



**BI-STATE DEVELOPMENT
BUSINESS SERVICES & ECONOMIC DEVELOPMENT COMMITTEE
OPEN SESSION MINUTES
OCTOBER 16, 2015**

Committee Members in Attendance

Missouri

Aliah Holman, Chair
Vincent Schoemehl (absent)

Illinois

Michael Buehlhorn
Irma Golliday (absent)
Tadas Kicielinski (absent)

Other Commissioners in Attendance

Kelley Farrell

Staff in Attendance

John Nations, President & CEO
Barbara Enneking, General Counsel/Deputy Secretary
Shirley Bryant, Certified Paralegal
Jenny Nixon, Senior Vice President, Business Enterprises
John Langa, Vice President, Economic Development
Jeff Braun, Director, Real Estate
Kyra Nichols, Administrative Assistant
Barbara Georgeff, Executive Assistant to the President & CEO
Lindsey Erb, Marketing Specialist
Larry Jackson, Vice President, Procurement, Inventory Management & Supplier Diversity
Patti Beck, Director, Communications
Kathy Klevorn, Senior Vice President, Chief Financial Officer
Thomas Dunn, Director, Gateway Arch Riverboats
Chance Baragary, Project Manager II – Engineering
Jim Cali, Director, Internal Audit
Erick Dahl, Director St. Louis Downtown Airport
Tammy Fulbright, Director Treasury Services
Brenda Krieger, Sr. Administrative Assistant
Kent Swagler, Director, Corporate Compliance and Ethics
Darcy Bates, Sr. Administrative Assistant
Sarah Clarke, Director Gateway Arch Operations
Michael Gibbs, Accountant-Business Services
Reginald Cavitt, ATU 788
Jerry Vallely, External Communications Manager

Others in Attendance

Jeffrey LeMunyon, Principal, Linwood Capital, LLC

1. Call to Order

8:00 a.m. Chair Holman called the Open Session Business Services & Economic Development Committee Meeting to order at 8:00 a.m.

2. **Roll Call**
8:00 a.m. Roll call was taken.
3. **Public Comment**
8:00 a.m. There was no public comment.
4. **Minutes of Prior Open Session Business Services and Economic Development Committee Meeting**
8:01 a.m. The March 20, 2015, Open Session Business Services and Economic Development Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes was made by Commissioner Buehlhorn and seconded by Chair Holman. **Motion passed unanimously.**
5. **Fuel Hedging Program Statement of Policy and Strategy**
8:05 a.m. The briefing paper and PowerPoint presentation regarding the Fuel Hedging Program Statement of Policy and Strategy were provided in the Committee packet. Kathy Klevorn, Sr. Vice President & CFO, and Jeffrey LeMunyon, Principal, Linwood Capital, LLC (“**Linwood**”) provided a brief overview. Bi-State Development (**BSD**) uses commodities that have the capability of high price volatility such as diesel, electricity and natural gas in the practice of its businesses. In an effort to decrease cost volatility, BSD uses hedging techniques to: 1) increase the likelihood that the actual net cost would remain below the budgeted cost; 2) increase the certainty of future cost; 3) attain a lower overall cost in the long-term; and 4) manage year-over-year changes in fuel and electricity cost. Certain goals will be accomplished by Linwood executing the appropriate transactions at the right times to create the desired effect within the constraints of the policy. The current oversupply of oil of 1.5 to 3 million barrels per day is causing an imbalance that is forecasted to continue through 2016. U. S. Inventories are down slightly and the inventory overhang will keep prices relatively low. Domestic production has declined since June. The dollar index has stabilized and a strong dollar puts downward pressure on prices. Sharp rig count decline has ended, and that is expected to lower U.S. production. Prices have continued to move lower over the past three months. These economic conditions created a downward price pressure for spot and forward prices. With current conditions, BSD can lock in the cost of diesel fuel for FY17 and FY18 at approximately \$1.88, which is lower than all fiscal year average prices from FY06 through FY15. Mr. LeMunyon recommends that BSD’s current practice of hedging up to 18 months at approximately 70% of its fuel purchases be increased to 36 months, and approximately 95% of its fuel purchases, if conditions are appropriate. 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.
6. **Revision to Board Policy, Chapter 30, Section 30.070, Hedging**
8:25 a.m. The briefing paper regarding the revision to *Board Policy, Chapter 30, Section 30.070, Hedging* was provided in the Committee packet. Kathy Klevorn, Sr. Vice President & CFO, provided a brief overview. Bi-State Development (BSD) uses commodities such as diesel, electricity, and natural gas in the practice of its businesses. BSD manages financial risks attributed to the price variability of diesel, electricity and natural gas usage through the use of hedging techniques. This Board Policy outlines how the Agency manages those risks, what techniques would be employed, and the general guidelines to be followed. However, this Board Policy has not been updated since 2001, and after reviewing the current policy it was determined that the language related to financial hedge transactions should be refined to provide greater clarity and that the members of the Hedging Committee should be revised.

John Nations, President & CEO, requested that the Committee approve the policy revision and refer to the full Board for approval at the November 20, 2015 meeting, without the necessity to hold over for an

additional 30 days in accordance with Board Policy provisions. A motion for the Committee to approve and refer to the Board for approval the revised *Board Policy, Chapter 30, Section 30.070 Hedging* and that the Chairman waive the thirty (30) day hold to provide for immediate approval at the November 20, 2015 Board meeting was made by Commissioner Farrell and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

7. Contract Modification: Jefferson National Expansion Memorial Motor-Generator Sets Replacement – Additional Design by Maida Engineering

8:28 a.m. The briefing paper regarding the Contract Modification for the Jefferson National Expansion Memorial Motor-Generator Sets Replacement – Additional Design by Maida Engineering, Inc. (**Maida**) was provided in the Committee packet. Chance Baragary, Manager Gateway Arch Construction, provided a brief overview. The Arch Transportation System (**ATS**) uses motor-generated (**MG**) sets that consist of alternating current motors and direct current (**DC**) generators to power the DC hoist motors for the north and south trams. This technology has been outdated since the 1980's, and is now being replaced with variable frequency drive (**VFD**) systems. The Board approved a sole source contract with Maida on March 22, 2013, for an amount not to exceed \$615,000 for the design and engineering services to complete the bid documents for the MG set replacement. This contract award covered the first three envisioned phases, Preliminary Design, Bid Documents, and Bid Phase Services. On April 24, 2015, the Board approved a sole source contract not to exceed \$430,000 to Maida for additional services leading into and through construction that covered the Construction Design (**CD**) and Services During Construction (**SDC**) phases. A joint decision was made near the end of the design process between Bi-State Development (**BSD**), the National Park Service (**NPS**) and Maida to shift the System Integration (**SI**) responsibilities to the construction contractor. Maida was retained under a separate contract to serve in a systems integration support role as needed throughout construction, representing BSD in technical review matters associated with the contractor's SI work, with the primary responsibility belonging to the contractor. In order to complete the originally intended base design and produce quality bid documents for construction, it was necessary for Maida to undertake efforts that were beyond the original contract scope. The additional efforts included the development of functional specifications and field work to confirm existing conditions. Additionally, the decision to shift the SI responsibilities to the contractor introduced a design component not covered by the original contract. The completion of all construction and replacement of the MG sets was expected to be completed in January/February 2016. Primarily because of the tight construction schedule, only one bid was received at the June 30, 2015 bid opening, and that single bid exceeded the project budget. As a result, the timeline was adjusted to include the tram outage from December 2016 through February 2017 to allow for completion of work. A motion for the Committee to approve and refer to the Board for approval a modification of the current Maida contract to include the additional efforts necessary to complete the design for the replacement of the Arch Transportation system's motor generator sets with variable frequency drives in an amount not to exceed \$166,550, bringing the total authorized amount of the contract with Maida to \$1,211,550 was made by Commissioner Buehlhorn and seconded by Commissioner Farrell. **Motion passed unanimously.**

8. Freight District Overview

8:02 a.m. The briefing paper regarding the Freight District Overview was provided in the Committee packet. Mary Lamie, Executive Director, Freight District, provided a brief update. The Freight District (the "**District**") was established as a result of the 2013 East-West Gateway St. Louis Regional Freight Study, and the September 2014 selection of BSD by East-West Gateway to be the District. The District's mission is to accelerate regional economic growth by coordinating public and private efforts, optimizing regional multimodal investment portfolio, and marketing the region's multimodal opportunities. The District has a commitment from East West Gateway and the Leadership Council of Southwestern Illinois for annual contributions that are currently being collected for calendar year 2015. The District's Working

Group, which consists of leaders from Missouri and Illinois, will meet on October 23, 2015, to present recommendations for the Board of Directors, a transition plan, the District's name, logo, tagline, and strategic map that includes the District's vision, goals, and objectives. The strategic map also includes the framework for the District's needs analysis, freight development, and marketing plan. AEGIS, was hired as a sole source consultant to put together the organizational structure. Since July, the District has participated in public and private sector meetings with freight industry leaders. The District's website is expected to be launched in January 2016. This report is informational only, and no Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

9. Update on Economic Development Projects

9:40 a.m. The briefing paper regarding the Update on Economic Development Projects was provided in the Committee packet. The Annual Business Plan Brief - FY2016 and a PowerPoint presentation on selected Representative Project Discussions were distributed at the meeting, as it was inadvertently left out of the Committee packet. John Langa, Vice President, Economic Development, provided a brief overview. The Economic Development Department (**EDD**) projects have grown from nine (9) in FY12 to twenty-three (23) in FY15 and currently to twenty-one in FY16. Notable recent projects include: 1) the creation of the Bi-State Research Institute; 2) the Freight District; 3) the completion, build-out, and move to the new Bi-State Development (BSD) headquarters; 4) the renegotiation of the agreement at the Brentwood Meridian Garage; 5) the administration of the St. Ann Transportation Development District (**TDD**) capital projects; 6) writing the proposal for the Leadership Council for the Southwestern Illinois Site Committee for freight study in support of \$180,000 IDOT grant; and 7) the disposition of \$460,000 of surplus BSD property holdings. Moving forward through 2015 and 2016 key projects will include: 1) completing the sale of the former BSD headquarters building; 2) getting the St. Ann TDD projects underway; 3) gaining a grant with a possible 2015 award from the Missouri Foundation of Health for adaptive reuse of portions of the MetroLink parking lots to house on-site community medical services; 4) Transit Oriented Development (**TOD**) projects at North Hanley, UMSL, and the St. Charles Rock Road MetroLink Stations; 5) finding alternate funding sources for the North County Transit Center; and 6) the Real Estate Department's continued support to BSD's Engineering and Legal Departments.

Chair Holman stated that she was recently made aware of a program in another city that involved converting old buses into homeless cleaning stations and asked Mr. Langa to look into the possibility of BSD participating in such a program. 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. Update on Downtown Airport Capital Projects Priority

9:49 a.m. A PowerPoint presentation regarding the Downtown Airport Capital Projects Priority was provided in the Committee packet. Erick Dahl, Director St. Louis Downtown Airport, provided a brief update. The two primary projects discussed were the replacement of the Taxiway Bravo and the construction of the Engine Run-Up and Compass Rose Facility. The Taxiway project's primary goal is to meet Federal Regulations and to make changes to fillet design to allow for larger commercial aircraft. After reconstruction the Taxiway will accommodate all aircraft up to 757 – 300s (excluding 747s). There are approximately 500 engine run-ups each year and that number is expected to grow. A facility is needed to ensure the longevity and success of Jet Aviation and all maintenance operators at the Airport. Varying designs and locations are currently under consideration. There are forty-seven (47) projects planned from 2015 to 2031, totaling \$36 million in funding, which includes \$6 million local funds and \$381,119 per year in local funds. Some projects will not be funded depending on the availability of funds, and the priority of the projects. The Capital Improvement Plan (the "**Plan**") includes large and small infrastructure improvements; road improvements and replacements; equipment replacement or purchase; and hangar replacement. Project funding comes from Federal Entitlements (\$150,000 per year),

Federal Discretionary, State Apportionment (5% of an AIP Project), State Discretionary (\$9 million for entire state annually), Local Funding (5% of an AIP Project and 100% of non AIP Projects). Primary airports with 10,000 enplaned passengers annually receive \$1 million per year in entitlements. To become primary, the St. Louis Downtown Airport must increase charter operations and move helicopter passengers to Airport passengers. The Airport is actively looking for new areas to develop and there are three current concepts being designed with Requests for Proposals being written. There are seven (7) areas at the Airport that have no aeronautical value which could benefit the Airport if developed, most as Self-Storage Facilities. The annual revenue from these storage facilities would be determined by the Requests for Proposals. 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. Update on CityArchRiver Project

9:01 a.m. The PowerPoint presentation regarding the CityArchRiver Project Update was provided in the Committee package. Jenny Nixon, Sr. Vice President Business Enterprises, provided an overview. The presentation highlighted the 50th Anniversary Celebration of the Gateway Arch that is scheduled for Wednesday, October 28, 2015. The celebration will include: 1) lighting of the Arch in gold on the 27th; 2) broadcast of the TODAY Show Live from the Arch; 3) spelling out “50” on the Old Courthouse stairs; 4) flag raising on the Luther Ely Smith Square; 5) Scott Air Force Base Band; 6) Anniversary Flags flying throughout the community; and 7) free cupcakes and giveaways for visitors. The Luther Ely Smith Square and the park over the highway are expected to open Friday, October 30, 2015. Discussions continued regarding the Entrance Portal installation with an expected completion date of November 26, 2015. Renovation completion of the Leonor K. Sullivan Boulevard is expected to be completed by January 2017. Ms. Nixon also discussed the new exhibits in the north and south load zones; the new accessible pathways and new landscaping on both the north and south Arch grounds; as well as the motor generator set replacement. Kiener Plaza’s renovation is expected to be completed by Spring 2017, and the Museum and Visitor Center in Summer 2017. 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. Unscheduled Business

9:10 a.m. There was no unscheduled business.

13. Call of Dates for Future Committee Meetings

9:10 a.m. The next Operations Committee meeting is scheduled for Tuesday, October 20, 2015, at 8:00 a.m.; the next Audit Committee meeting is scheduled for Friday, October 23, 2015, at 8:00 a.m.; and the next Board meeting is scheduled for Friday, November 20, 2015, at 8:00 a.m.

14. 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 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).

9:10 a.m. Pursuant to the requirements of Section 610.021(1), 610.021(2) of the Revised Statutes of Missouri, Chair Holman requested a motion to allow the Board to go into closed session. A motion to go into Executive Session was made by Commissioner Buehlhorn and seconded by Commissioner Farrell. A

roll call vote was taken, and the Commissioners present, Holman, Buehlhorn, and Farrell 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