



The San Francisco

INVESTIGATOR

The newsletter for people who do not trust City Hall

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I CANNOT ACCEPT YOUR CANON THAT WE ARE TO JUDGE POPE AND KING UNLIKE OTHER MEN, WITH A FAVORABLE PRESUMPTION THAT THEY DID NO WRONG. IF THERE IS ANY PRESUMPTION IT IS THE OTHER WAY AGAINST HOLDERS OF POWER. INCREASING AS THE POWER INCREASES. HISTORIC RESPONSIBILITY HAS TO MAKE WAY FOR THE WANT OF LEGAL RESPONSIBILITY. POWER TENDS TO CORRUPT AND ABSOLUTE POWER CORRUPTS ABSOLUTELY. GREAT MEN ARE ALMOST ALWAYS BAD MEN, EVEN WHEN THEY EXERCISE INFLUENCE AND NOT AUTHORITY; STILL MORE WHEN YOU SUPERADD THE TENDENCY OR CERTAINTY OF CORRUPTION BY AUTHORITY. THERE IS NO WORSE HERESY THAN THAT THE OFFICE SANCTIFIES THE HOLDER OF IT... AND THAT THE END JUSTIFIES THE MEANS. HERE ARE THE GREATER NAMES COUPLED WITH THE GREATER CRIMES. YOU WOULD SPARE THESE CRIMINALS, FOR SOME MYSTERIOUS REASON. I WOULD HANG THEM HIGH... FOR REASONS OF OBVIOUS JUSTICE: STILL MORE, STILL HIGHER, FOR THE SAKE OF HISTORICAL SCIENCE.

Lord Acton
The History of Liberty

Twilight Zone of the Bonds

SECRETS OF THE MODERN BACKROOM

Way back in the late 1970s, SFI lived on the east coast. Enamoured of New York City's bright lights, we didn't pay much attention to San Francisco, which seemed from afar like some kind of hippie Shangri-La at the far end of the universe.

Pow, pow, pow. Jim Jones. Dan White. Prop 13. San Francisco was on everybody's mind; and it wasn't Shangri-La anymore.

The twentieth anniversary of Kool-Aid in Guyana looms in November; and the assassinations of Mayor George Moscone and Supervisor Harvey Milk will be marked in December. But let us not forget another remarkable event from those mad times: the history-making moment when California property owners decided that government was too expensive and voted in Prop 13 to limit their property tax burden to one percent of assessed valuation.

Safe on the east coast, we pointed the self-righteous finger of namby-pamby liberalism at California and shook it at the nasties who defunded the kindergartens! Years later—after scoping out the fiscal practices of the San Francisco Unified School District—we understood where Howard Jarvis was coming from: outrage.

Stripped of ideological baggage, Prop 13 makes sense. It was—and remains—an attempt to curb unbundled government spending and

waste. Unfortunately, it didn't take long for thousands of clever bureaucrats to figure out ways to get around the will of the people. Suddenly, entire categories of debt were *undefined* and yanked out of debt limit calculations. Lease revenue bonds and certificates of participation were invented and declared—against all common sense—to be not debt.

Petty charges for basic government services metastasized as bureaucrats fought to maintain excessive spending levels and their fat salaries. After a period of adjustment, post-Prop 13 spending took off to even greater heights; and the increased freight was paid by the propertyless as well as the propertied.

Now, as the twentieth century draws to a close we hear the final death rattle of Prop 13: epitomized by Mayor Willie Lewis Brown's ability to add a billion dollars (a 25 percent increase!) to the budget of our City in just two years—even as he hocks the City's 30-year credit future in return for tinsel and slag.

But lets not blame everything on poor Willie. That's far too easy. Instead, lets take a close look at just one of the inventive ways California's civil servants have managed to circumvent the spirit and the letter of Prop 13. Let's focus on a fairly typical high level bureaucrat, an en-

ergetic-yet-visionless man who has spent his professional life within the system manipulating it for purposes that have nothing to do with the common good: meet Mr. Rudolf Nothenberg, known as "Rudy" to his friends.

NOW ENTERING THE TWILIGHT ZONE

A slight fellow, Nothenberg is either from the British Isles or he affects a posh accent. Back in the early 1960s, Willie Brown found Nothenberg working at the San Francisco State University bookstore as a

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KAYO ON THE TAKE?

District attorney has wallet problems

Months before Supervisor **Terry Kayo Hallinan** became **Terence Hallinan** and ran successfully for District Attorney in 1995, good ole' Terry used to throw catered get-togethers for community activists at his lovely home in the Haight. The art on the walls was radically expensive; and the bookshelves were studded with the works of **Marx, Lenin, Mao** and **Gore**.

The roast beef was generously sliced and the wine flowed freely as Kayo reviewed his career options.

KAYO CONTINUES ON PAGE 8

Blast from the Past

BALLOT-BOX STUFFING IS ANCIENT ART

A reader sent in this newspaper quote drawn from a doctoral thesis entitled "The San Francisco Bulletin, 1855-1865: A Study in the Beginnings of Pacific Coast Journalism." The dissertation was written by John Denton Carter and he submitted it to the History Dept. of the University of California in 1941.

"What the People Expect of the Vigilance Committee.*

"There is another work before the Committee, more important than any which has hitherto engaged their attention. It is the purification of the ballot box. If we would have order hereafter, an example must now be made of the ballot-box stuffers. If there is anyone in the custody of the Committee, on whom ballot-box stuffing can be clearly proved, his punishment should be exemplary. We are not ignorant of the weight of the words we utter. Tampering with elections is in fact the most heinous of crimes An example must be made Hang one ballot-box stuffer, and we shall have no more of them."

—SF Call-Bulletin, May 29, 1856

* Over a delicious decade, the San Francisco Vigilance Committee tried, convicted and hanged gamblers, grifters, grafters and thieving City supes. One of the supes was executed for cold-bloodedly murdering John King of William, the editor & publisher of San Francisco's first anti-corruption newsletter.



Dear Reader,

Everything has a beginning, a middle and an end. After writing twenty newsletters in two years—113 articles exposing the intricacies of graft and corruption—The San Francisco Investigator is winding down. This is the last SFI.

I am eternally grateful to my partner and wife, Stacey Evans, who designed and produced every single newsletter and offered enthusiastic and unwavering commitment to the life of this publication.

SFI's readers have been loyal friends. Your comments, tips, criticisms and expressions of support have been inspirational and, often, newsworthy. However, in order to sustain itself, our type of investigative journalism needs a much larger audience than a localized newsletter can command.

To keep our editorial independence intact we never sold an ad, nor did we solicit grants and donations. We are proud to have created and maintained a truly unique publication without becoming beholden to any special interest.

We are confident that our brand of journalism will thrive as more and more ordinary people learn to follow the money and see beyond the smiling blather of American corporatism to the greed and rot corrupting the body politic.

The current fad of "public-private partnerships" that drain the public wealth is nothing new. As long as there have been markets and governments, there have been groups who have used the force underpinning the power of the state to profit themselves.

We like to think that SFI made it just a little bit harder for these groups to steal from the people here in San Francisco.

Thank you and best wishes,

Peter Byrne

P.S. Those of you who have paid for upcoming issues will receive an equivalent in back issues within 30 days. These back issues will be newsletters printed before your subscription started. If you wish to make other arrangements: please call or write to us by October 1, 1998.

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clerk. Ever sycophantic and devious, Rudy hopped on Brown's bandwagon and served him for years in Sacramento as a details man. Willie would cut the deal and Rudy would bag the loot and hide the bodies.

After San Francisco's Chief Administrative Officer, Roger Boas, was arrested for

Nothenberg—who recently retired after heading the commission in charge of Muni—acted far-sightedly when he invented the SFFC out of hole cloth. He knew that a huge boondoggle was bursting on the scene: the new 911 emergency communication center on Turk Street. He knew that the flavor of the rich contents of this wonder-

SELF-DEALING

Over the years, the SFFC's closed door meetings—often less than ten minutes in duration—have concealed some of the most flagrant self-dealing you can find outside modern Moscow. One of Nothenberg's first hires as a financial consultant to SFFC was Calvin Grigsby of Grigsby Brandford Powell Inc. as in: recently indicted for kickbacks in Miami. Grigsby, a longtime associate of Willie L. Brown, is facing years in the federal pen for bribing municipal officials all over the country.

Are we to believe that Grigsby did not bribe San Francisco's officials?

Since the SFFC's inception, Peter Miller of Public Financial Management Inc. has attended meetings as a financial consultant to the corporation. California law forbids such a consultant from bidding on bond underwriting contracts that are issued by the corporation; unless the consultant is specifically exempted by the corporation for each contract.

In horrendous violation of the conflict of interest prohibitions threaded throughout Western jurisprudence, SFFC corporate minutes show that Miller's company, PFM, has been allowed to write the SFFC bond prospectuses; design sales procedures; and supervise underwriting negotiations at the same time that PFM has been allowed to bid on the bond contracts! Ditto with Charles A. Bell Securities Corp.

Nothenberg also brought in sitting Re-development Agency Commissioner Gary Kitahata of Kitahata & Company as a paid consultant who was also allowed to bid on contracts designed by himself.

Nothenberg's stacked deck of financial consultants and bond lawyers have been paid millions of dollars in fees over the years. SFFC is a privately-run cash cow. When he retired, Nothenberg's disclosure statement revealed a vast portfolio of stock—worth millions—bought on the same civil service salary that purchased his house on Telegraph Hill.

LAWS OF THE ZONE

San Francisco Controller Ed Harrington recently refused to authorize a full audit of

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Typical SF Finance Corporation Board meeting

raping underage girls in a Mission District brothel in the late 1980s—even as he was running for mayor (!)—Rudy was appointed to a ten-year term as CAO. Until the Charter change two years ago, San Francisco's finance and business operations were run by the CAO: an official more powerful than the Mayor and much less accountable.

In 1991, Rudy created the SF Finance Corporation—the very definition of a slush fund—with himself as sole incorporator. The “non-profit” corporation was set up to spend taxpayer money on equipment—everything from souped-up police cars to boatloads of laser printers—equipment that for a variety of reasons can not be purchased through normal procedures—millions and millions of dollars in equipment—much of it unneeded.

The SF Finance Corporation issues lease revenue bonds to buy the extra stuff. This type of debt is not counted as debt by California state law. That is one reason why San Francisco is burdened with nearly \$5 billion in outstanding municipal debt; even though the “technical” limitation on debt backed by the full faith and credit of the City is about \$1.9 billion.

fully deep (\$165 million and rising) barrel of sacrosanct public safety pork would be improved by darkness as it fermented far from the light of even mild scrutiny by the supes, not to mention the public.

After Nothenberg created the City-owned non-profit, he appointed political flunkies to its Board of Directors. H. Welton Flynn, for example, was the first President. While serving on various City commissions, certified public accountant Flynn has fronted City Hall's shenanigans for years. (Last year, Flynn broke State election laws when he formed a bogus citizen's committee to support \$300 million in unneeded water bonds.)

From the beginning, the SFFC functioned as a conduit for EXTRA pork: above and beyond the normal quotient stripped from the public wealth.

SFI discovered the SFFC by accident. In the words of the City's director of public finance, it is “unique.” No other municipality in America is known to have such a strange body lurking inside its organization chart. The public NEVER attends its meetings. And no wonder: the meetings are not announced. And there are reasons for the secrecy.

SFI BACK ISSUES AVAILABLE

Back issues are \$8 (\$5 to SFI subscribers). Indicate which issues you desire. Send a check or money order made out to "SFI" to 3288 21st Street, STE 161, San Francisco, CA 94110. Call 415-285-7418 for further information.

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