

# SFMTA Bond Oversight Committee

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December 18, 2015

## SFMTA Board of Directors

Tom Nolan, Chairman  
Cheryl Brinkman, Vice-Chairman  
Gwyneth Borden, Director  
Malcolm Heinicke, Director  
Joél Ramos, Director  
Cristina Rubke, Director

Dear SFMTA Board of Directors:

On behalf of my Committee members, I am pleased to present the Fiscal Year 2014-2015 Annual Report of the San Francisco Municipal Transportation Agency (SFMTA) Bond Oversight Committee.

The SFMTA Bond Oversight Committee (BOC) was created by the Board of Directors of the SFMTA by Resolution #11-154 on December 6, 2011. Pursuant to the BOC's 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 2014-2015 and includes a review completed by external auditors along with a description of subsequent events 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 2014-2015 Annual Report

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# SFMTA Bond Oversight Committee Fiscal Year 2014-2015 Annual Report

January 8, 2016

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## SFMTA BOC FY 2014-2015 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 31st of each year. This report covers activities for Fiscal Year 2014-2015, 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 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 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 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 Jose Cisneros (Treasurer). The two current members appointed by the Citizens' Advisory Council are Dan Murphy and Stephen Taber. The current member appointed by the Director of Transportation is Kathryn How (Interim Assistant General Manager, San Francisco Public Utilities Commission) who replaced Emilio Cruz on July 22, 2015. 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 Dan Murphy as Vice Chair at its meeting on May 27, 2015. BOC members do not receive compensation for their work.

In Fiscal Year 2014-2015, the BOC convened four times: on August 27, 2014, January 7, 2015, March 25, 2015 and May 27, 2015. Subsequently the BOC also convened on July 22, 2015, October 9, 2015, and December 9, 2015.

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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**

On July 22, 2015, SFMTA staff reported to the BOC that bond funded projects for the fiscal year generated approximately 17,000 transactions, 40 interdepartmental work authorizations, and approximately \$30 million in total expenditures. KPMG presented the draft Fiscal Year 2014-2015 Agreed-Upon Audit Procedures at the same meeting. The BOC members agreed to 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.

### **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/bocbylaws>. 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 June 30, 2014 SFMTA is authorized to issue a total of \$239.6M in Revenue Bonds. As of June 30, 2015 the SFMTA had \$175M of its Revenue Bonds outstanding. Revenue Bond proceeds are invested in the 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 is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

#### **A. 2012A and 2012B Revenue Bonds**

In July 2012, SFMTA issued \$63.8 million of its Revenue Bonds, comprised of Series 2012A (\$38.0 million), and Series 2012B (\$25.8 million). The Series 2012A Bonds were issued to refund prior bonds issued for garage and other parking improvements. The refunding transaction resulted in net present value savings of \$6.7 million, representing 15.80% debt service savings. The 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 all approved this 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).

Detailed information on this issuance is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

### **B. 2013 Revenue Bonds**

In December 2013, the SFMTA issued \$75 million of its Revenue Bonds (the “2013 Bonds”). The 2013 Bonds were issued to finance various transportation capital projects. The SFMTA Board of Directors approved issuing these bonds and the supporting documents 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). Detailed information on this issuance is available at the following link: <http://sfmta.com/about-sfmta/investor-relations/investor-relations-overview>.

### **C. 2014 Revenue Bonds**

In December 2014, the SFMTA issued \$75 million of its Revenue Bonds, Series 2014, to finance various transportation capital projects. The SFMTA Board of Directors approved issuing these bonds and the supporting documents 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). Detailed information about this issuance is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

## **SECTION 6. COMMERCIAL PAPER PROGRAM**

The SFMTA established a commercial paper (CP) program of \$100 million 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 will be used to pay for interim costs of transportation capital projects in advance of the receipt of repayment sources including grant proceeds and revenue bonds.

At its November 6, 2013 meeting, the BOC reviewed the SFMTA’s Commercial 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 are intended to define the steps to issue commercial paper and the related procedures and accounting to ensure appropriate internal controls and accountability. Detailed information is available at the following link: [https://www.sfmta.com/sites/default/files/pdfs/2015/SFMTA-Commercial%20Paper%20-%20Policies%20Procedures%20-%20Revised%20Nov%202015\\_0.pdf](https://www.sfmta.com/sites/default/files/pdfs/2015/SFMTA-Commercial%20Paper%20-%20Policies%20Procedures%20-%20Revised%20Nov%202015_0.pdf).

**SECTION 7. PROJECT DELIVERY****A. Series 2012B Bond Funded Programs**

The Series 2012B Bonds were authorized in July 2012 for a total of \$25.7 million funding 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 of existing assets as well as accessibility and reliability of the transportation system including transit, bicycle, pedestrian and signal improvements. As of June 30, 2015, the Series 2012B bond funds were invested in a total of 14 projects across the seven program areas. A total of \$21.6 million bond funds were expended and \$0.1 million were encumbered in construction contracts leaving \$4.0 million in proceeds to be spent. The following section summarizes the programs included in the 2012B Revenue Bonds.

| <b><u>Project Title</u></b>  | <b><u>Project Description</u></b>  |
|--|--|
| <b>Systemwide Transit Access and Reliability (Transit Signal Priority) Program</b> | 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.   |
| <b>Muni Metro Turnback Rehabilitation</b>  | 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. |

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| <b><u>Project Title</u></b>  | <b><u>Project Description</u></b>  |
|--|--|
| <b>Muni Metro System Public Announcement and Public Display System Replacement</b> | 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. |
| <b>Muni Green Light Rail Facility Rehabilitation</b>                               | 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.  |
| <b>Parking Garage Projects</b>   | This program includes funds for assessing the condition of 18 garages and provides partial funding for waterproofing and ventilation projects.   |

### **Fiscal Year 2014-2015 project delivery milestones for the 2012B Revenue Bonds include:**

1. Systemwide Transit Access and Reliability Program: Completed projects include: 1) Bicycle Parking; 2) Oak and Fell Bikeways resurfacing; 3) Church and Duboce Pedestrian Improvements; 4) Polk Street Northbound Separated Bikeway; and 5) the installation of the third pedestrian bulb-out on Franklin Street.
2. Geary-Gough-Peter Yorke Bulb-out: Construction started along Gough Street with a new sewer main being installed.
3. Muni Metro Sunset Tunnel Rail Rehabilitation: Contract was awarded in January 2014 with notice to proceed issued in April 2014.
4. Green Center Roof Rehabilitation: Under the modified contract 15 smoke hatches were purchased and installed to comply with City's fire prevention codes. Facility improvements were also made to the welding and grinding shops, and wood and bench work areas.
5. Muni Green Center Rail Replacement: Construction of a new accessible Muni Metro key stop was completed on San Jose Avenue and put into service in April 2015. Curb ramp upgrade were completed on San Jose Avenue to meet ADA requirements. Inside the Green Light Rail Center, the track drainage system was replaced and the Overhead Contact System was adjusted at Area 1a between Track 18 and 23.

6. C3 Integrated Systems Replacement: Platform Display Signs at West Portal, Forest Hill, Castro, Church, Van Ness, Civic Center, Powell and Montgomery Stations were installed. Programmable logic controllers and software on primary and secondary servers to support the new facility Supervisory Control and Data Acquisition system (SCADA) were installed. The Muni Metro Turnback programmable automated controllers were brought online and the battery charger cabinet used for emergency lighting at Van Ness Station was relocated to provide Code-mandated clearance.
  
7. Parking Garage Projects – Condition Assessment, Waterproofing & Ventilation: Waterproofing and parking stall re-striping work was completed at the Performing Arts parking garage. Notice to proceed with waterproofing work at the Ellis O’Farrell parking garage was issued in June 2015. Design for improving the ventilation system at the Japan Center garage was completed.

### **B. Series 2013 Revenue Bond Funded Programs**

On December 4, 2013, the SFMTA issued \$75 million in Revenue Bonds, Series 2013. Of the \$75 million, \$1.7 million was programmed for garage projects and \$73.3 for asset renewals, accessibility and reliability of the transit system (safe routes to transit including bicycle, pedestrian and signal improvements). As of June 30, 2015, the Series 2013 bond funds were invested in a total of 31 projects. A total of \$17 million bond funds were expended and \$10 million was encumbered in construction contracts leaving \$21 million to be spent.

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

### Project Title

### Project Description

#### **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 bike 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.

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**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.

**Light Rail Vehicle 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 2014-2015 project delivery milestones for the 2013A Revenue Bonds include:**

1. Safe Routes to School Projects - Alamo Elementary: Design completed with project to begin in July 2015.
2. Traffic Calming Improvements – Applications: In Fiscal Year 2014-2015, Livable Streets reviewed 43 applications for traffic calming improvements and accepted 15 locations. All 15 locations passed local balloting and Public Works subsequently constructed 18 speed humps and 4 speed cushions across the City.
3. Traffic Calming Improvements – Area-Wide: This program stems from neighborhood traffic calming plans based on data collected by Livable Streets from 2003 to 2014. In Fiscal Year 2014-2015, Livable Streets prepared traffic calming improvement plans and design for 23 locations to be constructed under a separate project.
4. 9th and Division Safety Improvements: Parking and traffic changes needed to install bicycle and pedestrian safety improvements were approved by the SMTA Board on June 16, 2015.
5. Above Grade Pedestrian Countdown Signals Upgrade & Improvements: The project is 95% complete and all countdown signals are installed and activated.
6. Excelsior & South Bernal Area Wide: Construction of traffic calming bulb-outs at Russia and Madrid were completed. Bulb-outs at Dublin and Persia are 75% completed.
7. Gough Street Pedestrian Improvements: Design work required to start construction was completed.
8. Pedestrian Countdown Signals 3: Completed 90% of design.

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9. Persia Triangle Street Improvements: Construction started in June 2015.
10. Safe Routes to School Projects – Tenderloin: Construction bid document was completed.
11. Traffic Calming Improvements - Backlog Spot Improvements: Detail design is underway for the Bernal Heights Boulevard bulb-out.
12. Traffic Calming Improvements - Site Specific: Completed 80% of construction.
13. Blue Light Emergency Phone Replacement: Initiated infrastructure work throughout the subway stations and continued installing cables at Lenox/West Portal, Forest Hill, Castro and Church Street stations.
14. Transit Spot Improvement - 24th Street & Castro Bus Bulb Construction: Completed construction of bus bulb and traffic signal upgrades in April 2015.
15. Transit Spot Improvement - Columbus Bus Bulbs: Construction bid document was completed.
16. Muni Forward - 5 Fulton Mid Route Phase I: Project was 95% completed in June 2015.
17. Muni Forward - 5 Fulton Outer: Construction bid document was completed.
18. Bicycle Strategy Capital Projects - Oak and Fell Bikeways Resurfacing: Project was completed in June 2015.
19. Bicycle Strategy Capital Projects - Polk Street Northbound Separated Bikeway: Project was completed in September 2014.
20. Bicycle Strategy Capital Projects - Wiggle Neighborhood Green Corridor: Environmental review and detail design is underway. Project may not be completed as initially planned due to delays in completing design. SFMTA will identify alternative funding sources for this project and will need to reallocate these funds to projects that will be able to spend the funds sooner.
21. Broadway Chinatown Streetscape Project: Caltrans authorization to proceed with construction (E-76) was secured in April 2015.
22. Masonic Avenue Complete Streetscape: Design package was finalized and submitted to Public Works to start the bidding process.
23. Operator Restrooms: Phase One and Two Project: Under phase one, the new operator restroom located at 48<sup>th</sup> and Ortega was completed in June 2015 and is currently in use.
24. 33 Stanyan Overhead Replacement - Phase I: Construction bid document was completed.

- 25. L-Taraval Track Rail and Overhead Rehabilitation: Completed the first draft of the pre-development report incorporating Muni Forward operational requirements, conducted public outreach and meetings with other City agencies.
  
- 26. Muni Metro Sunset Tunnel Rail Rehabilitation: The project includes seismic upgrades to the tunnel portal retaining walls and its foundations and replacement of aging track and other infrastructure inside the Sunset Tunnel. Construction scheduled for 15 weekends, started in November 2014. This past year, the contractor has worked on 10 weekends and completed approximately 60% of the work. Construction work had to be rescheduled to accommodate concurrent major events in the City.
  
- 27. Muni Metro Twin Peaks Tunnel Rail Replacement: Completed all contract documents and advertised for construction bids.
  
- 28. Light Rail Vehicle Procurement: A \$1.2 billion contract was awarded to Siemens Industry Inc. to design, manufacture, test and deliver up to 260 light rail vehicles (LRVs) to the SFMTA. A project kick-off meeting was held in October 2014. Outreach to the public and stakeholders to view and comment on interior seating arrangements and other features took place in November 2014. The contractor has also completed all conceptual design review sessions.

**C. Series 2014 Revenue Bond Funded Programs**

On December 10, 2014, \$75 million in revenue bonds were issued to fund various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2015, the Series 2014 bond funds were invested in 12 programs. A total of \$0.4 million of bond funds were expended and \$2.3 million were encumbered in construction contracts leaving \$19.5 million to be spent.

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

| <b><u>Project Title</u></b>                                | <b><u>Project Description</u></b>   |
|--|---|
| <b>Pedestrian Safety &amp; Traffic Signal Improvements</b> | 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. |

| <b><u>Project Title</u></b>                          | <b><u>Project Description</u></b>  |
|--|--|
| <b>Transit System Safety and Other Improvements:</b> | 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. |
| <b>Street Capital Improvements:</b>                  | 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 bike 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.  |
| <b>Facility Improvements:</b>                        | 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.  |
| <b>Light Rail Vehicle Procurement:</b>               | 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 2014-2015 project delivery milestones for the 2014 Revenue Bonds include:**

1. Columbus Avenue Streetscape Project: Construction bid document was completed.
2. Polk Streetscape: 65% of the design work was completed.
3. 19 Polk: Polk Street Transit Priority Project: Detail design started in May 2015.
4. Bicycle Strategy Capital Projects - Oak and Fell Bikeways Resurfacing: Restriping and curb paint tasks were completed and project is in close-out.
5. Parking Garage Project - Elevator Modernization Condition Assessment of Seven Garages: Elevator conditions assessment was completed at Sutter- Stockton, Polk - Bush, and Vallejo parking facilities. Condition assessment is underway at North Beach, Union Square, General Hospital and St. Mary's parking facilities. The condition assessment data will be used prepare the bid document required to modernize the elevators at the seven parking facilities.
6. Parking Garage Project - Golden Gateway Garage Ventilation: Design to improve the ventilation system was completed and advertised for bid in March 2015. The bid evaluation and award process was completed in July 2015.
7. Parking Garage Project - Japan Center Garage Ventilation: Design to improve the ventilation system was completed.
8. Parking Garage Project - Sutter Stockton Garage Ventilation: Design to improve the ventilation system was completed and advertised for bid in March 2015. The bid evaluation and award process was completed in July 2015.

### **D. Section 10.2 Proposition A, General Obligation Bond**

In November 2014, voters approved the San Francisco Transportation and Road Improvement General Obligation Bond (Transportation Bond) to finance investments in the City's transportation and road system. The Transportation Bond was authorized up to \$500 million and such investments will make Muni less crowded, more reliable and safer. The Transportation Bond initiates a long-term plan developed by the Mayor's Transportation Task Force in 2013 to support a long-term sustainable transportation system for San Francisco to meet the growing demands as a result of projected population and job growth.

Funds from Transportation Bond can be used for the following purposes:

- Construct transit-only lanes and separated bikeways;
- Install new boarding islands, accessible platforms, and escalators at Muni/BART stops;
- Install new traffic signals, pedestrian countdown signals, and audible pedestrian signals;
- Install sidewalk curb bulb-outs, raised crosswalks, median islands, and bicycle parking; and
- Upgrade Muni maintenance facilities.

The Transportation Bond will also support non-SFMTA projects and will be subject to the oversight of the City's General Obligation Bond Oversight Committee (GOBOC) as required by the City Charter. On occasion the SFMTA may use proceeds from both revenue bonds and GO bonds on a single project. In these cases projects will have to be reported out to both the BOC and GOBOC. In those instances in which only General Obligation Bonds are used to fund a project, GOBOC but not the SFMTA BOC will have oversight responsibility.

In May 2015, the SFMTA BOC met with members of the GOBOC to discuss opportunities for coordination and reporting and process strategies. The summary of the meeting can be found here: <http://sfmta.com/about-sfmta/organization/committees/bond-oversight-committee-boc>.

### SECTION 8. REALLOCATION OF PROCEEDS

#### A. Background and Process

The SFMTA Board of Directors approves a 5-year Capital Improvement Program (CIP), from which the first 2 years is approved as part of the SFMTA's two-year budget process which is required by the City Charter. The SFMTA 5-year CIP is then included in the Citywide 5-year Capital Improvement Program approved by the Board of Supervisors.

Given the number of SFMTA capital projects and ever-changing priorities, budgets and scope revisions in response to various issues that arise, once the CIP is approved, an interagency team, the Transportation Capital Committee (TCC), made up over 20 members representing all parts of the Agency, is responsible for overseeing the CIP and any changes required. The TCC reports out to the executive team, including the Director of Transportation, after every monthly meeting. The attached link provides the detail on the TCC procedures and process: <https://www.sfmta.com/about-sfmta/investor-relations/investor-relations-overview>.

The highlights of the procedures and process that was signed off by the entire Executive Team, including the Director of Transportation, include:

- Project managers must submit a Capital Funding Request with scope, schedule, and budget information for each project in the approved CIP before a project is set up in the City's financial system with assistance from the Controller's office.
- If the project scope, budget, and funding plan changes, the changes must be added to the CIP through TCC approval by consensus and presented to the Executive Team for concurrence or changes. These changes are recorded in the City's financial system once approved with assistance from the Controller's office.
- The SFMTA Board of Directors provides authority to the Director of Transportation to make changes up to 5% either up or down to the 2-year Capital Budget as part of its budget approval process.
  - The authority has been extended administratively for budget modifications and funding reallocations for existing projects as follows: (1) for capital projects less than \$1,000,000 up to \$250,000 per project or (2) for capital projects more than \$1,000,000 up to 10% of the approved project budget. For these administrative changes multiple reviewers are required for approval. Budget modifications that exceed these amounts or include a scope change require TCC approval and reporting to the Executive team.
  - A budget adjustment in excess of 20% must be approved by the Director of Transportation/Executive Team. Additionally, the total amount of CIP modifications cannot exceed 10% of a program total in any one fiscal year (the CIP includes 16 programs).

All changes to budget are documented in the City's financial system with the Controller's Office's assistance and changes to budget and scope are also documented in the Agency's Project Control System and reported out monthly at a Capital Meeting chaired by the Director of Transportation.

### **B. Additional Procedures for SFMTA Debt**

Sections 5 and 6 of this Report summarize the approvals obtained for SFMTA debt to date. For reallocations that involve SFMTA financings the above procedures summarized in Section 8A apply in addition to the following:

- SFMTA is required to follow the overall City accounting and budgeting procedures when recording bond funds similar to all other departments. These accounting and budgeting procedures are established by the Controller's Office.
- When bond funds are reallocated between accounting fund types (e.g. transit projects originally approved by the Board of Supervisors are being reallocated to parking projects or vice versa), these items require both SFMTA Board of Directors and Board of Supervisors approval.
- For those reallocations that are not between fund types, the SFMTA Board of Directors and BOC are both notified when the needs for revenue bond reallocations are required

between authorized programs and/or projects. These changes are entered into the financial system and reviewed by the Controller's Office.

- In Fiscal Year 2014-2015 there were two reallocations to the Series 2012B Bonds. Subsequently a third reallocation was made in October 2015 for the Series 2012B, 2013, and 2014 bonds. The October reallocation is discussed under *Section 10. Subsequent Events*. The October 2015 Reallocation Memo to the SFMTA Board of Directors (MTAB) can be accessed here:

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

### C. Summary of Reallocations

Below are the reallocations made to the Series 2012B bonds during Fiscal Year 2014-2015.<sup>1</sup>

**Reallocation 3:** In a Memorandum dated October 15, 2014, the SFMTA Board was advised that \$150,001 in cost savings from the completed Muni Metro Turnback Rehabilitation project were transferred to two projects: 1) \$149,501 to the Muni Green Light Rail Facility Rehabilitation project, and 2) \$500 to the Muni Metro System Public Announcement and Public Display System project, both of which needed additional funds for completion.

**Reallocation 4:** In a Memorandum dated February 13, 2015, the SFMTA Board was advised that \$1,275,035 from two other projects were redirected to the Sunset Tunnel Rehabilitation project in order to ensure the bond funds were spent within the allowable 3-year window. The reallocation of \$1,275,035 included the following: \$162,448 savings from the completed Muni Metro Turnback Rehabilitation project and \$1,187,587 from the Systemwide Transit Access & Reliability program. Additionally, \$75,000 was redirected from Muni Metro Turnback Rehabilitation to Muni Green Light Rail Facility Rehabilitation and \$194,514 in interest earned to date on the Series 2012B bonds was redirected to the Sunset Tunnel Rehabilitation Project.

Below is the reallocation made to the Series 2013 bonds during Fiscal Year 2014-2015:

**Reallocation 1:** In a Memorandum dated February 13, 2015, the SFMTA Board was advised that \$1,187,587 was redirected from the Transit Fixed Guideway Improvements program as follows: \$750,000 to the Facility Improvements Program for the Van Ness Station Elevator Modernization project and \$437,587 to the Pedestrian Safety and Traffic Signal Improvements program for the Gough Street Pedestrian Improvements project. This replaced Series 2012B funds reallocated from those projects described above.

One reallocation was made to the Series 2014 bonds during Fiscal Year 2014-2015:

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<sup>1</sup> The reallocations are numbered sequentially by bond issue irrespective of the Fiscal Year during which they occurred.

The reallocation redirected \$10,227,540 from the Muni Fleet program for the Procurement of Light Rail Vehicles to the Complete Streets Capital Improvements program for the Masonic Streetscape Project. In order to meet the schedule for the Masonic Streetscape Project, a swap of funding was required using \$10.2 million in One Bay Area grant (OBAG) funds for the light rail vehicle base procurement and \$10.2 million in revenue bonds for the Masonic Streetscape Project. This had no net impact on the total funding allocated to either project. Only the sources of funding were changed. The SFMTA Board of Directors approved a supplemental appropriation for this reallocation on April 7, 2015 and the Board of Supervisors approved the supplemental appropriation on June 2, 2015. The reallocation is captured in the Reallocation 1 Memorandum, dated October 5, 2015 as discussed in *Section 10. Subsequent Events*.

### SECTION 9. ACCOUNTING POLICIES & PROCEDURES

Consistent with the goals established by the BOC, in August 2013, the BOC received a presentation from the Controller's Office and San Francisco Public Works (SFPW) of new written procedures for work authorizations between SFMTA and SFPW. The procedures outline a timeline for timely review and approval of SFPW charges by SFMTA and a process for correction of expenditures if required.

### SECTION 10. SUBSEQUENT EVENTS

#### A. Reallocation of Proceeds

The reallocation made to the Series 2012B bonds subsequent to June 30, 2015 as of the writing of this report is:

**Reallocation 5:** In a Memorandum dated October 5, 2015, the SFMTA Board was advised that \$35,439 in cost savings was redirected from the following completed projects within the Systemwide Transit Access and Reliability Program to the Muni Metro Sunset Tunnel Rail Rehabilitation as follows: 1) \$8 from Balboa Streetscape, 2) \$28,458 from Bicycle Strategy Capital Projects – Polk Street Northbound Separated Bikeway, 3) \$6,714 from the Church and Duboce Project, and 4) \$259 from Franklin Street Bulbouts.

The reallocation made to the Series 2013 bonds subsequent to June 30, 2015 as of the writing of this report is:

**Reallocation 2:** In a Memorandum dated October 5, 2015, the SFMTA Board was advised that \$750,000 was redirected from the Transit Fixed Guideway Improvements Program to the Facilities Program to fund the Elevator Safety and Reliability project, which required additional funding. The Van Ness Elevator Modernization project will be coordinated with additional elevator upgrades at Forest Hill, Church, and Castro Muni Metro stations, and it will be incorporated into the Elevator Safety and

Reliability project scope and budget. Bond funds redirected from Fixed Guideway Program will be replenished with another funding source once there is a project need in order to maintain the same level of funding for the program. The second reallocation of the Series 2013 revenue bonds additionally redirected \$722,431 from Parking Garage Projects within the Facilities Program to Islais Creek Phase II (bus maintenance facility) also within the Facilities Program. The redirection of funds is not due to an overall budget increase for Islais Creek Phase II. It was determined that the seismic upgrades assessment and conceptual design work included within the Parking Garage Projects scope will not result in the construction of a fully funded seismic upgrade project within the three-year bond window, and as a consequence, will be funded with an alternative funding source. This reallocation had no net impact on the funding programmed within the Facilities program.

The reallocation made to the Series 2014 bonds subsequent to June 30, 2015 as of the writing of this report is:

**Reallocation 1:** In a Memorandum dated October 5, 2015, the SFMTA Board was advised that \$9 million from the Parking Program was redirected to the Radio Replacement Project to fund a change order to exercise contract options and accommodate an \$11 million cost increase. The bond funds were programmed to Parking Program reserve when they were issued and redirecting these funds ensures that the \$9 million will be spent within the allowable three-year window. The SFMTA Board approved a supplemental appropriation for this reallocation on September 15, 2015 and it will be before the Board of Supervisors for approval in November 2015.

### **B. Audit Findings**

At the BOC meeting of July 22, 2015, KPMG presented the draft Fiscal Year 2014-2015 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. The BOC members agreed to a sample size of sixty-five transactions, to include representative coverage of large and small dollar amounts, interdepartmental charges, and other miscellaneous items. KPMG subsequently issued its report in December 2015, stating that no exceptions were found. A full copy of the report is included in Appendix 2 of this report.

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### APPENDIX 1: FISCAL YEAR 2014-2015 MEETING SCHEDULE

At the beginning of Fiscal Year 2014-2015 meetings were held on a quarterly basis. Effective January 7, 2015, meetings were held every other month. Meetings occurred on the following dates beginning at 2:00 pm at the SFMTA building located 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 Secretary of the Committee and can be made available upon request. Scheduled meetings are open to the public and the BOC encourages the participation of interested persons.

#### Fiscal Year 2014-2015 BOC Meeting Dates

- August 27, 2014
- January 7, 2015
- March 25, 2015
- May 27, 2015

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**APPENDIX 2: FISCAL YEAR 2014-2015 AUDIT**

See 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 was agreed to by San Francisco Municipal Transportation Agency (SFMTA), solely to assist the management of the SFMTA in evaluating SFMTA's sources and uses related to revenue bond series 2012, 2013, and 2014 is in compliance with the provisions of SFMTA's Board of Directors Authorized Resolution and SFMTA's internal procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Attachment either for the purpose for which this report has been requested or for any other purpose. The results of these procedures are enumerated in the Attachment.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. 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 the 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 these specified parties.

**KPMG LLP**

December 11, 2015

***Procedures and Results:***

1. *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.*
  - 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 assist in this process:
    - BOS Resolutions for Series 2012, 2013, and 2014 bonds and MTAB Resolutions for Series 2012, 2013, and 2014 bonds
    - SFMTA Procurement Procedures
    - CCSF One Time Payment Guidelines
    - CCSF Payment Guidelines
    - Capital Funding Recommendations
  - b. We obtained and reviewed the respective bond resolutions that describes management's intention of the bond proceeds and interest income for the source, intended use, and expenditure and balances of bond revenue to assist with procedure 2 below:
    - The SFMTA Board of Directors Resolutions 11-150 and 13-205 resolving to issue Series 2012, 2013, and 2014 Revenue bonds for the purpose of financing (as capital projects) the cost of transportation projects
    - The SFMTA Board of Directors Resolutions 11-127 and 13-2015, which allow SFMTA to be reimbursed for costs for the above range of capital projects from the proceeds of revenue bond Series 2012, 2012B, 2013, and 2014
    - CCSF Board of Supervisors Resolutions 120-12 and 337-13 authorizing the issuance of Series 2012, 2012 B, 2013, and 2014 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 expenditures, including a sample of trustee payments that included debt principal and interest amounts, and performed procedures on whether the sources were used solely for uses, purposes, and projects authorized in the authorizing resolution. Refer to the below for specific procedures performed over the expenditures and trustee payments.

**Results: No exceptions were noted 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, 2015:*
  - 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
- 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) We haphazardly selected a sample of 65 transactions, 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 general ledger detail (EIS data) related to bond series 2012, 2013, and 2014 from management of all transactions recorded related to the bond series 2012, 2012B, 2013, and 2014. 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. Refer below for the procedures performed over these samples.

We obtained a work order file related to bond series 2012, 2013, and 2014 from management that included GL accounts 431, 423, and 349. We selected the 15 interdepartmental charges by filtering the work order file and filter by GL code GL 431. We used the same work order file and filtered by GL code 423. Then, we selected five budget (funding) transfers between projects that had descriptions of "Work Authorization to DPW," "Reallocate Appn Btw Tasks" "to allocate fund," or "Transfer and allocate." Refer below for the procedures performed over these samples.

We obtained a listing of all bond debt service payments to trustee related to bond series 2012, 2013, and 2014 from management. We selected five payments from this listing. Refer below for the procedures performed over these samples.

(B) We tested the samples according to the procedures described above as follows:

**High-dollar amounts and assorted smaller-dollar expenditures (Sample Size 40) – Sample numbers 1–40 (Steps 2a–c)**

- For each sample highest dollar value amount and assorted expenditure for smaller-dollar sample selected, we validated that the uses are 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.
- For each sample highest dollar value amount and assorted expenditure for smaller-dollar sample selected, we validated that the project expenditures and encumbrances are for authorized capital projects by obtaining the approved invoice and Certificate of Progress Payment that was signed by the project manager and contract administrator provided by management.
- For each sample highest dollar value amount and assorted expenditure for smaller-dollar sample selected, we validated that the transactions are properly supported based on City and Departmental policies in

**ATTACHMENT**

accordance with SFMTA’s internal procedures. We obtained 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. For each selection, we also agreed amount in the progress payment memorandum to the amount in the encumbrance payment request form and validated that the Certificate of Progress Payment was signed by the project manager and contract administrator. We agreed the progress payment report amount to the amount on the respective bank statement. We also agreed the date of payment on the bank statement to the 15-business day payment rule per SFMTA’s Guidelines for Processing Contractor Payments.

| Sample # | Project Name  | Project Title                            | Transaction Type  | Transaction Amount |
|----------|---|--|-------------------|--------------------|
| 1        | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 1,188,349.31    |
| 2        | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 1,111,981.33    |
| 3        | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 939,974.39      |
| 4        | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 912,293.94      |
| 5        | Muni Green Center Rail Rehabilitation                                     | GREEN CENTER RAIL REPL(CP)CONST CON BOND | High Dollar Value | \$ 845,514.77      |
| 6        | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 793,633.10      |
| 7        | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 725,094.00      |
| 8        | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 632,666.13      |
| 9        | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 630,842.02      |
| 10       | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 517,750.00      |
| 11       | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 502,645.00      |
| 12       | Muni Green Center Roof Rehabilitation                                     | GREEN CENTER ROOF REHAB (CP)CC-BOND      | High Dollar Value | \$ 484,284.82      |
| 13       | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 481,909.08      |
| 14       | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 443,411.66      |
| 15       | Muni Green Center Rail Rehabilitation                                     | GREEN CENTER RAIL REPL(CP)CONST CON BOND | High Dollar Value | \$ 410,004.00      |
| 16       | C3 Blue Light Emergency Phone Replacement                                 | CENTRAL CNTRL & COMM(C3)CP-CNST CTBOND2  | High Dollar Value | \$ 396,585.07      |
| 17       | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 390,926.48      |
| 18       | Muni Green Center Roof Rehabilitation                                     | GREEN CENTER ROOF REHAB (CP)CC-BOND      | High Dollar Value | \$ 386,840.73      |
| 19       | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 368,030.54      |
| 20       | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP)CONST CRT-BOND | High Dollar Value | \$ 359,990.55      |
| 21       | Muni Green Center Roof Rehabilitation                                     | GREEN CENTER ROOF REHAB (CP)CC-BOND      | High Dollar Value | \$ 354,487.50      |
| 22       | Bicycle Strategy Capital Projects – Polk St. Northbound Separated Bikeway | 2154J-CONSTRUCTION                       | High Dollar Value | *\$ 344,170.89     |
| 23       | C3 Blue Light Emergency Phone Replacement                                 | CENTRAL CNTRL & COMM(C3)CP-CNST CTBOND2  | High Dollar Value | \$ 342,475.00      |
| 24       | Muni Metro Sunset Tunnel Rail Rehabilitation                              | SUNSET TUNNEL RAIL REHAB-CP-CONT_13ABOND | High Dollar Value | \$ 321,313.75      |
| 25       | Muni Metro Turnback Rail Rehabilitation                                   | M.M.T. RAIL REHABIL-CP-CONST CONTRT_BOND | High Dollar Value | \$ 303,149.92      |

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| Sample # | Project Name  | Project Title                            | Transaction Type              | Transaction Amount |
|----------|---|--|-------------------------------|--------------------|
| 26       | Muni Metro Twin Peaks Tunnel Rail Replacement                             | TWIN PKS TUN RAIL REP-(DD)PUB OTR-BOND2  | Smaller Assorted Expenditures | \$ 41,952.20       |
| 27       | Parking Garage Projects   | 8004A-GDG CONSULT                        | Smaller Assorted Expenditures | \$ 24,464.00       |
| 28       | Bicycle Strategy Capital Projects – Polk St. Northbound Separated Bikeway | 2154J-MTA LOOP REPAIRS                   | Smaller Assorted Expenditures | *\$ 19,725.00      |
| 29       | Muni Green Center Roof Rehabilitation                                     | GREEN CENTER ROOF REHAB (CP)CM-BOND      | Smaller Assorted Expenditures | \$ 18,359.26       |
| 30       | Franklin Street Bulbouts  | 2049J-BOE LABOR                          | Smaller Assorted Expenditures | \$ 17,067.62       |
| 31       | Bicycle Strategy Capital Projects – Oak and Fell Bikeways Resurfacing     | 2114J-BSSR LABOR                         | Smaller Assorted Expenditures | \$ 12,326.70       |
| 32       | C3 Blue Light Emergency Phone Replacement                                 | CENTRAL CNTRL & COMM(C3)SEG3 CP-CM BOND2 | Smaller Assorted Expenditures | \$ 5,568.02        |
| 33       | Muni Metro Twin Peaks Tunnel Rail Replacement                             | TWIN PKS TUN RAIL REPL-(DD)ENG SVS-BOND2 | Smaller Assorted Expenditures | \$ 4,390.41        |
| 34       | Masonic Avenue Streetscape  | 2370J-BOA LABOR                          | Smaller Assorted Expenditures | \$ 3,874.65        |
| 35       | Muni Green Center Roof Rehabilitation                                     | 7378A-IHI EXTENDED OS                    | Smaller Assorted Expenditures | \$ 3,711.40        |
| 36       | Masonic Avenue Streetscape  | 2370J-CITY PLANNING                      | Smaller Assorted Expenditures | \$ 3,629.00        |
| 37       | C3 Integrated Systems Replacement   | CENTRAL CONTROL & COMM(CP) ENG SVC BOND  | Smaller Assorted Expenditures | \$ 1,630.18        |
| 38       | Muni Metro Twin Peaks Tunnel Rail Replacement                             | TWIN PKS TUN RAIL REP-(DD)PROJ MGT-BOND2 | Smaller Assorted Expenditures | \$ 1,533.75        |
| 39       | Operator Restrooms  | 0361S-SR LABOR/INSTALL RESTROOM TRAILER  | Smaller Assorted Expenditures | \$ 1,513.82        |
| 40       | Muni Green Center Roof Rehabilitation                                     | GREEN CENTER ROOF REHAB (CP)PM-BOND      | Smaller Assorted Expenditures | \$ 1,057.11        |

(\* ) We noted that one High Dollar Value sample and one Smaller Dollar sample were also included in the interdepartmental charges test work discussed above. As there was slightly different criteria for the interdepartmental charges test work, the items were kept in the sample selection.

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

**Interdepartmental charges (Sample size 15) - Sample numbers 41–55 (Steps 2a–c)**

- 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. We reviewed the project descriptions on the work authorization to confirm that the expenditures were for capital projects respective bond authorization and resolution.
- 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. 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). 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 are properly supported based on City and Departmental policies and are processed in accordance with SFMTA’s internal

procedures. We obtained the work authorization from management and confirmed it was signed by a SFMTA project manager who verified that the documentation for charges is correct; the charges are in line with the project scope, schedule, and budget; and progress of work reasonably equates to the percentage of the budget expended. SFMTA's Work Authorization Procedure indicates that the SFMTA project manager is required to approve the 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 submitted by DPW with the general ledger screen shots were signed by a project manager.

| Sample # | Project Name  | Project Title                     | Transaction Type          | Transaction Amount |
|----------|---|-----------------------------------|---------------------------|--------------------|
| 41       | Bicycle Strategy Capital Projects – Polk St. Northbound Separated Bikeway | 2154J-CONSTRUCTION                | interdepartmental charges | *\$ 344,170.89     |
| 42       | Parking Garage Projects   | 8005A-CONSTRUCTION CONTRACT       | interdepartmental charges | \$ 296,053.67      |
| 43       | Mission and Silver Fast Track Transit Enhancements                        | 2298J-CONSTRUCTION                | interdepartmental charges | \$ 293,550.00      |
| 44       | Exploratorium Crosswalk   | 2135J-CONSTRUCTION                | interdepartmental charges | \$ 250,000.00      |
| 45       | Above Grade PCS & Signal Visibility Improvement                           | 2543J-CONSTRUCTION                | interdepartmental charges | \$ 155,115.52      |
| 46       | Gough Street Pedestrian Safety Improvements                               | 2066J-CONSTRUCTION-GEARY BULBOUT  | interdepartmental charges | \$ 97,888.00       |
| 47       | Gough Street Pedestrian Safety Improvements                               | 2066J-CONSTRUCTION-GEARY BULBOUT  | interdepartmental charges | \$ 84,109.00       |
| 48       | Balboa Streetscape  | 1060J-CONSTRUCTION                | interdepartmental charges | \$ 76,405.65       |
| 49       | Gough Street Pedestrian Safety Improvements                               | 2066J-CONSTRUCTION-BALBOA BULBOUT | interdepartmental charges | \$ 66,895.00       |
| 50       | Balboa Streetscape  | 1060J-CONSTRUCTION                | interdepartmental charges | \$ 29,622.83       |
| 51       | Bicycle Strategy Capital Projects – Polk St. Northbound Separated Bikeway | 2154J-MTA LOOP REPAIRS            | interdepartmental charges | *\$ 19,725.00      |
| 52       | Masonic Avenue Streetscape  | 2370J-ARTS COMMISSION             | interdepartmental charges | \$ 17,560.00       |
| 53       | Broadway Chinatown Streetscape  | 1075J-W/A TO ART COMMISSION       | interdepartmental charges | \$ 14,467.00       |
| 54       | Masonic Avenue Streetscape  | 2370J-BOE LABOR                   | interdepartmental charges | \$ 11,671.75       |
| 55       | Parking Garage Projects   | 8013A-BOE LABOR                   | interdepartmental charges | \$ 7,751.58        |

(\*) We noted that one High Dollar Value sample and one Smaller Dollar sample were also included in the interdepartmental charges test work discussed above. As there was slightly different criteria for the interdepartmental charges test work, the items were kept in the sample selection.

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

#### **Budget Funding (Sample Size 5) – Sample numbers 56–61 (Steps 2a–c)**

- For the budget funding samples, we validated the uses for 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 are for authorized capital projects by obtaining the SFMTA Work Authorization Request from management and confirmed it was signed by a project manager prior to the creation of the general ledger entry recorded by the SFMTA

accounting staff by comparing the dates on the work authorization to the general ledger entry. The five samples all related to capital outlays for buildings, structures, and improvement projects. 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).

- For the budget funding samples, we validated the transactions are properly supported based on City and Departmental policies and are processed in accordance with SFMTA’s internal procedures. For each selection, we obtained 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 noted 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 screenshots that show the funds authorized to be used for specific projects by code and noted 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       | Parking Garage Projects           | 8001A-RESERVE | Budget Funding   | \$ (2,176,067.10)  |
| 57       | Masonic Avenue Streetscape        | 2370J-RESERVE | Budget Funding   | \$ (1,886,661.00)  |
| 58       | Parking Garage Projects           | 8001A-RESERVE | Budget Funding   | \$ (1,000,000.00)  |
| 59       | Japan Center Garage Ventilation   | 8009A-RESERVE | Budget Funding   | \$ (2,420,000.00)  |
| 60       | Golden Gateway Garage Ventilation | 8007A-RESERVE | Budget Funding   | \$ (2,672,000.00)  |

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

**Trustee Payments (Sample Size 5) – Sample numbers 61–65 (Steps 2d–e)**

- For the five trustee payments, we validated that the trustee payments for debt service were made in accordance to terms on whether the amounts paid were correct and the payments were paid by the due date. For each selection, we obtained the monthly payment request and bank statement from management, and compared 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 are correct and if they are supported with a payment. We obtained the debt service schedules for Series 2012, 2013, and 2014 bonds as part of the fiscal year 2015 audit and agreed each amount to the debt service schedule.
- As part of the fiscal year 2015 financial statement audit, 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.

**ATTACHMENT**

| <b>Sample #</b> | <b>Project Name</b>               | <b>Project Title</b>                   | <b>Transaction Type</b> | <b>Transaction Amount</b> |
|-----------------|-----------------------------------|--|-------------------------|---------------------------|
| 61              | Parking Garage Projects           | DEBT REDEMPTION                        | Trustee Payment         | \$ 688,000.00             |
| 62              | Masonic Avenue Streetscape        | DEBT INTEREST AND OTHER FISCAL CHARGES | Trustee Payment         | \$ 224,708.11             |
| 63              | Parking Garage Projects           | DEBT REDEMPTION                        | Trustee Payment         | \$ 569,166.67             |
| 64              | Japan Center Garage Ventilation   | DEBT INTEREST AND OTHER FISCAL CHARGES | Trustee Payment         | \$ 229,876.67             |
| 65              | Golden Gateway Garage Ventilation | DEBT INTEREST AND OTHER FISCAL CHARGES | Trustee Payment         | \$ 107,190.42             |

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



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