

June 9, 2005  
(For Board: June 24, 2005)



## **REPORT OF THE FINANCE-AUDITING COMMITTEE**

Honorable Board of Directors  
Golden Gate Bridge, Highway  
and Transportation District

Honorable Members:

A meeting of the Finance-Auditing Committee was held in the Board Room, Administration Building, Toll Plaza, San Francisco, California, on Thursday, June 9, 2005, at 10:00 a.m., Acting Chair Pahre presiding.

**Committee Members Present (6):** Vice Chair Pahre; Directors Cochran, Eddie, Reilly and Shahum; President Middlebrook (Ex Officio)

**Committee Members Absent (3):** Chair Stroeh; Directors Boro and Murray

**Other Directors Present (1):** Director Moylan

**Staff Present:** General Manager Celia G. Kupersmith; District Engineer Denis J. Mulligan; Auditor-Controller Joseph M. Wire; Secretary of the District Janet S. Tarantino; Attorney David J. Miller; Deputy General Manager/Bridge Division Kary H. Witt; Deputy General Manager/Bus Division Susan C. Chiaroni; Deputy General Manager/Ferry Division James P. Swindler; Deputy General Manager/Administration and Development Teri W. Mantony; Director of Risk Management and Safety Bill Stafford; Director of Public Affairs Mary C. Currie; Budget and Program Analysis Manager Jennifer Mennucci; Executive Assistant to the General Manager Amorette Ko; Assistant Clerk of the Board Patsy Whala

**Visitors Present:** Arthur A. Goepp, III, Managing Director and Gregory W. Wessel, Vice President, Marsh Risk & Insurance Services; Lewis Lem, Transportation Policy Manager, California State Automobile Association

### **1. Approve Renewal of the Liability Insurance Program**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith reported on the annual renewal of the District's Liability Insurance Program. The report included recommended options for the following elements of the Liability Insurance Program:

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- a. Excess General and Automobile Liability Insurance Program;
- b. Excess Workers' Compensation and Employers' Liability Insurance Program;
- c. General Liability Insurance Program for the Northwestern Pacific Railroad Right-of-Way (from Tamalpais Drive, Corte Madera to Novato Creek, Novato);
- d. Public Officials' Liability Insurance Program; and,
- e. Public Employees' Faithful Performance Bond and Comprehensive Dishonesty, Destruction and Disappearance Bond.

The report contained detailed discussions of the renewal recommendations, alternative options, overall insurance market condition and specifics on the premium cost and information on coverage limits provided by the District's Insurance Advisor, Marsh Risk and Insurance Services (Marsh). Attached to the report was the Liability Insurance Renewal proposal provided by Marsh.

At the meeting, Joseph Wire introduced representatives of Marsh, Arthur Goepf and Gregory Wessel. Mr. Wire summarized the staff report, noting that the premium of \$266,304 for the 2005 renewal of the liability insurance reflected a decrease of 13% from last year's premium. He stated that the reasons for the decrease are due to a softening insurance market and more worldwide competition.

Discussion ensued, including the following:

- Director Cochran inquired regarding the reason for a 1% increase for Public Official Liability and Crime/Fidelity Bond. In response, Mr. Wessel stated that the increase is due to a very limited marketplace, with only 4 or 5 carriers that are willing to write this coverage. Mr. Wessel further stated that the selected carrier, AIG, provided the most competitive and most reasonable rate for the District.
- Director Eddie inquired as to whether the savings in premiums is due to a lower assessment of risk or due to a change in the marketplace. In response, Mr. Wire stated that the decrease is not attributable to a change in risk but rather an economic change in the insurance marketplace. Mr. Goepf added that the insurance companies are more willing to compete for premium dollars and this increased competition then drives down the cost of premiums, benefiting the District with reduced insurance costs.
- Director Shahum inquired as to whether the savings in insurance premiums were reflected in the proposed FY 05/06 Capital and Operating Budget. In response, Mr. Wire stated that the savings are not reflected in the budget because it is anticipated that the savings will offset by the expected increases in premiums for the employee health plan policies.

Staff recommended and the Committee concurred by motion made and seconded by **Directors EDDIE/COCHRAN** to forward the following recommendation to the Board of Directors for its consideration:

**RECOMMENDATION**

The Finance-Auditing Committee recommends that the Board of Directors approve the Liability Insurance Program, as follows:

- a. Renew the Excess General and Automobile Liability Insurance Program, with American International Specialty Lines Insurance Company, Zurich and ARCH/RSUI, for a one-year term, with a liability limit of \$75 million each occurrence/annual aggregate in excess of a self-insured retention of \$5 million each occurrence, for a total annual premium of \$1,651, 600, effective July 1, 2005;
- b. Renew the Excess Workers' Compensation and Employers' Liability Insurance Program, with American International Group, for a one-year term, in excess of a self-insured retention of \$1 million each accident with a liability limit of \$10 million annual aggregate, for an annual premium of \$282,073, effective July 1, 2005;
- c. Renew the General Liability Insurance Program for the Northwestern Pacific Railroad Right-of-Way (from Tamalpais Drive, Corte Madera, to Novato Creek, Novato) with Steadfast Insurance Company, for a one-year term, with a liability limit of \$1 million each occurrence/annual aggregate and a deductible of \$10,000 per occurrence, for an annual premium of \$19,509, effective July 1, 2005;
- d. Renew the Public Officials' Liability Insurance Program, with American International Group, for a one-year term, with a liability of \$5 million each occurrence/annual aggregate and a self-insured retention of \$100,000 each claim, for an annual premium of \$73,724, excluding terrorism insurance, effective July 1, 2005; and,
- e. Renew the Public Employees' Faithful Performance Bond and Comprehensive Dishonesty, Destruction and Disappearance Bond, with Fidelity and Deposit Company of Maryland, for a one-year term, with a liability limit of \$1 million for employee dishonesty and computer fraud, subject to a \$25,000 deductible and \$5,000 deductible respectively, and a liability limit of \$500,000 for loss of money and securities at the Golden Gate Bridge Toll Plaza, subject to a \$5,000 deductible and \$15,000 limit at all other locations with a deductible of \$5,000, for an annual premium of \$14,885, effective July 1, 2005;

with the understanding that requisite funds are available in the FY 05/06 Operating Budgets for the Bridge, Bus, Ferry and District divisions.

**Action by the Board - Resolution**  
**NON-CONSENT CALANDAR**

**AYES (6):** Acting and Vice Chair Pahre; Directors Cochran, Eddie, Reilly and Shahum; President Middlebrook (Ex Officio)

**NOES (0):** None

**ABSENT (3):** Chair Stroeh; Directors Boro and Murray

**[Note: The above recommendation was forwarded to the Board of Directors meeting of June 10, 2005, for action.]**

**2. Adopt the FY 05/06 Operating and Capital Budget**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided staff's recommendation for approval of the FY 05/06 Operating and Capital Budget (Budget). The proposed Budget continues the multi-year process to change the Budget into a policy document that identifies the strategic direction and priorities of the Board of Directors. The proposed Budget includes the following:

1. Operating Budget revenues of \$141.3 million;
2. Operating Budget expenditures of \$142.3 million;
3. Capital Budget revenues of \$50.8 million;
4. Capital Budget expenditures of \$57.4 million; and,
5. District Reserves are budgeted to fund the FY 05/06 Operating Budget shortfall of \$1 million and the District share of the Capital Budget of \$6.6 million.

The report stated that the proposed Operating Budget reduces the projected deficit for FY 05/06 from approximately \$8 million to \$1 million through service reductions and restructuring, medical benefit reforms, administrative expense reductions, proposed fare increases and contributions from local partners. The report also stated that, of the proposed Capital Budget, 72% of the expenditures fund the Golden Gate Bridge Seismic Retrofit Project activities, 9% fund Ferry rehabilitation projects and 19% fund various other projects. The proposed FY 05/06 Operating and Capital Budget results in the use of \$7.6 million in reserves to cover the projected operating deficit and the District's portion of capital expenses. The report further stated that further reduction of the deficit will be achieved through the strategic planning workshops held in the fall and winter of 2005/2006. The strategic plan process is intended to guide the District to a healthy, sustainable financial condition and ensure replenishment of the necessary reserve accounts.

At the meeting, Joseph Wire briefly summarized the staff report. He noted that the FY 04/05 Operating Budget currently has a \$900,000 deficit and that staff anticipates it will be balanced by fiscal year end date of June 30, 2005. Mr. Wire stated that the Deputy General Managers for the Bus and Ferry Divisions would provide short overviews at this meeting of the Workplans of their respective divisions/departments, including accomplishments made in FY 04/05 and goals for FY 05/06, as outlined in the proposed FY 05/06 Budget.

Susan Chiaroni described in detail the Bus Division workplans, goals and accomplishments as listed in the proposed FY 05/06 Budget on pages 42 to 55. Among the many accomplishments of the Bus Division, Ms. Chiaroni highlighted the following:

1. She stated that the Bus Division has reduced employee overtime hours by 48% in bus services and operations through continual monitoring of the driver and dispatcher workforce.

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2. She stated that the Bus Division recommends cancellation of Golden Gate Transit (GGT) Routes 32 and 34 due to low ridership, which will have a cost savings to the District in the amount of \$350,000.
3. She described the current and upcoming improvements to the Bus Division including the installation of a system on buses to provide cleaner diesel engines, which has reduced emissions in Oxides of Nitrogen by 58% and Particulate Matters by 91%, and the installation of bicycle racks on the 600 series buses.
4. She stated that the Bus Division will be participating in a partnership with Alameda/Contra Costa Transit (AC Transit) in a program to demonstrate zero emission/fuel cell buses to allow comparison to diesel and natural gas buses, focusing on service in hilly areas, freeway express service and on heavy-travel lines with over 20,000 passengers per day.

Discussion ensued, including the following:

- President Middlebrook inquired as to whether GGT Routes 32 and 34 can be eliminated sooner than scheduled to provide more cost savings to the District. In response, Ms. Kupersmith stated that those underperforming bus routes could not be eliminated any sooner, since the elimination of bus routes requires a lengthy public hearing and public outreach process.
- Director Shahum made the following comments and inquires:
  - She commended staff on fiscal year accomplishments and inquired as to the reason GGT Routes 32 and 34 were not included in the service reductions that were approved by the Board in September 2003. In response, Ms. Chiaroni stated that although GGT Routes 32 and 34 were significantly modified in September 2003, they are still not performing well.
  - She inquired as to how the Bus Division was reducing employee accidents. In response, Ms. Chiaroni stated that staff reviews all cases on a daily basis to determine preventative measures and also requires that all Bus Operators attend a mandatory training class each year.
- Director Cochran made the following inquires and comments:
  - He inquired as to what mode of transportation will be available to passengers as a result of the elimination of GGT Routes 32 and 34. In response, Ms. Chiaroni stated that GGT Routes 32 and 34 serve Marin County local service and that the District is working with Marin County Transit District to resolve the needs of these passengers.
  - He inquired as to the design of the bicycle racks to be installed on the GGT 600 series buses. In response, Ms. Chiaroni stated that the rack will be located in the interior lower side compartment of the bus.

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- He inquired as to the program regarding the use of vegetable oil or alternative fuel for buses. In response, Ms. Chiaroni stated that those are not the chosen fuel paths for the District. Ms. Kupersmith added that although the District has a legal responsibility to pursue a means to control emissions, the Particulate Matters and Oxides of Nitrogen Reduction Systems installed on GGT buses have significantly reduced emissions.
- Ms. Kupersmith commented that compared to bus facilities for other transit agencies across the country, the District's bus facilities stand out as being remarkably clean and well-kept.

James Swindler described in detail the Ferry Division workplans, goals and accomplishments as listed in the proposed FY 05/06 Budget on pages 57 to 65. Among the many accomplishments of the Ferry Division, Mr. Swindler highlighted the following:

1. He reported that the number of new Workers' Compensation claims in the Ferry Division has declined and that the trend should continue because many safety issues have been addressed. He noted that the development of the Operations/Safety/Training Manual will also contribute to a more safe work environment.
2. He stated that development of minimum standards for personnel will improve the quality of service that is provided to the public onboard the vessels and at the terminals. He also explained the goal of better utilizing operating personnel, under the direction of the vessel Captain, to accomplish routine maintenance during the normal operating day. This approach will minimize the requirement for additional staffing to maintain the vessels.
3. He stated that in July 2004, the Ferry Division reduced costs with the elimination of 15 positions and with the schedule change of the Larkspur weekday commute service. The improved Larkspur weekday commute service has been successful and customers have adjusted to the revised schedule. The District solved the problem of overcrowding on one particular morning commute departure after the U.S. Coast Guard approved the District's request to expand the allowable passenger capacity on the M.V. Del Norte. While passengers' numbers continue to be up at Ferry, one goal is to focus on weekend and special event ridership for increase revenue.

Discussion ensued, including the following:

- President Middlebrook commended staff on accomplishments and inquired as to availability of parking at the Larkspur terminal. In response, Mr. Swindler stated that overflow parking is available for ferry passengers at the Marin Airpoter parking lot.

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- Director Shahum made the following comments and inquires:
  - She stated that the issues regarding parking fees at the Larkspur terminal are inter-related to the costs for parking lot maintenance and that the ferry passengers bear these maintenance costs in increased ferry fares.
  - She inquired as to whether the ferry can depart at an earlier time for those who wish to attend the San Francisco farmer's market. In response, Mr. Swindler stated that the ferry boat departs earlier and has seen a higher number of passengers, but to schedule an earlier departure would require ending service at an earlier time in the evening, which would reduce service in the evening or require Board approval to add an additional work shift.
- Director Pahre commended staff on the impressive presentation of accomplishments, workplans and goals, noting that the ferry has undergone significant changes in personnel. She further complimented management for providing updated reference and training manuals.
- Director Eddie inquired as to whether parking capacity could be improved by providing incentives to ride ferry feeder bus service to the ferry terminal. In response, Ms. Kupersmith stated that GGT Route 29 is the only such ferry feeder service and that ridership on that route would not be significant enough to reduce parking congestion.
- Directors Eddie and Moylan inquired regarding efforts to enforce parking at the Larkspur Ferry Terminal such as installing a gate at the entrance to the parking lot to collect ferry fares or providing a parking sticker for the vehicle window. In response, Ms. Kupersmith stated that such efforts would require a significant capital investment by the District.

Staff recommended and the Committee concurred by motion made and seconded by **Directors EDDIE/MIDDLEBROOK** to forward the following recommendation to the Board of Directors for its consideration:

**RECOMMENDATION**

The Finance-Auditing Committee recommends that the Board of Directors adopt the FY 05/06 Operating and Capital Budget, including the following actions:

- a. Approve the District workplans, goals and objectives, as contained in the Budget document;
- b. Approve the following actions relative to salary increases:
  1. Approve a 3% salary increase, as negotiated by the Coalition for represented and non-represented employees, effective July 1, 2005; and,
  2. Approve a 2% salary increase, as negotiated by the Amalgamated Transit Union, Local No. 1575, for its represented employees, effective March 1, 2006; and,

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c. Approve changes to the Reserve Structure;  
with the understanding that staff will provide a detailed recommendation to the Board of Directors at its meeting of June 10, 2005, on the matter of, *d. Approve changes to the Table of Organization*, for its consideration and action.

**Action by the Board – Resolution**  
**NON-CONSENT CALENDAR**

**AYES (6):** Acting and Vice Chair Pahre; Directors Cochran, Eddie, Reilly and Shahum; President Middlebrook (Ex Officio)

**NOES (0):** None

**ABSENT (3):** Chair Stroeh; Directors Boro and Murray

**[Note: The above recommendation was forwarded to the Board of Directors meeting of June 10, 2005, for action.]**

**3. Public Comment**

Lewis Lem, Transportation Policy Manager for the California State Automobile Association (CSAA), expressed his support for the bus transit and offered to partner with the District to provide public information.

**4. Adjournment**

All business having been concluded, the meeting was adjourned at 11:15 a.m.

Respectfully submitted,

Barbara L. Pahre, Acting Chair  
Finance-Auditing Committee

BLP:JST:PLW:plw