

FILE NO. 051919

ORDINANCE NO.

218-06

1 [San Francisco Health Care Security Ordinance]

2
3 **Ordinance amending the San Francisco Administrative Code to add Chapter 14,**
4 **Sections 14.1 through 14.8, to provide health care security for San Francisco residents**
5 **by creating a public health access program for the uninsured, requiring employer paid**
6 **health expenditures, identifying options for how an employer may make such**
7 **expenditures, creating an advisory health access working group, and setting an**
8 **operative date.**

9
10 Note: Additions are *single-underline italics Times New Roman*;
11 deletions are *strikethrough italics Times New Roman*.
12 Board amendment additions are double underlined.
13 Board amendment deletions are ~~strikethrough normal~~.

14
15 Be it ordained by the People of the City and County of San Francisco:

16 Section 1. **Declaration of legislative findings and intent.** All San Francisco
17 residents should have quality, affordable health care. Currently, approximately 82,000 adult
18 San Francisco residents are uninsured, even though more than half of those individuals are
19 employed. San Francisco taxpayers bear the cost of paying for emergency room visits and
20 other unnecessarily expensive health care for the uninsured. By establishing a Health Access
21 Program for uninsured San Francisco residents with an emphasis on preventive care and by
22 requiring businesses to make reasonable health care expenditures on behalf of their
23 employees depending on the businesses' ability to pay, the burden on San Francisco
24 taxpayers for providing health care for the uninsured can be reduced. At the same time, San
25 Francisco can offer uninsured individuals the choice to enroll in a system that provides quality
health care for an affordable price and offer employers the choice to enroll their employees in

1 that system. San Francisco also has a vital interest in preventing a "race to the bottom" in
2 which employers stop paying for employee health care to remain competitive and instead shift
3 those costs to San Francisco taxpayers.

4
5 Section 2. The San Francisco Administrative Code is hereby amended by adding
6 Chapter 14, Sections 14.1 through 14.8, to read as follows:

7 **SEC. 14.1. SHORT TITLE; DEFINITIONS.**

8 (a) Short title. This Chapter shall be known and may be cited as the "San Francisco Health
9 Care Security Ordinance."

10 (b) Definitions. For purposes of this Chapter, the following terms shall have the following
11 meanings:

12 (1) "City" means the City and County of San Francisco.

13 ~~(2) "Covered employee" means any person who works in the City where such a person~~
14 ~~qualifies as an employee entitled to payment of a minimum wage from an employer under the~~
15 ~~Minimum Wage Ordinance as provided under Chapter 12R of the San Francisco~~
16 ~~Administrative Code and has performed work for compensation for his or her employer for~~
17 ~~ninety (90) days, provided, however, that the term "employee" shall not include persons who~~
18 ~~are managerial, supervisory, or confidential employees, unless such employees earn~~
19 ~~annually under \$72,450 or in 2007 and for subsequent years, the figure as set by the~~
20 ~~administering agency, and shall not include those persons who are eligible to receive benefits~~
21 ~~under Medicare or the Civilian Health and Medical Program Uniformed Services (CHAMPUS)~~
22 ~~Nor shall "covered employees" include those persons who are "covered employees" as~~
23 ~~defined in Section 12Q.2.9 of the Health Care Accountability Ordinance, Chapter 12Q of the~~
24 ~~San Francisco Administrative Code, if the employer meets the requirements set forth in~~
25

1 Section 12Q.3 for those employees. Nor shall "covered employees" include those persons
2 who are employed by a nonprofit corporation for up to one year as trainees in a bona fide
3 training program consistent with Federal law, which training program enables the trainee to
4 advance into a permanent position, provided that the trainee does not replace, displace, or
5 lower the wage or benefits of any existing position or employee.

6 (2) "Covered employee" means any person who works in the City where such person
7 qualifies as an employee entitled to payment of a minimum wage from an employer under the
8 Minimum Wage Ordinance as provided under Chapter 12R of the San Francisco
9 Administrative Code and has performed work for compensation for his or her employer for
10 ninety (90) days, provided, however, that:

11 (a) From the effective date of this Chapter through December 31, 2007, "at least
12 twelve (12) hours" shall be substituted for "at least two (2) hours" where such term appears in
13 Section 12R.3(a):

14 (b) From January 1, 2008 through December 31, 2008, "at least ten (10) hours" shall
15 be substituted for "at least two (2) hours" where such term appears in Section 12R.3(a):

16 (c) Beginning January 1, 2009, "at least eight (8) hours" shall be substituted for "at least
17 two (2) hours" where such term appears in Section 12R.3(a):

18 (d) The term "employee" shall not include persons who are managerial, supervisory,
19 or confidential employees, unless such employees earn annually under \$72,450 or in 2007
20 and for subsequent years, the figure as set by the administering agency:

21 (e) The term "employee" shall not include those persons who are eligible to receive
22 benefits under Medicare or TRICARE/CHAMPUS:

23 (f) The term "covered employees" shall not include those persons who are "covered
24 employees" as defined in Section 12Q.2.9 of the Health Care Accountability Ordinance,
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1 Chapter 12Q of the San Francisco Administrative Code, if the employer meets the
2 requirements set forth in Section 12Q.3 for those employees; and

3 (g) The term "covered employees" shall not include those persons who are employed
4 by a nonprofit corporation for up to one year as trainees in a bona fide training program
5 consistent with Federal law, which training program enables the trainee to advance into a
6 permanent position, provided that the trainee does not replace, displace, or lower the wage or
7 benefits of any existing position or employee.

8 (h) Nor shall "covered employees" include those persons whose employers verify that
9 they are receiving health care services through another employer, either as an employee or
10 by virtue of being the spouse, domestic partner, or child of another person; provided that the
11 employer obtains from those persons a voluntary written waiver of the health care expenditure
12 requirements of this Chapter and that such waiver is revocable by those persons at any time.

13 (3) "Covered employer" means any medium-sized or large business as defined below engaging
14 in business within the City that is required to obtain a valid San Francisco business registration
15 certificate from the San Francisco Tax Collector's office or, in the case of a nonprofit corporation, a
16 business that employs an average of fifty (50) or more persons per week a quarter with a
17 minimum of fifty (50) covered employees, an employer for which an average of fifty (50) or
18 more persons per week perform work for compensation during a quarter. Small businesses are
19 not "covered employers" and are exempt from the health care spending requirements under Section
20 14.3.

21 (4) "Employer" means an employing unit as defined in Section 135 of the California
22 Unemployment Insurance Code or any person defined in Section 18 of the California Labor Code.
23 "Employer" shall include all members of a "controlled group of corporations" as defined in Section
24 1563(a) of the United States Internal Revenue Code, except that "more than 50 percent" shall be
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1 substituted for "at least 80 percent" wherever such term appears in Section 1563(a)(1) of the
2 Internal Revenue Code and the determination shall be made without regard to Sections 1563(a)(4)
3 and 1563(e)(3)(C) of the Internal Revenue Code.

4 (5) "Health Access Program" means a San Francisco Department of Public Health program to
5 provide health care for uninsured San Francisco residents.

6 (6) "Health Access Program participant" means any uninsured San Francisco resident,
7 regardless of employment or immigration status or pre-existing condition, who is enrolled by his or her
8 employer or who enrolls as an individual in the Health Access Program under the terms established by
9 the Department of Public Health.

10 (7) "Health care expenditure" means any amount paid by a covered employer to its covered
11 employees or to a third party on behalf of its covered employees for the purpose of providing health
12 care services for covered employees or reimbursing the cost of such services for its covered employees,
13 including, but not limited to (a) contributions by such employer on behalf of its covered employees to a
14 health savings account as defined under section 223 of the United States Internal Revenue Code or to
15 any other account having substantially the same purpose or effect without regard to whether such
16 contributions qualify for a tax deduction or are excludable from employee income; (b) reimbursement
17 by such covered employer to its covered employees for expenses incurred in the purchase of health care
18 services; (c) payments by a covered employer to a third party for the purpose of providing health care
19 services for covered employees; (d) costs incurred by a covered employer in the direct delivery of
20 health care services to its covered employees; and (e) payments by a covered employer to the City to
21 fund the Health Access Program for uninsured San Francisco residents, including employees.
22 Notwithstanding any other provision of this subsection, "health care expenditure" shall not include any
23 payment made directly or indirectly for workers' compensation or Medicare benefits.

1 ~~(8) "Health care expenditure rate" means the amount of health care expenditure that a~~
2 ~~covered employer shall be required to make for each hour paid for each of its covered~~
3 ~~employees each quarter. The "health care expenditure rate" shall be determined based on~~
4 ~~the "average contribution" for a full-time employee to the City Health Service System pursuant~~
5 ~~to Section A8.423 of the San Francisco Charter based on the annual ten county survey~~
6 ~~amount for the applicable fiscal year, with such average contribution prorated on an hourly~~
7 ~~basis by dividing the monthly average contribution by one hundred seventy two (172) (the~~
8 ~~number of hours worked in a month by a full-time employee). The "health care expenditure~~
9 ~~rate" shall be seventy five percent (75%) of the preceding hourly average contribution for large~~
10 ~~businesses and fifty percent (50%) for medium-sized businesses.~~

11 (8) "Health care expenditure rate" means the amount of health care expenditure that a
12 covered employer shall be required to make for each hour paid for each of its covered
13 employees each quarter. The "health care expenditure rate" shall be computed as follows:

14 (a) From the effective date of this Chapter through June 30, 2007, \$1.60 per hour for
15 large businesses and \$1.06 per hour for medium-sized businesses;

16 (b) From July 1, 2007 through December 31, 2007, January 1, 2008 through December
17 31, 2008, and January 1, 2009 through December 31, 2009, the rates for large and medium-
18 sized businesses shall increase five (5) percent over the expenditure rate calculated for the
19 preceding year;

20 (c) From January 1, 2010 and each year thereafter, the "health care expenditure rate"
21 shall be determined annually based on the "average contribution" for a full-time employee to
22 the City Health Service System pursuant to Section A8.423 of the San Francisco Charter
23 based on the annual ten county survey amount for the applicable fiscal year, with such
24 average contribution prorated on an hourly basis by dividing the monthly average contribution
25

1 by one hundred seventy two (172) (the number of hours worked in a month by a full-time
2 employee). The "health care expenditure rate" shall be seventy five percent (75%) of the
3 annual ten county survey amount for the applicable fiscal year for large businesses and fifty
4 percent (50%) for medium-sized businesses.

5 (9) "Health care services" means medical care, services, or goods that may qualify as tax
6 deductible medical care expenses under Section 213 of the Internal Revenue Code, or medical care,
7 services, or goods having substantially the same purpose or effect as such deductible expenses.

8 (10) "Hour paid" or "hours paid" means a work hour or work hours for which a person is
9 paid wages or is entitled to be paid wages for work performed within the City, including paid vacation
10 hours and paid sick leave hours, but not exceeding 172 hours in a single month. For salaried
11 persons, "hours paid" shall be calculated based on a 40-hour work week for a full-time employee.

12 (11) "Large business" means an employer for which an average of one hundred (100) or more
13 persons covered employees per week perform work for compensation during a quarter.

14 (12) "Medium-sized business" means an employer for which an average of between twenty
15 (20) and ninety nine (99) persons covered employees per week perform work for compensation
16 during a quarter.

17 (13) "Person" means any natural person, corporation, sole proprietorship, partnership,
18 association, joint venture, limited liability company, or other legal entity.

19 (14) "Required health care expenditure" means the total health care expenditure that a
20 covered employer is required to make every quarter for all its covered employees.

21 (15) "Small business" means an employer for which an average of fewer than twenty (20)
22 persons covered employees per week perform work for compensation during a quarter.

1 **SEC. 14.2. SAN FRANCISCO HEALTH ACCESS PROGRAM.**

2 (a) The San Francisco Department of Public Health shall administer the Health Access
3 Program. Under the Health Access Program, uninsured San Francisco residents may obtain health
4 care from a network consisting of San Francisco General Hospital and the Department of Public
5 Health's clinics, and other community non-profit and private providers that meet the program's quality
6 and other criteria for participation. The Health Access Program is not an insurance plan for Health
7 Access Program participants.

8 (b) The Department of Public Health shall coordinate with a third party vendor to administer
9 program operations, including basic customer services, enrollment, tracking service utilization, billing,
10 and communication with the participants.

11 (c) The Health Access Program shall be open to uninsured San Francisco residents, regardless
12 of employment status. Eligibility criteria shall be established by the Department of Public Health, but
13 no person shall be excluded from the Health Access Program based on a pre-existing condition.
14 Participants may be enrolled by their employers or may enroll themselves as individuals, with the terms
15 of enrollment to be determined pursuant to Section 14.4(a).

16 (d) The Health Access Program may be funded from a variety of sources, including payments
17 from covered employers pursuant to Section 14.3, from individuals, and from the City. Funding from
18 the City shall prioritize services for low and moderate income persons, with costs based on the Health
19 Access Program participant's ability to pay. Funding from the City shall subsidize employee
20 enrollment by medium-sized and small businesses.

21 (e) The Health Access Program shall use the "Medical Home" model in which a primary care
22 physician, nurse practitioner, or physician assistant develop and direct a plan of care for each Health
23 Access Program participant, coordinate referrals for testing and specialty services, and monitor
24 management of chronic conditions and diseases. The Health Access Program participants shall be
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1 assigned assign each Health Access Program participant to a primary care physician, nurse
2 practitioner, or physician assistant.

3 (f) The Health Access Program shall provide medical services with an emphasis on wellness,
4 preventive care and innovative service delivery. The Program shall provide medical services for the
5 prevention, diagnosis, and treatment of medical conditions, excluding vision, dental, infertility, and
6 cosmetic, and outpatient mental health services. The Department of Public Health may further
7 define the services to be provided, except that such services must, at a minimum, include: professional
8 medical services by doctors, nurse practitioners, physician assistants, and other licensed health care
9 providers, including preventive, primary, diagnostic and specialty services; inpatient and outpatient
10 hospital services, including acute inpatient mental health services; diagnostic and laboratory services,
11 including therapeutic radiological services; prescription drugs, excluding drugs for excluded services;
12 home health care; and emergency care provided in San Francisco by contracted providers, including
13 emergency medical transportation if needed.

14 (g) The Health Access Program shall offer the opportunity for employers to enroll their
15 employees and for individual enrollment by July 1, 2007.

16
17 **SEC. 14.3. REQUIRED HEALTH CARE EXPENDITURES.**

18 (a) Required Expenditures. Covered employers shall make required health care expenditures
19 to or on behalf of their covered employees each quarter. The City Controller shall ensure maintain
20 any required health care expenditures made by an employer to the City are kept separate and apart
21 from general funds and limit use of the expenditures to the Health Access Program. The required
22 health care expenditure for a covered employer shall be calculated by multiplying the total number of
23 hours paid for all of its covered employees during the quarter (including only hours starting on the first
24 day of the calendar month following ninety (90) calendar days after a covered employee's date of hire)
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1 by the applicable health care expenditure rate. In determining whether a covered employer has made
2 its required health care expenditures, payments to or on behalf of a covered employee shall not be
3 considered if they exceed the following amount: the number of hours paid for the covered employee
4 during the quarter multiplied by the applicable health care expenditure rate. The City's Office of Labor
5 Standards Enforcement (OLSE) shall enforce the health expenditure requirements under this Section.

6 (b) **Additional Employer Responsibilities.** A covered employer shall: (i) maintain accurate
7 records of health care expenditures, required health care expenditures, and proof of such expenditures
8 made each quarter each year, and allow OLSE reasonable access to such records, provided, however,
9 that covered employers shall not be required to maintain such records in any particular form; and (ii)
10 provide a report information to the administering OLSE, or the OLSE's designee, on an annual basis
11 containing such other information as OLSE shall require, but OLSE may not require an employer to
12 provide information in violation of State or federal privacy laws. Where an employer does not
13 maintain or retain adequate records documenting the health expenditures made, or does not allow
14 OLSE reasonable access to such records, it shall be presumed that the employer did not make the
15 required health expenditures for the quarter for which records are lacking, absent clear and convincing
16 evidence otherwise. The Office of Treasurer and Tax Collector shall have the authority to provide any
17 and all nonfinancial taxpayer information to OLSE necessary to fulfill the OLSE's responsibilities as
18 the enforcing agency under this Ordinance. With regard to all such information provided by the Office
19 of Treasurer and Tax Collector, OLSE shall be subject to the confidentiality provisions of subsection
20 (a) of Section 6.22-1 of the San Francisco Business and Tax Regulations Code.

21
22 **SEC. 14.4 ADMINISTRATION AND ENFORCEMENT.**

23 (a) The City shall develop and promulgate rules to govern the operation of this
24 Chapter. The regulations shall include specific rules by the Department of Public Health on
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1 the operation of the Health Access Program and rules by the OLSE for enforcement of the
2 obligations of the employers under this Chapter. ~~The Department of Public Health shall~~
3 ~~develop and promulgate rules to govern the operation of the Health Access Program. The~~
4 ~~OLSE shall develop and promulgate rules to provide for the enforcement of the obligations of~~
5 ~~employers under this Chapter.~~ The rules shall also establish procedures for covered employers to
6 maintain accurate records of health care expenditures and required health care expenditures and
7 provide a report to the City without requiring any disclosures of information that would violate state or
8 federal privacy laws. The rules shall further establish procedures for providing employers notice that
9 they may have violated this Chapter, a right to respond to the notice, a procedure for notification of the
10 final determination of a violation, and an appeal procedure before a hearing officer appointed by the
11 City Controller. The sole means of review of the hearing officer's decision shall be by filing in the San
12 Francisco Superior Court a petition for a writ of mandate under Section 1094.5 of the California Code
13 of Civil Procedure. No rules shall be adopted finally until after a public hearing.

14 (e) (b) During implementation of this Chapter and on an ongoing basis thereafter, the City
15 shall maintain an education and advice program to assist employers with meeting the requirements of
16 this Chapter.

17 (d) (c) Any employer that reduces the number of ~~covered~~ employees below the number that
18 would have resulted in the employer being considered a "covered employer," or below the number that
19 would have resulted in the employer being considered a medium-sized or large business, shall
20 demonstrate that such reduction was not done for the purpose of evading the obligations of this
21 Chapter or shall be in violation of the Chapter.

22 (e) (d) It shall be unlawful for any employer or covered employer to deprive or threaten to
23 deprive any person of employment, take or threaten to take any reprisal or retaliatory action against
24 any person, or directly or indirectly intimidate, threaten, coerce, command or influence or attempt to
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1 intimidate, threaten, coerce, command or influence any person because such person has cooperated or
2 otherwise participated in an action to enforce, inquire about, or inform others about the requirements
3 of this Chapter. Taking adverse action against a person within ninety (90) days of the person's
4 exercise of rights protected under this Chapter shall raise a rebuttable presumption of having done so
5 in retaliation for the exercise of such rights.

6 (f) (e) The City shall enforce the obligations of employers and covered employers under this
7 Chapter, and may impose administrative penalties upon employers and covered employers who violate
8 this Chapter, including the requirements that businesses allow the City reasonable access to records of
9 health expenditures, as follows: the amount of up to one-and-one-half times the total expenditures that
10 a covered employer failed to make plus simple annual interest of up to ten (10) percent from the date
11 payment should have been made.

12 (g) (f) The City Controller shall coordinate with the Department of Public Health and
13 OLSE to prepare periodic reports on the implementation of this Chapter including participant
14 rates, any effect on services provided by the Department of Public Health, the cost of
15 providing services to the Health Access Program participants and the economic impact of the
16 Chapter's provisions. Reports shall be provided to the Board of Supervisors on a quarterly
17 basis for quarters beginning July 1, 2007 through June 30, 2008, then every six months
18 through June 2010. Reports shall include specific information on any significant event
19 affecting the implementation of this Chapter and also include recommendations for
20 improvement where needed, in which case the Board of Supervisors shall hold a hearing
21 within thirty (30) days of receiving the report to consider responsive action. The City
22 Controller shall report on implementation of the Health Access Program, including
23 participation rates, any effect on services provided by the Department of Public Health, and
24 costs of providing services to Health Access Program participants, and on the economic
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1 impact of this Chapter, to the Board of Supervisors on a quarterly basis through the end of
2 2009 and on an annual basis thereafter. The City Controller shall also report within sixty (60)
3 days after any significant event affecting the implementation of this Chapter, in which case the
4 Board of Supervisors shall hold a hearing within thirty (30) days of receiving the report to
5 consider responsive action.

6 (h) (g) The Director of Public Health shall convene an advisory Health Access Working Group
7 to provide the Department of Public Health and the Health Access Program with expert consultation
8 and direction, with input on members from the Mayor and the Board of Supervisors. The Health
9 Access Working Group shall be advisory in nature and may provide the Health Access Program with
10 input on matters including: setting membership rates; designing the range of benefits and health care
11 services for participants; and researching utilization, actuaries, and costs.

12 (i) (h) The Department of Public Health and the OLSE shall report to the Board of
13 Supervisors by January 31, 2007, on the development of rules for the Health Access Program
14 and for the enforcement and administration of the employer obligations under this Chapter.
15 The Board of Supervisors shall hold a hearing on the proposed rules to ensure that
16 participants in the Health Access Program shall have access to high quality and culturally
17 competent services.

18
19 **SEC. 14.5. SEVERABILITY.**

20 If any section, subsection, clause, phrase, or portion of this Chapter is for any reason held
21 invalid or unconstitutional by any court or federal or state agency of competent jurisdiction, such
22 portion shall be deemed a separate, distinct and independent provision and such holding shall not
23 affect the validity of the remaining portions thereof. To this end, the provisions of this ordinance shall
24 be deemed severable.

1
2 **SEC.14.6. PREEMPTION.**

3 Nothing in this Chapter shall be interpreted or applied so as to create any power, duty or
4 obligation in conflict with, or preempted by, any federal or state law.

5
6 **SEC.14.7. GENERAL WELFARE.**

7 By this Chapter, the City is assuming an undertaking only to promote the general welfare and
8 otherwise satisfy its obligations to provide health care under applicable law. This Chapter should in
9 no way be construed as an expansion of the City's existing obligations to provide health care under
10 state and federal law, and the City shall set all necessary criteria for enrollment consistent with its
11 legal obligations. The City is not assuming, nor is it imposing on its officers and employees, an
12 obligation for breach of which it is liable in money damages to any person who claims that such breach
13 proximately caused injury. To the fullest extent permitted by law, the City shall assume no liability
14 whatsoever. To the fullest extent permitted by law, any actions taken by a public officer or employee
15 under the provisions of this Chapter shall not become a personal liability of any public officer or
16 employee of the City.

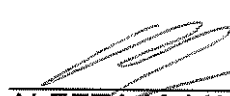
17
18 **SEC. 14.8. OPERATIVE DATE.**

19 This Chapter shall become operative in three phases. The day this Chapter becomes effective,
20 implementation of the Chapter shall commence. The Health Access Program and any requirements on
21 medium-sized or large businesses employers for which an average of fifty (50) or more
22 persons per week perform work for compensation during a quarter shall covered employees
23 become operative on July 1, 2007. Any requirements on medium-sized businesses employers for
24 which an average of from twenty (20) to forty nine (49) or more persons per week perform work
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1 for compensation during a quarter covered employees shall become operative on January 1,
2 March 31, 2008. This Chapter is intended to have prospective effect only.

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5
6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA, City Attorney

8 By:


9 ALEETA M. VAN RUNKLE



City and County of San Francisco

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

Tails Ordinance

File Number: 051919

Date Passed:

Ordinance amending the San Francisco Administrative Code to add Chapter 14, Sections 14.1 through 14.8, to provide health care security for San Francisco residents by creating a public health access program for the uninsured, requiring employer paid health expenditures, identifying options for how an employer may make such expenditures, creating an advisory health access working group, and setting an operative date.

July 18, 2006 Board of Supervisors — PASSED ON FIRST READING

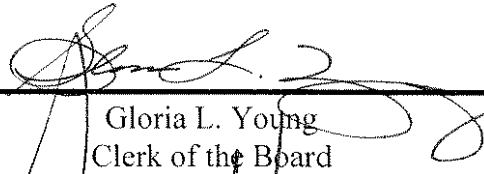
Ayes: 11 - Alioto-Pier, Ammiano, Daly, Dufty, Elsbernd, Ma, Maxwell,
McGoldrick, Mirkarimi, Peskin, Sandoval

July 25, 2006 Board of Supervisors — FINALLY PASSED

Ayes: 10 - Alioto-Pier, Ammiano, Daly, Elsbernd, Ma, Maxwell, McGoldrick,
Mirkarimi, Peskin, Sandoval
Absent: 1 - Dufty

File No. 051919

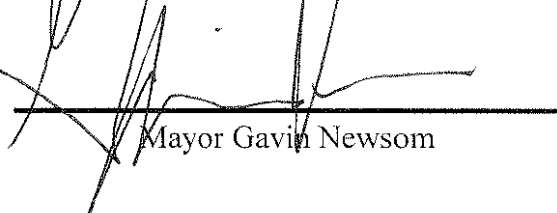
I hereby certify that the foregoing Ordinance
was **FINALLY PASSED** on July 25, 2006 by
the Board of Supervisors of the City and
County of San Francisco.



Gloria L. Young
Clerk of the Board

8-4-06

Date Approved



Mayor Gavin Newsom