

MINUTES
Citizens' General Obligation Bond Oversight Committee
November 6, 2008
Hearing Room 408 - City Hall
San Francisco, CA 94102

1) Call to Order, Roll Call

Ms. Maura Lane, Committee Assistant, called the meeting to order at 9:03 a.m. Ms. Shawn Leonard absent, all others present. Quorum present.

2) Approval, with possible modification, the Minutes of the meeting held on July 30, 2008.

Ms. Chu moved to approve the minutes of July 30. Mr. Morton seconded the motion and it was 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.

Luis Herrera, San Francisco Public Librarian, introduced Jill Bourne, the Deputy City Librarian and Maureen Singleton, Budget Manager. Other members of the team include Edgar Lopez from the Department of Public Works and Lena Chen, the Project Administrator.

Mr. Herrera provided an overview of the Branch Library Improvement Program. On November 7, 2000, San Francisco voters approved Proposition A, authorizing the sale of \$105M of general obligation bonds to help fund the City's Branch Library Improvement Program (BLIP), for the acquisition, renovation, and construction of branch libraries and other library facilities, other than the Main Library,

The program goals were multifold: 1) to increase public safety through seismic strengthening and hazardous materials abatement; 2) to increase accessibility through conformance with the Americans with Disabilities Act; 3) to improve infrastructure through modernization and code compliance upgrades; 4) and to improve public library service and functionality through reconfigured interior spaces, adaptations for technology, and, where possible, expansion.

The scope of the Branch Library Improvement Program includes:

- renovation of 16 libraries;
- the replacement of three libraries with new construction;
- acquisition of seven pieces of property;
- construction of four new branch libraries to replace leased facilities;
- construction of a branch library in the new Mission Bay neighborhood;
- construction of a new support services facility;
- and acquisition of property to renovate and expand the Bayview branch.

Each project is designed to improve seismic safety, remove hazardous materials, meet ADA compliance standards and upgrade the branch library's electrical and mechanical systems.

Mr. Herrera reviewed the status of each project. The active projects include six libraries in construction. These libraries are: Richmond (opening July 2009); Portola (opening February 2009); Ingleside (opening July 2009); Bernal Heights (opening December 2009); Eureka Valley (opening October 2009) and Potrero (opening January 2010).

Ten projects currently in planning or review phase were reviewed. These projects include: Anza (closing late 2008); Bayview (closing early 2010); Golden Gate Valley (closing summer 2009); Merced (closing early 2009); North Beach (closing 2009); Ortega (closing late 2008); Park (closing summer 2009); Parkside (closing late 2008); Presidion (closing summer 2009); and Visitacion Valley (closing late 2008).

Maureen Singleton, Deputy City Librarian, reported on the current revenue sources. The revenue sources consists of \$153M with the following breakdown: 1) \$105M Prop A November 2000 Bonds; 2) \$2.4M Earthquake Safety Bonds; 3) \$16M from Friends of the Library; 4) \$9M from state grants; 5) \$5M from bond interest proceeds; 6) \$13M from Library Preservation Funds; and 7) \$280M from rents received on library properties. The last G.O. Bonds were sold on April 2008. Mr. Stern asked whether the funds raised had been impacted by the financial crisis. Ms. Singleton stated that the bond sale was completed prior to the market upheaval and loss. Ms. Singleton then reviewed forecast revenue sources which total \$201, 486,492.00. These sources include \$105M from Prop A November 2000 G.O. Bonds. She noted that in the current fiscal year, the Library Preservation Fund has advanced the \$2M for Developer Impact Fees for Visitacion Valley.

The Library will be selling two lease revenue bonds to finance construction, design and related costs for six branch libraries: Merced, Golden Gate, Ortega, Anza, North Beach and Bayview. The first lease revenue bond sale will total \$33M. The proceeds will be used to fund construction and soft costs for Merced, Golden Gate Valley, Ortega, and Anza branch libraries, design costs for North Beach and Bayview branch libraries and bond issuance and debt service reserve.

The second lease revenue bond sale is expected to occur in the fall of 2009. It will fund construction and related costs for Bayview and North Beach. Additional authorization will be requested at that time. On October 2, 2008, the Library Commission approved a resolution requesting the Mayor to recommend and the Board of Supervisors to authorize the first series of lease revenue bonds for the Library. On October 20, 2008, the Capital Planning approved the legislation authorizing the sale and applicable supplemental appropriation.

Jill Bourne, the Deputy City Librarian, reviewed the MOU and some of the projects. The last time the Library presented before the Committee, the Library and Department of Public Works were finalizing a detailed Memorandum of Understanding for the management of the Branch Library Improvement Program. The MOU consists of 4 parts which included the background, roles and responsibilities, project coordination and terms and conditions for any modification of the agreement. The final draft was signed on June 2, 2008. Both departments have implemented the MOU at the beginning of this fiscal year. As a whole, the processes and the MOU have

improved communication between the two departments and enhanced the effectiveness and transparency of regular reporting and essential

Edgar Lopez, of the Department of Public Works, provided a breakout of costs which totaled \$201M and answered questions from various Committee members regarding the MOU as well as recommendations from the Controller's office for the BLIP program that called for unity between the two departments. The forecast budget consists of: 1) \$75M for site acquisitions and new construction; 2) \$88M for renovations; 3) \$15M for program-wide services and costs; 4) \$16M for furniture; and 5) \$6M in reserve.

Mr. Lopez reported that the program has made great progress as a result of implementation of the MOU. The MOU is very detailed and codifies a detailed set of processes that were created. Ms Hansen asked that the MOU be thoroughly reviewed with the Committee from the point of view of how it is working. The Controller originally felt that, although the escalation amounts were within industry standards, they weren't being applied correctly and consistently. There were also concerns that forms weren't being completed and turned in. The roles and responsibilities require that all reporting processes must be followed with Finance. All parts of the project must be integrated. Project schedules and budgets must be reported on a regular basis, as well as any changes, especially changes in the revenue and scope.

Mr. Lopez said the Department of Public Works is pleased with the MOU. It holds the appropriate parties accountable while providing a framework for communication. It is a good tool. The framework provides a methodical process for review and sign-off. In response to questions from the Committee, Mr. Lopez cited a Revision/Authorization Form as a very powerful tool to maintain cost controls and track potential changes project schedule of scope. This form is important because it requires two signatures before any changes can be made to scope, costs or schedules.

Public Comment

Sue Kaufman, Chair of the Library Citizens Advisory Committee, expressed concerns about scope creep, delays, and the overall financial climate for bonds. The North Beach Library will be a new library, rather than the original renovation. Concerns about the BLIP website were also cited because it is not current.

In response to Ms. Kaufman's comments Mr. Rosenfield, Controller, talked about the bond climate. The G.O. Bond piece of this program has been sold. The next planned sale that Ms. Sesay will be monitoring the market for is the January Sale of the Lease Revenue Bonds. We will continue to monitor the market. While interest rates today are high, we don't anticipate the rates will remain high for very long. If the rates are high in January, when we would be selling, there are other approaches the City could take in lieu of selling debt. He made reference to a proposed Commercial Paper Program that will be presented to the Board of Supervisors in the near future and other programs in the City that would allow us to use short-term borrowing to bridge the period until the Muni markets come back down the earth. There was discussion about finances, interest rates and possible delays in projects.

4) Presentation from the Steinhart Aquarium Improvement Project and the California Academy of Sciences regarding their General Obligation Bond Funded Project Plans, and possible action by the Committee in response to such presentation.

Mr. Edgar Lopez of the Department of Public Works introduced Chris Keipper from the Academy of Sciences and the Project Financial Director. He also introduced DPW Project Manager Brook Maebratu and acknowledged Brooke's role in making the project payments and construction change orders, among many other things.

Mr. Lopez provided an update on the project. The project is complete. It was finished per the original schedule. The building was substantially complete in October 24, 2007 and opened to the public September 2008. Other accomplishments include the building receiving a Temporary Certificate of Occupancy from the Department of Building Inspections two days ahead of schedule. Construction was completed on time and free of claims or litigation. On October 7, 2008, the US Green Building Council officially certified the Academy building to receive the highest LEED Platinum rating. The essence of the project was captured in six slides. The Green Room has 1.7 million plants in the room and is a remarkable room from the point of view of sustainability.

In September, artist Maya Lin unveiled one of 2 commissioned pieces located at the West Garden of the Academy followed by a formal dedication event on October 24, 2008. Maya's second art installation will be completed and installed in Spring 2009, concurrent with Earth Day 2009 celebrations. The Arts Commission will continue to manage and coordinate with various consultants working to complete this work. To date, \$512,000 has been expended in advancing the design.

The City's financial contribution has not changed. Mr. Lopez reviewed the current bond expenditures and noted that the Project was financed through a combination of public and private funds. All increases in the budget were funded from private funds. The Academy continues to actively raise private funds for the project and has also issued 501(c) (3) conduit bonds through the California Infrastructure and Economic Development Bank. With these funds, along with the City General Obligation Bonds, CAS has in hand all funds necessary to fund the total Project.

Mr. Lopez reviewed the project budget, sources and uses of funds, the encumbrance schedule, draw-down schedule, summary of status and summary of bond expenditures. He was congratulated by Mr. Stern and the Committee for a job "well done".

Mr. Brook Mebratu, of the Department of Public Works, reviewed the summary of bond expenditures (Exhibit 7) as of September 30, 2008. Close-out paperwork has been submitted. There will be minimal involvement in assisting the Arts Commission to complete the project. IN response to Mr. Morten's question regarding leftover money, Ms. Sesay responded that typically the money would revert to the General Fund. Close-out is done to document that the Project has been completed, funds have been expended and a request that the funds be transferred from CGOBOC Funds to the General Fund. This means the Project will be removed from CGOBOC's list of bond projects to monitor. Ms. Chu commented on the beauty of the building and congratulated Mr. Mebratu.

Public Comment

There was no Public Comment.

5) Presentation from the Recreation and Park Department regarding General Obligation Bond Funded Projects under the 1997 Zoo Facilities Bond and possible action by the Committee in response to such presentation.

Ms. Rhoda Parhams presented the update of the 1997 Zoo Facilities Improvement Bond. An overview of the program was presented which included an explanation of the Zoo's Phase II Master Plan Program, Program goals, the 19 capital improvement projects and the four independently funded, managed and implemented projects at the facility. The Program Budget included \$48M in bonds which have been sold through a series of four sales. Project support has been provided by the San Francisco Zoological Society in the form of gift-in-place donations of design and management services. These services were funded with Zoo Society Capital, which is included in the Program Budget.

The total Phase II Master Program budget is \$88M which is funded from the following sources: 1) CCSF (\$54M); 2) Zoo Society Capital (\$3M); 3) State Grants to SFZS (\$ 270,000) for a total program budget of \$88, 515,733.00.

Ms. Parhams reported that the program has been structured into two phases. The first phase of the program consisted of 12 projects initiated between 1997 and 2004. These projects were funded with the proceeds from the first three sales of Zoo Bonds. The second phase consisted of 7 projects initiated after 2004 and were funded with proceeds from the 4th bond sale.

Program-wide costs, including program contingency, represent 1.6% of the total program budget or \$891,622.00. The total program is estimated to be 97% completed to date. The final project is estimated to be closed in 2009. Ms. Parhams reviewed the completed projects and projects currently in close-out. Projects under construction include the Black Rhinoceros and Nile Hippopotamus exhibits. Projects in planning include exhibit infrastructure improvements that have yet to be defined.

Public Comment

There was no Public Comment.

6) Status Report from the City Services Audit Division, and possible action by the Committee in response to such presentation.

Peg Stevenson provided status reports on current City audits.

7) Opportunity for the Committee to Discuss Other Business

The Committee discussed the date and time of the special December meeting and potential agenda items for that meeting. There was also discussion regarding potential new committee members.

Public Comment

There was no Public Comment.

6) Opportunity for the public to comment on any matters within the Committee's jurisdiction

Public Comment

There was no Public Comment.

7) Adjournment.

Meeting adjourned at 11:56 a.m.