

# SFMTA Bond Oversight Committee

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January 31, 2023

SFMTA Board of Directors

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Amanda Eaken, Vice Chair  
Stephanie Cajina, Director  
Steve Heminger, Director  
Fiona Hinze, Director  
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Dear SFMTA Board of Directors:

On behalf of the San Francisco Municipal Transportation Agency (SFMTA) Bond Oversight Committee (BOC), we are pleased to present the Fiscal Year 2021 - 2022 Annual Report.

The BOC was created by the SFMTA Board of Directors by Resolution #11-154 on December 6, 2011. The purpose of the BOC is to provide independent oversight with respect to the expenditure of SFMTA revenue bond proceeds.

Pursuant to its Bylaws, the BOC is required to provide its annual report to the SFMTA Board of Directors by January 31st of each year. The attached report describes BOC activities during Fiscal Year 2021 - 2022, and a description of any notable BOC actions since the end of the fiscal year.

We would be pleased to respond to any questions that you may have.

Sincerely,

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Chair, Tajel Shah

cc: Jeffrey Tumlin, Director of Transportation  
Benjamin Rosenfield, Controller

Attachment: Fiscal Year 2021 - 2022 Annual Report

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SFMTA Bond Oversight Committee  
FY 2021-22 Annual Report

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## Section 1. Introduction

The San Francisco Municipal Transportation Agency (SFMTA) or “Agency” Bond Oversight Committee (BOC) was created by the SFMTA Board of Directors. Under its Bylaws, the BOC is required to provide an annual report to the SFMTA Board of Directors by January 31 of each year for the previous fiscal year. This report covers activities for Fiscal Year 2021 – 2022 and includes a brief description of events occurring since the end of the fiscal year.

## Section 2. Background

The Board of Directors of the SFMTA created the BOC on December 6, 2011, by Resolution #11-154. The Resolution creating the BOC is available on the SFMTA website under Policies at the following link: <https://www.sfmta.com/investor-relations>.

The BOC was established to provide independent public oversight regarding the expenditure of bond proceeds for projects funded by the SFMTA’s revenue bonds and other forms of indebtedness to ensure that bond proceeds are being spent for authorized purposes in accordance with law. The purpose of the BOC is to ensure accountability and transparency for SFMTA debt financed projects, and to ensure that prudent internal controls and practices are established and implemented by the SFMTA. The BOC also informs the SFMTA Board of Directors and the public on the status of the projects funded by debt.

The BOC’s authority does not include the approval of projects included in any financing or the selection process of any vendor hired by the SFMTA to execute bond-funded projects or issue debt.

The BOC consists of seven members as follows: (1) three members recommended by the SFMTA Board Chairman and approved by the SFMTA Board of Directors; (2) two members of the Citizens’ Advisory Council; (3) one member appointed by the SFMTA’s Director of Transportation; and (4) one member appointed by the Controller.

The three current members appointed by the SFMTA Board are Leona Bridges, Steve Heminger, and Tajel Shah, Chair. The two current members appointed by the Citizens’ Advisory Council are John Lisovsky, Vice Chair with one seat open. Charles Perl was appointed by the SFMTA Director of Transportation. The seat appointed by the Controller is currently vacant.

## SFMTA Bond Oversight Committee Fiscal Year 2021 - 2022 Annual Report

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In Fiscal Year 2021 - 2022, the BOC convened four times: on September 1, 2021, December 1, 2021, March 2, 2022, and June 1, 2022.

All Committee proceedings are subject to the California Public Records Act (Section 6254, et seq., of the Government Code of the State of California) and the City's Sunshine Ordinance (Chapter 67 of the Government Code of the State of California). Minutes of the proceedings of the Committee and all documents received and reports issued are a matter of public record and are available on the SFMTA's website at:

<http://sfmta.com/about-sfmta/organization/committees/bond-oversight-committee-boc>.

### Section 3. Auditor Review

The final report from the auditor review is included in Appendix 2 of this report. For more information, see Policies and Procedures (Section 9). Additionally, the Policies and Procedures can be found at the following link:

[https://www.sfmta.com/system/files/finance/revenue\\_bond\\_policies\\_and\\_procedures\\_9.18.18.pdf](https://www.sfmta.com/system/files/finance/revenue_bond_policies_and_procedures_9.18.18.pdf).

### Section 4. Bond Oversight Committee Bylaws

BOC meetings are conducted in accordance with its Bylaws. A copy of the current BOC Bylaws is available on the SFMTA website: <https://www.sfmta.com/committees/sfmta-bond-oversight-committee-boc>.

### Section 5. Revenue Bonds

The SFMTA Board of Directors has authorized the issuance of a total of \$483.7 million in Revenue Bonds for projects.

The SFMTA has also issued an additional \$213 million of Revenue Bonds that were used to refund previously issued debt and will reduce SFMTA interest costs. \$38 million of the bond refunding was completed in July of 2012. The remaining \$175 million of bond refunding was done during Fiscal Year 2021 with Revenue Bond Series 2021A and 2021B.

Revenue Bond proceeds are invested in the City Treasury and interest earned on these funds is credited to the bond account to be available for bond-funded projects. Information related to SFMTA indebtedness and detailed information on issuances is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

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The table below displays the bond principal amounts available for projects for each bond series.

| Bond Series  | Bond Amount for Projects |
|--------------|--------------------------|
| 2012B Bond   | \$25,700,000             |
| 2013 Bond    | 75,000,000               |
| 2014 Bond    | 75,000,000               |
| 2017 Bond    | 190,000,000              |
| 2021C Bond   | 118,000,000              |
| <b>Total</b> | <b>\$483,700,000</b>     |

### A. Series 2012A and 2012B Revenue Bonds

In July 2012, SFMTA issued \$63.7 million of its Revenue Bonds, comprised of two series of bonds: (1) Series 2012A and (2) Series 2012B.

The Series 2012A allocated \$38.0 million for the purpose of refunding bonds previously issued by San Francisco Parking Authority and three non-profit parking corporations. The refunding transaction resulted in net present value savings of \$6.7 million, representing 15.8 percent debt service savings.

The Series 2012B allocated \$25.7 million to finance a portion of the costs of various capital projects for the SFMTA. The SFMTA Board of Directors and the Parking Authority Commission approved the issuance of these bonds on December 6, 2011, and May 1, 2012 (Resolution Numbers 11-150, 11-151, 12-065). The San Francisco Board of Supervisors concurred with the issuance on April 10, 2012 (Resolution Number 120-12).

### B. Series 2013 Revenue Bonds

In December 2013, the SFMTA issued \$75.0 million of its Revenue Bonds, Series 2013 (2013 Bonds). The SFMTA Board of Directors approved the issuance of the 2013 Bonds on September 3, 2013, and October 15, 2013 (Resolution Numbers 13-206, 13-234) and the San Francisco Board of Supervisors concurred with the issuance on September 24, 2013 (Resolution Number 337-13). The 2013 Bonds were issued to finance various transportation capital projects.

### C. Series 2014 Revenue Bonds

In December 2014, the SFMTA issued \$75.0 million of its Revenue Bonds, Series 2014 (2014 Bonds), to finance various transportation capital projects. The SFMTA Board of Directors approved issuing the 2014 Bonds on September 3, 2013, and October 21, 2014 (Resolution Numbers 13-206, 14-154) and the San Francisco Board of Supervisors concurred with the issuance on September 24, 2013 (Resolution Number 337-13).

### D. Series 2017 Revenue Bonds

In June 2017, the SFMTA issued \$190.0 million of its Revenue Bonds, Series 2017 (2017 Bonds) to finance Mission Bay Transportation Capital Improvements, procurement of new Muni vehicles, and the Van Ness Transit Improvement Project. The SFMTA Board of Directors approved issuing the 2017 Bonds on April 5, 2016 (Resolution Number 16-044) and the San Francisco Board of Supervisors concurred with the issuance on June 7, 2016 (Resolution 231-16).

### E. Series 2021C Revenue Bonds

In June 2021, the SFMTA issued \$118 million of its Revenue Bonds, Series 2021C (2021 Bonds) to finance several Green Projects ("Green" in this context is a designation of Green Transaction Evaluation by S&P Global Ratings) totaling \$96 million as well as a \$22 million Parking Meter Replacement Project.

### F. Bond Expenditures

As of June 30, 2022, the remaining bond funds (including encumbered funds) for each series and percentage spent are as follows: Series 2012B - \$0 (100.0 percent spent), Series 2013 - \$408,854 (94.5 percent spent), Series 2014 - \$1,391,672 (981 percent spent), Series 2017 - \$1,038,637 (99.5 percent spent), and Series 2021C - \$114,126,805 (3.3 percent spent). Series 2012B was fully expended by October 2016.



## Section 6. Commercial Paper Program

The SFMTA established a \$100.0 million Commercial Paper (CP) Program on September 10, 2013. The CP Program was approved by the SFMTA Board of Directors on June 4, 2013 (Resolution Number 13-071) and the San Francisco Board of Supervisors concurred on June 10, 2013 (Resolution Number 246-13). The CP Program was intended to finance, on a short-term basis, the costs of transportation capital projects in advance of the issuance of Revenue Bonds. Commercial paper can also be issued in anticipation of the receipt of grants. By providing continuous flows of funds to SFMTA capital projects, the CP Program can lower project costs by limiting schedule slippage.

At its November 6, 2013, meeting, the BOC reviewed the SFMTA's Commercial Paper Policies and Procedures to guide the use of CP. The procedures were jointly developed by the SFMTA and the Controller's Office of Public Finance. The Policies and Procedures were intended to define the steps to issue Commercial Paper and the related procedures and accounting to ensure appropriate internal controls and accountability. The BOC has no oversight responsibility for the use of CP on a day-to-day basis. As of November 2020, one CP note for \$41.0 million was issued on January 18, 2017, and repaid in 90 days. No CP notes are outstanding. Detailed information is available at the following link: <http://www.sfmta.com/about-sfmta/investor-relations>.

The SFMTA decided to terminate the Commercial Paper Program in July of 2020 at the discretion of the SFMTA Chief Financial Officer. The annual cost of maintaining the program exclusive of borrowing costs was approximately \$500,000 per year. There were no outstanding Commercial Paper issuances at the time of termination.

## Section 7. Project Delivery

### A. Series 2012B Revenue Bond Funded Programs

The Series 2012B Bonds were authorized in July 2012 for a total of \$25.7 million. Of the \$20.7 million, \$5.0 million was designated for parking garage projects and \$20.7 million for state-of-good-repair improvements to existing assets as well as accessibility and reliability of the transportation system including transit, bicycle, pedestrian, and signal improvements. The Series 2012B bond funds were fully expended by October 2016 and funded a total of 15 projects.

The following section summarizes the programs included in the 2012B Revenue Bonds.

| <b><u>Program Title</u></b>                         | <b><u>Program Description</u></b>  |
|---|--|
| <b>Muni Metro Sunset Tunnel Rail Rehabilitation</b> | The Muni Metro Sunset Tunnel Rail Rehabilitation upgrades and reconstructs aging N-Line railway infrastructure in the Sunset Tunnel, which includes replacing track work, overhead catenary system components, feeder cables, the curve signal system, and firefighting standpipe components; cleaning drain lines; and adding conduit for a future emergency blue light telephone system.   |
| <b>Muni Metro Turnback Rehabilitation</b>           | The Muni Metro Turnback (“MMT”) extends the Muni Metro Light Rail Transit Line underground approximately one mile from Embarcadero Station to a tunnel portal connecting to the Mission Bay surface line. The MMT includes 800 feet of bored tunnel, cut-and-cover structure, and an extensive underground turnback complex with two pocket tracks. The MMT was designed to improve turnback operations, reduce headways, and provide underground train storage to increase system capacity. The turnback and pocket track just east of Embarcadero Station have been damaged over time by water intrusion from the San Francisco Bay. The worn track has in the past caused service delays. The MMT Rehabilitation is designed to improve service reliability by reducing train and control failures and to improve safety. It is also expected to reduce on-going maintenance costs. |

|  |  |
|--|--|
| <b>Muni Green Light Rail Facility Rehabilitation</b>                               | The Muni Green Light Rail Facility Rehabilitation project will enhance system reliability while reducing the need for excess maintenance. The project calls for the replacement of approximately 11,200 track-feet of worn rails and track switches at the SFMTA's Green Light Rail Facility, where more than 89 LRVs are regularly stored, and possible improvements to the facility.   |
| <b>Muni System Radio Replacement Project</b>                                       | This project will replace and modernize SFMTA's radio communication system using 700 MHz voice and 800 MHz data channels as the basis for the communication network. The new system will use four base station sites and will meet the regional Intelligent Transportation Standard and the P25 interoperability criteria.   |
| <b>Muni Metro System Public Announcement and Public Display System Replacement</b> | The Muni Metro System Public Announcement and Public Display System Replacement project would improve customer experience within the Muni Metro system by replacing existing 28-year-old subway Public Address System & Platform Display systems with new devices. Specific improvements include the installation of LED passenger information displays at nine stations, for a total of 108 signs. Station improvements will also include speakers, microphones, ambient noise sensors and a digital voice announcement system. |
| <b>Parking Garage Projects</b>   | This program assessing the condition of 18 garages and provides partial funding for waterproofing and ventilation projects.  |

B. Series 2013 Revenue Bond Funded Programs

On December 4, 2013, the SFMTA issued \$75.0 million in Revenue Bonds, Series 2013 (2013 Bonds). Of the \$75.0 million, \$1.0 million was programmed for garage projects and \$74.0 million for asset renewals, accessibility, and reliability of the transit system (Safe Routes to Transit including bicycle, pedestrian, and signal improvements). As of June 30, 2022, the 2013 Bonds has funded 38 projects. A total of \$ 74.6 million of bond funds has been expended leaving an unexpended balance of \$0.4 million.

The following section summarizes the programs included in the Series 2013 Bonds.

| <b><u>Program Title</u></b>                                | <b><u>Program Description</u></b>   |
|--|---|
| <b>Pedestrian Safety &amp; Traffic Signal Improvements</b> | This program is meant to promote walking and improve the safety and usability of City streets by providing the funds required to plan, design and construct pedestrian and traffic signal infrastructure. The program includes the installation of red-light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares; sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects.   |
| <b>Transit System Safety and Other Improvements</b>        | The Transit System Safety and Other Transit Improvements program is designed to improve the safety of the Muni transit system. It includes project development and capital costs for: (i) the replacement of the communication and dispatching system to provide interoperable digital voice communications for SFMTA staff and the Public Works Emergency Radio System; (ii) new vehicle on-board and fixed route components that will provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location, vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; (iii) training equipment and simulators for Muni operators; (iv) replacement of fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, uninterrupted power supply units, networking system, operator consoles and management servers; and (v) transit improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit. |

**Street Capital Improvements**

The Street Capital Improvements program focuses on the development of safe and complete streets through integrated major corridor capital projects. It includes project development and capital costs for: the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing, new bicycle lanes and paths, bicycle parking facilities, bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and “green wave” traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb outs.

**Facility Improvements**

The Facility Improvements program includes safety and seismic upgrades to SFMTA parking garages and expansion of Muni operations and maintenance facilities, including projects intended to maintain the state of good repair of certain existing garages and SFMTA operations facilities, to improve working conditions for staff, and to otherwise expand existing facilities.

**Transit Fixed Guideway Improvements**

Transit Fixed Guideway Improvements is a capital program intended to address certain transit operational issues and maintenance needs, and to increase system reliability. It includes project development and costs relating to replacement of overhead wires and related poles and traction power systems serving light rail and trolley coach lines, improvement to the transportation central control facility and systems, and replacement of trackway and related systems serving the light rail and cable car lines to mitigate excessive noise and/or vibration.

**Muni Fleet**

Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

C. Series 2014 Revenue Bond Funded Programs

On December 10, 2014, \$75.0 million of Revenue Bonds, Series 2014 (2014 Bonds) were issued to fund various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2022, the 2014 Bonds has funded 38 projects. A total of \$73.6 million of bond funds was expended leaving an unexpended balance of \$0.4 million.

The following section summarizes the programs included in the Series 2014 Revenue Bonds.

| <b><u>Program Title</u></b>                                | <b><u>Program Description</u></b>  |
|--|--|
| <b>Pedestrian Safety &amp; Traffic Signal Improvements</b> | This program is meant to promote walking and improve the safety and usability of City streets by providing the funds required to plan, design and construct pedestrian and traffic signal infrastructure. The program includes the installation of red-light photo enforcement equipment; pedestrian islands in the medians of major thoroughfares; sidewalk bulb-outs and sidewalk widening; installation of traffic and pedestrian signals which include countdown and accessible pedestrian signal equipment; and targeted traffic calming projects.  |
| <b>Transit System Safety and Other Improvements</b>        | The Transit System Safety and Other Transit Improvements program is designed to improve the safety of the Muni transit system. It includes: project development and capital costs for: (i) the replacement of the communication and dispatching system to provide interoperable digital voice communications for SFMTA staff and the Public Works Emergency Radio System; (ii) new vehicle on-board and fixed route components that will provide information for core operational capabilities including Computer Aided Dispatch and Automatic Vehicle Location, vehicle health monitoring, on-board ADA-compliant traveler information, transit signal priority, and automated fare collection; (iii) training equipment and simulators for Muni operators; (iv) replacement of the fire-safety mandated emergency telephones including phone switches, phone stations, blue-light units, raceways, communication cables, uninterrupted power supply units, networking system, operator consoles and management servers; and (v) transit improvements including signal changes, bus bulbs, striping changes and other localized uses of the transit priority toolkit. |

**Complete Street  
Capital  
Improvements**

The Street Capital Improvements program focuses on the development of safe and complete streets through integrated major corridor capital projects. It includes project development and capital costs for the construction of bicycle facilities and improvements to the existing bicycle network; bicycle sharing, new bicycle lanes and paths, bicycle parking facilities, bicycle boxes, bicycle boulevards, buffered bicycle lanes, cycle tracks, bicycle signals, and “green wave” traffic signal coordination; curb extensions, storm water management features, traffic signal timing changes, signs, installation of pedestrian signals, including countdown and accessible pedestrian signal equipment, sidewalk extensions, medians, refuge islands, and bulb-outs.

**Facility  
Improvements**

SFMTA’s Facility Improvements program includes safety and seismic upgrades to SFMTA parking garages and expansion of Muni operations and maintenance facilities, including projects intended to maintain the state of good repair of certain existing garages and SFMTA operations facilities, to improve working conditions for staff and to otherwise expand existing facilities.

**Muni Fleet**

Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

**Fiscal Year 2021 - 2022 Project Delivery Milestones for the 2014 Revenue Bonds:**

**1 California: Laurel Village Transit Priority Project:** As part of Muni Forward, and in conjunction with the San Francisco Department of Public Works (SFPD) California Laurel Village Streetscape Project, a proposal has been developed to improve transit safety and reliability, as well as reduce travel time on the 1 California Muni line from Spruce Street to Laurel Street. The proposal includes four (4) bus bulbs, three (3) stop optimizations and two (2) traffic signal upgrades. By implementing this proposal, transit riders will benefit from faster and more reliable trips and experience enhanced transit safety and overall effectiveness. Project was completed and remaining funds of \$82,094 is in the process of being transferred to another project that can use the remaining funds.

**Contract 64 Signals:** The scope of Contract 64 is to design and construct new traffic signals at nine locations. New traffic signals will be installed at 7th Street/Minna Street, 15th Street/Dolores Street, Alemany Boulevard & Foote Avenue, Bryant Street & Sterling Street, Campus Way & Owens Street, Ellis Street & Webster Street, Highland Avenue & Mission Street, Leavenworth Street & Washington Street, and Mariposa Street &

Pennsylvania Avenue. Revenue bonds funded the intersections of Alemany & Foote and Ellis & Webster. Project was completed and all bond funds have been spent.

**Lombard Street Safety Project:** Design and construct traffic calming and pedestrian safety treatments at all intersections between Richardson Avenue/Francisco Street and Lombard Street/Franklin Street. Proposed treatments include daylighting, leading pedestrian bulbs, advanced stop bars, continental crosswalks, upgrading signal conduit, bulb-outs, pedestrian islands, transit bulbs, and/or removal of actuated pedestrian buttons. This work is being coordinated with the San Francisco Public Utilities Commission (SFPU) and the California Department of Transportation (Caltrans). Project was completed and all bond funds have been spent.

**PARCS Replacement Project:** The project entails a complete replacement of the Parking Access and Revenue Control System (PARCS) components at 21 parking facilities. The work includes new system servicers, cashier stations, ticket dispensers, barrier gates, payment machines, etc. and the installation of new utility infrastructure required to support the new equipment. Project was completed and all bond funds have been spent.

D. [Series 2017 Revenue Bond Funded Programs](#)

On June 7, 2017, \$190.0 million of Revenue Bonds, Series 2017 (2017 Bonds) were allocated to various transportation system, safety, traffic signal, and street and facility improvements. As of June 30, 2022, the 2017 Bonds were allocated to four projects. A total of \$189 million were expended leaving \$1 million remaining.

The following section summarizes the projects included in the Series 2017 Revenue Bonds.

| <b><u>Project Title</u></b>                            | <b><u>Project Description</u></b>   |
|--|---|
| <b>Mission Bay Transportation Capital Improvements</b> | Construct a single-track transit loop for the Third Street Light Rail Line (T Line), including adjacent roadway surface improvements on Illinois Street, between 18 <sup>th</sup> and 19 <sup>th</sup> Streets. The addition of this short line to SFMTA's T Line is designed to double the frequency of light rail transit service to Mission Bay and provide enhanced connections between Mission Bay and downtown San Francisco.                                     |
| <b>Van Ness Bus Rapid Transit Project</b>              | Construct a package of transit, streetscape, and pedestrian safety improvements along a two-mile corridor of Van Ness Avenue between Mission and Lombard Streets. Key features include conversion of two mixed-flow traffic lanes into dedicated bus lanes, consolidated transit stops, high quality stations, transit signal priority, all-door low floor boarding, elimination of most left turn opportunities for mixed traffic, and pedestrian safety enhancements. |



### **Muni Fleet: LRV Procurement**

Under the Light Rail Vehicle Procurement program, SFMTA will purchase replacement light rail vehicles along with new vehicles to provide for growth in transit service.

### **Fiscal Year 2021 - 2022 Project Delivery Milestones for the 2017 Revenue Bonds:**

**King Street Substation Upgrade:** Install upgrades and additional power capacity at the King Street Power Substation to provide capacity to support light rail vehicles along the Embarcadero. Additional capacity is needed to accommodate planned system growth as well as to support special event service associated with Oracle Park and the Chase Center. PG&E shut down the power at the permanent station in February 2022. Contractor demolished the concrete flooring inside the permanent station. PG&E inspected the installation of the conduits work to the permanent substation. Contractor has completed the duct banks.

Total Revenue Bond funding is \$6,555,000 with costs for this year at \$0 with remaining bond funds of \$284,777.

**Procurement of New Light Rail Vehicles (LRVs):** This procurement includes the purchase of 151 LRVs to replace the existing fleet, 24 LRVs to start new revenue service on Central Subway Extension and to handle current demand, and 85 option LRVs to accommodate projected ridership increase in the coming ten years. The LRV procurement is underway, and 68 expansion vehicles were purchased before replacing 151 Breda cars that were in operation.

Through the end of Fiscal Year 2022, Phase 2 production continues at a pace of two (2) cars delivered per month for a total of 16 cars to date. 6 cars have gone through safety certification and been conditionally accepted. Field modification of Phase 1 vehicles are ongoing with 13 vehicles reworked with the new interior seating configuration.

Total Revenue Bond funding is \$145,050,650 with costs for this year at \$759,001 with remaining bond funds of \$883,904.

**Van Ness BRT Project:** The project entails the construction of a package of transit, streetscape, and pedestrian safety improvements along a two-mile corridor of Van Ness Avenue between Mission and Lombard Streets. Key features include conversion of two mixed-flow traffic lanes into dedicated bus lanes, consolidated transit stops, high quality stations, transit signal priority, all-door low floor boarding, elimination of most left turn opportunities for mixed traffic, and pedestrian safety enhancements. Project was completed with Revenue Service starting on April 1, 2022, and with all bond funds spent.

E. Series 2021C Revenue Bond Funded Programs

On February 23, 2021, \$118.0 million of Revenue Bonds, Series 2021C (2021 Bonds) were allocated to several transportation system and facility improvements. As of June 30, 2022, the 2021C Bonds were allocated to four projects. A total of \$3.9 million was expended leaving \$114.1 million remaining.

The following section summarizes the projects included in the Series 2021C Revenue Bonds.

| <b><u>Project Title</u></b>                   | <b><u>Project Description</u></b>   |
|---|---|
| <b>Parking Meter Replacement</b>              | Replacement of 26,000 metered spaces in the City with updated equipment, due to end-of-life issues and need to update to current wireless technology. SFMTA is planning to install approximately 12,000 single-space meters and 2,365 multi-space pay stations; each hardware type will cover approximately 50% of metered spaces in the City.  |
| <b>1200-15<sup>th</sup> Street Renovation</b> | This project rebuilds the existing structure at 1200-15th Street as a mixed-use development, consolidating Enforcement Operations on the first two floors and adding a mix of affordable and market rate housing on the upper floors. Enforcement space will include work areas, office space, locker rooms, and storage areas with vehicle storage provided next door at the upper floors of the existing Scott Facility.  |
| <b>Train Control System Upgrade</b>           | Plan, design, procure and install the next-generation communications-based train control (CBTC) system for the rail network, including surface and subway alignments. Investing in a new CBTC system will bring the train control system into a state of good repair and will result in a more efficient, reliable, and safe way to manage LRV traffic. The CBTC system will improve transit service by reducing congestion-related delays, providing more consistent travel times, reducing headways and improve overall system safety for all Muni Metro LRV lines. |

**Fiscal Year 2021 - 2022 Project Delivery Milestones for the 2021 Revenue Bonds:**

**Parking Meter Replacement:** Project began with replacement of meters using 3G cellular technology. Approximately 7,500 metered spaces have been replaced with new 1,600 multi-space pay stations as of November 30, 2022 (i.e., into FY 2023). Total Revenue Bond funding is \$22,000,000 with costs for this year at \$4,734,840 and remaining bond funds of \$17,265,160.

**1200-15<sup>th</sup> Street Renovation:** Completed 100% Concept Design and 50% Schematic Design. Total Revenue Bond funding is \$20,000,000 with costs for this year at \$0 with remaining bond funds of \$20,000,000.

**Train Control System Upgrade:** This project is in the planning phase and working towards issuing an RFP for the train control supplier in FY22-23. The project team worked this fiscal year to develop the scope of work, RFP, selection process, and contract specifications for the train control system supplier, and completed a draft of the RFP and contract documents. The draft is being reviewed by the City Attorneys and contracting staff. Initial reviews have determined that the contracting approach needs to be modified to reconcile the project objectives with City and state laws and procurement practices. For example, the SFMTA intends to award a single contract to a train control supplier for design, equipment, installation, testing, and long-term support services. Due to the expected duration of the agreement (exceeding 10 years), the RFP must receive a waiver from the Board of Supervisors, requiring an additional legislative process before issuing the RFP. This process will take place in Fall 2022. Total Revenue Bond funding is \$41,000,000 with costs for this year at \$1,900,941 with remaining bond funds of \$39,099,059.

## Section 8. Reallocation of Proceeds

The SFMTA Board of Directors and BOC are both notified when reallocations are made between authorized programs and/or projects. In Fiscal Year 2021 - 2022 there were three bond reallocations and are described below. Reallocations are numbered sequentially by bond issue irrespective of timing.

### Series 2013 Bonds

In a memorandum dated June 30, 2022 (Reallocation 11), the SFMTA Board was advised that \$27,135 in project cost savings was redirected from the Pedestrian Safety & Traffic Signal Improvements Category/Facility Improvements Category to the Street Capital Improvements Category. Funds are transferred from the Lombard Street Safety Project, Traffic Calming Improvements - Backlog Spot Improvements Project, Excelsior & South Bernal Areawides Project, Bicycle Strategy Capital Projects - Oak and Fell Bikeways Resurfacing Project, and Operator Restrooms (Operator Convenience Facilities Phase II) Project to the Van Ness BRT Project.

### Series 2014 Bonds

In a Memorandum dated August 4, 2021 (Reallocation 6), the SFMTA Board was advised that \$129,013 in project cost savings were redirected from the Pedestrian Safety & Traffic Signal Improvements Category/Traffic Calming Program Implementation Project to the Street Capital Improvements Category/Van Ness BRT Project.

In a Memorandum dated July 26, 2022 (Reallocation 7), the SFMTA Board was advised that \$1,016,833 in project cost savings were redirected from the Pedestrian Safety & Traffic Signal Improvements Category/Transit System Safety & Other Transit Improvements/Facility Improvements Category to the Street Capital Improvements Category/Van Ness BRT Project.

## Section 9. Policies & Procedures

There were no changes to existing policies and procedures during Fiscal Year 2021-2022.

## Appendix 1: Fiscal Year 2021 - 2022 Meeting Schedule

All meetings were held as a web-based video conference and conference call due to the pandemic. Meeting agendas and minutes of the SFMTA BOC meetings are posted at the following link: <http://sfmta.com/about-sfmta/organization/committees/bond-oversight-committee-boc>. Audio recordings are on file with the Committee Coordinator and can be made available upon request. Scheduled meetings are open to the public and the BOC encourages the participation of the public.

### Fiscal Year 2021 - 2022 Bond Oversight Committee Meeting Dates

- September 1, 2021
- December 1, 2021
- March 2, 2022
- June 1, 2022

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**Appendix 2: Fiscal Year 2021-22 Audit**

Please see the following attached report.

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## Independent Accountants' Agreed-Upon Procedures Report

Board of Supervisors,  
City and County of San Francisco

Board of Directors, Bond Oversight Committee,  
and the Management of SFMTA,  
San Francisco Municipal Transportation Agency

We have performed the procedures enumerated in the Attachment on the San Francisco Municipal Transportation Agency's (SFMTA) sources and uses of funds related to bond series 2013, 2014, 2017, and 2021C accounts for the year ended June 30, 2022. SFMTA is responsible for its compliance with the requirements over the sources and uses of funds related to the 2013, 2014, 2017, and 2021C bonds, along with the annual reporting, as presented in the *Bond Oversight Committee Bylaws*, as set forth in Article IV, Section 2: Report.

SFMTA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in determining whether the entity complied with the requirements over the sources and uses of funds related to the 2013, 2014, 2017, and 2021C bonds, along with the annual reporting, as presented in the *Bond Oversight Committee Bylaws*, as set forth in Article IV, Section 2: Report, for the year ended June 30, 2022. This report may not be suitable for any other purpose. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

We were engaged by SFMTA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent SFMTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[ (signed) KPMG LLP ]

San Francisco, California

Date

**Procedures and Results:****High-dollar amounts and assorted smaller-dollar expenditures (Sample size 40):**

1. We obtained the general ledger detail related to bond series 2013, 2014, 2017, and 2021 from management for all transactions recorded related to the bond series 2013, 2014, 2017, and 2021C. We selected the 25 highest dollar amounts by filtered for Expenditure type under "Account Lvl 2 Code" column, and sorted the transaction amounts in the detail from highest to smallest. We then randomly selected 15 additional expenditures that were not within the highest dollar amounts.

**Results: KPMG selected a total of 40 sample items, which comprised the followings:**

- 25 expenditures with the high-dollar amounts
  - 15 assorted expenditures for small-dollar amounts
2. For the sampled items selected in procedure #1, we validated that the uses are solely for purposes per authorization resolution and applicable laws by comparing the project description on the approved invoice and encumbrance payment form to the respective bond authorization and resolution in order to verify whether the respective bond authorization and resolution includes the projects' purpose.

To validate that uses are solely for purposes per the respective bond's authorizing resolution and applicable laws:

- a. We obtained and inspected the following bond resolutions that describe the authorized uses, purposes, and projects authorized to be paid with the respective bond proceeds to use as a basis for determining that the debt proceeds (the sources) were used in accordance with the bond resolutions, as detailed below:
  - Board of Supervisors Resolutions for series 2013, 2014, 2017, and 2021C bonds and Municipal Transportation Agency Board Resolutions for Series 2013, 2017, and 2021C "New Money" bonds
  - SFMTA Procurement Procedures
  - City and County of San Francisco (CCSF) Accounting Policies and Procedures
  - Capital Funding Recommendations.
- b. We obtained and inspected the following bond resolutions that describe management's intention of the bond proceeds and interest income for the source, intended use, and expenditure and balances of bond revenue to use as a basis of determining that the debt proceeds and interest income were recorded correctly, as detailed below:
  - The SFMTA Board of Directors Resolutions 13-205, 16-0464, and 201215-110 resolving to issue series 2013, 2017, and 2021 "New Money" (2021C) revenue bonds, respectively, for the purpose of financing (as capital projects) the cost of transportation projects
  - The SFMTA Board of Directors Resolutions 13-206 and 16-044, which allow SFMTA to be reimbursed for costs for the above range of capital projects from the proceeds of revenue bond series 2013 and 2017



- CCSF Board of Supervisors Resolutions 337-13, 92-15, 231-16, and 023-21 authorizing the issuance of series 2013, 2014, 2017, and 2021C bonds, respectively, in concurrence with the resolutions passed by the SFMTA Board of Directors
  - CCSF Board of Supervisors Resolutions 207-13, 92-15, 212-15, and 105-16 required to appropriate the revenue collected from the bond issuances for the various capital projects to be undertaken by the Department of Public Works (DPW) on behalf of SFMTA.
3. For the sampled items selected in procedure #1, we validated that the project expenditures and encumbrances are for authorized capital projects by obtaining the approved invoice and Certificate of Progress Payment and determining if the invoice and progress payment are signed by the project manager and contract administrator to indicate authorization.
  4. For the sampled items selected in procedure #1, we validated that the transactions are properly supported based on CCSF and Departmental policies and are processed in accordance with SFMTA's internal procedures by obtaining the approved invoice, encumbrance payment request form, the Peoplesoft screen shot showing the amount paid prior to reimbursement, Certificate of Progress Payment, bank statement, and further requested for progress payment memorandum. For each selection, we agreed the amount in the progress payment memorandum to the amount in the encumbrance payment request form. Moreover, we reviewed the Certificate of Progress Payment and verified if it was signed by the project manager and CCSF administrator. We also calculated the number of days between receipt date and date of payment to determine whether payment was made within the 30-day payment rule per CCSF's Prompt Payment Guideline, where applicable.
  5. For the direct salary sampled items selected in procedure #1, we obtained the labor distribution system report and selected one employee from the labor distribution system report. We then obtained the respective timesheet and agreed the hours from the timesheet to the labor distribution report. We also obtained the payroll register and agreed the pay rate to the pay rate on the labor distribution report. Lastly, we recalculated the payroll expense, where applicable.
  6. For the indirect cost and fringe benefit sampled items in procedure #1, we recalculated the indirect cost and fringe benefit amounts.
  7. For the journal entry adjustment sampled items in procedure #1, we obtained the Peoplesoft screenshot and agreed the amount to the screenshot. We compared the preparer name on the screenshot to the approver name on the screenshot to ensure the approver name is different from the preparer name as the indicator for the existence of segregation of duties. Lastly, the approved date on the screenshot occurred after the prepared date.

In applying procedures #2 through #7 to the 40 selected samples, we further noted the following:

- Of the 40 samples selected, 25 were from the highest dollar values (which comprised of 6 personnel and 19 nonpersonnel costs), and 15 were from the assorted small-dollar value sample (made up of 3 personnel costs and 12 nonpersonnel costs).
- Of the personnel services expenditure transactions selected for the high-dollar values and the assorted small-dollar category, six stemmed from the high-dollar values (samples #3, #16, and #22–25) and three were from the assorted small-dollar category (samples #28, #35, and #39). Details based on testwork results, further categorized by the type of personnel services expenditures transaction, were as follows:

- Samples #3, #22, and #28 and pertain to the respective allocation of the 95.20% Transit (TS) Division and/or 21.10% TS Department Overhead costs along with the Mandatory Fringe Benefit cost incurred in relation to Project No. 10011861 – MT Procurement of New Light Rail to the Fund Code 22395 for the 2017 Revenue Bonds Series.
- Samples #23–25 pertain to the allocation of the 95.20% TS Division Overhead costs incurred in relation to Project No. 10032900 – MT Train Control System Upgrade to the Fund Code 22396 for the 2021C Revenue Bonds Series.

As such, these transactions are not subject to the same procedural requirements (procedures #3–5 detailed above) as those were designed to assess regular nonpersonnel or the actual direct payroll expenditures incurred in relation to the authorized projects funded by bond revenue. In lieu of those procedures, we applied procedures #6 and #7 from above by recalculating and inspected the PeopleSoft screenshots to agree the amount and viewed the preparer and approver dates, noting that the approver date was after the preparer's date.

- Samples #35 and #39 pertain to the direct salary expenditure transactions, with charges posted at the batch level, based on FY2022 pay period end (PPE) dates 4/29/2022 and 12/24/2021, for Project Nos. 10038770 – MT 10032900 Train CTL Upgrade and 10011832 – MT Operator Convenience-CPT729, respectively. Funding arrangements for these two direct salary samples stemmed from the 2021C Revenue Bond Series, via Fund Code 22396, and the 2014 Revenue Bond Series, via Fund Code 22380, respectively.

For the testing of these direct salary samples, specifically sample #35, we further drilled into the batch total for the posted transaction detail at the employee names level, and sampled for the time charged by a Project Manager 3 (Job Code No. 5506) for the 16 hours worked on the project, and requested payroll support. With respect the latter sample #39, the original sampled amount represented the 4 hours charged to the project by a Junior Engineer (Job Code No. 5201). In terms of applying the procedures for the testing of these samples, we considered SFMTA's clarification provided in the prior year that progress payment memos, invoices, progress reports, or SBE Form 7 are not applicable for salary types of transactions. Additionally, we further noted that there were no specific encumbrances and, as payroll processing is a part of the routine process, therefore the 30-day payment rule does not apply. Consequently, we only applied procedures #2 and #5 detailed in the earlier section for these samples and verified the transaction description details to ensure that it was for the authorized capital project and recalculated payroll amount based on the times charged, as per the employee's timesheet screenshot taken for the respective PPE date, along with supporting details from the accompanied Payroll Register – By Employee supports from the HCPRD database.

- Sample #16 pertains to the payroll adjustment entry made to reclass the Permanent Salaries portion, incurred as part of the PPE date 10/2/21 & 11/12/21 for Project No. 10011861 – MT Procurement of New Light Rail from Fund Code 22480 – MTA TS Capital Unallocated Projects to that of the Fund Code 22395, as established for the 2017 Revenue Bonds Series.

Similarly, these transactions are not subject to the same procedural requirements (procedures #3 through #6 detailed above) as those were designed to assess either the regular nonpersonnel, the actual direct or indirect payroll expenditures incurred in relation to the authorized projects funded by bond revenue. Rather, as it is an adjusting journal entry, we applied procedure #7 from above by inspected the PeopleSoft screenshots to agree the

amount and viewed the preparer and approver dates, noting that the approver date was after the preparer's date.

- Likewise, for the nonpersonnel services expenditure transactions selected for the high-dollar values and the assorted small-dollar category, 19 stemmed from the high-dollar values (Samples #1-2, #4-15, and #17-21) and 12 were from the assorted small-dollar (Samples #26-27, #29-34, #36-38, and #40). Details based on testwork results, further categorized by the type of nonpersonnel expenditures transaction and vendors, were as follows:

- Samples #1, #2, #4, #5, and #19 pertain to construction contract expenditures incurred for services rendered in relation to Project No. 10011740–MT Van Ness Ave BRT-CPT640; Project No.10031332–MT 14 Mission: Mission & SVN; and Project No.10009750–PK Sfgo Van Ness Corr Mgt from Walsh Construction Company II, LLC for the allocated core item costs out the aggregate progress payment application total. Funding sources for the first two projects listed derived from Fund Code 22395, as established for the 2017 Revenue Bond Series, while the latter was funded via Fund Code 22960, as established for the 2014 Revenue Bond Series.
- Sample #29 pertains to the Final Progress Payment Application No. 38 from S.J. Amoroso Construction Co., Inc., for a construction contract expenditure, incurred for services rendered in relation to Project No. 10011572–PW Islais Creek Ops Bldg Const. Of the aggregate final billing total, roughly 11% was funded by the 2014 Revenue Bond Series, via Fund Code 22380.

For the construction contract expenditures above, we applied procedures #2 through #4 detailed in the prior section. Accordingly, based on cross-verification between the Progress Payment Report prepared by the vendor (i.e., SFMTA SBE Form No. 6) and the accompanied SFMTA Memorandum for payment processing supports reviewed for the Walsh Construction Company billings, we noted that there were certain billing items rejected and/or disputed by SFMTA resulting from the review of billing costs, such that the actual total approved by the Project Manager (PM) for payment is less than the total presented on SBE Form No. 6. We did not note such recurring pattern whereby the actual processed payment is less than the billed amount with the S.J. Amoroso Construction final progress billing. Lastly, we noted that the projects for these selected samples were funded via a combination of Fund Codes for the invoiced amount. Funding allocation arrangements were set up in PeopleSoft such that the allocation funding source to that of the expenditures are applied automatically, as per the established purchase order. As the selected sample represented only the eligible expenditure item that is authorized by the corresponding revenue bonds series, we verified for the existence and accuracy of the expenditure item via the invoice and performed recalculation of the itemized invoice and agreed the aggregate invoice total to that of the issued payment amount.

- Samples #6, #7, #18, #20, #21, and #37 pertain to as-needed specialized engineering service expenditures incurred for services rendered in relation to Project No. 10032900–MT Train Control System Upgrade from WSP USA for various months during FY2022. The partial 74.04% funding source for this type of expenditure for the project derived from Fund Code 22396, as established for the 2021C Revenue Bond Series.

Considering the engineering services detailed above were not related to that of the capital construction expenditures, we therefore reviewed the description for both the project and invoice plus the supporting documentation (e.g., monthly progress report, invoice billings to

vendor from subcontractor, etc.) for each vendor to confirm the item qualified as an approved expenditure using Bond Resolution descriptions. Additionally, we reviewed the SBE Form and agreed the invoiced amounts to the progress payment. Specifically, per applicable Payment Processing Guidelines, we agreed the sample amount to the PeopleSoft screenshots and the invoices. We further verified that payments were properly authorized and that payments were made in timely manner. We confirmed that the vendor/contractor submitted a request for progress payment/payment and the certificate of progress payment was signed by the SFMTA project manager and contract administrator. Per the CCSF's Prompt Payment Guideline, the agency must pay contractors within 30 business days of receiving billing. We noted this is accomplished via EFT. We then agreed the amount and date to the Paymode-X Payment Detail. Of the six selected samples from this vendor, we noted that there were billing delays for samples #6, #7, #18, #20, and #21, which covered the progress billings #4–8 from this vendor, whereby payments were made more than 30 business days from that of the service period and/or invoice date. Through further review of the underlying supports, we noted that there was a letter issued by the WSP USA vendor, dated 6/2/2022, to provide justification for the late submission of its invoice billing for the months of October 2021 through December 2021 (i.e., Samples #6, #7, and #18) due to the needs for the revisions of the payroll records that it had originally submitted and verified by SFMTA. WSP discovered the error as part of its verification process that did not begin until January 2022. As part of this revision and resubmission, the billings for the months of January–April 2022 have also been delayed. Additionally, other cause for the payment processing delay was due to WSP having to further incorporate its subconsultants and project partners, Parsons and Capitol GCS, services portion for progress billings #4 and #5 (i.e., Samples #20 and #21).

- Samples #8, #10–15, #17, #27, #30–#34, and #38 pertain to equipment purchase expenditures incurred in relation to Project No. 10037860 – PK Parking Meter Replacement from MacKay Meters, Inc. Items invoiced include the variation of the completed batches of the Tango paystation equipment, auxiliary battery upper cabinet 32A, installation services for the paystations, trainings, and the assessed 8.625% sales tax for the applicable invoiced item. Funding source for this project derived from Fund Code 22961, as established for the 2021C Revenue Bond Series.

These equipment purchases were not related to that of the capital construction expenditures. Therefore, we reviewed the description for both the project and invoice plus the supporting documentation (e.g., monthly progress report, invoice billings to vendor from subcontractor, etc.) for each vendor to confirm the item qualified as an approved expenditure using Bond Resolution descriptions. Consistent with the prior year, management had confirmed that unlike the engineering service type, the SBE support form is not applicable for samples pertaining to the procurement of equipment. Additionally, we agreed the invoiced amounts to the progress payment. Specifically, per applicable Payment Processing Guidelines, we agreed the sample amount to the PeopleSoft screenshots and the invoices. We further verified that payments were properly authorized and that payments were made in timely manner. We confirmed that the vendor/contractor submitted a request for progress payment/payment and the certificate of progress payment was signed by the SFMTA project manager and contract administrator. Per the CCSF's Prompt Payment Guideline, the agency must pay contractors within 30 business days of receiving billing. We noted this is accomplished via EFT. We then agreed the amount and date to the Paymode-X Payment Detail. Of the 15 selected samples from this vendor, other

than Samples #8 and #30, we noted that there were billing delays for the remaining 13 samples, which comprised the following individual or shared invoice numbers:

- 1061034
- 1061075
- 1061077
- 1061105
- 1061176
- 1061247
- 1061287
- 1061309
- 1061385
- 1061570.

The payments for these invoices were made more than 30 business days from that of the service period and/or invoice date. Through further review of the underlying supports, we noted that the delay occurred due to the vendor failing to properly submit a copy of liability insurance that matched with its business name and making its annual business registration payment with the CCSF on time in order to avoid sustaining delinquent status. As such, when SFMTA made the payment processing, there was a validation issues that required the vendor to submit a rushed check payment delivery to CCSF Office of the Treasurer & Tax Collector–Bureau of Delinquent Revenue on 6/17/2022 along with email follow-up with the CCSF's Senior Collection Officer on 6/21/2022 in order to clear its delinquent status.

- Samples #26 and #40 pertain to internal billing for services rendered from the CCSF, City Attorney's Office Department, incurred in relation to Project No. 10038770 – MT 10032900 Train CTL and Project No. 10011861 – MT Procurement of New Light Rail. Funding sources for these project derived from Fund Codes 22396, as established for the 2021C Revenue Bond Series, and 22395, as established for the 2017 Revenue Bond Series, respectively.
- Sample #36 pertains to adjusting journal entry made to the previously booked State, County, and Special Sales Tax portion of the Voestalpine Nortrak Inc. material and supplies expenditures. Paid invoice had been erroneously booked to Dept. Code No. 207781 and now reclassified to that of the correct Dept. Code No. 13867, for Project No. 10030658–MT UCSF Platfrm Ext & C-CPT735. This invoice was funded by the 2021C Revenue Bond Series, via Fund Code 22395.

For the internal service billing and the adjusting journal entry for the previously paid invoice, as these were neither construction billings, professional services contracting, or equipment procurements, we applied procedure #2 from above to verify that costs incurred were for authorized projects along with procedure #7 and inspected the PeopleSoft screenshots to agree the amount, and viewed the preparer and approver dates noting that the approver date was after the preparer's date.

**Figure 1–Summary of High-Dollar and Assorted Small-Dollar Samples Selection**

| <u>Sample No.</u> | <u>Project Code No.</u> | <u>Project Description</u>     | <u>Transaction Type</u> | <u>Transaction Amount (\$)</u> |
|-------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|
| 1                 | 10011740                | MT Van Ness Ave BRT-CPT640     | High-Dollar Value       | 2,647,728                      |
| 2                 | 10009750                | PK Sfgo Van Ness Corr. Mgt     | High-Dollar Value       | 1,650,570                      |
| 3                 | 10011861                | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value       | 333,807                        |
| 4                 | 10009750                | PK Sfgo Van Ness Corr. Mgt     | High-Dollar Value       | 333,234                        |
| 5                 | 10009750                | PK Sfgo Van Ness Corr. Mgt     | High-Dollar Value       | 331,274                        |
| 6                 | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 300,934                        |
| 7                 | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 267,811                        |
| 8                 | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 225,831                        |
| 9                 | 10031419                | PW Denman CR Dsgn Const        | High-Dollar Value       | 207,466                        |
| 10                | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 205,301                        |
| 11                | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 205,301                        |
| 12                | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 205,301                        |
| 13                | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 205,301                        |
| 14                | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 205,301                        |
| 15                | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 205,301                        |
| 16                | 10011861                | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value       | 200,358                        |
| 17                | 10037860                | PK Parking Meter Replacement   | High-Dollar Value       | 184,771                        |
| 18                | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 146,339                        |
| 19                | 10031332                | MT 14 Mission: Mission & SVN   | High-Dollar Value       | 110,996                        |
| 20                | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 108,288                        |
| 21                | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 79,066                         |
| 22                | 10011861                | MT PROCUREMENT OF NEW LIGHT RA | High-Dollar Value       | 73,985                         |
| 23                | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 71,780                         |
| 24                | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 66,760                         |
| 25                | 10032900                | MT Train Control System Upgrad | High-Dollar Value       | 55,303                         |
| 26                | 10038770                | MT 10032900 Train CTL Upgrade  | Assorted Small Dollar   | 43,172                         |
| 27                | 10037860                | PK Parking Meter Replacement   | Assorted Small Dollar   | 37,500                         |
| 28                | 10011861                | MT PROCUREMENT OF NEW LIGHT RA | Assorted Small Dollar   | 36,655                         |
| 29                | 10011572                | PW IslaisCrk Ops Bldg Const    | Assorted Small Dollar   | 13,126                         |
| 30                | 10037860                | PK Parking Meter Replacement   | Assorted Small Dollar   | 11,000                         |
| 31                | 10037860                | PK Parking Meter Replacement   | Assorted Small Dollar   | 10,265                         |
| 32                | 10037860                | PK Parking Meter Replacement   | Assorted Small Dollar   | 10,000                         |
| 33                | 10037860                | PK Parking Meter Replacement   | Assorted Small Dollar   | 9,000                          |
| 34                | 10037860                | PK Parking Meter Replacement   | Assorted Small Dollar   | 4,780                          |
| 35                | 10038770                | MT 10032900 Train CTL Upgrade  | Assorted Small Dollar   | 4,249                          |
| 36                | 10030658                | MT UCSF PlatfRm Ext & C-CPT735 | Assorted Small Dollar   | 3,443                          |
| 37                | 10032900                | MT Train Control System Upgrad | Assorted Small Dollar   | 850                            |
| 38                | 10037860                | PK Parking Meter Replacement   | Assorted Small Dollar   | 500                            |
| 39                | 10011832                | MT Operator Convenience-CPT729 | Assorted Small Dollar   | 307                            |
| 40                | 10011861                | MT PROCUREMENT OF NEW LIGHT RA | Assorted Small Dollar   | 232                            |

**Results: No exceptions found as a result of applying the above procedures.**

**Interdepartmental charges (Sample size 15):**

- Using the same general ledger data file in procedure #1, we selected the 15 interdepartmental charges by filtering the general ledger data file by department group code and selecting samples that are not identified as "MTA".

9. For the sampled items selected in procedure #8, we validated that the uses are solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization to DPW form, the Peoplesoft Screen Shot, project description, and project cost details provided by DPW. We compared the project descriptions on each support to the capital projects respective bond authorization and resolution.
10. For the sampled items selected in procedure #8, we validated whether the project expenditures and encumbrance are for authorized projects by obtaining the work authorization forms to the DPW forms and compare the project descriptions from the work authorization forms and DPW forms to the respective bond authorization and resolutions. We further leveraged the SFMTA's Work Authorization Procedures as a guide that outlines the process for approval and compared the work authorizations to the process to confirm compliance. We also obtained the respective invoices submitted by DPW, encumbrance amount (provided by management), Certificate of Progress Payment, and progress payment report (SBE form No. 7). With the supporting documents obtained, we agreed the encumbrance amount to the progress payment report and agreed the invoice amount to the encumbrance and to the subcontractor or contractor payment (check copy or wire transfer form). Lastly, we obtained the SFMTA Work Authorization to DPW to verify if these are interdepartmental transfers by comparing the project descriptions on the Work Authorization to the project descriptions in the general ledger detail.
11. For the sampled items selected in procedure #8, we validated whether the transactions are properly supported based on CCSF and Departmental policies and are processed in accordance with SFMTA's internal procedures by performing the following:
  - a. Obtained the Work Authorization and reviewed whether it was signed by a SFMTA project manager to verify that documentation for charges is correct; the charges are in line with the project scope, schedule, and budget; and progress of work reasonably equates to the percentage of the budget expended.
  - b. Calculated if the SFMTA project manager approved the charges within 30 days of the month-end for the applicable charges.
  - c. Verified if the Work Authorization has a project description and project code to which the expenditures can be charged for tracking purposes.
  - d. Obtained the invoices and Work Authorizations and compared the project descriptions to the project descriptions in the general ledger detail to confirm that expenditures were for capital projects per authorization of bond revenues.
  - e. Confirmed if the invoices and supporting documents were submitted by DPW within 15 days of the month-end for the applicable charges.

In performing the procedures #9 and #10 detailed above over the 15 selected samples from #8, we further noted the following:

- The 15 selected interdepartmental samples (#41–#55) for this year represented the collective adjusting entries made during FY2022 to reallocate the unspent 2014 Revenue Bond Series fund to a mixture of both the prior-year personnel and nonpersonnel expense transactions that stemmed from the DPW. These were neither encumbered expenses nor payment transactions paid out to vendors during fiscal year 2022. Therefore, subcontractor payment declarations, progress payment reports, and encumbrance data do not directly apply. Rather, these pertain to the adjustments made relating to the account entry level for the previously processed expenditures at either the Fund Code and/or Authority Code levels as part of the 2013 and 2014 revenue bond series budget

cleaning up, closing out, and reallocating of unspent proceeds. For instance, notable adjustment trends noted from the testing involved the abatement of expenditures previously charged to Fund Code 22970–MTA SS CAP GOBD 2014 2015B to that of the Fund Code 22960–2014 Revenue Bond Series (i.e., Fund Code level), or, for the same Fund Code, but from Authority Code No. 10038 – Denman SRTS Con from the legacy FAMIS system to the Authority Code No. 11768–MTL Muni Fwd 22Flmr Ext MB\_CE in PeopleSoft. Overall summaries, based on projects, noted from these adjustments were:

| Project Code | Project Description            | Related Interdepartmental Samples |
|--------------|--------------------------------|-----------------------------------|
| 10031410     | PW Polk St Infra Impr          | #41, #42, #43, #48, #49, #51, #55 |
| 10031419     | PW Denman CR Dsgn Const        | #44, #54                          |
| 10031438     | PW Broadway Chinatown Phase IV | #45, #46, #47, #50, #52, #53      |

As such, we only applied procedure #9 for these samples. Considering that these 15 selected samples were all related to the 2014 Revenue Bond Series funding reallocation, we back traced from the “Series 2013, 2014 Revenue Bonds Reallocation Letters” Memorandum that was presented as part of the 9/7/22 Bond Oversight Committee meeting and requested for the “Revenue Bond Program Series 2014 Seventh Reallocation of Proceeds” (a.k.a. Reallocation 7) as part of performing procedure #9 in the verification for authorization. We further reviewed the posted Peoplesoft journal screenshot to ensure the posted amount agreed with the sampled transaction amount. Furthermore, we also ensured that both the preparer name and the approver name on the screenshot were different from each other.

**Figure 2–Summary of Interdepartmental Charges Samples Selection**

| Sample No. | Project Code No. | Project Description            | Transaction Type  | Transaction Amount (\$) |
|------------|------------------|--------------------------------|-------------------|-------------------------|
| 41         | 10031410         | PW Polk St Infra Impr          | Interdepartmental | 14,153                  |
| 42         | 10031410         | PW Polk St Infra Impr          | Interdepartmental | 6,827                   |
| 43         | 10031410         | PW Polk St Infra Impr          | Interdepartmental | 3,991                   |
| 44         | 10031419         | PW Denman CR Dsgn Const        | Interdepartmental | 3,629                   |
| 45         | 10031294         | PW Conversion Project          | Interdepartmental | 2,429                   |
| 46         | 10031294         | PW Conversion Project          | Interdepartmental | 2,429                   |
| 47         | 10031438         | PW Broadway Chinatown Phase IV | Interdepartmental | 2,429                   |
| 48         | 10031410         | PW Polk St Infra Impr          | Interdepartmental | 1,557                   |
| 49         | 10031410         | PW Polk St Infra Impr          | Interdepartmental | 284                     |
| 50         | 10031438         | PW Broadway Chinatown Phase IV | Interdepartmental | 153                     |
| 51         | 10031410         | PW Polk St Infra Impr          | Interdepartmental | 64                      |
| 52         | 10031438         | PW Broadway Chinatown Phase IV | Interdepartmental | 44                      |
| 53         | 10031438         | PW Broadway Chinatown Phase IV | Interdepartmental | 38                      |
| 54         | 10031419         | PW Denman CR Dsgn Const        | Interdepartmental | 1,300                   |
| 55         | 10031410         | PW Polk St Infra Impr          | Interdepartmental | 335                     |

**Results: No exceptions were found as a result of applying these procedures.**



**Budget Funding (Sample Size 2):**

12. We obtained an expenditure budget query report related to bond series 2013, 2014, 2017, and 2021 from management that includes Commitment Control Detail Ledger. From this report's transaction detail, we will filter the column name "Fund description" for any Sustainable Streets (SS) and Transit (TS) Capital Revenue Bond as well as "Budget Ledger Name" for Commitment Control Detail Budget. Then, we selected two budget (funding) transfers from the filtered data.
13. For the sampled items selected in procedure #12, we validated that the uses are solely for purposes per authorization resolution and applicable laws by obtaining the SFMTA Work Authorization Request and compared the project description to the respective bond authorization and resolution.
14. For the sampled items selected in procedure #12, we validated that the project expenditures and encumbrances are for authorized capital projects by obtaining the SFMTA Work Authorization Request and confirmed whether it was signed by a project manager prior to the creation of the Peoplesoft entry recorded by the SFMTA accounting staff.
15. For each selection selected in procedure #12, we validated that the transactions are properly supported based on CCSF and Departmental policies and are processed in accordance with SFMTA's internal procedures, by obtaining the work authorization request, and reviewed for whether it has a project description and a project code. We also reviewed to ensure that the SFMTA project manager signed the request form prior to transactions being entered into the Peoplesoft system. Finally, we agreed the Peoplesoft screenshot to the amount on the work authorization request:
  - For the selected budget funding samples #56 and #57, these were related to the 2021C Series Revenue Bond. Specifically, sample #56 pertains to the booking of \$3.49M from the approved 2021C Revenue Bond Series budget for Project No. 10032900 – Train Control Upgrade Project (TF107) as pertains to the Planning phase. Budgeted fund arrangements were as follows: \$1.30M will be spent on SFMTA Labor and Other Direct Costs for Project Management, via Activity Code 0074, and \$2.19M will be spent on Contracts, Purchase Orders, and Professional Services 3, via Activity Code 0176.
  - On the other hand, Sample #57 pertains to the booking of funding to cover contract labor for the conventional train control removal—Project No. 10032900 – Train Control Upgrade Project (TF107). We noted that the request was made for budget funding at the aggregate total of \$1.65M, of which \$1.60M will be for the SFMTA Labor and Other Direct Costs designated for SSD Engineering and Planning, via Activity Code 0007, as well as Contract/Purchase Order/Professional Services 4, via Activity Code 0028.

There were no spent down as of the FYE date for either samples. As such, KPMG noted that both procedures #13 and #14 are not applicable. In applying procedure #15 as detailed above, we noted no exceptions.

**Figure 3—Summary of Budget Funding Samples Selection**

| <u>Sample No.</u> | <u>Project Code No.</u> | <u>Project Description</u>     | <u>Transaction Type</u> | <u>Transaction Amount (\$)</u> |
|-------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|
| 56                | 10032900                | MT Train Control System Upgrad | Budget Funding          | 3,490,000                      |
| 57                | 10032900                | MT Train Control System Upgrad | Budget Funding          | 1,650,000                      |

**Results: No exceptions were found as a result of performing these procedures.**

**Trustee Payments (Sample Size 5):**

16. We obtained a listing of all bond debt service payments to trustee related to the current bond series 2017 and 2021 from management and selected five payments from this listing.
17. For the sample items selected in procedure #16, we validated whether the trustee payments for debt service were made in accordance with terms by performing procedures to determine whether the amounts paid were correct and the payments were paid by the due date.
18. Additionally, for the sampled items selected in procedure #16, we leveraged the testing performed from the financial statement audit to confirm whether the bond balances for each series agreed to the debt rollforward and debt service schedule, as provided by management:
  - For the five trustee payments, we validated that the trustee payments for debt service amounts paid were correct and the payments were paid by the due date by obtaining the monthly payment request from the trustee and bank statements from management, and comparing the due date on the monthly payment request from the trustee to the payment date on the bank statement and to the debt maturity schedule in the respective bond resolution to show whether the payment date was before the due date. We also agreed each trustee payment amount selected to the amount on the bank statement for the principal and interest payments selected.
  - For the five trustee payments, we validated if bond liabilities as of the year-end date of June 30, 2022 were correct and if they were supported with a payment by obtaining the debt service schedules for series 2017 and 2021C bonds as part of the fiscal year 2022 audit and agreed each amount to the corresponding debt service schedule provided by management.

**Figure 4–Summary of Trustee Payment Samples Selection**

| <u>Sample No.</u> | <u>Project Code No.</u> | <u>Project Description</u> | <u>Fund Code - Description</u>       | <u>Transaction Type</u> | <u>Transaction Amount (\$)</u> |
|-------------------|-------------------------|----------------------------|--------------------------------------|-------------------------|--------------------------------|
| 58                | 10001719                | MT Administration          | 22267 - MTA TS DSF REVBN S2021A      | Trustee Payment         | 265,029                        |
| 59                | 10001719                | MT Administration          | 22268 - MTA TS DSF REVBN S2021B      | Trustee Payment         | 15,597                         |
| 60                | 10001719                | MT Administration          | 22267 - MTA TS DSF REVBN S2021A      | Trustee Payment         | 253,751                        |
| 61                | 10001719                | MT Administration          | 22261 - MTA TS DSF REVBD S2017 (NEW) | Trustee Payment         | 529,978                        |
| 62                | 10001719                | MT Administration          | 22269 - MTA TS DSF REVBN S2021C      | Trustee Payment         | 252,517                        |

**Results: No exceptions were found as a result of applying these procedures.**