

SFMTA Bond Oversight Committee

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December ____, 2018

SFMTA Board of Directors

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

Dear SFMTA Board Of Directors:

On behalf of the San Francisco Municipal Transportation Agency (SFMTA) Bond Oversight Committee (BOC), we are pleased to present the Fiscal Year 2017-2018 Annual Report.

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

Pursuant to its Bylaws, the BOC is required to provide its annual report to the SFMTA Board of Directors by January 31 of each year. The attached report describes BOC activities during Fiscal Year 2017-2018, including a report prepared by external auditors KPMG LLP and a description of any notable BOC actions since the end of the fiscal year.

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

Sincerely,

Chairman

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

Attachment: Fiscal Year 2017-2018 Annual Report

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SFMTA Bond Oversight Committee FY 2017-2018 Annual Report

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December ____, 2018

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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 2017-2018, 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: <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 Art Torres, Leona Bridges (former SFMTA Board member) and Robert Shaw, who replaced Pauline Marx on August 17, 2017. The two current members appointed by the Citizens' Advisory Council are Daniel Murphy and Neil Ballard, who replaced Stephen Taber on June 15, 2018. The current member appointed by the Director of Transportation is Kathryn How (Assistant General Manager, San Francisco Public Utilities Commission). The current member appointed by the Controller is Anna Van Degna (Director of the Office of Public Finance) who replaced Nadia Sesay on May 24, 2018. The BOC elected Rudy Nothenberg as Chair and Daniel Murphy as Vice Chair at its meeting on June 1, 2016. As a result of Mr. Nothenberg's departure on June 30, 2018, Daniel Murphy is the current Acting Chair and the Vice Chair is vacant. The BOC members are expected to vote on replacement officers at their November 27, 2018 meeting. BOC members do not receive compensation for their service on the committee.

In Fiscal Year 2017-2018, the BOC convened four times: on September 6, 2017, twice on December, 6, 2017 (regular and special meeting), and on June 15, 2018.

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

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

SECTION 3. AUDITOR REVIEW

The final report from the auditor review is included as Appendix 2 to this report. For more information, see Policies and Procedures (Section 9).

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 \$365.8M in Revenue Bonds for projects. As of June 30, 2018 the SFMTA has issued \$430.2M of its 2012, 2013, 2014 and 2017 Revenue Bonds, with the full total authorized of \$365.8M available for projects and the remaining \$38.0M used to refund previously issued debt as shown in Section "A" below. Revenue Bond proceeds are invested in the City Treasury and interest earned on these funds is credited to the bond account to be available for bond funded projects. Information related to SFMTA indebtedness and detailed information on issuances –is available at the following link:

<http://www.sfmta.com/about-sfmta/investor-relations>.

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

Bond Series	Available amount for projects
2012B Bond	\$25,835,000
2013 Bond	\$75,000,000
2014 Bond	\$75,000,000
2017 Bond	\$190,000,000
Total	\$365,835,000

A. Series 2012A and 2012B Revenue Bonds

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

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

B. Series 2013 Revenue Bonds

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

C. Series 2014 Revenue Bonds

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

D. Series 2017 Revenue Bonds

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

SECTION 6. COMMERCIAL PAPER PROGRAM

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

At its November 6, 2013 meeting, the BOC reviewed the SFMTA's Commercial Paper Policies and Procedures to guide the use of CP. The procedures were jointly developed by the SFMTA and the Controller's Office of Public Finance. The Policies and Procedures were intended to define the steps to issue commercial paper and the related procedures and accounting to ensure appropriate internal controls and accountability. The BOC has no oversight responsibility for the use of CP on a day-to-day basis. As of November 2018, one CP note for \$41 million was issued on January 18, 2017 and repaid in 90 days, therefore, no CP notes are outstanding. Detailed information is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

SECTION 7. PROJECT DELIVERY

A. Series 2012B Revenue Bond Funded Programs

The Series 2012B Bonds were authorized in July 2012 for a total of \$25.7. Of the \$25.7 million, \$5.0 million was designated for parking garage projects and \$20.7 million for state-of-good-repair improvements to existing assets as well as accessibility and reliability of the transportation system including transit, bicycle, pedestrian and signal improvements. The Series 2012B bond funds were fully expended in October 2016 and funded a total of 15 projects.

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

Program Title

Program Description

Muni Metro Sunset Tunnel Rail Rehabilitation

The Muni Metro Sunset Tunnel Rail Rehabilitation upgrades and reconstructs aging N-Line railway infrastructure in the Sunset Tunnel, which includes replacing track work, overhead catenary system components, feeder cables, the curve signal system, and 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 on-going maintenance costs.

Muni Green Light Rail Facility Rehabilitation

The Muni Green Light Rail Facility Rehabilitation project will enhance system reliability while reducing the need for excess maintenance. The project calls for the replacement of approximately 11,200 track-feet of worn rails and track switches at the SFMTA's Green Light Rail Facility, where in excess of 89 Breda LRVs are regularly stored, and possibly improvements to the facility.

Muni System Radio Replacement Project

This project will replace and modernize SFMTA's radio communication system using 700 MHz voice and 800 MHz data channels as the basis for the communication network. The new system will utilize four base station sites and will meet the regional Intelligent Transportation Standard and the P25 interoperability criteria.

Muni Metro System Public Announcement and Public Display System Replacement

The Muni Metro System Public Announcement and Public Display System Replacement project would improve customer experience within the Muni Metro system by replacing existing 28-year-old subway Public Address System & Platform Display systems with new devices. Specific improvements include the installation of LED passenger information displays at nine stations, for a total of 108 signs. Station improvements will also include speakers, microphones, ambient noise sensors and a digital voice announcement system.

Parking Garage Projects

This program includes funds for assessing the condition of 18 garages and provides partial funding for waterproofing and ventilation projects.

B. Series 2013 Revenue Bond Funded Programs

On December 4, 2013, the SFMTA issued \$75 million in Revenue Bonds, Series 2013 (2013 Bonds). Of the \$75 million, \$1.7 million was programmed for garage projects and \$73.3 million for asset renewals, accessibility and reliability of the transit system (safe routes to transit including bicycle, pedestrian and signal improvements). As of June 30, 2018, the 2013 Bond funded 38 projects. A total of \$74.2 million was expended and \$0.1 million was encumbered in construction contracts leaving \$0.7 million unspent.

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.

Fiscal Year 2017-2018 project delivery milestones for the Series 2013 Revenue Bonds include:

1. Islais Creek Phase II Improvements: Reached substantial completion on May 4, 2018. This project included construction of a new motor coach maintenance and operations building

including maintenance bays, warehouse space, operations and maintenance offices, showers, a gilley room, locker rooms and training space. The project is funded with Series 2013 and Series 2014 bond funds.

2. Masonic Avenue Streetscape Improvements: The project was opened for use in June 2018 and brings safety upgrades for pedestrians, cyclists, transit riders and motorists, along with new infrastructure, landscaping, street trees and public art. This project is funded with Series 2013 and Series 2014 bond funds.
3. Muni Metro Sunset Tunnel Rail Rehabilitation: Work on the feeder cables that power the overhead wires was completed in October 2017. This marked the completion of the project after multiple weekends of construction over four years. Upgrading the aging track system and other infrastructure of the tunnel improves seismic and fire safety in the tunnel, provides a smoother and faster ride, and improves reliability on the N-Judah Metro line.
4. M-Ocean View Track Replacement: Phase 1 of the project at 19th Avenue and Junipero Serra Boulevard was completed in winter 2017. Improvements include new pedestrian refuge for people walking across 19th Avenue; intrusion treatments at track entrance to deter people from driving into the trackway; new train sensors to keep trains moving through the intersection; and restriping of traffic lanes and crosswalks
5. Muni Metro Twin Peaks Tunnel Rail Replacement: Construction began on June 25, 2018. The project was completed on time on August 25 and regular service resumed following closure of the tunnel for two months. Extensive work to the tracks, seismic reinforcement of walls, and improvements to the drainage system was performed on the 100 year old tunnel so that service can continue to operate safely and reliably for years to come.
6. Pedestrian Countdown Signals: Construction was nearly fully completed with the installation of pedestrian countdown signals at 11 intersections and accessible pedestrian signals at another additional 8 intersections. Most of these intersections involved a full signal upgrade with new conduits, pullboxes, poles, and larger signal heads. This project is funded with Series 2013 and Series 2014 bond funds.
7. Procurement of New Light Rail Vehicles: Twenty cars were placed in revenue service and as of June 2018 another ten were on site in the process of testing, commissioning and burn-in. The project includes first the expansion of the current fleet by a total of 68 cars followed by the replacement of the entire fleet of 151 Breda cars that are reaching the end of the useful lives. This project is funded with Series 2013, Series 2014, and Series 2017 bond funds.

8. Safe Routes to School Project – Tenderloin: Project was completed in August 2017. Pedestrian safety improvements were constructed in the vicinity of the Tenderloin Community Elementary School along Turk Street from Hyde to Franklin Streets. The project included bus and curb bulbs with curb ramps, continental crosswalks and advance stop bars. This project is funded with Series 2013 and Series 2014 bond funds.

9. Van Ness Bus Rapid Transit (BRT): Roadway and utility phase work on this major corridor project was fully underway. This massive civic improvement project will bring San Francisco its first bus rapid transit system to improve transit service and address traffic congestion on Van Ness Avenue. To maximize the benefits of construction impacts, the project also includes extensive utility maintenance, civic improvements and transportation upgrades. This project is funded with Series 2013, Series 2014, and Series 2017 bond funds.

C. Series 2014 Revenue Bond Funded Programs

On December 10, 2014, \$75 million of Revenue Bonds, Series 2014 (2014 Bonds) were issued to fund various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2017, the 2014 Bonds funded 38 projects. A total of \$56.3 million bond funds were expended and \$1.3 million were encumbered in construction contracts leaving an unexpended balance of \$17.4 million.

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

<u>Program Title</u>	<u>Program Description</u>
Pedestrian Safety & Traffic Signal Improvements	This program is meant to promote walking and improve the safety and usability of City streets by providing the funds required to plan, design and construct pedestrian and traffic signal infrastructure. The program includes the installation of red light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares; sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects.

Transit System Safety and Other Improvements	The Transit System Safety and Other Transit Improvements program is designed to improve the safety of the Muni transit system. It includes: project development and capital costs for: (i) the replacement of the communication and dispatching system to provide interoperable digital voice communications for SFMTA staff and the Public Works Emergency Radio System; (ii) new vehicle on-board and fixed route components that will provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location, vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; (iii) training equipment and simulators for Muni operators; (iv) replacement of the fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, uninterrupted power supply units, networking system, operator consoles and management servers; and (v) transit improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit.
Complete Street Capital Improvements	The Street Capital Improvements program focuses on the development of safe and complete streets through integrated major corridor capital projects. It includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing, new bicycle lanes and paths, bicycle parking facilities, bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and “green wave” traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb outs.
Facility Improvements	SFMTA’s Facility Improvements program includes safety and seismic upgrades to SFMTA parking garages and expansion of Muni operations and maintenance facilities, including projects intended to maintain the state of good repair of certain existing garages and SFMTA operations facilities, to improve working conditions for staff and to otherwise expand existing facilities.
Muni Fleet	Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

Fiscal Year 2017-201 project delivery milestones for the 2014 Revenue Bonds include:

1. Geary Bus Rapid Transit (BRT) Phase I: Construction of the safety improvements at Geary Boulevard and Baker Street reached substantial completion.
2. Polk Streetscape: Construction was well underway to construct new ADA accessible curb ramps at nine locations, traffic sign modifications at five intersections, full traffic signal upgrades and related bus pad improvements on Polk Street. Polk Street has been the site of many traffic-related injuries and the corridor is currently on San Francisco's Vision Zero High Injury Network. This network represents 12 percent of San Francisco's surface streets and is where injuries, including severe and fatal injuries, are most concentrated.
3. 7th & 8th Streetscape: Phase 1 (7th Street from Market to Cleveland Street & 8th Street from Market to Harrison Street) was completed and opened for use. The project implements near-term bicycle and pedestrian improvements along 7th Street and 8th Street between Market Street and Townsend Street.
4. Columbus Avenue Streetscape: The project was completed at the end of 2017. Pedestrian bulb outs were constructed along Stockton Street at Green, Vallejo, and Grant streets. Five other bulb outs were installed in conjunction with a street paving contract
5. Masonic Avenue Streetscape Improvements: The project was opened for use in June 2018 and brings safety upgrades for pedestrians, cyclists, transit riders and motorists, along with new infrastructure, landscaping, street trees and public art. This project was funded with Series 2013 and Series 2014 bond funds.
6. Procurement of New Light Rail Vehicles: Twenty cars were placed in revenue service and as of June 2018 another ten were on site in the process of testing, commissioning and burn-in. The project includes first the expansion of the current fleet by a total of 68 cars followed by the replacement of the entire fleet of 151 Breda cars that are reaching the end of the useful lives. This project is funded with Series 2013, Series 2014, and Series 2017 bond funds.
7. Islais Creek Phase II Improvements: Reached substantial completion on May 4, 2018. This project included construction of a new motor coach maintenance and operations building including maintenance bays, warehouse space, operations and maintenance offices, showers, a gilly room, locker rooms and training space. The project is funded with Series 2013 and Series 2014 bond funds.
8. PARCS Replacement Project: This project includes the complete replacement of the parking access and revenue control system (PARCS) components at 22 parking facilities. Installation was substantially completed at the first six of 22 garage facilities.

9. Pedestrian Countdown Signals: Construction was nearly fully completed with the installation of pedestrian countdown signals at 11 intersections and accessible pedestrian signals at another additional 8 intersections. Most of these intersections involved a full signal upgrade with new conduits, pullboxes, poles, and larger signal heads. This project is funded with Series 2013 and Series 2014 bond funds.

10. Safe Routes to School Project – Tenderloin: Project was completed in August 2017. Pedestrian safety improvements were constructed in the vicinity of the Tenderloin Community Elementary School along Turk Street from Hyde to Franklin Streets. The project included bus and curb bulbs with curb ramps, continental crosswalks and advance stop bars. This project is funded with Series 2013 and Series 2014 bond funds.

11. Van Ness Bus Rapid Transit (BRT): Roadway and utility phase work on this major corridor project was fully underway. This massive civic improvement project will bring San Francisco its first bus rapid transit system to improve transit service and address traffic congestion on Van Ness Avenue. To maximize the benefits of construction impacts, the project also includes extensive utility maintenance, civic improvements and transportation upgrades. This project is funded with Series 2013, Series 2014, and Series 2017 bond funds.

D. Series 2017 Revenue Bond Funded Programs

On June 7, 2017, \$190 million of Revenue Bonds, Series 2017 (2014 Bonds) were allocated to various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2018, the 2017 Bonds were allocated to four projects. A total of \$132.9 million were expended and \$50.3 million were encumbered leaving \$6.8 million remaining.

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

<u>Project Title</u>	<u>Project Description</u>
Mission Bay Transportation Capital Improvements	Construct a single-track transit loop for the Third Street Light Rail Line (T Line), including adjacent roadway surface improvements on Illinois Street, between 18 th and 19 th Streets. The addition of this short line to SFMTA's T Line is designed to double the frequency of light rail transit service to Mission Bay and provide enhanced connections between Mission Bay and downtown San Francisco.

Van Ness Bus Rapid Transit Project	Construct a package of transit, streetscape, and pedestrian safety improvements along a two-mile corridor of Van Ness Avenue between Mission and Lombard Streets. Key features include conversion of two mixed-flow traffic lanes into dedicated bus lanes, consolidated transit stops, high quality stations, transit signal priority, all-door low floor boarding, elimination of most left turn opportunities for mixed traffic, and pedestrian safety enhancements.
Muni Fleet: LRV Procurement	Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

Fiscal Year 2017-2018 project delivery milestones for the 2017 Revenue Bonds include:

1. Procurement of New Light Rail Vehicles: Twenty cars were placed in revenue service and as of June 2018 another ten were on site in the process of testing, commissioning and burn-in. The project includes first the expansion of the current fleet by a total of 68 cars followed by the replacement of the entire fleet of 151 Breda cars that are reaching the end of the useful lives. This project is funded with Series 2013, Series 2014, and Series 2017 bond funds.
2. Van Ness Bus Rapid Transit (BRT): Roadway and utility phase work on this major corridor project was fully underway. This massive civic improvement project will bring San Francisco its first bus rapid transit system to improve transit service and address traffic congestion on Van Ness Avenue. To maximize the benefits of construction impacts, the project also includes extensive utility maintenance, civic improvements and transportation upgrades. This project is funded with Series 2013, Series 2014, and Series 2017 bond funds.
3. King Street Substation Upgrade: Notice to proceed was issued in June 2018. This project will install upgrades and additional power capacity 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 events service associated with AT&T Park and Chase Arena.
4. UCSF Platform Extension and Crossover Track: Notice to proceed was issued in April 2018. This project will extend the University of California, San Francisco northbound platform by approximately 160 feet and potentially the southbound platform. Work will include replacement of the trackway due to existing trackway grades and platform, modifying the overhead catenary, and the construction of new track crossovers.

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 2017-18 there were three bond reallocations described below. Reallocations are numbered sequentially by bond issue irrespective of timing.

Series 2013 Bonds

Reallocation 7: In a memorandum dated July 10, 2017, the SFMTA Board was advised that \$524,145 was redirected from Facility Improvements and Transit System Safety & Other Transit Improvements categories to the Muni Fleet Program category to support the Procurement of Light Rail Vehicles project. The funds are being redirected as follows: 1) a total of \$524,200 from the Facility Improvements were identified from slower moving projects – Islais Creek Phase II (\$520,569), cost savings from Operator Convenience Facilities Phase I (\$3,576) and 2) cost savings from within Transit System Safety & Other Transit Improvements from Transit Spot Improvement - Columbus Bus Bulbs (\$55). In addition, \$12,091 in project cost savings from Above Grade PCS & Signal Viability Improvement was redirected from Pedestrian Safety & Traffic Signal Improvements to Street Capital Improvements - Masonic Avenue Streetscape to cover a small overage in the construction phase.

Reallocation 8: In a memorandum dated May 30, 2018, the SFMTA Board was advised that \$129,999 in project savings was redirected from the Transit Spot Improvement - Muni Forward – 5 Fulton Outer project within the Transit System Safety & Other Improvements program to the Muni Fleet Program category to support the Procurement of Light Rail Vehicles project.

Series 2014 Bonds

Reallocation 3: In a memorandum dated May 30, 2018, the SFMTA Board was advised that \$614,000 was redirected in project savings from the 1 California: Laurel Village Transit Priority project within the Transit System Safety & Other Improvements program to the Muni Fleet Program category to support the Procurement of Light Rail Vehicles project. The 1 California: Laurel Village Transit Priority Project encountered a delay and the funding will be replaced by GO Bonds.

SECTION 9. POLICIES & PROCEDURES

At the September 6, 2017 meeting, KPMG, the BOC's independent auditor, presented the draft Fiscal Year 2016-2017 Agreed-Upon Audit Procedures to evaluate sources and uses of SFMTA's series 2012, 2013 and 2014 bonds in compliance with the provisions of the MTA Board's Authorizing Resolution and SFMTA's internal procedures for the bonds. KPMG reported that the revenue bond procedures for Fiscal Year 2016-2017 are similar to the previous years with a sample size of

sixty-five transactions, to include representative coverage of large and small dollar amounts, interdepartmental charges, and other miscellaneous items. The final report from the auditor review is included as Appendix 2 to this report.

Also at the September 6, 2017 meeting the BOC received an update about ongoing efforts to improve coordination between the SFMTA and Public Works to improve project delivery. Committee members requested clarification on schedule development and public outreach through the duration of the project. BOC members suggested the need to ensure project schedules included time for adequate outreach, both initial and ongoing outreach particularly if there are delays in project implementation.

Also at the September 6, 2017 meeting BOC members discussed how the BOC could be notified if there was a whistleblower complaint alleging the misuse or waste of bond proceeds as whistleblower complaints are intended to be confidential. At the December 6, 2018 meeting a representative from the City whistleblower's program explained to the BOC that each complaint that comes to Whistleblower Program is analyzed by an investigator and referred to the respective departmental liaison. If a complaint came in about SFMTA bonds the investigator would review the authorizing legislation associated with the bond issue as part of their process and contact the departmental liaison if follow up is necessary. The SFMTA liaison will receive the results of the investigation if follow up is required to address the finding. On December 11, 2017 a letter was sent to the Whistleblower Program and SFMTA Whistleblower Liaison requesting that the BOC members be notified of any whistleblower findings related to the BOC's role related to SFMTA financings.

At the December 6, 2017 special meeting BOC members requested that SFMTA evaluate whether a similar formal procedure to the SFMTA formal procedures for work authorization management and oversight established with DPW in 2016 is needed for work authorization with other departments in fiscal year 2018, taking into account the relative volume as well as the functionality of the City's new financial system.

At the June 15, 2018 meeting, KPMG, the BOC's independent auditor, presented the draft Fiscal Year 2017-2018 Agreed-Upon Audit Procedures to evaluate sources and uses of SFMTA's bonds in compliance with the provisions of the MTA Board's Authorizing Resolution and SFMTA's internal procedures for the bonds. KPMG reported that the revenue bond procedures for Fiscal Year 2017-2018 are similar to the previous years with a sample size of sixty-five transactions, to include representative coverage of large and small dollar amounts, interdepartmental charges, and other miscellaneous items. The final report from the auditor review is included as Appendix 2 to this report.

Also at the June 15, 2018 meeting SFMTA staff proposed a modification to Policy 2.4 Use of Revenue Bond Interest to access the interest earnings to close project funding gaps on bond eligible projects. BOC members asked for review of the policy by Bond Counsel and review of the revised policy prior to their acceptance of the policy change at the next meeting. A policy change was approved at the subsequent meeting on September 18, 2018 to allow the use of revenue bond interest only under these conditions: (1) Interest allocations will be given to bond funded projects in the same series; (2) if projects in the same series do not need funding, then interest allocations will be given to bond funded projects in a subsequent series; and (3) notifications of allocations of interest will be communicated to the SFMTA Board of Directors and the BOC members by memorandum.

SECTION 10. SUBSEQUENT EVENTS

A. Allocation of Interest Earnings

A policy change was approved at the September 18, 2018 meeting to allow the use of revenue bond interest only under these conditions: (1) Interest allocations will be given to bond funded projects in the same series; (2) if projects in the same series do not need funding, then interest allocations will be given to bond funded projects in a subsequent series; and (3) notifications of allocations of interest will be communicated to the SFMTA Board of Directors and the BOC members by memorandum.

B. Bond Expenditures

As of October 31, 2018, the remaining bond funds (including encumbered funds) for each series and percentage are as follows: Series 2012B - \$0 (100%), Series 2013 - \$431,098 (99%), Series 2014 - \$13,878,755 (81%), Series 2017 - \$42,146,039 (78%). Series 2012B was fully expended in October 2016.

APPENDIX 1: FISCAL YEAR 2017-2018 MEETING SCHEDULE

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

Fiscal Year 2017-2018 BOC Meeting Dates

- September 6, 2017
- December 6, 2017
- December 6, 2017 (special meeting)
- June 17, 2018

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APPENDIX 2: FISCAL YEAR 2017-2018 AUDIT

See attached report.

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San Francisco Municipal Transportation Agency

