



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

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, October 11, 2023**

**10:00 AM**

**Rosa Parks Boardroom**

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This meeting will be livestreamed at [capmetrotx.legistar.com](https://capmetrotx.legistar.com)

**I. Call to Order**

**II. Public Comment**

**III. Action Items**

1. Approval of minutes from the September 13, 2023 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution adopting revisions to the CapMetro Investment Policy.
3. Approval of a resolution approving revisions to the President & CEO Total Compensation Policy.
4. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute an Interlocal Agreement with the University of Texas at Austin, for participation in the University's IC2 Institute Readiness Training Program (RTP) for an amount not to exceed \$60,000 for a term of one year beginning October 1, 2023, thru September 30, 2024, and a 12-month option term.
5. Approval of a resolution adopting the FY2024 Annual Internal Audit Plan.

**IV. Presentations**

1. Annual Economic Update & Portfolio Review
2. Internal Audit FY23 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](mailto:ed.easton@capmetro.org) if you need more information.*

*Committee Members: Matt Harriss, Chair; Leslie Pool, Becki Ross and Dianne Bangle.*

*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

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Finance, Audit and Administration Committee

**Item #:** AI-2023-988

**Agenda Date:** 10/11/2023

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Approval of minutes from the September 13, 2023 Finance, Audit and Administration Committee meeting.

**Minutes**  
**Capital Metropolitan**  
**Transportation Authority**  
**Finance, Audit and Administration**  
**Committee**

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, September 13, 2023**

**11:00 AM**

**Rosa Parks Boardroom**

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**I. Call to Order**

11:03 a.m. Meeting Called to Order

<b>Present</b>	Becki Ross, Matt Harriss, and Dianne Bangle
<b>Absent</b>	Leslie Pool

**II. Public Comment**

Zenobia Joseph provided public comment.

**III. Action Items**

1. Approval of minutes from the August 14, 2023 Finance, Audit and Administration Committee meeting.

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

**Aye:** Ross, Harriss, and Bangle

2. Approval of the Fiscal Year 2024 Operating and Capital Budget and Five-Year Capital Improvement Plan

A motion was made by Bangle, seconded by Ross, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 9/25/2023. The motion carried by the following vote:

**Aye:** Ross, Harriss, and Bangle

**IV. Presentations**

1. Internal Audit FY23 Plan Status
2. Internal Audit: Purchasing Card (P-Card) Project Results

**V. Items for Future Discussion**

## **VI. Adjournment**

11:33 a.m. Meeting Adjourned

### **ADA Compliance**

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*Committee Members: Matt Harriss, Chair; Leslie Pool, Becki Ross and Dianne Bangle.*

*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.*

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Finance, Audit and Administration Committee

Item #: AI-2023-814

**Agenda Date:** 10/11/2023

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**SUBJECT:**

Approval of a resolution adopting revisions to the CapMetro Investment Policy.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

- |                                       |   |
|---------------------------------------|---|
| <input type="checkbox"/> 1. Customer  | <input 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 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:** Annual review and approval of this policy is required to comply with the Texas Public Funds Investment Act. The policy was last reviewed in 2022.

**BUSINESS CASE:** CapMetro is required to invest funds in accordance with the Public Funds Investment Act. The governing body (the CapMetro Board) of an investing entity (CapMetro) is required to review its investment policy and investment strategies no less than annually. Per the Public Funds Investment Act, the CapMetro Board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 11, 2023.

**Agenda Date:** 10/11/2023

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EXECUTIVE SUMMARY: The proposed policy was reviewed by PFM Asset Management LLC, under contract as CapMetro's investment advisory firm. Attached is an updated policy along with a red line copy of the changes to CapMetro's Investment Policy, which complies with the Act. The changes are mostly minor in nature and seek to ensure compliance with law and provide clarity about the intent of the policy.

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-2023-814**

**WHEREAS**, CapMetro is required to invest funds in accordance with the Texas Public Funds Investment Act;  
and

**WHEREAS**, the Texas Public Funds Investment Act requires an annual review of the investment policy and  
investment strategies and such review has been performed.

**NOW, THEREFORE, BE IT RESOLVED** by the Capital Metropolitan Transportation Authority Board of Directors  
that the attached Investment Policy, which includes Capital Metro's investment strategies, has been reviewed  
and the recommended changes to the policy are adopted.

\_\_\_\_\_  
**Secretary of the Board  
Becki Ross**

**Date:** \_\_\_\_\_



## PREFACE

It is the policy of the Capital Metropolitan Transportation Authority (~~Capital Metro~~CapMetro) that all available funds shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as viable and material revenue to all operating and capital funds.

~~Capital Metro~~CapMetro's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and federal law.

Investments shall be made with the primary objectives of:

- Preservation of capital and protection of principal
- Maintenance of sufficient liquidity to meet operating needs
- Security of ~~Capital Metro~~CapMetro funds and investments
- Diversification of investments to avoid unreasonable or unavoidable risks
- Maximization of return on the portfolio

## SECTION I

### PURPOSE

#### I. PURPOSE

##### A. Authorization

This Policy is to be authorized by the ~~Capital-Metropolitan Transportation Authority's~~ Board of Directors in accordance with ~~Section 5~~Section 2256.005 of the Public Funds Investment Act (Chapter 2256, Texas Government Code) which requires the adoption of a formal written Investment Policy.

##### B. Scope

This Policy shall govern the investment of all funds of ~~Capital Metro~~CapMetro as entrusted to the Board of Directors and other authorized representatives in accordance with Sections 451.101 ~~and 451.104~~ of the Texas Transportation Code. In addition to this Policy, bond funds, including debt service and reserve funds, shall be managed by their governing resolution and federal law, including the Tax Reform Act of 1986 and subsequent legislation.

##### C. Review and Amendment

This Policy shall be reviewed annually. Amendments must be authorized by the ~~Capital Metropolitan Transportation Authority's~~CapMetro Board of Directors.

## SECTION II

### INVESTMENT OBJECTIVES

## II. INVESTMENT OBJECTIVES

### A. Safety of Principal

~~Capital Metro~~CapMetro has as its foremost objective to ensure the safety of principal, considering the portfolio as a whole. The manner in which ~~Capital Metro~~CapMetro ensures safety of principal is presented in Section ~~IV~~.B., “Ensuring Safety of Principal”.

### B. Maintenance of Adequate Liquidity

~~Capital Metro~~CapMetro's investment portfolio must be structured in a manner which will provide the liquidity necessary to pay obligations as they become due. Maintenance of adequate liquidity is described in Section ~~IV~~.C., “Ensuring Liquidity”.

### C. Return on Investments

Consistent with State law, ~~Capital Metro~~CapMetro shall seek to optimize return on investments within the constraints of safety and liquidity. Investments (excluding assets managed under separate investment programs, such as in arbitrage restrictive programs) shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity. Other appropriate performance measures will be established by the Investment Committee. Specific policies regarding investment rate of return are presented in Section ~~IV~~.D., “Achieving Investment Return Objectives”.

For bond issues to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to ~~obtain satisfactory market yields~~maximize retainable earnings and to minimize the costs associated with investment of such funds.

### D. Prudence and Ethical Standards

The standard of prudence used by ~~Capital Metro~~CapMetro shall be the “prudent person rule” and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The prudent person rule is restated below: “Investments shall be made with judgment and care, under circumstances then

prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

In determining whether the Investment Officer(s) or Investment Advisor under contract has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the Officer/Advisor had responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision was consistent with the written Investment Policy of ~~Capital Metro~~CapMetro.

Specific policies describing ~~Capital Metro~~CapMetro’s prudence and ethical standards are found in Section IV.E., “Responsibility and Controls”.

## SECTION III

### INVESTMENT STRATEGY STATEMENT

#### III. INVESTMENT STRATEGY STATEMENT

~~Capital Metro~~CapMetro maintains portfolios of operating and operating reserve funds. Investment strategies for operating and operating reserve funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing quality, short- to medium-term securities that will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 548 days or less for the combined investment portfolios will be calculated using the stated final maturity dates of each security. Securities may not be purchased that have a final stated maturity date which exceeds five years. Additional guidelines for specific investment portfolios include:

- A. General Fund - All securities identified in IV. A. Eligible Investments are suitable for the General Fund. Securities purchased for the General Fund will be laddered out with an average maturity of no more than one year.
- B. Budget Stabilization Reserve - All securities identified in IV. A. Eligible Investments are suitable for the Budget Stabilization Reserve. The portfolio may be invested for a maximum average maturity of no more than two years.
- C. Statutory Operating Reserve - All securities identified in IV. A. Eligible Investments are suitable for the Statutory Operating Reserve. The portfolio may be invested for a maximum average maturity of no more than two years.
- D. Project Specific Accounts - Project specific investment portfolio may be created from time to time for the investment of specific capital projects. All securities identified in IV. A. Eligible Investments are suitable and all investments must be scheduled to mature before any forecast cash flow. Currently, the Austin Mobility Portfolio has been established as a specific investment portfolio.

## SECTION IV

### INVESTMENT POLICIES

#### IV. INVESTMENT POLICIES

##### A. Eligible Investments

Investments described below are those authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code), as amended, which is included and made a part of this Policy as Appendix A. The following list may not contain all of those securities that are authorized by state statutes, but only those that the Board of Directors wish to include in the ~~Capital Metro~~CapMetro's portfolios. The purchase of specific issues may at times be further restricted or prohibited because of current market conditions. ~~Capital Metro~~CapMetro funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct Obligations of the State of Texas.
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities.
4. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
5. Bankers' Acceptances with a stated maturity of 270 days or less from the date of its issuance that will be, in accordance with its terms, liquidated in full at maturity; is eligible for collateral for borrowing from a Federal Reserve Bank; and is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.
6. Commercial paper with a stated maturity of 365 days or less from the date of its issuance that either:
  - a. Is rated not less than A-1, P-1, or the equivalent by at least two nationally

recognized credit rating agencies; or,

b. Is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

7. Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by ~~Capital Metro~~CapMetro and having a market value (including accrued interest) of no less than the principal amount of the funds disbursed.
8. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
9. SEC-regulated, no load money market mutual funds with a dollar-weighted average stated portfolio maturity of 60 days or less and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. No more than 50% of ~~Capital Metro~~CapMetro's average fund balance may be invested in money market mutual funds and may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. Money market mutual funds are to be rated AAA-m or equivalent by on Nationally Recognized Statistical Rating Organization ("NRSRO").
10. Local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are allowed as a direct investment for funds subject to the Public Funds Investment Act (Chapter 2256, Texas Government Code). A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service and follow all applicable requirements of the Public Funds Investment Act.

Compensating balances may be held at ~~Capital Metro~~CapMetro's depository institution provided that market conditions or other factors, such as the depository institution's earnings credit rate or cost of services, provides an economic benefit to ~~Capital Metro~~CapMetro that helps to optimize return while maintaining adequate liquidity.

Investments in collateralized mortgage obligations are strictly prohibited. These securities are also disallowed for collateral positions. ~~Capital Metro~~CapMetro will not be required to liquidate investments that were authorized investments at the time of purchase.

Settlement of all investment transactions, except those transactions involving investments in mutual funds or local government investment pools, must be made on a delivery versus payment basis.

## B. Ensuring Safety of Principal

Ensuring safety is accomplished through protection of principal and safekeeping.

### 1. Protection of Principal

~~Capital Metro~~CapMetro shall seek to control the risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy, by qualifying the broker/dealer and financial institution with whom ~~Capital Metro~~CapMetro will transact, by collateralization as required by law, by portfolio diversification and by limiting maturity.

~~Capital Metro~~CapMetro will seek to control the risk of loss due to failure of issuers of commercial paper by monitoring the ratings of portfolio positions to ensure compliance with the rating requirements imposed by the Public Funds Investment Act. Should an issuer experience a single step downgrade of its credit rating by a nationally recognized credit rating agency within 90 days of the position's maturity, the Investment Officer(s) may approve holding the paper to maturity. If the subject paper matures beyond the 90-day period or if the credit rating downgrade exceeds a single step, it will be ~~Capital Metro~~CapMetro's policy to convene an emergency meeting of the Investment Committee to determine whether liquidation of the position is warranted. This meeting should take place within 24 hours of notification or discovery of the credit downgrade.

The purchase of individual securities shall be executed "delivery versus payment" ("DVP") through the Federal Reserve System. By so doing, ~~Capital Metro~~CapMetro funds are not released until ~~Capital Metro~~CapMetro has



received, through the Federal Reserve wire, the securities purchased.

a. Approved Broker/Dealers/Financial Institutions

Investments shall only be made with those firms and institutions who have acknowledged receipt and understanding of ~~Capital Metro~~CapMetro's Investment Policy. The ~~"~~qualified representative~~"~~ of the business as defined in Chapter 2256 of the Texas Government Code shall execute a written certification to acknowledge receipt of ~~Capital Metro~~CapMetro's Investment Policy and to acknowledge that the organization has implemented reasonable procedures and controls to preclude imprudent investment activities arising out of the investment transactions conducted between the entity and ~~Capital Metro~~CapMetro. Should ~~Capital Metro~~CapMetro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.

Securities, certificates of deposit and share certificates shall only be purchased from those institutions included on ~~Capital Metro~~CapMetro's list of broker/dealers, banks, savings banks and credit unions as approved by the Investment Committee. This list of approved investment providers must be reviewed at least annually by ~~Capital Metro~~CapMetro's Investment Committee.

b. Master Repurchase Agreement

It is the policy of ~~Capital Metro~~CapMetro to require each issuer of repurchase agreements to sign a copy of the ~~Capital Metro~~CapMetro Master Repurchase Agreement. An executed copy of this agreement must be on file before ~~Capital Metro~~CapMetro will enter into any repurchase agreement with an issuer. (See Appendix B ~~"~~Master Repurchase Agreement~~"~~.)

Note: ~~Capital Metro~~CapMetro does not currently enter into repurchase agreements. The Master Repurchase Agreement previously attached to the Investment Policy expired in 2009. If ~~Capital Metro~~CapMetro's investment officers and advisor recommend the use of repurchase agreements in the future, a new Master Purchase Agreement will be drafted and brought to the Board of Directors for consideration.

c. Collateralization

Consistent with the requirements of State law, ~~Capital Metro~~CapMetro requires all banks, savings banks and credit union deposits to be federally

insured or collateralized with eligible securities. Financial institutions serving as ~~Capital Metro~~CapMetro Depositories will be required to sign an Agreement with ~~Capital Metro~~CapMetro and its safekeeping agent for the collateral, perfecting ~~Capital Metro~~CapMetro's rights to the collateral in case of default, bankruptcy or closure. ~~Capital Metro~~CapMetro shall not accept, as depository collateral, any security that is not specifically allowed to be held as a direct investment by the ~~Capital Metro~~CapMetro portfolio (see W.A.). Repurchase agreements must also be collateralized in accordance with State law. Each issuer of repurchase agreements is required to sign a copy of ~~Capital Metro~~CapMetro's Master Repurchase Agreement. An executed copy of this agreement must be on file before ~~Capital Metro~~CapMetro will enter into any repurchase agreements with an issuer. (See Appendix B, ~~"Master Repurchase Agreement"~~.)

#### (1) Allowable Collateral

##### (a) Certificates of Deposit/Share Certificates

Eligible securities for collateralization of deposits are defined by the ~~"Public Funds Collateral Act"~~ (Chapter 2257, Texas Government Code) which is included and made a part of the Policy as Appendix A. The eligibility of specific issues may at times be restricted or prohibited because of current market conditions.

##### (b) Repurchase Agreements

Collateral underlying repurchase agreements is limited to U.S. government and agency obligations, which are eligible for wire transfer (i.e. book entry) to ~~Capital Metro~~CapMetro's designated safekeeping agent through the Federal Reserve System.

#### (2) Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

##### (a) Certificates of Deposit/Share Certificates

The market value of collateral pledged for certificates of deposit/share certificates must at all times be equal to or greater than the par value of the certificate of deposit plus accrued interest, less the amount insured by the FDIC, FSLIC or the National Credit Union Share Insurance Fund or their successors.

(b) Repurchase Agreements

The market value of collateral required to be pledged for repurchase agreements shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at the following levels:

<u>Collateral Maturity</u>	<u>U.S. Treasury Securities</u>	<u>U.S. Government Agency</u>
1 year or less	101%	101%
1 year to 5 years	102%	102%
Over 5 years	103%	104%

(3) Monitoring Collateral Adequacy

(a) Certificates of Deposit/Share Certificates

~~Capital Metro~~CapMetro requires monthly reports with market values of pledged securities from all financial institutions with which ~~Capital Metro~~CapMetro has certificates of deposit/share certificates. ~~Capital Metro~~CapMetro's Investment Advisor will at least weekly monitor the adequacy of collateral.

(b) Repurchase Agreements

Weekly monitoring by ~~Capital Metro~~CapMetro's Investment Advisor of all collateral underlying repurchase agreements is required. More frequent monitoring may be necessary during periods of market volatility.

(4) Margin Calls

(a) Certificates of Deposit/Share Certificates

If the collateral pledged for a certificate of deposit or share certificate falls below the par value of the deposit, plus accrued interest less FDIC, FSLIC or National Credit Union Share Insurance, the institution will be notified by ~~Capital Metro~~CapMetro or its Investment Advisor and will be required to pledge additional securities no later than the end of the next succeeding business day.

(b) Repurchase Agreements

If the value of the collateral underlying a repurchase agreement falls below the margin maintenance levels specified above, ~~Capital Metro~~CapMetro or its Investment Advisor will make a margin call unless the repurchase agreement is scheduled to mature within five business days and the amount is deemed to be immaterial.

#### (5) Collateral Substitution

Collateral investments, certificates of deposit and share certificates often require substitution of collateral. Any broker or financial institution requesting substitution must contact the Investment Officer(s) or the external Investment Advisor under contract for approval and settlement. The substituted collateral's value will be calculated and substitution approved if its value is equal to or greater than the required value (See IV.B1.c(2)(b)). The Investment Officer(s) or Investment Advisor must give immediate notification of the decision to the bank or the safekeeping agent holding the collateral. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer(s) or Investment Advisor may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

#### (6) Collateral Reductions

Should the collateral's market value exceed the required amount, any broker or financial institution may request approval from the Investment Officer(s) or the external Investment Advisor under contract to reduce collateral. Collateral reductions may be permitted only if ~~Capital Metro~~CapMetro's records indicate that the collateral's market value exceeds the required amount.

#### d. Portfolio Diversification

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations. As discussed below, these limitations do not apply to bond proceeds.

Investment Type:	% of Portfolio
• Repurchase Agreements	50%
• Certificate of Deposit	20%
• Share Certificates	5%
• U.S. Treasury Notes/Bond/Bills	100%
• U.S. Agencies	60%
• Money Market Mutual Funds	50%

- Local Government Investment Pools 100%
- Commercial Paper 30%
- Banker's Acceptance 15%

It is the policy of ~~Capital Metro~~CapMetro to diversify its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on ~~Capital Metro~~CapMetro. Generally, ~~Capital Metro~~CapMetro should limit its repurchase agreement exposure with a single firm to no more than 15% of the value of ~~Capital Metro~~CapMetro's overall portfolio and its commercial paper and bankers' acceptance exposure with a single issuer to no more than 5% of the value of ~~Capital Metro~~CapMetro's overall portfolio. To allow efficient and effective placement of proceeds from any bond sales, these limits may be exceeded for a maximum of five business days following the receipt of bond proceeds.

(1) Bond Proceeds

Proceeds of a single bond issue may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

e. Limiting Maturity

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines by funds are as follows:

(1) General Funds

The dollar weighted average days to final stated maturity shall be 548 days or less. The Investment Advisor will monitor the maturity level and make changes as appropriate.

(2) Bond Proceeds, Bond Reserves, Debt Service Funds

The investment maturity of bond proceeds (including reserves and debt service funds) shall be determined considering:

- (a) the anticipated cash flow requirements of the funds, and;
- (b) the "temporary period" as defined by Federal tax law during which time bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject

to yield restriction shall be invested considering the anticipated cash flow requirements of the funds.

## 2. Safekeeping

### a. Safekeeping Agreement

~~Capital Metro~~CapMetro shall contract with a bank or banks for the safekeeping of securities either owned by ~~Capital Metro~~CapMetro as a part of its investment portfolio or held as collateral to secure certificates of deposits, share certificates or repurchase agreements.

### b. Safekeeping of Certificate of Deposit/Share Certificate Collateral

All collateral securing bank, savings banks and credit union deposits must be held by a third party banking institution approved by ~~Capital Metro~~CapMetro, or collateral may be held at the Federal Reserve Bank.

### c. Safekeeping of Repurchase Agreement Collateral

The securities which serve as collateral for repurchase agreements with dealers must be delivered to a third-party custodian with which ~~Capital Metro~~CapMetro has established a third-party safekeeping agreement.

## C. Ensuring Liquidity

Liquidity shall be achieved by investing in securities with active secondary markets and by investing in eligible money market mutual funds (MNIMF's) and local government investment pools (LGIP's).

A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

## D. Achieving Investment Return Objectives

Investment selection for all funds shall be based on legality, appropriateness, liquidity, and risk/return considerations. The portfolios shall be actively managed to enhance overall interest income. Active management will take place within the context of the "Prudent Person Rule." (See Section MD.).

### 1. Securities Swaps

~~Capital Metro~~CapMetro will take advantage of security swap opportunities to improve portfolio yield. A swap which improves portfolio yield may be selected even if the transaction results in an accounting loss.



## 2. Competitive Bidding

It is the policy of ~~Capital Metro~~CapMetro to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds (MMMF's) and local government investment pools (LGIP's) which are deemed to be made at prevailing market rates, and for government securities purchased at issue through a primary dealer at auction price. Rather than relying solely on yield, investment in MMMF's and LGIP's shall be based on criteria determined by the Investment Committee, including adherence to Securities and Exchange Commission (SEC) guidelines for MMMF's when appropriate.

At least three bidders must be contacted in all transactions involving individual securities. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the daily bid sheet. All bids received must be documented and filed for auditing purposes.

## 3. Methods of Monitoring Market Price

The methods/sources to be used to monitor the price of investments that have been acquired with public funds shall be from sources deemed reliable by the Investment Advisor, including primary or regional broker/dealers, market information vendors such as Bloomberg or Telerate and market pricing services.

## E. Responsibility and Controls

### 1. Authority to Invest

The authority to invest ~~Capital Metro~~CapMetro funds and the execution of any documentation necessary to evidence the investment of ~~Capital Metro~~CapMetro funds is granted to the Investment Advisory firm under current contract and those ~~Capital Metro~~CapMetro personnel authorized as Investment Officers. The ~~Capital Metropolitan Transportation Authority's~~CapMetro Board of Directors will designate in writing those ~~Capital Metro~~CapMetro personnel ("Investment Officers") authorized to invest on behalf of ~~Capital Metro~~CapMetro.

### 2. Establishment of Internal Controls

The Chief Financial Officer will establish a system of internal controls over the investment activities of ~~Capital Metro~~CapMetro and document such control in the

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Investment Procedures Manual.

### 3. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and procedures set forth in the Investment Procedures Manual. Investment Officers acting in good faith and in accordance with these Policies and Procedures shall be relieved of personal liability.

### 4. Standard of Ethics

The designated Investment Officers shall adhere to ~~Capital Metro~~ CapMetro's ethics policies.

### 5. Training and Education

In accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the designated Investment Officers, or those personnel authorized to execute investment transactions, shall attend at least one investment training session annually. State law requires that training relating to investment responsibilities must be provided by an independent source as approved by the Investment Committee. Personnel authorized to execute or approve investment transactions must receive at least 10 hours of investment training within each two-year period.

### 6. Investment Committee

An Investment Committee shall be established to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment officers and a representative of the external investment advisory firm. The Committee may also include one additional member, as designated by the ~~Capital Metropolitan Transportation Authority's~~ CapMetro Board of Directors. The Committee shall meet quarterly to review performance, strategy and procedures.

## F. Reporting

Investment performance is continually monitored and evaluated by the Investment Advisor. The Investment Advisor will provide detailed reports, as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code), Section 2256.023, for the General Manager, the Chief Financial Officer, the Board of Directors and the Investment Committee on a quarterly basis.

The report will outline conformance to the restrictions of the Policy in the area of diversification and term of maturity. The report will also compare the performance of ~~Capital Metro~~ CapMetro's portfolio to appropriate benchmarks as determined by the Investment Committee. The report will include an economic summary discussing

interest rate trends, investment strategy and any other information deemed appropriate by the Chief Financial Officer or the Investment Committee.

#### G. Compliance Audit

In conjunction with its annual financial audit, ~~Capital Metro~~CapMetro shall perform a compliance audit of management controls on investments and adherence to ~~Capital Metro~~CapMetro's established Investment Policies. The results of the audit shall be reported to the Investment Committee and the ~~Capital Metropolitan Transportation Authority's~~CapMetro Board of Directors.

#### H. Certification

A copy of this Investment Policy will be provided to the senior management of any bank, dealer, broker or investment advisor wishing to transact investment business directly with ~~Capital Metro~~CapMetro in order that it is apprised of the investment goals of ~~Capital Metro~~CapMetro. Before business is transacted with the firm, a certification (Appendix C) must be signed by a senior member of a firm. Should ~~Capital Metro~~CapMetro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. ~~This e~~Certifications will be provided on an annual basis immediately following the re-adoption of this Investment Policy by the Board of Directors. included as part of the investment advisory contract.

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## APPENDIX

- A. INVESTMENT LEGISLATION
- B. MASTER REPURCHASE AGREEMENT (repurchase agreements not currently utilized, see note in Section IV.B, Ensuring Safety of Principal).
- C. BROKER/DEALER CERTIFICATION

## PREFACE

It is the policy of the Capital Metropolitan Transportation Authority (CapMetro) that all available funds shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as viable and material revenue to all operating and capital funds.

CapMetro's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and federal law.

Investments shall be made with the primary objectives of:

- Preservation of capital and protection of principal
- Maintenance of sufficient liquidity to meet operating needs
- Security of CapMetro funds and investments
- Diversification of investments to avoid unreasonable or unavoidable risks
- Maximization of return on the portfolio

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**SECTION I****PURPOSE****I. PURPOSE****A. Authorization**

This Policy is to be authorized by the CapMetro Board of Directors in accordance with Section 2256.005 of the Public Funds Investment Act (Chapter 2256, Texas Government Code) which requires the adoption of a formal written Investment Policy.

**B. Scope**

This Policy shall govern the investment of all funds of CapMetro as entrusted to the Board of Directors and other authorized representatives in accordance with Section 451.101 of the Texas Transportation Code. In addition to this Policy, bond funds, including debt service and reserve funds, shall be managed by their governing resolution and federal law, including the Tax Reform Act of 1986 and subsequent legislation.

**C. Review and Amendment**

This Policy shall be reviewed annually. Amendments must be authorized by the CapMetro Board of Directors.

## SECTION II

### INVESTMENT OBJECTIVES

## II. INVESTMENT OBJECTIVES

### A. Safety of Principal

CapMetro has as its foremost objective to ensure the safety of principal, considering the portfolio as a whole. The manner in which CapMetro ensures safety of principal is presented in Section IV.B., “Ensuring Safety of Principal”.

### B. Maintenance of Adequate Liquidity

CapMetro’s investment portfolio must be structured in a manner which will provide the liquidity necessary to pay obligations as they become due. Maintenance of adequate liquidity is described in Section IV.C., “Ensuring Liquidity”.

### C. Return on Investments

Consistent with State law, CapMetro shall seek to optimize return on investments within the constraints of safety and liquidity. Investments (excluding assets managed under separate investment programs, such as in arbitrage restrictive programs) shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity. Other appropriate performance measures will be established by the Investment Committee. Specific policies regarding investment rate of return are presented in Section IV.D., “Achieving Investment Return Objectives”.

For bond issues to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to maximize retainable earnings and to minimize the costs associated with investment of such funds.

### D. Prudence and Ethical Standards

The standard of prudence used by CapMetro shall be the “prudent person rule” and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The prudent person rule is restated below:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would



exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

In determining whether the Investment Officer(s) or Investment Advisor under contract has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the Officer/Advisor had responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision was consistent with the written Investment Policy of CapMetro.

Specific policies describing CapMetro’s prudence and ethical standards are found in Section IV.E., “Responsibility and Controls”.

**SECTION III****INVESTMENT STRATEGY STATEMENT****III. INVESTMENT STRATEGY STATEMENT**

CapMetro maintains portfolios of operating and operating reserve funds. Investment strategies for operating and operating reserve funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing quality, short- to medium-term securities that will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 548 days or less for the combined investment portfolios will be calculated using the stated final maturity dates of each security. Securities may not be purchased that have a final stated maturity date which exceeds five years. Additional guidelines for specific investment portfolios include:

- A. General Fund - All securities identified in IV. A. Eligible Investments are suitable for the General Fund. Securities purchased for the General Fund will be laddered out with an average maturity of no more than one year.
- B. Budget Stabilization Reserve - All securities identified in IV. A. Eligible Investments are suitable for the Budget Stabilization Reserve. The portfolio may be invested for a maximum average maturity of no more than two years.
- C. Statutory Operating Reserve - All securities identified in IV. A. Eligible Investments are suitable for the Statutory Operating Reserve. The portfolio may be invested for a maximum average maturity of no more than two years.
- D. Project Specific Accounts - Project specific investment portfolio may be created from time to time for the investment of specific capital projects. All securities identified in IV. A. Eligible Investments are suitable and all investments must be scheduled to mature before any forecast cash flow. Currently, the Austin Mobility Portfolio has been established as a specific investment portfolio.

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**SECTION IV**  
**INVESTMENT POLICIES**

**IV. INVESTMENT POLICIES**

**A. Eligible Investments**

Investments described below are those authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code), as amended, which is included and made a part of this Policy as Appendix A. The following list may not contain all of those securities that are authorized by state statutes, but only those that the Board of Directors wish to include in the CapMetro's portfolios. The purchase of specific issues may at times be further restricted or prohibited because of current market conditions. CapMetro funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct Obligations of the State of Texas.
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities.
4. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
5. Bankers' Acceptances with a stated maturity of 270 days or less from the date of its issuance that will be, in accordance with its terms, liquidated in full at maturity; is eligible for collateral for borrowing from a Federal Reserve Bank; and is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.
6. Commercial paper with a stated maturity of 365 days or less from the date of its issuance that either:
  - a. Is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or,

b. Is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

7. Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by CapMetro and having a market value (including accrued interest) of no less than the principal amount of the funds disbursed.
8. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
9. SEC-regulated, no load money market mutual funds with a dollar-weighted average stated portfolio maturity of 60 days or less and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. No more than 50% of CapMetro's average fund balance may be invested in money market mutual funds and may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. Money market mutual funds are to be rated AAA-m or equivalent by on Nationally Recognized Statistical Rating Organization ("NRSRO").
10. Local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are allowed as a direct investment for funds subject to the Public Funds Investment Act (Chapter 2256, Texas Government Code). A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service and follow all applicable requirements of the Public Funds Investment Act.

Compensating balances may be held at CapMetro's depository institution provided that market conditions or other factors, such as the depository institution's earnings credit rate or cost of services, provides an economic benefit to CapMetro that helps to optimize return while maintaining adequate liquidity.

Investments in collateralized mortgage obligations are strictly prohibited. These securities are also disallowed for collateral positions. CapMetro will not be required to liquidate investments that were authorized investments at the time of purchase.

Settlement of all investment transactions, except those transactions involving investments in mutual funds or local government investment pools, must be made on a delivery versus payment basis.

## B. Ensuring Safety of Principal

Ensuring safety is accomplished through protection of principal and safekeeping.

### 1. Protection of Principal

CapMetro shall seek to control the risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy, by qualifying the broker/dealer and financial institution with whom CapMetro will transact, by collateralization as required by law, by portfolio diversification and by limiting maturity.

CapMetro will seek to control the risk of loss due to failure of issuers of commercial paper by monitoring the ratings of portfolio positions to ensure compliance with the rating requirements imposed by the Public Funds Investment Act. Should an issuer experience a single step downgrade of its credit rating by a nationally recognized credit rating agency within 90 days of the position's maturity, the Investment Officer(s) may approve holding the paper to maturity. If the subject paper matures beyond the 90-day period or if the credit rating downgrade exceeds a single step, it will be CapMetro's policy to convene an emergency meeting of the Investment Committee to determine whether liquidation of the position is warranted. This meeting should take place within 24 hours of notification or discovery of the credit downgrade.

The purchase of individual securities shall be executed "delivery versus payment" ("DVP") through the Federal Reserve System. By so doing, CapMetro funds are not released until CapMetro has received, through the Federal Reserve wire, the securities purchased.

a. Approved Broker/Dealers/Financial Institutions

Investments shall only be made with those firms and institutions who have acknowledged receipt and understanding of CapMetro's Investment Policy. The "qualified representative" of the business as defined in Chapter 2256 of the Texas Government Code shall execute a written certification to acknowledge receipt of CapMetro's Investment Policy and to acknowledge that the organization has implemented reasonable procedures and controls to preclude imprudent investment activities arising out of the investment transactions conducted between the entity and CapMetro. Should CapMetro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.

Securities, certificates of deposit and share certificates shall only be purchased from those institutions included on CapMetro's list of broker/dealers, banks, savings banks and credit unions as approved by the Investment Committee. This list of approved investment providers must be reviewed at least annually by CapMetro's Investment Committee.

b. Master Repurchase Agreement

It is the policy of CapMetro to require each issuer of repurchase agreements to sign a copy of the CapMetro Master Repurchase Agreement. An executed copy of this agreement must be on file before CapMetro will enter into any repurchase agreement with an issuer. (See Appendix B "Master Repurchase Agreement.")

Note: CapMetro does not currently enter into repurchase agreements. The Master Repurchase Agreement previously attached to the Investment Policy expired in 2009. If CapMetro's investment officers and advisor recommend the use of repurchase agreements in the future, a new Master Purchase Agreement will be drafted and brought to the Board of Directors for consideration.

c. Collateralization

Consistent with the requirements of State law, CapMetro requires all banks, savings banks and credit union deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as CapMetro Depositories will be required to sign an Agreement with CapMetro

and its safekeeping agent for the collateral, perfecting CapMetro's rights to the collateral in case of default, bankruptcy or closure. CapMetro shall not accept, as depository collateral, any security that is not specifically allowed to be held as a direct investment by the CapMetro portfolio (see W.A.). Repurchase agreements must also be collateralized in accordance with State law. Each issuer of repurchase agreements is required to sign a copy of CapMetro's Master Repurchase Agreement. An executed copy of this agreement must be on file before CapMetro will enter into any repurchase agreements with an issuer. (See Appendix B, "Master Repurchase Agreement".)

(1) Allowable Collateral

(a) Certificates of Deposit/Share Certificates

Eligible securities for collateralization of deposits are defined by the "Public Funds Collateral Act" (Chapter 2257, Texas Government Code) which is included and made a part of the Policy as Appendix A. The eligibility of specific issues may at times be restricted or prohibited because of current market conditions.

(b) Repurchase Agreements

Collateral underlying repurchase agreements is limited to U.S. government and agency obligations, which are eligible for wire transfer (i.e. book entry) to CapMetro's designated safekeeping agent through the Federal Reserve System.

(2) Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

(a) Certificates of Deposit/Share Certificates

The market value of collateral pledged for certificates of deposit/share certificates must at all times be equal to or greater than the par value of the certificate of deposit plus accrued interest, less the amount insured by the FDIC, FSLIC or the National Credit Union Share Insurance Fund or their successors.

(b) Repurchase Agreements

The market value of collateral required to be pledged for repurchase agreements shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at the following levels:

<u>Collateral Maturity</u>	<u>U.S. Treasury Securities</u>	<u>U.S. Government Agency</u>
1 year or less	101%	101%
1 year to 5 years	102%	102%
Over 5 years	103%	104%

### (3) Monitoring Collateral Adequacy

#### (a) Certificates of Deposit/Share Certificates

CapMetro requires monthly reports with market values of pledged securities from all financial institutions with which CapMetro has certificates of deposit/share certificates. CapMetro's Investment Advisor will at least weekly monitor the adequacy of collateral.

#### (b) Repurchase Agreements

Weekly monitoring by CapMetro's Investment Advisor of all collateral underlying repurchase agreements is required. More frequent monitoring may be necessary during periods of market volatility.

### (4) Margin Calls

#### (a) Certificates of Deposit/Share Certificates

If the collateral pledged for a certificate of deposit or share certificate falls below the par value of the deposit, plus accrued interest less FDIC, FSLIC or National Credit Union Share Insurance, the institution will be notified by CapMetro or its Investment Advisor and will be required to pledge additional securities no later than the end of the next succeeding business day.

#### (b) Repurchase Agreements

If the value of the collateral underlying a repurchase agreement falls below the margin maintenance levels specified above, CapMetro or its Investment Advisor will make a margin call unless the repurchase agreement is scheduled to mature within five business days and the



amount is deemed to be immaterial.

**(5) Collateral Substitution**

Collateral investments, certificates of deposit and share certificates often require substitution of collateral. Any broker or financial institution requesting substitution must contact the Investment Officer(s) or the external Investment Advisor under contract for approval and settlement. The substituted collateral's value will be calculated and substitution approved if its value is equal to or greater than the required value (See IV.B1.c(2)(b)). The Investment Officer(s) or Investment Advisor must give immediate notification of the decision to the bank or the safekeeping agent holding the collateral. Substitution is allowable for all transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer(s) or Investment Advisor may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

**(6) Collateral Reductions**

Should the collateral's market value exceed the required amount, any broker or financial institution may request approval from the Investment Officer(s) or the external Investment Advisor under contract to reduce collateral. Collateral reductions may be permitted only if CapMetro's records indicate that the collateral's market value exceeds the required amount.

**d. Portfolio Diversification**

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations. As discussed below, these limitations do not apply to bond proceeds.

Investment Type:	% of Portfolio
• Repurchase Agreements	50%
• Certificate of Deposit	20%
• Share Certificates	5%
• U.S. Treasury Notes/Bond/Bills	100%
• U.S. Agencies	60%
• Money Market Mutual Funds	50%
• Local Government Investment Pools	100%
• Commercial Paper	30%
• Banker's Acceptance	15%

It is the policy of CapMetro to diversify its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on CapMetro. Generally, CapMetro should limit its repurchase agreement exposure with a single firm to no more than 15% of the value of CapMetro's overall portfolio and its commercial paper and bankers' acceptance exposure with a single issuer to no more than 5% of the value of CapMetro's overall portfolio. To allow efficient and effective placement of proceeds from any bond sales, these limits may be exceeded for a maximum of five business days following the receipt of bond proceeds.

(1) Bond Proceeds

Proceeds of a single bond issue may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

e. Limiting Maturity

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Maturity guidelines by funds are as follows:

(1) General Funds

The dollar weighted average days to final stated maturity shall be 548 days or less. The Investment Advisor will monitor the maturity level and make changes as appropriate.

(2) Bond Proceeds, Bond Reserves, Debt Service Funds

The investment maturity of bond proceeds (including reserves and debt service funds) shall be determined considering:

- (a) the anticipated cash flow requirements of the funds, and;
- (b) the "temporary period" as defined by Federal tax law during which time bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds.

## 2. Safekeeping

### a. Safekeeping Agreement

CapMetro shall contract with a bank or banks for the safekeeping of securities either owned by CapMetro as a part of its investment portfolio or held as collateral to secure certificates of deposits, share certificates or repurchase agreements.

### b. Safekeeping of Certificate of Deposit/Share Certificate Collateral

All collateral securing bank, savings banks and credit union deposits must be held by a third party banking institution approved by CapMetro, or collateral may be held at the Federal Reserve Bank.

### c. Safekeeping of Repurchase Agreement Collateral

The securities which serve as collateral for repurchase agreements with dealers must be delivered to a third-party custodian with which CapMetro has established a third-party safekeeping agreement.

## C. Ensuring Liquidity

Liquidity shall be achieved by investing in securities with active secondary markets and by investing in eligible money market mutual funds (MMMF's) and local government investment pools (LGIP's).

A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

## D. Achieving Investment Return Objectives

Investment selection for all funds shall be based on legality, appropriateness, liquidity, and risk/return considerations. The portfolios shall be actively managed to enhance overall interest income. Active management will take place within the context of the "Prudent Person Rule." (See Section MD.).

### 1. Securities Swaps

CapMetro will take advantage of security swap opportunities to improve portfolio yield. A swap which improves portfolio yield may be selected even if the transaction results in an accounting loss.

## 2. Competitive Bidding

It is the policy of CapMetro to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds (MMMF's) and local government investment pools (LGIP's) which are deemed to be made at prevailing market rates, and for government securities purchased at issue through a primary dealer at auction price. Rather than relying solely on yield, investment in MMMF's and LGIP's shall be based on criteria determined by the Investment Committee, including adherence to Securities and Exchange Commission (SEC) guidelines for MMMF's when appropriate.

At least three bidders must be contacted in all transactions involving individual securities. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the daily bid sheet. All bids received must be documented and filed for auditing purposes.

## 3. Methods of Monitoring Market Price

The methods/sources to be used to monitor the price of investments that have been acquired with public funds shall be from sources deemed reliable by the Investment Advisor, including primary or regional broker/dealers, market information vendors such as Bloomberg or Telerate and market pricing services.

## E. Responsibility and Controls

### 1. Authority to Invest

The authority to invest CapMetro funds and the execution of any documentation necessary to evidence the investment of CapMetro funds is granted to the Investment Advisory firm under current contract and those CapMetro personnel authorized as Investment Officers. The 'CapMetro Board of Directors will designate in writing those CapMetro personnel ("Investment Officers") authorized to invest on behalf of CapMetro.

### 2. Establishment of Internal Controls

The Chief Financial Officer will establish a system of internal controls over the investment activities of CapMetro and document such control in the Investment Procedures Manual.



### 3. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and procedures set forth in the Investment Procedures Manual. Investment Officers acting in good faith and in accordance with these Policies and Procedures shall be relieved of personal liability.

### 4. Standard of Ethics

The designated Investment Officers shall adhere to CapMetro's ethics policies.

### 5. Training and Education

In accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the designated Investment Officers, or those personnel authorized to execute investment transactions, shall attend at least one investment training session annually. State law requires that training relating to investment responsibilities must be provided by an independent source as approved by the Investment Committee. Personnel authorized to execute or approve investment transactions must receive at least 10 hours of investment training within each two-year period.

### 6. Investment Committee

An Investment Committee shall be established to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment officers and a representative of the external investment advisory firm. The Committee may also include one additional member, as designated by the CapMetro Board of Directors. The Committee shall meet quarterly to review performance, strategy and procedures.

## F. Reporting

Investment performance is continually monitored and evaluated by the Investment Advisor. The Investment Advisor will provide detailed reports, as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code), Section 2256.023, for the General Manager, the Chief Financial Officer, the Board of Directors and the Investment Committee on a quarterly basis.

The report will outline conformance to the restrictions of the Policy in the area of diversification and term of maturity. The report will also compare the performance of CapMetro's portfolio to appropriate benchmarks as determined by the Investment Committee. The report will include an economic summary discussing interest rate trends, investment strategy and any other information deemed appropriate by the Chief

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Financial Officer or the Investment Committee.

#### G. Compliance Audit

In conjunction with its annual financial audit, CapMetro shall perform a compliance audit of management controls on investments and adherence to CapMetro's established Investment Policies. The results of the audit shall be reported to the Investment Committee and the CapMetro Board of Directors.

#### H. Certification

A copy of this Investment Policy will be provided to the senior management of any bank, dealer, broker or investment advisor wishing to transact investment business directly with CapMetro in order that it is apprised of the investment goals of CapMetro. Before business is transacted with the firm, a certification (Appendix C) must be signed by a senior member of a firm. Should CapMetro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. Certifications will be provided on an annual basis immediately following the re-adoption of this Investment Policy by the Board of Directors.

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## APPENDIX

- A. INVESTMENT LEGISLATION
- B. MASTER REPURCHASE AGREEMENT (repurchase agreements not currently utilized, see note in Section IV.B, Ensuring Safety of Principal).
- C. BROKER/DEALER CERTIFICATION



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Finance, Audit and Administration Committee  
**Agenda Date:** 10/11/2023

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**Item #:** AI-2023-964

**SUBJECT:**

Approval of a resolution approving revisions to the President & CEO Total Compensation Policy.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

- |  |   |
|--|---|
| <input type="checkbox"/> 1. Customer             | <input type="checkbox"/> 2. Community                               |
| <input checked="" 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 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 checked="" 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 policies adopted by the Board of Directors provide strategic direction to the President & CEO and CapMetro staff 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 and are required by the CapMetro Board Bylaws.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 11, 2023.

**EXECUTIVE SUMMARY:** The Board of Directors adopted Bylaws in 2017 that require policies adopted by the Board to be reviewed every five years.

The President & CEO Total Compensation Policy was last updated and approved by the board in 2018. This purpose of this policy is to define the compensation philosophy for determining the appropriate total compensation for the President & CEO that is fair, reasonable, competitive and based on performance. Staff recommends minor changes and language clarifications to the policy.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: People & Culture

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2023-964**

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 to be reviewed every five years; and

WHEREAS, the President & CEO Total Compensation Policy has been identified for review by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the board approves the recommended revisions to the President & CEO Total Compensation Policy.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
**Secretary of the Board  
Becki Ross**



**President & CEO Total  
Compensation Policy**

**Board of Directors**

**Updated: October 2023**

**Approved by: Board of  
Directors**

**PURPOSE**

The purpose of this policy is to define the compensation philosophy to determine appropriate total compensation for the President & CEO. ~~This policy is designed with the goal of providing remuneration~~ that is fair, reasonable, ~~and~~ competitive ~~and based on performance~~.

**POLICY**

The Capital Metropolitan Transportation Authority (~~Capital Metro~~CapMetro) President & CEO total compensation policy is intended to help the company recruit and retain highly qualified and talented President & CEO candidates. It is also intended to motivate the President & CEO by linking rewards to performance, while also aligning their interests with those of ~~Capital Metro's~~ CapMetro's stakeholders.

**TOTAL COMPENSATION PHILOSOPHY**

<b>Performance</b>	<ul style="list-style-type: none"><li>○ <del>Capital Metro</del> <u>CapMetro</u> believes that the best way to accomplish alignment of compensation with the interests of <del>Capital Metro</del> <u>CapMetro</u> is to link pay directly to individual and Authority performance.</li></ul>
<b>External Competitiveness</b>	<ul style="list-style-type: none"><li>○ Compensation and benefits programs are intended to be competitive with organizations of similar size and complexity.</li><li>○ In general, programs are considered competitive when they are targeted at the 50<sup>th</sup> percentile <u>market base</u> for compensation programs offered to public, private and peer employers. <u>The CapMetro will review the salary schedules annually to ensure they reflect the marketplace utilizing salary survey tools.</u></li></ul>
<b>Flexible and Ongoing</b>	<ul style="list-style-type: none"><li>○ To provide an objective system of determining compensation and benefits and the ability to respond to changes in the organization, government legislation, and the relevant marketplace.</li></ul>
<del>Cost</del> <u>Total Rewards</u>	<ul style="list-style-type: none"><li>○ <u>A Total Rewards (or Total Job Value) plan will be established and regularly reviewed to ensure it thoroughly represents the scope of contributing factors that reflect CapMetro's investment in the full value of a job – through pay, benefits and positive, healthy, inclusive culture</u> <del>Compensation and benefits programs are designed to be cost-effective and affordable, ensuring that the interest of Capital Metro stakeholders are considered.</del></li></ul>
<b>Peer Groups</b>	<ul style="list-style-type: none"><li>○ The relevant peer groups for compensation and benefits programs consist of transportation authorities with similar products, <del>revenue</del> <u>revenue</u>, and employees.</li><li>○ Other peer groups are also reviewed for competitiveness including state and local government agencies and national salary survey data-bases.</li></ul>

**COMPONENTS OF TOTAL COMPENSATION**

~~Capital Metro~~ CapMetro's President & CEO compensation and benefits package consists of direct compensation and company sponsored benefit plans. Each component is designed to achieve a

specific purpose and to contribute to a total <u>compensation</u> package that is appropriately performance-based, competitive, and valued by the President & CEO.	
<b>Direct Compensation</b>	<ul style="list-style-type: none"> <li>Direct compensation consists of base salary and variable compensation (which includes an annual performance award). All elements of compensation are targeted <u>at the competitive median of the relevant peer group to remain competitive with the relevant peer group.</u></li> <li>Variable compensation is linked to <u>individual's-the President &amp; CEO's</u> and <u>Capital MetroCapMetro's</u> performance.</li> <li><del>When performance exceeds expectation, pay levels are likely to be above the competitive median. When performance falls below expectation, pay levels are likely to fall below the competitive median.</del></li> <li>By creating these links, <u>Capital MetroCapMetro</u> seeks to achieve its objective of having performance-based, cost-effective compensation programs.</li> </ul>
<i>Base Salary</i>	<ul style="list-style-type: none"> <li>Base salary is determined with reference to competitive pay practices and is aligned with the individual's relative role and responsibilities.</li> </ul>
<i>Variable Compensation</i>	<ul style="list-style-type: none"> <li>Variable compensation is comprised of an annual performance award which is designed to place a significant portion of total compensation at risk – that is, linked directly to performance.</li> <li>Annual performance awards are determined by the Board of Directors with reference to the competitive market and vary based on performance.</li> </ul>
<i>Total Cash Compensation</i>	<ul style="list-style-type: none"> <li>The annual performance award, together with base salary, comprises the annual total cash compensation payable to the President &amp; CEO.</li> </ul>
<b>Employee Benefit Plans</b>	<ul style="list-style-type: none"> <li><u>Capital MetroCapMetro</u> provides company sponsored health, life, and disability and retirement benefits to President &amp; CEOs at the same level as administrative employees.</li> <li>Employee benefits are reviewed periodically to ensure that the plans and programs provided are generally competitive and cost-effective for <u>Capital MetroCapMetro</u> and support the employees' needs.</li> <li>Benefit levels are not directly tied to company, business unit, or individual performance.</li> <li>The President &amp; CEO's, base salary can be deferred into a 457 or 401(K) Plan subject to Internal Revenue Service rules and limits.</li> </ul>
<b>Determining President &amp; CEO Compensation Level</b>	<ul style="list-style-type: none"> <li>Compensation for the President &amp; CEO is determined by the Board of Directors based on its assessment of <u>Capital MetroCapMetro's</u> overall performance, the President &amp; CEO's individual performance against the achievement of the <u>Capital MetroCapMetro's</u> performance goals and other goals agreed to by the Board and President &amp; CEO, and market competitive compensation packages for CEO's among firms of similar size and complexity in the transportation industry <u>from independent sources.</u></li> </ul>

<b>Measuring Performance</b>	<ul style="list-style-type: none"> <li>○ The Board of Directors will establish a written performance plan with specific measures for each <u>fiscal</u> year of the President &amp; CEO's employment contract.</li> <li>○ Performance will be based on individual performance <del>on the Company scorecard</del> <u>related to CapMetro's Strategic Plan</u> and other performance measures as determined by the Board of Directors.</li> </ul>
<b>Payment of Annual Performance Award</b>	<ul style="list-style-type: none"> <li>○ The Board of Directors will determine the amount of a Performance Award and approve the payment in accordance with the President &amp; CEO employment contract.</li> </ul>
<b>Severance Pay</b>	<ul style="list-style-type: none"> <li>○ Severance pay will not be provided in the event of termination of employment for cause as defined in the President &amp; CEO employment contract or in the event of the President &amp; CEO's resignation. The Board of Directors will determine through negotiations whether to provide severance pay in other instances.</li> </ul>
<b>Board Action on President &amp; CEO Compensation</b>	<ul style="list-style-type: none"> <li>○ Discussion of the President &amp; CEO's performance may be held in Executive Session under Chapter 551 of the Texas Government Code.</li> <li>○ Action on the amount of President &amp; CEO's total compensation, the amount of any annual performance awards and actual performance compared to performance metrics will be taken in an open Board Meeting.</li> </ul>

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Finance, Audit and Administration Committee  
**Agenda Date:** 10/11/2023

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**Item #:** AI-2023-983

**SUBJECT:**

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute an Interlocal Agreement with the University of Texas at Austin, for participation in the University's IC<sup>2</sup> Institute Readiness Training Program (RTP) for an amount not to exceed \$60,000 for a term of one year beginning October 1, 2023, thru September 30, 2024, and a 12-month option term.

**FISCAL IMPACT:**

Funding for this action is available in the FY2024 Operating Budget.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

- |   |   |
|---|---|
| <input checked="" 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 checked="" type="checkbox"/> 1.2 High Quality Customer Experience    | <input checked="" type="checkbox"/> 1.3 Accessible System    |
| <input checked="" type="checkbox"/> 2.1 Support Sustainable Regional Growth  |   |  |
| <input checked="" type="checkbox"/> 2.2 Become a Carbon Neutral Agency       |   |  |
| <input type="checkbox"/> 2.3 Responsive to Community and Customer Needs      | <input checked="" 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 checked="" type="checkbox"/> 4.3 State of Good Repair |

**EXPLANATION OF STRATEGIC ALIGNMENT:** Through this ILA, CapMetro demonstrates commitment to Supplier Diversity and the Disadvantaged Business Enterprise ("DBE") and Small Business Enterprise ("SBE") programs designed to enhance DBE and SBE participation in federally and locally funded contracts and procurements.

**BUSINESS CASE:** CapMetro is responsible for Disadvantaged Business Enterprise ("DBE") and Small Business Enterprise ("SBE") programs designed to enhance DBE and SBE participation in federally and locally funded contracts and procurements. The intent of the DBE and SBE program is to provide full and fair opportunities for equal participation by all disadvantaged and small businesses to compete for CapMetro prime contracts and associated subcontracts. The University, under its IC<sup>2</sup> Institute, offers a Readiness Training Program (RTP) for small businesses that include intermediate to advanced business concepts, techniques, and information

**Agenda Date:** 10/11/2023

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aimed at business growth and in doing business with the public sector. CapMetro will partner with the University to provide business development training services through the University's IC<sup>2</sup> Institute's RTP to DBEs and SBEs that may compete for CapMetro contract and procurement opportunities.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 11, 2023.

EXECUTIVE SUMMARY: CapMetro will partner with the University's IC<sup>2</sup> Institute's RTP for a term of one year beginning October 1, 2023, thru September 30, 2024, targeting DBEs and SBEs. This Agreement will support and assist with the following:

- Education of CapMetro's Supplier Diversity Program;
- Trainings focused on business growth;
- Training on how to do business with CapMetro;
- CapMetro's understanding of DBEs and SBEs participating in this program through a semi-annual and annual report; and,
- Expansion of CapMetro's DBE and SBE pool of small businesses that may be solicited for participation in contract and procurement opportunities aimed towards our annual diversity goals.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Diversity, Equity, & Inclusion



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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2023-983**

WHEREAS CapMetro is responsible for Disadvantaged Business Enterprise (“DBE”) and Small Business Enterprise (“SBE”) programs designed to enhance DBE and SBE participation in federally and locally funded contracts and procurements. The intent of the DBE and SBE program is to provide full and fair opportunities for equal participation by all disadvantaged and small businesses to compete for CapMetro prime contracts and associated subcontracts.

WHEREAS The University, under its IC<sup>2</sup> Institute, offers a Readiness Training Program (RTP) for small businesses that include intermediate to advanced business concepts, techniques, and information aimed at business growth and in doing business with the public sector.

WHEREAS CapMetro will partner with the University to provide business development training services through the University’s IC<sup>2</sup> Institute’s RTP to DBEs and SBEs that may compete for CapMetro contract and procurement opportunities

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or her designee, is authorized to finalize and execute an Interlocal Agreement with the University of Texas at Austin, for partnership in the University’s IC<sup>2</sup> Institute RTP for an amount not to exceed \$60,000 for a term of one year beginning October 1, 2023, thru September 30, 2024, and a 12-month option term.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
**Secretary of the Board  
Becki Ross**



# IC<sup>2</sup> Interlocal Agreement

October 11, 2023



- Established at UT in 1977
- Drives research and programs that advance equality
- Readiness Training Program for DBE/SBEs
- Provides assistance to vendors in seeking contract and procurement opportunities

# Process



Program will commence October 2023 and end September 30, 2024



Outreach is conducted to recruit the companies



An on-line application and submission requiring:

General business and personal information  
Business Revenue  
Public and Private bid award experience



20 to 30 businesses are selected for the training

Training held virtually  
One in-person training workshop

## Tracking Success

- A Semi-annual and annual report of vendors completing the program
  - Total Number of companies enrolled
  - Ethnicity and gender of each company enrolled
  - The number of trainings conducted
  - Types of business
  - Survey results from companies completing the program
- Outcomes
  - New DBEs/SBEs certified
  - Participation of companies trained in CapMetro procurement opportunities

# Summary

Resolution authorizing the President & CEO to finalize and execute an Interlocal Agreement with the University of Texas at Austin for participation in the University's Readiness Training Program.

- Education of CapMetro's Supplier Diversity Program;
- Trainings focused on business growth;
- Training on how to do business with CapMetro;
- CapMetro's understanding of DBEs and SBEs participating in this program through a semi-annual and annual report; and,
- Expansion of CapMetro's DBE and SBE pool of small businesses that may be solicited for participation in contract and procurement opportunities aimed towards our annual diversity goals.

The proposed amount of this ILA is \$60,000.

CapMetro

Thank you!

**INTERLOCAL COOPERATION AGREEMENT  
BY AND BETWEEN  
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY  
AND  
THE UNIVERSITY OF TEXAS AT AUSTIN**

This Interlocal Cooperation Agreement (this “Agreement”) is entered into by and between Capital Metropolitan Transportation Authority, a transportation authority and political subdivision of the State of Texas organized under Chapter 451 of the Texas Transportation Code (“**CapMetro**”) and The University of Texas at Austin, an agency and institution of higher education organized under the laws of the State of Texas (“**University**”). CapMetro and University are referred to in this Agreement collectively as the “Parties” and individually as a “Party”.

**RECITALS:**

1. WHEREAS CapMetro is responsible for Disadvantaged Business Enterprise (“DBE”) and Small Business Enterprise (“SBE”) programs designed to enhance DBE and SBE participation in federally and locally funded contracts and procurements. The intent of the DBE and SBE program is to provide full and fair opportunities for equal participation by all disadvantaged and small businesses to compete for CapMetro prime contracts and associated subcontracts.
2. WHEREAS The University, under its IC<sup>2</sup> Institute, offers a Readiness Training Program (RTP) for small businesses that include intermediate to advanced business concepts, techniques, and information aimed at business growth and in doing business with the public sector.
3. WHEREAS CapMetro will partner with the University to provide business development training services through the University’s IC<sup>2</sup> Institute’s RTP to DBEs and SBEs that may compete for CapMetro contract and procurement opportunities.
4. The Parties' execution of this Agreement is authorized and governed by the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code.

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

**AGREEMENT**

1. **Overview.** This Agreement will assist with the education of DBEs and SBEs of CapMetro’s Supplier Diversity Program, expansion of the CapMetro’s Supplier Diversity Program, and participation of DBEs and SBEs in CapMetro contract and procurement opportunities.
2. **CapMetro understands and agrees that it is responsible for the following:**
  - a) Participate in scheduled meetings with the University’s IC<sup>2</sup> Institute.
  - b) Develop and present training on doing business with CapMetro and present at scheduled trainings under the University’s IC<sup>2</sup> Institute.
  - c) Provide a primary point of contact and back-up for CapMetro’s DEI Department.



- d) Will communicate with the University one week prior to scheduled training if unable to attend or need to be added to future scheduled trainings.
3. **University understands and agrees that it is responsible for the following:**
- a) Provide a primary point of contact and back-up for the University IC<sup>2</sup> Institute.
  - b) Include CapMetro naming as a sponsor in IC<sup>2</sup> Institute's Readiness Training Program marketing materials.
  - c) Market the University IC<sup>2</sup> Institute's Readiness Training Program to certified DBEs and SBEs.
  - d) Schedule CapMetro to provide at least 2 trainings during the term of the contract.
  - e) Allow CapMetro to reschedule or be placed on future training if unable to attend a scheduled training.
  - f) Provide CapMetro with an ongoing IC<sup>2</sup> Institute RTP training schedule.
  - g) Provide contact information of DBEs and SBEs participating in the University IC<sup>2</sup> Institute's RTP.
  - h) Target at least twenty-five firms for training presentations that include CapMetro.
  - i) Make attendance sheets with DBE and SBE contact information available to CapMetro following training provided by CapMetro.
  - j) Provide business development training to vendors aimed at business growth.
  - k) Provide assistance to vendors in seeking contract and procurement opportunities under CapMetro.
  - l) Provide assistance to vendors seeking participation in a Mentor Protégé program.
2. **Term and Termination.** The term of this Agreement ("**Term**") will commence on October 1, 2023, ("**Effective Date**") and will remain in effect for September 30, 2024. The Parties may extend the Term by mutually written agreement for up to one additional 12-month option renewal periods. Either Party may terminate this Agreement, in whole or part, without cause, upon thirty (30) days' prior written notice.
4. **Financial Terms.**
- a. **Contract Amount.** The total Agreement amount that CapMetro will pay for UT Austin services will not exceed a total of **\$60,000.00**.
  - b. **Invoices.** UT Austin will submit monthly invoices to CapMetro for the services provided in the preceding month. Invoices shall include UT Austin's name, invoice number, list of specific services provided, and authorized signature verifying invoiced costs are in compliance with the contract terms. Invoices shall be sent to the below address:  
  
Accounts Payable  
Capital Metropolitan Transportation Authority  
P.O. Box 6308  
Austin, Texas 78762-6308  
  
Or via e-mail to [ap\\_invoices@capmetro.org](mailto:ap_invoices@capmetro.org)
- All undisputed invoices shall be paid within the time period allowed by law through the Texas Prompt Payment Act, Tex. Gov't Code § 2251.021(b).

A semi-annual and annual report of vendors going through the IC2 program must be submitted on the following dates prior to issuance of payment. The reports are due on June 31, 2024 and October 31, 2024.

The semi-annual and annual will report will be inclusive of the following information and data:

- Total number of companies enrolled in the program;
- Ethnicity and gender of each company enrolled in the program;
  - African American,
  - Asian American,
  - Hispanic American,
  - Native American,
  - Women American,
  - Male,
  - Female,
- Number of trainings conducted;
- Number of companies in each training;
- Business type for each company going through the program;
- Data by Funnel One and Two; and,
  - Total number of bids submitted to and awards/sub-awards on CapMetro projects by gender and ethnicity and overall, prior to participation in the IC2 program.
  - Total number of bids submitted to and awards/sub-awards on CapMetro projects by gender and ethnicity and overall, during participation in IC2 program.
- Survey results of companies going through program.

UT will also provide a comprehensive report of UT IC2's overall program report.

## 5. General Terms and Conditions

- a. **Funding.** This Agreement is dependent upon the availability of funding. CapMetro's payment obligations are payable only from current funds appropriated and available for the Agreement.
- b. **Amendment.** This Agreement may be amended only in writing by an instrument signed by an authorized representative of each of the Parties. Any amendments that would constitute a substantive modification to the Agreement must be approved by the governing bodies of the Parties.
- c. **Maintenance of Records.** CapMetro and UT Austin 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 four (4) years from the later of: (a) termination of this Agreement, (b) submission of the final invoices, or (c) until resolution of all billing questions.
- d. **Publicity Releases.** Neither Party may issue any press release relating to this Agreement without the prior approval of the other Party.

- e. **Liability.** TO THE EXTENT PERMITTED BY LAW, THE PARTIES AGREE THAT EACH PARTY IS RESPONSIBLE FOR ITS OWN PROPORTIONATE SHARE OF ANY LIABILITY FOR THE INTENTIONAL, WRONGFUL, NEGLIGENCE 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 AND AS DETERMINED BY A COURT OF COMPETENT JURISDICTION.
- f. **Force Majeure.** Except as otherwise provided, neither Party is liable for any delay in, or failure of performance, or 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, or the common enemy, or the result of war, riot, civil corruption, sovereign conduct, strikes, 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.
- g. **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 action under the Texas Public Information Act on behalf of the other Party. Responses for requests for confidential information shall be handled in accordance with the provisions of the Texas Public Information Act. The provisions of this Section shall survive the termination of this Agreement.
- h. **Independent Contractor.** This Agreement will not be construed as creating an employer-employee relationship, a partnership, or a joint venture between the Parties.
- i. **Successors and Assigns.** This Agreement may not be assigned, in whole or in part, by either Party without 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 (if any).
- j. **Applicable Law.** This Agreement will be governed by and construed in accordance with the laws and constitution of the State of Texas.
- k. **Venue.** Venue for any action arising under this Agreement will be in Travis County, Texas.
- l. **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 or 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 provisions of this Agreement, which will remain of full force and effect.
- m. **Headings.** The paragraph headings contained in this Agreement are for reference purposes only and do not in any way affect the meaning or interpretation of this Agreement.

- n. **Notices.** All notices permitted or required under this Agreement will be in writing and will be delivered by personal delivery, electronic mail, facsimile transmission or by certified or registered mail, return receipt requested, and will be deemed given upon personal delivery, five (5) days after deposit in the mail, or upon acknowledgment of receipt of electronic transmission. Either Party may change its address for notice by written notice to the other Party.

UT Austin:                   The University of Texas at Austin  
Attn: The IC<sup>2</sup> Institute  
2815 San Gabriel St  
Austin, Texas 78705  
Phone: 512-475-8900  
Email: [jj@ic2.utexas.edu](mailto:jj@ic2.utexas.edu)

CapMetro:                   Capital Metropolitan Transportation Authority  
Attn: Jacqueline Evans  
Diversity, Equity, & Inclusion Department  
2910 E. 5th Street  
Austin, Texas 78702  
(512)-389-7542:  
Email: [Jacqueline.evans@capmetro.org](mailto:Jacqueline.evans@capmetro.org)

- o. **Sovereign Immunity.** 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.
- p. **Execution in Counterparts/Electronic Transmission.** This Agreement may be executed in any number of counterparts with the same effect as if all Parties had signed the same document. All counterparts will be construed together and constitute one agreement. A facsimile or other electronic transmission of a Party's signature page binds that Party with the same force and effect as if signed and delivered in original.
- q. **Entire Agreement.** This Agreement represents 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 to the subject matter contained in this Agreement.

*[Signatures 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: \_\_\_\_\_  
NAME  
TITLE

Date: \_\_\_\_\_

**The University of Texas at Austin**

By: \_\_\_\_\_  
NAME  
TITLE

Date: \_\_\_\_\_

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Finance, Audit and Administration Committee  
**Agenda Date:** 10/11/2023

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**Item #:** AI-2023-984

**SUBJECT:**

Approval of a resolution adopting the FY2024 Annual Internal Audit Plan.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** This plan will ensure good stewardship and internal controls for the agency and supports the CapMetro Strategic Plan.

**BUSINESS CASE:** Does not apply.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 11, 2023.

**EXECUTIVE SUMMARY:** The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing require risk-based audit plans be developed to determine the priorities of an internal audit activity, consistent with the organizational goals. The proposed FY2024 Internal Audit Plan (the Plan) summarizes the proposed audits and projects that were identified during a comprehensive risk assessment performed by CapMetro's Internal Audit Department. The Plan presents audit activities in two categories:

**Agenda Date:** 10/11/2023

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Assurance Services, and Advisory & Consulting Services. The CapMetro Internal Audit Charter requires that the Chief Audit Executive “present for approval to the Finance Audit & Administration Committee a risk-based Audit Plan which documents the priorities of the internal audit function and is consistent with the Authority’s strategic goals and objectives.” After FAA Committee consideration, the Plan is taken to the full Board for its review and approval.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Internal Audit Department

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2023-984**

WHEREAS, the FY2024 Internal Audit Plan considers the potential risks and the opportunities of the Authority; and the FY2024 Internal Audit Plan was prepared in accordance with the professional internal auditing standards; and

WHEREAS, the FY2024 Internal Audit Plan provides a mix of audit projects to mitigate risks, develop recommendations for improvement and/or costs savings, and monitor the progress toward implementing past recommendations.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the FY2024 Internal Audit Plan is adopted and sets a program to provide relevant and useful information to the Board of Directors.

**Date:** \_\_\_\_\_

\_\_\_\_\_  
**Secretary of the Board  
Becki Ross**



**To:** Matt Harriss, Member, Chair, Finance, Audit & Administrative (FAA) Committee  
Dianne Bangle, Member, Vice Chair, FAA Committee  
Leslie Pool, Member, FAA Committee  
Becki Ross, Member, FAA Committee

**CC:** Dottie Watkins, President/CEO

**From:** Terry Follmer, CPA, MBA, CIA, CISA, CISSP  
VP, Internal Audit

**Date:** October 11, 2023

**Subject:** **Proposed FY2024 Internal Audit Plan**

## Purpose

This proposed Capital Metro Internal Audit Plan (Audit Plan) summarizes the planning methodology and the audit projects that Internal Audit recommends performing during FY2024.

## FY2024 Audit Plan & Updates

The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing* require that risk-based plans be developed to determine the priorities of the internal audit activity, consistent with the organization's goals.

The proposed FY2024 Internal Audit Plan (Table 1) was developed by performing a comprehensive risk assessment. This included a risk assessment survey sent to management and Board members, management interviews, and discussions with Board members. Additionally, we collaborated and reviewed the audit plans of VIA in San Antonio, and DART in Dallas. The Internal Audit Department also reviewed prior external consulting and audit reports (e.g., FTA Triennial, Quadrennial Performance Audit, etc.), operating and capital budgets, organization charts, and the Strategic Plan to help ensure other potential risk and opportunity areas were identified and proposed projects are aligned to address the strategic risks of the Authority.

This year's Risk Assessment (Table 3) identified the top 17 risk facing CapMetro in FY2024 and 7 of these risks are new. Some of the more significant new risks are related to the expected

payroll “pass through charges” in the new Bus Operations & Maintenance contracts which will require new internal controls and processes. Additionally, the forecasted large increase in capital projects, including the electric bus program, establishing new transit facilities and offices, MetroRapid delivery, and the standup of the new North Base Demand Response and CapMetro Police Department facilities. A notable change is the reduction of CapMetro’s risks related to Project Connect because the new Joint Powers Agreement has assigned full responsibility for Light Rail FTA grant monies to Austin Transit Partnership. Some key drivers of higher risks noted are as follows: FY2024 CapMetro growth with \$411 million in projected Capital Projects and \$427 million in Operating Expenses; multiple large capital projects (e.g., McKalla Station; new Fifth & Tillery headquarters; etc.), CapMetro and service provider personnel vacancies; tight labor market with higher employee turnover and high uncertainty in the economy. Some of the service provider risk is mitigated through the planned implementation of an enterprise governance, risk and compliance (GRC) system and Internal Audit is serving as an advisor and is the lead facilitator on the GRC implementation to help ensure that controls are adequate and process improvement efficiencies are gained. Additionally, the FastPath system has been chosen by management to analyze segregation of duties in the new Oracle system and the Internal Audit Department will help management in the evaluation of SOD across Oracle (e.g., Payroll; Accounts Payable; Accounting; etc.).

One of the most impactful IT projects which will assist with the service provider oversight and management is the implementation of the Governance Risk & Compliance (GRC) systems. This project was spawned from the Texas statute required Quadrennial Performance Management review and recommendation in January 2021 that CapMetro implement a “contract management system” to help on monitoring vendor performance/compliance in Bus, Rail and Demand Response contracts. The proposed FY2024 has multiple GRC related projects with Internal Audit playing a critical role in ensuring the GRC implementation goes smoothly across various departments with internal control improvements and efficiencies being gained. Note, the development of the automation of Bus incident/accident reporting process was completed during FY2023 but the implementation was postponed due to the Bus vendor selection process and upcoming change in Bus operations/maintenance vendors from MV Transportation to Keolis effective 1/1/2024.

The FY2024 Plan also includes a focus on IT security, safety, and financial controls. The proposed plan includes three IT projects which includes a follow-up cybersecurity assessment conducted by CISA, the Annual Cybersecurity Review (i.e., IT Penetration and Vulnerability Assessments), and a possible review of Microsoft SharePoint Security. Other projects to highlight from the FY2024 Plan include the review of the ATP/CapMetro billing processes, and the new operating model in the Keolis contracted bus operations and maintenance services. Internal Audit believes these focus areas together with the other projects in the proposed Audit Plan will appropriately address the risks identified.

The FY2024 audit plan also includes a list of contingent projects (Table 2 – seven projects listed as Contingent Audit Projects) that will serve as backup projects that will be performed if the

original plan is running ahead of schedule or if some of the projects must be delayed or cancelled. Furthermore, the Audit Plan is meant to be a risk based flexible audit plan so as emerging risks arise or priorities change, the Internal Audit Department will bring these future project changes to management and the FAA Committee for approval.

## Internal Audit Project Staffing

Staffing for the FY24 Audit Plan will use a combination of internal and external resources to perform the projects. This past year the Internal Audit Department completed seventeen audit projects. The FY24 plan includes twenty-two assurance/advisory projects, and Internal Audit believes these additional projects can be completed through better planning, scoping and coordination with management. The department is currently fully staffed with five full time auditors, and we continue to mature the UT Audit Intern program which started in 2018. This Fall semester we will have five graduate Accounting students from UT's #1 ranked Masters of Professional Accounting program who will be assisting on four advisory projects as part of their required Auditing class. This is our eleventh semester participating in this highly successful program, and we plan on continuing the UT Audit Intern program with a fresh class in the Spring. Each student in the intern program is providing up to 60 hours of volunteer project time for the semester as part of their Auditing class at UT. Additionally, on the IT security side we have signed up with CISA to follow-up on this years cybersecurity assessments, and the Annual Cybersecurity Review (i.e. IT Penetration and Vulnerability Assessment) is performed by an external consulting firm and it is funded by the IT Department. We believe this mix of internal and external resources is sufficient to perform the projects listed in the FY2024 Audit Plan (see Table 1).

## Professional Requirements & Auditor Independence

The Internal Audit Department conducts our audits in conformance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States and the IIA's International Standards for the Professional Practice of Internal Auditing and Code of Ethics. These standards require that we be independent from any entity or person that we audit or may audit and be objective when conducting such audits. Furthermore, IIA Standard 1110 requires that the CAE confirm to the board, at least annually, the organizational independence of the internal audit activity. Capital Metro Internal Audit is organizationally independent of management and, as such, remains objective when conducting audits, and our staff have no conflicts of interest with the proposed FY2024 Audit Plan.

**TABLE 1 – FY2024 Audit Assurance & Advisory Projects**

	Audit Project	Audit Type	Audit Objective & Scope	Estimated Hours
1	Semiannual Implementation Status Updates - November 2023	Assurance	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)	200
2	Semiannual Implementation Status Updates - May 2024	Assurance	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)	200
3	FY2024 Risk Assessment & FY2025 Audit Plan Development	Continuous Improvement & QC	Develop the annual risk based internal audit services plan to identify audit and non-audit projects and effectively allocate resources. Update and align the plan with changing organizational risks/opportunities.	350
4	CapMetro/ATP Billing Processes	Advisory & Consulting	Review processes and controls to facilitate billings between ATP and CapMetro to ensure the process is properly designed and efficient.	240
5	Keolis Payroll Pass Through Controls - New Contract in Bus	Assurance & Advisory	Ensure controls are appropriate to validate the Keolis employees are paid in compliance with the Collective Bargaining Agreement and CapMetro is properly billed.	500
6	Hexagon (Infor) System - post go live review	Assurance	Review internal controls and functionality of the new Infor enterprise asset management system.	250
7	Paratransit & Demand Response Operations	Assurance	Review MTM billings and support for compliance with contract terms and conditions.	160

8	FastPath - Analyze Oracle segregation of duties	Advisory / Consulting	FastPath software has been purchased to analyze segregation of duties (SOD) across the financial transactions (e.g. Payments; Payroll; etc.)	300
9	MV Contract - Payroll Pass Through Charges	Assurance & Advisory	Ensure controls are appropriate to validate that MV employees are paid in compliance with the Collective Bargaining Agreement and CapMetro is properly billed.	160
10	Miscellaneous Revenue Controls	Assurance	Review the design and operating effectiveness of internal controls to ensure the completeness and accuracy of miscellaneous revenue.	350
11	GHG & Carbon Footprint Reporting	Advisory	Ensure environmental reporting is in compliance with the Climate Registry.	160
12	Sales Taxes - Revenue Controls	Advisory	Review controls to ensure the monthly Texas Comptroller payments are being made timely and accurately.	160
13	Investment Income - Revenue Controls	Advisory	Review controls to ensure CapMetro cash and related investments are in compliance with the Investment Policy and errors and irregularities would be prevented and/or detected timely.	160
14	Watco Freight Revenue - Revenue Controls	Advisory	Review payment controls to ensure that Watco freight revenue sharing is in compliance with contract terms.	160
15	GRC - automate Incidents/Accidents Reporting (Bus, Rail, DR)	Advisory / Consulting	Help management design and implement the automation of incident/accident reporting across Bus/Rail/DR using the GRC system.	400
16	GRC - Contract Performance Management System Advisory (Bus, Rail, DR) - Quadrennial Performance Audit recommendations	Advisory / Consulting	The Quadrennial Performance Audit Report dated 1/2021 requires that a Contract Management System be implemented. Serve as an advisor on the GRC implementation in the following areas: Contract Performance Mgt System for Bus, Rail and Demand Response.	800

17	GRC (Governance Risk & Compliance) System Implementation (Risk Register; Safety Dept; Internal Audit Dept; etc.)	Advisory / Consulting	Assist with the enterprise level implementation of the Diligent GRC system which provides the tools to automate monitoring and reporting as follows: Contract Compliance & Billings; Safety; Risk Registers; Enterprise Risk Management; Internal Audit and other departments etc..	600
18	Safety Management System (SMS) - Management of Change	Advisory / Consulting	Compliance with FTA requirements related to safety and "management of change".	400
19	Bus Charging Infrastructure & EV Program	Advisory / Consulting	Review project plans related to the EV Bus Program and evaluate where policies/procedures will need to be defined to properly support the EV fleet.	400
20	AMP Cards & New Fare Structure	Assurance & Advisory	Review process and technology controls to ensure the new AMP Card and fare structure rolls out smoothly with appropriate internal controls	400
21	United Healthcare & Other Self-Insured Benefits (TPA Payments)	Assurance	Assessing the Effectiveness and Efficiency of Management Processes to Prevent and Detect insurance overpayments/fraud. Review self-insured TPA (Third Party Administrator) payments.	300
22	McKalla Station - Design Build Effectiveness	Assurance	Review the procurement and construction process for compliance with contracts, policies, procedures and regulatory requirements.	350
23	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2023 baseline	Assurance	Check for compliance with best practices listed in the NIST Cybersecurity Framework	300

24	Annual Cybersecurity Review (Mandiant)	Assurance	Annual Cybersecurity Assessment with outsourced IT Penetration & Vulnerability Assessment	200
25	Quadrennial Performance Audit - Selection Process but FY25 Budget/Execution	Advisory		100
26	Support to Transit Industry & Professional Organization	Continuous Improvement & QC	Internal special projects including support of local and industry professional associations (ISACA, IIA, APTA, ALGA, Toastmaster, etc.), responding to professional exposure drafts, internal training and other internal quality improvement opportunities as needed. UT Audit Intern Program (Fall & Spring).	240
27	Management Requests, Consulting & Special Projects 1) Advisor on various Committees; 2) Investigations; 3) Emerging Risks & Special Projects as requested, etc..	Advisory / Consulting	Internal auditing best practices include allocating an undesignated contingency for management requests and other unanticipated special projects.	600
<b>TOTAL ESTIMATED HOURS</b>				<b>8,440</b>

Project started in FY2023

UT Intern projects Fall 2023

**TABLE 2 – FY2024 Contingency Audit Projects (To Be Used as Backups)**

	<b>Audit Project</b>	<b>Audit Type</b>	<b>Audit Objective &amp; Scope</b>	<b>Estimated Hours</b>
1	Microsoft Sharepoint & Active Directory	Assurance	The confidentiality, integrity and availability of the Microsoft Active Directory and Sharepoint.	250
2	Salary Adjustment & Merit Process	Assurance & Advisory	Review the process and controls applied to implement the recommendations from Gallagher consulting.	200
3	Rail-FRA PTC Change Management Requirements (Herzog)	Advisory / Consulting	Review compliance with the FRA's change management record keeping required for all system components and records.	300
4	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)	Assurance	Review Board policies/goals to ensure that they are periodically reviewed and updated, and that related performance metrics are tracked and reported.	300
5	Capital Project Controls (McKalla Station; MetroRapid; DR N Facility Build;)	Assurance & Advisory	Review controls related to Capital Projects, and ensure compliance with contracts in regards to deliverables and payments.	350
6	Spare Labs.com - Demand Response System Implementation	Advisory / Consulting	Review requirements and design management controls and related procurement activities for compliance with policies/procedures.	250
7	Lease Vehicle Program - non-Revenue Vehicles	Assurance & Advisory	Review lease contracts, fleet utilization, and related controls to ensure contract compliance and proper asset management.	400

**TOTAL ESTIMATED HOURS**

**2,050**



**TABLE 3 – FY2023 Risk Assessment Survey Results**

Response	Average (A) Impact	Average (B) Likelihood	(A x B) Residual Risk	(D) Mitigating Controls	Accept Risk	Requires Plan	"Requires Plan" Recommendations to Improve Risk Management Activities
1 Project Connect, CapMetro Delivered - Scope / Schedule / Cost	6.13	6.75	41.3	Updated JPA in June 2023 provides clarity in roles, and ATP is the primary grant recipient for LRT under the JPA. CapMetro will continue to support PMP processes, FTA requirements, and safety certifications in the role as the future Operator in the system startup. <b>MetroRapid Delivery:</b> 1) CapMetro monthly Metro Rapid project team meeting; 2) Tri-Party meeting of appropriate department leaders (City, ATP, COA); 3) Monthly Executive Tri-party meeting (City, ATP, COA); 4) FTA monthly/Quarterly meeting with CapMetro.	1	5	Continue to implement FTA Requirements; Coordination & Alignment with City Council; Integration with new EPPM System; Ensure that proper resources for operations and maintenance costs are available annually, mid-life and end of life to support MetroRapid, MetroRapid and Light Rail projects. Ensure Project Connect agreements ensure CapMetro receives the following transfers as the future Operator: contracts; warranties; real estate and easements; and third party agreements. <b>MetroRapid Delivery:</b> The first two MetroRapid projects as part of Project Connect will be operationalized in 2025, so FY24 is "go-time" focused on time and budget delivery. Our organizational focus on successful delivery of these two projects should be one of our top priorities.
2 Standup of CapMetro Police Department	6.38	6.13	39.0	Chief of Police has been hired and separate Police building has been procured and is being customized for CapMetro's PD needs. Development of Policies for the certification process. An ILA has been established with GATRRS and the City of Austin. Senior staff has been hired. We regularly meet with Public Safety Committee which is appointed by the Board. Prepare to plan and train Public Dispatchers. RFP process to identify RMS system and interface with COA CAD system (CTEC). When appropriate execute recruitment campaign and efforts to hire certified and non-certified Officers. Meet with community leaders and provide updates. Have begun procuring vehicles and some in the pipeline. Coordinating with Marketing on branding/imaging, etc., of uniforms, equipment, vehicles, etc.. P&C helping develop enhanced PD training program including customer and Operator interface.	4	2	
3 Safety of Operations	6.25	5.88	36.7	Safety Policies & Training; Ops Procedures; Ops Mgt; Safety Plans; Oversight from Mgt, Fed, State & Contractors; Accountability & PDC's; Reg Requirements for Safety Plan; SMS in place; SMS plan in development for new FTA Requirements; Passenger Safety Initiatives	4	2	Improved driver training & mgt; Continued focus on safety systems/policies; Complete required Safety Plan; Develop System Safety Program Plan; Develop improved safety plans, procedures, protocols, policies, and training programs. Continue rollout of Battery Electric bus safety training. Ensure safety plans evolve with technology in a timely manner.
4 Service Provider Performance & Contract Management	5.88	6.13	36.0	Contract and oversight which includes PDC's; Employee engagement; QA in contracts & periodic audits; Contract Management Plans; Contract Monitoring Plans created by PM's; Mode-specific oversight in place; Software (GRC & Contract Performance Mgt) is in the works to help manage this.	3	3	Fine-tune what CapMetro can impact and what contractors should control; Improve and automate Bus/Rail/DR incident/accident reporting to improve timeliness and accuracy. Continue to clarify the roles and responsibilities of both MV/Keolis and CapMetro with CapMetro's responsible for the day to day service delivery and MV responsible for employee management and safety incident and accident reporting. Roles have been established with an immediate focus on the delivery of service. Over the next year, those roles need to be codified in writing. Development of scope for new management contract model with defined Performance and disincentives based on refined contractor responsibilities. Train and refine duties of existing Q/A and management staffing. Fine Tune recruiting strategy to include an industry hard look at work environment. Utilize the third party to survey employees and assist in developing a plan to attract and retain Operators and Mechanics; CapMetro leadership is developing a joint plan with MV/Keolis to address performance issues; Training program to develop and improve access skill levels of incumbent employees. A Governance Risk & Compliance software is being deployed to help with contract monitoring.
5 Electric Buses - Strategy/Delivery/Mgt	5.13	6.75	34.6	Bus Infrastructure has been scheduled and has been shared with the FTA for MetroRapid (Expo & Pleasant Valley). 2910 Plan developed with Proterra. Contingency is being developed around Proterra recent Bankruptcy. Planning for N Ops expansion with solar grid and bus charging is underway. Close coordination with Austin Energy. FTA required Fleet Transition Plan which is routinely updated. David Carr, Dir of Zero Emission Vehicles. Good contract and OEM management with the bus builders to prevent defects. Additional Field Service Techs have been added to contracts to ensure availability/reliability. New EV specialty shop to address diagnostics and repairs and related training.	3	3	Develop a Fleet Diversification Plan with changes in bus electrification field, alternative fuels (e.g. Hydrogen, etc.) with our carbon neutrality goal in mind. Continued vigilance around managing the Proterra bankruptcy risks though direct negotiations and industry channels.
6 Workforce Shortage, Competition & Development	6.00	5.75	34.5	Tool developed by BCG for workforce planning. Increases in starting pay for frontline bus and maintenance employees. Resources to supplement talent acquisition staff: executive recruiter, professional and frontline staff recruitment contract, one dedicated company to fulfill temporary employee needs. Partnership with marketing team to develop and deploy aggressive marketing campaigns. Innovative hiring incentives including increased hiring bonuses, referral bonuses, relocation and temporary housing.	2	4	Build a short and long range workforce strategy plan. Identify and create partnerships and talent pipelines.
7 ATP/CapMetro - Alignment & Business Process Optimization	5.50	5.63	30.9	JPA and amendments and ILA's will help manage this risk. The CapMetro/ATP billing process has been added to 2024 Audit Plan. Support service agreements (e.g. benefits, systems, etc.) is being updated.	3	3	Long range risk to success of program but largely out of the CapMetro sphere of control.
8 IT Risks & Cybersecurity	6.00	5.00	30.0	IT Policies/Procedures; Internal/External Audits; Ongoing training for employees; Position allocated to address Cyber Security; Monthly IT Security Review Meeting; In 2023 CISA performed benchmarking IT Risk assessment establishing a baseline and in 2024 same study will be performed to gauge progress.	3	3	Cyber Security Program; Develop Plan for external threats (virus, ransomware, etc); Ensure Cybersecurity and IT have the right resources, necessary experience level, established standards and guidelines, and procedures to properly engage in all software implementations and increased technological solutions that will be forthcoming at CapMetro in an exponential way.
9 Enterprise Systems (Oracle, Hexagon, etc.) Business Process Optimization	5.88	5.00	29.4	Oracle has Executive Steering Committee that meets monthly to discuss open items and prioritize. FTA grants and requirements will drive needed new reporting. EDAP and ability to pull data quickly and routinely. EAM Consultant being hired to evaluate Hexagon asset management strategy and execution. Oracle University library is being established to track and record specialty classes completed.	3	3	Additional resources to resolve and root cause fix current EAM issues. Will establish timely training and refreshers on major systems.
10 Projected Costs vs Revenues	5.50	5.00	27.5	Annual Budgets by Department approved by mgt and Board. Monthly tracking of Actual vs Budget with reporting to Mgt/Board. Budget Dept that is separate from Actual accounting that works on ST/LT forecasts and challenges mgt on assumptions. All material expenditures and commitments require approval from the Board. FY24 there is a freeze on FTE growth, with focus on filling/adjusting vacancies first. Developing structured process for evaluating/filling vacancies.	3	3	Strengthen project review processes and procedures to avoid scope creep. In light of ATP being the FTA direct recipient of new starts grants and light rail delivery, a thorough and critical review of workforce needs and FTE growth is needed. Some level of benchmarking with our peer systems would be beneficial with a nuanced review of our core and support functions. Previous precipitous growth in certain departments leading up and immediate post referendum should be re-evaluated in light of the revised JPA and division of responsibilities.
11 Establishing Transit Facilities & Offices	5.00	5.50	27.5	Facility Catalogue is being developed to support the Facility Master Plan. SOG in Hexagon and required NTD reporting. Facilities costs is included in the long range financial plan.	3	3	A centralized and coordinated Facility Management Plan needs to be put in place.
12 Political Risks (Federal & State)	4.88	5.38	26.2	The full Gov't Affairs team is focused on political risks and ensuring emerging risks are identified, monitored and addressed. Lobbyist help to support our 4 FTEs and workshop to optimize coordination will occur. Coordinated voice on Project Connect matters between ATP/CapMetro is high focus area.	4	2	Largely out of CapMetro's sphere of control.
13 Employee Retention & Succession Planning	5.00	4.88	24.4	TTI Bus Operator retention study. Development of leadership training plan. Employee Engagement Survey. Competitive merit increase budgeted for FY 23. Frontline employee pay in fixed route increased to be more competitive.	2	4	Succession Planning / High Potential o Identify critical capabilities to develop in future leaders o Create strategy-aligned criteria to identify future leaders o Provide future leaders with targeted development/Leader & Management Development o Define leadership expectations o Access Leadership Development Needs o Define a leadership development strategy
14 Ridership Levels & Creating a Culture of Ridership	5.13	4.38	22.4	Identify new core ridership segments and review dormant commuter market, establish new baseline for bus, Rapid, rail, event, pickup and review with FY 2023 budget to develop recommendations on how best to market and incentivize while also leveraging the new fare program to attract more riders.	3	3	Balance between transit dependent and transit riders of choice in our Service Plan and reflect that in our fare strategy. Marketing strategy targeting commuters and appealing to the low price of transit as compared to car ownership; sustainable plan for the unhoused and non-destination rides, re-open dialogue with employers. Development of long-term strategy for Pickup service. Develop the new baseline for bus service (local and commuter) based on changes within the work space that have become the new normal. A clear understanding of what service levels we are offering based on service demands.
15 Recession &/or Inflation	5.25	4.00	21.0	Sales tax budgeting is conservative.	5	1	Salary review for all employees will occur to ensure competitive with market.
16 Staffing & Visibility/Utilization Across Departments	4.38	4.63	20.2	Process for requesting and approving additional staffing or other resources during annual budget process	4	2	Improving workforce planning tools and support for department to identify both ST and LT staffing plans; The Strategic Plan will help address this. Dashboards for each department on Central. Develop communications plan.
17 Strategic Focus vs Fast Growing Priority Lists (ST vs LT)	3.63	5.38	19.5	Development of updated strategic plan; KPIs being developed to measure Actions from updated Strategic Plan. Plan will be updated for FY24. SET established priorities for FY23 from Strategic Plan and will cascade actions.	3	3	Opportunity for better planning and systematic approaches; plans still in development but required; Need to do more as it relates to adoption and cascading strategic priorities down through the organization. Leadership will be facilitating a long range plan exercise for the future state of CapMetro. The current Strategic Plan will become an annual work plan to support it along with setting annual agency priorities.
<b>Severity of Impact (Rating of 0 to 9)</b>				<b>Likelihood of Occurrence (Rating of 0 to 9)</b>			
Minor / Green = 0 to 3				Remote / Green = 0 to 3			
Moderate / Amber = 3.1 to 6				Possible / Amber = 3.1 to 6			
Critical / Red = 6.1 to 9				Likely / Red = 6.1 to 9			
				Here are the standard definitions of the two concepts:			
				Inherent risk represents the amount of risk that exists in the absence of controls.			
				Residual risk is the amount of risk that remains after controls are accounted for.			



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2023-815

**Agenda Date:** 10/11/2023

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Annual Economic Update & Portfolio Review

# Capital Metropolitan Transportation Authority

## Finance, Audit & Administration Committee

*Economic Update and Portfolio Review*  
*October 11, 2023*

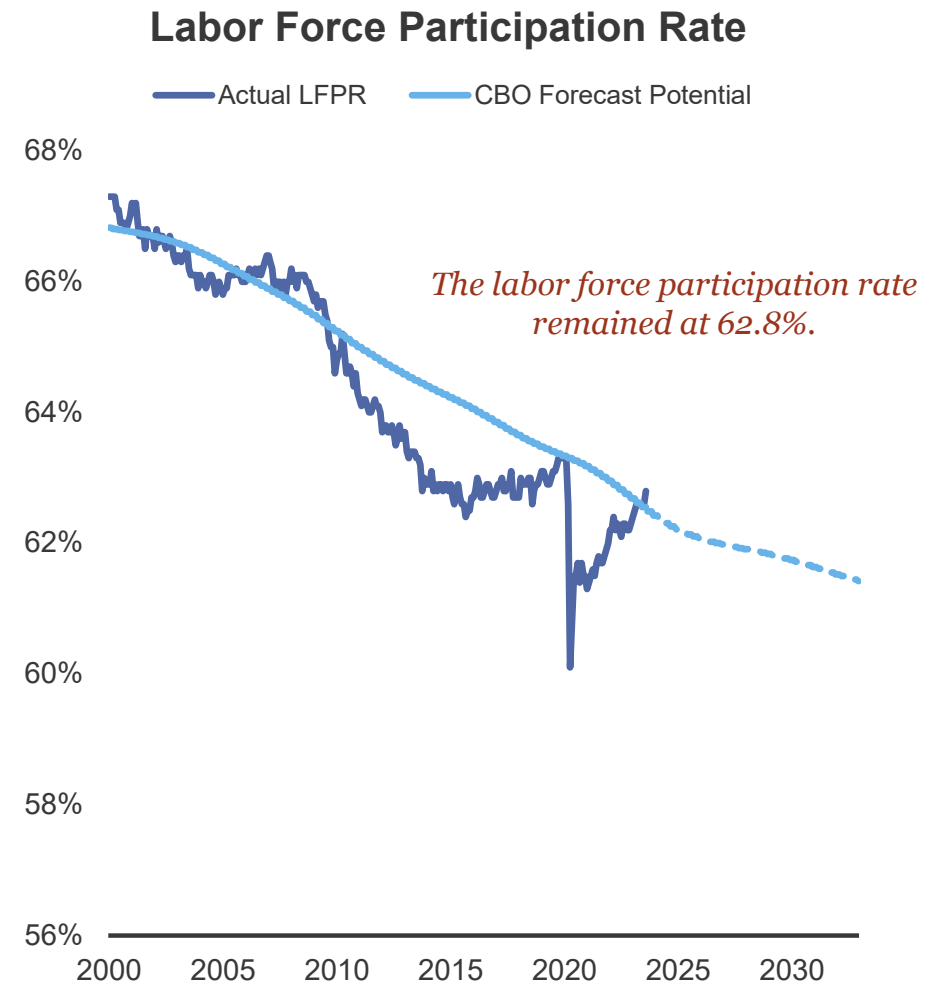
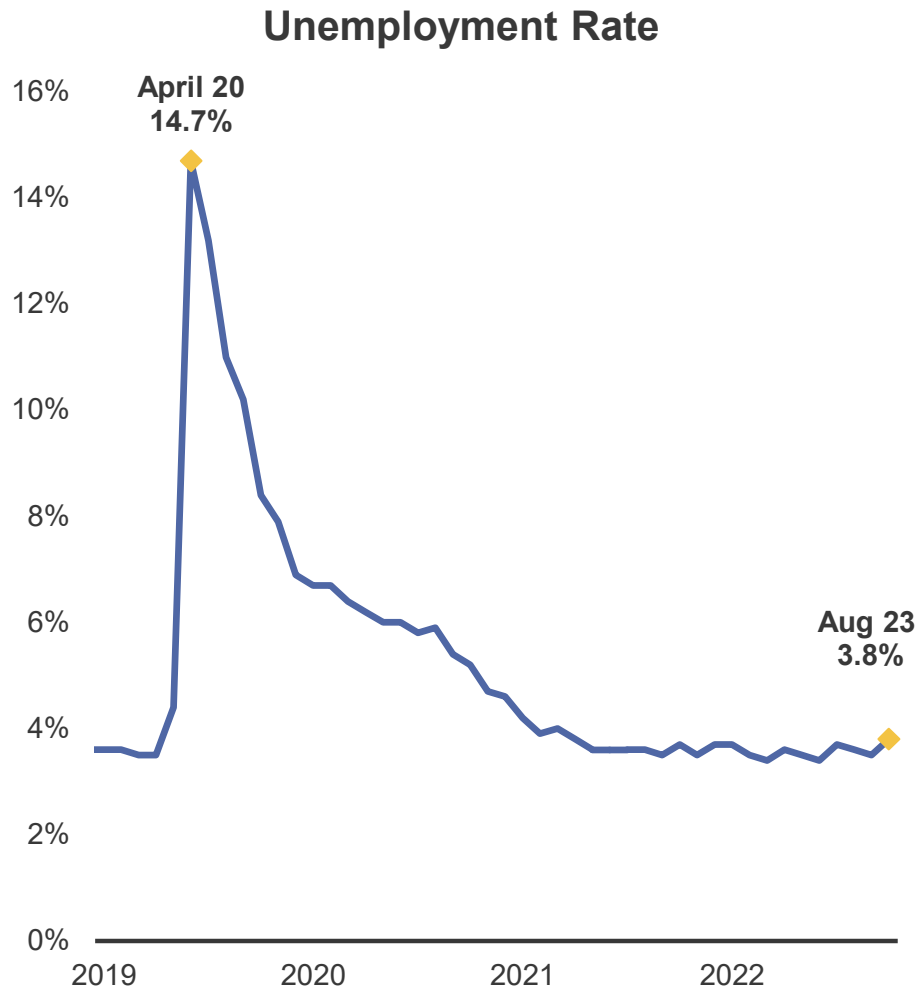
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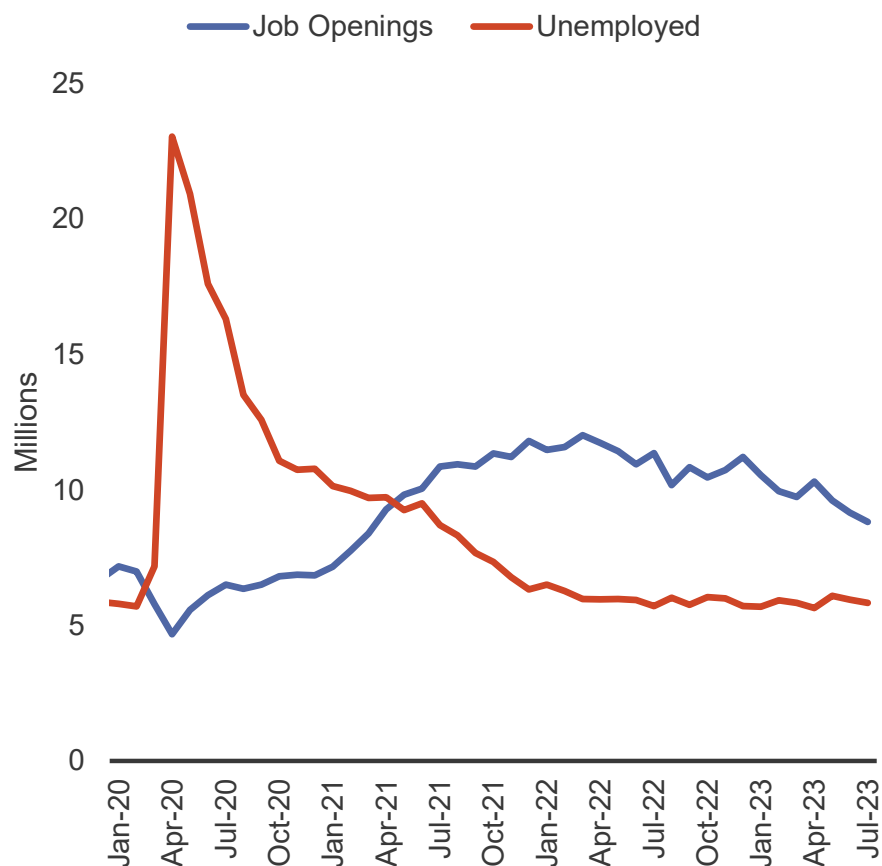
# The Unemployment Rate Climbed



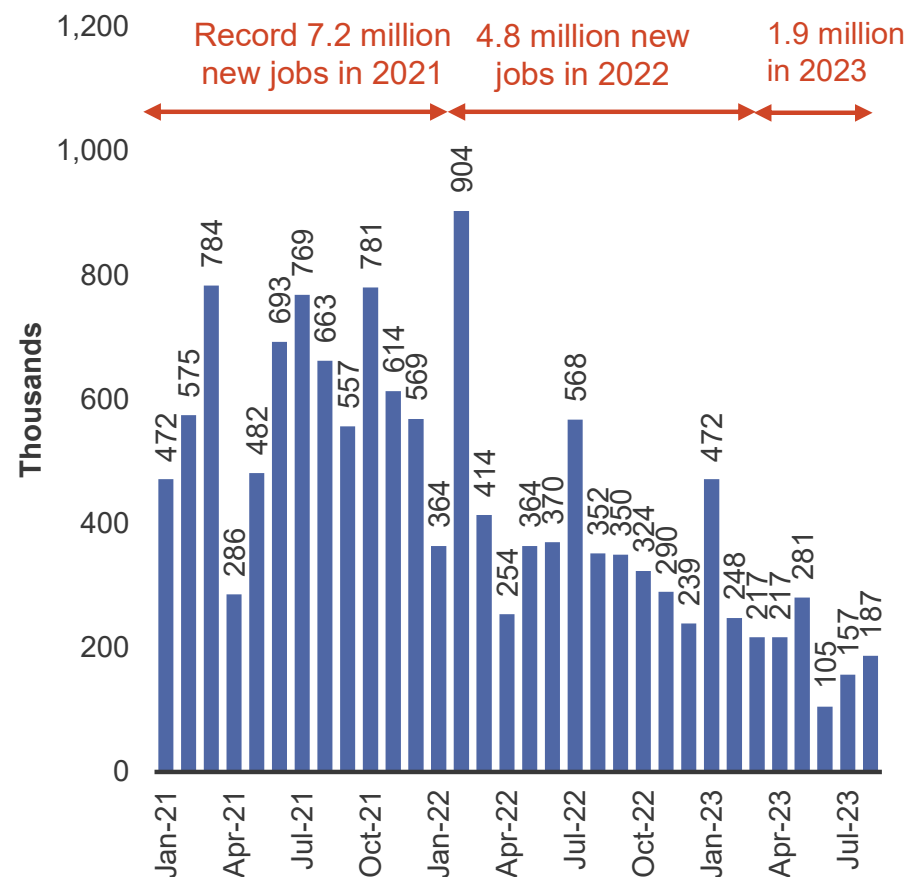
Source: Congressional Budget Office July 2023 economic projections, Bureau of Labor Statistics. Bloomberg, as of August 2023. Data is seasonally adjusted.

# Payrolls Came in Higher than Forecast

## Job Openings vs. Unemployed Workers



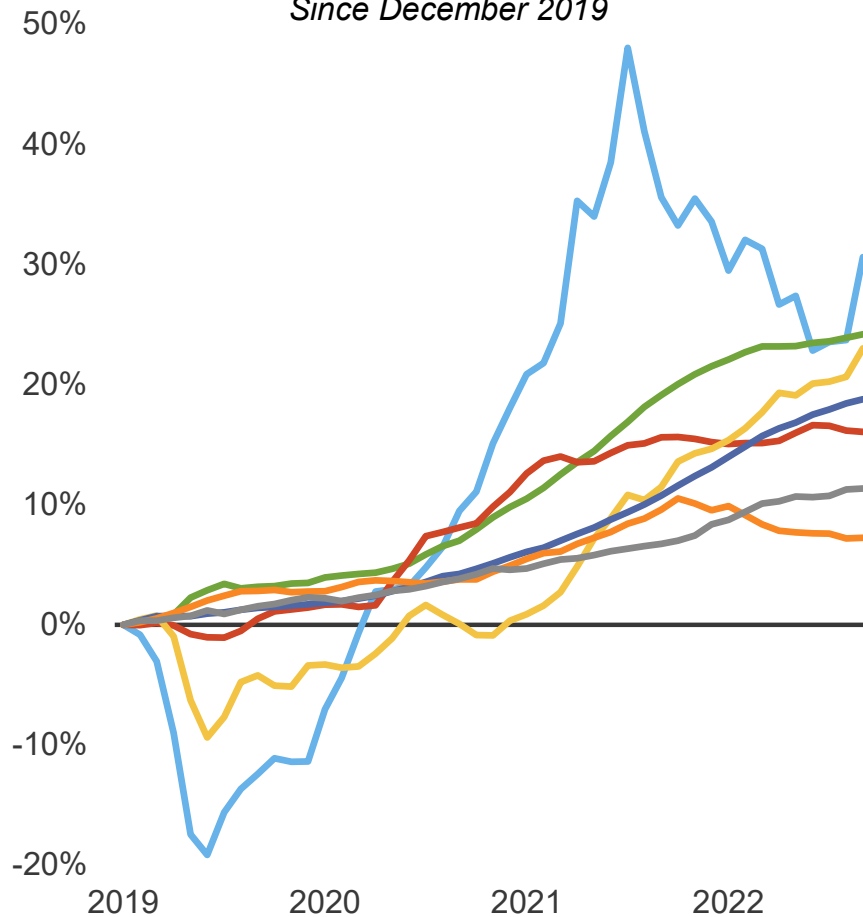
## Monthly Change In Nonfarm Payrolls



Source: Bloomberg, as of August 2023. Data is seasonally adjusted.

# Despite Higher Energy Prices in August, Shelter is Still the Biggest Contributor

**Price Change of Major CPI Components**  
Since December 2019



CPI Component	12-mo. Change	Weight <sup>1</sup>	Contribution to YoY CPI
Energy	-3.7%	7.0%	-0.3%
Food	4.3%	13.4%	0.6%
Transportation	10.4%	5.9%	0.6%
Goods	0.4%	21.2%	0.1%
Shelter	7.2%	34.8%	2.5%
Medical services	-2.1%	6.3%	-0.1%
Other Services <sup>2</sup>	4.2%	11.3%	0.5%
Overall	<b>3.7%</b>		

Source: Bloomberg, Bureau of Labor Statistics as of August 2023.

<sup>1</sup>Index weights are as of July 2023 as they are published on a one-month lag.

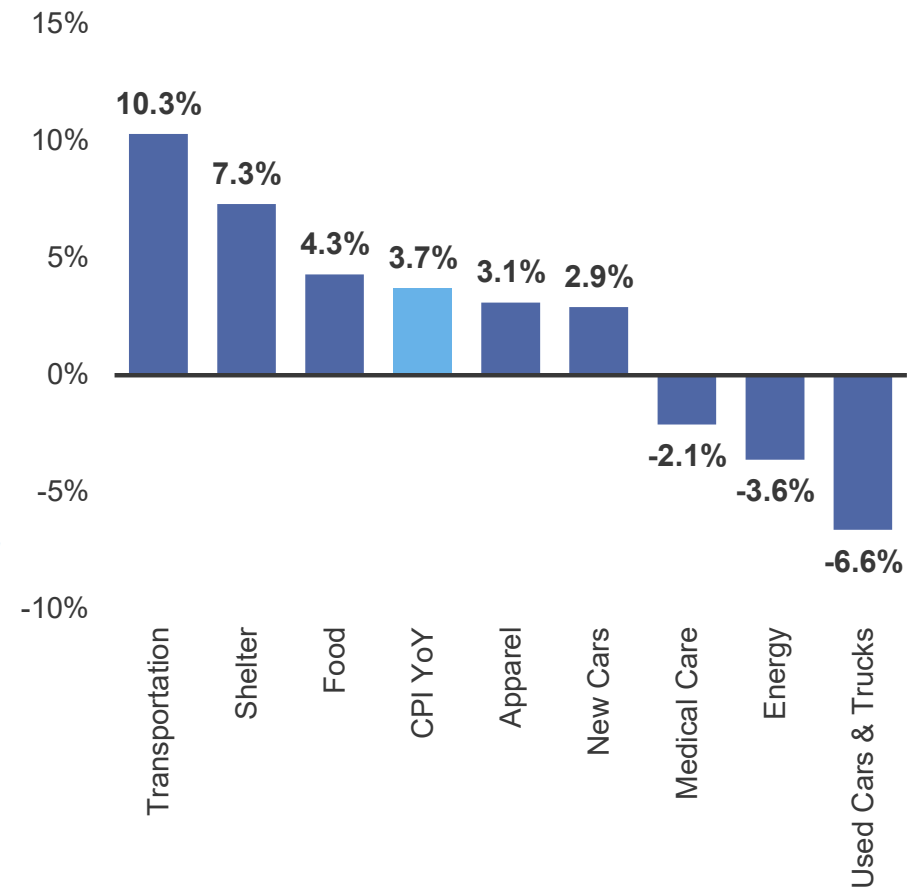
<sup>2</sup>Other services is a weighted blend of Water/Sewer/Trash, Household Operations, Recreation, and Education and Communication services.

# Consumer Inflation

**Consumer Price Index**  
% Change YoY



**Key Consumer Price Index Components**  
% Change YoY



Source: Bloomberg, as of August 2023.

# Energy Prices

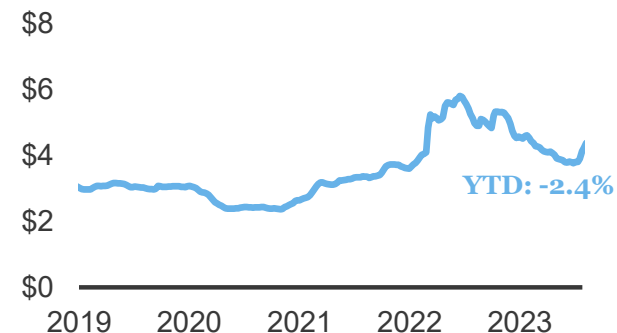
WTI Crude Oil (per barrel)



Retail Gasoline (per gallon)



Average Retail Price US Diesel



Heating Oil (per gallon)



Natural Gas(MMBtu)



BRENT Crude Oil (per barrel)

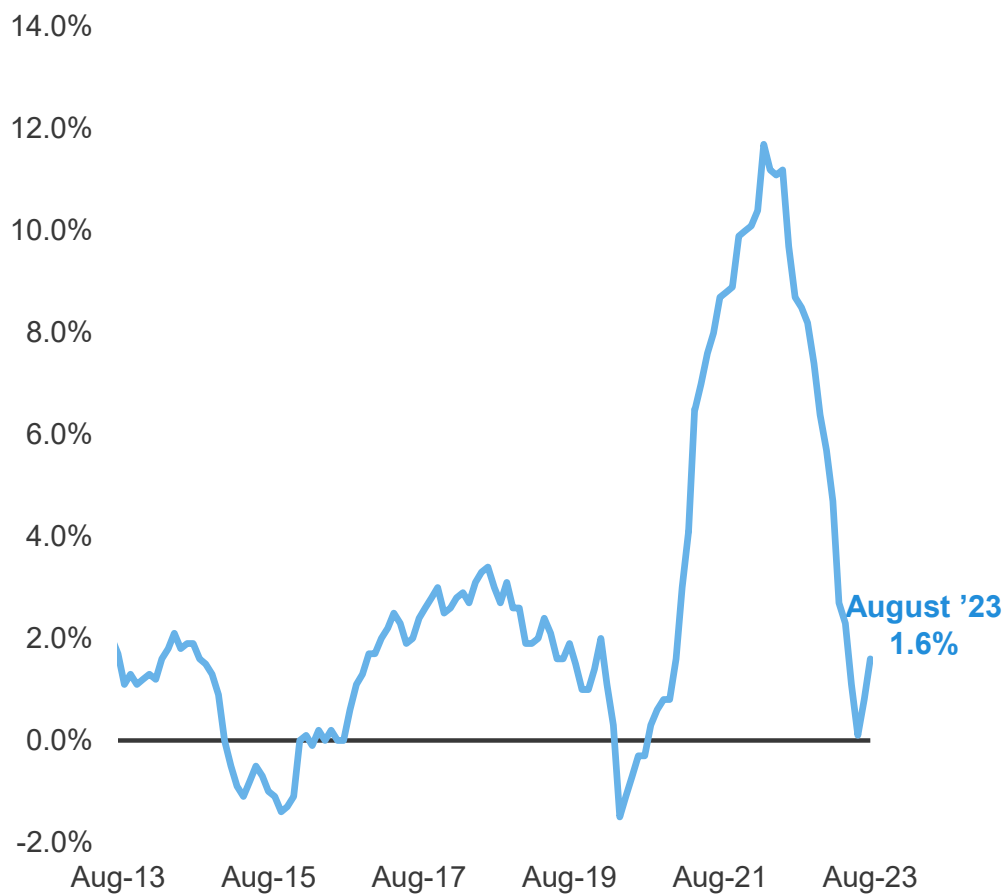


Source: Bloomberg, as of 08/31/2023.  
Note: MMBtu: Metric Million British Thermal Unit

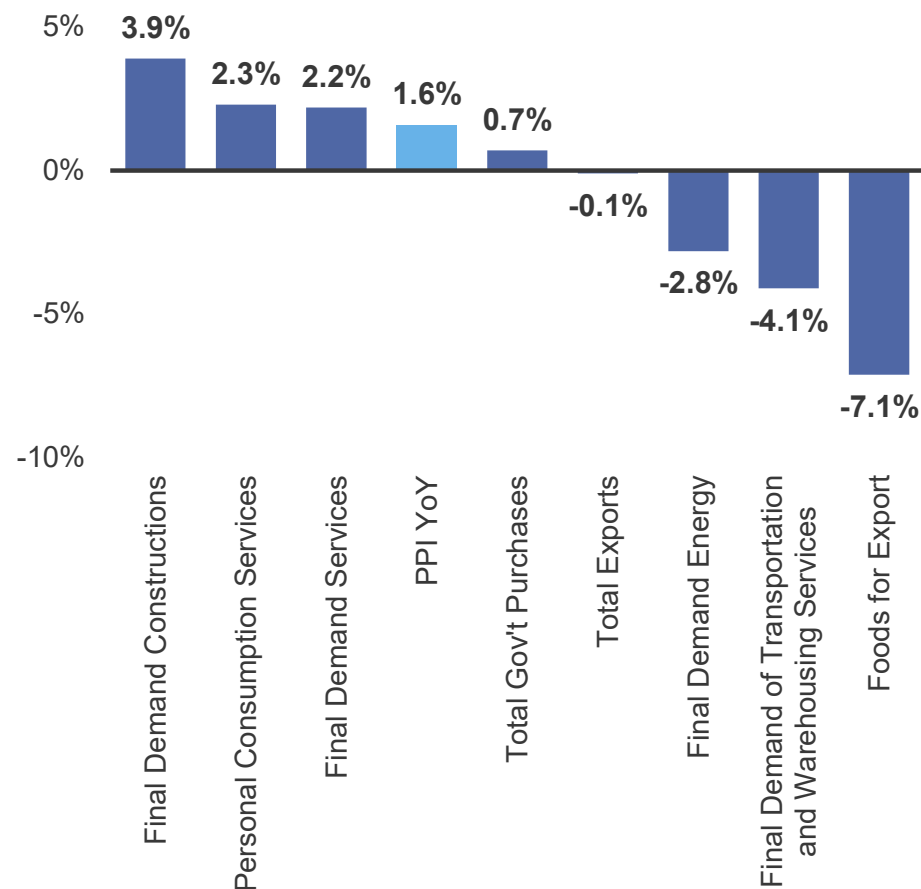


# Producer Prices Jump on Rising Energy Costs

**Producer Price Index**  
% Change YoY



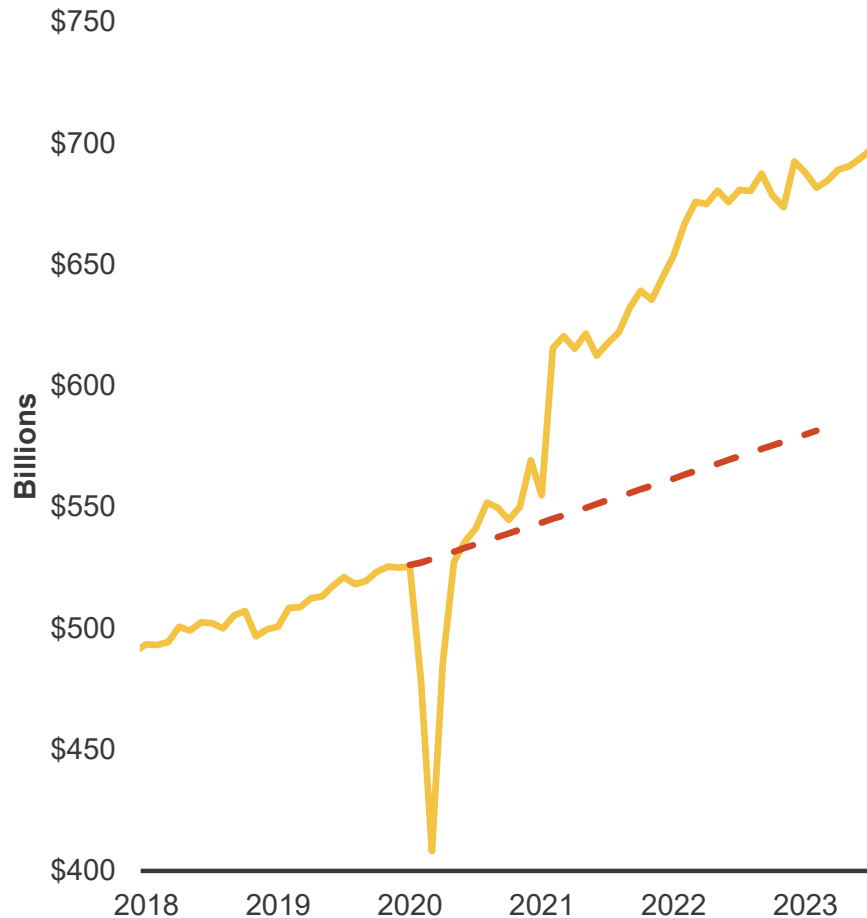
**Key Producer Price Index Components**  
% Change YoY



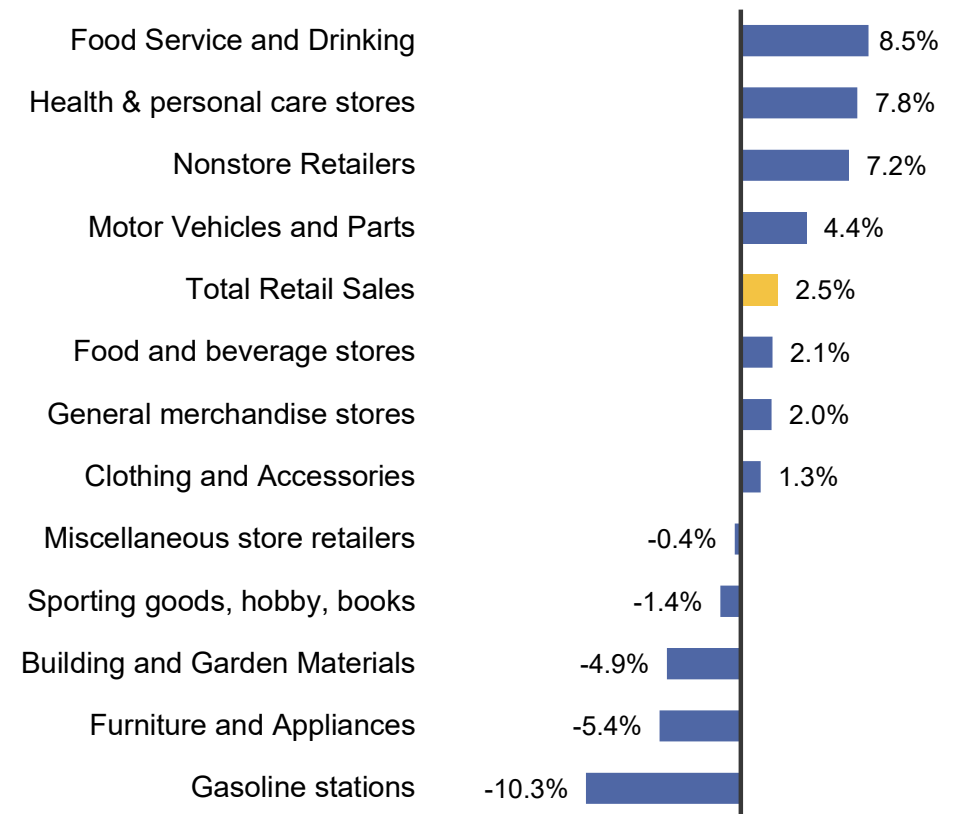
Source: Bloomberg, as of August 2023.

# Retail Sales, Which Excludes Services, Jumped on Rising Energy Costs

## Retail Sales (Monthly)



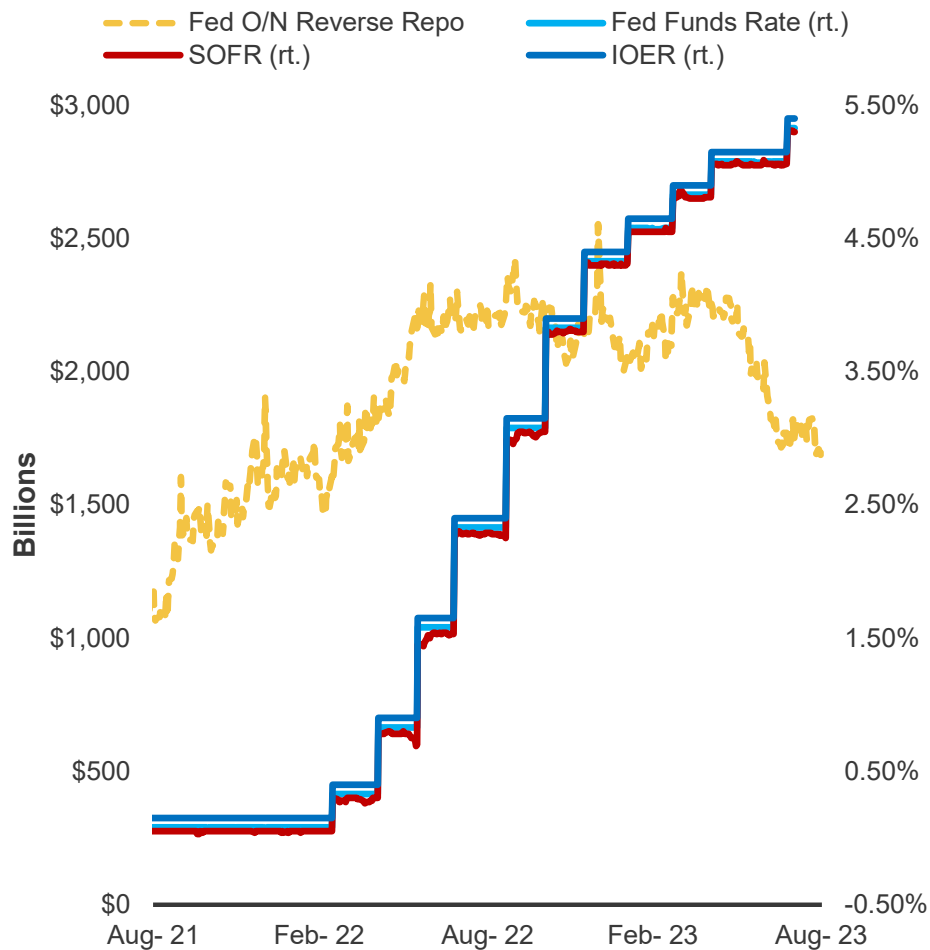
## Retail Sales (Year over Year) August 2023



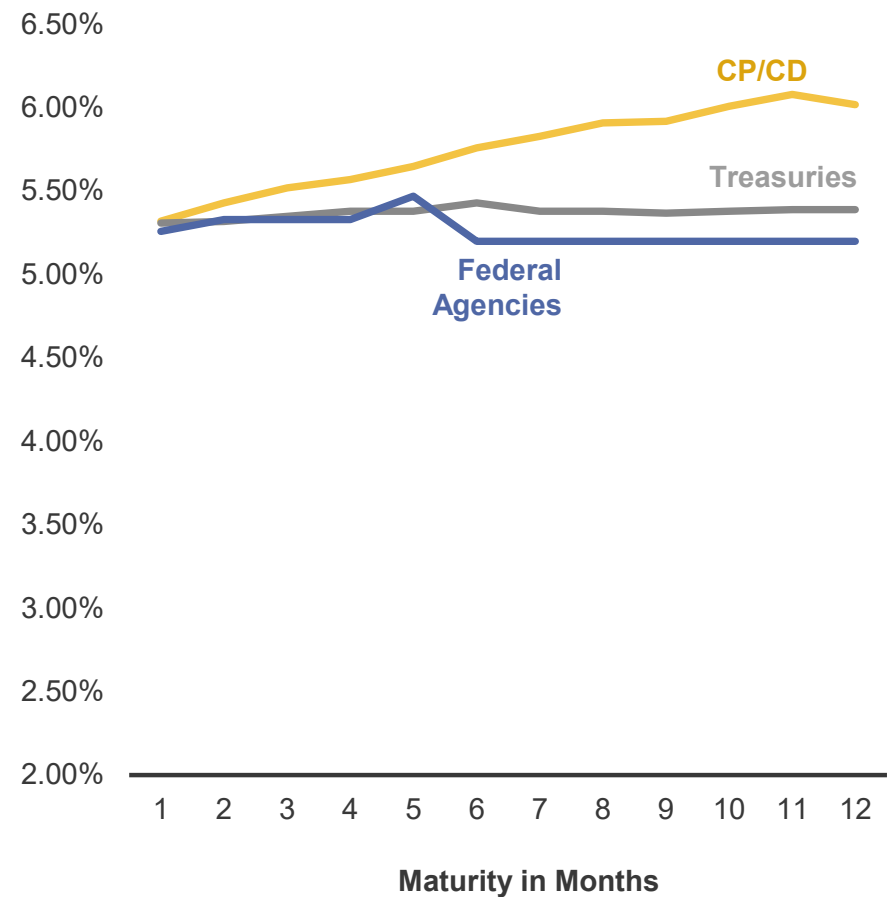
Source: Bloomberg, as of August 2023.

# Fed Reverse Facility and Money Market Yield Curve

## Federal Reserve Reverse Repo Facility



## Money Market Yield Curves

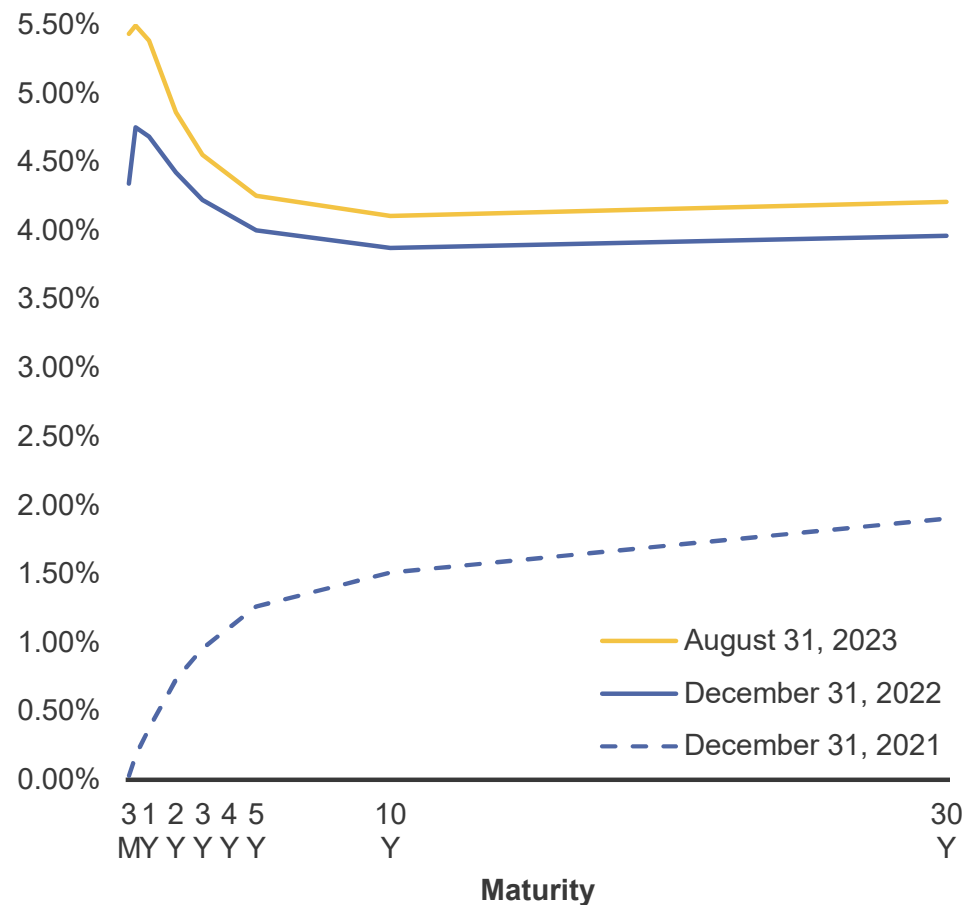


Source: Bloomberg, as of 08/31/2023.

# Treasury Yield Curve

Tenor	08/31/2023	12/31/2022	12/31/21
3 month	5.44%	4.34%	0.03%
1 year	5.38%	4.69%	0.38%
2 year	4.86%	4.43%	0.73%
3 year	4.55%	4.22%	0.96%
5 year	4.25%	4.00%	1.26%
10 year	4.11%	3.87%	1.51%
30 year	4.21%	3.96%	1.90%

U.S. Treasury Yield Curve



Source: Bloomberg, as of 08/31/2023.

# Summary of Capital Metro Portfolios

Account	Market Value as of 8/31/23	Strategy
Capital Metro Transportation Authority	\$317,051,797	Diversified portfolio with a strategy designed to provide liquidity for forecasted capital expenditures
Capital Metro Statutory Operating Reserve Account	\$41,406,503	Diversified portfolio with a 0-3 year investment strategy and able to provide liquidity if needed
Capital Metro City Of Austin Mobility Portfolio	\$8,049,529	Diversified portfolio with a strategy designed to provide liquidity for forecast capital expenditures
Capital Metro Budget Stabilization Reserve	\$22,822,831	Diversified portfolio with a 0-3 year investment strategy and able to provide liquidity if needed
<b>Total</b>	<b>\$389,330,660</b>	

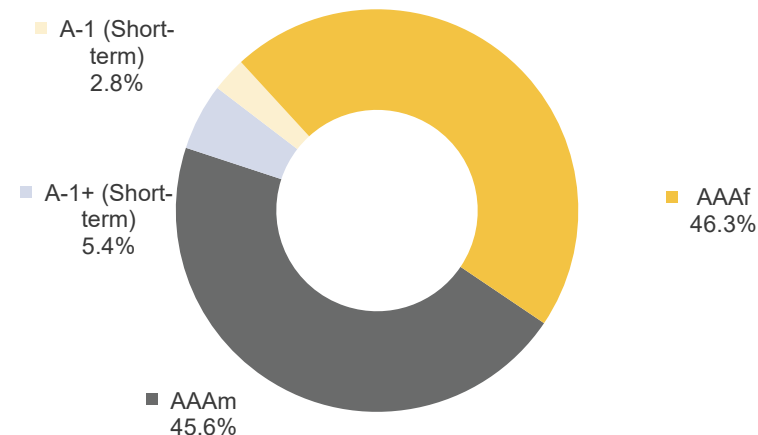
Source: PFMAM, as of August 31, 2023. Market Values include securities, accrued interest, TexasDAILY, Texas TERM and TexasDAILY Select Market values and it's produced cash dividends and income.

# Capital Metro Transportation Authority

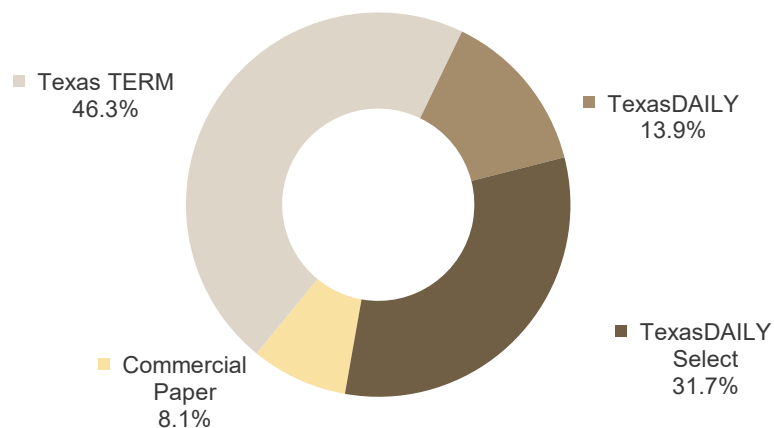
## Portfolio Statistics

Portfolio Market Value	\$317,051,797
Weighted Average Maturity	41 days

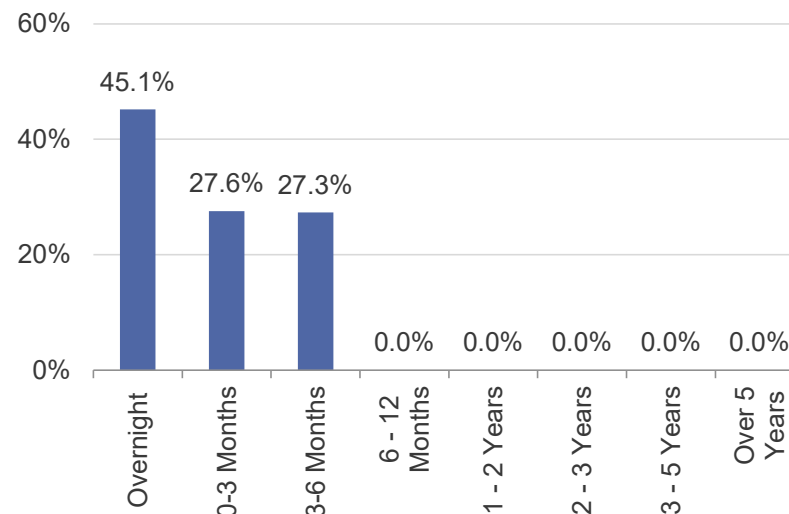
## Credit Quality



## Sector Allocation



## Duration Distribution

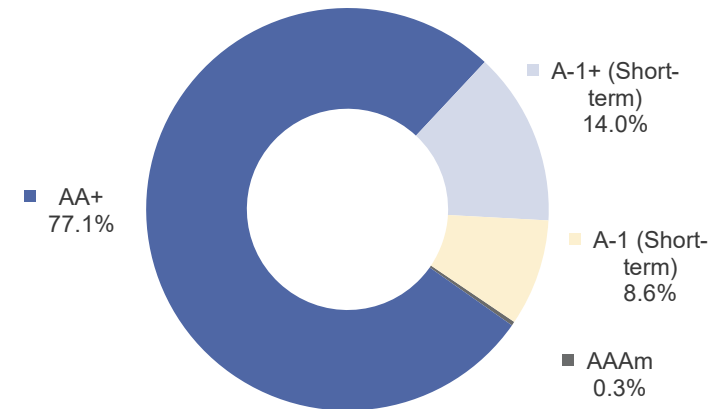


Market Value includes accrued interest, Weighted Average Maturity is for PFM accounts only.  
Credit Quality is based on highest rating available between S&P and Moody's  
Data as of August 31, 2023

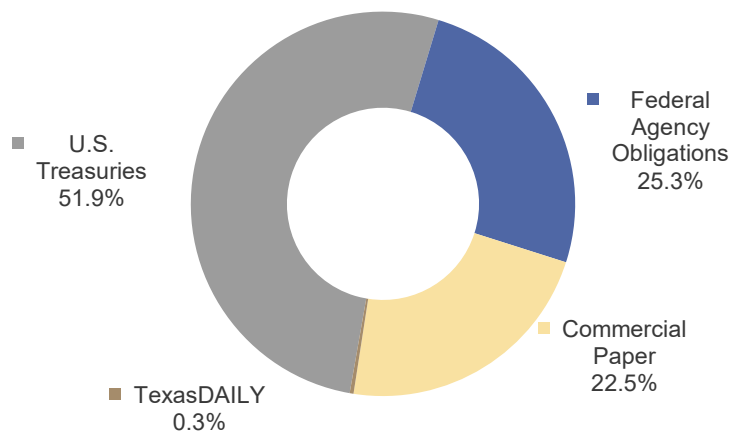
# Capital Metro Statutory Operating Reserve Account

Portfolio Statistics	
Portfolio Market Value	\$41,406,503
Weighted Average Maturity	462 days

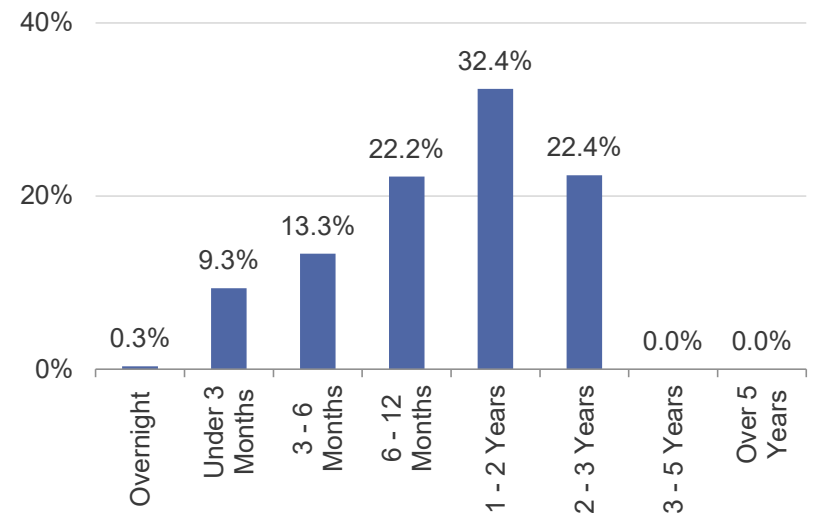
## Credit Quality



## Sector Allocation



## Duration Distribution



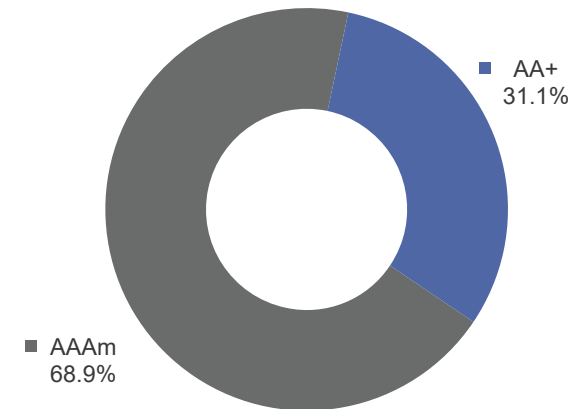
Market Value includes accrued interest, Weighted Average Maturity is for PFM accounts only.  
Credit Quality is based on highest rating available between S&P and Moody's  
Data as of August 31, 2023

# Capital Metro City Of Austin Mobility Portfolio

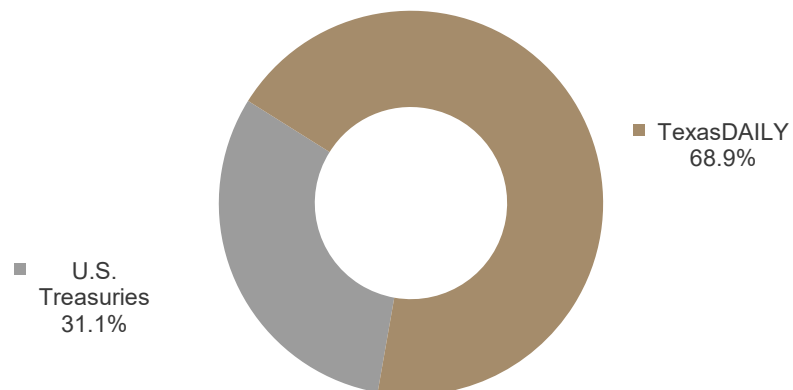
## Portfolio Statistics

Portfolio Market Value	\$8,049,529
Weighted Average Maturity	30 days

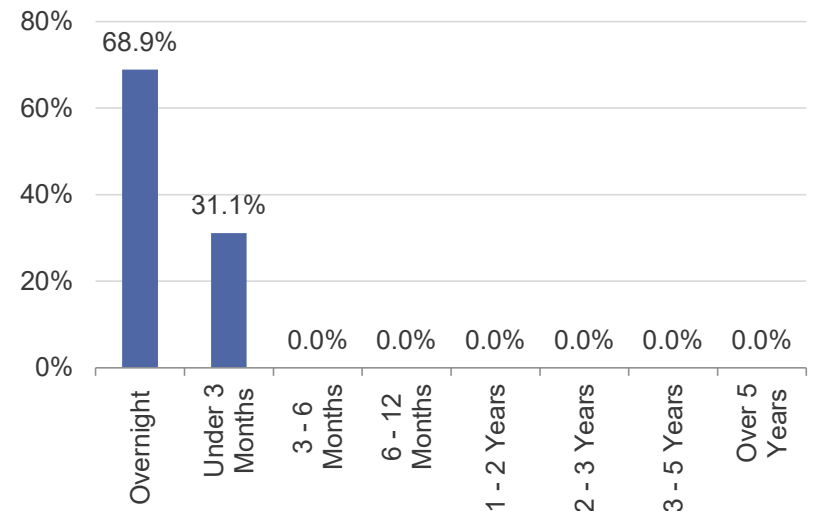
## Credit Quality



## Sector Allocation



## Duration Distribution



Market Value includes accrued interest, Weighted Average Maturity is for PFM accounts only.  
Credit Quality is based on highest rating available between S&P and Moody's  
Data as of August 31, 2023

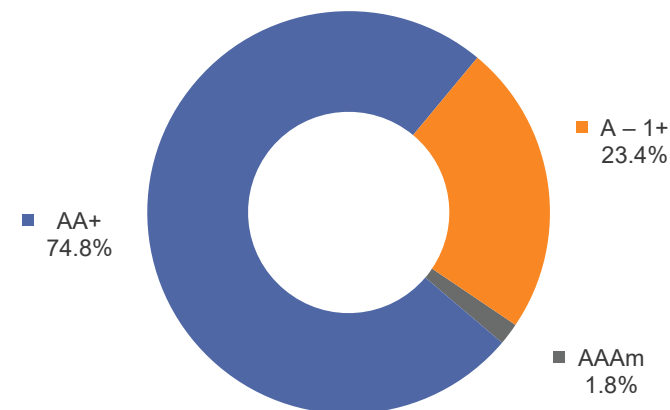


# Capital Metro Budget Stabilization Reserve

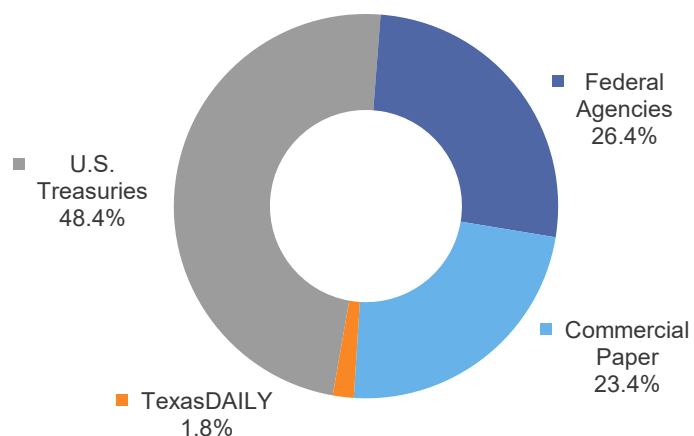
## Portfolio Statistics

Portfolio Market Value	\$22,822,831
Weighted Average Maturity	460 days

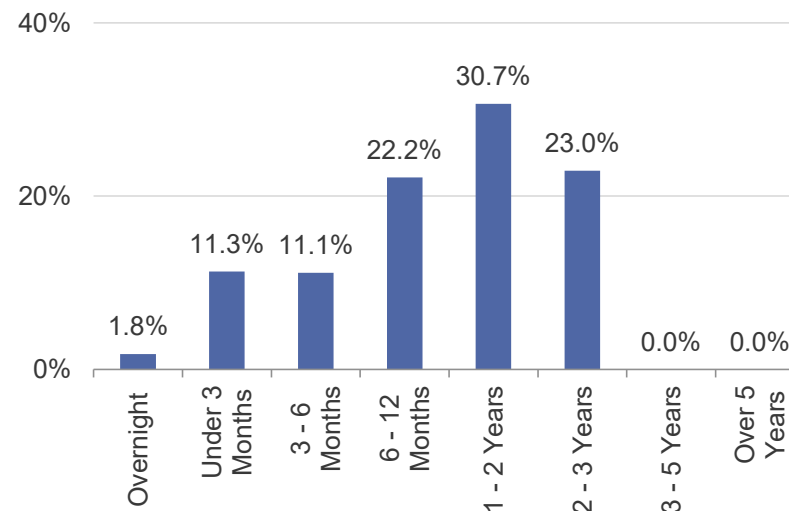
## Credit Quality



## Sector Allocation



## Duration Distribution



Market Value includes accrued interest, Weighted Average Maturity is for PFM accounts only.  
Credit Quality is based on highest rating available between S&P and Moody's  
Data as of August 31, 2023

# Statutory Operating Reserve Account and Budget Stabilization Reserve Total Return

Capital Metro Statutory Operating Reserve	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Portfolio	2.51%	0.31%	1.51%	1.31%
Benchmark <sup>4</sup>	2.17%	-0.42%	1.09%	0.96%

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is December 31, 2015.
2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.
4. The portfolio's benchmark is the ICE BofA 0-3 Year U.S. Treasury Index. Source: Bloomberg.
5. Values as of August 31, 2023.

Capital Metro Budget Stabilization Reserve	1 Year	3 Years	5 Years	Since Inception <sup>1</sup>
Portfolio	2.49%	0.28%	1.52%	1.38%
Benchmark <sup>4</sup>	2.17%	-0.42%	1.09%	1.00%

1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is June 30, 2017.
2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.
3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.
4. The portfolio's benchmark is the ICE BofA 0-3 Year U.S. Treasury Index. Source: Bloomberg.
5. Values as of August 31, 2023.



# Important Disclosures

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# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2023-724

**Agenda Date:** 2/13/2023

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Internal Audit FY23 Plan Status

	Projects	Status & % Complete	Additional Details
	<b>FAA COMMITTEE &amp; INTERNAL AUDIT CHARTER COMPLIANCE</b>		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/12; 11/9; 12/7; 1/20; 2/13; 3/8; 4/12; 5/10; 6/14; 7/12; 8/14; 9/13; 10/11	Completed	
2	Semi-annual Implementation Status Report - November 2022	Completed	January
3	Semi-annual Implementation Status Report - May 2023	Completed	June
4	FY2023 Risk Assessment & development of FY24 Audit Plan	Completed	October 2023
	<b>FY23 Audit Assurance &amp; Advisory Projects</b>		
1	Joint Powers Agreement & Related Interlocal Agreements - Advisory	Completed	
2	ERP (Oracle) Implementation Advisory	Completed	
3	FastPath - Analyze Oracle segregation of duties	In-Process	FY2024 Audit Plan
4	MV Contract - Pass Through Charges (e.g. Payroll; Spare Parts; etc.)	Completed	
5	GRC - Contract Performance Management System Advisory		FY2024 Audit Plan
6	GRC (Governance Risk & Compliance) System Implementation	Completed	
7	GRC (Governance Risk & Compliance) - UT Interns on Bus Ops, Maintenance & Safety	Completed	January
8	GRC (Governance Risk & Compliance) - UT Interns on Rail & Demand Response Operations, Maintenance & Safety	Completed	January
9	GRC (Governance Risk & Compliance) - UT Interns on Safety Dept	Completed	January
10	Bus Parts Management & Controls	Completed	May
11	New MV Transit Contract Model	Completed	
12	Miscellaneous Revenue Controls	In-Process	FY2024 Audit Plan
13	NIST Cybersecurity Framework (Facilitated Self Assessment)	Completed	CISA audit 3/7 - 3/9; August Exec Session
14	Annual Cybersecurity Review (Mandiant)		
15	Benchmarking Policies & Procedures (Structure, Content, Governance & Training)	Completed	May
	<b>CONTINGENT AUDIT PROJECTS - FY23</b>		
1	MetroBike Program	Completed	May
2	Hexagon (Infor) Enterprise Asset Mgt System - post go live review	In-Process	FY2024 Audit Plan
3	Safety Management System (SMS) - Management of Change		
4	Paratransit & Demand Response Operations	In-Process	FY2024 Audit Plan
5	McKalla Station		
6	Bus Charging Infrastructure		
7	Bytemark - Account-Based System		
8	AMP Cards & New Fare Structure		
9	United Healthcare & Other Self-Insured Benefits (TPA Payments)		
10	Microsoft Sharepoint & Active Directory		
11	Salary Adjustment & Merit Process		
12	Rail-FRA PTC Change Management Requirements (Herzog)		
13	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		
14	Spare Labs.com - Demand Response System Implementation		
15	Demand Response North Base Facility Build - FY25 Opening		
16	MetroRapid Startup - June 2025		

	<b>NEW PROJECTS ADDED TO FY23 AUDIT PLAN by Terry Follmer</b>		
1	Oracle - Health & Safety module implementation and interface to GRC	Completed	Mgt cancelled H&S module
2	Advertising Revenue - Bus Wraps (Intersection Media LLP contract)	Completed	May
3	MV Transportation - New Hire Bonuses (\$7K Relocation; \$3K Hiring; etc.)	Completed	October 2023
4	P-Card Non-travel transactions - Policy & Compliance	Completed	September
5	Software Licensing Analysis	In-Process	Mgt Memo to be issued
6	Opinion/Observations on vendor selection process for Contracted Bus Operations & Maintenance Services	Completed	September