

MINUTES
Citizens' General Obligation Bond Oversight Committee
October 28, 2004, 9:30 AM
Room 416, City Hall

1. Call to Order and Roll Call.

Chair Pamela Jue called the meeting to order at 9:40 AM.

Ms. Von Rock-Ricci was absent. It was noted that there was a quorum.

Ms. Darby announced that she will be exiting as the staff member for the Committee as of this meeting. Ms. Marti Paschal from the Controller's office will be taking over as the new staff member. Ms. Darby also announced that Ms. Karen Ribble of the Mayor's Office of Public Finance has left City service and Ms. Nadia Sesay, Acting Director of the Mayor's Office of Public Finance, was in attendance to represent her office. Ms. Peg Stevenson, City Services' Auditor Director, represented the Controller's office.

There was no public comment.

2. Oath of Office for the New Members of the Committee

Ms. Gloria Young, Clerk of the Board of Supervisors, administered the Oath of Office to Mr. Dick Morten and Mr. Hunter Stern, the two new members of the Committee. Ms. Jue welcomed Mr. Morten and Mr. Stern to the Committee.

There was no public comment.

3. Discussion and Possible Action to Approve Minutes

The minutes of the July 29 meeting were adopted without objection.

There was no public comment.

4. Presentation from the Fire Department and Possible Action Regarding its General Obligation Bond-Funded Projects

Capt. James Lee made the presentation on behalf of the Department. Captain Lee reported that \$40 million in projects were approved for the 1992 bond fund for renovation to 32 of the Department's facilities. The scope of work included seismic retrofit, ADA improvements, public areas, women's locker rooms, and related construction work. The total budget was \$51, 645 million; \$45,799 has been expended. Capt. Lee stated that the Department has pretty well completed its initial goals for this bond program.

Capt. Lee went over the closed projects relating to Fire Stations #33 and #39, the active projects at Fire Station #3 and the Department's Training Facility. Capt. Lee also described the Department's proposed projects, including the renovation of Fire Station #16 for use as storage for reserved vehicles and equipment, including special equipment relating to homeland security issues.

Mr. Yockey said that the Department has not provided any documentation showing timelines on these planned projects, and that Committee prefers to receive such information so that it can perform ongoing review of how well departments are adhering to the schedule.

Capt. Lee said that there are plans for fire station #16 and working drawings.

Ms Singer said that she cannot understand some of the terms used on the documents, and suggested that the Department label columns using terminology a layperson can understand. She also emphasized the Committee's need for information on the original budget of the projects so we can see how the budget has evolved over time. Ms. Singer was also interested in receiving additional information regarding anticipated sources of funding, the Department's planning process, and when the Department deems a project to be a project.

Capt. Lee said that Fire Station #16 is a planned project. Capt. Lee explained that Fire Station #1 was originally damaged at Loma Prieta. There was a serious damage, and it needed to be moved. So Fire dept. wants to relocate it and we want to use some of the leftover money to do it. The previous fire station was sold and money used for this project.

Ms. Jue said she had a question about the \$93,000 allocated to DPW. Mr. Peter Wong, Capital Program Manager from the Department of Public Works, responded by saying that the \$93,000 is for the actual time DPW estimates will be spent on the project. This is based on 620 hours or 5 hours a week – the actual time when he will be involved in the project. DPW estimates the project will last about another 24 months. There is no overhead involved.

Mr. Micheau observed that the Department's cover letter indicated that it did not charge any personnel to the bond monies, but that such a statement contradicts to the table stating that \$100,000 is allocated for Fire Department personnel time. Capt. Lee said that the \$100,000 administrative services cost accounts for the time of the Chiefs of the Department.

Regarding the charts, Mr. Wong said they are included on the last page of the package. Mr. Wong stated that if a new property were found as a site for fire station #16, that project might be changed.

Mr. Wong described further agreements with the Mission Bay developers which, upon development of 1000 units of housing, potentially could result in the payment to the City of \$2.48 million for construction of a new fire station to provide safety services to the Mission Bay residents. The Department and DPW have put together a plan for CIP. Ms. Singer asked if there was a prospective time frame, a budget, and a contingency plan for the project. Mr. Wong said that there is a plan that projected the Mission Bay project to be completed by FY 2006.

Mr. Douglas Legg from the DPW joined the discussion at this point to describe the current state of the policy discussions among the Department, the Mayor's Office and CIAC relating to the new Mission Bay fire station. Mr. Legg observed that the City does have access to certain funds under the Department bond program and other funds under the Earthquake Safety bond program, but such funds are not sufficient to finance the planned projects at this time. At such time as the Department and those other entities have settled on a plan for a fully funded project, the policy decision is reviewed by the CIAC, and the Board appropriates funds, then the projects will go ahead.

Mr. Hentz inquired about a project being listed as complete on one page of the report and on another page as an active project. Mr. Wong responded that "completion" is when construction is completed and

tenants move in, but the projects may not be shown as complete in all the spreadsheets because the City is still pursuing its contractual or other interests with respect to the general contractor or other parties.

Mr. Micheau encouraged the Department to reduce the number of unclosed projects. Mr. Wong said that they should have made the report clearer and apologized for any misunderstanding.

Ms. Jue summarized that the Department has basically completed the projects within the bond-funding limit, although the information does not show whether such projects were completed within the projected timeframe. Now the Department is taking the money to supplement other sources of funding of more current items rather than selecting one large project.

Ms. Singer raised the question if the bond money was being used for the purposes for which the bond was issued, for example, for retrofitting. Ms. Jue said that the bond language was drafted in such a way to permit this. Mr. Martin concurred and said that there was not a list of projects rather a description of the types of projects, and retrofitting falls into that umbrella.

Mr. Morten said if the department comes back, he would be interested in knowing the lessons learned from implementing this bond and how future bonds can be structured so that we could pass on suggestions to the Mayor and the Board.

Mr. Hentz asked at what point in time should this bond issue be closed. Ms. Stevenson responded that there is no one answer for all bond issues. In general, the City prefers to close them out sooner than later, but there are bound to be contract issues that need to be settled. In this case, the City may want to keep the program open longer so that it can be used to assist in financing a fire station in the Mission Bay district.

Mr. Yockey asked the staff to write to the Department asking them to better describe the \$100,000 administrative service costs, and to ask the Controller whether General Fund costs of the department are reduced when the fire chiefs charge their time to the bond funds.

Ms. Darby suggested that staff could work with Mr. Legg to get clear reports on the remaining projects, since he developed the reporting template.

Ms. Jue thanked Captain Lee, Mr. Wong, and Mr. Legg for the presentation.

5. Presentation from the Department of Public Works on the Public Safety Bonds

Mr. Legg of DPW reported that all 3 Public Safety bonds (1994 City Hall Improvement, 1989 and 1990 Public Safety bonds totaling \$520 million, including outside grant money) are substantially completed. However, funds are being retained in each program. He did not bring any schedules because there has been no recent project management activity.

The 1989 Public Safety bond projects, largely consisting of police and fire station seismic projects, have been completed. Of the remaining \$4.5 million under the 1989 bond, \$2.4 million have been allocated to the Richmond Branch library, and about \$1 million to the Zoo for utility work, which will be completed this year. In June, \$450,000 was allocated to the 4th Street bridge project to match a federal grant. From the \$5 million remaining in the 1990 Public Safety bond, approximately half of the money has been appropriated for seismic improvements to the services building at San Francisco General Hospital. We

are waiting for approval from state agency (OSHPD) to begin construction. DPW anticipates starting the project this year.

Mr. Legg is working with the Mayor's office to close out bond projects and reallocate budgeted funds to other active projects.

Mr. Hentz asked who is responsible for monitoring when the money is moved from one bond project to another to see the new project is covered under the umbrella provision of the original bond.

Mr. Legg replied that the Earthquake Safety bonds issued were not for any specific project, but were issued to provide protection to the citizens in case of an earthquake.

The 1990 bond issued after the Loma Prieta earthquake was a much larger program. The City failed to complete 3 projects under that program: seismic safety of 101 Grove Street, the Veterans War Memorial building, and the Richmond Branch library. These 3 projects turned out to be more costly than the initial estimates that were made when the bond project was put together. We were not able to fully fund these projects. Mr. Legg gave the example of City Hall with an original estimate of \$1 million that ended up costing much more than the original estimate.

In response to an inquiry from Ms. Singer, Mr. Legg said that the City performed earthquake repairs on 101 Grove Street.

Mr. Legg said that no substantial strengthening of 101 Grove and Veterans War Memorial building was done. Those improvements will require in the range of \$40 million. Both buildings are at the Seismic Hazard rating of level 2. The War Memorial Opera House is not fully funded. He will be working with the Mayor's office to determine if the funds should be allocated to another project or additional funding should be sought for this project.

The SFGH hospital itself has a level 2 rating, and does not meet the state standard. The current project relates to the service building at the hospital, which is a separate structure.

At Mr. Wong's request, Mr. Legg said he will provide the Committee with a project schedule for the SFGH service building.

Ms. Jue thanked Mr. Legg for the presentation.

There was no public comment.

6. Presentation from the Mayor's Office of Housing

Mr. Wayne Lawrence, Program Manager of the Mayor's Office of Housing Loan Program, provided the Committee with a summary of the 1992 Seismic Safety bonds program. Due to the revolving loan structure of the bonds, Mr. Lawrence said that this bond does not lend itself well to a Gantt chart format. Mr. Lawrence said that he has never seen an original schedule of the program, and estimates that it was probably anticipated to issue loans under the bond program for 10 years at \$35 million each year. The City has not approached that level of lending.

Mr. Yockey asked that the report talks about new applications that are coming in that pertain to project levels 1 through 3. However, according to the chart in the report, it says applications at that level were supposed to be approved and completed by February 2004, and that they are not eligible after that date.

Mr. Lawrence said that most of the level 1 – 2 is completed, but a number of level 3 projects are not completed. He said that he continues to receive referrals from the City Attorney, most often in cases where the property owners could not get financing from private lenders. If the building owners demonstrate that their efforts are focused on completing the work then MOH and the City Attorney would prefer working with them so that the work can be completed rather than penalizing them for their failure to meet the deadline. The bond ordinance does show a deadline of February 2004, but that does not mean these applicants are ineligible for the program.

Ms. Singer asked whether, given that the volume of requests that are coming in now are substantially more than originally anticipated, there has been any attempt to estimate the future participation in the project.

Mr. Lawrence responded that there have been a couple of highly speculative assessments made that did not prove accurate. In the next few months MOH intends to do a survey of the building owners who have not completed their work. In response to Ms. Singer's inquiry as to when the program could be discontinued (and the bond authorization rescinded), Mr. Lawrence said that until all the retrofit projects are complete, some authorization will be needed. The upcoming survey will hopefully provide more answers as to how much.

In response to Mr. Morten's question regarding how the outstanding seismic safety bond authorization affects the City's bond capacity, Ms. Stevenson said that two metrics are used. First is the legal limit in the Charter of 3% of the assessed value of the property tax. The City is well below that legal limit, so this authorization is not problematic for those purposes. The other limit is the more functional limit of the rating agencies, which evaluate all of the City's debts, redevelopment and revenue bonds relative to the City's assessed property valuation. The City's current financial performance is such that our bond ratings are solid. If at some point in the future the City decides that there are large projects we want to complete either under general obligation or other types of bond debt, then we will look at our capacity ratio and free up our capacity. We are not at that need point now.

Ms. Singer asked Mr. Lawrence to submit the completed survey and an updated projection to the Committee.

Mr. Yockey asked Ms. Stevenson if there would be any impact if the Committee recommends in its annual report to reduce the authorization amount. Ms. Stevenson said that the Committee could recommend that. She said she would investigate the process for doing so.

Ms. Jue said that she is interested in procedures before additional seismic bonds are issued given the history and experience they have had so far. Mr. Lawrence said that he is planning on meeting with Ms. Sesay of the Mayor's Office of Public Finance about future bonds, and that a great deal will depend on the results of the survey. They have agreed that they will do a more complete evaluation and will also look at the administrative requirements of the loan program.

In response to questions from members, Mr. Lawrence said there have been many instances where the applicant withdrew the application after staff had processed the application. The Mayor's Task Force has asked them not to apply the \$500 fees. Mr. Lawrence said that they do have some community-based

projects that have come to them because private institutions were not able to fund the entire loan. He added that the loans are for 20 years and at a fixed rate of interest. At this time, the projected rate of interest is 6.25% – 6.50%.

Mr. Lawrence said he would bring the results of the survey of the building owners to the Committee.

Ms. Jue thanked Mr. Lawrence for his presentation.

There was no public comment.

7. Discussion and Possible action Regarding Staff Reports and Correspondence to and from Administering Departments Relating to the Status of Remaining Bond Proceeds

Ms. Jue asked members if they had comments or requests on the department responses to the Committee's inquiries about their bond-related projects.

Mr. Yockey said that the data received from the dept. of Recreation and Park regarding the 1992 Golden Gate Park Improvement Bond was unclear. He asked that staff send a letter to the Department asking them to provide timelines for projects that are still outstanding.

Ms. Jue said she has a question about an unencumbered item on project management. Staff will write a letter to the Recreation and Park department for details on the projects listed for Zoo Bond.

8. Discussions and Possible Action Regarding Term of Committee Appointments

Ms. Jue asked Deputy City Attorney Mr. Martin what would be the impact of Proposition D if it passes and the Committee seats are not filled/reappointed in 120 days. Mr. Martin said the he will look into this if the proposition passes.

Following discussion, it was decided that the Committee will send letters to all four appointing authorities asking them to appoint members to the Committee for the new two-year term. The current term is expiring on January 9, 2005.

Mr. Martin offered to draft letters. He will work with the members offline to see how they feel about reappointment. Ms. Jue will work with staff on these letters.

9. Discussion and Possible Action regarding Agenda Items for Future Meetings

- a. Ms. Stevenson stated that an audit report presentation from the Controller's staff on the San Francisco Unified School District in the November 17th meeting could be productive. However, the audit on the department of Recreation and Park may not be feasible before January 2005. There have been a number of emergency audit requests, such as the non-profit organizations have taken up the Controller's staff time.

The Committee felt that the School District should be noticed about the audit hearing on November 17th; however, they are not required to attend the meeting if they do not wish.

- b. Ms. Jue volunteered to prepare the draft annual report for discussion at the November 17th meeting.

- c. Ms Darby said that she is the acting manager of the Whistleblower program. The department is in the process of hiring investigators. They should have a presentation ready by April. Ms. Darby said that for the purposes of the 2004 annual report, she will provide a paragraph on what they have done so far.

There was no public comment.

10. General Public Comment

None.

11. Adjournment

The meeting adjourned at 11:55 AM.