

MINUTES
Citizens' General Obligation Bond Oversight Committee
December 6, 2007
Room 416, City Hall
San Francisco, CA 94102

1) Call to Order, Roll Call

Ms. Donna Hood, Committee Assistant, called the meeting to order at 9:34 a.m. Ms. Shawn Leonard excused, all others present. Quorum present.

2) Swearing-In of Member

Ms. Madeline Licavoli, Deputy Director, Board of Supervisors, swore in Mr. Sanford Garfinkel as a Controller appointee.

Chair Hunter Stern welcomed Mr. Garfinkel and thanked the Controller for making the appointment. He noted that the regularly scheduled October meeting of the CGOBOC had to be postponed because three authorized seats on the Committee remain vacant and two members had emergencies that prevented their attendance. Mr. Stern also thanked Vice-Chair Dick Morten for his assistance to victims of the San Diego area firestorm. Mr. Morten is part of the Red Cross Emergency Response Team and he was dispatched to the San Diego area as part of the relieve effort on October 24, 2007.

3) Discussion and Possible Action to Approve Minutes of the regular meeting of July 26, 2007.

The minutes of July 26, 2007 were reviewed and unanimously approved.

4) Presentation from the City Services Auditor Division on the San Francisco Public Library Audit, and possible action by the Committee in response to such presentation.

Ms. Debbie Gordon, Audit Manager, City Service Auditor Division, discussed the Controller's Audit of the San Francisco Public Library and Department of Public Works (DPW) expenditure of 1997 Branch Library Improvement Program (BLIP) Bond funds. Ms. Gordon discussed the BLIP's key facts, and noted that the original baseline budget was \$133,265,000, and had an original scope of five new libraries, 19 renovations and one support services center. She described the primary objectives of the Audit and stated the scope of the Audit was from November 7, 2000 to March 31, 2007. Ms. Gordon discussed the Audit findings, including that BLIP projects had an average delay of 20 months and the Program had total budget increases of \$51.4 million, nearly 39 percent over baseline budgets. Project delays by type resulted in a total increase of \$44,738,008 (does not include costs that were not allocated to different projects); Total budget increases since the baseline budget is \$51,437,607; and estimated budget increases from delays is \$16,701,000.

Ms. Gordon noted that overall the Bond program management has improved, but further recommendations for improvement are suggested. She briefly discussed the Audit recommendations for the Library and (DPW), including the implementation and monitoring of a new Memorandum of Understanding (MOU). Discussion ensued regarding the audit findings. The Committee expressed concern regarding the audit findings and requested that future quarterly bond reports show soft costs paid to staff as a separate expenditure line item from soft costs paid to vendors.

Ms. Jill Bourne, San Francisco Public Library, noted that the Library's fourth General Obligation bond sale, for approximately \$30 million, will take place in April 2008. Ms. Bourne also addressed the audit's MOU concerns, and stated that they intend to re-create the MOU so that there are adequate controls, identified roles and responsibilities with internal and external (contractors), and that it is designed to ensure communication continues regarding scheduling and budgeting to avoid delays. She indicated that the new MOU should be completed and presented to the Library Commission in mid-January.

When asked by Mr. Stern, Ms. Bourne indicated that the points the Library management took from the Audit was: (1) there was no misuse of funds or malfeasance within the program; (2) better and more timely communication, and control of delays is needed; and (3) City needs to address the bid climate and address the reasons behind the high expense of building public facilities. She noted that they also intend to address potential issues and develop strategies more quickly to help limit potential delays.

Public Comment

Ms. Sue Cauthen distributed a Resolution from the Library Citizens Advisory Committee, and discussed this Committee's concerns regarding cost escalation, delays and communication.

Mr. Peter Warfield, Library Users Association, discussed his concerns with the Controller's Audit and the Library projects.

5) Presentation from Laguna Honda Hospital regarding their 1999 General Obligation Bond, and possible action by the Committee in response to such presentation.

Mr. John Thomas, Program Manager, provided the Committee with a construction status update on the Laguna Honda Hospital Replacement Program. He provided a brief history of the Program for the benefit of the new Committee members. He discussed cost escalation and the need to revise the scope of the program. He stated that they have been authorized to build 780 beds out of the originally conceived 1,200. He briefly discussed the construction status and noted that all structural steel and concrete has been placed; interior wall framing, mechanical, electrical and plumbing is underway; resident room bathroom mock-up is completed; exterior scaffolding and wrap is completed on the South, East Residence and Link Buildings; exterior skin is underway in the South Residence; and the exterior window wall framing and glazing is installed in the Link Building.

Mr. Thomas noted that the Program has experienced significant delays due primarily to necessary and unanticipated changes in the weatherproofing, security, framing, mechanical,

electrical and plumbing elements of design. Additional delays were caused by documentation requirements imposed by the California Office of Statewide Health Planning and Development. These delays and changes are estimated to increase the program costs by \$58 million and extend the construction period by one year. Mr. Thomas noted options they are considering to address the delays and costs, and will continue working with City leaders to determine which combination of methods will be used to finish the project.

Mr. Thomas provided the current schedule for the Replacement Program project, and the breakdown of costs in the recently approved Program budget. He noted that the approved budget for 1,200 beds is \$610,969,058, the approved scope for 780 beds is \$482,840,310, and the forecast cost and the completion for the approved scope is \$541,168,339, which results in a variance to \$58,328,029. He noted the total funding sources for the Program of \$621 million. The Committee briefly discussed funding sources and when and how funds are released for expenditure.

Mr. Thomas noted that under the currently approved scope, funding sources are \$39,154,082 short. However, there are options considered to reduce that shortfall, either by a change of scope to the remaining program, via use of some of the certificates of participation and/or tobacco settlement revenues, which are not currently allocated to the program.

Ms. Hansen requested that future reports provide funding charts as distributed during the current meeting as well as provide narrative detail as to the Program's scope and direction.

Public Comment

Mr. Patrick Monette-Shaw distributed and discussed a document he prepared with a timeline regarding the Program events and budget and expressed his concern with the Laguna Hospital Replacement Program.

Mr. Stern asked the Controller what plans his office has for a review of the Laguna Honda Hospital Replacement Project during 2008. Mr. Harrington indicated that the office regularly meets with the staff at Laguna Honda to get project updates and discuss issues of concern. He noted that there is no official audit or report scheduled on the 2008 work plan.

Ms. Mara Kopp expressed her concerns on this agenda item, especially with the cost over-runs and reduction in beds.

6) Status Report from the Controller's City Services Audit Division, Whistleblower Program, and Park Construction Management Review, and possible action by the Committee in response to such presentation.

Ms. Peg Stevenson, Director, City Services Auditor Division (CSA), distributed a copy of the FY 07-08 CSA reports-to-date, and noted several staff changes within CSA. She discussed program changes that have been implemented, such as testing larger data sets through technical and software changes; and unifying program audits.

Ms. Stevenson briefly reviewed the audit list, and indicated that her division will no longer be performing financial statement audits, but financial and performance audits only. She indicated that CSA will soon be issuing an audit of the employee and vendor relationships in the City. She stated the Division will soon be issuing the following major performance audits: Care Not Cash Program, Construction audit of an individual BLIP project, and two Public Utilities Commission contract audits. Mr. Stern asked which BLIP project would be audited. Ms. Stevenson responded one had not been selected but the project is intended to be representative of the issues identified in the CSA Audit reported earlier.

Ms. Stevenson provided an updated informational card on the Whistleblower Program and noted that the call-taking for the Whistleblower Program was transitioned to the 3-1-1 Call Center in October. She stated that 3-1-1 staff was thoroughly trained to answer Whistleblower calls and offer confidentiality and proper referral. Other methods of receiving complaints, such as mail and web have not changed. She stated that outreach methods involve the informational cards, public service announcements on Channel 26, quarter employee pay stub notices, and notices to the top 300 city vendors.

Ms. Stevenson briefly discussed the Recreation and Park Construction Management Review, which will include a review of the IMPACT System and checked its interface accuracy with the City's financial system. The review also addresses the MOU issues between DPW and Recreation and Park.

Ms. Rhoda Parhams, Recreation and Park indicated that the IMPACT System has successfully interfaced with FAMIS. They intend to report on their internal project management costs, DPW, and consultant costs, and report line-by-line what type of activity is taking place. She noted that they are also asking their contractors to implement the IMPACT program.

Ms. Stevenson touched on CSA's work with the Department of Public Health, and noted that the Department as a whole is too large to conduct a single audit all at once. She stated that they audited parts of the Department on a regular basis, and briefly touched on a few.

Mr. Stern requested that Ms. Stevenson's staff look at the financial statements of the Laguna Honda Hospital project management group and report back at the next meeting.

Public Comment

None.

7) Presentation and review of the proposed 2008 Citizens' General Obligation Work Plan, and possible action by the Committee in response to such presentation.

The Committee reviewed and discussed modifications to the 2008 Work Plan (attached), with the understanding that further modifications could take place as the year progresses. Mr. Stern asked Ms. Nadia Sesay of the Mayor's Office to provide the Committee with a debt issuance calendar to alert them of upcoming bond sales.

Mr. Morten moved and Ms. Rike seconded the approval of the CGOBOC 2008 Work Plan, as modified. Motion unanimously passed.

Public Comment

Mr. Peter Warfield expressed his desire to see a Library Audit follow-up scheduled, and expressed additional concerns on issues not related to this agenda item.

Ms. Joan Girardot expressed her desire to the 2000 Recreation and Park Bond scheduled earlier and her thoughts on the role of the Committee's audit oversight function.

Unidentified female expressed her concerns on issues not related to this agenda item.

8) Presentation and review of the Citizens' General Obligation Oversight Committee Annual Report, and possible action by the Committee in response to such presentation.

The Committee reviewed the draft 2007 Annual Report. Discussion ensued and multiple changes to the report were suggested.

Ms. Kristen Chu moved to accept the draft 2008 annual report with recommended changes and delegate the writing of the final version to the Chair. Ms. Hansen seconded. Motion unanimously passed.

Public Comment

Mr. Peter Warfield expressed his thoughts on the draft Annual Report and disapproved of the motion to accept prior to public comment.

Mr. Stern moved that the previous motion be rescinded. Mr. Morten seconded. Motion unanimously passed.

Mr. Stern then moved to accept the draft 2008 annual report with recommended changes and delegate the writing of the final version to the Chair. Ms. Rike seconded. Motion unanimously passed.

9) General Public Comment

Mr. James Chaffee expressed his concerns regarding the rescheduling of the October 2007 meeting, especially as it related to the Library Audit.

Mr. Peter Warfield expressed his concerns regarding the rescheduling of the October 2007 meeting, especially as it related to the Library Audit.

Ms. Joan Girardot expressed her desire to see a presentation on how DPW construction and program management works, as related to general obligation bond expenditures.

10) Adjournment.

Meeting adjourned at 1:30 pm.

Documents Provided:

- *July 26, 2007 Draft Minutes*
- *San Francisco Public Library and Department of Public Works Audit – 9/17/07*
- *2000 Branch Library Improvement Bond Quarterly Report – Third Quarter 2007*
- *Laguna Honda Hospital Replacement Program Status Report – September 30, 2007*
- *Controller's City Services Auditor – Reports FY 07-08 YTD*
- *CGOBOC Gantt Chart*
- *San Francisco Unified School District Bond Program written update.*
- *Mayor's Office of Housing Affordable Housing Bond Program Correspondence.*
- *City College of San Francisco 1997 General Obligation Bond Program written update.*
- *1987 Public Mental Health Facilities Improvement Bond Program written update.*
- *California Academy of Sciences Quarterly Report*
- *Draft CGOBOC 2007 Annual Report*
- *Draft 2008 Work Plan*