

MINUTES
Citizens' General Obligation Bond Oversight Committee
April 27, 2006
Room 416, City Hall
San Francisco, CA 94102

1) Call to Order and Roll Call.

Chair Jue called the meeting to order at 9:30 a.m. Mr. Terry Micheau was excused; all other members present.

2) Discussion and Possible Action to Approve Minutes.

The minutes of the January 26, 2006 meeting were unanimously approved.

3) 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 provided a project status update. He noted that the Noe Valley Branch has been closed and is ready for renovation. In addition, there are two projects due for completion this summer and fall and two renovations, which will begin shortly. Mr. Herrera noted that the Richmond library was the recipient of the Proposition 14 State Grant totaling around \$5M.

Mr. Herrera stated that the bids for the West Portal and Noe Valley branches exceeded the construction money available. As a result, they had to dip into the Program reserve account. They are taking measures to make sure the projects are completed on schedule and are looking at additional state grants for funding. They are also recommending, through their Commission, the Mayor's Budget office and the Board of Supervisors, that for FY 06-07, \$2M would be transferred from the Library Preservation Fund to the capital portion of the program. Those funds would be earmarked for the projects that are coming for implementation this year (Western Addition, Ingleside, and Richmond). He emphasized that this recommendation was endorsed by the Library Commission and has been discussed with the City Attorney and Controller's offices to ensure it is within the legal mandate of Proposition E.

Ms. Marilyn Thompson provided a summary of the Branch Library Improvement Program. She stated that they have bid or negotiated eight construction projects and have 18 more construction projects yet to bid, which represents \$51M in construction dollars. Nine of the 18 projects are currently in design with the remaining projects scheduled to be in design by the middle of next year. They are re-evaluating the scope of work on four of the 18 projects before design starts. The Richmond branch project will go out to bid by the end of the calendar year.

Mr. Hentz asked if the projects are being renovated or built as originally projected in the 2000 Plan, if they have additional facilities, or if change orders have been implemented. Ms. Thompson replied there were no original plans. She noted that when the bond program was

established they used seismic reports from the early 1990's and escalated those dollars, and they also used ADA transition plan estimates to find a presumed middle point of construction. In addition, they assigned square foot values for the modernization mandate of the Bond program. She indicated that in 2004 there was a 20 to 25 percent construction cost escalation, which no one could have predicted. For those projects, they asked their Commission if they wanted to redesign or cut back on the scope. It was the choice of the Commission, through the public process, to add money rather than redesign or re-bid on Noe Valley and West Portal.

Continued discussion took place regarding the delay process. Ms. Singer asked what contingencies had been put in place to deal with delays. Mr. Herrera stated that they use a multi-year approach and also transfer dollars to the capital program so the upcoming projects will have reserves to utilize. They also are aggressively looking for other sources of funding including grants and are conducting on-going estimates for each project. Ms. Thompson indicated that as they review projects they hire professionals to estimate where the bid will come in and then apply contingencies for each scope of work, and compare the originally approved budget with the latest approved budget. Determinations on each project are made at that time.

Mr. Morten asked about the closeout process, which Ms. Thompson briefly explained. Ms. Jue had concerns that the last projects in line won't be built or will get shortchanged and also expressed concern with potential delays. Mr. Herrera indicated that at the current time there is no closeout plan in place. He noted that they intend to go to their Commission in the near future with strategies to address shortfalls. Ms. Thompson noted that the reserves exceed the approved budgets by \$2.4M and that the approved reserve is approximately \$1M. She stated that the Library Commission has not yet decided where to put the remaining \$1.4M, which remains unappropriated.

Mr. Yockey asked how the fundraising by the Friends of the Library was proceeding. Mr. Herrera stated that they are committed to the full \$16M and that their fundraising is progressing. They are conducting a neighborhood library campaign and estimate raising between \$300,000 and \$500,000 for each project.

There was no public comment on this agenda item.

4) Presentation from the Recreation and Park Department on the 2000 Neighborhood Recreation and Parks Bond program and action by the Committee in response to such presentation.

Ms. Rhoda Parhams of the Recreation and Park Department provided the Committee with a review of their 2000 Neighborhood Parks Bond Program. She noted that the Capital Improvement Implementation Plan is comprised of three main projects: Neighborhood Park Improvement Program, Regional Park Improvement Program (including Golden Gate Park), and Special Projects (including Zoo, Marina Yacht Harbor, Academy of Sciences and Golf Facilities).

Ms. Parhams stated that the Capital Plan has a 10-year duration, with the first bond issued in 2000. They are completing Phase I work which includes 196 projects. She reviewed the program

funding and indicated that to-date they have received \$264.5M in funding for all projects, with a 10-year budget projection of \$400M. Ms. Parhams stated that \$112.3M in bond funding has been received to date, including interest. Bond funds have been distributed to 73 neighborhood projects with the total estimated cost to complete the projects at \$240.2M. She added that in March 2006 the Board of Supervisors has approved supplemental funding for \$10.4M in general fund dollars and additional revenue bond sale proceeds of \$25M.

Ms. Parhams reviewed the project schedules for active projects and major program developments since the last report in 2004.

Mr. Hentz asked if the projects are continually reviewed and evaluated. Ms. Parham stated that the Recreation and Park Department conducts periodic reviews with public input, and determinations on projects are made considering that input. She indicated that the Department prioritizes based on community needs.

Mr. Morten addressed some of the requests in the Budget Analyst audit, specifically asking if the report to the Board of Supervisors will be completed on time. He also questioned the status of implementation into the FAMIS System. Ms. Parhams indicated they have been granted a one-month extension from the Board of Supervisors for their presentation of the report. Ms. Stevenson from the Controller's office stated the Controller's office has a team of accountants who provide temporary project assistance to departments and have been working with Recreation and Parks on the FAMIS System. She noted that FAMIS is good for financial reporting but is not designed for capital reporting and that departments should have project management software.

Ms. Jue pointed out a comment in Section 18 in the Budget Analyst audit, which indicates the reporting and documentation of capital project costs do not reconcile with the Capital Division's monthly financial reports, and asked if that problem has been solved. Ms. Parhams indicated that they are working on that issue. Ms. Jue asked that they provide the Committee with a copy of their written response to Section 18 and update them on their progress.

Ms. Jue had questions on the discrepancy in the figures between the Program Overview (\$264.5M) and the Budget Outlook (\$240.2M) and asked for clarification. Ms. Mary Hobson acknowledged the differentiation between the two and noted that the \$264.5M is for the entire Neighborhood Park Bond program and the \$240M is for the 2000 Bond program, which is a subset of the greater program.

Mr. Stern requested that in the future the 2000 Bond funds be separated from other bond funds. Ms. Hobson agreed to separate bond funds and track them by project.

Ms. Singer questioned why, in the reporting of expenditures, there are projects where the current budget is substantially reduced from the baseline budget and asked if that will continue as projects proceed. Ms. Parhams noted that the projects were on hold because initially there was no funding, which affected the baseline budget. She noted that a six percent escalation has been built in per year. Ms. Singer and other members expressed concern that six percent is not adequate and asked if a contingency plan was in place for projects that will exceed six percent. Ms. Parhams stated that if there is a shortfall they go back and review the scope of the project.

Ms. Hobson, in response to Ms. Singer's question, noted that their baseline budget is what they believe the project will cost and the current budget is the funding that is currently reflected in FAMIS.

Mr. Yockey pointed out that there are no reserves indicated and asked if there were any reserves for use if needed to complete a project. Ms. Hobson noted that in the expenditure plan, program management line item, there is \$11.1M in unappropriated funds available for use. In addition, she indicated there were other funding reserves available if necessary, some of which require Board of Supervisor action to appropriate to a specific project. She estimates there is \$2.6M in surplus funds available in completed projects, and they are in the process of going to the Board of Supervisors to ask them to redistribute them to other projects. She noted that it is in program management and to be used as reserves. Mr. Yockey requested that in the future they break out specific reserves from other funds.

Ms. Singer asked if the baseline budget ever changes, to which Ms. Hobson replied it does. She indicated the Recreation and Park Commission approve the baseline budget when the conceptual plan is presented for approval, and if there are significant cost changes or additional funding is requested the baseline budget will change. Ms. Singer asked that the CGOBOC be provided with a true baseline budget, at the original projection, without modification. Mr. Yockey requested that the Controller's office, in working with the Department, inform the committee how much money is available in reserve for the bond project in its entirety.

The Committee requested that the Department rewrite the report for consistency and come back with an updated report at the July 27, 2006 meeting. It was requested that they provide their response to the Budget Analyst audit; provide clearly readable reports, with numbered pages; include original baseline budget figures; reconcile numbers; provide clear, consistent terminology; and list all bonds separately.

Public comment: Mr. Emeric Kalman expressed his views on issues not related to this agenda item.

5) Status report and presentation on risk analysis for future audits from the Controller's City Services Audits Division and possible action by the Committee in response to such presentation.

Ms. Peg Stevenson reported on and there was brief discussion concerning the risk analysis for future audits from the Controller's City Services Audits Division. Ms. Stevenson provided a summary sheet, which listed the factors that are used in their risk analysis and briefly noted minor changes from the prior year's report. Ms. Stevenson also distributed a list of the Annual Plans for FY 05-06 and FY 06-07, which list current and upcoming major audits.

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

6) Discussion and Possible Action by the Committee regarding written bond status reports on the following bonds: 1996 Affordable Housing Bonds; 1997 Zoo Bonds; 1997 San Francisco Unified School District Bonds; and 1992 Seismic Safety Loan Program Bonds

The Committee received and briefly discussed the written bond status reports on the 1996 Affordable Housing Bonds; 1997 Zoo Bonds; 1997 San Francisco Unified School District Bonds; and 1992 Seismic Safety Loan Program Bonds.

Mr. Morten questioned the Seismic Safety program and noted that there are some property owners in the City who have not brought their building to code, but few of those properties owners have utilized the Bond program for financial assistance. Ms. Sesay of the Office of Public Finance indicated that there are several factors, including the formula used for determining the interest rate, which result in a higher rate than can be acquired by the owners commercially. The Mayor's Office of Housing is attempting to provide more outreach to determine eligibility and program interest. Mr. Martin, Deputy City Attorney, added that the City has more requirements as a public institution and doesn't have the flexibility that private commercial institutions have.

Public comment: Mr. Emeric Kalman expressed his opinions on items not related to this agenda item.

7) Discussion and possible action by the Committee regarding the Work Plan, future agenda and the Committee's monitoring of the City's Whistleblower Program.

Mr. Martin of the City Attorney's office noted that two members of the Committee have volunteered to meet with staff of the Whistleblower Program, monitor its progress and report back to the Committee. Mr. Martin indicated that the City Attorney's office suggests that only one member interface with staff rather than two members, to which the Committee agreed.

The Committee reviewed the current CGOBOC Work Plan and will add Recreation and Parks Department to the July 27, 2006 agenda per earlier discussion. They felt that the written report provided by the San Francisco Unified School District was sufficient and they can be removed from the July 27, 2006 agenda. Seismic Safety and CSA will remain on the agenda.

8) General Public Comment.

Mr. Emeric Kalman expressed his opinions on the CAPS program.

9) Adjournment.

Meeting adjourned at 12:40 pm

Documents Provided:

San Francisco Public Library

- *Proposition A Ballot Language (Branch Library Bond)*
- *2000 Branch Library Improvement Bond Quarterly Report – Fourth Quarter 2005 and First Quarter 2006*
- *Branch Library Improvement Program PowerPoint Handout*
- *Gantt Chart*
- *April 2006 Budget Report*

Recreation and Park Department

- *Proposition A Ballot Language (Recreation and Park Bond)*
- *Recreation and Parks Neighborhood Parks Bond Program Status Report PowerPoint Handout*
- *January 12, 2005 Budget Analyst Audit of the Recreation and Park Department*
- *2000 Neighborhood Park Improvement Bond Annual Report – April 2006*

Controller's Office

- *CSA Annual Plans for FY 05-06 and FY 06-07*
- *CSA Risk Factors*

Written Bond Status Reports

- *Proposition A Ballot Language (Housing Bond)*
- *Seismic Safety Loan Program Report*
- *Affordable Housing and Home Ownership Bond Program Report*
- *Proposition C Ballot Language (Zoo Bond)*
- *1997 Zoo Facilities Improvement Bond Annual Report- April 2006*
- *Proposition A Ballot Language (City College and School Bonds)*
- *1997 Education Facilities Bond Program Report*

Additional Handouts

- *CCSF General Obligation Bonds Project Summary – March 31, 2006*
- *CGOBOC 2006 Work Plan*
- *California Academy of Sciences Quarterly Report – April 2006*