



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

December 19, 2005

Honorable Aaron Peskin, President
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

**2005 ANNUAL REPORT
CITIZENS' GENERAL OBLIGATION BOND OVERSIGHT COMMITTEE**

Executive Summary

The Citizens' General Obligation Bond Oversight Committee (the "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 began its work in 2003 and met four times during calendar year 2005.

The Committee received basic information presentations on four major active bond issues and written updates on three additional active bond issues. In no case did the Committee's review uncover instances where bond proceeds were spent on purposes not authorized by the respective ballot measures.

In December 2004, after receiving the preliminary findings from the Controller's Office financial audit of the San Francisco Unified School District (the "District") that the Committee had requested, the Committee moved to recommend that the Board of Education stop issuing bonds and undertaking new projects until it could accurately account for and report its bond activity. Following this recommendation, the District appeared before the Committee three times in 2005.

After the District's third presentation, which included information on the funding, expenditures and construction status of both active and completed projects, the Committee concluded that the District has developed the appropriate policies and procedures to enable it to accurately account for and report its bond activity. Assuming the District continues to implement the policies and procedures as presented, the Committee currently does not have concerns about the District's ability to track and report accurately the expenditure of the remaining 1997 Educational Facilities Bond proceeds and the proceeds of future bond issues.

The Committee is continuing to work with the Controller's Office in establishing standards for City departments to ensure consistent tracking and reporting at the project level in relation to time and budget.



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

This annual report reviews the 2005 activities and findings of the Committee and is organized into the following topics:

- Background
- Meetings
- Active Bond Programs Reviewed
- Committee Focus Issues
- Additional Information Requested and Received
- City Services Audits
- Findings and Recommendations
- Future Plans

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 by the Mayor, three by the Board, two by the Controller and one by the Civil Grand Jury. Each member serves for a term of two years. **The Committee notes that the open seat has been vacant for a year and urges the Board of Supervisors to fill the vacancy soon.** Current members were appointed as follows:

<u>MEMBER NAME</u>	<u>APPOINTED BY</u>	<u>APPOINTMENT DESCRIPTION</u>
Pamela S. Jue, Chair	Controller	Expertise in auditing governmental financial statements or with expertise in public finance law
Terry Micheau, Vice Chair	Controller	Expertise in construction management
Hunter Stern	Mayor	Active in a labor organization
John F. Hentz	Board of Supervisors	Active in a community organization
Arlene Singer	Civil Grand Jury	Designee of the Civil Grand Jury
Open seat	Board of Supervisors	Active in a business organization representing the business community located within the City
Bill Wong	Board of Supervisors	Active in a labor organization
Dick Morten	Mayor	Active in a community organization
Sam Yockey	Mayor	Active in a business organization representing the business community located within the City



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

In November 2003, the voters of the City and County of San Francisco approved Proposition C, which authorized the Committee to serve as the Citizens' Audit Review Board. Proposition C took effect on July 1, 2004.

Meetings

The Committee held four quarterly meetings during 2005. By the end of 2004, the Committee had heard presentations on all major active general obligation bond programs of the City and County of San Francisco. The current calendar year provided an opportunity to review the progress made by departments with four major general obligation bond funded projects. The Committee, meeting as the Citizens' Audit Review Board, also heard presentations from the Controller's Office City Services Audits division and the Whistleblower Complaints Unit.

Active Bond Programs Reviewed

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

1997 Zoo Bonds

\$48,000,000

Recreation & Park Department

1997 Educational Facilities Bonds

\$140,000,000

San Francisco Unified School District

1999 Laguna Honda Hospital Bonds

\$299,000,000

Laguna Honda Hospital

2000 Branch Libraries Facilities Improvements

\$105,865,000

San Francisco Public Library

1999 Laguna Honda Hospital Bonds

The Committee spent a considerable amount of time during the past year reviewing the Laguna Honda Hospital Bonds, but had difficulty in obtaining accurate and up-to-date information on the project because of delays due to major scope changes to mitigate cost escalation and due to litigation. It heard presentations on the subject at both the April and October meetings from project staff and also received detailed comments from several members of the public. To date most of the general obligation bond proceeds for the Laguna Honda Hospital remain unexpended. The Committee intends to monitor the progress of the Laguna Honda Hospital and its ability to complete construction on time and on budget.



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

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

1992 Golden Gate Park Improvement Bonds

\$76,300,000

Recreation and Park Department

1992 Seismic Safety Loan Program

\$350,000,000

Mayor's Office of Housing

2000 California Academy of Sciences

\$87,445,000

Recreation and Park Department

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.

- Are individual projects proceeding on schedule? If not, why? What action is being taken?
- Are individual projects currently within budget? If not, why? 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

The Committee reviewed bond programs either over 10 years old and apparently inactive, but with open project accounts or issued less than ten years ago with small unencumbered balances. 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 be closed?

After review, project accounts of eight bond programs will be closed by the end of calendar year 2005.

1. 1986 Fire Protection Systems Improvement Bonds
2. 1987 Recreation and Park Facilities Bonds
3. 1988 Library Facilities Project
4. 1989 Public Safety Improvement Projects
5. 1990 Public Safety Improvement Projects
6. 1994 Asian Art Museum Project
7. 1992 Fire Department Facilities Project
8. 1994 City Hall Improvement

The Committee will continue to monitor the following projects:

1. 1987 Public (Mental) Health Facilities Improvement Bonds
2. 1992 Golden Gate Park Improvements
3. 1997 City College Bonds

City Services Audits

The Committee heard presentation from the City Services Audits division on the following audits, reports, and projects:

1. Health Service System Performance Audit
2. Department of Aging and Adult Services Performance Audit
3. Department of Public Health (Health Management Associates Report)
4. Juvenile Probation Department Juvenile Hall Staffing Analysis
5. Review of SFUSD General Obligation Bond Accounting Controls
6. Citizens' Survey
7. Whistleblower Program



During the year, the Committee received information on the following financial audits:

1. Enterprise Rent-A-Car
2. Clear Channel
3. Performing Arts Garage Review of Parking Control System
4. First 5 San Francisco
5. Status of the Implementation of the Recommendations of the 2003-04 San Francisco Civil Grand Jury
6. Affordable Self Storage, Inc.
7. Florence Crittenton Services
8. Mission Neighborhood Centers, Inc.
9. Advent Capital Management, LLC
10. Southeast Asian Community Center

Findings and Recommendations

The primary work of the Committee in this year's meetings was to review the progress made by a select group of departments with major general obligation bond funded projects and to increase its familiarity with the responsibilities of the Controller's Office City Services Audits division.

The San Francisco Unified School District reported on the projects funded with proceeds of the 1997 Educational Facilities Bonds issued by the City and County of San Francisco. The presentation included information on the funding, expenditures and construction status of both active and completed projects. After the District's third presentation, the Committee concluded that the District has done a good job of developing policies and procedures to enable it to accurately account for and report its bond activity. The Committee also noted that the Controller's Office has reviewed and approved those policies and procedures. As a result, assuming the District continues to implement the policies and procedures as presented to the Committee at its July 28, 2005 meeting, the Committee currently does not have concerns about the District's ability to track and report accurately the expenditure of the remaining 1997 Educational Facilities Bond proceeds and the proceeds of future bond issues.

The Committee continues to find 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 the overall impact on expenditures of actions taken. **The Committee continues to work to see that all departments with capital programs funded by general obligation bonds use a standard Gantt chart format as the basis for reporting requirements.**



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

Future Plans

The Committee intends to continue to monitor the general obligation bond programs of the City and County of San Francisco with particular emphasis on those programs that have recently issued bonds. In keeping with its responsibilities as the Citizens' Audit Review Board, the Committee also intends to continue receiving audits from the City Services Audits division and providing general oversight on the implementation of the other aspects of CSA projects during the next year. Two members of the Committee will continue to monitor the Whistleblower Complaints Program on an ongoing basis and report back to the Committee.

The members of the Committee would like to thank Controller Ed Harrington with special thanks to Controller's staff members Marti Paschal, Rosanne Torre, and Donna Hood; 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 third annual report and would be happy to provide additional information if requested.

Sincerely yours,

Pamela S. Jue, Chair
Citizens' General Obligation Bond Oversight Committee

cc: Members, Board of Supervisors
Honorable Gavin Newsom, Mayor
Gloria L. Young, Clerk of the Board
Ed Harrington, Controller
Nadia Sesay, Director, Mayor's Office of Public Finance