



City and County of San Francisco  
Citizens' General Obligation Bond Oversight Committee  
Sam Yockey, Chair  
Pamela S. Jue, Vice Chair

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December 8, 2003

Honorable Matt Gonzalez, President  
Board of Supervisors  
City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

## **ANNUAL REPORT FROM THE CITIZENS' GENERAL OBLIGATION BOND OVERSIGHT COMMITTEE – 2003**

### Executive Summary

The Citizens' General Obligation Bond Oversight Committee was formed subsequent to the passage of Proposition F (March 2002) to inform the public, through review and report, on the expenditure of general obligation bond proceeds in accordance with voter authorization. The Committee was formed and met nine times over the past year.

After receiving basic information updates on six major active bonds and review of nine older, potentially inactive bond accounts, the Committee's review uncovered no instances where bond proceeds were spent on purposes not authorized by the respective ballot measures. We have, however, found that the City has not established standards for consistent tracking or reporting progress at the project level in relation to time and budget among departments, making assessment difficult. **The Committee's review of bond accounts over ten years old led to the closure of three completed accounts resulting in a total \$947,559 reduction in the debt service to be paid by San Francisco property owners.**

This first annual report reviews the 2003 activities and findings of the Citizens' General Obligation Bond Oversight Committee and is organized into the following topics:

- Executive Summary
- Background
- Meetings
- Active Bond Programs Reviewed
- Committee Focus Issues
- Additional Information Requested and Received
- Findings and Recommendations
- Future Plans



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### Background

Proposition F, enacted by the electorate in March 2002, established the Citizens' General Obligation Bond Oversight Committee of nine members for the purpose of informing the public concerning the expenditure of general obligation bond proceeds through active review and the publishing of regular reports. (San Francisco Administrative Code 5.30-5.35)

The Ordinance required that the nine committee members meet certain minimum qualifications and be appointed as follows: three members by the Mayor, three by the Board, two members by the Controller and one member by the Civil Grand Jury. Each member serves for a term of two years. Members were appointed as follows:

<u>MEMBER NAME</u>	<u>APPOINTED BY</u>	<u>APPOINTMENT DESCRIPTION</u>
<b>Sam Yockey Chair</b>	Mayor	Active in a business organization representing the business community located within the City
<b>Pamela S. Jue Vice-Chair</b>	Controller	Expertise in auditing governmental financial statements or with expertise in public finance law
<b>Chris Cunnie</b>	Mayor	Active in a labor organization
<b>John F. Hentz</b>	Board of Supervisors	Active in a community organization
<b>Terry Micheau</b>	Controller	Expertise in construction management
<b>Arlene Singer</b>	Civil Grand Jury	Member of the Civil Grand Jury
<b>Deidre Von Rock-Ricci</b>	Board of Supervisors	Active in a business organization representing the business community located within the City
<b>Bill Wong</b>	Board of Supervisors	Active in a labor organization
<b>Jim Wunderman</b>	Mayor	Active in a community organization

### Meetings

The Committee first met in January 2003 and planned to conduct quarterly meetings as required by its bylaws. However five additional special meetings were held in calendar year 2003 in order for the Committee to become more quickly productive. Two of the meetings were devoted to organizational issues and receiving briefings from the Controller, staff from the City Attorney's Office, staff from the Mayor's Office of Public Finance, and staff from the Department of Public



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Works. Two meetings dealt with the development of a work plan for 2003 and a portion of 2004 as well as discussions regarding the format and preparation of the Committee's first annual report. The remaining five meetings were devoted to departmental presentations on the status of general obligation bond funded programs.

#### Active Bond Programs Reviewed

The Committee received presentations and information from issuing departments regarding the following active bond programs:

1992 Golden Gate Park Improvement Bonds  
\$76,300,000  
Recreation and Park Department

1996 Affordable Housing Bonds  
\$100,000,000  
Mayor's Office of Housing

1997 Zoo Facilities Bonds  
\$48,000,000  
Recreation and Park Department

1997 Educational Facilities Bonds  
\$140,000,000  
San Francisco Unified School District & San Francisco Community College District

2000 Neighborhood Recreation and Park Facilities Improvement Bonds  
\$110,000,000  
Recreation and Park Department

2000 Branch Library Facilities Improvement Bonds  
\$105,865,000  
Public Library

#### Committee Focus Issues

The Committee has been formed to provide oversight to: 1.) ensure that bond revenues are expended only in accordance with the ballot measure, and 2.) ensure that no funds are used for any administrative salaries or other general governmental operating expenses. To that end the following questions were asked either in writing or during meetings with bond-issuing departments.



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- Are individual projects proceeding on schedule? If not, why not, and what action is being taken?
  - Are individual projects currently within budget? If not, why not, and what action is being taken?
  - Is the bond program forecast to be completed on time and within the authorized bond amount?
  - To what extent is the capital program predicated on the receipt of funds other than general obligation bond proceeds, and what contingency plans exist to deal with non-receipt of those funds?
  - Are competitive bid requirements followed for all projects?
  - Does the department maintain internal controls adequate to assure that charges to bond funds are appropriate?
  - Are departmental employees salaries charged to bond funds appropriate?
  - What are the opportunities in the program for the joint use of core facilities and use of cost-effective and efficient reusable facility plans?
  - What other mechanisms have been designed to reduce the costs of professional fees, site preparation and design?

*Additional Information Requested and Received*

1. The Committee requested and received Bond Expenditure Compliance Certificates for each active bond signed by the department Finance Director and the Department Head (or designee). The purpose of the certification is to provide accountability and insure that bond proceeds are expended only for the purposes for which the bonds were approved.
2. The Committee reviewed bond programs over ten years old and apparently inactive but with open project accounts. The Committee sent letters to the responsible departments asking:
  - Are the projects funded by the bonds complete?
  - If projects are not complete, what work remains?
  - When will work be completed?
  - When can the project accounts closed?

As a result of these inquiries, three project accounts have been closed. After review, departments reported six still contain active projects.

1. 1986 Fire Protection Systems Improvement Bonds – ACTIVE
2. 1987 Police Department Facility Improvement Bonds – CLOSED





3. 1987 Recreation and Park Facilities Bonds – ACTIVE
4. 1987 Public (Mental) Health Facilities Improvement – ACTIVE
5. 1988 Public School Facilities Improvement – CLOSED
6. 1988 Library Facilities Project – ACTIVE
7. 1990 Correctional Facilities Improvement Project – CLOSED
8. 1992 Golden Gate Park Improvements – ACTIVE
9. 1992 Fire Department Facilities Project – ACTIVE

The Committee will continue to monitor these accounts.

- **Closure of accounts to date has resulted in a total \$947,559 reduction in the debt service to be paid by San Francisco property owners.**

#### Findings and Recommendations

The primary work of the Committee in this year's meetings was to grasp the basics of each bond program presented to it. Significant findings by the Committee related to active bond program expenditures follow.

1. The Committee has found that there is tremendous variation in how departments track and report on bond funded projects. This variation often results in an inability to determine whether projects have proceeded on schedule and what actions were taken and the overall impact on expenditures.

**The Committee recommends that the Office of the Controller establish a standard Gantt chart format to be utilized by all departments as the basis for reporting requirements.**

2. There was not an effective process in place to monitor the closure of bond accounts.
3. The San Francisco Unified School District has not provided a complete plan, including a budget and schedule for each bond project in two appearances before the Committee. During one of those appearances the District acknowledged borrowing funds from other District sources in order to keep bond projects moving forward pending appropriation of bond funds by the Board of Supervisors. The Committee scheduled a third presentation for January 2004.
4. The Library bond program staff has demonstrated excellent planning and oversight of financial resources and timelines. Planning includes reasonable contingencies for non-receipt of state grants and provides reasonable reserves for the various elements of the construction/remodeling phases of the bond program.



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### Future Plans

Future general obligation bond authorizations will contain funds to cover the costs of Administrative Code-specified Committee activities, including financial audits that the Committee deems necessary. Since funds do not presently exist to conduct independent review of expenditures of bond proceeds, the Controller has agreed to provide limited audit capability should a specific need arise.

The passage of Proposition C in November 2003 will affect Committee responsibilities and necessitate new determination of work plan and schedule for the coming year.

**The members of the Committee would like to thank Controller Ed Harrington with special thanks to Controller's staff members Jodi Darby, and Tripta Gupta, Deputy City Attorney Michael Martin, and the Mayor's Office of Public Finance for providing excellent support services.**

The Committee is pleased to provide this first annual report and would be happy to provide additional information if requested.

Sincerely,

Sam Yockey, Chair  
Citizens' General Obligation Bond Oversight Committee

cc: Members, Board of Supervisors  
Honorable Willie L. Brown Jr., Mayor  
Gloria L. Young, Clerk of the Board  
Ed Harrington, Controller  
Monique Moyer, Director, Mayor's Office of Public Finance