



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

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, September 10, 2025**

**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 July 16, 2025 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute an amendment to the Interlocal Agreement with Austin Transit Partnership for capital reimbursement of the Expo Center and Pleasant Valley MetroRapid Projects for the Project Connect System Plan.
3. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute an Interlocal Agreement with the Austin Transit Partnership to provide reimbursement of capital costs for certain CapMetro Components of Project Connect through Fiscal Year 2031, in a total amount not to exceed \$148,600,000.
4. Approval of a resolution adopting the CapMetro Investment Policy.
5. Approval of a resolution adopting the Fiscal Year 2026 Operating and Capital Budget and Five-Year Capital Improvement Plan.

**IV. Presentations**

1. Federal Transit Administration (FTA) - Fiscal Year FY 2025 Triennial Review – Final Report
2. Internal Audit External Quality Control Report issued by the Association of Local Government Auditors.
3. Internal Audit Review of Bikeshare deliverables between CapMetro and City of Austin.
4. Internal Audit Management Memo - Police Department Standup advisory project

5. Internal Audit Management Memo - Miscellaneous Revenues Follow-up
6. FY2025 Internal Audit Plan Status - September 2025
7. Executive Finance, Audit and Administration Update – September 2025  
Update on key performance indicators, financial performance, personnel changes, communications and public outreach.

**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; Becki Ross, Dianne Bangle and Zo Qadri.*

*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-2025-1559

**Agenda Date:** 9/10/2025

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Approval of minutes from the July 16, 2025 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, July 16, 2025**

**10:00 AM**

**Rosa Parks Boardroom**

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**I. Call to Order**

10:00 a.m. Meeting Called to Order

<b>Present</b>	Becki Ross, Dianne Bangle, and Matt Harriss
<b>Absent</b>	Zo Qadri

**II. Public Comment**

There was no public comment this month.

**III. Action Items**

1. Approval of minutes from the June 11, 2025 Finance, Audit and Administration Committee meeting.

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

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

2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract modification with RSM US LLP for external auditing services to add \$450,000 and extend the term by six (6) months from October 1, 2025 to March 31, 2026 for a new contract total of \$1,719,774.

A motion was made by Ross, seconded by Bangle, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 7/28/2025. The motion carried by the following vote:

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

**IV. Presentations**

1. FY2026 Budget Proposal
2. FY2025 Internal Audit Plan Status - July 2025

3. Audit Report - United Healthcare Contract - Eligibility, KPI's and Payment Controls
4. Executive Finance, Audit and Administration Update - July 2025  
*Update on executive leadership development, key performance indicators, financial performance, personnel changes, communications and public outreach.*

## **V. Items for Future Discussion**

## **VI. Adjournment**

10:41 a.m. Meeting Adjourned

## **ADA Compliance**

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

*Committee Members: Matt Harriss, Chair; Becki Ross, Dianne Bangle and Zo Qadri.*

*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  
**Agenda Date:** 9/10/2025

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**Item #:** AI-2025-1571

**SUBJECT:**

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute an amendment to the Interlocal Agreement with Austin Transit Partnership for capital reimbursement of the Expo Center and Pleasant Valley MetroRapid Projects for the Project Connect System Plan.

**FISCAL IMPACT:**

This action reimburses CapMetro for expenses incurred.

**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 |

**EXPLANATION OF STRATEGIC ALIGNMENT:** The Expo Center and Pleasant Valley MetroRapid Projects significantly expand service options in portions of the CapMetro service area that have been traditionally underserved by rapid bus service and will allow for greater connectivity from east Austin to the larger CapMetro network.

**BUSINESS CASE:** This action allows for the continued funding by ATP of capital expenses related to the design and construction of the Expo Center and Pleasant Valley MetroRapid Projects.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on September 10, 2025.

**EXECUTIVE SUMMARY:** In 2022, CapMetro and ATP entered into an interlocal agreement to provide capital funding for a significant piece of the CapMetro Components of Project Connect - the Expo Center and Pleasant Valley MetroRapid Projects. These bus rapid transit lines are primarily funded by Federal Transit Administration Small Starts Capital Improvement Grant funds, with ATP providing the local match in a total amount not to exceed \$35,635,829.00. CapMetro initiated service on these lines in February 2025, and will launch full service in 2026. The parties exercised the sole extension option on the ILA in September 2024. This action will extend the ILA another year through Fiscal Year 2026 to allow for continued reimbursement of capital project expenses as they continue to roll in.

DBE/SBE PARTICIPATION: Does not apply

PROCUREMENT: Does not apply

RESPONSIBLE DEPARTMENT: Capital Construction, Engineering & Design

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2025-1571**

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and CapMetro Management recognize the commitment to build the Expo Center and Pleasant Valley MetroRapid bus rapid transit lines in accordance with the contract with the voters and Joint Powers Agreement between the City, CapMetro and ATP, and has committed funding for the projects in its current fiscal year budget and its 5-year Capital Improvement Plan; and

WHEREAS, CapMetro and ATP entered into an interlocal agreement (ILA) whereby ATP provides capital reimbursement of the Expo Center and Pleasant Valley MetroRapid Project; and

WHEREAS, the CapMetro Board of Directors and CapMetro Management recognize the need to amend the ILA to allow for continued reimbursement of capital costs for the Expo Center and Pleasant Valley lines by ATP.

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 amendment to the interlocal agreement with Austin Transit Partnership (ATP) for the capital reimbursement of the Expo Center and Pleasant Valley MetroRapid Projects for the Project Connect System Plan to extend the term of ILA through September 30, 2026.

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

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



**AMENDMENT TO  
INTERLOCAL COOPERATION AGREEMENT  
BETWEEN  
AUSTIN TRANSIT PARTNERSHIP AND  
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY FOR  
CAPITAL REIMBURSEMENT OF THE EXPO CENTER AND PLEASANT VALLEY  
METRORAPID PROJECTS OF THE PROJECT CONNECT SYSTEM PLAN**

**THIS AMENDMENT AGREEMENT** (“Amendment”) is entered into by and between Austin Transit Partnership, a local government corporation created under Chapter 431 of the Texas Transportation Code (“ATP”), and Capital Metro Transportation Authority, a transportation authority and political subdivision of the State of Texas organized under Chapter 451 of the Texas Transportation Code (“CapMetro”) to be effective upon approval by the governing bodies of both Parties (the “Effective Date”). Each of ATP and CapMetro are sometimes referred to herein individually as a “Party” and collectively as the “Parties”. Reference is hereby made to that certain Interlocal Cooperation Agreement for capital reimbursement of the Expo Center and Pleasant Valley MetroRapid Projects for the Project Connect System Plan entered into by the Parties and fully effective July 25, 2022 (the “Agreement”). Capitalized terms used herein and not otherwise defined shall have the meaning given in the Agreement.

**BACKGROUND:**

A. The Parties entered into the Agreement in accordance with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code (the “Interlocal Cooperation Act”), for purposes of funding the MetroRapid Projects and for the limited purposes of establishing terms and conditions of payment by ATP and CapMetro in order to encourage transparency and financial accountability, and to establish the terms and conditions for the reimbursement by ATP for certain capital costs incurred by CapMetro for the planning, development, design, construction and equipping of the MetroRapid Projects.

B. The Parties previously exercised the extension option set forth in Section 6.1 of the Agreement to extend the term of the Agreement to September 30, 2025.

C. Because work on the MetroRapid Projects is still ongoing, the Parties recognize the need to extend the term of the Agreement for an additional 12 months through September 30, 2026.

D. The Parties have properly authorized this Amendment in accordance with the Interlocal Cooperation Act.

**ACCORDINGLY**, in consideration of the foregoing and the covenants, agreements, representations and warranties set forth in this Amendment, the Parties hereby agree as follows:

**Section 1. Amendment to the Agreement.** Section 6.1 of the Agreement is amended to read in its entirety as follows:

**Section 6.1 Term.** The term of this Agreement is from the Effective Date through September 30, 2026.

Except as expressly modified in this Section 1, the Agreement shall continue to remain in full force and effect in accordance with the provisions thereof.

**Section 2. Counterparts; e-Signatures.** This Amendment may be signed in as many counterparts as may be convenient or required. It shall not be necessary that the signature and acknowledgment of, or on behalf

of, each party, or that the signature and acknowledgment of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Amendment to produce or account for more than a single counterpart containing the respective signatures and acknowledgment of, or on behalf of, each of the parties hereto. Any signature and acknowledgment page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures and acknowledgments thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature and acknowledgment pages. The Parties agree that digital or facsimile signatures shall be given the same legal effect as original signatures, and the Parties hereby agree to accept delivery of digital signatures by e-mail in "pdf" form, or *via* DocuSign, Adobe Sign, or any similar means of digital delivery.

The undersigned have signed and delivered this Amendment as of the last date set forth below to be effective as of the Effective Date.

**AUSTIN TRANSIT PARTNERSHIP**, a Texas  
nonprofit local government corporation

**CAPITAL METROPOLITAN TRANSPORTATION  
AUTHORITY**, a transportation authority and  
political subdivision of the State of Texas

By: \_\_\_\_\_  
Greg Canally, Executive Director

By: \_\_\_\_\_  
Dottie Watkins, President & CEO

Date: \_\_\_\_\_, 2025

Date: \_\_\_\_\_, 2025

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Finance, Audit and Administration Committee  
**Agenda Date:** 9/10/2025

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**Item #:** AI-2024-1277

**SUBJECT:**

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute an Interlocal Agreement with the Austin Transit Partnership to provide reimbursement of capital costs for certain CapMetro Components of Project Connect through Fiscal Year 2031, in a total amount not to exceed \$148,600,000.

**FISCAL IMPACT:**

This action reimburses Capital Metro for expenses incurred.

**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 |

**EXPLANATION OF STRATEGIC ALIGNMENT:** This Interlocal Agreement (ILA) will help ensure capital funding for critical components of Project Connect and allow CapMetro to continue to add and maintain service for the community and fulfill the will of the voters in approving Project Connect.

**BUSINESS CASE:** The ILA establishes a framework for funding certain CapMetro Components of Project Connect under which the Austin Transit Partnership (ATP) will provide funding to CapMetro for capital construction related to these critical components of Project Connect.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on September 10, 2025.

**EXECUTIVE SUMMARY:** CapMetro and ATP have entered into ILAs previously to provide funding for certain components of Project Connect, such as capital construction costs for the McKalla rail station and capital construction costs for the Expo Center and Pleasant Valley CapMetro Rapid lines. This ILA provides funding for certain additional CapMetro Components of Project Connect for which a specific ILA is not currently in place. Specifically, the ILA provides funding for construction of the Goodnight Ranch and Expo Center Park and Rides serving the new Rapid lines, including end-of-line charging for battery electric buses, and a new South Base Demand Response facility. CapMetro has already expended funds on these projects, and the ILA includes reimbursement to CapMetro for these funds as well as ongoing expenses for these projects through the term

of the ILA. In addition, this ILA clarifies that CapMetro will use its financial contribution dedicated to Project Connect directly on operations and maintenance expenses for CapMetro Components, rather than transferring those funds to ATP. Through FY2031, total capital costs of the CapMetro Components covered by the ILA are estimated to be \$148.6 million, which includes \$37.6 million for the park and rides and \$111 million for the South Base Demand Response facility. The parties further commit to working together in good faith to extend this ILA for additional years or enter into additional agreements as needed to ensure continued delivery and funding of CapMetro Components of Project Connect into the future.

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-2024-1277**

WHEREAS, the CapMetro Board of Directors and Austin City Council approved the Project Connect System Implementation Plan in 2020, including bus rapid transit lines, park and rides, and facilities, which CapMetro is primarily responsible for implementing (the “CapMetro Components”);

WHEREAS, the CapMetro Board of Directors approved a resolution in August 2020 committing to the community its available financial resources in support of the Implementation Plan (“CapMetro Contribution”);

WHEREAS, the voters of the City of Austin approved a referendum in November 2020 to fund projects in the Implementation Plan;

WHEREAS, CapMetro is committed to building and operating the CapMetro Components in accordance with the contract with the voters and Joint Powers Agreement between the City, CapMetro and Austin Transit Partnership (ATP), and has committed CapMetro Contribution funding for the projects in its current fiscal year budget and its 5-year Capital Improvement Plan;

WHEREAS, the Federal Transit Administration provided Small Starts Capital Improvement Grant funds for the Expo Center and Pleasant Valley CapMetro Rapid lines, which grants include obligations to provide a certain minimum level of service on these lines, and funding from ATP is critical in meeting these obligations;

WHEREAS, CapMetro and the City of Austin created ATP, a joint local government corporation, to assist in the financing, funding and construction of the Implementation Plan and which will provide a significant portion of the funding for the CapMetro Components;

WHEREAS, CapMetro and ATP entered into an interlocal agreement (ILA) for Support Services and Program Funding related to the Project Connect program in February 2021, which ILA expired at the end of fiscal year 2024, and subsequently entered into ILAs providing for funding for certain specific CapMetro Components, namely construction of the McKalla commuter rail station and capital construction for the Expo Center and Pleasant Valley CapMetro Rapid lines;

**Agenda Date:** 9/10/2025

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WHEREAS, it is necessary for CapMetro and ATP to now enter into a new ILA to provide funding for certain additional CapMetro Components for which an ILA is not currently in place, namely the Goodnight Ranch and Expo Center Park and Rides and a new South Base Demand Response facility;

WHEREAS, this ILA requires CapMetro to deliver specified CapMetro Components and ATP to provide capital funding to CapMetro and further clarifies that CapMetro will use the CapMetro Contribution toward operating expenses, and other costs, for the CapMetro Components; and

WHEREAS, pursuant to the terms of this ILA, ATP's funding contribution is in an amount not to exceed \$148,600,000 through Fiscal Year 2031;

NOW, THEREFORE, BE IT RESOLVED that the President & CEO, or her designee, is authorized to finalize and execute an interlocal agreement with the Austin Transit Partnership to provide reimbursement of capital costs for certain CapMetro Components of Project Connect through Fiscal Year 2031, in a total amount not to exceed \$148,600,000.

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**Secretary of the Board**  
**Becki Ross**

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

**INTERLOCAL COOPERATION AGREEMENT  
BETWEEN AUSTIN TRANSIT PARTNERSHIP LOCAL GOVERNMENT CORPORATION  
AND CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY  
To  
FUND CERTAIN CAPMETRO COMPONENTS OF PROJECT CONNECT  
THROUGH FISCAL YEAR 2031**

This interlocal cooperation agreement (this "**Agreement**") is dated and entered into as of October 1, 2025 (the "**Effective Date**"), pursuant to Chapter 791 of the Texas Government Code, between **AUSTIN TRANSIT PARTNERSHIP LOCAL GOVERNMENT CORPORATION** ("**ATP**"), a public nonprofit local government corporation formed pursuant to Chapter 431 of the Texas Transportation Code, and **CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY** ("**CapMetro**"), a transportation authority and political subdivision of the State of Texas organized and existing under Chapter 451 of the Texas Transportation Code. ATP and CapMetro are referred to herein individually as a "**Party**" and collectively as the "**Parties**".

**Background:**

The Joint Powers Agreement made by CapMetro, the City of Austin (the "City"), and ATP effective as of December 17, 2021, and supplemented and amended in 2023 and 2024 respectively (the "**Joint Powers Agreement**"), establishes certain roles and responsibilities for implementation of the Project Connect System Plan previously approved by CapMetro and the City and amended by the Austin Light Rail Implementation Plan. The Joint Powers Agreement provides in part that CapMetro shall be responsible for the financing, design, engineering, construction, and implementation of certain components of the Project Connect System Plan, which are defined in the Joint Powers Agreement and referred to in this Agreement as the "**CapMetro Components**." The Joint Powers Agreement further provides that the Parties shall work together to ensure long-term planning for funding commitments or obligations of CapMetro that are payable or reimbursable from ATP funds.

The Parties intend through this Agreement to establish terms and conditions under which ATP will appropriate funds and provide reimbursement for capital expenses incurred by CapMetro through FY 2031 for the two CapMetro Components projects described in **Exhibit A**: (i) the CapMetro Rapid 800 Pleasant Valley and 837 Expo Line end of line park and rides, including electrification, located at the Travis County Expo Center and Goodnight Ranch; and (ii) the South Base Demand Response facility located at 5315 E. Ben White Blvd (each a "**Project**," and collectively the "**Projects**").

**ACCORDINGLY**, in consideration of the mutual covenants and agreements set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confirmed, ATP and CapMetro agree to the following:

**Article 1**  
**General Terms; Roles and Responsibilities; Purpose and Scope**

**Section 1.1 Defined Terms.** Capitalized terms used in this Agreement and not otherwise defined have the meaning given in the Joint Powers Agreement.

## **Section 1.2 Purpose and Scope of This Agreement.**

- (a) The purpose and scope of this Agreement is to establish the terms and conditions for the joint capital funding of the Projects through FY 2031, as described in this Agreement.
- (b) This Agreement does not address: (i) the Operating Costs of the CapMetro Components, (ii) capital costs for CapMetro Components not addressed in this Agreement, or (iii) the Austin Light Rail component of Project Connect.

## **Section 1.3 Collaboration and Communication Between the Parties.** CapMetro and ATP agree to:

(a) share financial and operating information, data, and reports concerning expenditure of public funds for the CapMetro Components, including information relevant to the expenditure of the property tax revenue as authorized by Proposition A; and (b) support each other's annual budget processes, annual comprehensive financial reports, compliance with applicable federal requirements, and ATP's issuance of debt obligations in accordance with federal securities laws. Both Parties agree that their respective staffs shall work to support any such request for this information, data, and reports.

**Section 1.4 Cooperation of the Parties.** The Parties acknowledge their respective obligations and commitments in this Agreement and agree to cooperate in good faith to accomplish the completion of the Project(s).

## **Article 2**

### **Capital Funding Commitments of the Parties**

## **Section 2.1 CapMetro's Contributions.**

- (a) CapMetro will complete the Projects listed in **Exhibit A** in accordance with applicable laws and in a professional and workmanlike manner, and in accordance with the applicable annual budget approved by CapMetro's governing body.
- (b) CapMetro will initially fund the design and construction of the Projects, subject to reimbursement by ATP as provided for in this Agreement.
- (c) Through its Funding and Commitment Resolution for Project Connect, CapMetro has committed to allocate funds toward the expenses associated with Project Connect (the "**CapMetro Contribution**"). The Parties agree that, throughout the term of this Agreement, CapMetro will retain and apply the CapMetro Contribution to cover the operating expenses related to the CapMetro Components. Additionally, CapMetro may utilize the CapMetro Contribution for any other expenses associated with the CapMetro Components. The CapMetro Contribution is a commitment of CapMetro's current revenues only, contingent upon appropriation by CapMetro's governing body. ATP agrees not to take any action that is inconsistent with CapMetro's ownership of the CapMetro Contribution and will not assert any ownership interest in the CapMetro Contribution. Furthermore, CapMetro will have no obligation or liability to ATP with respect to the CapMetro Contribution.



**Section 2.2 ATP's Funding Contribution.** Subject to the terms and conditions set forth in this Agreement, ATP agrees to reimburse CapMetro for capital costs associated with the Projects in a total amount not to exceed **\$148,600,000** through FY2031 (the "**ATP Funding Contribution**") in accordance with the appropriation schedule set forth in **Exhibit "B"** (the "**Appropriation Schedule**"). The terms for the payment of the ATP Funding Contribution are set forth in Article 4 hereof. The ATP Funding Obligation is a commitment of current revenues only, subject to appropriation by ATP's governing body.

**Section 2.3 Capital Costs and Contributions; Updates.** The CapMetro Chief Financial Officer and the ATP Chief Financial Officer have negotiated in good faith the Project Costs and the Appropriation Schedule applicable through September 30, 2031. Upon approval by the governing bodies of the Parties: (i) the Project Costs and/or the Appropriation Schedule may be periodically updated, supplemented or amended; and (ii) the Project Costs for the Term may be updated, supplemented, or amended. The Chief Financial Officers of CapMetro and ATP shall meet in August and February of each year to review estimated budgets for the following year and to review a mid-year check-in before the next budget cycle starts.

### **Article 3**

#### **Covenants and Obligations of CapMetro**

**Section 3.1 Use of the ATP Funding Contribution.** CapMetro shall use the ATP Funding Contribution solely for purposes of paying for property acquisition necessary for the Projects and the capital costs of designing, constructing, and implementing the Projects (any such use defined as an "**Authorized Use**"), and for no other purpose. Specifically, the ATP Funding Contribution shall not be used to pay operating costs relating to the Projects or any other CapMetro Components. CapMetro shall maintain accurate records relating to the expenditure of the ATP Funding Contribution and shall ensure that no part of the ATP Funding Contribution is misappropriated or otherwise converted for any purpose other than an Authorized Use.

**Section 3.2 Performance and Payment for Project Work.** CapMetro assumes all responsibility for the procurement, design, permitting, construction, inspection, and completion of the Projects (the "**Project Work**") in a good and workmanlike manner in compliance with all applicable federal, state, and local laws, rules and regulations, and in compliance with this Agreement.

- (a) CapMetro shall not be responsible for any inability to provide the Projects or any delay in doing so to the extent that such inability or delay is the result or failure of ATP to provide, or any delay in providing, the ATP Funding Contribution necessary for CapMetro to deliver the Projects.
- (b) **EXCEPT FOR THE WARRANTIES AND UNDERTAKINGS EXPLICITLY SET FORTH HEREIN, (i) THERE ARE NO WARRANTIES BY CAPMETRO WITH RESPECT TO THE PROJECTS AND (ii) ALL WARRANTIES, STIPULATIONS AND UNDERTAKINGS AND ALL TERMS AND CONDITIONS (INCLUDING ANY IMPLIED BY STATUTE OR OTHERWISE) WITH RESPECT TO THE PROJECTS (WHETHER AS TO MERCHANTABILITY, QUALITY, DESCRIPTION, SATISFACTORY QUALITY, SUITABILITY, FITNESS FOR A PARTICULAR PURPOSE WHERE MADE KNOWN OR NOT, CARE, SKILL OR OTHERWISE) ARE HEREBY EXCLUDED AND WAIVED.**

- (A) CapMetro shall timely pay all contractor-submitted invoices for the Project Work based on work completed in accordance with the approved plans and specifications in accordance with the Tex. Gov't Code Chapter 2251.

**Section 3.4 Audit Rights.** The representatives of ATP, shall, upon reasonable written notice and during reasonable business hours, have access and the right to audit, examine, or reproduce, all records of CapMetro related to the performance under this Agreement. CapMetro must retain all such records for a period of three (3) years after final payment under this Agreement or until all audit and litigation matters that ATP has brought to the attention of CapMetro are resolved, whichever is longer. The Parties agree that audit rights hereunder shall survive termination of this Agreement.

**Section 3.5 Project Reporting.** CapMetro shall maintain appropriate records relating to the expenditure of the ATP Funding Contribution in accordance with applicable Cap Metro Board of Director financial policies. Beginning with the 2025-26 fiscal year, CapMetro shall provide ATP's Chief Financial Officer with a quarterly report on each Project as of the end of that quarter. The quarterly report shall be provided no later than 30 days following the end of the quarter on which it reports. Each quarterly report shall include the following information: (i) a narrative description of the status of the Project; (ii) any change in CapMetro's cost estimate for the Project; (iii) any change in CapMetro's schedule for completing the Project; (iv) the percentage of completion of the Project; (v) a list of any new contracts for goods or services for the Project entered into by CapMetro during the quarter with a contract amount in excess of \$500,000.00; and (vi) a discussion of any material risk identified by CapMetro to completing the Project on time and within budget. Provided, however, that any failure by CapMetro to provide the information as required in this Section shall not constitute a default or breach under Section 6.4 of this Agreement, and shall not constitute grounds to suspend contributions to CapMetro under Section 6.4.c.i. of this Agreement, if cured by CapMetro within 30 days after receiving notice from ATP of any such failure.

**Section 3.6 CapMetro General Responsibilities.** Except as hereinafter provided, CapMetro shall undertake all actions required for the procurement, design, construction, and execution of the Projects, including all required real property acquisitions; utility relocations and adjustments; the design, permitting, construction, equipping, and commissioning of any facilities. CapMetro shall provide a project manager for the Projects who will be responsible for the delivery of the project, including managing all aspects of the Projects and supervising and managing consultants, contractors, and vendors providing services to CapMetro for the completion of the Projects. CapMetro shall comply with applicable federal, state, and City of Austin requirements (as determined by CapMetro) for the Projects. CapMetro shall be fully responsible for, as applicable:

- (a) conducting all real property acquisitions necessary for the Projects, whether through donation, negotiation, or condemnation,
- (b) ensuring that all environmental permits, issues, and commitments are addressed in its Projects design,
- (c) addressing field changes for potential environmental impacts and obtaining any necessary environmental permits, issues, and commitments for such field changes,
- (d) selection of consultants, construction managers, engineers, architects, surveyors, testing engineers and laboratories, inspecting engineers, geotechnical engineers and scientists,

suppliers, contractors, subcontractors, vendors, insurers, and other parties retained in connection with the design or construction of the Projects,

- (e) commencement, sequencing and timing of design and construction activities and other work,
- (f) design of the Projects and all features thereof,
- (g) ensuring that all construction plans are signed, sealed and dated by a professional engineer duly licensed and registered by the Texas Board of Professional Engineers and Land Surveyors to engage in the practice of engineering in the State of Texas,
- (h) securing construction oversight and inspection, as well as materials testing, and for safety, safety inspections and any related certifications required by the Federal Transit Administration (FTA),
- (i) quality control and quality assurance and the acceptance or rejection of work or other deliverables,
- (j) investigations and risk assessments, site safety and security,
- (k) negotiation, bidding, letting and management of contracts for the Projects,
- (l) resolution of any disputes under such contracts,
- (m) testing and commissioning of the Projects prior to commencement of revenue service,
- (n) public information requests and communications relating to the Projects,
- (o) complying with applicable City of Austin utility requirements,
- (p) operational readiness of the Projects, and
- (q) preparing and submitting reports to the extent required by the FTA and Projects Management Plan.

**Section 3.7 Required Program Compliance.** CapMetro hereby represents and warrants to ATP, and further covenants that all contracts entered into by CapMetro for the planning, development, design, construction, and equipping of the Projects comply with, and shall in the future comply with, the following:

- (a) **Better Builder Program.** For all contracts for the performance of construction services, contractors shall comply with the Better Builder Program or similar program as required for Project Connect for all construction workers, including City of Austin hiring goals as allowed by federal law and regulations, completion of OSHA ten-hour training, workers' compensation, on-site monitoring independent of construction companies and their affiliates, and in compliance with all state, federal, and local laws.
- (b) **Disadvantaged Business Enterprise (DBE) Program.** CapMetro shall include the Disadvantaged Business Enterprise Program (the "**DBE Program**") requirements in all

procurement solicitations for future contracts for the implementation of Project Connect, and shall ensure that contractors comply with the terms and conditions of the DBE Program in accordance with 49 CFR Part 26, as they may be amended from time to time, which are incorporated herein by this reference.

- (c) **Living Wage Program.** For all contracts for the implementation of Project Connect, contractors shall comply with the City of Austin Living Wage program in effect at the time of the contract, or the Davis-Bacon Act of 1931, whichever is higher, for wages and benefits for workers employed on the Project(s).

## **Article 4**

### **Payment of ATP's Funding Contribution**

**Section 4.1 General.** ATP agrees to pay or reimburse CapMetro for the Projects, subject to and in accordance with the terms and conditions in this Agreement.

**Section 4.2 Concurrent Appropriation.** Subject to approval by its governing body, ATP will make a budget appropriation during its 2025-26 fiscal year as detailed in **Exhibit B**. For fiscal years after 2025-26, ATP will make an annual budget appropriation in the amount of the appropriation allocated for the applicable fiscal year as set forth in **Exhibit B** to this Agreement.

**Section 4.3 Subordination.** CapMetro acknowledges and agrees that notwithstanding any present or future appropriation of funds by ATP to fulfill its payment obligations hereunder, all payment obligations of ATP to CapMetro under this Agreement shall constitute unsecured contractual obligations of ATP payable from current funds, and shall be expressly subject and subordinate to any present or future pledge by ATP of its revenues securing any lien for the repayment of its public securities, credit or liquidity agreements or other debt obligations of ATP for the financing of all components or any component of Project Connect. CapMetro agrees to deliver any additional instruments, estoppels or other assurances as may be reasonably required by ATP, any trustee, ATP investors or credit/liquidity providers to evidence timing or subordination constraints, subject to the requirements of this Agreement. In the event of any conflict between this Agreement and any Public Security Authorization, as defined in Section 1201.002(3) of the Texas Government Code, the Public Security Authorization shall prevail.

**Section 4.4 Invoicing.** Within thirty (30) days after the Effective Date of this Agreement, CapMetro shall submit to ATP an invoice including all reimbursable expenditures for each of the Projects that were incurred by CapMetro prior to the Effective Date. Thereafter, by the 15<sup>th</sup> of each month, CapMetro shall submit to ATP an invoice including all reimbursable expenditures for each of the Projects and including ACH or wiring instructions (full Routing Number and last four digits of the Account Number). Along with the invoice, CapMetro shall provide ATP supporting documentation that provides the following information for each transaction covered by the invoice:

- (i) Payee
- (ii) Invoice number or journal ledger number
- (iii) Date of payment

- (iv) Period covered by payment
- (v) Description of service provided
- (vi) Amount of payment
- (vii) Related Project, if applicable

**Section 4.5 Invoice Corrections.** In the event of an incorrect invoice for any reason, the adjustment may be applied to the next invoice. CapMetro may, but is not expected nor required to, issue a supplemental invoice for the adjustment amount.

**Section 4.6 Processing Payments.** ATP will process payments from within thirty (30) days of receipt of a complete and accurate invoice in accordance with Chapter 2251 of the Texas Government Code (the “**Prompt Payment Act**”).

**Section 4.7 Payment Method.** ATP shall make payments using electronic funds transfer.

## **Article 5**

### **Additional Agreements of the Parties**

**Section 5.1 Insurance Requirements.** Before any part of the services is commenced, CapMetro and its contractors, consultants, and vendors providing services for the Project(s) shall, at their sole cost, cause to be issued and maintained, insurance policies providing for not less than the minimum levels of insurance coverage set forth below:

(a) **Commercial General Liability (CGL)**

Insurance Services Office Form CG 00 01 covering CGL on an “occurrence” basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$1,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.

**Automobile Liability Insurance**

Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Contractor has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than \$1,000,000 per accident for bodily injury and property damage.

(b) **Workers’ Compensation**

Workers’ Compensation Insurance providing statutory limits in accordance with the Texas Workers’ Compensation Act and/or other State or Federal law as may be applicable to the work being performed under this contract. Employer Liability Insurance with minimum limits of One Million Dollars and No/100 Dollars (\$1,000,000).

- (c) **Professional Liability (Errors and Omissions)** Insurance appropriate to the Contractor's profession, with limit no less than \$2,000,000 per occurrence or claim, \$2,000,000 aggregate.

**Section 5.2 Insurance Certificates.** CapMetro shall be responsible for maintaining copies of all insurance certificates and surety bonds required from its consultants, contractors and vendors, for the time period required pursuant to standard FTA grant requirements.

## **Article 6**

### **Term and Termination**

**Section 6.1 Term.** The term of this Agreement is from the Effective Date through the later of September 30, 2031, or until ATP has reimbursed all Project Costs that were incurred under this Agreement through September 30, 2031. The term may be extended upon approval of the governing bodies of the Parties. The Parties commit to working together in good faith to extend this agreement or enter into separate agreements, as necessary, to ensure continued delivery and funding of the CapMetro Components beyond the term of this Agreement.

**Section 6.2 Termination for Cause.** Either Party may terminate this Agreement in whole or in part for cause if the other Party has committed an Event of Default that has not been cured within the required Cure Period. In the event of termination for cause, ATP shall contribute compensation for undisputed Project invoices rendered and amounts owed.

**Section 6.3 Termination by Agreement.** If the Parties mutually determine that it is in the best interest of both Parties, the Parties may mutually agree, in a writing signed by both Parties, to terminate this Agreement prior to the expiration of the Term for any cause or no cause whatsoever either immediately or within an agreed timeframe.

**Section 6.4 Event of Default.** A Party shall not be in breach or default under the terms of this Agreement for any act, omission, or failure to perform hereunder except as expressly provided in this Section.

- (a) Prior to declaring an Event of Default, a Party must first deliver written notice to the other Party's Chief Financial Officer and General Counsel, specifying the events and circumstances regarding such alleged breach and specifying any action which the notifying party desires the receiving Party to take to remedy such alleged breach ("**Default Advisory Notice**"). The receiving Party shall work in good faith with the notifying Party to resolve the matter within a reasonable amount of time but in any event no less than sixty (60) days.
- (b) If after delivering a Default Advisory Notice, the alleged breach is not resolved to the reasonable satisfaction of the notifying Party within sixty (60) days, then the notifying Party may declare an Event of Default against the receiving Party by delivering written notice thereof to the defaulting Party (a "**Default Notice**"); provided, however, that no Party shall be authorized to deliver a Default Notice unless the governing body of the notifying Party has taken official action declaring the defaulting Party to be in material breach under the terms of this Agreement in an open meeting (an "**Event of Default**") and directing staff to deliver such Default Notice to the defaulting Party. After receiving a

Default Notice, the defaulting Party shall have an additional sixty (60) days to cure such Event of Default or such additional amount time as may be reasonably necessary to cure such Event of Default, but only so long as such defaulting Party is diligently seeking to cure such Event of Default the ("**Cure Period**").

- (c) **Remedies.** After providing a Default Advisory Notice and Default Notice and to the extent the material breach is not resolved during the Cure Period in accordance with this Article 6:
- i. CapMetro agrees that ATP may suspend contributions under this Agreement if CapMetro has materially breached, failed to comply with, or violated the terms of this Agreement. ATP's rights under this Section 6.4(c) are without prejudice to its right to terminate and other remedies under this Agreement and at law.
  - ii. CapMetro reserves its right to pursue ATP for failure to contribute under this Agreement if ATP has materially breached, failed to comply with, or violated the terms of this Agreement in addition to any other remedies under this Agreement and at law. CapMetro's rights under this Section 6.4(c) shall include, to the extent allowed by law, the right to interest on any amounts owed, up to 18% annually (or the maximum amount allowed by law).

**Section 6.5 Material Breach.** The Parties agree that a breach, failure, or violation by CapMetro with respect to this Agreement which cannot be cured and jeopardizes the delivery of either of the Projects under this Agreement will be deemed a material breach for the purposes of Article 6 of this Agreement. Third-party delays such as with City of Austin zoning, platting and permitting, eminent domain process, and Chapter 26 processes shall not be considered a material breach for purposes of Article 6 of this Agreement. CapMetro shall provide immediate written notice to ATP: (a) if any change in circumstances or event adversely affects CapMetro's ability to carry out its obligations under this Agreement or any related agreement.

## **Article 7**

### **General Provisions**

**Section 7.1 Obligations Subject to Appropriation.** Any payment obligations of either Party under this Agreement may be subject to appropriation from year to year in accordance with State law. The Parties further acknowledge and agree, notwithstanding anything else in this Agreement to the contrary, that ATP's obligation with respect to the Project(s) reimbursement compensation is subject to, and governed by, Article 11, Section 5 of the Texas Constitution and must be paid only out of ATP's current revenues or any other funds lawfully available therefore (and appropriated for such purpose) in accordance with Article 11, Section 5 of the Texas Constitution. ATP must make the described payments from current revenues available to ATP. Neither Party will be entitled to a refund of amounts previously contributed or owed in the event of a termination of this Agreement for lack of funding.

**Section 7.2 Compliance with Prevailing Law.**

- (a) Neither Party shall be required to perform any act or refrain from performing any act under this Agreement if that performance or non-performance would constitute a violation of the Constitution or laws of the State of Texas or federal law or regulation.
- (b) CapMetro will cause its consultants, contractors and vendors performing Project Work to comply with all federal state and local laws, ordinances, statutes and regulations applicable to the Project and the services performed pursuant to this Agreement and in effect at the time such services are performed.

**Section 7.3 No Agency Relationship.** Nothing in this Agreement shall authorize the officers, representatives, agents or employees of either Party to bind the other Party or to make any commitments or representations on behalf of the other Party.

**Section 7.4 Governmental Purpose Statement.** ATP is entering into this Agreement in its capacity as a public, nonprofit local government corporation organized by the City and CapMetro to accomplish governmental purposes of the City and CapMetro pursuant to Chapter 431 of the Texas Transportation Code, as amended and in accordance with ATP's articles of incorporation. CapMetro is entering into this Agreement in its capacity as a transportation authority and political subdivision for the State of Texas organized and existing under Chapter 451 of the Texas Transportation Code, as amended.

**Section 7.5 Records Retention.** CapMetro shall manage all files pertaining to the Projects regardless of the format in accordance with its Records Retention Schedule and applicable FTA requirements. At a minimum, CapMetro shall maintain records required under the terms of this Agreement in accordance with 49 CFR 18.36(i), which requires project-related documents to be retained for 3 years following project completion.

**Section 7.6 Ownership of Work Product.** CapMetro contracted with third-party vendors for the Projects and ATP will jointly fund a portion of the Project through the invoicing process outlined in this Agreement. Ownership of the CapMetro Component assets will reside with CapMetro; and CapMetro will operate and maintain the Projects in accordance with this Agreement or any other subsequent agreement between the Parties. Such ownership does not create a gift of public funds because this Agreement is entered into in furtherance of, and for the fulfillment of, the purpose for which ATP was created, namely, to deliver Project Connect.

**Section 7.7 Limitation on Liability.** To the extent allowed by Texas law, the Parties agree that each Party is responsible for its own proportionate share of any liability for the negligent or grossly negligent acts or omissions of its employees, agents, contractors or subcontractors arising out of, connected with, or as a consequence of its performance under this Agreement. **THE PARTIES ACKNOWLEDGE AND AGREE THAT THE AGGREGATE LIABILITY OF THE PARTIES FOR ANY CLAIMS ARISING UNDER THIS AGREEMENT SHALL BE LIMITED TO THE AGGREGATE AMOUNT OF PROJECT COSTS ACTUALLY OWED. FURTHERMORE, NEITHER PARTY SHALL BE LIABLE FOR PUNITIVE, CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES IN ANY FORM OR AMOUNT TO THE OTHER PARTY FOR CLAIMS ARISING UNDER THIS AGREEMENT.**

**Section 7.8 Effect on Other Agreements.** Subject to the provisions of Section 7.14, neither Party shall be justified or otherwise permitted, by virtue of an Event of Default of the other Party hereunder,



to withhold performance, or suspend performance of its obligations or responsibilities under this Agreement or any other agreement between the Parties, including without limitation, the Joint Powers Agreement.

**Section 7.9 No Waiver of Sovereign Immunity.** Neither Party waives or releases its rights and privileges, if any, it may have in any proceeding before any court or tribunal in any jurisdiction to assert the affirmative defense of sovereign immunity based upon their status as a governmental entity with respect to the adjudication of any claim arising or relating to this Agreement, including but limited to any breach of this Agreement.

**Section 7.10 Resolution of Disputes.** Upon request of either Party, an informal attempt shall be made to negotiate a resolution of any dispute arising under this Agreement. Such request shall be in writing and shall seek a meeting between representatives of each Party within 14 calendar days after receipt of the request or such later period as agreed by the Parties. Each Party shall provide for the meeting, at a minimum, one senior level individual with decision-making authority regarding the dispute. The purpose of this and any subsequent meeting is to attempt in good faith to negotiate a resolution of the dispute. If, within 30 calendar days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they shall proceed directly to mediation as described below. Informal negotiation may be waived by a written agreement signed by both Parties, in which event the Parties shall proceed directly to mediation as described below.

- a. The mediation shall take place in Austin, Travis County, Texas. The Parties shall select a mediator within 30 calendar days of the written waiver, or within sixty 60 calendar days of the informal negotiation meeting. The Parties agree to act in good faith in the selection of the mediator and to give consideration to qualified individuals nominated to act as mediator. Nothing in this Agreement prevents the Parties from relying on the skills of a person who is trained in the subject matter of the dispute. If the time period for selecting the mediator has expired with no agreement on the mediator, the mediator shall be selected by the Travis County Dispute Resolution Center (DRC). The Parties agree to participate in mediation in good faith for up to 30 calendar days from the date of the first mediation session. The Parties will share the costs of mediation equally.
- b. Nothing in this Section 7.10 shall limit either Party's right to terminate this Agreement for cause; provided, however, this Section 7.10 shall survive termination of this Agreement.

**Section 7.11 Waiver of Attorneys' Fees.** The Parties do hereby knowingly and intentionally waive their rights to attorney's fees under §271.153, Texas Local Government Code, in any administrative proceeding, alternative dispute resolution proceeding, or litigation arising out of or connected to this Agreement.

**Section 7.12 Notices.** Any notice, demand, statement, request or consent made hereunder shall be in writing and may be personally served or sent by mail or courier service and shall be deemed to have been given when delivered by mail or by courier service to the addresses set forth below. Notices delivered by email to the Parties' designated representatives shall also be deemed to have been delivered only if receipt is expressly and personally acknowledged in writing by the recipient.

- a. **ATP Address.** The address of ATP for all purposes under this Agreement and for all notices:

Bryan Rivera (or successor)  
Chief Financial Officer  
203 Colorado Street  
Austin, Texas 78701  
Email: bryan.rivera@atptx.org

With additional copy to:

Lee Crawford (or successor)  
General Counsel  
203 Colorado Street  
Austin, Texas 78701  
Email: lee.crawford@atptx.org

- b. **CapMetro Address.** The address of CapMetro for all purposes under this Agreement and for all notices:

Kevin Conlan (or successor)  
Interim Executive Vice President, Chief Financial Officer  
3100 E. 5th Street  
Austin, Texas 78702  
Email: Kevin.Conlan@capmetro.org

With additional copy to:

Brad Bowman (or successor)  
Chief Counsel  
3100 E. 5th Street  
Austin, Texas 78702  
Email: [brad.bowman@capmetro.org](mailto:brad.bowman@capmetro.org)

- c. **Change of Address.** Each Party may change the address for notice to it by giving written notice of the change. Any change of address by a Party, including a change in the Party's authorized representative, must be reported to the other Parties within twenty (20) days of the change.

**Section 7.13 Waiver.** Any claim or right arising out of a breach of the Agreement cannot be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is in writing signed by the aggrieved Party. No waiver by either Party of any one or more events of default by the other Party shall operate as, or be construed to be, a permanent waiver of any rights or obligations under the Agreement, or an express or implied acceptance of any other existing or future default or defaults, whether of a similar or different character.

**Section 7.14 Excusable Delay/Force Majeure.** Neither Party shall be in default because of any failure to perform under the terms of this Agreement if the failure arises from causes beyond the control and without the fault of the Party. Examples of these causes are: (1) acts of God or of the public enemy, (2) acts of the state or federal government in either their sovereign or contractual capacity, (3) fires, (4)

floods and/or hurricanes, (5) epidemics and/or pandemics, (6) quarantine restrictions, (7) unforeseen strikes or labor shortages, (8) freight embargoes, (9) unusually severe weather, (10) court orders (*i.e.*, those causes generally recognized under Texas law as constituting unforeseeable and impossible conditions), (11) supply chain disruptions, (12) extended and unusual delays caused by third parties, such as the City of Austin regarding permit approvals or right-of-way agreements, and (13) shortages of materials or equipment (“**Excusable Delay/Force Majeure Event**”). Each Party will endeavor to notify the other Party of an Excusable Delay/Force Majeure Event within 10 calendar days of the occurrence of the event. The Parties shall continue to make Semi-annual contributions if there is an Excusable Delay/ Force Majeure Event and CapMetro is able to continue performing.

**Section 7.15 Governing Law and Venue.** This Agreement is governed by the laws of the State of Texas and all obligations under this agreement are performable in Travis County, Texas. Venue for any cause of action arising under the terms of this Agreement shall be exclusively in the federal and district courts of Travis County, Texas.

**Section 7.16 Binding Effect, Successors and Assigns.** This Agreement shall be binding upon and shall inure to the exclusive benefit of, Parties and their respective successors and assigns, if applicable. There are no third-party beneficiaries to this Agreement. Neither party may assign any part or all of its rights, interests or obligations under this Agreement without the prior written consent of the other Party, and any assignment made by either Party without the prior written consent of the other Party or against applicable law shall be null, void and of no force or effect.

**Section 7.17 Severability.** If any agreement, condition, covenant or term hereof or any application hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

**Section 7.18 Survival.** The rights and obligations of the Parties under this Agreement will survive the termination of this Agreement to the extent necessary to ensure ATP’s reimbursement of accrued Project Costs in accordance with Section 2.3 above.

**Section 7.19 Entire Agreement; Amendment; Controlling Language.** This Agreement represents the final, entire agreement among the Parties and supersedes any and all prior commitments, agreements, representations and understandings, whether written or oral, relating to the subject matter hereof and thereof and may not be contradicted or varied by evidence of prior, contemporaneous or subsequent oral agreements or discussions of the Parties hereto. There are no unwritten oral agreements among the parties hereto. The provisions hereof may be amended or waived only by an instrument in writing signed by the Parties. To the extent that any provisions of this Agreement contradict or are not in alignment with the Joint Powers Agreement or the Contract with Voters, the language of the Joint Powers Agreement and ultimately the Contract with Voters controls.

**Section 7.20 Counterparts; e-Signatures.** This Agreement may be signed in as many counterparts as may be convenient or required. It shall not be necessary that the signature and acknowledgment of, or on behalf of, each party, or that the signature and acknowledgment of all persons required to bind any Party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures and acknowledgment of, or on behalf of, each of

the Parties hereto. Any signature and acknowledgment page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures and acknowledgments thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature and acknowledgment pages. The Parties agree that digital or facsimile signatures shall be given the same legal effect as original signatures, and the Parties hereby agree to accept delivery of digital signatures by e-mail in "pdf" form, or via DocuSign, Adobe Sign, or any similar means of digital delivery.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their authorized executives and effective as of the date first set forth above.

**CAPITAL METROPOLITAN  
TRANSPORTATION AUTHORITY**

**AUSTIN TRANSIT PARTNERSHIP**

By: \_\_\_\_\_  
Dottie Watkins  
President and Chief Executive Officer

By: \_\_\_\_\_  
Greg Canally  
Executive Director

Date: \_\_\_\_\_, 2025

Date: \_\_\_\_\_, 2025

**EXHIBIT A**  
**FUNDED PROJECTS THROUGH FY 2031**

Expo Center and Pleasant Valley End of Line Charging and Park and Ride Facility

- **ATP Funding Contribution through FY2031: \$37,600,000**
- **Anticipated Completion Date:** Summer 2026
- **Responsible Department:** Capital Construction Engineering and Design (CCED)
- **Description of Project:** CapMetro is designing and constructing three Park and Ride facilities to serve the termini of CapMetro's federally funded Bus Rapid Transit lines: Expo Center Park & Ride, Goodnight Ranch Park & Ride, and Delco Center Park & Ride. The projects included as reimbursable under this agreement are the Expo Center Park & Ride and Goodnight Ranch Park & Ride along with the end of line charging improvements.

The Expo Center Park & Ride is designed to enhance public transportation accessibility and connectivity in Central Texas. Strategically located near the Travis County Expo Center, this facility will provide commuters with a convenient and efficient transit hub, alleviating congestion and improving mobility in the region. Project features & amenities include but are not limited to:

- **Capacity & Parking:** The facility includes bus bays, designated pick-up/drop-off zones, and ample parking for commuters.
- **Electric Bus Infrastructure:** The site is equipped with End-of-Line (EOL) charging stations to support CapMetro's growing fleet of electric buses, promoting sustainability.
- **Enhanced Pedestrian Access:** ADA-compliant pathways and covered waiting areas ensure a safe and comfortable experience for riders.
- **Traffic & Connectivity Improvements:** Infrastructure upgrades, including new driveways, traffic signals, and pedestrian crossings, will streamline entry and exit for transit users.
- **Sustainability Initiatives:** Green infrastructure elements, such as stormwater management systems and energy-efficient lighting, are incorporated into the design.

The Goodnight Ranch Park & Ride is designed to enhance transit accessibility, support the growing Goodnight Ranch community, and provide greater transit connections to serve the Central Texas community. The project is a key part of CapMetro's expansion plans to provide sustainable, reliable, and efficient transit options for residents and commuters in the region. Project features include but are not limited to:

- **Bus Transit Hub:** Serves as a key connection point for CapMetro bus routes, improving service coverage in the southeast region of CapMetro's service area.
- **Electric Bus Charging Infrastructure:** Includes end-of-line (EOL) charging for CapMetro's zero-emission electric bus fleet, supporting the agency's sustainability goals.
- **Parking Facilities:** Offers dedicated parking for commuters using public transit.

- **Bike and Pedestrian Connectivity:** Features bike racks, pedestrian walkways, and ADA-compliant facilities for multimodal access.
- **Sustainable Design Elements:** Incorporates green infrastructure, energy-efficient lighting, and environmentally friendly construction materials.

#### South Base Demand Response Facility (Support Facility)

- **ATP Funding Contribution through FY 2031: \$111,000,000**
- **Anticipated Completion Date:** Fall 2031
- **Responsible Department:** CCED
- **Description of Project:** Located at 5315 E. Ben White Blvd, CapMetro acquired ~11 acres of land in southeast Austin to be the home for the new South Demand Response operations and maintenance facility. The existing commercial buildings will be demolished to make way for the new project, which includes site utility upgrades as needed. The project includes a bus yard for transit vehicles, an administrative building, a maintenance garage, a vehicle service and fueling building, training functions for operators & mechanics. Due to the constrained site, a parking deck will be provided for employee parking. Sustainability features will be incorporated.
- **Note:** The total cost of this project is estimated to be \$185,795,947.00, which includes an FTA-required contingency of 40%.

**EXHIBIT B**  
**APPROPRIATION SCHEDULE THROUGH FY 2031**

Projects	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	Total
<b>Park and Ride</b>	\$37,600,000	\$0	\$0	\$0	\$0	\$0	37,600,000
<b>South Demand Response Center</b>	13,500,000	\$0	\$0	30,000,000	30,000,000	37,500,000	111,000,000

**\*Amounts include costs incurred in prior fiscal years, to be reimbursed in the fiscal year indicated in this Schedule.**

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Finance, Audit and Administration Committee  
**Agenda Date:** 9/10/2025

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**Item #:** AI-2025-1586

**SUBJECT:**

Approval of a resolution adopting 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 |

**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 September 2024.

**BUSINESS CASE:** CapMetro is required to invest funds in accordance with the Texas 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 Texas 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 September 10, 2025.

**EXECUTIVE SUMMARY:** The proposed policy was reviewed by staff and PFM Asset Management LLC, under contract as CapMetro's investment advisory firm. Attached is a copy of the Investment Policy, which complies with the Public Funds Investment Act. A change to the Investment Policy in Section IV (d.) - Portfolio Diversification was made. PFM Asset Management LLC recommended that the investment type Commercial Paper limitation be updated from 30% to 35%.

Attached is a copy of CapMetro's Investment Policy which complies with the Texas Public Funds Investment Act.



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-2025-1586**

WHEREAS, Capital Metro 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 revisions are recommended to the Investment Policy or strategies.

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

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

## 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”.

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## 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.

## 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	35%
• 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 (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

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

## 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.

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## 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”.



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## 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.

## 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	35%
• 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 (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

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:** 9/10/2025

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**Item #:** AI-2025-1589

**SUBJECT:**

Approval of a resolution adopting the Fiscal Year 2026 Operating and Capital Budget and Five-Year Capital Improvement Plan.

**FISCAL IMPACT:**

Adoption of the proposed Fiscal Year (FY) 2026 budget will provide an appropriation of \$625,208,612 in FY2026 for operating and capital expenses that are supported by projected revenue and other funding sources.

**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 |

**EXPLANATION OF STRATEGIC ALIGNMENT:** The proposed FY2026 budget includes funding to maintain CapMetro's current services while also maintaining 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 10, 2025.

**EXECUTIVE SUMMARY:** The proposed FY2026 budget is structurally sound and balanced. Ongoing revenue is sufficient to fund operations and will also help provide funding for needed capital investments, including the replacement of transit assets nearing the end or at the end of life cycles.

The FY2026 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 five-year capital improvement plan.

CapMetro proposes to spend \$442.4 million for operating expenses, \$5.9 million for commitments under interlocal agreements with local government entities for mobility programs and \$21.9 million to contribute to the Project Connect System Plan in FY2026.

CapMetro 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 \$155 million in capital projects during FY2026.

It's meaningful that FY2026 marks CapMetro's 40th anniversary of serving Central Texas. For four decades, the organization has adapted, evolved, and grown while maintaining the core mission of connecting people to opportunities. This milestone reminds us that responsible stewardship and strategic focus have always been essential to the success of CapMetro. The disciplined approach reflected in this budget honors that legacy and ensures CapMetro will be here to serve the community for the next 40 years.

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 FY2026 budget totals \$625.2 million and is comprised of the following funding and expense categories:

<b>Budget Summary</b>	
<b>Funding</b>	<b>FY2026</b>
Sales Tax	\$398,989,672
Passenger Revenue	18,876,274
Freight Railroad Revenue	6,932,445
Miscellaneous Revenue	18,151,169
Operating Contributions and Grants	70,135,282
Capital Grants - Federal	31,082,990
Capital Grants - State	530,278
Other Capital Contributions	17,131,394
Fund Balance	63,379,108
<b>Total Funding</b>	<b>\$625,208,612</b>
<b>Expenses</b>	<b>FY2026</b>
Operating Expenses	\$442,432,699
Capital Project Expense	155,016,177
Austin Transit Partnership Contribution	21,854,540
Interlocal Agreements	5,905,196
<b>Total Expenses</b>	<b>\$625,208,612</b>



The proposed budget reflects fund balance projections of \$308.2 million by the end of FY2026 as outlined in the table that follows. Of this amount, CapMetro is estimating to set aside \$70 million in reserves for two months of operating expenses, which meets the level set forth by the Texas Legislature, \$35 million for the budget stabilization reserve, \$32.4 million for dedicated Project Connect funds, \$9.4 million for the Sustainability Capital Fund, \$3.9 million for city of Austin mobility programs, \$3.3 million for the Suburban Member Cities Transit Supportive Infrastructure Fund, \$2.3 million for a self-insurance reserve and \$151.9 million for future funding of the 5-year capital improvement plan as we look forward to future needs in the region.

<b>Projected Beginning Balance</b>	<b>\$371,544,209</b>
<b>FY2026 Projected Activity:</b>	
+ Revenue	561,829,504
- Operating Expenses	442,432,699
- Interlocal Agreements	5,905,196
- Contribution Toward Project Connect	21,854,540
- Capital Projects	155,016,177
<b>= Projected Ending Balance</b>	<b>\$308,165,101</b>
<b>Breakdown of Ending Balance:</b>	
Statutory Operating Reserve Requirement	69,995,295
Budget Stabilization Reserve	34,997,647
Project Connect - Dedicated Funds	32,374,911
Sustainability Capital Fund	9,435,440
Suburban Member Cities Transit Supportive Infrastructure Fund	3,322,739
City of Austin Mobility Programs	3,888,410
Self-Insurance Reserve	2,283,523
Funding for 5-Year Capital Improvement Plan	151,867,136
<b>= Projected Ending Balance</b>	<b>\$308,165,101</b>

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 FY2026 capital budget and capital improvement plan are outlined in the table that follows, summarized by project type and followed by projected funding sources.

<b>Capital Project Type</b>	<b>FY2026</b>	<b>FY2027</b>	<b>FY2028</b>	<b>FY2029</b>	<b>FY2030</b>	<b>Total</b>
Bus and Paratransit	\$ 11,076,708	\$ 51,980,940	\$ 6,987,000	\$ 34,122,314	\$ 6,757,000	\$ 110,923,962
Commuter Rail	4,788,714	3,864,504	2,126,470	1,426,470	1,476,471	13,682,629
Facilities	23,568,473	28,013,512	24,794,260	15,547,159	6,554,000	98,477,404
Information Technology	15,651,815	5,400,000	8,678,660	2,000,000	4,974,997	36,705,472
Other	25,790,262	26,133,835	4,845,825	5,461,825	5,998,136	68,229,883
Project Connect	33,334,507	5,571,022	-	-	-	38,905,529
Property and Asset Mgmt	40,805,698	52,841,639	43,537,500	80,000	80,000	137,344,836
<b>Total Capital Projects</b>	<b>155,016,177</b>	<b>173,805,452</b>	<b>90,969,715</b>	<b>58,637,768</b>	<b>25,840,604</b>	<b>504,269,716</b>
<b>Funding Sources</b>						
Grants/Contributions	48,744,662	28,295,321	18,718,770	12,599,748	7,924,299	116,282,800
Local Funding	106,271,515	145,510,131	72,250,945	46,038,020	17,916,305	387,986,916
<b>Total Funding Sources</b>	<b>\$ 155,016,177</b>	<b>\$ 173,805,452</b>	<b>\$ 90,969,715</b>	<b>\$ 58,637,768</b>	<b>\$ 25,840,604</b>	<b>\$ 504,269,716</b>

Over recent months, CapMetro provided information regarding the budget process and the proposed FY2026 budget in a variety of formats for the public and sought feedback using online engagement tools and virtual webinars. These outreach efforts included the following:

**Presentations to the Board of Directors and its Committees**

May 7, 2025, Finance, Audit and Administration Committee  
 May 7, 2025, Operations, Planning and Safety Committee  
 June 23, 2025, Board of Directors  
 July 16, 2025, Finance, Audit and Administration Committee  
 July 16, 2025, Operations, Planning and Safety Committee  
 September 10, 2025, Finance, Audit and Administration Committee  
 September 22, 2025, 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 5<sup>th</sup> Street, Austin, TX 78702.  
 Served by routes 4, 300, 800.

**Presentations to Access Advisory Committee**

June 4, 2025, 5:30 - 7:00 PM  
 August 6, 2025, 5:30 - 7:00 PM  
 Microsoft Teams virtual meetings and available to the public.

**Presentations to Customer Satisfaction Advisory Committee**

June 11, 2025, 6:00 - 7:30 PM  
 August 13, 2025, 6:00 - 7:30 PM  
 Microsoft Teams virtual meetings and available to the public.

**Presentations to Public Safety Advisory Committee**

June 27, 2025, 11:30 AM - 1:00 PM

August 29, 2025, 11:30 AM - 1:00 PM

Microsoft Teams virtual meetings and available to the public.

**Presentation to Project Connect Community Advisory Committee**

August 14, 2025, 5:00 - 7:00 PM

Microsoft Teams virtual meeting and available to the public and at Austin Transit Partnership, 203 Colorado Street, Austin, TX 78701.

Served by downtown routes.

**Proposed FY2026 Budget Document Available and Posted Online**

August 21, 2025

**Online Webinar**

Information made available to the public regarding the proposed FY2026 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 FY2026 Budget**

September 10, 2025, 12:00 PM

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

Served by routes 4, 300, 800.

**Board of Directors Considers Adoption of Budget Proposal**

September 22, 2025, 12:00 PM

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

Served by routes 4, 300, 800.

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-2025-1589**

WHEREAS, pursuant to Section 451.102 of Chapter 451 of the Texas Transportation Code, the budget for Fiscal Year 2026 was made available to the public on August 21, 2025, and a budget public hearing was held on September 10, 2025; and

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

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Fiscal Year 2026 budget in the amount of \$625,208,612 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.

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

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



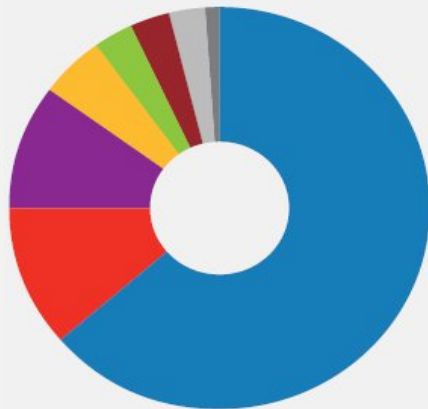
# FY2026 Budget Public Hearing

Board Public Hearing 9/10/2025

## FUNDING

**\$625.2**

*Numbers are in millions*

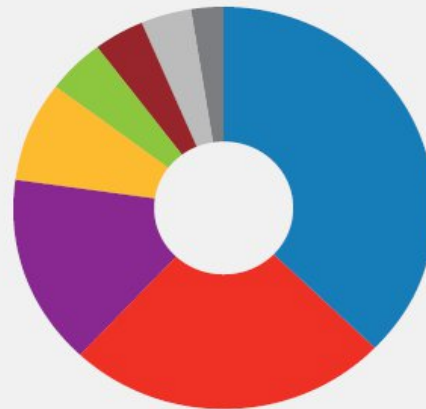


SALES TAX	\$399.0
OPERATING GRANTS	\$70.1
FUND BALANCE	\$63.4
CAPITAL GRANTS	\$31.6
FARES	\$18.9
OTHER	\$18.2
CAPITAL CONTRIBUTIONS	\$17.1
FREIGHT RAILROAD	\$6.9

## EXPENSES

**\$625.2**

*Numbers are in millions*



TRANSPORTATION	\$233.7
CAPITAL IMPROVEMENTS	\$155.0
PERSONNEL	\$94.1
SERVICES	\$51.9
PMTS TO GOV ENTITIES	\$27.8
MATERIALS AND SUPPLIES	\$24.0
OTHER	\$23.2
FUEL	\$15.5

## CAPITAL AND STATUTORY COMMITMENTS AND OBLIGATIONS



**\$ 308.2 Million**

*Numbers are in millions*

# CapMetro **TAKING CARE OF CUSTOMERS**



## Bus Stop Enhancements

\$22.8m over 5 years for bus stop improvements and infrastructure



## Pickup

\$15.9m in FY2026 for neighborhood on-demand transit service





# CapMetro **PLANNING FOR THE FUTURE**



## **N. Burnet Rail Station**

\$34.4m over 2 years for the new North Burnet Uptown Rail Station



## **Facility Master Plan**

\$131.8m over 5 years for North Demand Response Facility and Administrative Building Build-out





# CapMetro **PLANNING FOR THE FUTURE**



5

## **Project Connect**

New CapMetro Rapid Expo Center and Pleasant Valley lines and Park & Rides, and \$21.9m contribution in FY2026 for the Project Connect program sequence plan

CapMetro

Thank you!



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2025-1595

**Agenda Date:** 9/10/2025

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Federal Transit Administration (FTA) - Fiscal Year FY 2025 Triennial Review - Final Report



U.S. Department  
of Transportation  
**Federal Transit  
Administration**

Federal Transit Administration  
Region VI

Arkansas, Louisiana,  
New Mexico, Oklahoma,  
Texas

819 Taylor St. Suite 14A02  
Fort Worth, TX 76102  
(817) 978-0550  
(817) 978-0575 (fax)

August 18, 2025

Mr. Jeffrey Travillion  
Chair – Board of Directors  
Capital Metropolitan Transportation Authority  
2910 E 5<sup>th</sup> Street  
Austin, TX 78702

**Re: Fiscal Year FY 2025 Triennial Review – Final Report**

Dear Mr. Travillion:

I am pleased to provide you with a copy of this Federal Transit Administration (FTA) final report which documents the results of FTA's fiscal Year (FY) 2025 Triennial Review of the Capital Metropolitan Transportation Authority of Austin, Texas (CMTA). Although not an audit, the Triennial Review, as required by 49 U.S.C. Chapter 53, is the FTA's assessment of the CMTA's compliance with Federal requirements, determined by examining a sample of award management and program implementation practices. As such, the Triennial Review is not intended as, nor does it constitute, a comprehensive and final review of compliance with program funding requirements.

Due to the Coronavirus 2019 (COVID-19) Public Health Emergency, the review was expanded to address CMTA's compliance with the administrative relief and flexibilities FTA granted and the requirements of the COVID-19 relief funds received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) of 2021, and the American Rescue Plan (ARP) Act of 2021.

The Triennial Review focused on the CMTA's compliance in 23 areas. Deficiencies were found in three areas: Satisfactory Continuing Control, Disadvantaged Business Enterprise, and Americans with Disabilities Act (ADA) – Complementary Paratransit. The CMTA had no repeat deficiencies from the FY 2022 Triennial Review.

After the site visit, CMTA provided corrective action responses to address and close the deficiency noted in the Satisfactory Continuing Control and ADA – Complementary Paratransit areas of the report that follows.

To address any of the corrective actions, supporting documentation should be uploaded into the FTA's Oversight Tracking System (OTrak).

Thank you for your cooperation and assistance during this Triennial Review. If you need any technical assistance or have any questions, please do not hesitate to contact Mr. Suleman Shoaib, Lead General Engineer, at (817) 978-0550 or by email at [suleman.shoaib@dot.gov](mailto:suleman.shoaib@dot.gov).

Sincerely,

GAIL CHRISTINE LYSSY  
Digitally signed by GAIL  
CHRISTINE LYSSY  
Date: 2025.08.18  
13:45:06 -05'00'

Gail Lyssy  
Regional Administrator

Enclosure:

cc: Ms. Dottie Wilkins, President & CEO, CMTA

# **FINAL REPORT**

## **FISCAL YEAR 2025 TRIENNIAL REVIEW**

**Of**

**Capital Metropolitan Transportation Authority  
(CMTA)  
Austin, Texas  
Recipient ID# 5143**

Performed for:

**U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL TRANSIT ADMINISTRATION  
REGION VI**

Prepared By:

**Interactive Elements Inc**

**Desk Review Date: March 11, 2025  
Scoping Meeting Date: March 11, 2025  
Site Visit Entrance Conference Date: June 3, 2025  
Virtual Exit Conference Date: June 12, 2025  
Draft Report Date: July 15, 2025  
Final Report Date: August 18, 2025**

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## I. Executive Summary

This report documents the Federal Transit Administration's (FTA) Triennial Review of the Capital Metropolitan Transportation Authority (CMTA) of Austin, TX. The FTA wants to ensure that awards are administered in accordance with the requirements of Federal public transportation law 49 U.S.C. Chapter 53. The review was performed by Interactive Elements Inc. During the site visit, the reviewers discussed the administrative and statutory requirements and reviewed recipient documents.

Due to the Coronavirus 2019 (COVID-19) Public Health Emergency, the FTA expanded the review to address CMTA's compliance with the administrative relief and flexibilities that the FTA granted, and the requirements of the COVID-19 Relief funds received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) of 2021, and the American Rescue Plan (ARP) Act of 2021. The FTA also requested CMTA share if and/or how it suspended, deviated from, or significantly updated or altered its transit program due to the public health emergency.

### 1. Metric

The metrics used to evaluate whether a recipient is meeting the requirements for each of the areas reviewed are:

- Not Deficient (ND): An area is considered not deficient if, during the review, nothing came to light that would indicate the requirements within the area reviewed were not met.
- Deficient (D): An area is considered deficient if any of the requirements within the area reviewed were not met.
- Not Applicable (NA): An area can be deemed not applicable if, after an initial assessment, the recipient does not conduct activities for which the requirements of the respective area would be applicable.

### 2. Summary of Findings

The Fiscal Year (FY) 2025 Triennial Review focused on CMTA's compliance in 23 areas. Deficiencies related to the COVID-19 Relief funds have been clearly identified as part of the deficiency description in the respective review area.

There were no repeat deficiencies from the FY 2022 Triennial Review.

Deficiencies were found in the areas listed below.



Review Area	Finding	Deficiency Code(s)		Corrective Action(s)	Response Due Date(s)	Date Closed
		Code	Description			
1. Legal	ND					
2. Financial Management and Capacity	ND					
3. Technical Capacity – Award Management	ND					
4. Technical Capacity – Program Management and Subrecipient Oversight	ND					
5. Technical Capacity – Project Management	ND					
6. Transit Asset Management	ND					
7. Satisfactory Continuing Control	D	SCC10-1	Excessive fixed-route bus spare ratio	CMTA must submit a plan for reducing the spare ratio to 20 percent for fleets of 50 or more buses. The plan should include a spreadsheet listing for each bus type, the number of buses, and, for each year until the spare ratio reaches 20 percent, the number of buses to be disposed of, the number of buses to be added, the projected peak requirement, and the projected spare ratio. The plan should include detailed justifications for years in which spare ratios exceed 20 percent. If the plan cannot be completed within 90 days, CMTA must report progress in quarterly/annual reports.	12/01/25	Closed with the issuance of the final report.
8. Maintenance	ND					
9. Procurement	ND					

Review Area	Finding	Deficiency Code(s)		Corrective Action(s)	Response Due Date(s)	Date Closed
		Code	Description			
10. Disadvantaged Business Enterprise	D	DBE11-1	Unreported transit vehicle purchases	CMTA must submit an implemented process to ensure that future awards of FTA funded transit vehicle purchases are reported timely to the FTA Office of Civil Rights. Additionally, CMTA must report any unreported awards to transit vehicle manufacturers to the FTA Office of Civil Rights and must revise any Semiannual Uniform Reports, as necessary.	12/01/25	
11. Title VI	ND					
12. Americans with Disabilities Act (ADA) – General	ND					
13. ADA – Complementary Paratransit	D	ADA-CPT5-4	Insufficient no-show suspension procedures	CMTA must submit an appeals process that offers the opportunity for the rider to appeal within 60 days.	12/01/25	Closed with the issuance of the final report.
14. Equal Employment Opportunity	ND					
15. School Bus	ND					
16. Charter Bus	ND					
17. Drug-Free Workplace	ND					
18. Drug and Alcohol Program	ND					
19. Section 5307 Program Requirements	ND					
20. Section 5310 Program Requirements	ND					
21. Section 5311 Program Requirements	NA					

Review Area	Finding	Deficiency Code(s)		Corrective Action(s)	Response Due Date(s)	Date Closed
		Code	Description			
22. Public Transportation Agency Safety Plan	ND					
23. Cybersecurity	ND					

The metrics used to evaluate whether a recipient is meeting the requirements for each of the areas reviewed are:  
Deficient (D)/Not Deficient (ND)/Not Applicable (NA)

## **II. Review Background and Process**

### **1. Review Background**

The United States Code, Chapter 53 of Title 49 (49 U.S.C. 5307(f)(2)) requires that “At least once every 3 years, the Secretary shall review and evaluate completely the performance of a recipient in carrying out the recipient’s program, specifically referring to compliance with statutory and administrative requirements...” The FTA performs this Triennial Review in accordance with its procedures (published in FTA Order 9010.1B, April 5, 1993).

The Triennial Review includes a review of the recipient’s compliance in 23 areas. The basic requirements for each of these areas are summarized in Section IV. The FTA contracts with experienced Reviewers to lead and conduct the Triennial Reviews, in partnership with the staff of the regional office.

This report presents the findings from the Triennial Review of the Capital Metropolitan Transportation Authority (CMTA) of Austin, TX. The review concentrated on procedures and practices employed since the recipient’s previous Triennial Review in 2022; however, coverage was extended to earlier periods as appropriate to assess the policies in place and the management of award funds. The specific documents reviewed and referenced in this report are available at the FTA regional office or CMTA’s location.

### **2. Process**

The Triennial Review includes a pre-review assessment, a desk review and scoping meeting with the FTA regional office, and a site visit to the recipient’s location. The FTA expanded this review to address CMTA’s compliance with the administrative relief and flexibilities that the FTA granted, and the requirements of the COVID-19 relief funds received through the CARES, CRRSAA, and ARP. The FTA also requested that CMTA share if and/or how it suspended, deviated from, or significantly updated or altered its transit program due to the public health emergency.

The FY 2025 process began with the regional office transmitting a notification of the review and a Recipient Information Request (RIR). While CMTA prepared its response to the RIR, the regional office and review team conducted a desk review and scoping meeting, respectively. Regional office staff provided electronic files as necessary to the reviewers who also accessed recipient information in the FTA electronic award management systems: Transit Award Management System (TrAMS) and Oversight Tracking System (OTrak). Following the desk review and scoping meeting, the reviewers and CMTA corresponded and exchanged information and documentation in preparation for the site visit. Prior to the site visit, the reviewer sent CMTA an agenda package indicating the issues that would be discussed, records to be reviewed, and interviews to be conducted.

The site visit began with an entrance conference, at which the reviewers and regional staff discussed the purpose of the Triennial Review and the review process. The reviewer conducted

additional interviews and reviewed documentation to evidence CMTA’s compliance with FTA requirements. A Section 5310 subrecipient, Austin Groups for the Elderly (AGE) of Central Texas of Austin, and an operations/management contractor, Herzog Transit Services, Inc. were reviewed to provide an overview of activities related to the FTA-funded project.

Upon completion of the site visit, the reviewers and the FTA regional office staff discussed preliminary findings with CMTA, subsequently presented and provided the findings formally at the exit conference, conducted virtually. The table below summarizes key review dates. Section V of this report lists the individuals participating in the site visit.

<b>Process Date</b>	<b>Process</b>
January 17, 2025	FTA transmittal of the Recipient Information Request (RIR)
February 28, 2025	Recipient Transmittal of RIR to Reviewers
March 11, 2025	FTA and Reviewers Scoping Meeting/Desk Review
May 19, 2025	Reviewer Transmittal of the Agenda Package
June 3, 2025	Site Visit: Entrance Conference
June 12, 2025	Site Visit: Virtual Exit Conference
July 15, 2025	FTA Transmittal of the Draft Report
August 18, 2025	Final Report to be sent to the Recipient within 45 business days from the Site Visit: Exit Conference date

### **III. Recipient Description**

#### **1. Organization**

The Capital Metropolitan Transportation Authority (CMTA) provides transit service in the Austin metropolitan area, serving all of the City of Austin and the surrounding communities of San Leanna, Leander, Lago Vista, Point Venture, and Manor; the Anderson Mill area of Williamson County; and Precinct Two of Travis County, doing business as CapMetro. CMTA was created in 1985 under the laws of the State of Texas. The Board of Directors consists of eight board members who are appointed by various governing entities within the service area. CapMetro contracts with Keolis Transportation NA and Capital Area Rural Transportation System (CARTS) for fixed-route service, MTM Incorporated and CARTS for demand response service, Enterprise EAM Holdings for vanpool service, and Herzog Transit Services for commuter rail. The population of CapMetro's service area is approximately 1,359,992 persons.

CapMetro operates a network of 64 fixed bus routes and one commuter rail line route (MetroRail). Bus service is provided 24 hours a day on weekdays, Saturdays from 4:20 a.m. to 4:15 a.m. (next day), and Sundays from 5:30 a.m. to 12:15 a.m. (next day). Rail service is provided weekdays from 5:40 a.m. to 8:20 p.m., and Saturdays from 9:50 a.m. to 1:35 a.m., with no Sunday service. CapMetro's complementary paratransit service, MetroAccess, operates during the same days and hours of service as the fixed routes. The basic adult fare for bus service is \$1.25. A reduced fare of \$0.60 is offered to seniors, Medicare cardholders, active-duty and reserve military personnel, and riders with disabilities during all hours. The one-way fare for ADA paratransit service is \$1.75.

CapMetro's fixed-route operates a fleet of 249 FTA-funded and 199 locally funded buses for fixed-route service. Its bus fleet consists of standard 28-, 35-, 40-, 45-, and 60-foot transit coaches. The current peak requirement is for 302 vehicles. Metro Access operates a fleet of 201 vans for complementary paratransit service. CapMetro also operates a fleet of 10 diesel multiple units, all of which are locally funded.

CMTA operates from its administrative headquarters, located on East 5th Street, and maintains two bus garages (Pleasant Valley Road and McNeil Road), a rail operations facility (McNeil Road) and eleven rail stations, a demand-response facility (Thompson Lane) all in Austin, and eight transit centers throughout its service area. CMTA also has ten subrecipients to whom it passes through Section 5310 funding for the subrecipients to purchase vehicles and provide transit services such as operating assistance for transportation of its senior citizen and disabled clients, mobility management services, and travel training,

#### **2. Award and Project Activity**

Below is a list of CMTA's open awards at the time of the review.

<b>Award Number</b>	<b>Award Amount</b>	<b>Year Executed</b>	<b>Description</b>
TX-2017-015	\$1,077,655	2017	Austin Texas Enhanced Mobility for Seniors and Individuals with Disabilities (FY17 - 5310)
TX-2018-023	\$1,040,850	2018	Austin #5143 Texas Enhanced Mobility for Seniors and Individuals with Disabilities FY16 and FY17 funds (FY18 - 5310)
TX-2019-048	\$932,238	2019	Austin Texas Enhanced Mobility for Seniors and Individuals with Disabilities FY17 and FY18 funds (Section 5310)
TX-2020-006	\$71,280	2019	CMTA MetroRideShare Regional Vanpool Program- FY19 STP
TX-2020-060	\$740,592	2020	CMTA 5143 Enhanced Mobility for Seniors and Individuals with Disabilities FY19 funds (Section 5310)
TX-2021-093	\$2,266,000	2021	Capital Metro Low-No FY2020 – 5339c Propelling Austin Forward: Building on the Success of Capital Metro’s Zero Emission Electric Bus Launch – Battery-Electric Bus Acquisition Austin TX
TX-2021-058	\$201,253	2021	CMTA 5143 Enhanced Mobility for Seniors and Individuals with Disabilities - Lapsing FY19 funds (Section 5310) Mobility Mgmt
TX-2022-007	\$171,263	2022	Austin Texas FY21 Section 5310 CRRSAA - Enhanced Mobility for Seniors and Individuals with Disabilities - Operating Assistance and Program Administration
TX-2022-006	\$171,265	2022	Austin Texas FY21 Section 5310 ARP Act - Enhanced Mobility for Seniors and Individuals with Disabilities- Operating Assistance and Program Administration
TX-2023-001	\$30,855,528	2023	Austin CapMetro CIG Funding Expo Center Bus Rapid Transit
TX-2023-002	\$34,748,728	2023	Austin CapMetro CIG Funding Pleasant Valley Bus Rapid Transit
TX-2022-069	\$2,885,000	2022	Austin TX - Capital Metro Low-No FY2021 Electrifying Project Connect and Austin's Zero-Emission Transit Future
TX-2024-077	\$750,000	2024	FY2021 TOD Pilot -Capital Metropolitan Transportation Authority- LRT Orange Line / South Congress Light Rail Corridor TOD

<b>Award Number</b>	<b>Award Amount</b>	<b>Year Executed</b>	<b>Description</b>
TX-2024-030	\$20,000,000	2024	FY 2022 Competitive 5339(b) Bus and Bus Facilities Grant/ Cap Metro Austin Tx Springdale Demand Response Operations and Maintenance Facility Replacement and Expansion
TX-2023-084	\$780,100	2023	American Rescue Plan Capital Metro/FY 21 Route Restoration/ Training/ Staff Recruitment and Retention Plan for Service Restoration Post COVID-19
TX-2023-057	\$2,650,112	2023	Austin Texas Enhanced Mobility for Seniors and Individuals with Disabilities FY2022 and 2023 (Section 5310) Capital and Operating.
TX-2022-008	\$2,000,343	2023	Austin Texas Enhanced Mobility for Seniors and Individuals with Disabilities FY20 and FY21 Unobligated (Section 5310-C 100%) Capital Operating Program Admin.
TX-2024-050	\$900,000	2024	FY 2022 TOD Competitive TOD Award: Capturing Transit Value for Community Development: TOD Implementation with an Equity Lens
TX-2024-079	\$4,169,920	2024	CapMetro FY23 Austin TX Charging infrastructure for the Transition to a Zero-Emissions Public Transportation Fleet/ Community Project Funding/Congressionally Directed Spending
TX-2024-112	\$18,000,000	2024	Increasing Access to Opportunity: Double Tracking for Rail Optimization in East Austin - RAISE FY2023

CMTA received Supplemental Funds for operating assistance in award numbers TX-2022-006, TX-2022-007, and NM-2023-084. This is not the first Triennial Review CMTA has received operating assistance from the FTA.



## Projects Completed

In the past few years, CMTA completed the following noteworthy projects:

- Completed the McKalla Rail Station in north central Austin with two platforms to support daily commuter rail service and one special event platform to serve the adjacent Major League Soccer Stadium.
- Added a second track to a single-track section of the RedLine commuter rail system between the Lakeline and Leander rail stations to provide more train passing areas to improve system frequency and capacity (local funding).
- Opened the Capital Metro Transit Police Station an interim administrative and operational space for the new transit Police force pending development of a permanent facility.
- Electric bus yard at the 2910 E. 5th Street Operations Facility – bus charging infrastructure was added to the existing bus yard, completed in October 2024 (FY 2025) that includes 48 charging stations now in service.
- Downtown Transit Store – CMTA purchased and built out a facility to serve as the new agency transit store located on a major transit corridor on Guadalupe Street.

## Ongoing Projects

CMTA has the following noteworthy ongoing projects underway at this time:

- MetroRapid Bus Rapid Transit (BRT) – the Expo Center Line (FTA funded), a 12-mile-long line connecting the underserved northeast area of Austin to downtown and multiple educational and medical services with a 10-minute frequencies, including 43 stations and 16 electric vehicles; and the Pleasant Valley Line (FTA funded), a 15-mile-long line connecting northeast and southeast Austin, with 10-minute service and connections to multiple other high frequency routes and schools, shopping and city services, with 36 stations and 21 electric vehicles. Interim service on both lines began in February 2025, while full service expected in June 2026.
- North Operations Facility – a new bus yard designed for electric vehicles with charging stations, including an overhead canopy with a solar array which supports overhead pantograph battery electric bus chargers and will support charging capacity for 222 battery electric buses.
- Park & Ride Projects – two projects, Expo Center Park & Ride, currently under construction, located in an underserved area of northeast Austin, will have 150 parking spaces and electric vehicle charging for the Expo BRT Line, and Goodnight Ranch Park & Ride located in southeast Austin, will have 75 parking spaces and electric vehicle charging for the Pleasant Valley BRT Line.

- New Administrative Facility – located at 3100 E. 5th Street, adjacent to the current administrative and operational facility at 2910 E. 5th Street, will support the agency’s administrative functions when completed.
- Paratransit Eligibility Center – CMTA is in the process of relocating the current Eligibility Center out of a leased facility and into an existing owned facility in central east Austin, adjacent to the agency campus at 2910 E. 5th Street.

## **Future Projects**

CMTA plans to implement the following noteworthy projects over the next 3-5 years:

- Demand Response North Base Facility – one of two new facilities, this one located in north central (east) Austin to provide MetroAccess (accessibility) and “PickUp” rideshare services, featuring operational and administrative space as well as maintenance and parking space for vehicles.
- Demand Response South Base Facility – a new facility located in south central (east) Austin to serve as the second operations facility to provide MetroAccess and “PickUp” rideshare services, along with operational and administrative space as well as maintenance and parking space for vehicles.
- Saltillo Rail Station Redevelopment – a Red Line Commuter Rail station approximately one mile from the Downtown Station, to be redeveloped with double-tracking added in order to accommodate two trains at the same time.

## **IV. Results of the Review**

### **1. Legal**

Basic Requirement: The recipient must promptly notify the FTA of legal matters and additionally notify the USDOT Office of Inspector General (OIG) of any instances relating to false claims under the False Claims Act or fraud. Recipients must comply with restrictions on lobbying requirements.

Finding: No deficiency.

### **2. Financial Management and Capacity**

Basic Requirement: The recipient must have financial policies and procedures; an organizational structure that defines, assigns, and delegates fiduciary authority; and financial management systems in place to manage, match, and charge only allowable costs to the award. The recipient must conduct required Single Audits, as required by 2 CFR part 200, and provide financial oversight of subrecipients.

Finding: No deficiency.

### **3. Technical Capacity – Award Management**

Basic Requirement: The recipient must report progress of projects in awards to the FTA and close awards timely.

Finding: No deficiency.

### **4. Technical Capacity – Program Management & Subrecipient Oversight**

Basic Requirement: States must document and follow a public involvement process for the development of the long-range statewide transportation plan and State Transportation Improvement Program (STIP). Designated recipients of Sections 5310, 5311, and 5339 funds must develop and submit a State Management/Program Management Plan to the FTA for approval. Recipients must enter into an agreement with each subrecipient, obtain required certifications from subrecipients, report in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) on subawards, and ensure subrecipients comply with the terms of the award.

Finding: No deficiency.

## 5. Technical Capacity – Project Management

Basic Requirement: The recipient must implement the FTA-funded projects in accordance with the award application, the FTA Master Agreement, and applicable laws and regulations using sound management practices.

Finding: No deficiency.

## 6. Transit Asset Management

Basic Requirement: Recipients must comply with 49 CFR part 625 to ensure public transportation providers develop and implement transit asset management (TAM) plans.

Finding: No deficiency.

## 7. Satisfactory Continuing Control

Basic Requirement: The recipient must ensure that FTA-funded property will remain available and used for its originally authorized purpose throughout its useful life until disposition.

Finding: One deficiency was found with the FTA requirements for Satisfactory Continuing Control.

### Deficiency Description: *SCC10-1: Excessive fixed-route bus spare ratio*

In its Triennial Review Recipient Information Request (RIR) response, CMTA reported 448 total fixed-route revenue vehicles in its fleet, with 302 of those vehicles required for maximum service, which calculates to a 48 percent spare ratio. CMTS's fleet status report in TrAMS shows a spare ratio of 31 percent. CMTA has one Section 5307 award in Final Concurrence/Reservation status in TrAMS system (TX-2025-042-00) that includes the purchase of replacement buses. CMTA does acknowledge that its current fleet exceeds the spare ratio in the grant application, however, discussions with the recipient indicated CMTA has not submitted a spare ratio deviation request to FTA as required by FTA Circular 5010.1F Chapter IV, Section 3.n.(1).

Corrective Action(s) and Schedule: No later than December 1, 2025, CMTA must submit to the FTA Region 6 office via the OTrak system a plan for reducing the spare ratio to 20 percent for fleets of 50 or more buses. The plan should include a spreadsheet listing for each bus type, the number of buses, and, for each year until the spare ratio reaches 20 percent, the number of buses to be disposed of, the number of buses to be added, the projected peak requirement, and the projected spare ratio. The plan should include detailed justifications for years in which spare ratios exceed 20 percent. If the plan cannot be completed within 90 days, CMTA must report progress in quarterly/annual reports.

Subsequent to the site visit, CMTA submitted a written request to FTA for a temporary deviation from the spare ratio requirement, along with an updated fixed-route fleet plan demonstrating

CMTA's options for reducing the spares in the fixed route bus fleet, with a goal of nearing compliance by January 2027. FTA approved the CMTA waiver request in a letter dated July 25, 2025. This deficiency is closed with the issuance of this final report.

## 8. Maintenance

Basic Requirement: Recipients must keep federally funded vehicles, equipment, and facilities in good operating condition. Recipients must keep Americans with Disabilities Act (ADA) accessibility features on all vehicles, equipment, and facilities in good operating order.

Finding: No deficiency.

## 9. Procurement

Basic Requirement: The non-federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, and conform to applicable Federal law and the standards identified in 2 CFR Part 200. With regard to the procurement standards in 2 CFR Part 200, state recipients can use the state's overall policies and procedures, except that the state must comply with 2 CFR 200.321 (contracting with small and minority businesses (superseded by DOT's DBE regulation)), 200.322 (domestic preferences), 200.323 (procurement of recovered materials), and 200.327 (contract provisions). States also must comply with any requirement applicable to FTA recipients by reason other than a 2 CFR Part 200 procurement standard; for example, 49 U.S.C. 5325(a) requires recipients to conduct all procurement transactions in a manner that provides full and open competition, regardless of Part 200's allowance for states to use state procedures.

Finding: No deficiency.

## 10. Disadvantaged Business Enterprise (DBE)

Basic Requirement: Recipients must comply with 49 CFR Part 26 to ensure nondiscrimination in the award and administration of USDOT-assisted contracts. Recipients also must create a level playing field on which DBEs can compete fairly for USDOT-assisted contracts.

Finding: One deficiency was found with the FTA requirements for Disadvantaged Business Enterprise.

### Deficiency Description: ***DBE11-1: Unreported transit vehicle purchases***

CMTA did not submit the required online Transit Vehicle Award Reporting Form for the 2022 purchase of 23-foot Turtle Top paratransit vehicles from ABC Texas Bus Sales. The form is located on FTA's Civil Rights DBE Webpage and is required to be submitted within 30 days of executing a contract to procure a transit vehicle per 49 CFR 26.49(a)(4). During the site visit meeting with CMTA's Section 5310 subrecipient AGE of Central Texas, it was noted that

CMTA also was not submitting the Transit Vehicle Award Reporting Form on behalf of its subrecipients when they purchase vehicles through the 5310 program.

Corrective Action(s) and Schedule: No later than December 1, 2025, CMTA must submit to the FTA Region 6 office via the OTrak system an implemented process to ensure that future awards of FTA funded transit vehicle purchases are reported timely to the FTA Office of Civil Rights. Additionally, CMTA must report any unreported awards to transit vehicle manufacturers to the FTA Office of Civil Rights and must revise any Semi-annual Uniform Reports, as necessary.

## 11. Title VI

Basic Requirement: The recipient must ensure that no person shall, on the grounds of race, color, or national origin, be excluded from participating in, or be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance without regard to whether specific projects or services are federally funded. The recipient must ensure that all transit services and related benefits are distributed in an equitable manner.

Finding: No deficiency.

## 12. Americans with Disabilities Act (ADA) – General

Basic Requirement: Titles II and III of the Americans with Disabilities Act of 1990 provide that no entity shall discriminate against an individual with a disability in connection with the provision of transportation service. The law sets forth specific requirements for vehicle and facility accessibility and the provision of service, including complementary paratransit service.

Finding: No deficiency.

## 13. ADA – Complementary Paratransit

Basic Requirement: Under 49 CFR 37.121(a), each public entity operating a fixed-route system shall provide paratransit or other special service to individuals with disabilities that is comparable to the level of service provided to individuals without disabilities who use the fixed-route system. “Comparability” is determined by 49 CFR 37.123-37.133. Requirements for complementary paratransit do not apply to commuter bus, commuter rail, or intercity rail systems.

Finding: One deficiency was found with the FTA requirements for ADA - Complementary Paratransit.

Deficiency Description: ADA-CPT5-4: Insufficient no-show suspension procedures

The CMTA appeal process for its paratransit rider no-show suspensions in the *CapMetro Access Riders’ Guide* and on the CMTA website require the suspended rider to request an appeal with CMTA within 15 calendar days of receiving the no-show suspension letter. The appeals process

for no-show suspensions must follow the same procedures as ADA eligibility denials, and riders must be given 60 days in which to file an appeal per 49 CFR 37.125.

Corrective Action(s) and Schedule: No later than December 1, 2025, CMTA must submit to the FTA Region 6 office via the OTrak system an ADA no-show suspension appeals process that offers the opportunity for the rider to appeal within 60 days.

Subsequent to the site visit, CMTA provided the review team with an updated version of the *CapMetro Access Riders' Guide* that corrected the no-show appeals process to include a 60-day period for filing suspension appeals. The CMTA website was also updated to include the correct appeals time frame. After review by the FTA Office of Civil Rights, this deficiency is closed with the issuance of this final report.

#### **14. Equal Employment Opportunity (EEO)**

Basic Requirement: The recipient must ensure that no person in the United States shall on the grounds of race, color, religion, national origin, sex, age or disability be excluded from participating in, or denied the benefits of, or be subject to discrimination in employment under any project, program or activity receiving Federal financial assistance under the Federal transit laws.

Finding: No deficiency.

#### **15. School Bus**

Basic Requirement: Recipients are prohibited from providing school bus service in competition with private school bus operators unless the service qualifies and is approved by the FTA Administrator under an allowable exemption. Federally-funded equipment or facilities cannot be used to provide exclusive school bus service.

Finding: No deficiency.

#### **16. Charter Bus**

Basic Requirement: Recipients are prohibited from using the FTA-funded equipment and facilities to provide charter service that unfairly competes with private charter operators. Recipients may operate charter only when the service meets a specified exception defined in rule.

Finding: No deficiency.

## 17. Drug Free Workplace Act

Basic Requirement: Recipients are required to maintain a drug free workplace for all award-related employees; report any convictions occurring in the workplace timely; and have an ongoing drug free awareness program.

Finding: No deficiency.

## 18. Drug and Alcohol Program

Basic Requirement: Recipients receiving Section 5307, 5309, 5311, or 5339 funds that have safety-sensitive employees must have a drug and alcohol testing program in place for such employees.

Finding: No deficiency.

## 19. Section 5307 Program Requirements

Basic Requirement: The recipient must participate in the transportation planning process in accordance with Federal Transit Administration (FTA) requirements and the metropolitan and statewide planning regulations.

Recipients shall develop, publish, afford an opportunity for a public hearing on, and submit for approval, a program of projects (POP).

Recipients are expected to have a written, locally developed process for soliciting and considering public comment before raising a fare or carrying out a major transportation service reduction.

For fixed-route service supported with Section 5307 assistance, fares charged seniors, persons with disabilities or an individual presenting a Medicare card during off peak hours will not be more than one half the peak hour fares.

Finding: No deficiency.

## 20. Section 5310 Program Requirements

Basic Requirement: Recipients must expend Section 5310 funds on eligible projects that meet the specific needs of seniors and individuals with disabilities. Projects selected for funding must be included in a locally developed, coordinated public transit-human services transportation plan. Recipients must approve all subrecipient leases of Section 5310-funded vehicles. Leases of Section 5310-funded vehicles must include required terms and conditions. Either the recipient or subrecipient must hold the title to the leased vehicles.

Finding: No deficiency.



## 21. Section 5311 Program Requirements

Basic Requirement: States must expend Section 5311 funds on eligible projects to support rural public transportation services and intercity bus transportation.

Finding: This section only applies to recipients that receive Section 5311 funds directly from FTA; therefore, the related requirements are not applicable.

## 22. Public Transportation Agency Safety Plan (PTASP)

Basic Requirement: Recipients must comply with the Public Transportation Agency Safety Plan (PTASP) regulation (49 CFR Part 673) to ensure public transportation providers develop and implement an Agency Safety Plan (ASP). The PTASP Final Rule published in the Federal Register April 11, 2024 became effective May 13, 2024. FTA expects transit agencies to address the regulatory changes in the new PTASP Final Rule in their next Agency Safety Plan (ASP) annual update.

FTA requires applicable recipients to certify that they have established an ASP that meets the requirements of the PTASP regulation and 49 U.S.C. 5329(d) as part of the annual Certifications and Assurances for FTA grants and cooperative agreements. FTA notes that per 49 U.S.C. 5307(c)(1)(L), this certification is a required condition of receiving section 5307 funding (though noncompliance can impact access to Section 5307 funding as well as other grant funds where 5307 requirements apply). FTA monitors these certifications in its Transit Award Management System (TrAMS).

Finding: No deficiency.

## 23. Cybersecurity

Basic Requirement: Recipients that operate rail fixed guideway public transportation systems must certify compliance with the requirements for establishing a cybersecurity process under 49 U.S.C. § 5323(v), a new subsection added by the National Defense Authorization Act for Fiscal Year 2020, Pub. L. 116-92, § 7613 (Dec. 20, 2019).

Finding: No deficiency.

## V. Attendees

Name	Title	Department	E-mail Address
<b>Capital Metropolitan Transportation Agency</b>			
Dottie Watkins	CEO	Executive	Dottie.Watkins@capmetro.org
Terry Follmer	Chief Auditor	Internal Audit	Terry.Follmer@capmetro.org
Cheyenne Conyer	Chief of Staff	Executive	Cheyenne.Conyer@capmetro.org
Kerri Butcher	Deputy CEO	Executive	Kerri.Butcher@capmetro.org
Dave Kubicek	EVP CCCP	Executive	Dave.Kubicek@capmetro.org
Melanie Capesius	Grant Prog. Manager	Finance	Melanie.Capesius@capmetro.org
Alex Lorio	Grant Prog. Manager	Finance	Alex.Lorio@capmetro.org
Catherine Walker	EVP, Chief Financial & Risk Officer	Finance	Catherine.Walker@capmetro.org
Ken Cartwright	VP, Construction & Facilities	CCED	Kenneth.Cartwright@capmetro.org
King Kaul	Director, Capital Projects	CCED	King.Kaul@capmetro.org
Rashni Hebbar	Director, Project Controls	CCED	Rashni.Hebbar@capmetro.org
Susan Mwangi	Manager, TAM & Inventory	CCED	Susan.Mwangi@capmetro.org
Brad Bowman	Chief Counsel	Legal	Brad.Bowman@capmetro.org
Andrew Murphy	Sr. Director, Vehicle Maintenance	Bus Operations & Maintenance	Andrew.Murphy@capmetro.org
Dwight Mustipha	Supervisor, VM, QA & Data	Bus Operations & Maintenance	Dwight.Mustipha@capmetro.org
Rowland Cardenas	Operations Manager	Operations	Rowland.Cardenas@capmetro.org
Randy Slaughter	Director, Contracts, Demand Response	Demand Response	Randy.Slaughter@capmetro.org
Rafael Villareal Jr.	Sr. Director Bus Transportation	Operations	Rafael.Villareal@capmetro.org
Miles Turpin	VP, Bus Operations & Maintenance	Operations	Miles.Turpin@capmetro.org
Louise Friedlander	Accessible Transp. Specialist	Systemwide Accessibility	Louise.Friedlander@capmetro.org
Martin Karerthi	Director, Systemwide Accessibility	Systemwide Accessibility	Martin.Karerthi@capmetro.org
Gardner Tabon	EVP, Systemwide ACC & CSO	OSHA	Gardner.Tabon@capmetro.org
Andrew Skabowski	EVP, COO	Operations	Andrew.Skabowski@capmetro.org

Amy Parekh	Internal Auditor II	Internal Audit	Amy.Parekh@capmetro.org
Auturo Jackson	VP, Demand Response & Microtransit Svcs.	Operations	Art.Jackson@capmetro.org
Sara Sanford	Sr. Director, Demand Response	Demand Response	Sara.Sanford@capmetro.org
Shannon Reznick	Director, Total Rewards	People & Culture	Shannon.Reznick@capmetro.org
Benjamin Sims	VP, HR	People & Culture	Benjamin.Sims@capmetro.org
Sharmila Mukherjee	EVP, Chief Planning & Development Officer	Planning & Development	Sharmila.Mukherjee@capmetro.org
Julie Mazur	Manager, Reg. Coord. Planning	Planning	Julie.Mazur@capmetro.org
Kevin Congan	Deputy CFO	Finance	Kevin.Congan@capmetro.org
Nadia Nahvi	Controller	Finance	Nadia.Nahvi@capmetro.org
Danny Solano	Procurement Mgr.	Procurement	Danny.Solano@capmetro.org
Anita Deibert	Procurement Mgr.	Procurement	Anita.Deibert@capmetro.org
Muhammad Abdullah	VP, Procurement	Procurement	Muhammad.Abdullah@capmetro.org
Donna Simmons	EVP, Administration - EEO Officer	Administration	Donna.Simmons@capmetro.org
Carlos Balderas	Manager, Small Business Programs	Small Business Programs	Carlos.Balderas@capmetro.org
Ronika Quattlebaum	PM, Rail Transportation	Rail	Ronika.Quattlebaum@capmetro.org
Jeffery Hill	VP, Facilities Maintenance	Operations	Jeffery.Hill@capmetro.org
Christina Palermo	Special Projects, Finance	Finance	Christina.Palermo@capmetro.org
Roberto Gonzales, Jr.	Sr. Director, Service Planning	Planning	Roberto.Gonzales@capmetro.org
John Kiczek	VP, CISO	IT	John.Kiczek@capmetro.org
Tanya Acevedo	EVP	IT	Tanya.Acevedo@capmetro.org
<b>FTA</b>			
Suleman Shoaib	Lead General Engineer	FTA Region 6	suleman.shoaib@dot.gov
Sharon Coats (via teleconference)	Dir. of Financial Management & Program Oversight	FTA Region 6	sharon.coats@dot.gov
<b>Interactive Elements Inc.</b>			
Andrew Lynd	Lead Reviewer	IEI	alynd@pierlottassociates.com
Thomas Buffkin	Assoc. Reviewer	IEI	twb@ieitransit.com
Hall McSharry	Assoc. Reviewer	IEI	hbm@ieitransit.com

To: CapMetro's Board of Directors  
Dottie Watkins, President & CEO

From: Terry Follmer, Chief Audit Executive

CC: Kerri Butcher, Deputy CEO  
Andy Skabowski, EVP COO  
Donna Simmons, EVP Chief Administrative & EEO Officer  
Gardner Tabon, EVP, Chief Safety Officer  
Cheyenne Conyer, Senior Director, Chief of Staff  
Brad Bowman, Chief Counsel  
Dave Kubicek, EVP Capital Construction, Engineering & Design  
Sharmila Muherjee, EVP Chief Strategic Planning & Development Officer  
Ed Easton, Program Manager, Board Relations

Date: August 29, 2025

Re: Management Memo – FTA Triennial Review (25-03A)

The fiscal year 2025 Audit Plan included an advisory project to coordinate and support management through the required FTA Triennial Review. I am pleased to provide you with a copy of this Federal Transit Administration (FTA) final report (see attached) which documents the results of FTA's fiscal Year (FY) 2025 Triennial Review. Although not an audit, the Triennial Review, as required by 49 U.S.C. Chapter 53, is the FTA's assessment of the CapMetro's compliance with Federal requirements, determined by examining a sample of award management and program implementation practices.

The purpose of this Audit Memorandum is to summarize the results and next steps for the Board. The Triennial Review focused on CapMetro's compliance in 23 areas, and deficiencies were only found in three areas, and two deficiencies have been closed already as follows:

- Satisfactory Continuing Control – Excessive fixed-route bus spare ratio (Closed based on FTA approved waiver until July 2027)
- Disadvantaged Business Enterprise – Unreported transit vehicle purchases (Open)
- Americans with Disabilities Act (ADA) Complementary Paratransit – Insufficient no-show suspension procedures (Closed)

The FY2022 Triennial Review had no deficiencies therefore there were no repeat findings. Subsequent to the FTA site visit, CapMetro submitted a written request to FTA for a temporary deviation from the spare ratio requirement, along with an updated fixed-route fleet plan demonstrating CapMetro's options for reducing the spares in the fixed route bus fleet, with a goal of nearing compliance by January 2027, which was approved by the FTA. Additionally, CapMetro provided corrective action responses to address and close the deficiency noted in the Satisfactory Continuing Control and ADA – Complementary Paratransit area.

The FTA has developed a new system called FTA's Oversight Tracking System (OTrak) to track all corrective actions until completed, and the Internal Audit Department will take the lead in ensuring the OTrak system is kept current and will update the Board when all deficiencies have been remediated. Please let me know if you have any questions or if there are any additional actions you would like for me to take related to FTA Triennial Review.

Sincerely,

Terry Follmer, Chief Audit Executive



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2025-1453

**Agenda Date:** 9/10/2025

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Internal Audit External Quality Control Report issued by the Association of Local Government Auditors.



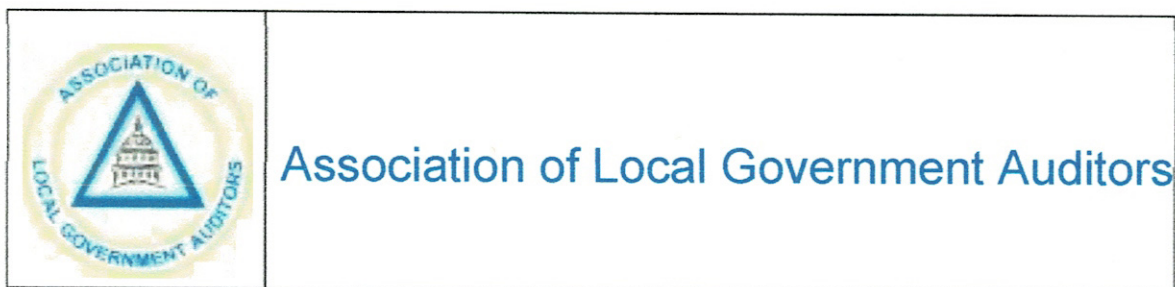
## External Quality Control Review

of the

Capital Metropolitan Transportation Authority

Conducted in accordance with guidelines of the  
**Association of Local Government Auditors**  
for the period January 1, 2022 through December 31, 2024





August 21, 2025

Mr. Terry Follmer, Chief Audit Executive  
Capital Metropolitan Transportation Authority  
700 Lavaca Street  
Austin, TX 78701

Dear Mr. Follmer

We have completed a peer review of the Capital Metropolitan Transportation Authority (Cap Metro) for the period January 1, 2022, through December 31, 2024. In conducting our review, we followed the standards and guidelines contained in the Peer Review Guides published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of conformance with the International Standards for the Professional Practice of Internal Auditing (the Standards) issued by the Institute of Internal Auditors as part of their Professional Practices Framework and reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States, as well as applicable legal and regulatory requirements.

Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management.

Due to variances in individual performance and judgment, conformance does not imply adherence to standards in every case but does imply adherence in most situations. Based on the results of our review, it is our opinion that during the period of January 1, 2022, through December 31, 2024 Cap Metro's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of conformance with the Standards, resulting in a rating of generally conforms, and compliance with Government Auditing Standards, resulting in a rating of pass.

We have prepared a separate letter providing findings and recommendations for strengthening your internal quality control system.

Kimberly Houston  
Deputy Chief Auditor  
Leader  
LA County Metro

Michelle Crawford  
City Auditor  
Member  
City of Aurora

Simba Mandizvidza  
Audit Manager  
Member  
San Gabriel Valley Council of Governments





## Association of Local Government Auditors

August 21, 2025

Mr. Terry Follmer, Chief Audit Executive  
Capital Metropolitan Transportation Authority  
700 Lavaca Street  
Austin, TX 78701

Dear Mr. Follmer,

We have completed a peer review of the Capital Metropolitan Transportation Authority (Cap Metro) for the period January 1, 2022, through December 31, 2024 and issued our report thereon dated August 21, 2025. We are issuing this companion letter to offer certain findings and recommendations stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The chief audit executive has created standard templates to ensure consistency in the audit process.
- Continuing professional education enhances staff members collective knowledge, skills and competencies.

We offer the following findings and recommendations to help your organization achieve full compliance with Government Auditing Standards:

**Observation:**

Standard 8.132 states, "Auditors must prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed; the evidence obtained; and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions."

**Finding:**

In reviewing the Office's work papers, we observed that Cap Metro's work papers were not prepared in such a manner to enable an experienced auditor with no previous connection to the audit, to understand the nature, timing, extent, and results of audit procedures performed, the evidence obtained; and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions.

Recommendation:

We recommend Cap Metro prepare work papers in such a manner that an experienced auditor can understand the nature, timing, extent, and results of audit procedures performed, the evidence obtained, and its source and conclusions reached, including evidence that supports the auditors' significant judgements and conclusions.

Observation:

Standard 8.27 states, "Auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit, and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit."

Finding:

In reviewing the Office's work papers, we observed Cap Metro did not document evidence of inquiry with management regarding legal proceedings or investigations.

Recommendation:

We recommend Cap Metro document evidence of inquiry with management regarding investigations or legal proceedings that are significant to the audit objectives and document the effect as it relates to the audit.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Kimberly Houston  
Deputy Chief Auditor  
LA County Metro

Leader



Michelle Crawford  
City Auditor  
City of Aurora

Member



Simba Mandizvidza  
Audit Manager  
San Gabriel Valley Council of  
Governments

Member



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2025-1598

**Agenda Date:** 9/10/2025

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Internal Audit Review of Bikeshare deliverables between CapMetro and City of Austin.

## RACI Matrix - CapMetro Bikeshare: City of Austin (COA) Activities

<b>R</b>	<b>Responsible</b> people are the ones who perform the work to complete the task. Every task should have at least one Responsible person.
<b>A</b>	<b>Accountable</b> people make sure the Responsible person or team knows the expectations and completes the work. Every task should have one Accountable person.
<b>C</b>	<b>Consulted</b> people provide input and feedback on the work being done. They have a stake in the outcomes because it could affect their current or future work. Not Every task needs a Consulted party.
<b>I</b>	<b>Informed</b> people need to know what is going on because it could affect their work, but They are Not decision makers in the process. They should be looped into the progress but Not overwhelmed with the details.

<b>Activity</b>	Source: ILA with City of Austin which was finalized on 03/17/2025 Source: CONTRACT NO. 500131 (RFP 802316) dated 2/2024 between CapMetro and PBSC Urban Solutions	<a href="#">CapMetro City of Austin Bikeshare ILA 3-17-2025.pdf</a> <a href="#">02-2024 Contract-PBSC Urban Solutions-Bikeshare.pdf</a>
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				COA Accounting Team	Transportation Demand Management Team		Transportation Public Works	Shared Mobility Services			Legal Team
Task	Description/Activities	Source	Notes	Tim Taylor	Jacob Barrett	Manuela Figueroa-Casas	Joseph Al-hajeri	Michael Kimbro	Andrea Martinez	Michael McNoldy	Angela Rodriguez
<b>Agreement Conception</b>											
A	Negotiate & develop draft ILA				C		R/A	C			C/I
B	Review & approve the ILA contract			C/I			R/A				R
C	Program Manager to develop schedule for monthly meetings with CapMetro to seek consensus on all CapMetro Bikeshare matters	ILA section B.3			C/I	R/A		C/I			
D	Program Manager to attend and engage in monthly meetings with CapMetro to seek consensus on all CapMetro Bikeshare matters	ILA section B.3			C/I	R/A		C/I	R		
<b>Planning</b>											
E	A City Case Manager will be provided to facilitate streamlined permitting and engineering	ILA, Section H.1			C/I	C/I	C/I	R/A	C/I	C/I	
F	Annually develop service level objectives (SLOs) in collaboration with CapMetro	ILA section H.4	The SLO areas should include at the minimum targets to protect the longevity of bike and station assets (i.e. battery replacement, tire replacement, in-active device idle time, station repairs, etc.). In addition, SLOs should report on areas station rebalancing efforts, expansion milestone expectations, and expenditure reports.	C/I	C/I	C/I	C/I	R/A	R	R	
G	The Parties will coordinate on CapMetro Bikeshare Annual Work Plan for CapMetro Bikeshare Program	ILA section B.2-3		C/I	R/A	C/I	C/I	R	C	C	
<b>Execution</b>											
<b>Funding</b>											
H	Verify and pay quarterly invoices from CapMetro for reimbursement of up to \$250K Annual Operations & Maintenance Contribution for FY2025 through FY2027. Total amount to not exceed \$750K	ILA Section C.1i.1	Disbursement through Oracle	R/A				R			
I	Maintain responsibility for Electrification Costs (e.g. monthly electric fees associated with charging), for stations connected to City meter.	ILA Section C.1i.2		R/A	R	C/I					
J	Verify and pay monthly invoices from CapMetro for reimbursement of approx. \$1.2M Annual City Capital Contribution for FY2025 through FY2027. Total amount to not exceed \$3.6M	ILA Section C.1ii.1	"The City will contribute an estimated \$1,200,000.00 per fiscal year for Fiscal Year 2025 through 2027 ( the "Annual City Capital Contribution") for a total capital contribution to the Bikeshare Program in an amount not to exceed \$3,600,000.00."	R/A	R	C/I	I	I	I	I	
K	Verify receipt of Federal Transportation Alternative Set-Aside grant funds (TASA) in the amount of \$11.2M, and execute Local Government Match of \$2.9M for City's contribution of \$14.1M.	ILA, Recital 6	"The City has been awarded a \$11.2 million in Federal Transportation Alternative Set-Aside grant funding. The award of these grant funds requires a Local Government Match in the amount of approximately \$2.9 million. City will contribute a total of approximately \$14.1 million investment in the Program less Federal and State direct and indirect administrative costs."	R/A	C/I						
L	Program managers will schedule meeting on April 1, 2026 for O&M Contribution for fiscal years 2028 through 2034	ILA, Section C.1i.3		C			R/A	R			
M	The Parties will meet to determine City's Capital Contribution for FY2028 through 2034	ILA Section C.1ii.5	"The Parties will meet and work together in good faith to determine the City's Capital Contribution for Fiscal Years 2028 through 2034 at the Contribution Meeting."	C				R/A			

N	Verify annually, with CapMetro, the COA contribution schedule, including Local Government Match of \$2,823,325 and Sale of Assets and in accordance with Advance Funding Agreement (AFA) for a Transportation Alternatives Set-Aside (TASA). Any MetroBike assets purchased prior to the AFA being executed are not reimbursable by the City.	ILA, Section C.2, Section C.1ii.2-3		R/A		R/A		C/I				
<b>Accounting</b>												
O	Complete monthly journal entries for CapMetro Bikeshare expenses (ex: Reimbursements to CapMetro)	ILA, Section C.2i		R/A								
P	Reconcile received invoice amounts to CapMetro reported monthly Capital Contributions and quarterly O&M Contributions.	ILA Section O		R/A								
Q	Retain and provide financial and contractual documentation in accordance with the AFA and State and Local regulations	ILA, Section C.2iv		R/A								
R	Funding through the sale of assets shall be allocated by CapMetro to the Program and counted towards the City's Capital Contribution	ILA, Section D.5		R/A								
<b>Reporting</b>												
S	Collaborate on the Bikeshare Monthly and Annual Report and Work Plan from CapMetro.	ILA Section K		R/A	R/A	C/I	C/I	R/A	C/I	C/I		
<b>Marketing</b>												
T	Any media and marketing of the donation or sale assets is subject to Section D.5 will be in accordance with Section J of the Agreement.	ILA, Section D.5, Section J						R/A				
U	Coordinate with CapMetro to implement public feedback and address Customer Service Request(s) through 3-1-1 system	ILA, Section J.5			C/I	R/A						
<b>Oversight</b>												
V	Oversight of ILA requirements and compliance, including reporting compliance issues to all parties	ILA section B			R	R/A	R	R	R	R		
W	Oversight of appropriate asset management & disposal by CapMetro	ILA, Section D.5	"CapMetro will work with the City, when applicable, to ensure that any assets disposed by CapMetro conform to all applicable laws and ordinances, including compliance with the City's zero waste goal and recycling program."	I		R/A						
X	Oversight of management and allocation of Federal Transportation Alternative Set-Aside (TASA) grant funds and Local Government Match, all for \$14.1M total City funds to CapMetro, with purpose of enhancing and expanding the Bikeshare Program within AFA terms between the City and TXDOT and this agreement.	ILA, Recital 6	"The City has been awarded a \$11.2 million in Federal Transportation Alternative Set-Aside grant funding. The award of these grant funds requires a Local Government Match in the amount of approximately \$2.9 million. City will contribute a total of approximately \$14.1 million investment in the Program less Federal and State direct and indirect administrative costs."	R/A		C/I						
Y	Oversight of CapMetro Bikeshare Strategic Plan	ILA Section A.2			C/I	R/A	C/I	C/I	C/I	C/I		
Z	Oversight of Accounts Receivable and Accounts Payable			R/A								



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2025-1596

**Agenda Date:** 9/10/2025

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Internal Audit Management Memo - Police Department Standup advisory project



To: CapMetro's Board of Directors  
Dottie Watkins, President & CEO

From: Terry Follmer, Chief Audit Executive

CC: Joseph Rose, Interim Chief of Police, CapMetro  
Gardner Tabon, EVP, Chief Safety Officer

Date: August 13, 2025

Re: Management Memo – Transit Police Dept Standup Review (25-11A)

The fiscal year 2025 Audit Plan included an advisory review of the Transit Police Department standup. The objective of the advisory review was to identify the regulatory recordkeeping and reporting requirements for Transit Police Departments and assess CapMetro's readiness to ensure compliance. The scope of our review included: researching the federal, state and local law enforcement requirements; the TCOLE (Texas Commission on Law Enforcement) Minimum Standards; understanding the police department governance structure and reporting to regulatory authorities; interviews of the Chief of Police and Deputy Chief; touring the new Police headquarters; review of Policies and Procedures; and flowcharting the regulatory governance hierarchy. The purpose of this Audit Memorandum is to document the Internal Audit Department compliance activities and overall assessment of the Transit Police Departments readiness regarding the June 16, 2025, go live.

My goal as an independent observer of the Transit Police Department standup process was to ensure that key regulatory requirements had been identified and addressed by the CapMetro Police Department. I have concluded that the process was planned and executed with the following qualities: focused on meeting the requirement of the TCOLE (Texas Commission on Law Enforcement) Minimum Standards; thorough and complete approach; the Police Department has been staffed with highly experienced police professionals; appropriate resources were provided to ensure success; the Internal Audit Department was given ample time to ask questions and received answers; and the support from the outside consultants (e.g. Lexipol; Wanda Dunham Consulting) was invaluable and provided another layer of value added analysis and quality control in the standup of the Police Department. Throughout this process I was allowed access to all records requested and my questions were appropriately addressed.

Based upon my review, observations, and compliance testing, and the Department and Officers being TCOLE certified, I do not have any concerns related to the Police Department standup and I concur with CapMetro's decision to go live on June 16, 2025. In my opinion, CapMetro's approach to standing up the Transit Police Department was reasonable and complete. Please let me know if you have any questions or if there are any additional actions you would like for me to take related to this matter.

Sincerely,

Terry Follmer, Chief Audit Executive





# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2025-1599

**Agenda Date:** 9/10/2025

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Internal Audit Management Memo - Miscellaneous Revenues Follow-up

### Miscellaneous Revenues Mgt Memos - Recommendations & MAP Tracker as of 8/30/2025 (#25-25A)

	Project Number	Project Name	Report Date	Management Owners	Issue & Risk	Recommendations	Status
1	23A-17	RideShare Program - Revenue Compliance Review	2/6/24	Rafael Villarreal, Tammy Quinn, and Brandi Mohler	3 Issues with 5 Recommendations	5 Recommendations - 3 are Implemented and 2 are In Process of being implemented	In Process
2	24-04A	Watco Freight Contract Revenue	2/6/24	Muriel Friday, Scott Phebus, Nadia Nahvi and Brandi Mohler	3 Issues with 9 Recommendations	9 Recommendations - 5 are Implemented and 4 are In Process of being implemented	In Process
3	24-09A	Bright Horizons Daycare	12/23/23	Donna Simmons, Benjamin Simms, and Angela Murphy	4 Issues with 4 Recommendations	4 Recommendations - all 4 recommendations have been implemented	Completed
4	24-05A Presentation	Investment Income	12/4/23	Kevin Conlan and Nadia Nahvi	5 Issues with 5 Recommendations	5 Recommendations - all 5 recommendations have been implemented	Completed
5	24-03A Presentation	Sales Tax	12/1/23	Kevin Conlan, Nadia Nahvi and Brandi Mohler	2 Issues with 3 Recommendations	3 Recommendations - all 3 recommendations have been implemented.	Completed
6	24-11A	Bulk Transit Passes	6/13/24	Samantha Baez, Cynthia Lucas, and Brandi Mohler	4 Issues with 10 Recommendations	10 Recommendations - 10 are In Process of being implemented	In Process
7	23A-16	Advertising Revenue	8/30/24	Cynthia Lucas, Derek Heino, and Brandi Mohler	3 Issues with 8 Recommendations	8 Recommendations - 1 is implemented and 7 are In Process of being implemented	In Process
8	24-07A	Plaza Saltillo Ground Lease	10/1/24	Nadia Nahvi, Julie Barr, Brandi Mohler, Dave Kubicek, Ken Cartwright.	3 Issues with 10 Recommendations	10 Recommendations - 10 are In Process of being implemented	In Process
9	24-08	CLS System (ROW, RWIC, Permits, and Licenses)	1/15/25	Vincent Sandoval, Shannon Gray, Nadia Nahvi, Brandi Mohler, Muriel Friday	6 Issues with 18 Recommendations	18 Recommendations - 18 are In Process of being implemented	In Process



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2025-1592

**Agenda Date:** 9/10/2025

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FY2025 Internal Audit Plan Status - September 2025

## FY25 INTERNAL AUDIT PLAN

### Department Scorecard

	Projects	Status & % Complete	Additional Details
	<b>FAA COMMITTEE &amp; INTERNAL AUDIT CHARTER COMPLIANCE</b>		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/16; 11/13; 12/9; 1/15; 2/12; 3/12; 4/14; 5/7; 6/11; 7/16; 8/13; 9/10; 10/8	In-Process	Ongoing
2	Semi-annual Implementation Status Report - November 2024	Completed	December
3	Semi-annual Implementation Status Report - May 2025	Completed	June
4	FY2025 Risk Assessment & development of FY26 Audit Plan	In-Process	October
	<b>FY25 Audit Assurance &amp; Advisory Projects</b>		
1	Keolis Payroll Pass Through Controls	Ongoing Monitoring	Continuous Improvement
2	MTM Payroll Pass Through Controls - New Contract in Demand Response	Ongoing Monitoring	Continuous Improvement
3	Oracle Risk Mgt module - Analyze Oracle segregation of duties	In-Process	
4	Oracle Survey - User Satisfaction & Opportunities		
5	Capital Projects - Costs & Reporting Controls		
6	Police Dept Standup (Recordkeeping & Compliance Requirements)	In-Process	September
7	Inventory Controls - Bus Parts (Keolis)	In-Process	October 2025
8	Inventory Controls - Demand Response Parts (MTM)	In-Process	
9	Inventory Controls - Rail Parts (Herzog)	In-Process	
10	Inventory Controls - Facilities & Bus Stop Parts	In-Process	
11	Fuel Inventory Controls (Unleaded, Diesel, & Red Diesel)	In-Process	
12	A/P Non-PO Payments (P-Cards & Check Requests) Controls	Completed	June
13	Brinks Contract and Outsourced Treasury Controls		
14	Bus Maintenance & Training		
15	Automation of Bus Incidents/Accidents Reporting (TrackIt System)		
16	Safety Management System (SMS) - Management of Change	Completed	March
17	Bus Charging Infrastructure & EV Program	Draft Report	October 2025
18	Bytemark & UMO Contract for e-Tickets & Collections - Administrative Fees		
19	United Healthcare - Eligibility & Payment Support	Completed	July
20	McKalla Station - Capital Project Controls	Completed	January
21	CLS System for Right of Way Revenues (Permits, RWIC, Licenses)	Completed	February
22	BikeShare Program - RACI Chart based upon ILA with City of Austin	Draft RACI Chart	September
23	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2024 baseline	In-Process	October 2025 - Assessment Begins
24	Annual Cybersecurity Review (Verizon Penetration Test)		Testing Sept/Oct
25	FTA Triennial Audit	Final Report 8/18	Onsite 6/2-6/6; 7/11 Draft
26	QAR (Quality Assessment Review) - IIA and GAS Standards	8/21 Report	September
27	Quadrennial Performance Audit	Completed	February

	<b>NEW PROJECTS ADDED TO FY25 AUDIT PLAN by Terry Follmer</b>		
1	Quadrennial Performance Report - Tracker until Completed	In-Process	
2	CLS System for Right of Way License Contracts (Completeness & Accuracy)	In-Process	October 2025
3	RFP on External Audit Services	In-Process	
4	Miscellaneous Revenues - follow-up on prior recommendations	In-Process	September
5	CISA Tabletop Exercise (Ransomware Attack)		11/6/2025



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2025-1600

**Agenda Date:** 9/10/2025

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Executive Finance, Audit and Administration Update - September 2025

*Update on key performance indicators, financial performance, personnel changes, communications and public outreach.*