

City and County of San Francisco
Board of Supervisors
Budget and Legislative Analyst

Fiscal Year 2010-2011 Annual Report

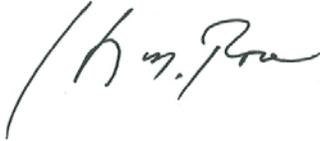


Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, California 94102

Dear Ms. Calvillo:

The Budget and Legislative Analyst's Office is pleased to present our Fiscal Year 2010-2011 Annual Report. Fiscal Year 2010-11 was a challenging year of tight budgets and tough decisions for the San Francisco Board of Supervisors. To assist Board decision making, the Budget and Legislative Analyst provided independent review of the Mayor's proposed Fiscal Year 2011-12 budget, analysis of legislation having a fiscal impact, performance audits of City operations, and analyses of various policy matters. We hope you find this report to be illustrative of our ongoing value and commitment to the City and County of San Francisco.

Sincerely,



Highlights of Fiscal Year 2010-11

Annual Budget Review Allows for \$18.8 Million in Departmental Restorations

In its annual review of the proposed Citywide budget, the Budget and Legislative Analyst's Office identified budget savings totaling more than \$18.8 million for the Board of Supervisors Budget and Finance Committee for Fiscal Year 2011-12. Combined with additional budgetary adjustments, the Budget and Legislative Analyst's recommendations enabled the Board of Supervisors to return more than \$20.5 million to various departments and programs, including public safety, health, and human services.

Legislative Reviews Yield \$162 Million in Multi-Year Savings for the City

In FY 2010-11, the Budget and Legislative Analyst's Office analyzed 148 pieces of legislation in 131 legislative reports for the Board of Supervisors. The cumulative value of the legislation totaled more than \$6.8 billion, including bond issuances and multiyear contracts. The Budget and Legislative Analyst's recommendations, as approved by the Board of Supervisors in FY 2010-11, saved the City a total of \$162 million in FY 2010-11, including ongoing annual savings.

Performance Audits Reveal Opportunities for Savings and Efficiency

The Budget and Legislative Analyst's Office released three performance audits in FY 2010-11: Real Estate Division management of the Alemany Farmers' Market; the City's advertising policies and practices; and, San Francisco's early care and education programs. The performance audits revealed management deficiencies that, if improved, could increase City revenues by more than \$1.3 million annually. Furthermore, the Budget and Legislative Analyst's Office identified \$1 million in early care and education underspending—the equivalent of approximately 100 subsidized childcare slots.

Legislative and Policy Analysis Reports Address Individual Supervisors' Concerns

In response to individual Supervisors' requests, the Budget and Legislative Analyst's Office produced 14 legislative and policy analysis reports in FY 2010-11. Report topics included surveys of business taxes in other jurisdictions, options for San Francisco seniors wishing to age in their communities, a comparison of local and State efforts to enforce the minimum wage, and an assessment of the costs and benefits of hosting the 34th America's Cup in San Francisco.

Fiscal Year 2011-12 Budget Review

The Budget and Legislative Analyst’s Office reviews the San Francisco Mayor’s proposed Citywide budget and provides recommendations to the Board of Supervisors Budget and Finance Committee on areas where expenditures can be reduced without reducing service levels.

By the Numbers

17. The number of days from the release of the Mayor’s Proposed City Budget until the submission of the first round of Budget and Legislative Analyst Office recommendations.

\$18.8 Million. Budget savings in the FY 2011-12 budget identified by the Budget and Legislative Analyst’s Office and approved by the Board of Supervisors.

\$11.7 Million. Estimated budget savings to be realized in FY 2012-13 based on ongoing reductions recommended by the Budget and Legislative Analyst’s Office.

Highlights

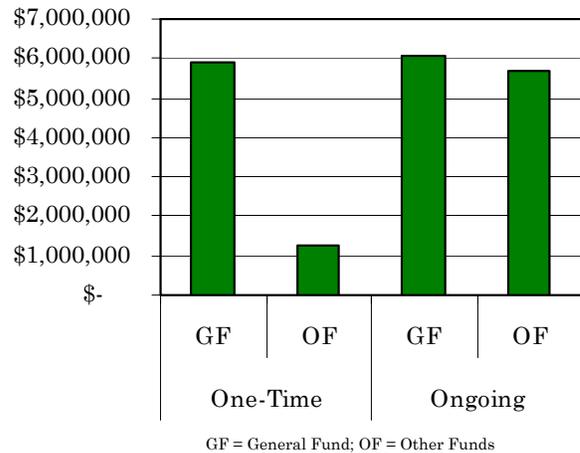
Through its review of the Mayor’s proposed \$6.8 billion Citywide budget, the Budget and Legislative Analyst’s Office identified \$18.8 million in savings, including \$11.7 million in General Fund savings, that enabled the Board of Supervisors to make service restorations and other additions to various City and County departments’ FY 2011-12 budgets.

With additional adjustments, the Budget and Finance Committee of the Board of Supervisors was able to recommend the restoration of \$20.5 million to mitigate impacts of proposed funding cuts in the Mayor’s proposed budget and to fund other Board of Supervisors priorities in the Citywide FY 2011-12 budget.

With two-year budgeting in select enterprise departments (San Francisco International Airport, the Port, and the Public Utilities Commission), reductions taken in the FY 2011-12 budget will result in \$5.7 million in savings in FY 2012-13.

The ongoing impact of the Board of Supervisors’ reductions to the General Fund could save as much as \$6.1 million in FY 2012-13.

Value of Budget and Legislative Analyst’s Office Recommendations Accepted by the Board’s Budget and Finance Committee



The above figure illustrates the recommendations taken by the Board of Supervisors, by fund and duration. The table below highlights the resulting budget restorations.

Top Budget Restoration Recommendations by the Budget and Finance Committee

Department	Total (millions)
1. Human Services Programs	\$3.9
2. Police Academy Class	\$3.4
3. Sheriff Security at SF General and Laguna Honda Hospitals	\$3.2
4. Public Health Services	\$3.1
5. Dept. Children, Youth & Families	\$2.3
6. Public Utilities Commission programs	\$1.9
7. Patch for Non-Profit Funding Losses	\$0.7
8. Port Programs	\$0.6
9. Economic Development Initiatives	\$0.4
10. Neighborhood Improvements	\$0.4
All other restorations	\$0.6
Total Restorations	\$20.5

Legislative Items

The Budget and Legislative Analyst's Office analyzes and reports on legislation, referred to Board of Supervisors committees, with an annual fiscal cost or impact of \$200,000 or more.

By the Numbers

131. The number of reports issued by the Budget and Legislative Analyst's Office in FY 2010-11, analyzing 148 pieces of legislation.

\$162 Million. The total value of the Budget and Legislative Analyst's recommendations, as approved by the Board of Supervisors.

Highlights

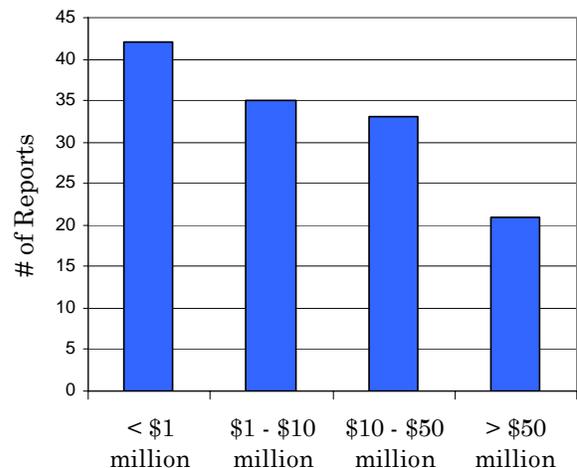
A Diverse Body of Legislation

In FY 2010-11, the Budget and Legislative Analyst's Office reviewed 148 pieces of legislation with total costs and revenues of \$7.95 billion. Legislation reviewed included revenue generating concessions, contract modifications, supplemental appropriations, and debt relief efforts for the Asian Art Museum and the Lesbian Gay Bisexual and Transgender Community Center.

Savings Add Up for City

The Budget and Legislative Analyst's Office helped the Board of Supervisors clarify and amend legislation and reduce City costs totaling \$162 million in FY 2010-11. Savings were realized after the Office identified problems with the cost estimates in several contracts, allowing the Board of Supervisors to **reduce contract amounts by a total of \$116 million**. Review of various Public Utilities Commission (PUC) requests for releases of reserves resulted in three adjustments made to requests pertaining to the Water System Improvement Project. In two reviews, the Budget and Legislative Analyst's Office recommended increasing a release of reserves amount to ensure full project funding. In a third case, the Board of Supervisors **reduced a requested release of reserves by \$22.9 million**, per the recommendation of the Budget and Legislative Analyst's Office, due to the PUC's request for a greater release of reserves than was necessary. The Office was also able to help save \$2.5 million on a PUC contract with the National Park Service.

Legislative Item Reports, by Fiscal Value



In FY 2010-11, 54 of the 131 Budget and Legislative Analyst's Office reports dealt with legislation having a fiscal value of \$10 million or more, representing 41% of the reports issued in FY 2010-11.

Types of Legislation Reviewed in FY 2010-11

Type of Legislation	Count
Leases and Sales of Property	36
New Contracts	28
New & Supplemental Appropriations	18
Loans and Bonds	13
Contract Amendments	12
Fees	7
Audits	6
Code Changes	5
Release of Reserves	5
CEQA	3
Other	15
Total	148

As the above table shows, legislation pertaining to leases and property sales accounted for 36 of the 148 pieces of legislation (24%) reviewed by the Budget and Legislative Analyst's Office in FY 2010-11.

Performance Audits

The Budget and Legislative Analyst's Office conducts performance audits of City and County departments as requested by formal motion of the Board of Supervisors.

The Budget and Legislative Analyst's Office works with the Board of Supervisors to develop a performance audit work plan for each calendar year. In FY 2010-11, the Budget and Legislative Analyst's Office released three performance audits.

Performance Audit of the Alemany Farmers' Market and the Real Estate Division in its Capacity as Operator of the Market

(October 13, 2010) The audit evaluated the finances and management of the Alemany Farmers' Market. The audit scope included: an evaluation of the management of the Alemany Farmers' Market by the Real Estate Division; the finances of the market; market governance; and the market's compliance with applicable laws, regulations, and codes.



Alemany Farmer's Market operations were reviewed by the Budget and Legislative Analyst's Office in a FY 2010-11 performance audit.

The audit found that more efficient Alemany Farmers' Market operations and improved facilities should result in improved net revenues through increased farmer and food vendor participation or rents and reduced operating costs. A 12 percent increase in annual Alemany Farmers' and Flea Market net revenues would provide future additional revenues to the General Fund of an estimated \$100,000 per year.

Performance Audit of San Francisco's Early Care and Education Programs

(November 17, 2010) The purpose of the audit was to evaluate the City's system of early care and education under the administration of the Human Services Agency; the Department of Children, Youth and Their Families; and First 5 San Francisco. The audit scope included the governance of the system of early care and education, management of funding and program performance, and associated health and mental health services.

The report identified at least \$995,000 in General Fund, Children's Fund, and Public Education Enrichment Fund (Proposition H) under-spending because early care and education programs were not fully utilized in FY 2009-10. This represents an estimated 100 subsidized childcare slots. The report recommended that the City formalize the coordination of early care and education programs, and that the Board of Supervisors redefine the existing Children and Families Commission to be the entity to develop policy for the City's early care and education programs as a whole.

Performance Audit of the City's Advertising Policies and Practices

(April 20, 2011) The purpose of this performance audit was to evaluate the City's policies for advertising on City-owned property, departments' compliance with the City policies and oversight of advertising and naming rights agreements. Implementation of the audit recommendations was estimated to result in increased annual advertising revenues of \$1.35 million compared to \$20.9 million per year collected at the time.

Legislative and Policy Analyses

The Budget and Legislative Analyst's Office performs special analyses at the request of members of the Board of Supervisors. Examples include these four reports.

Analysis of Business Taxes, License Fees, and Incentives Granted to Businesses in 14 Cities and Six States

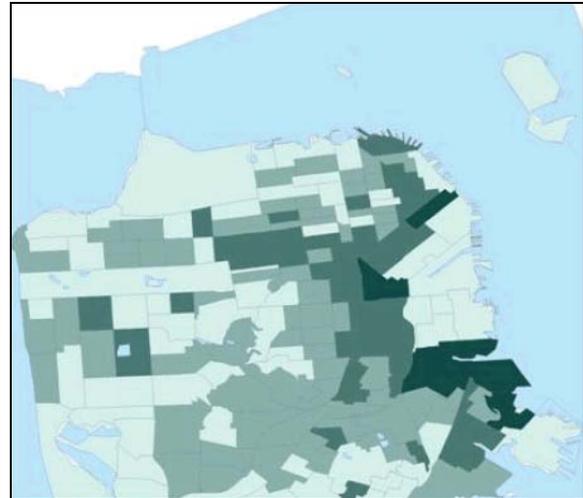
(April 13, 2011) The Budget and Legislative Analyst's Office compared and analyzed how various cities and states tax firms doing business in their jurisdictions. The study surveyed 14 cities and six states, analyzing payroll expense taxes and incentives offered by jurisdictions to attract or retain firms. The study revealed San Francisco to be the only jurisdiction surveyed to impose a Payroll Expense Tax, including taxing stock options, on businesses whose taxable payroll expense exceeds \$250,000. The study also found that the San Francisco Payroll Expense Tax was significantly greater than a flat tax, per employee, which was imposed in 3 of the 14 cities surveyed.

Aging in Place and Community: Housing Assistance and Other Services for Seniors in San Francisco

(October 27, 2010) The Budget and Legislative Analyst's Office conducted a review of practices and resources that can result in enabling aging adults in San Francisco to live in their homes and communities independently.

The report provided: demographic information about seniors in San Francisco, the number of seniors on affordable housing and public housing waitlists, a review of independent senior living programs and models, and legislative recommendations for improving living situations for San Francisco seniors.

The Budget and Legislative Analyst's Office issued a second "**Aging in Place and Community**" report on February 22, 2011 and formally presented both reports to the Board of Supervisors at a City Operations and Neighborhood Services Committee hearing on February 28, 2011.



Percentage of seniors' housing, by neighborhood. The Budget and Legislative Analyst analyzed seniors' options for aging in community in FY 2010-11.

Enforcement of Minimum Wage Ordinance in San Francisco

(January 13, 2011) This report provided a comparative analysis of the investigation and hearing processes for employee wage claims made to the City's Office of Labor Standards Enforcement (OLSE) and the State Division of Labor Standards Enforcement (DLSE). Our analysis identified steps that the City can take to promote transparency, improve collection amounts, and better manage minimum wage caseloads.

The Budget and Legislative Analyst's Office released a **follow-up memorandum**, addressing additional minimum wage enforcement questions.

Costs and Benefits of Hosting the 34th America's Cup in San Francisco

(November 18, 2010) The report focused on the estimated costs and benefits to the City, under the conditions of the non-binding Term Sheet previously approved by the Board of Supervisors.

Additional Highlights from Fiscal Year 2010-11

Annual Work Plan Sets Performance Audit Agenda for First Half of FY 2011-12

The annual work plan is approved by the Board of Supervisors on a semiannual basis. In addition to the reports noted above, the Budget and Legislative Analyst's Office conducted fieldwork in FY 2010-11 for performance audits that have been or will be released in FY 2011-12, including the **Performance Audit of San Francisco's Lead Worker, Standby, Acting Assignment, and Supervisory Differential Pay Practices.**



Governance of the City's museums and War Memorial will be a performance audit subject in FY 2011-12.

On June 14, 2011, the Board of Supervisors Government Audit and Oversight Committee approved the Office's work plan for the first half of FY 2011-12, requesting two audits: **Effectiveness of the City's Affordable Housing Policies, and the Planning Commission's Oversight of the City's Affordable Housing Goals, and Evaluation of the Governance of the Museums, War Memorial, and Academy of Sciences.**

Formal Performance Evaluation

To ensure that Budget and Legislative Analyst's Office's services are meeting the standards and analytical needs of the Board of Supervisors, the agreement for the Office's services requires that a performance evaluation of the Budget and Legislative Analyst's Office be prepared each year. Such an evaluation was conducted in January 2011.

The Board's Civil Grand Jury Response

Each year the San Francisco Civil Grand Jury issues reports of its investigations into operations of the City's officers, departments, and agencies. In FY 2009-10 the Civil Grand Jury issued three reports: *The Americans with Disabilities Act: Is San Francisco in Compliance?*; *Pension Tsunami: The Billion Dollar Bubble*; and *Sharing the Roadway: From Confrontation to Conversation*. During FY 2010-11, the Budget and Legislative Analyst's Office provided briefings to inform the Board of Supervisors' Government Audit and Oversight Committee members of each report's content and City department responses to the report findings and recommendations. Working with the Clerk of the Board, the Budget and Legislative Analyst's Office then prepared draft resolutions outlining each report's findings and recommendations for approval by the Government Audit and Oversight Committee.

Sharing Best Practices with Other Auditors and Fiscal Analysts

In order to share best practices and earn Budget and Legislative Analyst's Office required training hours, the Office participates in an ongoing **training consortium** with auditors and fiscal analysts from **Santa Clara County** and the **City of San Jose**. Day-long trainings are held quarterly, and have included topics such as staffing and municipal debt analysis.

In accordance with the **Generally Accepted Government Auditing Standards (GAGAS)** established by the United States Government Accountability Office, and consistent with the Budget and Legislative Analyst's Office's agreement with the Board of Supervisors, the Budget and Legislative Analyst's Office requires all employees to receive a minimum of 40 hours of training per year on average, and no less than 20 hours in any given year, on topics relevant to local government fiscal and policy analysis and performance auditing.

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About the Budget and Legislative Analyst's Office

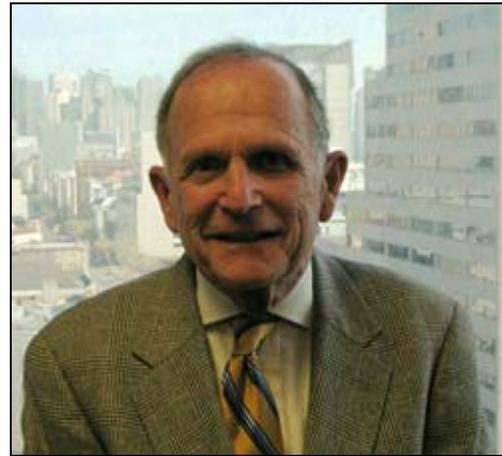
The Budget and Legislative Analyst's Office provides independent fiscal and policy analyses, special studies, and management audit reports on City departments and programs to the San Francisco Board of Supervisors.

The Budget and Legislative Analyst's Office's responsibilities include:

- Reviewing the City and County of San Francisco's proposed Annual Budget and reporting recommendations to the Board of Supervisors Budget and Finance Committee.
- Analyzing and reporting on all legislation with an annual fiscal impact of \$200,000 or more.
- Conducting performance audits of City and County departments as requested by formal motion of the Board of Supervisors.
- Performing policy and legislative analyses as requested by individual Board members.
- Attending each full Board meeting and each meeting of the Board's Budget and Finance Committee and other Committee meetings as necessary.



Severin Campbell discussed the Budget and Legislative Analyst's Audit Work Plan before the Board's Government Audit and Oversight Committee.



Harvey M. Rose

The Budget and Legislative Analyst's Office is comprised of a joint venture partnership comprised of: **Harvey M. Rose Associates, LLC; Debra A. Newman and Associates; Louie & Wong LLP Certified Public Accountants** and Local Business Enterprise subcontractors **Pedro Rodriguez CPAs** and **Hampton Smith**. The Budget and Legislative Analyst's Office is managed by **Harvey M. Rose, CPA**.



Fred Brousseau presented the Budget and Legislative Analyst's special analysis "Aging in Place and Community: Housing Assistance and Other Services for Seniors in San Francisco" to the Board's City Operations and Neighborhood Services Committee.

**City and County of San Francisco
Board of Supervisors Budget and Legislative Analyst's Office**