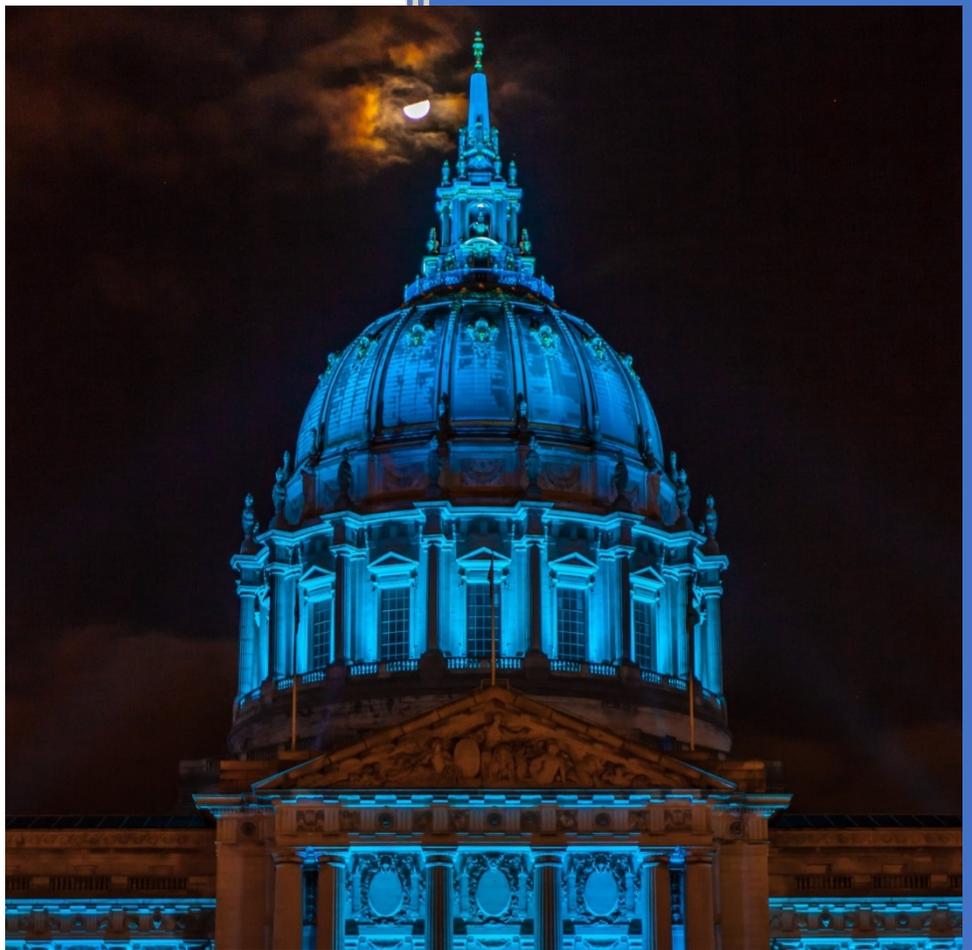


Policy Brief

Closing the Gap for San Francisco



IFPTE Local 21
January 2019

About IFPTE Local 21

International Federation of Professional and Technical Engineers (IFPTE) Local 21 represents 5,600 employees of the City and County of San Francisco. These public service professionals, who are 46% female and 66% people of color, constitute the backbone of every department of the City and County. They include architects, engineers, scientists, planners, analysts, IT workers, and advocates. These workers perform the vital jobs that make San Francisco run, help families stay together, deliver health services to those in need, ensure there is clean water to drink, safe transportation systems, parks and other critical infrastructure.

Closing the Gap for San Francisco

Responsibility to Lead

The largest employer in San Francisco is the City and County. It has the obligation to lead by example by offering compensation and creating opportunities that ensure fairness, accountability, and equitable outcomes for its employees and residents. Rather than contributing to income inequality and wage stagnation, investments by the City and County in community-based projects and improved conditions for public workers can address the loss of cultural and ethnic diversity in San Francisco and preserve the City's middle class.

San Francisco's Missing Middle Class

Following the Great Recession, the City has become a city with a missing middle class. Throughout the recent economic expansion, San Francisco has consistently ranked as one of the most unequal cities in the United States, and that gap is widening. Between 2014 and 2016 alone, incomes of the wealthiest 5% increased by nearly \$120,000—the highest increase of any city in the nation. By comparison, wages for the poorest San Franciscans' increased by only \$5,474.¹

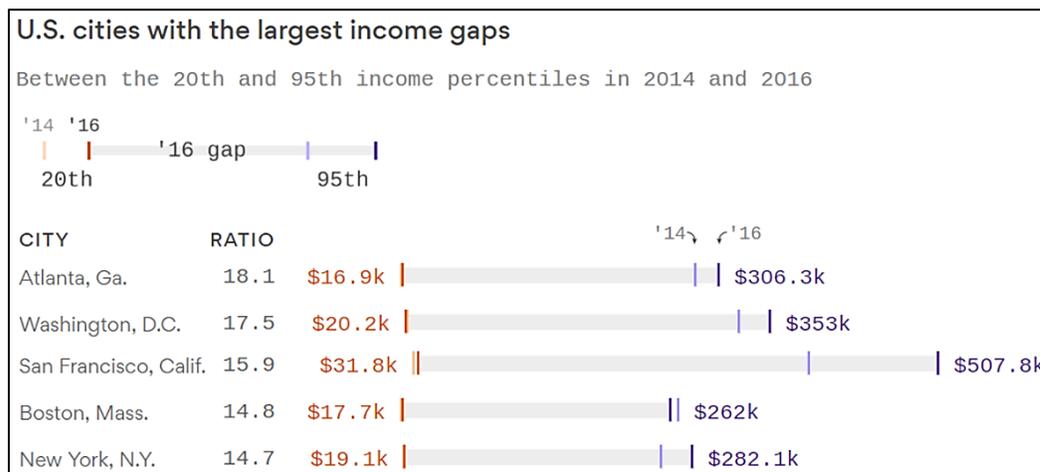


FIGURE 1

Source: Data: Berube, Alan, "Brookings Institute "Report: City and metropolitan income inequality data reveal ups and downs through 2016." February 5, 2018.", Chart (*adapted*): Chris Canipe / Axios.

Massive wealth gains at the top end of the income scale, coupled with economic displacement, have hollowed-out San Francisco's middle class. As shown in Figure 2

¹ Berube, Alan & Holmes, Natalie "Report: City and Metropolitan Inequality on the Rise, Driven by Declining Incomes," *Brookings Institute*, Thursday, January 14, 2016: <https://www.brookings.edu/research/city-and-metropolitan-inequality-on-the-rise-driven-by-declining-incomes/>

below, since 2010, middle-income households have shrunk from 52% to just 45% households citywide. Indeed, income inequality has made San Francisco more polarized; with 55% of the City’s population either very well off or under significant financial distress.² Of note, much of the economic growth during the recovery was experienced by high income households, which now constitute 32% of total households.

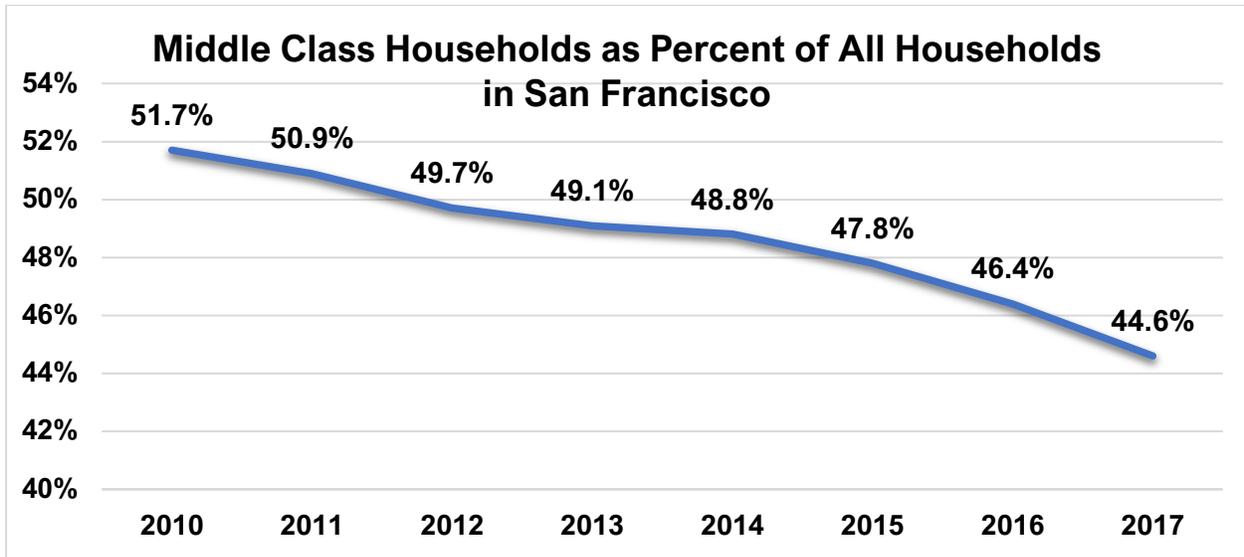


FIGURE 2

Note: Middle Class is defined as Household Income between \$35,000 and \$149,999 per year.

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates

This growth in high-income households would be a positive indicator if it represented mobility of middle-income households into higher income quartiles. However, data on out-migration suggests growth in households with incomes over \$150,000 per year does not represent broadly experienced economic mobility, but rather replacement.

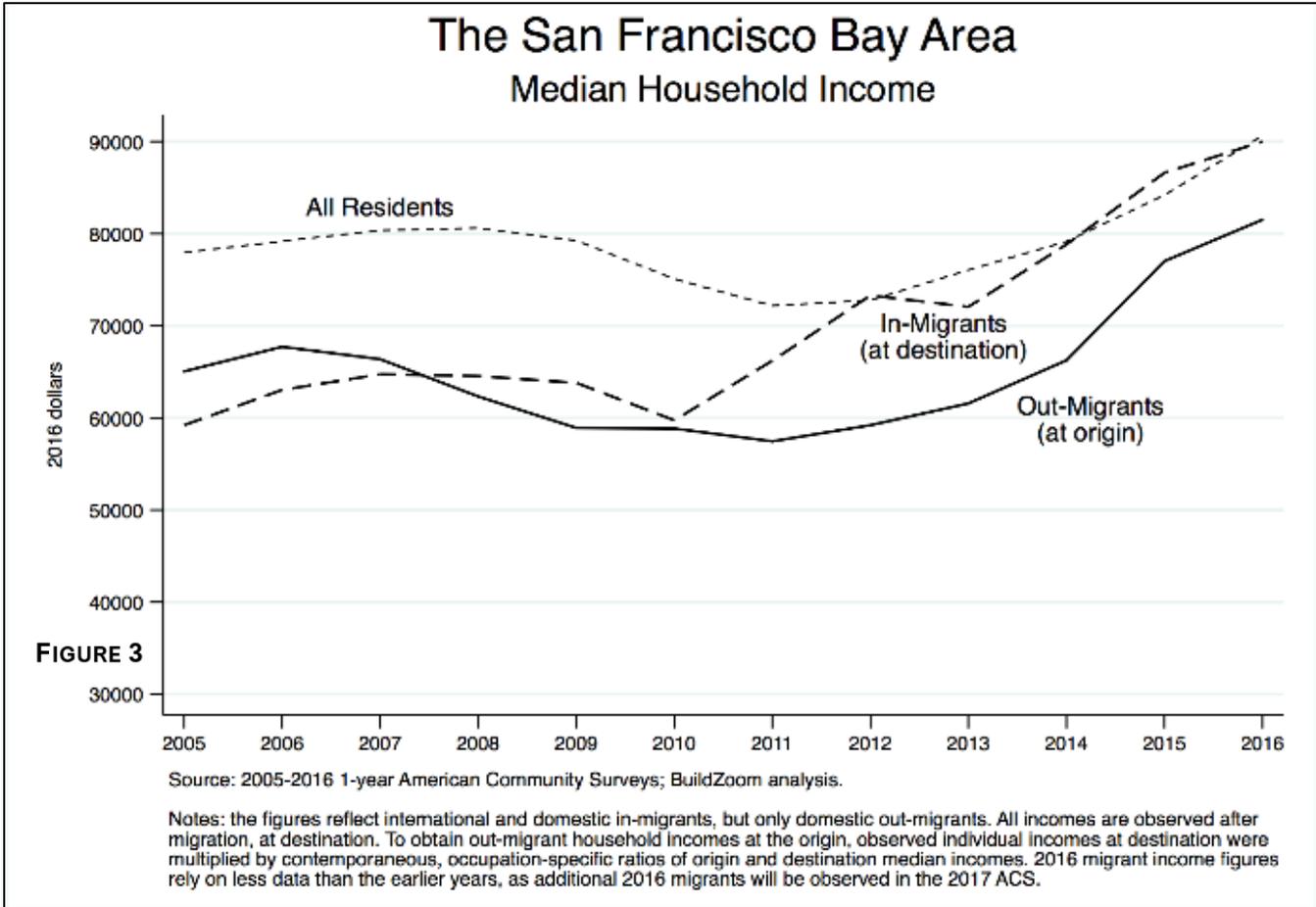
Since 2010, the median income of in-migrants to the City has far exceeded the income of out-migrants, and the median income of out-migrants falls significantly below the

citywide median. Simply put: lower and middle-income earners are leaving San Francisco, while those who migrate into the City tend to make more.³

“Simply put: lower and middle-income earners are leaving San Francisco, while those who migrate into the City tend to make more.”

² U.S. Census Bureau, American Community Survey 5-Year Estimates

³ Romem, Issi, “The Outflow of Bay Area Residents Spreads to Higher Income Levels,” December 15, 2017: <https://www.buildzoom.com/blog/san-francisco-bay-area-migrant-incomes>



Inequality produces well-documented shockwaves and adverse effects throughout a community. Unequal communities have less social and economic mobility for low income children, higher rates of property and violent crime, and worse health outcomes.⁴ The City and County of San Francisco is in a unique position to address this income inequality through its direct control over the incomes of the 11,276⁵ city workers who live in San Francisco, most of whom fall into the shrinking middle class category.

⁴ See "Addressing Widening Income Inequality Through Community Development" by Laura Choi of the Federal Reserve Bank of San Francisco.

⁵ <https://sfdhr.org/sites/default/files/documents/Reports/Citywide-Workforce-Demographics-Report-FY-2016-17.pdf>

The City and County of San Francisco’s Fiscal Strength

San Francisco’s financial position is stronger than ever. The City and County ended fiscal year 2016-17 generating revenues of \$10.357 billion.⁶ Looking at San Francisco’s budgeted revenue for fiscal year 2019-20, there is a projected budget totaling \$11.04 billion⁷ — representing an increase of 23.5%, or \$2.1 billion over four-years.⁸

Since 2005, City and County revenue has nearly doubled, increasing from \$5.3 billion to \$10.4 billion. In fact, this period of growth encompasses the second worst economic event in our Country’s history. Even in the depths of the Great Recession, revenue only dipped in 2009, decreasing by 1.2% or \$75.7 million. Over this same twelve-year period, cumulative annual expenses have consistently trailed revenue, with San Francisco netting \$5.3 billion more revenue than expenses.

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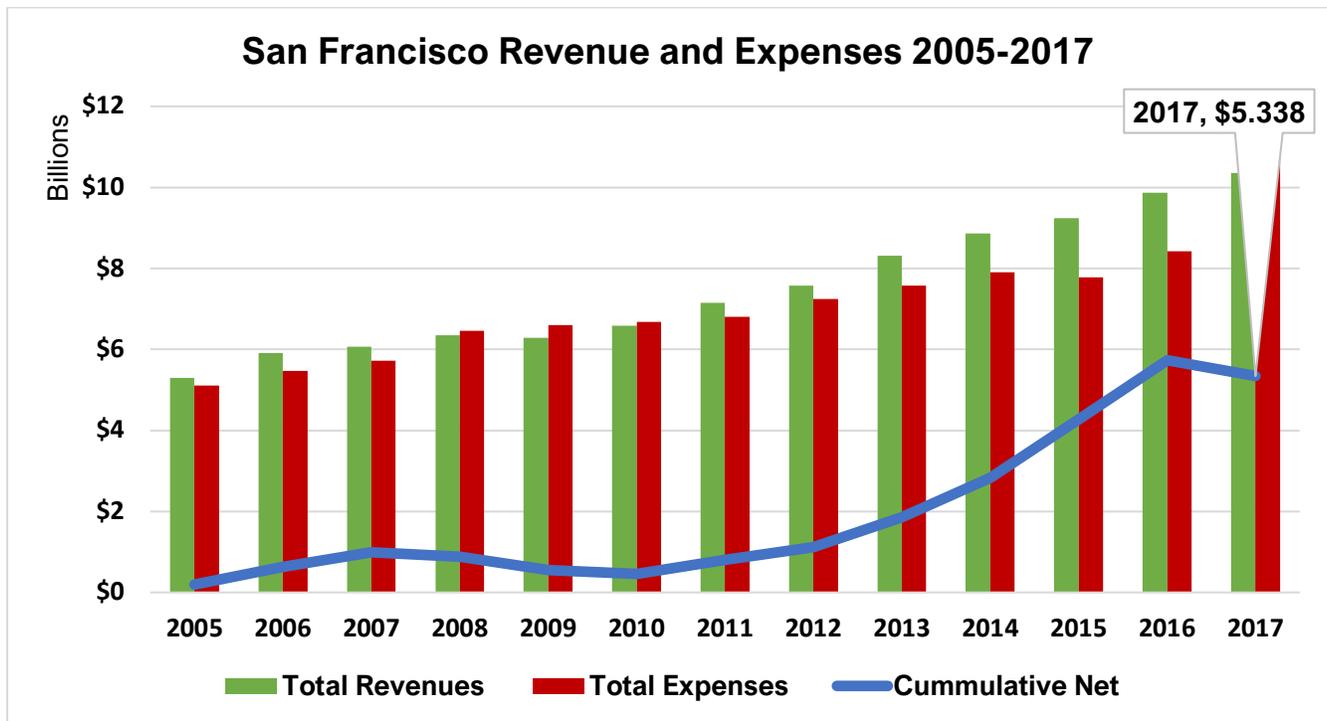


FIGURE 4

Source: City and County Of San Francisco, California Comprehensive Annual Financial Reports

Despite the financial strength and position of San Francisco, less money – as a percentage of the budget – is going to its workers. The result on the workforce mirrors

⁶ City and County Of San Francisco, California Comprehensive Annual Financial Report Year ended June 30, 2017

⁷ City and County Of San Francisco Budget And Appropriation Ordinance, File No. 180574 Ordinance 181-18

⁸ City and County Of San Francisco Budget And Appropriation Ordinance, File No. 150610 Ordinance 128-15

that of the broader US economy and of the Bay Area, as City and County workers are facing the implications and realities of increasing income inequality. In 2007, \$0.44 cents of every \$1.00 spent by San Francisco went to its workforce, today that investment is only \$0.41. Even more striking, when you consider the growth in total expenditures during this time period, \$3 were spent elsewhere while only \$1 was spent on the nearly 30,000 women and men who make San Francisco work.

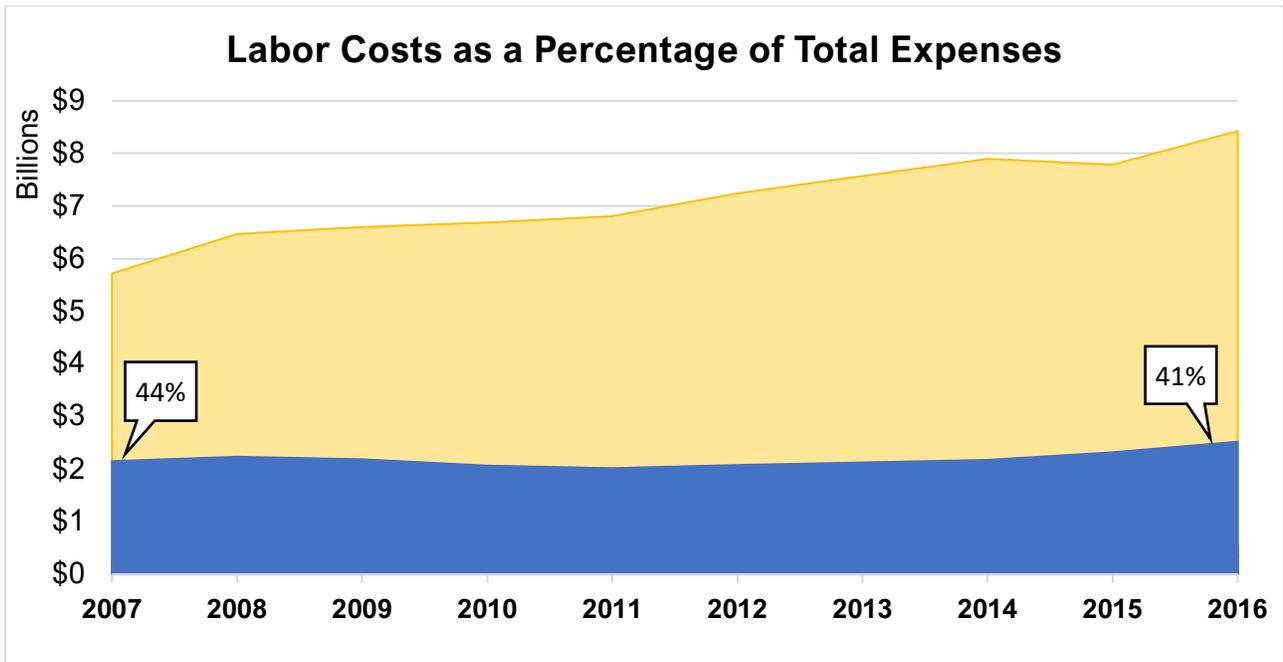


FIGURE 5

Sources: City and County Of San Francisco, California Comprehensive Annual Financial Reports, SFHSS Annual Reports, and SFERS Annual Reports.

Contracting Out and Temporary Workers

The actions taken by the City and County of San Francisco over the past few years-- such as the embracing of outsourcing and the growth of its temporary workforce-- stand in contrast to the principles of equitable outcomes and accountability established by the

“These agreements to outsource ... have amounted to a staggering \$3.583 billion in FY 2017-18.”

Mayor in the Proposed Five-Year Financial Plan.⁹

This practice of contracting out, or approving Personal Services Contracts (PSC), has grown to consume an enormous portion of the San Francisco budget. These agreements to outsource services with individuals, companies, corporations, nonprofit organizations, and other public agencies, have amounted to a

⁹ City and County of San Francisco Proposed Five-Year Financial Plan, Fiscal Years 2019-20 through 2023-24, page 73.

staggering \$3.583 billion in FY 2017-18 (34.6% of the total San Francisco budget), up from 11.1% in FY 2012-13.¹⁰¹¹

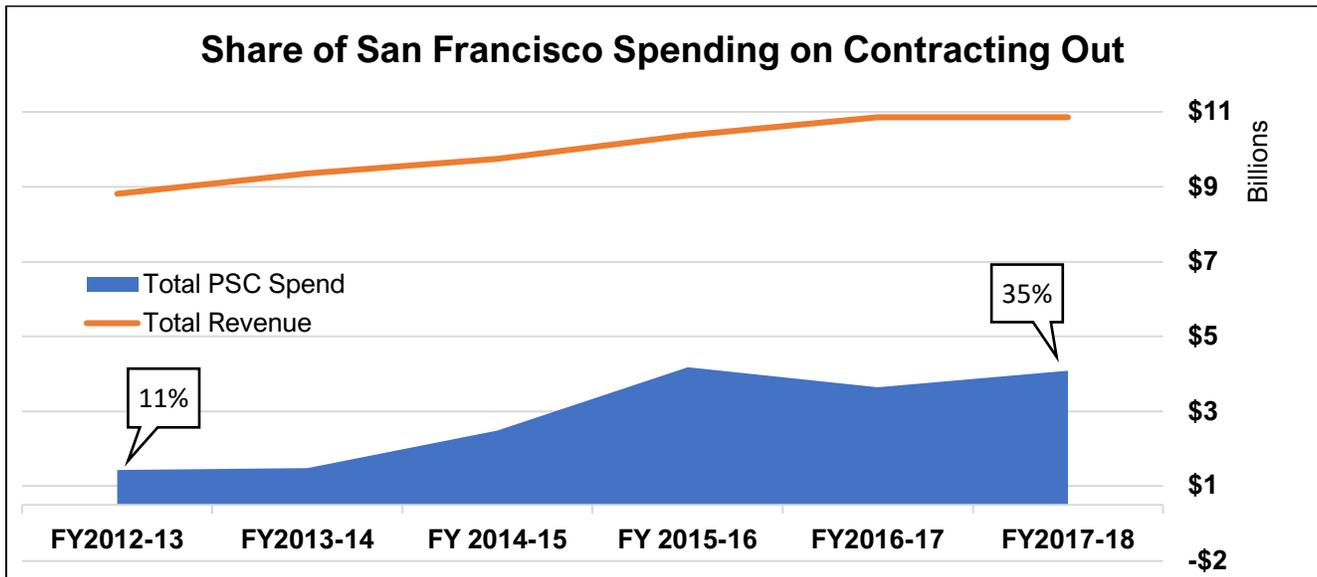


FIGURE 6

Note: Latest CAFR not yet available, Total Revenue amount for FY2017-18 same as FY 2016-17.

Sources: San Francisco Civic Service Commission PSC Packages (multiple), and City and County Of San Francisco, California Comprehensive Annual Financial Reports

Additionally, the contingent of temporary city workers, known as Exempt Employees has been expanding. From 2013-2017, the number of ‘Section 18 – Special Project’ Exempt Employees have increased from 1,760 to 2,785.^{12 13} These employees are essentially at-will, with no civil service protections or access to grievance procedures ensuring just cause, and have a maximum appointment length of three-years.

San Francisco Can Promote Accountability and Equity

The City and County of San Francisco must do better for its workers and residents. When investments are made, and public employees are empowered to deliver public goods and services, the outcome is not only better services but also the creation of middle class

¹⁰ City and County of San Francisco Civil Service Commission PSC Packages (multiple), <https://sfdhr.org/personal-services-contracts-pscs-0>

¹¹ City and County of San Francisco Budget And Appropriation Ordinance, File No. 180574 Ordinance 181-18

¹² City and County of San Francisco, 2013 Equal Opportunity Workforce Utilization Report 2013 (revised)

¹³ San Francisco Civic Service Commission PSC Packages, Consent Agenda, September 18, 2017

jobs that anchor our communities. Public sector jobs have long built intentional “ladders of opportunity” that allow workers and their families to reach the middle class.¹⁴

Embracing and using, not abusing and avoiding, the Civil Service process and protections are paramount to ensuring equitable outcomes and pathways to the middle class for San Francisco employees and residents through permanent career positions. San Francisco must use its public dollars to provide in-house opportunity and solutions to support equitable outcomes, and career pathways to anchor the middle class – and not fuel a low-wage economy and contribute to economic inequality.

The City and County of San Francisco has the obligation to lead by example to preserve and promote a diverse and vibrant community. San Francisco can immediately make an impact on the economic security of nearly 30,000 of its public servants. It is critical that San Francisco’s decisionmakers take appropriate action to stem the erosion of our middle class and reduce the staggering income inequality that plagues our great city. Taking actions such as granting fair compensation increases, utilizing existing public structures that ensure fairness, and creating economic security for its employees, San Francisco can truly build a City that ensures accountability and equitable outcomes for its residents and employees.

“San Francisco can immediately make an impact on the economic security of nearly 30,000 of its public servants.”

¹⁴ Daphne T. Greenwood, “The Decision to Contract Out: Understanding the Full Economic and Social Impacts,” University of Colorado, Colorado Springs, March 2014.

