



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller
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Deputy Controller

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

July 12, 2024

RE: File 240544 – Charter Amendment - Police Staffing and New Voluntary Deferred Retirement Option Program for the San Francisco Police Department (SECOND DRAFT)

Dear Ms. Calvillo,

Should the proposed Charter amendment be approved by the voters, in my opinion, it would have a significant impact on the cost of government. The cost of the voluntary deferred retirement option program (DROP) would range from \$600,000 to \$3 million in the first year. In subsequent years, the cost impact would range from saving approximately \$300,000 to costing up to approximately \$3 million annually by the fifth year of the program.

The proposed amendment defines a "Full-Duty Sworn Officer" as a full-time sworn member not assigned to San Francisco International Airport, those on long-term leaves of absence, and Police Academy recruits. Beginning in October of 2025, the amendment reduces the frequency of the Chief of Police's reporting on staffing levels to the Police Commission on staffing levels from every three years to every two years, which may result in some administrative cost savings. This Charter amendment also re-establishes a DROP program that was approved by voters in February 2008 and ended in 2011 when the Board of Supervisors voted to not renew the DROP (2008 DROP). Unlike the 2008 DROP, this proposed Charter Amendment specifies that lieutenants and captains will not be eligible and officers participating in DROP must work in the field or in investigations. This amendment also specifies that a member of the SFPD who has at least 25 years of service credit and is at least 50 years old may elect to participate in DROP for a maximum of 60 months. DROP participants will receive a salary and DROP account in which the City will deposit pension payments with a guaranteed 4% return. Participants will not be eligible for promotion.

Every five years, if not sooner, the City shall evaluate the net cost effect of the DROP. After five years, the Board of Supervisors must reauthorize or end the DROP. Given current police staffing levels and hiring rates, DROP will likely not impact SFPD's rate of hiring in the short term.

The exact cost to the City of the DROP will depend on the retirement decisions of individual police officers. According to estimates from the San Francisco Employees' Retirement System (SFERS), If

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officers enter DROP when they would have retired, DROP would increase City pension employer contribution costs by \$600,000 in FY 2025-26 and then generate savings of \$200,000 to \$400,000 annually between FY 2026-27 and FY 2029-30. Conversely, if officers leave the Police Department at the same time they previously planned to retire, City pension employer contribution costs would increase by \$3 million in FY2025-26, fall slightly to \$2.6 million in FY 2026-27 and FY 2027-28, and rise back to \$3 million by FY 2029-30. SFERS based these cost estimates on the 450 Police Officers, Sergeants, and Inspectors that would be eligible to enroll in DROP within the amendment's specified five-year period in 2023. To the extent that the DROP increases the number of police officers in San Francisco, costs to the City would also increase – but at a level that cannot be specified at this time.

In 2011, it was estimated that the 2008 DROP would cost the City approximately \$6 million annually in the form of higher City pension employer contributions. While this amendment would apply to fewer employees, this newly proposed DROP would likely generate costs to the City at the higher end of the range projected by SFERS above. Based on the City's previous experience with the DROP program, it is unlikely that the proposed version of DROP will be cost neutral or generate savings.

Sincerely,

Natasha Mihal

FOR Greg Wagner
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.