



Memorandum

AGENDA ITEM 7

DATE: May 4, 2020
TO: Transportation Authority Board
FROM: Cynthia Fong - Deputy Director for Finance and Administration
SUBJECT: 5/12/20 Board Meeting: Internal Accounting Report, Investment Report, and Debt Expenditure Report for the Nine Months Ending March 31, 2020

<p>RECOMMENDATION <input checked="" type="checkbox"/> Information <input type="checkbox"/> Action</p> <p>None. This is an information item.</p> <p>SUMMARY</p> <p>The purpose of this memorandum is to provide the quarterly internal accounting report, investment report, and debt expenditure report for the Fiscal Year (FY) 2019/20 period ending March 31, 2020.</p>	<p><input type="checkbox"/> Fund Allocation</p> <p><input type="checkbox"/> Fund Programming</p> <p><input type="checkbox"/> Policy/Legislation</p> <p><input type="checkbox"/> Plan/Study</p> <p><input type="checkbox"/> Capital Project Oversight/Delivery</p> <p><input checked="" type="checkbox"/> Budget/Finance</p> <p><input type="checkbox"/> Contract/Agreement</p> <p><input type="checkbox"/> Other: _____</p>
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BACKGROUND

Our Fiscal Policy (Resolution 18-07) establishes an annual audit requirement and directs staff to report to the Board the agency’s actual expenditures in comparison to the approved budget, on at least a quarterly basis. The Investment Policy (Resolution 20-23) directs a review of portfolio compliance with the Investment Policy in conjunction with, and in the context of, the quarterly expenditure and budgetary report.

Internal Accounting Report. Using the format of our annual financial statements for governmental funds, the Internal Accounting Report includes a “Balance Sheet” (Attachment 1) and a “Statement of Revenues, Expenditures, and Changes in Fund Balances, with Budget Comparison” (Attachment 2). In Attachment 2, the last two columns show the budget values and the variance of revenues and expenditures as compared to the approved amended budget. For the nine months ending March 31, 2020, the numbers in the approved amended budget column are three-fourths of the total approved amended budget for FY 2019/20, including the Treasure Island Mobility Management Agency. Although the sales tax (Prop K),



and vehicle registration fees (Prop AA), include accruals based on actual receipts after March 31, 2020, and sales tax revenue bond are included, the Internal Accounting Report does not include: 1) the Governmental Accounting Standards Board Statement Number 34 adjustments, 2) Traffic Congestion Mitigation Tax Program revenue (Prop D) accruals or 3) the other accruals that are done at the end of the FY. The Balance Sheet values, as of March 31, 2020, are used as the basis for the Investment Policy compliance review.

In addition, we are reporting for the first-time revenues for the Traffic Congestion Mitigation Tax Program (Prop D) since collections began on January 1, 2020. Back in November 2019, San Francisco voters approved Prop D enabling the City to impose a 1.5 percent business tax on shared rides and 3.25 percent business tax on private rides for fares originating in San Francisco and charged by commercial ride-share and driverless-vehicle companies until November 5, 2045. The San Francisco Municipal Transportation Agency (SFMTA) receives 50 percent of the revenues for Muni capital and operating improvements and we receive 50 percent of the revenues for capital projects that promote users' safety in the public right-of-way in support of the City's Vision Zero policy. For the nine months ending March 31, 2020, the number in the approved amended budget column is adjusted to reflect 50% of the annual budget.

Investment Report. Our investment policies and practices are subject to, and limited by, applicable provisions of state law and prudent money management principles. All investable funds are invested in accordance with the Investment Policy and applicable provisions of California Government Code Section 53600 et seq. Any investment of bond proceeds will be further restricted by the provisions of relevant bond documents.

We observe the "Prudent Investor" standard, as stated in California Government Code Section 53600.3, applied in the context of managing an overall portfolio. Investments are to be made with care, skill, prudence, and diligence, taking into account the prevailing circumstances, including, but not limited to, general economic conditions, our anticipated needs, and other relevant factors that a prudent person of a like character and purpose, acting in a fiduciary capacity and familiar with those matters, would use in the stewardship of funds.

The primary objectives for the investment activities, in order of priority, are:

- 1) **Safety.** Safety of the principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure preservation of the principal of the funds under its control.
- 2) **Liquidity.** The investment portfolio will remain sufficiently liquid to enable us to meet its reasonably anticipated cash flow requirements.
- 3) **Return on Investment.** The investment portfolio will be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the portfolio.



Permitted investment instruments are specifically listed in the Investment Policy and include the San Francisco City and County Treasury Pool (Treasury Pool), certificates of deposit, and money market funds.

Balance Sheet Analysis. Attachment 1 presents assets, liabilities, and fund balances, as of March 31, 2020. Cash, deposits, investments, and restricted cash (Bonds Proceeds) total to \$172.1 million. Other assets total to \$29.1 million which mainly includes \$9.8 million of program receivable and \$6.9 million in sales tax receivable. Liabilities total \$295.0 million, as of March 31, 2020, and mainly includes \$32.0 million in accounts payable, and sales tax revenue bond par and premium amounts (Series 2017) of \$254.8 million.

There is a negative of \$94.7 million in total fund balances, which is largely the result of how multi-year programming commitments are accounted for. Future sales tax revenues and grant reimbursements collected will fully fund this difference. This amount is obtained as follows: \$19.6 million is restricted for capital projects and \$114.4 million is an unassigned negative fund balance. The unassigned negative fund balance reflects grant-funded capital projects that are scheduled to be implemented over the course of several fiscal years. The commitments are multi-year commitments and funded with non-current (i.e., future) revenues. In addition, we do not hold nor retain title for the projects constructed or for the vehicles and system improvements purchased with sales tax funds, which can result in a negative position.

Statement of Revenues, Expenditures, and Changes in Fund Balances Analysis. Attachment 2 compares budgeted to actual levels for revenues and expenditures for the first nine months (three quarters) of the fiscal year. We earned \$97.8 million in revenues, including \$74.8 million in sales tax revenues, \$3.6 million in vehicle registration fee, \$1.8 million in Traffic Congestion Mitigation Tax, \$15.4 million in total program revenues and \$2.1 million in investment income for the nine months ending March 31, 2020. Total revenue was lower than the budget estimates by \$13.3 million. This variance amount mainly includes \$8.3 million in sales tax revenue, \$2.0 million in Traffic Congestion Mitigation Tax, \$0.4 million in interest income, and \$2.4 million in program revenue. Below are the following explanations to significant variances:

Sales Tax Revenue - Due to anticipated lower revenues based on the impact of COVID-19, we do not have enough information to be able to project or estimate revenues for March. As such, the variance of \$8.3 million is mainly due to comparing nine months of budgeted revenue to eight months of recorded revenue. We do not expect any delay in the receipt of sales tax revenue for March 2020.

Traffic Congestion Mitigation Tax - January and February represents the first two months of revenue collection for this new tax and revenues were 25 percent lower than expected. In addition, due to anticipated lower revenues based on the impact of COVID-19, we do not have enough information to be able to project or estimate revenues for March. As such, the variance of \$2.0 million is mainly due to lower collection of revenues for January and February



and comparison of three months of budgeted revenue to two months of recorded revenue. We do not expect any delay in the receipt Traffic Congestion Mitigation Tax for March 2020.

Investment Income - The investment rate of return in the Treasury Pool decreased from 2.02 percent to 1.79 percent in the first quarter of 2020 (January to March). This \$420,366 or 11.4 percent decrease is partially due to two recent emergency interest rate recent cuts by the Federal Reserve. In addition, the investment income is expected to be further impacted by COVID-19 significantly from April to June.

Program Revenue - The \$2.4 million variance in Programs Revenues is mainly due to the construction contract delay for the Yerba Buena Island (YBI) Southgate Road Realignment Project. We expect expenditures to catch up during the 4th quarter. In addition, there is a delay in the approval of toll policies for the Treasure Island Mobility Management Program.

As of March 31, 2020, we incurred \$52.3 million of expenditures, including \$21.7 million in debt service cost for the Sales Tax Revenue Bonds and the revolving credit loan agreement, and \$6.9 million for personnel and non-personnel expenditures. Total expenditures were lower than the budgetary estimates by \$100.6 million. This amount mainly includes a net non-favorable variance of \$5.3 million for debt services costs, and a favorable variance of \$104.5 million in capital project costs. The net non-favorable variance of \$5.3 million in debt service costs is due to timing of Sales Tax bond principal and interest payments. The annual principal payment was withheld from monthly sales tax revenues received in the last quarter and made in February and the bi-annual interest payments were made in August and February. The favorable variance of \$104.5 million in capital project costs includes \$5.8 million, mainly related to the delay in expenditures for the YBI Southgate Road Realignment Improvement and 101/280 Carpool and Express Lane projects. The remaining \$97.6 million variances in capital project costs is mainly due to costs from project sponsors that have not yet been received. We anticipate a higher amount of reimbursement requests and expenditures in next quarter.

Investment Compliance. As of March 31, 2020, approximately 72.9 percent of our investable assets, excluding the \$35.2 million of bond proceeds held by US Bank, per the terms of the debt indenture, were invested in the Treasury Pool. These investments are in compliance with both the California Government Code and the adopted Investment Policy and provide sufficient liquidity to meet expenditure requirements for the next nine months. Attachment 3 is the most recent investment report furnished by the Office of the Treasurer.

Debt Expenditure Compliance. In June 2018, Transportation Authority entered into a 3-year Revolving Credit (loan) Agreement with State Street Public Lending Corporation and US Bank for a total amount of \$140 million. As of March 31, 2020, the Transportation Authority does not have any outstanding balance in the loan.

As of March 31, 2020, the cumulative total of Prop K capital expenditures paid with bond proceeds is \$172.6 million. The available balance of remaining bond proceeds to be spent is



\$31.4 million. Total earned interest to date from bond proceeds amounts to \$4.1 million. More details on these expenditures are included in Attachment 4.

COVID-19 Financial Impact. We are monitoring revenue streams and coordinating closely with the City and sister agencies to assess short, medium, and long-term financial impacts. While we expect our sales tax and other revenues to be significantly affected going forward, our strong financial position ensures that we can continue to support sponsors' cash needs for a multitude of public works and transit projects across the city. We plan to bring a final amendment to the FY 2019/20 budget in June, to reflect COVID-19 related impacts, along with the results of our review of our work program and funding program priorities.

FINANCIAL IMPACT

None. This is an information item.

CAC POSITION

None. This is an information item.

SUPPLEMENTAL MATERIALS

- Attachment 1 - Balance Sheet (unaudited)
- Attachment 2 - Statement of Revenue, Expenditures, and Changes in Fund Balance with Budget Comparison (unaudited)
- Attachment 3 - Investment Report
- Attachment 4 - Debt Expenditure Report



**San Francisco
County Transportation
Authority**

Attachment 1
Governmental Funds
Balance Sheet (unaudited)
March 31, 2020

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency	Traffic Congestion Mitigation Tax Program	Total Governmental Funds
ASSETS							
Cash in bank	\$ 50,711,009	\$ -	\$ 1,908,135	\$ 19,608,517	\$ -	\$ -	\$ 72,227,661
Deposits and investment with the City Treasurer	99,868,820	-	-	-	-	-	99,868,820
Sales tax receivable	6,878,722	-	-	-	-	-	6,878,722
Vehicle registration fee receivable	-	-	-	731,951	-	-	731,951
Interest receivable from the City & County of San Francisco	1,511,656	-	-	-	-	-	1,511,656
Program receivables	15,667	7,894,814	-	-	45,840	1,815,920	9,772,241
Receivable from the City & County of San Francisco	-	1,257,244	-	-	1,043,352	-	2,300,596
Other receivables	41,583	-	-	-	-	-	41,583
Due from other funds	7,743,990	-	-	-	-	-	7,743,990
Prepaid costs and deposits	81,580	-	-	-	-	-	81,580
Total Assets	\$ 166,853,027	\$ 9,152,058	\$ 1,908,135	\$ 20,340,468	\$ 1,089,192	\$ 1,815,920	\$ 201,158,800
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 6,410,997	\$ 2,139,026	\$ 120,099	\$ 1,643,701	\$ 260,491	\$ -	\$ 10,574,314
Accounts payable to the City & County of San Francisco	19,683,805	-	19,387	1,919,943	-	-	21,623,135
Accrued salaries and taxes	269,817	-	-	-	-	-	269,817
Sales Tax Revenue Bond (Series 2017)	254,781,559	-	-	-	-	-	254,781,559
Due to other funds	-	6,557,945	442,922	315,944	397,591	29,588	7,743,990
Total Liabilities	\$ 281,146,178	\$ 8,696,971	\$ 582,408	\$ 3,879,588	\$ 658,082	\$ 29,588	\$ 294,992,815
Deferred Inflows of Resources							
Unavailable revenues	\$ -	\$ 455,087	\$ -	\$ -	\$ 431,110	\$ -	\$ 886,197
Total deferred inflows of resources	\$ -	\$ 455,087	\$ -	\$ -	\$ 431,110	\$ -	\$ 886,197
Fund Balances							
Nonspendable	\$ 81,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,580
Restricted	-	-	1,325,727	16,460,880	-	1,786,332	19,572,939
Unassigned	(114,374,732)	-	-	-	-	-	(114,374,732)
Total Fund Balances (Deficit)	\$ (114,293,152)	\$ -	\$ 1,325,727	\$ 16,460,880	\$ -	\$ 1,786,332	\$ (94,720,213)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 166,853,026	\$ 9,152,058	\$ 1,908,135	\$ 20,340,468	\$ 1,089,192	\$ 1,815,920	\$ 201,158,799



**San Francisco
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Attachment 2

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances with Budget Comparison (unaudited)
For the Nine Month Ending March 31, 2020

	Sales Tax Program	Congestion Management Agency Programs	Transportation Fund for Clean Air Program	Vehicle Registration Fee for Transportation Improvements Program	Treasure Island Mobility Management Agency	Traffic Congestion Mitigation Tax Program	Total Governmental Funds	Amended Budget Fiscal Year 2019/20	Variance With Amended Budget Positive (Negative)
REVENUES									
Sales tax	\$ 74,846,593	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,846,593	\$ 83,146,272	\$ (8,299,679)
Vehicle registration fee	-	-	-	3,571,714	-	-	3,571,714	3,697,500	(125,786)
Traffic congestion mitigation tax	-	-	-	-	-	1,815,920	1,815,920	3,834,255 **	(2,018,335)
Investment Income	1,942,160	-	1,717	145,440	-	-	2,089,317	2,509,683	(420,366)
Program revenues	15,667	13,522,234	383,226	-	1,489,030	-	15,410,157	17,799,300	(2,389,143)
Other revenues	32,951	-	-	-	-	-	32,951	34,485	(1,534)
Total Revenues	\$ 76,837,371	\$ 13,522,234	\$ 384,943	\$ 3,717,154	\$ 1,489,030	\$ 1,815,920	\$ 97,766,652	\$ 111,021,492	\$ (13,254,840)
EXPENDITURES									
Current - transportation improvement									
Personnel expenditures	\$ 1,570,091	\$ 2,995,538	\$ 29,292	\$ 233,086	\$ 291,961	\$ 29,588	\$ 5,149,556	\$ 6,088,443	\$ 938,887
Non-personnel expenditures	1,697,561	64,425	-	65	4,801	-	1,766,852	2,245,290	478,438
Capital project costs	12,331,267	9,173,817	120,099	1,643,701	471,800	-	23,740,684	128,237,553	104,496,869
Debt service									
Principal	12,920,000	-	-	-	-	-	12,920,000	9,690,000	(3,230,000)
Interest and fiscal charges	8,758,245	-	-	-	-	-	8,758,245	6,655,689	(2,102,556)
Total Expenditures	\$ 37,277,164	\$ 12,233,780	\$ 149,391	\$ 1,876,852	\$ 768,562	\$ 29,588	\$ 52,335,337	\$ 152,916,972	\$ 100,581,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 39,560,207	\$ 1,288,454	\$ 235,552	\$ 1,840,302	\$ 720,468	\$ 1,786,332	\$ 45,431,315	\$ (41,895,480)	\$ 87,326,795
OTHER FINANCING SOURCES (USES)									
Transfer In	\$ 2,008,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,008,922	\$ 2,824,932	\$ (816,010)
Transfer Out	-	(1,288,454)	-	-	(720,468)	-	(2,008,922)	(2,824,932)	816,010
Draw on Revolving Credit Agreement	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 2,008,922	\$ (1,288,454)	\$ -	\$ -	\$ (720,468)	\$ -	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCES	\$ 41,569,129	\$ -	\$ 235,552	\$ 1,840,302	\$ -	\$ 1,786,332	\$ 45,431,315	\$ (41,895,480)	\$ 87,326,795
Fund Balances - Beginning	\$ 98,919,278	\$ -	\$ 1,090,175	\$ 14,620,578	\$ -	\$ -	\$ 114,630,031		
Sales Tax Revenue Bond (Series 2017)	(254,781,559)	-	-	-	-	-	(254,781,559)		
Fund Balances (Deficit) - End	\$ (114,293,152)	\$ -	\$ 1,325,727	\$ 16,460,880	\$ -	\$ 1,786,332	\$ (94,720,213)		

** - The Traffic Congestion Mitigation Tax Program is being reported for the first-time since collections began on January 1, 2020. The number in the approved amended budget column is adjusted to reflect 50% of the annual budget.

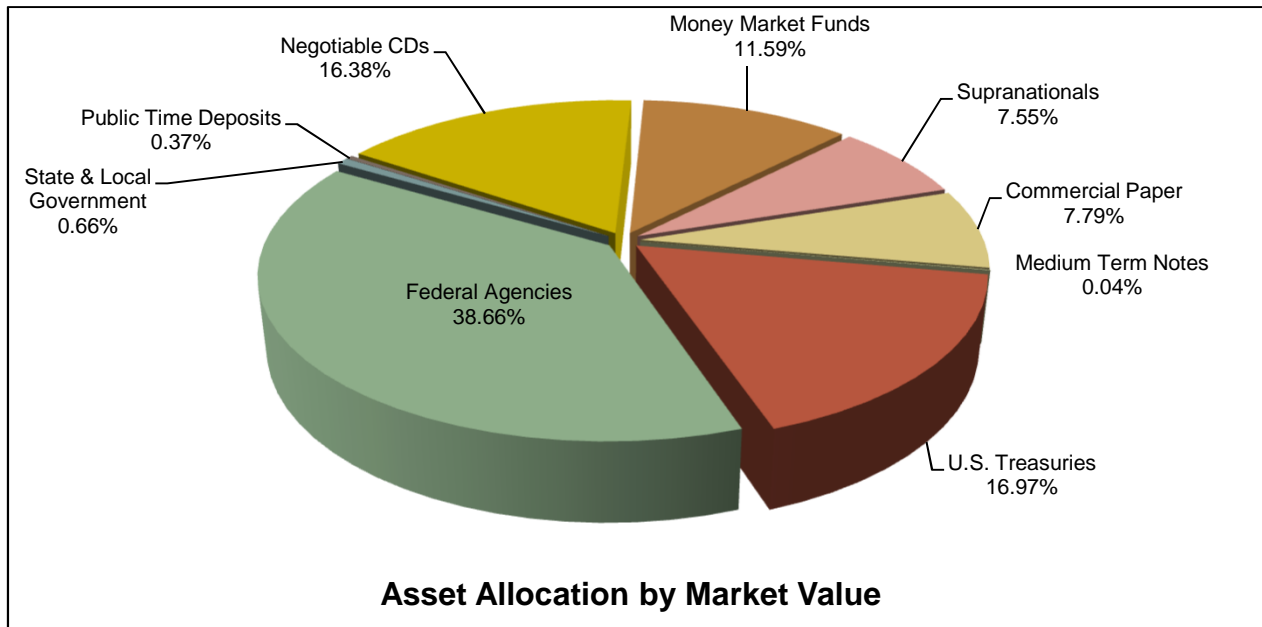
City and County of San Francisco

Pooled Fund Portfolio Statistics

For the month ended March 31, 2020

Average Daily Balance	\$12,136,801,704
Net Earnings	\$18,405,705
Earned Income Yield	1.79%
Weighted Average Maturity	410 days

Investment Type	(\$ million)	Par Value	Book Value	Market Value
U.S. Treasuries		\$ 2,060.0	\$ 2,063.1	\$ 2,081.1
Federal Agencies		4,701.3	4,700.0	4,741.5
State & Local Government				
Agency Obligations		80.7	80.3	81.4
Public Time Deposits		45.0	45.0	45.0
Negotiable CDs		2,004.3	2,004.4	2,008.6
Commercial Paper		960.0	950.3	955.0
Medium Term Notes		5.0	5.0	5.1
Money Market Funds		1,421.6	1,421.6	1,421.6
Supranationals		922.1	918.0	925.8
Total		\$ 12,200.0	\$ 12,187.6	\$ 12,264.9





**San Francisco
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**Attachment 4
Sales Tax Revenue Bond
Debt Expenditure Report
As of March 31, 2020**

Bond Proceed Uses	Bond Proceeds	Spent Bond Proceeds	Remaining Balance
Capital Project Fund	\$204,003,258	\$172,646,525	\$31,356,733
Revolver Refinancing	46,000,981	46,000,981	-
Total	\$250,004,239	\$218,647,506	\$31,356,733

Interest Earned	\$4,138,099
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Sponsor	Bond-Eligible Reimbursement Requests Paid	Previous	Current	Cumulative Total
SFMTA	Motor Coach Procurement*	\$ 32,775,223	\$ 7,749,262	\$ 40,524,485
SFMTA	Radio Communications System & CAD Replacement*	35,756,776	-	35,756,776
SFMTA	Trolley Coach Procurement*	35,523,496	-	35,523,496
SFMTA	Central Subway	-	13,752,000	13,752,000
TJPA	Transbay Transit Center	8,336,512	267,305	8,603,817
SFMTA	Guideway Improvements (e.g. MME, Green Light Rail Facility, OCS)	7,449,493	-	7,449,493
SFMTA	Signals - New and Upgraded	4,885,353	17,358	4,902,711
SFMTA	Van Ness Bus Rapid Transit	4,895,930	-	4,895,930
SFMTA	Central Control and Communications (C3) Program*	4,146,932	-	4,146,932
PCJPB	Caltrain Early Investment Program - Electrification	2,898,251	-	2,898,251
SFMTA	Light Rail Vehicle Procurement*	2,829,105	-	2,829,105
SFMTA	Escalators	2,707,284	-	2,707,284
PCJPB	Caltrain Early Investment Program - CBOSS	1,846,023	325,706	2,171,729
SFMTA	1570 Burke Avenue Maintenance Facility	1,983,241	-	1,983,241
SFMTA	Muni Forward	1,435,632	-	1,435,632
SFMTA	Geary Bus Rapid Transit	1,172,609	-	1,172,609
SFMTA	Fall Protection Systems	597,849	-	597,849
SFMTA	Balboa Park Station Area and Plaza Improvements	580,809	-	580,809
SFMTA	Downtown Ferry Terminal	440,000	-	440,000
SFMTA	Signals - Sfgo	142,581.0	-	142,581
SFMTA	Traffic Calming Implementation (Prior Areawide Plans)	131,795	-	131,795
	Total	\$ 150,534,894	\$ 22,111,631	\$ 172,646,525
	Percentage of Capital Project Fund Spent	73.79%	10.84%	84.63%

* Major Cash Flow Drivers