



DENTON COUNTY
TRANSPORTATION AUTHORITY

1955 Lakeway Dr., # 260, Lewisville, Texas 75057
972.221.4600 | RideDCTA.net

Board of Directors Regular Meeting

May 24, 2018 | 3:00 p.m.*

**or immediately following Board Work Session
scheduled at 1:30 p.m. on May 24, 2018*

CALL TO ORDER

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS

INVOCATION

WELCOME AND INTRODUCTION OF VISITORS

AGENCY AWARDS AND RECOGNITIONS

1. PUBLIC COMMENT

This agenda item provides an opportunity for citizens to address the Board of Directors on any agenda items or other matters relating to the DCTA. Anyone wishing to address the Board of Directors should complete a Citizen Comment Registration Card and submit it to the DCTA Administration prior to the start of the Board of Director meeting. There is a three (3) minute time limit for each citizen. Anyone wishing to speak shall be courteous and cordial. The Board of Directors is not permitted to take action on any subject raised by a speaker during Citizen Comments. However, the Board of Directors may have the item placed on a future agenda for action; refer the item to the DCTA Administration for further study or action; briefly state existing DCTA policy; or provide a brief statement of factual information in response to the inquiry.

2. CONSENT AGENDA

- a. Approval of Minutes for the Board Work Session and Regular Meeting on April 26, 2018.
- b. Acceptance of Monthly Financial Statements – April 2018
- c. Approval of Award of Contract to Terracon Consultants Inc. for Subsurface Environmental Investigation

3. REGULAR AGENDA

- a. Approval of Resolution 18-03 adopting Revised Fiscal Year 2018 Operating & Capital Budget
- b. Approval of Resolution 18-04 Approving Financial Policies

4. Convene Executive Session. The Board may convene the Regular Board Meeting into Closed Executive Session for the following:
 - a. As Authorized by Section 551.071(2) of the Texas Government Code, the Regular Board Meeting may be Convened into Closed Executive Session for the Purpose of Seeking Confidential Legal Advice from the General Counsel on any Agenda Item Listed Herein.
 - b. As Authorized by Texas Government Code Section 551.072 Deliberation regarding Real Property: Discuss acquisition, sale or lease of real property related to long-range service plan within the cities of Denton, Lewisville, Highland Village, or the A-train corridor.
5. Reconvene Open Session
 - a. Reconvene and Take Necessary Action on Items Discussed during Executive Session.
6. CHAIR REPORT
 - a. Discussion of Regional Transportation Issues
 - b. Discussion Legislative Issues
 - i. Regional
 - ii. State
 - iii. Federal
7. PRESIDENT'S REPORT
 - a. Budget Transfers
 - b. Regional Transportation Issues
8. REPORT ON ITEMS OF COMMUNITY INTEREST
 - a. Pursuant to Texas Government Section 551.0415 the Board of Directors may report on following items: (1) expression of thanks, congratulations, or condolences; (2) information about holiday schedules; (3) recognition of individuals; (4) reminders about upcoming DCTA and Member City events; (5) information about community events; and (6) announcements involving imminent threat to public health and safety.
9. ADJOURN

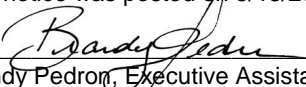
Chair – Charles Emery
Vice Chair – Richard Huckaby

Secretary – Dianne Costa
Treasurer – Dave Kovatch

Members – Skip Kalb, Tom Winterburn, Don Hartman,
George A. Campbell, Allen Harris, Carter Wilson, Connie White, Mark Miller, Ron Trees
President – James Cline

The Denton County Transportation Authority meeting rooms are wheelchair accessible. Access to the building and special parking are available at the main entrance. Requests for sign interpreters or special services must be received forty-eight (48) hours prior to the meeting time by emailing bpedron@dcta.net or calling Brandy Pedron at 972-221-4600.

This notice was posted on 5/18/2018 at 10:10 AM.



Brandy Pedron, Executive Assistant | Public Information Coordinator | Records Manager



Board of Directors

Work Session Minutes

The Board of Directors of the Denton County Transportation Authority convened the work session of the Board of Directors with Charles Emery, Chairman presiding at on April 26, 2018 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057.

Attendance

Small Cities

Skip Kalb
Connie White

Large Cities

Charles Emery, Lewisville, Chairman
Dianne Costa, Highland Village
Richard Huckaby, Denton, Secretary
Tom Winterburn, Corinth
Mark Miller, Flower Mound
Carter Wilson, Frisco
Ron Trees, Little Elm

Denton County Unincorporated

George Campbell
Dave Kovatch, Denton County At Large,
Treasurer (at 1:38)

Board Members Absent

Allen Harris, The Colony
Don Hartman, Denton County
Unincorporated

Legal Counsel

Pete Smith

DCTA Staff

Jim Cline, President
Marisa Perry, Chief Financial Officer, VP
of Finance
Nicole Recker, Vice President,
Marketing and Communications
Kristina Holcomb, Vice President,
Planning and Development
Raymond Suarez, Chief Operating
Officer

Other Attendees

Athena Forrester, Assistant VP
Procurement
Chrissy Nguyen, Senior Accountant
Amanda Riddle, Budget Manager
Ian Shows, Controller
Adrienne Hamilton, Communications
Manager
Jim Owen, Citizen
Andrew Allen, Citizen

Chairman, Charles Emery, called the meeting to order and announced the presence of a quorum at 1:31 p.m.

1. Routine Briefing Items

- a. Staff Briefing on Monthly Financial Reports – *Marisa Perry, Chief Financial Officer, VP of Finance, reported on the following:*
 - i. Monthly Financial Statements for March 2018
 - ii. Capital Projects Budget Report for March 2018
 - iii. Monthly Sales Tax Receipts
 - iv. Quarterly Investment Report Q2 FY2018
 - v. Quarterly Grant Update
 - vi. Current Procurement Activities
- b. Marketing and Communications – *Nicole Recker, Vice President Marketing and Communications, reported on the following*
 - i. New Collateral
 - ii. Community Survey Update
 - iii. A-train Point-in-Time Study Update
 - iv. Lake Dallas A-train Rail Trail Ribbon Cutting – May 19, 2018
 - v. Monthly Media Report
 - vi. Quarterly Metrics Report
 - vii. Video Showcase
 - 1. #AskDCTA
 - 2. “I Am DCTA”
- c. Strategic Planning and Development – *Kristina Holcomb, reported on the following*
 - i. Regional Planning Initiatives Update
 - ii. Local Planning Update
 - iii. Business Development and Partnerships Update
 - iv. Funding Opportunities Update
 - v. Land Use Planning & Development
- d. Capital Projects – *Raymond Suarez, Chief Operating Officer, reported on the following projects*
 - i. Positive Train Control
 - ii. Hike and Bike Trail
 - iii. Pokrus Page
 - iv. Trinity Mills Crew Room
 - v. Lewisville Bus Fueling Facility
- e. Transit Operations Reports – *Raymond Suarez, Chief Operating Officer, reported on the following and gave an update on ridership:*
 - i. Bus and Rail Operations

2. Items for Discussion
 - a. Enhanced Outreach to Stakeholders – *Kristina Holcomb, Vice President of Planning and Development, Nicole Recker, Vice President of Marketing and Communications, and Adrienne Hamilton briefed the committee on enhanced outreach efforts*
 - b. Discussion of upcoming UNT Contract – *Jim Cline, President and Raymond Suarez, Chief Operating Officer discussed a presentation over regarding the UNT Contract and briefly updated the Board*
3. Committee Chair Reports
 - a. Program Services Committee (April 17, 2018) – *Dave Kovatch, Committee Chair gave a briefing on the Program Services Committee*
4. Discussion of Regular Board Meeting Agenda Items (April 26, 2018) – *Jim Cline, President made note of added agenda item for Public Comment on the Regular Board Meeting Agenda*
5. Convene Executive Session – *The board did not meet in Executive Session*
6. Discussion of Future Agenda Items
 - a. Board Member Requests – *At the request of Charles Emery, Chairman, May's Committee meetings will be held at the Rail Office at 640 Texas 121 Business, Lewisville, Texas 75067*
7. ADJOURN at 3:43 p.m.

The minutes of the April 26, 2018 Work Session meeting of the Board of Directors were passed, and approved by a vote on this 24th day of May, 2018.

Charles Emery, Chairman

ATTEST

Dianne Costa, Secretary



Board of Directors

Board Meeting Minutes

The Board of Directors of the Denton County Transportation Authority convened the regular meeting of the Board of Directors with Charles Emery, Chairman presiding at on April 26, 2018 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057.

Attendance

Small Cities

Skip Kalb
Connie White

Large Cities

Charles Emery, Lewisville, Chairman
Dianne Costa, Highland Village
Richard Huckaby, Denton, Secretary
Tom Winterburn, Corinth
Mark Miller, Flower Mound
Carter Wilson, Frisco
Ron Trees, Little Elm

Denton County Unincorporated

George Campbell
Dave Kovatch, Denton County At Large,
Treasurer (at 1:38)

Board Members Absent

Allen Harris, The Colony
Don Hartman, Denton County
Unincorporated

Legal Counsel

Pete Smith

DCTA Staff

Jim Cline, President
Marisa Perry, Chief Financial Officer, VP
of Finance
Nicole Recker, Vice President,
Marketing and Communications
Kristina Holcomb, Vice President,
Planning and Development
Raymond Suarez, Chief Operating
Officer

Other Attendees

Athena Forrester, Assistant VP
Procurement
Ian Shows, Controller
Jim Owen, Citizen
Andrew Allen, Citizen

CALL TO ORDER – *Chairman, Charles Emery, called the meeting to order and announced the presence of a quorum at 3:52 p.m.*

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS – *led by Dave Kovatch, Treasurer*

INVOCATION – *led by Skip Kalb*

WELCOME AND INTRODUCTION OF VISITORS – *Marisa Perry, Chief Financial Officer, VP of Finance, welcomed and introduced new employee, Ian Shows, DCTA Controller*

AGENCY AWARDS AND RECOGNITIONS – *None at this time*

1. PUBLIC COMMENT

This agenda item provides an opportunity for citizens to address the Board of Directors on any agenda items or other matters relating to the DCTA. Anyone wishing to address the Board of Directors should complete a Citizen Comment Registration Card and submit it to the DCTA Administration prior to the start of the Board of Director meeting. There is a three (3) minute time limit for each citizen. Anyone wishing to speak shall be courteous and cordial. The Board of Directors is not permitted to take action on any subject raised by a speaker during Citizen Comments. However, the Board of Directors may have the item placed on a future agenda for action; refer the item to the DCTA Administration for further study or action; briefly state existing DCTA policy; or provide a brief statement of factual information in response to the inquiry.

- *Jim Owen – 2007 Teasley Lane, Apt. 109, Denton, Texas made comment on a topic not on the Agenda: “Thank you for the 3 minutes; Gary Thomas comments; 1 Collin County, 2 Shelter Placements”*
- *Andrew T. Allen – 3913 Oak Park Drive, Flower Mound, Texas made comment on a topic not on the Agenda: “Cost of DCTA”*

2. CONSENT AGENDA

- a. Approval of Minutes for the Board Work Session and Regular Meeting on March 22, 2018
- b. Acceptance of Monthly Financial Statements – March 2018
- c. Acceptance of Quarterly Investment Report – Q2 FY2018
- d. Approval of Award of Contract to Kronos, Inc. for Payroll Processing and Human Data Management Services
- e. Approve Access Service Policies and Procedures Revisions
 - *Motion to approve the Consent Agenda items a - e was made by Skip Kalb. The motion was seconded by Connie White. Motion passed unanimously.*

3. REGULAR AGENDA

- a. Approve Budget Revision and Award of Contract to Arreguin Group, Inc. for the Construction of a Bus Fueling and Parking Facility at the Rail O&M
 - *Motion to approve the Regular Agenda item a was made by Connie White. The motion was seconded by Carter Wilson. Motion passed unanimously.*
- b. Approve and Authorize President to execute an amendment to the Stateside ROW professional services contract for real estate services
 - *Motion to approve the Regular Agenda item b was made by Dianne Costa. The motion was seconded by Dave Kovatch. Motion passed unanimously.*

- c. Approve and Authorize President to execute an agreement with the University of North Texas for Transportation Services
 - *Motion to approve the Regular Agenda item a was made by Dianne Costa. The motion was seconded by Mark Miller. Motion passed unanimously.*
4. CONVENE EXECUTIVE SESSION – *The Board did not meet in Executive Session at this time*
5. CHAIR REPORT – *Charles Emery, President made mention that there are huge conversations regarding 635E happening at RTC meetings but nothing has been resolved*
6. PRESIDENT'S REPORT
 - a. Budget Transfers – *Jim Cline made brief mention of the budget transfer for bus facility and told the Board about an Automated Vehicle Demonstration occurring in Frisco*
7. REPORT ON ITEMS OF COMMUNITY INTEREST – *there was none at this time*
 - a. Pursuant to Texas Government Section 551.0415 the Board of Directors may report on following items: (1) expression of thanks, congratulations, or condolences; (2) information about holiday schedules; (3) recognition of individuals; (4) reminders about upcoming DCTA and Member City events; (5) information about community events; and (6) announcements involving imminent threat to public health and safety.
8. ADJOURN – *Adjourned at 4:08 p.m.*

The minutes of the April 26, 2018 regular meeting of the Board of Directors were passed, and approved by a vote on this 24th day of May, 2018.

Charles Emery, Chairman

ATTEST

Dianne Costa, Secretary

Board of Directors Memo**May 24, 2018****Subject: 2(c) Approval of Award of Contract to Terracon Consultants Inc., for Subsurface Environmental Investigation****Background**

A request for proposals was released on March 19, 2018, for Subsurface Environmental Investigation. On April 16, 2018, DCTA received eight (8) proposals in response to our RFP:

1. Enercon Services
2. TRC Environmental Corp
3. Akana
4. Targus Environmental
5. Amec Foster Wheeler
6. Terracon Consultants, Inc.
7. Daniel B Stephens and Associates
8. Tasman

Staff conducted a review and evaluation of the proposals received and recommends award of the contract to Terracon Consultants, Inc.

Identified Need

DCTA received an EPA grant for subsurface evaluation of the approximately 46 acres of vacant land adjacent to the Rail O&M facility. This property was an unpermitted landfill and we have completed removal of surface debris, including a large number of tires and barrels. The EPA grant allows us to conduct an investigation to determine what may be located below the surface, so that we can choose an appropriate remediation to reuse the property.

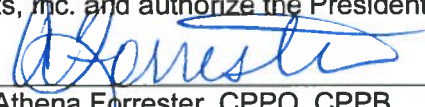
Financial Impact

The project is funded with a grant received from Environmental Protection Agency for Brownfields Remediation in the amount of \$178,200. The project will be reimbursed at 100% up to \$178,200. The project was approved for FY18 and is included in the DCTA operating budget. The cost of the services submitted by Terracon Consultants is estimated at \$155,000, and may be adjusted based on the materials detected, which may require additional testing.

Recommendation

Staff recommends the Board approve the award of Subsurface Environmental Investigation to Terracon Consultants, Inc. and authorize the President to execute an agreement.


Submitted by:


Athena Forrester, CPPO, CPPB
AVP of Procurement

Final Review:


Marisa Perry, CPA
Chief Financial Officer/VP of Finance

Approval:


James C. Cline, Jr., P.E. President



Board of Directors Memo

May 24, 2018

Subject: 3(a) Approval of Resolution 18-03 adopting Revised Fiscal Year 2018 Operating & Capital Budget

Background

The DCTA budget is prepared months in advance of the start of the October 1 fiscal year and not all expenditures can be anticipated at the time of the budget preparation. Therefore, during the fiscal year, it may become necessary to reforecast the annual expenditures and modify the budget by amendment. Amending the budget for material changes will provide a better forecasting and management tool for the Board and DCTA staff. Summary of changes are provided in the following attached exhibits:

- Exhibit "A" is Budget Amendment 2018-07
- Exhibit "B" includes the Changes in Net Position with detailed explanation of the variances
- Exhibit "C" reflects the changes to the Capital Projects Fund

Identified Need

In order to improve financial reporting and communicate expected financial results the revised budget is submitted to the Board for approval by adoption of a budget amendment.

Financial Impact

As detailed in Exhibit "B" (Operating Budget) and Exhibit "C" (Capital Budget).

Recommendation

The Finance Committee met on Monday, May 14th and reviewed the Revised FY18 Budget proposed by staff and provided their recommendations.

Staff recommends the Board of Directors approve Resolution 18-03 to adopt the changes proposed in the FY 2018 Revised Operating and Capital Budget.

Department Review:

Final Review:

Marisa Perry, CPA
Chief Financial Officer/VP of Finance

Approval:

James C. Cline, Jr., P.E.
President

**DENTON COUNTY TRANSPORTATION AUTHORITY
RESOLUTION NO. 18-03**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY (DCTA) APPROVING FISCAL YEAR 2018 BUDGET AMENDMENT NUMBER 2018-07 REVISED OPERATING AND CAPITAL BUDGET AMENDMENTS, ATTACHED HERETO AS EXHIBITS “A” THROUGH “C”, RESPECTIVELY; PROVIDING A REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, DCTA budget is a well calculated estimate as to what will be needed for expenditures in the fiscal year; and

WHEREAS, budget estimates are often prepared months in advance of the actual expenditures and the possibility that the actual amount of the expenditure will be known in exact terms at the time of the budget preparation is unlikely; and

WHEREAS, during the fiscal year, it may become necessary to reforecast the annual expenditures and modify the budget by amendment; and

WHEREAS, the Board of Directors of the DCTA desires to amend the fiscal year 2018 Operating and Capital Budget as set forth in Exhibits “A” through “C”, respectively.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY, THAT:

SECTION 1. The Budget Amendment number 2018-07 attached hereto as Exhibits “A” through “C”, respectively, be, and the same are hereby adopted and which shall amend the original budget adopted September 28, 2017, from and after the effective date of this Resolution.

SECTION 2. All provisions of the resolutions of the Board of Directors of the DCTA, in conflict with the provisions of this Resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this Resolution shall remain in full force and effect.

SECTION 3. This Resolution shall become effective immediately upon its passage and approval.

DULY PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY THE 24TH DAY OF MAY, 2018.

APPROVED:

Charles Emery, Chairman

ATTEST:

Dianne Costa, Secretary

APPROVED AS TO FORM:

A handwritten signature in cursive script that reads "Peter G. Smith".

Peter G. Smith, General Counsel
(PGS:5-16-18:TM 99394)

Exhibit “A”
FY18 Budget Amendment
(to be attached)

DENTON COUNTY TRANSPORTATION AUTHORITY (DCTA)

BUDGET AMENDMENT

Number: 2018-07

TRANSACTION TYPE: Transfer ☐
Revision ☒

	FY18 Current Budget	Budget Revision Amount	FY18 Revised Budget
OPERATING BUDGET			
Total Operating Revenues	\$ 5,566,888	\$ (984,194)	\$ 4,582,694
Total Operating Expenses	\$ 42,846,384	\$ (984,194)	\$ 41,862,190
Total Non-Operating Revenue/(Expense)	\$ 40,952,462	\$ (5,516,074)	\$ 35,436,388
CAPITAL BUDGET			
Total Bus Capital	\$ 5,382,656	\$ (4,580,736)	\$ 801,920
Total Rail Capital	\$ 9,274,342	\$ (2,060,058)	\$ 7,214,284
Total G&A Capital	\$ 1,350,000	\$ 2,091,705	\$ 3,441,705

EXPLANATION: Operating revenues and operating expenses have been reduced equivalent amounts to result in a net zero impact on operating income. Please see attached Exhibit B and Exhibit C for detailed explanations.

DATE: 05/10/18 REQUESTED BY: Amanda Riddle

DATE: 5.16.18 REVIEWED BY: 

DATE: 16 May 2018 PRESIDENT: 

Exhibit “B”
Operating Budget (Change in Net Assets)
(to be attached)

Fiscal Year 2018 Denton County Transportation Authority Budget
Changes in Net Position - Budget Basis

	FY 2018 Current Budget	Revised Budget Items	FY 2018 Revised Budget	Variance Analysis
OPERATING REVENUES				
Passenger Fares	\$ 1,387,811	\$ (313,221)	\$ 1,074,590	Decrease in Rail and Connect revenues based on current trends
Contract Service Revenue	4,179,077	(670,973)	3,508,104	Decrease in UNT contract revenue based on current trend
Total Operating Revenues	\$ 5,566,888	\$ (984,194)	\$ 4,582,694	
OPERATING EXPENSES				
Salaries, Wages & Fringe Benefits	\$ 12,338,449	\$ (456,783)	\$ 11,881,666	1. Reduction in G&A Salaries (YTD Savings) \$100k - vacant positions 2. Reduction in Bus Salary & Benefits (YTD Savings) \$356k
Services	3,896,625	(128,846)	3,767,779	Reduction based on YTD savings
Materials & Supplies	3,341,940	(313,565)	3,028,375	Reduction in fuel (UNT Proforma adjustment); Reduction \$10k in postage
Utilities	460,164		460,164	
Insurance, Casualties & Losses	1,726,783		1,726,783	
Purchased Transportation Services	9,713,343	(85,000)	9,628,343	Reduction based on YTD savings
Miscellaneous	423,326		423,326	
Leases & Rentals	265,880		265,880	
Depreciation	10,679,874		10,679,874	
Total Operating Expenses	\$ 42,846,384	\$ (984,194)	\$ 41,862,190	
Operating Income / (Loss)	\$ (37,279,496)	\$ -	\$ (37,279,496)	
NON-OPERATING REVENUES/(EXPENSES)				
Sales Tax Revenue	\$ 26,649,585		\$ 26,649,585	
Net Investment Income / (Expenses)	78,000		78,000	
Long-Term Debt Interest / (Expense)	(1,008,084)		(1,008,084)	
Non-Operating Revenues / (Expenses)	1,000	737,255	738,255	Valley Ridge Crossing reimbursement
Federal Grants & Reimbursements	13,077,265	(4,409,243)	8,668,022	Reduction in grants based on capital project timelines and rollovers
State Grants & Reimbursements	2,154,696	(1,844,086)	310,610	Hike & Bike Trail - Eagle Point Section delayed and moved into FY19
Debt Issuance			-	
Total Non-Operating Revenues	\$ 40,952,462	\$ (5,516,074)	\$ 35,436,388	
CHANGE IN NET POSITION	\$ 3,672,966	\$ (5,516,074)	\$ (1,843,108)	
Net Position - Beginning of Year:	\$ 329,696,728		\$ 329,696,728	
Net Position - End of Year:	\$ 333,369,694		\$ 327,853,620	
Transfer to Capital Projects	16,006,998	(4,549,089)	11,457,909	See Exhibit C
Net Position After Capital Project Transfer	\$ 317,362,696		\$ 316,395,711	

Exhibit “C”
Capital Budget
(to be attached)

Denton County Transportation Authority Budget
Fiscal Year 2018 Capital Budget

	FY 2018 Current Budget	Revised Budget Items	FY 2018 Revised Budget	Variance Analysis
BUS CAPITAL				
Scheduling Software	\$ 115,000	\$ (90,000)	\$ 25,000	Rollover into FY19
Fleet {2017}	1,474,076	(1,436,270)	37,806	Rollover into FY19
AVL Systems		2,494	2,494	Actuals - Project Closed
IOMF Fuel Tanks - Lewisville	740,000	(53,380)	686,620	Rollover from FY17; Total capital project increased by \$250k (approved revision)
Fleet {2018}	3,003,580	(3,003,580)	-	Rollover into FY19
Passenger Amenities - Denton	50,000		50,000	New capital project (approved revision)
Total Bus Capital	\$ 5,382,656	\$ (4,580,736)	\$ 801,920	
RAIL CAPITAL				
Positive Train Control Implementation	\$ 2,638,928	\$ 1,402,225	\$ 4,041,153	Rollover from FY17; Project to be complete FY19
Lewisville Bike Trail	38,263	15,632	53,895	Rollover from FY17
Trinity Mills Crew Facility		7,938	7,938	Rollover from FY17
Station Landscaping		12,505	12,505	Actuals - Project Closed
Grade Crossing Replacements {2015 Flood}		132,159	132,159	Actuals - Project Closed
Hebron Signal House {2015 Flood}		14,148	14,148	Actuals - Project Closed
Ballast Undercutting {2015 Flood}		11,299	11,299	Actuals - Project Closed
Pockrus Page {2015 Flood}	294,370	351,838	646,208	Rollover from FY17; Total capital project increased by \$150k due to scope (approved by FEMA)
Rail Capital Maintenance	2,967,927	(1,670,530)	1,297,397	Rollover into FY19
Trail Safety Improvements	81,157	(36,157)	45,000	Rollover into FY19
Lewisville Bike Trail - Eagle Point Section	2,655,697	(2,355,697)	300,000	Rollover into FY19
Valley Ridge Crossing		259,494	259,494	Actuals - Project scheduled to be closed
Brownfield Remediation	325,000	(72,672)	252,328	Rollover into FY19
Rail Safety Improvements	200,000	(132,240)	67,760	Rollover into FY19
Rail Crossing Study	73,000		73,000	
Total Rail Capital	\$ 9,274,342	\$ (2,060,058)	\$ 7,214,284	
GENERAL & ADMINISTRATIVE CAPITAL				
Data Analytics & Reporting	\$ 200,000	\$ (157,420)	\$ 42,580	Rollover into FY19
Safety & Security Assessment		25,000	25,000	Rollover from FY17; Project to be complete FY19
Infrastructure Acquisition	1,000,000	2,164,125	3,164,125	Rollover from FY17; Project to be complete FY19
Project Management / Document Control	150,000		150,000	
Shared Use Mobility Study		60,000	60,000	Rollover from FY17; Project to be complete FY19
Total General & Administrative Capital	\$ 1,350,000	\$ 2,091,705	\$ 3,441,705	
TOTAL CAPITAL EXPENDITURES	\$ 16,006,998	\$ (4,549,089)	\$ 11,457,909	



FY2018 REVISED BUDGET

BOARD OF DIRECTORS- MAY 24, 2018

OPERATING BUDGET REVISIONS



OPERATING BUDGET REVISIONS

- OPERATING REVENUES

- Connect Passenger Fares
- Rail Passenger Fares
- UNT Contract Service

- OPERATING EXPENSES

- Reductions based on YTD savings

OPERATING BUDGET REVISIONS

- OTHER REVENUES

- Valley Ridge Crossing Reimbursement – Increase of \$737k
- Federal & State Grants
 - \$3.7M reduction – Fleet projects moved to FY19
 - \$1.8M reduction – Eagle Point project moved to FY19

CAPITAL



CAPITAL

- Rollovers into FY19
 - Fleet - \$4.4M
 - Eagle Point Hike & Bike Trail - \$2.4M
 - Rail Capital Maintenance - \$1.7M
- Rollovers from FY17
 - Infrastructure Acquisition - \$2.2M
 - PTC - \$1.4M
- Pockrus Page
 - \$150k increase in project budget due to revised scope approved by FEMA

**Board of Directors Memo****May 24, 2018****Subject: 3(b) Approval of Resolution 18-04 approving Financial Policies****Background**

DCTA Financial Policies are presented to the Finance Committee for review after the start of each fiscal year but prior to the start of the next year's budget process. Any changes proposed by the Finance Committee will be forwarded to the Board for review and final action.

The Financial Policies were last approved by the Board on May 25, 2017. The attached red-lined document incorporates slight formatting adjustments. No other changes are recommended.

The Investment Policy is included in the Financial Policies document. The Investment Policy is approved by the Board annually in separate action but is included in the Financial Policies document for reference and ease of access. The current Investment Policy was approved by the Board at its October 2017 meeting. The Investment Policy, along with the Financial Policies, will be presented to the Board in September 2018 for their annual approval.

Recommendation

The Financial Policies were presented to the Finance Committee on May 14, 2018 and are forwarded to the Board for adoption. Staff recommends the Board of Directors approve Resolution 18-04 to approve the financial policies for FY2018.

Final Review:

A blue ink signature of Marisa Perry, written in a cursive style.

Marisa Perry, CPA
Chief Financial Officer/VP of Finance

Approval:

A blue ink signature of James C. Cline, Jr., written in a cursive style.

James C. Cline, Jr., P.E., President

**DENTON COUNTY TRANSPORTATION AUTHORITY
RESOLUTION NO. 18-04**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY APPROVING THE FINANCIAL MANAGEMENT POLICIES ATTACHED HERETO AS EXHIBIT “A”; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Comprehensive Financial Management Policy assembles the Denton County Transportation Authority’s (DCTA) financial policies in one document. They are the tools to ensure that DCTA is financially able to meet its immediate and long-term service objectives. The individual policies serve as guidelines for both the financial planning and internal financial management of DCTA consistent with provisions of Chapter 460 of the Texas Transportation Code and adopted by DCTA Bylaws; and

WHEREAS, DCTA is accountable to its constituents for the use of public dollars. Resources must be wisely used to ensure adequate funding for the operations, services, facilities, and infrastructure necessary to meet present and future needs. These policies help safeguard the fiscal stability required to achieve DCTA’s goals and objectives.

WHEREAS, DCTA Financial Policies are presented to the Finance Committee for review after the start of each fiscal year but prior to the start of the next year’s budget process. Any changes proposed by the Finance Committee will be forwarded to the Board for review and final action; and

WHEREAS, the Board of Directors of the DCTA finds it to be in the public interest to approve and adopt the Financial Management Policies;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY THAT:

SECTION 1. The DCTA Financial Management Policies, attached hereto as Exhibit “A”, be and the same is hereby approved and shall govern the financial policies for the DCTA.

SECTION 2. This Resolution shall become effective immediately upon its passage and approval.

DULY PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY THE 24TH DAY OF MAY, 2018.

APPROVED:

Charles Emery, Chairman

ATTEST:

Dianne Costa, Secretary

APPROVED AS TO FORM:

A handwritten signature in cursive script that reads "Peter G. Smith". The signature is written in dark ink and is positioned above a horizontal line.

Peter G. Smith, General Counsel
(PGS:5-17-18:TM 99435)

RESOLUTION 18-04
EXHIBIT "A"

DENTON COUNTY TRANSPORTATION AUTHORITY
FINANCIAL MANAGEMENT POLICIES

Denton County Transportation Authority Financial Management Policies

(Previously Adopted May 25, 2017)



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Operating Policies

Purpose

The Comprehensive Financial Management Policy assembles the Denton County Transportation Authority's (DCTA) financial policies in one document. They are the tools to ensure that DCTA is financially able to meet its immediate and long-term service objectives. The individual policies contained herein serve as guidelines for both the financial planning and internal financial management of DCTA consistent with provisions of Chapter 460 of the Texas Transportation Code and adopted DCTA Bylaws.

DCTA is accountable to its constituents for the use of public dollars. Resources must be wisely used to ensure adequate funding for the operations, services, facilities, and infrastructure necessary to meet present and future needs. These policies help safeguard the fiscal stability required to achieve DCTA's goals and objectives.

Review

DCTA Financial Policies are presented to the Finance Committee for review after the start of each fiscal year but prior to the start of the next year's budget process. Any changes proposed by the Finance Committee will be forwarded to the Board for review and final action.

Objectives

In order to achieve its purpose, the Financial Management Policies have the following objectives for DCTA's fiscal performance:

- A. To guide DCTA Board of Directors (the Board) and management policy decisions that have significant impact on the agency.
- B. To set forth operating principles that minimize the cost of government and financial risk.
- C. To employ balanced and fair revenue policies that provide adequate funding for desired services and programs.
- D. To maintain appropriate financial capacity for present and future needs.
- E. To promote sound financial management by providing accurate and timely information on DCTA's financial condition.
- F. To protect DCTA's credit rating and provide for adequate resources to meet the provision of DCTA's obligations on all its debt.
- G. To ensure the appropriate use of financial resources through an effective system of written and audited internal controls.
- H. To promote cooperation and coordination with other governments, agencies and the private sector in the financing and delivery of services.
- I. To establish long-term objectives for the financial operations of DCTA.
- J. To ~~insure~~ensure an optimum balance between demand for service and resources to provide.

Reserve Fund Policies

Adequate reserve levels are a necessary component of DCTA's overall financial management strategy and a key factor in external agencies' measurement of DCTA's financial strength. Funding priorities will be in the order listed and be reflected in the agency's cash flow model.

- a. It will be the policy of DCTA to maintain a Fund Balance Reserve Fund that is equal to three months of the total budgeted operating expenses (less capital project expenses) for the fiscal year. This Fund Balance Reserve is maintained to address unanticipated emergencies and may be allocated with approval by the Board if there are not sufficient resources in unreserved/undesignated retained earnings. An annual contribution will be budgeted from general operating resources, as available, to maintain the target reserve level.
- b. It will be the policy of DCTA to maintain a Sales Tax Stabilization Fund. This Fund will be used to stabilize revenue received from sales tax in times of economic downturn and will be equal to three percent (3%) of annual sales tax.
- c. It will be the policy of DCTA to maintain a Capital Replacement/Infrastructure Maintenance Fund (State of Good Repair) to provide funding for maintenance of capital assets and infrastructure at a sufficient level to protect DCTA's investment and maintain appropriate service levels. The use of any funds within the Capital Facilities/Infrastructure Maintenance Fund will be approved by the Board within the resources available each fiscal year.
- d. It will be the policy of DCTA to maintain a Fuel Stabilization Fund. On average, the Fuel Stabilization Fund will be equivalent to ~~\$.05~~\$0.50 per gallon of budgeted fuel. This will be reviewed each year during the budget process. This fund will be used to mitigate significant fluctuations in fuel prices each year. The use of any funds within the Fuel Stabilization Fund shall be approved by the Board.

Contributions to the Sales Tax Stabilization, Capital Replacement/Infrastructure Maintenance, and Fuel Stabilization Funds will be made from available funds as identified in the annual budget, or amended budget. The Chief Financial Officer (CFO) shall make a recommendation to the Board with regard to transfers to and from reserve funds. The Board shall authorize the transfers as the Board shall determine to be appropriate at the time. Guidelines for transfers and contributions are as follows:

- a. All transfers for expenditures from reserve accounts shall require prior Board approval unless previously and specifically authorized by the Board in the annual budget or amended budget.
- b. Capital Replacement Fund will at a minimum be an amount equivalent to twenty percent (20%) of bus/fleet replacement costs (reflective of anticipated grants) plus the cost of one transit bus with a twelve (12) year useful life. (Example - FY16 Bus Fleet replacement: \$2.9 million X 20% = \$0.58 million; cost of transit bus = \$0.4 million. Minimum Capital Replacement Fund requirement: \$0.58 million + \$0.4 million = \$0.98 million)
- c. Infrastructure Maintenance – Available funds within limitations of current cash flow model, in accordance with assessed capital needs which shall be reviewed during the annual budget process.

If after procedures as outlined in the adopted budget contingency plan have been met, and a severe economic downturn or other emergency requires draw down of Fund Balance Reserve or Sales Tax Stabilization funds, it will be a priority to replenish fund balances. Funds balances will be replenished within three (3) years, from any year-end budget surpluses. These surpluses may be achieved through expenditure reductions or through higher than anticipated revenues. The cash flow model and annual budget will specifically outline the timeframe and plan for fund balance replenishment.

Revenue Policies

- a. To the extent possible, a diversified and stable revenue system will be maintained to shelter service delivery from short-run fluctuations in any one revenue source due to changes in economic conditions. Trends analyzing the dependence on distinct revenue sources shall be included in the budget documents for consideration by the Board.
- b. Revenue forecasts will assess the full spectrum of resources that can be allocated for service delivery. Each year the Board shall review potential sources of revenue as part of the annual budget process.
- c. Revenue forecasts shall be realistically estimated and based on the best information available. DCTA shall use a conservative, objective and analytical approach when preparing revenue estimates and follow a vigorous policy of collecting revenues. Shortfalls anticipated based on this forecast will be addressed as follows:
 - i. Short-term (anticipated less than one year) economic downturns and temporary gaps in cash flow: Expenditure reductions or restrictions may be imposed as outlined in the Budget Contingency Plan adopted as part of the annual budget by the Board. The Board may approve a contribution from the Sales Tax Stabilization Fund or Fund Balance Reserve Fund to address temporary downturns in revenues.
 - ii. Long-term (greater than one year) revenue downturns: Deficit financing and borrowing to support on-going operations is not the policy of DCTA. Revenue forecasts will be revised. Expenses will be reduced to conform to the revised long-term revenue forecast and fare increases will be considered.
- d. All potential grants shall be carefully examined for matching requirements. Some grants may not be accepted if the local matching funds cannot be justified. Grants may also be rejected if programs must be continued with local resources after grant funds are exhausted.
- e. DCTA shall develop and maintain fair and equitable fares for all public transportation services which it operates. A fare structure establishing a base fare, categories of prepaid fares and special fare programs shall be adopted by the Board and reviewed no less than every two years. The fare structure should be competitive and offer seamless integration for passengers within the regional transportation system.
- f. Services provided on a contract basis may be set at levels sufficient to cover the entire cost of service delivery, or the service may be subsidized, as the Board deems appropriate. DCTA will systematically review fees and consider adjustments as necessary to take into account the effects of additional service costs and inflation. Studies shall be conducted to ensure that the fees will continue to support direct and indirect costs of operations, administration, maintenance, debt service, depreciation of capital assets, and moderate system expansion. Based on a market analysis, fees for similar services in other communities may also be considered. The criteria used to evaluate recommended target rates (equity, cost recovery policy, market demand, etc.) shall be included in the review. Such review should be scheduled periodically and be incorporated into the budget process for possible action by the Board.
- g. DCTA will review contracts and leases, which result in revenues to DCTA on a timely basis for careful consideration by the Board.

Expenditure Policies

DCTA will only propose operating expenditures which can be supported from on-going revenues. Before undertaking any agreements that would create fixed on-going expenses, the cost implications of such agreements will be fully determined for current and future years. Capital expenditures may be funded from one-time revenues, but the operating budget expenditure impacts of capital expenditures will be reviewed for compliance with this policy provision.

- a. Department heads are responsible for managing budgets within the total appropriation. DCTA will conduct a regular review and analysis of major expenditure categories to help assure the most efficient use of resources.
- b. DCTA will maintain expenditure categories according to state statute and administrative regulation.
- c. Emphasis is placed on improving individual and work group productivity rather than adding to the work force. DCTA will consider investing in technology and other efficiency tools to maximize productivity. DCTA will hire additional staff only after the need for such positions has been demonstrated and documented.
- d. All compensation planning will focus on the total cost of compensation, which includes direct salary, health care benefits, pension contributions, training allowance, and other benefits of a non-salary nature, which are a cost to DCTA. A compensation study shall be conducted every three (3) years to ensure that DCTA maintains a competitive position in the market, with a goal to stay at the mid-point of the market range.

Accounting, Auditing and Financial Reporting

DCTA will maintain a system of financial monitoring, control, and reporting for all operations and funds in order to provide effective means of ensuring that overall DCTA goals and objectives are met.

- a. Accounting Records and Reporting. DCTA will maintain its accounting records in accordance with state and federal regulations. Financial statements will conform to generally accepted accounting principles (GAAP) of the Governmental Accounting Standards Board (GASB).
- b. Auditing. As required under Chapter 460.402 of the Texas Transportation Code, an outside independent CPA firm will annually perform the DCTA's financial Audit. Results of the annual audit will be provided to the Board in a timely manner. The external audit firm is accountable to the Board of Directors and will have access and direct communication with the Board. The Single Audit Report will be prepared and presented to the Board by the external auditors along with the audited financial statements. The Single Audit Report shall list the status and current operations of all federal, state and local grant funds awarded and received.
- c. Simplified Fund Structure. To the extent possible, DCTA will minimize the number of Funds.

The Finance Department will develop, maintain, and consistently seek to improve cash management systems which ensure the accurate and timely accounting, investment, and security of all cash assets.

Budget and Operating Policies

- a. Decisions of the Agency will be within the context of the cash flow model and the long range service plan. Staff shall provide a review of the implications of budgetary proposals on the cash flow model.
- b. The budget is designed to communicate DCTA's financial goals and objectives to our stakeholders by describing the service to be provided, the cost of the service, the proposed allocation of funds and revenue sources used to pay for the service. DCTA is committed to a balanced budget, where current year expenses do not exceed current year revenues and applicable/specific reserve balances.
- c. Chapter 460.403 of the Texas Transportation Code requires the Board to prepare an annual budget. The annual budget shall be developed consistent with state law and in a manner which encourages early involvement with the public and Finance Committee of the Board of Directors and the Board. A calendar of events related to budget development shall be presented to Finance Committee each year prior to the start of the annual budget process.
- d. The Finance Department will maintain a system for monitoring the DCTA's budget performance. The system will provide the DCTA Finance Committee and the Board with monthly and/or quarterly information in a timely manner on fund level resource collections and category level expenditures.
- e. Revised Budget Policy: The budget should be adjusted during the budget period should unforeseen events require changes to the original budget plan. The budget is a plan based on a set of assumptions that may not always match actual experiences during the execution phase. DCTA staff shall watch for significant deviations from expectations and make adjustments so that the plan is consistent with revised expectations as follows:
 - i. Operating Fund Expenditures
 1. DCTA is required to control operating costs and maintain the total expenditures incurred at or below the total annual adopted Operating Expenses budget or budget as amended.
 2. The President may authorize budget transfers between expense categories and departments, in an aggregate amount – not to exceed 5% of the total annual Operating Expenses budget without Board approval.
 3. The Board may ~~in the revised budget process~~, authorize a budget amendment for approval of new contracts and unbudgeted expenditures.
 - ii. Capital Project Fund Expenditures
 1. Expenditures for capital projects must be approved with the fiscal year capital project budget; or
 2. By Board approval of a capital project budget amendment and approval of the purchase during the fiscal year. Capital project budget amendments will be incorporated in the revised budget process.
 - iii. All DCTA amendments and transfers will be reflected in the appropriate period for the budget year and cash flow model.

f. Definitions:

- i. Budget Amendment – Shall mean a change in the fiscal year budget based on the following criteria:
 1. Operating – an increase to the total bottom line operating fund expenditure budget.
 2. Capital – (a) addition of a new project; (b) change in Capital Projects Fund annual appropriation; (c) an increase to the total approved budget of a specific project.
 3. A resolution approved by the DCTA Board of Directors is required to authorize an amendment as specified in Section e (i).
 - ii. Budget Transfers – Shall mean transfer of funds between departments or specific operating expense line items that neither increase nor decrease the total adopted operating fund budget.
- g. A Budget Contingency Plan will be adopted each year as part of the annual budget process. This allows DCTA to be positioned to respond quickly to economic or market fluctuations. The Plan shall identify triggers, key action plans and monitoring processes to allow DCTA to recover and/or adjust to serious downturns effectively.
- h. Accurate inventories of all physical assets, their condition, life spans, and cost will be maintained to ensure proper stewardship of public property. The CFO will establish policies and appropriate procedures to account for fixed assets, including establishing the threshold dollar amount for which fixed asset records are maintained and how often physical inventories are taken. A physical inventory will be conducted no less than every two (2) years.

Purchase and Disposal of Assets

DCTA will follow and maintain purchasing procedures that comply with applicable State and Federal Laws and Board resolutions and policies regarding procurement. The policy of the Board of Directors is to:

- a. Provide equal access to all vendors participating through competitive acquisition of goods and services.
- b. Conduct the procurement process and disposal of property in a manner that promotes and fosters public confidence in the integrity of DCTA's procurement procedures.
- c. Protect the interest of entities providing financial support without regard to any undue influence or political pressure.

Federal Funds: When procurement involves the expenditure of federal funds, purchasing shall be conducted in accordance with all applicable federal laws or regulations.

Grant Funds: When procurement involves the expenditure of grant funds, purchasing shall be conducted in accordance with all applicable grant laws or regulations.

Emergency procurement: The DCTA President or his/her designated agent may make or authorize others to make emergency procurements of materials, supplies, equipment or services when there exists a threat to public health, welfare, or safety. The Executive Committee of the Board will be notified immediately of such action. State laws relating to emergency purchases shall be followed.

Cost Allocation

DCTA desires to comply with all laws and recommendations in calculating and receiving full cost recovery for services rendered and for allocating appropriate indirect costs related to grant funded projects.

Cost allocation is a method to identify and distribute indirect costs. Direct costs are costs assignable to a specific objective, whereas indirect costs are costs incurred for multiple cost objectives or not assignable to a specific cost objective without effort disproportionate to the benefit received. DCTA will prepare or have prepared an annual cost allocation plan to identify direct and indirect costs to use for recovering allowable costs under OMB Circular A-87 and in the development of cost of services as applicable for use in contracts for service delivery with outside entities. The plan will be prepared consistent with guidelines established by:

The Federal Office of Management and Budget (OMB) Circular A-87

OMB Circular A-87 establishes cost ~~principals~~principles for State, local, and Indian Tribal Governments for determining costs for Federal Awards. Item 5 of the Circular states that, “The ~~principals~~principles are for determining allowable costs only.” In defining allowable costs, the Circular provides a definition of allocable costs on Attachment A, paragraph C.3.a, “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.” The Circular further outlines costs that are allowable for charging the Federal government and distinguishes those that are specifically excluded from recovery.

Governmental Accounting Standards Board (GASB)

GASB is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. While GASB is not a governmental agency and does not have enforcement authority, compliance with GASB is tested by the external auditor in the annual audit of DCTA.

Debt Management Policy

The objectives of the DCTA's Debt Management Policy will be:

- a. To minimize the use of debt to the effect that debt service payments will be a predictable and manageable part of the operating budget.
- b. Utilize debt as the last resort, to raise capital at the lowest cost, consistent with the need to borrow.

These will be accomplished by:

- a. Securing and maintaining a high credit rating
- b. Maintaining a good reputation in the credit markets by implementing and maintaining a sound capital program and managing the annual budget responsibly.
- c. Selecting professional service providers (underwriters, financial advisors, bond insurer²s, etc. through negotiation, RFQ process or as defined for professional services under DCTA's procurement procedures.
- d. Issuing debt on a competitive basis (except when conditions make a negotiated sale preferable) and awarding to the bidder who produces the lowest true interest cost and underwriting cost. Revenue bonds can be issued through a negotiated sale when the issue is unusually large; the project is speculative or complex; the issue is a refunding; or the market is unstable.
 - i. Long-term debt issued will not exceed the life of the projects financed. Current operations will not be financed with long-term debt.
 - ii. Short-term borrowing will not be used for operating purposes.
- e. Complying with continuing disclosure reporting requirements and the obligation to inform the Municipal Securities Rulemaking Board through the EMMA website (Electronic Municipal Market Access) of any and all continuing disclosure documents and annual financial statements. The DCTA's annual audited financial report will be sent to EMMA as soon as the external auditor issues the report and it has been presented to the Board of Directors
- f. Ensuring no debt is issued for which DCTA is not confident that a sufficient, specifically identified revenue source is available for repayment. The CFO shall prepare an analytical review for this purpose prior to the issuance of any debt.
- g. Limiting bonded indebtedness to a level that:
 - i. permits sufficient borrowing to support a reasonable level of capital programming,
 - ii. maintains a debt amortization schedule within DCTA's ability to pay, and
 - iii. supports DCTA's credit rating objectives.
- h. Considering credit enhancements only after a cost/benefit analysis has been completed for each bond issue.
- i. Maintaining debt service reserve accounts as required by bond ordinances and where deemed advisable by the Board. DCTA shall structure such debt service reserves to avoid violation of IRS arbitrage regulations.
- j. Maintaining debt service coverage ratios as required for any bond issues but not less than an internal debt service coverage of 1.25X.

THE INVESTMENT POLICY IS ADOPTED ANNUALLY BY SEPARATE ACTION OF THE BOARD OF DIRECTORS AND IS INCLUDED HERE FOR REFERENCE.

Investment Policy (As adopted 10/26/2017)

I. POLICY STATEMENT

The Denton County Transportation Authority (DCTA) policy stipulates that the administration of its funds and the investment of those funds shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of DCTA. DCTA's investments will conform to all applicable state statutes governing the investment of public funds.

Effective cash management is essential to good fiscal management. Cash management is defined as the process of managing monies to ensure maximum cash availability. DCTA shall maintain a comprehensive cash management program which includes collection of accounts receivable; prudent investment of its available cash; disbursement of payments in accordance with invoice terms; compliance with Board Policy; and the management of bank depository services.

Receiving a market rate of interest will be secondary to the requirements for safety and liquidity. DCTA intends to be in compliance with local law and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act"). Investment earnings will be used in a manner that best serves the interests of DCTA.

II. SCOPE

This investment policy applies to all the financial assets and funds of DCTA. However, this policy does not apply to the assets administered for the benefit of DCTA by outside agencies under deferred compensation programs. DCTA may commingle its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity.

III. OBJECTIVES AND STRATEGY

DCTA's policy is that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety of principal, liquidity, diversification and yield. Investments are to be chosen in a manner which reflects diversity by market sector, type of credit, and length of maturity as best meets DCTA's requirements. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise. To best meet anticipated cash flow requirements, the weighted average maturity (WAM) of the overall portfolio may not exceed 18 months.

Safety of Principal

Safety of principal is the foremost objective. Investments of DCTA's cash shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The safety of principal is best achieved by limiting maximum maturities to two years or no further than expected project cash flow forecasts; limiting investment types to those specifically authorized by this policy; diversifying investments; and, monitoring credit ratings on selected investment types.

Liquidity

Investments will be based on a cash flow analysis of needs and will remain sufficiently liquid to satisfy all operating requirements which might be reasonably anticipated by the agency's cash flow model. The portfolio will be structured so that investments mature concurrent with cash needs. Because all possible cash demands cannot be anticipated, the portfolio will include investments that offer same-day liquidity for those unanticipated situations. In addition, a portion of the portfolio will consist of securities with active secondary or resale markets.

Diversification

The portfolio will be diversified by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding as defined in Section VIII of this policy will be used on each sale and purchase.

Yield

DCTA's investment portfolio shall be designed with the objective of attaining a market yield-to-maturity taking into account DCTA's risk constraints and the cash flow needs. Market yield-to-maturity may be defined as the rolling average yield of the current six-month Constant Maturity Treasury (CMT).

DCTA has selected the weighted-average yield-to-maturity as its preferred measure of investment performance. The weighted-average yield-to-maturity shall be calculated on a monthly basis by multiplying each individual security's yield-to-maturity at time of purchase by its book value, totaling the product of these calculations, and dividing by the total book value of the portfolio.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public fund deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF INVESTMENT AUTHORITY

The Chief Financial Officer, acting on behalf of DCTA, is designated as the Investment Officer and the President of DCTA is designated as the Alternate Investment Officer. The Investment Officer is responsible for investment management decisions and activities according to this Investment Policy. The Investment Officer is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the activities of the investment program which are consistent with this Investment Policy. The procedures will include reference to safekeeping; require and include Master Repurchase Agreements (as applicable); wire transfer agreements; banking services contracts; and other investment related activities.

The Investment Officer shall be responsible for all transactions undertaken and shall regulate the activities of subordinate officials and staff. The Investment Officer shall designate in writing a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer and Alternate Investment Officer are not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established herein.

Authorization Resolution

A Resolution is established with this investment policy and attached hereto authorizing the Investment Officer to engage in investment transactions on behalf of DCTA. The persons authorized by the Resolution to transact business for DCTA are also authorized to approve wire transfers used in the process of investing.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This standard states that:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence 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 expected income to be derived.”

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule in Section VI, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change or portfolio shifts are reported in a timely manner to the Board of Directors and that appropriate actions are taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of DCTA. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of DCTA. Results of review of internal controls by the independent auditor shall be included in the annual audit.

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of DCTA. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act:

- A. Obligations of the United States Government, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), agencies and instrumentalities and government sponsored enterprises, excluding collateralized mortgage obligations (CMO's), not to exceed two years to stated maturity with the exception of project funds which may be invested in longer maturities but not to exceed forecasted expenditure dates;
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas, not to exceed two years to stated maturity. In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principal and interest of each CD insured by the Federal Deposit Insurance Corporation (FDIC) may be purchased through a broker that has its main office in Texas and is selected from a list adopted by the DCTA Board or a selected depository institution with its main office or branch office in Texas. This broker or depository shall act as the custodian for the various certificates on behalf of DCTA;
- C. Repurchase agreements and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Master Repurchase Agreement is on file with DCTA and the counterparty bank or primary dealer. Flexible repurchase agreements used specifically for capital projects may extend beyond the 180 day stated limitation, but shall not exceed the expenditure plan of the projects;
- D. No-load SEC-registered money market funds, each approved specifically before use by DCTA;~~and~~
- E. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act;~~and-~~
- E.F. Interest bearing bank savings deposits issued by state and national banks or savings bank or a state or federal credit union (having their main or branch office in Texas) that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their successor organizations).

If additional types of securities are approved for investment by public funds by state statutes, none will be eligible for investment by DCTA until this policy has been amended and approved by the DCTA Board.

Competitive Bidding Requirements

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that DCTA is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by DCTA, shall be conducted on a delivery versus payment (DVP) basis.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments will be made through either DCTA's banking services bank or an approved broker/a primary dealer. DCTA will review the list of authorized broker/dealers annually. A list of at least three broker/dealers will be maintained in order to assure competitive bidding.

Securities broker/dealers must meet and disclose certain criteria as determined by the Investment Officer including:

- A. an audited financial statement each year,
- B. proof of certification by the Financial Industry Regulatory Authority (FINRA) and provision of CRD number,
- C. proof of current registration with the State Securities Commission, and
- D. Completion of DCTA questionnaire.

Every broker/dealer, investment pool, investment manager and bank with which DCTA transacts business will be provided a copy of this Investment Policy to assure they are familiar with the goals and objectives of DCTA's investment program. A representative of investment pools and investment managers exercising discretion ~~the firm~~ will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to assure that only authorized securities are sold to DCTA.

DCTA may appoint one or more investment advisors to assist the financial staff in the management of DCTA funds. The investment advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and also be registered with the Texas State Securities Board as an investment advisor. To be eligible for consideration, an investment advisor shall demonstrate knowledge of, and experience in, the management of public funds. An appointed investment advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy, and shall not have discretionary authority to transact business on behalf of DCTA.

If DCTA has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of DCTA. The advisor shall recommend broker selection criteria to DCTA's Investment Officer for approval. The advisor shall annually present a list of its authorized broker/dealers to DCTA for review and likewise shall return a signed certification stating that the advisor has reviewed the DCTA investment policy and has implemented reasonable procedures and controls to preclude imprudent investment activities. The advisor shall obtain and document competitive bids and offers on all transactions and present these to DCTA as part of its trade documentation.

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is DCTA's policy to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<u>Security Type</u>	<u>Max % of Portfolio</u>
U.S. Treasury obligations	100%
U.S. Government agencies and instrumentalities	Not to exceed 75%
Fully insured or collateralized CDs	Not to exceed 30%
Repurchase agreements	100%
Money Market Funds	50%
Local Government Investment Pools	
Liquidity Pools	100%
Maximum percent ownership of pool	Not to exceed 10%
<u>Interest Bearing Bank Savings Deposits</u>	<u>25%</u>

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not:

A. invest more than 20% of the portfolio for a period greater than one (1) year, or B. invest any portion of the portfolio for a period of greater than two (2) years.

XI. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery-versus-payment (DVP) basis and be held in safekeeping by either DCTA; an independent third party financial institution; or DCTA's designated banking services depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third-party custodian shall be required to issue safekeeping receipts to DCTA listing each specific security, rate, description, maturity, CUSIP number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for DCTA or pledged to DCTA.

All securities pledged to DCTA for certificates of deposit or demand deposits shall be held by an independent third-party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization

Collateralization is required on time and demand deposits exceeding the FDIC insurance coverage of \$250,000, and on repurchase agreements.

To provide a level of additional security for all funds and to also anticipate any market changes, the collateralization level required will be 105% of the market value of the principal and accrued interest. Collateral will be held by an independent third party safekeeping agent.

XII. PERFORMANCE EVALUATION AND REPORTING

A comprehensive quarterly investment report shall be prepared by the Investment Officer or Investment Advisor within ten (10) days following the fiscal quarter end and be presented to the DCTA Board the month following the fiscal quarter end. As required by the Texas Public Funds Investment Act, the report will:

- A. describe in detail the investment position of DCTA on the date of the report;
- B. be signed by the Investment Officer(s)
- C. contain a summary statement that presents :
 - a. beginning book and market value for the reporting period;
 - b. ending book and market value for the reporting period; and
 - c. fully accrued interest for the reporting period;
- D. state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- E. state the maturity date of each separately invested asset that has a maturity date;

- F. state the account or fund for which each investment security was purchased;
- G. compare the portfolio's performance to other benchmarks of performance; and
- H. state the compliance of the investment portfolio with DCTA Investment Policy, Investment Strategy, and the Public Funds Investment Act.

XIII. DEPOSITORIES

DCTA will designate one banking institution through a competitive process as its central banking services provider at least every five years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which DCTA may purchase certificates of deposit will also be designated as a depository after providing their latest audited financial statements to DCTA.

XIV. TRAINING REQUIREMENT

The DCTA Investment Officer(s) shall attend at least one investment training session consisting of no less than 10 hours of instruction relating to investment responsibilities within twelve months of taking office or assuming duties, and subsequently shall receive a minimum of 10 hours not less often than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive years after that date, ~~and shall receive not less than ten hours of instruction relating to investment responsibilities~~. The investment training session shall be provided by an independent source approved by the Board of Directors. See Attachment I for a list of Board approved independent investment training sources. Contingent upon Board approval, additional independent sources from which investment training may be obtained shall include a professional organization, an institute of higher learning, or any sponsor other than a business organization with whom DCTA may engage in an investment transaction. Such training shall include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

XV. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair the ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which personal business is conducted. Further disclosure shall also be made of any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of DCTA.

An Investment Officer of DCTA who has a personal business relationship with an organization seeking to sell an investment to DCTA shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to DCTA shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the DCTA Board of Directors.

XVI. SUBJECT TO AUDIT

A formal annual review of the investment reports will be performed by an independent auditor with the results reported to the Board. All collateral shall be subject to inspection and audit by the DCTA Treasurer or DCTA's independent auditors.

XVII. INVESTMENT POLICY ADOPTION BY DCTA BOARD

DCTA's Investment Policy shall be adopted annually by the Board of Directors. The policy and strategies shall be reviewed on an annual basis by the Board or a designated Committee of the Board. A written resolution approving that review, and suggested changes to the policy will be approved by the Board.

Board Approved Independent Investment Training Sources

1. Texas Municipal League (TML)
2. Government Finance Officers Association (GFOA)
3. Government Finance Officers Association of Texas (GFOAT)
4. North Central Texas Council of Governments
5. Texas Higher Education Coordinating Board