



City and County of San Francisco
Citizens' General Obligation Bond Oversight Committee
Brian Larkin, Chair
Brenda Kwee McNulty, Vice Chair

November 2016

Honorable Edwin M. Lee, Mayor
City and County of San Francisco
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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

Dear Mayor Lee and Members of the Board of Supervisors:

On behalf of my fellow members, I am pleased to present you with the 2015-16 Annual Report of the Citizens' General Obligation Bond Oversight Committee (CGOBOC). I, Brian Larkin, and Brenda Kwee McNulty were elected Chair and Vice-Chair at the first meeting of the new fiscal year on July 28th, 2016.

CGOBOC was established in 2002 with Proposition F, passed by the voters of San Francisco to review and oversee the delivery of general obligation bond programs. A year later, Proposition C authorized and required CGOBOC to also review and provide input on the work of the City Services Auditor Division (CSA) of the Office of the Controller, including the Whistleblower Program.

In the period since CGOBOC's establishment, the voters of San Francisco have approved over \$2 billion of General Obligation (GO) bond projects, including the 2016 Public Health and Safety Bond. The CGOBOC members will continue to be committed, focused and organized in order to meet the Committee's critical mandate.

This is also the second year of the Annual General Obligation Bond Program Report. The report can be found at the end of the Committee's liaison reports, which follow.

CSA has enlisted the services of Cumming Construction Management (Cumming) to conduct a performance audit of the City's GO bond programs to determine whether GO bond funds were spent in accordance with the stated purposes and permissible uses of such bonds, as approved by the voters. As of October 2016, Cumming had completed two of the three GO bond expenditures audits planned for the fiscal year: 2010 Earthquake Safety and Emergency Response Bond Program (issued 7/12/16) and 2011 Road Repaving and Street Safety Bond Program (issued 7/25/16). Based on the results of these completed audits, the expenditures reviewed were spent in accordance with the ballot measures with sufficient documentation. Both audits included a recommendation for Public Works to finalize and implement the Pre-Bond Reimbursement Guidelines for all current and future general obligation bond programs to ensure that pre-bond



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expenditures and related scopes of work are clearly and appropriately described and assigned.

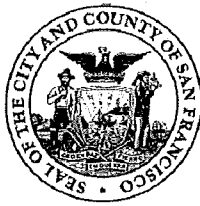
In addition to general obligation bond oversight, CGOBOC also has oversight responsibilities for the City Services Auditor (CSA) and the City's Whistleblower Program.

We have included individual liaison comments to this report and invite you to contact any one of us to follow up on our work. Thank you for your continued support of our work.

Sincerely,

Brian Larkin
Chair, Citizens' General Obligation Bond Oversight Committee

Cc: Angela Calvillo, Clerk of the Board
Ben Rosenfield, Controller
Nadia Sesay, Director, Office of Public Finance
Civil Grand Jury



CGOBOC Annual Report 2015-2016
Liaison Comments

Emergency Safety and Emergency Response Bond Program 2010 & 2014 – Robert Carlson

As a liaison for the 2010 and 2014 ESER bonds, I have met with the appropriate City staff to review status and issues of all 2010 and 2014 ESER bond funded projects covering scope, schedule and budget. I have also attended CGOBOC committee meetings to hear ESER bond program presentations and ask questions of City staff; and reviewed the detailed ESER bond Quarterly Reports. In addition, this past year I conducted an in-depth review of a monthly invoice from the design consultant working on the Office of the Chief Medical Examiner (OCME) ESER 2014 project. I also was given a tour of the completed new Public Safety Building, ESER 2010. Based on my activities, to the best of my knowledge, the Controllers' Findings noted in the attached "General Obligation Bond Report, Fiscal Year 2015-16" are accurate; and the 2010 and 2014 ESER Bond funds have been spent in compliance with the voter authorizations. I would also add, very importantly, that the Controller's Office audited \$248.6 million out of \$259.7 million of ESER 2010 expenditures and found 99.9% in compliance with the voter authorization. The \$7,622 incorrectly recorded was reversed by the Department of Public Works. During the coming year, to enhance my knowledge of bond expenditures, I plan to make several project on-site visits and sit in and observe City staff reviews of construction contractor monthly Progress Payment Requests.

San Francisco General Hospital Rebuild Program – Brian Larkin

At the last full meeting of the SFGH Rebuild Liaison Committee, we reviewed progress with the project manager, Joe Chin. Mr. Chin reported the following:

1. The new hospital building has received all OSHPD and California Department of Health approvals.
2. The old hospital started to transfer in patients on May 21 of this year.
3. The project has received awards from the American Public Works Association and has earned LEED Gold certification, the only trauma center in California to accomplish this.

The remaining concern is close out of potential claims. The General Contractor (GC), Webcor, has passed a number of subcontractor claims through to the Department of Public Works (DPW). Webcor is representing these as DPW's responsibility due to DPW-issued design changes. Though Webcor (and indirectly, its subcontractors) have already received compensation for this work through the change order process, they are seeking compensation on the basis of cumulative impact, that is, that the number and scope of the changes has caused the Webcor team to lose productivity for which the change orders did not provide compensation.

Cumulative impact is a tough claim to prove, and the Controller's office has engaged consultant help to analyze the claim and to advise it and DPW on the validity and possible value of the claim. The CGOBOC Liaison for the SFGH project will continue to monitor the progress of the claims negotiation and offer its advice where appropriate.



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There are three streams of activity that lead to occupancy:

1. Completion of the trade work
2. Definition of licensing documentation requirements
 - a. Physical Inspection (Fire) Finalized
 - b. Structural Inspection Underway
 - c. Compliance Pending
3. Other changes in requirements that are beyond Webcor's scope of work

The project manager reported that the delay is the result of commissioning and training of systems to make sure they are functioning and designed as commissioned. Budget and scope remain on target. FF&E is also moving forward successfully.

Recreation and Park Bond – Robert Carlson

As liaison to the 2008 Clean and Safe Neighborhood Parks bond, I met several times with Rec and Park staff to discuss the progress of the Bond. Staff was responsive to my questions and provided information about time, scope and budget. The delays of completion, sometimes significant, are an issue – though the legitimate reasons for such delays underscore the difficulties, sometimes unforeseen, in these types of renovations and projects. The Department completed its projects in the past fiscal year on scope and on budget and has improved from previous bonds that had difficulties. We need to reach out to the Port, with whom we did not meet with this past year, to understand the challenges faced with their projects.

As liaison to the 2012 Clean and Safe Neighborhood Parks bond, I had several discussions with Staff and heard presentations at the GOBOC hearings. While this bond largely supplemented the projects and issues addressed in the 2008 bond, the work on improved public restrooms and earthquake safety are critical. Staff has worked hard to secure community and philanthropic funding, which will increase the capacity of the bond.

Based on my activities, to the best of my knowledge, the Controllers Findings in the attached report "General Obligation Bond Report, Fiscal Year 2015-16" are accurate; and the 2008 and 2012 Clean & Safe Neighborhood Parks bonds have been spent in compliance with voter authorizations. I will advocate for a Controllers compliance expenditure audit of the 2008 bonds during the coming fiscal year.

2011 Road Repaving and Road Improvement Bond – Kevin Hughes

As a liaison for the RR&SS Bond, I have met with the appropriate City and County of San Francisco Staff to review the status and issues of all RR&SS Bond-funded projects. I have also attended the Citizens' General Obligation Bond Oversight Committee (CGOBOC) meetings and heard RR&SS Bond program presentations and have had the opportunity to meet with the Division Manager, review reports and ask questions of Staff assigned to the RR&SS Bond. Sidewalk accessibility improvements for curb ramps and sidewalks are complete with over 100% of the goal completed. Street repairing and reconstruction and the Roadway Structure Program are on schedule. I intend to review



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the Traffic Signal and Street Improvements with the San Francisco Municipal Transportation Agency (SFMTA) in the coming year, the accuracy and completeness of the change order reports and the use of contingencies by the program.

2014 Transportation and Road Improvement Bond – Brian Larkin and Brenda Kwee McNulty

The first bond issuance occurred in July 2015.

As liaisons to this Transportation Bond, we have met with MTA staff twice this year to discuss the progress of the bond and were present at MTA staff's presentations to CGOBOC.

While we are in the beginning stages of this bond program, the majority of projects covered by bond proceeds in the first issuance are in the design stage, but some are in construction. Early projects include components of the Muni Forward program; one such that is nearing completion is the *10 Sansome Contraflow Signals* project.

The Transportation Bond will also help fund capital projects that support the *Vision Zero* policy to enhance pedestrian safety.

MTA staff assigned to CGOBOC changed during FY 2015-2016 and both outgoing and incoming staff have been prepared for liaison meetings, provided updates and answered all our questions. Based on these interactions, we feel comfortable that the projects funded by the first bond proceeds of \$66 million are managed in accordance with bond initiatives in FY 2015-2016. Specifically, MTA staff is working to minimize excess debt service by not issuing bonds until the projects are ready to spend the revenue thus obtained, and that the projects funded are consistent with the stated intent of the bond.

2015 Affordable Housing Bond – Jennifer Warburg and Larry Bush

The \$310 million Affordable Housing Bond approved by voters in 2015 is overseen by the Citizens General Obligation Bond Oversight Committee (CGOBOC). As liaisons for this bond, we have regularly met and corresponded with staff in the Mayor's Office of Housing and Community Development (MOHCD) to review scoping of the bond-funded projects. We have been present at CGOBOC meetings to hear presentations from MOHCD and have submitted questions to program staff for the public record.

To the best of our knowledge, the Mayor's Office of Housing and Community Development is on track to meet the commitments made to voters who approved this bond. As of October 2016, our information is that bond-funded programs are proceeding on scope, on time and on budget. Steps taken to-date include convening a panel to establish the parameters for funding and a review panel to determine initial allocations.

Under the terms of this protocol, projects are to include units of housing in several categories such as family-sized housing of two and three bedrooms, housing specific to the needs of underserved neighborhoods such as the Mission, housing for seniors,



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veterans, disabled residents as well as down payment assistance, support to jump-start public housing urgent unmet needs. We note that the protocol includes services as well as housing units, and will provide on-site space for programs including childcare.

The current bond program projects over 90 percent of funds will be deployed by FY18-19. A first issuance of the bond is expected in October or November 2016 and will total \$77 million. The availability of bond funds has allowed the timeline for delivering 1600 new and rehabilitated public housing units at Sunnydale and 1200 units at Portrero through the HopeSF program to be accelerated by 5 years at both sites and has backed the expansion of the city's down-payment assistance loan program to teachers.

As of September 15, four new multifamily developments have been selected for predevelopment loans with recommendations for funding for Bridge Housing, proposing 114 units in the Excelsior; Christian Church Homes proposing 150 units in Forest Hills; Tenderloin Neighborhood Development Corporation proposing 122 units in the Tenderloin; and Mission Economic Development Agency proposing 140 units in the Mission.

MOHCD also is on track with the bond requirement for transparency, including establishment of a public website that is regularly updated as developments proceed (<http://sfmohcd.org/2015-affordable-housing-general-obligation-bond>).

In the next year, we anticipate developing consistent metrics to better share with the public how the bond-funded projects are achieving the delivery of more affordable housing for the city. We have requested that MOHCD staff develop a consistent report that indicates the number of units created, preserved, loans issued, number and type of households expected to be served and other measures related to housing delivery. We also have requested broad reporting on how the bond funds will coordinate and augment other affordable housing opportunities to meet the city's need to expand housing that serves an inclusive community of varied incomes, ages, neighborhoods and needs.

We will continue to meet with MOHCD staff for regular updates to ensure that the bond continues to be managed in accordance to the voter-approved bond text and to provide public reports on both successes and challenges still to be met.

City Services Auditor – Larry Bush

The Controller functions as the City Services Auditor, as authorized by Charter Appendix F, which includes various responsibilities and powers of CSA. The Controller's CSA Division consists of the Audits Unit and City Performance Unit. As liaison for CSA, I have met with the directors of both units several times and reviewed CSA's 2015-16 annual report. I have attended CGOBOC meetings, heard the CSA presentations there, and have asked questions of division staff. I have read various CSA audit reports and performance reports and found that they address important topics in an informative and professional manner, making recommendations where necessary. I have reviewed CSA's programs and reports which are designed to meet the specific mandates in Charter Appendix F to evaluate streets, sidewalks and parks and the City's maintenance

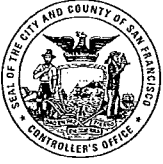


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of these assets. I have reviewed CSA's efforts to meet the performance reporting and transparency mandates of the Charter. During FY2015-16, CSA fulfilled all of these mandates with improved reporting, visualizations and websites that allow the public to test the data. In FY2015-16, CSA added a significant new product, the Performance Scorecards, to the portfolio of reporting on public service performance. Based on these reviews and reviews of CSA's allocation of its time and work effort across the City government, I believe CSA is fulfilling its Charter mandate.

Whistleblower Program – Jennifer Warburg and Brenda Kwee McNulty

The Whistleblower Program (WP) operates out of the Office of the Controller and is overseen by the Citizens General Obligation Bond Oversight Committee (CGOBOC). As liaisons for the WP, we have met with the WP staff several times to review program updates including process review and performance review. We have also attended CGOBOC meetings to hear the WP presentations to CGOBOC and asked questions of program staff. We have reviewed the publicly available detailed Quarterly Reports and Annual Report covering FY 2015-2106. To the best of our knowledge based on our activities, we believe the WP continues to operate in an effective and efficient manner. The WP staff carried out their investigative duties in a timely fashion in accordance with the WP operational procedures, maintaining the WP's "turnaround" time in complaint resolution despite being understaffed for much of the FY 2015-2016. The WP staff has continued to sponsor webinars led by subject matter specialists to share best practices in similar programs in other jurisdictions. We are pleased to learn that the investigative staff have been augmented in FY 2016 - 2017 and look forward to meeting with WP staff for regular updates to ensure that it is managed in accordance to the City Charter.



MEMORANDUM

TO: Citizens General Obligation Bond Oversight Committee (CGOBOC)

FROM: Peg Stevenson, City Performance Director

DATE: February 6, 2017

SUBJECT: CGOBOC FY15-16 Budget and Spending Attachment for Annual Report

At your meeting on January 26, 2017, you requested a report of CGOBOC spending in FY15-16. The attached table shows the information requested. I am transmitting it as an information item to accompany the CGOBOC annual report for the year that was finally approved at that meeting. If you have questions on any of this information, please call me at 415-554-7522.

- Page 1 is a summary table showing hours and costs for each audit and fiscal quarter. Page 2 is a detail table of expenditures by bond program, fiscal quarter and expenditure type.
- Columns on the detail table are bond programs. Column labels indicate managing the City department, name of the bond and year of the bond. The Transaction Document Numbers in the rows immediately below indicate that a bond series was issued, and that funds were allocated to CGOBOC in that transaction.
- The detail table next shows the amounts available under Administrative Code Article V Section 5.31(c) allocating 1/10th of 1% of the bond amount for audits and review work of the committee. Allocations were made in FY15 and FY16. Funds not spent in the year they are issued can be carried forward to the current year as shown in the total.
- The detail table next shows the cost allocated to each bond program in fiscal quarters 1-4 for the cost of City Services Auditor (CSA) staff hours. CSA hours are billed at a blended rate which was \$130/hour in FY16.
- The detail table next shows the cost allocated to each bond program for contracted work performed by Cummings Construction Management. As has been discussed in your meetings, this company performs audit compliance work to test that general obligation bond funds were spent in accordance with the bond's purpose as approved by the voters.
- As shown, CSA staff hours were used for the Capital Report, Bond Fund Expenditure Audit, and Planning and Administration. Expenditures in FY16 totaled \$77,126 for the cost of staff hours and \$19,500 for the contract with Cummings, for a total of \$96,626.

FY15-16 GOBOC Summary

Fiscal Quarter	Q1	Q2	Q3	Q4	Total
City Services Auditor Staff Hours					
GOBOC Audits/Projects Hours	Hours	Hours	Hours	Hours	Hours
GOBOC MUL: FY15-16 Capital Report	-	-	39.75	234.75	274.50
GOBOC MUL: GOBOC Bond Funds Expenditure Audit	30.00	47.00	87.00	132.50	296.50
GOBOC MUL: GOBOC Planning and Administration	1.50	6.50	2.00	10.00	20.00
Total Hours	31.50	53.50	128.75	377.25	591.00
FY15-16 Projected Rate \$130	\$ 4,095.00	\$ 6,955.00	\$ 16,737.50	\$ 49,042.50	\$ 76,830.00
FY 15-16 Rate Adjustment from \$130 to \$130.50	\$ -	\$ -	\$ -	\$ 295.50	\$ 295.50
Hours Total (\$)	\$ 4,095.00	\$ 6,955.00	\$ 16,737.50	\$ 49,338.00	\$ 77,125.50

Contract Expenditures

GOBOC Audits/Projects Contracts	Amount (\$)	Amount (\$)	Amount (\$)	Amount (\$)	Amount (\$)
GOBOC MUL: Cumming Construction Management Inc Contract	\$ -	\$ 19,500.00	\$ -	\$ -	\$ 19,500.00
Contract Total (\$)	\$ -	\$ 19,500.00	\$ -	\$ -	\$ 19,500.00

FY15-16 Total Billed	\$ 4,095	\$ 26,455	\$ 16,738	\$ 49,338	\$ 96,626
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FY15-16 GOBOC
Work Order Details

Department Code	DPH-GH	REC-CN	DPW-EQ	DPW-RR	DPW-TRI	PO-CN	PUC-EQ	MTA-RR	MTA-TRI	TOTALS
Bond Title and Series	San Francisco General Hospital Improvement Bonds (auth 2008)	Clean and safe Neighborhood Parks Bond (auth 2008)	Earthquake Safety and Emergency Response Bonds (auth 2010 and 2014)	Road Repaving & Street Safety (auth 2011)	Transportation & Road Improvement (auth 2014)	Clean and safe Neighborhood Parks Bond (auth 2008)	Earthquake Safety and Emergency Response Bonds (auth 2010)	Road Repaving & Street Safety (auth 2011)	Transportation & Road Improvement (auth 2014)	GOBOC Fund Sources
Transaction Document Number	WPHG12GOB001 01	WPRP12GOB001 02	WPGA12GOB001 02	WPGA12GOB001 01	WNPW16IGOB01	WPP014KGOB01	WPUW14KGO001	WPMT14KGOB01	WNMT16IGOB03	
	WPHG12GOB001 02	WPRP12GOB001 03	WPGA12GOB001 03	WPEN14KGOB01 01			WPUW16ICO002		WPMT16IGOB01	
	WPHG12GOB001 03	WPRP12GOB001 04	WPGA13JGE001				WPUW16ICO004		WPMT16IGOB02	
	WPHG13JGE001	WPRP14KGOB01 01	WPAT14KGOB01							
	WPHG15ICO002		WPGA15ICO003							
			WPGA15ICO004							
FY14-15 Carryforward	787,597	180,776	353,826	148,692		16,536	73,958	9,590		\$ 1,570,975
FY15-16 Budget					8,612				58,258	\$ 66,870
Total Budget	787,597	180,776	353,826	148,692	8,612	16,536	73,958	9,590	58,258	\$ 1,637,845
Staff Hours Qtr 1 Recovery Amount	-	700	1,372	1,376	33	66	287	37	225	\$ 4,096
Staff Hours Qtr 2 Recovery Amount	-	1,189	2,330	2,337	56	111	487	63	383	\$ 6,956
Staff Hours Qtr 3 Recovery Amount	-	2,862	5,607	5,624	134	268	1,172	151	922	\$ 16,740
Staff Hours Qtr 4 Recovery Amount	-	8,419	16,492	16,542	394	788	3,446	443	2,708	\$ 49,232
TOTAL FY15-16 STAFF HOURS \$	0	13,170	25,801	25,879	617	1,233	5,392	694	4,238	\$ 77,024
Contract & Misc Exp Charges Qtr 1	-	-	-	-	-	-	-	-	-	\$ -
Contract & Misc Exp Charges Qtr 2	-	3,335	6,533	6,552	156	312	1,365	176	1,073	\$ 19,502
Contract & Misc Exp Charges Qtr 3	-	-	-	-	-	-	-	-	-	\$ -
Contract & Misc Exp Charges Qtr 4	-	0	0	0	-	0	0	0	0	\$ -
TOTAL FY15-16 CONTRACT & MISC EXP \$	0	3,335	6,533	6,552	156	312	1,365	176	1,073	\$ 19,502
Total Billed										\$ 96,526