



SFMTA Bond Oversight Committee

Chair – Tajel Shah Vice Chair – John Lisovsky

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

MINUTES

Wednesday, October 2, 2024

3:30-5:00PM

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:

John Lisovsky – Vice Chair

Steve Heminger

Yensing Sihapanya

Nikolai Sklaroff

Vishal Trivedi

Mina Yu

A quorum being present, the meeting was called to order at 3:31pm.

2. Public Comment: None.

3. Acceptance of Minutes from May 29, 2024, meeting (Action Item) – Attachment A

BOC Member Vishal Trivedi pointed out that his name was misspelled in the Roll Call.

This has been corrected and a copy of Minutes uploaded to BOC website.

On motion to adopt May 29, 2024, meeting Minutes: Unanimously approved.

Public Comment: None.

4. BOC Bylaw Amendment to Change Meeting Frequency and Approval of Calendar

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Year 2025 Meeting Schedule (Action Item) – Attachment B

The BOC bylaws currently state that the committee meets once a quarter. However, because the SFMTA has depleted most of its bond series, the BOC discussed the potential to reduce the frequency of the meetings. Joel Goldberg, SFMTA Manager of Transportation Funding Services, presented three options for BOC meeting frequency which are timed according to the BOC's issuance of reports, including the annual report due to the SFMTA Board every January.

Option A is to maintain the status quo of quarterly meetings. Option B1 would reduce the meeting frequency to three times per year, when quarterly reports would be shared (except for the Quarter 2 report, which would not be produced). Option B2 would also reduce the meeting frequency to three times per year, and switch from quarterly to semiannual reports. The bottom line is that moving forward the BOC needs a December/January meeting and a meeting in October to discuss the Q4 data. Whether or not to include a third meeting is up to the BOC.

BOC member Nikolai Sklaroff, asked if there had been any discussion about future of the BOC in light of two ballot initiatives and the recent civil grand jury report on commissions, and whether the BOC expects to sunset as a result of these actions.

Deputy City Attorney, Mark Blake pointed out that the BOC was established at the discretion of the SFMTA board of directors as a confidence measure to provide comfort that bond proceeds are spent for their intended purposes. Mr. Blake mentioned that the BOC also helps oversee that the money is spent as expeditiously as possible.

Mr. Sklaroff asked about the ballot measure initiative that would potentially reduce the number of redundant bodies within the city. Mr. Sklaroff also mentioned that the Civil Grand Jury report recommended that functions of the PUC RBOC be performed by the City Services Auditor.

Mr. Blake explained that Prop P Revenue Bond Oversight Committee (RBOC) at PUC contained a Sunset provision allowing the committee to sunset unless the life of the committee has been extended. Over the years, it has been extended. However, the PUC is considering not extending the date. The BOC has not had this discussion but can sunset at any time if the BOC determines that it is no longer necessary, or if another mechanism is implemented to give rate payers and community stakeholders comfort that the bond money is spent for intended purposes.

BOC Vice Chair John Lisovsky mentioned that if the ballot measure passes, CAC

would sunset. Since two members of this committee are appointed by CAC, some modifications to the membership of the BOC would have to happen.

BOC member Steve Heminger cautioned against speculating about a ballot measure that may or may not pass. Mr. Heminger pointed out that the BOC can have two meetings per year and add an additional meeting if needed, since the BOC does not have the workload to justify the current number of annual meetings.

BOC member Yensing Sihapanya agreed to a reduction in meetings.

Mr. Lisovsky said he is in favor of reducing one meeting. He is open to whether we should reduce one or two meetings.

BOC member Vishal Trivedi remarked that among the options, B2 seems to make more sense in terms of having a semi-annual reporting, if there is a way to consolidate the January and March meetings and still meet the required timelines for the audit. Though that may be challenging. It depends on how early we could get the Q2 numbers. It is possible that a late January or February meeting might make sense.

Mr. Goldberg pointed out that the constraint on the January 8th meeting is that the BOC is expected to produce an annual report for the MTA board (MTAB), and so the BOC may need to obtain MTAB approval to change the report's due date to accommodate a semiannual meeting schedule. That would give us two meetings a year. Mr. Heminger mentioned he believed the MTA board would cooperate with that change.

Ms. Sihapanya observed that the BOC may need to vote at this meeting for semiannual meetings to avoid a January meeting, and pointed out that if additional meetings are needed in the future they can still be added.

Mr. Goldberg confirmed that the bylaws are approved by the BOC, not the SFMTA board of directors.

Mr. Trivedi said it made sense to adopt a change to the bylaws to say, "at least twice."

Mr. Lisovsky asked if it is semi-annual, will the meetings be in January and October?

Mr. Goldberg remarked that if the board acts early enough, we are likely to have a February or March meeting to present the Annual Report, and the Q2 data for the semi-annual report.

All BOC members were in favor, with none opposed.

Mr. Goldberg indicated he would contact the BOC Chair, Tajel Shah, about the

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MTA Board process to ensure we can get this change so that we do not have to wait till 2026.

5. Quarterly Report to the SFMTA Bond Oversight Committee: April 1 to June 30, 2024 (Discussion) – Attachment C

Mr. Goldberg introduced David Wang, Principal Administrative Analyst in the Budget and Capital Finance unit, who will be the new staff point person for the BOC. Mr. Wang joined the Grant Administration Office as the Fund Management lead and has produced the BOC quarterly report.

Mr. Goldberg presented the quarterly report, pointing out that the SFMTA is close to depleting four of five of its bond series. The bottom of page 9 provides a report on the interest on interest. The remaining funds in the first three series are being moved to the L Taraval project. Staff are working with punch lists and close-out costs to be paid out of the 2012, 2013, and 2014 bond series.

Regarding page 10 on the 2013 bond series, Mr. Goldberg explained that the SFMTA had set aside retention as an expense on the Islais Creek Phase 2 project. Since not all of it was paid, the project got a refund of \$3,800 refund. SFMTA staff will quickly identify how to spend those funds.

Mr. Goldberg pointed out a small and somewhat unexpected expense of about \$40,000 for the Van Ness Corridor on Page 11. Everything else in the 2014 series will be going to L Taraval.

Mr. Goldberg mentioned that SFMTA was lately able to spend 2017 issuances quickly, as demonstrated on Page 12, and that the SFMTA has a bit of money left on this issuance. There was a high-profile project (LRV Procurement) with very fast spending that had \$883,000 tied to a dead end piece of scope, which was moved back to the main line of the project. There is a little bit of money left in this issuance. Mr. Goldberg also pointed out the \$194,000 for the King Street project, which will be spent down to 0 as well.

At the next BOC meeting, SFMTA staff will provide a strategy for how to spend down the bond series 2021c, which is on page 13 of the Quarterly Report. The SFMTA passed the three-year 85% provisions of bond spend downs.

Mr. Goldberg shared that the parking meters project is doing fine and is expected to close out in a timely manner. SFMTA staff are trying to figure out how to back-bill the unspent \$20 million from the 1200 15th Street project if they are not spent in a timely manner.

Mr. Goldberg stated that the SFMTA is issuing contracts for the train control project. The FTA is one of the funders. The SFTMA will try to create a path so that funders are satisfied with the spend-down. However, the prognosis is good that the SFMTA will be able to spend money quickly on the project.

Mr. Goldberg also discussed the Van Ness project, which had savings of \$9.4 million. SFMTA staff will be meeting with the Capital Budget Manager Rob Jaques to identify what projects can be financed with these funds. There are a number of spend down concepts. First, they will consider other Transit projects, as it is easier to move bonds between transit projects. It may be possible to move funds to Streets projects, although that would require more work, including issuing a reallocation letter. The SFMTA staff will provide a more definitive roadmap for spending down the bonds at the next BOC meeting.

Mr. Goldberg then invited the new Capital Budget Manager Mr. Jaques to provide more details about grant spenddown of the Van Ness project funds.

Mr. Jaques stated that he joined in July and had previously worked at BART as a grants manager, and before that had managed the federal formula program at the Metropolitan Transportation Commission (MTC).

Mr. Jaques mentioned that his team is evaluating the process of reallocating the \$9.4 millions of fund balance on Van Ness. He explained that one of the challenges they are facing with the capital budget is the reduction of revenues when compared to prior Capital Improvement Plans (CIPs), including general fund transfers from Proposition B into the capital budget. Mr. Jaques is considering using some of those funds to backfill the reduction of revenues. Another option is applying those funds to projects within the CIP that have existing funding needs. However, for ease of administration, the SFMTA tries to limit the number of projects it reallocates to.

Mr. Lisovsky asked what the remaining funds might be in January.

Mr. Goldberg replied that there might be some spending on train control and parking meters but that it is not expected to be a lot lower until SFMTA implements the spenddown roadmap.

Mr. Trivedi asked whether the roadmap would be specific to the \$9.4 million for Van Ness, or whether it will also factor in the state of the 1200 15th Street project.

Mr. Goldberg replied that they will try to address all of it. The 1200 15th Street project is not moving at the pace that had been anticipated three years ago when the funds were programmed.

Mr. Lisovksy asked whether there are any expectations for nominal amounts of funds from previous years.

Mr. Goldberg replied that those amounts are interest on interest provisions, but he would not want the BOC to have to discuss \$146.

Mr. Trivedi mentioned that at some point as an accounting practice, if the project is complete SFMTA accounting can close out the funds and stop accruing interest to those fields. Moreover, there may be a way to accrue them to other SFMTA funds especially if it is a nominal amount. Mr. Trivedi stated that this may be a question for accounting.

Mr. Sklaroff pointed out that the interest on bond series 2021c is substantial and asked whether the SFMTA has an external consultant or staff to help arbitrage rebate calculations.

Mr. Sklaroff cautioned that with large fund balances and possibly accruing interest, the SFMTA has to be careful that it doesn't have arbitrage rebate liabilities. For instance, the PUC receives assistance with calculations so that every year, it can make provisions to set aside funds in anticipation of those liabilities. Mr. Sklaroff pointed out that interest rates have gone up a lot and all issuers are dealing with it.

Mr. Trivedi also mentioned that the SFPUC works with a consultant who prepares reports every year and quantifies potential liability owed to the IRS, and offered to provide a list of contractors in the pool if requested.

Mr. Blake pointed out to Mr. Goldberg that the SFMTA's tax certificate would state this requirement for every year or every five years if applicable.

Mr. Trivedi cautioned that this time might be necessary because in 2021, bonds might have been issued with low Arb Yield, but interests have gone up since then and the SFMTA is earning much more on bond proceeds than the Arb Yield would allow the SFMTA to retain, so those excess amounts must be rebated to the IRS.

Mr. Sklaroff said that it is good to maximize the amount it can retain but with accumulating balances, you have to remain aware of the limit and pay back to the federal government.

Mr. Heminger mentioned that the SFMTA would still get more from the federal funds than the federal government would receive back in arbitrage.

Mr. Goldberg indicated that he would follow up with SFMTA CFO Bree Mawhorter to seek her expertise on this issue to provide Mr. Trivedi with a response.

Mr. Lisovsky asked if any further money would be going to the L Taraval project, given that the project has reached substantial completion. Mr. Goldberg responded that there are still some close-out costs that were anticipated after reaching substantial completion.

7. Future Agenda Items (Discussion) (No Attachments)

Mr. Goldberg reminded the committee that every year the staff brings project managers to the BOC meeting to talk about the projects. The SFMTA only has a couple of projects at this time, including parking and train control. Mr. Goldberg suggested this agenda item for the next BOC meeting. Mr. Lisovsky and Mr. Sklaroff agreed.

Mr. Lisovsky asked whether the BOC needed to address the 2025 schedule of meetings. Mr. Goldberg clarified that first the SFMTA board would need to agree to extend the annual report deadline. If MTAB can accept the annual report later, then BOC can come up with a semi-annual meeting schedule. The January 8, 2025, meeting is the next default meeting date in all the scenarios discussed.

8. Adjournment: 4:47pm

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.