

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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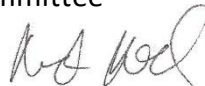
TO: Budget and Appropriations Committee
FROM: Budget and Legislative Analyst 
SUBJECT: March 20, 2024 Budget and Appropriations Committee Meeting

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| <p>Item 1 File 23-0314</p> | <p>Department: Public Utilities Commission</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$500,000 from the General Reserve to the Public Utilities Commission’s Water Enterprise to fund independent analysis and research on sea level rise and groundwater impacts in the Hunters Point Shipyard. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The June 2022 Civil Grand Jury Report, “Buried Problems and a Buried Process: The Hunters Point Shipyard in the Time of Climate Change,” concluded that the City was not adequately monitoring the impact of sea level rise on the environmental contamination in the Hunters Point area. The report recommended that the Mayor and/or City Administrator commission a report on potential interactions of groundwater with hazardous materials and planned modifications to the site under multiple sea level rise scenarios and that the Mayor and Board provide funding for the study. • The Mayor’s Office responded to the report on August 11, 2022, stating that it disagreed (in whole or in part) with the Civil Grand Jury’s six findings and would not implement any of the six recommendations directed to the Mayor’s Office because it deemed them not warranted or unreasonable. The Board of Supervisors agreed with the findings and recommendations related to the sea level rise study. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$500,000 from the General Reserve. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • If the Board of Supervisors approves the proposed appropriation, the General Reserve balance would be reduced by \$0.5 million to \$128.2 million. Any uses of the reserve during the current year (FY 2023-24) will increase the required deposit in the next budget year (FY 2024-25) by a like amount. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. | |

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The June 2022 Civil Grand Jury Report, “Buried Problems and a Buried Process: The Hunters Point Shipyard in the Time of Climate Change,” concluded, among other things, that the City was not adequately managing and monitoring the impact of sea level rise on the environmental contamination in the Hunters Point area (Finding #1). Recommendation #1 of the Civil Grand Jury was:

“By September 1st, 2022, the Mayor and/or the City Administrator should direct the Office of Resilience and Capital Planning, in collaboration with the Department of Public Health, to commission and manage an independent, third-party study of Hunters Point Shipyard to predict the future shallow groundwater surface, groundwater flows, and potential interactions of groundwater with hazardous materials and planned modifications to the site under multiple sea level rise scenarios.”

Recommendation #2 stated, “the Mayor and the Board of Supervisors should collaborate to provide funding for the study recommended in R1, in the Fiscal Year 22-23 budget, or by October 1st, 2022.” The Board of Supervisors agreed with Finding #1 and Recommendations #1 and #2 (File 22-0721).

The Mayor’s Office responded to the report on August 11, 2022, stating that it disagreed (in whole or in part) with the Civil Grand Jury’s six findings and would not implement any of the six recommendations directed to the Mayor’s Office because it deemed them not warranted or unreasonable.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$500,000 from the General Reserve to the Public Utilities Commission’s Water Enterprise to fund independent analysis and research on sea level rise and groundwater impacts in the Hunters Point Shipyard.

FISCAL IMPACT

General Reserve

Administrative Code Section 10.60 requires the City to budget a General Reserve of at least 3.0 percent of General Fund revenues to address revenue weakness, excess spending, or other needs not anticipated during the annual budget process. The balance requirement is reduced to 1.5 percent of General Fund revenues if the City withdraws from the Rainy Day Reserve and then

increases by 0.25 percent per year until the 3.0 percent balance requirement is fully restored. The General Reserve balance is required to be 2.0 percent of budgeted regular General Fund revenues in FY 2023-24 and 2.25 percent of budgeted General Fund Revenues in FY 2024-25.

According to the Controller's Office FY 2023-24 Six-Month Budget Status Report, the General Reserve's FY 2023-24 ending balance is projected to be \$128.7 million.

If the Board of Supervisors approves the proposed appropriation, the General Reserve balance would be reduced by \$0.5 million to \$128.2 million. Any uses of the reserve during the current year (FY 2023-24) will increase the required deposit in the budget year (FY 2024-25) by a like amount.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

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| Item 2 File 24-0125 | Departments: DEM, FIR, POL, PUC, SHF, GEN |
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance (a) appropriates \$4,770,707 in Ambulance Service Revenue in the Fire Department and (b) de-appropriates \$84,988,592 from permanent salaries, mandatory fringe benefits, and programmatic projects and appropriates \$89,759,299 to overtime in the Department of Emergency Management (DEM), Fire Department (FIR), San Francisco Public Utilities Commission (PUC), Sheriff’s Department (SHF), and Police Department (POL).

Key Points

- Administrative Code Section 3.17 states that certain departments must obtain a supplemental appropriation to exceed the overtime budgets in their annual operating funds. The Department of Public Health previously obtained approval for higher than budgeted overtime spending (File 23-1160). The Police exceeded their overtime budget in November 2023 and the Sheriff exceeded his overtime budget in September 2023. However, other departments have not yet exceeded their overtime budgets.
- The need for additional overtime funds is similar across departments, with many reporting that vacancies combined with minimum staffing levels required for some departments to maintain services are contributing to the need for staff to work overtime. Beyond minimum staffing and APEC, the Police and Sheriff are spending overtime on special initiatives in the Tenderloin and Union Square. In addition, the San Francisco Public Utilities Commission reports that they have seen increased workloads from the winter storms, resulting in a need for additional overtime.

Fiscal Impact

- The proposed ordinance shifts savings from vacancies in DEM, FIR, POL, PUC, and SHF to pay for overtime that exceeds each department’s budget. The ordinance also provides spending authority for \$4.7 million of unbudgeted ambulance revenues for FIR and transfers \$6,500,000 from General City Responsibility (GEN), which was intended to reimburse departments for costs related to the Asia Pacific Economic Cooperation conference in November 2023, to Police (\$4.56 million) and Sheriff (\$1.94 million).

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

Charter Section 9.105 provides that amendments to the Annual Appropriation Ordinance be subject to Board of Supervisors approval by ordinance, after the Controller certifies the availability of funds.

Administrative Code Section 3.17 states that the Airport; Department of Emergency Management; Fire Department; Police Department; Department of Public Health; Public Utilities Commission; Department of Public Works; Recreation and Park Department; and Sheriff must obtain a supplemental appropriation to exceed the overtime budgets in their annual operating funds.

Charter Section 9.113(c) states that in the event the Mayor or a member of the Board of Supervisors recommends a supplemental appropriation ordinance after the adoption of the budget and prior to the end to the budget year that contains any item rejected by the Mayor or the Board of Supervisors in the original budget appropriation, the supplemental appropriation can only be approved by a two-thirds vote of the Board of Supervisors.

BACKGROUND

Five departments are requesting a supplemental appropriation to increase their overtime budgets in annual operating funds, as per Administrative Code Section 3.17. The need for additional overtime funds is similar across departments, with many reporting that vacancies combined with minimum staffing levels required for some departments to maintain services are contributing to the need for staff to work overtime. In addition, the San Francisco Public Utilities Commission reports that they have seen increased workloads from the winter storms, resulting in a need for additional overtime.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance (a) appropriates \$4,770,707 in Ambulance Service Revenue in the Fire Department and (b) de-appropriates \$84,988,592 from permanent salaries, mandatory fringe benefits, and programmatic projects and appropriates \$89,759,299 to overtime in the Department of Emergency Management, Fire Department, San Francisco Public Utilities Commission, Sheriff’s Department, and Police Department. Approval of the proposed appropriation of \$14,509,676 to the Fire Department requires a two-thirds vote of all members of the Board of Supervisors pursuant to Charter Section 9.113(c).

Exhibit 1 below summarizes the proposed appropriation of \$89,759,299 by department.

Exhibit 1: Appropriation of \$89,759,299 by Department

| Sources | Emergency Management | Fire | Police | Public Utilities | Sheriff | General City Responsibility | Total |
|-------------------------------|----------------------|---------------------|---------------------|------------------|---------------------|-----------------------------|---------------------|
| Appropriation | | | | | | | |
| Ambulance Billing Revenue | | \$4,770,707 | | | | | \$4,770,707 |
| De-Appropriation | | | | | | | |
| Permanent Salaries / Benefits | \$3,500,000 | 10,513,680 | \$39,068,054 | \$950,000 | \$24,456,858 | | 78,488,592 |
| Programmatic Projects (APEC) | | | | | | \$6,500,000 | 6,500,000 |
| Total Sources | \$3,500,000 | \$15,284,387 | \$39,068,054 | \$950,000 | \$24,456,858 | \$6,500,000 | \$89,759,299 |
| Uses | | | | | | | |
| Appropriation | | | | | | | |
| Overtime | \$3,500,000 | \$15,284,387 | \$43,628,054 | \$950,000 | \$26,396,858 | | \$89,759,299 |
| Total Uses | \$3,500,000 | \$15,284,387 | \$43,628,054 | \$950,000 | \$26,396,858 | | \$89,759,299 |

Source: Proposed ordinance

As shown in Exhibit 1 above, the proposed ordinance includes de-appropriating \$6,500,000 from General City Responsibility that was intended to reimburse departments for costs related to the Asia Pacific Economic Cooperation (APEC) conference in November 2023 and transfers the funding to the Police (\$4.56 million) and Sheriff (\$1.94 million).

FISCAL IMPACT

Proposed Increases in Overtime

The proposed percent increases in overtime for the five departments range from 16 percent from SFPUC up to 165 percent for the Sheriff’s Department. If the proposed increases are approved, four departments (Emergency Management, Fire, Police, and Sheriff) would exceed their FY 2022-23 overtime expenditures by more than five percent. Exhibit 2 summarizes the FY 2023-24 approved budget for each department, the resulting increase from the proposed ordinance, and FY 2022-23 actual expenditures.

Exhibit 2: FY 2023-24 Overtime Budget and Proposed Increase, Annual Operating Funds

| | Emergency Management | Fire | Police | Public Utilities | Sheriff | Total |
|--|----------------------|--------------|--------------|------------------|--------------|---------------|
| FY 2023-24 Overtime Budget | \$5,402,299 | \$62,821,468 | \$49,403,782 | \$5,895,739 | \$15,955,594 | \$139,478,882 |
| Proposed Increase in Ordinance | 3,500,000 | 15,284,387 | 43,628,054 | 950,000 | 26,396,858 | 89,759,299 |
| New Overtime Budget | \$8,902,299 | \$78,105,855 | \$93,031,836 | \$6,845,739 | \$42,352,452 | \$229,238,181 |
| Percent Increase | 65% | 24% | 88% | 16% | 165% | 64% |
| FY 2022-23 Actual Overtime Expenditures | \$7,160,874 | \$74,371,856 | \$87,308,059 | \$6,932,097 | \$37,173,923 | \$212,946,809 |
| New Overtime Budget, Percent of FY 2022-23 Actual Expenditures | 124% | 105% | 107% | 99% | 114% | 108% |

Source: Proposed ordinance, City budget system.

The following sections provide additional detail on the proposed increases in overtime for each of the five departments.

Department of Emergency Management: \$3,500,000

The proposed ordinance de-appropriates \$3,500,000 in permanent salaries in the Department of Emergency Management's (DEM) FY 2023-24 budget to pay for \$3,500,000 in overtime expenditures, as shown in Exhibit 1 above. DEM anticipates exceeding its overtime budget in the pay period ending March 29, 2024.

According to Thomas Chen, DEM Budget Manager, the permanent salaries surplus and overtime needs are largely due to vacancies in the 8238 Public Safety Dispatcher classification and inability to hire as many trainees as budgeted. DEM projects that FY 2023-24 General Fund permanent salaries will total approximately \$33 million compared to the budgeted amount of \$38.9 million, resulting in a projected surplus of \$5.9 million. However, DEM projects total overtime expenditures of approximately \$8.4 million compared to the budgeted amount of \$5.4 million, resulting in a projected deficit of \$3 million. DEM is requesting the \$3.5 million appropriation to provide a buffer in case overtime expenditure increases in the coming months.

According to the City Budget System, DEM has approximately 30 vacancies in the 8238 Public Safety Dispatcher classification, which translates to an 18 percent vacancy rate. DEM had anticipated holding three training classes in FY 2023-24 with a total of 40 trainees. Due to recruitment difficulties, the first two classes each had seven trainees and the third class will likely have seven trainees as well, for a total of 21 trainees. DEM hired a 1250 Recruiter position in FY 2022-23 to assist with hiring. Although Budget Manager Chen reports that the number of applicants has doubled, DEM has been struggling to find quality candidates to fill the training classes. DEM is implementing changes to expedite the hiring process, such as moving the performance exam from in-person to online, prompting candidates to submit a personal history statement after passing the performance exam, adding more background investigators, and moving the oral assessment to after background checks.

Due to the high level of vacancies, DEM has been using overtime to meet minimum staffing levels in the 911 call center. DEM's service standard is to answer at least 90 percent of calls within 10 seconds, and performance has ranged from 69 to 77 percent each month over the current fiscal year, despite high overtime utilization. DEM Budget Manager Chen reports that without the requested overtime appropriation, DEM's performance compared to this service standard would be worse.

Fire Department: \$15,284,387

The proposed ordinance appropriates \$4,770,707 in additional ambulance service revenue and de-appropriates \$10,513,680 in surplus salaries and benefits in the Fire Department's (SFFD) FY 2023-24 budget to pay for \$15,284,387 in additional overtime expenditures. SFFD anticipates exceeding its overtime budget in the pay period ending April 26, 2024. Exhibit 3 below summarizes the de-appropriation and appropriation of funds.

Exhibit 3: Proposed SFFD Appropriation

| Sources | Amount |
|--------------------------------|---------------------|
| <u>Appropriation</u> | |
| Ambulance Billings | \$4,770,707 |
| <u>De-Appropriation</u> | |
| Fire Salaries (General Fund) | 7,385,812 |
| Retirement Fringe | 2,353,157 |
| Fire Salaries (Airport Bureau) | 774,711 |
| Total Sources | \$15,284,387 |

| Uses | Amount |
|--------------------------------|---------------------|
| <u>Appropriation</u> | |
| Fire Overtime (General Fund) | \$14,509,676 |
| Fire Overtime (Airport Bureau) | 774,711 |
| Total Uses | \$15,284,387 |

Source: Proposed ordinance

According to Mark Corso, SFFD Deputy Director of Finance and Planning, the additional ambulance billing revenue is largely driven by State legislative changes that allow jurisdictions to receive reimbursements from Medi-Cal. The program went into effect on January 1, 2023, but the rollout resulted in confusion among providers regarding the actual impact of the program. The revenue impacts were not known at that time and have since resulted in increased revenues for the Department. Additionally, SFFD has received back payments in FY 2023-24 for accounts in FY 2022-23.

According to Deputy Director Corso, the salary surplus budget is largely due to vacancies in the H-2 Firefighter classification. The Department was unable to hire enough staff to replace separations, which total approximately 60 positions per year. SFFD has approximately 39 vacancies out of 679 funded positions in the H-2 Firefighter classification, which translates to a six percent vacancy rate. However, the funded position headcount also includes 48 recruits in the fire academy who are scheduled to graduate in June 2024 and then will be able to backfill retirements. SFFD has two fire academies scheduled in FY 2024-25. SFFD uses promotions to fill officer positions, so most vacancies appear at the H-2 Firefighter classification. The \$2,353,157 de-appropriation from retirement is an estimate of the fringe benefit savings associated with vacant positions.

According to Deputy Director Corso, the majority of overtime would be used in field operations to meet minimum staffing levels for fire suppression and emergency medical staffing services. Overtime would also be used for training and fire prevention, and \$774,711 would be used in the Airport Bureau. As of February 2024, fire and ambulance call volume has increased by approximately three percent in FY 2023-24 compared to FY 2022-23. Deputy Director Corso reports that without the proposed ordinance, SFFD would be unable to meet minimum staffing requirements given staffing shortages.

Police Department: \$43,628,054

The proposed ordinance de-appropriates \$39,068,054 in surplus salaries and benefits in the Police Department's (SFPD) FY 2023-24 budget to pay for \$43,628,054 in additional overtime expenditures. SFPD exceeded its FY 2023-24 overtime budget in the pay period ending November 24, 2023. As noted above, \$4.56 million of the funding comes from General City Responsibility to reimburse departments for costs related to the 2023 APEC conference.

According to David Huang, SFPD Budget Manager, the permanent salary surplus is largely due to vacancies, with separations outpacing new hires in recent years. SFPD has 410 vacant sworn positions out of 2,064 total sworn positions (excluding 25 work-order funded positions), for a vacancy rate of approximately 20 percent. Of the 1,654 sworn officers, 1,457 are full-duty officers, a figure which excludes officers on leave or modified duty and therefore unavailable for field deployment. SFPD projects that FY 2023-24 General Fund permanent salaries will total approximately \$315.2 million, compared to a budgeted amount of \$358.7 million, for a projected surplus of \$43.5 million. However, SFPD projects FY 2023-24 General Fund overtime expenditures of approximately \$93 million, compared to a budgeted amount of \$41.4 million, for a projected deficit of \$51.6 million. According to Budget Manager Huang, SFPD is only requesting a supplemental appropriation of \$43.6 million to address this deficit because additional funding from the U.S. Capital Police (File 23-1241), funding from the Special Events Committee (24-0025), and a transfer from the City's MOU Reserve will total approximately \$8 million.

As of December 22, 2023, SFPD has incurred approximately 417,879 hours of overtime in FY 2023-24, including 72,104 hours of APEC overtime. By comparison, SFPD incurred a total of approximately 704,397 hours of overtime in FY 2022-23. Of the 417,879 overtime hours to date, approximately 331,718 hours, or 79 percent, are within the category "extended work week." This includes the backfilling of vacant positions, special event staffing, and any other use of overtime that is not associated with an arrest, investigation, court, or academy training. The proposed ordinance would provide \$4,560,000 from General City Responsibility for the APEC conference overtime hours. An overview of FY 2023-24 overtime usage is shown in Exhibit 4 below.

Exhibit 4: Breakdown of SFPD Overtime Usage

| Description | FY 2022-23 Overtime Hours | FY 2023-24 Overtime Hours, Mid-Year |
|--|--|--|
| Court | 28,907 | 16,297 |
| Investigation | 51,637 | 25,637 |
| Arrest | 57,883 | 29,754 |
| Miscellaneous | 8,928 | 4,409 |
| Academy Training | 22,515 | 10,064 |
| Extended Work Week | | |
| APEC | 57 | 72,104 |
| Tenderloin Triangle Public Safety Plan | 27,899 | 11,433 |
| Tourism Deployment Plan | 27,920 | 9,453 |
| Safe Shopper/Police Presence Events | 89,852 | 43,013 |
| Hospital Watch | 43,768 | 16,745 |
| Violence Reduction | 17,781 | 6,565 |
| OT Backfill/Staff Shortage | 26,448 | 13,132 |
| Extended Work Week- Other | 191,007 | 95,731 |
| <i>Extended Work Week Subtotal</i> | 109,795 | 63,542 |
| Total | 704,397 | 417,879 |

Source: SFPD & BLA

Note: Overtime hours do not include overtime worked for compensatory time off.

Through February 2024, SFPD has seen a 1.2 percent increase in calls for service in FY 2023-24 compared to FY 2022-23 through the same time period, from 283,099 to 286,589 calls. The entire increase can be attributed to Priority C calls, such as for loitering, parking violations, or noise complaints. Priority A and B calls, which include more serious violent or property crimes that pose a danger to life and safety, have declined by 3.5 percent, from 134,788 to 130,087 calls. However, as noted above, much of the overtime utilization has been for patrol sector backfill, special events, and special policing initiatives, which are not immediately correlated to calls for service. As requested by the Board of Supervisors, we are in the process of auditing the Police Department's overtime (File 23-0329).

Looking ahead, Budget Manager Huang reports that SFPD does not plan to shift its budgeting from permanent salaries to overtime in future years. SFPD would like to have the ability to hire a large influx of academy recruits, should that occur. Furthermore, the overtime supplemental appropriation process allows SFPD to communicate with the Board of Supervisors and the public about staffing shortages and how overtime is used to address those shortages. In FY 2023-24, SFPD scheduled police academies in September 2023, January 2024, May 2024, and June 2024 and anticipates having a total of approximately 100 recruits in those classes. Additionally, SFPD is using approximately 177 retirees to backfill vacant positions, as allowed under City Charter Section A8.511(c), which allows retirees to work for up to 960 hours per year while also receiving

a pension. However, such workers are not considered sworn officers and are not able to carry out many of the Department's needs, such as sector patrols, but may assist with investigations or community ambassador functions.

Public Utilities Commission: \$950,000

The proposed ordinance de-appropriates \$950,000 in permanent salaries in the San Francisco Public Utilities Commission's (SFPUC) FY 2023-24 budget to pay for \$950,000 in overtime expenditures. This amount includes \$600,000 in the Wastewater Enterprise and \$350,000 in the Water Enterprise.

According to Laura Busch, SFPUC Deputy Chief Financial Officer, SFPUC's increased overtime usage in FY 2023-24 is largely due to planning, preparation, and response to winter storm events. Between the Wastewater and Water Enterprises, SFPUC projects that FY 2023-24 overtime expenditures will total approximately \$5.9 million, exceeding the budgeted amount of \$4.8 million by \$1.1 million. Overtime has been utilized as follows:

- Wastewater Enterprise (\$600,000): The primary overtime drivers are due to field actions, including temporary flood barrier installations, deployment of Collections Systems wet weather field crews, and staffing the North Point Wet Weather Facility. SFPUC projects total overtime expenditures of \$3,064,448, exceeding the overtime budget of \$2,445,584 by \$618,864. SFPUC estimates that the Wastewater Enterprise will exceed its overtime budget in the pay period ending May 10, 2024.
- Water Enterprise (\$350,000): The primary overtime drivers include assessing and repairing damage to watershed infrastructure in the Natural Resources Division and wet weather sampling and laboratory testing in the Water Quality Division. SFPUC projects total overtime expenditures of \$2,814,004, exceeding the overtime budget of \$2,307,815 by \$506,189. SFPUC estimates that the Water Enterprise will exceed its overtime budget in the pay period ending May 10, 2024.

SFPUC notes that overtime expenditures will likely decline in the final quarter of the fiscal year, as there will likely be fewer storm events requiring overtime, and the proposed supplemental appropriation amounts will be sufficient to cover the projected deficits.

The proposed de-appropriation of \$950,000 from permanent salaries is due to projected salary savings in the enterprise budgets. SFPUC projects that salary expenditures in the two enterprises will total approximately \$132.4 million, compared to the budgeted amount of \$137.7 million, resulting in projected savings of \$5.3 million.¹ Between the Water and Wastewater Enterprises, SFPUC has approximately 240 vacant positions out of 1,448 FTE positions, a 17 percent vacancy rate. According to Deputy Chief Financial Officer Busch, SFPUC has increased the overtime budget in the Wastewater Enterprise in the upcoming FY 2024-26 two-year budget submission to try to right-size it.

¹ The salary amounts shown for SFPUC include permanent salaries, temporary salaries, premium pay, and paid time off.

Sheriff's Department: \$26,396,858

The proposed ordinance de-appropriates \$24,456,858 in surplus salaries and benefits from the Sheriff's Department's FY 2023-24 budget to pay for \$26,396,858 in overtime expenditures. As noted above, a portion of the funding comes from General City Responsibility to reimburse departments for costs related to the 2023 APEC conference. The Sheriff's Department exceeded its overtime budget, excluding work orders, in the pay period ending September 29, 2023, but does not anticipate exceeding its overtime budget in the work order fund. According to Chief Financial Officer Leung, the Department is requesting a supplemental appropriation for overtime in the work order fund because a portion of work order services is being performed on overtime.

According to Patrick Leung, Sheriff's Department Chief Financial Officer, the permanent salaries surplus and overtime needs are largely due to vacancies, largely in the 8504 Deputy Sheriff classification.² The Sheriff's Department projects that FY 2023-24 General Fund (including interdepartmental work order Fund 10060) permanent salaries will total approximately \$77.2 million, compared to a budgeted amount of \$129.4 million, resulting in a projected surplus of \$52.3 million, which is offset by sick pay, vacation, other paid time off, and overtime. The Sheriff's Department projects total overtime expenditures of \$41.4 million, compared to a budgeted amount of \$16.0 million, resulting in a projected deficit of \$25.4 million. The Sheriff's Department is requesting a \$26.4 million appropriation to provide a buffer in case overtime expenditures increase in the final four months of the fiscal year.

According to Chief Financial Officer Leung, the Sheriff's Department has approximately 201 sworn FTE vacancies out of 875 positions, for a vacancy rate of approximately 23 percent. Overtime has been used to backfill vacancies to meet minimum staffing requirements in the jails, to cover one-time events, such as the APEC conference and the Super Bowl, and to support patrol operations of the Drug Market Agency Coordination Center (DMACC), an interagency effort to reduce drug sales in the Tenderloin and Mid-Market areas. The average daily jail population has increased from a low of 719 inmates in 2022 to 1,139 in 2024, although Chief Financial Officer Leung notes that jail population alone does not determine minimum staffing levels.

In addition to Custody Operations, the Sheriff's Field Operations Division is comprised of numerous units that respond to calls for service and proactively patrol high-profile government buildings such as City Hall. The Sheriff's Office provides other service functions, such as the Civil Unit, which enforces residential and business evictions, serves restraining orders, and serves civil process paperwork for small claims court. The Sheriff's Department has been able to reduce overtime by utilizing the help of approximately 30 retirees to help backfill sworn functions, who, as noted above, may work for up to 960 hours per year while receiving a pension but cannot carry out all sworn job functions.

According to Chief Financial Officer Leung, the Sheriff's Department plans to commence three academy classes between February and June 2024, with a total goal of 75 recruits for the fiscal

² The Sheriff's Department uses the 8304 classification for Deputy Sheriffs who were hired before the change in retirement plans and remain within the California Public Employees' Retirement System (CalPERS), while the 8504 classification is used for more recent hires who are within the City's San Francisco Employees' Retirement System (SFERS). Functionally, the two classifications are interchangeable.

year. Chief Financial Officer Leung anticipates that the Sheriff's Department will have approximately 55 separations for the fiscal year. It takes approximately eight months for recruits to complete the academy and gain the necessary training to be able to reduce overtime utilization. The Sheriff's Department is requesting and recommending the City to consider retention premiums and signing bonuses in its upcoming collective bargaining agreement with the Deputy Sheriff's Association to reduce separations and attract future candidates. Given the current staffing shortage, the Sheriff's Department expects to incur greater overtime expenditures in the near future and has requested additional overtime funding in the upcoming FY 2024-26 two-year budget.

RECOMMENDATION

Approve the proposed ordinance.

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|---|---|
| <p>Item 3 File 24-0126</p> | <p>Department: Office of the Treasurer-Tax Collector (TTX)</p> |
| <p>EXECUTIVE SUMMARY</p> | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would amend the Business and Tax Regulations Code to extend the waiver of certain first-year permit, license, and business registration fees for specified small businesses that newly form or open a location (First Year Free program) by one year through June 30, 2025. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In July 2021, the Board of Supervisors approved an ordinance waiving first-year permit, license, and business registration fees for certain small businesses. The goal of the waiver program, referred to as the “First Year Free” program, was to provide relief to small businesses during the City’s recovery from the COVID-19 pandemic. The Board of Supervisors has approved ordinances expanding the fee waivers to all business types and extending the program through June 2024. The Treasurer-Tax Collector administers the First Year Free program, which has enrolled 6,533 businesses as of March 11, 2024. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • According to the Treasurer-Tax Collector’s Office, in FY 2023-24, the First Year Free program has waived approximately \$1,017,327 through March 8, 2024. Using a straight-line projection, this would amount to approximately \$1,483,433 for the full fiscal year. In FY 2022-23, the program waived a total of \$1,649,977 in fees. • In addition to the fee waivers, the First Year Free program funds two off-budget full-time equivalent (FTE) positions. The total cost to fund both positions in FY 2024-25, if filled, is approximately \$342,177. The Treasurer-Tax Collector’s office also anticipates information technology costs to support the program in an amount not to exceed \$100,000. • As of March 8, 2024, the available balance for the First Year Free program is approximately \$3,013,528. If the proposed ordinance is not approved, approximately \$2.2 million would be available for the FY 2024-25 for other purposes. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy matter for the Board of Supervisors. | |

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

First Year Free Program

In July 2021, the Board of Supervisors approved an ordinance waiving first-year permit, license, and business registration fees for certain small businesses (File 21-0741). The goal of the waiver program, referred to as the “First Year Free” program, was to provide relief to small businesses during the City’s recovery from the COVID-19 pandemic. In November 2022, the fee waivers were expanded to all business types and extended through June 2023 (File 22-0970). In July 2023, the Board of Supervisors retroactively approved an ordinance to codify the First Year Free program and extend it through June 2024 (File 23-0664). The Treasurer-Tax Collector administers the First Year Free program, which has enrolled 6,533 businesses as of March 11, 2024.¹

Program Eligibility

Both new small businesses and existing small businesses with new locations that have up to \$5 million or less in gross receipts in San Francisco are eligible for free waivers through June 2024.

In addition, fee waivers may be revoked if a business that originally qualified for a fee waiver had more than \$15 million in gross receipts in San Francisco in the calendar year of or in any of the three calendar years following the date the business commenced or opened a new location.

The number of new business location openings from 2018 through 2023, regardless of business size, is shown in Exhibit 1 below.

Exhibit 1: New Business Location Openings, 2018 through 2023

| Year | Business Location Openings |
|--------------|-----------------------------------|
| 2018 | 19,556 |
| 2019 | 19,132 |
| 2020 | 14,286 |
| 2021 | 15,365 |
| 2022 | 14,660 |
| 2023 | 13,220 |
| Total | 96,219 |

Source: Open Data SF

¹ According to Amanda Fried, Treasurer-Tax Collector Chief of Policy and Communications, not every business that has enrolled in the program has received a monetary benefit.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Business Regulations and Tax Code to extend the First Year Free program by one year through June 2025. The proposed ordinance makes no other changes to the program.

FISCAL IMPACT

According to the Treasurer-Tax Collector's Office, in FY 2023-24, the First Year Free program has waived approximately \$1,017,327 through March 8, 2024. Using a straight-line projection, this would amount to approximately \$1,483,433 for the full fiscal year. In FY 2022-23, the program waived a total of \$1,649,977 in fees.

In addition to fee waivers, the First Year Free program funds two off-budget full-time equivalent (FTE) positions, a 1634 Principal Account Clerk, which is currently filled, and a 4310 Commercial Division Assistant Supervisor, which is currently vacant. The total cost to fund both positions in FY 2024-25, if filled, is approximately \$342,177. The Treasurer-Tax Collector's office also anticipates information technology costs to support the program in an amount not to exceed \$100,000.

As of March 8, 2024, the available balance for the First Year Free program is approximately \$3,013,528. According to Tajel Shah, Chief Assistant Treasurer, the Treasurer-Tax Collector's office anticipates that the existing balance is sufficient to fund the program in FY 2024-25 and additional funding will not be requested in the FY 2024-25 budget.

If the proposed ordinance is not approved, approximately \$2.2 million would be available for FY 2024-25 for other purposes.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.