



September 5, 2008

BOARD OF DIRECTORS MEETING
FRIDAY, SEPTEMBER 12, 2008

5. CONSENT CALENDAR:

A. Approve the Minutes of the Following Meetings:

1. Finance-Auditing Committee of August 21, 2008; and,
2. Regular Meeting of the Board of Directors of August 22, 2008.

Motion

B. Attorney's Report
Denial of Claims

1. Insufficient Subrogation Claim of Mercury Insurance Company
(Insured: Alan Rappoport) **Motion**
2. Subrogation Claim of State Farm Insurance Company
(Insured: Jon Patterson) **Motion**
3. Claim of Karen Strolia **Motion**
4. Claim of Andrew Klein **Motion**
5. Claim of Danny Olivera **Motion**
6. Claim of Michael Wahl **Motion**
7. Subrogation Claim of Allstate Insurance Company
(Insured: Dana Sutherlin) **Motion**
8. Subrogation Claim of AIG (Insured: Mario Castillo) **Motion**
9. Claim of Jerry Mitchell **Motion**
10. Claim of Ibrahim Shiheiber **Motion**

C. Meeting of the Finance-Auditing Committee/Committee of the Whole
August 21, 2008
Chair J. Dietrich Stroeh

1. Ratification of Actions by the Auditor-Controller
 - a. Ratify Commitments and/or Disbursements
 - b. Ratify Previous Investments
 - c. Authorize Investments
 - d. Investment Report, July 2008

Resolution

Attachments



August 21, 2008

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 Friday, August 21, 2008, at 10:00 a.m., Chair Stroeh presiding.

Committee Members Present (9): Chair Stroeh; Vice Chair Pahre; Directors Boro, Cochran, Eddie, Grosboll, Newhouse Segal and Reilly; President Moylan (Ex Officio). Chair Stroeh appointed Director Newhouse Segal Committee Member Pro Tem for this meeting only.

Committee Members Absent (0): None

Other Directors Present (0): None

Staff Present: General Manager Celia G. Kupersmith; 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/Ferry Division James P. Swindler; Executive Assistant to the General Manager Amorette Ko; Assistant Clerk of the Board Karen B. Engbretson

Visitors Present: Nancy Jones, PFM Asset Management, LLC

1. Ratify Actions by the Auditor-Controller

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith outlined commitments, disbursements and investments made on behalf of the District. The report also included a copy of the District's Investment Report from PFM Asset Management LLC (PFM). A copy of the staff report, with attachments, is available in the Office of the District Secretary and on the District's web site.

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At the meeting, Nancy Jones described the latest economic news and current interest rates for the District's portfolio. Ms. Jones stated that the state of the economy has not changed since June 2008. She stated that housing, employment, consumer confidence and the financial sector remain weak and appear to be worsening, and that inflation is uncomfortably high and also appears to be worsening. She noted that the Federal Reserve Bank is in a quandary about whether to stimulate the economy by lowering interest rates, or to put a ceiling on inflation by raising interest rates. Ms. Jones also stated that the Economic Stimulus Package temporarily increased consumer spending, but has since fallen as consumer confidence reached its lowest point in 16 years.

Ms. Jones stated that in the midst of the current market volatility, the Fixed Income Market has stayed strong, in contrast to the Stock Market. The yields for Two-Year U.S. Treasury Notes have remained steady from June to August 2008, keeping within a range from 2.5% to 3.0%. She explained that the recent media reports regarding the financial troubles of the "Government-Sponsored Enterprises" – the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), do not affect the District's portfolio, which is invested in the safest, most risk-free investments. She further explained the difference between Fannie Mae and Freddie Mac stocks, which have suffered falling prices, and the bonds issued by these federal agencies, which have remained steady and secure. She noted that the Portfolio Manager will continue to invest in Fannie Mae and Freddie Mac bonds, which are considered to be very good investments. At the present time, only a small portion of the District's portfolio is invested in these federal agencies, with 12% of the portfolio invested in Fannie Mae bonds, and 4% invested in Freddie Mac bonds. She further noted that despite the turmoil in the economy, the District's portfolio is earning an average of 4.25%, which is excellent, given the fact that the Federal Funds Rate is currently only 2%.

Discussion ensued, including the following:

- Chair Stroeh commented that the District's Portfolio is in relatively good shape because of strategic long-term investments that were made before the current credit crisis. In response, Ms. Jones confirmed that the returns on investments in the District's Portfolio will always be more stable than other portfolios, because the bond market is much less volatile than the stock market.
- Director Boro requested general information about Fannie Mae and Freddie Mac. In response, Ms. Jones explained that both Fannie Mae and Freddie Mac are Government-Sponsored Enterprises, stockholder-owned corporations authorized to make loans and loan guarantees. Fannie Mae was founded as a government agency in 1938 to provide liquidity to the mortgage market, and in 1968 it was converted into a private corporation in order to remove the activity of Fannie Mae from the federal budget. Freddie Mac was chartered by the U.S. Congress in 1968 to provide competition for Fannie Mae in the secondary mortgage market. Ms. Jones stated that she would provide a comprehensive written report on these two federal agencies in her next report to the Finance-Auditing Committee.

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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 authorize the following actions by the Auditor-Controller:

- a. Ratify commitments and/or expenditures for the period July 1, 2008, through July 31, 2008, totaling \$100,540.00;
- b. Ratify investments made by the Auditor-Controller during the period July 15, 2008, through August 11, 2008, as follows;

Security	Purchase Date	Maturity Date	Original Cost	Percent Yield
Svenska Handelsbanken Commercial Paper	07/15/08	09/18/08	6,255,495.42	2.61
FNMA Disc Note	07/17/08	08/21/08	3,018,118.13	2.35
FHLB Disc Note	07/21/08	08/21/08	5,474,992.95	2.33
Banque National De Paris Certificate of Deposit	07/30/08	11/03/08	5,000,000.00	2.73
Royal Bank of Scotland (NY) Certificate of Deposit	07/30/08	10/15/08	4,640,065.62	2.74
FFCB Notes (callable)	08/01/08	07/15/13	4,995,000.00	4.77
Citigroup Funding, Inc., Commercial Paper	08/04/08	11/04/08	1,459,481.33	2.82
UBS Finance Delaware Commercial Paper	08/04/08	11/04/08	6,950,000.55	2.82
Societe Generale NA Commercial Paper	08/08/08	11/03/08	7,021,040.25	2.79

- c. Authorize the Auditor-Controller to re-invest, within the established policy of the Board, investments maturing between August 12, 2008, and September 8, 2008, as well as the investment of all other funds not required to cover expenditures that may become available; and,
- d. Accept the Investment Report for July 2008 prepared by PFM.

Action by the Board at its meeting of September 12, 2008 – Resolution
CONSENT CALENDAR

AYES (9): Chair Stroeh; Vice Chair Pahre; Directors Boro, Cochran, Eddie, Grosboll, Newhouse Segal and Reilly; President Moylan (Ex Officio)
NOES (0): None
ABSENT (0): None

2. **Authorize Miscellaneous Budget Transfers in the FY 07/08 Operating Budget and Authorize Miscellaneous Budget Adjustments in the FY 08/09 Operating Budget**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith reported on staff's recommendation to authorize miscellaneous budget transfers in the FY 07/08 Operating Budget to complete necessary line item budget transfers for last fiscal year's budget, and to authorize miscellaneous budget adjustments in the FY 08/09 Operating Budget to add two line items inadvertently omitted from the current fiscal year's adopted budget.

The report described why the miscellaneous budget transfers and adjustments are necessary, noting that these transfers and adjustments add no net additional expenses to the FY 07/08 Operating Budget, but simply transfer funds to comply with District policies. The report also stated that the adjustments in the FY 08/09 Operating Budget will result in a net increase in revenues of \$664,700 and a net increase in expenses of \$150,000.

The report also stated that the Ferry Transit Division's budget for Professional Services expenses needs to increase by \$300,000, due to additional consultant expenses associated with Contract No. 2008-FT-2, *San Francisco Ferry Terminal Emergency Berth Repairs*. The District received reimbursement to repair the damage at the San Francisco Ferry Terminal, and this action will align the repair expense with the insurance reimbursement. In addition, the Bus and Ferry Transit Divisions' budgets experienced higher than expected labor and workers' compensation costs, necessitating transfers totaling \$700,000 from Legal Expense line items to Salaries and Benefits line items.

The report also noted that a grant-funded joint security exercise in the Ferry Transit Division was not completed in FY 07/08, necessitating an adjustment in the FY 08/09 Operating Budget to account for an increase in Ferry Transit Division revenues and expenses for grant funds in the amount of \$150,000. Also, the FY 08/09 Operating Budget line item, Other Operating Income, needs to be increased by \$514,700 to account for higher than expected revenue from the Agreement for Marin Local Bus Service between the District and the Marin County Transit District.

The report further stated that staff recommends authorizing the above-described budget transfers and adjustments. A copy of the report is available in Office the District Secretary and on the District's web site.

Discussion ensued, including the following:

- Director Reilly inquired regarding the budget adjustment for Other Operating Revenue. In response, Mr. Wire explained that the Agreement for Marin Local Bus Service requires that the Marin County Transit District contribute \$514,700 to the District each fiscal year for capital expenses associated with providing local bus transit service, and that this line item was inadvertently omitted from the FY 08/09 Operating Budget.

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- Director Grosboll inquired as to why there were no budget adjustments necessary for fuel expenses. In response, Mr. Wire stated that staff was able to increase the budget for fuel expenses in the FY 08/09 Operating Budget sufficiently to account for any fluctuations in fuel costs in the current fiscal year, by transferring unused budgeted expenses from other departments. He noted that the District now spends over \$10 million annually in fuel expenses, more than twice as much as seven years ago.

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 authorize the following miscellaneous budget transfers to the FY 07/08 Operating Budget and miscellaneous budget adjustments to the FY 08/09 Operating Budget:

- a. Transfers in the FY 07/08 Operating Budget in the amount of \$300,000 to Ferry Professional Services and in the amount of \$200,000 to Ferry Workers' Compensation, to be funded by \$500,000 from Ferry Insurance;
- b. A transfer in the FY 07/08 Operating Budget in the amount of \$300,000 to Ferry Salaries and Benefits from Bridge Legal Expense;
- c. A transfer in the FY 07/08 Operating Budget in the amount of \$400,000 to Bus Salaries and Benefits from Bus Legal Expense;
- d. Increases in the FY 08/09 Operating Budget in the amount of \$150,000 for Ferry Revenues and in the amount of \$150,000 for Ferry Expense; and,
- e. An increase in the FY 08/09 Operating Budget in the amount of \$514,700 for Other Operating Income.

Action by the Board at its meeting of August 22, 2008 – Resolution
NON-CONSENT CALENDAR

AYES (9): Chair Stroeh; Vice Chair Pahre; Directors Boro, Cochran, Eddie, Grosboll, Newhouse Segal and Reilly; President Moylan (Ex Officio)
NOES (0): None
ABSENT (0): None

3. **Authorize a Budget Transfer from the FY 07/08 Operating Budget to the FY 07/08 Capital Budget; and, Authorize Budget Adjustments in the FY 07/08 Capital Budget for Indirect Cost and Excess District Project Management Costs, and Amend Resolution No. 2008-060**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith reported on staff's recommendation to authorize a budget transfer from the FY 07/08 Operating Budget to the FY 07/08 Capital Budget in the amount of \$214,900, and authorize a budget increase in the FY 07/08 Capital Budget in the amount of \$2,661,500, for Indirect Cost and excess District Project Management costs. The report stated that Resolution No. 2008-060, adopted by the Board of Directors at its June 27, 2008, meeting, must be amended to set budget authority levels to match the level of actual expenses that have already occurred.

The report described the District's Indirect Cost Allocation Plan (ICAP), noting that the recommendations described above are necessary in order to successfully implement the ICAP program. The report stated that the transfer and increase in budget authority will not increase the overall expenses of the District.

The report provided a list of capital projects, totaling \$2,876,400, for which the approved Indirect Cost Rate of 119% has been calculated and recorded. The report noted that the size of the recommended budget authority transfer is limited due to the capability of the financial system to retroactively transfer budget authority, and that all actual expenses have been recorded by the accounting system in the FY 07/08 Capital Budget. A copy of the report is available in Office the District Secretary and on the District's web site.

At the meeting, Mr. Wire summarized the staff report, noting that the proposed action will allow staff to make logistical changes in the District's budget to accommodate the new ICAP bookkeeping processes, since the budget is not flexible enough to transfer small dollar amounts between the operating and the capital budgets. He stated that with this change, staff will keep the amount of the Operating Budget unchanged, and increase the Capital Budget as needed in order to implement the ICAP program. He noted that staff has set the appropriate authority levels for ICAP transfers in the FY 08/09 Budget, so that the recommended budget transfers and adjustments will be a one-time-only action.

Discussion ensued, including the following:

- Director Eddie commented that implementing the ICAP program is important for the District, because it clearly shows that toll revenue is being spent on vital capital projects.

Staff recommended and the Committee concurred by motion made and seconded by **Directors BORO/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 authorize a budget transfer from the FY 07/08 Operating Budget to the FY 07/08 Capital Budget for budget authority in the amount of \$214,900, and authorize a budget increase in the FY 07/08 Capital Budget in the amount of \$2,661,500, for recognition of indirect costs under the Indirect Cost Allocation Program; and, amend Resolution No. 2008-060 accordingly.

Action by the Board at its meeting of August 22, 2008 – Resolution
NON-CONSENT CALENDAR

AYES (9): Chair Stroeh; Vice Chair Pahre; Directors Boro, Cochran, Eddie, Grosboll, Newhouse Segal and Reilly; President Moylan (Ex Officio)
NOES (0): None
ABSENT (0): None

4. Discussion Regarding Updates to the Five- and Ten-Year Financial Projection

In a memorandum to Committee, Auditor-Controller Joseph Wire presented a report on the District's financial projection for the ten-year period from FY 09/10 through FY 18/19. The report included the following sections, as well as a detailed narrative on each of these sections: 1) Introduction; 2) Fiscal Strength of the District; 3) Projection Findings; 4) Assumptions; and, 5) Next Steps; as well as the following Appendices: Appendix A, *Projection*; Appendix B, *Assumptions*; Appendix C, *Ten-Year Capital Plan Projection*; Appendix D, *Capital Contribution Calculation*; and, Appendix E, *Reserve Structure*.

The report contained a five- and ten-year financial projection of operating and capital project revenues and costs to the District. The projection reflects the maintenance of all current policy decisions, including the current operating service levels, the current capital project schedule and the current revenue assumptions over the period of the projection. Future policy decisions to change tolls, fares and/or service levels are not included in this projection. The report noted that a long-term projection allows for early planning and execution of funding strategies for large capital projects, as well as enables the public to understand the challenges the District faces in the years to come.

The report stated that the fiscal strength of the District is best tracked by comparing the level of reserve funds available for operating and capital needs, with the time period necessary for the projected needs of the District to exhaust those resources. Historically, the District has maintained reserve funds for capital projects and operating expense emergencies. The FY 08/09 Operating and Capital Budget is expected to keep the reserves constant throughout the year, but given the projected funding needs for next year's FY 09/10 Operating and Capital Budget, it is anticipated that all available reserves will be allocated in FY10/11. The report noted that additional funding for new capital projects in future years beyond FY10/11 will need to be raised to fund the full ten-year capital plan included with the projection. The report also stated that in keeping with

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District policy, the District will have fully funded reserves to cover all its legal liabilities and commercial paper obligations. A full description of how the reserves will be managed is outlined in Appendices D and E.

The report further stated that the projected ten-year deficit of \$163 million is approximately \$127 million lower than last year's \$290 million estimate. The projected five-year deficit is \$30 million, \$61 million less than last year's \$91 million estimate (the five-year deficit reported in 2007 was adjusted from \$81 million to \$91 million to account for an increase in Other Post-Employment Benefits expenses based on a new actuarial study). The report also outlined the reasons for the five-year remaining deficit, as follows: (1) adding a new fifth year, 2014, accounts for \$24 million of the deficit; (2) the change in Cost-of-Living Allowance used to inflate expenses in the projection, which accounts for \$5 million of the deficit; and, (3) unanticipated changes in expenses, primarily consisting of increases in fuel, salaries and medical expenses, which accounts for \$21 million of the deficit, offset by approximately \$20 million in transfers of expenses to capital projects.

The report also contained a description of operating revenue and expense assumptions that were used to prepare the financial projections, which are listed in detail in Appendix B.

The report also described the capital program assumptions. The FY 09/10 through FY 18/19 Ten-Year Capital Projection, provided in Appendix C of the staff report, which identified \$1.3 billion in capital needs over the next ten years, requiring a District contribution of \$316 million. This plan has been structured to systematically maintain and sustain existing Bridge, Bus and Ferry capital investments within existing staff resources. Grants are generally assumed to fund 80% of capital projects, including capital Bridge paint and rehabilitation projects, consistent with prior experience. The 80% grant funding assumption will be reviewed each year to reflect current experience. All projects have been reviewed and rated essential for the continued operation of the District, and the timing of each project balances the operational need for the project with the availability of staff resources to complete the project in a timely fashion. Project costs are inflated by 2.7% in the out-years based on the inflation factor used by the California Transportation Commission for the State Transportation Improvement Program. The report also included alternative capital revenue assumption scenarios, showing how the projected five-year deficit would increase with a 50% grant funded assumption and with a 30% grant funded assumption.

The report further stated that the District will continue the process of addressing the projected deficit through its Strategic Planning process, which will include education on the potential paths to balance the District's long-term financial plan, as well as the merits of the various options, with the goal to produce a revised *Strategic Plan for Achieving Long-Term Financial Stability* for consideration by the Board. Staff plans to implement the plan in the years ahead, including incorporating it into the current FY 08/09 Operating and Capital Budget, where appropriate. A copy of the report is available in the Office of the District Secretary and on the District's web site.

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At the meeting, a lengthy discussion ensued regarding the status of the District's reserves. At the request of several Directors, Joseph Wire stated that staff would prepare a comprehensive report on the District's reserve structure for the Board of Directors at a future meeting, which report would include several possible scenarios for funding the remaining phase of the Seismic Retrofit project.

Discussion ensued, including the following:

- Director Boro made the following comments and inquiries:
 - He inquired as to whether the recently adopted \$1 toll increase would provide additional funds to begin to pay off the District's Commercial Paper debt. In response, Mr. Wire explained that by District policy set by the Board of Directors in 2001, the District will begin to make payments on the principal portion of Commercial Paper debt after completion of the Golden Gate Bridge Seismic Retrofit project. Celia Kupersmith added that since construction on the final phases of the Seismic Retrofit project, Phase IIIA and IIIB, has not yet begun, it could be another six years before the repayment plan starts.
 - He inquired as to whether there will be any money left in the reserves after completion of the Seismic Retrofit project to complete any future discretionary capital projects. In response, Mr. Wire stated that at the current projected cost of the project, there would be approximately \$35 million left in reserves. He also stated that the Board can increase the amount of the annual capital contribution from the operating budget in order to build additional reserves for future capital projects.
 - He commented that the District has a structural deficit in its budget, and that it will be incumbent upon the District to seek out additional federal grant funds to fully fund important capital projects, such as the Seismic Retrofit project and the Main Cable Restoration project.
 - He commented that the District needs to fully consider the ramifications of potential District contributions to the Doyle Drive project, given the fact that the District reserves will be fully encumbered by FY 10/11.
- Director Reilly inquired as to why the five-year projection shows a \$30 million deficit. In response, Mr. Wire explained that the deficit grows each time a new year is added to the projection. He further stated that to put it into perspective, in the first year of the projection, FY 09/10, the deficit will be zero, and that the \$30 million five-year deficit is the smallest it has been in years.
- Director Grosboll inquired regarding the \$61 million Commercial Paper debt. In response, Mr. Wire explained that the \$61 million is shown on the District's balance sheet as a debt liability. He noted that because there are no plans to begin paying off the debt immediately, the debt liability is not offset dollar-for-dollar out of the reserves. He added that Standard and Poor recently renewed the District's rating of AA-, the highest rating given to a single-entity agency such as the District.

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- Director Pahre inquired as to whether staff has ever considered paring down all capital projects by 10% as a method of reducing the District's capital project funding needs. In response, Ms. Kupersmith stated that in the past three years, construction costs have skyrocketed, which in turn increases the costs of important District capital projects. She noted that in the past several years, the District has been able to complete only 35% of the projects in the Ten-Year Capital Plan, and that staff is diligently working to improve the process of realistically planning capital projects.
- Director Newhouse Segal requested a report comparing the amount of reserves of other public agencies comparable to the District, and Mr. Wire stated that staff would produce such a report for the Board of Directors.
- Director Eddie commented that the District is in the midst of the biggest building boom in its history, with vital projects such as the Seismic Retrofit project and the upcoming Main Cable Restoration project. He noted that due to the age of the 70-year-old Golden Gate Bridge structure and the age of the rest of the District's facilities, most of the capital projects are rehabilitation or repair projects rather than new construction.

Action by the Board – None Required

5. Review of Golden Gate Bridge Traffic/Tolls and Bus and Ferry Transit Patronage/Fares for One Month Ending July 31, 2008

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a schedule comparing categories of Bridge traffic, as well as a monthly review of Bridge traffic and tolls and transit patronage and fares, for one month ending July 31, 2008. A copy of the report is available in the Office of the District Secretary and on the District's web site.

Action by the Board – None Required

6. Review of Financial Statements for Twelve Months Ending June 30, 2008

a. Statement of Capital Programs and Expenditures

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a financial statement entitled, *Statement of Capital Programs and Expenditures for Twelve Months Ending June 30, 2008*. A copy of the report is available in the Office of the District Secretary and on the District's web site.

Action by the Board – None Required

7. **Review of Financial Statements for One Month Ending July 31, 2008**

a. **Statement of Revenue and Expenses**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a financial statement entitled, *Statement of Revenues and Expenses for One Month Ending July 31, 2008*. A copy of the report is available in the Office of the District Secretary and on the District's web site.

Action by the Board – None Required

b. **Statement of Capital Programs and Expenditures**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a financial statement entitled, *Statement of Capital Programs and Expenditures for One Month Ending July 31, 2008*. A copy of the report is available in the Office of the District Secretary and on the District's web site.

Action by the Board – None Required

8. **Review of Auditor-Controller's Quarterly Report on Authorized Budget Adjustments and Budget Transfers**

In a memorandum to Committee, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a report summarizing budget adjustments and budget transfers authorized by the Board of Directors during the three-month period from April 1, 2008, through June 30, 2008. A copy of the report, including attached charts outlining applicable budget adjustments and transfers, is available in the Office of the District Secretary.

Action by the Board – None Required

9. **Public Comment**

There was no public comment.

10. **Adjournment**

All business having been concluded, the meeting was adjourned at 11:05 a.m.

Respectfully submitted,

J. Dietrich Stroeh, Chair
Finance-Auditing Committee



16-2008

GOLDEN GATE BRIDGE, HIGHWAY AND TRANSPORTATION DISTRICT

MEMORANDUM OF MINUTES

BOARD OF DIRECTORS MEETING

AUGUST 22, 2008

The Board of Directors of the Golden Gate Bridge, Highway and Transportation District (District) met in regular session in the Board Room, Administration Building, Toll Plaza, San Francisco, California, on Friday, August 22, 2008, at 10:00 a.m., President Moylan presiding.

ADMINISTER OATH OF OFFICE TO BRIAN SOBEL

Secretary of the District Janet S. Tarantino administered the Oath of Office to Brian Sobel, appointed to the Board of Directors of the Golden Gate Bridge, Highway and Transportation District by the Board of Supervisors of the County of Sonoma at its meeting of Tuesday, August 19, 2008, to serve as an at-large member, replacing retired Director Maureen Middlebrook. Director Sobel previously served as a Director on the District Board of Directors from March 1993 to March 1995.

Director Sobel addressed the Board and expressed his appreciation at the honor of serving on such a distinguished Board.

ROLL CALL

Directors Present (15): Directors Brown, Cochran, Eddie, Grosboll, Hernández, Kerns, McGlashan, Newhouse Segal, Pahre, Reilly, Sandoval, Sobel and Stroeh; First Vice President Boro; President Moylan

Directors Absent (4): Directors Dufty, McGoldrick and Sanders; Second Vice President Ammiano

Staff Present: General Manager Celia G. Kupersmith; District Engineer Denis 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 Teri W. Mantony; Deputy General Manager/Ferry Division James P. Swindler; Deputy General Manager/Administration and Development Division Z. Wayne Johnson; Executive Assistant to the General Manager Amorette Ko; Assistant Clerk of the Board Patsy Whala

**BOARD OF DIRECTORS MEETING
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Visitors Present: Reverend James Ward, Marin County resident; Mark Whitmer, Contra Costa County resident; Dayna Whitmer, Contra Costa County resident; Dave Hall, President, Bridge Rail Foundation; Christine Kaplan, Contra Costa County resident; Jodie Kaplan, San Francisco County resident

PLEDGE OF ALLEGIANCE

Director Harold C. Brown, Jr., led the Board of Directors in the Pledge of Allegiance to the Flag.

PUBLIC COMMENT

Reverend James Ward, commended the District's Board of Directors regarding its fiduciary responsibilities and expressed his support of the Golden Gate Bridge Physical Suicide Deterrent System.

Mark Whitmer, expressed his support of the Golden Gate Bridge Physical Suicide Deterrent System and cited articles that demonstrate a world view that barriers are most effective in preventing impulsive suicides.

Dayna Whitmer, expressed her support of the Golden Gate Bridge Physical Suicide Deterrent System, and provided the District with an Executive Summary of the newly created Office of Suicide Prevention, as well as a petition with 461 signatures representing people worldwide expressing support of the above-mentioned system.

Dave Hall, expressed his support of the Golden Gate Bridge Physical Suicide Deterrent System and presented to each of the members of the Board of Directors a copy of the documentary film "The Bridge," produced and directed by Eric Steele.

Christine Kaplan, expressed her support of the Golden Gate Bridge Physical Suicide Deterrent System and expressed her sorrow regarding the loss of a family member to suicide.

Jodie Kaplan, expressed her support of a physical suicide deterrent system on the Golden Gate Bridge.

CONSENT CALENDAR

Directors STROEH/BROWN moved approval of the Consent Calendar. All items were approved by the following vote of the Board of Directors:

AYES (14): Directors Brown, Cochran, Eddie, Grosboll, Kerns, McGlashan, Newhouse Segal, Pahre, Reilly, Sandoval, Sobel and Stroeh; First Vice President Boro; President Moylan
NOES (0): None
ABSENT (5): Directors Dufty, Hernández, McGoldrick and Sanders; Second Vice President Ammiano

**BOARD OF DIRECTORS MEETING
AUGUST 22, 2008/PAGE 3**

1. Approve the Minutes of the Following Meetings:

- a. Rules, Policy and Industrial Relations Committee/Committee of the Whole of August 1, 2008;
- b. Transportation Committee/Committee of the Whole of August 8, 2008; and,
- c. Regular Meeting of the Board of Directors of August 8, 2008.

Carried

2. Denial of Claims

- a. Claim of Danae Y. Green **Carried**
- b. Insufficient Claim of Walter C. Terrell **Carried**
- c. Claim of Rayiesha Breaux **Carried**
- d. Claim of Carl Breaux **Carried**
- e. Claim Carol Cannedy **Carried**
- f. Claim of Thomas F. Robertson **Carried**
- g. Insufficient Claim of Kim Nguyen **Carried**
- h. Amended Subrogation Claim of California State Automobile Association (Insured: John Wilkinson) **Carried**

GENERAL MANAGER'S REPORT

3. Announcement

General Manager Celia Kupersmith announced that the Auditor-Controller's Office has provided a bound copy of the FY 08/09 Operating and Capital Budget at each of the Board members' places at the Board table today. Further, Ms. Kupersmith stated that the District's FY 07/08 Operating and Capital Budget received a Distinguished Budget Presentation Award by the Government Finance Officers Association (GFOA). Ms. Kupersmith commended the Budget staff for their significant achievement by producing a Budget that is highly recognized by the GFOA. Joseph Wire stated that the District had also received the GFOA recognition for presenting a comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. The recognition, Award of Financial Reporting Achievement, is the highest form of recognition in governmental accounting and financial reporting. Mr. Wire reported that the Accounting staff is currently preparing a CAFR for fiscal year ended FY07/08 for submission to the GFOA.

4. Presentation of Thirty-Year Service Award to Jack K. Sudduth, Customer Service Representative, District Division

President Moylan presented a Thirty-Year Service Award to Jack K. Sudduth, Customer Service Representative, District Division, and expressed his congratulations on behalf of the Board of Directors.

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AUGUST 22, 2008/PAGE 4**

5. Presentation of Twenty-Five-Year Service Award to Margaret C. Mackay, Administrative Assistant, Ferry Division

President Moylan presented a Twenty-Five-Year Service Award to Margaret C. Mackay, Administrative Assistant, Ferry Division, and expressed his congratulations on behalf of the Board of Directors.

6. Presentation of Twenty-Year Service Award to Marva K. Robinson, Bridge Sergeant, Bridge Division

President Moylan presented a Twenty-Year Service Award to Marva K. Robinson, Bridge Sergeant, Bridge Division, and expressed his congratulations on behalf of the Board of Directors.

7. Presentation of Employee of the Month Award for August 2008 to Joanne Leone, Budget Analyst, District Division

President Moylan presented the Employee of the Month Award for August 2008 to Joanne Leone, Budget Analyst, District Division, and expressed his congratulations on behalf of the Board of Directors.

8. Appointment of New Deputy General Manager/Administration and Development Z. Wayne Johnson

Ms. Kupersmith introduced the new Deputy General Manager/Administration and Development Z. Wayne Johnson, describing his background and welcoming him to the District.

9. Proposed New Procedure for Meeting Packet Distribution for a Six-Month Trial Basis as Part of the District's Commitment to "Going Green"

Secretary of the District Janet S. Tarantino presented to the Board a proposed new procedure for meeting packet distribution for a six-month trial basis as part of the District's commitment to "Going Green," as well as an example of the District Secretary Office's (DSO) efforts to reduce the use of paper. The DSO is proposing to provide only one set of the meeting packet (agendas and corresponding staff reports) for a six-month trial basis. What this means is that the DSO will send a "hard copy" version of the Committee/Board meeting packet to each Director by mail on the Friday preceding the week of meetings. Each Director will then be responsible for bringing with them to the meetings, the meeting packet that was sent to them by mail. For the Directors who have been receiving an electronic version only of the meeting packet, it is being recommended that those Directors will also receive a "hard copy" of the meeting packet by mail. Finally, it is being recommended that each Director, who has access to a computer, will receive an electronic copy of the Committee/Board agendas only (not staff reports) on the Friday preceding the week of meetings.

**BOARD OF DIRECTORS MEETING
AUGUST 22, 2008/PAGE 5**

She further reported that the DSO plans on continuing to provide the black binder containing the meeting information for the Board of Directors meetings, since there are oftentimes situations when certain Board of Directors materials are not sent out to the Directors by the DSO in advance, i.e., the Committees' Summary of Actions or the entire Consent Calendar.

Finally, she stated that she will report back to the Board at the completion of the six-month trial basis with the results.

ATTORNEY'S REPORT

10. Attorney David Miller reported that all items contained in the Attorney's Report were informational. In addition to his written report, Mr. Miller reported that there has been a positive development in the case, Golden Gate Bridge, Highway and Transportation District v. Marsh and McLennan Companies, Inc., et al., in that the court has issued a preliminary ruling to approve the settlement recently approved by the Board, subject to a final hearing in December. The District, as well as any other parties listed in the suit that have decided to settle, will be notified by next spring or early summer as to these respective shares of funds that will be allocated to them.

ENGINEER'S REPORT

11. District Engineer Denis Mulligan reported that all items contained in the Engineer's Report were informational.

In addition to his written report, Mr. Mulligan stated that relative to the Draft Environmental Impact Report (EIR) for the Golden Gate Bridge Physical Suicide Deterrent System, the deadline for the receipt of public comments is close of day, Monday, August 25, 2008. He further reported that staff will now finalize the summary of the public comments. Staff plans to present a report to the Building and Operating Committee (B&O) meeting at its meeting of October 23, 2008. At that time, the Board will have an opportunity to select a locally preferred alternative with respect to the environmental process. He also noted that, before the District can certify and finalize the federal environmental document with a selected build alternative, the Board will need to have a financing plan in place.

A lengthy discussion ensued regarding the project timetable, the costs associated with maintenance and operations of each of the proposed build alternatives and the analysis of the public comments. In conclusion, Ms. Kupersmith stated that staff will provide the Directors with a report, including this information, some time in advance of when the matter will be presented to the October 23, 2008, meeting of the B&O. Finally, she noted that this matter will be discussed at the Bridge Barrier Projects Advisory Committee prior to bringing before B&O for discussion.

**BOARD OF DIRECTORS MEETING
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Discussion ensued, including the following:

- Director Sandoval inquired as to when the Golden Gate Bridge Physical Suicide Deterrent System project could begin. In response, Mr. Mulligan stated that finalizing the environmental process can take up to six months and the design phase, if funding is secured, can take twelve months.
- Director Boro stated that the Board may wish to take up the matter of the Golden Gate Bridge Physical Suicide Deterrent System at a meeting of the Committee of the Whole in order to afford the full Board an opportunity to hear this matter, rather than discuss the matter at a committee meeting and then again at a meeting of the Board of Directors. In response, Ms. Kupersmith concurred that an issue of this significance lends itself to be presented to the full Board for discussion.
- Director Reilly made the following comments and inquiries:
 - She inquired as to how many public comments have been received and how is the District planning to respond to these comments. In response, Mr. Mulligan stated that the District has received many public comments, both from individuals and from organizations, and these comments will be addressed as part of the environmental process.
 - She inquired as to whether the District would be conducting public hearings on the suicide deterrent, other than the public meetings that took place in Marin and San Francisco. In response, Ms. Kupersmith stated that the District has no legal requirement to do so.
- Director Newhouse Segal inquired as to whether or not it would be appropriate for the Board to vote on a “Build/No Build” alternative first, before taking a vote on the proposed alternatives, including the “No Build” alternative. In response, Ms. Kupersmith noted that the Board can decide either to make a decision on a “Build/No Build” alternative, before selecting a specific alternative or the Board can focus on making a decision to select a locally preferred alternative. In addition, Mr. Miller stated that it is important that the upcoming decision-making process be undertaken within the context of the EIR process that was introduced by the District. He noted that at this phase of the environmental process, it is legally permissible to determine a preferred alternative, but it would be premature to bring that question to the Board separately from the environmental process.
- Director McGlashan requested staff to provide a summary of the various psychiatric journal articles that have been submitted to the District regarding the effectiveness of physical suicide barriers. In response, Ms. Kupersmith stated that staff will extract the abstract or summary section from the various published articles and reports that have been submitted by project proponents and opponents and provide that information to the Board.

REPORT OF THE FINANCE-AUDITING COMMITTEE MEETING OF AUGUST 21, 2008

12. **Authorize Miscellaneous Budget Transfers in the FY 07/08 Operating Budget and Authorize Miscellaneous Budget Adjustments in the FY 08/09 Operating Budget**

Directors STROEH/EDDIE

Resolution No. 2008-075 authorizes the following miscellaneous budget transfers to the FY 07/08 Operating Budget and miscellaneous budget adjustments to the FY 08/09 Operating Budget:

- a. Transfers in the FY 07/08 Operating Budget in the amount of \$300,000 to Ferry Professional Services and in the amount of \$200,000 to Ferry Workers' Compensation, to be funded by \$500,000 from Ferry Insurance;
- b. A transfer in the FY 07/08 Operating Budget in the amount of \$300,000 to Ferry Salaries and Benefits from Bridge Legal Expense;
- c. A transfer in the FY 07/08 Operating Budget in the amount of \$400,000 to Bus Salaries and Benefits from Bus Legal Expense;
- d. Increases in the FY 08/09 Operating Budget in the amount of \$150,000 for Ferry Revenues and in the amount of \$150,000 for Ferry Expense; and,
- e. An increase in the FY 08/09 Operating Budget in the amount of \$514,700 for Other Operating Income.

Adopted

AYES (13): Directors Brown, Cochran, Eddie, Grosboll, Hernández, McGlashan, Newhouse Segal, Pahre, Reilly, Sobel and Stroeh; First Vice President Boro; President Moylan

NOES (0): None

ABSENT (6): Directors Dufty, Kerns, McGoldrick, Sanders and Sandoval; Second Vice President Ammiano

13. **Authorize a Budget Transfer from the FY 07/08 Operating Budget to the FY 07/08 Capital Budget; and, Authorize Budget Adjustments in the FY 07/08 Capital Budget for Indirect Cost and Excess District Project Management Costs, and Amend Resolution No. 2008-060**

Directors STROEH/BORO

Resolution No. 2008-076 authorizes a budget transfer from the FY 07/08 Operating Budget to the FY 07/08 Capital Budget for budget authority in the amount of \$214,900, and authorize a budget increase in the FY 07/08 Capital Budget in the amount of \$2,661,500, for recognition of indirect costs under the Indirect Cost Allocation Program; and, amend Resolution No. 2008-060 accordingly.

Adopted

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AYES (13): Directors Brown, Cochran, Eddie, Grosboll, Hernández, McGlashan, Newhouse Segal, Pahre, Reilly, Sobel and Stroeh; First Vice President Boro; President Moylan
NOES (0): None
ABSENT (6): Directors Dufty, Kerns, McGoldrick, Sanders and Sandoval; Second Vice President Ammiano

ADJOURNMENT

- 14.** All business having been concluded, the meeting was adjourned at 11:18 a.m., in the memory of Thomas John Carroll.

Respectfully submitted,

Janet S. Tarantino
Secretary of the District

JST:PLW:plw

Memorandum

TO: Board of Directors
FROM: David J. Miller
DATE: August 27, 2008
RE: Board Meeting on September 12, 2008

Insufficient Subrogation Claim of Mercury Insurance Company (Insured: Alan Rappoport)

The District received an insufficient subrogation claim on behalf of Mercury Insurance Company (Insured: Alan Rappoport) alleging property damage. Claimant alleges that on April 2, 2008, while the insured was parked at the curb on East Blithedale Avenue between Sunnyside Avenue and Forrest Street in Mill Valley, preparing to exit from his vehicle, a passing District bus struck the partially open driver's side door of the insured's vehicle. The vehicle is allegedly a total loss. The claim is insufficient in that it fails to state the amount of the claim, if the claim is less than \$10,000.00, or, alternatively, if the amount exceeds \$10,000.00, indicate whether the claim would be a limited civil case. The claim has been forwarded to John Glenn Adjusters.

Recommend the claim be denied as insufficient and on its merits.

Subrogation Claim of State Farm Insurance Company (Insured: Jon Patterson)

The District received a subrogation claim on behalf of State Farm Insurance Company (Insured: Jon Patterson) alleging property damage in the amount of \$544.38. Claimant alleges that on June 22, 2008, the insured was stopped at a red traffic light in San Francisco when a District bus collided with the rear of a vehicle driven by Dana Sutherlin, which was stopped behind the insured's vehicle. The impact allegedly pushed Dana Sutherlin's vehicle into the rear of the insured's vehicle. As a result of the incident the insured's vehicle allegedly sustained rear end damage and possible underside damage. The claim has been forwarded to John Glenn Adjusters.

Recommend denial of the claim.

Claim of Karen Strolia

The District received a claim on behalf of Karen Strolia alleging property damage in the amount of \$1,469.03. Claimant alleges that on July 10, 2008, her car was damaged when she parked in a non-standard parking place at the Larkspur Ferry Terminal parking lot and later backed into a metal/plastic cone that a Larkspur Ferry Terminal parking attendant had placed behind her car. The claimant further alleges that the cone was not visible to her as she approached her car from the front. As a result of the incident, the claimant's vehicle allegedly sustained damage to the muffler and the pipe attached to the muffler. The claim has been forwarded to John Glenn Adjusters.

Recommend denial of the claim.

Claim of Andrew Klein

The District received a claim on behalf of Andrew Klein alleging personal injuries and property damage in the amount of \$6,661.26. Claimant alleges that on July 11, 2008, as he was stopped at a red traffic signal with his son at the corner of 2nd and Hetheron Streets in San Rafael, a District bus struck the left rear of his vehicle as the bus turned into a bus stop. As a result of the incident, the claimant's vehicle was allegedly

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August 27, 2008
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damaged, and claimant and his son allegedly sustained back injuries. The claim has been forwarded to John Glenn Adjusters.

Recommend denial of the claim.

Claim of Danny Olivera

The District has received a claim on behalf of Danny Olivera alleging personal injuries in an amount within the unlimited jurisdiction of the Superior Court. Claimant alleges that he sustained these injuries in the course of his employment by the District aboard the vessel M/S Marin. On April 1, 2008, claimant allegedly sustained injuries to his legs, buttocks, and back, and received other additional injuries when he moved a heavy gangway away from the vessel. As a result of the incident, the claimant allegedly sustained injury to his body and shock and injury to his nervous system. Claimant further contends that he suffered loss of past and future income, including loss of earning capacity and lost wages and fringe benefits, pension benefits, health and welfare benefits, and other benefits, including disability benefits, medical expenses to treat and cure his medical condition incurred as a result of his injuries, and the payment of benefits pursuant to the maritime doctrine of maintenance and cure under the law and the union agreement between the District and the Inland Boatman's Union. The claim has been forwarded to Sterling & Clack.

Recommend denial of the claim.

Claim of Michael Wahl

The District received a claim on behalf of Michael Wahl alleging personal injuries and property damage in the amount of \$250,000.00. Claimant alleges that on March 26, 2008, he was involved in a head-on collision on the Golden Gate Bridge as he was driving northbound on his motorcycle, 1.0 miles North of the Toll Plaza. The claimant alleges that a moveable median barrier would have prevented the accident. As a result of the incident, the claimant allegedly sustained injuries to his left leg, left arm, right calf, shoulders, and right hand, and also suffered upper extremity numbness, lacerations, punctures, abrasions, and limited walking due to leg pain. The claimant further alleges that his motorcycle is a total loss, and he lost his backpack, laptop computer, helmet, and motorcycle accessories as a result of the incident. Claimant further asserts that he has lost wages in the estimated amount of \$35,000.00.

Recommend denial of the claim.

Subrogation Claim of Allstate Insurance Company (Insured: Dana Sutherlin)

The District received a subrogation claim on behalf of Allstate Insurance Company (Insured: Dana Sutherlin) alleging property damage in the amount of \$8,556.03. Claimant alleges that on June 22, 2008, the insured had braked behind another vehicle which had also braked at a red traffic light on Van Ness in San Francisco, when a District bus collided with the left rear bumper of the insured's vehicle. The insured's vehicle was allegedly pushed under the bumper of the vehicle ahead of it. As result of the incident the insured's vehicle allegedly sustained damage to the left front door, left fender, front bumper, grille, left headlight, hood, and right bumper. The claim has been forwarded to John Glenn Adjusters.

Recommend denial of the claim.

Subrogation Claim of AIG (Insured: Mario Castillo)

The District received a subrogation claim on behalf of AIG (Insured: Mario Castillo) alleging property damage in the amount of \$1,880.83. Claimant alleges that on March 25, 2008, a District bus struck the insured's unoccupied vehicle, which was parked on Lombard Street in San Francisco. As a result of the incident, the

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insured's driver's side mirror and driver's door were allegedly damaged. The claim has been forwarded to John Glenn Adjusters.

Recommend denial of the claim.

Claim of Jerry Mitchell

The District received a claim on behalf of Jerry Mitchell alleging property damage in the amount of \$588.60. Claimant alleges that on June 30, 2008, while he was driving in the far left lane of the Andersen Drive off-ramp from Highway 580, a District bus moved into his lane of travel. Claimant alleges that the mirror of the bus scraped his truck, causing gouges on the extruded aluminum tool box lid. The claim has been forwarded to John Glenn Adjusters.


Recommend denial of the claim.

Claim of Ibrahim Shiheiber

The District received a claim on behalf of Ibrahim Shiheiber alleging personal injuries and property damage in an amount in excess of \$500,000.00. Claimant alleges that on March 26, 2008, he was involved in a head-on collision on the Golden Gate Bridge as he was driving northbound in his vehicle, approximately 1.0 miles North of the Toll Plaza. The claimant alleges that a moveable median barrier would have prevented the accident. As a result of the accident, the claimant allegedly sustained multiple fractures, including fractures of the right clavicle, left clavicular head, and mid-body of the sternum; a closed head injury with a sub-medial sternal hematoma; a left ankle sprain; and a left calcaneal fracture. The claimant further alleges that his vehicle and personal property were damaged, and he has incurred hospital costs and ongoing income loss.

Recommend denial of the claim.

Respectfully submitted,



DAVID J. MILLER

DJM:aer