



MEMORANDUM

TO: Rebecca Rhine, Chair
Citizens' General Obligation Bond Oversight Committee (CGOBOC)

FROM: Ben Rosenfield, Controller

DATE: March 17, 2015

SUBJECT: Status Report on Established CGOBOC Workplan Initiatives

This memorandum provides a brief update on established CGOBOC workplan initiatives for the current fiscal year, many of which the Controller's Office is helping to support. We look forward to further discussion and direction regarding these initiatives at the March 26th meeting.

I. Updated On-Boarding Materials for New GOBOC Members

CGOBOC set a goal for this fiscal year of refreshing and updating your on-boarding process and materials for new members, with the goal of providing improved continuity as membership on the body changes. As discussed and at the request of CGOBOC, the Controller's Office has been working to provide updated on-boarding materials for new committee members, including additional general overview materials on CGOBOC and roles and responsibilities materials for various committee liaison assignments. A working draft of these revised on-boarding materials is included in the agenda packet for this meeting. We look forward to receiving further feedback and guidance from the committee on these draft materials, and will help to support their finalization before the end of the fiscal year.

II. Revised Format for Bond Program Quarterly CGOBOC Reports

A core element of the committee's oversight work is performed through review of quarterly reports from each of the bond programs. CGOBOC set a goal for this fiscal year of updating these materials to focus more directly on key reporting requirements and to better align these reports with other reporting responsibilities from these programs to other commissions, advisory bodies, and policy-makers. The Department

of Public Works (DPW) has been working on a revised reporting format given feedback from CGOBOC members and other stakeholders, and will provide a draft of this new reporting format for the 2011 Road Repaving and Street Safety Bond program. This draft template will be distributed to committee members for review prior to the upcoming meeting; the Controller's Office will work with DPW to revise this new template given committee feedback and then broaden the use of the new reporting template to all other active bond programs.

III. Bond Expenditure Compliance Audits

As discussed and at the request of CGOBOC, the Controller's Office intends to augment our construction auditing program with targeted auditing to test eligibility of bond expenditures with the voter-approved bond ordinances. We have enlisted the services of one of its pre-qualified construction audit firms, Cumming Construction Management, to conduct the initial audit, which will involve completion of a performance audit to determine whether bond funds were spent in accordance with stated purposes and permissible uses, as approved by the voters, and to review whether bond funds were used for impermissible administrative expenses.

The Controller's Office is now drafting the contract with Cumming Construction Management the initial audit of a single bond program. Given the City's contract development and negotiation procedures and timeline, our goal is to initiate this audit by June 2015 and complete it by September 2015. We intend to conduct similar audit testing of other bond programs in fiscal year 2015-16.

IV. Annual Performance Reporting on Each Bond Program

As part of the Controller's Office mission and in support of CGOBOC, the Controller's Office has conducted numerous audits and performance evaluations of various bond programs over the past five years, typically as stand-alone reviews of a given program. In order to provide a global perspective on the progress of voter-approved G.O. bond programs and as discussed in CGOBOC's workplan initiative process, we are preparing a summary performance assessment of each bond program this fiscal year that will provide our review of the status of each program towards key performance indicators, including budget, schedule, and scope goals. Our target is to complete this report by the end of this fiscal year, for review prior to CGOBOC's completion of its annual report to the Mayor and Board of Supervisors.

V. Bond Close-Out Protocols and Reporting

As CGOBOC refines and standardizes its regular reporting, the close-out protocol will emerge as the final reporting of the key areas of oversight. The Controller's Office will work with DPW on close-out reports for the Branch Library Improvement Program and

Laguna Honda Hospital Replacement Project that will include, but not be limited to, performance against baseline in the areas of timeline, scope and budget including final change order activity and contingency outcomes. We anticipate that both programs will submit final reports to CGOBOC later this calendar year.

VI. Reporting on Annual Maintenance Requirements of Improved Assets

CGOBOC highlighted this issue in the committee's annual report to the Mayor and Board of Supervisors, and stated a desire in your work planning process to expand this reporting in future years. To this end, CGOBOC has requested that as part of the annual Capital Plan report the Committee be briefed on the assumptions and projections of modeling currently used to estimate those ongoing maintenance costs. Those estimates would then be explicitly included in the annual report to provide additional information elected decision-makers as to the budget implications of GO bond programs. The Controller's Office will work with Capital Planning Program staff to provide this information to the committee for this year's annual report.

I hope this status report is helpful. Please let me know if you have questions or comments; we look forward to receiving feedback and direction from the committee on these items.