

**Proposal to Conduct a  
Performance Audit of the  
Redevelopment of the Rialto Airport and Management of the  
Lewis-Hillwood Rialto Company, LLC Development Agreement**

**Submitted to:**

**City of Rialto  
City Administrator's Office  
150 S. Palm Avenue  
Rialto, CA 92376**

**by**



**Harvey M. Rose Associates, LLC**

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**October 3, 2019**

# HARVEY M. ROSE ASSOCIATES, LLC

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public sector management consulting



October 3, 2019

Mr. Rod Foster  
City Administrator, City of Rialto  
150 S. Palm Avenue  
Rialto, CA 92376

Dear Mr. Foster:

Harvey M. Rose Associates, LLC (HMR) is pleased to submit this proposal to provide performance audit services to the City of Rialto.

We believe our proposal is fully responsive to the scope and objectives of the services as outlined by my phone calls with you and Mr. Sean Grayson on September 23<sup>rd</sup> and 30<sup>th</sup>, respectively. Our team is well qualified to provide the requested services for a performance audit of the redevelopment of the Rialto Airport with a focus on the management and implementation of a development agreement with Lewis-Hillwood Rialto Company, LLC. HMR has over 40 years of experience in public sector consulting and evaluations. Our proposed team of professionals has experience conducting performance audits, management reviews, investigations, and analyses of local governments and agencies in California, including experience in review of public-private partnerships and redevelopment of public lands for private development purposes.

As a company principal, I would serve as the Principal-in-Charge. I would serve as the central point of contact during the review process. My contact information is below:

Dan Goncher, Principal  
Harvey M. Rose Associates, LLC  
1390 Market Street, Suite 1150  
San Francisco, California 94102  
Phone: (415) 553-4629  
Email: dgoncher@harveyrose.com

Thank you for providing our firm with the opportunity to submit a proposal to provide audit services. The attached proposal contains details of our approach to the proposed audit and our rates. We are available to respond to questions or present our proposal to the City Administrator's Office and other parties involved in the selection process upon request.

Sincerely,

Dan Goncher, Principal

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# **Section 1: Statement of Understanding and Project Approach**

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## **Our Understanding of the City of Rialto's Performance Audit Objectives**

### **A. Objectives and Scope**

The City of Rialto is seeking the services of an independent consultant to conduct a performance audit of the redevelopment of the Rialto Airport with a focus on the management and implementation of a development agreement with Lewis-Hillwood Rialto Company, LLC.

The objectives of the performance audit would include a review of the development agreement (and any associated amendments or successive agreements) between the City (and/or the former Redevelopment Agency and/or the Successor Agency to the Rialto Redevelopment Agency) and Lewis-Hillwood Rialto Company, LLC, which is a private joint venture established to redevelop land formerly occupied by the Rialto Airport. Further, the audit objectives would include reviewing the obligations of the City and Lewis-Hillwood Rialto Company, LLC to determine if third party entities have complied with the terms of the agreement; the extent of the City's financial investment under the agreement; and, the extent of the City's anticipated and realized revenues, if any, under the development agreement.

We would conduct the performance audit in compliance with Generally Accepted Government Auditing Standards (GAGAS) as promulgated by the U.S. Government Accountability Office (GAO). Compliance with these standards ensure that our work will be independent, our project staff appropriately trained, our firm and team will not have impairments to their independence in conducting this review, and that the team will be appropriately supervised. All findings and conclusions will be supported by adequate, documented evidence, quality control processes will be in place for the work performed, the draft report will be reviewed by appropriate representatives of the City, and the final report will be clearly written and presented.

### **B. General Approach to the Performance Audit**

We would utilize a two phase approach to the performance audit. This would consist of an Initial Risk Assessment (Phase One) and risk focused In-Depth Analysis and Reporting (Phase Two). We first present a description of each of the tasks that would be incorporated into the performance audit below. We subsequently provide a separate summary of tasks in Table 1. This table includes a description of the tasks, the estimated number of hours, and proposed schedule. Finally, we include information on the organization, staffing, and cost of the performance audit in Table 2.

**Phase 1: Initial Risk Assessment**

- Entrance Conferences: An entrance conference would be held with management of the Development Services Department, particularly from the Redevelopment/Successor Agency Division, and the City Administrator's Office to: (a) introduce the project team; (b) identify managers and key contacts pertinent to the performance audit scope; (c) describe the objectives, methods, and data needs of the project team; and, (d) obtain an overview of departmental practices relevant to the redevelopment of the Rialto Airport. We would submit and discuss our initial request for information to the Department at this meeting.
- Initial Documentation Request and Review To the extent possible, the information requests for the Department would be consolidated to reduce City staff time required to respond. In addition, we would work with Department staff to refine and clarify these requests and, if necessary, identify other sources of documentation if any requested materials are not available. Other information would likely be added to the list below after initial contact and discussions with Department representatives.
  - We would collect and review core information, documents, and data regarding the management of the redevelopment of the Rialto Airport to develop a profile of the current resources, business processes, and operations to assess internal controls and operational effectiveness. Information that would be requested from the Department would include: (a) Federal, State, and local laws and mandates; (b) the original development agreement with Lewis-Hillwood Rialto Company, LLC; (c) key Citywide and Department written policies and procedures and internal controls, including, but not limited to, procurement and accounting, inventory/asset management, and contractor services; (d) details of budgeted and actual personnel and non-personnel expenditures and revenues for the current year and previous years dating back until the initial redevelopment plan for the Rialto Airport; (e) detailed organization charts, position rosters, and job descriptions for the Redevelopment Agency/Successor Agency Division; (f) any addendums to the development agreement with Lewis-Hillwood Rialto Company, LLC; (g) any successive agreements with Lewis-Hillwood Rialto Company, LLC or any of its affiliates; (h) a contact list of Redevelopment Successor Agency Oversight Board members; (i) all Successor Agency issued Recognized Obligation Payments Scheduled (ROPS); (j) all internal and external management reports and/or audits conducted of the Rialto Airport redevelopment; (k) general ledger reports showing payments to and from Lewis-Hillwood Rialto Company, LLC and any of its affiliates as well as any available documentation supporting such payments; (m) the original Redevelopment Plan for the Rialto Airport, and any amendments, as approved by the former Rialto Redevelopment Agency; and, (n) any successive redevelopment plans for the Rialto Airport as approved by the former Rialto Redevelopment Agency.
- Initial Interviews with Key Management, Staff, Officials, and Third Parties: We would conduct interviews with departmental personnel to clarify and confirm questions pertaining to the data and documents collected and to obtain an understanding of key business processes. We would also conduct interviews with members of the Successor Agency Oversight Board and City Council to better understand the City's relationship with private developers of the former airport and how that relationship may have changed over time.

We would conduct initial interviews with representatives from Lewis-Hillwood Rialto Company, LLC after reviewing the initial documentation provided by the Department. During or subsequent to our initial interviews with Lewis-Hillwood Rialto Company, LLC, we would submit a request for information for pertinent documents and data if we believe that would support the audit objectives.

- Preparation of an Initial Risk Assessment for use in Phase Two: Based on the knowledge gained from Phase One activities, the project team would prepare an initial risk assessment to help focus the in-depth analysis to be conducted in Phase Two. This would include selecting samples of data and documentation for review and transaction testing as well as other additional information requests and interviews.

## **Phase 2: In-Depth Analysis and Reporting**

- Analysis of Data and Transaction Testing: A detailed review of Department data and/or transaction documentation, such as approved developments and development agreements, would be conducted to assess departmental performance, efficiency and effectiveness, and compliance with legal agreements, laws, regulations, and policies and procedures. Follow-up interviews would be conducted to confirm or clarify our understanding of our reviews. Details of these tasks are provided below in Table 1.
- Report Preparation, Including Internal Quality Control Reviews: Based on our reviews, analysis, and interviews, the project team would prepare a draft report with evidence-based findings and recommendations. As is our company practice, all of our recommendations will be: (a) directed to a responsible party such as a Division manager; (b) based on documented evidence; and, (c) based on an assessment of the costs and benefits of implementation. The draft report would undergo a rigorous internal quality control process prior to transmittal to City staff for their review.
- Exit Conference: An exit conference would be held with departmental representatives and representatives from the City Administrator's Office to provide a forum to discuss the draft report.
- Finalization, Transmittal, and Presentation of Report: We would revise, refine, and produce a final report after obtaining feedback on the draft from departmental representatives. We would be available to present the results of the performance audit to the City Council as requested.

We would provide the City's designated project manager, likely from the City Administrator's Office, with regular status reports detailing the activities and progress during the reporting period throughout both Phase One and Phase Two of the performance audit.

## **C. Work Plan**

To accomplish the preliminary objectives of this performance audit we would complete the 13 tasks as detailed in Table 1 below.

We estimate that the Performance Audit of the Redevelopment of Rialto Airport and Management of the Lewis-Hillwood Rialto Company, LLC Development Agreement would require 704 professional hours from December to June 2020, with a final report summarizing our findings estimated to be completed by the end of June 2020. Note that this schedule is based on full cooperation of City staff and officials as well as representatives from private developers. This schedule may need to be adjusted if delays occur due to the lack of cooperation, untimely responses to information requests, or inaccessibility of key individuals.

**Table 1: Preliminary Work Plan**

<b>Phase 1: Initial Risk Assessment</b>			
<b>Task # &amp; Title</b>	<b>Task Summary</b>	<b>Hours</b>	<b>Schedule</b>
1: Entrance Conference	Hold entrance conference with departmental representatives and City Administrator's Office.	8	Early December
2: Collect & Analyze Core Department Information	Collect core documentation and data as described in the General Approach. The focus of this review would be to understand the rights and obligations of each of the parties under the Lewis-Hillwood development agreement as well as the structures and processes put in place to protect the City's interests under the agreement.	80	Early December to Mid-January
3: Interview Key Managers & Staff; Oversight Board members; City Council members	Interview key management and staff including, but not limited to: (a) the Director of Development Services (b) the Development Services Coordinator; (c) the Redevelopment /Successor Agency Division Project Manager; (d) members of the Successor Agency Oversight Board; (e) members of the City Council; (f) the City's Finance Director; and, (g) the Planning Manager. Interviews may also be conducted with former staff of the City, the Redevelopment Agency, and/or Successor Agency.	70	Early December to Late January
4: Interview & Collect and Review Information from Third Party Developers	Conduct one or more interviews with representatives of third party developers (including, but not necessarily limited to the Lewis-Hillwood Rialto Company, LLC) after being able to collect and analyze the core Department information. Based on our interview(s) with the developers, we would request and review documentation and data from them as appropriate.	32	Late January to Mid-February
5: Refine Project Scope; Report Results to City Administrator	Based on the information received during the Initial Risk Assessment, the Preliminary Work Plan will be revised to focus audit activities on the areas of greatest risk to, and financial implications for, the City.	16	Late February
<b>Subtotal Hours for Phase 1</b>		<b>206</b>	<b>Early December to Late February</b>



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**Section 1: Statement of Understanding and Project Approach**

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<b>Phase 2: In-Depth Analysis and Reporting</b>			
<b>Task # &amp; Title</b>	<b>Task Summary</b>	<b>Hours</b>	<b>Schedule</b>
6: Review of Board Oversight	Review the Oversight Board's role in providing governance and supervision for the redevelopment of the Rialto Airport. This would include a review of the Board's practices in establishing protocols for management of the redevelopment efforts and approval and monitoring processes for development agreements.	42	March and April
7: Review of Redevelopment Project Legal Framework	Review and outline the legal framework for the relationship between the City, the Redevelopment Agency/Successor Agency, and third party developers, such as Lewis-Hillwood Rialto Company, LLC for the redevelopment of the Rialto Airport. This would include documenting the rights and obligations under the original Lewis-Hillwood agreement as well as changes that may have occurred through subsequent amendments or successive agreements.	88	March and April
8: Assessment of Management Practices	Evaluate the management practices of the City, the (former) Redevelopment Agency, and the Successor Agency to ensure that the City's interests are protected regarding development agreements for the redevelopment of the Rialto Airport. This would include a review of internal controls, policies, and procedures to ensure they comply with laws and regulations and industry best practices. Further, this review would check that City and Agency officials properly track project progress, including incremental costs and revenues, and properly reported such events to the Oversight Board and/or City Council.	98	March, April, & Early May
9: Financial Transaction Testing	Based on the risk profile developed during Phase One and our initial review of information requested, we will conduct a focused review of expenditures and revenues under development agreements for the redevelopment of the Rialto Airport. This would consist of a review of the City's and/or Redevelopment Agency/Successor Agency general ledger(s) to review patterns of payments to and from third party developers. The review would also include a sampling of transactions to test whether they are consistent with the terms of the relevant agreement and are properly justified with supporting documentation.	98	March, April, & Early May

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**Section 1: Statement of Understanding and Project Approach**

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<b>Task # &amp; Title</b>	<b>Task Summary</b>	<b>Hours</b>	<b>Schedule</b>
10: Prepare Draft Report	Prepare draft report that would incorporate evidence-based findings from the previous tasks with appropriate recommendations.	120	By May 29, 2020
11: Conduct Exit Conference	Conduct an exit conference with departmental representatives and the City Administrator's Office to solicit feedback on report findings and recommendations and to discuss areas of disagreement.	8	Late May/ Early June
12: Finalize, Transmit, & Present Report	Revise and finalize the draft report based on feedback from departmental representatives and the City Administrator's Office as appropriate. Prepare and present report to City Council.	20	Final Report: By June 30, 2020
13: Status Reporting	Provide regular status reports detailing the activities and progress of the performance audit.	24	Early December to Late May
<b>Subtotal Hours for Phase 2</b>		<b>498</b>	<b>Early March to Late June</b>
<b>Total Project Hours</b>		<b>704</b>	

## D. Cost Proposal

We have outlined the anticipated hours and budget for the performance audit and the aggregate not-to-exceed amount in Table 2 below. The amounts shown include all costs. We will not bill expenses incurred, such as travel or supplies, as those costs are built into our hourly rates.

**Table 2: Cost Proposal**

City of Rialto Rialto Airport Redevelopment Performance Audit						
Task	Description	Task Hours		Partner-in-Charge (Goncher)	Principal Analyst (Menard)	Senior Analyst (TBD)*
1	Entrance Conference	8		4	4	0
2	Collect & Analyze Initial Documentation	80		40	40	0
3	Conduct Survey Interviews	70		35	35	0
4	Interview & Collect Documentation from Developer(s)	32		16	16	0
5	Refine Project Scope & Report Results	16		8	8	0
6	Review of Board Oversight	42		40	2	0
7	Legal Framework Review	88		80	8	0
8	Assessment of Management Practices	98		8	90	0
9	Financial Transaction Testing	98		8	90	0
10	Prepare Draft Report	120		60	60	0
11	Conduct Exit Conference	8		4	4	0
12	Finalize, Transmit, & Present Report	20		10	10	0
13	Status Reporting	24		12	12	0
	<b>TOTAL</b>	<b>704</b>		<b>325</b>	<b>379</b>	<b>0</b>
	<b>HOURLY RATES</b>	<b>\$213</b>		<b>\$235</b>	<b>\$195</b>	<b>\$165</b>
	<b>TOTAL FEES</b>	<b>\$150,280</b>		<b>\$76,375</b>	<b>\$73,905</b>	<b>\$0</b>

\* As shown above, we have assigned a Principal and a Principal Analyst at \$235 and \$195 per hour respectively. The need may arise to add a third staff member to the audit team to assist with low to moderately complex tasks. If this need arises, we would assign a Senior Analyst to these tasks at a rate of \$165 per hour after receiving prior approval from the City Administrator or his or her designee. The assignment of a Senior Analyst to this audit would not result in higher costs to the City and would not affect the not-to-exceed amount shown above. Further, any tasks assigned would be closely supervised by the Principal and Principal Analyst.

## Section 2: Company Information

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### A. Firm Information

Harvey M. Rose Associates, LLC (HMR), established in 1978, specializes in organizational assessments, performance audits and evaluations, budget and financial analyses, investigations, and other management review services for public sector agencies, particularly cities, counties, school districts, sewage districts and other local government entities. We have conducted more than 700 projects and analyses of public agencies, ranging from small municipalities to some of the largest and most complex governmental entities in California and the nation, with budgets exceeding \$24 billion annually. Our services have assisted many city, county, other local, and state agencies improve and measure performance, achieve cost savings and/or revenues enhancements, and allocate and manage resources in a more efficient, effective, and economical manner.

The firm is a privately held California-based limited liability corporation. Our headquarters are located in San Francisco and a satellite branch is located in San Jose. Our headquarters are located at:

1390 Market Street, Suite 1150  
San Francisco CA 94102

The firm is owned by four partners, each with experience ranging from 11 to 37 years of auditing and analyzing local government operations, primarily in California. All four partners are actively involved in managing services performed by the company.

All company partners are authorized to execute contracts:

Fred Brousseau (415) 553-4627	Severin Campbell (415) 553-4647	Dan Goncher (415) 553-4629	Cheryl Solov (408) 299-6435
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Our organizational structure is relatively flat, meaning that decision-making is simple, the firm's partners and their areas of specialized expertise are easily accessible to all staff, and all staff members are flexible and work together in different team configurations based on what is best for the project and client. Sharing of skills and experience is strongly encouraged in our organization so that everyone benefits from all dimensions of our deep local government experience.

As a result, our project teams are flexible and able to respond quickly and effectively to client needs. If the need for a particular skill set is determined to be necessary midway on a project, project staffing can readily be enhanced to ensure that we provide our clients with the best possible final product.

The project team for this proposed performance audit is shown below. Their resumes are attached to this proposal.

## **B. Key Project Personnel**

Key personnel are presented below. All personnel presented below for the *Performance Audit of the Redevelopment of the Rialto Airport and Management of the Lewis-Hillwood Rialto Company, LLC Development Agreement* are employees with Harvey M. Rose Associates, LLC.

Dan Goncher	Principal In Charge (primary contact person)	415-553-4629	\$235 per hour
Nicolas Menard	Principal Analyst	415-553-4626	\$195 per hour
T.B.D. (if necessary)	Senior Analyst		\$165 per hour

Harvey M. Rose Associates, LLC would base its fees on the fee schedule above. The hourly rates shown are based on the final scope and deliverables proposed. Our hourly rates cover staff time and all related expenses including travel, per diem costs, shipping, report preparation, and all others. Our policy is to bill monthly in arrears but we are open to other arrangements proposed by the City.

As shown above, we have assigned a Principal and a Principal Analyst at \$235 and \$195 per hour respectively. The need may arise to add a third staff member to the audit team to assist with low to moderately complex tasks. If this need arises, we would assign a Senior Analyst to these tasks at a rate of \$165 per hour after receiving prior approval from the City Administrator or his or her designee. The assignment of a Senior Analyst to this audit would not result in higher costs to the City and would not affect the not-to-exceed amount shown in Table 2 in Section 1 of this proposal. Further, any tasks assigned to a Senior Analyst would be closely supervised by the Principal and Principal Analyst.

## Section 3: Qualifications and Experience

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### A. Firm Description and Experience

Harvey M. Rose Associates, LLC (HMR) is a California-based, limited liability corporation. Our firm has been providing performance assessments and related analytical services to cities and other local government entities since 1978.

HMR specializes in management and organizational reviews and consulting services for the public sector. During the 40-year history of our firm, HMR has conducted comprehensive organizational assessments, performance audits, investigations, and management reviews of virtually every type of local government agency. We have reviewed the budget and operations of enterprise agencies (such as airports, utilities, wastewater, hospitals, ports, and transit agencies) and non-enterprise agencies (such as public works, community development departments, finance, human resource and information technology departments, parks and recreation, planning, procurement, and others). We have also reviewed the activities of redevelopment agencies, including the San Bernardino International Airport Authority, the Inland Valley Development Agency, the Southern California Logistics Airport Authority, and the Victorville Redevelopment Agency, among others.

Highlights of HMR's experience and qualifications for providing organizational evaluations and management review services include:

- Serving continuously as Budget and Legislative Analyst to the Board of Supervisors of the City and County of San Francisco on a contract basis since 1979, conducting organizational assessments and performance audits, reviewing legislation for fiscal impact, providing policy analyses on legislative proposals, and conducting an annual detailed review of the Mayor's proposed budget for all City agencies.
- Serving continuously as contract Management Auditor to the Board of Supervisors of the County of Santa Clara since 1980, conducting organizational assessments, performance and program evaluations, special studies and risk assessments as directed by the Board, and annually reviewing the County Executive's recommended budget for all County departments.
- Conducting organizational assessments, performance audits, fiscal reviews, management reviews and special studies of schools and special districts including the Sacramento Regional Sanitation District, the Santa Clara Valley Water District, Beverly Hills Unified School District, Los Angeles Unified School District, East Side Union High School District in San Jose, and others.
- Conducting organizational assessments, performance audits, management reviews, fiscal reviews and special studies for California counties including Riverside, Sonoma, Los Angeles, San Bernardino, Sacramento, Humboldt, Mendocino, Amador, Solano, Marin, San Mateo, Orange, San Diego, Ventura, Kern, Fresno, Monterey, Santa Cruz and other counties.
- Conducting organizational assessments, performance audits, fiscal reviews, management reviews and special studies for officials in numerous California cities, including the Los Angeles

City Controller, the City Attorney of Fresno, the City Manager of Oakland, the City Manager of Colton, and the Mayor of San Jose, among others.

## **B. Key Personnel Qualifications**

Key personnel are presented below.

**Dan Goncher, Principal in Charge:** Mr. Goncher is a Principal with extensive experience conducting investigations and technical analyses for public sector agencies. Mr. Goncher has managed and conducted organizational and efficiency reviews, performance analyses, budget analyses, management audits, investigations, and special studies in the areas of redevelopment activities, airports, city planning, utility billing, capital programs, public works, wastewater, public health, transportation, real estate, housing, government operations, and others. His project work has taken place in the City and County of San Francisco, the counties of San Bernardino, Los Angeles, Sacramento, Santa Clara, Santa Cruz, and Maui as well as the cities of Los Angeles, Colton, Beverly Hills, Sacramento, Berkeley, Alameda, and Sunnyvale. Mr. Goncher conducted key portions of the analysis for investigations conducted by the San Bernardino Grand Jury of the San Bernardino International Airport (2010-2011) and the City of Victorville and associated redevelopment agencies (2011-2012). He also has experience as a White House Intern and as a Policy Analyst for the British Parliament. Mr. Goncher earned a Master of Public Policy degree from the University of California, Berkeley and received his B.A. (with honors) from American University in Washington, D.C.

**Nicolas Menard, Principal Analyst:** Mr. Menard has strong experience in economic consulting, investigations, and performance audits. Mr. Menard has conducted financial, operational, and policy evaluations of a wide variety of government programs, including a special study of a \$14 billion water infrastructure project in California; assessments of fiscal and policy impacts of legislation authorizing \$1.1 billion in municipal bonds and other financial instruments to fund water and airport infrastructure upgrades and real estate transactions in the City and County of San Francisco; and, a performance audit of the Port of Los Angeles' Accounts Payable Unit. Prior to joining HMR, Mr. Menard was a Research Analyst at Lieff Cabraser Heimann and Bernstein, LLP, an industry-leading action law firm in San Francisco, where he conducted economic research to uncover antitrust conspiracies and worked with clients to assess the damage to their business from anticompetitive conduct. Mr. Menard earned a Master of Public Administration degree from Columbia University and a BA from Swarthmore College.

## **C. Relevant Projects**

The following is a list of notable completed projects by HMR that are relevant to our proposed work on the Redevelopment of the Rialto Airport and Management of the Lewis-Hillwood Rialto Company, LLC development agreement.

### **Performance Audit of San Bernardino International Airport Operations, Development, and Construction Activities**

In June 2011, HMR conducted a performance audit for the 2010-2011 San Bernardino County Civil Grand Jury on the operations, development, and construction activities of the San Bernardino International Airport. The report had five finding areas, including scathing findings on the Airport Authority's internal

controls, construction management practices, equipment acquisition process, contractor relations, and on the settlement of a lawsuit with a contractor. Shortly after the report was published, the airport was raided by the Federal Bureau of Investigation, the long-time executive director resigned, and the Airport cut ties with its long-time contracted construction manager.

**Performance Audit of the Finances of the City of Victorville**

In May 2012, HMR conducted a limited scope performance audit for the 2011-2012 San Bernardino County Civil Grand Jury on the finances of the City of Victorville, including development activities of the Victorville Redevelopment Agency and the Victor Valley and the Victor Valley Economic Development Authority (VVEDA). We found that the City, acting as the VVEDA, mishandled tens of millions of dollars through poorly planned and executed development projects in the VVEDA redevelopment area, including at the Southern California Logistics Airport (formerly George Air Force Base). More than 20 recommendations for improvement in financial oversight and management and for loan repayment were provided to the City.

**Performance Audit of the City of Los Angeles' Process for Planning Conditions for Development**

This performance audit evaluated the efficiency and effectiveness of the City's process to ensure that conditions placed on development projects are met by developers. The audit found that the City had not established an adequate process for reviewing, approving, and overseeing development projects that ensures that the final project conforms to the intent of the decision maker. Further, the audit found that no single City department manages development projects from the project review through project construction and completion. The audit included six finding areas and 27 total recommendations for improvement.

**Analysis of Disposition and Development Agreement on Port of San Francisco Property**

This analysis for the San Francisco Board of Supervisors evaluated proposed legislation that would approve a disposition and development agreement between the Port of San Francisco and a private developer for 28 acres of real property known as Seawall Lot 337 located south of the San Francisco Giants ballpark and partially used as parking lots for events at the stadium. We estimated costs to construct public infrastructure and facilities, such as streets, sewers, and water lines, over the term of the project to be \$697.6 million. Our report noted several potential risks of the development, including that special tax revenues from community facilities districts and property tax increment from the Port Infrastructure Financing District could be less than estimated by the Port of San Francisco if the number of residential units or the square footage for leased and commercial units is less than estimated and/or property values are lower than assumed due to market conditions when certificates of occupancy are issued. We recommended that the proposed resolution be amended to request the Port Executive Director to report to the Board of Supervisors annually in May of each year on the status of the project and project financing.

**Legislative Analysis of Development Agreements for the San Francisco Board of Supervisors**

As the contracted Budget and Legislative Analyst for the San Francisco Board of Supervisors, we provide independent fiscal and policy analyses, special studies, and performance audit reports on City departments and programs to the Board of Supervisors. Our responsibilities include analyzing and reporting on all fiscal matters in legislation referred to the Board of Supervisors. This legislation often include proposed development agreements. Our analyses of these development agreements evaluate the costs and benefits to the City for infrastructure and other improvements as well as potential lease revenue or revenue from the sale of property.



**Analysis of Proposed Term Sheet for Hosting the 34<sup>th</sup> America's Cup in San Francisco**

This analysis focused on the estimated costs and benefits to the City and County of San Francisco under the conditions set forth in the non-binding Term Sheet negotiated by the City's Office of Economic and Workforce Development and the Golden Gate Yacht Club and subsequently approved by the Board of Supervisors to host the 34<sup>th</sup> America's Cup. Based on the Term Sheet, we estimated that by hosting the America's Cup in San Francisco, the City would receive estimated revenue benefits of \$22 million while incurring estimated new costs of \$64.1 million, thereby resulting in an estimated net loss to the City of \$42.1 million. Subsequent to our report, the City agreed to host the 34<sup>th</sup> America's Cup with substantial revisions to the original Term Sheet. Of note, the final agreement removed an original proposed term to lease various Port properties, free of charge, to the Event Authority for 66 to 75 years, and allow the Event Authority to develop such property with the City and County of San Francisco charging no rent to the Event Authority for the term of the leases.

**Annual Budget Review for the City and County of San Francisco**

Under contract with the San Francisco Board of Supervisors, we review the annual budgets for all County departments including the City Planning Department, Department of Building Inspection, and Office of Economic and Workforce Development. Our budget review evaluates the sufficiency of funding sources, efficiency of operations, and capacity of the organization to achieve its goals.

**Annual Budget Review for the County of Santa Clara**

Under contract with the County of Santa Clara Board of Supervisors, we review the annual budget for all County departments. Our firm has served this role on an ongoing basis since 1981.

## Section 4: References

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### **Sunny Angulo, Legislative Aide**

Supervisor Aaron Peskin

City Hall

1 Dr. Carlton B. Goodlett Place, Room 244

San Francisco, CA 94102

(415) 554-7450

Sunny.angulo@sfgov.org

Analyses of proposed development agreements at the Port of San Francisco for the San Francisco Board of Supervisors.

### **Chelsea Boilard Legislative Aide**

Supervisor Sandra Fewer, Chair of Budget and Finance Committee

City Hall

1 Dr. Carlton B. Goodlett Place, Room 244

San Francisco, CA 94102

(415) 554-7413

Chelsea.boilard@sfgov.org

Weekly legislative analysis reports provided to the Board of Supervisors as required under the City's Administrative Code.

### **Charles Umeda, Judge, Rancho**

**Cucamonga District Superior Court**

Former Legal Advisor, San Bernardino

County Civil Grand Jury

8303 Haven Avenue

Rancho Cucamonga, CA 91730

(909) 709-5609

Performance Audits of the San Bernardino International Airport and the City of Victorville

## Appendix A: Resumes

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**POSITION:** Principal – Harvey M. Rose Associates, LLC

**EXPERIENCE:** ***Project Management and Analysis***

Plan, manage, and conduct performance and management assessments and audits on a wide variety of issues for local government clients as needed. Also provide fiscal, legislative, and budget analysis of proposed resolutions, ordinances and supplemental appropriation requests from departments and programs for the City and County of San Francisco Board of Supervisors.

***Public Works, Transportation and Land Use Projects***

- Budget Analysis of Public Improvement Costs, City of Los Angeles
- Analysis of Inter-Agency Coordination of Development Projects, City of Los Angeles
- Nationwide Benchmarking Study of Planning Functions, City of Los Angeles
- Review of Management Functions of Regional Planning Department, County of Los Angeles
- Performance Audit of San Bernardino International Airport Operations, Development and Construction Activities
- Audit of Controls to Ensure Proper Billing of Sewer Impact and Use Fees, Sacramento Regional County Sanitation District
- Risk Focused Process Audits of Various Divisions, Port of Los Angeles
  - Managed Review of Grants Management and Capital Assets for Port Police, Goods Movement, and Information Technology Divisions; Assisted with Reviews of Human Resources
- Performance Audit, Port of Los Angeles Real Estate Division
- Project Manager, Performance Audit, Victorville Municipal Utility Services, Southern California Logistics Airport, and the City of Victorville
- Project Manager (Multiple Annual Audits), Proposition 39 Audit of Beverly Hills Unified School District's Measure E Bond Fund Program and associated Capital Development Activities
- Performance Audit, Los Angeles World Airports Capital Development Program
- Project Manager, Study of Impact of Transportation Network Companies in City of Sunnyvale
- Project Manager, Performance Audit of Affordable Housing Policies and Programs, City and County of San Francisco
- Performance Evaluation, State of Colorado Division of Water Resources- Dam Safety Branch
- Review, Transportation Impacts of Proposed California Pacific Medical Center- Cathedral Hill Hospital Development
- Operational Performance Audit, Colton Electric Utility
- Energy Efficiency Analysis, Alameda Power and Telecom
- Annual Review of \$163 million Department of Public Works budget, City and County of San Francisco
- Annual Review of \$838 million San Francisco International Airport Budget

***Finance and Government Operations Projects***

- Manager, Annual Review of Mayor's Proposed \$11 billion two-year budget for the City and County of San Francisco Board of Supervisors including Department of Public Works and San Francisco Public Utilities Commission
- Performance Audit of Workforce Development Programs, City and County of San Francisco
- Analysis of Proposed FY 2017-19 and FY 2019-21 Budget, Oakland City Council (including Planning and Building; Economic and Workforce Development)
- Manager, Management Audit of the Santa Clara County Sheriff's Office

- Manager, Performance Evaluations of the Weld County Board of County Commissioners and Clerk and Recorder's Office
- Analysis of Permitting Processes for Certified Farmers Markets, City and County of San Francisco
- Analysis of Citywide Procurement Processes, City and County of San Francisco
- Audit of Santa Clara Stadium Authority Finances, City of Santa Clara
- Audit of Financial Condition and Unfunded Liabilities, City of Upland
- Performance Audit, San Francisco's Lead Worker, Standby, Acting Assignment, and Supervisory Differential Pay Practices
- Fiscal and Legislative Analysis, City and County of San Francisco Proposed Resolutions and Ordinances
- Performance Audit of Citywide IT Purchasing, City and County of San Francisco
- Performance Audit of Citywide Ethics Program, City of Long Beach
- Comparative Analysis of Labor Standards Enforcement, City and County of San Francisco
- Close-out Audit of the Santa Clara County Cal-ID Fingerprinting Program
- Low-Income Investment & Lending Reviews, Federal Reserve Bank of San Francisco

***Health and Social Services Projects***

- Performance Audit of the Department of Liquor Control (including staffing), Maui County Council
- Annual Review of \$1.6 billion Department of Public Health budget, City and County of San Francisco
- Management Audit, Santa Clara County Behavioral Health Services
- Project Manager, Performance Audit of the City and County of San Francisco Children's Fund as managed by the Department of Children, Youth, and their Families
- Performance Audit, Sacramento Housing and Redevelopment Agency
- Performance Audit, San Francisco Housing Authority
- Special Study, Investigation of the Los Angeles County Elder and Dependent Adult Abuse Prevention Services and Program
- Special Study, Investigation of the Los Angeles County Foster Youth Abuse Prevention Services and Program

***Education, Recreation and Culture Projects***

- Audit of Beach Concession Agreements, City of Long Beach
- Review of Los Angeles Community College District's Process for Procuring Inspector General Services
- Nationwide Benchmarking Study of Warehouse Management & Inventory Control, Los Angeles Unified School District
- Project Manager, Performance Audit of Alemany Farmers' Market, City and County of San Francisco

**PROFESSIONAL  
HISTORY:**

Harvey M. Rose Associates, LLC, *Principal*, 2019- Present  
 Harvey M. Rose Associates, LLC, *Senior Manager*, 2013- 2018  
 Harvey M. Rose Associates, LLC *Principal Analyst*, 2011-2013  
 Harvey M. Rose Associates, LLC, *Senior Analyst*, 2008 - 2011  
 Alameda Power and Telecom, *Consultant*, 2008  
 United Kingdom Office of Climate Change, *Intern*, 2007  
 City of Berkeley-Office of the Mayor, *Policy Analyst*, 2007  
 Federal Reserve Bank of San Francisco, *Bank Examiner*, 2000-2006  
 The White House, *Intern*, 1998

**EDUCATION:**

Master of Public Policy, Goldman School of Public Policy, University of California at Berkeley, 2008  
Bachelor of Arts in Communications, Legal Institutions, Economics, & Government; American University, 2000

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## NICOLAS R. MENARD

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**POSITION:** Principal Analyst – Harvey M. Rose Associates, LLC

**EXPERIENCE:** *Project Analysis*

Participates in performance audits, special studies, and budget and legislative analyses for counties, cities, and other governmental agencies, and performs other analyses on a wide variety of issues for government clients as needed.

***Public Works, Transportation and Land Use Projects***

- Performance audit of the San Francisco Municipal Transportation Agency, with a focus on revenues, capital project delivery, and transit performance.
- Special Study of water infrastructure project in California. Modeled debt sustainability of \$14B water infrastructure upgrade through quantitative analysis of financial/operational data. Performed qualitative analysis of operational and regulatory risks to contextualize model input/outputs.
- Assessment of fiscal and policy impact of legislation authorizing over \$1.1 billion in municipal bonds and other financial instruments to fund water and airport infrastructure upgrades and real estate transactions within the City and County of San Francisco.

***Public Safety Projects***

- Performance audit of Santa Clara County Sheriff's Office, with a focus on performance management, patrol operations and oversight, and information technology project management.
- Special Study of violence prevention programs in San Francisco, with a focus on interagency coordination and program performance measurement.
- Budget and staffing review of Mayor's proposed budget for the San Francisco Department of Police Accountability and the San Francisco Police Department.
- Performance audit of the San Francisco Police Department, focusing on staffing, workload, scheduling, overtime, and civilianization.
- Performance audit of the San Francisco Sheriff's Department's Workers Compensation and Overtime
- Performance audit of Riverside County conflict counsel for indigent defendants.

***Finance and Government Operations Projects***

- Performance audit of Santa Clara County Information Services Department, with a focus staffing and recruitment practices, internal service fund service rates, and customer service.
- Performance audit of San Francisco Department of Technology, including internal service fund service rates, project management, and contract management.
- Performance audit of Port of Los Angeles Accounts Payable, with a focusing assessing the unit's internal controls to reduce fraud and abuse of the Port's payment processes.
- Reviewed annual budget requests of San Francisco Departments of Technology, City Administrator, Economic & Workforce Development, Building Inspection, and City Attorney.
- Reviewed annual budget request of City of Oakland's Information Technology Department.
- Performance review of Weld County Board of Commissioners and Clerk & Recorder's Office
- Special Study on financial and operational models to expand San Francisco's municipal fiber optic network to residents and businesses.
- Special Study on public cost of Internet access and phone service within the City and County of San Francisco. Recommended changes to access technology and redundancy policies to achieve cost savings.
- Special Study of information technology asset management within the City and County of San Francisco. Recommended data collection and centralization strategies to reduce delays and costs in information technology project implementation.

**Housing Projects**

- Special Study of housing affordability in California. Developed regression models to identify cost-drivers of affordable housing development in California. Evaluated data quality of 50+ databases and conducted survey of affordable housing developers.
- Special studies of development, construction, and building inspection fees in San Francisco for the Board of Supervisors.
- Special study of San Francisco affordable housing programs, populations served, and geography of development.

**Other Projects**

- Special Study of Language Access Ordinance in San Francisco, including analysis of interdepartmental coordination and of contracts awarded for language access purposes.
- Conducted original research and data analysis to uncover and value damage of price-fixing cartels, including for foreign exchange, interest rate derivatives, commodities, and pharmaceuticals. Worked with municipalities to assess potential losses of anticompetitive conduct. Wrote factual and analytical sections of legal documents submitted to federal courts.

**PROFESSIONAL****HISTORY:**

Harvey M. Rose Associates, LLC, San Francisco, CA, *Principal Analyst*, 2017-present  
Harvey M. Rose Associates, LLC, San Francisco, CA, *Senior Analyst*, 2014-2017  
Lief Cabraser, San Francisco, CA, *Research Analyst*, 2013-2014  
Blue Sky Consulting Group, Emeryville, CA, *Summer Associate*, 2013

**EDUCATION:**

Master of Public Administration, Columbia University  
Bachelor of Arts, Swarthmore College