

**BI-STATE DEVELOPMENT
AUDIT, FINANCE & ADMINISTRATION COMMITTEE MEETING
OPEN SESSION MINUTES
JANUARY 26, 2018**

Committee Members in Attendance

Aliah Holman, Chair
Constance Gully (via phone)
Vince Schoemehl (via phone)
Jeffrey Watson (absent)
Justin Zimmerman (absent)

Other Commissioners in Attendance

Vernal Brown (via phone)

Staff in Attendance

John Nations, President and Chief Executive Officer
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
Patti Beck, Director Communications
Brenda Krieger, Executive Assistant
Mark Vago, Controller
Charles Stewart, Vice President Pension & Insurance
Kathy Brittin, Director Risk Management, Safety & Claims
Tammy Fulbright, Director Treasury Services
Maryanne Coley, Manager Benefits
David Toben, Director Benefits
Virginia Alt-Hildebrandt, Manager Administrative Services
Anita Dunn, Health and Welfare Plan Manager
Kerry Kinkade, Vice President Chief Information Officer
Angela Staicoff, Sr. Internal Auditor
Gary Smith, Financial Analyst I
Karl Tyminski, Sr. Internal Auditor, Part-time
Kelli Fitzpatrick, Sr. Internal Auditor, Part-time
Jerry Vallely, External Communications Manager
Mandi Myers, Compliance & Ethics Analyst & Training Specialist, Part-Time
John Langa, Vice President Economic Development
Greg Smith, Vice President Procurement & Inventory Management
Michael Gibbs, Manager Financial Operation-Admin & Business Operation
Cynthia Davis, Director Program Development & Grants
Evan Glantz, Senior Administrative Assistant

Others in Attendance

None

1. Call to Order

8:00 a.m. Chair Holman called the Open Session Audit, Finance and Administration 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 were no public comments.
4. **Audit, Finance and Administration Committee Open Session Minutes: October 20, 2017**
8:01 a.m. The August 25, 2017 Open Session Audit, Finance and Administration Committee Meeting minutes were provided in the Committee packet. A motion to approve the minutes as presented was made by Commissioner Schoemehl and seconded by Commissioner Holman.
Motion passed unanimously.
5. **1st Quarter Financial Statement**
8:01 a.m. The 1st Quarter Financial Statement report was provided in the Committee packet. Mark Vago, Controller provided a brief overview. Bi-State Development (**BSD**) business and self-insurance divisions had combined assets of \$1.44 billion. The 1st quarter FY2018 income before depreciation was \$8.4 million compared to a budget of \$9.4 million for a negative variance of \$0.8 million. The financial statement packet includes the analysis and financial position of each BSD business division.

Executive Services – The 2017 Bi-State Development Annual Meeting was held October 6, 2017, bringing together nearly 700 business and civic partners to highlight the accomplishments of BSD and to chart the course for regional initiatives for the next year. Executive Services income before depreciation was \$232.8 thousand and 23.1% less than the prior year. Revenues were up 2.3% and expenses were up 11.6%, compared to FY2017.

Gateway Arch – The Gateway Arch Transportation System was not at full capacity until the North Tram reopened on July 18, 2017, at which time the Arch Trams resumed full daily operation. The income before depreciation for the Gateway Arch was \$510.9 thousand, revenue was \$2.7 million and is \$140.1 thousand less than the prior year. The total expense was \$2.1 million compared to \$1.8 million in FY2017. Tram ridership was 15.2% less than budget. Tram ridership decreased 4.9% compared to prior year due to the Arch grounds construction, motor generator set replacement, and the flooding of the load zone which reduced total capacity longer than anticipated.

Metro – A ribbon cutting ceremony was held on August 10, 2017 to celebrate the opening of the newly expanded Civic Center Transit Center in downtown St. Louis. BSD launched an 18 month pilot program to provide access to healthy food for transit riders and residents in two areas in North St. Louis County. Work continues on the new Boyle Street MetroLink Station. BSD received a \$243,000 incentive from AmerenUE for upgrading more than 1,900 lights to LED bulbs in various Metro facilities. Passenger revenue was \$11.5 million, which is 7.9% less than budget and 2.4% less than the prior year due to ridership decline. Income before depreciation was \$8.9 million. Compared to budget, revenue was down 9.7% and total expenses were favorable 11.6%.

St. Louis Downtown Airport – Gulfstream Aerospace Services Corp, a subsidiary of General Dynamics will begin maintenance operations in the Jet Aviation location. The Airport's income before depreciation was \$36.1 thousand, which is favorable compared to the prior fiscal year by \$74.5 thousand. Revenue increased \$10.3 thousand compared to FY2017. The increase in revenue is due to higher aviation flowage sales. The actual revenue was 8.9% less than budget.

Riverfront Attractions – Income before depreciation was \$579.8 thousand compared to \$499.9 thousand in FY2017. Revenue was \$1.5 million, which is 9.9% greater than the prior year, a direct result of increased passenger cruises, and passengers on each cruise.

St. Louis Regional Freightway – Mary Lamie, Executive Director of the St. Louis Regional Freightway, was named one of the Most Influential Business Women of 2017 by the *St. Louis Business Journal*. The St. Louis Region ports were ranked the most efficient inland port district in terms of tons moved per river mile during 2015 by the U.S. Army Corps of Engineers. The St. Louis region's barge industry handled 500,000 tons per mile. Revenue includes funds received from the East-West Gateway Council of Governments as Partnership Revenue Fees. Total expenses for the St. Louis Regional Freightway include compensation and consultant fees.

Bi-State Development Research Institute – The Bi-State Development Research Institute (**the “Institute”**) used funds received from the Missouri Foundation for Health to begin funding operating costs for the Link Market Food Kiosk project. The kiosks opened on September 28, 2017 at the North Hanley and Wellston Transit Centers. The St. Louis County Department of Public Health has deployed a mobile medical unit providing health screenings for the community. The Institute's net income was \$49.9 thousand. Revenue from Awards/Grants funding totaled \$127.5 thousand and \$47.6 thousand of in-kind donations from BSD.

Arts In Transit, Inc. – Arts In Transit (**AIT**) was one of nine local arts organizations to receive a grant from the PNC Foundation through the PNC Arts Alive initiative. The \$20,000 grant will support MetroScapes, a program that promotes local artists by displaying their work at MetroBus shelters and transit centers throughout the St. Louis region. AIT has a net income of \$29.1 thousand and total revenue of \$84.8 thousand which includes contributions from the Regional Arts Commission, proceeds from bus paintings, and the recognition of in-kind donations from BSD.

Self-Insurance Funds – Pursuant to the direction of the BSD Board of Commissioners, the accounting and reporting has been restructured and administration has been reorganized for the Health, Casualty and Workers Compensation Self-Insurance Funds. The Health Self-Insurance Fund had revenue of \$7.5 million, of which approximately 77% were company paid contributions and 23% from participants. Expenses and claims totaled \$10.3 million for a net loss before depreciation of \$2.7 million. The Casualty Self-Insurance Fund had revenue of \$1.3 million with expenses and claims paid of \$1.1 million. This resulted in a net income before transfers and depreciation of \$250.8 thousand. The Workers' Compensation Self-Insurance Fund had revenue of \$2.3 million with expenses and claims paid of \$1.6 million. This resulted in a net income before transfers and depreciation of \$720.8 thousand.

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. **1st Quarter Performance Indicators**

8:08 a.m. The 1st Quarter Performance Indicators report was provided in the Committee packet. Mark Vago, Controller, provided a brief overview. An executive summary was provided highlighting service changes. There is no fare increase planned for FY18. 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.

7. November Treasury Report

8:10 a.m. The November Treasury Report was provided in the Committee packet. Tammy Fulbright, Director Treasury Services, provided a brief overview. BSD directed \$194 million of cash and investments. Approximately 40% of the invested funds was invested in U.S. Treasury or U.S. Government Agency securities, and 6% was invested in collateralized Certificates of Deposit (CDs) or Repurchase Agreements (Repos). The balance was invested in AAA rated money market funds. The average maturity of BSD investments was approximately 152 days. Ms. Fulbright's report highlighted the Debt Restructuring 2013; the Arch Tram Revenue Bonds, 2014; BSD/St. Clair County Transit District Revenue Bonds Refunding, 2014; Capital Leases; and fuel hedging. 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.

8. 1st Quarter Procurement Report

8:15 a.m. The 1st Quarter Procurement Report was provided in the Committee packet. Larry Jackson, Executive Vice President for Administration, introduced Greg Smith, the new Vice President of Procurement & Inventory Management. Mr. Smith will be presenting all future procurement reports to the Board. Mr. Jackson provided a brief overview of this agenda item. The 1st Quarter 2018 Non-Competitive Procurement totaled \$2,833,593 or 8.6% of total Purchase Order Commitment volume of \$33,085,598. Rolling last 12 months Non-Competitive Procurements total \$10,286,147 or 9.6% of total Purchase Order Commitment volume of \$107,174,285. 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.

9. Treasury-Safekeeping Quarterly Accounts Audit - Ending September 30, 2017

8:16 a.m. The Treasury-Safekeeping Quarterly Accounts Audit – Ending September 30, 2017, was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The Internal Audit Department (**IAD**) reviewed the Treasurer's Report as of September 30, 2017, to identify the securities classified under the Safekeeping Accounts criteria. Each bank custodian, where the Safekeeping Accounts are held, was contacted to verify the existence of the Securities and to confirm the account balances. On September 30, 2017, BSD had approximately \$54.1 million in US Treasury and Government Agency securities. Sales tax capital represented \$48.7 million, Self-Insurance funds consisted of approximately \$2.4 million, internally restricted funds represented \$2 million, and the remaining \$1 million was held for Tower Leases. IAD determined that the Safekeeping Accounts exist, and the respective balances have been fairly presented. 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. Internal Audit Status Report – 2nd Quarter FY18

8:16 a.m. The Internal Audit Status Report was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. IAD's Status Report provides the Board, this Committee and Senior Management with a summary of IAD's quarterly activity pertaining to the Annual Audit Plan. In addition to tracking the status of current audits and special projects, this report also highlights the follow-up activity related to the implementation of recommendations from prior audits. IAD worked with Crowe Horwath during this second quarter to plan the Quality Assessment Review (**QAR**) of IAD. IAD's intern, Gary Smith, was selected by the Finance Department for the Financial Analyst position. 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. Internal Follow-Up Summary – 2nd Quarter FY18

8:17 a.m. The Internal Follow-Up Summary, 2nd Quarter FY18 was provided in the Committee packet. Jim Cali, Director of Internal Audit, provided a brief overview. The Audit Follow-Up Summary Report is a comprehensive overview highlighting the current implementation status of recommendations issued in prior audit reports. Each recommendation has been reviewed and its status has been classified as either Completed, Outstanding or Overdue. This report is to be used to determine the timeliness and the completeness of the implementation of corrective action; and management should place specific focus on recommendations determined to be overdue. The total number of recommendations was 104, with 83 completed, 21 outstanding – not overdue, and 0 overdue. 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. 401(k) Plan Audit Update

8:20 a.m. The 401(k) Plan Audit Update report was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance, provided a brief overview. The Bi-State Development 401(k) Plan audit report from December 31, 2006 – 2012 was issued in September 2014, followed by the audit report for the years ended December 31, 2013 – 2014 that was issued in February 2016, bringing the audits up to date. The audit report for the years ended December 31, 2014 – 2015 was issued in November 2016, and the audit report for the years ended December 31, 2015 – 2016 was issued in November 2017. Mayer Hoffman McManm P.C. (MHM) audited the financial statements of the BSD 401(k) Retirement Savings Program as of December 31, 2016 and 2015 and issued an unqualified (clean) audit opinion. MHM has been re-engaged for plan years 2017 through 2019. 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.

13. 2017 Pension Valuations Update

8:21 a.m. The 2017 Pension Valuations Update report was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance, provided a brief overview. As of June 1, 2017, the funded ratio for the Salaried Pension Plan was 76.5% and the unfunded liability was \$20,354,035. This plan closed to new hires on July 1, 2013. The 3% employee contributions started and the Stay/Freeze/Waive elections went into effect January 1, 2014. The interest rate assumption remains the same at 7.0% and the actuarial asset return is slightly lower than assumed return (6.1% vs. 7.0%). As of April 1, 2017, the funded ratio for the IBEW Pension Plan was 89.7% and the unfunded liability was \$518,278. The IBEW Pension Plan reached 100% funding as of November 30, 2017, as a result of their five-year 100% funding contribution raised in July 2017 to reach the 100% funding. As of April 1, 2017, the funded ratio for the Local 788, Amalgamated Transit Union, AFL-CIO Pension Plan was 62.5%; and the unfunded liability was \$77,422,564. The 788 Pension Trustees voted in December 2015 to increase the contribution rate to \$173.03; and in November 2016 they voted to increase the contribution rate to \$175.00. The 788 Pension Trustees have not yet voted, so pension contributions remain the same for now. 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. Compliance and Ethics “State of the Agency”

8:25 a.m. The Compliance and Ethics “State of the Agency” report was provided in the Committee packet. Kent Swagler, Director Corporate Compliance and Ethics, provided a brief overview. The presentation provided the current state of the Agency with respect to meeting its documented compliance requirements for calendar year 2017. Current status of compliance and ethics programs, initiatives, and training programs were discussed. Compliance status and results of

division reviews across the entire Agency were also presented. This report was informational only, and no further Committee action was required. A copy of the report will be kept at the office of the Deputy Secretary.

15. Unscheduled Business

8:35a.m. There was no unscheduled business.

16. Call of Dates for Future Committee Meetings

8:35 a.m. The Board was advised of the upcoming meetings, as follows:

Board Meeting:	Friday, February 23, 2018, 8:00 a.m.
Operations Committee:	Tuesday, March 13, 2018, 8:00 a.m.
Audit, Finance & Administration Committee:	Tuesday, March 27, 2018, 8:00 a.m.

17. Adjournment to Executive Session

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 pursuant to Bi-State Development Board Policy Chapter 10, Section 10.080(D) Closed Records; Legal under §10.080(D)(1); Real Estate under §10.080(D)(2); Personnel under §10.080 (D)(3); Health Proceedings under §10.080(D)(4); Employee Negotiations under §10.080(D)(5); Data Processing under §10.080(D)(6); Purchasing and Contracts under §10.080(D)(7); Proprietary Interest under §10.080(D)(8); Hotlines under §10.080(D)(9); Auditors under §10.080(D)(10); Security under §10.080(D)(11); Computers under §10.080(D)(12); Personal Access Codes under §10.080(D)(13); Personal Information under § 10.080(D)(14); Insurance Information under §10.080(D)(15); Rail, Bus, or Facilities Safety and Accidents under §10.080(D)(16) or Protected by Law under §10.080(D)(17).

8:36 a.m. Pursuant to the requirements of Section 10.080 (D) (1), (9), (10), (11) and (17) of the Bi-State Development Board Policy, Chapter 10, Section 10.080, Chair Holman requested a motion to allow the Committee to go into closed session. A motion to go into Executive Session was made by Commissioner Schoemehl and seconded by Commissioner Brown. A roll call vote was taken and the Commissioners present, Holman, Gully, Schoemehl, and Brown voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned at 8:36 a.m.**