



# Agenda

## Capital Metropolitan Transportation Authority

### Finance, Audit and Administration Committee

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, October 13, 2021**

**10:00 AM**

**2910 East 5th Street, Austin, TX  
78704**

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This meeting will be livestreamed at <https://capmetrotx.legistar.com/>

Items marked with a \* have been revised.

#### **I. Public Comment**

#### **II. Action Items**

1. Approval of minutes from the September 15, 2021 Finance, Audit and Administration Committee meeting.
2. Approval by the Board of Directors of Capital Metro's investment policy and revision of the investment committee composition.
3. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute contracts with Bickerstaff Heath Delgado Acosta LLP; Clark Hill PLC; Enoch Kever PLLC; Greenberg Traurig LLP; Hawkins Delafield & Wood LLP; Husch Blackwell LLP; Jackson Lewis P.C.; K&L Gates LLP; Kaplan Kirsch & Rockwell LLP; Kowert, Hood, Munyon, Rankin & Goetzel, P.C.; Orrick, Herrington & Sutcliffe, LLP; Ross Molina Oliveros, PC; Thompson Coburn LLP; and Winstead PC for outside legal counsel services in the aggregate amount not to exceed \$3,600,000 for a three (3) year base term with three (3) one-year renewal options.
4. Approval of a resolution adopting the FY2022 Internal Audit Services Plan.
- \*5. Approval of the Capital Metro Board of Directors Public Safety Advisory Committee Charter.

#### **III. Presentations**

1. Annual Capital Metro Investment Performance and Strategy Update
2. FY2021 Annual Risk Assessment
3. Internal Audit FY2021 Audit Plan Status

**IV. Items for Future Discussion**

**V. 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: Terry Mitchell, Chair; Wade Cooper, Leslie Pool and Becki Ross.*

*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-2021-225

**Agenda Date:** 10/13/2021

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Approval of minutes from the September 15, 2021 Finance, Audit and Administration Committee meeting.



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

2910 East 5th Street  
Austin, TX 78702

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**Wednesday, September 15, 2021**

**10:00 AM**

**Videoconference Meeting**

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10:05 a.m. Meeting Called to Order

<b>Present</b>	Terry Mitchell, Wade Cooper, Leslie Pool, and Becki Ross
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**I. Public Comment**

There was no public comment this month.

**II. Action Items**

1. Approval of minutes from the August 18, 2021 Finance, Audit and Administration Committee meeting.

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

**Aye:** Mitchell, Cooper, and Ross

**Away:** Pool

2. Approval of the Fiscal Year 2022 Operating and Capital Budget and Five-Year Capital Improvement Plan

A motion was made by Cooper, seconded by Ross, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 9/27/2021. The motion carried by the following vote:

**Aye:** Mitchell, Cooper, and Ross

**Away:** Pool

**III. Presentations**

1. Audit Report - Payroll Controls Review
2. Internal Audit FY2021 Audit Plan Status

**IV. Items for Future Discussion**

**V. Adjournment**

10:32 a.m. Meeting Adjourned

**ADA Compliance**

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*Committee Members: Terry Mitchell, Chair; Wade Cooper, Leslie Pool and Becki Ross.*

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



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

Finance, Audit and Administration Committee  
**Agenda Date:** 10/13/2021

**Item #:** AI-2021-214

**SUBJECT:**

Approval by the Board of Directors of Capital Metro's investment policy and revision of the investment committee composition.

**FISCAL IMPACT:**

Refer to executive summary for clarification.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** Annual review and approval of this policy is required to comply with the Texas Public Funds Investment Act.

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

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by the Finance, Audit and Administration Committee on October 13, 2021.

EXECUTIVE SUMMARY: The proposed policy was reviewed by PFM Asset Management LLC, under contract as Capital Metro's investment advisory firm. Attached is a copy of Capital Metro's investment policy, which complies with the Act.

The Investment Committee composition is being revised in that Reinet Marneweck and Susan Renshaw have been removed as Investment Officers as they are no longer employed with Capital Metro. Catherine Walker has been added as an Investment Officer.

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-2021-214**

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 it is recommended that we continue with the existing Investment Policy.

NOW, THEREFORE, BE IT FURTHER RESOLVED by the Capital Metropolitan Transportation Authority Board of  
Directors that Donna Simmons and Ilyse Niland will continue to serve on the Investment Committee and  
Catherine Walker will serve as an Investment Officer.

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

\_\_\_\_\_  
**Secretary of the Board  
Eric Stratton**





C A P I T A L

**METRO**

# Investment Policy

**Approved:**

Capital Metropolitan Transportation Authority  
Board of Directors  
October 26, 2020

## CONTENTS

Preface	i
I. PURPOSE	
A. Authorization	1
B. Scope	1
C. Review and Amendment	1
II. INVESTMENT OBJECTIVES	
A. Safety and Principal	2
B. Maintenance of Adequate Liquidity	2
C. Return of Investments	2
D. Prudent and Ethical Standards	2
III. INVESTMENT STRATEGY AND STATEMENT	4
IV. INVESTMENT POLICIES	
A. Eligible Investments	5
B. Ensuring Safety Principal	7
1. Protection of Principal	7
2. Safekeeping	13
C. Ensuring Liquidity	14
D. Archiving Investment Return Objectives	14
E. Responsibility and Controls	15
F. Reporting	17
G. Compliance Audit	17
H. Certification	17

## APPENDICES

- 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 (Capital Metro) that all available funds shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as viable and material revenue to all operating and capital funds. Capital Metro's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and federal law.

Investments shall be made with the primary objectives of:

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

## SECTION I

### PURPOSE

I. Purpose

A. Authorization

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

B. Scope

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

C. Review and Amendment

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

## SECTION II

### INVESTMENT OBJECTIVES

## II. INVESTMENT OBJECTIVES

### A. Safety of Principal

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

### B. Maintenance of Adequate Liquidity

Capital Metro'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 N.C., "Ensuring Liquidity".

### C. Return on Investments

Consistent with State law, Capital Metro 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 N.D., "Achieving Investment Return Objectives". For bond issues to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to obtain satisfactory market yields and to minimize the costs associated with investment of such funds.

### D. Prudence and Ethical Standards

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

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

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

Specific policies describing Capital Metro's prudence and ethical standards are found in Section IV.E., "Responsibility and Controls".



SECTION III

INVESTMENT STRATEGY STATEMENT

### III. INVESTMENT STRATEGY STATEMENT

Capital Metro 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 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.

## SECTION IV

### INVESTMENT POLICIES

#### IV. INVESTMENT POLICIES

##### A. Eligible Investments

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

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

- b. Is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.
7. Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by Capital Metro and having a market value (including accrued interest) of no less than the principal amount of the funds disbursed.
  8. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
  9. SEC-regulated, no load money market mutual funds with a dollar-weighted average stated portfolio maturity of 60 days or less and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. No more than 50% of Capital Metro'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 AAAm 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.

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

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

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

## B. Ensuring Safety of Principal

Ensuring safety is accomplished through protection of principal and safekeeping.

### 1. Protection of Principal

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

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

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

a. Approved Broker/Dealers/Financial Institutions

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

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

b. Master Repurchase Agreement

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

Note: Capital Metro does not currently enter into repurchase agreements. The Master Repurchase Agreement previously attached to the Investment Policy expired in 2009. If Capital Metro's investment officers and advisor recommend the use of repurchase agreements in

the future, a new Master Purchase Agreement will be drafted and brought to the Board of Directors for consideration.

c. Collateralization

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

(1) Allowable Collateral

(a) Certificates of Deposit/Share Certificates

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

(b) Repurchase Agreements

Collateral underlying repurchase agreements is limited to U.S. government and agency obligations, which are eligible for wire transfer (i.e. book entry) to Capital Metro'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</u> <u>Maturity</u>	<u>U.S. Treasury</u> <u>Securities</u>	<u>U.S. Government</u> <u>Agency</u>
1 year or less	101%	101%
1 year to 5 years	102%	102%
Over 5 years	103%	104%

(3) Monitoring Collateral Adequacy

(a) Certificates of Deposit/Share Certificates

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

(b) Repurchase Agreements

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

#### (4) Margin Calls

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

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

#### (b) Repurchase Agreements

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

#### (5) Collateral Substitution

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

#### (6) Collateral Reductions

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

d. Portfolio Diversification

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

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

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

(1) Bond Proceeds

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

e. Limiting Maturity

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

(1) General Funds

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

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

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

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

2. Safekeeping

a. Safekeeping Agreement

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

b. Safekeeping of Certificate of Deposit/Share Certificate Collateral

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

c. Safekeeping of Repurchase Agreement Collateral

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

C. Ensuring Liquidity

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

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

D. Achieving Investment Return Objectives

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

1. Securities Swaps

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

2. Competitive Bidding

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

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

3. Methods of Monitoring Market Price

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

- E. Responsibility and Controls

1. Authority to Invest

The authority to invest Capital Metro funds and the execution of any documentation necessary to evidence the investment of Capital Metro funds is

granted to the Investment Advisory firm under current contract and those Capital Metro personnel authorized as Investment Officers. The Capital Metropolitan Transportation Authority's Board of Directors will designate in writing those Capital Metro personnel ("Investment Officers") authorized to invest on behalf of Capital Metro.

2. Establishment of Internal Controls

The Chief Financial Officer will establish a system of internal controls over the investment activities of Capital Metro 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 Capital Metro's ethics policies.

5. Training and Education

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

6. Investment Committee

An Investment Committee shall be established to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment officers and a



representative of the external investment advisory firm. The Committee may also include one additional member, as designated by the Capital Metropolitan Transportation Authority's Board of Directors. The Committee shall meet quarterly to review performance, strategy and procedures.

#### F. Reporting

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

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

#### G. Compliance Audit

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

#### H. Certification

A copy of this Investment Policy will be provided to the senior management of any bank, dealer, broker or investment advisor wishing to transact investment business directly with Capital Metro in order that it is apprised of the investment goals of Capital Metro. Before business is transacted with the firm, a certification (Appendix C) must be signed by a senior member of a firm. Should Capital Metro 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.



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

Finance, Audit and Administration Committee  
**Agenda Date:** 10/13/2021

**Item #:** AI-2021-223

## SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute contracts with Bickerstaff Heath Delgado Acosta LLP; Clark Hill PLC; Enoch Kever PLLC; Greenberg Traurig LLP; Hawkins Delafield & Wood LLP; Husch Blackwell LLP; Jackson Lewis P.C.; K&L Gates LLP; Kaplan Kirsch & Rockwell LLP; Kowert, Hood, Munyon, Rankin & Goetzel, P.C.; Orrick, Herrington & Sutcliffe, LLP; Ross Molina Oliveros, PC; Thompson Coburn LLP; and Winstead PC for outside legal counsel services in the aggregate amount not to exceed \$3,600,000 for a three (3) year base term with three (3) one-year renewal options.

## FISCAL IMPACT:

Funding for this action is available in the FY2022 Operating Budget

## STRATEGIC PLAN:

### Strategic Goal Alignment:

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

### Strategic Objectives:

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** The provision of quality outside legal counsel services mitigates financial and legal risks to the Authority to support the improved financial health of the agency and provide the best service to the community.

**BUSINESS CASE:** Outside legal counsel services are required to supplement the available resources of in-house legal counsel to meet agency legal needs in a timely manner, especially in specialized areas of law requiring certain subject matter expertise.

COMMITTEE RECOMMENDATION: This item will be presented to the Finance, Audit and Administration Committee on October 13, 2021.

EXECUTIVE SUMMARY: Capital Metro employs in-house legal counsel to address the need for daily legal advice, counsel and representation of the Authority. In addition to these daily needs, Capital Metro routinely requires the services and expertise of outside legal counsel to supplement the resources of in-house legal staff or to provide services in highly specialized areas of the law.

It is difficult to predict what type of legal services will be required in advance of an immediate need, making the procurement of individual legal services challenging. However, in order to ensure adequate competition and fair and reasonable price assessments for contracts for Outside Legal Counsel Services, Capital Metro solicits and enters into contracts with a variety of law firms in advance of a need for services in order to ensure their availability as they are required.

Law firms proposed their services based on legal practice areas identified by Capital Metro as potential needs as well as on their ability to provide legal services in any area of expertise required. Based on the proposals received, the following recommendations are made:

<b>CONTRACTOR</b>	<b>AREAS OF PRACTICE</b>
Bickerstaff Heath Delgado Acosta LLP	Ethics, Texas Public Information Act, Texas Open Meetings Act and Governance; Real Estate; Eminent Domain/Condemnation; Litigation
Clark Hill PLC	Employment/Labor Law; Ethics, Texas Public Information Act, Texas Open Meetings Act and Governance; Public Transportation Law (Federal and State); Pension and Tax Law; Real Estate
Enoch Kever PLLC	Ethics, Texas Public Information Act, Texas Open Meetings Act and Governance; Intellectual Property and Information Technology
Greenberg Traurig LLP	General Counsel Services; Litigation; Employment/Labor Law
Hawkins Delafield & Wood LLP	Finance for Transit Agencies
Husch Blackwell LLP	Real Estate; Eminent Domain/Condemnation; Public Transportation Law (Federal and State); Finance for Transit Agencies; Litigation
Jackson Lewis P.C	Employment/Labor Law; Public Transportation Law (Federal and State)
K&L Gates LLP	General Counsel Services; Finance for Transit Agencies
Kaplan Kirsch & Rockwell LLP	Real Estate; Public Transportation Law (Federal and State); Finance for Transit Agencies
Kowert, Hood, Munyon, Rankin & Goetzel, P.C.	Intellectual Property and Information Technology

**Agenda Date:** 10/13/2021

Orrick, Herrington & Sutcliffe, LLP	Finance for Transit Agencies
Ross Molina Oliveros, PC	Real Estate; Eminent Domain/Condemnation
Thompson Coburn LLP	Employment/Labor Law; Public Transportation Law (Federal and State); Pension and Tax Law; Intellectual Property and Information Technology
Winstead PC	Eminent Domain/Condemnation; Intellectual Property and Information Technology

The contracts will be awarded with a total not-to-exceed amount for all contracts of \$3,600,000 for a base period of three (3) years with three (3) one-year options based on historical needs for outside legal counsel services. These will be Task Order contracts and work will be requested and performed as legal needs arise. There is no guarantee that a firm will receive work under these contracts if services in their practice area is not required and no minimum work is guaranteed. In addition, Capital Metro may obtain required legal services during the term of these contracts outside the scope of services or expertise of one of these firms.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: On April 26, 2021, a Request for Proposals was issued and formally advertised. By the closing date of May 26, 2021, fourteen (14) proposals were received. The evaluation team used the following factors in the evaluation of proposals:

- (1) The offeror's demonstrated, relevant work experience, past performance, and capabilities of the firm as a whole in the relevant practice areas.
- (2) The qualifications, experience, and past performance of personnel to be assigned to provide legal services in the disciplines offered.
- (3) The offeror's plan for matter management, budget adherence and assignment of law firm personnel and resources for efficiency and responsive, cost-effective, reliable service.
- (4) The offeror's capacity to adequately and timely respond to the legal needs of Capital Metro.
- (5) The offeror's demonstrated, relevant work experience and past performance of the law firm as a whole in the representation of governmental entities.
- (6) The offeror's demonstrated understanding of the needs and legal issues of a public transportation authority.

The evaluation team met on June 14, 2021, to discuss the matrix results of evaluations of all proposals, and the consensus resulted in agreement to recommend all fourteen (14) firms to the Capital Metro Board of Directors:

1. Bickerstaff Heath Delgado Acosta LLP

2. Clark Hill PLC
3. Enoch Kever PLLC
4. Greenberg Traurig LLP
5. Hawkins Delafield & Wood LLP
6. Husch Blackwell LLP
7. Jackson Lewis P.C.
8. K&L Gates LLP
9. Kaplan Kirsch & Rockwell LLP
10. Kowert, Hood, Munyon Rankin & Goetzel, P.C.
11. Orrick, Herrington & Sutcliffe, LLP
12. Ross Molina Oliveros, PC
13. Thompson Coburn LLP
14. Winstead PC

The prices are considered fair and reasonable based on adequate competition.

The resulting fourteen (14) contracts will be indefinite quantity/indefinite delivery contracts for a not-to-exceed amount for all 14 contracts of \$1,800,000 for a three-year base period plus a not-to-exceed amount for all 14 contracts of \$1,800,000 for three (3) Option Periods of 12 months each, for a total not-to-exceed amount for all 14 contracts of \$3,600,000 for six (6) years.

RESPONSIBLE DEPARTMENT: Legal

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2021-223**

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the requirement for outside legal counsel services to be available on an as needed basis; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management desire to have qualified law firms readily available to provide services as the need arises.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the president/CEO, or his designee, is authorized to finalize and execute contracts with Bickerstaff Heath Delgado Acosta LLP; Clark Hill PLC; Enoch Kever PLLC; Greenberg Traurig LLP; Hawkins Delafield & Wood LLP; Husch Blackwell LLP; Jackson Lewis P.C.; K&L Gates LLP; Kaplan Kirsch & Rockwell LLP; Kowert, Hood, Munyon, Rankin & Goetzel, P.C.; Orrick, Herrington & Sutcliffe, LLP; Ross Molina Oliveros, PC; Thompson Coburn LLP; and Winstead PC for outside legal counsel services in the aggregate amount not to exceed \$3,600,000 for a three (3) year base term with three (3) one-year renewal options.

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

\_\_\_\_\_  
**Secretary of the Board  
Eric Stratton**



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

Finance, Audit and Administration Committee  
**Agenda Date:** 10/13/2021

**Item #:** AI-2021-222

**SUBJECT:**

Approval of a resolution adopting the FY2022 Internal Audit Services Plan.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

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

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

**BUSINESS CASE:** Does not apply.

**COMMITTEE RECOMMENDATION:**

This agenda item was presented and recommended for approval at the Finance, Audit and Administration Committee meeting on October 13, 2021.

**EXECUTIVE SUMMARY:** The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing require risk-based audit plans be developed to determine the priorities of an internal audit activity, consistent with the organization's goals. The proposed FY2022 Internal Audit Plan (the Plan) summarizes the proposed

**Agenda Date:** 10/13/2021

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audits and projects that were identified during a comprehensive risk assessment performed by Capital Metro Internal Audit. The Plan presents audit activities in two categories: Assurance Services, and Advisory & Consulting Services. The Capital Metro Internal Audit Charter requires that the Chief Audit Executive “present for approval to the Finance & Audit Committee a risk-based Audit Plan which documents the priorities of the internal audit function and is consistent with the Authority’s strategic goals and objectives.” After FAA consideration, the plan is taken to the full Board for its review and approval.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Internal Audit Department



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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2021-222**

WHEREAS, the FY2022 Internal Audit Plan considers the potential risks and opportunities of the Authority; and the FY2022 Internal Audit Plan was prepared in accordance with professional internal auditing standards; and

WHEREAS, the FY2022 Internal Audit Plan provides a mix of audit projects to mitigate risks, develop recommendations for improvement and/or cost savings, and monitor the progress toward implementing past recommendations.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the FY2022 Internal Audit Plan is adopted and sets a program to provide relevant and useful information to the Board of Directors.

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

\_\_\_\_\_  
**Secretary of the Board  
Eric Stratton**

**To:** Terry Mitchell, Chair, Finance, Audit & Administrative (FAA) Committee  
Wade Cooper, Member, FAA Committee  
Becki Ross, Member, FAA Committee  
Leslie Pool, Member, FAA Committee

**CC:** Randy Clarke, President/CEO

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

**Date:** October 13, 2021

**Subject:** **Proposed FY2022 Internal Audit Plan**

## Purpose

This proposed Capital Metro Internal Audit Plan (Audit Plan) summarizes the planning methodology and the audit projects that Internal Audit recommends performing during FY2022.

## FY2022 Audit Plan & Updates

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

The proposed FY22 Internal Audit Plan (Table 1) was developed by performing a comprehensive risk assessment. This included a risk assessment survey sent to management and Board members, management interviews, and discussions with Board members. Additionally, we collaborated and reviewed the audit plans of VIA in San Antonio, METRO in Houston, and DART in Dallas. The Internal Audit Department also reviewed prior external consulting and audit reports (e.g. FTA Triennial, Quadrennial Performance Audit, etc.), operating and capital budgets, organization charts, and the Strategic Plan to help ensure other potential risk and opportunity areas were identified and proposed projects are aligned to address the strategic risks of the Authority.

Based upon the results of the risk assessment, the FY22 Plan has a stronger focus on the periodically required regulatory audits (e.g. Quadrennial, FTA Triennial, QAR) and new system implementations (e.g. Oracle ERP; Infor Asset Management System). Additional areas of focus are IT security, safety, and financial controls. The proposed plan includes three IT projects

which includes the Annual Cybersecurity Review (i.e. IT Penetration and Vulnerability Assessment), NIST Cybersecurity Framework facilitated self-assessment, and a possible review of Microsoft Sharepoint Security. Other projects to highlight from the FY22 Plan include the support of the FTA Triennial Review, the Quality Assessment Review of the Internal Audit Department that is required every three years, and the audit of the P-Card transactions. Internal Audit believes these focus areas together with the other projects in the proposed Audit Plan will appropriately address the risks identified.

The FY22 audit plan also includes a list of contingent projects (Table 2) that will serve as backup projects that will be performed if the original plan is running ahead of schedule or if some of the projects must be delayed or cancelled. Furthermore, the Audit Plan is meant to be a risk based flexible audit plan so as emerging risks arise or priorities change, the Internal Audit Department will bring these future project changes to management and the FAA Committee for approval.

## Internal Audit Project Staffing

Staffing for the FY22 Audit Plan will use a combination of internal and external resources to perform the projects. Historically the Internal Audit Department has completed approximately nine audit projects per year. The FY22 plan includes fourteen assurance/advisory projects, and Internal Audit believes these additional projects can be completed through better planning, scoping and coordination with management. The department is currently fully staffed with three full time auditors, and we continue to mature the UT Audit Intern program which started in 2018. This Fall semester we will have three graduate Accounting students from UT's #1 ranked Masters of Professional Accounting program who will be assisting on the Business Continuity (COOP Plan) advisory as part of their required Audit class. This is our seventh semester participating in this highly successful program, and we plan on continuing the UT Audit Intern program with a fresh class in the Spring. Each student in the intern program is providing up to 60 hours of project time for the semester as part of their Audit class at UT. Additionally, the Annual Cybersecurity Review (i.e. IT Penetration and Vulnerability Assessment), is performed by an external consulting firm and it is funded by the IT Department. We believe this mix of internal and external resources is sufficient to perform the projects listed in the FY2022 Audit Plan (see Table 1).

## Professional Requirements & Auditor Independence

The Internal Audit Department conducts our audits in conformance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States and the IIA's International Standards for the Professional Practice of Internal Auditing and Code of Ethics. These standards require that we be independent from any entity or person that we audit or may audit and be objective when conducting such audits. Furthermore, IIA Standard 1110 requires that the CAE confirm to the board, at least annually, the organizational independence of the internal audit activity. Capital Metro Internal Audit is organizationally

independent of management and, as such, remains objective when conducting audits, and our staff have no conflicts of interest with the proposed FY22 Audit Plan.

**TABLE 1 – FY2022 Audit Assurance & Advisory Projects**

	Audit Project	Risk Area	Audit Type	Audit Objective & Scope	Estimated Hours
1	Semiannual Implementation Status Updates - November 2020	Compliance	Assurance	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)	200
2	Semiannual Implementation Status Updates - May 2021	Compliance	Assurance	Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)	200
3	FY2021 Risk Assessment & FY2022 Audit Plan Development	Governance	Continuous Improvement & QC	Develop the annual risk based internal audit services plan to identify audit and non-audit projects and effectively allocate resources. Update and align the plan with changing organizational risks/opportunities.	300
4	FTA Triennial Review	Strategic & Regulatory	Assurance	FTA Mandated	325
5	QAR (Quality Assurance Review) of Internal Audit practices	Quality Control & Assurance	Continuous Improvement & QC	Complete FY2021 external Quality Assurance Review: GAGAS requires an external peer review at least once every 3 years. The external review normally due by October 31, 2020, has been postponed by GAO/ALGA due to COVID-19.	300

6	Saltillo Development Project & Lease Revenues	Operations	Assurance	Review Saltillo contracts and test compliance including revenue sharing agreements.	160
7	Transit Store with Ticket Focus	Financial	Assurance	The physical and accounting controls over both hardcopy and e-tickets.	160
8	NIST Cybersecurity Framework (Facilitated Self Assessment)	IT Assurance	Assurance	Check for compliance with best practices listed in the NIST Cybersecurity Framework	160
9	Business Continuity (COOP) Plan	Strategic	Advisory / Consulting	To reievew COOP plan against best practices and other transit agencies and help management develop a Dependency Map.	120
10	ERP (Oracle) Implementation Advisory	Financial	Advisory / Consulting	Compliance with contractual requirements as well as implementation methodology.	400
11	GRC & Contract Performance Management System Advisory	Operations	Advisory / Consulting	Serve as an advisor in the selection process of a tool that can meet the following two separate IT Capital Projects: Governance Risk & Compliance (GRC); and Contract Performance Mgt System recommended in the Quadrennial Audit Report.	450
12	P-Cards & IT Procurement	Financial	Assurance	Compliance with policies and identify currently unknown IT risks if IT was not consulted and did not perform a security review.	250
13	Public Transportation Agency Safety Plan (PTASP)	Operations	Advisory / Consulting	Compliance with regulatory requirements as well as best practices.	300

14	Annual Cybersecurity Review	IT Assurance	Assurance	Annual Cybersecurity Assessment with outsourced IT Penetration & Vulnerability Assessment	240
15	Benchmarking Policies & Procedures (Structure, Content, Governance & Training)	Strategic, Operations, IT Assurance	Advisory / Consulting	Benchmark CapMetro Policies/Procedures against other transit agencies and best practices in regards to structure, content, governance and training.	250
16	Support to Transit Industry & Professional Organization	Strategic	Continuous Improvement & QC	Internal special projects including support of local and industry professional associations (ISACA, IIA, APTA, ALGA, Toastmaster, etc.), responding to professional exposure drafts, internal training and other internal quality improvement opportunities as needed. UT Audit Intern Program (Fall & Spring).	240
17	Management Requests, Consulting & Special Projects 1) Advisor on various Committees; 2) Investigations; 3) Emerging Risks & Special Projects as requested, etc..	Multiple	Advisory / Consulting	Internal auditing best practices include allocating an undesignated contingency for management requests and other unanticipated special projects.	600
				<b>TOTAL ESTIMATED HOURS</b>	<b>4,655</b>
	Project started in FY2021				
	UT Intern projects Fall 2021				

**TABLE 2 – FY22 Contingency Audit Projects (To Be Used as Backups)**

	Audit Project	Risk Area	Audit Type	Audit Objective & Scope	Estimated Hours
1	Infor System - post go live review	Strategic, Operations, IT Assurance	Assurance	Review internal controls and functionality of the new Infor enterprise asset management system.	250
2	Salary Adjustment & Merit Process	Strategic, Operations, Financial	Assurance & Advisory	Review the process and controls applied to implement the recommendations from Gallagher consulting.	200
3	Facilities Maintenance - Contract Monitoring & Compliance	Quality Control & Assurance	Assurance	Quality control and contract compliance with Facility Maintenance service providers.	300
4	Paratransit & Demand Response Operations	Operations	Assurance	Review billings and support for compliance with contract terms and conditions.	240
5	United Healthcare & Other Self-Insured Benefits (TPA Payments)	Financial & Human Capital	Assurance	Assessing the Effectiveness and Efficiency of Management Processes to Prevent and Detect insurance overpayments/fraud. Review self-insured TPA (Third Party Administrator) payments.	240



6	Bytemark - Account-Based System	Strategic, Operations, IT Assurance	Assurance	Bytemark system being updated to include customer account based info which increases privacy risks.	240
7	Microsoft Sharepoint & Active Directory	IT Assurance	Assurance	The confidentiality, integrity and availability of the Microsoft Active Directory and Sharepoint.	200
8	Safety Management System (SMS) - Management of Change	Operations	Advisory / Consulting	Compliance with FTA requirements related to safety and "management of change".	400
9	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)	Governance	Assurance	Review Board policies/goals to ensure that they are periodically reviewed and updated, and that related performance metrics are tracked and reported.	200
				<b>TOTAL ESTIMATED HOURS</b>	<b>2,270</b>



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

Operations, Planning and Safety Committee **Item #:** AI-2021-224

**Agenda Date:** 10/25/2021

**SUBJECT:**

Approval of the Capital Metro Board of Directors Public Safety Advisory Committee Charter.

**FISCAL IMPACT:**

This action has no fiscal impact.

**STRATEGIC PLAN:**

**Strategic Goal Alignment:**

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

**Strategic Objectives:**

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

**EXPLANATION OF STRATEGIC ALIGNMENT:** The Public Safety Advisory Committee Charter will provide the Capital Metro Board of Directors and participants on the Public Safety Advisory Committee with guidance needed to form and execute the responsibilities of the Public Safety Advisory Committee. The input provided by this committee will assist Capital Metro in achieving its overall goal of a safe and secure system for its customers and employees.

**BUSINESS CASE:** An advisory committee providing input and feedback to Capital Metro staff and the Board of Directors will provide valuable insight from stakeholders, the community and staff in developing policies and practices for the Public Safety Department.

**COMMITTEE RECOMMENDATION:** This item was presented and recommended for approval by both board committees on October 13, 2021.

**EXECUTIVE SUMMARY:** The safety and security of our customers and staff is our top priority. The customers, staff and community can provide valuable insight into their needs and challenges in utilizing the system and how the Public Safety Program can better meet their needs. In addition, the Capital Metro Board of Directors, has authorized the creation of a transit police department, as one part its Public Safety program. A significant step toward ensuring safety is allowing for public input through the formation of the Public Safety Advisory Committee. The committee, comprised of stakeholders, staff and members of various community-based agencies, will be appointed by the Capital Metro Board and will provide guidance on all facets of the Public Safety program and policies and will review program goals and data for ongoing improvements.

**DBE/SBE PARTICIPATION:** Does not apply.

**PROCUREMENT:** Does not apply.

**RESPONSIBLE DEPARTMENT:** Office of Safety, Occupational Health and Accessible Services

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

**STATE OF TEXAS  
COUNTY OF TRAVIS**

**AI-2021-224**

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors (Board) and Capital Metro management recognize the need to provide its customers, general public, employees, and service providers with the safest possible environment; and

WHEREAS, the Board acknowledges and affirms that the customers, staff and stakeholders who utilize the system are best suited to provide input and feedback on proposed policies and practices for the Public Safety program; and

WHEREAS, the Board desires to establish an advisory committee under Texas Transportation Code, Section 451.109, with membership established by the Board.

NOW, THEREFORE, BE IT RESOLVED that the Capital Metropolitan Transportation Authority Board of Directors approves the attached Public Safety Advisory Committee Charter.

\_\_\_\_\_  
**Secretary of the Board  
Eric Stratton**

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

## **CAPITAL METRO PUBLIC SAFETY ADVISORY COMMITTEE DRAFT CHARTER**

### **I. PURPOSE and DEFINITIONS**

This charter outlines the Public Safety Advisory Committee for Capital Metro (the Agency, CapMetro) and sets forth its purpose, functions, membership, and roles and responsibilities as an advisory body to CapMetro's Board of Directors (Board). The President & CEO, or designee, shall engage this committee regarding topics defined as duties of the Public Safety Advisory Committee, based on this charter. The committee shall comply with state law related to Capital Metro advisory committees, and Capital Metro policy.

#### **A. Duties:**

The Public Safety Advisory Committee may provide recommendations to the Agency's Management team and Board regarding the following topics regarding the comprehensive public safety program:

- Input to the Board regarding the creation and review of policies
- Input to staff regarding program creation and review of procedures
- Identifying opportunities for CapMetro to educate and engage the community on public safety topics
- Review and input on quarterly and annual public safety performance goals and metrics
- Input to staff regarding the characteristics that staff shall seek out in Transit Police leadership
- Input to staff on the development of public safety staff training programs
- Input to staff on public safety awareness campaigns and customer information communications

The advisory committee shall provide reports to the Agency's Board regarding their recommendations on the above topics, in accordance section I.B. below.

#### **B. Integration with Capital Metro Board Meetings:**

Committee meeting content will reflect standing quarterly or annual topics such as metric reviews as well as review and input on upcoming items at Capital Metro Board meetings.

The committee chair or other officer will present the committee report at all Board meetings. If unable to attend, public safety staff will report to the Board on behalf of the Committee.

## **II. STRUCTURE AND APPOINTEES**

### **A. Membership:**

The Public Safety Advisory Committee will have 10 total members.

There shall be two (2) standing members appointed by the President & CEO and confirmed by the Board. The standing members shall include:

1. A person to represent the Amalgamated Transit Union (ATU), as recommended by the ATU and affirmed by the President & CEO.
2. A person retired from a law enforcement agency from within the CapMetro service area.

There shall be eight (8) members of the committee appointed by the Capital Metro Board of Directors. Staff shall review applications and generate a list of qualified applicants for Board Member consideration. Each Board Member shall nominate one member from the list to be confirmed by the entire Board.

The Agency's Board shall consider the appointment of committee members based on the potential member's application, experience and expertise related to social and criminal justice reform, public safety, social services, community service, professional experience, and personal experience with or relationship to historically marginalized or underserved communities. The Board shall consider applicant's viewpoints, qualifications/experience and demographics with the objective that the committee membership is diverse. The Agency's Board shall prefer the appointment of CapMetro customers (i.e., people who use transit) who also have relevant experience as defined above. Appointed members shall represent themselves individually and not an organization they are affiliated with.

Appointees must not have a conflict of interest that would impede their ability to serve on the committee, ~~including employment at CapMetro, a partner agency, or serve in a leadership role in a stakeholder that the committee may engage.~~

Members shall be committed to providing constructive advisory service to the staff and Board on how best to develop, engage and improve CapMetro's comprehensive customer- and frontline-staff-oriented public safety program.

### **B. Application for Membership:**

Staff shall widely publicize the membership application throughout the CapMetro service area when the advisory committee has a vacancy or vacancies. Recruitment of potential applicants shall occur through the CapMetro website, social media, stakeholder lists, on-board notices, through coordination with community partners and agencies, media notices, etc., as appropriate.

### **B.C. Terms of Appointment:**

The eight (8) members appointed by the Board shall each serve at the pleasure and concurrently with the nominating Board member.

The standing member who represents the ATU shall serve at the pleasure of the President & CEO and the ATU. If the member is no longer affiliated with the ATU, the organization shall recommend a new person to the President & CEO to represent the ATU on the committee.

The standing member who is a retired law enforcement member shall serve at the pleasure of the President & CEO.

**~~C.~~ Meetings**

~~The Public Safety Advisory Committee will meet at least quarterly beginning within 60 days after Board appointments are confirmed.~~

**D.**

**i. Meeting Schedule:**

The Public Safety Advisory Committee will meet at least quarterly beginning within 60 days after Board appointments are confirmed.

**ii. Meetings Open to the Public:**

Meetings are open to the public. Meeting agendas and materials shall be made public via the CapMetro website, and meetings shall include minutes and recordings, both of which shall be posted on the CapMetro website.

**iii. Location:**

A suitable location will be identified to host Public Safety Advisory Committee meetings that is well-connected to transit, centrally located and comfortable. Virtual meetings will be supported to the extent that they comply with Capital Metro policy and applicable laws.

**iv. Hospitality:**

Food and beverages will be provided for committee meetings conducted in person.

**v. Participation by Staff:**

Agency staff shall support each of the committee meetings, including securing and setting up meeting rooms, organizing logistics (i.e., virtual meeting links, ordering food, etc.), providing IT and web support for the meetings, compiling agendas and minutes, etc.

# CapMetro Public Safety Advisory Committee

October 13, 2021

Gardner Tabon, EVP & Chief Safety Officer

1



**METRO**



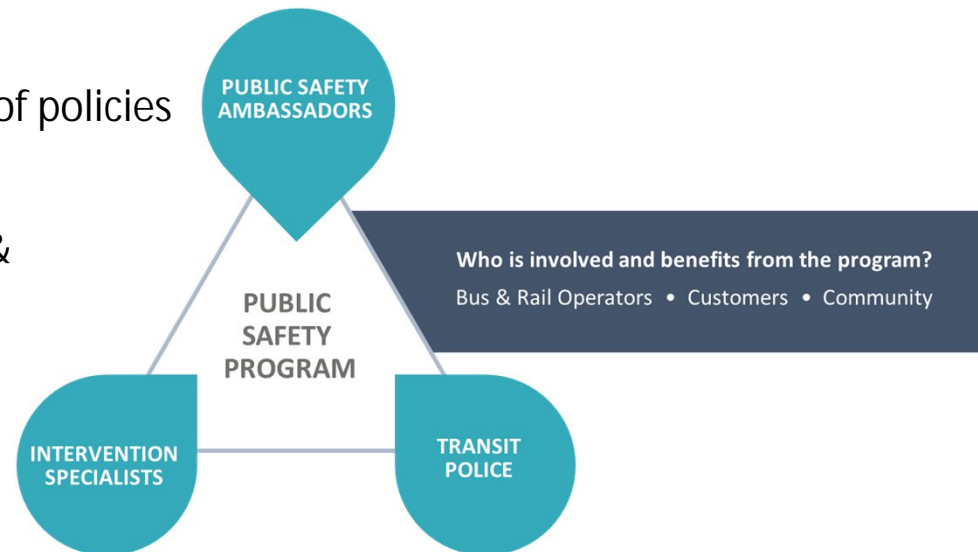
# Stakeholder Engagement since Aug. 2021

- Stakeholder 1:1 briefings
  - Topics: priorities/opportunities for the public safety program, feedback on draft advisory committee charter, and characteristics staff should seek out in transit police leadership
  - Members of the public may request a 1:1 or small group meeting by emailing [Edna.Parra@capmetro.org](mailto:Edna.Parra@capmetro.org) by Nov. 19
- Customer Service Advisory Committee (CSAC), Access Advisory Committee & Diversity, Equity & Inclusion Council meetings
  - Topics: feedback on draft advisory committee charter, and characteristics staff should seek out in transit police leadership

# Proposed Advisory Committee Responsibilities

The Public Safety Advisory Committee may provide recommendations to the Agency's Management team and Board regarding the following topics relevant to the comprehensive public safety program:

- Input to the Board regarding the creation & review of policies
- Input to staff regarding program creation & review of procedures
- Identifying opportunities for CapMetro to educate & engage the community on public safety topics
- Review & input on quarterly & annual public safety performance goals/metrics
- Input to staff regarding the characteristics staff shall seek out in Transit Police leadership
- Input to staff on the development of public safety staff training programs
- Input to staff on public safety awareness campaigns & customer information communications



# Proposed Membership Structure

The Public Safety Advisory Committee will have 10 total members.

- 8 members appointed by the Board
  - People will apply and staff will compile a list of applicants for the Board to select from.
  - Members should have a variety of experience and expertise related to social and criminal justice reform, public safety, social services, community service, professional experience and personal experience with or a relationship to historically marginalized or underserved communities.
  - The Board is encouraged to appoint members who are CapMetro customers with relevant experience.
  - Appointees must not have a conflict of interest that would impede their ability to serve on the committee, including employment at CapMetro, a partner agency, or serve in a leadership role in a stakeholder organization that the committee may engage.
  - Members shall represent themselves, not an organization.
- 2 standing members appointed by the President & CEO and confirmed by the Board
  - A person to represent the ATU (recommended by ATU leadership)
  - A person retired from a law enforcement agency from within the CapMetro service area

# Advisory Committee Meetings

- The Public Safety Advisory Committee will meet at least quarterly beginning within 60 days after Board appointments are confirmed.
- Meetings will be open to the public and recorded, and meeting materials will be posted online.
- A suitable location will be identified to host Public Safety Advisory Committee meetings that is well-connected to transit, centrally located and comfortable.
- Virtual meetings will be supported to the extent that they comply with Capital Metro policy and applicable laws.
- Food and beverages will be provided for committee meetings conducted in person.



**METRO**

THANK YOU!



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2021-215

**Agenda Date:** 10/13/2021

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Annual Capital Metro Investment Performance and Strategy Update



# Capital Metropolitan Transportation Authority Finance, Audit and Administration Committee

## Review of Investment Strategy and Performance

**Presented by:**  
**Nelson L. Bush**  
**Managing Director**

October 13, 2021

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PFM Asset Management LLC

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221 West 6<sup>th</sup> Street  
Suite 1900  
Austin, TX 78701

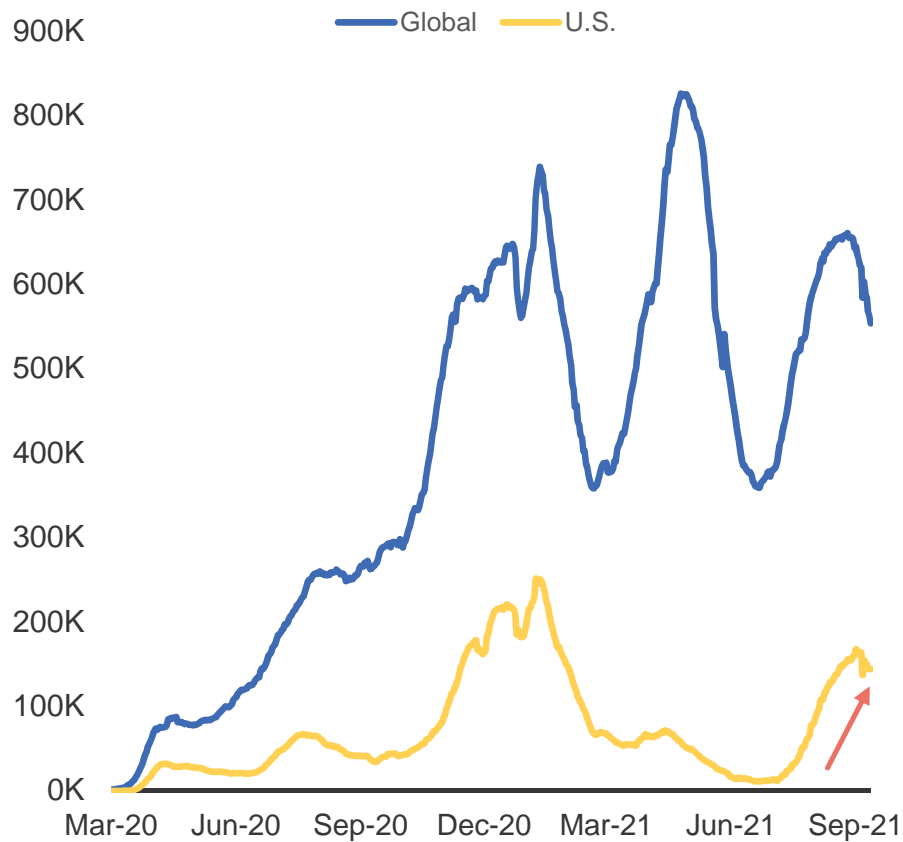
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512.472.7194  
[pfm.com](http://pfm.com)

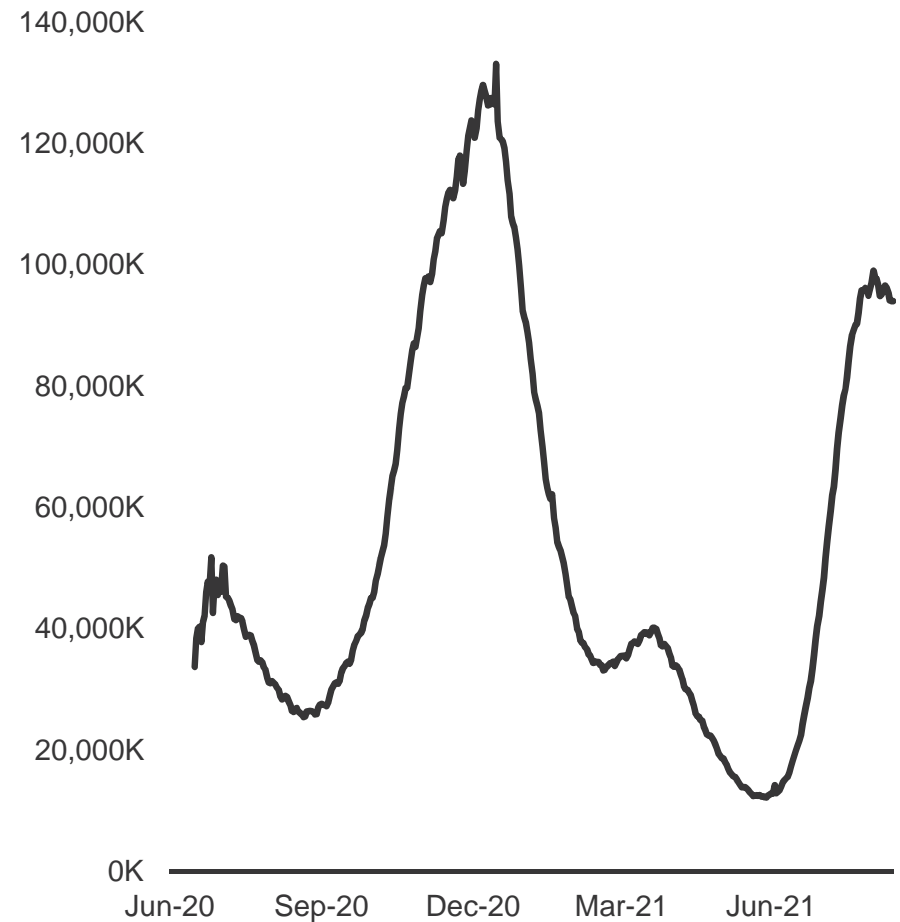


## COVID Variants Presenting a Greater Concern for Economic Growth

**U.S. New Cases Reported Daily**  
7-Day Moving Average



**U.S. COVID-19 patients in hospital**

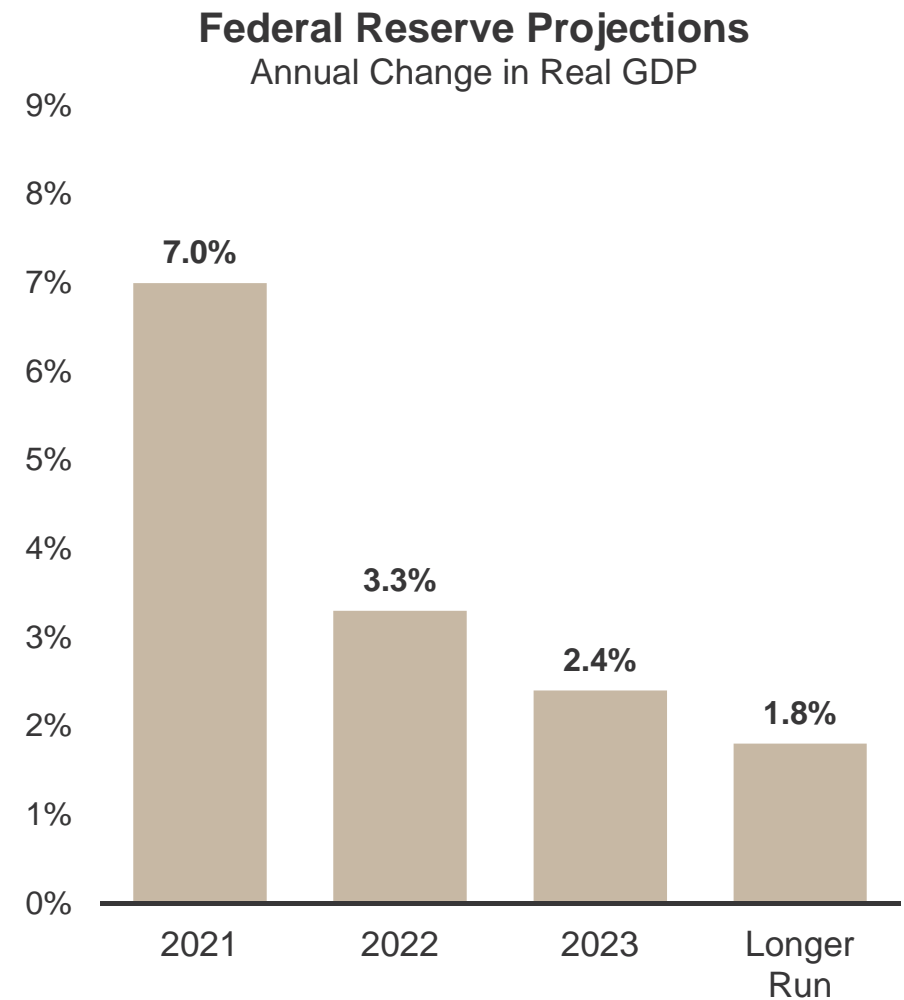
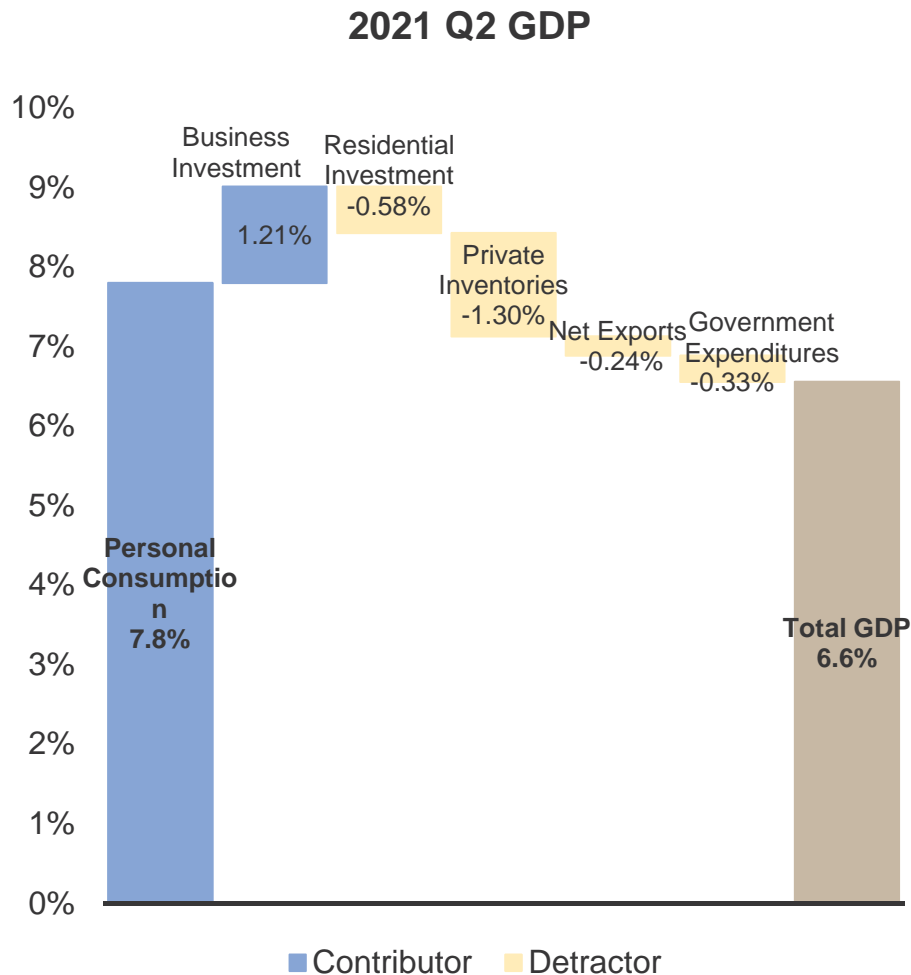


Source: John Hopkins University Coronavirus Resource Center, PFM calculations; as of 9/13/2021.





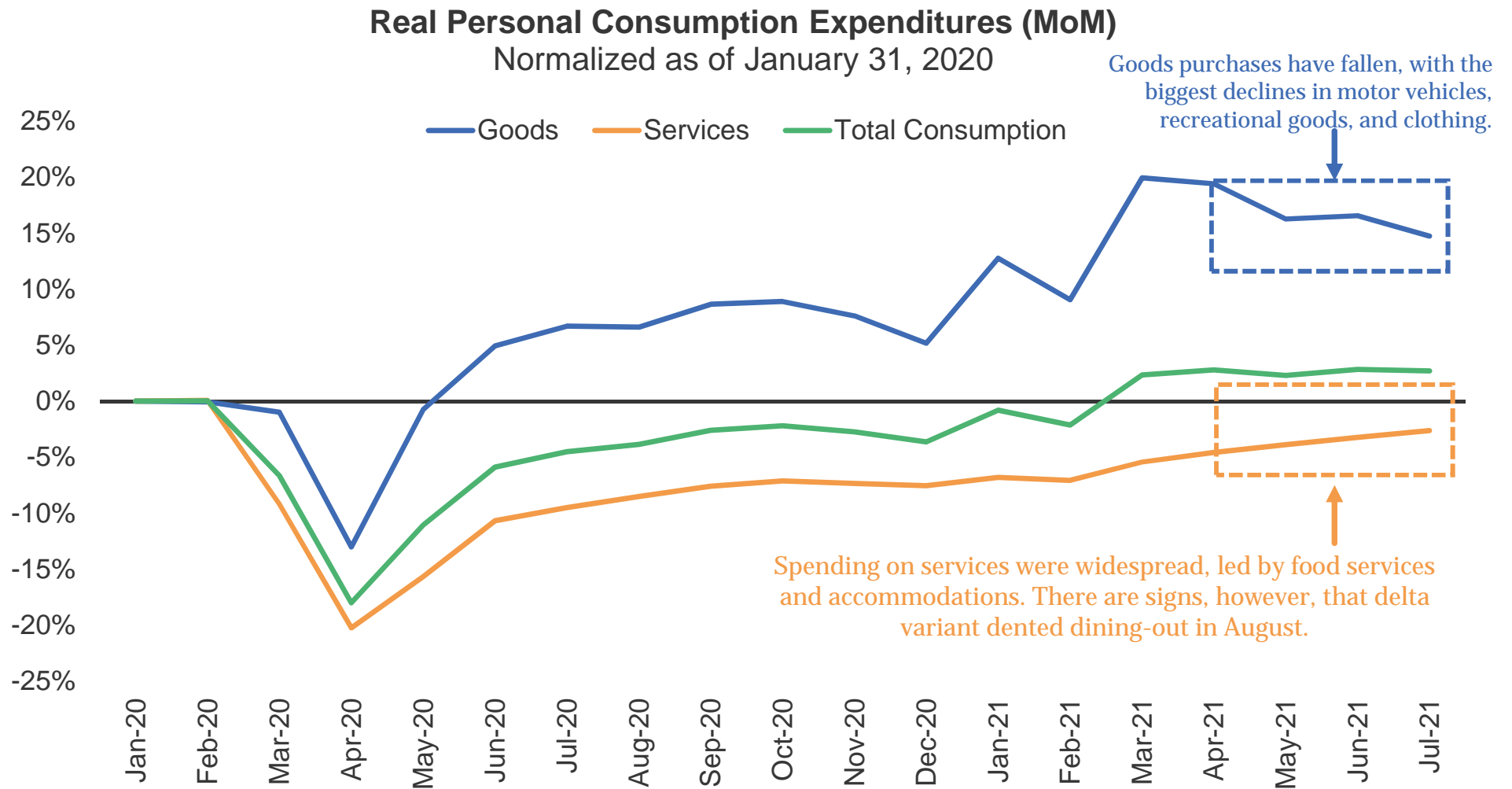
## Consumers Drove Q2 GDP, But Growth Is Expected to Subside



Source: Bureau of Economic Analysis (second revision of GDP), Federal Reserve June 2021 Economic Projections



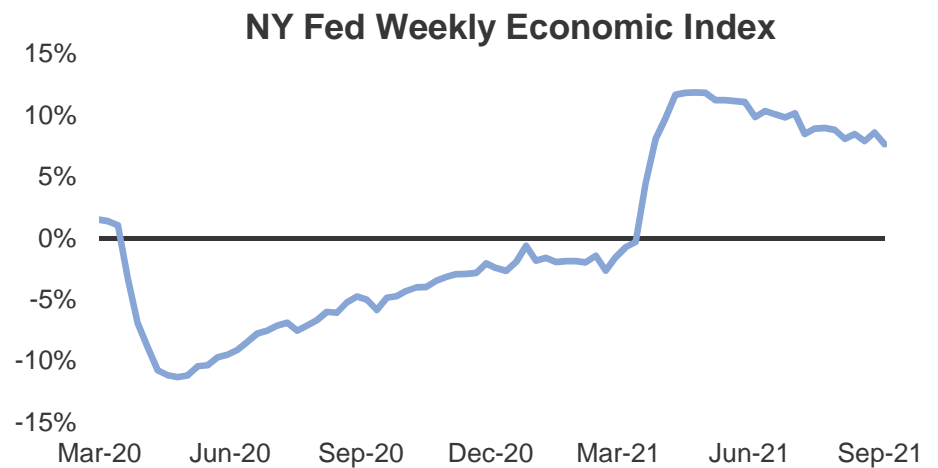
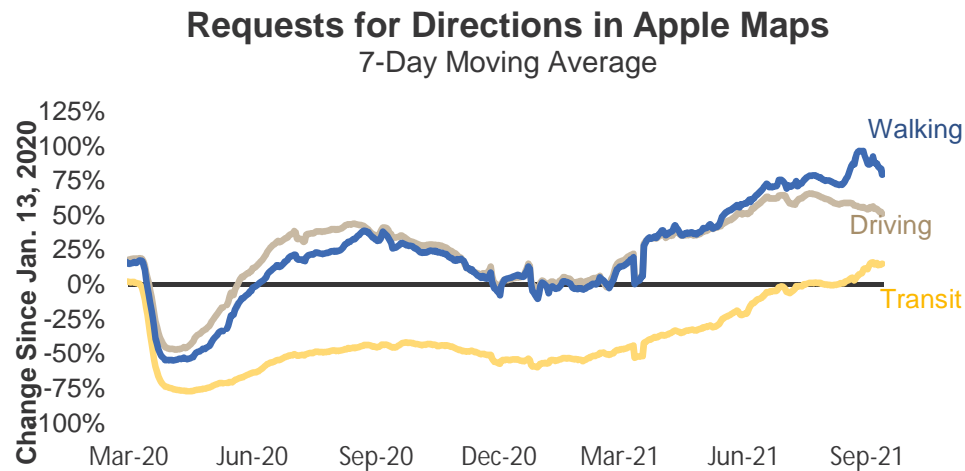
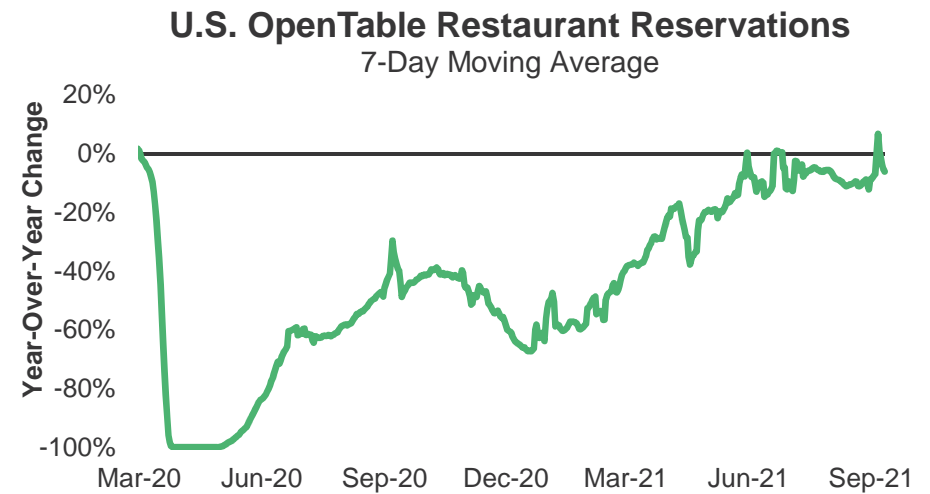
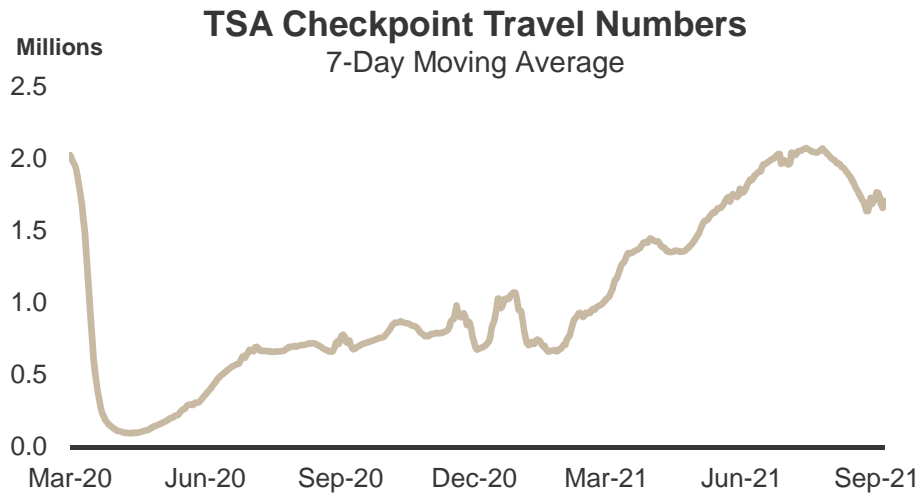
## Goods Spending Is Declining While Services Are Gradually Recovering



Source: Bloomberg, Bureau of Economic Analysis, as of July 2021.



## Consumer Activity and Mobility Are Beginning to Trend Lower

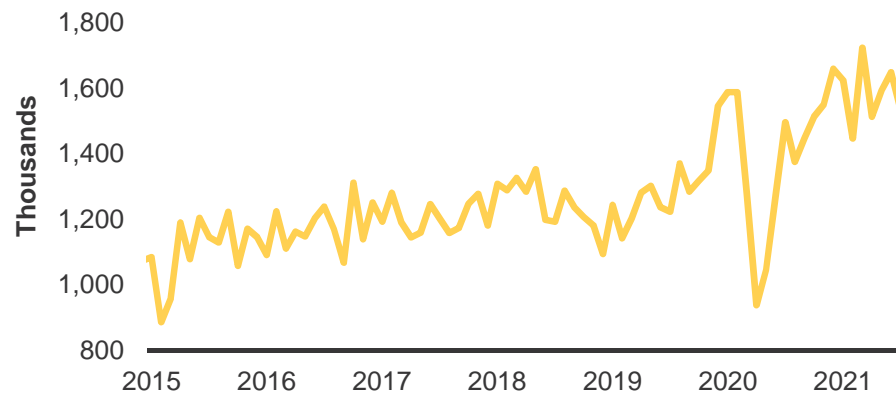


Source: (top left) Transportation Security Administration, PFM calculations, as of 9/13/2021. (top right) Includes phone, online, and walk-in diners; OpenTable, PFM calculations, most recent data as of 9/13/2021. (bottom left) Data for May 11-12 not available; Apple, PFM calculations, most recent data as of 9/13/2021. (bottom right) Federal Reserve Bank of New York, most recent data as of 9/13/2021.

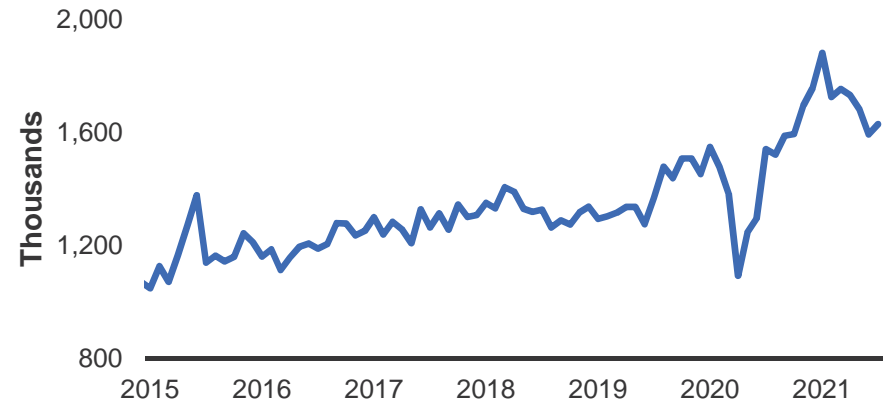


## Housing Activity Showing Signs of Slowing

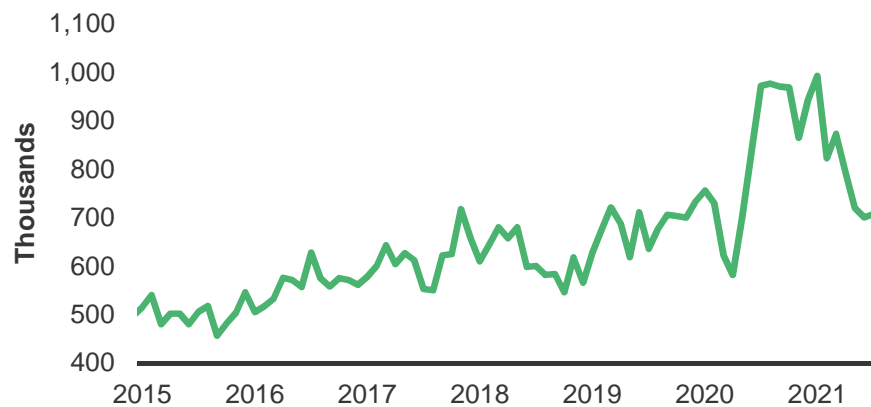
**Housing Starts (SAAR)**



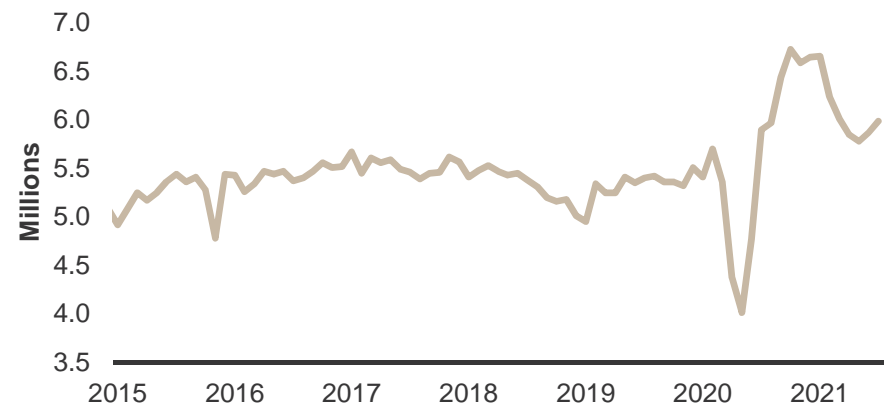
**Building Permits (SAAR)**



**New Home Sales (SAAR)**



**Existing Home Sales (SAAR)**

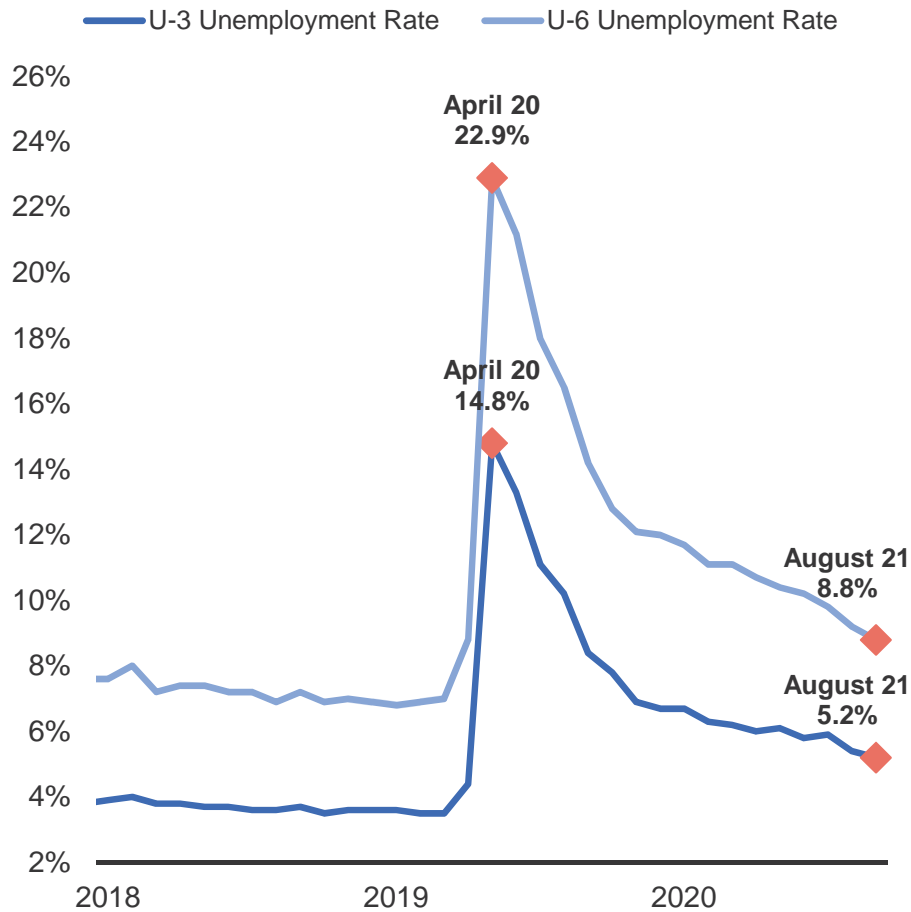


Source: Bloomberg, as of July 2021.

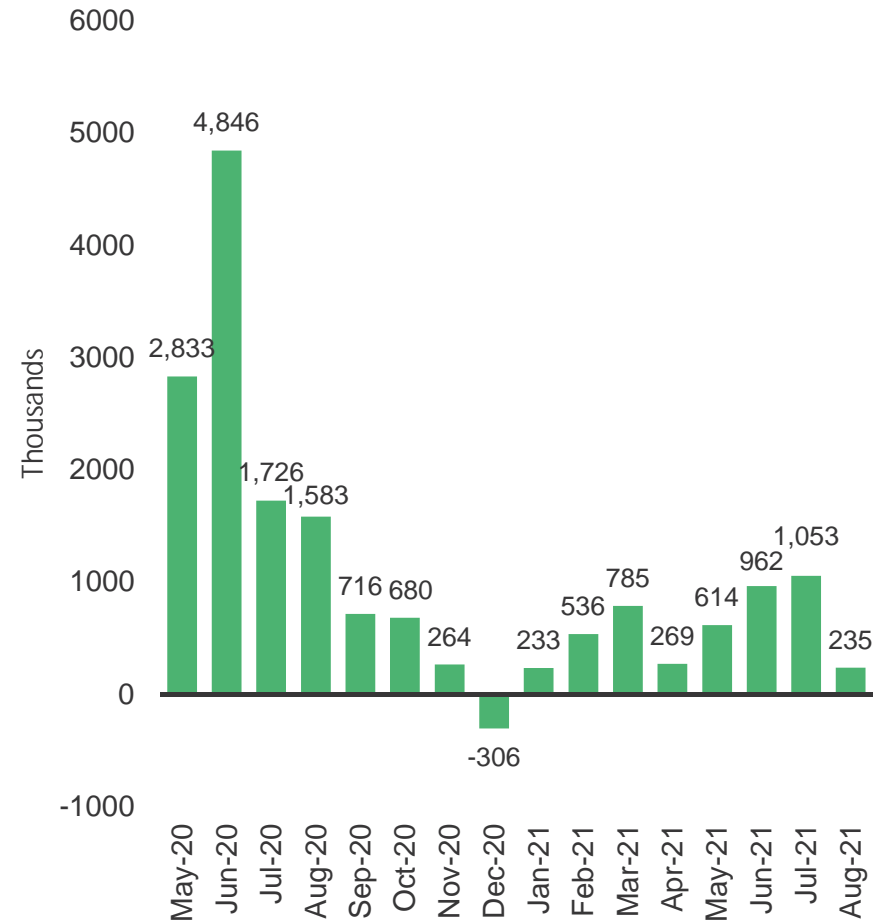


# Hiring Slows Sharply in August as New Covid-19 Cases Impedes Job Gains

## Unemployment Rate



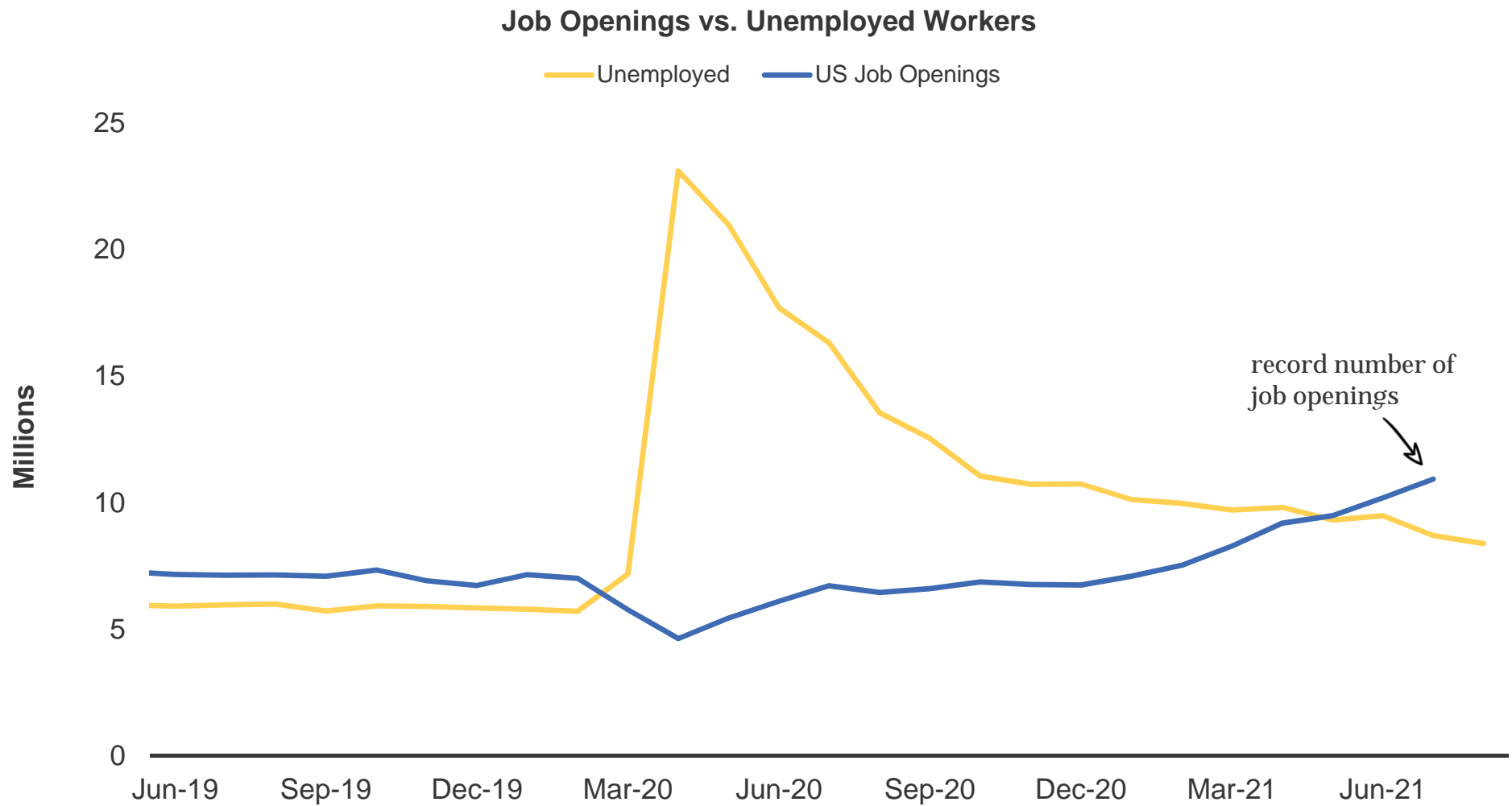
## Nonfarm Payrolls MoM



Source: Bloomberg, as of August 2021. Data is seasonally adjusted.



## Job Openings Hit New Record High

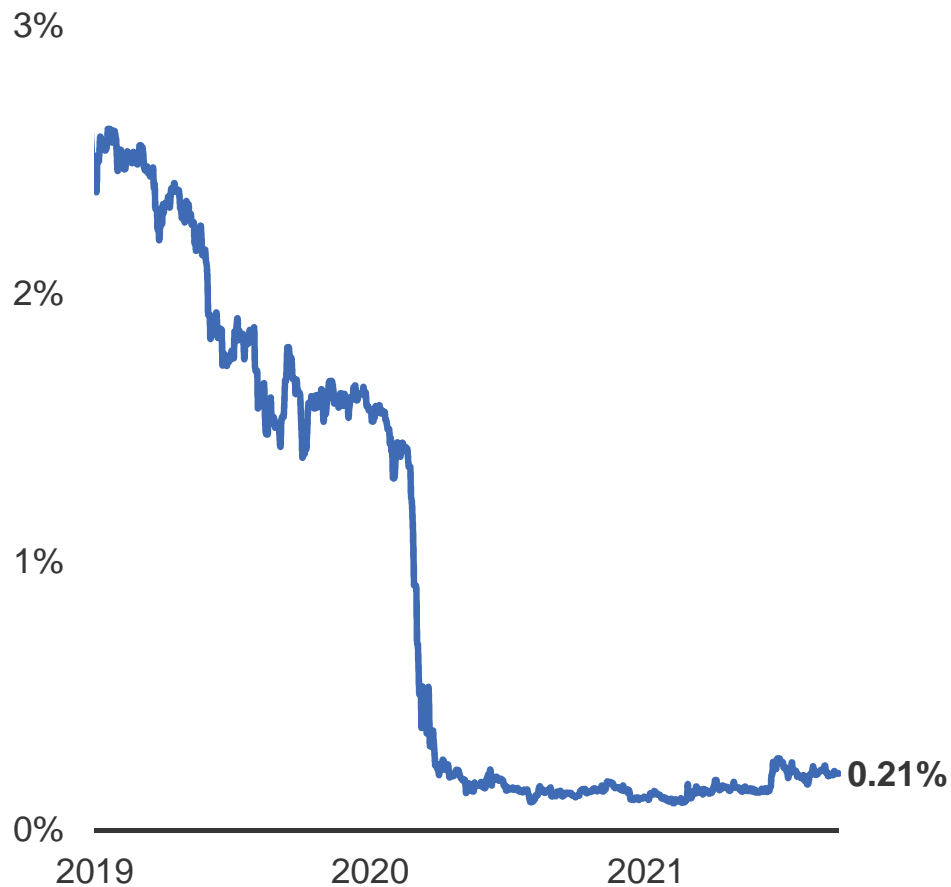


Source: JOLTS and BLS, as of August 2021.



## Long-Term Yields Falling Despite Inflation Fears and Possible Tapering

2-Year Treasury Yield



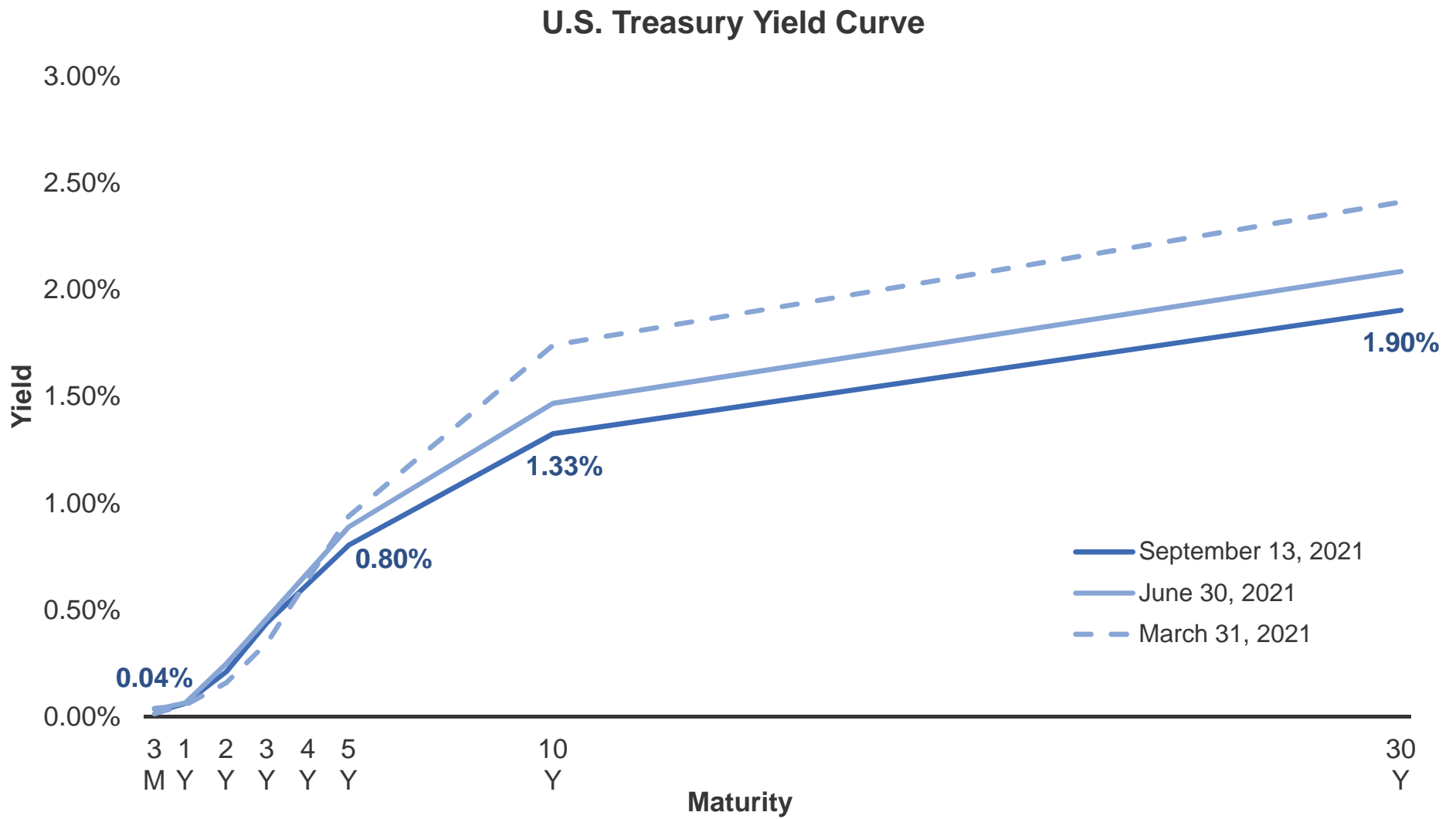
10-Year Treasury Yield



Source: Bloomberg, as of 9/13/2021.



## Treasury Yield Curve Flattens



Source: Bloomberg, as of 9/13/2021.





## Stock Market Continues to Climb

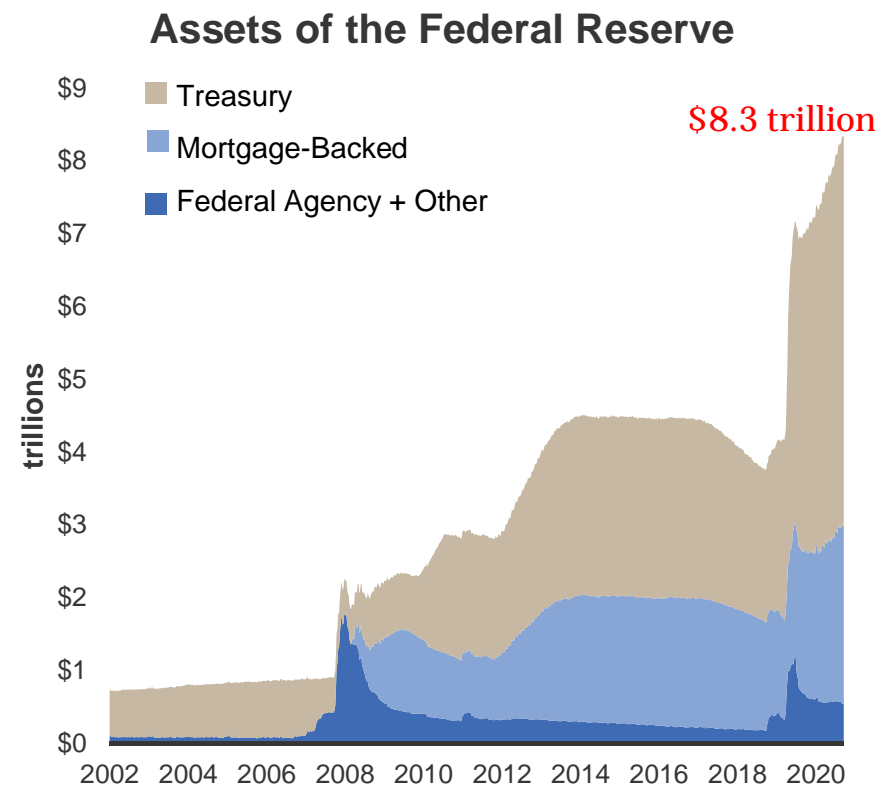
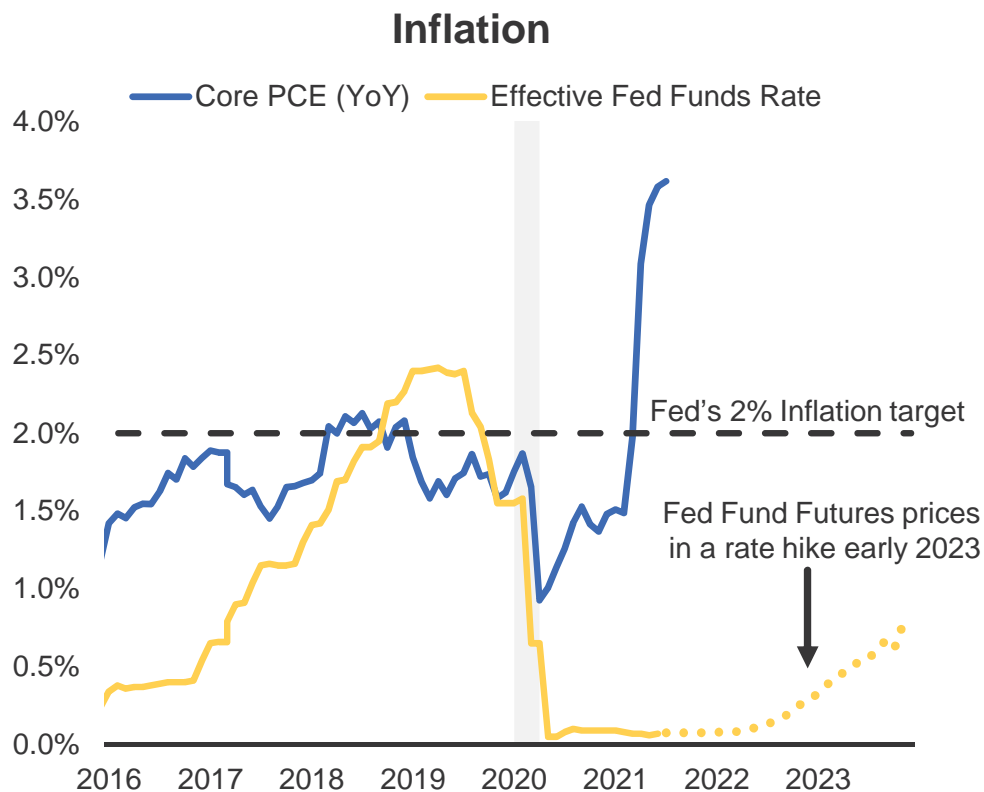


Source: Bloomberg, as of 9/13/2021.



## In July, Fed Kept Rates Near Zero and Asset Purchases at \$120B/month

“...the Committee seeks to achieve inflation that averages 2 percent over time... following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time.”

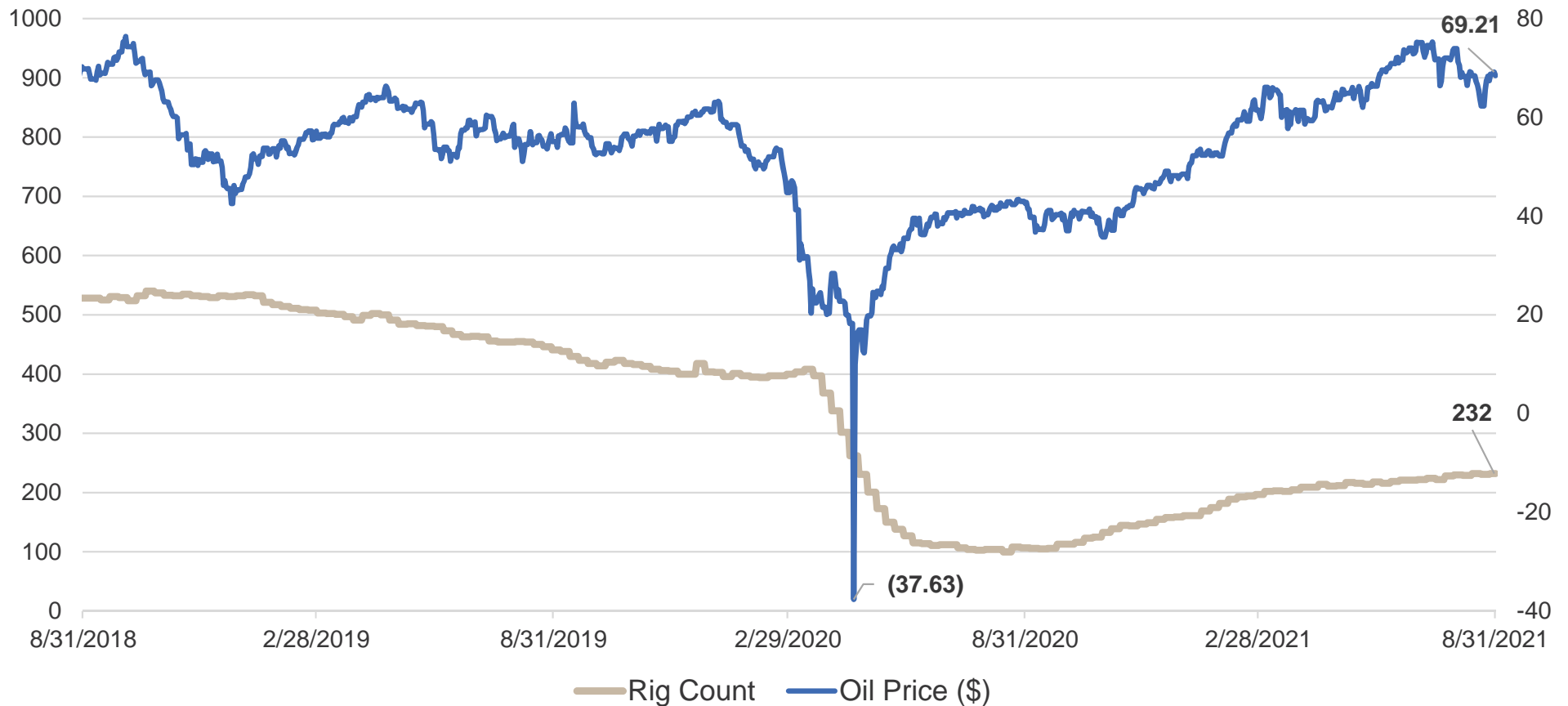


Source: Bloomberg, as of 9/07/2021 (chart). Fed Funds Futures projections as of 9/07/2021.



## Largest Component of Texas GDP Slowly Recovering

Texas Oil Fundamentals



Sources: Bloomberg, Federal Reserve Bank of Dallas, as of August 2021. Rig Count is Baker Hughes Texas Oil and Gas Rotary Rig Count. Oil Price is West Texas Intermediate Crude Spot Oil Prices.



# Portfolio Update



## Summary of Capital Metro Portfolios

Account	Market Value as of 8/31/21	Strategy
Capital Metro Transportation Authority	<b>\$152,101,066</b>	Diversified portfolio with strategy designed to provide liquidity for forecast capital expenditures
Capital Metro City of Austin Mobility Port	<b>\$7,772,271</b>	Diversified portfolio with strategy designed to provide liquidity for forecast capital expenditures
Capital Metro Statutory Operating Reserve Account	<b>\$40,738,418</b>	Diversified portfolio with 0-3 year investment strategy and able to provide liquidity if needed
Capital Metro Budget Stabilization Reserve	<b>\$22,447,883</b>	Diversified portfolio with 0-3 year investment strategy and able to provide liquidity if needed
<b>Total</b>	<b>\$223,059,638</b>	

Source: PFM Asset Management LLC, as of 8/31/2021. Market Values include accrued interest.

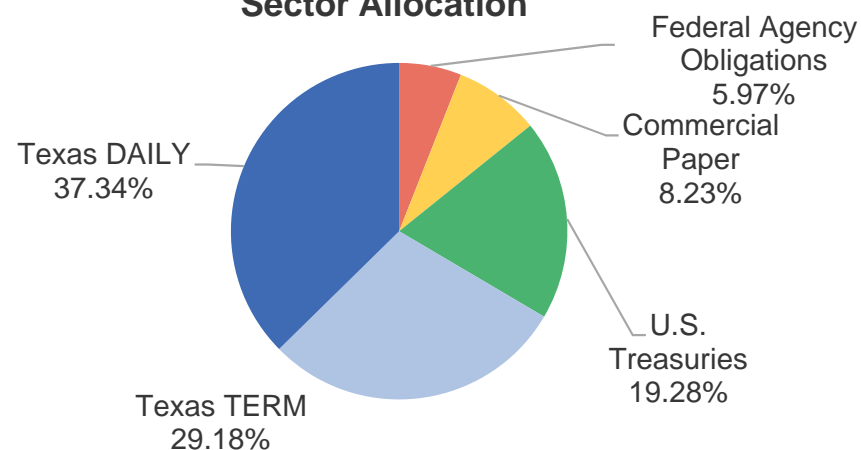


## Capital Metro Composite Portfolio Composition as of August 31, 2021

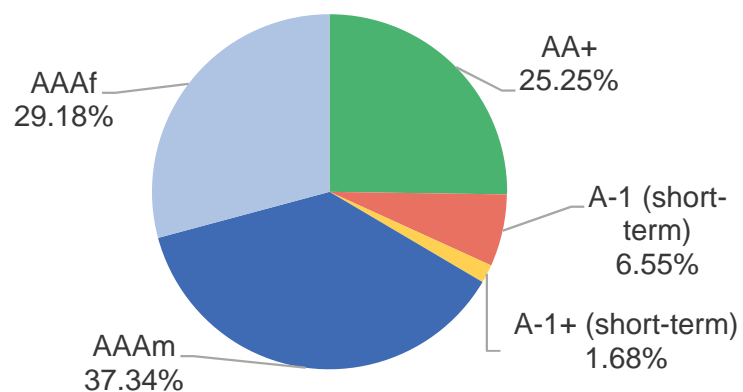
### Portfolio Statistics

Market Value	\$223,059,638
Weighted Average Duration	0.28
Weighted YTM at Market	0.10%

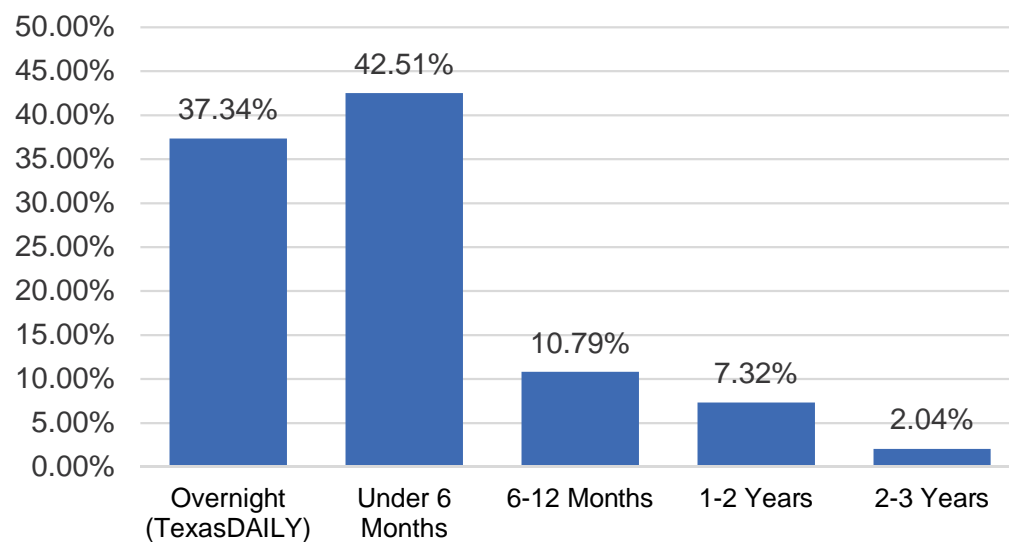
### Sector Allocation



### Credit Quality Distribution

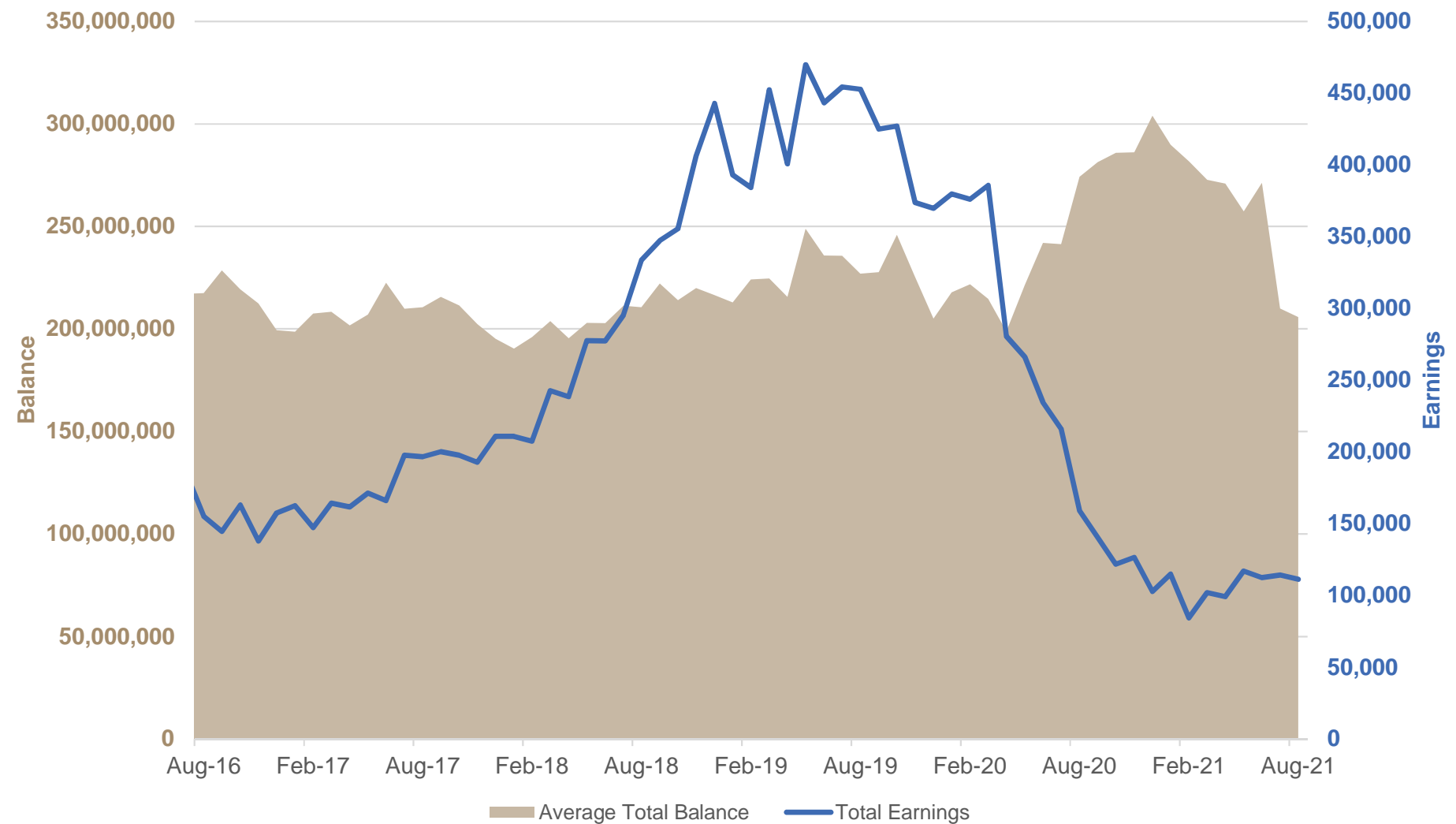


### Maturity Distribution





# Capital Metro Consolidated Balances and Earnings



Source: PFM Asset Management LLC, as of 8/31/2021.



## Important Disclosures

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.







# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2021-212

**Agenda Date:** 10/13/2021

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FY2021 Annual Risk Assessment

# FY2021 RISK ASSESSMENT

Risk Assessment - Top 16 Risks from 20 Surveys (1 Board Member & 19 in Senior Management)

Response	Average (A) Impact	Average (B) Likelihood	(A x B) Inherent Risk	(D) Mitigating Controls	Accept Risk	Requires Plan	"Requires Plan" Recommendations to Improve Risk Management Activities
Workforce Shortage, Competition & Development	7.88	7.71	60.7	BCG did a workforce planning study. MV and MTM is offering Hiring bonuses for Operators, plus referral bonuses for new hires. Marketing engaged in Hiring Campaign materials. MV has a consulting company helping with hiring. Service providers are evaluating wages for both new hires and existing employees.	6	11	Leverage LinkedIn.com and other tools; opportunities to expedite recruiting process (e.g. background check process, etc.); not always gathering salary expectations; Create mechanism for new operators to have access to better shift times. Improve the work environment and location for office staff; Recruiting a Director of Workforce Development; developing a recruiting strategy with the Marketing team; starting pay for unskilled labor is requiring more pay; Better define workforce versus resources to accomplish this work since this is not correctly balanced; Ensure job descriptions and training programs are properly and proactively developed for changing technologies (i.e. electrified and more computerized buses; condition based maintenance in lieu of time based maintenance).
Service Provider Performance & Contract Management	7.24	7.00	50.6	A software solution (GRC & Contract Performance Mgt) is in the works to help manage this; Contracts & QA Oversight; PDC - performance deficiency credits; Employee engagement; QA in contracts & periodic audits; Contract Management Plans created by Procurement; Contract Monitoring Plans created by PM's; Mode-specific oversight in place; Increasing QA audits with focus on maintenance which includes listening sessions with employees and daily calls; increasing time in the field and related observations.	4	12	Fine-tune what Cap Metro can impact and what contractors should control; MV's incident/accident reporting needs to be timely and accurate; CapMetro leadership is developing a joint plan with MV to address performance issues; need more focus on putting Disincentives and Performance Bonds into contracts; Improved and more specific contracts, appropriate QA staffing resources, improved audit tools, and better oversight structure need to be developed; Fine Tune recruiting strategy to include reducing age qualification for Drivers; Training program to develop and access skill levels of incumbent employees.
Project Connect - Cost / Schedule / Quality / Complexity	7.67	6.33	48.6	ATP established with governance structure; HDR is PMOR under contract responsible for development of PMP which addresses risks; Project Connect office; BCG has been a strategic advisor; FTA Requirements; Community & Stakeholder engagement; Technical work by professionals; Resources & Funding to support initiative have been provided; NEPA contracts being developed; Agency wide planning and documentation; Additional procurements for services, rolling stock, etc.,	10	8	Implement FTA Requirements; Need specific policies/procedures for ATP and Project Connect; Coordination & Alignment with City Council; Integration with new EPPM System; Clear lines of authority and communications for anti-displacement funds; Hiring staff is a challenge that needs a plan; Consider hiring a 3rd Party Estimator who can provide specific price indexes for Austin; Develop dashboards for ELT to provide timely updates on cost, schedule, quality and safety to ELT; ensure disjointed initiatives go through common focal point for better coordination/prioritization with overall project; Develop design guidelines and project management tools to ensure requirements are fully met; Ensure clear protocols on public notifications to ensure accuracy and transparency; Ensure proper balance of internal experienced workforce versus consultants are in place to successfully execute Project Connect in order to stay within budget, meet quality expectations, and complete within public notified schedules, scopes, and deliverables.
COVID-19 & Variants Impacts	6.50	7.06	45.9	Agile service planning; innovative customer technology updates, including contactless fare collections; and state of art cleaning; real time social distancing support; strong communication program to build customer confidence; Incentive payments for vaccination; tracking vaccination status by employee.	8	9	Vaccine distribution for Cap Metro employees and contractors; remain agile to adjust to COVID variants; and continue vaccine program; emphasize COVID facts to employees including testimonials from family members; health fair has been put in place; COVID Task Force has been reactivated.
IT Risks & Cybersecurity	6.47	5.59	36.2	IT Policies/Procedures; Internal/External Audits; Ongoing training for employees; Position allocated to address Cyber Security; Monthly IT Security Review Meeting.	10	6	BCG is performing and Organizational Assessment to help ensure Cybersecurity and IT have the right resources, necessary experience level, established standards and guidelines, and procedures to properly engage in all software implementations and IT security matters.
Fast Growing Priority Lists & Managing between ST & LT	5.88	6.06	35.6	The Transform 2030 Plan has helped to identify priorities; Development of updated strategic plan and CapMetro 2030 Initiatives in development; the continued focus on workforce development; strategic plan in the process of being updated; Monday.com has been deployed to the senior leadership team, as well as capture higher level external communications.	8	8	Developed a framework for a joint strategic plan between CapMetro and APT. Looking at having a facilitator help departments develop business plans to support the Strategic Plan; Opportunity for better planning and systematic approaches; plans need to do more as it relates to adoption and cascading strategic priorities down through the organization.
Employee Retention & Succession Planning	5.50	5.69	31.3	Annual succession planning; 2030 planning; New org structures through business model analysis work and support of BCG and other consultants.	9	6	Recruiting a Director of Workforce Development; Developing a recruiting strategy with the Marketing team; Starting pay and retention pay requires more; Improved attract and retain program; More competitive compensation; Improved program to reward and differentiate top performers; Change management is needed to eliminate perception of this is how it has always been done even though it's not best practice. Consider 360 performance reviews.
Standing Up CapMetro Police Dept	5.00	6.13	30.6	Consultant for operational expertise in creating the department; strong community engagement and advisory community for external input; establishment of a robust public safety approach; Marketing using social media tools to keep the public informed.	7	8	Plans are required and are under development; Need a social media plan.
Seamless Integration Between ATP & CapMetro Processes	5.38	5.38	28.9	The Transform 2030 Plan has helped to identify priorities and ensure integration. Periodic workshops between ATP and CapMetro to keep plan on track; Cross-functional teams; Integrated staff, including community engagement and unified governmental affairs approach; regular joint senior team meetings and a joint 2030 Initiatives plan; The new ERP system will help drive processes (e.g. Procurement, Hiring, etc.); new cadence of joint meetings being developed; an IT Service Desk being setup at ATP office.	11	5	Physical separation of CapMetro and ATP offices will make integration more challenging; Identify opportunities for better planning and systematic approaches; There are a significant amount of cross-functional groups and meetings to mitigate. Ongoing assessment and monitoring. Consider doing 360 performance reviews.
Ridership Levels & Creating a Culture of Ridership	5.50	5.13	28.2	Invested in safe ridership equipment and processes as well as communicating these changes to the public.	12	3	Realtime overcrowding information display is being deployed that will help build customer confidence back.
Safety of Operations	5.65	4.82	27.2	Safety Policies & Training; Ops Procedures; Ops Mgt; Safety Plans; Oversight from Mgt, Fed, State & Contractors; Accountability & PDC's; Reg Requirements for Safety Plan; SMS in place; SMS plan has been developed for new FTA Requirements; Passenger Safety Initiatives planned.	9	7	Improved driver training & mgt; Continued focus on safety systems/policies; HNTB is performing a review of bus operations training and possible improvements; Need more focus on putting Disincentives and Performance Bonds into contracts; Develop improved safety plans, procedures, protocols, policies, and training programs for programs that should exist today (e.g. electrical safety).
Reputation/Credibility/Identity Management	5.29	4.71	24.9	Community Outreach & Connectivity; Process in place for escalation; Brand Identification efforts; Passenger experience improvements; leveraging new Dashboards for public transparency; Marketing/communications hiring specialized staffing related to communications and appropriate media type.	16	0	Social media policy & compliance; Continued community outreach & engagement; Focus on the risks identified in this survey together with service providers; Development of Diversity, Equity and Inclusion Program to encourage managers and operations team to be more involved in community engagement activities, not just our CE staff.
Lack of Resources & Visibility/Utilization Across Departments	4.88	4.88	23.8	Jan 2021 restructuring and additional funding; and FY22 Budget process and additional funding including hiring in advance of FY22 start.	8	8	Improving workforce planning tools to identify both ST and LT staffing plans; The 2030 Plan will address this.
Streamlining Procurement & Hiring While Ensuring Quality/Compliance	4.71	4.71	22.1	Some streamlining will occur through implementation of the ERP system. Other streamlining must occur through Project Connect and joint efforts across CMTA and ATP.	7	8	Ensure procurement and contracting process are very similar between CapMetro and ATP as necessary, or be able to understand why there are differences; A facilitated review of procedures in Procurement and P&C Depts will be performed; Establish plan and approach that will streamline Procurement and Hiring; Increased task order contracts for Mechanical Electronic & Plumbing consultants, general contractors, energy consultants, etc., needs to be put in place to help streamline Procurement; networking with other government agencies to better understand what is achievable as best practice to properly execute procurement processes more timely, efficiently, and effectively should be a high priority.
Oracle ERP Implementation by 10/01/2022	4.71	4.06	19.1	AST has been chosen as the Oracle Integrator is a top-tier Oracle partner which specializes in government clients. KPMG has been hired to help with oversight together with a Steering Committee.	10	5	Ensure resources are provided along with proper plan and training to ensure the software solution can be successfully operated and maintained after consultants complete the initial implementation.
Lack of Policies/Procedures Across CapMetro	3.72	4.00	14.9	Some mitigating controls include Friday SET and SLT meetings, the 2030 planning and Project Connect which will help surface issues so that they may be addressed.	7	9	Project Connect there will likely be a need for some new policies/procedures; Onboarding of new hires requires comprehensive policies/procedures to help facilitate training; A facilitated review of procedures in Procurement and P&C Depts will be performed; Being systematic on approaches and processes; As growth occurs it will be more important to have the proper policies, protocols, procedures, and tools in place to achieve success. Evaluate how relevant our current Policies and Procedures are.

## Severity of Impact (Rating of 0 to 9)

Minor/Green = 0 to 3  
Moderate/Ambre = 3.1 to 6  
Critical/Red = 6.1 to 9

## Likelihood of Occurrence (Rating of 0 to 9)

Remote/Green = 0 to 3  
Possible/Ambre = 3.1 to 6  
Likely/Red = 6.1 to 9

## Here are the standard definitions of the two concepts:

Inherent risk represents the amount of risk that exists in the absence of controls.

Residual risk is the amount of risk that remains after controls are accounted for.

Risk Area highlighted in Yellow if at least half the management team believed it "requires a plan".



# Capital Metropolitan Transportation Authority

2910 East 5th Street  
Austin, TX 78702

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Finance, Audit and Administration Committee

**Item #:** AI-2021-221

**Agenda Date:** 10/13/2021

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Internal Audit FY2021 Audit Plan Status

## FY21 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: 10/14; 11/9; 12/7; 2/10; 3/17; 4/14; 5/12; 6/16; 8/18; 9/15; 10/13	Completed	
2	Semi-annual Implementation Status Report - November 2020	Completed	February
3	Semi-annual Implementation Status Report - May 2021	Completed	August
4	FY2021 Risk Assessment & development of FY22 Audit Plan	Completed	October
	<b>FY21 Audit Assurance &amp; Advisory Projects</b>		
1	Quadrennial Performance Audit (Requisition #306188) - RFP, Selection Process and Quadrennial Audit Report - Contract awarded to Weaver for \$180,610	Completed	January
2	QAR (Quality Assurance Review) of Internal Audit practices - Started Self-Assessment. The external assessments have been postponed by GAO/ALGA due to COVID-19.	Postponed to FY22	
3	Payroll Process - SOX Like Key Financial Control Testing	Completed	September
4	Project Connect - System Controls & Processes (e-Builder)	ATP Auditor	
5	PTC (Positive Train Control) - Expenditures & Drawings	Completed	May
6	DBE Program	Completed	May
7	Petty Cash - Policy Compliance	Completed	February
8	Transit Store with Ticket Focus (Hardcopy and e-tickets)	In-Process	
9	Saltillo Development with Focus on Lease Revenues	In-Process	
10	FTA Triennial Review	Postponed to FY22	
11	Annual Cybersecurity Review (AT&T Vulnerability Assessment & Penetration Test)	Completed	November
12	Rail Systems Security (Railcomm, PTC, Signaling, etc.)	Postponed due to Procurement	
13	NIST Cybersecurity Framework (Facilitated Self Assessment)	In-Process but Postponed	Postponed due to BCG Review
	<b>CONTINGENT AUDIT PROJECTS - FY21</b>		
1	ITS2403: Governance Risk and Compliance Software - (ServiceNow; Galvanize) TXDOT implementing Galvanize	In-Process	
2	Downtown Station - Contract Closeout		
3	Project Connect - Marketing & Planning Expenditures		
4	Infor Asset Mgt System - Post Go-Live Review		
5	Discounted Pass Program (Advisory)	Completed	UT Interns-August
6	Facilities Maintenance - Contract Monitoring & Compliance		
7	Paratransit & Demand Response Operations (Advisory)	Completed	UT Interns-August
8	Board Policies/Goals - Monitoring & Reporting (e.g. OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		

	<b>NEW PROJECTS ADDED TO FY21 AUDIT PLAN by Terry Follmer</b>		
1	New Electric Bus Fleet – In-Processing Procedures (Advisory)	Completed	UT Interns-August
2	Security Incidents – Process Flowcharting & Analysis (Advisory)	Completed	UT Interns-August
3	Security Incidents – Data Analytics (Advisory)	Completed	UT Interns-August
4	Marketing/Communication - Process Flowcharting & Forecasting (Advisory)	Completed	UT Interns-August
5	Quadrennial Recommendation - implement a Contract Performance Management System (ITS2205)	In-Process	
6	APTA Support - helped rewrite/update APTA's Recommended Practices on Cybersecurity Considerations for Public Transit sponsored by the TSA	Completed	
7	RFP No. 306897 – Enterprise Resource Planning (ERP) System - Technical Advisor to Selection Committee - Oracle has been selected	Completed	
8	APTA Peer Review - volunteered on RTD Denver, to develop Internal Audit Transformation Plan	Completed	
9	ITS1901 - Advisor on ERP Selection Process (Oracle chosen)	Completed	
10	Business Continuity (COOP Plan, Advisory)	In-Process	UT Interns-Fall 2021