



DRAFT MINUTES

FINANCE COMMITTEE

Tuesday, May 12, 2015

1. Roll Call

Chair Avalos called the meeting to order at 11:38 a.m.

Present at Roll Call: Commissioners Avalos, Campos and Mar (3)

Absent at Roll Call: Commissioners Cohen and Kim (entered during Item 4) (2)

Consent Calendar

2. Approve the Minutes of the April 14, 2015 Meeting – ACTION

3. Internal Accounting Report and Investment Report for the Nine Months Ending March 31, 2015 – INFORMATION

There was no public comment.

The minutes were approved without objection by the following vote:

Ayes: Commissioners Avalos, Campos and Mar (3)

Absent: Commissioners Cohen and Kim (2)

End of Consent Calendar

4. Recommend Authorizing the Executive Director to: Replace the Transportation Authority's Commercial Paper Program with a Revolving Credit Agreement (Revolver); Enter into an up-to-\$140 Million Revolver with State Street Public Lending Corporation; Enter into an Alternate Credit Facility if Negotiations with State Street are Not Successful; Amend or Enter into the Associated Legal Documents; Take All Necessary Related Actions; and Negotiate the Agreement Payment Terms and Non-Material Agreement Terms and Conditions – ACTION

Cynthia Fong, Deputy Director for Finance and Administration, presented the item per the staff memorandum.

Commissioner Mar asked where State Street Public Lending Corporation was located. Ms. Fong responded that the lending corporation was located in Boston, Massachusetts.

Commissioner Mar commented that several banks that bid on this contract appeared to be Japanese. Ms. Fong confirmed that half of the bids received were from Japanese banks. Commissioner Mar asked if Ms. Fong had noticed a trend of foreign banks bidding on local contracts. Ms. Fong responded that there appeared to be a trend and that they received similar interest from foreign banks the last time this procurement was issued.

Chair Avalos asked how this program would enable the Transportation Authority to pay down the commercial paper program.

Ms. Fong responded that this program would save the Transportation Authority up to \$500,000 per year, which would go towards paying down more of the commercial paper program.. She said the plan would be to pay down a portion of the outstanding balance each calendar year, over a term of five years, depending on the amount of cash flow needs of the various project sponsors. Ms. Fong added that if necessary, another option would be to issue debt and refund the entire loan.

Chair Avalos asked for clarification that at the current projected rate of expenditures, the program could be paid off in five years with the added cost savings of \$500,000 per year. Ms. Fong responded in the affirmative.

There was no public comment.

The item was approved without objection by the following vote:

Ayes: Commissioners Avalos, Campos, Cohen, Kim and Mar (5)

5. State and Federal Legislative Update – ACTION

Mark Watts, State Legislative Advocate for the Transportation Authority, presented the item per the legislative matrix.

Mr. Watts reported that staff was recommending a revised position on Senate Bill (SB) 413, which would decriminalize certain transit-related infractions including youth fare evasion. He said there was concern whether the bill would lead to infractions on juveniles' permanent records and that he wanted to investigate further.

Commissioner Mar asked why staff was suggesting a watch position instead of a support position on Assembly Bill (AB) 28 regarding rear bicycle safety lights. Mr. Watts responded that an earlier version of the bill was more aggressive and called for reflective clothing and additional lighting. Commissioner Mar made a motion to change the position on AB 28 from watch to support. Commissioner Kim asked if staff knew the San Francisco Bicycle Coalition's (SFBC's) position on this item. Commissioner Mar said he was waiting for a response from SFBC staff to find out. Commissioner Kim said she would prefer to know the SFBC's position before voting on the motion to amend the position. Commissioner Mar subsequently withdrew his motion to change the position on AB 28 until he could confer with the SFBC.

Chair Avalos asked for greater detail on the issue around disadvantaged communities and cap and trade since staff was recommending oppose positions on several related bills and that it would seem in principle the committee should support disadvantaged communities. Mr. Watts replied that the cap and trade program required that 25% of funds be spent in or near disadvantaged communities. He said that for cap and trade funding purposes, disadvantaged communities were defined by the California Environmental Protection Agency's (CalEPA's) EnviroScreen tool that took into consideration how a jurisdiction performs on a number of factors including criteria pollutants and socioeconomic disadvantage. Mr. Watts added that because of the way disadvantaged communities were defined the Bay Area had very few of them, which put the region at a disadvantage when competing for cap and trade funding. He noted that San Francisco only had three census tracts characterized as disadvantaged communities.

Chair Avalos asked whether Southern California had an advantage in the cap and trade fund allocation process and Mr. Watts confirmed that was the case. Chair Avalos asked how Mr. Watts saw the definition of disadvantaged communities playing out. Mr. Watts responded that it would

be difficult to change the definition since CalEPA was not inclined to change it. He said that the Metropolitan Transportation Commission (MTC) felt that adopting opposite positions on these bills would put pressure on legislators and CalEPA to reconsider the EnviroScreen model.

Commissioner Kim said she had difficulty opposing legislation that would help rural jurisdictions with less technical expertise than a large city like San Francisco but that she understood the concern over the definition of disadvantaged communities. She asked what MTC was doing to revise the definition and what else could be done. Mr. Watts replied that MTC could seek language to loosen the requirement that jurisdictions perform poorly on a number of factors and not just one. He stated that even if MTC was successful it would likely take a couple legislative cycles for CalEPA to adjust the EnviroScreen tool.

Commissioner Kim asked how the definition of disadvantaged communities was formed. Mr. Watts responded that the term was defined generally in 2012 legislation which coincided with the CalEPA process. Commissioner Kim asked for a map that showed where the state's disadvantaged communities were located. She noted that two of San Francisco's three census tracts were in District 6 and that the Tenderloin Neighborhood Development Corporation applied for cap and trade funding for an affordable housing development. Mr. Watts responded that he would work with staff to get her that information.

Commissioner Avalos asked how many census tracts in the state were designated as disadvantaged communities. Mr. Watts stated that he wasn't sure of the exact number but that it was a lot. He said for perspective there was a two-mile corridor in Los Angeles that was entirely red, meaning it contained multiple disadvantaged communities. He offered to compile a briefing memorandum for the committee on cap and trade and disadvantaged communities.

Executive Director Tilly Chang commented that the ongoing process to update Plan Bay Area would allow staff to coordinate with regional agencies, including MTC and the Bay Area Air Quality Management District, on a strategy to change the EnviroScreen formula. She noted that there might be an option for a legislative fix that could be pursued through the state budget process.

Commissioner Kim thanked Mr. Watts for pointing out some unintended consequences of SB 413 and said she recognized the intent of the bill was to make it easier for youth but that if applied it could lead to their juvenile records being opened up.

Commissioner Kim moved to amend the item to change the position on SB 413 from support to support if amended to avoid the aforementioned unintended consequences on juvenile records, seconded by Commissioner Campos.

The amendment to the item was approved without objection by the following vote:

Ayes: Commissioners Avalos, Campos, Cohen, Kim and Mar (5)

There was no public comment.

The item was approved without objection by the following vote:

Ayes: Commissioners Avalos, Campos, Cohen, Kim and Mar (5)

6. Preliminary Fiscal Year 2015/16 Annual Budget and Work Program – INFORMATION

Cynthia Fong, Deputy Director for Finance and Administration, and Tilly Chang, Executive Director, presented the item per the staff memorandum.

Commissioner Campos asked for a breakdown of how the capital project expenditures would be allocated. Ms. Chang responded that the expenditures were a projection of what project sponsors would request, and noted that the Presidio Parkway and I-80/Yerba Buena Island Interchange Improvement projects accounted for a large portion. Ms. Chang said that the Transportation Authority relies on the sponsors' estimates but that at the end of fiscal year the total requests tend to not be as high. She added that vehicle purchases for the San Francisco Municipal Transportation Agency (SFMTA) also made up a significant portion of the expenditures for next fiscal year.

Commissioner Campos asked how the total revenues and expenditures for Fiscal Year (FY) 2015/16 compared to FY 2014/15. Ms. Fong responded that the total revenues for FY 2015/16 were \$214.7 million compared to \$158.9 million for FY 2014/15, and that total expenditures for FY 2015/16 were \$273.1 million compared to \$196.9 million for FY 2014/15.

Commissioner Campos asked what was contributing to the increase of \$222,225 in administrative operating costs. Ms. Chang responded that the increase was mostly due to greater staffing costs related to the positions that were approved by the Board last year, and noted that the Transportation Authority was now up to 40 staff, including interns. She said also contributing was the successful implementation of the enterprise resource planning system, which should pay off over time through increased efficiency. Ms. Chang added that in the last month the Transportation Authority had secured commitments for \$100,000 from both the SFMTA and San Francisco Planning Department to support the Technology, Data & Analysis Division and its model development work including travel demand.

Commissioner Campos asked if there were separate personnel expenditures under capital projects. Ms. Fong responded that there were not, and that the total listed for personnel expenditures included staffing from all divisions.

Commissioner Campos asked what comprised the \$2,934,736 for non-personnel expenditures. Ms. Fong responded that it included office rent, insurance, office supplies, audit fees, actuarial fees, legal fees, and meeting broadcasting costs in addition to other administrative expenditures.

Commissioner Campos asked how debt service expenditures for FY 2015/16 compared to FY 2014/15.

Ms. Fong estimated that up to \$20 million would be paid down in August 2015 compared to \$15 million in June 2014. She stated that the remaining portion was the cost to maintain the program, which was \$1.7 million per year for the last three years. She said Item 4 on the agenda, to replace the Transportation Authority's Commercial Paper Program with a Revolving Credit Agreement, would reduce that cost by \$500,000 per year to \$1.2 million.

Ms. Chang commented that the capital project expenditures reflected the five-year prioritization programs which were approved by the Board last year and reflected the strategic plan update.

Commissioner Campos asked if any projects listed in the delivery phase were behind schedule or over budget. Ms. Chang responded that none of the projects listed were behind schedule or over budget, though she stated that the Transbay Transit Center and Caltrain Downtown Extension projects were the greatest challenge. She said the Transbay Transit Center was currently under construction and that it may incur some additional funding needs. Ms. Chang said the Caltrain Downtown Extension was the focus of continuing studies, but that once a design was settled upon there would be a better sense of the cost estimate and funding plan. She added that while there were provisional funding plans, the project still needed a concerted effort from the City,

and that the San Francisco Planning Department had been invited to present its Railyard Boulevard study to the Board in the coming months.

There was no public comment.

7. Introduction of New Items

There was no public comment.

8. Public Comment

There was no public comment.

9. Adjournment

The meeting was adjourned at 12:33 p.m.