their payroll operations. Control deficiencies were found in the payroll processes the City generally follows. Further, departments do not always follow the City's Payroll Policies & Procedures Manual, indicating that internal control weaknesses may exist at the departmental level.

To view the full report, please visit our Web site at:
<http://openbook.sfgov.org/webreports/details3.aspx?id=1880>
This is a send-only e-mail address.

For questions about the report, please contact Director of City Audits Tonia Lediju at tonia.lediju@sfgov.org or 415-554-5393 or the CSA Audits Unit at 415-554-7469.

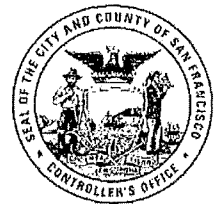
16

City and County of San Francisco

Office of the Controller – City Services Auditor

CITYWIDE PAYROLL AUDIT:

**Eleven Departments Incorrectly
Paid Employees, Improperly
Approved Time, or Did Not Comply
With Citywide Policies and
Procedures**



February 9, 2015

**OFFICE OF THE CONTROLLER
CITY SERVICES AUDITOR**

The City Services Auditor Division (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Charter Appendix F grants CSA broad authority to:

- Report on the level and effectiveness of San Francisco's public services and benchmark the City to other public agencies and jurisdictions.
- Conduct financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operate a whistleblower hotline and Web site and investigate reports of waste, fraud, and abuse of city resources.
- Ensure the financial integrity and improve the overall performance and efficiency of city government.

CSA may conduct financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

CSA conducts audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office. These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

For questions regarding the report, please contact Director of City Audits Tonia Lediju at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Audit Team: Irella Blackwood, Lead Audit Manager
Kate Chalk, Audit Manager
Jonathan Collum, Auditor-in-Charge
Sandra Chen, Staff Auditor
Cheryl Lam, Staff Auditor
Jenny Lee, Staff Auditor
Amanda Sobrepeña, Staff Auditor
Joseph Towner, Staff Auditor



City and County of San Francisco

Office of the Controller – City Services Auditor

Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Did Not Comply With Citywide Policies and Procedures

February 9, 2015

Purpose of the Audit

In fiscal year 2013-14 the Office of the Controller's City Services Auditor Division (CSA) audited the adequacy of citywide payroll operations and internal controls. The audit surveyed the payroll processes and controls of 54 departments across the City and County of San Francisco (City). The audit also assessed, based on pay fluctuations across two pay periods, whether city departments accurately paid a sample of 101 employees and complied with eligibility provisions of labor agreements. This is the third report in a series of planned audits that CSA will perform annually.

Highlights

The City's payroll process is generally adequate. However, the City has control deficiencies in its payroll process. Also, many departments incorrectly answered questions on the audit's internal control questionnaire, which indicates a lack of adherence to citywide policies and procedures. By addressing the control deficiencies identified, the payroll process and the documentation supporting the payroll process would be improved. Implementing controls, such as formalizing reviews, would lessen risks such as incorrect or improperly supported payments.

Also, 11 (55 percent) of the 20 tested departments need to improve their payroll operations. Departments sometimes incorrectly paid employees, improperly approved timesheets and other payroll authorizations, did not adhere to departmental or city policies and procedures, and have payroll-related internal control weaknesses. The audit's findings include the following:

- Of 101 employees tested that had been paid \$868,062, 10 (10 percent) were paid incorrectly, resulting in overpayments of \$3,340 and underpayments of \$356:

Department of Building Inspection

- Overpaid \$3,259 to an employee because it did not end a special pay when the employee changed job classifications.

Fire Department

- Underpaid \$235 for overtime hours worked.
- Overpaid \$51 for premium hours.

San Francisco Municipal Transportation Agency

- Underpaid \$101 for overtime, regular, and premium hours worked.
- Overpaid \$30 for improperly calculated shift pay.

Human Services Agency

- Underpaid \$20 in premium pay earned.

- One department inappropriately assessed an income tax benefit to three employees who were exempt from the taxation requirement.
- Six departments' supervisors did not properly approve and/or date timesheets, temporary assignment forms, or pay adjustment forms.

Recommendations

The report includes 18 recommendations for the City and departments to improve their payroll processes. Specifically, departments should:

- Correct all over- and underpayments to employees.
- Comply and ensure compliance with citywide policies and procedures, including reviewing employee time information for accuracy and appropriateness.
- Cease the incorrect practice of increasing the taxable income of employees exempt from the commuting vehicle benefit and work with the Payroll and Personnel Services Division to determine how to correct the incorrect entries.
- Properly approve and date all payroll authorizations and timesheets.

The report also includes recommendations for the City to strengthen its controls over the payroll process.

Copies of the full report may be obtained at:

*Office of the Controller • City Hall, Room 316 • 1 Dr. Carlton B. Goodlett Place • San Francisco, CA 94102 • 415.554.7500
or on the Internet at <http://www.sfgov.org/controller>*

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

February 9, 2015

Dear City Officials:

The Office of the Controller's City Services Auditor Division (CSA) presents its report of the citywide payroll audit for fiscal year 2013-14. The audit objectives were to assess the adequacy of citywide payroll operations and internal controls. The audit also assessed, for pay fluctuations across two pay periods, whether departments accurately paid and complied with eligibility provisions of labor agreements. In fiscal year 2011-12 CSA began a series of planned annual audits of selected departments' payroll practices. This is the third report in a series of planned audits that CSA will perform annually.

The audit concluded that the City and County of San Francisco's (City's) payroll process is generally adequate. However, the City has control deficiencies in its payroll process. Also, many departments incorrectly answered questions on the audit's internal control questionnaire, which indicates a lack of adherence to citywide policies and procedures. By addressing the control deficiencies identified, the payroll process and the documentation supporting the payroll process would be improved. Implementing controls, such as formalizing reviews, would lessen risks such as incorrect or improperly supported payments.

Also, 11 of the 20 tested departments need to improve their payroll operations. Control deficiencies were found in the payroll processes the City generally follows. Further, departments do not always follow the City's Payroll Policies & Procedures Manual, indicating that internal control weaknesses may exist at the departmental level.

The report includes 18 recommendations for the City and departments to improve their payroll processes. The departments' responses to the report are attached as appendices. CSA will work with the departments to follow up on the status of the recommendations made in this report.

CSA appreciates the assistance and cooperation of staff from the numerous departments that assisted during the audit. For questions about the report, please contact me at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read "Tonia Lediju".

Tonia Lediju
Director of City Audits

cc: Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

TABLE OF CONTENTS

Glossary	iii
Introduction	1
Chapter 1 – Results of Pay Fluctuations Test	9
Finding 1.1. Four departments incorrectly paid ten employees. Errors totaled \$3,696, of which most were overpayments.....	10
Finding 1.2. The Office of the District Attorney improperly taxed three law enforcement officers for commuting in their city vehicles	15
Finding 1.3. Timesheets and other payroll authorizations are not fully and properly approved and dated.....	16
Finding 1.4. The hours of shifts eligible for shift pay are not shown on some Office of the Sheriff’s timesheets.....	18
Finding 1.5. SFMTA and the Police Department lack policies and procedures for certain types of pay or payroll practices.....	19
Finding 1.6. Department of Public Health does not always follow the approval process for educational leave with pay.....	22
Finding 1.7. Public Health does not request proof of course completion from nurses who have taken educational leave with pay.....	23
Chapter 2 – Aspects of Payroll Processes and Controls Need Improvement	25
Finding 2.1. The City’s payroll processes have control deficiencies.....	25
Finding 2.2. Some city departments’ survey responses indicate that they lack significant payroll internal controls.....	27
Appendix A – Citywide Payroll Survey Results	A-1
Appendix B – Department Responses	B-1
Airport Commission.....	B-1
City Attorney.....	B-2

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

Department of Building Inspection.....	B-3
District Attorney.....	B-4
eMerge Division.....	B-5
Fire Department.....	B-6
Human Services Agency.....	B-8
Police Department.....	B-9
Payroll and Personnel Services Division.....	B-10
Public Health.....	B-11
Recreation and Park.....	B-12
San Francisco Municipal Transit Agency.....	B-13
Office of the Sheriff.....	B-14
Recommendations and Responses.....	B-15

GLOSSARY OF TERMS

Airport	Airport Commission
Building Inspection	Department of Building Inspection
City	City and County of San Francisco
City Attorney	Office of the City Attorney
Controller	Office of the Controller
CSA	City Services Auditor Division of the Office of the Controller
District Attorney	Office of the District Attorney
eMerge	eMerge Division of the Office of the Controller
FAMIS	Financial Accounting and Management Information System
FMLA	Family and Medical Leave Act
Health Services	Health Service System
Human Resources	Department of Human Resources
Human Services	Human Services Agency
MOU	memorandum of understanding
PDF	Problem Description Form
PeopleSoft	eMerge PeopleSoft, an integrated human capital management system
PPSD	Payroll and Personnel Services Division of the Office of the Controller
Public Health	Department of Public Health
Rec and Park	Recreation and Park Department
Retirement	San Francisco Employees' Retirement System
SEIU	Service Employees International Union
SFMTA	San Francisco Municipal Transportation Agency
TESS	Time Entry and Scheduling System
Trapeze	Trapeze OPS: Automated Operations Management system, Version 12, the scheduling, bidding, dispatching, and timekeeping system for transit operators

**Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures**

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INTRODUCTION

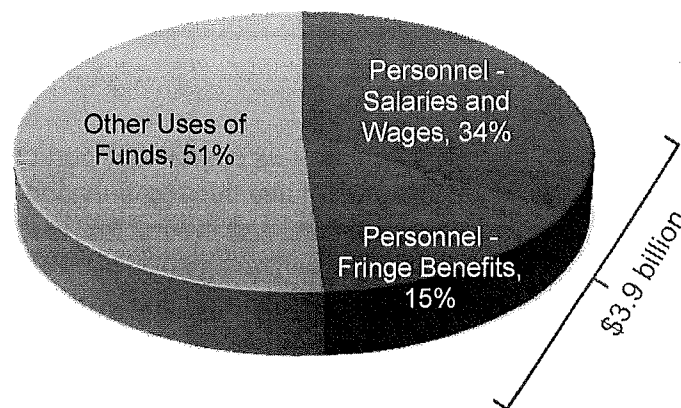
Audit Authority

The audit was conducted under the authority of the Charter of the City and County of San Francisco (City), which requires that the Office of the Controller (Controller) conduct periodic, comprehensive financial and performance audits of city departments, services, and activities. This audit is the third report in a series of planned payroll audits performed by the Controller annually.

Background

The personnel expenses budget for fiscal year 2013-14 in the City's Budget and Appropriation Ordinance was \$3.9 billion, which was 49 percent of the total budgeted expenses for the year of \$7.9 billion. This \$3.9 billion includes \$2.7 billion of salaries and wages and \$1.2 billion of fringe benefits. Exhibit 1 shows the City's personnel expenses as a percentage of the total budget.

EXHIBIT 1 Uses of the City and County of San Francisco's \$7.9 Billion Budget Fiscal Year 2013-14



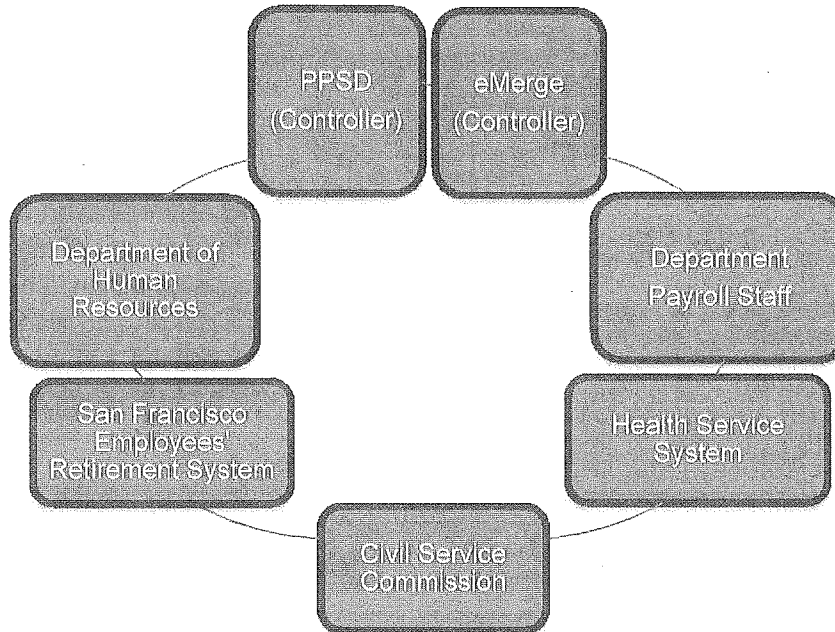
Source: City's Budget and Appropriation Ordinance for Fiscal Year Ending 2013-14.

The City's \$2.7 billion of salaries and wages for its approximately 31,000 employees is disbursed through biweekly paychecks issued by the Controller's Payroll

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

and Personnel Services Division (PPSD). To make this possible, the payroll staffs of six city organizations and departments work together to execute payroll duties, as shown in Exhibit 2.

EXHIBIT 2 Partners in the City's Payroll Process



Source: Auditor analysis.

Multiple departments and divisions work together to administer the City's payroll.

PPSD processes payroll and personnel data for employees of city departments and ensures compliance with city, state, and federal tax, wage, and hour regulations. In December 2013 PPSD issued a citywide payroll policies and procedures manual for departments to follow.

The Controller's eMerge division (eMerge) manages eMerge PeopleSoft (PeopleSoft), an integrated human capital management system. The staff of eMerge is responsible for providing efficient and effective central system support for human resource, payroll, benefits administration, time reporting and absence management business functions to the City's workforce.

The payroll staff of each department enters employees'

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

time records into information systems, mainly PeopleSoft, and submits the information to PPSD for processing. The payroll processes within each department may vary because, although departments are now bound to uniform payroll procedures, departments are still responsible for developing detailed policies and procedures that fit their operations. Each department is composed of employees represented by different employee organizations with unique memorandums of understanding (MOUs) and may have various needs and organizational structures.

The Department of Human Resources (Human Resources) administers citywide personnel policies and procedures, negotiates and administers collective bargaining agreements with labor unions, and advises the City's other departments in these areas, fulfilling a critical role in the payroll process. Human Resources also issues memorandums that guide departments on human resource topics that may impact payroll, such as compensation administration and furloughs and pay reductions.

The Civil Service Commission, which is the governing body for Human Resources, oversees the merit system for the City by:

- Establishing rules and policy related to the merit system.
- Hearing appeals on examinations, eligible lists, minimum qualifications, classification matters, discrimination complaints, and future employment restrictions placed on individuals.
- Interpreting rules and policies.

The San Francisco Employees' Retirement System (Retirement) secures, protects, and invests pension trust assets, administers the mandated benefits programs, and provides promised benefits to active and retired members of the system.

According to the Health Service System (Health Services), it creates contracts based on negotiations with health providers, which determine the costs city employees pay for medical, dental, and vision coverage. Also, Health Services offers flexible spending accounts,

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

which can impact deductions on employees' checks. Health Services works with PPSD to issue 1099 and W-2¹ tax forms to ensure that all taxes for benefits are administered properly, especially for domestic partnerships. Health Services also works with PPSD to report the cost of healthcare to the U.S. Internal Revenue Service.

The City implemented a new payroll system in August 2012.

On August 27, 2012, the Controller's eMerge Division implemented PeopleSoft, which provides improved human resources, benefits administration, and payroll services to the City's active and retired workforce.

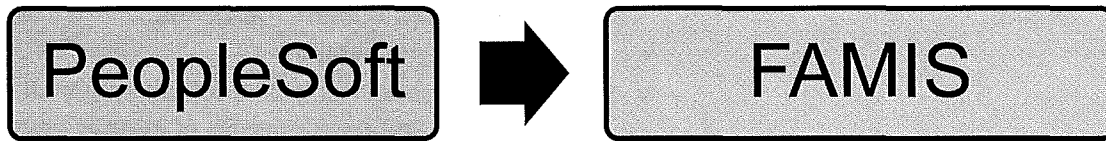
For part of fiscal year 2013-14, most city departments used the Time Entry and Scheduling System (TESS) to enter time and attendance data. Data from TESS would interface with PeopleSoft, which would calculate the pay based on the hours worked and the applicable tax and payroll deductions. According to eMerge staff, during November 2013 through April 2014, most departments stopped entering time in TESS and began entering time and attendance data directly in PeopleSoft. By June 2014 only eight departments did not enter time and attendance data directly in PeopleSoft. Instead, they interface time to PeopleSoft from a local timekeeping system. As a result, TESS is no longer used by any department.² The Financial Accounting and Management Information System (FAMIS) is the City's central accounting system and contains aggregate pay data from PeopleSoft, which is used in the City's comprehensive financial statements.

The movement of data between the two systems is shown in Exhibit 3.

¹ The Internal Revenue Service, which is the United States government agency responsible for tax collection and tax law enforcement, requires the Form 1099 and Form W-2.

² A few departments use other time-entry systems that interface directly with PeopleSoft.

EXHIBIT 3 Data Flow Between City Payroll Information Systems



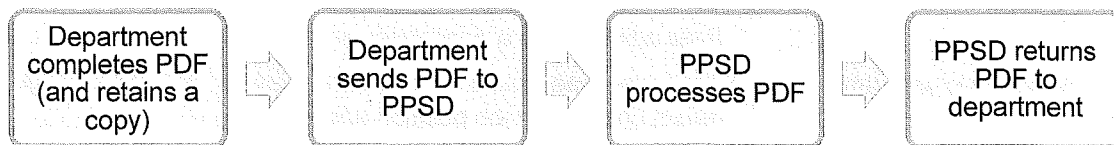
Note: Before payroll data is posted to FAMIS, PeopleSoft uploads it to the Labor Distribution System, a FAMIS subsystem.

Source: Auditor analysis based on information from the Controller's Accounting Operations and Systems Division.

Departments use Problem Description Forms to communicate employee pay changes to PPSD.

Besides time reporting, departments communicate with PPSD about changes to employees' pay information. Departments use the Problem Description Form (PDF) to communicate this information. The PDF is used to request corrections to payroll problems and to make other payroll-related changes. The process for a department to submit a PDF to PPSD is shown in Exhibit 4.

EXHIBIT 4 Process to Submit a Problem Description Form to PPSD



Source: Auditor analysis based on information from PPSD.

Departments directly change employee information in the system.

With the implementation of PeopleSoft, departments' payroll and human resource units now have the ability and the responsibility to directly make system changes to record employee job record changes. This includes new hire updates and adjustments to job records of existing employees. Additional new system responsibilities of department payroll units include:

- Managing positions
- Entering new hires/rehires
- Managing employee data, such as biographical data and emergency contact information

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

- Managing leaves of absence
- Entering employee job data, such as standard work hours and dates of merit increases
- Terminating employees
- Entering pay rate changes, such as salary step progressions and assignments of special pays
- Viewing time, absence, and payroll information

CSA uses a risk-based approach to select the objectives of its audits. For this audit, CSA identified the risks shown in Exhibit 5 after collaboration with Human Resources and PPSD.

EXHIBIT 5 Payroll Risks Identified by the Audit Team

Risk Area	Risk
Largest special pay	<input type="checkbox"/> Special pays are paid inaccurately. <input type="checkbox"/> Employees are ineligible for the special pay. <input type="checkbox"/> Top special pays are paid inefficiently.
Manual time entries	<input type="checkbox"/> Employees are paid for hours that were not recorded. <input type="checkbox"/> Employees are paid with the wrong pay code. <input type="checkbox"/> Symbol changes (adjusting previous time entries from one pay code to another) cause higher costs to the department. <input type="checkbox"/> Rate adjustments are incorrect or invalid.
Wage rate accuracy	<input type="checkbox"/> Employee wage rates are not accurately or promptly updated to reflect changes in job position and step.
Internal controls	<input type="checkbox"/> Processes and controls (such as segregation of duties and time entry) are weak. <input type="checkbox"/> Pay advice (including for manual checks) is not accurately or promptly distributed. <input type="checkbox"/> Timesheets are not properly approved.
Position at retirement	<input type="checkbox"/> Retirees' lump sum payouts are calculated using a rate inconsistent with labor agreement or Retirement's requirements.
Temporary employees	<input type="checkbox"/> Temporary employees receive inaccurate pay amounts. <input type="checkbox"/> Temporary employees are ineligible for pay.
Employee leave status	<input type="checkbox"/> Payroll and departmental human resources data disagree, resulting in incorrect payments based on inaccurate leave status.
Payouts to retired or separated employees	<input type="checkbox"/> Discrepancies regarding separated employees exist among the employee's department, Human Resources, Retirement, and/or PPSD. <input type="checkbox"/> Lump-sum payouts are not paid in a timely manner.

Source: CSA analysis based on information from Human Resources and PPSD.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

Objectives

The objectives of the audit were to:

1. Determine whether the City has adequate and effective internal controls in the payroll process.
2. Based on pay rate fluctuations across two pay periods:
 - a. Determine the accuracy of the dollar amount the department paid.
 - b. Assess whether the department complied with the applicable labor agreement in determining eligibility of employees for pay(s).

Scope and Methodology

CSA obtained the payroll information for all city employees for the two pay periods ended January 17 and January 31, 2014.

What we did.

To conduct this audit, CSA:

- Interviewed personnel of PPSD, eMerge, Controller, and the Department of Public Health (Public Health) about payroll processes.
- Surveyed the payroll processes and controls of 54 departments across the City.
- Analyzed two pay periods of citywide payroll data totaling 267,628 records.
- For a sample of 101 employees, tested whether selected pays were paid accurately and only to eligible employees.
 - CSA purposefully selected 67 employees by cross-referencing the top ten departments with the most employees whose pay fluctuated across two periods and the top ten job classifications with the most fluctuations.
 - CSA purposefully selected 23 other employees from the top ten departments whose pay fluctuated across two periods.
 - CSA purposefully selected 11 employees from ten randomly selected departments that were not the top ten departments with the most fluctuations.

Exhibit 6 shows the number of employees tested by job classification.

Office of the Controller, City Services Auditor
 Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
 Approved Time, or Lacked Compliance with Citywide Policies and Procedures

EXHIBIT 6 101 Employees Selected for Sample Are in 34 Job Classifications
 and 20 Departments

Classification Title	Number Selected	Classification Title	Number Selected
Police Officer	15	Chief District Attorney Investigator	1
Transit Operator	15	Gardener	1
Custodian	11	General Laborer	1
Firefighter	10	Head Attorney-Civil & Criminal	1
Registered Nurse	8	Legal Secretary	1
Deputy Sheriff	6	Librarian 2	1
Attorney(Civil/Criminal)	2	Manager I	1
Claims Investigator	2	Manager VI	1
Clerk	2	Painter	1
District Attorney Investigator	2	Personnel Analyst	1
IS Business Analyst	2	Public Safety Communications Supervisor	1
Principal Administrative Analyst	2	Public Service Trainee	1
Project Manager	2	Senior Eligibility Worker	1
Stationary Engineer	2	Senior Management Assistant	1
Arborist Technician	1	Social Work Supervisor	1
Asphalt Finisher Supervisor	1	Utility Plumber Apprentice	1
Building Inspector	1	Victim/Witness Investigator	1

Total in Sample: 101

Source: Auditor's analysis

**Statement of Auditing
 Standards**

This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CSA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

CHAPTER 1 – Eleven of 20 Departments Tested Should Improve Payroll Operations

Summary

Eleven of 20 departments tested need to improve their payroll operations. Although pay for the vast majority of the tested employees was accurate, pay errors existed for 10 (10 percent) of the 101 employees. The errors consisted of \$3,340 in overpayments and \$356 in underpayments, for a total of \$3,696 in errors. Also, departments need to clarify certain provisions and better monitor adherence to citywide and departmental payroll policies and procedures. The results of the audit’s testing are summarized below.

EXHIBIT 7 Summary of Department Test Results

Department	Results
Airport Commission	<ul style="list-style-type: none"> • Paid premium pay to one employee with no evidence of approval from an appointing officer.
Department of Building Inspection	<ul style="list-style-type: none"> • Overpaid \$3,259 to an employee for whom it did not stop a special pay when the employee changed job classifications.
Department of Public Health	<ul style="list-style-type: none"> • Did not follow the proper process in approving educational leave pay. • Did not request proof of course completion from nurses who took educational leave with pay.
Fire Department	<ul style="list-style-type: none"> • Underpaid \$235 for overtime hours worked. • Overpaid \$51 for premium hours.
Human Services Agency	<ul style="list-style-type: none"> • Underpaid \$20 in premium pay earned.
Office of the City Attorney	<ul style="list-style-type: none"> • Did not properly date timesheets.
Office of the District Attorney	<ul style="list-style-type: none"> • Improperly recorded the take-home use of duty vehicles as a taxable benefit for law enforcement employees who are exempt from this tax.
Police Department	<ul style="list-style-type: none"> • Did not properly date timesheets. • Lacks policies and procedures for the payment of fitness pay.
Recreation and Park Department	<ul style="list-style-type: none"> • Improperly approved lead worker pay <i>after</i> an employee worked as a lead worker. • Did not properly date a timesheet.
San Francisco Municipal Transportation Agency	<ul style="list-style-type: none"> • Underpaid \$101 for overtime, regular, and premium pay hours worked. • Overpaid \$30 for improperly calculated shift pay.

Office of the Controller, City Services Auditor
 Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
 Approved Time, or Lacked Compliance with Citywide Policies and Procedures

Department	Results
	<ul style="list-style-type: none"> • Did not always properly sign or date timesheets. • Lacks policies and procedures for the payment of guaranteed run pay and for documenting how it records and ensures that transit operators work their assigned runs.
Office of the Sheriff	<ul style="list-style-type: none"> • Did not always properly sign timesheets. • Did not indicate employees' daily shift start and end times on timesheets

Source: Auditor's Analysis

Finding 1.1

Four departments incorrectly paid ten employees. Errors totaled \$3,696, of which most were overpayments.

Pay errors resulted in both over- and underpayments.

Of the 101 employees in the sample, who were paid \$868,062, 10 (10 percent), in four departments, were paid incorrectly, resulting in overpayments of \$3,340 and underpayments of \$356, for a total of \$3,696 in errors.

Department of Building Inspection (Building Inspection)

The only Building Inspection employee selected for review, a building inspector, had a pay discrepancy that, according to Building Inspection, resulted in an overpayment of \$3,259. The building inspector was incorrectly paid \$3,259 of housing inspector certification premium pay from April 27, 2013, through January 17, 2014. Although the employee had ceased being a housing inspector after April 15, 2013, the department continued to issue the pay.

According to the City's MOU with the International Federation of Professional and Technical Engineers, Local 21, employees in housing inspector classifications who possess and maintain one of four specified certifications qualify for the pay, which can add up to a total of 4 percent in premium pay. According to payroll personnel at Building Inspection, the overpayment resulted from an oversight by the department when the employee changed classifications.

San Francisco Municipal Transportation Agency (SFMTA)

Of 17 SFMTA employees whose pay was audited, 5 (29 percent) had pay discrepancies. One employee had two pay errors. Of these 5 employees, 4 (80 percent) are transit operators and 1 is a painter. Pay discrepancies resulted in overpayments totaling \$30 and underpayments totaling \$101, and are identified below:

Twice during the sample period a transit operator was paid night duty pay incorrectly.

- One transit operator received two overpayments totaling \$30. In both instances, the operator received night duty pay for shifts that he did not work.
 - In one instance, the employee, an extra board operator,³ received \$9 of night duty pay⁴ for time he did not work. The employee ended his shift at 10:20 p.m., three hours and nine minutes earlier than his scheduled end time of 1:29 a.m. According to SFMTA, the operator was removed from his shift at that time because of a training he was required to attend the following morning. The MOU⁵ states that no operator will be required to work without a minimum of eight hours off between the completion of the last shift and the commencement of the next shift. The operator was removed 8 hours and 40 minutes before the beginning of his 7 a.m. training. Also, the 8 percent night duty pay is only to be paid to transit operators for work performed from 6 p.m. until 6 a.m. However, the employee was paid night duty pay for all of the hours remaining on his run, which resulted in the unworked and unearned night duty pay. According to SFMTA, the night duty payment was manually entered, indicating that the SFMTA employee who did so mistakenly inputted incorrect values.
 - The same transit operator was overpaid night

³ According to SFMTA management, extra board operators are used to fill vacant runs and do not have a regular assigned run.

⁴ According to the MOU between SFMTA and Transport Workers' Union, Local 250-A (9163), operators shall be paid 8 percent more than the base hourly rate for work performed during night duty hours.

⁵ MOU Between the SFMTA and Transport Workers' Union, Local 250-A (9163) for July 1, 2011, Through June 30, 2014.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

duty pay of \$21 due to a programming error in Trapeze OPS Version 12 (Trapeze), SFMTA's scheduling system for transit operators. The employee attended training from 7:00 a.m. to 3:30 p.m. and was not due night duty pay. However, he was instead incorrectly paid for a run that he had been scheduled to hold down⁶ from 3:54 p.m. to 1:29 a.m. SFMTA's Trapeze Reference Guide for Operations Dispatch states that extra board operators are not guaranteed the pay of the run they are scheduled to hold down. As a result, the employee should not have received the night duty pay because he did not work the scheduled run and did not work any hours between 6 p.m. and 6 a.m. SFMTA stated that the training pay code used in Trapeze caused the error because it is programmed to pay operators based on their scheduled run when in training. According to SFMTA, the pay code is set up this way because transit operators who are not extra boards are due the pay they would have received had they worked their scheduled run. To fix this pay code issue, SFMTA will have to establish a new pay code.

- An input error by SFMTA staff resulted in a transit operator being underpaid \$69 in premium pay. An SFMTA manager stated that rather than paying the employee for the time he actually worked, she mistakenly paid the operator for an eight-hour shift. This resulted in the employee being underpaid night duty pay and overtime⁷ pay.
- One transit operator was underpaid \$10 due to SFMTA not compensating the employee for additional straight time pay that he qualified to receive. According to the MOU between SFMTA and Transport Workers' Union, Local 250-A (9163), operators assigned to work six or more hours of continuous work are to receive 20 minutes of

⁶ "Holding down a run" occurs when an extra board transit operator signs up to work another transit operator's assigned run(s) for five or more days.

⁷ According to the MOU between SFMTA and Transport Workers' Union, Local 250-A (9163), overtime is defined as, "all hours of work performed in excess of forty (40) hours in each established work week or eight (8) hours in a work day." Also, according to the MOU, SFMTA shall pay operators at the rate of time and one-half.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

straight time pay in lieu of a lunch period. During the sample period, the employee worked multiple shifts that exceeded six continuous hours.

An SFMTA painter was not compensated for some of the premium pay hours he worked.

- One painter was underpaid \$22 as a result of SFMTA not paying him for all premium pay hours he worked. Although the employee's timesheets indicate that he qualified to receive 19 hours of thermoplastic premium pay,⁸ his actual pay showed he only received this pay for eight hours. SFMTA management was unsure why this underpayment occurred.

Fire Department

The Fire Department incorrectly calculated the pay of three employees, resulting in both over- and underpayments.

Of the ten Fire Department employees whose pay was audited, three (30 percent) had pay discrepancies. Pay discrepancies resulted in overpayments totaling \$51 and underpayments totaling \$235, and are identified below:

- Two firefighters were overpaid, one \$45 and one \$6. The Fire Department paid the employees holiday premium pay at a daily acting assignment rate rather than their regular pay rate. According to the firefighters' MOU,⁹ for daily acting assignment premium, employees assigned to perform duties of a higher rank for a minimum of one full watch shall be paid at the rate of that rank while assigned. However, according to Fire Department staff, regular pay rates, not acting assignment pay rates, should be used to calculate the holiday premium. Also, according to the firefighters' MOU, holiday premium excludes overtime compensation and premiums. Therefore, the Fire Department overpaid the employees because including overtime compensation and premiums in calculating their holiday premium increases the holiday premium.
- One firefighter was underpaid \$235 because Fire

⁸ According to the San Francisco City Workers United (Painters) MOU, qualifying painters who are assigned to operate a thermoplastic applicator shall be paid a premium of \$2 per hour for each hour the individual operates the applicator.

⁹ MOU Between the City and County of San Francisco and San Francisco Fire Fighters Union Local 798, IAFF, AFL-CIO, Unit 1, Effective July 1, 2007, to June 30, 2015.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

Department staff incorrectly paid a portion of his overtime hours at straight time rather than time-and-a-half. According to the firefighters' MOU, all mandatory, unscheduled hours are to be compensated at the base hourly rate times 1.5. The employee was scheduled for two mandatory 24-hour shifts during the sample period. As such, he should have received 48 hours of overtime pay. Instead, he was paid for only 38 overtime hours and 10 overtime straight time hours.

Human Services Agency (Human Services)

Of the two Human Services employees whose pay was audited, one (50 percent) was underpaid. This employee, a social work supervisor, was underpaid \$20 because the department used an incorrect bilingual premium pay code. According to the applicable MOU¹⁰ (for miscellaneous employees), an employee in a designated bilingual position receives the bilingual pay premium based on the number of hours spent providing non-English services, including the use of Braille and sign language. Employees who provide more than 40 hours per pay period of non-English services as part of their regular job duties are to receive \$60 per pay period, while an employee who provides fewer than 40 hours of these services per pay period is eligible to receive \$40.

During the pay period, the employee provided more than 40 hours of bilingual service yet was paid only \$40. Upon CSA's initial request for documentation for this audit, Human Services' payroll staff found the \$20 pay discrepancy and submitted a Problem Description Form to PPSD to correct the error.

City payroll policy states that department payroll staff must ensure that employees' pay and time are accurate.

According to the City's Payroll Policies and Procedures Manual, each department's payroll staff is responsible for administering the department's payroll and ensuring that employees' time information is submitted accurately to PPSD. The policies also state that departmental payroll/personnel units need to review and be knowledgeable about the various pay programs that apply to their employees' job classifications. Further,

¹⁰ Collective Bargaining Agreement Between and For Service Employees International Union (SEIU) Local 1021 and the City and County of San Francisco.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

eMerge requires that a report of special pays be produced each pay period. Had these procedures been performed correctly, the incorrect payments may have been prevented.

Recommendations

The Department of Building Inspection, San Francisco Municipal Transportation Agency, Fire Department, and Human Services Agency should:

1. If they have not already done so, correct the pay errors identified by the audit by completing a Problem Description Form for each and submitting the form to the Office of the Controller's Payroll and Personnel Services Division.
2. Comply with the City and County of San Francisco Payroll Policies and Procedures Manual by reviewing employee time information for accuracy and appropriateness in accordance with applicable memorandums of understanding.

The San Francisco Municipal Transportation Agency should:

3. Create a new training pay code for extra board transit operators.
4. Review previous pay periods for at least one year to determine whether any additional extra board transit operators were affected by system-generated errors.

Finding 1.2

The Office of the District Attorney improperly taxed three law enforcement officers for commuting in their city vehicles.

The District Attorney incorrectly administered the commuting benefit for three employees who drive unmarked vehicles.

The Office of the District Attorney (District Attorney) erred by increasing the taxable income of three of its employees based on the commuting benefit of \$3 per day. These employees drive their assigned city vehicles to and from work but are legally exempt from this being a taxable employee benefit because they are law enforcement officers. Because this commuting benefit was taxed when it should not have been, the three employees paid excess income tax and received too little

net pay.

As mandated by the Internal Revenue Service and PPSD, when an employee commutes more than once a month in a vehicle provided by the City, a \$3 benefit must be added to the employee's taxable income for each day the vehicle is used to commute. However, unmarked law enforcement vehicles used for authorized purposes and operated by a full-time law enforcement officer are exempt from the taxation requirement.

The three employees, all investigators, use unmarked law enforcement vehicles for authorized purposes and are full time-law enforcement officers. As such, the employees are exempt from the commuting benefit.

Recommendations

The Office of the District Attorney should:

5. Cease the incorrect practice of increasing the taxable income of employees exempt from the commuting vehicle benefit and work with the Payroll and Personnel Services Division to determine how to retroactively correct the incorrect entries.
6. Review all its other employees and determine whether or not they are subject to the commuting vehicle benefit being taxable income. If other employees are found to be exempt, their payroll status should be changed accordingly.

Finding 1.3

Six city departments did not properly review, approve, or date timesheets.

Timesheets and other payroll authorizations are not fully and properly approved and dated.

A review of 20 city departments found that 6 departments' supervisors do not properly approve timesheets, temporary assignments, or pay adjustment forms. Specifically:

- Of a sample of 15 Police Department employees, 13 (87 percent) had timesheets and other reports for overtime and premium pays that were not dated by a commanding officer.
- Of a sample of 17 SFMTA employees, 1 (6

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

percent), a supervisor, did not sign or date his unit's timesheets.

- Of a sample of 6 Office of the Sheriff's employees, the department used printed e-mail messages or faxed timesheets as supervisory approvals for 2 employees (33 percent). These e-mails and faxed timesheets do not contain evidence of the supervisor's approval.
- Of a sample of 5 Recreation and Park Department's employees, 2 (40 percent) had a premium pay status or timesheet missing an approval or date. One employee, who was assigned as a lead worker, had not had the assignment approved before it commenced. For another employee, the supervisor did not date the employee's timesheet.
- Of a sample of 5 Office of the City Attorney's employees, 2 (40 percent) had timesheets that lacked a date next to the supervisor's signature.
- Of a sample of 11 Airport Commission's employees, 1 (9 percent) received differential pay although an appointing officer did not sign the pay form to indicate approval.

City payroll policies require proper approvals of payroll authorizations before the transmission of such authorizations to payroll staff.

The City's Payroll Policies & Procedures Manual, Section 2, under "Control Guidelines," requires that payroll authorizations, including but not limited to, timesheet approval, problem description forms, and pay rate changes must be properly documented. Also, Section 2, under "Time and Attendance Reporting," states that completed timesheets should be reviewed and certified by direct supervisors before the transmission of such timesheets to department payroll/personnel staff.

Proper timely approval can only be evidenced if payroll forms include both the approver's signature and the date of the approver's signature. Without proper supervisory approval, the City may incorrectly pay employees for unapproved or incorrect time submitted. Without properly dating the payroll authorizations to indicate when they were approved, the City is at risk of paying an employee before formal approval is given.

Recommendation

7. The Police Department, San Francisco Municipal Transportation Agency, Office of the Sheriff, Recreation and Park Department, Office of the City Attorney, and Airport Commission should ensure that supervisors approve and date all payroll authorizations.

Finding 1.4

Most tested Sheriff's Department timesheets do not indicate the hours of the day deputies worked to earn premium shift pay.

The hours of shifts eligible for shift pay are not shown on some Office of the Sheriff's timesheets.

The City's MOU with the Deputy Sheriffs' Association of San Francisco specifies the timeframes (hours of the day) and premium percentages for shift pay. Of two employees who received shift pay, the hours of the day were not indicated on two timesheets for one of the employees. According to payroll staff, it has not been department practice to include this information on timesheets.

Further, if an employee takes sick leave, vacation, or another form of leave and works hours that qualify for shift pay on the same day, payroll staff does not obtain the timeframe of the leave, so cannot verify that the hours of work qualify for the shift premium. Because the timesheets do not show the hours of the day that the employee took leave, payroll staff does not know—and does not verify—how to allocate the hours eligible for the shift premium.

Adding to timesheets the start and end times that employees took leave will increase clarity regarding their eligibility for shift pay. Without documentation of employees' hours worked, the Office of the Sheriff's Payroll unit cannot determine whether the employee should earn shift pay, which can result in payroll errors and over- and underpayments.

Recommendations

The Office of the Sheriff should:

8. Include on all timesheets the scheduled shift hours for employees covered by the memorandum of understanding with the Deputy Sheriffs' Association of San Francisco.

9. Include on timesheets the hours of the day that the employee took leave if the employee is to receive shift pay.

Finding 1.5

SFMTA and the Police Department lack policies and procedures for certain types of pay or payroll processes.

SFMTA and the Police Department lack policies and procedures for some special pays as discussed below.

SFMTA lacks documented policies on guaranteed run pay for transit operators.

Guaranteed run pay. SFMTA lacks adequate policies and procedures for guaranteed run pay. Although CSA verified with Human Resources that SFMTA's practice of guaranteeing full run pay (including shift premiums¹¹) for non-extra board transit operators is allowable, according to its management, SFMTA does not have documented policies and procedures regarding the pay. Guaranteed run pay allows non-extra board transit operators to be compensated at their scheduled pay (including any premiums) when they do not work the assigned transit run. Non-extra board operators also receive guaranteed run pay when they are required to attend training or are reassigned to other tasks.

A lack of written policies and procedures could cause SFMTA payroll personnel to incorrectly implement guaranteed run pay. SFMTA must document its policies and procedures on guaranteed run pay to provide clear guidance to all payroll staff.

Process for recording attendance. SFMTA lacks procedures for documenting how it records and ensures that transit operators worked their assigned runs. According to SFMTA, Trapeze is pre-loaded with transit operators' pre-determined scheduled runs that include the associated time and shift for which the run is scheduled. The work time of the run and the shift determines the associated pay. Then, each day, dispatchers fill vacant runs with available transit operators. Dispatchers also enter adjustments in Trapeze due to absences or overtime. SFMTA uses this

¹¹ Premiums include additional pays employees might receive in addition to their base wage. Night shift pay is an example of a premium.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

method to determine pay for transit operators; however, it is not documented.

According to SFMTA, some transit operators also use daily registers to report that they worked, but daily registers are not consistently used across SFMTA divisions. Daily registers are rosters that include transit operators' names, identification numbers, and assigned run start times. When the daily registers are used, transit operators either sign in, or if they begin a run away from the division, they may call in to report to a dispatcher, who enters a telephone number in the register rather than the operator signing in. According to SFMTA, the daily register is not used to verify that a transit operator worked or to verify that a transit operator is entitled to pay.

Daily registers for two transit operators lacked evidence that they reported to work, and SFMTA could not provide some daily registers.

CSA verified SFMTA's inconsistent use of daily registers. Of a sample of six transit operators:

- Two did not always sign in on daily registers or there was no evidence that they called in to indicate that they reported for their shifts. Of these, one failed to sign in on daily registers or there was no evidence that he called in to report to work on 3 (16 percent) of the 19 days worked during the sample period, while the second operator failed to sign in or call in on 2 (12 percent) of the 17 days worked during the sample period.
- For one there were no daily registers (the division could not provide them). Overall, for the six transit operators in the sample, an additional 4 (14 percent) of the 28 daily registers requested for the audit for the period of January 4 through 31, 2014, could not be provided. According to the SFMTA's record retention and destruction schedule, payroll records, including transit operators' details, should be maintained for seven years.

All six of the transit operators in the sample were appropriately scheduled in Trapeze. Per SFMTA management, the registers could not be located or lacked evidence of attendance because daily registers are not used consistently and because SFMTA had recorded the operators' attendance in Trapeze.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

As required by the City's Payroll Policies and Procedures Manual, each department is responsible for instituting internal policies and practices. Therefore, SFMTA should appropriately document policies and procedures that it will apply consistently within its divisions.

The Police Department lacks policies and procedures on fitness leave pay.

The Police Department does not have written policies and procedures on how police physical fitness leave pay (fitness leave pay) is earned and used, and no authoritative document describes the amount of compensation for this pay.

Fitness leave pay. Of 15 police employees tested, 4 (27 percent) received fitness leave pay. According to the Police Department, its Payroll Unit communicates regularly with the Police Academy regarding employees who become eligible for this pay, but the Payroll Unit does not document or track employees' hours.

Without procedures and documentation, payroll clerks may not be able to efficiently and easily verify that hours earned by employees agree to hours actually paid. According to the Police Department, employees can earn up to 40 hours of fitness leave pay by taking a fitness assessment test that occurs twice a year, and these hours must be used within 12 months of the test date.

The San Francisco Police Officers Association MOU refers to the department's Physical Fitness Program Information Booklet and General Order 11.10 to outline the Physical Fitness and Wellness Evaluation Program, to which fitness leave pay is related, but the booklet and order have not been updated since 1993 and 1997, respectively. Further, the order refers back to the MOU regarding compensation, but the current MOU does not specify how police fitness leave pay is to be earned and used or the rate of pay that applies.

According to the City's Payroll Policies and Procedures Manual, city departments are responsible for developing detailed policies and procedures to fit their specific needs and operations and to ensure that adequate controls for payroll operations have been established and are being implemented.

Recommendations

The San Francisco Municipal Transportation Agency should:

10. Develop policies and procedures that provide additional guidance on the implementation of guaranteed run pay for non-extra board transit operators.
11. Develop policies and procedures that specify the requirements for how it records and ensures that transit operators worked their assigned runs. If it chooses to require daily registers, SFMTA should ensure that these documents are retained for seven years, as required by its record retention and destruction schedule.

The Police Department should:

12. Develop policies and procedures regarding physical fitness leave pay for payroll staff to use and ensure that the policies and procedures include how hours are earned and used for this pay.

Finding 1.6

A nurse's request for paid educational leave was made and approved for a day on which the nurse did not attend training or an educational course.

Department of Public Health did not always follow the approval process for educational leave with pay.

Of eight nurses tested, one (13 percent) did not follow the MOU-required approval process for educational leave with pay (educational leave). As a result, the nurse improperly used educational leave as paid time off. Also, the Department of Public Health (Public Health) created a false pay record, which indicated that the nurse was paid for a training day when he was actually not in training.

Full-time and regularly scheduled part-time nurses represented by the Service Employees International Union (SEIU), Local 1021, are allowed 40 hours of educational leave with pay per fiscal year, or a prorated share of their normal number of hours, to achieve or maintain their position's licensing and educational requirements. According to the SEIU Local 1021 MOU for staff and per diem nurses, the approval of educational

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

leave is subject to staffing requirements. It is to be submitted one month in advance of the course date, when possible, and approved by the appropriate administrator.

The Public Health nurse completed 14 hours of training on a day off. For this training, the nurse submitted a request for approval for 12 hours of educational leave for a date 11 days later, had the request approved, and charged the educational leave for the approved day.

According to Human Resources, educational leave is time off for coursework that coincides with a nurse's work schedule and should not be used as an offset for coursework taken on personal time.

Recommendations

The Department of Public Health should:

13. Require that requests for educational leave with pay be submitted before the training or course date, consistent with the applicable memorandum of understanding.
14. Ensure that the educational leave with pay requested is for hours during which the employee plans to attend training or educational courses.

Finding 1.7

Public Health does not request proof of course completion from nurses who have taken educational leave with pay.

Although the MOU allows the department to request proof of completion for courses and training taken during educational leave with pay, Public Health has not required such proof.

According to Public Health payroll staff, the department does not require that nurses provide proof of course completion after they take educational leave. When CSA requested documentation of course completion for educational leave taken, the payroll unit had to request the documentation from the nurses. Without proof of completion, payroll staff has no way to verify that nurses used educational leave for its intended training and educational purposes. This, in turn, increases the risk that nurses will misuse educational leave with pay for personal or unrelated purposes without detection.

According to the SEIU Local 1021 MOU for staff and per diem nurses, the department may request adequate

**Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures**

proof indicating successful completion of a course taken during educational leave. If a nurse fails to provide proof when requested, the department may rescind approval for the educational leave taken and record those hours as absent without leave.

A payroll supervisor states that although it is allowed to request proof of completion by the SEIU Local 1021 MOU for staff and per diem nurses, the department has not required it. The department notes that although 90 to 95 percent of nurses already submit documentation for this leave to the payroll unit, it is now establishing educational leave pay procedures that will require proof of course completion.

Recommendation

15. The Department of Public Health should establish procedures to request proof of course completion from nurses after they have taken educational leave with pay. If an employee fails to provide adequate proof, rescind approval for the hours taken as educational leave with pay and record those hours as absent without leave.

CHAPTER 2 – Aspects of Payroll Processes and Controls Need Improvement

Summary

The payroll process that city departments follow is generally adequate but has various control deficiencies, including lack of documentation requirements, key elements missing from standard approval forms, and other general processing concerns. Based on CSA's internal controls survey of 54 city departments, some departments are not following proper procedures. The survey found that, of the 54 departments:

- 13 (24 percent) do not enter time into the PeopleSoft system weekly.
- 5 (9 percent) believe that only some pay rate changes must be properly documented.
- 3 (6 percent) reviewed less than 10 percent of time entries and associated documents.

Finding 2.1

The City's payroll processes have control deficiencies.

In conjunction with various city departments, CSA identified control deficiencies in the city's payroll processes.

Of the 54 city departments, in October and November 2013 CSA met with representatives from PPSD, eMerge, and the payroll and Human Resources units of the Controller and Public Health to document the payroll processes the City generally follows. The processes reviewed included:

- Onboarding – preparing for a new employee to be paid through PeopleSoft.
- Payment – paying an employee.
- Data Changes – adding or removing premium pays that impact base pay rates, changing base pay rates, and transferring employees.
- Leaves – accounting for an employee on paid or unpaid leave.
- Separation – removing an employee's record from PeopleSoft either due to a separation or retirement.

The various control deficiencies identified in the process reviews are summarized in Exhibit 8.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

EXHIBIT 8 Reported Control Deficiencies in the City's Payroll Processes	
Process	Control Deficiency
Onboarding	<ul style="list-style-type: none"> • Reviews, although performed, are not always documented. • If an employee will be hired at a base rate higher than the first step of the job classification, this needs to be pre-approved, but the approval is not documented on the appointment processing form. • The appointment processing form is not reviewed before it is transmitted to Human Resources for pay rate entry.
Payment	<ul style="list-style-type: none"> • Documentation is not required for an employee to receive some special pays. • PeopleSoft has no system warnings for unusual entries. • Some payroll clerks enter time biweekly, which increases the risk of inaccurate entries by forcing an increased workload in a two-and-a-half-day period, based on when payroll data must be submitted for processing. • After payroll information is entered in PeopleSoft, departmental reviews are not standardized and/or required and may not be performed correctly. • Queries, which are used to generate reports of payroll data, are often created by requests from departments but may not be clearly communicated citywide. • Departments have no uniform policy to follow regarding check distribution. As a result, distribution of checks varies greatly by department size and by the number of employees receiving checks and stubs.
Data Changes	<ul style="list-style-type: none"> • The form used for supervisory differential premium pay does not show the date the pay should begin. • The forms for supervisory differential and acting assignment premium pays lack an explanation of how the premiums were calculated. • No policy requires reviews of special pay reports. • When an employee's base rate is increased due to a step progression, the progression is not required to be reviewed and, if review occurs, it is not visible in PeopleSoft.
Leaves	<ul style="list-style-type: none"> • When on a leave that results in payments from the State of California, an employee does not submit payment stubs to the City, which increases the risk that the employee may get more or less leave pay than previously communicated. • The fact that an employee is on paid leave is not entered into the system, which prevents departments from having accurate headcounts. • Tracking of the Family and Medical Leave Act (FMLA) end date is manual, and citywide procedures for monitoring FMLA do not exist.
Separation	<ul style="list-style-type: none"> • After an employee separates, the payroll register at the employee's former department is not reviewed to ensure that the employee is no longer paid. • Departments must complete multiple steps for retirements to be processed correctly, and these steps are not formally documented.

Source: CSA analysis based on information from PPSD, eMerge, Controller's Human Resources, and Public Health staffs.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

Although the City's payroll process is generally adequate, by addressing the control deficiencies identified, the payroll process and the documentation supporting the payroll process would be improved. Implementing controls, such as formalizing reviews, would lessen risks such as incorrect or improperly supported payments.

CSA provided these control deficiencies and related recommendations to PPSD and eMerge. Some of the deficiencies were addressed in November 2013 when eMerge began releasing a list of required queries that departments must use during the biweekly payroll process and when PPSD issued, in December 2013, the City's Payroll Policies & Procedures Manual.

Recommendation

16. The Office of the Controller's Payroll and Personnel Services Division and eMerge Division should review the control deficiencies identified in this audit and consider corrective actions, such as creating additional system controls or required procedures for departments to follow.

Finding 2.2

Some city departments' survey responses indicate that they lack significant payroll internal controls.

In April 2014, to gain a general understanding of how departments process payroll and conduct related functions, CSA surveyed 54 city departments about their internal controls over payroll. CSA developed the survey questions based on the City's Payroll Policies & Procedures Manual.

Departments have guidance on payroll controls.

PPSD issued the City's Payroll Policies & Procedures Manual to enable departments to use baseline payroll processing controls that affect departments' ability to perform key payroll procedures in standardized ways.

Some departments answered significant payroll control questions incorrectly.

A few city departments gave responses to CSA's payroll survey questions that indicate a lack of payroll controls, including a lack of proper payroll procedures. Exhibit 9 shows the question, correct answer, and the number of departments that answered contrary to what is required by city policies and procedures. (Appendix A shows all of the survey's questions and correct answers.)

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

EXHIBIT 9 Results of Payroll Internal Controls Survey

Survey Question	Required Procedure	Number of departments that indicate they do not meet (or understand) the requirement
1. How often is time entered in PeopleSoft for the department's timekeeping system?	Weekly	13
2. Approximately what percentage of time entries and associated documents are reviewed by the department's payroll supervisor?	10% or more	3
3. Does the department monitor, reconcile, and routinely audit PeopleSoft pay reports?	Yes	2
4. True or False: Only some pay rate changes must be properly documented and follow the requirements of the Human Resources Classification and Compensation Manual and/or MOU.	False	5
5. Before premium pays are paid to an employee, does payroll verify that the employee is eligible for the premium pay?	Yes	2
6. Is your department aware of the PeopleSoft reports that exist and does it regularly produce and review these reports after managing additional pays, time entry, and time administration? (See Appendix A for the list of queries.)	Yes	9-21
7. Check the box if applicable to the department: <input type="checkbox"/> Sick Leave – Department has a written policy <input type="checkbox"/> Sick Leave – Policy is followed <input type="checkbox"/> Vacation – Department has a written policy <input type="checkbox"/> Vacation – Policy is followed	Departments are to have a written policy for all items and the policies are to be followed.	4
<input type="checkbox"/> Holiday – Department has a written policy <input type="checkbox"/> Holiday – Policy is followed		6
<input type="checkbox"/> Overtime/Compensatory Time – Department has a written policy <input type="checkbox"/> Overtime/Compensatory Time – Policy is followed		3
<input type="checkbox"/> Stand-By-Time – Department has a written policy <input type="checkbox"/> Stand-By-Time – Policy is followed		3
<input type="checkbox"/> Payroll Adjustments – Department has a written policy <input type="checkbox"/> Payroll Adjustments – Policy is followed		5
<input type="checkbox"/> Payroll Changes (including pay step increases) – Department has a written policy <input type="checkbox"/> Payroll Changes (including pay step increases) – Policy is followed		5
8. Is a checklist used for the termination of an employee?	Yes	5

Source: Payroll internal Controls Survey administered by CSA.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

Controls are the first line of defense for safeguarding assets and preventing and detecting errors and fraud.

The questions and answers in Exhibit 8 are indicators of important payroll controls. For example, regarding Question 1, without weekly time entry, a department may be unable to enter all payroll information for payroll processing within the required timeframe, which is two-and-a-half working days after the pay period ends. This could result in employees not being paid on time or being paid incorrectly. Regarding Question 2, without reviews and reconciliations, payroll errors could go undetected, resulting in over- and underpayments. Regarding Question 6, departments must view certain queries to monitor time and/or pay. And regarding Question 7, without documented procedures, payroll clerks may inconsistently process payroll, and the clerks' duties may not be easily taken on by a new employee when a payroll clerk leaves.

According to the U.S. Government Accountability Office, controls encompass the plans, methods, and procedures used to meet missions, goals, and objectives, and controls are the first line of defense in safeguarding assets and preventing and detecting errors and fraud. There is an increased risk that errors and fraud may go undetected at departments that do not follow the payroll manual and review required eMerge queries.

Recommendations

The Office of the Controller's Payroll and Personnel Services Division should:

17. Review departments' audit survey responses that indicate that they do not meet (or understand) the requirements of the City's Payroll Policies & Procedures Manual and follow-up directly with these departments for corrective action. The City Services Auditor Division will provide the departments identified.
18. Ensure departments run required queries, and create a requirement for departments to request from the Payroll and Personnel Services Division an exemption from running a required query if the department believes the query does not apply to its environment and the Payroll and Personnel Services Division agrees.

**Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures**

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APPENDIX A: CITYWIDE PAYROLL SURVEY RESULTS

CSA surveyed 54 city departments about their internal controls over payroll.

No.	Question	Requirement or Best Practice
1	How often is time entered in PeopleSoft for the department's timekeeping system?	Weekly
2	Approximately what percentage of time entries and associated documents are reviewed by the department's payroll supervisor?	10% or more
3	Does the department monitor, reconcile, and routinely audit PeopleSoft pay reports?	Yes
4	In what types of instances does the department use the Problem Description Form (PDF)?	Examples include: <ul style="list-style-type: none"> - Correct underpayment, overpayment, or non-payment of wages - Correct a deduction error or tax error - Cancel an unauthorized paycheck - Return an undeliverable paycheck - Change an incorrect paid-hours code - Deduct an employee's court compensation for jury duty - Adjust for the waiting period for an employee who has received Workers' Compensation or State Disability Insurance (SDI) benefits.
5	Are confidential payroll records and reports, including payroll change forms (problem description forms), safeguarded in a locked area accessible only by authorized personnel?	Yes
6	Check the box if applicable to the department:	Departments to have written policy for all items and the policy are followed.

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No.	Question	Requirement or Best Practice
	<input type="checkbox"/> Sick Leave – Department has a written policy <input type="checkbox"/> Sick Leave – Policy is followed <input type="checkbox"/> Vacation – Department has a written policy <input type="checkbox"/> Vacation – Policy is followed <input type="checkbox"/> Holiday – Department has a written policy <input type="checkbox"/> Holiday – Policy is followed <input type="checkbox"/> Overtime/Compensatory Time – Department has a written policy <input type="checkbox"/> Overtime/Compensatory Time – Policy is followed <input type="checkbox"/> Stand-By-Time – Department has a written policy <input type="checkbox"/> Stand-By-Time – Policy is followed <input type="checkbox"/> Payroll Adjustments – Department has a written policy <input type="checkbox"/> Payroll Adjustments – Policy is followed <input type="checkbox"/> Payroll Changes (including pay step increases) – Department has a written policy <input type="checkbox"/> Payroll Changes (including pay step increases) – Policy is followed	
7	Does the department have written procedures for reviewing and managing employee disability benefits?	Yes
8	How does the department ensure that an employee receives the appropriate step increase? Please explain.	PeopleSoft report MRG_HR0185_EE_MERIT_INCR_REMND (merit reminder query) is available to help departments identify employees who are due for a step increase.
9	True or False: Only some pay rate changes must be properly documented and follow the requirements of the Human Resources Classification and Compensation Manual and/or MOU.	FALSE
10	What is the process for ensuring that separated employees no longer receive pay? Please explain.	Deactivate the employee in PeopleSoft

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Approved Time, or Lacked Compliance with Cit

No.	Question	Requirement or Best Practice
11	Do the department payroll personnel ensure that all employees that go on unpaid leave or terminate have their Time Reporter data deactivated?	Yes
12	Is a checklist used for the termination of an employee?	Yes
13	Are overtime hours, compensatory time, altered work schedules, and other similar work time approved before the hours are worked?	Yes
14	Does the department review available vacation, sick and compensatory time accruals before posting paid time off?	Yes
15	Do payroll personnel review submitted vacation and compensatory time for approval documentation before entering/approving the reported time?	Yes
16	Does the department have procedures for managing and reviewing employees' absence balances?	Yes
17	Before premium pays are paid to an employee, does payroll verify that the employee is eligible for the premium pay?	Yes
18	Do you maintain supporting documentation to support the premium pay?	Yes
19	Does the department monitor additional pays (acting assignment pay, supervisory differential pay, police motorcycle pay)?	Yes
20	How often does the department monitor additional pays (acting assignment pay, supervisory differential pay, police motorcycle pay)?	At least quarterly
21	When do you override pay rates?	Various possible responses

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Citywide Payroll Audits: Eleven Departments Incorrect
Approved Time, or Lacked Compliance with Cit

No.	Question	Requirement or Best Practice
22	Are manual checks distributed by an employee who is involved in the payroll preparation?	No
23	Does the department review the most updated "Combined Leave Balance Report" or use online Employee Leave balance pages before approving compensatory or leave time?	Yes
24	<p>Check the box if applicable to the department:</p> <p>MRG_TL_ADDL_PAY_EMPL_LIST</p> <ul style="list-style-type: none"> - Lists all employees in department with Incentives on Additional Pay by Pay Period End date. - Department is aware of this PeopleSoft report <p>MRG_TL_ADDL_PAY_EMPL_LIST</p> <ul style="list-style-type: none"> - Lists all employees in department with Incentives on Additional Pay by Pay Period End date. - Department regularly produces and reviews this PeopleSoft report after managing additional pays <p>MRG_TL_ADDL_PAY_NOTEQL_UNION</p> <ul style="list-style-type: none"> - Lists employees with Additional Pay that is not allowed by their Union (Workgroup). These Additional Pays need to be made inactive or ended before Payroll processing begins. - Department is aware of this PeopleSoft report <p>MRG_TL_ADDL_PAY_NOTEQL_UNION</p> <ul style="list-style-type: none"> - Lists employees with Additional Pay that is not allowed by their Union (Workgroup). These Additional Pays need to be made inactive or ended before Payroll processing begins. - Department regularly produces and reviews this PeopleSoft report after managing additional pays 	<p>Department is aware of this PeopleSoft report and regularly produces and review this PeopleSoft report after managing additional pays.</p>

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 Citywide Payroll Audits: Eleven Departments Incorrect
 Approved Time, or Lacked Compliance with Cit

No.	Question	Requirement or Best Practice
25	<p>Check the box if applicable to the department:</p> <p>MRG_TL_RPTHRS_NOTEQL_STDHRS</p> <ul style="list-style-type: none"> - Lists employees where Standard hours are not equal to reported hours. - Department is aware of this PeopleSoft report <p>MRG_TL_RPTHRS_NOTEQL_STDHRS</p> <ul style="list-style-type: none"> - Lists employees where Standard hours are not equal to reported hours. - Department regularly produces and reviews this PeopleSoft report after time entry <hr/> <p>MRG_TL_FT_REGWUNPD_HRS_NOT_80</p> <ul style="list-style-type: none"> - Lists Full Time employees with reported time not equal to 80 regular hours. Correct timesheet, if needed. - Department is aware of this PeopleSoft report <p>MRG_TL_FT_REGWUNPD_HRS_NOT_80</p> <ul style="list-style-type: none"> - Lists Full Time employees with reported time not equal to 80 regular hours. Correct timesheet, if needed. - Department regularly produces and reviews this PeopleSoft report after time entry 	<p style="text-align: center;">Department is aware of this PeopleSoft report and regularly produces and reviews this PeopleSoft report after time entry.</p>
26	<p>Check the box if applicable to the department:</p> <p>MRG_TL_ESTIMATED_EARNINGS_DTLS</p> <ul style="list-style-type: none"> - Lists total hours and pay by Time Reporting Code (TRC). - Department is aware of this PeopleSoft report <p>MRG_TL_ESTIMATED_EARNINGS_DTLS</p> <ul style="list-style-type: none"> - Lists total hours and pay by Time Reporting Code (TRC). - Department regularly produces and reviews this PeopleSoft report after time administration 	<p style="text-align: center;">Department is aware of this PeopleSoft report and regularly produces and reviews this PeopleSoft report after time administration.</p>

Office of the C
 Citywide Payroll Audits: Eleven Departments Incorrectly
 Approved Time, or Lacked Compliance with City

No.	Question	Requirement or Best Practice
	<p>MRG_TL_EES_WITH_PAID_TIME</p> <ul style="list-style-type: none"> - Lists employees in your department with paid time. - Department is aware of this PeopleSoft report <p>MRG_TL_EES_WITH_PAID_TIME</p> <ul style="list-style-type: none"> - Lists employees in your department with paid time. - Department regularly produces and reviews this PeopleSoft report after time administration 	
	<p>MRG_TL_EXCEPTION_GRP</p> <ul style="list-style-type: none"> - Lists employees with exceptions by group. - Department is aware of this PeopleSoft report <p>MRG_TL_EXCEPTION_GRP</p> <ul style="list-style-type: none"> - Lists employees with exceptions by group. - Department regularly produces and reviews this PeopleSoft report after time administration 	
	<p>MRG_TL_LWOP_BY_EMPL</p> <ul style="list-style-type: none"> - Lists employees with any Leave without Pay (LWOP) hours during the pay period. - Department is aware of this PeopleSoft report <p>MRG_TL_LWOP_BY_EMPL</p> <ul style="list-style-type: none"> - Lists employees with any Leave without Pay (LWOP) hours during the pay period. - Department regularly produces and reviews this PeopleSoft report after time administration 	
	<p>MRG_TL_PT_GRTHAN_STDHRS</p> <ul style="list-style-type: none"> - Lists Part Time & As-needed employees with reported hours greater than 2 times their Standard Hours, as shown in Job Data. - Department is aware of this PeopleSoft report <p>MRG_TL_PT_GRTHAN_STDHRS</p> <ul style="list-style-type: none"> - Lists Part Time & As-needed employees with reported 	

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 Citywide Payroll Audits: Eleven Departments Incorrect
 Approved Time, or Lacked Compliance with Cit

No.	Question	Requirement or Best Practice
	<p>hours greater than 2 times their Standard Hours, as shown in Job Data.</p> <ul style="list-style-type: none"> - Department regularly produces and reviews this PeopleSoft report after time administration <hr/> <p>MRG_TL_NO_PAYABLE_TIME</p> <ul style="list-style-type: none"> - Used to identify Active and Paid Leave employees who have no Payable Time by department. - Department is aware of this PeopleSoft report <hr/> <p>MRG_TL_NO_PAYABLE_TIME</p> <ul style="list-style-type: none"> - Used to identify Active and Paid Leave employees who have no Payable Time by department. - Department regularly produces and reviews this PeopleSoft report after time administration <hr/> <p>CCSF Payable Time Report (MTL0138)</p> <ul style="list-style-type: none"> - Lists the time on the timesheet by status selected for Payable Time. - Department is aware of this PeopleSoft report <hr/> <p>CCSF Payable Time Report (MTL0138)</p> <ul style="list-style-type: none"> - Lists the time on the timesheet by status selected for Payable Time. - Department regularly produces and reviews this PeopleSoft report after time administration 	

APPENDIX B: DEPARTMENT RESPONSES

AIRPORT COMMISSION:



San Francisco International Airport

November 5, 2014

Ms. Tonia Lediju
Director of City Audits
Office of the Controller
City Services Auditor Division
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 476
San Francisco, CA 94102

Subject: Response to Citywide Payroll Audit

Dear Ms. Lediju:

In response to your e-mail to Mr. John L. Martin, Airport Director, dated October 27, 2014, attached is the completed response from San Francisco International Airport regarding the Citywide Payroll Audit.

We appreciate the time and effort of your staff in conducting this audit. If you have any questions or require further information, please contact me at (650) 821-5016.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda S. Yee".

Linda S. Yee
Director
People, Performance & Development

Attachment

cc: John L. Martin
Ivar Satero
Julian Potter
Richard Frattarelli
Wallace Tang
Kate Chalk - CSA

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

OFFICE OF THE CITY ATTORNEY:

CITY AND COUNTY OF SAN FRANCISCO




DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

LAUREL TURNER
MANAGER OF ADMINISTRATIVE
SERVICES

Email: laurel.turner@sfgov.org

TO: Tonia Lediju
Director of City Audits
FROM: Laurel Turner 
Manager of Administrative Services
DATE: November 7, 2014
RE: Citywide Payroll Audit

Attached please find our response to the recent payroll audit.
Thank you.

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

DEPARTMENT OF BUILDING INSPECTION:

City and County of San Francisco
Department of Building Inspection



Edwin M. Lee, Mayor
Tom C. Hui, S.E., C.B.O., Director

November 6, 2014

Ms. Tonia Lediju
Director of City Audits
City Services Auditor Division
Office of the Controller
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Department of Building Inspection Response to the Citywide Payroll Audit

Dear Ms. Lediju:

We have reviewed the draft report of the Citywide Payroll Audit. We appreciate the time effort of your staff in conducting this audit. Attached for your review, please find DBI's response.

If there are additional questions, please contact Taras Madison, Deputy Director of Administrative Services at (415) 558-6239.

Sincerely,

A handwritten signature in cursive script that reads "Tom C. Hui".

Tom C. Hui, S.E., C.B.O.
Director/Chief Building Official

cc: Taras Madison, Deputy Director, Administrative Services
Emily Morrison, Personnel and Payroll Manager

OFFICE OF THE DIRECTOR
1660 Mission Street – San Francisco CA 94103
Office (415) 558-6131 – FAX (415) 558-6225
Website: www.sfdbi.org

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

OFFICE OF THE DISTRICT ATTORNEY:

CITY AND COUNTY OF SAN FRANCISCO



October 27, 2014

OFFICE OF THE DISTRICT ATTORNEY

GEORGE GASCÓN
District Attorney

Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures.

Dear Ms. Lediju,

Thank you for providing us the opportunity to review the audit report '*Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures,*' as prepared by the Controller's City Services Auditor Division. We appreciate the thoroughness and courtesy of your staff during this audit engagement period.

The Office of the District Attorney is in agreement with the findings and recommendations from this audit report. Attached is the required Audit Recommendation and Response form. If you have any questions please do not hesitate to contact Eugene Clendinen at (415) 553-1895.

Sincerely,

George Gascón
District Attorney

c: Eugene Clendinen,
Evette Taylor Monachino

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

eMERGE DIVISION:



CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Tonia Lediju
Director of City Audits
City Services Auditor Division

FROM: Jack Wood
Director, eMerge Division
Office of the Controller

DATE: December 18, 2014

SUBJECT: Citywide Payroll Audit

As noted in our submitted Recommendation and Response Form, the eMerge Division will collaborate with CSA Audits, PPSD and DHR to help resolve Recommendation 16 and Recommendation 18. With regard to Recommendation 16 and the items listed in Exhibit 7 (Reported Control Deficiencies in the City's Payroll Processes), many of those listed deficiencies are policy or operational issues which will need to be addressed by PPSD and/or DHR. eMerge will assist with the items that can be resolved through systematic changes in PeopleSoft.

Please let me know if you have any further questions for eMerge on those items.

Cc: Dennis McCormick

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

FIRE DEPARTMENT:

JOANNE HAYES-WHITE
CHIEF OF DEPARTMENT



EDWIN M. LEE
MAYOR

SAN FRANCISCO FIRE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO

November 10, 2014

Tonia Lediju, Director of City Audits
Office of the Controller
City Services Auditor
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Citywide Payroll Audit

Dear Ms. Lediju:

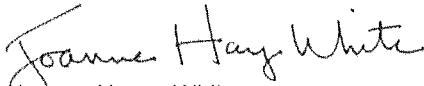
Enclosed are the Fire Department's responses to the audit recommendations regarding its payroll operations based on data of 10 selected employees from two pay cycles in January 2014. The audit specifically evaluated payroll fluctuations (i.e., underpayments and overpayments) and compliance with records retention and MOU pay provisions.

The Fire Department appreciates its continued collaboration with the Controller's Audit Team. Though not as extensive as prior efforts, this payroll audit demonstrated that the Fire Department has improved in its payroll accuracy. With regard to records retention, staff intimated to me that they do not prematurely destroy documents. The issue of locating hard copies during the audit seemed to stem from the overwhelming amount of records they handle without a robust records management and filing system in place. We are exploring ideas on how to effectively maintain voluminous records Department-wide so that historical forms and reports can be readily accessed, preferably in scanned electronic versions.

**Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures**

I would like to thank your staff for their diligent work in performing this Citywide Payroll Audit. As in the prior audit involving our pay practices and procedures, the Department will duly regard the resulting findings and recommendations to guide our ongoing efforts to improve our payroll practices and procedures.

Sincerely,



Joanne Hayes-White
Chief of Department

Enclosures

cc: Irella Blackwood, Lead Audit Manager
Katie Chalk, Audit Manager
Jonathan Collum, Auditor-in-Charge

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

HUMAN SERVICES AGENCY:

City and County of San Francisco



Edwin M. Lee, Mayor

Human Services Agency

Department of Human Services
Department of Aging and Adult Services

Trent Rhorer, Executive Director

November 6, 2014

Tomia Lediju
Director of City Audits
City Services Auditor Division
Office of the Controller
1 Dr. Carlton B. Goodlett Place
City Hall, Room 476
San Francisco, California 94102

RE: Citywide Payroll Audit – Human Service Agency (HSA) Response

Dear Ms. Lediju:

Enclosed please find our response to the Citywide Payroll Audit Draft Report. We appreciate the opportunity to respond to the recommendations.

The implementation of your recommendations will improve and enhance our payroll practices.

Please contact me at (415) 557-5751 or by email at Luenna.Kim@sfgov.org if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Trent Rhorer".

Director of Human Resources, HSA

cc: Trent Rhorer, Executive Director, HSA
Daniel Kaplan, Finance and Administration Deputy Director, HSA
Leo Saucedo, Human Resources Manager, HSA
Bertina Tan, Payroll Supervisor, HSA

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

POLICE DEPARTMENT:



EDWIN M. LEE
MAYOR

POLICE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO
THOMAS J. CAHILL HALL OF JUSTICE
850 BRYANT STREET
SAN FRANCISCO, CALIFORNIA 94103-4603



GREGORY P. SUHR
CHIEF OF POLICE

November 4, 2014

Ms. Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, Ca 94102

Dear Ms. Lediju:

Subject: Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures.

Thank you for providing the San Francisco Police Department an opportunity to review and respond to the audit report, "*Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures,*" as prepared by the Office of the Controller-City Services Auditor.

The Police Department recognizes the time and effort required of your staff to conduct a comprehensive citywide payroll audit. Through your efforts, the City Service Auditor has identified two areas in which the San Francisco Police Department's Payroll unit was lacking.

The Police Department has reviewed the two recommendations made by the City Services Auditor. We have corrected and implemented one recommendation.

The second will require the issuance of written policy and procedure and training of the payroll staff. The training of payroll staff shall be complete by December 31, 2014.

If you have any questions or need additional information, please do not hesitate to contact me at (415) 553-1551.

Sincerely,


GREGORY P. SUHR
Chief of Police

GS/jd
Attachment

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

PAYROLL AND PERSONNEL SERVICES DIVISION:

City and County of San Francisco



Office of the Controller
Payroll/Personnel Services Division

TEL. (415) 701-3400

FAX (415) 701-3401

DATE: December 23, 2014
TO: Tonia Lediju, Director of Audits
FROM: Debra L. Nebreda, Director of Payroll Personnel Services Division
SUBJECT: CityWide Payroll Audit of Eleven Departments; Nov, 2014.

Dear Ms. Lediju,

Thank you for providing us the opportunity to review the above referenced audit report. This letter provides response(s) to the recommendations numbered as #18, # 19 and # 20 and noted in the audit report reviewed.

#16) The Office of the Controller's Payroll and Personnel Services should review the control deficiencies and consider corrective actions, such as creating additional system controls or required procedures for departments to follow.

In the next 90 days Payroll Personnel Services Division (PPSD) will be providing all departments with a second desk manual. The first manual provided general oversight and information for payroll personnel and timekeepers Citywide last year. This second manual will include pre, post and production payroll checklists. These checklists are provided as templates that can be copied and used for each and every pay period during the calendar year. A half day training will occur in the next 90 days as well, mandating the use of these checklists which require running queries pre and post payroll processing to ensure the highest accuracy, review and validation. Additionally, a review will be conducted internally at PPSD, where systematic coding can be implemented to circumvent further erroneous pays.

#17) The Office of the Controller's Payroll and Personnel Services should review the departments audit survey responses that indicate that they do not meet (or understand) the requirements of the City's Payroll Policies & Procedures Manual and follow-up directly with the departments for corrective action. City Services Auditor Division will provide the departments identified.

As noted in the above referenced item, PPSD will conduct with specific departments a half day training that focuses on best practices, required tasks lists and proper documentation and retention. This training will be mandatory and all department personnel officers will be included as well, as they oversee and manage the timekeeping and payroll positions in most cases.

#18) The Office of the Controller's Payroll Personnel Services should ensure departments run required queries, and create a requirement for departments to request from the Payroll and Personnel Services Division an exemption from running a required query if the department believes the query does not apply to its environment and the Payroll and Personnel Services Division agrees.

As PPSD embarks on providing a half day training in the next 90 days to other departments, the requirement and specificity to require review of queries will be addressed and included in the training.

One South Van Ness Avenue, 8th Floor

San Francisco, CA 94103

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

DEPARTMENT OF PUBLIC HEALTH:



APPENDIX: DEPARTMENT RESPONSE

City and County of San Francisco
Edwin M. Lee, Mayor

Department of Public Health
Barbara A. Garcia, MPA
Director of Health

Date: December 10, 2014
To: Tonia Lediju, Director of City Audits
From: Barbara A. Garcia, Director of Health
Subject: Response to Findings from Audit titled "Citywide Payroll Audit: Eleven
Departments Incorrectly Paid Employees, Improperly Approved Time or
Lacked Compliance with Citywide Policies and Procedures

Department of Public Health met with the San Francisco General Hospital Registered
Nurse Labor Monitoring Committee on December 4, 2014.

Due to the holidays during the month of December, the anticipated completion date to
implement our plan of correction will be February 3, 2015. The plan of correction
includes the adoption of a Department wide policy consistent with the Registered Nurse
contract language. The drafted policy is currently under internal review and formal
discussions with the union will begin in January 2015.

If you have any questions or require further information, please do not hesitate to
contact me at 415 554-2600 or Ron Weiget, 415 554-2580.

Attachment: Audit Recommendation and Response Form

Cc: Roland Pickens, Greg Wagner, Sue Currin, Terry Dentoni, Lawanna Darryelle ERD,
Ron Weiget, Michael Brown, Louise Brooks Houston

101 Grove Street, Room 308, San Francisco, CA 94102
Phone (415) 554-2600 Fax (415) 554-2710

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

RECREATION AND PARK DEPARTMENT:



Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

October 31, 2014

Ms. Tonia Lediju
Director of Audits
Office of the Controller
City Services Auditor Division
City Hall
1 Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102

Re: Recreation and Park Department's Response to the CSA Citywide Payroll Audit Report

Dear Ms. Lediju:

The Recreation and Park Department (RPD) has received the City Services Auditor's draft report of the citywide payroll audit for fiscal year 2013 – 2014. We appreciate your staff's time and effort on the audit and on this report.

Attached please find the Department's response to the audit's recommendation regarding RPD. If you have any questions regarding the department's response, please feel free to contact Katie Petrucione, the department's Director of Administration and Finance at 415.831.2703.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip Ginsburg".

Philip Ginsburg
General Manager

Attachment

cc: Katie Petrucione
Kin Gee
Joleen Kensinger

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY:



SFMTA
Municipal
Transportation
Agency

Edwin M. Lee, *Mayor*

Tom Nolan, *Chairman*

Gwyneth Bordon, *Director*

Jeny Lau, *Director*

Cristina Hubke, *Director*

Cheryl Brinkman, *Vice-Chairman*

Malcolm Heinicke, *Director*

Joel Ramos, *Director*

Edward D. Reiskin, *Director of Transportation*

December 5, 2014

Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: SFMTA Response to Citywide Payroll Audit

Dear Ms. Lediju:

The San Francisco Municipal Transportation Agency is in receipt of the draft audit report entitled, "Citywide Payroll Audit: Eleven Departments Incorrectly Paid Employees, Improperly Approved Time, or Lacked Compliance with Citywide Policies and Procedures." We appreciate the time and efforts of your staff throughout the audit process.

Please find enclosed our responses to the audit recommendations. If you have any questions or need additional information, please call Kathleen Sakelaris at 701-4339.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Reiskin", written over a horizontal line.

Edward D. Reiskin
Director of Transportation

Enclosure

Office of the Controller, City Services Auditor
Citywide Payroll Audits: Eleven Departments Incorrectly Paid Employees, Improperly
Approved Time, or Lacked Compliance with Citywide Policies and Procedures

OFFICE OF THE SHERIFF:



**OFFICE OF THE SHERIFF
CITY AND COUNTY OF SAN FRANCISCO**

1 DR. CARLTON B. GOODLETT PLACE
ROOM 456, CITY HALL
SAN FRANCISCO, CALIFORNIA 94102



**Ross Mirkarimi
SHERIFF**

November 21, 2014
Reference: 2014-237

Tonia Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Response to Citywide Payroll Audit

Dear Ms. Lediju,

Thank you for the opportunity to review the draft report entitled *Citywide Payroll Audit*. The San Francisco Sheriff's Department (SFSFSD) appreciates the work of the City Services Auditor (CSA) and its commitment to the financial integrity and efficiency of city government.

The SFSFSD employs three payroll staff who manually enters all exception time and overtime for approximately 1000 department employees into Emerge, the city's payroll system. The issues raised in your audit are directly related to the challenges of utilizing a manual system to enter thousands of payroll data points per pay period.

In 2013 the SFSFSD acted to transition away from this manual system and toward an automated scheduling system that is fully integrated with Emerge, by presenting to the Committee on Information Technology (COIT) and receiving funding for Telestaff, the public safety industry standard for scheduling software. Funding for this project began in July 2014, and implementation is expected to be complete in 2015. As discussed in our recommendations and responses, implementation of Telestaff will resolve the recommendations discussed in the Citywide Payroll Audit.

Thank you and your staff for the thoroughness of the audit work in this important area.

Sincerely,

A handwritten signature in black ink, appearing to read "Ross Mirkarimi".

**ROSS MIRKARIMI
Sheriff**

PHONE: 415-554-7125 FAX: 415-554-7050

WEBSITE: WWW.SFSHERIFF.COM

EMAIL: SHERIFF@SFCOV.ORG

For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

RECOMMENDATIONS AND RESPONSES

Recommendation	Responsible Agency	Response
1. If they have not already done so, correct the pay errors identified by the audit by completing a Problem Description Form for each and submitting the form to the Office of the Controller's Payroll and Personnel Services Division.	Department of Building Inspection	Concur. The Department of Building Inspection Controller's Payroll and Personnel Services Di
	San Francisco Municipal Transportation Agency	Concurs and will complete the Problem Descri two identified items requiring adjustments to p:
	Fire Department	Fire Department staff corrected errors in Peop Problem Forms as they were identified during recommendation has been completed.
	Human Services Agency	Concur – HSA has completed the PDF to corr
2. Comply with the City and County of San Francisco Payroll Policies and Procedures Manual by reviewing employee time information for accuracy and appropriateness in accordance with applicable memorandums of understanding.	Department of Building Inspection	Concur. The Department of Building Inspection memorandums of understanding and City and Payroll Policies Manual requirements to ensur eligible for premium pay.
	San Francisco Municipal Transportation Agency	Concurs and will continue to comply with the C Francisco Payroll Policies and Procedures Ma select employee time information for accuracy accordance with applicable memorandums of current PeopleSoft limitations around "rules" c provisions, which requires further developmen
	Fire Department	This recommendation is already being perform will continue to review employee time informat appropriateness during each pay cycle.

Office of the C
Citywide Payroll Audits: Eleven Departments Incorrect
Approved Time, or Lacked Compliance with Cit

Recommendation	Responsible Agency	Response
	Human Services Agency	Concur – HSA will continue to remind payroll s details when reviewing employee time informa appropriateness to ensure compliance with the Francisco Payroll Policies and Procedures Ma
3. Create a new training pay code for extra board transit operators	San Francisco Municipal Transportation Agency	San Francisco Municipal Transportation Agency pay code for extra board transit operators will 2014.
4. Review previous pay periods for at least one year to determine whether any additional extra board transit operators were affected by system-generated errors.	San Francisco Municipal Transportation Agency	San Francisco Municipal Transportation Agency be completed by March 31, 2015.
5. Cease the incorrect practice of increasing the taxable income of employees exempt from the commuting vehicle benefit and work with the Payroll and Personnel Services Division to determine how to retroactively correct the incorrect entries.	Office of District Attorney	The Office of District Attorney concurs with this this issue the Department has ceased applying benefit to members of the Department who tak authorized purposes who are law enforcement has worked with PPSD in the past few months were assessed this benefit for 2014. The Depa PPSD to issue, W-2c, revised statements for tl Refund checks and revised W-2's have been p employees.
6. Review all its other employees and determine whether or not they are subject to the commuting vehicle benefit being taxable income. If other employees are found to be exempt, their payroll status should be changed accordingly.	Office of District Attorney	The Office of District Attorney concurs with this affected employees who are designated as sw of the Office of the District Attorney have been 2014 and were issued revised W-2 statements

Office of the C
 Citywide Payroll Audits: Eleven Departments Incorrectly
 Approved Time, or Lacked Compliance with Cit

Recommendation	Responsible Agency	Response
<p>7. Ensure that supervisors approve and date all payroll authorizations.</p>	Police Department	Concur. The payroll authorization forms have only the name of the approving supervisor, but New updated payroll authorization forms are n wide.
	San Francisco Municipal Transportation Agency	Concur. A memo will be issued to all supervisc requirement to approve and date all payroll au 15, 2014.
	Office of the Sheriff	Current department practice is for supervisors payroll authorizations. The department accept the supervisor as authorization. In the short-te implement process for obtaining electronic sign SFSD is in the process of implementing a time require all time be approved by a unique super This system will be implemented in 2015.
	Recreation and Park Department	Agree. The Department has revised its weekly field next to the supervisor signature field. On Manager issued a memo to all managers and about the Department's polices requiring that s date all payroll authorizations.
	Office of the City Attorney	The City Attorney's Office concurs and will cor
	Airport Commission	Concurs with this recommendation and has all effective July 31, 2014.
<p>8. Include on all timesheets the scheduled shift hours for employees covered by the memorandum of understanding with the Deputy Sheriffs' Association of San Francisco.</p>	Office of the Sheriff	Current timesheets list the scheduled shift hou timesheet. As Payroll staff enter exception tim department practice is to note exception time c volume of time entered by the Payroll staff anc weekly, it is impractical to enter regularly sche sheet. SFSD is in the process of implementing will include the scheduled shift hours for all err implemented in 2015.

**Office of the C
Citywide Payroll Audits: Eleven Departments Incorrect
Approved Time, or Lacked Compliance with Cit**

Recommendation	Responsible Agency	Response
<p>9. Include on timesheets the hours of the day that the employee took leave if the employee is to receive shift pay.</p>	<p>Office of the Sheriff</p>	<p>Current department practice is to list on the timesheet the hours worked in the order they were worked. If the timesheet is submitted with 2SP, 6WK, the supervisor will indicate the hours of the day for each work implemented in 2015.</p>
<p>10. Develop policies and procedures that provide additional guidance on the implementation of guaranteed run pay for non-extra board transit operators.</p>	<p>San Francisco Municipal Transportation Agency</p>	<p>San Francisco Municipal Transportation Agency policies and procedures that provide guidance guaranteed run pay for all transit operators (in discipline hearing or training) by April 2015.</p>
<p>11. Develop policies and procedures that specify the requirements for how it verifies that transit operators worked their assigned runs. If it chooses to require daily registers, SFMTA should ensure that these documents are retained for seven years, as required by its record retention and destruction schedule.</p>	<p>San Francisco Municipal Transportation Agency</p>	<p>San Francisco Municipal Transportation Agency policies and procedures by April 2015 that specify verifying that transit operators worked their assigned runs. The agency will review the usefulness and relevance of the data determined that it will be a required document be retained for seven years as required.</p>

Office of the C
**Citywide Payroll Audits: Eleven Departments Incorrectly
 Approved Time, or Lacked Compliance with Cit**

Recommendation	Responsible Agency	Response
<p>12. Develop policies and procedures regarding physical fitness leave pay for payroll staff to use and ensure that the policies and procedures include how hours are earned and used for this pay.</p>	<p>Police Department</p>	<p>The Police Department concurs with this finding. The Police Department has written policy and procedures Memorandum of Understanding with the Police Physical Fitness Program Informational Booklet Order 10.11 detailing the provisions of the Physical Evaluation Program. However, no specific policy and procedure was developed for the Payroll Unit.</p> <p>The San Francisco Police Department is currently reviewing its Fitness and Wellness Evaluation Program. Following this review, specific procedures will be established. Payroll controls for payroll operations are in effect. Payroll staff will be provided with written policy and training to ensure physical fitness leave is properly accrued for both time earned and time used.</p> <p>Policy distribution and training shall be complete.</p>
<p>13. Require that requests for educational leave with pay be submitted before the training or course date, consistent with the applicable memorandum of understanding.</p>	<p>Department of Public Health</p>	<p>The Department of Public Health, Network Administration will develop a policy statement which will be enforced through the Department of Public Health for all health related classification. Educational leave for continuation of their license or certification instructions will include a standardized form or request the educational leave at least 30 days in advance. There was a need to deviate from that requirement.</p>
<p>14. Ensure that the educational leave with pay requested is for hours during which the employee plans to attend training or educational courses.</p>	<p>Department of Public Health</p>	<p>The policy will include a statement consistent with collective bargaining agreements that educational leave will be awarded away from their normal scheduled shift either before or after the course in recognition of our 24-hour operation. Educational leave will be provided for work study courses, attendance on their own personal time.</p>

Office of the C
**Citywide Payroll Audits: Eleven Departments Incorrect
 Approved Time, or Lacked Compliance with Cit**

Recommendation	Responsible Agency	Response
<p>15. Establish procedures to request proof of course completion from nurses after they have taken educational leave with pay. If an employee fails to provide adequate proof, rescind approval for the hours taken as educational leave with pay and record those hours as absent without leave.</p>	<p>Department of Public Health</p>	<p>The approver will be responsible for reviewing request and provide a timely response. In add responsible to providing proof of completion to completion of the course. Failure to provide pr automatic reversal of the approval to be recor official leave. The educational leave hours will employee from duty to participate in an approv The Department of Public Health Labor team v make the necessary changes. Due to the upo an effective date around February 3, 2015.</p>
<p>16. Review the control deficiencies identified in this audit and consider corrective actions, such as creating additional system controls or required procedures for departments to follow.</p>	<p>Office of the Controller's Payroll and Personnel Services Division</p>	<p>Office of the Controller's Payroll and Personne with this finding. In the next 90 days Payroll Pe (PPSD) will be providing all departments with a first manual provided general oversight and inf personnel and timekeepers Citywide last year. include pre, post and production payroll check provided as templates that can be copied and period during the calendar year. A half day tra 90 days as well, mandating the use of these cl running queries pre and post payroll processin accuracy, review and validation. Additionally, internally at PPSD, where systematic coding c circumvent further erroneous pays.</p>
	<p>Office of the Controller's eMerge Division</p>	<p>There are a variety of control deficiencies liste Control Deficiencies in the City's Payroll Proce most of these are process and policy issues th non-eMerge business groups (e.g. PPSD, DHI on responses for items that are primarily syste CSA Audits to identify those specific items for</p>

Office of the C
**Citywide Payroll Audits: Eleven Departments Incorrectly
 Approved Time, or Lacked Compliance with Cit**

Recommendation	Responsible Agency	Response
<p>17. Review the departments' audit survey responses that indicate that they do not meet (or understand) the requirements of the City's Payroll Policies & Procedures Manual and follow-up directly with the departments for corrective action. The City Services Auditor Division will provide the departments identified.</p>	<p>Office of the Controller's Payroll and Personnel Services Division</p>	<p>The Office of the Controller's Payroll and Personnel Services Division concurs with this finding. As noted in the above findings, conduct with specific departments a half day training on time practices, required tasks lists and proper documentation. This training will be mandatory and all departments identified are included as well, as they oversee and manage positions in most cases.</p>
<p>18. Ensure departments run required queries, and create a requirement for departments to request from the Payroll and Personnel Services Division an exemption from running a required query if the department believes the query does not apply to its environment and the Payroll and Personnel Services Division agrees.</p>	<p>Office of the Controller's Payroll and Personnel Services Division</p>	<p>Office of the Controller's Payroll and Personnel Services Division As PPSPD embarks on providing a half day training on time practices to other departments, the requirement and specific queries will be addressed and included in the training.</p>

From: Luke Bornheimer [luke.bornheimer@gmail.com]
Sent: Monday, October 06, 2014 12:54 PM *2/9/2015 10.24 p.m*
To: Calvillo, Angela (BOS); Board of Supervisors (BOS)
Cc: Avalos, John (BOS); Breed, London (BOS); Campos, David (BOS); Chiu, David (BOS); Cohen, Malia (BOS); Farrell, Mark (BOS); Kim, Jane (BOS); Mar, Eric (BOS); Tang, Katy (BOS); Wiener, Scott; Yee, Norman (BOS)
Subject: Please Pass Sensible Home Sharing Legislation - Keep Enforcement Clear + Fair [File Number: 140381]

Dear Supervisors,

Home sharing helps countless San Franciscans to pay their bills and stay in their homes in the city they love - avoiding foreclosure, spending more time with their families, and pursuing their dreams. And it gives guests the chance to experience the real San Francisco -- - visiting local small businesses in neighborhoods they normally wouldn't visit.

I support home sharing in San Francisco, and I urge you to pass sensible legislation, without delay, that ensures San Franciscans can continue to share the homes in which they live.

Specifically, we urge you to pass legislation that:

- Keeps enforcement clear and fair. The City can and should enforce its laws before encouraging residents, landlords and tenants to sue each other. Allowing neighbors to harass home sharers with lawsuits disproportionately impacts lower income hosts who can't afford to hire a lawyer while wealthier homeowners are able to defend themselves. Those of us who rely on the income we earn to make ends meet will suffer most from this process.
- Avoids unnecessary limits on shared space rentals. Please enable families to share their homes with guests when they are present with no limits. Many of us rely on this supplemental income to stay in the city and the homes we love.
- Is clear, transparent, and easy to follow. So much time and energy has been poured into this legislation - let's make it something that will work.

We thank you for taking so much time to consider this important issue - and we urge you to get it done right.

Sincerely,

Luke Bornheimer

Mission Dolores

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Supporter of the Ban the Sale of Ivory to California

From: Justine Juson [<mailto:jsjusun@hotmail.com>]
Sent: Monday, February 09, 2015 12:07 PM
To: Board of Supervisors (BOS)
Subject: Supporter of the Ban the Sale of Ivory to California

To the Board of Supervisors,

I am adding my voice to those other California residents who wish to see an end to the brutal slaying and killing of our of our world's greatest treasures - the wild elephant. It is my understanding that California is one of the largest importers of Ivory from China and I join with those who urge our representatives in government to ban such import.

Thank you.

Justine Juson

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Vote to ban the sell of ivory!

From: Karin E [<mailto:karin.eckersley@gmail.com>]
Sent: Monday, February 09, 2015 11:07 PM
To: Board of Supervisors (BOS)
Subject: Vote to ban the sell of ivory!

Dear Supervisors,

I urge you to please vote to prohibit the sale of ivory and rhino horns! This is an opportunity to make a real stand to protect these wonderful creatures. Thank you!

Sincerely,

Karin Eckersley

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Support to pass AB96

From: Paroma Chakravarty [<mailto:paroma.chakravarty@gmail.com>]
Sent: Tuesday, February 10, 2015 3:45 PM
To: Board of Supervisors (BOS)
Subject: Support to pass AB96

Respected Board of Supervisors,

I was alarmed to know that San Francisco has a booming supply of ivory for which innocent elephants get killed every day. As a resident of the city and loyal taxpayer, I wholeheartedly support the resolution to pass AB 96 which will ban the sale of ivory in California. Please consider this my official letter of support.

Regards

Paroma Chakravarty, PhD

From: Reports, Controller (CON)
Sent: Monday, February 09, 2015 1:20 PM
To: Calvillo, Angela (BOS); Gosiengfiao, Rachel (BOS); BOS-Supervisors; BOS-Legislative Aides; Kawa, Steve (MYR); Leung, Sally (MYR); Howard, Kate (MYR); Seip, Emily (MYR); Falvey, Christine (MYR); Tsang, Francis; Elliott, Jason (MYR); Steeves, Asja (CON); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); sfdocs@sfpl.info; gmetcalf@spur.org; bob@sfchamber.com; jballesteros@sanfrancisco.travel; Kelly, Jr, Harlan (PUC); Hom, Nancy (PUC); Andersson, Christina M; Vizcarra, Marge (PUC); Gowan, Tami (PUC); Batshoun, Diala (PUC); lagustin@sflower.org; CON-EVERYONE
Subject: Issued: SFPUC: Follow-up of 2012 Assessment of the Community Assistance Program

The Office of the Controller's City Services Auditor Division (CSA) today issued a memorandum on its assessment of corrective actions that SFPUC has taken in response to CSA's 2012 report on the Community Assistance Program. The assessment found that, of the 28 recommendations contained in the 2012 report:

- 25 have been fully implemented and are considered closed.
- 2 are deemed no longer applicable by CSA and are considered closed.
- 1 is contested by SFPUC, which stated that it does not plan to implement the recommendation, but, CSA now considers it closed because SFPUC has established a control that makes this recommendation unnecessary.

To view the full memorandum, please visit our Web site at:
<http://openbook.sfgov.org/webreports/details3.aspx?id=1881>

This is a send-only e-mail address.

For questions about the memorandum, please contact Director of City Audits Tonia Lediju at tonia.lediju@sfgov.org or 415-554-5393 or the CSA Audits Unit at 415-554-7469.

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER


Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

TO: Harlan L. Kelly, Jr., General Manager
San Francisco Public Utilities Commission

Commission President, Commissioners
San Francisco Public Utilities Commission

FROM: Tonia Lediju, Director of City Audits
City Services Auditor Division 

DATE: February 9, 2015

SUBJECT: San Francisco Public Utilities Commission: Follow-up of 2012 Assessment of the
Community Assistance Program

EXECUTIVE SUMMARY

The Office of the Controller's City Services Auditor Division (CSA) issued a report in September 2012, *The Community Assistance Program's Significant Operational Weaknesses Make It Susceptible to Customer Abuse*. CSA has completed a field follow-up to determine the corrective actions that the San Francisco Public Utilities Commission (SFPUC) has taken in response to the report. The report contains 28 recommendations, of which:

- 25 have been fully implemented and are considered closed.
- 2 are deemed no longer applicable by CSA and are considered closed.
- 1 is contested by SFPUC, which stated that it does not plan to implement the recommendation, but CSA now considers it closed because SFPUC has established a control that makes this recommendation unnecessary.

BACKGROUND, OBJECTIVE & METHODOLOGY

Background

The Charter of the City and County of San Francisco (City) provides CSA with broad authority to conduct audits. CSA conducted the Community Assistance Program (CAP) assessment under that authority.

The city Charter requires SFPUC to consider low-income customers when establishing rates, fees, and charges. It also requires SFPUC to develop and implement priority programs to increase and monitor water conservation and efficiency. In July 2004 SFPUC initiated CAP, which provided a 15 percent discount on sewer charges for qualifying low-income residential single-family customers in San Francisco. In 2005 the discount on sewer charges was increased to 35 percent, and in 2007 a 15 percent discount on water charges was added to the program. The program's discounts remain at these levels.

Objective

The objective of this follow-up was to determine whether SFPUC has taken the corrective actions recommended in CSA's September 4, 2012, report on CAP. Consistent with Government Auditing Standards (2011 Revision), Section 7.05, promulgated by the United States Government Accountability Office, the purposes of audit reports include facilitating follow-up to determine whether appropriate corrective actions have been taken. CSA follows up on its audits and assessments because their benefit is not in the findings reported or the recommendations made, but in the implementation of actions to resolve the findings.

This field follow-up is a nonaudit service. Government Auditing Standards do not cover nonaudit services, which are defined as professional services other than audits or attestation engagements. Therefore, SFPUC is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the nonaudit service.

Methodology

To conduct the field follow-up, CSA:

- Obtained documentary evidence on CAP from SFPUC.
- Visited SFPUC's Customer Services Bureau to observe corrective actions taken with regard to CAP records in the Customer Care and Billing System.
- Verified the status of the recommendations that SFPUC had reported as implemented.
- Documented the results of the fieldwork.

RESULTS

SFPUC has established internal controls that have fulfilled the intent of the recommendations made in CSA's September 2012 report on CAP. These measures have eliminated the need for SFPUC to monitor CAP accounts each billing period, as was required by some of the assessment report's recommendations. Since 2012 SFPUC has tightened the eligibility process for CAP. SFPUC reports a 77 percent reduction in the number of existing CAP accounts and a 67 percent reduction in the annual amount of CAP discount granted.

Of the CAP report's 28 recommendations:

- 25 have been implemented and are considered closed.
- 2 are deemed no longer applicable and are also considered closed.

- 1 is contested by SFPUC, which does not plan to implement it. However, CSA now considers that recommendation closed because SFPUC implemented a mitigating control to address the finding.

The following table summarizes the status of the 28 recommendations.

EXHIBIT 1		Current Status of Recommendations in the 2012 Report, <i>The Community Assistance Program's Significant Operational Weaknesses Make It Susceptible to Customer Abuse</i>	
Recommendation Status		Number of Recommendations	
Closed			
CSA determined were implemented		25	
CSA determined were no longer applicable		2	
Contested and Closed			
Department indicates it will not implement, as otherwise addressed		1	
Total Original Recommendations		28	

Presented below is the status of each recommendation by its recommendation number in the report.

CLOSED RECOMMENDATIONS

Recommendation 1 – Remove from CAP all accounts tested by the assessment that:

- Did not respond to an income verification request.**
- Did not provide proof of income.**
- Submitted documentation showing they do not qualify.**

The report stated that 41 (46 percent) of the 90 CAP accounts tested for income verification were ineligible for the program. For this follow-up, CSA reviewed SFPUC's spreadsheet detailing how each of the 41 accounts was resolved. Final resolution of the 41 accounts was as follows:

- 27 were denied participation in CAP by SFPUC.
- 7 were closed; the customers closed their water and wastewater service accounts.
- 5 were approved for participation in CAP by SFPUC.
- 2 were cancelled; the customers cancelled their participation in CAP.

Conclusion: Recommendation 1 has been implemented.

Recommendation 2 – Recover the amount of the CAP discounts provided in 2011 to households that submitted documentation showing they do not qualify.

CSA verified that SFPUC recovered \$15,610.35, the total amount due from customers determined to be ineligible as a result of the income verification analysis performed during the implementation of Recommendation 1.

Conclusion: Recommendation 2 has been implemented.

Recommendation 3 – Implement a verification process that requires new applicants and existing CAP participants to verify income and household size to ensure that program participants meet the program's income and eligibility criteria. This process should require applicants and renewing participants to provide:

- a. The names of all household members for identification purposes.
- b. The most recent federal tax return as proof of income for the applicant or renewing participant, and for each household member with income.
- c. Proof of residence and lack of income for any household members listed as having no income, but not listed as a dependent on a household member's federal tax return.

Based on the CAP Web site, CSA determined that SFPUC now has a revised verification process for the program that requires applicants to provide all documentation suggested in Recommendation 3, including:

- Names of household members
- A federal income tax return
- Proof of residence and lack of income for nondependent household members listed as having no income.

Conclusion: Recommendation 3 has been implemented.

Recommendation 4 – Analyze CAP account data each billing period and identify accounts with unusual water use for follow-up.

Documentation shows that SFPUC has designed a monthly report through which it can determine customers' annual water consumption to identify unusually high or low numbers of gallons per person per day.

Conclusion: Recommendation 4 has been implemented.

Recommendation 5 – Analyze CAP customer data each billing period for household size and request verification of household members and household income for existing program accounts exceeding a specified household size.

Documentation shows that SFPUC has designed a report that identifies all households with ten or more occupants.

Conclusion: Recommendation 5 has been implemented.

Recommendation 7– Record household income reported to CAP in the Customer Care and Billing system.

Using screen shots of customers' records, CSA verified that SFPUC is now recording customers' household income in the Customer Care and Billing System.

Conclusion: Recommendation 7 has been implemented.

Recommendation 8 – Analyze CAP customer data each billing period for the annualized amount of the water bill as a percentage of reported income and identify unusual accounts for follow-up.

Documentation shows that SFPUC has designed a report that compares annual household income with annualized billed amounts that exceed 5 percent of household income.

Conclusion: Recommendation 8 has been implemented.

Recommendation 9 – Analyze CAP customer data each billing period for different service and mailing addresses and investigate discrepancies.

Documentation shows that SFPUC has designed a report that identifies accounts with different service and mailing addresses.

Conclusion: Recommendation 9 has been implemented.

Recommendation 10 – Immediately require all 473 CAP accounts identified as having a service address matching the listed home address of at least one city employee to provide verification of household income and household size to demonstrate that their household qualifies for CAP.

CSA verified that, in an effort to determine whether accounts qualify for CAP, SFPUC obtained and analyzed documentation of household income and household size from customers associated with the 473 accounts identified by CSA.

Conclusion: Recommendation 10 has been implemented.

Recommendation 11 – Of the 473 accounts for which at least one city employee has a listed home address matching the account service address, remove from CAP any account that:

- a. Does not respond to an income verification request.
- b. Does not provide proof of household size and total household income.
- c. Submits documentation showing the household does not qualify.

CSA verified that, based on an analysis SFPUC conducted of the 473 accounts, SFPUC approved 91 accounts for CAP and deemed 382 ineligible for CAP. Of those 382, SFPUC retroactively billed:

- 269 accounts whose documentation showed that the customers were ineligible for CAP.
- 113 accounts for failure to respond to the request.

Conclusion: Recommendation 11 has been implemented.

Recommendation 12 – Recover the total amount of the CAP discount provided to any of the 473 accounts where at least one city employee has a listed home address matching the account service address and that are removed from the program.

CSA verified that, from the 382 accounts deemed ineligible for CAP, SFPUC recovered \$238,553.54 for CAP discounts that should not have been granted. SFPUC has referred one of these customer accounts, owing \$564.86, to the City's Bureau of Delinquent Revenue.

Conclusion: Recommendation 12 has been implemented.

Recommendation 13 – Work with the Department of Human Resources to pursue disciplinary action against any city employee found to have fraudulently obtained CAP discounts.

CSA reviewed correspondence between SFPUC and Human Resources documenting that this issue has been addressed.

Conclusion: Recommendation 13 has been implemented.

Recommendation 14 – Limit the total amount of discounts a CAP account can receive each billing period or annually, but provide for exemptions if needed.

Conclusion: Recommendation 14 is no longer applicable. SFPUC partially concurred with this recommendation and explained the new measures it has taken that now make it unnecessary to limit the total number of discounts that a CAP account can receive. CSA concurs with this determination. Therefore, CSA considers this recommendation closed.

Recommendation 15 – Update its written policies and procedures on the CAP application and renewal processes to reflect current practices.

CSA verified that SFPUC has updated its written policies and procedures for the processes used to apply for CAP and renew as a CAP participant.

Conclusion: Recommendation 15 has been implemented.

Recommendation 16 – Ensure that employees follow the policies and procedures for CAP application and renewal processes.

CSA reviewed sample results of the formal review and approval process for CAP applications and renewals and found they reflect that employees followed proper policies and procedures.

Conclusion: Recommendation 16 has been implemented.

Recommendation 17 – Ensure that CAP participants renew their eligibility status every two years and that participants who do not renew are removed from the program.

CSA determined that SFPUC subjected 1,500 CAP accounts to its new, more stringent eligibility procedures and removed from CAP accounts not meeting the required criteria and from whom no response was received.

Conclusion: Recommendation 17 has been implemented.

Recommendation 18 – Implement policies that require staff to retain or record customer information provided on CAP application and renewal forms.

CSA determined that SFPUC has developed a well-organized recordkeeping system for CAP. During a tour of the CAP records storage area, CSA observed that program applications and renewal forms are now securely filed and are readily retrievable.

Conclusion: Recommendation 18 has been implemented.

Recommendation 19 – Conduct research to determine whether additional staffing is needed to effectively administer and monitor CAP.

CSA determined that SFPUC has assigned four additional staff to CAP, which should help it effectively administer and monitor the program.

Conclusion: Recommendation 19 has been implemented.

Recommendation 20 – Develop and document policies and procedures for handling accounts where a customer has violated CAP rules and guidelines.

CSA verified that SFPUC has developed and documented policies and procedures for handling accounts where a customer has violated CAP rules and guidelines.

Conclusion: Recommendation 20 has been implemented.

Recommendation 21 – Update written policies and procedures so that proof of a customer's enrollment in another utility's low-income discount program no longer constitutes eligibility for CAP.

CSA obtained SFPUC's updated written policies and procedures and determined that a customer's enrollment in another utility's low-income discount program no longer constitutes eligibility for CAP.

Conclusion: Recommendation 21 has been implemented.

Recommendation 22 – Ensure that household size information provided by CAP applicants and renewing participants is updated properly in the Customer Care and Billing system.

CSA observed that household size information is being documented in the Customer Care and Billing system.

Conclusion: Recommendation 22 has been implemented.

Recommendation 23 – Require staff to update the last review date in the Customer Care and Billing system when processing a CAP application or renewal regardless of whether or not customer information has changed.

CSA observed that the date of last review is documented in the Customer Care and Billing system.

Conclusion: Recommendation 23 has been implemented.

Recommendation 24 – Enhance the functionality of the Customer Care and Billing system to allow for retaining a record of historical customer account data.

Conclusion: Recommendation 24 is no longer applicable because SFPUC has developed a well-organized recordkeeping system for CAP. CSA observed that historical customer account data is now filed in a secure area from which it is readily retrievable. Consequently, the Customer Care and Billing system no longer needs to be enhanced for this purpose. Therefore, recommendation 24 was not included in the field follow-up.

Recommendation 25 – Revise written policies to require that new applicants complete the Water Wise Evaluation before receiving CAP discounts and require existing participants to complete the evaluation within 60 days of receiving notice or face removal from the program.

CSA verified that the updated policies and procedures require CAP applicants to participate in a water wise evaluation within 90 days of receiving a notice.

Conclusion: Recommendation 25 has been implemented.

Recommendation 26 – Ensure that participants who no longer meet the CAP eligibility criteria or do not follow all program rules are removed from the program.

CSA verified that the updated policies and procedures require SFPUC to remove ineligible participants from CAP.

Conclusion: Recommendation 26 has been implemented.

Recommendation 27 – Revise CAP policies and procedures to require that the Conservation Division report any potential abuse of the program that its staff observes.

CSA verified that SFPUC has updated its written policies and procedures for CAP to require that the Conservation Division report any potential abuse of the program that is observed during onsite evaluations.

Conclusion: Recommendation 27 has been implemented.

Recommendation 28 – Explore cost-effective outreach methods for CAP tailored to reach customers in low-income neighborhoods, including coordinating outreach efforts with local community-based organizations.

SFPUC submitted documentation of various outreach efforts that it has conducted. CSA determined that this documentation shows that SFPUC has taken the corrective actions needed to implement this recommendation.

Conclusion: Recommendation 28 has been implemented.

CONTESTED AND CLOSED RECOMMENDATION

Recommendation 6 – Limit the maximum household income for CAP eligibility by restricting the number of household members that count towards the maximum allowable household income, unless special provisions or exemptions apply.

SFPUC has made a management decision to not implement this recommendation, because they thought it is unnecessary. By implementing Recommendation 3 (see pg. 4, above), SFPUC put a control in place to ensure that applicants could not achieve eligibility by claiming more household members than actually live in the home. As such, SFPUC addressed in primary risk underlying Recommendation 6. Further, implementing this recommendation is not likely to disqualify any additional fraudulent applicants and may, in fact, deny benefits to a household that needs them. CSA now agrees with SFPUC's reasoning in this regard.

Conclusion: CSA considers this recommendation closed.

SFPUC's response is attached. CSA extends its appreciation to you and your staff who assisted with this follow-up. If you have any questions or concerns, please contact me at (415) 554-5393 or tonia.lediju@sfgov.org.

cc: SFPUC

Nancy Hom
Christina Andersson
Marge Vizcarra
Tami Gowan
Diala Batshoun
Lisa Agustin

Controller

Ben Rosenfield
Todd Rydstrom
Mark P. de la Rosa
Mark Tipton
Edvida Moore

Board of Supervisors
Budget Analyst
Citizens Audit Review Board
City Attorney
Civil Grand Jury
Mayor
Public Library

ATTACHMENT: DEPARTMENT RESPONSE



San Francisco
Water & Sewer
Services of the San Francisco Public Utilities Commission

525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
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January 24, 2015

Tonia Lediju, Audit Director
Office of the Controller, City Services Auditor Division
City Hall, Room 476
One Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: SFPUC Acknowledgement to CSA Field Follow-Up Audit of
SFPUC: The Community Assistance Program's Significant
Operational Weaknesses Make it Susceptible to Customer Abuse

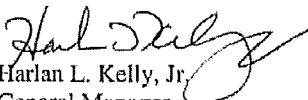
Dear Ms. Lediju,

Thank you for providing us the opportunity to respond to your field follow-up audit of your report, *'The Community Assistance Program's Significant Operational Weaknesses Make it Susceptible to Customer Abuse'*, as prepared by the Controller's Office, City Services Auditor.

We gladly acknowledge that all 28 recommendations are considered closed. We thoroughly appreciate the time and energy spent by your staff to review the actions and improvements within the Community Assistance Program. Our Customer Services Bureau is pleased that the improved internal controls and monitoring has resulted in significant gains.

If you have any questions or need additional information, please do not hesitate to contact me at (415) 554-1600.

Sincerely,


Harlan L. Kelly, Jr.
General Manager

cc: Michael Carlin, Deputy General Manager
Nancy L. Hom, Interim AGM Business Services & Chief Financial Officer
Marge Vizcarra, Director, Customer Services Bureau

Edwin M. Lee
Mayor
Ann Mollar Caen
President
Francesca Viator
Vice President
Vince Courtney
Commissioner
Anson Moran
Commissioner
Harlan L. Kelly, Jr.
General Manager



RECOMMENDATIONS AND RESPONSES

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>The San Francisco Public Utilities Commission should:</p>		
<p>1. Remove from the Community Assistance Program accounts tested by the assessment that:</p> <ul style="list-style-type: none"> a. Did not respond to an income verification request. b. Did not provide proof of income. c. Submitted documentation showing they do not qualify. 	<p>Completed. Of the 41 accounts to which this recommendation pertains, SFPUC has either denied, canceled, or closed them. SFPUC also retroactively billed for CAP discounts. Customers holding four of the accounts appealed and were subsequently approved.</p>	<ul style="list-style-type: none"> • CSA obtained and reviewed a SFPUC's spreadsheet detailing of the 41 accounts was resolved determined that, of the 41 accounts <ul style="list-style-type: none"> ○ 27 were denied ○ 7 were closed ○ 5 were approved ○ 2 were cancelled
<p>2. Recover the amount of the Community Assistance Program discounts provided in 2011 to households that submitted documentation showing they do not qualify.</p>	<p>Completed. \$14,790.12 (95 percent) of the \$15,610.35 was recovered. The remaining \$820.23 is going through a lien process.</p>	<ul style="list-style-type: none"> • CSA verified that SFPUC was \$15,610.35 (that is, the sum of and \$820.23). • CSA obtained from SFPUC a spreadsheet showing that the \$820.23 was paid. CSA requested and received reimbursement.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>3. Implement a verification process that requires new applicants and existing Community Assistance Program participants to verify income and household size to ensure that program participants meet the program's income and eligibility criteria. This process should require applicants and renewing participants to provide:</p> <ul style="list-style-type: none"> a. The names of all household members for identification purposes. b. The most recent federal tax return as proof of income for the applicant or renewing participant, and for each household member with income. c. Proof of residence and lack of income for any household members listed as having no income, but not listed as a dependent on a household member's federal tax return. 	<p>Completed. The CAP application has been updated and now requires the various types of verifications recommended.</p>	<ul style="list-style-type: none"> • CSA determined from the CAF that the program now has a re verification process that require applicants to provide: <ul style="list-style-type: none"> ○ Names of household meml ○ Federal Income Tax Return ○ Proof of residence and lack • CSA obtained copies of sampl supporting documentation that submitted to SFPUC and usec eligibility.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>4. Analyze Community Assistance Program account data each billing period, and identify accounts with unusual water use for follow-up.</p>	<p>SFPUC has instituted a number of internal controls to address this and other issues identified in the assessment report (see recommendations 5, 8, and 9).</p> <p>Using commonly accepted average usage criteria, SFPUC calculates the amount of water expected to be used by the number of occupants stated on the customer's application to the actual billing data. This enables SFPUC to identify accounts with unusually high or low water consumption (usage outside the range of 20-80 gallons per person per day). Such customers are noted for subsequent follow-up.</p> <p>SFPUC has implemented more stringent guidelines to qualify for CAP. SFPUC also accelerated the two-year renewal process by requiring that the over 6,000 existing CAP participants immediately apply for requalification under the new guidelines. As these requirements are part of both the initial application process and SFPUC's ongoing internal control program, SFPUC expects that its staff will readily be able to identify CAP participants who no longer qualify for the program.</p> <p>SFPUC's success in implementing CSA recommendations is clearly evident in the 77 percent and 67 percent reductions in the exiting CAP discount program account base and the amount of annual CAP discount, respectively.</p>	<ul style="list-style-type: none"> • Verified that SFPUC has analyzed the CAP participants' accounts to determine the high/low balance used per person per day. SFPUC established the high and low per person as 80 and 20 gallons per person respectively. • CSA determined that the various controls that SFPUC has implemented have fulfilled the intent of this recommendation, as evidenced by successful results achieved. These measures have eliminated the need for monitoring during each billing period.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>5. Analyze Community Assistance Program data each billing period for household size and request verification of household members and household income for existing program accounts exceeding a specified household size.</p>	<p>SFPUC has instituted a number of internal controls to address this and other issues identified in the assessment report (see recommendations 4, 8, and 9). Among these are reports that track high residency counts. The reports can potentially identify applicants that are reporting incorrect occupancy or income, as well as participants who no longer qualify for the CAP discount because of changes to their living situation since the time of application.</p> <p>SFPUC's success in implementing CSA recommendations is clearly evident in the 77 percent and 67 percent reductions in the existing CAP discount program account base and the amount of annual CAP discount, respectively.</p>	<ul style="list-style-type: none"> • CSA obtained results of the an SFPUC conducted in October : August 2014. As a result of the analyses, SFPUC developed a report listing all households with more occupants. • CSA determined that the various controls that SFPUC has implemented have fulfilled the intent of this recommendation, as evidenced by successful results achieved. These measures have eliminated the need for monitoring during each billing period.
<p>6. Limit the maximum household income for Community Assistance Program eligibility by restricting the number of household members that count towards the maximum allowable household income, unless special provisions or exemptions apply.</p>	<p>Contested</p>	<ul style="list-style-type: none"> • SFPUC made a management decision to implement this recommendation considering it unnecessary. By implementing Recommendation 5, SFPUC instituted a control to ensure that applicants could not become eligible by claiming more household members who do not actually live in the home. Thus, SFPUC addressed the primary risk under Recommendation 6. Further, if implemented, this recommendation is unlikely to disqualify any additional fraudulent applicants and may, in fact, deny benefits to a household that needs them.
<p>7. Record household income reported to the Community Assistance Program in the Customer Care and Billing system.</p>	<p>This data is now recorded for new and recently audited CAP recipients. All other accounts with CAP discounts will be updated as they go through the renewal process.</p>	<ul style="list-style-type: none"> • CSA obtained screen shots of the records and verified that customer household income is now being recorded in the Customer Care and Billing system.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>8. Analyze Community Assistance Program customer data each billing period for the annualized amount of the water bill as a percentage of reported income, and identify unusual accounts for follow-up.</p>	<p>SFPUC has instituted a number of internal controls to address this and other issues identified in the assessment report (see recommendations 4, 5, and 9).</p> <p>Among these is a monthly report that compares annual household income with annualized billed amounts that exceed 5 percent of household income. Effective October 15, 2013, SFPUC began selecting accounts in this category, and requiring the participants to submit occupancy and income verification.</p> <p>SFPUC's success in implementing CSA recommendations is clearly evident in the 77 percent and 67 percent reductions in the exiting CAP account base and the amount of annual CAP discount, respectively.</p>	<ul style="list-style-type: none"> • CSA verified that SFPUC analyzed customer data to determine whether participants' bill-to-income ratio is within the acceptable range (not exceed the 5 percent threshold). • CSA determined that the various controls that SFPUC has implemented have fulfilled the intent of this recommendation, as evidenced by successful results achieved. These measures have eliminated the need for monitoring during each billing period.
<p>9. Analyze Community Assistance Program customer data each billing period for different service and mailing addresses and investigate these discrepancies.</p>	<p>SFPUC has instituted a number of internal controls to address this and other issues identified in the assessment report (see recommendations 4, 5, and 8).</p> <p>Among these is a monthly report that identifies customers whose mailing addresses differ from their residential addresses. This enables SFPUC to identify accounts for subsequent follow up. Effective October 15, 2013, SFPUC began selecting accounts in this category and requiring the participants to submit occupancy and income verification.</p> <p>SFPUC's success in implementing CSA recommendations is clearly evident in the 77 percent and 67 percent reductions in the exiting CAP account base and the amount of annual CAP discount, respectively.</p>	<ul style="list-style-type: none"> • CSA verified that SFPUC conducted analysis, determined which CAP participants had mailing addresses that differed from their service addresses, and required those participants to submit occupancy and income verification. • CSA determined that the various controls that SFPUC has implemented have fulfilled the intent of this recommendation, as evidenced by successful results achieved. These measures have eliminated the need for monitoring during each billing period.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>10. Immediately require all 473 Community Assistance Program accounts identified as having a service address matching the listed home address of at least one city employee provide verification of household income and household size to demonstrate that their household qualifies for the Community Assistance Program.</p>	<p>All 473 CAP accounts were reviewed and audited. Customers were required to provide proof of income and residence of household members. This resulted in 86 customers being confirmed as qualified to receive CAP discounts and 386 being denied and removed from the program.</p>	<ul style="list-style-type: none"> • CSA obtained documentation f showing that it required all 473 accounts identified in the audit provide proof of income and pr residence for each household i
<p>11. Of the 473 accounts for which at least one city employee has a listed home address matching the account service address, remove from CAP any account that:</p> <ol style="list-style-type: none"> a. Does not respond to an income verification request. b. Does not provide proof of household size and total household income. c. Submits documentation showing the household does not qualify. 	<p>The 386 customers (see above) that either did not meet CAP income guidelines or failed to reply to the income/household verification request were removed from CAP and were retroactively billed for CAP discounts received from January 2011 through July/August 2012.</p>	<ul style="list-style-type: none"> • CSA obtained from SFPUC an showing that SFPUC approved 473 accounts and denied CAP participation to 382 of the 473 : being assessed. Of the 382 de accounts: <ul style="list-style-type: none"> ○ 269 accounts were denied b documentation showed they ineligible. ○ 113 accounts were denied fc respond to the request for pr income and proof of residen
<p>12. Recover the total amount of the Community Assistance Program discount provided to any of the 473 accounts where at least one city employee has a listed home address matching the account service address that are removed from the program.</p>	<p>SFPUC collected \$226,818.09. SFPUC is collecting an additional \$13,045.03 through a delinquency process.</p>	<ul style="list-style-type: none"> • SFPUC stated that it recovered \$238,553.54 from the 382 acco should not have been granted (discounts. CSA viewed check c records of credit card payments September 9, 2014, that show t payments were recovered.
<p>13. Work with the Department of Human Resources to pursue disciplinary action against any city employee found to have fraudulently obtained Community Assistance Program discounts.</p>	<p>CAP customers of record who are also city employees who were deemed ineligible for CAP were reported to Human Resources. Upon review, Human Resources determined that no further action would be taken.</p>	<ul style="list-style-type: none"> • CSA obtained and reviewed correspondence between SFPL documenting that this issue has addressed.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>14. Limit the total amount of discounts a Community assistance Program account can receive each billing period or annually, but provide for exemptions if needed.</p>	<p>SFPUC partially concurs with this recommendation, but states that it is unnecessary to limit the number of discounts that a CAP account can receive. SFPUC staff now must analyze per day water usage to determine if it is consistent with SFPUC's estimated average residential consumption per person for the year.</p>	<ul style="list-style-type: none"> SFPUC explained the new measure has taken that now make it unnecessary to limit the total number of discounts a CAP account can receive. CSA verified with this determination.
<p>15. Update its written policies and procedures on the Community Assistance Program's application and renewal processes to reflect current practices.</p>	<p>The written CAP policies and procedures have been updated and include the revised eligibility requirements, procedures for recertification, denial of applicants, recovery of ineligible discounts, and business-level audit procedures.</p>	<ul style="list-style-type: none"> CSA verified that SFPUC has updated its written policies and procedures for Community Assistance Program application and renewal processes to reflect current practices.
<p>16. Ensure that employees follow the policies and procedures for application and renewal processes for the Community Assistance Program.</p>	<p>SFPUC managers have developed a multilevel review and approval process in which a principal water service clerk and/or an employee above that level reviews and approves all new and renewal CAP applications. Staff assigned to CAP has been retrained in the new policies and procedures.</p>	<ul style="list-style-type: none"> CSA obtained sample results of the review and approval process for applications/renewals. By reviewing a series of e-mails from the CAP manager, CSA verified that the staff meets periodically to review CAP policies and procedures.
<p>17. Ensure that Community Assistance Program participants renew their eligibility status every two years, and that participants who do not renew are removed from the program.</p>	<p>SFPUC mailed 1,500 letters to CAP applicants requiring them to renew their eligibility status. All non-respondents and ineligible applicants were removed from the program.</p>	<ul style="list-style-type: none"> During a field visit to SFPUC's Service Center, CSA verified that participants renewed their eligibility status or that participants who did not renew, or who were determined to be ineligible, were removed from the program. CSA verified that SFPUC policy requires that eligibility status of CAP participants be renewed every two years. <p>According to the customer service operations manager, SFPUC mails letters to CAP customers through the mail to complete the stringent recertification process.</p>

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>18. Implement policies that require staff to retain or record customer information provided on application and renewal forms for the Community Assistance Program.</p>	<p>Effective immediately, all CAP applications and renewals will be scanned into the Hummingbird system, and the document image will be linked to the account in Customer Care & Billing. The original application or renewal will be filed and retained on site. Information on the number of occupants and household income will be entered into Customer Care & Billing as characteristics on the account and service agreement, respectively, and will be updated upon renewal.</p>	<ul style="list-style-type: none"> The customer services operations manager told CSA that SFPUC initially began scanning and linking customers' information (application and renewal forms) into Hummingbird (SFPUC's record retention system) by linking the PDF image of the information to its Customer Care & Billing system. However, the manager said SFPUC deemed that process too labor-intensive and instead opted to develop a more organized system in which the documents are filed in a secure location in which they can be readily retrieved. During a field visit to SFPUC's Service Center, CSA toured the secured, restricted filing area and was able to find randomly selected applications and renewal forms. CSA deems the filing system to be an adequate way in which to retain customer records.
<p>19. Conduct research to determine whether additional staffing is necessary to effectively administer and monitor the Community assistance Program.</p>	<p>Completed. Four additional employees have been reassigned to CAP.</p>	<ul style="list-style-type: none"> CSA obtained documentation from SFPUC confirming that four additional employees have been assigned to CAP.
<p>20. Develop and document policies and procedures for handling accounts where a customer has violated Community Assistance Program rules and guidelines.</p>	<p>Completed. The updated CAP policies and procedures include more detailed procedures for denial of initial CAP applications and re-certifications and for the recovery of CAP discounts fraudulently received by customers.</p>	<ul style="list-style-type: none"> CSA verified that SFPUC has developed and documented policies and procedures for handling accounts where a customer has violated a CAP rule or guideline.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
<p>21. Update written policies and procedures so that proof of a customer's enrollment in another utility's low-income discount program no longer constitutes eligibility for the Community Assistance Program.</p>	<p>Completed. The CAP application and the program details displayed on SFPUC's Web site have been updated and no longer include any reference to automatic eligibility based upon enrollment in Pacific Gas and Electric Company's Care program or Recology's Lifeline program.</p>	<ul style="list-style-type: none"> • CSA viewed the CAP Web site confirmed that it does not refer automatic eligibility for CAP based on enrollment in PG&E's CARE program or Recology's Lifeline program. • CSA obtained SFPUC's updated policies and procedures and determined that a customer's enrollment in another utility's low-income discount program no longer constitutes eligibility for the CAP.
<p>22. Ensure that household size information provided Community Assistance Program applicants and renewing participants is updated properly in the Customer Care and Billing system.</p>	<p>Completed. SFPUC staff now enters the number of occupants by adding a new entry in Customer Care & Billing.</p>	<ul style="list-style-type: none"> • During a field visit to SFPUC, the (online) Customer Care & Billing system was reviewed and confirmed that it correctly records information on the number of occupants in a household.
<p>23. Require staff to update the last review date in the Customer Care and Billing system when processing a Community Assistance Program application or renewal regardless of whether or not customer information has changed.</p>	<p>Completed. SFPUC staff now enters the CAP last review date.</p>	<ul style="list-style-type: none"> • During a field visit to SFPUC, the Customer Care & Billing system was reviewed and confirmed that the last CAP review date is recorded there.
<p>24. Enhance the functionality of the Customer Care and Billing system to allow for retaining a record of historical customer account data.</p>	<p>SFPUC does not concur with this recommendation. See response to Recommendation 22. No change is required. Customer Care & Billing is configured to allow multiple data elements with effective dates to be entered on many characteristics in the billing system. For instance, the "# of Occupants" characteristic allows changes to the data to be retained in the system with the effective date of the change displayed.</p>	<ul style="list-style-type: none"> • CSA determined that this recommendation is no longer applicable because SFPUC has developed a well-organized recordkeeping system for CAP. CSA observed that historical customer account data is now filed in a secure archive which it is readily retrievable. SFPUC no longer needs to enhance its record retention capability of the Customer Care & Billing system.

Recommendation	Most Recent Status per SFPUC	CSA Field Follow-up W
25. Revise its written policies to require that new applicants complete the Water Wise Evaluation before receiving the Community Assistance Program discounts, and require existing participants to complete the evaluation within 60 days of receiving notice or face removal from the program.	The policy was revised and implemented. Effective September 2012, all applicants must complete the Water Wise Evaluation <u>before</u> receiving the CAP discount.	<ul style="list-style-type: none"> CSA verified that the updated procedures include a requirement CAP applicants, within 90 days notified, to participate in a water evaluation as a condition to receive CAP discount.
26. Ensure that participants who no longer meet the Community Assistance Program eligibility criteria or do not follow all program rules are removed from the program.	Completed. Any customers found to be ineligible for CAP are notified and removed from the program.	<ul style="list-style-type: none"> CSA verified that program policies require that CAP customers renew their eligibility every two years that any customers found to be ineligible be notified by letter and removed from the program. According to the customer service operations manager, all CAP customers have undergone the recertification process.
27. Revise the written policies and procedures to require that Conservation Division report any potential abuse of the Community Assistance program observed during onsite evaluations to the Customer Service Bureau for investigation and resolution.	Completed. The Conservation team has created a form that allows it to report any potential abuse of the program observed during onsite evaluations and forward such information to the Customer Service Bureau for further investigation. Customers are then notified by mail.	<ul style="list-style-type: none"> CSA verified that the updated procedures include a requirement water conservation team to report any potential abuse of program rules or violation of program rules of observation during inspection.
28. Explore cost-effective outreach methods for the Community Assistance Program tailored to reach customers residing in low-income neighborhoods, including coordinating outreach efforts with local community-based organizations.	Implemented. During fiscal year 2013-14 SFPUC conducted outreach efforts to over 340 neighborhood, small business and common-profit organizations throughout the City & County of San Francisco. The outreach included traditional mailings, phone calls and emails. SFPUC also conducted over 90 presentations throughout the city, reaching customers of all types: residential, commercial and industrial. Several organizations also placed a short news article in their newsletters that were distributed to their membership.	<ul style="list-style-type: none"> CSA obtained from SFPUC documentation of various outreach it has conducted. CSA determined documentation verifies that SFPUC taken the corrective actions necessary to implement this recommendation.

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Ban fires on Ocean Beach - protect the health of our community

From: David [<mailto:droma4@yahoo.com>]
Sent: Monday, February 09, 2015 6:37 PM
To: Board of Supervisors (BOS)
Cc: aaron_roth@nps.gov; Lee, Mayor (MYR)
Subject: Ban fires on Ocean Beach - protect the health of our community

Dear Supervisors,

The evidence is in: fires at Ocean Beach are not environmentally sustainable and are often the site of drug and alcohol abuse, assaults and dangerous litter. At a meeting sponsored by the National Park Service at the Cliff House on February 5th, the results of months of monitoring of the Ocean Beach fire pits were presented to the public. All the volunteer efforts and the dedicated time of the NPS have not been enough to keep the beach clean and safe from the aftermath of the fires.

We are writing to ask you to support a complete ban on fires at Ocean Beach. With the limited resources we have to take care of our parks and beaches, it's not right to expend time and money on people who can't clean up after themselves and leave the beach in a dirty and dangerous condition. If there are funds available please use them to enforce a ban on fires.

The fires at Ocean Beach are a health hazard for the entire beach front community. The smoke from the fires is not confined to Golden Gate Park, it covers the outer Richmond and Sunset districts. There are many nights when we can't open the windows because the air is so smoky. We've had a record number of spare the air days in 2014 and 2015. We can't afford needless air pollution so that a small group of people can have fires on the beach.

Thank you for your consideration of the above.

David Romano and Judy Pell
San Francisco

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Homeless in Portsmouth Square

From: John Cash [<mailto:sendthecash@hotmail.com>]
Sent: Monday, February 09, 2015 6:44 PM
To: letters@sfexaminer.com; Board of Supervisors (BOS); Lee, Mayor (MYR)
Subject: Homeless in Portsmouth Square

So ,the immigrants who gamble in Portsmouth Square feel like the homeless are cramping their style and want the police to roust them out ? It got old in the Tenderloin 30 years ago. Welcome to SF.

It's time for the residents of Chinatown to wake up and recognize that citywide problems are their problem too.

Central Police station has a wide area to cover but they are expected bend over backwards to accommodate a small portion of their jurisdiction . Chinatown should not get special treatment when it comes to citywide problems.

If the residents of Chinatown don't like the problem ,they can help fix it.

- John Cash,
SF



OFFICE OF THE CITY ADMINISTRATOR

BDS II - CPages
Matrix



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

January 28, 2015

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

Subject: 2014 Report Slavery Disclosure Ordinance

Dear Ms. Calvillo:

The Slavery Disclosure Ordinance (Section 12Y of the Administrative Code) was passed by the Board of Supervisors and signed by Mayor Newsom in 2006. As outlined in Section 12Y (b), the purpose of the Ordinance was to promote full and accurate disclosure to the public of insurance and financial transactions and activity in the textiles industry that, directly or indirectly or through their parent entities, were involved in the slave industry.

The Ordinance provides that the City Administrator receive affidavits from companies subject to the Ordinance, encourage contributions to a Special Fund to ameliorate the effects of slavery and report annually to the Board of Supervisors.

Please let me know if you have any questions or contact my staff, Joan Lubamersky, joan.lubamersky@sfgov.org, 415-554-4859.

Sincerely,

Naomi M. Kelly
City Administrator

Enclosure

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**OFFICE OF THE
CITY ADMINISTRATOR**



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

**SLAVERY ERA DISCLOSURE ORDINANCE
CITY AND COUNTY OF SAN FRANCISCO**

Report to the Mayor and Board of Supervisors – 2014 Update

Prepared by Office of the City Administrator

TABLE OF CONTENTS

1. Executive Summary	Page 3
2. Introduction	Page 4
3. Update	Page 4
Affidavits	
Development Fund	

Appendices

A. Slavery Era Disclosure Ordinance, Chapter 12Y Administrative Code	Page 6
B. Slavery Era Disclosure Ordinance Report, November 8, 2007	Page 7
C. 2013 Affidavits	Page 8

Alliant Insurance Services, Inc.
Arthur J. Gallagher and Co.
Bickmore and Associates Inc.
Meketa Investment Group Inc.
Merriwether & Williams Insurance Services Inc.

EXECUTIVE SUMMARY

The Slavery Disclosure Ordinance (Section 12Y of the Administrative Code) was passed by the Board of Supervisors and signed by Mayor Newsom in 2006. As outlined in Section 12Y(b), the purpose of the Ordinance was to promote full and accurate disclosure to the public of insurance and financial transactions and activity in the textiles industry that, directly or indirectly or through their parent entities, were involved in the slave industry. For example, they bought or sold people subjected to slavery, provided property insurance covering people subjected to slavery, provided loans to purchase people subjected to slavery, used people subjected to slavery as collateral for insurance policies or other transactions, profited from the trade in people subjected to slavery and/or provided related services to aid and abet such trade. The Ordinance directed that a fund be established to which contractors covered by the Ordinance could make voluntary contributions to ameliorate the legacy of the slavery era. (Section 12Y.5 (a).)

The Ordinance requires that every contractor providing insurance/insurance services, financial services or textiles to the City be required to file an affidavit with the City Administrator verifying that the contractor has searched all company records (including those of parent, predecessor or subsidiary companies) for any relevant records concerning whether the contractor, parent, subsidiary or predecessor participated in the slave trade or received profits from the slave trade.

Affidavits from the 2007 are provided for reference. (See Appendix B.) An update is provided in Section 3 of this report. We recently became aware that the City Administrator is tasked with reporting on compliance annually. We are submitting this report as an update and will do so annually henceforth.

INTRODUCTION

The 2007 report provided an extensive history of the background on the issue of disclosure legislation in other parts of the country and development of the Ordinance in San Francisco.

This update will provide information on new affidavits requested and received. The departments with relationships in banking and insurance include those reporting 2007: Risk Management, The Office of Public Finance and Risk Management. Additionally, a contractor for the Office of the Controller filed an affidavit in 2013. It should be noted that financial institutions with which Public Finance contracts are exempt from the Ordinance and those that provided information did so voluntarily.

We have been advised by the City Attorney that a firm is required to file only once with the City, not for each new contract.

UPDATE – Affidavits

The Office of Risk Management currently contracts with the following firms for insurance services as defined by the Ordinance:

Aon filed an affidavit in 2007.

Alliant, Arthur J. Gallagher, Bickmore, and Merriwether & Williams Insurance Services, Inc. filed in 2013.

The Treasurer-Tax Collector has a contract with Bank of America. It filed an affidavit in 2007.

The Controller's Office has a contract with Meketa Investment Group. They filed an affidavit in 2013.

The Controller's Office of Public Finance vendors are not required to file. However, these vendors filed voluntarily in 2007:

Bank of America, N.A.
Bank of New York Mellon Trust Company
Deutsche Bank National Trust Company/Americas
JP Morgan Chase Bank, N.A.
US Bank, N.A.
Wells Fargo, N.A.

UPDATE –Development Fund (Section 12Y.5)

Voluntary Contributions to Ameliorate the Effects of Slavery

To date, no contributions have been received for the fund. I am sending letters requesting donations to contractors subject to the Ordinance.

As provided in the Ordinance, I will report on contributions to and expenditures from the account in each annual report.

APPENDIX A

Slavery Era Disclosure Ordinance, Chapter 12Y Administrative Code

Chapter 12Y: San Francisco Slavery Disclosure Ordinance

- Sec. 12Y.1. Findings and Purpose.
- Sec. 12Y.2. Definitions.
- Sec. 12Y.3. Exceptions.
- Sec. 12Y.4. Slavery Era Disclosure.
- Sec. 12Y.5. Voluntary Contributions to Ameliorate the Effects of Slavery.
- Sec. 12Y.6. Enforcement.
- Sec. 12Y.7. Severability.

Sec. 12Y.1. Findings and Purpose

The Board of Supervisors of the City and County of San Francisco hereby finds and declares that:

- (a) Insurance policies from the American slavery era, which have been discovered in the archives of several insurance companies, document insurance coverage to slaveholders for damage to or death of people subjected to slavery. In some cases, existing insurance firms or their predecessor firms issued these policies.
- (b) Further records may exist showing that insurance companies, financial services firms, and textile companies, either directly or through their parent entities, subsidiaries, predecessors in interest, or otherwise, bought or sold people subjected to slavery, provided property insurance covering people subjected to slavery, provided loans to purchase people subjected to slavery, used people subjected to slavery as collateral for insurance policies or other transactions, profited from the trade in people subjected to slavery, and/or provided related services to aid and abet such trade.
- (c) Discovery and publication of these records is an important first step in addressing the legacy of slavery in this country. For example, in June of 2005, the Wachovia Corporation, in the course of complying with a Chicago law similar to this Ordinance, discovered that some of its predecessor companies owned slaves and used slaves as collateral for loans. Wachovia issued an apology for the actions of its predecessor companies, and called for a “stronger dialogue about slavery and the experience of African-Americans in our country.”
- (d) Insurance policies, loan documents and other documents and records provide evidence of ill-gotten profits from slavery, which profits, in part, capitalized insurers, financial services providers and textile companies. The successors of these companies remain in existence today, and such profits from the uncompensated labor of enslaved Africans represent a continuing legacy of slavery.
- (e) Slavery was legal at the time that the contemptible practices outlined above occurred, but that does not make the practices any less repugnant, abhorrent or deplorable, nor in any way diminish the gravity of these wrongs or the importance of rectifying and remediating these travesties.
- (f) Deplorable treatment of Africans brought to this country as slaves was not limited to the southern states. In 1852, the California Legislature passed a California Fugitive Slave Act that gave white men the power to arrest Africans who they claimed were slaves, and return them to southern slave states. California's first governor, Peter Burnet, recommended during the first session of the California Legislature that the Assembly adopt a bill to exclude “Free Negroes” from California. In 1858, the Assembly passed House Bill 395, “an Act to Restrict and Prevent the Immigration to and Residence in this State of Negroes and Mulattoes.” These laws, and others like them, were a major factor in the decision of several hundred African men and women to migrate from San Francisco to Victoria, Canada.

Chapter 12Y: San Francisco Slavery Disclosure Ordinance

- (g) Many San Francisco residents are descendants of people subjected to slavery, people who were defined as private property and insured as such, people who were used as collateral for insurance policies, loans and other transactions, were dehumanized, snatched from their families, and coerced into performing labor without appropriate compensation or benefits.
- (h) Appropriate compensation to Africans for their labor would have been bequeathed to their descendants to assist them in developing a solid economic base that included individual wealth and thriving African American community institutions, thereby providing a level playing field and ensuring equal opportunity in this country.
- (i) The City and County of San Francisco acknowledges the loss of assets that rightfully should be the property of descendants of African people subjected to slavery, and extends its apologies to their descendants who continue to suffer the legacy of slavery.
- (j) The San Francisco Board of Supervisors pays tribute to and honors the people subjected to slavery who toiled and sacrificed their lives in building this country's economic foundation, and also honors descendants of those people subjected to slavery in America who, notwithstanding the degradation of slavery and discrimination, and the systematic efforts to deprive them of a sense of family, human dignity and prosperity, have developed a vibrant community, culture, and creative genius, and have made untold contributions to the fabric of our society, in the absence of which this nation would not be recognizable.
- (k) The effects of racism on the residents of the City and County of San Francisco have been well documented in the San Francisco Human Rights Commission's authorized study, *The Unfinished Agenda*, and in the Report of the 2004-2005 Civil Grand Jury for the City and County of San Francisco, *The More Things Change, The More They Stay The Same: The City and County of San Francisco and the San Francisco Unified School District Are Failing to Address the Educational Needs of the Bayview Hunters Point Community*.
- (l) The aforesaid residents, and all of the residents of San Francisco, are entitled to full disclosure of the information regarding the above-described transactions that compensated slaveholders for damages to and death of people subjected to slavery and provided other compensation and profits.
- (m) In 2000, the California State Legislature passed Senate Bill 2199, authored by then State Senator Tom Hayden, entitled "Slavery Era Insurance Policies." Senate Bill 2199 (California Insurance Code section 13810 et seq.), effective January 1, 2001, requires that (1) the State Insurance Commissioner request and obtain information from insurers licensed and doing business in California regarding records of slaveholder insurance policies issued by predecessor corporations during the slavery era; (2) each insurer licensed and doing business in California research and report to the Insurance Commissioner with respect to any records in its possession or knowledge relating to insurance policies issued to slaveholders that provided coverage for damage to or death of people subjected to slavery; (3) the State Insurance Commissioner obtain the names of any slaveholders or people subjected to slavery described in the insurance records and make the information available to the public and the Legislature; and (4) descendants of people subjected to slavery, people who were defined as private property, dehumanized, divided from their families, forced to perform labor without appropriate compensation or benefits, and whose owners insured them as property, are entitled to full disclosure.
- (n) The Board of Supervisors finds that full disclosure of the facts and acknowledgement of the depth and scope of the shameful commerce in slavery furthers healing in the San Francisco community,

Chapter 12Y: San Francisco Slavery Disclosure Ordinance

both on the part of those who have been and are continuing to be harmed, as well as those who profited from this abhorrent practice.

- (o) The Board of Supervisors finds that the establishment of a fund to which contractors subject to this Ordinance and others may make voluntary contributions will promote healing and assist the City in rectifying and remedying some of the legacies of the shameful commerce in slavery, thereby protecting and promoting public health, safety and welfare of San Francisco residents and the San Francisco community.
- (p) The purpose of this Ordinance is to promote full and accurate disclosure to the public of: slavery insurance policies, including but not limited to policies issued to slaveholders for damage to or death of persons subjected to slavery, and policies issued to insure business transactions and operations related to the traffic in persons subjected to slavery; evidence of purchase and sale of people subjected to slavery; provision of loans to purchase people subjected to slavery; use of people subjected to slavery as collateral for insurance policies, loans or other transactions; provision of any related services to aid and abet such transactions; and profits derived from the slave trade; by (i) any contractors providing insurance services or financial services to the City, and (ii) any textile companies doing business with the City.
- (q) The purpose of this Ordinance is also is to establish a fund to which contractors subject to this ordinance and others may make voluntary contributions to promote healing and assist in remedying depressed economic conditions, poverty, unequal educational opportunity and other legacies of slavery era among the population of the City.
- (r) This Ordinance promotes important policy objectives of the City, and the City will suffer actual damages due to contractors' failure to comply with this Ordinance. Because these actual damages will be impractical or extremely difficult to prove, the City is justified in imposing liquidated damages for failure to comply with this Ordinance.

(Added by Ord. 275-06, File No. 060396, App. 11/17/2006)

Sec. 12Y.2. Definitions

As used in this Chapter, the following capitalized terms shall have the following meanings:

- (a) "Contract" shall mean an agreement between the City and any person, persons or other entity for public works or improvements to be performed, or for goods or services to be purchased, out of the treasury of the City and County, or out of trust monies under the control of or collected by the City and County.
- (b) "Contract Amendment" shall mean an agreement entered into on or after the effective date of this Ordinance pursuant to which a Contract entered into prior to the effective date of this Ordinance is modified or supplemented to: (1) extend the term of the Contract; (2) modify the total amount of money due from the City under the Contract; (3) modify the scope of services to be performed under the Contract; or (4) increase the amount, or change the nature of, goods to be provided under the Contract. The term "Contract Amendment" does not include construction change orders.
- (c) "Contractor" shall mean any person or persons, firm, partnership, corporation, or combination thereof, which enters into a Contract with a department head or other employee or officer empowered by law to enter into Contracts on the part of the City.

Chapter 12Y: San Francisco Slavery Disclosure Ordinance

- (d) “Director” shall mean the Director of Administrative Services.
- (e) “Participated in the Slave Trade” shall mean: (1) issued slavery insurance policies, including but not limited to policies issued to Slaveholders for damage to or death of Persons Subjected to Slavery, and policies issued to insure business transactions and operations related to the traffic in Persons Subjected to Slavery; (2) purchased, sold or held Persons Subjected to Slavery; (3) provided loans to others to facilitate the purchase, sale, transport, or enslavement of Persons Subjected to Slavery; (4) used Persons Subjected to Slavery as collateral for insurance policies, loans or other transactions; (5) facilitated the traffic in Persons Subjected Slavery by transporting such persons by boat or rail; or (vi) provided any other services to aid and abet the traffic in Persons Subjected to Slavery.
- (f) “Person Subjected to Slavery” shall mean any person who was wholly subject to the will of another, whose person and services were wholly under the control of another, who was in a state of enforced and compulsory service to another, and who was deemed by law to be the property of another during the Slavery Era.
- (g) “Predecessor Company” shall mean an entity whose ownership, title and interest, including all rights, benefits, duties and liabilities, were acquired in an uninterrupted chain of succession by the Contractor.
- (h) “Profits from the Slave Trade” shall mean any economic advantage or financial benefit derived from the labor of Persons Subjected to Slavery or from Participation in the Slave Trade.
- (i) “Slaveholder” shall mean holders of Persons Subjected to Slavery, owners of business enterprises that used the labor of Persons Subjected to Slavery, owners of vessels or other modes of transport that transported Persons Subjected to Slavery, and merchants or financiers dealing in the purchase, sale or other business transactions related to Persons Subjected to Slavery.
- (j) “Slavery Era” shall mean that period of time in the United States of America prior to the year “1865.”

(Added by Ord. 275-06, File No. 060396, App. 11/17/2006)

Sec. 12Y.3. Exceptions

This Chapter shall not be applicable to the following:

- (a) Contracts for:
 - (1) the receipt, administration, management or investment of monies held in trust by the City in the Retirement Fund or the Health Service System Trust Fund;
 - (2) the provision of medical or dental insurance to City employees;
 - (3) the issuance, sale, management or administration of City bonds, notes or lease financings, or other similar obligations, and related credit, liquidity, payment exchange and other agreements;
 - (4) the safeguard, deposit and investment of City funds by the City Treasurer in accordance with Charter Section 6.106; and

Chapter 12Y: San Francisco Slavery Disclosure Ordinance

- (5) the subordination or reorganization of debt held by the City.
- (b) Contracts, loans or grant agreements with a federal or state agency, if the application of this Chapter would violate, or be inconsistent with, the terms or conditions of any such grant, loan or contract, or with the instructions or directions of the applicable Federal or State agency.
- (c) Contracts for urgent litigation expenses, and agreements entered into pursuant to the settlement of legal proceedings.
- (d) Contracts for needed goods or services where the Director finds that such goods or services are available from only one source that is (1) willing to enter into a contract with the City on the terms and conditions established by the City and (2) not currently disqualified from doing business with the City.
- (e) Contracts entered into in emergency situations in which it is necessary to immediately procure commodities or services, or to make repairs to safeguard the lives or property of the citizens of the City, or the property of the City, or to maintain public health or welfare as a result of extraordinary conditions created by war, epidemic, natural disaster, or the breakdown of any plant, equipment, or structure in the City.
- (f) Contracts for a cumulative amount of \$5,000.00 or less per vendor in each fiscal year.

(Added by Ord. 275-06, File No. 060396, App. 11/17/2006)

Sec. 12Y.4. Slavery Era Disclosure

- (a) Each Contractor providing: 1) insurance or insurance services; 2) financial services, or 3) textiles to the City, shall complete an affidavit verifying that the Contractor has searched through any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and has made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.
- (b) Each Contractor described above shall file an affidavit with the Director attesting to the search for relevant records, and stating whether the Contractor located any relevant records. If the Contractor located relevant records, the Contractor shall include in the affidavit: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and (3) the extent and nature of any Profits from the Slave Trade evidenced by the records.
- (c) Information contained in the affidavits shall be subject to public disclosure. The Director, after consultation with the City Attorney, shall, to the extent consistent with local, state, and federal law: (1) provide the affidavits to the public upon request, (2) provide an initial report to the Mayor and the Board of Supervisors, at an open public meeting no later than nine months following the effective date of this Ordinance, setting forth the number of affidavits received in the initial nine-month period, and summarizing the information contained in those affidavits; and (3) continue to provide such reports annually to the Board of Supervisors.

Chapter 12Y: San Francisco Slavery Disclosure Ordinance

- (d) After the effective date of this Ordinance, no new Contract or new Contract Amendment shall be binding upon the City until the Director receives the affidavit described above.

(Added by Ord. 275-06, File No. 060396, App. 11/17/2006)

Sec. 12Y.5. Voluntary Contributions to Ameliorate the Effects of Slavery

- (a) The Controller shall establish an account for the collection of voluntary contributions from Contractors subject to this Ordinance, and from any other persons or entities, to be used to ameliorate the legacy of the Slavery Era on Persons Subjected to Slavery and their descendants.
- (b) The Director shall encourage all Contractors subject to this Ordinance to make voluntary contributions to the account.
- (c) The Director shall include in the report to the Board of Supervisors required by Section 12Y.4(c)(2), above, the amount of any contributions to the account collected during the first nine months after the effective date of this Ordinance. The Director, after consultation with the San Francisco African American Historical & Cultural Society, shall include in this initial report a recommendation for a method of determining how to expend monies contributed to the account.
- (d) The Director shall include a report on contributions to and expenditures from the account in each subsequent annual report required by Section 12Y.4(c)(3) of this Ordinance.

(Added by Ord. 275-06, File No. 060396, App. 11/17/2006)

Sec. 12Y.6. Enforcement

- (a) All Contracts shall provide that in the event the Director finds that a Contractor has failed to file an affidavit as required by Section 12Y.4(a), or has willfully filed a false affidavit, the Contractor shall be liable for liquidated damages for each Contract in an amount equal to the Contractor's net profit on the Contract, 10 percent of the total amount of the Contract, or \$1,000.00, whichever is greatest, as determined by the Director. All Contracts shall also contain a provision in which the Contractor acknowledges and agrees that the liquidated damages assessed shall be payable to the City upon demand and may be set off against any monies due to the Contractor from any Contract with the City.
- (b) All Contracts shall require Contractors to maintain records necessary for monitoring their compliance with this Ordinance.

(Added by Ord. 275-06, File No. 060396, App. 11/17/2006)

Sec. 12Y.7. Severability

In the event that a court or agency of competent jurisdiction holds that federal or state law, rule or regulation invalidates any clause, sentence, paragraph or section of this Chapter or the application thereof to any person or circumstances, it is the intent of the Board of Supervisors that the court or agency sever such clause, sentence, paragraph or section so that the remainder of this Chapter shall remain in effect.

(Added by Ord. 275-06, File No. 060396, App. 11/17/2006)

APPENDIX B

Slavery Era Disclosure Ordinance Report, November 8, 2007

SLAVERY ERA DISCLOSURE ORDINANCE

CITY AND COUNTY OF SAN FRANCISCO

Report to the Mayor and Board of Supervisors



**Office of the City Administrator
November 8, 2007**

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. Executive Summary.....	3
2. Introduction.....	5
3. Process.....	6
4. Affidavits: Insurance.....	6
5. Affidavits: Financial Services.....	7
6. Research.....	8
7. Working with the African American Historical and Cultural Society.....	9
8. Development Fund.....	9
9. History and Similar Laws.....	9
10. Pending Slavery Disclosure Laws.....	11
11. Recommendations for Implementation.....	11
12. Appendices	
A. Spreadsheet: Summary of City and State Slavery Disclosure Laws.....	12A
B. Affidavits	
1. Marsh Risk & Insurance Services.....	12B.1
2. Aon Risk Services.....	12B.2
3. The CIMA Companies.....	12B.3
4. Bear Stearns Companies, Inc.	12B.4
5. Deutsche Bank National Trust Company	12B.5
6. Bank of America	12B.6
7. U.S. Bank	12B.7
8. Wells Fargo & Co. (with Attachment B)	12B.8
C. Institutional Histories	
1. Bank of America (with affidavit)	12C.1
2. U.S. Bank (with affidavit)	12C.2
D. Summer 2007 Student Interns.....	12D

EXECUTIVE SUMMARY

With the approval of the Slavery Disclosure Ordinance by the Board of Supervisors and the Mayor in November 2006, San Francisco joined with other jurisdictions throughout the United States in officially acknowledging the crime of African slavery and its ongoing ramifications for the descendants of slaves.

Pursuant to the ordinance, the City Administrator respectfully submits this Report, which, in addition to setting forth the information required by the Ordinance, represents an exceptional and productive community partnership deriving from the spirit of the Ordinance, as well as the intent.

In early March of 2007, I convened a workgroup to coordinate efforts required to implement the Ordinance. The workgroup create the affidavit form and provide any and all information necessary for the implementation of the ordinance. Participants included heads or representatives of departments and programs required by the ordinance to include disclosure requests with all new contracts and contract amendments: the Treasurer, the Director of the Office of Contract Administration, the Risk Manager and the Director of the Office of Public Finance. The African-American Historical and Cultural Society (AAHCS) were invited to participate as well.

My office developed an intern program to specifically assist in the preparation of this report. We worked with the AAHCS, local law schools and colleges to ensure the job announcements were distributed as widely as possible. Five students were selected and began work at the beginning of the summer.

Affidavits

We crafted an affidavit that would elicit the information necessary for us to determine whether vendors had been involved in the slave trade. Disclosure requests were issued to insurance brokers and financial institutions with which the City has contracts.

- Risk Management: ten requests; three affidavits returned each stating relevant records could not be located
- The Office of Public Finance: seven requests; two affidavits returned stating relevant records could not be located
- Treasurer/Tax Collector: ten requests; three affidavits on file; two affidavits returned stating relevant records had been located with historic information attached.

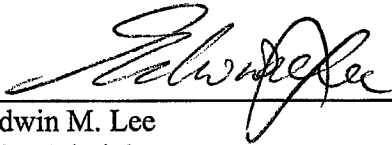
Fund

Pursuant to this ordinance, "...the Controller is required to establish an account for the collection of voluntary contributions from Contractors subject to the ordinance...to be used to ameliorate the legacy of the Slavery Era." The Controller has created the account. No funds have been deposited into this account as of this report.

Implementation

My office shall continue to collaborate and coordinate with the AAHCS in the ongoing implementation of this ordinance. We shall continue to ensure that affidavits are sent to City contractors in the mandated fields. We shall also continue to work with the Treasurer's Office, the Office of Public Finance and the Risk Manager to ensure that the City and County maintains its legislative commitment to help to lay bare historic truths and ameliorate the effects of the "peculiar institution" on the descendants of slaves.

It has been a privilege to participate in such an extraordinary undertaking.



Edwin M. Lee
City Administrator

November 8, 2007

INTRODUCTION

San Francisco's Slavery Disclosure Ordinance puts the City among a growing group of municipalities with such laws, including Chicago (where the first slavery disclosure law was passed in 2004), Los Angeles, Milwaukee and Oakland. San Francisco Supervisors Sophie Maxwell and Ross Mirkarimi drafted the ordinance in 2006 after meeting with members of the City's African-American community. The Board of Supervisors approved the Ordinance on November 7, 2006 and Mayor Gavin Newsom signed it into law ten days later. It is codified at Section 12Y of the San Francisco Administrative Code.

Responsibility for implementation of this Ordinance is vested with the City Administrator who must ensure that contractors providing insurance, insurance services, financial services or textiles to the City disclose any participation in the slave trade by themselves or predecessor companies; that the Controller create an account to which contractors subject to the Ordinance and others may make voluntary contributions; and that monies donated to the account be used to fund economic development and educational initiatives designed to ameliorate the effects of slavery upon the residents of San Francisco.

The Ordinance also requires the City Administrator to present a report to the Mayor and Board of Supervisors within nine months, "setting forth the number of affidavits received in the initial nine-month period, and summarizing the information contained in those affidavits."

Owing to the nature of the Ordinance as well as its manifest requirements, the City Administrator's Office worked closely with the San Francisco African American Historical and Cultural Society (AAHCS) to create a community awareness of the ordinance and involvement in its implementation by:

- Regularly consulting with the AAHCS director with respect to the implementation process;
- Collaborating on the preparation of this report by sharing information, inviting AAHCS's participation in the workgroup, jointly performing outreach for the hiring of interns, including AAHCS representation in the intern selection process;
- Advertising, attending and participating in AAHCS lectures on African-American slavery, its repercussions and the reparations movement;
- Inviting the AAHCS to participate in the writing of this report.

In conjunction with professors at San Francisco State University and the University of San Francisco Law School, the City Administrator's Office developed an intern program with a two-fold purpose: to assist with research of slavery disclosure laws throughout the nation and to provide an opportunity for students to learn how responsive government could be to societal imperatives. Consequently, credit for the report's research belongs to the student interns whose names are listed in the appendices.

PROCESS

After the ordinance took effect, the City Administrator organized a work group that met twice a month to coordinate the process for implementation and the research required for this report. Included were the offices of Risk Management, Public Finance, the Treasurer, Contract Administration, and AAHCS.

Five interns - two law school students and three graduate students, were hired to research and assist in the preparation of this report. Throughout the summer, the interns investigated similar laws in other jurisdictions, interviewed people in the public and private sectors, assisted in managing incoming documents and did extensive factual research on contractors and their disclosures.

The work group participants reviewed new and renewing City contracts to determine the applicability of the ordinance. Because the textile industry was distinctly involved with the slave trade, it was included in the ordinance as an industry to research. However, the City does not buy textiles—it buys uniforms and other finished goods made of cloth. No textile companies will report under this ordinance if it is not applicable to them. Insurance and financial sectors, on the other hand, yielded significant data.

AFFIDAVITS: INSURANCE

Because the City has no direct contract with insurers, but only with insurance brokers, it can only apply the ordinance to the brokers. (See below for information on the California Slavery Era Insurance Registry, which applies to insurers.)

Risk Management requested affidavits from eleven insurance brokers. Three responded stating they could not locate relevant records:

- Aon: affidavit on file
- Marsh: affidavit on file
- Driver Alliant
- CIMA-VIS: affidavit on file
- Woodruff & Sawyer
- Willis
- Union Bank Insurance Services
- IMWS
- Municipal Insurance Services
- Armstrong

AFFIDAVITS: FINANCIAL SERVICES

The Office of Public Finance requested affidavits from seven banks with which the City and County has done business, requesting voluntary cooperation since they are exempted from the ordinance. Two of those banks returned affidavits declaring they found no records indicating involvement in the slave trade. While J.P. Morgan and US Bank have not yet responded to the information request, they have publicly announced their institutional connection to the slave trade in response to disclosure laws in other jurisdictions.

- E.J. De La Rosa (remarketing agent)
- Bear Stearns (remarketing agent): affidavit on file
- J.P. Morgan (remarketing agent)
- Deutsche Bank (trustee): affidavit on file
- US Bank (trustee)
- Bank of New York (trustee)
- Koch Financial (trustee)

The Treasurer requested affidavits from ten financial institutions. Two responded confirming that predecessor companies had been involved in the slave trade:

- Bank of America: affidavit on file
- Wells Fargo Bank: affidavit on file
- Union Bank of California
- US Bank: affidavit on file
- Citibank
- Mission National Bank
- Mission Area Federal Credit Union
- First National Bank of Northern California
- Yosemite Bank
- San Francisco Employee Credit Union

Bank of America filed an affidavit with the Treasurer stating it had found relevant records. Enclosed with the affidavit was a document entitled, "Report on Bank of America Predecessor Institutions Research Regarding Slavery and the Slave Trade," produced by Heritage Research Center, Ltd. (see Appendices). While claiming it did not "identify any instances or occasions in which any Bank of America legacy banks made a profit from slavery," Heritage did confirm a direct connection to slavery by Southern predecessor banks.

U.S. Bank National Association's affidavit also confirmed the location of relevant records. Like the Bank of America, U.S. Bank, through mergers and acquisitions, acquired southern banks founded before the abolition of slavery in 1865. It identified records of founders or directors of predecessor banks who owned slaves. It also identified a record showing the use of a slave as collateral for a loan. (See Appendices)

RESEARCH

Companies with Confirmed Ties

In March 2002, a class action suit was filed in U.S. District Court for the Eastern District of New York against three major corporations - Fleetboston Financial Corporation, insurer, Aetna Inc., and a railroad firm, CSX, accusing them of profiting from the slave trade before it was abolished. The plaintiffs lost the case but joined other reparation cases on appeal. The U.S. District Court of Appeals upheld the lower court's denial of the plaintiffs' standing. However, the publicity, along with the enactment of slavery era disclosure legislation throughout the nation, elicited formal apologies from major institutions as well as mitigations in the form of financial support for various African American causes.

In January 2005, J.P. Morgan Chase issued an apology to the descendants of slaves for its involvement in the slave trade and announced it was establishing a \$5 million scholarship program "Smart Start Louisiana" for African American students in Louisiana to attend college in their own state.

In a June 2005 press release, Wachovia issued an apology for its involvement with the slave trade. By the next month, Wachovia announced it would award \$10 million to the:

- Association for the Study of African-American Life and History
- National Humanities Center
- United Negro College Fund
- Thurgood Marshall Scholarship Fund
- NAACP
- National Urban League

In August 2005, Bank of America Chairman, Ken Lewis, announced that its predecessor banks were involved with the slave trade. "To acknowledge the importance of remembering this period in our nation's history," he pledged, "to expand [the Bank's] financial support, contributing \$5 million over a three-year period to institutions and programs involved in the preservation of African-American history."

In addition to the Bank of America, U.S. Bank, J.P Morgan and Wachovia, research revealed four other major companies that disclosed ties to the slave trade through slavery-disclosure laws in various jurisdictions: insurers Aetna, New York Life and AIG and financial-services companies ABN AMRO. The major corporations required to comply with slavery-disclosure laws commissioned historical-research companies such as the Winthrop Group, History Associates or Heritage Research, to research their history and prepare reports which were made public.

WORKING WITH THE AFRICAN AMERICAN HISTORICAL AND CULTURAL SOCIETY

The AAHCS served as a resource in the research and gathering of information for this report. The interns met with both the AAHCS and the Southeast Commission, as well as attended a series of lectures on the history of the reparations movement and slavery disclosure laws sponsored by the AAHCS.

DEVELOPMENT FUND

The provision of a fund to which contractors can make voluntary contributions is one of the innovative features of San Francisco's slavery-disclosure ordinance. The Controller has established the Slavery Era Disclosure Ordinance Fund. No contributions have been made at this writing. When a meaningful balance is achieved, the City Administrator will return to the Board of Supervisors for approval of disbursement standards. It is anticipated that the disbursements will be issued in the form of grants.

HISTORY AND SIMILAR LAWS

The Reparations Movement inspired slavery era disclosure legislation in cities throughout the nation. The attached spreadsheet summarizes the provisions of the laws and the differences between them; this section of the report provides narrative descriptions of the more noteworthy legislations.

CHICAGO: Chicago's slavery-disclosure ordinance was passed on October 2, 2002 and became effective on January 1, 2003. Any company seeking to do business with the City of Chicago must complete an Economic Disclosure Statement (EDS), which includes a slavery-disclosure affidavit. Wachovia, J. P. Morgan Chase, ABN AMRO, Lehman Brothers, LaSalle Bank, and UBS have all disclosed involvement in the slave trade.

OAKLAND: Oakland's slavery-disclosure ordinance is the only one, other than San Francisco's, to provide for a community-development fund. It operates much like San Francisco's: any party may make a voluntary contribution to the fund that is supervised by the City Administrator. The ordinance applies to a broad range of industries: insurance, finance, textiles, tobacco, railroads, shipping, rice and sugar. Non-compliant contractors are subject to contract termination.

MILWAUKEE: Milwaukee requires contractors to complete an affidavit confirming that they have researched all company and predecessor records in relation to investments or profits taken place during the slave era. The Department of Administration supervises the contractors. The penalty for non-compliance is contract termination.

Approximately 1,675 companies are listed in the slavery-disclosure affidavit log on the City of Milwaukee's website; affidavits are available by contacting the city. J. P. Morgan and U. S. Bank have both disclosed ties to the slave trade in documents that we have obtained.

LOS ANGELES: Los Angeles' slavery-disclosure ordinance took effect on October 15, 2003. The law applies to all contracts not exempted from the ordinance; exemptions include investment agreements, pension funds and emergency contracts. The Office of Contract Administration's Bureau of Contract Compliance is responsible for maintaining records and monitoring disclosures under the ordinance and lists the contractors that have filed affidavits under the ordinance on its website. There is no community development fund. So far, the only contractor who has disclosed ties to the slave trade is Aetna.

STATE OF CALIFORNIA: The California Slavery Era Insurance Registry law was the first statewide slavery-disclosure law applicable to insurance companies. It took effect on January 1, 2001. Only insurers are subject to the law - insurance brokers and agents are not. The Department of Insurance compiled the disclosures into a report in May of 2002 and continues to maintain files of the disclosures from both newly licensed and existing insurers.

The insurance commissions of Illinois and Iowa have prepared similar reports, both of which follow California's closely in both methods and results. The Illinois report was prepared pursuant to a law passed by the state legislature, whereas the Iowa report was compiled from voluntarily disclosed data.

DETROIT: Detroit's ordinance applies to "goods or services with which the City enters into a contract, whether or not the contract is subject to a competitive bid." The contract must be more than \$25,000. An affidavit is included in each contract package and is required to do business with the city. Vendors must complete an affidavit for each and every bid. Detroit does not have a database of affidavits. There is not a party, department, or group designated to issue a report. Detroit's ordinance affects the insurance, banking and finance, and textile industries.

Detroit's ordinance neither provides for a fund nor penalizes contractors who do not disclose in good faith. The Director of Finance may void the contract if it is later discovered that the contractor failed to comply with the terms of the ordinance. To date, Detroit has not had one company disclose any ties to or profits from the institution of slavery.

CLEVELAND: Cleveland does not have an ordinance. In December 2005, a resolution to enact a slavery disclosure ordinance was introduced but never passed.

PHILADELPHIA: Philadelphia's ordinance applies to insurance or financial institutions that enter into a contract, whether or not the contract is subject to a competitive bid. After execution of the contract, the contractor must complete an affidavit verifying that the contractor has searched all records. There is an annual report but no fund. Little has been done since the ordinance passed December 15, 2005. Philadelphia has just started sending out affidavits in the past eight months; therefore, no annual report is available.

BERKELEY: Council members Darryl Moore, Max Anderson, and Donna Spring introduced Berkeley's ordinance that passed in 2005. The insurance and finance industries are affected. The ordinance does not provide for a fund or require contractors to file affidavits. Any contractor providing insurance or financial services to the City of Berkeley must disclose any ties to slavery.

PENDING SLAVERY DISCLOSURE LAWS

New York City:

New York's Disclosure of Information Regarding Past Engagement in Slavery by City Contractors –0469-2006 has yet to be implemented. This Ordinance was introduced by NY's City Council November 15, 2006 and is currently pending. The local law, however, does state that a company doing business with the City of New York must search its past history to determine slavery ties.

North Carolina

North Carolina has yet to pass the State Contracts/Slavery Profits Bill. The bill was authored by Representative Larry Womble and passed the House in the 2005 General Assembly session. To become law, the bill must be passed by the state senate and be ratified. Although the Slavery Profits Bill has not been implemented, in 2007, North Carolina passed the House Joint Resolution 1311—General Assembly Regrets Slavery, which essentially apologizes for slavery.

RECOMMENDATIONS FOR IMPLEMENTATION

San Francisco's Slavery Era Disclosure Ordinance is somewhat narrower than other jurisdictions' legislation as it exempts several large classes of contractors likely to have had ties to the slave trade. The drafters of the Ordinance made these exceptions because they judged that including them could harm the City's interests, for example, by making its securities less attractive to bond underwriters. Some members of the work group suggested that while *requiring* bond providers to disclose involvement may be problematic, requests for *voluntary* disclosure would probably be markedly less so. This was confirmed by the City Attorney's office. It is assumed that the providers who would be most likely to disclose involvement would be those who have done so elsewhere.

The City Administrator will continue to implement this ordinance by: requiring affidavits from proscribed City contractors; maintaining a collaborative relationship with the AAHCS; and encouraging contributions to the fund.

**Summary of City and State Slavery-Disclosure Laws
August 2007**

Jurisdiction	Berkeley	Chicago	Cleveland	Detroit	Los Angeles	Milwaukee	Oakland	Philadelphia	Richmond (CA)	San Francisco	Wayne County (MI)	California	Illinois	Iowa
Citation	Municipal Code Chapter 13.96	Municipal Code, Chapter 2-92, § 585	Res. 322-03	Detroit Ordinance No. 20-04 Chapter 18 Article V	LA Admin. Code §§ 10.41 et seq.	Milwaukee Code of Ordinances 310-14	Municipal Code, Title 9, Chapter 9.60	Philadelphia Code § 17-104(2)	Municipal Code, Article II, Chapter 2.29	San Francisco Administrative Code, Chapter 12W	Code of Ordinances, Article XI, § 120-192(f)	Cal. Ins. Code §§ 13810-13813	Ill. Ins. Code 155.39	House Res. 29
Date passed	14-Jul-05	2-Oct-02	Introduced March 2003; not passed	23-Jun-04	16-Aug-03	31-Oct-05	14-Jun-05	1-Dec-05	1-Mar-05	17-Nov-06		1-Sep-00	24-Jul-03	13-Mar-03
Date effective	13-Aug-05	1-Jan-03		19-Jul-04	15-Oct-03	1-Dec-05	1-Aug-05	15-Dec-05				1-Jan-01	1-Jan-04	
Industries affected	Insurance and finance	All		Insurance, Shipping, Railroads, Tobacco	All not exempted	All	Insurance, finance, textile, tobacco, railroad, shipping, rice, sugar	Insurance, finance	Insurance, finance	Insurance, financial services, textiles	All	Insurance	Insurance	Insurance
Mandatory?		Yes		Yes, for contracts >\$25,000	Yes	Yes	Yes	Yes	Yes	Yes	Yes, for contracts larger than \$20,000	Yes	Yes	No
Fund?	No	No		No	No	No	Yes	No	No	Yes	No	No	No	No
Affidavits?	No	Yes		No	Yes			No	No			Report	Report	Report
Penalty provisions	Contract termination	Contract termination		No penalties enforced	Contract termination and withholding of payments	Contract termination	Contract termination	Contract voided		Liquidated damages equal to net profit on contract		Suspension or revocation of certificate or fine not exceeding \$55,000	None specified	Compliance is voluntary
Contact information	Darryl Moore 510-981-7120	Barbara Lumpkin, Chief Procurement Officer, 312-744-0851 Brian Caminer, General Council Of Procurement Services, 312-744-4900 http://egov.cityofchicago.org/80/city/vcsearch/home.do	Kimberly Moss, City of Cleveland Office of the Council, 216.664.3837 Jim Hardy, Commissioner of Cleveland, 216.664.2629	Carter Stevenson, Team Leader -- Purchasing Ordinance, 313-224-4614, stevencc@ci.detroit.mi.us	Mario Interiano, Bureau of Contract Administration, Office of Contract Compliance, 1149 S. Broadway St. 3rd Floor, LA CA 90015, mario.interiano@lacity.org	Sharon Robinson, Director Department of Administration 200 E. Wells st Room 606 Milwaukee, WI (414) 286-3850	City Administrators Office, One City Hall Plaza, Oakland, CA 94612 (510) 238-3301	Ella Jackson, Dept of Contracts Supervisor, 215.686.4763 Pat Rasferde, Chief Clerks Office, 215.686.3411	Bruce Soublel, City Attorney's Officer 510-620-6507	City Administrator's office	Madasur Tawakkul 313-224-8269 Victoria Edwards 313-224-5021	http://www.insurance.ca.gov/0100-consumers/0300-public-programs/0200-slavery-era-insur/	http://www.ins.state.il.us/Consumer/SlaveryReporting.nsf	http://www.iid.state.ia.us/educational_materials/slavery.asp

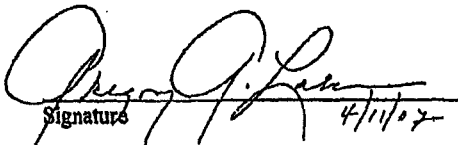
SLAVERY ERA DISCLOSURE AFFIDAVIT

I, GREGORY LOCHER, am the authorized representative and custodian of records of MARSH RISK & INSURANCE SERVICES (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

II. I have ~~not~~ I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. This information is incorporated herein as if fully set forth.

III. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 11 day of APRIL, 2007 in SAN FRANCISCO (city), CALIFORNIA (state).


Signature 4/11/07

GREGORY LOCHER
Print Name

SENIOR VICE PRESIDENT
Title

MARSH RISK & INSURANCE SERVICES
Company Name



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Deborah Redmond, am the authorized representative and custodian of records of Aon Risk Services (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have ~~I have~~^{caut p} not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 10 day of July, 2007, in Los Angeles (city), California (state).

Deborah Redmond
Signature

Deborah Redmond
Print name

VP - Human Resources
Title

Aon
Company name

Type of industry: financial services
 insurance
 textiles

City contract number (if known): _____

See reverse for definitions.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, VICTORIA BROOKS, am the authorized representative and custodian of records of THE CIMA COMPANIES (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 6th day of JUNE, 2007, in ALEXANDRIA (city), VIRGINIA (state).

Victoria Brooks
Signature

VICTORIA BROOKS
Print name

Account Executive
Title

THE CIMA COMPANIES
Company name

Type of industry: financial services
 insurance
 textiles

City contract number (if known): _____

See reverse for definitions.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Kenneth L. Edlow, am the authorized representative and custodian of records of The Bear Stearns Companies Inc. (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have ~~located~~ I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 24 day of AUGUST, 2007, in New York (city), New York (state).

Kenneth L. Edlow
Signature

Kenneth L. Ed Low
Print name

Secretary
Title

The Bear Stearns Companies Inc.
Company name

City contract number (if known): _____

- Type of industry: financial services
 insurance
 textiles

Exhibit B: our Predecessor company was founded in 1923. There are no 19th century records. This is inapplicable.

See reverse for definitions.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Raafat A. Sarkis, am the authorized representative and custodian of records of Deutsche Bank National Trust Company (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. [] I have [X] I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 23rd day of August, 2007, in San Francisco (city), California (state).

[Handwritten signature]
Signature

Raafat A. Sarkis
Print name

Vice President
Title

Deutsche Bank National trust Company
Company name

City contract number (if known): _____

Type of industry: [X] financial services
[] insurance
[] textiles

See reverse for definitions.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, KATHRYNE DANIELS ^{RP} am the authorized representative and ~~custodian of records of~~ ^{AD} BANK OF AMERICA (Contractor). I have searched, ~~or caused to be searched under my direction,~~ any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 2 day of AUGUST, 2007, in SAN FRANCISCO (city), CALIFORNIA (state).

Kathryne A Daniels
Signature

Type of industry: financial services
 insurance
 textiles

KATHRYNE DANIELS
Print name

SA. VICE PRESIDENT
Title

BANK OF AMERICA
Company name

City contract number (if known): _____

See reverse for definitions.



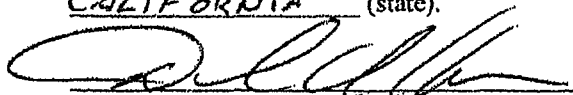
Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, DAVID KEPPEL am the authorized representative and custodian of records of U.S. BANK N.A. (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 31 day of AUGUST, 2007, in SAN FRANCISCO (city), CALIFORNIA (state).


Signature

DAVID O. KEPPEL
Print name

VICE PRESIDENT
Title

U.S. BANK NATIONAL ASSOCIATION
Company name

Type of industry: financial services
 insurance
 textiles

City contract number (if known): N/A

See reverse for definitions.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, KERI KOEHLER, am the authorized representative and custodian of records of WELLS FARGO + Co. (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 25 day of SEPTEMBER, 2008, in SAN FRANCISCO (city), CALIFORNIA (state).

Keri Koehler
Signature

KERI KOEHLER
Print name

ARCHIVE MANAGER
Title

WELLS FARGO + Co.
Company name

- Type of industry: financial services
 insurance
 textiles

City contract number (if known): _____

See reverse for definitions.

Exhibit B

Bank of Southern Minnesota

Banking House of Tallant & Wilde

Barrows, Millard & Co.

Central Overland California & Pike's Peak Express Company

F. Groos & Co.

First National Bank of Denver

First National Bank of Galesburg

First National Bank of Houghton

First National Bank of Marion

First National Bank of Marquette

First National Bank of Portland

First National Bank of Red Wing

First National Bank of Winona

Millard, Caldwell & Co.

Overland Mail Company

Pioneer Stage Company

San Francisco Accumulating Fund Association

San Francisco Savings Union

Savings and Loan Society of San Francisco

Tallant & Company

United National Bank

Wells Fargo & Co. Bank (San Francisco)

Wells Fargo & Co. Bank (Carson City)

Wells Fargo & Co. Bank (Virginia City)

Wells, Fargo & Company

INSTITUTIONAL HISTORIES

Please visit the City Administrator's website at <http://www.sfgov.org/site/cao>, under "Programs and Projects" to view copies of institutional histories for:

- U.S. Bank
- Bank of America

SUMMER 2007 STUDENT INTERNS

Amanda Clincy graduated from Howard University in Washington D.C, where she studied psychology. Ms. Clincy is currently in a Ph.D. program in psychology at the University of North Carolina.

Tiffany Cook graduated from San Francisco State University in 2007 with majors in political science and criminal justice. Ms. Cook is presently enrolled in a master's program in public policy at Mills College.

Cometria Cooper attended the University of California at Berkeley and majored in history and rhetoric. Ms. Cooper is currently attending the University of San Francisco's School of Law where she is co-president of the Black Law Student Association.

Adam Engelhart holds a bachelor's degree with comprehensive honors from the University of Wisconsin-Madison, with majors in computer science and mathematics. He is currently enrolled in his third year at UC Hastings College of the Law.

Autumn Mays is currently in her last semester at the University of San Francisco, studying sociology. After she graduates, Ms. Mays plans to pursue advanced degrees in criminology and law.

APPENDIX C

2013 Affidavits

Alliant Insurance Services, Inc.
Arthur J. Gallagher and Co.
Bickmore and Associates Inc.
Meketa Investment Group Inc.
Merriwether & Williams Insurance Services Inc.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Kenneth Zak, am the authorized representative and custodian of records of Alliant Insurance Services, Inc (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 16 day of May, 2013, in San Diego (city), CA (state).

[Signature]
Signature

Kenneth D. Zak
Print name

G.C. & S.V.P.
Title

Alliant Insurance Services, Inc
Company name

Type of industry: financial services
 insurance
 textiles

City contract number (if known): _____

See reverse for definitions.

Exhibit B

ENTITY

Alliant Holdings I, LP
Alliant Holdings Parent, Inc.
Alliant Holdings I, LLC
Alliant Holdings II, LLC
Alliant Holdings I, Inc.
Alliant Holdings II, Inc.
ARG Holdings, Inc.
Alliant Insurance Services, Inc.
Colonial Healthcare, Inc.
Franey Muha Alliant Insurance Services, Inc.
Benefit Partners-Alliant, Inc.
Kelter Alliant Insurance Services, Inc.
Affinity Insurance Services, LLC
FHI Benefit Plans, Inc.
Alliant Specialty Insurance Services, Inc.
Strategic HR Services, Inc.
Alliant Insurance Services Houston, LLC
Alliant Services Houston, Inc.
Clarity Benefit Consulting, LLC
Moore-McNeil, LLC
ClearPoint LP
Alliant ClearPoint GP, Inc.
Jon Donovan Tanner Insurance Agency, Inc.
T&H Group Inc.
T&H Brokers, Inc.
T&H Benefits LLC
Construction Insurance Brokers Corp.
RFF & Associates, Inc.
The Arlen Group, Inc.
Benefit Advisors Services Group, LLC
AlliantRe
Suremerica Surety Underwriting Services, LLC
SureCanada Surety Services, Inc.
Suremerica Surety Services Ltd



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Alice Youngbar, am the authorized representative and custodian of records of Arthur J. Gallagher & Co., Insurance Brokers of California, Inc. (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 1st day of June, 2013, in Irvine, California.

Signature

Alice Youngbar
Print name

Area President
Title

Arthur J. Gallagher & Co., Insurance Brokers of California, Inc.
Company name

City contract number (if known): _____

Type of industry: financial services
 insurance
 textiles

See reverse for definitions.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Gregory L. Trout, am the authorized representative and custodian of records of Poickmore and Associates, Inc (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 8th day of May, 2013, in Sacramento (city), California (state).

Gregory L. Trout
Signature

Gregory L. Trout
Print name

Chief Executive Officer
Title

Poickmore and Associates, Inc
Company name

Type of industry: financial services
 insurance
 textiles

City contract number (if known): _____

See reverse for definitions.



Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Ingrid Merriwether, am the authorized representative and custodian of records of Merriwether & Williams Insurance Services, Inc. (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 7th day of June, 2013, in San Francisco (city), California (state).

Ingrid Merriwether
Signature
Ingrid Merriwether
Print name

Type of industry: financial services
 insurance
 textiles

President & CEO
Title

Merriwether & Williams Insurance Services, Inc.
Company name

City contract number (if known): _____

See reverse for definitions.



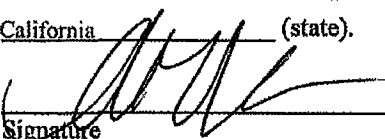
Slavery Era Disclosure Affidavit
(San Francisco Administrative Code Chapter 12Y)

1. I, Stephen P. McCourt, am the authorized representative and custodian of records of Meketa Investment Group, Inc. (Contractor). I have searched, or caused to be searched under my direction, any and all records in the Contractor's possession or control, including records of any parent or subsidiary entity or Predecessor Company, and have made a good faith effort to search any relevant records that are within the Contractor's knowledge but not within its possession or control, for evidence that the Contractor, its parent or subsidiary entity, or its Predecessor Company Participated in the Slave Trade or received Profits from the Slave Trade.*

2. I have I have not located relevant records. If I have located relevant records, I am attaching to this affidavit as Exhibit A: (1) the names of each Person Subjected to Slavery, each Slaveholder, and each person or entity who Participated in the Slave Trade or derived Profits from the Slave Trade, mentioned in the records, (2) a description of the type of transactions, services, or other acts evidenced by the records; and, (3) the extent and nature of any Profits from the Slave Trade evidenced by the records. If I have not located relevant records, then I am attaching to this affidavit as Exhibit B the names of each parent or subsidiary entity or Predecessor Company whose records I searched or caused to be searched. This information is incorporated herein as if fully set forth.

3. I understand that this affidavit shall be subject to public disclosure pursuant to state, local or federal law.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 21st day of May, 2013, in Carlsbad (city), California (state).


Signature

Stephen P. McCourt
Print name

Managing Principal
Title

Meketa Investment Group, Inc.
Company name

Type of industry: financial services
 insurance
 textiles

City contract number (if known): _____

See reverse for definitions.

* This statement is subject to the attached memorandum.



MEMORANDUM

To: City and County of San Francisco
From: Meketa Investment Group, Inc.
Date: May 21, 2013
Re: Slavery Era Disclosure Affidavit

Meketa Investment Group, Inc. ("Contractor") was incorporated in the Commonwealth of Massachusetts on December 28, 1978, as "James Meketa Associates, Inc." Contractor's name was changed to "Meketa Investment Group, Inc." on August 16, 1994. The Contractor does not currently have and has never had any Predecessor Company. The Contractor does not currently have and has never had any parent entity. The Contractor does not currently have and has never had any subsidiary entity.

In light of the foregoing, no records in the Contractor's possession or control could possibly exist that would evidence that the Contractor (or any parent or subsidiary entity or Predecessor Company thereof) Participated in the Slave Trade or received Profits from the Slave Trade. Therefore, no records in Contractor's possession or control were searched or caused to be searched for evidence that the Contractor (or any parent or subsidiary entity or Predecessor Company thereof) Participated in the Slave Trade or received Profits from the Slave Trade.

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: The SFBC and its "Vision Zero"....yep

From: toreador103@aol.com [<mailto:toreador103@aol.com>]
Sent: Tuesday, February 10, 2015 1:53 PM
To: membership@sfbike.org
Cc: Board of Supervisors (BOS); Lee, Mayor (MYR); Boomer, Roberta (MTA)
Subject: The SFBC and its "Vision Zero"....yep

Vision Zero? That certainly fits the SFBC, a group that has no vision at all. Except as carved out of a complex city whose transportation and other systems are being systematically degraded in response to the desires and whims of a tiny minority of single-minded fanatics. The SFBC gets credit for having learned how to play the political game. But nothing else. Vision? None. None at all.

Nelson Wong
Amy Gu

cc Malcolm Heinicke

To: BOS-Supervisors
Subject: FW: Controller's Office Report: FY 2014-15 Six-Month Budget Status Report

From: jenessa.rozier@sfgov.org [<mailto:jenessa.rozier@sfgov.org>]
Sent: Tuesday, February 10, 2015 2:10 PM
To: Gosiengfiao, Rachel (BOS)
Subject: Controller's Office Report: FY 2014-15 Six-Month Budget Status Report

Overall revenue growth and expenditure savings will result in a projected current year ending balance of \$256.5 million, of which \$137.1 million has been appropriated in the FY 2015-16 budget. The drivers of increased fund balance predominantly result from tax revenue growth above budgeted levels and expenditure savings in the Department of Public Health and Human Services Agency. This represents an improvement to current year fund balance of approximately \$21.6 million versus the assumptions contained in the Five Year Financial Plan and Mayor's Budget Instructions issued in December 2014. Use of this additional fund balance in FY 2015-16 and FY 2016-17 will reduce these shortfalls from a combined level of \$104.2 million to \$82.6 million over the two budget years.

Please follow <http://openbook.sfgov.org/webreports/details3.aspx?id=1882> to view the full report.

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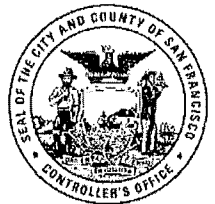
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City and County of San Francisco

Office of the Controller

FY 2014-15 Six-Month Budget Status Report



February 10, 2015



City and County of San Francisco

Office of the Controller

FY 2014-15 Six-Month Budget Status Report

February 10, 2015

Summary

The Controller's Office provides periodic budget status updates to the City's policy makers during the course of each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of December 31, 2014, incorporating more current information up to the date of publication as available. Report highlights include:

- Overall revenue growth and expenditure savings will result in a projected current year ending balance of \$256.5 million, of which \$137.1 million has been appropriated in the FY 2015-16 budget. The drivers of increased fund balance predominantly result from tax revenue growth above budgeted levels and expenditure savings in the Department of Public Health and Human Services Agency. This represents an improvement to current year fund balance of approximately \$21.6 million versus the assumptions contained in the Five Year Financial Plan and Mayor's Budget Instructions issued in December 2014.
- The Five Year Financial Plan projected shortfalls over the next two fiscal years of \$104.2 million, comprised of \$15.9 million in FY 2015-16 and \$88.3 million in FY 2016-17. Application of this additional current year fund balance will reduce these shortfalls to a combined \$82.6 million over the two years, to \$5.1 million in FY 2015-16 and \$77.5 million in FY 2016-17. These projections will be updated in March 2015.
- Projected revenue growth results in a \$35.8 million deposit to the Budget Stabilization Reserve, an increase in the deposit of \$16.7 million over the \$19.1 million deposit anticipated in the budget. There is currently no projected deposit to the Rainy Day Reserve, however, revenue growth beyond current projections will trigger them. Economic reserves, including the Budget Stabilization Reserve, the General Reserve, and the City's portion of the Rainy Day Reserve, are projected to total \$241.0 million at year end, or 5.8% of General Fund revenues. This is slightly below the 6.5% reached by FY 2013-14 year end largely due to the approval of Proposition C in November 2014, which transferred \$24.6 million of the Rainy Day Economic Stabilization account balance to a new School District Reserve. The City's target for economic reserves is 10% of General Fund revenues.
- Economic growth is also contributing to increased fund balances at several of the City's enterprises, including the Airport, Port, Building Inspection and Municipal Transportation Agency (MTA), as described in Appendix 5 below. The exception to this trend is the Public Utilities Commission (PUC), where ending balances are expected to be \$37 million below beginning balances due to a revenue shortfall in water operations.

Table 1. FY 2014-15 Projected General Fund Variances to Budget (\$ Millions)

A. FY 2014-15 Starting Balance	
FY 2013-14 Ending Fund Balance	\$ 294.6
Appropriation in the FY 2014-15 Budget	<u>(135.9)</u>
Subtotal Starting Balance	158.7
B. Current Year Revenues and Expenditures	
Citywide Revenue Surplus	96.9
Baseline Contributions	(10.3)
Departmental Operations	34.2
Approved & Projected Supplemental Appropriations	(20.3)
Projected Use of General Reserve	20.3
Subtotal Current Year Revenues and Expenditures	120.8
C. Withdrawals from / (Deposits) to Reserves	(23.0)
<hr/>	
D. FY 2014-15 Projected Ending Balance	256.5
Previous Projected Ending Balance	217.0
Use of General Reserve not Previously Projected	(17.9)
E. Improvement versus Last Projection	21.6

A. General Fund Starting Balance

The budget appropriated \$135.9 million in FY 2014-15 and \$137.1 million in FY 2015-16. The General Fund available fund balance at the end of FY 2013-14 was \$294.6 million, or \$21.7 million more than was appropriated.

B. Current Year Revenues and Expenditures

Citywide Revenue Surplus

As shown in Table 2, citywide revenues have improved by \$96.9 million compared to revised budget, primarily due to increased real property transfer, hotel and business tax revenue. Improvements to real property transfer tax revenue are a result of higher transaction values in the top tax tier. Business tax improvements are largely the result of higher than expected job growth. Hotel tax increases are primarily due to higher than expected room and occupancy rates, as well as collections from short-term rentals. More information on these revenue trends is provided in Appendix 1.

Table 2. General Fund Citywide Revenues Variances to Budget (\$ Millions)

	Revised Budget	6-Month Projection	Surplus (Shortfall)
Property Taxes	1,232.9	1,245.0	12.1
Business Taxes	572.4	595.3	23.0
Sales Tax - Local 1% and Public Safety	227.5	232.9	5.4
Hotel Room Tax	318.4	337.2	18.8
Utility User & Access Line Taxes	134.8	136.4	1.7
Parking Tax	84.9	84.9	-
Real Property Transfer Tax	235.0	267.0	32.0
Interest Income	6.9	8.9	2.0
Citywide Realignment Revenue	162.9	164.2	1.3
Motor Vehicle In-Lieu	-	0.6	0.6
Franchise Taxes	17.0	16.6	(0.4)
Transfers In from Other Funds	179.3	179.7	0.4
Total Citywide Revenues	3,171.8	3,268.7	96.9

Baseline Contributions

Table 3 shows that due to changes in discretionary revenues, projections for baseline and parking tax in-lieu transfers to the MTA, Public Library and Public Education Enrichment Fund are increased by a net \$10.3 million compared to budget. The Public Library transfer is net of a \$0.6 million reduction as a result of a projected year-end surplus in the fund, which is returned to the General Fund.

Table 3. General Fund Baseline and In-Lieu Transfers (\$ Millions)

	Revised Budget	6-Month Projection	Variance
Aggregate Discretionary Revenues (ADR)	2,696.2	2,790.3	94.0
MTA Baseline 9.2% ADR	247.9	256.5	8.6
Library Baseline 2.3% ADR	61.6	63.2	1.6
Public Education Fund Baseline 0.3% ADR	3.9	4.0	0.1
Total Baseline Transfers	313.4	323.7	10.3
80% Parking Tax in Lieu Transfer to MTA	67.9	67.9	-
Total Baselines and In-Lieu Transfers	381.3	391.6	10.3

Departmental Operations

The Controller's Office projects a net departmental operations surplus of \$34.2 million summarized in Table 4 below and further detailed and discussed in Appendix 2.

Table 4. FY 2014-15 Departmental Operating Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
Net Shortfall Departments			
Fire Department	(4.3)	-	(4.3)
Police	(0.7)	-	(0.7)
City Attorney	(0.5)	0.1	(0.4)
Sheriff	(0.1)	-	(0.1)
Subtotal Departments with Net Deficits	\$ (5.6)	\$ 0.1	\$ (5.5)
Net Surplus Departments			
Human Services Agency	\$ (14.4)	\$ 27.9	\$ 13.5
General City Responsibility	-	11.0	11.0
Public Health	(10.6)	18.1	7.5
Public Works	1.7	(0.2)	1.5
City Planning	1.4	-	1.4
Treasurer/Tax Collector	(0.9)	1.8	1.0
City Administrator	0.2	0.8	1.0
Other Net Surplus	(0.2)	3.2	2.9
Subtotal Departments with Net Surpluses	\$ (22.8)	\$ 62.6	\$ 39.8
Combined Total	\$ (28.4)	\$ 62.6	\$ 34.2

The Mayor's Office and the Controller's Office will work with departments with anticipated expenditure shortfalls to develop a plan to bring expenditures in line with revenues by year-end without requiring supplemental appropriations. The Department of Emergency Management, the Department of Public Health, the Fire Department and Sheriff will require a supplemental appropriation to shift funding from savings in permanent salaries and other categories to cover over-expenditures in overtime, pursuant to San Francisco Administrative Code Section 3.17, adopted by the Board of Supervisors in September 2011.

Approved and Projected Supplemental Appropriations

Three General Fund supplemental appropriations have been approved year to date: \$2.1 million of General Reserve for legal support for unaccompanied immigrant youth, \$0.3 million of General Reserve for support for HIV prevention, and \$0.2 million of street use permit fee revenue for the Department of Public Works to continue to provide portable restrooms. There is one pending supplemental appropriation of \$3.4 million of General Reserve for cost of doing business increases for nonprofit organizations that contract with the City.

In FY 2013-14, \$14.5 million of anticipated Transferable Development Rights (TDR) revenue was appropriated to support the War Memorial rebuild project. However, given changes in the transfer development market, no revenues have been received to date or are projected in the current fiscal year. This projection assumes the use of the General Reserve to offset this anticipated loss, consistent with the ordinance originally appropriating TDR revenue as a source for the project.

Projected Use of General Reserve

This report assumes the use of \$20.3 million from the General Reserve described in the preceding paragraph. Any uses of the Reserve will require a budget year deposit of an equal amount to maintain required funding levels, as shown in section B of Table 1 above. These uses will reduce the balance of the Reserve by \$20.3 million and increase the amount needed to fund the reserve by \$20.3 million more than is currently budgeted in FY 2015-16.

C. Withdrawals from / Deposits to Reserves

A total of \$42.1 million is projected to be deposited into reserves, or \$23.0 million more than budgeted, including \$16.7 million to the Budget Stabilization Reserve due to Real Property Transfer Tax revenue above the five year average and \$6.3 million to the Citywide Budget Savings Incentive Reserve due to projected departmental expenditure savings. There is no projected deposit to the Recreation and Park Savings Incentive Reserve at this time. In the Rainy Day Reserve account an \$11.1 million withdrawal for the school district is budgeted and no additional deposits are projected. Pursuant to Proposition C, the economic stabilization portion of the Rainy Day Reserve will be split in half, with \$24.9 million going to a new School Reserve and \$24.9 million going to a City Reserve. A discussion of the status of reserves is included in Appendix 3.

D. Projected Ending Fund Balance: \$256.5 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2014-15 of \$256.5 million, \$119.4 million above the \$137.1 million appropriated in the FY 2015-16 budget.

E. Improvement versus Last Projection: \$26.1 Million

The projected ending fund balance of \$256.5 million is \$26.1 million higher than the December 2014 Five Year Financial Plan fund balance projection of \$217.0 million. This projection did not include the use of \$3.4 million in General Reserve in the current year to fund cost of living increases for CBOs that contract with the City or to backfill the shortfall in TDR revenue for the

War Memorial Rebuild project. This use of General Reserve will have to be backfilled in the budget year.

F. Other Funds

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds receive General Fund baseline transfers and other subsidies.

Enterprise funds are used primarily for self-supporting agencies, including the Airport, Public Utilities Commission and the Port. The Municipal Transportation Agency receives a significant General Fund subsidy.

Projected General Fund Support requirements for these funds are included in the department budget projections in Appendix 2. Appendix 5 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

G. Projection Uncertainty Remains

Projection uncertainties include:

- The potential for continued fluctuations in general tax revenues, particularly in transfer tax and business taxes, given the implementation of the new gross receipts tax.
- The effect of Affordable Care Act (ACA) implementation on Public Health revenues. The state continues to allocate Disproportionate Share Hospital (DSH) funding for uninsured patients to San Francisco General Hospital based on historical calculation methodologies. At the same time, the state is implementing reductions to indigent care funding (or “clawing back” 1991 Realignment), as previously uninsured clients become insured under the ACA. This reconciliation trails DSH allocations by 18-24 months. The Controller’s Office will continue to work with Public Health staff to update projections for the Nine-Month Report.

H. Additional Projections will be Provided in the Five Year Financial Plan Update and Nine-Month Budget Status Report

The Five Year Financial Plan Update will provide revenue and expenditure projections for FY 2015-16 through FY 2019-20 in early March 2015. FY 2014-15 projections will be updated in the Nine-Month Budget Status Report, scheduled to be published in early May 2015.

I. Six-Month Overtime Report

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. Appendix 6 presents budgeted, actual, and projected overtime.

J. Appendices

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections

3. Status of Reserves
4. Salary and Benefits Reserve Update
5. Other Funds Highlights
6. Overtime Report

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$77.1 million above revised budget. Of this total, \$96.9 million is due to improvements in citywide revenue as discussed in this Appendix 1.

The FY 2014-15 budget assumed slowing growth in tax revenues throughout the fiscal year. Property transfer tax, business tax, and hotel tax revenues are projected to surpass budgeted levels as discussed below. These gains are offset by decreases in state subventions received by the Human Services Agency and decreases in ambulance revenue received by the Fire Department discussed in Appendix 2. Selected citywide revenues are discussed below.

Table A1-1: Detail of General Fund Revenue and Transfers In

GENERAL FUND (\$ Millions)	FY 2013-14		FY 2014-15		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,177.4	\$ 1,232.9	\$ 1,232.9	\$ 1,245.0	\$ 12.1
BUSINESS TAXES	562.9	572.4	572.4	595.3	23.0
OTHER LOCAL TAXES					
Sales Tax	133.7	136.1	136.1	140.4	4.3
Hotel Room Tax	310.1	318.4	318.4	337.2	18.8
Utility Users Tax	86.8	91.7	91.7	91.7	-
Parking Tax	83.5	84.9	84.9	84.9	-
Real Property Transfer Tax	261.9	235.0	235.0	267.0	32.0
Stadium Admission Tax	2.4	1.3	1.3	1.3	-
Access Line Tax	43.8	43.0	43.0	44.7	1.7
Total Other Local Taxes	922.2	910.4	910.4	967.2	56.8
LICENSES, PERMITS & FRANCHISES					
Licenses & Permits	10.7	10.1	10.1	10.7	0.5
Franchise Tax	16.3	17.0	17.0	16.6	(0.4)
Total Licenses, Permits & Franchises	27.0	27.1	27.1	27.3	0.1
FINES, FORFEITURES & PENALTIES	5.3	4.2	4.2	4.2	-
INTEREST & INVESTMENT INCOME	10.1	6.9	6.9	8.9	2.0
RENTS & CONCESSIONS					
Garages - Rec/Park	12.4	10.7	10.7	10.7	-
Rents and Concessions - Rec/Park	11.9	9.5	9.5	9.5	-
Other Rents and Concessions	2.7	2.5	2.5	2.5	-
Total Rents and Concessions	26.9	22.7	22.7	22.7	-
INTERGOVERNMENTAL REVENUES					
Federal Government					
Social Service Subventions	218.5	229.5	229.5	217.9	(11.6)
Other Grants & Subventions	-1.3	5.4	15.4	18.2	2.8
Total Federal Subventions	217.2	234.9	244.9	236.0	(8.9)
State Government					
Social Service Subventions	164.3	197.1	197.1	195.6	(1.4)
Health & Welfare Realignment - Sales Tax	133.4	133.0	133.0	132.8	(0.2)
Health & Welfare Realignment - VLF	32.2	29.9	29.9	31.4	1.5
Health & Welfare Realignment - CalWORKs MOE	20.1	26.7	26.7	24.1	(2.7)
Health/Mental Health Subventions	83.9	97.2	97.2	91.0	(6.2)
Public Safety Sales Tax	87.5	91.4	91.4	92.5	1.1
Motor Vehicle In-Lieu	0.7	-	-	0.6	0.6
Public Safety Realignment (AB109)	33.5	31.8	31.8	32.1	0.3
Other Grants & Subventions	27.4	17.2	17.2	16.7	(0.5)
Total State Grants and Subventions	583.0	624.4	624.4	616.9	(7.5)
Other Regional Government					
Redevelopment Agency	2.2	2.6	2.6	2.2	(0.5)
CHARGES FOR SERVICES:					
General Government Service Charges	46.8	52.7	52.9	57.8	4.9
Public Safety Service Charges	32.7	33.6	33.6	33.6	-
Recreation Charges - Rec/Park	17.2	19.3	19.3	19.3	-
MediCal, MediCare & Health Service Charges	60.5	79.5	79.5	75.3	(4.3)
Other Service Charges	14.6	15.7	15.7	15.7	-
Total Charges for Services	171.8	200.8	201.0	201.5	0.6
RECOVERY OF GEN. GOV'T. COSTS	9.4	9.1	9.1	9.1	0.0
OTHER REVENUES	5.6	21.6	21.6	20.6	(1.0)
TOTAL REVENUES	3,721.0	3,870.0	3,880.2	3,956.9	76.7
TRANSFERS INTO GENERAL FUND:					
Airport	38.0	38.4	38.4	38.8	0.4
Other Transfers	175.7	140.9	140.9	140.9	-
Total Transfers-In	213.6	179.3	179.3	179.7	0.4
TOTAL GENERAL FUND RESOURCES	\$ 3,934.7	\$ 4,049.2	\$ 4,059.4	\$ 4,136.6	\$ 77.1

Property Tax revenue in the General Fund is projected to be \$12.1 million (1.0%) above budget and \$67.6 million (5.7%) over prior year actual revenue. Most of the improvement is due to increases in expected supplemental and escape property tax assessments of about \$11.1 million and \$7.0 million, respectively. Assumptions about other components of property tax revenues, including late payment penalty revenues the amount needed to fund assessment appeals, are unchanged from the budget. Property tax set asides to special revenue funds are increased by \$1.4 million, as shown below.

Property Tax Set Asides

	Original Budget	6-Month Projection	Variance
Children's Fund	51.6	52.1	0.5
Open Space Fund	43.0	43.4	0.4
Library Preservation Fund	43.0	43.4	0.4
Total	137.7	139.0	1.4

Business Tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes and administrative office taxes. Business tax revenue is projected to be \$23.0 million (4.1%) above budget, and \$32.4 million (5.8%) over prior year actual revenues. The projected growth in business tax revenues is expected to be supported by strong growth in wages and employment in San Francisco continued from last fiscal year. In FY 2013-14, the Bureau of Labor Statistics reported 4.9% growth in employment and 11.6% wage growth over the previous fiscal year.

Projections include the full annual value of an increase in business registration fee levels, which went into effect in tax year 2013, as well as the full annual value of the new gross receipt tax being phased in over a five year period, which began in tax year 2014.

Business registration revenues are projected to be \$41.8 million, matching prior year actual revenues. This is \$6.3 million (17.6%) above budget. The increase over budget reflects the impact of stronger than expected jobs growth.

Local Sales Tax revenues are projected to be \$4.3 million (3.2%) above budget, and \$6.7 million (5.0%) over prior year actual revenues. FY 2014-15 average growth in the first two quarters is 5.0% over the same period prior year mainly due to increased taxable sales from construction and business-to-business transactions. This growth is projected to continue in the remaining quarters, ending with 5.0% above prior year actual sales tax revenue.

Hotel Room Tax revenues are projected to be \$18.8 million (5.9%) above budget and \$27.1 million (8.7%) over prior year actual revenues. The increase is partly due to improved hotel room tax collections enabled by recently passed legislation around the regulation of short-term rentals. In addition, San Francisco is expected to see strong economic performance from its hospitality sector.

The average monthly increase in Revenue per Available Room (RevPAR), which is the combined effect of occupancy, average daily room rates, and room supply, during the first five months of FY 2014-15 was approximately 8.8% over the same period prior year, and though it is

a slower rate of growth than prior years, room rates are at an all-time high of approximately \$245 per night. RevPAR growth has increased annually by more than 10% in each of the last four years: 14% in FY 2013-14, 11% in FY 2012-13, 15% in FY 2011-12 and 15% in FY 2010-11.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. Final year-end revenue will be either greater or less than our projection depending on developments with these lawsuits.

Utility Users Tax revenues are projected to be \$91.7 million, meeting budget expectations. Revenues are projected to be \$4.9 million (5.7%) over prior year actual revenues. Telephone user tax revenues are projected to increase by 5.0% over prior year and gas and electric revenues are projected to increase by 6.3%. Water user tax revenue represents a small portion of overall utility users tax but is projected to increase by 6.0% from prior year.

Parking Tax revenues are projected to be equal to budget and \$1.4 million (1.7%) over prior year revenues. Continued growth in business activity and employment, as reflected in increases to business registration, payroll and sales tax projections, is driving increases in parking tax revenues from the prior year. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

Real Property Transfer Tax revenues are projected to be \$32.0 million (13.6 %) above budget and \$5.1 million (1.9%) above prior year actual revenues. Strong demand from institutional investors and owner-users for San Francisco real estate across all property types (office, hotel, retail, and residential) has continued from the prior year into FY 2014-15. This is due in large part to the continued growth of underlying market fundamentals, such as strong tenant demand, rental rates, and occupancy rates, and the relative attractiveness of San Francisco real estate compared with other investment options worldwide.

Transfer tax revenue is one of the General Fund's most volatile sources and is highly dependent on a number of factors, including investor interest, economic cycles, interest rates, property values and credit availability, all of which have been favorable for San Francisco commercial and residential real estate in the past three years. The composition of sales in the first six months of the fiscal year was heavily concentrated on high value sales as 62 percent of transfer tax revenue was generated from property sales in excess of \$10 million, a 21 percent increase over the same period in FY 2013-14. The number of sales in the first two quarters of the fiscal year is expected to outpace that of the final two quarters.

Access Line Tax revenues are projected to be \$1.7 million (3.8%) above budget, and \$0.9 million (2.0%) above prior year actual revenues. Growth is consistent telephone utility user tax revenue increases and reflects similar underlying growth in business activity.

Interest & Investment revenues are projected to be \$2.0 million (29.8%) above budget in the General Fund and \$1.2 million below prior year actual revenues. Average monthly pooled interest rates were higher than budgeted, and revenues through December were above budgeted amounts due to increased cash in the pool. However, pooled interest rates are

anticipated to trend lower than the prior year for the last two quarters of the fiscal year. The revenue surplus is net of a reduction in interest revenue of \$0.9 million allocated to the Treasurer-Tax Collector (TTX) because of expenditure savings. TTX only receives interest revenue up to the level of eligible expenditures. Any reductions to TTX interest revenue become unallocated General Fund interest revenue.

State and Federal Grants and Subventions are projected to be \$16.3 million below budget primarily due to \$9.7 million in reductions to CalWORKs childcare subsidies as a result of lower than expected caseloads and the State not funding an expected childcare subsidy; \$6.2 million in reductions to state health and mental subventions including \$5.0 million in reductions to Short Doyle funding and \$1.2 million in reductions Medi-Cal Administrative and Targeted Case Management subventions at the Department of Public Health; and reductions to multiple Social Service Subventions and CalWORKs Realignment revenue primarily as a result of expenditure savings at the Human Services Agency totaling \$4.1 million. These reductions are partially offset by: an increase of \$1.4 million over budget from a federal reimbursement for the Fourth Street Bridget construction; a \$1.3 million surplus is projected in 1991 Health and Welfare realignment revenue due to an unbudgeted one-time payment of sales tax adjustments (\$1.4 million) and mental health base payments (\$2.7 million), which are partially offset by the loss of caseload payments from FY 13-14 growth; and, an increase of \$1.1 million in public safety sales tax receipts primarily due to a one-time allocation correction for multiple years.

Appendix 2. General Fund Department Budget Projections

Table A2-1. General Fund Supported Operations (\$ millions) *Note: Figures may not sum due to rounding*

GENERAL FUND (\$ millions)	Uses Revised Budget	Uses Projected Year-End	Revenue Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	33.3	33.1	-	0.3	0.3	1
Superior Court	32.0	32.0	-	-	-	
District Attorney	39.6	39.6	-	-	-	
Emergency Management	45.6	45.6	-	-	-	2
Fire Department	319.2	319.2	(4.3)	-	(4.3)	3
Juvenile Probation	36.9	36.6	-	0.3	0.3	4
Public Defender	30.1	29.8	-	0.3	0.3	5
Police	464.0	464.0	(0.7)	-	(0.7)	6
Sheriff	174.1	174.1	(0.1)	-	(0.1)	7
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	37.9	38.1	1.7	(0.2)	1.5	8
Economic & Workforce Development	27.9	27.9	0.5	-	0.5	9
Board of Appeals	1.0	1.0	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth & Their Families	32.8	32.8	-	-	-	
Human Services Agency	748.4	720.5	(14.4)	27.9	13.5	10
Environment	-	-	-	-	-	
Human Rights Commission	2.4	2.4	-	-	-	
County Education Office	0.1	0.1	-	-	-	
Status of Women	5.7	5.7	-	-	-	
COMMUNITY HEALTH						
Public Health Total	1,071.3	1,066.7	(10.6)	18.1	7.5	11
CULTURE & RECREATION						
Asian Art Museum	9.0	9.0	-	-	-	
Arts Commission	5.8	5.8	-	-	-	
Fine Arts Museum	13.5	13.5	-	-	-	
Law Library	1.5	1.5	-	-	-	
Recreation and Park	81.7	81.7	-	-	-	
Academy of Sciences	4.5	4.5	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	51.9	51.1	0.2	0.8	1.0	12
Assessor / Recorder	16.6	15.8	(0.9)	0.9	-	13
Board of Supervisors	13.6	13.3	-	0.3	0.3	14
City Attorney	9.4	9.3	(0.5)	0.1	(0.4)	15
Controller	13.4	13.4	-	-	-	
City Planning	30.5	30.5	1.4	-	1.4	16
Civil Service Commission	0.8	0.8	-	-	-	
Ethics Commission	2.6	2.6	-	-	-	
Human Resources	11.6	11.6	-	-	-	
Health Service System	0.6	0.2	-	0.4	0.4	17
Mayor	16.1	16.1	-	-	-	
Elections	13.3	12.7	0.1	0.7	0.8	18
Retirement System	-	-	-	-	-	
Technology	2.1	2.1	-	-	-	
Treasurer/Tax Collector	26.4	24.6	(0.9)	1.8	1.0	19
GENERAL CITY RESPONSIBILITIES	290.5	279.5	-	11.0	11.0	20
TOTAL GENERAL FUND	3,718.5	3,669.4	(28.4)	62.6	34.2	

Notes to General Fund Department Budget Projections

The following notes provide explanations for the projected variances for select departments' actual revenues and expenditures compared to the revised budget.

1. Adult Probation

The Adult Probation Department projects to end the fiscal year with a net surplus of \$0.3 million primarily due to lower than expected salary and benefits costs in the current hiring plan.

2. Emergency Management

The Department of Emergency Management projects that it will end the fiscal year within budget. A supplemental reappropriation will be requested to transfer salary and benefit savings to support a projected shortfall in overtime expenditures, per Administrative Code section 3.2. The overtime spending increases are mainly due to maintaining minimum staffing requirements and improving emergency call response times.

3. Fire Department

The Fire Department currently projects a net shortfall of \$4.3 million. This deficit is a result of a net revenue deficit of \$4.3 million, due to a shortfall in Ground Emergency Medical Transport (GEMT) ambulance fee reimbursement and net insurance revenue of \$5.0 million, partially offset by a \$0.7 million surplus of other revenue and fees, including overtime service and plan check fees.

Expenditures are expected to be within budget. A supplemental request to reappropriate regular salaries and benefit savings to overtime expenses at the Port and Airport is expected, pursuant to Administrative Code Section 3.2.

4. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$0.3 million due to expected salary and benefit savings of \$0.4 million partially offset by over expenditure of \$0.1 million in workers compensation.

5. Public Defender

The Public Defender projects to end the fiscal year with a net surplus of \$0.3 million, primarily due to delayed hiring, vacant positions and employees on unpaid leave.

6. Police Department

The Police Department projects a net shortfall of \$0.7 million due to parking garage permits, false alarm response, and other public safety fee revenue weakness. Expenditures are expected to be within budget.

7. Sheriff

The Sheriff's Department is projected to end the fiscal year with a net deficit of \$0.1 million due to a projected revenue shortfall. This is due to a \$0.8 million shortfall in State revenue from a lower than expected re-entry pod prisoner population, largely offset by a projected \$0.7 million surplus in other revenues, including those from housing prisoners for the U.S. Marshalls Service. Net expenditures are projected to be on budget, however significant over expenditures of \$3.9 million in overtime pay and \$0.5 million in premium pay are expected to be offset by savings in permanent salary and benefits, as well as \$0.5 million in advanced disability reimbursement from the State, and \$0.2 million in one-time expenditure reductions.

In order to ensure the Department stays within budget, the Controller's Office is reviewing requests to fill positions, and has also placed \$0.8 million of capital, non-personnel, and materials and supplies expenditure appropriations on reserve. These reserves may be liquidated or released as appropriate, based upon the realization of overall spending projections, including overtime and materials savings through the remainder of the fiscal year. The Department and Controller's Office will continue to work closely together to monitor and adjust spending to remain within budget. The Department will request a supplemental to re-appropriate permanent salaries to overtime salaries.

8. Public Works

The Department of Public Works projects a net surplus of \$1.5 million. This surplus is primarily due to \$1.7 million in additional revenues, including \$1.4 million more than budget in reimbursements for prior year work on the Fourth Street Bridge, and \$0.1 million in higher than expected revenues for street space permits and right of way assessments.

9. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year with a net surplus of \$0.5 million mainly due to unanticipated Enterprise Zone revenues from the State's extension for businesses to apply for tax credits.

10. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$13.5 million surplus due to \$27.9 million projected expenditure savings, which is offset by \$14.4 million lower than budgeted revenue. Overall expenditure savings are comprised of \$8.9 million in childcare support, \$8.6 million in other aid and assistance, \$3.0 million in in-home supportive services, \$2.3 million in foster care and adoption support, and \$5.1 million in all other programs. An overall revenue shortfall is due to \$9.7 million in reductions in child care support, \$2.1 million less in in-home supportive services revenue, \$1.8 million lower than budget in foster care and adoption support, and \$3.4 million less in all other programs, slightly offset by \$2.6 million in increased revenue from all other aid and assistance programs. Projections do not assume changes to revenue or expenditures from the Title IV-E waiver recently approved by the state.

Child Care Support

The State's proposed funding of CalWORKs Stage 3 Childcare subsidies through county welfare departments was not enacted, resulting in over-budgeting of both expenditure and revenue by \$6.8 million. CalWORKs Stage 1 and 2 Childcare have expenditure and revenue savings of \$2.1 million, due to lower than expected caseloads. Additionally, the State reduced the Stage 1 Childcare revenue allocation by \$0.8 million. A net childcare shortfall of \$0.8 million is projected.

In-Home Supportive Services

The In-Home Supportive Services Program is projecting expenditure savings of \$3.0 million due to lower than expected contract costs and Maintenance of Effort amount. This is offset by \$2.1 million in reduced revenue, for a net savings of \$0.9 million.

Aid Assistance Programs

Lower than expected caseloads across the County Adult Assistance and in the CalWORKs programs result in combined expenditure savings of \$8.6 million and associated revenue shortfalls of \$2.6 million, for a net surplus of \$11.2 million.

Foster Care and Adoptions

Lower than expected caseloads across Foster Care and Adoptions also results in projected expenditure savings of \$2.3 million and associated revenue shortfalls of \$1.8 million, for a net surplus of \$0.5 million

Other Programs

The JOBS NOW subsidized employment program is projecting expenditure savings of \$0.4 million due to lower than expected caseloads. This program has experienced a shift in client mix, with fewer CalWORKs clients and more CAAP clients, resulting in a projected loss of revenue of \$1.8 million, and a net deficit of \$1.4 million. In the Medi-Cal program, the Governor's proposed budget includes an additional \$150 million statewide for the continued implementation of the Affordable Care Act, which would result in an additional \$8.1 million of revenue for San Francisco. In other aid program net savings of \$4.1 million are projected primarily due to salary and benefits savings of \$4.0 million due to hiring delays, contract under-expenditures of \$4.0 million, and \$1.1 million in additional program savings, partially offset by a combined projected revenue shortfall of \$4.1 million. Net savings of \$1.7 million is projected for all other programs by year-end.

Table A2.2. Human Services Agency (\$ Millions)

Program	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
In Home Supportive Services (IHSS)	(2.1)	3.0	0.9
Foster Care & Adoption Support	(1.8)	2.3	0.5
Child Care Support	(9.7)	8.9	(0.8)
Other Aid Assistance/Programs	2.6	8.6	11.2
All Other Programs	(3.4)	5.1	1.7
Total All Programs	\$ (14.4)	\$ 27.9	\$ 13.5

11. Public Health

The Department of Public Health projects to end the fiscal year with a net General Fund surplus of \$7.5 million. Overall department revenues are projected to be \$10.6 million less than budgeted, and expenditures are projected to be \$18.1 million less than budgeted.

Table A2.3. Department of Public Health by Fund (\$ Millions)

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	(2.7)	7.1	4.4
Laguna Honda Hospital	9.1	(2.4)	6.6
San Francisco General Hospital	(17.0)	13.5	(3.5)
Total	(10.6)	18.1	7.5

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Mental Health, Substance Abuse, Jail Health, and Population Health & Prevention, have a combined revenue shortfall of \$2.7 million. This includes \$5.0 million less than expected reimbursement from Short Doyle Medi-Cal for Mental Health, \$2.2 million less than budgeted revenue in the Population Health Division due to reduced revenues for the Medi-Cal Administrative Activities and Targeted Case Management programs, and \$1.0 million less than budgeted due to the delay in sale of property. These revenue shortfalls are partially offset by Primary Care revenues \$4.5 million above budget due to higher than expected revenues from the Medi-Cal expansion under the Affordable Care Act (ACA) and \$1.0 million in other surpluses. Expenditures are expected to be \$7.1 million below budget, primarily due to delays in hiring new positions budgeted to improve compliance with primary care access standards under the ACA.

In addition, projections assume \$32.0 million in reserved Disproportionate Share Hospital revenue received in FY 2013-14 will be repaid to the state in the form of reductions to indigent care funding (1991 Realignment) as the state adjusts these payments to reflect previously uninsured clients that are now enrolled in insurance plans due to the Affordable Care Act (ACA).

Laguna Honda Hospital

The Department projects a \$6.6 million net surplus for Laguna Honda Hospital. The department projects a revenue surplus of \$9.1 million due to \$4.6 million in lower-than-anticipated growth in unbillable patient days for Medi-Cal Managed Care recipients, and \$4.5 million from increased patient census and recovery of Distinct Part Nursing Facility supplemental revenues. Laguna Honda also projects \$2.4 million in expenditures above budget, due to under-budgeting of fringe benefit costs and expansion of health insurance coverage for temporary employees.

San Francisco General Hospital

The Department projects \$3.5 million deficit for San Francisco General Hospital. Revenues are \$17.0 million below budget. SFGH projects a \$34.5 million unfavorable variance in capitation revenues, due to capitation rates lower than budget. This shortfall is offset by a \$17.5 million surplus in patient service revenues due to a slower than anticipated decline in fee-for-service revenues associated with the transition of Medi-Cal recipients to managed care, the continued implementation of presumptive eligibility for Medi-Cal, and an increased per diem rate for Medi-Cal inpatient services.

Expenditures are projected to be below budget by \$13.5 million. SFGH projects \$7.9 million of savings in operating transfers out due to lower than budgeted intergovernmental transfers to pay the non-federal share for supplemental revenue programs, and a \$6.4 surplus in salary and fringe benefits, due to delays in hiring positions not backfilled with per diem or overtime staffing, such as information technology, clerical, and interpreter positions. A supplemental reappropriation will be needed to transfer salary and benefit savings to support a projected shortfall in overtime expenditures.

12. City Administrator

The City Administrator projects a net \$1.0 million surplus at year end. A revenue surplus of \$0.2 million is projected due to higher than expected medical examiner fees and City Hall event fees, offset by other revenue shortfalls including lower than expected labor standards enforcement penalties. Expenditure savings of \$0.8 million are projected from lower than

budgeted salary and benefits expenditures across programs, including Animal Care and Control and the Medical Examiner's Office, offset by higher than budgeted expenditures facilities management. This expenditure surplus assumes that a negative fund balance of \$0.8 million in the Neighborhood Beautification Fund (which houses the Community Challenge Grant program) is cleared by year end.

13. Assessor Recorder

The Assessor Recorder projects to end the fiscal year within budget. The Department projects a revenue shortfall of \$0.9 million primarily due to slower growth in the collection of recording fees compared to the prior year, offset by \$0.9 million in expenditure savings due mainly to hiring delays.

14. Board of Supervisors

The Board of Supervisors projects \$0.3 million surplus at the end of the fiscal year, mainly from salary and benefit savings due to vacancies.

15. City Attorney

The City Attorney's Office projects a net \$0.4 million year-end shortfall, based on an anticipated revenue shortfall of \$0.5 million partially offset by \$0.1 million in net expenditure savings. The revenue shortfall is largely due to \$0.5 million less revenue from the Office of Community Investment and Infrastructure due to lower than budgeted legal support needs. Net expenditure savings of \$0.1 million includes \$2.6 million in salary and benefits and other expenditure savings, offset by nonpersonnel expenditure overages of \$0.7 million and \$1.8 million in work order shortfalls. Increases to work order recoveries in the second half of the year may address the projected shortfall.

16. City Planning

The City Planning Department projects to end the year with a net surplus of \$1.4 million, due to a revenue surplus from planning application and building permit fees. This surplus is net of a \$3.0 million transfer of fee revenue to support the caseload backlog reduction project in FY 2014-15.

17. Health Service System

The Health Service System projects a \$0.4 million surplus at the end of the fiscal year, mainly from salary and benefit savings due to delays in hiring.

18. Elections

The Department of Elections is projecting a net surplus of \$0.8 million due to a revenue surplus of \$0.1 million and an expenditure surplus of \$0.7 million. The revenue surplus is comprised primarily of ballot argument fees and county candidate filing fees above budgeted amounts. The expenditure surplus is due to increased expenditure recoveries and overall salary and benefit savings.

19. Treasurer/Tax Collector

The Treasurer/Tax Collector (TTX) projects to end the year with a net surplus of \$1.0 million, primarily due to expenditure savings, offset by lower than budgeted interest revenue. Expenditure savings consist of \$1.8 million in anticipated salary and benefit and nonpersonnel costs. The Department also projects a \$0.2 million increase in delinquent revenue collections, offset by a \$1.1 million reduction to interest revenue as described in the Interest and Investment Income section of Appendix 1.

20. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. Savings of \$11.0 million are projected due to updated information about the City's exposure to legal claims. Most notably, in December 2014, the City received a ruling in its favor in a class action suit brought on behalf of disabled individuals regarding ADA access. Projections assume that appropriations for nonprofit COLAs are used to pay for the minimum wage increase approved by voters in November 2014, as was reflected in the proposed Five Year Financial Plan issued on December 9, 2014.

Appendix 3. Status of Reserves

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Table A3.1 and discussed in detail below. Table A3.1 also includes deposits and withdrawals included in the approved FY 2015-16 budget.

Table A3.1 Reserve Balances (\$ millions)

	FY 2014-15				FY 2015-16		
	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 58.0	\$ -	\$ (20.3)	\$ 37.7	\$ 11.5	\$ -	\$ 49.2
Budget Savings Incentive Fund	32.1	6.3	(28.4)	10.0	-	-	10.0
Recreation & Parks Savings Incentive Reserve	12.9	-	(5.9)	6.9	-	(1.8)	5.2
Rainy Day Economic Stabilization Reserve	60.3	(49.2)	(11.1)	-	-	-	-
City Reserve	n/a	24.6	-	24.6	-	-	24.6
School Reserve	n/a	24.6	-	24.6	-	-	24.6
Rainy Day One-Time Reserve	22.9	-	(12.2)	10.7	-	(2.7)	8.0
Budget Stabilization Reserve	132.3	35.8	-	168.1	-	-	168.1
Salary and Benefits Reserve	24.3	-	(24.3)	-	14.0	(14.0)	-
Total	342.7	42.1	(102.3)	282.5	25.5	(18.5)	289.5

General Reserve: To date, supplemental appropriations of \$2.1 million for legal support for unaccompanied immigrant youth and \$0.3 million for HIV prevention have been approved, and there is a pending supplemental appropriation of \$3.4 million of General Reserve for cost of doing business increases for nonprofit organization contractors. In addition, this projection assumes the use of the General Reserve to offset the anticipated \$14.5 million shortfall in Transferable Development Rights (TDR) revenue appropriated in FY 2013-14 to support the War Memorial rebuild project, for a total Reserve use of \$20.3 million. The remaining \$37.7 million will be carried forward to FY 2015-16. The approved budget includes an \$11.5 million deposit to the reserve in FY 2015-16, which will have to be increased by \$20.3 million as discussed in section B of the report above.

Pursuant to a financial policy approved by the Board of Supervisors in 2011 and codified in Administrative Code Section 10.60(b), year-end balances in the General Reserve are carried forward into subsequent years and thereby reduce the amount of future appropriations required to support minimum reserve requirements established by the policy. For FY 2014-15 and FY 2015-16, the policy requires the General Reserve to be no less than 1.5% and 1.75% of budgeted regular General Fund revenues, respectively. The current balance of the reserve is \$55.6 million.

Budget Savings Incentive Fund: The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. At FY 2013-14 year end, the Reserve balance was \$32.1 million. Projected deposits of \$6.3 million and budgeted uses of \$28.4 million result in a projected year end balance of \$10.0 million. The current budget did not appropriate any of the balance for use in FY 2015-16.

Recreation and Parks Savings Incentive Reserve: The Recreation and Parks Saving Incentive Reserve, established by Charter Section 16.107(c), is funded by the retention of year-end new revenue and net expenditure savings by the Recreation and Parks Department. This Reserve ended FY 2013-14 with \$12.9 million, of which \$5.9 million was appropriated for FY 2014-15 uses. No deposits are projected for the current fiscal year, leaving a projected ending balance of \$6.9 million. Note that the current budget also appropriated \$1.8 million in uses for FY 2015-16.

Rainy Day Economic Stabilization Reserve: Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess of revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. The Rainy Day Economic Stabilization Reserve began the year with \$60.3 million. A budgeted \$11.1 million withdrawal from the Reserve for the benefit of the San Francisco Unified School District to offset the impact of declines in inflation-adjusted per pupil revenue results in a balance of \$49.2 million.

Charter Section 9.113.5 was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Each reserve is funded with \$24.6 million, or 50% of the \$49.2 million balance of the Rainy Day Economic Stabilization Reserve as of January 1, 2015. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve. No deposits or withdrawals are currently projected. The approved FY 2015-16 budget included a draw of \$8.31 million for the benefit of the School District, however, this withdrawal has now been superseded by the provisions of Proposition C.

Rainy Day One-Time Reserve: Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. This Reserve began the year with \$22.9 million. A budgeted withdrawal of \$12.2 million results in a projected year-end balance of \$10.7 million. The FY 2015-16 budget includes a use of \$2.7 million.

Any increases to revenues during the remainder of the fiscal year would result in deposits of 75% of such revenue to the Rainy Day Reserve as described in this section.

Budget Stabilization Reserve: Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five year average (adjusted for policy changes) and ending unassigned fund balance above that appropriated as a source in the subsequent year's budget. The current balance of the Reserve is \$132.3 million, and the budget assumed a \$19.1 million deposit in FY 2014-15. The adjustment for rate increases in November 2010 has increased due to updated data about the tax rates at which transactions are occurring, resulting in a projected increase in the deposit of \$16.7 million. The projected ending balance for FY 2014-15 is \$168.1 million.

Salary and Benefits Reserve: Administrative Provisions Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The Salary and Benefits Reserve had a fiscal year starting balance of \$24.3 million (\$10.0 million carried forward from FY 2013-14 and \$14.3 million appropriated in the FY 2014-15 budget). As of February 6, 2015, the Controller's Office has transferred \$1.7 million to City departments and anticipates transferring the remaining amount to City departments by year-end, as detailed in Appendix 4. The approved budget for FY 2015-16 assumes the use of \$14.0 million from this reserve.

Appendix 4. Salary and Benefits Reserve Update

Table A4-1. Salary and Benefits Reserve (\$ millions)

Sources	
Adopted AAO Salary and Benefits Reserve	\$ 14.3
Carryforward balance from FY 2013-14	10.0
Total Sources	24.3
Uses	
Transfers to Departments	
SEIU as needed temporary employees healthcare (Q1 & Q2)	1.1
Training and development	0.3
Paperless pay implementation	0.1
SEIU Local 250 Life Insurance premiums	0.2
Visual Display Terminal Insurance (Q1 & Q2)	0.1
Total Transfers to Departments	1.7
Anticipated Allocations	
Public Safety, including wellness, premium, and one-time payouts	13.2
Citywide Premium, Retirement and Severance payouts	1.0
Various Training, Tuition, and Other Reimbursements	1.6
Retiree Health	1.6
SEIU as needed temporary employees healthcare (Q3 & Q4)	0.7
Surviving Spouse benefits	0.7
Citywide Retirement	3.7
SEIU Local 250 Life Insurance premiums	0.2
Visual Display Terminal Insurance (Q3 & Q4)	0.1
Total Anticipated Allocations	22.7
Total Uses	24.3
Net Surplus / (Shortfall)	\$ -

Appendix 5. Other Funds Highlights

Table A5-1. Other Fund Highlights, \$ Millions

	Prior Year		FY 2014-15					Estimated Year-end Fund Balance	Note
	FY 2013-14 Year-End Available Fund Balance	Fund Balance Used in FY 14-15 Budget	Starting Available Fund Balance	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Operating Surplus / (Deficit)			
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICES FUNDS</u>									
Building Inspection Operating Fund	\$56.3	\$26.2	\$30.1	\$2.3	\$5.3	\$7.7	\$37.8	1	
Children's Fund	\$4.6	\$4.7	(\$0.1)	\$1.3	\$0.2	\$1.5	\$1.4	2	
Public Education Special Fund	\$8.0	\$2.9	\$5.1	\$0.0	\$1.1	\$1.1	\$6.2	3	
Convention Facilities Fund	\$30.6	\$10.5	\$20.1	\$0.3	\$3.8	\$4.1	\$24.2	4	
Golf Fund	\$0.9	\$0.0	\$0.9	\$0.0	\$0.0	\$0.0	\$0.9	5	
Library Preservation Fund	\$20.4	\$3.4	\$17.0	\$0.7	\$3.2	\$3.8	\$20.8	6	
Local Courthouse Construction Fund	\$0.2	\$0.0	\$0.2	(\$0.3)	\$0.1	(\$0.3)	(\$0.1)	7	
Open Space Fund	\$7.0	\$0.9	\$6.2	\$0.0	\$1.4	\$1.4	\$7.6	8	
Telecomm. & Information Systems Fund	\$8.5	\$4.0	\$4.5	\$1.7	\$0.0	\$1.7	\$6.2	9	
General Services Agency-Central Shops Fund	\$1.1	\$0.0	\$1.1	\$0.0	\$0.0	\$0.0	\$1.1	10	
Arts Commission Street Artist Fund	(\$0.1)	\$0.0	(\$0.1)	(\$0.2)	\$0.0	(\$0.2)	(\$0.3)	11	
War Memorial Fund	\$2.8	\$1.4	\$1.4	\$0.0	\$0.1	\$0.1	\$1.5	12	
Gas Tax Fund	\$4.6	\$0.0	\$4.6	(\$2.5)	\$0.0	(\$2.5)	\$2.0	13	
Neighborhood Beautification Fund	(\$0.8)	\$0.0	(\$0.8)	\$0.0	\$0.8	\$0.8	\$0.0	14	
<u>SELECT ENTERPRISE FUNDS</u>									
Airport Operating Fund	\$93.6	\$58.5	\$35.1	(\$2.1)	\$51.8	\$49.7	\$84.8	15	
MTA – Operating Funds	\$185.3	\$20.0	\$165.3	\$14.0	\$0.1	\$14.1	\$179.4	16	
Port Operating Fund	\$27.3	\$12.3	\$15.0	\$2.3	\$3.2	\$5.5	\$20.5	17	
PUC – Hetch Hetchy Operating Fund	\$33.4	\$0.0	\$33.4	(\$16.3)	\$14.2	(\$2.1)	\$31.3	18	
PUC – Wastewater Operating Fund	\$111.2	\$0.0	\$111.2	(\$23.1)	\$21.8	(\$1.3)	\$109.9	19	
PUC – Water Operating Fund	\$228.5	\$50.6	\$177.9	(\$41.1)	\$7.6	(\$33.5)	\$144.4	20	
DPH – Laguna Honda Debt Service Fund	\$21.8	\$0.0	\$21.8	\$0.0	\$0.0	\$0.0	\$21.8	21	

Select Special Revenue & Internal Services Funds

1. Building Inspection Fund

The Building Inspection Department operating fund began the year with \$30.1 million in available fund balance with \$26.2 million appropriated in the current year. The Department projects a \$2.3 million surplus in operating revenues due to higher than expected permit volumes, and expenditures to be \$5.3 million under budget largely due to salary savings, resulting in a projected fiscal year-end available fund balance of \$37.8 million.

2. Children's Fund

The Children's Fund began the fiscal year with a negative fund balance of \$0.1 million. Current year revenues are projected to be \$1.3 million better than budget due to estimated increases in property tax set-aside revenue, and \$0.2 million savings in grant expenditures. The projected fiscal year-end available fund balance is \$1.4 million.

3. Children's Fund – Public Education Special Fund

The Public Education Special Fund began the fiscal year with \$5.1 million in available fund balance. Decreases in City Grant expenditures of \$1.1 million result in a projected fiscal year-end available fund balance is \$6.2 million.

4. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with \$20.1 million in available fund balance, as \$10.5 million of the prior year ending balance was appropriated in the current year. A revenue surplus in rents and concessions of \$0.3 million, work order savings of \$0.3 million and \$3.5 million in debt service savings are projected, resulting in a projected fiscal year-end available fund balance of \$24.2 million.

5. Golf Fund

The Golf Fund began the fiscal year with \$0.9 million in available fund balance. The Recreation and Parks Department projects revenues and expenses to be on budget. The Department expects a \$0.5 million salary and benefit deficit to be offset by savings in non-labor expenditures and no change to fund balance is expected at year-end.

6. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$20.4 million in available fund balance. The Department projects a revenue surplus of \$1.3 million including a \$2.2 million improvement to General Fund baseline contributions and \$0.9 million in reduced property taxes, library services and lease revenue. This is supplemented by a \$3.2 million reduction in expenditures on both salaries and non-personnel services. This revenue surplus and expenditure savings results in a return of \$0.6 million to the General Fund, or the portion of net savings attributable to the baseline transfer. The net result is a projected fiscal year end available fund balance of \$20.8 million.

7. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the year with a fund balance of \$0.2 million. Despite debt service restructuring which reduced the FY 2014-15 annual debt service payment from \$4.2 million to \$2.8 million, a \$0.3 million revenue shortfall and \$0.1 expenditure saving will result in an anticipated fund balance shortfall of \$0.1 million.

8. Open Space Fund

The Open Space Fund began the fiscal year with \$6.2 million in available fund balance. The Department projects an expenditure surplus of \$1.4 million and revenues to be on budget resulting in a projected fiscal year-end available fund balance of \$7.6 million.

9. Telecommunication & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of \$4.5 million. The Department projects a \$1.7 million revenue surplus, resulting in a fiscal year-end available fund balance of \$6.2 million.

10. Central Shops Fund

The Central Shops fund began the year with an available fund balance of \$1.1 million. Savings from lower gas prices will be passed on to departments, resulting in both reduced expenses and recoveries, and no net change to fund balance.

11. Arts Commission Street Artist Fund

The Street Artist Program Fund began the fiscal year with a fund balance shortfall of \$0.1 million. The Department projects that revenues will be below budget by \$0.2 million and expenditures within budget, leading to an estimated year-end fund balance shortfall of \$0.3 million. The Controller's Office and the Department will continue to work to identify a solution to address the shortfall.

12. War Memorial Fund

The War Memorial Fund began the fiscal year with a fund balance of \$1.4 million. The Department projects revenues on budget and expenditure savings of \$0.1 million, resulting in a projected year end fund balance of \$1.5 million.

13. Gas Tax Fund

The Gas Tax fund began the year with an available fund balance of \$4.6 million. The Department of Public Works projects a revenue shortfall in the current year, as \$2.5 million in state revenue was budgeted in FY 2014-15 but received at FY 2013-14 year end. Expenditures are on budget, resulting in a projected year end balance of \$2.0 million.

14. Neighborhood Beautification Fund

The Neighborhood Beautification Fund (which houses the Community Challenge Grant program) began the year with a \$0.8 million negative fund balance. Tax year 2014 payroll tax revenues allocated to the fund are projected to be on budget at \$1.0 million. This report assumes the Administrative Services Department will close \$0.8 million in expenditure appropriations to clear the negative fund balance by year end.

Select Enterprise Funds

15. Airport Operating Fund

The Airport began the fiscal year with \$35.1 in available fund balance. The department projects a revenue shortfall of \$2.1 million, and net expenditure savings of \$51.8 million, for

a net operating surplus of \$49.7 million. The revenue projection is comprised of an \$11.3 million shortfall in non-operating revenue, offset by \$9.2 million in increased concessions revenue. This revenue shortfall is projected to be offset by \$51.8 million in expenditure savings, including \$28.6 million in post-employment benefits that will not be needed in the current year, \$11.1 million in non-personnel expenditure savings, \$3.8 million in salary and benefit savings, \$2.2 million in savings in materials and supplies, \$1.8 million less in equipment expenditures, and \$6.4 million in other projected operating budget savings. A fund balance of \$84.8 million is projected by year-end.

16. Municipal Transportation Agency (MTA) Operating Funds

MTA began the fiscal year with \$165.3 million in available operating fund balance, following appropriation of \$20 million in the FY 2015-16 budget. The Agency is projected to end the year with a net operating surplus of \$14.1 million, resulting in a projected year-end fund balance of \$179.4 million. The Agency projects a revenue surplus of \$13.9 million, including \$3.5 million from parking meter collections, \$2.7 million from parking garage and lot rentals, \$2.1 million from transit fare revenue, \$3.0 million in increased operating grants, \$5.3 million from General Fund baseline transfers, and \$2.3 million in interest earnings and other revenues, offset by a \$5.0 million shortfall in taxi medallion sales.

The Agency projects to end the year with \$0.1 million in expenditure savings. This is comprised of \$4.2 million in labor costs over budget, \$3.2 million savings in non-personnel services and \$1.1 savings in materials and supplies. The \$4.2 million over-expenditure in labor costs is the result of overtime costs, temporary salaries, premium and one-time payment costs exceeding budget by \$24.6 million offset by savings of \$7.6 million in fringe benefits and \$9.8 million in regular salaries as well as \$3.0 million in labor cost recoveries above budget. The \$3.2 million savings in non-personnel services includes \$5.3 million savings in claims and \$5.7 million savings in professional services, partially offset by over expenditures of \$6.0 million in worker's compensation and \$1.8 million in credit card processing fees.

17. Port Operating Fund

The Port Operating Fund began the fiscal year with \$15.0 million in available fund balance. The Department projects a \$2.3 million revenue surplus due to \$1.8 million in increased real estate revenues from parking and commercial industrial rent revenue, a \$0.1 million surplus due to permits and miscellaneous revenue, and a \$0.4 million increase in maritime revenues. The maritime revenue is a result of a \$0.8 million surplus from dockage and harbor services offset by a \$0.4 shortfall in ship repair due to lower recoveries from the PUC shore-side power rebate program, and cruise revenue due to delays parking and special events at James R. Herman Cruise Terminal at Pier 27.

The Port projects a \$3.2 million expenditure savings consisting of a \$1.0 million savings from annual projects due to the preservation of funds for contingency purposes, such as oil spills and hazardous material clean-up which the Port expects to go without incident, and \$1.1 million in non-personnel savings primarily due to a \$0.5 million in reduced activities and payments to the Port's cargo terminal operator, \$0.3 million savings due to planned delay in the software procurement, and \$0.3 million savings in various professional and maintenance services. Other expenditure savings include salary and benefits savings, projected to be \$0.3 million due to staff vacancies, \$0.5 million in savings from services of other departments, \$0.2 million in savings from materials and supplies, and \$0.1 million savings in debt service as a result of the lower than expected interest rates from the sale of the

revenue bonds. This results in a projected net operating surplus of \$5.5 million and a fiscal-year end available operating fund balance of \$20.5 million.

18. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$33.4 million in available fund balance. The Department projects a net revenue shortfall of \$16.3 million mainly due to reduced power available for sale as a result of lower Hetch Hetchy hydroelectric generation, less power sales than assumed in budget for the Central Subway tunnel boring project and WSIP construction projects. This shortfall is offset by \$14.2 million in projected expenditure savings, including \$7.6 million in general reserves to go unspent to supplement fund balance and \$4.0 million contingency reserves for power purchases, resulting in a projected net operating deficit of \$2.1 million and year-end fund balance of \$31.3 million.

Hetch Hetchy Water and Power operations are affected by the drought. If drought conditions worsen, it may be necessary to purchase supplemental power to cover the municipal loads.

19. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$111.2 million in available fund balance. The Department projects revenue to be \$23.1 million lower than budget mainly due to lower treated flow and water use by customers. The shortfall is offset by \$21.8 million in projected savings from the General Reserve budgeted and planned to go unspent to build up fund balance reserves. This results in a projected net operating deficit of \$1.3 million and a fiscal year-end available fund balance of \$109.9 million.

20. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with a net \$177.9 million in available fund balance. Water Department revenues are projected to be \$41.1 million lower than budget, mainly due to lower water sales. The shortfall is offset by \$7.6 million of expenditure savings primarily from lower debt service costs and general reserve. This results in a projected net deficit of \$33.5 million and a fiscal year-end available fund balance of \$144.4 million.

If California's severe drought conditions persist and result in lower water sales, PUC's reserves will cover much of the revenue loss in the short term. The PUC resets wholesale water rates annually to recover costs of service, so this revenue loss mitigation, along with planned water revenue bond refundings to achieve debt service savings, can reduce future years' use of fund balance.

21. Public Health – Laguna Honda Hospital Debt Service Fund

The Laguna Honda Hospital Debt Service Fund was established to account for proceeds from the sale of Certificates of Participation issued to finance the construction of the new Laguna Honda Hospital. Proposition A, passed in November 1999, authorized the sale of debt for this construction and required that the City apply all available tobacco settlement revenues, as well as state and federal funds that are required to be used to fund such facilities, to the debt service costs, so as not to increase property taxes. No deposits to or withdrawals from the fund are projected.

Appendix 6. Overtime Report

Appendix 1.

5-Year History of Overtime Spending by Department (\$ Millions)

Department	FY 2010-11				FY 2011-12				FY 2012-13				FY 2013-14				FY 2014-15				FY 2014-15 Projection Change from Prior Year Actuals	
	Actual		Actual		Actual		Actual		Revised Budget		July through December 2014		Straight Line Projection		Surplus/ (Deficit)		\$ Million		Percent			
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Revised Budget	July through December 2014	Straight Line Projection	Surplus/ (Deficit)	Surplus/ (Deficit)	\$ Million	Percent	\$ Million	Percent	\$ Million	Percent			
MTA																						
Municipal Railway	52.2	53.2	46.3	53.3	35.6	26.2	52.4	(16.8)	(0.8)	-2%												
Parking & Traffic	2.1	2.5	2.3	2.4	1.6	1.6	3.3	(1.7)	0.9	28%												
Subtotal - MTA	54.3	55.7	48.7	55.6	37.2	27.9	55.7	(18.5)	0.1	0%												
Police																						
General Fund Operations	13.1	10.7	13.0	14.3	15.5	9.0	18.0	(2.5)	3.7	21%												
Special Law Enforcement Services (10B)	8.6	10.4	10.5	10.3	5.3	5.3	10.5	(5.3)	0.2	2%												
Grants & Other Non-10B Special Revenues	1.5	2.1	2.4	1.9	2.0	0.8	1.5	0.5	(0.3)	-22%												
Airport	1.4	1.8	1.8	1.1	1.5	0.5	1.0	0.5	(0.1)	-9%												
Municipal Transportation Agency				0.1	-	0.1	0.1	(0.1)	(0.0)	-20%												
Subtotal - Police	24.6	24.9	27.7	27.7	24.2	15.6	31.1	(6.9)	3.5	11%												
Public Health																						
SF General	4.2	5.1	5.1	5.2	4.5	3.0	6.1	(1.5)	0.9	14%												
Laguna Honda Hospital	5.6	5.7	6.4	5.6	6.0	3.0	5.9	0.1	0.3	5%												
All Other Non-Hospital Operations	0.8	0.8	1.1	1.2	0.7	0.7	1.4	(0.6)	0.2	15%												
Subtotal - Public Health	10.6	11.6	12.6	11.9	11.3	6.7	13.4	(2.1)	1.4	11%												
Fire																						
General Fund Operations	27.7	32.6	40.4	38.0	35.7	17.0	34.0	1.7	(4.0)	-12%												
Grants & Other Special Revenues	-	-	-	0.1	(0.1)	0.2	0.5	(0.6)	0.4	83%												
Airport	2.5	2.8	3.1	4.5	3.7	2.1	4.3	(0.5)	(0.2)	-4%												
Port	0.3	0.2	0.3	0.3	0.4	0.2	0.4	(0.0)	0.1	29%												
PUC Hetch Hetchy				0.0	-	-	-	-	(0.0)	0%												
Subtotal - Fire	30.5	35.6	43.8	42.8	39.7	19.6	39.1	0.6	(3.7)	-9%												
Sheriff																						
General Fund Operations	5.3	7.6	9.8	9.7	9.6	6.7	13.5	(3.9)	3.8	28%												
Grants & Other Special Revenues	0.5	0.8		0.8	0.3	0.4	0.8	(0.4)	(0.0)	0%												
Subtotal - Sheriff	5.8	8.4	10.7	10.5	9.9	7.1	14.3	(4.3)	3.8	26%												
Subtotal - Top 5	\$ 125.8	\$ 136.2	\$ 143.4	\$ 148.6	\$ 122.4	\$ 76.8	\$ 153.6	\$ (31.2)	\$ 5.0	3%												
Public Utilities Commission	5.9	6.2	6.0	6.9	4.0	3.4	6.8	(2.8)	(0.0)	0%												
Recreation & Park	1.4	1.1	1.6	1.2	1.3	0.5	0.9	0.4	(0.3)	-27%												
Human Services Agency	0.6	0.6	0.8	2.9	0.5	2.0	4.0	(3.4)	1.0	26%												
Fine Arts Museum	0.8	0.9	0.7	0.9	0.3	0.5	0.9	(0.6)	0.1	8%												
Public Works	1.4	1.5	2.0	2.3	1.7	1.2	2.4	(0.7)	0.1	4%												
Juvenile Probation	0.8	0.9	1.4	1.5	0.7	0.8	1.7	(0.9)	0.2	11%												
Airport Commission	2.2	2.2	2.5	3.0	3.0	1.7	3.4	(0.4)	0.4	13%												
Elections	0.4	0.4	0.3	0.2	0.4	0.2	0.4	0.1	0.2	48%												
Emergency Management	1.4	1.2	1.1	1.6	1.1	1.2	2.3	(1.2)	0.7	29%												
All Other Departments	3.2	2.9	4.0	3.9	2.31	2.04	4.08	(1.8)	0.2	5%												
Total	\$ 144.0	\$ 154.1	\$ 163.8	\$ 172.9	\$ 137.9	\$ 90.3	\$ 180.5	\$ (42.6)	\$ 7.6	4%												
Top 5 % of Total	87.4%	88.4%	87.6%	85.9%	88.7%	85.1%	85.1%															
Change from Prior Year Actual	\$ 14.0	\$ 12.0	\$ 9.7	\$ 9.1	\$ (35.0)		\$ 7.6															
Total Gross Salaries (Cash Compensation)	\$ 2,529.6	\$ 2,634.5	\$ 2,802.2	\$ 2,869.6	\$ 3,056.4	\$ 1,411.6	\$ 2,823.1															
Overtime as a % of Total Gross Salaries	5.7%	5.8%	5.8%	6.0%	4.5%	6.4%	6.4%															

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From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Support Letter: Mr. Ike Kwon - SFPUC (Ratepayer Advocate Seat)

-----Original Message-----

From: Beverly Dobrus [mailto:belleautumn@comcast.net]
Sent: Tuesday, February 10, 2015 4:21 PM
To: Board of Supervisors (BOS)
Cc: Wheaton, Nicole (MYR)
Subject: Support Letter: Mr. Ike Kwon - SFPUC (Ratepayer Advocate Seat)

The Honorable Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

February 10, 2015

RE: Mr. Ike Kwon - Ratepayer Advocate Seat, SFPUC

Honorable Supervisors,

My name is Beverly Dobrus. I am a first generation San Franciscan who is proud to also claim her immigrant roots. My grandparents and parents, if they were alive, would be stunned to learn that I was reaching out to an official of City government to voice and advocate a position. Such is a favorable change in our times.

I wish to express my strong endorsement for Mr. Ike Kwon for the seat, Ratepayer Advocate, on the San Francisco Public Utilities Commission (SFPUC). I sincerely hope members of the Rules Committee will affirm Mr. Kwon's merits by forwarding his nomination to the full Board of Supervisors for approval.

I am a career educator of forty years in the kindergarten through twelfth grade public school system - both as a teacher and administrator. Thousands of children and their families enriched my life during those wonderful years. Some of my professional relationships such as the one with the Kwon family grew into a personal one as well.

Initially, I learned Mr. Kwon transplanted his family, wife Rhea and two young daughters Somer and Nina, from Chicago to join the California Academy of Sciences as General Manager in 2008. How exciting for Mr. Kwon to pursue a career position that exactly matched his passion, conservation and stewardship of the natural environment. Over subsequent years, I observed the scope of Mr. Kwon's responsibilities extend and how his enthusiastic leadership moved his staff to exceed Academy benchmarks - benchmarks that targeted goals such as reducing water usage, improving staff retention rates, growing membership, balancing budgets, maintaining and expanding infrastructure through innovative means, and creating a welcoming, accessible, fun and a research, teaching and learning living museum for the local and global community. I looked forward to every conversation with Mr. Kwon because while his thinking was broad, his command of detailed information was also deep.

I know with certainty that all of Mr. Kwon's decisions and actions are grounded in ETHICS. His choices align with his espoused beliefs. Mr. Kwon is remarkable in how he seeks out and engages others - to learn, explore and consider diverse, divergent perspectives and gain insights from authentic sources. I take pride in being a San Franciscan. I recognize my

responsibility as a tax payer to support City initiatives that reflect my values (Zero Emission, CleanPower SF, ECotality, etc.), and, participate in governance as a voter. To me, TRUST in the person is paramount. TRACK RECORD of the person is the test. I know Mr. Kwon "walks his talk" by dedicating his professional career to an institution, the California Academy of Sciences, that focuses on sustainability issues; Participating on community based leadership boards such as the District Four Sunset Blueprint Leadership Group; Interacting with citizens in grassroots activities like hosting neighborhood gatherings for the Front Yard Ambassadors Program; and Replicating a living roof on his daughters' backyard club playhouse. Repeatedly, Mr. Kwon's actions demonstrate his personal commitment to the renewal energy movement for all to model.

None of us know with certainty all of the challenges or possible solutions before our City: The shifting demographics of our citizens; The development of new infrastructures and services to keep pace with our growing populace; The building of new housing and commercial centers; The transition of the production of electricity from carbon based fossil fuels to renewable sources (solar, wind, wave, and geothermal); The leveraging of technological innovations including breakthroughs that commercialize clean, non-polluting energy; and, The need to ensure social equity in the access to communal based and financed resources - universal access that is synergistic with the rich backgrounds, cultures and languages of our citizenry.

I believe Ike Kwon's idea to examine established Community Choice Aggregations (CCA) and revive CleanPower SF are initial steps for moving San Francisco closer to its goal of "Zero Emission". Mr. Kwon's professional life mirrors his personal convictions. He has a powerful vested interest - he has two children. From that perspective, transitioning to a sustainable yield economy that is accessible and cost effective for all is not a nice to have - it is a must do. Please allow Mr. Kwon the opportunity to work as a sitting member of the SFPUC with the Board of Supervisors, the Mayor and the citizens of San Francisco. I believe Mr. Kwon can move many sustainability initiatives forward including CleanPower SF. Likened to the Double Platinum LEED Rating that the California Academy of Sciences proudly touts, San Francisco can attain its own "Double Platinum" status as a model among green cities.

Thank you for considering my view points; and, why I support Ike Kwon for the seat of Ratepayer Advocate on the San Francisco Public Utilities Commission.

Yours truly,

Beverly Dobrus
811 - 30th Avenue
San Francisco, CA 94121
bcdobrus001@comcast.net

Sent from my iPad

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Google and Genentech buses take the corners and almost the pedestrians

-----Original Message-----

From: Aaron Goodman [<mailto:amgodman@yahoo.com>]

Sent: Tuesday, February 10, 2015 7:48 PM

To: Board of Supervisors (BOS)

Subject: Google and Genentech buses take the corners and almost the pedestrians

Tonight at Glen Park watched at around 630pm as a Google bus turning near the congested and construction zone blockaded intersection a Google bus take the turn and could not make it he than ran over the orange cone that protects the pedestrians and hit the Orange blockade pushing it towards the pedestrian crossing and than the next bus turned the Genentech bus turned too fast and slowed before hitting pedestrians crowded behind the Orange barricade.

Busses are not making the turn at Glen park station!!!! They are too big with larger crossing bulb outs and tight SF streets

It's getting very dangerous!!!

A.Goodman D11

Sent from my iPhone

From: Reports, Controller (CON)
Sent: Wednesday, February 11, 2015 1:53 PM
To: Calvillo, Angela (BOS); Gosiengfiao, Rachel (BOS); 'BOS-Supervisors'; BOS-Legislative Aides; Kawa, Steve (MYR); Howard, Kate (MYR); Falvey, Christine (MYR); Elliott, Jason (MYR); Steeves, Asja (CON); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); sfdocs@sfpl.info; gmetcalf@spur.org; bob@sfchamber.com; jballesteros@sanfrancisco.travel; CON-EVERYONE; CON-CCSF Dept Heads; CON-Finance Officers
Subject: Issued: Controller's Office Government Barometer – Quarter 2, Fiscal Year 2015

The Office of the Controller has issued the Government Barometer: Quarter 2, Fiscal Year 2015. The Government Barometer is published as an interactive website at sfgovbar.weebly.com. Users can view trends, adjust timelines, and build their own charts using any of the Government and Economic Barometer measures.

The purpose of the Barometer is to share key performance and activity information with the public in order to increase transparency, create dialog, and build the public's confidence regarding the City's management of public business. The report lists measures in major service areas, such as public safety, health and human services, and streets and public works.

To view the full report, please visit the Government Barometer online tool at: sfgovbar.weebly.com. The PDF version of the report can be accessed at <http://openbook.sfgov.org/webreports/details3.aspx?id=1883>, or on the Controller's website (<http://www.sfcontroller.org/>) under the News & Events section and on the Citywide Performance Measurement Program website (www.sfgov.org/controller/performance) under the Performance Reports section.

For more information please contact:

Office of the Controller
City Services Auditor Division
Phone: 415-554-7463
Email: Performance.con@sfgov.org

Follow us on Twitter @SFController



GOVERNMENT BAROMETER: Quarter 2, Fiscal Year 2015
City and County of San Francisco

Office of the Controller

February 11, 2015

Summary

The Office of the Controller’s Citywide Performance Measurement Team collects performance data from City departments on a quarterly basis in order to increase transparency, create dialogue, and build the public’s confidence regarding the City’s management of public business. Measures are listed according to major service areas, such as public safety, health and human services, and public transit. Measures of interest are highlighted below.

Measure Highlights: Department of Public Works and the Pavement Condition Index (PCI)

In the first few days of 2015, Public Works reported a citywide average Pavement Condition Index (PCI) score of 67 for calendar year 2014, up from a score of 66 in 2013. PCI rates City blocks on a 0-100 scale, assigning a low score of zero for a badly deteriorated road and a high of 100 for a freshly paved block. The information is tracked by the regional Metropolitan Transportation Commission and assigns a PCI score based on ride quality, cracking and signs of pavement distress. A score of 85-100 is rated as “excellent,” 70-84 “good,” 50-69 “at-risk,” and 0-49 “poor/very poor.” Roughly half of San Francisco City blocks are rated good or excellent. The new 2014 rating surpasses the current California statewide average of 66.

	PCI Change (Actual data: Jul 2011, Dec 2013, and Dec 2014)				
	Excellent No treatment 85-100 \$0	Good Preservation 70-84 \$31,000	At-risk Resurfacing 50-69 \$129,000	Poor Resurfacing with Base 25-49 \$146,000	Very Poor Reconstruct 0-24 \$231,000
Count as of Jul 2011	2,445	3,858	3,601	2,372	586
Count as of Dec 2013	2,827	3,738	3,404	2,317	573
Count as of Dec 2014	2,632	4,175	3,438	2,335	312

Public Works tracks the impacts of wear, erosion and aging of each street, and assesses street deterioration with a rating for each of the City’s almost 13,000 blocks. The chart above shows the number of blocks rated “excellent” to “very poor” for July 2011, December 2013 and December 2014. Public Works has a cost-effective pavement-management strategy, which preserves streets in good condition instead of letting them deteriorate. The dollar value in the top row of the chart indicates the average estimated cost to treat a block in the category. Complete reconstruction of an average sized block in poor or very poor condition can be \$231,000 (or higher if other elements are included) while extending the life of a block in good condition can cost around \$31,000. Strategic preservation treatments increase the life cycle of each block and reduce the lifetime costs per block.

San Francisco is achieving its first continual improvement in PCI since scores started to decline two decades ago from underinvestment. In November 2011, San Francisco voters passed the \$248 million Road Repaving and Street Safety bond at a critical time for San Francisco’s streets. Prior to passage of the three-year “Streets Bond,” San Francisco paved and resurfaced about 400 blocks a year, less than half of today’s pace. About 2,400, or 20 percent, of San Francisco’s City-maintained blocks will be treated by the end of 2015 through funding from the Streets Bond as well as different sources of local and state money. If current funding levels are maintained, the citywide average PCI could improve to 70 in fewer than 10 years.

Source: “San Francisco Street Pavement Condition Improves for Third Straight Year.” *Press release*. 2 January 2015.

City and County of San Francisco
 Controller's Office
 Government Barometer
 Quarter 2



Activity or Performance Measure	Rolling Yearly Average	Prior Period Average	Current Period Average	Period-to-Period		Year-to-Year	
				% Change	Trend	% Change	Trend
Public Safety							
Total number of serious violent crimes reported (homicide, forcible rape, robbery, and aggravated assault, per 100,000 population)	67.3	70.7	67.8	-4.2%		8.1%	
→ Data from July 2012 to present has been revised to reflect a methodology change: the calculated crime rate now uses the Census population figure to align with the Police Department's CompStat program. In addition, the Police Department noted that 2013 and 2014 Violent Crimes data cannot be compared due to change in UCR definition of Rape per FBI and DOJ.							
Total number of serious property crimes reported (burglary, larceny-theft, motor vehicle theft, and arson, per 100,000 population)	451.1	457.3	493.5	7.9%		2.8%	
→ Data from July 2012 to present has been revised to reflect a methodology change: the calculated crime rate now uses the Census population figure to align with the Police Department's CompStat program.							
Average daily county jail population	1,285	1,310	1,244	-5.0%		-2.9%	
Total active probationers	4,577	4,473	4,182	-6.5%		-18.6%	
→ Total active probationers continues to decline, down 6.5% since the previous quarter and by 18.6% compared to the same quarter of the previous year.							
Average daily juvenile hall population	70	64	70	8.3%		10.0%	
Juvenile Probation referrals (all youth referred to the Juvenile Probation Department)	106	107	92	-14.1%		-15.9%	
Percentage of 9-1-1 calls answered within 10 seconds	77%	75%	81%	7.5%		1.2%	
→ The percentage of 9-1-1 calls answered within 10 seconds increased by 7.5% since the previous quarter and by 1.2% compared to the same quarter of the previous year.							
Average 9-1-1 daily call volume	1,701	1,731	1,803	4.1%		15.4%	
→ Average 9-1-1 daily call volume increased by 4.1% since the previous quarter and by 15.4% compared to the same quarter of the previous year.							
Percentage of fire/medical emergency calls responded to within 5 minutes	82.3%	82.7%	83.1%	0.5%		-4.4%	
Health and Human Services							
Average daily population of San Francisco General Hospital	312	306	306	-0.2%		-1.9%	
Average daily population of Laguna Honda Hospital	758	756	758	0.3%		-0.8%	
Number of DPH Medi-Cal members (Hospital Services Enrollees)	48,230	51,150	57,496	12.4%		109.7%	
→ The number of DPH Medi-Cal members (Hospital Services Enrollees) continues to increase dramatically, up 12.4% since the previous quarter and by 109.7% since the same quarter of the previous year. Eligible participants continue to transition to Medi-Cal or other insurance products under health reform.							

City and County of San Francisco
 Controller's Office
 Government Barometer
 Quarter 2



Activity or Performance Measure	Rolling	Prior	Current	Period-to-Period		Year-to-Year	
	Yearly	Period	Period	% Change	Trend	% Change	Trend
Average	Average	Average	Average				
Total number of Healthy San Francisco participants	28,045	22,154	16,978	-23.4%		-63.2%	
<p>→ The total number of Healthy San Francisco participants continues to decrease dramatically, down 23.4% since the previous quarter and 63.2% compared to the same quarter of the previous year. Eligible participants continue to transition to Medi-Cal or other insurance products under health reform.</p>							
Current active CalWORKs caseload	4,312	4,322	4,235	-2.0%		-2.4%	
Current active County Adult Assistance Program (CAAP) caseload	5961	5902	5606	-5.0%		-6.0%	
Current active Non-Assistance Food Stamps (NAFS) caseload	27,384	27,055	27,172	0.4%		-1.5%	
Percentage of all available homeless shelter beds used	95%	95%	93%	-1.4%		-2.4%	
Average nightly homeless shelter bed use	1,082	1,087	1,076	-1.0%		-1.0%	
Total number of children in foster care	1,059	1,051	1,053	0.2%		0.9%	
Streets and Public Works							
Volume of reported graffiti (public)	859	923	741	-19.7%		-16.8%	
<p>→ The volume of reported graffiti (private) decreased by 19.7% since the previous quarter and by 16.8% since the same quarter of the previous year. October volume was abnormally low, but November and December volumes returned to typical (albeit slightly low) levels.</p>							
Volume of reported graffiti (private)	1,295	1,525	1,137	-25.4%		-1.9%	
Volume of street cleaning requests	4,046	4,567	4,674	2.4%		62.1%	
<p>→ Volume increased slightly from Q1 to Q2. Though DPW received fewer steam cleaning requests, the number of general street cleaning and packer truck/illegal dumping requests increased. The 62.1% increase compared to the same quarter of the previous year is consistent with the pattern over the last 12 months: volume of street cleaning requests has been steadily increasing each quarter.</p>							
Percentage of street cleaning requests responded to within 48 hours	95.1%	97.0%	94.1%	-3.0%		-0.6%	
Percentage of graffiti requests on public property responded to within 48 hours	90.1%	97.3%	74.2%	-23.8%		-21.8%	
<p>→ Percentage of graffiti requests on public property responded to within 48 hours decreased by 23.8% since the previous quarter and by 21.8% compared to the same quarter of the previous year. During the severe rainstorms in December, graffiti abatement crews assisted with storm-related activities (sandbags, cleaning catch basins, debris removal, etc.) rather than graffiti removal.</p>							

City and County of San Francisco
 Controller's Office
 Government Barometer
 Quarter 2



Activity or Performance Measure	Rolling	Prior	Current	Period-to-Period		Year-to-Year	
	Yearly	Period	Period	% Change	Trend	% Change	Trend
Average	Average	Average	Average				
Public Transit							
Percentage of Muni buses and trains that adhere to posted schedules	57.7%	56.4%	55.8%	-1.1%		-4.0%	
→ Percentage of Muni buses and trains that adhere to posted schedules decreased by 2.9% since the previous quarter and by 5.8% since the same quarter of the previous year.							
Percentage of Muni buses and trains that adhere to posted schedules - Rapid Network	57.3%	56.2%	53.9%	-4.1%		-7.1%	
Average daily number of Muni customer complaints regarding safety, negligence, discourtesy, and service delivery	42.4	41.7	42.4	1.7%		-3.0%	
Recreation, Arts, and Culture							
Average score of parks inspected using park maintenance standards	90.8%	90.0%	N/A	N/A		N/A	
→ New park standards and new data collection methodology were recently implemented and there is currently no database to house data. No park scores have been generated since Q4 FY14, and it is anticipated that scores will be available beginning Q4 FY15.							
Total number of individuals currently registered in recreation courses	12,006	13,943	9,697	-30.5%		-0.3%	
→ Total number of individuals currently registered in recreation courses has decreased by 30.5% since the previous quarter yet remained flat since the same quarter of the previous year. There are four seasonal sign-ups plus summer camp, and this trend is consistent with the seasonal cycle.							
Total number of park facility (picnic tables, sites, recreation facilities, fields, etc.) bookings	6,965	7,454	6,679	-10.4%		2.7%	
→ Total number of park facility bookings decreased by 10.4% since the previous quarter yet remained relatively flat compared to the same quarter of the previous year. Bookings and permits for facility usage follow a regular annual calendar and this trend is consistent with the seasonal cycle.							
Total number of visitors at public fine art museums (Asian Art Museum, Legion of Honor, and de Young)	147,763	140,989	125,632	-10.9%		-9.8%	
→ All three fine arts museums experienced low attendance in October before major exhibitions opened in late October and early November. Special exhibition "Roads of Arabia" opened Oct 24 at the Asian Art Museum, "Keith Haring: The Political Line" opened at the de Young on November 8 and "Houghton Hall: Portrait of an English Country House" opened at the Legion of Honor on October 18.							
Total circulation of materials at main and branch libraries	893,710	932,277	853,849	-8.4%		-2.7%	
Environment, Energy, and Utilities							
Average monthly energy usage per SFPUC street light (kilowatt hours)	51.3	42.0	58.0	38.1%		32.4%	
Per capita water sold to San Francisco residential customers (gallons per capita per day)	47.7	48.0	45.8	-4.6%		-6.0%	

City and County of San Francisco
 Controller's Office
 Government Barometer
 Quarter 2



Activity or Performance Measure	Rolling Yearly Average	Prior Period Average	Current Period Average	Period-to-Period		Year-to-Year	
				% Change	Trend	% Change	Trend
Average monthly water use by City departments (in millions of gallons)	125.8	123.0	113.1	-8.0%		-19.6%	
<p>→ As of September 23, 2014, this data has been revised to remove Treasure Island residential and commercial water sales, which were categorized incorrectly. Data provided in Fiscal Year 2014 is not directly comparable with data provided previously due to a change from bi-monthly to monthly billing, which impacted data collection for this measure. Data in this report for Fiscal Year 2014 includes a downward adjustment of 3.6 million gallons per month, which is an estimated compensation for the variation in the data attributable solely to the change in data collection methods.</p>							
Average monthly energy usage by City departments (in million kilowatt hours)	73.1	72.9	72.3	-0.8%		-1.2%	
Streetlight outages by month	369.8	389.0	412.3	6.0%		-16.9%	
Percent of streetlight outages resolved within 48 hours	60.5	61.0	53.3	-12.6%		27.1%	
Average workday tons of trash going to primary landfill	1433.2	1426.9	1475.2	3.4%		6.6%	
Percentage of curbside refuse diverted from landfill	59.2%	60.6%	57.8%	-4.7%		-1.7%	
Permitting and Inspection							
Value (estimated cost, in millions) of construction projects for which new building permits were issued	\$100.0	\$108.6	\$130.8	20.4%		-36.2%	
Percentage of all building permits involving new construction and major alterations review that are approved or disapproved within 90 days	55%	60%	54%	-9.5%		-6.4%	
Percentage of categorical exemptions (California Environmental Quality Act) reviewed within 45 days	63%	71%	N/A	N/A		N/A	
<p>→ Percentage of categorical exemptions (California Environmental Quality Act) cannot be reported this quarter because the Planning department recently went live with Permit and Project Tracking System (PPTS) in October of 2014 and is developing reporting capabilities in order to report on various measures of performance.</p>							
Percentage of life hazard or lack of heat complaints responded to within one business day	93%	91%	89%	-1.8%		-2.9%	
Percentage of customer-requested construction permit inspections completed within two business days of requested date	97%	97%	96%	-0.8%		0.5%	
Customer Service							
Average daily number of 311 contacts, across all contact channels	5,159	5,046	4,985	-1.2%		-3.8%	
Percentage of 311 calls answered by call takers within 60 seconds	64%	62%	70%	12.4%		-8.5%	

City and County of San Francisco
 Controller's Office
 Government Barometer
 Quarter 2



Activity or Performance Measure	Rolling Yearly Average	Prior Period Average	Current Period Average	Period-to-Period % Change	Trend	Year-to-Year % Change	Trend
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Notes:

The Government Barometer is issued four times a year. Each report will include new data from the prior three months.
 The Rolling Yearly Average is the average of monthly values for the most recent month and 11 months prior (e.g., the average of January 2014 to December 2014).
 The Prior Period Average value reflects the average of the three months prior to the Current Period (e.g. for the Q2 FY2015 report: July, August, September 2014).
 The year-to-year change reflects the change since the same period last year (e.g., Oct-Dec 2014 compared to Oct-Dec 2013).
 Trend lines are made up of monthly data provided by departments. The scale of the trend lines can give the appearance of major changes to small fluctuations.
 For additional detail on measure definitions and department information, please review the Government Barometer Measure Details at [http://sfnobar.weebly.com/](#)
 Values for prior periods (e.g. July-September 2014) may be revised in this report relative to their original publication.

To prepare this report, the Citywide Performance Measurement Program has used performance data supplied by City Departments. The Departments are responsible for ensuring that such performance data is accurate and complete. Although the Citywide Performance Measurement Program has reviewed the data for overall reasonableness and consistency, the Program has not audited the data provided by the Departments.

CONTROLLER'S OFFICE
CITY SERVICES AUDITOR

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the city to other public agencies and jurisdictions.
- Conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of city resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of city government.

About the Government Barometer:

The purpose of the Government Barometer is to share key performance and activity information with the public in order to increase transparency, create dialog, and build the public's confidence regarding the City's management of public business. The report lists measures in major service areas, such as public safety, health and human services, streets and public works, public transit, recreation, environment, and customer service. This is a recurring report. The Quarter 3, FY2015 report is scheduled to be issued in early May 2015.

For more information, please contact the Office of the Controller, City Services Auditor Division.

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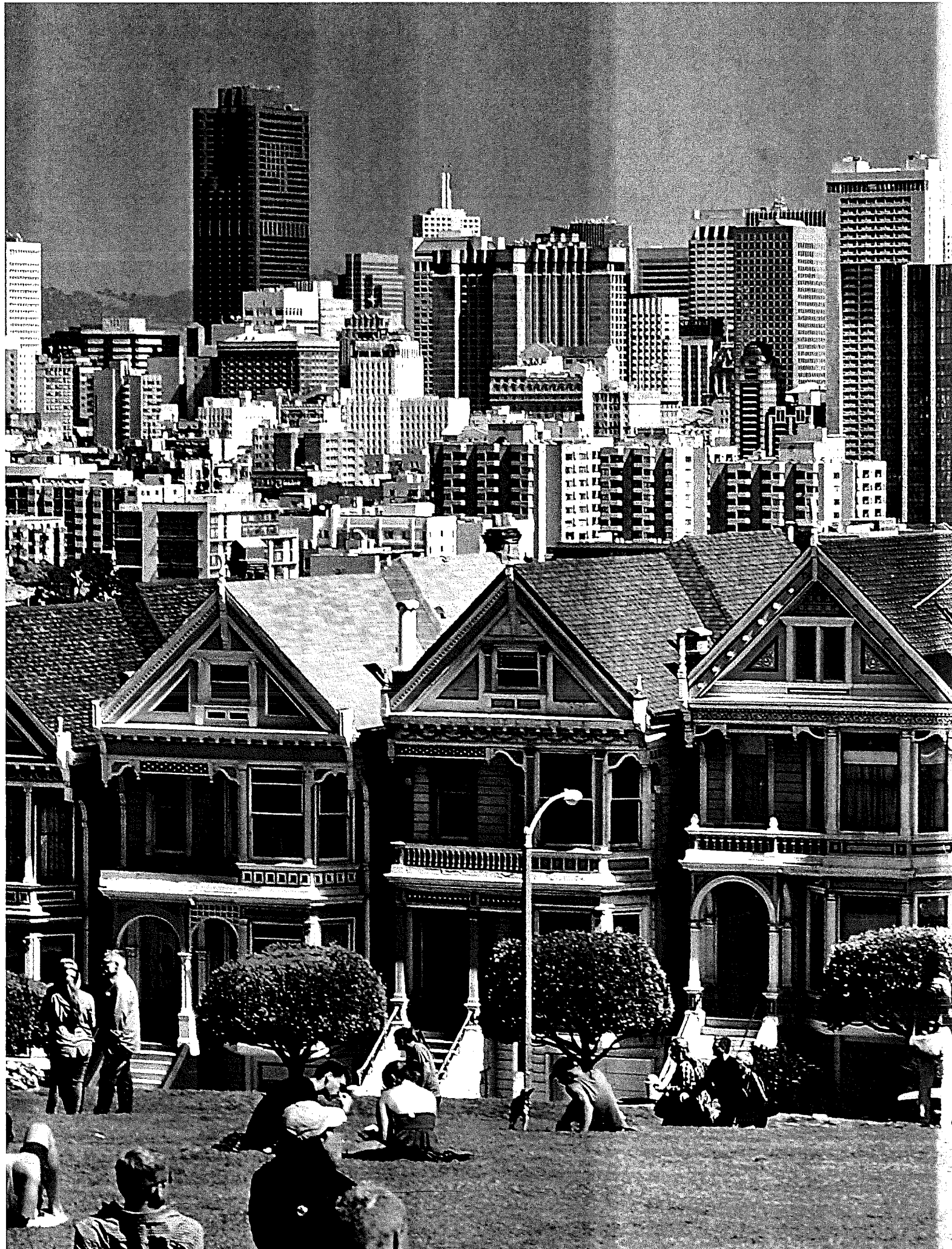


OFFICE OF THE ASSESSOR-RECORDER
Carmen Chu, Assessor-Recorder

ANNUAL REPORT

28





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TABLE OF CONTENTS

INTRODUCTION	1
Message from the Assessor-Recorder	2
Core Responsibilities	4
Highlights of the Past Year	4
Areas of Focus for Upcoming Year	5
CCSF FY 2013-14 BUDGET	6
How Property Taxes Are Spent	7
General Fund Revenues Fund Critical Services	8
San Francisco FY2013-14 Revenue Sources	9
Highlighting Transfer Tax	10
OPERATIONAL AREAS	11
Real Property Division	11
Assessment Appeals	12
Supplemental & Escapes	13
Temporary Property Tax Reductions	13
Assessment Roll Growth	15
Assessment Roll By Property Types	16
Assessment Roll By Neighborhoods	18
Largest Tax Payers	21
Unsecured Roll Continues to Grow	23
Business Personal Property Division	23
Business Personal Property Division	23
Exemptions Division	24
Exemptions From Property Taxes	24
Recording Division	26
Recording Public Records	26
Recording Public Marriage Licenses	27
Foreclosures	28
ORGANIZATION	29
Staff	30
FREQUENTLY ASKED QUESTIONS	31
GLOSSARY	37
KEY DATES - 2015	40



MESSAGE FROM THE ASSESSOR-RECORDER

As the fiscal year comes to a close, I want to take a moment to thank you for the opportunity to serve as your Assessor-Recorder and to reflect on the work we have accomplished collectively to improve customer service and to bring the resources needed to do our job well.

Compared to the prior fiscal year, our office closed the San Francisco property roll at a cumulative value of approximately \$182 billion. This represents a year-to-year growth of 5.2%. This is due in part to the improving real estate market, additional construction across San Francisco, and overall stronger economic business climate. Fiscal Year 2013-14 (FY14) was the fifth consecutive year of transfer tax revenue growth signaling healthy turnover of property ownership in the County. In fact, the FY14 transfer tax revenue of \$234 million is the highest level we have seen in the County's recent ten year history.

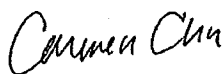
Heightened activity in the real estate and business markets means increased demand for the work of our Office. For example, we are responsible for assessing property when there has been a change in ownership, when there is construction occurring that changes the value of property and when more businesses report the personal property they own. And while San Francisco is beginning to see a reduction in the amount of assessment appeals filed to reduce assessment values, the past fiscal year still reflected a historic high level of appeals filed at 5,051 - for perspective, the ten year average number of appeals filed prior to Fiscal Year 2009-10 was 1,479. Working down these active assessments will continue to be a focus of our organization heading into 2015.

Part of the strategy for meeting this challenge has been to proactively seek the additional resources needed to meet our workload demands. I am proud to announce that San Francisco is one of nine counties in California selected for a three year pilot with the State County Assessors Partnership Program bringing an additional \$1,285,000 in much needed resources to San Francisco.

Meanwhile our core values of service continue to drive our efforts to improve customer service. We have fully launched our electronic recording process to provide convenience to taxpayers and now have over 50 percent of our annual recorded documents submitted through the electronic portal! Our extensive outreach to merchants on their option to file online has more than doubled the number of businesses electronically filing their annual property statements last year! And we are doing more to improve accessibility to our services and information by launching our first ever community newsletter and in 2015 launching our new and improved web portal for at-your-finger-tip information seven days a week - 24 hours a day. Finally, we are moving forward with plans to reconfigure our public counter in City Hall to improve the customer service process and to eliminate confusion.

The Office of the Assessor-Recorder strives to meet your expectations for professional and efficient service, and we are honored to serve you. In closing, I would like to thank my entire team for their commitment and hard work so that we can provide you with the highest level of public service.

Sincerely,



Assessor-Recorder
City & County of San Francisco



CORE RESPONSIBILITIES

The Office of the Assessor-Recorder is responsible for carrying out the property tax-related functions governed by the State Constitution and state and local laws.

Our core responsibilities include locating all taxable property in the City and County of San Francisco (CCSF), identifying ownership, establishing a taxable value, and applying all legal exemptions. Property broadly includes both real property (land and improvements) and personal property owned by businesses. The Office of the Assessor-Recorder is also responsible for recording documents and maintaining those public records. Over 400 different types of documents are recorded annually, including documents like deeds of trust, reconveyances, liens, and public marriage licenses. The Office is also responsible for collecting any transfer tax due upon a change in property ownership.

HIGHLIGHTS OF THE PAST YEAR

571-L Online Processing

San Francisco business owners are now offered a more convenient way to file their Business Property Statement (Form 571-L) with the Office of the Assessor-Recorder. Filing the Form 571-L is required by state law and is how businesses report the taxable business property they own (machinery, equipment, fixtures, etc.). By using an online portal located on our website, business owners are now able to quickly and securely file their 571-L statement via the internet, saving time and resources.

Completion of e-Recording

E-Recording has been fully phased in for all authorized submitters (title companies, institutional lenders, title insurer, etc.). The e-Recording process creates operational efficiencies that allow the Office to direct staff resources to other vital record preservation activities. Rather than submitting paper documents to be recorded, scanned and then mailed back to taxpayers, e-Recording allows submitters to directly record their documents from the convenience of their office or home. E-Recording is part of the ongoing effort to improve convenience for taxpayers and streamline operations.

SCAPAP Grant Funding

The Office of the Assessor-Recorder applied for and was awarded a grant through the State-County Assessor's Partnership Agreement Program (SCAPAP). The program, which was established by the California State Legislature and Governor Jerry Brown, establishes a three-year pilot program limited to nine competitively selected county assessors' offices to provide funding to improve assessors' ability to perform essential property tax duties, such as assessments and enrollments. The funding will be used to hire additional staff to reduce the Office's new construction workload.

Online Change of Mailing Address

Launched in the beginning of 2014, taxpayers now have the option to update their mailing information online simply by completing a form on the Assessor-Recorder's website (www.sfassessor.org). Allowing property owners to more easily update their mailing address through our online portal improves the information our office has on record and helps to eliminate mailing, printing and processing costs. This online tool is an example of how the transition to electronic forms can create greater convenience for our customers.

Launch of Community E-Newsletter

The Office's first Community e-Newsletter was launched to help inform the public about the work that we do and the services that are available to both businesses and homeowners. The quarterly e-Newsletter informs taxpayers of important dates regarding their property assessment, events occurring in different communities and neighborhoods, and industry news that relates to real estate in San Francisco. For more information, email assessor@sfgov.org.

Implemented Assessment Appeals Board

In collaboration with the Board of Supervisor's Assessment Appeals Board, an additional third Assessment Appeals Board (AAB) became operational in 2014. This new AAB has expanded the ability to more quickly hear assessment appeals filed by taxpayers. Additionally, this new AAB offers evening hearings that may accommodate those taxpayers unable to attend appointments during the workday.

AREAS OF FOCUS FOR 2015

Launch of New Website

The Office of the Assessor-Recorder plans to launch a new and improved website in early 2015. The new website will offer user-friendly features, streamlined content, and a more accessible format for all customers. The site focuses on serving all taxpayers who work with our Office, as well as business owners in San Francisco.

Customer Service Improvements

With the goal of improving customer service, the Office of the Assessor-Recorder will be reconfiguring our public front counter in our City Hall office. The new design will assist in improving the workflow for customers and staff. In addition, payment options will be expanded to include additional debit and credit card machines to reduce wait times.

Digitizing Real Property Files

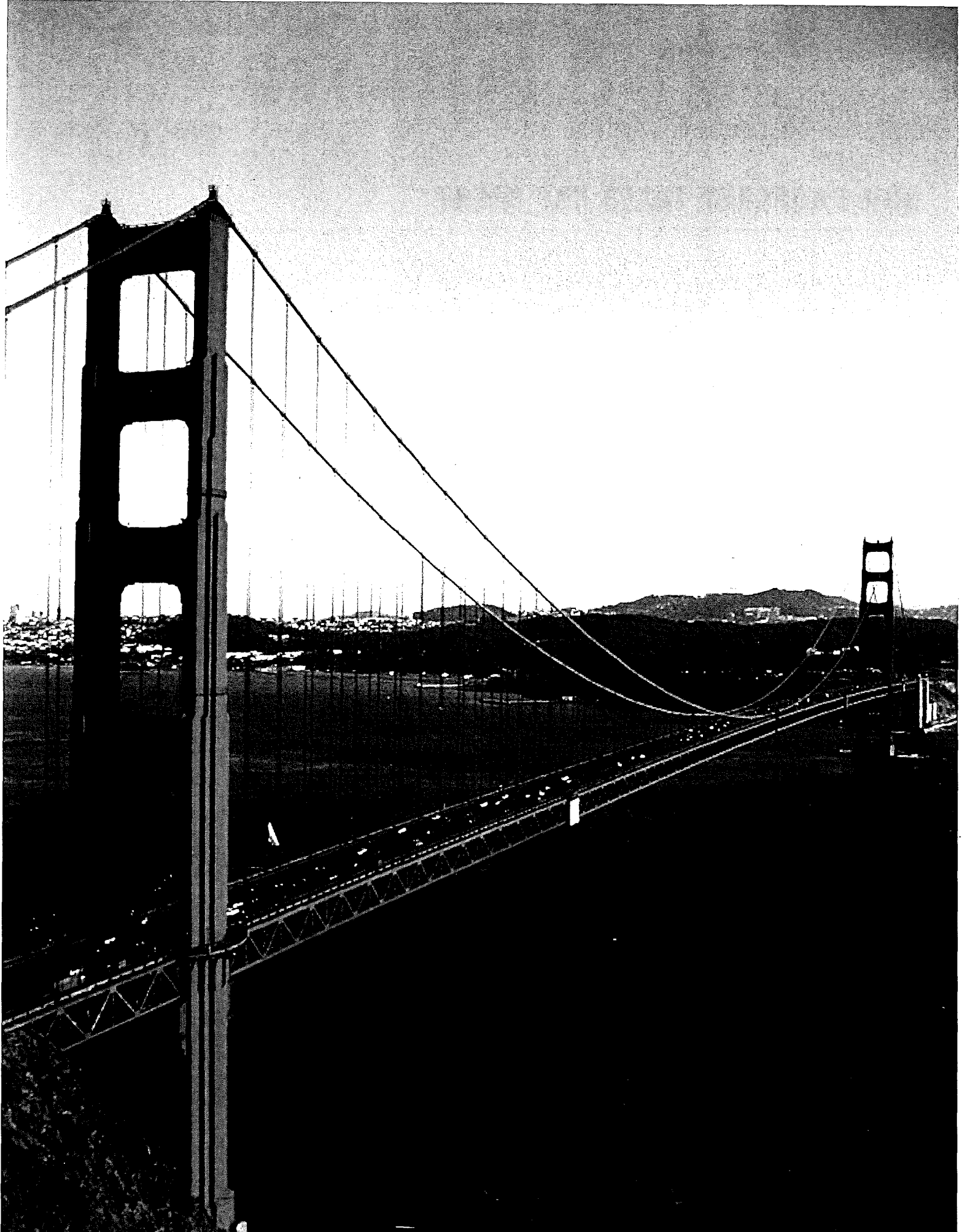
As of June 30, 2014, there are 205,130 unique parcels in the City and County of San Francisco, each having historic property ownership and assessment information. Beginning in 2015, our office will begin the work of digitizing our real property files. Digitizing the files will ensure that the records are appropriately preserved for historic information and allow greater efficiency for staff access to files.

Language Access and Cultural Competency

The Office of the Assessor-Recorder will continue to meet the needs of all our residents including customers with language needs. An example of this effort is the Language Survey Notification mailed out each year by the Office. This survey informs taxpayers of their ability to request a Notice of Assessed Value in Chinese, Spanish or Tagalog – translated samples in various other languages are also available on the Office's website.

Meeting the Appraisal Workload through Increased Resources

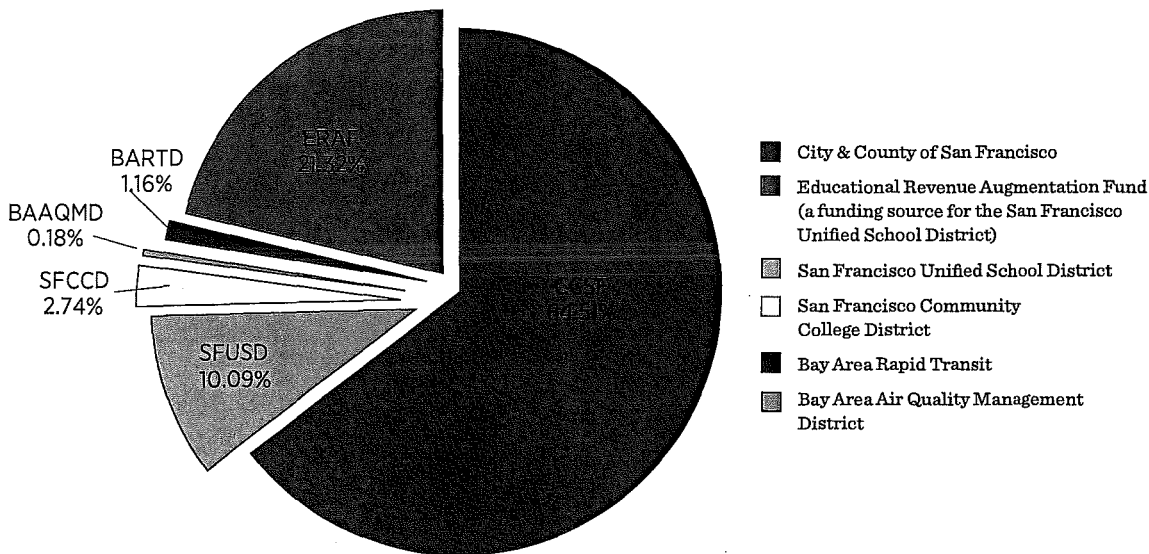
The Office successfully advocated for funds from local and State sources to help bridge the gap in need to complete our required assessment work. In 2015, the Office will continue to work to implement these proposals and put these funds to use through the hiring of additional staff and adoption of process improvements.



HOW PROPERTY TAXES ARE SPENT

The Office of the Assessor-Recorder plays a critical role in administering state and local property tax laws. The Office is responsible for determining the assessed value of all taxable property in the City and County of San Francisco, as well as approving and applying all legal exemptions. The assessed value is the basis that is used to determine each property owner's property tax obligation. Generally, a 1% statewide ad valorem property tax is applied on the assessed value and is collected to support public services. The collected property tax, in turn, is allocated among different government entities or public purposes. The chart below provides a picture of how one dollar of ad valorem property taxes is distributed. Note that the City and County of San Francisco's share of ad valorem tax collected is about \$0.65 for every \$1.00 collected, before considering additional taxes needed to pay voter-approved General Obligation bond debt.

How Property Taxes Are Distributed



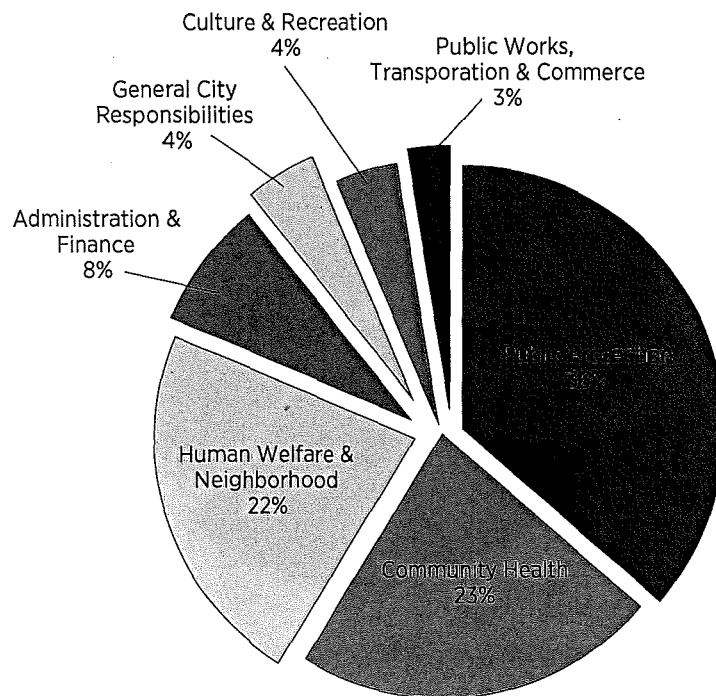
**Source: City & County of San Francisco FY 2013-14 Annual Appropriations Ordinance*

Additionally, the offices of the Treasurer & Tax Collector and the Controller work to collect and determine if there are any additional taxes to be levied as approved by the voters. These additional voter-approved taxes may include authorized general obligation bonds, parcel taxes for dedicated purposes, or other special assessments.

GENERAL FUND REVENUES FUND CRITICAL SERVICES

San Francisco's share of property taxes provides the means to support many critical local public services. The chart below shows how General Fund revenues (revenues that are not dedicated for a specific purpose by the voters) were allocated in Fiscal Year 2013-14. The largest component of the operating budget totaling 36% consists of Public Protection services, which include the Police, Fire, and Sheriff departments, as well as the District Attorney and Public Defender offices. Community Health (23%) and Human Welfare & Neighborhood Development (22%) services comprise the next two largest components of budgeted spending.

How Does San Francisco Spend Its General Fund Money?

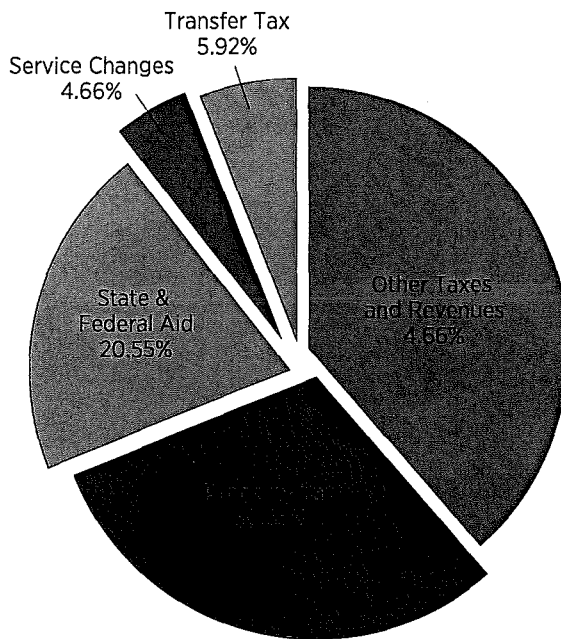


** Source: City & County of San Francisco FY 2013-14 Annual Appropriations Ordinance*

PROPERTY TAXES REPRESENT MORE THAN ONE-THIRD OF SAN FRANCISCO'S GENERAL FUND REVENUES

In addition to the types of services funded, it is also important to note that property-related tax revenue continues to be a significant component of the total revenues for the City and County of San Francisco. In Fiscal Year 2013-14, budgeted property tax revenue accounted for more than 35% of the City's General Fund revenue, or over \$1.3 billion. Approximately 6% of that property tax revenue was generated through transfer tax collected when a change in ownership of a property occurs.

Where Does San Francisco's General Fund Revenue Come From?

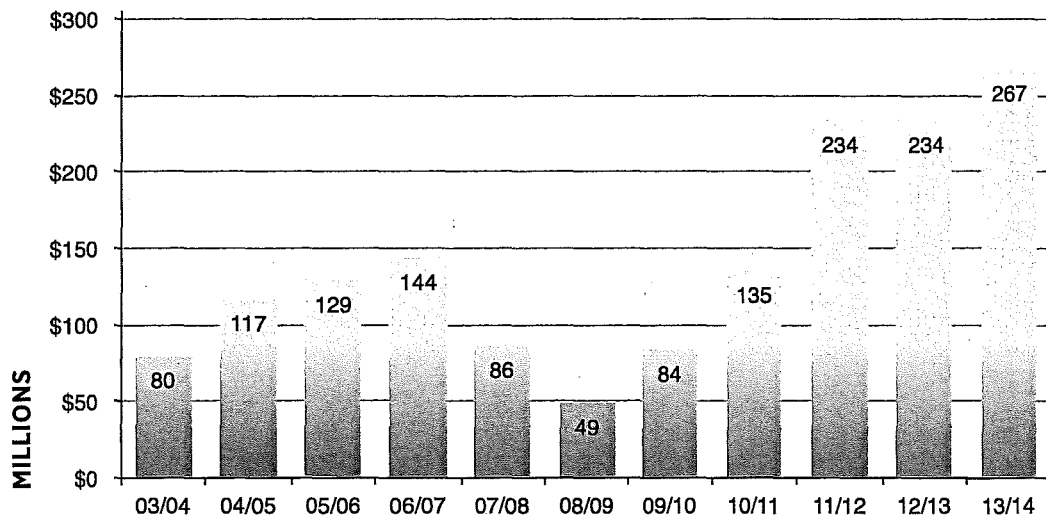


**Source: City & County of San Francisco FY 2013-14 Annual Appropriations Ordinance*

TRANSFER TAX

In Fiscal Year 2013-14, approximately 6% of total General Fund revenue was attributed to transfer tax collection. Transfer taxes are paid whenever ownership in real property changes. Transfer tax rates are set by local laws approved by voters. The last change in transfer tax rates were approved in November 2010, by San Francisco voters and became effective on December 17, 2010. Transfer tax is driven by the number of properties bought or sold, and by the sales price of the properties that change ownership. Transfer taxes fluctuate from year to year depending on activity in the real estate market. Strong investor demand for San Francisco commercial real estate pushed up both sales volume and prices, resulting in all-time high transfer tax collections in Fiscal Year 2013-14. Transfer tax revenues have increased in each of the last five fiscal years.

CCSF Transfer Tax



OPERATIONAL AREAS

REAL PROPERTY DIVISION

The Real Property division focuses on valuing real property for assessment purposes. Real property consists of land and improvements and is organized by parcels. In Fiscal Year 2013-14, there were over 205,000 real property parcels in the City and County of San Francisco ranging from condominium units and single-family homes, to large commercial high-rises. The Real Property division is responsible for reassessing property values when there has been a change in ownership or new construction activity, reviewing assessment appeals cases, valuing possessory interest, and administering the City's real estate watchdog program. The Real Property division saw a significant increase in assessment appeals between the years of 2008-2013. Meanwhile, the resurgence in the real estate market over the last year, consisting of new construction activity and changes in ownership, has contributed greatly to an overall increase in our workload. As of June 30, 2014, there were 6,279 outstanding assessment appeals, 4,474 change-in-ownership and 7,965 new construction assessments pending for review.

ASSESSMENT APPEALS BOARD

The Assessment Appeals Board (AAB) is independently appointed by the San Francisco Board of Supervisors and is responsible for scheduling and hearing all filed assessment appeals on property taxes. The Office of the Assessor-Recorder works to ensure that all appeals cases are reviewed in preparation for appeals hearings before the Assessment Appeals Board.

History of Assessment Appeals Filed

Fiscal Year	Filed	Closed	Pending
2004-05	1,703	1,683	n/a
2005-06	1,090	1,523	n/a
2006-07	1,365	1,611	n/a
2007-08	988	1,365	623
2008-09	2,476	2,050	1,052
2009-10	6,620	2,526	5,103
2010-11	5,949	4,270	6,912
2011-12	6,399	5,563	7,729
2012-13	5,500	5,993	7,421
2013-14	5,051	6,092	6,279

**N/A – Data is Not Available for these time periods*

PENDING ASSESSMENTS

Over the last several years the nation's economic recession and its impacts to the real estate market have had a particularly significant effect on the work of the Office of the Assessor-Recorder. To illustrate this point, the average number of appeals filed was only 1,479 in the ten years before Fiscal Year 2009-10. Beginning in FY 2009-10 and through FY 2013-14 the number of new appeals filed averaged 5,937 each year, or more than four-fold increase in filings. Even with recent improvements in the market over the last two fiscal years, the number of new appeals filed was still at historic highs.

Over the last two years, the Office of the Assessor-Recorder has successfully advocated to hire additional staff to improve the efficiency of the Office and ensure that the workload is completed more expeditiously. The number of open cases at year end has declined as has the number of appeals cases closed annually. The number of open appeal cases peaked in FY 2011-12 at 7,729.

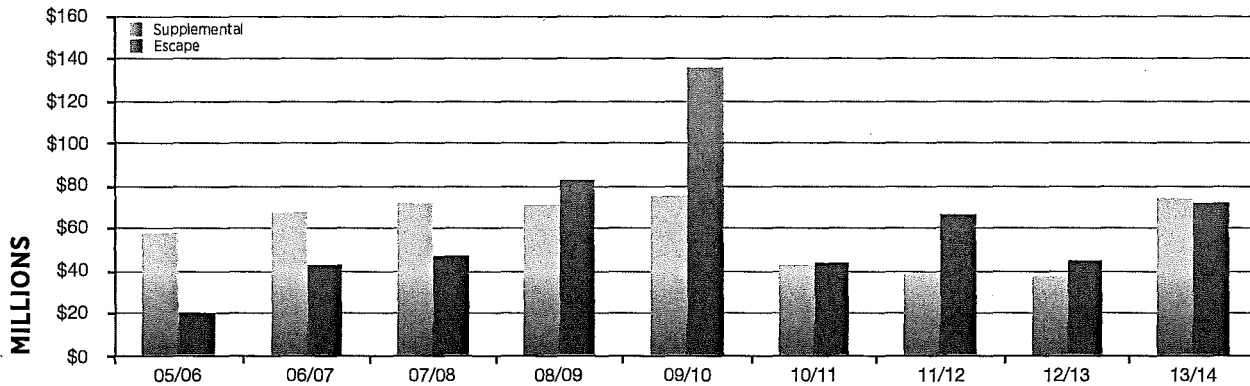
SUPPLEMENTAL & ESCAPES ASSESSMENTS

A supplemental assessment is when a property is assessed due to a change in ownership or completed new construction and is based on the net difference between the previous assessed value and the new assessment. An escape assessment is the increased amount in real property valuation over a regular assessed valuation from a delayed reappraisal. As these cases are worked, a supplemental and/or escape assessment is completed and a corresponding bill is generated through the Office of the Treasurer & Tax Collector. The revenue collected from those bills make up the supplemental and escape tax revenues of the City and County of San Francisco.

Resourcing the appeals process for the unprecedented historic high levels of appeals over the last few years has had an impact on the pending workload of assessments for new construction activity or when a change in ownership has occurred. The result has been that many assessments may not be completed within the year of the assessable activity thereby generating a supplemental and/or escape assessment when the assessment is finally complete.

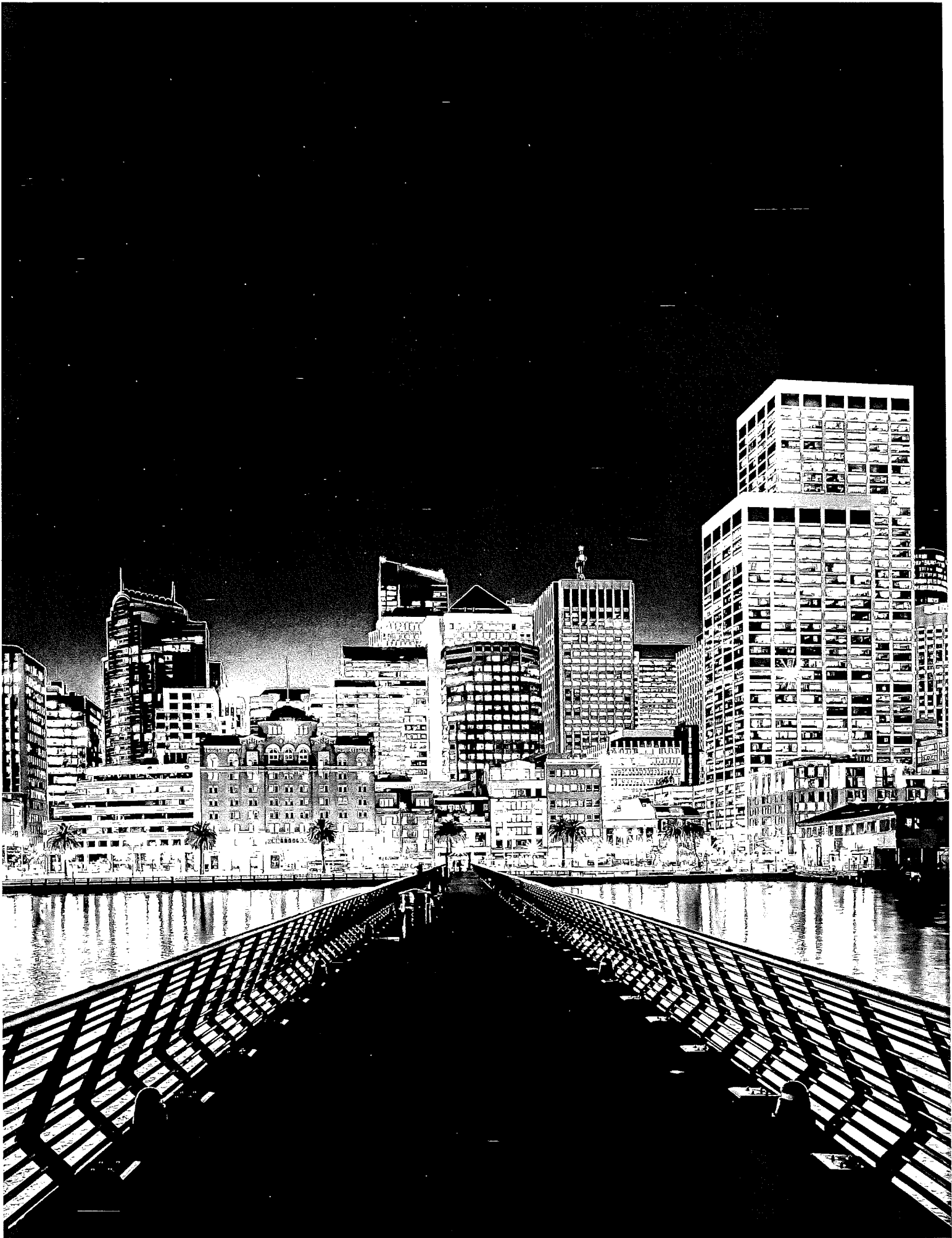
The table below illustrates the trend in actual supplemental and escape revenues generated over the last few years. In Fiscal Year 2013-14, actual supplemental and escape assessment revenue totaled \$146 million.

Supplemental And Escape Property Tax Revenue, Actual



TEMPORARY PROPERTY TAX REDUCTIONS

Under state law, established by Proposition 8 (Revenue and Taxation Code section 51(a)(2)), property owners can receive a temporary reduction to their assessed value if the current fair market value (FMV) of the property is determined to be lower than the Proposition 13 assessed value. During the recent economic downturn, temporary Proposition 8 reductions have been granted where property owners may have purchased properties at a peak in the market and when a subsequent real estate downturn caused property values to fall below their Proposition 13 assessed value. For Fiscal Year 2013-14, 10,713 temporary property tax reductions were granted, with an average assessed reduction of \$114,000 for a single-family residence.



ASSESSMENT ROLL GROWTH

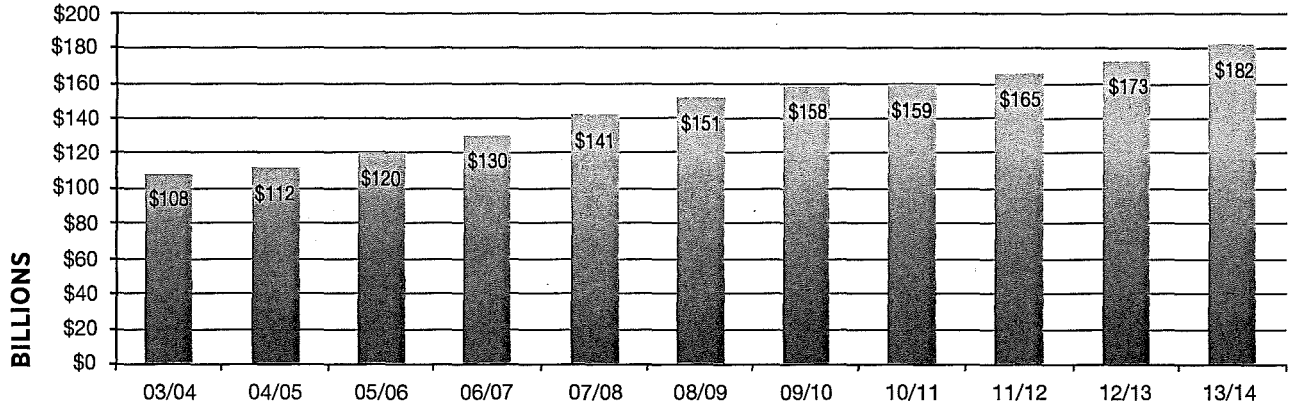
In addition to work associated with new construction, appeals and change in ownership events, the Office of the Assessor-Recorder is responsible for preparing the assessment roll for the upcoming fiscal year. Assessed values are determined annually as of the lien date, January 1st, of every year. That assessed value is the basis for the property taxes collected in the next fiscal year. Typically, property owners receive a property tax bill from the Treasurer-Tax Collector in October and make payment of first and second installments in December and April. Compared to Fiscal Year 2012-13, the Office of the Assessor-Recorder delivered a Fiscal Year 2013-14 assessment roll that increased by approximately 5.2% to a total assessed value of \$182 billion. The growth in the City and County of San Francisco's total roll includes the impact of applying the state Proposition 13 inflation rate, recapturing value temporarily reduced in the prior year due to market conditions, changes in ownership that trigger upward assessments, new construction activity, and the increased value of business property in the City. Note that in years when the Proposition 13 inflation rate was negative, San Francisco still did not experience a decline in the total assessment roll value. This stands in contrast to an overwhelming majority of counties statewide that experienced a decrease in their local assessment roll in recent years.

Certified Assessment Rolls for Fiscal Year 2013-14 and Fiscal Year 2012-13

Description	FY13/14	FY12/13	Change
Secured Local Roll	\$175,840,931,358	\$166,947,313,102	5.06%
Unsecured Roll	\$11,422,979,067	\$10,280,403,655	7.18%
Gross Local Roll	\$187,263,910,425	\$177,227,716,757	5.19%
SBE Roll	\$2,721,120,198	\$2,618,620,715	3.77%
Less: Non-Reimbursable Exemptions	(7,527,196,957)	(\$7,031,703,228)	6.58%
Basis of Levy	\$182,457,833,666	\$173,136,510,972	5.11%

Source: Office of the Controller, City & County of San Francisco

CCSF Certified Assessment Roll Value



ASSESSMENT ROLL BY PROPERTY TYPES

Based on the certified roll for Fiscal Year 2013-14, there were 205,130 unique parcels in the City and County of San Francisco compared to 204,562 in Fiscal Year 2012-13. Approximately 71% of those parcels were single family residential (SFR) properties, including condominium units. SFR parcels comprise 49% of the roll value for secured real property. An additional 17% of the parcels are multi-family residential (MFR) buildings. Combined, this means that approximately 88% of San Francisco's parcels are residential properties. Interestingly, while commercial parcels may account for only 8% of the parcels, their share of the City's overall real property assessment value is 28% (see table below).

PROPERTY TYPE	PARCEL COUNT				ROLL VALUE			
	FY 12/13	FY 13/14	% OF TOTAL	% OF CHANGE	FY 12/13	FY 13/14	% OF RV TOTAL	% OF CHANGE
Single Family Residential	143,981	144,737	71%	0.53%	\$80,316,023,256	\$84,964,946,092	49%	5.79%
Multi-Family Residential	35,452	35,331	17%	-0.34%	\$32,130,813,771	\$33,212,663,464	19%	3.37%
Commercial	16,013	16,012	8%	-0.01%	\$46,385,423,587	\$48,426,123,385	28%	4.40%
Industrial	2,398	2,367	1%	-1.29%	\$3,011,646,670	\$3,092,892,438	2%	2.70%
Others/Miscellaneous	6,718	6,683	3%	-0.52%	\$3,078,250,421	\$3,692,759,419	2%	19.96%
Total Secured Real Property	204,562	205,130	100%	0.28%	\$164,922,157,705	\$173,389,384,798	100%	5.13%

Note: The figures shown above reflect the assessment rolls for the City & County of San Francisco.

Note: SBE refers to the State Board of Equalization. Certain properties are identified and valued through the State Board of Equalization and not through the City and County of San Francisco's Office of the Assessor-Recorder.



ASSESSMENT ROLL BY NEIGHBORHOODS

The table below lists the parcel count and total assessed value (AV) by neighborhood based on the certified roll for Fiscal Year 2013-14. Total assessed value in the Financial District continues to lead the total assessed roll value, followed by Pacific Heights, South of Market, and the South Beach and Mission Bay neighborhoods.

NEIGHBORHOOD	PARCELS FY 2013-14	TOTAL AV FY 2013-14	NEIGHBORHOOD	PARCELS FY 2013-14	TOTAL AV FY 2013-14
Alamo Square	639	\$581,489,674	Inner Parkside	1,441	\$748,241,707
Anza Vista	538	\$532,855,303	Inner Richmond	3,527	\$2,268,818,586
Balboa Terrace	296	\$219,153,785	Inner Sunset	4,141	\$2,359,905,436
Bayview	4,603	\$2,125,519,539	Laurel Hghts.	933	\$912,156,494
Bayview Heights	1,634	\$478,643,607	Lakeshore	1,168	\$772,038,955
Bernal Heights	2,688	\$1,344,302,330	Lakeside	590	\$353,140,404
Bernal Heights South	4,396	\$1,809,698,925	Lone Mountain	1,461	\$1,112,564,604
Buena Vista	746	\$680,102,291	Lower Pacific Heights	2,798	\$2,514,647,809
Central Richmond	5,247	\$3,009,427,973	Marina	2,767	\$3,150,124,445
Central Sunset	5,937	\$2,843,695,128	Merced Heights	1,009	\$345,356,004
Clarendon Heights	611	\$564,846,994	Merced Manor	346	\$221,978,166
Corona Heights	1,161	\$828,091,189	Midtown Terrace	945	\$439,888,028
Cow Hollow	2,450	\$2,889,871,632	Miraloma Park	2,130	\$1,042,961,901
Crocker Amazon	2,902	\$1,028,838,759	Mission Bay	3,994	\$6,328,559,460
Diamond Heights	1,669	\$822,437,604	Mission Dolores	1,952	\$1,467,585,284
Downtown Tenderloin	4,401	\$3,841,677,247	Mission Terrace	2,608	\$985,350,498
Duboce Triangle	748	\$664,373,273	Monterey Heights	315	\$267,482,378
Eureka Valley	4,002	\$3,376,788,812	Mount Davidson Manor	760	\$409,784,137
Excelsior	5,630	\$1,915,985,958	Nob Hill	2,736	\$2,874,579,105
Financial District North	1,459	\$12,820,913,371	Noe Valley	5,881	\$4,451,548,977
Financial District South	2,947	\$11,161,643,848	North Beach	921	\$737,408,818
Forest Hill	991	\$766,812,740	North Panhandle	2,022	\$1,657,523,844
Forest Hill Extension	695	\$405,204,150	North Waterfront	791	\$1,732,593,151
Forest Knolls	526	\$367,898,364	Ocean View	1,632	\$560,237,331
Glen Park	2,640	\$1,485,179,163	Outer Mission	2,849	\$922,050,646
Golden Gate Heights	1,362	\$713,836,254	Outer Parkside	4,605	\$1,788,271,274
Haight Ashbury	2,389	\$1,791,105,873	Outer Richmond	4,407	\$2,276,062,030
Hayes Valley	2,043	\$1,736,165,450	Outer Sunset	4,415	\$1,821,890,242
Hunters Point	2,313	\$782,446,797	Pacific Heights	5,114	\$8,587,036,791
Ingleside	1,964	\$669,591,521	Parkside	5,725	\$2,467,628,765
Ingleside Heights	1,920	\$676,853,430	Parnassus Heights	1,617	\$1,412,382,480
Ingleside Terrace	746	\$426,130,052	Pine Lake	413	\$215,410,349
Inner Mission	7,367	\$5,015,435,230	Portola	3,886	\$1,384,723,375

OPERATIONAL AREAS

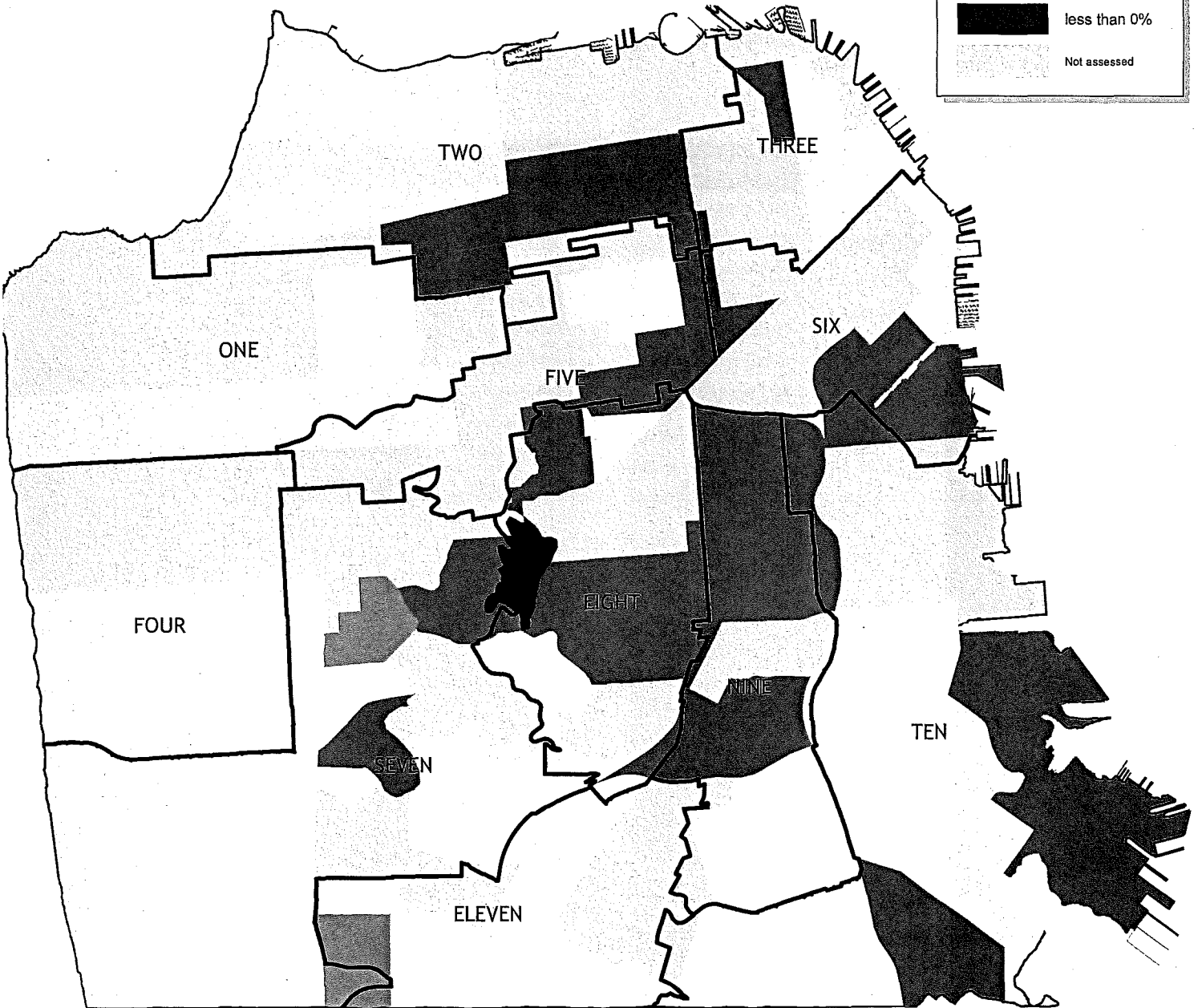
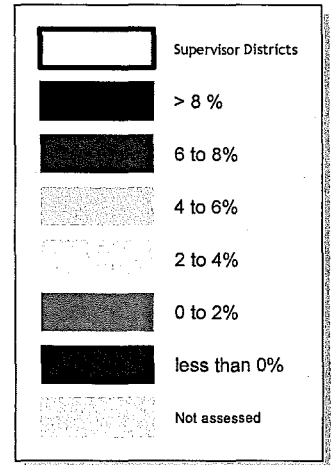
NEIGHBORHOOD	PARCELS FY 2013-14	TOTAL FY 2013-14
Potrero Hill	5,008	\$3,541,273,502
Presidio Heights	1,184	\$2,603,918,776
Richmond Lake	1,952	\$1,640,551,521
Russian Hill	5,599	\$4,313,271,431
Sea Cliff	523	\$982,994,317
Sherwood Forest	348	\$229,412,778
Silver Terrace	2,309	\$679,694,750
South Beach	3,662	\$7,406,207,788
South of Market	4,816	\$7,593,471,425
St. Francis Wood	548	\$616,100,885
Stonestown	322	\$1,433,353,782
Sunnyside	2,152	\$910,485,581
Telegraph Hill	1,633	\$1,579,379,360
Twin Peaks	796	\$545,252,877
Union Square District	3,164	\$5,681,378,909
Van Ness/Civic Center	4,104	\$3,195,460,005
Visitation Valley	3,873	\$1,172,700,981
West Portal	1,067	\$678,412,748
Western Addition	1,331	\$1,012,279,761
Westwood Highlands	541	\$310,865,560
Westwood Park	639	\$295,970,321

Percentage Change in Assessed Property Value

Fiscal Year 2012-2013 to Fiscal Year 2013-2014

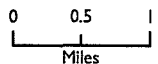


City and County of San Francisco



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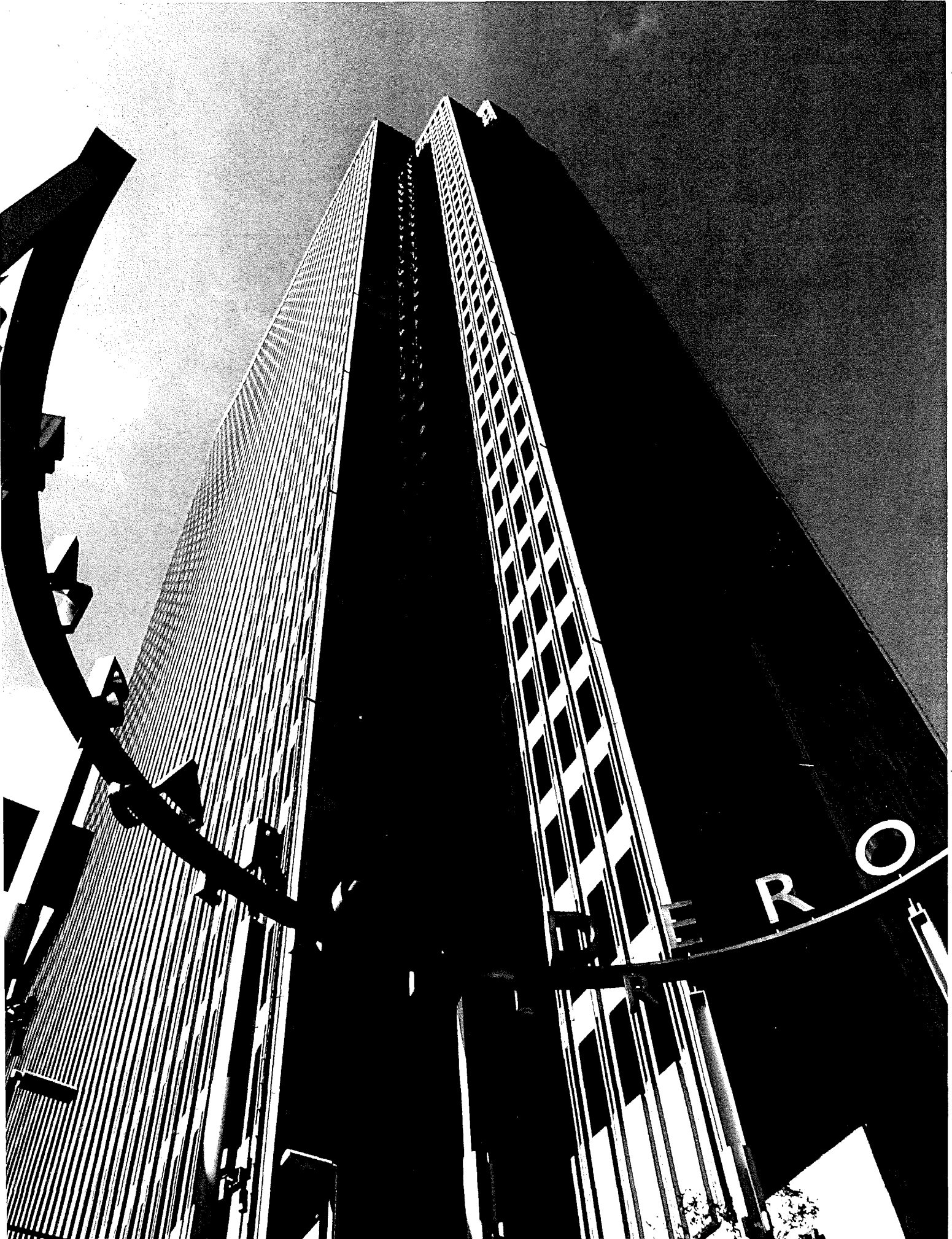


Source:
Office of the Assessor-Recorder,
SFGIS Program.

LARGEST TAX PAYERS

The City and County of San Francisco's real property roll is varied, including a multitude of uses and characteristics. The table below identifies the properties with the largest assessed values on the certified roll for Fiscal Year 2013-14.

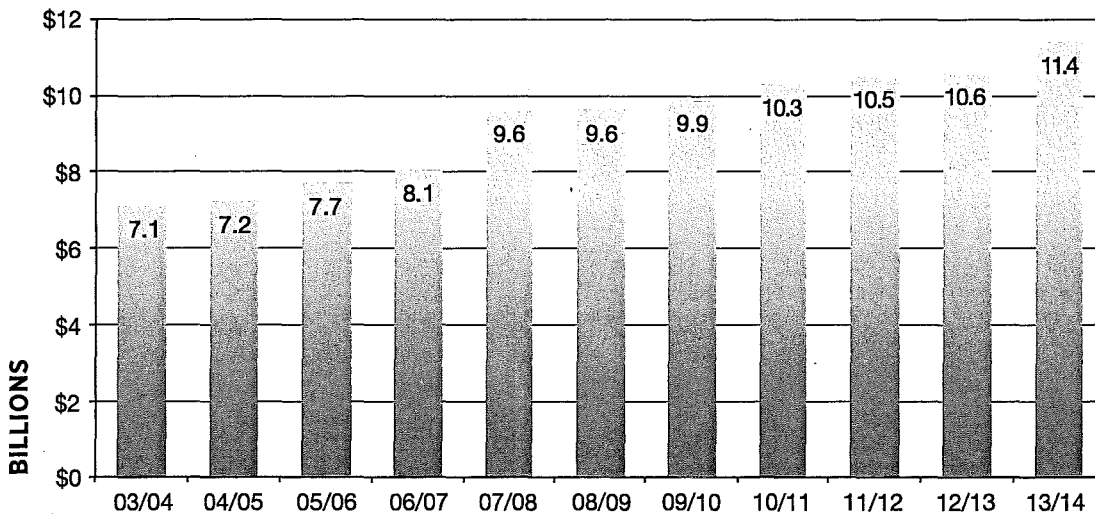
NAME OF ASSESEE	PROPERTY ADDRESS	TYPE	TOTAL ASSESSED VALUE
HWA 555 Owners LLC	555 California St	Commercial	\$945,281,816
PPF Paramount One Market Plaza Owner LP	1 Market St	Commercial	\$774,392,253
Union Investment Real Estate GMBH	555 Mission St	Commercial	\$457,497,651
Emporium Mall LLC	845 Market St	Commercial	\$432,616,541
SPF China Basin Holdings LLC	185 Berry St	Commercial	\$425,166,542
SHC Embarcadero LLC	4 The Embarcadero	Commercial	\$399,010,853
Wells Reit II - 333 Market St LLC	333 Market St	Commercial	\$397,044,434
Post-Montgomery Associates	165 Sutter St	Commercial	\$389,025,239
PPF Off One Maritime Plaza LP	300 Clay St	Commercial	\$369,052,270
SF Hilton Inc	1 Hilton Square	Commercial	\$368,598,593



UNSECURED ROLL CONTINUES TO GROW

Unsecured property assessments can be described as assessed value that is not secured by the actual real property. It includes berths and vessels, leased equipment, possessory interest, and business personal property. Business property is all property owned, leased, claimed, possessed, managed and controlled by a business, including machinery, equipment, fixtures, and improvements. Below is a graph showing the growth over the last ten years, with the most recent fiscal year tallying \$11.4 billion in total assessed value for unsecured properties.

CCSF Certified Unsecured Roll



BUSINESS PERSONAL PROPERTY DIVISION

The Business Personal Property Division (BPP) is responsible for assessing all unsecured property owned, leased, claimed, possessed, managed, and controlled by businesses located in the City and County of San Francisco and conducts business audits mandated by the state. Business personal property includes items like machinery, equipment, fixtures, and leasehold improvement held or used in connection with a trade or business. Unlike real property, business personal property taxes are based on information provided to the Office of the Assessor-Recorder on an annual basis. Business personal property is reassessed annually because businesses may have acquired new or disposed of existing personal property during the course of the year.

In Fiscal Year 2013-14, BPP continued to promote and expand the electronic online filing program (e-Filing) for its property reporting forms with a total of 12,292 electronic filings, which more than doubled the electronic filings completed in FY 2012-13 of 4,769. The success of the online portal is an example of our office’s efforts to improve convenience for taxpayers and streamline our internal processes.

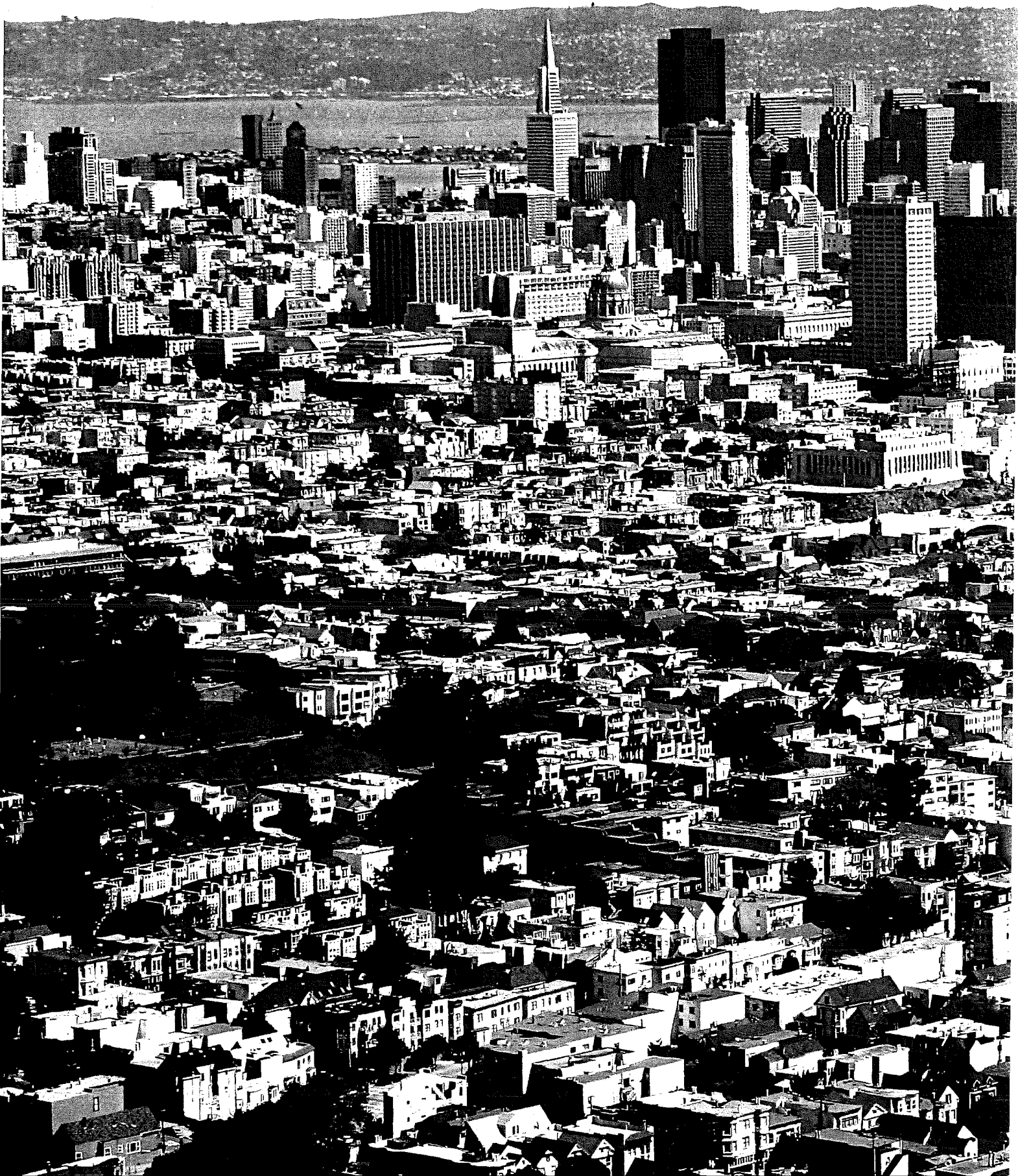
EXEMPTIONS FROM PROPERTY TAXES

State laws govern eligible exemptions from property taxes. The most common property tax exemption is the homeowners' exemption which allows owner-occupied residential property owners to apply for an exemption of \$7,000 in assessable value. Other exemptions include property exemptions for non-profit organizations, religious and church organizations, hospitals, and schools in accordance with the Revenue and Taxation Code and with guidance from the California State Board of Equalization. The table below lists the types or categories of exemptions, number of parcels granted an exemption and total assessed value of those exemptions for the certified Fiscal Year 2013-14 roll.

Real Property Exemptions for FY 2013-14

Type	Number	Value	% Total
Homeowners*	91,203	\$647,852,390	7.92%
Non-profit/Welfare	1,404	\$5,637,062,750	68.95%
Religious Properties	319	\$261,228,639	3.20%
Colleges/Universities	215	\$918,357,740	11.23%
Veterans	149	\$15,416,198	0.19%
Churches	129	\$73,977,886	0.90%
Hospitals	27	\$464,860,818	5.69%
Other	18	\$153,235,282	1.87%
Schools	5	\$3,057,644	0.04%
Total	93,469	\$8,175,049,347	100.00%

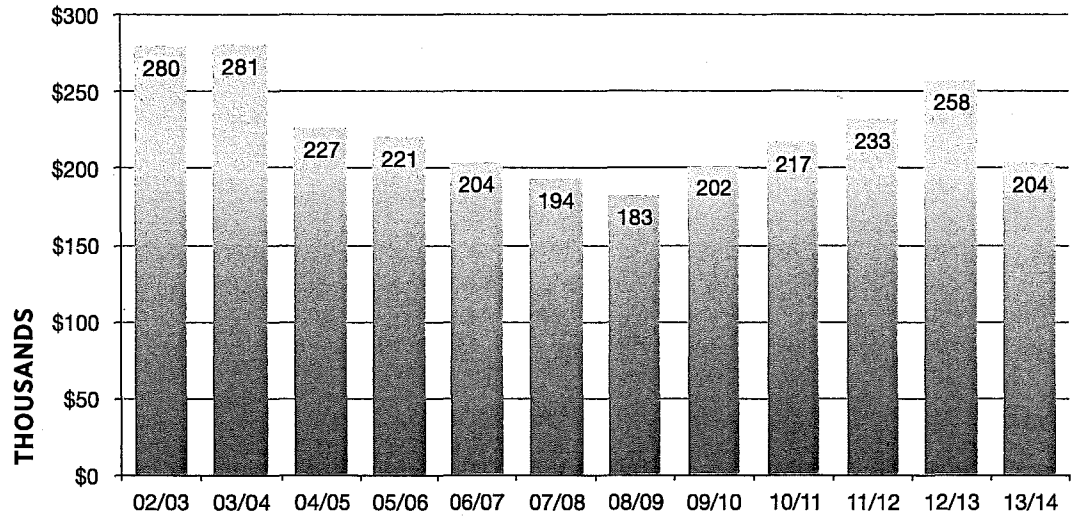
**Reimbursed by the State of California*



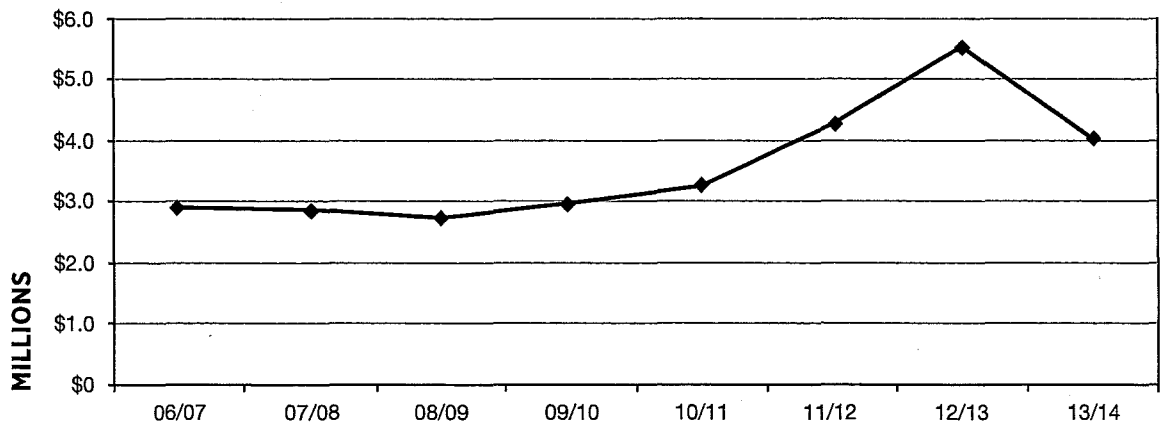
RECORDING PUBLIC RECORDS

In Fiscal Year 2013-14, the Office of the Assessor-Recorder recorded over 204,000 documents resulting in fee revenue of approximately \$4.0 million. The number of recorded documents decreased 20% compared to the prior year due to a decrease in the number of home mortgage refinances. In FY 2013-14, the top document types recorded were Notice of Lien, Deed, Release of Lien, and Deed of Trust, whereas in the prior year the top recorded documents were Reconveyance, Deed of Trust, Substitution of Trustee, and Deed. Government entities record a significant number of liens and typically do not pay recording fees. Reconveyances are generally recorded when a refinancing has occurred and the original financial lender reconveys securitization of loan to a different financial institution.

Documents Recorded Annually



Revenue Generated Through Recording Fees



RECORDING PUBLIC MARRIAGE LICENSES

The Office of the Assessor-Recorder records and maintains public marriage licenses issued in the City and County of San Francisco. In Fiscal Year 2013-14, the Office recorded 10,786 marriage licenses, a 19.58% increase from the prior fiscal year's total of 9,020. There has been a steady increase of recorded marriage licenses since June 2013, when the State of California resumed same-sex marriages. Over the two-year period between June 2012 to June 2014, there has been an average increase of over 1,412 licenses recorded annually, 1,059 in FY 2012-13 and 1,766 in FY 2013-14. Certified copies of marriage licenses can be ordered on-line, over the phone, or in-person. For information about ordering a certified copy of a marriage license, please visit the Assessor-Recorder's website at www.sfassessor.org.

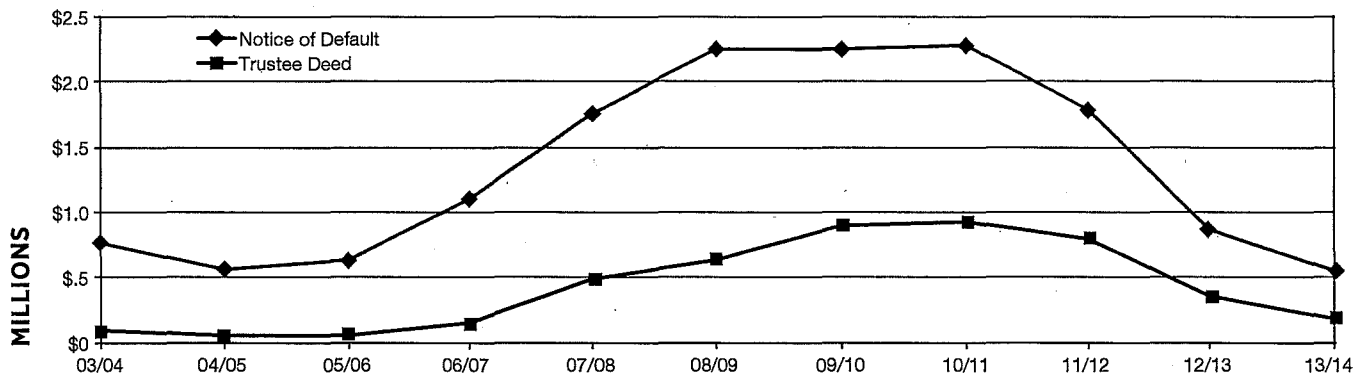


FORECLOSURES

The Office of the Assessor-Recorder is taking a proactive step in helping those facing foreclosure. As one of the first steps in a foreclosure process, lending institutions are required to officially record a Notice of Default with our office. Upon recording these documents, the Office of the Assessor-Recorder automatically notifies property owners that a Notice of Default has been filed and informs property owners of counseling and other community resources available to them. The Office has also partnered with the Mayor's Office of Housing in efforts to engage non-profit partners who can reach out and assist property owners in need. In Fiscal Year 2013-14, 548 Notice of Defaults were recorded, which is a decrease from the prior year when 875 Notice of Defaults were recorded.

The chart below shows the number of Notices of Defaults and the number of Trustee Deeds recorded annually over the last several years. The Notice of Default is often recorded by lending institutions at the beginning of the foreclosure process and is intended to publicly record that the property owner has defaulted on payment. It is important to note that not all Notice of Defaults result in a foreclosure.

Foreclosure Activity for CCSF





ORGANIZATION

I would like to thank my staff for their service to the City and County of San Francisco, and for their dedication and hard work.

– Carmen Chu, Assessor-Recorder

ASSESSOR-RECORDER STAFF

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Caroline Arguelles	Anthony Estacio	Phoebe Kin Pun Lee	Catherine Saul
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James Bias	Kurt Fuchs	Raymond Lew	Edward Smith
Bryan Bibby	James Galileo	Peihua Liang	Chizuko Smith
Kimberly Blackfield	Joseph Gambucci	Mara Lim	Hudson Soon
Jeffrey Burt	Mary Gebrian	Shu-Chun Liou	Robert Spencer
Gerald Buss	Donna Gilliam	Kara Long	Ronald Sto-Domingo
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Victoria Chan	Cathleen Hoffman	Dennis May	Maria Tanjutco-Smith
Wai Ching Chan	Victor Tam Hua	Edward McCaffrey	Gerardo Tech
Kit Chau	Gilbert Huang	Christina Mckinnon	Teresina Tenorio
Anita Mei Chih Chen	Harvey Huey	Jean Medlar	Matthew Thomas
Alice Cheung	John Hui	Arlene Mizuhara	Fanny Truong
Stephen Chin	Helen Hui	Garry Nettles Jr	Margaret Tseng
Stella Chow	Alexander Hung	Shanna Ngo	Felomina Uban
Ngee Chow	Hakam Ibrahim	Alan Nguyen	Manuel Uy
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Carmen Chu	Michael Jine	Shrawder	Gigi Whitley
Ann Chwang	Bernardus Jong	Feliciano Payumo	Gregory Wong
Diane Cirrincione	Rosita Kan	Chona Pazcoguin	Frank Wong
Ellen Collaco	Julie Kendall	Alicia Petalver	Cecilia Wong
Marol Connelly	Alice Kim	Kathleen Pierpont	Julie Wu
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Elizabeth Cooper	Carol Lee Klatt	Trisha Prashad	Beth Ybarra
Charles Crowder	Vakil Kuner	Sandy Pubill	Evelyn Yee
Mary Jane Cruz	Timothy Landregan	Daniel Reyes	Stephen Yen
Joan Czaia	Clarice Laurant	Patricia Rivette	
Archimedes De Leon	Guadalupe Laurente	Felix Rodriguez Jr	
Filemon Dizon	Adrian Law	Christopher Sam	
Liliana Draper	Ardele Leavelle	Gladys Sanchez	
Richard Duong	Christina Lee	Dinora Sanchez	

FREQUENTLY ASKED QUESTIONS (FAQS)

What is the role of the Assessor-Recorder?

ASSESSOR

The role of the Assessor is to value property in a fair and equitable manner according to California's Revenue and Taxation Laws. Our team works hard to locate all taxable property in the County and identify ownership. We then establish a taxable value for all property subject to property taxation and list this value on the assessment roll. All tangible property is taxable unless constitutionally exempt. Our office also determines if real estate parcels are required to be reassessed upon a change of ownership or the completion of new construction.

RECORDER

The Recorder serves as the custodian of public records and as such records all real property documents for the county, and registers marriage licenses and other public documents. The Recorder maintains an index and issues copies of all recorded documents to members of the public who request them. The Recorder staff reviews, analyzes, and interprets large volumes of documents and determines whether they are recordable and in compliance with state codes and local ordinances. The Recorder is responsible for interpreting and applying the requirements of the County Documentary Transfer Tax Ordinance with regard to any lands, tenements, or other realty sold within the county. The Recorder also has the responsibility to collect and allocate the necessary recording fees pertaining to the Real Estate Prosecution Trust Fund and Monument Preservation Fund.

How are Property Tax rates calculated?

Property tax is an ad valorem tax based on a percentage of the property's value placed on real and business personal property. There are three different types of property: real, personal, and utility. Real property refers to the ownership of land and any improvements to the land. Personal property is any property except real estate, including boats, airplanes and all business property. Business personal property is all property owned or leased by a business except licensed vehicles, business inventory, intangible assets or application software. Utility property is property owned by utilities, such as railroads. Our office has jurisdiction over the assessment of real and business personal property.

What is Proposition 13?

Passed by California voters in 1978, Proposition 13 set a property's base year value at its 1975-76 assessed value and limits increases to the assessed value of real property by no more than 2 percent per year or the Consumer Price Index (CPI), whichever is lower. Proposition 13 also established a maximum property tax rate of one percent (1%) of the assessed value, plus any voter approved bonded indebtedness, service fees, improvements bonds and special assessments. Proposition 13 tightly regulates property tax and budget policy and was enacted in order to keep property taxes stable and predictable relative to variances in the housing market. Since the passage of Proposition 13, average assessed values have remained considerably lower than average sales prices in counties across the state.

When is Real Estate reappraised?

Real property is reassessed at its current fair market value under two conditions: 1) when there is an assessable change in ownership and 2) upon completion of new construction or a change in use. This reassessment establishes a new base year value.

Change In Ownership

When a sale or transfer occurs, the Assessor-Recorder's Office receives a copy of the deed and determines if a reappraisal is required under State law. If a reappraisal is required, an appraisal is made to determine current market value of the property. The owner is then notified of the new assessment and the owner has the right to appeal the assessed value. The transfer of property between spouses or registered domestic partners does not require a reappraisal for property tax purposes. This includes transfers resulting from divorce or death of a spouse or domestic partner. In addition, a refinancing will not cause a reappraisal. There are other exclusions for senior citizens, the disabled, and those involving parent/child transfers.

New Construction

When the homeowner/taxpayer applies for a building construction permit with the Department of Building Inspection, the Assessor-Recorder's Office receives the permit. If the construction is new (such as a room addition), a reappraisal is required. If the construction is for replacement, repair, or maintenance, a reappraisal is not required. In appraising new construction, the market value of the addition is determined and added to the value of the existing property. The existing property, however, is not reappraised. As with a change-in-ownership, the owner is notified of the new assessment and can appeal the assessed value.

What is a supplemental assessment?

State law requires the Assessor-Recorder to reappraise property immediately upon change-in-ownership, completion of new construction or change in use. The Assessor-Recorder's Office must issue a supplemental assessment that reflects the difference between the prior assessed value and the new assessment. This value is then prorated based on the number of months remaining in the fiscal year ending June 30. This supplemental bill is in addition to the regular tax bill. To appeal a supplemental assessment, an application must be filed with the Clerk of the Board within 60 days from the mailing of notice of the supplemental assessment tax bill.

How do I appeal my assessed value?

Under State law, if the market value of your property (recent comparable sales) as of January 1 falls below the assessed or taxable value as shown on your tax bill, the Assessor-Recorder's Office is required to lower the assessment. This type of temporary property tax relief generally applies to recently purchased property. Assessment appeals may be filed from July 2 to September 15 with the Assessment Appeals Board.

INFORMAL REVIEW OF ASSESSMENT

If you have reason to believe that the market value of your property as of January 1 in a given year is less than the amount shown on your notice of assessed value and you have factual evidence to support a lowered assessment, you can request an informal review by a staff appraiser by contacting us before March 31 by calling (415) 701-2311 or emailing assessor@sfgov.org. Requesting an informal review does not preclude you from filing a formal appeal with the Assessment Appeals Board.

ASSESSMENT APPEALS BOARD

If you disagree with the assessed value or our informal review, you may file a formal "Application for Changed Assessment" with the Assessment Appeals Board, an independently appointed review board. Application information can be obtained from the Clerk of the Assessment Appeals Board, City Hall – Room 405, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102, phone (415) 554-6778 or web at www.sfgov.org/aab. Assessment appeals may be filed from July 2 to September 15 with the Assessment Appeals Board.

How can I apply for reducing my taxes as a homeowner?

If you own a home and occupy it as your principal place of residence on January 1, you may apply for a Homeowner's Exemption of \$7,000 from your assessed value. An exemption is an allowance of a deduction from the taxable assessed value of the property as prescribed by law. New property owners will automatically receive an exemption application in the mail. Homeowner's exemptions may also apply to a supplemental assessment if the property was not previously receiving a Homeowner's Exemption. There is no charge for filing for the Homeowner's Exemption.

Will my property be reassessed if I give it to my children?

The transfer of real property between parents and children can be excluded from reappraisal for property tax purposes. The principal place of residence and up to a maximum of \$1,000,000 in assessed value of any additional property may be transferred without an assessment increase. An application must be filed with the Assessor-Recorder's Office to determine eligibility for this exclusion.

How can I apply for reducing my taxes as a veteran?

Certain exemptions are available for veterans. A Veterans Homeowner's Exemption is available for the home of a disabled veteran or a disabled veteran's spouse, if the veteran, because of an injury incurred in military service, is blind in both eyes, has lost the use of two or more limbs, or is totally disabled. If qualified, veterans are provided exemptions up to \$150,000 of taxable value. An unmarried surviving spouse may also be eligible if the service member died as the result of a service-connected injury or disease while on active duty in the military.

Are there exclusions available for seniors or Disabled Persons?

Disabled property owners or senior citizens over 55 years of age can buy a replacement residence of equal or lesser market value than what they sell their existing home for and transfer their current tax base year value to the new home. The replacement property must be purchased within two years of the sale of the original property. The purpose of this is to provide tax relief for disabled persons and seniors by preventing a property tax increase if they sell their existing home and buy another one.

What if my home is damaged from a fire or an earthquake?

If a major calamity such as a fire, earthquake or flooding damages your property, you may be eligible for property tax relief. In such cases, the Assessor-Recorder's Office will reappraise the property to reflect its damaged condition. In addition, when you rebuild it in a like or similar manner, the property will retain its previous assessment for tax purposes. To qualify for property tax relief, you must file a calamity claim form with the Assessor-Recorder's Office within one-year from the date the property was damaged or destroyed and the loss must exceed \$10,000.

What is Business Personal Property?

Business Personal Property is any tangible property owned, claimed, used, possessed, managed or controlled in the conduct of a trade or business. This includes all machinery, fixtures, office furniture and equipment. In general, business personal property is all property owned or leased by a business except licensed vehicles, business inventory, intangible assets or application software.

I received a Business Property Statement (Form 571-L, 571-R), what is it?

The Office of the Assessor-Recorder's records indicate that you were doing business at this location on the lien date, January 1. The lien date is the day that the taxes became a lien on the property and/or its owners, even though the valuation and tax bills have not yet been computed and mailed. The tax lien date is January 1 of each year (Revenue and Taxation Code, Section 2192). All machinery, equipment, fixtures, construction in progress and leasehold improvement held or used in connection with a trade or business are taxable as business property. The property statement is a means for you to declare all your taxable business property located within the City and County on the lien date, January 1, and is used to assist the Assessor-Recorder in determining the value of taxable property for assessment purposes.

When is Business Personal Property appraised?

Unlike real property, business personal property is appraised annually. The owners of all businesses must file a property statement each year with the Assessor-Recorder's Office detailing the cost of all their supplies, equipment, and fixtures at each location. This is required unless the Assessor-Recorder's Office has already established the taxable value of the business and sent out a Notification of Value Card. Business inventory is exempt for taxation.

How is the assessed value determined with Business Personal Property?

Assessment begins with the cost of the asset, including sales tax, freight, and installation. A depreciation factor is applied to the asset cost and this becomes the assessed value. The depreciation schedule is based on the expected economic life of the asset, and is different from the depreciation schedule used by tax accountants.

Why are you taxing my business assets, under what authority?

The State Constitution says that all property is subject to property tax unless otherwise exempt. Most people are familiar with the property taxes on their home. The assets of a business are also subject to assessment and taxation. Section 201 of the Revenue and Taxation Code of California states: "All property in this State, not exempt under the laws of the United States or of this State, is subject to taxation under this code."

I have a business in San Francisco but did not receive a Business Property Statement, what shall I do?

You must contact the Assessor-Recorder's Office to enroll your business and have a 571-L Statement/Form sent to you. You may reach our Business Personal Property Division by calling 311. The 571-L form will have your permanent account number, owner's name, mailing address, and business location. You must complete the form, then sign and return the statement to the Assessor-Recorder's Office.

Who must file a Business Property Statement?

Per Revenue and Taxation Code, Section 441, you must file a statement if the Assessor-Recorder's Office has sent you a property statement OR if you have taxable personal property with a total cost of \$100,000 or more located within the City and County as of January 1 of each year. You must file even if no statement is sent to you. Failure to complete and return the property statement will result in the Assessor-Recorder estimating the value of your business property and adding a 10% penalty to the assessment (R&T Code, Sections 441, 463 and 501). You may reach our Business Personal Property Division by calling 311.

What is the last date to file the Business Property Statement without a penalty?

The due date for filing the Business Property Statement is April 1. A 30-day extension until May 1st may be granted for reasonable cause. The request for extension must be made in writing, preferably on company letterhead, and addressed to Carmen Chu, Assessor-Recorder, Business Division, 1155 Market St., 5th Floor, San Francisco, CA 94103. Please indicate the account number, if any, the location of the business and your title. Any property statement filed or postmarked after May 7 will have a 10% penalty added to the assessment.

How much will my taxes be?

Using a tax rate of 1.17% will give a conservative estimate of what the actual tax liability will be. Proposition 13 established a tax rate of 1% of the value of assessable property. San Francisco tax rate is determined by the Board of Supervisors, based on property assessed value and bond measures passed by San Francisco voters. For example, if the business depreciated assessed value is \$25,000 the property taxes on the business assets will be approximately \$285.

What if I don't agree with the value on my tax bill, can I dispute it?

The value can be corrected if a clerical or administrative error was made. If that's the case, first contact the Business Personal Property Division of the Assessor-Recorder's Office to speak to an auditor to understand how to go about correcting the error, by calling (415) 554-5531 during normal business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m. PST. However, if the disagreement is a matter of valuation, then you must file an "Application for Changed Assessment" with the Assessment Appeals Board no later than September 15th for the regular tax bill. Their telephone number is (415) 554-6778. Pay the bill first to avoid late payment penalties (if it cannot be cleared by August 31st). A refund will be issued if the Appeals Board rules in your favor.

Is there any property that is exempt or that I do not have to report on my Business Property Statement?

The following are some common exempt items that should not be reported: Business Inventory (Revenue and Taxation Code 129), Application Software (Property Tax Rule 152), Licensed Motor Vehicles (R&T Code 10751), First \$50,000 of employee-owned Hand Tools (R&T Code 241).

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Police Commission & Department's Response
Attachments: rev brown reply 3 point plan.pdf

From: SFPD, Commission (POL)
Sent: Friday, February 13, 2015 10:12 AM
To: Lee, Edwin (Mayor); Board of Supervisors (BOS)
Subject: Police Commission & Department's Response

Honorable Mayor Lee and Honorable Supervisors,

Attached, please find a copy of the Police Commission and the Department's Response to Rev. Amos Brown's 3-Point Plan for Police Practices.

Thank you,

Inspector John Monroe, #1345
Secretary, San Francisco Police Commission
850 Bryant Street, Room 505
San Francisco, CA 94013
(415) 553-1667



The Police Commission

CITY AND COUNTY OF SAN FRANCISCO

February 12, 2015

Revered Dr. Amos Brown
Third Baptist Church of San Francisco
1399 McAllister St.
San Francisco, CA 94115
Email: DrAmosCBrown@thirdBaptist.org

Re: 3 Point Plan for Police Practices

Dear Rev. Brown,

Following our January 21, 2015 meeting, with you and selected community members at the Hall of Justice, regarding your 3 Point Plan, San Francisco Commission ("Commission") President, Suzy Loftus addressed your points with the full Commission at its regularly schedule February 4, 2015 meeting. Based upon your presentation and the review of it by the Commission, San Francisco Police Department ("Department") and the Office of Citizens' Complaints ("OCC"), we hereby set forth details of the adoption of a Police Practices Plan. As you correctly point out, the "us versus them" mentality by both police officers and the African-American community creates animosity, which the Commission, Department and OCC remains committed to eliminating through active community engagement.

Diversity Training

Diversity training shall be reinstated into the core curriculum of training for both new recruits and advanced officers. First, the good community involved diversity training that you described as "having gone away years ago" was a POST Certified "Racial Profiling Class" that was suspended about 10 years ago when the funding ran out. That class, taught by Sgt Wilfred Williams and Sgt. Sherri Hicks, has been reinstated as a piece of our in-service training, and shall be repeated every 2 years for all officers. Second, beginning with the most recently started Basic Recruit Academy Class at the Police Academy, diversity training shall be a core course of recruit officer's initial training towards becoming a San Francisco police officer. Thirdly, "Cultural Emersion Days," which places recruit officers into various communities in San Francisco to learn firsthand about interactions with the various cultures and communities that make up San Francisco, shall be a part of the initial assignment rotation immediately. The Department, OCC and Commission shall meet and confer with community members through Community Police Advisory Boards ("CPAB"), established in every district in San Francisco by the prior administration, for input and suggested curriculum of the diversity training. It is our goal to provide the necessary tools for our officers to recognize cultural and implicit bias, so as best to be able navigate around such bias', by fostering trust and building stronger relational ties.

SUZY LOFTUS
President

L. JULIUS TURMAN
Vice President

DR. JOE MARSHALL
Commissioner

PETRA DeJESUS
Commissioner

THOMAS MAZZUCCO
Commissioner

VICTOR HWANG
Commissioner

SONIA MELARA
Commissioner

Inspector John Monroe
Secretary

Community Police Advisory Boards

The Commission, Department and OCC share in the belief that community input is critical to decreasing animosity and facilitating communication and understanding. Each Captain has a Community Police Advisory Board. As we have received a great deal of interest in creating dialogue with the Department and OCC regarding events within the various communities and Districts, to ensure that all voices are heard, we invite each person to join their local CPAB. **Please provide the names, addresses and emails of all persons who wish to be members of Community Police Advisory Boards and which district they live in and would be interested in serving.** The members will be selected from your group, as well as other community members.

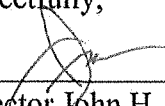
Recruitment

The Department, OCC and the Commission have long recognized the need for the recruitment of African-American police officers and we have undertaken several initiatives directed at this goal. Drawing from the CPABs, as well as other groups, such as The Officers For Justice ("OFJ") and the San Francisco Police Officer Association ("POA"), we endorse a plan to connect with community based organizations and other civil rights groups to increase the number of African-American police officers in San Francisco however/wherever we can. On February 11, 2015, we met with the presidents of both POA and the OFJ to begin the process of creating an outreach plan for presentation to the Department.

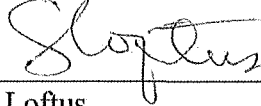
As expressed during our January 21, 2015 meeting, we share your goals of fostering trust, better understanding and community, all with the overall goal of ensuring justice, fair treatment and equality for everyone here in San Francisco. At the February 4, 2015 Commission meeting, President Loftus appointed Vice President Turman and Commission Secretary Monroe as the Commission's point persons to work on this 3 Point Plan. We approach the assignment with enthusiasm and optimism to achieve the stated goals.

We look forward to receiving your lists and to launch these important initiatives as soon as possible.

Respectfully,



Inspector John H. Monroe #1345
Police Commission Secretary



Suzy Loftus
President, San Francisco Police Commission

cc: Mayor Edwin M. Lee
Members, Board of Supervisors
Members, San Francisco Police Commission
Gregory P. Suhr, Chief of Police
Joyce M. Hicks, Director, Office of Citizen Complaints

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RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2015 FEB -5 AM 9:48

Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

PHB

January 30, 2015

Ms. Angela Calvillo
Clerk of the Board
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4689

Dear Ms. Calvillo:

Please find attached the Recreation and Park Department's report for the 2nd quarter of FY14-15 in response to the requirements of Resolution 157-99 Lead Poisoning Prevention. To date, the Department has completed assessment and clean-up at **182** sites since program inception in 1999.

Current work involves developing a cleanup plan for Kezar Pavilion. The complexity of the project along with its continual and heavy use necessitates it as our next project. We are in the pre-cleanup planning phase, and have put together a project management team to establish the work plan.

I hope that you and interested members of the public find that the Department's performance demonstrates our commitment to the health and well being of the children we serve.

Thank you for your support of this important program. Please do not hesitate to contact me with any questions, comments or suggestions you have.

Sincerely,

Philip A. Ginsburg
General Manager

- Attachments:
1. FY14-15 Implementation Plan, 2nd Quarter Status Report
 2. Status Report for All Sites

Copy: J. Walseth, DPH, Children's Environmental Health Promotion

30



Attachment 1. Implementation Plan Status Report

1st Quarter Status Report

Plan Item	Status
I. Hazard Identification and Control	
a) Program Revision	A revision of the project management procedures was completed in FY13-14.
b) Site Prioritization	Prioritization is based on verified hazard reports (periodic inspections), documented program use (departmental and day care), estimated participant age, and presence of playgrounds or schoolyards. Sites are selected on a rolling basis; as one site is completed, the next site on the list becomes active.
c) Survey	No surveys are currently planned (pending completion of cleanup at Kezar Pavilion).
d) Cleanup	We are developing a cleanup plan for Kezar Pavilion. The complexity of the project along with its continual and heavy use necessitates it as our next project. We are in the pre-cleanup planning phase, and have put together a project management team to establish the work plan.
e) Site Posting and Notification	Each site has been or will be posted in advance of clean-up work so that staff and the public may be notified of the work to be performed.
f) Next site	Priority 138, Pine Lake
II. Facilities Operations and Maintenance	
a) Periodic Inspection	Annual periodic facility inspections are completed by staff. The completion rate for FY13-14 was 30%. The completion rate for FY14-15 is not yet available as it is early in the fiscal year.
b) Housekeeping	Staff is reminded of this hazard and the steps to control it through our Lead Safe Work Practice.

c) Staff Training

Under the Department's Injury and Illness Prevention Program, basic lead awareness training is recommended every two years for appropriate staff (e.g. custodians, gardeners, recreation staff, structural maintenance staff, etc.).

Attachment 2. Status Report for RPD Sites

Status Report for RPD Sites

Sites are listed in order in which they were prioritized for survey. Prioritization is done using an algorithm which takes into account attributes of a site that would likely mean the presence of children from 0-12 years old (e.g. programming serving children, or the presence of a playground).

Sites are surveyed on a rolling basis. "Rolling" means that when one site finishes, the next site on the list will begin. Current sites are listed at the top. Sites not be completed in exact order of priority due to re-tests and other extenuating circumstances.

Re-tests of previous sites are completed every 10 surveys to ensure that past work has sustained an acceptable level of protection.

ALL SITES

Priority	Facility Name	Location	Completed	Notes	Retest	Entered in FLOW Program
147	Kezar Pavilion	Golden Gate Park	08-09	Survey completed. Longer term abatement to be conducted.		
138	Pine Lake Park	Crestlake/Vale/Wawona	07-08	Programmed retest; survey to be completed.	X	
172	Broadway Tunnel West-Mini Park	Leavenworth/Broadway				
173	Broadway Tunnel East-Mini Park	Broadway/Himmelman				
174	Lake Merced Park	Skyline/Lake Merced		Includes Harding Park, Flemming Golf, Boat House and other sites. Note that the Sandy Tatum clubhouse and maintenance facilities were built in 2004 and should be excluded from the survey.		
175	Ina Coolbrith Mini Park	Vallejo/Taylor				
176	Justin Herman/Embarcadero Plaza	Clay/Embarcadero				
177	Billy Goat Hill	Laidley/30th				
178	Coso/Precita-Mini Park	Coso/Precita				
179	Dorothy Erskine Park	Martha/Baden				
180	Duncan Castro Open Space	Diamond Heights				
181	Edgehill Mountain	Edgehill/Kensington Way				
182	Everson/Digby Lots	61 Everson				
183	Fairmount Plaza	Fairmont/Miguel				
184	15th Avenue Steps	Kirkham/15th Avenue				
185	Geneva Avenue Strip	Geneva/Delano				
186	Grand View Park	Moraga/14th Avenue				
187	Hawk Hill	14th Avenue/Rivera				
188	Interior Green Belt	Sutro Forest				
189	Japantown Peace Plaza	Post/Buchanan/Geary				
190	Jefferson Square	Eddy/Gough				
191	Joseph Conrad Mini Park	Columbus/Beach				
192	Kite Hill	Yukon/19th				
193	Lakeview/Ashton Mini Park	Lakeview/Ashton				
194	Maritime Plaza	Battery/Clay				
195	McLaren Park-Golf Course	2100 Sunnysdale Avenue				
196	Mt. Davidson Park	Myra Way				
197	Mt. Olympus	Upper Terrace				
198	Mullen/Peralta-Mini Park	Mullen/Peralta Mini Park				
199	O'Shaughnessy Hollow	O'Shaughnessy Blvd.				
200	Park Presidio Blvd.	Park Presidio Blvd.				
201	Rock Outcropping	Ortega/14th Avenue		Lots 11, 12, 21, 22, 6		
202	South End Rowing/Dolphin Club	Aquatic Park		Land is leased		

Status Report for RPD Sites

Priority	Facility Name	Location	Completed	Notes	Retest	Entered in FLOW Program
203	Russian Hill Open Space	Hyde/Larkin/Chestnut		Hyde Street Reservoir		
204	Saturn Street Steps	Saturn/Ord				
205	Seward Mini Park	Seward/Acme Alley				
206	Twin Peaks	Twin Peaks Blvd.				
207	Fillmore/Turk Mini Park	Fillmore/Turk				
208	Esprit Park	Minnesota Street				
209	Brotherhood/Chester Mini Park	Chester St. near Brotherhood Way				
210	Sue Bierman Park	Market/Steuart				
211	29th/Diamond Open Space	1701 Diamond/29th		Is not on current list of RPD sites (6/2/10).		
212	Berkeley Way Open Space	200 Berkeley Way		Is not on current list of RPD sites (6/2/10).		
213	Diamond/Farnum Open Space	Diamond/Farnum		Is not on current list of RPD sites (6/2/10).		
214	Joost/Baden Mini Park	Joost/N of Baden				
215	Grand View Open Space	Moraga/15th Avenue		Included in Grand View Park		
216	Balboa Natural Area	Great Highway/Balboa		Is not on current list of RPD sites (6/2/10).		
217	Fay Park	Chestnut and Leavenworth				
218	Guy Place Mini Park	Guy Place				
219	Portola Open Space					
220	Roosevelt/Henry Steps					
221	Sunnyside Conservatory	Monterey & Baden				
222	Topaz Open Space	Monterey & Baden				
1	Upper Noe Recreation Center	Day/Sanchez	99-00			
2	Jackson Playground	17th/Carolina	99-00	Abatement completed in FY05-06.	04-05	
3	Mission Rec Center	745 Treat Street	99-00, 02-03	Includes both the Harrison and Treat St. sides.	06-07	X
4	Palega Recreation Center	Felton/Holyoke	99-00			X
5	Eureka Valley Rec Center	Collingwood/18th	99-00			
6	Glen Park	Chenery/Elk	99-00, 00-01	Includes Silver Tree Day Camp		
7	Joe DiMaggio Playground	Lombard/Mason	99-00			
8	Crocker Amazon Playground	Geneva/Moscow	99-00			
9	George Christopher Playground	Diamond Hts/Duncan	99-00			
10	Alice Chalmers Playground	Brunswick/Whittier	99-00			
11	Cayuga Playground	Cayuga/Naglee	99-00			
12	Cabrillo Playground	38th/Cabrillo	99-00			
13	Herz Playground (and Pool)		99-00, 00-01	Includes Coffmann Pool		X
14	Mission Playground	19th & Linda	99-00	Notice of Violation abated. Mulch removed and replaced (FY13-14). Entire survey not completed.		
15	Minnie & Lovie Ward Rec Center	Capital Avenue/Montana	99-00			
16	Sunset Playground	28th Avenue/Lawton	99-00			X
17	West Sunset Playground	39th Avenue/Ortega	99-00			
18	Excelsior Playground	Russia/Madrid	99-00			
19	Helen Wills Playground	Broadway/Larkin	99-00			
20	J. P. Murphy Playground	1960 9th Avenue	99-00			X
21	Argonne Playground	18th/Geary	99-00			
22	Duboce Park	Duboce/Scott	99-00, 01-02	Includes Harvey Milk Center		
23	Golden Gate Park	Panhandle	99-00			
24	Junipero Serra Playground	300 Stonecrest Drive	99-00			

Status Report for RPD Sites

Priority	Facility Name	Location	Completed	Notes	Retest	Entered in FLOW Program
25	Merced Heights Playground	Byxbee/Shields	99-00			
26	Miraloma Playground	Omar/Sequoia Ways	99-00			
27	Silver Terrace Playground	Silver Avenue/Bayshore	99-00			
28	Gene Friend Rec. Center	Folsom/Harriet/6th	99-00			
29	South Sunset Playground	40th Avenue/Vicente	99-00			
30	Potrero Hill Recreation Center	22nd/Arkansas	99-00			
31	Rochambeau Playground	24th Avenue/Lake Street	00-01, 09-10	No abatement needed.		
33	Cow Hollow Playground	Baker/Greenwich	00-01; 09-10			
34	West Portal Playground	Ulloa/Lenox Way	00-01	No abatement needed		
35	Moscone Recreation Center	Chestnut/Buchanan	00-01			
36	Midtown Terrace Playground	Clarendon/Olympia	00-01	No abatement needed		
37	Presidio Heights Playground	Clay/Laurel	00-01			
38	Tenderloin Children's Rec. Ctr.	560/570 Ellis Street	00-01			
39	Hamilton Rec Center	Geary/Steiner	00-01	Note that the Rec. Center part of the facility is new (2010)		
41	Margaret S. Hayward Playground	Laguna, Turk	00-01			
43	Saint Mary's Recreation Center	Murray St./JustinDr.	00-01			
44	Fulton Playground	27th Avenue/Fulton	00-01			
45	Bernal Heights Recreation Center	Moultrie/Jarboe	00-01	No abatement needed		
46	Douglass Playground	Upper/26th Douglass	00-01			
47	Garfield Square	25th/Harrison	00-01			
48	Woh Hei Yuen	1213 Powell	00-01			
49	Father Alfred E. Boeddeker Park	Ellis/Taylor/Eddy/Jones	00-01			
50	Gilman Playground	Gilman/Griffiths	00-01			X
51	Grattan Playground	Stanyan/Alma	00-01	No abatement needed		
52	Hayes Valley Playground	Hayes/Buchanan	00-01			
53	Youngblood Coleman Playground	Galvez/Mendell	00-01			X
55	Angelo J. Rossi Playground (and Pool)	Arguello Blvd./Anza	00-01			
56	Carl Larsen Park (and Pool)	19th/Wawona	00-01			
57	Sunnyside Playground	Melrose/Edna	00-01	No abatement needed		
58	Balboa Park (and Pool)	Ocean/San Jose	00-01	Includes Matthew Boxer stadium		X
59	James Rolph Jr. Playground	Potrero Ave./Army Street	00-01, 02-03	This was originally supposed to be Rolph-Nicol (Eucalyptus) Park in 02-03, but the consultant surveyed the wrong site.		X
60	Louis Sutter Playground	University/Wayland	00-01			
61	Richmond Playground	18th Avenue/Lake Street	00-01			
62	Joseph Lee Recreation Center	Oakdale/Mendell	00-01			
63	Chinese Recreation Center	Washington/Mason	00-01			
64	McLaren Park	Visitacion Valley	06-07		05-06	
65	Mission Dolores Park	18th/Dolores	06-07	No abatement needed	05-06	
66	Bernal Heights Park	Bernal Heights Blvd.	01-02	No abatement needed		
67	Cayuga/Lamartine-Mini Park	Cayuga/Lamartine	01-02, 09-10	No abatement needed		
68	Willie Woo Woo Wong PG	Sacramento/Waverly	01-02, 09-10	No abatement needed.		
70	Jospeh L. Alioto Performing Arts Piazza	Grove/Larkin	01-02	No abatement needed		
71	Collis P. Huntington Park	California/Taylor	01-02			
72	South Park	64 South Park Avenue	01-02			

Status Report for RPD Sites

Priority	Facility Name	Location	Completed	Notes	Retest	Entered in FLOW Program
73	Alta Plaza Park	Jackson/Steiner	01-02			
74	Bay View Playground (and Pool)	3rd/Armstrong	01-02	No abatement needed		
75	Chestnut/Kearny Open Space	NW Chestnut/Kearny	01-02	No survey done; structures no longer exist.		
76	Raymond Kimbell Playground	Pierce/Ellis	01-02			
77	Michelangelo Playground	Greenwich/Jones	01-02			
78	Peixotto Playground	Beaver/15th Street	01-02	No abatement needed		
80	States St. Playground	States St./Museum Way	01-02			
81	Adam Rogers Park	Jennings/Oakdale	01-02	No abatement needed		
82	Alamo Square	Hayes/Steiner	01-02			
83	Alioto Mini Park	20th/Capp	01-02	No abatement needed		
84	Beideman/O'Farrell Mini Park	O'Farrell/Beideman	01-02	No abatement needed		
85	Brooks Park	373 Ramsell	01-02	No abatement needed		
86	Buchanan St. Mall	Buchanan betw. Grove & Turk	01-02	No abatement needed		
87	Buena Vista Park	Buena Vista/Haight	01-02			
88	Bush/Broderick Mini Park	Bush/Broderick	01-02			
89	Cottage Row Mini Park	Sutter/E. Fillmore	01-02			
90	Franklin Square	16th/Bryant	01-02			
91	Golden Gate Heights Park	12th Ave./Rockridge Dr.	01-02			
92	Hilltop Park	La Salle/Whitney Yg. Circle	01-02	No abatement needed		
93	Lafayette Park	Washington/Laguna	01-02			
94	Julius Kahn Playground	Jackson/Spruce	01-02			
95	Jose Coronado Playground	21st/Folsom	02-03	As of 10/10/02 as per Capital Program Director, G. Hoy, there are no current plans for renovation		
96	Golden Gate Park (playgrounds)	Fell/Stanyan	05-06			
97	Washington Square	Filbert/Stockton	02-03	No abatement needed. Children's play area and bathrooms to be renovated in 3/04.		
98	McCoppin Square	24th Avenue/Taraval	02-03	As of 10/10/02 as per Gary Hoy, no current plans for renovation		
99	Mountain Lake Park	12th Avenue/Lake Sreet	02-03	As of 10/10/02 as per Gary Hoy, no current plans for renovation		
100	Randolph/Bright Mini Park	Randolph/Bright	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
101	Visitacion Valley Greenway	Campbell Ave./E.Rutland	02-03	No abatement needed. Renovation scheduled 3/04.		
102	Utah/18th Mini Park	Utah/18th Street	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
103	Palou/Phelps Park	Palou at Phelps	02-03	No abatement needed. Renovation occurred Summer 2003. Marvin Yee was project mgr. No lead survey/abatement rpt in RPD files.		
104	Coleridge Mini Park	Coleridge/Esmeralda	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		

Status Report for RPD Sites

Priority	Facility Name	Location	Completed	Notes	Retest	Entered in FLOW Program
105	Lincoln Park (includes Golf Course)	34th Avenue/Clement	02-03	Renovation scheduled 9/04		
106	Little Hollywood Park	Lathrop-Tocoloma	02-03	No abatement needed. Renovation scheduled 9/04		
107	McKinley Square	20th/Vermont	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
109	Noe Valley Courts	24th/Douglass	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
110	Parkside Square	26th Avenue/Vicente	02-03	Children's play area and bathrooms to be renovated in 9/03.		
111	Portsmouth Square	Kearny/Washington	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
112	Potrero del Sol	Potrero/Army	02-03	No abatement needed, renovation scheduled 9/04		
113	Potrero Hill Mini Park	Connecticut/22nd Street	02-03	Renovation scheduled 9/04		
114	Precita Park	Precita/Folsom	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
115	Sgt. John Macaulay Park	Larkin/O'Farrell	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
116	Sigmund Stern Recreation Grove	19th Avenue/Sloat Blvd.	04-05	As of 10/10/02 Capital Program Director indicates no current plans for renovation. Funding expired; will complete in FY04-05		
117	24th/York Mini Park	24th/York/Bryant	02-03	Completed as part of current renovation in December 2002, Renovation scheduled 3/04.		
118	Camp Mather	Mather, Tuolumne County	04-05			X
119	Hyde/Vallejo Mini Park	Hyde/Vallejo	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
120	Juri Commons	San Jose/Guerrero/25th	05-06			
121	Kelloch Velasco Mini Park	Kelloch/Velasco	02-03	No abatement needed. Children's play area scheduled for renovation on 9/04		
122	Koshland Park	Page/Buchanan	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		
123	Head/Brotherhood Mini Park	Head/Brotherwood Way	02-03	No abatement needed. As of 10/10/02 Capital Program Director indicates no current plans for renovation		

Status Report for RPD Sites

Priority	Facility Name	Location	Completed	Notes	Retest	Entered in FLOW Program
124	Walter Haas Playground	Addison/Farnum/Beacon	02-03	Capital Projects to renovate in Spring 2003. Mauer is PM		
125	Holly Park	Holly Circle	02-03	Renovation planned to begin 4/03; Judi Mosqueda from DPW is PM		
126	Page-Laguna-Mini Park	Page/Laguna	04-05	No abatement needed		
127	Golden Gate/Steiner Mini Park	Golden Gate/Steiner		No Facility, benches only		
128	Tank Hill	Clarendon/Twin Peaks	04-05	No abatement needed		
129	Rolph Nicol Playground	Eucalyptus Dr./25th Avenue	04-05	No abatement needed		
130	Golden Gate Park	Carrousel	05-06			
131	Golden Gate Park	Tennis Court	05-06			
132	Washington/Hyde Mini Park	Washington/Hyde	04-05	No abatement needed		
133	Ridgetop Plaza	Whitney Young Circle	05-06	No abatement needed		
134	Golden Gate Park	Beach Chalet	06-07	No abatement needed		
135	Golden Gate Park	Polo Field	06-07			
136	Sharp Park (includes Golf Course)	Pacifica, San Mateo Co.	06-07			
137	Golden Gate Park	Senior Center	06-07			X
139	Stow Lake Boathouse	Golden Gate Park	06-07, 11-12	CLPP survey and clean-up completed in FY06-07. Site revisited in FY11-12 in conjunction with site maintenance work. Clearance for occupancy received and working closing out project financials with DPW.		
140	Golden Gate Park	County Fair Building	06-07	No abatement needed		
141	Golden Gate Park	Sharon Bldg.	07-08			
143	Allyne Park	Gough/Green	06-07	No abatement needed		
144	DuPont Courts	30th Ave./Clement	07-08			
145	Golden Gate Park	Big Rec	07-08			
146	Lower Great Highway	Sloat to Pt. Lobos	07-08			
148	Yacht Harbor and Marina Green	Marina	06-07, 07-08	Includes Yacht Harbor, Gas House Cover, 2 Yacht Clubs and Marina Green		
149	Palace of Fine Arts	3601 Lyon Street	09-10	No abatement needed.		
150	Telegraph Hill/Pioneer Park	Telegraph Hill	09-10	Clean-up responsibility transferred to Capital and Planning for incorporation into larger project at site.		
151	Saint Mary's Square	California Street/Grant	09-10	No abatement needed.		
152	Union Square	Post/Stockton	09-10	No abatement needed.		
153	Golden Gate Park	Angler's Lodge	07-08			
154	Golden Gate Park	Bandstand	07-08	No abatement needed		

Status Report for RPD Sites

Priority	Facility Name	Location	Completed	Notes	Retest	Entered in FLOW Program
155	Golden Gate Park	Bowling Green	07-08	Retested 4/09; 16 ppb first draw, still in program		X
156	Golden Gate Park	Conservatory	08-09	No abatement needed.		
157	Golden Gate Park	Golf Course	09-10			
158	Golden Gate Park	Kezar Stadium	07-08			X
159	Golden Gate Park	Nursery	09-10	No abatement needed		X
160	Golden Gate Park	Stables	na	Being demolished. Hazard assessment already completed by Capital.		
161	Golden Gate Park	McLaren Lodge	01-02, 02-03	Done out of order. Was in response to release/spill. See File 565.		
162	Corona Heights (and Randall Museum)	16th/Roosevelt	00-01	Randall Museum used to be separate, but in TMA, Randall is part of Corona Heights, so the two were combined 6/10.		
163	Laurel Hill Playground	Euclid & Collins	10-11			
164	Selby/Palou Mini Park	Selby & Palou	10-11	No abatement needed		
165	Prentiss Mini Park	Prentiss/Eugenia	10-11	No abatement needed		
166	Lessing/Sears Mini Park	Lessing/Sears	10-11	No abatement needed		
167	Muriel Leff Mini Park	7th Avenue/Anza	10-11	No abatement needed		
168	10th Avenue/Clement Mini Park	Richmond Library	10-11	No abatement needed		
169	Turk/Hyde Mini Park	Turk & Hyde	10-11	No abatement needed		
170	Exploratorium (and Theater)	3602 Lyon Street	13-14	Eight metal doors with loose and peeling paint were cleaned up; one water source shut off indefinitely.		
171	Candlestick Park	Jamestown Avenue	10-11			
New Facilities: These facilities not to be included in CLPP survey as they were built after 1978.						
	Alice Marble Tennis Courts	Greenwich/Hyde		Not owned by RPD. PUC demolished in 2003 and all will be rebuilt.		
	Richmond Rec Center	18th Ave./Lake St./Calif.		New facility		
	Visitacion Valley Playground	Cora/Leland/Raymond		Original building clubhouse and PG demolished in 2001. Facility is new.		
	King Pool	3rd/Armstrong		New facility		
	Patricia's Green in Hayes Valley	Hayes & Octavia		Built in 2005		
	India Basin Shoreline Park	E. Hunters Pt. Blvd.		Built in 2003		
	Parque Ninos Unidos	23rd and Folsom		Built in 2004		
	Victoria Manolo Draves Park	Folsom & Sherman		Built in 2006		
	Aptos Playground	Aptos/Ocean Avenue		Site demolished and rebuilt in 2006		