

MINUTES
Citizens' General Obligation Bond Oversight Committee*
July 26, 2012, 2012
Hearing Room 316 - City Hall
San Francisco, CA 94102

- Full recordings of Committee meetings are on CGOBOC's web site at <http://www.sfcontroller.org/index.aspx?page=86>

1) Call to Order, Roll Call

The meeting was called to order at 9:34 a.m. Maura Lane, Committee Assistant, called the roll. All committee members were present except for Regina Callan and Corey Marshall, who were excused.

2) Amendment of the By-Laws to provide for the election of officers at the first meeting in each fiscal year.

The amendment to the by-laws was approved as presented.

There was no public comment.

3) Election of Officers

Thea Selby was re-elected as Committee Chair. Jonathan Alloy was re-elected as Vice-Chair.

There was public comment from Patrick Monette-Shaw. Mr. Monette – Shaw reminded Chair Selby of her responsibility to provide leadership in regard to examining change orders on a regular basis. In response to a question from Mr. Monette-Shaw regarding the length of terms for CGOBOC, Ken Roux, City Attorney, responded that CGOBOC terms are two years each for a maximum of 2 consecutive terms per Section 5.33 of the San Francisco Administrative Code.

4) Approval, with possible modification, of Minutes of the May 24, 2012 and July 11, 2012 meeting minutes.

The minutes were unanimously approved with 1 modification/correction for each.

There was public comment from Patrick Monette-Shaw regarding inclusion of public comment within the body of the minutes and not as separate attachment.

5) Discussion of the FY2013 CGOBOC Work Plan.

The Committee reviewed and discussed the draft FY2013 CGOBOC Work Plan. The draft plan was unanimously approved, with the following additions:

- Consultant Contracts & CGOBOC Annual Report (final approval) for meeting on September 27th
- 2012 Parks Bond in January 2013; and,

- Laguna Honda Hospital Closeout Report in either March or May 2013

There was public comment from Patrick Monette-Shaw about adding/keeping the Laguna Honda Hospital Project on future agendas because of the costs overruns. He was not sure as to whether the cost overruns are reflected in the change orders or scope reductions.

Dr. Derek Kerr provided the following comments: "At the last meeting, I mentioned that I requested information about the Whistleblower Program budget. I was told there was no budget and it would have to be calculated by the Controller's Office. Here is the response I received:

In the first year, there was a program manager and two investigators. The cost was \$312,000.00. Something happened in 2008. There was a drop from \$218,000 to \$128,000 which represents a 41% reduction. If you look at the first four years, the average budget was \$256,000 per year. But, in the last four years, the average was \$134,000. That's a 48% drop in funding in the first four and last four years. Over the same time frame, there was a 59% increase in complaints.

Question #1: How did the Whistleblower Program increase its' workload by 59% while its' funding was cut by 48%?

Lastly, look at the budget for the past fiscal year. It was just \$139,000. That's 1% of the \$13 million dollars that the City Services Auditor gets every year as a result of Proposition C. Whistleblower Program Manager Steve Flaherty's base salary is \$90,000. Add 30% for benefits and you get \$120,000 – almost the entire budget.

Question #2: What kind of staffing – and service – do we get for \$139,000 per year?"

Committee member John Madden is the Committee's liaison to the Whistleblower Program. Mr. Madden told the Committee that the cost of administering the Whistleblower Program is also carried by other departments, who perform investigations. Peg Stevenson, CSA Director – Performance, also clarified the costs attributed to staffing during the original design and development of the program and described some of the process issues.

Mr. Flanagan requested comparative information from other cities, including their funding and expressed his opinion that \$139,000.00 probably represented one full time employee with benefits.

Ms. Rhine reminded the Committee that the decrease in budget in 2008 was most likely due to the recession and the subsequent reductions in staff/programs.

6) Presentation from the San Francisco General Hospital Rebuild Program.

Ronald Alameda, of the Department of Public Works and Project Manager for the SF General Rebuild Program,, and Terry Salks, from San Francisco General Hospital, presented an update to the Committee that included a budget overview, costs expended to date (Gantt Charts) and program progress to date. Since his last presentation to the Committee in January 2012, Mr. Alameda has met with the liaisons twice and is scheduled to meet with them again on Friday, August 10th. Of the \$424.5M appropriated

in the budget, \$287,540,589 has been expended and \$111,509,708 has been encumbered. This leaves a balance of \$25,452,632. Overall, the budget remains constant with the anticipated expenditures on schedule. . The project remains on budget.

The third bond sale activity is scheduled to take place on August 14th, 2012. The Board of Supervisors approved an appropriation amount of \$265.185M for the sale in August. The 4th and final bond sale is scheduled for mid- 2013.

Since the last report, the low voltage bid package bidding has been completed and is now within budget. There are several small (\$3 -4 M) bid packages still pending.

The challenges are in the schedule. The Service Building Modification is running concurrently with the Emergency Generator Project. It is running over schedule because of unexpected complications (fill problems, improvements in the field personnel). The expectation is that there will be further delays because of OSHPD.

Increment 2 (steel framing) topped off in June. The activities are advancing ahead of schedule and will continue through the end of the year.

Projected operations of a fully functional hospital remain at 2015. There is a slight gain in the substantial completion forecasting because of the progress with the steel frames.

Increment 4 (plan review) continues to be a challenge. The fires, life safety, and electrical reviews with Sacramento have been arduous. There will be significant delays to the project if the necessary approvals are not received by the end of August. There was a lengthy discussion between the Committee members and Mr. Alameida about the permit process and the challenges of working with OSHPD.

Mr. Alameida presented information regarding program progress from the previous quarter as follows:

- Service Building: interior framing and drywall completed, new O2 tank installation design comments from OSHPD are being addressed, fuel oil and MEP systems continue, and previous quarter OSHPD inspection and approval delays improved but not resolved.
- New Hospital Project Site: steel framing topped off, elevated decks and fireproofing advanced, bridge and tunnel connections established precast panels and curtain wall are in production, and major MEP equipment in fabrication, including factory testing.
- Incremental Permits: Increment 4 – back check 3 is in review and is the current focus, Increment 5 – OSHPD review underway, and Increment 6 – the building permit received.
- Project Scope Buy-Outs: the low voltage reduced scope rebid completed and brought into budget, the remaining buyout includes Increment 5, State Reinstatement, O2 Tanks and Building 5 modifications.

The current issues and concerns center on OSHPD staffing, specifically the Increment 4 Permit Review driven delays. Other concerns are the generator project OSHPD inspection and field change related delays as well as owner requested and operational driven changes. Mr. Alameida also cautioned the Committee that the 2015 substantial completion is contingent upon the lack of permit delays.

The liaisons (Ms. Selby and Mr. Sanford) discussed the current status of Increment 4. Several Committee members wanted to know if anything could have been done to prevent some of the delays in regard to OSHPD approvals. Both Mr. Sanford and Mr. Alameida addressed issues about how OSHPD works, some of the reasons for their delays and the general quirkiness with which the agency can sometimes function. The worst case scenario that would result if the permits are not approved by the end of August 2012 is the timing for other parts of the project will be negatively impacted.

Mr. Flanagan asked for clarification of the substantial change requests from the project as listed on page 3 of the presentation. This was followed by a discussion regarding how changes are accepted. Other discussion items included a request for the completion date for the steel frame, whether or not items can be shifted from one increment to another as a way of shifting some of the costs, and whether OSHPD pays overages to projects to which their process has caused delays. Mr. Garfinkel clarified the number of scope change orders and reminded the Committee that changed conditions can sometimes be the reasons for change orders.

Mr. Alloy expressed concerns about the ability to understand and use the financial data on the Gantt charts and requested more robust financial breakouts. This item is pending further discussion at a later date.

There was public comment from Patrick Monette-Shaw about the need to closely watch the change orders, the dollar amounts on the Gantt charts, the need for the Laguna Honda Hospital Project to be included on the November 2012 CGOBOC meeting agenda in addition to a close-out report in 2013 and the information on Gantt charts and status reports.

7) Presentation from the Laguna Honda Hospital Project.

John Thomas, the Laguna Honda Hospital Project Manager from the Department of Public Works, reviewed the remodel major accomplishments and the new building closeout.

Since the end of April 2012, Turner Construction has had all major subcontractors on site. The number of personnel has increased from 10 to 60. The work has focused on installation of HVAC ductwork, mechanical and electrical rooms and drywall installation. The work in place per month has more than doubled since March 2012 and is continuing to increase.

Mr. Thomas reported that the CM-at-Risk began work in the administrative suite. The majority of the medical clinic renovations (above the administrative suite) will be completed in September with administration re-occupying the offices by the end of the month or beginning of October. The CM-at-Risk has now completed over 95% of the structural repairs needed at the facility which has allowed the remodel work to accelerate. In response to questions regarding reasons for the delays in the H wing, Mr. Thomas responded that there were poor conditions in the facility that needed to be repaired.

The liaisons to this project are Mr. Garfinkel and Ms. Selby. Change orders, within this project, are highlighted in the report. Ms. Selby expressed her opinion that the way

change orders are documented in the Laguna Honda Hospital Executive Summary represent the example of the way that all projects should be communicating about their respective change orders. Some of the change orders reflect unforeseen conditions and necessary repairs to the facility.

In response to questions from the Committee, Mr. Thomas provided the context for the Global Settlement that is referenced in his presentation. There were significant delays due to poor project design and an additional one year delay on the part of the contractor. The settlement was the result of the negotiations with Turner Construction to resolve the issues.

Mr. Thomas reviewed the project's funding status as of June 30th, 2012, which includes appropriations, expenditures and unspent encumbrances. Ms. Selby reminded Mr. Thomas that the actual/projected versus the budget information should be included on all Gantt charts. She would like to see this information in advance of the next Committee meeting scheduled for September 27th, 2012.

There was discussion about lessons learned from the project that can be used for with other projects, such as San Francisco General Hospital Rebuild. Mr. Alloy expressed his opinion that there is not enough work about risks caused by delays.

In response to questions about the Dialysis Request for Proposal, Mr. Thomas and Ms. Sesay both said the RFP was not part of the bond program.

There was public comment from Patrick Monette-Shaw regarding long-term, acute care medical facilities.

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

Ms. Selby provided an update regarding CGOBOC's Annual Report. She asked that Committee members provide pending items to her as soon as possible.

There were questions from Mr. Alloy about the status of monies left over from various bond projects and how the monies can be used. It was noted that this question has been answered several times in the past but continues to come up. Responses from Nadia Sesay (Office of Public Finance), Peg Stevenson (CSA) and Ken Roux, City Attorney were that funds on deposit in the project fund shall be applied to finance the project as intended in the bond language pursuant to the bond measure. When such purposes have been accomplished, any monies remaining in such account shall be applied to the payment of the principle of and interest on any series of bonds; provided the City does not have qualified projects conforming to the intent of the bond measure for which the remaining funds could be applied.

Ms. Rhine noted that, because Recreation & Park is on the agenda for the September CGOBOC meeting, the Committee might want to read the article in the San Francisco Examiner about the project at Lafayette Park.

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

Patrick Monette – Shaw had comments about the Gantt Charts for the Laguna Honda Hospital Project and clarified his earlier comments about Laguna Honda Hospital as a long-term, acute care hospital.

The meeting was adjourned at 12:05 p.m.