

File No. 111057

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit & Oversight

Date: January 12, 2012

Board of Supervisors Meeting

Date: _____

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Hearing (Introduction Form) |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>2010 Annual Report - Citizens' General Obligation Bond Oversight Committee</u> |
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Completed by: Andrea S. Ausberry

Date January 5, 2012

Completed by: _____

Date _____

*An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

January 13, 2011

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

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

Dear Mayor Lee and Members of the Board of Supervisors:

On behalf of my fellow members, I am pleased to present you with the 2010 Annual Report of the Citizens' General Obligation Bond Oversight Committee.

The Citizens' General Obligation Bond Oversight Committee was established in 2002 pursuant to Proposition F, which was approved by the San Francisco voters at the March 2002 election. This eighth report of the Committee describes our review of eleven active bond issues and the audits, reports and projects of the City Services Auditor during 2010. The report also describes the creation of a new Standing Subcommittee for Audit Review, the Committee's efforts to standardize reporting of the City's General Obligation Bonds and the Committee's efforts to review complaints received through the Whistleblower Program.

The Committee requests an opportunity to present to a summary of this 2010 Annual Report to the Government Audit and Oversight Committee of Board of Supervisors. As always, the Committee also is happy to provide additional information as requested.

Sincerely yours,

Abraham A. Simmons
Chair, Citizens' General Obligation Bond Oversight Committee

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

2010 ANNUAL REPORT

**CITIZENS' GENERAL OBLIGATION BOND
OVERSIGHT COMMITTEE**

Executive Summary

The Citizens' General Obligation Bond Oversight Committee (the "Committee")¹ met four times in calendar year 2010. This report describes the Committee's efforts to fulfill its obligations under Proposition F (March 2002)², and Proposition C 2003.³

Part I of this report describes the Committee's review the expenditure of proceeds from eleven general obligation bond programs.

Part II of this report describes the Committee's efforts to provide advisory input to the Controller with respect to City audits.

Part III of this report describes the Committee's efforts to review complaints received through the Whistleblower hotline.

Part IV of the report describes numerous housekeeping functions of the Committee including membership, standardization of reports, review of the City's Capital Plan and the Committee's future meeting schedule.

Part I The Bond Programs

The Committee heard multiple presentations on six major active bond programs and received updates on another five programs. While the Committee's review⁴ of bond-funded projects does not constitute a formal audit, nothing has come to the Committee's attention in the course of its review that has caused it to believe that bond proceeds were spent on purposes not authorized by the respective ballot measures.

In calendar year 2010, there were eleven categories of programs⁵ that were supported by general obligation bonds.

Six Programs Involving Substantial Proceeds

1999 Laguna Honda Hospital Replacement Program- In November of 2009, the voters authorized \$ 299,000,000 for the purpose of rebuilding Laguna Hospital and Rehabilitation Center. All the bonds have been issued and about \$50,000,000 remains unencumbered. Substantial additional funds have been added to complete the projects. The Committee found no portion of the money used for purposes other than those authorized by statute.

Status/Concerns⁶: Portions of this project are substantially completed. The facility opened with much fan fair and patients were able to move into new rooms. This project has resulted in an extraordinary facility but has been plagued by cost overruns. The estimated cost of completion is \$584,946,602. The overruns were due mostly to change orders resulting from delays.⁷ Many lessons have been learned that can be passed on. The Committee has discussed options for publicizing best practices to encourage departments to avoid known pitfalls.

2000 Neighborhood Recreation and Park Bond Program- In March of 2000, the voters approved \$110,000,000 in general obligation Bonds for improvements in neighborhood parks. As of 2004, all the bonds have been issued. About \$7 million in proceeds remain unencumbered. The Committee found no portion of the money used for purposes other than specified.

Status/Concerns: After the original issuance of bonds under this program, a number of organizational changes have taken place within the bond-issuing departments. As a result, priorities for each park have been updated and clarified. It is anticipated that this will avoid further delays and change orders.

2000 Branch Library Improvement Program (BLIP)- In November 2000, voters approved \$105,865,000 in general obligation bonds for improvements to 24 branch libraries throughout the City. As of 2008, all the bonds have been issued. Substantial additional funds have been added to complete the projects. Approximately \$8 million in general obligation bond proceeds remain unencumbered. The Committee found no portion of the money used for purposes other than authorized.

Status/Concerns: Agreements between the Department of Public Works and the Branch Library Improvement Project have been effective at strengthening management of the program. In addition, the current economic climate has resulted in savings from bids. A representative from the Library Advisory committee has offered comments regarding concerns over "scope creep." Also, the Committee heard testimony that the Historic Preservation Commission desires to have special qualities of libraries preserved.

2008 Clean and Safe Neighborhood Parks Bond Program- On February 5, 2008, the voters approved the issuance of \$185,000,000 in proceeds from general obligation bonds for improvements in neighborhood parks. In 2010, the second and third series of bonds were issued totaling about \$60 million. In total, about \$102 million in bonds have been issued under this program so far. The Committee found no portion of the money was used for purposes other than specified.

Status/Concerns: As described with regard to the 2000 Park Bond above, departmental changes and inter-governmental agreements have resulted in updated and clarified priorities for each park.

2008 General Hospital Rebuild Bond Program- In November of 2008, the voters approved of Proposition A authorizing the issuance of \$887.4 million in general obligation bonds for the purpose of providing a new acute care hospital on the San Francisco General Hospital Campus. In March of 2010, a bond sale was completed (the second) in the amount of \$294,695,000.00 for a total of \$441, 000,000 issued thus far. The Committee found no portion of the proceeds expended for purposes other than those authorized.

Status/Concerns: A number of preconstruction milestones were being met in April. Excavation began in November. At this early stage in the program, several projects already appear to be over budget. Nevertheless, substantial savings are being recognized from trade package buy-outs.

Earthquake Safety and Emergency Response Bond- In June 2010, the voters of San Francisco authorized the sale of \$412.3 million in general obligation bonds for three projects: (1) a new Public Safety Building (\$243 m), (2) a new account for Neighborhood Fire Stations (\$65.1) and (3) an Auxiliary Water Supply System (\$104.2). This program is in the preliminary stages-- the first issue is planned for the Fall of 2011.

Status/Concerns: The Committee heard encouraging testimony from a number of witnesses that bond-issuing agencies are in communication with stakeholders to ensure a robust planning process before construction begins and funds are allocated to this program.

Five Additional General Obligation Bond Programs

1992 Seismic Safety Loan Program Bond- With just over a million dollars in unencumbered assets remaining, this program supports a loan program for City residents that currently is lacking in popularity due to welcome private sector competition.

1995 and 2003 Academy of Sciences and Aquarium Bonds - With little more than \$44,000 remaining in unencumbered assets, the Committee is preparing to hear that these programs are closed out.

1997 City College and Unified School District Bond- There are no remaining unencumbered funds in this program. The Committee is preparing to hear that this program is closed out.

1997 Zoo Bonds- With little more than \$300,000 remaining in unencumbered assets, the Committee is preparing to hear that this program is closed out.

Part II Audit Review

In 2010, the Committee made significant changes to the nature and extent of its review of the City's audit program. Most notably, the Committee created a new Standing Subcommittee for Audit Review. The members of the Standing Subcommittee are Rebecca Rhine, Thea Selby and the Chair. The Standing Subcommittee will meet two times a year and focus on (1) Annual Audit Review (to review the overall scope, provide strategic direction and the selection of targets); (2) Facilitate hearings before the full Committee on specific audits; (3) the review of benchmarks; and (4) Develop best practices (to include a comparative review and performance measures). Other topics may also be included.

In 2010, the Committee, meeting as the Citizens' Audit Review Board, heard regular presentations from the Controller's Office (CSA) regarding pertinent and or large scale audit review projects. The Committee also received status reports on the Whistleblower Complaints Unit. Most significantly, the Committee heard testimony from Tonia Lediju, CSA Audit Director, addressed the committee in January and discussed the 2010 work plan.⁸

The Laguna Honda Gift Fund was the topic of discussion.

Part III The Whistleblower Program

In 2010, the Committee heard concerns from the public that the Whistleblower Program may have resulted in retaliation against City employees or contractors that attempted to submit a complaint. The Committee resolved to undertake a review of program procedures. The Chair took responsibility to review complaints received through the Whistleblower program and to undertake a review of program procedures. Methods were explored to achieve greater awareness of the program among City government employees.

Part IV Housekeeping Matters

1. Committee Membership

The Committee has seen substantial turnover in 2010.⁹ As in the past, vacancies have presented the Committee with challenges when establishing a quorum for meetings. In 2010, the Committee was able to satisfy the requirement that meet four times during the year but was unable to schedule an additional special meeting to accomplish more work. There remains one vacancy on the Committee.

2. Standardization of Reporting

With direction from Committee Member Thea Selby and assistance from the Controller, the Committee is seeking to standardize to the extent practicable the reports received from the bond-issuing agencies. It is anticipated that such standardization will make the Committee's work far more efficient.

3. The City's Capital Plan

The Committee heard testimony regarding the the Capital Plan and the need for general obligation bonds to underwrite deferred seismic needs, water delivery, street repaving, neighborhood park improvements and other projects.

4. Response to the Civil Grand Jury

The Civil Grand Jury previously has recommended that the Committee regularly present its findings to an appropriate committee of the Board of Supervisors.¹⁰ The Grand Jury recently has inquired as to whether progress has been made in this regard. The Committee has reported that annual presentations generally are made and a more formal arrangement is preferable to ensure time is regularly is allotted on the calendar of the appropriate committee of the Board of Supervisors.

5. The 2010 Meeting Schedule and Work Plan

The Committee tentatively is planning to meet six times in 2010 and the Audit Subcommittee is planning to meet twice. The Committee's schedule and work plan¹¹ will remain available on the Controller's website.

END NOTES

1. The Committee was formed subsequent to the passage of Proposition F (March 2002) to inform the public, through review and report, on the expenditure of general obligation bond proceeds in accordance with voter authorization.

2. Proposition F, enacted by the electorate in March 2002, and established the Citizens' General Obligation Bond Oversight Committee, comprised of nine members charged to inform the public about the expenditure of general obligation bond proceeds through active review and the publishing of regular reports. San Francisco Administrative Code 5.30-5.35 states:

... (a) The purpose of the committee shall be to inform the public concerning the expenditure of general obligation bond proceeds. The committee shall actively review and report on the expenditure of taxpayers' money in accordance with the voter authorization. The committee shall convene to provide oversight for: (1) ensuring that bond revenues are expended only in accordance with the ballot measure, and (2) ensuring that no funds are used for any administrative salaries or other general governmental operating expenses unless specifically authorized in the ballot measure for such bonds. The committee has no power to review bond proposals prior to voter approval. Further, the committee shall not participate or interfere in the selection process of any vendor hired to execute bond funded projects. (b) In furtherance of its purpose, the committee may engage in any of the following activities: (1) Inquiring into the disbursement and expenditure of the proceeds of bonds approved by voters by receiving any reports, financial statements, correspondence or other documents and materials related to the expenditure of bond funds from agencies that receive proceeds from these bonds; (2) Holding public hearings to review the disbursement and expenditure of the proceeds of bonds approved by voters; (3) Inspecting facilities financed with the proceeds of bonds approved by voters; (4) Receiving and reviewing copies of any capital improvement project proposals or plans developed by the City; (5) Reviewing efforts by the City to maximize bond proceeds by implementing cost-savings measures, including, but not limited to, all of the following: (i) mechanisms designed to reduce the cost of professional fees and site preparation and design; and (ii) recommendations regarding the joint use of core facilities and use of cost-effective and efficient reusable facility plans; (6) Commissioning independent review of the disbursement and expenditure of the proceeds of bonds approved by voters by accessing any funds set aside for this purpose under subsection (c) of this section to retain outside auditors, inspectors and necessary experts to conduct such independent review; (c) To the extent permitted by law, each ballot measure shall provide that one-tenth of one percent of the gross proceeds from the proposed bonds be deposited in a fund established by the Controller's Office and appropriated by the Board at the direction of the committee to cover the costs of said committee.

3. The voters of the City and County of San Francisco approved Proposition C in November 2003, which authorized the Committee to serve as the Citizens' Audit Review Board. Proposition C took effect on July 1, 2004 (San Francisco Charter Appendix F). In this role, the Committee provides advisory input to the Controller on matters set forth in the Charter, including requiring that the Committee: (1) review the Controller's service standards and benchmarks to ensure their accuracy and usefulness; (2) review all audits to assure they meet requirements set forth in Appendix F of the San Francisco Charter; (3) review complaints received through the Controller's Whistleblower hotline and their disposition; and (4) when appropriate, hold public hearings regarding the results of benchmark studies and audits.

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

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

5. Quarterly reports submitted by bond-issuing department are available on the Controller's website.

6. The Committee recognizes that the quarterly public hearings is often the venue of choice for interest to express concerns with the projects funded with general obligation bond proceeds. While such comments often are outside the scope of the Committee's jurisdiction to address, the comments are appreciated and, where appropriate, included in hopes that the appropriate government employees and/or committees can look into the issue.

7. This endnote will contain a summary of the information contained in the minutes from the April 22 meeting.

8. This endnote will include highlights from the minutes of the August meeting

9. The Ordinance requires that the nine committee members meet certain minimum qualifications and be appointed as follows: three by the Mayor, three by the Board of Supervisors, two by the Controller and one by the Civil Grand Jury. Each member serves for a term of two years. Currently, the members constituting the Committee are as follows:
Committee Membership

MEMBER NAME	APPOINTED BY	APPOINTMENT DESCRIPTION
Abraham Simmons, Chair	Civil Grand Jury	Designee of the Civil Grand Jury
Regina Callan	Mayor	Active in a community organization
Egon Terplan	Mayor	Active in a business organization representing the business community
Robert Muscat	Board of Supervisors	Active in a labor organization
Rebecca Rhine	Mayor	Active in a labor organization
Thea Selby	Board of Supervisors	Active in a business organization representing the business community
John Madden	Controller	Expertise in auditing governmental financial statements or with expertise in public finance law
Sanford Garfinkel	Controller	Expertise in construction management

10. The 2007-2008 Grand Jury issued a report entitled "Accountability in San Francisco Government: 'There doesn't seem really to have been anyone in charge of the store.'"

Recommendation 8 of the report states:

The Citizens' General Obligation Bonds Oversight Committee should appear regularly before the Board [of Supervisors] to report on the bonds it oversees including highlights of successes and challenges.

In its August 20, 2008, response to the Jury, the Committee wrote, "The CGOBOC accepts recommendation #8 and will make regular presentations to the appropriate body of the San Francisco Board of Supervisors."

11. The tentative plan is as follows:

January 20, 2011

Election of Officers
Review and Discussion of GOBOC 2011 Work Plan
2001 Branch Library Improvement Program
SFGH Rebuild Program

February (date and time TBD)

Audit Subcommittee Meeting

April, 21, 2011

City Capital Plan Overview
1999 Laguna Honda Hospital Bonds

July 21, 2011

2000 Neighborhood Park Bond
2008 Clean and Safe Park Bond
ESER

August (date and time TBD)

Audit Subcommittee Meeting

October 20, 2011

SF General Hospital
2001 Branch Library Improvement Program
GOBOC Annual Report Discussion

December (date and time TBD)

2000 Neighborhood Park Bond
2008 Clean and Safe Park Bond
CGOBOC Annual Report

INTRODUCTION FORM

By a member of the Board of Supervisors or the Mayor

Time Stamp or
Meeting Date

I hereby submit the following item for introduction:

- 1. For reference to Committee: Government Audit & Oversight
An ordinance, resolution, motion, or charter amendment
- 2. Request for next printed agenda without reference to Committee
- 3. Request for hearing on a subject matter at Committee: _____
- 4. Request for letter beginning "Supervisor _____ inquires..."
- 5. City Attorney request
- 6. Call file from Committee
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File Nos.
- 9. Request for Closed Session
- 10. Board to Sit as A Committee of the Whole
- 11. Question(s) submitted for Mayoral Appearance before the BOS on _____

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

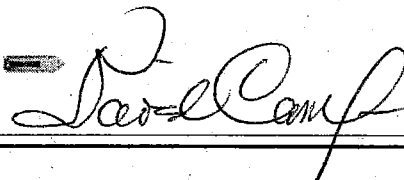
Note: For the Imperative Agenda (a resolution not on the printed agenda), use a different form.]

Sponsor(s): Campos

Subject: Hearing on the Citizen General Obligation Bond Oversight Committee's annual report for calendar year 2010.

The text is listed below or attached:

Attached: Citizens' General Obligation Bond Oversight Committee 2010 Annual Report

Signature of Sponsoring Supervisor: 

For Clerk's Use Only:

111057

