

February 27, 2020



**MINUTES OF THE FINANCE-AUDITING COMMITTEE/
COMMITTEE OF THE WHOLE**

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

Honorable Members:

A meeting of the Finance-Auditing Committee/Committee of the Whole (Committee) of the Golden Gate Bridge, Highway and Transportation District (District) was held in the Board Room, Administration Building, Golden Gate Bridge Toll Plaza, San Francisco, CA, on Thursday, February 27, 2020, at 9:19 a.m., Chair Sobel presiding.

- (1) **Call to Order:** 9:19 a.m.
- (2) **Roll Call:** Secretary of the District Amorette M. Ko-Wong.

Committee Members Present (6): Chair Sobel; Vice Chair Fredericks; Directors Cochran, Grosboll and Moylan; President Pahre.

Committee Members Absent (1): Director Yee.

Other Directors Present (6): Directors Garbarino, Hernández, Hill, Mastin, Rabbitt and Theriault.

Committee of the Whole Members Present (12): Directors Fredericks, Garbarino, Grosboll, Hernández, Hill, Mastin, Moylan, Rabbitt, and Sobel; Second Vice President Cochran; First Vice President Theriault; President Pahre.

Committee of the Whole Members Absent (5): Directors Arnold, Belforte, Fewer, Sears and Yee.

[Note: On this date, there were two vacancies on the Board of Directors.]

Staff Present: General Manager Denis Mulligan; Auditor-Controller Joseph Wire; District Engineer Ewa Bauer-Furbush; Secretary of the District Amorette Ko-Wong; Attorney Kimon Manolius; Deputy General Manager/Administration and Development Kellee Hopper; Deputy General Manager/Bridge Steve Miller; Deputy General Manager/Bus Transit Mona Babauta; Deputy General Manager/Ferry James Swindler; Capital and Grants Programs Director Amy Frye; Senior Board Analyst Elizabeth Eells

Visitors Present: Lesley Murphy, PFM Asset Management, LLC.

(3) Ratification of Previous Actions by the Auditor-Controller

(a) Staff Report

In a memorandum to the Committee, Auditor-Controller Joseph Wire and General Manager Denis Mulligan reported on the commitments, disbursements and investments made on behalf of the District. The report included a copy of the District's "Investment Report" for January 2020 from PFM Asset Management, LLC (PFM). A copy of the staff report is available on the District's web site or upon request from the Office of the District Secretary.

At the meeting, PFM Senior Managing Consultant Lesley Murphy summarized the Investment Report. She noted U.S. Treasury yields fell in the first quarter with a more pronounced decline due to investor fears about the coronavirus. She said the yield curve has inverted and investors are anticipating the Federal Reserve may cut rates two to three times this year. She said the coronavirus death rate has increased, and investors' concern about the coronavirus has affected the financial markets. She also said that China's Gross Domestic Product is anticipated to be the one most affected by the coronavirus. She noted that some tourism in the Bay Area is likely to be affected by fewer flights from mainland China. She reviewed the employment data shown in a new Cornell-CPA US Private Sector Job Quality Index, and noted there are more lower quality jobs added to the economy since 1990. She said most of the decline has been attributed to the loss of high paying manufacturing jobs.

Ms. Murphy confirmed the District's portfolio is in compliance with Board policy and the law, and is well-diversified. She said that PFM puts a priority on maintaining the safety and credit worthiness of the District's portfolio.

(b) Discussion by the Committee

Director Hill asked if the Cornell-CPA US Private Sector Job Quality Index (Index) includes gig workers, which are predominately lower paid. Ms. Murphy responded that she does not believe the Index includes gig workers and noted the picture could be worse than presented by the Index.

Chair Sobel asked if the financial markets are over reacting to the coronavirus. Ms. Murphy responded that the market may have over reacted and may correct over time.

(c) Action by the Committee

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

RECOMMENDATION

The Finance-Auditing Committee/Committee of the Whole recommends that the Board of Directors approve the following actions:

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- (i) Ratify commitments and/or expenditures totaling \$19,581.00 during the period of January 1, 2020 through January 31, 2020
- (ii) Ratify investments made during the period January 14, 2020, through February 18, 2020;
- (iii) Authorize the reinvestment, within the established policy of the Board, of any investments maturing between February 18, 2020, and March 17, 2020, as well as the investment of all other funds not required to cover expenditures, which may become available; and,
- (iv) Accept the Investment Report for January 2020.

Action by the Board at its meeting of February 27, 2020 – Resolution
CONSENT CALENDAR

AYES (12): Directors Fredericks, Garbarino, Grosboll, Hernández, Hill, Mastin, Moylan, Rabbitt, and Sobel; Second Vice President Cochran; First Vice President Theriault; President Pahre.

NOES (0): None.

ABSENT (5): Directors Arnold, Belforte, Fewer, Sears and Yee.

[Director Garbarino departed.]

(4) Authorize Budget Adjustment(s) and/or Transfer(s)

No actions required authorization.

(5) Authorize Actions Related to Grant Programs

(a) Approve Actions Relative to the Low Carbon Transit Operations Program (LCTOP)

(i) Staff Report

In a memorandum to the Committee, Capital and Grants Programs Director Amy Frye, Capital and Grant Programs Analyst Clifford Duong, Auditor-Controller Joseph Wire and General Manager Denis Mulligan reported on staff's recommendation to approve actions necessary to secure FY 19/20 LCTOP grant funds to support transit capital and operating projects. A copy of the staff report is available on the District's web site or upon request from the Office of the District Secretary.

(ii) Presentation by Staff

At the meeting, Ms. Frye reviewed the staff report. She introduced Capital and Grant Programs Analyst Clifford Duong, and commended him for his efficiency in preparing the report. She reviewed the LCTOP grant funds some of the LCTOP requirements, and noted the funds have fallen below what was projected.

(iii) Discussion by Committee

Director Mastin asked if LCTOP has any requirements for spending the grant and completing the project. Ms. Frye said there is no sunset date for LCTOP funds. However, staff does report on the District's progress with projects.

Director Grosboll asked if the District is doing everything it can to reduce greenhouse gas emissions. Mr. Mulligan responded that staff will be coming back to the Board in the coming months with a report about the District's vision for achieving zero emissions for the bus and ferry fleets. He noted the staff report will include information about vehicle and facility emissions and possible reductions. He said staff is considering the possibility of recommending converting a ferry to an all-electric ferry. He said the vessel would have Tier 4 engines. He said that in other parts of the world, vessels have been fitted with a large battery that is two stories high and have been very efficient. He noted the District may also experiment with renewable fuels.

President Pahre commented about an electric vessel called Adventure Cat operates from the Napa marina.

Director Hill commented that Washington State Ferries and Norway have battery-powered ferries.

Director Rabbitt noted that the Red and White Fleet has a hydrogen fuel cell vessel. Mr. Mulligan said the vessel has electric engines and uses a hydrogen fuel cell. He said the District partners with Alameda/Contra Costa (AC) Transit to operate a hydrogen fuel cell vehicle, and noted there are some challenges with keeping the hydrogen cold. He said the hydrogen fuel cells require a giant thermos, in which the hydrogen is kept at a very low temperature. He also said the District is working with a consultant from the Pacific Northwest to monitor various projects and technologies, and to make recommendations. He emphasized that using various types of energy sources requires maintenance. He highlighted that many people make transportation choices based on speed. In the near future, the District may retrofit one its Spaulding ferries to utilize another fuel sources because the vessel would be able to maintain a speed that is competitive with its current speed. He noted that there would be infrastructure required such as thermos containers and large substations for any vehicle fuel changes. He noted that Deputy General Manager/Bus Transit Division Mona Babauta and Deputy General Manager/Ferry Division James Swindler are keeping abreast of industry and fuel developments.

Director Rabbitt said that the County of Sonoma (County) has a hydrogen fuel cell powered vehicle and there are challenges with using it. He said the County has replaced the battery three times. Mr. Mulligan noted one issue with being an early adopter of technology is the frequent changes and updates needed to refine the technology.

(iv) Action by the Committee

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

RECOMMENDATION

The Finance-Auditing Committee/Committee of the Whole recommends that the Board of Directors approve the following actions necessary to secure FY 19/20 Low Carbon Transit Operations Program (LCTOP) grant funds to support transit capital and operating projects for the Golden Gate Bridge, Highway and Transportation District (District):

- 1) Approve submission of one LCTOP grant application in FY 19/20 for the new vessel acquisition project;
- 2) Certify that the District will comply with all conditions and requirements set forth in the LCTOP certification and assurances, authorized agent documents, applicable statutes, regulations, and guidelines for all LCTOP-funded transit projects; and,
- 3) Authorize the General Manager, or his designee, to execute for and on behalf of the District any documents necessary to apply for and receive LCTOP funding, including certifications and assurances, authorized agent forms, and agreements relative to the FY 19/20 LCTOP program.

Action by the Board at its meeting of February 28, 2020 – Resolution
NON-CONSENT CALENDAR

AYES (11): Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan, Rabbitt, and Sobel; Second Vice President Cochran; First Vice President Theriault; President Pahre.

NOES (0): None.

ABSENT (6): Directors Arnold, Belforte, Fewer, Garbarino, Sears and Yee.

(6) Renew Annual Delegation of Investment Management Authority to the Auditor-Controller as Per Rule XI, Investment Policy, of the Rules of the Board

(a) Staff Report

In a memorandum to the Committee, Director of Fiscal Resources Alice Ng, Auditor-Controller Joseph Wire, and General Manager Denis Mulligan reported on staff's recommendation to approve renewal of the annual delegation of investment management authority to the Auditor-Controller for FY 20/21 as Per Rule XI, **INVESTMENT POLICY**, of the *Rules of the Board*, and as provided for in California Government Code §53607. A copy of the staff report is available on the District's web site or upon request from the Office of the District Secretary.

(b) Presentation by Staff

At the meeting, Mr. Wire summarized the staff report. He stated that changes in California Code Section §53607 can lead to changes in the District's Investment Policy. He pointed out the two relatively minor changes in the District's Investment Policy.

(c) Discussion by the Committee

Chair Sobel reminded the Committee about the Board's Resolution Declaring a Climate Emergency, and how the climate action initiatives affect the District's policies.

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Director Hill commented that he would like to encourage the Committee to look at the District's Investment Policy, and guidelines related to fossil fuels, renewables and sustainability.

Chair Sobel commented the Committee could consider climate change goals in relationship to its investment policy. Mr. Wire said it is appropriate for the Committee to consider its climate change goals in relationship to its Investment Policy given that the Investment Policy is being reviewed by the Committee. He noted staff has been considering the District's climate change goals in relationship to its Investment Policy. He noted that many organizations are considering it too. He also noted it can be challenging to define a policy that can be easily applied by the investment team. He said staff could look at the Committee goals, consider the matter and report back to the Committee.

Director Grosboll commented that the District has Asset Backed Securities investments in automobile companies. He noted the District could have an investment policy that incorporates climate change concepts. He added that staff and its Portfolio Manager would have to consider the climate change goals and products provided by each company.

Chair Sobel said he thought today's direction is to look at the Committee's goals to incorporate climate change considerations in the District's investments, consider the matter, and report back to the Committee.

(d) Action by the Committee

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

RECOMMENDATION

The Finance-Auditing Committee/Committee of the Whole recommends that the Board of Directors renew the annual delegation of investment management authority to the Auditor-Controller for FY 20/21 as per RULE XI, **INVESTMENT POLICY**, **Section E, Delegation of Authority**, of the *Rules of the Board*, and as provided for in California Government Code Section 53607.

Action by the Board at its meeting of February 27, 2020 – Resolution
NON-CONSENT CALENDAR

AYES (11): Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan, Rabbitt, and Sobel; Second Vice President Cochran; First Vice President Theriault; President Pahre.

NOES (0): None.

ABSENT (6): Directors Arnold, Belforte, Fewer, Garbarino, Sears and Yee.

(7) Approve Renewal of the Marine Insurance Program

(a) Staff Report

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In a memorandum to the Committee, Risk Management and Safety Director Kelli Vitale, Deputy General Manager/Administration and Development Kellee Hopper, Auditor-Controller Joseph Wire, and General Manager Denis Mulligan reported on staff's recommendation to approve renewal of the District's Marine Insurance Program. A copy of the staff report is available on the District's web site or upon request from the Office of the District Secretary.

(b) Presentation by Staff

At the meeting, Mr. Wire reviewed the staff report. He noted that the Marine Insurance Program has been well priced in the past. However, the market has changed. Some companies left the business. He noted this exodus has created a gap, which reduces supply and increases the prices. He said the District will continue to watch the prices and seek value. He also said the District has been investigating the Property and Liability insurance market. He noted there are some pressures there, but staff does not expect as significant of an increase as the Marine insurance. He pointed out that the staff report contains a ratification by the Board since staff had to take action before today's meeting to continue a component of the Marine Insurance Program.

Mr. Wire further pointed out the District has had losses and staff attempted to mitigate the possible cost increases by increasing the deductible. He highlighted staff is also looking at other possible coverages to compliment the coverage itself. He noted the Port of San Francisco has some requirements for coverage. He said staff is still investigating why the District experienced such a high increase in the Marine insurance cost.

Mr. Mulligan said the District used to be covered by AIG and Allianz (AGCS). He also said that he understands from Mr. Swindler that the increased prices are a nationwide issue. He noted that the District's broker could have served the District more effectively. He reported staff was in communication with President Pahre and Chair Sobel before taking action and obtaining the coverage.

(c) Discussion by the Committee

Chair Sobel noted that he worked with President Pahre, the General Manager and finance staff to make the decision to obtain the Marine insurance. Mr. Mulligan added that staff was proactive, but did not think it was necessary to be so proactive. Mr. Wire concurred.

Chair Sobel stated that there have been major marine incidents around the world. He asked if insurers mitigate losses by spreading the risk across multiple lines. Mr. Wire said that the insurers do look across multiple insurance lines, look at their whole business and attempt to be profitable overall. Mr. Mulligan noted that there have been maritime losses in passenger carrying industries. He said an accident in the same niche as the District will likely have an effect on the District's insurance prices.

Chair Sobel noted that staff hopes premiums will go down over the long term. Mr. Wire responded that the higher prices may attract more insurers, and then, the increased number of insurers could decrease prices. However, the insurers may take a while to adjust prices.

(d) Action by the Committee

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

RECOMMENDATION

The Finance-Auditing Committee/Committee of the Whole recommends that the Board of Directors approve renewal of the Golden Gate Bridge, Highway and Transportation District's (District) Marine Insurance Program, effective February 28, 2020, with a renewal package totaling \$934,455.88, as follows:

- (i) Ratify the action of the General Manager to renew the Protection and Indemnity Liability Insurance Program and the Vessel Pollution excess coverage from \$5 million up to \$1 billion, with Steamship Mutual Club for a one-year term, at an annual premium of \$503,500;
- (ii) Renew the Vessel Pollution Liability Insurance Program with Great American OPA/CERCLA up to \$5 million coverage no deductibles for a one-year term for an annual premium of \$7,534;
- (iii) Renew the Hull and Machinery Insurance Program with Starr Indemnity/Sompo/Liberty for Agreed Amount coverage for each of the vessels with \$200,000 deductible for a one-year term, for an annual premium of \$245,000; and,
- (iv) Renew the Marine General Liability Insurance Program with Liberty Mutual at an annual premium of \$178,421.88;

with the understanding, those requisite funds in the amount of \$934,455.88 are available in the FY 19/20 Ferry Division Operating Budget and that requisite funds will be budgeted in the FY 20/21 Ferry Division Operating Budget.

Action by the Board at its meeting of February 27, 2020 – Resolution
NON-CONSENT CALENDAR

AYES (11): Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan, Rabbitt, and Sobel; Second Vice President Cochran; First Vice President Theriault; President Pahre.

NOES (0): None.

ABSENT (6): Directors Arnold, Belforte, Fewer, Garbarino, Sears and Yee.

(8) Monthly Review of Golden Gate Bridge Traffic/Tolls and Bus and Ferry Transit Patronage/Fares (for Seven Months Ending January 2020)

(a) Staff Report

In a memorandum to Committee, Auditor-Controller Joseph Wire, and General Manager Denis Mulligan provided schedules and charts for informational purposes only and no action is recommended. A copy of the staff report is available on the District's web site or upon request from the Office of the District Secretary.

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(9) Monthly Review of Financial Statements (for Seven Months Ending January 2020)

(a) Statement of Revenue and Expenses

In a memorandum to Committee, Auditor-Controller Joseph Wire, and General Manager Denis Mulligan provided financial statements for informational purposes only and no action was recommended.

(b) Statement of Capital Programs and Expenditures

In a memorandum to Committee, Director of Capital and Grant Programs Amy Frye, Analyst of Capital and Grant Programs Clifford Duong, Auditor-Controller Joseph Wire and General Manager Denis Mulligan provided financial statements for informational purposes only and no action was recommended.

Copies of the reports for Item Nos. 9.a. and 9.b. are available on the District's web site or upon request from the Office of the District Secretary.

(10) Closed Session

Attorney Kimon Manolius, at the request of Chair Sobel, stated that the Committee would convene in Closed Session, as permitted by the Brown Act, to discuss the following matter, listed on the Agenda as Item No 10(a):

(a) Conference with Legal Counsel – Existing Litigation

Pursuant to Government Code Section 54956.9(a)

Report of Athens Administrators, Inc.

(i) Andrew Tarantino v. Golden Gate Bridge, Highway and Transportation District.

(ii) Cassandra Wood v. Golden Gate Bridge, Highway and Transportation District.

After Closed Session, Chair Sobel called the meeting to order in Open Session with a quorum present. Attorney Manolius stated that the Committee had met in Closed Session, as permitted by the Brown Act, to discuss the matter listed under Closed Session, outlined above. He reported that the Committee was briefed by its negotiators, and gave appropriate guidance for this matter.

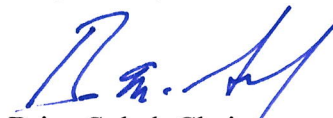
(11) Public Comment

There was no public comment.

(12) Adjournment

All business having been concluded, the meeting was adjourned at 10:09 a.m.

Respectfully submitted,



Brian Sobel, Chair
Finance-Auditing Committee