

MEETING MINUTES
Citizens' General Obligation Bond Oversight Committee
January 28, 2016 Hearing Room 416 - City Hall
San Francisco, CA 94102

1) Call to Order, Roll Call

The meeting was called to order at 9 a.m. The following Committee members were present: Dion-Jay Brookter, Robert Carlson, Larry Bush, Brenda Kwee McNulty, Brian Larkin, Michael Garcia and Michael Seville. Corey Marshall was absent.

2) Approval, with possible modification, of the minutes of the December 7, 2015 meeting.

No action was taken. There was no public comment.

(*NOTE: Full recordings of Committee meetings are available by request from the Controller's Office and on the CGOBOC web site. Meeting Materials are also posted on the web site after approval by the Committee).

3) Presentation from the San Francisco General Hospital Rebuild Program (SFGH)

Ron Alameida, Public Works Project Manager, announced his transition from the SFGH Program to another City Project. Joe Chin and Christine Tang will be the project managers finishing the SFGH Rebuild Program. Mr. Alameida thanked the project team for their work.

Mr. Alameida reviewed the program budget, pointing out expenditures to date and a balance of \$23,994,041.00. He also reviewed E & O, client requested changes, unforeseen conditions, code issues and the total of non-base scope costs. Gantt charts representing costs expended to date were reviewed.

Accomplishments from the previous quarter include:

- New Hospital Project Site: the ribbon cutting ceremony took place in November 2015. The Certificate of Occupancy for patient care was secured. The majority of the building was turned over to San Francisco General Hospital. The operational transition, including IT and FF & E deliveries and installation continues. Licensing activity is advancing, which has generated follow-on projects. A follow-on project was initiated under OSHPD Change Orders (or stand - alone permits) including a hybrid MR, pneumatic tube integration and additional electrical and low voltage outlets.
- Service Building: The NPC4 Seismic Performance Upgrade was permitted under "separate project" but is relying on Rebuild funding. The OSHPD deadline is January 2020. NPC4 construction is underway. The demo has been completed and new work is advancing with some challenges that are generally manageable so far.

- New Hospital Project Site: The medical equipment (increment 5 on the Gantt chart) is essentially completed with testing and training underway.
- Building 5 Project Site: The basement and second floor projects have achieved partial Certificates of Occupancy which means the tunnel and bridge can be used. The remainder of Phase 2 and 3 are advancing.

Recent and Current Activities

- Project Scope Buy-Outs: The majority of the FF & E buy-out with fixed equipment procurement completed and installations scheduled. The majority of IT and operational systems have been procured and installations scheduled. Operational transition and licensing activity have been initiated and scheduled through the end of the year. Various post completion projects have been aligned with current operational needs versus original rebuild scope in development.
- Current Issues and Concerns:
 - FF & E and IT procurement readiness and operational readiness Transition and licensing driven follow-on projects
 - Unforeseen conditions associated with Building 5
 - Budget impact of NPC4 Project to rebuild program
 - Close-out process as it relates to CM/GC and their subcontractors' cost and schedule concerns

Committee member Brian Larkin is the liaison to the project. He expressed his opinion that things are going as well as expected. His only concern is about possible claims that may come as the result of cost overruns.

The Committee discussed close-out contract requirements, lessons learned, and concerns about some of the small projects listed on the Gantt chart and how the City handles new on-going costs. It was noted that a significant number of costs are in advance, but services and facilities tend to be larger and will cost more. At the same time, old facilities are not being vacated and will be re-focused. Other discussion included clarification of some of the projects in the budget and how the follow-on projects are processed through separate bids and contractors.

The following public comment was made:

1. Jerry Dratler – acknowledged the good work of the SFGH project team but questioned \$15 million dollars in change orders and the cost of the change orders.
2. Patrick Monette Shaw spoke and provided the following written comment: “I have repeatedly testified CGOBOC has an obligation to investigate Change Orders on bond projects much more closely. Former CGOBOC Chair Abraham Simmons had recommended much closer scrutiny of change orders, but CGOBOC has all but refused doing so. Not one of you raised a single question today about the SFGH Change Orders that totaled \$30.7 million, \$16 million of which were Design Omissions and Design Errors. Detailed analyses of the causes of change orders could help the City develop better RFP’s to avoid repeats of similar error and omission change orders on other projects. SFGH initially budgeted \$69.3 million for design and

construction “soft costs,” but current projections are they’ll reach \$102.9 million, a whopping 48.5% increase. There was no breakout stratifying the \$38 million in contract disputes. Mark Zuckerberg’s name should be removed; taxpayers footed the \$887 million bond, plus debt interest. It’ll always be public hospital “SFGH”!

The report was accepted by the Committee.

4) Presentation from the Mayor’s Office of Housing regarding the Affordable Housing Bond.

Kate Hartley, Deputy Director of the Mayor’s Office of Housing and Development, provided the capital planning framework for the Affordable Housing Bond. Spending proceeds of the 2015 Affordable Housing Bond will be overseen by CGOBOC. The bond fits within the Capital Planning framework, and will not result in an increase to property tax rates from the current levels.

Ms. Hartley said the reason for the Affordable Housing Bond has to do with the City’s urgent housing needs. The high cost of housing costs pose individual and familial hardship and threaten the City’s economic vitality. In the year between 2014 and 2015, rents increased 14.8%. The median rent for a 1 bedroom apartment (\$3,460.00/month) is affordable to 1-person households at 150% AMI. The median sale price of a home is \$1.1 million dollars which means these homes are available only to a 4-person household over 200% AMI. Studies show that 67% of San Francisco’s households have income less than 150% of AMI.

San Francisco’s Regional Housing Needs Assessment (RHNA) goals called for the production of almost 19,000 by 2014. The City fell short. With current resources, the City will meet 2014 goals by 2035. This assumes no future population growth. At the same time, resources are declining. The dissolution of Redevelopment in 2012 resulted in a \$28 million dollar loss (per year on average) for housing. The depletion of State Prop. 46 and Prop 1C funds decreased housing funds to San Francisco by \$18 million dollars a year. Between the fiscal years of 2007 – 08 and 2012 -13, Congress cut CDBG and HOME housing funding by 19% and 47% respectively. In 2013, Congress cut HUD’s contribution to the San Francisco Housing Authority from 92% to 82% of what it costs to operate public housing.

In response to the reductions and declining funds from the State and federal government, San Francisco has made housing a public priority and designated substantial resources to address housing needs. These include: 2012: Housing Trust Fund; 2013: Re-Envisioning of Public Housing; 2013: Mayor’s 30,000 Unit Goal; 2014: Proposition K; and, 2015: City-Wide Programmatic Changes.

Current efforts require longer term sources. Some of the sources include a Housing Trust Fund, the General Fund, Tax Increment (OCII), fees paid by developers, federal/state/ other sources and the Affordable Housing GO Bond.

The Affordable Housing GO Bond Working Group has recommended three general categories of housing needs: public housing, low-income housing and middle income housing.

Among all the housing categories, the priority group is housing that serves the most vulnerable: low-income working families, veterans, seniors and disabled individuals.

The investment amount for the bond is \$310 million dollars. It supports four categories of investment, each supporting a range of incomes. The four categories are: public housing (\$80M); Affordable Housing (\$100M); Mission Area Plan Investments (\$50 M); and Middle Income Housing (\$80M). The Affordable Housing category would require up to 80% AMI (average median income). The Mission Area Plan Investments require up to 120% AMI. Middle Income Housing would require 80% AMI and above.

Under the category of specific programs for public housing, one goal would be to accelerate development the timeline for Sunnydale and Potrero. This would allow earlier purchase and development of relocation parcels, which will allow development to move forward and allow earlier infrastructure development to prepare sites for vertical development.

A goal for low-income housing would be to accelerate new affordable housing production through the quick release of Notice of Funding Availability (NOFAS) and RFPs; to provide acquisition and rehabilitation funding for existing rent-controlled buildings; purchase properties in highly impacted neighborhoods (ex. The Mission) for affordable housing development; and stabilize buildings at risk of losing affordable units.

Goals for middle income housing would include providing new or preserve middle income rental opportunities; increase the cap on down payment assistance loans and the range of eligible households; and expand the Teacher Next Door program to help keep teachers in San Francisco neighborhoods.

The accountability for housing production would include extensive neighborhood outreach to community groups for every project; city-wide Loan Committee approval for all MOHCD-issued loans; Board of Supervisors approval on all housing revenue bond issuances for individual projects; and regular reporting to CGOBOC.

The bond issuance schedule is at the stage of getting included into the housing development pipeline as well as optimizing fund sources and cash flow to minimize interest costs. It is expected that the first bonds will be issued in Q1 or Q2 of 2016. The Possible Notice of Funding Availability will provide the opportunity for 3 categories of production and/or land acquisition to start. The three categories are public housing, the Mission area and low-income housing. A reimbursement resolution is in process.

There isn't a Committee liaison at this time because this is a new bond. The Committee asked for clarification of some of the terms associated with the bond (ex. The teachers referred to in the presentation are SFUSD teachers and do not include pre-schools),

timelines, quality standards, how the bond will be structured and handled (the approach); City-wide loans, a project schedule, information about populations served and metrics. Ms. Hartley was asked to provide information about how the current delivery model differs from the more classic model normally used when an update on the bond is next presented to the Committee.

There was public comment from Patrick Monette-Shaw, which was also provided in writing. "MOHCD's report reads like a sales pitch, not a report on uses to date of the \$310 million bond.

Page 9 of the Executive Summary doesn't itemize the \$80 million allocation to the "Middle Income Housing" category's four subcategories: 1) "DALP Loan Expansion," 2) "Teacher Next Door," 3) "Middle-Income Rental," and 4) "Expiring Regulations Preservation" programs. Since the bond was passed in December, are we to believe MOHCD hasn't yet determined precise dollar amount allocations to these four subcategories?

CGOBOC should develop — quickly — the tracking metrics categories and spreadsheet reporting formats for each of the four main planned uses of the bond and various subcategories, and not allow MOHCD to develop the metrics of reporting.

It's shocking hearing Kate Hartley report 20% of the bond — \$61 million — will be allocated to housing the homeless, which voters weren't told about. Had voters been told beforehand, the bond might not have passed".

The report was accepted by the Committee.

- 5) **Presentation from the City Services Auditor regarding the Whistleblower Program.** The Whistleblower Program Update for FY 2015-16 was presented by Tonia Lediju, CSA Audits Director, and Steve Flaherty, Whistleblower Program Manager. The Program authority, a description of matters appropriate for investigation, the referral of certain complaints, Program importance and benefits were reviewed. The complaint activity for the year, including complaints received, closed, investigated as well as complaints resulting in either corrective or preventive action. Progress-to-date on key initiatives was reviewed.

The Committee liaison is Brenda McNulty. Mrs. McNulty provided an overview of the challenges of Steve's position. There were questions from the Committee about the video referenced in the presentation (goals, target audience), clarification of some of the terms used in the report (complaints closed, complaints received/closed/re-opened), and how complaints are received.

It was noted that a report from the Civil Grand Jury, originally scheduled for today, will be presented at the March 2016 CGOBOC meeting. Ms. LeeAnn Pelham, the new Ethics Commission Executive Director, has also been invited to the same meeting.

There was public comment from Bob, Jerry Dratler, Patrick Monette-Shaw, Derek Kerr, M.D. and Charles Marsteller.

Bob's comments focused on "matters appropriate for investigation" on page 3 of the presentation and what constitutes "appropriate". He also commented on the referral of certain complaints to other agencies.

Jerry Dratler requested additional information and details on the 38 cases referenced as "complaints resulting in corrective/preventive" action on page 11 of the presentation.

Patrick Monette – Shaw spoke and then provided the following written comment: "I am a whistleblower who experienced retaliation for exercising my First Amendment free speech rights. When I worked at Laguna Honda Hospital, articles I published in the *Westside Observer* newspaper focusing only on the cost overruns of the LHH Rebuild Bond landed me in trouble.

Senior Department of Public Health staff would report my articles to my boss, Dr. Lisa Pascual, who would fly into my office, slam the door, and demand I "tone down" my articles. I told her since I wrote the articles after hours on weekends and evenings that I would not "tone down" anything. Eventually to get rid of me, DPH simply eliminated my job classification code, and I lost \$20,000 between my City salary and unemployment.

CGOBOC should support the Ethics Commission's proposed revisions to the Whistleblower Protection Ordinance by adding basic First Amendment protection rights to the list of prohibited retaliations against City employees".

Derek Kerr, M.D. spoke and provided the following written comment: "The Annual Whistleblower Program Report makes no mention of CGOBOC. This is problematic as CGOBOC is the oversight/advisory body for the Program. As such, CGOBOC is the primary forum for the airing of concerns about the Program. It's the only venue for hearing reports from Program managers, as well as comments and analyses from CGOBOC Liaisons assigned to the Program. Importantly, it's the only place where Liaisons can hear directly from the public. But complainants and whistleblowers don't know about CGOBOC. I didn't after I felt shafted as a whistleblower - until a colleague told me about CGOBOC. Speaking before CGOBOC has a much greater impact on the Program than trying to contact the Program directly. The Program's best safeguard against insularity and unaccountability is the public forum provided by CGOBOC. Therefore, CGOBOC's existence and purpose should be noted in all Whistleblower Program Reports".

Charles Marsteller commented on the funding for the Ethics Commission and the insistence that the budget will benefit from more, rather than less, funding. He also expressed the hope that LeeAnn Pelham, the new Executive Director, will continue to work to keep others from meddling in the work of the Commission. On a separate note, he said the timelines for adjudication is important for the customer.

The report was accepted by the Committee.

6) Opportunity for Committee members to comment to take action on any matters within the Committee's jurisdiction.

- a. Close-Out Protocols: there will be more discussion at the March 2016 meeting.
- b. Construction Audits: will be reported on later in the year
- c. Other matters: Public Outreach to let the public know about/learn about CGOBOC

There was public comment from Jerry Dratler about close-out materials and GO Bond general audits.

7) Opportunity for the public to comment on any matters within the Committee's jurisdiction.

There was no public comment.

The meeting was adjourned at 11:50 a.m.