

## Full Transcript of Citizens' General Obligation Bond Oversight Committee (CGOBOC) Meeting October 27, 2005

**Note:** The following is a verbatim transcript of the October 27, 2005 CGOBOC meeting transcribed by Patrick Monette-Shaw. Any errors in transcription are unintentional. Bracketed, elliptical remarks are explanatory in nature *only*; they are intended clarify, not to change the testimony or statements of speakers. They are offered only to clarify for a reader who had not attended the meeting the relevance of various issues raised during this meeting. Emphasis added in bold, italic, or underlining was made by the transcriber based on voice inflection contained on the audiotape of this hearing.

Speaker	Comments
Pamela Jue, Chairwoman, CGOBOC	OK, Item Number 3, <i>Presentation from Laguna Honda Hospital Replacement Program regarding a general obligation bond-funded project, and possible action by the Committee in response to such presentation.</i>
Don Condon, Interim LHH Replacement Project Director	<p>Good morning, can everyone hear me all right? My name is Don Condon, I'm filling in for Michael Lane [the former Laguna Honda Hospital Replacement Program Project Manger] temporarily. This is basically going to be an update from the last report you received in April ... April 28<sup>th</sup> ... just a status update.</p> <p>The project is funded by a combination of tobacco settlement revenue, \$100 million funds, and general obligation bonds in the amount of \$299 million. Approximately \$91.7 [million] in tobacco settlement revenue funds have been assigned to the project, and approximately \$69.1 million have been expended to date. All \$299 million general obligation bonds were sold in August 2000 and five (2005). All required planning approvals have been secured. Design of the new buildings is complete. All required permits for the new buildings have been secured from the Office of Statewide Health Planning and Development. Accomplished construction work: Access improvement project, new road at Woodside Avenue is complete. Utilities modifications project to relocate utilities to the new building is complete. Site work project to prepare the footprints of the first three buildings in the Valley is nearing completion. The General Contractor has started to build the new facility.</p> <p><b>Project Summary:</b> Design began in 2000. Construction work that was bid in 2002 came in on budget. In April 2003, the entire Replacement Program was on budget. At the beginning of 2004, the price of steel increased significantly. The cost of other construction materials have also increased unexpectedly. By mid-summer [2004] there were significant labor cost increases; the demand for contractors has increased statewide, and it's been a bidders market for large-complex hospital projects. The first round of bids for the South, Link, and East buildings [of the LHH Replacement Project] was in October 2004.</p> <p>The bids for the first three buildings were \$84.5 million over budget. The first three buildings contain 780 beds. The cost per bed in 2003 was \$322,000 [per bed]. The price per bed had escalated to \$536,000. The remodel of the existing building site work and existing building demolition had not been bid.</p> <p>The second round of bids has reduced the construction costs by \$5.5 million. However, the rebid process was not successful in mitigating the overall market escalation. The over-run represented 30% ... 34% percent ... of the original estimate.</p> <p><b>Next Steps:</b> The Health Commission, by resolution, concurred with the Department of Public Works recommendation to proceed with the first three buildings, South, East and Link. The City Controller issued a report regarding the construction of the West Building on May 19,</p>

Speaker	Comments
	<p>2005, outlining two options for the Laguna Honda Hospital replacement program.</p> <p><b>Option 1:</b> Completing the 1,200-Bed Facility, as planned. <b>Option 2:</b> Use Most Funds to Complete Three Buildings, With 780 Beds, and Use the Remaining Funds to Purchase Other Long-Term Care Services. The Controller’s May 19, 2005 report forecasted cost of completion for the full build-out was between \$600 million and \$640 million, based on escalation scenarios provided by the Program Management Team. Available funding was estimated at \$620 million. <b>The current budget is for \$611 million.</b></p> <p>The current forecasted cost of completion of the originally-planned program of 1,200 skilled nursing beds is \$620 million. The Health Commission is currently discussing whether or not to proceed with the West residence building, as originally planned, and a decision is anticipated by the end of the year. [Long pause on tape.] A scheduled update [another long gap on tape] ... Currently, in [October] 2005, we are in construction of the first three buildings, the South residence with 300 beds, the Link building with 60 beds, the East residence with 420 beds. <b>In 2006, we intend to commence the remodel of the existing hospital.</b></p> <p>In 2009, we plan to open the new buildings, demolish Clarendon Hall, and begin the West residence, depending on that [Health Commission] decision. In 2011, the West residence would be opened. In 2012 would be the completion of the demolition and site improvements, and [the] start of the assisted living facility. And in 2013, the assisted living facility would open.</p> <p>[Long gap on tape.] On the schedule we have slipped one year, based on the re-bid process, which ... was mostly completed in June of this year. We had originally anticipated going into construction in 2004 on the new buildings. [Long gap on tape.]</p> <p>Are there any questions?</p>
Pamela Jue	Yes, I’m sure lots of people have questions. But I’d like to start with one near the end of your presentation ... there are throughout other materials. And that is: Is the assisted living facility part of the same budget?
Don Condon	Ah ... there’s a \$15 million portion of the budget set aside for partial funding of the future assisted living [facility]. That was always in the budget, and currently still remains in the budget.
Pamela Jue	And it’s still in the budget, and is it subject to this decision at the end of the year?
Don Condon	It would be affected by the decision ... not the funding portion of it, <b>but it would be affected in terms of how it was used.</b> Currently, it is anticipated ... or, originally, it was anticipated to convert the upper four [“K,” “L,” “M” and “N”] wings of the [existing] facility to assisted living.
Pamela Jue	<p>OK. I was just somewhat confused, because you talk about 1,200 beds, and I add up the other options, and get 1,200 beds, and wondered where the assisted living came in.</p> <p>Should we take questions on the presentation first and then on the ... other materials we have? Does that make it easier to follow, or do we want to just ... take it all together?</p> <p>[Long blank portion on tape]. I think not.</p>
Unknown Committee Member	We haven’t seen the costs. I mean is it [blank portion on tape.]
Pamela Jue	Did you intend to further oral presentation, or did you mean to rely on the materials we have?
Don Condon	Well, you know, I’d like to refer to the Controller’s report, which is part of the report to the Commissioners for this presentation, which has most of the financial detail in it.
Pamela Jue	OK. OK. So ... um, we can question you on that. Or did you want to point out anything in

Speaker	Comments
	particular on that?
Don Condon	I think ... in general ... what's at interest is the two Options [presented by City Controller Ed Harrington] and, uh ..., [the] baseline budget, currently is \$610 million if we pursue Option Number 1, which is to do the complete build-out. Option Number 2 has a different funding scenario, and a reduced budget based on only building ...
Unknown Speaker	[Loud exasperated "um-hmm" and sigh by another person near to the microphone, sounding distinctly like a warning to Mr. Condon.]
Don Condon	... everything except for the West residence, which is 420 beds.
Pamela Jue	Right. Well, then I guess, let's take questions.
Unknown Female Committee Member	Yeah, I ... Actually I'm not sure whether it is to the Controller's staff, or to you [Mr. Condon]. I have some questions, specifically about the possible revenues that are cited in the Controller's report, and how that comes into play with the budget [for the LHH replacement project], 'cause the budget is the budget, but ... I'm really more interested in playing where the money is coming from, and so, can you kind of make sure I understand, or we understand, the COP's [Certificates of Participation, a form of new indebtedness Ed Harrington has proposed for re-financing the LHH replacement program that was not a funding mechanism approved by voters to rebuild LHH] and the tobacco settlement funds, and what the status of the decision [is] on whether we can or can't use the extra tobacco funds? And if we can't use it [the extra TSR's] how are we [to] find out when we can, and how does that affect the ... I know I just asked 40 questions. [Laughter.]
Ed Harrington	<p>If you refer to page 3 and 4 of the report that we had done in May [Harrington's May 19, 2005 recommendations], that's a summary there. The funds that are most questioned, so the General Obligation Bond funds, nobody seems to have a problem with that. It's \$299 million of General Obligation Bond. It can be used for pretty much anything on the site at Laguna Honda. <i>It was certainly intended for SNF [skilled nursing] beds</i> but as the questioning brought out a minute ago, it included some assisted living on-site at Laguna Honda, also. It was intended to be part of that.</p> <p>The question there is how it is going to be re-paid, even though it is General Obligation Bonds, there was a general assumption that a ... the majority of those bonds would be re-paid by tobacco settlement revenues, and taxpayers wouldn't have to pay most of the re- ... most of the debt service on those.</p> <p>The next issue is the tobacco settlement bonds ... ah, the tobacco settlement revenues [TSR's]. The tobacco settlement revenues when this [the LHH replacement project] was originally being discussed was a fairly new thing. People were not sure how much they were going to continue [unintelligible] fashion. There was some thought people might stop smoking. That really hasn't happened. There wasn't ... people weren't sure how many additional lawsuits there might be that would reduce the flow of funds to San Francisco; those [TSR funds] have been coming in very, very well.</p> <p>The wording that was in the Proposition that started this, talks about the first \$100 million of tobacco settlement funds going into the project. The actual wording has a definition of "available funding," and it really does talk about the \$100 million <i>after</i> you've issued the bonds. <i>That has been the subject of some dispute.</i> So, we have received over \$90 million worth of tobacco settlement revenues before we issued the bonds. And so, part of this discussion is, if you set aside the <i>next</i> \$100 million of tobacco settlement revenues for this, could that first \$90 million be freed up for virtually anything? The suggestion in my report was that it be freed up for either ... either buying more beds at Laguna Honda that are skilled nursing beds, or additional assisted living, or other types of care for people in long-term health need. But once you've repaid yourself that first \$91 million, it is very flexible funding, it can be used for almost anything.</p>

Speaker	Comments
Unknown Female Committee Member	So ... who gets to make that decision? How does that decision get to be made? And how does that play into the ... if at all ... the Option 1 versus Option 2, and subseq ...and phases here that haven't been bid, like the demolition, and things like that?
Ed Harrington	The official decision will be made by the Board of Supervisors as an Appropriation Ordinance. So, the expectation is that the Public Health Commission will have hearings, they'll come up with recommendations. Those recommendations will go to the Mayor and the Board of Supervisors, and between the Mayor and the Board they'll make the official policy decision for the City, and it will be affected through an Ordinance saying "How are you going to spend the money?" And so there will be an Appropriation Ordinance, we hope sometime in the next year that will make that kind of a policy decision.
Deputy City Attorney Martin	And just to add an overlay to that situation, this interpretation of the bond measure is the subject of ongoing litigation. The Trial Court [Superior Court] has found in favor of the City's interpretation that Ed just descri ... er, that the Controller just described, excuse me. But that decision is on Appeal. It's been Briefed, I'm not sure if it has been scheduled, but I think any decision by the Board would have to come after that litigation is come to a conclusion.
Unknown Female Committee Member	And so, to the core of the question, how do the decisions about Option A or Option B, if in any way get affected by that [Court] decision, and does that [Health Commission] decision affect the progress or the decision on the West ...
Ed Harrington	It actually affects the West Building. I mean the reason that they went ahead with the first buildings was that there seemed to be fairly low levels of controversy about that. And the money was there to do it. And the way that the entire project ... please correct me if I am wrong ... the way the project was originally designed, you could make decisions like that and you could go ahead with some buildings, and you'd want probably to do the first three together, but the fourth one was less important ... it always was designed to start a little bit later, is my recollection, anyway.
Don Condon	Well, the fourth building can be deleted without affecting the overall design ...
Ed Harrington	Right. So ... yes. Because, if you don't have that \$90 to \$100 million, you don't have the funds to complete the skilled nursing facility beds. The other Option [Option 2] was much more flexible, and the more money you had the more services you could buy. Because there the decision was, you would buy some level of in-home care, some level of facilities already existing in the City, possibly help encourage more facilities for long-term care, or you could have day programs. So the programmatic portions of that [Option 2] are much more flexible in terms of, "if you have more money you [could] buy more service."
Unknown Female Committee Member	And the COP's, does that affect any of this, or ...
Ed Harrington	Absolutely. The other ... the other ... the other item where funding is available ... When we went to the voters to ask them for the general obligation bonds, it was the one clear source we knew could be available for Laguna Honda. At the same time, Senator [Jackie] Spier and others in Sacramento were working on other ways to help us fund I ... In fairness, at the time, I believe the idea was to fund the repayment of the bonds. And so they made sure that through Medicare processes that it would be ... that the debt service on those General Obligation Bonds could be Medicare-eligible, Medi-Cal, Medicare-eligible, and then could come back and ... I think at the time people thought, could again offset the need for taxpayers to pay off the General Obligation Bonds. We don't ... there's no requirement to do that, though, and so as long as you spend the money to build Laguna Honda skilled nursing beds, it will generate a revenue stream from the Federal government that you can then use for other purposes. Those purposes, again, either put into a revenue stream that you can then bond and use for Certificates of Participation to build another facility at Laguna Honda, the West building, or it could be used somewhat more flexibly in terms of other kinds of assisted living facilities.
Unknown Female Committee Member	Now, does that also require the Mayor and the Board [of Supervisors], and all of ...
Ed Harrington	Everything requires the Mayor and the Board ...

Speaker	Comments
Unknown Female Committee Member	... 'cause i6t's an Appropriate ... because it's an Appropriation issue?
Ed Harrington	Right. Everything requires a policy decision; everything must be Appropriated. And that one, even though we ... nothing's sure on this, you know ... In one case, there's litigation; in this case we feel fairly confident that what we're suggesting falls within the guidelines, but, I must say has been in negoti ... has been in discussions with the State of California to make sure that they agree that everyone would be happy if we did it in this way. We certainly are not talking about siphoning off funds for other purposes. We are talking about using the funds for what we had anticipated, which was to pay the debt service, and/or to pay ancillary costs for long-term care in San Francisco. Do you want to add anything to that, or ...
Nadia	Good Morning. Nadia [unintelligible] from the Mayor's Office of Public Financing. Just to add to that, I have been in conversations with the State, and we're hoping that they will agree with our interpretation of the legislation that would require some reimbursements which would allow us to secure additional funds of \$120 million. That would be applicable to re-apply to the project. So ...
Unknown Male Committee Member 1	Miss, on the COP's, is there ... does the City put itself in any jeopardy if they sell COP's and then Medicare changes its reimbursement policies, as Congress often does. Do we then end up being on the hook for the COP? Or how does ... how do we get some lock in, I guess, with the Federal government?
Nadia	We ... don't. But what we've been doing is working with all the agencies in California who have used similar programs to finance hospitals, like [the] County of Alameda, who have used the SB1732 in the mid-'90's, and for them, they're still getting reimbursement. But the COP's would be a security of the General Fund. So the General Fund would be the security, but the sole repayment source would be revenues from the Feds. So we're taking ... we're hoping ... that ... I'm expecting that this will continue on. 'Cause as of date, bonds that were issued under these legislations are still being repaid, and there haven't been any incidents, to my knowledge.
Ed Harrington	And you're right, there's always risk. But most Federal programs, if you have a revenue stream locked into a bond contract, they usually grandfather those in as they make changes [to Medicare reimbursement policies]. [Gap on tape.]
Unknown Male Committee Member 1	I have a question, or comment. Going back to the original proposal, our job looked pretty easy. You were supposed to get \$299 million to do a series of things. It didn't say how many beds, it didn't say what it was supposed to be used for. Very vague. That money has been used, and then more. And this whole concept of ... the whole idea has changed. What is our obligation now as an Oversight Committee to see is ... are things being done right? Or are we now off the hook because the thing has changed so much, <b><u>the Mayor, the Board of Supervisors have approved things</u></b> . Where do we stand in doing this review?
Pamela Jue	Um ... do you want my view?
Unknown Male Committee Member 1	That's fine ...
Pamela Jue	You want my view? You want a legal view?
Unknown Male Committee Member 1	Yes ...
Pamela Jue	I think you're right about the <i>strict</i> interpretation of our responsibilities, but we have additional scope. We have the ability to look at capital plans and things, and I think ... um ... most, if not all members of the Committee probably are interested in doing such. So, I ... practically speaking, I don't think it makes much difference.
Unknown Male Committee Member 1	Well, I agree with that, but things have been approved by the Mayor, and by the Board, and so on, and we really have no control over that.
Pamela Jue	No we don't, and with litigation in there we have even less. [Laughter ...]
Unknown Male Committee Member 2	I mean ... if I could add ... I mean, I think our task still remains that the Bond funds that are being expended ... now I ... without a financial summary of some sort, I have a hard time getting my hands around this, but, of the \$299 [million] and all of the bonds have been sold,

Speaker	Comments
	correct?
Unknown Speaker	Yes.
Unknown Male Committee Member 2	All right. So, we need to look at how those funds are being spent. Are they being spent on construction costs, overhead costs, etc. And I think today's meeting was certainly intended, or at least I thought we would see some statistics along those lines. I mean, the sort of the 30,000-foot summary that you've given us on project costs, I think leaves a little bit to be desired, from my standpoint. I mean, is there more information, Ed, in the report that he referred to that came to the Committee? Is that like the quarterly report on bond expenditures, or something? Is there some other document that we're missing here, because compared to our other bonds that we've looked at — Library [bonds], as an example, which is only a third of what we're looking at here ... I mean, we get much more detail, and DPW is the generator, I think, of that reporting.
Don Condon	We do produce a quarterly report, which has all of the financial information, very detailed, in it. And I apologize, I should know that ... whether or not you receive a copy on a regular basis, but we do publish that, and it's actually a public record document that's available on our web site, as well.
Unknown Male Committee Member 2	What would the date of the most recent quarterly report be?
Don Condon	Well ....
Unknown Male Committee Member 2	September 30 <sup>th</sup> ?
Don Condon	Yes, it will be through the last quarter.
Unknown Male Committee Member 2	I mean, is that out now?
Don Condon	It's going to be completed this week. We ran into some database problems, and ... but it's produced every quarter. The status to the completion of the period.
Pamela Jue	Does ... do the totals ... do you know at this point, match up to the numbers we have on our quarterly spreadsheet?
Don Condon	Do you mean the total bond budget?
Pamela Jue	Uh, we have, you know ... budget, expenditures, encumbered, unencumbered. And we're showing ... [paper shuffling noise] well, \$86 million expenditures, [inaudible] million encumbered, and \$123 million unencumbered?
Unknown Male Committee Member 2	Yeah. I mean, those were the numbers I was hoping to have some backup for, today. [Gap in tape.]
Unknown Female Committee Member	[Inaudible.] Have we gotten from Laguna Honda an ... 'cause in my recollection I know we get the quarterly reports. But have we actually gotten one of these, sort of, Sam ... Gantt charts [Laughter] a Sam chart. Microsoft's coming out with a new version, actually, this year, Sam Chart .... no, seriously, a Gantt chart that gives the project and presents it to us in ... because for awhile there wasn't any activity ... so we were sort of not looking in that kind of way. And my expectation, I think not dissimilar from Mr. Micheaus' is that when people come here, they come here with that information, whether it's in the quarterly report or not. 'Cause we ask for a little bit different information from what typically, I think, Laguna Honda gives, or any of the other organizations give, because of the extent of detail we're looking for in terms time, and money, and budget, and process. And so I'd like to see that.
Ed Harrington	And we would, too. We actually did ask for it. We thought it was going to be here. And so, we have also set up a meeting of all the different agencies that have come here to sit down with them once and for all and say "This is what it looks like. This is what you need to have." And that meeting, I think, is scheduled for next week, because there is continued confusion. In fairness though, the Project Manager for this project just left in the last few weeks; there has been a change in management there, and there's ... they're ... they're doing some catch-up work.
Pamela Jue	And I think whatever we got in our initial presentation, wasn't what we were expecting, but ...

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	a partial explanation is they just recently issued their bonds ...
Unknown Female Committee Member	No ... I know that ...
Pamela Jue	... and it takes awhile to gear up, I assume, though it should be about time [laughter] to have such a thing, I think. So ...
Unknown Male Committee Member 2	But I mean, just basic things like in the presentation, the PowerPoint [presentation] under Funding, it said \$91.7 [million] in tobacco revenue funds have been assigned, and \$69.1 [million] have been expended, versus the report that Pam referred to here shows \$86.3 [million]. I mean ... so that right is about a \$17 million discrepancy. I mean, so I think as a Committee we're obligated to sort of, come up to date to currently at least, even if none of the bond funds have been spent. Which is the way this report looks, to me. Right? The bonds have been sold, but nothing has been encumbered, or expended? [Gap in tape.] It's only the tobacco ... if I'm reading this correctly. So, I mean ... Don, do you have some up-to-date figures from your report that's in draft that will give us how the \$86.4 [million] that's shown on the Controller's report breaks down, roughly? I mean, how much of that is design, how much are for contracts that have been agreed to, you know ... work that's underway. I mean, just some sort of basic breakdown, or do you know those figures off the top of your head? Can you ...
Don Condon	No.
Unknown Male Committee Member 2	... can you ... [Laughter]
Don Condon	I apologize, and I am playing catch-up in this role. I don't have the numbers in my head, but we do have an updated expenditure report that's basically ready to be enclosed in the quarterly report ... uh ... when it's completed. Um ... I can't speak to the discrepancy on the ... these numbers here, but we do have the latest numbers, and they're basically, um ... they are stated with DPW Accounting's numbers, as we go along, so ...
Pamela Jue	Um ... I want to ask the pleasure of the Committee. Do we think that we should continue with our other questions, and see if we can get answers, and leave the numbers questions ... put Laguna Honda on our January agenda, and ... give you notice that we're expecting a detailed presentation of the numbers, and the Gantt chart? So that we don't waste time today?
Unknown Male Committee Member 3	Yeah, members ... that would be my recommendation, based on what the Controller was saying that they are going to have a meeting in a couple of weeks regarding ... with other, different departments. We should just go ahead and wait for that, 'cause we don't have anything in front of us to [be] able to really, look at, or make any decision. So ...
Pamela Jue	OK.
Unknown Male Committee Member 3	Are you still ... you left the Building Inspector [Department], Don?
Don Condon	Uh ... some time ago. Well ...
Unknown Male Committee Member 3	You did? Maybe that's why I didn't see you at the meeting.. [Laughter]
Pamela Jue	OK, so we ...
Unknown Male Committee Member 4	Madam Chair? May I just ask, Don ... You mentioned "catch up" and that's understandable. Do you have a timeframe when you feel like you'll be prepared to speak in depth, either to us or anybody else?
Don Condon	Well ... I think ... as Mr. Harrington said, I think once we understand the format that we need to provide, you know, we can provide that format. I mean I can talk about numbers now, but they may not be exactly what you want to see by definition. So I think it's ... it makes more sense to understand the format. And as I said before, the quarterly report does have all these numbers in them. I think it's a matter of how they're formatted and where you want to find them, because there's more numbers than you can imagine in that quarterly report, believe me.
Unknown Male Committee Member 4	OK. I'll take your word on it. But, January's no problem then?

Speaker	Comments
Don Condon	I think January is no problem. I ... probably my replacement will ... er, Michael [Lane's] replacement will be in place by that time, and I should think he will have had time to familiarize himself with the numbers.
Unknown Male Committee Member 4	Thank you.
Unknown Male Committee Member 5	In previous presentations, material and labor costs were the significant escalators on the cost [overruns]. Do we see any dampening of those costs going up, or are we still going to find, as we go into the construction [phase] of this project that future [additional] cost over-runs may occur?
Don Condon	Ah ... there's no guarantee in any construction project that numbers can't increase, but I think the extended bidding process gave us an opportunity to look at the documents very carefully back and forth between the bidders and the designer. Our process actually allowed a lot of discrepancies to be clarified. So ... I think that's been a benefit to that assurance. As far as the future work that has not been bid, I think we're still looking at a future escalation scenario of roughly 1% a month. That's what we're anticipating. I hope we're wrong, but I haven't seen anything to tell me it's going to change.
Unknown Male Committee Member 5	And ... in the earlier presentations there was discussion about the City having appropriate controls to deal with cost over-runs, and being able to adjust the project. Are you still confident those types of controls are in place at this time, that we can deal with shocks to the budget?
Don Condon	Ah ... not having been here, and knowing what controls were discussed ...
Unknown Person	[Loud coughing close to the microphone]
Don Condon	... I can't say for sure, but we do have I think ... um ... a fairly effective construction management team in place ...
Unknown Person	[more loud throat-clearing near microphone]
Don Condon	... to manage ... uh ... the CM-at-risk [Construction Manager at Risk] contract. We do forecast, on a regular basis ...
Unknown Person	[More coughing]
Don Condon	... uh ... trends, and that's published in the quarterly report, as well. And, so we have a look-ahead of what the risk and the exposures are, which we can manage.
	[Pause on tape.]
Ed Harrington	The others ... The other reason that we really pushed to get the original bids certified for the 780 beds was to try to lock in those costs before any further escalation happened, while we kind of wandered, trying to make a decision on the larger picture [i.e., on the remaining 420 beds].
Pamela Jue	I had a few questions on the Controller's report, questions on the bids. One being: I noticed in the addendum that talks about each contract, each bidding package. I wonder what was in the post-bid addendum, such that frequently people [bidders] would drop out?
Ed Harrington	I'm not sure which ...
Pamela Jue	Bid Packages Reviewed by the Controller's Office. You know, they'd say "First Round, Second Round, Post-Bid Addendum," and frequently there's only one bidder left at that ... was there something horrible in those addenda? [Laughter]
Don Condon	I could probably comment a little bit, but ... um .. probably Turner [Construction Company] who did the bidding could give us more detailed information. A lot of the post-bid addenda were meant to clarify issues that were raised after the initial [first] round of bids. They composed of requests for clarification of the documents, and in some cases suggested value engineering approaches. Those post-bid addendum were re-issued to the bidders, and in some cases the bidders just dropped out, because I think in most cases they just had other opportunities. But that's really anecdotal; I can't tell you exactly why they dropped out. But there was a trend that the bidders dropped out fairly consistently through the process. In some cases, it just may be an expenditure of resources and they had other opportunities, and they didn't want to spend any more money bidding ... bidding the, uh, work [for the LHH



Speaker	Comments
	replacement project].
Pamela Jue	OK, and in the Controller's cover letter, at the end of the second paragraph there is a [gap in tape] \$3.4 million figure. And I guess I'm wondering, were there such great changes in the bid packages between various rounds, does that number mean anything? Or are those "apples and oranges"?
Don Condon	I think what happened there was the escalation continued during the bidding process, so we didn't even know we offset some of the costs with value engineering, the escalation continued so the bids came in higher, because they came in later.
Pamela Jue	And I understand that, but were the specifications in the different bidding rounds sufficiently different that it makes ... [gap in tape] is it a meaningful comparison? [gap in tape] I guess it is in the gross sense, in that you had so many beds, and so many beds cost this, and so many beds cost that.
Don Condon	I'm not sure I understand the question, but the specification changes were, in most cases, meant to clarify the documents, or reduce the scope of the documents. Um ... I don't think they affected the escalation part of the equation that that was running independently of the Value Engineering.
Ed Harrington	I ... I'm not sure if this helps, but I think the biggest single difference between the original process and the later process, was breaking things down into much [throat clearing] more bite-sized pieces ... the hope was that breaking things down into much more bite-sized pieces would allow for a larger pool to be bidding. And, I think, as Don said, it's hard doing business with the City of San Francisco. You also have only a certain number of contractors that do hospital work. And most of the hospitals in the State are trying to be re-built over the next five years. And so our pool will always be small. It opens up ... it didn't open up as much as we had hoped in some cases. But it was ... it was really breaking it down to individual pieces, but the scope [of the replacement project] was not really changing.
Pamela Jue	OK, so the conclusion is, I mean ... I would agree that the concept and the methodology seems to me desirable, but [pause on tape] bottom line financially, would we have better off if we had accepted the previous round of bids? [Gap on tape]
Don Condon	That's possible.
Pamela Jue	[Gap on tape.] ... various, um ... OK, and ...
Unknown Male Committee Member	Madam Chair? I had just one quest ... I agree we should put this over to [our] January [meeting], but I'm unclear as to whether ... we decided to build 780 beds. We've had those bid. Have we awarded those contracts, and are we locked in, then, on those bids? Which means we don't have to worry about [further] cost over-runs, or have we got contracts that are still a little open-ended?
Don Condon	We have a GMP [acronym unknown] from Turner Construction for the first three buildings and the site improvements associated with those buildings. That's roughly \$280 million. Of that \$280 million, all but \$26 million has been bid, and is in process of being awarded.
Unknown Male Committee Member	So ... we are or aren't locked in?
Don Condon	We're locked in to all but the \$26 million of the roughly 9 packages that have not been bid to date.
Ed Harrington	And I think the response also is that we should, therefore, avoid more cost escalation, but not necessarily cost <i>over-runs</i> , since they may ...
Unknown Male Committee Member	Mmm-hmmm. So then in January, we should be able to see those nine segments with a timeline, projecting how long it's going to complete each of those, and a budget showing how much is going to be expended, in some sense of over what time. Now you know what we're looking for then, in my mind anyway.
Don Condon	Yeah. That's in our cash flow schedule, and that also shows up in our quarterly report.
Unknown Male	And will the .. well, OK. Will the \$26 million also be firm by January, or should it be firm by

Speaker	Comments
Committee Member	January?
Don Condon	It should be. Close to it. Um, there may be some incidental bid packages that contractors deferring, because design is still up in the air ... like signage, signage inside the building. In most cases, everything's pretty clear.
Unknown Male Committee Member	Thank you.
Pamela Jue	Questions? I think Ms. Singer had a question for ...
Ms. Singer	Actually, I think a simple question. I just want to make sure the numbers in this little report that you've given ... the \$536,000 per bed? Is that still the operative number, because I'm a little unclear based on the timeframe of when this Summary Report was prepared, the dates in the Controller's report is in June. I just heard an escalation rate of 1% a month. I count that as anywhere from 5 to 6 months, 4 or 5 months, since then. So does that mean all the costs are at 3%, 4%, 5% higher, on a cost per bed? Or we reacting ... and it's \$530 ... or whatever the number is, I'm sorry. It's a huge number, \$536,000 a bed.
Ed Harrington	The \$536,000 was a number that we had estimated back in May. And so, if in fact there had been no bids that were locking in the prices, it would have continued to escalate. It's still of an approximately decent number to be using, because the bids were coming in then, even though they're still being in the process of being awarded. It's ... [gap in tape] It also is a ... um ... the beds in some of the facilities, if you took them facility by facility, would look more expensive. The Link facility has much more of the infrastructure for the entire campus, and only 60 beds. So that's going to look more expensive per bed. Other ones have relatively less infrastructure, and more beds. So it was a ... it was kind of a rounding number on average for the 780 [beds] and it's still an approximate number that's decent.
Ms. Singer	OK. Thanks.
Unknown Male Committee Member	The Link infrastructure building. If a policy decision is made that we're going stop at 780 beds, and go into Option B [the Controller's May 19, 2005 Option 2], some combination of other services, is there anything that can be done to reduce that infrastructure cost, or are we kind of locked into it? I would assume that we would not have to buy generators, or something like this. But are there any other ways to be able to save money, if the decision's made not to proceed to 1,200 beds?
Don Condon	[Gap on tape] Um. There would be, but ... um, the savings probably would not be significant. The costs are locked in, in terms of the bids. There's a minimal amount of scope that we can take back out, even though we're supporting 420 beds less. Um ... Even, for example, the emergency generators, which [are] currently sized to support the whole [1,200 bed] facility, we have to procure them now, and we can't change them later and save any money, 'cause they're on order now. [End of Side One of Audio Tape]
Don Condon	[Start of Side Two of Audio Tape] ... there's very little that we can change at this late stage in the game that we can pull out of the project and realize a substantial savings.
Ed Harrington	There are some things that ... you need a loading dock, whether you have 780 beds or 1,200 beds. So some of the infrastructure you just need for something once you get to that size. The other issue, really, is what else goes on that [Laguna Honda] campus, and how much the infrastructure there can support that? So to the extent that you do have assisted living of some sort on the campus ... can the food services support that, can the generator support that other non-skilled nursing beds, but on the same campus. And that's up in the air until these decisions are made, so it didn't make a lot of sense to try to cut back, when the rest of the decision hadn't been made. And it would have required reengineering, if we wanted to lock the beds in.
Unknown Committee Member	You know ... I had the same question as Dick did. And ... you mentioned last time, I think that when we heard from Michael Lane [the former LHH Project Manager], and others that the infrastructure was going to be very robust. But I guess I'm curious ... sort of ... what ... how the Health Commission or who ... I'm assuming the Health Commission is the project sponsor in this case, right? I mean, I ... do they have a committee, or a ... or how are they scrutinizing

Speaker	Comments
	<p>these decisions, or what direction have they given to the design team in terms of these options, because, as Dick points out ... I mean there ... if a decision had been made a while back to make the West Building an option, which you said it always has been [an option] then ... I mean, there could have been packages or options or whatever in the bidding specified to ... you know ... to perhaps defer, if not save the cost now, at least defer some of these things until ... until later. So, my real question is, how is the Health Commission organized? Do they have a ... you know, a bond oversight group, or something comparable within the [Health] Commission to oversee this project? Or has it been sort of delegated to DPW [Department of Public Works] to run the project?</p>
Don Condon	<p>Well, we have regular communications with the Health Department, obviously. We meet with their representatives on a regular basis. As a matter of fact, one of the ... the previous Executive Administrator [of Laguna Honda Hospital, Larry Funk], is actually on our staff now planning the transition to the new facility. So he's actually with us, and we do have weekly project management meetings with the designer, and the Health Department attends those meetings. We also report to the [LHH] Joint Conference [Committee, comprised of three Health Commissioners and the Laguna Honda Hospital Executive Team] on a regular basis, and to the Health Commission itself when they meet. Addressing your other suggestion is ... once again, really ... really kind of ... hard to say that you could actually ... the bid process was already very complicated, and the idea of dicing it up even further was ... was fairly ... um, given the time involved ... was, was fairly, um, not possible.</p>
Unknown Committee Member	<p>Right. But, that ...I mean the comment that I made to Michael Lane last time ... I mean, it seemed like everything was moving ahead at breakneck speed to design the full 1,200-bed facility, lacking the information that costs had escalated to the ... from the \$300,000 to the \$500,000 per bed. So, I can see now why it's difficult to go back and reassemble the pieces. But there just seemed to be a disconnect along the way that ... that whatever estimates were being provided, unfortunately, were ... were off, and the team was not cautious enough to go ahead and plan the thing in stages, so they ... they designed the whole thing as one big complex, and now we're ... we're feeling the effects of that. So, that's what generated Dick's question. But ... so then that gets back to, sort of, the governance of the whole thing [governance of the whole project]. I mean ... the client probably should have asked those questions early on in the process: "Well, what if we can't afford the 1,200 beds?" But, I mean, that was never part of the discussion, it doesn't seem like, back in the ... after the bond passed?</p>
Don Condon	<p>Yeah, I mean, obviously we're all wrestling with the benefit of hindsight here. I mean, the design was completed before this escalation picture presented itself, and the permits were already issued. We really didn't have a lot of flexibility in making major adjustments to the scope [size of the replacement facility]. Most of the adjustments that were made were during this VE [value engineering<sup>1</sup>] process with this bidding procedure that we initiated which</p>

<sup>1</sup> Value engineering (VE) is a process applied to Federal, State and local projects to help in getting the best overall project value for taxpayers. VE is an organized application of common sense and technical knowledge directed at finding and eliminating unnecessary costs in a project. The three fundamental concepts of VE are function, cost, and worth. Pareto's Law of Distribution — that 80% of a project's cost will be in 20% of the work — provides ideas of where to start looking for potential VE savings. Value engineering attempts to eliminate, without impairing essential functions or characteristics, anything that increases acquisition, operation, or support costs. To obtain maximum effectiveness, VE studies are usually undertaken as early as possible in a project when the impact of decisions about project costs is the greatest. In the LHH rebuild case, VE appears not to have been performed until six years into the design of the project, and only when project cost over-runs resulted in VE being sought while seeking bids from potential project subcontractors in order to reduce the "scope" [size] of the project. VE is usually performed during preliminary design to obtain maximum benefit, because recommendations can be implemented without delaying progress or causing significant rework of completed designs. The average cost improvement from VE is 6%, but it is not known how much cost improvement was obtained on the LHH rebuild project as a result of the VE performed during project bidding. Reportedly, one of the resulting VE recommendations suggested, accepted, and implemented in the LHH replacement project has been to reduce the height of ceilings in the facility to only eight feet high.

One method of VE is an "incentive approach," in which contractor participation is voluntary and the contractor uses its own

Speaker	Comments
	completed in '05. And, uh, we pretty much had the design team very busy just making those changes to try to reduce the costs. Um ... well, your point is well taken.
Ed Harrington.	I guess ... I'd like to establish ... that I didn't ... I did not mean to indicate that someone thought the West Building was always optional.
Unknown Committee Member	Don made that comment ... [Multiple speakers; unintelligible]
Ed Harrington.	But it's ... it's also .... it's physically segregated enough that it could ... that's why it was the obvious choice at this point.
Don Condon	Yeah, it wasn't considered as an option to delete the West [Building] before the escalation scenario presented itself.
Unknown Committee Member	Looking at the other side of it, rather than reducing the cost by doing away with some of the infrastructure, could the other side of that be that you could add another 300 beds, and the cost of those beds will actually go down, because the infrastructure ... a lot of the infrastructure is already there to support it, as far as generators and food facilities, and what have you? So isn't that another way to look at it?
Unknown Speaker	Yeah, that's true.
Unknown Speaker	Yes.
Unknown Speaker	If there's a demonstrated need for those beds.
Unknown Speaker	Right.
Pamela Jue	OK. Do members of the Committee have other questions? Well, I have some speaker cards here, so ... let's hear from the public. Mr. Monette-Shaw?
Patrick Monette-Shaw	<p>Good morning Chairwoman Jue, and the Committee. First of all, the Mayor and the Board [of Supervisors] have <i>not</i> approved anything; there's been no decisions made. And secondly, there is a demonstrated need for those [1,200] beds. The Planning Committee for the Laguna Honda Rebuild back in 1999 looked at demographics, and consulted a broad segment of the community: Healthcare specialists, financing people, etc., and they determined they needed 1,200 beds. In fact, there are documents on the Replacement Project web site showing that the Planning Committee actually took a roll-call vote, and they voted with [only] one "No" vote for the 1,200 beds. The Finance Committee [a subcommittee of the Replacement Project Planning Committee] had recommended in a letter to the [then] Mayor and the Board of Supe's that <u>all</u> TSR's would be used [for the LHH replacement project].</p> <p>The Voter Guide had mistakenly reported in [paid] arguments that there were only \$357 million in TSR's anticipated, but in fact, there were documents [that document that]the Planning Committee and its Finance Subcommittee knew [and considered] at the time that they were projecting [to receive] \$537 [million]. That number has now grown to \$820 million, and the point of my lawsuit [in the Court of Appeals for Northern California, copies of] which I'm</p>

resources to develop and submit any value engineering change proposals (VECP's). The contract provides for sharing of savings and for payment of the contractor's allowable development and implementation costs only if a VECP is accepted. This voluntary approach should not in itself increase costs to the Government. It is not known how much in VE was obtained from the LHH replacement project, how much money from project "savings" may have been "shared" with bidders, nor whether the City government *experienced increased costs as a result of the VE*. What *is* known [as a result of this and other City hearings, though not through release of the actual bids, which are most probably still sealed, secret bids] is that the City incurred *increased* costs between bidding Round 1 and bidding Round 2. A second approach to VE involves a mandatory program in which the Government requires and pays for a specific value engineering program effort. The contractor must perform value engineering on the scope and level of effort required by the Government's program plan, and include the VE estimate as a separately priced item of work in the contract Schedule. **No value engineering sharing is usually permitted in architect engineer contracts.** All other contracts with a program clause share in the savings of accepted VECP's, but at a lower percentage rate than under the voluntary approach. The objective of this value engineering program requirement is to ensure that the contractor's value engineering effort is applied to areas of the contract that offer opportunities for considerable savings consistent with the functional requirements of the end item of the contract.<sup>2</sup>

<sup>2</sup> Background information on value engineering was obtained from the U.S. Department of Transportation's Department of Highway Administration web site at <http://www.fhwa.dot.gov/ve/veproc.htm> on December 24, 2005.

Speaker	Comments
	<p>going to provide [to the CGOBOC Committee] and have requested copies be made for each of this Committee’s members notes that] <b>all</b> TSR’s are supposed to be used [for the Replacement Project]. And the City is using a bait-and-switch to get around the issue. Implicitly or explicitly, the bonds were issued ... or the bond language said that the bonds would be issued promptly, and that the interest on the bonds would help pay down the debt service.</p> <p>So a question for you is why it took five years for those bonds to be issued, and just how much money you have lost in interest that could have been used to finance the [LHH Replacement] Project? There is a bait-and-switch going on. The point of [my] lawsuit says that the ballot proposal said that <b>all</b> TSR’s would be used; that’s what the voter’s voted on: On the ballot proposal, <b>not</b> on the bond ordinance language.</p> <p>There’s another bait-and-switch going on with the patient population mix [at Laguna Honda]. The Planning Committee in 1999 said that it [the Replacement Project] would be for the elderly [and disabled]. Now, they are making a desperate attempt to put in, quote “difficult-to-place” or “hard-to-place” patients, thereby <b>displacing</b> frail elderly and disabled people from San Francisco to out-of-county facilities. And, there’s a report on the UCSF web site commending a grant out at Laguna Honda that indicates that the staff is busy preparing, [in their role] as “change agents” to <b>dis</b>locate staff and residents in that building. They’re not talking <b>re</b>location, which Webster’s defines differently; they’re planning <b>right now</b> for massive <b>dis</b>location.</p> <p>I urge you to read the material I just turned in [for you]. I will be finding additional material on the [LHH Replacement Project] web site and will submit it to you separately indicating that the Planning Committee and its various subcommittees, all along had ... and that includes Ms. Louise Renne ... had planned for 1,200 beds. You have the available tobacco settlement revenues to do that with the \$820 million [in TSR’s] that is now projected ...</p>
Pamela Jue	OK ...
Patrick Monette-Shaw	<p>... and you should not believe that the Mayor or anyone else has made a decision on [Ed Harrington’s recommendation in his “Where Do We Go From Here” report] Option 1 or Option 2. That is still completely up in the air, and I recommend that you send the Board of Supe’s Government Audits and Oversight Committee a recommendation from this [CGOBOC] group that they need to comply with the language of [the 1999] Prop A.</p>
Pamela Jue:	<p>Thank you for your comments. For the record in the minutes, could we ... the first time “TSR” appears ... I assume that means “tobacco settlement revenues” ... [spell it out, since] so other people might not know what that means? OK; we have another [speaker’s] card from ... I’m not sure I can read it ... Virginia [pause on tape] Leishman. OK.</p>
Virginia Leishman	<p>Good morning. I’m a homeowner, and a native San Franciscan. I also was Director of Nursing for 44 years at Laguna Honda. When I voted for this bond issue, and many of us ... many of us ... worked for hours in 1999 to get this passed, 73% of the voters voted for a 1,200-bed Laguna Honda. Even [Congresswoman] Pelosi in this [voter guide] manual, talks about the 1,200 beds. You have enough tobacco [settlement revenue] funds; you have the [Senator Jackie] Spier fund; and you have the bond. You have <b>enough</b> money to build the 1,200 beds. We always had the \$15 million for assisted living, and what we were going to do was renovate the “M” and “O” and “K” and “L” [of the existing] buildings for assisted living. You should build that West [residential tower] building. The beds are needed. I voted for it. I don’t think it’s up to the Mayor, the Board of Supervisors, or the Health Commission to reverse my vote. I voted for the bond issue, I voted for ... years ago .. for the Park bond and they used it for the sewer [system]. I voted for the Earthquake bond [to rebuild City Hall, 101 Grove and the War Memorial]; did they finish the 101 Grove Street and the War Memorial? No!</p> <p>I voted for the Mental Health Rehabilitation [Facility] program. Did you change that mission without my consent? Yes! I am the voter. And when I vote for a bond issue I want that — and you’re the Citizen’s Committee, and I have never appeared before this [body] ... I didn’t</p>

Speaker	Comments
	<p>even know you [this Committee] existed. But I thought that we had citizen's now on our side. I want the 1,200 beds built, I want Clarendon Hall demolished, and 1,200 beds built for our seniors, [and] for our young, severely physically handicapped. We're still going to have the AIDS ward, the Respite [program], the Hospice, the Alzheimer's [Adult Day Health Program], the senior nutrition [program], the senior day care. I'm voting for ... I'm fighting for our seniors here. They already, even with the 780 beds, are talking about 300 locked beds at Laguna Honda. And the citizen's better get smart in this City. Because, I don't know, all these issues ... the bonds on this [November 2005 municipal election] ballot, I'm going to vote for "No," and every damned bond issue there ever will be built [that is] put on the ballot. Because I'm a citizen, and my vote has to count. You can't go to the Board.. You can't go to the Mayor. You can't go to the Health Commission. What do I vote for? So either have a citizen's revolt, or stick to what the what the citizen's want. Thank you.</p>
Patrick Monette-Shaw	<p>[From back of room] Wait! The Board [of Supervisors] and the Mayor have a mandatory ministerial duty to ... <b>[Note:</b> At this point, the tape goes blank for several seconds. A distinct, audible gap can again be heard on the tape.]</p>
Pamela Jue	<p>Uh ... .Ok, we have ... all right ... [Gap in tape] Our next speaker is Miriam Walsh.</p>
Sister Miriam Wash	<p>I'm Sister Miriam Walsh. I've been chaplain and head, or Director, of the Pastoral Care Program at Laguna Honda for 24 years. I thank you for allowing me to speak, but I have to admit to you at this point that I'm a little disgusted, because we speak, and we speak, and we speak, and we speak, and nobody listens. They just go straight ahead with their plans.</p> <p>The wording on the bond [Proposition] A was deliberately very vague, to leave way for the change of mission ... of the mission of Laguna Honda. That leaves it open, but when we sold the bond [measure to the voters], they first of all didn't think we'd get a two-third vote [in 1999]. So they were pretty confident that we wouldn't get it [passed by the voters], and they could still go straight ahead with their plan to change the mission [of Laguna Honda] into a General Hospital and a place for the mental rehabilitation patients under the name of "<i>social rehabilitation</i>"; it sounds nicer. Also, as far back as 2000, I have records of .. there was a meeting, and they already talked about changing and sending patients to Laguna Honda: Mental [patients], those who have psychiatric needs, those who had behavioral problems, those that nobody else wanted. And the other [facilities serving] psychiatric places are closing down — the latest is St. Luke's. When they do this, quiet verbal instructions, I saw ... Speaking about the whole thing, if you don't mind, they give verbal instructions ... it was only until last year that we finally forced Dr. Katz to put it in writing that he had changed the whole admission policy.</p> <p>When they say about all the arguments that they use now, they used [the claim] "before we got the bond passed," but the people still voted for the people still voted for the ... bond [Proposition ] A. And it wasn't right in ... but there is [are] different documents that show that they thought 1,200 beds [were needed] ..... in fact, they [the City] even thought they would need more. I know that the seniors are being turned away from Laguna Honda.</p> <p>I have evidence, saying that there's no room for seniors. In the meantime, as fast as the seniors disappear, they're [the beds at Laguna Honda] filled with, young[er], psychosocial patient, which is not what were prepared for. This change in the plan is also costing costly, very costly: It's holding up the construction [of the Replacement Facility]. Well, it's as bad as the Bridge, the Bay Bridge area mess. It's holding it up. And when they talk about sending seniors out into the community, I think ... if you read the article recently about the these places, these smaller places, about the abuse and lack of medical care that they get, I think it's unfair. I think it is unfair to send the most vulnerable people out of the county. I know these other patients have needs, but let them get their own bond passed. Let them get their own place. They need a more a constructive place [for their needs.]</p>
Pamela Jue	<p>OK. Thank you. We have one more card. A speaker who wants to speak on this item. And that is Emeret Kahlman [sp?].</p>

Speaker	Comments
Emeret Kahlman [sp?]	Thank you very much. Page Five of the Controller's report, regarding the finances of the 1999 Laguna Honda Hospital [bond measure]. I cannot find the figures for the tobacco settlement money coming for this project. Can somebody help me to read properly the report? Because I see here, sources of funds, interest, intergovernmental [transfers]; I don't know which one is, refers to tobacco money income. And secondly, is any report at all about this tobacco money coming to the City, and how it was used? Or misused, let's put it this way? How the tobacco money was used or misused by the City government? Thank you.
[Gap in tape]	
Ed Harrington	Th tobacco settlement revenue money is in the line that says "250: Fines, Forfeitures, and Penalties," because it was a fine association with tobacco companies, and so you'll see \$99 million because .... I believe, about \$91 million+ of that was tobacco settlement money.
Pamela Jue	Um ... you're refer ... [Begins to speak, but is cut off on tape.]
Ed Harrington	I'm referring to page 5 of our Bond Obligation Summary Report. That's the report that Mr. Kahlman looking at, and he was looking ... you'll notice on page 5, the first three lines on Laguna Honda talk about the bonds that were being issued, and that it shows "Other Sources of Revenue" ... the biggest, the next biggest one is "Fines, Forfeitures, and Penalties," and you will see a number of \$99 million showing up there. Obviously the major portion of that is tobacco settlement money.
Pamela Jue	That is money available, or that ... as of September 30, or before?
Ed Harrington	Yes.
Pamela Jue	That does not forecast the ...
Ed Harrington	No.
Pamela Jue	Nowhere does it show what we ...
Ed Harrington	It's actuals.
Pamela Jue	... [what we] project?
Ed Harrington	Right.
Pamela Jue	OK.
Unknown Committee Member 1	Madam Chair? Can we ask the City Attorney, 'cause ... one of the speakers mentioned about the Prop A bond for Laguna Honda ... can we get the text of that? Do we have it?
Unknown Committee Member 2	It's in your packet.
Unknown Committee Member 1	Oh, I'm sorry.
Ed Harrington	The front page is in there [in your packet]. The actual text is not, and we can get you that also. The ... the .. Under Prop A, if you look down to the fifth or sixth line, it talks about ... it uses the term "available tobacco settlement revenues" in the Summary at the very top [of the page]. It uses the term "available tobacco settlement revenues." That's the key discussion, because that's further defined in the actual text [of the bond ordinance]. And we can get that for you. The City Attorney may respond also, but that ...
Deputy City Attorney Martin	We're happy to provide that document as well as the Ballot Arguments, and we'll do that, as well.
Unknown Committee Member	Yeah. Thanks; appreciate it.
Patrick Monette-Shaw	[From back of room] The Ballot Digest said <u>all</u> available TSR's.
Unknown Committee Member	Please, let, let us, conduct our meeting. Thank you.
Unknown Committee Member 3	Can I ask one more question of, uh, Deputy City Attorney Martin? Is it ... because in the Summary it doesn't actually specify the number of beds, correct?
Deputy City Attorney Martin	That's correct.
Unknown Committee Member 3	And does it ever ... anywhere in the actual body of the bond proposal ...

Speaker	Comments
Deputy City Attorney Martin	In neither the Bond Ordinance, nor the Ballot Question does it name a specific number of beds for the rebuild at Laguna Honda.
Unknown Committee Member 3	Thank you.
Patrick Monette-Shaw	[From back of room] The ballot arguments ...[gap on tape, and then repeats] ... The ballot arguments mention 1,200 beds, repeatedly [long unintelligible portion on tape, followed by gap on tape].
Pamela Jue	I have another question, um .... for Mr. Martin. Um ... as I recall , the Committee’s jurisdiction is limited ... technically limited to Bond proceeds. Um ... if we want, and we have, explored the tobacco settlement revenues, that we have no mandate ...
Deputy City Attorney Martin	That’s correct, you don’t have a mandate beyond the expenditure of General Obligation Bond proceeds. However, to the extent that this is a General Obligation Bond-funded project, I think you ... you do have the ability to look into other sources and uses ... I’d analogize this to, for instance, the Library bond where there ... they talked in detail about the State funds that they’re using to, kind of, leverage their bond funds and ... uh .. to complete more projects. I think this is a similar situation, that you could inquire [into] and look at it as it relates to the General Obligation Bond project.
Pamela Jue	Sure. So I think, like we have [with] other projects, we have looked at other sources [of funding] simply because you sort of need to, to figure out whether there’s sufficient funding [laughter] ... for a project, but it is <i>not</i> one of our required duties.
Deputy City Attorney Martin	That’s correct.
Patrick Monette-Shaw	[Unintelligible.] I will be contacting the Civil Grand Jury ... and I don’t want to name this [CGOBOC] Committee as avoiding its mandatory ministerial duties to the Civil Grand Jury ... [Unintelligible.] [Several gaps on tape are audible in succession, with the tape cutting in and out.]
Unknown Committee Member	Madam Chair, the gentleman has had his time to speak. Can we move on please?
Pamela Jue	Yes. I think so, and I think I <i>would</i> like to mention for the benefit of the Laguna Honda team, that besides the general description of the Gantt chart, I for one would like to see the funding sources broken out ... you know, one line for the bonds, one line for the tobacco settlement revenues, so we can see what’s being expended, what has been expended, what sources of funding have been used. I ... um ... any further comments from the [Committee members]? OK, [Next Item], Number 4, <i>Discussion of Possible Action Regarding the Committee’s Annual Report to the Board of Supervisors.</i>