



Agenda - Final revised
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Monday, August 15, 2022

10:00 AM

Rosa Parks Boardroom

Any items marked with * have been revised.

This meeting will be livestreamed at www.capmetrotx.legistar.com

I. Call to Order

II. Public Comment

III. Action Items

1. Approval of minutes from the July 13, 2022 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution authorizing updates to the Debt Management Policy.
3. Approval of a resolution authorizing the Interim President & CEO, or their designee, to execute an Interlocal Agreement (ILA) with Travis County for employee transit passes for a period of one (1) year from October 1, 2022, to September 30, 2023, and that includes an option to extend the ILA for four (4) additional twelve-month periods.
- *4. Approval of a resolution authorizing the Interim President & CEO, or their designee, to approve and execute a contract modification with Bright Horizons Family Solutions in the amount of \$448,373 for the period of September 1, 2022 to August 31, 2023.

IV. Presentations

1. Economic Outlook Presentation (PFM)
2. Administrative and Bargaining Pension Plan Valuations Update
3. FY2023 Proposed Budget Update
4. Internal Audit Plan Status

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email ed.easton@capmetro.org if you need more information.

Committee Members: Wade Cooper, Chair; Leslie Pool, Becki Ross, and Matt Harriss.

The Board of Directors may go into closed session under the Texas Open Meetings Act. In accordance with Texas Government Code, Section 551.071, consultation with attorney for any legal issues, under Section 551.072 for real property issues; under Section 551.074 for personnel matters, or under Section 551.076, for deliberation regarding the deployment or implementation of security personnel or devices; arising regarding any item listed on this agenda.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-528

Agenda Date: 8/15/2022

Approval of minutes from the July 13, 2022 Finance, Audit and Administration Committee meeting.

Minutes
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Wednesday, July 13, 2022

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:00 a.m. Meeting Called to Order

Present

Wade Cooper, Leslie Pool, Becki Ross, and Matt Harriss

II. Public Comment

Zenobia Joseph provided comment on two items.

III. Action Items

1. Approval of minutes from the June 13, 2022 Finance, Audit and Administration Committee meeting.

A motion was made by Ross, seconded by Harriss, that this Minutes be adopted. The motion failed by the following vote:

Aye: Cooper, Pool, Ross, and Harriss

2. Approval of a resolution authorizing the Interim President & CEO, or their designee, to extend an Interlocal Agreement (ILA) with Austin Community College for student and employee transit passes for a period of one (1) year from September 1, 2022, to August 31, 2023.

(A second vote was taken on this item later in the meeting to clarify that the recommendation from the committee was to add it to the Consent Agenda at the full board meeting.)

A motion was made by Pool, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 7/25/2022. The motion carried by the following vote:

Aye: Cooper, Pool, Ross, and Harriss

3. Approval of a resolution appointing Ayeola Williams as an Investment Officer on the Capital Metro Investment Committee.

A motion was made by Harriss, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 7/25/2022. The motion carried by the following vote:

Aye: Cooper, Pool, Ross, and Harriss

IV. Presentations

1. FY2023 Budget Proposal
2. FTA Triennial Review - Results
3. Audit Report - Semi-annual Follow-up on Prior Audit Recommendations
4. Internal Audit FY2022 Audit Plan Status
5. Update on CapMetro's Fare Policy and Customer Payment Systems Project

V. Items for Future Discussion

VI. Adjournment

11:15 a.m. Meeting Adjourned

ADA Compliance

Reasonable modifications and equal access to communications are provided upon request. Please call (512) 369-6040 or email ed.easton@capmetro.org if you need more information.

Committee Members: Wade Cooper, Chair; Leslie Pool, Becki Ross and Matt Harriss.

The Board of Directors may go into closed session under the Texas Open Meetings Act. In accordance with Texas Government Code, Section 551.071, consultation with attorney for any legal issues, under Section 551.072 for real property issues; under Section 551.074 for personnel matters, or under Section 551.076, for deliberation regarding the deployment or implementation of security personnel or devices; arising regarding any item listed on this agenda.

Finance, Audit and Administration Committee
Agenda Date: 8/15/2022

Item #: AI-2021-220

SUBJECT:

Approval of a resolution authorizing updates to the Debt Management Policy.

FISCAL IMPACT:

This action has no fiscal impact.

STRATEGIC PLAN:

Strategic Goal Alignment:

- | | | |
|---|--|--|
| <input type="checkbox"/> 1. Internal/External Customer Service Excellence | <input type="checkbox"/> 2. Stakeholder Engagement | |
| <input checked="" type="checkbox"/> 3. Financial and Environmental Sustainability | <input type="checkbox"/> 4. Staff Development | <input type="checkbox"/> 5. Agency Growth Management |

Strategic Objectives:

- | | | |
|---|--|---|
| <input type="checkbox"/> 1.1 Safety & Risk | <input checked="" type="checkbox"/> 1.2 Continuous improvement | <input type="checkbox"/> 1.3 Dynamic Change |
| <input type="checkbox"/> 1.4 Culture of Innovation | <input type="checkbox"/> 2.1 Be an Employer of Choice | <input type="checkbox"/> 2.2 Organization Development |
| <input type="checkbox"/> 2.3 Organization Culture | <input checked="" type="checkbox"/> 3.1 Resource optimization | <input type="checkbox"/> 3.2 Safety Culture |
| <input type="checkbox"/> 3.3 Environmental Leadership | <input type="checkbox"/> 4.1 Educate & Call to Action | <input type="checkbox"/> 4.2 Build Partnerships |
| <input type="checkbox"/> 4.3 Value of Transit | <input type="checkbox"/> 4.4 Project Connect | |

EXPLANATION OF STRATEGIC ALIGNMENT: The policies adopted by the Board of Directors provide strategic direction to the President & CEO and CapMetro with regard to policy matters within the purview of the Board.

BUSINESS CASE: Periodic review and updates to policies adopted by the Board of Directors are prudent in order to ensure that they meet the ongoing needs of CapMetro.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on August 15, 2022.

EXECUTIVE SUMMARY: The Debt Management Policy sets out the rules and restrictions of the issuance and use of all forms of debt financing by CapMetro. This policy serves as a management tool to enable CapMetro to a) identify transactions that utilize debt in the most efficient manner, and b) provide for full and timely

repayment of all debt. This policy also establishes guidelines consistent with the general policy on debt management for the appropriate amount and type of debt as a means of achieving the lowest possible cost of capital within prudent risk parameters, ensure access to the capital markets and provide and accountability for debt management that is prudent and transparent. Staff has reviewed this policy in consultation with CapMetro's outside investor, PFM Asset Management LLC. Staff is recommending formatting changes and minor updates to the Policy to align with current debt management practices. The proposed revisions are attached in both redlined and clean versions.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: N/A

RESPONSIBLE DEPARTMENT: Legal and Finance Departments

**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2021-220

WHEREAS, it is prudent to periodically review and update policies adopted by the Board of Directors in order to ensure they continue to meet the needs of CapMetro; and


WHEREAS, the Board of Directors adopted revised Bylaws in 2017 that require policies adopted by the Board of Directors to be reviewed every five years; and

WHEREAS, the Debt Management Policy, Resolution No. CMTA-2012-52, has been identified for review in August 2022.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the attached proposed revisions to the Debt Management Policy are hereby adopted.

Date: _____

**Secretary of the Board
Leslie Pool**

	<p>Debt Management Policy FIN-220-17</p> <p><u>Finance Board of Directors</u></p>	<p><u>Issued/Effective:</u> June 25, 2012 <u>Revised:</u> August 29, 2022</p> <p>Approved by: Board of Directors</p>
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Debt Management Policy

1. Purpose and Scope

The purpose of this Debt Management Policy ("Policy") is twofold. First, this Policy will serve as a management tool to enable ~~the~~ Capital Metropolitan Transportation Authority ("Capitol Metro" or the "Authority") to (a) identify transactions that utilize debt in the most efficient manner; and (b) provide for full and timely repayment of all debt. Second, this Policy establishes guidelines consistent with the general policy on debt management for the appropriate amount and type of debt as a means of ~~(a)~~ (i) achieving the lowest possible cost of capital within prudent risk parameters; ~~(bii)~~ ensuring access to the capital markets; and ~~(eiii)~~ providing an accountability process for debt management that is prudent and transparent.

This Policy applies to all debt issued or incurred by ~~Capitol~~ Metro. A current debt policy is an important tool to ensure the use of ~~Capitol~~ Metro's resources to meet its commitments under the Strategic Plan and to maintain sound financial management practices. In addition to periodic updating, ~~Capitol~~ Metro recognizes that changes in the capital markets and other unforeseen circumstances may warrant modifications to this Policy to maintain consistency with the current policies of the CapMetro Board of Directors (the "Board") and the financial needs of ~~Capitol~~ Metro.

~~Capitol~~ Metro will comply fully with federal and state laws governing the issuance and use of debt.

2. Authority

Bond Financing: Chapter 451, subchapter H of the Texas Transportation Code authorizes the issuance of bonds by ~~Capitol~~ Metro when certain conditions are met. It also imposes certain limitations on the use of debt financing by ~~Capitol~~ Metro.

In general, ~~Capitol~~ Metro may issue bonds at any time and for any amounts it considers necessary or appropriate for the acquisition, construction, repair, equipping, improvement, or extension of its transit authority system with the following conditions:

1. The Board, by resolution, may authorize the issuance of bonds payable solely from revenue.
2. Bonds, any portion of which is payable from taxes, may not be issued until authorized by a majority of the votes received in an election ordered and held for that purpose.

3. ~~Capital~~ Metro's bonds may be sold at a public or private sale as determined by the Board to be the more advantageous.
4. The Board, by resolution, may issue short-term bonds secured from revenue or taxes received if the debt has a term not exceeding 12 months, and the bond is payable with taxes or other revenue received on or after the date of issuance and before the end of the fiscal year following the fiscal year during which the bonds were issued.

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5. ~~Capital~~ Metro may not issue short-term debt (less than 12 months in duration) or bonds secured by the revenue of the ~~a~~ Authority to finance the purchase, acquisition, construction, operation, or maintenance of a fixed rail transit system without a voter referendum.

Pension Obligation Bonds: Section 451.139 of the Transportation Code gives ~~Capital~~ Metro the authority to issue bonds in the amounts necessary for managing or funding retiree pension benefit obligations for pension plans existing as of January 1, 2011, and that result from the competitive bidding of transit services required by Section 451.137. The use of this bonding authority is strictly limited, and it is the Board's policy to use the authority only in a manner that is consistent with the original intent of the law and only at such a time as it can be justified in terms of the long-term financial sustainability of ~~Capital~~ Metro.

Contractual Obligations: Chapter 271, subchapter A of the Local Government Code authorizes ~~Capital~~ Metro to execute, perform, and make payments under a contract with any person for the use or the purchase or other acquisition of personal property, or the financing thereof. This provision specifically applies to the purchase or lease of personal property or for financing the acquisition of personal property, such as vehicles. Projects involving purchases of real property or improvements to real property cannot be financed using contractual obligations under state law.

The contract must (1) be on the terms considered appropriate by the Board, (2) be in the form of a lease, a lease with an option or options to purchase, an installment purchase, or any other form considered appropriate by the Board, including that of an instrument which would be required to be approved by the attorney general, provided that contracts in such form must be approved by the attorney general, (3) be for a term approved by the Board and contain an option or options to renew or extend the term and (4) be made payable from a pledge of all or any part of any revenues, funds, or taxes available to ~~Capital~~ Metro for its public purposes.

Subject only to applicable constitutional restrictions, the Board may obligate taxes or revenues for the full term of a contract for the payment of the contract.

The contract may be for any term not to exceed 25 years.

Lease Financing: Lease obligations may also be considered as appropriate for financing capital. Lease financing should be considered when determined to be more beneficial, either economically or from a policy perspective. Factors to be considered and evaluated include: the useful life of the capital, the terms and conditions of the lease, market convention, and the impact on debt capacity and budget flexibility.

3. Purposes and Uses of Debt

It is the policy of the Cap~~ital~~Metro to minimize the amount of debt it uses consistent with sound financial practices and to manage its debt obligations in a way that minimizes its net debt service payments consistent with credit objectives, all disclosure and regulatory requirements, and the highest standard of fiduciary management of public funds.

In general, Cap~~ital~~Metro's goal is ~~to use a pay-as-you-go funding mechanism for~~ capital projects and other long-term financial needs of the Authority. Cap~~ital~~Metro will rely on internally generated funds and/or grants and contributions from other governments in addition to debt to finance its capital needs. Cap~~ital~~Metro will consider all other financing alternatives or funding

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sources for capital projects, including non-debt financing, before using debt financing. Debt financing will be used only when, in the judgment of the President & CEO and Board ~~of Directors~~, it is necessary to meet the strategic objectives of Cap~~ital~~Metro, is cost effective and prudent.

Cap~~ital~~Metro will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) with a useful life of at least five years. Debt ~~will may~~ be issued to finance capital projects and equipment, ~~except in case of extreme financial emergency~~. No debt will be issued or incurred for periods exceeding the estimated useful life of the project or projects to be financed. Pursuant to Section 451.352, Transportation Code, Cap~~ital~~Metro may issue bonds without voter approval for such financing if the bonds are secured by revenues only. Other debt issuance for the acquisition of real property requires voter approval. The Board ~~of Directors~~ will make the determination of the approach to be used in individual cases.

Pursuant to Section 451.362, Transportation Code, Cap~~ital~~Metro is authorized to issue bonds with a term of 12 months or less. These bonds may be issued to fund working capital needs. To issue short-term debt on a tax-exempt basis, special rules apply. The short-term debt must be issued to cover an anticipated cash flow shortfall/deficit and Cap~~ital~~Metro must provide evidence that it will experience a deficit.

Debt will be structured for a period consistent with (1) a fair allocation of costs to current and future beneficiaries or users, (2) projected repayment sources, (3) current and projected interest rate environment, and (4) the estimated life of assets being financed.

4. Decision Analysis

Whenever Cap~~ital~~Metro is considering a possible use of debt financing, information will be developed to provide the President & CEO and the Board with a clear understanding of the implications of the debt and its impact on the financial sustainability of Cap~~ital~~Metro. The following information will be provided by the Finance Department for review and recommendation by the President & CEO and consideration by the Board ~~of Directors~~:

1. Debt Analysis

- a. Debt capacity analysis
- b. Purpose for which the debt is issued
- c. Debt structure
- d. The appropriateness of the proposed debt strategy (e.g., use of bonded debt versus contractual obligation or lease financing)
- e. Debt burden
- f. Adequacy of debt and capital planning
- g. Age and obsolescence of capital assets affected

2. Financial Analysis

- a. Stability and current trends in tax and other revenue sources
- b. Current budget trends
- c. Impact on the Strategic Plan and Long-Range Financial Plan
- d. Reserve balance status
- e. Financial monitoring and reporting capabilities
- f. Cash flow projections

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- 3. Economic and Administrative Analysis—Should ~~Capital~~-Metro contemplate a bond issue, other information may be required for use by the voters and by the bond rating agencies in assessing ~~Capital~~-Metro's creditworthiness. This information might include, but not be limited to, the administrative structure of ~~Capital~~-Metro, overall planning efforts, geographic data, population and demographic data, trends in the local economy and other general indicators of the service area.

~~Capital~~-Metro may use the services of qualified internal staff and outside advisors to assist in the analysis, ~~evaluation~~~~evaluation~~, and decision processes, including bond counsel and financial advisors. This ~~p~~Policy is intended to ~~insure~~~~ensure~~ that potential debt complies with all laws and regulations, as well as sound financial principles and the Board and general public are fully informed of the implications of any assumption of debt by ~~Capital~~ Metro.

5. Credit Standards

In all cases in which debt is used by ~~Capital~~-Metro, the goal is to maintain the highest possible credit ratings for all categories of short- and long-term debt that can be achieved without compromising delivery of basic ~~Capital~~-Metro services and achievement of ~~Capital~~-Metro's adopted policy objectives and strategic goals.

~~Capital~~-Metro recognizes that external economic, natural, or other events may, from time to time, affect the ~~credit-worthiness~~~~creditworthiness~~ of its debt. Nevertheless, the Board is committed to ensuring that actions within their control are prudent and consistent with the highest standards of public financial management, and supportive of the credit-worthiness objectives defined herein.

6. Tax Status

Cap~~ital~~ Metro may issue or incur debt on a taxable or tax-exempt basis, depending on the approach that makes the most sense for Cap~~ital~~ Metro in a given circumstance. Cap~~ital~~ Metro has a preference for issuing debt on a tax-exempt basis to take advantage of the interest cost savings compared to issuing taxable debt.

7. Financial Disclosure

Cap~~ital~~ Metro is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, other governmental ~~entities~~entities, and the general public to share clear, comprehensible, and accurate financial information.

Cap~~ital~~ Metro also is committed to providing ~~secondary~~secondary-supplementary disclosure on a timely and comprehensive basis. Official statements accompanying debt issues, Annual Financial Reports, and continuing disclosure statements will meet (at a minimum) the standards articulated by the Municipal Securities Rulemaking Board (MSRB), the Government Accounting Standards Board (GASB), ~~the National Federation of Municipal Analysts~~, the Securities and Exchange Commission (SEC), and Generally Accepted Accounting Principles (GAAP).

8. Capital Planning

To enhance creditworthiness and prudent financial management, Cap~~ital~~ Metro is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital and financial planning will

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be demonstrated through the annual preparation of a five-year capital program plan and a long-range financial plan.

9. Debt Limits

The primary goal of the Board ~~of Directors~~ is to minimize the use of debt and to use debt financing prudently when it is utilized. Cap~~ital~~ Metro will keep outstanding debt within the limits prescribed by State law and at levels consistent with its creditworthiness objectives. Cap~~ital~~ Metro will maintain debt service coverage ratios consistent with the best practices for local government debt issuance. At a minimum, the debt service coverage ratio for financial planning purposes will be set at an average coverage ratio of 2.0x ~~net operating and non-operating~~ revenue over annual debt service costs. The debt-to-net-revenue coverage ratio will be calculated annually and included in Cap~~ital~~ Metro's Comprehensive Annual Financial Report and presented to the Board annually.

In all cases, debt will be structured to achieve the lowest possible net cost to Cap~~ital~~ Metro given market conditions, the timing of the ~~capital~~ project, the nature and type of security provided, and the repayment of its overall debt to reflect the projected sources of debt service payments.

10. Credit Enhancements

Credit enhancement (letters of credit, bond insurance, etc.) may be used when net present value of debt service on the related bonds or other obligations is reduced by more than the costs of the enhancement or when it is required to gain access to the market (i.e., variable rate obligations).

11. Costs and Fees

All costs and fees related to issuance of bonds will be paid out of bond proceeds.

12. Refunding

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net ~~economic benefit~~economic benefit of at least 3 percent present value savings, given the overall financial objectives of Capital Metro, or the refunding is essential in order to modernize covenants essential to operations and management.

13. Approval of Debt

All final decisions regarding the issuance of long-term debt in whatever form will be approved by the President ~~&/~~ CEO and submitted to the Board ~~of Directors~~ for approval.

References

Reserve Policy

~~See Policy FIN-220-11~~

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~~B~~Budget and Financial Planning Policy

~~See Policy FIN-220-13~~

Investment Policy

~~See Policy FIN-220-14~~

Capital Improvement ~~Program Plan~~ Policy

~~See Policy FIN-220-15~~

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1. PURPOSE and SCOPE

The purpose of this Debt Management Policy (“Policy”) is twofold. First, this Policy will serve as a management tool to enable Capital Metropolitan Transportation Authority (“CapMetro” or the “Authority”) to (a) identify transactions that utilize debt in the most efficient manner; and (b) provide for full and timely repayment of all debt. Second, this Policy establishes guidelines consistent with the general policy on debt management for the appropriate amount and type of debt as a means of: (i) achieving the lowest possible cost of capital within prudent risk parameters; (ii) ensuring access to the capital markets; and (iii) providing an accountability process for debt management that is prudent and transparent.

This Policy applies to all debt issued or incurred by CapMetro. A current debt policy is an important tool to ensure the use of CapMetro’s resources to meet its commitments under the Strategic Plan and to maintain sound financial management practices. In addition to periodic updating, CapMetro recognizes that changes in the capital markets and other unforeseen circumstances may warrant modifications to this Policy to maintain consistency with the current policies of the CapMetro Board of Directors (the “Board”) and the financial needs of CapMetro.

CapMetro will comply fully with federal and state laws governing the issuance and use of debt.

2. AUTHORITY

Bond Financing: Chapter 451, subchapter H of the Texas Transportation Code authorizes the issuance of bonds by CapMetro when certain conditions are met. It also imposes certain limitations on the use of debt financing by CapMetro.

In general, CapMetro may issue bonds at any time and for any amounts it considers necessary or appropriate for the acquisition, construction, repair, equipping, improvement, or extension of its transit authority system with the following conditions:

- i. The Board, by resolution, may authorize the issuance of bonds payable solely from revenue.
- ii. Bonds, any portion of which is payable from taxes, may not be issued until authorized by a majority of the votes received in an election ordered and held for that purpose.
- iii. CapMetro’s bonds may be sold at a public or private sale as determined by the Board to be the more advantageous.
- iv. The Board, by resolution, may issue short-term bonds secured from revenue or taxes received if the debt has a term not exceeding 12 months, and the bond is payable with taxes or other revenue received on or after the date of issuance and before the end of the fiscal year following the fiscal year during which the bonds were issued.

- v. CapMetro may not issue short-term debt (less than 12 months in duration), or bonds secured by the revenue of the Authority to finance the purchase, acquisition, construction, operation, or maintenance of a fixed rail transit system without a voter referendum.

Pension Obligation Bonds: Section 451.139 of the Transportation Code gives CapMetro the authority to issue bonds in the amounts necessary for managing or funding retiree pension benefit obligations for pension plans existing as of January 1, 2011, and that result from the competitive bidding of transit services required by Section 451.137. The use of this bonding authority is strictly limited, and it is the Board's policy to use the authority only in a manner that is consistent with the original intent of the law and only at such a time as it can be justified in terms of the long-term financial sustainability of CapMetro.

Contractual Obligations: Chapter 271, subchapter A of the Local Government Code authorizes CapMetro to execute, perform, and make payments under a contract with any person for the use or the purchase or other acquisition of personal property, or the financing thereof. This provision specifically applies to the purchase or lease of personal property or for financing the acquisition of personal property, such as vehicles. Projects involving purchases of real property or improvements to real property cannot be financed using contractual obligations under state law.

The contract must (1) be on the terms considered appropriate by the Board, (2) be in the form of a lease, a lease with an option or options to purchase, an installment purchase, or any other form considered appropriate by the Board, including that of an instrument which would be required to be approved by the attorney general, provided that contracts in such form must be approved by the attorney general, (3) be for a term approved by the Board and contain an option or options to renew or extend the term and (4) be made payable from a pledge of all or any part of any revenues, funds, or taxes available to CapMetro for its public purposes.

Subject only to applicable constitutional restrictions, the Board may obligate taxes or revenues for the full term of a contract for the payment of the contract.

The contract may be for any term not to exceed 25 years.

Lease Financing: Lease obligations may also be considered as appropriate for financing capital. Lease financing should be considered when determined to be more beneficial, either economically or from a policy perspective. Factors to be considered and evaluated include: the useful life of the capital, the terms and conditions of the lease, market convention, and the impact on debt capacity and budget flexibility.

3. PURPOSES AND USES OF DEBT

It is the policy of CapMetro to minimize the amount of debt it uses consistent with sound financial practices and to manage its debt obligations in a way that minimizes its net debt service payments

consistent with credit objectives, all disclosure and regulatory requirements, and the highest standard of fiduciary management of public funds.

In general, CapMetro's goal is to use a pay-as-you-go funding mechanism for capital projects and other long-term financial needs of the Authority. CapMetro will rely on internally generated funds and/or grants and contributions from other governments in addition to debt to finance its capital needs. CapMetro will consider all other financing alternatives or funding sources for capital projects, including non-debt financing, before using debt financing. Debt financing will be used only when, in the judgment of the President & CEO and the Board, it is necessary to meet the strategic objectives of CapMetro, is cost effective and prudent.

CapMetro will consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets (including land) with a useful life of at least five years. Debt may be issued to finance capital projects and equipment. No debt will be issued or incurred for periods exceeding the estimated useful life of the project or projects to be financed. Pursuant to Section 451.352, Transportation Code, Capital Metro may issue bonds without voter approval for such financing if the bonds are secured by revenues only. Other debt issuance for the acquisition of real property requires voter approval. The Board will make the determination of the approach to be used in individual cases.

Pursuant to Section 451.362, Transportation Code, CapMetro is authorized to issue bonds with a term of 12 months or less. These bonds may be issued to fund working capital needs. To issue short-term debt on a tax-exempt basis, special rules apply. The short-term debt must be issued to cover an anticipated cash flow shortfall/deficit and CapMetro must provide evidence that it will experience a deficit.

Debt will be structured for a period consistent with (1) a fair allocation of costs to current and future beneficiaries or users, (2) projected repayment sources, (3) current and projected interest rate environment, and (4) the estimated life of assets being financed.

4. DECISION ANALYSIS

Whenever CapMetro is considering a possible use of debt financing, information will be developed to provide the President & CEO and the Board with a clear understanding of the implications of the debt and its impact on the financial sustainability of CapMetro. The following information will be provided by the Finance Department for review and recommendation by the President & CEO and consideration by the Board:

- (i) Debt Analysis
 - a. Debt capacity analysis
 - b. Purpose for which the debt is issued
 - c. Debt structure
 - d. The appropriateness of the proposed debt strategy (e.g., use of bonded debt versus contractual obligation or lease financing)
 - e. Debt burden
 - f. Adequacy of debt and capital planning

- g. Age and obsolescence of capital assets affected
- (ii) Financial Analysis
 - a. Stability and current trends in tax and other revenue sources
 - b. Current budget trends
 - c. Impact on the Strategic Plan and Long-Range Financial Plan
 - d. Reserve balance status
 - e. Financial monitoring and reporting capabilities
 - f. Cash flow projections
- (iii) Economic and Administrative Analysis—Should CapMetro contemplate a bond issue, other information may be required for use by the voters and by the bond rating agencies in assessing CapMetro’s creditworthiness. This information might include, but not be limited to, the administrative structure of CapMetro, overall planning efforts, geographic data, population and demographic data, trends in the local economy and other general indicators of the service area.

CapMetro may use the services of qualified internal staff and outside advisors to assist in the analysis, evaluation, and decision processes, including bond counsel and financial advisors. This Policy is intended to ensure that potential debt complies with all laws and regulations, as well as sound financial principles and the Board and general public are fully informed of the implications of any assumption of debt by CapMetro.

5. CREDIT STANDARDS

In all cases in which debt is used by CapMetro, the goal is to maintain the highest possible credit ratings for all categories of short- and long-term debt that can be achieved without compromising delivery of basic CapMetro services and achievement of CapMetro’s adopted policy objectives and strategic goals.

CapMetro recognizes that external economic, natural, or other events may, from time to time, affect the creditworthiness of its debt. Nevertheless, the Board is committed to ensuring that actions within their control are prudent and consistent with the highest standards of public financial management, and supportive of the credit-worthiness objectives defined herein.

6. TAX STATUS

CapMetro may issue or incur debt on a taxable or tax-exempt basis, depending on the approach that makes the most sense for CapMetro in a given circumstance. CapMetro has a preference for issuing debt on a tax-exempt basis to take advantage of the interest cost savings compared to issuing taxable debt.

7. FINANCIAL DISCLOSURE

CapMetro is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, other governmental entities, and the general public to share clear, comprehensible, and accurate financial information.

CapMetro also is committed to providing supplementary disclosure on a timely and comprehensive basis. Official statements accompanying debt issues, Annual Financial Reports, and continuing disclosure statements will meet (at a minimum) the standards articulated by the Municipal Securities Rulemaking Board (MSRB), the Government Accounting Standards Board (GASB), the Securities and Exchange Commission (SEC), and Generally Accepted Accounting Principles (GAAP).

8. CAPITAL PLANNING

To enhance creditworthiness and prudent financial management, CapMetro is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital and financial planning will be demonstrated through the annual preparation of a five-year capital program plan and a long-range financial plan.

9. DEBT LIMITS

The primary goal of the Board is to minimize the use of debt and to use debt financing prudently when it is utilized. CapMetro will keep outstanding debt within the limits prescribed by State law and at levels consistent with its creditworthiness objectives. CapMetro will maintain debt service coverage ratios consistent with the best practices for local government debt issuance. At a minimum, the debt service coverage ratio for financial planning purposes will be set at an average coverage ratio of 2.0x operating and non-operating revenue over annual debt service costs. The debt-to-net-revenue coverage ratio will be calculated annually and included in CapMetro's Comprehensive Annual Financial Report and presented to the Board annually.

In all cases, debt will be structured to achieve the lowest possible net cost to CapMetro given market conditions, the timing of the capital project, the nature and type of security provided, and the repayment of its overall debt to reflect the projected sources of debt service payments.

10. CREDIT ENHANCEMENTS

Credit enhancement (letters of credit, bond insurance, etc.) may be used when net present value of debt service on the related bonds or other obligations is reduced by more than the costs of the enhancement or when it is required to gain access to the market (i.e., variable rate obligations).

11. COSTS and FEES

All costs and fees related to issuance of bonds will be paid out of bond proceeds.

12. REFUNDING

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of at least 3 percent present value savings, given the overall financial objectives of CapMetro, or the refunding is essential in order to modernize covenants essential to operations and management.

13. APPROVAL OF DEBT

All final decisions regarding the issuance of long-term debt in whatever form will be approved by the President & CEO and submitted to the Board for approval.

14. REFERENCES

Reserve Policy
Budget and Financial Planning Policy
Investment Policy
Capital Improvement Plan Policy

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Finance, Audit and Administration Committee
Agenda Date: 8/15/2022

Item #: AI-2022-508

SUBJECT:

Approval of a resolution authorizing the Interim President & CEO, or their designee, to execute an Interlocal Agreement (ILA) with Travis County for employee transit passes for a period of one (1) year from October 1, 2022, to September 30, 2023, and that includes an option to extend the ILA for four additional twelve-month periods.

FISCAL IMPACT:

This action reimburses Capital Metro for expenses incurred.

STRATEGIC PLAN:

Strategic Goal Alignment:

- | | |
|---------------------------------------|---|
| <input type="checkbox"/> 1. Customer | <input checked="" type="checkbox"/> 2. Community |
| <input type="checkbox"/> 3. Workforce | <input checked="" type="checkbox"/> 4. Organizational Effectiveness |

Strategic Objectives:

- | | | |
|--|--|--|
| <input type="checkbox"/> 1.1 Safe & Reliable Service | <input type="checkbox"/> 1.2 High Quality Customer Experience | <input type="checkbox"/> 1.3 Accessible System |
| <input type="checkbox"/> 2.1 Support Sustainable Regional Growth | <input type="checkbox"/> 2.2 Become a Carbon Neutral Agency | |
| <input checked="" type="checkbox"/> 2.3 Responsive to Community and Customer Needs | <input type="checkbox"/> 2.4 Regional Leader in Transit Planning | |
| <input type="checkbox"/> 3.1 Diversity of Staff | <input type="checkbox"/> 3.2 Employer of Choice | <input type="checkbox"/> 3.3 Expand Highly Skilled Workforce |
| <input checked="" type="checkbox"/> 4.1 Fiscally Responsible and Transparent | <input type="checkbox"/> 4.2 Culture of Safety | <input type="checkbox"/> 4.3 State of Good Repair |

EXPLANATION OF STRATEGIC ALIGNMENT: The ILA will maintain a strong partnership with Travis County that supports Capital Metro's mission and vision. The ILA has the potential to increase ridership on Capital Metro services and sustain revenue.

BUSINESS CASE: The ILA has helped establish a strong partnership with Travis County that supports Capital Metro's strategic objectives. The proposed ILA will maintain this relationship. The ILA has been well utilized by Travis County employees, and the proposed ILA will maintain the usage of our services by Travis County employees.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance,

Audit and Administration Committee on August 15, 2022.

EXECUTIVE SUMMARY: As part of Capital Metro's desire to build strong community partnerships that further Capital Metro's mission and vision and as part of Capital Metro's and Travis County's continued joint effort to promote sustainability through transportation alternatives, this agreement establishes an Interlocal Agreement (ILA) with Travis County for employee transit passes through the MetroWorks program for a period of one year from October 1, 2022, to September 30, 2023, with an option to extend the ILA for four additional twelve-month periods.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Finance

**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2022-508

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management endeavor to build strong community partnerships that further Capital Metro's mission and vision; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need to build ridership and increase market share of alternate transit use.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Interim President & CEO, or their designee, is authorized to execute an Interlocal Agreement (ILA) with Travis County for employee transit passes for a period of one (1) year from October 1, 2022, to September 30, 2023, with an option to extend the ILA for four additional twelve-month periods.

Date: _____

**Secretary of the Board
Leslie Pool**

INTERLOCAL AGREEMENT

BETWEEN TRAVIS COUNTY AND CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY FOR EMPLOYEE TRANSIT SERVICES

This Interlocal Agreement ("Agreement") is entered into by and between Travis County, Texas ("Travis County"), a political subdivision of the State of Texas, and Capital Metropolitan Transportation Authority ("CapMetro"), a transportation authority and political subdivision organized under Chapter 451 of the Texas Transportation Code. CapMetro and Travis County are referred to in this Agreement collectively as the "Parties" and individually as a "Party".

I. Recitals

1. The Parties recognize the importance of a regional mobility system and desire to encourage employees of Travis County to access public transportation.
2. This Agreement is effective upon execution by both Parties and is effective until the funding for this Agreement is depleted or is otherwise terminated in accordance with this Agreement.
3. This Agreement is authorized and governed by the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code.
4. The Parties now desire to enter into a mutually beneficially agreement that meets the transportation mobility needs of both Parties.

In consideration of mutual covenants and agreements contained herein, the Parties agree to the terms and conditions below as evidenced by the signatures of their respective authorized representatives.

II. Scope

1. **Transit Services.** The purpose of this Agreement is to provide access to CapMetro's paratransit services ("MetroAccess Services"), bus, rail, RideShare, and MetroBike services (collectively, the "Services") to Travis County employees who possess a valid and current Travis County employee photo identification and are eligible to use the Services ("Eligible County Employees").
2. **MetroAccess.** CapMetro will provide paratransit services to Eligible County Employees who have been certified for MetroAccess Service via CapMetro's certification process. MetroAccess-certified Eligible County Employees must follow CapMetro's certification and reservations processes in order to make use of CapMetro's paratransit services. Travis County will provide CapMetro a list of MetroAccess-certified Eligible County Employees at least ten (10) business days before the beginning of a new service month. CapMetro will then issue Travis County a MetroAccess monthly pass for each of these Eligible County Employees at least five (5) business days before the beginning of that new service month. Travis County will be responsible for distribution of these monthly passes to its MetroAccess-certified Eligible County Employees. Each MetroAccess-certified Eligible County Employee must display a valid MetroAccess monthly pass to the MetroAccess operator prior to boarding a MetroAccess vehicle. In this Agreement, "service month" means a calendar month during which a MetroAccess-certified Eligible County Employee desires to receive paratransit services from CapMetro.

3. **Bus and Rail Services.** CapMetro agrees to provide bus and rail services to any Eligible County Employee, at no charge to the Eligible County Employee, provided each such employee presents a valid CapMetro pass and Travis County Employee photo identification upon boarding the CapMetro vehicle.
4. **Coordination.** CapMetro and Travis County understand the need for coordination and prior approval of the respective governing bodies regarding services, activities, and initiatives; including services, activities and initiatives that involve additional funds. The Parties agree to work together in good faith to coordinate any approvals necessary to obtain services, activities and initiatives that further the goals of this Agreement.
 - (a) CapMetro and Travis County staff will outline the various roles and responsibilities needed to promote and increase Travis County employee ridership.
 - (b) Travis County will promote transit use to its employees with the assistance of the CapMetro Communications and Marketing staff. The number of passes Travis County will require will be determined no later than six (6) weeks before the desired delivery date. CapMetro will deliver the annual transit passes to the Travis County Human Resources Management Department. Travis County will be responsible for distributing the passes to Eligible County Employees.
5. **Holidays.** The following service holidays are observed by CapMetro and may alter the level of services:

Holiday	Date Observed
New Year's Day	January 1
Martin Luther King, Jr.'s Birthday	Third Monday in January
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Thanksgiving Day	Fourth Thursday in November
Friday after Thanksgiving	Friday after Thanksgiving
Christmas Eve	December 24
Christmas Day	December 25

6. **Monitoring and Reporting.**
 - (a) **Ridership Reports.** CapMetro will provide ridership reports to Travis County by day 10 of each month. Ridership reports will include the number of unique Travis County employee riders, the number of rides taken for each level/tier of service/per day and for the total month, the total dollar amount per level/tier of service, and the total dollar amount due.
 - (b) **Bus and Rail Reconciliation.** CapMetro will use the magnetic cards at the bus and rail fare boxes to monitor, compile and analyze bus and rail ridership data. CapMetro and Travis County will review ridership services and employees' eligibility each month to reconcile the services. CapMetro will submit invoices to Travis County for these services based upon the reconciliation.

III. Term and Termination

1. **Term.** The initial term of this Agreement ("Term") shall commence on October 1, 2022 the "Effective Date") and end on September 30, 2023 (the "Initial Term") and may be extended for up to four (4) 12-month renewal periods. The Parties may exercise a renewal period by written agreement executed by CapMetro's President & CEO or their designee and the Travis County Judge or their designee.
2. **Termination.** Either Party shall have the right to terminate this Agreement, in whole or part, without cause anytime upon sixty (60) calendar days prior written notice. Upon receipt of the termination notice CapMetro will cease all work on the 60th day ("Early Termination") following the date of the termination notice, with such exceptions, if any, specified in the notice of termination. Travis County will pay CapMetro for all Services performed and obligations incurred prior to the Early Termination.

IV. Compensation and Payment

1. **Contract Amount.** For the Initial Term and each renewal period, Travis County will pay to CapMetro an amount not to exceed **\$87,000** for the Services provided under this Agreement at the rates set forth in this Section IV. CapMetro will invoice Travis County on a monthly basis for the Services.
 - 1.1 The County shall pay CapMetro for transit passes at a cost that is discounted by thirty percent (30%) off of the standard fare pricing for all Local bus service (Metrobus, UT Shuttle, MetroRapid and High-Frequency Routes, and Pickup by Metro) and all Commuter Service (All Local Services, plus MetroExpress Routes and MetroRail).
 - 1.2 Travis County will pay CapMetro \$46.50 a month per Travis County employee for access to MetroAccess paratransit services, and Travis County shall reimburse CapMetro for any fees exceeding the \$46.50 monthly fee paid by Travis County for paratransit services. For any renewal period during the Term after the Initial Term, CapMetro reserves the right to change the rates for access to MetroAccess paratransit services by providing not less than one hundred twenty (120) days written notice to Travis County defining the terms of the rates.
 - 1.3 Travis County will pay CapMetro's RideShare contractor for Travis County employees access to RideShare vanpool services, and any fees by Travis County for RideShare vanpool services. For any renewal period during the Term after the Initial Term, CapMetro reserves the right to change the rates for access to RideShare services by providing not less than sixty (60) days written notice to Travis County defining the terms of the rates.
 - 1.4 Travis County will pay CapMetro \$23.75 a month per Travis County employee for access to 31-day MetroBike passes. For any renewal period during the Term after the Initial Term, CapMetro reserves the right to change the rates for MetroBike services by providing not less than sixty (60) days written notice to Travis County defining the terms of the rates.
 - 1.5 Travis County will pay for the production costs of the transit passes. In addition, if the production costs of the transit passes increase during the term of this Agreement, Travis

County agrees to reimburse CapMetro for the actual additional production costs charged to CapMetro.

2. **Invoices.** Based upon reconciled ridership services and employee eligibility, CapMetro will submit an itemized invoice and ridership data reports to Travis County on a monthly basis. Invoices and ridership data may be mailed or sent electronically to:

Syndia Crosbie
Travis County Transportation and Natural Resources Department
P.O. Box 1748
Austin, Texas 78767
Syndia.Crosbie@traviscountytexas.gov

3. **Prompt Pay.** Travis County will pay all invoices on a monthly basis in accordance with Texas Prompt Payment Act, Chapter 2251, and Texas Government Code.
4. **Non-appropriations.** This Agreement is dependent upon the availability of Travis County funding. Travis County's payment obligations are payable only from funds appropriated and available for the Agreement. Travis County will provide CapMetro written notice if it fails to appropriate the funds to pay the amounts due under this Agreement. Travis County will also notify CapMetro as soon as practicable if there is a reduction of the appropriated funds necessary for Travis County to perform under this Agreement, or there are insufficient funds available for Travis County to pay its obligations under this Agreement.

V. General Terms and Conditions

1. Right to Audit.

1.1 Travis County agrees to allow authorized CapMetro representatives access to all records related to this Agreement. In addition, Travis County agrees to only distribute transit passes and MetroAccess tickets to Eligible County Employees. Travis County will take adequate measures to prevent the transference of passes and tickets to individuals who are not Eligible County Employees.

1.2 CapMetro agrees to allow authorized representatives of Travis County or other authorized representatives of Travis County, access to, and the right to audit, examine, or reproduce, any CapMetro records related to the performance of this Agreement. CapMetro agrees to refund to Travis County any overpayments disclosed by a Travis County audit.

2. **Taxpayer Identification.** CapMetro shall provide Travis County with an Internal Revenue Form W-9, Request for Taxpayer Identification Number and Certification, that is completed in compliance with the Internal Code and its rules and regulations before any funds are payable.

3. **"Business Day."** In this Agreement, "business day" means any weekday that is not a holiday designated by the Travis County Commissioners Court.

4. **Entire Agreement.** This Agreement contains the complete and entire Agreement between the Parties respecting the matters addressed herein, and supersedes all prior negotiations, agreements, representations, and understanding, if any, between the Parties regarding CapMetro's provision of transit services to Eligible County Employees. This Agreement may

not be modified, discharged, or changed in any respect whatsoever except by written instrument duly executed by an authorized representative of the Parties. No official, representative, agent, or employee of Travis County, Texas has any authority to modify this Agreement, except pursuant to such express authority as may be granted by the Commissioners Court of Travis County, Texas. The recitals set forth above and the attached exhibits are incorporated herein.

5. **Texas Public Information Act.** It will be the responsibility of each Party to comply with the provisions of Chapter 552, Texas Government Code, (Texas Public Information Act) and the Attorney General Opinions issued under that statute. Neither Party is authorized to receive requests or take any other action under the Texas Public Information Act on behalf of the other Party. Responses to requests for confidential information shall be handled in accordance with the provisions of the Texas Public Information Act. The provisions of this paragraph survive the termination or expiration of this Agreement.
6. **Fiscal Records.** The Parties will maintain and retain supporting fiscal documents adequate to ensure that claims for Agreement funds are in accordance with applicable state of Texas requirements. These supporting fiscal documents will be maintained and retained for a period of three (3) years from the later of: (a) termination of this Agreement, (b) submission of the final invoices, or (c) until resolution of all billing questions.
7. **Applicable Law.** This Agreement will be governed by and construed in accordance with the laws and constitution of the State of Texas.
8. **Venue.** Venue for any action arising under this Agreement will be in Travis County, Texas.
9. **Successors and Assigns.** This Agreement may not be assigned, in whole or in part, by either Party without the prior written consent of the other party. Any attempt to assign this Agreement, without the consent of the non-assigning Party, will be void. This Agreement will be binding upon and inure to the benefit of the Parties and their successors and assigns (if any).
10. **Independent Contractor.** This Agreement will not be construed as creating an employer-employee relationship, a partnership, or a joint venture between the Parties.
11. **Disputes.** The Parties will make every possible attempt to resolve, in an amicable manner, all disputes between the parties concerning the interpretation of this Agreement. Travis County will submit written notice of any claim of breach of contract under this Agreement to the CapMetro Board of Directors, who will examine Travis County's claim and any counterclaim and negotiate with Travis County in an effort to resolve the claim. In the event this negotiation is unsuccessful, then the parties will take the dispute to mediation.
12. **INDEMNIFICATION. THE PARTIES AGREE THAT EACH GOVERNMENTAL ENTITY IS RESPONSIBLE FOR ITS OWN PROPORTIONATE SHARE OF ANY LIABILITY FOR THE NEGLIGENT ACTS OR OMISSIONS OF ITS EMPLOYEES, AGENTS, CONTRACTORS, OR SUBCONTRACTORS ARISING OUT OF, CONNECTED WITH, OR AS A CONSEQUENCE OF ITS PERFORMANCE UNDER THIS AGREEMENT. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES (INCLUDING BUT NOT LIMITED TO LOSS OF BUSINESS, REVENUE, PROFITS, OR OTHER ECONOMIC ADVANTAGE), HOWEVER IT ARISES, WHETHER IN AN ACTION OF CONTRACT, NEGLIGENCE, TORT, OR OTHER ACTION, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY THEREOF.**

- 13. Force Majeure.** Except as otherwise provided, neither Party is liable to the other for any delay in, or failure of performance, of a requirement contained in this Agreement caused by force majeure. The existence of such causes of delay or failure shall extend the period of performance until after the causes of delay or failure have been removed, provided the non-performing party exercises all reasonable due diligence to perform. Force majeure is defined as acts of God, war, strike, fires, explosions, or other causes that are beyond the control of either Party and that by exercise or due foresight, such Party could not reasonably have been expected to avoid, and which, by the exercise of all reasonable due diligence, such party is unable to overcome. Each Party must inform the other in writing with proof of receipt within three (3) business days of the existence of such force majeure.
- 14. Severance.** Should any one or more provisions of this Agreement be deemed invalid, illegal, or unenforceable for any reason, such invalidity, illegality or unenforceability shall not affect any other provision held to be void, voidable, or for any reason whatsoever of no force and effect, such provision will be construed as severable from the remainder of this Agreement and will not affect the validity of all other provisions of this Agreement, which will remain of full force and effect.
- 15. Headings.** The headings contained in this Agreement are for reference purposes only and do not in any way affect the meaning or interpretation of this Agreement.
- 16. Notices.** Any notice required or permitted to be delivered under this Agreement will be deemed delivered when deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to Travis County or CapMetro, at the addresses set forth below. Notice given in any other manner will be deemed effective only if and when received by the Party to be notified. Either Party may change its address for notice by written notice to the other Party.

14.1 Designation of Key Personnel for Notice

Travis County: Adele Noel
Travis County
Transportation and Natural Resources Department
P.O. Box 1748
Austin, Texas 78767

Delia Garza (or her successor)
Travis County Attorney
P.O. Box 1748
Austin, Texas 78767

AND TO: Bonnie S. Floyd, MBA, CPPO, CPPB (or her successor)
Travis County Purchasing Agent
P.O. Box 1748
Austin, Texas 78767

CapMetro: Chief Counsel
Capital Metropolitan Transportation Authority
2910 E, 5th Street
Austin, Texas 78702

- 17. Government Entities.** The Parties to this Agreement are governmental entities within

the State of Texas, and nothing in this Agreement waives or relinquishes the right of the Parties to claim any exemptions, privileges and immunities as may be provided by law.

- 18. Certifications.** The Undersigned Parties do hereby certify that: (a) the services specified above are necessary and essential and are properly within the statutory functions and programs of the affected governmental entities; (b) the proposed arrangements serve the interest of efficient and economical administration of CapMetro and Travis County; (c) the services contracted for are not required by Section 21 of Article 16 of the Constitution of Texas to be supplied under Agreement given to the lowest responsible bidder nor is this Agreement prohibited by Texas Government Code, Section 771.003(b); and (d) this Agreement neither requires nor permits either Party to exceed its duties and responsibilities or the limitations of its appropriated funds.

Remainder of Page Intentionally Left Blank; Signature Page Follows.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their undersigned, duly authorized representatives to be effective as of the Effective Date.

**Capital Metropolitan
Transportation Authority**

By: _____

Dottie Watkins
Interim President & CEO

Date: _____

Approved as to form:

By: _____

Legal

Travis County, Texas

By: _____

Andy Brown
Travis County Judge

Date: _____

Approved as to form:

By: _____

Travis County Attorney

Finance, Audit and Administration Committee
Agenda Date: 8/15/2022

Item #: AI-2022-525

SUBJECT:

Approval of a resolution authorizing the Interim President & CEO, or their designee, to approve and execute a contract modification with Bright Horizons Family Solutions in the amount of \$448,373 for the period of September 1, 2022 to August 31, 2023.

FISCAL IMPACT:

Funding for this action is available in the FY2023 Operating Budget

STRATEGIC PLAN:

Strategic Goal Alignment:

- | | |
|--|--|
| <input type="checkbox"/> 1. Customer | <input type="checkbox"/> 2. Community |
| <input checked="" type="checkbox"/> 3. Workforce | <input type="checkbox"/> 4. Organizational Effectiveness |

Strategic Objectives:

- | | | |
|--|--|--|
| <input type="checkbox"/> 1.1 Safe & Reliable Service | <input checked="" type="checkbox"/> 1.2 High Quality Customer Experience | <input type="checkbox"/> 1.3 Accessible System |
| <input type="checkbox"/> 2.1 Support Sustainable Regional Growth <input type="checkbox"/> 2.2 Become a Carbon Neutral Agency | | |
| <input type="checkbox"/> 2.3 Responsive to Community and Customer Needs <input type="checkbox"/> 2.4 Regional Leader in Transit Planning | | |
| <input type="checkbox"/> 3.1 Diversity of Staff | <input checked="" type="checkbox"/> 3.2 Employer of Choice | <input type="checkbox"/> 3.3 Expand Highly Skilled Workforce |
| <input type="checkbox"/> 4.1 Fiscally Responsible and Transparent <input type="checkbox"/> 4.2 Culture of Safety <input type="checkbox"/> 4.3 State of Good Repair | | |

EXPLANATION OF STRATEGIC ALIGNMENT: The Child Care and Learning Center (Center) was opened in 2006 to attract and retain employees with childcare needs so that the employee would be able to work closely to their young children and have assurance that they are receiving high quality early childhood education. This gives employees the peace of mind that their child's developmental needs are being met and they can easily visit them during the day. This contributes to employee higher morale and job focus.

BUSINESS CASE: On July 25, 2016, the CapMetro Board of Directors authorized CapMetro to enter into a contract with Bright Horizons for a period of one base year and six 1-year option period for the amount of \$6,443,323. A contract was subsequently awarded to Bright Horizons on August 16, 2016. This contract modification will exercise the final year of the contract, Option 6, Contract Year 7, for the period September 1,

2022 - August 31, 2023. Additional funds are needed in the amount of \$448,373 which includes a contingency of \$150,000. We are requesting additional funds for this contract as a result of increased staffing cost and associated payroll costs. We also incurred additional costs as a result of COVID-19 and service recognition payments for our frontline staff. The funding for this project is included in the approved FY 2023 Operating Budget and 65% or more of the cost is reimbursed by the parents through enrollment fees and tuition.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on August 15, 2022.

EXECUTIVE SUMMARY: Over the course of the contract, the agency opened the facility to the community in order to maintain a full center and to provide childcare services in the area that was currently unavailable. The Center is currently at or near capacity with approximately 52 full-time equivalents. The Center serves children and grandchildren of Capital Metro and service provider employees and community children whose parents work or live close to the Capital Metro Pleasant Valley offices. Maintaining the Center allows Capital Metro to provide an important benefit to our employees and to fill a childcare void in the community.

DBE/SBE PARTICIPATION: Any DBE participation will be captured as race neutral.

PROCUREMENT: On July 25, 2016, the CapMetro Board of Directors authorized CapMetro to enter into a contract with Bright Horizons for a period of one base year and six 1-year option periods. A contract was subsequently awarded to Bright Horizons on August 16, 2016. This contract modification will exercise the final year of the contract, Option 6, Contract Year 7, for the period September 1, 2022 - August 31, 2023.

RESPONSIBLE DEPARTMENT: People & Culture

**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2022-525

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need to provide a benefit that gives access to affordable child care and learning experiences for employees' children and the community; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need to outsource the management of the Center to a third party.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Interim President & CEO, or their designee, is authorized to finalize and execute a contract modification with Bright Horizons Family Solutions for the management of the Child Care and Learning Center's operations for \$448,373 for final Option Year of the contract.

Date: _____

**Secretary of the Board
Leslie Pool**



CapMetro



CapMetro / Bright Horizons Child Care & Early Learning Center

Board Finance Audit & Administration
Committee

August 15, 2022

Background Information

- Bright Horizons began providing services to CapMetro in 2006
- Average Annual Utilization: 85%-90% full
 - CapMetro Team Members: 20%
 - Community: Remaining 80%
- Accepts Child Care Services (CCS) program to provide eligible families with childcare scholarships to help cover childcare costs
- Ages infant to pre-school

Child Care & Early Learning Center Accreditations

- Bright Horizon is accredited by the National Accreditation Commission (NAC)
 - National Accreditation Commission (NAC) has developed standards to define and recognize quality childcare programs.
 - Trained faculty,
 - Staff-child ratios and group sizes
 - Comprehensive curriculum
 - Stringent health and safety standards.
- Second Accreditation - National Association for Education of Young Children (NAEYC)



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-520

Agenda Date: 8/15/2022

Economic Outlook Presentation (PFM)

Capital Metropolitan Transportation Authority

Finance, Audit & Administration Committee

Economic Update
August 15, 2022

703.307.4726 | pfmam.com

PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

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Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ High inflation
 - ▶ A strong labor market
 - ▶ Depressed consumer confidence
 - ▶ Growing potential for economic recession

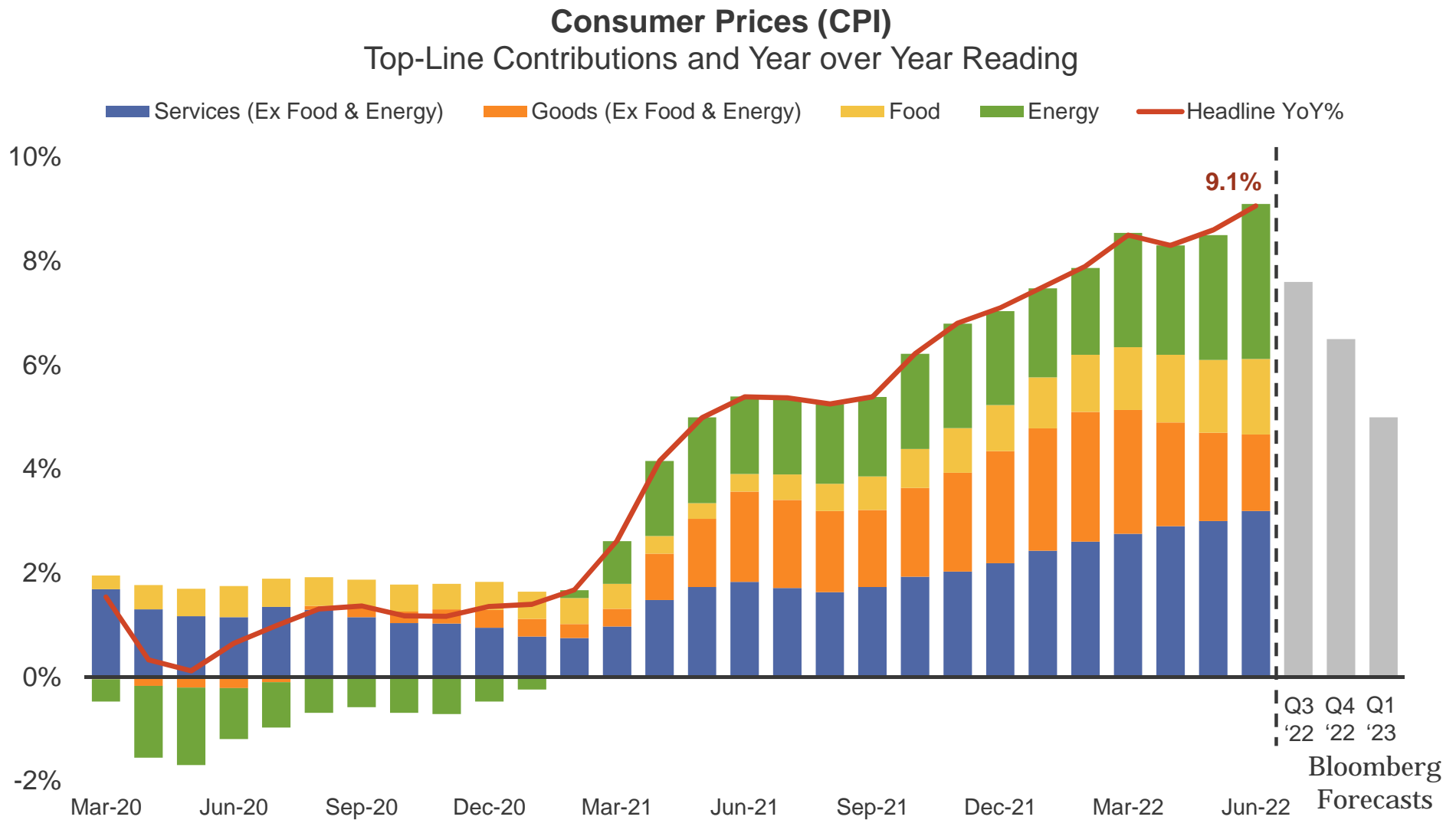


- ▶ The Federal Reserve is tightening monetary policy
 - ▶ More aggressive rate hikes to battle persistent inflation
 - ▶ Short-term fed funds rate projected to reach 3.25% to 3.75% by year-end
 - ▶ Start of balance sheet reduction; pace to double beginning in September



- ▶ Asset prices have fallen sharply in 2022 as a result of:
 - ▶ The impact of higher rates on bond prices and equity valuations
 - ▶ Wider credit spreads
 - ▶ High commodity prices, rising labor costs, and the continuing conflict in Ukraine
 - ▶ High levels of volatility and uncertainty

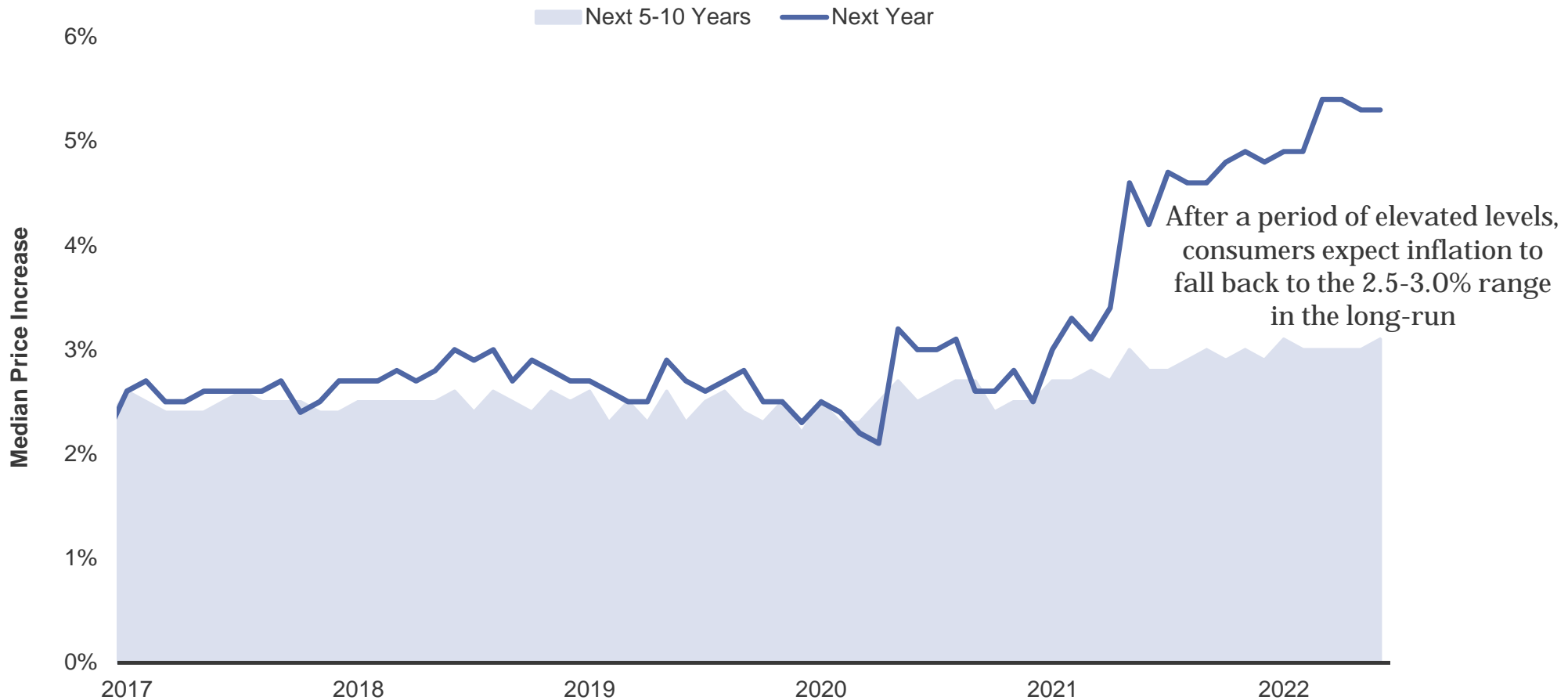
U.S. Inflation Hits Another Four-Decade High in June



Source: Bloomberg, as of June 2022.

Consumers Expect High Inflation in the Near Term, But Moderation Longer Term

University of Michigan Survey of Consumers
Expected Change in Prices

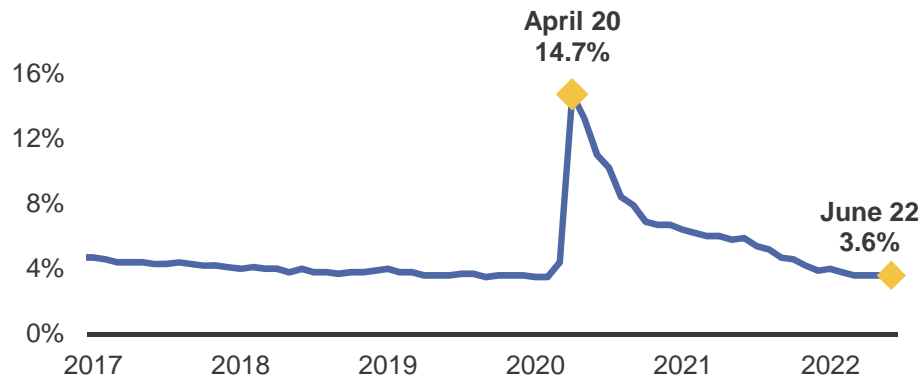


Source: Bloomberg, as of June 2022.

Strong Labor Market and Spending Provide Momentum Against Signs of Economic Slowing

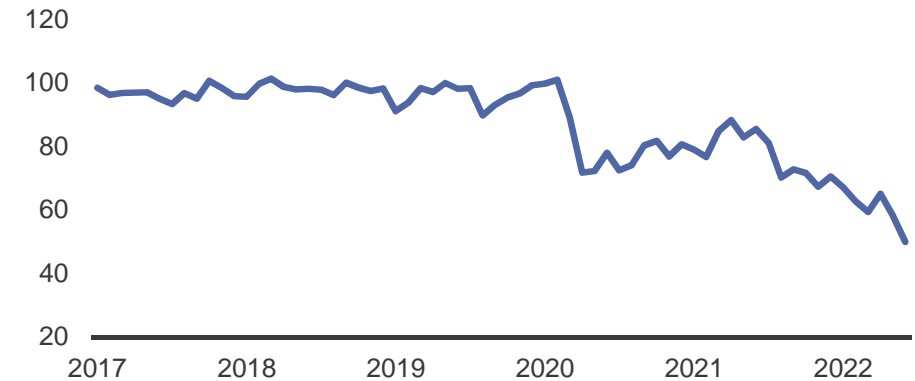
Tailwinds

U.S. Unemployment Rate

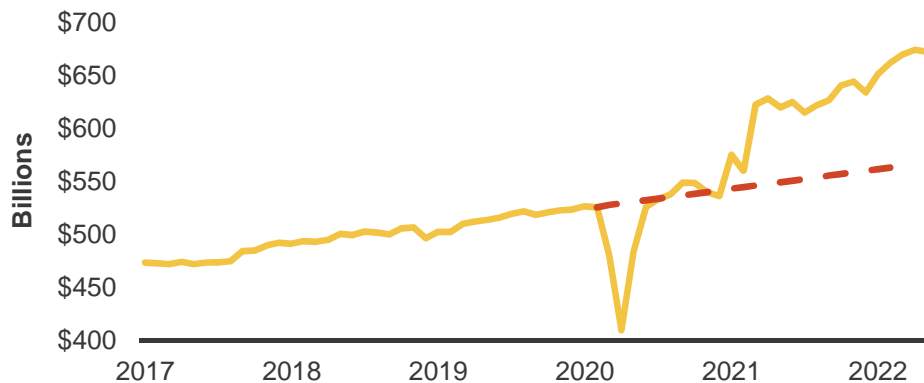


Headwinds

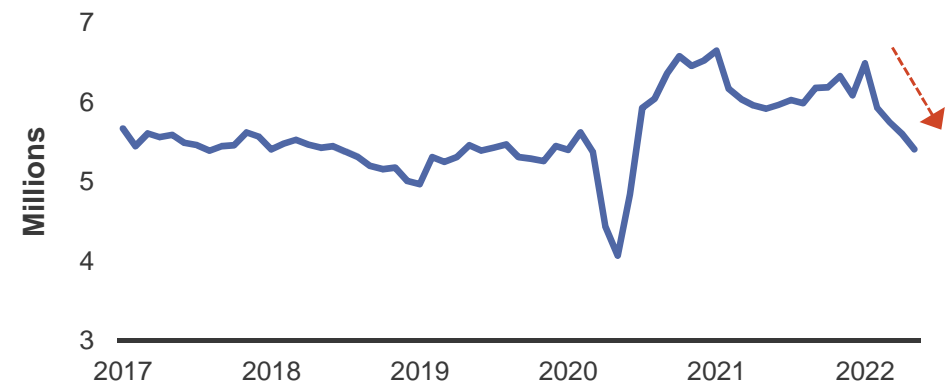
Index of Consumer Sentiment



Retail Sales (Monthly)



Existing Home Sales



Source: Bloomberg, as of June 2022.

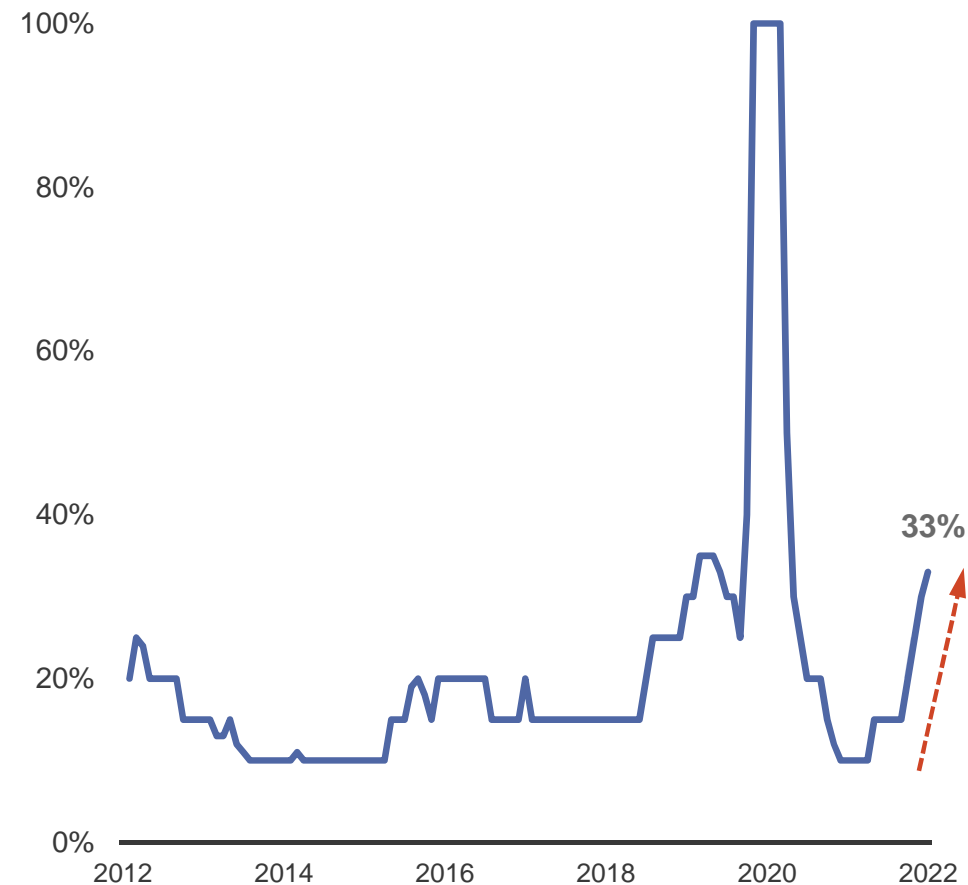
Uncertainty Grows Around Economic Outlook

GDP Contributors

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
U.S. Real GDP	6.7%	2.3%	6.9%	-1.6%	-1.2% (proj.)
<i>Personal Consumption</i>	7.9%	1.4%	1.8%	1.2%	
<i>Fixed Investment</i>	0.6%	-0.2%	0.5%	1.3%	
<i>Private Inventories</i>	-1.3%	2.2%	5.3%	-0.4%	
<i>Net Exports</i>	-0.2%	-1.3%	-0.2%	-3.2%	
<i>Gov't Expenditures</i>	-0.3%	0.2%	-0.5%	-0.5%	

Following a negative Q1 reading, economists expect positive yet decelerating growth amid an increasingly cautious consumer

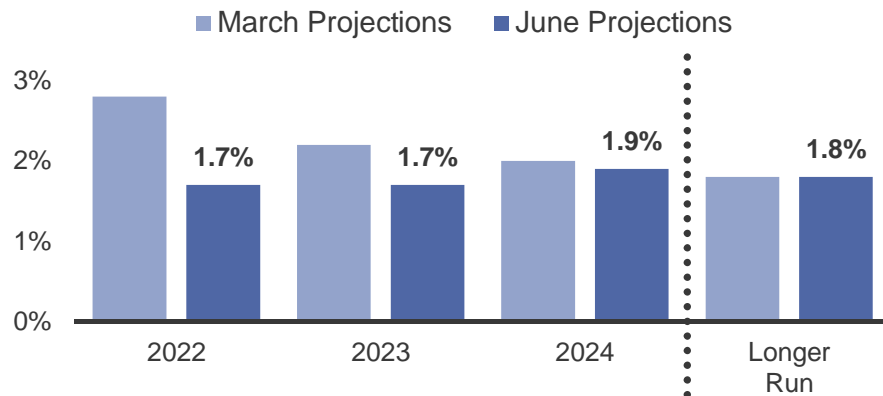
U.S. 1-Year Recession Probability (Bloomberg Median Economist Forecast)



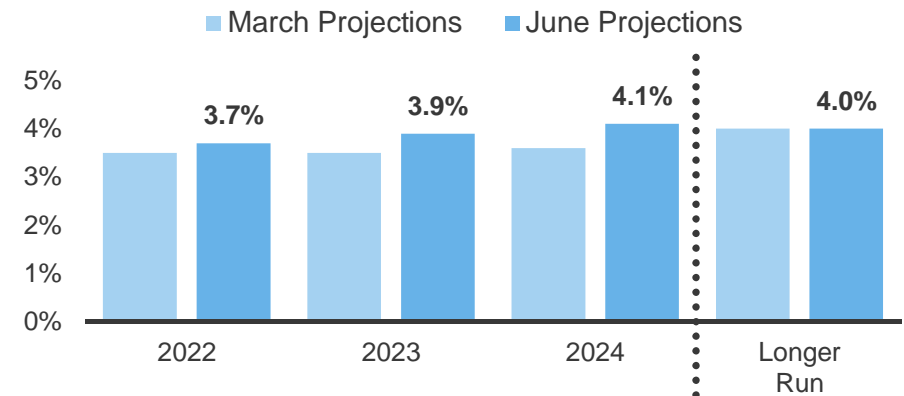
Source: Bloomberg, as of June 2022. Q2 2022 GDP projection as of 7/08/2022, from Atlanta Fed GDPNow model.

Fed's Updated Projections Show More Expected Inflation, Lower Growth

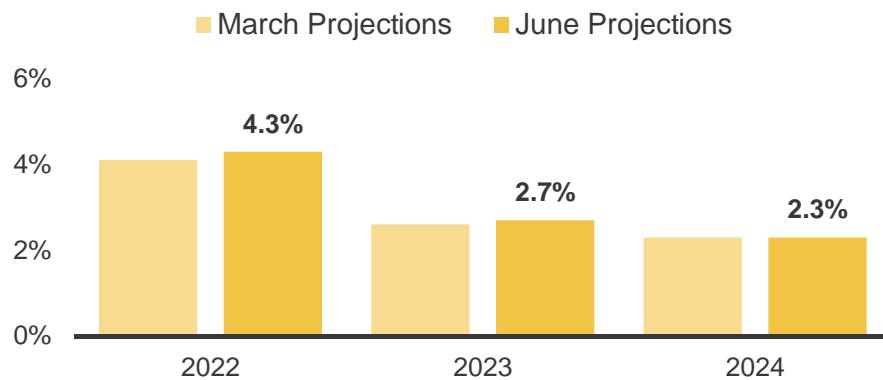
Change in Real GDP



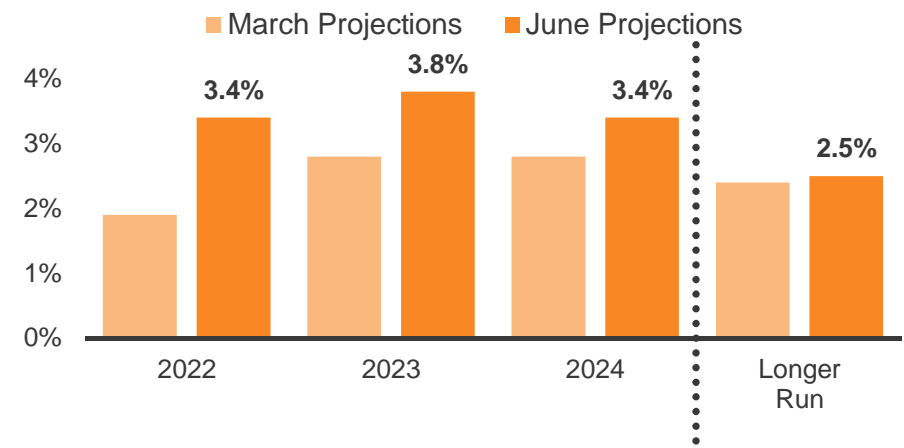
Unemployment Rate



Core PCE Inflation



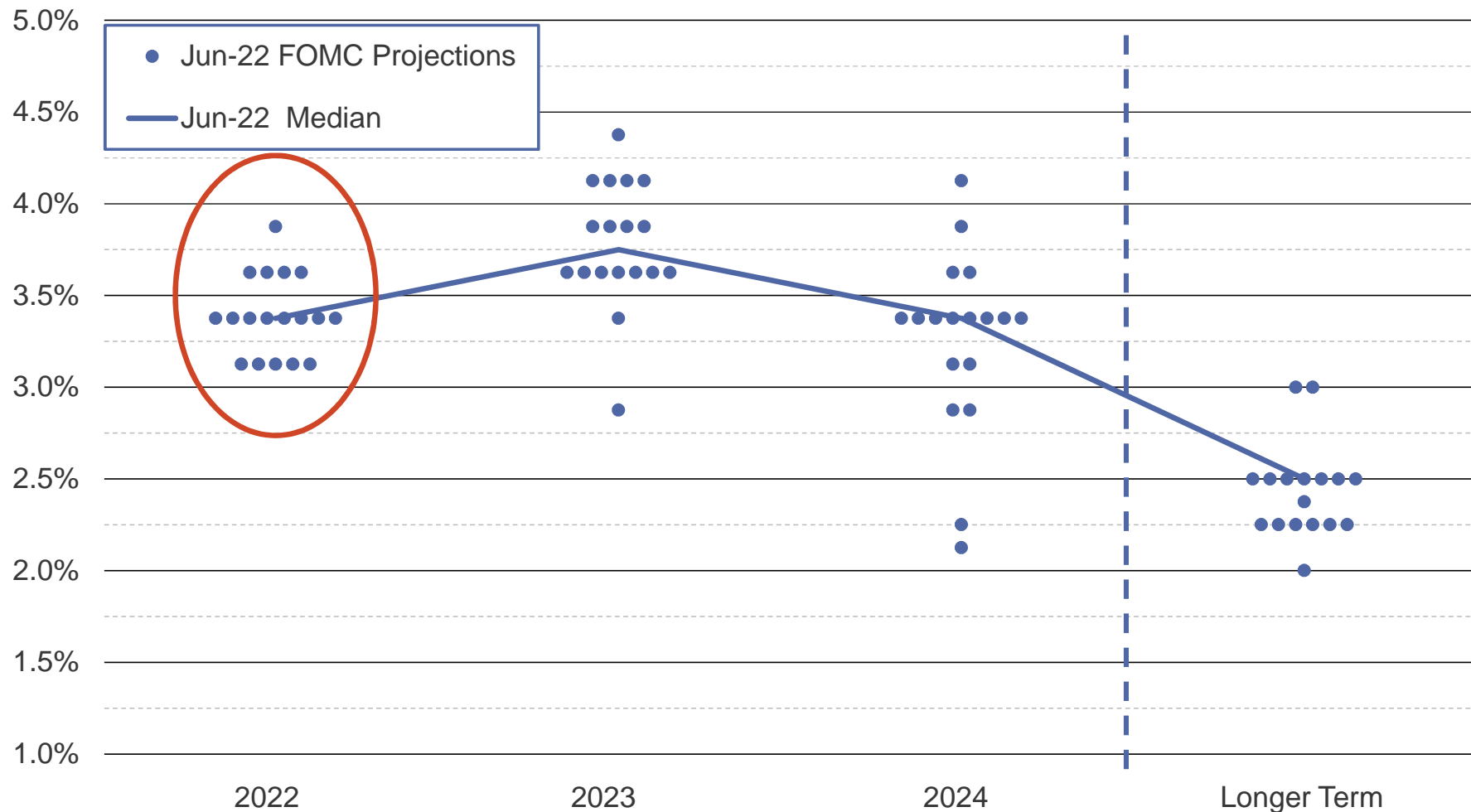
Federal Funds Rate



Source: Federal Reserve, latest economic projections as of June 2022.

Federal Reserve Officials Project 1.75% More in Rate Hikes in 2022

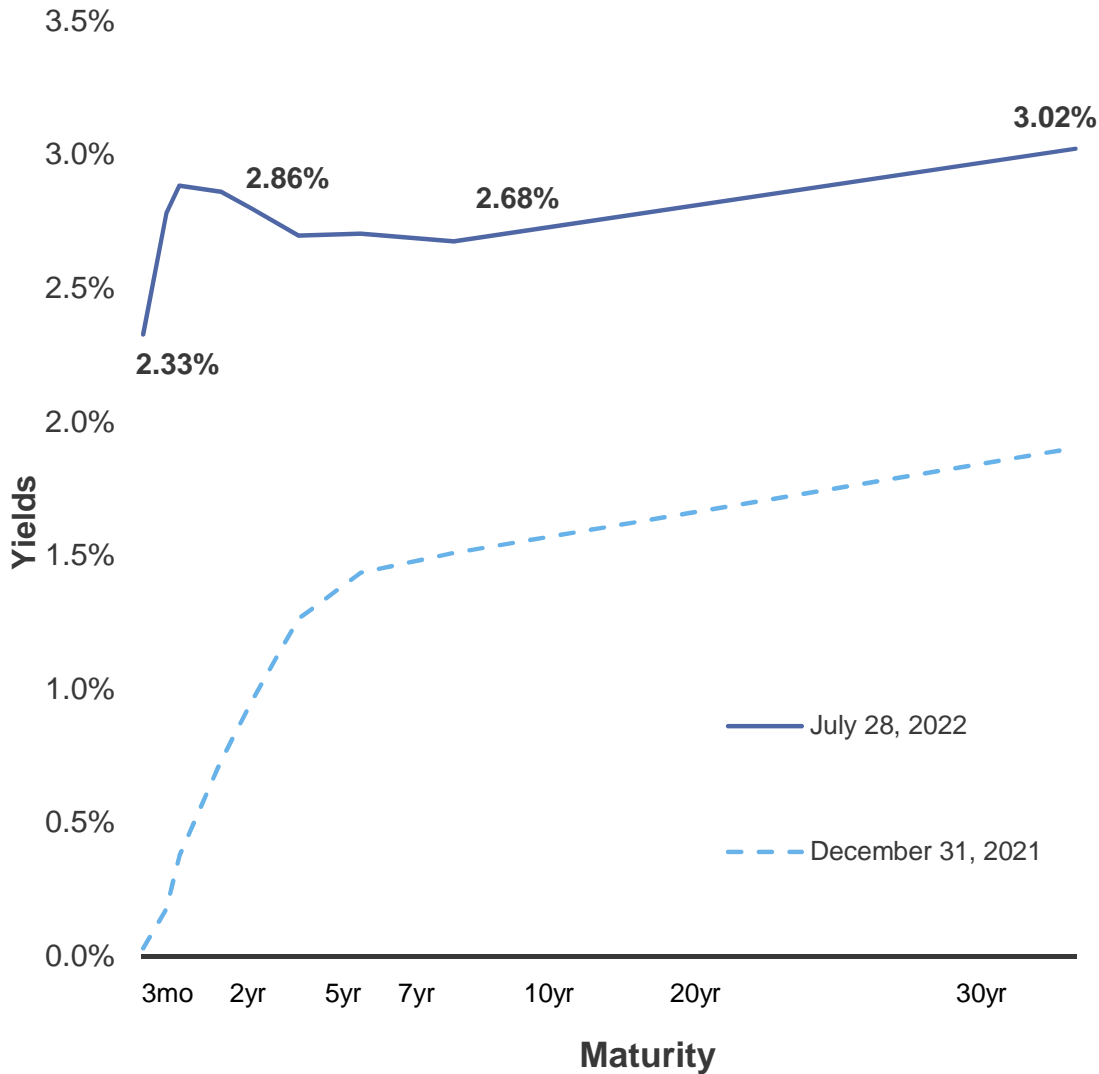
Fed Participants' Assessments of 'Appropriate' Monetary Policy



Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

Treasury Yields Higher as Fed Expected to Continue to Raise Rates

U.S. Treasury Yield Curve



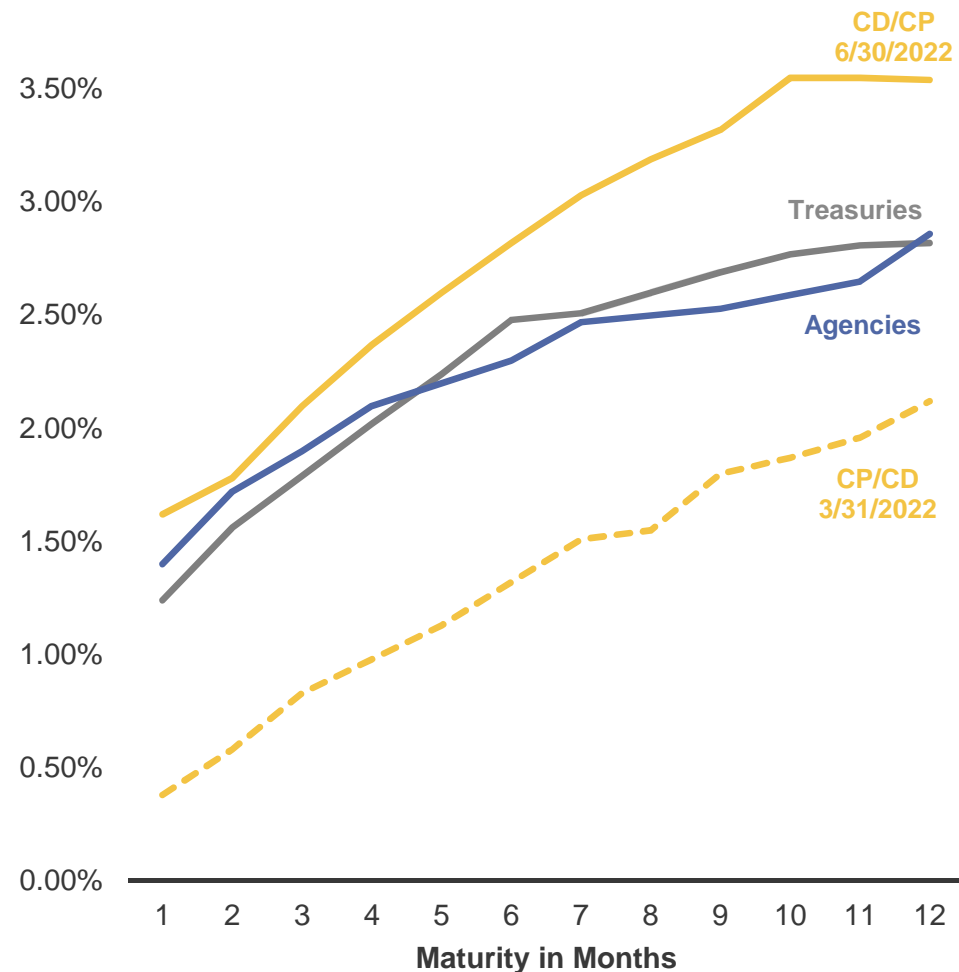
2-Year Treasury Yield



Source: Bloomberg, as of 7/28/2022.

Short-Term Credit Continues to Provide Incremental Value

Money Market Yield Curve



6-Month Commercial Paper Spread



Source (left): PFM Trading Desk, as of 6/30/2022. Yields are for indicative purposes only; actual yields may vary by issue.
Source (right): Bloomberg, as of 6/30/2022.

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Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-507

Agenda Date: 8/15/2022

Administrative and Bargaining Pension Plan Valuations Update



Employee Pension Plan Update Board Finance, Audit & Administration Committee

August 15, 2022

Plan Status Summaries

	Pension Plan for Administrative Employees of Capital Metro	Pension Plan for Bargaining Employees of StarTran, Inc.
Year Created	2005	CapMetro assumed sponsorship in 2004
Active Participants	443	123
Retirees Receiving Benefits	135	562
Assumed Annual Rate of Return	6.75%	6.5%
2021 Return on Market Value of Assets	12.52%	15.12%
Total Liability as of 1/1/22	\$55,619,926	\$64,531,814
Total Assets as of 1/1/22	\$48,372,024	\$43,118,696
Funded Percentage as of 1/1/22	87%	66.82%
2022 Annual Contribution	\$3,924,504	\$4,000,000

NOTE: All values as of 1/1/22

Significant Plan Provisions

	Pension Plan for Administrative Employees of Capital Metro	Pension Plan for Bargaining Employees of StarTran, Inc.
Status	Active since 2005	Frozen since 2012
Benefit Formula	1.5% of final average pay times years of service	\$60 per month per year of service
Investment Policy Targets		
Funding Policy		
Administrative Committee	5 CapMetro members (retiree, accounting, benefits, executive, employee representative)	3 ATU members/3 CapMetro representatives (legal, finance, benefits)
Early Unreduced Retirement	Rule of 80 (age plus years of service = 80) and 62 years old	22.5 years of service and 55 years old
Disability Benefit		

CapMetro

Questions



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-512

Agenda Date: 8/15/2022

FY2023 Proposed Budget Update



FY2023 Budget Update

Board Committees 8/15

FY2023 Budget Development Calendar

- Feb 2 Operating and Capital Budget kick-off meeting with departments
- Apr 15 Operating and Capital Budget requests received from departments
- May 23 Board of Directors review proposed budget calendar
- Jun 1 Initial review with Access Advisory Committee
- Jun 8 Initial review with Customer Satisfaction Advisory Committee
- Jun 13 Board Committees initial review and discussion
- Jul 13 Budget proposal presented to Board Committees
- Jul 25 Budget proposal presented to Board of Directors

FY2023 Budget Community Engagement

- Aug 3 Presentation to Access Advisory Committee
- Aug 10 Presentation to Customer Satisfaction Advisory Committee
- ➔ Aug 15 Update Board Committees
- Aug 22-26 Budget public outreach and webinar
- Aug 24 Proposed budget document is published online
- Sep 14 Update Board Committees
- Sep 14 Public hearing on proposed budget and capital improvement plan
- Sep 26 Board of Directors considers budget proposal for adoption

Operating Expense Update



- FY2023 operating expense increase of \$6.7 million
 - Average administrative pay assumption increase from 3% to 5%
 - Funding for MetroBike and Project Connect Integration departments
 - Additional consulting expense for equitable transit-oriented development, field and facility electrification and utility electrification strategy

5-Year Capital Improvement Plan Update

- Shift of funding from FY2022 to FY2023 - \$21.3 million
 - Various delays due to timing of project work and supply chain issues
- Updated Project Connect spending for FY2023 - \$11 million
 - Updated projections for Orange Line and Blue Line
 - Funded by the Austin Transit Partnership

Next Steps

- Publish draft budget document online
- Public outreach across CapMetro's service area and virtually
- Public hearing on the proposed budget
- Budget update to September Board Committees if necessary
- Final Board approval scheduled for September 26
- Board update on Long-Range Financial Plan

CapMetro

Thank you!



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2022-519

Agenda Date: 8/15/2022

Internal Audit Plan Status

FY22 INTERNAL AUDIT PLAN

Department Scorecard

	Projects	Status & % Complete	Additional Details
	FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/13; 11/10; 12/8; 2/14; 4/13; 5/11; 6/13; 7/13; 8/15; 9/14	In-Process	
2	Semi-annual Implementation Status Report - November 2021	Completed	February
3	Semi-annual Implementation Status Report - May 2022	Completed	July
4	FY2022 Risk Assessment & development of FY23 Audit Plan	In-Process	October
	FY22 Audit Assurance & Advisory Projects		
1	GRC (ITS2403) & Contract Performance Management System Advisory (ITS2205)	Completed	June
2	Transit Store with Ticket Focus (Hardcopy and e-tickets)	Completed	December
3	Saltillo Development with Focus on Lease Revenues	Completed	February
4	Business Continuity (COOP Plan, Advisory)	Completed	June
5	NIST Cybersecurity Framework (Facilitated Self-Assessment) - will resume when BCG Review is completed		Dependent on BCG Completion
6	FTA Triennial Review - 11/29 Notice; 1/21 Delivered Files; 4/11 Virtual Site Visit	Completed	July
7	QAR (Quality Assurance Review) of Internal Audit practices and IIA & GAO compliance - week of 8/29 for site visit	In-Process	October 2022
8	Annual Cybersecurity Review (Vulnerability Assessment & Penetration Test)	In-Process	September
9	ERP (Oracle) Implementation Advisory	In-Process	October
10	P-Cards & IT Procurement	Completed	June - UT Interns
11	Public Transportation Agency Safety Plan (PTASP)	In-Process	September
12	Benchmarking Policies & Procedures (Structure, Content, Governance & Training)		September
	CONTINGENT AUDIT PROJECTS - FY22		
1	Infor (Hexagon) System - post go live review		
2	Salary Adjustment & Merit Process		
3	Facilities Maintenance - Contract Monitoring & Compliance	Completed	June
4	Paratransit & Demand Response Operations		
5	United Healthcare & Other Self-Insured Benefits (TPA Payments)		
6	Bytemark - Account-Based System		
7	Microsoft Sharepoint & Active Directory		
8	Safety Management System (SMS) - Management of Change		
9	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		

	NEW PROJECTS ADDED TO FY22 AUDIT PLAN by Terry Follmer		
1	Downtown Station - Closeout (Benchmarking & Analysis)	In-Process	September
2	MV Contract Changes - Audit Support (e.g. Payroll controls, Spare Parts, etc.)	In-Process	September/October
3	GRC (Governance Risk & Compliance) System Implementation	In-Process	Jan 2023
4			
5			