

**MINUTES**  
**Citizens' General Obligation Bond Oversight Committee**  
**January 26, 2006**  
**Room 416, City Hall**  
**San Francisco, CA 94102**

**1) Call to Order and Roll Call.**

Chair Jue called the meeting to order at 9:35 a.m. All members present, quorum existed.

**2) Discussion and Possible Action to Approve Minutes.**

The minutes of the October 27, 2005 meeting were unanimously approved.

**3) Presentation from Laguna Honda Hospital Replacement Program Regarding its General Obligation Bond Funded Projects Plan, and Possible Action by the Committee in Response to Such Presentation.**

Mr. John Thomas, program manager, provided a project status update. He noted that all bonds for the project have been sold, totaling \$299 million. Approximately \$295 million of that is available to the project. \$287 million has been allocated, with \$8 million remaining on reserve with the Board of Supervisors. The three main buildings have been bought out, with a couple of small packages remaining to be bid. \$265 million has been encumbered with the contract for the three main buildings, while the remodel phase of the existing buildings continues.

Mr. Thomas reviewed the Gantt chart, which was broken down by construction phases. Phase A and B relate to completed site improvement work. Phase C represents current construction. Mr. Thomas indicated that the three main buildings are scheduled to be complete at the end of 2008, with the East Building to follow. Anticipated move-in date to the South and Link Buildings is mid-2009, at which time the existing building will be demolished in preparation for additional site work. Phases D – G relate to the remodel of the existing facility.

Mr. Thomas stated that if the decision is made to construct the fourth building, the additional funds to bring the total project budget up to \$610 million would be needed. The amount needed to build the current buildings is estimated at \$482 million. Mr. Yockey questioned if it is expected that the tobacco tax will make-up any shortfall. Controller Harrington stated that there are a variety of potential sources – tobacco tax, state and/or federal reimbursements that could be used to issue additional revenue bonds. He noted that no decision has been made on which potential source to use, as that will depend on how much money will be needed.

Mr. Yockey questioned the Gantt charts, which show complete phases of contracts while continuing to show encumbrances. Marissa Fernandez, Laguna Honda Hospital, stated that work has been substantially completed, but the final payments have not been made, which is reflected in the encumbered amounts.

The Committee expressed frustration with the Gantt charts and again asked departments to create a clearly readable Gantt chart with original, current and actual expenditures and timelines. Mr. Harrington noted that staff is working with departments to ensure they provide clearly readable charts.

Ms. Singer asked if there was a specific plan in place in the event that the \$610 million program cannot be completed, and if there was a contingent plan for the \$480 million program. Mr. Thomas indicated that there is a plan in place that does not include construction of the final building. He noted that no commitments have been made for the final building, and it has not yet gone out to bid. Ms. Singer would like to see detail of the contingency plan presented to the Committee.

Mr. Hentz questioned if there were any alternate plans in place for the McLaren Building in the event that the \$610 million is not approved. Mr. Thomas stated that current plan includes demolition costs of the McLaren Building, as it is not inhabitable, regardless of the decision to build the West Building.

Mr. Martin stated an added complexity to the issue is the tobacco revenues and the on-going lawsuit. He noted that the judgments thus far have upheld the city's interpretation of Proposition A and the use of the tobacco revenues. As a result planning has continued with the assumption that the funds will be received.

Mr. Morten presented the idea of the Committee contacting the Mayor, Supervisors, and departments to encourage a timely decision regarding anticipated funding and repayment for this project in order not to jeopardize the bond project. Mr. Martin advised the Committee members regarding the limits of their authority.

Members of the public, including Miriam Walsh and Patrick Monette-Shaw each expressed concern with the Laguna Honda Hospital Replacement Program.

Mr. Morten moved and Ms. Singer seconded that the Chair and Controller draft a letter to the Mayor, Board of Supervisors and interested parties to encourage them to make a prompt decision regarding the additional funds of \$80 million that are needed to complete the 780 bed phase of the Laguna Honda Hospital Project and to indicate that the bond funds could be at jeopardy and costs escalate if a decision is not reached in a timely manner. Such correspondence would not express any recommendation as to what the decision should be.

Patrick Monette-Shaw addressed the motion regarding the proposed correspondence.

*Mses. Jue and Singer, and Messrs. Micheau, Hentz, Morten, Wong, and Sam Yockey voted AYE; Mr. Stern voted NO. MOTION PASSED.*

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

Mr. Edgar Lopez, project manager, provided the Committee with a brief review of the scope of the project. He indicated that they are on schedule and that the project budget has increased. They have bid 22 contracts with the bond funds, all of which have been awarded. The abatement of hazardous materials and destruction of the existing building has occurred and construction began in August 2005.

Mr. Lopez noted the budget has increased by 12 percent (\$50.4 million), due to an increase in construction costs, but emphasized that the city's obligation with respect to the general obligation bonds remains the same. The Academy has secured private financing for the additional costs. Mr. Lopez indicated that the proceeds from the 2000 Academy of Sciences bond sale were primarily used for abatement, demolition and soft costs. Since their last presentation, they have sold the remaining balance of that bond authorization as well as the full authorized amount of the 1995 Steinhart Aquarium bonds. He indicated that the project is on track.

Alison Brown, CFO for the California Academy of Sciences noted that they had a contingency plan in the event additional funding does not materialize. Their board wanted to keep the project scope as originally planned and increased their private funding goal, with a reduction in the endowment scope from \$20 million to \$2 million. She indicated that funds are in hand to complete the project as they have sold their own bonds, and obtained private financing in amounts sufficient when combined with the City general obligation bonds to cover the full scope of the project at \$429 million.

Mr. Micheau requested that going forward, the Committee receive copies of the quarterly reports that are prepared in order to keep updated on the project in between their appearances before the Committee. He would also like to see an indication of cash flow in their reporting.

In response to the request for public comment, Emeric Kalman commented on issues related to this agenda item.

**5) Reports from the Controller's Office and Discussion of Possible Committee Procedures regarding City Services Audits.**

Ms. Stevenson, City Services Auditor (CSA) Division, updated the Committee on CSA functions since the last meeting. She stated that the CSA has issued two performance audits; Mission Housing Development Corporation and Treasure Island Development Authority. In addition, eight financial audits have been issued, as well as a significant report on public/city performance measures. A brief summary and discussion of the audits ensued.

Mr. Morten requested that the Committee receive notification of when CSA audits will be heard before the Government Audits and Oversight Committee.

Emeric Kalman expressed his views on issues related to this agenda item.

**6) Discussion and Possible Action Regarding Agenda Items for Future Meetings.**

After discussion, the Committee modified the CGOBOC 2006 Work Plan. It was determined that specific departments will be asked to provide written reports for the April meeting, with scheduling of in-person presentations to be determined at a later date.

Emeric Kalman expressed his opinions on items not related to this agenda item.

**7) Election of Officers (Chair and Vice Chair).**

There was brief discussion on the members' terms of office. Mr. Martin indicated that upon expiration of each member's term, if no replacement has been appointed, the current member retains his or her membership on the committee until his or her replacement is appointed. For members who are appointed in the middle of a term, that appointment does not count as one of the two two-year terms they are permitted to serve.

Mr. Hentz and Mr. Morten moved and seconded that the current officers remain standing, with Pam Jue serving as Chair and Terry Micheau serving as Vice Chair. Motion passed unanimously.

**8) General Public Comment.**

No general public comment.

**9) Adjournment.**

Meeting adjourned at 12:55 pm

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**Documents Provided:**

**Laguna Honda Hospital**

- *Laguna Honda Hospital Proposition A Summary*
- *Laguna Honda Hospital Budget and Finance Status Report, January 26, 2006*

**California Academy of Science and Steinhart Aquarium**

- *California Academy of Science and Steinhart Aquarium Bond Propositions B and C Summaries*
- *California Academy of Science Bond Accountability Report*

**Controller's Office**

- *Whistleblower Program 2005-06 Mid-Year Report*
- *CSA Annual Report*
- *General Obligation Bonds Project Summary*
- *Updated Library Gantt Chart*
- *2005 CGOBOC Annual Report*
- *Correspondence to Board of Supervisors (Rules of order 2.27)*
- *Updated CARB/CGOBOC 2006 Work Plan*
- *Correspondence received from Department of Public Health*