



**BI-STATE DEVELOPMENT AGENCY / METRO
FINANCE & ADMINISTRATION COMMITTEE MEETING
OPEN SESSION MINUTES
MARCH 27, 2015**

Committee Members in Attendance

Missouri

Vernal Brown
Constance Gully
Aliah Holman (via phone)

Illinois

Tadas Kicielski, Chair (absent)
David Dietzel (absent)

Other Commissioners in Attendance

Michael Buehlhorn (via phone @ 8:17 a.m.)

Staff in Attendance

John Nations, President & CEO
Barbara Enneking, General Counsel and Deputy Secretary
Shirley Bryant, Certified Paralegal/Assistant Secretary
Kathy Klevorn, Sr. Vice-President, Chief Financial Officer
Melva Pete, Vice President, Human Resources
Jenny Nixon, Senior Vice President, Business Enterprises
Ray Friem, Chief Operating Officer-Transit Services
Brenda Krieger, Senior Administrative Assistant
Dianne Williams, Vice President, Communications & Marketing
Tammy Fulbright, Director, Treasury Services
Charles Stewart, Vice President, Pension and Insurance
David Toben, Director, Benefits
Jim Cali, Director, Internal Audit
Kent Swagler, Director, Corporate Compliance & Ethics
Mark Vago, Controller
Larry Jackson, Vice-President, Procurement, Inventory Management & Supply Diversity
Charles Pogorelac, Manager, Financial Planning and Budget
Kathy Brittin, Director, Risk Management, Safety & Claims
Tracy Beidleman, Director of Program Development and Grants
Justin Struttman, Director, Gateway Arch Operations
Jerry Valley, External Communications Manager
Tom Dunn, Director, Gateway Arch Riverboats
Jacqueline Covington, Administrative Technician-Finance

Others in Attendance

None

1. Call to Order

8:02 a.m. Commissioner Gully called the Open Session Finance & Administration Committee Meeting to order at 8:02 a.m.

2. Roll Call

8:02 a.m. Roll call was taken.

3. Public Comment

8:03 a.m. There was no public comment.

4. Minutes of Prior Open Session Finance and Administration Committee Meeting

8:03 a.m. The August 15, 2014, Open Session Finance and Administration Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes was made by Commissioner Brown and seconded by Commissioner Holman. **Motion passed unanimously.**

5. Establishment of Bank Accounts for Bi-State Development Internal Service Funds

8:04 a.m. The briefing paper regarding the establishment of bank accounts for Bi-State Development Internal Service Funds was provided in the Committee packet. Kathy Klevorn, Senior Vice President & Chief Financial Officer, and Tammy Fulbright, Director of Treasury Services, provided a brief overview. The Draft Self-Funded Health Insurance Plan Audit report was approved at the November 21, 2014, Board meeting. At that meeting, the Board also approved the recommendation to establish an Internal Service Fund (ISF) and a separate bank account for all BSDA/Metro Health Insurance Plan cash receipts and disbursements. Board approval would provide authorization to open an account when needed as Treasury Services moves forward with the ISF. A motion to approve and refer to the Board the request to authorize Treasury Services to establish bank accounts as needed for the Bi-State Development Internal Service Funds was made by Commissioner Brown and seconded by Commissioner Holman. **Motion passed unanimously.**

6. Contract Award: BarnesCare/BJC Corporate Health Services

8:04 a.m. The briefing paper regarding the Contract Award for BarnesCare/BJC Corporate Health Services was provided in the Committee packet. Larry Jackson, Vice President Procurement, Inventory Management & Supplier Diversity, and Kathy Brittin, Director, Risk Management, Safety & Claims, provided a brief overview. A Request for Proposals (RFP) was issued on December 10, 2014, seeking qualified firms to provide services for medical examinations, drug & alcohol screening, and other occupational medicine consulting services. Three proposals were received, reviewed, and evaluated, and the recommendation was to award the contract to BarnesCare/BJC Corporate Health Services. Although staffing requirements were included in the solicitation, Mr. Jackson advised the Committee that discussions are ongoing to determine whether or not to bring the wellness personnel under contract, or to contract it out. The briefing paper was prepared before this issue was finalized and the hourly rates were not included in the totals. If a decision is made to keep the wellness personnel under contract, the briefing paper will be revised prior to Board approval and award. The total cost of the program including the three (3) full time staff members would be approximately \$3.1 million. The wellness program has been very well received by the employees, and participation has consistently increased each year since inception. A new weight loss program entitled "Fit for 15" has begun and the results are very positive. The positive impact of the wellness program could potentially help in reducing medical costs as well as other savings. A final decision is expected in time to make the changes to the briefing paper if necessary. A motion to refer to the Board for approval the request to award contract 15-RFP-101247-DR – Occupational Medicine – Medical Examinations, Drug & Alcohol Screening to BarnesCare/BJC Corporate Health Services in the not to exceed amount of \$1,608,710 to provide the necessary occupational medicine services for the period of three (3) base years and two (2) one-year option years to be exercised at the Agency's discretion was made

by Commissioner Brown and seconded by Commissioner Holman. **Motion passed unanimously.**

7. Bi-State Development Agency Operating and Capital Budget FY 2016

8:10 a.m. The briefing paper regarding the Bi-State Development Agency Operating and Capital Budget, FY16 was provided in the Committee packet, together with the PowerPoint Presentation and draft Budget. Tracy Beidleman, Director Program Development & Grants, and Charles Pogorelac, Manager Financial Planning & Budget, provided a brief overview. The annual budget is presented in accordance with Board Policy and the funding source for the Operating and Capital Budget includes operating revenue of each entity, local, state and federal funding sources. The FY16 Operating and Capital Budgets take into account the current economic conditions and conservatively estimate revenue, expense, and capital replacement and rehabilitation needs. The Transit Operating and Non-Operating revenue total \$305.7 million with the largest contributions from St. Louis County, St. Clair County, St. Louis City, and passenger revenue. The Transit Operating and Non-Operating expenses total \$313.3 million with wages, benefits and OPEB making up the largest portion. The Capital Budget for FY16 through FY18 source of funds is \$155.2 million from local funding and \$464.4 million from federal funding for a total of \$619.6 million. Moving Ahead for Progress in the 21st Century (**MAP-21**) is currently in effect under the continuing resolution that expires May 31, 2015. MAP-21 was signed into law by President Obama on July 6, 2012. The 2015 Budget signed March 4, 2014, fully funds MAP-21 at authorized funding levels for surface transportation programs and includes a reserve for Surface Transportation Reauthorization of MAP-21 beyond its current expiration.

**** 8:17 a.m. Commissioner Buehlhorn joined the meeting.**

Discussions continued regarding the Business Enterprises FY16 Operating and Capital Budget, which includes the Gateway Arch, Riverfront Attractions, and the St. Louis Downtown Airport. The Regional Freight Partnership, Bi-State Development Research Institute, and Executive Services were also highlighted in this report. The combined revenue for FY16 for the Transit System, Executive Services, Gateway Arch Tram, St. Louis Downtown Airport, Riverfront Attractions, Regional Freight Partnership and the Research Institute totaled \$320.2 million. Total expenses excluding depreciation totaled \$326.7 million.

A motion for the Committee to approve and refer to the Board to approve the FY16 Operating and Capital Budget, the three (3) year Transportation Improvement Plan and the grant resolutions required to apply for federal and state funding necessary to support Bi-State's projects and programs was made by Commissioner Holman and seconded by Commissioner Brown. **Motion passed unanimously.**

8. 2nd Quarter Procurement Activity Report

8:47 a.m. The 2nd Quarter Procurement Activity Report was provided in the Committee package. Larry Jackson, Vice President Procurement, Inventory Management & Supplier Diversity, provided a brief overview discussing the non-competitive procurement trend, the procurement contract awards, contract modifications, Davis Bacon Act Projects, and the procurement card administration. A list of the construction projects that are currently underway was also provided in the Committee packet along with a procurement card program activity report. Some discussion followed regarding the DBE activity on the various projects. Mr. Jackson informed the Committee that future reports would include the DBE activity on a project by project basis. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

9. 2nd Quarter Financial Statements

8:55 a.m. The 2nd Quarter Financial Statements Report was provided in the Committee packet. Mark Vago, Controller, briefly discussed the combined schedule of revenues, expenses and net income (loss) for the quarter ending December 31, 2014. Executive Services had a total operating revenue of \$2 million for the first six months and operating expenses of \$1.4 million for an operating income of \$584,000. The Gateway Arch Tram operating revenue is \$2.9 million, with an operating expense of \$2 million for an operating income of approximately \$1 million. Non-operating expenses total \$5 million for a loss before depreciation of \$4.3 million. Of the \$5 million non-operating expense for the Gateway Arch, \$4.4 million was for the roof replacement as part of the construction and renovation of the Arch grounds. The income statement does not include the \$7.6 million bond deal completed to help with the Arch ground construction. The Gateway Arch Parking Garage is officially closed and deconstruction is in progress. The garage lost \$38,000 over a six month period, and there are a few outstanding bills to be paid to the National Park Service. The Riverfront Attractions total operating revenue was \$880,000, with expenses of \$1 million and an operating loss of \$123,000. Cruises, passengers, and revenue were off almost 50% compared to the prior year. The \$123,000 loss is within \$20,000 of the budget and it is expected that it will tick back up next year. The St. Louis Downtown Airport revenue was \$735,000 with expenses of \$706,000 for a total of \$29,000 operating income. The Transit System operating revenue was \$31.4 million, operating expenses of \$131 million for an operating loss of \$99 million. Passenger ridership was down slightly year to date primarily because of consumer fuel prices. Operating expenses also included \$2.5 million in payments related to contract negotiations. The total non-operating revenues (expenses) for the Transit System was at \$109 million and the total income before depreciation was \$9.9 million. Arts-in-Transit is not included on the revenue, expense and net income chart, but it had a total revenue of \$500. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

10. 2nd Quarter Performance Indicators

9:00 a.m. The 2nd Quarter Performance Indicators Report was provided in the Committee packet. Mark Vago, Controller, stated that some aspects of this agenda item were discussed during the financial statement presentation and no additional discussion or presentation was required. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

11. January Treasury Report

9:01 a.m. The December 31, 2014 and the January 31, 2015 Treasury Reports were provided in the Committee packet. Tammy Fulbright, Director, Treasury Services, provided a brief overview discussing the investments, debt management and fuel hedging. The economy is moving at a steady pace, consumer spending and the housing market are up slightly. The GDP from 2013 to 2014 is up approximately 2.4%, which is an indication that the economy is growing. The inflation number is slightly under 2% due to the lower than expected energy prices. Unemployment is currently at 5.5% but job growth has been constant, which is a positive trend. A rate increase is expected in June and it will be approximately 25 basis points. Treasury services manages approximately \$180 million in cash, cash equivalence and investments earning approximately 21 basis points. In January the one year US Treasury was between 16 and 18 basis points, but when we go out to bid and are looking at bonds the rates for the one year US Treasury is in the 30 basis point range. The two year is at approximately 80 basis points, and the three year at around 1% or more. This means that in June if the rates are raised by 25 basis points, the Agency will continue to see an increase in its investments. This report was informational only and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

12. Pension Plan & 401(k) Retirement Savings Program Investment Performance Update as of 12/31/14

9:02 a.m. The Pension Plan & 401(k) Retirement Savings Program Investment Performance Update as of 12/31/14 was provided in the Committee packet. Charles Stewart, Vice President, Pension and Insurance provided a brief overview. Mr. Stewart discussed the 4th Quarter 2014 Pension Plan, 401(k) Retirement Savings Program and OPEB Trust Investment Performance Reports that were presented to the respective trustees by Ellwood Associates, at the February 2015 trustee meetings.

Salaried Pension Plan: The Salaried Pension Plan total assets as of December 31, 2014 were \$55.8 million. In 2014 due to modifications to the salaried retirement programs, the portfolio experienced net negative cash flows, while favorable investment returns improved overall plan assets. The significant changes of contributions and withdrawals of the Plan during 2014 were primarily the result of allowing term vested retirees an opportunity to take a lump sum payment out of the fund and that withdrawal totaled approximately \$1.9 million. The Salaried plan trust grew by \$0.9 million since the beginning of the year. During the first quarter, the portfolio gained 1.1% and was in line with the total portfolio benchmark. No additional manager changes were recommended.

401(k) Retirement Savings Program: The total assets as of December 31, 2014 were \$40.5 million. In 2014, there was a new participant contribution of \$6.2 million, primarily due to the modifications to the salaried retirement programs. Contributions into the retirement program going forward are expected to be \$2 to \$3 million annually. Individual funds and asset types remain unchanged since the beginning of the year; and T. Rowe Price Lifecycle Funds continue to grow in popularity. The managers have continued to produce strong, positive relative returns over longer periods and no changes were recommended.

IBEW Pension Trust – Local 2 and Local 309: The total assets as of December 31, 2014 were \$3.5 million, a gain of approximately \$600,000 since the beginning of the calendar year. The portfolio advanced 5.1% during 2014, but trailed the portfolio's benchmark by 220 basis points. Longer term performance remains favorable. No manager changes were recommended at this time.

788 Master Trust Pension Plan: The total assets are at \$118.4 million. The flow of funds have been negative with contributions of \$12.9 million compared to benefit withdrawals of -\$15.5 million. Investment earnings outweighed any impact from negative fund flows and the portfolio gained \$5.7 million in market value due to positive returns from investments in 2014. As of September 2014, the Master Trust is in line with its target allocations and there is no need to rebalance the portfolio at this time. The asset allocation for the Clerical Plans was also reviewed and the current asset class exposures are more unbalanced, but there is no need to rebalance at this time.

OPEB Retirement Trust: As of December 31, 2014, the total assets were \$16.0 million, which is up \$3.2 million from the beginning of the year. Contributions into the plan were \$2.6 million and the Agency expects to make contributions to the OPEB Trust annually in May/June of each calendar year. The total portfolio asset allocation is in line with target allocations, investment managers are performing in line with expectation and no rebalancing or change in management is recommended at this time. These reports were informational only and no Committee action was required. A copy of the reports will be kept at the office of the Deputy Secretary.

13. Unscheduled Business

9:25 a.m. The briefing paper regarding the contract extensions for Bi-State Development Agency's Legal Counsel was distributed at the meeting. Larry Jackson, Vice President, Procurement, Inventory Management & Supplier Diversity, and Kathy Brittin, Director Risk Management, Safety & Claims provided a brief overview. The Board authorized the President & CEO to award legal counsel agreements in October 2009. The Agency entered into these contracts through competitive negotiations. Typically these contracts would have been re-procured last year, but due to changes in staffing with key individuals such as the General Counsel and Director of Risk Management, who would have been impacted by these contracts, management decided to defer and extend the contracts for six months. When the technical requirements and Scope of Services have been redefined, new proposals for legal services will be solicited. A time extension for the existing contracts is necessary in order to provide sufficient time to solicit and evaluate new proposals.

A motion for the Committee to approve and forward to the Board for approval the request to extend the contract agreements for Agency's Legal Counsel for an additional six month period, and to enter into negotiations to determine rates with the firms the Agency is currently doing business with was made by Commissioner Buehlhorn and seconded by Commissioner Brown. **Motion passed unanimously.**

14. Executive Session - If such action is approved by a majority vote of the Bi-State Development Agency's Board of Commissioners who constitute a quorum, the Board may go into closed session to discuss legal, confidential, or privileged matters under §610.021(1); RSMo; leasing, purchase or sale of real estate under §610.021(2); personnel actions under §610.021(3); discussions regarding negotiations with employee groups under §610.021(9); sealed bids, proposals and documents related to negotiated contracts under §610.021(12); personnel records or applications under §610.021(13); records which are otherwise protected from disclosure by law under §610.021(14); records relating to hotlines established for report abuse and wrongdoing under §610.021(16); or confidential or privileged communications with the District's auditor, including auditor work products under §610.021(17).

9:26 a.m. No Executive Session was required.

15. Call of Dates for Future Committee Meetings

9:27 a.m. A Board meeting is scheduled for Friday, April 24, 2015, at 8:00 a.m.; a Finance & Administration Committee Meeting is scheduled for Friday, May 15, 2015, at 8:00 a.m.; an Operations Committee meeting is scheduled for Tuesday, May 19, 2015, at 8:00 a.m.; and an Audit Committee meeting is scheduled for Friday May 22, 2015, at 8:00 a.m.

16. Adjournment

9:27 a.m. A motion to adjourn the Open Session Finance & Administration Committee Meeting was made by Commissioner Holman and seconded by Commissioner Brown. **Motion passed unanimously.**