

**BI-STATE DEVELOPMENT
FINANCE & ADMINISTRATION COMMITTEE MEETING
OPEN SESSION MINUTES
AUGUST 26, 2016**

Committee Members in Attendance

Missouri

Vernal Brown
Constance Gully, Chair of Meeting
Aliah Holman (via phone)

Illinois

Tadas Kicielinski, Committee Chairman (absent)
David Dietzel (absent)

Other Commissioners in Attendance

Michael Buehlhorn (via phone @ 8:03 a.m.)

Staff in Attendance

John Nations, President & CEO
Barbara Enneking, General Counsel and Deputy Secretary
Shirley Bryant, Certified Paralegal
Jim Cali, Director of Internal Audit
Larry Jackson, Executive Vice President for Administration
Kathy Klevorn, Sr. Vice-President and Chief Financial Officer
Barbara Georgeff, Director of Executive Services
Brenda Krieger, Executive Assistant
Lisa Burke, Temporary Executive Assistant
Mark Vago, Controller
Erick Dahl, Director, St. Louis Downtown Airport
Patti Beck, Director, Communications
Tammy Fulbright, Director, Treasury Services
Charlie Pogorelac, Manager, Financial Planning & Budget
Christine Olden, Supervisor Accounting
Adam Schisler, Budget System Administrator
Virginia Alt-Hildebrandt, Executive Assistant
Dave Sanders, Strategic Business Development Manager
Jenny Nixon, Executive Director Tourism Innovation
Maryanne Coley, Manager Benefits
Kathy Brittin, Director, Risk Management, Safety & Claims
Kevin Kloever, Manager, Insurance & Analysis
David Toben, Director, Benefits
Elizabeth Farr, Associate Project Manager – Economic Development
John Langa, Vice President, Economic Development
Michael Gibbs, Accountant-Business Enterprises
Charles Priscu, Director, Labor Relations
Scott Patsaros, Manager, Absence Management

Others in Attendance

None

- 1. Call to Order**
8:02 a.m. Chair Gully called the Open Session Finance and Administration Committee Meeting to order at 8:02 a.m.
- 2. Roll Call**
8:03 a.m. Roll call was taken.
- 3. Public Comment**
8:03 a.m. There was no public comment.
- 4. Minutes from March 18, 2016 Finance and Administration Committee Meeting - Open Session**
8:03 a.m. The March 18, 2016, 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. Expanded Scope of Marketing Agency Services Contract with Maring Weissman (dba Dovetail)**
8:04 a.m. The briefing paper regarding the Expanded Scope of Marketing Agency Services Contract with Maring Weissman d/b/a Dovetail was provided in the Committee packet. Jenny Nixon, Executive Director Tourism Innovation, introduced Dave Sanders, Strategic Business Development Manager to provide a brief overview. During the last four years the City Arch River Project (**CAR**) and other improvements at the Jefferson National Expansion Memorial (**JNEM**) have progressed and the extent of the new visitor experience at the Gateway Arch Riverfront has become clearer. Some major changes include a new ticketing center, new museum with multimedia exhibits new interactive tram load zone exhibits, and new changes to the riverfront. Because of these new changes, the Gateway Arch Riverfront brand needs to be redefined and updated to reflect the new visitor experience. A motion for the Finance & Administration Committee to approve and refer to the Board to approve the request to expand the scope and overall contract amount of the marketing Agency Services Contract (13-RFP-5975-SS) with Maring Weissman (d/b/a Dovetail) for the purpose of rebranding the Gateway Arch Riverfront brand to reflect the new visitor experience as a result of the CAR Project and other changes at the JNEM for a total cost of \$724,000 was made by Commissioner Brown and seconded by Commissioner Holman. **Motion passed unanimously.**
- 6. Sole Source Contracts for Hardware and Software Maintenance**
8:07 a.m. The briefing paper regarding the Sole Source Contracts for Hardware and Software Maintenance was provided in the Committee packet. Larry Jackson, Executive Vice President Administration, provided a brief overview. Pursuant to the Commissioners' request at the 2013 Operations Committee meeting it was suggested that the Agency consider revising the individual contract submission for approval in favor of an annual approval of the required contracts. As such, the Bi-State Development FY17 Operating Budget allocates approximately \$2.4 million for costs associated with hardware and software maintenance contracts. Most of the contracts are less than \$100,000 and do not require Board approval; however, there are three providers whose annual costs are anticipated to exceed \$100,000 and, therefore, will require Board approval. Those providers are Kronos, Oracle, and Trapeze. A motion for the Finance and Administration Committee to approve and forward to the Board for approval the request to authorize the President & CEO to enter into "sole source" contracts for the support of Bi-State Development's hardware and software systems as required and within the amounts provided for in the FY 2017 Operating Budget as

approved by the Board on April 22, 2016, was made by Commissioner Brown and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

7. Revision of Board Policies – Section 10.060 Board and Committee Meetings, Section 10.070 Public Meetings, Section 10.080 Public Records

8:09 a.m. The briefing paper and attachments regarding the revision of Board Policies, *Section 10.060 Board and Committee Meetings, Section 10.070 Public Meetings, Section 10.080 Public Records* was provided in the Committee packet. Barbara Enneking, General Counsel provided a brief overview. These policies need to be updated to conform with current Bi-State Development (**BSD**) practices and more particularly to reflect the following changes: Board Policy, *Section 10.060 Board and Committee Meetings, Section 10.070 Public Meetings*, needs to reflect the changes to the BSD meeting notices and posting procedures due to the new Headquarters location. Board Policy, *Section 10.080 Public Records* needs to be revised to fully implement the decision in *KMOV TV, Inc. v. Bi-State Development Agency of the Missouri-Illinois Metropolitan District, d/b/a Metro* (2008), which held that the Agency is not subject to the Missouri Sunshine Law or the Illinois Freedom of Information Act. The Agency has acknowledged its desire to continue to be transparent, however, these policies, as they are currently written, allow for ambiguity or a conflict as to which jurisdiction's laws should apply. In addition, the Agency enters into closed session meetings, pursuant to Missouri Sunshine Law statutory exemptions, to discuss confidential matters. These Missouri exemptions are not always identical to the Illinois Freedom of Information Act exemptions and this could also cause ambiguity or conflicts regarding the appropriate law to use. The revision to the Board Policies, *Section 10.080 Public Records* will be policies unique to the Agency. The revised Public Records policy also indicates that the Agency reserves the right to close any records at its discretion, if it is deemed to be in the best interest of the Agency. Because of these revisions a new internal appeal provision has been added to allow for a review of a denied record request. Additionally, a twenty-five dollar (\$25) record request fee has been added to help defray the expenses of the considerable staff time that is devoted to Agency records requests. This fee can be waived or reduced in circumstances where the records would contribute to the understanding of the Agency's operations or activities. A motion for the Finance and Administration Committee to approve and refer to the Board for approval the revised Board Policies, *Section 10.060 Board and Committee Meetings, Section 10.070 Public Meetings, and Section 10.080 Public Records*; and that the Chairman of the Board designate that the proposed revisions not be tabled pursuant to *Article VI(D)* of the Board Policies; and that the Board Policies be approved at the September 23, 2016 Board meeting was made by Commissioner Brown and seconded by Commissioner Holman. **Motion passed unanimously.**

8. Sole Source Contract Award: Mike's Towing & Automotive for Towing and Wrecker Services

8:15 a.m. The briefing paper regarding the Sole Source Contract Award for Mike's Towing & Automotive for Towing and Wrecker Services was provided in the Committee packet. Larry Jackson, Executive Vice President Administration, provided a brief overview. Bi-State Development (**BSD**) solicited bids for qualified contracts to provide on-call towing and wrecker services for BSD's fleet of buses, trucks, automobiles, and vans. There were nine (9) local towing companies invited to participate and only one (1) bid was received from Mike's Towing & Automotive (Mike's Towing). Mike's Towing is the current contractor for this service and the previous contract towing costs averaged approximately \$76,940 per year. BSD has been satisfied with the service provided by this company. A motion for the Finance and Administration Committee to approve and refer to the Board to approve the sole source contract for Mike's Towing & Automotive for a three year base contract with two one-year pre-priced exercisable options for

towing and wrecker services, per the rates established in the contract was made by Commissioner Brown and seconded by Commissioner Holman. **Motion passed unanimously.**

9. 4th Quarter Financial Statements

8:22 a.m. The 4th Quarter Financial Statements Report was provided in the Committee packet. Mark Vago, Controller, provided a brief overview. The 4th Quarter Financial Statements for June 30, 2016, show results, including analysis and financial position, for each operating unit. These results are unaudited and subject to change. BSD's enterprise funds and internal service funds indicate that the government wide entity has net assets of \$1.45 billion and income before depreciation of \$9 million for FY 2016 ending June 30, 2016. Mr. Vago also discussed the total revenue, expenses and net income before depreciation for the Executive Services, Gateway Arch Trams, Riverfront Attractions, and the St. Louis Downtown Airport. Some discussion followed regarding the capital budget and the replenishment plan compared to the depreciation loss; and the Government Wide Statement of Activities. This report was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

10. 4th Quarter Performance Indicators

8:34 a.m. The 4th Quarter Performance Indicators Report was provided in the Committee packet. Mark Vago, Controller, provided a brief overview. Metro Transit's performance indicators show the two year trend for ridership for MetroBus is down about 8%, the two year trend for MetroLink is down 9.5%, and Call-A-Ride has remained stable. Fare Box Recovery has been above 20%, and this year it is down to 18.3%. The fuel sales and aircraft movement and the aircraft that are based at the airport are also up slightly and the revenue is up slightly as well. The Arch Tram ridership is down but revenue remained constant because of the pricing strategy that was initiated. The Research Institute, Arts-In-Transit, and the Freight District, at this point, do not have performance indicators. This report was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

11. 4th Quarter Procurement Report

8:35 a.m. The 4th Quarter Procurement Report was provided in the Committee packet. Larry Jackson, Executive Vice President Administration, provided a brief overview. The year-end procurement activity report for FY 2016 includes information on the sole source contracts and all the contract awards for applications for the year. This report indicates that total sole source contracts at year-end was 8.6% or \$9.9 million of the \$115 million in expenditures. All sole source contracts that exceed \$100,000 are presented to the Board for approval; and although there may be a perceived high volume of sole source contracts, the amount of sole source compared to all contracts awarded is low. Mr. Jackson informed the Committee that the Procurement Department was recently awarded the Procurement Award of Excellence for the fourth year in a row. BSD is one of only two entities in the State of Missouri that has achieved this level of recognition. This report was informational only and no Committee action was required. A copy of this report will be kept at the office of the Deputy Secretary.

12. June Treasury Report

8:40 a.m. The June 30, 2016, Treasury Report was provided in the Committee packet. Tammy Fulbright, Director, Treasury Services, provided a brief overview. Bi-State Directed Funds at June 30, 2016 were approximately \$196 million. This consisted of cash, cash equivalents such as repurchase agreements, money markets, and investments of collateralized CDs, US Treasury Bills, Notes, Agency Bonds, and Agency Discount Notes. The average return on Bi-State Directed Funds averaged 15 basis points for 2014; 28 basis points in 2015; and 50 basis points in 2016. The Trustee Directed Funds are at \$50 million with an average rate of return of 1 ¼ percent. Because of poor

job reporting and actual inflation numbers, the Fed met in June and decided not to raise rates. They met again in July and the job reporting number had improved but the inflation rates were still questionable and under 2%, so they again decided to wait on raising rates. It is unlikely that they will raise rates during election time; the speculation is that they will increase in September or most likely in December. Today's markets are showing one year short term investments are trading at 56 basis points, a little higher than what they were in June. Long term rates for 2-year and 3-year agencies are up, 2-year bonds are at 1%, and 3-year bonds are at 1.10%. 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.

13. Update on Risk Management Insurance Program

8:48 a.m. The briefing paper regarding the Update on Risk Management Insurance Program was provided in the Committee packet. Charles Stewart, Vice President Pension and Insurance, and Kathy Brittin, Director, Risk Management Safety & Claims, provided a brief overview. Risk Management is responsible for the design, implementation and monitoring of the self-insurance and insurance program. BSD has an insurance consultant contract with Arthur Gallagher Risk Management Services, Inc. to provide insurance marketing services, loss control consulting and risk financing recommendations. BSD reviews and renews coverage on July 1 of each fiscal year. Depending on market conditions and changes in operating exposures, BSD, along with the consultant, selectively markets some lines and renew others. The FY 2017 improvements were as follows: 1) Aviation liability was placed with a new insurance carrier, Starr Indemnity, that resulted in a 49% saving over the expiring contract. 2) Workers' Compensation coverage for the St. Louis Downtown Airport was marketed because the insurance carrier from last year no longer wrote airport workers' compensation coverage. The new workers' compensation insurance carrier is Starr Indemnity, and the premium increased because of payroll increases. 3) The Riverboats Marine Insurance coverage was renewed with a 7% decrease. The decrease was due in part because of the reduction in the value of the patio barge after a marine appraisal; and market competition. The Hartford package and umbrella policies decreased due to the deletion of the old headquarters building and a rate reduction. 4) Cyber liability insurance coverage was secured for FY 2017. This coverage is with Indian Harbor Insurance Company, an XL Catlin company. The liability limit is \$10,000,000 and the retention is \$100,000. Overall the insurance premiums are just under \$3 million for FY 2016, insurance premiums for FY 2017 are \$2.87 million. The savings over last year, with the same coverages in place, are just under \$100,000, which allowed Risk Management to purchase the cyber coverage and have a savings in the amount of \$12,000. 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.

14. Pension Plan, 401K Retirement Savings Program and OPEB Trust Investment Performance Update as of June 30, 2016

8:55 a.m. The briefing paper and attachments regarding the Pension Plan, 401K Retirement Savings Program and OPEB Trust Investment Performance Update as of June 30, 2016 were provided in the Committee packet. Charles Stewart, Vice President Pension and Insurance, provided a brief overview. Asset allocation studies for the pension plans and the OPEB Trust were prepared by Ellwood. The annual valuation reports prepared by Milliman, Inc. were also reviewed by Ellwood. These reports provide details on the funding status, expected obligations and changes to actuarial assumptions. Ellwood concluded that the portfolios would likely achieve lower capital market returns over the next several years due to: 1) U.S. economic growth continuing a moderate recovery; 2) Widespread concern about global economic growth; 3) Lower and/or negative interest rates; and 4) Concerns regarding corporate earnings growth, with a potential to negatively impact stock prices. Ellwood changed expectations for returns to 6.7% for the OPEB Trust, 6.3% for the

Salaried Pension Plan, 6.3% for the IBEW Pension Plan and 6.7% for the 788 Pension Plan. There were no recommendations to alter asset allocations as a result of this analysis. As of June 30, the Salaried Pension Plan assets were \$54.1 million, and all the portfolio's investments are performing in line with expectations. The total 401(k) Plan assets are \$41.4 million. The Committee approved two changes to the 401(k) program, which were the elimination of the Goldman Sachs Money Market Fund, as well as the addition of the MetWest Total Return Fund. This transition was finalized in July 2016. The IBEW Pension Trust, Local 2 and Local 309 total assets are \$4.0 million. The IBEW Pension Trust asset allocation continues to be split between 65% equities and 35% fixed income. Ellwood recommended, and the Committee approved reinvesting \$50,000 of the Pension's cash balance with Harbor International. All of the Portfolio's investment managers are performing in line with expectations. The 788 Pension Plan total assets are \$116.2 million. Fund flows to date have been modestly negative with contributions of \$6.5 million and benefit payments and/or withdrawals of \$8 million. Longer term performance remains favorable and no action to rebalance the Portfolio is recommended at this time. BlueCrest Capital Management announced in November 2015 that they were closing their investment business to outside investors and returned client capital. The Plan has received back most of their investment and a 10% reserve will be withheld until July 2016, when the Fund completes its final audit. Due to the fund closing, the Committee approved redeploying the proceeds from BlueCrest to the existing hedge fund managers at \$2 million each. All other investment managers are performing in line with Ellwood's expectations. The OPEB Trust total assets were \$21.5 million and all of the Portfolio's investment managers were performing in line with expectations. 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.

15. Unscheduled Business

9:13 a.m. Mary Lamie, Executive Director, St. Louis Regional Freightway, presented a briefing paper entitled St. Louis Regional Freightway 2016 Freight Development Project List, a copy of which was distributed to the Committee. The St. Louis Regional Freightway's mission is to develop and grow the manufacturing and logistic industries through partnerships with public and private sector leaders. The Needs Analysis and Freight Development Committee (**NAFD**) Committee prepared a priority list of multimodal transportation projects that align economic development with the region's supply chain. The projects were developed through a request for projects throughout the St. Louis region from state and local agencies and the NAFD Committee members. At the inaugural NAFD Committee meeting held on February 23, 2016, projects were vetted with public and private stakeholders from across the region. The project list was coordinated with both the Missouri and Illinois Department of Transportation, as well as the East-West Gateway Council of Governments. NAFD met on April 5, 2016 to finalize the list and release it to the public during the April 2016 Freight Summit. The list was also approved by the Freightway Council during the August 17, 2016 Council meeting. A motion for the Committee to refer this agenda item to the Board for approval of the St. Louis Regional Freightway 2016 Freight Development Project List was made by Commissioner Holman and seconded by Commissioner Brown. **Motion passed unanimously.**

16. Call of Dates for Future Committee Meetings

9:20 a.m. The next Board meeting is scheduled for Friday, September 23, 2016 at 8:00 a.m.; the next Business Services and Economic Development Committee meeting is scheduled for Friday, October 14, 2016 at 8:00 a.m.; the next Operations Committee meeting is scheduled for Tuesday, October 18, 2016 at 8:00 a.m.; and the next Audit Committee meeting is scheduled for Friday, October 21, 2016 at 8:00 a.m.

21. **Executive Session - If such action is approved by a majority vote of the Bi-State Development'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 reporting 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).**

8:20 a.m. Pursuant to the requirements of Section 610.021(1) of the Revised Statutes of Missouri, Chair Gully requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by Commissioner Brown and seconded by Commissioner Holman. A roll call vote was taken and the Commissioners present, Brown, Gully, Holman and Buehlhorn voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned.**

Deputy Secretary to the Board of Commissioners
Bi-State Development