

MINUTES
Citizens' General Obligation Bond Oversight Committee
January 23, 2014 Hearing Room 416 - City Hall
San Francisco, CA 94102

1) Call to Order, Roll Call

The meeting was called to order at 9:03 a.m. The following Committee members were present: Jonathan Alloy, Jerry Dratler, Michael Garcia, Minneola Ingersoll, John Madden, Corey Marshall, and Rebecca Rhine. Terry Micheau and Robert Muscat were absent.

2) Approval, with possible modification, of the minutes of the November 21, 2013 meeting.

The minutes were approved.

(*NOTE: Full recordings of Committee meetings are available by request from the Controller's Office. Meeting Materials are also posted on the web site).

3) Presentation from the San Francisco Rebuild Program

Terry Micheau, the CGOBOC liaison to the program submitted a written update.

“Sanford Garfinkel and I have been meeting monthly with Ron Alameida, the DPW project manager at the SFGH rebuild. We have another visit scheduled at 10 a.m. on January 30th. My impressions from our various visits is that Ron's team has a firm grasp on the issues surrounding the rebuild project and will be successful in turning over a completed building in mid-2015. As I expressed to Ben Rosenfield at the last GOBOC meeting, I am much less sanguine about the ability of the hospital and the City to raise the needed \$175 to \$240 million in funds to equip the new hospital for full operation. I believe there will be a hospital representative present on 1/23 to discuss the status of fund raising and, according to Ben, regular meetings are held and reports are generated by the DPH team and its foundation. It might make sense to include such summary reports in the GOBOC packet and ask someone like the CFO of DPH Greg Wagner to address the likelihood that the fund raising goal will be reached on time and what alternatives are on the table if the campaign falls short. As Ben put it so well, the last thing the City needs is a completed hospital that it is not able to open and operate successfully. Those are my only concerns at this time.”

A project update was provided by Ron Alameida, Project Manager. The budget was reviewed as was the Gantt Chart and details of costs expended to date. Most of the program components (site utilities, service building modification, etc.) have been completed. Increment 6 – the curtain walls – will be closed out within the next 1-2 quarters. Mr. Alameida reviewed the accomplishments from the previous quarter for the

service building and the new hospital project site. Program progress updates were also provided for the project scope buy-outs, previous concerns that have either been resolved or managed, and current issues and concerns.

There were questions from various Committee members about closeout delays (similar to ESER) with small contractors as well as change orders. The funding sources for \$170 million dollars were identified as from foundations and private contributors. Per Mr. Alameida, radiology equipment is an issue because of the constant upgrades. The IT program is also a moving target.

The Committee was reminded that the SFGH Bond is the largest GO bond project the City has managed. As old buildings are vacated, they will be retrofitted and reopened.

An update on equipment and furniture was provided by Terry Saltz. The budget is about \$200 million dollars but was not included in the original budget. The current strategy is to reduce, reuse, and release (copiers, beds) and validate the reality of some of the quotes.

There was no public comment.

4) Presentation from the 2001 Branch Library Improvement Program

The status report for the 2001 Branch Library Improvement Program was provided by Maureen Singleton, the Chief Financial Officer, and Michelle Lee, the Project Manager from the Department of Public Works.

The program status, revenue and expenditures, North Beach Branch Library and challenges/opportunities were reviewed.

At this time, 23 out of 24 branches are complete and open. One support services center is complete and operational. The North Beach Branch is in the construction phase. It is 77% complete and expected to be open to the public as early as spring 2014.

Ms. Singleton reviewed the reasons for the BLIP budget increases and also provided documentation of the Friends of the San Francisco Library expenditures to date (as a separate document).

In response to requests for clarification of the revenue bonds, the context of the original commitment was that it was not enough to cover all of the actual costs.

The lessons learned from the completed projects were discussed in detail by the Committee, especially in regard to architectural significance and how it is determined.

There was public comment from Peter Warfield of the Public Library Association in regard to the Friends of the Library Fund and his concerns that in-kind and other financial contributions that he feels have not been fully reported. The response from Ms. Singleton was that in-kind donations are made from the Friends of the Library to the Library. A

detailed summary of the donations was provided to the public and the Committee as part of the meeting materials.

5) **Committee Business**

The Committee discussed 2014 CGOBOC Work Initiatives.

Rebecca Rhine, Chair, started the conversation about more focus in the year ahead on five specific initiatives. Ms. Rhine talked about the goal of synthesizing the five areas in which the Committee might do deeper work with the goal of having an achievable agenda for Committee focus.

The five areas are:

- **Bond Oversight**

A member requested more information about upcoming bonds and bonds that will be on the June and November ballots from Capital Planning. Historically, the Committee has received a report once a year on the Capital Plan once it's been adopted by the Capital Planning Committee and before it is adopted by the Board of Supervisors and the Mayor. If something more than the annual presentation is desired, the Controller's Office will make the arrangements, at the request of the Committee.

Close-out Reports: when reviewing roles and responsibilities and who fills which box, CGOBOC fills the function of public oversight and transparency into the bond programs once they are underway. A model close-out report should also include what was originally approved by the voters and what was finally delivered (budget, schedule and scope) as well as lessons learned (aka best practices). This could be a basic scorecard of what was delivered. This is the core focus of CGOBOC and would add great value to future bonds.

There was discussion about why CGOBOC shouldn't focus its efforts on pre-ballot bond development. There is no area that has more pieces of oversight assigned to it than GO Bonds and the assignment of audit and programmatic review functions through the Controller's Office. Other resources include the Mayor's Office and Board of Supervisors approving budgets and bond sales. There are also 2-3 commissions that have regular meetings regarding the oversight function. Often, larger pieces will have a third party contracted risk manager or risk assessment function assigned. The Controller's Office also has an interest in the risk assessment function.

- **Benchmarking**

The original reason for the community engagement and internal processes benchmarking work was the result of the Committee's desire for a greater understanding about the steps that occur as the work progresses in San Francisco and how those practices compare to other places and whether they might be coordinated more effectively here.

Work needs to be done to analyze those two benchmark studies that have already been completed. Both reports will be reviewed by Corey and Minnie who will then bring possible recommendations back to the Committee. Once that is concluded, the Committee can discuss potential areas of study.

- **CSA**

The current CSA liaisons – Jerry Dratler and Corey Marshall – met with Peg and are still planning to meet with Tonia about reviewing the audits and what the oversight process could look like. It was noted that regular reports about the audits are provided at scheduled CGOBOC meetings and via e-mail. It was suggested that focusing on a couple of key audits might be most effective.

- **Whistleblower**

Work continues to finalize the information about the Whistleblower Program including getting the most up to date information about the number of retaliation claims filed through the Ethics Commission.

Mr. Madden, the Committee's liaison to the Whistleblower Program, provided a status report about the survey. This will remain on the list of tasks until it is completed. Mike Garcia will also serve as liaison to this program.

- **CGOBOC's Annual Report**

Standardizing the format and content of this report drafted by the Chair and submitted to the Board of Supervisors by the Committee would be ideal. Moving towards using the same metrics for bond measures and audits in each report should help.

There was public comment from Derek Kerr, M.D. "The Whistleblower Program (WBP) cannot root out fraud without collaborating with whistleblowers. Instead of stating that complaints are taken seriously - or mentioning collaboration - the 2013 WBP Report warns that it; "does not advocate for complainants in their disputes with City departments". Seems reasonable. Unfortunately, fraud allegations provoke departmental "disputes" and denials.

How do investigators tell if tips are solid, or "disputes"? They check with the implicated department. They're told that it's a "dispute" with a "disgruntled employee". No need to take it seriously.

At your last meeting, Mr. Madden said he asked a Hotline expert about conducting Whistleblower Satisfaction Surveys. He was told; "Why don't you ask the prisoners why they don't like the sheriff's treatment". Programs that view sources as disgruntled losers cannot be effective. They get fewer tips.

Please contact the Government Accountability Project to educate your staff about respecting whistleblowers.”

Peter Warfield, Executive Director of the Library Users Association, commented about the Whistleblower Survey.

7) Public Comment on any matter within the Committee's jurisdiction

Peter Warfield made comments in response to a question from one of the Commissioners about Prop D and why it was a revenue bond. There are those who think it was not a legal revenue bond because all it took for revenue was the Library's set-aside from City funds. The set-aside was in place because of Prop. E and what eventually became Prop. D.

Derek Kerr, M.D. commented that there are no meeting recordings on the CGOBOC web site. This function is no longer supported by SFGTV. As always, recordings are available to the public at no charge through the Controller's Office.

The meeting was adjourned at 11:15 a.m.