



MEMORANDUM

TO: Citizens General Obligation Bond Oversight Committee

FROM: Peg Stevenson, City Performance Director

DATE: January 16, 2013

SUBJECT: Update for January 2013 CGOBOC Meeting

Highlights of the City Services Auditor's (CSA) performance and technical assistance work in the period are:

- Performance staff issued the Government Barometer on November 21, 2012. We are changing the format for the Government Barometer to show period-to-period calculations with trend lines as a visual representation of both period-to-period and year-to-year data trends. New measures have been added and it will include highlights with information on current issues and trends. Issuance will be quarterly and in conjunction with the Economic Barometer by the Controller's Office of Economic Analysis.
- The November Barometer highlights included:
 - The Public Safety Realignment Act of 2011 (AB 109) transferred responsibility for many lower-level felony offenders from the State to Counties. San Francisco's Adult Probation Department is now supervising individuals convicted of certain felonies who are sentenced to local jail and/or probation rather than state prison (Code 1170h); individuals released from state prison to probation supervision rather than state parole (Code PCRS), and State Parole Violators. Our analysis shows that the number of new individuals processed under AB 109 exceeds state projections by roughly 75 percent on average, and the majority of new individuals to date are State Parole Violators.
 - The average value of construction projects for which new building permits were issued during the current quarter is \$277.4 million. This is an increase of 207% from the prior year when the average value equaled \$74.1 million and 65% from the previous quarter with construction costs of \$137.7 million. During the current quarter, the three largest projects are two apartment complexes and one office building valued at \$140.7, \$98.1, and \$100.2 million respectively.

- CSA was asked by the San Francisco Public Library to perform an assessment of the Library's Collection and Technical Services Division and issued our report on it in December 2012. CSA identified inefficiencies in the department's current workflow including unnecessary movement of materials, fluctuations in ordering materials, a time-consuming system for processing purchase orders and invoices, and underuse of the Library's data management system. The team recommended eight action items ranging from logistics (loading only the top two shelves of book carts) to financial (setting targets to smooth spending throughout the year) to managerial (cross-train staff in processing functions, convert paper invoicing process to electronic and use the Millennium database to track and maintain performance standards and manage operations). The Library is underway with making these improvements.
- From March to August of 2012 CSA contracted with an expert consultant to report on best practices and opportunities for the expansion of Early Periodic Screening, Diagnosis, and Treatment (EPSDT) in San Francisco. EPSDT is a federal Medicaid program ("Medi-Cal" in California) which provides funding for medically-necessary services including mental health to youth under 21 years of age. The consultant's work included a survey of nine counties and eighteen community-based organizations in California and interviews with key staff from HSA and DPH. The consultant found that the City can potentially claim additional federal funds for services provided to foster care youth and their families and to youth at risk of entering foster care. The models and best practices from other counties and organizations helped illustrate how to proceed with this effort. After review of the consultant's findings the San Francisco Human Services Agency (HSA) and the Department of Public Health's Community Behavioral Health Services (DPH-CBHS) began implementation work in December 2012.
- The Controller's Office issued an updated actuarial valuation of the City's retiree (or postemployment) medical benefits liability as required by Governmental Accounting Standards Board Statement Number 45 (GASB-45). The City's unfunded actuarial liability is approximately \$4.42 billion. This number represents the future cost of providing retiree health benefits earned by employees and retirees as of July 1, 2010, net of a modest balance of \$3.2 million in the Retiree Health Care Trust Fund. The last valuation report performed in 2008 showed an estimated \$4.36 billion unfunded actuarial liability. The unfunded liability estimate for 2010 is relatively unchanged from the prior valuation largely due to; lower than expected medical inflation during the past two years, a long-term assumption that medical inflation will be marginally lower in future years and steps the City has taken to reduce costs for new employees. The actuarial and analytical work was performed by Cheiron, Inc., which also provides services to the San Francisco Employee Retirement System.
- A table listing performance reports issued since CGOBOC's last meeting is below.

Date	Title
12/17/12	Expand Early Periodic Screening, Diagnosis, and Treatment Services (EPSDT)
12/17/12	Library Collection and Technical Services Efficiency Review
11/27/12	Controller's Office Government Barometer – September 2012
11/20/12	Report on Retiree (Postemployment) Medical Benefit Costs