

File No. 091377

Committee Item No. 11
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 12/9/09

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget Analyst Report
- Legislative Analyst Report
- Introduction Form (for hearings)
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Award Letter
- Application
- Public Correspondence

OTHER

(Use back side if additional space is needed)

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Completed by: Gail Johnson
Completed by: _____

Date 12/4/09
Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

INTRODUCTION FORM

By a member of the Board of Supervisors or the Mayor

TC
11/24/09

Time Stamp or
Meeting Date

I hereby submit the following item for introduction:

- 1. For reference to Committee: An ordinance, resolution, motion, or charter amendment.
- 2. Request for next printed agenda without reference to Committee
- 3. Request for Committee hearing on a subject matter.
- 4. Request for letter beginning "Supervisor _____ inquires..."
- 5. City Attorney request.
- 6. Call file from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File Nos.

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

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

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

Sponsor(s): **Clerk of the Board**

SUBJECT:

Requesting a hearing before the Budget & Finance Committee to determine the Budget and Legislative Analyst Annual Work Plan and Service Area Hours Allocation, to be provided by the Budget & Legislative Analyst: Harvey M. Rose Associates, LLC, Debra A. Newman, Louie & Wong, LLP, A Joint Venture, once the Agreement has been Approved.

Signature of Sponsoring Supervisor: *Ag - 2 Carl Ste*

For Clerk's Use Only:

Item 11 - File 09-1377

This hearing is to determine the Budget and Legislative Analyst Annual Work Plan and Service Area Hours Allocation.

The proposed agreement between the City and County of San Francisco and the Budget and Legislative Analyst Joint Venture, consisting of Harvey M. Rose Associates LLC, Debra Newman Associates, and Louie & Wong LLP, will be considered by the Board of Supervisors on December 8, 2009 (File 09-1367). If the Board of Supervisors approves the proposed agreement, then the Budget and Finance Committee will consider the Annual Work Plan and Service Area Hours Allocation during the December 9, 2009 Committee meeting.

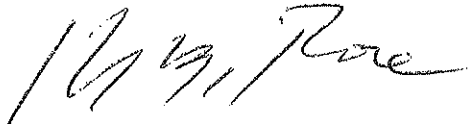
Attachment I to this report is the proposed scope of Budget and Legislative Analyst Services, included as Appendix A in the proposed agreement between the City and County of San Francisco and the Budget and Legislative Analyst Joint Venture.

Attachment II to this report is the proposed Service Area Hours Allocation for calendar year 2010.

As noted in Appendix A to the proposed agreement (Attachment I), the Budget and Legislative Analyst will prepare and submit an annual work plan for input, review, and approval by the Board of Supervisors. Additionally, the Budget and Legislative Analyst will submit a quarterly report of actual hours used, and will work collaboratively with the Board to shift the emphasis of the annual work plan, as necessary. Periodic updates to the work plan could occur during the year as new project and information needs are identified by the Board of Supervisors.

Representatives from the Budget and Legislative Analyst's Office will attend the December 9, 2009 Budget and Finance Committee meeting to discuss the proposed Annual Work Plan and Service Area Hours Allocation for 2010 and respond to questions from the Committee.

Memo to Budget and Finance Committee
December 9, 2009 Budget and Finance Committee Meeting



Harvey M. Rose

cc: Supervisor Avalos
Supervisor Mirkarimi
Supervisor Chu
President Chiu
Supervisor Alioto-Pier
Supervisor Campos
Supervisor Daly
Supervisor Dufty
Supervisor Elsbernd
Supervisor Mar
Supervisor Maxwell
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner

Appendix A

Scope of Services

The Budget and Legislative Analyst will provide the following services:

1. Detailed review of Annual Appropriation Ordinance and Annual Salary Ordinance from a financial and policy perspective, or Budget Analysis
2. Evaluation of legislation pending before the Board and its committees, or Legislative Analysis
3. Policy analysis and recommendations on legislative initiatives, or Policy Analysis
4. Performance and management audits of City and County departments and programs

1. Detailed review of the Annual Appropriation Ordinance and Annual Salary Ordinance from a financial and policy perspective

The Budget Analyst will conduct a detailed analysis of significant policies and expenditure recommendations in the Mayor's proposed budget submitted to the Board of Supervisors between May 1 and June 30 of each year. To ensure that the Budget and Legislative Analyst meets the Board's needs and is responsive to changes in analytical needs and budget processes resulting from the passage of Proposition A, the Budget and Legislative Analyst will coordinate a process to receive general guidance and policy direction from the full Board of Supervisors and specific direction from the Chair of the Board's Budget and Finance Committee to inform the detailed analysis of the Mayor's proposed budget. Proposition A establishes a five year financial planning process for the City and a two year budget cycle, with the budgets of only certain departments reviewed by the Board of Supervisors each year, based on evaluation criteria established by the Board. Accordingly, the Budget and Legislative Analyst will assist the Board with selecting which department budgets to review and how to best integrate these efforts with the tenets of the Five Year Financial Plan that will be prepared pursuant to the recent passage of Proposition A.

Throughout the year, the Budget and Legislative Analyst will monitor significant changes in each department's governing laws, policy direction, and revenues and expenditures, compared to what was established at the time of budget adoption. This ongoing review will be integrated with the Budget and Legislative Analysts' other activities, including: preparation of legislative item reports; attendance at Board and Board committee hearings covering departmental budgets and amendments, new initiatives and changes in governing laws; development of the Three Year Budget Projection Report jointly prepared by the Controller, Budget Analyst and Mayor's Office; review of departmental publications such as annual reports; and, discussions and briefings with Board members and other City and County staff. Details about department operations will also be gleaned from management audits and special studies of subject departments.

Depending on the direction of the Board, the following questions represent a sample of the type of questions to be answered during the budget review for each department.

For each department budget reviewed, the Budget and Legislative Analyst will prepare narrative reports addressing any changes in policy direction, governing laws or proposed new initiatives along with detailed line item recommendations. The Budget and Legislative Analyst will prepare and deliver these detailed reports to the Board's Budget and Finance Committee in advance of their May and June budget hearings. The Budget and Legislative Analyst will provide draft recommendations and budget reports to the departments for comment and feedback before they are submitted to the Board of Supervisors and attend all budget hearings to present their findings and recommendations and respond to questions.

2. Evaluation of legislation pending before the Board and its committees

The Budget and Legislative Analyst will provide fiscal and policy analysis of legislation that comes before the Board after being introduced by Board members, the Mayor or City departments. As part of this evaluation, the Budget and Legislative Analyst will work with the Board of Supervisors to change the definition of fiscal impact, based on Board input at the outset of the contract term to define the matters for which reports will be prepared. This legislation may include amendments to the City's Administrative Code, other City Codes, the Annual Appropriation Ordinance, and the Annual Salary Ordinance; as well as contracts, leases and grants that must be approved by the Board.

Reports on these topics will be prepared weekly, or as needed depending on the Committee schedule, and delivered to the Committees in advance of their scheduled meetings. A representative of the Budget and Legislative Analyst's office will appear at Committee and full Board meetings to provide information about the reports or other matters of interest to the Board members.

3. Policy analysis and recommendations on legislative initiatives

The Budget and Legislative Analyst will independently provide data gathering, analysis and report preparation on topics that meet the following criteria:

1. The topic is of interest to a majority of Board members.
2. The topic has Citywide impact.
3. The analysis has been requested by Board Resolution, pursuant to Board Rules of Order 6.20.

Specific services performed will include: research; surveying other jurisdictions regarding programs and services; reviewing City, State and federal laws and programs; and, analysis of current efforts underway in the City to address a particular policy concern. The Budget and Legislative Analyst will also provide alternative approaches to achieving the policy goals of legislation being considered by the Board.

Under this task, the Budget and Legislative Analyst will also provide the following services:

- Support to the Board of Supervisors in responding to Civil Grand Jury reports pursuant to the policies and/or rules of the Board of Supervisors that exist or as may be amended from time to time.
- Evaluating legislation at the proposal stage to include factual research, comparisons of similar legislation and/or programs in other jurisdictions and practical/policy implications. The contractor understands they are not to provide legal advice as that is in the sole purview of the City Attorney, pursuant to the San Francisco Charter.

4. Performance or management audits

As directed by the Board, performance, or management, audits will be conducted of City departments and programs to assess economy, efficiency and effectiveness. The Board's Rules of Order call for these audits to determine if City departments and programs and the Redevelopment Agency are making prudent and efficient use of their resources and are operating in compliance with the Charter, Administrative Code and other applicable laws. The Board's Rules of Order require that a proposed audit schedule be developed each year by the Budget Analyst and Controller based on criteria, including the last time the program was audited, and other factors to be developed jointly with the Board's committee that oversees audits. This process, known as a risk assessment, is intended to identify areas where the risk is highest of City resources or programmatic goals and objectives being negatively affected if not properly and efficiently managed.

The Budget and Legislative Analyst will prepare its own risk assessment for the Board of Supervisors, in coordination with but independent of the Controller's efforts. The criteria used for this purpose will be developed by the Budget Analyst and Legislative Analyst with input provided by members of the Board of Supervisors. Under these procedures, a more formalized audit risk assessment process will be developed at the beginning of each year, to be reviewed by the Board of Supervisors and used as a tool to assist the Board in selecting performance audit topics that the Budget and Legislative Analyst will conduct in the coming year. As part of this process, the Board of Supervisors will adopt formal timeline standards to calendar performance audit hearings within a fixed amount of time after their release and subsequent Board committee hearings at specified intervals to regularly follow up on implementation of the audit recommendations

All performance or management audits conducted for the Board of Supervisors will comply with the performance audit standards published by the U.S. Government Accountability Office (GAO) in its *Government Auditing Standards*, by the Comptroller General of the United States (the "Yellow Book"). All performance or management audits will include the following:

Audit survey phase

- Preparation of a detailed task plan addressing each audit objective.
- An entrance conference with managers of the organization(s) to be audited.
- A pre-audit survey and risk assessment of functions to be audited.
- Review of current laws and regulations governing the auditee, budget, actual expenditures and revenues, previous audits, and other relevant information.

The survey phase will culminate in possible revisions to the initial task plan, to ensure the most effective allocation of audit field work hours based on identified areas of potential risk to the organization.

Audit field work phase

After any work plan revisions are completed, the following tasks will be performed, consistent with GAO standards.

- Field work and testing is conducted, consisting of staff interviews, collection and analysis of records and data, research on the service area being reviewed, and staff and external entity surveys. The primary purpose of the field work is to document current conditions and the criteria against which these conditions are assessed (such as Charter mandates and other legal requirements), to identify any problems found with current operations and determine the impact of such problems.
- Statistical analyses, survey analysis, cost-benefit analyses, records sampling, database analysis and other analytics are conducted during this audit phase.

Draft and final report preparation

At the conclusion of field work and analysis, a draft audit report will be prepared and provided to the audited entity for review and comment, consistent with GAO Yellow Book quality assurance standards, before transmittal to the Board of Supervisors. The Budget and Legislative Analyst will independently and objectively report the facts and make recommendations to improve the efficiency, effectiveness and economy of the department or program being audited. The Budget and Legislative Analyst will be responsible for providing objective, independent and fact-based assessments, regardless of stakeholder agreement with the findings. Written and/or oral status reports will be provided to the Board of Supervisors, or a designated committee of the Board, during the audit period and the Budget and Legislative Analyst will participate in Board hearings on the audit.

The Budget and Legislative Analyst will also comply with other standards required by the Yellow Book, such as:

- *Peer review:* As required by GAO standards, every three years the Budget and Legislative Analyst will have a peer review conducted by an outside expert, independent firm covering the Budget and Legislative Analyst's audit procedures, work paper record-keeping, staff training and practices to ensure auditor independence, objectivity and required technical skills.
- *Training:* As required by GAO standards, at least 80 hours of training every two years will be required of each staff member, with a minimum of 20 hours per year, in topics related to local government auditing and fiscal and legislative analysis.

Annual Work Plan and Evaluation

Under the proposed contract, the following three formalized processes and procedures will be implemented to ensure that Budget and Legislative Analyst services remain consistent with the changing needs of the Board of Supervisors.

1. The Budget and Legislative Analyst will prepare and submit an annual work plan for input, review and approval by the Board of Supervisors, prior to the beginning of each year. The plan will estimate the allocation of staff hours for each service category and major project. The Budget and Legislative Analyst will also submit a quarterly report of actual hours used, and will work collaboratively with the Board to shift the emphasis of the annual work plan, as necessary. Though this work plan will be in place at the start of each year, periodic updates to the work plan and changes to the reporting templates could occur during the year as new project and information needs are identified by the Board of Supervisors. This annual work plan is intended to ensure that the approach used, allocation of hours and topics to be analyzed and audited are consistent with Board priorities and are feasible within the total number of staff hours supported by the funding level proposed for this contract.
2. The Board of Supervisors will conduct a formal annual performance evaluation of Budget and Legislative Analyst services with pre-established goals and evaluation criteria so that Board members, or a designated committee, can provide structured feedback and suggest changes in Budget and Legislative Analyst services to respond to the Board's changing analytical needs.
3. The Board of Supervisors will designate the chair of a selected committee, or a joint chair (e.g., the chairs of the Budget and Finance and Government Audit and Oversight Committees) to oversee the activities of the Budget and Legislative Analyst's Office and serve as the liaison with the full Board of Supervisors.

Service Area Hours Allocation

2010

Budget Analysis	Legislative Analysis	Policy Analysis	Performance Audits	Total
3,000	8,450	1,600	3,950	17,000
17.7%	49.7%	9.4%	23.2%	100%