

MINUTES
Citizens' General Obligation Bond Oversight Committee
May 22, 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: Jerry Dratler, Michael Garcia, Terry Micheau, Corey Marshall, Michael Seville and Rebecca Rhine. Jonathan Alloy and Minneola Ingersoll were absent.

2) Approval, with possible modification, of the minutes of the March 27th, 2014 meeting.

The minutes were approved. There was no public comment.

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

3) Presentation from Capital Planning regarding the Transportation Bond Program.

Alicia John-Baptiste, Chief of Staff at the Municipal Transportation Agency, provided an overview of Transportation 2030. She provided an overview of the existing plans, projects and policies and reviewed the reasons for the urgent funding need. She pointed out the challenges of moving around the City – streets with pot holes, MUNI service that isn't reliable, cracks in the sidewalk pavement. There are people who are being killed on our streets as they try to walk or bicycle around the City. The reason we're in this situation is because of underinvestment in the infrastructure for decades. The situation is not unique to San Francisco. There are cities all over the country that are facing the same issues. The dollars from the federal government have been declining over the years and have reduced the dollars needed to invest in the upgrades needed in the system.

The MTA currently receives about 6% of its infrastructure funding from the state. The state has been very spikey in the amount of resources it has made to local jurisdictions for infrastructure. On the local level, the Proposition K sales tax has been very helpful but it is not enough to meet the overall needs of the system.

Due to continued growth in the region, \$10 billion dollars in transportation funds is needed to cover projects to 2030. The plans from the various regional planning agencies have been reviewed that say there will be hundreds of thousands of people coming into San Francisco over the next 15 years, which will only serve to exacerbate the situation that we're in today.

In recognition of the challenges ahead, the Mayor put together a Transportation Task Force last year. The Task Force was comprised of about 45 people who spent 9 months studying what the transportation system looks like now and what needs to be done to prepare for future growth. Community efforts were included. They ultimately concluded that a large investment needs to be made in the transportation system over the next 15 years to make it the functional system it needs to be to support the needs of the City.

The Task Force focused only on the capital needs, not the structural or operational needs. To the degree that the infrastructure is improved, there are also operational improvements. Examples of MUNI buses that are breaking down every 3-4 days that is well above the national average means that emergency road crews have to be sent out to get the bus back to the barn and repaired. If there was a stronger fleet, it would mean redeploying those same resources for maintenance.

The good news is that there is almost \$4 billion dollars in identified funding over the next 15 years. There is a significant amount of funding identified in the GO Bond for MUNI Reliability Improvements that are identified in the Transit Effectiveness Project. There is funding in the proposed bond for the BART and Caltrain partners because of the significant role they play in helping citizens move around San Francisco. There is also funding for facility overhaul. The facilities are old and outdated which makes doing repairs difficult.

There are also a significant number of accessibility improvements that are proposed in the bonds. Ms. John-Baptiste reviewed the Transportation 2030 Expenditure Plan Summary. The three categories are better roads, improved transit and safer streets.

<u>Category</u>	<u>GO Bond</u>	<u>New General Fund Allocation</u>	<u>Total</u>
Better Roads		\$625Million	\$625M
Improved Transit	\$358M	\$277M	\$635M
Safer Streets	\$142M	\$154M	\$296M
Totals	\$500M	\$1,056M	\$1,556M

The outcomes of better roads will be road repaving city-wide and accessible sidewalks. The outcomes for improved transit will be new buses and trains, accessible transit stops, maintenance upgrades and transit –priority investments. The safer streets outcomes would be wider sidewalks, modern traffic signals, and traffic calming and well-defined bikeways.

In summary, the results of the Transportation 2030 funding are as follows:

- Repave 2/3 of city streets within 10 years
- Replace the entire MUNI bus fleet by 2019, and add additional buses to reduce crowding
- Reduce travel times on MUNI routes that serve 280,000
- Improve accessibility of transit stops, sidewalks, MUNI buses, MART/Muni stations

- Invest \$566 million dollars in infrastructure improvements that prevent traffic injuries
- Build 65 miles of safe, well-defined bikeways that protect all road users.

There are three next steps:

- April – May: Community meetings in Supervisor districts
- June 10th: deadline to introduce the Vehicle License Fee and Advisory Measure at the full Board of Supervisor meeting
- July 22nd: final day to place on the November 2014 ballot.

The discussion and questions from the Committee members focused on the following: the amount of funds from partner agencies, fluctuations in the estimates, funding plans, project lists for voters to review and discuss and a communication plan for the public. There was also discussion of the street safety elements in the 2011 Street Safety Bond (that are also in the Transportation 2030 Plan). Concerns were expressed about the post-bond maintenance costs. Questions were also asked about the Vehicle License Fee and sales tax challenges, with the lingering question of what if there is failure at the Board of Supervisors or the ballot box.

There was no public comment.

4) Presentation from the City Services Auditor regarding CSA Reports and Audits

CSA (City Services Auditor) was created through an amendment to the Charter approved by voters in November 2003. Under Charter Appendix F, CSA is mandated to:

- Evaluate quality and quantity of the City's services; compare, benchmark and provide public information
- Serve as the City's internal auditor: conduct financial and performance audits
- Measure the City's performance to standards for streets, parks and sidewalks
- Evaluate City management and employment practices
- Oversee contracting procedures and RFP standards
- Operate Whistleblower hotline, investigations and the web site

The funding for CSA is 2/10 of one percent of the City's budget. The annual budget is \$13.4 million dollars. The capital budget (used for audits and quality reports) is \$5.4 million dollars. There are 48 full time employees.

CSA is divided into two units: Audits and City Performance and Operations. The Audits Unit focuses on:

- Performance Audits – compliance, management and construction
- Concession and financial audits
- Whistleblower investigations

City Performance and Operations focuses on:

- Standards, performance measures and benchmarking

- Financial and operational analysis
- Technical assistance and professional contracting

Peg Stevenson, Director – CSA Performance, reviewed CSA's work planning and process. CSA's work plan is driven by:

- Charter and Administrative Code Requirements
- Limited risk analysis
- Mayor, Board, leadership and department requests
- Bond and capital programs.

CSA compiles lists of potential projects and audits based on sources for the upcoming fiscal year. The projects are prioritized in consultation with the Controller, leadership and departments and based on risks. The staffing and funding resources are balanced.

Ms. Stevenson reviewed some of CSA Performance major projects for FY13-14. Some of the projects presented included: the Transit Effectiveness Project Milestones, Affordable Care Act Implementation, 911 Dispatch Workload and Staffing Analysis, Wellness (with Health Services and other departments), Reporting, Technology and data work. Examples of reports include the Government Barometer and a variety of Benchmarking Reports.

Tonia Lediju, Director – Audits, reviewed the unit's scope of work and FY13-14 Work Plan achievements. The purpose of the Audits unit is:

- To provide better audit coverage of the City's key business functions
- Identify key risks citywide and develop audit programs based on such risks; and
- To ensure independent assessments that provides relevant and sufficient information to assist decision makers.

Ms. Lediju reviewed some of the Audits major projects for FY13-14. These included:

- Construction Audit Program – focused on capital projects, change orders, the close-out process and performance audits
- Citywide Compliance Program
- Large Performance Audits – 3-4 annually, usually large departments
- Other Audit Initiatives – city codes

Ms. Lediju focused on the Construction Audit work since this falls within the auspices of the Committee. There were performance audits and assessments of construction contractors, bond programs and departmental practices and procedures.

The types of audits conducted by Audits were:

- Project management and oversight controls
- Change orders
- Compliance with contract and policies
- Job order contracts
- Construction contract close-out
- Contractor performance evaluation

The presentation focused on the reasons for a Construction Audit Team. It is based on the City's plans to spend \$25 billion dollars on capital/construction projects over the next decade.

The Committee was told that CSA selects City projects or departments to audit based on the following limited risk assessment that focus on the key elements of dollars, time and processes:

- Global scan of construction audit risks
- Results of previous audits and assessments
- Audit results and trends from Federal, state and local jurisdictions

As of May 22, 2014, CSA has completed 24 construction audits and assessments for fiscal years 2012-13 and 2013-14. The audits are conducted to industry standards:

- Adhere to generally accepted government auditing standards
- The Audit Work Plan is developed by identifying objectives, scope and methodology
- Data gathering, analysis and synthesis during the survey and fieldwork phase
- Development of an Audit Report with Findings, Conclusions and Recommendations

The Department of Public Works (DPW) Construction Audits were highlighted. These included:

- Audit of DPW's Job Order Contract (7/16/2013)
- Contract close-out assessment of Laguna Honda Hospital Replacement Project (7/30/2013)
- ESER Public Safety Buildings Project Oversight and Controls (4/16/2014)
- Citywide audit of various departments' construction contractor performance evaluation procedures (5/20/2014)

The Committee's CSA liaisons are Corey Marshall and Jerry Dratler. The opinion was expressed that CGOBOC underutilizes the work done by CSA, especially in regard to the construction audits. Construction change orders and contract close-outs are key components that should be reviewed and discussed more often than has been the case in the past. There are recurring problems in the capital projects. There was also discussion of the project closeout procedures.

There was no public comment.

5) Presentation from the City Services Auditor regarding the Whistleblower Program
The Whistleblower Program presentation was made by Tonia Lediju and Steve Flaherty.

The Whistleblower Program investigation authority comes from the following:

- California Government Code 53087.6
- San Francisco Charter Appendix F
- Campaign and Government Conduct Code, Article IV

The Whistleblower Program investigates, or attempts to resolve complaints concerning:

- The misuse of City funds
- Improper activities by City officers and employees
- Deficiencies in the quality and delivery of government services
- Wasteful and inefficient government practices

Complaints can be referred based on certain situations, such as:

- Those which another City department is required by federal, state or local law to adjudicate
- Those which may be resolved through a grievance mechanism established by bargaining unit or contract
- Those involving violations of criminal law
- Those subject to an existing investigation; and,
- Those which allege violations of governmental ethics laws.

Mr. Flaherty reviewed the complaints from 2004 – 2013. The number of complaints received for FY2012-2013 totaled 291. This compares to a high of 465 in FY2008-09. The number of complaints has decreased each year.

The number of complaints for FY 2013-14 total 203 (through the end of the 3rd quarter). Actions taken on the 203 complaints were reviewed. Mr. Flaherty said 70% were investigated. Most complaints were closed within 30 days or less. Examples of some of the complaints and their resolutions were presented. An overview of FY2013-14 accomplishments was also presented. The FY2014-15 Initiatives, which include a complainant survey, was also discussed.

CGOBOC's liaison to the Whistleblower Program is Michael Garcia. He presented his observations that the Program is managed well and follows the guidelines consistently.

There was public comment from Derek Kerr, M.D. "The apparent doubling of Whistleblower "investigation" rates from 2009 to 2012 is likely an artifact because the percent of sustained complaints stalled around 28%.

Has the definition of "investigation" expanded to cover all complaints, save those that are discarded or referred to other jurisdictions? We don't know whether "investigations" are preliminary reviews or formal investigations, or conducted independently by Program staff or outsourced to implicate City departments. It's more shady than transparent.

After reporting the receipt of 17 retaliation complaints last year, the Ethics Commission is again reporting zeroes. Only naïve Whistleblowers take their retaliation claims to Ethics. The word is not none has ever been sustained. Whistleblowers are hiring lawyers. It's the City Attorney who knows how many retaliation claims, lawsuits and settlements occur. The Controller could obtain that data, just to see how many millions it's costing."

6) Opportunity for Committee members to discuss/take action on any Committee matters.

2014 CGOBOC Work Initiatives:

- Benchmarking Reports – Corey Marshall and Minnie Ingersoll are the liaisons looking at the two benchmarking studies to try and cull useful next steps. There was a brief discussion regarding how to best use the results in the reports as well as the need to better identify expectations the next time reports of this kind are requested. Mr. Marshall identified the departments referenced in the reports (Planning, DPW, GSA, GAD and the Board of Supervisors) and suggested that a letter from the Chair be sent to these departments with a summary of the findings that recommend the need for more detailed scopes, earlier community outreach, and ways to optimize coordination among the departments to minimize delays and hiring the staff needed to support the work of the bonds.

Mr. Marshall also suggested more preparation of the bonds before they get to CGOBOC and clarification of the criteria for bonds before they go the voters. The Committee was reminded that their role in the pre-bond preparation is limited although they can certainly express their views about improving the process.

- CGOBOC Annual Report – a draft template will be developed for each bond which incorporates both audit and change order information, in addition to the “on time, on scope and on budget” information.
- CGOBOC 2015 Work Plan – the work plan was accepted, with the expectation that changes may be made based on based of the Transportation Bond in November.

Other Items:

The Committee would like to use its' time in a better way and participate in discussions with presenters. The request was made again that all final presentations, as well as the report itself, are included in the meeting materials packet that is sent to members in advance of the meeting. The request was also made for fewer slides in the presentations (because the reports are available) and a stricter adherence to the presentation times noted on the agenda.

There was no public comment.

The meeting was adjourned at 11:45 a.m.