

**MINUTES**  
**Citizens' General Obligation Bond Oversight Committee**  
**May 31, 2007**  
**Room 416, City Hall**  
**San Francisco, CA 94102**

**1) Swearing-In of Members**

Ms. Madeleine Licavoli, Deputy Clerk, Board of Supervisors, swore in the members of the Citizens' General Obligation Bond Oversight Committee: Kristin Chu, Shawn Leonard, Dick Morten, Miriam Rike, and Hunter Stern.

**2) Call to Order, Roll Call and Election of Officers**

Ms. Donna Hood, Committee assistant, called the meeting to order at 9:33 a.m. Quorum present.

Ms. Shawn Leonard moved that Mr. Hunter Stern be elected Chair; Mr. Dick Morten seconded, motion passed.

Mr. Stern moved that Mr. Morten be elected Vice-Chair; Ms. Leonard seconded, motion passed.

**3) Discussion and Possible Action to Approve Minutes of the regular meeting of October 26, 2006.**

The minutes of the October 26, 2006 meeting were approved.

**4) Presentation from San Francisco Public Library on the 2000 Branch Library Facilities Improvement Bond program, and possible action by the Committee in response to such presentation.**

Mr. Luis Herrera, City Librarian, and Ms. Marilyn Thompson, Bond Program Manager, provided the Committee with a status report on the 2000 Branch Library Facilities Improvement Bond program. Mr. Herrera presented a brief background and discussed what has changed since the program's inception.

Mr. Herrera noted that the original program description called for the implementation of a \$105,865,000 bond program for the acquisition, renovation and construction of branch libraries and other library facilities. Initial goals included 19 renovations, five property acquisitions, new construction to replace leased facilities, and one support services facility. In addition, seismic safety, hazardous material abatement, ADA compliance, electrical and mechanical system upgrades are to be addressed. Mr. Herrera clarified that not all libraries are part of this program.

Mr. Herrera described program milestones: five property acquisitions (Glen Park, Ingleside, Mission Bay, Portola and Visitation Valley), and one support service facility three completed renovations (Excelsior, West Portal and Sunset), and one new library (Mission Bay); three active renovations (Marina, Noe Valley and Western Addition); one new library under construction

(Glen Park); four renovations in design or in bid stages (Bernal Heights, Eureka Valley, Potrero and Richmond); and two libraries in design or in bid to break ground this summer (Ingleside and Portola).

Mr. Herrera stated there have been three bond sales totaling approximately \$75M, with \$54M spent-to-date.

Ms. Thompson noted that costs have risen since the original bond issuance in November 2000, when there was an assumption that the Library would receive at least \$10M from State Proposition 14. However, the grant process was time consuming and competitive, and the grants were not approved until 2004. Until that time, they were not sure they would have enough funds to complete the original program plan. As a result, projects were delayed until they received \$8.9M for construction and for furniture and fixtures that could not be purchased with bond funds. Rather than reduce the project scope to meet the original budgets, they looked for alternate funding.

Ms. Thompson noted that escalation rates have been higher than what was estimated when the program began and that the original program assumed no delays in acquiring state funding, community approvals, or alternative proposals. In 2000, escalation was calculated at 4 percent per year, but over the course of the last three years construction costs have increased approximately 45 percent. As a result, projects were delayed to adjust the scope. Another problem is the unfavorable bid climate for City projects which results in higher bids from contractors as fewer contractors are bidding on City work..

Ms. Thompson said that the Library Commission revised the program budgets and schedules on March 31, 2007. Ms. Thompson described the fund sources appropriated to-date and noted that bonds and interest total \$107,538,481. She referred to the quarterly report and revenue plan, which were approved by the Library Commission. She presented each project's scope, schedule assumptions, and baseline and approved budgets, which include all costs to complete the project.

Mr. Herrera and Ms. Thompson briefly described the remaining projects: Bayview, Golden Gate Valley, Merced, North Beach and Ortega. Ms. Thompson indicated that the total for all remaining projects is \$184,702,607, with total available revenue at \$140,929,607. Given an assumption of a 5 percent escalation per year, the total shortfall is estimated at (\$43.8M); given an assumption of an 8 percent escalation per year, the total shortfall is estimated at (\$52.3M). Mr. Herrera noted that they have identified additional funding sources to address the shortfalls which will ensure that the vision is completed.

The Committee briefly discussed the Library presentation and asked follow-up questions on funding and scope. Mr. Stern questioned the 5 percent active projects reserve figure and noted that in the past escalation has been greater. Ms. Thompson agreed that the cumulative escalation has been greater than 5 percent per year. She noted that each project has built-in contingencies and that the program reserve of \$2.1M for active and upcoming projects is an additional cost.

Mr. Stern requested that Ms. Thompson provide the Committee with a breakdown of the portion of the \$52.3M shortfall (8 percent escalation) that is attributed to active and upcoming projects.

Mr. Stern questioned the program Gantt chart start dates for most of the five upcoming projects, which run into 2008. Ms. Thompson stated that the reformed program has been extended a couple of years and it is anticipated that they will be completed by the end of 2009.

Public Comment

Ms. Sue Cauthen; Ms. Anne Wintrob; and Mr. Steve Martinez expressed their thoughts on this agenda item.

**5) Presentation from the City Administrator's Office regarding the FY 2008-2017 Capital Plan and possible action by the Committee in response to such presentation.**

Mr. Ben Rosenfield provided a brief overview of San Francisco's FY 2008-2017 Capital Plan. He noted that in the last 10-15 years the City and County lacked a multi-year capital plan. Approximately 18 months ago the Mayor and Board of Supervisors approved legislation forming the Capital Planning Committee. The focus of the Committee is on the preparation of an annual 10-year Capital Plan, which is updated by the City Administrator and approved by the Committee, Mayor and Board of Supervisors. It is intended to provide a framework for the review, approvals, and sequencing of capital work.

He stated that projecting the capital needs over a 10-year cycle allows the City to piece together multiple funding sources, including general obligation bonds. It also helps in the planning and sequence of general obligation bonds and how they are prepared and taken to the voters.

Mr. Rosenfield noted that this year's annual update was recently adopted by the Board of Supervisors. Project costs for general fund assets are \$6.6B over the next 10 years. Of that, \$2.5B is required to maintain facilities in a "state of good repair" and \$4.1B for capital enhancements, which are improvements to facilities (including seismic improvement projects).

He briefly described funding sources of \$3.7B, with \$2.3B coming from debt programs including general obligation and revenue bonds. He noted that the Plan integrates Enterprise Department plans, at approximately \$13.7B. The total adopted Plan budget for this year is \$17.4B.

According to Mr. Rosenfield, the Plan assumes maintenance of current property tax rates for general bond debt service over the life of the plan. This assumption yields \$2.1B in new general obligation bonds over the life of the plan. Mr. Rosenfield described the General Fund debt program schedule, which has a debt program total of \$2,257 (million).

Mr. Rosenfield noted that the Capital Planning Committee consists of the City Administrator, Controller, Board President and all some department heads. He then briefly described the responsibilities of the Capital Planning Committee.

Public Comment

Mr. Emeric Kalman expressed his views on issues related to this agenda item.

*The Chair called items 6, 7 and 8 together.*

**6) City Services Auditor Status Report and possible action by the Committee in response to such presentation.**

Ms. Peg Stevenson presented an overview of the City Services Auditor Division ("CSA"), which was created by Charter Amendment in 2003. She summarized CSA's duties which include audits, performance measurements, the Whistleblower Hotline, and reporting to the public on City Services.

Since the last Committee meeting, CSA has completed routine audits and several major audits and reports including Cable Car cash collections, parking meter expected revenue and collections, and the Citizens' Survey.

CSA is currently working on several projects including a payroll audit program, which will include a series of reports which look at payroll issues, mostly tax compliance; an audit of the Port's handling, storage, and inventory issues; compliance issues at the Mayor's Office of Housing; Parson's contract (program and project management for the PUC's water bond program); the Transit Effectiveness Project; and various Health Department projects.

Mr. Morten asked for clarification of the Board of Supervisor's procedural rule 6.16. Ms. Stevenson and Mr. Harrington explained the process for determining audit schedules and indicated that rule 6.16 will be modified to more accurately reflect how what will be audited is determined.

**7) Presentation from the Controller's Office on the role of Oversight on City Services Audits Division, and possible action by the Committee in response to such presentation.**

Ms. Stevenson stated that Appendix F of the City Charter mandates the oversight responsibilities of the Committee, which include the review of performance standards, benchmarks, audits, and the Whistleblower program.

Ms. Jodi Darby, Manager of the Whistleblower Program, gave a brief overview of the history of the Program, which began in July 2004. To date, they have had 730 complaints, approximately 25-35 percent of which are true whistleblower complaints. She noted that the mandate of the Program is to receive and track complaints from citizens, contractors, vendors and the general public regarding City services, employee misconduct, misuse of government funds, wasteful and inefficient City government practices, the quality and delivery of services, and the condition and maintenance of the City's streets, parks and sidewalks. There is also an agreement with the City Assessor to take calls on the Real Estate Watchdog Program. Ms. Darby emphasized that the Program does not investigate complaints that another City, federal, state or local agency is required to investigate. Campaign misconduct or spending violations are referred to the Ethics Commission.

Ms. Darby noted that in the past, the Committee has had a liaison to work with the Whistleblower program. After discussion, it was decided that the Committee would wait until all members are appointed before selecting a liaison.

Mr. Morten asked if there is a relationship between the new 311 Program and the Whistleblower Program. Ms. Darby indicated there is. She has provided training to 311 operators on how to handle calls and determine what needs to be transferred to the hotline as a true whistleblower complaint.

**8) Presentation from the Controller's Office on Risk Analysis for Audit Programs, and possible action by the Committee in response to such presentation.**

Ms. Stevenson distributed the FY 2007-08 audit plan. She stated that a risk analysis helps the Controller's Office in audit planning for the year by listing departments according to their risk score. Although helpful, she noted that the risk analysis is not the only information used to determine if an audit is to be performed.

**Comment [MYP1]:** Did Peg list what the other sources of information are?

Ms. Stevenson and Mr. Harrington discussed the audit schedule, how departments are selected for an audit, the audit process, and what, if any, follow-up occurs after an audit. Mr. Harrington encouraged the Committee to review the audit schedule and let staff know of suggested revisions or particular concerns regarding a department.

Public Comment

Mr. Emeric Kalman expressed his views on issues related to these agenda items.

**9) General Public Comment**

Mr. Emeric Kalman expressed his opinions on a variety of issues.

Mr. Wolfram Alderson expressed his opinion on the Recreation and Park system bonds.

**10) Adjournment.**

Meeting adjourned at 12:35 pm.

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**Documents Provided:**

- *October 26, 2006 Draft Minutes*
- *San Francisco Public Library Quarterly Report, First Quarter 2007 – January - March*
- *Capital Plan – FY 2008 – 2017 – May 31, 2007*
- *Controller's Audit Plan FY 2007-2008*
- *CGOBOC Gantt Chart*
- *Whistleblower 2006-07 Mid-Year Report*
- *CGOBOC 2007 Work Plan*
- *1987 Public Mental Health Facilities Improvement Bond Update*
- *2006 Annual Report of the CGOBOC to the SAN Board of Supervisors*
- *Laguna Honda Hospital Replacement Program Status Report – March 31, 2007*
- *California Academy of Science Quarterly Report – March 31, 2007*