



SFMTA Bond Oversight Committee

Chair – Tajel Shah Vice Chair – John Lisovsky

Steve Heminger, Yensing Sihapanya, Nikolai Sklaroff, Vishal Trivedi, Mina Yu

MINUTES

Wednesday, March 12, 2025

4:15-5:00PM

SFMTA Union Square Conference Room (7080)

1 So. Van Ness Avenue, 7th Floor, San Francisco, CA 94103

1. **Call to Order and Roll Call**

Committee Members:

Tajel Shah - Chair

John Lisovsky – Vice Chair

Steve Heminger

Yensing Sihapanya

Nikolai Sklaroff

Vishal Trivedi

A quorum being present, the meeting was called to order at 4:18 pm.

2. **Public Comment:** None.

3. **Acceptance of Minutes from October 2, 2024 meeting (Action Item)–Attachment A**

On motion to adopt October 2, 2024, meeting Minutes: Unanimously approved.

Public Comment: None.

4. **BOC Bylaw Amendment to Change Annual Report Due Date (Action Item) – Attachment B**

This is to change the date of the annual report so that it better aligns with the number of meetings that we have.

All BOC members were in favor, with none opposed. The bylaw change is approved.

5. Semiannual Report to the SFMTA Bond Oversight Committee: July 1 – December 31, 2024 (Discussion) – Attachment C

Char Shah commented that the only bond still in play is from 2021.

David Wang commented that there was a \$42K balance in the 2014 bond. That will be spent down in the next quarter, so it will not show up in future reports.

Chair Shah brought up the interest payment for the tax liability. She asked if the \$700,000 interest in Table 1 B on page 7 of the semi-annual report is encumbered for tax payments.

David Wang responded yes and noted that on page 13 of the Semi-annual Report, the \$700,000 interest liability also is in the table for the 2021c Issuance.

Mr. Trivedi asked when the payment is due.

David Wang: not until 2026, 5 years after the issuance.

Mr. Trivedi added that it is 60 days after 5 years.

There were no further questions about this discussion item.

6. Annual Report to the SFMTA Bond Oversight Committee: July 1, 2023 – June 30, 2024 (~~Discussion~~) (Action Item) - Attachment D

Action Item, instead of Discussion Item

Vice Chair Lisovsky pointed out that this item is listed in the agenda as a discussion item, but it should be an action item as the Committee needs to approve it before send to the Board.

Chair Shah asked Attorney Mark Blake if we could make it an Action Item at this meeting.

Mr. Lisovsky asked if we could vote on it.

Mr. Blake stated that this should be noted as an action item. Mr. Blake thinks this is an administrative matter. The Committee can vote to approve and then send the report to the board.

Chair Shah recommended that we have the minutes noted that we have made this an action item. We voted on this item and then send it.

Exceptions noted in Crow Audit Report, but not on Annual Report

The Annual Report says there are no exceptions. The auditor from Crow reported two small exceptions.

Decision: On page 4 of the annual report, we will change the second paragraph under Section 3,

Agreed Upon Procedures to say there were two exceptions, and refer to the Crow Report.

LBE payments discussion

Ms. Evelyn Bruce stated that Crowe did the best they could. Crowe even contacted the controller's office and was told that unless you spend a lot of time at the time of PO setup, PeopleSoft does not provide that information.

Ms. Erika Alvarez from Crowe explained the procedure: from our sample, which we selected based on criteria at the top of the report, we ended up getting 74% coverage of expenditure. And of those that we sampled, only two of them indicated that they had payments to LBEs as Subs. For those two, as you will see on page A2 at the bottom of the results for number 4, we looked at the timing of the payment from the SFMTA to prime and then the payment from prime to the LBE.

Crowe had to look at it in a couple of different ways because they believe there is a system transition in place. For one of them they were able to get certifications, and another one Crowe were able to see a screenshot from B2Gnow that was used later in the year. For the instance that did contain an LBE payment, which were only two from the sample, Crowe did look at the timing of payments between prime and sub.

Chair Shah stated that the audit report did not detail that there was a requested change in the methodology. It was certainly an intent to get rid of progress payments because they were proforma and an explicit statement should be added.

Ms. Bruce checked the timing with Ms. Alvarez to see if Crowe could still revise the Audit Report, then submit the Annual Report to the Board.

Ms. Alvarez suggested that Crowe do this next year because there were only two payments. Crowe tested 74% of expenditures, which is a good amount of coverage. There are still just two payments from one vendor.

Ms. Bruce asked if we should include in the report that the procedure was performed specifically to look into the LBE.

Chair Shah thinks that it would be nice to say in the Cover Letter that it was a request to look into this, but it wasn't fully achieved because the sample didn't have a large enough size, and the system wasn't indicated in advance to track it. But it was attempted in this audit.

Ms. Alvarez indicated that Crowe's report does follow the template for the AICPA guidelines. She acknowledged the request to be more explicit in the procedures, which did not exactly correlate to what is in the report. Since Crowe had issued the report, it is Crowe's preference not to modify it at this point. She asked if this is something that Crow could adjust for next year.

Ms. Bruce added that the report was completed in December. Crowe could not extend the issuance of the final report till after the BOC meeting. Since there were no material findings,

Crowe went ahead and issued the final report by January, thinking that the Annual Report must be out by January. Then the Annual Report submission deadline is changed.

Ms. Sihapanya asked if we could note the new procedure in MTA's Annual Report, instead of having Crowe redo their letter.

Both Ms. Bruce and Chair Shah concur to this workaround – In the Agreed Upon Procedures, add that BOC made the request, state the request, but it was not fulfilled.

Mr. Lisovsky asked if we are going to be able to vote to accept the report after the modification or vote to delegate Chair Shah to accept it.

Mr. Trivedi suggested a motion to amend the language and then vote to accept.

Mr. Lisovsky said if we have the language now then we could, but if we were going to need to get the language later then the Chair would have to accept it then.

Chair Shah recommended vote to approve the report with the intent to make this modification.

Ms. Sihapanya suggested voting to allow the Chair to approve the report with the intended language.

Mr. Trivedi recommended articulating the changes to Section 3, identifying the procedures that we had instructed and were not able to be capture this time, along with the other changes relating to the exceptions.

Chair Shah asked Crowe about the two to subcontractor non-personnel and five to overhead (which is charges to another department.)

Ms. Bruce clarified that there are two processes. We do the payroll first and we do the overhead calculation at the end of each month, to all capital grants regardless of the funding source. The charges were allocated to the funding source. It was included because it is material.

Ms. Alvarez stated that Crowe only considered any amounts over \$100,000. In the prior year, the top 25 largest and then 15 random were included. She believes a lot of those are monthly progress payments. Her notes indicated to cap those and made sure not to test more than 5 for anything other than construction contracts. To get coverage, Crowe did look into the other categories which included overhead this year. Crowe did not include that much construction, more so the overhead, the salaries, and some engineering costs. Five recurring meter payments were tested to get coverage. The scope was quite a bit down from 40 to 15 sample sizes to fine tune to what the priority is.

Chair Shah thanked Ms. Alvarez for the explanation.

The Chair brought a motion to proceed submitting the report to the Board after modifying Section 3 to state that 1) there are two exceptions referring to the Crow report; 2) there was actually a change in methodology to capture payments and time lapse for LBEs; 3) the methodology couldn't be fully tested.

Motion passed with all in favor.

7. Future Agenda Items/Next Meeting (Discussion) (No Attachments)

Chair Shah pointed out that we have to do another audit for fiscal year 25 and we do not want to get into the same situation. We only have really one remaining bond series to test.

Ms. Bruce said that the amount of test depends on the number of transactions in fiscal year 25. It is up to the Committee to decide whether to keep the same scope in FY25 as in FY24. She suggested that Crowe prepare the engagement letter for the Committee approval in the next meeting.

Ms. Alvarez agreed to have the engagement letter drafted in advance and modified as themed fit.

Mr. Lisovsky suggested September 24 for the next meeting.

Mr. Blake said that given the infrequency of the meetings, one thing that could be done is to create a subcommittee to move the engagement letter discussion along so that at least there is a proposal ready, vetted for the September meeting.

Mr. Lisovsky said we had to meet in person (if we had to create a subcommittee to vet the engagement letter).

The Chair suggested that for the September meeting, a report on the remaining 2021 bond and then discuss the engagement letter and make sure that we have the methodology accurate, given now that we will have a better sense of the expenditures because month 13 and the fiscal year will be closed.

The Chair asked Ms. Bruce if that was feasible. Ms. Bruce responded that there is enough time since the Annual Report deadline for the Board has moved to April.

The Chair concluded that the proposal is to have the meeting on September 24th to get a report on the last remaining bond series and to discuss the audit criteria and engagement letter.

Ms. Bruce checked with Ms. Alvarez on this proposal. Ms. Alvarez said that sounds perfect.

Mr. Blake said that there was a request for the September meeting to do a Browns Act overview. He asked if anyone had any interest.

Members expressed that they have exposure to Form 700 and Sunshine Ordinance, so can

forego the overview.

8. **Adjournment:** 4:46 pm

For an audio recording of this meeting contact David Wang, Administrative Support for the SFMTA Bond Oversight Committee. David Wang can be reached at 415.646.2575 or via email at BOCOversightCommittee@sfmta.com or RevenueBonds@sfmta.com.