

SFMTA Bond Oversight Committee

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January 29, 2021

SFMTA Board of Directors

Gwyneth Borden, Chair
Amanda Eaken, Vice Chair
Cheryl Brinkman, Director
Steve Heminger, Director
Fiona Hinze, Director
Sharon Lai, Director
Manny Yekutiel, 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 2019 - 2020 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 31st of each year. The attached report describes BOC activities during Fiscal Year 2019 - 2020, 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,



Chairman Daniel Murphy

cc: Jeffrey Tumlin, Director of Transportation
Benjamin Rosenfield, Controller

Attachment: Fiscal Year 2019 - 2020 Annual Report

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SFMTA Photo | SFMTA.com/Photo

SFMTA Bond Oversight Committee FY 2019-20 Annual Report

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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 31 of each year. This report covers activities for Fiscal Year 2019 - 2020 and includes 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: <https://www.sfmta.com/investor-relations>.

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 Leona Bridges, Steve Heminger, and Robert Shaw. The two current members appointed by the Citizens’ Advisory Council are Neil Ballard and Daniel Murphy. Kathryn How was appointed by the Director of Transportation. The current member appointed by the Controller is Anna Van Degna (Director of the Office of Public Finance). Daniel Murphy is the Chair with Kathryn How (Assistant General Manager, San Francisco Public Utilities Commission) serving as the Vice Chair. BOC members do not receive compensation for their service on the Committee.

In Fiscal Year 2019 - 2020, the BOC convened four times: on September 10, 2019; December 3, 2019; March 3, 2020, and July 8, 2020. The final FY 2020 meeting was delayed into Fiscal Year 2020 – 2021 because of the COVID-19 pandemic.

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 in Appendix 2 of this report. For more information, see Policies and Procedures (Section 9). Additionally, the Policies and Procedures can be found at the following link: https://www.sfmta.com/system/files/finance/revenue_bond_policies_and_procedures_9.18.18.pdf.

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: <https://www.sfmta.com/committees/sfmta-bond-oversight-committee-boc>.

Section 5. Revenue Bonds

The SFMTA Board of Directors has authorized the issuance of a total of \$365.7 million in Revenue Bonds for projects. As of June 30, 2020, the SFMTA issued \$403.7 million of its 2012, 2013, 2014 and 2017 Revenue Bonds, with the full total authorized of \$365.7 million available for projects and the remaining \$38.0 million 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>.

The table below displays the bond principal amounts for each bond series.

Bond Series	Bond 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 \$63.7 million of its Revenue Bonds, comprised of two series of bonds: (1) Series 2012A and (2) Series 2012B.

The Series 2012A allocated \$38.0 million 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 percent debt service savings.

The Series 2012B allocated \$25.7 million 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). The San Francisco 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 \$75.0 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 San Francisco 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 \$75.0 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 San Francisco 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 \$190.0 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 San Francisco Board of Supervisors concurred with the issuance on June 7, 2016 (Resolution 231-16).

E. Bond Expenditures

As of June 30, 2020, the remaining bond funds (including encumbered funds) for each series and percentage spent are as follows: Series 2012B - \$0 (100.0 percent spent), Series 2013 - \$0 (100.0 percent spent), Series 2014 - \$4,621,762 (93.8 percent spent), Series 2017 - \$4,141,680 (97.8 percent spent). Series 2012B and Series 2013 bond proceeds were fully expended by October 2016 and by March 2019, respectively.

Section 6. Commercial Paper Program

The SFMTA established a \$100.0 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 San Francisco Board of Supervisors concurred on June 10, 2013 (Resolution Number 246-13). The CP Program was intended to finance, on a short-term basis, the costs of transportation capital projects in advance of the issuance of Revenue Bonds. Commercial paper could also be issued in anticipation of the receipt of grants. By providing continuous flows of funds to SFMTA capital projects, the CP Program could 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 November 2020, one CP note for \$41.0 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>.

Subsequent to the Fiscal Year 2019-2020 reporting period, SFMTA decided to terminate the Commercial Paper Program in July of 2020 at the discretion of the SFMTA Chief Financial Officer. The annual cost of maintaining the program exclusive of borrowing costs was approximately \$500,000 per year. There were no outstanding Commercial Paper issuances at the time of termination.

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. Of the \$20.7 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. The Series 2012B bond funds were fully expended by October 2016 and funded a total of 15 projects.

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

<u>Program Title</u>	<u>Program Description</u>
Systemwide Transit Access and Reliability (Transit Signal Priority) Program	The Systemwide Transit Access and Reliability (Transit Signal Priority) Program is intended to increase transit ridership and improve the path of travel to transit stops and stations while minimizing delays associated with customer boarding and alighting from Muni vehicles and reducing delays associated with traffic signals. It includes projects supporting development of pedestrian and bicycle amenities that expand the ridership area and increase the utility of public transit access points. Projects also include small signal upgrades and modification of signal phases at intersections, adding bus or pedestrian bulbs, and street design changes to reduce delays for transit vehicles at busy intersections.
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 firefighting standpipe components; cleaning drain lines; and adding conduit for a future emergency blue light 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 ongoing maintenance costs.

**Muni Green Light Rail Facility Re-
habilitation**

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 An-
nouncement 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 \$75.0 million in Revenue Bonds, Series 2013 (2013 Bonds). Of the \$75.0 million, \$1.0 million was programmed for garage projects and \$74.0 million for asset renewals, accessibility and reliability of the transit system (Safe Routes to Transit including bicycle, pedestrian and signal improvements). The Series 2013 bond funds were fully expended by March 2019 and funded 38 projects.

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

Program Title

Program Description

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.

C. Series 2014 Revenue Bond Funded Programs

On December 10, 2014, \$75.0 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, 2020, the 2014 Bonds has funded 38 projects. A total of \$ 70.4 million of bond funds was expended leaving an unexpended balance of \$4.6 million.

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

Program Title **Program Description**

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 2019 - 2020 Project Delivery Milestones for the 2014 Revenue Bonds include:

1 California: Laurel Village Transit Priority Project: As part of Muni Forward, and in conjunction with the San Francisco Department of Public Works (SFPDW) California Laurel Village Streetscape Project, a proposal has been developed to improve transit safety and reliability, as well as reduce travel time on the 1 California Muni line from Spruce Street to Laurel Street. The proposal includes four (4) bus bulbs, three (3) stop optimizations and two (2) traffic signal upgrades. By implementing this proposal, transit riders will benefit from faster and more reliable trips and experience enhanced transit safety and overall effectiveness. Project was substantially complete at the beginning of July and additional conduit was added to the Inbound/Outbound Shelter as well as additional signal timing changes. Project will be closed out in the next fiscal year.

Contract 64 Signals: The scope of Contract 64 is to design and construct new traffic signals at nine locations. New traffic signals will be installed at 7th Street/Minna Street, 15th Street/Dolores Street, Alemany Boulevard & Foote Avenue, Bryant Street & Sterling Street, Campus Way & Owens Street, Ellis Street & Webster Street, Highland Avenue & Mission Street, Leavenworth Street & Washington Street, and Mariposa Street & Pennsylvania Avenue. Revenue bonds funded the intersections of Alemany & Foote and Ellis & Webster. All 9 new traffic signal locations progressed to substantial completion throughout the year including the 2 funded by Revenue Bond funds. Project will be closed out during the next fiscal year.

Lombard Street Safety Project: Design and construct traffic calming and pedestrian safety treatments at all intersections between Richardson Avenue/Francisco Street and Lombard Street/Franklin Street. Proposed treatments include: daylighting, leading pedestrian bulbs, advanced stop bars, continental crosswalks, upgrading signal conduit, bulb-outs, pedestrian islands, transit bulbs, and/or removal of actuated pedestrian buttons. This work is being coordinated with the San Francisco Public Utilities Commission (SFPUC) and the California Department of Transportation (Caltrans). Work progressed from the beginning phases to substantial completion during the fiscal year. Project will be closed out during the next fiscal year.

PARCS Replacement Project: The project entails a complete replacement of the Parking Access and Revenue Control System (PARCS) components at 22 parking facilities. The work includes new system servicers, cashier stations, ticket dispensers, barrier gates, payment machines, etc. and the installation of new utility infrastructure required to support the new equipment. Six garage facilities were substantially completed before the current reporting period. An additional nine were substantially completed during this fiscal year with work continuing on four additional facilities. Three facilities will have work started during the next fiscal year.

D. Series 2017 Revenue Bond Funded Programs

On June 7, 2017, \$190.0 million of Revenue Bonds, Series 2017 (2017 Bonds) were allocated to various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2020, the 2017 Bonds were allocated to four projects. A total of \$185.9 million were expended and \$1.9 million were encumbered leaving \$2.2 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.

Fiscal Year 2019 - 2020 Project Delivery Milestones for the 2017 Revenue Bonds include:

King Street Substation Upgrade: Install upgrades and additional power capacity at the King Street Power Substation to provide capacity to support light rail vehicles along the Embarcadero. Additional capacity is needed to accommodate planned system growth as well as to support special event service associated with Oracle Park and the Chase Center. During the fiscal year, temporary power was installed at the mobile substation and work was also started on the new permanent substation. Substantial completion is expected in the Summer of 2021.

Procurement of New Light Rail Vehicles (LRVs): This procurement includes the purchase of 151 LRVs to replace the existing fleet, 24 LRVs to start new revenue service on Central Subway Extension and to handle current demand, and 85 LRVs to accommodate projected ridership increase in the coming ten years. The LRV procurement is underway and 68 expansion vehicles were purchased before replacing 151 Breda cars that were in operation. Completion date of the procurement of the 68 expansion cars is scheduled for July 2021. The first 68 vehicles that SFMTA is procuring for expansion are ahead of schedule. The retirement of the old and unreliable Breda vehicles will begin with the next, replacement phase of the LRV procurement and scheduled to be retired on a one for one basis as the new vehicles are placed into service. A total of 68 expansion LRVs were purchased and put into Revenue Service during the 2019-2020 Fiscal Year.

UCSF Platform Extension and Crossover Track: This project will extend the University of California, San Francisco (UCSF) northbound platform by approximately 160 feet and potentially the southbound platform. Work will also include replacement of the trackway, modifying the overhead catenary system tangent span, feeder span, poles and adjustments. Other work includes sewer and Muni duct bank work. The project reached Substantial Completion in August 2019 and is currently in the Closeout Phase. All Revenue Bond funds have been expended.

Van Ness BRT Project: The project entails the construction of 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. The majority of water and sewer work was completed during FY19/20 and construction of BRT lanes will start in the Fall 2020. Sidewalk, pole installation, and roadway work was also performed during this fiscal year with overall project completion expected in December 2022. The Federal Transit Administration has agreed to a "Revenue Service Date" of March 9, 2023.

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 2019 - 2020 there was one bond reallocation, and it is described below. Reallocations are numbered sequentially by bond issue irrespective of timing.

Series 2013 Bonds

Reallocation 9: In a memorandum dated August 20, 2019, the SFMTA Board was advised that a total of \$143,366 in project cost savings from the Pedestrian Safety & Traffic Signal Improvements Category was redirected to the Street Capital Improvements Category and from the Transit System Safety & Other Transit Improvements Category to Facility Improvements Category.

Section 9. Policies & Procedures

There were no changes to existing policies and procedures during Fiscal Year 2019-2020.

Appendix 1: Fiscal Year 2019 - 2020 Meeting Schedule

Meetings occurred on the following dates at the SFMTA administration building at 1 South Van Ness Avenue, San Francisco, except the July 8, 2020 meeting was held as a web-based video conference and conference call due to the pandemic. Meeting agendas and minutes of the SFMTA BOC meetings are posted at the following link: <http://sfmta.com/about-sfmta/organization/committees/bond-oversight-committee-bo>. 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 2019 - 2020 Bond Oversight Committee Meeting Dates

- September 10, 2019
- December 3, 2019
- March 3, 2020
- July 8, 2020 (Delayed by COVID-19 Pandemic)

Appendix 2: Fiscal Year 2019-20 Audit

Please see the following attached report.



KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

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, 2020. 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, 2020. 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 sources and uses of funds related to bond Series 2012A, 2012B, 2013, 2014, and 2017 for the year ended June 30, 2020. 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.

KPMG LLP

San Francisco, California
January 20, 2021

Procedures and Results:

1. Select a sample of expenditures from the general ledger detail (PeopleSoft data) provided by management and determine whether the 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 and inspected the following bond resolutions that describe the authorized uses, purposes and projects authorized to be paid with the respective bond proceeds and interest income to use as a basis for determining that the debt proceeds and interest income (the sources) were used in accordance with the bond resolutions 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 59-12, 207-13, 92-15, 212-15, 105-16, and 16-0464 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.

Results: KPMG selected a sample of 61 items including a sample of trustee payments that included debt principal and interest amounts. No exceptions were found as a result of applying these procedures.

2. For the sample of transactions selected in procedure 1, perform the following procedures with respect to uses, expenditures, encumbrance, and balances for the year ending June 30, 2020:
 - a. Validate that uses are solely for purposes per the respective bond's authorizing resolution and applicable laws
 - b. Validate that project expenditures and encumbrances are for authorized capital projects noted in the

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- respective bond resolution
- c. Validate that transactions are properly supported with documents required by City and Departmental policies and are processed in accordance with SFMTA's internal procedures obtained from management
 - d. Validate that direct salary is properly supported on the respective labor distribution system reports as reported by individual employee timesheets.
 - e. Validate if the trustee payments for debt service is in accordance with the terms of the respective bond resolution, amounts are correct, and payments were made on or before the required due dates.
 - f. Validate if bond dollar amounts reported are correct and trace to supporting check/ETF.
3. As referenced in procedure 1 above, we selected a sample of 61 transactions from the PeopleSoft data, split as follows:
- 25 expenditures with the high-dollar amounts
 - 15 assorted expenditures for small-dollar amounts
 - 15 interdepartmental charges
 - 1 budget (funding) transfer between projects
 - 5 trustee payments

We obtained the PeopleSoft data related to bond Series 2012A, 2012B, 2013, 2014, and 2017 from management of all transactions recorded related to the aforementioned bond series during the year ended June 30, 2020. 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 detailing the expenditure ledger and commitment control ledger. The files were organized by transaction type and description. We selected the 15 interdepartmental charges from the expenditure ledger work order file.

We used the commitment control ledger work order file to select 1 budget (funding) transfer, between projects with transaction type of "budget setup" with description of 'project funding'. The sample selected represents 100% of the population for budget funding leaving no other items for KPMG to test to reach the 5 required per the engagement letter.

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 5 payments from this listing.

We performed the procedures described above in procedure 2 on samples referenced in procedure 3 as follows:

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

- The uses of funds were for expenditures solely for purposes per noted in the respective bond resolution and applicable laws. For purposes of the revenue bonds, applicable laws refer to the related Revenue Bond Policies and Procedures published by SFMTA to maintain compliance with the debt policy approved by the SFMTA Board of Directors. KPMG compared the project description on the approved invoice and encumbrance payment provided by management to the respective bond resolution provided by management.
- The project expenditures and encumbrances were for authorized capital projects noted in the respective bond resolution 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 detail showing the amount paid prior to reimbursement, Certificate of Progress Payment, request for progress payment memorandum, and check/EFT 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 check/EFT. For samples #2, #4-5, #8, #10-11, #26-28, #30, #35, #37, and #40, encumbrance requests were not provided because they were not direct construction costs. For these samples, we used the payment authorization or equivalent to agree the payment amount to the respective check/EFT. We also agreed the date of payment on the check/EFT to the 30-day payment rule per CCSF's Prompt Payment Guideline. For sample #1, #25, and #39 the 30-day payment rule did not apply because these transactions were journal entries that were not subject to the same procedural requirements as regular expenses funded by bonds.

We further noted the following:

- Samples #2, #4-5, #8, and #11 were with the same vendor. We were informed by management that these samples were for a Light Rail Vehicle (LRV) purchase contract. We inspected the respective invoices and purchase orders, as well as the progress payment certification memo signed by SFMTA and the contract's Project Manager and vouched the payment detail to the check/EFT.
- Samples #1, #25, and #39 are journal entries that are not subject to the same procedural requirements as regular expenses related to projects funded by bond revenue. KPMG instead viewed the approval chain on PeopleSoft. KPMG also viewed the PeopleSoft screens to agree the amount and viewed the preparer and approver dates noting that the approver dates were after the preparer dates. Lastly, we ensured the preparer name and the approver name were different.
- Samples #7, #9, #12-13, #15-19, #21-25, and #26-27 included a 5% retention amount, which is the difference between the progress payment amount and the check/EFT.
- Sample #40 is a sales tax transaction, so SBE form 7 was not required for this transaction as noted by management. KPMG instead obtained other applicable supporting documentation, including vendor invoice for equipment purchased with tax accrual amount, and SFMTA purchase order memorandum.
- Samples #29, #33, and #36 were related to division/department overhead, which are not normally an encumbered expense and do not require progress payments, therefore the 30-day payment rule does not apply. For these samples, we obtained relevant supporting documents including payroll register, timecards, and departmental overhead allocation rates to recalculate the sample amount.

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- Samples #31-32, #34 and #38 relate to salaries which are not normally encumbered expenses and do not require progress payments, therefore the 30-day payment rule does not apply. KPMG obtained the personnel's timesheets and payroll registers from SFMTA's labor distribution forms and recalculated the salaries charged.
- Sample #7, #9, #12-13, #15-19, and #21-24 were authorized by DPW, thus payment processing was performed by agreeing to Payment Authorization forms signed off by construction/contract administrator and project manager. We inspected the supporting documentation (contractor invoices, approved payment authorization, payment approval support) to determine whether all charges included in the sample amount were appropriate based on SFMTA work authorization procedures.

Sample #	Project Number	Project Title	Transaction Type	Transaction Amount
1	10011740	MT Van Ness Ave BRT-CPT640	High-Dollar Value	\$ 1,850,118
2	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	557,166
3	10011740	MT Van Ness Ave BRT-CPT640	High-Dollar Value	547,108
4	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	487,373
5	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	479,187
6	10011740	MT Van Ness Ave BRT-CPT640	High-Dollar Value	454,219
7	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	324,628
8	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	283,503
9	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	282,375
10	10030659	MT King St Substat Upgr-CPT735	High-Dollar Value	277,500
11	10011861	MT PROCUREMENT OF NEW LIGHT RA	High-Dollar Value	264,831
12	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	258,721
13	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	239,503
14	10011740	MT Van Ness Ave BRT-CPT640	High-Dollar Value	218,117
15	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	210,784
16	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	209,055
17	10002361	PW Masonic Ave Infra Impr	High-Dollar Value	183,706
18	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	116,142
19	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	116,142
20	10011740	MT Van Ness Ave BRT-CPT640	High-Dollar Value	105,548
21	10011832	MT Operator Convenience-CPT729	High-Dollar Value	90,730
22	10031410	PW Polk St Infra Impr	High-Dollar Value	90,156
23	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	88,845
24	10031831	PW MTA Prkg Controls Improve	High-Dollar Value	88,845
25	10031626	PW Parkridge Burnett ConvenStn	High-Dollar Value	83,464

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<u>Sample #</u>	<u>Project #</u>	<u>Project Name</u>	<u>Transaction Type</u>	<u>Transaction Amount</u>
26	10031831	PW MTA Prkg Controls Improve	Small-Dollar Value	\$ 89,981
27	10031831	PW MTA Prkg Controls Improve	Small-Dollar Value	56,810
28	10011740	MT Van Ness Ave BRT-CPT640	Small-Dollar Value	32,057
29	10011861	MT PROCUREMENT OF NEW LIGHT RA	Small-Dollar Value	26,373
30	10011861	MT PROCUREMENT OF NEW LIGHT RA	Small-Dollar Value	23,911
31	10011861	MT PROCUREMENT OF NEW LIGHT RA	Small-Dollar Value	19,182
32	10011861	MT PROCUREMENT OF NEW LIGHT RA	Small-Dollar Value	15,001
33	10010035	MS TERRY FRANCOIS BLVD BIKEWAY	Small-Dollar Value	9,928
34	10031831	PW MTA Prkg Controls Improve	Small-Dollar Value	6,477
35	10011861	MT PROCUREMENT OF NEW LIGHT RA	Small-Dollar Value	5,250
36	10027434	PK Ct64 New Traffic Signals-Dd	Small-Dollar Value	4,214
37	10011861	MT PROCUREMENT OF NEW LIGHT RA	Small-Dollar Value	3,801
38	10031546	PW Masonic Ave Infra Impr	Small-Dollar Value	2,823
39	10011832	MT Operator Convenience-CPT729	Small-Dollar Value	2,065
40	10030659	MT King St Substat Upgr-CPT735	Small-Dollar Value	1,913

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 the respective bond authorizing resolution and applicable laws by obtaining the Department of Public Works (DPW) Payment Authorization form (DPW samples)/SFAC Payment and Encumbrance checklist (ART sample)/SFMTA Work Authorization Request to SFPUC (PUC sample), the general ledger screen shot, project description and project cost details provided by DPW/ART/PUC and noted the project descriptions on the work authorization form were for capital projects referenced in the respective bond resolution. We agreed the progress payment or work authorization amount to the amount on the contractor payment (check copy or EFT). We note none of the interdepartmental samples were related to construction costs, as such encumbrance forms were not applicable.
- 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/ART/PUC within 30 days of month-end 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 and confirmed if the invoices and supporting documents were submitted by DPW within 15 days of month end for the applicable charges.

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Sample #	Project #	Project Title	Transaction Type	Transaction Amount
41	10031831	PW MTA Prkg Controls Improve	Interdepartmental	\$ 324,628
42	10031831	PW MTA Prkg Controls Improve	Interdepartmental	282,375
43	10031831	PW MTA Prkg Controls Improve	Interdepartmental	258,721
44	10031831	PW MTA Prkg Controls Improve	Interdepartmental	239,503
45	10031831	PW MTA Prkg Controls Improve	Interdepartmental	210,784
46	10011573	MT Islais Creek, Maintenance a	Interdepartmental	16,588
47	10031546	PW Masonic Ave Infra Impr	Interdepartmental	500
48	10031831	PW MTA Prkg Controls Improve	Interdepartmental	67,865
49	10031506	PW Transit Signal Improvement	Interdepartmental	28,906
50	10031546	PW Masonic Ave Infra Impr	Interdepartmental	20,000
51	10031831	PW MTA Prkg Controls Improve	Interdepartmental	3,732
52	10031831	PW MTA Prkg Controls Improve	Interdepartmental	80,981
53	10011832	MT Operator Convenience-CPT729	Interdepartmental	11,574
54	10031831	PW MTA Prkg Controls Improve	Interdepartmental	71,097
55	10031831	PW MTA Prkg Controls Improve	Interdepartmental	58,071

- Samples #47 was for an art project performed as part of the Masonic Avenue Infrastructure Improvement Project. As this is considered professional services, there was no encumbrance, certificate of progress payment, or payment declaration documentation. Instead, we obtained the invoice set directly from the Artist Selection Panel to SF Public Arts Commission, and agreed the amount and nature of the payment to the authorized project in the bond resolution.

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

Budget Funding (Sample Size 1) Sample number 56 (Steps 2a-c described above)

- For the budget funding sample, we validated the uses of funds were solely for purposes per the respective bond authorizing resolution and applicable laws by obtaining the SFMTA Work Authorization Request from management and compared the project description to the respective bond resolution.
- For the budget funding sample, 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 sample was related to capital outlays for buildings, structures, and improvement projects included in the respective bond resolution.
- For the budget funding sample, we validated the transactions were properly supported based on City and Departmental policies and were 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 noted the entry to the system agreed to the amount authorized on the Work Authorization Request.

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<u>Sample #</u>	<u>Project #</u>	<u>Transaction Description</u>	<u>Transaction Type</u>	<u>Transaction Amount</u>
56	10011921	MTA Rev Bond S2014 - Transit	Budget Funding	\$ 427,130
	10011920	MTA Rev Bond S2017 - Transit	Budget Funding	221,790)
	10011740	MT Van Ness Ave BRT-CPT640	Budget Funding	(427,130)
	10011740	MT Van Ness Ave BRT-CPT640	Budget Funding	(221,790)

- Sample #56 relates to the transferring of bond interest earned from pooled cash towards construction projects. Per the resolutions for bonds 2014 and 2017, the bonds are to be used for transit, transportation, and various capital projects, which agree to the authorized purpose of the project for MT Van Ness Ave BRT. SFMTA was not able to provide evidence of the Project Manager's approval as the approval was completed electronically through an e-workflow and is not retained once the budget initiation and revision process is completed. Emails are transmitted to the responsible parties notifying them of the approval. In lieu of the Project Manager approval, we reviewed the approval chain in PeopleSoft by the accounting staff, as the accounting staff will not input the entry prior to the Project Managers approval. We viewed the PeopleSoft screens and agreed the amounts, as well as viewed the preparer and approver dates noting the approver date was after the preparer date. Finally, we ensured the preparer ID and approver ID were different (no names were shown).

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

Trustee Payments (Sample Size 5) Sample numbers 57-61 (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 and to the debt maturity schedule in the respective bond resolution 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 principal and interest payments selected.
- For the five trustee payments, we validated if bond liabilities as of the year-end date of June 30, 2020 were correct and if they were supported with a payment by obtaining the debt service schedules for Series 2012A, 2013, 2014, and 2017 (2012B was not covered by the sample selection) bonds as part of the fiscal year 2020 audit and agreeing each amount to the corresponding debt roll-forward and debt service schedule provided by management.

<u>Sample #</u>	<u>Project #</u>	<u>Transaction Description</u>	<u>Transaction Type</u>	<u>Transaction Amount</u>
57	10001719	MTA TS Op Annual Account Ctrl	Trustee Payment	\$ 571,982
58	10001725	MTA SS OPR DEBT SERVICE 12A	Trustee Payment	486,667
59	10001719	MTA TS DSF REVBD 2013A (NEW)	Trustee Payment	143,593
60	10001719	MTA TS DSF REVBD S2014A (NEW)	Trustee Payment	92,333
61	10001723	MTA SS OPR DEBT SERVICE-14A	Trustee Payment	49,237

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