

March 27, 2020



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

Executive Order N-25-20 and N-29-20, issued by the Governor of the State of California, in which portions of the Ralph M. Brown Act are suspended and allows, all Board members, staff and the public to participate by telephone.

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 via audio conference, on Friday, March 27, 2020, at 9:00 a.m., Chair Sobel presiding.

- (1) **Call to Order:** 9:00 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 Belforte, Fewer, Hernández, Hill, Mastin and Theriault.

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

Committee of the Whole Members Absent (5): Directors Arnold, Garbarino, Rabbitt, 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; Attorney Madeline Chun, 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; Executive Assistant to the General Manager Justine Bock; 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 February 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 reviewed the Investment Report. She noted that parts of it were already out of date due to the quickly changing market conditions caused by the COVID-19 pandemic. She stated U.S. Treasury yields fell due to concerns about the spread of the virus, and in March U.S. Treasury yields fell below 1% for the first time ever. She noted that yields on longer term securities have rebounded, and 30 year securities are at 1.34%.

She reviewed data about the spread of COVID-19 and the possible effects on the world economy and growth forecast. She said one-third of Americans are officially under Shelter-in-Place (SIP) Orders, and as a result, a large volume of business and economic activity has come to a halt. She reported that since the Investment Report was issued, the official economic growth forecast for 2020 has become more grim. Many economists from major U.S. banking institutions are projecting economic activity in the second quarter of 2020 to be very low, and the drop could be 8% to 25%. She noted that even though a rebound is expected in the second half of the year, most economists expect U.S. Gross Domestic Product growth to be negative in 2020.

Ms. Murphy stated that in the meantime, the Federal Reserve and Congress are doing everything they can to prop up the economy. The Federal Reserve slashed interest rates to almost zero, and launched a series of asset purchase programs, which are designed to support businesses and provide liquidity to the market. Congress introduced the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which is the largest economic stimulus bill and has about \$2 trillion to provide relief to individuals and businesses that have been negatively affected by the COVID-19 outbreak. She noted that although the CARES Act is expected to pass today its passage is not likely to end economic volatility.

[Director Hill joined the call, and with his arrival, the Committee became a Committee of the Whole.]

Ms. Murphy said that PFM puts a priority on maintaining the safety and credit worthiness of the District's portfolio. She noted the PFM Credit Committee suspended the purchase of non-government securities until the market stabilizes. She added that PFM continues to ensure the District has liquidity which can be especially important in uncertain times. She pointed out that the District holds \$39 million in Local Agency Investment Funds (LAIF) which are accessible with one day of notice. She added that PFM has been transferring the

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proceeds of maturing securities into liquid vehicles rather than reinvesting the proceeds into individual securities with low yields. She said this action will provide additional income over the near term.

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

Chair Sobel asked about the equity market volatility and whether PFM thinks this will continue with increases over time. Ms. Murphy responded that the equity market is difficult to predict and that the situation is unprecedented with a health pandemic affecting economic activity. She said PFM does expect continued volatility for some time and will make adjustments as required to the District portfolio.

Chair Sobel asked if PFM is predicting net losses by percentage for the District portfolio over the next three quarters. Ms. Murphy responded that PFM monitors current yields and maturing securities in a portfolio. She said that federal fund traders think the Federal Reserve overnight interest rate will not change over the rest of this calendar year. She noted the District has the option of leaving money in LAIF funds, which currently have a higher yield. She added that over time, the LAIF securities will mature and will be reinvested at current market rates. She summarized that the District is back in a zero percent interest rate environment, which is similar to what occurred in 2008. She noted that conditions are different, and it will be interesting to see how the CARES Act bolsters the economy and how the market reacts to the various developments.

Chair Sobel thanked Ms. Murphy and wished her well.

(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:

- (i) Ratify commitments and/or expenditures totaling \$63,097.00 during the period of February 1, 2020 through February 29, 2020;
- (ii) Ratify investments made during the period February 18, 2020 through March 17, 2020;
- (iii) Authorize the reinvestment, within the established policy of the Board, of any investments maturing between March 18, 2020 and April 14, 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 February 2020.

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

- AYES (10):** Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan and Sobel; Second Vice President Cochran; First Vice President Theriault; President Pahre.
- NOES (0):** None.
- ABSENT (7):** Directors Arnold, Belforte, Fewer, Garbarino, Rabbitt, Sears and Yee.

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

(a) Budget Increase in the FY 19/20 Bus Division Capital Budget for Zero Emission Bus (ZEB) Fleet/Infrastructure Analysis (Project # 1932)

(i) Staff Report

In a memorandum to the Committee, Director of Maintenance/Bus Division Keith Nunn, Deputy General Manager/Bus Division Mona Babauta and General Manager Denis Mulligan reported on staff's recommendation to authorize a budget increase in the amount of \$110,082.54 to the FY 19/20 Bus Division Capital Budget for Project #1932, *Zero Emission Bus (ZEB) Fleet/Infrastructure Analysis* in order to fully fund Contract No. 2019-BT-079, *Zero Emission Bus (ZEB) Transition Rollout Plan and Analysis Services*. 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. Babauta reviewed the staff report. She stressed that this plan must be completed and adopted by the Board by June 2020 in order to meet the State of California's deadline of July 1, 2020.

(iii) Action by the Committee

Staff recommended and the Committee concurred by motion made and seconded by **Directors FREDERICKS/GROSBOLL/** 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 authorize a budget increase in the amount of \$110,082.54 to the FY 19/20 Bus Division Capital Budget for Project #1932, *Zero Emission Bus (ZEB) Fleet/Infrastructure Analysis* in order to fully fund Contract No. 2019-BT-079, *ZEB Transition Rollout Plan and Analysis Services* for a total project budget of \$235,082.54.

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

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AYES (10): Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan and Sobel; Second Vice President Cochran; First Vice President Theriault, President Pahre.

NOES (0): None.

ABSENT (7): Directors Arnold, Belforte, Fewer, Garbarino, Rabbitt, Sears and Yee.

(5) Authorize Actions Related to Grant Programs

No actions required authorization.

(6) Authorize Execution of the Second Amendment to Contract No. 2017-B-4, Replacement Toll Collection System, with Kapsch TrafficCom IVHS Inc. and Actions Relative to Capital Project #1525, Toll System Upgrade

(a) Staff Report

In a memorandum to the Committee, Director of Budget and Electronic Revenue Jennifer Mennucci, Auditor-Controller Joseph Wire, and General Manager Denis Mulligan reported on staff's recommendation to authorize the General Manager, or his designee, to take actions relative to Contract No. 2017-B-04, *Replacement Toll Collection System* (Contract) with Kapsch TrafficCom IVHS, Inc. (Kapsch) and actions relative to Capital Project 1525, *Toll System Upgrade*. 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 reported that in March 2017, the Board authorized the implementation of an open road tolling system on a gantry south of the toll plaza. He said the project is proceeding and will be completed in the next several years. Staff is requesting the Board approve an intermediate system that will replace toll equipment on the Bridge under the existing toll canopy and allow the District to bridge the time to complete the new open road tolling system and install it on a gantry. Mr. Wire stated that the project team did not originally envision having to install an intermediate system, but staff has found that the project has taken longer to implement than anticipated. He highlighted that as a result, the life span of the existing tolling system is insufficient to reach the project completion date. He added that Kapsch will install and fully maintain the intermediate tolling system above the toll lanes. He said this change will eliminate the issue of vehicles hitting and damaging the toll system equipment.

(c) Discussion by the Committee

Director Hill asked if the new open road tolling system will factor in weight, speed, and the number of passengers in the vehicle. Mr. Mulligan responded that the intermediate tolling system equipment is based on current technology, which is a license plate and transponder-based system.

President Pahre asked if District staffing levels will be affected by having Kapsch do all the maintenance under the proposed contract change. Mr. Wire responded that the District staffing levels will not be affected by having Kapsch do all the maintenance.

(d) Action by the Committee

Staff recommended and the Committee concurred by motion made and seconded by **Directors FREDERICKS/MOYLAN** 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 authorize the General Manager, or his designee, to take actions relative to Contract No. 2017-B-04, *Replacement Toll Collection System* with Kapsch TrafficCom IVHS, Inc., and actions relative to Contract No. 2018-B-05, *Consultants to Provide Technical Support for Toll Operations* and Capital Project 1525, *Toll System Upgrade* as follows:

- (i) Amend Contract No. 2017-B-04 to add system design services, hardware, software, and implementation services for interim toll collection system in the existing toll plaza at a cost of \$1,734,673;
- (ii) Amend Contract No. 2017-B-04 to add maintenance and operation services for the interim toll collection system, beginning November 2020, at a rate of \$36,881 per month, for 24 months;
- (iii) Amend Contract No. 2017-B-04 to allow for a ten percent contingency of \$17,347 for hardware and \$3,688 per month for maintenance and operation services (\$88,512 in total for a 24-month period);
- (iv) Amend Contract No. 2018-B-05 to increase the not-to-exceed contract amount by \$300,000 to the new amount of \$3,300,000 to allow for continued and additional consultant support for the interim toll collection system implementation; and,
- (v) Authorize a budget increase of \$2,538,848 in the FY 19/20 Bridge Division Capital Budget for Project #1525, to be funded with 100% District funds, for a revised total project budget of \$8,480,848.

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

AYES (10): Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan and Sobel; Second Vice President Cochran; First Vice President Theriault, President Pahre.

NOES (0): None.

ABSENT (7): Directors Arnold, Belforte, Fewer, Garbarino, Rabbitt, Sears and Yee.

(7) Approve Actions Relative to IFAS Financial Management System Upgrade

(a) Staff Report

**FINANCE-AUDITING COMMITTEE/COMMITTEE OF THE WHOLE
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In a memorandum to the Committee, Senior Project Manager Malini Brown, Chief Technology Director Fang Lu, Deputy General Manager/Administration and Development Kellee Hopper and General Manager Denis Mulligan reported on staff's recommendation to authorize execution of the Tenth Amendment to the Professional Services Agreement with Superior, LLC, relative to Contract No. 2003-D-1, *Financial Management System and Other Related Items*, in the amount of \$531,040 and establish a contingency in the amount of \$41,208; and, authorize the General Manager to execute a Professional Services Agreement with Koa Hills Consulting LLC, relative to Contract No. 2020-D-019, *IFAS Upgrade Consulting Services*, in the amount of \$348,528 and establish a contingency in the amount of \$69,706. 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, Ms. Hopper reviewed the staff report. She explained that the District has a procurement project for a new enterprise resource system (ERP) as its new financial management system. Ms. Hopper noted that last August, the District received notification from its current financial management system vendor Superior, LLC (Superior) that they would no longer support IFAS legacy systems such as Microsoft 2003 or 2008 servers because Microsoft no longer supports these systems. She explained that as a result, the District must complete a server migration and upgrade IFAS to Superior's current Finance Enterprise version by October 2020. Unfortunately the procurement for a large ERP system will not be completed by October; therefore, the District must purchase an interim solution. Koa Hills Consulting LLC (Koa Hill) has extensive experience upgrading organizations from IFAS to Finance Enterprise, is already providing consulting services to the District for the ERP replacement project, and understands the District's current and future operational needs. She said Koa Hills services are necessary to assist the District to upgrade IFAS to Finance Enterprise.

(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 actions relative to IFAS Financial Management System upgrade as follows:

- (i) Authorize the General Manager to execute the Tenth Amendment to the Professional Services Agreement with Superior, LLC (Superior), Lake Mary, FL, relative to Contract No. 2003-D-1, *Financial Management System and Other Related Items*, in the amount of \$531,040, and establish a contract contingency in the amount of \$41,208, for the migration of the District's Financial, Human Resources, and Payroll system, IFAS version 7.9, to Superior's cloud-based solution, Finance Enterprise;

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- (ii) Find and determine that it is in the District's best interest to waive the competitive solicitation requirements and authorize the General Manager to execute a Professional Services Agreement with Koa Hills Consulting LLC of Reno, NV, relative to Contract No. 2020-D-019, *IFAS Upgrade Consulting Services*, for the provision of technical and project management support for the migration of IFAS to Finance Enterprise for one-year term in the amount of \$348,528, and to establish a contract contingency in the amount of \$69,706; and,
- (iii) Establish a new capital project, *Financial Management System Upgrade* (Project #2018), for the upgrade of IFAS, with a budget total of \$700,000, which amount comprises the professional services component, contingency amounts, and 5% for general project expenditures.

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

AYES (10): Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan and Sobel; Second Vice President Cochran; First Vice President Theriault, President Pahre.

NOES (0): None.

ABSENT (7): Directors Arnold, Belforte, Fewer, Garbarino, Rabbitt, Sears and Yee.

(8) Receive the Independent Auditor's Engagement Letter for the Annual Financial Audit for the Year Ending June 30, 2020, as Submitted by Eide Bailly, LLP (Formally Known as Vavrinek, Trine, Day & Co., LLP)

(a) Staff Report

In a memorandum to the Committee, Director of Accounting Cody Smith, Auditor-Controller Joseph Wire and General Manager Denis Mulligan reported on staff's recommendation to receive the independent auditor's engagement letter for services related to the annual financial audit for the fiscal year ending June 30, 2020. 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.

(c) Discussion by the Committee

Chair Sobel asked about the cost of the audit. Mr. Wire responded the cost is just under \$100,000 a year. He added that the District is in the third year of a five-year contract with this vendor.

(d) Action by the Committee

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

RECOMMENDATION

The Finance-Auditing Committee/Committee of the Whole recommends the Board of Directors receive the independent auditor's engagement letter for services related to the annual financial audit for the year ending June 30, 2020, as submitted by Eide Bailly, LLP, formerly known as Vavrinek, Trine, Day & Co., LLP.

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

AYES (10): Directors Fredericks, Grosboll, Hernández, Hill, Mastin, Moylan and Sobel; Second Vice President Cochran; First Vice President Theriault, President Pahre.

NOES (0): None.

ABSENT (7): Directors Arnold, Belforte, Fewer, Garbarino, Rabbitt, Sears and Yee.

(9) Monthly Review of Golden Gate Bridge Traffic/Tolls and Bus and Ferry Transit Patronage/Fares (for Eight Months Ending February 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.

(10) Monthly Review of Financial Statements (for Eight Months Ending February 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.

Mr. Wire stated that he will provide more detail in April after the conclusion on the quarter. He noted the reports do not yet reflect any of the changes in the District's revenues as a result of the Shelter-in-Place (SIP) caused by the COVID-19 pandemic. He pointed out revenues increased slightly because this is leap year and there was an extra day in February.

(b) Statement of Capital Programs and Expenditures

In a memorandum to Committee, Analyst of Capital and Grant Programs Clifford Duong, Director of Capital and Grant Programs Amy Frye, 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. 10.a. and 10.b. are available on the District's web site or upon request from the Office of the District Secretary.

(c) **Discussion by Committee**

Director Hill asked if the increase in revenue for bridge traffic and transit ridership is solely the result of an extra day in February. Mr. Wire responded that when the District's Budget was created for the year, staff did not factor in an extra day of revenue in February. He said the additional full day of tolls and fares is noticeable. He noted that ferry ridership did increase more than anticipated.

Chair Sobel commented that he anticipates the Board will be quite surprised by next month's financial reports which will reflect decreased vehicle traffic and bus and ferry ridership as a result of the SIP. He asked if Mr. Mulligan would address the decreased vehicle traffic and bus and ferry ridership in the General Manager Report to the Board of Directors. Mr. Mulligan responded he will address the decreased vehicle traffic and bus and ferry ridership under agenda item 10.A. Special Order of Business at today's Board of Directors meeting.

(11) **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) Tony Trujillo v. Golden Gate Bridge, Highway and Transportation District.

[Directors Belforte and Fewer joined the call.]

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.

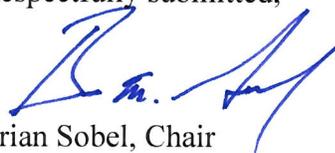
(12) **Public Comment**

There was no public comment.

(13) **Adjournment**

All business having been concluded, the meeting was adjourned at 10:00 a.m.

Respectfully submitted,



Brian Sobel, Chair
Finance-Auditing Committee