

FILE NO. 141119

Petitions and Communications received from October 20, 2014, through October 27, 2014, for reference by the President to Committee considering related matters, or to be ordered filed by the Clerk on November 4, 2014.

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 Clerk of the Board, reporting that the following individuals have submitted Form 700 Statements: (1)

Catherine Rauschuber - Legislative Aide - Leaving
Tak Wai (Ray) Law - Legislative Aide - Assuming

From State Fish and Game Commission, providing notice of proposed regulatory action relating to the proposed 2015 Sport Fishing Regulations. Copy: Each Supervisor. (2)

From concerned citizens, submitting signatures for petition regarding short-term residential rentals. 125 signatures. File No. 140381. Copy: Each Supervisor. (3)

From concerned citizens, regarding short-term residential rentals. File No. 140381. 3 letters. Copy: Each Supervisor. (4)

From Controller, submitting audit of Technology Store Vendors. Copy: Each Supervisor. (5)

From Capital Planning Committee, regarding the approval of the proposed infrastructure construction cost inflation estimate. Copy: Each Supervisor. (6)

From Sheriff, regarding waiver request for Schneider Electric. Copy: Each Supervisor. (7)

From RenewSF, regarding restoration of street tree ownership. Copy: Each Supervisor. (8)

From Department of Public Health, submitting quarterly report on behalf of Laguna Honda Hospital and Rehabilitation Center. Copy: Each Supervisor. (9)

From Mayor Lee, regarding appointment to the Airport Commission: (10)
Peter Stern - term ending August 31, 2018

From Controller, regarding assessment of the Port Commission's compliance with close-out procedures for the Brannan Street Wharf Project. Copy: Each Supervisor. (11)

From concerned citizens, submitting signatures for petition regarding night construction noise permitting. 165 signatures. File No. 141010. Copy: Each Supervisor. (12)

From Shiufan Lee, regarding bike lanes in San Francisco. 3 letters. Copy: Each Supervisor. (13)

From Julie D. Soo, regarding proposed Equal Pay Report ordinance. File No. 141001. Copy: Each Supervisor. (14)

From Controller, submitting a report on the impact of the Central Market Payroll Tax Exclusion. Copy: Each Supervisor. (15)

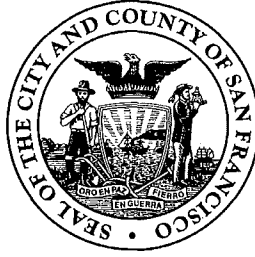
From Laura Labanieh, regarding CSAC Finance Corporation program updates. Copy: Each Supervisor. (16)

From Rob Yung, regarding CleanPowerSF. Copy: Each Supervisor. (17)

From Allen Jones, regarding demand for an apology. Copy: Each Supervisor. (18)

From Dennis Hong, regarding domestic violence death review team. File No. 141109. Copy: Each Supervisor. (19)

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 544-5227

Date: October 27, 2014
To: Honorable Members, Board of Supervisors
From: Angela Calvillo, Clerk of the Board
Subject: Form 700

This is to inform you that the following individuals have submitted a Form 700 Statement:

Catherine Rauschuber – Legislative Aide – Leaving
Tak Wai (Ray) Law – Legislative Aide - Assuming

BOS-4, C page

Commissioners
Michael Sutton, President
Monterey

Jack Baylis, Vice President
Los Angeles

Jim Kellogg, Member
Discovery Bay

Richard Rogers, Member
Santa Barbara

Jacque Hostler-Carmesin, Member
McKinleyville

STATE OF CALIFORNIA
Edmund G. Brown Jr., Governor

Fish and Game Commission



Sonke Mastrup, Executive Director
1416 Ninth Street, Room 1320
Sacramento, CA 95814
(916) 653-4899
(916) 653-5040 Fax
www.fgc.ca.gov

Continuation of California Notice Register 2014, No.34-Z, Z2014-0812-07 and Meetings of August 6, 2014 and October 8, 2014 Re: Sport Fishing Regulations for 2015

October 14, 2014

This is to provide you with a continuation notice of proposed regulatory action relative to amending sections 1.45, 2.09, 4.05, 5.00, 5.80, 7.50, 8.00 and 27.90, Title 14, California Code of Regulations, relating to the proposed 2015 Sport Fishing regulations, which was published in the California Regulatory Notice Register on August 22, 2014, Register 2014, No. 34-Z; OAL Notice File No. Z2014-0812-07.

Please note the dates of the public hearings related to this matter and associated deadlines for receipt of written comments have not changed from the original notice.

Additional information and all associated documents may be found on the Fish and Game Commission website at www.fgc.ca.gov.

Karen Mitchell, Senior Environmental Scientist, Fisheries Branch, phone (916) 445-0826, has been designated to respond to questions on the substance of the proposed regulations.

Sincerely,

Jon D. Snellstrom
Associate Governmental Program Analyst

Attachment

RECEIVED
BOARD OF SUPERVISORS
SANTA CRUZ COUNTY
2014 OCT 20 PM 2:55

**TITLE 14. Fish and Game Commission
Continuation Notice of Proposed Changes in Regulations**

(Continuation of California Notice Register 2014, No.34-Z, Z2014-0812-07
and Meetings of August 6, 2014 and October 8, 2014)

(NOTE: The Commission is exercising its powers under Section 202 of the Fish and Game Code as the following changes to the proposed regulations may not be available to the public for the full public comment period prior to adoption. "The commission shall exercise its powers under this article by regulations made and promulgated pursuant to this article. Regulations adopted pursuant to this article shall not be subject to the time periods for the adoption, amendment, or repeal of regulations prescribed in Sections 11343.4, 11346.4, 11346.8, and 11347.1 of the Government Code." See the text of this notice.)

NOTICE IS HEREBY GIVEN that the Fish and Game Commission (Commission), pursuant to the authority vested by sections 200, 202, 205, 215, 220, 240, 315 and 316.5, Fish and Game Code; and to implement, interpret or make specific sections 200, 202, 205, 215, 220, 316.5 and 5505 of said Code, proposes to amend sections 1.45, 2.09, 4.05, 5.00, 5.80, subsections 7.50(b)(8), (b)(23), (b)(29), (b)(35.5), (b)(45), (b)(50.8), (b)(63), (b)(82), (b)(97), (b)(99), (b)(104), (b)(107), **(b)(130), (b)(133)**, (b)(135), (b)(136), (b)(141), (b)(168), (b)(169), (b)(173), (b)(178), (b)(180), **(b)(181)**, (b)(183), **(b)(193)**, (b)(195.1), (b)(201), and (b)(203.5), subsections **8.00(a) and 8.00(b)**, and Section 27.90, Title 14, California Code of Regulations, regarding Sport Fishing Regulations.

Pursuant to the provisions of sections 202 and 205 of the Fish and Game Code, the Commission will establish, extend, shorten, or abolish open seasons and closed seasons; establish, change, or abolish bag limits, possession limits, and size limits; establish and change areas or territorial limits for their taking; and prescribe the manner and the means of taking.

At the Commission's meeting on October 8, 2014, the Department of Fish and Wildlife (Department) made the following additional recommendations for changes relative to sport fishing regulations for the 2015 seasons: amend subsections 7.50(b)(130), 7.50(b)(133), and 8.00(a) and (b).

Proposed changes to sections as set forth in Notice Register 2014, No. 34-Z, Z2014-0812-07, remain the same, except for the sections identified in bold in the paragraph above, and in the following Updated Informative Digest/Policy Statement Overview.

Updated Informative Digest/Policy Statement Overview

Central Coast Low Flow Closures

Low-flow closures for sport angling on 5 streams in Marin and Sonoma County and 12 streams on the Mendocino coast are triggered when streamflow of the Russian River at the Guerneville gauge is less than 500 cfs. The 5 streams in Marin and Sonoma County are: Gualala River, Russian Gulch Creek, Salmon Creek, Walker Creek, and Sonoma Creek. The 12 streams in Mendocino County are: Usal Creek, Cottaneva Creek, Ten Mile River, Noyo River, Big River, Albion River, Navarro River, Greenwood Creek, Elk Creek, Alder Creek, Brush Creek, and Garcia River. All of these streams are relatively small and unregulated compared to the Russian River. As a result, the 17 streams are often open to fishing when flows are low and fish are excessively vulnerable.

The gauge on the lower Gualala River is a better indicator for the 5 streams in Marin and Sonoma counties and the Navarro River is a better indicator of streamflow conditions in the 12 Mendocino streams than the Russian River gauge. This proposal would change the low-flow closure reference for 4 of the 5 streams in Marin and Sonoma counties to the lower Gualala River gauge. This regulatory proposal will also change the low-flow closure reference for the 12 streams in Mendocino County to the Navarro gauge. The proposed minimum flow requirement at the Gualala River gauge and at the Navarro River gauge is 150 cfs and 200 cfs, respectively.

The proposed regulation change will also establish a low-flow closure for the Russian River in Sonoma County. Presently, although the Russian River flow at the Guerneville gauge is used to regulate the low-flow closures on the coastal streams in Marin, Sonoma, and Mendocino County, as well as for Sonoma Creek, in Sonoma County, a low flow closure regulation for the Russian

River has not been promulgated. Without a low-flow regulation, the Russian River is open to fishing during times when minimal flows are being released and fish are excessively vulnerable. The proposed minimum flow requirement for the Russian River is 300 cfs at the gauging station located on the main stem Russian River near Guerneville in Sonoma County.

The proposal will not include any changes to open seasons, gear, or limits.

Sonoma Creek

The current sport fishing regulations provide for fishing on a section Sonoma Creek from the last Saturday in April through November 15. The intent of this open season for fishing is to allow for resident trout fishing in Sugarloaf Ridge State Park. The current open area to fishing within the park includes an anadromous portion of Sonoma Creek. While spawning adult steelhead typically migrate back to sea before the open season there are conditions when adult steelhead may still be in the area and subject to angling pressure and capture. Department environmental scientists and NOAA Fisheries fishery biologists have expressed concern over fishing on adult steelhead and juveniles (listed as federally threatened) in this anadromous section of Sonoma Creek. The Department proposes to remediate this situation by restricting the fishing area to the non-anadromous portion of Sonoma Creek which is upstream of the natural barrier to anadromy, a 25-ft waterfall located within Sugar Loaf State Park.

The proposal will add approximately 0.5 mile of stream to the closed portion of Sonoma Creek but will not otherwise include any changes to fishing season, gear, or limits for the open portion of Sonoma Creek.

Low-Flow Restriction Time Period

Section 8.00 provides fishing restrictions (closures) for specified rivers and streams during low flow conditions to protect Chinook salmon and wild steelhead populations. Initially, the Department had proposed to extend the low-flow fishing restrictions ending date for the North Coast area (above San Francisco Bay) until April 30. However, recent data analysis shows minimal Chinook salmon presence in North Coast streams during the proposed extension period. The current 8.00(a) regulation covers the period of the year adult Chinook salmon are present, and an extension of the low-flow season will not benefit adult Chinook salmon. In addition, the level of benefit to spawning steelhead achieved by a low-flow closure extension would be minimal given zero harvest regulations already in place and the relatively few additional days that would be closed to angling. Therefore, the Department is removing its proposal to extend the low-flow closure ending date to April 30.

NOTICE IS GIVEN that any person interested may present statements, orally or in writing, relevant to this action at a hearing to be at the Airtel Plaza Hotel, 7277 Valjean Avenue, Van Nuys, California, on Wednesday, December 3, 2014, at 8:00 a.m., or as soon thereafter as the matter may be heard. Written comments may be submitted at the address given below, or by fax at (916) 653-5040, or by e-mail to FGC@fgc.ca.gov. Written comments mailed, faxed or e-mailed to the Commission office, must be received before 5:00 p.m. on November 26, 2014. All comments must be received no later than December 3, 2014 at the hearing in Van Nuys. If you would like copies of any modifications to this proposal, please include your name and mailing address.

The regulations as proposed in strikeout-underline format, as well as an initial statement of reasons, including environmental considerations and all information upon which the proposal is based (rulemaking file), are on file and available for public review from the agency representative, Sonke Mastrup, Executive Director, Fish and Game Commission, 1416 Ninth Street, Box 944209, Sacramento, California 94244-2090, phone (916) 653-4899. Please direct requests for the above mentioned documents and inquiries concerning the regulatory process to Sonke Mastrup or Jon Snellstrom at the preceding address or phone number. **Karen Mitchell, Senior Environmental Scientist, Fisheries Branch, Department of Fish and Wildlife, karen.mitchell@wildlife.ca.gov, (916) 445-0826, has been designated to respond to questions on the substance of the proposed regulations** Copies of the Initial Statement of Reasons, including the regulatory language, may be obtained from the address above. Notice of the proposed action shall be posted on the Fish and Game Commission website at <http://www.fgc.ca.gov>.

Availability of Modified Text

If the regulations adopted by the Commission differ from but are sufficiently related to the action proposed, they will be available to the public for at least 15 days prior to the date of adoption. Circumstances beyond the control of the Commission (e.g., timing of Federal regulation adoption, timing of resource data collection, timelines do not allow, etc.) or changes made to be responsive to public recommendation and comments during the regulatory process may preclude full compliance with the 15-day comment period, and the Commission will exercise its powers under Section 202 of the Fish and Game Code. Regulations adopted pursuant to this section are not subject to the time periods for adoption, amendment or repeal of regulations prescribed in Sections 11343.4, 11346.4 and 11346.8 of the Government Code. Any person interested may obtain a copy of said regulations prior to the date of adoption by contacting the agency representative named herein.

If the regulatory proposal is adopted, the final statement of reasons may be obtained from the address above when it has been received from the agency program staff.

Regulatory Language

KEY:

Text originally proposed to be added is shown in underline format.

Text originally proposed to be repealed is shown in ~~strikeout format~~.

Text newly proposed to be added is shown in double-underline format.

Text newly proposed to be repealed is shown in ~~double-strikeout format~~.

Text originally proposed to be added and now proposed to be repealed is shown in single-underline double-strikeout format.

Section 1.45, Title 14, CCR, is amended as follows:

§1.45. Filleting of Salmonids in Inland Waters.

Except as otherwise required, all salmon and steelhead taken in inland anadromous waters where a sport fishing license is required, must be kept in such a condition that species and size can be determined until placed at the ~~anglers~~angler's permanent residence, a commercial preservation facility or being prepared for immediate consumption. Also when required, the presence or absence of a healed adipose fin scar must be able to be determined until placed at the anglers permanent residence, a commercial preservation facility, or being prepared for immediate consumption.

(a) Exceptions:

(1) Chinook salmon taken from July 1 through December 31 in the following areas:

(A) The main stem of the American and Feather rivers.

(B) The main stem of the Sacramento River between the Deschutes Road Bridge and Tower Bridge.

(b) Definitions

(1) Personal residence means is defined as one's principal or ordinary home or dwelling place, as distinguished from one's temporary or transient place of residence or dwelling such as a cabin, tent, trailer house, recreational vehicle, or any hotel, motel or rooming house used during a fishing, pleasure or business trip.

(2) Commercial preservation facility is defined as any person who at their residence or place of business and for hire or compensation cleans or processes fish for another person, or any taxidermist, cold-storage facility or locker plant which for hire or other compensation processes or stores fish.

(A) Licensed fishing guides are considered a person at their place of business processing fish pursuant to this section and are required to maintain a guide trip log with client and catch information pursuant to subsection 745(e) of these regulations.

Note: Authority cited: Sections 200, 202, 205, ~~240, 249~~ and 220, Fish and Game Code. Reference: Sections 200, 202, ~~203.4, 205, 240, 215~~ and 220, Fish and Game Code.

Section 2.09, Title 14, CCR, is amended as follows:

§ 2.09. Possession of Illegal Gear.

Except as otherwise provided, no person shall use or possess, except in his or her home, any landing gear, any nets, except standard landing-type dip nets not exceeding 36 inches in greatest dimension, diameter across the net opening and 60 inches in net length/depth, excluding handle, gaffs or spears within 100 yards of any canal, river, stream, lake or reservoir. Non-electronic underwater viewing devices may not be used for taking fish except under the provisions of Section 2.30.

Note: Authority cited: Sections 200, 202, 205 and 220, Fish and Game Code. Reference: Sections 200, 202, ~~205, 206~~ and 220, Fish and Game Code.

Section 4.05, Title 14, CCR, is amended as follows:

§ 4.05. Bait Fish Capture Methods.

(a) Approved bait fish may be taken only by hand, with a dip net not exceeding 36 inches in greatest dimension, excluding handle, or with traps not over three feet in greatest dimension. Such bait fish may not be purchased, bartered, sold, transferred or traded; or transported alive from the location where taken. Any other species taken shall be returned to the water immediately. Traps need not be closely attended. Dip net use: A dip net must be hand held, and the motion of a dip net shall be caused only by the physical effort of the operator. A dip net may not be moved through the water by any mechanical force or motorized device.

(b) Within the area bounded by Highway 111 on the north and east and Highway 86 on the west and south, approved bait fish may be taken only with dip nets with diagonal mesh size one inch and greater,

or by traps in water greater than four feet in depth. Traps may not exceed three feet in greatest dimension. Approved bait fish may not be taken by hand within this area.

Note: Authority cited: Sections 200, 202, ~~205~~ and ~~240~~ and 205, Fish and Game Code. Reference: Sections 200, 202, ~~206~~ and 5505, Fish and Game Code.

Section 5.00, Title 14, CCR, is amended as follows:

§5.00. Black Bass.

It is unlawful to take or possess black bass except as provided below:

(Note: Some waters are closed to all fishing under Section 7.50.)

(a) General Statewide Restrictions:

(1) Lakes/Reservoirs and the Sacramento-San Joaquin Delta: The following waters, except for those listed in subsection (b) Special Regulations (below), are open to fishing all year, with a 12-inch minimum size limit and a five-fish daily bag limit: All lakes and reservoirs in the State, and the Sacramento-San Joaquin River Delta, (see Section 1.71 for definition of the Delta).

(2) Rivers/Streams and Private Ponds: Rivers, streams, canals, and lakes or ponds entirely on private lands, which are not listed in subsection (b) Special Regulations (below), are open all year with no size limit and a five-fish daily bag limit.

(b) Special Regulations: Counties and individual waters listed below are those having regulations different from the General Statewide Restrictions in subsection (a).

Area or Body of Water	Open Season	Size (total length)	Bag Limit
DISTRICTS AND COUNTIES WITH SPECIAL REGULATIONS			
(1) Colorado River District: All waters (Bag and size limits conform with Arizona regulations.)	All year.	13-inch minimum.	6
(2) Inyo County: all streams east of Highway 395 from the southern Inyo County line north to the junction of Highway 6 and east of Highway 6 to the Mono County line.	All year.	12-inch minimum.	5
The remaining streams of Inyo County, except those waters listed in sections 7.50(b)(82) and 7.50(b)(134).	Last Saturday in April through Nov. 15.	12-inch minimum.	5
All Lakes, Big Pine Canal, Fish Spring Canal, and Millpond.	All year.	12-inch minimum.	5
(3) Lassen County: all waters.	All year.	No size limit.	5
(4) Modoc County: all waters except Dorris and Big Sage Reservoirs (see subsection (a)(1).	All year.	No size limit.	10
(5) Mono County: all waters except for Fish Slough (see subsection (b)(16)) and those waters listed as closed to all fishing in Section 7.50.	Last Saturday in April through Nov. 15.	No size limit.	5
(6) Plumas County: all waters.	All year.	No size limit.	5
(7) Shasta County: all lakes except Britton, Shasta and Whiskeytown lakes (see subsection (a)(1) and Big	All year.	No size limit.	5

Lake (see subsection (b)(9)).

INDIVIDUAL BODIES OF WATER WITH SPECIAL REGULATIONS

(8) Barrett Lake (San Diego County). (Also see Section 2.08)	All year.	No black bass shall be possessed.	0
(9) Big Lake (Shasta County) (Also see Section 7.00(b)(4))	Last Saturday in April through Nov. 15.	12-inch minimum	5
	Nov. 16 through last Friday in April.	No black bass shall be possessed.	0
(10) Casitas Lake (Ventura County).	All year.	12-inch minimum. No more than one over 22 inches.	5
(11) Castaic Lake (Los Angeles County).	All year.	48 15-inch minimum.	25
(12) Cuyamaca Lake (San Diego County).	All year.	No size limit. No smallmouth bass shall be possessed.	5
(13) Diamond Valley Lake, (Riverside County)	All year.	Largemouth bass 15-inch minimum No smallmouth bass shall be possessed	5 0
(14) Eastman Lake (Madera and Mariposa Cos.) (Note: See Section 7.50(b)(62) for special area closures).	All year.	22-inch minimum.	1
(15) El Capitan Reservoir (San Diego County).	All year.	45 12-inch minimum.	5
(16) Fish Slough (Mono County), except the fenced portions of Fish Slough within Owens Valley Native Fishes Sanctuaries and BLM Spring, which are closed to all fishing all year.	All year.	No size limit.	5
(17) Hensley Lake (Madera County).	All year.	15-inch minimum.	2
(18) Hodges Lake (San Diego County).	All year.	15-inch minimum.	5
(19) Isabella Lake (Kern County).	All year.	15-inch minimum.	2
(20) Kaweah Reservoir (Tulare County).	All year.	15-inch minimum.	2
(21) Lett's Lake (Colusa County).	All year.	No size limit.	5
(22) Perris Lake (Riverside County)	All year.	15-inch minimum.	2
(23) Plaskett Meadows lakes, upper and lower (Glenn County).	All year.	No size limit.	5
(24) Shaver Lake (Fresno County).	All year.	No size limit.	5
(25) Silverwood Lake (San Bernardino County).	All year.	15-inch minimum.	2

(26) Skinner Lake (Riverside County).	All year.	15-inch minimum.	2
(27) Success Reservoir (Tulare County).	All year.	15-inch minimum.	2
(28) Trinity Lake (Trinity County).	March 1 through May 31	12-inch minimum.	2
	June 1 through last day in Feb.	12-inch minimum.	5
(29) Trout Lake (Siskiyou County).	Only weekends and Wednesdays from the last Saturday in April through Sept. 30.	22-inch minimum. Only artificial lures may be used.	1
(30) Upper Otay Lake (San Diego County). (Also see Section 2.08).	All year.	No black bass shall be possessed.	0

NOTE:

Authority cited: Sections 200, 202, 205, 215 and 220, Fish and Game Code. Reference: Sections 200, ~~205 and 206~~ and 205, Fish and Game Code.

Section 5.80, Title 14, CCR, is amended as follows:

§ 5.80. White Sturgeon.

- (a) Open season: All year, except for closures listed under special regulations.
- (b) Daily and annual bag limit: One fish per day. Three fish per year statewide.
- (c) Size limit: No fish less than 40 inches fork length or greater than 60 inches fork length may be taken or possessed.
- (d) Methods of take: Only one single point, single shank, barbless hook may be used on a line when taking sturgeon. The sturgeon must voluntarily take the bait or lure in its mouth. No sturgeon may be taken by trolling, snagging or by the use of firearms. Sturgeon may not be gaffed, nor shall any person use any type of firearm or snare to assist in landing or killing take any sturgeon. For the purposes of this section, a snare is a flexible loop made from any material that can be tightened like a noose around any part of the fish.
- (e) Removal from water. Any sturgeon greater than 68 inches fork length may not be removed from the water and shall be released immediately.
- (f) Report card required: Any person fishing for or taking sturgeon shall have in their possession a nontransferable Sturgeon Fishing Report Card issued by the department and shall adhere to all reporting and tagging requirements for sturgeon defined in Sections 1.74 and 5.79, Title 14, CCR.
- (g) Special North Coast District Sturgeon Closure (Humboldt, Del Norte, Trinity and Siskiyou cos.). It is unlawful to take any sturgeon in the North Coast District at any time.
- (h) For regulations on take and possession of sturgeon in ocean waters as defined in Section 27.00, see Sections 27.90, 27.91, and 27.95.
- (i) Special Sierra and Valley District Sturgeon Closure from January 1 to December 31 (Shasta, Tehama, Butte and Glenn cos.).
 - (1) Sacramento River from Keswick Dam to the Highway 162 Bridge.
 - (A) It is unlawful to take any sturgeon.
 - (B) It is unlawful to use wire leaders.
 - (C) It is unlawful to use lamprey or any type of shrimp as bait.

Note: Authority cited: Sections 200, 202, 205 and 220, Fish and Game Code. Reference: Sections 200, 205 and 206, Fish and Game Code.

Various subsections of Section 7.50(b), Title 14, CCR, are amended as follows:

Subsection (b)(8) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
8) Aptos Creek (Santa Cruz Co.) from mouth to bridge on Aptos Creek Road. Also see <u>Low-Flow Restrictions</u> , Section 8.00(c)(4).	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(23) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(23) Big Sur River (Monterey Co.). Also see Section 8.00(c).		
(A) Big Sur River and tributaries above the upstream end of the gorge pool at the boundary of Pfeiffer Big Sur State Park with the Ventana Wilderness Area.	Fourth Saturday in May through Oct. 31. Only artificial lures with barbless hooks may be used.	0 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
(B) Big Sur River within Pfeiffer Big Sur State Park, east of the Highway 1 bridge, to its boundary with the Ventana Wilderness Area.	Closed to fishing all year.	

Subsection (b)(29) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(29) Butano Creek (San Mateo Co.).		

(A) Above Butano Falls.	Last Saturday in Apr.	5 trout through Nov. 15.
(B) From mouth to country county bridge on Pescadero-Bean Hollow Road. Also see <u>Low-Flow Restrictions, Section 8.00(c)(2)</u> .	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(35.5) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(35.5) Calleguas Creek and tributaries (Ventura Co.).	All year. <u>Saturday preceding Memorial Day through November 30. Only artificial lures with barbless hooks may be used.</u>	5 <u>Open to fishing for non-salmonids only. Closed to the take of trout and steelhead</u>

Subsection (b)(45) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(45) Corralitos Creek (Santa Cruz Co.) from mouth to Browns Valley Road. Also see <u>Low-Flow Restrictions, Section 8.00(a)(c)(5)</u> .	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(50.8) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>

(50.8) Coyote Creek (Santa Clara Co.) Also see <u>Low-Flow Restrictions, Section 8.00(c)(1)</u> .	Last Saturday in April through November 15. Only artificial lures and barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
---	---	---

Subsection (b)(63) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
(63) Eel River (Humboldt, Lake, Mendocino and Trinity cos.). Also see <u>Section 8.00(a)</u> .	<u>Low-Flow Restrictions, Section 8.00, also apply, see below for more detail.</u>	
ALL WATERS OF THE EEL RIVER DRAINAGE EXCEPT THOSE LISTED BELOW ARE CLOSED TO ALL FISHING.		
(A) Main stem.		
1. From mouth to Fulmor Road, at its paved junction with the south bank of the Eel River.	All year. Only artificial lures with barbless hooks may be used from April 1 through the Friday preceding the fourth Saturday in May. Only barbless hooks may be used from fourth Saturday in May through Mar. 31.	Catch and Release of Chinook salmon 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
2. From Fulmor Road, at its paved junction with the south bank of the Eel River, to South Fork Eel River. <u>Also see Low-Flow Restrictions, Section 8.00(a)(1)</u> .	All year. Only artificial lures with barbless hooks may be used from Apr. 1 through Sept. 30. Only barbless hooks may be used from Oct. 1 through Mar. 31.	Catch and Release of Chinook salmon 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
3. From South Fork Eel River to Cape Horn Dam. (See also Pillsbury Lake tributaries (7.50(b)(138)).	Jan. 1 through Mar. 31 and Fourth Saturday in May through Sept. 30. Only artificial lures with barbless hooks may be used.	Catch and Release of Chinook salmon 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
	Apr. 1 through the Fourth Friday in May and Oct. 1 through Dec. 31.	Closed to all fishing
(B) Van Duzen River.		

1. Main stem and tributaries above Eaton Falls, located about 1/2 mile upstream of the mouth of the South Fork (Little Van Duzen) and 2 1/2 miles west of Dinsmore.	Last Saturday in Apr. through Nov. 15.	5
2. Main stem from its junction with the Eel River to the end of Golden Gate Drive near Bridgeville (approximately 4,000 feet upstream from the Little Golden Gate Bridge). <u>Also see Low-Flow Restrictions, Section 8.00(a)(3).</u>	Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Sept. 30. Only barbless hooks may be used from Oct. 1 through Mar. 31.	Catch and Release of Chinook salmon 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
	Apr.1 to Fourth Friday in May.	Closed to all fishing
(C) South Fork Eel River from mouth to Rattlesnake Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(2).</u>	Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Sept. 30. Only barbless hooks may be used from Oct. 1 through Mar. 31.	Catch and Release of Chinook salmon 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
	Apr.1 to Fourth Friday in May.	Closed to all fishing
(D) Middle Fork Eel River.		
1. Middle Fork main stem from mouth to Bar Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(2).</u>	Jan. 1 through May 31 and July 16 through Sept. 30. At all times, only artificial lures with barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
	Jun. 1 through July 15 and Oct. 1 through Dec. 31.	Closed to all fishing
2. Middle Fork tributaries above Indian Dick/Eel River Ranger Station Road	Last Saturday in Apr. through Nov.15. Maximum size limit: 14 inches total length.	5
3. Middle Fork and tributaries above mouth of Uhl Creek.	Last Saturday in Apr. through Nov. 15. Maximum size limit: 14 inches total length. Only artificial lures with barbless hooks may be used.	2
4. Balm of Gilead Creek and tributaries above falls 1 1/4 miles from mouth.	Last Saturday in Apr. through Nov. 15. Maximum size limit: 14 inches total length. Only artificial lures with barbless hooks may be used.	2
5. North Fork of Middle Fork and tributaries above mouth of Willow Creek.	Last Saturday in Apr. through Nov. 15. Maximum size limit: 14 inches total length. Only artificial lures with barbless hooks may be used.	2

Subsection (b)(82) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
(82) Inyo County, Southwestern Portion,	First Sat. in March through Nov. 15.	5 per day 10 in

in all waters bounded by the Inyo County line on the south and west, Independence Creek on the north (<u>open to fishing</u>), and Highway 395 on the east (also see Cottonwood Creek and Diaz Lake Restrictions.)		possession
--	--	------------

Subsection (b)(97) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(97) Las Gazas Garzas Creek and tributaries above Robinson Canyon Road (Monterey Co.).	Fourth Saturday in May through Oct. 31. Only artificial lures with barbless hooks may be used.	0

Subsection (b)(99) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(99) Limekiln Creek and tributaries above Highway 1 (Monterey Co.). Also see <u>Low-Flow Restrictions, Section 8.00(c)(9)</u> .	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(104) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(104) Llagas Creek (Santa Clara Co.). Also see <u>Low-Flow Restrictions, Section 8.00(c)(5)</u> .		
(A) From mouth to Monterey Highway Bridge.	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
(B) From Monterey Highway Bridge to Chesbro Dam.	Closed to all fishing all year	

Subsection (b)(107) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(107) Mad River and tributaries (Humboldt Co.).		
(A) Mad River from the mouth to 200 yards upstream.	Jan. 1 through Mar. 31. Only artificial lures with barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
(B) Mad River main stem, from 200 yards above its mouth upstream to the confluence with Cowan Creek, excluding tributaries. Also see <u>Low-Flow Restrictions</u> , Section 8.00(a)(4).	Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Oct. 31. Only barbless hooks may be used from Nov. 1 through Mar. 31.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
(C) Mad River main stem, from the confluence with Cowan Creek to the confluence with Deer Creek, excluding tributaries.	Closed to all fishing all year.	
(D) Mad River main stem from the confluence with Deer Creek to Ruth Dam.	Fourth Saturday in May through Oct. 31. Only artificial lures with barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
(E) Mad River and tributaries above Ruth Dam.	Last Saturday in May through Nov. 15.	5 per day 10 in possession

Subsection (b)(130) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(130) Navarro River and tributaries (Mendocino Co.). Also see <u>Low-Flow Restrictions</u> , Section 8.00(b)(1). Main stem below the Greenwood Road bridge.	Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Oct. 31. Only barbless hooks may be used from Nov. 1 through Mar. 31.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(133) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>

		Limit
(133) Noyo River and tributaries (Mendocino Co.). Also see <u>Low-Flow Restrictions, Section 8.00(b)(1)</u> .		
(A) Noyo River main stem from the mouth to the Georgia-Pacific logging road bridge one mile east of Highway 1.	Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Oct. 31. Only barbless hooks may be used from Nov. 1 through Mar. 31.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
(B) Noyo River main stem from the Georgia-Pacific logging road bridge one mile east of Highway 1 to the confluence with the South Fork Noyo River.	Fourth Saturday in May through Oct. 1. Only artificial lures with barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
(C) Noyo River main stem from the confluence with the South Fork Noyo River to the Sonoma/Mendocino Boy Scout Council Camp.	Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Oct. 31. Only barbless hooks may be used from Nov. 1 through Mar. 31.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(135) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
(135) Pajaro River (Monterey, Santa Clara, Santa Cruz and San Benito Cos.) from mouth to Uvas Creek. Also see <u>Low-Flow Restrictions, Section 8.00(c)(5)</u> .	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(136) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
(136) Pescadero Creek (San Mateo Co.) from mouth to the Stage Road bridge at Pescadero. Also see <u>Low-Flow Restrictions, Section 8.00(c)(2)</u> .	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery

		trout or hatchery steelhead** in possession
--	--	---

Subsection (b)(141) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(141) Pit River (Shasta and Modoc cos.).		
(A) Pit River (Modoc County) from the Hwy 395 bridge/South Fork Pit River crossing near the town of Likely downstream to the Highway 299 (Canby) bridge/Pit River crossing.	All year.	0
(A)(B) From Pit No. 3 (Britton Dam) downstream to the outlet of the Pit No. 3 Powerhouse.	Last Saturday in Apr. through Nov. 15. Minimum size limit: 18 inches total length. Only artificial lures with barbless hooks may be used.	2
	Nov. 16 through the Friday preceding the last Saturday in Apr. Only artificial lures with barbless hooks may be used.	0
(B)(C) Pit River, from Pit No. 3 Powerhouse downstream to Pit No. 7 dam.	Last Saturday in Apr. through Nov. 15.	5
	Nov. 16 through the Friday preceding the last Saturday in Apr. Only artificial lures with barbless hooks may be used.	0
(C)(D) From Pit No. 7 dam downstream to Shasta Lake.	All year	5

Subsection (b)(168) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(168) San Gregorio Creek (San Mateo Co.) from the mouth to the Stage Road bridge at San Gregorio. Also see <u>Low-Flow Restrictions, Section 8.00(c)(2).</u>	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(169) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(169) San Lorenzo River (Santa Cruz Co.) from the mouth to the Lomond Street bridge in the town of Boulder Creek. Also see <u>Low-Flow Restrictions, Section</u>	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead**

8.00(c)(3).		4 hatchery trout or hatchery steelhead** in possession
-------------	--	--

Subsection (b)(173) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(173) Scott Creek (Santa Cruz Co.) from mouth to confluence with Big Creek. <u>Also see Low-Flow Restrictions, Section 8.00(c)(3).</u>	Dec. 1 through Mar. 7, but only Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used	0

Subsection (b)(178) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(178) Silver King Creek and tributaries (Alpine Co.) upstream of the confluence with Snodgrass Creek.	<u>Closed to all fishing all year.</u>	
(A) Silver King Creek and tributaries including lakes above Tamarack Lake Creek (within section 7 T7N R22E).	<u>Closed to all fishing all year.</u>	
(B) Silver King Creek mainstem from the confluence with Tamarack Lake Creek (within section 7 T7N R22E) downstream to the confluence with Snodgrass Creek.	<u>Last Saturday in Apr. through Nov. 15.</u>	10 trout per day 10 in possession

Subsection (b)(180) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(180) Smith River (Del Norte Co.) <u>Also see Section 8.00(a).</u> Yearly limits apply for entire river.	<u>Low-Flow Restrictions, Section 8.00, also apply, see below for more detail.</u>	
(A) Main stem from the mouth to confluence of Middle and South forks. <u>Also see Low-Flow Restrictions, Section 8.00(a)(7).</u>	Fourth Saturday in May through Apr. 30. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Aug. 31. Only barbless hooks may be used from Sep. 1 through Apr. 30.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession. 2 cutthroat trout minimum size limit: 10 inches total length 1 Chinook salmon and no more than 5 wild Chinook salmon* over 22 inches per year.
(B) Middle Fork Smith River.		

<p>1. from mouth to Patrick Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(7).</u></p>	<p>Fourth Saturday in May through Apr. 30. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Aug. 31. Only barbless hooks may be used from Sep. 1 through Apr. 30.</p>	<p>2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession. 2 cutthroat trout minimum size limit: 10 inches total length. 1 Chinook salmon and no more than 5 wild Chinook salmon* over 22 inches per year.</p>
<p>2. above the mouth of Patrick Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(7).</u></p>	<p>Fourth Saturday in May through Oct. 31. Only artificial lures with barbless hooks may be used.</p>	<p>2 cutthroat trout minimum size limit: 10 inches total length. 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession.</p>
<p>(C) South Fork Smith River.</p>		
<p>1. from the mouth upstream approximately 1,000 feet to the County Road (George Tryon) bridge and Craigs Creek to Jones Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(7).</u></p>	<p>Fourth Saturday in May through Apr. 30. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Aug. 31. Only barbless hooks may be used from Sep. 1 through Apr. 30.</p>	<p>2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession. 2 cutthroat trout minimum size limit: 10 inches total length 1 Chinook salmon and no more than 5 wild Chinook salmon* over 22 inches per year.</p>
<p>2. from the George Tryon bridge upstream to the mouth of Craigs Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(7).</u></p>	<p>Closed to fishing all year.</p>	
<p>3. above the mouth of Jones Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(7).</u></p>	<p>Fourth Saturday in May through Oct. 31. Only artificial lures with barbless hooks may be used. length.</p>	<p>2 cutthroat trout minimum size limit: 10 inches total length 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession.</p>
<p>(D) North Fork Smith River.</p>		

<p>1. from the mouth to Stony Creek. <u>Also see Low-Flow Restrictions, Section 8.00(a)(7).</u></p>	<p>Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Aug. 31. Only barbless hooks may be used from Sep. 1 through Mar. 31.</p>	<p>2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession. 2 cutthroat trout minimum size limit: 10 inches total length. 1 Chinook salmon and no more than 5 wild Chinook salmon* over 22 inches per year.</p>
<p>2. above the mouth of Stony Creek.</p>	<p>Fourth Saturday in May through Oct. 31. Only artificial lures with barbless hooks may be used.</p>	<p>2 cutthroat trout minimum size limit: 10 inches total length. 2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession.</p>

Subsection (181) of Section 7.50, Title 14, CCR is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
<p>(181) Sonoma Creek and tributaries (Sonoma Co.). Also see Section 8.00(b).</p>		
<p>(A) Sonoma Creek and tributaries above the Adobe Canyon Road bridge <u>Sonoma Creek seasonal waterfall in Sugarloaf Ridge State Park (located 0.2 miles upstream of the west end of the Canyon Trail).</u></p>	<p>Last Saturday in Apr. through Nov. 15.</p>	<p>5</p>
<p>(B) Sonoma Creek and tributaries between the Adobe Canyon Road bridge <u>Sonoma Creek seasonal waterfall in Sugarloaf Ridge State Park (located 0.2 miles upstream of the west end of the Canyon Trail)</u> and the Highway 121 bridge. Note: Sonoma Creek below the Highway 121 Bridge is tidewater, and is regulated by regulations for the Ocean and San Francisco Bay District (see sections 1.53 and 27.00).</p>	<p>Closed to all fishing year.</p>	

Subsection (b)(183) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
----------------------	--	---------------------------------------

(183) Soquel Creek (Santa Cruz Co.) from mouth to confluence of East and West branch. Also see <u>Low-Flow Restrictions, Section 8.00(c)(4)</u> .	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession
---	--	---

Subsection (b)(193) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
(193) Ten Mile River and tributaries (Mendocino Co.). Also see Section 8.00(b)(1). Ten Mile River main stem below the confluence with the Ten Mile River North Fork, and the Ten Mile River North Fork below the confluence with Bald Hill Creek.	Fourth Saturday in May through Mar. 31. Only artificial lures with barbless hooks may be used from the fourth Saturday in May through Oct. 31. Only barbless hooks may be used from Nov. 1 through Mar. 31.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(195.1) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
(195.1) Trinity River, above Trinity Dam (Trinity County) from the confluence with Tangle Blue Creek, (Hwy. 3) downstream (south) to the mouth of Trinity Lake, approximately 13.8 miles.	<u>Last Saturday in Apr. through Nov. 15.</u>	<u>5 per day 10 in possession</u>
	Nov. 16 through the Friday preceding the last Saturday in April. Only artificial lures with barbless hooks may be used.	0

Subsection (b)(201) of Section 7.50, Title 14, CCR, is amended as follows:

Body of Water	Open Season and Special Regulations	Daily Bag and Possession Limit
(201) Uvas or Carnadero Creek (Santa Clara Co.) Also see <u>Low-Flow Restrictions, Section 8.00(c)(5)</u> .		
(A) From Highway 152 Bridge to Uvas Dam.	Closed to all fishing all year	
(B) From mouth to Highway 152 Bridge.	Dec. 1 through Mar. 7, but only on Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

Subsection (b)(203.5) of Section 7.50, Title 14, CCR, is amended as follows:

<i>Body of Water</i>	<i>Open Season and Special Regulations</i>	<i>Daily Bag and Possession Limit</i>
(203.5) Waddell Creek (Santa Cruz Co.) from mouth to Highway 1 bridge. Also see <u>Low-Flow Restrictions, Section 8.00(c)(3).</u>	Dec. 1 through Mar. 7, but only Sat., Sun., Wed., legal holidays and opening and closing days. Only barbless hooks may be used.	2 hatchery trout or hatchery steelhead** 4 hatchery trout or hatchery steelhead** in possession

* Wild Chinook salmon are those not showing a healed adipose fin clip and not showing a healed left ventral fin clip.

**Hatchery trout or steelhead in anadromous waters are those showing a healed adipose fin clip (adipose fin is absent). Unless otherwise provided, all other trout and steelhead must be immediately released.

Wild trout or steelhead are those not showing a healed adipose fin clip (adipose fin is present).

Note: Authority cited: Sections 200, 202, 205, 215, 220, 240, 315 and 316.5, Fish and Game Code.

Reference: Sections 200, 202, 205, ~~206~~, 215 and 316.5, Fish and Game Code.

Subsection (a) of Section 8.00, Title 14, CCR, is amended as follows:

§8.00. Low-Flow Restrictions.

(a) Eel River, Mad River, Mattole River, Redwood Creek, Smith River and Van Duzen River. Stream closures: Special Low Flow Conditions. From September 1 for the Mad River only and October 1 for all other streams through ~~January 31~~ ~~April 30~~ January 31, any of the stream reaches listed in subsection (1) through (7) below shall be closed to all angling on Tuesday and Wednesday when the department determines that the flow on the previous Monday at any of the designated gauging stations is less than the minimum flows set forth in subsections (1) through (7); any of the stream reaches listed in subsections (1) through (7) below shall be closed to all angling on Thursday and Friday when the department determines that the flow on the previous Wednesday at any of the designated gauging stations is less than the minimum flows set forth in subsections (1) through (7); any of the stream reaches listed in subsections (1) through (7) below shall be closed to all angling from Saturday through Monday when the department determines that the flow on the previous Friday at any of the designated gauging stations is less than the minimum flows set forth in subsections (1) through (7). Notwithstanding this provision, the department may close or keep a stream reach closed to fishing when the minimum flow is exceeded on the scheduled flow determination day if the department is reasonably assured that the stream flow is likely to decrease below the minimum flow as specified in subsections (a)(1)-(7) of Section 8.00 before or on the next flow-determination date. In addition, the department may reopen a stream at any time during a closed period if the minimum flow as specified in subsections (a)(1)-(7) of Section 8.00 is exceeded and the department is reasonably assured that it will remain above the minimum flow until the next scheduled Monday, Wednesday, or Friday flow determination. The department shall make information available to the public by a telephone recorded message updated, as necessary, no later than 1:00 p.m. each Monday, Wednesday, and Friday as to whether any stream will be open or closed to fishing. It shall be the responsibility of the angler to use the telephone number designated in the sport fishing regulations booklet to obtain information on the status of any stream.

(1) The main stem Eel River from the paved junction of Fulmor Road with the Eel River to the South Fork Eel River.

Minimum Flow: 350 cfs at the gauging station near Scotia.

(2) The South Fork of the Eel River downstream from Rattlesnake Creek and the Middle Fork Eel River downstream from the Bar Creek.

Minimum Flow: 340 cfs at the gauging station at Miranda.

(3) Van Duzen River: The main stem Van Duzen River from its junction with the Eel River to the end of Golden Gate Drive near Bridgeville (approximately 4,000 feet upstream from the Little Golden Gate Bridge).

Minimum Flow: 150 cfs at the gauging station near Grizzly Creek Redwoods State Park.

(4) Mad River: The main stem Mad River from the Hammond Trail Railroad Trestle to Cowan Creek.

Minimum Flow: 200 cfs at the gauging station at the Highway 299 bridge.

(5) Mattole River: The main stem of the Mattole River from the mouth to Honeydew Creek.

Minimum Flow: 320 cfs at the gauging station at Petrolia.

(6) Redwood Creek: The main stem of Redwood Creek from the mouth to its confluence with Bond Creek.

Minimum Flow: 300 cfs at the gauging station near the Highway 101 bridge.

(7) Smith River: The main stem Smith River from the mouth of Rowdy Creek to the mouth of Patrick Creek (tributary of the Middle Fork Smith River); the South Fork Smith River from the mouth upstream approximately 1000 feet to the County Road (George Tyron) bridge and Craigs Creek to its confluence with Jones Creek; and the North Fork Smith River from the mouth to its confluence with Stony Creek.

Minimum Flow: 600 cfs at the Jedediah Smith Redwoods State Park gauging station.

THE NUMBER TO CALL FOR INFORMATION IS (707) 882-3164/822-3164.

~~(b) Central Coast Streams: Stream Closures: Special Low Flow Conditions:~~

~~From October 1 through April 1, any of the stream reaches listed in subsections (1) and (2) below shall be closed to all angling for a period of one week, commencing on any Thursday, when the Department determines that the flow on the previous Wednesday morning at the designated gauging station is less than the minimum flows set forth in subsections (1) and (2). Notwithstanding this provision, the Department may immediately reopen the streams to fishing if it determines that such flows exceed the minimum flows set forth in subsections (1) and (2) and no negative impact to the resource would result. The Department shall make information available to the public by telephone recorded message, updated no later than 1:00 p.m. each Wednesday, as to whether any stream will be open or closed to fishing. It shall be the responsibility of the angler to use the telephone number designated in the sport fishing regulations booklet to obtain information on the status of any stream.~~

~~THE NUMBER TO CALL FOR INFORMATION IS (707) 944-5533.~~

~~(1) Sonoma Creek (Sonoma County), and all streams tributary to the Pacific Ocean (and its bays) in Mendocino, Sonoma, and Marin counties, except for the Russian River.~~

~~Minimum Flow: 500 cfs at the gauging station on the main stem Russian River near Guerneville (Sonoma County).~~

~~(2) The Napa River (Napa County) between Trancas Avenue in Napa and Oakville Cross Bridge near Yountville.~~

~~Minimum Flow: 15 cfs at the gauging station at the Oak Knoll Bridge on the main stem Napa River.~~

(b) Mendocino, Sonoma, and Marin County coastal streams: Stream Closures: Special Low Flow Conditions. From October 1 through April 30 as follows:

Any of the stream reaches listed in subsections (1) through (4) below shall be closed to all angling on Tuesday and Wednesday when the department determines that the flow on the previous Monday at any of the designated gauging stations is less than the minimum flows set forth in subsections (1) through (4).

Any of the stream reaches listed in subsections (1) through (4) below shall be closed to all angling on Thursday and Friday when the department determines that the flow on the previous Wednesday at any of the designated gauging stations is less than the minimum flows set forth in subsections (1) through (4).

Any of the stream reaches listed in subsections (1) through (4) below shall be closed to all angling from Saturday through Monday when the department determines that the flow on the previous Friday at any of the designated gauging stations is less than the minimum flows set forth in subsections (1) through (4).

Notwithstanding this provision, the department may close or keep a stream reach closed to fishing when the minimum flow is exceeded on the scheduled flow determination day if the department is reasonably assured that the stream flow is likely to decrease below the minimum flow as specified in subsections (b)(1) through (4) before or on the next flow-determination date.

In addition, the department may reopen a stream at any time during a closed period if the minimum flow as specified in subsections (b)(1) through (4) is exceeded and the department is reasonably assured that it will remain above the minimum flow until the next scheduled Monday, Wednesday, or Friday flow determination.

The department shall make information available to the public by a telephone recorded message updated, as necessary, no later than 1:00 p.m. each Monday, Wednesday, and Friday as to whether any stream will be open or closed to fishing. It shall be the responsibility of the angler to use the telephone number designated in the sport fishing regulations booklet to obtain information on the status of any stream.

THE NUMBER TO CALL FOR INFORMATION IS (707) 822-3164 for Mendocino County and (707) 944-5533 for Sonoma, Marin, and Napa counties.

(1) All streams tributary to the Pacific Ocean (and its bays) in Mendocino County, except for the Russian and Gualala rivers.

Minimum Flow: 200 cfs at the USGS gauging station on the main stem Navarro River near Navarro, CA.

(2) All streams tributary to the Pacific Ocean (and its bays) in Sonoma and Marin counties, except for the

Russian River.

Minimum Flow: 150 cfs at the gauging station on the South Fork Gualala River near Sea Ranch (Sonoma County).

(3) Russian River main stem below the confluence of the East Branch Russian River (Mendocino and Sonoma counties), Laguna de Santa Rosa, and Santa Rosa Creek.

Minimum Flow: 300 cfs at the gauging station located on the main stem Russian River near Guerneville (Sonoma County).

(4) The Napa River (Napa County) between Trancas Avenue in Napa and Oakville Cross Bridge near Yountville.

Minimum Flow: 15 cfs at the gauging station at the Oak Knoll Bridge on the main stem Napa River.

[subsection (c) unchanged]

Note: Authority cited: Sections 200, 202, 205, 215 and 220, Fish and Game Code. Reference: Sections 200, 202, 205, ~~206~~ and 220, Fish and Game Code.

Section 27.90, Title 14, CCR, is amended as follows:

§27.90. White Sturgeon.

(a) Open season: All year.

(b) Daily and annual bag limit: One fish per day. Three fish per year statewide.

(c) Size limit: No fish less than 40 inches fork length or greater than 60 inches fork length may be taken or possessed.

(d) Methods of take: Only one single point, single shank, barbless hook may be used on a line when taking sturgeon. The sturgeon must voluntarily take the bait or lure in its mouth. No sturgeon may be taken by trolling, snagging or by the use of firearms. Sturgeon may not be gaffed, nor shall any person use any type of firearm or snare to assist in landing or killing take any sturgeon.

For the purposes of this section, a snare is a flexible loop made from any material that can be tightened like a noose around any part of the fish.

(e) Removal from water. Any sturgeon greater than 68 inches fork length may not be removed from the water and shall be released immediately.]

(f) Report card required: Any person fishing for or taking sturgeon shall have in their possession a nontransferable Sturgeon Fishing Report Card issued by the department and shall adhere to all reporting and tagging requirements for sturgeon defined in Sections 1.74 and 27.92, Title 14, CCR.

(g) For regulations on take and possession of sturgeon in inland waters as defined in Section 1.53, see Section 5.80 and Section 5.81.

(h) Boat limits, as defined in Subsection 27.60(c) and Section 195, are not authorized for sturgeon fishing and shall not apply to the take, possession or retention of white sturgeon.

Note: Authority cited: Sections 200, 202, 205 and 220, Fish and Game Code. Reference: Sections 200, ~~205 and 206~~ and 205, Fish and Game Code

To: BOS-Supervisors; Ausberry, Andrea
Subject: File 140381: 5 new petition signatures: Ana Lupascu, Mark Hooshmand...

From: Ana Lupascu [mailto:mail@changemail.org]
Sent: Monday, October 20, 2014 1:58 PM
To: Calvillo, Angela (BOS)
Subject: 5 new petition signatures: Ana Lupascu, Mark Hooshmand...

5 new people recently signed It Might Happen To You's petition "We're AirbnbScrewed: Make it harder to evict to rent on Airbnb" on Change.org.

There are now 125 signatures on this petition. Read reasons why people are signing, and respond to It Might Happen To You by clicking here:

<http://www.change.org/p/we-re-airbnscrued-make-it-harder-to-evict-to-rent-on-airbnb/responses/new?response=b150507f0f08>

Dear Angela Calvillo,

We thank you for your hard work on the Airbnb law. We want to vote for many of you. But we struggle with that because we're getting evicted, partly because of the Airbnb law (though our landlord said we did nothing wrong). We're grateful to Campos, Mar, Avalos and Yee for voting no on Oct. 7. SUMMARY: This petition tries to make it harder to evict tenants to rent on Airbnb. We respectfully request that you amend that law as requested below, or ask SFBOS to vote no in their final vote on Oct. 21 and the Mayor to veto it on Oct. 31. See our story, reasons, and requests below. (If you want to check our research, see links at <http://chn.ge/YKzjme>).

OUR STORY: We're getting owner move in (OMI) evicted. When we asked what our landlord would do without our rental income, he said he's making up for it by renting his illegal unit and hosted unit on Airbnb. Even with part of that income, he doesn't need our rent. (We'll show you the math below). To add insult to injury, many tenants like us: - Can't host on Airbnb because we can get evicted in three days for subletting. - Can't sue Airbnb hosts (e.g., our landlord) if guests access common storage areas or take street parking. We don't have time to: check our storage daily to see if guests took our stuff, prove who took our stuff, or sue. We can only sue if it's a bigger nuisance (per lawyers we talked to).

THE BIGGER PROBLEM: 1. 9,282 rental units were taken off the market in SF due to Airbnb (<http://bit.ly/1vXZh0e>). 2. There have been more OMI than Ellis evictions (<http://bit.ly/1vKVIBo>). OMI evicted tenants like us cannot get large Ellis relocation payments. 2. Landlords can make more in SF on short-term rentals for 90 days versus renting a year to long-term tenants. The media reports that wherever you live in the world, Airbnb will probably get you evicted and priced out because people earn more on short-term rentals than long-term rentals. 3. Airbnb says landlords won't want to deal with the hassle of short-term rentals. But your landlord can easily hire short-term rental property managers and still make more money than renting to long-term tenants.

OUR 5 REQUESTS: 1. Please allow for public comment on Oct. 21. We thank you for engaging with the public for two years on this law. We ask for three minutes to speak on the 14 amendments that were introduced and voted on without public comment on Oct. 7. 2. If the Airbnb law passes as-is, if you're evicted, your landlord can rent your unit for: - Unlimited days if s/he lives in the unit, and make \$100,000/year. - 90 days if s/he doesn't live in the unit, and make at least \$45,000/90 days for 3-bedroom unit at \$500/night. That's a lot more than what some long-term tenants pay a year now for a 3-bed unit (\$30,000/year). PLEASE: A. In buildings where a no-fault eviction occurred,

please don't allow short-term rentals in in-law units. B. As soon as a landlord files a OMI eviction notice with the SF Rent Board, that unit is prohibited from the City short-term rental registry for three years (which is what the Rent Ordinance says). 3. You probably won't have time or money to catch your landlord, and you'd have to subpoena Airbnb to learn how many days your unit was rented: You'd have to monitor your old unit by: - Hiring a private investigator. - Tracking at least five rental sites. But your landlord can give a fake address. PLEASE require: A. That costs for private investigators be funded by City-funded legal aid fees funded, or other currently available funds. B. The approximate location the public sees on short-term rental sites matches the address guests stay in. C. The City-run registry of addresses of short-term rentals be public online, and allow you to get email notifications if your old unit is available for rent, and list the number of nights rented for past and future rentals. 4. Even if you catch your landlord renting your unit, nothing will likely happen under the current Airbnb law: The Planning Department won't have money for new staff. Plus, they have a 1,200 complaint backlog for illegal tourist rentals. The proposed Airbnb law reduces fines, and might not be a deterrent. If your landlord rents past the proposed 90 day limit, s/he would still have made an average of \$33,333 before getting fined \$416 the first day, then \$1,000/day after. PLEASE: A. Allow buildings with three or more units to sue whether they are rental or illegal units. That needs to be specified in Jane Kim's private right of action amendment. B. Have landlords pay the current \$1,000 fine/day if s/he even rents the unit you were evicted from for one day. 5. Some SF Supervisors said they can't help OMI evicted tenants until they have more data. 6,952 were OMI and 3,693 were Ellis evictions from 1997-2013 (http://bit.ly/1vKVIBo). There was 58% increase in OMI evictions from 2012-13 (http://bit.ly/1Db6777). No one knows the total fraudulent OMI evictions where owners/relative did not move in (http://bit.ly/ZDbEVp), how many tenants were evicted (e.g. seniors, people with disabilities), or how many were done by small property owners. Also, there's no public data on informal eviction notices. PLEASE ask the Rent Board to collect the following new no fault eviction info and add it to monthly eviction reports (http://bit.ly/1pQTecd): A. The number of informal eviction notices (e.g., asking tenants to move, saying the legal notice is coming), which cause severe stress on tenants. B. The legal eviction notice includes the: - Number of bedrooms in the unit - Names and addresses of accompanying non-relatives that will move in - Number of years the longest tenured tenant lived in the unit C. 40 days after the legal eviction notice is filed, what's the number of tenants that: - Will be evicted - Are seniors, or have disabilities - Earn below 120% of the area median income (AMI) D. If tenants moved out of SF, what's the reason they left. E. If after 90 days after tenants move, the owner/relative did not move in as required (fraudulent OMI eviction), what was the: - Evidence (e.g., unit empty, occupied or rented to other tenants) - Rent if the unit was illegally re-rented - Amount the tenant successfully sued for _____ If the law can't be amended as mentioned above, please do not pass the Airbnb law. Please tell us what you really think! SUGGESTIONS? QUESTIONS? Call (415) 506-8048 or email ItMightHappenToYou@gmail.com.

Sincerely,

- 125. Ana Lupascu San Francisco, California
- 124. Mark Hooshmand San Francisco, California
- 123. Tyson Redenbarger San Francisco, California
- 122. Alyson Thomas SAN FRANCISCO, California
- 121. Tim Oliveira San Francisco, California

From: Board of Supervisors (BOS)
To: Tang, Katy (BOS)
Subject: FW: "Don't hand over city's zoning reins to Airbnb"

From: John Reed [<mailto:johnreed@sonic.net>]
Sent: Friday, October 24, 2014 2:44 PM
To: Board of Supervisors (BOS); Chu, Carmen (ASR); Campos, David (BOS); Chiu, David (BOS); Mar, Eric (BOS); Kim, Jane (BOS); Avalos, John (BOS); Cohen, Malia (BOS); Farrell, Mark (BOS); Wiener, Scott
Subject: "Don't hand over city's zoning reins to Airbnb"

Dear members of the Board of Supervisors:

There are not too many "letters to the editor" options to express political opinions these days, and not too many columnists (are there any?) to report objectively on what's going on in City Hall. Senator Dianne Feinstein, who I always thought of as very conservative, now speaks very clearly from my perspective as Senator and as an advocate for residents of San Francisco in her SF Chronicle Open Forum in asking you to reconsider your legislation regarding your Airbnb legislation. Allowing unpaid back taxes of more than \$25 million? What kind of a deal is that? Are tourists now more important to you than residents, or is it just money and political deals that's king here?

Senator Feinstein says it better than me. Please, please listen to what she has to say and reconsider your thinking on this issue. San Francisco deserves better.

Sincerely,

John T. Reed

From: Thierry Spelle [tspelle@yahoo.com]
Sent: Thursday, October 23, 2014 3:01 PM
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: Re: Please Pass Sensible Home Sharing Legislation - Keep Enforcement Clear + Fair [File Number: 140381]

Dear Supervisors:

Thank you for approving a balanced and fair new legislation on this issue.

Thierry Spelle
West of Twin Peaks

On Fri, 10/3/14, Thierry Spelle <tspelle@yahoo.com> wrote:

Subject: Please Pass Sensible Home Sharing Legislation - Keep Enforcement Clear + Fair [File Number: 140381]

To: angela.calvillo@sfgov.org, board.of.supervisors@sfgov.org
Cc: John.Avalos@sfgov.org, London.Breed@sfgov.org, David.Campos@sfgov.org,
David.Chiu@sfgov.org, Malia.Cohen@sfgov.org, Mark.Farrell@sfgov.org, Jane.Kim@sfgov.org,
Eric.L.Mar@sfgov.org, Katy.Tang@sfgov.org, Scott.Wiener@sfgov.org, Norman.Yee@sfgov.org
Date: Friday, October 3, 2014, 8:24 PM

Dear Supervisors,

As a resident of San Francisco for almost ten years, I currently own a house that is too big for the two people who are now left in it. It would be a shame not to have this space available to travelers, and to leave it unused.

In addition to the real estate tax that I am paying, home sharing generates occupancy tax for our city.

Home sharing also allows us, as hosts, to meet people that we would have never met, and to promote, through face to face interaction with them, our beautiful city and its tourism.

Home sharing helps countless San Franciscans 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, I urge you to pass legislation that keeps enforcement fair; avoids unnecessary limits on shared space rentals; and is clear, transparent, and easy to follow.

Thank you for taking the time to consider this important issue.

Sincerely,

Thierry Spelle
West of Twin Peaks

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: Renter's are trapped without any ability to save, or buy into lower priced housing options such as co-ops and mixed housing complexes.

From: Aaron Goodman [mailto:amgodman@yahoo.com]
Sent: Monday, October 20, 2014 9:32 PM
To: Board of Supervisors (BOS)
Subject: Renter's are trapped without any ability to save, or buy into lower priced housing options such as co-ops and mixed housing complexes.

A reminder about the lack of "stepping-stones" towards home ownership... Especially in San Francisco.

<http://finance.yahoo.com/news/here-s-why-renters-in-america-feel-trapped-205700354.html>

The city is at a loss in terms of how and in what means such housing can be built.

Developers are not building it, and the banks and investors, wont fund it, but that is what is needed.

Homes 100-200k

Rent's 800-1000 per month studios
1001-1500 per month one bedrooms
and 1501-2000 for 2-bedrooms...

not a penny more...plan and design it well, large enough and with amenities, built by taxing businesses like Air BNB correctly and you can develop and fund the housing needed.

Ignore institutional growth, companies, business taxes etc. and we will be evicting every last working family in SF.

agoodman

From: Reports, Controller (CON) [controller.reports@sfgov.org]
Sent: Monday, October 20, 2014 12:59 PM
To: Calvillo, Angela (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; Kelly, Naomi (ADM); Fong, Jaci (ADM); Gamino, Miguel; Bukowski, Kenneth (ADM); Hom, Nancy (PUC); dgreen@cland.com; dlawson@cornerstoneconcilium.com; mmccconnell@enpointe.com; lmalone@eatonassoc.com; peaton@eatonassoc.com; jeaton@eatonassoc.com; dilraj.kahai@21tech.com; azhar.mahmood@21tech.com; Kelly, Jr, Harlan (PUC)
Subject: Issued: OCA: Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased

The Office of the Controller's City Services Auditor Division (CSA) today issued a report on its audit of Technology Store Vendors. The audit found that Technology Store vendors did not always abide by contract percentage markup limits, which caused the City to overpay \$26,883 in a sample of \$1.8 million in payments from fiscal year 2011-12 for commodity invoice line items with markups. Projected over the life of the contract, this leads to overcharges estimated to be between \$640,978 and \$961,466. The overbillings the audit identified were often not detected due to lax monitoring procedures and contract weaknesses. Also, the fact that these contracts do not limit the profits vendors can receive on discounted goods or subcontractor services may not provide the most financial benefit to the City.

To view the full report, please visit our Web site at:
<http://openbook.sfgov.org/webreports/details3.aspx?id=1843>
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.

Follow us on Twitter @SFController

City and County of San Francisco

Office of the Controller – City Services Auditor

OFFICE OF CONTRACT ADMINISTRATION:

**Technology Store Vendors
Do Not Always Abide by Contract
Percentage Markup Limits,
Resulting in Overcharges for
Goods Purchased**



October 20, 2014

**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 website 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, Audit Manager
Mamadou Gning, Audit Manager
Nicole Doran, Auditor-in-Charge
Amanda Sobrepeña, Staff Auditor
Joseph Towner, Staff Auditor
Sandeep Rajbhandari, Staff Auditor



City and County of San Francisco

Office of the Controller - City Services Auditor

Office of Contract Administration:

October 20, 2014

Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased

Purpose of the Audit

The audit evaluated the adequacy of the administration and monitoring controls of the City and County of San Francisco (City) for the Technology Store contracts (excluding micro-local business enterprise contracts), determined whether vendors comply with their contracts' general provisions, and assessed whether vendors accurately charged selected departments for goods and services purchased and whether the City properly paid the charges.

Highlights

Technology Store vendors did not always abide by contract percentage markup limits, which caused the City to overpay \$26,883 in a sample of \$1.8 million payments from fiscal year 2011-12 for commodity invoice line items with markups, a markup error rate of 1.46 percent. Projected over the life of the contract, this leads to overcharges estimated to be between \$639,741 and \$959,611. The overbillings the audit identified were often not detected by the department due to lax monitoring procedures and contract weaknesses. Specifically, the audit found:

- Vendors often include shipping and taxes in the cost basis upon which markups are applied, rather than to the manufacturer's price, contrary to contract requirements.
- Service categories and hourly rates on invoices and purchase orders are often inconsistent with the contracted categories. As a result 56 percent of services tested were broadly categorized as consulting, for which the City pays the highest rates, up to \$225 per hour.
- If Technology Store contracts had applied the same markup percentage limits to discounted goods purchased that were applied to all other goods, the City could have avoided an estimated \$23,459 based on a sample of \$1.1 million of payments made for discounted goods.
- Neither vendors nor OCA maintain the historical manufacturers' prices of discounted goods, which prevent a trail to verify correctness.
- OCA inconsistently reviews prices and does always pursue corrective action on all errors identified.

Recommendations

The report includes 20 recommendations on contract compliance and how the City can improve contract administration and monitoring. Specifically, OCA and the City's chief information officer (CIO) should:

- Recover any overpayments remitted as a result of excessive markups and review invoices submitted before and after fiscal year 2011-12 to determine whether vendors incorrectly billed for markups on certain goods and recover any amounts incorrectly paid.
- Require that vendors abide by contract pricing provisions regarding price-setting within markup limitations.
- Require vendors to include support of their actual costs and/or the manufacturer's list price on invoices submitted to the City.
- Require vendors to detail the manufacturer's list price or the price paid internally.
- Ensure that in its next Technology Store contracts, it clearly states that services invoiced to the City must align with a service category listed in the contract and that invoices must show the hours incurred and rate(s) charged.
- Improve contract language and enforce policies surrounding purchase order approvals and pricing review practices.

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>

Page intentionally left blank.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

October 20, 2014

Ms. Naomi M. Kelly
City Administrator
Office of the City Administrator
City Hall, Room 362
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Mr. Miguel Gamifio
Acting Chief Information Officer and Director
Department of Technology
1 South Van Ness Avenue
San Francisco, CA 94103

Ms. Jaci Fong
Purchaser and Director
Office of Contract Administration
City Hall, Room 430
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Mr. Harlan Kelly, Jr.
General Manager
San Francisco Public Utilities Commission
525 Golden Gate Avenue
San Francisco, CA 94102

Dear Ms. Kelly, Ms. Fong, Mr. Gamifio, and Mr. Kelly:

The Office of the Controller's City Services Auditor Division (CSA) presents its audit report of the Technology Store of the City and County of San Francisco (City). The audit objectives were to evaluate controls over the administration and monitoring of Technology Store contracts (excluding micro-local business enterprise contracts), determine whether vendors comply with contract general provisions, and assess whether vendors accurately charge selected departments for goods and services purchased and whether the City properly paid the charges.

The audit concluded that excessive markups may have caused the City to overpay Technology Store vendors between \$639,741 and \$959,611 in fiscal years 2008-09 through 2011-12. For the three audited departments, net overpayments were estimated to be between \$246,327 and \$369,490 in fiscal years 2008-09 through 2011-12. A sample that included \$1.8 million of payments for commodities with markups showed that the three departments overpaid \$26,883 in fiscal year 2011-12, which indicates a markup error rate of 1.46 percent. The overbillings identified were often not detected due to lax monitoring procedures and contract weaknesses. Also, the fact that these contracts do not limit the profits vendors can receive on discounted goods or subcontractor services may not provide the most financial benefit to the City.

The report includes 20 recommendations on Technology Store vendors' contract compliance and how the Office of Contract Administration (OCA) and the City's chief information officer (CIO) can improve their contract administration and monitoring. The responses to the report of the CIO, OCA, Office of the City Administrator and San Francisco Public Utilities Commission are attached as appendices. CSA will work with OCA and the CIO to follow up on the status of the recommendations made in this report.

CSA appreciates the assistance and cooperation of the staffs of the General Services Agency, including the Department of Technology and OCA, and the San Francisco Public Utilities Commission 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

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 – Technology Store Vendors Do Not Always Bill the City in Accordance With Contract Requirements.....	8
Finding 1.1. Technology Store vendors did not always abide by the markup percentage limits set by contracts for certain commodities, causing the City to overpay.....	8
Finding 1.2. Service categories and hourly rates on invoices and purchase orders are often inconsistent with the categories and rates in Technology Store contracts.....	15
Finding 1.3. One Technology Store vendor overbilled for certain items purchased and owes the City \$190.....	19
Chapter 2 – OCA Needs to Improve the City’s Technology Store Contracts.....	21
Finding 2.1. The City does not know whether it receives the correct discounts because neither Technology Store vendors nor OCA can provide evidence that required discounts were received.....	21
Finding 2.2. Contracts inadequately define some key requirements and do not capture departments’ purchasing needs, costing the City money.....	23
Chapter 3 – Oversight and Monitoring of the Technology Store Need Critical Improvement.....	29
Finding 3. OCA does not adequately monitor Technology Store vendors’ compliance with contract terms or properly administer the contracts, causing the City to overpay for goods and services.....	29
Appendix A – Departments’ Responses.....	A-1
Office of the Contract Administration.....	A-1
Department of Technology.....	A-8
Office of the City Administrator.....	A-10
San Francisco Public Utilities Commission.....	A-11

Appendix B – Contractors’ Responses	B-1
ComputerLand of Silicon Valley Response	B-1
Cornerstone Technology Partners, JV	B-3
En Pointe Technology Sales, Inc.	B-4
Xtech, JV,	B-5

GLOSSARY OF TERMS

Administrative Code	Administrative Code of the City and County of San Francisco
CIO	chief information officer of the City and County of San Francisco
City	City and County of San Francisco
ComputerLand	CCT Technologies, Inc., dba ComputerLand of Silicon Valley
Cornerstone	Cornerstone Technology Partners, JV
CSA	City Services Auditor Division of the Office of the Controller
DT	General Services Agency - Department of Technology, City and County of San Francisco
En Pointe	En Pointe Technology Sales, Inc.
eWaste	Electronic Waste Recycling
GSA-Admin	General Services Agency - Administrative Services, City and County of San Francisco
HP	Hewlett-Packard
IT	information technology
LBE	Local Business Enterprise (as defined in the Administrative Code)
OCA	Office of Contract Administration, City and County of San Francisco
PO	purchase order
SFPUC	San Francisco Public Utilities Commission
Xtech	Xtech, JV

INTRODUCTION

Audit Authority

This 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's City Services Auditor Division (CSA) conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

Background

The City spent \$57.2 million on purchases through the Technology Store in fiscal year 2011-12.

The City established the Technology Store, formerly known as the Computer Store, in 1998 to serve as the City's method for procuring information technology (IT) commodities and services using a citywide, multiple-award, term contract. The Technology Store is intended to provide a more effective process for city departments to procure technology-related goods and services and offer discounted rates from Technology Store vendors on certain items purchased. In fiscal years 2008-09 through 2011-12 city departments made \$172.8 million in IT purchases through Technology Store vendors. In fiscal year 2011-12 city departments spent \$57.2 million.¹

OCA is responsible for managing the Technology Store.

The Technology Store is administered by the Office of Contract Administration (OCA) and is one way for city departments to acquire technology-related goods and services from prequalified vendors without undergoing a separate, independent, competitive process. OCA selected the participating Technology Store vendors through a competitive request for proposal process. At the direction of the mayor in January 2009, the City's chief information officer (CIO) began reviewing and approving all IT-related purchase requests, regardless of the amount, before submittal to OCA for further review and processing.

The San Francisco Administrative Code requires departments to pay an administrative fee of up to 1.9 percent of the total purchase price of commodities and/or services purchased through the Technology Store. The fee revenue is used to pay for the costs of administering the Technology Store contracts for the benefit of city departments. In fiscal year 2011-12 departments

¹ Payments include all purchasing categories made through the Technology Store. The \$172.8 million includes \$344,735 for Category 3 payments and the \$57.2 million includes \$17,892 for Category 3 payments.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

purchased \$57.2 million of goods and services through the Technology Store, yielding an estimated maximum of \$1.1 million in administrative fees paid to OCA in the fiscal year.

Steps in the IT purchasing process.

When departments determine a need for IT products or services, they contact a Technology Store vendor of their choice to request a quote. OCA requires that departments seek at least three quotes for orders of more than \$100,000. For orders less than \$100,000, OCA encourages departments to request quotes from more than one Technology Store vendor, but does not require it.

The Technology Store vendor completes a quote and sends it to the department for review. After an appropriate department representative has signed and dated the quote, the purchase requisition is entered into the City's purchasing system. The signed quote, along with supporting documentation, is submitted to the CIO for review and approval. Once the quote is approved, the CIO will forward all documentation to OCA for secondary review and approval and subsequent processing of the related purchase order.

The Technology Store has three purchasing categories.

The Technology Store has established the following three vendor purchasing categories:

- Category 1 – Services and Products:
These vendors largely focus on professional and project-related services, which are provided directly or by subcontractors. The vendors may also provide products.
- Category 2 – Products Only:
These vendors may provide products only.
- Category 3 – Micro Local Business Enterprise (LBE) Set-Aside Program:
These small businesses were awarded as-needed contracts of less than \$100,000 to provide specific products and maintenance services.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

The Technology Store uses seven as-needed Category 1 and 2 contracts with four vendors.

On April 8, 2008, OCA issued a request for proposal to prequalify vendors for the City's Technology Store. On December 9, 2008, after the competitive request for proposal process, the Board of Supervisors approved the award of four Category 1 contracts and three Category 2 contracts, with a total not-to-exceed amount of \$120 million for all seven contracts awarded.

The following four Category 1 vendors were each awarded a contract with a not-to-exceed amount of \$12 million:

- CCT Technologies, Inc., dba ComputerLand of Silicon Valley (ComputerLand)
- Cornerstone Technology Partners, JV (Cornerstone)
- En Pointe Technology Sales, Inc. (En Pointe)
- Xtech, JV (Xtech)

The following three Category 2 vendors were each awarded a contract with a not-to-exceed amount of \$24 million:

- ComputerLand
- En Pointe
- Xtech

The contracts were approved for an initial term of three years, calendar years 2009 through 2011, with options to extend the terms by two additional years, or through 2013. All seven contracts were amended to exercise both of the one-year options to extend the contracts through December 2013. Two Category 1 contracts were amended to increase their not-to-exceed amounts, and all three Category 2 contracts were amended to increase their not-to-exceed amounts. The total original not-to-exceed amount of \$120 million for all seven contracts has increased by \$205.9 million to the current total of \$325.9 million.

Exhibits 1 and 2 summarize the contract amendments to increase the not-to-exceed amounts for both Category 1 and 2 vendors.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

EXHIBIT 1		Contract Amendments for Category 1 Technology Store Vendors			
Agreement	Cornerstone		Xtech		
	Not-to-Exceed Amount	Increase	Not-to-Exceed Amount	Increase	
Original	\$12,000,000	-	\$12,000,000	-	
First	N/A ^a	-	12,475,000	\$475,000	
Second	N/A ^a	-	40,000,000	27,525,000	
Third	12,490,000	\$490,000	N/A ^a	-	
Fourth	22,820,000	10,330,000	60,000,000	20,000,000	
Fifth	N/A ^b	N/A ^b	60,490,000	490,000	
Sixth	N/A ^b	N/A ^b	N/A ^a	-	
Seventh	N/A ^b	N/A ^b	90,580,000	30,090,000	
Total		\$10,820,000		\$78,580,000	

Notes:

^a N/A with this notation indicates that the vendor had an amendment but the not-to-exceed amount did not change.

^b N/A with this notation indicates that the vendor did not have an amendment.

Source: Original contract and amendments for Cornerstone and Xtech.

EXHIBIT 2		Contract Amendments for Category 2 Technology Store Vendors					
Agreement	ComputerLand		En Pointe		Xtech		
	Not-to-Exceed Amount	Increase	Not-to-Exceed Amount	Increase	Not-to-Exceed Amount	Increase	
Original	\$24,000,000	-	\$24,000,000	-	\$24,000,000	-	
First	N/A ^a	-	28,000,000	\$4,000,000	41,000,000	\$17,000,000	
Second	24,490,000	\$490,000	28,475,000	475,000	N/A ^a	N/A ^a	
Third	34,460,000	9,970,000	38,000,000	9,525,000	51,000,000	10,000,000	
Fourth	34,950,000	490,000	38,490,000	490,000	51,490,000	490,000	
Fifth	43,850,000	8,900,000	54,150,000	15,660,000	67,890,000	16,400,000	
Sixth	N/A ^b	N/A ^b	54,640,000	490,000	68,380,000	490,000	
Seventh	N/A ^b	N/A ^b	64,810,000	10,170,000	79,830,000	11,450,000	
Total		\$19,850,000		\$40,810,000		\$55,830,000	

Notes:

^a The vendor had an amendment but the not-to-exceed amount did not change.

^b The vendor did not have an amendment.

Source: Original contract and amendments for En Pointe, ComputerLand, and Xtech.

Calculation of charges for commodities and services.

Each contract states:

- The City is to receive a percentage discount of f manufacturer's list price for certain IBM, Hewlett-Packard (HP)/Compaq, Dell, and Cisco products.
- If these manufacturers change their pricing structure

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

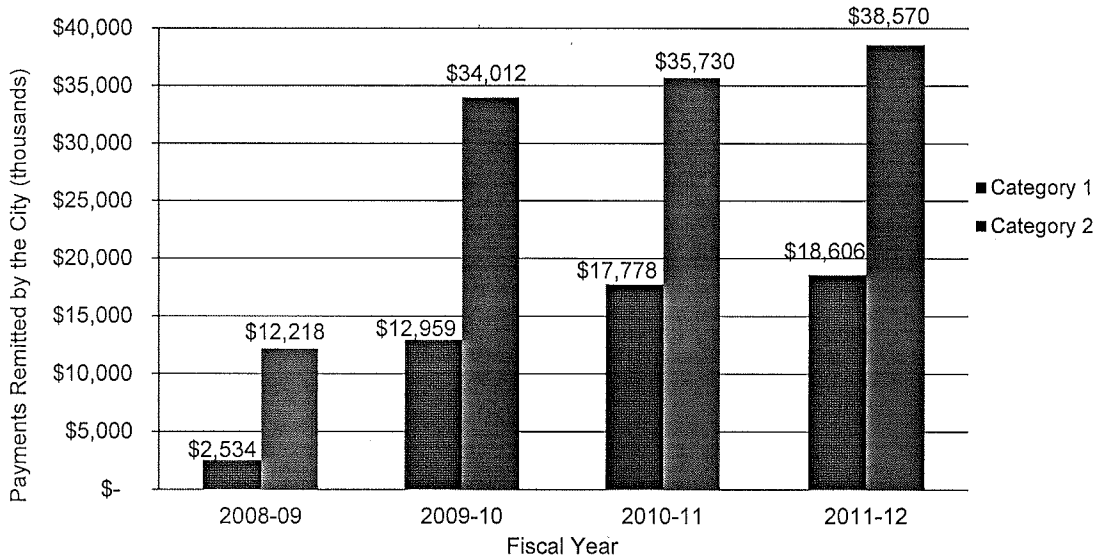
during the term of the contract such that it becomes impossible to use the discount off of the list price pricing structure, the City and the Technology Store vendors may negotiate a mutually acceptable alternative.

- Prices charged by Technology Store vendors for all other product lines cannot exceed the percentage markups specified by the contracts on all other manufacturers' prices.
- The hourly rates that can be charged by the vendors or the subcontractors for certain job titles and technical services provided.

At the end of fiscal year 2011-12 the City had paid \$172.4 million (53 percent) of the current total not-to-exceed amount of \$325.9 million for all seven Category 1 and 2 contracts.

Exhibit 3 shows payments made to Category 1 and 2 Technology Store vendors in fiscal years 2008-09 through 2011-12.

EXHIBIT 3 **Payments Remitted to Category 1 and 2 Technology Store Vendors in Fiscal Years 2008-09 Through 2011-12**



Source: Auditor analysis based on data in City's accounting system.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

*General Services Agency-
Administrative Services,
General Services Agency-
Department of Technology,
and San Francisco Public
Utilities Commission
accounted for 42 percent of
payments made to Category
1 and 2 vendors in fiscal
year 2011-12.*

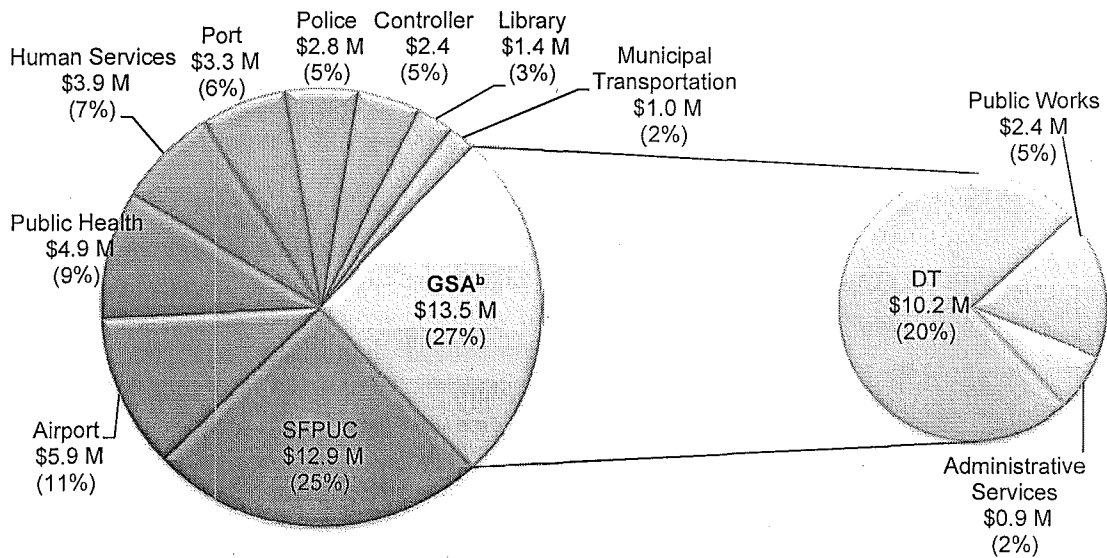
The top ten highest-spending departments represented \$52.0 million (91 percent) of the \$57.2 million spent under Category 1 and 2 in fiscal year 2011-12. Of these ten departments, the audit focused on payments remitted to Category 1 and 2 Technology Store vendors by the:

- General Services Agency - Administrative Services (GSA-Admin)
- General Services Agency - Department of Technology (DT)
- San Francisco Public Utilities Commission (SFPUC)

Together, these three departments accounted for \$24.0 million (42 percent) of total payments remitted by the City to Category 1 and 2 vendors in fiscal year 2011-12.

Exhibit 4 details the amounts paid to Category 1 and 2 Technology Store vendors by the top ten spending departments in fiscal year 2011-12.

EXHIBIT 4 Top Ten Spending Departments Under Category 1 and 2 Technology Store Contracts^a Fiscal Year 2011-12



Notes:

^a Amounts shown in millions.

^b General Services is composed of Administrative Services, Technology, and Public Works.

Source: Original contract and amendments for Cornerstone and Xtech.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Objectives

The objectives of the audit were to:

1. Evaluate the adequacy of the City's monitoring procedures and internal controls over the administration of the Category 1 and 2 Technology Store contracts.
2. Determine whether Category 1 and 2 Technology Store vendors comply with the general provisions of their contracts.
3. Assess whether Category 1 and 2 Technology Store vendors accurately charge selected departments for goods and services purchased and whether the amounts were properly paid by the City.

**Scope and
Methodology**

The audit period was July 1, 2011, through June 30, 2012. To conduct the audit, CSA:

- Reviewed and gained an understanding of the Category 1 and 2 contract terms and conditions.
- Interviewed key departmental staff to understand and evaluate the internal controls over the procurement process and contract monitoring procedures.
- Interviewed management of Technology Store vendors to understand the invoice and billing processes.
- Extracted payment information from the City's purchasing system to identify random samples for testing.
- Using a random sample of 106 payments totaling \$5,785,203, traced payment data for 272 invoice line items to invoices submitted to the City, obtained evidence of vendors' actual costs for products and services, compared the rates applied to the contracts' calculation of charges rate schedules, and recalculated amounts billed.

**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 – Technology Store Vendors Do Not Always Bill the City in Accordance With Contract Requirements

Summary

Contrary to contract requirements, vendors apply markups to their procurement costs, which include shipping and taxes, rather than to the manufacturer's price. As a result, vendors did not always abide by their contracts' percentage markup limits, which caused the City to overpay for goods purchased through the Technology Store. These deficiencies resulted in net overpayments of \$26,883 in a sample of 152 invoice line items tested for markups totaling \$1.8 million. The overpayments represent 1.46 percent of the total amount billed for commodities with markups.

Total overpayments by DT, GSA-Admin, and SFPUC are estimated to be as high as \$133,558 in fiscal year 2011-12 and up to \$369,490 for the term of the Technology Store Category 1 and Category 2 contracts. Furthermore, service categories and hourly rates shown on invoices and purchase orders are often inconsistent with those stipulated by the contracts. Last, one vendor incorrectly billed the City for certain items purchased, resulting in \$190 in overpayments made.

Finding 1.1

Technology Store vendors did not always abide by the markup percentage limits set by contracts for certain commodities, causing the City to overpay.

Although their contracts require Technology Store vendors to bill for certain commodities based on the manufacturer's price plus a percentage markup up to a specified amount, all four vendors applied percentage markups based on their actual costs and billed for and received percentage markups that exceeded the amounts permitted by the contracts. This practice, although not permissible by the contracts, is considered acceptable by OCA and has resulted in the City overpaying all four vendors amounts estimated to be in the hundreds of thousands of dollars per year.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

Vendors often apply markups to their cost to procure the goods rather than to the manufacturer's price, contrary to contract requirements.

In most instances, while the price charged to the City by Technology Store vendors exceeded the amounts that they were charged, there is no way to determine whether the vendors' prices included a markup or not without first knowing what the manufacturer's price was at the time the purchase order for the item was approved. As further discussed in Chapter 2, neither the purchasing department, OCA, nor the Technology Store vendors could provide evidence to support the product manufacturer's price that was applicable at the time the quote for the product was approved. Because the impact of the vendors' misapplication of markups could not be quantified using the manufacturer's price, the audit used the unit price paid by vendors to evaluate whether or not markup percentages received exceed the amount permitted by the contracts.

Contracts require that vendors provide the City with discounts on certain goods purchased and allow vendors to charge the City a percentage markup on all other goods purchased.

The Technology Store contracts provide that vendors can receive a markup percentage on the manufacturer's price for all goods purchased, up to an amount specified by the contracts, with the exception of certain products manufactured by Cisco, Dell, HP/Compaq, or IBM. The contracts require that the City purchase these specific products at discounted prices. (Discounted goods are further discussed in Chapter 2.)

For the nondiscounted goods tested, Technology Store vendors typically do not apply markups based on the manufacturer's price as required by the contract, but on the cost incurred to procure the goods, which sometimes includes taxes and shipping and handling costs. For example, one vendor applied and was paid for a 19 percent markup and a 9 percent markup on two monitors purchased from Amazon.com and a 41 percent markup on two mounting accessories purchased from another retailer for which shipping was charged. However, the contract limits the maximum markup percentage that the vendor can receive to 8 percent on monitors and 10 percent on accessories and requires that all items be delivered to the City free of charge.

Using the unit price paid by the vendor, in this example the City overpaid \$129 in markups and \$12 in associated taxes on a \$2,179 invoice, or 6.5 percent of the invoice total. The same or similar issues exist with all four of the Technology Store vendors audited.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased

Although the contracts prohibit vendors from charging for shipping and handling, this prohibition is sometimes ignored.

According to OCA, in general, Technology Store vendors may add a markup percentage to the cost they paid to acquire nondiscounted goods. This normally includes any freight charges less any applicable discounts provided. However, the Technology Store contracts require that markups be applied to the manufacturer's price and do not consider costs imposed by distributors or retailers or additional costs such as those for shipping and handling. Furthermore, the contracts explicitly stipulate that vendors must deliver, free of charge, all products sold through the Technology Store.

The percentage markup applied by Technology Store vendors is a function of their cost and the total purchase order (PO) amount. As a result vendors charged the City a wide range of markup percentages, both negative and positive, ranging from as low as negative 38 percent to as high as 54 percent. In a random sample of invoice payments that included 152 invoice line items that qualified for markups:

- 30 percent of invoice line items had markups that exceeded the maximum allowable percentage markups required by the contracts.
- 57 percent had markups that were below the maximum allowable percentage markups.

Based on the vendor's actual cost (excluding taxes and shipping), the City overpaid \$26,883 in markups.

To evaluate the markup received on nondiscounted goods, the audit compared a sample of invoices paid to suppliers by Technology Store vendors to the amounts invoiced to the City, which totaled \$5.8 million. Of this amount, \$1.8 million (31 percent) was for 152 invoice line items for which a markup was permitted. Based on the vendor's actual cost (excluding taxes and shipping), the City overpaid a net amount of \$26,883 in markups on 42 invoice line items for which a markup was permitted, resulting in a 1.46 percent error rate based on the net dollar value of markups below and above contract maximums.

One vendor paid \$45,240 to purchase software and the accompanying maintenance support and charged the City \$69,600, resulting in a 54 percent markup received on the transaction. According to OCA, the invoiced amount was incorrectly billed and paid by the purchasing department using a Technology Store PO that OCA had

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

approved only for the purchase of consulting services. Although OCA contends that the payment and the associated markup received by the vendor should be excluded from the audit's sample, the amount paid was ultimately applied against a PO under the Technology Store term contract.

Exhibit 5 summarizes the calculation of overpayments identified in invoice payments for commodities with markups.

EXHIBIT 5 Calculation of Overpayments Identified in Sample Tested		
A	Total fiscal year 2011-12 invoice payments tested ^a	\$5,785,203
B	Invoice payments for commodities with markups in total sample tested	\$1,841,515
C = B÷A	Percentage of total invoice payments that include invoice payments for commodities with markups ^b	31.83%
D	Net overpayments ^c identified in invoice payments for commodities with markups tested	\$26,883
E = D÷B	Ratio of net overpayments identified to invoice payments for commodities with markups ^b	1.46%

Notes:

^a The sample tested includes payments remitted by DT, GSA-Admin, and SFPUC.

^b Rounded to the nearest hundredth of a percentage point.

^c Net overpayments are the difference between invoice payments with markups above and below contract maximums.

Source: Auditor's analysis based on data in City's purchasing system.

Overbillings due to excessive markups may have caused DT, GSA-Admin, and SFPUC to overpay as much as \$369,490 during the contracts' terms.

A statistical evaluation of the sample's results indicates that, on a cost basis, estimated overpayments by DT, GSA-Admin, and SFPUC throughout the terms of the Technology Store Category 1 and Category 2 contracts totaled \$243,323 to \$369,490. If the 1.46 percent error rate extends to payments by all city departments, overpayments during the terms of the Technology Store Category 1 and Category 2 contracts were an estimated \$639,741 to \$959,611. For fiscal year 2011-12 alone, net overbilling payments by DT, GSA-Admin, and SFPUC were an estimated \$89,039 to \$133,558 and potentially \$212,222 to \$318,333 by all city departments.

Using the calculations in Exhibit 5, Exhibit 6 shows the extrapolated potential overpayments made by selected departments and by all city departments from fiscal year

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

2008-09 through fiscal year 2011-12 and in fiscal year
2011-12 alone.

EXHIBIT 6 **Extrapolation of Errors Found in Sample of Commodities With
Markups Tested**

Description	Fiscal Year 2008-09 to 2011-12		Fiscal Year 2011-12	
	All City Departments	DT, GSA- Admin, and SFPUC	All City Departments	DT, GSA- Admin, and SFPUC
A Total payments remitted	\$172,410,359	\$66,385,128	\$57,193,831	\$23,995,962
B Percentage of total invoice payments that include invoice payments for commodities with markups*	31.83%	31.83%	31.83%	31.83%
C=A× B Potential invoice payments remitted for commodities with markups	\$54,880,733	\$21,131,355	\$18,205,631	\$7,638,265
D Ratio of net overpayments identified in invoice payments for commodities with markups*	1.46%	1.46%	1.46%	1.46%
E=C×D Extrapolated impact of overpayments	\$799,676	\$307,908	\$265,277	\$111,298
F Margin of error	20%	20%	20%	20%
G=E-(E×F) Low range of extrapolated overpayments	\$639,741	\$246,327	\$212,222	\$89,039
H=E+(E×F) High range of extrapolated overpayments	\$959,611	\$369,490	\$318,333	\$133,558

Note: *31.83% and 1.46% calculated in Exhibit 5. Rounded to the nearest hundredth of a percentage point.

Source: Auditor's analysis based on data in City's purchasing system.

DT, GSA-Admin, and SFPUC make a large portion of all city payments to Category 1 and 2 vendors.

Total payments by DT, GSA-Admin, and SFPUC to Technology Store Category 1 and 2 vendors in fiscal year 2011-12 were \$24.0 million, or 42 percent of the \$57.2 million in payments by all city departments. Throughout the terms of the contracts through June 2012, total payments by these three departments amounted to \$66.4 million, or 38.5 percent of the \$172.4 million in payments by all departments.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

Markups above contract maximums violate contract terms and represent money owed to the City by the vendor.

Markup percentages billed by vendors that are below contract maximums are allowed under the contracts and do not represent money owed to the vendor by the City. In contrast, markup percentages that are above contract maximums violate contract terms and do represent money owed to the City by the vendor. This is because vendors are not required to charge the maximum markups. Vendors may elect to reduce the markup percentage they charge or even apply a negative markup to make their pricing more competitive. Of the 152 invoice line items tested for commodities with markups, 107 (70 percent) had markups that were equal to or below contract maximums, of which 4 invoice line items had negative percentage markups applied.

Contracts do not require that vendors receive the maximum markup allowed, but they often receive markups in excess of the maximums, causing the City to overpay.

According to OCA, the PO amount is the amount that the City is contracted to pay and cannot be exceeded even if the product's price increases or the vendor incurs additional overhead costs in procuring the goods. Establishing a maximum amount the City will pay for a good gives vendors an incentive to procure goods at the lowest possible price to increase profits. The wider the spread between PO amount and vendor's acquisition cost, the bigger the profit. The markup that a vendor can receive when it buys goods for less than the PO amount often results in a vendor receiving markup percentages exceeding the contract maximum.

Also, according to OCA, Technology Store vendors may require lower or higher markups on products depending on the expenses they incur when procuring goods on behalf of the City. However, the contracts only specify the maximum markup percentage that vendors can receive on certain items purchased. Furthermore, contract limits on markups are by item, irrespective of whether an invoice includes markups on items that are both under and over the contract maximums.

OCA must consider whether some Technology Store contracts should be changed to reflect acceptable practices.

It is important to create reasonable contract requirements that establish feasible expectations for vendors. Although the CIO reviews and approves all Technology Store purchase requests before OCA's review, the CIO's responsibility is solely to identify opportunities for standardization and consolidation that could yield savings for the City. In contrast, OCA is ultimately responsible for establishing and administering

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Technology Store contracts. Consequently, OCA must assess the appropriateness of contract terms and consider whether some may need modification to reflect current billing practices that are deemed acceptable by the department although they are inconsistent with the contract.

Recommendations

The Office of Contract Administration should:

1. Ensure that Technology Store vendors abide by pricing provisions in future contracts and apply markup percentages based on the manufacturers' prices or declare that compliance with this requirement is infeasible. If the Office of Contract Administration finds this requirement to be infeasible, in the next Technology Store contracts it should revise Appendix B to support the current practice.
2. Ensure that Technology Store vendors abide by the markup percentage limits set by the contracts for the sale of certain commodities.
3. Seek reimbursement from Technology Store vendors for any overbillings related to markups applied on certain commodities that exceeded contract maximums.
4. Review invoices submitted before and after fiscal year 2011-12 to determine whether Technology Store vendors incorrectly billed for markups on certain commodities and recover any amounts found to be incorrectly paid.
5. Ensure that, before approving purchase orders, purchase order amounts comply with the terms of the contract.
6. Ensure that, when a percentage markup is applicable, Technology Store contracts require that invoices submitted to the City clearly state the manufacturer's price and/or vendor's cost basis and the percentage markup for each item purchased and include evidence to support all prices included on the invoice. (As stated in the contracts, evidence may include an actual manufacturer's price list; a

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased

letter provided on the manufacturer's letterhead containing a contact name, signature, and telephone number for the manufacturer's representative; or actual invoices from the manufacturers or distributors.)

7. Ensure that its next Technology Store contracts require Technology Store vendors, when a percentage markup is applicable, to include evidence supporting the manufacturer's price and/or vendor's proposed cost at the time the bid is submitted to the City for review and approval.
8. Ensure that manufacturers' prices and/or vendors' proposed costs are supported and that correct percentage markups are indicated on the bid documentation before approving procurement requests.

Finding 1.2

Service categories and hourly rates on invoices and purchase orders are often inconsistent with the categories and rates in Technology Store contracts.

The service categories and hourly rates shown on Technology Store POs and invoices sometimes disagree with the allowable service categories and rates in the contract and, in some instances, do not align with the services detailed on subcontractors' invoices. Of a sample of 103 services totaling \$2,833,099, 65 services (63 percent) described services different from the service category stated on the PO or did not clearly align with one of the contract categories and its associated rates. The City paid a total of \$1,991,930 for these services.

56 percent of audited services were categorized as consulting, which comes with high hourly rates.

POs, which are approved and processed by OCA, and vendor invoices broadly categorized the majority of services as some form of consulting. Technical consulting is the only service category listed in the contracts that refers to consulting. The technical consulting service category has some of the highest hourly rates allowed by the contracts, up to \$225 per hour. Although each contract lists 32 service categories, each with corresponding hourly rates, many of these categories were not used to categorize the sample of services tested. Of the 103 services audited, 58 (56

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

percent) included services that were categorized as consulting. The City paid \$537,280 for these consulting services.

By categorizing most services as consulting, OCA allows vendors to bill the City more than if the services were in other, lower-paid categories.

For example, the supporting documentation for one invoice showed that a Technology Store vendor's joint venture partner charged the vendor \$80 for an hour of technical consulting services and that a subcontractor charged \$125 per hour for 39 hours of various services such as design documentation, development environment build services, on-site and remote initial requirements development, and training. However, in accordance with the associated PO, the Technology Store vendor invoiced the City for 40 hours of technical consulting services at an hourly rate of \$200. Further, the contract under which this invoice was submitted specifies hourly rates based on service category type. Among these service categories, all but technical consulting have contractual rates lower than the rate charged by the vendor. This lack of consistency with the contract service categories makes it difficult for a reviewer to determine whether the rates charge s comply with contract terms.

The number of hours invoiced—regardless of the number actually worked—is often dictated by the purchase order amount.

For the City to be able to determine whether amounts charged by vendors are in accordance with the contract's hourly rates, invoices should show the number of hours incurred and the rate(s) applied to each, given the nature of the service provided. However, some invoices from Technology Store vendors include hours that are simply a function of the total amount approved to be spent and the hourly rates stated on the PO. For example, to be in compliance with the original PO amount for \$60,000 of technical consulting services, a Technology Store vendor billed the City \$10,000 for 0.16667 hour at a rate of \$60,000 per hour, which is clearly not based on real work time or rates. This occurred although the subcontractor had billed the vendor \$10,000² for 80 hours of application development consulting at an hourly rate of \$125.

² Also, a 10 percent (\$1,000) government discount provided by the subcontractor was not passed on by the Technology Store vendor to the City.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Services are often billed as a lump-sum; many invoices omit the number of hours incurred.

Technology Store vendors often submit service invoices that do not include the number of hours provided or the associated hourly rate charged. For example, a Technology Store vendor billed the City \$3,280 for two city employees to take four online courses, each course at a cost of \$820. (The number of hours of each course was not indicated). However, the contract states that end-user trainings should be billed at a rate of \$80 per hour.

In another example, a Technology Store vendor billed the City a lump sum of \$55,260 for services provided and did not indicate the number of hours incurred. While the associated PO summarizes the engagement's final deliverables, the scope of services to be provided and the project's total cost, it does not state the payment structure associated with each deliverable or specify the hourly rates to be charged. Without invoices specifying the number of hours charged, the City cannot be sure that the appropriate hourly rate was charged in accordance with contract terms.

Lack of itemization of charges reduces the City's ability to determine if invoiced items comply with contract terms.

Technology Store contracts do not require that services detailed on invoices submitted to the City align with a service category listed in the contract and do not require invoices to be itemized to show the number of hours incurred and the hourly rate applied based on the service type. Without this level of detail, the City cannot be sure that the items and amounts invoiced comply with contract terms. At a minimum, to ensure that the amounts billed for services are correct and comply with contract terms, services invoiced should align with a service category listed in the contract and invoices submitted should detail the number of hours incurred and the rate applied.

OCA considers the cost of software and hardware support and training to be a cost of the commodity purchased instead of a separate cost, causing lump-sum billing that is not in accordance with contract provisions.

Many of the services that Technology Store vendors billed for in a lump-sum amount, rather than hourly as required by the contract, were training and hardware and software support, such as maintenance, installation, and development. According to an OCA manager, although not specifically stated in the contracts, hardware and software support and training are considered to be costs of the related commodity purchased and are allowed to be billed as a commodity in a lump sum, with either a discount or a markup applied by the vendor.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

According to the Technology Store vendors, invoices for hardware and software support services and trainings are billed as lump sums because the corresponding POs were approved by the City as lump sums. Also, vendor management explained that subcontractors typically bill a flat rate for trainings based on the number of students in attendance or by whether a half day or full day of training is required. Although subcontractors billed Technology Store vendors for trainings with lump-sum amounts and the amounts for services agreed to their corresponding POs, this billing practice is not in accordance with contract provisions.

If OCA considers such costs to be commodities, then the percentage markup that vendors can receive is limited by the contracts. However, vendors received markups on trainings and hardware and software support services that exceeded the highest markup allowed by the contracts for any one type of commodity. The markup received for such services was as high as 22 percent although the applicable contract limits commodity markups to no more than 10.5 percent.

Recommendations

The Office of Contract Administration should:

9. Ensure that its next Technology Store contracts require that services invoiced to the City must align with a service category listed in the contract and that invoices submitted to the City clearly state the hours incurred and rate charged and that evidence to support any services provided by subcontractors are included with the invoice. (As stated in the contracts, such evidence may include actual invoices from subcontractors to the Technology Store vendor.)
10. Ensure that its next Technology Store contracts clearly state that training and hardware and software maintenance services may be charged in lump-sum amounts and state how these services should be reimbursed.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

Finding 1.3

One Technology Store vendor overbilled for certain items purchased and owes the City \$190.

One Technology Store vendor did not make the discounted pricing it received available to the City.

In two instances, one vendor did not pass on any or all special pricing received on the items purchased. Contracts require Technology Store vendors to provide the City the same pricing that the vendors receive from participating in any government, education, or other special pricing programs.

On one invoice examined, the vendor received two discounts from a subcontractor for the purchase of software and software support. Although a discount of \$12,000 for early purchasing was passed on to the City, a partner discount of \$24,460 (35 percent) was not. Ultimately, the vendor paid \$45,240 for the purchase and charged the City \$69,600, resulting in a 54 per cent markup received on the transaction. The invoice submitted to the City did not indicate that any special pricing was received by the vendor, although the contracts do not specifically identify partner discounts as allowable discounts. The contract limits the maximum markup on the item to 9 percent of the manufacturer's list price. However, as discussed in Finding 1.1, because the impact of the vendors' misapplication of markups could not be quantified using the manufacturer's price, the audit used the vendor's cost basis and found that a markup of only \$4,072 should have been received on the purchase, resulting in an overpayment made by the City of \$20,288.³

On another invoice, a subcontractor provided \$10,000 of consulting services and provided the vendor a 10 percent government discount. However, the vendor did not make the discounted pricing available to the City and charged the City for the full \$10,000. Although the vendor did not comply with the clause requiring vendors to pass on any special pricing received to the City, the audit determined that, in this instance, the hourly rate ultimately charged to the City for 80 hours of technical consulting did comply with the contract.

³ The \$20,288 was erroneously received by the vendor as a markup. As such, the amount was included in the audit's markup test discussed in Finding 1.1 and in the amount recommended to be recovered by the City in Recommendation 3. Thus, this amount does not figure into the recommendations for Finding 1.3.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

One Technology Store vendor incorrectly charged sales tax on installation services, causing the City to overpay \$190.

One Technology Store vendor combined the cost of a battery and its installation cost into one amount and incorrectly applied sales tax to the total amount rather than to the cost of the commodity only. This resulted in the City overpaying \$190 in sales tax. According to the vendor's management, the total amount upon which tax was applied was billed based on the lump sum approved on the PO, which did not separately itemize the battery and installation costs. However, California sales tax generally does not apply to charges for installation labor and, as a result, sales tax should have been charged only on the battery cost.

Billing errors were not identified by the purchasing departments or OCA because Technology Store vendors are not required to reflect any special pricing received on invoices submitted to the City and are only required to provide verification of their cost upon the City's request. The billing errors identified by the audit could have been detected by purchasing departments if Technology Store vendors had to provide evidence to verify the amounts they bill to the City.

Recommendations

The Office of Contract Administration should:

11. Ensure that its next Technology Store contracts require Technology Store vendors to a) include evidence supporting their actual costs with the invoice submitted to the City and b) submit invoices that explicitly state when the vendors have taken advantage of special pricing from subcontractors or suppliers to them.
12. Seek reimbursement from one Technology Store vendor for \$190 of overbillings as a result of one billing error.

CHAPTER 2 – OCA Needs to Improve the City’s Technology Store Contracts

Summary

Although the Technology Store is structured to encourage competitive pricing, vendor contracts have significant weaknesses that may have impeded purchasing departments’ ability to properly review invoices and OCA’s ability to effectively administer and monitor the contracts.

On September 27, 2013, OCA issued a request for proposal for the procurement of technology products, consulting services, maintenance services, and training services. The multiple contracts that result from the request for proposal will be collectively known as the San Francisco Technology Marketplace, which will replace the City’s existing Technology Store contracts. Findings noted in Chapter 2 do not address vendor compliance; rather they address shortcomings identified in the current Technology Store contracts and include recommendations to improve future technology contracts.

Finding 2.1

The City does not know whether it receives the correct discounts because neither Technology Store vendors nor OCA can provide evidence that required discounts were received.

The correct discounts applied to a sample of \$1.1 million of goods purchased could not be determined because the manufacturers’ list prices could not be substantiated.

Neither Technology Store vendors nor OCA could provide evidence that the City received the discounts required by the contracts on certain goods purchased. Without relevant documentation to support the manufacturers’ list prices and the discounts applied, the audit could not verify the accuracy and appropriateness of amounts invoiced for certain items purchased. The audit’s random sample included payments totaling \$1,110,589 for 73 invoice line items whose manufacturers’ list prices could not be verified. Discounts required by the contracts on these items ranged from 2 percent to 39 percent.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Each Technology Store contract includes a schedule that details the percentage discount off of the manufacturer's list price for certain items and quantities purchased from specific manufacturers. Departments can use these schedules to verify that prices charged to the City include the appropriate discounts. However, as discussed in Finding 1.2, invoices submitted by vendors are not required to be itemized to show the manufacturer's list price and the associated discount percentage applied, making it difficult for a reviewer to determine whether amounts were invoiced in accordance with contract requirements.

Other City contracts clearly require that contractor invoices display the list price and the percentage discounted for each item purchased. Requiring this information on invoices allows purchasing departments to ensure that they receive the discount required by the contract.

Incorrect discounts result in incorrect sales tax amounts.

The Technology Store contracts require that vendors provide evidence of the manufacturer's list price within seven days of request from the City. However, neither Technology Store vendors nor OCA could obtain evidence to support the prices charged. It is difficult to obtain historical pricing because major IT manufacturers such as Cisco, HP/Compaq, Dell, and IBM have numerous commodities with continuously fluctuating list prices. Without support for the manufacturers' list price, it is impossible for the audit to verify whether the correct discount was received. Furthermore, because the discounted price is the amount to which sales tax is applied, any underpayment or overpayment related to discounts has a corresponding effect on the associated tax.

The lack of documentation causes the City not to know if it receives the discounts required by the contracts.

The contracts require Technology Store vendors to abide by percentage discounts set by the City for the sale of certain commodities. Vendors found to charge a discount percentage lower than those in the contract must reimburse the City for the excess charges. According to the primary Technology Store users at SFPUC and GSA, department staff traces invoiced amounts back to the related PO, which is required to be reviewed and approved by both the CIO and OCA, and manufacturer's list prices are not obtained to verify whether appropriate

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased

discounts were received on amounts invoiced to the City. Because of the difficulty in obtaining historical published list prices and the fact that contracts do not require vendors to provide evidence of the manufacturer's published list prices to support the amounts invoiced, neither OCA nor the purchasing departments can be sure that the correct discounts were received in accordance with contract provisions.

Recommendations

The Office of Contract Administration should:

13. Ensure that, when a percentage discount is applicable, Technology Store contracts require that invoices submitted to the City clearly state the manufacturer's list price and the percentage discounted for each item purchased and include evidence to support all manufacturer's list prices included on the invoice. (As stated in the contracts, evidence may include an actual manufacturer's price list; a letter provided on the manufacturer's letterhead containing a contact name, signature, and telephone number for the manufacturer's representative; or actual invoices from the manufacturers or distributors.)
14. Ensure that its next Technology Store contracts require Technology Store vendors, when a percentage discount is applicable, to include evidence supporting the manufacturer's list price at the time the bid is submitted to the City for review and approval.
15. Ensure that manufacturers' list prices are supported and that correct discounts off of manufacturers' list prices are indicated on the bid documentation before approving procurement requests.

Finding 2.2

Contracts inadequately define some key requirements and do not capture departments' purchasing needs, costing the City money.

Some terms in the current Category 1 and 2 contracts are inconsistent, missing, or are unclear, which may impede the transparency of the billing process, contract

Office of the Controller, City Services Auditor
**Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

compliance, and the City's ability to ensure that it receives the appropriate prices and discounts for its technology purchases. The audit identified several contract deficiencies and grouped them into three categories:

1. Inconsistent contract terms
2. Unclear contract terms
3. Terms not addressed in the contract

In one instance, the City paid 303 percent more than a Technology Store vendor paid to procure the same goods.

1. Contracts cap markups on some purchases, but not on others, which costs the City money.

Technology Store contracts establish markup limitations for some purchases and not others. The Technology Store contracts provide that vendors can receive a markup percentage on the manufacturer's price for all goods purchased, up to an amount specified by the contracts, with the exception of certain products manufactured by Cisco, Dell, HP/Compaq, or IBM. The contracts require that the City purchase these specific products at discounted prices. Although the contracts cap the amount of markups vendors can receive on certain commodities, they do not address the profit that vendors can make on discounted goods and services provided by subcontractors. In one instance, the City paid 303 percent more than a Technology Store vendor paid to procure certain discounted goods.

In the audit's random sample, discounted goods totaled \$1.1 million. Had the contracts applied the same markup percentage limits to discounted goods, DT, GSA-Admin, and SFPUC hypothetically could have saved \$23,459 on the goods in the sample and, overall, possibly between \$215,353 and \$323,030 over the course of all the Technology Store contracts.

Extending this extrapolation to payments remitted by all city departments to Technology Store Category 1 and Category 2 contracts, hypothetical savings during the terms of the contracts were an estimated \$559,299 to \$838,949. For fiscal year 2011-12 alone, potential the savings by DT, GSA-Admin, and SFPUC is estimated to be between \$77,843 and \$116,764 and for all city departments, between \$185,537 and \$278,305. Exhibit 7 demonstrates the hypothetical savings for discounted

Office of the Controller, City Services Auditor
**Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

commodities using equipment categories and associated
markup percentages from the markups population.

EXHIBIT 7 Hypothetical Savings for Discounted Commodities		
Vendor	Invoice Payments for Discounted Commodities	Hypothetical Savings
ComputerLand	\$16,981	\$29
Cornerstone	48,969	5,779
En Pointe	148,218	937
Xtech	896,422	16,714
Total	\$1,110,590	\$23,459
Extrapolated Impact on Payments by DT, GSA-ADM, and SFPUC		\$323,030 ⁴
Extrapolated Impact on Payments by All City Departments		\$838,949 ⁵

Note: ⁴Extrapolated impact is based on payments made throughout the terms of the contracts.

Source: Auditor's analysis

Contracts do not cap percentage markups on discounted goods or subcontractor services.

Technology Store vendors rely heavily on subcontractors to fulfill certain services required by the City. Appendix A of the contracts state that "Contractors will abide by percentage discounts bid for commodities or the mark-up percentage limits set by the City for sale of commodities and subcontractor services [emphasis added]." However, the calculations of charges in Appendix B of the contracts do not specify limits on the markup percentages that vendors can charge when subcontractors are used.

The audit compared payments made by the City to Technology Store vendors for subcontracted services and found that, on average, the City paid between 4 and 12 more percent more than what the Technology Store vendors had paid.

⁴ Of a random sample totaling \$5,785,203, the sample size for commodities with discounts amounted to \$1,110,590, or 19.2 percent of the total sample. By applying markup percentages based on comparable equipment categories to the discount sample size, total amounts paid related to markups that exceeded contract maximums totaled \$23,459. The ratio of these payments to the sample size of commodities with discounted goods tested is 2.11 percent. Applying the 2.11 percent to the total payments remitted by DT, GSA-ADM, and SFPUC for fiscal years 2008-09 through 2011-12 yields estimated payments of \$215,353 to \$323,030 that could have been saved. For fiscal year 2011-12 alone, potential savings could be \$77,843 to \$116,764.

⁵ The 2.11 percent was applied to total payments by all city departments for fiscal years 2008-09 through 2011-12 to Category 1 and 2 Technology Store vendors and, using a 95 percent confidence level, resulted in estimated potential savings of \$559,299 to \$838,949 for the entire terms of the contracts and \$185,537 to \$278,305 in savings for fiscal year 2011-12.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased

CSA recognizes that a fair percentage markup would normally be added to the work of subcontractors. For example, in a city construction contract (unrelated to the Technology Store) that involves both a primary vendor and subcontractors, a clause limits the vendor to a 5 percent markup on work performed by a subcontractor. It may or may not be ideal to apply the same percentage limitation for technology-related purchases. However, for purposes of illustration, had Technology Store contracts limited the subcontracted services markup to 5 percent, the City could have saved an estimated \$24,705 on the \$2.0 million spent for such services.

Limiting profits that vendors can receive on all items purchased through the Technology Store may provide substantial savings to the City.

In most cases, Technology Store vendors act as brokers between the City and manufacturers, distributors, retailers, or subcontractors. In this arrangement vendors typically purchase goods or services at a lower cost than the price at which they sell them to the City. This difference, although not explicitly provided for by the contracts, results in markup or profit received by the Technology Store vendors on discounted goods purchased. Limiting the profits that vendors can receive on all goods and services that they do not directly provide may provide substantial savings to the City.

2. Unclear contract terms cost the City money.

Unclear contract terms enable Technology Store vendors to categorize certain purchases based on where the higher markup is.

Although the contracts list “accessories” and “other” as separate categories, each with different maximum markups, the contracts do not state what types of commodities belong in each category. This lack of clarity enables Technology Store vendors to categorize certain items based on where the higher markup is. For example, when items such as flash drives are purchased, it is unclear whether they should be classified as accessories or as “other.” (In some cases the contract allows for a higher markup on items categorized as accessories.)

Category 1 contracts include two rate tables for services: one that details the hourly rates for technical services and another that details the hourly rates for job titles. However, the contracts do not explain how and when the different tables should be used. As discussed in Chapter 1, many of the 32 service categories listed in the contracts were not used in the audit’s random sample,

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased

and the majority of billed services were categorized as consulting, which permits a high hourly rate. Not defining how services should be categorized—based on the job titles and technical service categories detailed in the contracts—allows vendors to categorize services based on the highest associated labor rates.

3. Additional terms not addressed in the contracts cost the City money.

Electronic Waste Recycling Fees: The Technology Store contracts do not address the treatment of electronic waste recycling (eWaste) fees paid on certain equipment or the cost of travel expenses paid for certain subcontractor consulting services. Such expenses were invoiced by vendors and paid by the City. The eWaste fee is imposed on the purchase of certain covered electronic devices, such as video displays. California retailers that sell or lease the covered electronic devices are required to register with the state Board of Equalization and remit the eWaste fees collected from the buyers. Although OCA's fiscal year 2013-14 annual reminder memorandum reminds purchasing departments to, when ordering a monitor, add a line item to the requisition for recycling charges, such charges are not recognized by the Technology Store contracts as an allowable expense.

Travel and Business Expenses: In three instances in the audit's random sample, the City reimbursed one Technology Store vendor for \$2,935 of travel expenses and another for \$2,103 of business expenses, all of which were incurred by subcontractors. In most cases, the corresponding POs specified such costs although travel and business expenses are not explicitly recognized as allowable expenses under the contracts.

Contract terms should be clear, consistent, and concise to adequately convey the City's intent, allow effective monitoring of contract compliance, and ensure that the City receives correct prices and discounts for technology purchases.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Recommendations

The Office of Contract Administration should:

16. Ensure that in its next Technology Store contracts, it considers revising the markup percentage that vendors can receive on all commodities and subcontracted services, including those provided through a joint venture partnership.
17. Ensure that its next Technology Store contracts address the treatment of electronic recycling fees.
18. Ensure that its next Technology Store contracts address the treatment of travel and business expenses.

CHAPTER 3 – Oversight and Monitoring of the Technology Store Need Critical Improvement

Summary

Many of the vulnerabilities identified in this report occurred because OCA management did not fully develop, enforce, or formalize contract monitoring policies and procedures. Specifically, inadequate monitoring controls and procedures have caused OCA not to detect or not to follow up on overcharges and other instances of contract noncompliance.

Similar to Chapter 2, findings noted in Chapter 3 do not address vendor compliance. Rather, the chapter addresses shortcomings related to oversight of the current Technology Store and includes recommendations to improve future monitoring efforts.

Finding 3

OCA does not adequately monitor Technology Store vendors' compliance with contract terms or properly administer the contracts, causing the City to overpay for goods and services.

OCA performs a limited review of vendor pricing practices.

OCA is charged with management of the Technology Store and is responsible for issuing purchase orders after reviewing requisitions for completeness and compliance with contract terms. However, the audit identified several deficiencies in OCA's Technology Store pricing review practices and grouped them into four categories:

1. Pricing reviews are not consistently performed.
2. Purchase order approvals and pricing reviews lack adequate documentation to support the conclusions reached.
3. Pricing errors are not always detected through OCA's review and, when identified, corrective action is not always taken.
4. Many reviews often occur months after POs were approved by OCA and paid by the City.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

1. Pricing reviews are not consistently performed.

According to OCA's written Technology Store Pricing Review Practices, requisitions are chosen at random for quotes prepared by vendors and the following three types of price reviews may be performed:

- *Percentage discounts off manufacturer's list price for Dell, HP/Compaq, Cisco, and IBM products.* OCA's goal is to attempt to review one requisition per week per vendor where applicable.
- *Hourly rates by job titles for professional services.* OCA's goal is to review each professional service requisition received.
- *Percentage markups on other manufacturers' prices.* OCA performs this review as resources permit.

OCA has not met its goal to review percentage discounts for one requisition per week for each vendor.

According to OCA, in September 2009 the department began maintaining a log of the PO numbers reviewed for percentage discounts and, due to a change in staffing assignments, the log was not maintained from April 2011 to October 2012. Although it is OCA's goal to review percentage discounts for one requisition per week for each vendor where applicable, the log indicates that only 49 POs were reviewed for all vendors during the 78-week period from the log's inception through March 2011.

Each contract includes two rate tables, one for job titles and another for technical services. However, OCA's written Technology Store Pricing Review Practices only include procedures to review hourly rates by job title. Although documented review practices state that OCA aims to review each professional service requisition received, OCA's pricing review documentation indicates that only two price reviews were conducted for professional services and that a review of percentage markups was last performed in May 2011.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

2. OCA's purchase order approvals and pricing reviews lack adequate documentation to support the conclusions reached.

Documentation of OCA's pricing review is weak and in some cases does not provide the level of detail to support the conclusions reached. According to OCA, staff goes to the manufacturer's Web site to view list prices, applies the percent discount of f manufacturer's list price based on the contract, and compares it to the price offered by the vendor. However, the documentation provided by OCA did not show that these steps had been performed as described. For example, OCA's documentation of its review of percentage discounts off the manufacturer's list price did not state or include support for the manufacturer's list price and did not show calculations to verify whether the correct percentage discount was applied.

Technology Store POs typically include various types of equipment, each with specific discounts required. To determine whether the total requisition complies with the contract's pricing requirements, the manufacturer's list price must be verified and the associated discount must be recalculated for each of the manufacturer's product types requested. However, OCA's review documentation only states whether or not the total purchase amount requested complied and does not detail the list price and discount calculation for each item included. Without this level of detail, it is difficult if not impossible to determine how OCA concluded whether compliance was met.

The City's *Payment Process Guidelines*, issued by the Office of the Controller as Departmental Guideline No. 008-11, require that invoices are reviewed for completeness and accuracy and that the invoice and supporting documents are filed systematically for later audits. Similarly, retaining sufficient documentation of the pricing review executed by OCA staff helps demonstrate whether the findings and conclusions reached were supported by sufficient and appropriate evidence. Without proper documentation, the City cannot be assured that OCA's pricing reviews occur and are effective. Moreover, the lack of documentation may have contributed to overpayments remitted by the City for IT purchases.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

No written criteria exist for whether to approve, delay, or reject procurement requests.

All Technology Store department-approved purchase requests must be reviewed and approved by the CIO before being reviewed by OCA. According to an August 10, 2009, memorandum, *Information Technology Procurement Process – New Document Type*, sent by the former CIO to department accounting and procurement staff, the CIO or a designee will review all requests to identify any efficiencies and economies that could otherwise be achieved and to ensure that any established technology policies and standards have been met. However, there are no written criteria for what the review encompasses or how the CIO determines whether to approve, delay, or reject procurement requests. As a result, it is unclear why POs that do not comply with contract terms are approved by the CIO.

After the procurement request has been approved, the CIO will forward all supporting documentation to OCA for review, approval, and processing. According to OCA's Purchasing Procedures Manual, the quote and requisition are reviewed by OCA to ensure the following:

- That the quote has not expired.
- That the administrative fee for Technology Store orders, which is 1.9 percent of the pretax amount of the quotation, is recorded by the requesting department in the specifications of the last line item of the requisition.
- For requests of \$100,000 or more, that the department attempted to secure competitive quotes.
- For professional services, that the statement of work includes the project summary that total hourly labor rates and/or fixed costs equal the total cost of the project, that deliverables tie to project milestones, and that test acceptance and knowledge transfer language is included where applicable.
- That the quote number and all of the purchasing or project specifications/deliverables, manufacturer part numbers, and pricing or hourly labor rates and/or fixed costs from the Technology Store quote are included in the requisition and that the correct vendor is selected.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Although OCA's Purchasing Procedures Manual includes measures to ensure that quotes and requisitions include certain information, the manual does not include steps to verify whether items requested and rates quoted comply with contract provisions before a PO is processed. Not ensuring that requisitions comply with contract terms before they are processed into a PO can result in the City paying for goods and services not permitted by the contract or overpaying Technology Store vendors.

3. OCA's reviews do not always detect pricing errors and, when errors are identified, corrective action is not always taken.

While the contracts limit the percentage markup that can be received on each product type purchased, OCA often conducts markup reviews based on the net markup received on the entire invoice. Furthermore, OCA's pricing reviews clearly identified instances where corrective action was not taken when the percentage markup received on certain products exceeded the amounts allowable per the contract.

OCA's markup review does not take into account markups on individual items that exceed contract maximums.

One invoice reviewed by OCA showed that staff calculated the percentage markups for three of the four items invoiced but did not identify whether the percentages exceed contract maximums, although all three did. Also, OCA's review of this invoice did not include all products included on the invoice. OCA calculated that an 8 percent markup was received on the total invoice. However, the calculation excluded two product lines and erroneously included shipping charges and taxes in the vendor's cost basis. Had the markups received been limited to maximums permitted by the contract, the City would have saved \$1,872 in markups paid to the vendor. Conducting markup reviews at the total invoice level only assesses the net markup received on the total invoice and does not take into account markups on individual items that exceed contract maximums.

Similarly, another invoice reviewed by OCA indicated that the vendor had received markups that exceed contract maximums on every product included in the invoice. Although the highest markup that could be received on

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

any item was 10 percent, OCA's documentation showed that the vendor received markups ranging from 21 to 525 percent. When questioned about these markups, OCA staff could not recall whether or not corrective measures were taken.

According to Military Standard *MIL-STD-2155(AS) Failure Reporting, Analysis and Corrective Action System*:

The earlier a failure cause is identified and positive corrective action implemented, the sooner both the producer and user realize the benefits of reduced failure occurrences...early implementation of corrective action also has the advantage of providing visibility of the adequacy of the corrective action in the event more effort is required.

The purpose of corrective controls is to collect information, analyze information, identify and investigate purchasing problems, and take appropriate and effective corrective and/or preventive action to prevent the recurrence of errors. Verifying or validating corrective actions, communicating corrective action activities to responsible parties, providing relevant information for management review, and documenting these activities are essential in dealing effectively with purchasing problems, preventing their recurrence, and preventing or minimizing errors.

4. OCA's pricing reviews often occur months after POs were approved by OCA and paid by the City.

According to OCA, it does not have the staff or resources to be able to verify that every Technology Store purchase requisition it receives complies with the pricing terms stipulated by its associated contract. As a result, the department instituted a hindsight spot-checking practice to help detect pricing errors. However, this review often takes place months after the PO date. Because OCA's review occurs after payment has been remitted and because the department does not have corrective controls to investigate issues identified, errors can go uncorrected and similar errors may not be prevented from occurring in the future.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Recommendations

19. The Office of Contract Administration should develop, implement, and enforce written policies and procedures surrounding its Technology Store pricing review practices. Such policies and procedures should include:

- Criteria for evaluating Technology Store vendors' pricing practices for items purchased.
- Instructions for sufficiently documenting performance of its pricing reviews.
- Corrective action steps to take when pricing errors are identified.
- The timing and frequency with which Technology Store pricing reviews are to be conducted.

20. The chief information officer and Office of Contract Administration should formally document their criteria for reviewing and approving Technology Store procurement requests, including how requests are determined to be approved, delayed, or rejected.

APPENDIX A: DEPARTMENTS' RESPONSES

OFFICE OF CONTRACT ADMINISTRATION:


City and County of San Francisco

Office of Contract Administration



Edwin M. Lee
Mayor

Jaci Fong
Director and Purchaser

Date: August 15, 2014
To: Ben Rosenfield, Controllor
From:  Jaci Fong, Purchaser and Director, Office of Contract Administration
CC: Naomi Kelly, City Administrator
Tonya Ledjju
Subject: Technology Store Audit

Introduction

The Office of Contract Administration ("OCA") would like to thank the staff of the Controller's Office Audits team ("CSA") for their cooperation and patience in the review of a highly complex contract, comprised of a wide range of business terms and pricing models intended to accommodate the wide array of information technology projects throughout the City. OCA acknowledges the importance of CSA's mission and welcomes their recommendations to improve contracting functions and ensure vendor performance. OCA is always looking for ways to improve the contracting process. Where OCA has found the recommendations relevant and practical, changes are being implemented to make improvements. However, there are a few instances where OCA does not agree with CSA's premise or approach, and therefore only partially agrees with some of the recommendations presented. In other areas, such as the review of invoices and payments, where the responsibility resides with the City departments and the Controller, OCA is ready to assist.

As requested, OCA has responded to the individual recommendations in the table provided by CSA. In addition OCA would like to comment on the general text of the report. To mitigate the issues in 16 of the 20 CSA recommendations, OCA is making a change to the business and pricing model for the next technology contract from a plus or minus price structure, to a proactive competitive bid model where vendors will offer their best pricing transaction by transaction. CSA's other recommendations are responded to in the attachment.

Background

The first Computer Store contract was awarded in the late 1990's and administered by the Controller's Office. The City was in the early stages of implementing computing technology to automate City processes and broadly provide City employees greater productivity through access to basic computing tools. At the time, it was found that traditional purchasing methods and procedures were not effective for an industry experiencing rapid change in both products and pricing. Often, by the time bids were received, the products were obsolete, discontinued and no longer available, or technology had changed. The procurement process would have to be cancelled and then repeated (sometimes multiple times).

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Page 2 of 7
August 15, 2014
Technology Store Audit

The Store¹ was considered an innovative way of speeding the process to bring innovation, efficiency and technological advancements to the City, such that the benefits in increased efficiency to departments far out-weighed any incremental costs. The contract under review is the first new Store contract since the Computer Store contract was transferred to OCA.

OCA has worked to improve the business model in several areas. Previously, the Store utilized a cost plus model for all product purchases and did not require bidding at any level. Cost plus pricing is extremely cumbersome to substantiate due to lag times between the quoting, purchasing and billing of products. It is also difficult to evaluate due to the different channels of distribution in the industry and range of pricing available to Contractors through various distributors. In order to improve the store pricing model, OCA made two significant changes to the Store in the contract under review:

1. OCA required pricing commitments for four major product lines based on a discount off of the manufacture's list price. This was intended to afford OCA staff the ability to verify prices for approximately 60 to 70 percent of the products purchased from databases maintained by the manufacturers.
2. To further drive prices down through competition, OCA required departments to seek at least three bids for all transactions in excess of \$100,000.

Major Issues

At the heart of our disagreement with CSA's findings, is CSA's interpretation of the pricing requirements in the contract. There were three pricing components in the Technology Store contracts.

1. **Discount off Manufacturer's List Price** As previously stated, OCA included a major change to the product pricing model: Contractors were required to offer a discount off of manufacturer's list prices for IBM, HP/Compaq, Cisco and Dell product lines. These four manufacturers maintain online price lists that are accessible to OCA staff as well as Contractors. These price lists change frequently, and are often 100's of pages long. The idea was to have an established benchmark for pricing that was provided by the manufacturers and therefore consistent across the board for the Contractors. At the inception of the new Technology Store contract it was estimated that the product purchases for these four product lines accounted for approximately sixty to seventy percent of all product purchases.
2. **Cost Plus Pricing** The practice from previous Store contracts was that pricing was based on invoiced prices/cost of goods sold plus the agreed upon mark-ups. This is also a standard practice in the industry. When the RFP was issued the intent was to continue to use the "mark-up" (cost plus) pricing model utilized for decades by the Computer Store for all other products (other than IBM, Cisco, HP/Compaq and Dell). Unfortunately, there was a clerical error in the language of

¹ "Store" refers to the Computer Store contracts which was later renamed the Technology Store.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

Page 3 of 7
August 15, 2014
Technology Store Audit

the RFP that did not properly articulate this intent. The intent of the resulting contract was clarified to proposers and reflected in the Technology Store Manual for departments. OCA's intent is further evidenced by Addendum No. 1, section 8.2.6 Pricing².

Additionally, the phrase "other manufacturers' prices" which was part of the flawed language included in the RFP is meaningless without qualifying which manufacturers' prices are being referred to (i.e. retail or wholesale which is not published). OCA would not have requested that Proposers suggest a mark-up percentage from list price. "Manufacturers' cost" is not public information. The assumption is that many of the products subject to this pricing structure are purchased from a distributor not a manufacturer. Based on the City's intent and past practices with previous Stores, the Contractors have been allowed to base their mark-ups on invoiced prices/cost of goods sold.

In this context, CSA took issue with mark-ups on items such as taxes paid and shipping charges to the Contractor's facility because these costs were not specifically called out. The contract does not allow for shipping charges. Past practice and industry standards have always interpreted this to mean shipping from the Contractor's facility to the City. Standard accounting definitions include shipping to the Contractor's facility in cost of goods sold. From a fairness viewpoint, for bulky items such as some monitors and printers, shipping cost might exceed the profit on the item.

Similarly, because it was not specified in the contract, CSA characterized California's eWaste fees as excess profit. OCA maintains that eWaste fees are comparable to a tax in California. The administrator, the State Board of Equalization, requires resellers to collect this fee from end-users. Again based on past practices and industry standard practices, OCA allowed Contractors to pass this fee through to the City.

In retrospect, we agree with CSA, that the resulting contract should have been more clear and precise regardless of past practices.

3. **Hourly Services Rates** The RFP required proposers to specify a flat hourly rate for services for the term of the contract regardless of whether or not they used a subcontractor. The concept of "mark-up" is irrelevant to the question of whether the vendor was in compliance with the contract as they were never asked to specify a "mark-up". From project to project, the mark-up may vary

² Table 3 of the RFP asked for "Percentage Markups on all other manufacturers' prices". Further, Section 5.2.2.2, reads:

"5.2.2.2. Other manufacturers: (up to 100 points)

Calculate the sales price for all other hardware and software products (excluding IBM, HP/Compaq, Dell and Cisco) by adding a "not to exceed" markup percentage to the manufacturer's cost. This section allows each Category 1 proposer to present its mark-up percentage for the six categories presented below...."

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Page 4 of 7
August 15, 2014
Technology Store Audit

and on occasion, Technology Store Contractors have complained that they could not find a subcontractor to perform the work even at the highest hourly rate allowed under the contract. CSA suggests that there should be a "cap" on mark-ups and implies that Contractors are making more than they should, ignoring the cost to the Contractor who bears all risk and must warrant the work of the subcontractor.

CSA also observes that higher rate consulting services were used more than lower rate services. OCA does not think this is necessarily inappropriate given the overall complexity of projects. Since the inception of the Store, the City has employed more staff that can perform lower rate services and in turn, has not utilized Contractors for these tasks. Contracted projects have become increasingly more complex as the City endeavors to replace many legacy systems (i.e. the Water Billing System, Emerge, the Tax Collector's System). OCA does not have the technical expertise or insights into the actual work performed to determine if the higher rate was inappropriate. We defer to departments to make that determination prior to approving invoices based on actual work performed.

Resources for Monitoring

OCA does recognize the value of the CSA's recommendations and the end goal of providing a contract that is 100% auditable, however we find the recommendations to be costly (due to resources required) and impractical.

When OCA assumed responsibility for the Store and the subject contract, pricing spot checks were implemented for the first time.

1. In addition, to its general review of requisitions, OCA staff routinely checked hourly service rates against the contract, randomly checked that prices were consistent with the discounts off of manufacturer's list prices (per contract) on a purchase order basis.
2. OCA conducted a check of cost plus pricing on a random basis. We agree this should have been performed more often, but again it is very labor intensive and time consuming.
3. Finally OCA implemented a procedure requiring departments or OCA staff to seek at least three quotes for any transaction over \$100,000. This encouraged additional competition. Previously, departments were required to provide only one quote. All transactions over \$100,000 were processed through a competitive process thereby insuring low pricing.

These pricing reviews were never intended to take the place of audits, but rather, were intended to be a deterrent to overcharging. Therefore, we understand that they may not have been documented to CSA's satisfaction. OCA agrees with CSA, that OCA could have been more exhaustive in its review.

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

Page 5 of 7

August 15, 2014

Technology Store Audit

We disagree that OCA could or should have performed the 100 percent monitoring and verification process recommended by CSA. Based on the number of transactions performed through the Technology Store, the resources required to perform a 100 percent review and the delay in processing to comply, it would appear impractical as well as inconsistent with general auditing practices. The recommendations set forth by CSA, requiring the addition of manufacturer's list prices by line item on every invoice for discounted products, and the percentage mark-up and evidence of the Contractor's cost for each item with every invoice, would be burdensome to the Contractor and particularly costly to small business participation in the Store because of the added administration required. We maintain that CSA's recommendation for 100 percent review would appear so onerous and costly for both OCA and Contractors that OCA has abandoned the business model used for the Store for the past two decades and will institute competitive bidding on transactions among the new Store vendors to determine price. This new model will provide on-going competitive pricing and will be more in line with the duties of a buyer in contract activities.

Methodology

While CSA presents \$26,883 or 1.46% in overcharges, OCA maintains CSA's assumptions and math are incorrect in some areas and this number should be reduced by \$2,747 to \$24,136. Finally, included in the sampling was an anomaly; an invoice and payment approved by the user department for software licensing and support. This transaction was not approved by OCA and would have more appropriately been processed as a direct payment voucher not against the Technology Store contract. The purchase order was approved by OCA for "Consulting Services". This order of software licensing and support was not approved by OCA either in the Store or outside of the Store, reducing the total payments remitted inside the store by \$69,600 to \$57,124,231 and overcharges should be reduced an additional \$20,288 to \$3,848 or .22%.

Other concerns:

1. CSA utilized a small sample size based on over 4900 purchase orders issued through the Store in FY11-12.
2. The overpayments were based on "payments for commodities with markups", "Total payments Remitted" for all Category 1 contracts should be reduced by the service component estimated at 60%.

Office of the Controller, City Services Auditor
 Technology Store Vendors Do Not Always Abide by Contract Percentage
 Markup Limits, Resulting in Overcharges for Goods Purchased

Page 6 of 7
 August 15, 2014
 Technology Store Audit

OCA's Revised Exhibit 6: Extrapolation of Errors Found in Sample of Commodities with Markups Tested

EXHIBIT 6		
Description	All City Departments	OCA Revised
Total payments Remitted		
A	\$57,193,831	\$57,124,231
Less \$69,600		
A - Less Payments for Services		
Estimated at 60% of Cat 1 Payments		\$44,890,596
(953,915*60)-(2,611,477*60)- (1,813,866*60) (15,010,134*60)		
Percentage of total invoice payments that include invoice payments for commodities with markups*	31.83%	31%
B		
Potential invoice payments remitted for commodities with markups	\$18,205,631	\$13,916,084
A x B = C		
Ratio of net overpayments identified in invoice payments for commodities with markups*	1.46%	.22%
D		
Extrapolated impact of overpayments	\$265,277	\$30,615
C x D = E		
Margin of error	20%	20%
F		
Low range of extrapolated overpayments	\$212,222	\$24,492
E - (E x F)		
High range of extrapolated overpayments	\$318,333	\$36,738
E + (E x F)		

Source: Auditor's analysis based on data in City's purchasing system.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Page 7 of 7
August 15, 2014 .

Summary

OCA interprets the majority of issues of the audit are represented in the following areas:

	Issue	Recommendation Number	
1	Adherence to contract pricing requirements.	1,2,5,6,7,8,11,12,13,14,15	We agree that vendors should adhere to contract pricing requirements, we do not always agree with CSA's interpretation of the contract pricing requirements.
2	Estimated overcharges based on findings.	3	We disagree with the methodology.
3	Clarity of contract terms.	1,2,3,10,17,18	We agree that the terms could have been more clear.
4	Availability of data and resources dedicated to monitoring.	7,8,9,11,13	We agree that more could be done with more resources.
5	Using higher rate consulting services more often than lower rate services.		This statement is true. Unfortunately, OCA does not have the detailed scope of work, technical expertise or insights into the actual work performed to determine that the higher rate was actually inappropriate. We defer to departments to make that call prior to paying any invoice.
6	Controls on subcontracting mark-ups	16	We do not agree.

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

DEPARTMENT OF TECHNOLOGY:



City & County of San Francisco
**Department of
Technology**
Powered by innovation

One South Van Ness Avenue, 2nd Floor
San Francisco, CA 94103-0948
Office: 415-581-4001 • Fax: 415-581-4002

March 10, 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:

Please see below the response to Item #23 of the Technology Store Audit Report Recommendation.

Recommendation	Responsible Agency	Response
23. The chief information officer and Office of Contract Administration should formally document their criteria for reviewing and approving Technology Store procurement requests, including how requests are determined to be approved, delayed, or rejected.	Chief information officer and Office of Contract Administration	Agreed. Criteria for Approval Delay or Rejection will be explicitly documented by the DT procurement group under Miguel Gamino. Further, the current process is not only too long, it is also too manual. CIO has instructed Miguel Gamino to map the procurement process as-is and will work a streamline process to-be. This process will be jointly discussed with OCA and we will activate a project to digitalize the process into a smart workflow.

Please see the following supplemental information in response to this item:

Purpose: CIO Review Process

- To provide a means for City Departments to obtain Department of Technology Management review of IT related acquisitions and purchases to:
 - Gather specific data and information on the City-wide technology procurement trends, demand analysis, and opportunity for standards and efficiencies.



**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

- o Improve vendor and contract management by consolidating the City-wide relationship scope and reduction of waste, and identify high value priorities for contract negotiation leverage and buying power.
- o Validate that policies and standards are followed, as they become established, and to notify City Departments of alternatives that may provide better technology and/or lower costs.

Reasons: CIO Rejection or Delay


- Insufficient documentation.
- If CIO Review does not receive documentation within 20 days of ADPICS submission reaching 300 approval level.
- If CIO Review receives request but the item is not approved through to ADPICS Level 300, we may hold or send back to the department until the item reaches 300 approval level. DT cannot forward a requisition in ADPICS that is still at an approval level before 300 in the workflow.
- Technology standardization or alternative recommendation may be provided to the submitting department for consideration.
- If the functional use of the technology requested is not clear, CIO Review staff may require additional information or further discussion with the requesting department regarding technology use, justification or optimization opportunities.

Process Improvement & Implementation

A project is underway to fully document the current procurement process, including sub-processes and dependent processes, in DT. This includes the CIO Review process that exists as a component of the larger DT Procurement Approval Process.

- The "as-is" process workflow diagrams and documentation is expected to be completed by March 31, 2014.
- Immediately thereafter we will begin the work to design an improved "to-be" process, to include the interaction between DT and OCA in the overall procurement lifecycle.
- Upon completion of the improved process design we will be work to implement electronic means of workflow including submission, document management, and review/approval.
- We will be sending a new CIO Review coversheet form along with a memo explaining many of the things described above to reset expectations with our client departments. That memo and form will go out to all department contacts by the end of this week, March 14, 2014.

Respectfully,



Marc Touitou
Chief Information Officer

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

OFFICE OF THE CITY ADMINISTRATOR:



Edwin M. Lee, Mayor
Naomi M. Kelly, City Administrator

OFFICE OF THE
CITY ADMINISTRATOR



September 22, 2014

Tonia Lediju, Audit Director
Office of the Controller, City Service Auditor
City Hall, Room 476
One Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: CSA Audit – "Office of Contract Administration: The City Significantly Overpays for Goods and Services Purchased Through the Technology Store"

Dear Ms. Lediju:

Thank you for the opportunity to review the recently completed Controller's Office audit report titled "Office of Contract Administration: The City Significantly Overpays for Goods and Services Purchased Through the Technology Store".

We have reviewed the report findings and recommendations related to the operations of the Technology Store, and my office will work with the Office of Contract Administration and the City's Chief Information Officer to implement the recommendations in the manner detailed in their respective responses.

Please contact me if you need additional information.

Sincerely,

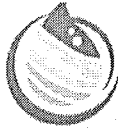
A handwritten signature in cursive script that reads "Naomi M. Kelly".

Naomi M. Kelly
City Administrator

1 Dr. Carlton B. Goodlett Place, City Hall, Room 362, San Francisco, CA 94102
Telephone (415) 554-4832; Fax (415) 554-4849

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

SAN FRANCISCO PUBLIC UTILITIES COMMISSION:



San Francisco
Water Power 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
TTY 415.554.3488

January 31, 2014

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: Office of Contract Administration: The City Significantly Overpays
for Goods and Services Purchased Through the Technology Store

Dear Ms. Lediju,

Thank you for providing us the opportunity to review the audit report '*Office of Contract Administration: The City Significantly Overpays for Goods and Services Purchased Through the Technology Store*', as prepared by the Controller's Office, City Services Auditor.

We appreciate your thorough review of Technology Store procurement practices and subsequent recommendations made to improve current processes in the areas of transparency, procedural compliance, and strengthening internal controls.

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
Todd L. Rydstrom, AGM Business Services & Chief Financial Officer
Nancy L. Hom, Director, Assurance & Internal Controls

Edwin M. Lee
Mayor

Vince Courtney
President

Ann Moller Coss
Vice President

Francesca Viator
Commissioner

Asaad Muran
Commissioner

Art Torres
Commissioner

Harlan L. Kelly, Jr.
General Manager



For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs. If it 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
<p>1. The Office of Contract Administration should ensure that Technology Store vendors abide by pricing provisions in future contracts and apply markup percentages based on the manufacturers' prices or declare that compliance with this requirement is infeasible. If the Office of Contract Administration finds this requirement to be infeasible, in the next Technology Store contracts it should revise Appendix B to support the current practice.</p>	<p>Office of Contract Administration</p>	<p>Partially Concur.</p> <p>As stated, we maintain that markup percentages should be applied to cost of goods sold/invoiced costs.</p> <p>Because of the large amount of transactions that are processed, resources are only available to perform spot checks for compliance. This is not dissimilar to CSA practices in that it only audits some contracts and only limited transactions associated with them, because of the resources and time that would be required to audit everything.</p> <p>CSA's requested standard for monitoring may not be infeasible but certainly is impractical given the large amount of resources that would be required.</p> <p>Given that the contracts are ending Sept 30, 2014, or soon after, a revision to Appendix B seems unnecessary.</p>
<p>2. The Office of Contract Administration should ensure that Technology Store vendors abide by the markup percentage limits set by the contracts for the sale of certain commodities.</p>	<p>Office of Contract Administration</p>	<p>Concur.</p> <p>See response to Recommendation #1.</p>

Office of the Controller, City Services Auditor
**Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Recommendation	Responsible Agency	Response
<p>3. The Office of Contract Administration should seek reimbursement from Technology Store vendors for any overbillings related to markups applied on certain commodities that exceeded contract maximums.</p>	<p>Office of Contract Administration</p>	<p>Partially concur. OCA reviewed CSA's assumptions and calculations and based on OCA's interpretation of the contract terms and standard business practices, does not agree with the CSA total of \$26,883. By OCA's calculations, net overbillings are \$3,848. OCA would like to perform a more extensive review of the data and will seek reimbursement as appropriate.</p>
<p>4. The Office of Contract Administration should review invoices submitted before and after fiscal year 2011-12 to determine whether Technology Store vendors incorrectly billed for markups on certain commodities and recover any amounts found to be incorrectly paid.</p>	<p>Office of Contract Administration</p>	<p>Partially concur. OCA's review may randomly check invoices and dependent on the results, turn over its findings to the Controller or City Attorney for further review. Note: It is generally not OCA's responsibility to review invoices, rather that responsibility falls to the department and anyone else verifies the receipt of goods and services or approves the payment of invoices.</p>
<p>5. The Office of Contract Administration should ensure that, before approving purchase orders, purchase order amounts comply with the terms of the contract.</p>	<p>Office of Contract Administration</p>	<p>Partially concur. Although OCA has no disagreement in theory with this, it may be impractical due to the amount of resources it would require. Instead, OCA is implementing a new business model in the new Technology contracts to address this recommendation.</p>

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

Recommendation	Responsible Agency	Response
<p>6. The Office of Contract Administration should ensure that, when a percentage markup is applicable, Technology Store contracts require that invoices submitted to the City clearly state the manufacturer's price and/or vendor's cost basis and the percentage markup for each item purchased and include evidence to support all prices included on the invoice. (As stated in the contracts, evidence may include an actual manufacturer's price list; a letter provided on the manufacturer's letterhead containing a contact name, signature, and telephone number for the manufacturer's representative; or actual invoices from the manufacturers or distributors).</p>	<p>Office of Contract Administration</p>	<p>Partially concur.</p> <p>This may have been a reasonable approach at the bidding stage of the RFP process, allowing the vendors to include the additional administrative costs to comply with this amount of detail. And it may have been worth consideration at some time during the term of the contract. However as we are at the end of the contract term ending September 30, 2014, and by the time this could be implemented the contract would be complete.</p> <p>See our response to Recommendation 1.</p>
<p>7. The Office of Contract Administration should ensure that its next Technology Store contracts require Technology Store vendors, when a percentage markup is applicable, to include evidence supporting the manufacturer's price and/or vendor's proposed cost at the time the bid is submitted to the City for review and approval.</p>	<p>Office of Contract Administration</p>	<p>Partially Concur.</p> <p>OCA will consider implementing this recommendation before the end of the current contract term of June 30, 2014.</p> <p>See our response to Recommendation #6.</p>
<p>8. The Office of Contract Administration should ensure that manufacturers' prices and/or vendors' proposed costs are supported and that correct percentage markups are indicated on the bid documentation before approving procurement requests.</p>	<p>Office of Contract Administration</p>	<p>Partially Concur.</p> <p>See our Response to Recommendation #1.</p>

Office of the Controller, City Services Auditor
**Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Recommendation	Responsible Agency	Response
<p>9. The Office of Contract Administration should ensure that its next Technology Store contracts require that services invoiced to the City must align with a service category listed in the contract and that invoices submitted to the City clearly state the hours incurred and rate charged and that evidence to support any services provided by subcontractors are included with the invoice. (As stated in the contracts, such evidence may include actual invoices from subcontractors to the Technology Store vendor).</p>	<p>Office of Contract Administration</p>	<p>Disagree</p> <p>OCA does not receive invoices, rather the ordering department receives the invoices and they are responsible for verifying that invoices match the purchase order and scope of work.</p> <p>OCA is implementing a new business model in the new Store and requisitions will be bid within the store, purchase orders will be required to match the awarded bid, and invoices should match the purchase orders.</p>
<p>10. The Office of Contract Administration should ensure that its next Technology Store contracts clearly state that training and hardware and software maintenance services may be charged in lump-sum amounts and state how these services should be reimbursed.</p>	<p>Office of Contract Administration</p>	<p>Partially concur.</p> <p>Historically, such items as training and software maintenance services have been identified in the individual scope of work for the project. It is impossible to state every possible contracting configuration or contingency that may arise in meeting the needs of departments.</p> <p>Therefore, OCA is implementing a new business model in the new Store and requisitions will be bid within the store, purchase orders will be required to match the awarded bid, and invoices should match the purchase orders.</p>
<p>11. The Office of Contract Administration should ensure that its next Technology Store contracts require Technology Store vendors to a) include evidence supporting their actual costs with the invoice submitted to the City and b) submit invoices that explicitly state when the vendors have taken advantage of special pricing from subcontractors or suppliers to them.</p>	<p>Office of Contract Administration</p>	<p>Not applicable for new contracts.</p> <p>However the new business model for the Technology Store will be to achieve best pricing on transactions by competitive bidding of specified discounts or markups.</p> <p>Competitive bidding will support the pricing for the City is the best pricing to be obtained at the time of the bidding.</p>

Office of the Controller, City Services Auditor
 Technology Store Vendors Do Not Always Abide by Contract Percentage
 Markup Limits, Resulting in Overcharges for Goods Purchased

Recommendation	Responsible Agency	Response
12. The Office of Contract Administration should seek reimbursement from one Technology Store vendor for \$190 of overbillings as a result of one billing error.	Office of Contract Administration	Concur. OCA will request one Technology Store vendor to reimburse the City for \$190.
13. The Office of Contract Administration should ensure that, when a percentage discount is applicable, Technology Store contracts require that invoices submitted to the City clearly state the manufacturer's list price and the percentage discounted for each item purchased and include evidence to support all manufacturer's list prices included on the invoice. (As stated in the contracts, evidence may include an actual manufacturer's price list; a letter provided on the manufacturer's letterhead containing a contact name, signature, and telephone number for the manufacturer's representative; or actual invoices from the manufacturers or distributors.)	Office of Contract Administration	Not applicable for new contracts See response to Recommendation 11. However, if that type of business model is used on future contracts then the recommendations are useful in crafting a requirement for invoices.
14. The Office of Contract Administration should ensure that its next Technology Store contracts require Technology Store vendors, when a percentage discount is applicable, to include evidence supporting the manufacturer's list price at the time the bid is submitted to the City for review and approval.	Office of Contract Administration	Not applicable. See response to Recommendation 11.
15. The Office of Contract Administration should ensure that manufacturers' list prices are supported and that correct discounts off of manufacturers' list prices are indicated on the bid documentation before approving procurement requests.	Office of Contract Administration	Not applicable. See response to Recommendation 11.

Office of the Controller, City Services Auditor
**Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

Recommendation	Responsible Agency	Response
<p>16. The Office of Contract Administration should ensure that in its next Technology Store contracts, it considers revising the markup percentage that vendors can receive on all commodities and subcontracted services, including those provided through a joint venture partnership.</p>	<p>Office of Contract Administration</p>	<p>Not applicable. See response to Recommendation 11.</p>
<p>17. The Office of Contract Administration should ensure that its next Technology Store contracts address the treatment of electronic recycling fees.</p>	<p>Office of Contract Administration</p>	<p>Disagree Again the fees are levied by the State Board of Equalization. Resellers are required to collect the fees from the end users and pay the State.</p>
<p>18. The Office of Contract Administration should ensure that its next Technology Store contracts address the treatment of travel and business expenses.</p>	<p>Office of Contract Administration</p>	<p>Concur</p>
<p>19. The Office of Contract Administration should develop, implement, and enforce written policies and procedures surrounding its Technology Store pricing review practices. Such policies and procedures should include:</p> <ul style="list-style-type: none"> • Criteria for evaluating Technology Store vendors' pricing practices for items purchased. • Instructions for sufficiently documenting performance of its pricing reviews. • Corrective action steps to take when pricing errors are identified. • The timing and frequency with which Technology Store pricing reviews are to be conducted. 	<p>Office of Contract Administration</p>	<p>Not applicable. The new business model will use competitive bidding to insure best pricing at time of bidding.</p>

Office of the Controller, City Services Auditor
 Technology Store Vendors Do Not Always Abide by Contract Percentage
 Markup Limits, Resulting in Overcharges for Goods Purchased

Recommendation	Responsible Agency	Response
20. The chief information officer and Office of Contract Administration should formally document their criteria for reviewing and approving Technology Store procurement requests, including how requests are determined to be approved, delayed, or rejected.	Chief information officer	Agreed. Criteria for Approval Delay or Rejection will be explicitly documented by the DT procurement group under Miguel Gamino. Further, the current process is not only too long, it is also too manual. CIO has instructed Miguel Gamino to map the procurement process as-is and will work a streamline process to-be. This process will be jointly discussed with OCA and we will activate a project to digitalize the process into a smart workflow.
	Office of Contract Administration	Disagree OCA reviews transactions as it does other City transactions on the basis of do they meet and comply with City contracting requirements and practices.

APPENDIX B: CONTRACTORS' RESPONSES

COMPUTERLAND OF SILICON VALLEY:

ComputerLand of Silicon Valley

September 3, 2014

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

Re: Response – Audit Report Technology Store Contract

Dear Mr. Lediju,

ComputerLand of Silicon Valley appreciates the opportunity to respond to the findings of the City Services Auditor with respect to the Technology Store Contract. We agree that improvement and clarification in some of the language in the original RFP and subsequent contract(s) for both Category 1 and 2 is required for better compliance and enforcement. Since the audit showed ComputerLand to be in compliance with contract regulations within a reasonable margin of error, we do take issue that the report lumps all vendors together as non-compliant.

In the overview of highlights of the audit, some key points are made with which we also disagree.

1. "Vendors often include shipping and taxes in the cost basis upon which markups are applied, rather than to the manufacturer's price, contrary to contract requirements."

This is something ComputerLand did not do.

2. "Service categories and hourly rates on invoices and purchase orders are often inconsistent with the contracted categories. As a result 56 percent of services tested were broadly categorized as consulting, for which the City pays the highest rates, up to \$225 per hour.

Our general overall consulting rate is \$120/hour and our highest rate is \$175/hr. We always did our best to correctly categorize service rates but a problem does exist because the contract has a very limited group of job titles and technical services available for pricing. That list of services was compiled over 6 years ago and the types of technology and corresponding job functions that the City departments need is much more varied, sophisticated and technologically demanding than what is often listed in the contract specifications. The city department IT executives realize this, and understand what they are paying for, but it creates extreme hardships for the TechStore vendors and OCA to work within the contract language when ever changing technology advancements and skills are required to get the job done. One non sequitur conclusion was the case highlighted in the report of four on-line training courses purchased for two city employees at \$3,280. Whether these were self-paced courses or video courses, the course nature was not disclosed, yet the conclusion was that it was not a compliant transaction since end-user training should be billed at no more than \$80/hr.

3. "Neither vendors nor OCA maintain the historical manufacturer's prices of discounted goods, which prevent a trail to verify correctness."

Technology today is extremely fluid. Buying IT is not like buying office supplies or machinery. The manufacture products, discount programs, cost and MSRP pricing is always changing. New technology is coming out fast and furious and resellers like the ones in the
CCF Technologies, Inc. - ComputerLand of Silicon Valley

482 West San Carlos Street • San Jose CA 95110 • Tel 408.519.3200 • Fax 408.519.3260 • www.cland.com

**Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased**

TechStore have to keep abreast of these new products and pricing models to make sure the city is taking advantage of the best technology at the best price. Some product categories within the TechStore contract are obsolete and other key new and in demand product groups are missing altogether. The audit report infers that the Technology Store vendors should maintain a database of manufacturer list prices for auditing and print them on their invoices. Some of the factors that would make this impossible or so cost prohibitive to be impractical:

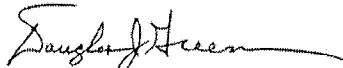
- Over 100,000 technology product SKU's available at any given time.
- MSRP (list price) can change on a weekly basis.
- Time in between quote, PO, delivery and invoice could be months in which list price may have changed several times
- Vendors' ERP system may not accommodate list price in addition to selling price on the invoice
- The cost of maintaining a massive database of historical list prices, with changes, for all manufacturers and products is infeasible.
- Not all manufacturers publish list pricing

4. "Additional terms not addressed in the contracts cost the City money"

The first example cited is for eWaste fees, a state mandated tax that is passed on to the city by resellers as required by law. Rather than infer that Technology Store vendors are adding a charge that "costs the city money" and is not allowable or somehow non-compliant, the contract should include a clause allowing charges mandated by law.

We agree with some of the recommendations mentioned in the report and we believe the new Technology Marketplace Contract addresses some of those concerns. The understanding that technology is ever changing and therefore acknowledging that solutions that are current today will not be so during the entire course of the contract is a positive change. Allowing more vendors to compete for departments business will also serve the City well in the long run as it will bring down prices and make available a wider variety of service providers and offerings.

Respectfully,


Douglas Green,
COO/CFO

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

CORNERSTONE TECHNOLOGY PARTNERS, JV:



CORNERSTONE TECHNOLOGY PARTNERS JV

Transportation • Facilities • Technology

September 26, 2014

Tonia Lediju, Director of City Audits
City Services Auditor Division
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-6033

Subject: Response to Audit Draft Report for Technology Store Vendors Markups

Dear Ms. Lediju:

This letter is to confirm that Cornerstone Technology Partners, Joint Venture is in receipt of your draft audit memorandum.

Based on our review of the draft, we have provided feedback to correct erroneous items in Exhibit 2 and Exhibit 7.

We appreciate the prompt response from your staff in correcting the necessary changes.

Thank you and we look forward to receiving the final report and improving the process.

Sincerely,

Derek Lawson
Vice President
Cornerstone Technology Partners, JV

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

EN POINTE TECHNOLOGY SALES, INC:



1 California Street, Ste. 2800
San Francisco, CA 94111
(415) 972-2888
www.enpointe.com

September 2, 2014

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

Dear Ms. Lediju,
En Pointe Technologies appreciates this opportunity to respond to the Controller's Office draft audit report, *Technology Store Vendors Do Not Always Abide by Contract Percentage Markup Limits, Resulting in Overcharges for Goods Purchased*. We have read the report thoroughly and do not have any edits of the document to request.

En Pointe Technologies runs its enterprise business, including all aspects of sales orders, POs and customer billing on SAP. For CCSF sales fulfillment, as for all our customers, we enter contract terms in a contract adherence module and regulate quotes and PO invoices strictly according to those terms. This system enables us to maintain contract terms, in this case only \$937 (apparent) deviance on total invoiced sales sample of \$148,218.

En Pointe was not mentioned in the body of the report, other than as shown in the tables listing all Technology Store vendors in each of Categories 1 and 2, so we do not have any specific information on where our overage figure of \$937 was derived from, and I would invite a short discussion with the auditors on the telephone to understand this better.

Otherwise we are satisfied with the content of the report as it pertains to En Pointe Technologies' contract compliance evaluation, and we will make every effort to continue this level of effort, or improve it, in the next Technology Marketplace contract.

Thank you for the opportunity to respond to this report.

Sincerely,

A handwritten signature in black ink that reads "Mac McConnell".

Mac McConnell

Primary Contact:

Mac McConnell – En Pointe Technologies Sales, Inc.
Sales Manager and Account Executive
Email: mmcconnell@enpointe.com
Phone: (650) 996-7269 , Fax: (415) 765-7121

Additional Contact:

Kathy Jackson – En Pointe Technologies Sales, Inc.
CCSF Inside Account Manager
Email: kjackson@enpointe.com
Phone: (310) 337-5206

Office of the Controller, City Services Auditor
Technology Store Vendors Do Not Always Abide by Contract Percentage
Markup Limits, Resulting in Overcharges for Goods Purchased

XTECH, JV:



09-25-14

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

Re: Technology Store Audit Draft Report; Appendix H-Xtech JV Response

We acknowledge and understand the Controller's office concerns on the current contract and their suggestions for the next one. We agree that the scale and the complexity of the Technology Store contract makes managing and auditing it challenging and we welcome the opportunity to address with OCA any general or specific queries that resulted from the Controller's audit.

We also understand and agree that it is important for the City to have the proper controls and audits in place for managing costs. It is important however to balance the need for control with reasonable expectations from vendors and the particularities of selling high-end technology services and equipment.

Xtech, as a locally operated minority and woman owned partner in the Technology Marketplace, will strive to continue earning City departments support, trust and respect by providing excellent customer services and creative, complete, competitively priced IT solutions, as has been our custom for the past decade.

Sincerely,

Patricia Eaton

Chief Financial Officer



Capital Planning Committee

Naomi M. Kelly, City Administrator, Chair

MEMORANDUM

October 20, 2014

To: Supervisor David Chiu, Board President

From: Naomi Kelly, City Administrator and Capital Planning Committee Chair

Copy: Members of the Board of Supervisors
Angela Calvillo, Clerk of the Board
Capital Planning Committee

nkelly

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
OCT 23 PM 2:38

Regarding: (1) 2015 Annual Infrastructure Construction Cost Inflation Estimate (AICCIE)

In accordance with Section 3.21 of the Administrative Code, on October 20, 2014, the Capital Planning Committee (CPC) approved the following action items to be considered by the Board of Supervisors. The CPC's recommendations are set forth below.

1. Board File Number: TBD

Approval of the proposed Annual Infrastructure Construction Cost Inflation Estimate (AICCIE).

Recommendation:

Recommend the Board of Supervisors approve the proposed Annual Infrastructure Construction Cost Inflation Estimate (AICCIE).

Comments:

The CPC recommends approval of these items by a vote of 10-0.

Committee members or representatives in favor include: Naomi Kelly, City Administrator; Nadia Sesay, Controller's Office; Mohammed Nuru, Director, Public Works; Kate Howard, Mayor's Budget Director; Ed Reiskin, Director, SFMTA; Harlan Kelly, General Manager, SFPUC; John Rahaim, Director, Planning Department; Ivar Satero, San Francisco International Airport; Phil Ginsburg, Recreation and Parks Department; and Elaine Forbes, Port of San Francisco.

BOS-11, aides,
CPage



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

October 16, 2014
Reference: CFO 2014-090

To: Angela Calvillo
Clerk of the Board of Supervisors

From: Bree Mawhorter
Deputy Director/CFO *[Signature]*

Re: Waiver Request – Schneider Electric

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2014 OCT 21 AM 9:30
[Signature]

Pursuant to the San Francisco Administrative code Chapters 12B & 14B attached is a copy the Waiver Request Form (CMD Form 201) sent to the Contract Monitoring Division on 10/16/14.

The Sheriff's Department is requesting a waiver from Administrative Code Chapters 12B and 12C requirement for Schneider Electric.

This is a 12-month service plan which allows Schneider Electric to provide proprietary maintenance for the HVAC system installed at San Bruno County Jail. Schneider Electric is the only qualified vendor to maintain the integrity, performance, and sustainability of the Schneider Electric I/A series, Network 8000 series, DMS series systems.

If you have any questions about this request, please contact Henry Gong at (415) 554-7241. Thank you for your consideration of this matter.



**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**

October 16, 2014
Reference: CFO 2014-089

To: Maria Cordero,
Contract Monitoring Division

From: Bree Mawhorter
Deputy Director/CFO 

Re: Sole Source Waiver for Schneider Electric

The Sheriff's Department is requesting Sole Source Waiver for Schneider Electric to service the proprietary HVAC system installed at San Bruno County Jail. The justifications for the waiver are as follows:

1. Schneider Electric is the only authorized vendor to service the Schneider Electric I/A series, network 8000 series and DMS series product line.
2. Unauthorized contractor servicing the Schneider Electric I/A series, Network 8000 series, DMS series products will negate the factory warranty.
3. Maintain the integrity, performance and sustainability of the Schneider Electric I/A series, Network 8000 series, and DMS series systems installed at San Bruno County Jail.

Please find attached the completed CMD Form 201 for your review and approval.

If you have any questions about this request, please contact Henry Gong at (415) 554-7241. Thank you for your consideration of this matter.

PHONE: 415-554-7225 FAX: 415-554-7050

WEBSITE: WWW.SFSHERIFF.COM

EMAIL: SHERIFF@SFGOV.ORG



CITY AND COUNTY OF SAN FRANCISCO CONTRACT MONITORING DIVISION

S.F. ADMINISTRATIVE CODE CHAPTERS 12B and 14B WAIVER REQUEST FORM (CMD-201)

Send completed waiver requests to:
cmd.waiverrequest@sfgov.org or
CMD, 30 Van Ness Avenue, Suite 200, San Francisco, CA
94102

FOR CMD USE ONLY
Request Number: _____

► Section 1. Department Information

Department Head Signature: [Signature]
 Name of Department: San Francisco Sheriff's Department
 Department Address: 1 Dr. Carlton B. Goodlett Place, Room 456
 Contact Person: Henry Gong
 Phone Number: (415) 554-7241 E-mail: henry.gong@sfgov.org

► Section 2. Contractor Information

Contractor Name: Schneider Electric Vendor No.: 74562
 Contractor Address: 1555 Bayshore Highway, Suite 200, Burlingame, CA 94010
 Contact Person: Marline Gonzalez Contact Phone No.: (925) 463-7159

► Section 3. Transaction Information

Date Waiver Request Submitted: 10/16/2014 Type of Contract: Annual Maintenance
 Contract Start Date: 8/1/2014 End Date: 7/31/2015 Dollar Amount of Contract: \$ \$ 14,733.00

► Section 4. Administrative Code Chapter to be Waived (please check all that apply)

- Chapter 12B
 Chapter 14B Note: Employment and LBE subcontracting requirements may still be in force even when a 14B waiver (type A or B) is granted.

► Section 5. Waiver Type (Letter of Justification *must* be attached, see Check List on back of page.)

- A. Sole Source
 B. Emergency (pursuant to Administrative Code §6.60 or 21.15)
 C. Public Entity
 D. No Potential Contractors Comply (Required) Copy of waiver request sent to Board of Supervisors on: _____
 E. Government Bulk Purchasing Arrangement (Required) Copy of waiver request sent to Board of Supervisors on: _____
 F. Sham/Shell Entity (Required) Copy of waiver request sent to Board of Supervisors on: _____
 G. Subcontracting Goals
 H. Local Business Enterprise (LBE)

CMD/HRC ACTION	
12B Waiver Granted: _____	14B Waiver Granted: _____
12B Waiver Denied: _____	14B Waiver Denied: _____
Reason for Action: _____	
CMD Staff: _____	Date: _____
CMD Director: _____	Date: _____
HRC Director (12B Only): _____	Date: _____



August 19, 2014

Win Htut
San Bruno Jail

Re: Schneider Electric Buildings Business Factory Authorized Partner

Dear Mr. Htut,

Schneider Electric's Branch Office located at 1555 Bayshore Highway, Suite 200, Burlingame, CA 94010, USA; is the only office authorized to represent the Schneider Electric I/A series, network 8000 series and DMS series product line for the San Bruno Jail located in San Bruno, CA. This office has certified personnel to provide engineering, networking, programming, graphics generation, system installation, commissioning, expansion, integration, and follow-up service for the Schneider Electric I/A series, Network 8000 series and DMS series product line. This information and training is proprietary to Schneider Electric and its partners.

Our San Francisco branch office is also the contact to access proprietary Schneider Electric I/A series, Network 8000 series, DMS series technical support, product warrantee, training, and specialized programs. If an unauthorized contractor obtains and installs Schneider Electric I/A series, Network 8000 series, DMS series products or any 3rd party interfaces, we cannot support or warrant the products, applications, and implementation.

To maintain the integrity, performance, and sustainability of your Schneider Electric I/A series, Network 8000 series, DMS series systems and follow factory supported and proven migration solutions, we always recommend utilizing our local office.

Should you have any additional questions or concerns, please do not hesitate to contact me at (972) 922-1660.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick McKay".

Rick McKay
Director, West Region
Partner Channel
Schneider Electric

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

RENEWSF

REVITALIZE AND ENERGIZE THE NORTHEAST
AND WATERFRONT OF SAN FRANCISCO

2014 OCT 21 PM 3:16

renewsf.org

October 21, 2014

Hon. Scott Wiener, Supervisor
Hon. David Chiu, President, Board of Supervisors

Re: Restoration of Street Tree Ownership

Our organization, RENEWSF, has noted your efforts to draft new legislation that will have the city take back ownership of, and responsibility for, the sidewalk trees in San Francisco, since they reside on city property. We are very supportive of this idea, and want to know how we may help in this effort.

It should be obvious to everyone that it is not the homeowner or business owner alone who benefits from the tree in front of their property, but all San Franciscans. Also, when a tree rips up a sidewalk, falls and does damage (as has happened on several occasions here in North Beach and District 3), it is not the responsibility of the property owner, but of the city.

Putting the onus of planting a tree and determining the type of tree on the homeowner will ensure that no homeowner will plant anything on the sidewalk in front of his or her property, lest he or she incur unknown expenses and liability for years to come.

As you may know, we are working to revitalize this part of town, especially, but not limited to, Columbus Avenue, and what to do with the trees, the sidewalks, and the medians, are a big part of our concerns. We are ready to join with you in this important initiative!

Sincerely,
Robert Mittelstadt, Architect and Member,
Board of Directors, RENEWSF

Copies:

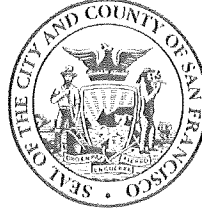
- Hon. Eric Mar
- Hon. Mark Farrell
- Hon. Katy Tang
- Hon. London Breed
- Hon. Jane Kim
- Hon. Norman Yee
- Hon. David Campos
- Hon. Malia Cohen
- Hon. John Avalos

Board of Directors:

- Claudine Cheng
- Rod Freebairn-Smith
- Marvin Kasoff
- Robert Mittelstadt
- Wells Whitney, Chair

BOS 11 - 0 Page
GAO Clerk

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



Laguna Honda Hospital and Rehabilitation Center
Mivic Hirose, RN, CNS, Executive Administrator

Edwin M. Lee
Mayor

Oct 24, 2014

Honorable Malia Cohen
Committee Chair, Board of Supervisors

Honorable David Campos
Committee Vice Chair, Board of Supervisors

Honorable Katy Tang
Member, Board of Supervisors

Government Audit and Oversight Committee
City Hall, Room 244
San Francisco, CA 94102

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
OCT 24 PM 2:46
AL

Dear Honorable Supervisors Cohen, Campos and Tang,

I am enclosing the quarterly report on behalf of Laguna Honda Hospital and Rehabilitation Center. This report is referred to by Resolution No. 200-05, File No. 050396.

The report details statistics data for Laguna Honda's admissions, age, ethnicity, and referral information.

I am available to answer any questions you may have. I can be reached at 759-2363. Thank you.

Sincerely,

Mivic Hirose
Executive Administrator
Laguna Honda Hospital and Rehabilitation Center

Attachments:

A. Sources of New SNF Admissions to Laguna Honda

A-1	2014 (through 3rd Quarter)
A-2	2013
A-3	2012
A-4	2011
A-5	2010
A-6	2009

B. Laguna Honda Distribution of Residents by Race

B-1	9/30/14 and 9/30/13 Snapshot
B-2	9/30/12 and 9/30/11 Snapshot
B-3	9/30/10 and 9/30/09 Snapshot

C. Laguna Honda Gender Distribution 2009 to 2014 (through 3rd Quarter)

D. Laguna Honda Age Distribution 2009 to 2014 (through 3rd Quarter)

cc: Honorable Norman Yee, Board of Supervisors
Angela Calvillo, Clerk of the Board
Barbara A. Garcia, Director of Health
Ronald Pickens, Director of San Francisco Health Network

SOURCES OF NEW ADMISSIONS TO LAGUNA HONDA HOSPITAL *
JANUARY 2014 – SEPTEMBER 2014

Source of Admission	%		%		%		%		%		%		%		%		%		%		Total	%				
	Jan	SFGH	Feb	SFGH	Mar	SFGH	Apr	SFGH	May	SFGH	June	SFGH	July	SFGH	Aug	SFGH	Sept	SFGH	Oct	SFGH			Nov	SFGH	Dec	SFGH
Board and Care	1				1		1		1				1		2										7	2%
Cal Pac Acute			1						2		2		2		1		3								11	3%
Cal Pac SNF					2				1						1		2								6	1%
Chinese Hospital Acute	1																								1	0%
Chinese Hospital SNF																									0	0%
Home	3		3		7		3		9		7		2		2		4								40	10%
Home Health																									0	0%
Kaiser Acute																									0	0%
Kaiser SNF																									0	0%
Mt. Zion Acute	1		3		2		4		1				1		1										13	3%
Other Misc			1		2		2		2		1						1								9	2%
Other SNF			2		2		1		3		1		2		3										14	3%
Seton Acute																	1								1	0%
SFGH Acute	27	73%	18	49%	24	51%	32	67%	32	56%	33	67%	29	57%	27	59%	31	66%		0%		0%		0%	253	60%
SFGH SNF	1	3%	3	8%	2	4%	3	6%		0%	2	4%	1	2%	2	4%		0%		0%		0%		0%	14	3%
St. Francis Acute			2						1				3				1								7	2%
St. Francis SNF																									0	0%
St. Luke's Acute									1				3												4	1%
St. Luke's SNF					1																				1	0%
St. Mary's Acute	1		1		1						1		3		2		1								10	2%
St. Mary's SNF			1										1												2	0%
Seton Acute																									0	0%
Seton SNF																									0	0%
UC Med Acute	2		2		3		2		4		2		3		5		3								26	6%
UC Med SNF																									0	0%
VA Hospital Acute																									0	0%
VA Hospital SNF																									0	0%
TOTAL	37	76%	37	57%	47	55%	48	73%	57	56%	49	71%	51	59%	46	63%	47	66%	0	0%	0	0%	0	0%	419	100%

*Effective 12/8/2010, all Laguna Honda Hospital residents were relocated to the new building and the total licensed bed capacity is 780.

SOURCES OF NEW ADMISSIONS TO LAGUNA HONDA HOSPITAL *
JANUARY 2013 – DECEMBER 2013

Source of Admission	Jan	% SFGH	Feb	% SFGH	Mar	% SFGH	Apr	% SFGH	May	% SFGH	June	% SFGH	July	% SFGH	Aug	% SFGH	Sept	% SFGH	Oct	% SFGH	Nov	% SFGH	Dec	% SFGH	Total	%
Board and Care	1		1						1																3	1%
Cal Pac Acute			3		1				1		2		2						1		1				11	2%
Cal Pac SNF									1										1		1		1		4	1%
Chinese Hospital Acute																									0	0%
Chinese Hospital SNF																									0	0%
Home	5		4		7		8		6		3		6		8		3		4		3		2		59	13%
Home Health									1												1		3		5	1%
Kaiser Acute																									0	0%
Kaiser SNF																									0	0%
Mt. Zion Acute			1		1		2																		4	1%
Other Misc							1				5								2						8	2%
Other SNF	1				1				1				1								5		4		13	3%
Seton Acute																									0	0%
SFGH Acute	28	76%	32	68%	19	59%	32	70%	25	60%	21	58%	26	59%	17	61%	21	70%	19	59%	19	59%	23	50%	282	62%
SFGH SNF	1	3%		0%		0%	1	2%		0%	2	6%	8	18%	1	4%	2	7%		0%		0%	4	9%	19	4%
St. Francis Acute			1				1		1									2							5	1%
St. Francis SNF																									0	0%
St. Luke's Acute			2																				2		4	1%
St. Luke's SNF																					1				1	0%
St. Mary's Acute	1		1		1		1		1		2		1		1										9	2%
St. Mary's SNF																									0	0%
Seton Acute																									0	0%
Seton SNF																									0	0%
UC Med Acute			2		2				4		1				1		2		4		1		5		22	5%
UC Med SNF																									0	0%
VA Hospital Acute																			1						1	0%
VA Hospital SNF																							2		2	0%
TOTAL	37	78%	47	68%	32	59%	46	72%	42	60%	36	64%	44	77%	28	64%	30	77%	32	59%	32	59%	46	59%	452	100%

*Effective 12/8/2010, all Laguna Honda Hospital residents were relocated to the new building and the total licensed bed capacity is 780.

SOURCES OF NEW ADMISSIONS TO LAGUNA HONDA HOSPITAL *
JANUARY 2012 – DECEMBER 2012

Source of Admission	Jan	% SFGH	Feb	% SFGH	Mar	% SFGH	Apr	% SFGH	May	% SFGH	June	% SFGH	July	% SFGH	Aug	% SFGH	Sept	% SFGH	Oct	% SFGH	Nov	% SFGH	Dec	% SFGH	Total	%
Board and Care					1		2												1				1		5	1%
Cal Pac Acute	5		2		2		4		2		2		2		3		1		2			3	2		30	7%
Cal Pac SNF																						1			1	0%
Chinese Hospital Acute																	1								1	0%
Chinese Hospital SNF																									0	0%
Home	2		2		4		3		2		3		8		4		4		4		5		9		50	12%
Home Health																									0	0%
Kaiser Acute	1																						1		2	0%
Kaiser SNF																									0	0%
Mt. Zion Acute			1				1		1		3						2		3						11	3%
Other Misc							1		1														2		4	1%
Other SNF			1		1		1																		3	1%
Seton Acute																									0	0%
SFGH Acute	14	44%	12	50%	25	60%	23	56%	26	70%	22	69%	24	63%	14	50%	20	61%	25	63%	22	59%	24	55%	251	59%
SFGH SNF		0%		0%	2	5%		0%	1	3%		0%		0%	5	18%		0%	1	3%		0%		0%	9	2%
St. Francis Acute	1		2		1		2		1		1		2		1		1						2		14	3%
St. Francis SNF																									0	0%
St. Luke's Acute	1				1								1									2			5	1%
St. Luke's SNF																									0	0%
St. Mary's Acute	3				2		1		2		1						1		3		1		1		15	4%
St. Mary's SNF	1																								1	0%
Seton Acute																									0	0%
Seton SNF																									0	0%
UC Med Acute	4		3		3		3		1				1		1		2		1		3		2		24	6%
UC Med SNF																									0	0%
VA Hospital Acute			1														1								2	0%
VA Hospital SNF																									0	0%
TOTAL	32	44%	24	50%	42	64%	41	56%	37	73%	32	69%	38	63%	28	68%	33	61%	40	65%	37	59%	44	55%	428	100%

*Effective 12/8/2010, all Laguna Honda Hospital residents were relocated to the new building and the total licensed bed capacity is 780.

SOURCES OF NEW ADMISSIONS TO LAGUNA HONDA HOSPITAL *
JANUARY 2011 – DECEMBER 2011

Source of Admission	Jan	SFGH	Feb	SFGH	Mar	SFGH	Apr	SFGH	May	SFGH	June	SFGH	July	SFGH	Aug	SFGH	Sept	SFGH	Oct	SFGH	Nov	SFGH	Dec	SFGH	Total	%
Board and Care					2				1		1				1		2		1						8	2%
Cal Pac Acute	3										2				1		1				2		1		10	3%
Cal Pac SNF									1				2												3	1%
Chinese Hospital Acute							1		1						1										3	1%
Chinese Hospital SNF																									0	0%
Home	8		3		1		4				5		3		3		3		3		7		2		42	11%
Home Health																									0	0%
Kaiser Acute																				1					1	0%
Kaiser SNF																									0	0%
Mt. Zion Acute	1		1		1		1				3						1				1		2		11	3%
Other Misc	3		1		1		1		1		1				4		5		3		1		1		22	6%
Other SNF	1								1				1							2				2	7	2%
Seton Acute																									0	0%
SFGH Acute	23	49%	12	46%	17	65%	13	57%	16	53%	15	43%	10	43%	17	61%	21	58%	17	55%	19	49%	23	64%	203	53%
SFGH SNF	2	4%	1	4%	2	8%	2	9%	4	13%	4	11%	2	9%		0%		0%	1	3%	2	5%		0%	20	5%
St. Francis Acute	1		2						1		1		1		1		1				3		1		12	3%
St. Francis SNF																									0	0%
St. Luke's Acute	1		1		1				2											1					6	2%
St. Luke's SNF	1		2										1												4	1%
St. Mary's Acute	1		3								1									1					6	2%
St. Mary's SNF																									0	0%
Seton Acute																									0	0%
Seton SNF																									0	0%
UC Med Acute	2				1		1		1		2		3				2		1		4		3		20	5%
UC Med SNF									1																1	0%
VA Hospital Acute																							1		1	0%
VA Hospital SNF																									0	0%
TOTAL	47	53%	26	50%	26	73%	23	65%	30	67%	35	54%	23	52%	28	61%	36	58%	31	58%	39	54%	36	64%	380	100%

*Effective 12/8/2010, all Laguna Honda Hospital residents were relocated to the new building and the total licensed bed capacity is 780 (15 for General Acute Care and 765 for SNF).

SOURCES OF NEW ADMISSIONS TO LAGUNA HONDA HOSPITAL*
JANUARY 2010 – DECEMBER 2010

Source of Admission	Jan	% SFGH	Feb	% SFGH	Mar	% SFGH	Apr	% SFGH	May	% SFGH	June	% SFGH	July	% SFGH	Aug	% SFGH	Sept	% SFGH	Oct	% SFGH	Nov	% SFGH	Dec	% SFGH	Total	%
Board and Care	1		2		2								1		2				1				1		10	3%
Cal Pac Acute															2		1								3	1%
Cal Pac SNF											2														2	1%
Chinese Hospital Acute					1								1												2	1%
Chinese Hospital SNF																									0	0%
Home	3		1		1		3		1		4		4		2		2		2		6		2		31	10%
Home Health																									0	0%
Kaiser Acute									1										1						2	1%
Kaiser SNF																									0	0%
Mt. Zion Acute	2						2								2		1				2				9	3%
Other Misc	1				3		1		1		4				2						1		4		17	5%
Other SNF	1		2		2								1						1						7	2%
Seton Acute																									0	0%
SFGH Acute	16	52%	15	52%	13	43%	15	45%	12	60%	16	59%	13	43%	14	41%	18	75%	14	56%	8	36%	11	55%	165	51%
SFGH SNF	4	13%	2	7%	1	3%	4	12%	1	5%	1	4%	3	10%	5	15%		0%	2	8%	2	9%		0%	25	8%
St. Francis Acute	1		3		1		1						2		2		2		2		1				15	5%
St. Francis SNF																									0	0%
St. Luke's Acute							1		2				2		2										7	2%
St. Luke's SNF			1				2		1																4	1%
St. Mary's Acute	1				1								1		1				1						5	2%
St. Mary's SNF																									0	0%
Seton Acute																									0	0%
Seton SNF																									0	0%
UC Med Acute	1		3		5		4		1				2						1		2		2		21	6%
UC Med SNF																									0	0%
VA Hospital Acute																									0	0%
VA Hospital SNF																									0	0%
TOTAL	31	65%	29	59%	30	47%	33	58%	20	65%	27	63%	30	53%	34	56%	24	75%	25	64%	22	45%	20	55%	325	100%

*Due to budgetary and construction related issues, LHH is decreasing admissions effective 1/1/2008. General SNF Admissions are being denied while Hospice, Rehab and AIDS/HIV are still being admitted based upon bed availability

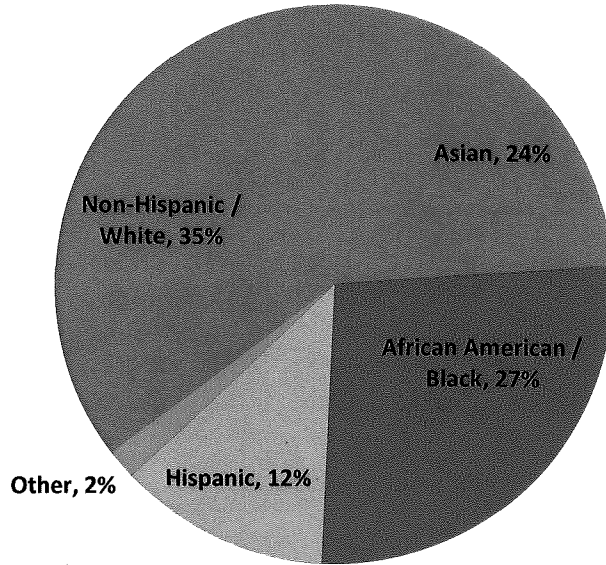
SOURCES OF NEW ADMISSIONS TO LAGUNA HONDA HOSPITAL*
JANUARY 2009 – DECEMBER 2009

Source of Admission	Jan	% SFGH	Feb	% SFGH	Mar	% SFGH	Apr	% SFGH	May	% SFGH	June	% SFGH	July	% SFGH	Aug	% SFGH	Sept	% SFGH	Oct	% SFGH	Nov	% SFGH	Dec	Total	%	
Board and Care													2		1									3	1%	
Cal Pac Acute	1		2		2		2				2		1		1								1	12	4%	
Cal Pac SNF							1										1		1					3	1%	
Chinese Hospital Acute																								0	0%	
Chinese Hospital SNF																								0	0%	
Home	1		1				3		2		1		3				2		2		2		2	19	7%	
Home Health																								0	0%	
Kaiser Acute													1											1	0%	
Kaiser SNF																								0	0%	
Mt. Zion Acute							1		1		1				1		2							6	2%	
Other Misc					1				1						2				2		2			8	3%	
Other SNF					1		1		3		3		3		1				2				1	15	5%	
Seton Acute							1						1											2	1%	
SFGH Acute	8	53%	17	74%	11	55%	12	38%	10	42%	16	47%	15	50%	17	63%	12	67%	5	33%	17	65%	12	152	53%	
SFGH SNF	2	13%	1	4%		0%	2	6%	4	17%	5	15%		0%		0%	1	6%	1	7%	2	8%	3	21	7%	
St. Francis Acute			1				4		1		1		1		1				1		1			11	4%	
St. Francis SNF																								0	0%	
St. Luke's Acute	1						1				1		1		1				1					2	8	3%
St. Luke's SNF									1															1	0%	
St. Mary's Acute	1		1				1																	3	1%	
St. Mary's SNF					1																			1	0%	
Seton Acute																								0	0%	
Seton SNF																								0	0%	
UC Med Acute	1				4		3		1		4		2		2						2			19	7%	
UC Med SNF																								0	0%	
VA Hospital Acute																								0	0%	
VA Hospital SNF																								0	0%	
TOTAL	15	67%	23	78%	20	55%	32	44%	24	58%	34	62%	30	50%	27	63%	18	72%	15	40%	26	73%	21	285	100%	

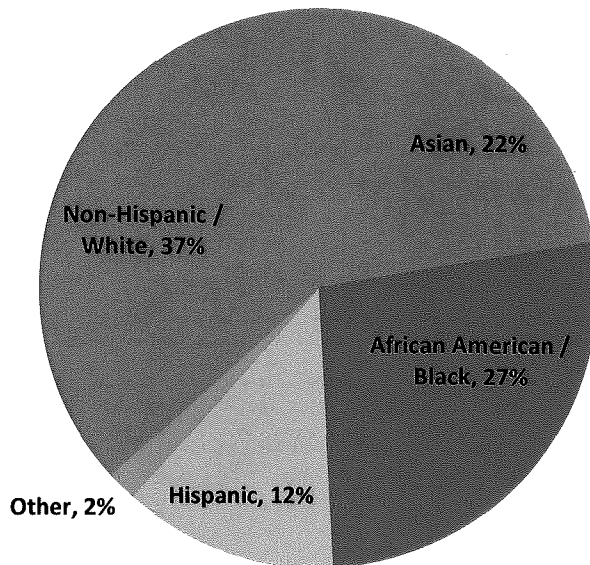
*Due to budgetary and construction related issues, LHH is decreasing admissions effective 1/1/2008. General SNF Admissions are being denied while Hospice, Rehab and AIDS/HIV are still being admitted based upon bed availability.

** Data re-run March 2011

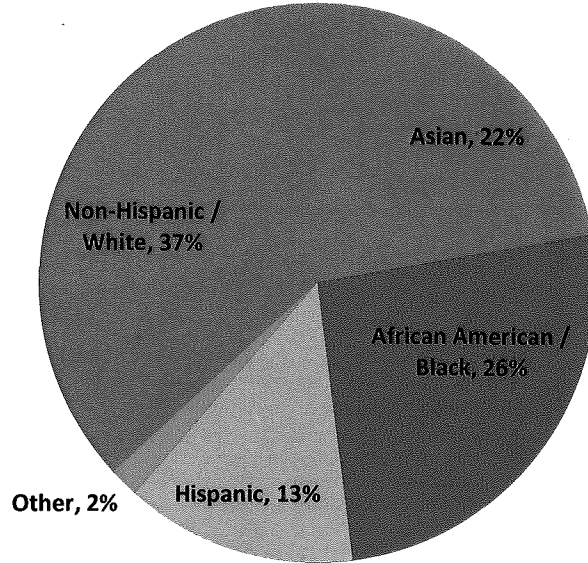
Laguna Honda Hospital Distribution of Residents by Race as of 9/30/2014
(n = 748)



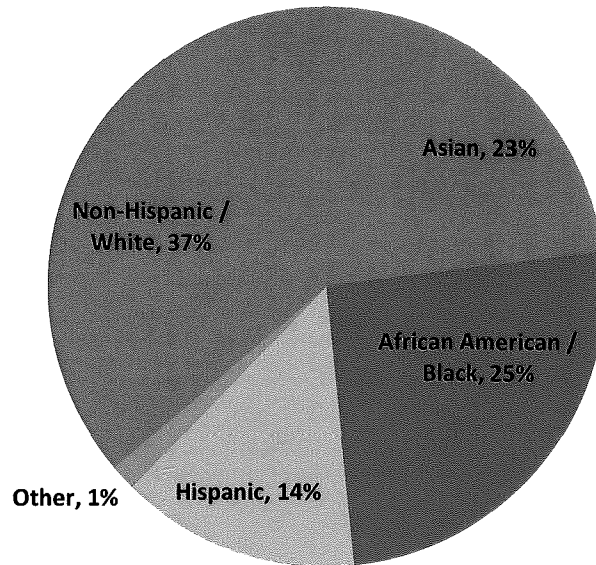
Laguna Honda Hospital Distribution of Residents by Race as of 9/30/2013
(n = 761)



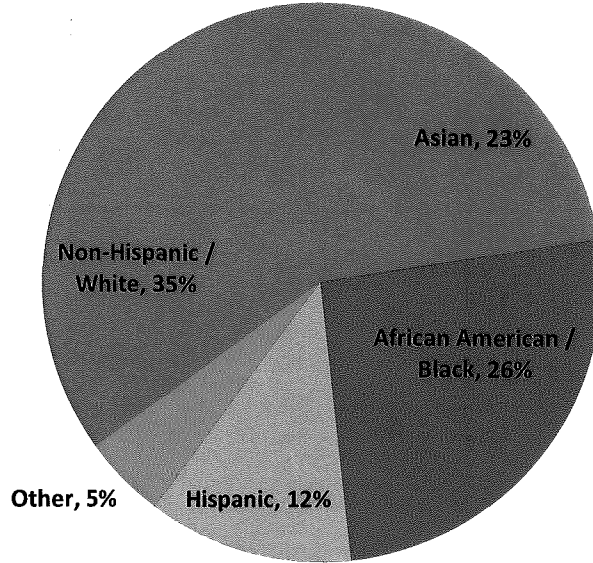
Laguna Honda Hospital Distribution of Residents by Race as of 9/30/2012
(n = 760)



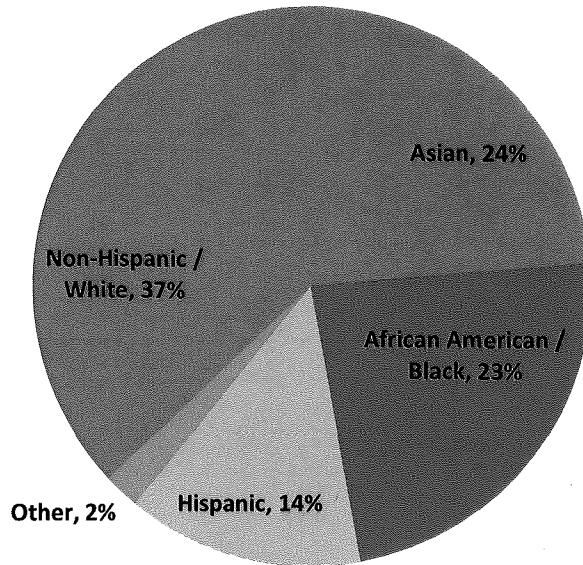
Laguna Honda Hospital Distribution of Residents by Race as of 9/30/2011
(n = 756)



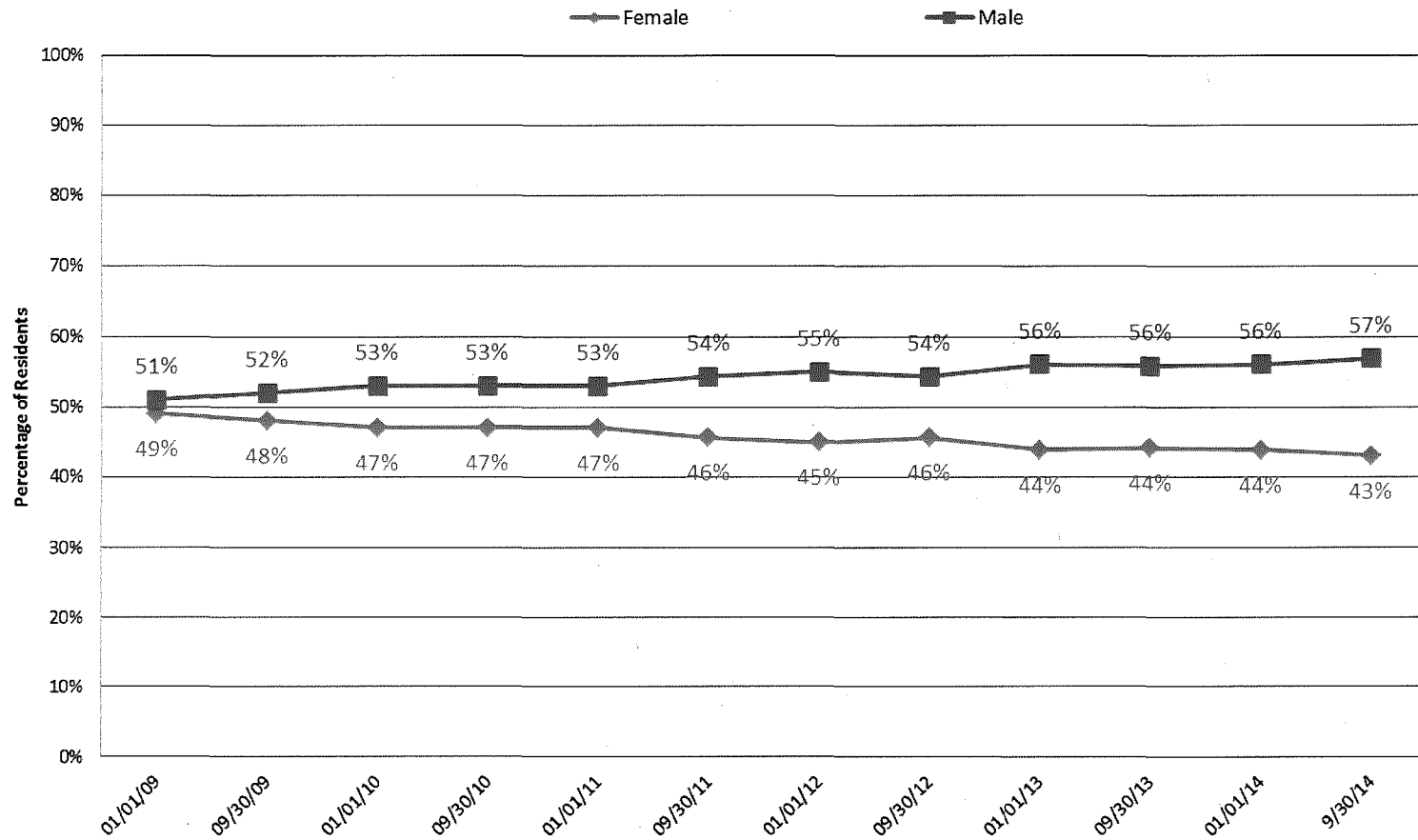
Laguna Honda Hospital Distribution of Residents by Race as of 9/30/2010
(n = 746)



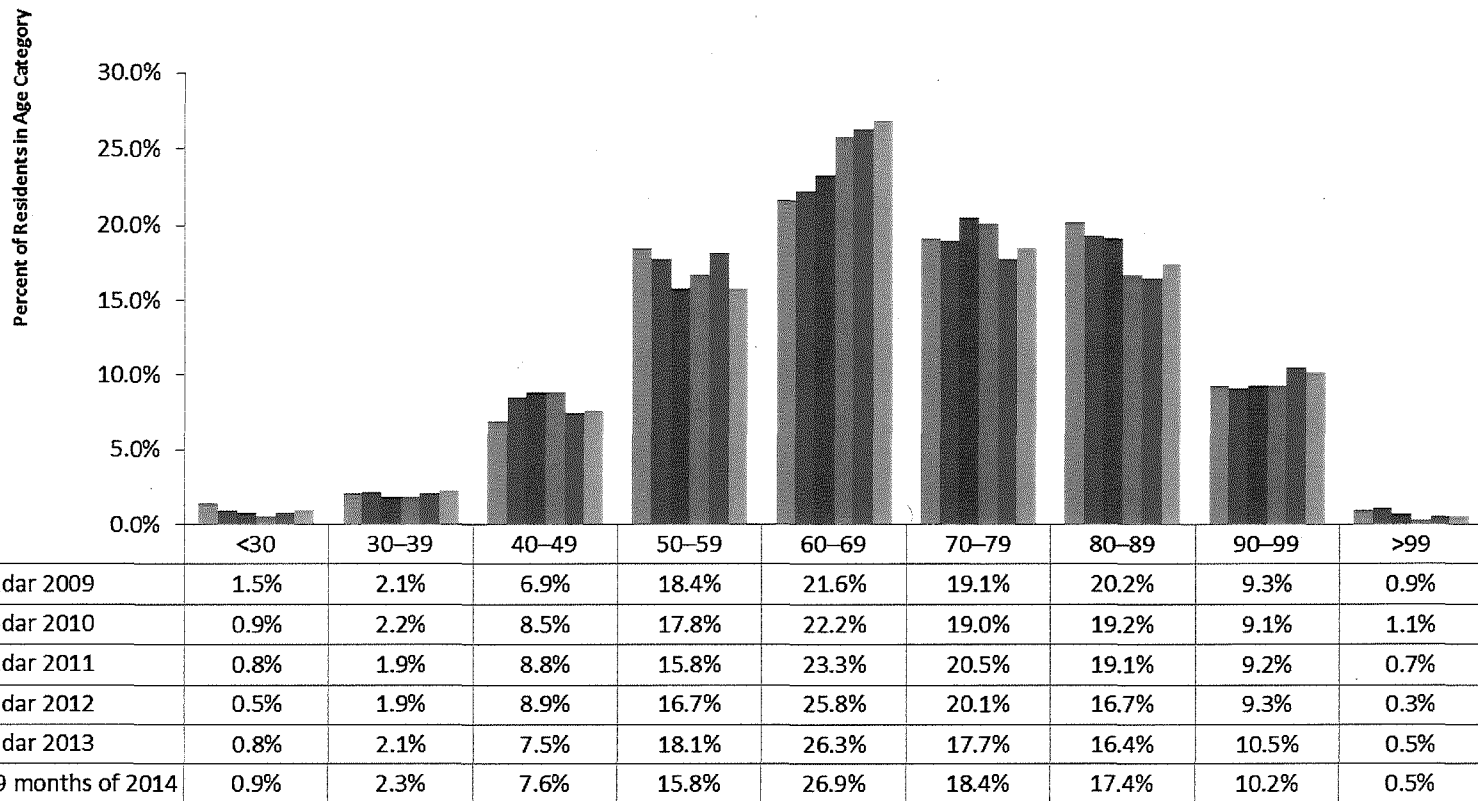
Laguna Honda Hospital Distribution of Residents by Race as of 9/30/2009
(n = 769)



Laguna Honda Hospital
Gender Distribution of Residents
2009 – First 9 months of 2014



**Laguna Honda Hospital
Age Distribution of Residents
2009 – First 9 months of 2014**



OFFICE OF THE MAYOR
SAN FRANCISCO



BOS - 11 LEG clerk
LEG Dep
gould clerk
EDWIN M. LEE city att.
MAYOR cPage

Notice of Appointment

October 21, 2014

San Francisco Board of Supervisors
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, California 94102

Honorable Board of Supervisors:

Pursuant to Section 3.100(18) of the Charter of the City and County of San Francisco, I hereby make the following appointment:

Peter Stern, to the Airport Commission, for a term ending August 31, 2018

I am confident that Commissioner Stern, an elector of the City and County, will serve our community well. Attached herein for your reference are his qualifications to serve.

Should you have any questions related to this appointment, please contact my Director of Appointments, Nicole Wheaton, at (415) 554-7940.

Sincerely,


Edwin M. Lee
Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2014 OCT 22 PM 4:51
le

To: BOS-Supervisors
Cc: Gosiengfiao, Rachel (REG)
Subject: Issued: The Port Adequately Oversaw the Close-out of the Brannan Street Wharf Park Project, but Did Not Always Follow Contract Close-out Procedures

From: Reports, Controller (CON)
Sent: Wednesday, October 22, 2014 12:52 PM
To: Calvillo, Angela (BOS); Nevin, Peggy; Kawa, Steve (MYR); Howard, Kate (MYR); Falvey, Christine (MYR); Elliott, Jason (MYR); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); sfdocs@sfpl.info; Moyer, Monique (PRT); Forbes, Elaine (PRT); Woo, John (PRT); Reel, Steven (PRT); Yee, Lucas; CON-EVERYONE
Subject: Issued: The Port Adequately Oversaw the Close-out of the Brannan Street Wharf Park Project, but Did Not Always Follow Contract Close-out Procedures

The Office of the Controller's City Services Auditor Division (CSA) today issued a memorandum on its assessment of the Port Commission's compliance with the close-out requirements in its contract with Dutra Construction Company, Inc., for the Brannan Street Wharf Park project. The assessment found that while the Port adequately oversaw the close-out phase of the project, it did not always follow the contract's close-out procedures.

To view the full memorandum, please visit our Web site at:
<http://openbook.sfgov.org/webreports/details3.aspx?id=1844>
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.


Follow us on Twitter @SFController





MEMORANDUM

TO: Monique Moyer, Executive Director
Port of San Francisco

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

DATE: October 22, 2014

SUBJECT: The Port Adequately Oversaw the Close-out Phase of the Brannan Street Wharf
Park Project, but Did Not Always Follow the Contract's Close-out Procedures

EXECUTIVE SUMMARY

The Port Commission (Port) of the City and County of San Francisco (City) adequately oversaw the close-out phase of its contract with Dutra Construction Company, Inc., for the Brannan Street Wharf Park project. However, the Port did not strictly adhere to all the contract close-out provisions. The Port concurs with the two findings and agrees to implement all three recommendations.

BACKGROUND, OBJECTIVES & METHODOLOGY

Background

Basis for Assessment. In accordance with its work plan for fiscal year 2014-15, the Office of the Controller's City Services Auditor Division (CSA) assessed the Port's compliance with contract close-out procedures as part of CSA's ongoing program of assessing compliance with contract close-out procedures in various city departments. The focus of this assessment was the Brannan Street Wharf Park project (project), executed under Contract No. 2726.

Port. The Port of San Francisco is a 151-year-old public enterprise committed to promoting a balance of maritime, recreational, industrial, transportation, public access, and commercial activities, on a self-supporting basis, through appropriate management and development of San Francisco's waterfront for the public's benefit. The Port Commission is the governing body of the Port of San Francisco.

Project Details. The Brannan Street Wharf Park consists of approximately 850 linear feet of waterfront located in the City's South Beach area. The objective of the project was to replace

the dilapidated Pier 36 and the former Pier 34 and marginal wharf with a new public wharf open space. Features include a neighborhood green space, seating, and picnic areas.

Work under this contract was completed on March 12, 2014. The original contract amount was \$13,537,800. However, ten change orders, with a net value of \$977,359, resulted in a final contract amount of \$14,515,159.

Close-out Defined. Contract close-out formally ends the construction phase of a capital project and ensures the fulfillment of all contractual and legal obligations before final payment is released to the contractor. Ensuring compliance with all close-out procedures assures that the contractor has used city resources appropriately and that the contractor has completed the work in accordance with contract terms. Prompt completion of close-out procedures limits the administrative costs that continue to accrue during the close-out period.

Objectives

The purpose of this assessment was to determine whether the Port and its contractor for the project, Dutra Construction Co., Inc., complied with the close-out provisions of Contract No. 2726.

Methodology

To achieve the objectives, CSA:

- Reviewed the Port's procedures for contract close-out.
- Developed a checklist of requirements for all phases of close-out based on the Port's required procedures.
- Reviewed close-out documentation provided by the Port. Determined whether the Port complied with each applicable requirement.
- Researched relevant best practices.

CSA selected the project on the basis of a risk assessment process conducted on the Port's capital projects completed in fiscal year 2013-14. CSA discussed the close-out process and specific close-out requirements with key Port employees, as well as with the Department of Public Works' resident engineer for the project. CSA also obtained documentation from the Port verifying that procedures were followed for substantial completion, final completion, and close-out of the project.

This construction close-out assessment 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, the Port 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.

RESULTS

Finding 1 – The Port made final payment to the contractor without first obtaining a Consent of Surety from the contractor’s bonding company.

The contract’s close-out provisions, Section 01700 – 1.4.A.6, require that the contractor submit a Consent of Surety as one of the prerequisites for the Port’s final acceptance of the work. The Port issued final payment to the contractor on February 27, 2014, before obtaining a Consent of Surety. According to the Port’s project manager, a Consent of Surety provides the bonding company an opportunity to raise any issues or concerns before final payment is made. Further, the Consent of Surety states that final payment does not relieve the surety (bonding company) of its obligations to the Port, in the event of any claims against the contractor, resulting from the work.

Corrective Action: The Port has now obtained the Consent of Surety, dated August 27, 2014, from the bonding company of Dutra Construction Co., Inc.

Recommendations

The Port should ensure that:

1. For all present and future contracts, it obtains the required legal documents before making final payment.
2. Its construction staff is thoroughly familiar with the terms of its contracts so that the necessary provisions are properly enforced.

Finding 2 – The Port did not strictly adhere to the contract for some minor close-out procedures.

In the following two instances, the Port did not adhere to the contract’s close-out provisions.

- a. The Port did not require the contractor to adhere to the contract, Section 01700 – 1.2.A.1, which states, in relevant part, that the contractor shall submit all change orders before the work is 95 percent complete. Substantial completion of this project was achieved in July 2013. According to the Port, at that time the project was more than 97 percent complete. Yet in February 2014 the resident engineer recommended Change Order 10, the final change order for the project.

According to the Port’s project manager, the main point of this change order submittal requirement is to ensure that there is sufficient funding available to get all the work done. The project manager noted that Change Order 10 was generated after substantial completion due both to late requests for extra work by the Port and late submissions for extra cost by the contractor. The project manager explained that, given the project’s

remaining construction contingency, he had no concerns about missing change orders or the ability to fund the requested changes.

- b. The Port did not require the contractor to submit certain required written notifications.

Several contract close-out provisions require the contractor to submit written notifications to the Port or its representative. These include the following:

- Section 01700 – 1.3.A.4: Submit to the Port representative written notification that the contract documents have been reviewed, the work has been inspected, and the work is complete.
- Section 01700 – 1.3.B.1: Notify the Port representative, in writing, that the work is substantially complete and ready for inspection.
- Section 01700 – 1.4.B.1: Notify the Port, in writing, that all punch list items of remedial work have been completed and that the work is ready for final inspection.

According to the project manager, the contractor kept the Port apprised of all significant issues. The project manager stated that the ongoing dialogue among the project team members (including the project manager, construction manager, resident engineer, and contractor) during the contract period was more than adequate to achieve this purpose. The project manager also stated that he does not consider a requirement for written notification to be necessary in cases where there is a full-time resident engineer and construction manager.

Recommendation

3. The Port should ensure that future contracts exclude close-out provisions that are not relevant to a particular project. Not only will this save time when the close-out procedures of such projects are assessed, it will also avoid the appearance of noncompliance.

The Port's response is attached. CSA will work with the Port to follow-up on the status of the recommendation in this memorandum. CSA extends its appreciation to you and your staff who assisted with this project. If you have any questions or concerns, please contact me at (415) 554-5393 or tonia.lediju@sfgov.org.

cc: Port
Elaine Forbes
John Woo
Steven Reel
Carl Lucas Yee

Controller

Ben Rosenfield
Monique Zmuda
Mark de la Rosa
Nicholas Delgado
Terrance McDowell
Edvida Moore

ATTACHMENT: DEPARTMENT RESPONSE



October 10, 2014

Tonia Ledjju
Director of City Audits
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Assessment of the Port of San Francisco Compliance with Close-Out Procedures for the
Brannan Street Wharf Project

Dear Ms. Ledjju:

The Port of San Francisco is in receipt of the Draft Assessment Report for the subject project. We accept the report, and agree with the minor findings. Attached is the required Recommendation and Response Form covering these matters. The Port appreciates the courtesy extended by the City Services Auditor Division (CSA) staff throughout the audit assessment project period.

Sincerely,

Eunee June Kim
Chief Harbor Engineer

Cc: Port
Elaine Forbes, Deputy Director, Finance and Administration
John Woo, Fiscal Officer
Tim Leung, Contracts and Construction Manager
Lucas Yee, DPW Resident Engineer

Controller's Office
Ben Rosenfield, Controller, City and County of San Francisco
Monique Zmuda, Deputy Controller, City and County of San Francisco
Mark de la Rosa, City Services Auditor
Nicholas Delgado, City Services Auditor
Edvida Moore, City Services Auditor

PORT OF SAN FRANCISCO

TEL: 415 274 0400
FAX: 415 274 0520

TTY: 415 274 0587
WEB: port.com

ADDRESS: Pier 1
San Francisco, CA 94111

For each recommendation, the responsible agency should indicate whether it concurs, does not concur, or partially concurs. If it 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	Response
The Port Commission, through the staff of the Port of San Francisco, should ensure that:	
1. For all present and future contracts, it obtains the required legal documents before making final payment.	Concur. The Port deploys a <i>Resident Engineer Checklist</i> and <i>Monthly Progress Payment Submittal Checklist</i> (completed by contractor) which highlight the requisite legal documents. In connection with this report and recommendation, staff and supervisors have been reminded to be attentive to these requirements.
2. Its construction staff is thoroughly familiar with the terms of its contracts so that the necessary provisions are properly enforced.	Concur. In this case, the Port hired DPW to perform Construction Management on the Project. DPW follow substantially the same contract terms on their contracts. Staff and supervisors have been reminded to ensure DPW (or any other consultant performing CM for the Port) is familiar with the terms of the particular contract and is provided copies of the Port <i>Resident Engineer Checklist</i> and <i>Monthly Progress Payment Submittal Checklist</i> .

Recommendation	Response
<p>3. Future contracts exclude close-out provisions that are not relevant to a particular project. Not only will this save time when the close-out procedures of such projects are assessed, it will also avoid the appearance of noncompliance.</p>	<p>Partially concur. The Port concurs with the finding that contracts should exclude close-out provisions that are not relevant to a particular project.</p> <p>In general, the Port follows the City construction contract closeout procedures and tries not to make unilateral decisions to modify or change the procedures. The procedure in question, written notification by the contractor for certain items, is not a particularly onerous requirement and has benefit given the sometimes poor communication that plagues construction projects. The Port strives for good communication and partnering on construction projects, but there is no guarantee that a project team will partner effectively as was the case on this project. Therefore, the Port believes there is no need to modify this particular procedure and will remind staff and supervisors to comply in future projects.</p>

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Cc: Ausberry, Andrea
Subject: File 141010 FW: 165 signers: Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Pe... petition

From: Jamie Whitaker [<mailto:petitions@moveon.org>]
Sent: Saturday, October 25, 2014 9:07 PM
To: Board of Supervisors (BOS)
Subject: 165 signers: Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Pe... petition

Dear Board of Supervisors via Clerk of the Board,

I started a petition to you titled *Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Permitting*. So far, the petition has 165 total signers.

You can post a response for us to pass along to all petition signers by clicking here:
http://petitions.moveon.org/target_talkback.html?tt=tt-83144-custom-49729-20241025-YL70ld

The petition states:

"STOP ISSUING NIGHTTIME NOISY CONSTRUCTION PERMITS! Please stop harassing and harming the health of residents by allowing the Department of Building Inspections to prioritize the profits and project schedule timeline of construction work in the middle of the night over the health, safety, and well-being of the thousands of residents. Our health is NOT for sale! Normal construction work is allowed to occur between 7 a.m. and 8 p.m. - a 13-hour long period of time that residents can accept in general. While the condo and apartment developers understandably want to maximize profits by working 17 hours or more per day to get their product finished and ready for sale or rent sooner rather than later, the City must not continue to prioritize the profit goals of developers before the health, safety, and well-being of residents as has been occurring since at least July 2014. It should be with the highest possible regard for the health, safety, and well-being of neighbors that DBI must see no possible alternative such as delaying the work until the weekend if traffic is an issue before issuing any Nighttime Noisy Construction permits that harass and harm the health of residents every time one is issued in a residential neighborhood. In July 2014, residents of The Metropolitan condominium complex suffered through sleep deprivation and disturbances due to DBI permitting nighttime noisy construction at one of four surrounding high-rise projects on 14 out of the total 23 workweek days - that's 61%! In August 2014, residents of The Metropolitan condominium complex suffered through sleep deprivation and disturbances due to DBI permitting nighttime noisy construction at one of four surrounding high-rise projects on 16 out of the total 21 workweek days - that's 76%! The excessive permitting of disturbances in the middle of the night is cruel and abusive of the City and County of San Francisco to families who chose to live in SoMa in order to help the environment by walking to work, taking transit, or otherwise limiting the need for a car. STOP ISSUING NIGHTTIME NOISY CONSTRUCTION PERMITS! Sincerely, San Francisco Voters"

To download a PDF file of all your constituents who have signed the petition, including their addresses, click this link: http://petitions.moveon.org/deliver_pdf.html?job_id=1341697&target_type=custom&target_id=49729

To download a CSV file of all of your constituents who have signed the petition, including their addresses, click this link:

http://petitions.moveon.org/deliver_pdf.html?job_id=1341697&target_type=custom&target_id=49729&csv=1

Thank you.

--Jamie Whitaker

If you have any other questions, please email petitions@moveon.org.

The links to download the petition as a PDF and to respond to all of your constituents will remain available for the next 14 days.

This email was sent through MoveOn's petition website, a free service that allows anyone to set up their own online petition and share it with friends. MoveOn does not endorse the contents of petitions posted on our public petition website. If you don't want to receive further emails updating you on how many people have signed this petition, click here:

http://petitions.moveon.org/delivery_unsub.html?e=A6ccxHGcs0jUOkZWj4v0gUJvYXJkLm9mLiN1cGVydmlzb3JzOHNmZ292Lm9yZW--&petition_id=83144.

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FILE 141010 FW: 128 signers: Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Pe... petition

From: Jamie Whitaker [mailto:petitions@moveon.org]
Sent: Thursday, October 23, 2014 8:50 PM
To: Board of Supervisors (BOS)
Subject: 128 signers: Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Pe... petition

Dear Board of Supervisors via Clerk of the Board,

I started a petition to you titled *Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Permitting*. So far, the petition has 128 total signers.

You can post a response for us to pass along to all petition signers by clicking here:
http://petitions.moveon.org/target_talkback.html?tt=tt-83144-custom-49729-20241023-T09NQw

The petition states:

"STOP ISSUING NIGHTTIME NOISY CONSTRUCTION PERMITS! Please stop harassing and harming the health of residents by allowing the Department of Building Inspections to prioritize the profits and project schedule timeline of construction work in the middle of the night over the health, safety, and well-being of the thousands of residents. Our health is NOT for sale! Normal construction work is allowed to occur between 7 a.m. and 8 p.m. - a 13-hour long period of time that residents can accept in general. While the condo and apartment developers understandably want to maximize profits by working 17 hours or more per day to get their product finished and ready for sale or rent sooner rather than later, the City must not continue to prioritize the profit goals of developers before the health, safety, and well-being of residents as has been occurring since at least July 2014. It should be with the highest possible regard for the health, safety, and well-being of neighbors that DBI must see no possible alternative such as delaying the work until the weekend if traffic is an issue before issuing any Nighttime Noisy Construction permits that harass and harm the health of residents every time one is issued in a residential neighborhood. In July 2014, residents of The Metropolitan condominium complex suffered through sleep deprivation and disturbances due to DBI permitting nighttime noisy construction at one of four surrounding high-rise projects on 14 out of the total 23 workweek days - that's 61%! In August 2014, residents of The Metropolitan condominium complex suffered through sleep deprivation and disturbances due to DBI permitting nighttime noisy construction at one of four surrounding high-rise projects on 16 out of the total 21 workweek days - that's 76%! The excessive permitting of disturbances in the middle of the night is cruel and abusive of the City and County of San Francisco to families who chose to live in SoMa in order to help the environment by walking to work, taking transit, or otherwise limiting the need for a car. STOP ISSUING NIGHTTIME NOISY CONSTRUCTION PERMITS! Sincerely, San Francisco Voters"

To download a PDF file of all your constituents who have signed the petition, including their addresses, click this link: http://petitions.moveon.org/deliver_pdf.html?job_id=1340700&target_type=custom&target_id=49729

To download a CSV file of all of your constituents who have signed the petition, including their addresses, click this link:

http://petitions.moveon.org/deliver_pdf.html?job_id=1340700&target_type=custom&target_id=49729&csv=1

Thank you.

--Jamie Whitaker

If you have any other questions, please email petitions@moveon.org.

The links to download the petition as a PDF and to respond to all of your constituents will remain available for the next 14 days.

This email was sent through MoveOn's petition website, a free service that allows anyone to set up their own online petition and share it with friends. MoveOn does not endorse the contents of petitions posted on our public petition website. If you don't want to receive further emails updating you on how many people have signed this petition, click here:

http://petitions.moveon.org/delivery_unsub.html?e=A6ccxHGcs0jUOkZWj4v0gUJvYXJkLm9mLIN1cGVydmlzb3JzOHNmZ292Lm9yZw--&petition_id=83144.

From: Jamie Whitaker [petitions@moveon.org]
Sent: Tuesday, October 21, 2014 5:25 PM
To: Board of Supervisors (BOS)
Subject: 98 signers: Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Pe... petition

Dear Board of Supervisors via Clerk of the Board,

I started a petition to you titled *Stop DBI's Approvals of Harassment with Excessive Night Construction Noise Permitting*. So far, the petition has 98 total signers.

You can post a response for us to pass along to all petition signers by clicking here:
http://petitions.moveon.org/target_talkback.html?tt=tt-83144-custom-49729-20241021-IIHbhl

The petition states:

"STOP ISSUING NIGHTTIME NOISY CONSTRUCTION PERMITS! Please stop harassing and harming the health of residents by allowing the Department of Building Inspections to prioritize the profits and project schedule timeline of construction work in the middle of the night over the health, safety, and well-being of the thousands of residents. Our health is NOT for sale! Normal construction work is allowed to occur between 7 a.m. and 8 p.m. - a 13-hour long period of time that residents can accept in general. While the condo and apartment developers understandably want to maximize profits by working 17 hours or more per day to get their product finished and ready for sale or rent sooner rather than later, the City must not continue to prioritize the profit goals of developers before the health, safety, and well-being of residents as has been occurring since at least July 2014. It should be with the highest possible regard for the health, safety, and well-being of neighbors that DBI must see no possible alternative such as delaying the work until the weekend if traffic is an issue before issuing any Nighttime Noisy Construction permits that harass and harm the health of residents every time one is issued in a residential neighborhood. In July 2014, residents of The Metropolitan condominium complex suffered through sleep deprivation and disturbances due to DBI permitting nighttime noisy construction at one of four surrounding high-rise projects on 14 out of the total 23 workweek days - that's 61%! In August 2014, residents of The Metropolitan condominium complex suffered through sleep deprivation and disturbances due to DBI permitting nighttime noisy construction at one of four surrounding high-rise projects on 16 out of the total 21 workweek days - that's 76%! The excessive permitting of disturbances in the middle of the night is cruel and abusive of the City and County of San Francisco to families who chose to live in SoMa in order to help the environment by walking to work, taking transit, or otherwise limiting the need for a car. STOP ISSUING NIGHTTIME NOISY CONSTRUCTION PERMITS! Sincerely, San Francisco Voters"

To download a PDF file of all your constituents who have signed the petition, including their addresses, click this link: http://petitions.moveon.org/deliver_pdf.html?job_id=1339297&target_type=custom&target_id=49729

To download a CSV file of all of your constituents who have signed the petition, including their addresses, click this link:
http://petitions.moveon.org/deliver_pdf.html?job_id=1339297&target_type=custom&target_id=49729&csv=1

Thank you.

--Jamie Whitaker

If you have any other questions, please email petitions@moveon.org.

The links to download the petition as a PDF and to respond to all of your constituents will remain available for the next 14 days.

This email was sent through MoveOn's petition website, a free service that allows anyone to set up their own online petition and share it with friends. MoveOn does not endorse the contents of petitions posted on our public petition website. If you don't want to receive further emails updating you on how many people have signed this petition, click here:

http://petitions.moveon.org/delivery_unsub.html?e=A6ccxHGcs0jUOkZWj4v0gUJvYXJkLm9mLlN1cGVydmlzb3JzOHNmZ292Lm9yZw--&petition_id=83144.

From: shiufan lee [shiufan.lee@gmail.com]
Sent: Tuesday, October 21, 2014 10:33 PM
To: Lee, Mayor (MYR); Board of Supervisors (BOS); Secretary, Commissions (CPC); Farrell, Mark (BOS); Chiu, David (BOS); Tang, Katy (BOS); Breed, London (BOS); Kim, Jane (BOS); norman.yee.bos@sfgov.org; Wiener, Scott; Campos, David (BOS); Cohen, Malia (BOS); john.avalon@sfgov.org; ed.reiskin@sfmta.com; mtaboard@sfmta.com; maria.lombardo@sfcta.org; tilly.chang@sfcta.org; Streets, Sustainable (MTA); shiufan lee
Subject: Reduce bike lanes in San Francisco (public hearing)

Dear San Francisco City Officials:

I have attended your public hearing at 1800 Chestnut Street today, October 21, 2014.

In the last 2 decades bike lanes were added starting Market Street, bike lanes are all over the city streets in residential zone and business zones now as of October, 2014. Enough is enough, stop adding any bike lanes in the city ever. And reduce existing bike lanes in the streets such as Market, Mission, 19th Avenue, Broadway, Geary, California, Park Presidio, Inspiration Point in Park Presidio etc.

Every day, it is challenging for me to drive after bikers on the streets. Bikers don't pay a penny to our roads, but auto owners like myself do.

But because corruptions and bureaucrats of politicians like you. You allowed it, but I am demanding you to stop it now and reduce bike lanes in the City.

I rely on my car as my transportation every day.

Keep balance budgets, you city officials pay any deficit from you own pockets. Don't raise taxes to us to fulfill your own dreams.

I urge you to vote YES on L on November 4th, 2014.

Concerned Citizen,
Shiufan Lee

From: Board of Supervisors (BOS)
To: Avalos, John (BOS); Mar, Eric (BOS)
Subject: FW: Reduce bike lanes in San Francisco (public hearing)

From: shiufan lee [<mailto:shiufan.lee@gmail.com>]
Sent: Tuesday, October 21, 2014 10:33 PM
To: Lee, Mayor (MYR); Board of Supervisors (BOS); Secretary, Commissions (CPC); Farrell, Mark (BOS); Chiu, David (BOS); Tang, Katy (BOS); Breed, London (BOS); Kim, Jane (BOS); norman.yee.bos@sfgov.org; Wiener, Scott; Campos, David (BOS); Cohen, Malia (BOS); john.avalon@sfgov.org; ed.reiskin@sfmta.com; mtaboard@sfmta.com; maria.lombardo@sfcta.org; tilly.chang@sfcta.org; Streets, Sustainable (MTA); shiufan lee
Subject: Reduce bike lanes in San Francisco (public hearing)

Dear San Francisco City Officials:

I have attended your public hearing at 1800 Chestnut Street today, October 21, 2014.

In the last 2 decades bike lanes were added starting Market Street, bike lanes are all over the city streets in residential zone and business zones now as of October, 2014. Enough is enough, stop adding any bike lanes in the city ever. And reduce existing bike lanes in the streets such as Market, Mission, 19th Avenue, Broadway, Geary, California, Park Presidio, Inspiration Point in Park Presidio etc.

Every day, it is challenging for me to drive after bikers on the streets. Bikers don't pay a penny to our roads, but auto owners like myself do.

But because corruptions and bureaucrats of politicians like you. You allowed it, but I am demanding you to stop it now and reduce bike lanes in the City.

I rely on my car as my transportation every day.

Keep balance budgets, you city officials pay any deficit from you own pockets. Don't raise taxes to us to fulfill your own dreams.

I urge you to vote YES on L on November 4th, 2014.

Concerned Citizen,
Shiufan Lee

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Stop taking parking spaces away

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

From: shiufan lee [<mailto:shiufan.lee@gmail.com>]
Sent: Tuesday, October 21, 2014 5:26 PM
To: Board of Supervisors (BOS)
Subject: Stop taking parking spaces away

To Whom it may concern:

Enough is enough. Stop taking public (streets) parking spaces away from car owners in SFO. We are the one who pay fee not bikers. Bikers pay nothing but have all the bike lanes all over in the SFO streets. It is so dangerous to have bikers coexist with cars in all busy streets.

Stop now.

Concerned Citizen,

Shiufan Lee

From: Julie Soo [jdssfdem@yahoo.com]
Sent: Wednesday, October 22, 2014 11:07 PM
To: Board of Supervisors (BOS); 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: Proposed Ordinance 141001 "Equal Pay"
Attachments: Equal Pay Ordinance Scanned Letter Board of Supervisors 102214.pdf

Dear Supervisors Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener, and Yee:

I write to ask you to fully consider proposed ordinance 141001 on the agenda of the Neighborhood Services and Safety Committee calendar for October 23, 2014 that requires (certain) City contractors to submit an Equally Pay Report and establishes an Equal Pay Advisory Board. An ordinance of this magnitude requires careful input from stakeholders and particularly the bodies required to oversee the implementation. A potential first read before the Board on October 28 and a Board vote on November 4 does not allow adequate time.

Simply put, political expediency does not translate to good policy.

PLEASE SEE THE ATTACHED LETTER FOR THE FULL TEXT.

Very truly yours,
Julie D. Soo

JULIE D. SOO, ESQ.

1200 Clayton Street, #7, San Francisco, CA 94114 • (415) 538-4429 • (415) 260-5886 (cell)
jdssfdem@yahoo.com or sooj@insurance.ca.gov

October 22, 2014

San Francisco Board of Supervisors
San Francisco City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

VIA E-MAIL

Re: "Equal Pay Ordinance" – Requiring City Contractors to Submit an Equal Pay Report and Establishing an Equal Pay Advisory Board

Dear Supervisors Avalos, Breed, Campos, Chiu, Cohen, Farrell, Kim, Mar, Tang, Wiener, and Yee:

I write to ask you to fully consider proposed ordinance 141001 on the agenda of the Neighborhood Services and Safety Committee calendar for October 23, 2014 that requires (certain) City contractors to submit an Equally Pay Report and establishes an Equal Pay Advisory Board. An ordinance of this magnitude requires careful input from stakeholders and particularly the bodies required to oversee the implementation. A potential first read before the Board on October 28 and a Board vote on November 4 does not allow adequate time.

Simply put, political expediency does not translate to good policy.

I am the immediate past president of the Commission on the Status of Women and am currently a sitting commissioner serving a second term. I write this letter as an individual and not for the entire body. However, at the Commission's meeting this evening, we voted to schedule a special meeting to discuss this proposed ordinance and to make sure that we are able to share what the Commission and the Department on the Status of Women have studied. Unfortunately, neither the Department nor the Commission was contacted prior to crafting the proposed ordinance.

Without thoughtful consideration, this ordinance as proposed has unintended consequences for those already affected by pay disparities. As president of the Commission on the Status of Women, I called for a joint meeting with the Small Business Commission that was held on April 8, 2013. That meeting highlighted that one persistent obstacle for women entrepreneurs was having affordable quality child care in the City. We have failed as a city to look at child care as means toward employment equity and equality.

From the Department on the Status of Women's biennial Gender Equity Report, small businesses and in particular, those owned by women and persons of color have a particularly difficult time contracting with the City because they run on small margins and often cannot afford to float money for as long as it takes for the City to pay its vendors. Adding additional reporting requirements on a small business can have detrimental effects on the bottom line and can affect employee salary and benefit packages and indeed, the number of employees a business can afford to employ.

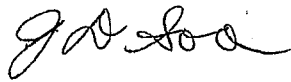
A better way of addressing pay inequities and inequality would be to work with companies to construct entire benefit packages that would include funding toward childcare and employee education, particularly in growing areas such as science, technology, engineering, and mathematics. Simply

Letter Re: Equal Pay Ordinance
October 22, 2014
Page 2

looking at increasing wages does not address a possible reduction net purchasing power. Companies can realize tax benefits from offering particular benefits whereas low wage employees may not realize benefits from deductions from a low individual tax base or worse, have benefits trimmed because of an increase, albeit minimal, in an hourly wage.

I respectfully urge all of you to look for sufficient input from the business community that is part of your constituency before moving forward with proposed ordinance 141001.

Very truly yours,



cc: Angela Calvillo, Clerk of the Board
Board.of.Supervisors@sfgov.org

From: Reports, Controller (CON) [controller.reports@sfgov.org]
Sent: Monday, October 27, 2014 11:17 AM
To: Calvillo, Angela (BOS); BOS-Supervisors; BOS-Legislative Aides; Kawa, Steve (MYR); Howard, Kate (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; CON-EVERYONE; CON-CCSF Dept Heads
Subject: Issued: Review of the Impact of the Central Market Payroll Tax Exclusion

The Controller's Office is releasing a report on the impacts of the Central Market Payroll Tax Exclusion. The report has been written pursuant to a requirement that the Controller conduct a review after three years.

In 2011, the City created a payroll tax exclusion for businesses operating in the Central Market Street / Tenderloin Area. The policy allows businesses to exclude from taxation all additional payroll above the payroll in their base year, generally either 2011 or their first year in the Area. The businesses are responsible for continuing to pay the payroll tax on their base year payroll. In 2013, 15 businesses used the exclusion, reducing their payroll tax liability by \$4.2 million in that year.

The report reviews the change in a number of economic indicators within the Area during the period that the exclusion has been in effect. To provide context, changes in the same indicators in the rest of the city, during the same period, were also calculated. Among the findings are:

- Businesses within the Area paid \$7.6 million more in payroll tax in 2013 than they did in 2010. While some increase would be expected because of the economic recovery, the Area generated \$7.1 million more in payroll tax than it would have, if it had grown at the same rate as the rest of the city from 2010 to 2013. This new revenue represents the base year payroll tax of businesses which took the exclusion, as well as the full payroll tax of businesses in the Area which did not take the exclusion. Based on average wage information for the city, this \$7.1 million in payroll represents approximately 3,000 jobs.
- Also based on payroll tax filings, there were 61 more businesses in the Area in 2013 than there were in 2010. Again, some increase would be expected, but there were 32 more than there would have been if the number of businesses in the Area grew the same rate as the rest of the city from 2010 to 2013.
- Taxable sales, which reflect the health of neighborhood-serving retail businesses, grew more slowly in the Area than the rest of the city from 2010 to 2013—a 10% increase as opposed to a 25% increase in the rest of the city. Had taxable sales in the Area grown at the same rate as the rest of the city, an additional \$90,000 in sales tax would have been generated.
- An examination of trends in commercial rent, residential asking rents, and housing values in the Area revealed that, while increases have been rapid since the exclusion took effect, similarly rapid increases were seen in the rest of the city, and there was no appreciable difference between the Area and the rest of the city in the growth of commercial and residential rents, and housing prices.

In assessing the role of the exclusion in creating these trends, the report concludes that it likely was the primary reason for the relatively greater of growth in businesses within the Area.

For the city as a whole, the net fiscal impact hinges on whether the exclusion prevented the businesses which took it from moving out of the city. To the extent that it did, the payroll tax growth within the Area represents new revenue for the City, and the foregone payroll tax from the exclusion is revenue the City would never have received, and thus the net effect would be beneficial to the City.

Conversely, to the extent that it did not retain businesses in the city, and only incentivized them to move into the Area as opposed to staying elsewhere in the city, the payroll tax growth in the Area would not represent new revenue to the City, the foregone payroll tax from the exclusion would represent a real fiscal cost, and the net fiscal impact would be negative.

The possibility that a local business tax exclusion could prevent businesses from moving out of the city is magnified by the fact that San Francisco's payroll tax includes stock-based compensation, which can be significant for young technology companies approaching an initial public offering, or other sale of stock. Every major company that used the exclusion is a relatively young technology company. It may therefore be reasonable to assume that at least some of them remained in the city because of the exclusion, but it is impossible to determine with certainty for any particular company.

Regardless of whether the exclusion created a net fiscal benefit or cost for the city as a whole, its impact on the overall city economy was likely quite limited. Depending on how many businesses were retained in the city by the exclusion, it would be responsible for between 0% to 5% of the job growth the city has seen since 2010. Moreover, it is very likely that any business that was retained in San Francisco by the exclusion would have otherwise moved to a nearby city, had it not been enacted. For this reason, the impact of that job growth on other changes in the local and regional economy, such as rising housing prices, would likely have occurred in any event.

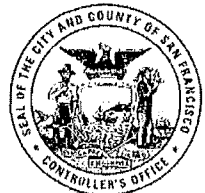
The report may be downloaded here:

<http://openbook.sfgov.org/webreports/details3.aspx?id=1845>

City and County of San Francisco

Office of the Controller - Office of Economic Analysis

Review of the Impact of the Central Market Payroll Tax Exclusion



October 27, 2014



City and County of San Francisco

Office of the Controller - Office of Economic Analysis

Review of the Impact of the Central Market Payroll Tax Exclusion

October 27, 2014

Main Conclusions

In 2011, the City created a payroll tax exclusion for businesses operating in the Central Market Street / Tenderloin Area. The policy allows businesses to exclude from taxation all additional payroll above the payroll in their base year, generally either 2011 or their first year in the Area. The businesses are responsible for continuing to pay the payroll tax on their base year payroll.

In 2013, 15 businesses used the exclusion, reducing their payroll tax liability by \$4.2 million in that year. This report was written because of a requirement in the legislation that the Controller's Office report on the effects of the exclusion after three years.

The report reviews the change in a number of economic indicators within the Area during the period that the exclusion has been in effect. To provide context, changes in the same indicators in the rest of the city, during the same period, were also calculated. Among the findings are:

- Businesses within the Area paid \$7.6 million more in payroll tax in 2013 than they did in 2010. While some increase would be expected because of the economic recovery, the Area generated \$7.1 million more in payroll tax than it would have, if it had grown at the same rate as the rest of the city from 2010 to 2013. This new revenue represents the base year payroll tax of businesses which took the exclusion, as well as the full payroll tax of businesses in the Area which did not take the exclusion. Based on average wage information for the city, this \$7.1 million in payroll represents approximately 3,000 jobs.
- Also based on payroll tax filings, there were 61 more businesses in the Area in 2013 than there were in 2010. Again, some increase would be expected, but there were 32 more than there would have been if the number of businesses in the Area grew the same rate as the rest of the city from 2010 to 2013.
- Taxable sales, which reflect the health of neighborhood-serving retail businesses, grew more slowly in the Area than the rest of the city from 2010 to 2013—a 10% increase as opposed to a 25% increase in the rest of the city. Had taxable sales in the Area grown at the same rate as the rest of the city, an additional \$90,000 in sales tax would have been generated.
- An examination of trends in commercial rent, residential asking rents, and housing values in the Area revealed that, while increases have been rapid since the exclusion took effect, similarly rapid increases were seen in the rest of the city, and there was no appreciable difference between the Area and the rest of the city in the growth of commercial and residential rents, and housing prices.

In assessing the role of the exclusion in creating these trends, the report concludes that it likely was the primary reason for the relatively greater of growth in businesses within the Area.

For the city as a whole, the net fiscal impact hinges on whether the exclusion prevented the businesses which took it from moving out of the city. To the extent that it did, the payroll tax growth within the Area represents new revenue for the City, and the foregone payroll tax from the exclusion is revenue the City would never have received, and thus the net effect would be beneficial to the City.

Conversely, to the extent that it did not retain businesses in the city, and only incentivized them to move into the Area as opposed to staying elsewhere in the city, the payroll tax growth in the Area would not represent new revenue to the City, the foregone payroll tax from the exclusion would represent a real fiscal cost, and the net fiscal impact would be negative.

The possibility that a local business tax exclusion could prevent businesses from moving out of the city is magnified by the fact that San Francisco's payroll tax includes stock-based compensation, which can be significant for young technology companies approaching an initial public offering, or other sale of stock. Every major company that used the exclusion is a relatively young technology company. It may therefore be reasonable to assume that at least some of them remained in the city because of the exclusion, but it is impossible to determine with certainty for any particular company.

Regardless of whether the exclusion created a net fiscal benefit or cost for the city as a whole, its impact on the overall city economy was likely quite limited. Depending on how many businesses were retained in the city by the exclusion, it would be responsible for between 0% to 5% of the job growth the city has seen since 2010. Moreover, it is very likely that any business that was retained in San Francisco by the exclusion would have otherwise moved to a nearby city, had it not been enacted. For this reason, the impact of that job growth on other changes in the local and regional economy, such as rising housing prices, would likely have occurred in any event.

INTRODUCTION

The Central Market Payroll Tax Exclusion

In 2011, the City created a payroll tax exclusion for businesses operating in the Central Market Street / Tenderloin Area. At that time, businesses in San Francisco with over \$250,000 in payroll paid a 1.5% tax on their payroll expense in the city.

The exclusion defined a zone, covering most of the Tenderloin and Market Street from Fifth Street to Eleventh Street. It allows a business to exclude from taxation all additional payroll above the payroll in its "base year", generally either 2011 or its first year in the Area. The business is responsible for continuing to pay the payroll tax on its base year payroll.

The exclusion thus reduces the amount of payroll that would be subject to the tax, and is effectively a tax incentive for a business to locate or remain within the Area.

The Office of Economic Analysis (OEA) has prepared this report in response to a requirement in the legislation that the Controller's Office "perform an assessment and review of the effect of the Central Market Street and Tenderloin Area payroll expense tax exclusion on the Central Market Street and Tenderloin Area."

The report has four parts. The first reviews the details of the legislation and provides a map of the Central Market Street and Tenderloin Area, as defined therein. The second reviews reports by the Offices of the Treasurer, Assessor, and City Administrator. The third presents analysis of a number of indicators of economic activity in the area. Trends within the neighborhood are compared to city-wide trends, to provide a frame of reference. The final section considers the extent to which the exclusion has had neighborhood-level and city-wide fiscal and economic impacts.

The following indicators are reviewed:

- Payroll tax
- Number of payroll tax-paying establishments
- Sales tax
- Property tax
- Transfer tax
- Commercial rent
- Residential rent
- Housing values

Details of the Legislation

The exclusion allows businesses that move into the Area to exclude any payroll within the area above a base year value. The exclusion therefore creates an incentive to add new employment in the Area, by making that the payroll on that employment tax free.

In order to qualify, a business must pre-qualify through the Office of Economic and Workforce Development, and agree to participate in the City's First Source Hiring Program. A business utilizing the exclusion that has more than \$1 million in payroll must enter into a Community Benefit Agreement (CBA) with the City Administrator.

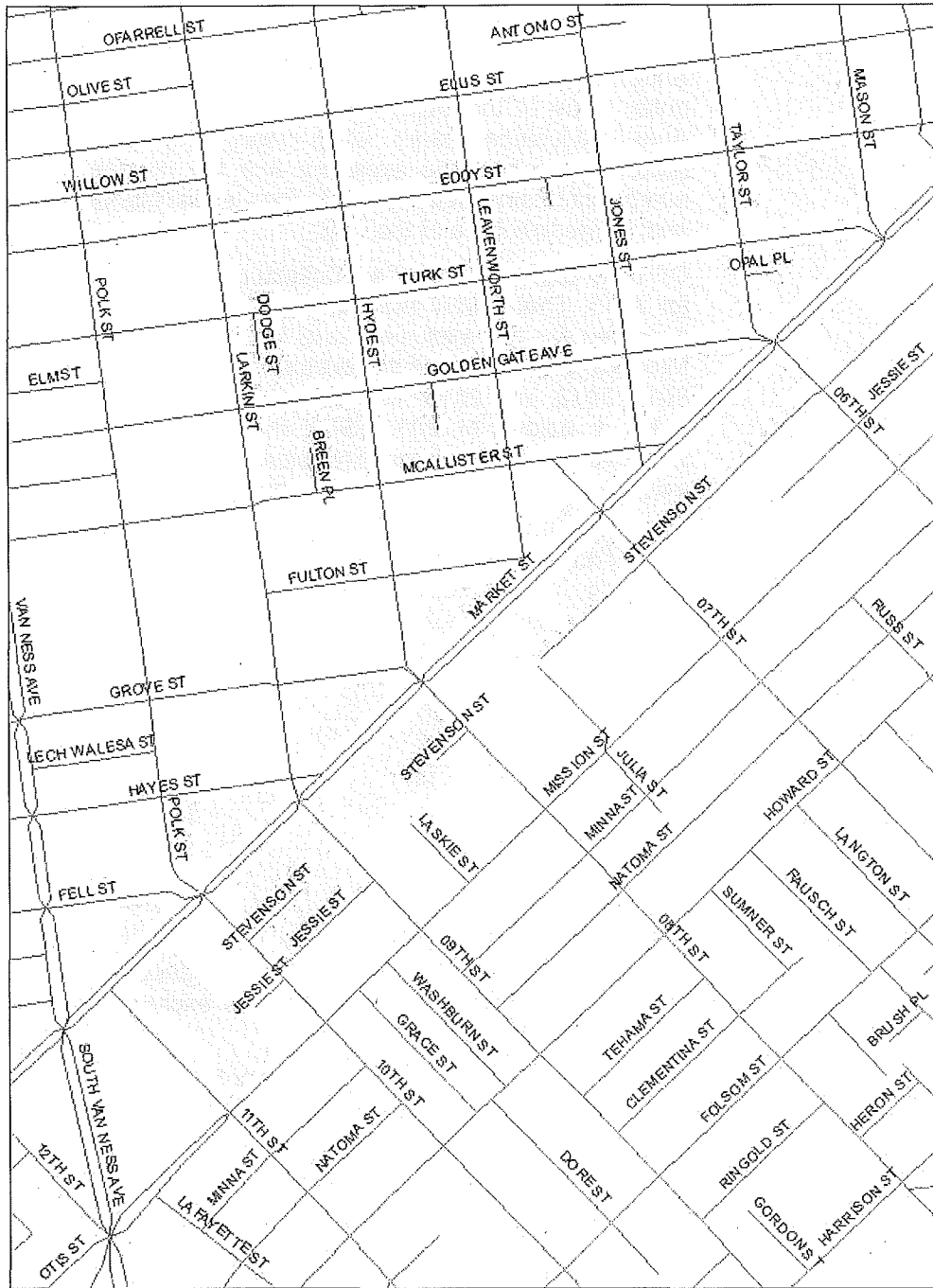
The legislation allows any company to utilize the exclusion for a maximum of six years. The legislation expires eight years after its effective date, in 2019.

The Central Market / Tenderloin Area

For the purposes of this report, the Central Market and Tenderloin Area ("the Area") is defined as the parcels shown in Figure 1. The map also includes certain large commercial properties on Market Street that are not eligible for the exclusion, namely 1145, 1155, 1275, and 1455 Market Street. These properties are also considered to be part of the Area for the purposes of the analysis in this report.

FIGURE 1

Central Market Street and Tenderloin Area



OTHER CITY REPORTS

Treasurer's Annual Reports

The legislation directs the Office of the Treasurer & Tax Collector to submit annual reports to the Board of Supervisors to provide "aggregate information on the dollar value of the Central Market Street and Tenderloin Area exclusions taken each year, the number of businesses taking the exclusion and the change in the number of businesses located in the Central Market Street and Tenderloin Area of the City."

On June 20, 2014, the Tax Collector provided his report for 2013. That report included the number of companies approved for the exclusion, and the effective payroll tax foregone as a result of the exclusion, for the three years 2011, 2012, and 2013. That information is summarized in Table 1 below. In 2013, \$4.2 million payroll tax was foregone because of the exclusion, and a total of \$6.1 million was foregone over three years.

TABLE 1		Payroll Tax Foregone as a Result of the Exclusion, 2011-2013	
Year	Businesses Approved for the Exclusion	Payroll Tax Foregone (\$ million)	
2011	2	\$0.0	
2012	14	\$1.9	
2013	11	\$4.2	

Source: Office of the Treasurer & Tax Collector

Some businesses were qualified for the exclusion for more than one year. According to the Treasurer's Office, 19 different businesses have received the exclusion at least once over the three year period.

It is likely that the amount of payroll tax foregone under the exclusion will rise when the Treasurer's report for 2014 is issued next year. Based on the Community Benefit Agreements (see Table 2 below), it is public information that the social media company Twitter utilized the exclusion in 2013. On November 7, 2013, Twitter made an initial public offering (IPO) of its stock, which valued the company at \$25 billion¹.

On May 6, 2014, the lock-up agreement that limited the ability of Twitter's insiders to sell their stock holdings to the

¹ Olivia Oran and Gerry Shih, "Twitter shares soar in frenzied NYSE debut", *Reuters*, November 7, 2013. Accessed October 22, 2014, <http://www.reuters.com/article/2013/11/07/us-twitter-ipo-idUSBRE99N1AE20131107>.

public was reported to have expired². On that date, 82% of Twitter's equity was reportedly able to be sold, and the sharp decline in the stock's price on that date suggests that some of Twitter's insiders did sell some of their holdings.

Employee gains from the sale of employer stock-based compensation are considered taxable payroll under the City's payroll tax. If Twitter were to exclude payroll expense that resulted from employees selling stock after the expiration of the lock-up agreement, it would appear as excluded payroll for 2014, not 2013, the year of the IPO. The OEA has no way of knowing how much foregone revenue this might represent, but given the size of Twitter's IPO, it could have a notable effect on the amount of foregone payroll tax reported by the Treasurer in future years.

The extent to which foregone payroll tax revenue represents an actual revenue loss to the city is an issue addressed in the concluding section of this report.

Assessor-Recorder's Reports

The legislation also directs the Office of the Assessor-Recorder to report to the Board "any identifiable increases in property value resulting from businesses' location, relocation or expansion to or within the Central Market Street and Tenderloin Area."

In August, 2014, the Assessor-Recorder submitted a report for 2013 which did not attribute any increase in secured property tax to the exclusion, as none of the businesses receiving the exclusion owned any secured property within the Area. The Assessor's report did note that the businesses receiving the exclusion paid \$855,864 in business personal property tax (on business equipment). This tax was not affected by the payroll tax exclusion.

City Administrator's Reports

The legislation also directs the Office of the City Administrator to submit an annual report to the Board that sets forth "any and all Community Benefit Agreements that have been entered into with the Office of the City Administrator of Workforce Development during that year".

The City Administrator's website lists those businesses that entered into CBAs in each year of the exclusion. Those companies are listed in Table 2 below.

² "Twitter skids nearly 18% as lock-up period expires", Reuters with CNBC.com, May 6, 2014. Accessed October 22, 2014, <http://www.cnbc.com/id/101645678>.

TABLE 2	Community Benefit Agreements Established with Businesses Receiving the Exclusion	
	Year of CBA	Business
	2012	Zendesk
	2013	21 Tech
	2013	One Kings Lane
	2013	Twitter
	2013	Yammer
	2013	Zendesk
	2013	Zoosk

Source: Office of the City Administrator

The details of the CBAs themselves are available from the website of the City Administrator³. Each of these agreements is unique and reflects an agreement between each company and the City Administrator, incorporating the feedback of a Citizen's Advisory Committee created for that purpose.

While these agreements are designed to provide tangible benefits to the Area's residents, their variety makes them difficult to evaluate as a group. Accordingly, this report makes no attempt to quantify the value of the CBAs in monetary terms.

³ The 2012 agreement can be found at <http://www.sfgsa.org/modules/showdocument.aspx?documentid=8285>. The list of 2013 agreements may be found at: <http://www.sfgsa.org/index.aspx?page=6544>.

ECONOMIC CHANGES IN THE AREA

Approach

This section reviews economic trends in the Central Market and Tenderloin area during the period the exclusion has been in effect. The section uses, to the greatest extent possible, a consistent approach to studying trends. The change in an indicator within the Area, during the exclusion period is compared to the change in the same indicator in the rest of the city, where the exclusion did not apply.

This approach can provide important context. In comparison to simply examining trends within the neighborhood, it allows a correction for both cyclical factors, such as the post-2011 economic recovery, and city-specific factors, like San Francisco's unusually rapid growth in technology industry employment, housing prices, and commercial rents. Comparing change in the Area to change in the rest of the city allows more of a focus on the effect of the exclusion alone.

The comparison is not perfect, however, because the Area is not the city in microcosm. A common approach in policy analysis is to identify a comparable area that was not subject to the policy, as a "control group", and then compare the performance of the area which received the policy (the "treatment group") to the control group. The difference in performance between the two groups can then be attributed to the policy.

We relied on the rest of the city as a control group, because it was difficult to identify a comparable neighborhood in San Francisco to the Central Market / Tenderloin Area. The area in question houses a large share of the city's non-profit social service providers. It has many low income residents, and many small retail and industrial businesses in small, older buildings. It possesses several million square feet of office space, as well as commercial storefronts along Market Street which had experienced abandonment for many years. While there are neighborhoods across San Francisco that are similar in some respects, in our opinion there is none that could serve as a basis for direct comparison.

Secondly, data limitations exist for some of the indicators we examine in this section, which inhibit a fine-grained comparison of two neighborhoods. Instead, we use the rest of the city as the control group, recognizing the limitations of the comparison, and use caution in attributing all differences to the exclusion.

Payroll Tax Revenue in the Area

Because the City levies a payroll tax against most of the larger businesses in the city, payroll tax information is a good way to assess both the economic and fiscal impacts of the exclusion on the Area and the city.

Since 2010, the Office of the Treasurer & Tax Collector has been tracking the payroll tax of businesses on an address-by-address basis. Prior to that year, payroll tax was only tracked at the level of the business as a whole, and not disaggregated to individual establishments.

The Treasurer's Office provided us with reported payroll expense paid by address, which were then associated with the Assessor's Parcel Numbers (APN) eligible for the exclusion. Businesses with less than \$250,000 of payroll are exempt from the payroll tax, and their growth is therefore not reflected in this analysis.

TABLE 3		Payroll Tax, Central Market / Tenderloin Areas and Rest of City, 2010-2013			
	2010 Payroll Tax	2013 Payroll Tax	Change, 2010-2013	% Change, 2010-2013	
Central Market / Tenderloin Area	\$1.2	\$8.8	\$7.6	648%	
Rest of City	\$337.5	\$496.6	\$159.1	47%	

Source: Office of the Treasurer & Tax Collector

Table 3 indicates that payroll tax in the Central Market and Tenderloin Area grew much more rapidly than in the City as whole: a 648% three-year increase within the area, compared to a 47% increase in the rest of the city.

Businesses in the Area paid \$7.6 million more in payroll tax in 2013 than they did in 2010. While some of this growth would be expected because the city's economic recovery, the Area generated \$7.1 million more in payroll tax revenue than it would have if it had had grown at the same rate as the rest of the city during the three years.

This growth occurred notwithstanding the fact that many of these companies used the exclusion to reduce their payroll tax. The growth consists of the base year payroll of new companies to the Area who took the exclusion, and the full growth of payroll of companies in the Area who did not take the exclusion.

**Payroll Tax-Paying
Businesses in the Area**

The payroll tax data discussed above can also be used to provide a count of businesses, as a measure of business growth in the Area during the exclusion period. Again, to provide context, the growth rate in businesses in the rest of the city are also provided in Table 4. Businesses with less than \$166,000 in payroll were not required to file a payroll tax return between 2010 and 2013, so this sample does not include those small businesses.

Table 4 indicates that the growth in businesses in the Area from 2010 to 2013 was slightly over twice the rate of growth in the rest of the city: 49% for the Area, compared with 23% for the area as a whole. The Area gained 61 businesses; 32 more than it would have if it grew at the same rate as the rest of the city.

TABLE 4		Establishments Reporting Payroll Expense, 2010 & 2013			
	2010 Businesses	2013 Businesses	Change, 2010-2013	% Change, 2010-13	
Central Market / Tenderloin Area	124	185	61	49%	
Rest of City	13,776	16,908	3,132	23%	

Source: Office of the Treasurer & Tax Collector

**Sales Tax Revenue
within the Area**

Sales tax data can provide another perspective on relative changes in business activity within the area and the rest of the city. The City's General Fund receives 1% of taxable sales at San Francisco businesses, and the Controller's sales tax database can be used to understand taxable sales trends in areas within the city. Unlike the payroll tax, sales tax is required to be remitted by any businesses with taxable sales, so even very small businesses are included in this database.

The City does not have access to taxable sales information on an address-by-address basis. We have no way to accurately attribute the sales of a multi-locational business to its various locations within the city. Accordingly, in order not to bias the results, businesses with more than one location in San Francisco were removed from this analysis. In addition, any business in the Area that remitted sales tax, but did not serve retail customers within the Area, was excluded from the sample.

Table 5 below indicates while taxable sales in the Area grew from 2010-13, it grew more slowly than the rest of the city. The Area saw 10% growth in taxable sales over the three years, compared with 25% for the rest of the city.

TABLE 5		Taxable Sales by Businesses with a Single Establishment in the City, 2010-2013 (\$ million)			
	2010 Taxable Sales	2013 Taxable Sales	Change, 2010-13	% Change, 2010-13	
Central Market / Tenderloin Area					
Tenderloin	\$32.6	\$42.3	\$9.6	30%	
Market Street	\$28.6	\$25.3	-\$3.3	-12%	
Area Total	\$61.2	\$67.6	\$6.4	10%	
Rest of City	\$7,222	\$9,019	\$1,796	25%	

Source: Board of Equalization / Muni Services LLC

Within the Area, taxable sales in the Tenderloin grew faster than the rest of the city – 30% compared to 25%. However, businesses along Market Street, taken as a whole, experienced an absolute decline in taxable sales between 2010 and 2013, despite the city's overall strong economic recovery.

The Area generated approximately \$90,000 less sales tax than it would have if its sales tax base had grown at the same rate as the rest of the city between 2010 and 2013.

Property Tax and Transfer Tax in the Area

The Controller's Office has tracked the assessed value of properties in the Area, from fiscal year 2010-11 to through fiscal year 2013-14. The assessed value for a fiscal year applies as of July 1, so the FY 2010-11 figure represents assessed property values approximately 10 months before the exclusion went into effect. The figures for fiscal year 2013-14 refer to values on July 1, 2013. General Fund property tax revenue from these properties represents a fixed percentage of their assessed value.

During the period that the exclusion has been in effect, the Area has seen the construction of several hundred new housing units. The majority of these have not been enrolled by the Assessor, meaning the lower, pre-construction assessed value of the parcel is still in effect. Several thousand units are currently under construction or in the process of securing approvals. For this reason, the property tax revenue reported here is an underestimate of the assessed value of what has already been built.

Trends in the General Fund component of the Property Tax from the Area, and the rest of the city, are shown in Table 6. It indicates that growth in property tax revenue in the Area grew at nearly the same rate as the rest of the city over the three years: 10.7% in the Area compared with 10.8% in the rest of the City.

However, the not-yet-enrolled properties are of sufficient value that if they had been included, property tax in the

Area would likely have surpassed the citywide growth rate. Given the recently-completed and in-progress construction, the Area's property tax revenue can be expected to exceed current totals in the next few years, with growth in the Area very likely to outpace the citywide average.

TABLE 6		General Fund Property Tax Revenue from the Central Market / Tenderloin Area, and the Rest of the City, FY 2010-11 and FY 2013-14 (\$ million)		
	Property Tax, FY 2010-11	Property Tax, FY 2013-14	Percent Change	
Central Market / Tenderloin Area	\$8.2	\$9.1	10.7%	
Rest of City	\$1,053.7	\$1,167.3	10.8%	

Source: Controller's Office, Office of the Assessor-Recorder

When real estate in the city is sold, the seller is responsible for paying the Real Property Transfer Tax on the sales price. The Assessor-Recorder's Office has tracked Transfer Tax revenue within the Area. Fiscal year totals are provided in Table 7, from FY 2009-10, the fiscal year before the exclusion went into effect, through FY 2013-14, which covers sales through June, 2014.

While Table 7 shows large Transfer Tax totals from the Area in FY 2010-11 and FY 2012-13, generating \$7.6 million in revenue during just those two years, it is difficult to place these revenues into context. Transfer Tax is a highly volatile revenue stream even for the city as a whole. The Area's Transfer Tax revenue has fluctuated to an even greater extent over the five years examined, and we are unable to establish a baseline level.

While there have been sizable property transactions, resulting in millions of dollars of transfer tax revenue, we cannot exclude the possibility that that at least some of this revenue would have been realized without the exclusion.

TABLE 7		Real Property Transfer Tax from the Central Market / Tenderloin Area, and the Rest of the City, FY 2009-10 to FY 2013-14				
	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	
Central Market / Tenderloin Area	\$0.0	\$3.0	\$0.7	\$4.6	\$0.0	
Rest of City	\$83.7	\$132.2	\$232.9	\$228.1	\$225.2	

Source: Office of the Assessor-Recorder

**Commercial Rents
Adjacent to the Area**

To examine trends on commercial rents, data for the Area and the City as a whole, was provided by the commercial brokerage firm Cushman & Wakefield. Cushman & Wakefield ensured that the office buildings used to define the submarket were consistent throughout the study period. Unlike the tax data, the office market data is up-to-date, and this section includes data through the third quarter of 2014.

This data is also not specifically focused on the area, but rather the Mid-Market/Civic Center sub-market as defined by Cushman and Wakefield. However, it covers all of the major office properties in the area, except government buildings that have no private sector tenants. Properties that include public and private sector office tenants are included. Very small office and retail spaces, particularly in the Tenderloin, are not included; given their size, however their inclusion would not be likely to affect the Area trend.

Table 8 below shows the 2010-2014 trend for average asking rents in the Mid-Market and the entire city, for all classes of office space combined. Both the submarket and the city experienced similar large increases in asking rent over the four-year period. The increase in the Mid-Market submarket was marginally greater: a 73% increase, compared to a 71% increase for the city as a whole.

TABLE 8

Average Asking Direct Rent per Square Foot, Mid-Market Submarket and the City as a Whole, 2010 & 2014 (All Classes)

	2010 Average Rent	2014 Average Rent	Change, 2010-14	% Change, 2010-14
Mid-Market Submarket	\$27.46	\$47.57	\$20.11	73%
Entire City	\$33.56	\$57.41	\$23.85	71%

Source: Cushman & Wakefield.

Note: 2010 totals are the averages of four quarterly figures; 2014 totals are the average of the first three quarters.

**Residential Rents
Adjacent to the Area**

The growth in business activity could affect the desirability of the Area as a residential location, as workers in the new businesses, preferring to live near their jobs, bid up residential rents and housing prices nearby.

To investigate this issue, we examined asking rents at a fixed set of apartment buildings that rented units both in 2010 and 2013. This data was provided courtesy of RealFacts, a real estate information company that tracks asking rents for vacant units at individual properties. The OEA was given access to quarterly asking rents at a consistent set of 59 residential properties across the city. The addresses of these properties are known, so it was possible to determine if they were within a $\frac{1}{4}$ mile, or $\frac{1}{2}$ mile, buffer of the Central Market / Tenderloin area. To provide context, the map of the buffers is shown in Figure 2.

FIGURE 2

Quarter-Mile and Half-Mile Buffers around the Central Market/Tenderloin Area



Data on asking rents was available from the third quarter of 2011, the first full quarter after the exclusion was passed, until the second quarter of 2014. The average increase was calculated for properties within $\frac{1}{4}$ mile of the Area, $\frac{1}{2}$ mile of the area (including those properties within $\frac{1}{4}$ mile), and in the rest of the city beyond the $\frac{1}{2}$ mile buffer around the Area.

The number of sample properties within the buffers and the rest of the city, and the growth rates of asking rents, are shown in Table 9 below.

TABLE 9**Average Increase in Asking Rents, Apartments within ¼ mile and ½ mile of the Area, and the Rest of the City, 2011Q3 – 2014Q2**

	Number of Properties	Average Rent Increase, 2011 Q3 - 2014 Q2
Within 1/4 mile	9	23%
Within 1/2 mile	14	22%
Rest of City	34	26%

Source: RealFacts LLC

Table 9 indicates that average asking rents at sample apartments within the ¼ mile and ½ mile buffers grew somewhat more slowly than asking rents in the rest of the city. Within ¼ miles of the Area, rents grew 23% over the time period. Expanding the buffer to ½ mile incorporated 5 additional properties and slightly lowered the growth in rents to 22%. However, asking rents at the 34 properties located beyond the ½ mile buffer increased by an average of 26% during the period.

Because of the small sample size, these results should be interpreted with caution. The differences in growth rates are not statistically significant. The most accurate interpretation would be that on the basis of the best evidence known to the OEA, there is no evidence that rents near the Central Market / Tenderloin Area grew faster than rents across the rest of the city, despite the growth of businesses within the Area.

Housing Values Adjacent to the Area

A second way to examine the potential effect of business growth within the Area on housing prices is to look at the for-sale market. Like apartment rents, housing prices have risen rapidly in the city since 2010.

Our data for this analysis comes from Zillow, which utilizes housing sales data to create estimates of each house's value. Zillow aggregates information into neighborhoods it has defined. The Area lies within two neighborhoods for which Zillow provides monthly average housing values: Van Ness/Civic Center, which covers the Van Ness corridor from Gough to Polk north to California St., and along with the north side of Market St. to McAllister. Zillow's South of Market neighborhood covers the south side of Market from 5th St. to the Central Freeway, following US-101 to 16th St., I-280 and Mission creek. The changes in average housing values in those two areas, compared to the rest of the city, are detailed in Table 10.

TABLE 10

**Average Housing Values in Neighborhoods
Adjacent to the Central Market / Tenderloin Area,
May 2011 – August 2014**

Central Market / Tenderloin Area	Average Value, 5/11	Average Value, 8/14	% Change, 2010-13
Van Ness/Civic Center	\$474,500	\$733,600	55%
South of Market	\$543,000	\$843,700	55%
Area Total	\$508,750	\$788,650	55%
Rest of City	\$822,526	\$1,249,924	52%

Source: Zillow

The table indicates that there was slightly greater appreciation in housing values in the neighborhoods adjacent to the exclusion area: a 55% increase since May 2011, compared with 52% for the remainder of the city.

Both the residential rent and housing value analysis suggest there was no significantly greater appreciation in housing near the Area than there was in the rest of San Francisco. This suggests that the new business growth in the Area did not lead new employees to bid up nearby housing prices faster than the citywide rate.

IMPACT OF THE EXCLUSION

Introduction

The previous section analyzed how various fiscal and economic indicators have changed in the past three years, in both the Area and the rest of city. The approach of comparing the differences in growth in same indicator in the Area and the rest of the city, before and during the exclusion, minimizes the impact of other factors.

This section assesses the extent to which the exclusion may be responsible for these trends. First, it assesses the potential role of the exclusion in creating changes within the Central Market/Tenderloin neighborhood. Then, it considers the economic and fiscal impact of the exclusion on the city as a whole.

Neighborhood Impacts

The Central Market / Tenderloin Area experienced faster growth in the number of businesses, and their payroll, than the rest of the city. In 2013, the Area had 61 more businesses filing a payroll tax return than it did in 2010: this is 32 more than would have been expected if the neighborhood had grown at the same rate as the rest of the city during the three years. By contrast, only 19 businesses have taken advantage of the exclusion in any year. This suggests that the exclusion may have had a role in making the Area more attractive as a business location—even to businesses who did not take advantage of the exclusion.

The payroll tax revenue data similarly suggests that the Central Market / Tenderloin Area grew faster than the city during the first three years of the exclusion. Of the \$7.6 million in additional payroll tax paid by businesses in the Area, \$7.1 million is above and beyond what would have been expected if the Area had grown at the same rate as the rest of the city.

There is no way to know, from the address-based payroll filings, the employment represented by this employment. Judging by the CBA reports, the major employers in the Area are in the technology industry. Based on the 2013 average annual wages for such companies in San Francisco, the \$7.1 million payroll in the Area could represent a growth of approximately 3,000 jobs, beyond what could have been expected based on citywide growth.

Since the exclusion was the primary difference between the Area and the rest of the city during the years in question, it is reasonable to attribute these differences to the exclusion.

A second notable trend in the Area is the lack of any relative housing or commercial rent inflation, relative to the rest of the city. Certainly, a 23% increase in asking rent, 55% increase in housing values, and a 73% increase in

commercial are very rapid increases to experience in only three years. They are, however, no more rapid than what was seen across the city during the same time period.

To put it another way, the Area did not become more desirable, relative to the rest of the city, to either residents or commercial tenants. Much of the growth in business was accomplished by increasing the utilization of a few long-vacant buildings, such as the old Furniture Mart at 1355 Market Street.

A third notable aspect to the impact on the neighborhood was the significantly slower growth in sales tax revenue, relative to payroll tax. This is particularly true along Market Street – in the Tenderloin, sales tax revenue did outpace the citywide growth rate during the three years. However, during the period in question, businesses along Market Street did not experience the growth in retail sales that would have been expected from the addition of several thousand new jobs, to say nothing of the hundreds of new housing units that have been constructed in the Area in the past few years.

On balance, then, at the neighborhood level, it seems reasonable to conclude that the exclusion likely encouraged the greater-than-average rate of business and employment growth within the Area since 2011. This was accomplished without increasing residential rents, housing prices, and commercial rents beyond the rates experienced citywide. However, the slow rate of sales tax growth suggests that the ripple effects of the new technology industry employment in the Area have been more limited.

Citywide Impacts

The fiscal and economic impacts of the exclusion are different when viewed from the perspective of the city as a whole. The businesses that moved into the Area from elsewhere in the city clearly increased the tax revenue that was paid from within the Area. The citywide total is not as simple to tally, however.

On one hand, if a business took the exclusion to move from to the Area from another part of the city, leaving behind vacant space in that other location, then the exclusion would simply have been a subsidy for a business to relocate. This would create a fiscal cost to the city – the excluded payroll tax – but no citywide benefit. In its 2011 report on the potential economic impact of the exclusion when it was first proposed, the OEA highlighted research on the generally poor performance of local tax incentives, for precisely the reason that they create few if any jobs on a citywide basis, and expend rather than generate tax revenue on a net basis.

On the other hand, if the exclusion prevented a business from moving outside of the city, then, by preserving the base year payroll tax, it effectively created a citywide as

well as a neighborhood fiscal benefit. Our 2011 report also highlighted the fact that the City's treatment of employee stock-based compensation as taxable payroll could create a very large local burden for a successful technology company in its IPO, potentially ranging into the tens of millions of dollars. While, in general, local taxes have been shown to have a weak impact on business location – either pro or con—San Francisco's taxation on post-IPO stock compensation is unique among cities. In our 2011 report, we investigated the relative business advantages of locating in San Francisco, and while there were several, we could find none that would outweigh a tax of tens of millions of dollars on a young business trying to attract new investors through an IPO.

Two of the companies that have received the exclusion and entered into CBAs – Twitter and Zendesk – have already had an IPO since the exclusion was passed. Every other CBA business is an early-stage technology company, potentially facing an IPO or other sale of stock in the near future. This suggests that the desire to shield post-IPO stock-based compensation from the payroll tax is likely a strong incentive to take the exclusion and locate within the Area, as no other type of larger business in the city has taken the exclusion. Consequently, it is reasonable to believe that at least some of these businesses would be at risk of leaving the city were it not for an exclusion of their stock compensation from the payroll tax.

It must be stressed, however, that not every new business in the Area has taken the exclusion. Companies such as Dolby, Square, and Uber have moved or will be moving into large office buildings in the Central Market Area that are not eligible for the exclusion, such as 1275 Market or 1455 Market⁴. The local business media referred to a "Twitter effect"⁵, because some businesses decided to locate in the Area without any tax incentive, simply to be part of the cluster of technology firms forming around Twitter, the largest technology business in the neighborhood.

This process is a second way the exclusion could create a citywide fiscal benefit. San Francisco's office space market is heavily supply-constrained. Office employment in the city increased by an average of 10,000 jobs per year between 2010 and 2013, according to Moody's Analytics. New office space in the city is capped at approximately 1 million square feet of space per year, which can accommodate somewhere between 4,000 and 6,000 jobs

⁴ J.K. Dineen, "Uber cruises into Mid-Market with headquarters lease", *San Francisco Business Times*, July 8, 2013.

⁵ Dan Schreiber, "'Twitter effect' takes hold of San Francisco's mid-Market area", *San Francisco Examiner*, September 4, 2011.

per year.

Given this demand for office space, if the exclusion, and the associated "Twitter effect", led to the full utilization of existing office space in the Central Market, it did not shift office vacancy to elsewhere in the city – it allowed the city to increase the amount of payroll-tax paying businesses, without new office construction.

Unfortunately, it is not possible to determine which specific businesses would have moved out of the city without exclusion, which only moved to the Area because of the presence of other companies, and which took the exclusion but would have remained in the city without it. For this reason, the citywide fiscal impact cannot be estimated with any confidence.

If one accepts that early-stage technology companies were at high risk of moving out of the city without the exclusion, then a positive fiscal outcome is more likely, because every CBA business fell into that category.

If, instead, one believes that businesses value a San Francisco location substantially more than one in San Mateo county, or that the technology cluster in the Central Market area would have happened naturally through pressures in the office market, notwithstanding the impact of the payroll tax, then the better assessment would be that the exclusion was subsidizing something that would have happened anyway, and the citywide fiscal impact would be negative.

Regardless of whether the exclusion was created a fiscal benefit or cost for the City, its impact on San Francisco's economy was likely quite limited. If the fiscal impact was negative, and the exclusion only encouraged the relocation of companies that would have been elsewhere in San Francisco, then the net economic impact from the citywide perspective would be negligible—simply a matter of moving jobs and spending around the city with little if any net gain.

On the other hand, if the exclusion retained every business that used it, the overall impact would still not be very large in a citywide context. As estimated above, the new payroll in the Area could represent approximately 3,000 jobs. The city as a whole has added more than 70,000 jobs, across all sectors, from 2010 to 2013⁶. Even if all of the growth in the Area represents new growth to the City, under the assumption that all of the businesses would have left without the exclusion, it would still represent less than 5% of the city's employment growth during the three years.

⁶ Employment Development Department, *Employment by Industry Data*

Moreover, if businesses had left San Francisco because of a local tax, there is no reason to believe they would uproot their labor force and leave the Bay Area. The impact of these 3,000 jobs on other aspects of the local economy, such as housing prices, would therefore have remained.

STAFF CONTACTS AND ACKNOWLEDGEMENTS

Ted Egan, Ph.D., Chief Economist

ted.egan@sfgov.org

Asim Khan, Ph.D., Principal Economist

asim.khan@sfgov.org

The authors thank Caroline Rooney of Cushman & Wakefield, Jamie Whitaker of the Controller's Office, Eddie McCaffrey of the Assessor-Recorder's Office, and Tajel Shah, Jeremy Wong, and Amanda Fried from the Treasurer & Tax Collector's Office, for providing data used in this report. The authors are solely responsible for any errors and omissions.

To: BOS-Supervisors
Subject: CSAC Finance Corporation Program Updates

From: Laura Labanieh [mailto:llabanieh@csacfinancecorp.org]
Sent: Wednesday, October 22, 2014 10:54 AM
To: Laura Labanieh
Subject: CSAC Finance Corporation Program Updates

Good Morning,

The CSAC Finance Corporation provides programs and services designed to help counties save money, increase efficiency and improve services to constituents, county employees and retirees. Over the last year and a half, we have expanded offerings under several of our existing programs and have launched new programs in an effort to provide California's Counties with increased opportunities and more relevant services. Below are a few highlights we'd like to share with you.

The first clinic in our **Onsite Employee Health Clinic Program** opened in Kings County October 1st and is estimated to save the county over \$1 million in its first year. Click [HERE](#) for a video tour of the new Kings County facility. Our Onsite Employee Health Clinic Program, operated by Medcor, saves county dollars on general health costs, employee health and productivity, occupational health and provides a valuable cost-effective benefit for employees. For more information, visit www.medcor.com/csac.

October 19-26 is National Save for Retirement week! Servicing 29 of our 58 California Counties, the **Deferred Compensation Program** offered by our partners at Nationwide Retirement Solutions provides a full-range of educational tools to help your employees plan and save for retirement. In addition to the resources available on their [website](#), Nationwide representatives meet regularly with your employees for individualized planning while the Nationwide Institute has created state-of-the-art tools - including new retiree health care and social security calculators - to help participants make the most informed choices possible when considering how to save for their retirement. In California alone, Nationwide's deferred compensation program currently serves over 55,000 employees and has almost \$2.5 billion in assets.

Our U.S. Communities **Cooperative Purchasing Program** continues to add new contracts to save your county time and money on procurement while guaranteeing best overall local government pricing. Currently, U.S. Communities has 35 supplier contracts. Our newest contracts include offender monitoring through [BI Incorporated](#); Oracle products from [DLT Solutions](#), and workforce management solutions from [Kronos](#). Pending new contract offerings include facilities maintenance outsourcing, pharmaceutical/medical products, translation services, and utility vehicles. The average California county currently utilizes only two U.S. Communities contracts. With 35 contracts available there are significant savings available to each and every county in the state! A U.S. Communities supplier summit will be held in Sacramento on November 20th and will feature 10-12 of our suppliers. If you are interested in attending please contact Jason Angel at jangel@uscommunities.org or 415.328.8109. Please visit [U.S. Communities](#) for a full listing of suppliers and contact us to discuss your current usage and ways to increase your savings.

Residential and commercial **Property Assessed Clean Energy (PACE)** programs are now being offered through the California Statewide Communities Development Authority (CSCDA) with our [CaliforniaFIRST](#) program, administered by Renewable Funding. We launched the CaliforniaFIRST program in an initial 17 counties and to-date have closed 40 transactions totaling over \$800,000 since our July launch. A statewide validation for the program is underway and expansion to all counties will be possible by January 1st. In early 2015 we will also launch a broader Open PACE program with HERO and AllianceNRG as additional administrators. Please contact us for more information on how to opt-in to our CSCDA PACE programs.

For more information on any of these programs, please contact Nancy Parrish at nparrish@csacfinancecorp.org or Laura Labanieh at llabanieh@csacfinancecorp.org.

Revenue generated by the CSAC Finance Corporation helps support CSAC's advocacy efforts on behalf of California's counties. Your usage and support of these programs offsets the cost of representing county government before the legislature and administration and keeps dues to a minimum.

Best Regards,
~Laura

Laura Labanieh
Director of Operations
CSAC Finance Corporation

(916) 650-8186
(916) 990-1975 - Cell
llabanieh@csacfinancecorp.org

Please note that my email address has been updated to llabanieh@csacfinancecorp.org

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: FW: Clean Power!

From: Rob Yung [<mailto:robbyung@sbcglobal.net>]
Sent: Monday, October 27, 2014 11:50 AM
To: Board of Supervisors (BOS)
Subject: Clean Power!

Dear Supervisors,

I am outraged that Mayor Lee has used his political influence on the SFPUC to delay the launch of CleanPowerSF. It is crucial to worldwide efforts to reverse the climate crisis that San Francisco take a strong lead in local clean energy installation and green jobs as quickly as possible.

Please use your authority over CleanPowerSF, as granted to county boards and city councils by the State legislature, to begin the program immediately.

Also, please make sure that CleanPowerSF will run San Francisco on 50% locally generated clean electricity within the next decade, so that the program will deliver legitimate climate benefits and thousands of local jobs.

Thank You,

Rob Yung
219 Edna SF CA 94112

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: demand for an apology

From: Allen Jones [<mailto:jones-allen@att.net>]
Sent: Friday, October 24, 2014 9:36 PM
To: Chiu, David (BOS); Board of Supervisors (BOS); Breed, London (BOS); Cohen, Malia (BOS); hknight@sfchronicle.com;
Matier and Ross column
Subject: demand for an apology

Supervisor David Chiu,

I am outraged but not surprised to hear that you have demanded and received an apology this week from the tour guide for her racist rant. I am also laughing at your blatant hypocrisy.

I have been trying to get you and your colleagues to look at your own hypocrisy dealing with racism and I got nothing.

What are the chances I and the city employee would get an apology from you, for your continued support of a city employee who cost the city \$210,000.00 for racist acts?

Click on link:

[Theresa Sparks cost the city \\$210,000 for discriminating against a now former Black male staffer.](#)

The City stands in support of this person by the mere fact that she has had two SF Human Rights Commission performance reviews and this issue is not even given as much as a slap on the wrist.

(Click on link) [Executive Director Theresa Sparks.](#)

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--

File 141109

From: Board of Supervisors (BOS)
To: BOS-Supervisors
Subject: File 141109 FW: Upcomming legislation

From: Dennis Hong [<mailto:dennisj.gov88@yahoo.com>]
Sent: Thursday, October 23, 2014 9:14 PM
To: Kim, Jane (BOS); londond.breed@sfgov.org; Cohen, Malia (BOS); Tang, Katy (BOS)
Cc: Board of Supervisors (BOS); Lee, Mayor (MYR)
Subject: Upcomming legislation

Good evening Honorable Mayor Edwin Lee and members of the S.F. Board of Supervisors,

My name is Dennis Hong, and I am here to support this new legislation for a new review panel and to follow-up any questions you might have. I would like all of your votes and support for BOS members; Miss Jane Kim, Miss. London Breed, Miss. Katy Tang and Miss Malia Cohen - to pass a resolution for the "reconvening of the city's domestic violence fatality review panel". We have had too many of these cases lately. I really believe you and this Panel could make a difference toward this issue.

If you have any questions, call me at 415.239.5867 or send a quick note to dennisj.gov88@yahoo.com.

All the Best,
Dennis Hong
dennisj.gov88@yahoo.com
415.239.5867