

File No. 230165

Committee Item No. 6

Board Item No. 31

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Rules Committee

Date June 12, 2023

Board of Supervisors Meeting

Date June 27, 2023

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- Youth Commission Report
- Introduction Form
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Completed by: Victor Young

Date June 8, 2023

Completed by: _____

Date _____

1 [Administrative Code - Reporting Requirements for City-Funded Nonprofit Organizations]

2

3 **Ordinance amending the Administrative Code to limit the application of nonprofit**
4 **reporting requirements to organizations receiving more than \$100,000 annually, require**
5 **submission of tax and governance documents to confirm nonprofit status, centralize**
6 **reporting by restoring the City Administrator as the sole collector of information, and**
7 **require posting of the City Administrator to make received reported information**
8 **publicly available on a public City website.**

9 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
10 **Additions to Codes** are in *single-underline italics Times New Roman font*.
11 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
12 **Board amendment additions** are in double-underlined Arial font.
13 **Board amendment deletions** are in ~~strikethrough Arial font~~.
14 **Asterisks (* * * *)** indicate the omission of unchanged Code
15 subsections or parts of tables.

16 Be it ordained by the People of the City and County of San Francisco:

17

18 Section 1. Findings.

19 The Board of Supervisors finds:

20 (a) Most nonprofit organizations receiving funding from the City and County of San
21 Francisco provide high-quality services and meet their financial obligations, but ones that do
22 not are harming the overall reputation of city contracting.

23 (b) City departments providing funding on behalf of the City and County of San
24 Francisco must ensure accountability, transparency, and results for our residents.

25 (c) The decentralized process of verifying fiscal eligibility has resulted in an
excessive number of instances where an organization no longer meets federal and state
requirements for the receipt of these City funds.

1 (d) Reversing the changes made in Ordinance No. 213-11 that allowed alternative
2 reporting and reduced reporting requirements to departments and restoring the City
3 Administrator's centralized collection of this information will make the process more efficient
4 and provide the public with one location to review this information.

5
6 Section 2. Chapter 10, Article I, of the Administrative Code is hereby amended by
7 revising Section 10.1, to read as follows:

8 **SEC. 10.1. ANNUAL ECONOMIC STATEMENT – CITY-FUNDED ORGANIZATIONS.**

9 (a) Every nonprofit corporation, organization, or other legal entity, receiving funding
10 *in excess of \$100,000 annually* from or through the City and County to provide direct services to
11 the public (except local, State, or federal governmental entities) *that has not, within the past*
12 *twelve months, provided to a City Department that awarded and/or is monitoring its City contract or*
13 *grant the information required by the annual economic statement described in this Section 10.1,* shall
14 file with the City Administrator, or otherwise make publicly available in a manner authorized by
15 the City Administrator, ~~on or before April 1 of each year,~~ an annual economic statement, ~~on a~~
16 ~~form to be provided by the City Administrator Department, on or before April 1st of each year~~
17 ~~setting forth~~ including that includes the following information:

18 (a1) Name of the chief executive officer, employee, or other person possessing
19 daily managerial responsibilities;

20 (b2) Name of all officers ~~and~~ directors and the names of all other boards of
21 directors on which they serve; ~~and~~

22 (c3) Total expenditures during calendar or fiscal year, whichever is applicable;
23 and budget for current calendar or fiscal year, whichever is applicable, setting forth the source
24 of all monies received or budgeted and a program-by-program description of all monies
25 expended or budgeted;-

1 (4) A letter from the Internal Revenue Service establishing the current valid nonprofit
2 status of the organization or its fiscal sponsor, if applicable;

3 (5) A public copy of the most recent federal tax return filed under Section 990;

4 (6) Verification of current valid registration with the State of California's Registry of
5 Charitable Trusts;

6 (7) For organizations required by federal, state, or City law to prepare audited financial
7 statements, a copy of the most recent audited financial statement; and

8 (8) Such other information or documentation as the City Administrator from time to time
9 determines would be necessary to evaluate and ensure that organizations are qualified to receive City
10 funds.

11 (b) Information and documentation submitted under subsections (a)(1)-(8) may be redacted
12 by the organization to ensure that personal private information is not disclosed in violation of
13 applicable privacy-related laws.

14 ~~(c) All entities applying for or receiving monies from the City and County who have not~~
15 ~~neither (i) provided to the City Department information equivalent to that required by the~~
16 ~~annual economic statement described in this Section 10.1 within the past twelve months, nor~~
17 ~~(ii) filed a current annual economic statement, as required by subsection (a) shall file such~~
18 ~~information with the City Department or City Administrator in the same manner and form as~~
19 ~~described above before any public monies shall be approved.~~

20 ~~(d) The City is authorized to allow disbursement of public funds despite noncompliance~~
21 ~~with this Section 10.1 in the event the Controller makes a contemporaneous written finding~~
22 ~~that it is in the public interest to do so. Such findings will be reported annually to the Board of~~
23 ~~Supervisors.~~

24 (c) The Controller shall periodically review compliance with the requirements of this
25 Section 10.1, and shall report any findings of non-compliance by an organization to the City

1 Administrator, Mayor, and Board of Supervisors. The City shall not enter into any new
2 contracts with non-compliant organizations, as determined by the Controller, absent a written
3 finding of public interest and necessity issued jointly by the Controller and City Administrator .

4 ~~(ed) The City Administrator shall postensure that the information received under this Section~~
5 ~~10.1 on a is made publicly accessible City website no later than July 1 of each year.~~

6 (e) The City Administrator, in consultation with the Controller, may adopt rules and
7 regulations to implement this Section 10.1., including but not limited to, rules establishing a
8 deadline for submission of the annual economic statement, the form of such submission, the
9 manner in which reported information shall be made publicly accessible, and guidelines for
10 the Controller’s review of compliance and notice of non-compliance. Final rules and
11 regulations shall be published on the City Administrator’s website and sent to the Clerk of the
12 Board of Supervisors and Mayor upon adoption.

13
14 Section 3. Effective Date. This ordinance shall become effective 30 days after
15 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
16 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
17 of Supervisors overrides the Mayor’s veto of the ordinance.

18
19 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
20 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
21 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal

22 ///
23 ///
24 ///
25 ///

1 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
2 additions, and Board amendment deletions in accordance with the "Note" that appears under
3 the official title of the ordinance.
4

5 APPROVED AS TO FORM:
6 DAVID CHIU, City Attorney

7 By: /s/
8 GUSTIN R. GUIBERT
Deputy City Attorney

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LEGISLATIVE DIGEST
(Revised 6/12/2023)

[Administrative Code - Reporting Requirements for City-Funded Nonprofit Organizations]

Ordinance amending the Administrative Code to limit the application of nonprofit reporting requirements to organizations receiving more than \$100,000 annually, require submission of tax and governance documents to confirm nonprofit status, centralize reporting by restoring the City Administrator as the sole collector of information, and require the City Administrator to make reported information publicly available.

Existing Law

All nonprofits receiving funding from the City to provide direct services to the public must annually provide information relating to the organizations' structure, leadership, and finances, to the City Administrator or to a City Department that awards or monitors the contract or grant.

Amendments to Current Law

The proposed ordinance would limit the reporting requirements to only nonprofits that receive in excess of \$100,000 in annual funding from the City. Additional information in the form of legal and governance documents and federal and state confirmation of valid nonprofit status would be required annually as well. Nonprofits that do not comply with the requirements would be ineligible to receive public funds, unless the Controller or City Administrator finds that it is in the public interest to do so. The City Administrator would have the authority to adopt rules and regulations, including but not limited to, rules establishing a deadline for submission of the annual economic statement, the form of such submission, the manner in which reported information shall be made publicly accessible, and guidelines for the Controller's review of compliance and notice of non-compliance.

Background Information

This legislative digest reflects amendments made in the Rules Committee on June 12, 2023.

In 1981, the City adopted in Section 10.1 reporting requirements for nonprofits providing services to the public, which usually are in the form of a grant. These annual reporting requirements, sent to the Board of Supervisors, allowed greater transparency into the operations of nonprofits receiving City funds. In 2000, Section 10.1 was altered to direct the reports to a predecessor of the City Administrator's Office. In 2011, Section 10.1 was changed to allow reports to be sent to awarding departments instead.

The City has become aware of multiple incidents of failures of nonprofits to maintain valid registration. To ensure that the City is better able to track information, the existing reporting requirements for entities receiving significant amount of funds have been increased to require

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publicly available information be included, and reporting requirements have been changed to make only the City Administrator the correct repository. To increase transparency, the information will now be posted publicly, subject to some privacy restrictions if applicable.

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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. 554-5227

MEMORANDUM

TO: Carmen Chu, City Administrator, Office of the City Administrator
Ben Rosenfield, City Controller, Office of the Controller

FROM: Victor Young, Assistant Clerk *Victor Young*

DATE: February 24, 2023

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Rules Committee received the following proposed legislation:

File No. 230165

Ordinance amending the Administrative Code to limit the application of nonprofit reporting requirements to organizations receiving more than \$100,000 annually, require tax and governance documents to confirm nonprofit status, centralize reporting by restoring the City Administrator as the sole collector of information, and require posting of received information on a public City website.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: victor.young@sfgov.org.

cc: Sophie Hayward, Office of the City Administrator
Vivian Po, Office of the City Administrator
Angela Yip, Office of the City Administrator
Todd Rydstrom, Office of the Controller