



# SFMTA Bond Oversight Committee

Daniel Murphy, Chairman Kathryn How, Vice Chairman  
Neil Ballard, Leona Bridges, Steve Heminger, Bob Shaw, Anna Van Degna

MINUTES – Wednesday, December 2, 2020 – 2:00pm  
MEETING LOCATION—via MS Teams

## 1. Call to Order and Roll Call

### Committee Members:

Daniel Murphy – Chairman  
Kathryn How – Vice Chairman  
Neil Ballard  
Leona Bridges  
Steve Heminger  
Bob Shaw  
Anna Van Degna

## 2. Public Comment:

Eileen Boken, Coalition for San Francisco Neighborhood commented on the presentation that was presented at the March 2<sup>nd</sup>, 2020 Capital Planning Committee meeting regarding the SFMTA year 2020 for Capital Improvement Plan, the current budget, and the 2014 Transportation GO Bond. Ms. Boken stated that the fundamental issue is the SFMTA culture, the Executive Director of SFMTA is less interested.

## 3. Approval of Minutes from September 2<sup>nd</sup>, 2020 meeting:

On motion to adopt September 2<sup>nd</sup>, 2020 meeting minutes: Unanimously approved.

Public Comment: None

## 4. Draft FY 19-20 Annual Report: [link to report provided here: Draft FY 19-20 Annual Report] [https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/sfmta\\_revenue\\_bond\\_report\\_fy\\_2019-2020\\_final\\_draft\\_-\\_attachment\\_b.pdf](https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/sfmta_revenue_bond_report_fy_2019-2020_final_draft_-_attachment_b.pdf)

Mr. Joel Goldberg, SFMTA staff, presented a draft summary of the Annual Revenue Bond report for FY2019-20. The Bond Oversight Committee is required to provide its annual report to the SFMTA Board of Directors by January 31<sup>st</sup> of each year. Mr. Goldberg also reported that once the audit report is finalized by KPMG this will be inserted to the Annual Report, but the report would remain in draft form until the audit was to be completed on December 18<sup>th</sup> for the committee's final review. Also, Mr. Goldberg stated that Section 6 of the annual report relates to the Commercial Paper Program that the agency had it in place for many years, but in the interest of saving the agency's funds it was decided to cancel in the beginning of FY2021. Mr. Goldberg also mentioned that there is no

outstanding debt service and will save the agency approximately \$300,000 a year to close out the program. Chair Daniel Murphy asked if there is any distinction between cancelling the Commercial Program and not issuing the program in the future. Mr. Goldberg responded that we will still have to pay the \$300,000 administrative fee a year. Also, Chair Murphy suggested to add a line to the annual report that will be saving the \$300,000 a year for cancelling the program. Also, Mr. Steve Heminger, BOC member stated that on the report there are about \$9 million unexpended, and he was wondering if these funds can be redirected for another purpose. Mr. Goldberg stated that most funds already been allocated for projects but considering projects that are relevant to the city as well as to capitalize our labor.

Chair Murphy also stated that because the next BOC meeting would not occur until March, if any substantial issues arose with the audit report, the Committee could decide to convene a special meeting before the deadline in January. Otherwise, KPMG will make a presentation at the March meeting to present the final audit report.

Public Comment: None

**5. Follow up items from September 2<sup>nd</sup> meeting:**

a: Re-funding of Previously Issued Revenue Bonds: [link to report provided here: Re-funding of Previously Issued Revenue Bonds]  
[https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/12-2-2020\\_sfmta\\_boc\\_advance\\_refunding\\_update\\_-\\_attachment\\_ca.pdf](https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/12-2-2020_sfmta_boc_advance_refunding_update_-_attachment_ca.pdf);

Samuel Thomas, SFMTA staff, stated that at the last meeting he reported an overview of the revenue bond re-funding to save the agency money in the short-term and the long-term. Mr. Thomas mentioned that this will be presented to the Board of Supervisors for approval on December 15<sup>th</sup>. Mr. Thomas stated that since the last meeting the numbers have been updated and these numbers are current as of November 13<sup>th</sup>. One thing that wasn't taken into consideration is the change of SFMTA's credit rating in that was issued on November 20<sup>th</sup>.

Mr. Thomas also stated that for upfront savings could be up to \$43 million in near-term cash flow as distinguished from net present value savings which would be saving over the life of the bond. The SFMTA is taking advantage of the low interest rates to save the agency debt service while increasing budget flexibility. Also, Mr. Thomas reported that there might be few things that impact how much the agency could benefit from this transaction in the near term and in net present value savings. Some of these factors include release of reserves and upcoming principal and interest and begin amortization in FY24 to maximize near-term cashflow. Also, the SFMTA may decide not to move ahead with re-funding depending on financial position or market conditions. Mr. Thomas also reported that the SFMTA proposes to refund series 2012 through 2014. Refunding series 2017

would not be cost-effective this is because we issued series 2017 recently and it does not generate the savings that we need to make it work.

Mr. Thomas also presented a series of refunding scenarios: base case; upfront savings; and upfront + new money. Base case scenario is level savings throughout the life of the bond; upfront savings is pushing out the time in which the first debt service payment is due which is March 1<sup>st</sup> of each year and that would start the payment to 2024.

Chair Murphy asked what information we do not have that we will need to decide option 2 and 3. Mr. Thomas responded that we will need to see how our capital budget and capital improvement program look like. We are conducting a comprehensive review of our capital budget and capital improvement program and once we conclude the review will have more sense of what the negative impact due to COVID has been.

Mr. Steve Heminger also asked because Series 2017 is so recent and is not cost effective to refund them and it's generating negative savings. Mr. Thomas responded that it is generating negative savings because of the negative arbitrage that would happen to the funds that would sit in the escrow. Also, Mr. Heminger asked about Mr. Thomas statement on upfront + new money giving the agency most of the savings early, but the table does not add up. Mr. Thomas responded to take both subtotals. The first subtotal of the available funds plus the subtotal net cash flow benefit that will give you the total near-term financial impact. Then, Mr. Heminger followed a question of why not take the one that generate the most earliest and Mr. Thomas responded is because of the timing of the new money proceeds in upfront + new money in scenario 3 of \$10.7 million will receive in FY21 and whereas being subtracted from FY22 and FY23 and compared it from scenario 2 that there are no new money proceeds but the savings are slightly higher and spread across FY21 and FY23.

Also, Mr. Heminger asked why we must go out to the market and not use the existing threshold of 3 percent. Mr. Thomas responded that because it was a concern from different stakeholders that will it be worth it and would be saving that would be significant amount to undertake this transaction and more attractive to stakeholders. Mr. Heminger would like us to re-think because of the possible deficit of the current year of \$100 million and possibly \$200 million in the year after. Mr. Thomas responded that will speak to the CFO and staff that if this is something would like to change before presenting it to MTAB on December 15<sup>th</sup>.

Chair Murphy followed up a question on one of the differences between option 2 and option 3 is that the inclusion of new money would create a color of money limitation that doesn't exist as much with money in option 2. Mr. Thomas responded that traditionally we have not used revenue bond proceeds on operating expenditures and we're looking at any possibilities given our operating gap and stated that will come back for answer later.

b: Bond Series 2013 and 2014: [link to report provided here: Bond Series 2013 and 2014] [https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/series\\_13\\_14\\_reconciliation\\_1-attachment\\_cb.pdf](https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/series_13_14_reconciliation_1-attachment_cb.pdf);  
[https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/13\\_14\\_tailings\\_summary\\_1-attachment\\_cb.pdf](https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/13_14_tailings_summary_1-attachment_cb.pdf);

Joel Goldberg, SFMTA staff presented a summary of a reconciliation and closing of Series 2013, Series 2014 bond issuances. Mr. Goldberg reported that SFMTA issued two series of revenue bonds each with \$75 million for projects. Mr. Goldberg stated that for the most part these bonds have been spent down, however both have balances that remain to be reconciled or spent and this is an ongoing Bond Oversight Committee concern. Also, Mr. Goldberg said that a team from our Finance and Information Technology (FIT) division have been working on the problems of reconciling and closing the two bond series. The team has been working closely with San Francisco Public Works to close out long-standing, bond-funded Interdepartmental Service Agreements. Mr. Goldberg stated that the major lesson we learned from the Series 2012B, 2013 and 2014 bonds was not to fund so many projects. The Series 2017 issuance, which is larger than the prior issuances combined, is only being spent on four projects, as opposed to the 39 projects funded in both 2013 and 2014 bonds.

There are 10 projects that have small balances on Series 2013 for a total amount of \$184,945 to be allocated and encumbered. Series 2014 has 27 projects with a total balance of \$4,416,341 also to be allocated and encumbered. Also, Mr. Goldberg stated that given staffing and pandemic-induced constraints, the work outlined may need another two quarters to complete. Most of our managers are actively involved with these tasks. Staff will continue to present updates and outcomes to the BOC at its regularly scheduled meetings. Chair Murphy agreed for staff to report back to the committee in June.

Public Comment: None

6. **Quarterly Report: FY 20-21 Q1:** [link to report provided here: Quarterly Report FY 20-21 Q1] [https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/q1\\_revenue\\_bond\\_report\\_attachment\\_d.pdf](https://www.sfmta.com/sites/default/files/reports-and-documents/2020/11/q1_revenue_bond_report_attachment_d.pdf);

This report to the SFMTA BOC covers the period through the first quarter of fiscal year 2020-2021, which ended on September 30, 2020.

SFMTA staff, Joel Goldberg presented a summary of the FY 20-21 Q1 that one project report is provided for each scope component, even if the project receives funding from more than one bond series. No project report is provided for scope components that have fully expended Revenue Bonds and/or are pending/have been closed out of the City's financial system for this fund source. Also, the Total Bond Funding Amount in each funding section of the reports includes any encumbered funds.

Public Comment: None

7. Schedule Upcoming Meeting Date and Future Agenda Items: Next meeting is scheduled on March 3, 2021 at 2pm.
8. Adjournment

The meeting adjourned at 3:43pm

For an audio recording of this meeting contact Ms. Aida Corpuz, Administrative Support for the SFMTA Bond Oversight Committee. Aida Corpuz can be reached at 415.646.2498 or via email at [aida.corpuz@sfmta.com](mailto:aida.corpuz@sfmta.com) if there are any questions or comments.