

SFMTA Bond Oversight Committee

Rudy Nothenberg, Chairman Dan Murphy, Vice Chairman
Leona Bridges, Jose Cisneros, Emilio Cruz, Steve Ferrario, Nadia Sesay

MINUTES— August 27, 2014 - 2:00 p.m.

1 South Van Ness Avenue, 7th Floor
Union Square Conference Room #7080

1. Call to Order and Roll Call:

Committee Members:

Rudy Nothenberg - Chairman
Dan Murphy - Vice Chairman
Leona Bridges
Jose Cisneros
Emilio Cruz
Steve Ferrario
Nadia Sesay

A quorum being present, the meeting was called to order at 2:04 p.m.

Others in Attendance:

Mark Blake – Deputy City Attorney
Sonali Bose – SFMTA, Chief Financial Officer
Cindy Gumpal - SFMTA, BOC Secretary
Vincent Harris – SFMTA, Director of Capital Programs and Construction
Amit Kothari – SFMTA, Deputy Director of Sustainable Streets
Adrienne Ricker – SFMTA, Revenue Bond Reporting Analyst
Monique Webster – SFMTA, Senior Manager of Capital Finance
Lisa Avis – KPMG
Jie Hua Lee - KPMG

2. Public Comment:

Edward Mason provided public comment.

3. Approval of Minutes from April 4, 2014 meeting:

Motion to approve the minutes of the April 4, 2014 meeting: unanimously adopted.

4. Discussion of Agreed upon Procedures in preparation for the Annual report (For discussion only):

Lisa Avis (KPMG) discussed the sampling used for the prior Fiscal Year 2012-2013 audit. Ms. Avis stated that the audit examined 25 different expenditures and encumbrances to ensure that bond funds were spent appropriately in accordance with the laws and regulations.

Sonali Bose (SFMTA) stated that since the last audit \$1.6 million has been expended out of the total \$75 million 2013A bond funds and that additional expenditure will be incurred in Fiscal Year 2014-2015. Based on input from SFMTA's external auditor and CFO and given the limited level of expenditures incurred in FY 2013-2014 and the fact that SFMTA's regular annual audit requires the auditor to review SFMTA's debt and related transactions, the BOC decided to forego a full auditor review for FY 2013-2014. Each year, the BOC will decide whether a stand-alone auditor review completed by SFMTA's external auditor will be required based on the level of activities and debt proceeds for that year.

5. Review FY14 Quarter 3 and Quarter 4 Project Reporting Information and Delivery Schedule for Series 2012B and 2013A Bonds (For discussion only, Reference Attachment B):

Monique Webster (SFMTA) provided a summary of the Series 2012B and 2013A Bond reporting. Chairman Nothenberg stated that it was difficult to compare the current report against the previous quarterly reporting. Chairman Nothenberg commented that part of the reason is that changes in project descriptions and fund reallocations could not be tracked from one quarterly report to the next.

Ms. Webster explained that the last quarterly reporting indicated a few projects that were miscategorized and stated that the current report is accurate. Ms. Webster further explained that in the letter to the SFMTA Board dated May 5, 2014, the first column table is the original bond amount and the revised amounts (which moved monies between categories) are the revisions that have been reported to the SFMTA Board.

Chairman Nothenberg suggested that if the expenditure reports are produced monthly to send only the expenditure report, together with a copy of any SFMTA Board memorandum, to the BOC members on a monthly basis.

Ms. Webster agreed to send the BOC members on a monthly basis the expenditure reports, a chart summarizing reallocations to date, and, in those months when a new memorandum is prepared for the SFMTA Board, a copy of such memorandum.

a. Transit Projects:

Member Steve Ferrario raised questions regarding Green Yard project. Vince Harris (SFMTA) explained that the railroad replacement in the Green yard is special track work, and in the U.S. there is only one manufacturer that provides these special track work components and this fact impacts the project delivery schedule. Mr. Harris commented that they have been working hard with transit operations on project delivery coordination. Mr. Harris also explained that the Muni Metro Turnback rail replacement and the Muni Metro Turnback water intrusion project had funding balances available for reallocation.

Chairman Nothenberg wanted clarification on how funding balances would be reallocated.

Ms. Webster explained that her staff is forming a working group to close out projects and determine reallocation of remaining balances .

Public Comment: Mr. Edward Mason stated that in 1999-2000 he raised concerns to the Board of Directors regarding the closeout of the water intrusion contract at the south end of the Metro tunnel at King near Harrison and commented that there is a substance running down the connection point on the access out to Harrison Street. Mr. Mason also stated that the Board of Directors placed a hold on the close out of the contract in 2000 and he understood From the Board that project passed industry test. Mr. Mason also stated that when this issue was raised several years ago during the CAC meeting, he questioned why the Agency was spending a million dollars on a defect that was known 15 years ago. Mr. Mason further commented that he is not an engineer but is concerned that limited available dollars be used to go back and re-do work that could have been avoided.

Chairman Nothenberg agreed that it is evident that there are leaks along the joints on the wall near the Harrison Street portal. as the trains come out of the tunnel and move down the Embarcadero up the Harrison the wall of the tunnels have been leaking. Mr. Nothenberg stated that he appreciates the comments but Mr. Edward Mason's concern is a mechanical engineering matter and this committee is not the appropriate forum to address his concern.

6. Update on Mayor's 2030 Transportation Task Force (For discussion only):

Ms. Bose explained that the VLF (Vehicle License Fee) is not moving forward at this time. Ms. Bose also commented that the Board of Supervisors and the Mayor may reconsider the VLF in 2016.

Chairman Nothenberg commented that there should be a joint meeting discussion with the City's General Obligation Bond Oversight Committee regarding the Transportation General Obligation Bond should the voters approve it at the November 2014 election.

7. Revenue Bond Policies and Procedures (For discussion only):

Presentation by the Office of Finance and City Attorney on citywide bond committee oversight review – Nadia Sesay and Mark Blake (Attachment E)

Mark Blake (Deputy City Attorney) presented a summary and comparison of the City bond oversight committees' best practices and consistency. Mr. Blake provided a chart that includes city guidelines comparing Citizens 'General Obligation Committee, SFPUC Revenue Bond Oversight Committee and the SFMTA Bond Oversight Committee. Member Nadia Sesay stated that the San Francisco Airport does not have a bond oversight committee.

Chairman Nothenberg asked Mr. Blake if the City could potentially adopt these guidelines. Mr. Blake stated that it is not a formal document that has been adopted but he could prepare a draft and present to the Controller's office.

Member Nadia Sesay explained that the Controller's office had expressed interest in the past preparing a similar City wide bond committee guideline. Ms. Sesay stated she would consult with the City Controller.

Mr. Blake suggested creating a work plan similar to the General Obligation Bond Oversight Committee's annual work plan. Ms. Bose agreed to review their current work plan but stated that this may not add value for the BOC at this time given the size of the SFMTA debt portfolio which is significantly less compared City's large general obligation bond debt portfolio. An annual work plan will be revisited, if and when, the size of SFMTA's debt portfolio warrants this effort.

Chairman Nothenberg expressed concern that the SFMTA's BOC meets quarterly while the General obligation bond and SFPUC committees meet bi-monthly. Mr. Nothenberg suggested that the BOC meet more frequently.

Sonali Bose (SFMTA) suggested that the BOC meet every other month. BOC Members agreed.

Ms. Bose asked Mr. Blake if the bylaws would need to reflect this meeting change. Mr. Blake indicated that the bylaws would need to be amended and that he would prepare amended bylaws for the next meeting.

8. Draft Template Report for Commercial Paper Program (Reference Attachment C):

Ms. Bose explained that Attachment C is a draft template reporting of the Commercial Paper program. Ms. Bose explained that the staff researched SFPUC and SF Airport for reporting consistency and stated that these city committees do not provide reporting on CP transactions.

Ms. Webster stated that staff believes this template will work well for tracking SFMTA's Commercial Paper program and commented that the City Controller's Office of Public Finance has reviewed and approved the draft.

There may be changes to the template once the information is populated in the report.

9. Discussion of Upcoming Scheduled BOC Meeting Dates:

Ms. Bose commented that since the committee agreed to meet more frequently that a set schedule would be generated and circulated to the members.

BOC members tentatively agreed to meet either November 19, 2014 at 2pm or November 20, 2014 at 2pm. BOC secretary to follow up and confirm final meeting date and schedule accordingly.

10. Adjournment.

The meeting adjourned at 3:41 pm.

A recording of the meeting is on file with the Secretary of the SFMTA Bond Oversight Committee and can be made available upon request. Please contact Cindy Gumpal at 415-701-5233 or Email: BOCOversightCommittee@sfmta.com.