



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

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, September 11, 2024**

**10:00 AM**

**Rosa Parks Boardroom**

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Any items marked with \* have been revised.

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 August 12, 2024 Finance, Audit and Administration Committee meeting.
2. Approval of a resolution adopting the Fiscal Year 2025 Operating and Capital Budget and Five-Year Capital Improvement Plan, and recommending no changes to the CapMetro Strategic Plan.
- \*3. Approval of a resolution adopting the CapMetro Investment Policy.
4. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with Weaver and Tidwell, L.L.P. for Quadrennial Performance Audit services for a period of one hundred and eighty (180) calendar days in an amount not to exceed \$195,000.
5. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a Memorandum of Understanding with the City of Round Rock authorizing Round Rock to be a direct recipient of a portion of CapMetro's FY2025 and FY2026 Federal Section 5307 Program funds.

**IV. Presentations**

1. Discussion regarding recommendations from the Advertising Revenue Advisory Report.
2. Internal Audit FY2024 Audit Plan Status - September 2024
3. Executive Finance and Administration Monthly Update - September 2024

**V. Items for Future Discussion**

**VI. Adjournment**

**ADA Compliance**

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

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

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



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2024-1265

**Agenda Date:** 9/11/2024

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Approval of minutes from the August 12, 2024 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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**Monday, August 12, 2024**

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

Zenobia Joseph provided public comments this month, which were taken later in the meeting just prior to Discussion Item #4.

**III. Action Items**

1. Approval of minutes from the June 12, 2024 Finance, Audit and Administration Committee meeting.

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

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

2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with Foursquare Integrated Transportation Planning, Inc., to develop the CapMetro Long-Range Agency Vision over a period of two-hundred and sixty-five (265) calendar days in an amount not to exceed \$484,395.

A motion was made by Pool, seconded by Ross, that this Resolution be recommended for the consent agenda to the Board of Directors, due back on 8/26/2024. The motion carried by the following vote:

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

**IV. Presentations**

1. FY2024 Financial Report - June 2024
2. Internal Audit Report - Demand Response

3. Internal Audit Advisory Report - Bulk Transit Pass Controls
4. Internal Audit FY2024 Audit Plan Status - August 2024
5. Executive Finance and Administration Monthly Update - August 2024

**V. Items for Future Discussion**

**VI. Adjournment**

10:51 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; Leslie Pool, Becki Ross and Dianne Bangle.*

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

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Finance, Audit and Administration Committee  
**Agenda Date:** 9/11/2024

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**Item #:** AI-2024-1261

**SUBJECT:**

Approval of a resolution adopting the Fiscal Year 2025 Operating and Capital Budget and Five-Year Capital Improvement Plan, and recommending no changes to the CapMetro Strategic Plan.

**FISCAL IMPACT:**

Adoption of the proposed Fiscal Year (FY) 2025 budget will provide an appropriation of \$704,769,612 in FY2025 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 |

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** The proposed FY2025 budget includes funding to maintain CapMetro's current services while also adding new innovative mobility initiatives, customer service enhancements and building infrastructure needed to support the region's current and future growth. The five-year capital improvement plan identifies projects that support the achievement of CapMetro's strategic goals, ensures regulatory compliance and maintains assets in a state of good repair.

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

**COMMITTEE RECOMMENDATION:** This item was presented for recommendation by the Finance, Audit and

Administration Committee on September 11, 2024.

**EXECUTIVE SUMMARY:** The proposed FY2025 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 FY2025 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 \$448.5 million for operating expenses, \$5.2 million for commitments under interlocal agreements with local government entities for mobility programs and \$21.2 million to contribute to the Project Connect System Plan in FY2025.

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 \$229.8 million in capital projects during FY2025.

Significant projects and acquisitions in the proposed FY2025 Budget, including state of good repair, regulatory compliance and new investments, are highlighted as follows:

- Gearing up for new services in FY2025, with plans to launch the new Decker Pickup zone and two new CapMetro Rapid services in the eastern portion of our serve area: Route 800-Pleasant Valley and Route 837-Expo Center. These services are scheduled to launch in FY2025 and will greatly enhance our offerings in several historically underserved areas of our region.
- We are beginning the multi-year implementation of the Bikeshare Strategic Expansion Plan. Through our partnership with the City of Austin, CapMetro will continue to focus on growing the system by adding nearly 150 e-bikes and approximately 12 stations. This expansion will address existing service gaps and increase the number of stations equipped with in-dock charging capabilities.
- Placement of 81 new electric buses into service and transition bus maintenance operations to a fully electronic inspection system, making it a paperless operation. These enhancements further our promise of sustainability as an agency Core Value.
- In collaboration with the City of Austin, CapMetro's Bus Transit Infrastructure Program plans to complete the construction of 50 bus stops and 25 bus stop shelters, install solar lighting at 50 bus stops and implement ADA improvements.
- In addition to the highlights above, we will be working on developing Transit Plan 2035, embarking on a comprehensive evaluation of hydrogen fuel cell electric buses, progressing on establishing a Transit

Police department, and much more.

The proposed budget reflects the prudent use of projected revenue to provide funding for capital investments needed to maintain CapMetro's transit assets in a state of good repair or to support enhanced services. The proposed, structurally balanced FY2025 budget totals \$704.8 million and is comprised of the following funding and expense categories:

<b>Budget Summary</b>	
<b>Funding</b>	<b>FY2025</b>
Sales Tax	\$402,760,855
Passenger Revenue	20,090,998
Freight Railroad Revenue	6,672,148
Miscellaneous Revenue	19,204,758
Operating Contributions and Grants	64,754,412
Capital Grants - Federal	26,583,184
Capital Grants - State	576,882
Other Capital Contributions	60,693,672
Fund Balance	103,432,702
<b>Total Funding</b>	<b>\$704,769,612</b>
<b>Expenses</b>	<b>FY2025</b>
Operating Expenses	\$448,526,352
Capital Project Expense	229,833,821
Austin Transit Partnership Contribution	21,218,000
Interlocal Agreements	5,191,439
<b>Total Expenses</b>	<b>\$704,769,612</b>

The proposed budget reflects fund balance projections of \$289.7 million by the end of FY2025 as outlined in the table that follows. Of this amount, CapMetro is estimating to set aside \$71.7 million in reserves for two months of operating expenses, which meets the level set forth by the Texas Legislature, \$35.9 million for the budget stabilization reserve, \$7.1 million for the Sustainability Capital Fund, \$2.9 million for city of Austin mobility programs, \$2.3 million for the Small Cities Transit Supportive Infrastructure Fund, \$1.7 million for a self-insurance reserve and \$138.2 million for future funding of the 5-year capital improvement plan as we look forward to future needs in the region.



**FY2025 Projected Ending Fund Balance:**

<b>Projected Beginning Balance</b>	<b>\$393,114,239</b>
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**FY2025 Projected Activity:**

+ Revenue	601,336,909
- Operating Expenses	448,526,352
- Interlocal Agreements	5,191,439
- Contribution Toward Project Connect	21,218,000
- Capital Projects	229,833,821

<b>= Projected Ending Balance</b>	<b>\$289,681,537</b>
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**Breakdown of Ending Balance:**

Statutory Operating Reserve Requirement	71,705,132
Budget Stabilization Reserve	35,852,566
Project Connect - Dedicated Funds	29,903,963
Sustainability Capital Fund	7,150,000
Small Cities Transit Supportive Infrastructure Fund	2,262,998
City of Austin Mobility Programs	2,860,216
Self-Insurance Reserve	1,716,327
Funding for 5-Year Capital Improvement Plan	138,230,335

<b>= Projected Ending Balance</b>	<b>\$289,681,537</b>
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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 FY2025 capital budget and capital improvement plan are outlined in the table that follows, summarized by project type and followed by projected funding sources.

Capital Project Type	FY2025	FY2026	FY2027	FY2028	FY2029	Total
Bus and Paratransit	\$ 34,131,319	28,160,419	37,702,789	41,932,059	35,716,059	177,642,645
Commuter Rail	4,067,116	1,937,500	1,476,471	776,471	776,471	9,034,029
Facilities	54,027,558	96,477,142	59,561,000	8,017,000	4,617,000	222,699,700
Information Technology	11,144,488	13,525,595	6,138,678	5,341,657	2,801,196	38,951,514
Other	21,511,500	18,150,000	3,049,835	2,945,825	3,461,825	49,118,985
Project Connect	68,445,383	12,762,350	27,877,977	44,950,000	14,796,057	168,831,767
Property and Asset Mgmt	36,506,456	20,110,879	2,359,639	1,344,874	3,329,304	63,651,151
<b>Total Capital Projects</b>	<b>229,833,821</b>	<b>191,123,894</b>	<b>138,166,381</b>	<b>105,307,896</b>	<b>65,497,932</b>	<b>729,929,924</b>
<b>Funding Sources</b>						
Grants/Contributions	87,853,788	38,476,116	48,360,903	54,176,683	22,822,750	251,690,140
Local Funding	141,980,082	152,647,778	89,805,478	51,131,213	42,675,182	478,239,733
<b>Total Funding Sources</b>	<b>\$ 229,833,870</b>	<b>191,123,894</b>	<b>138,166,381</b>	<b>105,307,896</b>	<b>65,497,932</b>	<b>729,929,924</b>

Over recent months, CapMetro provided information regarding the budget process and the proposed FY2025

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budget in a variety of formats for the public and sought feedback using online engagement tools, as well as methods like public open houses and virtual webinars. These outreach efforts included the following:

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

May 8, 2024, Finance, Audit and Administration Committee

June 12, 2024, Finance, Audit and Administration Committee

June 12, 2024, Operations, Planning and Safety Committee

July 22, 2024, Board of Directors

September 11, 2024, Finance, Audit and Administration Committee

September 23, 2024, 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.

**Presentations to Access Advisory Committee**

June 5, 2024, 5:30 - 7:00 PM

August 7, 2024, 5:30 - 7:00 PM

Microsoft Teams virtual meetings and available to the public.

**Presentations to Customer Satisfaction Advisory Committee**

June 12, 2024, 6:00 - 7:30 PM

August 14, 2024, 6:00 - 7:30 PM

Microsoft Teams virtual meetings and available to the public.

**Presentations to Public Safety Advisory Committee**

June 28, 2024, 11:30 AM - 1:00 PM

August 30, 2024, 11:30 AM - 1:00 PM

Microsoft Teams virtual meetings and available to the public.

**Presentation to Project Connect Community Advisory Committee**

August 8, 2024, 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 FY2025 Budget Document Available and Posted Online**

August 22, 2024

**Public Open Houses**

Information was made available to the public regarding the proposed FY2025 budget and five-year capital

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improvement plan.

August 26, 2024, 7:00 AM - 8:30 AM

Lakeline Station Park & Ride

Served by routes 214, 383, 985, CapMetro Rail.

August 27, 2024, 7:00 AM - 8:30 AM

Westgate Transit Center

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

August 28, 2024, 12:00 PM - 1:30 PM

Norwood Transit Center

Served by routes 10, 323, 325, 339.

August 29, 2024, 12:00 PM - 1:30 PM

Republic Square Park

Served by downtown routes.

**Online Webinar**

Information made available to the public regarding the proposed FY2025 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 FY2025 Budget**

September 11, 2024, 12:00 PM

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

Served by routes 4, 300.

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

September 23, 2024, 12:00 PM

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

Served by routes 4, 300.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Finance

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2024-1261**

WHEREAS, pursuant to Section 451.102 of Chapter 451 of the Texas Transportation Code, the budget for Fiscal Year 2025 was made available to the public on August 22, 2024, and a budget public hearing was held on September 11, 2024; and

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

WHEREAS, pursuant to Section 451.135, the Board of Directors adopted the CapMetro Strategic Plan (Resolution AI-2023-769) on April 24, 2023, received an update on the existing strategic plan on May 31, 2024, and authorized a contract for a new agency long range vision on August 26, 2024 (Resolution AI-2024-1233).

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Fiscal Year 2025 budget in the amount of \$704,769,612 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.

BE IT FURTHER RESOLVED that the Capital Metropolitan Transportation Authority Board of Directors hereby affirms it has completed a review of the CapMetro Strategic Plan, and, at this time does not recommend changes pending further discussions as part of the Long Range Agency Vision development.

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

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

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Finance, Audit and Administration Committee  
**Agenda Date:** 9/11/2024

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**Item #:** AI-2024-1251

**SUBJECT:**

Approval of a resolution adopting the CapMetro Investment Policy.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** Annual review and approval of this policy is required to comply with the Texas Public Funds Investment Act. The policy was last reviewed in October 2023.

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

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

Audit and Administration Committee on September 11, 2024.

EXECUTIVE SUMMARY: The proposed policy was reviewed by PFM Asset Management LLC, under contract as CapMetro's investment advisory firm. Attached is a copy of the Investment Policy which complies with the Act. There were no changes to the document since it was last adopted in 2023.

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-2024-1251**

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

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

**NOW, THEREFORE, BE IT RESOLVED** by the Capital Metropolitan Transportation Authority Board of Directors  
that the attached Investment Policy, which includes Capital Metro's investment strategies, has been reviewed  
and no changes are recommended at this time.

**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	30%
• Banker's Acceptance	15%

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

(1) Bond Proceeds

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

e. Limiting Maturity

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

(1) General Funds

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

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

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

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

## 2. Safekeeping

### a. Safekeeping Agreement

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

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

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

### c. Safekeeping of Repurchase Agreement Collateral

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

## C. Ensuring Liquidity

Liquidity shall be achieved by investing in securities with active secondary markets and by investing in eligible money market mutual funds (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:** 9/11/2024

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**Item #:** AI-2024-1200

**SUBJECT:**

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a contract with Weaver and Tidwell, L.L.P. for Quadrennial Performance Audit services for a period of one hundred and eighty (180) calendar days in an amount not to exceed \$195,000.

**FISCAL IMPACT:**

Funding for this contract is included in the FY2024-2025 Proposed Operating Budget.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** CapMetro is required to undergo a performance review once every four years under Section 451.454, Texas Transportation Code.

**BUSINESS CASE:** The audit will lead to improved maintenance and operations functions that will improve system reliability and customer experience.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on September 11, 2024.

**EXECUTIVE SUMMARY:** The purpose of the audit is to 1) provide necessary information for the performance of oversight functions by state and local officers; and 2) provide CapMetro with necessary information to

improve efficiency and effectiveness of the administration and management of the authority. If approved by the board, a contract with Weaver and Tidwell, L.L.P. will be finalized for a period of one hundred and eighty calendar days.

DBE/SBE PARTICIPATION: A 0% SBE goal was placed on this project. The awarded vendor has committed to 31% SBE participation and it will be tracked during the term of the contract.

PROCUREMENT: On June 13, 2024, a Request for Proposals (RFP) was issued and formally advertised. By the closing date of July 15, 2024, four (4) proposals were received. The proposal from Weaver and Tidwell, L.L.P. was determined to be the best value to the Authority, price and other factors considered. The resulting contract will be a fixed price contract. The term of the Contract is for a period of one hundred and eighty (180) calendar days in an amount not to exceed \$195,000.

RESPONSIBLE DEPARTMENT: Internal Audit

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2024-1200**

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and CapMetro management endeavor to follow the rules and regulatory requirements laid out in Chapter 451 of the Texas Transportation Code; and

WHEREAS, the Transportation Code requires the authority to contract at least once every four years for a performance audit of the authority to be conducted by a firm that has experience in reviewing the performance of transit authorities.

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 a contract with Weaver and Tidwell, L.L.P. for a quadrennial performance audit of the Authority for a period of one hundred and eighty (180) calendar days in an amount not to exceed \$195,000.

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

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

Finance, Audit and Administration Committee  
**Agenda Date:** 9/11/2024

**Item #:** AI-2024-1259

**SUBJECT:**

Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a Memorandum of Understanding with the City of Round Rock authorizing Round Rock to be a direct recipient of a portion of CapMetro's FY2025 and FY2026 Federal Section 5307 Program funds.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** CapMetro is coordinating with non-members in the Austin urbanized area to meet transit needs in their communities and build a regional system. These efforts will result in a more robust transit network that can eventually be brought together through regional planning efforts.

**BUSINESS CASE:** As the Designated Recipient of the grant, CapMetro must concur with the use of federal funds allocated for the Austin urbanized area, which extends beyond the service area. CapMetro's goal is to collaborate with these local communities to meet their transit needs now and in the future. By receiving a formulated portion of 5307 funding, the City of Round Rock will be able to continue their on-demand service and fixed route service and plan for future transit needs.

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

Audit and Administration Committee on September 11, 2024.

**EXECUTIVE SUMMARY:** As the public transit provider of the Austin urbanized area, CapMetro is the Designated Recipient of Federal Section 5307 Program funds for the urbanized area. Per Federal Transit Administration (FTA) guidelines, Section 5307 funds can be used for transit capital and operating assistance in urbanized areas and transportation planning. In the past, CapMetro provided Round Rock with a portion of 5307 funds that were apportioned to the agency by the FTA as part of a pass-through arrangement outlined in an interlocal agreement (ILA). In FY2011, the ILA that authorized this arrangement was not renewed and Round Rock elected to become a Direct Recipient of FTA funds, coordinating directly with the FTA to submit independent grant applications.

In FY2013, an agreement was signed for FY2013 and FY2014 Section 5307 funds to be directly distributed to Round Rock. This agreement has been renewed on a biennial basis since that time. CapMetro is not required to provide technical support or assistance beyond any that may be required by the FTA when a Designated Recipient authorizes another public entity to be a Direct Recipient.

Round Rock is permitted to apply for a share of CapMetro's FY2025 and FY2026 Section 5307 funds based upon the distribution formula that will be published in the federal register for the FTA FY2025 and FY2026 Section 5307 apportionments.

The distribution of any 5307 funds to Round Rock will be contingent upon the apportionment and distribution of 5307 funds to CapMetro. If the FTA does not apportion or distribute 5307 funds to CapMetro, Round Rock would not be eligible to receive 5307 funds as a Direct Recipient. If the FTA reduces the amount of 5307 funds available to CapMetro, Round Rock's share of 5307 funding would be based upon the reduced amount.

These terms are included in the attached MOU between CapMetro and Round Rock. The MOU expires on September 30, 2026 and applies only to Section 5307 funds appropriated in FY2025 and FY2026.

**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-2024-1259**

WHEREAS, CapMetro is the Designated Recipient of Section 5307 Program funds apportioned by the Federal Transit Administration for the Austin urbanized area; and

WHEREAS, the City of Round Rock has requested a portion of CapMetro's Section 5307 funds in order to support the planning, capital development and operation of transit services for the Round Rock community, including demand response bus service, express bus service and reverse commute bus service.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or their designee, is authorized to finalize and execute a Memorandum of Understanding with the City of Round Rock that authorizes Round Rock to continue to be a Direct Recipient of a portion of CapMetro's FY2025 and FY2026 Federal Section 5307 Program funds.

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

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

**Memorandum of Understanding between the  
Capital Metropolitan Transportation Authority and the City of Round Rock  
Regarding the Provision of Federal Transit Administration  
Section 5307 Program Funds**

This Memorandum of Understanding (“MOU”) regarding the provision of Federal Transit Administration Section 5307 Program Funds is executed by and between the City of Round Rock (“City”) a local government public entity and the Capital Metropolitan Transportation Authority (“CapMetro”) a political subdivision of the State of Texas organized under Chapter 451 of the Texas Transportation Code, each a “Party” and collectively referred to as “the Parties.” Accordingly, the Parties set forth their intent and understandings as follows:

**I. PURPOSE**

CapMetro is the designated recipient (“Designated Recipient”) of funding under the Urbanized Area Formula Funding program (49 U.S.C 5307 or Section 5307) apportioned by the Federal Transit Administration (“FTA”) for the Austin urbanized area. This MOU outlines the Parties’ mutual intent and understanding with respect to CapMetro’s authorization of City as a direct recipient of FTA Section 5307 funds. City and CapMetro agree to work cooperatively and in good faith in the manner set forth herein.

**II. KEY TERMS**

- A.** The Parties will comply with the requirements of the Urbanized Area Formula Funding Program (49 U.S.C. 5307).
- B.** Since City is not a member city of the CapMetro transit system, City intends to be a direct recipient (“Direct Recipient”) of a share of the Section 5307 funding apportioned to the Austin urbanized area (“FTA Section 5307 Program Funds”).
- C.** During the term of this MOU, City is authorized to apply for a share of Section 5307 Program Funds apportioned and distributed to CapMetro as Designated Recipient for the Austin urbanized area, based upon the distribution formula established by the FTA for fiscal years 2025 (October 1, 2024 – September 30, 2025) and 2026 (October 1, 2025 – September 30, 2026) (each an “FTA Fiscal Year”).
- D.** The distribution of any amounts payable to City as a Direct Recipient is contingent upon the successful apportionment and distribution of Section 5307 funds to CapMetro as the Designated Recipient for the Austin urbanized area for FTA Fiscal Years 2025 and 2026. If the FTA does not apportion or distribute Section 5307 Program Funds to CapMetro as the Designated Recipient, City will not be eligible to receive Section 5307 Program Funds as a Direct Recipient. If the FTA reduces the amount of Section 5307 Program Funds available to CapMetro as the Designated Recipient, City’s share of funding will be based upon the reduced amount. CapMetro will not be liable to City for any damages, which are caused or associated with any FTA changes to the amounts apportioned or distributed to the Austin urbanized area under Section 5307.



- E. CapMetro is not obligated to provide any technical assistance or technical support to City beyond the requirements of FTA Circular 9030.1E.
- F. City's designation as a Direct Recipient requires approval by the CapMetro Board of Directors and the Round Rock City Council.

**B. CapMetro's Responsibility:**

- A. CapMetro will remain the Designated Recipient of Section 5307 Program Funds apportioned by the FTA for the Austin urbanized area;
- B. CapMetro authorizes City to be a Direct Recipient of a share of the Section 5307 Program Funds apportioned to the Austin urbanized area based on the distribution formula established by the FTA for FTA Fiscal Years 2025 and 2026; and
- C. CapMetro authorizes this designation once to include all grant applications for FTA Section 5307 Program Funds submitted by City to FTA during the term of this MOU.

**C. Round Rock Responsibility:**

- A. City will remain an eligible FTA grantee for the provision of transit services and construction of transit facilities;
- B. As a Direct Recipient, City will use FTA Section 5307 Program Funds to support the planning, capital development, and operation of transit services for the Round Rock community;
- C. City shall comply with all provisions of FTA Circular 9030.1E, Urbanized Area Formula Program: Program Guidance and Application Instructions, Chapter II, Section 8, Applicants Other than Designated Recipients, including but not limited to providing its local share of matching; and
- D. City shall comply with all applicable requirements set forth in state or federal law, regulations, policies, and administrative practices.

### **III. TERM OF MOU**

This MOU will be executed and effective as of the date of the last Party to sign (the "Execution Date") and expire on the last day of the FTA Fiscal Year 2026. The Parties may mutually agree, in writing, to extend the term of this MOU. This MOU may be terminated or modified by thirty (30) days advanced written notice by either Party. In the event that either Party shall be in default of its material obligations under this Agreement and shall fail to remedy such default within thirty (30) days after receipt of written notice thereof, this MOU may be terminated at the option of the Party, not in default upon expiration of the thirty (30) day period.

### **IV. INCORPORATION OF DOCUMENTS**

This MOU incorporates by reference the following attachments:

- A. Attachment A, resolution of the CapMetro Board of Directors approving this MOU.
- B. Attachment B, Resolution of the Round Rock City Council approving this MOU.

## V. MISCELLANEOUS

- A. This MOU constitutes the entire agreement between CapMetro and City. No other terms and conditions are applicable, unless amended and agreed to in writing by both Parties.
- B. By execution of this MOU, neither Party waives or relinquishes any sovereign immunity rights available to it by law except as otherwise stipulated by applicable laws.

## VI. SIGNATORY

This MOU is hereby accepted and agreed to by the following individuals or officers who are duly authorized to bind the Parties as set forth above:

### Capital Metropolitan Transportation Authority

### City of Round Rock

By: \_\_\_\_\_

Dottie Watkins

President & CEO

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

Approved as to form:

\_\_\_\_\_  
CMTA Legal Department

**Attachment A**  
**CapMetro Board of Directors Resolution No.**

**Attachment B**  
**Round Rock City Council Resolution No.**



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2024-1275

**Agenda Date:** 9/11/2024

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Discussion regarding recommendations from the Advertising Revenue Advisory Report.



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2024-1262

**Agenda Date:** 9/11/2024

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Internal Audit FY2024 Audit Plan Status - September 2024

## FY24 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: 10/11; 11/8; 12/4; 1/17; 2/14; 3/18; 4/10; 5/8; 6/12; 7/10; 8/12; 9/11	In-Process	
2	Semi-annual Implementation Status Report - November 2023	Completed	December
3	Semi-annual Implementation Status Report - May 2024	Completed	June
4	FY2024 Risk Assessment & development of FY25 Audit Plan	In-Process	
	<b>FY24 Audit Assurance &amp; Advisory Projects</b>		
1	CapMetro/ATP Billing Processes		
2	Keolis Contract - Payroll Pass Through Controls	In-Process	UT Interns - May
3	Hexagon (Infor) Enterprise Asset Mgt System - post go live review	Completed	June
4	Paratransit & Demand Response Operations	Completed	August
5	Analyze Oracle segregation of duties (using FastPath system)	In-Process	
6	MV Contract - Payroll Pass Through Charges	Completed	
7	Miscellaneous Revenue Controls (8 of 11 areas completed)	In-Process	3 In Process
8	Automate Incidents/Accidents Reporting (Bus - switch to TrackIt system)	In-Process	
9	GHG & Carbon Footprint Reporting	Completed	UT Interns - Jan
10	Sales Taxes - Revenue Controls	Completed	UT Interns - Dec
11	Investment Income - Revenue Controls	Completed	UT Interns - Dec
12	Watco Freight Revenue - Revenue Controls	Completed	UT Interns - Dec
13	2021 Quadrennial Performance Audit recommendations - Implementation Status on 8 recommendations	In-Process	September
14	GRC (Governance Risk & Compliance) System Implementation (Risk Register; Safety Dept; Internal Audit Dept; etc.)	Cancelled	No GRC System
15	Safety Management System (SMS) - Management of Change (Advisory)	In-Process	
16	Bus Charging Infrastructure & EV Program	In-Process	
17	AMP Cards	In-Process	
18	United Healthcare & Other Self-Insured Benefits (TPA Payments)	In-Process	Rescoped to Eligibility & Pmts
19	McKalla Station - Design Build Effectiveness	In-Process	UT Interns - May
20	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2023 baseline	In-Process	CISA follow-up review (June/July)
21	Annual Cybersecurity Review (Mandiant)	In-Process	October? - Exec Session
22	Quadrennial Performance Audit - Selection Process but FY25 Budget/Execution	Completed	Sept to Board for Approval
	<b>CONTINGENT AUDIT PROJECTS - FY24</b>		
1	Microsoft Sharepoint & Active Directory		
2	Salary Adjustment & Merit Process		
3	Rail-FRA PTC Change Management Requirements (Herzog)		
4	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		
5	Capital Project Controls (McKalla Station; MetroRapid; DR N Facility Build;)		
6	Spare Labs.com - Demand Response System Implementation		
7	Lease Vehicle Program - non-Revenue Vehicles		

	<b>NEW PROJECTS ADDED TO FY24 AUDIT PLAN by Terry Follmer</b>		
1	Miscellaneous Revenues - Tracking & Reporting on Implementation Status	In-Process	May;
2	Delegations of Authority - Advisory Project with Legal Department	In-Process	
3	RFP & Vendor Selection Observer - Demand Response	Completed	July
4			



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2024-1263

**Agenda Date:** 9/11/2024

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Executive Finance and Administration Monthly Update - September 2024