



SFMTA Bond Oversight Committee

Chair – Tajel Shah Vice Chair – John Lisovsky

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

MINUTES

Wednesday, May 29, 2024

3:30-5:00PM

SFMTA Western Addition Conference Room (8104)

1 So. Van Ness Avenue, 8th Floor, San Francisco, CA 94103

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

Committee Members:

Tajel Shah –Chair

John Lisovsky – Vice Chair

Yensing Sihapanya

Nikolai Sklaroff

Visha Trivedi

Mina Yu

A quorum being present, the meeting was called to order at 3:42pm.

2. **Public Comment:** None.

3. **Acceptance of Minutes from March 6, 2024, meeting (Action Item) – Attachment A**

On motion to adopt March 6, 2024, meeting Minutes: Unanimously approved.

Public Comment: None.

4. **Quarterly Report to the SFMTA Bond Oversight Committee: January 1 to March 31, 2024 (Discussion) – Attachment B**

William Hassall, SFMTA Senior Administrative Analyst, mentioned that this quarterly report provides an update that summarizes bond series 2012B, 2013, 2014, 2017, and 2021C for FY24 Q4. There were no questions from committee members.

5. Expenditure of SFMTA Revenue Bond Series 2012B, 2013, 2014, and 2017 Bond Remaining Proceeds (Discussion)

- a. Summary of Expenditure of SFMTA Revenue Bond Series 2012B, 2013, 2014, and 2017 Remaining Proceeds – Attachment C1**
- b. SFMTA Revenue Bond Series 2013 Twelfth Reallocation of Proceeds – Attachment C2**
- c. SFMTA Revenue Bond Series 2014 Eighth Reallocation of Proceeds – Attachment C3**

Mr. Hassall reminded the members that Joel Goldberg, SFMTA Manager of Transportation Funding Services, had indicated at the last meeting that the Committee would review 2012B, 2013, 2014, and 2017 bonds. His team, along with Accounting and other Finance staff, reviewed these issuances, made determinations on how project spending were going, and allocated those to an appropriate project that was spending down bond funds faster. They plan to issue an update on 2021C at the next meeting, but the Bond Oversight Committee (BOC) will likely not hear anything further about bond series 2012, 2013, 2014 or 2017 in forthcoming meetings.

Mr. Hassall summarized the Revenue Bond Series by stating the L-Taraval project will be spent before the start of the next calendar year, including principal and interest on all bonds 2012B 2013, 2014, and 2017. Keanway Kyi, SFMTA Capital Programs and Construction Engineer, provided a summary of the L-Taraval project, stating that it is a \$57 million multiagency project from San Francisco Public Utilities Commission (PUC), Department of Public Works (DPW), and MTA.

The L-Taraval project was broken up into two phases due to the size of the project, and to promote local hiring and account for a lack of qualified bidders. Segment A of the project was started in 2019 and completed in July 2021. Segment B of this project began on December 1st, 2021.

The project is now about 90-95% complete, and the project will hit substantial completion by June 17th with final completion by September or October 2024. All the sewer, water, and rail work have been completed, and the construction crew is currently working on the boarding island. Landscaping/ beautification of the streets remains, including tree plantings. The project team is also working on the testing to ensure everything is working properly before revenue services begin.

BOC Member Vishal Trivedi pointed out that the amounts in the 2013 and 2014 memoranda seemed to correspond to bond proceed amounts that are unencumbered, and asked whether the interest would be separate or also allocated to the L-Taraval project. Mr. Hassall confirmed that all of the interest from all four series are allocated to the project.

BOC Member Yensing Sihapanya mentioned that there was overage that was unexpected, and were not in the original L-Taraval Project. Evelyn Bruce, SFMTA Accounting Manager, clarified that interest cannot be part of the program. Ms. Shah added that it would be helpful to know which sources of funds are complementing the bonds because the bonds are being closed out.

Mr. Kyi shared funding sources Segment A and B combined, which also covered soft costs such as engineering, transit bridges, public outreach, advertisement, and the construction management and design teams. The L-Taraval project is a federally funded and that SFMTA also received money from other sources, including Prop K, San Francisco's recently sunset ½¢ transportation sales tax. The project (Segment A and B) originally had a budget of \$107M. The budget was estimated in 2016 or 2017. However, they have only received \$92.7M. The \$3.4M from the bond series will go towards filling that gap.

Mr. Kyi mentioned that after the job was advertised and awarded, subsequent change orders amounted to almost \$8M of hard construction costs. These brought the budget beyond \$107M.

Mr. Hassall mentioned that any project costs would be allowable for bond expenditures.

6. Process for FY24 Revenue Bonds Compliance Audit (Discussion)

a. Independent Accountant's Report on Applying Agreed-Upon Procedures – Attachment D1

b. Bond Agreed Upon Procedures – Attachment D2

Representatives from Crowe LLP (Kathy Lei and Erika Alvarez) joined the meeting to align with the BOC on procedures for Crowe's review of SFMTA bonds. This is Crowe's second year as SFMTA's auditing team. Ms. Bruce mentioned that the review procedure was created 20 years ago and, given that there are new BOC members, this is a good time to consider whether there are specific projects they want reviewed on top of the usual procedure.

This year, Crowe will conduct a 9-month interim audit. They will test these first 9 months in June 2024. Crowe will test Q4 data from FY24 in October-November and will provide a final draft by December 16th 2024.

Prior year procedures included the following: Twenty-five procedures over high dollar and 15 random small dollar samples; procedures over interdepartmental charges samples; procedures over budget (funding) samples; and procedures over trustee payments samples.

Crowe staff asked the BOC members to indicate which bond series will be within the scope of their procedures, e.g., transactions related to labor or indirect costs or a sample of interdepartmental charges.

Mr. Trivedi recommended picking projects with a high dollar value from each bond series.

The BOC looked through 2021 projects in the quarterly report and clarified that projects are being funded out of 2021. Vice Chair John Lisovsky pointed out that that Train Control and Central Subway were the projects with the highest dollar value, but that Crowe's plan already includes looking at these projects.

Chair Shah asked whether the BOC is interested in Crow testing all the remaining projects funded out of 2021 again, given they already looked at them last year. Member Nikolai Sklaroff pointed out the projects are the same, with the same expenditures. Ms. Sihapanya mentioned some of the expenditures are small.

Mr. Trivedi asked whether the Van Ness VRT project is done, given there was \$9.4M remaining. Mr. Hassall indicated that the materials provided include details on the subcontractor and payments for this project, and that this project was not reviewed for this quarter but will be reviewed and discussed at the next meeting. Vickey Su, SFMTA Accountant, mentioned that the Van Ness VRT project is awaiting contractor claims settlement, and therefore the changes do not show up in the attachment. Ms. Bruce added that SFMTA is waiting to negotiate with the City Attorney Office. The \$6.8M related to the subcontract is open and may be going to the SFMTA Board of Directors for approval.

Chair Shah asked why the materials the BOC received indicate there are \$9M remaining for the Van Ness VRT project, but SFMTA staff mentioned \$6M. Mr. Trivedi pointed out that next quarter, the BOC will likely obtain a suggested plan for spending \$3M.

Mr. Trivedi said the 25 largest transactions included in the current Crowe review procedures are capturing the actual expenditures on the projects that are spending money well.

Chair Shah asked whether there is any value in looking at leads in subcontractors. Ms. Bruce responded that subcontractors are managed by a contractor, and therefore the data would be difficult to examine because when the contractor bills SFMTA, they submit the entire bill for subcontractor costs at once.

Mr. Sklaroff provided background on how the Public Utilities Commission's oversight committee conducts their review by considering entire bond transactions and identifying high risk areas. Mark Blake, Deputy City Attorney, mentioned that PUC may look at each bond issuance series in aggregate, not at transactions irrespective of bond issuance. Crowe clarified that they look at SFMTA's 25 largest transactions within a series.

Chair Shah pointed out that the Local Business Enterprise (LBE) community has indicated that there are large delays in subcontractors getting paid by contractors. Chair Shah recommended Crowe investigate the lapsed time between completion of work and the completion of payment for contractors that have a payment within the top 25 payments.

Ms. Bruce pointed out that this information (dates when subcontractors sent invoices to contractors and when the subcontractor received payments) is not currently in PeopleSoft, but that it can be collected moving forward. Ms. Sihapanya mentioned that after the BOC receives this information, the members can determine what the ideal range of lapsed time can be. Ms. Bruce pointed out that Crowe's work is a review, not an audit, so it is up to SFMTA to follow up after their findings are delivered. Ms. Lai from Crowe LLP suggested looking at contractual timing requirements by the City and County of San Francisco.

Ms. Bruce pointed out that this engagement with Crowe is part of the fixed cost of SFMTA's financial audit, and therefore SFMTA needs to understand how many hours Crowe will work.

Ms. Lai summarized that Crowe could focus on the 2021C and review the 25 largest payments, including time lapsed from completion of work to completion of payment.

Ms. Lai also asked whether the BOC would also like to test a random sample of 15 payments. Chair Shah indicated that the 15 small payments are indirect costs and fringe and salary and would not be meaningful to include because these are labor distribution reports so Crowe would not really be testing anything. Mr. Trivedi suggested picking an expenditure category like construction. Ms. Alvarez mentioned that in prior years, there were no instances of interdepartmental payments (such as to the Department of Public Works or the Public Utilities Commission) and therefore those were not tested.

Chair Shah recommended reviewing the top 25 payments, including 20 that are construction and engineering services, professional services, and any of those categories, but not equipment payments since those would not provide meaningful information. Crowe will not look at the bottom 15 payments.

7. Future Agenda Items (Discussion)

Vice Chair Lisovsky requested scheduling meetings for the first half of 2025. The BOC scheduled its Q1 meeting for October 2nd. Ms. Bruce mentioned that Crowe would complete their review on December 16th, which the BOC can discuss during its Q2 meeting on January 8th. Mr. Lisovsky recommended March 5th for the Q3 meeting. Chair Shah recommended scheduling the Q4 meeting for May 28.

Mr. Hassall pointed out that Mr. Goldberg has raised the possibility of reducing the number of BOC meetings. Mr. Trivedi suggested meeting three times per year.

Mr. Trivedi recommended including future narrative reports on the status of the projects from project managers, to provide context. Chair Shah mentioned getting the three-month runway and runway to completion would allow for a holistic review.

8. Adjournment: 4:47pm

For an audio recording of this meeting contact Yvette Ramirez, Administrative Support for the SFMTA Bond Oversight Committee. Yvette Ramirez can be reached at 415.646.2478 or via email at BOCOversightCommittee@sfmta.com or RevenueBonds@sfmta.com.