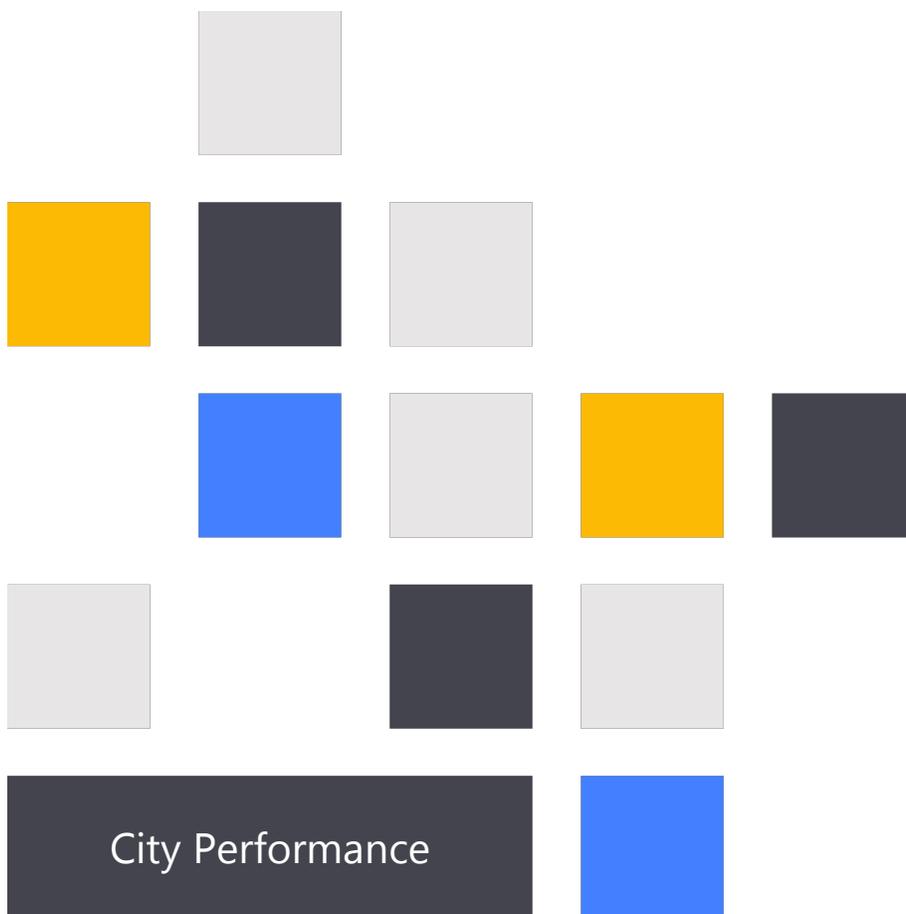


# Annual General Obligation Bond Program Report

January 2017 to June 2018

A high-level overview, as of June 30, 2018, of scope, schedule, budget, and key findings for the City's general obligation bond programs.



March 15, 2019

City & County Of San Francisco  
Office of the Controller  
City Performance

## About City Performance

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the San Francisco City Charter that was approved by voters in November 2003. Within CSA, City Performance ensures the City's financial integrity and promotes efficient, effective, and accountable government.

City Performance Goals:

- City departments make transparent, data-driven decisions in policy development and operational management.
- City departments align programming with resources for greater efficiency and impact.
- City departments have the tools they need to innovate, test, and learn.

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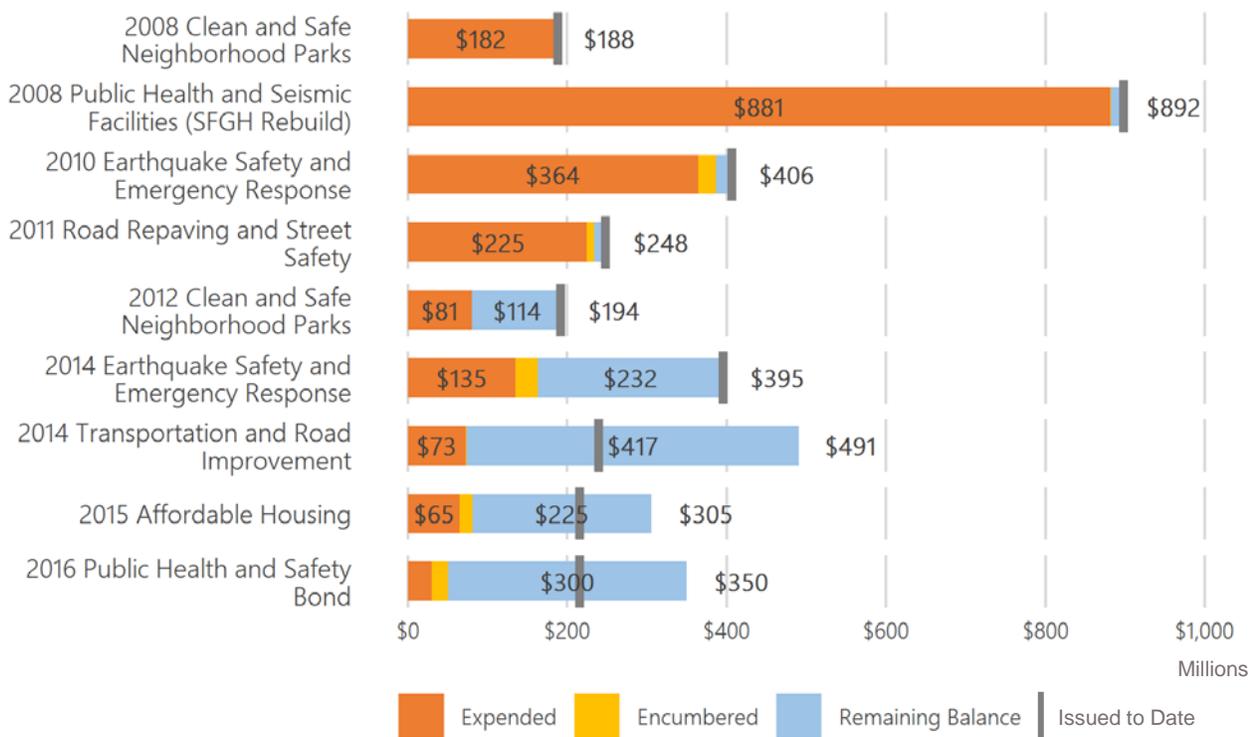


# Executive Summary and Recommendations

This report provides a high-level overview of the scope, schedule, and budget status of the City’s nine active general obligation (GO) bond programs. It assists the Citizen’s General Obligation Bond Oversight Committee (CGOBOC), policy makers, and the public in understanding the status of the programs funded by the City’s \$3.5 billion GO bond portfolio. The report focuses on changes during an 18-month reporting period, from January 2017 through June 2018.

## GENERAL OBLIGATION BOND PROGRAM STATUS

(as of June 30, 2018)<sup>1 2</sup>



<sup>1</sup> Total bond amounts in the table above may differ from voter authorized amounts due to exclusion of cost of issuance or appropriation of interest earned.

<sup>2</sup> The encumbrances shown in the chart above represent each bond program’s internal tracking of encumbrance data as of June 30, 2018 (with the exception of Clean and Safe Neighborhood Parks), given reporting challenges in the City’s new Financial System.

## KEY FINDINGS ABOUT THE BOND PROGRAMS

- 2008 SFGH and Trauma Center Earthquake Safety (SFGH Rebuild):** This major project was completed under budget and was delayed by only three months; a success attributable to funding for pre-bond planning. The remaining budget is funding four follow-on projects, as reported in Appendix E.
- 2008 Clean and Safe Neighborhood Parks:** The overall bond program is delayed by about five years due to delays in regulatory approvals and alignment with projects in the 2012 Clean and Safe Neighborhood Parks program. At Crane Cove Park, the largest and final project to be delivered in the Waterfront Parks component, site preparation was completed and construction on sitewide improvements began in January 2019, a significant milestone.
- 2010 Earthquake Safety and Emergency Response:** The program schedule has been extended by nearly three years because of builder delays, additional projects introduced, and protracted regulatory approvals by the Planning and Building departments. Cost savings, interest earned, and previous shifts in scope between the 2010 and 2014 Earthquake Safety and Emergency Response bond allowed the program to add new projects to the Neighborhood Fire Stations component.
- 2011 Road Repaving and Street Safety:** Three of five components reached substantial completion. In the reporting period, the two remaining components were delayed by one and two years due to interdepartmental coordination, extended public outreach, unforeseen conditions, and alignment with projects in other components. Minimized neighborhood disruption and other efficiencies are successful outcomes of interdepartmental coordination, despite delays.
- 2012 Clean and Safe Neighborhood Parks:** The program is delayed by over two years, with individual components delayed by six months to one year in the reporting period. Delays are due to extended community engagement, coordination with utilities and major capital improvement projects, and regulatory approvals. One-third of planned projects are complete.
- 2014 Earthquake Safety and Emergency Response:** The Office of the Chief Medical Examiner reached substantial completion. Most components are on schedule, although the Traffic Company and Forensic Services Division facility was delayed by one year in the reporting period. Scope changes and higher than anticipated construction costs for this facility are likely to impact the scope of other components in subsequent years.
- 2014 Transportation and Road Improvement:** The program continued to refine the scope of some components. There were no delays in the reporting period, although there have been previous delays to the Accessibility Improvements component due to interagency scope agreement with BART. Muni Forward has had project levels delays due to outreach and engagement, contractor issues, and interdepartmental coordination.
- 2015 Affordable Housing:** Three of the four components have shortened their schedules compared to original estimates. The bond is the Mayor’s Office of Housing and Community Development’s only funding source for middle income households (above 120% of area median income) and in this component, 43 units were purchased with loans funded by the bond. Minor project scope refinements and counting methodology changes resulted in an overall reduction in the number of housing units projected to be built with bond funds.



- **2016 Public Health and Safety:** The largest portion of bond funds is for Zuckerberg San Francisco General (ZSFG) Building 5, the site's former main hospital building. Five of the six components are on schedule, while ZSFG Building 5 is delayed by over three years due to contracting issues, unforeseen conditions, extended regulatory approvals, and scope refinement.



## GENERAL FINDINGS AND RECOMMENDATIONS

Bond funds are a critical resource for the City's efforts to maintain and improve its park, road, transportation, emergency response, public health and affordable housing infrastructure.

- **Future bond programs should align scope and schedule expectations with increased costs and timelines associated with the highly competitive bid environment of recent years.** The Bay Area has seen a construction boom in recent years. The City's \$3.5 billion GO bond portfolio consists of 43 components across the nine bond programs and totals roughly 540 individual construction projects. This level of construction has created great City demand for contractors. As a result, bond programs reported bids that consistently came in over budget, and some projects received few or no bid responses. This contributes to delays and forces programs to realign scope with budget and sometimes rebid. Several bond program managers reported that local hiring requirements further limit the supply of contractors and increase costs. The high volume of construction also impacts the City's regulatory capacity; one bond program reported overdue permit reviews contributing to project delays.
- **Pre-bond planning may be particularly appropriate for certain project types for which preliminary assessments could have a significant impact on the budget.** Bond program managers underscored the benefit of pre-bond funding for California Environmental Quality Act (CEQA) clearance, site conditions, and seismic assessments as well as analyses to prepare for prototype projects (e.g., Fire Boat Station 35), projects in and over water, significant builds, specialty buildings (e.g., SFGH Rebuild), and extensive renovations. Pre-bond funding assists bond program managers to create more precise scopes, schedules, budgets and contingencies, and to spend funds more quickly. For the SFGH Rebuild, Earthquake Safety and Emergency Response (ESER), Public Health & Safety, and Seawall bonds, the Office of Resilience and Capital Planning made available approximately 3% of the bond total from the Capital Planning Fund for pre-bond planning activities.<sup>3</sup>
- **Flexibility in construction project delivery and contracting methods can align scope with budget and help to ensure projects are delivered on time.** Direct contracts with specialty trades, bid as packages across sites, worked well for smaller projects in the Neighborhood Fire Stations component of the ESER bond. A Design-Build method worked well for the prototype nature of Fire Boat Station 35 (a fire station on a float). A Construction Manager/General Contractor (CM/GC) model was effective for the Traffic Company and Forensic Services Division facility, which is major construction of a new specialized building. Separating out the landscape component, a specific trade, from the construction contract helped the Road Repaving and Street Safety (RRSS) bond program increase the number of bidders.
- **Programs should include extra time in project schedules for interdepartmental coordination.** Bond program managers recognized the benefit of better coordination with other departments, especially for major roadway and transportation projects and when utilities are impacted. However, coordination needs can cause delays and thus should be properly accounted for in planning phases. The RRSS bond managers attribute repaving efficiencies and robust project designs to their monthly coordination meetings with the Public Utilities Commission and Municipal Transportation Agency; as a result, their long-term planning includes structured coordination activities and communications with these departments.
- **Community engagement is a critical component that programs must be accounted for in scope, schedule, and budget planning.** A transparent and consistent community input process is vital to the success of park,

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<sup>3</sup> The Office of Resilience and Capital Planning has determined that 3% of bond funds is a reasonable amount the Capital Planning Fund can bear given the schedule of bonds and the expected timing of repayment to this revolving fund.

roadway, and transportation projects, but it can be challenging. Bond programs reported delays due to outreach, needing to balance community requests with budget constraints, and difficulties reaching consensus with diverse sets of stakeholders. Nonetheless, bond programs successfully incorporated various outreach strategies, transparency with decision-making criteria, an appropriate balance between community and department-directed projects, and lessons learned from past outreach engagements.

- **Pre-issuance planning and regular CGOBOC reporting continues to need standardization.** Documentation of planned expenditure schedules submitted to the Office of Public Finance varies by bond program and issuance, making it difficult to assess whether actual bond spending is meeting planned expenditure schedules. Standardized pre-issuance planned expenditure schedules would provide a benchmark specific to each bond program against which CGOBOC could monitor progress on an ongoing basis. In addition, the information in this report is from many data sources (presentations, City websites, documentation from the Office of Public Finance, the City's Financial System, and data submitted by bond program accountants). Enhanced data standardization could allow CGOBOC to have the information presented in this report on a more regular basis.

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# Background

General obligation (GO) bonds are debt instruments issued by the City to fund capital projects that do not directly generate revenue, such as roads, parks, and bridges. GO bonds allow the City to make critical capital improvements to strengthen aging infrastructure, better respond to and recover from an earthquake, increase the City's stock of affordable housing, and improve the City's transportation system, parks, and public health and safety buildings.

GO bonds must be approved by a two-thirds vote of the electorate. Since 2008, voters have approved nine active GO bonds totaling \$3.5 billion. These bond programs are listed in the table below. The total budget of these bond programs may have increased slightly due to interest earned on issued debt. A portion of the bond authorizations, typically 1 to 2 percent, is set aside to cover the expected cost of issuance of bond debt, which are the costs associated with the sale and issuance of bonds. In addition to GO bonds, the City funds capital projects by several other means, including revenue bonds, general fund revenues, and user fees.

## Voter-Approved Active GO Bonds Since 2008

Year	Bond Program	Authorization (\$ millions)	Completion Date <sup>4</sup>
2008	Clean and Safe Neighborhood Parks	185.0	January 2020
2008	SFGH and Trauma Center Earthquake Safety	887.4	August 2015 <sup>5</sup>
2010	Earthquake Safety and Emergency Response	412.3	June 2021
2011	Road Repaving and Street Safety	240.0	December 2020
2012	Clean and Safe Neighborhood Parks	195.0	January 2021
2014	Earthquake Safety and Emergency Response	400.0	October 2021
2014	Transportation and Road Improvement	500.0	December 2022
2015	Affordable Housing	310.0	September 2022
2016	Public Health and Safety	350.0	December 2022

## PROJECT VERSUS PROGRAMMATIC WORK

For planning, funding, and other management purposes, each bond program is typically divided into one or more components. Each component represents a distinct project area of work and is assigned to a lead department. For example, the 2008 Clean and Safe Neighborhood Parks bond program consists of three components. The Waterfront Parks component is led by the Port of San Francisco, while the

<sup>4</sup> As of June 30, 2018

<sup>5</sup> August 2015 is the actual completion date for the bond program's main project; three of four follow-on projects are complete as of October 2018.

Citywide Programs and Neighborhood Parks components are led by the Recreation and Parks Department.

Bond program components may be stand-alone, large-scale projects or ongoing, recurring programs. Programmatic work tends to consist of smaller individual improvements implemented over an extended period of time (such as curb ramp installation), while projects typically consist of large-scale, one-time public works (such as the construction of the new Public Safety Building).

Making a distinction between project and programmatic work is helpful in understanding how departments track and report on the status of each component. Project work can be more easily understood through set phases, planned start and end dates, and budgets. Since programmatic work covers many smaller projects, performance measures tend to be reported at the component level.

## METHODOLOGY

To provide a high-level review of the City's nine active GO bond programs, City Performance asked departments to provide scope, schedule, and budget data at the component level for each bond program for an 18-month period, from January 1, 2017 to June 30, 2018.<sup>6</sup> City Performance followed up by interviewing bond program managers and in some cases bond component project managers to obtain more qualitative information and to better understand the data provided.

The data presented in this report was collected from departmental reporting systems, quarterly bond program reports to the Citizens' General Obligation Bond Oversight Committee, bond program presentations to the Capital Planning Committee, CCSF websites, F&P, documentation from the Office of Public Finance, and bond program accountants. In addition, CSA conducted 10 interviews with approximately 40 program managers and staff. The remaining sections of this report review the scope, schedule, and budget status as well as other key findings for the following bond programs:

- 2008 Clean and Safe Neighborhood Parks
- 2010 Earthquake Safety and Emergency Response
- 2011 Road Repaving and Street Safety
- 2012 Clean and Safe Neighborhood Parks
- 2014 Earthquake Safety and Emergency Response
- 2014 Transportation and Road Improvement
- 2015 Affordable Housing
- 2016 Public Health and Safety

For an overview of the budgets, expenditures, and encumbrances of active bond programs at both the bond and component level, see **Appendix A**. For a glossary of terms used throughout this report, see **Appendix B**. For a summary of all GO bond-related audits completed by CSA from January 1, 2017 to June 30, 2018, see **Appendix C**. For an abbreviated update on the 2008 San Francisco General Hospital and Trauma Center Earthquake Safety (SFGH Rebuild) bond, see **Appendix D**.

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<sup>6</sup> All figures are as of June 30, 2018 unless otherwise noted.

# 2008 Clean and Safe Neighborhood Parks Bond

## At a Glance

**Authorization:** \$185 million approved in February 2008

**Scope:** There were no scope changes in the reporting period.

**Schedule:** Overall the bond program is delayed by nearly five years. The Neighborhood Parks component is complete (as of January 2016). In the reporting period, the Waterfront Parks expected completion date was extended by a year and nine months and Citywide Programs expected completion was extended by six months to January 2020.

**Budget:** \$182.3 spent of \$187.9 million issued (97%)

The Clean and Safe Neighborhood Parks (CSNP) bond includes three components. The Citywide Programs and Neighborhood Parks components are led by the Recreation and Parks Department (RPD), and the Waterfront Parks Component is led by the Port of San Francisco (the Port).

## SCOPE

- **Neighborhood Parks** (\$115.8 million): Led by RPD, this component includes capital improvements to 12 parks with a specific focus on seismic safety, general physical condition, and adequacy for current and future recreational use.
- **Citywide Programs** (\$38.5 million): Led by RPD, this component includes five subprograms: restroom repair, playfield renovation, urban forest assessment and repair, trail restoration, and a Community Opportunity Fund.<sup>7</sup>
- **Waterfront Parks** (\$33.6 million): Led by the Port, this component consists of nine capital improvement projects intended to improve waterfront open spaces.<sup>8</sup>



There were no changes to the scope of the bond program in the last 18 months. However, the below reported number of projects planned and completed for Citywide Programs is different compared to

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<sup>7</sup> The Community Opportunity Fund allows residents, neighborhood groups, and park advocates to initiate improvements by matching bond funds with private gifts and grants for community-nominated projects.

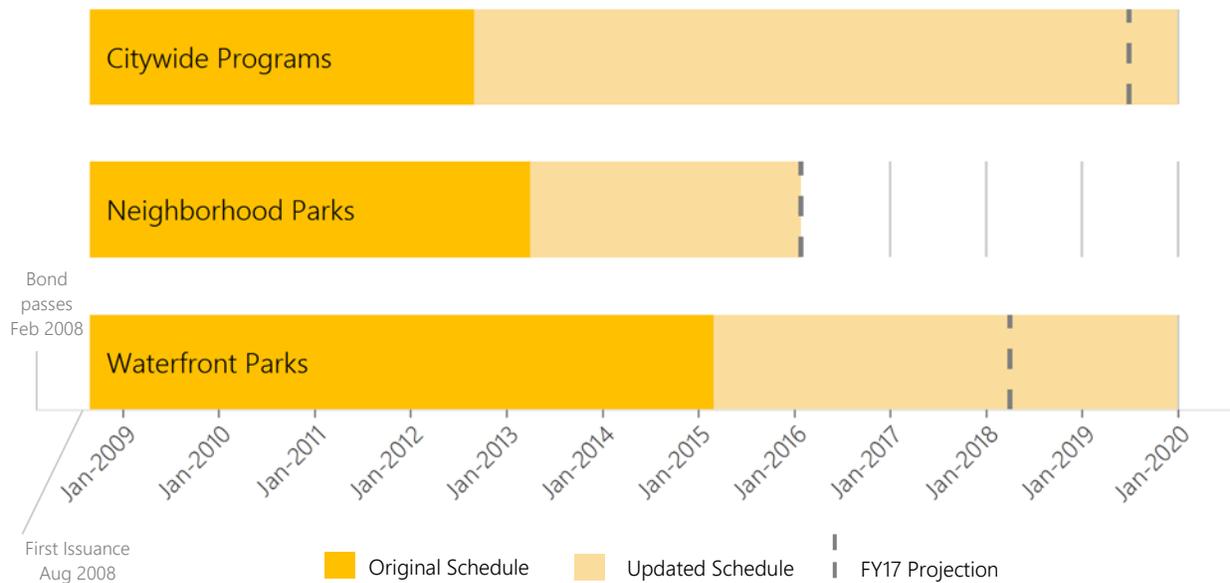
<sup>8</sup> Crane Cove Park is the largest project within the Waterfront Parks component and is funded by both the 2008 and 2012 CSNP bonds. Crane Cove Park is a new, approximately 6-acre, Blue Greenway waterfront park located in the Central Waterfront between 19th and Mariposa Streets east of Illinois Street.

the prior annual report. This difference is due to the addition of individual projects; added to show progress within the five subprograms.

## SCHEDULE AND PROGRESS

Overall, the bond program is delayed by nearly five years. The end date of Waterfront Parks, the last project originally expected to finish, was projected to complete in February 2015. The Waterfront Parks and Citywide Programs components are now projected to be substantially complete by January 2020. The Citywide Programs component's schedule is extended by six months and Waterfront Parks was extended by a year and nine months since the last report. The Neighborhood Parks component was complete as of the prior annual report.

### Bond Schedule by Component



Some of the projects in the Citywide Programs component span the CSNP 2008 and 2012 bond programs, as work is taking place in parks that are also being improved with CSNP 2012 funds. Therefore, while the majority of the CSNP 2008 funds are spent, the completion of some projects is delayed due to alignment with 2012 work. These projects include: McLaren John King Community Garden and Ralph D. House Community Park (in the Community Opportunity Fund), forestry work within Golden Gate Park and McLaren Park, and trail reconstruction in Bernal Heights and Golden Gate Park.

Crane Cove Park is the final project to be delivered in the Waterfront Parks component. Site preparation at Crane Cove Park was a major accomplishment in the reporting period.

The Port has experienced significant barriers to spending funds according to schedule. Four permits were required before construction could begin on Crane Cove Park (U.S. Army Corps of Engineers, San Francisco Bay Conservation and Development



Commission, Regional Water Quality Control Board, and a State Office of Historic Preservation Section 404 Permit). Securing the permits contributed to delays. Waterside work requires a permit from the U.S. Army Corps of Engineers and is only permitted from June to November. This window was missed and the timeline was extended previously, which further exacerbated the delay. To accelerate spending of 2008 funds while the permit was pending, the Port split up construction into three separate construction packages – site preparation, sitewide improvements, and building and roadway improvements. This allowed some work to progress while the waterside permitting was pending. Site preparation work was complete in September 2017.

As of development of this report, construction of sitewide improvements had begun in January 2019, and is expected to be substantially completed in January 2020. The Port is planning on advertising the building rehabilitation construction package in the first quarter of 2019. The roadway improvements package is funded by a federal grant.

In the Citywide Programs component, two out of the five subprograms are complete. Across all subprograms, there are a total of 63 planned projects and of these, fifty-six are complete.

### Bond Progress by Component



## BUDGET AND SPENDING

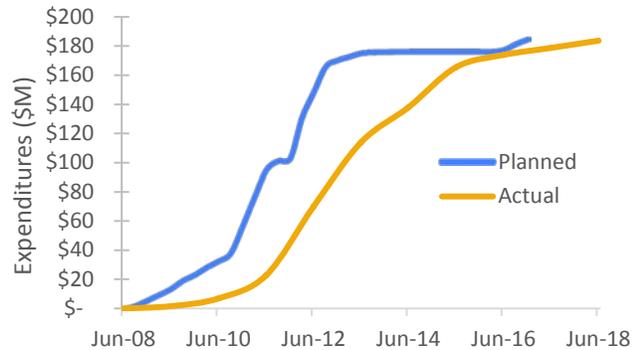
As of June 30, 2018, \$182.4 million dollars of bond funding (97% of the total budget) had been expended (see Appendix A). The budget for the bond has increased since the original budget and since the prior report. This is due to interest earned on bond proceeds. All components increased their spending in the last 18 months, since January 2017. The bond sold its fourth and final issuance in February 2016.

Spending is complete for the Neighborhood Parks component, the largest component in the bond in terms of budget. The Citywide Programs component spent 95% of budget and Waterfront Parks spent 89% of budget.

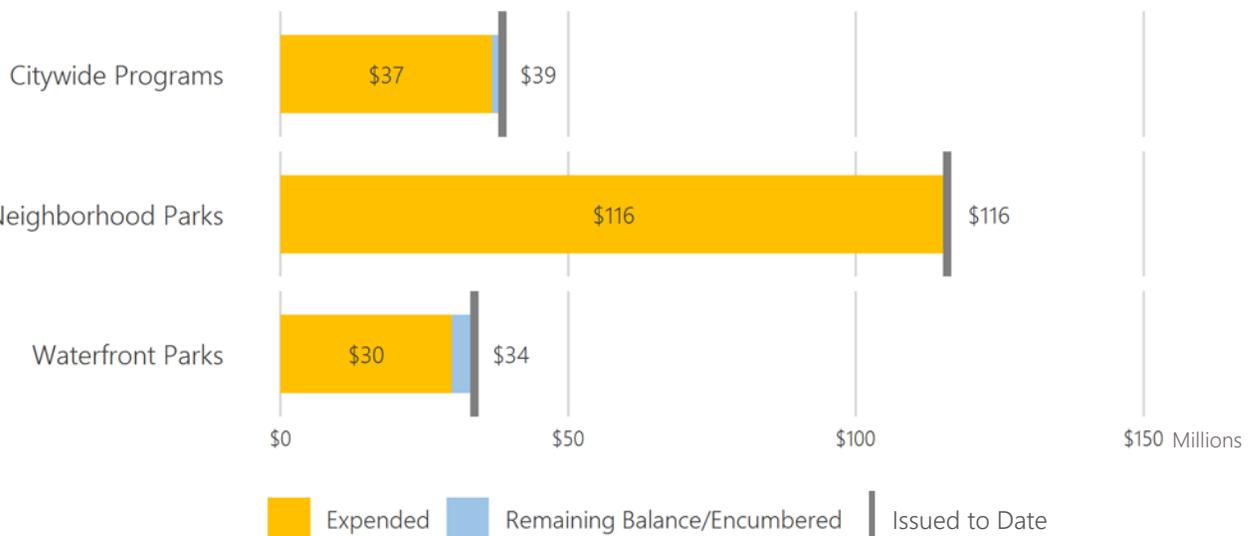
The Port foresees the accelerated expenditure of remaining funds in FY19 and FY20 as construction at Crane Cove Park gets underway; however, this accelerated spending is dependent on the site improvements bid approval.

### Planned versus Actual Expenditures

As planned before each issuance



### Bond Expenditures<sup>9</sup>



<sup>9</sup> Given reporting challenges with encumbrance data in the City's new Financial System, CNSP bond managers did not report internally-tracked encumbered amounts.

## OTHER KEY FINDINGS

The bond program has learned several lessons related to higher construction costs.

- Accommodations are needed to mitigate the budget and scheduling challenges of the current bid environment. Bids are consistently coming in over budget, and the pool of eligible contractors is limited, given the City's Local Business Enterprise and Local Hiring requirements. It is difficult for new and smaller contractors to navigate these rules. The result is work that progresses slower and is more expensive.



- The current allocation for park improvements in the Capital Plan, \$160 million every five years, should be increased to reflect increasing construction costs. The amount has not changed in 10 years, yet costs have notably increased. Planning should better reflect the current construction market. RPD has created a Life Cycle database for all assets to better inform plans for future bonds and to assist maintenance staff to increase the lifecycle of assets.
- It is important to have multiple levels of project and program contingencies. For example, the bond has an overall contingency amount, but each project should have its own contingencies that reflect the specific risks of that project.

The program has learned several lessons related to community engagement, which is a critical part of park improvement planning and delivery.

- A transparent and consistent community input process is critical for cultivating trust for all projects. This includes having clear and rational criteria for project selection.
- A blend of programs and projects in the bond, where some projects are department-directed and others are further defined with community input, allows bond managers to maintain accountability to the bond's objectives and be responsive to community needs.
- Given the high level of community engagement in park improvements, it is helpful to adopt a more conservative timeline for the community input and approval process. Also, when coordinating with other agencies, begin planning with departments and the community as early as possible. This ensures that when funding is available, a vision is established, and the permitting process can begin promptly.
- Stakeholders are more satisfied with full site renovations, rather than focusing on individual components within a park (e.g., Gillman Park has many components, yet improvements only focused on the children's play area). There are also economies of scale for full site improvements.

Larger, more complicated projects, such as those planned along the waterfront, need pre-bond planning and preliminary designs to mitigate schedule and cost overruns related to unforeseen conditions and other pre-construction needs. A major lesson learned by the Port is that working in and over water is expensive and requires additional coordination time and more conservative timelines.

# 2010 Earthquake Safety and Emergency Response Bond

## At a Glance

**Authorization:** \$412 million approved in June 2010

**Scope:** There have been minor scope changes in the reporting period. The Auxiliary Water Supply System component discontinued or postponed three projects, while the Neighborhood Fire Stations component added projects.

**Schedule:** The Public Safety Building was substantially complete in 2015. In the reporting period, the Auxiliary Water Supply System component did not change its expected completion date, while the Neighborhood Fire Stations component extended its expected completion by almost three years. All components to be completed by June 2021.

**Budget:** \$364.3 spent of \$406 million issued (90%).<sup>10</sup>

The 2010 Earthquake Safety and Emergency Response (ESER) bond is managed by San Francisco Public Works and San Francisco Public Utilities Commission (PUC). The bond program includes three components.

## SCOPE

- **Public Safety Building (PSB)** (\$236.7 million): Led by Public Works in coordination with the SFFD and San Francisco Police Department (SFPD), the PSB serves as a seismically safe replacement for the SFPD Headquarters and the Southern District Police Station, as well as a new fire station for the Mission Bay neighborhood. This component also includes the rehabilitation of historic Fire Station #30, which serves as the new home for the SFFD Arson Task Force and provides a meeting space for City and community use. The PSB was completed in April 2015.
- **Auxiliary Water Supply System (AWSS)** (\$102.4 million): Led by PUC, the 44 AWSS projects include studies and improvements to tanks, reservoirs, pumping stations, pipelines/tunnels, and cisterns that comprise the emergency firefighting water system. The scope and location of improvements were prioritized using reliability scores from probabilistic modeling of the availability of firefighting water after a major earthquake.
- **Neighborhood Fire Stations (NFS)** (\$66.9 million): Led by Public Works in coordination with the San Francisco Fire Department (SFFD), the NFS component consists of seismic upgrades, improvements to support SFFD operations, and other health and safety improvements to 26 SFFD facilities. Within this component, there are three subcomponents: Seismic,

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<sup>10</sup> Spent and issued amounts do not include oversight, accountability, and cost of issuance. All authorized bond proceeds have been issued.

Comprehensive, and Focused Scope projects. The NFS scope was determined based on a comprehensive survey of all neighborhood fire stations in 2009, which identified \$350 million in immediate capital needs.

There have been changes to the bond program's scope since the last report. The AWSS component reduced its scope by three Pipeline/Tunnel projects. Preliminary scoping identified the Fort Mason Pier 2 Seawater Manifold as a much larger project than previously estimated. This project and the Pumping Station 1 Tunnel were postponed to a potential future bond due to budget pressures from their larger than expected scope and higher costs of the current bid climate. The Fillmore & Haight pipeline, a smaller scale project, was also postponed.

Due to cost savings, interest earned, and previous shifts in scope between the 2010 and 2014 ESER bonds,<sup>11</sup> the NFS component added new projects to the Focused Scope subprogram, known as Additional Focused Scope projects. Funding will support Apparatus Bay Door replacement and Generator replacements at additional fire stations and SFFD Headquarters Envelope painting. The additional NFS scope in ESER 2010 balances reductions in the NFS scope in ESER 2014. Additional funds were needed in the 2014 bond to cover higher than expected close out costs of the Office of the Chief Medical Examiner component.



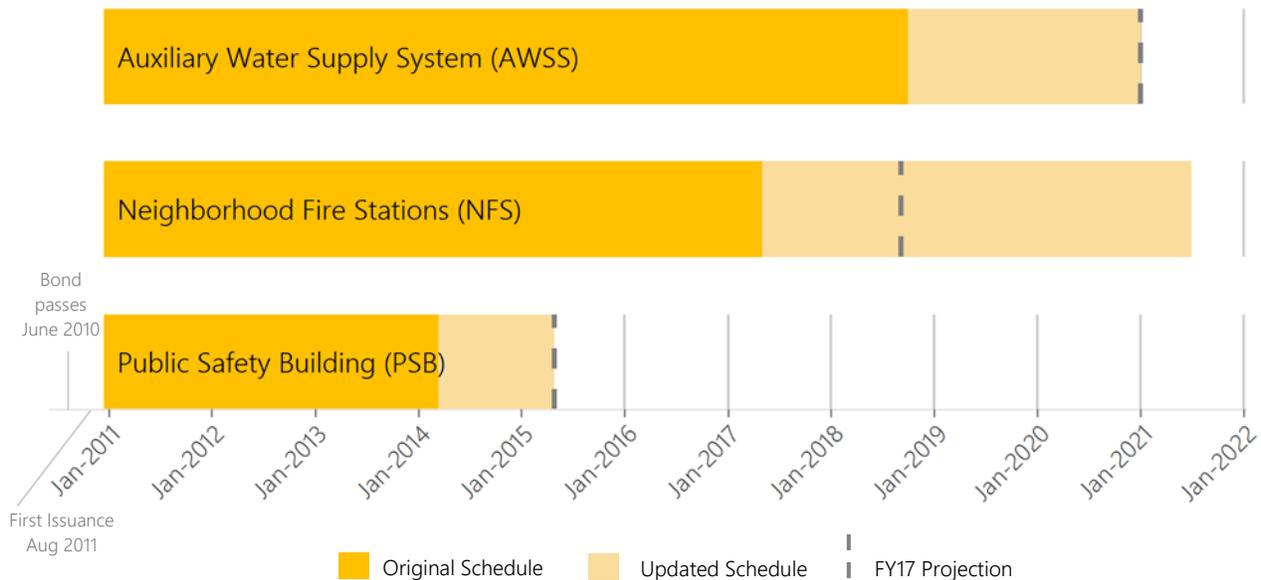
## SCHEDULE AND PROGRESS

Overall, the bond program is delayed by almost 3 years. The AWSS component was originally projected to be the last component to finish, by October 2018. The NFS component is now projected to be complete after AWSS, in June 2021. The AWSS component's schedule did not change in the reporting period. It is projected to be complete by January 2021. The Public Safety Building component was completed in 2015.

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<sup>11</sup> As reported in prior reports, the NFS program scope was reduced due to the reallocation of the Fire Station 35 project to the 2014 ESER NFS program. Interest earnings, cost of issuance savings, and savings from the Public Safety Building previously allowed the program to increase the NFS 2010 budget and scope.

## Bond Schedule by Component

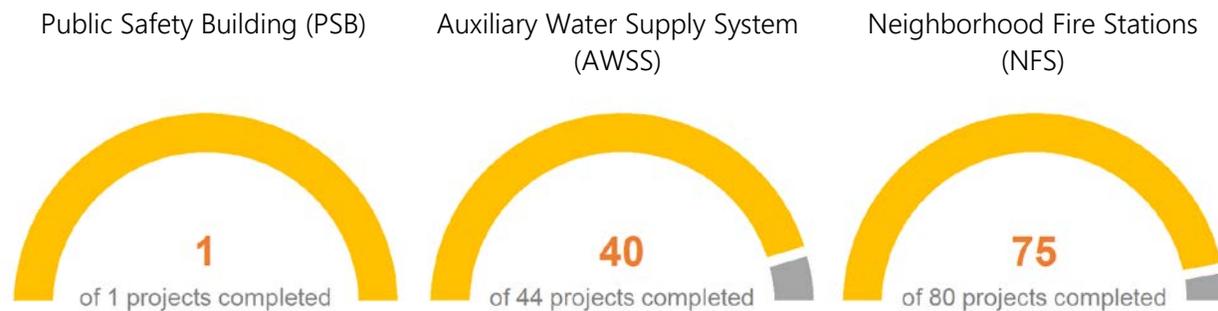


While the AWSS component is on track to complete as planned, unforeseen conditions may pose a risk to the schedule for Pump Station 2, as the project is improving the existing building’s seismic performance. In addition, the Pump Station 2 construction contract was awarded for \$18 million, which was \$4 million above the original bid estimate.

In the NFS component, seismic subcomponent, there are delays due to challenges with FS 5 and FS 16. The schedule for FS 5 was extended by eight weeks due to contractor workforce shortages tied to high demand for construction services. FS 16, which was supposed to be completed in December 2017, was completed over a year later, largely due to the contractor’s inability to adequately deploy resources.

Also in the NFS component, additional scope and challenges related to Apparatus Bay Door replacements, in the Additional Focused Scope subcomponent, have contributed to delays. Apparatus Bay Doors ensure the smooth deployment of personnel, vehicles, and equipment in an emergency or seismic event. They are large, technically advanced structures that require client approval (of three door types), supplier bid approval, permitting, and staggered installation across fire stations to ensure alternate stations are operable during an emergency. Client change orders, bid amounts, manufacturer availability of approved doors, and the consequential downstream effects in the installation process have led to delays.

## Bond Progress by Component



In the reporting period, in the AWSS component, eight projects were completed. All planned cisterns are functional, as two more cistern contracts achieved completion. The controls system project was completed. Construction continued for Pump Station 1, which is functional yet pending minor completion items. The Pump Station 2 construction contract Notice to Proceed was issued in December 2017, and construction commenced.

In the Neighborhood Fire Stations component, 75 of 80 projects are complete, and two more were completed since the prior report. The exterior envelope of SFFD headquarters and design and permitting for all Apparatus Bay Door replacements were completed.

## BUDGET AND SPENDING

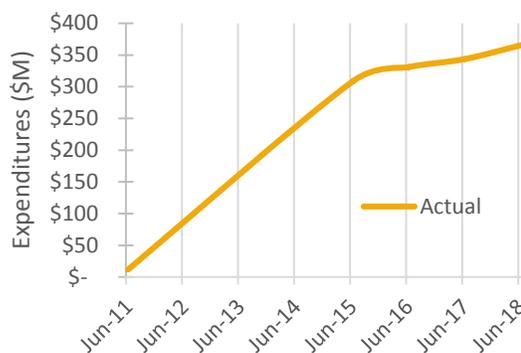
As of June 30, 2018, \$355.9 million dollars of bond funding (88% of the total budget) had been expended (see Appendix A). The bond sold its sixth and final issuance in April 2016.

While bond program spending has progressed at a slower rate during fiscal years 2016 and 2017, it accelerated slightly in fiscal year 2018 and is expected to keep on an upward trajectory until mid-2021.

Lower than anticipated costs of issuance, due to the participation of more departments in some issuances, interest earned, and cost savings from the Public Safety Building allowed the program to allocate funds for projects in ESER 2010 and ESER 2014.<sup>13</sup>

At the same time, the NFS component could be impacted by tariffs on imported steel. Tariffs could result in a five-seven percent price increase in the cost of the apparatus bay doors that are manufactured in the United States.

Actual Expenditures<sup>12</sup>  
Cumulative, FY11 to FY18



<sup>12</sup> The chart shows only actual cumulative expenditures and does not show planned expenditures since pre-issuance documents filed with the Office of Public Finance projected the bond's encumbrance schedule rather than its expenditure schedule.

<sup>13</sup> The program forecasts a \$72.3 million budget that will be appropriated to the NFS component by the end of FY19.

### Bond Expenditures and Encumbrances<sup>14</sup>



### OTHER KEY FINDINGS

Successes, challenges, and lessons learned for ESER 2010 overlap with those of the 2014 program and are therefore reviewed in the 2014 chapter.

<sup>14</sup> The encumbrances shown in the chart above represents the bond program’s internal tracking of encumbrance data as of June 30, 2018, given reporting challenges in the City’s new Financial System.

# 2011 Road Repaving and Street Safety Bond

## At a Glance

**Authorization:** \$248 million approved in November 2011

**Scope:** There were very minor scope changes to Street Structure Rehabilitation and Strengthening component, which was completed, in the reporting period.

**Schedule:** Three of five components are completed, two in the reporting period (Street Structure Rehabilitation and Strengthening and Transit and Traffic Signal Improvements). The Street Resurfacing and Reconstruction component is delayed by one year and the Streetscape, Pedestrian and Bicycle Safety Improvements component is delayed by two years in the reporting period. All remaining components to be completed by December 2020.

**Budget:** \$224.7 of \$247.7 million issued (91%).<sup>15</sup>

The 2011 Road Repaving and Street Safety bond is primarily managed by San Francisco Public Works. One component, Transit and Traffic Signal Improvements, is managed by the San Francisco Municipal Transportation Agency (SFMTA). The bond program includes the following five components:

## SCOPE

- **Street Resurfacing and Reconstruction** (\$147.4 million): This component will repave, repair, and reconstruct 1,423 blocks of streets to improve surface quality and ensure safety for all road users. The program must coordinate with other agencies including the SFMTA (e.g., to de-energize bus lines), other agencies such as the PUC, and private utility companies. The street resurfacing program prioritizes blocks according to the following criteria: multi-modal routes, pavement condition index (PCI) score, functional classification, project readiness, coordination with utility companies and City agencies, equitable distribution across the City, and complaints.
- **Streetscape, Pedestrian and Bicycle Safety Improvements** (\$52 million): Led by San Francisco Public Works in coordination with the SFMTA and the PUC, this component consists of 64 projects, including 24 large-scale projects to improve the street design quality and environment, and 40 smaller projects (referred to as Follow-the-Paving projects) to implement pedestrian and bicycle safety improvements in tandem with Street Resurfacing and Reconstruction projects.
- **Sidewalk Accessibility Improvements** (\$21.6 million): This component includes three subprograms:

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<sup>15</sup> Spent and issued amounts do not include oversight, accountability and cost of issuance. All authorized bond proceeds have been issued.

- The Accelerated Sidewalk Abatement Program (ASAP) is a complaint-driven program to repair 152,000 square feet of damaged sidewalks.
- The Sidewalk Inspection and Repair Program (SIRP) is a condition-driven program to repair 600 square blocks of damaged sidewalks.
- The Curb Ramp Program has a goal of upgrading 1,350 curb ramps to provide better accessibility in accordance with the Americans with Disabilities Act (ADA).
- **Transit and Traffic Signal Improvements** (\$19.8 million): Led by the SFMTA, this component will improve or replace traffic signals at 456 intersections, including the addition of a transit signal priority system at 440 intersections, new traffic signals and signal upgrades at 10 intersections, and traffic signal infrastructure such as conduits at six locations. The traffic conduits are coordinated with Street Resurfacing and Reconstruction blocks.
- **Street Structure Rehabilitation and Strengthening** (\$6.9 million): This component consists of 40 projects to make repairs and design plans at 38 of the City's approximately 350 roadway structures including stairways, retaining walls, pedestrian bridges, vehicular bridges, viaducts, and tunnels.

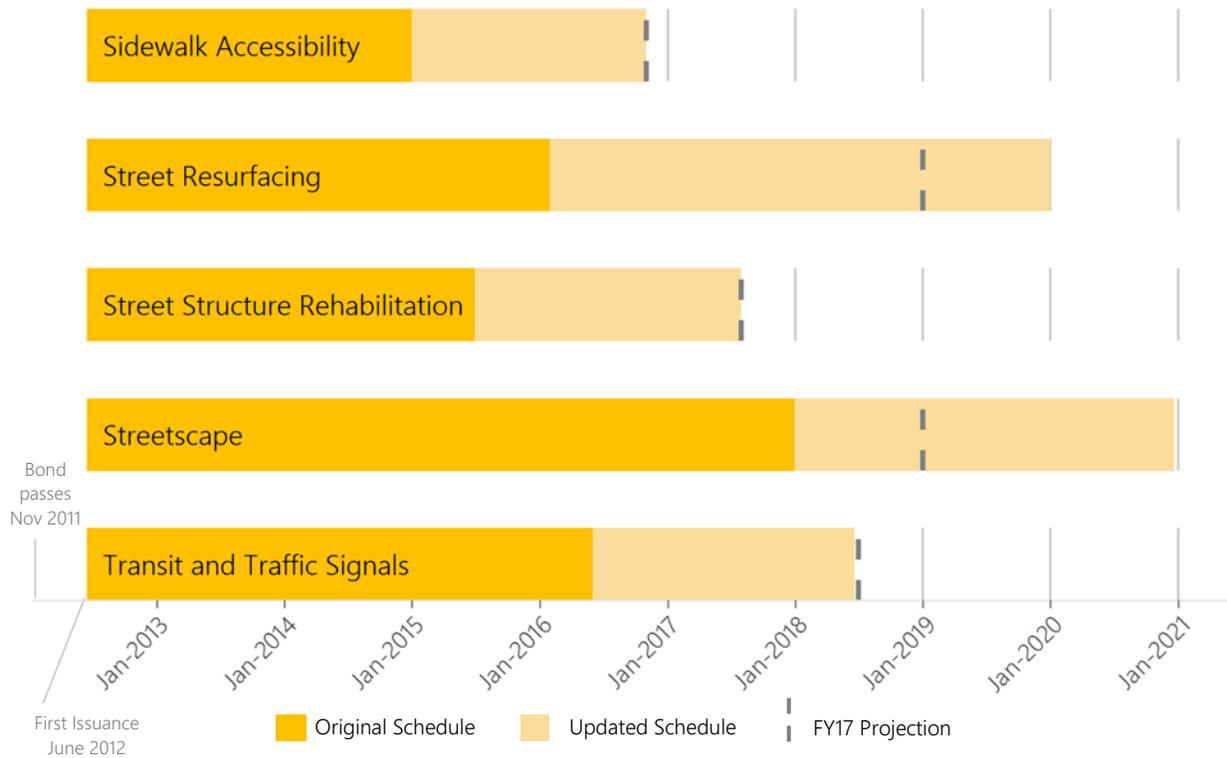
There were minor scope changes in the reporting period. The Street Structure component maintained the same number of projects but shifted project locations. The component removed the Greenwich Street Stairs and the Steiner Street Pedestrian Bridge project was cancelled due to the planned demolition of the bridge. The component added the Bonview Street Retaining Wall (design and construction) and the Richland Ave Traffic Railing (design and environmental work).

## SCHEDULE AND PROGRESS

Three of the five components were substantially completed as of June 30, 2018. The Sidewalk Accessibility component was complete as of the prior report (completed by November 2016). The Street Structure Rehabilitation and Strengthening and Transit and Traffic Signal Improvements components were completed in the last 18 months, since January 2017. Street Resurfacing and Reconstruction is delayed by one year compared to the last report's projection, and the Streetscape, Pedestrian and Bicycle Safety Improvements component is delayed by two years compared to last report's projection. In the Streetscape, Pedestrian and Bicycle Safety Improvements component, the final project planned is the Palou Avenue Streetscape project, which is expected to be completed by December 2020.



## Bond Schedule by Component



The Street Resurfacing and Reconstruction delay is due to several factors, including: coordination with other agencies and improvement programs, staffing shortages within coordinating agencies, scope changes, community input processes that exceeded timeline expectations, and alignment with projects in other components (Streetscape, Pedestrian and Bicycle Safety Improvement and Transit and Traffic Signal Improvements).

Streetscape, Pedestrian and Bicycle Safety Improvement delays are due to coordination with other City agencies such as the PUC and unforeseen conditions related to sewer, water, and power infrastructure. While coordination with other City agencies can increase project complexity and slow progress, there are definite advantages such as minimizing neighborhood disruption and other efficiencies. The number of PUC-coordinated projects has increased over the course of the bond program. This coordination is necessary, but it adds time to the schedule.

As of June 30, 2018, the Street Resurfacing and Reconstruction program had resurfaced 1,355 blocks, which represents 95% of the bond program’s block resurfacing goal. Since the prior report, the program repaved 133 blocks.

Between January 2017 and June 2018, the following Streetscape, Pedestrian and Bicycle Safety projects were complete: Irving St (between 19<sup>th</sup> Ave to 27<sup>th</sup> Ave), Bartlett Ave, Potrero Ave, The Wiggle (an iconic bicycle route), Ocean Ave, Fulton Ave, Mission St/Silver Ave, Columbus Ave, and Webster St. Two other Streetscape projects were completed after June 2018, but prior to this report’s publication: Spofford Chinatown Living Alley and Polk Complete Streets project.

Since January 2017, the Street Structure Rehabilitation and Strengthening program completed the Bonview Street Retaining Wall construction (in July 2017) and the design and environmental planning for the Richland Ave Bridge Traffic Railing Replacement project. This component is now complete.

Final Transit and Traffic Signal intersection improvements were completed between January 2017 and June 2018. This includes new traffic signals at 10 intersections, traffic signal infrastructure (e.g., conduits and pull boxes) installed at six intersections (in coordination with resurfacing projects), and transit signal priority (TSP) upgrades at 440 intersections, which includes all Muni Rapid traffic signals. Equipment was installed at all intersections, however technology upgrades to the communications network and traffic signal timing is ongoing and will be funded through other sources.

## Bond Progress by Component

Street Resurfacing and Reconstruction



Streetscape, Pedestrian and Bicycle Safety



Transit and Traffic Signals



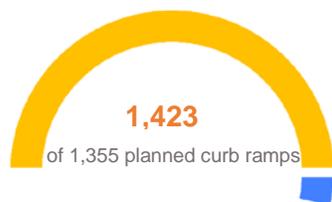
Street Structure Rehabilitation



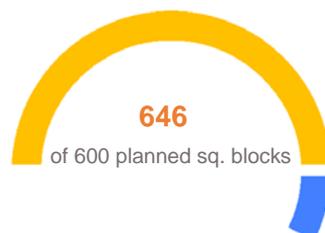
Sidewalk Accessibility



Sidewalk Accessibility  
SIRP



Sidewalk Accessibility  
Curb Ramps



Sidewalk Accessibility  
ASAP

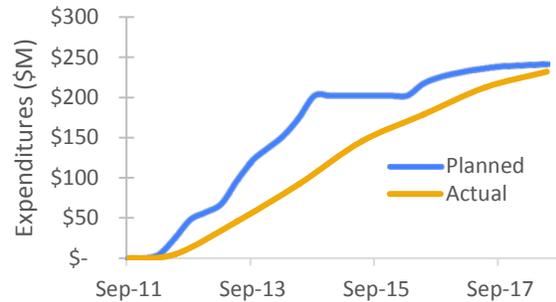


## BUDGET AND SPENDING

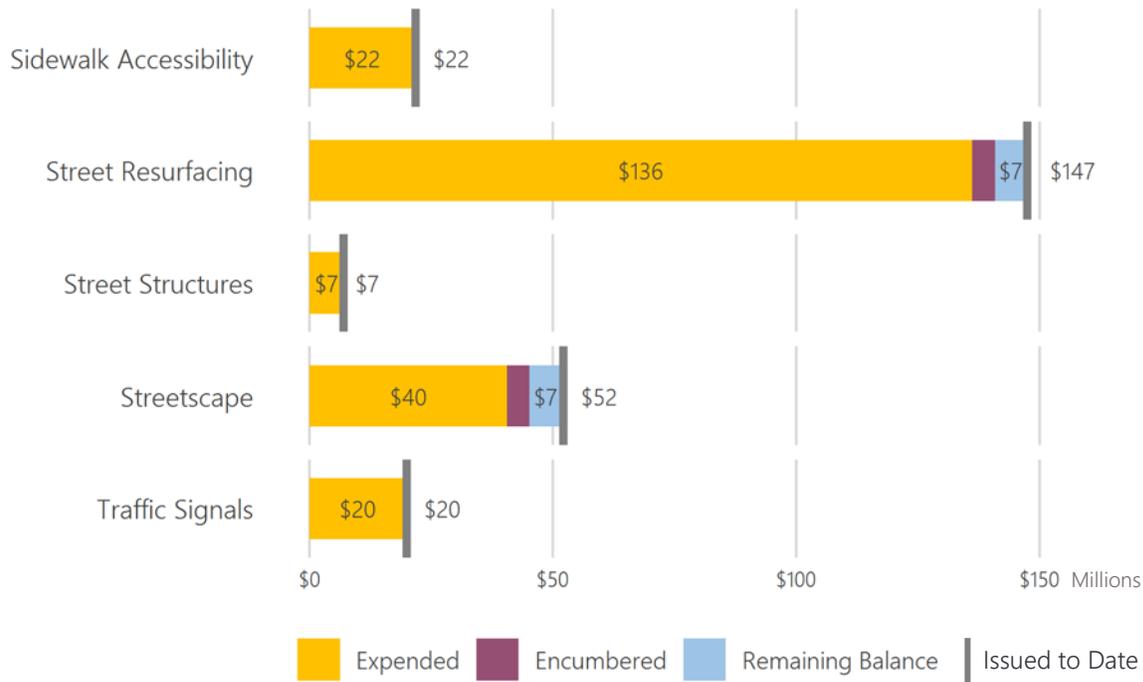
As of June 30, 2018, the bond is 91% expended (see Appendix A). The Street Resurfacing and Streetscape components – the two components with the largest budgets relative to the bond program overall - are the two with remaining work. The bond sold its final issuance in April 2016.

The Street Resurfacing component has expended 92% of its budgeted amount. Including encumbrances, 95% of the component’s budget is accounted for. The Streetscape component has expended 78% of its budgeted amount. Including encumbrances, 87% of the component’s budget is accounted for. A small encumbrance remains to complete spending in the Traffic Signals component. This will be allocated to closeout costs or any outstanding payments.

**Planned versus Actual Expenditures**  
As planned before each issuance



### Bond Expenditures and Encumbrances<sup>16</sup>



<sup>16</sup> The encumbrances shown in the chart above represents the bond program’s internal tracking of encumbrance data as of June 30, 2018, given reporting challenges in the City’s new Financial System.

Cross-departmental collaboration on projects allows the bond program to leverage external funds. The Street Resurfacing and Streetscape components use many funding sources in addition to bond funds. For example, Public Works coordinates with other agencies and utilities, prior to beginning paving projects, by aligning with their sewer, water, utility, or transportation capital improvement projects. A four-block resurfacing project on Potrero Avenue, led to the combination of bond funds with other sewer, water, and transit improvement funds to become a larger project with shared costs across multiple agencies. In total, the Street Resurfacing component has been able to leverage its \$147 million budget with about twice as much external funding from other agencies such as the SFPUC and SFMTA.

## OTHER KEY FINDINGS

- The bond program has established the foundation to support more robust coordination and communication between departments. For example, partners hold monthly meetings to introduce, plan for, and track coordinated activities. This allowed departments to save on planning, design, and other soft costs, which resulted, for example, in triple the amount of paving possible with bond funds. A downside of increased coordination, however, are longer implementation timelines. The bond program has learned to create longer schedules for projects that involve more coordination.
- Several factors contribute to bid estimates that significantly exceed budget expectations. A high volume of construction in the City and a limited pool of Local Business Enterprises increases demand for construction contractors (paving, electrical, and plumbing). At the same time, other agencies are expanding their capital improvement plans (PUC has increased their water and sewer infrastructure projects and SFMTA is delivering Muni Forward and Vision Zero projects on streets across the city). Projects compete for contractors and drive up costs. Program managers accommodate higher costs by reducing scope and when possible, using interest earned.
- The Streetscape, Pedestrian and Bicycle Safety Improvements component made changes to overcome barriers related to the structure of the landscaping component of construction contracts. Streetscape contracts that include landscaping attach a landscape bid and 3-year maintenance requirement to the construction contract. This requirement limited the number of bidders. The program has adapted to this challenge by separating construction, landscaping, and maintenance contracts going forward.
- Many of the Streetscape projects are in commercial corridors with engaged businesses and public transit. To minimize the commercial and transit impacts, ample time must be scheduled for community input processes in planning and construction phases.



Bond funds have been a critical resource for Public Work's efforts to improve the conditions of the streets. Between 2013 and 2017, the PCI saw a three-point increase. The bond was intended to fund the gap in the street resurfacing program, but new sources of funding for future paving will need to be identified.

# 2012 Clean and Safe Neighborhood Parks Bond

## At a Glance

**Authorization:** \$195 million approved in November 2012

**Scope:** There were minor scope changes to the Waterfront Parks component in the reporting period. There were no changes to the other three components' scope.

**Schedule:** Three of the four components were delayed in the reporting period; Neighborhood and Waterfront Parks components by about a year and Citywide Parks by six months. One-third of all planned projects are complete. All components to be completed by January 2021.

**Budget:** \$80.5 of \$191.4 million issued (42%).

Voters approved the 2012 San Francisco Clean and Safe Neighborhood Parks (CSNP) Bond in November 2012. The bond authorized \$195 million in funding for four components. Three of the components are led by the Recreation and Parks Department (RPD), and one is led by the Port of San Francisco (Port).

## SCOPE

- **Neighborhood Parks** (\$99.6 million): Led by RPD, this component includes capital improvements to 15 parks with a specific focus on seismic safety, general physical condition, and adequacy for current and future recreational use.
- **Citywide Programs** (\$39 million):<sup>17</sup> Led by RPD, this component includes five subprograms: "Let's Play SF!" (playground renovation), urban forest assessment and repair, trail restoration, water conservation, and a Community Opportunity Fund.<sup>18</sup>
- **Waterfront Parks** (\$34.5 million): Led by the Port, this component consists of six capital improvement projects intended to improve waterfront open spaces.
- **Citywide Parks** (\$21 million): Led by RPD, this component focuses on the restoration of natural features, construction of recreational assets, and improvement of connectivity and access at three parks that serve the entire City.<sup>19</sup> This component is new as of the 2012 CSNP bond.

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<sup>17</sup> In FY18, \$1 million was shifted from the Citywide Programs to the Neighborhood Parks component to bridge a spending need. \$0.6 M was returned to Citywide Programs in FY19. RPD anticipates that the final funding level for Citywide Programs will remain unchanged overall.

<sup>18</sup> The Community Opportunity Fund allows residents, neighborhood groups, and park advocates to initiate improvements by matching bond funds with private gifts and grants for community-nominated projects.

<sup>19</sup> Golden Gate Park, John McLaren Park, and Lake Merced Park were identified by RPD as parks that serve the entire City.

The 2012 CSNP bond continues RPD and the Port's work from the 2008 CSNP bond.<sup>20</sup> Community engagement processes help determine the scope of improvements for all components. For example, a community taskforce developed criteria to identify priority playgrounds to improve as part of the Let's Play SF! subcomponent.

In the last 18 months, the Port added two projects to the scope of the Waterfront Parks component, which were largely driven by community requests. A public art component was added to the Pier 27 project, and solar power and ADA accessible pathways were added at Heron's Head Park. The Islais Creek scope was also changed to focus on advancing the design, rather than construction. The change accommodates coordination with other departments that are still in the planning phases for improvements to the area around this park.

There have been no scope changes to the other bond components. However, RPD previously reported the projects included in the Citywide Parks and Citywide Programs components at a high level. For example, Citywide Parks included only three projects (Golden Gate Park, John McLaren Park, and Lake Merced Park) despite the identification and delivery of specific subprojects. Subprojects are added in the section below to better capture the component's progress.



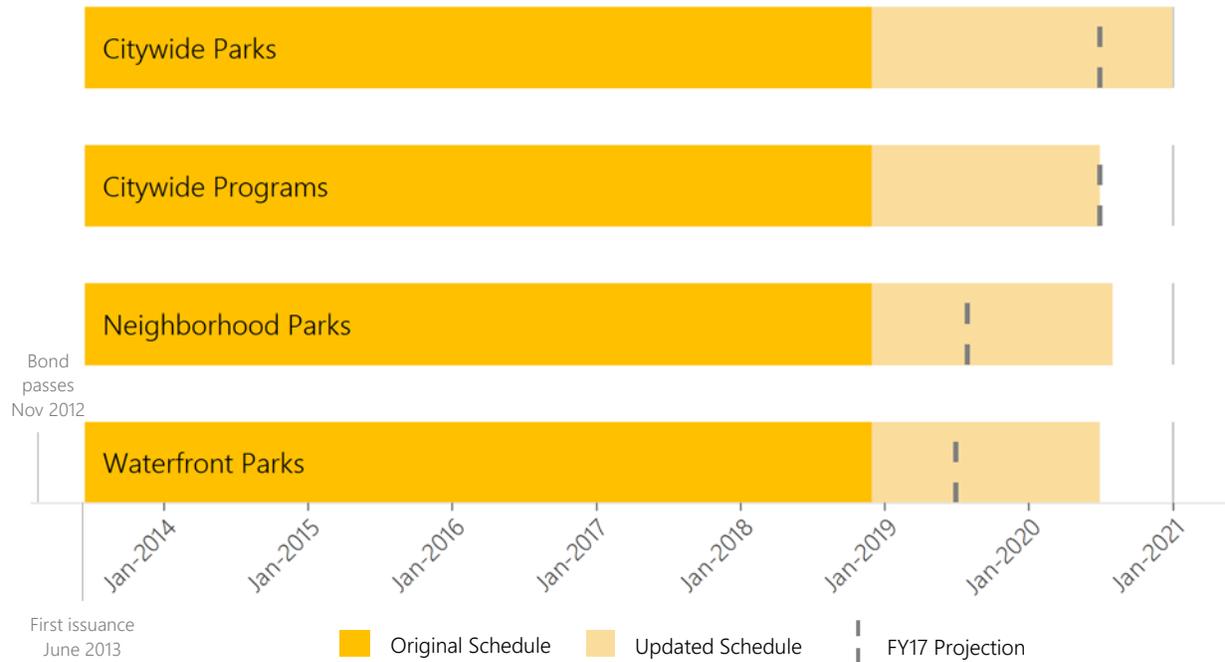
## SCHEDULE AND PROGRESS

Most of the components of the bond, except for Citywide Programs, have experienced delays since the prior report. The overall bond program end date was originally projected for November 2018. The last projects are now projected to be substantially complete about two years later, by the end of 2020.

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<sup>20</sup> Crane Cove Park, in the Waterfront Parks component, is the only major park project included in both the 2008 and 2012 CSNP bonds.

## Bond Schedule by Component



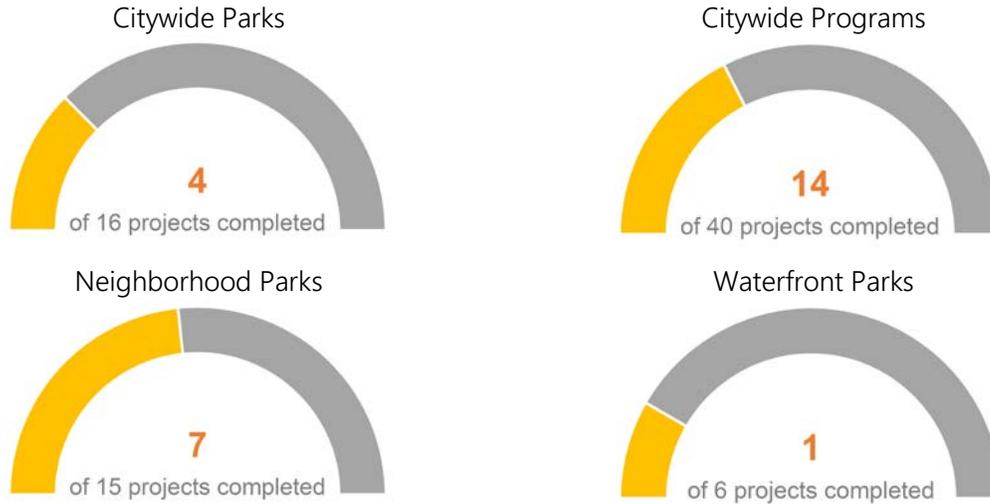
Schedule changes are attributable to community engagement process delays, rate negotiations between the Public Utilities Commission (PUC), and PG&E and permitting delays. In the Citywide Parks component, it took additional time through the community process to develop the scope of Lake Merced improvements, given the level of need and available funds. The Balboa Park Pool and the George Christopher Playground projects are contributing to the delay in the Neighborhood Parks component. Extended negotiations between the PUC and PG&E over power rates has impacted the Balboa Park Pool schedule. The Planning Department delayed approval of George Christopher Park for historic preservation reasons.

Margaret Hayward Park has been delayed for a couple reasons. Additional time was needed to secure impact fees, which were combined with bond proceeds and used to fund improvements. Impact fees are charged to developers to support public facilities that will serve new developments, such as transportation infrastructure, parks, and education, Impact fees contributed \$7 million in additional funds for this park. Accommodating Department of Emergency Management and Homeland Security lot line requirements also added unexpected time to the schedule.



Waterfront Parks delays are due to coordination needed with other major capital improvement projects being delivered in the same areas. The new basketball arena, Mission Bay Ferry Landing, and the Terry Francois Blvd realignment project are in the same area as Agua Vista Park. Improvements will be coordinated with these projects. Islais Creek will be timed with the 3<sup>rd</sup> Street Bridge renovation and accompanying PG&E work.

## Bond Progress by Component



In the Citywide Parks component, four projects were completed: McLaren Park visioning process, Mansell Street Streetscape project, McLaren Bike Park, and the Jerry Garcia Amphitheater.

The Community Opportunity Fund, in the Citywide Programs component, saw nine projects completed. Completed project examples include improvements to the Crocker Amazon Stairs, the McLaren Park Playground, Geneva Community Garden, and the Hilltop Skate Park. Also in the Citywide Programs component, two urban forestry projects and three water conservation projects were completed.

Seven neighborhood park improvements were completed as of June 30, 2018. This includes five parks completed since the prior issue of this report (Glen Canyon Rec. Center, Moscone Rec. Center, Mountain Lake Park, South Park, and West Sunset Playground). Notably, improvements at Glen Canyon Park have resulted in increased program opportunities (e.g., a new rock climbing wall) and usage. All other neighborhood parks are expected to be in construction by Spring of 2019.

One park in the Waterfront Parks Component had been completed as of the prior year's report (Cruise Terminal Plaza, formerly Northeast Wharf Plaza, and Pier 27/29). Other accomplishments included: site preparation at Crane Cove Park (as reported in the CSNP 2008 chapter of this report) and initiating one additional project to accelerate spending (Heron's Head Park Improvements).

## BUDGET AND SPENDING

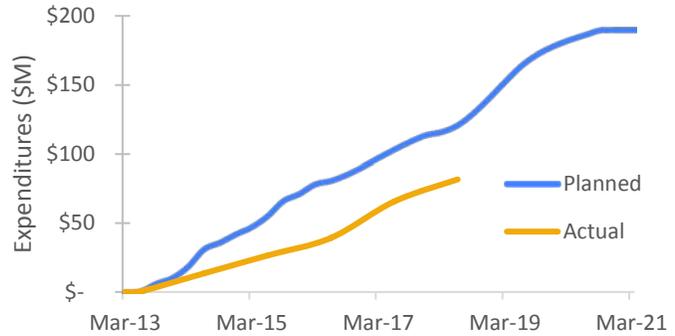
As of June 30, 2018, \$80.5 million dollars of bond funding (41% of the total budget) had been expended. The bond sold its third issuance in April 2018, which represents 98.5% of the total authorization.

All components increased their spending in the last 18 months, since January 2017. The Neighborhood Parks component has had the largest percentage of its budget expended (54%). This is also the component with the greatest share of the bond program’s budget (51% of bond funds).

The Waterfront Parks Component has expended a small portion of bond funding. For Crane Cove Park, CSNP 2008 funds will be applied first. Once the contract for sitewide improvements at Crane Cove Park is approved by the Port Commission, spending in the 2008 and the 2012 bonds is expected to accelerate significantly.

### Planned versus Actual Expenditures

As planned before each issuance



### Bond Expenditures<sup>21</sup>



<sup>21</sup> Given reporting challenges with encumbrance data in the City’s new Financial System, CNSP bond managers did not report internally-tracked encumbered amounts.

## OTHER KEY FINDINGS

The 2012 CSNP bond managers have learned many of the same lessons as 2008 CSNP bond managers; these key findings are detailed in the 2008 CNSP bond chapter.

- Community engagement remains a critical component that managers must account for in scope, schedule, and budget planning. Community input contributes to better stewardship of public space. While best practice and bond objectives require a robust community engagement process, stakeholders are passionate about parks and can have differing views on priorities and tradeoffs. These factors make it challenging to build consensus around the scope of work. Managers must balance improvement needs with available funding to prevent going over budget on one project then deleting scope on another. It takes time and creativity to create a feasible scope, especially when the funding does not fully address the need. This prompts a need for clear, rational criteria for project selection and scope development.
- Impact fees are a critical financial resource for park improvements. For the Margaret Hayward and Garfield Park and Potrero Rec Center, impact fees allowed the department to manage scope enhancements and the resulting cost escalation.

# 2014 Earthquake Safety and Emergency Response Bond

## At a Glance

**Authorization:** \$400 million approved in June 2014

**Scope:** The Traffic Company and Forensic Services Division (TCFSD) facility added scope and experienced significant budget pressures. While the bond program made minor or no scope changes to the Neighborhood Fire Stations (NFS) and Police Facilities components in the reporting period, projects in these components were put on hold as contingencies for an expected TCFSD budget shortfall. The Emergency Firefighting Water System (EFWS) component added and postponed projects.

**Schedule:** The Office of the Chief Medical Examiner component reached substantial completion in November 2017. In the reporting period, the TCFSD component was delayed by less than a year, the EFWS and Police Facilities components maintained the same completion date, and the NFS component shortened its schedule by seven months. All components to be completed by October 2021.

**Budget:** \$135.3 spent of \$395.3 million issued (34%).<sup>22</sup>

In June 2014, voters approved the Earthquake Safety and Emergency Response Bond (ESER 2014) to continue the work of the ESER 2010 program and pay for repairs and improvements to allow San Francisco to quickly respond to a major earthquake or disaster. The bond authorized \$400 million in funding for five components. Four of the components are led by Public Works, and one is led by the Public Utilities Commission (PUC).

## SCOPE

- **Traffic Company and Forensic Services Division (TCFSD) Facility** (\$163.4 million): Led by Public Works in coordination with the SFPD, this component relocates the facilities for the SFPD's Motorcycle Unit (Traffic Company) and Forensic Services Division to a new location in the Bayview. The Traffic Company and elements of the Forensic Services Division are currently located in the seismically-deficient Hall of Justice, while the Forensic Services Division's Crime Lab is located at the Hunters Point Naval Shipyard Building 606. The Hall of Justice and the facility at Hunters Point Naval Shipyard are both slated for future demolition.
- **Neighborhood Fire Stations (NFS)** (\$80.4 million): Led by Public Works in coordination with the San Francisco Fire Department (SFFD), the NFS component consists of 44 projects, including seismic upgrades, improvements to support SFFD operations, and other



<sup>22</sup> Spent and issued amounts do not include oversight, accountability and cost of issuance. All authorized bond proceeds have been issued.

health and safety improvements. The projects are located at 37 of the City's 44 fire stations, most of which did not receive improvements under the 2010 ESER bond. As with the 2010 ESER bond, there are three subcomponents: Seismic, Comprehensive, and Focused Scope projects.

- **Office of the Chief Medical Examiner** (\$67.5 million): Led by Public Works in coordination with the San Francisco General Services Agency (GSA), this component provides for construction of a new facility for the Office of the Chief Medical Examiner (OCME), which is currently located at the Hall of Justice. The new building will be better aligned with accreditation standards and will provide a modern facility.
- **Emergency Firefighting Water System (EFWS)** (\$54.3 million): Led by PUC, this component is an extension of the Auxiliary Water Supply System (AWSS) work from the 2010 ESER bond. EFWS is a broader term that includes Auxiliary Water Supply System and other, non-AWSS improvements to the City's emergency firefighting water system. The component's 22 projects include studies, expansions, and improvements to reservoirs, pumping stations, and pipelines. The scope and location of improvements were prioritized using reliability scores from probabilistic modeling of the availability of firefighting water after a major earthquake.
- **Police Facilities** (\$29.6 million): Led by Public Works in coordination with the San Francisco Police Department (SFPD), this component funds 14 projects that will make select improvements at every district station (except for the Southern Station, which is located in the new Public Safety Building) and SFPD's Lake Merced Range and Academy. The projects focus on compliance with state and federal mandates (such as ADA accessibility) and critical building systems such as HVAC, electrical, and plumbing, and seismic safety. Projects were developed based on assessments and studies at each facility, which identified \$250 million (in 2014 dollars) in capital needs for essential improvements.

The TCFSD Facility's scope has changed. Changes include the addition of a Body Worn Camera unit and the expansion of the real estate division within the building, which includes stationary engineers and custodial staff who maintain this and other public safety facilities. Delays in receiving planning and building permits, the additional scope, and higher than expected construction costs have prompted the program to find savings through value engineering or scope reductions. The impact of steel tariffs and negotiations with PG&E regarding moving their power lines, which were underway during the development of this report, pose real financial risks to the budget and scope as well.



The NFS component's scope has also changed. At the development of this report, two projects were on hold as contingencies for the TCFSD component's expected budget shortfall. The projects are the Fire Station 7 comprehensive renovation and Fire Station 24 and 34's building exterior rehabilitation. A decision regarding continuing these two projects is pending the TCFSD bid process, expected in the spring or summer of this year. Three new generator replacement projects were added in the reporting period.

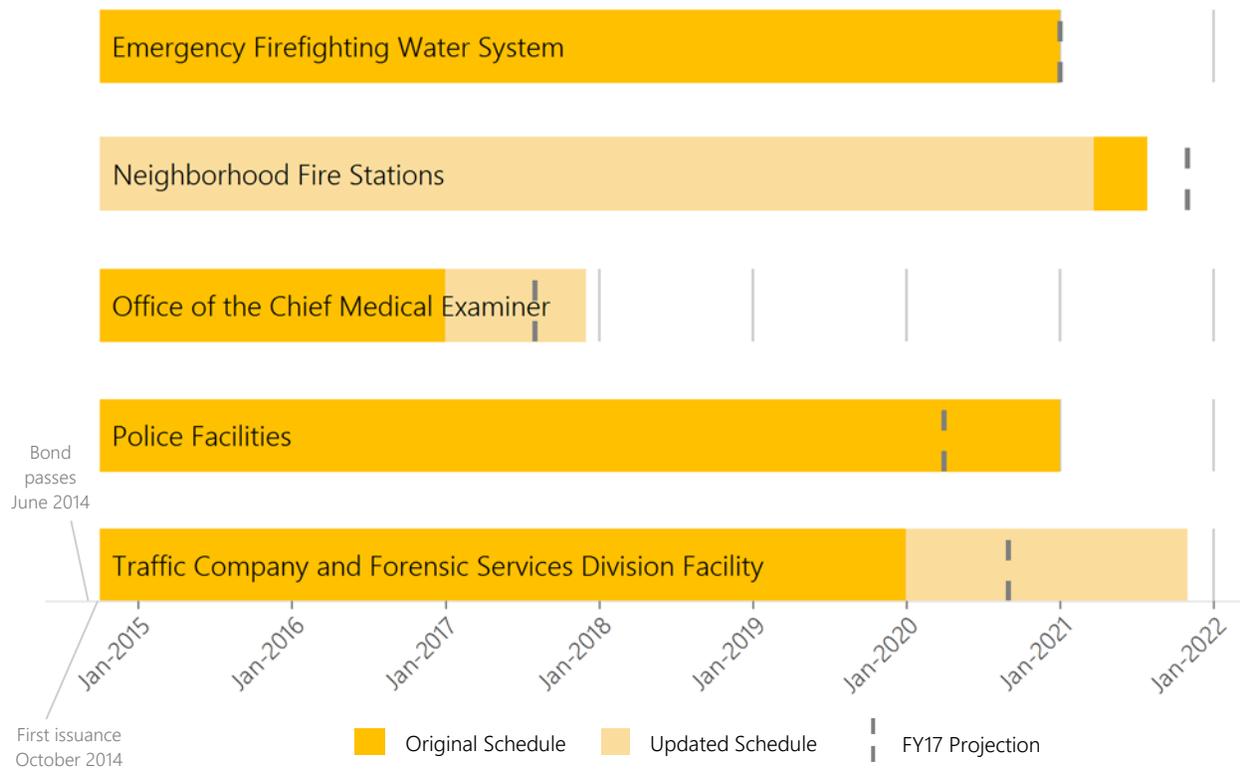
The EFWS component changed its scope by adding three new and postponing one pipeline project. The primary driver of scope changes is higher than expected construction costs and the need to align with the Warriors stadium and Giants Mission Rock development projects.

Although there were no changes to the Police Facilities component’s scope in the reporting period, at the development of this report, two projects were on hold as contingencies for the TCFSD facility.

## SCHEDULE AND PROGRESS

Overall, the bond program is progressing as planned, with one major project component complete as of November 2017, and one component (TCFSD) delayed by about a year and a half compared to its original completion date (December 2019). Other components either maintained the same completion date or reduced their schedule. The NFS component shortened its schedule by seven months since the prior report’s projection (from June 2021 to November 2020).

### Bond Schedule by Component



The TCFSD Facility, which was delayed by about a year since the last report, is expected to complete in October 2021. The delay is due to City permit reviews and the additional time needed to realign the scope and budget, given the changes mentioned above.

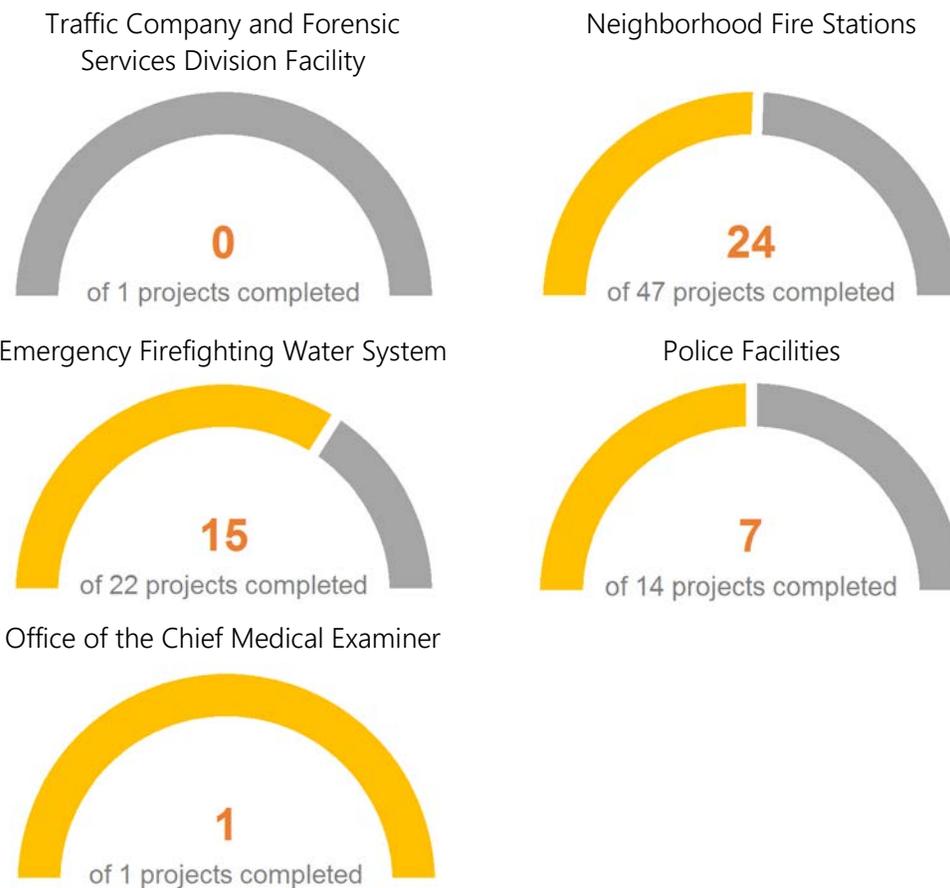
In the NFS component, FS 35, which is installing a fire station on a float at Pier 22 ½, experienced some delays. Although the project is currently on track for completion, its complexity and prototype nature presents several potential sources of delay, including permitting, unforeseen conditions, and historic site accommodations.

The OCME facility, which was opened for operations in November 2017, was delayed slightly prior to completion. This resulted from client changes and architectural personnel transitions, which created a loss of institutional memory that compromised the quality of the design document and increased the number of change orders due to errors and omissions.

The EFWS component is on track to complete the remaining seven projects by December 2020.

The Police Facilities component is possibly delayed compared to the prior report's projection. This possible delay is due to the two projects that are on hold. The other projects, which are under construction currently, will be completed by December 2019.

### Bond Progress by Component



All components, except for the completed OCME facility, are progressing apace.

The TCFSD component began pre-construction with the Construction Manager/ General Contractor (CM/GC) team, which allowed the program to get design input earlier from mechanical, engineering, and plumbing subcontractors. As of the development of this report, the existing buildings on the site were demolished.

Six projects were completed within the NFS component in the reporting period. The Notice to Proceed for the design of FS 35 was issued in October 2017, which is a significant milestone for the component.

A total of 15 projects are completed in the EFWS component, which is the same as the prior year. The component has seen several recent accomplishments. Contracts were awarded and construction commenced on the Irving Street Pipeline and the Ashbury Bypass Pipeline. In addition, the program made a contract modification to include the Mariposa/Terry Francois Pipeline and construction began on that project.

Seven projects were completed in the Police Facilities component; three of these were completed in the reporting period, they are: the New Firearms Simulation Training Facility in Lake Merced Range, and two ADA Barrier Removal projects, which include improvements to 10 police stations.

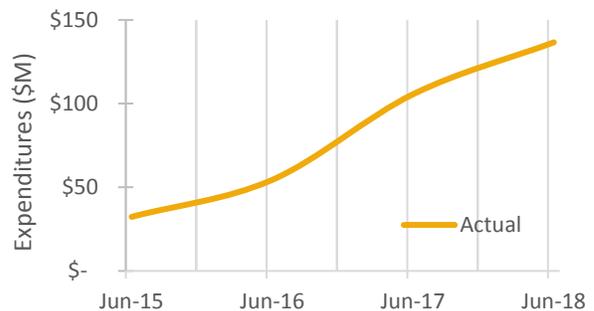
## BUDGET AND SPENDING

As of June 30, 2018, \$135.3 million dollars of bond funding (34% of the total budget) had been expended. The bond sold its third and final issuance in May of 2018.

All components except NFS increased their budgets since December 2016. As mentioned in the ESER 2010 chapter, cost savings and a lower than expected cost of issuance in the 2010 program allowed the reallocation of funds to ESER 2014. The NFS budget decreased slightly to accommodate increased funding pressures on other components.

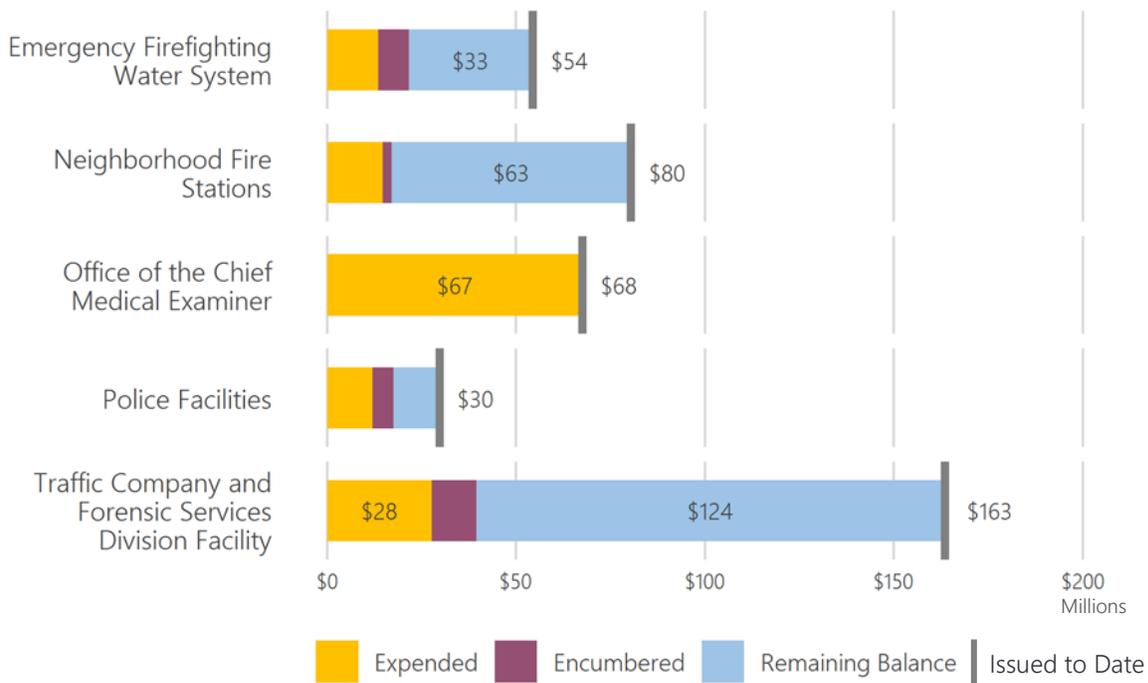
Although, a small percentage of the TCFSD and NFS budgets have been expended, once the new TCFSD facility and FS 35 are in construction, spending will accelerate considerably.

Actual Expenditures<sup>23</sup>  
Cumulative, FY15 to FY18



<sup>23</sup> The chart shows only actual cumulative expenditures and does not show planned expenditures since pre-issuance documents filed with the Office of Public Finance projected the bond's encumbrance schedule rather than its expenditure schedule.

## Bond Expenditures and Encumbrances<sup>24</sup>



## OTHER KEY FINDINGS

- A key success in mitigating cost and schedule overruns is flexibility in the construction project delivery method. Direct contracts with specialty trades and bids as packages across sites have worked well for the projects in the NFS component. This approach allows Public Works to avoid unnecessary overhead to general contractors for coordination. By contrast, using a Design-Build delivery method, where one entity performs both architectural/engineering and construction under a single contract, has proven efficient for other projects. For example, Public Works credits this approach with the program’s ability to condense the schedule for FS 35. Using a CM/GC model with core trade subcontractors has proven effective for the TCFSD facility, which is a more complex project; as such, Public Works found it helpful to have a team of specialty tradespeople collaborating under a construction manager and general contractor early in the design process.
- As with all bond programs, the escalated bid environment and associated increased costs are challenges for Public Works and PUC. In the Police Facilities component, the lowest bid for one project came in 40% higher than original estimates.

<sup>24</sup> The encumbrances shown in the chart above represents each bond program’s internal tracking of encumbrance data as of June 30, 2018, given reporting challenges in the City’s new Financial System.

- Prototype projects, such as FS 35, and those that involve renovating older facilities, are often associated with unforeseen conditions and the need to expand scope and extend schedule. Additional time should be built into project schedules and higher change order contingencies should be used with such projects.
- The bond program has experienced delays with City permit reviews. Future permit reviews are of concern. There is usually a five-to six-month review period. Project managers scheduled nine months for the site permit review for the TCFSD facility. At this report's development, managers reported being in the 11<sup>th</sup> month awaiting approval. This results in downstream permitting delays, as the building permit will follow the site permit.
- Public Works learned to avoid commissioning facilities prior to total completion. For example, costs were incurred when medical examiners began operating in the new OCME facility when minor construction tasks remained. It was difficult to schedule and perform follow up work in a way that did not interfere with operations.

# 2014 Transportation and Road Improvement Bond

## At a Glance

**Authorization:** \$500 million approved in November 2014

**Scope:** The program is continuing to refine the scope of individual components and their projects. In the reporting period, the scope of the Caltrain Electrification, Accessibility Improvements, and Traffic Signal Improvements components did not change; the other components added and discontinued projects.

**Schedule:** There were no schedule changes during the reporting period. The Accessibility Improvements component is delayed by three years compared to original projections. Other components are on track. Eight projects reached completion and all components to be complete by December 2022.

**Budget:** \$72.7 spent of \$238.7 million issued (30%). \$252.1 million remains unissued.<sup>25</sup>

In November 2014, voters authorized \$500 million in funding to improve the City's transportation infrastructure. The 2014 Transportation and Road Improvement bond comprises eight components eight components managed by the San Francisco Municipal Transportation Agency (SFMTA).

## SCOPE

- **Muni Forward Rapid Network Improvements** (\$187.1 million): This component will fund a restructure of transit service on Muni's high ridership lines to improve travel times and reliability, increase accessibility, and improve pedestrian safety.
- **Muni Facility Upgrades** (\$68.6 million): This component funds the design and construction of projects to improve operations and accommodate expanded fleet needs at Muni's operations and maintenance facilities.
- **Pedestrian Safety Improvements** (\$66.6 million): This component funds targeted pedestrian safety projects identified through WalkFirst, a data-driven effort to deliver effective engineering improvements to high-risk streets. These projects support the City's Vision Zero policy to end traffic fatalities by 2024.
- **Complete Streets Improvements** (\$51 million): This component provides funding for pedestrian and bicycle enhancements and public space improvements. It complements the 2011 Road Repaving and Street Safety bond by enabling coordinated projects to deliver these improvements under one construction contract. Its goal is to enable safe, convenient, and comfortable travel for all users through safer, well-defined bikeways and other improvements.

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<sup>25</sup> Spent and issued amounts do not include oversight, accountability and cost of issuance.

- **Caltrain Upgrades** (\$39 million): This component funds part of San Francisco’s share of reliability and safety improvements to Caltrain, including a new Advanced Signal System mandated by the Railroad Safety Act of 2008, which will improve safety and system performance. Specifically, the component supports Caltrain’s implementation of a Positive Train Control (PTC) Communication Based Overlay Signal System (CBOSS) and Electrification, which electrifies and upgrades the performance, operating efficiency, capacity, safety, and reliability of Caltrain’s commuter rail service.
- **Accessibility Improvements** (\$29.4 million): These improvements will enhance accessibility to transit for people with limited mobility or other disabilities. This component is currently expected to fund the installation of canopies over shared BART/Muni Metro station entrances to protect station escalators from the elements, improving reliability.
- **Major Transit Corridor Improvements** (\$27.4 million): This component upgrades streets that anchor the transit system to increase transit speed, reliability, and safety. It complements Muni Forward improvements by focusing on street corridors (e.g., the Better Market Street project) rather than individual transit routes.
- **Traffic Signal Improvements** (\$21.6 million): This component funds upgrades to traffic signals and operations, including traffic signal improvements on and adjacent to Market Street. The installation of Pedestrian Countdown Signals (PCS) and Audible Pedestrian Signals (APS) along with the upgraded traffic signals will improve safety for people crossing streets, including the visually impaired.

The above components and their scopes were identified by a City Task Force that reviewed San Francisco’s transportation system needs. The Task Force identified \$10 billion in infrastructure projects needed to: improve Muni reliability and accessibility, improve the conditions of streets, and make the roads safer for pedestrians, cyclists, and motorists. Projects in each component are chosen based on the City’s Capital Plan, safety (e.g., Vision Zero), public need and input, existing conditions, and coordination with other departments.

Several projects have funding in multiple components. For example, the Better Market Street project has funding in the Muni Forward Rapid Network Improvements, Major Transit Corridor Improvements, Pedestrian Safety Improvements, Traffic Signal Improvements, and Complete Streets Improvements components. Similarly, WalkFirst projects are funded in the Pedestrian Safety Improvements and the Complete Streets Improvements components.

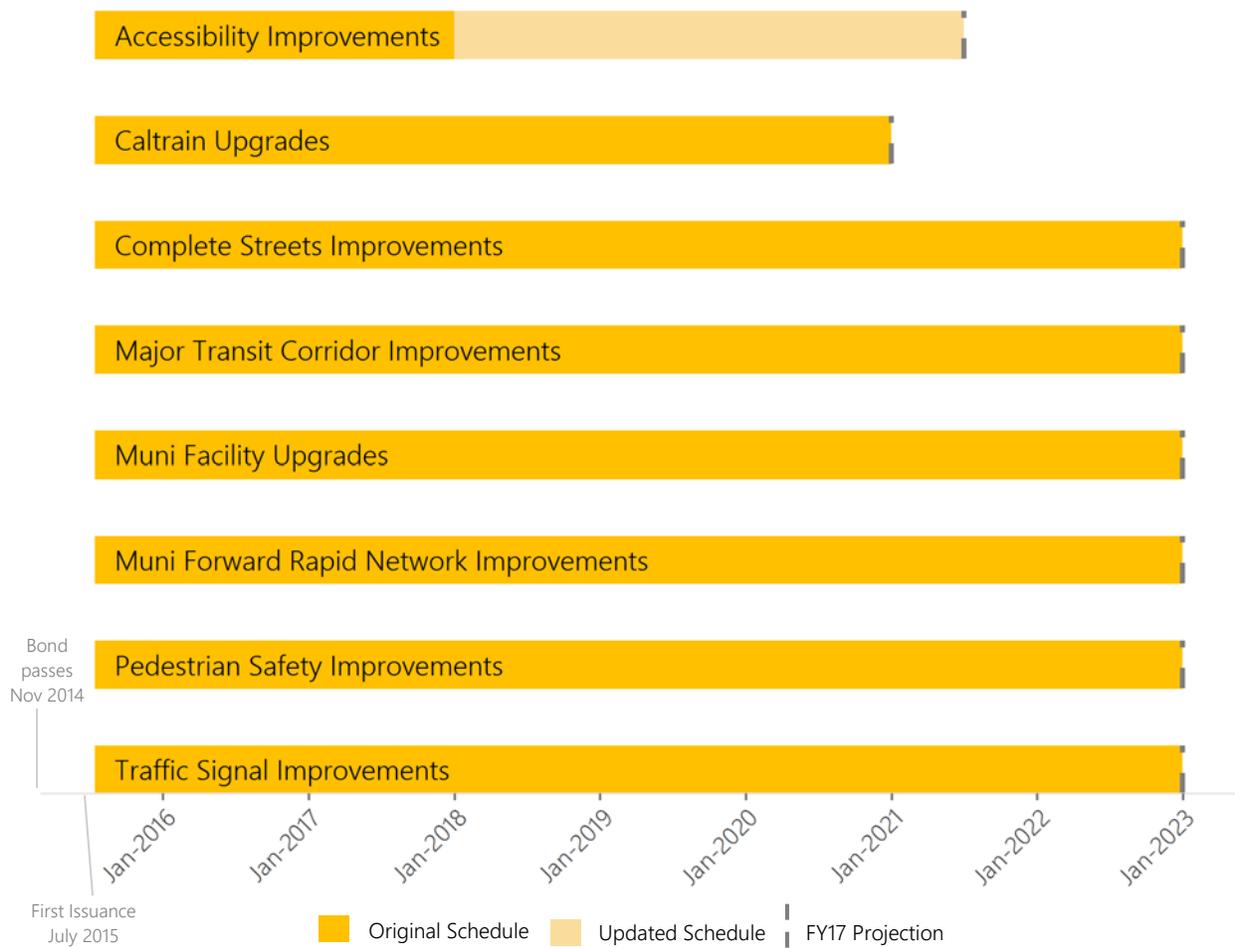


Overall, the program is continuing to refine the scope of the individual components, and the projects that will be funded with bond proceeds. Several components have not changed their scope (Caltrain Electrification, Accessibility Improvements, and Traffic Signal Improvements), while the other components have added and discontinued projects based on project plans and developments, need, timing, and the priority to spend bond proceeds promptly. Future scope changes are possible due to the bidding environment, public outreach outcomes, and coordination with other infrastructure projects and agencies.

## SCHEDULE AND PROGRESS

There have been no schedule changes to most of the components during the reporting period. The schedules of the Muni Forward Rapid Network Improvements, Muni Facility Upgrades, Pedestrian Safety Improvements, Complete Streets Improvements, Caltrain Upgrades, Major Transit Corridor Improvements, and Traffic Signal Improvements components are all currently projected to reach substantial completion by December 2022. Accessibility Improvements is delayed from its original completion date by over three years to June 2021.

### Bond Schedule by Component



Although components are still projected to be completed within their original timelines, there have been delays to individual projects within some components. In the Muni Forward component, completing detailed design and moving into construction went more slowly than anticipated due to extra time needed for outreach and engagement, contracting, and coordination with external (PUC and Public Works) and internal (Vision Zero) stakeholders. Based on project progress and spending to date, delays for this component are likely absent an acceleration of project delivery.

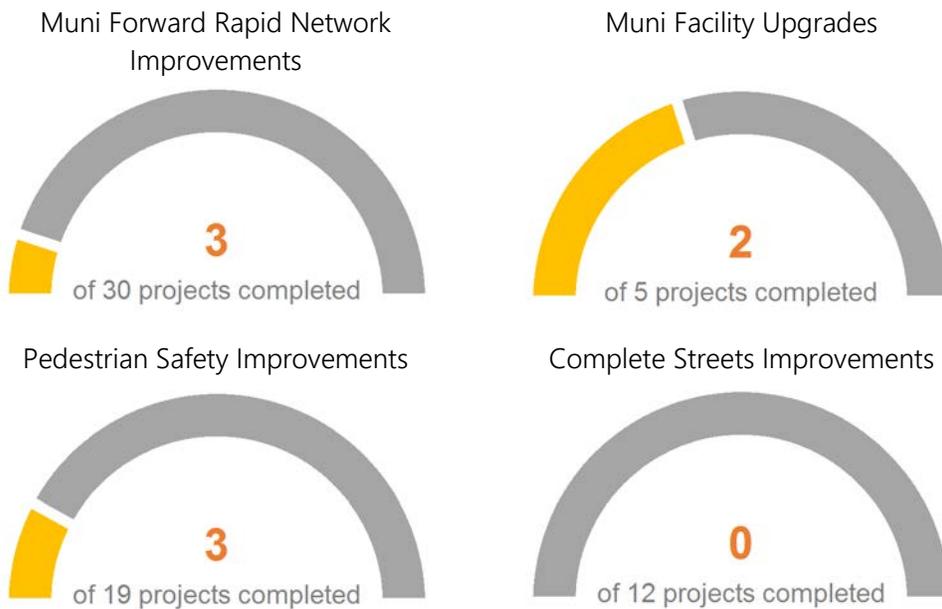
The Accessibility Improvements component consists of installation of canopies over shared BART/Muni Metro station entrances to protect station escalators from the elements; improving reliability. Progress on the project is pending the completion of the memorandum of understanding.

Better Market Street, with projects funded in the Major Transit Corridor Improvements and the Traffic Signal Improvements components, is a large-scale project and expected to last longer than the duration of bond funding. The bond program is contributing to the improvements, but not providing all funding. Better Market Street is organized into multiple phases with new phases implemented every two years through 2028. Currently, all bond funds are programmed into phase one of the project.

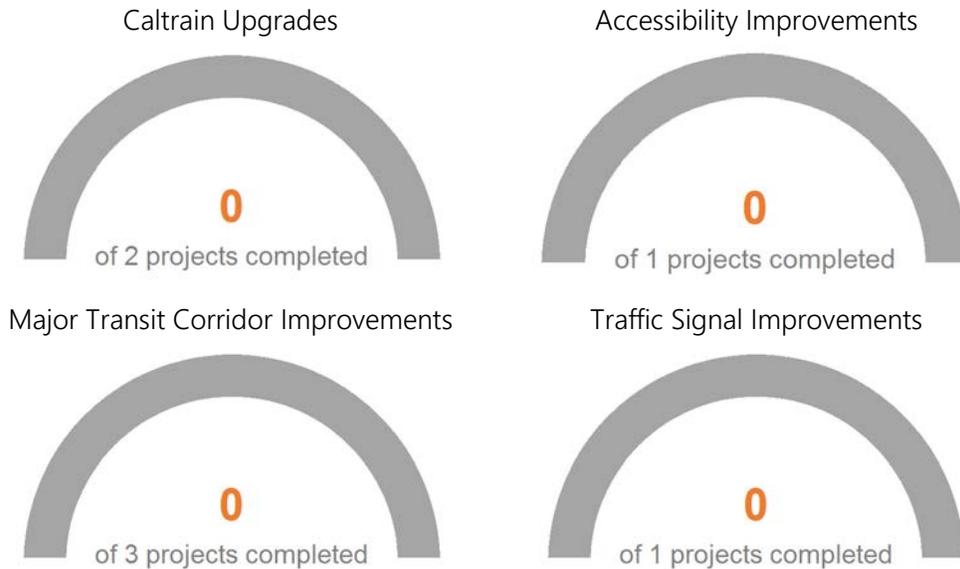


Overall, the bond program has completed eight of its planned projects.<sup>26</sup> Completed projects are in the Muni Forward Rapid Network Improvements, the Muni Facility Upgrades, and Pedestrian Safety Improvements components. Projects in the other components are in various stages of progress. In the case of the Caltrain Upgrades, Major Transit Corridors, and Traffic Signal Improvements components, the substantial completion dates are when bond funding is exhausted, yet the projects may not be substantially completed.

### Bond Progress by Component



<sup>26</sup> Some projects are funded through multiple components (e.g., Better Market Street, Powell Street Plaza & Transit Reliability Improvements, etc.). As such, projects may be counted in more than one component.



The Muni Forward Rapid Network Improvements component completed the 5 Fulton Rapid project (East of 6<sup>th</sup> Avenue) and the 9 San Bruno Rapid project (11<sup>th</sup> St and Bayshore Blvd.).

The Islais Creek Phase 2 project, an 8.3-acre bus maintenance yard in the Muni Facility Upgrades component, reached substantial completion in May 2018. The facility can now accommodate more buses. In addition, Muni Metro East, which houses light rail vehicles, achieved completion in May 2018. The Burke Facility Renovation issued the Notice to Proceed in January 2018.

The Potrero Avenue Roadway Improvements, 8th and Market Street Transit Boarding Island, and the Mission Street & Trumbull Street Intersection Upgrade projects, in the Pedestrian Safety Improvements component, achieved completion between January 2017 and June 2018.

The Complete Streets Improvements component was funded with the second issuance, in March 2018. As such, progress on these projects was in early stages as of June 30, 2018.

For the Caltrain Upgrades component, the SFMTA has an agreement with Caltrain to provide bond funds for two projects: the CBOSS and Caltrain Electrification. These large-scale projects will be considered substantially complete when all bond proceeds (a small portion of overall project costs), have been provided to Caltrain.

Accomplishments on the Accessibility Improvements component, which is jointly funding canopies over shared BART/MUNI stations in the downtown area, include near finalization of the MOU with BART, which will allow BART to apply bond proceeds to project costs. Work progressed in the absence of an agreement, with the Powell Street Station opening in November 2018.



Accomplishments in the Major Transit Corridor Improvements component include major progress on the King Street Substation, which must be complete before September 2019, in time for the new Warriors’ basketball arena. Better Market Street’s scope and project phasing is being finalized. Decisions about this project are typically citywide due to the major scale of the project. The first segment of the L Taraval project – another major undertaking – has gone out to bid and the next segment has followed soon after in early 2019.

Traffic Signal Improvements projects are still in design, as these are tied to Better Market Street. Projects in this component are also examples of work that will continue after bond funds have been contributed.

## BUDGET AND SPENDING

As of June 30, 2018, \$72.7 million dollars of bond funding was expended (15% of budgeted and 30% of the funds issued to date), with most of the spending (\$25.1 million and \$20.3 million) within the Muni Facility Upgrades and Muni Forward components, respectively (See Appendix A). These are the two components with the largest budgets.

In this reporting period, spending has increased and is more in line with planned expenditures.

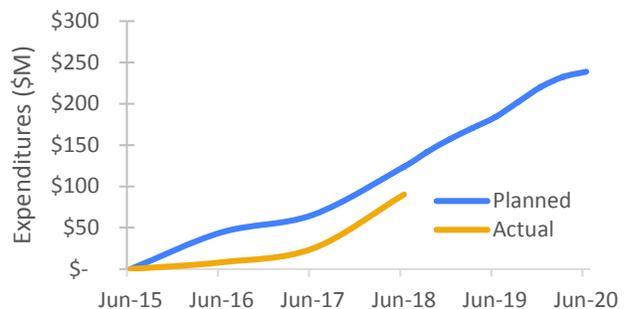
The program has had two issuances, the most recent in March-April 2018. Funds were issued, yet the projects programmed to receive those funds had only just begun to draw on them, as of June 30, 2018. The Bond Expenditures and Encumbrances chart below, therefore gives the appearance of slower spending in the components that have spending planned for the second issuance. For example, the Pedestrian Safety Improvements component shows 14% spent of issued, but the component plans to spend about half its budget between June 2018 and the third issuance, planned for late 2019.

All components, except for Caltrain Upgrades, increased their budgets slightly. The increases are due to a lower than expected cost of issuance.

In late June 2017, the Board of Supervisors approved a re-appropriation of \$26.2 million from Better Market Street, Muni Forward, and Pedestrian Safety Improvements projects to the Muni Facility Upgrades component. The re-appropriation was signed by the Mayor on July 21, 2017 and

### Planned versus Actual Expenditures

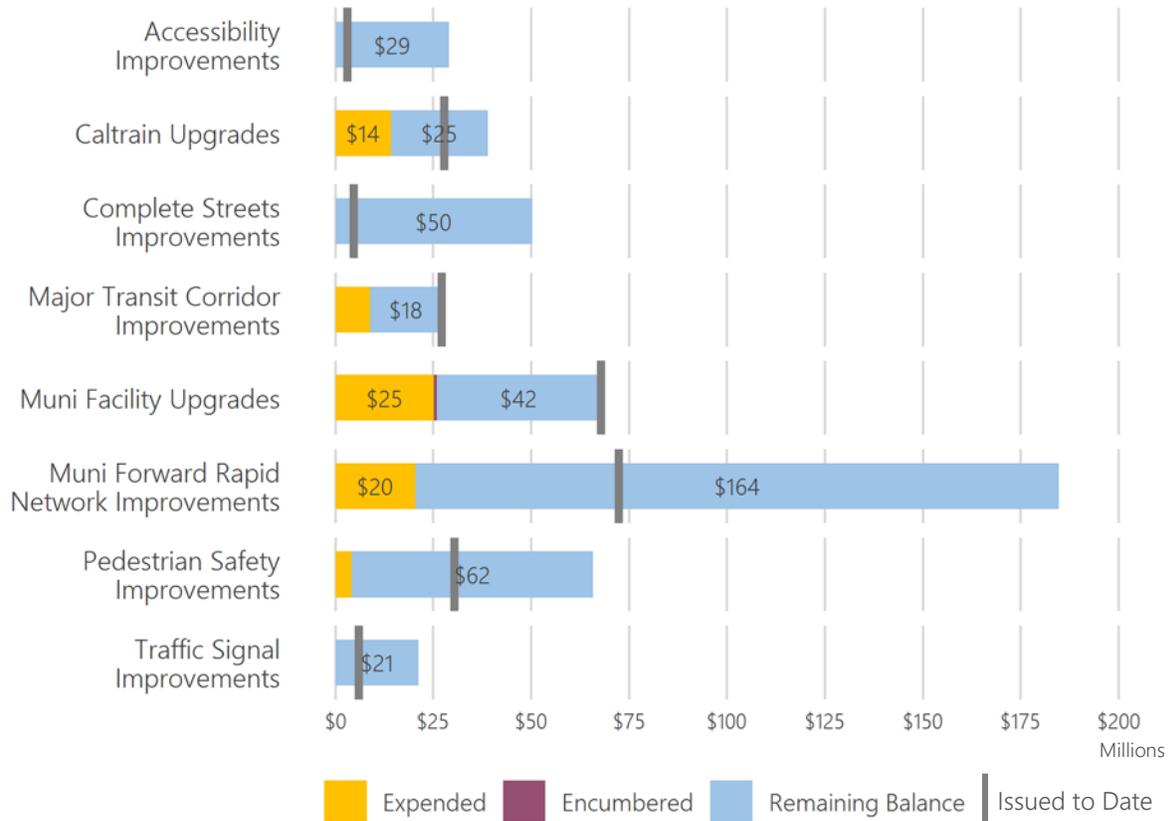
As planned before each issuance



the funds were made available for use in the third quarter of fiscal year 2017-18, almost a year after approval. The supplemental appropriation accommodated delays to spending in the first issuance, as mentioned above.

In general, spending is expected to accelerate as more projects move into construction phases.

### Bond Expenditures and Encumbrances<sup>27</sup>



<sup>27</sup> Transportation and Road Improvement bond program managers reported internally-tracked encumbrance data as of June 30, 2018, given reporting challenges in the City's new Financial System. Because this bond program's encumbrance data is relatively small compared to the scale of the components' budgets, it is not visible in this chart.

## OTHER KEY FINDINGS

- SFMTA learned a great deal from the initial outreach and engagement strategies employed in Muni Forward Rapid Network Improvements projects. They have implemented changes to address these challenges. SFMTA now conducts extensive outreach for Muni Forward projects using a best practice approach called POETS (Public Outreach and Engagement Team Strategy). For each project, SFMTA develops a complete POETS outreach and engagement plan, tailored to the needs of the specific project and community. SFMTA engages the public continuously throughout the planning, design, and implementation process. They use a range of techniques, including public workshops, mailers to residents and nearby merchants, surveys, on-board flyers, small working groups of key stakeholders, and many other approaches to ensure SFMTA reaches the full breadth of the community.
- As with all programs, the bid environment has posed a significant challenge. SFMTA has had to rebid several projects due to higher than expected costs, few or no bid responses, or contractors that did not meet the Local Business Enterprise (LBE) certification requirements.
- Interagency coordination is another challenge SFMTA is facing. Coordinating with Public Works and other agencies has caused delays. As an example, due the City's new Financial System, there have been difficulties in the transfer of funds between agencies, which is essential to project delivery and reprogramming project cost savings.
- Although the supplemental appropriation addressed the need to shift funds around between components to spend bond proceeds faster, it took nearly a year for re-appropriated funds to become available for project spending. Greater flexibility to move funds between projects would have allowed SFMTA to make faster progress on projects in other components.

# 2015 Affordable Housing Bond

## At a Glance

**Authorization:** \$310 million approved in November 2015

**Scope:** Minor project scope refinements and counting methodology changes resulted in an overall reduction in the number of housing units projected to be built with bond funds.

**Schedule:** There were no delays in the reporting period, and three of the four components shortened their schedule. 48 of 1,392 housing units (3%) were funded in the Low-Income and Middle-Income components. All components to be completed by September 2022.

**Budget:** \$65 of \$215 million issued (30%). \$90.5 million remains unissued.<sup>28</sup>

The 2015 Affordable Housing bond is managed by the Mayor's Office of Housing and Community Development (MOHCD) and includes four components.

## SCOPE

- **Low-Income Housing** (\$98.3 million): This component will fund loans for the construction of 380 new housing units, across three sites. Developments will house low-income families, veterans, seniors, homeless, and other special needs households. This component also preserves and rehabilitates existing rental housing through the Small Sites Program, which removes buildings from the speculative market to preserve them for households averaging 80% of area median income (AMI). This component is projected to fund construction, rehabilitation, or preservation of a total of 457 housing units.
- **Public Housing** (\$79 million): This component will accelerate HOPE SF, a program to revitalize San Francisco's public housing. The bond will be used at two of the four HOPE SF sites (Sunnydale and Potrero) to expedite development, reducing the amount of time these neighborhoods are disrupted by construction and quickly improving substandard living conditions for residents. This component will fund 517 housing units.
- **Middle-Income Housing** (\$79 million): This component focuses on middle-income families and educators. It funds expansion of the Down Payment Assistance Loan Program (DALP), the Teacher Next Door (TND) program to assist San Francisco Unified School District teachers in buying their first home, and the production of housing for teachers and middle-income families. This component will fund affordability programs or construction for 275 housing units.
- **Mission Area Plan** (\$49.1 million): This component is an additional set-aside of Low-Income Housing funds designated for the Mission neighborhood, which has been particularly impacted by increased rents and displacement. It will fund loans for the construction of 143 units of multi-family housing.

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<sup>28</sup> Spent and issued amounts do not include oversight, accountability and cost of issuance.

Unlike other bond programs that are responsible for directly managing construction projects, this bond program provides loans to affordable housing developers who manage construction with oversight by MOHCD. Bond managers review bond proceeds



requests from construction developers. Managers review the developer’s construction package for reasonableness and go onsite to verify the use of funds for the development. The loans allow developers to take advantage of federal housing tax credits in addition to bond funds while providing the City leverage over the developer to ensure affordable housing development requirements are met.

This bond program better defined its method of tracking housing bond progress and outcomes. The number of units is a foundational measure of housing production, yet program managers face the challenge of estimating exact unit production attributable to bond financing at early stages of development and when the bond is one of several funding sources. Bond proceeds also finance predevelopment (e.g., design, permitting, or infrastructure development) and vertical development (the building itself). In response, program managers have refined their methodology to count units when bond funds support vertical development and extensive infrastructure predevelopment (e.g., not design and permitting). While the components’ scope has not changed, MOHCD’s estimates of the number of units have with their unit counting methodology and more refined project designs.

In the Public Housing component, the Sunnysdale and Potrero HOPE SF sites will demolish existing public housing that was built during WW2 to temporarily house people working in the shipbuilding war effort. Developers are removing existing infrastructure, changing the topography, and implementing all new streets, sidewalks, and sewer lines. The number of units now estimated to result from this intensive predevelopment is 217. Altogether, including vertical development, 517 units are expected to be constructed or facilitated in this component, an increase of 109 units compared to prior MOHCD projections.

The Low-Income Housing component decreased its unit projections by 300 units since the prior report. This is due to the decision to stop counting units for predevelopment, the removal of one site from consideration because predevelopment work revealed site conditions that posed risk to the development and potentially prohibitive costs, and the further refinement of project plans after acquisition. The units total (457) now represents development that is planned for 500 Turk (108 units), 1296 Shotwell (94 units), 88 Broadway/735 Davis (178 units), and in the Small Sites Program (77 units), which is an acquisition and rehabilitation loan program to protect older, typically rent-controlled buildings of up to 25 units.

The Mission Area Plan low-income set aside funds development at 1990 Folsom. The number of units estimated at this location (143 units) did not change.

The Middle-Income Housing component saw increases and decreases in each of its subprograms. The DALP and Middle-Income Teacher Housing development

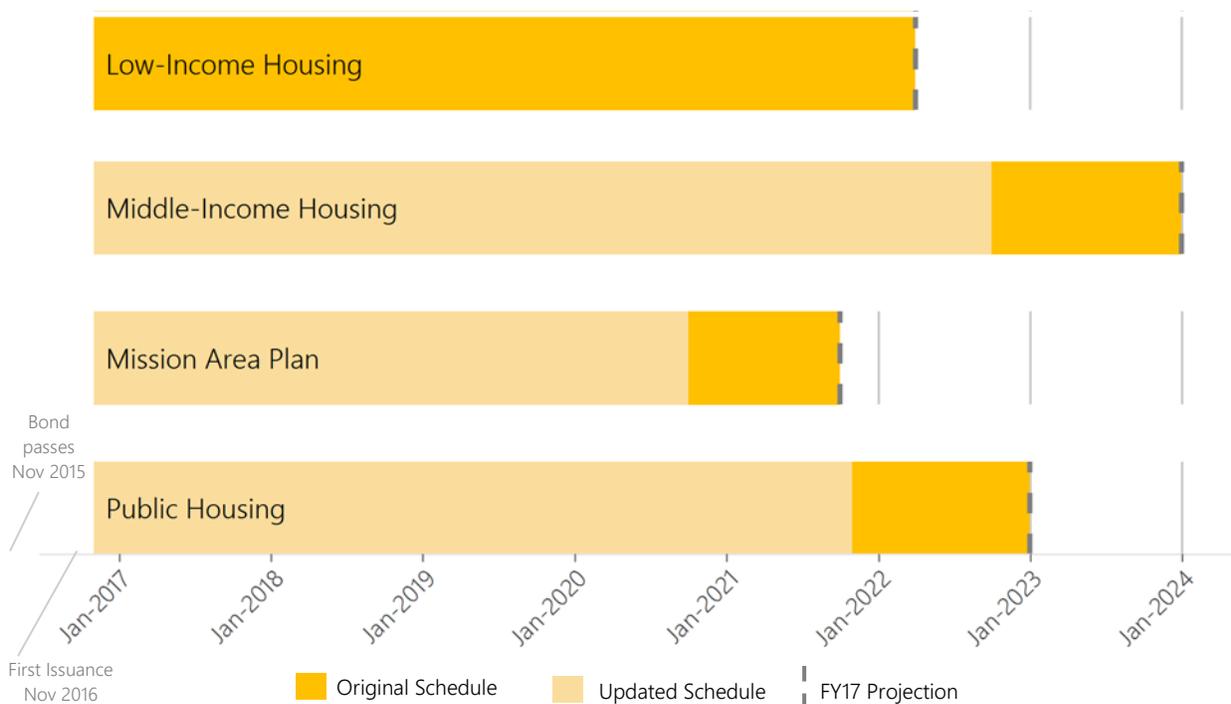


increased the number of units expected, while the Teacher Next Door and development at 88 Broadway (includes some middle-income units) decreased their expected units. Increases were due to increases in funding for DALP and teacher housing, while decreases were due to an increase in the individual loan amount size for the Teacher Next Door Program and a decrease in funding for middle-income housing production.

## SCHEDULE AND PROGRESS

The Affordable Housing Bond is one of the newer programs in the City’s portfolio and is still early in its progress. Project designs and timelines have taken shape since the prior report. The program’s initial estimates were more conservative as development is outside MOHCD’s purview. Three of the four components have shortened their schedules as project designs and schedules were refined.

### Bond Schedule by Component



The Low-Income Housing component maintained the same schedule projected previously. The Middle-Income Housing component was initially projected to complete in December 2023 and is now expected to be done by September 2022, over a year sooner. The Mission Area Plan development is expected to be complete a year sooner, or by September 2020. The Public Housing component was originally projected to end in December 2022 and was updated to an October 2021 completion (over a year sooner).

The bond programs have seen the following accomplishments and milestones between January 2017 and June 2018.

In the Low-Income Housing program, five units in the Small Sites program were acquired and rehabilitated and other site renovations are underway (of the 77 units planned in the Small Sites

program). At 1296 Shotwell, project funding was encumbered, and construction began in May 2018. At 500 Turk, the environmental review process was completed, and the sponsor was awarded a project-based Section 8 contract for HOPE SF families. Additional federal rent subsidies were dedicated to the project.

In the Public Housing component, as of June 2018, Sunnydale and Potrero were in the initial phases of construction. The construction loan agreement for Block X in the Potrero development was executed in January 2017, and construction is over 80% complete. Design development for infrastructure in Block B is underway at Potrero. Highlights at the Sunnydale development include decreased costs for Parcel Q, which allowed for an increase in the infrastructure budget to more fully fund infrastructure costs at Blocks 6A & 6B.

In the Middle-Income Housing program, 43 units were purchased through loans funded by the affordable housing bond. This consists of 28 units made primarily in the DALP and 15 units made in the TND Program only, which is a closing cost or down payment assistance loan program specifically for educators employed by the San Francisco Unified School District. Several units received both DALP and TND loans. Middle-income housing construction is planned at 88 Broadway. For this project, which includes 21 middle-income units, the developer has been selected, and the project is proceeding according to schedule (completion is expected in December 2020). The final project in this component will be middle-income teacher rental housing and is currently planned for a development at 43<sup>rd</sup> Avenue and Irving. In April 2018, MOHCD awarded development rights to MidPen Housing, who is expected to complete this construction by 2022.

For the Mission Area Plan low-income set aside development a Notice of Funding Availability was issued for predevelopment, land acquisition, and construction at 1990 Folsom. Site preparation was complete, and the project was fully entitled in January 2018.<sup>29</sup> Additional predevelopment and acquisition financing were also approved on March 2, 2018. Construction will start in February 2019.



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<sup>29</sup> Entitlement is the process by which the Planning Department approves a project to move forward.

## Bond Progress by Component



## BUDGET AND SPENDING

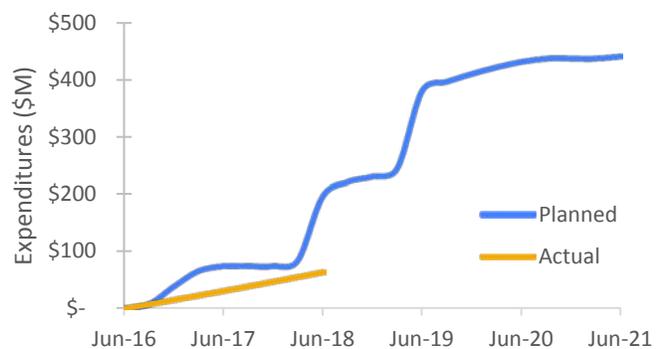
As of June 30, 2018, the bond expended over \$65 million (21%) of its total budget (see Appendix A). The bond sold its second issuance in May 2018. Spending is progressing well, as components have spent between 14% (Middle-Income) and 37% (Public Housing) of their budgeted amounts.

The bond proceeds were spent more slowly than originally planned as of the prior report, but spending caught up with expectations at the time of this report period. With loan disbursements completed for developments and Small Sites in the Low-Income Housing components (including the Mission Area Plan set aside), spending in these components increased in this reporting period as projects were approved and acquisition/construction began.

A challenge facing all the bond programs is higher than anticipated construction costs. To mitigate, project managers are “value-engineering” buildings. Managers work with designers to find creative ways, either through less expensive materials or less labor-intensive processes, to reduce construction costs while maintaining the project scope.

### Planned versus Actual Expenditures

As planned before each issuance



## Bond Expenditures and Encumbrances<sup>30</sup>



## OTHER KEY FINDINGS

- While the Affordable Housing bond has increased the City's capacity to support housing affordability, the demand is still greater than the bond can substantially fund. Nevertheless, there have been notable successes. The Small Sites program, within the Low-Income Housing component, would not have been possible without the bond.
- Similarly, for Middle-Income Housing, the bond is the only source of funding for construction of middle-income units (households between 120-175% of AMI). This is especially significant because middle-income housing is more expensive for developers and the City to build because federal subsidies cannot be used to offset costs. As such, program managers suggested the Down Payment Assistance Loan Program, as opposed to new construction, may be a more efficient and cost-effective way to increase access to housing for middle-income households.
- Program managers report other lessons learned related to managing the bond, such as having a well-defined mechanism, early on, for clearly tracking the changes and progress of bond-funded projects. Although it is more refined now, extra effort was needed to establish a clear and justifiable methodology for counting the units resulting from bond proceeds, especially given the unique purpose of the bond, which is making loans rather than directly managing construction.

<sup>30</sup> The encumbrances shown in the chart above represents the bond program's internal tracking of encumbrance data as of June 30, 2018, given reporting challenges in the City's new Financial System.

# 2016 Public Health and Safety Bond

## At a Glance

**Authorization:** \$350 million approved in June 2016

**Scope:** As the City's newest General Obligation bond program, since the last report, the scope of all components except the Southeast Health Center changed as the bond program refined individual projects.

**Schedule:** In the reporting period, the program extended the schedule for ZSFG, Building 5 (two-thirds of the bond) by three years. The program shortened the schedules of three components and maintained the schedule of two components. Two projects reached completion and all components are projected to be complete by December 2022.

**Budget:** \$29.6 spent of \$214.7 million issued (14%). \$126.9 million remains unissued.<sup>31</sup>

The 2016 Public Health and Safety bond program includes six components. The program is managed by San Francisco Public Works and is a collaboration with the Department of Public Health (DPH), the Department of Homelessness and Supportive Housing (HSH), and the San Francisco Fire Department (SFFD).

## SCOPE

- **Zuckerberg San Francisco General Hospital, Building 5** (\$222 million): This component will fund earthquake safety and fire/life safety improvements at Zuckerberg San Francisco General Hospital's (ZSFG) Building 5, the 1970s-era building that served as the main hospital until May 2016, when the new San Francisco General Hospital and Trauma Center opened. In addition to improving the building's safety, the bond will fund ADA accessibility improvements and enhance service delivery through the creation of a centralized ambulatory care center, including outpatient and specialty clinics, urgent care, and behavioral health.
- **Ambulance Deployment Facility** (\$48.6 million): This component will fund the construction of a modern, seismically safe emergency medical services facility. This new facility will ensure that ambulance dispatch functions remain operational after a major earthquake. It includes an ambulance parking lot and fuel station and will relocate facility operations to help SFFD reduce emergency medical services response times.
- **Southeast Health Center** (\$30 million): This component will fund the modernization of the Southeast Health Center, one of the SF Health Network's busiest clinics. The first phase will renovate the existing dental suite and lobby area to allow for expanded patient capacity and enhanced patient experience. The second phase includes the construction of a new 2-story,

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<sup>31</sup> Spent and issued amounts do not include oversight, accountability, and cost of issuance.

approximately 22,000 square feet, structure that will utilize a family-oriented primary care model with comprehensive behavioral health services on site.

- **Other Community Health Centers** (\$20 million): This component will fund seismic assessments, seismic retrofits, and renovations at SF Health Network community health centers, including the Castro-Mission Health Center, Maxine Hall Health Center, Chinatown Public Health Center, and other sites to be identified and prioritized by DPH.
- **Homeless Services Sites Program** (\$20 million): This component will provide funding for three subsets of projects that focus on (1) renovation of City-owned shelters; (2) acquisition, construction, and renovation of an administrative office and client access point for the Department of Homelessness and Supportive Housing (HSH); and (3) construction of a new centralized deployment facility and client access point for the SF Homeless Outreach Team (SFHOT). Specific sites include: (1) three existing City-owned shelters at 1001 Polk Street, 260 Golden Gate Avenue, and 525 5<sup>th</sup> Street; (2) 440 Turk Street, and (3) 1064-68 Mission Street.
- **Neighborhood Fire Stations** (\$9.4 million): This component will fund improvements to SFFD's neighborhood fire stations, building on the 2010 and 2014 ESER bond programs' seismic and other health and safety improvements. The seismic improvement scope to remove existing hose towers at six fire stations and replace generators are priorities of this component. Scope details are still being refined.

The Public Health and Safety bond is the City's newest bond program. As such, all components, except Southeast Health Center, continued to refine aspects of their scope since the last report.

The scope of ZSFG Building 5 changed slightly. Four new projects were added in the reporting period, for a total of 19 core projects. Scope changes are driven by DPH's vision to seismically retrofit and consolidate outpatient clinical services into the building. There are likely to be slight future changes to the scope as projects and needs are refined.

The conceptual design for the Ambulance Deployment Facility was completed in advance of the bond passage. However, adjustments to the scope were necessary to ensure the budget, given increased costs, could accommodate essential design functions. Modifications included a smaller footprint, a decrease in parking garage spaces, and a reduction to the training component. However, another floor and a lactation room were added. Additional changes to the scope may still be needed to address the geotechnical engineers report findings, for Department of Technology conduit installation, and/or for unforeseen hazardous conditions.



The Other Community Health Centers component adjusted its scope by adding seismic retrofits for the Maxine Hall and Castro Mission Health Centers. The project has also committed to completing the seismic assessment of Chinatown Public Health Center that will better inform the scope of future renovations, not included in the bond program. Also included in the scope is a PUC partnership to fund energy efficiency capital improvements at three health centers. The projects are jointly funded by Public Works and PUC. PUC is managing the construction scope.

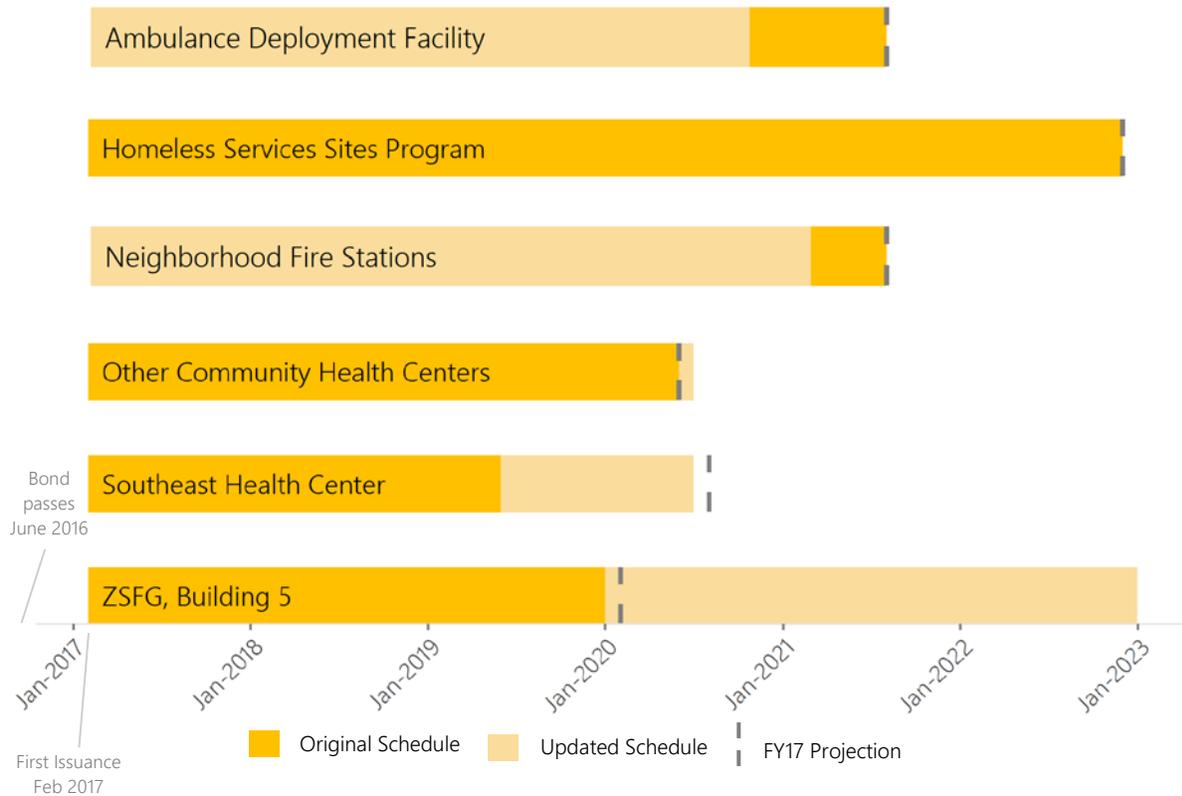
The Homeless Services Sites Program continued to work with the client department (HSH) to specify the scope of projects to be funded. The 440 Turk Street site will provide a centralized administrative office for HSH operations and will serve as a client access point for homeless services. The 1064-68 Mission project will provide up to 10,000 square feet of space to create a new centralized deployment facility for SFHOT, a client access point, and will share the adjacent space with the Tom Waddell Urgent Care Clinic and Street Medicine and Dental team. Renovations to the three existing City-owned shelters at 1001 Polk Street, 260 Golden Gate Avenue, and 525 5<sup>th</sup> Street will be funded with the balance of funds from the other two projects. The program does not expect bond funds to cover all needs at the three sites. The bond program continues to work with HSH to identify and prioritize needs.

In the Neighborhood Fire Stations component, six hose tower removals and other improvements (roof and equipment replacements and painting) are planned. Hose towers are historic structures that were once used to dry fire hoses. One fire station has been identified for generator replacement and any remaining funds in the component, after design and construction progresses, will be applied to generator replacements at other locations. Permitting and construction designs may still impact plans at specific fire stations.

## SCHEDULE AND PROGRESS

The Public Health and Safety bond is early in its progress; it had its first issuance in February 2017 and second in May 2018. The projects and their schedules are still being defined for multiple components. ZSFG Building 5, the biggest program in the bond, extended its schedule by three years in the reporting period. Two components reduced their schedules (the Ambulance Deployment Facility and the Neighborhood Fire Stations). One component's estimate is maintained (Homeless Services Sites Program) and two others have extended their original completion dates (the Southeast and Other Community Health Centers).

## Bond Schedule by Component



In the ZSFG Building 5 component, 15 of the 19 projects are in various stages of the project lifecycle, spanning programming/planning, design, design review, bidding, construction, and project completion. The Urgent Care Clinic Relocation was substantially completed and approved by the Office of Statewide Health Planning and Development (OSHPD) in April 2018. The component has experienced delays on active projects. Delays are due to a bid protest, unforeseen conditions such as hazardous materials, client-identified scope changes, and unanticipated extensive plan reviews cycles with OSHPD. The extended schedule projections are due to better project scope definition.

The Ambulance Deployment Facility component is progressing ahead of original schedule estimates. The time savings is due to the client’s desire to bring the project online sooner and the scope reduction. The new schedule includes previous interruptions caused by a site permit delay, a bid schedule extension, and additional value engineering time needed to respond to unforeseen increases in costs. The building construction permit has been secured and existing building demolition was complete in June 2018. As of June 30, 2018, the component was in the middle of the solicitation process for construction services.

In the Southeast Health Center component, the dental suite and lobby area renovations were completed as of July 2017, and the dental clinic resumed services in August 2017. Design drawings for phase 2, which is a new building adjacent and connected to the existing building, are currently in progress with construction expected to start by the end of 2019. Delays are due to project refinement.

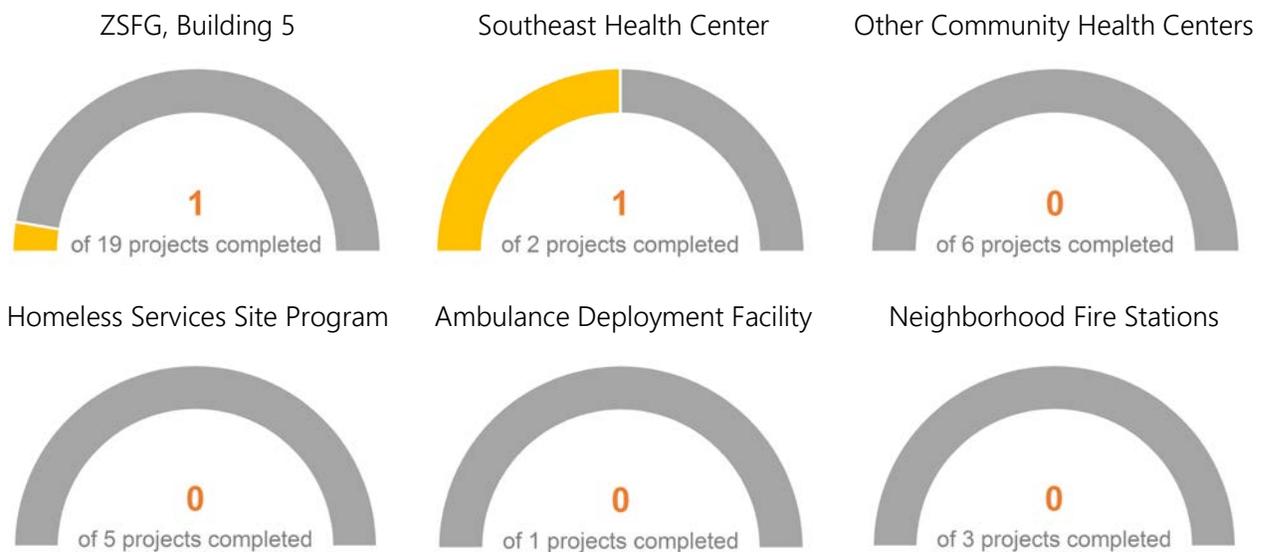


In the Other Community Health Centers component, construction is expected to start on Maxine Hall in spring 2019. Castro Mission is expected to go into construction in summer 2019. Unanticipated seismic improvement needs, historic preservation concerns, and the relocation of clinics during construction to alternative sites caused delays in this component and continue to pose risks to construction progress, as improvements are to existing rather than new facilities.

In the Homeless Services Sites Program component, 440 Turk is progressing and expected to be in a construction phase in early 2019. For the other sites in this component, activities are underway to evaluate the seismic and structural conditions. Once these reports are available, programming and further scope development with the client department will prioritize designs given available funding.

Projects in the Neighborhood Fire Stations component are in the design phase. Projects are expected to complete in early 2021. Historic preservation concerns regarding the hose towers have been addressed through the design and installation of interpretive displays at each of the fire stations, at the direction of the Planning Department. This direction allowed the component to maintain the historic structures and achieve seismic safety. A CEQA determination is expected by mid-2019.

## Bond Progress by Component



## BUDGET AND SPENDING

As of June 30, 2018, \$29.6 million dollars of bond funding was expended (8% of budgeted and 14% of the funds issued to date), with most of the spending (\$18.5 million) within the ZSFG Building 5 component (see Appendix A).<sup>32</sup> The program has had two issuances, the most recent in May 2018.

All components have increased their spending over the last 18 months, though actuals continue to lag behind planned expenditures due to delays across components.

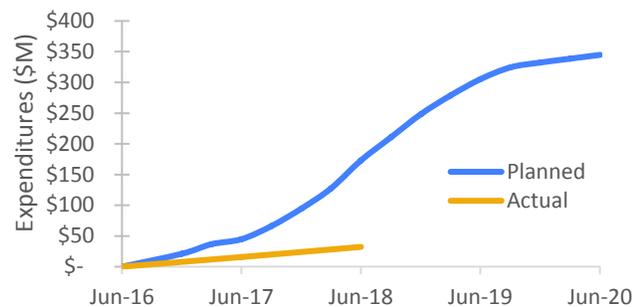
In the last 18 months, the program increased the Ambulance Deployment Facility budget and decreased the Neighborhood Fire Stations budget. Ambulance Deployment Facility cost increases were due to increased construction costs, designing for structurally poor and hazardous soil conditions, and a site that must accommodate sea level rise and required atypical site utility runs.

The construction market and unforeseen conditions are challenges faced by all components. Compared to 2016, when budgets were created, construction demand is higher, the labor supply is more restricted, and as a result, costs are higher. Although projects carry contingencies to account for these, budget risks remain.

With the second issuance in May 2018, projects programmed to receive funds had only just begun to draw on them as of June 30, 2018. The Bond Expenditures and Encumbrances chart below, therefore gives the appearance of slower spending in the components that have spending planned for the second issuance.

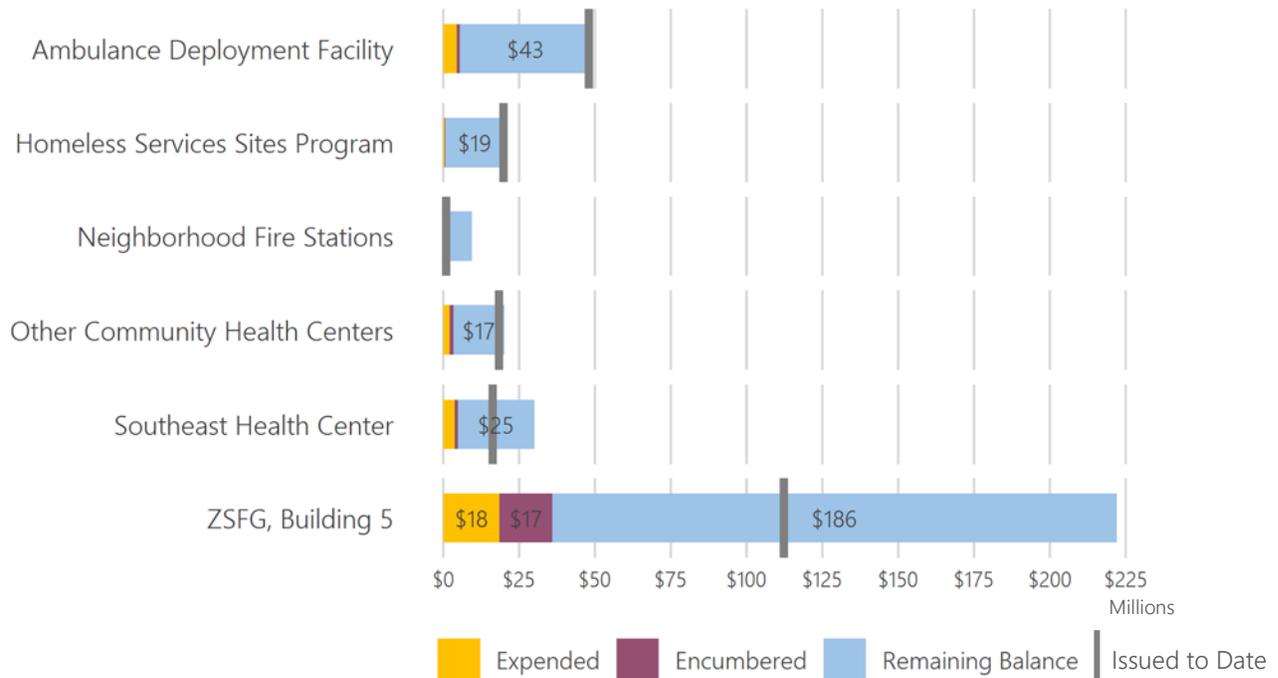
Additional budget adjustments are likely given the status of some components that are still in design phases.

**Planned versus Actual Expenditures**  
As planned before each issuance



<sup>32</sup> Spending before the first bond issuance (February 2017) was funded by a pre-bond appropriation from general funds to be reimbursed out of the first bond issuance.

## Bond Expenditures and Encumbrances<sup>33</sup>



## OTHER KEY FINDINGS

- Given the current construction market, the bond program, like others, has experienced challenges aligning the costs of client programmatic needs within the allocation of bond funds.
- When possible, facilities conditions, seismic assessments, and geotechnical investigations, should be completed prior to determining the bond authorization amount and project budgets. This allows for better insight into the full scope and seismic needs. Pre-bond planning is particularly important for essential services buildings, such as the Ambulance Deployment Facility, as these require a higher structural design criterion.
- Renovation, rather than new construction, poses challenges. Unanticipated seismic retrofits needed for the Castro-Mission and Maxine Hall Health Centers added \$2 to \$3 million to each site and prompted a need to relocate the clinics to alternative sites during construction to avoid impacts to patient care services. Similarly, renovations at 440 Turk have had to contend with complications presented by construction in a building that adjoins an occupied building with shared utilities. Such unforeseen conditions put additional pressure on program contingencies.
- Construction in occupied facilities poses additional challenges. For future programs, it is important to factor relocation into the scope, schedule, and budget. Significant time was spent on identifying and vetting suitable alternative sites to relocate clinical services. This resulted in time and budget impacts to convert the alternative site into a temporary clinic.

<sup>33</sup> The encumbrances shown in the chart above represents the bond program's internal tracking of encumbrance data as of June 30, 2018, given reporting challenges in the City's new Financial System.

# Appendices

## APPENDIX A: FINANCIAL SUMMARY OF BOND PROGRAMS

(as of June 30, 2018)

Program and Component	Revised Budget	Issued to Date	Expended <sup>34</sup>	% of Budget Expended	% of Issued Expended
2008 Clean and Safe Neighborhood Parks	\$187,971,369	\$187,971,369	\$182,363,494	97%	97%
Neighborhood Parks	\$115,828,324	\$115,828,324	\$115,779,301	100%	100%
Citywide Programs	\$38,533,399	\$38,533,399	\$36,762,003	95%	95%
Waterfront Parks	\$33,609,646	\$33,609,646	\$29,822,190	89%	89%
2008 Public Health and Seismic Facilities (SFGH Rebuild)	\$892,066,087	\$897,331,555	\$881,405,805	99%	98%
ZSFG Hospital and Trauma Center (Building 25)	\$874,965,072	\$897,331,555	\$868,840,918	99%	97%
ZSFG Bridge and Tunnel	\$7,000,000		\$6,036,536	86%	
Miscellaneous ZSFG Follow-on Projects	\$6,520,104		\$3,021,830	46%	
ZSFG Plant Services Building Seismic Upgrade	\$2,240,145		\$2,208,577	99%	
ZSFG Pneumatic Tube Connectivity Project	\$1,340,766		\$1,297,944	97%	
2010 Earthquake Safety and Emergency Response	\$405,968,289	\$405,968,289	\$364,282,515	90%	90%
Public Safety Building (PSB)	\$236,661,975	\$236,661,975	\$228,768,819	97%	97%
Auxiliary Water Supply System (AWSS)	\$102,400,001	\$102,400,001	\$82,151,850	80%	80%
Neighborhood Fire Stations (NFS)	\$66,906,313	\$66,906,313	\$53,361,846	80%	80%
2011 Road Repaving and Street Safety	\$247,750,969	\$247,750,969	\$224,798,534	91%	91%
Street Resurfacing	\$147,416,715	\$147,416,715	\$136,145,653	92%	92%
Streetscape	\$52,025,404	\$52,025,404	\$40,467,673	78%	78%
Sidewalk Accessibility	\$21,636,872	\$21,636,872	\$21,558,387	100%	100%
Traffic Signals	\$19,787,478	\$19,787,478	\$19,742,321	100%	100%
Street Structures	\$6,884,500	\$6,884,500	\$6,884,500	100%	100%
2012 Clean and Safe Neighborhood Parks	\$194,141,583	\$191,372,948	\$80,549,588	41%	42%
Neighborhood Parks	\$99,599,721	\$99,599,721	\$53,732,176	54%	54%
Citywide Programs	\$39,041,862	\$39,041,862	\$8,651,118	22%	22%
Waterfront Parks	\$34,500,000	\$31,731,365	\$15,729,084	46%	50%
Citywide Parks	\$21,000,000	\$21,000,000	\$2,437,210	12%	12%
2014 Earthquake Safety and Emergency Response	\$395,252,425	\$395,252,425	\$135,268,740	34%	34%
Traffic Company & Forensic Services Division Facility	\$163,375,150	\$163,375,150	\$27,643,987	17%	17%
Neighborhood Fire Stations	\$80,351,381	\$80,351,381	\$14,677,384	18%	18%
Office of the Chief Medical Examiner	\$67,533,024	\$67,533,024	\$67,452,833	100%	100%
Emergency Firefighting Water System	\$54,347,209	\$54,347,209	\$13,554,397	25%	25%
Police Facilities	\$29,645,661	\$29,645,661	\$11,940,139	40%	40%
2014 Transportation and Road Improvement	\$490,810,600	\$238,744,623	\$72,715,597	15%	30%
Muni Forward Rapid Network Improvements	\$187,180,000	\$72,287,976	\$20,342,779	11%	28%
Muni Facility Upgrades	\$68,600,000	\$67,722,343	\$25,126,174	37%	37%
Pedestrian Safety Improvements	\$66,640,000	\$30,258,183	\$4,161,736	6%	14%
Complete Streets Improvements	\$50,960,000	\$4,607,184	\$0	0%	0%
Caltrain Upgrades	\$39,000,000	\$27,780,000	\$14,209,260	36%	51%
Accessibility Improvements	\$29,430,600	\$3,000,000	\$2,780	0%	0%
Major Transit Corridor Improvements	\$27,440,000	\$27,088,937	\$8,872,870	32%	33%
Traffic Signal Improvements	\$21,560,000	\$6,000,000	\$0	0%	0%
2015 Affordable Housing	\$305,389,114	\$214,890,000	\$65,287,921	21%	30%
Low-Income Housing	\$98,327,964	\$91,595,000	\$16,920,467	17%	18%
Public Housing	\$79,029,317	\$41,000,000	\$29,364,915	37%	72%
Middle-Income Housing	\$78,919,217	\$33,660,000	\$11,115,155	14%	33%
Mission Area Plan	\$49,112,616	\$48,635,000	\$7,887,384	16%	16%
2016 Public Health and Safety Bond	\$350,000,000	\$214,726,345	\$29,567,822	8%	14%
ZSFG, Building 5	\$222,000,000	\$112,055,942	\$18,466,309	8%	16%
Ambulance Deployment Facility	\$48,600,000	\$47,880,049	\$4,350,002	9%	9%
Southeast Health Center	\$30,000,000	\$16,185,710	\$3,780,587	13%	23%
Homeless Services Sites Program	\$20,000,000	\$18,239,644	\$2,098,783	10%	12%
Other Community Health Centers	\$20,000,000	\$19,700,000	\$452,966	2%	2%
Neighborhood Fire Stations	\$9,400,000	\$665,000	\$419,175	4%	63%

<sup>34</sup> Does not include oversight, accountability, and cost of issuance.

## APPENDIX B: GLOSSARY

**Actual Completion Date:** Date the last project within a component reached substantial completion.

**Appropriated Interest:** Interest earned on held bond proceeds, minus any payments necessary to the IRS under federal arbitrage limitations. Upon review, the outstanding interest on bond proceeds may be added to the bond program budget.

**Authorization:** The total amount voters approved for the bond program.

**Bond Program:** A set of capital improvements, including its components, authorized by the voters.

**CGOBOC:** The Citizens' General Obligation Bond Oversight Committee.

**Change Order:** Work that is added, removed, or otherwise modified from a contract's original scope of work, which then alters the contract dollar amount and/or completion date. Change orders typically are categorized as being due to client requests, errors and omissions, unforeseen conditions, or code issues.

**Component:** A defined element of a bond program, which may either be a distinct capital project or a program of improvements, and which is assigned to a lead department.

**Cost of Issuance:** Includes fees for services of rating agencies, Co-Municipal Advisors, Co-Bond Counsel, Disclosure Counsel, costs to the City, printing costs, other miscellaneous costs associated with the issuance of bonds, and rounding amounts.

**Encumbered:** Money set aside for designated future expenses, which cannot be used for any other purposes.

**Issuance Date:** The date of issuance of debt to provide proceeds to bond programs for capital improvements. The date used is the "delivery date" from the Office of Public Finance's Primary Market Disclosure/Final Official Statements page.<sup>35</sup>

**Issued to Date:** The total amount of bond funds issued as of June 30, 2018.

**Original Budget:** Total bond funding anticipated to be spent as stated in the bond report issued prior to bond passage; if a component budget is not published in the bond report issued prior to bond passage, the first component budget reported to CGOBOC after bond passage is used as the original budget.

**Original Completion Date:** Estimated completion date of the last project within a component as stated in the bond report issued prior to bond passage; if a component end date is not published in the bond report issued prior to bond passage, the first component completion date reported to CGOBOC after bond passage is used as the original completion date for that component.

**Oversight and Accountability:** A provision in the City's Administrative Code that requires 0.1% of the gross proceeds of all proposed bonds be used to fund the costs of the City's independent Citizens' General Obligation Bond Oversight Committee and 0.2% will be used to pay the Controller's Office audit fee.

**Projected Completion Date:** The estimated completion date of the last project within a component or bond program, as of June 30, 2018 unless otherwise stated.

**Revised Budget:** Total bond funding anticipated to be spent for the bond program or a specific component, as of June 30, 2018 unless otherwise stated.

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<sup>35</sup> <http://sfcontroller.org/primary-market-disclosurefinal-official-statements-upcoming-sales>

## APPENDIX C: CONSTRUCTION-RELATED AUDITS

The following are highlights of the construction-related audits completed by the City Services Auditor Division (CSA), Audits Unit, from January 1, 2017, through June 30, 2018.

Date Issued	Report
10/19/2017	<p data-bbox="407 428 1425 470"><i>Results of Construction Reports in Fiscal Years 2014-15 Through 2016-17</i></p> <p data-bbox="407 506 1425 575">CSA found the following overarching findings based on 15 construction-related audits, assessments, and reviews of six city departments from July 2014 through June 2017:</p> <ul data-bbox="456 581 1425 800" style="list-style-type: none"> <li data-bbox="456 581 1425 651">• Some departments should strengthen change order documentation and adhere to contract requirements.</li> <li data-bbox="456 657 1425 764">• Some departments do not have a proactive, strategic approach to construction safety management and do not always consider safety as a key component in the construction bidding and contracting process.</li> <li data-bbox="456 770 1425 800">• Some departments should better monitor costs.</li> </ul>
3/1/2018	<p data-bbox="407 842 1425 911"><i>San Francisco Public Works: Additional Steps Should Be Taken to Improve Pre-Construction Activities for the 2014 Earthquake Safety and Emergency Response Bond</i></p> <p data-bbox="407 947 1425 1226">Public Works implemented many leading practices to manage and oversee the 2014 Earthquake Safety and Emergency Response (ESER) Bond Program pre-construction activities. However, Public Works should take additional steps to improve management over certain pre-construction activities and fully comply with established bond accountability measures. Further, it should enhance some of its current practices to provide greater transparency into project selection and prioritization and improve performance reporting of program and project progress toward meeting established goals.</p>
3/7/2018	<p data-bbox="407 1262 1425 1367"><i>San Francisco Public Works Followed the Contract's Close-out Procedures for the Dolores Street Pavement Renovation, Sewer Replacement, and Water Main Installation Project (Contract 2260J)</i></p> <p data-bbox="407 1409 1425 1541">San Francisco Public Works (Public Works) followed the applicable close-out procedures in accordance with the contract for the Dolores Street Pavement Renovation, Sewer Replacement, and Water Main Installation project with A. Ruiz Construction.</p>
3/8/2018	<p data-bbox="407 1577 1425 1682"><i>San Francisco Public Utilities Commission: Procedures Should Be Refined and Documentation Improved to Strengthen Preconstruction Practices for the Sewer System Improvement Program</i></p> <p data-bbox="407 1724 1425 1896">San Francisco Public Utilities Commission (SFPUC) has effective preconstruction and internal processes for the Sewer System Improvement Program (SSIP) but should develop procedures to formalize certain processes and refine some procedures to better guide the SSIP. Also, although project management plans were prepared on a program-wide basis, project-specific management plans were not prepared as</p>

Date Issued	Report
4/2/2018	<p>required. Further, SFPUC should improve documentation practices so it can demonstrate compliance with its procedures.</p> <p><i>Recreation and Park Department: 2008 Clean and Safe Neighborhood Parks General Obligation Bond Funds Were Spent in Accordance With the Ballot Measure Through June 30, 2017</i></p> <p>The 2008 Clean and Safe Neighborhood Parks General Obligation Bond expenditures through June 30, 2017, were spent in accordance with the ballot measure and that funds were not used for any administrative salaries or other general governmental operating expenses other than those specifically authorized in the ballot measure for such bonds.</p>
5/14/2018	<p><i>Port Commission: The Department Did Not Adequately Document Adherence to the Close-out Procedures in Its 2012 Emergency Contract for Fire Mitigation Work at Pier 29</i></p> <p>The Port did not adequately document adherence to 7 of 12 close-out procedures in its 2012 Emergency Contract for Fire Mitigation Work (Contract 2760) with Turner Construction Company at Pier 29. The final contract amount was \$12,979,612.</p>
6/4/2018	<p><i>Recreation and Park Department: 2012 Clean and Safe Neighborhood Parks General Obligation Bond Funds Were Spent in Accordance With the Ballot Measure Through June 30, 2017</i></p> <p>The 2012 Clean and Safe Neighborhood Parks General Obligation Bond expenditures through June 30, 2017, were spent in accordance with the ballot measure and that funds were not used for any administrative salaries or other general governmental operating expenses other than those specifically authorized in the ballot measure for such bonds.</p>

## APPENDIX D: 2008 SFGH REBUILD BOND

### Scope

In November 2008, voters approved the \$887.4 million San Francisco General Hospital and Trauma Center Earthquake Safety (SFGH Rebuild) bond. The 2008 SFGH Rebuild Program provided for the construction of a state-of-the-art and seismically resilient new hospital. The facility reached substantial completion on August 18, 2015, three months after its original projected completion date.

The bond program included only one project, the delivery of a new acute care hospital, but the hospital project was completed with cost savings and earned interest. There were several contributors to these cost savings. Construction costs were less when the measure was approved in 2008; materials costs were lower, and the supply of available contractors was higher. Twenty-five million of general fund dollars (reimbursed by bond proceeds) funded pre-bond planning and scoping. The bond authorization request was informed by this preliminary scope, which was created by a design team, contractor, and core subcontractors. This had the benefit of sizing the authorization request more accurately and preassembling a team, prepared to begin work before bond funds were even issued. A change management committee made up of members of Public Works and DPH actively managed change order requests, which kept these costs down.

As the original bond measure authorized “related costs necessary or convenient” for the rebuilding and improvement of the hospital, portions of the remaining funds are being used for four smaller projects and as a contingency for litigation costs. Projects address needs that have arisen during the construction of the hospital, either from changes in policy mandates over the nine years of construction or other identified site needs.



## Follow-On Projects

As of June 30, 2018

Project Name	Description	Budget	Expected Completion Date
Building 5 Ground Floor Remodel at Tunnel Connection and Second Floor Remodel at Bridge Connection	Renovate areas affected by the bridge and tunnel connection between the new Hospital (Building 25) and the existing Main Hospital (Building 5). The corridor creates access for patients and staff to travel safely between the two buildings.	\$7 million	October 2018 (actual)
Miscellaneous ZSFG Follow-on Projects	Miscellaneous minor projects in the new hospital driven by ZSFG operational, California Department of Public Health licensing, and OSHPD code needs. These include: <ul style="list-style-type: none"> <li>▪ Building 25 Ambulance Bay Privacy Fence</li> <li>▪ Building 25 Chief Nursing Officer's (CNO) Office Renovation</li> <li>▪ Building 25 Patient Safety Project</li> <li>▪ Building 25 Emergency Department Lobby Remodel</li> <li>▪ Building 5 Vacancy Project</li> </ul>	Based on availability of remaining funds; currently projected at \$6.5 million.	To be finalized as the scope is developed with ZSFG
Plant Services Building NPC-4 Seismic Upgrade	Retrofit of architectural components, including existing utilities and equipment anchorages, to meet OSHPD NPC-4 (Non-structural Performance Category, Rating 4) seismic safety standards	\$2.2 million	September 2018 (actual)
ZSFG Pneumatic Tube Connectivity Project	Replacement of existing pneumatic tube equipment in the basement and installation of new pneumatic tube stations in Building 5, Second Floor.	\$1.3 million	February 2016 (actual)

## Schedule and Progress

The Building 5 Remodels at the Tunnel and Bridge Connections (ZSFG Bridge and Tunnel) were completed (in October 2018) with about a year delay (compared to the prior projection of July 2017). The delay was due to additional time needed to coordinate with OSHPD to get approval for an adjusted scope. The scope changed to accommodate coordination with work being conducted as part of the 2016 PHSB. Program managers needed more time to submit and discuss 2016 plans with OSHPD.

In the Miscellaneous Follow-On Projects, the Building 25 Patient Safety project received OSHPD approval, and DPH is securing contractor proposals. The Building 25 Emergency Department Lobby Remodel project’s design was completed in November 2018. The Building 25 Ambulance Bay Privacy Fence is currently in construction. In October 2018, construction of the Building 25 Chief Nursing Officer’s Office was completed. In December 2017, the Building 5 Vacancy Project Construction was completed.



The Plant Services Building Seismic Upgrade project was closed out in September 2018, although it was substantially complete more than a year earlier. Liquidated damages were assessed and recovered from the contractor due to the closeout delays. This central plant services building houses many of the primary electrical, emergency generators, mechanical equipment, and fire alarm equipment for the campus, which had to remain operational 24 hours/day during construction, which posed a challenge.

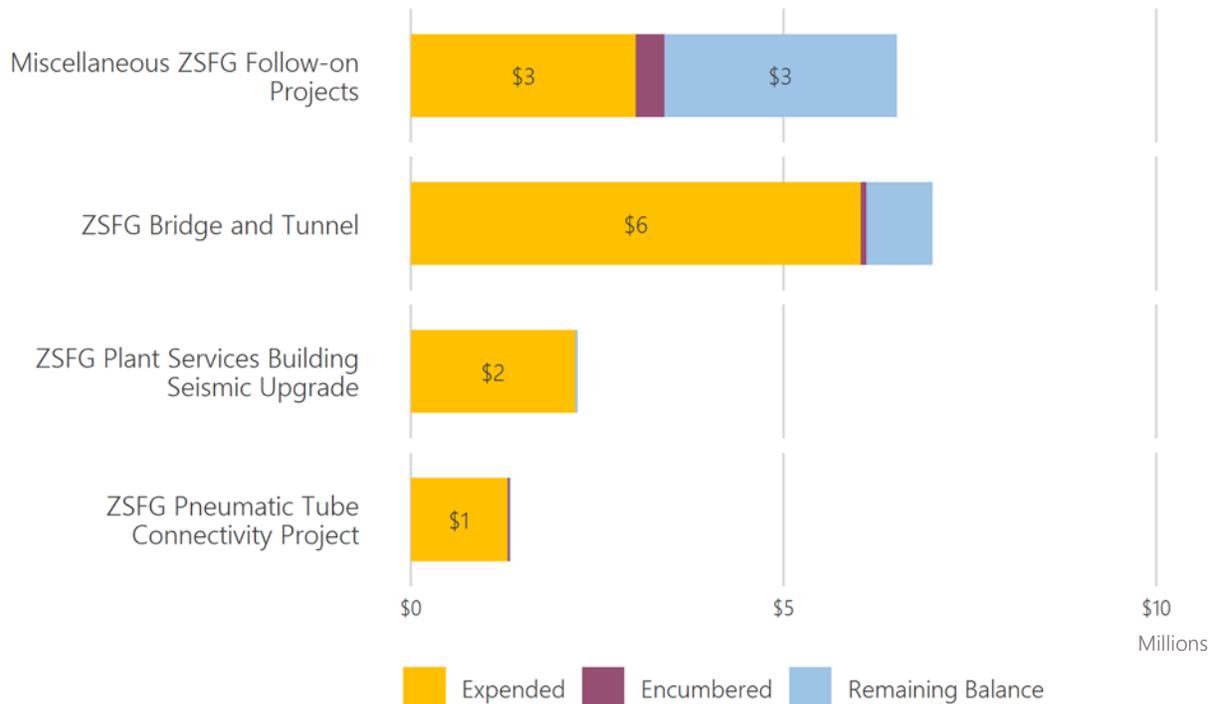
The Pneumatic Tube Connectivity Project was complete prior to the last report.

## Budget and Spending

As of June 30, 2018, \$881.4 million of bond funding had been expended (98% of the revised budget total). The following table provides more detail on the follow-on projects that will be delivered with the overall bond program’s remaining balance.

### Follow-on Projects: Expenditures and Encumbrances

As of June 30, 2018: a \$17.1 million subset of the entire bond program.



## **Other Key Findings**

As mentioned above, a major success and lesson of this bond program was pre-bond planning. In addition, the level of coordination between Public Works and DPH as well as minimal City project team turnover helped maintain institutional knowledge and stability, even if the contractor had some turnover. This was especially important given the scale and timeline of the program.

Another success was the use of a Construction Manager/General Contractor (CM/GC) model, as opposed to a Design-Bid-Build model. In this model, the City hires a contractor to provide feedback during the design phase, before construction starts. This provides more realistic and accurate cost and time estimates, a clearer picture of project risks, and improved innovation. Given the complexity of these projects, the CM/GC model is considered a best practice in the hospital construction industry.

The Building 5 and the Plant Services Building are 1970s era buildings. Their renovation revealed hazardous materials and other conditions that required remediation. The program accommodated challenges related to these unforeseen conditions and the need to maintain operations during construction by adding scope and additional phases to work around occupied areas.

Program managers also learned that the use of a sole source contract for telecommunications data and for pneumatic tube work was important and justified, but more time was needed for the approvals process. In both cases, the contractors who successfully completed prior work, were the most qualified. The sole source contracts minimized costs and time spent for new contractors to familiarize themselves with the hospital structures and systems.