

FILE NO. 160398

Petitions and Communications received from May 9, 2016, through May 16, 2016, for reference by the President to Committee considering related matters, or to be ordered filed by the Clerk on May 24, 2016.

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 Capital Planning Committee, submitting two action items to be considered by the Board of Supervisors as part of the FY 2016-17 and FY 2017-18 Capital Budget. Copy: Each Supervisor. (1)

From Office of the Controller, submitting FY 2015-16 Nine-Month Budget Status Report. Copy: Each Supervisor. (2)

From Office of the Mayor, submitting State Legislation Committee Bill Positions for the May 11, 2016 meeting and State Legislation Committee Minutes for the April 18, 2016 Committee Meeting. Copy: Each Supervisor. (3)

From Office of Economic and Workforce Development, submitting memberships for FY 2016-17. Copy: Each Supervisor. (4)

From Capital Planning Committee, regarding approval of the Library Department Capital Budget for FY 2016-17 and FY 2017-18. Copy: Each Supervisor. (5)

From California High Speed Rail Authority, regarding dates for upcoming Environmental Scoping meetings. Copy: Each Supervisor. (6)

From Thomas Meyer, regarding solutions to litter and graffiti problem and the homeless problem. Copy: Each Supervisor. (7)

From concerned citizens, regarding liquor license for Duc Loi. 2 letters. File No. 160098. Copy: Each Supervisor. (8)

From Dale Rogers, regarding ordinance designating tree at 46A Cook Street as a landmark tree. File No. 160320. Copy: Each Supervisor. (9)

From Linda Arinna Weisman, regarding proposed legislation on Due Process. File No. 160022. Copy: Each Supervisor. (10)

From Taraval Parkside Merchants Association, regarding proposed L-Taraval Rapid project. Copy: Each Supervisor. (11)

From Corey Urban, regarding petitions for proposed Geary Bus Rapid project. Copy: Each Supervisor. (12)

From West Area California Public Utilities Commission, regarding notification of filing for various Verizon Wireless facilities. Copy: Each Supervisor. (13)

From Pacific Heights Residents Association, regarding Formula Retail in Polk Street Neighborhood Commercial District. File No. 160102. Copy: Each Supervisor. (14)

From Mitchell Near, regarding Vision Zero Technology for City Drivers. Copy: Each Supervisor. (15)

From concerned citizens, submitting signatures for petition titled "Turn the Beast on Bryant Into a Beauty on Bryant." 88th signer. Copy: Each Supervisor. (16)

From Lisa Dunseth, regarding land marking of two buildings at 35 and 45 Onondaga Avenue. File No. 160293. Copy: Each Supervisor. (17)

From Martin Lyon, regarding renaming of San Francisco Municipal Transportation Agency. (18)



Capital Planning Committee

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Clerk
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Naomi M. Kelly, City Administrator, Chair

MEMORANDUM

May 9, 2016

To: Supervisor London Breed, Board President *N Kelly*

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

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2016 MAY 13 AM 10:16
AK

Regarding: (1) Approval of San Francisco Municipal Transportation Agency revenue bonds for issuance as part of the Fiscal Years 2016-17 & 2017-18 Capital Budget; and (2) Approval of the General Fund Department Capital Budget for Fiscal Years 2016-17 & 2017-18.

In accordance with Section 3.21 of the Administrative Code, on May 9, 2016, 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 San Francisco Municipal Transportation Agency revenue bonds for issuance as part of the Fiscal Years 2016-17 & 2017-18 Capital Budget in the amount not to exceed \$207,000,000.**

Recommendation: Recommend the Board of Supervisors approve the revenue bonds as part of the SFMTA's 2-year Capital Budget.

Comments: The CPC recommends approval of these items by a vote of 11-0; Approved on May 9, 2016.

Committee members or representatives in favor include: Ken Bukowski, City Administrator's Office; Conor Johnston, Board President's Office; Nadia Sesay, Controller's Office; Ed Reiskin, SFMTA; Julia Dawson, Department of Public Works; Kathy How, SFPUC; John Rahaim, Director, Planning Department; Chris Simi, Mayor's Budget Office; Ivar Satero, Director, San Francisco International Airport; Phil Ginsburg, General Manager, Recreation and Parks

Department; and Elaine Forbes, Interim Director, Port of San Francisco.

2. Board File Number: TBD

Approval of the General Fund Capital Budget for Fiscal Years 2016-17 & 2017-18 in the amount not to exceed \$416,000,000.

Recommendation:

Recommend the Board of Supervisors approve the Fiscal Years 2016-17 & 2017-18 General Fund Capital Budget.

Comments:

The CPC recommends approval of this item by a vote of 11-0; Approved on May 9, 2016.

Associated with this approval was a discrete motion regarding the Department of Technology's Broadband Connectivity Planning budget line item. In light of the aggressive spending schedule assumed by that project and the many immediate but unfunded needs identified in the budget development process, CPC members recommended that the funds for this project be structured in such a way to enable the Department of Technology to spend down funds as timely as possible. There was a motion to modify the Broadband Connectivity Planning Project to Connectivity and Fiber and to modify the project description to include expanding fiber to city buildings and improving broadband infrastructure at the Housing Authority. Furthermore, the \$2,000,000 for this Connectivity item would be placed on Mayor Reserve with the understanding that the Department of Technology would report back to the CPC on project and expenditure progress at the end of the calendar year. This motion passed 11-0.

Committee members or representatives in favor of both budget-related votes include: Naomi Kelly, City Administrator; Conor Johnston, Board President's Office; Nadia Sesay, Controller's Office; Ed Reiskin, SFMTA; Mohammed Nuru, Director, Public Works; Kathy How, SFPUC; John Rahaim, Director, Planning Department; Melissa Whitehouse, Interim Director, Mayor's Budget Office; Ivar Satero, Director, San Francisco International Airport; Phil Ginsburg, General Manager, Recreation and Parks Department; and Elaine Forbes, Interim Director, Port of San Francisco.

From: Reports, Controller (CON)
Sent: Monday, May 09, 2016 3:25 PM
To: Calvillo, Angela (BOS); BOS-Supervisors; BOS-Legislative Aides; Gosiengfiao, Rachel (BOS); Kawa, Steve (MYR); Leung, Sally (MYR); Howard, Kate (MYR); Tucker, John (MYR); Falvey, Christine (MYR); Tsang, Francis; Elliott, Jason (MYR); Steeves, Asja (CON); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); SF Docs (LIB); CON-EVERYONE; CON-Finance Officers; MYR-ALL Department Heads
Subject: Issued: Controller's Office Report: Nine-Month Budget Status Report

Overall revenue growth and expenditure savings will result in a projected current year ending balance of \$397.8 million, of which \$194.1 million has been appropriated in the FY 2016-17 budget. The drivers of increased fund balance are tax revenue growth above budgeted levels and expenditure savings in the Human Services Agency, Department of Public Health, and citywide labor costs. This represents a net improvement to current year fund balance of approximately \$72.9 million versus the \$324.9 million projected in the March 22, 2016 Joint Report Update of the Five Year Financial Plan.

Please see <http://openbook.sfgov.org/webreports/details3.aspx?id=2299> to view the full report.

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City and County of San Francisco

Office of the Controller

FY 2015-16 Nine-Month Budget Status Report



May 9, 2016



City and County of San Francisco

Office of the Controller

FY 2015-16 Nine-Month Budget Status Report

May 9, 2016

Summary

The Controller's Office provides periodic budget status updates to the City's policy makers during the course of each fiscal year, as directed by Charter Section 3.105. This report provides expenditure and revenue information and projections as of March 31, 2016, incorporating more current information up to the date of publication as available. Report highlights include:

- Overall revenue growth and expenditure savings will result in a projected current year ending balance of \$397.8 million, of which \$194.1 million has been appropriated in the FY 2016-17 budget. The drivers of increased fund balance are tax revenue growth above budgeted levels and expenditure savings in the Human Services Agency, Department of Public Health, and citywide labor costs. This represents a net improvement to current year fund balance of approximately \$72.9 million versus the \$324.9 million projected in the March 22, 2016 Joint Report Update of the Five Year Financial Plan.
- The Joint Report Update projected shortfalls of \$85.5 million in FY 2016-17 and an additional \$75.3 million in FY 2017-18, for a cumulative total of \$246.3 million over the two years. Application of this additional current year fund balance will reduce the shortfall to \$173.4 million.
- There is currently no projected deposit to the Rainy Day Reserve. There is a projected deposit of \$9.4 million to the Budget Stabilization Reserve, \$10.1 million less than the \$19.4 million deposit anticipated in the budget, due to higher than anticipated FY 2014-15 real property transfer tax results increasing the five-year average deposit threshold and a shortfall in projected current year revenue. Economic reserves, including the Budget Stabilization Reserve and the City's portion of the Rainy Day Reserve, are projected to total \$256.6 million at year-end, or 5.9% of General Fund revenues. The City's target for economic reserves is 10% of General Fund revenues.

Economic growth is also contributing to increased fund balances at several of the City's enterprises, including the Airport, Port, Building Inspection and Municipal Transportation Agency (MTA), as described in Appendix 4. The exception to this trend is the Public Utilities Commission (PUC), where water and wastewater enterprise ending balances are expected to decrease slightly as expenditure savings in debt service, power generation and transmission, project closeouts, and other operating savings are not enough to offset revenue weakness.

Table 1. FY 2015-16 Projected General Fund Variances to Budget (\$ Millions)

A. FY 2015-16 Starting Balance	
FY 2014-15 Ending Fund Balance	\$ 390.8
Appropriation in the FY 2015-16 Budget	(180.2)
Subtotal Starting Balance	210.6
B. Current Year Revenues and Expenditures	
Citywide Revenue Surplus	106.2
Baseline Contributions	(13.4)
Departmental Operations	106.4
Approved & Pending Supplemental Appropriations	(9.7)
Projected Use of General Reserve	9.7
Subtotal Current Year Revenues and Expenditures	199.3
C. Withdrawals from / (Deposits) to Reserves	(12.1)
D. FY 2015-16 Projected Ending Balance	397.8
Previous Projected Ending Balance - March 2016 Joint Report	324.9
E. Improvement from Last Projection	72.9

A. General Fund Starting Balance

The budget appropriated \$180.2 million in FY 2015-16 and \$194.1 million in FY 2016-17. The General Fund available fund balance at the end of FY 2014-15 was \$390.8 million, or \$16.6 million more than was appropriated.

B. Current Year Revenues and Expenditures

Citywide Revenue Surplus

As shown in Table 2, citywide revenues have improved by \$106.2 million compared to revised budget, primarily due to increased property tax revenue from expected supplemental and escape property tax assessments, as described in Appendix 1, and business taxes above projection due to stronger than anticipated private payroll growth. Approximately \$10.8 million of the increase in property tax is due to the end of the state's use of one quarter of the local sales tax share to pay for economic recovery bonds (i.e. the Triple Flip), which is offset by an equivalent decline in sales tax. Fines and settlements are projected to end \$10.6 million above budget due to a \$5.1 million increase from budget in payments related to the sale of Jessie

Square Garage and \$3.0 million in unbudgeted revenue from unclaimed parking fine overpayments being recognized in the General Fund.

Table 2. General Fund Citywide Revenues Variances to Budget (\$ Millions)

	Revised Budget	6-Month Projection	9-Month Projection	Surplus (Shortfall)
Property Taxes	1,291.0	1,360.0	1,374.0	83.0
Business Taxes	634.5	631.1	654.7	20.2
Sales Tax - Local 1% and Public Safety	270.9	254.3	264.6	(6.3)
Hotel Room Tax	384.1	389.2	387.1	3.0
Utility User & Access Line Taxes	139.1	136.2	138.3	(0.8)
Parking Tax	89.7	90.7	90.7	1.0
Real Property Transfer Tax	275.3	275.3	256.0	(19.3)
Interest Income	10.7	12.0	12.7	2.0
1991 and Public Safety Realignment	205.8	211.3	212.2	6.4
Motor Vehicle In-Lieu	-	0.6	0.6	0.6
Franchise Taxes	16.8	16.7	16.7	(0.1)
Fines, Settlements, & Other Revenue	28.2	30.6	38.8	10.6
State - Other	-	0.6	4.7	4.7
Airport Transfer-In	40.8	41.7	41.9	1.1
Total Citywide Revenues	3,386.9	3,450.3	3,493.1	106.2

Baseline Contributions

Table 3 shows that due to changes in discretionary revenues, projections for baseline and parking tax in-lieu transfers to the MTA, Public Library and Public Education Enrichment Fund are increased by a net \$13.4 million compared to budget. The estimated transfer to the Public Library is net of a projected \$1.5 million return of surplus funds to the General Fund from the Library.

Table 3. General Fund Baseline and In-Lieu Transfers (\$ Millions)

	Revised Budget	6-Month Projection	9-Month Projection	Variance
Aggregate Discretionary Revenues (ADR)	2,958.4	3,012.4	3,051.0	92.7
MTA Baseline 9.2% ADR	272.0	277.1	280.5	8.5
MTA Population Change Baseline	25.9	27.7	27.7	1.8
Library Baseline 2.3% ADR	67.6	68.9	68.2	0.6
Public Education Fund Baseline 0.3% ADR	4.3	4.4	4.4	0.1
Total Baseline Transfers	369.8	378.1	380.8	11.1
80% Parking Tax in Lieu Transfer to MTA	74.2	75.6	76.5	2.3
Total Baselines and In-Lieu Transfers	443.9	453.7	457.3	13.4

Departmental Operations

The Controller's Office projects a net departmental operations surplus of \$106.4 million summarized in Table 4 below and further detailed and discussed in Appendix 2.

Table 4. FY 2015-16 Departmental Operating Summary (\$ Millions)

	Revenue Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Shortfall)
Net Shortfall Departments			
City Attorney	(0.5)	0.1	(0.4)
Police	(0.4)	-	(0.4)
Subtotal Departments with Net Deficits	\$ (0.9)	\$ 0.1	\$ (0.7)
Net Surplus Departments			
Public Health	(30.3)	85.7	55.4
Human Services	(1.3)	20.3	19.0
General City Responsibility	-	13.5	13.5
Public Works	5.2	-	5.2
City Administrator	0.4	3.5	3.8
City Planning	2.5	-	2.5
Recreation and Parks	1.3	-	1.3
Emergency Management	-	1.1	1.1
Adult Probation	0.2	0.7	0.9
Other Net Surplus	(1.6)	6.2	4.5
Subtotal Departments with Net Surplus	\$ (23.7)	\$ 130.9	\$ 107.2
Total	\$ (24.6)	\$ 131.1	\$ 106.4

Approved and Pending Supplemental Appropriations – Projected Use of General Reserve

A supplemental appropriation for the Department of Emergency Management, the Department of Public Health, Police Department, Fire Department, Sheriff and the Public Utilities Commission to shift funding from permanent salaries to cover over-expenditures in overtime, pursuant to San Francisco Administrative Code Section 3.17, is pending at the Board of Supervisors.

To date, three supplemental appropriations using the General Reserve have been finally approved, including \$0.1 million to the Mayor's Office of Economic and Workforce Development (OEWD) for the Super Bowl 50 Impact Fund, \$0.3 million to OEWD for Legacy Business Program implementation, and \$2.5 million to the Recreation and Parks Department for capital improvements to the Geneva Car Barn. An allocation of \$0.6 million has been made to the Ethics Department to implement the requirements of Proposition C, approved in November 2015, to expand, develop and maintain software for lobbyist tracking and reporting.

Additional uses of \$6.2 million are pending approval. Our projection assumes these supplemental appropriations will be approved by the Board of Supervisors, for total uses of \$9.7 million as shown in Table 5 below and reflected in section B of Table 1 above. These uses will

result in a projected ending balance of \$63.7 million, which will be carried forward to FY 2016-17. The approved budget includes a \$12.0 million deposit to the reserve in FY 2016-17, which will have to be increased by the \$9.7 million in current year uses.

Table 5. FY 2015-16 Uses of General Reserve (\$ Millions)

Department	Status	(\$ millions)
Economic Development - Super Bowl 50 Impact Fund	Approved	0.1
Economic Development - Legacy Business	Approved	0.3
Recreation & Parks - Geneva Car Barn	Approved	2.5
Ethics - Lobbyists, Proposition C	Approved	0.6
Public Works - Pit Stop Staffing	Pending	0.2
Public Health - 35-45 Onondaga	Pending	2.5
MTA - Tow fee subsidy	Pending	3.5
Uses of General Reserve		\$ 9.7

C. Withdrawals from / Deposits to Reserves

A total of \$31.5 million is projected to be deposited into reserves, or \$12.1 million more than budgeted, including \$9.4 million to the Budget Stabilization Reserve due to Real Property Transfer Tax revenue above the five-year average, \$20.8 million to the Citywide Budget Savings Incentive Reserve due to projected departmental expenditure savings, and \$1.3 million to the Recreation and Park Savings Incentive Reserve due to surplus revenue. There are no projected deposits to the Rainy Day Reserves at this time. A discussion of the status of reserves is included in Appendix 3.

D. Projected Ending Fund Balance: \$397.8 Million

Based on the above assumptions and projections, this report anticipates an ending available General Fund balance for FY 2015-16 of \$397.8 million.

E. Improvement versus Last Projection: \$72.9 Million

The projected ending fund balance of \$39 million is \$72.9 million higher than the March 2016 Five Year Financial Plan Update fund balance projection of \$324.9 million.

F. Other Funds

Special revenue funds are used for departmental activities that have dedicated revenue sources or legislative requirements that mandate the use of segregated accounts outside the General Fund. Some of these special revenue funds receive General Fund baseline transfers and other subsidies.

Enterprise funds are used primarily for self-supporting agencies, including the Airport, Public Utilities Commission and the Port. The Municipal Transportation Agency receives a significant General Fund subsidy.

Projected General Fund Support requirements for these funds are included in the department budget projections in Appendix 2. Appendix 4 provides a table of selected special revenue and enterprise fund projections and a discussion of their operations.

G. Projection Uncertainty Remains

Projection uncertainties include:

- The potential for continued fluctuations in general tax revenues, particularly in transfer tax and business taxes, given the length of the current economic expansion.
- Public Health revenue volatility as a result of Affordable Care Act (ACA) implementation, and negotiations between the state and counties on the new five year Medi-Cal Waiver (“1115 Waiver”) to be effective through FY 2019-20. The Controller’s Office will continue to work with Public Health staff to update projections.

H. Nine-Month Overtime Report

Administrative Code Section 18.13-1 requires the Controller to submit overtime reports to the Board of Supervisors at the time of the Six-Month and Nine-Month Budget Status Reports, and annually. Appendix 5 presents budgeted, actual, and projected overtime.

I. Appendices

1. General Fund Revenues and Transfers In
2. General Fund Department Budget Projections
3. Status of Reserves
4. Other Funds Highlights
5. Overtime Report

Appendix 1. General Fund Revenues and Transfers In

As shown in Table A1-1, total General Fund revenues are projected to be \$121.5 million above revised budget. Of this total, \$106.2 million is due to improvements in citywide revenue as discussed in this Appendix 1.

The FY 2015-16 budget assumed slowing growth in tax revenues throughout the fiscal year. Property taxes are expected to exceed budgeted amounts in part due to increases in supplemental and escape revenue. Approximately \$10.8 million of the increase in property tax is due to the end of the state's use of one quarter of the local sales tax share to pay for economic recovery bonds (i.e. the Triple Flip), which is offset by an equivalent decline in sales tax. Business taxes are also projected to be above budget reflecting continued strong employment and wage growth in the City. Gains in property and business tax revenues are partially offset by reductions to projected property transfer taxes, telephone utility user taxes, and access line taxes. Selected citywide revenues are discussed below.

Table A1-1: Detail of General Fund Revenue and Transfers In

GENERAL FUND (\$ Millions)	FY 2014-15			FY 2015-16		
	Year End Actual	Original Budget	Revised Budget	6-Month Projection	9-Month Projection	Surplus/ (Shortfall)
PROPERTY TAXES	\$ 1,272.6	\$ 1,291.0	\$ 1,291.0	\$ 1,360.0	\$ 1,374.0	\$ 83.0
BUSINESS TAXES	609.6	634.5	634.5	631.1	654.7	20.2
OTHER LOCAL TAXES						
Sales Tax	140.1	172.9	172.9	157.9	166.5	(6.5)
Hotel Room Tax	394.3	384.1	384.1	389.2	387.1	3.0
Utility Users Tax	99.0	93.6	93.6	91.5	92.6	(0.9)
Parking Tax	87.2	89.7	89.7	90.7	90.7	1.0
Real Property Transfer Tax	314.6	275.3	275.3	275.3	256.0	(19.3)
Stadium Admission Tax	1.3	1.4	1.4	1.4	1.4	0.0
Access Line Tax	48.9	45.6	45.6	44.7	45.7	0.1
Total Other Local Taxes	1085.4	1062.5	1062.5	1050.6	1040.0	(22.6)
LICENSES, PERMITS & FRANCHISES						
Licenses & Permits	11.3	10.4	10.4	10.4	10.4	-
Franchise Tax	16.5	16.8	16.8	16.7	16.7	(0.1)
Total Licenses, Permits & Franchises	27.8	27.2	27.2	27.1	27.1	(0.1)
FINES, FORFEITURES & PENALTIES	6.4	4.6	4.5	4.6	7.8	3.2
INTEREST & INVESTMENT INCOME	11.7	10.7	10.7	12.0	12.7	2.0
RENTS & CONCESSIONS						
Garages - Rec/Park	11.9	9.0	9.0	9.0	9.9	1.0
Rents and Concessions - Rec/Park	9.6	6.0	6.0	6.0	6.0	-
Other Rents and Concessions	3.0	0.5	0.5	0.5	1.7	1.2
Total Rents and Concessions	24.5	15.4	15.4	15.4	17.6	2.2
INTERGOVERNMENTAL REVENUES						
Federal Government						
Social Service Subventions	234.9	240.7	244.1	237.1	239.9	(4.1)
Other Grants & Subventions	-9.0	2.2	2.2	2.2	2.2	-
Total Federal Subventions	225.9	242.9	246.2	239.3	242.1	(4.1)
State Government						
Social Service Subventions	194.4	211.1	212.2	203.1	213.5	1.3
Health & Welfare Realignment - Sales Tax	129.8	137.7	137.7	138.8	138.2	0.5
Health & Welfare Realignment - VLF	27.6	31.8	31.8	34.6	34.6	2.9
Health & Welfare Realignment - CalWORKs MOE	14.9	25.4	25.4	23.3	23.2	(2.2)
Health/Mental Health Subventions	73.2	102.2	102.2	110.6	112.1	9.9
Public Safety Sales Tax	94.0	98.0	98.0	96.4	98.1	0.1
Motor Vehicle In-Lieu	0.6	-	-	0.6	0.6	0.6
Public Safety Realignment (AB109)	32.1	36.4	36.4	37.9	39.4	3.1
Other Grants & Subventions	40.8	15.1	15.1	19.2	23.2	8.1
Total State Grants and Subventions	607.3	657.6	658.7	664.5	683.0	24.2
Other Regional Government						
Redevelopment Agency	3.2	3.7	3.8	3.4	3.2	(0.5)
CHARGES FOR SERVICES:						
General Government Service Charges	54.5	56.0	56.2	60.7	61.3	5.1
Public Safety Service Charges	38.4	36.3	39.5	36.3	39.6	0.1
Recreation Charges - Rec/Park	20.9	18.8	18.8	18.8	19.1	0.3
MediCal, MediCare & Health Service Charges	78.4	78.2	78.2	74.3	78.9	0.8
Other Service Charges	18.4	16.5	16.5	16.5	16.5	-
Total Charges for Services	210.6	205.8	209.3	206.5	215.6	6.3
RECOVERY OF GEN. GOV'T. COSTS	5.8	9.7	9.7	9.7	9.7	-
OTHER REVENUES	8.4	32.0	32.0	30.9	36.0	4.0
TOTAL REVENUES	4,099.1	4,197.5	4,205.6	4,255.2	4,323.5	117.9
TRANSFERS INTO GENERAL FUND:						
Airport	40.5	40.8	40.8	41.7	41.9	1.1
Other Transfers	121.6	165.9	173.9	168.4	176.4	2.5
Total Transfers-In	162.1	206.8	214.8	210.1	218.4	3.6
TOTAL GENERAL FUND RESOURCES	\$ 4,261.2	\$ 4,404.3	\$ 4,420.4	\$ 4,465.3	\$ 4,541.9	\$ 121.5

Property Tax revenue in the General Fund is projected to be \$83.0 million (6.4%) above budget and \$101.4 million (8.0%) over prior year actual revenue. Approximately \$34.4 million of the improvement is due to increases in expected supplemental and escape property tax assessments. Reduced need to fund the Assessment Appeals Reserve results in an additional \$15.0 million in expected revenue, and actual growth in the secured assessment roll increases revenue by \$12.5 million. As the secured assessment roll grows, it affects the Vehicle License Fee (VLF) backfill component, increasing projected revenue by \$2.8 million. Actual growth in the unsecured assessment roll increases revenue by a projected \$4.4 million. Updated estimates of tax penalties and redevelopment project area statutory pass-throughs result in \$3.2 million. The remaining \$10.8 million difference from budget reflects an expected shift from revenue budgeted as sales tax that will be realized as property tax, due to changes in the implementation of the sales tax in-lieu (Triple Flip) expiration. Property tax set asides to special revenue funds are increased by \$9.3 million, as shown below.

Property Tax Set Asides

	Original Budget	6-Month Projection	9-Month Projection	Variance
Children's Fund	59.9	62.9	63.6	3.7
Open Space Fund	46.1	48.4	48.9	2.8
Library Preservation Fund	46.1	48.4	48.9	2.8
Total	152.1	159.6	161.5	9.3

Business Tax revenues in the General Fund include business registration fees, payroll taxes, gross receipts taxes and administrative office taxes. Business tax revenue is projected to be \$20.2 million (3.2%) above budget, and \$45.1 million (7.4%) over prior year actual revenues. The projected growth in business tax revenues is expected to be supported by strong growth in wages and employment in San Francisco continued from last fiscal year. In FY 2014-15, the Bureau of Labor Statistics reported 5.6% growth in employment and 13.5% wage growth over the previous fiscal year.

The City began phasing out its payroll tax in the last half of FY 2013-14 while phasing in a gross receipts tax. The first nine months of FY 2015-16 saw an increase in payroll tax collections despite a lower tax rate. This growth is mostly due to stronger than expected growth in employment and wages. In addition, there were large increases in gross receipts collections, which are mostly due to the increase in the gross receipts tax rate. However, total business tax growth has been largely offset by tax refunds from prior year tax filings. The increase in tax refunds is a result of taxpayers overpaying on the new tax structure during the prior fiscal year in order to avoid penalties from underpaying.

Business registration revenues are projected to be \$8.7 million (19.6%) below budget and \$2.2 million (4.4%) greater than FY 2014-15 actual revenues. At the time the budget was prepared, business registration tax renewal payments for FY 2014-15 had not been completed. Revenue from prior years collected in June and July, 2015, came in significantly lower than expected, reducing base expectations for business registration tax collections in FY 2015-16. This reduction in base is a result of business registration tax shifting from a payroll-based schedule to a gross receipts-based schedule beginning in FY 2014-15.

Local Sales Tax revenues are projected to be \$6.5 million (3.7%) below budget, and \$26.3 million (18.8%) over prior year actual revenues. This represents a \$8.6 million (5.4%) increase from the six-month projection primarily due to the increase in projected impact from the Triple Flip unwinding, from \$12.2 million to \$23.8 million, slightly higher than assumed in FY2015-16 budget. This increase is partially offset by the reduction in underlying growth assumption from 4% to 1.8% after adjusting for the conclusion of the Triple Flip. Average growth in FY 2015-16 through the March allocation is 0.6% over the same period prior year mainly due to lower fuel prices and several large one-time reallocations. However, growth is projected at 3.0% in the remaining quarters due to continuing strength in the local economy.

Any change in state and federal law on sales tax allocation for online sales and order fulfillment strategies of online retailers may significantly affect sales tax projections.

Hotel Room Tax revenues are projected to be \$3.0 million (0.8%) above budget and \$7.1 million (1.8%) below prior year actual revenues. The increase over budget is due to strong collections growth in the nine months of the fiscal year and continued increases in average room rates. The projected increase is inclusive of an estimated \$6.2 million in receipts from Super Bowl-related activities. The decrease in actuals from prior year is a result of large changes to litigation-related deferrals and prior year payments. On a cash basis, continued growth over prior year revenue is expected to be strong, if slightly lower than in previous years, at 7.5%.

The average monthly increase in Revenue per Available Room (RevPAR), which is the combined effect of occupancy, average daily room rates, and room supply, during the first eight months of FY 2015-16 was approximately 7.0% over the same period prior year. In October 2015, room rates reached an all-time high, averaging \$315 per night, a 5% increase from October 2014.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. Final year-end revenue will be either greater or less than our projection depending on developments with these lawsuits.

Utility Users Tax revenues are projected to be \$0.9 million (1.0%) below budget and \$6.3 million (6.4%) below prior year actual revenues. The expected decline from budget and prior year actual revenue is due in part to lower than expected collections in the first half of the fiscal year, partly due to new filing forms that split out the telephone users tax from gas and electric utility users tax. A large number of filers have been filing incorrectly, and the Tax Collector cannot recognize revenues from incorrectly filed returns. While it is expected that the City will recoup the lost revenue from these incorrectly filed forms, there is some risk that the revenue will not be collected and recognized until FY 2016-17. The remainder of the decline in revenues is due to one-time prior year payments received in FY 2014-15 that will not recur in FY 2015-16.

Parking Tax revenues are projected to be \$1.0 million (1.1%) above budget and \$3.5 million (3.0%) over prior year revenues. Continued growth in business activity and employment, as reflected in increases to business registration, payroll and sales tax projections, is driving increases in parking tax revenues from the prior year. Parking tax revenues are deposited into

the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit under Charter Section 16.1110.

Real Property Transfer Tax revenues are projected to be \$19.3 million (7.0%) below budget and \$58.6 million (21.3%) below prior year actual revenues. Transfer tax revenue is one of the General Fund's most volatile sources and is highly dependent on a number of factors, including investor interest, economic cycles, interest rates, property values and credit availability, all of which have been favorable for San Francisco commercial and residential real estate in the past four years. Strong demand from institutional investors and foreign buyers for San Francisco real estate across all property types (office, hotel, retail, and residential) has continued from the prior year into FY 2015-16, albeit at a slightly slower pace. This is due in large part to the continued growth of underlying market fundamentals, such as strong tenant demand, rental rates, and occupancy rates, and the relative attractiveness of San Francisco real estate compared with other investment options worldwide.

Access Line Tax revenues are projected to be \$0.1 million (0.2%) above budget, and \$3.2 million (7.0%) below prior year actual revenues. Similar to utility users taxes, most of this decline is due to one-time prior year payments received FY 2014-15, which made revenue collections higher than the underlying tax base growth.

Interest & Investment revenues are projected to be \$2.0 million (18.9%) above budget in the General Fund and \$1.0 (9.6%) million above prior year actual revenues. Average monthly pooled interest rates were higher than budgeted, and revenues through March were above budgeted amounts as a result. The revenue surplus is net of a reduction in interest revenue of \$0.8 million allocated to the Treasurer-Tax Collector (TTX) because of expenditure savings. TTX only receives interest revenue up to the level of eligible expenditures. Any reductions to TTX interest revenue become unallocated General Fund interest revenue.

State and Federal Grants and Subventions are projected to be \$20.1million (3%) above budget and \$91.9 million (11%) greater than prior year actual revenues. This increase is primarily due to an additional \$9.9 million in health and mental health state subventions, \$4.1 million of unbudgeted SB90 state mandate program cost reimbursement revenue, an additional \$3.3 million in sales tax and vehicle license fee (VLF) distributions from 1991 health and welfare realignment, an additional \$3.0 million in public safety realignment, and \$6.1 million in other state grants and subventions, which are partially offset by decreases of \$4.1 million in federal social service subventions and \$2.2 million in CalWORKs MOE funding from 1991 health and welfare realignment.

Appendix 2. General Fund Department Budget Projections

Table A2-1. General Fund Supported Operations (\$ millions) *Note: Figures may not sum due to rounding*

GENERAL FUND (\$ MILLIONS)	Expenditures - Revised Budget	Expenditures -Projected Year End	Revenue Surplus/ (Deficit)	Expenditure Savings/ (Deficit)	Net Surplus/ (Deficit)	Notes
PUBLIC PROTECTION						
Adult Probation	34.6	33.9	0.2	0.7	0.9	1
Superior Court	31.7	31.5	-	0.3	0.3	2
District Attorney	42.0	42.0	-	-	-	
Emergency Management	48.8	47.7	-	1.1	1.1	3
Fire Department	325.3	324.8	-	0.5	0.5	4
Juvenile Probation	39.0	38.4	0.2	0.6	0.8	5
Public Defender	31.5	31.1	-	0.4	0.4	6
Police	478.2	478.2	(0.4)	-	(0.4)	7
Sheriff	179.4	179.4	0.5	-	0.5	8
PUBLIC WORKS, TRANSPORTATION & COMMERCE						
Public Works	52.3	52.3	5.2	-	5.2	9
Economic & Workforce Development	36.1	35.1	(1.0)	1.0	-	10
Board of Appeals	0.9	0.9	-	-	-	
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT						
Children, Youth and Their Families	34.4	34.4	-	-	-	
Human Services Agency	799.5	778.1	(1.3)	20.3	19.0	11
Human Rights Commission	2.8	2.8	-	-	-	
Status of Women	6.8	6.8	-	-	-	
COMMUNITY HEALTH						
Public Health	1,124.0	1,038.3	(30.3)	85.7	55.4	12
CULTURE & RECREATION						
Asian Art Museum	10.0	10.0	-	-	-	
Arts Commission	5.1	5.1	-	-	-	
Fine Arts Museum	14.4	14.0	-	0.4	0.4	13
Law Library	1.6	1.6	-	-	-	
Recreation and Park Department	83.3	83.3	1.3	-	1.3	14
Academy of Sciences	5.4	5.4	-	-	-	
GENERAL ADMINISTRATION & FINANCE						
City Administrator	46.4	43.0	0.4	3.5	3.8	15
Assessor/Recorder	20.2	19.8	(0.2)	0.3	0.1	16
Board of Supervisors	14.1	13.4	(0.3)	0.7	0.4	17
City Attorney	9.9	9.8	(0.5)	0.1	(0.4)	18
Controller	12.8	12.8	-	-	-	
City Planning	36.0	36.0	2.5	-	2.5	19
Civil Service Commission	0.8	0.8	-	-	-	
Elections	18.8	18.4	0.1	0.5	0.5	20
Ethics Commission	2.7	2.5	0.1	0.2	0.3	21
Human Resources	13.6	13.6	-	-	-	
Health Service System	0.8	0.8	-	-	-	
Mayor	18.4	18.4	-	-	-	
Technology	2.8	2.8	-	-	-	
Treasurer/Tax Collector	27.9	26.7	(1.0)	1.3	0.3	22
GENERAL CITY RESPONSIBILITY						
	143.1	129.6	-	13.5	13.5	23
TOTAL GENERAL FUND	3,755.5	3,623.5	(24.6)	131.1	106.4	

Notes to General Fund Department Budget Projections

The following notes provide explanations for the projected variances for select departments' actual revenues and expenditures compared to the revised budget.

1. Adult Probation

The Adult Probation Department projects to end the fiscal year with a net surplus of \$0.9 million. This is a result of a \$0.2 million projected revenue surplus, due to greater than anticipated collections of mandatory supervision fees, and expenditure savings of \$0.7 million due to \$0.9 million in salary and fringe benefit savings partially offset by a \$0.2 million over expenditure in workers compensation.

2. Superior Court

General Fund expenses for indigent defense are expected to be \$0.3 million under budget, resulting in a net \$0.3 million savings at year end.

3. Emergency Management

The Department of Emergency Management projects to end the fiscal year with surplus of \$1.1 million, primarily from salary and fringe benefit savings. A supplemental reappropriation has been requested to transfer salary and benefit savings to support a projected shortfall in overtime expenditures. The overtime spending increases are mainly due to fewer new hires than anticipated, the continued increase in call volume, and efforts to improve emergency call response times.

4. Fire Department

The Fire Department projects to end the fiscal year with a net surplus of \$0.5 million. The Department projects a \$2.5 million surplus in plan check revenue, a \$0.5 million surplus in overtime service fee revenue, and \$1.2 million in ambulance revenue that the Department has requested to appropriate through a supplemental ordinance for related overtime expenditures. Expenditure savings of \$0.5 million are due largely to net salary savings.

5. Juvenile Probation

The Juvenile Probation Department projects to end the fiscal year with a net surplus of \$0.8 million, due to a projected increase of \$0.2 million from juvenile activity and camps revenue and a projected salary and benefit savings of \$0.6 million, primarily from worker's compensation cost savings.

6. Public Defender

The Public Defender projects to end the fiscal year with a net surplus of \$0.4 million, primarily from salary and benefit savings due to employee resignations and retirements, delayed hiring, and employees on unpaid leave and part-time status.

7. Police Department

The Police Department projects to end the fiscal year with a net deficit of \$0.4 million due to a shortfall in alarm permits and false alarm response revenue. Expenditures are projected to be within budget. A \$7.9 million supplemental to reappropriate regular salary and fringe benefit savings for overtime expenses is pending before the Board of Supervisors.

8. Sheriff

The Sheriff's Department projects to end the fiscal year with a net surplus of \$0.5 million due to an increase in housing of federal prisoners revenue of \$0.5 million. The Department projects expenditures to be within budget, however an over expenditure in overtime pay of \$8.4 million is projected due to the department's determination of and adherence to minimum staffing levels. A supplemental to reallocate budget authority to overtime from regular salaries and fringe benefits is pending before the Board of Supervisors.

9. Public Works

The Department of Public Works projects a net revenue surplus of \$5.2 million due to an unbudgeted transfer of \$2.5 million from the MTA for reimbursement of prior year litigation related expenditures on the Fourth Street Bridge project, and increases in street space permits and right-of-way assessments.

10. Economic and Workforce Development

The Office of Economic and Workforce Development projects to end the year within budget. The Department projects a revenue shortfall of \$1.0 million primarily due to decreased developer revenues, fully offset by net expenditure savings of \$1.0 million due to the decreased need for services to support developer activities.

11. Human Services Agency

The Human Services Agency projects to end the fiscal year with a \$19.0 million surplus due to \$20.3 million of projected expenditure savings partially offset by a revenue shortfall of \$1.3 million. Overall expenditure savings are mainly comprised of \$5.2 million in in-home supportive services due to lower than expected costs and enrollment in health/dental, \$3.5 million in foster care assistance payments due to declining caseload, \$2.2 million in CalWORKs due to declining caseload, and \$12.2 million due to changes in time studying and underspending in the operating budget. An overall revenue shortfall is primarily due to a \$3.5 million reduction in foster care support, \$5.2 million less in in-home supportive services revenue, and \$2.2 million lower than budget in CalWORKs aid, partially offset by \$12.0 million in better than expected federal and state revenues for most programs.

Table A2.2. Human Services Agency (\$ Millions)

Program	Sources Surplus / (Shortfall)	Uses Savings / (Deficit)	Net Surplus / (Deficit)
In Home Supportive Services (IHSS)	(5.2)	5.1	(0.1)
Foster Care & Foster Care Child Care	(3.5)	5.2	1.7
CalWORKs Assistance	(2.2)	2.3	0.1
CAAP Assistance	0.0	2.1	2.1
Medi-Cal Administration	(2.4)	10.0	8.1
All Other Programs	12.0	(4.4)	8.1
Total All Programs	\$ (1.3)	\$ 20.3	\$ 19.0

12. Public Health

The Department of Public Health projects to end the fiscal year with a net General Fund surplus of \$55.4 million. Overall department revenues are projected to be \$30.3 million below budget, and expenditures are projected to be \$85.7 million less than budgeted.

Table A2.3. Department of Public Health by Fund (\$ Millions)

Fund	Sources Surplus/ (Shortfall)	Uses Savings/ (Deficit)	Net Surplus/ (Shortfall)
Public Health General Fund	10.7	14.5	25.2
Laguna Honda Hospital	33.0	(1.2)	31.8
Zuckerberg San Francisco General Hospital	(74.0)	72.4	(1.6)
Total	(30.3)	85.7	55.4

Public Health General Fund

Department of Public Health General Fund programs, including Primary Care, Mental Health, Substance Abuse, Jail Health, Health at Home, and Population Health & Prevention, have a combined revenue surplus of \$10.7 million. This includes \$8.2 million higher than expected reimbursement from Short Doyle Medi-Cal for Mental Health, \$1.7 million higher than budgeted revenue from state alcohol funds, and \$0.8 million in primary care capitated revenues. Expenditures are expected to be \$14.5 million below budget. Expenditure savings include \$10.8 million in salary and fringe costs due to delays in hiring new positions budgeted in Primary Care and Mental Health, and \$4.3 million in non-personnel services.

Laguna Honda Hospital

The Department projects a \$31.8 million net surplus at Laguna Honda Hospital (LHH). In June, 2011 the State imposed reductions to Medi-Cal skilled nursing facility payment rates. The Governor recently signed legislation associated with the agreement over the Managed Care Organization Tax that reverses those rate reductions retroactively, resulting in \$28.0 million in favorable revenues. The Department also projects \$4.7 million in patient revenues above budget and a \$1.2 million deficit in fringe benefit expenditures.

Zuckerberg San Francisco General Hospital

The Department projects revenues below budget by \$74.0 million revenue at Zuckerberg San Francisco General Hospital, although these revenue shortfalls are associated with partially offsetting savings from lower than budgeted transfers out to project funds and for intergovernmental transfer (IGT) payments as discussed below. Under the new Medi-Cal 1115 Waiver the former DSH and Safety Net Care Pool programs will be replaced by the new Global Payment Program (GPP), and the Delivery System Reform Incentive Pool will be replaced by the Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program. Because of the changes to the programs under the waiver, gross revenues for these programs is projected to be \$35.0 million below budget. Net fee-for-service patient revenues are \$50.4 million above budget due to higher than budgeted Medi-Cal and Medicare payment rates and continued improved Medi-Cal enrollment under the Presumptive Eligibility program. Capitation revenues are below budget by \$71.4 million due to a 29.3 percent reduction in the capitation rate for Medi-Cal Expansion enrollees in effect since July, 2015, and a \$51.0 million shortfall in SB208 supplemental payments for seniors and persons with disabilities.

Expenditures are projected to be below budget by \$72.4 million, of which \$66.8 million is due to lower than budgeted operating transfers out for IGTs to draw down federal revenues for the GPP, PRIME, and SB 208 programs as discussed above. The Department projects

\$6.1 million surplus in salary and fringe benefits due to delays in hiring positions not backfilled with per diem or overtime staffing, such as information technology, clerical, and interpreter positions.

13. Fine Arts Museum

The Department projects a net salary and benefit savings of \$0.4 million due to savings at the Legion of Honor partially offset by increased costs at the de Young Museum.

14. Recreation & Parks

The Departments projects a revenue surplus of \$1.3 million due to higher than expected revenues from parking garages and Golden Gate Park concessions.

15. City Administrator

The City Administrator projects a net \$3.9 million surplus at year-end. A revenue surplus of \$0.4 million is projected due various fees and charges and repayment of a prior year loan. Expenditure savings of \$3.5 million are projected due to savings in salary and benefits. Additional savings will be passed on to other departments through reduced work order billing.

16. Assessor Recorder

The Assessor Recorder projects a net \$0.1 million surplus at year-end. The Department projects a revenue shortfall of \$0.2 million primarily due to slower growth in the collection of recording fees, offset by \$0.3 million in expenditure savings due mainly to hiring delays.

17. Board of Supervisors

The Board of Supervisors projects a \$0.4 million surplus at the end of the fiscal year, driven primarily by a \$0.3 million surcharge and fee revenue shortfall and \$0.7 million in salary and benefit savings due to vacancies.

18. City Attorney

The City Attorney's Office projects a net \$0.4 million year-end shortfall due to a \$0.5 million reduction in payments from the Office of Community Investment and Infrastructure for legal support needs, partially offset by \$0.1 million in net expenditure savings.

19. City Planning

The City Planning Department projects to end the year with a net surplus of \$2.5 million, due to a revenue surplus from enforcement, planning cases, and other permit fee collections. This surplus is net of a \$2.5 million revenue deferral for the portion of fee collections not earned in the current year, which will increase the projected year-end deferred revenue balance to \$13.7 million.

20. Elections

The Elections Department projects to end the fiscal year with a net \$0.5 million surplus due to a \$0.1 million revenue surplus from ballot argument fees associated with the June 2016 election and an expenditure savings of \$0.4 million primarily due to savings in salary and fringe benefits.

21. Ethics

The Ethics Commission projects a net surplus of \$0.3 million due to a \$0.1 million surplus in revenue from fees and fines and \$0.2 million salary and benefits savings due to vacancies.

22. Treasurer/Tax Collector

The Treasurer/ Tax Collector projects to end the fiscal year with a net surplus of \$0.3 million as a result of a projected revenue shortfall of \$1.0 million in pooled interest offset by \$1.3 million in salary and fringe benefit savings primarily due to hiring delays.

23. General City Responsibility

General City Responsibility contains funds that are allocated for use across various City departments. Total savings of \$13.5 million are projected, including \$9.9 million in the Salary and Benefits Reserve due to updated information about the City's need to fund departmental expenditures related to labor contract (MOU) provisions and \$1.4 million in retirement prepayment savings. Salary savings in many departments, due in part to delayed hiring and separations, are projected to be available cover a portion of the costs that would normally be covered by the Reserve. Projections assume that funds appropriated for nonprofit COLAs and minimum wage increases are allocated to departments, as reflected in the update to the Five Year Financial Plan issued on March 22, 2016.

Section 12.6 of the administrative provisions of the Annual Appropriation Ordinance authorizes the Controller to defer surplus transfer payments, indigent health revenues, and Realignment funding to offset future reductions or audit adjustments associated with the Affordable Care Act and funding allocations for indigent health services. This provision was adopted by the Board of Supervisors to smooth volatile state and federal revenues that can lead to large variances between budgeted and actual amounts due to unpredictable timing of payments, major changes in projected allocations, and delays in final audit settlements. Current projected uses of the Management Reserve total \$92.6 million including potential liability of disallowed SB1128 reimbursement, reductions to supplemental payments for Medi-Cal managed care for Seniors and Persons with Disabilities, and a proposed federal rule retroactively disallowing claiming of FQHC costs under DSH, resulting in a reduction of \$2.6 million from the FY 2014-15 year end balance.

Appendix 3. Status of Reserves

Various code and Charter provisions govern the establishment and use of reserves. Reserve uses, deposits, and projected year-end balances are displayed in Table A3.1 and discussed in detail below. Table A3.1 also includes deposits and withdrawals included in the approved FY 2016-17 budget.

Table A3.1 Reserve Balances (\$ millions)

	FY 2014-15		FY 2015-16			FY 2016-17		
	Ending Balance	Starting Balance	Projected Deposits	Projected Withdrawals	Projected Ending Balance	Budgeted Deposits	Budgeted Withdrawals	Projected Ending Balance
General Reserve	\$ 55.6	\$ 73.4	\$ -	\$ (9.7)	\$ 63.7	\$ 12.0	\$ -	\$ 75.7
Budget Savings Incentive Fund	-	33.9	20.8	-	54.8	-	-	54.8
Recreation & Parks Savings Incentive Reserve	-	10.6	1.3	(3.1)	8.8	-	(3.1)	5.7
Rainy Day Economic Stabilization City Reserve	71.9	71.9	-	-	71.9	-	-	71.9
Rainy Day Economic Stabilization School Reserve	42.1	42.1	-	-	42.1	-	-	42.1
Rainy Day One-Time Reserve	43.1	43.1	-	-	43.1	-	-	43.1
Budget Stabilization Reserve	132.3	132.3	9.4	-	141.6	-	-	141.6
Salary and Benefits Reserve	20.2	34.0	-	(24.1)	9.9	14.0	(14.0)	-
Total	365.1	441.3	31.5	(36.9)	435.9	26.0	(17.1)	434.9
Economic reserves					256.6			
Economic reserves as a % of General Fund revenues					5.9%			

General Reserve: To date, three supplemental appropriations using the General Reserve have been finally approved, including \$0.1 million to the Mayor’s Office of Economic and Workforce Development (OEWD) for the Super Bowl 50 Impact Fund, \$0.3 million to OEWD for Legacy Business Program implementation, and \$2.5 million to the Recreation and Parks Department for capital improvements to the Geneva Car Barn. An allocation of \$0.6 million has been made to the Ethics Department to implement the requirements of Proposition C, approved in November 2015, to expand, develop and maintain software for lobbyist tracking and reporting. Additional uses of \$6.2 million are pending approval. Our projection assumes these supplemental appropriations will be approved by the Board of Supervisors, resulting in a projected ending balance of \$63.7 million, which will be carried forward to FY 2016-17. The approved budget includes a \$12.0 million deposit to the reserve in FY 2016-17, which will have to be increased by the \$9.7 million in current year uses discussed in section B of the report above.

Pursuant to a financial policy approved by the Board of Supervisors in 2011 and codified in Administrative Code Section 10.60(b), year-end balances in the General Reserve are carried forward into subsequent years and thereby reduce the amount of future appropriations required to support minimum reserve requirements established by the policy. For FY 2015-16 and FY 2016-17, the policy requires the General Reserve to be no less than 1.75% and 2.0% of budgeted regular General Fund revenues, respectively. The current balance of the reserve is \$72.8 million.

Budget Savings Incentive Fund: The Citywide Budget Savings Incentive Fund (authorized by Administrative Code Section 10.20) receives 25% of year-end departmental expenditure savings to be available for one-time expenditures, unless the Controller determines that the City's financial condition cannot support deposits into the fund. At FY 2014-15 year-end, the balance was \$33.9 million. Projected deposits of \$20.8 million and no budgeted uses result in a projected year-end balance of \$54.8 million. The current budget did not appropriate any of the balance for use in FY 2016-17.

Recreation and Parks Savings Incentive Reserve: The Recreation and Parks Saving Incentive Reserve, established by Charter Section 16.107(c), is funded by the retention of year-end new revenue and net expenditure savings by the Recreation and Parks Department. This Reserve ended FY 2014-15 with \$10.6 million, of which \$3.1 million was appropriated for FY 2015-16 uses. A deposit of \$1.3 million is projected for the current fiscal year, leaving a projected ending balance of \$8.8 million. Note that the current budget also appropriated \$3.1 million in uses for FY 2016-17.

Rainy Day Economic Stabilization Reserve: Charter Section 9.113.5 establishes a Rainy Day Economic Stabilization Reserve funded by 50% of excess of revenue growth in good years, which can be used to support the City General Fund and San Francisco Unified School District operating budgets in years when revenues decline. The Rainy Day Economic Stabilization Reserve began the year with \$71.9 million.

Charter Section 9.113.5 was amended in November 2014 with the passage of Proposition C, which replaced the Rainy Day Economic Stabilization Reserve with two separate reserves—the School Reserve and the City Reserve. Of the excess revenue growth formerly deposited to the Rainy Day Economic Stabilization Reserve, 75% will be deposited to the City Reserve and 25% to the School Reserve. No deposits or withdrawals are currently projected.

Rainy Day One-Time Reserve: Charter Section 9.113.5 establishes a Rainy Day One-Time Reserve funded by 25% of excess revenue growth, which can be used for one-time expenses. This Reserve began the year with \$43.1 million. There is no budgeted withdrawal or anticipated deposits in the current year.

Budget Stabilization Reserve: Established in 2010 by Administrative Code Section 10.60(c), the Budget Stabilization reserve augments the Rainy Day Economic Stabilization Reserve. The Budget Stabilization Reserve is funded by the deposit each year of 75% of real property transfer taxes above the prior five year average (adjusted for policy changes) and ending unassigned fund balance above that appropriated as a source in the subsequent year's budget. The current balance of the Reserve is \$132.3 million. The budget assumed a \$19.4 million deposit in FY 2015-16, however, higher than anticipated FY 2014-15 year-end results and a projected

shortfall in the current year result in a projected decrease in the deposit of \$10.1 million. The projected ending balance for FY 2015-16 is \$141.6 million.

Salary and Benefits Reserve: Administrative Provisions Section 10.4 of the Annual Appropriation Ordinance (AAO) authorizes the Controller to transfer funds from the Salary and Benefits Reserve, or any legally available funds, to adjust appropriations for employee salaries and related benefits for collective bargaining agreements adopted by the Board of Supervisors. The Salary and Benefits Reserve had a fiscal year starting balance of \$34.0 million (\$20.2 million carried forward from FY 2014-15 and \$13.8 million appropriated in the FY 2015-16 budget). As of April 29, 2016, the Controller's Office has transferred \$1.8 million to City departments and anticipates transferring an additional \$22.3 million to City departments by year-end, as detailed in Table A3-2 below, resulting in a savings of \$9.9 million.

Table A3-2. Salary and Benefits Reserve (\$ millions)

Sources	
Adopted AAO Salary and Benefits Reserve	\$ 13.9
Carryforward balance from FY 2014-15	20.2
Total Sources	34.0
Uses	
Transfers to Departments	
SEIU as needed temporary employees healthcare	0.6
Training, development, and recruitment	1.1
Visual display terminal insurance (Q1, Q2, Q3)	0.1
Total Transfers to Departments	1.8
Anticipated Allocations	
Public Safety, including wellness, premium, and one-time payouts	13.6
Citywide premium, retirement and other payouts	8.1
Various training, tuition, and other reimbursements	0.6
Total Anticipated Allocations	22.3
 Total Uses	 24.1
 Net Surplus / (Shortfall)	 \$ 9.9

Appendix 4. Other Funds Highlights

Table A4-1. Other Fund Highlights, \$ Millions

	Prior Year		FY 2015-16					FY 2016-17		Notes
	FY 2014-15 Year End Fund Balance	Fund Balance Used in FY 2015-16 Budget	Starting Available Fund Balance	Sources Surplus/ (Deficit)	Uses Savings/ (Deficit)	Net Operating Surplus/ (Deficit)	Estimated Year-end Balance	Board Approved Budgeted Use		
<u>SELECT SPECIAL REVENUE AND INTERNAL SERVICE FUNDS</u>										
Building Inspection Operating Fund	\$ 2.0	\$ 1.5	\$ 0.5	\$ 19.9	\$ 5.1	\$ 25.0	\$ 25.5	\$ -	1	
Children's Fund	1.3	1.4	(0.1)	3.7	0.2	3.9	3.8	-	2	
Public Education Special Fund	(0.0)	1.5	(1.5)	0.2	0.1	0.4	(1.1)	0.7	3	
Convention Facilities Fund	23.9	13.0	10.9	-	3.3	3.3	14.2	12.1	4	
Golf Fund	1.9	-	1.9	0.3	(0.2)	0.1	1.9	-	5	
Library Preservation Fund	24.9	-	24.9	1.6	2.4	4.0	28.9	-	6	
Local Courthouse Construction Fund	0.0	-	0.0	(0.4)	0.2	(0.2)	(0.2)	-	7	
Open Space Fund	13.5	0.0	13.5	2.8	0.9	3.7	17.2	-	8	
Telecomm. & Information Systems Fund	10.0	4.4	5.6	(7.3)	7.3	-	5.6	2.6	9	
General Services Agency-Central Shops Fund	0.6	0.5	0.1	-	-	-	0.1	-	10	
Arts Commission Street Artist Fund	(0.2)	-	(0.2)	(0.1)	0.3	0.3	0.0	-	11	
War Memorial Fund	2.7	1.2	1.5	(0.2)	0.2	-	1.5	0.5	12	
Gas Tax Fund	2.1	-	2.1	0.1	-	0.1	2.2	-	13	
Neighborhood Beautification Fund	0.6	-	0.6	-	-	0.5	1.1	-	14	
Election Campaign Fund	6.3	-	6.3	-	-	-	6.3	-	15	
<u>SELECT ENTERPRISE FUNDS</u>										
Airport Operating Funds	\$ 177.2	\$ 36.5	\$ 140.7	\$ 18.3	\$ 27.3	\$ 45.6	\$ 186.3	\$ 35.3	16	
MTA Operating Funds	243.2	20.0	223.2	29.3	0.2	29.6	252.8	7.4	17	
Port Operating Funds	55.8	33.1	22.8	5.8	16.4	22.2	45.0	-	18	
PUC Hetch Hetchy Operating Funds	33.4	-	33.4	(7.2)	22.0	14.8	48.2	-	19	
PUC Wastewater Operating Funds	121.4	-	121.4	(13.8)	11.7	(2.1)	119.3	-	20	
PUC Water Operating Funds	166.7	24.0	142.7	(56.8)	52.6	(4.2)	138.5	6.1	21	

Select Special Revenue & Internal Services Funds

1. Building Inspection Fund

The Building Inspection Department operating fund began the year with \$0.5 million in available fund balance. The Department projects a \$19.9 million surplus in operating revenues due to higher than expected plan checking and permit volumes, and expenditures to be \$5.1 million under budget largely due to salary savings, resulting in a projected fiscal year-end available fund balance of \$25.5 million. In addition, the balances of the department's contingency and other post-employment benefit reserves are currently \$29.9 million and \$10.1 million, respectively.

2. Children's Fund

The Children's Fund began the fiscal year with a negative fund balance of \$0.1 million, as the use of fund balance in the current year was not fully supported by prior fiscal year-end results. Current year revenues are projected to be \$3.7 million better than budget due to estimated increases in property tax set-aside revenue. Project closeouts of \$0.4 million are partially offset by an increase in transfers, resulting in a projected fiscal year-end available fund balance of \$3.8 million.

3. Children's Fund – Public Education Special Fund

The Public Education Special Fund ended FY 2014-15 with no fund balance, however the FY 2015-16 budget assumed the use of \$1.5 million in balance. The cause of this misalignment was a prior year expenditure accrual that overstated fund balance when the budget was being developed, resulting in over budgeting. PEEF revenues are expected to be \$0.2 million above budget. Projected fiscal year-end available fund balance is expected to be negative \$1.1 million after closeout of \$0.1 million in prior year appropriation authority. The Department of Children Youth & Families will work with the Controller's Office and the School District to develop solutions to address the remaining shortfall.

4. Convention Facilities Fund

The Convention Facilities Fund began the fiscal year with \$10.9 million in available fund balance, as \$13.0 million of the prior year ending balance was appropriated in the current year. Salary and benefit savings of \$0.2 million and \$3.1 million in debt service savings are projected, resulting in a projected fiscal year-end available fund balance of \$14.2 million. The approved FY 2016-17 budget includes the use of \$12.1 million of this balance.

5. Golf Fund

The Golf Fund began the fiscal year with \$1.9 million in available fund balance. The Recreation and Parks Department projects a \$0.1 million operating surplus, primarily from \$0.3 million in higher concession revenues, offset by \$0.2 million in expense shortfall from salaries and benefits.

6. Library Preservation Fund

The Library Preservation Fund began the fiscal year with \$24.9 million in available fund balance. The Department projects a net revenue surplus of \$1.6 million due to lost rent from the vacant café in the Main Library and the decision not to rent facilities at 190 9th Street, offset by \$5.0 million in increased property tax and baseline revenue, of which an estimated \$1.5 million will be returned to the General Fund at year-end. Expenditure savings of \$2.4

million are projected, due primarily to \$0.7 million in salary and benefit savings and \$1.7 million savings in rent. The department plans to submit a supplemental ordinance to appropriate \$7.6 million of surplus property tax and baseline revenue available at FY 2014-15 year-end for ongoing capital projects and debt service. The net result is a projected fiscal year-end available fund balance of \$28.9 million.

7. Local Courthouse Construction Fund

The Local Courthouse Construction Fund began the year with a minimal fund balance. Despite \$0.2 million of budgeted General Fund support in the current year, a year-end shortfall of \$0.2 million is projected due to a substantial decline in revenue. This primarily results from a new traffic case management system implemented by the Superior Court in November 2015, which may significantly change the allocation of traffic penalty revenue when fully reconciled.

8. Open Space Fund

The Open Space Fund began the fiscal year with \$13.5 million in available fund balance. The Department projects an expenditure savings of \$0.9 million and \$2.8 in additional property tax allocations, resulting in a projected fiscal year-end available fund balance of \$17.2 million.

9. Telecommunication & Information Services Fund

The Telecommunication & Information Services Fund began the fiscal year with an available fund balance of \$5.6 million. The Department projects a revenue shortfall of \$7.3 million offset by \$7.3 million in expenditure savings, resulting in a year-end available fund balance of \$5.6 million, of which \$2.6 million has been appropriated in the approved FY 2016-17 budget.

10. Central Shops Fund

The Central Shops Fund began the year with an available fund balance of \$0.1 million. Savings in salaries and benefits and project closeouts will be passed on to departments, resulting in both reduced expenses and recoveries, and no net change to fund balance.

11. Arts Commission Street Artist Fund

The Street Artist Program Fund began the fiscal year with a fund balance shortfall of \$0.2 million. One-time General Fund support of \$0.3 million provided in the FY2015-16 budget is projected to offset both the current year's operating shortfall of \$0.1 million as well as the prior year's fall balance shortfall, leaving the fund balanced at year-end.

12. War Memorial Fund

The War Memorial Fund began the fiscal year with a fund balance of \$1.5 million. Debt services savings of \$0.2 million will reduce required General Fund support by a like amount, resulting in a projected ending balance of \$1.5 million, of which \$0.5 million has been appropriated in the approved FY 2016-17 budget.

13. Gas Tax Fund

The Gas Tax Fund began the year with an available fund balance of \$2.1 million. The Department of Public Works expects increased interest revenue of \$0.1 million, resulting in a projected year-end balance of \$2.2 million.

14. Neighborhood Beautification Fund

The Neighborhood Beautification Fund (which houses the Community Challenge Grant program) began the year with a \$0.6 million fund balance. Tax year 2014 payroll tax revenues allocated to the fund are projected to be on budget at \$1.9 million. The City Administrator also expects expenditure savings of \$0.5 million in programmatic projects, resulting in a projected year-end balance of \$1.1 million.

15. Election Campaign Fund

The Election Campaign Fund began the year with a \$6.3 million balance. The Ethics Commission projects expenditures to be on budget for an ending balance of \$6.3 million.

Select Enterprise Funds

16. Airport Operating Fund

The Airport began the fiscal year with \$140.7 million in available fund balance, including \$120.8 million that has been set aside for postemployment benefits under GASB 45. The department projects a revenue surplus of \$18.3 million, and net expenditure savings of \$27.4 million, for a net operating surplus of \$45.6 million.

The revenue projection includes \$22.5 million in increased operating revenue and \$4.3 million in decreased non-operating revenue. The projected \$27.4 million in expenditure savings include \$6.6 million in non-personnel expenditure savings, \$6.5 million in salary and benefit savings, \$6.0 million in public safety costs, \$5.1 million in post-employment benefits, \$2.5 million in services of other departments, \$1.5 million in savings for materials and supplies, and \$0.3 million in other transfers, offset by a \$1.1 million increase to the Annual Service Payment. A fund balance of \$186.3 million is projected by year-end.

17. Municipal Transportation Agency (MTA) Operating Funds

The MTA began the fiscal year with \$223.2 million in available operating fund balance, which is net of \$20.0 million in fund balance appropriated in the FY 2015-16 budget. The MTA is projected to end the year with a net operating surplus of \$29.6 million, resulting in a projected year-end fund balance of \$252.8 million, of which \$7.4 million has been appropriated in the approved FY 2016-17 budget.

The MTA projects a revenue surplus of \$29.3 million primarily due to \$21.6 million of parking related fees and fines, \$2.6 million from operating grants, \$5.4 million from projected General Fund Baseline transfer increases, \$3.8 million from fares, and \$6.4 million from other sources, offset by a \$10.5 million shortfall in taxi medallion sales and taxi fee waivers. The MTA projects to end the year with \$0.2 million of expenditure savings, as \$1.4 million of labor cost savings and \$0.5 million savings in materials and supplies is offset by \$1.7 million in non-personnel services over budget.

18. Port Operating Funds

The Port began the fiscal year with \$22.8 million in available fund balance. The department projects a revenue surplus of \$5.8 million, and net expenditure savings of \$16.4 million, for a net operating surplus of \$22.2 million and a projected year-end fund balance of \$45.0 million.

The \$5.8 million revenue surplus is due to increases of \$1.3 million in maritime fees, \$2.4 million in real estate charges, \$1.7 million in one-time revenues associated with the jurisdictional transfer of Daggett Street, and \$0.3 million in permits and other revenues. The \$16.4 million expenditure savings is due to a \$10.5 million reserve designated to future capital uses, \$3.1 million savings in salaries and fringe benefits from currently vacant positions, \$1.5 million in non-personnel services, \$1.0 million in annual project contingencies for spills and hazardous material clean up available for other uses, \$0.3 million less in services requested from other departments primarily resulting from low demand for shore side power to cruise ships at Pier 27, and \$0.1 million in debt service savings as a result of a lower interest rate than budgeted.

19. Public Utilities Commission – Hetch Hetchy Operating Fund

The Hetch Hetchy Operating Fund began the fiscal year with \$33.4 million in available fund balance. The Department projects a net revenue deficit of \$7.2 million mainly due to lower power sales revenue. The Department projects expenditure savings of \$22.0 million consisting of \$4.7 million from lower power purchase costs, \$0.6 million of operating and project closeouts, and \$10.7 million in distribution charge savings. This results in a projected year-end fund balance of \$48.2 million.

20. Public Utilities Commission – Wastewater Operations Fund

The Wastewater Operations Fund began the fiscal year with \$121.4 million in available fund balance. The Department projects revenue to be \$13.8 million lower than budget mainly due to lower sales revenue, which is a function of lower water sales volumes. The shortfall is offset by \$11.7 million in expenditure savings, which includes \$2.5 million of projected salary savings, \$1.1 million of unused planned reserves, and \$6.2 million of operating and project closeouts. This results in a projected net operating deficit of \$2.1 million and a fiscal year-end available fund balance of \$119.3 million.

21. Public Utilities Commission – Water Operating Fund

The Water Operating Fund began the fiscal year with a net of \$142.7 million in available fund balance. Water Department revenues are projected to be \$56.8 million lower than budget, mainly due to lower water sales. The shortfall is offset by \$52.6 million of expenditure savings including \$4.2 million of operating savings and project closeouts, \$38.1 million in debt service savings, \$6.8M in project savings, and \$3.5 million in savings from planned unspent reserves. This results in a projected net deficit of \$4.2 million and a fiscal year-end available fund balance of \$138.5 million, of which \$6.1 million has been appropriated in the approved FY 2016-17 budget. A supplemental appropriation is pending before the Board of Supervisors that would reappropriate salary and fringe benefit savings for overtime expenses.

Appendix 5. Overtime Report

5-Year History of Overtime Spending by Department (\$ Millions)

Department	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16			FY 2015-16 Projection Change from Prior Year Actuals		
	Actual	Actual	Actual	Actual	Revised Budget	July through March 2016	Straight Line Projection	Surplus/ (Deficit)	\$ Million	Percent
MTA										
Municipal Railway	53.2	46.3	53.3	53.0	35.5	40.8	54.40	(18.9)	1.4	3%
Parking & Traffic	2.5	2.3	2.4	3.3	1.5	3.0	3.9	(2.4)	0.7	20%
Subtotal - MTA	55.7	48.7	55.6	56.3	37.0	43.8	58.3	(21.3)	2.0	4%
Police										
General Fund Operations	10.7	13.0	14.3	19.3	17.7	18.0	23.9	(6.3)	4.7	24%
Special Law Enforcement Services (10B)	10.4	10.5	10.3	10.5	9.9	9.9	13.2	(3.3)	2.7	26%
Grants & Other Non-10B Special Revenues	2.1	2.4	1.9	2.1	2.1	2.3	3.1	(1.0)	1.0	46%
Airport	1.8	1.8	1.1	1.2	1.5	1.8	2.4	(0.9)	1.2	95%
Municipal Transportation Agency			0.1	0.1	-	0.1	0.1	(0.1)	(0.0)	-22%
Subtotal - Police	24.9	27.7	27.7	33.2	31.1	32.0	42.7	(11.6)	9.5	28%
Public Health										
SF General	5.1	5.1	5.2	6.6	5.3	5.1	6.8	(1.5)	0.1	2%
Laguna Honda Hospital	5.7	6.4	5.6	6.1	6.9	4.0	5.4	1.5	(0.7)	-11%
All Other Non-Hospital Operations	0.8	1.1	1.2	1.5	1.3	1.1	1.4	(0.2)	(0.1)	-4%
Subtotal - Public Health	11.6	12.6	11.9	14.2	13.4	10.2	13.6	(0.1)	(0.6)	-4%
Fire										
General Fund Operations	32.6	40.4	38.0	33.7	38.5	31.0	41.4	(2.8)	7.6	23%
Grants & Other Special Revenues	-	-	0.1	0.2	-	-	-	-	(0.2)	-100%
Airport	2.8	3.1	4.5	3.9	4.0	2.9	3.8	0.2	(0.1)	-2%
Port	0.2	0.3	0.3	0.3	0.4	0.3	0.3	0.0	0.0	2%
PUC Hetch Hetchy			0.0	0.0	-	-	-	-	(0.0)	0%
Subtotal - Fire	35.6	43.8	42.8	38.3	42.9	34.2	45.5	(2.6)	7.3	19%
Sheriff										
General Fund Operations	7.6	9.8	9.7	14.2	10.9	13.2	17.5	(6.6)	3.4	24%
Grants & Other Special Revenues	0.8		0.8	0.6	0.1	0.4	0.5	(0.4)	(0.1)	-17%
Subtotal - Sheriff	8.4	10.7	10.5	14.8	11.1	13.6	18.1	(7.0)	3.3	22%
Subtotal - Top 5	\$ 136.2	\$ 143.4	\$ 148.6	\$ 156.8	\$ 135.6	\$ 133.7	\$ 178.2	\$ (42.7)	\$ 21.4	14%
Public Utilities Commission	6.2	6.0	6.9	6.9	4.0	5.1	6.79	(2.8)	(0.1)	-1%
Recreation & Park	1.1	1.6	1.2	1.2	1.4	0.6	0.8	0.5	(0.4)	-30%
Human Services Agency	0.6	0.8	2.9	3.8	0.5	2.9	3.8	(3.3)	0.9	23%
Fine Arts Museum	0.9	0.7	0.9	0.9	0.6	0.8	1.1	(0.4)	0.2	22%
Public Works	1.5	2.0	2.3	2.8	1.7	1.6	2.1	(0.4)	(0.2)	-7%
Juvenile Probation	0.9	1.4	1.5	1.6	0.8	1.3	1.7	(0.9)	0.2	11%
Airport Commission	2.2	2.5	3.0	3.9	2.8	2.3	3.1	(0.3)	0.2	4%
Elections	0.4	0.3	0.2	0.2	0.6	0.1	0.2	0.4	(0.0)	-3%
Emergency Management	1.2	1.1	1.6	2.6	2.2	2.4	3.3	(1.1)	1.6	63%
All Other Departments	2.9	4.0	3.9	4.2	2.62	3.35	4.47	(1.8)	0.6	14%
Total	\$ 154.1	\$ 163.8	\$ 172.9	\$ 184.9	\$ 152.8	\$ 154.2	\$ 205.6	\$ (52.7)	\$ 32.7	18%
Top 5 % of Total	88.4%	87.6%	85.9%	84.8%	88.7%	86.7%	86.7%			
Change from Prior Year Actual	\$ 12.0	\$ 9.7	\$ 9.1	\$ 12.0	\$ (20.1)		\$ 20.7			
Total Gross Salaries (Cash Compensation)	\$ 2,634.5	\$ 2,802.2	\$ 2,869.6	\$ 2,828.0	\$ 3,271.1	\$ 2,366.1	\$ 3,154.86			
Overtime as a % of Total Gross Salaries	5.8%	5.8%	6.0%	6.5%	4.7%	6.5%	6.5%			

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Gosiengfiao, Rachel (BOS)

From: Reports, Controller (CON)
Sent: Monday, May 09, 2016 4:20 PM
To: Calvillo, Angela (BOS); Gosiengfiao, Rachel (BOS); BOS-Supervisors; BOS-Legislative Aides; Kawa, Steve (MYR); Leung, Sally (MYR); Howard, Kate (MYR); Tucker, John (MYR); Falvey, Christine (MYR); Tsang, Francis; Elliott, Jason (MYR); Steeves, Asja (CON); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); SF Docs (LIB); CON-EVERYONE; MYR-ALL Department Heads; CON-Finance Officers; John Martin (AIR); Leo Fermin (AIR); Wallace Tang (AIR); Carlos Martinez (AIR); Hazelle Fernandez (AIR); Laxamana, Junko (BOS); Kloomok, Laurel (CFC) (CHF) (CFC); Fong, Tracy (CFC); Hui, Tom (DBI); Madison, Taras (DBI); Callahan, Micki (HRD); Lewis, Brent (HRD); Mesa, Arlene (HRD); Garcia, Barbara (DPH); Wagner, Greg (DPH); Tan, Teresa B. (DPH); Okubo, Anne (DPH); Lim, Wilfredo (DPH); Hayes-White, Joanne (FIR); Corso, Mark; Kelly, Naomi (ADM); Bukowski, Kenneth (ADM); Vaerma, Salla (ADM); Monroe, Robert; Keller, Susan (ADM); Martinez, Norman; Kelly, Naomi (ADM); Gamino, Miguel (TIS); Levenson, Leo (TIS); Soledad, Maria (TIS); Kelly, Naomi (ADM); Nuru, Mohammed (DPW); Dawson, Julia (DPW); Rhorer, Trent (HSA) (DSS); Kaplan, Daniel (HSA) (DSS); Tsutakawa, John (DSS); Rosenfield, Ben (CON); Rydstrom, Todd (CON); Kimotsuki, Joyce (CON); Wong, Jeannie (CON); Craig, Janice (CON); Quintos, Jocelyn (CON); Wood, Jack (CON); Pavkovic, Alan (CON); Rufo, Todd (ECN); Liedl, Fred (ECN); Hennessy, Vicki (SHF); Luong, Mylan (SHF); Cisneros, Jose (TTX); Marx, Pauline (TTX); Shah, Tajel; Wu, Kimmie (TTX); Ginsburg, Phil (REC); Petrucione, Katharine (REC); Sutton, Maria (REC); Suhr, Greg (POL); McGuire, Catherine (POL); Wu, Li (POL); Herrera, Luis (LIB); Singleton, Maureen (LIB); Wong, Anna (LIB); Reiskin, Ed (MTA); Bose, Sonali (MTA); Harmon, Virginia (MTA); Navarro, Tess (MTA); Kelly, Jr, Harlan (PUC); Sandler, Eric (PUC); Hom, Nancy (PUC); candersson@sfgwater.org; Low, Matthew (PUC); Fong, Jaci (ADM)
Subject: Issued: Contract Compliance Audit of \$1.8M by 20 Departments and Citywide Assessment of Early Payment Discounts and Potential Interest Income

The Office of the Controller's City Services Auditor Division (CSA) today issued its report of the contract compliance of \$1.8 million in payments tested across 20 city departments and 51 contracts and the citywide assessment of early payment discounts and potential interest income.

The audit found that, based on a sample of 100 payments tested in detail, the majority had at least one problem identified, including that city departments sometimes make unverifiable vendor payments, miss early payment discounts, and pay vendors late or too soon. Also, of the \$1.1 billion in payments the City made under contracts in fiscal year 2013-14, only 1 percent had associated early payment discounts. Of the 1 percent, the City missed an estimated \$44,143 in early payment discounts due to late payments and user input or processing errors. Last, the City could have increased its investment earnings by as much as an estimated \$475,116 in fiscal year 2013-14 if departments had paid closer to payment due dates.

To view the full report, please visit our website
at: <http://openbook.sfgov.org/webreports/details3.aspx?id=2300>

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.

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City and County of San Francisco

Office of the Controller – City Services Auditor

CITYWIDE CONTRACT COMPLIANCE AUDIT:

The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts



May 9, 2016

**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: Mamadou Gning, Lead Audit Manager
Nicole Kelley, Lead Audit Manager
Amanda Sobrepeña, Associate Auditor
Edvida Moore, Associate Auditor
Joseph Towner, Associate Auditor



City and County of San Francisco

Office of the Controller - City Services Auditor

CITYWIDE CONTRACT COMPLIANCE AUDIT:

May 9, 2016

The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Purpose of the Audit

The City Services Auditor Division (CSA) of the Office of the Controller (Controller) audited 20 departments' general compliance with 51 contracts of the City and County of San Francisco (City). The audit assessed whether departments adhere to the City's various purchasing guidelines to accurately and effectively administer vendor payments according to terms and conditions and review contract expenditures related to costs and quantity. The audit also assessed early payment discounts and potential interest income on a citywide basis for payments made in fiscal year 2013-14.

Highlights

Of a sample of \$1.8 million in payments tested, the accuracy of \$955,787 (53 percent) could not be verified due to unitemized invoices and a lack of invoice support, and \$19,380 (1 percent) could not be verified due to outdated or incomplete contract language. Of a sample of \$84,395 of city payments to vendors in fiscal years 2011-12 through 2013-14, incorrect payment amounts were found to have caused overpayments of \$1,655 (2 percent).

Specifically, the audit found that:

- Based on a sample of 100 payments tested in detail, the majority (61) had at least one problem identified, including that city departments sometimes make unverifiable vendor payments, miss early payment discounts, or pay vendors late or too soon.
- Of the \$1.1 billion in payments the City made under contracts in fiscal year 2013-14, only 1 percent had associated early payment discounts available, most of which were under citywide contracts negotiated by the Office of Contract Administration, not departmental contracts, indicating the potential for more contracts offering such discounts.
- The City missed an estimated \$44,143 in early payment discounts in fiscal year 2013-14 due to late payments and user input or processing errors that caused the City's accounting system not to apply the discounts for which departments were eligible.
- Departments inconsistently enter and modify contract discount terms in the City's accounting system, resulting in inaccurate data and potentially missed early payment discounts.
- The City could have increased its investment earnings by as much as \$475,116 in fiscal year 2013-14 if departments had paid closer to payment due dates. Opportunities may exist with the City's new financial system to help departments both manage the cash flow implications of the timing of certain vendor payments and better take advantage of early payment discounts that may be offered by vendors.
- Departments sometimes fail to adhere to the City's prompt payment guidelines, which require payments within 30 days of invoice receipt.

Recommendations

The report includes 18 recommendations for city departments to improve the administration of their payments to vendors. Specifically, all city departments should:

- Require that vendor invoices include evidence to support all amounts on the invoice and ensure that amounts are adequately supported before approving invoices for payment.
- Review vendor invoices submitted in fiscal years 2011-12 through 2013-14 to determine whether the City is entitled to recover any additional amounts that may be found to have been overpaid.
- Ensure that undisputed invoices are paid according to the City's prompt payment guidelines and ensure that, if payments must be made late, that there is support to document the reason for the late payment.

The Office of Contract Administration should assist departments by identifying additional contracts that could potentially offer early payment discounts.

The Controller's Accounting Operations and Systems Division should ensure that departments are aware of and offer trainings on the City's accounting policies and procedures, specifically the logic of the City's accounting system related to early payment discounts and the effect of manual steps on whether early payment discounts are taken.

The Financial Systems Project, a citywide initiative led by the Controller, should consider whether the City's new financial system can include additional functionalities that would help city departments consider cash management implications when determining how quickly an invoice should be paid.

Copies of the full report may be obtained at:

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

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

May 9, 2016

Dear City Officials:

The Office of the Controller's City Services Auditor Division (CSA) presents its report of the citywide contract compliance audit. The audit objectives were to determine whether vendor invoices and related amounts paid by the City and County of San Francisco (City) complied with contract provisions, vendor invoices complied with contract and purchase order terms and conditions, vendors accurately charged the City for goods and services provided, and whether the City correctly paid invoices in a timely manner. The audit also assessed early payment discounts on a citywide basis for payments made in fiscal year 2013-14.

The audit concluded that, of a sample of \$1.8 million in payments tested, the accuracy of \$955,787 (53 percent), could not be verified due to unitemized invoices and a lack of invoice support, and \$19,380 (1 percent) could not be verified due to outdated or incomplete contract language. Also, of a sample of \$84,395 of city payments to vendors in fiscal years 2011-12 through 2013-14, incorrect payment amounts were found to have caused overpayments of \$1,655 (2 percent). The audit also found that departments inconsistently enter and modify contract discount terms in the City's accounting system, resulting in inaccurate data and potentially missed early payment discounts, and that departments sometimes fail to adhere to the City's prompt payment guidelines, which require payments within 30 days of invoice receipt.

On a citywide level, the audit found that of the \$1.1 billion in payments the City made under contracts in fiscal year 2013-14, only 1 percent had associated early payment discounts available, most of which were under citywide contracts negotiated by the Office of Contract Administration, not departmental contracts, indicating the potential for more contracts offering such discounts. The audit also analyzed missed opportunities to save on early payment discounts in fiscal year 2013-14 on a citywide level and found that an estimated \$44,143 in early payment discounts was missed due to late payments and user input or processing errors that caused the City's accounting system not to apply the early payment discount due.

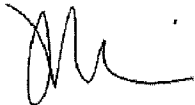
Last, the City may not realize maximum potential interest earnings. CSA determined the potential interest income on a citywide level and found that the City could have increased its investment earnings by as much as \$475,116 in fiscal year 2013-14 if departments had paid closer to payment due dates. Opportunities may exist with the City's new financial system to help departments both manage the cash flow implications of the timing of certain vendor payments and better take advantage of early payment discounts that may be offered by vendors.

The report includes 18 recommendations, 11 of which are for departments to improve their contract compliance and payment processing and 7 of which are to the Office of Contract Administration, Office of the Controller's Accounting Operations and Systems Division and

Financial Systems Project to ensure that departments have the guidance and tools needed to minimize missed opportunities to save on early payment discounts and potential interest earnings. The departments' responses to the report are attached as appendices. CSA will work with the departments to follow up on the status of the recommendations made in this report.

CSA appreciates the assistance and cooperation of the departments with which it worked during the audit. For questions about the report, please contact me at Tonia.Lediju@sfgov.org or 415-554-5393 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read 'Tonia Lediju', written in a cursive style.

Tonia Lediju
Director of City Audits

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

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GLOSSARY OF TERMS

Administrative Services	Administrative Services, within the General Services Agency
Airport	Airport Commission
AOSD	Office of the Controller's Accounting Operations and Systems Division
BPO	Blanket purchase order
City	City and County of San Francisco
Controller	Office of the Controller
CSA	Office of the Controller's City Services Auditor Division
FAMIS	Financial Accounting and Management Information System (FAMIS), the City's accounting system. FAMIS and its purchasing component, FAMIS Purchasing, facilitate budgetary management and accounting for the City
General Services Agency	General Services Agency of the Office of the City Administrator; the agency is comprised of a broad array of departments, divisions, programs, and offices which provide services to support the effective operations of other city departments
Human Services	Human Services Agency
OCA	Office of Contract Administration within the General Services Agency; the office that executes the duties of the City Purchaser
PO	Purchase order
Police Department	San Francisco Police Department
Public Health	Department of Public Health
Public Library	San Francisco Public Library
Public Works	Department of Public Works, within the General Services Agency
Technology	Department of Technology, within the General Services Agency
Treasurer	Office of the Treasurer and Tax Collector
SFPUC/Public Utilities Commission	San Francisco Public Utilities Commission
SFMTA/Municipal Transportation Agency	San Francisco Municipal Transportation Agency

INTRODUCTION

Audit Authority

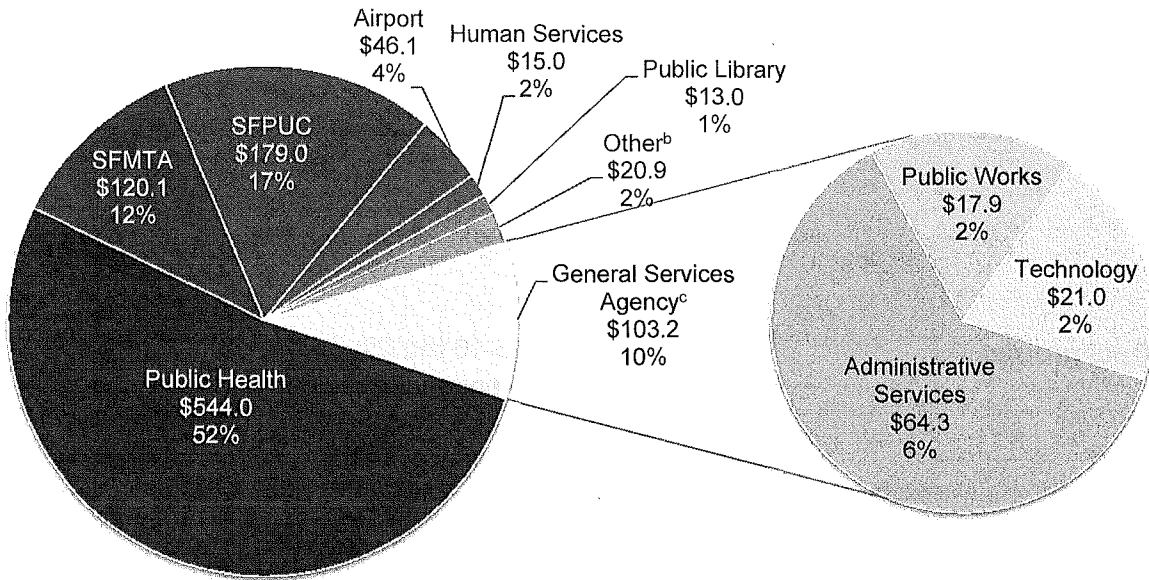
This audit was conducted under the authority of the Charter of the City and County of San Francisco (City), Section 3.105 and Appendix F, which requires that the City Services Auditor (CSA) of the Office of the Controller (Controller) conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

Background

For fiscal year 2015-16 the City has an operating budget of almost \$9 billion and purchases a vast array of goods and services to support its operations. Contracts play an important role in the way the City meets its statutory obligations and provides services to the public. In fiscal year 2013-14 the City spent \$1.1 billion for commodities and services purchased through contracts.

The top ten highest-spending departments purchased goods and services that cost \$1.0 billion, representing 96 percent of the amount spent by the City on goods and services in fiscal year 2013-14. Exhibit 1 details the amounts spent by these departments in fiscal year 2013-14.

EXHIBIT 1 Spending on Commodities and Services by Top Ten City Departments
 Fiscal Year 2013-14^a



Notes:

^a Amounts shown are in millions.

^b Includes spending amounts of less than 1 percent by the Department of Emergency Management, Department of Human Resources, and Police Department.

^c The General Services Agency includes the departments of Administrative Services, Technology, and Public Works.

Source: City's accounting system.

The City is implementing a comprehensive enterprise resource planning system.

The Financial Accounting and Management Information System (FAMIS) is the City's accounting system. FAMIS and its purchasing component, FAMIS Purchasing, facilitate the City's budgetary management and accounting.¹ FAMIS Purchasing is used to record accounting entries related to purchases. FAMIS Purchasing is also the City's primary centralized system for tracking certain high-level information that is typically associated with contracts, such as the vendor, contract not-to-exceed encumbrance amounts, and start and end dates.

The City is now preparing to replace FAMIS and implement a comprehensive enterprise resource planning citywide financial system, which will include financial, procurement, supply chain management and reporting, and analytics functionality. One component of the system will be a citywide contract management system.

¹ Previously known as Advanced Purchasing and Inventory Control System (ADPICS).

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An encumbrance transaction in FAMIS certifies that funds are available for purchases.

The City uses an encumbrance method of accounting to help ensure that obligations are not incurred or expenditures made in excess of available funds, allotments, or appropriation. According to the City Charter, the Controller must authorize all disbursements of funds in the custody of the Office of the Treasurer and Tax Collector (Treasurer). Certification of available funds for all purchases, contracts, and other obligations is done by posting an encumbrance transaction in FAMIS.

Once a vendor has been selected, departments must encumber funds in FAMIS before issuing a purchase order (PO), contract, or other commitment to a vendor. All contracts are administered by the customer department that uses the product or service. The only exception is term contracts. Term contracts benefit the City because vendors are usually willing to provide price discounts in exchange for a high volume of business.

A blanket purchase order (BPO) is used to obtain approval for future purchases from a specific vendor for a specified time period and dollar limit.² BPOs do not encumber funds; PO releases do. One BPO exists for one contract and its amendments. Presented below are the two types of BPOs analyzed by the citywide contract compliance audit program:

The audit team analyzed payments made under citywide term contracts and departmental blanket authorizations.

- Citywide term contracts are multiyear, signed contracts used by one or more departments for large quantities of products or services and are negotiated and managed by the Office of Contract Administration (OCA). These contracts cover a wide variety of goods and services for which the City has a large and recurring need. Office supplies, fuel, information technology, and janitorial services are illustrative examples of goods and services for which a term contract may be used. A BPO is created in FAMIS for the term contract, and then departments use purchase order releases to order the products or services available under the contract.
- Departmental blanket authorization BPOs are used

² A BPO is essentially a convenience contract, negotiated between buyer and vendor, that allows departments to buy specified goods directly from the vendor at pre-negotiated prices and terms.

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to get OCA's approval for anticipated purchases of certain goods and services for a specific period and dollar limit. Departmental BPOs are usually established for purchases not covered under other city contracts. A departmental BPO enables a department to order directly from the vendor in accordance with agreed upon terms, and departments can make purchases by issuing a PO release against a departmental blanket agreement.

In both cases, an encumbrance against a BPO must be recorded before a PO can be placed or a contract can be issued. This is done in FAMIS Purchasing by issuing a standard PO release.

Once funds have been encumbered, departments can place an order in accordance with the allowable items and amounts described in the PO. After department staff has validated receipt of goods or services and matched the invoiced details with the specifications on the PO, the department's accounts payable staff processes the payment as a voucher in FAMIS Purchasing, which allows the vendor payment to be automatically generated in FAMIS Accounting.

**The Controller's
Citywide Contract
Compliance Audit
Program**

Due to the huge scale of procurement in the City, spending poses a significant risk of contract noncompliance. To identify such vulnerabilities, CSA implemented a citywide contract compliance monitoring program to track contract adherence and accuracy.

In fiscal year 2011-12 CSA began a series of annual audits of compliance with selected multiyear contracts based on a citywide contract risk assessment used to identify, measure, and prioritize each contract's potential level of risk to the City. In fiscal years 2011-12 through 2013-14, CSA audited seven departments' management of and general compliance with ten contracts.³

³ CSA's *Citywide Contract Compliance Program: Combined Audits Fiscal Years 2011-12 and 2012-13*, issued January 6, 2015, contains findings and recommendations from the ten contract audits.

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CSA audited ten contracts across seven departments in fiscal years 2011-12 through 2013-14.

In these ten audits, CSA identified nine risk factors, spanning many categories, including material value, contract term, and type of goods or services. For each contract in the risk assessment, CSA systematically scored the relative impact of the risk factors and ranked them from highest to lowest risk. Each contract's risk score was considered when selecting audits for CSA's annual audit work plans in these fiscal years.

The ten audits assessed whether individual departments had and adhered to adequate policies and procedures to properly and effectively administer each of the ten contracts and monitor the performance of each vendor. Because the initial audit approach focused on assessing the internal control environment of individual departments, the number of contracts, departments, and vendors that the program could cover was limited.

Although the areas of risk did not necessarily result in identified contracting failures, the overarching finding of the ten audits was that departments either lacked up-to-date contracting policies and procedures or had weaknesses in their contract administration and monitoring processes. CSA concluded that internal controls at the department level need not be assessed by the program until a single, consistent, citywide system of policies and procedures for procurement is developed.

CSA revised its approach for the fiscal year 2014-15 audit program so it could increase audit coverage of city contracts by focusing on the departments' compliance with contract provisions.

CSA elected to evaluate payment compliance with contract terms instead of individual department controls over contract administration.

Rather than limit testing to only a few contracts, CSA selected payments from a population of contracts that spanned all city departments, which allowed for greater audit coverage. Because of the significant increase in the number of departments with payments tested, CSA elected to evaluate payment compliance with contract terms rather than individual department controls over the administration of contracts.

CSA obtained from the Controller's Accounting Operations and Systems Division (AOSD) a list of all BPOs that were open in fiscal year 2013-14. From this list CSA removed construction-related and grant-related

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BPOs because compliance with these types of contracts is covered by CSA's Construction Audit Program and Nonprofit Audit Program, respectively. CSA also removed BPOs with not-to-exceed amounts of less than \$100,000 and contracts with expiration dates before January 1, 2015.

CSA selected the number of payments per contract depending on the size of each contract's not-to-exceed amount. Specifically, CSA selected:

- One payment made in fiscal year 2013-14 for contracts with not-to-exceed amounts less than \$500,000.
- Up to three payments made per fiscal year during fiscal years 2011-12 through 2013-14, if available, for contracts with not-to-exceed amounts of \$500,000 or greater.

CSA used both random and purposeful sampling to select 100 payments made against 51 unique BPOs by 20 city departments. The total value of these payments was \$1.8 million spent during fiscal years 2011-12 through 2013-14, representing 5 percent of total payments remitted by these departments against these BPOs during the period. The 51 unique BPOs tested included 15 citywide term contracts and 36 departmental BPOs.

Exhibit 2 summarizes, by city entity, the sample selection of BPOs and payments tested.

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EXHIBIT 2 The 100 Payments Tested Covered \$1.8 Million Across 51 Contracts and 20 Departments

City Department	Number of BPOs Tested*	Number of Payments Tested	Amount of Payments Tested	% of Total Amount of Payments Tested
Public Health	12	27	\$856,619	47.5%
Public Utilities Commission	7	10	180,363	10.0%
Municipal Transportation Agency	5	10	159,449	8.9%
Airport	4	8	144,985	8.0%
Police Department	3	6	121,640	6.8%
Recreation and Park Department	2	2	83,499	4.6%
Department of Building Inspection	2	4	59,183	3.3%
Human Services Agency	2	2	58,050	3.2%
Administrative Services	4	8	55,786	3.1%
Technology	2	4	16,501	0.9%
Office of Economic and Workforce Development	2	2	15,983	0.9%
Fire Department	1	1	14,921	0.8%
Public Library	3	3	11,302	0.6%
Human Resources	2	2	7,666	0.4%
Children & Families Commission	1	1	6,250	0.4%
Controller	1	1	4,205	0.2%
Treasurer	1	3	3,109	0.2%
Board of Supervisors	1	1	1,600	0.1%
Sheriff's Department	1	1	1,470	0.1%
Public Works	2	4	416	0.0%
Total	58	100	\$1,802,997	100.0%

*Note: The 51 unique BPOs tested totals 58 BPOs when organized by city department because the 58 total number of BPOs includes citywide term contracts with payments tested under multiple departments.

Source: CSA Analysis

Objectives

The objective of the audit was to determine whether invoices billed by vendors and related amounts paid by the City complied with contract provisions. Specifically, the audit determined whether:

1. Vendor invoices complied with contract and PO terms and conditions.
2. Vendors accurately charged the City for goods and/or services provided.
3. The City correctly paid vendor invoices in a timely manner.

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**Scope and
Methodology**

The audit examined payments made under selected multiyear contracts, excluding those related to public works construction contracting and grants, with an effective date before July 1, 2014, and an expiration date after January 1, 2015. For the sample of payments selected, CSA:

- Reviewed and gained an understanding of the contract terms and conditions, including any early payment discount terms.
- Inspected invoices and related supporting documentation to ensure that city entities had sufficient and appropriate information to support the amounts invoiced and paid.
- Recalculated amounts invoiced to ensure accuracy of amounts billed.
- Verified whether items purchased were allowable under the contract and whether rates invoiced complied with contract provisions.
- Determined whether the City promptly paid undisputed vendor invoices and ultimately paid the correct amount.

The audit also examined payments on a citywide level. Specifically, for fiscal year 2013-14, CSA determined the potential and missed early payment discounts and potential interest income the City could have received.

**Statement of Auditing
Standards**

This 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 – Many Vendor Payments Could Not Be Verified and Some That Could Were Not Paid in Accordance With Contract Terms and City Policy

Summary

Of a sample of \$1.8 million in payments tested, the accuracy of \$955,787 (53 percent) could not be verified due to unitemized invoices and a lack of invoice support, and \$19,380 (1 percent) could not be verified due to outdated or incomplete contract language. Also, of a sample of \$84,395 of city payments to vendors in fiscal years 2011-12 through 2013-14, incorrect payment amounts were found to have caused overpayments of \$1,655 (2 percent).

Some departments did not take advantage of early payment discounts offered by vendors. Of a sample of 25 payments for which an early payment discount was offered, 11 (44 percent) showed the City missed the discount. These 11 payments amounted to \$1,270 (35 percent) of the available \$3,612 in early payment discounts in the sample. Departments missed the discounts by paying undisputed invoices late and because staff manually changed discount terms or due dates or entered incorrect invoice receipt dates in FAMIS.

Last, departments did not always pay undisputed invoices within the required 30-day prompt payment period. Although failures to receive early payment discounts and pay promptly are not contract compliance issues, they are shortcomings related to departmental payment processing.

Exhibit 3 summarizes the issues identified in the 100 payments tested.

EXHIBIT 3 **Problems Identified in the 100 Sample Payments Related to Compliance, Missed Discounts, and Process Improvement Opportunities**

Finding Category	Description
Contract noncompliance	<ul style="list-style-type: none"> • Overpayments based on pricing terms • Cannot verify that item/services purchased or rates charged are allowable under the PO and contract because invoices were not itemized • Cannot verify that item/services purchased or rates charged are allowable under the PO and contract because department did not provide sufficient support • Cannot verify that item/services purchased or rates charged are allowable under the PO and contract because contract language is missing or not updated
Missed early payment discounts	<ul style="list-style-type: none"> • City lost an early payment discount because the department paid an undisputed invoice late • City lost an early payment discount because of user input errors in FAMIS
Payment process improvement opportunities	<ul style="list-style-type: none"> • Departments did not pay within the 30-day prompt payment period* • Receipt date stamped on invoice does not match invoice receipt date entered in FAMIS*

Note:

* For payments made under contracts with and without early payment discounts

Source: CSA analysis

Finding 1.1

More than half (53 percent or almost \$1 million) of tested payments lacked documentation to support payment amounts.

\$955,787 (53 percent) of payments were inadequately supported.

Of 100 payments tested, 36 lacked sufficient detail to support the amounts paid. Consequently, the audit could not verify payments totaling \$955,787, or 53 percent of the \$1,802,997 in payments tested. The U.S. Government Accountability Office defines improper payments as payments that:

...include inadvertent errors, such as duplicate payments and calculation errors; payments for unsupported or inadequately supported claims; payments for services not rendered or to ineligible beneficiaries; and payments resulting from outright fraud and abuse.

Using this definition, the \$955,787 of payments can be considered improper because they are “for unsupported or inadequately supported claims.” The 36 payments were made by nine departments.

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Some of these improper payments occurred because the invoices lacked sufficient detail to support the amounts billed. Specifically, invoices for 36 payments did not include complete documentation, such as timesheet support, to support the amounts billed and invoices for 2 payments were not itemized.

Exhibit 4 summarizes these payments.

EXHIBIT 4 Thirty-six of 100 Sample Payments Lacked Support				
City Department	Number of Contracts	Number of Payments Lacking Support	Total Payment Remitted	Unverifiable Amount
Public Health	6	18	799,807	\$799,807
Airport	1	3	\$70,918	70,918 ^a
Human Services Agency	1	1	50,000	50,000
Technology	2	4	16,501	16,501 ^b
Public Utilities Commission	2	4	65,298	12,800 ^c
Human Resources	1	1	4,932	4,932
Municipal Transportation Agency	1	2	4,891	425
Police Department	2	2	6,049	270
Treasurer	1	1	2,015	134
Total	17	36	\$1,020,411	\$955,787

Notes:

^a The total \$70,918 of the Airport's unverifiable amount is attributed to one citywide term contract.

^b \$8,389 of the Technology's unverifiable amount is attributed to one citywide term contract.

^c \$7,768 of the Public Utilities Commission's unverifiable amount is attributed to one citywide term contract.

Source: CSA analysis of a sample of 100 payments totaling \$1,802,997.

The discounts that should have been applied to a sample of \$87,075 of goods purchased could not be determined because catalog list prices could not be substantiated.

Of the \$955,787 in payments that lacked support, 9 percent of this amount was paid by three departments – the Airport Commission (Airport), General Services Agency – Technology (Technology), and San Francisco Public Utilities Commission (Public Utilities Commission) – under the same citywide term contract. According to the contract, the vendor is to provide certain goods to the City at a discount rate based on catalog list prices. However, none of the three departments could provide evidence that the City received the discounts required by the contract on the goods purchased.

Without relevant documentation to support the catalog list prices and discounts applied, the audit could not

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verify the accuracy and appropriateness of amounts invoiced for some items purchased. The audit's sample included payments totaling \$87,075 for 11 invoices whose catalog list prices could not be verified. Discounts required by the contract ranged from 15 to 98 percent off the catalog pricing.

Of the \$955,787 found to be unverifiable, \$175,529 (18 percent) was attributable to seven invoices paid by one department under two cost reimbursement contracts. The contracts require that vendors submit invoices monthly for reimbursement of actual costs incurred in the preceding month. However, according to the department, it does not require vendors to submit additional information, such as units of service provided, to support the amounts invoiced for its cost reimbursement contracts.

For example, one vendor invoiced the City for—and the City paid—\$21,196 for various expenses including employee salaries but did not provide timesheets. Without this information, the audit could not verify that the amount the City paid to the vendor was allowable.

Of the 100 payments tested, 2 (2 percent) included invoices with prices and rates that were not itemized. As a result, the audit could not verify the allowability of payments totaling \$50,400 related to these invoices.

Exhibit 5 summarizes these two payments.

EXHIBIT 5 Two of 100 Sample Payments Had Unverifiable Amounts Due to Unitemized Invoices

Department	Number of Payments	Amount Tested	Unverifiable Amount
Human Services Agency	1	\$50,000	\$50,000
Municipal Transportation Agency	1	4,356	400
Total	2	\$54,356	\$50,400

Source: CSA analysis of a sample of 100 payments totaling \$1,802,997.

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For the City to be able to determine whether items and amounts charged by vendors are in accordance with the contract's terms, invoices should show the quantity of items purchased or number of hours incurred, as well as the respective price(s) or rate(s) applied to each. However, in one example a vendor billed the department a lump-sum amount and omitted the quantity purchased and the number of labor hours incurred. This vendor did not itemize the \$50,000 invoice it used to support its actual costs despite the fact that it was allowed a 5 percent mark-up on materials costs invoiced to the City.

To support the materials costs invoiced to the City, the department obtained the vendor's invoice documentation. However, the supporting documentation did not separate the actual materials costs from labor costs. Because this documentation was not itemized, CSA could not verify the costs incurred by the vendor for materials and labor and, therefore, could not determine whether the department's \$50,000 payment was allowable.

Unitemized charges reduce the City's ability to determine whether invoiced items comply with contract terms.

Without a sufficient level of detail, the City cannot be sure that the items and amounts on invoices it is asked to pay comply with contract terms. According to the City's payment processing guidelines, the process for receiving, reviewing, and approving payments must follow good internal controls. This involves certifying that all transactions are valid, legal, and properly authorized.

At a minimum, to ensure that the amounts billed are correct and comply with contract terms, invoices should align with the purchase categories in the contract and should show the number of hours incurred and/or quantity purchased, the applicable rates and/or prices, and any associated discounts applied. Failure to require vendors to itemize their invoices increases the risk that inappropriate charges may be billed and paid.

Recommendations

1. The Airport Commission, Department of Human Resources, Department of Public Health, Department of Technology, Human Services Agency, Office of the Treasurer and Tax Collector, Police Department, San Francisco Municipal Transportation Agency, and San Francisco Public Utilities Commission should require that vendor

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invoices include evidence to support all amounts on the invoice and ensure that amounts are adequately supported before approving invoices for payment.

2. The Human Services Agency and San Francisco Municipal Transportation Agency should ensure that all vendor invoices are itemized to include all invoiced line items and respective quantities purchased and rates charged.

Finding 1.2

Outdated or incomplete contract language made it unclear whether \$19,380 in tested payments were appropriate.

\$19,380 in payments could not be confirmed as allowable due to unclear, outdated, or missing contract terms.

Of a sample of 100 payments totaling \$1,802,997, six payments totaling \$19,380 (1 percent) could not be confirmed as allowable due to outdated or missing contract terms. Such issues, which were noted in four contracts tested, may impede the transparency of the billing process, contract compliance, and the City's ability to ensure that it is charged the appropriate prices for its purchases. Departments whose payments could not be confirmed as allowable include the:

- Department of Building Inspection
- Administrative Services
- Technology
- Police Department

Exhibit 6 summarizes these payments.

EXHIBIT 6 Six of 100 Sample Payments Had Unverifiable Amounts Due to Outdated or Missing Contract Terms			
Department	Number of Payments	Amount Tested	Unverifiable Amount
Administrative Services	3	\$9,198	\$9,198
Technology	1	8,112	8,112
Police Department	1	38,314	2,047
Department of Building Inspection	1	588	22
Total	6	\$56,212	\$19,380

Source: CSA analysis of a sample of 100 payments totaling \$1,802,997.

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In some instances, contract terms did not reflect the understanding between the City and the vendor as to what charges were allowable.

Some city contracts include a list of items/services and rates that are allowed to be purchased under the contract. However, lists do not always encompass all of the current items/services and rates under the contract. For example, a printing services vendor on a term contract invoiced a department \$23 for a printing overrun on a \$588 print order. Although the department and the Office of Contract Administration state that it is an industry standard for printers to recover some overrun costs, the contract did not contain language regarding allowable overrun charges. As a result, the contract terms do not reflect the understanding between the City and the vendor. According to OCA, terms surrounding overrun costs will be included in the new contract.

When it is impractical to detail all potential costs in a contract, departments should do additional monitoring to reduce the risk of overpayment.

Although contracts should provide departments with a reference for determining what items, services, and rates are allowable, it is sometimes impossible for a contract price list to include all allowable items, services, and rates. For example, one contract required the vendor to perform various printing, publishing, and mail services for the City. The audit could not verify that the rate charged for \$9,198 in printing services under this contract was allowable because the contract's price list did not include every allowable printing option.

When it is impractical for a contract to include every allowable item that may be purchased and the associated rate that must be charged, departments should establish policies and procedures that mitigate the risks of improper vendor payments. An example of such a procedure is a formal supervisory review process. An additional monitoring procedure such as this would decrease the risk that a department pays a vendor at an incorrect rate or for unallowable goods or services.

Recommendations

3. The Administrative Services, Department of Technology, Office of Contract Administration, and San Francisco Police Department should ensure that contracts clearly describe the goods and services the vendor is allowed to provide under the contract and reflects current pricing structures.
4. The Department of Technology should, when it is not feasible to list in a contract all items that can be purchased, establish policies and procedures, such

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as a formal supervisory review, that help mitigate the risk of improper purchases and incorrect vendor payments.

Finding 1.3

Five departments overpaid vendors \$1,655 (2 percent) based on a sample of six payments totaling \$84,395.

Due to inadequate monitoring, departments sometimes paid more than their contracts required.

Of the payments that were verifiable, vendors sometimes invoiced rates that deviated from those in the contract, causing five departments—the Office of Economic and Workforce Development, Police Department, Public Library, Recreation and Park Department, and Municipal Transportation Agency—to inadvertently overpay some vendors. Of a sample of \$84,395 in 100 payments tested in fiscal years 2011-12 through 2013-14, \$1,655 (2 percent) was overpaid in 6 payments by five departments.

Exhibit 7 summarizes the overpayments the audit identified.

EXHIBIT 7 Six of 100 Sample Payments Were Overpayments			
Department	Number of Overpayments	Total Value of Sample of Payments Tested	Amount Overpaid
Public Library*	2	\$10,441	\$1,055
Recreation and Park Department	1	17,861	265
Municipal Transportation Agency	1	5,500	250
Police Department	1	43,073	49
Office of Economic and Workforce Development	1	7,520	36
Total	6	\$84,395	\$1,655

Note: *The two Public Library payments were paid against separate contracts.

Source: CSA analysis of a sample of 100 payments totaling \$1,802,997.

Some billed rates and unit prices did not comply with the contract.

Some vendors invoiced the City using rates inconsistent with contract requirements, which resulted in overpayments. For example, a vendor failed to provide the 10 percent discount on the invoice as required by the contract, resulting in an overpayment of \$947. In another instance, a department paid a vendor at a rate that had not been formally agreed upon, resulting in an overpayment of \$265. Vendors cannot apply rate

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increases until a contract amendment goes into effect, which occurs after it is signed by both the vendor and the City.

According to the City's payment processing guidelines, issued by the Controller, the process for receiving, reviewing, and approving payments must follow good internal controls. This involves certifying that all transactions are valid, legal, and properly authorized. The overpayments found in the sample may indicate that other erroneous amounts were paid because departments did not properly review invoices to ensure that amounts billed are in accordance with contract terms.

CSA notified the five departments of the overpayments, and the Police Department, Public Library, and Municipal Transportation Agency later obtained a credit memo or vendor refund for all amounts found to be owed to the City.

Recommendations

5. The Office of Economic and Workforce Development, San Francisco Police Department, San Francisco Public Library, Recreation and Park Department, and San Francisco Municipal Transportation Agency should review invoices submitted in fiscal years 2011-12 through 2013-14 to determine whether they are entitled to recover any additional amounts found to be overpaid.
6. The Office of Economic and Workforce Development, San Francisco Police Department, San Francisco Public Library, and San Francisco Municipal Transportation Agency should review vendor invoices to ensure that invoiced amounts comply with contract terms before approving invoices for payment.
7. The Office of Economic and Workforce Development should consider the cost and benefit of recovering the \$36 overpayment from the vendor.
8. The Recreation and Park Department should comply with the current contract's pricing terms or modify the terms of its contract with a signed

amendment. Only after an amendment has been signed should POs be modified and invoices paid.

Finding 1.4

The City missed \$1,270 in early payment discounts because it processed payments late and made data input errors.

Slow payment processing caused the City to miss some early payment discounts.

The City missed early payment discounts⁴ for 11 (44 percent) of 25 payments on contracts that included early payment incentive terms. The missed discounts represented \$1,270 (35 percent) of the available \$3,612 of discounts. Chapter 2 discusses additional instances beyond the sample of 100 payments where the City did not receive allowable discounts.

Some payments were made late. For example, for two payments, the City could have received an additional \$138 in discounts had the payments been made within the period required. The two payments that did not take advantage of the discounts were remitted four and six days after the specified discount periods ended. These late payments were made by the Municipal Transportation Agency and Public Utilities Commission, respectively.⁵

Failure to pay vendors within the agreed-upon discount periods increases the risk that the City will lose out on future early payment discounts offered by vendors. Further, paying invoices late may adversely affect the cash flow of suppliers and can expose the City to additional costs, such as late payment fees.

Exhibit 8 summarizes missed discounts due to late payments found in the sample.

⁴ A customer may pay less than the invoiced amount by paying within a specified discount period, which is defined in terms of the period from the date on which the invoice is received to the last date on which a discount may be taken. For example, a common early payment discount is "1/10 net 30," which means the customer will receive a 1 percent discount on the invoiced amount if the invoice is paid within 10 days instead of 30 days.

⁵ The late payments referred to are the same as those identified in Finding 1.5. The associated recommendation is Recommendation 10.

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EXHIBIT 8 Two of 25 Sample Payments Missed Early Payment Discounts Because They Were Late

Department	Number of Payments	Payment Amount	Potential Discount	Missed Discount
Public Utilities Commission	1	\$6,661	\$133	\$133
Municipal Transportation Agency	1	535	5	5
Total	2	\$7,196	\$138	\$138

Source: CSA analysis of 25 payments with available early payment discounts of \$3,612.

Discount terms were manually altered or incorrectly copied into FAMIS, which prevented the system from applying the early payment discount to which the City was entitled.

According to AOSD, the City's accounting system automatically calculates the payment due date based on the discount terms and the invoice receipt date that has been entered in the system by department staff. However, this did not occur for 9 (36 percent) of 25 sample payments, despite the fact that they were made within the allotted discount period. The reason for this was that staff had entered in FAMIS an incorrect invoice receipt date or had manually changed in FAMIS voucher details such as the discount terms or due date. This resulted in missed discounts of \$1,131. Exhibit 9 summarizes these payments.

EXHIBIT 9 Nine of 25 Sample Payments Missed Early Payment Discounts Due to Data Input Errors

Department	Number of Payments	Payment Amount	Potential Discount	Missed Discount
Recreation and Park Department	1	\$65,638	\$656	\$656
Administrative Services	1	16,791	336	336
Public Utilities Commission	4	3,514	123	102
Airport	1	1,184	24	24
Municipal Transportation Agency	1	239	12	12
Public Health	1	110	1	1
Total	9	\$87,476	\$1,152	\$1,131

Source: CSA analysis of 25 payments with available early payment discounts of \$3,612.

Of the nine payments listed in Exhibit 9, six were instances where three departments modified the voucher discount terms. Of those six, four were caused by one department that failed to receive the correct early payment discounts because it incorrectly copied early payment discount terms from earlier POs. These instances resulted in \$102 in missed discounts.

According to one vendor contract, a \$1,916 invoice

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qualified for a 5 percent early payment discount. However, because the incorrect early payment discount terms were copied from a previous PO, only a 0.5 percent early payment discount was applied. As a result, the department failed to realize \$86 of the early payment discount for which it qualified on the invoice. Because the older PO had early payment discount terms that differed from those in the contract, the department should not have relied on the PO for early payment discount information.

In another example, a department was entitled to take an early payment discount of 5 percent. However, the department incorrectly modified the discount terms from 5 percent to 3 percent, causing FAMIS not to apply the full discount. As a result, the department missed an early payment discount of \$12 on an invoice of \$246.

Recommendation

9. The Airport Commission, Department of Public Health, Administrative Services, Recreation and Park Department, San Francisco Municipal Transportation Agency, and San Francisco Public Utilities Commission should ensure that voucher details are correctly entered in the City's accounting system to take advantage of available early payment discounts, specifically the early payment discount terms, payment due date, and invoice receipt date.

Finding 1.5

Departments do not always comply with city guidelines on prompt payments.

Contrary to city policy, departments pay some undisputed vendor invoices late.

Although the vast majority of the payments tested were remitted on time, 6 of the 100 payments tested were not remitted within the City's prompt payment guideline of 30 calendar days from the invoice receipt date.

Exhibit 10 summarizes the late payments identified.

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EXHIBIT 10 Six of 29 Sample Payments Were Late

Department	Payments Tested	Payments Not Made Within 30 Days	% of Payments Made Late
Administrative Services	8	3	38%
Municipal Transportation Agency*	10	1	10%
Public Utilities Commission*	10	1	10%
Sheriff's Department	1	1	100%
Total	29	6	21%

*Note: The late payments by the Municipal Transportation Agency and Public Utilities Commission are the same late payments identified in Finding 1.4 that resulted in missed early payment discounts.

Source: CSA analysis of a sample of 100 payments totaling \$1,802,997.

Although departments can make a single payment to cover multiple invoices, this should not result in paying any of invoices later than 30 days.

Departments attributed some late payments to combining invoices for efficiency or conflicts in employee schedules delaying payment approval. However, invoices should not be combined when doing so would result in paying earlier invoices more than 30 days after receipt. Further, departments should ensure that their accounts payable personnel have appropriate backup to ensure that absences do not prevent continued operations.

According to AOSD, when combining invoices, the invoices should be received within two days of each other to ensure that they are paid in a timely manner. Contrary to this guidance, two sample payments combined invoices that were received a month apart. For example, a payment by one department was for two invoices it received on December 11, 2012, and January 14, 2013. In this case, the invoices should have been paid separately because combining them caused the earlier invoice to be paid late.

One invoice was paid 51 days after receipt.

Also, a department remitted a payment for an undisputed invoice 51 days after the invoice receipt date. Department personnel attributed the late payment to conflicts in employee schedules that delayed payment approval. Although there was no associated early payment discount offered, paying an undisputed invoice more than 30 days after invoice receipt does not comply with the City's prompt payment guidelines.

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Incorrect invoice receipt dates in FAMIS were found for 17 percent of tested payments.

Of 100 payments tested, 17 had invoices with incorrect invoice receipt dates entered in FAMIS.⁶ According to the City's payment processing guidelines, each invoice must be marked with a receipt date when it is received. Also, according to the City's prompt payment guidelines, the receipt date recorded is to be the latest of the following three dates:

- The date the vendor's payment request (invoice) was received by the City.
- The payment date specified in the contract or PO (not to preclude the vendor's early performance).
- The date materials or services are delivered to the City.

The City's FAMIS Purchasing user training guide for direct vouchers states that departments are required to enter invoice receipt dates in FAMIS. However, for 26 percent of the sample payments, the receipt date in FAMIS differs from the receipt date stamped on the invoice. Exhibit 11 summarizes these payments.

EXHIBIT 11 Seventeen of 66 Sample Payments Had Incorrect Invoice Receipt Dates in the City's Accounting System

Department	Total Payments Tested	Payments With Incorrect Receipt Date	Percent of Payments Tested With Incorrect Receipt Date
Airport	2	2	100%
Technology	4	3	75%
Human Resources	2	1	50%
Human Services Agency	2	1	50%
Office of Economic and Workforce Development	2	1	50%
Police Department	6	3	50%
Sheriff's Department	3	1	33%
Administrative Services	8	2	25%
Municipal Transportation Agency	10	2	20%
Public Health	27	1	4%
Total	66	17	-
		Average	26%

Source: CSA analysis of a sample of 100 payments totaling \$1,802,997.

⁶ Department staff enters in FAMIS the invoice receipt date, which is the date an invoice is received by the designated office of the department or agency.

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Of the 17 tested payments whose stamped invoice receipt date did not match the invoice receipt date in FAMIS, 6 (35 percent), made by three departments, were eligible for early payment discounts. These 6 payments totaled \$10,346. However, because department staff entered incorrect invoice receipt dates in FAMIS, two of the three departments missed early payment discounts amounting to \$41.

Incorrect invoice receipt dates in FAMIS increase the likelihood that the system will not apply some early payment discounts due, even when payments are made during the discount period, and that missed discounts due to these errors may go unidentified. For example, a department did not receive a 2 percent (\$24) discount on a payment because it entered an invoice receipt date in FAMIS that was nine days before the receipt date indicated on the invoice. This error caused FAMIS to determine that the department failed to pay within the 30 days required by the vendor's early payment terms, so the discount was not applied.

Departments are encouraged to record invoices and vouchers in FAMIS as early as possible and must accurately document the date each invoice is received.

Of the 100 payments tested, 2, each paid by a different department, were for invoices that were not stamped with a receipt date. One payment had no associated early payment discount while the other was eligible for a 5 percent discount. Due to the missing receipt dates on the invoices, the audit could not determine whether the receipt dates in FAMIS are correct.

According to city guidelines, departments are encouraged to record invoices and vouchers in FAMIS as early in the process as possible and must accurately document the date that each invoice is first received. Also, the City's payment processing guidelines state that:

Transactions shall be accurate, timely, properly recorded, and properly classified. Computer system controls should be utilized to safeguard records and preserve data integrity.

Failure to record accurate invoice receipt dates and other invoice information reduces a department's assurance that vendors are paid on time. Adherence to these guidelines is especially important for invoices that have early payment discounts associated with them.

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Recommendations

10. The Administrative Services, San Francisco Municipal Transportation Agency, San Francisco Public Utilities Commission, and Sheriff's Department should ensure that payments are remitted within 30 days of receipt and that, if payments must be remitted late, documentation is maintained to justify the late payment.

11. The Airport Commission, Department of Human Resources, Department of Public Health, Administrative Services, Department of Technology, Human Services Agency, Office of Economic and Workforce Development, San Francisco Municipal Transportation Agency, San Francisco Police Department, and Sheriff's Department should ensure that the invoice receipt date entered in the City's accounting system is based on the date the department received the invoice, which should also match the receipt date stamped on the invoice.

CHAPTER 2 – The City Can Increase Potential Savings From Early Payment Discounts and Interest Income

Summary

Based on analysis of a sample of 100 payments associated with 51 contracts, the findings of which are discussed in Chapter 1, some payments were not remitted in the period required to receive the available early payment discounts and some were made without using the correct receipt, payment, or due date on the invoices.

Of the \$1.1 billion in payments the City made under contracts⁷ in fiscal year 2013-14, only \$14 million (1 percent) had associated early payment discounts offered by the vendor.⁸ The \$14 million in payments had \$236,584 in early payment discounts available, of which the City only received \$192,441 (81 percent). The remaining \$44,143 (19 percent) of potential discounts was missed due to user input or processing errors by department staff and due to late payments.

Of the \$44,143 in missed early payment discounts, \$35,115 (80 percent) was not realized due to user input and processing errors in FAMIS. The remaining \$9,027 (20 percent) was missed because the City did not pay by the due date for the discount. Further, contract discount terms in FAMIS are inconsistently entered and modified, resulting in inaccurate data and potentially missed opportunities for early payment discounts.

Last, the City may not realize maximum potential interest earnings. The City could have increased its investment earnings by as much as \$475,116 in fiscal year 2013-14 if departments had paid closer to payment due dates. Opportunities may exist with the City's new financial system to help departments both manage the cash flow implications of the timing of certain vendor payments and better take advantage of early payment discounts that may be offered by vendors.

⁷ Excluding construction-related contracts, grant agreements, and open market purchases.

⁸ For the purpose of determining the early payment discounts due and taken in the selected period, CSA used the early payment discount terms cited on the voucher document in the City's accounting system.

Finding 2.1

Early payment discount terms were offered for only 1 percent of the value of payments made in fiscal year 2013-14. Additional contracts that could potentially offer early payment discounts should be identified.

Of contract⁹ payments the City made in fiscal year 2013-14, \$14 million were associated with contracts that include early payment discount provisions. These payments provided the City with \$236,584 in potential cost savings. However, the \$14.0 million represents only 1 percent of the \$1.1 billion the City paid under all its contracts that year. By not including early payment incentive terms in more contracts, the City misses an opportunity to substantially increase its cost savings. If all contract payments the City made in fiscal year 2013-14 had been eligible for early payment discounts, the City could have saved an estimated \$21.8 million.¹⁰

93 percent of payments with negotiated early payment discount terms are under term contracts.

Early payment discounts, when negotiated, allow city departments the opportunity to realize additional savings and reduce their costs in exchange for early payments to vendors. Vendors that offer early payment discounts do so to improve their cash flow.

Many citywide term contracts awarded by OCA contain negotiated early payment discounts. Of the 74 city contracts under which \$14.0 million in payments with early payment discounts were made in fiscal year 2013-14, 53 (72 percent) were citywide term contracts. Payments made under these contracts amounted to \$13 million, or 93 percent of the payments for which early payment discounts were offered. The remaining 7 percent of payments, totaling \$1 million, were made under 21 departmental contracts.

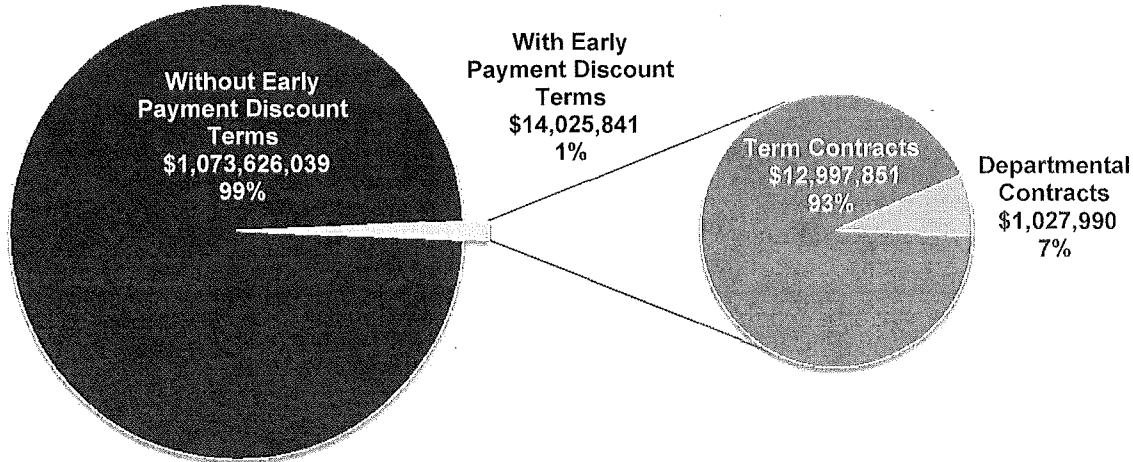
Unlike departmental contracts, which are typically only used by the contracted department to order directly from the vendor in accordance with agreed-upon contract terms, citywide term contracts are used by one or more departments for large quantities of products or services, typically for goods and services for which the City has a large and recurring need.

⁹ Excluding construction-related contracts, grant agreements, and open market purchases.

¹⁰ CSA calculated the potential saving using AOSD's preferred discount percentage, which is 2 percent of the invoiced amount when payments are made within the specified discount period.

Exhibit 12 summarizes these payments.

EXHIBIT 12 Only 1 Percent of the Value of the City's Term and Departmental Contract Payments Were Associated With Contracts Offering Early Payment Discount Terms in Fiscal Year 2013-14



Source: City's accounting system

The City should encourage its vendors to offer early payment discounts.

Departments that manage departmental contracts should encourage their vendors to offer early payment discounts. For example, the Office of the Comptroller of the Commonwealth of Massachusetts (Massachusetts) produces a quarterly memorandum to document the status of early payment discounts received and to help departments continue pursuing growth in discounts earned by paying early. The memorandum is issued publicly and includes:

- A list of departments that have and have not taken advantage of the program.
- The discount amounts taken and lost.
- A list of vendors that offer discounts.

Massachusetts reports that, in fiscal years 2009-10 through 2013-14, it increased the amount of discounts taken by 52 percent and by doing so saved more than \$9.5 million in fiscal year 2013-14.

Massachusetts has written policy encouraging departments to request early payment discounts and to monitor such terms to ensure that they receive earned

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discounts. Further, departments are encouraged to ask vendors under existing contracts to offer discounts if they do not already do so.

More term contracts than departmental contracts have negotiated early payment discounts.

According to OCA, which manages citywide term contracts, an early payment discount offered by a vendor is a factor when evaluating bids or proposals for any given contract, but it does not guarantee that such a bid or proposal will score higher than one that does not, as price is only one factor among several when evaluating bids and proposals.

The City had only 190 term contracts under which payments were made in fiscal year 2013-14, compared to 2,050 departmental contracts. Of the 190 term contracts, only 53 (28 percent) had negotiated early payment discounts at the payment level.¹¹

Although OCA's annual memorandum of new and ongoing procedures related to preparing purchasing documents encourages departments to ask for a prompt payment discount from vendors for departmental contracts, only 21 (1 percent) of 2,050 departmental contracts under which payments were made in fiscal year 2013-14 had early payment discounts available at the payment level. Receiving early payment discounts on payments made under contracts is a sensible way for the City to save money and provide timely cash flow to its vendors.

Recommendation

12. The Office of Contract Administration should provide written guidance to departments on how to identify contracts that could potentially offer early payment discounts.

¹¹ CSA relied on the early payment discount terms indicated at the payment level because discount terms at the contract level are not in the City's accounting system.

Finding 2.2

The City did not receive 19 percent of potential early payment discounts offered by vendors, resulting in \$44,143 of missed savings.

The City missed more than \$44,000 in early payment discounts in fiscal year 2013-14.

Although the City received early payment discounts of \$192,441 (81 percent of the \$236,584 in early payment discounts available in fiscal year 2013-14), the remaining \$44,143 (19 percent) was missed due to user input or processing errors by department staff or due to late payments.

User input or processing errors caused 80 percent of the missed early payment discounts.

Of the \$44,143 in missed early payment discounts, \$35,115 (80 percent) was for payments that were remitted within the specified discount period, but some user input or processing error caused FAMIS not to take the discount. FAMIS automatically calculates the payment due date based on the discount terms and the invoice receipt date¹² that department staff has entered in the system. For payments without discount terms, the due date will be 30 calendar days after the invoice receipt date.

According to AOSD, if department staff changes the invoice due date in FAMIS to a date that falls before the date of payment approval, FAMIS will not deduct the discount from the payment remitted. This occurs because the system calculates discounts only when payments are made in the discount period and on a date that falls on or after the date the invoice is approved for payment, which is logically correct.

Exhibit 13 summarizes the discounts the City missed because a user input or processing error caused FAMIS not to take the discount.

¹² The invoice receipt date is the date that the invoice was received by the City, the date the corrected invoice was received by the City for disputed invoices, and the earliest receipt date for multiple invoices paid with one payment.

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EXHIBIT 13 Departments Missed More Than \$35,000 in Discounts Due to Data Input or Processing Errors in Fiscal Year 2013-14

Department	Number of Payments	Payment Amount	Potential Discount Amount	Missed Discount Amount
Airport	922	\$3,681,100	\$65,422	(\$8,209)
Fire Department	295	1,463,427	29,506	(6,264)
Recreation and Park Department	676	1,266,389	12,627	(5,489)
Administrative Services	420	1,087,117	15,676	(5,350)
Public Works	649	602,609	17,883	(2,881)
Department of Public Health	550	933,016	15,454	(2,544)
Public Utilities Commission ^a	1,697	2,256,624	30,559	(2,322)
Technology	142	224,270	4,699	(869)
Municipal Transportation Agency	698	1,349,354	25,935	(679)
War Memorial	45	38,215	966	(166)
Public Library	81	55,979	862	(139)
Juvenile Probation	88	3,181	64	(57)
Port	419	243,798	4,110	(59)
Arts Commission	19	3,807	52	(25)
Police Department	97	30,886	375	(22)
District Attorney	11	8,666	94	(18)
Human Services Agency	26	32,408	332	(18)
Other ^b	140	86,630	1,087	(3)
Total	6,975	\$13,367,476	\$225,703	(\$35,115)

Notes:

^a Includes the Hetch Hetchy, Wastewater, and Water Enterprises.

^b Other includes Department of Emergency Management, Department of Environment, Rent Arbitration Board, and Sheriff's Department, each with missed discounts of \$2 or less.

Source: City's accounting system and CSA analysis

AOSD immediately investigated the instances of missed early payment discounts for 36 percent of CSA's sample.

AOSD immediately investigated the nine instances where the City paid within the discount window but did not receive the early payment discount that was specified in the associated contract (see Finding 1.4). AOSD confirmed that one cause was input or processing errors—such as entering incorrect payment discount terms or changing the payment due date—by the department that resulted in FAMIS not calculating the early payment discount.

According to AOSD, some of these input errors, such as changes to the payment due date, were deliberate and were intended to ensure that payments made by check would arrive in time to receive early payment discounts.¹³

¹³ In November 2010 AOSD began printing checks weekly instead of every business day.

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However, because FAMIS uses the payment due date to calculate whether a discount should be applied, these altered dates sometimes cause FAMIS to omit earned discounts.

Departments changed payment due dates for 19 percent of payments, causing the City to miss early payment discounts.

For 19 percent (1,444 of 7,534) of payments made, department staff changed the payment due date to a date that preceded the approval of the payment in FAMIS. According to the system's logic, as explained by AOSD, in these cases FAMIS will not find the payment eligible for an early payment discount regardless of whether it occurred within the discount period. These instances accounted for \$26,834 of missed discounts for payments made within the discount period.

Changing due dates in the City's accounting system sometimes results in a missed early payment discount.

In an example from 2014, department staff modified a payment due date in FAMIS for a check payment. The discount terms were 2 percent if paid within 30 days of receipt of the invoice. Staff entered April 29th as the invoice receipt date, so FAMIS automatically calculated the due date to be May 29th. The payment was approved on April 30th. However, the department changed the invoice due date to be the same as the invoice receipt date and, because the new date preceded the approval date, FAMIS did not apply the discount.

It is possible that some departmental employees are not properly trained or do not understand how FAMIS calculates discounts and how certain manual changes to data in the system's fields determine whether or not the discount is taken.

AOSD has developed accounting policy task forces.

In November 2014 AOSD created task forces to help develop citywide accounting policies and procedures. AOSD released the 2015 edition of the City's 489-page Accounting Policies and Procedures online in October of that year. New procedural information was included, such as explaining that departments must not change the payment due date to a date before the payment is approved in FAMIS.

AOSD communicates with FAMIS users through e-mail notification regarding important dates, changes to procedures, and new or updated guidance, such as the release of the citywide accounting policy and procedures. However, despite AOSD's communication

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efforts, a review of payments made after the new policies and procedures were implemented showed that some employees continue to change payment due dates to dates that preceded the approval of the payment in FAMIS. In October and November 2015 this occurred for 16 percent (211 of 1,299) of payments, resulting in \$4,051 in missed discounts.

Late payments caused 20 percent of missed early payment discounts.

Late payments tested ranged from 1 to 234 days after the associated discount period. Although it is possible that some departments may require additional time to review a disputed invoice, the City's Accounting Policies and Procedures require that any dispute preventing a department from meeting the prompt payment requirement must be documented. If departments had made all these payments within the early payment discount period, the City would have realized \$9,027 more in discounts.

Exhibit 14 summarizes the missed discounts because departments paid invoices late.

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EXHIBIT 14 **Departments Missed More Than \$9,000 in Discounts Due to Late Payments in Fiscal Year 2013-14**

Department	Number of Payments Remitted	Payment Amount	Potential Discount Amount	Missed Discount Amount ^a	Number of Days Late	Average Number of Days Late
Public Utilities Commission ^b	73	\$89,418	\$1,749	\$(1,749)	1-88	15
Public Works	108	133,878	2,716	(1,610)	1-123	23
Airport	96	138,350	1,885	(1,555)	1-41	17
Municipal Transportation Agency	20	49,556	991	(985)	1-163	33
Public Health	29	76,553	1,202	(902)	1-138	22
Administrative Services	32	77,450	862	(862)	1-105	22
Technology	14	21,321	574	(483)	1-45	16
Recreation and Park Department	91	36,458	422	(402)	1-234	37
Fire Department	4	7,411	148	(148)	3-62	33
Department of Environment	7	14,134	141	(141)	6-28	16
Police Department	38	6,568	86	(86)	2-40	19
War Memorial	10	4,514	54	(54)	6-9	7
Public Library	5	1,688	34	(34)	10	10
Juvenile Probation	30	548	11	(11)	3-21	10
Rent Arbitration Board	1	495	5	(5)	89	89
Total^c	558	\$658,342	\$10,880	\$(9,027)	N/A	25

Notes:

^a Missed discounts may be less than potential discounts because some vendors offered discounts despite late payment.

^b Includes the Hetch Hetchy, Wastewater, and Water enterprises.

^c Totals exclude a \$23 payment by the Port that was 24 days late, resulting in a missed discount of \$0.46.

Source: City's accounting system and CSA analysis

AOSD continues to enhance its continuous monitoring and "post audits" but should include a test to identify missed opportunities for early payment discounts.

AOSD performs continuous monitoring and "post audits," which are designed to:

- Assess each department's accounting and internal control practices and compliance with city laws, rules, and policies.
- Identify areas that are working well.
- Identify areas of weaknesses that can be improved.

The areas for review and testing¹⁴ include cash handling, revenue, purchasing and payables, payroll, and inventory, among others. AOSD also produces a report for the department head and relevant departmental personnel summarizing the key findings of the post audit and continuous monitoring results for the year in review and comparing the department's results to those of previous years and to results at other city departments.

¹⁴ AOSD uses a risk-based approach to select a sample of various types of financial transactions for testing.

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City
Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

According to AOSD, its continuous monitoring program does not include a test to specifically identify missed opportunities for early payment discounts on a citywide basis because it identifies missed discount opportunities during the post audits process when individual payment documents by departments are selected for review. Missed discount opportunities that are identified in the post audits program are communicated to departments along with other key findings.

However, AOSD's continuous monitoring program does include a test to verify compliance with the City's prompt payment guideline on a citywide basis. This test is in part similar to the test that would be performed to determine whether or not payments were made within an available discount period. Further, because the data is available in FAMIS, it is feasible for AOSD to perform this test for all payments made on a citywide basis to help departments identify missed opportunities to realize early payment discounts.

Recommendations

The Office of the Controller's Accounting Operations and Systems Division should:

13. Ensure that departments are aware of and offer trainings on the City's accounting policies and procedures, specifically the logic of the City's accounting system related to early payment discounts and the effect of manual steps on whether early payment discounts are taken.
14. Coordinate with departments to determine whether or not they should pursue collection of missed discounts for payments that were remitted within the specified discount period but, due to a user input or processing error, the City's accounting system did not apply the discount.
15. As part of its continuous monitoring and post audits program, include procedures to identify missed opportunities for early payment discounts on a citywide basis to help departments take advantage of the maximum available early payment discounts.

Finding 2.3

Contract discount terms in the City's accounting system are inconsistently entered and modified, resulting in inaccurate data and potentially missed opportunities for early payment discounts.

The audit relied on payment data in FAMIS to determine lost early payment discounts.

For payments made under contracts that offer early payment discounts, discount terms are cited in FAMIS on the voucher, purchase order (PO), and blanket purchase order (BPO) documents. According to AOSD, early payment discount terms should be carried over from the BPO to the PO and to the voucher. However, department staff is allowed to modify this field at both the PO and voucher levels. As a result, the calculated lost potential early payment discounts¹⁵ due to the City could be over- or understated because they were based on the premise that the voucher had the correct discount terms and did not take into account vouchers without associated early payment discount terms (although their associated POs and BPOs did).

Hundreds of instances of inconsistent payment discount terms exist.

The audit had to rely on data from FAMIS alone because of two limitations:

- CSA did not have copies of all contracts under which payments were made in fiscal year 2013-14.
- The Executive Information System reporting tool lacks a field that would identify the discount terms in the contract.¹⁶

Without the contract, the next most reliable source for correct payment discount terms is the *BPO Discount Terms* field in FAMIS. However, this field is unavailable in the Executive Information System. Consequently, the audit could not verify whether the voucher and PO discount terms agree to the BPO discount terms, or to the contracts, for any payment made in fiscal year 2013-14.

A comparison of early payment discount terms on 111,785 vouchers and POs for all payments made in fiscal year 2013-14 found some instances of inconsistent early payment discount terms. Specifically:

¹⁵ For the purpose of determining the early payment discounts due and taken in the selected period, CSA used the early payment discount terms cited on the voucher document in the City's accounting system.

¹⁶ The Executive Information System is an interface of FAMIS that allows data extraction and reporting.

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City
Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

- In 669 instances (1 percent), there were early payment discount terms included on the voucher, but not on the PO.
In 533 instances (1 percent), only the PO showed early payment discount terms.

Discount terms in the contract, BPO, PO, and voucher sometimes differ.

Although the audit could not fully verify correct early payment discount terms at the BPO and contract levels for all payments made in the fiscal year, the audit was able to verify this using a sample. Of 100 payments tested, 13 (13 percent) had voucher discount terms that differed from those in the PO, BPO, or contract. Specifically:

- In 8 instances (8 percent), the discount percentage per the voucher did not match the early discount percentages according to the contract, BPO, or PO.
- In 5 instances (5 percent), discount terms were in the contract, BPO, or PO, but not on the voucher.
- In 1 instance (1 percent), the BPO did not indicate any early payment discount but the contract did.

Differences in early payment discount terms among documents can occur if staff copies incorrect discount terms from expired PO documents and enters the terms on the BPO document, the content of which is carried over to the PO and voucher. Without accurate and consistent early payment discount terms on all payment documents from the contract to the voucher level, department staff is more likely to either miss an early payment discount or take a discount amount that differs from the negotiated early payment discount percentage or discount period.

Similar to the functionality of FAMIS, the Commonwealth of Massachusetts' management accounting and reporting system automatically calculates discounted payment amounts based on the associated early payment discount terms entered in the system. However, Massachusetts's system has additional functionality that allows departments to monitor their bill-paying practices and review discount history and, therefore, to identify missed discount opportunities.

Recommendations

The Office of the Controller's Accounting Operations and Systems Division should:

16. Work with the Financial Systems Project of the Office of the Controller to determine whether or not it is feasible for the City's new financial system to include additional functionalities that may minimize missed opportunities for early payment discounts.
17. As part of its continuous monitoring and post audits program, include a review of discount terms on a citywide basis and ensure that they are accurate on all documents in the City's accounting system to minimize missed discounts that result from inaccurate data.

Finding 2.4

The City could have increased its investment earnings by as much as \$475,116 in fiscal year 2013-14 if departments had paid closer to payment due dates.

Unlike the City, federal agencies are required to pay vendors no sooner than seven days before the payment due date.

City guidelines require that departments pay vendors within 30 days of invoice receipt but they do not include guidance on paying vendors sooner than necessary. Although early payments are intended to improve the cash flow of entities doing business with the City, payments ineligible for early payment discounts that are made several days or weeks before payment due dates can cause the City to forego interest income.

Federal prompt payment standards¹⁷ require that agencies pay vendors as close to the payment due date as possible, unless earlier payment is necessary, but no sooner than seven days before the payment due date. This contrasts with the City's prompt payment guideline, which allows departments to pay bills from 1 day to 30 days after receipt, or as much as 23 days sooner than the federal policy allows.

Using this seven-day difference in policies, had city departments paid all vendors between 23 days before the payment due date and by the payment due date of 30 days after the invoice receipt date, the City could

¹⁷ Code of Federal Regulations, Title 5, §1315.4.

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City
Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

have increased its interest earnings by an estimated
 \$335,303 to \$475,118 in fiscal year 2013-14.¹⁸

Exhibit 15 summarizes the potential interest had
 departments paid invoices closer to payment due dates.

EXHIBIT 15		Departments Missed up to \$475,118 in Potential Interest Earnings by Paying Invoices Early in Fiscal Year 2013-14	
Department	Number of Payments	Potential Interest if Paid 23 Days After Invoice Receipt Date	Potential Interest if Paid 30 Days After Invoice Receipt Date
Public Health	46,866	\$200,780	\$276,172
Public Utilities Commission ^a	12,248	35,273	54,536
Municipal Transportation Agency	7,014	37,940	54,105
Administrative Services	3,866	15,986	23,344
Airport	3,116	8,367	13,763
Technology	1,460	7,346	10,137
Human Services Agency	2,039	4,404	6,314
Police Department	1,853	3,720	5,030
Public Library	7,704	3,044	4,816
Public Works	2,728	2,012	3,660
Department of Emergency Management	622	2,118	2,887
Port Commission	954	1,736	2,308
Controller	476	1,432	2,042
Adult Probation Department	369	1,335	1,791
Recreation and Park Department	568	988	1,371
Sheriff's Department	632	944	1,359
Board of Supervisors	161	876	1,228
Department of Environment	238	643	1,093
Treasurer and Tax Collector	498	750	1,045
Department of Human Resources	310	628	1,035
All Other Departments ^b	5,647	4,981	7,082
Total	99,369	\$335,303	\$475,118

Notes:

^a Includes Hetch Hetchy, Wastewater, and Water enterprises.

^b Includes 27 departments whose potential interest amounts were each \$1,000 or less.

Source: City's accounting system and CSA analysis

¹⁸ The interest earnings calculation is based on an earnings allowance rate of 0.73% in fiscal year 2013-14, which was provided by the Office of the Treasurer and Tax Collector.

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

The City could have received more than \$6,000 in interest income had one department made a \$10.4 million payment closer to the payment due date.

Although short-term interest income on relatively small amounts may be negligible, interest can add up over time to significant totals. In almost all cases the City gains nothing by paying earlier than it needs to because city payments made without associated early payment discounts amounted to \$1.1 billion, or 99 percent, of all payments made against contracts in fiscal year 2013-14. Moreover, the City can lose significant amounts of interest income by paying large amounts too soon.

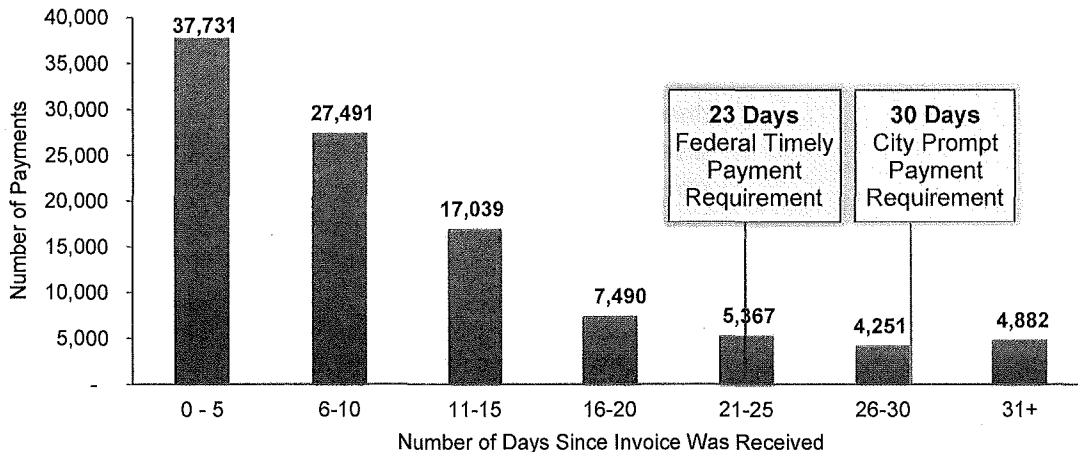
For example, one department paid \$10.4 million to a vendor one day after the corresponding invoice was received. In this case of overly prompt payment, the City could have received an estimated \$6,041 more in interest income had the department paid 29 days later.

In general, the City pays on time.

The City's vendor payments in fiscal year 2013-14 were made an average of 15 days before the payment due date. Of 104,251 total payments, 99,369 (95 percent) were made by the payment due date and 4,882 (5 percent) were made later than the payment due date. Of the 99,369 payments made on time, 92,895 (93 percent) were made sooner than seven days before the payment due date.

Exhibit 16 illustrates the timing of payments made by departments in fiscal year 2013-14 in relation to payment due dates.

EXHIBIT 16 Departments Made Most Vendor Payments Within Ten Days in Fiscal Year 2013-14



Source: City's accounting system and CSA analysis

**Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City
Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts**

Exhibit 16 demonstrates the City's commitment to its prompt payment initiative, which is particularly important to a local business enterprise,¹⁹ whose cash flow needs may prevent the City from paying closer to the payment due date.

Federal agencies are required to consider cash flow needs when deciding whether or not to pay early.

Federal guidance states that agencies may accelerate payments if the agency head or designee has determined, on a case-by-case basis, that earlier payment is necessary, and if payments are single invoices of less than \$2,500, payments to small businesses, or payments related to emergencies, disasters, or military deployments.²⁰

However, federal guidance requires that this authority be used cautiously, weighing the benefits of making a payment early against the good stewardship inherent in effective cash management practices.²¹ Under the federal timely payment standards, agencies should only take an offered discount if it is economically justified and if the agency has accepted the good or service.²² To determine whether or not a discount is economically beneficial to the federal agency, it can use a prompt payment discount calculator.²³

Although the City has guidance that requires departments to pay vendors within 30 days of invoice receipt, because it has no guidance on paying vendors sooner than necessary, it may not realize maximum potential interest earnings, particularly for large payments. Further, opportunities may exist with the City's new financial system to help departments both manage the cash flow implications of the timing of certain vendor payments and better take advantage of early payment discounts that may be offered by vendors. Specifically, if the City's new financial system includes a field to identify whether or not a vendor is a local business enterprise, it may also be able to incorporate functionality that would allow local business enterprise vendors to be paid immediately after the voucher has been approved in the system.

¹⁹ A vendor certified by the City as meeting geographical and revenue requirements for preferential scoring in contract awards according to Administrative Code Chapter 14B.

²⁰ Code of Federal Regulations, Title 5, §1315.5.

²¹ Code of Federal Regulations, Title 5, §1315.4.

²² Code of Federal Regulations, Title 5, §1315.7.

²³ [The calculator is on the website of the U.S. Department of the Treasury, Bureau of the Fiscal Service.](#)

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City
Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

For payments of \$100,000 or greater,²⁴ and using the same seven-day difference, had city departments paid vendors between 23 days before the payment due date and by the payment due date of 30 days after the invoice receipt date, the City could have increased its interest earnings for payments by an estimated \$211,144 to \$295,015 in fiscal year 2013-14.

Recommendation

18. The Office of the Controller's Financial Systems Project should consider whether it is feasible for the City's new financial system to include additional functionalities that would help city departments consider cash management implications when determining how quickly an invoice should be paid.

²⁴ CSA determined potential interest income for all payments excluding payments made to LBE vendors assuming they would be less than \$100,000 because FAMIS does not clearly identify payments remitted to LBE vendors.

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APPENDIX A: DEPARTMENT RESPONSES

AIRPORT COMMISSION:



San Francisco International Airport

March 28, 2016

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

Subject: Performance Audit – Citywide Contract Compliance (Revised Response)

Dear Ms. Lediju:

Airport has revised the Audit Recommendation and Response form regarding the performance audit of Citywide Contract Compliance after clarification of audit recommendations by the CSA team.

If you have any questions, please feel free to call me at (650) 821-2850.

Very truly yours,


Wallace Tang, CPA, CGMA
Airport Controller

cc: John L. Martin, Airport Director
Leo Fermin, Airport Chief Business & Finance Officer
Hazelle Fernandez, Airport
Carlos Martinez, Airport
Gning, Mamadou, CSA
Amanda Sobrepena, CSA
Joseph Towner, CSA

Attachment

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE LARRY MAZZOLA LINDA S. CRAYTON ELEANOR JOHNS RICHARD J. GUGGENHIME PETER A. STERN JOHN L. MARTIN
MAYOR PRESIDENT VICE PRESIDENT AIRPORT DIRECTOR

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

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

BOARD OF SUPERVISORS:

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

March 25, 2016


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

Subject: Response to the FY 2014-15 Citywide Contract Compliance Audit Report

Dear Ms. Lediju,

We have received and reviewed the FY 2014-15 Citywide Contract Compliance Audit Report. We are pleased that the Department did not have any findings in this report. We appreciate the time and effort your staff put forth in conducting this audit.

Sincerely,


Angela Calvillo
Clerk of the Board

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

CHILDREN & FAMILIES COMMISSION:



Suzanne Girardo, Commission Chair
Laurel Klooomok, Executive Director

COMMISSIONERS:
Linda Asato
Sylvia Deporto
E'leva Gibson
Mary Hanaodi
Zea Nolasco
Lynn Merz
Maria Su

March 14, 2016

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

RE: First 5 San Francisco Children and Families Commission's Acknowledgement of the Citywide
Contract Compliance Audit Report

Dear Ms. Lediju:

Thank you for providing us an opportunity to review and respond to the Citywide Contract
Compliance Audit Report. First 5 accepts this audit report, as prepared by the Office of the
Controller's City Services Auditor Division.

We appreciate the time and effort expended by the staff of the City Services Auditor Division in
preparation of this report.

Sincerely,

A handwritten signature in black ink that reads "Laurel Klooomok".

Laurel Klooomok
Executive Director

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

DEPARTMENT OF BUILDING INSPECTION:

City and County of San Francisco
Department of Building Inspection



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

March 25, 2016

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

**RE: Citywide Contract Compliance Audit: The Contract Compliance of Many
Vendor Payments Cannot Be Verified and the City Should More Often Take
Advantage of Cost Savings Such as Early Payment Discounts**

Dear Ms. Lediju:

The Department of Building Inspection has received and reviewed the Citywide Contract Compliance Audit Report. We are pleased that the DBI has no findings.

If you have any questions, please contact Taras Madison, Deputy Director of Administrative Services at (415) 558-6239.

Sincerely,

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

Tom C. Hui, S.E., C.B.O.
Director

cc: Taras Madison, DBI

OFFICE OF THE DIRECTOR
1660 Mission Street – San Francisco CA 94103
Office (415) 558-6131 – FAX (415) 558-6225
Email: Tom.Hui@sfgov.org

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

DEPARTMENT OF HUMAN RESOURCES:

City and County of San Francisco
Edwin M. Lee
Mayor



Department of Human Resources
Micki Callahan
Human Resources Director

March 18, 2016

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

Re: Response to the Citywide Contract Compliance Audit

Dear Ms. Lediju:

The Department of Human Resources (DHR) has received the draft of the City Services Auditor's Citywide Contract Compliance Audit. We appreciate the time and effort that your staff spent on this audit.

Attached, please find DHR's response to the audit recommendations. If you have any questions regarding the department's response, please contact Brent Lewis, the department's Director of Finance and IT at 415-557-4944.

Sincerely,

A handwritten signature in black ink, appearing to read "Micki Callahan", with a long, sweeping underline.

Micki Callahan
Human Resources Director

Attachment

cc: Brent Lewis
Nicole Doran

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

DEPARTMENT OF PUBLIC HEALTH:



City and County of San Francisco

San Francisco Department of Public Health

Barbara A. Garcia, MPA
Director of Health

Date: March 21, 2016
To: Tonia Lediju, Controller's Office, Director of City Audits
From: Anne Okubo, Deputy Financial Officer *A. Okubo*
RE: Citywide Contract Compliance Audit

Attached is the DPH response for the Citywide Contract Compliance Audit.

If you have any questions, please contact Anne Okubo at 554-2825.

The mission of the San Francisco Department of Public Health is to protect and promote the health of all San Franciscans.

We shall: ~ Assess and research the health of the community ~ Develop and enforce health policy ~ Prevent disease and injury ~
~ Educate the public and train health care providers ~ Provide quality, comprehensive, culturally-proficient health services ~ Ensure equal access to all ~

barbara.garcia@sfdph.org – office 415-554-2526 fax 415 554-2710

101 Grove Street, Room 308, San Francisco, CA 94102

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

FIRE DEPARTMENT:

JOANNE HAYES-WHITE
CHIEF OF DEPARTMENT



EDWIN M. LEE
MAYOR

SAN FRANCISCO FIRE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO

March 24, 2016

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

RE: City Services Auditor's Citywide Contract Compliance Audit

Dear Ms. Lediju:

Thank you for the opportunity to review the above referenced audit report. The professionalism of your staff has been very much appreciated through the audit process.

The Fire Department has reviewed the report. The Department will continue to review and update accounting policies to be in agreement with the audit's proposed recommendations for all City Departments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Corso'.

Mark Corso
Chief Financial Officer

**GENERAL SERVICES AGENCY – ADMINISTRATIVE SERVICES
AND OFFICE OF CONTRACT ADMINISTRATION:**



**OFFICE OF THE
CITY ADMINISTRATOR**



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

March 18, 2016

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

Re: Citywide Contract Compliance Audit Report

Dear Ms. Lediju,

Thank you for the opportunity to review and respond to your draft report, "Citywide Contract Compliance Audit: The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts." Attached, please find GSA-Administrative Services' responses to the audit recommendations.

We appreciate the time and effort your office spent on this audit. Please contact me if you need additional information.

Sincerely,

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

Naomi Kelly,
City Administrator

Cc: Jaci Fong, City Purchaser and Director of the Office of Contract Administration

**GENERAL SERVICES AGENCY –
DEPARTMENT OF PUBLIC WORKS:**



Edwin M. Lee
Mayor

Mohammed Nuru
Director

San Francisco Public Works
1 Dr. Carlton B. Goodlett Pl.
Room 348
San Francisco, CA 94102
tel 415-654-6920

sfpublicworks.org
facebook.com/sfpublicworks
twitter.com/sfpublicworks
twitter.com/mrcleansf

March 28, 2016

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

Subject: 2016 Citywide Contract Compliance Audit

Dear Ms. Lediju:

Thank you for sharing the draft report of March 2016 regarding the results of the Citywide Contract Compliance Audit. This letter is to confirm that we have reviewed the results of this assessment. Public Works has no findings related to this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Julia Dawson".

Julia Dawson
Deputy Director, Finance and Administration

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

GENERAL SERVICES AGENCY –
DEPARTMENT OF TECHNOLOGY:



City & County of San Francisco
**Department of
Technology**
Providing the Answer

One South Van Ness Avenue, 2nd Floor
San Francisco, CA 94103-0048
Office: 415-581-4001 • Fax: 415-581-4002

March 15, 2016

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

Subject: Citywide Contract Compliance Audit: The Contract Compliance of Many Vendor Payments Cannot be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts.

Dear Ms. Lediju,

Thank you for providing the Department of Technology with an opportunity to review and respond to your compliance audit, "*Citywide Contract Compliance of Many Vendor Payments Cannot be Verified and the City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts*," as prepared by the Controller's Office, City Services Auditors.

We concur with your recommendation of requiring vendor invoices to include evidence supporting all amounts listed on the invoice and ensuring that receipt date of the invoice is properly entered in the City accounting system. We also concur with your recommendation of ensuring that contracts language include description of good and services and its current pricing structures. We revised our procurement policy and procedures to include formal supervisory review when it was not feasible to include all items to be purchased on the contract language. This procedure has now been implemented. We appreciate the time spent by your staff to review the Contract Compliance Audit Program.

If you have any additional questions or need additional information, please do not hesitate to contact me at (415) 581-4082.

Sincerely,



Miguel Gamino Jr.

City CIO/ Executive Director, Department of Technology

HUMAN SERVICES AGENCY:

City and County of San Francisco



Edwin M. Lee, Mayor

Human Services Agency

Department of Human Services
Department of Aging and Adult Services

Trent Rhorer, Executive Director

April 18, 2016

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

Dear Ms. Lediju,

HSA concurs with the three recommendations directed to the Human Services Agency in the Citywide Contract Compliance Audit Report.

We agree that the three recommendations regarding adequate support of invoices, itemization, and accurate dating are sound fiscal policies.

We will inform and train HSA contracts, purchasing, and fiscal staff and ensure the recommendations are fully implemented as policy by May 15, 2016.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Trent Rhorer", with a long horizontal line extending to the right.

Trent Rhorer
Executive Director
Human Services Agency

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

OFFICE OF ECONOMIC AND WORKFORCE DEVELOPMENT:



City and County of San Francisco :: Edwin M. Lee, Mayor
Economic and Workforce Development :: Todd Rufo, Director

April 8, 2016

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

Subject: Corrective Actions for Citywide Contract Compliance

Dear Tonia,

Thank you for the opportunity to respond to the recommendations of the Citywide Contract Compliance Report. We concur with your staff's recommendations and have detailed our Corrective Action Plan in the enclosed Review Recommendation and Response Form.

Please extend my appreciation to your staff for their professional assistance in strengthening our internal controls.

Sincerely,

A handwritten signature in black ink, appearing to be "TR", written over a light blue horizontal line.

Todd Rufo
Director, Office of Economic and Workforce Development

cc: Merrick Pascual, Economic and Workforce Development, Chief Financial Officer
Fred Liedl, Economic and Workforce Development, Budget and Finance Manager
Nicole Kelley, Controller, Audit Manager
Joseph Towner, Controller, Auditor

1 Dr. Carlton B. Goodlett Place, Room 448



San Francisco, CA 94102 | www.owd.org

p: 415-554-6969 f: 415-554-6018

**OFFICE OF THE CONTROLLER – ACCOUNTING OPERATIONS &
SYSTEMS DIVISION AND FINANCIAL SYSTEMS PROJECT:**



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

**Ben Rosenfield
Controller**

**Todd Rydstrom
Deputy Controller**

April 29, 2016

Tonia Lediju
Controller's Office, City Services Auditor
City Hall
Room 316
San Francisco, CA 94102

Re: Citywide Contract Compliance Audit – Controller's Office Response

Dear Ms. Lediju,

The Controller's Office will continue to work with City Departments, including the Office of Contract Administration, to implement the City's new Purchasing and Financial System to address this audit's findings, as well as ensure streamlined, effective internal controls.

At this point in the two-year, citywide implementation, we are working with City Departments to design system safeguards and workflows, so the findings you note are timely to inform that process.

Please contact Todd Rydstrom, 415.554.7500, if you have questions regarding this matter.

Sincerely,

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

Ben Rosenfield
Controller
City and County of San Francisco

OFFICE OF THE TREASURER & TAX COLLECTOR:

Office of the Treasurer & Tax Collector
City and County of San Francisco



José Cisneros, Treasurer

DATE: March 17, 2016

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

SUBJECT: Citywide Contract Compliance Audit Report- Recommendation 1

Please find enclosed the response from the Office of the Treasurer and Tax Collector to the
Citywide Contract Compliance Audit Report.

Yours sincerely,

Kimmie Wu

Budget Manager
Office of the Treasurer and Tax Collector
City and County of San Francisco

City Hall - Room 140
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4638

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

RECREATION AND PARK DEPARTMENT:



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

DATE: April 8, 2016
TO: Tonla Lediju
Director of City Audits
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102
FROM: Katie Petrucione *KEP*
Director of Administration and Finance
SUBJECT: Response to Recommendations – Citywide Contract Compliance Audit

Thank you for the draft Citywide Contract Compliance Audit Report sent via e-mail on March 8, 2016.

The Recreation and Park Department (RPD) staff strives to comply with the City-wide policies and observe good internal controls such as segregation of duties in processing payments to vendors.

The responses to the Recommendations are as follows:

Recommendation 1 – Review invoices submitted in fiscal years 2011-12 through 2013-14 to determine whether they are entitled to recover any additional amounts found to be overpaid.

Response/Action Plan

The department concurs with this recommendation. RPD will develop a plan to sample invoices submitted by Turf and Industrial Equipment Company for fiscal years 2011-12 through 2013-14. The Department's Accounts Payable Unit currently has three staff, two of whom are scheduled to retire in the next three months. The Department will implement the sampling plan to determine if there are additional amounts that the Department overpaid once it has filled all vacancies in Accounts Payable and training in FAMIS has been completed.

Recommendation 2 – Comply with the current contract's pricing terms or modify the terms of its contract with a signed amendment. Only after an amendment has been signed should purchase orders be modified and invoices be paid.

Response/Action Plan

The department concurs with this recommendation. RPD will continue to comply with the current contract's pricing terms or modify the terms of its contract with a signed amendment; purchase orders are modified and payment for invoices are processed when the amendment has been approved.

Recommendation 3 – Ensure that voucher details are correctly entered into the City's accounting system to take advantage of early payment discounts available, specifically the early payment discount terms, payment due date, and invoice receipt date.

Response/Action Plan

The department partially concurs with this recommendation. The accounting staff correctly entered into the City's accounting system the date that will expedite processing to take advantage of the available early payment discount. The system did not accept the date and issued the full amount instead of the net amount after the discount. The department does not have the ability to validate the check amount prior to issuance of the check payment, in order to correct entries in the accounting system. However, the accounting staff will

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RECREATION AND PARK DEPARTMENT (CONTINUED):

review and abide with the instructions issued by AOSD for posting payments with discount terms to the best of their ability.

Please feel free to contact me at (415) 831-2703 or Maria Sutton at (415) 831-2754, if you need additional information regarding RPD's response.

CC: Nicole Kelley, Audit Manager
Maria Sutton, Finance and Accounting Operations Manager, RPD

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY:



SFMTA
Municipal
Transportation
Agency

Edwin M. Luo, Mayor

Tom Nolan, Chairman

Cheryl Brinkman, Vice-Chairman

Gwyneth Borden, Director

Edward D. Reiskin, Director of Transportation

Malcolm Holnicke, Director

Joel Ramos, Director

Cristina Rubke, Director

March 17, 2016

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

RE: SFMTA Response to Citywide Contract Compliance Audit

Dear Ms. Lediju:

Thank you for your staff's work on the Citywide Contract Compliance Audit covering fiscal years 2011-2012 through 2013-2014.

We are very pleased to see the limited number of items that you identified in the audit given the large number of transaction processed by our agency. SFMTA continues to be committed to improving in vendor payments processing and have already taken steps to address the issues raised in the report.

Attached is the completed Recommendation and Response Form. If you have any questions, please contact Tess Navarro at tess.navarro@sfmta.com or (415) 701-4660.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Reiskin", written over a light gray background.

Edward D. Reiskin
Director of Transportation

Cc Nicole Kelley, Audit Manager

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

SAN FRANCISCO POLICE DEPARTMENT:



EDWIN M. LEE
MAYOR

CITY AND COUNTY OF SAN FRANCISCO
POLICE DEPARTMENT
HEADQUARTERS
1245 3RD Street
San Francisco, California 94158



GREGORY P. SUHR
CHIEF OF POLICE

April 15, 2016

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

Re: Response to the Citywide Contract Compliance Audit on Vendor Payments

Dear Ms. Lediju,

The San Francisco Police Department (SFPD) has received and reviewed the Controller's Office's Citywide Contract Compliance Audit on vendor payments. We appreciate the hard work and commitment of your division to safeguarding taxpayer dollars.

Please find SFPD's response to your audit recommendations. Should you have any questions regarding our responses, please feel free to contact me at catherine.mcguire@sfgov.org. Thank you again for your audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Catherine McGuire".

M. Catherine McGuire
Chief Financial Officer

SAN FRANCISCO PUBLIC LIBRARY:



*San Francisco Public Library
100 Larkin Street (Civic Center)
San Francisco, CA 94102*

March 18, 2016

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

RE: Response to the Citywide Contract Compliance Audit on Vendor Payments

Dear Ms. Lediju:

The San Francisco Public Library (SFPL) has received the City Services Auditor's Citywide Contract Compliance Audit on vendor payments. We appreciate the time and effort your staff spent on the audit.

Attached please find SFPL's response to your audit recommendations. Should you have any questions regarding our responses, please feel free to contact Maureen Singleton, SFPL Chief Financial Officer, at 415.557.4248 or Maureen.Singleton@sfpl.org. Thank you again for your audit.

Sincerely,



Luis Herrera
City Librarian

cc: Laura Lent, SFPL Chief of Technical Services
Shelley Sorenson, SFPL Acquisitions Manager
Edward Wang, Accounts Payable Principal Account Clerk
Emily Chesley, Accounts Payable Senior Accountant
Jaruvan Li, Accounts Payable Account Clerk

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

SAN FRANCISCO PUBLIC UTILITIES COMMISSION:



San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Assurance and Internal Controls Bureau
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
T 415.554.3155
F 415.554.3161
TTY 415.554.3488

April 22, 2016

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

Subject: Management's Response to Citywide Contract Compliance
Audit: The Contract Compliance of Many Vendor Payments
Cannot Be Verified and the City Should More Often Take
Advantage of Cost Savings Such as Early Payment Discounts


Dear Ms. Lediju,

Thank you for the opportunity for the SFPUC to review and provide responses to your assessment of general contract compliance in accordance to contract terms and various purchasing guidelines of the City and County of San Francisco. We have reviewed the three recommendations attributed to the SFPUC and partially concurred with two and fully concurred with one.

The SFPUC will continue to follow the City's Prompt Payment guidelines, comply with contract terms and conditions, and ensure vendor invoices and voucher payments are accurate and adequately documented. We thank you and your staff for the extensive time taken on this review.

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
Eric Sandler, AGM Business Services & Chief Financial Officer
Nancy L. Hom, Director, Assurance and Internal Controls

Edwin M. Lee
Mayor
Francesca Victor
President
Anson Moran
Vice President
Ann Miller Cain
Commissioner
Vince Courtney
Commissioner
Hee Kwon
Commissioner
Harlan L. Kelly, Jr.
General Manager



Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

SHERIFF'S DEPARTMENT:



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

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



**VICKI L. HENNESSY
SHERIFF**

March 23, 2016

Tonia Lediju
Director of City Audits
City Hall Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94105

Ms. Lediju,

Thank you for the opportunity to review and respond to the Citywide Contract Compliance Audit. The audit noted the following, "*The Contract Compliance of Many Vendor Payments Cannot Be Verified and the City Should More Often Take Advantage of Cost Saving Such as Early Payment Discounts*", as prepared by the Controller's Office, City Service Auditor. We have reviewed the two recommendations, and we partially concur with the first finding and concur with the second finding.

The document review for the audit was an invoice for ballistic vests. It should be noted, that the process of a ballistic vest issuance requires that a deputy sheriff be outfitted at the vendor and the invoice forwarded to the Personnel Unit for recording of fitting and approval for payment. This process takes time to coordinate; by the time the invoice reaches finance for payment, the process is over the net term of 30 days. It is difficult to further streamline a process which in and of itself, requires time for fitting and custom tailoring of safety equipment. We will, however, ensure that payments are remitted within 30 days of receipt and, when not remitted within 30 days, will justify the reason for late payment.

If you have any questions or need additional information, please contact Chief Deputy Kathy Gorwood at 415-554-7223.

Sincerely,


VICKI L. HENNESSY
Sheriff

Attachment

Phone: 415 554-7225 Fax: 415 554-7050
Website: sfsheriff.com Email: sheriff@sfgov.org

Office of the Controller, City Services Auditor
**The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts**

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. Require that vendor invoices include evidence to support all amounts on the invoice and ensure that amounts are adequately supported before approving invoices for payment.</p>	<p>Airport Commission</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>The Airport is not aware of the Tra-Ser database, hence, the verification process of comparing the prices from the city contract to the invoices has not been done. OCA should reach out to all City departments utilizing the citywide contracts and provide user access and training to appropriate Airport staff who needs to view and compare prices to Tra-Ser's 3rd column pricing. The Airport is willing to add this process in verifying the prices on the invoices as long as proper training is provided to Airport users. Currently, Accounting has one dedicated staff for checking compliance with citywide contracts and will get access to Tra-Ser to certify that all terms/discounts/prices are as negotiated.</p>

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
	Department of Human Resources	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur The Department of Human Resources (DHR) generally concurs with the recommendation that departments should require vendor invoices to include evidence to support all amounts on the invoice and ensure that amounts are adequately supported before approving invoices for payment. However, for this contract, DHR is unable to require that the audited vendor invoice include evidence to support all amounts charged on the invoice as the invoice is covered by an OCA Citywide Term Contract, in which, OCA manages the blanket purchase order. Therefore, OCA, not DHR, should request that the vendor require evidence to support all amounts in the vendor invoices during the negotiation. Currently, the requirement to provide the evidence to support all amounts in the invoice is not specified in the OCA contract.
	Department of Public Health	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur Implemented for cost reimbursed contracts: July 2015
	Department of Technology	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur DT concurs. It is DT's policy to match invoices with packing slips for commodity and equipment purchases and to match to time sheets for professional services before paying invoices.
	Human Services Agency	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur HSA will set as policy and train staff. Recommendation will be in effect by May 15, 2016.
	Office of the Treasurer and Tax Collector	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur The Office of the Treasurer and Tax Collector (TTX) will obtain from vendors all the supporting documentation for every invoice before approving for issuance of payment. TTX will continue to closely follow our accounts payable policy for invoicing and payment.

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
	San Francisco Police Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur SFPD is in the process of updating procedures and practices to reflect compliance with this recommendation.
	San Francisco Municipal Transportation Agency	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Two invoices: BPSF00003910 for \$535 and BPSF00003910 for \$4,356 wherein the materials component of the billing either was not itemized or did not have supporting document from the vendor. Implemented. Staff reminded to require that vendor invoices include evidence to support all amounts on the invoice; and to work with approving managers to ensure that amounts are adequately supported before approving invoices for payment.
	San Francisco Public Utilities Commission	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur PUC staffs are required to ensure that the invoice amounts are adequately supported. All of SFPUC Voucher payments pass through the 3 way matching, supported with required documentation, otherwise; it is rejected and sent back to the division for completion of the requirements before resubmitting to Accounting.
2. Ensure that all vendor invoices are itemized to include all invoiced line items and respective quantities purchased and rates charged.	Human Services Agency	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur HSA will set as policy and train staff. Recommendation will be in effect by May 15, 2016.

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
	San Francisco Municipal Transportation Agency	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Same invoices identified on #1 above. Implemented. Staff reminded to ensure vendor invoices are itemized to include all invoiced line items and respective quantities purchased and rates charged. Staff to coordinate with purchase order set-up and payment approving managers.
3. Ensure that contracts clearly describe the goods and services the vendor is allowed to provide under the contract and reflects current pricing structures.	Administrative Services	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur GSA-Administrative Services concurs. On an ongoing basis, we strive to be as descriptive as possible including the pricing structure.
	Department of Technology	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur DT concurs and is instituting a policy to ensure that for contracts that guarantee discounts from list price, vendor quotes and subsequent invoices must reflect list price and contracted discounts.
	Office of Contract Administration	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OCA concurs. On an ongoing basis, we strive to be as descriptive as possible including the pricing structure.
	San Francisco Police Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur As contracts are amended or re-bid, the CFO and Contracts analyst are working to ensure costs are clearly laid out and appropriate.

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
4. When it is not feasible to include in a contract all items that can be purchased, establish policies and procedures, such as a formal supervisory review, that help mitigate the risk of improper purchases and incorrect vendor payments.	Department of Technology	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur DT concurs. DT is updating its policy to clarify that approval of invoices for items not specifically identified in a contract must be subject to supervisory or manager review. DT's updated policy should be available by 4/1/16.
5. Review invoices submitted in fiscal years 2011-12 through 2013-14 to determine whether they are entitled to recover any additional amounts found to be overpaid.	Office of Economic and Workforce Development	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OEWD concurs that a review of all of the invoices for the EPS contract should be reviewed for accuracy of rates billed. Discrepancies between the vendor's billing rates and amounts billed will be addressed and resolved with the vendor.
	San Francisco Police Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur SFPD will conduct additional sampling of two invoices each from the fiscal years suggested.
	San Francisco Public Library	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur SFPL does not have the staffing capacity to review all the invoices for FY 12, FY 13 and FY 14. However, SFPL will conduct some spot audit review of the prior fiscal year invoices of the audited contracts as staffing allows.

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
	Recreation and Park Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur RPD will develop a plan to sample invoices submitted by Turf and Industrial Equipment Company for fiscal years 2011-12 through 2013-14. The Department's Accounts Payable Unit currently has three staff, two of whom are scheduled to retire in the next three months. The Department will implement the sampling plan to determine if there are additional amounts that the Department overpaid once it has filled all vacancies in Accounts Payable and training in FAMIS has been completed.
	San Francisco Municipal Transportation Agency	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Completed. The \$250 overpayment was recouped on 7/29/2015.
6. Review vendor invoices to ensure that invoiced amounts comply with contract terms before approving invoices for payment.	Office of Economic and Workforce Development	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OEWD will update policies to require review to include comparison of rates billed with rates agreed to in the Calculation of Charges appendix of the contract.
	San Francisco Police Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur SFPD is in the process of updating procedures and practices to reflect compliance with this recommendation.

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
	San Francisco Public Library	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur In Spring 2016 SFPL Finance will remind program staff to 2 or 3-way match invoices in its annual Finance Office Letter on purchasing and point them back to SFPL purchasing procedure training materials. SFPL Finance will seek SFPL Management Team support in actualization of the existing departmental and city procedures on invoice processing. In addition, SFPL Finance will determine other procedures to spot audit invoices for compliance on an ongoing basis after SFPL is able to fill its Accounting Operations Manager position, which the department hopes to do in Summer or Fall 2016.
	San Francisco Municipal Transportation Agency	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Same invoices identified in #1 above. Implemented. Staff reminded to ensure that invoiced amounts comply with contract terms.
7. Consider the cost and benefit of recovering the \$36 overpayment from the vendor.	Office of Economic and Workforce Development	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OEWD concurs that the invoice should have been compared with the current rate schedule of the vendor. However, OEWD believes that the Calculation of Charges appendix did indicate that the billing rates change each year and therefore believes that the City was not overcharged and will not pursue a refund from the vendor. In addition, using staff time to pursue collection would not be cost effective.

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
8. Comply with the current contract's pricing terms or modify the terms of its contract with a signed amendment. Only after an amendment has been signed should purchase orders be modified and invoices be paid.	Recreation and Park Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur RPD will continue to comply with the current contract's pricing terms or modify the terms of its contract with a signed amendment; purchase orders are modified and payment for invoices are processed when the amendment has been approved.
9. Ensure that voucher details are correctly entered in the City's accounting system to take advantage of available early payment discounts, specifically the early payment discount terms, payment due date, and invoice receipt date.	Airport Commission	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Accounting is now printing the invoice voucher document to double check the accuracy of the invoice receipt date inputted in FAMIS and has established a process of stamping discounts on invoices to prioritize processing of these invoices to avail of the discounts.
	Department of Public Health	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Implemented: January 2016
	Administrative Services	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur GSA-Administrative Services agrees that voucher details should be entered correctly in FAMIS-ADPICS.

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
	Recreation and Park Department	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>The accounting staff correctly entered into the City's accounting system the date that will expedite processing to take advantage of the available early payment discount. The system did not accept the date and issued the full amount instead of the net amount after the discount. The department does not have the ability to validate the check amount prior to issuance of the check payment, in order to correct entries in the accounting system. However, the accounting staff will review and abide with the instructions issued by AOSD for posting payments with discount terms to the best of their ability.</p>
	San Francisco Municipal Transportation Agency	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>One invoice where staff had a typo error, entered 8/13/2013 due date instead of 9/13/2013, hence invoice was not paid within 30 days (BPSF00003910 \$535)</p> <p>Implemented. Staff reminded to enter voucher details correctly into the City's accounting system.</p>
	San Francisco Public Utilities Commission	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Division staff has been advised to prioritized submission of invoices with discount terms, with emphasis on Voucher payment requirements. Staff has been reminded to ensure that voucher details are correctly entered into the City's accounting system. However, Accounting receives payment requests at later dates due to proximity of division's location to PUC accounting, and claiming short staffing.</p>

Office of the Controller, City Services Auditor
**The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts**

Recommendation	Responsible Agency	Response
<p>10. Ensure that payments are remitted within 30 days of receipt and that, if payments must be remitted late, documentation is maintained to justify the late payment.</p>	<p>Administrative Services</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>GSA-Administrative Services agrees that uncontested invoices should be paid within 30 days.</p>
	<p>San Francisco Municipal Transportation Agency</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Same invoice identified on #9 above.</p> <p>Implemented. Staff reminded to enter voucher details correctly into the City's accounting system.</p>
	<p>San Francisco Public Utilities Commission</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>PUC is strictly adhering with the City's Prompt Payment Policy, and if payment requests are submitted late, the division is required to submit justification as to why payment is late before Accounting processes the payments. There are unavoidable circumstances wherein payments are delayed due to late submission of requirements of the documentation process.</p>
	<p>Sheriff's Department</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>The document review for the audit was an invoice for ballistic vests. It should be noted, that the process of a ballistic vest issuance requires that a deputy sheriff be outfitted at the vendor and the invoice forwarded to the Personnel Unit for recording of fitting and approval for payment. This process takes time to coordinate; by the time the invoice reaches finance for payment, the process is over the net term of 30 days. It is difficult to further streamline a process which in and of itself, requires time for fitting and custom tailoring of safety equipment. We will, however, ensure that payments are remitted within 30 days of receipt and, when not remitted within 30 days, will justify the reason for late payment.</p>

Office of the Controller, City Services Auditor
**The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts**

Recommendation	Responsible Agency	Response
<p>11. Ensure that the invoice receipt date entered in the City's accounting system is based on the date the department received the invoice, which should also match the receipt date stamped on the invoice</p>	<p>Airport Commission</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>This was an isolated case in which the invoice was misdirected to Accounting directly and not to the correct Airport unit (Paving/Grounds), therefore Accounting receive-stamped it and then it was routed back to Paving/Grounds for signature and they also receive-stamped it.</p>
	<p>Department of Human Resources</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>The Department of Human Resources concurs with the recommendation. DHR emailed staff, as a reminder, to date-stamp all received invoices as required by the City's Prompt Payment Guidelines and DHR's Policy and Procedures under Accounts Payable.</p>
	<p>Department of Public Health</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Implemented: March 2016</p>
	<p>Administrative Services</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>GSA-Administrative Services agrees that the invoice receipt date should be entered correctly in FAMIS-ADPICS, reflecting the date that the invoice was received and stamped.</p>
	<p>Department of Technology</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>DT concurs. DT is updating its policy to clarify that the receipt date entered into the system is based on the date the department receives and date-stamps the invoice, except in the case of disputed invoices, in which case, the receipt date entered into the system will reflect the date the dispute was resolved, with related explanation provided in the document notepad</p>

Office of the Controller, City Services Auditor
**The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts**

Recommendation	Responsible Agency	Response
	Human Services Agency	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur HSA will set as policy and train staff. Recommendation will be in effect by May 15, 2016.
	Office of Economic and Workforce Development	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OEWD concurs with the finding. Accounting staff have been reminded to use the receipt date stamped on the invoice for data entry into the financial system.
	San Francisco Police Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur This practice has now been implemented – as of March 2016.
	San Francisco Municipal Transportation Agency	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur At times, vendors generate invoices even before the goods and services are received. 30-days prompt payment is calculated from invoice receipt date to payment date. Invoice receipt date can be the date the goods are received (per Materials Receiving Report) or date services are complete and satisfactory, or resolution date if there are issues on the invoice.
	Sheriff's Department	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Implemented: March 2016
12. Provide written guidance to departments on how to identify contracts that could potentially offer early payment discounts.	Office of Contract Administration	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur OCA concurs. Early payment discounts are a bid evaluation factor and as such, are offered at the option of the vendors/contractors. When discounts are available, OCA includes the information in the contract announcement and associated blanket. We will also include a reminder to departments to look for and take advantage of prompt payment discounts in our annual memo to departments.

Office of the Controller, City Services Auditor
The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
<p>13. Ensure that departments are aware of and offer trainings on the City's accounting policies and procedures, specifically the logic of the City's accounting system related to early payment discounts and the effect of manual steps on whether early payment discounts are taken.</p>	<p>Office of the Controller's Accounting Operations and Systems Division</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Concur. Effect of manual due date change on system discount calculation has been incorporated in the ongoing systems training since October 2015. AOSD sent a memo to City financial system users clarifying the issue on April 28, 2016.</p>
<p>14. Coordinate with departments to determine whether or not they should pursue collection of missed discounts for payments that were remitted within the specified discount period but, due to a user input or processing error, the City's accounting system did not apply the discount.</p>	<p>Office of the Controller's Accounting Operations and Systems Division</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Concur. Fund accountants will work with City departments to determine the feasibility and the timing of collecting missed discounts by the end of calendar year 2016. Additionally, our continuous monitoring and post audit program includes an assessment of the purchasing and payables cycle. As part of this program, fund accountants work with City Departments having issues with invoice payments including missed discounts. AOSD has also requested that an automated feature be incorporated in the new Financial Systems Project (F\$P) to flag payment discounts on a citywide basis.</p>
<p>15. As part of its continuous monitoring and post audits program, include procedures to identify missed opportunities for early payment discounts on a citywide basis to help departments take advantage of the maximum available early payment discounts.</p>	<p>Office of the Controller's Accounting Operations and Systems Division</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Concur. AOSD has already included the identification of missed discounts in the Calendar Year 2015 Post Audit process. Additionally, AOSD is working with the Financial Systems Project (F\$P) staff on systematic monitoring and controls using the new system, which is scheduled to go-live July 2017. This includes AOSD's participation in the current design phase, including the subject matter expert (SME) accounts payable group. AOSD requested that an automated feature be incorporated in the new Financial Systems Project to flag payment discounts on a citywide basis.</p>

Office of the Controller, City Services Auditor
 The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
 City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts

Recommendation	Responsible Agency	Response
<p>16. Work with the Financial Systems Project of the Office of the Controller to determine whether or not it is feasible for the City's new financial system to include additional functionalities that may minimize missed opportunities for early payment discounts.</p>	<p>Office of the Controller's Accounting Operations and Systems Division</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Concur. AOSD will discuss with F\$P, the functional capabilities of the new system to mitigate the risk of potentially missed discounts, during the design and configuration process which is presently underway. AOSD is working with F\$P staff to address systematic monitoring and controls, and they will continue to work with F\$P on the configuration of the new system.</p>
<p>17. As part of its continuous monitoring and post audits program, include a review of discount terms on a citywide basis and ensure that they are accurate on all documents in the City's accounting system to minimize missed discounts that result from inaccurate data.</p>	<p>Office of the Controller's Accounting Operations and Systems Division</p>	<p><input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur</p> <p>Partially concur. Effective implementation of this recommendation will require shared responsibility amongst all City Departments, the Controller's Office AOSD and F\$P Divisions, and the Office of Contract Administration.</p> <p>At present, AOSD is City's accounting system to minimize missed working with F\$P staff to assess and design the new system's functionalities to ensure inclusion of discount terms as well as the reporting of discounts taken and missed to promote effective controls and continuous monitoring. That said the timely and accurate processing of all contract provisions, including discount terms, is decentralized and a shared responsibility of all City Departments for the contracts they manage as well as the Office of Contract Administration.</p> <p>Also, as noted in our response to Recommendation #1, AOSD sent a memo to City Departments which included step-by-step instructions on the proper processing of invoices to minimize missed discounts resulting from inaccurate data in the FAMIS purchasing system. In addition, AOSD will continue to work with F\$P in configuring additional functionalities to take advantage of prompt payment discounts.</p>

Office of the Controller, City Services Auditor
**The Contract Compliance of Many Vendor Payments Cannot Be Verified and the
City Should More Often Take Advantage of Cost Savings Such as Early Payment Discounts**

Recommendation	Responsible Agency	Response
<p>18. Consider whether it is feasible for the City's new financial system to include additional functionalities that would help city departments consider cash management implications when determining how quickly an invoice should be paid.</p>	<p>Office of the Controller's Financial Systems Project</p>	<p><input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur</p> <p>Concur. The F\$P Division added requirements to track prime and sub-contractor allocations as well as provide payment notifications. The specifics of the related workflow and notifications are being determined during the March-May 2016 Design Phase of the project implementation.</p>

From: Gosiengfiao, Rachel (BOS)
Sent: Wednesday, May 11, 2016 3:33 PM
To: BOS-Supervisors; Calvillo, Angela (BOS)
Subject: State Legislation Committee Bill Positions - May 11, 2016 Meeting and approved Minutes from April 18, 2016
Attachments: 20160511152256845.pdf; 20160511152234779.pdf

Good afternoon,

Attached please find a copy of the State Legislation Committee Bill Positions and the State Legislation Committee Minutes from April.

Regards,

Rachel Gosiengfiao
Executive Assistant
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102-4689
Phone: (415) 554-7703 | Fax: (415) 554-5163
rachel.gosiengfiao@sfgov.org | www.sfbos.org

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The [Legislative Research Center](#) provides 24-hour access to Board of Supervisors legislation, and archived matters since August 1998.

Disclosures: 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 provided will not be redacted. Members of the public are not required to provide personal identifying information when they communicate with the Board of Supervisors and its committees. All written or oral communications that members of the public submit to the Clerk's Office regarding pending legislation or hearings will be made available to all members of the public for inspection and copying. The Clerk's Office does not redact any information from these submissions. This means that personal information—including names, phone numbers, addresses and similar information that a member of the public elects to submit to the Board and its committees—may appear on the Board of Supervisors' website or in other public documents that members of the public may inspect or copy.



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Nicole Elliott, Legislative Director, Office of Mayor Edwin M. Lee
RE: State Legislation Committee Bill Positions – May 11th, 2016 Meeting
DATE: May 11, 2016

Dear Madam Clerk:

Please advise the Board of Supervisors that the State Legislation Committee approved at its May 11th, 2016, the following positions on legislation pending before the State Legislature. Present at the meeting were representatives from the Mayor's Office, the Office of President Breed, the Office of Supervisor Farrell, the City Attorney's Office, the Assessor's Office, and the Controller's Office.

AB/SB	Bill #	Sponsor	Title	Adopted Position
SB	1143	Leno	Juveniles: Room Confinement	Support
SB	986	Hill	Vehicles: Right Turn Violations	Oppose
AB	2292	Gordon	California Global Warming Solutions Act of 2006: Disadvantaged Communities	Support
AB	492	Gonzalez	CalWORKs: Welfare-to-Work: Supportive Services	Support
SB	1329	Hertzberg	Property Taxation: Certificated Aircraft	Oppose
SB	1107	Allen	Political Reform Act of 1974: Public Moneys	Support

In addition, please find attached the approved minutes from April 18, 2016 Special Meeting of the State Legislation Committee.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nicole Elliott".

Nicole Elliott
Legislative Director
Office of Mayor Edwin M. Lee

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2016 MAY 11 PM 1:54



**STATE LEGISLATION COMMITTEE
SPECIAL MEETING
MINUTES
Monday, April 18th, 2016
11:00am – 1:00pm
City Hall, Room 201**

MEMBERS:

Mayor's Office (Chair) – Nicole Elliott (Andrew Dayton)
President Breed – Conor Johnston
Supervisor Farrell – Jess Montejano
City Attorney's Office – Mary Jane Winslow
Treasurer's Office – Amanda Fried
Assessor's Office – Edward McCaffrey
Controller's Office – Michelle Allersma (Drew Murrell/James Whitaker)

AGENDA

I. ROLL CALL

Present: Elliott, Johnston, Montejano, Winslow, Fried, McCaffrey,
Murrell

Absent: None

II. APPROVAL OF MINUTES FROM 3-9-2016 (Action Item)

No public comment.
Motion to approve: McCaffrey
Seconded by: Fried
Approved: 6 – 0

III. PROPOSED LEGISLATION (Discussion and Action). Discussion and possible action item: the Committee with review and discuss state legislation affecting the City and County of San Francisco. Items are listed by Department, then by bill number.

MAYOR'S OFFICE

a. AB 1887 (Low) State government: Discrimination: Travel

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
Telephone: (415) 554-6141

Recommended Position: Support

This bill would prohibit a state agency and the Legislature from requiring any of its employees, officers, or members to travel to, or approving a request for state-funded or state-sponsored travel to, any state that, after June 26, 2015, has enacted a law that voids or repeals, or has the effect of voiding or repealing, existing state or local protections against discrimination on the basis of sexual orientation, gender identity, or gender expression, or has enacted a law that authorizes or requires discrimination against same-sex couples or their families or on the basis of sexual orientation, gender identity, or gender expression.

No public comment.

Motion to approve: Winslow

Seconded by: Montejano

Approved: 6 – 0

b. SB 879 (Beall) Affordable Housing Bond Act of 2016

Recommended Position: Support

This bill would enact the Affordable Housing Bond Act of 2016, which would authorize the issuance of bonds in the amount of \$3,000,000,000 pursuant to the State General Obligation Bond Law. Proceeds from the sale of these bonds would be used to finance various existing housing programs, as well as infill infrastructure financing and affordable housing matching grant programs

No public comment.

Motion to approve: Fried

Seconded by: Montejano

Approved: 6 – 0

MAYOR'S OFFICE & MAYOR'S OFFICE OF HOPE & DEPARTMENT OF PUBLIC HEALTH

a. AB 2821 (Chiu) Medi-Cal Housing Program

Recommended Position: Support

This bill would require the CA Dept of Housing and Community Development (HCD) and the CA Dept of Health Care Services (DHCS) to create a Medi-Cal Housing Program by January 2017, and for that program to make grants (subject to appropriation) to counties starting in January 2018. Eligible counties would be those participating in the Whole Person Care or Health Homes programs. Counties would be required to use the grant funds toward rental subsidies and interim housing for homeless Medi-Cal beneficiaries.

No public comment.

Motion to approve: Montejano

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
Telephone: (415) 554-6141

Seconded by: Winslow
Approved: 6 – 0

SAN FRANCISCO PLANNING DEPARTMENT

- a. AB 2502 (Mullin and Chiu) Land Use: Zoning Regulations
Recommended Position: Support
This bill would clarify that local decision-makers have the authority to adopt and implement inclusionary programs that include a rental housing component.

No public comment.
Motion to approve: Winslow
Seconded by: Murrell
Approved: 6 – 0

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY

- a. AB 2586 (Gatto) Parking
Recommended Position: Support if Amended
This bill would make a series of changes to the way local governments manage and enforce parking laws.
- b. AB 2796 (Bloom and Low) Active Transportation Program
Recommended Position: Support
This bill would require a minimum of 5% of available ATP funds be awarded for planning and community engagement in disadvantaged communities. Additionally, this bill would set aside a minimum of 10% of total ATP funding for non-infrastructure activities.
- c. AB 1595 (Campos) Employment: Human Trafficking Training: Mass Transportation Employers
Recommended Position: Support
This bill would require public and private employers that provide mass transportation services, like buses, trains or light rail, to train their employees in how to recognize the signs of human trafficking and report those signs to the appropriate law enforcement agency. The bill also directs the Department of Justice to develop guidelines for the training, as specified. Requires training to be incorporated into the initial training process for all new designated employees by January 1, 2018.
- d. SB 824 (Beall) Low Carbon Transit Operations Program
Recommended Position: Support

This bill adds tools and flexibility in the LCTOP that will allow recipient public transit agencies to more strategically utilize their LCTOP formula shares.

Public comment: Elizabeth Newman from the Department on the Status of Women spoke in support of AB 1595.

Motion to approve (a), (b), (c), and (d): Montejano

Seconded by: Fried

Approved: 7 – 0

SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY & SAN FRANCISCO DEPARTMENT ON THE ENVIRONMENT

- a. AB 1128 (Glazer) Commute Benefit Policies

Recommended Position: Support

This bill would, among other things, remove the sunset date on the Metropolitan Transportation Commission (MTC) to jointly adopt a regional commuter benefits ordinance in the nine-county Bay Area.

No public comment.

Motion to approve: Montejano

Seconded by: Fried

Approved: 7 – 0

DEPARTMENT ON THE STATUS OF WOMEN

- a. SB 1063 (Hall) Conditions of Employment: Wage Differential: Race or Ethnicity

Recommended Position: Support

This bill would enact nearly identical language to the Fair Pay Act of 2015 (SB 358) to prohibit wage discrimination based on race or ethnicity.

- b. SB 1015 (Leyva) Domestic Work Employees: Labor Standards

Recommended Position: Support

This bill will eliminate the 2017 sunset of previous legislation extending overtime compensation rights to domestic workers who are personal attendants after 9 hours of work in one day and 45 hours a week.

- c. AB 1848 (Chiu) DNA Evidence

Recommended Position: Support

This bill would direct law enforcement agencies to report to the Department of Justice annually how many sexual assault evidence kits they collect, how many of these kits are analyzed, and their reasons for not analyzing sexual assault evidence kits. The bill would also require an annual report from the Department of Justice that details this information.

No public comment.

Motion to approve (a), (b), and (c): McCaffrey

Seconded by: Montejano

Approved: 7 – 0

DEPARTMENT OF PUBLIC HEALTH

- a. SB 1404 (Leno) Victims of Violent Crimes: Trauma Recovery Centers

Recommended Position: Support

This bill would make legislative findings and recognize the Trauma Recovery Center at San Francisco General Hospital, University of California, San Francisco, as the State Pilot Trauma Recovery Center (State Pilot TRC). The bill would require the board to use the evidence-based Integrated Trauma Recovery Services model developed by the State Pilot TRC when it provides grants to trauma recovery centers. This bill would also require the board, to enter into an interagency agreement with the Trauma Recovery Center of the University of California, San Francisco, to establish the State Pilot TRC as the State of California's Trauma Recovery Center of Excellence (TR-COE).

No public comment.

Motion to approve: Winslow

Seconded by: Montejano

Approved: 7 – 0

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

- a. SB 1170 (Wieckowski) Public Contracts: Water Pollution Prevention Plans: Delegation

Recommended Position: Oppose

This bill would prohibit public agencies from delegating to the general contractor development of a State law requires a Stormwater Pollution Prevention Plan (SWPPP) and would statutorily restrict their remaining options to an engineer or architect. SB 1170 would further prohibit the public agency from requiring the contractor to assume responsibility for the completeness and accuracy of a plan developed by that entity.

No public comment.

Motion to approve: Montejano

Seconded by: Fried

Approved: 7 – 0

DEPARTMENT OF THE ENVIRONMENT

- a. SB 1229 (Jackson and Stone) Home-Generated Pharmaceutical Waste: Secure Drug Take-Back Bins

Recommended Position: Support

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200

SAN FRANCISCO, CALIFORNIA 94102-4681

Telephone: (415) 554-6141

This bill seeks to encourage pharmacies to host medicine collection bins by providing limited liability protection in the event of accidents or incidents resulting directly or indirectly from the presence of a collection bin in their pharmacy. The legislation helps to protect the public from prescription drug abuse and to protect water quality from home-generated pharmaceutical waste by eliminating one barrier to pharmacy participation in home-generated medicine collection programs, including the program required in San Francisco's ordinance.

b. AB 2039 (Ting) Solid Waste: Home-Generated Sharps

Recommended Position: Support

This bill seeks to apply an extended producer responsibility (EPR) policy approach to collection and disposal of home-generated sharps by requiring sharps manufacturers to operate and fund a statewide program under the oversight of CalRecycle.

c. AB 2530 (Gordon) Recycling: Beverage Containers

Recommended Position: Support

This bill would require producers of beverages sold in plastic bottles to label the container with the average percentage of recycled content in the bottle. Producers may opt to label the average percentage of postconsumer recycled content by the average amount of postconsumer recycled content in all beverage containers sold by the manufacturer or in a specified type of beverage container.

d. AB 2725 (Chiu) Food Manufacturers: Food Facilities: Labels

Recommended Position: Support

This bill seeks to reduce food waste and consumer confusion by standardizing food date labels in California. It would create just two standard date labels, "best if used by" and "expires on".

No public comment.

Motion to approve (a), (b), (c), and (d): Montejano

Seconded by: Johnston

Approved: 7 - 0

HUMAN SERVICES AGENCY

a. SB 947 (Pan) Public Assistance: Personal Interviews

Recommended Position: Support

This bill would give counties the option to conduct telephonic interviews with CalWORKs applicants, rather than requiring a face-to-face interview in all circumstances.

b. SB 1339 (Monning) Public Social Services: Intercounty Transfers

Recommended Position: Support if Amended

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200

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Telephone: (415) 554-6141

This bill addresses two sets of issues that may occur when individuals who are enrolled in one or more health or human services programs administered by the counties move from one county to another.

- c. AB 1584 (Brown) Public social services: SSI/SSP
Recommended Position: Support
This bill would restore the annual cost of living adjustment for the state-funded portion of the Supplemental Security Income/State Supplementary Payment (SSI/SSP) program, and would also increase the grant for certain individuals.
- d. AB 1770 (Alejo) Food Assistance Program: Eligibility
Recommended Position: Support
This bill would expand the existing California Food Assistance Program (CFAP) to all immigrant Californians who are lawfully present in the United States.
- e. AB 1994 (Lopez) CalED Program
Recommended Position: Support
This bill would incentivize educational attainment for welfare-to-work participants in the CalWORKs program, by providing a one-time incentive payment when a participant who is 19 years of age or older earns a high school diploma or equivalency.
- f. AB 2346 (Baker) Public Social Services: Hearings
Recommended Position: Support if Amended
This bill would require a public or private agency to provide a copy of the agency's position statement in response to complaint to the applicant or recipient through electronic means and would require the State Department of Health Care Services to make its position statement available to the applicant or recipient and the State Department of Social Services through electronic means.
- g. AB 2448 (Burke) CalWORKs: Welfare-to-Work: Education
Recommended Position: Support
This bill allows CalWORKs participants without a high school diploma to pursue an equivalency degree as a pre-assessment activity that does not trigger the 24-month time clock.

No public comment.

Motion to continue (a) and (f): McCaffrey

Seconded by: Fried

Approved: 7 - 0

No public comment.

Motion to approve (b), (c), (d), (e), and (g): Montejano

Seconded by: Fried

Approved: 7 – 0

REENTRY COUNCIL

- a. SB 1157 (Mitchell) Incarcerated Persons: Visitation
Recommended Position: Support
This bill would establish baseline visitation rights for people in local correctional facilities, juvenile halls, juvenile homes, ranches, and camps by codifying their right to a minimum amount of in-person visitation that cannot be replaced with video visits.

- b. AB 1597 (Stone) County Jails: Performance Milestone Credits
Recommended Position: Support
This bill would allow persons awaiting sentencing and those sentenced to probationary terms to earn milestone credits against their sentence for participating in educational and rehabilitative programs.

- c. AB 2466 (Weber) Voting: Felons
Recommended Position: Support
This bill, for purposes of determining who is entitled to register to vote, would define imprisoned as currently serving a state or federal prison sentence and would define parole as a term of supervision by the Department of Corrections and Rehabilitation. The bill would clarify that conviction does not include a juvenile adjudication.

Public comment: The Director of the SF Youth Commission spoke in support of SB 1157.

Motion to approve (a), (b), and (c): Winslow

Seconded by: Fried

Approved: 7 – 0

IV. GENERAL PUBLIC COMMENT

Discussion item: members of the public may address the Committee on items of interest that are within the Committee's subject matter jurisdiction.

No public comment.

V. ADJOURNMENT

Disability Access

Room 201 of City Hall is located at 1 Dr. Carlton B. Goodlett Place, and is wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible Muni lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness, as well as Muni Metro stations at Van Ness and Civic

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
Telephone: (415) 554-6141

Center. For more information about Muni accessible services, call 923-6142. There is accessible parking at the Civic Center Plaza garage.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact the Donna Hall at Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102, by phone at 415-554-7724, by fax at 415-554-7854, or email the Sunshine Ordinance Taskforce Administrator at sotf@sfgov.org. Citizens may obtain a free copy of the Sunshine Ordinance by contacting the Task Force, or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at www.sfgov.org/sunshine.htm.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code Sec. 2.100 -2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone 415-581-2300, fax 415-581-2317, Internet website: www.sfgov.org/ethics.

Cell Phones and Pagers

The ringing and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Public Comment

Public Comment will be taken on each item.

Document Review

Documents that may have been provided to members of the State Legislation Committee in connection with the items on the agenda include proposed

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SAN FRANCISCO, CALIFORNIA 94102-4681
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state legislation, consultant reports, correspondence and reports from City departments, and public correspondence. These may be inspected by contacting Tamsen Drew, Deputy Director of Legislative & Government Affairs, Mayor's Office at: (415) 554-6971.

Health Considerations

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical-based products. Please help the City accommodate these individuals.

From: Board of Supervisors, (BOS)
To: BOS-Supervisors
Subject: FW: Fiscal Year 2016-17 Memberships - Economic and Workforce Development
Attachments: FY17 Memberships Memo.doc

From: Liedl, Fred (ECN)
Sent: Thursday, May 12, 2016 3:07 PM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>; Wan, Cherie (CON) <cherie.wan@sfgov.org>; Conrad, Theodore (MYR) <theodore.conrad@sfgov.org>
Cc: Pascual, Merrick (ECN) <merrick.pascual@sfgov.org>
Subject: Fiscal Year 2016-17 Memberships - Economic and Workforce Development

In accordance with Administrative Code 16.6, this message serves to notify the Board of Supervisors, Mayor, and Controller of the memberships that the Office of Economic and Workforce Development is requesting as part of the department's 2016-2017 budget. See attached memo for the detailed listing.



Fred Liedl | Budget and Finance Manager
1 South Van Ness, 5th Floor; San Francisco, CA 94103-5416
Phone: (415) 701-4834 | Email: fred.liedl@sfgov.org

<http://oewd.org/employees> | <http://smartpdf.sfgov.org> | <http://openbook.sfgov.org>

Be green, keep it on the screen, think before you print.

MEMORANDUM

Date: May 10, 2016

To: Angela Calvillo, Clerk of the Board of Supervisors
Theodore Conrad, Mayor's Office
Cherie Wan, Controller's Office

From: Todd Rufo, Director – Economic and Workforce Development

Subject: Memberships for Fiscal Year 2016-2017

Per San Francisco Administrative Code 16.6, the Office of Economic and Workforce Development is requesting appropriation for eight memberships listed below in the next Annual Appropriation Ordinance for Fiscal Year 2016-2017. No memberships have been added or deleted from the previous year's listing:

Program	Vendor	Amount
Economic Development	Sister Cities International	\$ 1,800
Film Commission	Association of Film Commissioners International	750
Film Commission	Film Liaisons in California Statewide	300
Joint Development	Lambda Alpha International	175
Joint Development	Urban Land Institute	215
Workforce Development	California Workforce Association	9,000
Workforce Development	NAWB	1,750
Workforce Development	U S Conference of Mayors	3,300





BOS - 11, BTF
CPAG

Capital Planning Committee

Naomi M. Kelly, City Administrator, Chair

MEMORANDUM

May 10, 2016

To: Supervisor London Breed, Board President *nkelly*

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

Regarding: Approval of the Library Department Capital Budget for FY 2016-17 and FY 2017-18.

In accordance with Section 3.21 of the Administrative Code, on May 2, 2016, 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 Library Department Capital Budget for FY2016-17 and FY2017-18, totaling \$9,439,700.

Recommendation:

Recommend the Board of Supervisors approve the Library's FY 2016-17 and FY 2017-18 Capital Budget.

Comments:

The CPC recommends approval of these items by a vote of 11-0; Approved by CPC on May 2, 2016.

Committee members or representatives in favor include: Naomi Kelly, City Administrator; Conor Johnston, Board President's Office; Ben Rosenfield, Controller; Ed Reiskin, SFMTA; Mohammed Nuru, Director, Public Works; Kathy How, SFPUC; John Rahaim, Director, Planning Department; Melissa Whitehouse, Interim Budget Director, Mayor's Office; Phil Ginsburg, General Manager, Recreation and Parks Department; Kaitlyn Connors, SFO; and Elaine Forbes, Interim Director, Port of San Francisco.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2016 MAY 11 AM 11:25

BY *AK*

From: Board of Supervisors, (BOS)
To: BOS-Supervisors
Subject: FW: High Speed Rail Scoping Meetings
Attachments: SF_SJ_Scoping_Flyer_FINAL_050516.pdf

From: Tripousis, Ben@HSR [mailto:Ben.Tripousis@hsr.ca.gov]
Sent: Monday, May 09, 2016 2:03 PM
Subject: High Speed Rail Scoping Meetings

Good afternoon:

Please find attached for your information an announcement of upcoming Environmental Scoping meetings in the San Francisco to San Jose project section of the California High Speed Rail project. In conjunction with the Notice of Intent to initiate environmental clearance by the Federal Railroad Administration, we will be announcing upcoming scoping meetings later today. As the attached flyer points out the meetings will be held as follows:

- May 23rd – San Francisco
- May 24th – San Mateo
- May 25th – Mountain View

We are also in the process of scheduling separate and ongoing Community Working Group meetings in the San Francisco to San Jose project corridor. We are working with local stakeholders and policymakers on the make-up and organization of the Community Working Group effort and we will have more details on those meetings shortly. Please feel free to call me if you have any questions or concerns. We look forward to your ongoing participation in the environmental clearance effort.

Regards,

Ben Tripousis
Northern Regional Director
California High Speed Rail Authority
100 Paseo de San Antonio, #206
San Jose, CA 95113
408-277-1085
408-477-5631 ©
Ben.tripousis@hsr.ca.gov



CALIFORNIA High-Speed Rail Authority

PUBLIC SCOPING MEETING NOTICE

San Francisco to San Jose Project Section

The California High-Speed Rail Authority is responsible for planning, designing, building and operating the first high-speed rail system in the nation. California high-speed rail will connect the mega-regions of the state, contribute to economic development and a cleaner environment, create jobs, and preserve agricultural and protected lands. By 2029, the system will run from San Francisco to the Los Angeles basin in under three hours at speeds capable of over 200 miles per hour. The system will eventually extend to Sacramento and San Diego, totaling 800 miles with up to 24 stations. In addition, the Authority is working with regional partners to implement a statewide rail modernization program that invests billions of dollars in local and regional rail lines to meet the state's 21st century transportation needs.

The **San Francisco to San Jose Project Section** is part of the first phase of the California high-speed rail system connecting the cities of San Francisco, Millbrae (San Francisco Airport) and San Jose on an electrified Caltrain Corridor with proposed stations at 4th and King and/or Transbay Transit Center, near the San Francisco Airport (Millbrae), and San Jose.

The approximately 51-mile project section is planned to be a blended system which will support a modernized Caltrain service and high-speed rail service primarily on shared tracks. This approach minimizes impacts on surrounding communities, reduces project cost, improves safety and expedites implementation.

The Public Scoping Meetings are being held to provide the public an opportunity to learn about the project, ask questions and submit feedback.

MEETINGS WILL INCLUDE A PRESENTATION AT 6:00 P.M.

SAN FRANCISCO

Monday, May 23, 2016

UCSF Mission Bay

5:00 P.M. to 8:00 P.M.

1500 Owens St.

San Francisco, CA 94158

SAN MATEO

Tuesday, May 24, 2016

San Mateo Marriott

5:00 P.M. to 8:00 P.M.

1770 S. Amphlett Blvd.

San Mateo, CA 94402

MOUNTAIN VIEW

Wednesday, May 25, 2016

SFV Lodge

5:00 P.M. to 8:00 P.M.

361 Villa St.

Mountain View, CA 94041

LANGUAGE AND OTHER NEEDS

INTERPRETACIÓN AL ESPAÑOL ESTARÁ DISPONIBLE EN TODAS LAS REUNIONES.

所有会议均有中文口译。

SẼ CÓ SẴN THÔNG DỊCH TIẾNG VIỆT TẠI TẤT CẢ CÁC CUỘC HỌP.

MAGKAKARON NG PAGSASALIN SA WIKANG TAGALOG SA LAHAT NG MGA PULONG.

Meeting facilities are accessible for persons with disabilities. All requests for reasonable accommodations must be made

72 hours in advance of the scheduled meeting date.

Please call (800) 435-8670 or the Authority's TTY/TTD number at (916) 403-6943.



SAN FRANCISCO TO SAN JOSE PROJECT SECTION

The San Francisco to San Jose Project Section extends from the Transbay Transit Center in San Francisco southward to Diridon Station in San Jose.

ENVIRONMENTAL PROCESS & SCOPING MEETINGS

The Authority and the Federal Railroad Administration (FRA) have issued a Notice of Preparation (NOP) and Notice of Intent (NOI) for the preparation of an Environmental Impact Report/Environmental Impact Statement (EIR/EIS).

For important additional information contained in the NOP and NOI, please visit:
www.hsr.ca.gov/Programs/Statewide_Rail_Modernization/Project_Sections/sanfran_sanjose.html

As part of the environmental process, the Authority is holding Public Scoping Meetings to receive comments.

All comments will be considered in the preparation of the environmental documents and become part of the record.

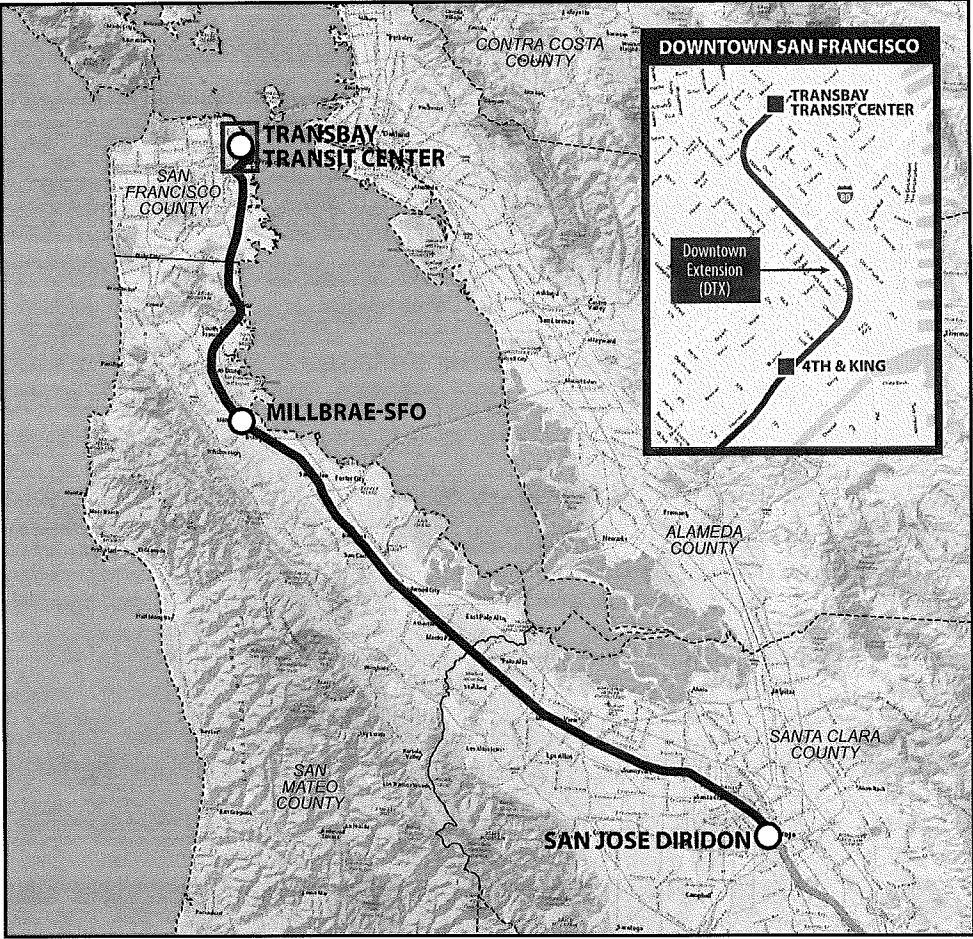
SUBMIT COMMENTS

Public scoping comments will be received until June 10, 2016. Submit comments via:

Mail: **Mark A. McLoughlin**
 Director of Environmental Services
 ATTN: San Francisco to San Jose
 California High-Speed Rail Authority
 100 Paseo De San Antonio, Suite 206
 San Jose, CA 95113

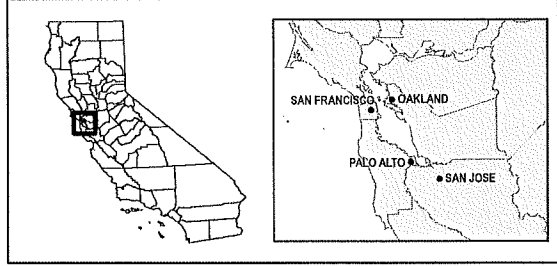
Electronic:
 Place name of Project Section in subject line:
san.francisco_san.jose@hsr.ca.gov

Phone:
 (800) 435-8670



LEGEND

- Proposed San Francisco to San Jose Section Alignment
 - Proposed HSR Stations
 - County Limits
- 0 5 10 Miles



From: Board of Supervisors, (BOS)
To: BOS-Supervisors
Subject: FW: Solving Two Stubborn Problems at Once

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

From: Thomas Meyer [mailto:meyerart@pacbell.net]
Sent: Monday, May 09, 2016 10:50 PM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Subject: Solving Two Stubborn Problems at Once

Dear Supervisors,

Perhaps this suggestion has been made before, and I suspect it has since it's such an obvious idea, but just in case it hasn't I'd like to propose the following:

We have a serious litter and graffiti problem in this city which is not being adequately addressed. We also have an enduring homeless problem which is forever solutions. Why not hire homeless individuals who want to work to sweep our streets and eradicate graffiti? This serves at least two useful purposes. It would provide jobs to those who may not have advanced skills and who are currently unproductive and make them more self-supporting, and it would really help to solve the litter problem this city has that is both unhealthy and unsightly and since a significant portion of S.F.'s revenue comes from tourism, also a benefit to the city's economy.

Training and equipping individuals for this kind of work would take minimal investment on the city's part and would no doubt save it money in the short and long term by removing homeless individuals from the streets and off public assistance. When I travel to other cities, both in the U.S. and abroad, I can see significant numbers of people in brightly-colored, reflective uniforms cleaning the streets. All these cities look a lot cleaner than San Francisco even though not all of them are big tourist meccas as is our city.

We are blessed with a unique and beautiful city but I always feel saddened and a little embarrassed about it when I have visitors from out of town and we encounter the homeless lying on the sidewalks surrounded by trash. In a city as wealthy as this one, we shouldn't have to live with this sad state of affairs.

Would you please make an effort to propose legislation that pursues this concept? Everyone, city residents, the homeless, tourists and city government will benefit directly from this approach to two of the most nagging problems facing San Francisco.

Thank you.

Thomas V. Meyer
169 25th Ave.
San Francisco, CA 94121

File 160098

From: Board of Supervisors, (BOS)
To: BOS-Supervisors; Major, Erica (BOS)
Subject: File 160098FW: Duc Loi's alcohol license

From: Ted DePalma [mailto:cactusrancher@gmail.com]
Sent: Monday, May 09, 2016 7:07 PM
To: Falzon, Dave (POL) <david.falzon@sfgov.org>; Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>; Cohen, Malia (BOS) <malia.cohen@sfgov.org>; Suhr, Greg (POL) <Greg.Suhr@sfgov.org>; Vaswani, Raj (POL) <Raj.Vaswani@sfgov.org>
Subject: Duc Loi's alcohol license

Hello- I'm a Bayview resident writing to you in support of granting Duc Loi a full liquor license for its upcoming Third Street location.

It's true that there are quite a few liquor stores on Third Street in the Bayview, and some of these stores are regular scenes of crime and violence. But Duc Loi isn't a corner convenience store, it's a full-service supermarket that the community has desperately needed for a number of years now.

Just take a look at their Mission Street location and you'll find it doesn't attract criminal behavior; and there's no reason to expect that this location would either.

The residents of Bayview need a full-service supermarket like Duc Loi, and if selling alcohol helps them stay in business, it's a good thing. So please, grant Duc Loi a full liquor license. It will help Duc Loi, which will help the Bayview.

Thank you,
Ted DePalma
Oakdale Avenue



From: Board of Supervisors, (BOS)
To: BOS-Supervisors; Major, Erica (BOS)
Subject: File 160098 FW: help us bring Duc Loi to the Bayview

From: Jie Wu [mailto:jwusf05@gmail.com]
Sent: Tuesday, May 10, 2016 6:15 PM
To: Falzon, Dave (POL) <david.falzon@sfgov.org>; Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>; Cohen, Malia (BOS) <malia.cohen@sfgov.org>; Suhr, Greg (POL) <Greg.Suhr@sfgov.org>; Vaswani, Raj (POL) <Raj.Vaswani@sfgov.org>
Subject: help us bring Duc Loi to the Bayview

Greetings from the Bayview!

I am a Bayview resident and have been living here for a little over 2 years. The sunny weather, down-to-earth vibe, easy commute, affordable housing are just a few things to cherish about this neighborhood. However, one thing, one basic but very important thing that is missing is the access to fresh and healthy groceries. It's sad to see Bayview being called "food desert" (per Hoodline article), and it is TURE! That's why the news about Duc Loi opening a new store on the 3rd street has been extremely welcoming. My partner and I are looking forward to its opening. Having the store within the walking distance, we hope that we no longer have to take a hike to the Mission, or Bernal, or Portola for decent groceries.

I am here to ask for your help on accelerating the opening of Duc Loi in the Bayview. I have been driving by Duc Loi's new store everyday in the past two months on my way to work. Two months have past and it is still wrapped in construction paper with "coming soon" sign hanging outside of the building. What's the hiccup? If the liquor license the store is applying for is the showstopper, please help them get a one! We don't believe Duc Loi will turn into another troubled spot in the neighborhood by selling liquors - it will have different clientele from that of some of the corner liquor stores; but more importantly, having Duc Loi in the Bayview brings us hope, the hope that the quality of our lives will change for the better. After all, who wants to live in a "food desert" forever?

Thank you for your support!

Jie Wu
Mendell Hill, Bayview

Board of Supervisors Meeting - May 10, 2016

Tree LandMarking - Cook St.

BOS-11

page

File 160320

My name is Dale Rogers and I am the owner of 48 Cook St. (corrected address) and the tree which the city appears to be poised to take from me. If so this is a prejudice against me and a taking my private and personal property rights to enjoy my property as I wish to. Landmarking the tree in my yard will significantly decrease the value of the property and development of such.

I request that you reference the letters from my attorney Barri Bonapart of April 27 to the City Attorney and April 28th to the City Clerk / Land Use Committee and that they be part of the record.

With all due respect I ask you to reconsider this action as it is not only contrary to law but also because of the inevitable unintended consequences of harming San Francisco's urban forest canopy through this misapplication of the law.

Thank you.



Dale Rogers

2016 MAY 10 PM 4:14
CIVIL RIGHTS DIVISION
SAN FRANCISCO OFFICE
OF THE ATTORNEY GENERAL
CIVIL RIGHTS DIVISION
SAN FRANCISCO OFFICE
OF THE ATTORNEY GENERAL

From: Board of Supervisors, (BOS)
To: BOS-Supervisors; Major, Erica (BOS)
Subject: File 160022 FW: Please restore Due Process

From: Arinna Weisman [mailto:arinnaweisman@aol.com]
Sent: Tuesday, May 10, 2016 12:26 PM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Subject: Please restore Due Process

Greetings,

Thanks for all your efforts. I am writing to ask that you support restoring due process, because our immigrant communities are a core and integral part of San Francisco. Please vote yes to restore Due Process today, May 10th."

Best Wishes,

Linda Arinna Weisman

www.arinnaweisman.org



BOS-11, C-page

May 5, 2016

TO: ✓ San Francisco Board of Supervisors

CC: SFMTA Muni Forward Project Management
SFMTA Board of Directors
SF Small Business Commission

RE: L-TARAVAL RAPID PROJECT

The Taraval merchants continue to have serious concerns regarding the proposed L-Taraval Rapid project. Those concerns include the loss of Muni stops, transit only lanes, installation of additional boarding islands, replacing stop signs with traffic lights, and relocation of business-serving parking onto adjacent residential streets.

Besides the changes proposed in the project itself, the merchants continue to have serious issues regarding the outreach process. Both the scope of the public outreach and the number of general public meetings have been minimal. Also, there has not been a sufficient amount of time for people to fully understand the all the long range impacts of these changes.

Our neighbor, Nancy Wuerfel, voiced her concerns for the L-Taraval project at the May 3, 2016 Board of Supervisors meeting during public comment.

Our neighbor, Eileen Boken, has voiced similar concerns at multiple meetings of the Small Business Commission.

Therefore, the Taraval merchants are strongly urging the Board of Supervisors to assist us in addressing the above unresolved SFMTA issues, beginning with holding a Board hearing on SFMTA Muni Forward matters. We believe these topics are of some urgency in order to avoid the unpleasant experiences encountered by the merchants along Mission Street.

Yumi Sam
President
POPS

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2016 MAY 10 AM 8:13
BY



From: Board of Supervisors, (BOS)
To: BOS-Supervisors
Subject: FW: Proposed Geary Bus Rapid Transit - San Francisco, California
Attachments: PetitionMasonicToParkerSouthSide.pdf

From: Corey [mailto:clurban@aol.com]
Sent: Wednesday, May 11, 2016 10:03 AM
To: kevin.d.korth@dot.gov; chris.engelmann@dot.ca.gov; kevin.sylvester@dot.gov; david.kerschner@dot.gov; tilly.chang@sfcta.org; Reiskin, Ed (MTA) <ed.reiskin@sfmta.com>; leslie.rogers@fta.dot.gov; Lee, Mayor (MYR) <mayoredwinlee@sfgov.org>; Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Subject: Proposed Geary Bus Rapid Transit - San Francisco, California

To Whom it May Concern-

Those included in this email should be aware that business owners on Geary Boulevard between Masonic Avenue and Palm Street are unaware that the SFMTA/SFCTA are planning to slap down, right side running, Red Transit Only Lanes which will inevitably restrict traffic, restrict access, reduce traffic on Geary and cause severe negative financial consequences to these business. I have only spoken to three blocks of businesses and only those on the south side. Contact with other businesses is ongoing.

An information packet was handed to these businesses with a link to the Draft EIR/EIS. Dialogue ensued over a span of one week which resulted in the petitions attached.

It is clear to all business owners I spoke to that the SFMTA/SFCTA and the California State and Federal agencies that oversee such Red Transit Only Lane "**experiments**", have zero concern for business owners and their profitability.

The previously planned removal of 15 parking spaces between Cook and Spruce Streets to create block-long bus stops in front of small businesses and medical offices shows how completely out of touch the "experts" are in the real world. The Geary corridor, West of Masonic, is not downtown San Francisco. We are effectively a suburb, one small business after another that need traffic, access and parking to survive.

Your buses/transit times will *never* be faster on Geary Boulevard. The speed limit is 25-MPH, yet **all** vehicles (**including 38 route buses**) travel faster than the posted 25-MPH speed limit 95% of the time. Fact.

If the Red Transit Only lanes, "**experiment**" is allowed to take place on Geary Boulevard, West of Masonic Avenue, there will undoubtedly be legal actions taken to protect and/or reimburse our lost profits, business values and property values.

More petitions are coming.

Sincerely,

Corey Urban
Shell Car Wash
3035 Geary Boulevard
San Francisco, CA 94118
415-752-4171
415-722-8245 (mobile)

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

A Red Lane adjacent to businesses along Geary Blvd between Palm Street and Masonic Avenue will create confusion amongst motorists, will create safety issues with drivers traveling on Geary Blvd and those drivers entering Geary Blvd from side streets, and will negatively impact my business/property by restricting direct access from Geary Blvd.

The RED LANES would have significant, negative consequences on our profitability!

Name: ANNA CHUNG Date: 4/27/16

Signature: Anna Chung
Business Name and Address: Geary Salon, 3151 Geary Blvd. SF, CA 94118
My business is located between the blocks of Cook St. and Spruce St.

I became aware of the planned GEARY BRT RED LANES between Palm and Masonic on

Additional Comments and Concerns:

→ STOP WASTING CITY FUNDS!

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

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The RED LANES would have significant, negative consequences on our profitability!

Name:

ANDREW A. MOLDVAY 4/27/16

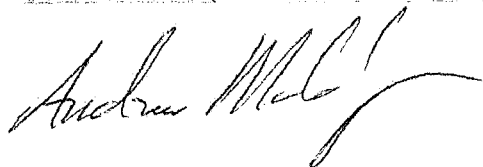
Business Name and Address:

THE TOTAL MAC 3139A Geary 94118

My business is located between the blocks of COOK and SPRUCE

I became aware of the planned GEARY BRT RED LANES between Palm and Masonic on

Additional Comments and Concerns:



To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

A Red Lane adjacent to businesses along Geary Blvd between Palm Street and Masonic Avenue will create confusion amongst motorists, will create safety issues with drivers traveling on Geary Blvd and those drivers entering Geary Blvd from side streets, and will negatively impact my business/property by restricting direct access from Geary Blvd.

The RED LANES would have significant, negative consequences on our profitability!

Name: YVONNE CHUNG

Business Name and Address: YVONNE Hair Salon
3123 Geary Blvd
SF CA 94118

My business is located between the blocks of SPRUCE and COOK

I became aware of the planned GEARY BRT RED LANES between Palm and Masonic on 4/25/16.

Additional Comments and Concerns:

customers will be confused.

Yvonne

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

A Red Lane adjacent to businesses along Geary Blvd between Palm Street and Masonic Avenue will create confusion amongst motorists, will create safety issues with drivers traveling on Geary Blvd and those drivers entering Geary Blvd from side streets, and will negatively impact my business/property by restricting direct access from Geary Blvd.

The RED LANES would have significant, negative consequences on our profitability!

Name: Chau Chun Chien, Ph.D. M.D.

Business Name and Address:

Chau Chun Chien, Ph.D. M.D.
3115 Geary Boulevard
San Francisco, CA 94118

My business is located between the blocks of Spruce and Cook

I became aware of the planned GEARY BRT RED LANES between Palm and Masonic on April 25, 2016

Additional Comments and Concerns:

Patients will be more confused.

Chau Chun Chien

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

A Red Lane adjacent to businesses along Geary Blvd between Palm Street and Masonic Avenue will create confusion amongst motorists, will create safety issues with drivers traveling on Geary Blvd and those drivers entering Geary Blvd from side streets, and will negatively impact my business/property by restricting direct access from Geary Blvd.

The RED LANES would have significant, negative consequences on our profitability!

Name: Maelin Wang

Business Name and Address:

Golden Coast Properties
3119 Geary Boulevard
San Francisco, CA 94118

My business is located between the blocks of Cook and Spruce

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on April 22, 2016

Additional Comments and Concerns:

It will be very confusing for our clients

Maelin Wang

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

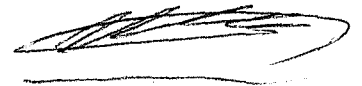
A Red Lane adjacent to businesses along Geary Blvd between Palm Street and Masonic Avenue will create confusion amongst motorists, will create safety issues with drivers traveling on Geary Blvd and those drivers entering Geary Blvd from side streets, and will negatively impact my business/property by restricting direct access from Geary Blvd.

The RED LANES would have significant, negative consequences on our profitability!

Name:

Charles Lee

Signature



Date

4/9/16

Business Name and Address:

Sunny Market
3001 Geary Blvd, SF. CA 94118.

My business is located between the blocks of Palm Street and Masonic Avenue.

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on

Additional Comments and Concerns:

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

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The RED LANES would have significant, negative consequences on our profitability !

Name:

Jim GAVNEY Jim Long 5H/16

Business Name and Address:

~~241~~ Emerald Auto Repair

My business is located between the blocks of

blake

and

collins

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on

12/1/15

Additional Comments and Concerns:

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

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The RED LANES would have significant, negative consequences on our profitability !

Name:

Laura Do

Business Name and Address:

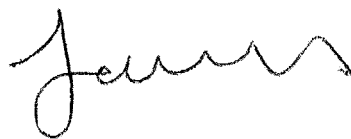
BedroomOutlet 2901 Geary Blvd.
San Francisco, CA. 94118

My business is located between the blocks of Blake and Collins

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on

4/26/16



Additional Comments and Concerns:

To Whom it may Concern-

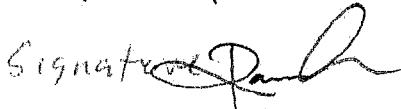
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A Red Lane adjacent to businesses along Geary Blvd between Palm Street and Masonic Avenue will create confusion amongst motorists, will create safety issues with drivers traveling on Geary Blvd and those drivers entering Geary Blvd from side streets, and will negatively impact my business/property by restricting direct access from Geary Blvd.

The RED LANES would have significant, negative consequences on our profitability !

Name: Romeo Arambola

Date 5/4/16

Signature: 

Business Name and Address:

Will's Auto Body Shop
2715 Geary Blvd. SF, CA 94118

My business is located between the blocks of Masonic and wood

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on 5/4/16

Additional Comments and Concerns:

Not happy about it.

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

A Red Lane adjacent to businesses along Geary Blvd between Palm Street and Masonic Avenue will create confusion amongst motorists, will create safety issues with drivers traveling on Geary Blvd and those drivers entering Geary Blvd from side streets, and will negatively impact my business/property by restricting direct access from Geary Blvd.

The RED LANES would have significant, negative consequences on our profitability!

Name:

Jose M. Prieto

Business Name and Address:

Wally's Auto Upholstery

2707 Geary Blvd. San Francisco, CA. 94118

My business is located between the blocks of Masonic and WOOD

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on

Additional Comments and Concerns:

Please consider our businesses

To Whom it may Concern-

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The RED LANES would have significant, negative consequences on our profitability!

Name: Lucy Yee

Business Name and Address:

UNIVERSAL TAX SERVICE
3107 GEARY BLVD.
SAN FRANCISCO, CA 94118
PH (415) 751-9888 FAX (415) 751-0728
WWW.UNIVERSALTAXSERVICE.COM

My business is located between the blocks of Spurce and cook

I became aware of the planned GEARY BRT RED LANES between Palm and Masonic on

Additional Comments and Concerns:

Red lane would create confusion for customers.
Lucy Yee

To Whom it may Concern-

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The RED LANES would have significant, negative consequences on our profitability !

Name: Joseph Lama

3101 Geary Blvd
S.F CA 94118

Business Name and Address: Royal Ground Coffee

My business is located between the blocks of Book and Spencer

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on

Joseph Lama 5-4-16

Additional Comments and Concerns:

less Traffic means less Business

To Whom it may Concern-

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The RED LANES would have significant, negative consequences on our profitability !

Name: Justin Jacobs

Date 5-6-16


Signature

Business Name and Address:

Lock World

2935 Geary Blvd. SF CA 94118

My business is located between the blocks of Blake St. and Collins

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on 4-27-16

Additional Comments and Concerns:

To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

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The RED LANES would have significant, negative consequences on our profitability !

Name: Havin Gavgasi Altun

Business Name and Address: RO Cafe
2739 Geary Blvd SF, CA 94118

My business is located between the blocks of Wood and Masonic

I became aware of the planned GEARY BRT RED LANES between Palm and Masonic on

Additional Comments and Concerns:

Havin Gavgasi Altun


To Whom it may Concern-

I am a business owner on Geary Boulevard between Palm Street and Masonic Avenue, in San Francisco, CA. I am adamantly against the use of RED PAINT in any lane, transit or otherwise, in the right hand lane of Geary Blvd in front of my business.

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The RED LANES would have significant, negative consequences on our profitability!

Name: STEVE ANDERSON Date 5.6.16

Signature 

PigandwhistleSF@yahoo.com

Business Name and Address:

THE PIG AND WHISTLE

My business is located between the blocks of Collins and Wood

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on Approx JAN 16

Additional Comments and Concerns:

THIS IDEA WOULD HAVE A HUGE NEGATIVE IMPACT ON BUSINESSES IN THE AREA, SEVERAL OF WHICH ARE ALREADY SMUGGLING.
THE IMPACT ON BUSINESS ON 3RD ST WOULD BE A FACT.


To Whom it may Concern-

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The RED LANES would have significant, negative consequences on our profitability !

Name:

Signature  *Date* 5/10/2016

Business Name and Address:

UPS Store 3145 Geary Blvd
San Francisco, CA 94118

My business is located between the blocks of Spence and Coit.

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on

Additional Comments and Concerns:

*my mailbox holders
elderly customers
handicap- customers.*

To Whom it may Concern-

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The RED LANES would have significant, negative consequences on our profitability!

Name: HIEP QUY NGO

Business Name and Address: Fashion cut & perm

3103 Geary Blvd

S.F. CA 94118

My business is located between the blocks of Spence and Cook

I became aware of the planned GEARY BRT RED LANES between Palm

and Masonic on April 25, 2016

Additional Comments and Concerns:

customer will be confused

- Hiep ngo

From: Board of Supervisors, (BOS)
To: BOS-Supervisors
Subject: FW: CPUC Notification - Verizon Wireless - Verizon Facility
Attachments: CPUC Notification - Verizon - SF UM Bulk 5-10-2016.pdf

From: West Area CPUC [mailto:WestAreaCPUC@VerizonWireless.com]
Sent: Wednesday, May 11, 2016 1:45 PM
To: Masry, Omar (CPC) <omar.masry@sfgov.org>; Administrator, City (ADM) <city.administrator@sfgov.org>; Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Cc: West Area CPUC <WestAreaCPUC@VerizonWireless.com>
Subject: CPUC Notification - Verizon Wireless - Verizon Facility

This is to provide your agency with notice according to the provisions of General Order No. 159A of the Public Utilities Commission of the State of California ("CPUC"). This notice is being provided pursuant to Section IV.C.2.

If you prefer to receive these notices by US Mail, please reply to this email stating your jurisdiction's preference.

Thank You



May 11, 2016

Ms. Anna Hom
Consumer Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
alh@cpuc.ca.gov

RE: Notification Letter for Various Verizon Facilities
San Francisco-Oakland, CA / GTE Mobilnet of California Limited Partnership / U-3002-C

This is to provide the Commission with notice according to the provisions of General Order No. 159A of the Public Utilities Commission of the State of California ("CPUC") for the project described in Attachment A.

A copy of this notification letter is also being provided to the appropriate local government agency for its information. Should there be any questions regarding this project, or if you disagree with any of the information contained herein, please contact the representative below.

Sincerely,

Ruth Concepcion
West Territory Real Estate Planning
15505 Sand Canyon Avenue, Irvine, CA 92618
WestAreaCPUC@VerizonWireless.com

CPUC Attachment A

Initial Build (new presence for Verizon Wireless)



VZW LEGAL ENTITY	JURISDICTION	PLANNING DIRECTOR	CITY ADMINISTRATOR	CLERK OF THE BOARD	COUNTY
GTE Mobilnet of California Limited Partnership	City of San Francisco 1 Dr. Carlton B. Goodlett Pl San Francisco, CA 94102	omar.masry@sfgov.org	city.administrator@sfgov.org	Board.of.Supervisors@sfgov.org	San Francisco

Site Name	Site Address	Site APN	Site Coordinates (NAD 83)	Project Description	Number & type of Antennas	Tower Design	Tower Appearance	Tower Height (in feet)	Size of Building or NA	Type of Approval	Approval Issue Date	Approval Effective Date	Approval Permit Number	Resolution Number
SF UM PH4 SC 170	1040 Clay Street, San Francisco CA, 94108	N/A - public right-of-way	37°47'37.7"N 122°24'37.2"W	Installation of one 7.5" diameter x 24" tall canister antenna, two 16.5" x 9.8" x 5.7" MRRU's on to existing (29'-4" AGL) MTA steel pole.	1 panel antenna	Existing MTA steel pole	Panel antenna @ 31' 3" RAD	32' 3"AGL	N/A	Personal Wireless Service Facility Permit	4/25/2016	5/26/2016	15WR-0162	NA
SF UM SC 403	1278 Jackson St, San Francisco CA 94109	N/A - public right-of-way	37°47'41.43"N 122°24'58.02"W	Replacement of existing 40' AGL wood pole #110033551 with new 50' (43' AGL) Class 3 wood pole #0057CL (hard set west). ExteNet to place one 14.6" diameter x 24" tall canister antenna with two 1.73" x 5.2" x 1" hybrid couplers inside new 47 7/8" antenna support arm. Place two 16.5" x 9.8" x 5.7" MRRU's on 2"x 6" x 56" pole mounted equipment channel and place one 24"x12"x5/8" circle AW meter and one 12.65"x8.88"x4.27" square D breaker box on 2"x6"x46" mounting/equipment channel.	1 panel antenna	Wood utility pole in PROW	Panel antenna @ 32' 1" RAD	43' AGL	N/A	Personal Wireless Service Facility Permit	5/3/2016	6/2/2016	15WR-0414	N/A

From: Board of Supervisors, (BOS)
To: Ausberry, Andrea; Young, Victor; Somera, Alisa (BOS); BOS-Supervisors
Subject: FW: [FWD: Polk Street NCD (File #160102)]

From: moe@middlepolk.org [mailto:moe@middlepolk.org]
Sent: Wednesday, May 11, 2016 6:53 PM
To: Sanchez, Diego (CPC) <diego.sanchez@sfgov.org>; Secretary, Commissions (CPC) <commissions.secretary@sfgov.org>; SBAC (ECN) <sbac@sfgov.org>; Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Subject: [FWD: Polk Street NCD (File #160102)]

For inclusion into the record at the SBC, PC, and BOS.

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

Subject: Polk Street NCD (File #160102)
From: lynne newhouse segal <lynnnewhousesegal@gmail.com>
Date: Wed, May 11, 2016 6:02 pm
To: "mark.farrell@sfgov.org" <mark.farrell@sfgov.org>,
"london.breed@sfgov.org" <london.breed@sfgov.org>,
"aaron.peskin@sfgov.org" <aaron.peskin@sfgov.org>,
"john.rahaim@sfgov.org" <john.rahaim@sfgov.org>, "ed.lee@sfgov.org" <ed.lee@sfgov.org>
Cc: "moe@middlepolk.org" <moe@middlepolk.org>, "sullam@aol.com" <sullam@aol.com>

TO: Board of Supervisors
Planning Commissioners
Mayor Ed Lee

FROM: Pacific Heights Residents Association, Lynne Newhouse Segal, President
RE: Planning Code Amendment to Prohibit Formula Retail in Polk Street NCD (File No. 160102)

Pacific Heights Residents Association (PHRA) supports Planning Code Amendment (file No. 160102) prohibiting formula retail in the Polk Street NCD. PHRA, founded in 1978, has over 500 members, representing residents and merchants within the boundaries of Pine to Union Streets, and Presidio to Van Ness. On Fillmore Street we have experienced the significant reduction in neighborhood character, quality of life, and sense of community that can occur when formula retail is not prohibited. Fortunately, our members can still enjoy Polk Street's unique character, and we urge you to pass the Planning Code Amendment prohibiting formula retail on this cherished neighborhood shopping district and community hub.

Please do not hesitate to contact us if you require any further information. Thank you for considering saving this very valued part of our city.

From: Board of Supervisors, (BOS)
To: BOS-Supervisors
Subject: FW: Support Vision Zero Technology for City Drivers

From: Mitchell Near [mailto:menear@earthlink.net]
Sent: Wednesday, May 11, 2016 8:44 PM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Cc: Major, Erica (BOS) <erica.major@sfgov.org>; info@walksf.org
Subject: Support Vision Zero Technology for City Drivers

I am writing to express my support for Supervisor Norman Yee's legislation to require all city fleet vehicles to be equipped with vehicle telematics devices by January 1, 2017.

San Francisco has committed to the goals of Vision Zero, eliminating all severe injuries and traffic deaths by 2024. Vehicle telematics is an important tool to help the City reach Vision Zero. Vehicle telematics is an important technology solution to help San Francisco reach its Vision Zero goal to end all traffic deaths by 2024. These systems can collect data to correct and improve unsafe driver behavior such as speeding, hard breaking, and rapid accelerating, inappropriate use of City vehicles and missed maintenance. Telematics devices allow vehicles to be tracked individually and would enable city agencies to both collect and report back data for the cars, vans, trucks or buses in which they are installed. Telematics information includes vehicle location, maintenance history, rate of speed, mechanical diagnostics, safety and other details.

As a reporting tool, telematics could provide San Francisco with life-saving data. With access to accurate data on drivers' behavior, city agencies that adopt the system would be able to effectively identify, correct, and improve unsafe driving habits to reduce the number of crashes involving their fleet vehicles. Despite these benefits, telematics is installed in only 30% of city vehicles currently -- and for those vehicles, the telematics systems do not have reporting or analysis requirements to provide any meaningful safety-related data to track and correct dangerous driving behaviors. I urge you to approve this legislation and ensure that all city vehicles, without exemptions for law enforcement or other departments, be equipped with telematics and that the data tracked by the system is used to ensure the City makes traffic safety a priority by reducing the risk of crashes involving fleet vehicles on San Francisco's streets.

Sincerely,

Mitchell Near
menear@earthlink.net

From: Board of Supervisors, (BOS)
To: BOS-Supervisors
Subject: FW: I'm the 86th signer: "Turn The Beast on Bryant Into a Beauty on Bryant"

From: hep [mailto:petitions-noreply@moveon.org]
Sent: Thursday, May 12, 2016 3:42 PM
To: Board of Supervisors, (BOS) <board.of.supervisors@sfgov.org>
Subject: I'm the 86th signer: "Turn The Beast on Bryant Into a Beauty on Bryant"

Dear Board of Supervisors,

I just signed a petition addressed to you titled *Turn The Beast on Bryant Into a Beauty on Bryant*. So far, 88 people have signed the petition.

You can reach me directly by replying to this email. **Or, post a response for MoveOn.org to pass along to all petition signers by clicking here:** http://petitions.moveon.org/target_talkback.html?tt=tt-110117-custom-71014-20260512-i1hUx0

The petition states:

"I am a San Francisco resident, and I want responsible development in my community. We can do better as a City to support planned growth that will help alleviate the housing crisis, not exacerbate it."

My additional comments are:

Yes, we need more "Project Artaud" type developments that serve people, not profit.

To download a PDF 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=1792156&target_type=custom&target_id=71014

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=1792156&target_type=custom&target_id=71014&csv=1

hep
San Francisco, CA

This email was sent through MoveOn's public 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 have any questions, please email petitions@moveon.org. 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=G0Rk7VNs01rhF4FmsFKF0SBCb2FyZC5vZi5TdXBlcnZpc29yc0BzZmdvdi5vcmc-&petition_id=110117.

12 May 2016

BOS-11, C pages
File No. 160293

Angela Calvillo,
Clerk of the Board, City Hall
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

Dear Ms. Calvillo,

I am writing in support of landmarking the two buildings at 35 and 45 Onondaga Avenue -- the Alemany Emergency Hospital and Health Center buildings. [File number: 160293]

With the support of City Planners Jonathan Lammers and Shannon Ferguson, mural supporter Richard Rothman, members of the New Mission Terrace Improvement Association, several other Excelsior and Outer Mission neighborhood groups, and countless neighbors, I wrote the landmarking application for these buildings and the murals inside. We were all gratified with the unanimous support of the Historic Preservation Committee to recommend their landmarking.

These buildings are architecturally significant, were part of an important and well-respected system of free health care in San Francisco, and were the focal point of a sustained period of civic engagement in our community when their closure was announced over thirty-five years ago. Moreover, the Park Emergency Hospital, which was part of the same system, has already been designated San Francisco City Landmark #201. In addition, the Bernard Zakheim's murals, a unique feature of these buildings, reflect the neighborhood and add artistic and cultural value to the buildings.

There are few historically or architecturally significant buildings in the Outer Mission/Excelsior area and residents really value the ones that still exist.

There is tremendous support for returning these building to community use -- a use we can all enjoy. A public-private partnership, with one financing the other, would be a fitting and appropriate use of these buildings.

Your support of landmarking these buildings would be deeply appreciated. Your support would ensure that these buildings, and our district, get some well-deserved acknowledgment.

Thank you.

Sincerely,
Lisa Dunseth
Lisa Dunseth
Mission Terrace resident

201 Delano Avenue

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2016 MAY 13 PM 4:27
BY *[Signature]*

C page

(e.g. 600-block of Market St. or in front of Main Library entrance)

REQUEST DETAILS:

Nature of Request:* **Customer Callback**

ADDITIONAL REQUEST DETAILS:

Additional Request
Details: *

San Francisco Municipal transportation agency since its inception with acquisition of several departments, the department of parking and traffic, and agencies such as municipal railway, has become a huge public sevice entity with departmental functions. In organizational structures, usually the department is above agency or division. Accordingly it is recommended to designated or rename SFNTA to SF Department of Transportation., Commensurate with its sister department, Department of Public works. Its abbreviation could be SFDOT or SFTRANS.

BACK

OFFICE USE *****

Source

Agency Request Number:

Responsible

Agency Request Number:

Service Request Work

Status:

Work

Status Updated:

Media URL:

Submit Cancel

18

Date / Time: 2016-05-15 10:43:55.31

Service Request Number:
5868656

Request for City Services

CUSTOMER CONTACT INFORMATION:

Name: **Martin Lyon**
Phone: **415-272-6982**
Address: **360 Buckingham Wy Apt. 103 San Francisco 94132**
Email: **mlyon326@yahoo.com**

DEPARTMENTS:

Department: * **Board of Supervisors (BOS)**

Sub-Division:* **Clerk of the Board**

Department Service Levels:

The City's goal is to respond to these types of requests within 7-21 calendar days. 21 days for request for service. 7 days for all other categories.

PROPERTY ADDRESS:

Point of Interest:	
Street Number:	
Street Name:	
Street Name 2:	
City:	
ZIP Code:	
X coordinate:	
Y coordinate:	
Latitude:	
Longitude:	
CNN:	
Unverified Address:	<input type="checkbox"/>

ADDITIONAL LOCATION INFORMATION:

Location Description: