

FISCAL YEARS 2024-25 & 2025-26





ADVICE & COUNSEL



LEGISLATION & CONTRACTS



**DEFENSIVE LITIGATION** 



AFFIRMATIVE LITIGATION



PUBLIC INTEGRITY & INVESTIGATIONS

# Office Legal and Operations Teams

Airport	Claims	Code Enforcement	Complex & Affirmative Litigation
Construction & Public Contracting	Dependency & Mental Health	Energy & Telecommunications	Ethics & Elections
Executive	Finance & Real Estate	Government	Government Litigation
Health & Human Services	Public Integrity & Investigations	Labor	Land Use
Litigation	Port	Public Utilities	Retirement
Тах	Transportation	Workers' Compensation	Worker Protection
Accounting	Human Resources	Information Technology	Legal Support

## Our Work is Central to all City Operations

PUBLIC SAFETY
& STREET
CONDITIONS

HOMELESSNESS & MENTAL HEALTH AFFORDABLE & SUPPORTIVE HOUSING

LAND USE & REAL ESTATE

REVITALIZING LOCAL ECONOMY & SMALL BUSINESSES

PUBLIC INTEGRITY & INVESTIGATIONS TAX LITIGATION & ASSESSMENT APPEALS CLAIMS & DEFENSIVE LITIGATION

CONSUMER
PROTECTION &
CIVIL RIGHTS

WORKER PROTECTION

#### Tax Litigation Successes

- 9 tax litigation victories in the CA Court of Appeals since 2020.
  - Successfully defended against transfer tax refund action of over \$10MM alleging City's transfer tax was unconstitutional and preempted by state law.
  - Successfully defended passage of the Homelessness Gross Receipts Tax ("<u>Big C</u>"), the Early Care and Education Commercial Rents Tax ("<u>Baby C</u>"), and the Living Wage for Educators Parcel Tax ("<u>Prop G</u>"), unlocking hundreds of millions of dollars annually for homeless services, early care and education, and SFUSD.
- Settled 5 lawsuits and 8 large claims in the past 18 months, protecting tax revenues.

## Tax Litigation & Assessment Appeals Needs

- Skyrocketing litigation reserves for business tax disputes
  - \$31MM in 2019 → \$530MM in Jan. 2024
  - 1700% increase over 4 years
- Hours spent on tax litigation continually increasing
  - 2,800 hours in FY 22-23
  - 5,000 hours estimated in FY 23-24
  - 7,000+ hours expected for FY 24-25 and beyond
- Tripling of AAB appeals in past year
  - 2,769 in March 2023  $\rightarrow$  7,939 in March 2024
- Budget provides for 4 new, temporary DCA positions + 2 support positions to defend hundreds of millions of dollars in tax revenues

#### Homelessness & Mental Health

- <u>Homelessness</u>: Advised on and defended City against multiple, complex lawsuits and hundreds of small claims related to homelessness and street conditions.
- <u>Contracts & Grants:</u> In FY 23-24, we worked on approximately 120 agreements for HSH, 460 agreements for DPH, 180 agreements for DCYF, 450 agreements for HSA, 100 agreements for DAS.
- <u>CARE Court:</u> Spent 2,500 hours on CARE Court implementation and petitions in FY 23-24.
- LPS Conservatorships: Dramatic increase in our conservatorship workload:
  - Total LPS conservatorship matters increased to 720 open matters.
  - Spent 8,500+ hours on LPS conservatorships in FY 23-24, compared to 5,700 hours in FY 22-23.
  - Temporary conservatorships nearly doubled since May 2023.

#### Housing & Land Use

- Abated public nuisances and dangerous housing conditions through code enforcement litigation.
- Preserved and expanded the City's affordable housing portfolio.
- New state housing laws require additional advice work and potential litigation support.
  - State passed approximately 40 new housing and planning laws in 2022 (effective 2023) and approximately 60 housing laws in 2023 (effective 2024).
- Significant time defending City's land use decisions.
  - For example, billed 2,700 hours in two land use lawsuits challenging City's decisions on specific projects (469 Stevenson and 450 O'Farrell).

#### Public Integrity

- Hold bad actors accountable through public integrity investigations and administrative enforcement.
- In FY 23-24, we issued suspension orders or submitted requests to debar <u>29</u> <u>individuals and entities</u> who committed willful misconduct and exploited public resources.
  - This is a dramatic increase. Between 2020-June 2023, the Office suspended or debarred 11 individuals or entities.
- Secured settlements for restitution and penalties for ethics violations. This year, we expect to receive \$1.75M from these cases, benefitting City Departments and the General Fund.

#### Claims & Defensive Litigation

- Defensive litigation is rising:
  - More cases going to trial and discovery more complicated, increasing costs and hours.
  - For FY 23-24, projecting over 62,500 billable hours for our Litigation Team, a 20% increase over the past year.
- Increase in pre-litigation claims:
  - Fallen tree claims: 165% increase between 2022 and 2023
  - Flooding claims: 323% increase between 2022 and 2023
- Affirmative claims collections expected to reach over \$1.5 million for FY 23-24.



#### Non-General Fund Positions



- <u>Worker Protection:</u> Our Worker Protection Team brings affirmative litigation against employers to protect workers rights and obtain restitution for workers and penalties.
  - To meet increase in OLSE enforcement matters and address rampant labor law violations, we're adding one attorney position from restricted Consumer Protection Fund, not impacting the General Fund.



- <u>Consumer Protection</u>: Our Complex & Affirmative Litigation Team had to assist more on defensive cases, so only 38% of hours spent on affirmative work.
  - To file additional cases to protect consumers and bring revenue to the City, we're adding one attorney position from restricted Consumer Protection Fund, not impacting the General Fund.

## Technology & Litigation Support



 Imperative to modernize legacy technology systems, allowing us to remain current and competitive with opposing counsel in thousands of cases.



• The Office must pay actual, increasing costs for consultants, experts, court reporters, translation services, outside counsel, and other legal vendors.

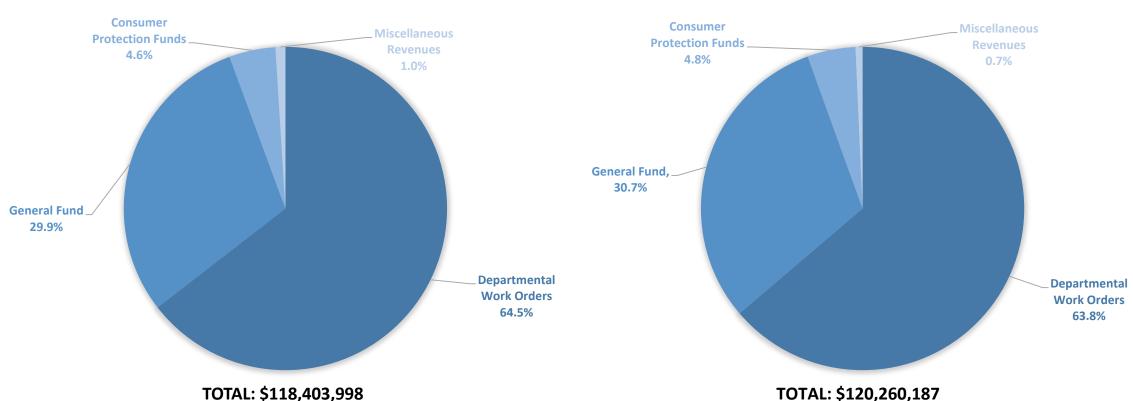


# Budget

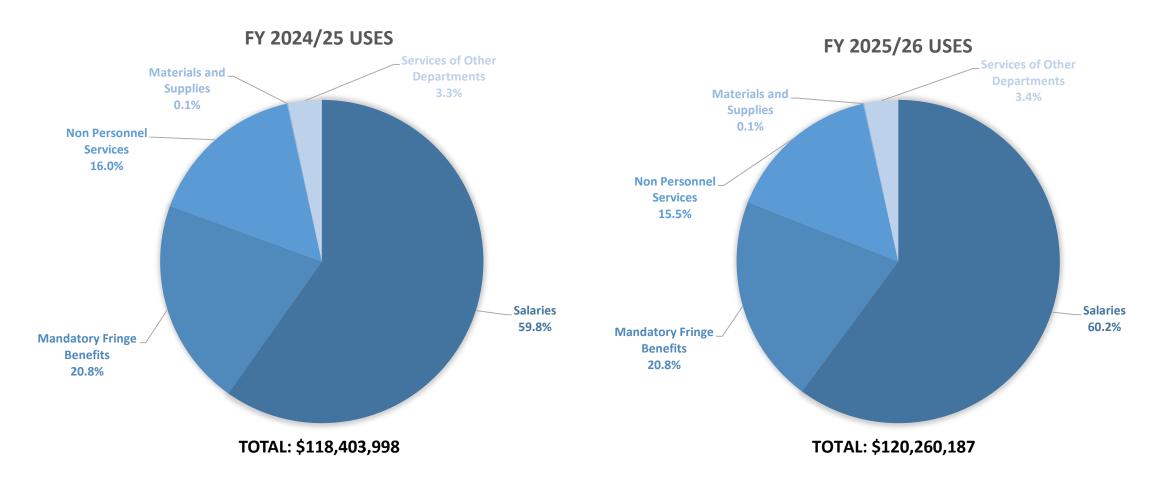
#### Budget Overview – Sources of Funds

#### **FY 2024/25 REVENUE SOURCES**

#### **FY 2025/26 REVENUE SOURCES**



#### Budget Overview - Uses of Funds



# Adjustments to Budget

Adjustment Description	FY 2024-25 Change From 2023-24	FY 2025-26 Change From 2024-25
Mandatory Salary and Fringe - COLA and Attrition Adjustments	\$6,157,174	\$1,508,098
6 New Tax Positions - Salary and Fringe	1,476,339	300,316
2 New Affirmative Litigation Positions - Salary and Fringe - Non General Fund	540,608	161,752
Legal Expenditures	945,438	-
Other Non Personnel Services - IT, Rent	462,540	(201,556)
Materials & Supplies	(15,500)	-
Services of Other Department	97,831	87,579
Summary of Changes	\$9,664,430	\$1,856,189

#### San Francisco City Attorney's Office

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