



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

2910 East 5th Street
Austin, TX 78702

Wednesday, September 13, 2023

11:00 AM

Rosa Parks Boardroom

This meeting will be livestreamed at capmetrotx.legistar.com

I. Call to Order

II. Public Comment

III. Action Items

1. Approval of minutes from the August 14, 2023 Finance, Audit and Administration Committee meeting.
2. Approval of the Fiscal Year 2024 Operating and Capital Budget and Five-Year Capital Improvement Plan

IV. Presentations

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

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

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

Committee Members: 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

Finance, Audit and Administration Committee

Item #: AI-2023-940

Agenda Date: 9/13/2023

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

Minutes
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Monday, August 14, 2023

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:01 a.m. Meeting Called to Order

Present	Leslie Pool, Becki Ross, Matt Harriss, and Dianne Bangle
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II. Public Comment

There was no public comment this month.

III. Action Items

1. Approval of minutes from the July 12, 2023 Finance, Audit and Administration Committee meeting.

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

Aye: Pool, Ross, Harriss, and Bangle

2. Approval of a resolution re-appointing Terry Follmer to the position of Vice President, Internal Audit for a term of five years.

A motion was made by Pool, seconded by Bangle, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 8/28/2023. The motion carried by the following vote:

Aye: Pool, Ross, Harriss, and Bangle

IV. Presentations

1. Update on CapMetro Fare Programs
2. FY2023 Financial Report - June 2023
3. FY2024 Proposed Budget Update
4. Internal Audit FY23 Plan Status

V. Executive Session

Into Executive Session: 11:07 a.m.

Out of Executive Session: 11:38 a.m.

Texas Government Code Section 551.076 for deliberation regarding recent cybersecurity resilience review report

Texas Government Code Section 551.074 for deliberation regarding a personnel matter, re-appointing Terry Follmer to the position of Vice President, Internal Audit for a term of five years.

VI. Items for Future Discussion

VII. Adjournment

11:41 a.m. Meeting Adjourned

ADA Compliance

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

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Finance, Audit and Administration Committee
Agenda Date: 9/13/2023

Item #: AI-2023-945

SUBJECT:

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

FISCAL IMPACT:

Adoption of the proposed Fiscal Year (FY) 2024 budget will provide an appropriation of \$871,033,690 in FY2024 for operating and capital expenses that are supported by projected revenue and other funding sources.

STRATEGIC PLAN:

Strategic Goal Alignment:

- | | |
|---------------------------------------|---|
| ☐ 1. Customer | ☐ 2. Community |
| ☐ 3. Workforce | ☒ 4. Organizational Effectiveness |

Strategic Objectives:

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

EXPLANATION OF STRATEGIC ALIGNMENT: The proposed FY2024 budget includes funding to maintain CapMetro's current services while also adding new innovative mobility initiatives, customer service enhancements and building infrastructure needed to support the region's current and future growth. The five-year capital improvement plan identifies projects that support the achievement of CapMetro's strategic goals, ensures regulatory compliance and maintains assets in a state of good repair.

BUSINESS CASE: CapMetro has prepared a structurally balanced budget that provides the funding needed to continue delivering high-quality and efficient transportation services.

COMMITTEE RECOMMENDATION: This item was presented for recommendation by the Finance, Audit and Administration Committee on September 13, 2023.

EXECUTIVE SUMMARY: The proposed FY2024 budget is structurally sound and balanced. Ongoing revenue is sufficient to fund operations and will also help provide funding for needed capital investments, including replacement of transit assets nearing the end or at the end of life cycles.

The FY2024 budget is drafted with the intent to remain efficient and fiscally responsible. This budget enables CapMetro to continue improving our operations and service levels, while also delivering crucial projects and commitments to Project Connect and our 5-year capital improvements plan.

CapMetro proposes to spend \$427.5 million for operating expenses, \$12.0 million for commitments under interlocal agreements with local government entities for mobility programs and \$20.6 million to contribute to the Austin Transit Partnership for the Project Connect System Plan in FY2024.

Capital Metro prepared a five-year Capital Improvement Plan (CIP) for capital projects that support its strategic goals. The CIP is updated annually and addresses replacement or state of good repair, regulatory compliance and expansionary requirements for public transportation service in Central Texas. CapMetro plans to invest \$411.0 million in capital projects during FY2024.

Significant projects and acquisitions in the proposed FY2024 Budget, including state of good repair, regulatory compliance and new investments, are highlighted as follows:

- Continuing replacement of vehicles with battery electric powered buses on the streets of Central Texas, helping us achieve our goal to create sustainable and equitable options for the entire community.
- Construction work will continue on the two new MetroRapid lines serving East Austin, Expo Center and Pleasant Valley, preparing for their initial service in 2025.
- Roll out new fare programs that ensure an equitable structure for our entire community and prepare the agency and our community for the transformative Project Connect program that is coming our way.
- In addition to the highlights above, we will be completing construction on the McKalla Station at Q2 Stadium, focusing on establishing our new headquarters at 3100 East 5th Street, progressing on creating a Transit Police department, and much more.

The proposed budget reflects the prudent use of projected revenue to provide funding for capital investments needed to maintain CapMetro's transit assets in a state of good repair or to support enhanced services. The proposed, structurally balanced FY2024 budget totals \$871.0 million and is comprised of the following funding and expense categories:

Budget Summary	
Funding	FY2024
Sales Tax	\$396,736,814
Passenger Revenue	18,591,722
Freight Railroad Revenue	6,701,074
Miscellaneous Revenue	6,835,899
Operating Contributions and Grants	91,140,574
Capital Grants - Federal	74,330,752
Capital Grants - State	3,067,594
Other Capital Contributions	133,266,713
Fund Balance	140,362,548
Total Funding	\$871,033,690
Expenses	FY2024
Operating Expenses	\$427,453,204
Capital Project Expense	410,950,712
Austin Transit Partnership Contribution	20,600,000
Interlocal Agreements	12,029,774
Total Expenses	\$871,033,690

The proposed budget reflects fund balance projections of \$285.4 million by the end of FY2024 as outlined in the table that follows. Of this amount, CapMetro is estimating to set aside \$71.2 million in reserves for two months of operating expenses, which meets the level set forth by the Texas Legislature, \$35.6 million for the budget stabilization reserve, \$10.0 million for the Sustainability Capital Fund, \$3.7 million for city of Austin mobility programs, \$2.3 million for the Small Cities Transit Supportive Infrastructure Fund, \$1.7 million for a self-insurance reserve and \$160.8 million for future funding of the 5-year capital improvement plan as we look forward to future needs in the region.

FY2024 Estimated Ending Fund Balance:

Projected Beginning Balance **\$425,758,839**

FY2024 Projected Activity:

+ Revenue 730,671,142
 - Operating Expenses 427,453,204
 - Interlocal Agreements 12,029,774
 - Contribution to Austin Transit Partnership 20,600,000
 - Capital Projects 410,950,712

= Projected Ending Balance **\$285,396,291**

Breakdown of Ending Balance:

Statutory Operating Reserve Requirement 71,242,201
 Budget Stabilization Reserve 35,621,100
 Sustainability Capital Fund 10,000,000
 Small Cities Transit Supportive Infrastructure Fund 2,262,998
 City of Austin Mobility Programs 3,734,990
 Self-Insurance Reserve 1,716,327
 Funding for 5-Year Capital Improvement Plan 160,818,675

= Projected Ending Balance **\$285,396,291**

Senate Bill 650 requires CapMetro to prepare a five-year capital improvement plan, which is included in Appendix A of the budget document. This section provides additional information about each project category, including project descriptions, funding sources, project benefits and strategic objectives. The plan is updated annually and addresses replacement and expansion requirements for the delivery of public transportation services. The proposed FY2024 capital budget and capital improvement plan are outlined in the table that follows, summarized by project type and followed by projected funding sources.

Capital Project Type	FY2024	FY2025	FY2026	FY2027	FY2028	Total
Bus and Paratransit	\$ 68,405,000	\$ 6,650,000	\$ 107,421,785	\$ 49,136,229	\$ 31,589,000	\$ 263,201,994
Commuter Rail	5,750,000	1,700,000	1,850,000	1,700,000	1,000,000	12,000,000
Facilities	82,225,136	69,828,395	80,503,557	29,557,566	5,320,000	267,434,653
Freight Railroad	45,000	45,000	45,000	45,000	45,000	225,000
Information Technology	15,315,641	15,332,307	14,674,277	10,756,579	6,619,715	64,588,520
Other	25,676,553	3,787,509	5,575,000	4,434,835	4,241,650	43,625,538
Project Connect	183,870,989	55,260,716	66,647,953	94,027,977	53,950,000	474,777,627
Property and Asset Mgmt	29,665,413	16,807,200	975,000	966,929	1,744,503	50,259,045
Total Capital Projects	410,950,712	170,511,120	297,693,552	191,014,114	106,900,869	1,177,070,367
Funding Sources						
Grants/Contributions	210,665,058	72,815,618	105,873,273	115,258,397	66,727,440	571,349,787
Local Funding	200,285,653	97,695,502	191,820,279	74,745,717	40,173,429	604,720,580
Total Funding Sources	\$ 410,950,712	\$ 170,511,120	\$ 297,693,552	\$ 191,014,114	\$ 106,900,869	\$ 1,177,070,367

Over recent months, CapMetro provided information regarding the budget process and the proposed FY2024 budget in a variety of formats for the public and sought feedback using online engagement tools, as well as methods like public open houses and virtual webinars. These outreach efforts included the following:

Agenda Date: 9/13/2023

Presentations to the Board of Directors and its Committees

May 10, 2023, Finance, Audit and Administration Committee

May 10, 2023, Operations, Planning and Safety Committee

June 14, 2023, Finance, Audit and Administration Committee

June 14, 2023, Operations, Planning and Safety Committee

July 24, 2023, Board of Directors

August 14, 2023, Finance, Audit and Administration Committee

September 13, 2023, Finance, Audit and Administration Committee

September 25, 2023, Board of Directors

Board and Committee Meetings on Microsoft Teams virtual meetings and available to the public and at Rosa Parks Board Room, 2910 East 5th Street, Austin, TX 78702.

Served by routes 4, 300.

Presentations to Access Advisory Committee

June 7, 2023, 5:30 - 7:00 PM

August 2, 2023, 5:30 - 7:00 PM

Microsoft Teams virtual meetings and available to the public.

Presentations to Customer Satisfaction Advisory Committee

June 14, 2023, 6:00 - 7:30 PM

August 9, 2023, 6:00 - 7:30 PM

Microsoft Teams virtual meetings and available to the public.

Presentations to Public Safety Advisory Committee

June 23, 2023, 11:30 AM - 1:00 PM

August 25, 2023, 11:30 AM - 1:00 PM

Microsoft Teams virtual meetings and available to the public.

Proposed FY2024 Budget Document Available and Posted Online

August 18, 2023

Public Open Houses

Information was made available to the public regarding the proposed FY2024 budget and five-year capital improvement plan.

August 21, 2023, 7:00 AM - 8:30 AM

Lakeline Station Park & Ride

Served by routes 214, 383, 985, MetroRail.

August 22, 2023, 7:00 AM - 8:30 AM

Westgate Transit Center

Served by routes 30, 300, 311, 315, 318, 803.

Agenda Date: 9/13/2023

August 23, 2023, 12:00 PM - 1:30 PM

Norwood Walmart

Served by routes 10, 323, 325, 339.

August 24, 2023, 12:00 PM - 1:30 PM

Republic Square Park

Served by downtown routes.

Online Webinar

Information made available to the public regarding the proposed FY2024 budget and five-year capital improvement plan.

YouTube virtual webinar available to the public, Spanish-translated, recorded and posted on YouTube, Facebook and Twitter.

Public Hearing on Proposed FY2024 Budget

September 13, 2023, 12:00 PM

Rosa Parks Board Room, 2910 East 5th Street, Austin, TX 78702

Served by routes 4, 300.

Board of Directors Considers Adoption of Budget Proposal

September 25, 2023, 12:00 PM

Rosa Parks Board Room, 2910 East 5th Street, Austin, TX 78702

Served by routes 4, 300.

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-2023-945

WHEREAS, pursuant to Section 451.102 of Chapter 451 of the Texas Transportation Code, the budget for Fiscal Year 2024 was made available to the public on August 27, 2023, and a budget public hearing was held on September 13, 2023; and

WHEREAS, pursuant to Section 451.132(c), the Board of Directors has reevaluated the five-year capital improvement plan.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Fiscal Year 2024 budget in the amount of \$871,033,690 is adopted.

BE IT FURTHER RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the five-year Capital Improvement Plan for capital projects is amended.

BE IT FURTHER RESOLVED that the Capital Metropolitan Transportation Authority Board of Directors hereby requires the President & CEO to report at least quarterly on the operating expenses and capital project expenses of each major department in a financial report.

Date: _____

**Secretary of the Board
Becki Ross**



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-724

Agenda Date: 2/13/2023

Internal Audit FY23 Plan Status

	Projects	Status & % Complete	Additional Details
	FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE		
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	In-Process	
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	In-Process	October 2023
	FY23 Audit Assurance & Advisory Projects		
1	Joint Powers Agreement & Related Interlocal Agreements - Advisory	In-Process	
2	ERP (Oracle) Implementation Advisory	Completed	
3	FastPath - Analyze Oracle segregation of duties	In-Process	
4	MV Contract - Pass Through Charges (e.g. Payroll; Spare Parts; etc.)	In-Process	
5	GRC - Contract Performance Management System Advisory		
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		
12	Miscellaneous Revenue Controls	In-Process	
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
	CONTINGENT AUDIT PROJECTS - FY23		
1	MetroBike Program	Completed	May
2	Hexagon (Infor) Enterprise Asset Mgt System - post go live review	In-Process	
3	Safety Management System (SMS) - Management of Change		
4	Paratransit & Demand Response Operations	In-Process	
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		

	NEW PROJECTS ADDED TO FY23 AUDIT PLAN by Terry Follmer		
1	Oracle - Health & Safety module implementation and interface to GRC	In-Process	
2	Advertising Revenue - Bus Wraps (Intersection Media LLP contract)	Completed	May
3	MV Transportation - New Hire Bonuses (\$7K Relocation; \$3K Hiring; etc.)	In-Process	October 2023
4	P-Card Non-travel transactions - Policy & Compliance	Completed	September
5	Software Licensing Analysis	In-Process	



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-954

Agenda Date: 9/13/2023

Internal Audit: Purchasing Card (P-Card) Project Results



Purchasing Cards: Controls Review & Optimization

Terry Follmer, VP of Internal Audit

Nadia Nahvi, Controller

Danny Solano, Procurement, Mgr of Small Purchases & Recovery

Genesis of P-Card Project & Partnership

- In January 2023 the Controller reached out to CAE asking for special project looking at opportunities to improve controls and visibility of P-Card transactions, and any potential for savings (e.g. formal PO's, sales taxes, etc.).
- Partnership between Finance, Procurement and Internal Audit.
 - Marshalled resources and data to perform project.
 - One UT Austin and one Texas A&M Intern worked on this and other projects this Summer.
 - Weekly meetings to review project status and next steps.

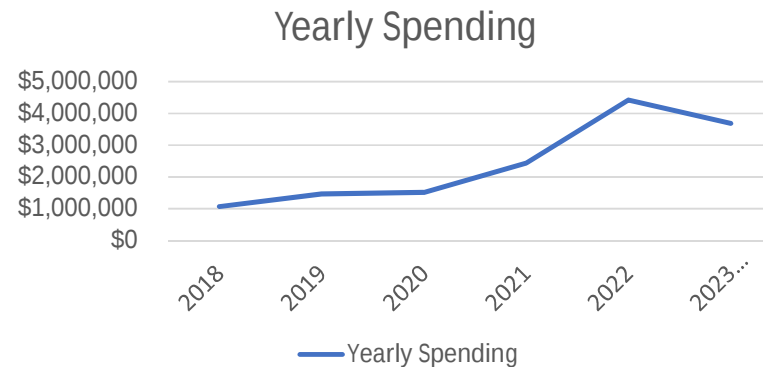
P-Card Project – Scope & Objectives

Scope: Review controls/improvements under the new Oracle ERP system which went live on 10/1/2022. Perform data analytics on P-Card usage over the last 5 years.

Objectives: 1) Opportunities to improve controls and efficiencies for both users and management; 2) Create custom monthly reporting to executive management to help improve visibility and transparency on P-Card transactions; 3) Evaluate policies and training for opportunities for improvement; 4) Automate controls related to compliance reviews including identifying unusual MCC Codes, miscoding of transactions and unreasonable transactions for transparency down to the detailed items purchased.

P-Card Spending and Changes by CY

Year	Spending	Number of Users	Annual Spending Per User
2018	\$ 1,070,204	56	\$19,111
2019	\$ 1,465,587	57	\$25,712
2020	\$ 1,517,296	74	\$20,504
2021	\$ 2,444,097	73	\$33,481
2022	\$ 4,423,132	120	\$36,859
2023 (through July)	\$ 2,154,608	155	
2023 (extrapolated)	\$ 3,693,614	155	\$23,830



Top Spending Departments

Department	FY23 Spending Oct- July	Number of Users with Transactions	Average Spending per User (10 months)	Avg. Spending Per User - Annualized
OPERATIONS & MAINTENANCE OVERSIGHT	\$ 1,091,751	40	\$27,294	\$32,753
PUBLIC FACILITIES	\$ 627,189	4	\$156,797	\$188,157
MARKETING AND COMMUNICATIONS	\$ 549,135	12	\$45,761	\$54,914
PROPERTY AND ASSET MANAGEMENT	\$ 203,459	3	\$67,820	\$81,384
INFORMATION TECHNOLOGY	\$ 201,054	7	\$28,722	\$34,466
PEOPLE AND CULTURE	\$ 194,637	9	\$21,626	\$25,952

Decreased P-Card Monthly Spending in FY23

Month 	Amount:
01-Oct22	\$ 480,171.15
02-Nov22	\$ 423,727.22
03-Dec22	\$ 349,533.95
04-Jan23	\$ 398,529.88
05-Feb23	\$ 372,006.19
06-Mar23	\$ 445,265.21
07-Apr23	\$ 331,262.41
08-May23	\$ 267,050.54
09-Jun23	\$ 220,199.04
10-Jul23	\$ 179,800.22
Grand Total	\$ 3,467,545.81

*The spending for July 2023 has dropped by 63% as compared to October 2022

Improvements Since Oracle Implementation

- 1) Transitioned from paper to electronic for P-Card submission and review. The automation gave the P-Card team an opportunity to revisit the processes.
- 2) Oracle notifies P-Card users when JP Morgan Smart Data transactions are available for expense submission that helps with efficiency.
- 3) Pre-authorization for travel occurs within Oracle and is easier to track instead of being submitted in the SharePoint.
- 4) Improved system process changes that are auto populating some financial dimensions that has helped with improved efficiencies.
- 5) Oracle has improved audit reports to help identify any policy non-compliance issues.
- 6) Oracle provides detailed p-card analysis reports that shows expenses by type, Merchant Category Codes (MCC), P-Card users, department and vendors.

Improvements Since Oracle Implementation

- 7) Although the number of P-Card users had to be increased but it has helped with accountability and visibility that helps with the audit.
- 8) Improved reporting in Oracle has helped with the following:
 - Improved departmental spending analysis by users and vendors
 - Improved POETA (Project Number, Organization, Expenditure Type, Task, Award)
 - Identifying recurring vendors which are now being followed up with the Procurement team for possible POs/Contracts
 - Sales Tax paid
 - Missing itemized support
 - Prohibited MCC code identification
- 9) Oracle allows stakeholders to obtain read-only expense module access.

Recommended Administrative Policy Changes

1. Continued improved reporting of P-Card activity w/ flagged exceptions has already improved compliance and is reducing the # of transactions rejected that must be reworked.
2. P-Card team is in the process to roll out in-person trainings with step-by-step training guides for P-Card travel and non-travel. This will further assist P-Card users with their expense submissions.
3. Creating a custom reports for pre-authorization amounts as it compares to the actual spendings.
4. Improved business meal and missing receipt forms by eliminating redundancies.
5. Design sampling methodology for audit review, instead of a full population audit.
6. Require completion of a Credit Limit form if P-Card spending limit increase is requested justifying the Why and ensure proper approval and tracking.

CapMetro

Thank you!