OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

Case Study: Quantitative Analysis

This position requires the incumbent think creatively and analytically, use a wide range of quantitative and qualitative data, explain analytical methodologies, and communicate policy, project, and financial information in oral and written formats. This exercise will give candidates the opportunity to demonstrate the above described knowledge, skills, and abilities.

In 2016, the CCSF passed ordinance 54-16. Although OCII is not a city department, OCII works closely with CCSF and some staff members are city employees contracted to work full-time at OCII. The Commission has requested that OCII consider implementing ordinance 54-16. How much would it cost OCII to implement ordinance 54-16?

Using the materials provided, perform a quantitative analysis that answers the question above. Write a memo to the Deputy Director of Finance and Administration that 1) defines the problem, 2) describes the analytical methodology, and 3) identifies the cost to implement the ordinance. Prepare a Powerpoint presentation for the Commission that summarizes the information in the memo. Submit the quantitative analysis, memo, and Powerpoint.

One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

415 749 2400

www.sfocii.org

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

MEMORANDUM

To: Mayor Edwin Lee
Members, Board of Supervisors

From: Ben Rosenfield, Controller

CC: Pat Mulligan, Director Office of Labor Standards and Enforcement

Subject: Paid Family Leave Costs for City-Funded Non-Profits

Date: June 15, 2016

The recently-adopted ordinance expanding paid parental leave in San Francisco required that our office estimate and report on the costs of this requirement for City-funded contracts with non-profit organizations. We estimate the additional cost of the benefit expansion to be up to $720,000 for all contracts, or $575,000 for those funded from the General Fund. While some of this impact will first occur in fiscal year (FY) 2016-17, the full impact will not be realized until FY 2018-19, given the tiered phase in of the benefit for employers of various sizes between January 1, 2017 and January 1, 2018.*

The Office of Economic Analysis in the Controller's Office estimates that expanding paid parental leave will cost all covered employers in the city between $15 million and $33 million annually, depending on how the new benefit level increases utilization of this form of paid leave.

This represents an increase in private sector labor costs of between 0.03% and 0.07%. This same general increase in labor costs can be expected in non-profit employers, adjusting for a workforce in non-profit organizations that generally is marginally younger and potentially more likely to have children. Our estimate of the cost of service contracts purchased through community-based non-profit organizations is approximately $611 million, of which $486 million are funded from the General Fund. We estimate that approximately 50% to 75% of these costs are for labor expenses. Allowing for non-profit workers to be 50% more likely than other San Francisco workers to have children, this method leads to an estimate that the cost of the benefit expansion would range between approximately $150,000 and $450,000 annually, with approximately 80% of this cost attributable to General Fund contracts.

An alternate method for estimating these costs yields similar results. At present, approximately 2% of all employees in the city have a child under the age of one in their household. This percentage is not appreciably higher for the social services sector than it is for the city as a whole. The Human Services Network estimates that there are approximately 10,000 employees working on City-funded non-profit contracts. If 2% of these employees have a new child each year, and all of these employees take paid leave, this would lead to approximately 200 additional paid parental leave claims under the program annually. We estimate the maximum average cost of each claim to be approximately $3,600, for a total contract cost of $720,000, of which approximately $575,000 is attributable to General Fund contracts.

While this labor cost increase should be modest and manageable for many organizations, the City could consider adoption of a subsidy program for those organizations that cannot. Should you wish to pursue such a program, we would suggest appropriating funds for this purpose in the coming fiscal year budget. The Controller's Office would then work with affected contracting departments to establish the administrative guidelines to disburse these funds.

* Non-profit employers with 50 or more employees are required to comply beginning on January 1, 2017, while those with 35 or more employees are required to comply by July 1, 2017, and those with with 20 or more employees by January 1, 2018.

Paid Family Leave for Bonding with a New Child: Economic Impact Report

Office of Economic Analysis

Item # 160065

March 22nd, 2016

Introduction

- The proposed legislation would require San Francisco employers with 20 or more employees to provide partial wage replacement to their employees who take leave under the California Paid Family Leave (PFL) program in order to bond with a new child.
- PFL is an extension of the State Disability Insurance (SDI) program. PFL provides for partial wage replacement of up to 55% their salary for up to six weeks of leave. Leave may be taken to care for a family member.
- SDI is entirely funded through a tax on employees. Virtually every private sector employee, and many government and non-profit employees, contribute to SDI. There is no employer contribution to the state program.
- This proposed legislation would require employers to compensate an employee for up to 45% of their remaining wages, when he or she files a PFL claim for bonding with a new child. Other legitimate PFL claims, such as caring for a parent, would qualify for the 55% draw from the state pool but not require any additional compensation from the employer.

Who Would Benefit from the Proposed Legislation?

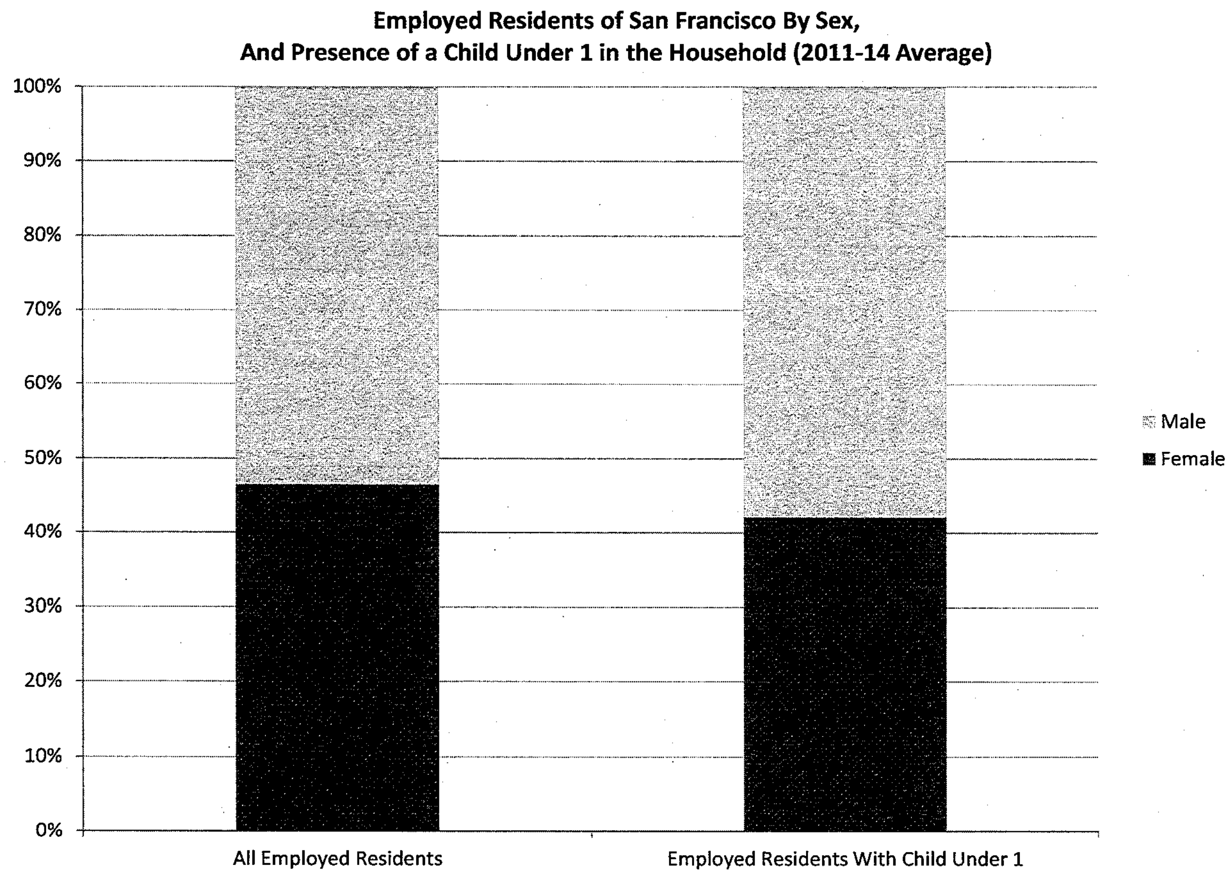
- The proposed legislation would only apply to *covered employees*, defined as someone who meets all of the following conditions:
  1. eligible for a PFL claim for bonding with a new child.
  2. started work with a *covered employer* at least 90 days prior to the start of the leave period.
  3. performs at least eight hours of work per week for the employer within the city.
  4. works at least 40% of their total weekly hours for that covered employer within the city.
- A *covered employer* is any employer of a covered employee, except government entities or employers with fewer than 20 employees anywhere in the world.
- In other words, the vast majority of full- and part-time San Francisco employees of private businesses and non-profits with over 20 employees would be eligible for the enhanced compensation under the proposed legislation. Covered employees must work, but need not live, in San Francisco.

Paid Family Leave Claims for Bonding with a New Child in San Francisco

Year	Bonding Claims by SF Residents	Average Duration in Weeks (All Claims)	Average Weekly Benefits (All Claims)
2011	4,336	5.48	$720.09
2012	4,560	5.49	$739.66
2013	4,615	5.53	$761.86
2014	5,044	5.43	$765.69
Average	4,639	5.49	$743.39

Source: Legislative and Intergovernmental Affairs Office, California Employment Development Department (EDD)

47% of Employed San Francisco Residents are Female, but Only 42% of Employed Residents With a New Child are Female

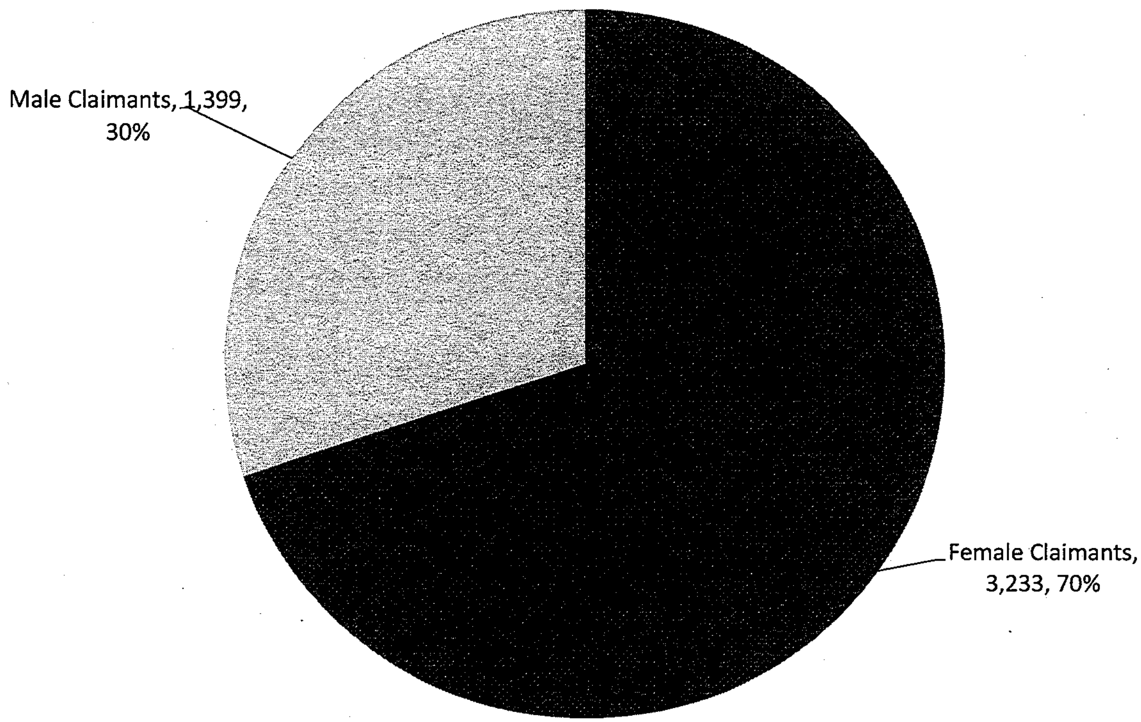


The Census Bureau's American Community Survey asks respondents their sex, employment status and the age of their youngest child, if any.

The data indicates that while women make up 47% of employed residents in San Francisco, they make up slightly less, 42%, of employed residents that have a child under 1 year of age. This may result from some women dropping out of the labor force after the arrival of a new child.

However, 70% of PFL Bonding Claims in San Francisco Are Made By Women

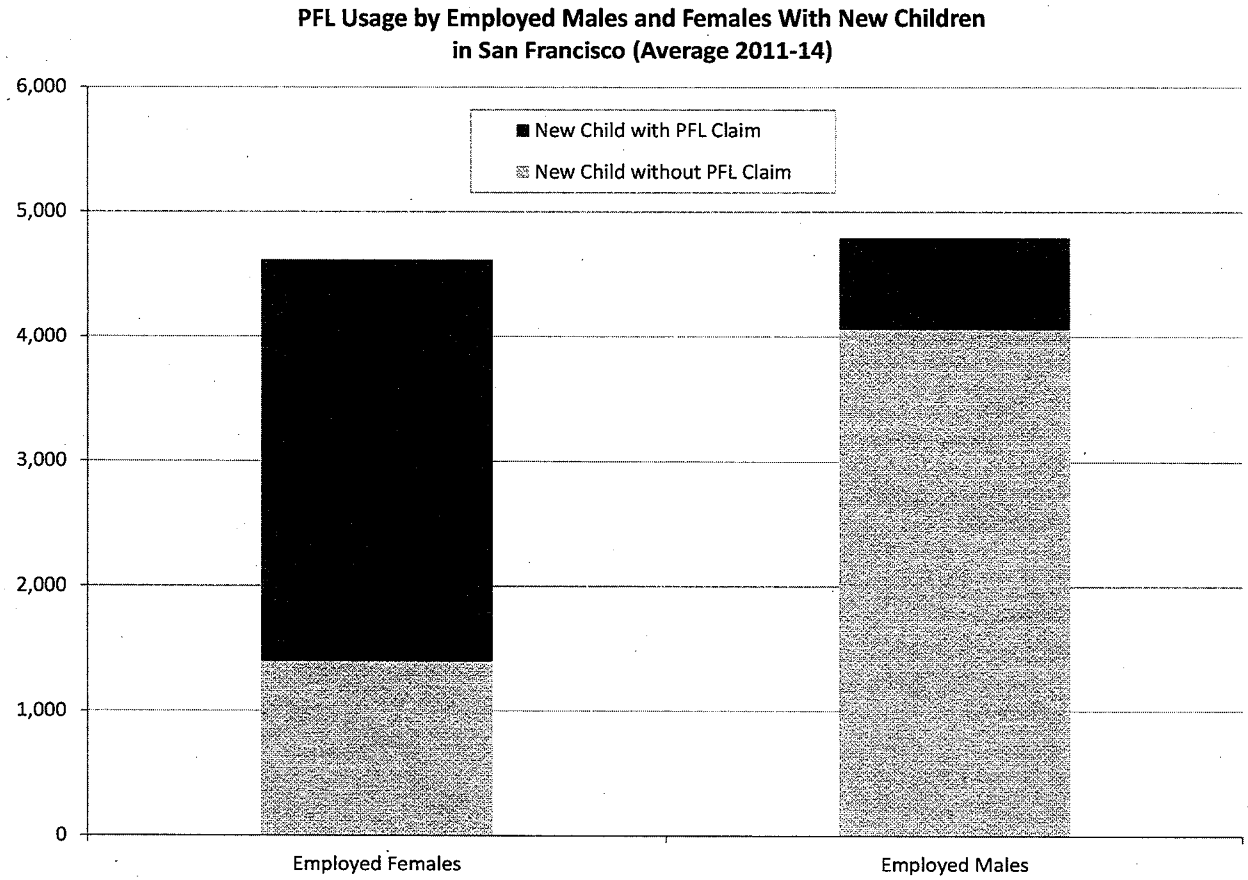
Paid Family Leave Claims for Bonding by San Francisco Residents, By Sex (2011-14 Average)



The State Employment Development Department, which manages the PFL program, has provided us with data on the number and size of PFL claims, specifically for bonding with a new child, for males and females who live in San Francisco.

This suggests that women in San Francisco, who are already more likely than men to drop out of the labor force after having a child, are also more likely to take a paid leave of absence.

Estimates of the Uptake of PFL Suggest Females with a New Child Are Far More Likely to Use PFL than Males with a New Child



By comparing the PFL claims for bonding with a new child, with the number of employed residents that have new children, we can estimate the utilization or "uptake" of PFL by both males and females in the city.

The data suggests that while approximately 80% of San Francisco females with a new child claim PFL for bonding with that child, only 26% of eligible males in the city do so.

Research has suggested that this gender difference in early child care contributes to both inequities in future earnings of men and women. It also establishes patterns of child attachment and domestic roles within the household.

Economic Impact Factors

- The proposed legislation is projected to affect the City's economy in three primary ways:
    1. By increasing the compensation associated with a PFL claim, it would increase the household spending of every covered employee who makes a claim. Additionally, by increasing the economic incentive to make a claim, it would likely increase the number of claims by covered employees. To the extent that covered employees live in San Francisco, most of their additional spending would be at local retailers and service providers, creating positive multiplier effects in the city's economy. Additionally, if the proposed legislation increases the number of PFL claims made by San Francisco residents, which seems likely given the greater financial incentive, it will increase the local economy's draw down from the State SDI pool.
    2. It would increase the compensation costs of covered employers, who currently pay nothing for PFL claims, but would pay 45% of the cost of each claim under the proposed legislation. This would effectively increase the cost of hiring, slow job creation and replacement, and create negative multiplier effects in the local economy.
    3. Research from Scandinavian countries which have had longer experience with PFL suggests that increased parental, and especially paternal, bonding leads to better educational outcomes for children, and higher long-term earnings for women, who are less likely to interrupt their careers to care for children. However, given California's shorter experience with PFL, we lack the data to quantify this benefit.
- The remainder of the report focuses on quantifying the net economic impact associated with the first two factors discussed.

Economic Impact Assessment:
Projected Increase in Average Claim

- As stated on the previous page, the increased household income and spending that would be caused by the proposed legislation is partly a product of the higher compensation that would be paid for each claim (from 55% to 100% of employee wages), and partly a product of a higher number of claims. While the second issue cannot be estimated with any confidence, and is discussed in more detail on the next page, the first issue is relatively easy to estimate based on data provided by EDD.
- Over the 2011-15 period, the average PFL claim for new child bonding by a San Francisco resident involved 5.5 weeks of leave, and paid the employee $743 per week. As this represents approximately 55% of wages, raising the compensation to 100% of wages would pay the employee $1,351 per week. Employees would therefore gain $608 per week as a result of the legislation, or $3,344 additional for a claim of average length.

Economic Impact Assessment: Potential Increase in PFL Program Uptake

- California's PFL program, which went into effect in 2004, has always offered the same 55% of weekly wages to claimant as a benefit. No other local government in the State has done what San Francisco is proposing to do in raising the benefit to above 55% of wages.
- For these reasons, while we can estimate the program uptake given the current benefit, we lack the data to meaningfully estimate how many more new San Francisco parents would make a PFL claim if the benefit was increased. Instead, we illustrate the economic impacts of a range of potential changes in program utilization.
- For example, based on the average number of claims over the 2011-14 period, if the number of claims does not rise, household incomes will rise by $9 million annually simply as a result of increasing the benefit from 55% to 100% of wages.
- If uptake increases to the point that the claims by men become half as frequent (40% of men with new children) as female claims are now (80% of women with new children), then household incomes in San Francisco would rise by $12 million annually.
- Finally, if uptake increases to the point that claims by men become as frequent as claims by women, then household incomes would rise by $21 million annually.
- As an absolute maximum, if claims by both men and women rose to 100%, household incomes would rise by $26.5 million.

Economic Impact Assessment:
Higher Compensation Costs for Covered Employers

- The proposed legislation requires covered employers to pay the additional 45% of wages to PFL claimants who work in the city. Additionally, because only 55% of covered employees live within San Francisco, local businesses will also be providing PFL compensation to non-resident employees, whose spending provides negligible economic benefit to the city.
- If there is no increase in program uptake, all of the additional household income flowing to resident and non-resident claimants would come from covered employers, at an estimated cost of $16 million annually.
- On the other hand, if the higher PFL benefits lead to more people using the program, as can be expected, then both the State SDI pool and local employers will contribute to the higher household income, with the State paying 55% of the cost of the new claims.
- Following the illustrative examples on the previous page, if male program uptake rose to 40%, the cost to covered employers would be approximately $19 million, with an additional $3 million coming to claimants from the State.
- If male program uptake rose to 80%, the cost to covered employers would be $26 million annually, with an additional $13 million coming to claimants from the State.
- The maximum possible uptake, 100% for both males and females, would increase compensation costs by $32.3 million annually, with an additional $20M from the State.

Summary of Potential Scenarios: Benefits and Costs

Scenario	Increase in income to San Francisco residents	Increase in State payments to San Francisco residents	Increase in compensation costs to San Francisco employers, for residents & non-residents
100% wage replacement but no change in program uptake	$8.8M	$0	$15.8M
100% replacement; male uptake rises to 40%; no change in female uptake	$11.9M	$3.3M	$18.5M
100% replacement; male uptake rises to 80%; no change in female uptake	$20.7M	$12.5M	$26.0M
100% replacement; both male and female uptake rise to 100%	$26.5M	$20.2M	$32.3M

Potential Net Economic Impacts

- The Office of Economic Analysis uses the REMI model, an econometric model of the city's economy, to estimate the net economic impact of policy changes.
- In each scenario modeled, the net economic impacts were negative:
  - If there are no changes in program uptake, the proposed legislation would reduce the city's GDP by $42 million and 250 jobs.
  - If uptake increases to the point that men are half as likely to claim PFL as women, the economy's GDP would be reduced by $47 million and 290 jobs.
  - If uptake increases to the point that men are as likely to claim PFL as women, GDP would be $65 million smaller, and the city would have 390 fewer jobs.
  - The maximum potential uptake of 100% for both men and women would reduce the city's GDP by $79 million and employment by 480 jobs.
  - Each of these impact is small in the context of the city's $140 billion economy, which has added an average of 17,000 new jobs a year since 2004.
- There appear to be two primary reasons for negative impact.
  1. The flow of funds out of the local economy, in the form of compensation to non-resident employees by local businesses is greater, in every scenario, than the flow of funds to into the local economy in the form of higher State payments to resident PFL claimants.
  2. Even on a dollar-per-dollar basis, the negative multiplier effects of raising compensation costs for local businesses outweighs the positive multiplier effects of raising household income and consumer spending.

Conclusions and Recommendations

- Although this analysis does not consider the potential long-term benefits of expanding PFL, and does not reach a quantitative estimate of the likely economic impact, based on a range of likely scenarios we project the net impact on the city's economy will be negative.
- As was the case with other City labor legislation, such as the recent minimum wage increase, the projected negative impact would likely be small in the context of the overall city's economy and its long-term growth trend.
- The legislation enhances the notification requirements that covered employers must make to their employees regarding paid family leave. Some research has suggested that PFL claims are relatively low, across the state, because notification requirements are weak and many workers are unaware of their PFL benefits.
- The City may be able to minimize the negative economic impact by establishing a more gradual move up to 100% wage replacement, and monitoring the increase in program uptake as the size of the benefit increases.
- If PFL claims increase substantially with less than a 100% wage replacement, then the benefit of additional State dollars flowing into the city could outweigh the (reduced) cost to local businesses, and the net economic impact might be made positive.

Staff Contacts

Ted Egan, Ph.D., Chief Economist
ted.egan@sfgov.org
(415) 554-5268

Asim Khan, Ph.D., Principal Economist
asim.khan@sfgov.org
(415) 554-5369

AMENDED IN BOARD
04/05/16

FILE NO. 160065 ORDINANCE NO. 54-16

[Police Code - Paid Parental Leave for Bonding with New Child]

Ordinance amending the Police Code to require employers to provide supplemental compensation to employees who are receiving State Paid Family Leave for purposes of bonding with a new child.

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

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

Section 1. The Police Code is hereby amended by adding Article 33H, consisting of Sections 3300H.1 through 3300H.14, to read as follows:

ARTICLE 33H: PAID PARENTAL LEAVE

SEC. 3300H.1. TITLE.

This Article 33H shall be known as the "Paid Parental Leave Ordinance."

SEC. 3300H.2. FINDINGS.

(a) In 2004, California became the first state in the United States to create a family leave insurance program (referred to herein as "California Paid Family Leave") that provides partial wage replacement to eligible employees on leave for family caregiving or bonding with a new child. Under the program, codified at Unemployment Insurance Code Section 3300 et seq., employees who contribute to the California State Disability Insurance (SDI) fund are entitled to six weeks of partial pay each year while taking time off from work to bond with a newborn baby, newly adopted child, or new foster child, or to care for a seriously ill family member.

(b) As of January 2016, workers eligible for California Paid Family Leave can take up to six weeks of paid time off at 55% of their weekly wages up to a maximum weekly benefit amount to bond with a new child or care for a seriously ill family member. The weekly benefit amount is determined by using the employee's highest-earning calendar quarter during an approximately 12-month base period. As of January 2016, the maximum weekly benefit amount is $1,129. To qualify for this maximum weekly benefit amount, an individual must earn at least $26,070.92 in a calendar quarter during the base period. The Legislature is considering legislation that would extend the number of weeks of paid time off and increase the weekly benefit amount, but as of the enactment of this Article 33H, the state legislation had not been passed.

(c) California Paid Family Leave is available to nearly all private sector workers who pay into the SDI program, either through payroll deductions or voluntarily.

(d) Through 2014, approximately 1.8 million California Paid Family Leave claims were approved by the State of California Employment Development Department ("EDD") for a total of $4.6 billion in payments. According to EDD, approximately 90% of claims are for bonding with a new child.

(e) Babies whose mothers work during the first three months of the baby's life are less likely to be breastfed, taken to the doctor for well-baby visits, or be up to-date on immunizations. According to a 2015 study, rates of breastfeeding through infancy in California increased by 10-20 percentage points after development of the California Paid Family Leave program.

(f) Experts have found that it takes at least several months for a pattern of interaction to begin to develop between parent and child where they recognize and learn to respond to each other's distinct cues. Short-changing this time for parents to learn to be responsive caregivers may have impacts for children's cognitive as well as social and emotional development.

(g) A 2012 survey by the U.S. Department of Labor found that the main reason employees in the United States do not take unpaid leave under the federal Family Medical Leave Act is that they

cannot afford to take it. Further, studies show that low-wage workers in particular would benefit from expanded paid family leave policies.

(h) According to a 2014 report by the California Senate Office of Research, the number of California Paid Family Leave claims filed by individuals in the lowest income bracket consistently is much smaller than the number filed by those in the highest income bracket, and claims in the two lowest income brackets decreased gradually over the prior nine years. Numerous factors may contribute to this declining participation rate, including the current California Paid Family Leave wage-replacement rate of 55%, which may provide insufficient income, particularly for low-income households.

(i) This Article 33H is intended to supplement the California Paid Family Leave partial wage replacement by providing compensation that, in combination with the California Paid Family Leave payment, will total 100% of an employee's weekly salary, subject to a weekly maximum benefit amount, during the six-week leave period, to help ensure that concern over loss of income does not preclude parents in San Francisco from bonding with their new child.

SEC. 3300H.3. DEFINITIONS.

For purposes of this Article 33H, the following definitions apply:

"Agency" means the Office of Labor Standards Enforcement or any successor department or office.

"California Paid Family Leave" means the State of California's partial wage replacement insurance plan for paid family leave codified at California Unemployment Insurance Code, Division 1, Part 2, Chapter 7 (commencing with Section 3300), as that law may be amended from time to time with respect to eligibility for, duration of, or amount of paid family leave compensation, or any other matter pertaining to paid family leave under that law.

"City" means the City and County of San Francisco.

"Covered Employee" means any person, including but not limited to part-time and temporary employees, who is employed by a Covered Employer (1) who commenced employment with the Covered Employer at least ~~90~~ 180 *days prior to the start of the leave period, (2) who performs at least eight hours of work per week for the employer within the geographic boundaries of the City, (3) at least 40% of whose total weekly hours worked for the employer are within the geographic boundaries of the City, and (4) who is eligible to receive paid family leave compensation from the State of California under the California Paid Family Leave law for the purpose of bonding with a new child. Where a person's weekly work hours fluctuate from week to week, the Agency shall* determine whether the person meets the eight-hour and/or 40% threshold requirements in the preceding sentence by *us*~~e~~ing *an average of the person's weekly hours worked for the Covered Employer during the three monthly pay periods, six bi-weekly or semi-monthly pay periods, or 12 weekly pay periods immediately preceding the* start of the person's California Paid Family L~~l~~*eave period.* If the person was on unpaid leave during any of the aforementioned pay periods, such pay period(s) shall not be counted towards the average referenced in the preceding sentence; rather, the Agency shall consider additional earlier corresponding pay periods for that person in order to satisfy the above designated number of pay periods, but in no case shall the Agency, in calculating the average, consider pay periods earlier than 26 weeks prior to the California Paid Family Leave period.

"Covered Employer"~~, as of January 1, 2017,~~ *means any person, as defined in Section 18 of the California Labor Code, including corporate officers or executives, who directly or indirectly or through an agent or any other person, including through the services of a temporary services or staffing agency or similar entity, employs or exercises control over the wages, hours, or working conditions of an employee and who regularly employs* ~~20 50 or more~~ the following number of *employees, regardless of location*~~.~~: (1) commencing with January 1, 2017, 50 or more employees; (2) commencing with July 1, 2017, 35 or more employees; and (3) commencing

with January 1, 2018, 20 or more employees. ~~Covered Employer, as of July 1, 2017, means any person, as defined in Section 18 of the California Labor Code, including corporate officers or executives, who directly or indirectly or through an agent or any other person, including through the services of a temporary services or staffing agency or similar entity, employs or exercises control over the wages, hours, or working conditions of an employee and who regularly employs 20 or more employees, regardless of location.~~ *Covered Employer shall not include the City or any other governmental entity.*

"New Child Bonding" means bonding with the Covered Employee's minor child during the first year after the birth of the child or after placement of the child with the Covered Employee through foster care or adoption, per Section 3301 of the California Unemployment Insurance Code.

"State" means the State of California, including the State of California Employment Development Department.

"Supplemental Compensation" means a Covered Employer's obligation to pay a Covered Employee's partial weekly salary in accordance with Section 3300H.4.

SEC. 3300H.4. SUPPLEMENTAL PAID PARENTAL LEAVE.

(a) ***Applicability.*** *This Article 33H applies to Covered Employees who are receiving California Paid Family Leave benefits for the purpose of New Child Bonding.*

(b) ***Supplemental Compensation.***

(1) ***General.***

(A) Except as stated in subsection (b)(2), when a Covered Employee receives California Paid Family Leave compensation for the purpose of New Child Bonding, a Covered Employer shall, during the leave period, supplement the California Paid Family Leave weekly benefit amount that the employee is receiving by paying the employee Supplemental Compensation in an amount such that the total of the California Paid Family Leave compensation the employee is receiving

and the Supplemental Compensation provides, but does not exceed, 100% of the employee's current normal gross weekly wage.

(B) If the Covered Employee's weekly wage fluctuates, the employee's normal gross weekly wage shall be calculated based on an average of the employee's weekly earnings from the Covered Employer during the three monthly pay periods, six bi-weekly or semi-monthly pay periods, or 12 weekly pay periods immediately preceding the start of the *employee's* California Paid Family L~~l~~*eave period.* If the employee was on unpaid leave during any of the aforementioned pay periods, such pay period(s) shall not be counted towards the average referenced in the preceding sentence; rather, the average shall be calculated using additional earlier corresponding pay periods in order to satisfy the above designated number of pay periods, but in no case shall pay periods earlier than 26 weeks prior to the California Paid Family Leave period be considered. ~~; provided, however, that~~ Notwithstanding the preceding sentence, *if the Covered Employee's weekly wage fluctuates and the employee has worked for the Covered Employer for less than 26 weeks, the weekly wage shall be calculated based on an average of the employee's weekly earnings for the entire period of employment to date.*

(C) If the California Paid Family Leave weekly benefit amount that the Covered Employee is receiving from the State is based on earnings from a calendar quarter during which the employee did not work for the Covered Employer, or during which the employee earned a higher weekly wage from the Covered Employer than the employee is receiving at the time of his or her leave, the Supplemental Compensation amount shall be calculated to provide 100% of the employee's normal gross weekly wage in his or her current position; provided, however, that reducing a Covered Employee's wages during the leave period or within 90 days of the employee's having made a request or application for California Paid Family Leave shall raise a rebuttable presumption that such wage reduction was made to reduce the Covered Employer's Supplemental Compensation obligations under this Section 3300H.4. Unless the Covered Employer rebuts the presumption with clear and convincing

evidence that the reduction was solely for a reason other than reducing its obligation to pay Supplemental Compensation, the employer shall be obligated to pay Supplemental Compensation during the leave period based on the employee's prior wage rate.

(D) Multiple Employers.

(i) Where the Covered Employee works for more than one employer, the Supplemental Compensation amount shall be apportioned between or among the Covered Employers based on the percentage of the Employee's total gross weekly wages received from each employer. For example, if the Employee earns $800 per week from Covered Employer A, and $200 per week from Covered Employer B for a combined total of $1,000, Employer A shall pay 80% of the Supplemental Compensation amount and Employer B shall pay 20% of the Supplemental Compensation amount. If the Employee's weekly wage for a given Employer fluctuates, the percentage referenced in this subsection shall be calculated by averaging the employee's weekly wages earned from the Employer during the three monthly pay periods, six bi-weekly or semi-monthly pay periods, or 12 weekly pay periods immediately preceding the leave period. If the employee was on unpaid leave during any of the aforementioned pay periods, such pay period(s) shall not be counted towards the average referenced in the preceding sentence; rather, the average shall be calculated using additional earlier corresponding pay periods in order to satisfy the above designated number of pay periods, but in no case shall pay periods earlier than 26 weeks prior to the California Paid Family Leave period be considered.

(ii) In cases where the Covered Employee works for a Covered Employer and a non-Covered Employer, the Covered Employer shall be responsible only for its percentage of the Employee's total gross weekly wages. For example, if the Employee earns $800 per week from the Covered Employer, and $200 per week from the non-Covered Employer for a combined total of $1,000, the Covered Employer shall pay 80% of the Supplemental Compensation amount and the Non-Covered

Employer shall pay nothing. Accordingly, in such cases, the Employee will not receive 100% of the Supplemental Compensation amount.

(iii) In cases of multiple employers, the Covered Employee shall, as a precondition of receiving Supplemental Compensation, provide the Covered Employer(s) with both (1) a copy of the employee's Notice of Computation of California Paid Family Leave Benefits from the State or other legally authorized statement, and (2) information pertaining to wages received from all employers during the 90 days prior to the leave period on a form prepared by the Agency and signed by the employee under penalty of perjury. A Covered Employee's failure to comply with this requirement shall relieve the Covered Employer(s) of their obligation to provide the employee with Supplemental Compensation.

(2) ***Maximum Weekly Benefit Amount.*** *In the case of a Covered Employee who is receiving the maximum weekly benefit amount under the California Paid Family Leave law, the Supplemental Compensation shall not be calculated to reach 100% of the employee's total normal gross weekly wage. Rather, the amount of Supplemental Compensation shall be calculated based on the gross wage that is derived from dividing the State's maximum weekly benefit amount by the percentage rate of wage replacement provided under the California Paid Family Leave law.*

(3) ***Termination During Leave Period.*** *A Covered Employer's obligation to provide Supplemental Compensation under this Section 3300H.4 applies only during the period the Covered Employee is eligible for and is receiving California Paid Family Leave benefits for New Child Bonding; provided, however, that if a Covered Employer terminates a Covered Employee during the leave period, the employer's obligation to pay Supplemental Compensation shall continue for the remainder of the California Paid Family Leave period.*

(4) ***Termination Prior to Leave Period.*** *Terminating a Covered Employee prior to the employee's leave period but within 90 days of the employee's having made a request or application for California Paid Family Leave shall raise a rebuttable presumption that such termination was taken to*

avoid the Covered Employer's Supplemental Compensation obligations under this Section 3300H.4. Unless the Covered Employer rebuts the presumption with clear and convincing evidence that the termination was solely for a reason other than avoidance of its obligation to pay Supplemental Compensation, the employer shall be obligated to pay the terminated employee Supplemental Compensation during the leave period.

(5) ***Unused Vacation Leave.*** *To be eligible to receive Supplemental Compensation under this Section 3300H.4, a Covered Employee must* ~~consent~~ agree *to allow*~~ing~~ *a Covered Employer, in the employer's discretion, to apply up to two weeks of unused vacation leave that the employee has accrued as of the start of the leave period to help meet the employer's obligation under this Section to provide Supplemental Compensation during the leave period.* If the Covered Employee does not agree, the Covered Employer is not required to provide Supplemental Compensation under this Section 3300H.4, but such lack of agreement shall have no effect on the Employee's eligibility for California Paid Family Leave benefits or other benefits under the law. *The preceding sentence shall not prevent a Covered Employer, in the employer's discretion, from requiring a Covered Employee to take up to two weeks of earned but unused vacation leave prior to the employee's initial receipt of California Paid Family Leave compensation as allowed under subsection (c) of Section 3303.1 of the California Unemployment Insurance Code, as amended, in addition to or in lieu of exercising the option provided in the foregoing sentence.*

(6) ***Voluntary Plans.*** *A Covered Employer who has received State approval to pay California Paid Family Leave compensation through a voluntary disability insurance plan in accordance with California Unemployment Insurance Code, Division 1, Part 2, Chapter 6 (commencing with Section 3251) must comply with the Supplemental Compensation requirements of this Section 3300H.4 either by providing the Supplemental Compensation through the approved voluntary plan or by paying Supplemental Compensation directly to the Covered Employee.*

(c) **Integration/Coordination of Benefits.** In accordance with California Unemployment Insurance Code Section 2656, a Covered Employee who is receiving California Paid Family Leave benefits may not receive Supplemental Compensation under this Article 33H which would result in the employee's receiving total compensation while on paid parental leave that is greater than the employee's normal gross weekly wages. As a precondition of receiving Supplemental Compensation, a Covered Employee must either (1) provide the Covered Employer with a copy of the employee's Notice of Computation of California Paid Family Leave Benefits from the State or other legally authorized statement, or (2) provide the State with written authorization to disclose the weekly benefit amount to the employer. A Covered Employee's failure to comply with this requirement shall relieve the Covered Employer of its obligation to provide the employee with Supplemental Compensation.

(d) **Existing Paid Parental Leave Policies.** This Article 33H does not require a Covered Employer to provide Supplemental Compensation under Section 3300H.4 to a Covered Employee if the employer's existing policy provides the employee with at least six weeks fully paid parental leave within any twelve-month period for purposes of New Child Bonding, whether or not such paid leave includes California Paid Family Leave benefits. Unless the Employee elects otherwise, the six weeks fully paid parental leave referenced in the prior sentence must be provided as six consecutive weeks.

(e) **Reimbursement**. As a precondition of receiving Supplemental Compensation, a Covered Employee must agree, by signing a form prescribed by the Agency, to reimburse the full amount of Supplemental Compensation received from any Covered Employer(s) if the employee voluntarily separates from employment with the Covered Employer(s) within 90 days of the end of the Employee's leave period and if the Employer requests such reimbursement in writing.

SEC. 3300H.5. NOTICE AND POSTING.

(a) The Agency shall, by the operative date of this Article 33H, publish and make available to Covered Employers, in all languages spoken by more than 5% of the San Francisco workforce, a notice suitable for posting by employers in the workplace informing employees of their rights under this

Article. The Agency shall update this notice on December 1 of any year in which there is a change in the languages spoken by more than 5% of the San Francisco workforce. In its discretion, the Agency may combine the notice required herein with one or more other notices it is required to publish and make available to employers under other provisions of City law.

(b) Every Covered Employer shall post in a conspicuous place at any workplace or job site where any Covered Employee works the notice required by subsection (a). Every Covered Employer shall post this notice in English, Spanish, Chinese, and any language spoken by at least 5% of the employees at the workplace or job site.

SEC. 3300H.6. EMPLOYER RECORDS.

(a) Covered Employers shall retain records documenting Supplemental Compensation paid to employees as required by this Article 33H, for a period of three years, and shall allow the Agency access to such records, with appropriate notice and at a mutually agreeable time, to monitor compliance with the requirements of this Article 33H.

(b) When an issue arises as to an employee's entitlement to Supplemental Compensation under this Article 33H, if the Covered Employer does not maintain or retain adequate records documenting Supplemental Compensation paid to the employee, or does not allow the Agency reasonable access to such records, it shall be presumed that the employer has violated this Article, absent clear and convincing evidence otherwise.

SEC. 3300H.7. EXERCISE OF RIGHTS PROTECTED; RETALIATION PROHIBITED.

(a) It shall be unlawful for a Covered Employer or any other person to interfere with, restrain, or deny the exercise of or the attempt to exercise, any right protected under this Article 33H.

(b) It shall be unlawful for a Covered Employer or any other person to discharge, threaten to discharge, demote, suspend, or in any manner discriminate or take adverse action against any person in retaliation for exercising rights to Supplemental Compensation protected under this Article 33H. Such rights include but are not limited to the right to Supplemental Compensation pursuant to this

Article; the right to file a complaint or inform any person about any employer's alleged violation of this Article; the right to cooperate with the Agency in its investigations of alleged violations of this Article; and the right to inform any person of his or her possible rights under this Article.

(c) Protections of this Section 3300H.7 shall apply to any person who mistakenly but in good faith alleges violations of this Article 33H.

(d) Taking adverse action against a person within 90 days of the person's filing a complaint with the Agency or a court alleging a violation of any provision of this Article 33H; of informing any person about an employer's alleged violation of this Article; of cooperating with the Agency or other persons in the investigation or prosecution of any alleged violation of this Article; of opposing any policy, practice, or act that is unlawful under this Article; or of informing any person of his or her rights under this Article, shall raise a rebuttable presumption that such adverse action was taken in retaliation for the exercise of one or more of the aforementioned rights. Unless the Covered Employer rebuts the presumption with clear and convincing evidence that the adverse action was solely for a reason other than retaliation, the employer shall be deemed to have violated this Section 3300H.7.

SEC. 3300H.8. IMPLEMENTATION AND ENFORCEMENT.

*(a) **Implementation.** The Agency shall be authorized to coordinate implementation and enforcement of this Article 33H and may promulgate appropriate guidelines or rules for such purposes. Any guidelines or rules promulgated by the Agency shall have the force and effect of law and may be relied on by employers, employees, and other persons to determine their rights and responsibilities under this Article. Any guidelines or rules may establish procedures for ensuring fair, efficient, and cost-effective implementation of this Article, including supplementary procedures for helping to inform employees of their rights under this Article, for monitoring employer compliance with this Article, and for providing administrative hearings to determine whether an employer or other person has violated the requirements of this Article.*

*(b) **Administrative Enforcement.***

(1) The Agency is authorized to take appropriate steps to enforce this Article 33H. The Agency may investigate any possible violations of this Article by an employer or other person. Where the Agency has reason to believe that a violation has occurred, it may order any appropriate temporary or interim relief to mitigate the violation or maintain the status quo pending completion of a full investigation or hearing.

(2) Where the Agency, after a hearing that affords a suspected violator due process, determines that a violation has occurred, it may order any appropriate relief including, but not limited to, the payment of any Supplemental Compensation unlawfully withheld, and the payment of an additional sum as an administrative penalty to each employee or person whose rights under this Article 33H were violated. If any Supplemental Compensation was unlawfully withheld, the dollar amount of Supplemental Compensation withheld from the employee multiplied by three, or $250.00, whichever amount is greater, shall be included in the administrative penalty paid to the employee. In addition, if a violation of this Article resulted in other harm to the employee or any other person, or otherwise violated the rights of employees or other persons, such as a failure to post the notice required by Section 3300H.5, or an act of retaliation prohibited by Section 3300H.7, this administrative penalty shall also include $50.00 to each employee or person whose rights under this Article were violated for each day or portion thereof that the violation occurred or continued.

(3) Where prompt compliance is not forthcoming, the Agency may take any appropriate enforcement action to secure compliance, including initiating a civil action, except where prohibited by State or Federal law, requesting that City agencies or departments revoke or suspend any registration certificates, permits, or licenses held or requested by the employer or person until such time as the violation is remedied. In order to compensate the City for the costs of investigating and remedying the violation, the Agency may also order the violating employer or person to pay to the City a sum of not more than $50.00 for each day or portion thereof and for each employee or person as to whom the

violation occurred or continued. Such funds shall be allocated to the Agency and used to offset the costs of implementing and enforcing this Article 33H.

(4) An employee or other person may report to the Agency any suspected violation of this Article 33H. The Agency shall encourage reporting pursuant to this subsection (b)(4) by keeping confidential, to the maximum extent permitted by applicable laws, the name and other identifying information of the employee or person reporting the violation. Provided, however, that with the authorization of such person, the Agency may disclose his or her name and identifying information as necessary to enforce this Article or for other appropriate purposes.

(5) The Agency shall not proceed with administrative enforcement under this subsection 3300H.8(b) during the pendency of a civil action brought under subsection 3300H.8(c).

(c) Civil Enforcement.

(1) *The* ~~Agency, the~~ *City,* ~~Attorney, any person aggrieved by a violation of this Article 33H, any entity a member of which is aggrieved by a violation of this Article,~~ *or any* ~~other~~ *person or entity acting on behalf of the public as provided for under applicable State law, may bring a civil action in a court of competent jurisdiction against the employer or other person violating this Article* ~~and,~~ at any time.

(2) No person aggrieved by a violation of this Article 33H, or any entity a member of which is aggrieved by a violation of this Article, may bring a civil action in a court of competent jurisdiction against a Covered Employer or other person violating this Article without first serving a written notice to the Agency and the City Attorney of intent to bring an action, including a statement of the grounds for believing one or more violations have occurred. No aggrieved person or entity may bring a civil action under this subsection 3300H.8(c)(2) if, within 90 days after service of the notice, the City brings a civil action alleging a violation or the Agency informs the person or entity in writing that (A) it has found

probable cause to believe a violation has occurred and it intends to initiate administrative enforcement under subsection 3300H.8(b), or (B) it has determined that no violation occurred. If the City fails to file suit and the Agency fails to provide written notice within the aforementioned 90-day period, the person or entity may bring a civil action for violation of this Article. The statute of limitations for filing a civil action under this subsection 3300H.8(c)(2) shall be tolled during the aforementioned 90-day period.

(3) ~~u~~U*pon prevailing,* any party that has brought a civil action under this subsection 3300H.8(c) *shall be entitled to such legal or equitable relief as may be appropriate to remedy the violation including, but not limited to, reinstatement, back pay, the payment of any Supplemental Compensation unlawfully withheld, the payment of an additional sum as liquidated damages in the amount of $50.00 to each employee or person whose rights under this Article were violated for each day or portion thereof that the violation occurred or continued, plus, where the Covered Employer has unlawfully withheld Supplemental Compensation to a Covered Employee, the dollar amount of Supplemental Compensation withheld from the employee multiplied by three; or $250.00, whichever amount is greater; and/or injunctive relief; and, further, shall be awarded reasonable attorneys' fees and costs. Provided, however, that any person or entity enforcing this Article on behalf of the public as provided for under applicable State law shall, upon prevailing, be entitled only to equitable, injunctive or restitutionary relief, and reasonable attorneys' fees and costs.*

(d) ***Interest****. In any administrative or civil action brought under this Article 33H, the Agency or court, as the case may be, shall award interest on all amounts due and unpaid at the rate of interest specified in subdivision (b) of Section 3289 of the California Civil Code.*

(e) ***Remedies Cumulative.*** *The remedies, penalties, and procedures provided under this Article 33H are cumulative.*

SEC. 3300H.9. WAIVER THROUGH COLLECTIVE BARGAINING.

All or any portion of the applicable requirements of this Article 33H shall not apply to employees covered by a bona fide collective bargaining agreement if (1) such requirements are expressly waived in the collective bargaining agreement in clear and unambiguous terms, or (2) the agreement was entered into before the effective date of the ordinance enacting this Article 33H, on file with the Clerk of the Board of Supervisors in File No. 160065. The exception designated (2) in the preceding sentence shall not apply to any such agreement once it has been ~~amended or~~ *extended*~~;~~ *or has expired.*

SEC. 3300H.10. OTHER LEGAL REQUIREMENTS.

(a) This Article 33H provides minimum requirements pertaining to paid parental leave as provided herein. This Article shall not be construed to preempt, limit, or otherwise affect the applicability of any other law, regulation, requirement, policy, or standard that provides for greater parental leave, whether paid or unpaid, or that extends other protections to employees.

(b) This Article 33H provides minimum requirements pertaining to paid parental leave and shall not be construed to prevent employers from adopting or retaining leave policies that are more generous than policies that comply with this Article.

(c) This Article 33H is intended to supplement other available sources of income during specified periods of leave to which the employee is otherwise eligible. Nothing in this Article shall be construed to expand, reduce, or otherwise affect the total amount of parental or other leave time available to employees under federal, state, or local law.

SEC. 3300H.11. UNDERTAKING FOR THE GENERAL WELFARE.

In enacting and implementing this Article 33H, the City is assuming an undertaking only to promote the general welfare. It is not assuming, nor is it imposing on its officers and employees, an obligation for breach of which it is liable in money damages to any person who claims that such breach proximately caused injury.

SEC. 3300H.12. SEVERABILITY.

If any section, subsection, sentence, clause, phrase, or word of this Article 33H, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the Article. The Board of Supervisors hereby declares that it would have passed this Article and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this Article or application thereof would be subsequently declared invalid or unconstitutional.

SEC. 3300H.13. NO CONFLICT WITH FEDERAL OR STATE LAW.

Nothing in this Article 33H shall be interpreted or applied so as to create any requirement, power, or duty in conflict with any federal or state law.

SEC. 3300H.14. EXPIRATION OF ARTICLE.

This Article 33H shall expire by operation of law if the Legislature amends the California Paid Family Leave program such that the benefits provided under that program amount to 100% of an eligible employee's wages, as capped by any maximum benefit amount under the State law. Upon certification from the City Attorney to the Clerk of the Board of Supervisors that such a change in State law has occurred, the City Attorney shall cause the Article to be removed from the Police Code.

SEC. 3300H.15. CHANGE IN FEDERAL LAW.

Within 90 days of final enactment of any federal law requiring private employers to provide paid parental leave to employees or providing governmentally funded paid parental leave, the Controller shall provide a report to the Board of Supervisors analyzing the impact of the newly adopted federal law on employers and employees subject to this Article 33H, as well as any overlap between the federal benefits and benefits required under this Article 33H. In the report, the Controller may, in his or her discretion, recommend changes to this Article 33H.

Section 2. By June 1, 2016, the Controller and the Office of Labor Standards Enforcement shall provide to the Board of Supervisors a report including (1) an estimate of the cost of compliance with Article 33H of the Police Code for nonprofit organizations that currently have contracts with the City, and (2) policy or budget options that would enable the City to subsidize these costs through the annual budget.

Section ~~2~~3. Effective and Operative Dates.

(a) Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

(b) Operative Date. This ordinance shall become operative on January 1, 2017.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: ______________________
for FRANCESCA GESSNER
Deputy City Attorney

n:\legana\as2016\1600043\01095756.docx

City and County of San Francisco

Tails

Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 160065 **Date Passed:** April 12, 2016

Ordinance amending the Police Code to require employers to provide supplemental compensation to employees who are receiving State Paid Family Leave for purposes of bonding with a new child.

March 23, 2016 Budget and Finance Sub-Committee - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

March 23, 2016 Budget and Finance Sub-Committee - AMENDED

March 23, 2016 Budget and Finance Sub-Committee - AMENDED

March 23, 2016 Budget and Finance Sub-Committee - AMENDED

March 23, 2016 Budget and Finance Sub-Committee - RECOMMENDED AS AMENDED

April 05, 2016 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

April 05, 2016 Board of Supervisors - AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 10 - Avalos, Breed, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee
Noes: 1 - Campos

April 05, 2016 Board of Supervisors - PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

April 12, 2016 Board of Supervisors - FINALLY PASSED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

File No. 160065

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 4/12/2016 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

Mayor

4/21/16

Date Approved

California Employment
Development Department

Calculating Paid Family Leave Benefit Payment Amounts

Your weekly benefit amount is calculated based on your past earnings and equals approximately 55 percent of your earnings up to the maximum weekly benefit amount. You may receive up to 6 weeks of Paid Family Leave (PFL) benefits in a 12 month period. The **daily benefit amount** is calculated by dividing your weekly benefit amount by seven. The **maximum benefit amount** is calculated by multiplying your weekly benefit amount by 6 or adding the total wages subject to SDI tax paid in your base period, whichever is less.

For claims beginning on or after January 1, 2017, weekly benefits range from $50 to a maximum of $1,173. To qualify for the maximum weekly benefit amount ($1,173) you must earn at least $26,070.92 in a calendar quarter during your base period. Your **weekly benefit payment** amount may vary if you receive other income while receiving PFL benefits from the Employment Development Department (EDD) (such as sick leave pay, paid time off, etc.).

Weekly Benefit Amount (WBA)

Your weekly benefit amount, which is based on your highest quarter of earnings in your base period, is the amount that the EDD determines you will be paid for each week you are unable to work.

In general, to calculate your weekly benefit amount:

1. Confirm your claim start date.

Your claim begins on the date your family leave began. SDI calculates the weekly benefit amount using your base period. The date the family leave claim begins determines your base period.

You may not change the beginning date of your claim or adjust a base period after establishing a valid claim. If you have any questions about your claim start date, please contact PFL at 1-877-238-4373 before filing your claim.

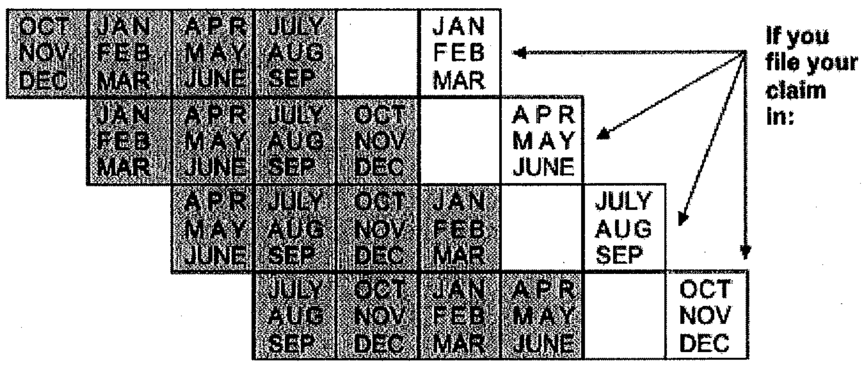
2. Find your base period.

A base period covers 12 months and is divided into four consecutive quarters. The base period includes wages subject to SDI tax which were paid approximately 5 to 18 months before your family leave claim began. The base period does not include wages paid at the time your family leave begins. For a PFL claim to be valid, you must have at least $300 in wages in the base period. The following information may be used to determine the base period for your claim. If a claim begins on or after January 1, 2017:

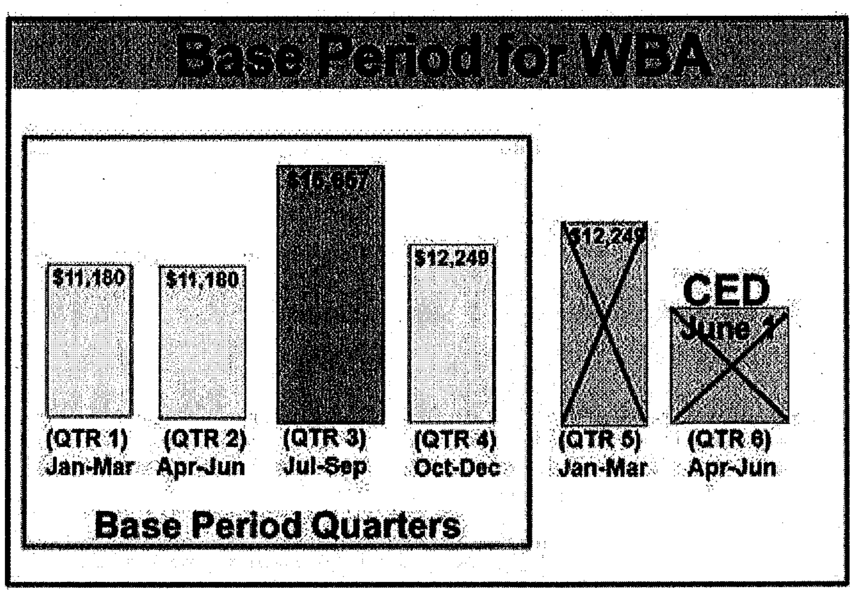
- **January, February, or March, the base period is the 12 months ending last September 30.** (Example: A claim beginning February 14, 2017, uses a base period of October 1, 2015, through September 30, 2016.)

- **April, May, or June, the base period is the 12 months ending last December 31.** (Example: A claim beginning June 20, 2017, uses a base period of January 1, 2016, through December 31, 2016.)
- **July, August, or September, the base period is the 12 months ending last March 31.** (Example: A claim beginning September 27, 2017, uses a base period of April 1, 2016, through March 31, 2017.)
- **October, November, or December, the base period is the 12 months ending last June 30.** (Example: A claim beginning November 2, 2017, uses a base period of July 1, 2016, through June 30, 2017.)

Base Period Example: Customer files for disability on 4/1/2017.



Base Period Example: Customer files for family leave on 6/1/2017.



Special base period: Under certain circumstances, the law permits substitution of wages paid in quarters prior to the normal base period of a claim in order to make a claim valid and/or increase the weekly benefit amount. You are eligible to use a special base period if your current base period was adversely affected by: military service, industrial disability, trade dispute, or long-term unemployment. You should contact PFL at 1-877-238-4373 to inquire and provide additional information if your situation fits any of these circumstances.

3. Estimate your weekly benefit amount.

The weekly benefit amount is determined by using the quarter in which you were paid the highest wages. Refer to the DI and PFL Weekly Benefits Chart (../pdf_pub_ctr/de2589.pdf) for further information.

Once you have verified the highest quarter's wages, divide that number by 13 (the number of weeks in a quarter), multiply by .55 (the 55 percent of your income being replaced) and then round up to the nearest whole dollar. Using the example above, that would be: $15,657÷13=$1,204.38×.55=$662.41. The $662.41 rounded up would be $663.00 weekly.

You may also look at the *Disability Insurance (DI) and Paid Family Leave (PFL) Weekly Benefits Amounts* (DE 2588 (../pdf_pub_ctr/de2588.pdf)) or the *Disability Insurance (DI) and Paid Family Leave (PFL) Weekly Benefit Amounts in Dollar Increments* (DE 2589 (../pdf_pub_ctr/de2589.pdf)) for estimated benefit amounts.

What Affects Your Payments

Under certain circumstances, you may not be eligible for a period of your PFL claim or you may be entitled only to partial benefits. The EDD will determine if benefits must be reduced. Some income types must be reported to the EDD even though they may not always affect your benefits. In addition, your benefits may be reduced because of a prior Unemployment Insurance, PFL, or DI overpayment or for delinquent court-ordered child or spousal support payments. To avoid overpayment, penalties, and a false statement disqualification you must report all your income to the EDD.
For more information about what can affect your payments, visit the following links:

- Reporting Your Wages (Reporting_Your_Wages_PFL.htm)
- Part-time / Intermittent / Reduced Work Schedule (Part-time_Intermittent_Reduced_Work_Schedule.htm)
- Benefit Overpayments (Benefit_Overpayments.htm)

OCII
office of
COMMUNITY INVESTMENT
and INFRASTRUCTURE

107-0342017-002

Agenda Item **No. 5 (b)**
Meeting of April 18, 2017

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Nadia Sesay, Interim Executive Director

SUBJECT: Fiscal Year 17-18 Draft Budget – Operations and Debt Service

---

EXECUTIVE SUMMARY

This memo describes the proposed budgets for the Office of Investment and Infrastructure's (OCII) operation and debt service payments. The total proposed cost to operate OCII is $15.6 million. Of this $15.6 million, OCII expends $8.8 million to fund the project areas, affordable housing, and development services and expends $6.8 million to fund administrative costs. Of the $6.8 million in administrative cost, OCII expends $3.6 million for labor and non-labor costs that indirectly support the project areas, affordable housing, and development services and expends $3.2 million for retiree health and pension costs.

The proposed FY 17-18 budget contains 47 full-time equivalent positions (FTE) and seven limited term appointments (LTA), which is the same as the FY16-17 budget. OCII's proposed debt service budget is $113.1 million, which is primarily composed of debt service payments on outstanding bonds.

OCII staff will incorporate the Commission's feedback and present the budget to the Commission for its approval on May 2, 2017. Pending Commission approval, staff will submit the FY17-18 budget to the Mayor on May 3, 2017. Following Mayor's Budget Office review, on June 1, 2017, the Mayor will submit OCII's FY17-18 budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's FY17-18 budget in July 2017. OCII staff will update the Commission as the budget process evolves.

DISCUSSION

This memo describes the proposed budgets for OCII's operations and debt service.

One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

415 749 2400

www.sfocii.org

Exhibit 1. FY 17-18 Proposed Budget, *$ Thousands*

	Operations	Debt Svc	Total
Sources	$ -	$ -	$ -
Property Tax Increment - Debt Svc	$ -	$ 91,106	$ 91,106
Property Tax Increment - Mission Bay	$ -	$ 17,057	$ 17,057
Property Tax Increment - TJPA	$ -	$ -	$ -
Property Tax Increment - Transbay	$ -	$ -	$ -
Property Tax Increment - Other	$ 3,223	$ 98	$ 3,321
Property Tax Increment - ACA	$ 3,591	$ -	$ 3,591
Property Sales	$ -	$ -	$ -
New Bonds - Housing	$ -	$ -	$ -
Developer Payments	$ -	$ -	$ -
Rent, Lease & Garage Revenue	$ -	$ -	$ -
US Navy Cooperative Agreement	$ -	$ -	$ -
Loan Repayments	$ -	$ -	$ -
City Reimbursements for OCII Staff	$ -	$ -	$ -
Hotel Tax	$ -	$ 4,830	$ 4,830
Fund Balance - Housing	$ -	$ -	$ -
Fund Balance - Non-Housing	$ -	$ -	$ -
CY Budget Sources	$ 6,814	$ 113,092	$ 119,906
			$
Prior Period Authority - Housing	$ -	$ -	$ -
Prior Period Authority - Non-Housing	$ -	$ -	$ -
			$ -
Total CY Sources	**$ 6,814**	**$ 113,092**	**$ 119,906**
			$ -
Uses - Operations			$ -
Allocated Staff & Operating Expenses	$ (8,829)	$ 98	$ (8,731)
Salaries and Benefits	$ 8,386	$ -	$ 8,386
Affordable Housing Services	$ 823	$ -	$ 823
Rent	$ 501	$ -	$ 501
Retiree Health and Pension Costs	$ 3,223	$ -	$ 3,223
Auditing & Accounting Services	$ 245	$ -	$ 245
Legal Services	$ 390	$ -	$ 390
Planning & Infrastructure Rvw	$ -	$ -	$ -
Asset Management	$ -	$ -	$ -
Workforce Development Services	$ -	$ -	$ -
Other Professional Services	$ 1,181	$ 31	$ 1,211
Grants to Community-Based Organizat	$ -	$ -	$ -
Payments to other Public Agencies	$ -	$ -	$ -
Other Current Expenses	$ 894	$ -	$ 894
Subtotal CY Uses - Operations	$ 6,814	$ 129	$ 6,943
Uses - Non-Operations			
Affordable Housing Loans	$ -	$ -	$ -
Affordable Housing Unit Purchase	$ -	$ -	$ -
Development Infrastructure	$ -	$ -	$ -
Pass-through to TJPA	$ -	$ -	$ -
Debt Service	$ -	$ 112,963	$ 112,963
Fund Balance - Housing	$ -	$ -	$ -
Fund Balance - Non-Housing	$ -	$ -	$ -
Subtotal CY Uses - Non-Operations	$ -	$ 112,963	$ 112,963
Prior Period Authority - Housing	$ -	$ -	$ -
Prior Period Authority - Non-Housing	$ -	$ -	$ -
Total Budget Uses	**$ 6,814**	**$ 113,092**	**$ 119,906**

The information below details these expenditures.

1. Operations Budget and Budgeted Positions

The total proposed cost to operate OCII is $15.6 million. Of this $15.6 million, OCII expends $8.8 million to fund the project areas, affordable housing, and development services and expends $6.8 million to fund administrative costs. Of the $6.8 million in administrative cost, OCII expends $3.6 million for labor and non-labor costs that indirectly support the project areas, affordable housing, and development services and expends $3.2 million for retiree health and pension costs.

OCII proposes to expend $8.4 for staff salaries and benefits, including OCII staff and City Administrator staff contracted to and funded by OCII. Budget highlights related to staff salaries and benefits include:

- A proposed Cost of Living Allowance (COLA) contemplated in the on-going negotiations regarding an extension of the 2015-2017 Memorandums of Agreement between OCII and its labor partners, the International Federation of Professional and Technical Engineers Local 21 and Service Employees International Union Local 1021. The proposed COLA is three percent in the first year, and three percent in the second year, assuming the City meets certain budget targets. The budget includes an equivalent increase for City Administrator staff contracted to and funded by OCII, as negotiated in the 2017-2019 Memorandums of Understanding between the City and its labor partners. The impact of the COLA is offset by the supplemental employee contribution to OCII's pension plan, which decreases OCII's cost to provide retirement benefits. The Commission approved the supplemental employee contribution in December 2016.

- $2.2 million to fund health benefits for retirees. This cost includes $1.4 million for retiree FY17-18 health premiums and $0.8 million to reduce OCII's future liability for retiree health benefits. This is the first time OCII has made a payment towards its future retiree health liability. This payment represents a significant investment in the long-term financial health of OCII and shows the organization's commitment to its retirees.

- $1.0 million payment to reduce OCII's unfunded pension liability. As per OCII's actuarial valuation, holding all else constant, if OCII makes this payment on an annual basis, OCII will fully fund its pension obligation to retirees over the amortization period.

In accordance with the Mayor's budget directive, the OCII budget contains no new full-time equivalent positions (FTE).

Other items of note include:

- **Affordable Housing Services:** The proposed FY 17-18 budget includes $0.8 million for affordable housing construction monitoring and marketing provided by the Mayor's Office of Housing and Community Development.

- **Legal Services:** The proposed FY 17-18 legal budget of approximately $0.4 million includes:

- $340,000 for specialized legal support, provided by outside counsel and funded by property tax increment, and
- $50,000 for general legal support, including housing program support, provided by the City Attorney's Office and funded by property tax increment or bond proceeds.

- **Other Professional Services:** The proposed FY 17-18 professional services budget of approximately $1.2 million for professional services includes:

  - $690,000 for professional services expended to implement the Property Management Plan and Yerba Buena Gardens,
  - $150,000 for temporary salaries to fund flexible staffing in response to short-term work surges,
  - $140,000 for general professional services,
  - $100,000 for public communications support, including website design, and
  - $100,000 for specialized services provided by staff from various departments in the City and County of San Francisco.

- **Other Current Expenses:** The proposed FY 17-18 budget of approximately $0.9 million includes:

  - $400,000 for insurance premiums and allowance for deductibles,
  - $200,000 for technology infrastructure and support such as virtual server maintenance, e-mail, telephone, copy machines, software licensing fees, and hardware replacement.
  - $170,000 for facilities improvements, materials and supplies, off-site records storage, mail and reproduction, and other current expenses
  - $ 90,000 for Commission and Oversight Board meeting expenses, including audiovisual recording of Commission meetings by SFGOV TV, and
  - $ 45,000 for recruitment, employee training, and field expenses.

Positions

The exhibit below shows budgeted positions and salary ranges. These positions reflect OCII employees plus City Administrator staff contracted to and funded by OCII. City Administrator staff are former OCII employees who transferred to the City Administrator post-dissolution and continue to work full-time on OCII-related work. The proposed FY 17-18 budget contains 47 full-time equivalent positions (FTE) and seven limited term appointments (LTA), which is the same number of LTA positions as the FY16-17 budget. OCII uses LTA positions in cases where the development cycle requires a short-term increase in resources.

Exhibit 4: Proposed FY 17-18 Budgeted Positions and Salary Ranges

Class	Class Title	Annual Salary Range	FY 16-17 Adj Bgt	FY 17-18 Proposed	Difference
500	Executive Director	$ 198,926 - $ 241,800	1	1	0
520	General Counsel	$ 186,758 - $ 227,006	1	1	0
1060	Deputy Director, Finance and Administration	$ 174,122 - $ 211,640	1	1	0
1060	Deputy Director, Programs	$ 174,122 - $ 211,640	1	1	0
525	Deputy General Counsel	$ 150,384 - $ 182,806	1	1	0
565	Senior Civil Engineer	$ 140,894 - $ 171,262	1	1	0
930	Staff Associate V	$ 136,942 - $ 166,478	1	1	0
535	Development Services Manager	$ 132,158 - $ 160,628	1	1	0
540	Housing Program Manager	$ 132,158 - $ 160,620	1	1	0
965	Human Resources Manager	$ 132,158 - $ 160,620	1	1	0
550	Senior Project Manager	$ 130,598 - $ 158,756	1	1	0
585	Contract Compliance Supervisor	$ 123,214 - $ 149,760	1	1	0
970	Accounting Supervisor	$ 123,214 - $ 149,760	1	1	0
1065	Contract Compliance Specialist III	$ 116,688 - $ 141,830	1	1	0
630	Senior Financial Analyst	$ 116,220 - $ 141,284	2	1	-1
595	Senior Development Specialist	$ 114,166 - $ 138,762	4	4	0
590	Project Manager	$ 112,814 - $ 137,150	4	3	-1
1025	Housing Construction Specialist	$ 110,982 - $ 134,899	1	1	0
921	Staff Associate IV	$ 106,403 - $ 129,333	0	1	1
990	Assistant Project Manager	$ 106,158 - $ 129,038	2	2	0
615	Development Specialist	$ 106,158 - $ 129,038	6	7	1
670	Financial Systems Accountant	$ 102,050 - $ 124,046	1	1	0
715	Sr. Personnel Analyst	$ 95,810 - $ 116,480	1	1	0
1000	Executive Assistant to Executive Director	$ 92,118 $ 111,982	0	1	1
705	Assistant Development Specialist	$ 91,702 - $ 111,462	1	1	0
720	Senior Programmer Analyst	$ 91,442 - $ 111,150	1	1	0
640	Contract Compliance Specialist II	$ 89,102 - $ 108,290	1	1	0
695	Accountant III	$ 88,166 - $ 107,146	1	1	0
995	Commission Secretary	$ 87,412 - $ 106,236	0	1	1
760	Senior Legal Secretary	$ 77,984 - $ 94,791	1	0	-1
775	Accountant II	$ 72,930 - $ 88,634	1	1	0
810	Administrative Secretary	$ 73,164 - $ 88,920	1	1	0
855	Record Specialist II	$ 59,306 - $ 72,098	1	1	0
1030	Management Assistant III	$ 80,514 - $ 100,802	2	1	-1
1035	Management Assistant II	$ 82,940 - $ 87,932	2	2	0
Total			**47**	**47**	**0**
Additional Temporary Staff Budget (rounded)			**7**	**7**	**0**

Salary ranges shown are as of July 1, 2017. Salary ranges are informational only; should there be a discrepancy between the salary ranges shown here and the salary resolution, which reflects the salaries in the negotiated labor agreements, the salary resolution would be determinative. In special circumstances, and in accordance with OCII's Personnel Policy, individuals may receive higher salaries than the ranges shown above to reflect acting assignments or unusual recruitment conditions.

2. Debt Service

OCII's proposed debt service budget is $113.1 million. Highlights of the debt service budget include:

- **Property Tax Increment for Debt Service:** $105.8 million in property tax increment for debt service on outstanding tax allocation bonds and $1.8 million in property tax increment to repay an outstanding loan from the Low Moderate Income Housing Fund.
- **Hotel Tax for Debt Service:** $5.0 million in City and County of San Francisco Hotel Taxes to pay debt service on revenue bonds issued by the former San Francisco Redevelopment Agency.
- **Property Tax Increment for Debt Service on Low Moderate Income Housing Fund:** $1.8 million in property tax increment to repay
- **South Beach Harbor Revenue for Debt Service:** $0.5 million in South Beach Harbor revenues to pay Cal boating loans made to South Beach Harbor.

The remaining expenditures are staff time and professional services required to administer the debt portfolio.

In FY17-18, OCII will monitor its tax allocation and special tax bond portfolios to determine if market conditions favor refunding bonds. OCII will issue all refunding bonds in accordance with OCII's debt policy and ensure that all refunding bonds result in net present value debt service savings, thereby decreasing tax increment required for debt service and increasing tax increment available to finance future debt or pay housing and development expenses on a pay-go basis. The amounts of the proposed refundings will be determined and presented to the Commission at the time of the refunding. OCII's budget resolution will reflect this market uncertainty and will authorize staff to refund bonds in accordance with OCII's debt policy and upon approval of the Commission, the Oversight Board, and Department of Finance.

NEXT STEPS

OCII staff will incorporate the Commission's feedback and present the budget to the Commission for its approval on May 2, 2017. Pending Commission approval, staff will submit the FY17-18 budget to the Mayor on May 3, 2017. Following Mayor's Budget Office review, on June 1, 2017, the Mayor will submit OCII"s FY17-18 budget to the Board of Supervisors. The Board of Supervisors will review and take action on OCII's FY17-18 budget in July 2017. OCII staff will update the Commission as the budget process evolves.

(Originated by Bree Mawhorter, Deputy Director, Finance and Administration)

Nadia

Nadia Sesay
Interim Executive Director