

City of Piedmont
COUNCIL AGENDA REPORT

DATE: November 21, 2011

FROM: Geoffrey L. Grote, City Administrator

SUBJECT: Discussion of Reports and Recommendations of the City Council Audit Subcommittee, the Municipal Tax Review Committee and the League of Women Voters Undergrounding Task Force

At its meeting of September 6, 2011, Council directed that staff prepare a report regarding the recommendations contained in the reports of the City Council Audit Subcommittee, the Municipal Tax Review Committee and the League of Women Voters Undergrounding Task Force. The Council also requested that the City Administrator report back on his recommendation regarding the priority for the discussion/implementation of these recommendations.

Vice Mayor Chiang offered to create a matrix of the recommendations from the various committees, which is attached to this report. The matrix breaks the recommendations down into several categories including: Construction and Capital Projects Management, Conflict of Interest Policy, Underground Utility Assessment Districts Structure and Process, City Policies, and Risk Management. It also groups the recommendations of the Municipal Tax Review Committee into several categories, including: Improved Financial Controls and Decision Making, and Specific Expense Reduction Recommendations.

This meeting is intended to begin the discussion with the City Council and community about these recommendations. My hope is that the process will be a collaboration between staff, Council, and Piedmonters regarding the timing of bringing forward policy and practice recommendations, and if approved by Council, the timing of their implementation. In some areas, the Council and staff have already embarked on implementing some of the more critical recommendations.

Most Pressing Recommendations

There are five recommendations which I believe are the most pressing to the City at this moment.

First, the Municipal Tax Review Committee (MTRC) recommended, and the Council ordered staff to begin immediately to implement a recommendation to gain greater control over personnel costs, specifically the cost of “fringe” benefits. The MTRC rightly points out that the

cost of providing benefits to City employees has risen significantly in the past years and that, more importantly, financial models predict further significant increases in upcoming years. I note that no specifics can be given about negotiations with individual labor groups because of our legal and ethical obligations in regard to the collective bargaining process. However, the Council and City Administrator recognize the importance of these issues, specifically a two-tier retirement system and employee contributions to the cost of benefits including pension costs. As negotiations progress, Council will receive reports on the progress of these issues and a report to the community will be made when agreements are reached.

Specifically, in regard to pensions, it is impossible to predict the financial contribution required of the City by the Public Employees Retirement System (PERS) as years go by. However, it is realistic to expect increases. Therefore, it is prudent to respond by putting mechanisms in place to shield the tax payer from increases, given the high level of expenditure already incurred.

The City of Piedmont has requested CALPERS to provide less expensive retirement packages including 2% @ 60 for new miscellaneous employees and 2% @50 and/or 3% @55 for new public safety employees. Our request was made to CALPERS in September; CALPERS has indicated that we should receive cost information by the end of November, 2011.

Negotiations always take place in the context of the City's financial position. This year's negotiations are made more complex by the fact that the City's General Fund Balance at June 30, 2011 was \$3,101,066, exceeding the \$2,432,082 projected fund balance (in black budget book) by \$668,984. The increased amount of \$668,984 was primarily due to increased general fund revenues of \$386,333 and reduced expenditures totaling \$397,650. This is a better financial position than was expected, but as the MTRC and I have pointed out, one can't count on this type of good news going forward.

Second, is it my opinion that the budget for fiscal year 2012-2013 should include Council adoption of fund balance objectives, specifically one for capital facilities and equipment replacement. The MTRC pointed out the importance of this in their report and I strongly agree with their assessment.

Third, the recommendation of the City Council Audit Subcommittee (CCASC) and League of Women Voters Undergrounding Task Force (LWV) that a project manager be brought in for large capital and construction projects is essential to implement. Further, this project manager should report directly to the City Administrator on the status of the project under their management. It will also be required that these reports be forwarded to the Council as a matter of course. Placing the management of large projects into the hands of a single person who has experience in this area will ensure that projects are not managed by committee. The past practice of assigning the management of complex construction projects to Department Heads who already have a full time job overseeing the provision of municipal services is not viable going forward.

The new method of project management is needed, but will significantly increase costs to the City, as we do not employ project/construction managers. We will have to obtain these services

by contract, with the costs passed on to the General Fund, private donors, or partners in public/private partnerships. There are a variety of ways to secure project management services, isolate liability, and organize costs in an effective manner, remembering that, expensive or not, this practice must be implemented.

This concept is particularly urgent, given the fact that the Council is facing a decision at their December 5th meeting on whether or not to embark upon one of the largest construction projects to be overseen by the City.

Fourth, the issue of Conflict of Interest was raised by both the CCASC and LWV. As such, staff has already begun to look into ways to isolate some of our contractors from conflicts, specifically the City Engineer. The attached memo from Public Works Director Chester Nakahara is an introduction to the issue and a point to begin discussion with the Council and community; specifically of whether or not to use the City Engineer for special projects outside the scope of their regular duties is addressed at the center of this issue. While there may be a reduction in cost by using the City Engineer's firm to do special projects, it may be a better practice to restrict the City Engineer's role to one which reviews the work of other subcontractors and ensures the integrity of the "RFP Process." However, because the City will soon be embarking on Phase Five of the Sanitary Sewer rehabilitation project, there is an additional item on the agenda to specifically discuss the City Engineer's roll in serving as the City's watchdog for large projects.

Fifth, the City must carefully take steps to ensure that the costs of any new commitments are fully understood and paid for out of user fee revenues and not the General Fund. The City must ensure that any proposals be structured to have little or no impact on the City's budget. There are a variety of ways this can be done, but it is important that the City be extremely reticent to take on projects that require additional obligations, staffing, or functions until, and unless, the City's financial condition returns to robust health. These issues are already in the spotlight with the discussion of the Moraga Canyon Sports Fields Project but will also arise in the years to come when other proposals for new facilities or programs are brought forward.

The listing of these five recommendations does not imply that they are more important than any of the other recommendations by the CCASC, MTRC, or LWV. They are simply the issues that the City will face first, and as such, I wanted to bring them to the forefront. The issue of underground utility assessment districts is still very important, but the above recommendations need to be dealt with first, because they are the issues at hand. It is my recommendation that the moratorium on undergrounding projects stay in place unless, and until, all of the recommendations of the CCASC and LWV have been acted upon by the Council. In particular, the Council should set minimum approval standards for these districts before any are allowed to proceed. Also, of note, among the recommendations is the need to redesign the funding mechanism for construction of utility undergrounding to remove financial risk to the City in the event of significant cost overruns. Until all of this is done, there cannot be any further Rule 20B projects.

Municipal Tax Review Committee

One of the most important contributions of the MTRC was to urge the Council not to take on any additional financial obligations until we've properly funded capital and facilities maintenance and replacement. There will always be pressure on the Council to undertake new programs, many of which are worthy, progressive, and important. Unfortunately, we must first know what costs we will bear to maintain our existing facilities and programs before taking on any others.

The MTRC also recognized the critical importance of maintaining our sewer system and meeting the regulatory requirements placed upon us by the state and federal government regarding its operation. The Council acted on the MTRC's unanimous recommendation and placed a sewer surtax on the February 7th ballot. The MTRC points out that the regulatory burden regarding sewers is extremely significant and it must be funded or the City may face regulatory sanctions. If the City is to meet our regulatory obligations, staff and Council agree with the MTRC that the extra funding must be approved by the voters. It is important to note that the regulatory burden is imposed in an effort to reduce pollution and conform to appropriate and important environmental standards. Referencing the financial burdens imposed by these regulations is not a criticism of them, rather it is a recognition of the cost of doing the right thing environmentally.

It is also important to discuss the issues raised in the LWV's supplementary report issued the week of November 14th regarding the appropriate use of the Sewer Fund. I intend to ask the Council to discuss and reconsider the expenditure of Sewer Fund monies for the repair of Crest Road when mid-year budget discussions are held at the second meeting in January, 2012. The League requests that the money spent to repair the significant storm damage to Crest Road in 2009 be reimbursed to the Sewer Fund. Given the repairs didn't include a drainage device called a trench dam, which is a method to manage storm water, my strong support for the use of sewer funds for this repair has weakened. In fact, I will recommend that the Sewer Fund be reimbursed for these expenditures from the General Fund.

I look forward to hearing from the Council and community on their ranking of the priority and timing of the recommendations found in the reports of the City Council Audit Subcommittee, the Municipal Tax Review Committee and the League of Women Voters Undergrounding Task Force.

City of Piedmont – Summary of Recommendations of Audit Subcommittee, League of Women Voters, and Municipal Tax Review Committee

Recommendation	Audit Subcommittee	League of Women Voters	Municipal Tax Review Committee
A. Construction and Capital Projects Management-			
1. As necessary, a dedicated Project Manager should be named to oversee any major project over a specific dollar threshold, and using an outside experienced Project Manager for complex projects. Regular progress reports should be provided to the City Council.	Yes	Yes, Preliminary Conclusions, IA1; IA3; IB1; IB2; IIB; IIF; IIG	
2. Oversight and management of projects should be assigned to qualified personnel and held accountable to the City Administrator. The City Council should be informed of any potential cost overruns and unanticipated performance problems. For future construction projects, the roles of City staff must be established at the outset of the project, including backups.	Yes	Yes, Preliminary Conclusions, IA1; IIF; IIG	
3. The financial oversight of all construction projects must be accurate and reviewed as necessary by the City Administrator and the City Council, and informed of any potential cost overruns; the Finance Director should work with the designated Project Manager for all capital projects.	Yes	Yes, Preliminary Conclusions, IA1; IIF; IIG	
4. The roles and responsibilities for the management of construction or capital projects should rest with one person, and not management by committee.	Yes	Yes, Preliminary Conclusions, IA1	
5. The City Administrator should work closely with his direct reports, especially with significant construction or capital projects, and kept informed of issues.	Yes	Yes, Preliminary Conclusions, IA1	
6. Consider establishing a dollar threshold for major capital projects as to the frequency of status reports to the City Council, including billings to date, estimates to complete, percentage completion, and any cost overruns.	Yes	Yes, Preliminary Conclusions, IA1; IIF; IIG	
7. Consider establishing a reasonable and consistent contingency reserve policy for all construction and capital projects, depending on the risks and complexities.	Yes		
B. Conflict of Interest Policy			
1. Consider establishing a policy of when it's appropriate for multiple professional services being provided by the same vendor as to potential conflicts.	Yes	Yes, Preliminary Conclusions, IIC	
2. Consider establishing a policy which prohibits the same individual or entity from bidding on projects where they are also evaluating the bids submitted, to avoid any potential conflicts of interest, unless approved by the City Council.	Yes	Yes, Preliminary Conclusions, IIC	

City of Piedmont – Summary of Recommendations of Audit Subcommittee, League of Women Voters, and Municipal Tax Review Committee

Recommendation	Audit Subcommittee	League of Women Voters	Municipal Tax Review Committee
C. Underground Utility Assessment Districts Structure and Process-			
1. The current private undergrounding utility assessment district needs to be redesigned to not put the City financially at risk. In the interim, the City’s current moratorium should be extended.	Yes	Yes, Preliminary Conclusions, IID	
2. Consider revisiting the City’s policy of using Rule 20A funds, or the advancing of them, as seed money for Rule 20B underground utility assessment districts.	Yes	Yes, Preliminary Conclusions, IID	
3. Consider establishing a minimum approval percentage threshold for the second ballot, with either preliminary or final bids, before the final vote by the City Council.	Yes	Yes, Preliminary Conclusions, IIIH	
4. Policies should be established to fully inform homeowners of the risks with private undergrounding utility assessment districts, financial responsibilities, and the handling of potential cost overruns, being the responsibility of the homeowner, including being kept informed of the construction progress.	Yes		
5. For any future utilities undergrounding projects, part of the bidding process should include the examination of existing reports, and physical inspections of the site, including verification of key factors.	Yes		
6. Consider the establishment of when a preliminary geophysical report is required for all future utilities undergrounding.	Yes		
7. The City website should contain all relevant legal and policy documents for the undergrounding of utilities, including indexing for ease of use and data mining.	Yes		
D. City Policies-			
1. The City’s system of requests for proposals and bid solicitation should be periodically examined to prevent potential abuses.	Yes		
2. For any City Council changes or modifications of existing policies, when projects are underway, a decision needs to be made as to whether it’s on a prospective or retroactive basis.	Yes		
3. The City’s policies and guidelines should be clear, understandable, up-to-date and easy to follow.	Yes		
4. The City Council should consider for the future as to whether any Subcommittee can adequately perform when there are litigation matters pending or impending.	Yes		
5. Review the current City of Piedmont City Charter as to whether further policies or guidelines should be established as to the roles and responsibilities of the City Council and City staff, including the City Attorney, as to contract procurement and administration.	Yes		

City of Piedmont – Summary of Recommendations of Audit Subcommittee, League of Women Voters, and Municipal Tax Review Committee

Recommendation	Audit Subcommittee	League of Women Voters	Municipal Tax Review Committee
6. The City should define and clarify as to when it's appropriate to use the City Sewer Fund for repairs and maintenance expenditures for its sanitary and storm drain system.	Yes	Yes, Preliminary Conclusions, IIE	
7. The City Engineer's third party consulting contract should be made assessable to the public.	Yes		
8. The City should post on its website all publicly available reports on the current litigation.	Yes		
E. Risk Management			
1. The City Staff should consider implementing an Enterprise Risk Management (ERM) program. This concept should be applied not only to major construction projects, but also to the ongoing operations of the City. The City should also develop a timeline for implementation.		Yes, Preliminary Conclusions, IA2: IIA	
Municipal Tax Review Committee – Improved Financial Controls and Decision Making			
1. Institute a 5-year annual planning process.			Yes
2. Establish a new Municipal Financing Planning Committee to annually review the 5-year plan and provide guidance to the City Council.			Yes
3. To deal with economic cyclical, characterize revenues over specific thresholds and long-term growth as “temporary” with such amounts as a set aside in reserves.			Yes
4. The City to undertake a prioritizing of City services as “mission-critical” and other services not in that category in order to assist future City Councils to create priorities for funding.			Yes
5. The City to adopt formal objectives for the appropriate fund balance levels of funds related to capital and equipment replacement and use these levels as guidelines in allocating revenues.			Yes
Municipal Tax Review Committee – Specific Expense Reduction Recommendations			
1. Control employee benefit costs - pension and other benefits costs to be frozen and to ultimately make changes that reduce the costs as a percentage of salaries.			Yes
2. Institute a two-tier system that at a minimum would apply lesser CalPERS pension options to new employees.			Yes
3. Negotiate to reduce current retirement benefit costs/growth rates by increasing employee contribution levels and strengthening the current partial cap on the City's contribution so that the City's benefits budget allocation remains constant.			Yes

City of Piedmont – Summary of Recommendations of Audit Subcommittee, League of Women Voters, and Municipal Tax Review Committee

Recommendation	Audit Subcommittee	League of Women Voters	Municipal Tax Review Committee
4. Implement staffing and organizational changes that would maintain current services but at lesser costs, without cuts in services and with the goal of reducing overall comp. If possible, make directly relevant comparisons to similar but lower-cost cities.			Yes
5. The City should take steps to make sure the costs of any new commitments are fully understood and paid for out of user fee revenues and not general fund revenues/parcel tax. Specifically- <ul style="list-style-type: none"> • General fund subsidies for the pool should be reduced to zero both in terms of actual cost and potential liabilities, or offsetting cuts made elsewhere. • Blair Park should be structured so as to have zero impact on the future budget in terms of actual construction, long-term operation, capital maintenance and replacement. The City must secure a professional estimate of construction and maintenance costs, and commit to a user fee schedule that will recover all operating costs. • Consider seeking a public vote for individual parcel taxes to support user-specific programs. 			Yes

**City of Piedmont
California**



Date: November 15, 2011
 To: Geoffrey L. Grote, City Administrator
 From: Chester G. Nakahara
 Public Works Director
 Subject: Audit Subcommittee Recommendations

Geoff,

Here is a draft of my thoughts to the City Council that directly addresses the concerns and final recommendations of the Audit Subcommittee's recommendations with respect to the *Conflict of Interest Policy* as stated in their final report.

Conflict of Interest Policy

The City Engineer provides professional engineering services to the City on a variety of issues. When it relates to the construction of a particular improvement, it can be as minor as repairing a manhole, or as complex as a new building. One of the primary duties of the City Engineer is to guide the city and protect it's best interest through the myriad of regulations affecting improvements, but they also provide critical oversight of consultants and contractors that are awarded work within the city to assure that the City is delivered what was originally intended in the contract documents and cost estimates. Given this important function of oversight, the necessary question that is asked by the ASC is: When should the City Engineer prepare construction documents and specifications, versus when they should only define the scope of work and facilitate outside consultants to complete the bid drawings and specifications?

It would be impractical, cost prohibitive, and time consuming to have outside consultants prepare bid documents for all projects, especially on very minor improvements. There are also types of projects where the institutional knowledge that our City Engineer has compiled over the years becomes a valuable resource that facilitates a more efficient and cost effective completion of contract documents for bid and construction, compared to paying for the learning curve of an outside consultant. Examples of this is the repaving our streets, minor sewer related repairs, and the improvement of certain features, such as retaining walls, walkways and railings in our parks.

However, with respect to large municipal projects, the ASC identifies that the City Engineer act only as the City's representative, critic, inspector, and other functions that will protect the City's interest throughout the entire project life. Under this scenario, the City Engineer will use their institutional knowledge, their researched scope of work, and defined goals of the proposed construction to develop a clear Request for Proposals that will solicit bids from outside consultants to perform whatever tasks are required for the logical progression of these large projects through their completion. The question that remains is what *threshold and criteria* should be applied to projects which will clearly separate when the City Engineer can or cannot act as an outside consultant to prepare bid and construction documents, so as to always be able to impartially protect the City's interest for this key element in a project.

**League of Women Voters
Task Force to Investigate and Report on Piedmont Hills Undergrounding Project
Addendum to Preliminary Findings - Crest Road Trench Washout
November 14, 2011**

The League of Women Voters Task Force is publishing this Addendum to its initial report (updated 3/15/11) because of additional information obtained since completion of that report. The Audit Subcommittee has not directly addressed the Crest Road trench washout and use of sewer funds, and the Task Force believes that information about this process of decision-making and the issues therein are very relevant to future City projects.

Scope of Investigation

The Preliminary Findings are based on all City documents made available to the Task Force, including: the contract documents made with Valley Utility; a field directive from the City Engineer to Valley Utility; the summary of a consultation with geotechnical engineering firm Kleinfelder West, Inc.; City Council minutes of 11/16/09; an email from the City Clerk; minutes of the City Council Audit Subcommittee of 8/23/11; a Council Agenda Report of 11/16/09 by the Director of Public Works; an interview with the new Public Works Director; and minutes of meetings of the Audit Subcommittee and City Council.

Preliminary Findings

1. Crest Road was included in the PHUD; it extends from Hampton Road to LaSalle Ave. Because of the topography of the street, which follows the crest of a hill, there are neither sewers nor storm drains, and there never have been any in 87 years. The sewer lines flow to the rear of the properties. Surface runoff flows down the street to Hampton Road where it is collected into storm drains.

2. The utility trench that was partially washed out and repaired ran down Crest Road and was approximately 5 feet deep and 18-24 inches wide. Conduits to carry the electrical power lines, telephone and TV cable to be undergrounded were installed in the trench at specified spacings. The trench was backfilled with “bedding material” (a fine sand in compliance with PG&E specifications). A concrete “slurry” (also known as “controlled density fill”) was placed on top of that, and the street was re-paved over the trench. The utility contractor left openings at various locations along the length of the trench for service trenches (laterals) leading to the houses, with steel plates placed over them to prevent anyone from falling in. The approximately 12 inch wide and 3 feet deep trench laterals were left open by the contractor for its own convenience to facilitate later installation and wiring of the lateral service connections.

3. The contractor did not install trench dams (that is, a physical barrier in a sloping trench at a specified spacing, often made of concrete, to prevent water from flowing

down the trench through the permeable backfill), despite their being called for in the specifications. Engineer of Record Robert Gray's project inspection did not detect the lack of trench dams on Crest Road.

4. In the unusually heavy rainfall of October 13-14, 2009 (a storm which had been forecasted), water flowed into the trench and out at the temporary openings, carrying with it some of the backfill, which, because of its type, was easily carried out of the trench with the water. The loss of the backfill caused the paving above the trench to collapse several inches, creating a surface hazard that needed to be repaired.

5. By written directive to the contractor dated October 14, 2009, the City Engineer requested that repairs commence immediately. Emergency repairs included solidifying the trench with controlled density fill, a less granular backfill material.

6. The City Engineer requested a geotechnical consultation with Kleinfelder West, Inc. regarding their recommendations for how to proceed with the trench backfill washout. Kleinfelder recommended the installation of concrete trench dams, drains with individual "reaches" that may consist of perforated pipe that empties into a gutter or catch basin, and the use of a coarser backfill. This recommendation was dated 11/4/09. It appears that Kleinfelder was not asked to opine as to who was responsible for the trench collapse.

7. The contract with Valley Utility explicitly stated that the Contractor was liable for any damages of public or private property resulting from "the Contractor's execution of the Work..."

8. In a meeting between Valley Utility and the City Clerk and Director of Public Works an agreement was reached that the utility contractors would assume 20% of the repair cost and the City 80%. No explanation for the City's assumption of any portion of the cost to repair was given in any written documentation that was available to the Task Force nor is any basis reflected in any minutes.

9. On 11/16/09, the Director of Public Works proposed that the Council approve using the City's Sewer Fund for repairs to Crest Road because maintenance to both the storm drainage system and the sewer system is funded from this source. The Director of Public Works' report stated that the Kleinfelder recommendations for "alternative drainage improvements" connected to the trench would help avoid future storm damages, thus justifying the use of City Sewer Funds.

10. By the time the Council was asked to approve using the Sewer Fund to pay for the Crest Road repairs, 85% of the repairs using controlled density fill in lieu of trench dams had already been completed and invoiced.

11. The City Council on 11/16/09 voted to take \$296,000 (the final amount paid by the City was \$276,000) from the City Sewer Fund to pay for the trench repair on Crest Road, an amount intended to cover 80% of the anticipated total cost of the repair. At the City Council meeting, the City Attorney, after consulting with the City's Bond Counsel, stated

that the use of City funds was in the public's best interest because of the importance of avoiding more severe damage to the street. The Mayor concurred, emphasizing the urgency of the street repair and referencing an in-depth closed session that had taken place prior to the City Council meeting.

12. The trench dams or drains recommended by Kleinfelder were never installed. Further, the recommended drainage improvements addressed subsurface water flow only, not surface water resulting from storms.

13. In the City's subsequent litigation against engineers Robert Gray & Associates and Harris & Associates for the significant cost overruns of the PHUD, the City has claimed, among other things, that the engineers are responsible for the cost to repair because they failed to insure that the Contractor installed the contractually required trench dams.

14. Within the late September/early October of 2009 time frame, the utility contractor had already billed the City \$2, 206,869, or more than \$700,000 above the contract price for a project that was not yet half completed. According to the Audit Subcommittee's preliminary report, efforts were being made to replenish or preserve the PHUD project's contingency reserve. During that same time frame, the City Clerk indicated that there might have been up to \$350,000 in cost savings available to replenish the contingency reserve. The source to which she was referring is not documented and given the size of the then already significant cost overruns, it is difficult to understand on what rational basis anyone could have concluded that any cost savings were possible.

15. The Audit Subcommittee's preliminary report has not examined the decisions for the use of the sewer fund for the payment of the Crest Road damage, nor for the City assuming an 80% financial responsibility for the damage repair.

16. The City Administrator has now confirmed that it was improper to charge the sewer fund, and has recommended that the City Council consider replacing the funds. The City Administrator's willingness to recommend this remedial action arose only after the Task Force and other residents questioned using sewer funds to fund the repair. A date has not been specified for the Council to decide about repaying the sewer fund, nor has an action item been placed on the City Council's agenda in this regard.

Preliminary Conclusions

The City paid 80% of the cost to repair the collapsed sections of Crest Road, even though the contractor was contractually obligated, but failed to install the trench dams and made the decision for its own convenience to leave open the lateral connections. The City had no liability and should have required the contractor to restore the work at no cost to the City. Additionally, the City's acceptance of 80% of the repair costs seems inconsistent with the City thereafter making a claim that the engineers failed to ensure that trench dams were installed.

The City improperly used sewer funds for the repair, even though the trench dams or drains recommended by the geotechnical engineer (the only arguable connection to the sewer system) were not installed. Because 85% of the repairs had been completed and billed for at the time the Council was asked to make the decision to use sewer funds to pay for the repairs, it is difficult to imagine that all those with project responsibility were unaware that there was no rationale for charging the repairs to the sewer fund.

The cost of these repairs, even though a direct cost of the Piedmont Hills Undergrounding District, was not considered a part of the cost overrun for the District.

The Task Force is disappointed not only with the City's handling of the trench collapse, but also with the Audit Subcommittee's failure to investigate the issues raised therein. The facts and preliminary conclusions set forth in this Supplement illustrate poor project management, and an unwillingness to identify accountability issues as is essential to address the underlying management issues. The City's logically unsupportable decisions make the City's decision-making process vulnerable to charges of being improperly influenced by political considerations.

In its Summary of Preliminary Findings, the Task Force recommended a number of City policies that need to be addressed. The facts and conclusions set forth in this Supplementary Report make clear how imperative it is that the City address the policies highlighted in the Task Force's Preliminary Findings. It is particularly critical that this be done before the City embarks on any new major construction projects.