

**MINUTES**  
**Citizens' General Obligation Bond Oversight Committee**  
**September 10, 2009**  
**Hearing Room 263 - City Hall**  
**San Francisco, CA 94102**

**1) Call to Order, Roll Call**

Ms. Maura Lane, Committee Assistant, called the meeting to order at 9:38 a.m. at which time a quorum was present. The following committee members were present: Hunter Stern (Chairman), Sanford Garfinkel, Dick Morten, Robert Muscat, Michelle Sexton, Kristen Chu (Vice-Chair) and Abraham Simmons. Egon Terplan was absent.

**2) Approval of the Minutes of the meetings of July 23, 2009**

Approval of the minutes was continued to the next scheduled meeting on Thursday, October 22, 2009.

**3) Presentation from the Controller's City Services Audit Division regarding the audit of the West Portal Branch Library project of the Branch Libraries Facilities Improvement Plan.**

Ms. Tonia Lediju, Director – City Services Audits, presented the results of the audit of the Department of Public Works' (DPW) Branch Library Improvement Project (BLIP). The overall recommendation is that DPW needs to ensure contract terms are consistent with actual practices and procedures.

DPW is responsible for managing the bidding and construction phases of BLIP projects, according to the BLIP MOU and DPW's established policies and procedures. CSA performed a compliance audit of the West Portal Library contract to determine adherence by DPW and the contractor to contract terms and to DPW policies and procedures. The renovation included an addition and many upgrades to the existing building, including new utilities, computers and expanded shelf space. Work on the renovation began in March 2005. The library re-opened on February 10, 2009. The contract was closed out in June 2008.

The audit objectives were to analyze whether DPW, and the contractor, working together: (a) adhered to contract terms regarding the submission and approval of monthly invoices and change orders (scope, budget and schedule changes); (b) assured delivery of the contracted scope of work; and, (c) adhered to significant administrative requirements regarding insurance, bonding and other matters.

The audit found that contract terms were not followed. Specifically, DPW and the contractor did not adhere to detailed contract terms regarding invoicing, change orders, schedule updates and contract closeout. DPW acknowledged that certain contract requirements were not fully adhered to because they were unnecessary on a small project and represented outdated contract boilerplate.

Recommendations from the Controller's Office included ensuring procedures included in a contract are applicable to the project and consistent with current DPW practices and procedures and setting criteria for defining what constitutes a "small" project, and creating a contract template specifically for small projects.

Closeout dates were improper. DPW approved substantial and final completion although not all contract requirements were met. The audit found that DPW did not properly document the true completion date of the project by not issuing a final time extension to account for increased scope of work and delays caused by the City. Finally, without the noted time extension, contract terms require the assessment of up to \$405,000 in liquidated damages against the contractor.

Recommendations from the Controller's Office in this area include ensuring all contract requirements are met before approving substantial and final completion dates and the issuance of a final time extension to cover the end-of-project delays, or assess the contractor liquidated damages of up to \$405,000.

Risk Management. The contractor's general liability insurer was not confirmed by DPW to be registered in California. The bond surety with lower-than required financial stability rating was approved without supporting documentation. The Builder's Risk coverage limit was not increased to account for added project value from change orders. The subcontractor's license status, insurance coverage and City business tax registration were not thoroughly monitored.

Recommendations from the Controller's Office in this area include adherence to documented DPW policy of confirming the state registration/licensure of all contractor's insurance companies, adherence to contract financial-stability requirements for insurance and surety companies; document Risk Management's approval of noncompliant companies; ensure that contractor's builder's risk coverage is compliant with contract requirements; and documentation of Risk Management's approval of any deviation. Finally, work with Risk Management to update DPW's standard contract language related to insurance and bonding so it is consistent with DPW's current practices and procedures.

Hunter Stern, Chairman, commented on the length of time it took for the audit and evaluation of the work done by DPW to be completed. Other committee members asked questions regarding the archaic language of the contracts, the definitions of some of the items in the audit report and changes in contracts for smaller projects. Ms. Chu asked if any of the findings resulted in additional delays or increased money for the taxpayers. Rob Malone, of the Controller's Audit staff, responded that none of the audit findings cost taxpayers additional money.

DPW will implement the recommendations via the audit resolution process and a follow-up report will be forthcoming.

Mr. Fuad Sweiss and Mr. Joe Cheung, of the Department of Public Works, responded to the audit. A number of updated procedures were provided. Mr. Simmons wanted to know what is happening in the project now that will apply the lessons learned. Mr. Cheung

responded with information about the updated General Contract Conditions. There were also questions regarding change orders, cost avoidance, self auditing and small projects templates from the committee.

Mr. Stern made the following follow-up requests on behalf of the Committee: (a) that there be a follow-up of the 2007 audit – a status report on the programmatic audit of BLIP and the application of some of the documents developed by DPW. Mr. Rosenfield, Controller, responded that there will be a follow-up on the implementation of the 2007 audit. There will be other audits on other G.O. bonds (contract compliance). The planning and job scoping process will be reviewed earlier in the work. There will be more information at the October 22<sup>nd</sup> meeting.

#### Public Comment

Mr. Chaffee remarked on the insight the West Portal audit on the project as a whole and expressed his opinion that the audit is a “show place” audit. Mr. Warfield expressed his opinion that the audit identifies many potential problems. Mrs. Caufield expressed concerns about adherence to MOU specifications.

#### **4) Presentation from the San Francisco General Hospital Rebuild Program regarding its General Obligation Bond Funded Projects.**

Ron Alameida, Project Manager, provided an overview of the project for new committee members. There were questions from the Committee regarding whether or not costs will increase because of the schedule (bids have been coming in low), how low the bids are compared to one year ago, tracking by the Health Commission, variances to the schedule and budget. Mr. Stern reminded Mr. Alameida of the need for Gantt charts in the quarterly reports to the Committee.

There was no public comment.

#### **5) Presentation from the San Francisco Unified School District regarding the 1997 City College and Unified School District Bond Projects.**

The close-out report for the San Francisco Unified School District was presented to the Committee. Mr. Stern asked that a letter be submitted to the Committee that says the project is closed and the remaining funds will be spent on Lafayette and Sunnyside.

The report from City College will be presented at a separate meeting.

There was no public comment.

#### **6) Discussion of the Committee's 2009 Annual Report and Future Agenda Items.**

The discussion was continued to the next scheduled meeting on Thursday, October 22, 2009.

There was no public comment.

**7) Opportunity for the public to comment on any matters within the Committee's jurisdiction.**

There was no public comment.

**8) Adjournment.**

Mr. Stern adjourned the meeting at 12:34 p.m.