BI-STATE DEVELOPMENT
AUDIT, FINANCE & ADMINISTRATION COMMITTEE MEETING
OPEN SESSION MINUTES
MARCH 27, 2018

Committee Members in Attendance
Aliah Holman, Chair
Constance Gully, (via phone 8:02 a.m.)
Vince Schoemehl, absent
Jeffrey Watson, absent
Justin Zimmerman

Other Commissioners in Attendance
Vernal Brown, (via phone)
Michael Buehlhorn, (@ 8:05 a.m.)

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
Patti Beck, Director Communications
Brenda Krieger, Executive Assistant
Mark Vago, Sr. Vice President Chief Financial Officer
Charles Stewart, Vice President Pension & Insurance
Kathy Brittin, Director Risk Management, Safety & Claims
Tammy Fulbright, Director Treasury Services
Rita Marion, Sr. Administrative Assistant/PT
Alice Stanley, Grants Administrator
Deborah Rowey, Director Procurement
Greg Smith, Vice President Procurement & Inventory Management
Michael Gibbs, Manager Financial Operations-Administration & Business Operations
Erick Dahl, Director St. Louis Downtown Airport
Connie Welch, Manager Financial Operations-Transit
Kent Swagler, Director Corporate Compliance & Ethics
Virginia Alt-Hildebrandt, Manager Administrative Services
Scott Grott, General Manager MetroLink
Dave Sanders, Sr. Director Marketing & Partnerships
David Toben, Director Benefits
Cynthia Davis, Director Program Development & Grants
Monica Smith, Administrative Assistant
Angela Staicoff, Sr. Internal Auditor
Kelli Fitzpatrick, Sr. Internal Auditor/PT
Matthew Hibbard, Social Media Communication Manager
Kisha Lee, Grants Administrator
Charlie Pogorelac, Manager Financial Planning & Budget
Dan Hinrichs, Business Analyst
Adam Schisler, Budget System Administrator
Sarah Clarke, Director Gateway Arch Operations

Chance Baragary, Project Director - Arch
Gerard Hutchinson, Supplier Diversity Specialist
Francoise Lyles Wiggins, Supplier Diversity Manager
Kerry Kinkade, Supplier Diversity Manager
Karl Tyminski, Sr. Internal Auditor/PT

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 was no public comment.

4. **Audit, Finance and Administration Committee Open Session Minutes: January 26, 2018**
   8:01 a.m. The January 26, 2018 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 Zimmerman and seconded by Commissioner Brown. **Motion passed unanimously.**

5. **Bi-State Development Operating and Capital Budget FY 2019 – 2021**
   8:02 a.m. The Bi-State Development Operating and Capital Budget FY 2019 – 2021 briefing paper, PowerPoint presentation, and draft Budget Book were provided in the Committee packet. Cynthia Davis, Director of Program Development and Grants, and Mark Vago, Sr. Vice President Chief Financial Officer, provided a brief overview. The FY19 – FY21 Operating Capital Budget was developed taking into account economic conditions and conservatively estimating revenue, expense, and capital replacement and rehabilitation needs. The Agency has achieved many accomplishments this year and among them include the completion of the renovation of the Eads Bridge and completion of the North County Transit and Downtown Transit Centers. The Bi-State Research Institute opened Link Market Kiosk making healthy food options available at MetroLink stations. Bi-State Development **(BSD)** is not only a world leader in maintenance within the transit industry; it is known as the catalyst for innovation, collaboration and progress connecting communities, creating opportunities and helping to grow the region. Procurement and Internal Audit received national recognition for their performance and Internal Audit received the highest honor attainable by the Institute of Internal Auditors. Mary Lamie, Executive Director St. Louis Regional Freightway, was named one of the most influential women in St. Louis by the St. Louis Business Journal. St. Louis Regional Freightway received the outstanding local government achievement award by the East West Gateway Council of Governments. Kathy Klevorn, Sr. Vice President Chief Financial Officer, was named CFO of the year for 2017 by the St. Louis Business Journal. Ray Friem, Executive Director Metro Transit, and his team had the notable accomplishment to have a MetroBus eclipse one million miles.

Ms. Davis continued her presentation stating that several factors impacted national mass transit ridership; some of which were declining fuel prices and ride-sharing programs. Nationwide ridership trends for the first three (3) quarters of 2018 versus 2017 among BSD and eight (8) of its peer transit agencies was discussed. MetroLink cost per revenue mile was $12.73, lower than the peer group average of $16.93. The cost per passenger mile was $0.62, lower than the peer group average of $0.96. The annual average revenue mile per vehicle was 78,127 miles, which is much higher than the peer group average of 50,709 miles. The Agency's rail vehicle cost per car mile is $2.10, less than the peer group average of $3.62. MetroBus operating cost per revenue mile is $8.49, which is less than the peer group average of $11.49. The operating cost per passenger mile is $1.14, slightly lower than the peer group average of $1.25. The miles between bus failure is 32,120 miles, "blowing away" the peer group average of 10,297 miles. This indicates why the Agency's maintenance program is so highly regarded in the country. Paratransit operating cost per revenue mile is $4.74, less than the peer group average of $5.03. The operating cost per passenger mile is $4.54, slightly higher than the peer group average of $4.18. The annual miles per vehicle is 44,171 miles, once again "blowing away" the peer group average of 26,378 miles.

Mr. Vago discussed the Metro Transit Operating Budget. One of the key assumptions used in preparing the budget was a 1.8% decrease in passenger revenue compared to the 2018 projection. The 1.8% equates to approximately $700,000. The revenue decrease between the FY18 and FY19 budget was approximately $4.8 million. There was no fare increase budgeted in the FY19 budget, and the last fare increase was July 1, 2014. The preventative maintenance for operations stayed at $16 million. Service for all three modes remains fairly constant between the FY18 and FY19 budgets. The FY19 compensation budget includes wage increases for labor contracts and salaried staff. The wage increases for salaried staff are part of a long term strategic plan implemented by the Board in March 2013. At that time, there were changes made to the medical plan and the Defined Benefit Plan as part of a larger commitment for BSD to compensate and compete at market. Fuel prices are expected to remain fairly constant into FY19. Total revenue is $338.9 million, and passenger revenue is below $40 million for the FY19 budget. The majority of BSD revenue sources are St. Louis County, St. Louis City, and the St. Clair County Transit District. BSD expenses are $347.9 million, and compensation is approximately 60% of the total expenses. Fuel costs are expected to remain fairly low, BSD budgeted at $1.80 for FY19 compared to $1.83 in FY18. The net loss before depreciation was approximately $9 million. There is a brief reconciliation between the FY18 and FY19 budgets, when you adjust for the GASB statements for pensions and Other Post-Employment Benefits, there was a swing of $800,000 from budget to budget. The actual cash difference is about a 2% increase in overall expenses, which is well below what other funding jurisdictions are doing.

Ms. Davis continued her presentation stating that the Program Development and Grants area is responsible for the development and administration of all federal and local grants. In addition, the department coordinates and prepares the capital budget. Some of the recent transportation laws that have guided the capital program over the last few years are as follows: 1) Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users **(SAFETEA-LU)**; that was signed into law in 2005 and extended through 2012 until **MAP-21** (Moving Ahead for Progress in the 21st Century) became effective. SAFETEA-LU introduced the **ARRA** (American Recovery and Reinvestment Act) program; from which BSD received funding to support the rehabilitation of the Eads Bridge, as well as the rehabilitation of several MetroLink facilities and right-of-ways. It also introduced the **TIGER** (Transportation Investment Generating Economic Recovery) Grant program; under which the Agency was awarded funding to support the construction of a new MetroLink station; and expand the current MetroLink station in the Central West End corridor of the service area. MAP-21 made several changes to funding programs. It repealed the bus and bus facility discretionary program transiting it to a formula based bus and bus facility program. It also repealed the Job Access and Reverse Commute **(JARC)** program. It introduced the 5310 Enhanced Mobility of Seniors and Individuals with Disabilities program; and introduced the State of Good Repair Program **(SGR)**. These things are all important to note because the Agency does have active grant programs under these funding programs. The newest transportation law is the Fixing America's Surface Transportation Act **(FAST Act)**. This Act extends through September 2020 and maintains funding programs authorized under MAP-21 including Section 5307, Urbanized Area Formula Program, 5337 State of Good Repair, 5339 Bus and Bus Facility Formula Program as well as 5310 Enhanced Mobility of Seniors and Individuals with Disabilities Program. Each of these funding sources supports the Agency's capital program plan. In addition to these programs, the FAST Act reintroduced the bus and bus facility discretionary program that was eliminated in MAP-21. FTA's overall goal and initiative for transit agencies is to maintain their systems in SGR. The FAST Act directs recipients to maintain equipment and facilities in accordance with Agency Transit Asset Management **(TAM)** Plan. As part of the Agency's TAM Plan and SGR efforts, the Agency is in the process of developing a TAM Plan by October 2018. The Agency will continue to monitor the progress of the new budget that will fully release the FY18 funds, as well as any budget decisions that could impact the FY19 **-** FY21 capital plan. The Agency's planned capital budget for FY19 **-** FY21 is $698.2 million and is comprised of a number of planned, federal and local sources. The capital cash flow by use shows $2.9 million for the Freightway District, which is due to projects for the Terminal Railroad Association; BSD is not the direct recipient of these funds because this is a transit railroad program. Of the $525.2 million in federal funding 76.1% is Formula Funding. Formula Funding is received by the Agency based on the national transit database reported data regarding ridership, service, and operating costs as well as US Census data regarding population and population density. The remaining 23.9% is discretionary funding, which the Agency competes for. The local source of funding is $173 million.

There are a number of planned major projects for FY19 – FY21 some of which are the Revenue Rolling Stock Replacement, the Light Rail Vehicle Upgrade and Replacement, and Safety and Security Initiatives. All the capital project expenditures listed in the report reflect expenditures to date and may not be the entire project budget. Some of the projects included in previous capital budget requests include The Civic Center Transit Center that reopened in August 2017; federal funding supported 80% of this $10.5 million project that was completed in 14 months. The Civic Center Transit Center has 18 bus bays to serve 23 MetroBus routes that operate downtown. In addition, it provides users with many amenities, including an indoor waiting area, 24/7 security, concessions, and digital arrival boards. Construction on the first new MetroLink station to be built since 2007 is underway in the Cortex Innovation Community. This is the first to be built using the public-private funding model. The new station is scheduled to open for service later this year. Metro Landing at Swansea will feature a three story building with 62 one and two-bedroom apartments for older adults seeking an independent lifestyle and is scheduled for completion in the spring of 2019.

The Bi-State Development Research Institute partnered with the Missouri Foundation for Health to introduce the Link Markets at the Wellston and North Hanley Transit Centers. This program is to address issues of food access and nutrition in north St. Louis County communities. This was a pilot program that is being supported by a $584,000 grant from the Missouri Foundation for Health. Free Mobile Health Screenings are being offered weekly in partnership with Metro Transit and the St. Louis County Health Department at four Metro Transit Centers in St. Louis County in order to increase access to healthcare resources. Metro Reimagined will take a detailed look at current market conditions, service performance and operations and will identify three strategies to improve customer experience, cost effectiveness and ridership. Recommendations are forthcoming in late spring 2018.

Mr. Vago provided updates on the Operating and Capital Budgets for the other business enterprises. Gateway Arch: Ridership for the Gateway Arch is expected to increase 4.4% in 2019 and this is due to the full year of the new Arch experience. Compensation is up slightly due to additional staffing for ticketing, point of sales transactions and readers. The total revenue for the Gateway Arch is $9.4 million, which is an increase over the 2018 projection by $1.1 million. The total expenses are $7.4 million for a net income before depreciation of $2 million.

Riverboat Attractions: The Riverboat Attractions budget assumptions show that expenses year over year are remaining fairly consistent. There are some additional staffing associated with the opening of the Arch; and there are also two capital projects related to hull inspections. The total revenue is $3.1 million. The Heliport rental is reflected in other income and has a base of $62,000 per year. Total expenses are $2.8 million which results in a net income before depreciation of $342,000.

Regional Freight District: In addition to receiving the Most Influential Business Women in St. Louis award from the St. Louis Business Journal, Ms. Lamie was also honored with the Regional Unity Award from Construction Forum STL, recognizing the achievements of the Freightway to market the region as an international center for freight and logistics. The Freightway has budgeted revenue of $260,000 with expenses expected to be approximately $1 million for a net loss of $780,000.

St. Louis Downtown Airport: The St. Louis Downtown Airport is the third busiest airport in the State of Illinois. Some of the key assumptions in building the budget for FY19 included rate increases for leased acreages and hanger rentals. The Airport has a number of capital projects planned for the next few years. The Airport has revenues of $1.8 million; total expenses of $1.7 million which stays relatively constant year over year and the net income before depreciation is $93,000. The two largest capital projects for the Airport are the Run-up Taxiway and the reconstruction of Taxiway Bravo. The Run-up Taxiway is scheduled for 2020 and has an approximate cost of $5.4 million. The capital plan for the Airport is subject to local funding availability.

Executive Services: Executive Services includes the administration departments of the executive office, internal audit, legal and compliance. Revenue for Executive Services comes from various units paying a management fee; and each management fee is based on a different criteria. Revenue is also received from the National Park Service. The revenue for Executive Services is $5 million with expenses of approximately $5 million; and Executive Services is expected to generate a net income before depreciation of $524,000. There are no capital projects planned for Executive Services for FY19.

Self-Insurance Funds: The three self-insurance funds have total expenditures of approximately $48 million. The Health Self-Insurance Fund includes all operating revenue and expenses related to the Agency's medical, prescription drug, and dental employee benefit programs. The employer and employee retiree contribution rates are set annually based on actuarial assessment of historical health claim costs, plan management expenses, along with plan participant demographic and enrollment data. The financial statement for FY19 budget for health has revenue budgeted at $35.2 million, and claims at $33.8 million, which represents about 96% of the total costs. Casualty Self-

Insurance Fund began July 1, 2016 and this fund includes all operating revenue and expenses related to the Agency's casualty claims; which includes vehicle and general liability claims. The revenue is budgeted at $6.8 million for 2019 and claims paid expense of $4.5 million; with an initial $885,000 for premiums. This fund like all the self-insurance funds are budgeted to break even at zero. Claims and premiums are approximately 90% of the total expenses. The Workers' Compensation Self-Insurance Fund began July 1, 2016. The fund includes all operating revenue and expenses related to the Agency's Workers' Compensation claims. The FY19 budget shows revenue of $6.9 million and claims paid of $5.5 million with additional premiums of $225,000, for total expenses of $6.9 million.

Commissioner Buehlhorn asked why the riverboats had a 6.8% increase in ridership but the food cost was down. Mr. Vago advised the Commissioner that he would provide that information after the meeting.

<u>Bi-State Development Research Institute:</u> The Bi-State Development Research Institute **(Institute)** is one of the Agency's two (2) not-for-profit 501(c)(3) companies. The budgets for the Institute and Arts In Transit **(AIT)** are approved by their respective boards. Revenue for the Institute is generated from consulting fees and grants. Beginning in FY18 and budgeted in FY19, in kind contributions for services for Bi-State Development to the Institute are being recorded as revenue and offsetting expense. An in kind contribution is a non-cash based contribution made by the Agency in the form of staff and their related benefits, which are recorded as revenue to the Institute. Revenue for the Institute is expected to be $220,000, and the expenses are $190,000 resulting in a net income before depreciation of $30,000.

<u>Arts In Transit:</u> Arts In Transit, Inc. **(AIT)** is the other not-for-profit and its primary funding comes from the Regional Arts Commission and the Missouri Arts Counsel. AIT will also recognize in kind revenue from BSD. AIT has planned revenue of $252,000, and expenses of $225,000 resulting in a net income before depreciation of $27,000. Its services are provided by consultants and outside artists mostly regarding bus painting.

BSD is investing approximately $300 million or more into the community and regional economy. The Transit System operates a 560 square mile area and it is so efficient that the FTA considers BSD a model transit agency. BSD operates 400 buses, 87 railcars, over 120 vans, 46 miles of fixed guideway, 70 bus routes and two MetroLink lines. Arch Tram ridership is expected to be over 900,000 for FY19, with a total of 3 million visitors coming to the Arch grounds. The Riverboats are going to have over 1000 cruises. The St. Louis Downtown Airport supports 3,700 jobs and is worth over one half billion dollars to the regional economy. The Freightway continues to exceed expectations. The summary for the 3 year capital plan shows a capital budget of over $725 million for the years 2019, 2020, and 2021 combined. The FY19 – FY21 operating budget summary shows, after eliminations for 2019, a total revenue of $361 million with expenses of $369 million, and a net loss of $7 million. In conclusion, management requested Committee approval to recommend the FY19 – FY21 capital and operating budget move forward to the Board for approval on April 27, 2018. That recommendation would also include the three year transportation improvement plan and any and all resolutions required to get federal and state grants as necessary.

Commission Zimmerman raised questions concerning the difference in the "Other" line item on page 27 of the FY2019 Capital and Operating Budget for the FY19 and the FY18 statement of activity; and the "Passenger Revenue" budgeted amounts. Mr. Nations, Ms. Klevorn and Mr. Vago responded. Ridership trends are tracked using average fare, both of which have been decreasing and overall ridership is down. The Agency sells public transportation services on a per unit basis per mile and per hour. Ridership is down across the country and the Agency's Metro Reimagined is an effort to determine the future of transit and how best to address the deficit. Although the Agency maximizes revenue, it doesn't always equate into maximizing farebox recovery because of the demand of our jurisdictions to provide extensive geographic coverage. Over recent years the jurisdictions have always requested the Agency to service 90% of the service area. The "Other" expenses are made up of management fees to Executive Services, which increased to approximately $400,000; and the terms of the lease at Metropolitan Square also went up. Also included in this item is staff development.

Mr. Nations informed the Committee that Kathy Klevorn who has been a substantial element of the many successes over the last 30 years will be retiring, and she will be missed. The new Chief Financial Officer will be Mark Vago, who has been with the Agency for more than a decade and has done a tremendous job. Mr. Nations congratulated both Ms. Klevorn and Mr. Vago and thanked Ms. Klevorn for all she has done. On behalf of the Board, Commissioner Holman also congratulated both individuals and thanked Ms. Klevorn for a job well done for the Agency.

A motion for the Committee to approve and refer to the Board for approval this agenda item as presented was made by Commissioner Zimmerman and seconded by Commissioner Buehlhorn. **Motion passed unanimously.**

6. Revisions to *Board Policy Section 70.050, Employee's Pension and 401(k) Retirement Savings Plan*

8:54 a.m. The briefing paper and attachments were provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance provided a brief overview. The most recent revision to this Board Policy was July 29, 2011. There are several revisions required to update and clarify this policy. The revisions are as follows: 1) Part A. The number of defined benefits plans is revised to three (3) and management titles have been updated. A6 is deleted; 2) Part B1. Last sentence adds retirees as eligible non-standing members; 3) Part B1, 2 and 3. Management titles have been updated; 4) Part B1, 2 and 3. Management committee term limits are set at a maximum of two (2) three-year consecutive terms; then one or more years must lapse before the person is again committee eligible. A transition schedule is established for each plan so there is continuity as the current non-standing Trustees leave the committee; 5) Part B1, 2 and 3. The Vice President of Organizational Effectiveness, with the concurrence of the BSD President & CEO, appoints the non-standing Management Trustees; 6) Part B2 and 3. The Vice President of Organizational Effectiveness and the Director of Labor Relations will now be standing Management Trustees. The 788 Plan has one non-standing Management Trustee; and Alternate Trustee is added to the 788 Pension Plan, in keeping with the former 788 Clerical Trustee position now as an Alternate. The IBEW Plan has two non-standing Management Trustees; 7) Part B1, 2 and 3. The revised plans review process is to have the Trustees for the three (3) Administrative Pension Committees report their activities to the Audit, Finance and Administration Committee on a semi-annual basis. (Note: This will be facilitated through the Vice President, Pension & Insurance) The Board Committee then reports the financial condition of each Plan to the full Board at the next scheduled Board of Commissioners meeting; 8) Part F7 is added to include Pension Plans Third Party Administrator. A motion was made by Commissioner Gully and seconded by Commissioner Zimmerman to appoint Jenny Nixon for a one-year appointment as Chair of the Salaried Pension Trustee Committee; and to accept and forward to the Board for approval this agenda item as presented; and that the proposed revisions to this Board Policy not be tabled pursuant to *Article VI(D)* of the Board

Policies, as it is in the best interest of the Agency that these revisions be approved at the Board meeting on April 27, 2018. **Motion passed unanimously.**

7. 2nd Quarter Financial Statement

9:03 a.m. The 2nd Quarter Financial Statement report was provided in the Committee packet. Michael Gibbs, Manager Financial Operations-Administration & Business Operations, and Connie Welch, Manager Financial Operations-Transit, presented a brief overview regarding the 2nd Quarter Financial Statement. Mr. Gibbs made the first presentation discussing Executive Services, Riverboat Attractions, St. Louis Downtown Airport, and the Gateway Arch. Executive Services had $2.2 million in revenue because of the increase in transit, and funds from the National Park Service. The expenses were $2 million, which is a 14% increase over the prior year, particularly in wages, benefits, outside services, and consulting fees. The income before depreciation is $153,000. Gateway Arch has seen an increase in ticket sales of 7%, primarily due to both trams being open, and the total revenue is $4 million. The expenses were $3.7 million, particularly in wages, benefits and services; including an addition of $400,000 in outside entity contributions. The income before depreciation is $398,000. Riverfront Attractions that includes the Riverboat cruises and the Heliport had a total revenue of $1.8 million, which is a 12.5% increase over the previous year. There were also 14 more cruises and more passengers per cruise which made it more profitable. The expenses were $1.3 million, and income of $494,000. St. Louis Downtown Airport had total revenue of $800,000, which included hangar rental and an increase in farm income. The expenses were $769,000. The Airport experienced a 42% decrease in legal fees this year because the legal fees incurred in prior years are now in the budget. Income before depreciation was $38,000.

Ms. Welch stated that Metro Transit had total revenue of $148 million and that consisted of passenger and service revenue of $21.8 million that is 3.8% below the prior year mainly due to passenger boardings and lower gas prices. The contractual revenue from St. Louis City of $17.3 million is unfavorable to the FY17 budget by 1.8%; St. Louis County is up $68.2 million favorable to the FY17 budget by 10.1%; St. Clair County revenue of $26.7 million is unfavorable to FY17 budget by 6.5%. The total expenses are $147.9 million. Services are $13.8 million unfavorable to the FY17 budget by 12.2%; consultant fees and custodial services influence that factor. Fuel and Lube of $4.9 million was favorable to budget mainly due to diesel usage. Casualty and liability insurance of $4.9 million was unfavorable compared to budget for casualty and property. Net loss before depreciation was $789,000 that is unfavorable to budget by 30%.

Mr. Gibbs added that St. Louis Regional Freightway's partners are the East-West Gateway Council of Governments and the Leadership Council of Southern Illinois. Their revenue was the same over last year. The expenses were $363,000 mainly in consulting, legal expenses, and dues and subscriptions. The net loss before depreciation was $258,000. The Bi-State Development Research Institute had a total revenue of $313,000 mostly for the kiosk program from the Missouri Foundation for Health. The total expenses were $295,000, which is the in-kind contribution and kiosk expenses. The net income before depreciation was $19,000. Arts In Transit had income of $131,000, mostly from the Regional Arts Commission Grant. They also had expenses of $116,000, which is the Metroscape program and the in-kind contribution expenses, which leaves a net income before depreciation of $15,000. The Health Self-Insurance Fund had a total revenue of $15 million and total expenses of $20 million; 96.6% of their expenses are medial claims resulting in a net loss before depreciation of $4.8 million. Casualty Self-Insurance had income of $3.6 million and expenses of $2.7 million, 74.6% of that is claims resulting in a net income before depreciation of $1.1 million. Workers' Compensation had income of $4.6 million, expenses of $3.5 million, 88.7%

of that was claims, resulting in a net income of $1.4 million. 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.

8. 2nd Quarter Performance Indicators

9:11 a.m. The 2nd Quarter Performance Indicators report was provided in the Committee packet. This Agenda Item was discussed during the presentation of Agenda Item #7.

9. December Treasury Report

9:12 a.m. The December Treasury Report was provided in the Committee packet. Tammy Fulbright, Director Treasury Services provided a brief update. Bi-State Development **(BSD)** directed funds were $210 million with an average rate of return of 1.16%. In December the Agency purchased approximately $15 million in investments, with an average rate of return for those purchases of 1.63%. In January 2018, the Agency had approximately $208 million in BSD directed funds with an average rate of return of 1.32%. That was a gain of approximately 16 basis points. This is an effort to try to catch up to the Fed Fund Rate increase of 1.5% in December. In January the Agency also purchased another $24 million in investments, with an average rate of return of approximately 1.74%, resulting in a 10 basis point increase from December to January on investment purchases. Trustee Directed Funds were approximately $42 million with an average rate of return of 1.79%. The current market, as of last week, for a three (3) month Treasury was at 1.78%, six (6) months was at 1.95%, and the one (1) year was at 2.06%. The Agency is planning to have more liquidity for the summer months, therefore, the three (3) month Treasury is an advantage because it is such a good rate due to the Fed Fund increases. There is only about a 10 basis point difference between the six (6) month and the one (1) year treasury. The two (2) year Agency Bond was at 2.5%, and the three (3) year Agency bond was at 2.63%. The Fed met last week and they raised the rates again another 0.25%, they are now at 1.75%. Basically they thought due to inflation, it is a little bit lower than 2%, but they expect it to be at 2% by year end. They are also looking at unemployment, which is currently at 4.1%, and they expect it to be at about 3.9% by year end. They are anticipating that there will be two (2) more increases this year and three (3) in 2019, which will bring the Fed Fund rate to about 3%. The Agency's approach is to continue, we are in the short term range and the Fed Fund is actually helping our investments and earning rates. 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. 2nd Quarter Procurement Report

9:14 a.m. The 2nd Quarter Procurement Report was provided in the Committee packet. Greg Smith, Vice President Procurement & Inventory Management, provided a brief overview. Procurement activity by quarter report, procurement spend and non-competitive spend percent were both non-eventful. The 2nd quarter of 2018 non-competitive procurement totaled $3.3 million or 13.2% of total purchase order commitment volume of $24.5 million. The rolling last 12 months non-competitive procurement totaled $12 million or 11.9% of purchase order commitment volume; and both of these are in the normal range. March has been designated Procurement Month by the National Institute of Public Procurement. In recognition of that, Procurement and Supplier Diversity will be hosting an open house on April 12 on the 7th floor with a "Did You Know" theme. Also in recognition of how the procurement organization functions and demonstrates professionalism, they have received two (2) awards from the NIGP, one for outstanding Agency Accreditation and the other for Achievement of Excellence. Mr. Smith added that these awards were in place before he joined the Agency and this is a testimony to the team members who demonstrate professionalism and do a fantastic job day in and day out. The Director of Procurement for Engineering Construction and Services, Diane Wright is retiring in June after 23 years of service for Bi-State. Deborah Rowey is being promoted to Ms. Wright's position. Ms. Rowey has been with the Agency for 27 years and held numerous positions, so we have the honor of trading a veteran for a veteran. 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. Treasury-Safekeeping Quarterly Accounts Audit Ending December 31, 2017

9:16 a.m. The Treasury-Safekeeping Quarterly Accounts Audit ending December 31, 2017 was provided in the Committee packet. Jim Cali, Director Internal Audit provided a brief overview. In accordance to Board policy the Internal Audit Department **(IAD)** is tasked with reviewing the quarterly Safekeeping Account balances for all investment funds that are classified as Safekeeping Funds. IAD has 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 the report will be kept at the office of the Deputy Secretary.

12. Internal Audit Department's Quality Assessment Review (QAR)

9:18 a.m. The Internal Audit Department's Quality Assessment Review **(QAR)** was provided in the Committee packet. Jim Cali, Director Internal Audit, provided a brief overview. Once every 3 to 5 years the question comes up "who audits the Internal Audit Department", because IAD has to go through a quality assurance review set forth by the standards of the Institute of Internal Auditors. That process is controlled by the external audit firm of Crowe Horwath. Mark Maraccini, Partner at Crowe Horwath was supposed to dial in to discuss the report, but he was not in attendance. The purpose of the review is to make sure that the audit staff, on a daily basis, follow the internal audit policies, procedures and standards set forth for all internal audit departments that are members of the Institute of Internal Auditors. IAD has achieved the highest rating that the Institute of Internal Auditors can award to any department; and that is the result of the work of Kelli Fitzpatrick, Angela Staicoff, Rita Marion and Karl Tyminski. Mr. Cali stated that it was easy to be the Director when you have such a quality team and he thanked Mr. Nations for giving IAD the funding to make sure all the positions were filled. The Quality Assurance Report prepared by Crowe Horwath is included as Attachment 12-1 in the Committee packet. 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. Pension Plan, 401(k) Retirement Savings Program and OPEB Trust Investment Performance Update – December 31, 2017

9:20 a.m. The Pension Plan, 401(k) Retirement Savings Program and OPEB Trust Investment Performance Update – December 31, 2017 was provided in the Committee packet. Charles Stewart, Vice President Pension & Insurance provided a brief overview. Mr. Stewart announced that the National Employee Benefits Day is scheduled for Monday, April 2, 2018, and an open house will be held in the Benefits Department, with everyone invited. The presentation included the investment performance update as of December 31, 2017, which was a fantastic year for investment performance. All of the Trust plans did very well. The 401(k) Plan grew $10 million over the past year and $4 million of that was through increased contributions from employees and matches from the company and $6 million was investment earnings. Twenty-one (21) different options are offered to Agency employees and every option made money. The Pension Plans' objectives in terms of the actuary determined rate is 7% for all plans. The Salaried Pension Plan earnings this year was 14.9%. The IBEW Plan earnings was 15.8%. The 788 Pension Plan earnings was 16.8%. In all situations investment earnings exceeded goals. The OPEB Trust actuarial rate is 6% and the

Trust earned 14.8% this year. 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. Unscheduled Business

9:24 a.m. There was no unscheduled business.

15. Call of Dates for Future Committee Meetings

9:25 a.m. The Board was advised of the upcoming meetings, as follows:

Board Meeting:	Friday, April 27, 2018, 8:00 a.m.
Operations Committee:	Tuesday, May 15, 2018, 8:00 a.m.
Audit, Finance & Administration Committee:	Friday, May 18, 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).

9:25 a.m. Pursuant to the requirements of Section 10.080 (D) (1), (7), (10), 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 Buehlhorn and seconded by Commissioner Zimmerman. A roll call vote was taken and the Commissioners present, Holman, Gully, Zimmerman and Buehlhorn voted to approve this agenda item. **Motion passed unanimously, and the Open Session meeting was adjourned at 8:36 a.m.**

____

Deputy Secretary to the Board of Commissioners
Bi-State Development