

Office of the City Attorney

Budget Presentation

FISCAL YEARS 2024-25 & 2025-26





**ADVICE &
COUNSEL**



**LEGISLATION &
CONTRACTS**



**DEFENSIVE
LITIGATION**



**AFFIRMATIVE
LITIGATION**



**PUBLIC
INTEGRITY &
INVESTIGATIONS**

Office Legal and Operations Teams

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

Our Work is Central to all City Operations

PUBLIC SAFETY
& STREET
CONDITIONS

HOMELESSNESS
& MENTAL
HEALTH

AFFORDABLE &
SUPPORTIVE
HOUSING

LAND USE &
REAL ESTATE

REVITALIZING
LOCAL ECONOMY
& SMALL
BUSINESSES

PUBLIC INTEGRITY
& INVESTIGATIONS

TAX LITIGATION
& ASSESSMENT
APPEALS

CLAIMS &
DEFENSIVE
LITIGATION

CONSUMER
PROTECTION &
CIVIL RIGHTS

WORKER
PROTECTION

Tax Litigation Successes

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

Tax Litigation & Assessment Appeals Needs

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

Homelessness & Mental Health

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

Housing & Land Use

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

Public Integrity

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

Claims & Defensive Litigation

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



Non-General Fund Positions



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



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

Technology & Litigation Support



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



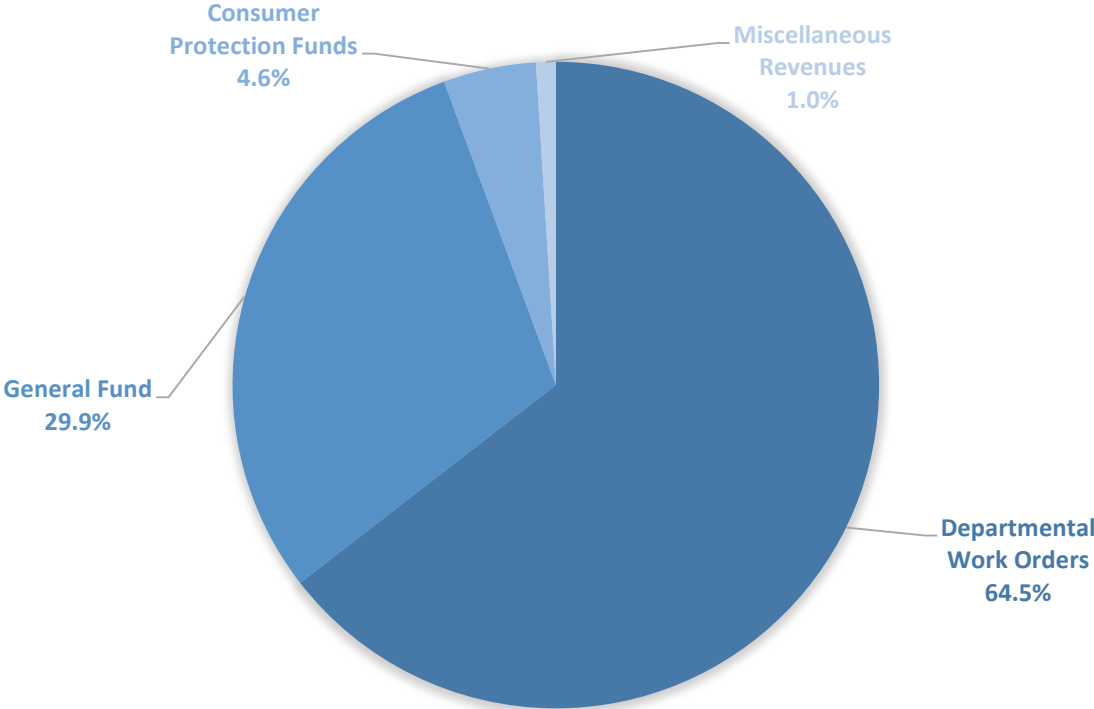
- The Office must pay actual, increasing costs for consultants, experts, court reporters, translation services, outside counsel, and other legal vendors.



Budget

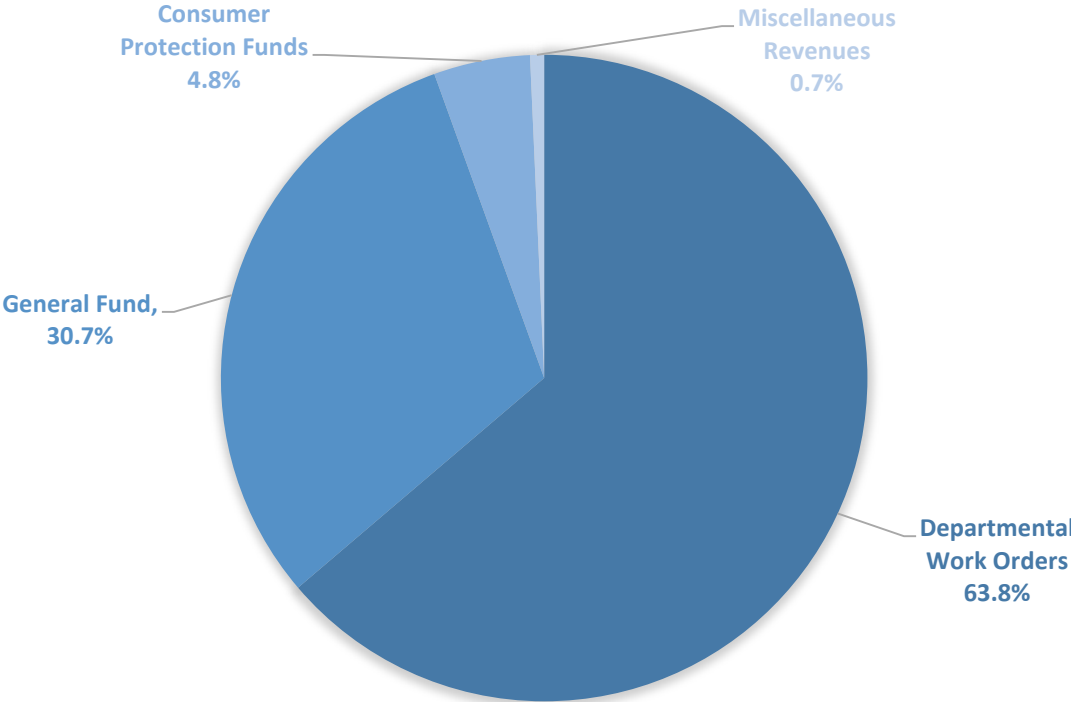
Budget Overview – Sources of Funds

FY 2024/25 REVENUE SOURCES



TOTAL: \$118,403,998

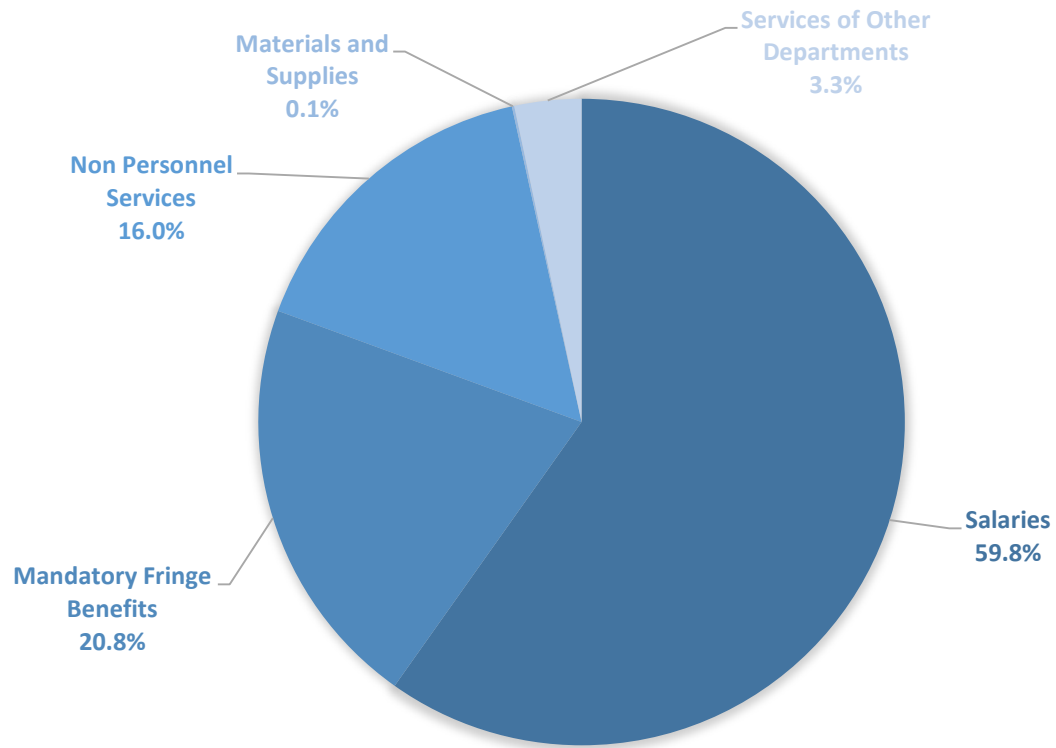
FY 2025/26 REVENUE SOURCES



TOTAL: \$120,260,187

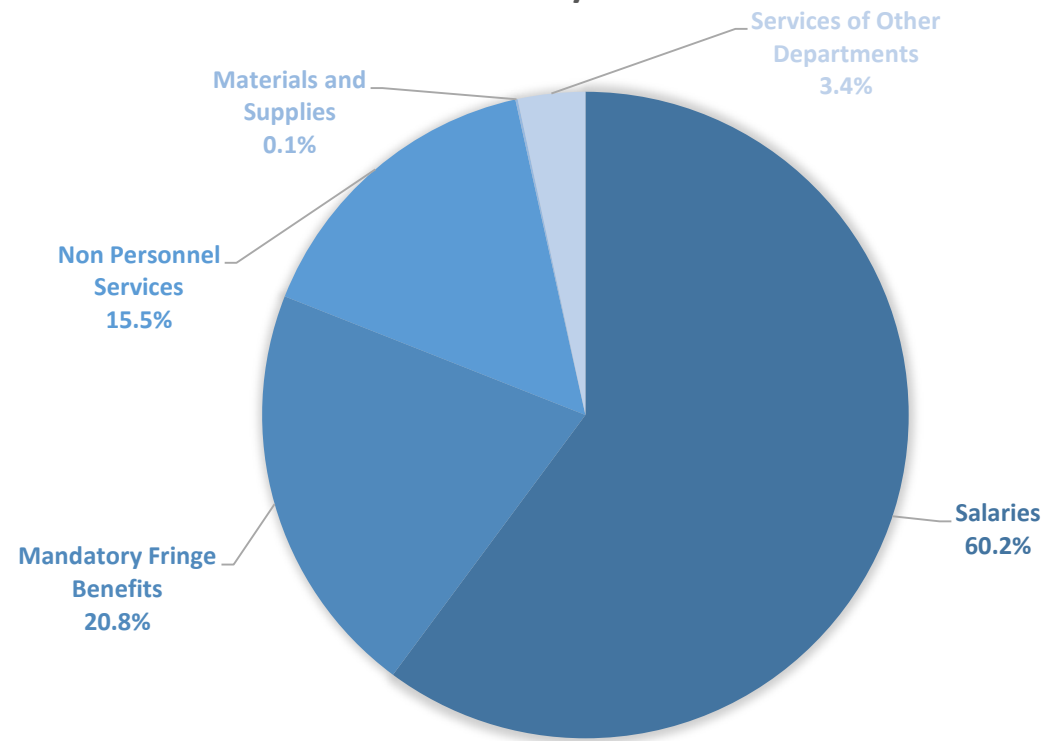
Budget Overview - Uses of Funds

FY 2024/25 USES



TOTAL: \$118,403,998

FY 2025/26 USES



TOTAL: \$120,260,187

Adjustments to Budget

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

San Francisco City Attorney's Office

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