

MINUTES
Citizens' General Obligation Bond Oversight Committee
October 27, 2005
Room 416, City Hall
San Francisco, CA 94102

1) Call to Order and Roll Call.

Chair Jue called the meeting to order at 9:35 a.m. All members present, quorum existed.

2) Discussion and Possible Action to Approve Minutes.

Mr. Yockey noted that in the July minutes, the Library was asked to provide an updated Gantt Chart. He asked if the updated had been provided, to which staff replied it had not.

Mr. Stern requested a correction to his name on page 2, paragraph 4.

Minutes, as amended, were unanimously approved.

3) Presentation from Laguna Honda Hospital Replacement Program Regarding its General Obligation Bond Funded Projects Plan, and Possible Action by the Committee in Response to Such Presentation.

Mr. Don Condon provided a status update from the April 28th presentation before the Committee. He indicated that the project is funded by a combination of Tobacco Settlement Revenues (\$100M) funds and General Obligation Bonds (\$299M). All \$299M General Obligation Bonds were sold by August 2005 and all proceeds were received by August 23, 2005. Mr. Condon reviewed a timeline of the project summary, project accomplishments, next steps, and milestone schedule. Chair Jue asked if the assisted living facility was part of the same budget. Mr. Condon responded that there is a \$15M portion of the budget set aside for partial funding of the assisted living facility.

Ms. Singer asked about the additional Tobacco funds received prior to bond issuance and when a decision would be made on when, or if those funds can be used. Controller Harrington referred to pages three and four of the May 19, 2005 report. He noted that the \$299M General Obligation Bond funds could be used in various ways on-site at Laguna Honda. He noted that the question is repayment of those General Obligation Bonds, and that the general assumption was that Tobacco Settlement Revenues, rather than taxpayer dollars, would repay the majority of the Bonds.

Additional discussion about the Tobacco Settlement Revenues ensued. Mr. Harrington indicated that the decision on how those revenues will be expended is up to the Board of Supervisors through an appropriation ordinance. Mr. Martin noted that the interpretation of the Bond measure is the subject of on-going litigation, and that the trial court has found in favor of the City's interpretation as described by the Controller. However, that decision is on appeal.

Limited discussion and questions on the project continued. Since representatives of Laguna Honda did not provide the Committee with a Gantt Chart, detail of the funding sources and other financial detail for the project, the Committee asked that they return to the January 26, 2006 meeting with updated financial information on the project.

Members of the public, including Patrick Monette-Shaw, Mariam Walsh, Peter Warfield, and Emeric Kaulman, each expressed concern with the Laguna Honda Hospital Replacement Program.

4) Discussion and Possible Action Regarding the Committee Annual Report to the Board of Supervisors.

The Committee reviewed a draft of the 2005 Annual Report of the Citizens' General Obligation Bond Oversight Committee. Chair Jue indicated that the report was similar to the 2004 report, noting that progress has been made on the inactive bond programs.

After discussion, the Committee suggested some minor wording changes to the document and agreed to include a statement specific to Laguna Honda Hospital Bonds. There was also a question as to whether the 1992 Golden Gate Park Improvements was going to be closed; staff will verify the status. Wording will be included addressing the need for standardized reporting format and requirements, as well as a statement that the Board of Supervisors needs to appoint a member to their vacant seat.

In response to the request for public comment, Emeric Kaulman expressed concerns for issues not related to this agenda item.

It was moved, and unanimously approved, that the 2005 Annual Report of the Citizens' General Obligation Bond Oversight Committee be approved as amended.

5) Presentation from the Controller's Office on the Whistleblower Complaints Program.

Ms. Jodi Darby provided the Committee with an update of the Whistleblower Program. She indicated that complaint volume fell over the summer, with only eight complaints in September. She has been actively publicizing the program, including the distribution of press releases, annual newsletter, distributing flyers to the top 100 city vendors and city unions for posting. In addition SGTV did a 15 second PSA, at no charge, which is airing on local cable channels 26 and 78 and on the Internet SFGTV prior to and in between meetings.

When asked if it was possible to categorize the complaints received, Ms. Darby indicated that only one-third of the complaints received could be broadly categorized as true whistleblower complaints. The majorities of complaints received are related to general city services. The majority of the true whistleblower complaints are related to employee misconduct.

6) Reports from the Controller's Office and Discussion of Possible Committee Procedures regarding City Services Audits.

Ms. Stevenson, City Services Auditor (CSA) Division, updated the Committee on CSA functions since the last meeting. Committee members received the CSA annual report, which has been posted on the Controller's website. Also distributed to the Committee were the CSA audit of Streets, Parks and Sidewalks. She noted that a significant portion of this year's report was related to their work with Rec and Park to set up standards and schedules. Next year's report will be more of an audit of the City's performance to the standards, rather than establishing the standards. She reminded the Committee that they would receive email links when major audits are issued. She noted that there have been several minor audits issued, including revolving fund and concessions audits; some financial audits, and a report on the Civil Grand Jury recommendations implementation.

Audits in progress or forthcoming include performance audits on Mission Housing Development Corporation, Non-Profit Contractors, Family and Childrens' Services, and Office of Citizens' Complaints; the granting function of the Department of the Environment and the Department of Telecommunications and Information Services. Also, they will be issuing a financial audit of SFO Enterprises, Inc. Non-audit reports will include Streets and Parks, MUNI Service Planning and monitoring of non-profit vendors (grantors and grantees).

She indicated that the Treasure Island Board of Directors had authorized them to conduct an audit of the Treasure Island Development Authority, which will be completed by the end of November.

Mr. Micheau asked about a matrix to be used to determine who is scheduled to be audited. Ms. Stevenson indicated that it is being refreshed and the new audit schedule is being developed, with subsequent hearings to be scheduled before the Board of Supervisor's Audit Committee during the next year. It is her desire to bring it down from the department level to the program level to make it more efficient. When questioned about audit follow-up, Ms. Stevenson indicated that there is a six-month, one-year and two-year check-in with departments. She stressed that there is a specific requirement with performance audits that, for the next two budget cycles, departments must provide comments related to their implementation of the recommendations in the audit, prior to budget approval.

The Committee received draft procedures for and discussed their role and scope of responsibilities with the Citizens' Audit Review Board. A report on risk analysis for future audits will be put on the January 26, 2006 agenda.

Emeric Kaulman; expressed his views on issues related to this agenda item.

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

Chair Jue indicated, and the Committee concurred, that this item was addressed in agenda item four regarding the annual report to the Board of Supervisors.

Emeric Kaulman expressed his opinions on items not related to this agenda item.

8) Discussion and Possible Action Regarding Agenda Items for Future Meetings.

The Committee reviewed the proposed CGOBOC 2006 Work Plan, which was distributed. As per earlier discussion, the Committee agreed to add Laguna Honda Hospital to the January 26, 2006 agenda. Other additions to the January meeting include adding Risk Analysis for Future Audits and the election of officers. It was agreed that the presentation regarding the 1992 Seismic Safety Loan Program would be moved to the July 27, 2005 meeting. The Committee also agreed to experiment with a timed agenda to assist in more effective time management of meetings. All meetings will begin at 9:30 a.m., Room 416 City Hall, on dates noted on the Work Plan.

Mr. Micheau moved and Mr. Morton seconded the motion to approve the revised CARB/CGOBOC 2006 Work Plan, and the time and location specified. Motion passed unanimously.

9) General Public Comment.

No general public comment.

10) Adjournment.

Meeting adjourned at 1:12 pm

Documents Provided:

Laguna Honda Hospital

- *Citizens' General Obligation Bond Oversight Committee Update – October 27, 2005*

Controller's Office

- *Draft 2005 Annual Report to the Board of Supervisors*
- *Whistleblower Program Annual Newsletter*
- *CSA Annual Report*
- *Streets, Parks and Sidewalks Audit*
- *Draft procedures for Citizens' Audit Review Board*
- *Proposed CARB/CGOBOC 2006 Work Plan*