

April 23, 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 Golden Gate Bridge, Highway and Transportation District (District) was held via audio conference, on Thursday, April 23, 2020, at 10:00 a.m., Chair Sobel presiding.

- (1) **Call to Order:** 10:00 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 (4): Directors Belforte, Hill, Mastin and Theriault.

Committee of the Whole Members Present (10): Directors Belforte, Fredericks, Grosboll, Hill, Mastin, Moylan and Sobel; Second Vice President Cochran; First Vice President Theriault; President Pahre.

Committee of the Whole Members Absent (7): Directors Arnold, Fewer, Garbarino, Hernández, 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 March 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 stated that U.S. Treasury yields dropped in March as the COVID-19 spread across the world, and this decline was exacerbated by the Federal Reserve cutting the interest rate down to 0 to .25%. She said the yield on a two-year U.S. Treasury Note was 22 basis points. She noted the U.S. has the distinction of having the most confirmed coronavirus cases and related deaths.

Ms. Murphy said that Moody's Analytics did a study, which looked at economic exposures to the coronavirus by state. The Moody's Analytics study predicted that Nevada, Washington, Florida, New York, Washington D.C. and Hawaii would be hard hit, and California would be affected to a lesser degree.

Ms. Murphy reviewed large financial institutions predictions about how Gross Domestic Product (GDP) would be affected by the coronavirus. She noted the projections have a range with some economists projecting a contraction and then, a quick rebound, and other economists see a contraction and then, a slow rebound. She noted some of the results will be driven by the spread of the virus, how long it takes to get a vaccine, and when and how the U.S. returns to "normal."

Ms. Murphy highlighted that the Federal Reserve and lawmakers are doing what they can to support the financial markets. She reviewed a chart which shows how the Coronavirus Aid, Relief, and Economic Security (CARES) Act would be allocated. She noted other additional legislation is being developed.

Ms. Murphy said the corporate bond market has responded well to the Federal Reserve and lawmakers support of the financial markets, and have regained half the value they lost since mid-March. She noted the equities market is complicated by volatility in the oil market.

Ms. Murphy confirmed PFM staff are focused on maintaining the safety and liquidity of the District's portfolio. She said PFM staff has halted the purchase of new securities, and is placing anything maturing into liquidity vehicles. She noted the District has \$40 million in liquidity vehicles such as LAIF (Local Agency Investment Fund) and CAMP (California Asset Management Program), and will likely realize higher yields. She also said that PFM staff will scrutinize the District's investment for credit worthiness.

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 Belforte thanked Ms. Murphy for her report. She asked how the duration of the Shelter-in-Place (SIP) Orders could affect the United States' ability to emerge from economic disruption, and how inflation could be affected. Ms. Murphy responded that it is difficult to predict how the SIP will affect the United States' ability to emerge from economic disruption. She said that about half of the economists believe that SIP should be lifted sooner, and other half of economists believe SIP should stay in place for longer. They believe that if the SIP is lifted too soon, more people will become ill, and people's illnesses will further stifle economic recovery. She said she does not have a personal viewpoint on how long the SIP should stay in place. She stated that the coronavirus and SIP will affect economic growth, and the economy may not recover until the second half of the year. She stated she has not heard any projections about inflation moving in one direction or another. She said that people may not spend as much money and the reduced spending could keep inflation down. She noted the U.S. Treasury may have to issue bonds to pay off programs it is funding, and the issuance of bonds could push inflation up.

Director Hill asked how the organizations that are invested in fossil fuels and oil activity will be affected by the activity in these markets. Ms. Murphy commented that economists expect that when the economy is reopened, people's reliance on oil will continue to abate, and demand will continue to decline. She said she believes that fossil fuel companies are going to have to look harder at using alternative sources of energy.

Chair Sobel observed Chevron stock had a 52 week high of \$127 and now, is trading at \$87.52. He commented that the U.S. efforts to stimulate the economy is adding to the U.S. debt. He asked how much debt the U.S. could absorb. Ms. Murphy responded that is a good question. She noted that the District's Chevron note did mature as expected. She said the Federal Balance Sheet is at \$6 trillion and economists expect it will reach \$10 trillion. She said the U.S. Treasury will have to borrow significant amounts of money to pay it off. She said if we look at history, the same thing happened in 2008, and people were concerned. However, other people kept buying U.S. Treasuries. She said the expectation is the U.S. will issue the debt and the U.S. Treasury will be viewed as a risk free investment.

Chair Sobel thanked Ms. Murphy for her report, and wished her well.

[Director Grosboll departed, and the Committee was no longer a Committee of the Whole.]

(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) There are no commitments and/or expenditures to ratify for the period of March 1, 2020 through March 31, 2020;
- (ii) Ratify investments made during the period March 18, 2020 through April 14, 2020;
- (iii) Authorize the reinvestment, within the established policy of the Board, of any investments maturing between April 15, 2020 and May 19, 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 March 2020.

**Action by the Board at its meeting of April 24, 2020 – Resolution
CONSENT CALENDAR**

AYES (5): Chair Sobel; Vice Chair Fredericks; Directors Cochran and Moylan; President Pahre.
NOES (0): None.
ABSENT (2): Directors Grosboll and Yee.

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

No actions required authorization.

(5) Authorize Actions Related to Grant Programs

No actions required authorization.

(6) Approve Actions Relative to the Renewal of the Health and Benefits Insurance Plans

(a) Staff Report

In a memorandum to the Committee, Human Resources Manager Stephanie LaRue, Deputy General Manager/Administration and Development Kellee Hopper and General Manager Denis Mulligan reported on staff's recommendation to approve the policy year 2020-2021 premium rates for the Golden Gate Bridge, Highway and Transportation District's Health and Benefits Insurance Plans at an overall estimated renewal cost of \$33,579,681 representing an overall 1.5% decrease. 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 summarized the staff report. She noted this is an annual renewal. She said that after the staff report was issued, Blue Shield offered some savings which will result in relief of over \$300,000. She said that as part of the District's new Memorandum of Understanding with the Amalgamated Transit Union (ATU), ATU members will be converting to CalPERS health insurance on January 1, 2021. She noted the prices in the renewal are for the District's current costs.

(c) Discussion by the Committee

Director Moylan asked for an explanation about the Kaiser health insurance costs per person. Ms. Hopper said the cost difference could be the difference between the traditional and high deductible plans. Chair Sobel suggested that Ms. Hopper talk to Director Moylan separately. Ms. Hopper said she would call Director Moylan directly to review health insurance costs.

Chair Sobel requested the District send Blue Shield a letter of appreciation on behalf of the Board and the staff. Ms. Hopper agreed to send a letter of appreciation to Blue Shield.

(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 recommends the Board of Directors approve the policy year 2020-2021 premium rates for the Golden Gate Bridge, Highway and Transportation District's Health and Benefits Insurance Plans at an overall estimated renewal cost of \$33,579,681 representing an overall 1.5% decrease; with the understanding that requisite funding will be included in the FY 20/21 Operating Budget.

**Action by the Board at its meeting of April 24, 2020 – Resolution
NON-CONSENT CALENDAR**

AYES (5): Chair Sobel; Vice Chair Fredericks; Directors Cochran and Moylan; President Pahre.

NOES (0): None.

ABSENT (2): Directors Grosboll and Yee.

(7) Monthly Review of Golden Gate Bridge Traffic/Tolls and Bus and Ferry Transit Patronage/Fares (for Nine Months Ending March 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 was 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.

Mr. Wire reviewed the staff report. He said that the past month has been one of the most unusual months in the District's recent history. He pointed out that in March, Bridge traffic was down 42%. He noted the decline occurred primarily in the last two weeks of March. He said the District has reached a steady state of a traffic decrease of 71%. He pointed out the decline in revenue of \$4.6 million. He noted that as of today, the cumulative reduction in toll revenue is between \$10 and \$11 million.

Mr. Wire talked about the Covid-19 Shelter-in-Place (SIP). He said the SIP has had a tremendous effect on traffic. He pointed out that the SIP has also really affected bus ridership, which was down about 53% and revenue was down about 58%. He noted as of today, bus ridership is down about 92% below normal. The cumulative reduction in bus revenue is about \$1.6 million. He said that Ferry ridership is down 66% and revenue is down \$900,000. He noted as of today, ferry ridership is down about 99% below normal. The cumulative reduction in ferry revenue is \$2.1 million. He said the SIP Orders have been very successful with the District's customer base, and as a result, the District's business is seeing the effects.

(8) Monthly Review of Financial Statements (for Nine Months Ending March 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 reviewed the Statement of Revenue and Expenses. He said revenue is down about \$3 million and expenses are under budget about \$9 million. He said these declines are not unexpected, and expenses are under budget because of the District's conservative budget policies. He pointed out the District's consolidated revenues over expenses is about \$7 million. He noted expenses will likely be over revenue from May through July.

(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.

Mr. Wire reviewed the Capital Programs and Expenditures. He noted the District's Capital Program expenditures have not been very affected by the COVID-19 SIP Orders. He said the District's major contractors are providing essential services and are working. He also said that the same is true for the District's other expenses even though Procurement staff have purchased a few items related to COVID-19 safety precautions.

Copies of the reports for Item Nos. 8.a. and 8.b. are available on the District's web site or upon request from the Office of the District Secretary.

(c) Discussion by Committee

Director Cochran asked for more specifics about the decreases in bus and ferry ridership. He asked why Bridge traffic is not down as much as transit ridership. Mr. Wire said that Bridge traffic has plateaued at about 29% whereas bus ridership is about 8% and ferry ridership is about 1%. He said staff does not have data to support that more people are driving rather than taking transit, but noted staff believes more people are driving than taking transit.

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Director Cochran asked if people are thinking they may want to drive because there is reduced traffic and parking. Mr. Mulligan added that people may be more concerned about the spread of the novel coronavirus, and may feel more comfortable in their own vehicles.

Director Hill asked about how much money the District will get from the Coronavirus Aid, Relief and Economic Security (CARES) Act. Mr. Wire responded that the Metropolitan Transportation Commission (MTC) met yesterday and allocated about 60% of the CARES Act funding for the Bay Area. He said the District was allocated about \$30 million for transit. He added that the District will apply this money to its transit services and staff back to January 20, and believes the funding will last until about May to the beginning of June. He added that staff will have more precise projections next month.

Chair Sobel stated that the CARES Act funding will help offset the transit revenue losses. He asked how staff are occupied during the timeframe in which transit services are reduced. Mr. Mulligan responded that staff are being occupied in different ways depending on their division. He said that in the Ferry Division, Deckhands are doing maintenance work such as painting during mid-day, and receiving some training. He said Bus Operators are receiving training. He also noted there are more absences throughout the District due to COVID-19 such as eligibility for leaves because they have school age children at home, have a spouse who tested positive or are over 65 years old. He said that staff is still operating about 75% of its bus services. He noted the District is serving essential services workers, and also maintaining safe distancing. He said the District staff has cut ferry service at about 75%, and bus service at about 25%.

Chair Sobel said people are asking him how the District staff are being kept occupied. He suggested the District consider how to respond. Mr. Mulligan noted that some agencies are sending people home and paying them, and in contrast, the District is keeping people working.

Chair Sobel asked if the Board would hear more about the CARES Act funding at a later time. Mr. Mulligan confirmed staff would keep the Board informed about how the CARES Act funding is allocated.

Director Hill commented that he understands the new bills have relaxed the requirement for matching District funds. Mr. Mulligan explained the match Director Hill is referring to is normally an agency has to have a match for Federal Transit Administration funding of 50%. He said that the CARES Act funding the District receives will not require a match. He said the District can use it for funding transit net of any fares collected.

(9) Review of the District's FY 19/20 Third Quarterly Report of Judgments or Settled Claims

In a memorandum to the Committee, Director Risk Management and Safety Kelli Vitale, Deputy General Manager/Administration and Development Kellee Hopper, Auditor-Controller Joseph Wire and General Manager Denis Mulligan provided the Third Quarterly Report of Judgments or Settled Claims covering the period of January 1, 2020 through March 31, 2020. Mr. Manolius briefly reviewed the staff report.

The report is for informational purposes only and no action is recommended. A copy is available on the District's web site or upon request from the Office of the District Secretary.

(10) **Review of the Auditor-Controller's FY 19/20 Third Quarterly Report on Authorized Budget Adjustments and Budget Transfers Under the General Manager's Authority**

In a memorandum to the 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 a review of the Auditor-Controller's FY 19/20 Third Quarterly Report on Authorized Budget Adjustments and Budget Transfers under the General Manager's Authority, covering the period of January 1, 2020 through March 31, 2020. Mr. Wire briefly reviewed the staff report.

The report is for informational purposes only and no action is recommended. A copy is available on the District's web site or upon request from the Office of the District Secretary.

(11) **Review of the Auditor-Controller's FY 19/20 Third Quarterly Report on Procurement Actions Under the General Manager's Authority**

(a) **Staff Report**

In a memorandum to the Committee, Auditor-Controller Joseph Wire and General Manager Denis Mulligan provided a Review of the Auditor-Controller's FY 19/20 Third Quarterly Report on Procurement Actions under the General Manager's Authority for informational purposes only and no action is recommended. Mr. Wire briefly reviewed the staff report.

A copy is available on the District's web site or upon request from the Office of the District Secretary.

(12) **Public Comment**

There was no public comment.

Chair Sobel commended staff for their hard work under difficult circumstances. He noted it is appreciated by the Board.

(13) **Adjournment**

All business having been concluded, the meeting was adjourned at 10:51 a.m.

Respectfully submitted,



Brian Sobel, Chair
Finance-Auditing Committee