

January 23, 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, January 23, 2020, at 9:00 a.m., Vice Chair Fredericks presiding.

- (1) **Call to Order:** 9:00 a.m.
- (2) **Roll Call:** Secretary of the District Amorette M. Ko-Wong.

Committee Members Present (4): Vice Chair Fredericks; Directors Cochran and Moylan; President Pahre.

Committee Members Absent (3): Directors Grosboll and Yee; Chair Sobel.

Other Directors Present (7): Directors Arnold, Belforte, Hernández, Hill, Mastin, Sears and Theriault.

Committee of the Whole Members Present (11): Directors Arnold, Belforte, Fredericks, Hernández, Hill, Mastin, Moylan and Sears; Second Vice President Cochran; First Vice President Theriault; President Pahre.

Committee of the Whole Members Absent (6): Directors Fewer, Garbarino, Grosboll, Rabbitt, Sobel 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/Bridge Steve Miller; Division Deputy General Manager/Bus Transit Division Mona Babauta; Deputy General Manager/Ferry Division James Swindler.

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 December 2019 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 the U.S. Treasury yield curve steepened again in the month of December signaling a return to normalization. She stated recession fears are subsiding. Economists and consumers are optimistic due to the un-inverted yield curve, strengthening of job markets and positive developments in the ongoing trade war with China. She also stated U.S. manufacturing indicators continue to diverge causing it to be an area of concern and PFM will monitor this area.

Ms. Murphy noted that in December short-term security yields fell while intermediate- and long-term yields increased. PFM took advantage of the relatively attractive pricing to identify and purchase several 3- to 5-year U.S. Treasury notes, high quality negotiable bank CDs, and Corporate notes.

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

(b) Discussion by the Committee

Vice Chair Fredericks observed the job market reports do not differentiate between lower income and higher income employment improvements. She asked if there are any numbers identifying where jobs are being added, and the corresponding impact to disposable incomes and consumer spending changes. She also asked if the income metric is taken into consideration in market and economy forecasts. Ms. Murphy responded that there has been a lot of commentary about where jobs are being added, but she is not aware of any income metrics that assess if the jobs being added are high or low earner jobs. She added wage disparity between lower, medium and high wage earners continues to grow. She noted that lower and medium earners are being squeezed especially in terms of wage growth. The lower and medium wages have been ticking up, but not as quickly as would be expected in light of the low unemployment rate. She said she would research further and report back at a later date.

(c) Action by the Committee

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

RECOMMENDATION

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

- i. There were no commitments and/or expenditures to ratify for the period of December 1, 2019 through December 31, 2019.
- ii. Ratify investments made during the period December 10, 2019, through January 13, 2020;
- iii. Authorize the reinvestment, within the established policy of the Board, of any investments maturing between January 14, 2020, and February 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 December 2019.

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

AYES (4): Vice Chair Fredericks; Directors Cochran and Moylan; President Pahre.

NOES (0): None.

ABSENT (3): Directors Grosboll and Yee; Chair Sobel.

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

(a) Budget Increase and Increase in the Contracts Amount Relative to Contract No. 2018-D-096, Grants Management Professional Services

(i) Staff Report

In a memorandum to the Committee, Capital and Grants Programs Director Amy Frye, Auditor-Controller Joseph Wire and General Manager Denis Mulligan reported on staff's recommendation for authorization of a budget increase in the amount of \$200,000 relative to Contract No. 2018-D-096, *Grants Management Professional Services* in order to fund additional on-call grant development and professional support 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. Frye reviewed the staff report.

(iii) Discussion by Committee

President Pahre inquired if the action would extend the contracts or amend the amount of money staff is allowed to spend each year. Ms. Frye responded that the contract term is three years with two additional one-year options that will remain unchanged.

Ms. Frye further remarked that the recommendation is to increase the amount staff is allowed to spend for the third year to \$200,000, which increases the contract's not-to-exceed amount from \$365,000 to \$575,000. If one or both of the option years are exercised, staff must return to the Board to request additional funds.

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

(iv) **Action by the Committee**

RECOMMENDATION

The Finance-Auditing Committee recommends that the Board of Directors authorize a budget increase in the amount of \$200,000, with a corresponding increase in the contracts amount, relative to Contract No. 2018-D-096, *Grants Management Professional Services* in order to fund additional on-call grant development and professional support services.

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

AYES (4): Vice Chair Fredericks; Directors Cochran and Moylan; President Pahre.

NOES (0): None.

ABSENT (3): Chair Sobel; Directors Grosboll and Yee.

(5) **Authorize Actions Related to Grant Programs**

No actions required authorization.

(6) **Monthly Review of Golden Gate Bridge Traffic/Tolls and Bus and Ferry Transit Patronage/Fares (for Six Months Ending December 2019)**

(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.

(b) **Presentation by Staff**

Mr. Wire reviewed the staff report. He highlighted the slow reduction of vehicles crossing over the bridge over the last two years, and he noted the trend is ongoing. He said there is still no clear explanation for the trend. He added that while the District is seeing less vehicle crossings, toll revenue is up due to the recent toll increase. He pointed out that both bus and ferry passenger numbers show a similar trend over the last six months and revenue is also up due to the recent fare increases.

[Directors Belforte, Sears and Arnold arrived. With their arrival, the Committee became a Committee of the Whole.]

(c) Discussion by the Committee

Director Belforte asked if the decreased bridge and bus numbers have been isolated to commute days or spanned over all seven days of the week. She also asked if Sonoma-Marin Area Rail Transit (SMART) could be contributing to the loss of bus riders. Mr. Wire said it has been a while since he has looked at the data for bridge vehicle crossing, but his recollection was the reduction is occurring over all seven days of the week. He said he would review the data looking at all three divisions and report back at a later date. He noted that the Sausalito ferry riders are primarily non-commuters paying the cash fare, which is higher than the Clipper fare and contributes to the higher ferry revenue. He said there was no noticeable reduction due to SMART but that may change in the future if their routes begin to compete directly with the District's Highway 101 bus routes.

Director Belforte noted that the number of airline passengers flying out of Sonoma County Airport has risen to 500,000 annually, and as a result, these plane passengers are no longer crossing the Golden Gate Bridge to travel to the San Francisco International Airport. She said as the Sonoma County Airport continues to grow, local officials forecast passenger numbers will also grow. She suggested that the Sonoma County Airport passenger growth may be a noticeable contributor to the reduction in Bridge crossings. Mr. Mulligan stated that the Bridge vehicle crossings are also being driven by changing travel patterns as a result of increases in telecommuting and job locations. He also noted that the Sonoma County's population and housing stock reductions due to the catastrophic fires remain a significant factor in the reduced vehicle crossings.

Director Hill asked if the Metropolitan Transportation Commission (MTC) is doing any studies to look at Bay Area traffic pattern changes. Mr. Mulligan said MTC has hired University of California at Los Angeles researchers to look at the Bay Area traffic pattern changes. He noted the focus appears to be on individuals coming into San Francisco, most of which originate from the East and South Bay and not the North Bay. District staff is actively participating and contributing data to the study. A presentation of the study results to transit general managers is expected to be scheduled soon.

(7) Monthly Review of Financial Statements (for Six Months Ending December 2019)

(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 said the reduction expected in toll revenue has been offset by a slight increase in investment returns. He pointed out that expenses are considerably less than expected due primarily to staffing positions, which are budgeted but unfilled. Overall both revenue and expenses are on track.

(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 reported that Capital Expenditures are on track at 41% with the Suicide Deterrent System (SDS) project spending less than expected. However, the decreased spending for the SDS project is balanced by ferry maintenance project spending, which is faster than expected.

Copies of the reports for Item Nos. 7.a. and 7.b. are available on the District's web site or upon request from the Office of the District Secretary.

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

In a memorandum to the Committee, Director of 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 *Second Quarterly Report of Judgments or Settled Claims* covering the period of October 1, 2019 through December 31, 2019.

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.

Mr. Manolius said the list appears longer than usual because smaller general liability claims, such as rear view mirror damage claims, have been added.

(9) Review of the Auditor-Controller's FY 19/20 Second 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 report entitled, *Review of the Auditor-Controller's FY 19/20 Second Quarterly Report on Authorized Budget Adjustments and Budget Transfers Under the General Manager's Authority* covering the period of October 1, 2019 through December 31, 2019.

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 Auditor-Controller's FY 19/20 Second Quarterly Report on Procurement Actions under the General Manager's Authority

(a) Staff Report

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In a memorandum to the Committee, Auditor-Controller Joseph Wire and General Manager Denis Mulligan provided a report entitled, *Review of Auditor-Controller's FY 19/20 Second Quarterly Report on Procurement Actions under the General Manager's Authority*.

The report is informational 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) Public Comment

There was no public comment

(12) Adjournment

All business having been concluded, the meeting was adjourned at 9:42 a.m.

Respectfully submitted,



Alice Fredericks, Acting Chair
Finance-Auditing Committee

AF:AMK:EIE:mjl