

MINUTES
Citizens' General Obligation Bond Oversight Committee
July 25th, 2013
Hearing Room 316 - City Hall
San Francisco, CA 94102

1) Call to Order, Roll Call

The meeting was called to order at 9:30 a.m. Maura Lane, Committee Assistant, called the roll. The following Committee members were present: Jonathan Alloy, Jerry Dratler, Sanford Garfinkel, Corey Marshall, Robert Muscat, Minnie Ingersoll and Rebecca Rhine. John Madden was absent.

2) Election of Chair and Vice Chair

Rebecca Rhine was elected Chair. Jonathan Alloy was elected as Vice-Chair.

3) Approval, with possible modification, of the minutes of the May 23, 2013 meeting.

The minutes were approved.

There was public comment from Derek Kerr, M.D. and Patrick Monette-Shaw.

Dr. Kerr's remarks are as follows: The City budget is \$7 billion dollars. Hundreds of millions for contracts. Many opportunities for fraud. Since most fraud is detected by whistleblowers, we need a good Whistleblower Program. The CSA Work Plan aims to: "enhance the effectiveness of the Whistleblower Program". But it omits – for the 9th consecutive year – a Whistleblower Satisfaction Survey. This amazing omission disrespects whistleblowers who justify the Program's existence. Here we are in the first quarter of a new year, but we haven't seen last year's 4th or even 3rd quarter reports. The Program staff can't keep up, yet last year's 2nd quarter report claims an 86% investigation rate – the highest ever. Is this real? Does this represent improved performance or a change in how "investigation" is defined? Overall complaints are down, employee complaints are low, anonymous complaints are up. Mistrust? Dissatisfaction? Please recommend a Whistleblower Survey. Lastly, I wanted to talk about the appointment of the program liaisons. There is an inherent conflict of interest when the Controller's appointees to CGOBOC were assigned as liaisons to the Controller's Whistleblower Program. I respect Mr. John Madden but he cannot be objective in his position. Thanks you".

Patrick Monette- Shaw's comments are as follows: "I also have trouble with the May minutes. In the third bullet point on page 3, item 4 –it indicates that the Whistleblower Programs were to continue to publicize and promote the program to employees. I'm here as a private citizen. But – as a City employee who has worked for the City for 14 years – I have never once received any employee information about the Whistleblower Program,

other than when I was first hired 14 years ago. Previously, Mr. Rosenfield has suggested that you could communicate the Whistleblower Program through inserts in payroll envelopes. I've never once received anything in my payroll envelope either. They are doing a terrible job educating City employees about this program. The last bullet point on page 3 says that the Whistleblower Program will continue to balance the desire for transparency with the need for confidentiality. Wrong doers should not be held above Whistleblowers. They should be removed from office. When lawsuits are filed alleging retaliation – because between 2007 and 2012 – the City settled 125 prohibited personnel action cases costing the City \$12.4 million dollars in settlements alone. On top of that, there was another \$8 million dollars in City Attorney time to defend those confidential employees whose reputations need to be protected. It's curious about the one retaliation complaint settled as of March 30th. Is that going to lead to another multi-million dollar settlement against the City because the Whistleblower Program is such an abject failure?

(*NOTE: Full recordings of Committee meetings are located at <http://www.sfcontroller.org/index.aspx?page=86> under "CGOBOC".)

4) Presentation from the San Francisco General Hospital Rebuild Program

Ron Alameida, the SFGH Rebuild Project Manager for the Department of Public Works, provided a status report that covered the project budget, costs expended to date and an overall project update.

The baseline budget is \$887,400,000.00 dollars. Of the \$675 million dollar appropriation to date, \$484 million has been spent and \$90.5 million is encumbered. This leaves a balance of \$100.3 million dollars as of the date of this report. The expended construction amount to date is \$343.7 million dollars of work in place. Current program budgets have been reviewed. The project remains within budget.

The largest risk is with the work in Building 5, which is required by the medical center, as a result of the rebuild tie-in by the bridge tunnel. There are a few packages, with the reinstatement of the campus, which represent \$4 - \$5 million dollars worth of work that is relatively straightforward. There are few anticipated surprises.

The remodel of the existing hospital may incur additional expenses because of the unknowns when opening up an old building. The current activity is being funded by the third bond. A fourth bond sale is planned for late 2013. The overall budget is \$887,400,000.00 dollars. \$9 million remains to be sold. The intention is to roll out the remaining amount to ensure full funding as the program moves forward.

The billings for the construction project work are pacing at about \$15 million dollars per month. The construction is quite active. 50% of the completion was reached in February 2013 which represented a significant milestone in that more than 75% of the CMCG contingency remaining. That was a trigger point that allowed the movement of an excess of 75% of the contingency for the contractor to put it into the projects' overall

contingency budget. Mr. Alameida said it is very positive that issues have been managed well which resulted in the low use of the contingency.

As of June 2013, the executed construction contract amount is \$665 million dollars. The current forecast is for a construction cost of \$690 million dollars. Even with the additional packages to bill out, the project is well below the \$690 million dollar constraint. The traditional change order categories of errors and omissions, client requests and unforeseen conditions have been contained to about 1.5%.

The schedule was reviewed. The service building modification is the most problematic because of the emergency generator issues. Mr. Alameida reviewed the generator issues and the impact as other complications were identified once out in the field. However; the generator is performing within specifications; is completely code-compliant and is within the regulatory constraints.

Increments 1, 2 and 3 are all within scope. There is a small amount of scope that is linked to Increment 4. Examples were provided. Increment 4 is tracking to budget and schedule. There are 350 – 400 workers on the project each day. This translates into about \$15million dollars in work each month. The project is currently trending a week ahead of the contract for the May 7th substantial completion date. Increment 5 (medical equipment) the work to build out 18 imaging rooms at the hospital is ready to start. The permit phase has been completed. Increment 5 actually started earlier than originally planned. Some of the work has dove-tailed with the work in Increment 4. Increment 5 is the metal panel and sunshade device (building enclosure) phase. It is now near completion.

Mr. Alameida reviewed issues and concerns. Previous quarter accomplishments for the service building include:

- Phase I – campus generators testing and acceptance near completion
- Phase 2 – turbine decommissioning and new boiler work initiated but currently constrained by Phase I
- Encountered significant neighborhood exhaust issue requiring modifications

New Hospital Project Site:

- Tower crane removed, elevator work and sunshades/metal panels proceeding
- Mechanical/Electrical/Plumbing(MEP) trades and interior framing contractors fully engaged on all floors
- Increment 5 – imaging room construction advancing along with Increment 4 work
- Initial final site work initiated

Recent and Current Activities

- Project Scope Buy-Outs: remaining buy-out includes Increment 5, site reinstatement, 02 tanks and building 5 modifications
- Previous Issues/Concerns Resolved: OSHPD approvals and maintaining workflow
- Current Issues/Concerns:

Generator Project: emergency generator start-up project delays, the neighborhood exhaust issue and the design-build contractor solvency & claim issues

Rebuild Project Site: jobsite fire damage assessment and remediation, general safety record

Sanford Garfinkel, CGOBOC's liaison to the project, reported that he was "cautiously optimistic" about the progress on the project. He has toured the site and was impressed by how well the project is going, considering all the politics and orchestration that is necessary.

Other Committee members commented on local hire, which is at 9%. The original goal was 5%. There are over \$60 million dollars in local contracts. This project was before the local hire legislation, which is why the percentage is different. So far, the project has remained relatively on target. At the same time, the construction market is beginning to tighten. Mr. Alameida said he did not anticipate any challenges going forward because most of the bidding has been done. However, Mr. Alameida did express concern regarding the remodel of the existing hospital. It is remodel and OSHP work which can represent a significant risk to the program. A contingency plan has been developed. There is \$24 million dollars remaining in the contingency, which deals with construction matters pertaining to the contractor.

There was public comment from Patrick Monette-Shaw regarding the change order process and how it impacts the bond. He made the following remarks: "Ever since former CGOBOC Chair Abraham Simmons began looking into the change order process, it has been a deep concern to me. You'll notice in the Laguna Honda Report (which is not on today's agenda) that their change orders are now at almost \$100 million dollars or 25% of LHH's budget. Why isn't CGOBOC requiring SFGH project team to report to you actual costs to date in change orders? All we get on page 4 of the report is that the Rebuild team is monitoring the categories of contract modification for scope and costs drivers. I don't think these are the seven major categories in DPW's electronic change order tracking system. You need to get serious about this. I've testified here over and over that if your oversight role - bond money - is to protect the public. The missing piece that you keep ignoring is closely monitoring change orders. Where's the list of them? How much, in actual dollar amount, have occurred so far? In that third paragraph in page 4, at the end of the paragraph, it says "currently the in-progress tally of traditional change orders is at 1.5% of contract value". What does that mean? And, what is the adjective "traditional" change order? Are there traditional and nontraditional change orders? Ms. Rhine, as Chair, you need to get really serious about change orders and how those affect the bond and the taxpayer."

Ms. Rhine noted that on page 13 of the project report, there is more specificity in regard to change orders.

5) **Presentation from the 2001 Branch Library Improvement Program**

Ms. Maureen Singleton, the San Francisco Library's Chief Financial Officer, and Mr. Luis Herrera, the City Librarian, provided an updated on the Branch Library Improvement Program.

Ms. Singleton introduced Michelle Lee and Julia Lowe. Ms. Lee is BLIP's new program manager. She replaces Lena Chen, who retired at the end of June. Ms. Lowe is the principal architect and manager for DPW's Building Design & Construction Bureaus.

Pictures were shown of some of the libraries, both finished and in construction. The goal of the Branch Library Improvement Program is to provide the public with seismically safe, accessible, technologically updated, and code compliant City-owned branch libraries in every neighborhood. There have been 16 renovations, 8 new buildings and 1 support services center.

The schedule was reviewed. To date, 23 out of 24 branches are complete and open to the public. There is 1 support services center complete and operational. One branch – the North Beach Library - remains in the construction phase.

Revenues and expenditures were reviewed. The original budget for the project totaled \$133.3 million dollars. The majority of the funding comes from GO bonds (for BLIP) and the Earthquake Safety Bond. Some other sources, since the inception of the program, include state Proposition 14 monies as well as a commitment from the Friends of the Public Library for furniture, fixtures and equipment. The current approved budget is \$196.3 million dollars. Again, the majority (59% of the total) of the program is funded by GO Bonds, bond interest and Earthquake Safety Bonds. Other sources include the state Proposition 14 money, the Library Preservation monies, Lease Revenue Bond monies and a \$16 million commitment from the Friends of the Library for furniture, fixtures and equipment. Other sources included the Visitacion Valley Developer Impact Fee revenues and some rent/lease dollars from the Visitacion Valley site, as well as the Support Services site.

To date, \$181.5 million dollars has been spent or encumbered. The majority has come from GO bond money. The last time BLIP presented to CGOBOC, there were questions about what had been spent of FF E from the Friends of the Library. The Friends have been providing support for the Library Improvement Program for FF & E that is not bond eligible. To date, or as of June 2013, the Friends have directly purchased \$5.4 million dollars worth of FF & E. For the City, this is considered an "in kind" contribution. They have also provided money directly to the Library, which was subsequently transferred to DPW for purchases that the City makes through the FAMIS accounting system. The purchases that the SF Library has made are \$2.6 million dollars, largely for IT equipment that is placed in all the branches, along with AV equipment. On the DPW side, they've spent \$1.1 million dollars on items such as shelving, window shades, and those sorts of things.

Ms. Singleton provided an attachment that is a report from the Friends of the Public Library. The information in the packet includes a couple of different slices of how to look

at the information. The first page of the attachment is a bird's eye view of what has been spent or encumbered over the life of the bond once the Friends started purchasing FF & E. It is broken out by branch. It goes on to show what the Friends have purchased and what the Library or DPW have purchased.

The second page is another high level report that shows the total amount by Branch, not by fiscal year, as well as the money provided to the Library.

The next page shows the check numbers, which is a break-out for all the Branch libraries. It shows the in-kind purchases from the Friends, as well as the money that was remitted to the Library for its' purchases. The information is provided for the Committee's reference. The Library is very grateful for the support from the Friends because it has allowed the project to move forward with the program and make sure that the sites are fully outfitted with FF & E.

Some of the costs increases for the program over time are due to change in project scope (which were approved by the Library Commission), the LEED project goals, and adjustments for ADA code requirements, unforeseen conditions and rising construction costs during part of the program.

The current, and only, project that needs to be completed is the North Beach Branch Library (\$14.5 million dollars). This is for a new facility. The following milestones were reviewed

- The design was completed on January 30, 2012.
- A supplemental appropriation was done in April 2012, which consisted largely of the Library Preservation Fund, so the Project could be largely funded.
- The construction started last fall (2012)
- Construction is on target to be completed by January 2014. The project is about 48% complete.
- The project is expected to be complete and open to the public in the spring of 2014.

The City Librarian, Luis Herrera, discussed the challenges and opportunities, as well as lessons learned.

The key challenges have been:

- Extended schedules due to the comprehensive community process
- Extensive EIR, appeals through the Historic Preservation Committee, and permit appeals process (North Beach)
- Incorporating LEED standards

Key opportunities:

- Strong community engagement and ownership
- Significant support of small and local business and local hire through BLIP
- LEED silver or Gold standards for 10 BLIP projects

Key lessons learned from the completed projects:

- Include community input early to minimize impacts to the project scope, timeline and costs
- Invest more resources to the front-end planning phase for more accurate scoping
- Conduct contractor outreach to maximize competition
- Identify pre-qualified contractors for construction services
- Engage construction experts early during the design phase for constructability review
- Ensure continuing education training for all on anticipated code changes including ADA, LEED, cost estimating and scheduling.

The Committee liaison has been Corey Marshall. Corey will be moving to other CGOBOC projects in September but provided his perspective on the BLIP project. Mr. Marshall thanked Ms. Singleton and Mr. Herrera for a very thorough report. The level of detail is appreciated. Many of the items that have been discussed today have come up over a number of months. It is clear that in the final stretches of the program, much thought has gone into the challenges and opportunities that have been encountered. These are the things this Committee should focus on in terms of how we deal with a lot of the departments and programs that the Committee should start to actively learn from and incorporate. This has already started. There are two projects that are currently underway in which the community involvement process and all the different approvals that need to be navigated.

There was no public comment.

6) Committee Business

a. Draft Letter to Recreation and Parks Commission

The Committee talked about the intent of the draft letter. Mr. Alloy originated asked that the Chair draft the letter. The Committee concurred. Ms. Rhine reviewed the draft letter and there was discussion. The Committee adopted the letter, which included comments from Mr. Marshall.

There was public comment from Patrick Monette-Shaw. His comments were: "I'm sure the Committee members are all familiar with the Sunshine Ordinance. It says that when materials to be discussed by task forces, committees and other public bodies are provided to those committees, they must simultaneously be provided to members of the public. Why does CGOBOC continue to not post some of these documents on the website prior to the meeting – like this letter, like the CGJ report draft, like the draft annual report? You have all been provided with those documents prior to the meeting?"

Note: the letter was drafted based on a previous motion by the Committee but wasn't finalized because the intent of the letter wasn't clear.

b. Draft CGOBOC Annual Report

Ms. Rhine provided a status report regarding the preparation of GCOBOC's annual report. Mr. Marshall agreed to provide updates on BLIP and all of the Recreation and

Park projects. Summaries of the benchmarking reports will be included once the written reports are provided in early September. The goal is to have the annual report ready for approval at the September 2013 meeting.

There was no public comment.

c. CGOBOC Civil Grand Jury Response

The Committee discussed responses to the Civil Grand Jury report issued in 2013 June. The report is titled "Auditing the City Services Auditor: You Can Only Manage What You Measure". Jerry ~~Fratler~~Dratler presented an overview of the report to the Committee. CGOBOC is responsible for responding to two of the findings - # 2 and #4. After extensive discussion, the Committee agreed that the Chair (Ms. Rhine) would draft a response that reflects the discussion and submit the response to the Civil Grand Jury by September 3rd, 2013.

There was public comment from Patrick Monette-Shaw as follows: "I would ask that you schedule a special meeting prior to the submission deadline to the Grand Jury. During that special meeting – Ms. Stevenson says they have regularly received feedback on performance measures. While I was at Laguna Honda, when then-Mayor Newsom released his accountability matrix, the senior manager I supported and I reviewed those ridiculous LHH measures. We tried to develop a list of more meaningful measures about what transpired in their rehab services department. As we moved those recommendations up the food chain –the management chain – the MEA chain, they were squashed. They never left the building. They never got to Ms. Stevenson. I'm disturbed that the Grand Jury keeps repeating the myth developed by the City Controller that the average salary of the 26,000 FTEs is \$93,000.00. That needs to be factored into your analysis. My good friend George Wooding just published a story in the Westside Observer. The homeowners of this city are the new ATM. He had salary data that I provided to him before he published for the Police, Fire, MEA, and Local 21. Those salaries, for people making over \$73,000.00 average \$120 - \$140,000.00 a year. Not true with people making less than \$73,000.00 per year. Their average salary was somewhere between \$35 – \$42,000 per year. The myth that we have 26,000 FTEs must be dispelled if you are to do any meaningful analysis about the performance of people who work part-time and are not averaging \$93,000.00 in a year. Do some honest math, not fuzzy math. There are 37,000 employees on the payroll, including full time and part time. Many of the part-timers are less than .5 FTE. Meaningful evaluation needs to be based upon their real salaries."

d. Liaison Assignments

The Committee agreed to defer this discussion until the September meeting pending new Committee members.

e. Update – Community Engagement Benchmarking Report

Ms. Rhine provided an update about the report, which will be provided in draft form to the subcommittee in August and to the Committee in September. She said the consultants

expressed their opinion that the City staff is fully committed to robust community engagement and they have learned that the City relies heavily on the project managers' skills and relationships with the community. Some critics report that the City doesn't listen. The consultants are exploring this more to try and understand the specific issues. The Commission approval process and multiple levels of appeals that a single organization sometimes pursues can be frustrating for some people. There will be a conversation about this as well as the intersection with the second benchmarking study. The Planning Department went through this type of study on public outreach and engagement. The subcommittee has reviewed the study and using it to inform the work. The report will include an overview of existing practices in San Francisco and three external jurisdictions, recommendations for community engagement principles, best practices or tools tied to those principles and anticipated outcomes. The intention of this study was to always serve CGOBOC in its evaluation tied to projects being on time and on budget. They are also looking at best practices in technology for community engagement.

There was public comment from Patrick Monette-Shaw: "If CGOBOC could get those folks to look at the community engagement around Laguna Honda that would be terrific. It was not a Beach Chalet kind of thing. There was very little community engagement in large measure because of Laguna Honda's Public Information Officer who absolutely disdained members of the community. They should benchmark Public Information Officers in engagement."

f. Update – Project Compliance and Approval Process Benchmarking Report

Corey Marshall provided a summary of the second benchmarking project. The focus of the study is on project compliance and approvals processes with the planning and execution of the GO Bonds. It will include all local, state and federal regulations with whom the different bond programs interface. It will include best practices from three comparable jurisdictions with cities that have not only comparable types of GO Bond programs but also comparable types of programs so that the comparisons are "apple to apple". There was representation both within and outside of California. The organization of the report will be similar to that of the Community Engagement Benchmarking Report and include recommendations. The draft report is currently in progress. The deliverable is due in mid-August.

Ms. Rhine said the Controller staff assignments on these projects have been excellent. She acknowledged Mark de la Rosa and Christine Lee, from CSA-Audits and Performance respectively.

There was no public comment on the second benchmarking project.

g. Other Items

The Whistleblower Satisfaction Survey request from Dr. Kerr will be referred to Tonia Lediju.

There was public comment from Patrick Monette-Shaw: I wanted to address under “other” your follow-up on asking, ~~orally, teorally, to~~ have the action items forwarded to me. A couple of quick points: in 2012 CGOBOC’s agendas from January to July included two Whistleblower Program reports and possible action. To date, in 2013, the same time frame, only one Whistleblower Program. If you can do 2 updates in one year, you can do two each year. I haven’t seen the audio link yet but I may have missed it. There was an agreement to pass on recommendations to Ethics. Have those recommendations been done yet? May I request them as a public record? CGOBOC’s November 2012 minutes noted Dr. Kerr’s request for an audit of the Whistleblower retaliation cases dismissed by Ethics. The minutes said the Whistleblower audit would be completed May 23rd. The May 23rd minutes mention nothing about a Whistleblower Audit that was concluded. That, plus the audit of retaliation cases – unless that is also on page 13 of a report. So, has that audit been done? You don’t have to engage. I know ~~it’s~~sits 11:30. Everyone wants to go to lunch. And I want public comment.

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

There was public comment from Patrick Monette-Shaw: Ms, Rhine, I’m glad I’ve made you smile at least once during this meeting. CGOBOC needs to hold another public hearing on the Laguna Honda Bond for the following reasons: the replacement project’s June 2013 report to you says that \$5.5 million remains of unspent encumbrances. Why? They’ve been in that building for two years. Why is money still unencumbered but unspent? The June report from the Project Team says the change order \$5.5 million that I mentioned earlier. This represents 25% of the initial \$400 million dollar budget in change orders. You guys did not take me seriously about pushing them on those change orders. The last statement said something like \$75 million. How did it get up to \$94 million? Where’s the data on that Ms. Rhine? The forecast section of the report says that more scope of the remodel has been reduced but it doesn’t say, in the details, about what scope was reduced. Ms. Rhine just said – not too many minutes ago – that part of your mission is to monitor your scope. Why aren’t we getting detailed reports when the scope has been deleted from various projects, particularly on the LHH Bond? You need to schedule another hearing on the bond and dig deep into the reduced scope, since ~~it’s~~sits part of your mission. Previously, you were advised the City would sue Stantec for \$7 million in an analysis by Harvey Rose regarding a \$600,000.00 request (not clear) LHH scope watch role kitchen. The City Attorney advised Harvey Rose that the law suit has dropped \$45 million. Has the City dropped the amount it expects to collect from Stantec? You need to dig into this. Finally, the replacement project report to the Health Commission’s Joint Conference Committee on March 28th indicated that the request to extend substantial completion to August 30th. You need to investigate whether substantial completion occurred and schedule another agenda item on the Laguna Honda bond. Thank you.

8) Committee Action Items:

- Whistleblower Satisfaction Survey discussion
- Remind CGOBOC of employee outreach efforts by the Whistleblower Program

- Place the issue of a formalized CGOBOC process for post review of bond issues on the agenda. Suggest that two bonds would be covered before CGOBOC moves on – LHH and BLIP
- Revise and finalize the letter to the Park Commission re: 2000 bond money. Note the fact that the 2000 bond had no specific parameters.
- Provide the Controller's response to the Civil Grand Jury on CSA
- Include staffing information on reports from the CSA per the CGJ discussion
- Draft CGOBOC response to CGJ
- Finish up Annual Report

The meeting was adjourned at 11:35 a.m.