

TREASURE ISLAND

SUMMARY

The redevelopment of Treasure Island and Yerba Buena Island for civilian use is a complex, long term and expensive undertaking. It is subject to government regulation at the city, state and federal levels. The development must satisfy laws and regulations concerning, in part, tidelands, toxic cleanup, seismic safety, local land use, the needs of the homeless and the requirements of the federal Job Corps. It is complicated by competing interests and jurisdictions of the Department of the Navy and the City and County of San Francisco (CCSF).

The islands are a geographically stunning and unique resource which have the potential to be of enormous value, both economically and culturally, to the people of San Francisco and also have the potential to be of great economic value to future developers.

The redevelopment process to date has involved elaborate legislative maneuvering, and extensive study and planning by hundreds of interested people -- government officials at all levels; architectural, geological, environmental, social service and legal experts; and concerned citizens. The work of these individuals and organizations has resulted in volumes of informed and informative material on which the redevelopment will be based.

The current implementation process has been hampered by concern about the concentration of power, jurisdictional squabbling, political infighting and poor public relations. The 1997-1998 Civil Grand Jury (CGJ) makes recommendations concerning the implementation, governance and oversight of the redevelopment.

PROCEDURES

Jurors toured Treasure Island (TI)¹ and Yerba Buena Island (YBI), attended meetings of the Treasure Island Development Authority (TIDA or the Authority) and its predecessor Task Force, and interviewed Deputy City Attorneys and members of the Board of Supervisors. Jurors extensively interviewed staff of the Mayor's Treasure Island Project Office, who are

¹ "TI" is frequently used in this report to refer to the combined Treasure Island and Yerba Buena Island.

de facto TIDA staff, including the past and present Directors, other City employees and members of the public.

Documents reviewed include the following:

- Naval Station Treasure Island Plan -- Draft Plan July, 1996;
- Treasure of the Bay -- Spring 1997, No. 5;
- Existing Conditions Report, Vol. 1 & Vol. 2;
- CCSF legislation related to TIDA;
- TIDA Real Estate Transfer Policy and Procedures;
- Policy Initiative designated Proposition K;
- TIDA / CCSF Agency Agreement;
- Assembly Bill 699 (Treasure Island Conversion Act of 1997);
- Rules and Procedures for the formation of a Citizens' Advisory Committee;
- Articles of Incorporation of TIDA;
- Bylaws of TIDA.

BACKGROUND

TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority has the power and responsibility to acquire, use, operate, maintain, convert and redevelop Treasure Island and Yerba Buena Island for the public interest, convenience, welfare and benefit of the people of San Francisco. TIDA is a non-profit public benefit corporation. It has a Board of Directors² appointed by the Mayor of San Francisco. It has no staff of its own. Under an Agency Agreement with the City and County of San Francisco, the Mayor's Treasure Island Project Office staff serves as the staff of TIDA.

² A current roster of the Board of Directors is attached as Appendix A.

Legislative Background

Former Naval Station Treasure Island is located on Treasure Island and Yerba Buena Island in San Francisco Bay. In 1993, the base was slated for closure by the Base Realignment and Closure Commission, with the City and County of San Francisco as the Local Reuse Authority (LRA) for the base.

Reuse Plan

On July 25, 1996, The Board of Supervisors approved a draft Reuse Plan for Treasure Island and Yerba Buena Island. This plan was developed after two years of study by the San Francisco Planning Department, the San Francisco Redevelopment Agency, numerous technical consultants and representatives of social service organizations, and members of the public, and was endorsed by the Treasure Island Citizens Reuse Committee (CRC) appointed by Mayor Jordan in 1994. The Reuse Plan was also endorsed by the Navy and the Department of Housing and Urban Development (HUD). HUD's approval is necessary because of required homeless services components.

Another "baseline" document, Existing Conditions Volumes 1 and 2, was produced by a planning consultant team led by the Roma Design Group, beginning in 1995.

Creation of TIDA

On May 2, 1997, the Board of Supervisors created a nonprofit public benefit corporation, the Treasure Island Development Authority, "to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the Base for the public interest, convenience, welfare and common benefit of the inhabitants of the City and County of San Francisco...." (Resolution No. 380-97, attached as Appendix B) This legislation approved the proposed Articles of Incorporation and Bylaws (attached as Appendixes C and D, respectively), and designated the Mayor as Incorporator of the new Authority.

TIDA is governed by a Board of up to seven Directors. Its Bylaws, as amended, provide that the Mayor appoints and may remove Directors. For appointees who are not City officers, the Board of Supervisors must approve the appointment by a simple majority. For appointees who are City officers, the Board of Supervisors has 30 days to disapprove an appointment by a 2/3 majority.

The Bylaws provide that no more than forty-nine percent (49%) of the Directors, or three of the current seven, may have a financial interest in TIDA's activities. This is a common provision in bylaws of nonprofit organizations, and

means that fewer than half of the Directors (or their immediate families) are permitted to have a business or personal economic stake in the decisions and activities of the organization.

Tidelands Trust

The Reuse Plan assumes that the State Tidelands Trust applies to Treasure Island.³ Although the Navy disputes this interpretation, the city is proceeding under the assumption of the Trust's applicability. The Tidelands Trust prohibits private ownership of Trust property, encourages public uses of the waterfront and imposes restrictions on new development. Under the terms of the Burton Act, under which the state allows the city to operate the Port, Tidelands Trust property in San Francisco is administered by the Port of San Francisco under most circumstances.

In the case of Treasure Island, however, it was felt that the plan would need to be administered by a redevelopment agency so that tax increment bond financing could be used to help finance the project. The Port does not have taxing authority and the San Francisco Redevelopment Agency, which does have taxing authority, is not a Trustee under the Tidelands Trust. A study by the Urban Land Institute indicated that a single management entity should oversee the TI project.

The Treasure Island Conversion Act of 1997 (AB 699, attached as Appendix E) was written to avoid having dual-agency administration of the redevelopment of Treasure Island (the Port, which is a Trustee under the Tidelands Trust; and the Redevelopment Agency, which has the tax increment bond financing authority). The Act became effective in January 1998, and provided the authority to make TIDA the sole redevelopment agency for TI, giving it redevelopment taxing power and amending the Burton Act to make TIDA a Tidelands Trust Trustee for TI. AB 699 also exempts the Authority from the Incompatibility of Offices Doctrine in order to permit officers of the City and County of San Francisco to serve as Directors of the Authority without jeopardizing their City jobs.

Authorization of TIDA

In February 1998, the Board of Supervisors approved the designation of TIDA as the redevelopment agency with authority over TI. (Resolution No. 43-98, attached as

³ Treasure Island consists of landfill over sixty years old, while Yerba Buena Island is the top of a hill rising above sea level. The state asserts that the Tidelands Trust applies to TI. Although the Tidelands Trust is not assumed to apply to Yerba Buena Island, the two islands are joined for redevelopment.

Appendix F) This resolution also required the Authority to submit to the Board, by March 17, 1998, a report describing policies the Authority plans to adopt regarding competitive bidding, leasing procedures, the appointment of a Citizen's Advisory Committee and the integration of TI redevelopment plans with the City's planning process.

Once AB 699 had passed and the Supervisors approved the designation of TIDA as the redevelopment agency, TIDA began to operate as the Treasure Island Development Authority. Prior to that time -- before the combined state and city legislation actually vested the authority in TIDA, and before they were exempted from the Incompatibility of Offices Doctrine -- the Board of TIDA operated as the Treasure Island Development Task Force.

Proposition K

On March 4, 1998, Proposition K (attached as Appendix G) was certified to have qualified to be placed on the June 2, 1998, ballot by initiative petition. Proposition K is a declaration of policy, and provides that

- all TI leases be awarded by competitive bidding or other competitive means, and that no favoritism or political influence be used in awarding them;
- all TI leases be subject to state and local conflict of interest laws;
- all TI leases longer than 10 years or with revenues of one million dollars or more be approved by the Board of Supervisors;
- gambling be prohibited on TI;
- City land use restrictions apply to TI;
- the state should repeal the law giving power to TIDA and
- the Board of Supervisor should repeal its law creating TIDA.

Changing Rules for TIDA

On April 27, 1998, with Proposition K pending on the upcoming ballot, the Board of Supervisors passed Resolution No. 98-0430 (attached as Appendix H)

- directing TIDA to adopt competitive bidding, competitive negotiation and conflict of interest rules;
- providing for confirmation of some Directors of the Authority (who are appointed by the Mayor) by the Board of Supervisors;
- requiring that leases and contracts longer than 10 years or greater than one million dollars be approved by the Board;
- prohibiting gambling on TI;
- requiring compliance with CCSF land use laws on TI;
- subjecting TIDA to the city's Sunshine Ordinance and
- affirming the applicability of the Tidelands Trust.

On June 2, 1998, Proposition K was passed by the voters of the City and County of San Francisco.

How TIDA Operates

TIDA Directors are appointed by the Mayor, subject to approval or disapproval by the Board of Supervisors, as described above. At present, three of the seven directors are officers of CCSF.⁴ TIDA has no staff of its own, but contracts with the Mayor's office to use the Mayor's Treasure Island Project staff as TIDA staff. Executive responsibility lies with the Director of the Mayor's Treasure Island Project. The Executive Director is, in turn, empowered to appoint an Assistant Director, Secretary and Finance Director.

⁴ At present, the three City officers who are TIDA Directors are the Director of Planning, the Director of Redevelopment and the Director of the Port.

The Director of Planning is appointed as Director of Planning by the Mayor from Planning Commission nominees. The Planning Commission is appointed by the Mayor. The Director of Planning and the Planning Commission serve at the pleasure of the mayor.

The Director of the Port is appointed by the Mayor from nominees of the Port Commission. The Director can be removed by the Commission. The Commissioners are appointed by the Mayor and can be removed by the Mayor for cause.

The Director of Redevelopment is appointed by the Redevelopment Agency Commission, and serves at the Commission's pleasure. The Commissioners are appointed by the Mayor, subject to the approval of the Board of Supervisors, and can be removed by the Mayor for cause.

Three of the Directors are City officers. A complete roster of the Directors is attached as Appendix A.

TIDA meetings are open to the public, with meeting notices posted in the Main Library and published in *The Independent*. Agendas are available at the Mayor's Treasure Island Project Office and at the Government Information Center reference desk at the Main Library. In accordance with its current Bylaws and applicable legislation, TIDA operates in conformance with both the Brown Act and the Sunshine Ordinance to conduct its business in public. It is also now subject to state and local conflict of interest laws.

Following the February 1998 resolution of the Board of Supervisors, TIDA adopted rules and procedures for the appointment of a Citizens Advisory Committee drawn from diverse communities in the city to advise them on issues of public interest. No members have yet been appointed.

FINDINGS

- The Treasure Island development process is controlled entirely by the Mayor. The Board of the Authority and the staff all serve at his pleasure.
- The Board of Supervisors could have given itself the power to appoint some or all of the Directors of TIDA, but gave that power exclusively to the Mayor.
- It is sometimes difficult to get information about TI from TIDA (Mayor's TI Project Office) staff, or, in some instances, to even reach a staff member.
- Several high profile events have furthered the public perception that access to TI is restricted to those in favor with the Mayor and his staff, to the exclusion of the general public.⁵
- There is no public oversight of TI development activities.

⁵ Private users of TI facilities have been required to provide their own liability insurance.

- The passage of Proposition K is a clear indication that the public is dissatisfied with the Mayor's level of control over TI and its development.

RECOMMENDATIONS

1. The Board of Supervisors should openly debate adoption of the provisions of Proposition K.
2. The Citizens Advisory Committee should be appointed by the Board of Supervisors rather than TIDA, and its role clearly defined by the Board.
3. Citizens Advisory Committee members should represent the diversity of the community, should become well-versed in the complexities of the entire scheme of the development process: its serious seismic, transportation and restrictive use problems. They should have expertise in a range of fields relevant to TI.
4. The Citizens Advisory Committee should have unfettered access to the Directors and staff of the Authority, to all of their records, and should have unfettered physical access to the islands.
5. The Board of Supervisors and TIDA should consult the Citizens Advisory Committee on matters affecting the public interest.
6. The Board of Supervisors should play an active role in the oversight of the plans for Treasure Island, and should take seriously their role, albeit a limited one, in approving and disapproving the Mayor's appointees to TIDA.
7. TIDA should improve its communications with the press and the public, in order to make the process truly accessible and responsive to public needs, which in turn would reduce the widespread perception that the planning process is closed. TIDA's philosophy in disseminating

information should be proactive rather than reactive and funding should be committed to this effort.

INTERIM AND LONG TERM USE

TI is still owned by the Navy. The Navy and the Department of Defense (DOD), its parent agency, remain actively involved in the islands, negotiating with TIDA under a Cooperative Agreement to implement the Reuse Plan. Development plans are proceeding along two parallel tracks extending over a 35 year period: interim reuse and long term conveyance. The Defense Authorization Act provides that once DOD property is transferred at below market price, the local government and DOD generally will share in any net proceeds ultimately generated from subsequent sales or leaseings of the property for a period of 15 years after conveyance by the federal government.

The objective of the Interim Use Phase of development (1997 through 2001) is to generate revenue to offset the cost of City services. During this period, the city leases TI from the Navy, and can sublease facilities on the islands. The long term objectives involve negotiating the transfer of the islands from the Navy with a redevelopment plan consistent with the Reuse Plan approved by the Board of Supervisors and the Mayor.

Interim Use

The complex nature of the land uses planned for Treasure Island and Yerba Buena Island are discussed in the Reuse Plan and the two volumes of Existing Conditions. An important aspect of the plan is the encouragement of early civilian uses through leasing of existing facilities to defray operating costs, and to **promote the transformation to visitor-oriented and recreational uses** while marketing and financing efforts are underway for longer term development.

Some early revenue-producing interim uses are already in place. Some are in active development, and others are planned, but not yet underway. There are commercial uses, public uses and nonprofit uses. Some uses are likely to remain in place over the long term, while others may be replaced when large scale development begins.

- The leasing of hangar structures for film production has been in place since the Navy's time, and is ongoing.

- The development of recreational playing fields is planned. At present, these facilities are leased on an occasional basis.

- Operation and possible expansion of the marina at Clipper Cove is planned, but not yet underway. The Navy maintains control of the marina. (Discussion of long term marina development and recent press coverage appears later in this report.)

- The leasing of small structures for restaurant and retail use is planned for the future.

- The federal Job Corps center is in place, and is discussed further later in this report.

- The conversion of the Navy brig to a jail for use by CCSF is underway.

- Plans for leasing of the state-of-the-art Firefighters Training school by the San Francisco Fire Department are underway.

- The use of athletic and other facilities as a Police Academy training site is planned for the near future.

- The Treasure Island Elementary School is being operated by the San Francisco Unified School District, and presently has a census of approximately 500 children. Students are bused to the school from four different inner city areas. Parents have commented favorably on having their children in such a nice environment.

- It is planned that nonprofit organizations will lease some of the existing housing on both TI and YBI. This is discussed further below.

- The Treasure Island Museum, which operated during the Navy's tenure, is slated for continued operation. The artifacts from the museum are stored on TI, and are expected to be returned to their display location in the Administration Building following a planned \$1.5 million seismic retrofit of that structure.

FINDINGS

- Even considering the dynamic nature of the implementation of the interim use plan, it is very difficult to determine the status or the specifics of the various components of the plan. This is true of the interim housing plan, the Fire Training facility, the Police Academy and the jail.
- No life preservers are available for the 500 students currently enrolled at the Treasure Island Elementary School. These would be required in the event of a water evacuation from the island.
- The Navy transferred jurisdiction over the Museum artifacts to the Airport Commission, apparently without consulting the museum's volunteer staff.
- Negotiations between TIDA and the Navy concerning the marina at Clipper Cove are at an apparent standstill waiting for the Navy to handle abandoned boats and evictions of marina tenants, who are delinquent in rent payments or whose leases have expired.
- The marina has enormous revenue-generating potential and is languishing, producing no income.

RECOMMENDATIONS

8. TIDA should try to dispel the perception of disarray by making the progress of its planning clear to the public.
9. An adequate number of life preservers for the Treasure Island school children should be provided and stored either in a locker at the ferry pier or at the school.
10. The School District should report by September 1, 1998, on the provision of
 life preservers
11. By September 1, 1998, the School District should present a plan for a training exercise with students and teachers, to be held in September 1998, in the correct use of life preservers and emergency evacuation procedures.
12. TIDA should report publicly on the Navy's plans to collect delinquent rent from marina tenants, and plans for repossession of boats and eviction of delinquent boat owners, so that the marina can become a revenue-producing facility.

Long Term Development and the Marina

The key to long term development of TI is finding a developer to finance, construct and run commercial enterprises on the islands. The marina at Clipper Cove is the focal point of development proposals. TIDA has received a number proposals for leasing of the marina.

A June 11, 1998, article in the San Francisco Examiner (attached as Appendix I) reported that political supporters

of the Mayor have submitted a proposal to TIDA for long term development of the marina, with a view to eventual development of residential and commercial facilities throughout the islands. The article raised familiar questions about conflicts of interest and competitive bidding, and quoted the Chairperson of TIDA as saying that they had received three such proposals and their only consideration is finding the developer who can do the best job of running the marina.

FINDINGS

- The islands have stunning views of the Bay and its bridges, the City and the hills of the North Bay. The buildings on TI are nondescript and do not capitalize on the views. The steep terrain and narrow streets of YBI limit access and the potential for new development. Chilly prevailing winds make appreciation of the views difficult.
- TIDA has failed to make the public aware of the nature, or even the number, of proposals to develop the marina and other facilities on TI.
- If any kind of competitive process is in use in the solicitation and evaluation of any such proposals, it has not been made public in an adequately informative way.
- The appearance of news items garnered from sources other than TIDA regarding apparent favoritism contribute to the perception that the development of Treasure Island is a process closed to the public.

RECOMMENDATIONS

13. TIDA should publicize its criteria for a competitive process for development proposals.
14. TIDA should apply the presently governing regulations regarding conflicts of interest and competitive processes in soliciting proposals for development.
15. TIDA should take an aggressive role in publicizing and explaining its activities, particularly those which will have a long term impact on TI, and therefore are of great interest to the people of San Francisco.
16. The City Attorney should monitor TIDA's compliance with the required competitive process.

FINANCING

It is estimated that \$200 million will be needed to build the required infrastructure on TI and YBI, including seismic remediation. The city has committed that no general fund money will be used to support TI. It is anticipated that an eventual large scale development will provide the bulk of the needed income. In the interim, federal, state and/or bridge toll subsidies will be required.

Federal and state grants have funded the \$6 million budget for the islands through June 1998. An annual budget will be submitted to the City thereafter by TIDA. The proposed budget for Fiscal Year 1998-1999 anticipates that the majority of the \$6,125,000 total will still come from the Navy (\$4 million). (The proposed budget is attached as Appendix J.)

FINDINGS

- Millions of dollars each year will be required just to maintain basic upkeep of the islands.
- TIDA anticipates that a well financed private development plan will eventually be approved, and will provide the funds necessary to keep the islands going without tapping the General Fund of the City.
- The City will, in the long term, need to continue to provide basic services such as police and fire protection.

RECOMMENDATIONS

17. TIDA should balance its interest in finding a qualified developer for TI with an equal commitment to a process which is open and responsive to the needs of the citizens of San Francisco.
18. TIDA should clarify, with specificity, its financing plans for TI over the course of the Interim Use period.
19. The San Francisco Police Department (SFPD), the San Francisco Fire Department (SFFD) and MUNI should determine what the cost of necessary police, fire and public transportation services—will be in order to make the islands accessible to the public
20. TIDA should detail the anticipated sources of funds needed to provide those services, and the projected timetable for their implementation.

ENVIRONMENTAL ISSUES

The development of TI is subject to the California Environmental Quality Act (CEQA). CEQA provides that before

a legislative body can take any action which will have an environmental impact it must complete environmental studies. These studies are known as Environmental Impact Reports (EIR). In the case of TI, the Reuse Plan is the "scoping document" for the EIR, which is scheduled for completion during the coming winter. What this means is that the EIR will be based on what is presented in the Reuse Plan. An approval issued based on the Reuse Plan might lose its viability if the Reuse Plan is substantially altered.

DOD funding for environmental testing, including toxic pollutants, petroleum derivatives, lead abatement and asbestos removal, has been reduced. Concerns have been expressed that funding is inadequate, and the combination of toxic and seismic concerns may reduce the likelihood that the Reuse Plan will be able to be implemented.

Certain structures built by the Navy which would not be permitted under the Tidelands Trust will be allowed, under the terms of AB 699, to continue to be used for their remaining useful life. These include housing units, the fire-fighter training facility and the brig.

FINDINGS

- Without major seismic renovations there are potential liability problems in the event of an earthquake. Insurance costs for institutional use could rise dramatically.
- There is a new sewage treatment plant on TI, which is currently operating at 10% capacity.
- The Fire Training School operates with gas-fueled jets, and poses no pollution problems within its immediate vicinity.

- DOD funding for environmental testing has been reduced, possibly compromising the likelihood of successfully resolving the complex existing environmental problems.

RECOMMENDATION

21. City officials and TIDA should encourage our Congressional delegation to insist DOD provide funding for environmental testing which could reduce problems in future development.

JOB CORPS

Ownership of a large section in the center of TI, including a ball field, has been transferred from the DOD to the Department of Labor for a Job Corps center. The center is two to three years away from completion. The Job Corps is intended to serve economically eligible young people, between the ages of 16 and 24, who have financial and home deficiencies. Its mission is to create a residential setting and provide vocational training. Academics are taught for remediation in pursuit of GEDs and high school diplomas. Training in social skills, such as dealing with society at large and coping with job situations and coworkers, is also provided.

There are now approximately 200 young people at the center, with a projected total of 850 -- 600 residential slots and an additional 250 for local residents. The Job Corps program is not intended to serve young people with serious criminal or psychological problems. TIDA, which emphatically wanted the San Francisco residents' component included in the center's programs, continues to work with the Job Corps to ensure that the center's development of its

facilities will not inhibit future development of other uses of TI.

THE HOMELESS ON TREASURE ISLAND

The Community Redevelopment and Homeless Assistance Act of 1994 requires that the Reuse Plan incorporate an agreement regarding the homeless. It is this requirement that necessitated approval of the Reuse Plan by HUD. The homeless component was developed through negotiation with Treasure Island Homeless Development Initiative (TIHDI, pronounced "tie-dye"), an association which was formed in June of 1994, and is composed of 24 non-profit homeless and social services organizations. TIHDI received initial funding from the City and from the Evelyn and Walter Haas Foundation. TIHDI is fiscally sponsored by Tenants and Owners Development Corporation (TODCO), whose Executive Vice President and Director of Project Design is the Vice Chairperson of TIDA.

There are four parts to the agreement⁶ between TIDA⁷ and TIHDI incorporated into the Reuse Plan:

1) Up to 375 of the approximately 1000 housing units on TI and YBI will be used as housing for the homeless. The vast majority of these units will be subject to being bought out by an eventual developer. CCSF will retain site control, either through ownership or leasehold control, and TIHDI must have adequate resources to provide basic services to the proposed residents.

2) Service contracts for TI will be made available to the homeless community. At present, two TIHDI member organizations, Rubicon and Toolworks, have contracts to

⁶ This agreement cannot become final until the EIR is complete and CEQA approval is given.

⁷ TIDA functions for CCSF as the LRA (Local Reuse Authority).

provide janitorial and groundskeeping services. An additional contract for deconstruction services is contemplated by the agreement.

3) Economic development opportunities will also be available to allow the homeless service agencies, and their constituents, to run three facilities on TI. These are anticipated to consist of the Fogwatch Restaurant, the Nimitz Conference Center and a store located in the former PX. Again, TIHDI or its component organizations will have to demonstrate their ability to manage these facilities.

4) TIHDI, or its member organizations, will have the opportunity to create a job broker program. As new enterprises open on TI, employers will apply to this homeless job broker program as the first source for a percentage of new workers. Those workers will have to have adequate qualifications for the jobs available.

FINDINGS

- TIHDI is a large and inclusive association, and is an appropriate vehicle for fulfillment of the homeless services components of the Reuse Plan.
- The City has formed a Local Board with specific oversight and advisory responsibilities concerning the City's Continuum of Care for the Homeless plan. The Local Board will monitor funding and make recommendations to the Mayor and the Board of Supervisors in order to promote a unified strategy toward dealing with the problems of homelessness.

RECOMMENDATION

22. TIDA and TIHDI should use the forum provided by the Local Board as an avenue to achieving the high level of cooperation needed to create housing and services for the homeless on TI.

INTERIM HOUSING

Three hundred housing units on TI are expected to be occupied in October or November of 1998 under an interim housing plan. TIDA has contracted with the John Stewart Company to rehabilitate and manage these units. Rentals to a consortium of Universities for graduate student housing has been discussed, and is apparently still under consideration. This interim plan is intended to preserve the housing stock which deteriorates rapidly with lack of use, and to provide an income stream in the short term.

FINDINGS

- Much of the existing housing stock needs to be brought into compliance with San Francisco building codes, and the issue of who will pay for improvements is continually being negotiated between the Navy and the city.
- Buildings on the islands, and particularly the housing stock, is deteriorating rapidly as they remain empty. These buildings have languished virtually unattended since September 1997.
- Unused plumbing is deteriorating along with the structures and the surrounding grounds.

- With petroleum derivatives slated for clean-up, the Navy had proposed restricting occupant use of the soil surrounding the housing for fruit and vegetable gardens.
- The Navy is pursuing multi-phased approach to toxic clean-up and housing occupancy in order to begin making housing available at the earliest possible time.

RECOMMENDATIONS

23. TIDA should move as rapidly as possible to have the buildings on TI occupied in order to stop their further deterioration.

PUBLIC USE

Uncontrolled public access is now permitted on Yerba Buena Island and on the causeway between the islands. Public access is not permitted beyond the guardhouse at the entrance to Treasure Island. When housing is occupied and the Police Academy, firefighter training facility and jail are operating, it should be feasible for TI to be open to the public with adequate police services in place.

FINDINGS

- TI has no basic amenities like public transportation, grocery or convenience stores and public toilets.
- TI has no police or safety services adequate for general use by the public.
- There are no picnicking, park or playground facilities for non-resident use.

RECOMMENDATIONS

24. The Recreation and Park Department and TIDA should develop park and playground facilities in order to make public access to the islands meaningful.
25. CCSF and TIDA should make early provision of basic services a priority so that TI may be opened to public use at the earliest possible time.

ACCESS

On and off ramps from the Bay Bridge do not meet current CalTrans standards. Assessment of the access was conducted by the San Francisco Redevelopment Agency, and included in Existing Conditions.

Ferry service is anticipated in the Reuse Plan. Pier 12 on the east side of TI, and Pier 1, a fixed concrete pier which is in good condition on the southeast corner of TI, are the only sites with utilities now in place for a ferry landing. Currently a float is used at Pier 1 to accommodate the ferry. A protective breakwater would appear to be needed to utilize the west side Pier 23, which is a fishing pier.

FINDINGS

- Access to TI and YBI is inadequate by land and water, and no adequate plan for providing or financing access has been presented to the public.
- While the Reuse Plan proposes ferry service for TI, it gives no indication of how this would be funded.
- The commuter ferries currently operating on the Bay are either subsidized by Bridge tolls or are quite expensive.

- Ferries to TI would require substantial subsidies to make them comparable to MUNI fares.
- Subsidies for TI ferries are unlikely to be higher than those required for Alameda, Oakland and Vallejo ferries once ridership reaches 800 to 1000 passengers per day.
- There is insufficient acceleration lane capacity on the ramps entering the Bay Bridge, and therefore limited capacity for motor vehicles on TI.
- Existing ramps on and off the Bay Bridge do not meet current CalTrans standards.
- The existing BART tube is 500 feet south of YBI and below the Bay bottom. It would be costly and very disruptive to service to create a stop on YBI or TI.

RECOMMENDATIONS

26. TIDA should develop a plan for financing adequate ferry service to TI.
27. TIDA should develop a plan for increasing motor vehicle access, and for the financing of that access. Replacement of the on and off ramps with new structures meeting CalTrans specifications should be included.
28. TIDA should explore, with appropriate State agencies, the use of a portion of Bay Bridge tolls to subsidize ferry service and/or improve access for cars and buses, or to replace access ramps.
29. TIDA should further explore all possible avenues of subsidy from federal, state and regional sources for improved access to the islands.
30. The City and TIDA should explore whether rail or light rail access is feasible.

31. The City and TIDA should provide regular bus service to TI.
32. TIDA should explore with CalTrans and the Metropolitan Transportation Commission the impact of new bridge construction on TI and YBI.
33. TIDA should consider whether improved access is an appropriate use of its Tax Increment Bond authority.

CONCLUSION

Treasure Island and Yerba Buena Island have enormous potential to enrich the lives of the people of San Francisco and the Bay Area, and the tourists who form the backbone of our local economy.

Control over the development of the islands lies almost exclusively with the Mayor of San Francisco.

Increased public input and oversight is needed.

Careful controls on conflicts of interest and competitive processes for leases are also needed, as is improved communication with the public by the Treasure Island Development Authority.

While a well financed developer will be needed to realize the islands' potential, the priority of developing the islands for the benefit of the citizenry must be maintained.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Treasure Island Development Authority

San Francisco Unified School District

San Francisco Recreation and Park Department

San Francisco Police Department

San Francisco Fire Department

MUNI

City Attorney

APPENDICES

Appendix A

Roster of of the Board of Directors of the Treasure
Island Development
Authority

Appendix B

San Francisco Board of Supervisors Resolution No. 380-
97

Appendix C

Treasure Island Development Authority Articles of
Incorporation

Appendix D

Treasure Island Development Authority Bylaws

Appendix E

Treasure Island Conversion Act of 1997 (AB 699)

Appendix F

San Francisco Board of Supervisors Resolution No. 43-98

Appendix G

Proposition K

Appendix H

San Francisco Board of Supervisors Resolution No. 98-
0430

Appendix I

San Francisco Examiner article, June 11, 1998

Appendix J

Treasure Island Development Authority proposed budget,
fiscal year
1998-1999

OVERTIME

Report of the

1997-98 San Francisco Civil Grand Jury

OVERTIME

SUMMARY

The 1997-98 Civil Grand Jury (CGJ) received a report from the Controller's Office outlining Overtime Expenditures by Department for the fiscal years 1995-96, 1996-97 and 1997-98 (latest revision as of the pay period ending 5/15/98), hereafter referred to as The Overtime Report. The report indicated overtime expenditures well in excess of budgeted amounts, and in excess of revised budgeted amounts, for many of the departments listed. (See APPENDIX A for a copy of the report)

Figures stated that for fiscal year 1997-98, the " revised" citywide overtime budget totaled \$34,713,091. However, actual overtime paid through May 15, 1998, citywide, already totaled \$65,085,653.

The CGJ felt it was particularly important to undertake an investigation into the causes of and possible remedies for overtime expenses that seemed excessive. Therefore, the CGJ selected a representative sample of the reported departments, specifically including those departments that exceeded their budgeted amounts by the largest percentages. The sample departments were: Municipal Railway (MUNI), San Francisco Fire Department (SFFD), San Francisco Police Department (SFPD), Community Health Network, San Francisco International Airport, Recreation and Park Department and Water Department (PUC).

The CGJ's investigation yielded findings and recommendations that fell into two categories. It was decided to address

general issues and specific departmental issues separately. Findings and recommendations from and for each of the two categories have been developed and are presented herein.

First were the findings that seemed generic and pervasive throughout the entire City and County of San Francisco. These issues included:

- Chronic understaffing in many departments and agencies.
- Cumbersome hiring practices and requirements.
- Hiring rates that do not equal expected attrition rates.
- Unrealistic budget practices and policies including conscious "underfunding."
- Excessive workers' compensation and disability claims, and some employees earning more when disabled than when working.
- Provisions in memorandums of understanding that stifle modernization and cost efficiency.

Second were the findings that were specific to a particular agency or department. For example:

- The Municipal Railway's "revised" overtime budget for 1997-98, is \$2,097,611. As of May 15, 1998, \$25,429,958 has been spent on overtime. This amount is 73.26% of the total citywide "revised" overtime budget and is over 40% of the total citywide overtime expenditures.
- In 1997-98, several MUNI transit operator supervisors have overtime in excess of 50% of their base salaries. As a result, there are numerous cases where total compensation for a supervisor exceeds \$100,000.
- As of May 15, 1998, the SFFD has spent \$6,574,217 in overtime. This amount exceeds its "revised" overtime

budget, including a supplemental appropriation, by over one million dollars.

- At the current rate of spending, the SFPD will end the current fiscal year with overtime expenses of approximately \$17,551,921 -- which will exceed its "revised" overtime budget by 22.56%.
- Airport information revealed 4,692.25 overtime hours reported for one individual, with a sum total for overtime wages paid of \$172,880.09 to him.
- As of May 15, 1998, the Recreation and Park Department has already spent more than double its 1997-98, "revised" overtime budget.
- The 1997-98, overtime budget for the Water Department was revised upward by 75.69%. As of May 15, 1998, overtime spending already exceeds double the "revised" budget.

It also emerged that monitoring of overtime expenses is inadequate.

- Thirty departments were required to file the overtime report specified in San Francisco Administrative Code Section 18.13 regarding maximum permissible overtime. As of June 10, 1998, only one department had filed its required report that was due on May 1st. (See Appendix C for the Code Section)

Some of the problems investigated are particularly ingrained in the culture of the workforce of the City and County of San Francisco and will be difficult to change without a genuine re-thinking of the best interests of the City and County as a whole. The implicit obligation to maintain a level of fiscal responsibility in the financial operations of the City and County has been relegated to obscurity. The inherent difficulties in fundamentally changing an ingrained culture are acknowledged.

PROCEDURES

Documents reviewed by the CGJ include the following (a complete list of documents reviewed appears as Appendix E):

- the Controller's Overtime Report covering fiscal years 1995-96, 1996-97, and 1997-98 (through 5/15/98); (See Appendix A for a copy of this report.)
- completed CGJ questionnaires to City departments regarding overtime;
- previous CGJ reports;
- responses of City departments to previous CGJ reports;
- a Budget Analyst's report regarding overtime;
- a Controller's memorandum regarding overtime;
- MOUs;
- SFFD documents; and
- MUNI documents.

Persons interviewed by the CGJ include the following (a complete list of individuals interviewed appears as Appendix F):

- the Controller and Assistant Controller;
- the Budget Analyst;
- the Director of the Department of Human Resources (DHR);
- the Director of MUNI, and numerous other MUNI managers;
- the Deputy Chief of the SFPD;
- the Undersheriff; and
- members of the Board of Supervisors.

BACKGROUND

For the last several years, actual overtime wages accrued and paid in departments and agencies of the City and County of San Francisco have totaled approximately twice the amount originally budgeted and approved by the Mayor and the Board of Supervisors. This excess overtime has necessitated mid-year budget revisions and, in the most extreme cases, supplemental appropriations have been required to meet actual overtime expenses.

For the last two years, approximately forty percent (40%) of the total overtime was accrued by and paid to employees of the Municipal Railway. That percentage is holding steady during the current fiscal year. Other departments spending significant sums for overtime and exceeding their budgets include, but are not limited to, the Fire Department, the Police Department and the Water Department (PUC). (See APPENDIX A for specific figures)

The Fire Department has received particular notoriety this year because it consumed its entire annual overtime budget during the first quarter of the fiscal year. As a result, the SFFD was required to seek a supplemental overtime appropriation from the Board of Supervisors. A supplemental appropriation was approved and has been consumed prior to the end of the fiscal year.

Both the Police Department and the Airport have exceeded their overtime budgets significantly, yet neither has been required to undergo scrutiny by the Board of Supervisors. These departments and others have been able to move funds from various accounts into overtime accounts to meet the additional overtime expenses.

In 1995, in an effort to monitor overtime expenditures in the City, the Board of Supervisors approved Section 18.13 in the Administrative Code regarding maximum permissible

overtime. (See APPENDIX C for the entire Code Section) In summary, overtime is not to exceed sixteen percent (16%) of the number of hours an employee is scheduled to work on a straight-time basis in a fiscal year. The section exempts certain categories of uniformed and emergency employees in the SFPD, SFFD, Muni and Department of Public Health from maximum limitations. This Code Section, however, does apply to non-uniformed employee categories in those departments. It also applies to:

" . . .any department that had actual overtime expenditures of \$25,000 or greater in the immediately preceding fiscal year."

The Code Section requires a detailed, biannual report to the Board of Supervisors specifying excess overtime granted and overtime expenditures. Reports are to be submitted on January 5th and May 1st of each year to the Budget Analyst with copies to the Board of Supervisors. The Budget Analyst is to report back to the Board of Supervisors by February 5th and June 1st respectively with an assessment of the reports received.

However, the CGJ learned, in the responses to a questionnaire it developed and submitted to various City departments and agencies, that many departments were not complying with the reporting requirements of the Code Section. In fact, many departments maintained they were not aware of the existence of the Code Section or its reporting requirements. It also emerged that the Budget Analyst was not demanding compliance with the Code Section and the Board of Supervisors was not monitoring compliance.

FINDINGS

- Many departments are not complying with the reporting requirements of Administrative Code Section 18.13.
- Many departments maintain they were not aware of the existence of the Code Section.
- The Budget Analyst does not monitor or demand compliance with the Code Section.
- The Board of Supervisors does not monitor compliance with Code Section 18.13.
- The Overtime report submitted to the CGJ by the Office of the Controller showed that thirty (30) departments were required to file the overtime report specified in Code Section 18.13. The Clerk of the Board of Supervisors and the Office of the Budget Analyst have confirmed to the CGJ that as of June 10, 1998, only one department has filed its required report which was due on May 1.
- There is no provision in the Code Section for enforcement of the reporting requirement.

RECOMMENDATIONS

1. The Budget Analyst and the Board of Supervisors should inform all covered departments and agencies of the existence and requirements of Administrative Code Section 18.13.
2. The Budget Analyst and the Board of Supervisors should monitor compliance with Code Section 18.13. This should begin immediately.
3. The Budget Analyst and Board of Supervisors should require all presently delinquent reports to be submitted within 45 days of notification of the requirement to report.

4. The Board of Supervisors should consider methods for enforcement of the reporting requirements.

GENERAL ISSUES

STAFFING ISSUES

The most pervasive issue that surfaced throughout the departmental responses to the CGJ questionnaire was that of inadequate staffing. Every department surveyed pointed out that it has operated consistently with numerous budgeted positions that were vacant. In almost all cases, overtime was required to back-fill the vacancies.

Vacancies did not occur overnight, and cannot be eliminated overnight. The consensus presented by the departments surveyed, however, is that staffing levels deteriorated suddenly in the early 1990's when the City was in a particularly tight budget crunch. With reduced revenues to appropriate, the City sought to reduce costs and City employment rosters through an early retirement incentive plan. The plan was too successful and decimated the ranks of experienced personnel. According to the departments surveyed, current understaffing stems from that period.

Certain of the departments surveyed operate under mandated staffing and service levels. These departments include the SFFD, SFPD, MUNI, Department of Public Health and San Francisco International Airport. These departments provide essential services 24 hours per day, 365 days per year. For these departments adequate staffing is essential to maintain mandated services. For specific employee categories within these departments a pool of qualified, temporary workers does not exist. A temporary police officer, fire fighter or bus driver does not exist. If regular, base salary

personnel are not available, overtime is the only option for these departments.

Today, however, in many of the departments surveyed, the current rate of hiring does not even equal the rate of departmental attrition. In other words, certain departments are barely treading water in their personnel requirements. Understaffing has become a chronic condition that will require aggressive action to correct. Until staffing levels are adequate, overtime to back-fill vacancies will continue to be necessary.

DEPARTMENT OF HUMAN RESOURCES

Throughout its investigation, the CGJ has heard a recurring excuse for the use of overtime: Overtime is required because staffing is inadequate and budgeted positions are left vacant for long periods of time.

Much of the dissatisfaction for this chronic condition is directed at the Department of Human Resources (DHR). Department managers often blame DHR for delays in the hiring process that cause vacancies, which in turn require overtime to be paid citywide. The DHR feels it has inadequate resources and personnel to fulfill its mission.

There were various complaints that the mandated City hiring process for Civil Service jobs is particularly cumbersome and slow, with voluminous employee categories. According to one source, there are at least fourteen required steps from requisition to filling of a new Civil Service position. Provisional hires are somewhat faster but still require repetitive and cumbersome procedures. (See APPENDIX G for mandated hiring outlines)

Although the Department of Human Resources was created in 1994 by the voter passage of Proposition F, today it is still archaic in its technology. It does not yet have adequate computer capability to track hiring functions such as recruitment, examination and certification. As a result, some of these functions have been delegated to individual departments that have the staff and expertise to do their own hiring. Consequently, there is no central depository for personnel information. Instead, personnel information is now fragmented and scattered throughout the City in various departments.

In early 1998, the DHR implemented an automated system called SIGMA that performs certification and applicant tracing. In addition, a proposal to build an Internet function to automate requisition processing is currently under consideration. Funds have also been budgeted for the planning of a Human Resources Information System. The wheels of progress are grinding slowly in bringing the DHR 'on-line.'

FINDINGS

- The Department of Human Resources is clearly understaffed and is therefore not able to fulfill its objectives and mandates.
- Satellite personnel departments exist in departments such as the Municipal Railway and are mandated to facilitate and accomplish departmental hiring. These satellite departments are also understaffed and may have inexperienced personnel.
- The hiring process required for all City employees, whether for a so-called provisional hire or for a Civil Service hire, is particularly cumbersome, duplicative and repetitive. (See APPENDIX G for outlines of mandated hiring procedures)

- Hiring is even more difficult because current lists of eligible candidates are not available for numerous City job classifications. Testing to determine eligible candidates and create official lists does not occur on a regular basis. As a result, departments are forced to resort to provisional hiring rather than permanent hiring. The provisional hire attrition rate is higher than the Civil Service hire attrition rate and overtime is consequently higher.
- There is an excessive number of Civil Service employee categories.

RECOMMENDATIONS

5. The Mayor, Board of Supervisors and the Director of Human Resources should review staffing requirements for the Department of Human Resources and adjust accordingly to reflect the actual number of personnel needed to accomplish the objectives and mandates of the department.
6. The DHR department budget should be revised to appropriate adequate funds to hire and train any additional personnel required.
7. The Human Resources department should implement an aggressive hiring plan to achieve the realistic personnel requirements of the Department of Human Resources within a reasonable period of time.
8. The Department of Human Resources should review the staffing requirements of satellite personnel departments and adjust, fund and train accordingly.
9. The Department of Human Resources should be mandated to conduct employment testing at regular intervals and to maintain accurate, current lists of eligible candidates

for all categories of City and County employees. They should be adequately funded to accomplish this mandate.

10. The Department of Human Resources should work together with the Civil Service Commission to streamline the Civil Service hiring process through elimination of excessive numbers of civil service employee categories.
11. The Department of Human Resources should complete its process of automation, as quickly as possible. The DHR should also have adequate funding to accomplish this necessary automation.

THE BUDGET PROCESS

Article IX (Financial Provisions) of the San Francisco City Charter details the budgetary procedures to be utilized by all City and County departments. (See APPENDIX D for relevant sections) A brief general description of the budgetary process, as outlined in the City Charter follows:

Budget requests submitted by the various city departments are based on perceived justifiable expenditures for the upcoming fiscal year.

The budget process is typically initiated at the department level by the department head and the budget is then submitted to the department's commission (where applicable), Mayor's Budget Office, Finance Committee of the Board of Supervisors and the full Board.

During the budget review process the Mayor may approve the departmental budget request, reduce it or increase it. The Board of Supervisors may approve or reduce the budget. It may also increase the Mayor's budget, but only if the aggregate changes do not cause the

expenditures to exceed the amounts proposed by the Mayor.

Each of the parties involved in the budget process, Controller's Office, Board of Supervisors, Mayor, Commissions (where applicable), and Department Heads, has a responsibility to submit and approve a budget that reflects the true nature of the finances required to support City services.

By City Charter, the annual budget must be submitted by the Mayor by June 1st, and adopted no later than August 1st. The Budget Analyst reviews the budget after its submission and renders an opinion on it to the Finance Committee and the full Board of Supervisors prior to its final approval. The budget, of course, is lengthy, detailed and complicated. The Budget Analyst is allowed only two weeks in which to review the budget before the Finance Committee starts its hearings.

The "salary savings" concept is a clever budget expedient that originated years ago and was part of the budget process during the terms of, at least, four previous Mayors. Unfortunately it is still 'in vogue' in the budget process under the current Mayor. "Salary savings" contends that no department will ever be fully staffed because of continual attrition. "Salary savings" prevents a department from being fully staffed in accordance with the number of its authorized positions. When a department is subject to "salary savings," and most city departments are, authorized vacant positions cannot be filled, thereby inhibiting the service and mission of the department.

For example, in a hypothetical department there may be 100 authorized positions. If the department is subject to an assumed ten percent (10%) "salary savings" (or a presumed

10% vacancy through attrition), the department will only be permitted to have 90 positions filled at any time throughout the fiscal year. The approved budget will provide funding for 90 positions. The funds are for base pay, sick leave, holiday pay, military or jury leave, and the premium pay account. The fallacy in "salary savings" is that there will be attrition among the 90 filled positions and the department will be further understaffed. Therefore, during a typical fiscal year some of the funds budgeted for the above-named accounts will not be spent.

When overtime results from further understaffing, and actual overtime expenses exceed the amount specifically budgeted for overtime, unspent budgeted funds can be transferred from the pay categories listed above to overtime accounts. This 'technique' is part of the "salary savings" process and circumvents the budget process because it is accomplished at the department level and does not require review or approval by the Board of Supervisors. As a result, true overtime expenses are obscured.

It should be noted that a review of actual overtime expenditures for the past three fiscal years demonstrated budgeted funds for overtime were consistently exceeded for many City and County departments. The resulting citywide actual overtime expenses are more than double the original budgeted amounts and almost double the revised budgeted amounts. (See Appendix A for specific figures)

The following table contrasts the original and revised budgeted amounts and the actual overtime expenditures citywide:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$28,320,523	\$34,713,091	\$64,085,653
1996-97	\$26,873,605	\$34,937,801	\$68,966,806
1995-96	\$29,193,999	\$33,404,145	\$59,300,047

Currently, departments are allowed, without the Board of Supervisors' review or approval, to transfer funds from their permanent and temporary 'base salary' accounts, as well as from their holiday and premium pay accounts, to overtime accounts. This occurs to cover overtime expenditures that exceed the original or revised fiscal year overtime budgets previously approved by the Mayor and the Board of Supervisors. As shown in the table above, actual overtime expenditures consistently exceed overtime-budgeted funds so this practice occurs regularly.

An interview with a member of the Board of Supervisors suggested an unwritten policy or attitude with regard to the appropriation of overtime funds. It was asserted that departmental overtime budgets are often deliberately underestimated in an effort to control overtime expenses. The justification for this approach seems to be: 'If they don't have it budgeted, they will spend less.'

FINDINGS

- Underestimating overtime budget requirements is not in the best interest of fiscal responsibility. The result is a 'balanced' budget that is, in fact, not balanced. It is a budget where all parties are aware that budget revisions and supplemental appropriations will be required.

- The " salary savings" technique contributes to unrealistic budgeting appropriations. It contributes to understaffing, requires the juggling of funds from various accounts to overtime accounts and results in inefficient operations within the subject departments where it is mandated.
- The budget review and oversight process is too compressed. The Budget Analyst is given too little time to allow for adequate review prior to the start of Finance Committee hearings.
- Much of the budget process is concentrated in the Office of the Mayor. Formerly, individual departments drafted budgets, based on historical precedent, and incorporated anticipated future needs. Proposed budgets were then presented to the office of the Mayor for review and revision. Today, it appears the office of the Mayor informally controls individual departmental budget requests.
- Departments have been advised by the Mayor's office they should not formally submit to the Controller a budget that has not been agreed to by the Mayor's office prior to its submission.
- Two weeks is far too short a time to allow for adequate review and analysis of the budget by the Budget Analyst. The Finance Committee and the Board of Supervisors are therefore put in the position of approving a budget without adequate time or information from its own watchdog.

RECOMMENDATIONS

12. The Mayor and department heads should budget base salaries and overtime realistically, based on historical precedent, so that every annual approved

budget reflects a true and accurate fiscal picture for the City and County.

13. The Mayor, Board of Supervisors and department heads should reduce the emphasis on " salary savings" in the budgeting process, and work with individual departments to achieve optimum staffing levels utilizing adequate base salary appropriations.
14. The Mayor and Board of Supervisors should require that the proposed budget be presented to the Budget Analyst for analysis and review at least forty-five days prior to the Finance Committee deliberations.
15. The Board of Supervisors should be required to pass an adequately funded budget that reflects the realities of expected expenditures in the City and County.
16. The Mayor and Board of Supervisors should return the budget process to individual departments and require department heads to annually submit a realistic budget request.
17. The Mayor and the Board of Supervisors should work with individual departments to reduce and control overtime.

DISABILITY AND WORKERS' COMPENSATION ISSUES

It is an obvious corollary that excessive absenteeism within the regularly scheduled work-force will result in excessive overtime as workers are required, at overtime wages, to fill-in for their absent co-workers. There are many causes for absence of workers, but perhaps the major one is employees who are on workers' compensation because of injury or sickness. The 1996-97 Civil Grand Jury investigated the San Francisco City and County Workers' Compensation program. They reported that the annual Workers' Compensation (WC) costs exceeded \$63,000,000 in 1996, and concluded that:

" . . . the City should review its full salary continuation and salary supplementation policies and stop compensating employees more when not working than when working."

In its required response, dated October 28, 1997, the Department of Human Resources concurred with the finding but stated it was unable to implement any changes. Any adjustments to the current system that provides full salary while on disability would require agreement with and from the unions. In continuation, the Department of Human Resources stated it would be unable to change current practices that allow an employee to receive higher than base salary while on disability because such a change would be subject to collective bargaining and therefore unlikely to occur.

It is possible for an employee to receive full salary or higher than base salary when on disability leave because the City supplements maximum disability rates to bring total compensation to the employee's regular pay level. The effect on the employee is to increase his take home pay since there are no income taxes on disability pay. Consequently, the employees make more money when disabled than when working.

The 1996-97 CGJ recommended the implementation of a citywide Return to Work program and recognition and/or rewards for individual or departmental efforts to contain or reduce Workers' Compensation costs. The Department of Human Resources responded that further analysis of these recommendations was required. Human Resources noted that implementation of any Return to Work program would be subject to collective bargaining and suggested incentives or

rewards should be directed toward injury prevention rather than toward cost containment efforts.

The Department of Human Resources Performance Summary for fiscal year

1996-97, the most recent year available, noted that there were statutory increases in the maximum permanent disability rate of 16% (from \$198.00 per week to \$230.00) and in the maximum temporary disability rate of 10% (from \$448.00 per week to \$490.00).

Also in the Performance Summary, General Fund and Special Fund Workers' Compensation Expenditures were itemized. Specifically, in 1996-97:

Police received disability pay totaling \$2,843,164 (down from \$3,035,339 in 1995-96).

Firefighters received \$4,910,126 in 1996-97 (up from \$3,451,273 in 1995-96).

These two categories totaled \$7,753,290 or 87.16% of the General Fund disability pay total of \$8,895,695, for fiscal year 1996-97.

FIRE DEPARTMENT

On October 21, 1997, it was revealed in the local newspapers that the San Francisco Fire Department had already spent its entire annual overtime budget of \$2.2 million - in three months. In fact, the department had already spent \$2.45 million. The main culprit was allegedly the high disability rate that results in excessive overtime to cover shifts of those out on disability. Fire Chief Demmons stated in the article that with an average of 110 of his department's 1500 uniformed personnel on disability in any given week, he has no option but to pay overtime. He further stated that the

problem isn't that more firefighters are claiming disability but that those on disability are staying out longer. It was also reported, in the *San Francisco Examiner*, January 8, 1998, that, according to a Fire Department report, 98 firefighters were injured last year in the firehouses, not at fires, and those injuries accounted for 2,248 lost days of work.

The SFFD went before the Board of Supervisors in late 1997 for a \$2 million supplemental overtime appropriation and was required to submit an Action Plan to reduce overtime costs. In the Action Plan, emphasis was placed on worker's compensation and disability issues. Greater personal accountability and oversight were highlighted, as was the availability of a new "Light Duty Policy." In addition, a disability verification unit was to be implemented. The SFFD was launching an "aggressive action plan" to combat overtime, with an emphasis on controlling the skyrocketing costs of disability leave by firefighters.

The Board of Supervisors ultimately approved \$1.825 million for overtime costs, plus \$50,000 for investigation costs and \$50,000 to hire a nurse-case manager to help handle disability cases.

On March 5, 1998, the *San Francisco Chronicle* raised the red flag again with a warning from Controller Ed Harrington that, based on the department's latest pay period, it could overspend its overtime budget by another \$2.76 million. Deputy Chief Harold Gamble disputed this. In the June 8, 1998, Overtime Report prepared by the Office of the Controller for fiscal year 1997-98, through the pay period ending 5/15/98, the SFFD was shown as having spent \$6,574,217 in actual overtime.

MUNICIPAL RAILWAY

On January 28, 1998, the *San Francisco Examiner* reported Municipal Railway workers on average take more than four times longer to return to work after an on-the-job injury than do other California transit agencies workers. The Examiner asserted that, for every 100 MUNI employees, the number of lost work days per year is 515, compared to 125 lost workdays for other public transit workers, even though the number of claims filed in San Francisco is on a par with those of other agencies.

In the Examiner article, the statement that "on any given day, one out of nine MUNI employees is out on disability" was attributed to Arlene Eisen, acting manager of MUNI's Integrated Safety and Loss Prevention Program. Assaults and repetitive motion injuries allegedly account for the largest number of reported on-the-job injuries, with an average assault case resulting in 17 days of missed work.

According to an article in the *San Francisco Examiner*, January 29, 1998, MUNI's budget proposal for the coming fiscal year, beginning July 1, 1998, will show a 5% increase over last year. The largest single increased cost, \$2.3 million, is for workers' compensation claims which will now cost MUNI over \$14 million for the fiscal year.

Recognizing that workers' compensation abuses exist, the Director wants to spend \$350,000 in the coming year on investigators to search out fraudulent claims. MUNI also wants to spend "a few hundred thousand dollars" on injury prevention programs.

FINDINGS

- Workers' Compensation and Disability costs to the City are excessive.
- Most Citywide and departmental efforts are directed toward monitoring claimants after injuries have occurred, and those efforts are still inadequate.
- There is inadequate emphasis on prevention of future Workers' Compensation or Disability claims.

RECOMMENDATIONS

18. SFFD, SFPD, and MUNI should investigate whether workers out on disability remain off the job longer than their injuries warrant.
19. The Mayor and department heads should make addressing abuse of the inefficient and costly Workers' Compensation and Disability system a priority in negotiating future contracts.
20. The Mayor and the Board of Supervisors should direct individual department heads to substantially increase monitoring of all personnel who are out of work on Workers' Compensation or Disability.
21. The Mayor and the Board of Supervisors should direct department heads to increase their efforts to prevent on-the-job accidents.
22. Each department should be required to devise and implement department specific plans to prevent on-the-job injuries before they occur.

MEMORANDUMS OF UNDERSTANDING (MOUs) (Contracts with workers' unions)

Almost all City employees are union members. Union contracts with the City, generally known as Memorandums of Understanding (MOUs), specify overtime and other working conditions. Some contracts provide for flexible work time, such as ten hour/four day shifts, which reduce the need for overtime.

The MUNI MOU limits the number of part-time operator positions. As a result, full time transit operators are guaranteed daily overtime since they are scheduled to cover a ten-hour shift. The MOU also permits excessive unexcused absences, which necessitates a stand-by pool of transit operators and increases overtime expenditures.

FINDINGS

- Over the years, union contracts have been negotiated with salary and work rules that impede efficient operation of City government, prevent modernization of operations, and decrease employee responsibility and accountability.
- Contract provisions exist in many MOUs that foster and encourage overtime.
- In a number of departments, representatives of senior management are not routinely part of the City's MOU negotiating team. Professional negotiators cannot effectively represent the best interests of the City and its taxpayers without the direct input of department management. If not involved during the negotiating process, department managers may not feel accountable for the resulting MOUs.
- Many senior department managers are former, or current, members of the same union that represents rank and file department employees and may have a personal interest in the final negotiated MOU.

RECOMMENDATIONS

23. A manager who is a union member with a personal interest in the final provisions of the MOU covering that union should not be a member of the negotiating team representing the City and County of San Francisco.
24. The Mayor, the DHR and department managers should ensure that representation of the city in union contract negotiations reflects a balance of professional negotiators and department representatives.
25. Department heads should take an active role in union contract negotiations by selecting negotiators who will best represent the interests of the City and the department.
26. The Board of Supervisors should review the role of the Mayor and his staff in Police and Fire Department contract negotiations so that Police and Fire Department negotiations are conducted along lines similar to other departments.
27. The Mayor and the Board of Supervisors should set up a citizens' task force on labor contracts to review the system for negotiating MOUs and make recommendations for better service to the people of San Francisco. (A recent successful example is the federal advisory task force on making Social Security financially sound.)
28. The City should continue to negotiate for flexible work shifts, e.g., ten hour/four day shifts and Tuesday through Saturday workweek

DEPARTMENTAL ISSUES

MUNICIPAL RAILWAY

The Municipal Railway (MUNI) is consistently the largest consumer of overtime expenditures among the City departments. It historically exceeds its overtime budget many times over. Five years ago the 1992-93 Civil Grand Jury (CGJ) investigating the Municipal Railway reported:

"...out-of-control overtime expenditures totaling \$20.5 million in calendar year 1992 (30% of total City overtime cost). A total of 604 transit operators earned more than \$10,000 in overtime pay."

Records of the Controller for the past three fiscal years show a complete disregard for the prior year's experience in budgeting for overtime. The following table contrasts the revised budgeted amounts and the actual expenditures:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$2,094,011	\$2,097,611	\$25,429,958
1996-97	\$1,926,097	\$4,855,980	\$25,678,749
1995-96	\$1,903,597	\$1,903,597	\$22,450,725

The excessive use of overtime continues to date. This fiscal year, 1997-98, overtime expenditures by MUNI will devour approximately 40% of the total city overtime expenditures.

Management contends, and the Office of the Controller agrees, that the above records do not accurately reflect real overtime expenditures since they include amounts that are in reality premiums for extended duty and other working conditions not generally considered overtime. However, such premium payments total only approximately \$2 Million of the total \$25,429,958, and so do not materially affect the conclusions reached here.

Despite the department's historic record and a reasonable expectation of overtime that is built into the system, the department has chronically underestimated its budget and overspent its payroll for overtime pay.

Some divisions of MUNI are chronically understaffed with the result that full-time employees are required to work overtime to maintain equipment and schedules. Since MUNI is a seven-day-a-week, twenty-four-hour-a-day operation, some overtime is built into the system and is inevitable. However, according to the Budget Analyst, MUNI has 350 vacant positions and, of those, 280 cannot be filled

because, under the " salary savings" concept, the approved budget does not provide funding for those positions. (See the Budget Process section, above.)

According to MUNI management, the vacancy rate currently existing in the Maintenance Division is 209 employees or 9.4% of authorized personnel; in the Operations Division it is 104 employees or 9.3% of the total authorized workforce. The result is that the gap is filled with employees on overtime.

Excessive overtime is not limited to the Operating and Maintenance Divisions. Under Section 18.13 of the San Francisco Administrative Code (See APPENDIX C), transit operators and transit operator supervisors are not limited to 16% overtime, on the theory that it might cause disruption in service if the limitation were imposed. However, many other job classifications have received overtime pay far in excess of the 16% limit.

According to the MUNI overtime report for the period from 7/1/97 to 12/31/97, a total of 130 employees, none of which were transit operators, were paid from 15% to 59.45% of their base salaries in overtime.

The most recent records for the period from 7/1/97 to 5/15/98 indicate that at least 288 such miscellaneous employees received in excess of ten percent (10%) of their base salary in overtime.

Among employee classifications receiving in excess of the 16% maximum permissible overtime under Section 18.13 of the Administrative Code were clerks, secretaries, custodians, general laborers, electricians and others. For example:

1. In FY 1996-97, over 16 electrical workers received from 16% to 31% of base salary in overtime, ranging from \$12,000 to \$27,000 each.
2. From 7/1/97 to 5/14/98, 13 of the same electrical workers were paid over 30% of their base salary in overtime, ranging from \$10,200 to \$29,333 each.
3. In FY 1996-97, one track maintenance supervisor claimed 49.25% overtime and was paid: \$62,326 in base salary, \$46,051 in overtime and an additional \$1074 in holiday pay.
4. In FY 1997-98, as of May 15, 1998, that same maintenance supervisor claimed 54.20% overtime and has received \$57,346 in base salary, \$44,891 in overtime plus \$1193 in holiday pay.
5. In FY 1996-97, four general laborers out of 20 received from 20% to 27% in overtime pay, averaging in excess of \$12,000 each on base salaries of approximately \$34,000. The same employees repeat the pattern in 1997-98, through May 15, 1998, when their overtime ranges from 20% to 26.80%.

Although transit supervisors are not subject to the provisions of Section 18.13 of the Administrative Code, it is interesting to note that:

1. In FY 1996-97, there were 38 persons in the supervisor category who had overtime in excess of 16% and as high as 49.57%.
2. In FY 1997-98, as of May 15, 1998, forty-four supervisors have exceeded 16% in overtime.
3. In FY 1997-98, four supervisors have overtime in excess of 50% of their base salary.

Another factor contributing to the need for overtime is unscheduled failures to report for work, or so-called "missouts." According to MUNI management, the daily

absentee rate is currently 9.2% (including "missouts," Workers' Compensation claims, illnesses, suspensions and unexcused absences). Under the existing Memorandum of Understanding (MOU) with the Transit Workers Union:

The penalty for the first "missout" in a 5-month period is an oral warning.

The second "missout" penalty is a written warning.

For the third "missout," the penalty is "up to a 5-day suspension."

The fourth "missout" may result in a suspension "up to 10-days."

Finally, after 5 "missouts" in a 5-month period, the employee may receive a penalty - "up to termination."

An operator may simply decide not to go to work without notifying his superior and thus require another operator to work overtime to cover his route.

Under the MOU with the Transit Workers Union, MUNI is limited to the number of part-time operator positions it may have. Under the current MOU, the number of part time operators (working 5 hours a day) is capped at 220 or 12% of the number of regular operators authorized.

Since there are two major service peaks, in the morning and in the evening, which are more than 8 hours apart, full-time MUNI operators must work an average of 9.5 hours a day to cover both peak periods. This means each scheduled shift includes a built in daily average of 1.5 hours overtime for a full-time employee. A ten hour/four day shift could eliminate that overtime. The added costs of these 9.5 hour shifts are included in the premiums for extended duty which account for approximately \$2 million of the \$25 million overtime total.

Anecdotal evidence suggests that operators contemplating retirement amass as much overtime as possible in the 12 months preceding the contemplated retirement date because benefits are based on their last year's earnings.

The MUNI satellite Department of Human Resources is understaffed and unable to meet the need for additional hires as promptly as desired. They must cope with an excessive number of job classifications and the cumbersome, time-consuming and complex Civil Service rules that tend to slow down the hiring process. A Civil Service appointment, from job analysis and posting to hire, requires at least 14 steps and can take several months (See APPENDIX G for Civil Service and Provisional hiring outlines). The process would be streamlined if MUNI were in charge of its own hiring process.

The Training Department in the Operations Division is unable to develop enough new operators to exceed losses by attrition from retirement, resignation and discharge. MUNI's driver training program consists of 8 classes a year, with approximately 24 to 30 students each, for a 35 day period. With a 10% failure rate, this results in approximately 200 new hires a year. Losses from attrition due to retirement, resignation and discharge are approximately the same number, with the result that there are never enough new operators to fill all vacant positions, much less to form a pool of qualified operators to draw from to satisfy future needs.

FINDINGS

- The MUNI overtime budget bears no resemblance to the actual expenditure for overtime.
- Without accurate, separate tabulations of actual overtime expenses and salary premiums, it is difficult

to evaluate the true overtime costs of the Municipal Railway.

- The Maintenance and Operations Divisions of MUNI account for approximately 90% of total MUNI employees and chronic understaffing in the Operations and Maintenance Divisions account for most of the overtime expenditures.
- Certain non-transit operator employee categories in MUNI, which are covered under Administrative Code Section 18.13, are receiving overtime far in excess of the 16% allowable.
- The existing MOU sanctions unscheduled absenteeism that contributes to excessive overtime.
- The number of part-time employees allowed in MUNI is dictated by provisions of the existing MOU rather than by the efficient staffing requirements of MUNI.
- In the Operations Division, and elsewhere within MUNI, hiring rates are not adequate to keep pace with normal attrition.
- Cumbersome Civil Service and Provisional hiring requirements hamstring timely and efficient hiring of MUNI personnel.
- MUNI's current training capacity is inadequate both in the annual number of training programs scheduled and in the number of trainer's available to conduct classes, and this results in fewer trained personnel than is required for an efficient operation.

RECOMMENDATIONS

29. MUNI management, the Mayor's Office and the Board of Supervisors should budget overtime realistically in

- keeping with reasonable expectations of actual need based on past experience.
30. The overtime reporting system should be modified as quickly as possible to reflect separate tabulations for overtime, shown against budgeted overtime, and salary premiums, shown against budgeted premium amounts.
 31. The Mayor's office and the Board of Supervisors should provide funding in order to permit MUNI to fill all its authorized positions, especially in the Operating and Maintenance Divisions.
 32. Management should enforce the provisions of Administrative Code Section 18.13 and strictly monitor the need for overtime among department employees other than transit operators and transit operator supervisors, who are exempt under the provisions of the Code Section.
 33. Although the present MOU will not expire until June 30, 2000, Muni Management and the Mayor's Office should develop a negotiating package to modify the present liberal rule on unexcused failure to report to work.
 34. MUNI Management and the Mayor's Office should make the use of part-time operators and greater flexibility in full-time shifts a priority in future contract negotiations.
 35. MUNI Management and the Civil Service Commission should work together to streamline the existing hiring procedures including combining similar employment categories.
 36. MUNI Retirement System should evaluate whether the "last 12 months" basis for retirement benefits best serves the fiscal needs of the City.
 37. The Training Department capacity should be enlarged to accommodate more scheduled classes, a larger number of trainers and, consequently, more students, until the available pool of operators is adequate to meet daily needs. The budget for the Training Department should

be adjusted to reflect its increased hiring requirements.

38. To expedite hiring, in-house Human Resources Division of MUNI should have authority independent of DHR procedures.

FIRE DEPARTMENT

For the fiscal year 1997-98, the San Francisco Fire Department (SFFD) is mandated to adequately staff 41 fire stations 24 hours per day, 7 days a week, with a staffing level of 296. In its response to the 1997-98 Grand Jury questionnaire on overtime, The SFFD stated that it began the 1996-97 fiscal year with 61 vacancies and a projected attrition rate of 3% or 45 full time equivalent positions.

The Fire Department operated under a Consent Decree for some years. The Fire Department maintained that the Consent Decree hindered hiring. The stipulated Order Terminating the Consent Decree is now in place with a schedule to add 96 new fire fighters into the fire suppression ranks. The SFFD now states that with the graduation of all currently scheduled classes for new fire fighters, the Department will be closer to full staffing and the need for overtime will be greatly reduced.

However, the Overtime Report shows the following overtime amounts for the San Francisco Fire Department:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$3,686,040	\$5,510,040	\$6,574,217
1996-97	\$3,298,541	\$3,714,521	\$5,105,091
1995-96	\$3,251,590	\$3,386,590	\$2,859,984

After it was disclosed that the SFFD had spent its entire annual overtime budget in the first three months of fiscal year 1997-98, the SFFD prepared an Action Plan to Reduce Overtime Costs, dated October 24, 1997. The Action Plan was presented to the Board of Supervisors as a condition of obtaining supplemental funding.

The Action Plan suggested the following causes for excessive overtime:

- Vacant positions (backfilled at automatic time and a half);

- Disability leave (32.1% of total average absences 1996-97);

 - Long term or frequent sick pay;

- Vacations (38.1% of total average absences 1996-97);

 - Use of compensatory time and military leave.

A major emphasis in the Action Plan was on greater accountability and oversight of disability policies. Efforts to monitor those individuals who are out on workers' compensation or disability were to be increased and the City Department verification unit would be utilized for that purpose. In addition, there would be greater use of a return to work policy through light duty assignments.

The Action Plan also stressed the basic scheduling principle, which is, however, new to the Fire Department, of staggering or balancing vacation requests more evenly throughout the calendar year. The result of vacation balancing is to insure that summer months, for example, are not heavily impacted requiring excessive seasonal overtime. This would mean that in future years fewer vacations would be allowed in June, July, August and September, and more allowed in the months from October through May.

In its Action Plan, the SFFD also provided overtime figures by job classification title for the years 1994-95, 1995-96 and 1996-97. In virtually every classification, overtime has increased steadily from year to year. Several classifications stand out, however, for their questionable need for overtime. For example for the year 1996-97:

JOB CLASSIFICATION	OVERTIME PAID
Payroll Clerk	\$51,922
Fire Safety Inspector II	\$46,566
Water System Supervisor	\$25,813
Utility Plumber	\$37,872

FINDINGS

- Annual SFFD overtime budget requests are unrealistic and do not reflect anticipated and expected overtime expenditures. Because of historical under-staffing, unspent permanent budgeted salaries have provided one source of revenue to cover excessive overtime costs. With anticipated full staffing in the near term, this source of funds will no longer be available. Without realistic budgeting and funding, additional supplemental appropriations will be required to cover excess overtime costs.
- The need for overtime costs in certain support areas appears questionable. Payroll clerks, for example, should be able to accomplish their job descriptions during regularly scheduled base-salary workweeks.
- With regard to the SFFD Action Plan to Reduce Overtime Costs, dated October 24, 1997:
 - a. While the increased accountability and oversight efforts described in the Action Plan deserve praise, there is inadequate emphasis on prevention

of future injuries to reduce workers' compensation and disability claims.

- b. Departmental vacation scheduling practice is not cost-effective.
 - c. Overtime in other than the suppression ranks (firefighters) has not been examined or addressed. The Action Plan did not address any plan to review staffing levels of any non-suppression section to determine optimum or adequate levels. It did not address any emphasis on hiring to fill vacancies in other than suppression areas, nor any plan for oversight in those areas.
- As long as the Fire Department ignores specific directives from the Board of Supervisors, as in continuing to pay all firefighters overtime for holidays even when they don't work, as was reported in the *San Francisco Chronicle* on March 5, 1998, there will be no improvement in or curtailing of overtime expenditures.

RECOMMENDATIONS

39. The Mayor, the Board of Supervisors and the SFFD should establish an overtime budget that reflects reality and adequately fund that budget. There should not be reliance on so-called "salary savings" to cover excess overtime costs.
40. With respect to the SFFD Action Plan to Reduce Overtime Costs, dated October 24, 1997:
 - a. The SFFD should aggressively and immediately implement those actions outlined in the SFFD Action Plan to Reduce Overtime Costs.
 - b. The SFFD should, in addition, initiate a comprehensive plan to reduce and prevent future injuries. A plan should include:

1. A disability audit to determine locations and causes of injuries:
 - During suppression activities
 - During routine firehouse activities
 - During training activities
 - During off-hours
 2. An outside safety audit of:
 - Established practices and procedures
 - Existing working conditions
 3. Increased physical requirements and training:
 - Mandated exercise programs
 - More frequent physical standards testing
41. The SFFD should schedule vacations evenly throughout the year to promote cost efficient scheduling of employees and thereby reduce seasonal overtime.
 42. The SFFD should analyze non-suppression areas to determine adequate staffing levels and institute oversight of overtime costs.
 43. The Mayor and all other members of the City's negotiating team should give the fiscal needs of the City the highest priority in developing a concrete and specific list of positions and priorities for future contract negotiations with SFFD employees.

POLICE DEPARTMENT

In order to effectively and efficiently carry out its mission, Charter section 4.103 provides in part that, " the police force shall at all times consist of not fewer than 1,971 full duty sworn officers. The staffing level of the Police Department shall be maintained with a minimum of 1,971 sworn officers thereafter...the Commission shall initiate an annual review to civilianize as many positions as possible to maximize police presence in this community..." (Charter § 4.103)

The Police Department is one of the City departments with high overtime expenditures. The Overtime Report shows the following overtime amounts for the San Francisco Police Department:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$10,952,285	\$14,321,352	\$15,447,084
1996-97	\$10,452,889	\$13,968,680	\$19,033,191
1995-96	\$10,385,826	\$13,280,210	\$16,699,868

With approximately three more payroll periods remaining for FY 1997-1998, the department will again exceed its revised FY 1997-1998 over time budget of \$14,321,352. As of 5/15/98, SFPD has already expended \$15,447,084. That exceeds SFPD's original budget for FY 1997-1998, by 41.04%, and its revised budget by 7.86%. Based on the current rate of expenditures, it can be anticipated that an additional \$671,612 for each remaining payroll period will be expended for a total additional amount of \$2,014,837 - if expenditures remain uniformly constant. These numbers

suggest the SFPD will end the current fiscal year with total overtime expenses of approximately \$17,551,921 -- which will exceed the revised overtime budget by 22.56%.

The SFPD maintains that one of its major causes of overtime is a result of Proposition 115 that passed in 1989, and mandates that one arresting officer needs to appear in court. Overtime occurs when an officer 'stands-by' for an appearance. The SFPD maintains that 'stand-by' time is excessive and desires more cooperation from the District Attorney and the Courts to expedite scheduling of officer court appearances and thereby reduce police overtime costs.

Currently, a voluntary ten-hour/ four-day shift has been implemented in the investigative units. SFPD is currently studying the cost effectiveness and productivity of this program.

In addition, overtime occurs because the police department provides crowd control and security for public events such as street fairs and cultural events. Historically, these services have been provided by police officers on an overtime basis and at an overtime pay scale. These events have proliferated over the years and today occur almost every week. It has been policy that the police department be reimbursed, in full, by the organizers of "for-profit" events. For cultural, or non-profit events, the policy has been to reimburse the police department for a maximum of twenty-five hundred dollars, with the police department absorbing the remaining costs out of its own overtime budget. In addition, the Board of Supervisors has the prerogative to waive even the twenty-five hundred dollar reimbursement if it is determined that the event is in the best cultural interest of the City.

The Board of Supervisors' policy, and its implementation, are sufficiently unclear as to result in increased police overtime costs, as occurred with last year's "Summer of Love" festival. These increased costs can be very substantial.

Historically, the SFPD has relied on candidate testing and hiring occurring only once a year, in spite of normal year-round attrition. This has resulted in chronic understaffing because the SFPD has never attained a compliment of 1,971 full duty officers as required by the Charter. This understaffing results in higher overtime expenditures. In the absence of a current eligibility list, with an officer's departure from the department, or with the addition of a budgeted position, in most cases positions can and will, in fact, remain vacant for more than one year. The SFPD has now implemented incremental hiring (with three academy classes currently in session) that should promote more even, adequate staffing year-round. It must be taken into account that the police Academy course lasts twenty-eight weeks and is followed by eighteen weeks field training and therefore it takes almost one full year to develop a new, fully trained police officer.

In a further effort to control overtime costs, all District Stations have converted uniformed officer scheduling from the previously standard eight hour/five day workweek, to a more efficient and cost effective ten hour/four day workweek.

FINDINGS

- Annual SFPD overtime budget requests are unrealistic and do not reflect anticipated and expected overtime expenditures. Unexpended permanent salaries have provided one source of funds to cover excessive

overtime costs. With anticipated full staffing in the near term, this source of funds will no longer be available. Without realistic budgeting and funding, supplemental appropriations will be required in the future to cover excess overtime costs.

- The Police Departmental overtime budget has not been increased substantially in at least the last three fiscal years, except by mid-year revisions. Meanwhile, police obligations have increased substantially with increasingly numerous special events.
- The Charter provides that the Police Department is entitled to collect 100% reimbursement for the actual overtime cost of security and traffic control services provided for 'for-profit' special events. However, reimbursement of Police Department overtime costs for special events with general cultural or artistic merit is limited to \$2500.00, and the Board of Supervisors can waive even that reimbursement.
- Section 18.13 of the San Francisco Administrative Code limits permissible overtime hours a City employee may work in any fiscal year to 16% of the number of hours that the employee is regularly scheduled to work on a straight time basis. This provision is not applicable to the uniformed ranks of the Police Department.

RECOMMENDATIONS

44. The police overtime budget should be increased to more accurately reflect the mandated responsibilities of the department that are steadily increasing with time.
45. Either the Police Department should be reimbursed for special services that require overtime or the overtime budget should reflect those known costs that will not be reimbursed.

46. Adequate personnel resources should be provided for the testing and hiring unit to provide more frequent examinations in order to staff up to the mandated level of 1,971 officers.
47. The Chief of Police should continue collaboration with the District Attorney's Office and the Public Defender's Office, as appropriate, to implement a scheduling process for officer court appearances that will minimize those overtime costs associated with court appearances.
48. The Chief of Police or his designated representative should negotiate with the police officers' bargaining entity in order to develop some flexibility in work schedules which reduces the requirement for overtime.

COMMUNITY HEALTH NETWORK
(Department of Public Health)

The Overtime Report shows the following overtime amounts for the San Francisco Community Health Network:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$2,723,899	\$2,723,899	\$3,213,594
1996-97	\$2,255,582	\$2,923,407	\$4,158,193
1995-96	NA	NA	NA

As an acute care facility operating 24 hours per day, seven days a week, San Francisco General Hospital is required to maintain minimum staffing levels that have been determined through staffing models. Laguna Honda and Forensic Services also operate 24 hours per day, seven days a week, and must maintain adequate staffing.

The Department of Public Health, in its response to the 1997-98 Grand Jury questionnaire on overtime, suggests overtime occurs as a result of:

1. Fluctuations in staffing needs depending on changing patient populations that cannot be anticipated with 100% accuracy.
2. Backfilling for absent employees who may be on sick leave, workers' compensation or educational leave.
3. Delays in the City's personnel requisition process and the Department's recruiting and hiring processes that require overtime pending hiring start dates.

As a result, some overtime can be expected and is budgeted for -- to be used as a last resort. Unlike other agencies, the Department of Public Health does not have to rely exclusively on overtime to meet extraordinary staffing requirements. It appears to have more scheduling flexibility than other agencies and is able to use 'flexible' scheduling in lieu of overtime. In addition, there is a routine use of 'a pool of per diem as-needed nursing staff' to fill vacancies and increase staffing if required by increased patient population.

However, there is a concern raised by a provision of the MOU regarding nursing staffing levels:

" Annual " salary savings" for nursing positions directly involved in patient care shall not exceed five percent (5%) in each of the fiscal years covered by this MOU."

It is of concern that the concept of " salary savings" is so ingrained in the budget process in the City and County of San Francisco that it must be addressed, and limited, in any MOU.

The corollary to the mandated existence of " salary savings" in the budget process is that the Department must use funds in its permanent salary accounts to fund overtime. It must juggle its personnel budget using funds from permanent salary, temporary salary and overtime accounts in order to provide the needed staffing configuration.

FINDINGS

- Overtime is anticipated and budgeted for realistically. However, delays in the hiring process to fill budgeted positions contribute to the need for overtime.

- Unspent permanent salaries provide the source to fund excess overtime. The circular process goes from a vacant position directly to the need to schedule overtime personnel, to the subsequent need to use these funds to pay the overtime wages.

RECOMMENDATIONS

49. The cumbersome hiring procedures that result in chronic delays in hiring and the budget process that mandates " salary savings" should both be addressed by DPH and modified.
50. Overtime budgeting should be realistic and every attempt should be made by DPH to maintain adequate full-time staffing levels. Adequate, budgeted full-time permanent staffing will reduce overtime costs to the City and County.

SAN FRANCISCO INTERNATIONAL AIRPORT

The Overtime Report shows the following overtime amounts for San Francisco International Airport:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$1,372,976	\$1,372,976	\$1,509,503
1996-97	\$1,290,326	\$1,290,326	\$2,291,660
1995-96	\$1,393,459	\$2,029,813	\$2,561,791

The airport operates certain sections on a 24 hour per day, 7 day a week schedule and must maintain certain staffing levels to ensure safety.

The San Francisco International Airport, in its response to the CGJ questionnaire on overtime, suggests overtime can occur as a result of special events, last minute absences, emergencies and chronic understaffing in specific areas such as Airport Communication Dispatchers.

The airport stated in its response to questions #15 and #16 of the overtime questionnaire (See APPENDIX B for entire questionnaire) that it believed it was not required to submit semi-annual overtime reports to the Board of Supervisors, as specified in Administrative Code Section 18.13 (See APPENDIX C) because the code section exempts:

" . . . overtime worked by any employee where the City and County of San Francisco incurs no direct or indirect costs . . ."

The airport has taken the position that, under Code Section 18.13, costs incurred by the City and County of San Francisco are assumed to mean costs paid from the General Fund and, since the General Fund incurs no costs associated with airport overtime, no reports are required.

Because this position suggests a lack of adequate external fiscal oversight over the airport that needs to be addressed and corrected, the CGJ contacted the Office of the Controller for confirmation of the airport position. The opinion of the Office of the Controller is that the airport is subject to Administrative Code Section 18.13 relative to the submission of overtime reports to the Board of Supervisors.

Even though it asserted immunity from the reporting requirement, the airport indicated in its response that it does track overtime use. The response stated that:

" . . . internal policies do require the Airport Director's approval to exceed the 16% level overtime."

In addition, the airport provided to the CGJ an internal Executive Directive that states:

" . . . in accordance with City law, no full-time employee may earn or accumulate more than 332 hours of overtime pay or compensatory time total for the fiscal year. Generally this means an employee may not work more than 221 hours overtime (221 X 1.5 = app. 332) in a fiscal year." In addition, the Directive states that no employee may have more than 240 hours of compensatory time on the books at any time.

An " Attachment B" was included in the airport responses to the CGJ that caused serious concern. It was described as providing overtime information, and set forth specific and total overtime expenditure information for the last three fiscal years. Each line allegedly represented an employee. The report included a column specifying overtime hours worked, as well as total overtime pay received. For 1996-97, there were as many as 38 employees with conspicuous individual overtime excesses highlighted -- in excess of 332 overtime hours. As many as seventeen employees were credited with over 1000 overtime hours for the year. The highest number of overtime hours reported for one individual was 4,692.25 with a sum total of overtime wages paid to him of \$172,880.09.

Overtime Tracking Reports for 1997-98 were provided for several airport sections, for fiscal month 2 and fiscal month 3. "Exceeding" overtime earners were identified with excess overtime hours and percentages specified. In the 2 months monitored, 60 individuals were cited as excessive overtime earners. In fact there were 19 individuals with

overtime of at least 37% over allowable, and one individual with overtime of 160% over allowable.

FINDINGS

- With regard to the overtime reporting obligations of the airport, under Administrative Code Section 18.13, there is clearly a conflict between the position the airport has taken and the interpretation of the reporting requirements by the Office of the Controller.
- Although the airport greatly exceeded its overtime budget in 1996-97, it did not seek an additional budget appropriation as funds were used from unexpended salaries of vacant positions in the budget.
- In its response to the Grand Jury questionnaire, the airport did not address what it might be doing to fill vacant positions, or any difficulties it might be encountering. The only reference to aggressive action to control overtime was:

" The Airport is in the process of implementing a compressed work week pilot program which may reduce the need for overtime work."
- Extraordinary individual overtime is excessive. Nowhere in the airport response was there any mention of specific actions to address either departmental or individual overtime abuses.
- The airport is currently operating without external oversight of its overtime activities. Certain employees substantially increase their annual base salaries through the accumulation of extraordinary overtime hours and pay.

RECOMMENDATIONS

51. The Board of Supervisors should direct the City Attorney's Office to render a decision regarding the

- Airport's obligations to report under Administrative Code Section 18.13.
52. If the City Attorney's Office determines the Airport is required to file reports under Code Section 18.13, the Board of Supervisors should notify the Airport it is subject to the semi-annual reporting requirements of Administrative Code 18.13. The Airport should then file both current and delinquent reports within 45 days of said notification.
 53. If the City Attorney determines the Airport is not obligated to report under the provisions of Administrative Code Section 18.13, the Board of Supervisors should amend the Code Section to include the Airport under its requirements.
 54. The Airport Director should review staffing requirements to determine realistic optimum levels. The Airport should develop a plan to fill budgeted vacancies and implement aggressive hiring procedures to fill budgeted vacancies rather than relying on overtime paid from " salary savings."
 55. The Airport Director should examine all procedures governing the monitoring of overtime accumulation and review and tighten procedures to achieve a permanent reduction in overtime expenditures. Overtime limitations should be enforced.
 56. The Airport Director should institute procedures to carefully monitor individual overtime earners to significantly reduce excessive individual overtime.

RECREATION AND PARK DEPARTMENT

Overtime costs for the current year and for 1996-97, have significantly exceeded the budget for overtime. In 1995-96, overtime was less than the budgeted amount. Overtime can result from expected and unexpected events. The Department

needs to further evaluate the effectiveness of ten hour/four day shifts and weekend shifts (e.g., Tuesday-Saturday and Wednesday- Sunday) and, if necessary, incorporate them into MOUs. The level of overtime reimbursement for 3Com/Candlestick Park needs to be analyzed.

The Overtime Report shows the following overtime amounts for the San Francisco Recreation and Park Department:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$459,963	\$421,871	\$878,174
1996-97	\$401,899	\$401,899	\$900,833
1995-96	\$401,899	\$471,499	\$390,053

The Recreation and Park Department pays overtime for recurring and non-recurring events. Examples of recurring events include pre-event preparations at 3Com/Candlestick Park, weekend garbage pickups and volunteer programs in Golden Gate Park. Non-recurring events include damage caused by nature such as winter storms or a fire at Sierra Camp Mather. The Giants reimburse a portion of overtime for 3Com/Candlestick Park. Overtime above budgeted amounts was funded through "salary savings" from vacant positions.

The Recreation and Park Department responded to the CGJ's questionnaire. Copies of MOUs and numerous other documents were provided.

FINDINGS

- The Recreation and Park Department has recently tightened management control of overtime by requiring prior written authorization for overtime by the General

Manager. Failure to obtain such prior approval may result in disciplinary action.

- Most employees are covered by union contracts (MOUs) that in some cases determine how overtime will be assigned. The option of assigning employees to a ten hour/four day workweek will require renegotiating MOU provisions since not all current contracts provide for straight time shifts of more than eight hours.
- The Department has not yet evaluated the effectiveness of ten hour/four day shifts. In order to provide weekend gardener coverage, newly hired staff members can be required to work weekend shifts (Tuesday-Saturday or Wednesday-Sunday), which is expected to alleviate some use of overtime.
- The required report to the Board of Supervisors on overtime for 1996-97 has not been submitted. In November 1997, the acting General Manager indicated the report would be submitted shortly.

RECOMMENDATIONS

57. The Recreation and Park Department should continue to require prior approval by the General Manager for overtime.
58. The effectiveness of ten hour/four day shifts as well as weekend shifts (e.g., Tuesday- Saturday and Wednesday-Sunday) should be evaluated by the Department. If that scheduling is found to be effective in accomplishing the required work and reducing overtime it should be a priority to seek to include provisions authorizing such scheduling in MOUs.
59. The Director of the Recreation and Park Department should submit required overtime reports to the Board of Supervisors by the required deadline.
60. The Recreation and Park Department should evaluate whether the Giants and Forty-Niners are fully

reimbursing overtime costs incurred at 3Com/Candlestick
Park.

**PUBLIC UTILITIES COMMISSION (PUC) -
WATER DEPARTMENT**

The Water Department responded to the CGJ's questionnaire on overtime. Extensive exhibits and supplemental information were also provided.

The Public Utilities Commission includes the following three operating groups:

1. Hetch Hetchy Water and Power
2. San Francisco Water Department
3. San Francisco Clean Water Department

Significant overtime expenditures occur only in the Water Department. Overtime for the current and prior years has significantly exceeded the budget for overtime. The Overtime Report shows the following overtime amounts for the San Francisco Water Department:

For Year:	Original Budget	Revised Budget	Actual
1997-98 (through 5/15/98)	\$689,132	\$1,210,762	\$2,595,118
1996-97	\$682,132	\$694,215	\$2,640,049
1995-96	\$825,052	\$875,052	\$2,939,967

The Water Department stated that its report to the Board of Supervisors on overtime, as required under Administrative Code Section 18.13, has not been made for the following reason:

"The Controller's Accounting System changed from the old FAMIS to the new FAMIS."

The Department needs to make required reports on overtime to the Board of Supervisors.

Funds budgeted for vacant positions have been used to fund overtime, thus obviating the need to request supplemental appropriations from the Board of Supervisors. The "salary savings" scheme is used to shift base pay allocations to fund overtime without prior approval from the Controller or Board of Supervisors.

The Department needs to fill vacant positions and to implement alternative shift arrangements for ongoing operations and to have crews available to cope with emergencies.

The Independent in its December 23, 1997, issue analyzes the Water Department's use of overtime and quotes Water Department memoranda from 1995, documenting regular patterns of a select group of employees receiving the 'lion's share' of overtime. This group included many supervisors. The article further alleges that similar practices have gone on for years.

FINDINGS

- Approximately 25% of filtration plant positions are vacant. Therefore, overtime is required to safely operate the facilities. Hiring delays are blamed for these vacancies.
- No representatives of management are involved in union MOU negotiations.
- The Human Resources staff of the Public Utilities Commission was reported to be under-funded and understaffed. Difficulties were reported in changing from

the salary survey method of setting wage rates to the collective bargaining process which requires negotiating with unions. The existing staff may not have the skills and experience required for effective representation of the City's interests in collective bargaining.

- Since the Department routinely has capital expenditure construction projects underway it is able to shift some operating overtime expenses to capital expenditures. This can distort the reporting and accounting for operations and capital projects.

RECOMMENDATIONS

61. Since emergencies occur every year, overtime based upon prior year's experience should be included in the budget. Non-emergency projects should be scheduled for completion during normal working hours.
62. The Department should consider additional alternative shift arrangements that cover weekends and evenings, since pollution control problems regularly occur outside the normal work week.
63. The Water Department staff should be trained in the new FAMIS system and be able to make the required reports on overtime to the Board of Supervisors.
64. The Water Department (PUC) management should be part of the team negotiating MOUs.
65. Operating and capital accounts should be audited regularly to prevent shifting of operating overtime expenses to capital accounts.
66. The Water Department (PUC) should overhaul Human Resources hiring practices so that vacant positions can be promptly filled.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Airport Commission

Civil Service Commission

Community Health Network (Department of Public Health)

Department of Human Resources

Fire Department

Municipal Railway

Police Department

Recreation and Park Department

Water Department (PUC)

APPENDICES

APPENDIX A

City and County of San Francisco Overtime Report by
Department
Fiscal Years: 1995-96, 1996-97 and 1997-98 (as of pay
period ending 5/15/98)

APPENDIX B

SAN FRANCISCO COUNTY CIVIL GRAND JURY (1997-98)
OVERTIME QUESTIONNAIRE and COVER LETTER

APPENDIX C

San Francisco Administrative Code
Section 18.13. MAXIMUM PERMISSIBLE OVERTIME

APPENDIX D

City and County of San Francisco City Charter
Article IX: Financial Provisions
Section 9.100. Budget Process ordinances
Specific sections relating to the budget process

APPENDIX E

Documents reviewed during the investigation

APPENDIX F

Individuals interviewed during the investigation

APPENDIX G

Civil Service Hiring Outline
Provisional Hiring Outline

October 16, 1997

Mr. John Doe, Director
San Francisco Any Department
1000 Any Street, Room 100
San Francisco, CA 94110

RE: Overtime costs

Dear Mr. Doe,

The 1997-98 San Francisco County Civil Grand Jury is conducting an investigation into overtime costs incurred by various City and County departments. To facilitate this investigation, we are compiling information relative to both the written and the 'customary' overtime practices and procedures of specific departments.

The following questions have been developed to elicit pertinent information and aid in its analysis. Your cooperation in responding to these questions fully and completely, for your department, will be appreciated. To insure accuracy, the responses must be reviewed and acknowledged by the Chief Financial Officer of your department.

Please submit your written responses to these questions, specifically referenced to each numbered question, within thirty (30) calendar days from this date, and forward your responses to:

Civil Grand Jury Office
c/o Mr. Gary Giubbini
633 Folsom Street, Room 100
San Francisco, CA 94107

Attention: Overtime Committee

Thank you for your prompt attention to this very important matter.

Sincerely,

George G. Breed, Chairman
Overtime Committee
San Francisco County Civil Grand Jury

GB/rwg

SAN FRANCISCO COUNTY CIVIL GRAND JURY (1997-98)
OVERTIME QUESTIONNAIRE
for

Department

t

1. Explain why your department needs to pay overtime. Be specific.

Include models for normal scheduling requirements and overtime

scheduling requirements for weekdays, emergencies and holidays.

2. Does your department budget for expected overtime?

a. What is the amount budgeted for overtime for 1997-98?

b. Explain the parameters used to determine the amount budgeted for 1997-

98.

3. If the actual overtime paid in 1996-97 exceeded the amount budgeted for 1996-97, explain how and why. Be specific.

If overtime paid exceeded budget, explain how additional required funds

were appropriated?

4. Please provide copies of the following:

a. Departmental overtime budgets for the most recent three (3) fiscal years.

b. Budget explanations for the most recent three (3) fiscal years.

c. For the most recent three-(3) fiscal years, please provide a list, by job

classification, of departmental employees who are eligible for and who receive overtime, and the annual amount paid for each job classification.

5. Please provide copies of all departmental and contractual provisions governing overtime in your department, and those job classifications covered by each. Be specific.

a. Are any overtime provisions covered by employment and/or union contracts? Be specific.

b. Are any job classifications given overtime opportunities by provisions in employment or union contracts?

c. Are there any variations or differences in overtime provisions for individual job classifications as a result of either departmental policies or union contracts? Be specific.

6. Explain any accepted procedures for altering or modifying existing overtime rules and regulations.

How are employees notified of any changes in said rules or regulations?

7. In addition to departmental policies and contractual overtime provisions, do any other local, state or federal payroll rules, regulations and/or procedures apply to your department? Be specific.

8. Who in the department determines the need for overtime and authorizes it?

Explain the parameters determining the need for overtime.

9. Explain how it is determined which job classifications, and which specific employees within each classification, will be assigned overtime in excess of a normal workday.

Is seniority a factor in assigning overtime either by contractual provisions or departmental custom?

10. Has your department ever considered the alternative of a four (4) day, ten

(10) hour per day work week as a means of controlling overtime in excess

of a job classification's normal workweek? Explain why or why not.

11. Explain how it is determined which job classifications, and which specific employees within each classification, will be assigned overtime on designated holidays.

a. Is seniority a factor in assigning overtime either by contractual provisions

or departmental custom?

b. Please provide a list of designated holidays.

c. Specify whether these holidays are consistent among all job classifications.

If not, describe the differences.

12. Explain any variations either by contractual obligations or departmental customs

in overtime assignments in excess of a normal workday as opposed to overtime assignments for designated holidays?

13. For each job classification, explain the departmental pay calculation formula for:

- a. Overtime in excess of a normal workday.
- b. Overtime in excess of a normal workweek.
- c. Overtime for a designated holiday.

14. RE: Overtime oversight

- a. Explain how departmental overtime is reported to your payroll department.
- b. Explain how departmental overtime is reported to the Controller's office.
- c. Explain whom or what department audits overtime expenses and determines the accuracy of overtime payments.

15. In 1995, the San Francisco Board of Supervisors passed an ordinance requiring

semi-annual written reports from all departments either paying more than one

million dollars (\$1,000,000) annually in overtime, or exceeding annual budgeted

wages by five percent (5%). For the year 1996-97, please provide copies of

these semi-annual reports for your department.

If these reports are not available, explain why not.

16. Section 18.13 of the Administrative Code requires biannual written reports to the

Board of Supervisors regarding specific employees with annual overtime wages

that exceed sixteen percent (16%) of their gross scheduled salary. Please provide

copies of the two most recent reports regarding such individual employees, by job

classification, for your department.

a. For employees exempt from reporting under Section 18.13, but who

received similar overtime compensation, please provide comparable payroll information.

b. If these reports are not available, explain why not.

Responses submitted by:

Signature: _____

Name (Please print): _____

Title: _____

Date: _____

The foregoing responses have been reviewed for accuracy and are acknowledged by the Chief Financial Officer of _____ Department.

Signature: _____

Name (Please print): _____

Title: _____

Date: _____



Article IX: FINANCIAL PROVISIONS

SEC. 9.100. BUDGET PROCESS ORDINANCES.

The fiscal year for the City and County shall commence on the first day of July of each year and shall end on the last day of June of the next succeeding year. On or before June 30 of each year, the Board of Supervisors shall, except for equipment and capital improvements, enact an interim appropriation ordinance and not earlier than the 15th day of July, nor later than the first of August of each year, the Board of Supervisors shall adopt the proposed budget as submitted or amended and shall adopt the annual appropriation ordinance accordingly, which shall supersede the interim appropriation ordinance.

The Mayor shall submit and the Board of Supervisors shall act on ordinances with respect to the following:

1. A schedule and procedures for the orderly preparation and submission of the annual proposed budget and for the review and adoption of the necessary interim and final appropriations ordinances;
2. A description of the form of the annual proposed budget and appropriation ordinance consistent with the financial records required by Section 3.105 of this Charter and containing information relating the type and extent of services to be delivered or revenues to be generated to proposed expenditures in a manner which, to the extent feasible, allows comparison of revenue trends as well as expected performance and expenditures between various fiscal years;
3. A procedure to include public participation in the budgetary process which shall include public hearings conducted by the commissions, Mayor and the Board of Supervisors; and
4. The form, content and dates of submission of the City's Capital

Improvements and Facilities Maintenance Budgets. The ordinance relating to Capital Improvement and Facilities Maintenance shall minimally:

(a) Require that such budgets be prepared for more than a single year;

(b) Clearly establish distinctions between major, long term construction, replacement and acquisition projects (Capital Improvements) and short term repair, minor replacement and maintenance projects (Facilities Maintenance);

(c) Be consistent as to the date of submission with the time requirements established for the submission of the budget and appropriation ordinance; and

(d) Provide information regarding the estimated completion schedule for Capital Improvements, the funding source for each and the estimated annual operating costs thereof.

SEC. 9.101. PROPOSED ANNUAL AND MULTI-YEAR BUDGETS.

The Mayor shall submit to the Board of Supervisors each year an annual proposed budget, ordinances and resolutions fixing wages and benefits for all classifications and related appropriation ordinances.

The annual proposed budget shall include:

1. Estimated revenues and surpluses from whatever sources, to the extent feasible, for the forthcoming fiscal year and the allocation of such revenues and surpluses to various departments, functions and programs to support expenditures. Proposed expenditures may include such necessary and prudent reserves as recommended by the Controller; and

2. A summary of the annual proposed budget with a narrative description of priorities, services to be provided and economic assumptions used in preparing the revenue estimates. The summary shall also contain a discussion of trends and projections of revenues and expenditures of the City and County for the subsequent four years.

The annual proposed budget and appropriation ordinances shall be balanced so that the proposed expenditures of each fund do not exceed the estimated revenues and surpluses of that fund. If the proposed budget contains new revenue or fees, the Mayor shall submit to the Board of Supervisors the relevant implementing ordinances at the same time the annual budget is submitted.

Until the appropriation ordinances are adopted by the Board of Supervisors, the Mayor may submit to the Board of Supervisors revisions to the annual proposed budget, appropriation ordinances, and ordinances and resolutions fixing wages and benefits.

The Mayor may instruct the Controller to prepare the draft appropriation ordinances.

The Mayor shall file a copy of the annual proposed budget at the Main Library and shall give notice of the budget summary, including making copies available to the public. Upon final approval of the budget by both the Board and the Mayor, notice shall be given of the final budget summary.

The Board of Supervisors by ordinance may require multi-year budget plans and other budget planning strategies to be performed by the several departments and offices of the City and County.

SEC. 9.102. CERTIFICATION OF REVENUE ESTIMATES.

The Mayor shall submit to the Controller for review the estimated

revenues contained in the annual proposed budget and any subsequent revisions. The Controller shall then provide the Board of Supervisors with an opinion regarding the accuracy of economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions.

SEC. 9.103. ADOPTION OF APPROPRIATION ORDINANCES.

The Board of Supervisors may amend the annual proposed budget and appropriation ordinances as follows:

1. After review of the Controller's analysis of the Mayor's revenue estimates, the Board of Supervisors may reduce estimated revenues;
2. The Board of Supervisors may increase or decrease any proposed expenditure in the General Fund or any special, sequestered or other fund so long as the aggregate changes do not cause the expenditures from each fund to exceed the amount proposed for expenditures by the Mayor from any such fund; and
3. The Board of Supervisors may increase or decrease any proposed expenditure for Capital Improvements.

SEC. 9.104. VETO OF APPROPRIATIONS.

The Mayor may reduce or reject any expenditure authorized by the Board of Supervisors, except appropriations for bond interest, redemption or other fixed charges, within ten days after the adoption of a final annual or supplemental appropriations ordinance. Within ten days of receipt of the Mayor's veto message, the Board of Supervisors may reinstate, in whole or in part, any expenditure reduced or rejected by the Mayor by a vote of two-thirds of its members. In overriding any Mayoral veto, the Board of Supervisors shall not cause the aggregate expenditures for the General Fund or any special, sequestered or other fund in the appropriation ordinances to exceed the Mayor's revenue estimate as allocated to

such funds.

SEC. 9.105. MODIFICATIONS.

The Board of Supervisors may authorize the Controller, upon the request of the Mayor, other officials, boards or commissions of the City and County to transfer previously appropriated amounts within the same fund within the same governmental unit without approval of the Board of Supervisors.

Amendments to the appropriations ordinance, as finally adopted, may be initiated by the Mayor or a member of the Board of Supervisors and adopted in the same manner as other ordinances. No amendment to the appropriations ordinance may be adopted unless the Controller certifies availability of funds.

Any appropriation contained in an emergency ordinance shall be deemed to be an amendment to the final appropriations ordinance.

SEC. 9.113. CASH RESERVES.

Unused and unencumbered appropriations or unencumbered balances existing at the close of any fiscal year in revenue or expense appropriations of the City and County for any such fiscal year, but exclusive of revenue or money required by law to be held in school, bond, bond interest, bond redemption, pension, trust, utility or other specific funds, or to be devoted exclusively to specified purposes other than annual appropriations, and together with revenues collected or accruing from any source during such fiscal year, in excess of the estimated revenue from such source as shown by the annual budget and the appropriation ordinance for such fiscal year, shall be transferred by the Controller, at the closing of such fiscal year, to a "Cash Reserve Fund" which may be used only in the manner authorized by Section 6.304 of the Charter of 1932, including the transfer provisions, as codified in the Administrative Code; provided, however, that when the balance in the Cash Reserve Fund equals ten per cent of the current or the last preceding tax levy no

such transfer shall be made except on the recommendation of the Controller, the approval of the Mayor and the authorization of the Board of Supervisors.

Such unused and unencumbered appropriations, balance and revenue collections in excess of revenue estimates, as defined in this section when not transferred to the Cash Reserve Fund as hereinbefore in this section required or authorized, shall be held as surplus.

Such surplus shall be taken into account as revenue of the ensuing fiscal year; provided, however, that any such surplus created or existing in any fiscal year may be appropriated by the Board of Supervisors by means of an ordinance designated as a supplemental appropriation ordinance.

In the event the Mayor or a member of the Board of Supervisors recommends a supplemental appropriation ordinance after the adoption of the budget for any fiscal year and prior to the close of the fiscal year containing any item which had been rejected by the Mayor in his/her review of departmental budget estimates for the fiscal year or which had been rejected by the Board of Supervisors in its consideration of the Mayor's proposed budget for the fiscal year, it shall require a vote of two-thirds of all members of the Board of Supervisors to approve such supplemental appropriation ordinance.

No ordinance or resolution for the expenditure of money, except the annual appropriation ordinance, shall be passed by the Board of Supervisors unless the Controller first certifies to the Board that there is a sufficient unencumbered balance in a fund that may legally be used for such proposed expenditure, and that, in the judgment of the Controller, revenues as anticipated in the appropriation ordinance for such fiscal year and properly applicable to meet such proposed expenditures will be available in the treasury in sufficient amount to meet the same as it becomes due.

The Board of Supervisors shall have the power to borrow money by the issuance of tax anticipation notes, temporary notes, commercial paper, or any other short-term debt instruments in the manner

provided by state law or City ordinance.

SEC. 9.114. MISSION-DRIVEN BUDGET.

Each departmental budget shall describe each proposed activity of that department and the cost of that activity. In addition, each department shall provide the Mayor and the Board of Supervisors with the following details regarding its budget:

1. The overall mission and goals of the department;
2. The specific programs and activities conducted by the department to accomplish its mission and goals;
3. The customer(s) or client(s) served by the department;
4. The service outcome desired by the customer(s) or client(s) of the department's programs and activities;
5. Strategic plans that guide each program or activity;
6. Productivity goals that measure progress toward strategic plans;
7. The total cost of carrying out each program or activity; and
8. The extent to which the department achieved, exceeded or failed to meet its missions, goals, productivity objectives, service objectives, strategic plans and spending constraints identified in subsections (1) through (6) during the prior year.

Departmental budget estimates shall be prepared in such form as the Controller, after consulting with the Mayor, directs in writing.

SEC. 9.115. DEPARTMENTAL BUDGET COMMITMENTS.

It shall be the duty of each officer, department head, board or commission ultimately responsible for the management of each department to certify to the Mayor and the Board of Supervisors his/her commitment to perform the programs and activities with specified levels of performance for specified costs as outlined in the budget description and other information required by Section 9.114.

SEC. 9.116. DEPARTMENTAL SAVINGS AND REVENUE GAINS.

Within 30 days of the Controller's issuance of the combined annual financial report of the City and County, the Controller shall report to the Mayor and Board of Supervisors regarding the extent to which each department in the prior fiscal year has recovered additional revenues measured by the difference between projected and experienced revenues. It shall be City policy for the Mayor and Board of Supervisors, upon receipt of this report, through the supplemental appropriations process to give serious consideration to rewarding those departments that the Controller has certified pursuant to this section exceeded their revenue goals or met or exceeded departmental operational goals expending less than has been projected in the budget.

SEC. 9.117. ESTABLISHMENT OF AUDIT COMMITTEE OF THE BOARD OF SUPERVISORS.

On or before the operative date of this Charter and until this requirement is changed by the Board of Supervisors, the Board of Supervisors shall establish through its rules an Audit Committee.

The Audit Committee shall:

1. Maintain a direct and separate line of communication between the

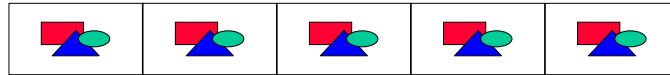
Board of Supervisors and the City and County's independent auditor;

2. Meet with the independent auditor to review the audited annual financial statement and the auditor's report on such matters as the quality and depth of management and compliance;

3. Recommend appropriate action to be taken by the Board of Supervisors to implement recommendations contained in the audit report;

4. Follow up, as necessary, to ensure that approved recommendations are promptly implemented; and

5. Perform other duties as assigned by the Board of Supervisors.



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01/15/98

DOCUMENTS REVIEWED

1. 1992-1993 Civil Grand Jury Report, City and County of San Francisco, California

Overtime

2. Response of the San Francisco Fire Department to:
1993-1994 Civil Grand Jury Report, City and County of San Francisco, California

San Francisco Fire Department--Labor Cost Management

3. Budget Analyst Report to Supervisor Conroy, dated September 15, 1994

RE: Overtime Expenditures for Calendar Year 1993 and January through June 1994.

4. Office of the Controller Memorandum, dated March 6, 1998

RE: Overtime by Department for 1995-96, 1996-97, and 1997-98 (as of pay period ending 2/20/98)

5. 1996-1997 Civil Grand Jury Report, City and County of San Francisco, California

The Hiring Process in the City and County of San Francisco

Worker's Compensation Program

6. Response of the Department of Human Resources to:
1996-1997 Civil Grand Jury Report, City and County of San Francisco, California

The Hiring Process in the City and County of San Francisco

Worker's Compensation Program

7. Department of Human Resources Performance Summary,
1996-97

Summary of Worker's Compensation expenditures by
fund, category and fiscal year.

8. San Francisco Department of Public Health
Responses to 1997-98 Civil Grand Jury Overtime
Committee Questionnaire

9. Department of Public Transportation City and County of
San Francisco

Responses to 1997-98 Civil Grand Jury Overtime
Committee Questionnaire

MOUs between the City and County of San Francisco and
the Transport Workers' Unions

Provisional Hiring Outline

Civil Service Hiring Outline

Monthly Management Report for December 1997

10. San Francisco Fire Department:

Administration Restructuring Chart, dated April 1, 1997

Personnel Status 1997-1998

Memorandum of Understanding between

San Francisco Fire Fighters Union Local 798, IAFF,
AFL-CIO, and

The City and County of San Francisco

July 1, 1995 to June 30, 1999

Unit 1 (All Uniformed Ranks below H-40 Battalion
Chief

SFFD Action Plan to Reduce Overtime Costs, dated
October 24, 1997

SFFD Overtime Justification Report, dated October 24,
1997

List of overtime paid by job Classification, dated
October 27, 1997

Compensation for uniformed employees for fiscal year
1997-98

for the period from July 1, 1997-December 31, 1997

Responses to 1997-98 Civil Grand Jury Overtime
Committee Questionnaire

11. San Francisco International Airport

Responses to 1997-98 Civil Grand Jury Overtime
Committee Questionnaire

12. San Francisco Police Department

Responses to 1997-98 Civil Grand Jury Overtime
Committee Questionnaire

13. Recreation and Park Department

Responses to 1997-98 Civil Grand Jury Overtime
Committee Questionnaire

14. Water Department (PUC)

Responses to 1997-98 Civil Grand Jury Overtime
Committee Questionnaire

INDIVIDUALS INTERVIEWED

Office of the Controller

Controller

Assistant Controller

Budget Analyst

Budget Analyst

Department of Human Resources

Human Resources Director

Manager, Operations Division

Department of Public Health

Human Resources Director

Department of Public Transportation

Director, Public Transportation Department

Chief Operating Officer

Chief Financial Officer

Deputy Director of Operations and Chief Transportation
Officer

General Superintendent, Scheduling and Data Services,
Safety and Training

Director of Personnel

Personnel Officer

Assistant General Manager, Department of Human
Resources

Director of Training

San Francisco Police Department

Deputy Chief

Administrative Assistant

Chief Financial Officer

Others

Sheriff's Department

Undersheriff

Board of Supervisors
Members

HOMELESSNESS IN SAN FRANCISCO

SUMMARY

“The Continuum of Care, a 5 Year Strategic Plan 1996 – 2001” (Continuum of Care) was developed by the Homeless Budget Advisory Task Force. The Plan was adopted by the Board of Supervisors of San Francisco in August 1997 and approved by the Mayor in September for implementation. As a result of its review, the 1997-1998 Civil Grand Jury makes recommendations as to:

- Budgeting and staffing of the office of the Mayor’s Homeless Coordinator
- Filling vacancies and representation on the Local Board
- Housing and treatment priorities of the Local Board
- Monitoring, coordinating and reporting responsibilities of the Local Board.

BACKGROUND

The 1997-98 Civil Grand Jury (CGJ) conducted a six month study of the current status of the “ Continuum of Care, A Five Year Strategic Homeless Plan 1996-2001” , the City and County of San Francisco, August 1996, which plan was adopted by the Board of Supervisors and approved by the Mayor.

This Continuum of Care sets forth a five-year plan to assist people who are homeless or who are at risk of being homeless.

The Continuum of Care calls for the creation of a Local Homeless Coordinating Board (Local Board) that will function as a city-wide advisory body to ensure that City departments and their budget allocations are consistent with the plan set forth in the Continuum of Care. This plan was adopted

by the Board of Supervisors on August 25, 1997, and approved by the Mayor on September 5, 1997.

The 1994-1995 CGJ, as a result of its study on Homelessness in San Francisco, identified that the Continuum of Care was in its final draft at the time its report was prepared.

The 1994-95 CGJ supported the conclusion of the Mayor's Budget Task Force on Homelessness that priority should be given to searching for long-term solutions to homelessness, including transitional and permanent housing, support services, health care, mental health care and job training and placement for homeless people. The 1994-95 CGJ recommended that the Integrated Action Plan developed by the work groups of the five-year plan be implemented.

The 1997-98 CGJ agrees that the Continuum of Care placed strategic emphasis on permanent solutions for alleviating homelessness and supports the recommendations for implementation of the action plans. The major goals of the Continuum of Care Plan are to establish an integrated, effective, and coordinated system of health care, housing, employment and support services to prevent and reduce homelessness in San Francisco and to establish a Local Board to ensure that the recommendations of this plan are implemented, monitored, and evaluated.

PROCEDURES

This study by the 1997-98 CGJ gathered information about the current status of the plan set forth in the Continuum of Care plan, the current status of the implementation of the identified action plans, and the current status of the establishment of and priorities of the Local Board. Much information was obtained from interviews with department heads, members of the Mayor's Budget Task Force on Homelessness, homeless advocates and members of the Local Board. The published policy document, Continuum of Care, was the core focus of this study by the 1997-1998 Civil Grand Jury.

MAYOR'S HOMELESS COORDINATOR

BACKGROUND

Each of the last four Mayors has established an office with responsibility for advising the Mayor on homelessness issues and coordinating departmental activities to reduce homelessness. Currently, coordination of the departmental activities is aimed at the City establishing an integrated system of health care, housing, employment and support services for those who are homeless and for those who are at risk of becoming homeless. This office reports to the Mayor but the staff of the coordinator is on loan from other departments.

The mission of the Office, to reduce homelessness in San Francisco, is patently clear. But the activities of the office are as varied and complex as the problem of homelessness itself. Currently with a total staff of four, the Mayor's Office on Homelessness is generally perceived to be responsible for: increasing the City's potential for accessing federal homeless funding; overseeing the collaboration and coordination between city departments and community based housing and service provider organizations in seeking homeless funds and in providing services to various homeless populations; targeting "hot spots" and focusing outreach teams to identify and serve homeless populations in public areas such as Golden Gate Park, Buena Vista Park, Civic Center; overseeing and supervising the development of emergency shelters like Mission Rock (a 600 bed city operated shelter); monitoring the demographics of San Francisco's homeless populations; participating as a member on the Local Homeless Board; and articulating the policies of the Mayor in regard to goals, budget and

solutions to the City's homelessness problems. The Mayors Office on Homelessness also analyzes and evaluates the effectiveness of private and public programs which are to reduce homelessness in the City.

FINDINGS

- The Mayor's Office on Homelessness re-invents itself with the appointment of each Coordinator. Since Mayor Feinstein, the City has employed at least five different Mayor's Homeless Coordinators. While allowing for differences in philosophies and program approaches to solving the homeless problem by different mayoral administrations, the Office suffers from a lack of historical continuity and organizational structure.
- Each new coordinator under the direction of the Mayor often defines his/her job without the benefit of files and records of his/her predecessors.
- Staff is often on loan from other City departments and the Coordinator serves at the pleasure of the Mayor. Staffing levels are low, given the magnitude of the problem and responsibilities.
- The broad mission of the Office on Homelessness involves a complex and varied range of specific tasks and responsibilities which overwhelm the small staff, especially in light of the uncertain status of the office.

RECOMMENDATIONS

1. Written job descriptions should exist for the Mayor's Homeless Coordinator and staff, outlining responsibilities, needed qualifications and experience and lines of authority.
2. The Mayor's Office should acknowledge that homelessness is not a transitory phenomenon. The Office on

Homelessness should be given an adequate budget to fulfill its function and responsibilities, and the same status as other divisions of the Mayor's office, such as the Mayor's Office of Community Development and Office of Children, Youth and Families.

3. Staff and office functions need to be structured and ongoing in order to provide continuity of function for newly appointed Homeless Coordinators.
4. The work of the Local Board and the implementation of the Continuum of Care can greatly improve the quality of life for San Francisco's homeless populations. Therefore, the Homeless Coordinator and staff should continue to act as support staff for the Local Board.
5. An informal performance audit should be conducted to determine needed staffing levels, adequacy of resources and the activities of optimal effectiveness of the office of the Mayor's Homeless Coordinator.

LOCAL BOARD

BACKGROUND

The HUD initiative of April 1994 consolidated grants of federal homeless funds and required that cities and counties establish Local Homeless Coordinating Boards (Local Boards) to oversee local homeless planning. The HUD initiative did not define the role of Local Boards.

The Local Board is to monitor a united homeless strategy supported by the Mayor, the Board of Supervisors, City departments, nonprofit agencies, homeless and formerly homeless people, and the community at large. It is also to advise the Mayor and Board of Supervisors on annual homeless

funding priorities and allocations for the use of federal and state homeless block grant funds.

The Board of Supervisors' resolution of August 1997 stated that the Local Board is to function as a city-wide advisory body to city departments, commissions, and the Board of Supervisors. The authorizing resolution also required the Local Board to ensure compliance with the Continuum of Care plan. The supervisors were to appoint 12 members of the Local Board and the Mayor was to appoint 18 members. The design for a 30-member body is now in place. This board is mandated to include representatives from homeless, formerly homeless, community, advocacy organizations, service provider agencies, business and corporate sectors, foundation community, the Mayor's Homeless Coordinator, and representatives of City departments. The members of the Board were sworn in during January 1998.

The Continuum of Care recommends that the Local Board play a central role in coordinating communication and information among agencies and among existing housing and service provider organizations and advocacy coalitions. The main functions of the Local Board are to improve coordination among these entities and other advisory groups in order to reduce duplication of effort, and strengthen the effectiveness of citywide planning.

To date, the priority of the Local Board is to coordinate the preparation of an application for funding from the United States Department of Housing and Urban Development (McKinny funding). The Local Board proposes the following priorities be funded by such a grant: permanent housing for homeless persons with disabilities; appropriate treatment for homeless persons with substance abuse and/or mental health problems; employment services for homeless persons (including job training and job retention services).

According to the Continuum of Care, the Local Board will implement, monitor and evaluate the integrated service system. Specific responsibilities of the Local Board will include the following:

- a) monitor the integrated health, housing, employment and social service system described in the Continuum of Care to ensure compliance with its principles and recommendations;
- b) develop and adopt an annual homeless plan including funding priorities, progress reports, updated needs assessment and methods and instruments for measuring outcome of the integrated service system;
- c) monitor the use of federal and state homeless block grant funds and ensure that City department and nonprofit agencies receiving funding are operating programs that are consistent with the principles and recommendations of the Continuum of Care. Make recommendations to the Mayor, the Board of Supervisors and relevant City departments and commissions on the use of all other homeless targeted funds;
- d) authorize applications for federal and state funding;
- e) notify the public, when feasible, of the availability of homeless funds and hold public hearings;
- f) review and make recommendations on applications from local agencies for federal homeless funds;
- g) review and make recommendations to the Mayor and the Board of Supervisors on all existing policies and legislation affecting homeless people. For new policies and legislation, review shall occur prior to formal adoption by the Mayor and the Board of Supervisors;
- h) foster public accountability in all aspects of the oversight, implementation, and evaluations of the integrated service system.

i) play a central role in coordinating communication and information among these agencies and provider and advocacy organizations.

FINDINGS

- According to the Continuum of Care, City and nonprofit agencies will retain authority over homeless funds that come directly to their agencies.
- The Local Board can *only* recommend and advise.
- The Local Board also monitors the implementation of the Continuum of Care.
- Large business, labor and philanthropic seats on the Local Board are among the most difficult seats to fill. As of May 15, 1998, these seats had not been appointed by the Board of Supervisors.
- The role of the Mayor's Homeless Coordinator has not been defined.
- The Office of the Mayor's Homeless Coordinator is not adequately staffed.
- The Local Board has a high representation of advocates, homeless and service providers.
- At community meetings, a minimal number of members of the Local Board is present.
- The Continuum of Care plan was drafted in 1995-1996 and has not been updated.

RECOMMENDATIONS

1. The Local Board should update the Continuum of Care to reflect current aspects of homelessness in San Francisco and, in particular, the effect of changes in

Welfare and Workfare that have occurred since the Continuum of Care was drafted.

2. The Local Board should prepare an annual report on the state of homelessness in the City, which will contribute to documenting historic progress of each administration's efforts to help the homeless and to provide continuity.
3. The Board of Supervisors and the Mayor should fill the vacant seats on the Local Board.
4. The Board of Supervisors and the Mayor should consider adding additional seats on the Local Board. These seats should represent the public and not those with vested interests in courses of action.
5. The Local Board should seek representation from influential community organizations to assist in procuring resources for imaginative ideas to create concrete solutions to the complicated problems of homelessness.
6. The Local Board should identify information and data that is needed to perform its task and should assign to specific City departments the responsibility for gathering and submitting the necessary information.
7. The Local Board should create an effective action plan for itself. If this plan is relatively narrow, and is followed, the Local Board will develop respect for its abilities and from this respect will come the ability to influence homeless policy.
8. The Local Board should establish guidelines for attendance which require replacement of members not actively participating in scheduled regular, special, and sub-committee meetings.
9. The Local Board should establish guidelines for attendance of Local Board members at scheduled community meetings.
10. The Local Board should have the specific responsibility of coordinating communication and information among

agencies, existing housing and service provider organizations and advocacy coalitions. It should make recommendations to the Mayor and the Board of Supervisors to prevent duplication of effort and strengthen citywide planning and the implementation of homeless policy and funding recommendations.

11. The Local Board should adopt specific responsibility for the publishing of an annual status report on homelessness. All recommendations made by the Local Board and responses to these recommendations should be available to *John Q. Public*.

RESPONSES REQUIRED

The Mayor's Office

The Board of Supervisors

Local Homelessness Coordinating Board (Local Board)

Department of Human Services

APPENDICES

Appendix A

Local Board Committee

Appendix B

Department Head Representatives

Appendix C

Local Board Seats

Appendix D

Resolution Adopting Continuum of Care and Establishing
the Local Board

Appendix E

Memorandum from Mayor's Homeless Coordinator

DEPARTMENT OF ELECTIONS

SUMMARY

The 1997-98 Civil Grand Jury (CGJ) investigated the operations of the Department of Elections. The investigation was begun, in part, due to publicity regarding alleged voting irregularities. The investigation showed areas that, with improvement, would make the department and the voting process more efficient, including the collaborative work needed between the Department of Public Health and the Department of Elections, the training of precinct workers, the need for voter identification and the modernization of voting equipment.

BACKGROUND

The Department of Elections is empowered to conduct all local, state and federal elections. "The Department of Elections is responsible for the conduct, management and control of registration of voters, the holding of elections, and all matters pertaining to elections." (Mission Statement, Department of Elections)

The responsibility of the Department of Elections include: voter registration, the nomination and filing process for candidates to regional, state, federal, and City and County offices; the preparation and distribution of voter information materials; ballots, precinct operations and vote count; the prevention of fraud in such elections; and the recount of ballots in cases of challenge

or fraud. (Background statement, Mayor's Proposed Budget for Fiscal Year 1997-1998)

There has been highly publicized concern about alleged irregularities in the June 3, 1997, election, with respect to the vote on the new Candlestick Point Stadium plan. The Secretary of State undertook to investigate these allegations, and, consequently, the CGJ did not pursue any investigation of those issues.

The CGJ investigated the Department of Elections' conduct of the voting process, including the recruitment and training of precinct workers, the conduct of the vote and the election night count.

At present there are 430,794 registered voters in the City and County of San Francisco. In 1996 California voters passed Proposition 198 which allows voters in primary elections to vote for any candidate running for a particular state or federal office, regardless of party. This requires the Department of Elections to produce larger voter information pamphlets and more lengthy ballots.

PROCEDURES

The CGJ attended the training session held for Precinct Inspectors before the November 1997 election and reviewed the Poll Worker Manual. Jury members visited polling places on Election Day, November 4, 1997, and visited the Department of Elections after the polls closed that evening. Jurors interviewed the Acting Registrar of Voters, the former Registrar of Voters and the Precinct Service Manager. Jurors also observed polling places in numerous precincts on Election Day, June 2, 1998.

TRAINING OF PRECINCT STAFF

The class for Precinct Inspectors attended by the Jurors was well presented and the information was clear and succinct. The Poll Worker manual was circulated to the inspectors and each section was thoroughly explained. Questions were solicited and well answered. Each step of the voting day was well covered.

Despite advertising for precinct workers, the Department of Elections has difficulty recruiting enough people for the one day of work. Inspectors receive seventy-nine dollars (\$79.00), and clerks sixty-two dollars (\$62.00) for the one day of precinct work. Poll workers must report to work at 6:30 a.m., and their day is not over until the ballots are delivered for counting after the polls close at 8:00 p.m. An experimental program to enlist students as precinct workers is underway and was in trial use during the June 1998 election.

There are three workers at every precinct: an Inspector and two Clerks. There must always be a minimum of two workers on duty. In order to give precinct workers an incentive for doing their work correctly, Inspectors will be paid ninety-five dollars (\$95.00) and Clerks seventy-two dollars (\$72.00) if their precinct has a 100% accuracy rate. The November 1997 election was the first time Precinct Services tracked the accuracy rate of ballot reconciliation and it was 90%. Pay rates are set by the Department but must be approved by the Board of Supervisors and the Mayor.

FINDINGS

- The training for Inspectors is well presented.

- The poll worker manual is well organized and can easily be referenced.
- Training is available but not mandatory for Clerks.
- Clerks are paid less than the minimum wage.

RECOMMENDATIONS

1. All precinct workers should be required to attend a training seminar.
2. All prospective Clerks and Inspectors should be reimbursed for their training time.
3. The pay rate for Clerks should be increased to at least the minimum wage, and the pay rate for Inspectors should be raised in a commensurate manner.

CONDUCT OF THE VOTE

San Franciscans vote at numerous regular polling places throughout the City. Each polling place is supposed to be staffed by an Inspector and two Clerks.

During the last two elections (November 4, 1997, and June 2, 1998) Jurors observed numerous problems, including the following:

- an inadequate number of precinct workers to open polling places (only one present);
- precinct workers unable to explain the open primary ballot;
- precinct workers giving voters whatever ballot they requested;
- a precinct worker unable to find voters' names on an alphabetized list;
- precinct workers discussing a voting couple's different party affiliations;

- excessive and disruptive chat among precinct workers;
- location of polling place inaccurately described in the voting pamphlet;
- inadequate supplies of particular ballots;
- a precinct worker asking a voter if he was planning to vote for a party's Central Committee candidates, and offering him another party's ballot.

During the vote counting, the Department has a staff person manually remove stray "punch outs" from the paper ballots. This adds time to the process of counting the vote.

FINDINGS

- There is disarray and confusion at some polling places.
- There are irregularities in the conduct of the vote.
- Proper decorum for voting is not always present.
- The paper ballots are inefficient, time consuming, and outmoded.

RECOMMENDATIONS

4. All polling places should be scrutinized prior to Election Day to ensure that the location is accurately described in the election material.
5. The Department should emphasize in its training and oversight the importance of being knowledgeable on both polling place procedures and appropriate professionalism and decorum.
6. The Department of Elections should institute a process as soon as possible to solicit comments and complaints from the voters. The process should include the timely review of, and response to, all complaints, and should incorporate necessary changes into its training and oversight.

7. The Department should explore conversion to an electronic voting system as soon as possible.

RECORD KEEPING - DEATHS

It is the duty of the Department of Health to keep the Department of Elections currently advised of deaths within the City and County of San Francisco. This is one way in which the Election Department keeps the voter rolls accurate. The Department of Health has failed to file reports of deaths with the Elections Department for the past year.

FINDINGS

- The Department of Health has been delinquent in reporting deaths;
- The Election Department has been delinquent in pursuing this information.

RECOMMENDATIONS

8. The Department of Public Health should notify the Department of Elections of deaths within the City and County of San Francisco on a monthly basis.
9. The Department of Elections should ensure that this monthly reporting is received and acted upon.

INACTIVE VOTERS

If a voter has not voted in four consecutive elections, the name of that person is placed in an inactive status. With

proper proof that voter can be reinstated to the voting rolls.

The Department of Election requests that voters notify them when moving to a new residence. If the voter neglects to do this, his/her voter information booklet will be mailed to the original address.

FINDING

- The Department of Elections has no way of knowing how many voters have moved without changing their addresses.

RECOMMENDATION

10. The Department of Elections should better publicize the need for voters to change their addresses with the Registrar of Voters when moving.

VOTER IDENTIFICATION

At the November 1997 election, voters were requested to show their California Drivers License or other photo identification on a voluntary basis. At present the law allows the Department of Elections to request this information but does not require it. There is legislation pending in the State Legislature to require voters to present photo identification at the time of voting. (AB 2323)

FINDING

- The requirement to show photo identification at the time of voting would decrease the opportunity for voter fraud.

RECOMMENDATIONS

11. The Department of Elections should continue to request that photo identification be shown at the time of voting.
12. The Department of Elections and representatives of the City and County of San Francisco should emphatically support a requirement to show photo identification.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Election

Department of Health

Department of Human Resources

GOLDEN GATE BRIDGE DISTRICT

SUMMARY

The CGJ reviewed the governance of the Golden Gate Bridge, Highway and Transportation District ("District"), particularly the compensation of District Board members, the appointment process, and the overall composition of the Board. The CGJ recommends that the structure of the District be reexamined with a view to making it more suitable for present and future functions.

PROCEDURES

The District, which operates the Golden Gate Bridge and the Golden Gate Bus and Ferry system, covers six counties: Marin, Sonoma, San Francisco, Napa, Mendocino and Del Norte. The San Francisco Civil Grand Jury (CGJ) contacted the Civil Grand Juries of the other five counties in the District about making a joint study of the District in order to gain a better understanding of its operation and governance. Marin and Sonoma County initially expressed interest in the study, but when these counties decided not to continue participation, the San Francisco CGJ turned its attention to the governance of the District and the City and County of San Francisco's (CCSF's) representation on the District Board.

The CGJ reviewed the legislation establishing the District, its governing documents, annual reports and other studies and reports of the District, and interviewed District officials and past and current members of the District Board. The General Manager of the District and his staff were co-operative and helpful. Overall, the CGJ was impressed with the thoroughness of the District's documentation.

BACKGROUND

History and Purpose of the District

The District was formed in 1928 to build and operate the Golden Gate Bridge (Bridge) to link the then isolated north counties of the Redwood Empire with San Francisco and its port. The Bridge was completed in 1937, and today has over 41 million vehicle crossings annually. The debt incurred to build the Bridge has been fully repaid. When increased Bridge traffic began to threaten mobility across the Bridge, the District, in 1970, created a bus and ferry system to lure commuters out of their cars. Today, its buses and ferries carry more than 10 million riders per year, providing service between Marin, Sonoma, Napa and San Francisco Counties and intra-county transit service for Marin and parts of Sonoma.

Although the original purpose of the District was to build the Bridge to facilitate the economic growth of San Francisco and the Redwood Empire counties, today the District's primary focus is local transportation. Less than 2% of Bridge traffic is commercial, and the vast majority of Bridge crossings are suburban commuters to San Francisco. Operating the Bridge has become secondary to running the transit system in terms of both the District's expenditures and District employee assignments. However, unlike other transit districts, the District receives no local sales tax revenue to subsidize transit operations, and the District has no taxing authority. Instead, Bridge tolls are set to generate surplus revenue for transit, and now fund about 46% of bus and ferry operations. Passenger fares, governmental grants and subsidies, and miscellaneous sources provide the remaining revenues.

Governance and Representation

The District is governed by a Board of 19 members, appointed annually, and consists of nine representatives from San Francisco, four from Marin, three from Sonoma, and one from each of Napa, Mendocino and Del Norte counties. By state law governing the District, eight of San Francisco's nine representatives to the District are appointed by the Board of Supervisors. Four of the eight must be elected members of the Board of Supervisors. The ninth member is appointed by the Mayor. In the other counties, representatives to the District, some of whom are required to be elected city or county officials, are appointed by their county Boards of Supervisors. (Requirements vary by county).

There are three Board officers: President, First Vice President, and Second Vice President. The District Board holds regular meetings twice a month and has five standing committees which meet monthly: Building and Operating, Finance-Auditing, Governmental Affairs and Public Information, Transportation, and Rules, Policy and Industrial Relations. Each committee consists of eight members with the President of the Board acting as an *ex officio* ninth member. Most members serve on two or three committees, and San Francisco is represented on all five committees. Meetings are open to the public under the Brown Act.

BOARD COMPENSATION

Board members receive \$50 per board or committee meeting, with a maximum of \$50 per day and a cap of \$5,000 per year

(\$7,500 for the president). In addition they participate in the health insurance plan, receive \$100,000 of life insurance covering accidents while on district business, \$10,000 of general life insurance, and reimbursement of certain travel expenses. Auto travel to district meetings is reimbursed at the rate of 30.5¢ per mile. The District also reimburses overnight lodging expenses for members traveling to meetings from Del Norte and Mendocino Counties. The District participates in two or three transportation conferences per year, and typically sends two or three members to each at the District's expense. However, the District does not reimburse international airfare, but pays the equivalent of airfare from San Francisco to New York. If members retire after more than five years on the Board, they may continue on the health plan at their own expense.

Because many consider an appointment to the District Board a "plum" assignment, the CGJ also reviewed the compensation received by the directors of the Bay Area Rapid Transit District (BART) and SamTrans as points of comparison. BART, whose directors' meeting schedule is similar to the District's, provides commuter rail service within its three-county district -- San Francisco, Alameda and Contra Costa. SamTrans is a significantly smaller transit district, serving only San Mateo County.

BART pays a \$100 per meeting fee to its directors compared to the \$50 per meeting fee paid by the District, and BART caps fees at \$6,000 per year (\$500 per month) compared to the District's cap of \$5,000 per year (\$7,500 for the Board president). SamTrans pays its directors \$50 per meeting with a limit of \$350 a month (\$4,200 per year). Both BART and the District have similar reimbursement policies for local travel, and provide other benefits or perks. While the District provides Board members a health insurance package which the District General Manager describes as "generous," BART also makes health insurance available to Directors and has a more liberal policy on paying for non-local travel by the Directors. It should be noted that District Board members and SamTrans directors are appointed, while BART directors are elected.

The total cost to support the District Board varies from year to year, but ranges from \$165,000 to \$185,000, for an average of about \$9,000 per Board member. Meeting fees over the last three years have totaled \$45,000-49,000 per year, or less than \$2,500 per Board member annually. The cost of health and insurance benefits has varied considerably from year to year because some directors decline benefits, but is currently totaling about \$55,000 per year (less than \$3,000 per director). Remaining costs are for travel--local and conference travel. Annual travel costs vary, depending on attendance at meetings and conferences, conference locations, etc. Overall, the total cost to the District of supporting the Board is less than .2% of the District's total operating expense.

FINDINGS

- Compensation payable to District Board members is in line with compensation payable to directors of other Bay Area transportation districts.
- The direct cost to the District to support the Board is not excessive. The CGJ did not examine indirect costs, such as the cost of staff time, to support the Board and its bi-monthly meetings and five committees.

appointment to the board

San Francisco has nine representatives to the District Board. Eight of San Francisco's representatives are appointed by the Board of Supervisors, and the ninth member is appointed by the Mayor.

Supervisor Appointees

Four of the eight appointees by the Supervisors must be elected members of the Board of Supervisors. By tradition the Supervisors with the most seniority have the first option to be appointed to the District and the four most senior Supervisors usually take the appointments. Because of term limits on supervisory terms, it is unlikely that a

Supervisor will have a term on the District Board of more than six years. Of the current Supervisor appointees to the District Board, none has served longer than two years.

General Public Appointees

The Board of Supervisors also appoints four District Board members from the general public, using a process that is similar to the process for other appointments made by the Board of Supervisors. The Rules Committee nominates candidates from file of prospects for presentation to the whole Board of Supervisors. The nominated individual(s) may make a presentation to the Board and answer questions. After consideration, the Board votes on the appointment. If the incumbent on the District Board desires to remain in office, the incumbent usually is reappointed. The same individuals have been reappointed year after year. One appointee has served on the Board for 36 years, two others for 15 or more years, and the fourth for six years.

The Mayor's Appointee

The Mayor's office uses a similar process to fill positions. When a position becomes available, names on file are reviewed to select a candidate. With respect to the District Board, the incumbent typically is reappointed. The Mayor's current appointee has served on the District Board for two years, appointed after the death of his predecessor.

Appointments by the Supervisors and the Mayor are part of the political process. Individuals and interest groups lobby for appointment, and appointments are made to forge or reward political relationships. Many appointees to the District Board have labor union affiliations and generally do not come to the Board with experience in transportation issues.

The CGJ looked at attendance records, committee participation and years on the Board. Members who have the

most longevity on the Board and who were appointed from the general public have been among the most committed, assuming officer or committee chair positions, and attending as many as 80 meetings a year in addition to two or three transportation conferences. This compares to typically fewer than 35 meetings and no conferences by supervisor Board members. The CGJ, however, did not study member voting records, and no attempt was made to evaluate the influence or effectiveness of the San Francisco delegation.

FINDINGS

- Although there may be benefits to San Francisco in being represented by individuals with a long history on the District Board, continual re-appointment of incumbents who have served fifteen or more years perpetuates political anachronisms. Indeed, all five current District Board members appointed from the general public are white males, as all San Francisco appointees from the general public have been since the inception of the District.
- Short tenure and frequent turnover among the Supervisor District Board members limit their influence on the Board. For example, it is difficult for Supervisor District Board members to become president of the District Board because assumption of that office requires a two-year commitment after progressing through the officer ranks.
- The Supervisor District Board members are representative of a diverse range of the City's population groups.

RECOMMENDATIONS

1. The Mayor and Board of Supervisors should informally limit the tenure of their appointees from the general public to eight years.
2. The Mayor and Board of Supervisors should make an effort to appoint individuals with background and experience in public transit and transportation issues who represent San Francisco's diverse population.

BOARD STRUCTURE

SF Representation

San Francisco, with nine appointees, holds a plurality of the District's 19 Board seats. The next largest delegation is from Marin County with four members, followed by Sonoma County with three. There are historical reasons for San Francisco's domination of the Board, principally the leadership role played by San Francisco residents in financing the construction of the Bridge. Other counties have criticized San Francisco's major role. In 1981, the Marin Civil Grand Jury recommended putting Marin's representation on par with San Francisco's. Despite a shift in the District's focus to public transit, San Francisco continues to have a significant interest in District operations. The District's transit policies and programs directly affect the number of vehicles on SF city streets, and therefore the quality of life in San Francisco, while the Bridge continues to contribute to San Francisco's economic base.

Del Norte and Mendocino Representation

Each of these counties provides one representative to the District Board, although neither the District's transit programs nor its Bridge policies (tolls, barriers, lanes, etc.) particularly impact either county today.

Nevertheless, Board members from these counties have been quite active and the Del Norte representative currently serves as Board President.

Size

The District Board with 19 members is significantly larger than many governing boards. By comparison, a nine-member board governs BART and a nine-member board governs SamTrans. In fact there are organizations that are much more complex than the District which are governed by smaller boards. For example, San Francisco is governed by a 11-member Board of Supervisors, and Microsoft Corporation has an 8-member Board of Directors. Fully informing and gaining consensus with a large group is more difficult than with a small group. Current and past District Board members have described the Board as slow moving and overly deliberate. In 1981, the state legislature considered a bill that would have reduced the size of the Board.

Structure

With two full Board meetings per month and five standing committees which meet monthly, the District Board holds approximately 100 meetings per year. A Board member who is on three committees would attend about 60 meetings on 60 different days. This meeting schedule requires a major time commitment from members. With this number of meetings, Board members with other significant time commitments (e.g., San Francisco's supervisor members) miss a lot of meetings. The number of meetings held by the Board also is time consuming for District staff and its outside attorney who prepare for and attend the meetings.

FINDINGS

- San Francisco continues to have a strong interest in District operations. District policies in all areas--

Bridge tolls, commuter lanes, transit fares, bus routes, and bus and ferry schedules--influence commuter patterns, which in turn affect City traffic.

- San Francisco's interest is not necessarily at odds with the other constituent counties. The District's efforts to promote transit usage and reduce Bridge traffic are beneficial to the City.
- Many of the historical reasons for the current structure and county composition of the Board no longer exist. However, any structural changes in the Board would require an amendment to state law.
- The District may not need a 19-member board to run effectively. A smaller board could be an effective and more efficient decision-making body. Further, reducing the Board to 9 or 11 members could save the District as much as \$75,000 - \$85,000 per year.
- Scheduling less frequent meetings on fewer days would reduce the direct, and possibly indirect, cost of Board meetings, and allow members with other time commitments to attend more meetings.

RECOMMENDATION

3. The District should study the structure, operation and cost of the District Board, including direct and indirect costs (e.g., staff and attorney time) of supporting the Board, and propose a size and structure that suits the District's current and planned future functions.

RESPONSES REQUIRED

The Mayor

The Board of Supervisors

The Golden Gate Bridge, Highway and Transportation District

CONTINUITY COMMITTEE FOLLOW-UP REPORTS

FOLLOW-UP

For many years the citizens of San Francisco who have been members of the San Francisco Civil Grand Jury have been proud of the reports they have written, but disappointed in how little improvement resulted from their work and how few of their suggestions were implemented.

The 1997-1998 Civil Grand Jury reviewed past Grand Jury recommendations and the replies made to them. It was discovered that many recommendations were either never commented upon or answered or were answered incompletely. In some instances the 1997-98 Civil Grand Jury investigated and prepared follow-up reports which are set forth in the following pages. These follow-up reports pertain to:

- Sheriff's Department
- Juvenile Justice System
- Public Utilities Commission
- Foster Care
- Department of Public Health
- Parking and Traffic Department
- Cash Handling
- Management of City Claims

SHERIFF'S DEPARTMENT

SUMMARY

The 1997-1998 Civil Grand Jury (CGJ) reviewed the recent history of Jail #3. The Jury found that the facility should not continue being occupied by inmates. The need to replace Jail #3 has to be carefully considered. The CGJ recommends the appointment of a task force with an appropriate range of expertise to consider the declining total inmate population and the future use of Treasure Island's brig to house prisoners and the affect of these events on the need to replace Jail #3.

BACKGROUND

Each CGJ is required under the California Penal Code Sec. 919(b) to "...inquire into the condition and management of the public prisons within the county." Members of the CGJ visited the county jail facilities on October 27, 1997.

There is no question that Jail #3 should be demolished (the older of the two San Francisco owned jail facilities located at San Bruno, which facility houses medium to low security prisoners). The 1994-95 Civil Grand Jury focused its investigation on the numerous shortcomings of the physical plant at Jail #3, and there is no reason to reiterate those findings. Furthermore, because of its physical condition, the United States District Court for the Northern District of California on July 18, 1997, ordered the City and County of San Francisco to submit to the Court " a detailed plan for resolving the constitutional defects described in this Opinion and Order." This decree was accepted by the City and as a result the City submitted its plan for corrective action in September 1997.

PROCEDURES

To prepare this report on the Sheriff's Department, the 1997-1998 Civil Grand Jury reviewed past reports of, and responses to, the Civil Grand Jury, interviewed personnel of the Sheriff's Department, staff of the Mayor's Office and experts not employed by the City and toured the City jails.

FINDINGS

- The voters of San Francisco have twice rejected proposals to issue bonds to build a facility to replace Jail #3.
- Because of the physical condition of Jail #3, and the consent decree of July 1997, the City is now taking steps to prepare to enter into an agreement with a private development team to design, build and finance a new jail to replace Jail #3, which new jail will be leased by the City. The Mayor and the Sheriff are complimented for this innovative approach in meeting the requirements of the District Court.
- A number of public interest groups have questioned the need to build a replacement jail because of the declining number of inmates who are incarcerated by the County and the declining number of males aged 15 through 29 who are residents in San Francisco. Males aged 15 through 29 are at the greatest risk of being incarcerated. These public interest groups suggest that in 1998 the number of such males in the county is 57,173 and that the number will decline to 50,722 by the year 2001 (a decline of 11%). The statistics to substantiate this calculation are found in Appendix A.
- The Sheriff's Department stated that the highest number of prisoners normally occurs during the winter months and submitted historical statistics as to the number of prisoners (see Appendix A). These figures from the

Sheriff's Department are summarized as follows: Average Daily Prisoners During Winter Months of October, November, December, and January: 1993 - 2213; 1994 - 1986; 1995 - 1932; 1996 - 2066; 1997 - 1889.

This represents a five year decline of 15%.

- Jail #3 currently has an average of 430 - 450 prisoners. Prior to the Consent Decree, the average number of prisoners in Jail #3 was about 750.
- The City jail facilities will shortly be increased by using a Treasure Island facility that will accommodate 140 prisoners.
- Because of the trend of declining inmates and the increase in facilities, a question is posed as to whether a new facility is needed to house inmates presently in Jail #3.
 - Jail #7 is the new San Bruno facility and it has no food or laundry capability and relies on those services being provided by Jail #3.
 - The City is taking preliminary steps to enter into a lease of a facility to replace Jail #3.

RECOMMENDATIONS

1. The Mayor and Board of Supervisors and the Sheriff should immediately appoint a task force with an appropriate range of expertise to evaluate the need to replace Jail #3 at San Bruno. This Task Force should carefully consider the declining inmate population in San Francisco's jails and the forecasts of further reduction in the number of inmates.
2. This task force should consider alternatives for food and laundry services for Jail #7.
3. This task force should make its recommendations to the Mayor and the Board of Supervisors prior to the city

entering into a rental agreement for the replacement of
Jail #3.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Sheriff

APPENDICES

Appendix A

Revised Letter dated January 20, 1998 from Undersheriff
Maryann DeSouza

Appendix B

*Blueprint for Reforming San Francisco's Criminal Justice
System*
by Vincent Schiraldi, with attachments.

Appendix C

Letter dated January 12, 1998 from Sheriff Michael
Hennessey

JUVENILE JUSTICE SYSTEM

SUMMARY

The Youth Guidance Center is unsafe. This was a finding of the 1996-1997 Civil Grand Jury. The 1997-1998 Civil Grand Jury (CGJ) reiterates this finding and urges immediate corrective action to protect juvenile inmates.

BACKGROUND

The 1996-1997 CGJ investigated the administration of juvenile justice in the City and County of San Francisco. The Juvenile Probation Department is primarily responsible for the administration of the Juvenile Justice System. The previous Civil Grand Jury found that the Youth Guidance Center is unsafe. The Juvenile Probation Department was defensive and accused the CGJ of inaccuracies in its response.

PROCEDURES

The CGJ reviewed the 1996-1997 Report of the Civil Grand Jury pertaining to the Juvenile Justice System and the official response to that report.

FINDINGS

- The Juvenile Probation Department's response to the 1996-97 report of the Civil Grand Jury was, for the most part, an acknowledgment of the problems pointed out in the report with a point-by-point agreement with many suggestions and an explanation why others were not feasible for financial or other reasons.

- With the adoption of a new Juvenile Justice Plan and the arrival of a new Chief Probation Officer, the Department is again requested to review and respond to various suggestions contained in the 1996-1997 CGJ report.
- Unfortunately, the response of the Acting Chief Probation Officer chose to center on alleged inaccuracies in the 1996-97 CGJ report and ignored requests for corrective action. For example, the CGJ report states " There are no smoke detectors inside the individual cells where the youth sleep and spend part of their day" . The Department response is: " There is a smoke detector in each housing room." This is misleading and a non sequitur. A housing room is a large area consisting of numerous cells and common open space, whereas a cell is a small cubicle in which children can be, and are, locked at times. There are no smoke detectors inside the individual cells.

RECOMMENDATIONS

1. The Department of Public Health, the San Francisco Fire Department, and the Department of Public Works should inspect the Youth Guidance Center as to fire detection and evacuation capabilities and each department should issue an appropriate report to the Mayor and the Board of Supervisors and the Juvenile Probation Department.
2. The Juvenile Probation Department should then take immediate action to implement corrective steps determined to be necessary as a result of such inspection.
3. To avoid danger to those youth incarcerated in the Youth Guidance Center, the Mayor should monitor and expedite any required corrective steps.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Public Health

Department of Public Works

Juvenile Probation Department

San Francisco Fire Department

PUBLIC UTILITIES COMMISSION

SUMMARY

The 1997-1998 Civil Grand Jury (CGJ) followed up on two reports of earlier Civil Grand Juries that investigated the Public Utilities Commission (PUC) and the Clean Water Enterprise (CWE). The CGJ concludes that long-term planning by the PUC needs to be strengthened. At a cost of \$1,500,000 the Water Supply Master Plan (WSMP) is designed to project system water supplies and demands for San Francisco and its water customers to the year 2020; the plan does not give substantial reassurances as to San Francisco's water quality in view of future higher demands by neighboring water customers or impact of natural disasters.

The CGJ found that the PUC general manager had adequately followed up on the majority of the original eleven recommendations of the 1995-1996 Civil Grand Jury report.

BACKGROUND

Prompted by news accounts of citizen frustration about the sewer service charges leveled against residential users under the Clean Water Enterprise Revenue Plan, the 1995-96 Civil Grand Jury investigated the Clean Water Enterprise. It made eleven recommendations dealing primarily with focus and accountability of management. In August of 1996, CWE was separated from Department of Public Works and consolidated under the PUC.

The PUC now manages three separate enterprises; Hetch Hetchy Water, San Francisco Water Department and CWE, bringing all water utilities under one management. The CGJ investigated the water utilities consolidation, which included an update on the 1995-96 Civil Grand Jury report and a review of the

Water Supply Master Plan for the San Francisco PUC water delivery system. (See Appendix A)

The 1995-96 Civil Grand Jury concluded that the CWE (which at that time was a part of the Department of Public Works) did not have a specific mission statement and focus. That Civil Grand Jury found four bureaus within the Department of Public Works actively engaged in the operation of the Clean Water Enterprise, an undertaking that comprised every part of the municipal sewage treatment and disposal system of the City. The issue of cost effective service could not be addressed by that Civil Grand Jury because of diffused accountability and organizational confusion. The 1995-1996 Civil Grand Jury report included specific recommendations aimed at correcting bureaucratic wastefulness. In addition to the enterprise operations of the Clean Water Enterprises, there are several PUC bureaus that provide common services to each of the enterprises. For example, the Utilities Engineering Bureau provides engineering and construction management services for major capital projects for both the Water Department and Hetch Hetchy. Management structures are organized by operation and support functions. All enterprises report to the General Manager of Public Utilities Commission who in turn provides general management functions for each.

Equipment inventory auditing: During transfer to the PUC, physical assets were reviewed and allocated between DPW and Clean Water.

Development of inventory tracking system: Clean Water had made significant progress in automating inventories using the ELKE system. It was, however, not used throughout the Enterprise. The 1998-99 PUC budget has funding for a replacement maintenance management system (CMMS) that will include inventory management functions that will be

available to all PUC divisions and bureaus. Clean Water will be the first implementation site in the fall of 1998. Water quality: Due to the limited quantity of high quality water from the Hetch Hetchy system, it appears other resources identified in the WSMP may be of lower quality. PUC staff has stated that future water supplies may be offered to the highest bidder. In times of drought these two factors might result in lower quality water for San Francisco customers.

Sewer infrastructure: The aging sewer infrastructure in San Francisco was brought to the attention of the CGJ by a number of sources.

Equipment requests: As part of the annual budget process, Clean Water has developed criteria for equipment requests. All new and replacement equipment requests are first reviewed by the Division Managers. Division Managers make their recommendation to the Clean Water Manager, who reviews each request and submits his recommendations to the PUC General Manager. Finance tracks all equipment purchases and adds them to the Fixed Asset ledgers.

Reclaiming emergency charges: The PUC seeks all legally available forms of reimbursement for emergency claims including FEMA, insurance and bonding companies, contractors and other reasonable parties. Any emergency expenses not recovered are properly charged to the enterprise.

Training costs: PUC budget instructions limit conference attendance to two employees except for a very few industry organizations where the specific purpose is to give industry level exposure to as many PUC employees as possible.

PROCEDURES

The CGJ reviewed past Civil Grand Jury reports as to unresolved issues such as the transference of the Clean Water Enterprise to the PUC. The PUC General Manager responded to the CGJ follow-up investigation in letters, interviews of staff, and written reports, all of which asserted that steps have been taken to implement the majority of previous recommendations.

The CGJ also followed up on the criticism of long-term planning in Water Management which was contained in the 1991-1992 report of the Civil Grand Jury; thus, the CGJ investigated the long-term planning activities of the PUC as to water supplies for San Francisco and its water customers.

FINDINGS

- The PUC is now a comprehensive grouping of water related enterprises which include CWE. Focus and accountability have been enhanced by this organizational change.
- Each enterprise within the PUC is a separate entity with its own accounting for revenues and expenses.
- As promised in responses to prior Civil Grand Jury recommendations, PUC accounting is in the process of documenting all large purchases and is conducting annual physical audits of equipment inventory.
- Equipment inventory auditing: During transfer to the PUC, physical assets were reviewed and allocated between DPW and Clean Water. As promised in responses to prior Civil Grand Jury recommendations, PUC documents all large purchases and conducts annual physical audits of equipment inventory.
- Clean Water is scheduled to be the first Enterprise in the PUC to implement a new inventory tracking system; the implementation is planned for the fall of 1998. Once CMMS is installed, the department will be able to track

all of its assets, keep maintenance records of all assets and develop a replacement plan for all large assets. Capital assets will be depreciated through the Fixed Asset System.

- Budget instructions generally limit conference attendance to two employees and encourage on-site training. This appears to be cost effective.
- The CGJ found no comprehensive long term plans to improve the city's aging sewer infrastructure.
- There are growing demands for water supplied by PUC.
- Given past history, there is a probability of a future drought in Northern California. Any such drought will affect water supplies available to the PUC. This makes long-term planning critical.
- There was a slow response by the City Attorney's office to the Sea Cliff disaster in December 1995. Details are spelled out in the report pertaining to Management of City Claims.

RECOMMENDATIONS

1. The PUC should prepare a comprehensive and long-term plan of action to repair the City's aging sewer infrastructure.
2. The PUC should increase the effort on and budget for long-term planning. The Controller should assist in developing this plan.
3. The PUC should request that the City Attorney's Office take steps to insure that there is a more timely and aggressive approach to reimbursement for all emergency claims.
4. In the development of the WSMP, the PUC should be realistic in its assessment that future water quality may deteriorate and assure San Francisco customers that their water quality will not suffer unnecessarily.

5. In the development of the WSMP, the PUC should plan on steps to be taken when the next drought occurs.

RESPONSES REQUIRED

Mayor

Board of Supervisors

City Attorney

Public Utilities Commission

Controller

FOSTER CARE IN SAN FRANCISCO

SUMMARY

Previous Civil Grand Juries have reported on the failures of the Family and Children's Services unit of the Department of Human Services. The 1997-1998 Civil Grand Jury (CGJ) concludes that the Department of Human Services has made progress in correcting its problems of non-compliance with Division 31 regulations and has taken action to improve services to families, and thereby reduce the number of children placed in the foster care system (youth dependency) in our City.

BACKGROUND

The Family and Children's Services unit of the San Francisco Department of Human Services has been the subject of two separate Civil Grand Jury investigations: a 1993-94 Grand Jury initial report and a follow-up report by the 1995-96 Civil Grand Jury. As early as 1997, the Department of Human Services (formerly the Department of Social Services) was still not in compliance with Division 31 regulations of the California Department of Social Services. Because there had been changes in executive administrators and organizational structure at the Department of Human Services, the CGJ decided to initiate a second follow-up report.

On June 11, 1997, the California Department of Social Services (DSS), issued a formal order lifting the order of non-compliance with Division 31 regulations. (See Appendix A)

Community advocacy groups and previous Civil Grand Juries advocated that an ombudsman service be established to hear

grievances as to services (or lack of services) and resolve problems for children and/or foster parents. On November 1, 1995, a contract for ombudsman services was awarded to a nonprofit agency (Community Boards). Community Boards hired staff to serve as the Ombudsman and they served through March 1997. After staff resigned from the Community Boards, that agency concluded it could not fulfill its contractual obligations and surrendered the contract. The Executive Director of the Department of Social Services of the City subsequently met with community advocacy groups to review the future of this effort. It was agreed that the ombudsman services should be continued and that a Request for Qualifications for an individual contractor to serve as ombudsman should be prepared.

The department is pursuing three general approaches to fulfilling the goals of reducing the high incidence of youth dependency in San Francisco and facilitating an increase in family reunification.

- A. Family Resource Centers: As part of San Francisco's Family Support and Preservation strategy, the department is contracting to establish six community based family resource centers through which at-risk families can receive preventive services. Centers are already operating in the Western Addition and Bayview/Hunters Point startup contracts are in place with the Mission District consortium and the Asian/Pacific Islander Consortium and planning is underway for contracts in Potrero Hill and the OMI communities.
- B. Agency-Based Family Preservation: The department has expanded its family preservation capability by the addition of 14 social workers.
- C. Title IV-E Waiver project: The department is currently engaged in the planning for the Title IV-E Waiver Project. The Title IV-E Waiver Project will allow the

county to provide intensive, individualized services in a flexible and innovative manner to 200 identified children and families, thereby permitting additional children to remain in the home or to be placed in lower levels of care than may otherwise be possible. This flexibility can be utilized to provide a wide range of service options for the children and families. This is intended to reduce the length of stay in foster care and increase family reunification. Recent changes in federal and state laws and regulations and related funding, may affect the methods used to obtain these goals.

PROCEDURES

The CGJ reviewed previous reports of Civil Grand Juries and the responses to these reports. The CGJ asked for and received updated comments from the Department of Human Services about prior Civil Grand Jury reports. The CGJ reviewed correspondence and orders from the State Department of Social Services.

FINDINGS

- In 1997, there was at least a six month period when no ombudsman contract was in place.
- The Department of Human Services is pursuing innovative strategies to reduce the high incidence of youth dependency in San Francisco and to achieve family reunification.

RECOMMENDATIONS

1. The Department of Human Services should monitor the performance of the contractor providing ombudsman services to avoid a gap in those services and to insure adequate performance.
2. The Department of Human Services should evaluate the efficiency of its current prevention program and services to reduce the incidence of youth dependency.
3. The Department of Human Services should evaluate the youth dependency programs and should report to the Mayor and to the Board of Supervisors, which report should include statistics showing changes in youth dependency.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Human Services

APPENDIX

Appendix A

Letter and Attachments of June 11, 1997, from
California Department of Social Services.

DEPARTMENT OF PUBLIC HEALTH

SUMMARY

The San Francisco Department of Public Health (DPH) has the most employees of any City Department and has the largest fiscal budget of any City department. Changing Welfare to Workfare coupled with the emergence of Health Maintenance Organizations (HMOs) has already affected DPH and promises to dramatically change DPH's future mission and the ways in which DPH accomplishes its tasks. These changes plus the publically reported criticism of Laguna Honda Hospital and San Francisco General Hospital will result in a multitude of changes to DPH.

PROCEDURES

The CGJ reviewed previous Civil Grand Jury reports and department responses to these reports. The CGJ interviewed DPH upper management personnel and reviewed documents that were submitted by DPH.

BACKGROUND

The 1995-1996 CGJ investigated the San Francisco Department of Public Health (DPH) for the following reasons:

It was the largest department in the City and County;

It had not been investigated by any Civil Grand Jury since 1987-1988 and had not had an audit of the operations or the entire department by an outside CPA firm in the last twenty-five years.

The 1995-1996 CGJ proposed eight recommendations specifically in the areas of contracting for services, labor

costs, funding, DPH structure and finances. The 1987-88 CGJ investigated services to People Living With AIDS and mental health services.

The 1997-1998 Civil Grand Jury (CGJ) was of the opinion that follow-up to that earlier report was appropriate because there had been a change in executive leadership and because of the changing health care and welfare environment.

Contracting for Services: The DPH attempts to enhance service delivery through improved monitoring and evaluation of contractors. The CGJ acknowledges the Department's progress to date towards standardizing contract monitoring across all divisions; for example, the Department has completed its internal review and implementation of the contract streamlining plan. The Health Commission continues to review and approve all DPH contracts. The DPH review includes a thorough review of the contractors' performances and review of internal monitoring reports. The Department states that it will continue to work with the Controller's Office, Human Rights Commission, Civil Service Commission, and City Attorney toward further improving contracting procedures with 250 contractors (mostly nonprofit agencies). DPH's response to the earlier CGJ report was to agree that the Chief Financial Officer of the department should continue to be responsible for overseeing all contracts throughout the department.

Audits: External audits of financial records occur on a regular basis at San Francisco General Hospital and Laguna Honda Hospital, as required for all private and public hospitals by various funding agencies. In concert with the City Controller, the department maintains that it will explore new ways to strengthen its internal auditing system to assure fiscal consistency, cost effectiveness, and fair

pricing of services. The Department requested funding for FY 1997-98 to employ one additional internal auditor who would report to the Chief Financial Officer. This person would begin internal reviews of contractual services in the department to minimize the number of retroactive contracts. This staff increase was approved during the first quarter of 1998. In addition, two auditors will be assigned to Public Health from the Controller's office, effective July 1998.

Labor Costs: With a staff of approximately 6,000, DPH is the largest employer of civil service personnel. The majority of staff is represented by nine labor unions. The 1995-1996 CGJ report suggested that DPH negotiate its own labor contracts which would require a Charter amendment. Negotiating labor contracts separate from other City departments would involve reconfiguring the City's bargaining unit structure. The Mayor has established a labor strategy task force, similar to the one recommended in the 1995-1996 CGJ report. The Director of Health participates in this Citywide Labor Strategy Committee which reviews and analyzes labor costs and conditions and advises the Citywide Management's Human Resources Director. The Director of Health also participates on the labor negotiating team, representing the Department of Health's position as to the rising costs of health care labor and its impact on managed care. Currently, the labor strategy task force meets monthly.

Funding: The 1995-96 CGJ considered that DPH responded properly to the significant funding changes in health care that lie ahead. The Department is utilizing experts from academic institutions, business and health communities to advise the Department on how itself to offer universal health coverage to the uninsured. The Mayor's Blue Ribbon Committee on Universal Health Care is an ongoing advisory committee to the Department, the Commission, and the Mayor.

Public Health Commitment: DPH continues its commitment to the provision of core public health activities and has restructured its organization in order to strengthen this vital role. DPH seeks public input on the development of program initiatives and throughout the strategic planning process. Specifically, the department receives public input through various planning committees, public hearings of the Health Commission, and from numerous advisory committees.

Finance: The CGJ did not examine the finances of the department. It has been 25 years since the department received an extensive, comprehensive external audit by an independent public accounting firm. The Board of Supervisors has required that each City department be audited every eight years. Use of an outside audit firm in this process should assist DPH in addressing the financial challenges it is facing in light of the changes in the health care industry. The department's two hospitals, San Francisco General and Laguna Honda Hospital, conduct annual financial audits consistent with Joint Commission on the Accreditation of Health Care Organizations (JCAHO) requirements. As such, over half of the DPH's budget is audited each year.

FINDINGS

- DPH has reduced paperwork and redundant processing procedures, developed workload standards for staff, and attempted to standardize the annual contract review and monitoring process.
- The department continues its program planning and implementation of managed care using pro bono assistance by individuals from the business and academic communities who have HMO problem solving expertise.

- All core public health functions have been centralized into one division which has an increased focus on health prevention and promotion of health prevention activities.
- No audit of DPH in its entirety, by an independent public accounting firm, has been requested or authorized by the Mayor or by the Board of Supervisors or by the Controller.
- DPH has not actively pursued the retention of an independent public accounting firm to audit the entire department.
- As DPH is the protector and promoter of the public health, it is essential that all DPH programs be evaluated for cost effectiveness, financial planning and economic soundness.
- KPMG Peat Marwick LLP reviewed Laguna Honda Hospital during 1996-1997 and their comments were reiterated by current federal and state reviews of this hospital. KPMG Peat Marwick: Management Letter (dated April 11, 1997) is attached as Appendix A to this report. The federal and state review also commented on San Francisco General Hospital.

RECOMMENDATIONS

1. The Department of Public Health should pro-actively pursue an audit by an independent public accounting firm of the units of DPH not presently subject to outside audit.
2. The Mayor, the Board of Supervisors and the Controller should require an audit by an independent public accounting firm of the parts of DPH not presently subject to outside audit.
3. The Mayor and the Board of Supervisors and DPH should institute a task force with an appropriate range of expertise to make recommendations as to how to alleviate problems and finance all corrective action at

San Francisco General Hospital and Laguna Honda
Hospital.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Public Health

Controller

APPENDIX

Appendix A

Four Management Letters from KPMG

DEPARTMENT OF PARKING AND TRAFFIC

SUMMARY

Following up on a previous Civil Grand Jury report and the responses to it, the 1997-1998 Civil Grand Jury (CGJ) investigated the Department of Parking and Traffic (DPT). The focus of the CGJ was on City owned and nonprofit owned parking garages. The CGJ finds that operators of parking garages are paying the City on contract terms negotiated up to 40 years ago; as to 4 out of 5 nonprofit owned garages, the management continues even though contracts have expired. The CGJ also finds that there is no policy or procedure as to when title to a nonprofit owned garage is to pass to the City. The lack of contract discipline opens the City up to charges of favoritism and prejudice.

PROCEDURES

The 1994-1995 Civil Grand Jury reviewed the operations of the Department of Parking and Traffic (DPT). The 1997-1998 CGJ followed up on that report.

The Civil Grand Jury requested and received documents from the DPT, the Department of Real Estate, the Purchasing Department and the City Attorney. Interviewed at great length were the Bureau Chief of the Parking and Traffic Authority, the Deputy Director of the Parking Authority, the Budget/Finance Director of DPT and staff of the Department of Real Estate and of the City Purchasing Department.

The CGJ focused its attention on the operation of City owned and nonprofit owned parking garages.

Coinciding with the CGJ investigation, there occurred thefts of monies collected from parking meters which were

discovered by DPT in October 1997. The thefts allegedly took place by employees of the contractor hired to collect funds from the parking meters.

BACKGROUND

PARKING GARAGES

The 1994-1995 CGJ found that the Portsmouth Square Garage was being managed under an operator agreement bid once in 1958 and that in 1994-1995 it was being operated on a month-to-month basis under the expired agreement. Follow up on the status of this operating agreement determined that the month-to-month arrangement continues under the terms that were negotiated 40 years ago. Further investigation led to the conclusion that the operators of all nonprofit garages are continuing to manage the other five nonprofit garages on a month-to-month arrangement on terms that were negotiated 29 to 39 years ago.

The CGJ investigated cash controls and surety bonds and notices to those whom the City would hold liable for theft of cash. The Department of Real Estate is responsible for the administration of agreements calling for contractors of the DPT to have in place surety bonds. If there is a claim against a contractor or against a surety bonding company, the City Attorney is to give legal notice to protect the City. Our findings as to the Office of the City Attorney are found in another section of this report of the CGJ entitled Management of City Claims.

When constructing a new parking garage, unless the City has its own funds to finance the project, the City contracts with a nonprofit corporation to build and manage the garage. Tax exempt Municipal bonds are issued to pay for the cost of the new garage with the proceeds from the operation of the

garage being used to pay off the bonds. The nonprofit corporation contracts with a for-profit corporation to operate and manage the garage; this contracting is done under the monitoring of the DPT. When the contract to build and manage the new garage is entered into, both parties expect the nonprofit corporation to be dissolved when the bonds are paid off and the ownership of the garage to be then transferred to the City. Once the City takes title to a parking garage, the City retains a for-profit corporation to manage the garage.

There are currently five garages in San Francisco which are operated by nonprofit corporations which will eventually transfer title to the City. The operators of four of these five garages are currently providing services on a month-to-month basis under the terms of original agreements which were negotiated 28 to 41 years ago. The following summarizes the status of the agreements with operators of the nonprofit garages.

Fifth and Mission Garage: In October 1957, Mr. Sal Onorato was selected to operate this garage. During 1997 and 1998, the Parking Authority and Mr. Onorator's assignee failed to reach agreement on new terms for the operation of this garage and, without competitive bid the Parking and Traffic Commission voted to continue the operation agreement until July 1, 1999.

Sutter Street Garage: Operator agreement bid once in 1959. That agreement expired on December 15, 1964. Assigned in 1993 to AMPCO Parking and is currently on a month-to-month agreement.

Portsmouth Square: Operator agreement bid once in 1958 and awarded to S. E. Ornorato. That agreement

expired on March 31, 1961. Assigned in 1993 to City Park and is currently on a month-to-month agreement.

Ellis-O'Farrell Garage: Never bid. Contracted in 1968 to Savoy Auto Park. Assigned in 1981 to The Parking Place. Assigned in 1995 to AMPCO Parking and is currently on a month-to-month agreement. Never competitively bid.

Japan Center Garage: Never bid. Direct assignment in 1968 to Barton Cox operator. Assigned in 1974 to Japan Center, Inc., operator. Assigned in 1986 to Japan Center Garage Partners. Assigned in 1995 to AMPCO Parking and is currently on a month-to-month agreement. Never competitively bid.

As of January 2, 1998, the City owned 12 parking garages. The DPT enters into agreements with independent operators for the operation of each of these 12 garages. Five of these 12 operator agreements are on a month-to-month basis because the original agreement has expired and the operator continues without a new agreement. These five are:

Civic Center Garage: Operator AMPCO Parking System Parking. Management agreement entered into on August 25, 1994, and expired on August 24, 1997. Management continues on a month-to-month basis.

Golden Gateway Garage: Operator Five Star Parking. Operating agreement entered into October 1, 1991, and expired September 30, 1996. Management continues on a month-to-month basis.

Mission Bartlett Garage: Operator MEDA/S+F Parking. Operating agreement entered into

September 15, 1991, and expired September 14, 1996. Management continues on a month-to-month basis.

Polk Bush Garage: Operator City Parking Company. Management agreement entered into April 28, 1993, and expired April 27, 1998. Management continues on a month-to-month basis.

Union Square Garage: Operator City Park Parking Corporation. Management agreement entered into July 1, 1991, and expired May 31, 1996. Management continues on a month-to-month basis.

All of the operators of City owned garages and nonprofit owned garages are responsible for collecting cash and depositing it into City bank accounts. Pursuant to the requirements of the contracts, operators of six of the twelve garages owned directly by the City have fidelity bonds to indemnify the City in the event of misappropriation of cash. Of the remaining six garage operator contracts, two contracts do not require fidelity bonds (Mission Bartlett and Union Square) and as of January 2, 1998, the City did not have on hand copies of the fidelity bonds required by the other four contracts. The CGJ has since been advised that copies of the four missing fidelity bonds have been received.

The Department of Real Estate is responsible for obtaining appropriate fidelity bonds and other insurance certificates from garage operators. The CGJ did not request copies of required insurance certificates.

When a parking structure is built by a nonprofit corporation, the structure is financed by the issuance of tax exempt Municipal bonds. At the time the City enters

into agreement with the nonprofit garage owner, both parties contemplate that title to the garage will be transferred to the City by the nonprofit corporation when the bonds are paid off from the revenues of the parking garage. Of the five nonprofit operated garages, the maturity of the bonds is as follows:

Fifth and Mission Garage, April 1, 2018;
Sutter- Stockton Garage, April 1, 2018;
Ellis O'Farrell Garage, April 1, 2017;
Western Addition Parking Garage, April 1,
2000;
Portsmouth Square Garage, no bonds
outstanding and title not transferred to the
city.

DPT unsuccessfully attempted to force the nonprofit owner of the Western Addition Parking Garage to transfer ownership of the garage to the City before the bonds issued by the garage were to be paid off in the year 2000. That action contrasted with not taking title to the Portsmouth Square Garage when its bonds were paid off.

METER REVENUE

Parking meter theft and theft of monies collected from parking meters have resulted in shortfalls in revenue to the City. This is best explained from the following quotations from the Meeting Reports of the Parking and Traffic Commission and Parking Authority Commission for December 2, 1997:

" Meter Collections - A \$330,000 shortfall exists in meter revenue. This is largely due to meter theft; however, DPT has filed a claim against the

City's meter collection contractor to recover some of the lost revenues."

and for March 3, 1998:

" Meter Collections - The average daily collection in November 1997 was \$54,000, in December \$48,000, and in January \$51,000. However, the recent installation of electronic meters has resulted in increases in revenues from 45 percent in two locations, to 66 percent and 93 percent in others."

Meter heads are taken to duplicate the keys and thus to have access to other parking meters.

To reduce theft, over the next two years the DPT plans to install more than 20,000 high security electronic parking meters. These new meters do not have an actual lock but use an electronic code to open them; the electronic code is to be changed daily.

FINDINGS

- The operators of four nonprofit garages manage these garages on a month-to-month basis on terms that were negotiated 29 to 39 years ago.
- The operator of the fifth nonprofit garage operates on terms negotiated in 1957. The Parking and Traffic Commission recently voted to continue this agreement until July 1, 1999.
- Month-to-month operating agreements on parking garages based on the original terms does not give the City modern operating practices and rates.
- The failure to obtain competitive bids at the time agreements expire does not give the City the best possible returns.

- DPT argues that current staff of one contract administrator does not enable it to take all the steps necessary to bid and award new garage management contracts.
- Nonprofit owned garages are not required to competitively bid their management agreements.
- DPT claim that electronic locks on meter heads will reduce theft and cost of repair of broken meter heads.

RECOMMENDATIONS

1. DPT and the Real Estate Department should take immediate steps to insure that all contractors who handle City cash have required fidelity bonds and insurance.
2. A monitoring system should be established by both DPT and the Real Estate Department to take appropriate action when such insurance (fidelity bond) expires.
3. DPT and the Real Estate Department should immediately obtain competitive bids for the operation of each garage. If staffing is not adequate to do this within a 90-day period, the Mayor should hire consultants (or independent contractors) to assist the departments to take this action.
4. Because recommendations 1 and 2 above will have a positive effect on City revenue, the Controller should monitor and assist in implementing these recommendations.
5. Nonprofit garage owners should be required to also competitively bid the contracts to manage their garages.
6. The Parking and Traffic Commission should adopt policies and procedures as to the City taking title to nonprofit owned garages and proceed to implement these policies and procedures.

7. DPT should expedite the installation of electronic meters. The Controller and the Department should do a cost analysis of early installation to determine if the premium of early installation of electronic meters will be offset by the enhanced revenue from the reduction in meter theft.
8. Appropriate recommendations as to Notice of Claims to Fidelity Bond Insurers is discussed in another section of this report.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Parking and Traffic

Controller

Department of Real Estate

Budget Analyst to the Board of Supervisors

APPENDICES

Appendix A

Letter dated December 24, 1997, from Director of Property

Appendix B

Letter and attachments dated January 27, 1998, from Director, San Francisco Parking Authority.

Appendix C

Excerpts from Meeting Reports for meetings of the Parking and Traffic Commission held December 2, 1997, and March 3, 1997.

CASH HANDLING

SUMMARY

During the tenure of the 1997-1998 Civil Grand Jury (CGJ), the press reported thefts of cash from departments of the City of San Francisco.

As the CGJ examined various departments on other matters, Jurors became increasingly aware of cash-handling problems. Given the reported thefts, potential for theft and lack of bonding of those who handle cash, it is recommended that the City retain skilled consultants to perform an in depth review of cash handling and related management controls.

BACKGROUND

Handling of cash provides a temptation to steal. The responsibility of management is to institute sufficient controls to minimize this temptation and to promptly be aware of the possibility of theft and to take corrective action. Of course, cost controls must be compared with potential savings from theft not occurring.

During the tenure of the 1997-1998 CGJ, the newspapers carried feature articles on alleged theft of cash from city parking meters collected by a contractor of the Department of Parking and Traffic (DPT) and a similar theft from parking meters of the Port of San Francisco. The newspapers also carried reports that an employee of the City Fire Department had opened an unauthorized bank account at the Fire Department credit union and proceeded to deposit funds which were for fire hydrant removal; the employee allegedly embezzled those funds but his defense argues that these funds were part of a Fire Department slush fund.

These reports of theft prompted the CGJ to make inquiries about cash handling as it investigated various departments of the city. The Findings that follow are merely illustrative of potential problems that might also occur in other departments.

Cash handling by the collector of parking meters is addressed in the section of this report pertaining to DPT.

The Department of Public Health (DPH) advised the CGJ, by letter dated May 14, 1998, that " With respect to cashiers, the Department employs five cashiers. Three of these cashiers handle up to \$5000 in cash daily. The remaining two collect up to \$27,000 daily. The vast majority of these collections are in the form of checks and certified payments. None of the cashiers are bonded."

The CGJ reviewed the KPMG Peat Marwick LLP's management letter (dated April 11, 1997), which commented on KPMG Peat Marwick's prior review of the DPH as to cash handling. That letter said,

" ...it is our understanding that the following comments discussed in detail in previous management letters have not yet been implemented...

" The Hospital's controls over cash receipts are not clearly documented and not always strictly enforced. Because cash receipts carry inherent control risks, we recommend that the Hospital establishes a review process to ensure that the procedures for the collection of cash receipts are being followed and that there is a proper

segregation of duties. KPMG also recommends that temporary help should be arranged and made available when needed so that the main cashier office can properly record all cash transactions during the busy hours. Additionally, we recommend that the cash office establish a computer based detailed log of all cash receipts. The combination of these recommendations will reduce the possibility of errors and irregularities in the cash receipts cycle."

That Management Letter is attached as Appendix A.

PROCEDURES

In the course of investigating various departments of the city, the CGJ interviewed City employees and department managers about cash handling by City employees and by contractors of the city. Verbal replies were received from management of various departments. Written documentation, including the Peat Marwick management letter and documents from the Port and the DPH pertaining to cash-handling was also reviewed.

FINDINGS

- The City Controller and many departments monitor cash receipts by comparing current receipts with prior period. If there is a discrepancy, then action is to occur.
- The Port of San Francisco: In July 1997 the Senior Management Assistant at the Port had access to cash collected from some parking lots operated by the Port of San Francisco. The management of the Port of San Francisco discerned a reduction in income, which suggested the possibility of misuse of parking funds, and

took action to control the problem. The Senior Management Assistant was arrested for taking the key to the collection box and removing the funds from the collection container. Subsequently, the Port instituted what appears to be acceptable cash receipt handling procedures.

- An unauthorized bank account was opened at the Fire Department credit union.
- The City of San Francisco does not require Surety Bonds (fidelity bonds) on its employees who handle cash. Typically, an insurer does a detailed background investigation of those who are to be bonded. If there is a theft, the insurer indemnifies the insured pursuant to the terms of the fidelity (surety) bond.
- The above illustrations of improper cash handling might well be indicative of how other departments in the city handle cash.

RECOMMENDATIONS

1. The Treasurer and the Controller should retain an outside consultant to review cash handling procedures and reporting of collection trends and reaction of management to changes in collection trends.
2. The Treasurer and the Controller should carefully evaluate the city's policy of not requiring fidelity bonding of employees who handle cash and should then make an appropriate report(s).
3. As a result of the investigation recommended above, the Mayor and Board of Supervisors should take any necessary corrective action.
4. The City Attorney should investigate liability of the Fire Department credit union for opening a bank account for the city without obtaining proper authorizing resolutions and related paper work.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Treasurer

City Attorney

Controller

MANAGEMENT OF CITY CLAIMS

SUMMARY

The 1997-1998 Civil Grand Jury (CGJ) investigated a number of City departments and during the investigation of these departments made inquiries about claims of the City. The response of each department was that the City Attorney is charged with the responsibility of giving Notice when the City might have a potential claim against a contractor or insurer of the contractor or a surety bonding company that insures the City for loss from theft. The City Attorney confirmed that the City Attorney's office has the responsibility for giving Notice of a potential claim and then taking appropriate action to make the claim.

The CGJ finds that notices of claims are not always presented in a timely manner and that the client department often does not follow up to insure that the City Attorney is taking appropriate and timely action.

BACKGROUND

The 1996-1997 CGJ (1996-1997 CGJ) examined the newly constructed jail facility at San Bruno (Jail #7) and found that immediately after construction that the facility needed repairs. The Sheriff's Department did not make a claim against the contractor for repairs and failed to advise the City Attorney to present such a claim. The City Attorney failed to present such a claim against the contractor and/or the contractor's bonding (insurance) company because no formal request was submitted by the Sheriff for action. At the time this finding was made by the 1996-97 CGJ, the lapse of time precluded submission of a claim.

In December 1995, a disaster occurred in the Sea Cliff area of the City of San Francisco; storms apparently caused sewage pipes to break with resultant damage to City and private property. The CGJ investigated the Public Utilities Commission and found a six-month delay by the City Attorney in giving notice to contractors and insurance companies of a potential claim arising out of the Sea Cliff disaster.

The CGJ also investigated alleged thefts that occurred in September 1997 by employees of a contractor collecting cash from parking meters under a contract issued by the Parking and Traffic Department. That contractor had a Surety Bond to indemnify the City in the event of theft of City monies. As of this date, no claim has been made against the bonding company for the loss of income as a result of the theft. A representative of the City Attorney's office orally notified the contractor of potential claims under the contract and potential claims against the insurance company issuing the fidelity bond. This oral notice was confirmed by letter, dated November 4, 1998 from the City Attorney to the contractor.

PROCEDURES

Members of the CGJ met with representatives of the Public Utilities Commission and Department of Parking and Traffic. Each department advised of certain potential claims and indicated that it was the responsibility of the City Attorney to present such claims to the appropriate party or parties. The CGJ then followed up with the City Attorney's office to determine the status of such claims.

Members of the CGJ reviewed reports of earlier Civil Grand Juries and the responses to these reports.

FINDINGS

- Notices of Claims are to be presented by the City Attorney.
- The contractors who constructed the sewers at Sea Cliff were not formally notified of claims by the City until a cross complaint to pending litigation was filed by the City Attorney in December 1996.
- Notice of claims as a result of the Sea Cliff disaster was not given earlier (to either the contractor or to the performance bonding company) because the responsible attorney was on leave of absence from the Office of the City Attorney.
- The Public Utility Commission did not follow-up with the City Attorney to insure that notice was given to those potentially liable to the Public Utilities Commission as a result of the Sea Cliff disaster.
- In October 1997, thefts from parking meters were discovered by the Department of Parking and Traffic.
- As to claims for the theft of collections under the Parking Meter collection contract, a letter confirming earlier verbal notice was submitted by the City Attorney on November 4, 1997, which letter was addressed to the contractor.
- As to claims against the insurance company that bonded the employees of the parking meter collection contractor, no notice has been given by the City of a possible claim as a result of the alleged theft.
- Neither the Department of Parking and Traffic nor the Department of Real Estate followed up with the Office of the City Attorney to request timely presentation of a claim against the fidelity bonding company as a result of the alleged theft.
- As reported by the 1996-1997 CGJ, the Sheriff's Department and the City Attorney did not give timely notice (of potential claims) to the construction contractor of Jail #7.

- City departments investigated by the CGJ are not structured so that one position is assigned responsibility for submitting claims to the City Attorney and then monitoring the actions of the City Attorney.

RECOMMENDATIONS

1. Each department of the City should establish a procedure for presenting claims to the City Attorney. That procedure should designate a position with responsibility for notifying the City Attorney of any possible claims and then monitoring the action of the office of the City Attorney.
2. The City Attorney should establish procedures for advising client departments of actions taken or not taken as to claims.
3. If there is a possible claim from alleged theft or damage, the City Attorney should have a procedure for giving notice in a timely manner to the appropriate fidelity bonding companies and/or insurance companies and/or contractors of a possible claim by the City.
4. When an employee of the City Attorney's office is on extended leave or vacation, procedures should provide for a backup staff member to take action in a timely manner.
5. Each client department (e.g. Public Utility Commission or Parking and Traffic or Department of Real Estate) should follow up with the Office of the City Attorney to insure that prompt notice is given as to potential claims of the respective departments.
6. The Controller should be assigned responsibility to advise on procedures and to monitor payments (or losses) of the City Attorney and City departments under these new procedures.

RESPONSES REQUIRED

Mayor

Board of Supervisors

City Attorney

Sheriff

Public Utility Commission
Department of Parking and Traffic
Controller
Department of Real Estate

SHERIFF'S DEPARTMENT

SUMMARY

The 1997-1998 Civil Grand Jury (CGJ) reviewed the recent history of Jail #3. The Jury found that the facility should not continue being occupied by inmates. The need to replace Jail #3 has to be carefully considered. The CGJ recommends the appointment of a task force with an appropriate range of expertise to consider the declining total inmate population and the future use of Treasure Island's brig to house prisoners and the affect of these events on the need to replace Jail #3.

BACKGROUND

Each CGJ is required under the California Penal Code Sec. 919(b) to "...inquire into the condition and management of the public prisons within the county." Members of the CGJ visited the county jail facilities on October 27, 1997.

There is no question that Jail #3 should be demolished (the older of the two San Francisco owned jail facilities located at San Bruno, which facility houses medium to low security prisoners). The 1994-95 Civil Grand Jury focused its investigation on the numerous shortcomings of the physical plant at Jail #3, and there is no reason to reiterate those findings. Furthermore, because of its physical condition, the United States District Court for the Northern District of California on July 18, 1997, ordered the City and County of San Francisco to submit to the Court " a detailed plan for resolving the constitutional defects described in this Opinion and Order." This decree was accepted by the City and as a result the City submitted its plan for corrective action in September 1997.

PROCEDURES

To prepare this report on the Sheriff's Department, the 1997-1998 Civil Grand Jury reviewed past reports of, and responses to, the Civil Grand Jury, interviewed personnel of the Sheriff's Department, staff of the Mayor's Office and experts not employed by the City and toured the City jails.

FINDINGS

- The voters of San Francisco have twice rejected proposals to issue bonds to build a facility to replace Jail #3.
- Because of the physical condition of Jail #3, and the consent decree of July 1997, the City is now taking steps to prepare to enter into an agreement with a private development team to design, build and finance a new jail to replace Jail #3, which new jail will be leased by the City. The Mayor and the Sheriff are complimented for this innovative approach in meeting the requirements of the District Court.
- A number of public interest groups have questioned the need to build a replacement jail because of the declining number of inmates who are incarcerated by the County and the declining number of males aged 15 through 29 who are residents in San Francisco. Males aged 15 through 29 are at the greatest risk of being incarcerated. These public interest groups suggest that in 1998 the number of such males in the county is 57,173 and that the number will decline to 50,722 by the year 2001 (a decline of 11%). The statistics to substantiate this calculation are found in Appendix A.
- The Sheriff's Department stated that the highest number of prisoners normally occurs during the winter months and submitted historical statistics as to the number of prisoners (see Appendix A). These figures from the

Sheriff's Department are summarized as follows: Average Daily Prisoners During Winter Months of October, November, December, and January: 1993 - 2213; 1994 - 1986; 1995 - 1932; 1996 - 2066; 1997 - 1889.

This represents a five year decline of 15%.

- Jail #3 currently has an average of 430 - 450 prisoners. Prior to the Consent Decree, the average number of prisoners in Jail #3 was about 750.
 - The City jail facilities will shortly be increased by using a Treasure Island facility that will accommodate 140 prisoners.
- Because of the trend of declining inmates and the increase in facilities, a question is posed as to whether a new facility is needed to house inmates presently in Jail #3.
- Jail #7 is the new San Bruno facility and it has no food or laundry capability and relies on those services being provided by Jail #3.
- The City is taking preliminary steps to enter into a lease of a facility to replace Jail #3.

RECOMMENDATIONS

4. The Mayor and Board of Supervisors and the Sheriff should immediately appoint a task force with an appropriate range of expertise to evaluate the need to replace Jail #3 at San Bruno. This Task Force should carefully consider the declining inmate population in San Francisco's jails and the forecasts of further reduction in the number of inmates.
5. This task force should consider alternatives for food and laundry services for Jail #7.
6. This task force should make its recommendations to the Mayor and the Board of Supervisors prior to the city

entering into a rental agreement for the replacement of
Jail #3.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Sheriff

APPENDICES

Appendix A

Revised Letter dated January 20, 1998 from Undersheriff
Maryann DeSouza

Appendix B

*Blueprint for Reforming San Francisco's Criminal Justice
System*

by Vincent Schiraldi, with attachments.

Appendix C

Letter dated January 12, 1998 from Sheriff Michael
Hennessey

JUVENILE JUSTICE SYSTEM

SUMMARY

The Youth Guidance Center is unsafe. This was a finding of the 1996-1997 Civil Grand Jury. The 1997-1998 Civil Grand Jury (CGJ) reiterates this finding and urges immediate corrective action to protect juvenile inmates.

BACKGROUND

The 1996-1997 CGJ investigated the administration of juvenile justice in the City and County of San Francisco. The Juvenile Probation Department is primarily responsible for the administration of the Juvenile Justice System. The previous Civil Grand Jury found that the Youth Guidance Center is unsafe. The Juvenile Probation Department was defensive and accused the CGJ of inaccuracies in its response.

PROCEDURES

The CGJ reviewed the 1996-1997 Report of the Civil Grand Jury pertaining to the Juvenile Justice System and the official response to that report.

FINDINGS

- The Juvenile Probation Department's response to the 1996-97 report of the Civil Grand Jury was, for the most part, an acknowledgment of the problems pointed out in the report with a point-by-point agreement with many suggestions and an explanation why others were not feasible for financial or other reasons.
- With the adoption of a new Juvenile Justice Plan and the arrival of a new Chief Probation Officer, the Department

is again requested to review and respond to various suggestions contained in the 1996-1997 CGJ report.

- Unfortunately, the response of the Acting Chief Probation Officer chose to center on alleged inaccuracies in the 1996-97 CGJ report and ignored requests for corrective action. For example, the CGJ report states " There are no smoke detectors inside the individual cells where the youth sleep and spend part of their day" . The Department response is: " There is a smoke detector in each housing room." This is misleading and a non sequitur. A housing room is a large area consisting of numerous cells and common open space, whereas a cell is a small cubicle in which children can be, and are, locked at times. There are no smoke detectors inside the individual cells.

RECOMMENDATIONS

1. The Department of Public Health, the San Francisco Fire Department, and the Department of Public Works should inspect the Youth Guidance Center as to fire detection and evacuation capabilities and each department should issue an appropriate report to the Mayor and the Board of Supervisors and the Juvenile Probation Department.
4. The Juvenile Probation Department should then take immediate action to implement corrective steps determined to be necessary as a result of such inspection.
5. To avoid danger to those youth incarcerated in the Youth Guidance Center, the Mayor should monitor and expedite any required corrective steps.

RESPONSES REQUIRED

Mayor

Board of Supervisors
Department of Public Health
Department of Public Works

Juvenile Probation Department
San Francisco Fire Department

PUBLIC UTILITIES COMMISSION

SUMMARY

The 1997-1998 Civil Grand Jury (CGJ) followed up on two reports of earlier Civil Grand Juries that investigated the Public Utilities Commission (PUC) and the Clean Water Enterprise (CWE). The CGJ concludes that long-term planning by the PUC needs to be strengthened. At a cost of \$1,500,000 the Water Supply Master Plan (WSMP) is designed to project system water supplies and demands for San Francisco and its water customers to the year 2020; the plan does not give substantial reassurances as to San Francisco's water quality in view of future higher demands by neighboring water customers or impact of natural disasters.

The CGJ found that the PUC general manager had adequately followed up on the majority of the original eleven recommendations of the 1995-1996 Civil Grand Jury report.

BACKGROUND

Prompted by news accounts of citizen frustration about the sewer service charges leveled against residential users under the Clean Water Enterprise Revenue Plan, the 1995-96 Civil Grand Jury investigated the Clean Water Enterprise. It made eleven recommendations dealing primarily with focus and accountability of management. In August of 1996, CWE was separated from Department of Public Works and consolidated under the PUC.

The PUC now manages three separate enterprises; Hetch Hetchy Water, San Francisco Water Department and CWE, bringing all water utilities under one management. The CGJ investigated the water utilities consolidation, which included an update on the 1995-96 Civil Grand Jury report and a review of the

Water Supply Master Plan for the San Francisco PUC water delivery system. (See Appendix A)

The 1995-96 Civil Grand Jury concluded that the CWE (which at that time was a part of the Department of Public Works) did not have a specific mission statement and focus. That Civil Grand Jury found four bureaus within the Department of Public Works actively engaged in the operation of the Clean Water Enterprise, an undertaking that comprised every part of the municipal sewage treatment and disposal system of the City. The issue of cost effective service could not be addressed by that Civil Grand Jury because of diffused accountability and organizational confusion. The 1995-1996 Civil Grand Jury report included specific recommendations aimed at correcting bureaucratic wastefulness. In addition to the enterprise operations of the Clean Water Enterprises, there are several PUC bureaus that provide common services to each of the enterprises. For example, the Utilities Engineering Bureau provides engineering and construction management services for major capital projects for both the Water Department and Hetch Hetchy. Management structures are organized by operation and support functions. All enterprises report to the General Manager of Public Utilities Commission who in turn provides general management functions for each.

Equipment inventory auditing: During transfer to the PUC, physical assets were reviewed and allocated between DPW and Clean Water.

Development of inventory tracking system: Clean Water had made significant progress in automating inventories using the ELKE system. It was, however, not used throughout the Enterprise. The 1998-99 PUC budget has funding for a replacement maintenance management system (CMMS) that will include inventory management functions that will be

available to all PUC divisions and bureaus. Clean Water will be the first implementation site in the fall of 1998. Water quality: Due to the limited quantity of high quality water from the Hetch Hetchy system, it appears other resources identified in the WSMP may be of lower quality. PUC staff has stated that future water supplies may be offered to the highest bidder. In times of drought these two factors might result in lower quality water for San Francisco customers.

Sewer infrastructure: The aging sewer infrastructure in San Francisco was brought to the attention of the CGJ by a number of sources.

Equipment requests: As part of the annual budget process, Clean Water has developed criteria for equipment requests. All new and replacement equipment requests are first reviewed by the Division Managers. Division Managers make their recommendation to the Clean Water Manager, who reviews each request and submits his recommendations to the PUC General Manager. Finance tracks all equipment purchases and adds them to the Fixed Asset ledgers.

Reclaiming emergency charges: The PUC seeks all legally available forms of reimbursement for emergency claims including FEMA, insurance and bonding companies, contractors and other reasonable parties. Any emergency expenses not recovered are properly charged to the enterprise.

Training costs: PUC budget instructions limit conference attendance to two employees except for a very few industry organizations where the specific purpose is to give industry level exposure to as many PUC employees as possible.

PROCEDURES

The CGJ reviewed past Civil Grand Jury reports as to unresolved issues such as the transference of the Clean Water Enterprise to the PUC. The PUC General Manager responded to the CGJ follow-up investigation in letters, interviews of staff, and written reports, all of which asserted that steps have been taken to implement the majority of previous recommendations.

The CGJ also followed up on the criticism of long-term planning in Water Management which was contained in the 1991-1992 report of the Civil Grand Jury; thus, the CGJ investigated the long-term planning activities of the PUC as to water supplies for San Francisco and its water customers.

FINDINGS

- The PUC is now a comprehensive grouping of water related enterprises which include CWE. Focus and accountability have been enhanced by this organizational change.
- Each enterprise within the PUC is a separate entity with its own accounting for revenues and expenses.
- As promised in responses to prior Civil Grand Jury recommendations, PUC accounting is in the process of documenting all large purchases and is conducting annual physical audits of equipment inventory.
- Equipment inventory auditing: During transfer to the PUC, physical assets were reviewed and allocated between DPW and Clean Water. As promised in responses to prior Civil Grand Jury recommendations, PUC documents all large purchases and conducts annual physical audits of equipment inventory.
- Clean Water is scheduled to be the first Enterprise in the PUC to implement a new inventory tracking system; the implementation is planned for the fall of 1998. Once CMMS is installed, the department will be able to track

all of its assets, keep maintenance records of all assets and develop a replacement plan for all large assets. Capital assets will be depreciated through the Fixed Asset System.

- Budget instructions generally limit conference attendance to two employees and encourage on-site training. This appears to be cost effective.
- The CGJ found no comprehensive long term plans to improve the city's aging sewer infrastructure.
- There are growing demands for water supplied by PUC.
- Given past history, there is a probability of a future drought in Northern California. Any such drought will affect water supplies available to the PUC. This makes long-term planning critical.
- There was a slow response by the City Attorney's office to the Sea Cliff disaster in December 1995. Details are spelled out in the report pertaining to Management of City Claims.

RECOMMENDATIONS

6. The PUC should prepare a comprehensive and long-term plan of action to repair the City's aging sewer infrastructure.
7. The PUC should increase the effort on and budget for long-term planning. The Controller should assist in developing this plan.
8. The PUC should request that the City Attorney's Office take steps to insure that there is a more timely and aggressive approach to reimbursement for all emergency claims.
9. In the development of the WSMP, the PUC should be realistic in its assessment that future water quality may deteriorate and assure San Francisco customers that their water quality will not suffer unnecessarily.

10. In the development of the WSMP, the PUC should plan on steps to be taken when the next drought occurs.

RESPONSES REQUIRED

Mayor

Board of Supervisors

City Attorney

Public Utilities Commission

Controller

FOSTER CARE IN SAN FRANCISCO

SUMMARY

Previous Civil Grand Juries have reported on the failures of the Family and Children's Services unit of the Department of Human Services. The 1997-1998 Civil Grand Jury (CGJ) concludes that the Department of Human Services has made progress in correcting its problems of non-compliance with Division 31 regulations and has taken action to improve services to families, and thereby reduce the number of children placed in the foster care system (youth dependency) in our City.

BACKGROUND

The Family and Children's Services unit of the San Francisco Department of Human Services has been the subject of two separate Civil Grand Jury investigations: a 1993-94 Grand Jury initial report and a follow-up report by the 1995-96 Civil Grand Jury. As early as 1997, the Department of Human Services (formerly the Department of Social Services) was still not in compliance with Division 31 regulations of the California Department of Social Services. Because there had been changes in executive administrators and organizational structure at the Department of Human Services, the CGJ decided to initiate a second follow-up report.

On June 11, 1997, the California Department of Social Services (DSS), issued a formal order lifting the order of non-compliance with Division 31 regulations. (See Appendix A)

Community advocacy groups and previous Civil Grand Juries advocated that an ombudsman service be established to hear

grievances as to services (or lack of services) and resolve problems for children and/or foster parents. On November 1, 1995, a contract for ombudsman services was awarded to a nonprofit agency (Community Boards). Community Boards hired staff to serve as the Ombudsman and they served through March 1997. After staff resigned from the Community Boards, that agency concluded it could not fulfill its contractual obligations and surrendered the contract. The Executive Director of the Department of Social Services of the City subsequently met with community advocacy groups to review the future of this effort. It was agreed that the ombudsman services should be continued and that a Request for Qualifications for an individual contractor to serve as ombudsman should be prepared.

The department is pursuing three general approaches to fulfilling the goals of reducing the high incidence of youth dependency in San Francisco and facilitating an increase in family reunification.

D. Family Resource Centers: As part of San Francisco's Family Support and Preservation strategy, the department is contracting to establish six community based family resource centers through which at-risk families can receive preventive services. Centers are already operating in the Western Addition and Bayview/Hunters Point startup contracts are in place with the Mission District consortium and the Asian/Pacific Islander Consortium and planning is underway for contracts in Potrero Hill and the OMI communities.

E. Agency-Based Family Preservation: The department has expanded its family preservation capability by the addition of 14 social workers.

F. Title IV-E Waiver project: The department is currently engaged in the planning for the Title

IV-E Waiver Project. The Title IV-E Waiver Project will allow the county to provide intensive, individualized services in a flexible and innovative manner to 200 identified children and families, thereby permitting additional children to remain in the home or to be placed in lower levels of care than may otherwise be possible. This flexibility can be utilized to provide a wide range of service options for the children and families. This is intended to reduce the length of stay in foster care and increase family reunification. Recent changes in federal and state laws and regulations and related funding, may affect the methods used to obtain these goals.

PROCEDURES

The CGJ reviewed previous reports of Civil Grand Juries and the responses to these reports. The CGJ asked for and received updated comments from the Department of Human Services about prior Civil Grand Jury reports. The CGJ reviewed correspondence and orders from the State Department of Social Services.

FINDINGS

- In 1997, there was at least a six month period when no ombudsman contract was in place.
- The Department of Human Services is pursuing innovative strategies to reduce the high incidence of youth dependency in San Francisco and to achieve family reunification.

RECOMMENDATIONS

4. The Department of Human Services should monitor the performance of the contractor providing ombudsman services to avoid a gap in those services and to insure adequate performance.
5. The Department of Human Services should evaluate the efficiency of its current prevention program and services to reduce the incidence of youth dependency.
6. The Department of Human Services should evaluate the youth dependency programs and should report to the Mayor and to the Board of Supervisors, which report should include statistics showing changes in youth dependency.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Human Services

APPENDIX

Appendix A

Letter and Attachments of June 11, 1997, from
California Department of Social Services.

DEPARTMENT OF PUBLIC HEALTH

SUMMARY

The San Francisco Department of Public Health (DPH) has the most employees of any City Department and has the largest fiscal budget of any City department. Changing Welfare to Workfare coupled with the emergence of Health Maintenance Organizations (HMOs) has already affected DPH and promises to dramatically change DPH's future mission and the ways in which DPH accomplishes its tasks. These changes plus the publically reported criticism of Laguna Honda Hospital and San Francisco General Hospital will result in a multitude of changes to DPH.

PROCEDURES

The CGJ reviewed previous Civil Grand Jury reports and department responses to these reports. The CGJ interviewed DPH upper management personnel and reviewed documents that were submitted by DPH.

BACKGROUND

The 1995-1996 CGJ investigated the San Francisco Department of Public Health (DPH) for the following reasons:

It was the largest department in the City and County;

It had not been investigated by any Civil Grand Jury since 1987-1988 and had not had an audit of the operations or the entire department by an outside CPA firm in the last twenty-five years.

The 1995-1996 CGJ proposed eight recommendations specifically in the areas of contracting for services, labor

costs, funding, DPH structure and finances. The 1987-88 CGJ investigated services to People Living With AIDS and mental health services.

The 1997-1998 Civil Grand Jury (CGJ) was of the opinion that follow-up to that earlier report was appropriate because there had been a change in executive leadership and because of the changing health care and welfare environment.

Contracting for Services: The DPH attempts to enhance service delivery through improved monitoring and evaluation of contractors. The CGJ acknowledges the Department's progress to date towards standardizing contract monitoring across all divisions; for example, the Department has completed its internal review and implementation of the contract streamlining plan. The Health Commission continues to review and approve all DPH contracts. The DPH review includes a thorough review of the contractors' performances and review of internal monitoring reports. The Department states that it will continue to work with the Controller's Office, Human Rights Commission, Civil Service Commission, and City Attorney toward further improving contracting procedures with 250 contractors (mostly nonprofit agencies). DPH's response to the earlier CGJ report was to agree that the Chief Financial Officer of the department should continue to be responsible for overseeing all contracts throughout the department.

Audits: External audits of financial records occur on a regular basis at San Francisco General Hospital and Laguna Honda Hospital, as required for all private and public hospitals by various funding agencies. In concert with the City Controller, the department maintains that it will explore new ways to strengthen its internal auditing system to assure fiscal consistency, cost effectiveness, and fair

pricing of services. The Department requested funding for FY 1997-98 to employ one additional internal auditor who would report to the Chief Financial Officer. This person would begin internal reviews of contractual services in the department to minimize the number of retroactive contracts. This staff increase was approved during the first quarter of 1998. In addition, two auditors will be assigned to Public Health from the Controller's office, effective July 1998.

Labor Costs: With a staff of approximately 6,000, DPH is the largest employer of civil service personnel. The majority of staff is represented by nine labor unions. The 1995-1996 CGJ report suggested that DPH negotiate its own labor contracts which would require a Charter amendment. Negotiating labor contracts separate from other City departments would involve reconfiguring the City's bargaining unit structure. The Mayor has established a labor strategy task force, similar to the one recommended in the 1995-1996 CGJ report. The Director of Health participates in this Citywide Labor Strategy Committee which reviews and analyzes labor costs and conditions and advises the Citywide Management's Human Resources Director. The Director of Health also participates on the labor negotiating team, representing the Department of Health's position as to the rising costs of health care labor and its impact on managed care. Currently, the labor strategy task force meets monthly.

Funding: The 1995-96 CGJ considered that DPH responded properly to the significant funding changes in health care that lie ahead. The Department is utilizing experts from academic institutions, business and health communities to advise the Department on how itself to offer universal health coverage to the uninsured. The Mayor's Blue Ribbon Committee on Universal Health Care is an ongoing advisory committee to the Department, the Commission, and the Mayor.

Public Health Commitment: DPH continues its commitment to the provision of core public health activities and has restructured its organization in order to strengthen this vital role. DPH seeks public input on the development of program initiatives and throughout the strategic planning process. Specifically, the department receives public input through various planning committees, public hearings of the Health Commission, and from numerous advisory committees.

Finance: The CGJ did not examine the finances of the department. It has been 25 years since the department received an extensive, comprehensive external audit by an independent public accounting firm. The Board of Supervisors has required that each City department be audited every eight years. Use of an outside audit firm in this process should assist DPH in addressing the financial challenges it is facing in light of the changes in the health care industry. The department's two hospitals, San Francisco General and Laguna Honda Hospital, conduct annual financial audits consistent with Joint Commission on the Accreditation of Health Care Organizations (JCAHO) requirements. As such, over half of the DPH's budget is audited each year.

FINDINGS

- DPH has reduced paperwork and redundant processing procedures, developed workload standards for staff, and attempted to standardize the annual contract review and monitoring process.
- The department continues its program planning and implementation of managed care using pro bono assistance by individuals from the business and academic communities who have HMO problem solving expertise.

- All core public health functions have been centralized into one division which has an increased focus on health prevention and promotion of health prevention activities.
- No audit of DPH in its entirety, by an independent public accounting firm, has been requested or authorized by the Mayor or by the Board of Supervisors or by the Controller.
- DPH has not actively pursued the retention of an independent public accounting firm to audit the entire department.
- As DPH is the protector and promoter of the public health, it is essential that all DPH programs be evaluated for cost effectiveness, financial planning and economic soundness.
- KPMG Peat Marwick LLP reviewed Laguna Honda Hospital during 1996-1997 and their comments were reiterated by current federal and state reviews of this hospital. KPMG Peat Marwick: Management Letter (dated April 11, 1997) is attached as Appendix A to this report. The federal and state review also commented on San Francisco General Hospital.

RECOMMENDATIONS

4. The Department of Public Health should pro-actively pursue an audit by an independent public accounting firm of the units of DPH not presently subject to outside audit.
5. The Mayor, the Board of Supervisors and the Controller should require an audit by an independent public accounting firm of the parts of DPH not presently subject to outside audit.
6. The Mayor and the Board of Supervisors and DPH should institute a task force with an appropriate range of expertise to make recommendations as to how to alleviate problems and finance all corrective action at

San Francisco General Hospital and Laguna Honda
Hospital.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Public Health

Controller

APPENDIX

Appendix A

Four Management Letters from KPMG

DEPARTMENT OF PARKING AND TRAFFIC

SUMMARY

Following up on a previous Civil Grand Jury report and the responses to it, the 1997-1998 Civil Grand Jury (CGJ) investigated the Department of Parking and Traffic (DPT). The focus of the CGJ was on City owned and nonprofit owned parking garages. The CGJ finds that operators of parking garages are paying the City on contract terms negotiated up to 40 years ago; as to 4 out of 5 nonprofit owned garages, the management continues even though contracts have expired. The CGJ also finds that there is no policy or procedure as to when title to a nonprofit owned garage is to pass to the City. The lack of contract discipline opens the City up to charges of favoritism and prejudice.

PROCEDURES

The 1994-1995 Civil Grand Jury reviewed the operations of the Department of Parking and Traffic (DPT). The 1997-1998 CGJ followed up on that report.

The Civil Grand Jury requested and received documents from the DPT, the Department of Real Estate, the Purchasing Department and the City Attorney. Interviewed at great length were the Bureau Chief of the Parking and Traffic Authority, the Deputy Director of the Parking Authority, the Budget/Finance Director of DPT and staff of the Department of Real Estate and of the City Purchasing Department.

The CGJ focused its attention on the operation of City owned and nonprofit owned parking garages.

Coinciding with the CGJ investigation, there occurred thefts of monies collected from parking meters which were

discovered by DPT in October 1997. The thefts allegedly took place by employees of the contractor hired to collect funds from the parking meters.

BACKGROUND

PARKING GARAGES

The 1994-1995 CGJ found that the Portsmouth Square Garage was being managed under an operator agreement bid once in 1958 and that in 1994-1995 it was being operated on a month-to-month basis under the expired agreement. Follow up on the status of this operating agreement determined that the month-to-month arrangement continues under the terms that were negotiated 40 years ago. Further investigation led to the conclusion that the operators of all nonprofit garages are continuing to manage the other five nonprofit garages on a month-to-month arrangement on terms that were negotiated 29 to 39 years ago.

The CGJ investigated cash controls and surety bonds and notices to those whom the City would hold liable for theft of cash. The Department of Real Estate is responsible for the administration of agreements calling for contractors of the DPT to have in place surety bonds. If there is a claim against a contractor or against a surety bonding company, the City Attorney is to give legal notice to protect the City. Our findings as to the Office of the City Attorney are found in another section of this report of the CGJ entitled Management of City Claims.

When constructing a new parking garage, unless the City has its own funds to finance the project, the City contracts with a nonprofit corporation to build and manage the garage. Tax exempt Municipal bonds are issued to pay for the cost of the new garage with the proceeds from the operation of the

garage being used to pay off the bonds. The nonprofit corporation contracts with a for-profit corporation to operate and manage the garage; this contracting is done under the monitoring of the DPT. When the contract to build and manage the new garage is entered into, both parties expect the nonprofit corporation to be dissolved when the bonds are paid off and the ownership of the garage to be then transferred to the City. Once the City takes title to a parking garage, the City retains a for-profit corporation to manage the garage.

There are currently five garages in San Francisco which are operated by nonprofit corporations which will eventually transfer title to the City. The operators of four of these five garages are currently providing services on a month-to-month basis under the terms of original agreements which were negotiated 28 to 41 years ago. The following summarizes the status of the agreements with operators of the nonprofit garages.

Fifth and Mission Garage: In October 1957, Mr. Sal Onorato was selected to operate this garage. During 1997 and 1998, the Parking Authority and Mr. Onorator's assignee failed to reach agreement on new terms for the operation of this garage and, without competitive bid the Parking and Traffic Commission voted to continue the operation agreement until July 1, 1999.

Sutter Street Garage: Operator agreement bid once in 1959. That agreement expired on December 15, 1964. Assigned in 1993 to AMPCO Parking and is currently on a month-to-month agreement.

Portsmouth Square: Operator agreement bid once in 1958 and awarded to S. E. Ornorato. That agreement

expired on March 31, 1961. Assigned in 1993 to City Park and is currently on a month-to-month agreement.

Ellis-O'Farrell Garage: Never bid. Contracted in 1968 to Savoy Auto Park. Assigned in 1981 to The Parking Place. Assigned in 1995 to AMPCO Parking and is currently on a month-to-month agreement. Never competitively bid.

Japan Center Garage: Never bid. Direct assignment in 1968 to Barton Cox operator. Assigned in 1974 to Japan Center, Inc., operator. Assigned in 1986 to Japan Center Garage Partners. Assigned in 1995 to AMPCO Parking and is currently on a month-to-month agreement. Never competitively bid.

As of January 2, 1998, the City owned 12 parking garages. The DPT enters into agreements with independent operators for the operation of each of these 12 garages. Five of these 12 operator agreements are on a month-to-month basis because the original agreement has expired and the operator continues without a new agreement. These five are:

Civic Center Garage: Operator AMPCO Parking System Parking. Management agreement entered into on August 25, 1994, and expired on August 24, 1997. Management continues on a month-to-month basis.

Golden Gateway Garage: Operator Five Star Parking. Operating agreement entered into October 1, 1991, and expired September 30, 1996. Management continues on a month-to-month basis.

Mission Bartlett Garage: Operator MEDA/S+F Parking. Operating agreement entered into

September 15, 1991, and expired September 14, 1996. Management continues on a month-to-month basis.

Polk Bush Garage: Operator City Parking Company. Management agreement entered into April 28, 1993, and expired April 27, 1998. Management continues on a month-to-month basis.

Union Square Garage: Operator City Park Parking Corporation. Management agreement entered into July 1, 1991, and expired May 31, 1996. Management continues on a month-to-month basis.

All of the operators of City owned garages and nonprofit owned garages are responsible for collecting cash and depositing it into City bank accounts. Pursuant to the requirements of the contracts, operators of six of the twelve garages owned directly by the City have fidelity bonds to indemnify the City in the event of misappropriation of cash. Of the remaining six garage operator contracts, two contracts do not require fidelity bonds (Mission Bartlett and Union Square) and as of January 2, 1998, the City did not have on hand copies of the fidelity bonds required by the other four contracts. The CGJ has since been advised that copies of the four missing fidelity bonds have been received.

The Department of Real Estate is responsible for obtaining appropriate fidelity bonds and other insurance certificates from garage operators. The CGJ did not request copies of required insurance certificates.

When a parking structure is built by a nonprofit corporation, the structure is financed by the issuance of tax exempt Municipal bonds. At the time the City enters

into agreement with the nonprofit garage owner, both parties contemplate that title to the garage will be transferred to the City by the nonprofit corporation when the bonds are paid off from the revenues of the parking garage. Of the five nonprofit operated garages, the maturity of the bonds is as follows:

Fifth and Mission Garage, April 1, 2018;
Sutter- Stockton Garage, April 1, 2018;
Ellis O'Farrell Garage, April 1, 2017;
Western Addition Parking Garage, April 1,
2000;
Portsmouth Square Garage, no bonds
outstanding and title not transferred to the
city.

DPT unsuccessfully attempted to force the nonprofit owner of the Western Addition Parking Garage to transfer ownership of the garage to the City before the bonds issued by the garage were to be paid off in the year 2000. That action contrasted with not taking title to the Portsmouth Square Garage when its bonds were paid off.

METER REVENUE

Parking meter theft and theft of monies collected from parking meters have resulted in shortfalls in revenue to the City. This is best explained from the following quotations from the Meeting Reports of the Parking and Traffic Commission and Parking Authority Commission for December 2, 1997:

" Meter Collections - A \$330,000 shortfall exists in meter revenue. This is largely due to meter theft; however, DPT has filed a claim against the

City's meter collection contractor to recover some of the lost revenues."

and for March 3, 1998:

" Meter Collections - The average daily collection in November 1997 was \$54,000, in December \$48,000, and in January \$51,000. However, the recent installation of electronic meters has resulted in increases in revenues from 45 percent in two locations, to 66 percent and 93 percent in others."

Meter heads are taken to duplicate the keys and thus to have access to other parking meters.

To reduce theft, over the next two years the DPT plans to install more than 20,000 high security electronic parking meters. These new meters do not have an actual lock but use an electronic code to open them; the electronic code is to be changed daily.

FINDINGS

- The operators of four nonprofit garages manage these garages on a month-to-month basis on terms that were negotiated 29 to 39 years ago.
- The operator of the fifth nonprofit garage operates on terms negotiated in 1957. The Parking and Traffic Commission recently voted to continue this agreement until July 1, 1999.
- Month-to-month operating agreements on parking garages based on the original terms does not give the City modern operating practices and rates.
- The failure to obtain competitive bids at the time agreements expire does not give the City the best possible returns.

- DPT argues that current staff of one contract administrator does not enable it to take all the steps necessary to bid and award new garage management contracts.
- Nonprofit owned garages are not required to competitively bid their management agreements.
- DPT claim that electronic locks on meter heads will reduce theft and cost of repair of broken meter heads.

RECOMMENDATIONS

9. DPT and the Real Estate Department should take immediate steps to insure that all contractors who handle City cash have required fidelity bonds and insurance.
10. A monitoring system should be established by both DPT and the Real Estate Department to take appropriate action when such insurance (fidelity bond) expires.
11. DPT and the Real Estate Department should immediately obtain competitive bids for the operation of each garage. If staffing is not adequate to do this within a 90-day period, the Mayor should hire consultants (or independent contractors) to assist the departments to take this action.
12. Because recommendations 1 and 2 above will have a positive effect on City revenue, the Controller should monitor and assist in implementing these recommendations.
13. Nonprofit garage owners should be required to also competitively bid the contracts to manage their garages.
14. The Parking and Traffic Commission should adopt policies and procedures as to the City taking title to nonprofit owned garages and proceed to implement these policies and procedures.

15. DPT should expedite the installation of electronic meters. The Controller and the Department should do a cost analysis of early installation to determine if the premium of early installation of electronic meters will be offset by the enhanced revenue from the reduction in meter theft.
16. Appropriate recommendations as to Notice of Claims to Fidelity Bond Insurers is discussed in another section of this report.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Department of Parking and Traffic

Controller

Department of Real Estate

Budget Analyst to the Board of Supervisors

APPENDICES

Appendix A

Letter dated December 24, 1997, from Director of
Property

Appendix B

Letter and attachments dated January 27, 1998, from
Director, San
Francisco Parking Authority.

Appendix C

Excerpts from Meeting Reports for meetings of the
Parking and
Traffic Commission held December 2, 1997, and March 3,
1997.

CASH HANDLING

SUMMARY

During the tenure of the 1997-1998 Civil Grand Jury (CGJ), the press reported thefts of cash from departments of the City of San Francisco.

As the CGJ examined various departments on other matters, Jurors became increasingly aware of cash-handling problems. Given the reported thefts, potential for theft and lack of bonding of those who handle cash, it is recommended that the City retain skilled consultants to perform an in depth review of cash handling and related management controls.

BACKGROUND

Handling of cash provides a temptation to steal. The responsibility of management is to institute sufficient controls to minimize this temptation and to promptly be aware of the possibility of theft and to take corrective action. Of course, cost controls must be compared with potential savings from theft not occurring.

During the tenure of the 1997-1998 CGJ, the newspapers carried feature articles on alleged theft of cash from city parking meters collected by a contractor of the Department of Parking and Traffic (DPT) and a similar theft from parking meters of the Port of San Francisco. The newspapers also carried reports that an employee of the City Fire Department had opened an unauthorized bank account at the Fire Department credit union and proceeded to deposit funds which were for fire hydrant removal; the employee allegedly embezzled those funds but his defense argues that these funds were part of a Fire Department slush fund.

These reports of theft prompted the CGJ to make inquiries about cash handling as it investigated various departments of the city. The Findings that follow are merely illustrative of potential problems that might also occur in other departments.

Cash handling by the collector of parking meters is addressed in the section of this report pertaining to DPT.

The Department of Public Health (DPH) advised the CGJ, by letter dated May 14, 1998, that " With respect to cashiers, the Department employs five cashiers. Three of these cashiers handle up to \$5000 in cash daily. The remaining two collect up to \$27,000 daily. The vast majority of these collections are in the form of checks and certified payments. None of the cashiers are bonded."

The CGJ reviewed the KPMG Peat Marwick LLP's management letter (dated April 11, 1997), which commented on KPMG Peat Marwick's prior review of the DPH as to cash handling. That letter said,

" ...it is our understanding that the following comments discussed in detail in previous management letters have not yet been implemented...

" The Hospital's controls over cash receipts are not clearly documented and not always strictly enforced. Because cash receipts carry inherent control risks, we recommend that the Hospital establishes a review process to ensure that the procedures for the collection of cash receipts are being followed and that there is a proper

segregation of duties. KPMG also recommends that temporary help should be arranged and made available when needed so that the main cashier office can properly record all cash transactions during the busy hours. Additionally, we recommend that the cash office establish a computer based detailed log of all cash receipts. The combination of these recommendations will reduce the possibility of errors and irregularities in the cash receipts cycle."

That Management Letter is attached as Appendix A.

PROCEDURES

In the course of investigating various departments of the city, the CGJ interviewed City employees and department managers about cash handling by City employees and by contractors of the city. Verbal replies were received from management of various departments. Written documentation, including the Peat Marwick management letter and documents from the Port and the DPH pertaining to cash-handling was also reviewed.

FINDINGS

- The City Controller and many departments monitor cash receipts by comparing current receipts with prior period. If there is a discrepancy, then action is to occur.
- The Port of San Francisco: In July 1997 the Senior Management Assistant at the Port had access to cash collected from some parking lots operated by the Port of San Francisco. The management of the Port of San Francisco discerned a reduction in income, which suggested the possibility of misuse of parking funds, and

took action to control the problem. The Senior Management Assistant was arrested for taking the key to the collection box and removing the funds from the collection container. Subsequently, the Port instituted what appears to be acceptable cash receipt handling procedures.

- An unauthorized bank account was opened at the Fire Department credit union.
- The City of San Francisco does not require Surety Bonds (fidelity bonds) on its employees who handle cash. Typically, an insurer does a detailed background investigation of those who are to be bonded. If there is a theft, the insurer indemnifies the insured pursuant to the terms of the fidelity (surety) bond.
- The above illustrations of improper cash handling might well be indicative of how other departments in the city handle cash.

RECOMMENDATIONS

5. The Treasurer and the Controller should retain an outside consultant to review cash handling procedures and reporting of collection trends and reaction of management to changes in collection trends.
6. The Treasurer and the Controller should carefully evaluate the city's policy of not requiring fidelity bonding of employees who handle cash and should then make an appropriate report(s).
7. As a result of the investigation recommended above, the Mayor and Board of Supervisors should take any necessary corrective action.
8. The City Attorney should investigate liability of the Fire Department credit union for opening a bank account for the city without obtaining proper authorizing resolutions and related paper work.

RESPONSES REQUIRED

Mayor

Board of Supervisors

Treasurer

City Attorney

Controller

MANAGEMENT OF CITY CLAIMS

SUMMARY

The 1997-1998 Civil Grand Jury (CGJ) investigated a number of City departments and during the investigation of these departments made inquiries about claims of the City. The response of each department was that the City Attorney is charged with the responsibility of giving Notice when the City might have a potential claim against a contractor or insurer of the contractor or a surety bonding company that insures the City for loss from theft. The City Attorney confirmed that the City Attorney's office has the responsibility for giving Notice of a potential claim and then taking appropriate action to make the claim.

The CGJ finds that notices of claims are not always presented in a timely manner and that the client department often does not follow up to insure that the City Attorney is taking appropriate and timely action.

BACKGROUND

The 1996-1997 CGJ (1996-1997 CGJ) examined the newly constructed jail facility at San Bruno (Jail #7) and found that immediately after construction that the facility needed repairs. The Sheriff's Department did not make a claim against the contractor for repairs and failed to advise the City Attorney to present such a claim. The City Attorney failed to present such a claim against the contractor and/or the contractor's bonding (insurance) company because no formal request was submitted by the Sheriff for action. At the time this finding was made by the 1996-97 CGJ, the lapse of time precluded submission of a claim.

In December 1995, a disaster occurred in the Sea Cliff area of the City of San Francisco; storms apparently caused

sewage pipes to break with resultant damage to City and private property. The CGJ investigated the Public Utilities Commission and found a six-month delay by the City Attorney in giving notice to contractors and insurance companies of a potential claim arising out of the Sea Cliff disaster.

The CGJ also investigated alleged thefts that occurred in September 1997 by employees of a contractor collecting cash from parking meters under a contract issued by the Parking and Traffic Department. That contractor had a Surety Bond to indemnify the City in the event of theft of City monies. As of this date, no claim has been made against the bonding company for the loss of income as a result of the theft. A representative of the City Attorney's office orally notified the contractor of potential claims under the contract and potential claims against the insurance company issuing the fidelity bond. This oral notice was confirmed by letter, dated November 4, 1998 from the City Attorney to the contractor.

PROCEDURES

Members of the CGJ met with representatives of the Public Utilities Commission and Department of Parking and Traffic. Each department advised of certain potential claims and indicated that it was the responsibility of the City Attorney to present such claims to the appropriate party or parties. The CGJ then followed up with the City Attorney's office to determine the status of such claims.

Members of the CGJ reviewed reports of earlier Civil Grand Juries and the responses to these reports.

FINDINGS

- Notices of Claims are to be presented by the City Attorney.

- The contractors who constructed the sewers at Sea Cliff were not formally notified of claims by the City until a cross complaint to pending litigation was filed by the City Attorney in December 1996.
- Notice of claims as a result of the Sea Cliff disaster was not given earlier (to either the contractor or to the performance bonding company) because the responsible attorney was on leave of absence from the Office of the City Attorney.
- The Public Utility Commission did not follow-up with the City Attorney to insure that notice was given to those potentially liable to the Public Utilities Commission as a result of the Sea Cliff disaster.
- In October 1997, thefts from parking meters were discovered by the Department of Parking and Traffic.
- As to claims for the theft of collections under the Parking Meter collection contract, a letter confirming earlier verbal notice was submitted by the City Attorney on November 4, 1997, which letter was addressed to the contractor.
- As to claims against the insurance company that bonded the employees of the parking meter collection contractor, no notice has been given by the City of a possible claim as a result of the alleged theft.
- Neither the Department of Parking and Traffic nor the Department of Real Estate followed up with the Office of the City Attorney to request timely presentation of a claim against the fidelity bonding company as a result of the alleged theft.
- As reported by the 1996-1997 CGJ, the Sheriff's Department and the City Attorney did not give timely notice (of potential claims) to the construction contractor of Jail #7.
- City departments investigated by the CGJ are not structured so that one position is assigned

responsibility for submitting claims to the City Attorney and then monitoring the actions of the City Attorney.

RECOMMENDATIONS

7. Each department of the City should establish a procedure for presenting claims to the City Attorney. That procedure should designate a position with responsibility for notifying the City Attorney of any possible claims and then monitoring the action of the office of the City Attorney.
8. The City Attorney should establish procedures for advising client departments of actions taken or not taken as to claims.
9. If there is a possible claim from alleged theft or damage, the City Attorney should have a procedure for giving notice in a timely manner to the appropriate fidelity bonding companies and/or insurance companies and/or contractors of a possible claim by the City.
10. When an employee of the City Attorney's office is on extended leave or vacation, procedures should provide for a backup staff member to take action in a timely manner.
11. Each client department (e.g. Public Utility Commission or Parking and Traffic or Department of Real Estate) should follow up with the Office of the City Attorney to insure that prompt notice is given as to potential claims of the respective departments.
12. The Controller should be assigned responsibility to advise on procedures and to monitor payments (or losses) of the City Attorney and City departments under these new procedures.

RESPONSES REQUIRED

Mayor

Board of Supervisors

City Attorney

Sheriff

Public Utility Commission
Department of Parking and Traffic
Controller
Department of Real Estate