

**THE 2007-2008 CIVIL GRAND JURY
FOR THE
CITY AND COUNTY OF SAN FRANCISCO**

ACCOUNTABILITY IN SAN FRANCISCO GOVERNMENT

“There doesn’t seem really to have been anyone in charge of the store...”

SAN FRANCISCO ELECTED OFFICIAL

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THE PURPOSE OF THE CIVIL GRAND JURY

The purpose of the Civil Grand Jury is to investigate the functions of City and County government, tax-supported agencies and districts, and any agencies or districts created by state law to develop constructive recommendations for improving their operations, as required by law.

Each Civil Grand Jury has the opportunity and responsibility to determine which departments, agencies and officers it will investigate during its one-year term of office. To accomplish this task, the Civil Grand Jury divides into committees. Each committee conducts its research by visiting government facilities, meeting with public officials, and reviewing appropriate documents.

The nineteen members of the Civil Grand Jury are selected at random from a pool of thirty prospective jurors. San Francisco residents are invited to apply. More information can be found at: <http://www.sfgov.org/site/courts>, or by contacting Civil Grand Jury, 400 McAllister Street, Room 008, San Francisco, CA 94102, (415) 551-3605.

STATE LAW REQUIREMENT

Pursuant to state law, reports of the Civil Grand Jury do not identify the names or provide identifying information about individuals who spoke to the Civil Grand Jury.

Departments and agencies identified in the report must respond to the Presiding Judge of the Superior Court within the number of days specified, with a copy sent to the Board of Supervisors. For each finding of the Civil Grand Jury, the response must either (1) agree with the finding, or (2) disagree with it, wholly or partially, and explain why. Further, as to each recommendation made by the Civil Grand Jury, the responding party must report either (1) that the recommendation has been implemented, with a summary explanation of how it was implemented; (2) the recommendation has not been implemented, but will be implemented in the future, with a time frame for the implementation; (3) the recommendation requires further analysis, with an explanation of the scope of that analysis and a time frame for the officer or agency head to be prepared to discuss it (less than six months from the release of the report); or (4) that recommendation will not be implemented because it is not warranted or reasonable, with an explanation of why that is. (California Penal Code, sections 933, 933.05)

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I. EXECUTIVE SUMMARY

Many commissions and departments within the City and County of San Francisco claim to identify and follow “best practices,” a term commonly heard in the business world; it is a phrase oft touted by the Office of the Mayor. Rather than assess whether best practices are in fact followed in City departments, the 2007-2008 Civil Grand Jury decided to ask a more basic question: do departments operate in a reasonably prudent manner, as you would expect of a well run business? That is, are there policies and practices in place that allow for the following attributes?

- Operational oversight;
- Fiscal controls and accountability;
- Forthright disclosure of successes and challenges; and
- Transparency.

The Jury found neither “best practices,” nor prudent management in several of the areas investigated. The Office of the Mayor (the “Mayor”) and the Board of Supervisors (the “Board”) do not exercise operational oversight of the performance of commissions and departments in a systematic or effective way. This lack of oversight led to the development of some serious deficiencies within the Committee on Information Technology and the Department of Telecommunications and Information Services.

The Controller’s Office, which is charged with providing information on the fiscal impact of proposed legislation and ballot initiatives, does not retroactively test the accuracy of the assumptions it uses in providing this information to voters or the Board of Supervisors. This creates a situation where there is no post legislative follow through to track costs and, thus, there is no fiscal accountability for the impact of new legislation. Other instances of a lack of fiscal control are discussed in the report.

The citizens of San Francisco deserve to know the actual cost of the City’s major construction projects and, when significant difficulties are encountered, the dimensions of the problem and the fiscal consequences. The City is not completely forthcoming in providing the public with this type of information.

Finally, the City has created a new website. While it has a unified look and is replete with publicity about the achievements of all aspects of City government, it does not promote transparency, because full disclosure of problems or negative information on any given topic is missing or there is conflicting information. The site is unnecessarily challenging when searching for specific content.

II. INTRODUCTION

A common and frequently repeated refrain is that the government of San Francisco does not work well or efficiently. The 2007-2008 Civil Grand Jury (the "Jury") decided to explore this issue. The parameters of the inquiry were the policies and practices found in well run businesses:

- Operational oversight;
- Fiscal controls and accountability;
- Forthright disclosure of successes and challenges; and
- Transparency.

With the limitations of a one year term, the Jury reduced its inquiries to four areas of interest:

- A. The oversight of the City's commissions and departments by the Office of the Mayor and the Board.
- B. The accuracy of the Office of the Controller's (the "Controller") predictions of the fiscal impact of ballot initiatives and legislation proposed by the Board.
- C. The management of funds generated by the Library and Laguna Honda Hospital bond measures.
- D. The efficacy of the new official website for the government of San Francisco.

The basis of the findings and recommendations in this report come from interviews with employees of various City departments, including the Office of the Mayor, Board of Supervisors, and the Controller's Office, as well as exchanged electronic correspondence with them and with the Board's Budget Analyst. We wish to thank all the employees for their prompt responsiveness to our questions in interviews and via email. Information was also sourced electronically through the City's website.

III. DISCUSSION

A. Operational Oversight

1. Departments and Commissions

In general, City commissions are populated by citizens appointed by the Mayor and/or the Board. The commissioners are charged with oversight of their respective departments, including hiring and firing the department's director and scrutinizing the department's budget. Thus, these commissions should be accountable for their own policy-making and for the functioning of the departments they oversee.

In following up on the 2007 Jury recommendations concerning the Entertainment Commission and the 2008 proposal for the creation of an Office of Special Events, the Jury learned that City

commissions and the departments they oversee are required to prepare annual reports and other reports for the Mayor and Board.¹

San Francisco Charter Art.4, Sec. 4.103 requires:

[C]ommissions and departments to prepare an annual report describing their activities to be filed with the Clerk of the Board and the Mayor. The report may be included in the Annual Statement of Purpose required in Sec. 4.102(2).

Yet, the Jury determined that neither the Mayor, nor the Board has a process: to track the due dates of these mandatory reports; to analyze the reports; or, to require review by the Board. One Supervisor and another Board employee suggested that due to the large number of reports received, the reports stack up unread unless or until a supervisor has a particular interest in the topic.

This lack of oversight is not simply a mechanical error in the tracking of bureaucratic paperwork. Without scrutiny of their annual reports, the Mayor, the Board, and the public have lost what could be an effective means to measure the successes and challenges of the City's various commissions and departments.

Committee on Informational Technology One rather dramatic example of the consequences of this lack of tracking may be found in the history of the Committee on Information Technology ("COIT"), established by the Board in June 1997, and the Department of Telecommunications and Services ("DTIS").

San Francisco Administrative Code Chapter 11, Article IX establishes the Department of Telecommunications and Information Services and Committee on Information Technology, and directs:

The Commission [to] evaluate City policies and procedures affecting the provision of telecommunication services and the installation of telecommunications facilities within the City, and Develop a City Telecommunications Plan. The Telecommunications Plan should propose City policies and procedures to guide the installation of telecommunications facilities in the City. These policies should facilitate the deployment of new technologies within the City, maximize the availability of telecommunications services to City residents, businesses and departments, preserve City property and resources, and protect the health, safety and welfare of City residents ... It shall be updated, after public participation and hearings, and if necessary, amended, every 24 months.

According to the City's Budget Analyst, COIT is charged with providing direction to all departments on strategic planning for information technology, including standards for

¹ The 2007-2008 Civil Grand Jury's report on the issue of the creation of the Office of Special Events "How Many Agencies Does It Take for San Francisco To Throw A Party?" maybe found at: http://www.sfgov.org/site/uploadedfiles/courts/07-08_civil_grand_jury_report.pdf.

security, coordination of hardware and software purchases and applications. DTIS is responsible for basic communications including telephones and internet connections; it also maintains the City's website. Unlike most commissions, COIT is made up of a variety of departmental directors.²

In spite of its mandate, COIT did not meet at all from the end of 2002 until meeting twice in 2006, in May and December respectively. In 2007 the committee was reorganized.

In 2007, the Board requested that its Budget Analyst conduct a management audit of the City's information technology practices. The October 3, 2007 transmittal letter from the Budget Analyst made the following points:

"In FY 2006-2007, the City and County of San Francisco expended more than an estimated \$173 million on its information technology systems, including personnel, hardware and software, and contracts with third-party vendors.

Yet despite such significant expenditures, the City has very limited central oversight over these information technology expenditures.

Instead, City departments are left to develop and implement information technology systems with inconsistent guidance on such things as total cost of new systems; type, quantity, and quality of operating systems and hardware; project management; maintaining inventories; and information security . . .

The Committee's lack of a specifically planned citywide coordination role pertaining to information technology systems from 2003 through 2006 until its recent reorganization in 2007 has resulted in departments operating with virtually no guidance or direction in the development of their information technology systems . . .

[I]mproving the City's information technology practices and performance by just five percent, a realistic and achievable objective, would yield a value of approximately \$4.5 million, including direct cost savings and improved effectiveness."³

When this report was issued, a member of the Board commented, "There doesn't seem really to have been anyone in charge of the store."⁴

² COIT's members include the chair of the Department of Telecommunications and Information Services, the Controller, the City's Chief Administrative Officer, a member of the Board, a representative of the Mayor's budget office, the Director of the Department of Emergency Management, the City Librarian, the Director of the Municipal Transportation Agency, the Director of Human Services, the Director of the Department of Health, and the Director of Human Resources.

³ October 3, 2007, letter from the Budget Analyst to the Board of Supervisors transmitting its "Management Audit of San Francisco's Information Technology Practices," located at http://www.sfgov.org/site/budanalyst_page.asp?id=68979.

⁴ "Audit Finds City Information Technology in Disarray," San Francisco Chronicle, page B-1, October 4, 2007, located at: <http://www.sfgate.com/cgi-in/article.cgi?f=c/a/2007/10/02/BAAR7SJF80.DTL&hw=Tom+Anmiano+Committee+On+Information+Technology&sn=1&sc=1000>.

At a press conference on October 3, 2007, the Mayor specifically made COIT responsible for setting and implementing City-wide policies on technology and charged it to create a multi-year technology plan for the City.

The director of the DTIS, who is also the chair of COIT, agreed with all of the Budget Analyst's recommendations including the recommendation that the Director report to the Board in March 2008 on the progress of implementation of these recommendations. As of May 12, 2008, the director had neither appeared nor scheduled any appearance before the Board or its Governmental Oversight Committee.

For its part, the Board has not followed up on the audit recommendations either. According to their websites, neither COIT nor DTIS has ever filed annual reports. In April 2008, however, COIT did prepare a detailed tracking of its progress on each of the 29 recommendations directed to it. While this attempted response is laudable, the tracking document provides no sense of the need to prioritize those recommendations which are crucial, from those which are desirable. This tracking report has not been received by the Board.

2. Implementation of Civil Grand Jury Recommendations

It is a usual practice for the Civil Grand Jury to track City departments' implementation of prior Juries' recommendations. This Jury's follow-up began with the Controller's Office, because the City's Administrative Code Chapter 2, Article II, Sec. 2.10, mandates that the Controller prepare reports on the status of the implementation of Civil Grand Jury fiscal recommendations. Controller's reports tracking implementation of recommendations from 2003-2004, 2004-2005, and 2005-2006 Civil Grand Jury Reports are available on-line. However, the status of each department's implementation of accepted recommendations is entirely self-reported and the Controller does not undertake any follow up measures to determine whether the recommendations have in fact been implemented. Neither the Controller's Office nor the Board's Budget Analyst track budget requests for inclusion of Jury recommendations that have financial impact.

The Controller does follow up on its own audit recommendations to City departments via letters issued at 6, 12 and 18 months respectively. The Jury found, however, that no on-site investigation or audit is done by the Controller to verify the implementation of its recommendations.

If the Controller and Budget Analyst do not track budget requests concerning Jury recommendations, the Jury wondered if the Mayor or the Board monitored this directly. Last fall, the Government Oversight Committee of the Board held hearings on September 10 and 24, 2007, during which departments were called upon to respond to recommendations contained in the 2007 Jury reports. The departments that appeared at the hearings, either agreed to address the recommendations in their fiscal year 2009 budgets or to implement select recommendation of the 2007 Jury.

Between September 18 and October 2, 2007 the Board passed seven resolutions concerning select recommendations of the 2007 Jury. The Mayor subsequently signified his support and approval by signing all seven resolutions. The Jury understands that the Mayor also committed to have departments address those 2007 Jury recommendations with financial impacts in their 2009 budget requests.

While the above events gave promise of greater attention to Grand Jury recommendations, there is scant evidence of actual follow-through by the Mayor or the Board. In the fiscal year 2009 budget instructions, the Mayor's Office failed to mention the 2007 Jury or its recommendations. The Jury does not yet know whether the Board or its Budget and Finance Committee will track departments' responses to the 2007 Jury recommendations in the budget process, because the budgets have not been reviewed as of the date of this report. Given the information available to it, the Jury must conclude that even though the Mayor and the Board committed to acting upon worthwhile Jury recommendations, they have not demonstrated commitment to a process that ensures follow through by City departments.

B. Fiscal Controls and Accountability

1. The Controller's Office

Article III, Sec. 3.105 of the City Charter created the Controller's Office and charged it as follows:

The Controller shall prepare an impartial financial analysis of each City and County ballot measure which shall include the amount of any increase or decrease in the cost of government of the City and County and its effect upon the cost of government. Such analysis shall be issued in sufficient time to permit inclusion in the voters' pamphlet . . . The Controller shall issue from time to time such periodic or special financial reports as may be requested by the Mayor or Board of Supervisors.

Further, the Controller's Office is empowered to audit the operational results and financial efficiency and effectiveness of City departments.⁵ The Jury's inquiry into the Controller's Office's fulfillment of these two responsibilities yielded two examples giving rise to concern.

a. Accuracy of the Controller's Statements in the Voter Information Pamphlet Regarding the Fiscal Impact of Proposed Initiatives

Financial impact analyses of ballot propositions provided by the Controller in the Voter Information Pamphlets are of particular significance, because many voters weigh the fiscal consequences of a proposition in deciding their vote. These analyses are prepared by the Controller and are based on a number of factors. However, the Jury determined that these projections are not subjected to a post-enactment analysis either by the Controller's Office or by the Board's Budget Analyst in the years after an election to establish whether those projections proved accurate, too high, or too low. By extension, no reporting is done to tell the public how much voters are paying for what was promised. Failing to test the accuracy of these financial projections leaves the Controller's Office unaccountable for its recommendations.

The Jury is aware that companies in the business of making cost projections routinely test these projections by examining actual costs after the fact. By examining actual results, the business

⁵ Chapter 2A, Article I, 2A20 of the City's Administrative Code.

is able to identify elements of its predictive model that can be fine-tuned, producing a higher level of confidence in future predictions. The Jury recognizes that the Controller is not sufficiently staffed to allow it to perform post-enactment reviews of every new ordinance or proposition. However, the Jury believes that the Controller should annually test the accuracy of its financial impact analyses on at least a representative sample. If the financial impact varied from the prediction, the Controller should then consider whether its methodology could be improved to produce a more accurate prediction of the financial impact of future ballot measures.

b. Failure to Respond

In at least one instance, the Jury determined that the Controller failed to respond to specific questions posed by a Supervisor concerning the fiscal impact of proposed legislation. The Supervisor wanted to introduce legislation to establish an Office of Special Events, which could in some instances duplicate the responsibilities of the existing Entertainment Commission. To that end, the Board asked the Controller the following questions:

- “What are the cost - benefits of annual City events such as Fleet Week, Halloween, neighborhood street fairs, Gay Pride, Lunar New Year and others?
- What are the cost expenditures of such City departments as the Entertainment Commission, Office of Protocol, Mayor’s Special Events Staff, San Francisco Police Department, Recreation, and Park Department, Port of San Francisco and others?
- What would be the cost impact of creating a dedicated Special Events office....comparable to the Special Events Offices in Chicago, Boston, New York City, Houston, and other cities?”⁶

In its joint Special Report dated October 20, 2007, the Controller and Office of Legislative Analysis recommended creation of the Office of Special Events, but specifically failed to answer any of the Supervisor’s questions as posed in the request. The Controller’s Office also did not address whether the proposed legislation would result in any increase or decrease in the cost of government or what would be the cost for staff increases and other recommendations involving expenditures. The Jury believes that the Controller should not endorse any proposed legislation, but should focus on its charge to provide impartial financial analysis, and in this case address the Supervisor’s specific questions.

⁶ “Establishing an Office of Special Events in San Francisco” joint report by the Controller and Legislative Analyst. For PDF file, please refer to: http://www.sfgov.org/site/controller_index.asp?id=1362.

C. Fiscal Controls and Accountability

1. Bond Financed Construction

The City contemplates rebuilding San Francisco General Hospital with bond financing. In the November 2008 election, San Francisco citizens will be asked to approve a bond measure for expenditures totally more than \$850 Million, the largest bond proposal in the City's history.

With this large-scale proposed renovation of yet another health care facility pending, the Jury wondered what lessons could be learned from two outstanding general obligation bond projects: the Branch Library Improvement Project (the "BLIP") and the renovation of Laguna Honda Hospital.

What was discovered, in each case, was lack of sufficient funding upfront to produce the facilities the public expected and the continuing escalation of costs for both projects. BLIP's funding shortfall is being solved via revenue bonds, while the Laguna Honda project has been scaled back and additional funding sources remain unresolved.

These facts raised the question for the Jury of whether the Department of Public Works (the "DPW") is exercising appropriate oversight in supervising these bond-financed construction projects. The Jury focused on DPW because:

- San Francisco Administrative Code, Article 11 Section 2A.190 directs the DPW to administer all capital improvement and construction projects, except projects solely under the Airport, Port, Public Utilities, Recreation and Parks, and the Public Transportation Commissions.
- Furthermore the Director of DPW is responsible for plans, estimates, and construction administration services required by the City, except for departments as noted above.
- Under Memoranda of Understanding ("MOU") with the Library Commission for the BLIP and with the Department of Public Health (the "DPH") for the new facilities at Laguna Honda Hospital, DPW was contractually retained to perform these duties and is compensated from the projects' budgets.⁷

Both the BLIP and Laguna Honda projects are subject oversight by the Citizens' General Obligation Bond Oversight Committee (the "Bond Oversight Committee").⁸

⁷ "Laguna Honda Hospital Replacement Program Status Report Presented to the Citizens General Obligation Bond Oversight Committee" dated December 31, 2007 and "San Francisco Public Library and Department of Public Works: Strengthened program Management Required for Branch Library Improvement Program to Avoid Further Budget Increases," report by the Office of the Controller dated September 27, 2007, located at: http://www.sfgov.org/site/uploadedfiles/controller/reports/Final%20BLIP%20Report_gse.pdf.

⁸ It should be noted that in the legislation creating the Bond Oversight Committee, the committee "has no power to approve bond proposals prior to voter approval." Article 5, Sec. 5.31 of the City's Administrative Code. This is significant in that this oversight body cannot use its experience to improve future bond projects, such as the proposed rebuilding of San Francisco General Hospital.

2. Branch Libraries

In November 2000 City voters authorized \$105.9 Million to acquire, renovate, or construct branch libraries and additional library facilities not including the Main Library. The Voter Information Pamphlet emphasized that the funds were for making all branches seismically safe and accessible to seniors and the disabled.⁹ This was the extent of official disclosure of the scope of the work. In 2004, the Library received an additional \$9.71 million from the State of California Library Bonds to support elements of these same projects.¹⁰ The BLIP is also supported by millions of dollars in donations from the Friends of the Library.

Even with a total of \$134 Million for branch library renovations and construction, by the fall of 2007, the project was 39% over budget according to the City Services Audit of the Library and DPW Management dated September 17, 2007.(Library Audit).¹¹ The Jury has been unsuccessful in locating more recent budget revisions for the BLIP.

The exact scope of the BLIP has been described differently in various official pronouncements. At the May 31, 2007 meeting of the Bond Oversight Committee, the City Librarian stated the initial goals included nineteen (19) branch renovations, five (5) property acquisitions, new construction to replace leased facilities, and one support facility. Seismic safety, hazardous material abatement, ADA compliance, and electrical and mechanical upgrades were also to be addressed.

Newslink, the SF Public Library's website, indicates that the library bonds were to cover seventeen (17) branch renovations, relocate four (4) leased facilities to City-owned buildings, replace two branches with new buildings, and build one new branch in Mission Bay.¹²

In March 2007, the Library Commission eliminated five renovations and a storage facility when it became clear the bond proceeds were insufficient to cover these projects.¹³ Funding was subsequently provided to complete these projects through \$50 Million in revenue bonds approved by the voters in November 2007, a fact not disclosed in the Voter Information Pamphlet concerning these propositions. Would voters have approved of the renewal of the

⁹ November 2000 Voter Information Pamphlet found at <http://sfpl.org/librarylocations/main/gic/voterpamp/votepamp.htm>.

¹⁰ California State Library website list of projects funded by Library Bond Act of 2000 located at <http://www.library.ca.gov/lba2000/fundedprojectsList.html>.

¹¹ "San Francisco Public Library and Department of Public Works: Strengthened program Management Required for Branch Library Improvement Program to Avoid Further Budget Increases," report by the Office of the Controller dated September 27, 2007, located at: http://www.sfgov.org/site/uploadedfiles/controller/reports/Final%20BLIP%20Report_gse.pdf (hereinafter Library Audit).

¹² Minutes of the May 31, 2007 Bond Oversight Committee located at http://www.sfgov.org/site/uploadedfiles/controller/CGOBMinutes_53107.pdf; Library website at <http://sfpl.org/news/blip/improvementprogram.htm>.

¹³ Library Audit, supra.

Library Preservation Fund and authorized the issuing of revenue bonds against it, if they had been told that the funds were needed because of cost overruns and delays on projects that should have been completed with proceeds of the November 2000 bonds?

<u>BRANCH LIBRARY BOND FINANCIAL STATISTICS</u>		
<u>Original Bond Amount</u>	<u>State Funding</u>	<u>Other Available</u>
\$105.61 Million	\$9.71 Million	\$18.2 Million
<i>Total funding available: \$134 Million</i>		
<u>Original Cost Estimate</u>	<u>Baseline Budget 10/01</u>	<u>Actual Cost Estimate</u>
\$129 Million	\$133 Million	\$185 Million
<i>Shortfall: \$51 Million</i>		
ORIGINAL SCOPE IDENTIFIED		
<u>City Librarian Audit:</u>	<u>Scope, Library website:</u>	<u>Scope, Library Audit</u>
19 branch renovations	17 branch renovations	14 branch renovations
5 acquisitions	4 leased facilities moved	5 new libraries
1 support facility	1 new library	1 service center
New construction to replace leased facilities	2 replacement branches	

In the Library Audit, the Controller found total costs had increased to \$184.7 Million or nearly 39% over the baseline budgets in part due to the fact that the cost escalation factors used by DPW were either not applied correctly or not calculated appropriately. This audit further found construction delays averaging 20 months due, in part, to DPW's decision to suspend construction while awaiting money from the State bond process. Other factors contributing to delays were:

- Increased and changed scope of work on the projects;
- Unclear lines of responsibility between the Library and DPW staff;
- Vacancies in key Library positions;
- Delays in the state bond application process and
- The scarcity of bidders.

At the May 2007 meeting of the Bond Oversight Committee, the City Librarian and Branch Bond Program Manager reported that the cost escalation factor used was 4%, which was below industry standard but, over the course of the prior three years, costs had increased nearly 45%.¹⁴

The Library Audit noted, in passing, that the costs DPW charged the Library for its oversight were not well documented. In fact, the Library did not have any advance agreement with DPW over the soft costs it would charge the project. According to a member of the Bond Oversight Committee, in bond financed projects, soft costs include such items as design, engineering, and management costs of DPW, outside project management, inspections, permits, and design contingencies.

In December 2007, the Bond Oversight Committee “expressed concern regarding the audit findings and requested that future quarterly bond reports show soft costs paid to staff as a separate expenditure line item from soft costs paid to vendors.”¹⁵ According to this source, these soft costs should be attributed either to in-house (City employees) or outside consultants. This would assure that regular departmental expenses not related to the bond project are not loaded onto the bond program. Equally important, it would allow the Bond Oversight Committee to begin to examine and compare soft costs in general, whether in-house or outside and address such questions as:

- Are the costs legitimate?
- Are there criteria to measure the appropriateness of the costs of each part of the project from engineering through design professionals?

As critical as the Audit Report was about the construction delays, the actual delays are lengthier in some instances. The Audit Report’s analysis of construction delays relied on data that was inaccurate as of the date of the Report, at an unknown additional cost:

- The Noe branch was projected to reopen in 2005 for a cost of \$4.2 Million; as of the date of the Library Audit, the reopen date was to be July 2007, for a cost of \$5.7 Million. In fact this branch reopened March 8, 2008; a delay of 26 months, not 18 with unspecified additional costs.
- The Bayview branch was supposed to reopen in October 2006, but in March 2007, seven months after the proposed reopening, the renovation was postponed with the scope of improvements still unresolved; the current anticipated reopen date is July 2010, at an unknown additional cost.

¹⁴ Minutes of the May 31, 2007 Bond Oversight Committee, supra.

¹⁵ Minutes of the December 6, 2007, Bond Oversight Committee located at www.sfgov.org/site/uploadedfiles/controller/CGOBOC/minutes/Minutes_12-6-07.pdf - .

- Eureka Valley branch was supposed to reopen in March 2007, but this branch did not close for renovation until March 1, 2008, with an expected reopen date in late 2009.¹⁶

The Jury recognizes that delays will occur even in the best managed projects of this scope. However, it believes that the delays in the branch library program evidence a lack of effective management oversight by DPW, the City's project manager. In the private sector, significant changes of scope, cost overruns, and delays would be identified as soon as they occurred so that measures could be devised to bring them under control. Very likely, if the changes were significant, the project manager would be replaced.

In its September 2007 report to the Library Commission and DPW, the auditors recognized that the bond program manager had tried to attract more bidders by "making construction plans available for review so contractors do not have to pay for them. In its "Best Practices" section, the audit recommended "contact[ing] contractors you like to work with well ahead of the bidding process." It also recommended that the department use experts to develop reasonable budgets and timelines, but also suggested the elimination or reduction of damages clauses, because the deadlines are usually overly optimistic. Reducing or eliminating the damages clauses deprives the City of a straight-forward way to assure performance by its contractors and undermines officials' fiduciary duty to the public in awarding multi-million dollar construction contracts.

3. Laguna Honda

According to the minutes of its December 6, 2007 quarterly meeting, the Bond Oversight Committee acknowledged that the \$482 Million budgeted and funded in 2000 for new residential care facilities at Laguna Honda Hospital had come up short. The funds were sufficient to cover only 780 beds, not the planned for 1,200 beds.

DPW is now overseeing completion of facilities for 780 beds at a minimum expected cost of \$482.84 Million.¹⁷ This equates to a 20% increase in overall costs from the original budget with a 35% reduction in the number of beds. The original estimated cost per bed, with 1,200 beds, was \$401,667; the currently projected cost per bed, with 780 beds, is \$619,026.

This means that not only does the project yield fewer than the projected beds, but the cost of those beds that will be constructed will be at 54% over the original projected cost. Construction of facilities for the remaining 420 beds has not been undertaken and funding for this phase of construction remains unresolved, but the current estimate for the total cost of constructing all 1,200 beds today is \$719.3 Million or 67% higher than the original budget.¹⁸

¹⁶ Library Audit, Appendix A located at http://www.sfgov.org/site/uploadedfiles/controller/reports/Final%20BLIP%20Report_gse.pdf together with the information found on the SF Library Newslink at <http://sfpl.org/news/blip/improvementprogram.htm>.

¹⁷ Executive Summary, "Funding," Laguna Honda Hospital Replacement Program Report covering the period 10/07 to 12/07, located at <http://www.sfdph.org/comupg/lhr/statrpts.asp>.

¹⁸ Minutes of the December 6, 2007, Bond Oversight Committee located at http://www.sfgov.org/site/uploadedfiles/controller/CGOBOC/minutes/Minutes_12-6-07.pdf.

LAGUNA HONDA FINANCIAL STATISTICS

<u>Original Budget</u>	<u>Beds Budgeted</u>	<u>Estimated Cost per Bed</u>
\$482.84 Million	1,200	\$401,667

<u>Total Expected Actual Cost</u>	<u>Beds Actually Funded</u>	<u>Projected Cost per Bed</u>
\$482.84 Million	780	\$619,026

<u>Beds Promised</u>	<u>Beds Built</u>	<u>Beds Lost</u>
1,200	780	420

Percentage Change = 35% loss of beds

<u>Original Estimated Cost per Bed</u>	<u>New Projected Cost per Bed</u>	<u>Increased Cost per Bed</u>
\$401, 667	\$619,026	\$217,340

Percentage Change = 54% increase per bed

Total approved budget for 1200 Beds*	\$611.0 Million
Total expected cost for 1200 Beds**	\$719.3 Million
Expected cost per bed for 1200	\$599,423

* The approved budget is the amount approved by the Board for 1200 beds

** The expected cost the project managers' cost estimate to build the 1200 beds today.

DPW indicated it used an escalation factor of \$2.88 Million on the original budget of \$482.84 Million. This equates to an escalation factor of less than 1% on the original Laguna Honda project.¹⁹

Although the approved budget (as opposed to the expected actual cost) was increased from \$401 Million to nearly \$611 Million for the entire 1,200 bed project, by the time of the Bond Oversight Committee meeting in December 2007, the escalation factor was never increased; in

¹⁹ Gaant chart attached to December 31, 2007, Status Report to the Bond Oversight Committee (not available on-line).

fact, it was decreased to offset increases in Architectural and Engineering Fees. By the Bond Oversight Committee's own calculations, the escalation factors alone could well increase construction costs between 21% and 52%, but it could go as high as 69% over the baseline budget for them.²⁰

In its January 2008 transmittal to the Mayor and the Board of its 2007 Annual Report, the Bond Oversight Committee expressed its deep concern with the soaring costs and escalation factors for both the branch library improvements and Laguna Honda Hospital. It should be noted that in the legislation creating the Bond Oversight Committee, the committee "has no power to approve bond proposals prior to voter approval."²¹ This is significant in that this oversight body cannot use its experience to improve future bond projects, such as the proposed renovations to San Francisco General Hospital.

D. Transparency and Forthright Disclosure of Successes and Challenges

The Jury examined a variety of sources to gauge the level of disclosure by City Hall of successes and challenges in both the Laguna Honda Hospital construction and the branch libraries' renovations (BLIP). The Jury began with a press release dated January 19, 2005, where the Mayor's Office announced the creation of an "Accountability Index, (Index)" serving as a "comprehensive summary and current status of the administration's policy pledges."²² The press release goes on to say,

"[The Index] identifies 327 policy promises, of which 54% are done and ongoing, meaning a policy has been created and is being implemented, 42% [are] in progress, and 4% have been reconsidered, having proven unworkable.

Updated on a weekly basis, the Index is a working document that the Mayor uses to manage departments and to measure results. . .

Mayor Newsom, who reviews an updated Index on a regular basis, called it "an essential tool for accountability and management – one that ensures transparency." The Mayor continued saying, "It's not enough to say we are going to do something – we need to measure results and hold ourselves accountable to the outcome. That's the only we can know if a policy is working – or not."²³

²⁰ October, November, December 2007 Laguna Honda Hospital Replacement Program Status Report's Executive Summary located at <http://www.sfdph.org/dph/comupg/aboutdph/lhhr/statrpts.asp>.

²¹ Article 5, Sec. 5.31 of the City's Administrative Code.

²² Although set forth in nine broad categories, entries on this Index, which the Mayor depends on to monitor City departments and commissions, are not in alphabetical order and all entries on a particular subject are not grouped together; in fact, the ordering of entries within the broad categories appears to be random. See http://www.sfgov.org/site/mayor_index.asp?id=27047.

²³ "Mayor Newsom Releases Comprehensive Index of Administration's Policy Pledges," news release dated January 19, 2007 located at: http://www.sfgov.org/site/mayor_page.asp?id=37126.

