

SFMTA Bond Oversight Committee

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December 13, 2017

SFMTA Board of Directors

Cheryl Brinkman, Chairman
Malcolm Heinicke, Vice-Chairman
Gwyneth Borden, Director
Lee Hsu, Director
Joél Ramos, Director
Cristina Rubke, Director
Art Torres, Director

Dear SFMTA Board Of Directors:

On behalf of the San Francisco Municipal Transportation Agency (SFMTA) Bond Oversight Committee (BOC) we are pleased to present the Fiscal Year 2016-2017 Annual Report.

The BOC was created by the SFMTA Board of Directors by Resolution #11-154 on December 6, 2011. The purpose of the BOC is to provide independent oversight with respect to the expenditure of SFMTA revenue bond proceeds.

Pursuant to its Bylaws, the BOC is required to provide its annual report to the SFMTA Board of Directors by January 31 of each year. The attached report describes BOC activities during Fiscal Year 2016-2017, including a report prepared by external auditors KPMG LLP and a description of any notable BOC actions since the end of the fiscal year.

We would be pleased to respond to any questions that you may have.

Sincerely,



Rudy Nothenberg
Chairman

cc: Edward D. Reiskin, Director of Transportation
Benjamin Rosenfield, Controller

Attachment: Fiscal Year 2016-2017 Annual Report

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SFMTA Bond Oversight Committee FY 2016-2017 Annual Report

December 6, 2017

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SECTION 1. INTRODUCTION

The San Francisco Municipal Transportation Agency (SFMTA or Agency) Bond Oversight Committee (BOC) was created by the SFMTA Board of Directors. Under its Bylaws, the BOC is required to provide an annual report to the SFMTA Board of Directors by January 31st of each year. This report covers activities for Fiscal Year 2016-2017, and includes a review by external auditors as well as a brief description of events occurring since the end of the fiscal year.

SECTION 2. BACKGROUND

The Board of Directors of the SFMTA created the BOC on December 6, 2011 by Resolution #11-154. The Resolution creating the BOC is available on the SFMTA website under Policies at the following link: <http://sfmta.com/sfmta-resolution-no-11-154>.

The BOC was established to provide independent public oversight regarding the expenditure of bond proceeds for projects funded by the SFMTA's revenue bonds and other forms of indebtedness to ensure that bond proceeds are being spent for authorized purposes in accordance with law. The purpose of the BOC is to ensure accountability and transparency for SFMTA debt financed projects, and to ensure that prudent internal controls and practices are established and implemented by the SFMTA. The BOC also informs the SFMTA Board of Directors and the public on the status of the projects funded by debt.

The BOC's authority does not include the approval of projects included in any financing, or the selection process of any vendor hired by the SFMTA to execute bond-funded projects or issue debt.

The BOC consists of seven members as follows: (1) three members recommended by the SFMTA Board Chairman and approved by the SFMTA Board of Directors; (2) two members of the Citizens' Advisory Council; (3) one member appointed by the SFMTA's Director of Transportation; and (4) one member appointed by the Controller. The three current members appointed by the SFMTA Board are Rudy Nothenberg, Leona Bridges (former SFMTA Board member) and Robert Shaw, who replaced Pauline Marx on August 17, 2017. The two current members appointed by the Citizens' Advisory Council are Daniel Murphy and Stephen Taber. The current member appointed by the Director of Transportation is Kathryn How (Assistant General Manager, San Francisco Public Utilities Commission). The current member appointed by the Controller is Nadia Sesay (Director of the Office of Public Finance). The BOC elected Rudy Nothenberg as Chair and Daniel Murphy as Vice Chair at its meeting on June 1, 2016. BOC members do not receive compensation for their service on the committee.

In Fiscal Year 2016-2017, the BOC convened four times: on August 17, 2016, October 5, 2016, December, 2, 2016, and March 3, 2017.

All Committee proceedings are subject to the California Public Records Act (Section 6254, et seq., of the Government Code of the State of California) and the City's Sunshine Ordinance (Chapter 67 of the Government Code of the State of California). Minutes of the proceedings of the Committee and all documents received and reports issued are a matter of public record and are available on the SFMTA's website at:

<http://sfmta.com/about-sfmta/organization/committees/bond-oversight-committee-boc>.

SECTION 3. AUDITOR REVIEW

The final report from the auditor review is included as Appendix 2 to this report. For more information, see subsequent events (Section 10).

SECTION 4. BOND OVERSIGHT COMMITTEE BYLAWS

BOC meetings are conducted in accordance with its Bylaws. A copy of the current BOC Bylaws is available on the SFMTA website [here](#). The BOC approved an amendment to its Bylaws on January 7, 2015. The amendment changed the scheduled meetings of the BOC to every other month instead of quarterly.

SECTION 5. REVENUE BONDS

As of April 5, 2016 the SFMTA Board of Directors has authorized the issuance of a total of \$365.8M in Revenue Bonds for projects. As of June 30, 2017 the SFMTA has issued \$430.2M of its 2012, 2013, 2014 and 2017 Revenue Bonds, with a total of \$365.8M available for projects and the remaining \$38.0M was used to refund previously issued debt as shown in Section "A" below. Revenue Bond proceeds are invested in the City Treasury and interest earned on these funds is credited to the bond account to be available for bond funded projects. Information related to SFMTA indebtedness and detailed information on issuances –is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

This table displays bond proceeds of only the funds that were issued for project use.

Bond Series	Available amount for projects
2012B Bond	\$25,700,000
2013 Bond	\$75,000,000
2014 Bond	\$75,000,000
2017 Bond	\$190,000,000
Total	\$365,700,000

A. Series 2012A and 2012B Revenue Bonds

In July 2012, SFMTA issued \$63.8 million of its Revenue Bonds, comprised of two series of bonds. The first, Series 2012A (\$38.0 million) (Series 2012A Bonds), was issued for the purpose of refunding bonds previously issued by San Francisco Parking Authority and three non-profit parking corporations. The refunding transaction resulted in net present value savings of \$6.7 million, representing 15.8% debt service savings.

The second, Series 2012B (\$25.7 million) (Series 2012B Bonds) were issued to finance a portion of the costs of various capital projects for the SFMTA. The SFMTA Board of Directors and the Parking Authority Commission approved the issuance of these bonds on December 6, 2011 and May 1, 2012 (Resolution Numbers 11-150, 11-151, 12-065) and the Board of Supervisors concurred with the issuance on April 10, 2012 (Resolution Number 120-12).

B. Series 2013 Revenue Bonds

In December 2013, the SFMTA issued \$75 million of its Revenue Bonds, Series 2013 (2013 Bonds). The SFMTA Board of Directors approved the issuance of the 2013 Bonds on September 3, 2013 and October 15, 2013 (Resolution Numbers 13-206, 13-234) and the Board of Supervisors concurred with the issuance on September 24, 2013 (Resolution Number 337-13). The 2013 Bonds were issued to finance various transportation capital projects.

C. Series 2014 Revenue Bonds

In December 2014, the SFMTA issued \$75 million of its Revenue Bonds, Series 2014 (2014 Bonds), to finance various transportation capital projects. The SFMTA Board of Directors approved issuing the 2014 Bonds on September 3, 2013 and October 21, 2014 (Resolution Numbers 13-206, 14-154) and the Board of Supervisors concurred with the issuance on September 24, 2013 (Resolution Number 337-13).

D. Series 2017 Revenue Bonds

In June 2017, the SFMTA issued \$190 million of its Revenue Bonds, Series 2017 (2017 Bonds) to finance Mission Bay Transportation Capital Improvements, procurement of new Muni vehicles, and the Van Ness Transit Improvement Project. The SFMTA Board of Directors approved issuing the 2017 Bonds on April 5, 2016 (Resolution Number 16-044) and the Board of Supervisors concurred with the issuance on June 7, 2016 (Resolution 231-16).

SECTION 6. COMMERCIAL PAPER PROGRAM

The SFMTA established a \$100 million commercial paper (CP) program on September 10, 2013. The CP program was approved by the SFMTA Board of Directors on June 4, 2013 (Resolution Number 13-071) and the Board of Supervisors concurred on June 10, 2013 (Resolution Number 246-13). The CP program is intended to finance, on a short-term basis, the costs of transportation capital projects in advance of the issuance of revenue bonds. In certain instances commercial paper is issued in anticipation of the receipt of grants. By providing continuous flows of funds to SFMTA capital projects, the CP program can lower project costs by limiting schedule slippage.

At its November 6, 2013 meeting, the BOC reviewed the SFMTA's Commercial Paper Policies and Procedures to guide the use of CP. The procedures were jointly developed by the SFMTA and the Controller's Office of Public Finance. The Policies and Procedures were intended to define the steps to issue commercial paper and the related procedures and accounting to ensure appropriate internal controls and accountability. The BOC has no oversight responsibility for the use of CP on a day-to-day basis. As of September 2017, one CP note for \$41 million was issued on January 18, 2017 and repaid in 90 days, therefore, no CP notes are outstanding. Detailed information is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

SECTION 7. PROJECT DELIVERY

A. Series 2012B Revenue Bond Funded Programs

The Series 2012B Bonds were authorized in July 2012 for a total of \$25.7 million to fund seven transportation program areas. Of the \$25.7 million, \$5.0 million was designated for parking garage projects and \$20.7 million for state-of-good-repair improvements to existing assets as well as accessibility and reliability of the transportation system including transit, bicycle, pedestrian and signal improvements. As of June 30, 2017, the Series 2012B bond funds were spent on a total of 15 projects across the seven program areas. A total of \$25.7 million bond funds were expended leaving \$0 in unspent proceeds.

The following section summarizes the programs included in the 2012B Revenue Bonds.

Program Title

Program Description

Muni Metro Sunset Tunnel Rail Rehabilitation

The Muni Metro Sunset Tunnel Rail Rehabilitation upgrades and reconstructs aging N-Line railway infrastructure in the Sunset Tunnel, which includes replacing track work, overhead catenary system components, feeder cables, the curve signal system, and fire-fighting standpipe components; cleaning drain lines; and adding conduit for a future emergency bluelight telephone system.

Muni Metro Turnback Rehabilitation

The Muni Metro Turnback (“MMT”) extends the Muni Metro Light Rail Transit Line underground approximately one mile from Embarcadero Station to a tunnel portal connecting to the Mission Bay surface line. The MMT includes 800 feet of bored tunnel, cut-and-cover structure, and an extensive underground turnback complex with two pocket tracks. The MMT was designed to improve turnback operations, reduce headways, and provide underground train storage to increase system capacity. The turnback and pocket track just east of Embarcadero Station have been damaged over time by water intrusion from the San Francisco Bay. The worn track has in the past caused service delays. The MMT Rehabilitation is designed to improve service reliability by reducing train and control failures and to improve safety. It is also expected to reduce on-going maintenance costs.

Muni Green Light Rail Facility Rehabilitation	The Muni Green Light Rail Facility Rehabilitation project will enhance system reliability while reducing the need for excess maintenance. The project calls for the replacement of approximately 11,200 track-feet of worn rails and track switches at the SFMTA's Green Light Rail Facility, where in excess of 89 Breda LRVs are regularly stored, and possibly improvements to the facility.
Muni System Radio Replacement Project	This project will replace and modernize SFMTA's radio communication system using 700 MHz voice and 800 MHz data channels as the basis for the communication network. The new system will utilize four base station sites and will meet the regional Intelligent Transportation Standard and the P25 interoperability criteria.
Muni Metro System Public Announcement and Public Display System Replacement	The Muni Metro System Public Announcement and Public Display System Replacement project would improve customer experience within the Muni Metro system by replacing existing 28-year-old subway Public Address System & Platform Display systems with new devices. Specific improvements include the installation of LED passenger information displays at nine stations, for a total of 108 signs. Station improvements will also include speakers, microphones, ambient noise sensors and a digital voice announcement system.
Parking Garage Projects	This program includes funds for assessing the condition of 18 garages and provides partial funding for waterproofing and ventilation projects.

B. Series 2013 Revenue Bond Funded Programs

On December 4, 2013, the SFMTA issued \$75 million in Revenue Bonds, Series 2013 (2013 Bonds). Of the \$75 million, \$1.7 million was programmed for garage projects and \$73.3 million for asset renewals, accessibility and reliability of the transit system (safe routes to transit including bicycle, pedestrian and signal improvements). As of June 30, 2017, the 2013 Bond funds were spent on a total of 36 projects. A total of \$27.3 million in bond funds was expended and \$1.29 million was encumbered in construction contracts leaving \$1.47 million unspent. The remaining 2013 Bond funds will be spent down by the end of calendar year 2017.

The following section summarizes the programs included in the Series 2013 Bonds.

<u>Program Title</u>	<u>Program Description</u>
Pedestrian Safety & Traffic Signal Improvements	This program is meant to promote walking and improve the safety and usability of City streets by providing the funds required to plan, design and construct pedestrian and traffic signal infrastructure. The program includes the installation of red light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares; sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects.
Transit System Safety and Other Improvements	The Transit System Safety and Other Transit Improvements program is designed to improve the safety of the Muni transit system. It includes project development and capital costs for: (i) the replacement of the communication and dispatching system to provide interoperable digital voice communications for SFMTA staff and the Public Works Emergency Radio System; (ii) new vehicle on-board and fixed route components that will provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location, vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; (iii) training equipment and simulators for Muni operators; (iv) replacement of fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, uninterrupted power supply units, networking system, operator consoles and management servers; and (v) transit improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit.

Street Capital Improvements

The Street Capital Improvements program focuses on the development of safe and complete streets through integrated major corridor capital projects. It includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing, new bicycle lanes and paths, bicycle parking facilities, bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and “green wave” traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb outs.

Facility Improvements

The Facility Improvements program includes safety and seismic upgrades to SFMTA parking garages and expansion of Muni operations and maintenance facilities, including projects intended to maintain the state of good repair of certain existing garages and SFMTA operations facilities, to improve working conditions for staff and to otherwise expand existing facilities.

Transit Fixed Guideway Improvements

Transit Fixed Guideway Improvements is a capital program intended to address certain transit operational issues and maintenance needs, and to increase system reliability. It includes project development and costs relating to: replacement of overhead wires and related poles and traction power systems serving light rail and trolley coach lines; improvement to the transportation central control facility and systems; replacement of the trackway and related systems serving the light rail and cable car lines to mitigate excessive noise and/or vibration.

Muni Fleet

Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

Fiscal Year 2016-2017 project delivery milestones for the Series 2013 Revenue Bonds include:

1. Transit Spot Improvement – Muni Forward – 5 Fulton Mid-Route: This project to implement engineering changes to reduce travel time and improve reliability on the 5 Fulton corridor reached substantial completion in June 2017.
2. Blue Light Emergency Phone Replacement: Project reached completion with the installation of a new emergency blue light telephone system in conformance with the latest codes to replace the aged existing system in the Muni Metro tunnel and turnback. The system was also installed in the Sunset Tunnel.
3. Radio Replacement: Substantial completion was achieved at the following sites: Bayview Park, One Market Plaza base station, Forest Hill, 1455 Market Street, Muni Metro East Yard, Islais Creek Yard and Cameron Beach Yard. Construction of the central radio site at Twin Peaks was 99% completed.
4. Islais Creek Phase II Improvements: Continued construction and utilities work in north and south buildings. Contractor continued installing storm drains, area drains and a fire lane at the bus pass-through area. Pacific Gas & Electric (PG&E) began working on gas line installation on the west side of Indiana Street.
5. Operator Restrooms: Phase I: This project to design and construct six facilities at various locations in the City was completed.
6. Operator Restrooms: Phase II: This project to design and construct a minimum of nine facilities at various locations in the City progressed. At the Parkridge & Burnett site the contractor delivered and installed the prefab unit; and started on the remaining utility and civil work. At the Van Ness and North Point site: project team conducted additional outreach meeting with residents and found an alternative location.
7. 33 Stanyan Overhead Replacement - Phase I: Overall construction on this project proceeded and is expected to complete in the fall of 2018. All of the 2013 Bond funds for this project were expended.
8. L-Taraval Track Rail and Overhead Rehabilitation: Detailed design work progressed and reached 65% completion. All of the 2013 Bond funds for this project were expended.
9. M-Ocean View Track Replacement: Notice to Proceed was issued on May 1, 2017.
10. Muni Metro Twin Peaks Tunnel Rail Replacement: The construction contract was terminated and the project will be repackaged and rebid.

C. Series 2014 Revenue Bond Funded Programs

On December 10, 2014, \$75 million of Revenue Bonds, Series 2014 (2014 Bonds) were issued to fund various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2017, the 2014 Bonds were spent on a total of five programs. A total of \$37.3 million bond funds were expended and \$13.0 million were encumbered in construction contracts leaving \$24.7 million. The SFMTA expects these funds will be spent in accordance with the revenue bond policies and regulations.

The following section summarizes the programs included in the Series 2014 Revenue Bonds.

<u>Program Title</u>	<u>Program Description</u>
Pedestrian Safety & Traffic Signal Improvements	This program is meant to promote walking and improve the safety and usability of City streets by providing the funds required to plan, design and construct pedestrian and traffic signal infrastructure. The program includes the installation of red light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares; sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects.
Transit System Safety and Other Improvements	The Transit System Safety and Other Transit Improvements program is designed to improve the safety of the Muni transit system. It includes: project development and capital costs for: (i) the replacement of the communication and dispatching system to provide interoperable digital voice communications for SFMTA staff and the Public Works Emergency Radio System; (ii) new vehicle on-board and fixed route components that will provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location, vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; (iii) training equipment and simulators for Muni operators; (iv) replacement of the fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, uninterrupted power supply units, networking system, operator consoles and management servers; and (v) transit improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit.

Complete Street Capital Improvements	The Street Capital Improvements program focuses on the development of safe and complete streets through integrated major corridor capital projects. It includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing, new bicycle lanes and paths, bicycle parking facilities, bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and “green wave” traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb outs.
Facility Improvements	SFMTA’s Facility Improvements program includes safety and seismic upgrades to SFMTA parking garages and expansion of Muni operations and maintenance facilities, including projects intended to maintain the state of good repair of certain existing garages and SFMTA operations facilities, to improve working conditions for staff and to otherwise expand existing facilities.
Muni Fleet	Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

Fiscal Year 2016-2017 project delivery milestones for the 2014 Revenue Bonds include:

1. Geary Bus Rapid Transit (BRT) Phase I: The project moved toward the construction phase. Construction is anticipated to begin in late 2017, after the Federal Transit Administration (FTA) issues the Record of Decision, and completed in early 2018.
2. Polk Streetscape: Construction got underway to construct new ADA accessible curb ramps at nine locations, traffic sign modifications at five intersections, and related bus pad improvements on Polk Street.
3. 19 Polk: Polk Street Transit Priority Project: Utility work is continuing.
4. Pedestrian Countdown Signals: Construction of the project reached 90% completion with nine of ten new intersection signals installed and turned on.
5. 1 California Laurel Village Transit Priority Project: This project to improve transit safety and reliability, as well as reduce travel time on the 1 California Muni line from Spruce Street to Laurel Street, was advertised in June 2017.

6. Masonic Avenue Complete Streetscape: Construction continued with the remaining sewer hook-ups, and water department plumbers started curb ramp work. The contractor finished most of the street light pole foundations along with signal conduit work to the future median. Once completed in 2018, this project o increase safety and accessibility for all modes of travel on Masonic by re-allocating space to calm traffic, providing dedicated space for people on bicycles, and providing pedestrian enhancements, such as median refuge islands, bus boarding islands, and sidewalk landscaping.

D. Series 2017 Revenue Bond Funded Programs

On June 7, 2017, \$190 million of Revenue Bonds, Series 2017 (2014 Bonds) were allocated to various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2017, the 2017 Bonds were allocated to three projects. A total of \$9.3 million bond funds were expended and \$48.9 million were encumbered leaving \$131.8 million remaining.

The following section summarizes the projects included in the Series 2017 Revenue Bonds.

<u>Project Title</u>	<u>Project Description</u>
Mission Bay Transportation Capital Improvements	Construct a single-track transit loop for the Third Street Light Rail Line (T Line), including adjacent roadway surface improvements on Illinois Street, between 18 th and 19 th Streets. The addition of this short line to SFMTA’s T Line is designed to double the frequency of light rail transit service to Mission Bay and provide enhanced connections between Mission Bay and downtown San Francisco.
Van Ness Bus Rapid Transit Project	Construct a package of transit, streetscape, and pedestrian safety improvements along a two-mile corridor of Van Ness Avenue between Mission and Lombard Streets. Key features include conversion of two mixed-flow traffic lanes into dedicated bus lanes, consolidated transit stops, high quality stations, transit signal priority, all-door low floor boarding, elimination of most left turn opportunities for mixed traffic, and pedestrian safety enhancements.
Muni Fleet: LRV Procurement	Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

SECTION 8. REALLOCATION OF PROCEEDS

The SFMTA Board of Directors and BOC are both notified when reallocations are made between authorized programs and/or projects. In Fiscal Year 2015-16 there were five bond reallocations described below. Reallocations are numbered sequentially by bond issue irrespective of timing.

Series 2013 Bonds

Reallocation 5: In a Memorandum dated August 26, 2016, the SFMTA Board was advised that \$449,200 was redirected from the Muni Forward-5 Fulton Outer project in the Transit System Safety & Other Transit Improvements program to Islais Creek Phase II in the Facility Improvements program due to cost savings from the active project.

Reallocation 6: In a Memorandum dated October 13, 2016 the SFMTA Board was advised that \$1,009,991 was redirected to the Muni Fleet Program to fund the Procurement of Light Rail Vehicles project as follows: 1) a total of \$349,991 from within the Transit System Safety & Other Transit Improvements in cost savings from both the Transit Spot Improvement - Muni Forward – 24th Street & Castro Bus Bulb project (\$5,046) and the Transit Spot Improvement – Muni Forward – 5 Fulton Mid Route Phase I project (\$344,945), and 2) \$660,000 from within the Transit Fixed Guideway program from the M-Ocean View Track Replacement project.

Reallocation 7: In a Memorandum dated July 26, 2017, the SFMTA Board was advised that \$524,145 was redirected from Facility Improvements and Transit System Safety & Other Transit Improvements categories to the Muni Fleet Program category to support the Procurement of Light Rail Vehicles project. The funds are being redirected as follows: 1) a total of \$524,200 from the Facility Improvements were identified as from a slower moving projects – Islais Creek II (\$520,569), and 2) cost savings from Operator Convenience Facilities Phase I (\$3,576) and from within Transit System Safety & Other Transit Improvements from Transit Spot Improvement - Columbus Bus Bulbs (\$55). In addition, \$12,091 in project cost savings from Above Grade PCS & Signal Viability Improvement was redirected from Pedestrian Safety & Traffic Signal Improvements to Street Capital Improvements - Masonic Avenue Streetscape to cover a small overage in the construction phase.

Series 2014 Bonds

Reallocation 2: In memorandum dated March 21, 2017, the SFMTA Board was advised that \$242,903 from the Street Capital Improvements program was directed to the Pedestrian Safety & Traffic Signal Improvements program within the same project—Columbus Avenue Streetscape. This

reallocation only consolidated the funding for the same project into one program. The overall allocation for Columbus Avenue Streetscape did not change.

SECTION 9. POLICIES & PROCEDURES

At the June 1, 2016 meeting, BOC members approved a change to Article III (Meetings) to indicate committee members to meet at least once each quarter during each year.

At the August 17, 2016 meeting, BOC members were provided a draft of the proposed “Procedures to Issue, Transfer, and Close-out Revenue Bond funds”. BOC members commented that any schedule changes should be communicated to them. At the October 5, 2016 meeting, SFMTA staff responded by adding dates of schedule changes for each project to the reports and explained that the expenditure data was removed from the quarterly report at the request of the BOC to avoid timing discrepancies that caused the monthly reports not to reconcile with the quarterly report - due to the different reporting periods presented in the respective reports.

Also at the October 5, 2016 meeting, BOC members requested that SFMTA staff include an appendix in the quarterly report that lists all completed bond funded projects by bond series and amount. SFMTA staff responded by including that information in subsequent reports.

At the December 2, 2016 meeting, Chairman Nothenberg requested that SFMTA, DPW and Controller’s office provide a management response to work authorization timeline exceptions and revise the procedure to ensure the timelines are reasonable under the City’s overall procedures. SFMTA staff agreed to draft a management response and to amend the Work Authorization procedures in concert with DPW the Controller’s Office. The BOC also requested that the draft management response be shared with them prior to finalization.

SECTION 10. SUBSEQUENT EVENTS

A. Committee Membership

Robert Shaw, from the Treasurer’s Office, replaced Pauline Marx on August 17, 2017, as one of the three members appointed by the SFMTA Board along with Rudy Nothenberg and Leona Bridges (former SFMTA Board member). Mr. Shaw was introduced as the new member of the SFMTA Bond Oversight Committee at the September 6, 2017 meeting.

B. Audit Procedures and Findings

At the BOC meeting of September 6, 2017, KPMG, the BOC's independent auditor, presented the draft Fiscal Year 2016-2017 Agreed-Upon Audit Procedures to evaluate sources and uses of SFMTA's series 2012, 2013 and 2014 bonds in compliance with the provisions of the MTA Board's Authorizing Resolution and SFMTA's internal procedures for the bonds. KPMG reported that the revenue bond procedures for Fiscal Year 2016-2017 are similar to the previous years with a sample size of sixty-five transactions, to include representative coverage of large and small dollar amounts, interdepartmental charges, and other miscellaneous items. The final report from the auditor review is included as Appendix 2 to this report.

C. Bond Expenditures

Due to the conversion of the City's financial system in July 2017, financial data beyond June 30, 2017 is not available as of the writing of this report. As of June 30, 2017, the remaining bond funds for each series are as follows: Series 2012B - \$0, Series 2013 - \$1,474,241, Series 2014 - \$24,680,751, Series 2017 - \$131,812,547. Series 2012B was fully expended in October 2016. It is projected the bonds will be fully expended as follows: Series 2013 – December 2017, Series 2014 – December 2017, Series 2017 – summer 2019.

APPENDIX 1: FISCAL YEAR 2016-2017 MEETING SCHEDULE

Meetings occurred on the following dates beginning at 2:00 PM at the SFMTA administration building at 1 South Van Ness Avenue, San Francisco. Meeting Agenda and Minutes of the SFMTA BOC meetings are posted at the following link: <http://sfmta.com/about-sfmta/organization/committees/bond-oversight-committee-boc>. Audio recordings are on file with the Committee Coordinator and can be made available upon request. Scheduled meetings are open to the public and the BOC encourages the participation of the public.

Fiscal Year 2016-2017 BOC Meeting Dates

- August 17, 2016
- October 5, 2016
- December 2, 2016
- March 3, 2017

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APPENDIX 2: FISCAL YEAR 2016-2017 AUDIT

See attached report.

Independent Accountants' Report on Applying Agreed-Upon Procedures

San Francisco Municipal Transportation Agency (SFMTA)
Bond Oversight Committee and SFMTA Board of Directors
City and County of San Francisco, California:

We have performed the procedures enumerated in the Attachment, which were agreed to by San Francisco Municipal Transportation Agency (SFMTA), on SFMTA's sources and uses of funds related to bond series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2017. SFMTA's management is responsible for SFMTA's sources and uses of funds related to bond series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2017. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in the Attachment, either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on SFMTA's uses and sources of funds related to bond series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2017. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of City and County of San Francisco Board of Supervisors, SFMTA Board of Directors, SFMTA Bond Oversight Committee, SFMTA management, and others within SFMTA, and is not intended to be and should not be used by anyone other than the specified parties.

 (signed) KPMG LLP

San Francisco, California
December 11, 2017

Independent Accountants' Report on Applying Agreed-Upon Procedures

Procedures and Results:

1. For the sample items selected in procedure c. below, confirm that debt proceeds and interest income have been recorded in the accounting system solely for uses, purposes, and projects authorized in the authorizing resolution by performing the following procedures:
 - a. We obtained the following documentation related to City and County of San Francisco (CCSF) and San Francisco Municipal Transportation Agency (SFMTA) guidelines, procedures, and authorizations to use as a basis of determining that the debt proceeds and interest income were recorded correctly in procedure 2 below:
 - Board of Supervisors (BOS) Resolutions for Series 2012A, 2012B, 2013, 2014 and 2017 bonds and Municipal Transportation Agency Board (MTAB) Resolutions for Series 2012A, 2012B, 2013, 2014, and 2017 bonds
 - SFMTA Procurement Procedures
 - CCSF Accounting Policies and Procedures
 - Capital Funding Recommendations
 - b. We obtained and inspected the following bond resolutions that describe management's intention of the bond proceeds and interest income for the source, intended use, and expenditure and balances of bond revenue to use as a basis of determining that the debt proceeds and interest income were recorded correctly in procedure 2 below:
 - The SFMTA Board of Directors Resolutions 11-150, 13-205, and 16-044 resolving to issue Series 2012A, 2012B, 2013, 2014, and 2017 revenue bonds for the purpose of financing (as capital projects) the cost of transportation projects.
 - The SFMTA Board of Directors Resolutions 11-127, 13-206, and 16-044, which allow SFMTA to be reimbursed for costs for the above range of capital projects from the proceeds of revenue bond Series 2012A, 2012B, 2013, 2014, and 2017.
 - CCSF Board of Supervisors Resolutions 120-12, 337-13, and 231-16 authorizing the issuance of Series 2012A, 2012B, 2013, 2014, and 2017 bonds in concurrence with the resolutions passed by the SFMTA Board of Directors.
 - CCSF Board of Supervisors Resolutions required to appropriate the revenue collected from the bond issuances for the various capital projects to be undertaken by the Department of Public Works (DPW) on behalf of SFMTA.
 - c. We selected a sample of 65 expenditures from the general ledger detail (EIS data) provided by management, including a sample of trustee payments that included debt principal and interest amounts, and performed the agreed upon procedures listed in procedure 2 to determine whether the sources were used solely for uses, purposes, and projects authorized in the authorizing resolutions described above.

Results: No exceptions were found as a result of applying these procedures.

2. *For a sample of transactions, perform the following procedures with respect to uses, expenditures, encumbrance, and balances for the year ending June 30, 2017:*
 - a. Validate that uses are solely for purposes per authorizing resolution and applicable laws
 - b. Validate that project expenditures and encumbrances are for authorized capital projects
 - c. Validate that transactions are properly supported based on City and Departmental policies and are processed in accordance with SFMTA's internal procedures

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- d. Validate if the trustee payments for debt service are according to terms, amounts are correct, and due dates have been met
 - e. Validate if bond balances reported are correct and trace to supporting records
- (A) As referenced in procedure 1(c) above, we selected a sample of 65 transactions from the EIS data, split as follows:
- 25 expenditures with the high-dollar amounts
 - 15 assorted expenditures for small-dollar amounts
 - 15 interdepartmental charges
 - 5 budget (funding) transfers between projects
 - 5 trustee payments

We obtained the EIS data related to bond series 2012A, 2012B, 2013, 2014, and 2017 from management of all transactions recorded related to the aforementioned bond series. We selected the 25 highest dollar amounts by filtering the transaction amount in the detail from highest to smallest. Then, we selected 15 additional expenditures that were not within the highest dollar amounts.

We obtained separate work order files related to bond series 2012A, 2012B, 2013, 2014, and 2017 from management that included general ledger (GL) accounts 431 and 423. The work order file containing the GL code 423 was organized by transaction type and description. We selected the 15 interdepartmental charges from the work order file that contained GL 431. We used the second work order file with GL 423 and selected 5 budget (funding) transfers between projects with transaction type of "budget setup" with description of 'project funding'.

We obtained a listing of all bond debt service payments to trustee related to bond series 2012A, 2012B, 2013, 2014, and 2017 from management. We selected five payments from this listing.

- (B) We performed the procedures described above on samples referenced in procedure 2(A) as follows:

High-dollar amounts and assorted smaller-dollar expenditures (Sample Size 40) Sample numbers 1-40 (Steps 2a-c described above). For samples #1-40 listed below, we validated:

- the uses of funds were for expenditures solely for purposes per authorization resolution and applicable laws by comparing the project description on the approved invoice and encumbrance payment provided by management to the respective bond authorization and resolution provided by management.
- the project expenditures and encumbrances were for authorized capital projects by obtaining the approved invoice and Certificate of Progress Payment that were signed by the project manager and contract administrator provided by management.
- the transactions were properly supported based on City and Departmental policies in accordance with SFMTA's internal procedures by obtaining the approved invoice, encumbrance payment request form, the general ledger screen shot showing the amount paid prior to reimbursement, Certificate of Progress Payment, request for progress payment memorandum, and bank statement from management. We also agreed the amount per the progress payment memorandum to the amount in the encumbrance payment request form for each selection. Then, we agreed the amounts per the progress payment report to the respective bank statement. For samples #1, #12, #15, #29-31, #33-37, and #39, progress payment reports were not provided because they were not direct construction costs. We used the FAMIS payment screenshot from the general ledger system to compare the payment date to the respective bank statement. We also agreed the date of payment on the bank statement to the 30-day

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payment rule per CCSF's Prompt Payment Guideline. For samples #29-30, and #37, the 30-day payment rule did not apply because these payments were one-time payments in the accounts payable system.

We further found the following:

- Sample #3 was not paid because the payment related expenditure was canceled. We inspected the Notice of Cancellation issued by Insurance Services Office, Inc. with an effective date of June 1, 2017 as well as the cancellation journal entry posted June 2, 2017 and found that the aggregate amount accounted for in the journal entry matches the original expense.
- Sample #28 had a 68 day lag between the invoice receipt date of December 7, 2016 and the bank post date of February 13, 2017. The invoice was approved for payment, however, the Controller's Office issued a stop payment on the contractor (payee) due to noncompliance by the contractor. The payment was not released until the lien was cleared. We inspected the original encumbrance payment request form (signed and approved), the stop notice issued by the Controller's office to the contractor, and stop payment release notice.
- Sample #29 did not have a progress payment because it was an internal work order. The work order was billed between SFMTA and another CCSF department. We inspected the approved work authorization form in lieu of the proof of payment.
- Samples #33 – 36, and #39 did not have progress payments because they were related to salaries and overhead charges. We obtained the respective time sheets and payroll registers for each labor distribution transaction related to salary. Samples #34 and #39 were related to an overhead charge and we agreed the rate charged per time sheet to approved fiscal year 2017 Overhead Allocation Rate. We also recalculated the overhead amount.

Sample #	Project name	Project title	Transaction type	Transaction
1(**)	Procurement of Light Rail Vehicles	PROCUREMENT OF NEW LRV-CT MOD 3 ASE	High Dollar Value	\$ 5,614,049.08
2(**)	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	2,266,728.38
3	Van Ness Bus Rapid Transit Project	VAN NESS BUS RAPID TRANS-CONST-2017BONDS	High Dollar Value	2,238,545.36
4	Van Ness Bus Rapid Transit Project	VAN NESS BUS RAPID TRANS-CONST-2017BONDS	High Dollar Value	2,238,545.36
5	Van Ness BRT	VAN NESS BRT-CON-CT/PO/PROF SVC-13A	High Dollar Value	2,138,335.05
6	C3 Blue Light Emergency Phone Replacement	CENTRAL CNTR&COMM(C3)-SEG3 CP-CON CT-14A	High Dollar Value	1,984,626.85
7	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	1,507,153.00

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Sample #	Project name	Project title	Transaction type	Transaction
8	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	\$ 1,485,941.00
9	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	1,482,824.00
10	Radio Replacement	RADIO RPLCMNT/RAIL COMM(CNSTR)CONTR-14A	High Dollar Value	1,450,183.00
11	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	1,341,270.00
12	Procurement of Light Rail Vehicles	PROCUREMENT OF NEW LRV-CT MOD 3 BASE	High Dollar Value	1,330,900.00
13	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	1,325,343.60
14	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	1,223,789.72
15(**)	Procurement of Light Rail Vehicles	PROCUREMENT-NEW LRVS CP PROCUREMENT CT	High Dollar Value	1,145,021.49
16	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-13A	High Dollar Value	1,112,440.00
17	Muni Metro Twin Peaks Tunnel Rail Replacement	TWIN PK TN RL RP(CP)CONST CONT-REV BOND2	High Dollar Value	1,012,233.02
18(*)	Masonic Avenue Streetscape	2370J-CONSTRUCTION	High Dollar Value	693,818.95
19	Muni Metro Twin Peaks Tunnel Rail Replacement	TWIN PK TN RL RP(CP)CONST CONT-REV BOND2	High Dollar Value	513,734.45
20(*)	33 Stanyan Overhead Replacement Project Phase I	2127J-CONSTRUCTION	High Dollar Value	390,772.05
21	Muni Metro Twin Peaks Tunnel Rail Replacement	TWIN PK TN RL RP(CP)CONST CONT-REV BOND2	High Dollar Value	372,153.47
22	Muni Metro Sunset Tunnel Rail Rehabilitation	SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND	High Dollar Value	342,313.20
23(*)	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	High Dollar Value	338,488.74
24	Parking Garage Projects – Condition Assessment, Waterproofing & Ventilation	8008A-ALPHA BAY BUILDERS	High Dollar Value	336,530.74
25	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	High Dollar Value	305,658.70

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Sample #	Project name	Project title	Transaction type	Transaction
26	Islais Creek Phase II Improvements	ISLAIS CREEK-PHASE II-CONST-CT-14A	Small Assorted Expenditures	\$ 249,729.40
27	Operator Convenience Facilities Phase II	OPERATOR CONV FAC PH2 CONS-PROCURMNT 14A	Small Assorted Expenditures	189,091.73
28	Transit Spot Improvement – Columbus Bus Bulbs	COLUMBUS/UNION TRANSIT BULB-CON-CT-14A	Small Assorted Expenditures	91,168.13
29	Parking Garage Project – Lombard Garage Waterproofing	8026A-DBI PERMIT FEES	Small Assorted Expenditures	49,427.43
30	Broadway Chinatown Streetscape	1075J-W/A ARTS	Small Assorted Expenditures	18,157.00
31	Safe Routes to School Projects: Tenderloin	2176J-W/A TO PUC	Small Assorted Expenditures	12,409.95
32	Lombard Street Safety Project	2532J-CONSULTANT	Small Assorted Expenditures	6,824.25
33	9th and Division Improvements	2661J-BOE LABOR	Small Assorted Expenditures	4,545.55
34	Parking Garage Project – Lombard Garage Waterproofing	8026A-DBI PERMIT FEES	Small Assorted Expenditures	4,177.91
35	Safe Routes to School Projects: Denman	686D62 DENMAN SRTS 2014 REVENUE BOND	Small Assorted Expenditures	3,750.96
36	Lombard Street Safety Project	2532J-BOE LABOR	Small Assorted Expenditures	3,571.80
37	7th and 8th Street Streetscape	0313F – BUF N.LABOR	Small Assorted Expenditures	3,393.61
38	Polk Street Signal Upgrade	2126J-CONSTRUCTION	Small Assorted Expenditures	3,220.82
39	M-Ocean View Track Replacement Project	REPLACE M-LINE CURVE TRACKS-DD-PM-13A BD	Small Assorted Expenditures	2,798.89
40	Traffic Calming Improvements – Area Wide	2576J-CONSULTANCY	Small Assorted Expenditures	2,544.26

(*) We found that High Dollar Value samples #18, #20, and #23 were also included in the interdepartmental charges procedures discussed above. As there was slightly different criteria for the interdepartmental charges procedures, the items were kept in the sample selection described above.

(**) We found that High Dollar Value sample #1, #12, and #15 relate to a light rail vehicle purchase contract, which is not a construction contract; therefore, the SBE form 7 is appropriately not applicable.

Results: No exceptions found as a result of applying the above procedures.

Interdepartmental charges (Sample size 15) - Sample numbers 41-55 (Steps 2a-c described above)

- For each interdepartmental charge sample selected, we validated that the uses are solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization to Department of Public Works (DPW) form, the general ledger screen shot, project description and project cost details provided by DPW and found the project descriptions on the work authorization form were for capital projects referenced in the respective bond authorization and resolution.

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- For each interdepartmental charge sample selected, we validated that the project expenditures and encumbrance are for authorized projects by obtaining the Work Authorizations to DPW form and compared the project descriptions to the respective bond authorization and resolutions. We obtained related invoices, encumbrance amounts, the Certificate of Progress Payment, and progress payment reports from management for each sample. We agreed the encumbrance amount to the amount on the progress payment report, agreed the invoice amount to the encumbrance amount and to the subcontractor or contractor payment (check copy or wire transfer form). For samples #49-51, #53, and #55, progress payment reports were not provided because the related charges were not direct construction costs. We used the FAMIS payment screenshot from the general ledger system in place of the progress payment report. We obtained the SFMTA Work Authorization to DPW from management to confirm these are interdepartmental transfers by comparing the project descriptions on the Work Authorization to the project descriptions on the general ledger detail.
- For each interdepartmental charge sample selected, we validated the transactions were properly supported based on the City and Departmental policies and were processed in accordance with SFMTA's internal procedures by obtaining the work authorization from management and confirmed it was signed by a SFMTA project manager who verified that the documentation for charges was correct; the charges were in line with the project scope, schedule, and budget; and progress of work reasonably equated to the percentage of the budget expended. SFMTA's Work Authorization Procedure indicates that the SFMTA project manager is required to approve the charges, related to DPW, within 30 days, after receipt of supporting documents from DPW, for the applicable charges and requires that expenditures have a project description and project code to which the expenditures can be charged for tracking purposes. We obtained the invoices and work authorizations from management and compared the project descriptions to the project descriptions in the general ledger detail and to confirm that expenditures were for capital projects per authorization of bond revenues. We also confirmed that the invoices and supporting documents were submitted by DPW within 45 days of the month end, the general ledger screen shots were signed by a project manager, and the emails from DPW contained submission of the supporting documents. We were informed by management that the timeline restrictions only apply to DPW charges; therefore, we did not perform this procedure on samples #49-51, #53, and #55, the charges relate to other City departments outside of DPW. SFMTA established formal procedures for work authorization management and oversight with DPW in 2016 as DPW delivers a significant number of projects for SFMTA. However, SFMTA does not have a similar formal procedure with other departments. We were informed by management that they will assess whether a similar formal procedure is needed for work authorization with other departments in fiscal year 2018 taking into account the relative volume as well as the functionality of the City's new financial system.

Sample #	Mapping project title	Project title	Transaction type	Transaction amount
41(*)	Masonic Avenue Streetscape	2370J-CONSTRUCTION	Interdepartmental Charges	\$ 693,818.95
42(*)	33 Stanyan Overhead Replacement Project Phase I	2127J-CONSTRUCTION	Interdepartmental Charges	390,772.05
43(*)	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	Interdepartmental Charges	338,488.74

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Sample #	Mapping project title	Project title	Transaction type	Transaction amount
44	Parking Garage Project – Japan Center Garage Ventilation	8008A-ALPHA BAY BUILDERS	Interdepartmental Charges	\$ 182,519.76
45	Lombard Street Safety Project	2532J-CONSULTANT	Interdepartmental Charges	75,635.44
46	9th and Division Improvements	2661J-CONSTRUCTION	Interdepartmental Charges	54,885.30
47	Parking Garage Project – Sutter Stockton Garage Ventilation	8009A-CLW BUILDERS	Interdepartmental Charges	39,900.00
48	Polk Street Signal Upgrade	2126J-CONSTRUCTION	Interdepartmental Charges	4,538.87
49	Geary BRT Phase I	2913J-BSSR LABOR	Interdepartmental Charges	4,384.88
50	Lombard Street Safety Project	2532J-BSM NON LABOR	Interdepartmental Charges	3,834.50
51	Masonic Avenue Streetscape	2370J-BOE LABOR	Interdepartmental Charges	3,394.68
52	Polk Street Signal Upgrade	2126J-CONSTRUCTION	Interdepartmental Charges	3,220.82
53	Lombard Street Safety Project	2532J-BSM NON LABOR	Interdepartmental Charges	1,980.50
54	Masonic Avenue Streetscape	2370J-2264J CONSTRUCTION MTA BOND	Interdepartmental Charges	1,334.04
55	Geary BRT Phase I	2913J-BSSR NON LABOR	Interdepartmental Charges	85.14

(*) We found that three High Dollar Value samples were also included in the interdepartmental charges procedures discussed above. As there was slightly different criteria for the interdepartmental charges agreed upon procedures, the items were kept in the sample selection described above.

Results: No exceptions were found as a result of applying these procedures.

Budget Funding (Sample Size 5) Sample numbers 56–60 (Steps 2a-c described above)

- For the budget funding samples, we validated the uses of funds were solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization Request from management and compared the project description to the respective bond authorization and resolution.
- For the budget funding samples, we validated the project expenditures and encumbrances were for authorized capital projects by obtaining the SFMTA Work Authorization Request from management and confirmed the form was signed by a project manager. The five samples all related to capital outlays for buildings, structures, and improvement projects. We were informed by management that the work authorization request is used for setting up the budget amount for the job order. The signature of a project manager authorizes that the funds are ready to be transferred from SFMTA to DPW (or another department).

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- For the budget funding samples, we validated the transactions were properly supported based on City and Departmental policies and are processed in accordance with SFMTA's internal procedures by obtaining the work authorization request which requires an expenditure or encumbrance have a project description and a project code to which the expenditures can be charged for tracking purposes. All the work authorizations obtained had the project description and project code. We found the SFMTA project manager signed the request form prior to transactions being entered into the general ledger system by comparing the dates on the request form to the general ledger entry. We inspected general ledger screen shots that showed the funds authorized to be used for specific projects by code and we found the entry to the system agreed to the amount authorized on the Work Authorization Request.

Sample #	Project name	Project title	Transaction type	Transaction amount
56	Columbus Ave Streetscape Project	2301J-W/A TO MUNI	Budget Funding	\$ 463,113.00
57	Parking Garage Project – Elevator Modernization – 7 Garages	8019A-CONSTRUCTION CONTRACT	Budget Funding	4,935,000.00
58	Parking Garage Project – Lombard Garage Waterproofing	8026A-CONSTRUCTION CONTRACT	Budget Funding	3,000,000.00
59	Procurement of Light Rail Vehicles	PROCUREMENT-NEW LRVS CP ENG SVC	Budget Funding	1,145,021.00
60	1 California: Laurel Village Transit Priority Project	LAUREL VILLAGE TRANSIT PRIOR-CON-BUDGET	Budget Funding	680,000.00

Results: No exceptions were found as a result of performing these procedures.

Trustee Payments (Sample Size 5) Sample numbers 61–65 (Steps 2d-e described above)

- For the five trustee payments, we validated that the trustee payments for debt service amounts paid were correct and the payments were paid by the due date by obtaining the monthly payment request and bank statement from management, and comparing the due date on the monthly payment request to the payment date on the bank statement to show whether the payment date was before the due date. We also agreed each trustee payment amount selected to the amount on the bank statement.
- For the five trustee payments, we validated if bond balances were correct and if they were supported with a payment by obtaining the debt service schedules for Series 2012A, 2012B, 2013, 2014, and 2017 bonds as part of the fiscal year 2017 audit and agreeing each amount to the corresponding debt service schedule.

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- We sent out third-party confirmations to the banks and confirmed the balance due (for both interest and principal) for each bond series. We agreed the confirmed amount from the creditor's information to the debt rollforward and debt service schedule provided by management.

Sample #	Project name	Project title	Transaction type	Transaction Amount
61	36TH BOND SERIES2012B-INT-206953008 DUE 09/01/16	BOND INTEREST-EXPENSE	Trustee Payment	\$ 82,895
62	34TH BONDSERIES 2013-ACCT206968000 PRI D 10/01/16	BOND REDEMPTION	Trustee Payment	361,333
63	38TH BONDSERIES 2013-ACCT206968000 INT D 02/01/17	BOND INTEREST-EXPENSE	Trustee Payment	50,845
64	39TH REV BONDSERIES2012A-PRI-206953000 DUE12/01/16	BOND REDEMPTION	Trustee Payment	619,167
65	19TH BONDSERIES 2014-ACCT212642000 INT D 08/01/16	BOND INTEREST-EXPENSE	Trustee Payment	106,050

Results: No exceptions were found as a result of applying these procedures.



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