



Board of Directors Regular Meeting

February 28, 2019 | 2:30 p.m.

**or immediately following Board Work Session scheduled at 1:30 p.m. on February 28, 2019*

NOTICE IS HEREBY GIVEN that the DCTA Board of Directors will conduct its regular meeting at the time and location above to consider the following:

CALL TO ORDER

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS

INVOCATION

WELCOME AND INTRODUCTION OF VISITORS

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 January 24, 2019
- b. Acceptance of Monthly Financial Statements – January 2019

3. REGULAR AGENDA

- a. Discuss and Approve the FY2018 Financial Statements and Supplementary Information
- b. Discuss and Approve Resolution R19-05 Approving the Certificate of Formation and Bylaws for the North Texas Mobility Corporation and the Appointment of its Initial Directors
- c. Approve and Authorize CEO to Negotiate and Execute Task Order 1 Amendment 1 with Lockwood, Andrews & Newman, Inc. (LAN) for Cotton Belt Concept and Estimate Development
- d. Approve and Authorize the CEO to Execute an Interlocal Agreement with SPAN, Inc.
- e. Approval of Task Order 3 to Jacobs Engineering and Task Order 4 to Lockwood, Andrews, & Newnam, Inc. for On-Call Architecture and Engineering Services and Board Approval Limit Increase for Future Task Orders

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. CEO'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 – Dianne Costa

Treasurer – Dave Kovatch
Secretary – Sara Bagheri

Members:

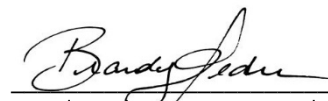
Skip Kalb, Tom Winterburn, Don Hartman, Allen Harris, Carter Wilson,
Connie White, Mark Miller, Ron Trees, Michael Savoie

Staff Liaison:

CEO – Raymond Suarez

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 2/22/2019 at 12:49 PM.



Brandy Pedron, Executive Administrator | Open Records



Board of Directors Work Session Meeting Minutes for:

January 24, 2019

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 on January 24, 2019 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057.

Attendance

Small Cities

Connie White
Skip Kalb
Michael Savoie at 2:14 pm

Large Cities

Charles Emery, Lewisville, Chairman
Dianne Costa, Highland Village
Sara Bagheri, Denton
Carter Wilson, Frisco
Mark Miller, Flower Mound
Allen Harris, The Colony
Tom Winterburn, Corinth
Ron Trees, Little Elm

Denton County Unincorporated

George Campbell
Don Hartman
Dave Kovatch, Denton County At
Large, Treasurer

Legal Counsel

Pete Smith

DCTA Staff

Raymond Suarez, Chief Executive Officer
Kristina Holcomb, Deputy Chief Executive
Officer
Marisa Perry, Chief Financial Officer, Vice
President of Finance
Nicole Recker, Vice President Marketing &
Communications
Michelle Bloomer, Vice President,
Operations

Other Attendees

Amanda Riddle, Budget Manager
Adrienne Hamilton, Communications
Manager
Lindsey Baker, Director of Strategic
Partnerships
Danny Bailey, Assistant Vice President Rail
Operations
Rony Philip, Director of Railway Systems
Kelly Briggs, Community Relations Manger
Brandy Pedron, Executive Administrator

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

1. Recognition of Service for Richard Huckaby and George Campbell – *Charles Emery and Raymond Suarez presented a service recognition plaque to George Campbell at the meeting and noted the service of Richard Huckaby who was not present.*
2. Monthly Financial Reports – *Marisa Perry, Chief Financial Officer, VP of Finance, provided a report on the following. No further discussion*
 - a. Financial Statements for November 2018 and December 2018
 - b. Capital Projects Budget Report for November 2018 and December 2018
 - c. Quarterly Investment Report Q1 FY2019
 - d. Quarterly Grants Update Q1 FY2019 – *Kristina Holcomb added to the discussion on implications of the Federal Shutdown*
3. Update and Discussion Regarding Agency Initiatives
 - a. 86th Legislative Session Activities – *Raymond Suarez welcomed Judge Andy Eads who spoke to the Board about his support for DCTA on behalf of the County; Judge Eads stated that there are 250 million reasons to be involved and support the growth of DCTA and will protect the investment. Judge Eads stated that he believes the DCTA bylaws should be refreshed to match how the agency operates and look at what is good for the whole of the agency. Judge Eads affirmed that the County desires the drafted bill be unanimously approved. Board member, Carter Wilson, representative of Frisco, has served on the DCTA Board for six years and stated that he does not support the draft legislation as it stands today because he believes that it keeps people from joining the agency and limits the regionalism. Board Member, Allen Harris, representative of The Colony, stated that Mayor requested to post-pone the legislation so that the city can have a meeting about the implications. Allen Harris believes that the legislation presented would alienate the non-member cities and take regionality out, making it a tri-cities agency rather than a regional agency. Board Member, Connie White, Small Cities representative, agreed that the bylaws need to be refreshed and adjustments made as Judge Eads implied, but stated her concern about the founding cities always being the majority vote and voiced that some points in the legislation are not done in good faith for regionalism. She stated that there may be a threat to looking into the future. Board Member, Mark Miller, representative for Flower Mound, stated that he understands the idea of the proposed legislation but does not like the language. He believes that new cities should be able to vote. Board Member, Tom Winterburn, representative of Corinth, feels that Corinth and the Lake Cities are the closest to becoming a new member city. Tom Winterburn relayed that the Mayor of Corinth asked for more time to discuss with city council. He believes that the proposed legislations heavily favor the original cities. Board Secretary, Sara Bagheri, representative of Denton, voiced that she shares the regionalism perspective and reiterated that the legislation is not permanent and that it can evolve as it is in the process. She expressed her concern for postponing the vote on the draft legislation due to the time constraints. Board Vice Chair, Dianne Costa, representative of Highland Village, discussed that changes were made from the original drafted language such as term length and expressed that the legislative language is lenient to help get new cities in with more flexibility to join. Mrs. Costa also discussed how if DCTA carries the bill to legislation, then DCTA holds the power for no change and if the County carries the bill, it limits DCTA's power to make changes. Drew Campbell, Capitol Insights, stated that March 8, 2019 is the last date for a bill to be entered and a bill needs to go to council committees weeks before that. Campbell reiterated the bill can still be amended or changed*

through the legislative process and expressed that he feels DCTA should carry this as DCTA's bill and as a positive force moving forward. Raymond Suarez, CEO, stated that the Resolution presented is to help us carry the bill and if not passed, the County or a city will carry it and may add or remove language. Board Member, Connie White asked Judge Eads if he was comfortable with the language on voting. Judge Andy Eads answered by stating that we would look at the language broadly and regionally; there were safe-guards put in to help allow every city to have an opportunity to join; delaying this legislation would not be harmonious; and there is no incentive for other cities to join as it stands today. Board Chair, Charles Emery, representative of Lewisville, added that every city had the opportunity to join DCTA as the three member cities had. Board Secretary, Sara Bagheri, stated that there are timing issues; we don't have time or control; and DCTA can tweak the language in the process. Board Treasurer, Dave Kovatch, representative of Denton County At Large, expressed his worry that DCTA will have difficulty getting new members because of the voting issues; the proposed language gives the member cities with majority vote regardless if a new city puts in more sales tax; and expressed that we are different from DART because we are a corridor, not a city center. Mr. Kovatch stated that he believes if anyone is a financially participating city, they should have equal representation on the board as the original member cities. His concern with the legislation is with the founding members language; "founding municipalities". Judge Andy Eads stated our board composition needs to be changed. He also stated that in the spirit of good faith and good will, the draft bill needs to be passed today to maintain an ongoing good relationship with those cities that keep DCTA breathing. Board Member, Skip Kalb, Small Cities representative serving on the board for 14 years, stated that DCTA is the most innovative transit agency in the nation especially for its size and relationships and working with national corporations and agencies. DCTA is located in the fastest growing area in the nation and he is willing to support the draft bill. Drew Campbell, Capitol Insights, expressed that the state legislative council may also change the language during the process. Judge Andy Eads spoke to wanting this to be unanimously passed today and then we will deal with the language in earnest need to operate in good faith on behalf of the representing body; we need to push through today with positive action and have good faith and good will to address the changes. Mike Leavitt, Highland Village City Manager, stated that Highland Village supported this draft bill after lots of conversation. Claire Powel, City of Lewisville Assistant City Manager, stated that Lewisville is in support and is focused on regionalism; the Lewisville City Council has passed a resolution in support of this bill.

- b. Establishing a local government corporation – *No discussion at this time*
- c. Local assistance for member jurisdictions – *No discussion at this time*
- d. Operating Cost Model – *No discussion at this time*
- e. A-train Extension Planning & Cotton Belt Connection – *No discussion at this time*
- f. North Texas Xpress & Alliance Link – *No discussion at this time*
- g. Elderly & Disabled Service Options – *No discussion at this time*
- h. Inclement Weather Service – *No discussion at this time*
- i. Positive Train Control Status Update – *No discussion at this time*

4. Committee Chair Reports

- a. Finance Committee report of items discussed at the January 14, 2019 meeting – *No discussion at this time*



- b. Program Services Committee report of items discussed at the January 15, 2019 meeting – *No discussion at this time*
 - c. Discussion of Regular Board Meeting Consent Agenda Items
- 5. Discussion of Regular Board Meeting Agenda items – *No discussion at this time*
 - 6. Convene Executive Session – *The Board did not convene into Executive Session at this time*
 - 7. Reconvene Open Session – *not applicable*
 - 8. Discussion of Future Agenda Items – *No discussion at this time*
 - 9. ADJOURN at 2:53 p.m.

The minutes of the January 24, 2019 Work Session meeting of the Board of Directors were passed and approved by a vote on this 28th day of February 2019.

Charles Emery, Chairman

ATTEST

Sara Bagheri, Secretary



Board of Directors Regular Meeting Minutes for:

January 24, 2019

Board of Directors Regular Meeting 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 on January 24, 2019 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057.

Attendance

Small Cities

Connie White
Skip Kalb
Michael Savoie

Large Cities

Charles Emery, Lewisville, Chairman
Dianne Costa, Highland Village
Sara Bagheri, Denton
Carter Wilson, Frisco
Mark Miller, Flower Mound
Allen Harris, The Colony
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Denton County Unincorporated

George Campbell
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Legal Counsel

Pete Smith

DCTA Staff

Raymond Suarez, Chief Executive Officer
Kristina Holcomb, Deputy Chief Executive
Officer
Marisa Perry, Chief Financial Officer, Vice
President of Finance
Nicole Recker, Vice President Marketing &
Communications
Michelle Bloomer, Vice President,
Operations

Other Attendees

Lindsey Baker, Director of Strategic
Partnerships
Brandy Pedron, Executive Administrator

CALL TO ORDER: *Chair, Charles Emery, called the meeting to order and announced the presence of a quorum at 3:02 p.m.*

PLEDGE OF ALLEGIANCE – *led by Dianne Costa*

INVOCATOIN – *led by Skip Kalb*

WELCOME AND INTRODUCTION OF VISITORS – *no introductions at this time*

1. PUBLIC COMMENT – *no public comments at this time*

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 December 13, 2018.
- b. Acceptance of Monthly Financial Statements – November 2018 and December 2018
- c. Acceptance of Quarterly Investment Report – Q1 FY2019
 - A Motion to approve the Consent Agenda items (a – c) was made by Skip Kalb. The motion was seconded by Sara Bagheri. Motion passed unanimously by the Board

3. REGULAR AGENDA

- a. Discussion and Approval of Agency Legislative Agenda for the 86th Texas Legislature – *Presented for discussion and approval by Lindsey Baker, Director of Strategic Partnerships*
 - A Motion to approve the Regular Agenda item (a) was made by Connie White. The motion was seconded by Dave Kovatch. Motion passed unanimously by the Board
- b. Discussion and Approval of Resolution R19-01 proposed amendments to Chapter 460 of the Texas Transportation Code – *Chair, Charles Emery led the voting*
 - A Motion to approve the Regular Agenda item (b) was made by Sara Bagheri. The motion was seconded by Dianne Costa. Abstained by Ron Trees, Allen Harris, and Carter Wilson. Motion passed.
- c. Approval of Resolution R19-02 Authorizing Formation of a Local Government Corporation – *Presented by Raymond Suarez, CEO and Marisa Perry, Chief Financial Officer, Vice President of Finance for approval.*
 - A Motion to approve the Regular Agenda item (c) was made by Connie White. The motion was seconded by Dianne Costa. Motion passed unanimously by the Board
- d. Approval of Resolution R19-04 Board Officer Elections
 - A Motion to approve the Regular Agenda item (d) was made by Skip Kalb. The motion was seconded by Carter Wilson. Motion passed unanimously by the Board.

- e. Announcement of 2019 Board Committee assignments – *Presented by Chair, Charles Emery*
 - No motion needed. Requested change will be made to move Tom Winterburn from Finance Committee to Program Services Committee. Allen Harris requested that Finance Committee discuss change of time and day of meetings.
 - f. Authorize CEO to rescind award to Goolsbee Tires and T&W Tire LLC., and reject all bids for transit tires – *Athena Forrester, Assistant VP Regulatory Compliance, DBE Liaison explained that the award received protest and it was found correct; the bid was pulled back and rejected. DCTA staff is asking the Board to approve rescind and rewrite*
 - A Motion to approve the Regular Agenda item (f) was made by Dianne Costa. The motion was seconded by Dave Kovatch. Motion passed unanimously by the Board
 - g. Authorize CEO to execute and negotiate an Interlocal Agreement (ILA) with Trinity Metro for Alliance service – *Presented for discussion and approval by Kristina Holcomb, Deputy CEO*
 - A Motion to approve the Regular Agenda item (g) was made by Connie White. The motion was seconded by Dianne Costa. Motion passed unanimously by the Board
 - h. Authorize CEO to execute and negotiate and execute task order with Lyft to replace Alliance Link service – *Presented for discussion and approval by Kristina Holcomb, Deputy CEO*
 - A Motion to approve the Regular Agenda item (h) was made by Connie White. The motion was seconded by Dianne Costa. Motion passed unanimously by the Board
 - i. Approval of Resolution R19-03 Changes to Board Threshold Approval for Contracts and Agreements – *Presented for discussion and approval by Athena Forrester, Assistant VP Regulatory Compliance, DBE Liaison*
 - A Motion to approve the Regular Agenda item (i) was made by Skip Kalb. The motion was seconded by Allen Harris. Motion passed unanimously by the Board with recommended change to amend the language to the Resolution to include the \$75k limit on item 9
 - j. Authorize CEO to Negotiate and Execute Task Order 5 with Jacobs Engineering Group for Rail Station Canopy Frieze Repair and Replacement – *Presented for discussion and approval by Kristina Holcomb, Deputy CEO; regarding water damage issues, no budget amendment required*
 - A Motion to approve the Regular Agenda item (j) was made by Dianne Costa. The motion was seconded by Connie White. Motion passed unanimously by the Board
 - k. Authorize CEO to Negotiate and Execute Task Order 6 with Jacobs Engineering Group for Categorical Exclusion Environmental Study for Bus Light Maintenance Facility – *Presented for discussion and approval by Kristina Holcomb, Deputy CEO*
 - A Motion to approve the Regular Agenda item (k) was made by Tom Winterburn. The motion was seconded by Skip Kalb. Motion passed unanimously by the Board
4. Convene Executive Session. The Board may convene the Regular Board Meeting into Closed Executive Session for the following: - *The Board did not meet in executive session at this time*



5. Reconvene Open Session – N/A
 - a. Reconvene and Take Necessary Action on Items Discussed during Executive Session. – N/A
6. CHAIR REPORT –
 - a. Discussion of Regional Transportation Issues – *Chair, Charles Emery, expressed how DRMC is a great voice for DCTA and gave kudos to Kristina Holcomb for her seat on the Board of DRMC*
 - b. Discussion Legislative Issues
 - i. Regional – *none at this time*
 - ii. State – *Kristina Holcomb, Deputy CEO, briefly discussed items on the legislative handout given to the Board*
 - iii. Federal – *none at this time*
7. CEO'S REPORT – *Raymond Suarez, CEO discussed the following*
 - a. Budget Transfers – *no budget transfers at this time*
 - b. Regional Transportation Issues – *expressed his appreciate for DCTA staff with the legislation work and event hours; DCTA has been visiting with city Mayors and Council Members on how DCTA adds value to member cities and economic development*
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.
 - *Nicole Recker, Vice President of Marketing and Communications, gave a brief update on events of interest for January and February 2019*
 - *Kristina Holcomb, Deputy CEO, briefly discussed the RFP*
9. ADJOURN – *The meeting was adjourned at 4:08 p.m.*

The minutes of the January 24, 2019 Regular meeting of the Board of Directors were passed and approved by a vote on this 28th day of February 2019.

ATTEST

Charles Emery, Chairman

Sara Bagheri, Secretary

Letter of Transmittal

February 28, 2019

The Honorable Chairman and Members of the Board
Denton County Transportation Authority
Lewisville, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Denton County Transportation Authority (DCTA) for the fiscal year ended September 30, 2018.

This report provides the DCTA Board of Directors, stakeholders, citizens of DCTA's service area, our bondholders and other interested parties with detailed information concerning the financial condition and activities of DCTA. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the DCTA. Management is responsible for establishing and maintaining effective internal control over financial reporting. Because the cost of internal controls should not outweigh anticipated benefits, DCTA's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the DCTA as measured by the financial activity of the fund. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the DCTA's financial affairs have been included.

Weaver and Tidwell, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the DCTA's financial statements for the year ended September 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and the two should be read in conjunction with each other.

DCTA PROFILE

DCTA is the Coordinated County Transportation Authority for Denton County, created by House Bill 3323, under Chapter 460 of the Texas Transportation Code, approved by the 77th Texas Legislature and signed into law by the Governor in 2001. Voters in Denton County approved the confirmation of DCTA on November 5, 2002 to advance public transportation and transportation-related services. Collection of the sales and use tax dedicated to DCTA from its three member cities began January 1, 2004. DCTA is granted power under Texas law to plan, develop, acquire, construct, own, operate, and maintain a public transportation system.

Location

Denton County is located in the northern part of the Dallas-Fort Worth Metroplex adjacent to both Dallas and Tarrant counties. The county is 953 square miles and is approximately 35 miles south of the border between Texas and Oklahoma. The county, founded in 1846, is one of the fastest growing counties in the U.S. with an estimated population of 844,260 in 2018 according to North Central Texas Council of Governments (NCTCOG) population estimates.

Governance

DCTA is governed by a 14-member Board appointed by municipalities or the Denton County Commissioners Court as follows: one member from each municipality with a population of 17,000 or more (8 total); three members appointed by the Denton County Commissioners Court; and three members designated by the remaining municipalities with a population of more than 500 and less than 17,000. Each member serves a term of two years and may be reappointed. There are no term limits for service on the Board. Board officers are elected from the Board membership and serve a one-year term with no term limits.

Agency Background

The primary revenue source for DCTA is a ½ cent local sales tax from its three member cities - Denton, Highland Village, and Lewisville. These revenues, along with federal and state grants, service contracts, operating fares, and investment income, fund the operations and implementation of DCTA's Long Range Service Plan, which includes a commuter rail component, a bus service component with local fixed route bus service, university shuttle service, demand response and vanpool service as well as a network of Park-and-Rides and Rail and Bus facilities to serve Denton County residents. These elements provide services to help improve mobility and air quality, spur economic development, and enhance livability in the areas served. DCTA's A-train rail service connects Denton County with Dallas Area Rapid Transit (DART) light rail transit facilities via a convenient cross platform transfer at Trinity Mills Station in Carrollton and provides access to the greater Dallas-Fort Worth area. DCTA's joint service with Trinity Metro provides a connection between Denton and Fort Worth on the I-35W corridor.

Construction of DCTA's A-train rail corridor was accomplished with funding from a Regional Toll Road Funding Initiative (RTRFI) grant received in March 2009. A contract for construction of the 21-mile rail corridor was awarded in May 2009. Construction of the rail corridor and rail stations linking riders from Denton County to the DART light rail was completed and passenger rail revenue service began in June 2011, just under 2.5 years after receipt of the RTRFI funding. In addition to the already existing bus service, the central element of DCTA's initial Long Range Service Plan was achieved with the start of A-train commuter rail service in 2011.

In December 2011, the Board of Directors updated its Long Range Service Plan to include system-wide improvements to build on the initial investments and meet the public transit needs caused by the area's dynamic growth. This update provides the framework for DCTA service planning for the next 25 years and also provides input for NCTCOG's Mobility 2045 Plan. NCTCOG serves as the regional Metropolitan Planning Organization (MPO) and is the organization charged with coordinating regional transportation planning efforts for a 12-county region which includes Denton County. The Mobility 2045 Plan serves as a blueprint for the region's transportation system planning and guides expenditures of state and federal transportation funds over the next 20-plus years. DCTA provided input regarding key service components of its Long Range Service Plan for incorporation into the Mobility 2045 Plan. The goals defined in the Mobility 2045 Plan guide efforts to accommodate the region's multimodal mobility needs and improve air quality. DCTA and other regional transit agencies, as well as local governments, use NCTCOG's Mobility 2045 Plan as a basis for their own planning efforts.

Accounting System and Budgetary Control

DCTA is accounted for as a single entity enterprise fund and reports financial results in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) guidance. The accrual basis of accounting is used for the audited financial statements, external reporting, and internally for budgeting, with revenues recorded in the period that they are earned, and expenses recorded in the period in which the liability or benefit is expected.

On an annual basis, DCTA develops and presents to the Board an operating and capital budget within the context of a Long Range Financial Plan. This document forecasts the operating component, debt service costs, and Capital Improvement Plan requirements and serves as the foundation for the development of the annual operating and capital budget. The Long Range Financial Plan helps provide a financially sustainable perspective of the impact of current year decisions on future years. As part of the annual budget process, the Board also adopts a Budget Contingency Plan which positions DCTA to respond quickly to economic or market fluctuations or downturns.

The Finance Committee, comprised of members of the Board, reviews the budget and makes recommendations to the Board. The Board conducts a public hearing in August to receive citizen input and provides final review with formal adoption in September of each year. The fiscal year for DCTA is October 1 – September 30. The President/CEO is authorized to transfer budgeted amounts between line items and departments; however, any revisions that alter the total expenditures of the fund or increase a capital project budget must be approved by the Board. As a matter of practice, budget transfers are reported monthly to the Board at its regularly scheduled meeting.

Budget control has been established at the department level. Financial reports showing budget to actual expenditures by line item are distributed monthly for review by management. Financial reports are presented to the Board monthly for their review and acceptance. Quarterly budget reviews of both the operating budgets and capital project budgets are conducted by Finance staff with the DCTA Executive Team and project managers. Individual line items are reviewed and analyzed for budgetary compliance. Revenue budgets are reviewed monthly.

The Board has also adopted a series of financial standards and policies for the operating and debt management of the Agency. In addition, operating procedures have been established in accordance with state and federal requirements to ensure that DCTA is a fiscally sound authority operating an efficient and effective transportation system.

SERVICES PROVIDED

DCTA provides service in Denton County and Collin County including regional commuter rail service (A-train); fixed route bus service; vanpool service; paratransit and general demand response service in the cities of Denton, Highland Village, and Lewisville; campus shuttle service operated under contract with the University of North Texas (UNT) and North Central Texas College (NCTC); and contract demand response service in Frisco and Collin County. New services in 2018 include implementation of a pilot program to provide on-demand service in the Denton Enterprise Airport Zone and joining the Frisco Transportation Management Association (TMA) to improve connectivity in the City of Frisco's "North Platinum Corridor" which led to a partnership with California-based Drive.ai for the launch of a driverless car pilot program in the City of Frisco.

In fiscal year (FY) 2018, DCTA carried almost 2.9 million passengers system-wide, a slight decrease from almost 3.0 million passengers in FY17. The bus system has experienced ridership growth since DCTA assumed existing bus service in 2005. DCTA continues to work with member cities, stakeholders, and contract customers to evaluate options and review route schedules to grow ridership and improve the customer experience.

Regional Commuter Rail (A-train)

The A-train is a 21-mile regional rail system connecting Denton and Dallas counties. The rail corridor follows the east side of I-35E and connects the cities of Denton and Carrollton. DCTA has five A-train stations: two in Denton and three in the greater Highland Village-Lewisville area, with a transfer station at the Trinity Mills Station in Carrollton. The Trinity Mills transfer station connects riders with the DART Green Line and DART bus service. DCTA's five rail stations are served by fixed route bus service and the UNT & NCTC campus shuttle. The system also includes a hike & bike trail that parallels the A-train rail line.

DCTA operates 11 low-floor diesel-electric articulated GTW passenger rail vehicles designed to comfortably accommodate wheelchairs, strollers, and bikes with room for 104 seated and 96 standing passengers in each vehicle. In FY18, rail ridership totaled roughly 420,000 passengers, a decrease of 17% from 505,000 in FY17.

Connect

Connect offers local fixed-route bus service in the cities of Denton, Highland Village, and Lewisville. In fiscal year 2018, these routes totaled roughly 473,000 boardings. In 2016, DCTA completed a comprehensive operations analysis (COA) for bus services. The City of Denton COA was implemented in FY17 and reduced average headways from 40 minutes to 30 minutes during peak periods for 7 of 8 routes. Key trip generators in Denton include UNT and Texas Women's University (TWU), major medical centers, retail centers, and social service providers. Service changes were implemented in August 2018 to enhance route connections and transfers between Denton Connect routes and the A-train as well as to provide more direct access to services along North Texas Xpress and UNT routes.

In Lewisville, the COA was implemented in 2016 and improved headways from the previous 35 minutes during peak and 70 minutes during midday to 30 minutes and 60 minutes, respectively. A re-configuration of the Lewisville routes also helped reduce the need for transfers and extended service to areas not previously served. Service changes were implemented in 2018 to allow better connections to the A-train.

The Highland Village Connect Shuttle provides peak-period service with connections to other DCTA services including the A-train, Lewisville Connect, and NCTC shuttle service. In August 2018, the frequency of Highland Village Connect Shuttle was modified from 20 minutes to 30 minutes to provide more efficient operations, meet system-wide service standards, and increase the hours of operation to better meet customer demand.

Community On-Demand/Lyft

The Highland Village Community On-Demand service was discontinued in August 2018 with a ridership of 1,079 in 2018 compared to ridership of 2,448 in 2017 and was replaced with an expanded Lyft discount program. The Highland Village Lyft Zone provides more efficient mobility services for passengers traveling within a designated area of Highland Village and north Lewisville. The service is offered Monday through Friday from 5:30 a.m. to 9 p.m., which is an expansion from the hours previously covered under the Highland Village Community On-Demand service.

University Shuttle Service

The UNT Campus Shuttle includes a seven-route weekday shuttle service, one late night shuttle, and one weekend-only route for UNT through a contractual agreement. The UNT Shuttle service provides transportation from off-campus housing to the campus as well as circulation throughout the campus. The UNT service has the highest ridership of any bus operation in the DCTA system. Total passengers for FY18 totaled 1.9 million, roughly the same as FY17 ridership.

The NCTC Shuttle provides direct shuttle service to the Corinth and Flower Mound campuses as well as connectivity between Denton and Lewisville. Ridership for the NCTC service decreased from 18,147 in FY17 to 13,588 in FY18. DCTA is working with NCTC administration to determine how best to maximize assets and define a best value service strategy for the university.

Demand Response Service

Access, DCTA's demand response service, offers curb-to-curb ADA paratransit service for residents and visitors in Denton, Highland Village, and Lewisville and also provides service for senior and disabled (non-ADA) passengers in these cities. Any person who wishes to use Access must complete an application, and non-seniors or non-Medicare-eligible individuals must submit a physician's affidavit of eligibility. DCTA carried over 30,000 Access passengers in its member city service area in FY18.

In December 2015, the City of Frisco contracted with DCTA for curb-to-curb demand response transit service to eligible Frisco residents for trips within Frisco, McKinney, Allen and designated portions of Plano. The service carried just over 8,800 passengers in FY18. On June 1, 2017, DCTA launched a demand-response service in coordination with the City of McKinney and the McKinney Urban Transit District. In FY18, the service provided transportation to almost 4,800 passengers.

Vanpools

The Vanpool service provides a low-cost commuting alternative for residents to get to work. Vanpools are ideal for groups of six (6) to fifteen (15) people. Individuals who live or work in Denton County can start a vanpool through their employer or create one with others who have similar commute origins and destinations. As of September 2018, there were 32 vanpools in operation.

DCTA PROGRESS

The focus in 2018 continued to be on safety, improved and more efficient service delivery, and strategic expansion to meet the transit needs of our rapidly growing region while maintaining the agency's investments in equipment and infrastructure. Service changes to bus routes were implemented in FY18 to improve the customer experience and provide more cost-effective mobility solutions. Staff is also analyzing areas currently served by traditional fixed-route service to determine if a more flexible service model would improve the overall customer experience.

In FY18, DCTA completed all FEMA-funded repairs to the A-train system resulting from major flood damage sustained in FY15. DCTA is committed to rail safety and met the federally-mandated deadline of December 31, 2018 to be in Revenue Service Demonstration of Positive Train Control (PTC) for consideration of its alternate schedule request. PTC was designed to prevent collisions and other incidents by automatically detecting and controlling the movement of trains. The agency is diligently working with the Federal Railroad Administration (FRA) to implement PTC within the federally-mandated requirements and is currently listed by the FRA as one of the top third of public transit agencies for PTC implementation progress. DCTA expects the FRA to certify its PTC technology by June 2020.

FUTURE OUTLOOK

DCTA's major revenue source, sales tax, continues to grow. Sales tax revenues were \$27.9 million in FY18 compared to \$26.8 million in FY17. Total revenues were \$40.8 million in FY18 compared to \$43.8 million in FY17. Despite strong sales tax growth, DCTA faces challenges with rising healthcare costs, low interest rates impacting investment earnings, and funding for the increased demand of service expansion. In addition, the changing landscape with consumers migrating to online purchases from the traditional brick and mortar retail stores could impact local sales tax.

Population and job growth continue to drive the demand for a transit system that can provide access to jobs, medical care, education and recreation activities. DCTA is assessing and implementing innovative mobility solutions to meet our customer and stakeholder needs and to provide enhanced regional mobility to our passengers. Unemployment has averaged 3.5% in the Metroplex over the past year, and DCTA is working with communities to match employees with employers by providing access to jobs in areas where employers are having difficulty filling positions. The Mobility 2045 plan includes an extension of the A-train rail line south to meet the Cotton Belt rail line, and DCTA will begin to incorporate funding in the Long Range Financial Plan to account for this commitment.

Regional Economy

The Dallas-Fort Worth economy continues to expand. Dallas and Fort Worth growth remained positive and ended the year on a strong note. The Federal Reserve Bank of Dallas reported in its January 2019 Economic Indicators Update and December 2018 Texas Economic Update:

DFW employment growth was broad based and accelerated in the fourth quarter, with payrolls in a few sectors rebounding strongly after shedding jobs in the third quarter. Construction and mining payrolls posted the fastest growth among the major sectors in the fourth quarter. Job gains strengthened in the leisure and hospitality, manufacturing, and trade, transportation and utilities sectors, while employment in professional and business services, which had been expanding at a rapid clip earlier in the year, fell last quarter. Employment rose 2.4 percent in 2018, in line with the state's increase.

The Texas economy continues to grow at a solid but slightly slower pace, with job growth broad based across industries and regions. The Austin, Houston and San Antonio metro areas led the state in job growth during the three months ending in November. The Texas Business Outlook Surveys indicate that growth in the manufacturing sector has moderated from the highs seen earlier in the year. Wage pressures have eased somewhat in recent months as well but remain elevated. The Texas labor market will likely tighten further in the months ahead; however, if oil prices continue to linger around \$50 per barrel, job growth in the state may begin to decelerate. Texas exports are also likely to weaken.

Population Forecast

The North Central Texas region has experienced rapid growth in recent decades, resulting in a metropolitan area with a current population of over seven million people. North Central Texas is currently the sixth-largest retail market in the country and is home to 22 Fortune 500 companies. According to the NCTCOG's Mobility 2045 Plan, population projections for the 12-county Dallas-Fort Worth Metropolitan Area show that by the year 2045 the region will be home to an estimated 11.2 million people. This expected growth represents a significant increase in population for North Texas. With the addition of almost four million new residents, there will be a greater demand to move people and goods. The counties of Collin, Dallas, Denton and Tarrant accounted for 87% of the 12-county population in 2018.

The individual population share for Collin and Denton counties has increased since 2010 while the population share for Dallas and Tarrant counties has decreased. Population growth in Denton County is projected to be significant as well. According to the 2045 NCTCOG Demographic Forecast, the population within Denton County is projected to increase from 844,260 people in 2018 to 1,346,314 people in 2045, a 59% growth. As Collin and Denton counties continue to grow, DCTA will focus efforts on east/west corridor planning and investments in these areas.

The US Census Bureau estimates that most individuals who live in Denton County work outside of the county, which highlights the importance of providing transportation links from Denton County to major employment destinations in neighboring counties. New developments along I-35W near Alliance Airport as well as along the Sam Rayburn Tollway corridor will bring additional employment to the area, and DCTA is poised to assist in providing mobility options to this population.

Long Range Service Plan

For the past several years, DCTA focused on implementing the first phase of regional rail service as well as improving local bus routes in Denton, Highland Village, and Lewisville. Having attained the milestone of delivering the first phase of regional commuter rail service, DCTA is now looking beyond the A-train implementation and preparing for the future needs of a growing Denton County and North Central Texas region.

The Long Range Service Plan provides a roadmap for decision making about transit investments in Denton County over the next 25 years. The Long Range Service Plan reaffirms DCTA's goals and performance standards that will be used to help officials make decisions about future investments and the implementation of new services. It will help ensure that transit services mature and develop to better meet the needs of Denton County. DCTA will conduct a strategic visioning session in FY2019 to engage its stakeholders and frame the top agency priorities for the next planning horizon.

OTHER INFORMATION

Independent Audit

Chapter 460, Section 460.402 of the Texas Transportation Code requires an annual audit of the books of account, financial records and transactions of the DCTA by independent certified accountants. This requirement has been complied with and the independent auditor's report has been included.

DCTA is also required to undergo an audit of federally and state funded programs administered by DCTA. The standards governing the Single Audit engagement require the independent auditor to report on the audited government's internal controls and compliance with laws, regulations, contracts and grants applicable to each major federal and state program. The reports related specifically to the Single Audit are issued under separate cover.

In addition, the DCTA has a Finance Committee as a sub-committee of the Board of Directors which functions as an audit committee that hears and reviews recommendations made by the independent auditors. The Finance Committee also guides the annual budget process to develop final recommendations to the Board of Directors.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the DCTA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the eighth consecutive year for the DCTA to receive the Certificate of Achievement.

To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire DCTA Finance Department staff. We also express our appreciation to all the DCTA staff members who assisted and contributed to the successful completion of this report as well as the guidance provided by our external auditors.

We would like to thank the members of the DCTA Board of Directors and the Finance Committee for their interest and support in planning and conducting the financial operations of the Denton County Transportation Authority in a responsible and progressive manner.

Sincerely,



Raymond Suarez
President/CEO



Marisa Perry, CPA
Chief Financial Officer/VP of Finance



Amber Karkauskas, CGFO
Controller

Independent Auditor's Report

To the Board of Directors of the
Denton County Transportation Authority

Report on the Financial Statements

We have audited the accompanying statements of net position of Denton County Transportation Authority (the Authority) as of and for the years ended September 30, 2018 and 2017, the related statements of revenues, expenses, and changes in net position and the cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, beginning net position was restated to correct an error in reporting capital assets and expenses in previous years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4-10) and Texas County and District Retirement System pension schedules (on pages 35-36) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, the schedule of revenue and expenses – budget and actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues and expenses - budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Board of Directors of the
Denton County Transportation Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 21, 2019

Management's Discussion And Analysis

The management of the Denton County Transportation Authority (DCTA) offers readers of the DCTA's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2018. This discussion and analysis is designed to provide an objective and easily readable analysis of DCTA's financial activities based on currently known facts, decisions, or conditions.

We encourage the readers to consider the information presented here in conjunction with accompanying financial statements, notes thereto and additional information that is furnished in our letter of transmittal and the statistical section of this report. In addition, readers are encouraged to review information on the annual budget and other agency information found on the DCTA website at www.dcta.net. It should be noted that the Independent Auditor's Report describes the auditor's association with the various sections of the report and that all of the additional information from the website and other DCTA sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

In Brief

- As of September 30, 2018 and 2017, total assets and deferred outflows of resources of DCTA exceeded total liabilities and deferred inflows of resources by \$326,032,103 and \$326,087,832 respectively. The amount of unrestricted net position as of September 30, 2018 was \$30,080,608 compared to \$24,329,503 in 2017. Unrestricted net position is the amount which may be used to meet DCTA's ongoing obligations in accordance with the fiscal policies;
- Net position decreased \$55,729 during the current fiscal year compared to an increase of \$659,710 in the prior year. The change compared to the prior year is attributable to a 75% decrease in grants for capital improvements, mainly related to the timing of expenses and related reimbursements of the Positive Train Control (PTC) project; and
- Net capital assets were \$323.4 million as of September 30, 2018 compared to \$330.8 million as of September 30, 2017. The decrease of \$7.3 million is caused by \$10.2 million of depreciation expense, offset by \$2.9 million of asset additions.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to DCTA's accompanying financial statements and notes. The basic financial statements consist of four components: 1) statements of net position, 2) statements of revenues, expenses, and changes in net position, 3) statements of cash flows, and 4) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves as well as a statistical section (unaudited) to provide the reader additional information relative to DCTA.

DCTA activities are accounted for in a single entity enterprise fund; therefore, government-wide financial statements are not presented. Enterprise funds are generally used to report business-type activities of governmental entities. The financial statements are prepared on the accrual basis of accounting meaning that all expenses are recorded when incurred and all revenues are recognized when earned in accordance with accounting principles generally accepted in the United States of America. Certain statements in the report are, or will be, forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements.

Statement of Net Position – The statement of net position reports all of the financial and capital resources of DCTA. The statement is presented in the format where total assets plus deferred outflows of resources equal total liabilities, deferred inflows of resources, and net position. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and noncurrent. The focus of the statement of net position is to show a picture of the liquidity and health of the organization as of the end of the reporting period. Changes in net position may serve as an indication of whether the financial position of DCTA is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position is similar to an income statement. This statement includes operating revenues, such as passenger fares and contracts to provide transit related service to third parties; operating expenses, such as costs of operating the transit system, administrative expenses, and depreciation on capital assets; and non-operating revenue and expenses, such as sales tax revenue, grant revenue, and interest income. The focus of the statement of revenues, expenses, and changes in net position is to present the change in net position during the two most recent fiscal years. The increase or decrease in net position will show the effect of DCTA's current year operations on its financial position.

Statement of Cash Flows – The statement of cash flows discloses net cash provided by or used for operating activities, non-capital financing activities, capital and related financing activities, and from investing activities. The statement of cash flows, related notes, and other financial statements can be used to assess DCTA's ability to provide adequate cash flow to support current operations and plans for future expansion.

Notes to Financial Statements – The notes to the financial statements are an integral part of the basic financial statements that describe the significant accounting policies and provide additional information that is essential to understanding the data provided in the financial statements.

Financial Analysis

Statement of Net Position – As noted earlier, net position, and especially net position by category, may serve over time as a useful indicator of DCTA's financial position. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$326,032,103 and \$326,087,832 as of September 30, 2018 and 2017, respectively. The largest portion, 91% and 93% in 2018 and 2017, respectively, is net investment in capital assets primarily as a result of the rail line construction and acquisition of rail vehicles. The remaining 9% is in unrestricted net position which represents assets with no external restriction as to the use or purpose. The unrestricted net position can be employed for any lawful purpose designated by the governing board.

Net position of DCTA decreased 0.02% or \$55,729 during the current fiscal year compared to an increase of 0.20% or \$659,710 in the prior year. The decrease in net position in the current fiscal year is attributable to the \$7.3 million decrease in capital assets, partially offset by a \$4.7 million increase in current assets, a \$1.8 million decrease in bonds payable, and a \$678,458 decrease in accounts payable.

Condensed Statements of Net Position

	2018	2017	2016
Assets			
Current and other assets	\$ 32,631,168	\$ 27,901,621	\$ 26,490,083
Capital assets	323,437,237	330,767,338	334,590,360
	<hr/>	<hr/>	<hr/>
Total assets	356,068,405	358,668,959	361,080,443
 Deferred outflows of resources			
Related to TCDRS pension	264,899	233,653	245,475
 Liabilities			
Current liabilities	3,999,181	4,604,634	5,825,926
Non-current liabilities	26,231,240	28,138,622	29,988,425
	<hr/>	<hr/>	<hr/>
Total liabilities	30,230,421	32,743,256	35,814,351
 Deferred inflows of resources			
Related to TCDRS pension	70,780	71,524	83,445
 Net position			
Net investment in capital assets	295,951,495	301,758,329	305,686,490
Unrestricted	30,080,608	24,329,503	19,741,632
	<hr/>	<hr/>	<hr/>
Total net position	<u><u>\$ 326,032,103</u></u>	<u><u>\$ 326,087,832</u></u>	<u><u>\$ 325,428,122</u></u>

Assets – During fiscal year 2018, DCTA's total assets decreased 0.7% or \$2.6 million from fiscal year 2017. The net decrease is attributable to a \$7.3 million decrease in capital assets and a \$1.4 million decrease in receivables, offset by a \$6.4 million increase in cash and investments.

Capital Assets, net of depreciation, decreased due to \$2.9 million of additions to construction work in progress for the Positive Train Control project as well as improvements to the rail system, offset by \$10.2 million of depreciation and amortization. The capital assets activity for the year is captured in Note 6 (page 23).

Liabilities – Current liabilities decreased \$0.6 million primarily due to payments made for construction contracts and rail purchased transportation invoices that were outstanding at the prior year-end.

DCTA's current ratio, current assets of \$32,631,168 and current liabilities of \$3,999,181, was 8:1 as of September 30, 2018 compared to 6:1 as of September 30, 2017.

There was a \$1.9 million decrease in non-current liabilities in 2018 due primarily to payments made for DCTA's outstanding bonds and the rail operating easement agreement with DART. The bond payable activity for the year and rail operating easement obligation are captured in Note 8 and Note 9 (pages 28-30).

Statement of Revenues, Expenses, and Changes in Net Position – During the 2018 fiscal year DCTA's activities resulted in a decrease in net position of \$55,729 compared to an increase of \$659,710 in 2017. The decrease in the current fiscal year net position is mainly attributable to a \$4.9 million decrease in grants for capital improvement, offset by a \$2.2 million decrease in expenses and a \$2 million increase in non-operating revenues. The changes in net position for the fiscal years ended September 30, 2018 and 2017 are shown in the following table.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2017	2016
OPERATING REVENUES			
Passenger revenue	\$ 1,114,734	\$ 1,292,725	\$ 1,406,471
Contract services	3,416,001	3,716,481	3,383,656
Other	858,648	396,450	170,742
Total operating revenues	<u>5,389,383</u>	<u>5,405,656</u>	<u>4,960,869</u>
OPERATING EXPENSES			
Salaries, wages and fringe benefits	11,137,613	10,425,981	9,144,246
Services	4,348,623	6,209,389	2,598,749
Materials and supplies	2,508,020	2,317,170	2,036,382
Purchased transportation services	8,980,451	10,587,125	10,666,292
Utilities	439,476	427,013	404,896
Casualty and liability insurance	1,707,909	1,600,932	849,981
Facility and equipment rents	213,497	248,128	158,251
Other - miscellaneous	274,072	203,467	184,509
Depreciation	10,202,356	9,986,476	9,854,907
Total operating expenses	<u>39,812,017</u>	<u>42,005,681</u>	<u>35,898,213</u>
Operating loss	<u>(34,422,634)</u>	<u>(36,600,025)</u>	<u>(30,937,344)</u>
NON-OPERATING REVENUES (EXPENSES)			
Sales tax revenue	27,937,707	26,790,098	24,658,546
Transit system operating assistance grants	5,484,450	4,900,401	5,130,046
Investment income	350,924	122,250	59,364
Interest expense	(1,040,263)	(1,098,107)	(1,156,229)
Gain (loss) on disposal of assets	2,340	12,208	(14,675)
Total non-operating revenue (expenses)	<u>32,735,158</u>	<u>30,726,850</u>	<u>28,677,052</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS	<u>(1,687,476)</u>	<u>(5,873,175)</u>	<u>(2,260,292)</u>
GRANTS FOR CAPITAL IMPROVEMENTS	<u>1,631,747</u>	<u>6,532,885</u>	<u>5,769,630</u>
Change in net position	<u>(55,729)</u>	<u>659,710</u>	<u>3,509,338</u>
NET POSITION, beginning of year	<u>326,087,832</u>	<u>325,428,122</u>	<u>321,918,784</u>
NET POSITION, end of year	<u><u>\$ 326,032,103</u></u>	<u><u>\$ 326,087,832</u></u>	<u><u>\$ 325,428,122</u></u>

Operating Revenues

Passenger Revenue – The 2018 passenger revenues decreased 14% or \$177,991 from the prior year. The decrease is related to a 17% decrease in rail ridership and a 3% decrease in Connect ridership. Rail ridership in FY2018 was 419,335 compared to prior year ridership of 504,958, and Connect ridership decreased from 487,664 in FY17 to 472,779 in FY18.

Contract Service – The 2018 contract service revenues decreased 8% or \$300,480 from the prior year. DCTA provides bus service for students and faculty of University of North Texas (UNT) and North Central Texas College (NCTC). Revenue hours for UNT and NCTC decreased 16% from the prior year. Fuel prices are a pass-through on the contract; fuel prices for this service increased from \$1.87/gallon in FY17 to \$2.30/gallon in FY18.

Operating Expenses

Operating Expense – The 2018 operating expenses decreased 5% or \$2.2 million from the prior year. Expenses for services decreased \$1.9 million due to one-time repairs made to the rail line in FY17 related to flood damages sustained in 2015. Purchased transportation services decreased \$1.6 million due to a one-time mobilization expense paid in FY17 related to the first year of a new rail operations and maintenance contract. Additionally, car miles decreased 38% from FY17 to FY18 due to the implementation of single car operations.

The 2018 depreciation expense increased 2% or \$215,880 over the prior year. This increase is mainly associated with additional buses acquired as well as improvements made to rail signals and communication systems in fiscal year 2018.

Non-operating Revenues and Expenses

Sales Tax Revenue – The 2018 sales tax revenue increased 4% or \$1.1 million over 2017. DCTA collects one-half percent sales and use tax in the member cities of Denton, Highland Village, and Lewisville. DCTA's member cities continue to experience growth in sales tax revenues and this growth has been mirrored with DCTA's sales tax revenues as well.

Capital Grants – Capital grants revenue decreased \$4.9 million from the 2017 revenue amount of \$6.5 million. This decrease is primarily as a result of decreased reimbursable expenses related to the PTC project as well as bus fleet replacement.

Transit System Operating Assistance Grants – The 2018 federal and state grant revenue increased \$0.6 million over 2017 revenue mainly due to receiving one-time funding from FEMA in FY18 of \$2.6 million, offset by a decrease in reimbursement requests for operating assistance and preventive maintenance.

Investment Income – The 2018 investment income was \$350,924 which is a 187% increase over the 2017 revenue amount of \$122,250. The average yield to maturity more than doubled during FY18, from 0.97% in FY17 to 1.94% in FY18, and the cash ratio increased to 5.30 from 3.45 during the year. DCTA continues to build up reserve funds in accordance with the Board's reserve policy and is focused on diversifying and laddering its investment portfolio to improve yield on investments.

Debt Administration

In June 2008, DCTA completed its first debt issuance by issuing \$20,000,000 in tax-exempt Sales Tax Revenue Bonds. The bonds were issued through a private placement with a maximum 5 year term to fund the DCTA A-train regional passenger rail project, which provides passenger rail service connecting Denton and Dallas counties. The principal payment was due in one lump sum in June 2013 with interest due semi-annually.

The Series 2008 Sales Tax Revenue bonds were refunded through a private placement to long-term debt on December 17, 2009. These bonds will be repaid over 20 years at an interest rate of 3.99%. The first principal payment of \$885,000 was paid in September 2013 and annual installments continue through September 2029.

In September 2011, DCTA issued \$14,390,000 in Contractual Obligations for a portion of its share of the cost for new rail vehicles and for the first phase of the federally-mandated PTC project. These Obligations were issued through a private placement to be repaid over 20 years at an interest rate of 3.13%. The first principal payment of \$140,000 was paid in September 2015 and annual installments continue through September 2031.

DCTA Fiscal Year 2018 Budget

The 2017-2018 budget was adopted September 27, 2017. Amendments to the original budget included a reduction of passenger revenues due to decreased rail and bus ridership, as well as a decrease in UNT contract revenue to match budgeted revenue hours with programmed contract service hours. Final budgeted operating expenditures increased \$4.1 million over the original FY18 budget due to budget transfers from the capital budget to the operating budget to account for flood repair projects and rail maintenance expenses. Non-operating revenues increased due to reimbursement from the City of Lewisville for the Valley Ridge Crossing project. Grant revenue was reduced by \$6.3 million due to changes in project timelines and corresponding reimbursements.

Statement of Revenues, Expenses, and Changes in Net Position, Budget Year Ending September 30, 2019 and Financial Year Ending 2018 and 2017

	2019 Budget	2018 Actual	2017 Actual	Increase (Decrease) from 2018	Percent Increase (Decrease) from 2018
Operating revenues	\$ 5,012,831	\$ 5,389,383	\$ 5,405,656	\$ (376,552)	-7%
Operating expenses	44,740,698	39,812,017	42,005,681	4,928,681	12%
Operating loss	(39,727,867)	(34,422,634)	(36,600,025)	(5,305,233)	15%
Non-operating revenues	33,074,127	32,735,158	30,726,850	338,969	1%
Income before capital grants	(6,653,740)	(1,687,476)	(5,873,175)	(4,966,264)	294%
Grants for capital improvements	5,300,531	1,631,747	6,532,885	3,668,784	225%
Change in net position	(1,353,209)	(55,729)	659,710	(1,297,480)	2328%
Net position, beginning of year	306,745,393	326,087,832	325,428,122	(19,342,439)	-6%
Net position, end of year	<u>\$ 305,392,184</u>	<u>\$ 326,032,103</u>	<u>\$ 326,087,832</u>	<u>\$ (20,639,919)</u>	<u>-6%</u>

DCTA Fiscal Year 2019 Budget

Operating revenues in 2019 show a decrease of 7% or \$376,552 from 2018 actual results. Operating revenue includes passenger fare revenue and contract service revenue. Passenger farebox revenue is projected to decrease 18% from the 2018 revised budget based on expected ridership, however the agency implemented a new fare structure in the 2019 budget year to incentivize riders to use DCTA services. Contract service revenue is expected to increase 18% over the 2018 revised budget due to a new ten year agreement with the University of North Texas that includes a higher hourly billable rate.

The fiscal year 2019 operating expenses are projected to increase \$4.9 million over 2018 actual results. Major changes include 3.5 additional FTEs, increased health care benefit and liability insurance costs, and bus operator wage increases based on negotiated Union contract. Increases of \$0.9 million in fuel expenses are also anticipated. Bus fuel is budgeted at \$3.00 per gallon in fiscal year 2019, compared to an average \$2.29 per gallon paid in fiscal year 2018. Rail fuel is budgeted at \$2.75 per gallon in fiscal year 2019, compared to an average of \$2.27 per gallon paid in fiscal year 2018. The FY19 budget assumes a \$1.5 million increase in purchased transportation services over FY18 actuals due to price escalators built into the rail operations and maintenance contract as well as an assumed increase in train hours and car miles.

Non-operating revenues, net of expenses, are projected to increase slightly from 2018 to 2019. Non-operating revenues include sales tax revenue, grant reimbursements, and investment income.

Requests for Information

The financial report is designed to provide the citizens of our member cities, customers and other interested parties with a general overview of DCTA finances. If you have any questions regarding this report or need any additional information, contact DCTA at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057, by phone at (972) 221-4600, or by electronic mail at info@dcta.net.

Basic Financial Statements

Denton County Transportation Authority
Statements of Net Position
September 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,684,993	\$ 15,888,928
Restricted cash and cash equivalents	1,237,843	1,603,412
Investments	3,961,125	1,992,513
Receivables	6,607,822	7,977,549
Prepaid expenses	102,958	400,533
Inventories	36,427	38,686
Total current assets	<u>32,631,168</u>	<u>27,901,621</u>
Noncurrent assets:		
Land and construction in progress	35,645,997	35,518,593
Other capital assets, net of accumulated depreciation/amortization	<u>287,791,240</u>	<u>295,248,745</u>
Total noncurrent assets	<u>323,437,237</u>	<u>330,767,338</u>
TOTAL ASSETS	356,068,405	358,668,959
DEFERRED OUTFLOWS OF RESOURCES		
Related to TCDRS pension	<u>264,899</u>	<u>233,653</u>
Total deferred outflows of resources	264,899	233,653
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	1,462,191	2,050,406
Retainage payable	588,790	666,841
Unearned revenue	58,200	67,387
Easement obligation- current portion	100,000	100,000
Bonds payable-current portion	<u>1,790,000</u>	<u>1,720,000</u>
Total current liabilities	<u>3,999,181</u>	<u>4,604,634</u>
Noncurrent liabilities:		
Easement obligation	1,000,000	1,100,000
Net pension liability	1,240	18,622
Bonds payable	<u>25,230,000</u>	<u>27,020,000</u>
Total noncurrent liabilities	<u>26,231,240</u>	<u>28,138,622</u>
Total liabilities	<u>30,230,421</u>	<u>32,743,256</u>
DEFERRED INFLOWS OF RESOURCES		
Related to TCDRS pension	<u>70,780</u>	<u>71,524</u>
Total deferred inflows of resources	70,780	71,524
NET POSITION		
Net investment in capital assets	295,951,495	301,758,329
Unrestricted	<u>30,080,608</u>	<u>24,329,503</u>
Total net position	<u><u>\$ 326,032,103</u></u>	<u><u>\$ 326,087,832</u></u>

The Notes to Basic Financial Statements are an integral part of these statements.

Denton County Transportation Authority

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Passenger revenue	\$ 1,114,734	\$ 1,292,725
Contract services	3,416,001	3,716,481
Other	858,648	396,450
Total operating revenues	5,389,383	5,405,656
OPERATING EXPENSES		
Salaries, wages and fringe benefits	11,137,613	10,425,981
Services	4,348,623	6,209,389
Materials and supplies	2,508,020	2,317,170
Purchased transportation services	8,980,451	10,587,125
Utilities	439,476	427,013
Insurance	1,707,909	1,600,932
Facility and equipment rents	213,497	248,128
Other - miscellaneous	274,072	203,467
	29,609,661	32,019,205
Depreciation and amortization	10,202,356	9,986,476
Total operating expenses	39,812,017	42,005,681
NET OPERATING LOSS	(34,422,634)	(36,600,025)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenue	27,937,707	26,790,098
Transit system operating assistance grants	5,484,450	4,900,401
Investment income	350,924	122,250
Interest expense	(1,040,263)	(1,098,107)
Gain (Loss) on disposal of assets	2,340	12,208
Total non-operating revenue (expenses)	32,735,158	30,726,850
INCOME (LOSS) BEFORE CAPITAL GRANTS	(1,687,476)	(5,873,175)
GRANTS FOR CAPITAL IMPROVEMENTS	1,631,747	6,532,885
Change in net position	(55,729)	659,710
NET POSITION, beginning of year, as restated	326,087,832	325,428,122
NET POSITION, end of year	\$ 326,032,103	\$ 326,087,832

The Notes to Basic Financial Statements are an integral part of these statements.

Denton County Transportation Authority
Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 5,430,291	\$ 5,167,143
Payments to suppliers	(18,909,248)	(23,281,457)
Payments to employees	(11,038,166)	(10,434,596)
Net cash used by operating activities	(24,517,123)	(28,548,910)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Sales tax received	27,866,043	26,457,478
Operating grant reimbursements	6,610,695	3,022,069
Net cash provided by non-capital financing activities	34,476,738	29,479,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions and grants for capital improvements	1,896,798	7,507,218
Principal paid on bonds	(1,720,000)	(1,645,000)
Acquisition and construction of capital assets	(3,050,306)	(5,916,486)
Proceeds from sale of capital improvements	2,340	12,910
Interest paid on bonds	(1,040,263)	(1,098,107)
Net cash used by capital and related financing activities	(3,911,431)	(1,139,465)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(5,000,000)	(1,992,513)
Interest received on investments	350,924	122,250
Proceeds from sale of investments	3,031,388	-
Net cash provided by investing activities	(1,617,688)	(1,870,263)
Net increase (decrease) in cash and cash equivalents	4,430,496	(2,079,091)
CASH AND CASH EQUIVALENTS, beginning of year	17,492,340	19,571,431
CASH AND CASH EQUIVALENTS, end of year	\$ 21,922,836	\$ 17,492,340

The Notes to Basic Financial Statements are an integral part of these statements.

Denton County Transportation Authority
Statements of Cash Flows
Years Ended September 30, 2018 and 2017
(Continued)

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET		
CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (34,422,634)	\$ (36,600,025)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	10,202,356	9,986,476
Change in operating assets and liabilities		
Operating accounts receivable	50,095	(227,015)
Prepaid expenses	297,575	(6,185)
Fuel inventory	2,259	(28,297)
Deferred outflows of resources related to TCDRS pension	(31,246)	11,822
Operating accounts payable	(737,034)	(1,653,751)
Accrued payroll and payroll related taxes	148,819	21,287
Unearned revenue	(9,187)	(11,498)
Deferred inflows of resources related to TCDRS pension	(744)	(11,921)
Net pension liability	(17,382)	(29,803)
	<u>(17,382)</u>	<u>(29,803)</u>
Net cash used by operating activities	<u>\$ (24,517,123)</u>	<u>\$ (28,548,910)</u>
NONCASH CAPITAL AND RELATED FINANCING		
Gain (loss) on sale of non-capital assets	\$ -	\$ 12,208
RECONCILIATION OF CASH AND CASH		
EQUIVALENTS TO STATEMENTS OF NET ASSETS		
Cash and cash equivalents	\$ 20,684,993	\$ 15,888,928
Restricted cash	<u>1,237,843</u>	<u>1,603,412</u>
	<u>\$ 21,922,836</u>	<u>\$ 17,492,340</u>

The Notes to Basic Financial Statements are an integral part of these statements.

Denton County Transportation Authority

Notes To Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

The accounting policies of Denton County Transportation Authority (the Authority), as reflected in the accompanying financial statements for the fiscal year ended September 30, 2018, conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units, as prescribed by the Governmental Accounting Standards Board, and include applicable standards of the Financial Accounting Standards Board.

Financial Reporting Entity

The financial statements of the Authority include all governmental activities, organizations, and functions as required by accounting principles generally accepted in the United States of America. The Authority does not have any component units and does not meet the requirements to be included as a component unit in other governmental entities. Accordingly, the Authority does not have any related parties or related party transactions in the accompanying financial statements.

The Authority is a coordinated county transportation authority of the State of Texas, created pursuant to Chapter 460 of the Texas Transportation Code. This legislation requires that a Service Plan, an outline of the services that could be provided by an authority confirmed by the voters, be developed by the transit authority. A Service Plan was developed and the Authority was confirmed by a public referendum held November 5, 2002. A second election was held in eight municipalities on September 13, 2003 for consideration and approval of a one-half percent sales and use tax. The sales and use tax and associated Service Plan passed in three cities: Denton, Highland Village, and Lewisville. Collection of the sales tax began on January 1, 2004.

The Board of Directors, which governs the Authority, currently consists of 14 authorized positions. The Board is composed of:

1. One member appointed by the governing body of each municipality with a population of 17,000 or more located in Denton County;
2. Three members appointed by the Commissioner's Court, two of whom must reside in the unincorporated area of Denton County;
3. Three members to be designated by the remaining municipalities with a population of more than 500 but less than 17,000 located in Denton County.

Basis of Accounting

The activities of the Authority are similar to those of proprietary funds of local jurisdictions and are therefore reported as an enterprise fund. The activities are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting.

Revenues are recognized in the accounting period in which they are earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The Authority's principal operating revenues are derived from charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Denton County Transportation Authority

Notes To Financial Statements

All dollar amounts, unless otherwise noted, are in whole dollars. References to years 2018 and 2017 are for the fiscal years ended September 30, 2018 and 2017.

When both restricted and unrestricted resources are available and permissible for use, it is the Authority's policy to use restricted resources first. The unrestricted resources are used as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities of three months or less when purchased. Cash and cash equivalents are valued at cost which is substantially equal to the fair value.

Receivables

Receivables consist primarily of amounts due to the Authority from sales tax collections, federal grants, and customer billings. Management does not believe any credit risk exists related to these receivables. Management evaluates the receivables to determine if an allowance for doubtful accounts should be established and considers the collection history, the aging of the accounts, and other specific information known to management that may affect collectability. Based upon this assessment, management has determined that an allowance is not necessary.

Prepaid Expenses

Prepaid expenses consist primarily of insurance payments, which are amortized over the policy period, and prepaid rents.

Inventory

The Authority purchases and maintains its own fuel inventory, which is valued by volume on a monthly basis using a first-in, first-out inventory costing method.

Restricted Assets

Restricted assets consist of unspent proceeds from capital grants and bonds and are held as cash and cash equivalents.

Investments

The investment policies of the Authority are governed by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Authority's funds are managed and invested based on safety, liquidity, diversification, and yield. Investments are stated at fair value. Realized and unrealized gains and losses are reflected in the statement of revenues, expenses, and changes in net position.

Capital Assets

All capital assets are stated at historical cost. Capital assets are defined as assets which:

1. Have a useful life of more than one year and a unit cost greater than \$5,000;
2. Have a unit cost of \$5,000 or less, but are part of a network or combined unit of property; or
3. Were purchased with grant money.

Denton County Transportation Authority

Notes To Financial Statements

Maintenance and repair expenditures which substantially improve or extend the useful life of property are capitalized. The cost of routine maintenance and repairs is expensed as incurred. Interest incurred as a result of construction in progress and contracts with durations over one year is capitalized.

The provision for depreciation of transportation property and equipment is calculated under the straight-line method using the respective estimated useful lives of major asset classifications, as follows:

Rail system	20-50 years
Land improvements	25 years
Transportation vehicles:	
Bus	5-12 years
Paratransit	4-5 years
Rail	50 years
Transportation equipment	3-7 years
Office equipment	3 years

Except for sales of assets in which the unit fair value is less than \$5,000, proceeds from the sale of property, facilities, and equipment purchased with funds provided by federal grants for capital expenditures are remitted to the Federal Transit Administration (FTA) on the same percentage basis that such funds were provided by grant contracts with the FTA.

The transit system operated by the Authority includes certain facilities owned by others. The Authority has contractual rights to operate these facilities under the terms of the authorizing legislation and other agreements.

Intangible assets are stated at historical cost net of accumulated amortization. The intangible asset consists of a rail operating easement for the purpose of constructing, installing, maintaining, and operating a modern rail passenger system.

Current Liabilities

The Authority has not formally restricted cash funds to pay current operating liabilities, but has adequate cash and investments to satisfy these obligations. Construction contracts payable will be satisfied with unrestricted cash.

Compensated Absences

Employees receive compensation for vacations, holidays, illness, personal days, and certain other qualifying absences. The number of days compensated for the various categories of absence is based on length of service. Sick days and vacation days that have been earned, but not paid, have been accrued in the accompanying financial statements. Compensation for holidays and other qualifying absences are not accrued in the accompanying financial statements as rights to such compensation do not accumulate or vest.

Unearned Revenue

The University of North Texas (UNT) and North Central Texas College (NCTC) have contracted with the Authority to provide transportation for faculty, staff, and students through the Connect service. The universities have paid for this service in advance and, in addition, the Authority sells semester and annual passes. The Authority recognizes the revenue through straight-line amortization over the respective period. At September 30, 2018 and 2017, the Authority has received \$58,200 and \$67,387 in advance payments respectively.

Denton County Transportation Authority

Notes To Financial Statements

Net Position

Net Position is displayed in two components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation and related debt.

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Operating Revenues

Passenger revenue consists of farebox collections, the sale of passes, and amortization of unearned revenue. Farebox revenue is recorded at the time service is performed. Revenue from the sale of passes is recorded at the time of the sale. Unearned revenue from advance payments on contracts is amortized straight-line over the respective period.

Contract service revenue is related to providing transit services to third parties on a contractual basis. Contract service revenue is recorded in the period earned. The Authority provides contract services for UNT, NCTC, the City of Frisco and the McKinney Urban Transit District.

Classification of Revenues and Expenses

The Authority classifies its revenues as either operating or non-operating. Operating revenues include activities from the sale of transit services. Non-operating revenue is revenue not associated with the operations of the Authority transit service and includes grant income, investment income, and income from sales and use tax collections.

Operating expenses will be incurred for activities related to providing public transportation services. Such activities include transportation, maintenance, depreciation on capital assets, and general and administrative functions. Non-operating expenses include bad debt expense and interest expense.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, Authority specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the Authority's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the Authority's Total Pension Liability is obtained from TCDRS through a report prepared for the Authority by TCDRS consulting actuary, Milliman, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Denton County Transportation Authority

Notes To Financial Statements

Financial Instruments and Credit Risk

In accordance with the Texas Public Funds Investment Act and the Authority's investment policy, the Authority invests in obligations of the United States or its agencies and instrumentalities. These financial instruments subject the Authority to limited credit risk.

Credit risk with respect to trade and other receivables is limited as they are primarily due from the State of Texas for sales tax collections and other city and state governmental units in the State of Texas.

Note 2. Budgetary Data

Section 460 of the Texas Transportation Code requires the Authority to create an annual budget. The Authority maintains control over operating expenditures by the establishment of the annual operating budget. Budgets are prepared on the accrual basis consistent with accounting principles generally accepted in the United States of America. Annual proposed operating and capital budgets are prepared by management, presented to Denton County residents at public meetings, reviewed by the Finance Committee, and reviewed by the Board of Directors prior to adoption of the final budget in September. The operating and capital budgets follow the same preparation and review cycle.

Operating budget appropriations terminate at the end of the fiscal year. Capital budget amounts are not included in the accompanying financial statements. Capital budget amounts are budgeted over the life of the respective project, not on an annual basis.

During the course of the annual budget cycle, it may be necessary to modify the budget by a process of amendment or transfer. For example, modifications may be required because of changes in the purpose, description, terms and conditions, or changes in the cost of an approved service or item. All budget amendments require approval by the Board of Directors. Budget transfers may be authorized by the Authority President and reported to the Board. The Board of Directors monitors, reviews, and accepts the monthly and year to date financial statements with budget comparisons and explanations of material variances.

Note 3. Service Agreements

On October 1, 2014, the Authority entered into a management contract with First Transit, Inc. as an independent contractor to manage the operation of the Authority's public transit system in the Denton County urban area. Under the direction of the Authority's staff and guidance of its policy, First Transit, Inc. provides a qualified and experienced General Manager and Assistant General Manager and home office support personnel to perform all services and functions necessary to ensure effective and efficient management and administration of the transit system including new and expanded services.

On October 1, 2016, DCTA entered into a contract with First Transit Inc. for rail operations and maintenance. This contract includes management fees, maintenance of way, vehicle maintenance, train hours and car miles. The contract is accounted for under Purchased Transportation. Additionally, DCTA and DART entered into an interlocal operating agreement for ticket vending machine services and train platform maintenance.

Denton County Transportation Authority

Notes To Financial Statements

Note 4. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The Authority's cash and cash equivalents are deposited in various accounts as allowed by the Texas Public Funds Investment Act and the Authority's investment policy. The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority deposits may not be recovered. Balances for these accounts are insured by the Federal Depository Insurance Corporation, and the deposits in excess of the insured amount are collateralized by pledged book entry securities held in a securities account at a Federal Reserve Bank in the Authority's name by a third party or were invested in U.S. Government Securities as allowed by the Texas Public Funds Investment Act.

The Board adopted a policy to designate three months' operating expenses as a reserve to address unanticipated emergencies, a sales tax stabilization fund, fuel stabilization, and a capital/infrastructure reserve. These reserves may be allocated by the approval of the Board. At September 30, 2018, the reserves are as follows:

- Operating reserve: \$7,795,579
- Sales tax stabilization: \$799,488
- Fuel stabilization: \$342,652
- Capital/infrastructure: \$2,000,000

At year-end, cash, cash equivalents and investments consist of the following:

	September 30, 2018	September 30, 2017
Cash and cash equivalents		
Demand deposits	\$ 51,433	\$ 46,204
Sweep repurchase agreements	143,728	98,310
Money market account	1,223,048	1,597,832
TexSTAR	20,504,627	15,749,994
Investments		
Certificates of Deposits	-	495,475
U.S. Treasury Notes	993,805	-
FFCB	-	998,287
FHLB	1,488,260	-
FHLMC	493,090	-
FNMA	985,970	498,751
	<u>\$ 25,883,961</u>	<u>\$ 19,484,853</u>
Reconciliation		
Cash and cash equivalents	\$ 20,684,993	\$ 15,888,928
Restricted cash and cash equivalents	1,237,843	1,603,412
Investments	3,961,125	1,992,513
	<u>\$ 25,883,961</u>	<u>\$ 19,484,853</u>

Denton County Transportation Authority

Notes To Financial Statements

Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority's investment policy limits investment maturities to two years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, the policy limits weighted average maturity of the overall portfolio to eighteen months.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority does not contain in its investment policy a formal policy regarding credit risk.

As authorized by the Authority's investment policy and in accordance with the Texas Public Funds Investment Act, cash equivalents and investments were invested in U.S. Government Agency Securities, U.S. Treasury Notes and TexSTAR. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Fleming Asset Management. TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity, and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all of the requirements of the Texas Public Funds Investment Act for local government investment pools.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted for identical assets or liabilities in active markets that a government can access at the measurement date)
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Denton County Transportation Authority

Notes To Financial Statements

The Authority has recurring fair value measurements as presented in the table below. The Authority's investment balances and weighted average maturity of such investments are as follows:

	September 30, 2018	Quoted Prices of Investments in Active Markets Level 1	Quoted Prices of Similar Investments in Active Markets/Quoted Prices of Identical Investments in Inactive Markets Level 2	Unobservable Inputs Level 3	Weighted Average Maturity Days	Standard & Poor's Credit Rating
<u>Cash and Cash Equivalents:</u>						
Bank Deposits	\$ 1,418,209	\$ -	\$ -	\$ -	N/A	N/A
<u>Investments not subject to Fair Value</u>						
<u>Investment Pools:</u>						
TexStar	20,504,627	-	-	-	1 day	AAAm
<u>Investments by Fair Value Level:</u>						
<u>U.S. Government Agency Securities:</u>						
FHLB	1,488,260	-	1,488,260	-	215 days	AA+
FHLMC	493,090	-	493,090	-	367 days	AA+
FNMA	985,970	-	985,970	-	306 days	AA+
<u>U.S. Treasury Notes:</u>						
USTN	993,805	-	993,805	-	144 days	AA+
Total	\$ 25,883,961	\$ -	\$ 3,961,125	\$ -		

The TexSTAR investment pool is an external investment pool measured at NAV. TexSTAR's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The Authority has no unfunded commitments related to the investment pools. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

U.S. Government Agency Securities and U.S. Treasury Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investment Pools are measured at amortized cost or net asset value and are exempt from fair value reporting.

Denton County Transportation Authority

Notes To Financial Statements

Note 5. Receivables

Receivables at September 30, 2018 and 2017 consisted of the following:

	2018	2017
Operating		
Ticket, token and other receivables	\$ 767,903	\$ 817,998
Sales tax	4,814,974	4,743,310
Grants receivable	1,024,945	2,416,241
Total	<u>\$ 6,607,822</u>	<u>\$ 7,977,549</u>

Note 6. Capital Assets

Changes in capital assets for the fiscal years ended September 30, 2018 and 2017 are:

	Balance September 30, 2017	Increases	Decreases	Transfers	Balance September 30, 2018
Capital assets, not being depreciated:					
Land	\$ 17,394,147	\$ -	\$ -	\$ -	\$ 17,394,147
Construction in progress	18,124,446	2,872,255	-	(2,744,851)	18,251,850
Total capital assets not being depreciated	35,518,593	2,872,255	-	(2,744,851)	35,645,997
Capital assets, being depreciated/amortized					
Rail system	282,218,725	-	-	960,136	283,178,861
Land improvements	6,458,821	-	-	415,671	6,874,492
Vehicles and operating equipment	10,228,999	-	-	1,215,905	11,444,904
Office furniture and equipment	5,272,885	-	-	153,139	5,426,024
Facilities	31,760,649	-	-	-	31,760,649
Easement	16,997,155	-	-	-	16,997,155
Total capital assets being depreciated/amortized	352,937,234	-	-	2,744,851	355,682,085
Less accumulated depreciation/amortization for					
Rail system	37,160,734	6,288,400	-	-	43,449,134
Land improvements	1,666,020	299,604	-	-	1,965,624
Vehicles and operating equipment	6,756,251	1,023,067	-	-	7,779,318
Office furniture and equipment	2,389,010	1,035,937	-	-	3,424,947
Facilities	3,484,184	705,490	-	-	4,189,674
Easement	6,232,290	849,858	-	-	7,082,148
Total accumulated depreciation	57,688,489	10,202,356	-	-	67,890,845
Total capital assets, being depreciated, net	295,248,745	(10,202,356)	-	2,744,851	287,791,240
Total capital assets, net	<u>\$ 330,767,338</u>	<u>\$ (7,330,101)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,437,237</u>

Denton County Transportation Authority

Notes To Financial Statements

	Balance September 30, 2016	Increases	Decreases	Transfers	Balance September 30, 2017
Capital assets, not being depreciated:					
Land	\$ 16,228,337	\$ -	\$ -	\$ 1,165,810	\$ 17,394,147
Construction in progress	13,785,056	9,505,420	(3,608,896)	(1,557,134)	18,124,446
Total capital assets not being depreciated	30,013,393	9,505,420	(3,608,896)	(391,324)	35,518,593
Capital assets, being depreciated/amortized					
Rail system	282,218,725	-	-	-	282,218,725
Land improvements	6,458,821	-	-	-	6,458,821
Vehicles and operating equipment	9,997,320	267,635	(35,956)	-	10,228,999
Leasehold improvements	55,506	-	(55,506)	-	-
Office furniture and equipment	3,935,542	-	(136,780)	1,474,123	5,272,885
Facilities	32,843,448	-	-	(1,082,799)	31,760,649
Easement	16,997,155	-	-	-	16,997,155
Total capital assets being depreciated/amortized	352,506,517	267,635	(228,242)	391,324	352,937,234
Less accumulated depreciation/amortization for					
Rail system	30,883,870	6,276,864	-	-	37,160,734
Land improvements	1,377,500	288,520	-	-	1,666,020
Vehicles and operating equipment	5,775,080	1,017,127	(35,956)	-	6,756,251
Leasehold improvements	55,506	-	(55,506)	-	-
Office furniture and equipment	1,604,281	920,804	(136,075)	-	2,389,010
Facilities	2,850,881	633,303	-	-	3,484,184
Easement	5,382,432	849,858	-	-	6,232,290
Total accumulated depreciation	47,929,550	9,986,476	(227,537)	-	57,688,489
Total capital assets, being depreciated, net	304,576,967	(9,718,841)	(705)	391,324	295,248,745
Total capital assets, net	\$ 334,590,360	\$ (213,421)	\$ (3,609,601)	\$ -	\$ 330,767,338

Primary capital asset expenditures in 2018 and 2017 relate to the purchase of additional vehicles and improvements to the rail line, including implementation of Enhanced Automatic Train Control technology, which will move the agency towards compliance with Positive Train Control. See related commitment disclosure in Note 10.

In June 2010, the Authority acquired a rail operating easement for the purpose of constructing, installing, maintaining, and operating a modern passenger rail system for payments totaling \$16,950,000. As of September 30, 2018, \$15,850,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$1,100,000 will be paid in annual payments until the contract expires (See Note 9). The Authority's right under the contract will expire in June 2030, which is 20 years after the execution of the contract. Amortization of this asset is being recognized over the 20 year useful life on a straight-line basis and was \$847,500 for each of the years ended September 30, 2018 and 2017.

Note 7. Pension, Retirement, and Deferred Compensation Plans

The Authority has a qualified deferred compensation defined contribution plan under the Internal Revenue Code Section 457 for full-time employees. AIG Valic is the administrator of the plan. Employees can make voluntary contributions in the plan through pretax payroll deductions up to the limits allowed by the Internal Revenue Code Section 457.

As of January 2012, the Authority became a member of Texas County and District Retirement System (TCDRS) and no longer contributes to the qualified deferred compensation defined contribution plan.

Denton County Transportation Authority
Notes To Financial Statements

Plan Description: The Authority provides retirement, disability and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the TCDRS. The Board of Directors is responsible for the administration of the statewide agent multi-employer public employee defined benefit pension retirement system consisting of 760 public employee defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the board of trustees at P. O. Box 2034, Austin, Texas 78768-2034 or can be viewed at www.tcdrs.org.

Contributions: The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs. Monthly contributions by the Authority are based on the covered payroll and the employer contribution rate in effect. For calendar year 2018, the Authority made contributions of 6.15%.

Actuarial Assumptions: The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.25%
Inflation	2.75%
Investment Rate of Return	8.00% per year

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68. Mortality for depositing members is based on 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014; for service retirees, beneficiaries and non-depositing members is based on the 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014; and for disabled members is based on the 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Denton County Transportation Authority

Notes To Financial Statements

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.5%	4.55%
Private Equity	16.0%	7.55%
Global Equities	1.5%	4.85%
International Equities-Developed	11.0%	4.55%
International Equities-Emerging	8.0%	5.55%
Investment-Grade Bonds	3.0%	0.75%
Opportunistic Credit	8.0%	4.12%
Direct Lending	10.0%	8.06%
Distressed Debt	2.0%	6.30%
REIT Equities	2.0%	4.05%
Master Limited Partnerships	3.0%	6.00%
Private Real Estate Partnerships	6.0%	6.25%
Hedge Funds	18.0%	4.10%
Total	100.0%	

Discount Rate: The discount rate used to measure the Total Pension Liability was 8.10%. The projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years; the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. The discount rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Denton County Transportation Authority

Notes To Financial Statements

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 1,033,692	\$ 1,015,070	\$ 18,622
Changes for the year:			
Service cost	232,727	-	232,727
Interest on total pension liability	102,436	-	102,436
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	68,812	-	68,812
Effect of assumptions changes or inputs	5,065	-	5,065
Refund of contributions	(1,003)	(1,003)	-
Benefit payments	(2,630)	(2,630)	-
Administrative expenses	-	(956)	956
Member contributions	-	122,330	(122,330)
Net investment income	-	152,471	(152,471)
Employer contributions	-	148,998	(148,998)
Other	-	3,579	(3,579)
Balance at 12/31/2017	\$ 1,439,099	\$ 1,437,859	\$ 1,240

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 1,714,163	\$ 1,439,098	\$ 1,216,890
Fiduciary net pension	1,437,858	1,437,858	1,437,858
Net pension liability	\$ 276,305	\$ 1,240	\$ (220,968)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2018, the Authority recognized pension expense of \$134,144.

Denton County Transportation Authority

Notes To Financial Statements

At September 30, 2018, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 59,604	\$ 108,241
Changes in actuarial assumptions	-	12,591
Difference between projected and actual investment earnings	11,176	-
Contributions subsequent to the measurement date	-	144,067
Total	<u>\$ 70,780</u>	<u>\$ 264,899</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$144,067 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 (i.e. recognized in the Authority's financial statements September 30, 2019). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2018	\$ 16,890
2019	14,631
2020	1,403
2021	(1,171)
2022	(170)
Thereafter	18,469
Total	<u>\$ 50,052</u>

Note 8. Bonds Payable

In December 2009, the Authority issued Sales Tax Revenue Refunding Bonds for \$20,890,000. This bond issuance refunds the \$20 million privately held bonds that were issued in 2008 and will allow the Authority to repay the bonds over 20 years versus a five-year repayment under the original issuance. Because of the early repayment, a \$727,000 interest penalty was incurred. The penalty was being amortized over the remaining life of the 2008 issuance and was paid in full as of September 30, 2013. This amount was financed through the refunding bonds. The Authority has pledged the sales tax revenues towards the repayment of the bonds. The first principal payment was made in September 2013 and annual installments continue through September 2029.

In September 2011, the Authority issued Sales Tax Contractual Obligations for \$14,390,000. This issuance funds the acquisition of rail vehicles and the first phase of the new federal mandate for Positive Train Control. The first principal payment was made in September 2015 and annual installments continue through September 2031.

Denton County Transportation Authority

Notes To Financial Statements

The annual debt service requirements are:

Fiscal Year Ending September 30,	Principal	Interest	Total
2019	\$ 1,790,000	\$ 974,984	\$ 2,764,984
2020	1,870,000	909,368	2,779,368
2021	1,955,000	840,861	2,795,861
2022	2,035,000	769,307	2,804,307
2023-2027	11,610,000	2,661,902	14,271,902
2028-2031	7,760,000	557,522	8,317,522
Total requirements	\$ 27,020,000	\$ 6,713,944	\$ 33,733,944

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2018:

Balance at October 1, 2017	\$ 28,740,000
Additions	-
Reductions	(1,720,000)
Balance at September 30, 2018	\$ 27,020,000

The current portion of bonds payable is \$1,790,000 as of September 30, 2018. Interest is due semi-annually in March and September with the first payment paid on March 15, 2010. The bonds bear interest of 3.14% and 3.99%.

No interest was capitalized during the years ended September 30, 2018 and 2017.

The bond agreements require the Authority to establish and maintain a pledged revenue account and a bond fund account at a depository institution and segregate these accounts in the general ledger for the purpose of accumulating principal and interest when it becomes due and payable. At September 30, 2018 and 2017, the Authority was in compliance with this requirement.

Denton County Transportation Authority

Notes To Financial Statements

Note 9. Easement Obligation

In June 2010, the Authority entered into a rail operating easement agreement with DART. The easement obligation represents the remaining principal amounts payable under the agreement. Remaining requirements are as follows:

Fiscal Year Ending September 30,	Principal
2019	\$ 100,000
2020	100,000
2021	100,000
2022	100,000
2023-2027	500,000
2028-2029	200,000
Total requirements	<u>\$ 1,100,000</u>

The current portion of the easement obligation is \$100,000 as of September 30, 2018.

Note 10. Commitments and Contingencies

Risk Management

The Authority is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences.

The Authority is a participant in the Texas Municipal League Intergovernmental Risk Pool (TML-IRP) to provide insurance for errors and omission, general liability, workers' compensation, automobile liability, and physical damage coverage. TML-IRP was self-sustaining in 2018 based on premiums charged so that total contributions plus earnings on the contributions will be sufficient to satisfy claims and liabilities.

Premiums are assessed based on the rates set by the Texas State Board of Insurance for each participating political subdivision's experience. The Authority has a \$10,000 deductible for errors and omissions liability with limits of \$3,000,000 per wrongful act and an annual aggregate of \$6,000,000. General liability coverage has no deductible with limits of \$1,000,000 per occurrence, \$1,000,000 per occurrence for sudden events involving pollution, and an annual aggregate of \$2,000,000. Worker's compensation coverage has no deductible. Automobile liability has a limit of \$5,000,000 per occurrence. The Authority's vehicles are insured for physical damage for collision and comprehensive coverage after a \$10,000 deductible. Real and personal property coverage has a \$10,000 deductible. Cyber Liability and Data Breach Response Coverage is also provided by TML-IRP for the following:

- Information Security, Privacy Liability, Website Media Content Liability - \$1,000,000 Aggregate limit, \$0 deductible
- Privacy Breach Response Services - \$25,000 per incident and in the Aggregate, \$1,250 deductible per incident
- Regulatory Defense & Penalties/Payment Card Industry Fines and Expenses/Cyber Extortion/First Party Data Protection and Network Business Interruption - \$50,000 Aggregate limit; \$2,500 deductible per claim, \$5,000 Loss of Income Deductible.

Denton County Transportation Authority

Notes To Financial Statements

The Authority has a government crime policy with TML-IRP insuring against forgery and computer fraud up to \$1,000,000 per loss. For the year ended September 30, 2018, the Authority has not incurred any losses under this plan.

In addition to the coverages provided by TML-IRP, DCTA also carries Pollution Liability Coverage for its 16,000 gallon Underground Fuel Storage Tank (UST) permitted by the Texas Commission on Environmental Quality (TCEQ) and located at the Rail Operations & Maintenance Facility. The UST provides fleet re-fueling for DCTA's passenger rail vehicles. Great American Alliance Insurance Company is the insurance provider with the following coverages: \$1,000,000 each Pollution Incident for bodily injury, property damage and claim handling, \$2,000,000 Annual Aggregate, \$5,000 deductible.

DCTA's Excess Railroad Liability Insurance is provided through a multi-layer program with Steadfast Insurance Company, a member of Zurich Insurance Group, as the primary carrier with a policy limit of \$125,000,000 and \$2,000,000 self-insured retention and claims handling including defense costs. Prior to securing its own rail liability insurance coverage in October 2016, this coverage was provided via shared policy with DART and Trinity Metro which carried DCTA as an additional insured with DCTA sharing in the cost of the annual premium.

Litigation

The Authority has no pending lawsuits as of September 30, 2018.

State and Federal Grants

The Authority participates in several State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to these grant programs are subject to audit, approval, and adjustment by the grantor agencies, which could result in refunds to the grantor. It is management's opinion that the Authority has complied with substantially all of the requirements under the respective grants, and therefore, no provision has been recorded in the accompanying financial statements for such liabilities.

Commitments

At September 30, 2018, the Authority has the following outstanding commitments:

Rail purchased transportation services	\$ 101,284,742
Positive train control system implementation	2,772,331
Intermodal O&M Facility Fuel Tanks	606,446
Management agreement for bus transit operations	836,313
Arboc "Spirit of Independence" shuttle buses	1,360,932
Consulting services	229,020
Engineering and design	149,900
	<hr/>
	\$ 107,239,684

Denton County Transportation Authority

Notes To Financial Statements

Operating Lease Agreements

The Authority has entered into certain operating lease agreements. All operating leases to which the Authority is currently a party will expire in fiscal year 2020. The total lease expense was \$313,497 for 2018 and \$348,128 for 2017. The lease payments by year are as follows:

	2019	2020	Total
Lease commitments			
Administration offices	\$ 89,382	\$ 91,284	\$ 180,666
Total lease commitments	<u>\$ 89,382</u>	<u>\$ 91,284</u>	<u>\$ 180,666</u>

Funding

These current expenditures, current contract commitments, and any future commitments will be funded by the Authority out of available cash and investments, future sales tax collections, federal grants, and debt financing.

Note 11. Prior Period Adjustment

As a result of long-term operating maintenance projects being recorded in construction in progress in prior fiscal years, expenses were understated and capital assets were overstated as of September 30, 2017. The correction of this error resulted in a \$ 3,608,896 decrease in beginning net position. The changes in land and construction in progress and services for the year ended September 30, 2017 is as follows:

Statement of Net Position:

	As adjusted	As originally reported	Effect of change
Land and construction in progress	\$ 35,518,593	\$ 39,127,489	\$ (3,608,896)

Statement of Revenues, Expenses, and Changes in Net Position:

	As adjusted	As originally reported	Effect of change
Services	\$ 6,209,389	\$ 2,600,493	\$ 3,608,896

Note 12. New Accounting Pronouncements

The GASB pronouncements effective in fiscal years 2018 and 2019 are listed as follows:

The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, which will be effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement applies to all state and governmental entities. This standard became effective for the Authority in fiscal year 2018. The implementation of this statement did not impact the Authority's financial statements.

Denton County Transportation Authority

Notes To Financial Statements

The GASB issued Statement No. 81, Irrevocable Split-Interest Agreements, which will be effective for periods beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement applies to all state and governmental entities. This standard became effective for the Authority in fiscal year 2018. The implementation of this statement did not impact the Authority's financial statements.

The GASB issued Statement No. 82, Pension Issues- an amendment of GASB statements No. 67, No. 68, and No. 73, which will be effective for periods beginning after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement applies to all state and governmental entities. This standard became effective for the Authority in fiscal year 2018. The implementation of this statement did not impact the Authority's financial statements.

The GASB issued Statement No. 83, Certain Asset Retirement Obligations, which will be effective for periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement applies to all state and governmental entities. This standard will become effective for the Authority in fiscal year 2019. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

The GASB issued Statement No. 85, Omnibus 2017, which will be effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement applies to all state and governmental entities. This standard became effective for the Authority in fiscal year 2018. The implementation of this statement did not impact the Authority's financial statements.

The GASB issued Statement No. 86, Certain Debt Extinguishment Issues, which will be effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement applies to all state and governmental entities. This standard became effective for the Authority in fiscal year 2018. The implementation of this statement did not impact the Authority's financial statements.

Denton County Transportation Authority

Notes To Financial Statements

The GASB issued Statement No. 88, Certain Disclosures Related to debt, including Direct Borrowings and Direct Placements, which will be effective for periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement applies to all state and governmental entities. This standard will become effective for the Authority in fiscal year 2019. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

Note 13. Subsequent Events

The Authority has evaluated all events and transactions that occurred after September 30, 2018 through February 21, 2019, the date the financial statements were issued.

Required Supplementary Information

Denton County Transportation Authority

Required Supplementary Information

Texas County & District Retirement System

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

(Unaudited)

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 130,849	\$ 159,650	\$ 202,663	\$ 232,727
Interest (on the total pension liability)	37,882	60,290	70,330	102,436
Effect of plan changes	40,628	(26,820)	-	-
Effect of assumption changes or inputs	-	13,055	-	5,065
Effect of economic/demographic (gains) or losses	87,214	(95,366)	6,193	68,812
Benefit payments/refunds of contributions	(12,905)	(1,640)	(28,266)	(3,633)
Net Change in Total Pension Liability	283,668	109,169	250,920	405,407
Total Pension Liability - Beginning	389,935	673,603	782,772	1,033,692
Total Pension Liability - Ending (a)	<u>\$ 673,603</u>	<u>\$ 782,772</u>	<u>\$ 1,033,692</u>	<u>\$ 1,439,099</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 72,565	\$ 108,954	\$ 126,805	\$ 148,998
Contributions - Employee	78,874	92,022	104,798	122,330
Investment income net of investment expenses	25,740	(13,315)	55,555	152,471
Benefit payments/refunds of contributions	(12,905)	(1,640)	(28,266)	(3,633)
Administrative expense	(366)	(472)	(604)	(956)
Other	(27)	(57)	22,435	3,579
Net Change in Plan Fiduciary Net Position	163,881	185,492	280,723	422,789
Plan Fiduciary Net Position - Beginning	384,974	548,855	734,347	1,015,070
Plan Fiduciary Net Position - Ending (b)	<u>\$ 548,855</u>	<u>\$ 734,347</u>	<u>\$ 1,015,070</u>	<u>\$ 1,437,859</u>
Net Pension Liability - Ending (a) - (b)	\$ 124,748	\$ 48,425	\$ 18,622	\$ 1,240
Plan Fiduciary Net Position as a Percentage of				
Total Pension Liability	81.48%	93.81%	98.20%	99.91%
Covered Payroll	\$ 1,577,470	\$ 1,840,437	\$ 2,095,950	\$ 2,446,606
Net Pension Liability as a Percentage of Covered Payroll	7.91%	2.63%	0.89%	0.05%

Notes to Schedule:

As of December 31 - Measurement date

Benefit changes. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions. New Annuity Purchase Rates were reflected for benefits earned after 2017.

Only four years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Denton County Transportation Authority
Required Supplementary Information
Texas County & District Retirement System
Schedule of Employer Contributions
(Unaudited)

	2015	2016	2017	2018
Actuarially determined contribution by calendar year	\$ 72,565	\$ 108,954	\$ 126,805	\$ 148,998
Contributions in relation to the actuarially determined contribution by fiscal year	99,864	120,475	143,780	184,273
Contribution deficiency (excess)	<u>\$ (27,299)</u>	<u>\$ (11,521)</u>	<u>\$ (16,975)</u>	<u>\$ (35,275)</u>
Covered payroll by fiscal year	\$ 1,776,972	\$ 2,001,375	\$ 2,364,645	\$ 3,002,632
Contributions as a percentage of covered payroll	5.62%	6.02%	6.08%	6.14%

Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16.8 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00% net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Only four years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Supplementary Information

Denton County Transportation Authority

Schedule of Revenues and Expenses – Budget to Actual

Year Ended September 30, 2018 with Comparative Actual for 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)	2017 Actual
OPERATING REVENUES					
Passenger revenue	\$ 1,464,725	\$ 1,074,590	\$ 1,114,734	\$ 40,144	\$ 1,292,725
Contract services	4,102,163	3,508,104	3,416,001	(92,103)	3,716,481
Other	1,000	738,255	858,648	120,393	396,450
	<u>5,567,888</u>	<u>5,320,949</u>	<u>5,389,383</u>	<u>68,434</u>	<u>5,405,656</u>
OPERATING EXPENSES					
Salaries, wages and fringe benefits	12,338,449	11,902,272	11,137,613	764,659	10,425,981
Services	3,365,169	8,465,147	4,348,623	4,116,524	6,209,389
Materials and supplies	3,601,940	3,123,778	2,508,020	615,758	2,317,170
Purchased transportation services	9,713,343	9,628,343	8,980,451	647,892	10,587,125
Utilities	460,164	460,164	439,476	20,688	427,013
Insurance	1,726,783	1,726,783	1,707,909	18,874	1,600,932
Facility and equipment rents	265,880	265,880	213,497	52,383	248,128
Other - miscellaneous	423,326	423,326	274,072	149,254	203,467
Depreciation and amortization	10,679,875	10,679,875	10,202,356	477,519	9,986,476
Total operating expenses	<u>42,574,929</u>	<u>46,675,568</u>	<u>39,812,017</u>	<u>6,863,551</u>	<u>42,005,681</u>
Operating loss	<u>(37,007,041)</u>	<u>(41,354,619)</u>	<u>(34,422,634)</u>	<u>6,931,985</u>	<u>(36,600,025)</u>
NON-OPERATING REVENUES (EXPENSES)					
Sales tax revenue	26,649,585	26,649,585	27,937,707	1,288,122	26,790,098
Transit system operating assistance grants	5,410,737	5,120,628	5,484,450	363,822	4,900,401
Investment income	78,000	78,000	350,924	272,924	122,250
Interest expense	(1,008,084)	(1,008,084)	(1,040,263)	(32,179)	(1,098,107)
Gain (loss) on disposal of assets	-	-	2,340	2,340	12,208
Total non-operating revenue (expenses)	<u>31,130,238</u>	<u>30,840,129</u>	<u>32,735,158</u>	<u>1,895,029</u>	<u>30,726,850</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS	<u>(5,876,803)</u>	<u>(10,514,490)</u>	<u>(1,687,476)</u>	<u>8,827,014</u>	<u>(5,873,175)</u>
GRANTS FOR CAPITAL IMPROVEMENTS	<u>9,781,224</u>	<u>3,858,003</u>	<u>1,631,747</u>	<u>(2,226,256)</u>	<u>6,532,885</u>
Change in net position	<u>\$ 3,904,421</u>	<u>\$ (6,656,487)</u>	<u>\$ (55,729)</u>	<u>\$ 6,600,758</u>	<u>\$ 659,710</u>

Board of Directors Memo

February 28, 2019

SUBJECT: Discuss and Approve Resolution R19-05 Approving the Certificate of Formation and Bylaws for the North Texas Mobility Corporation and the Appointment of its Initial Directors

Background

A Local Government Corporation (LGC) is a corporation incorporated as provided in Subchapter D of Chapter 431, Texas Transportation Code. As defined in Chapter 431, an LGC is subject to all laws applicable to Texas non-profit corporations as set forth in Chapter 22, Texas Business Organization Code. Like the Denton County Transportation Authority (DCTA), an LGC is required to comply with the Open Meetings Act and Public Information Act.

In January, the DCTA voted to authorize staff to begin the process of creating an LGC with the limitation to the promotion and development of public transportation systems and facilities with a function to aid and act on behalf of DCTA to manage and operate transit services. With legal counsel, staff has been working through the LGC creation process including the development of the Certificate of Formation and Bylaws, registering an LGC name with the Texas Secretary of State, and setting up an internal LGC Transition team to work with all departments to ensure a smooth transition process.

Upon DCTA Board of Director approval of the LGC Certificate of Formation and Bylaws, DCTA will work with legal counsel to file the Certificate of Formation with the Texas Secretary of State. The Secretary of State's office will then issue DCTA a Certificate of Incorporation which causes the LGC to be officially established and able to hold the first LGC organizational board meeting.

Identified Need

This LGC enables DCTA to perform direct transit operations and/or contract for future transit operations more efficiently and directly.

The establishment of an LGC will provide a mechanism for DCTA to:

- Provide the same employee benefits as the existing benefits being provided to bus operations staff;
- Allow improved localized control over strategy, training, utilization and performance management of employees;
- Offer the ability to ensure consistent internal communications, increased employee support, improved morale and a reduction in employee turnover;
- Improve the quality of the service being provided and customer service therefore enhancing the passenger experience while improving overall operational cost effectiveness.

Financial Impact

Creating an LGC will assist in decreasing overall bus operations costs while increasing service quality. It is estimated the Agency can save \$1.25 million over the next five (5) years with the departmental reorganization and reduction in overtime pay. This savings does not take into the account of any revenue loss relating to the passenger experience but does include the addition of two new positions; Service Planner and Recruiter.



Recommendation

Staff recommends approval of Resolution R19-05 Approving the Certificate of Formation and Bylaws for the North Texas Mobility Corporation and the Appointment of its Initial Directors.

Exhibits

Exhibit 1 – Resolution R19-05

Exhibit 2 – Resolution R19-02

Approval:



Kristina Holcomb, Deputy CEO

**DENTON COUNTY TRANSPORTATION AUTHORITY
RESOLUTION NO. 19-05**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY APPROVING THE FORM OF CERTIFICATE OF FORMATION AND BYLAWS FOR THE NORTH TEXAS MOBILITY CORPORATION, A LOCAL GOVERNMENT CORPORATION; APPOINTING THE INITIAL DIRECTORS OF SAID CORPORATION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to Resolution No. 19-02, the Board of Directors authorized the Chief Executive Officer to proceed with preparation of a certificate of formation and by-laws relating to the creation of a Local Government Corporation pursuant to Chapter 431, Texas Transportation Code, to aid and/or act on behalf of DCTA to accomplish DCTA's governmental purposes; and

WHEREAS, having been presented and given an opportunity to review a proposed form of certificate of formation and by-laws for a local government corporation to be known as "North Texas Mobility Corporation," the Board of Directors of the Denton County Transportation Authority of the finds it to be in the public interest to authorize the creation of said corporation, approve the form of Certificate of Formation and Bylaws for said corporation, and appoint the initial directors of said corporation;

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

SECTION 1. The creation of the *North Texas Mobility Corporation* ("the Corporation") as a local government corporation pursuant to Chapter 431 of the Texas Transportation Code is hereby authorized and approved.

SECTION 2. The form of the *Certificate of Formation for North Texas Mobility Corporation.*, attached hereto as Exhibit "A" and incorporated herein by reference, is hereby approved.

SECTION 3. The form of the *Bylaws of the North Texas Mobility Corporation*, attached hereto as Exhibit "B" and incorporated herein by reference, is hereby approved and authorized to be adopted by the Board of Directors of the Corporation as the bylaws of the Corporation.

SECTION 4. The following people are hereby appointed to serve as the initial directors to the Board of Directors of the Corporation with terms ending as set forth in the Certificate of Formation:

Raymond Suarez
Dave Kovatch
Connie White
Dianne Costa
Charles Emery

SECTION 5. This resolution shall take effect immediately from and after its passage and approval.

DULY PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY THE 28TH DAY OF FEBRUARY 2019.

APPROVED:

Charles Emery, Chairman

ATTEST:

Sara Bagheri, Secretary

APPROVED AS TO FORM:

Peter G. Smith, General Counsel

(kbl:2/22/19:105970)

**Exhibit A to Resolution No. 19-05
Form of Certificate of Formation**

**CERTIFICATE OF FORMATION
OF
NORTH TEXAS MOBILITY CORPORATION**

We, the undersigned natural persons, each of whom is at least eighteen (18) years of age or more and a citizen of the State of Texas, acting as incorporators of a corporation under the provisions of Subchapter D of Chapter 431, Texas Transportation Code (the “Act”), and Chapter 394, Texas Local Government Code, do hereby adopt the following Certificate of Formation for such corporation:

**ARTICLE I
Corporation Name**

The name of the corporation is **NORTH TEXAS MOBILITY CORPORATION** (the “Corporation”).

**ARTICLE II
Nature of Corporation**

The Corporation is a public non-profit corporation.

**ARTICLE III
Duration of Corporation**

The period of duration of the Corporation shall be perpetual.

**ARTICLE IV
Corporate Purpose and Authority**

4.01 The Corporation is organized for the purpose of aiding, assisting, and acting on behalf of the Denton County Transportation Authority (“the Authority”) in the performance of its governmental functions to promote the common good and general welfare of the Authority, including, without limitation, financing, constructing, owning, managing and operating regional mobility services (the “Mobility Services”) on behalf of the Authority, and to perform such other governmental purposes of the Authority as may be determined from time to time by the Authority’s Board of Directors (the “DCTA Board”). Subject to applicable state law and any contractual obligations of DCTA or the Corporation, DCTA may discontinue participation in the activities of the Corporation, or a non-participating unit of local government, business, or individuals may join in the activities of the Corporation, under procedures established from time to time in the Bylaws of the Corporation (the “Bylaws”).

4.02 The Corporation is formed pursuant to the provisions of the Act as it now or may hereafter be amended, and Chapter 394, Texas Local Government Code, which authorizes the Corporation to assist and act on behalf of the Authority and to engage in activities in the furtherance of the purposes for its creation.

Exhibit A to Resolution No. 19-05
Form of Certificate of Formation

4.03 The Corporation, with the prior written consent of the DCTA Board or as may be provided by the Bylaws, shall have the following powers to carry out the purposes of the Corporation, by and through its Directors:

- A. employ and/or contract with persons or entities to carry out the purposes of the Corporation;
- B. issue debt or enter into and administer other contractual obligations to carry out the purposes of the Corporation;
- C. purchase, acquire, own, lease, maintain and dispose of real and personal property; and
- D. contract with other political subdivisions and units of governments.

4.04 The Corporation shall have and exercise all of the rights, powers, privileges, and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, the Texas Nonprofit Corporation Law (Tex. Bus. Org. Code, Chapters 20 and 22 and the provisions of Title I thereof to the extent applicable to non-profit corporations, as amended) or their successor.

4.05 The Corporation shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Corporation to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created; provided, however, that the Corporation shall not issue any bond, certificate, note or other obligation evidenced by an instrument without the prior written consent of the Authority or as otherwise allowed by the Bylaws.

4.06 The Corporation is created as a local government corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (3), Section 101.001, Texas Civil Practice and Remedies Code. The operations of the Corporation are governmental and not proprietary functions for all purposes, including for purposes of the Texas Tort Claims Act, Section 101.001, et seq., Texas Civil Practice and Remedies Code. The Corporation shall have the power to acquire land in accordance with the Act as amended from time to time.

4.07 References herein to the consent or written consent of the Authority shall refer to an ordinance, resolution order, or motion approved by the DCTA Board.

ARTICLE V
No Members or Shareholders

The Corporation shall have no members and shall have no stock.

Exhibit A to Resolution No. 19-05
Form of Certificate of Formation

ARTICLE VI
Board of Directors

6.01 All powers of the Corporation shall be vested in a Board of Directors consisting of five (5) members (the “Board”) subject to the oversight of the Authority and as otherwise provided in the Bylaws. The Board shall independently manage and operate the Mobility Services in accordance with all applicable laws and documents, including this Certificate, the Bylaws, and such other documents agreed to by the Authority and as the same may be amended from time to time.

6.02 The initial directors of the Corporation (“Director” or “Directors”) shall be those persons named in Article VIII, below. With respect to the initial Board, the terms of the initial Directors shall commence on the date the Secretary of State has issued the certificate of incorporation for the Corporation. Subsequent Directors shall be appointed to the Board for a term of three (3) years as prescribed herein. Except as set forth in this Certificate or the Bylaws, any Director may be removed from office at any time, with or without cause, by the Authority.

6.03 The number of Directors shall be five (5), and shall be selected as follows:

A. The Authority shall appoint one (1) Director who shall at all times during the term of office be serving as the Chief Executive Officer or similar position for the Authority.

B. The Authority shall appoint four (4) Directors who shall at all times during the term of office be a member of the DCTA Board or resident of Denton County, Texas.

6.04 The majority of Directors must at all times be people who reside within Denton County.

6.05 Except as set forth in Section 6.02 above, Directors shall serve a term of office of three (3) years, with no limit imposed by this Certificate on the number of terms that a Director may serve.

6.06 Vacancies on the Board that occur before the end of a Director’s term shall be filled in the same manner as appointments made pursuant to Section 6.03.

6.07 The Directors appointed pursuant to Section 6.03.B. may be removed at any time, with or without cause, by the DCTA Board.

6.08 All other matters pertaining to the internal affairs of the Corporation shall be governed by the Bylaws, so long as such Bylaws are not inconsistent with this Certificate of Formation or the laws of the State of Texas.

**Exhibit A to Resolution No. 19-05
Form of Certificate of Formation**

**ARTICLE VII
Registered Office and Agent**

The street address of the initial registered office of the Corporation is 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057, and the name of its initial registered agent at such address is Raymond Suarez.

**ARTICLE VIII
Initial Directors**

The names, addresses, and terms of office of the five (5) initial Directors are:

NAME	ADDRESS	TERM EXPIRES
Raymond Suarez	6823 Pistoia Drive, Frisco, Texas	September 30, 2020
Dave Kovatch	5023 Westway Drive, Little Elm, Texas	September 30, 2021
Connie White	119 Trophy Club Drive, Trophy Club, Texas	September 30, 2020
Dianne Costa	3119 Misty Oak Drive, Highland Village, Texas	September 30, 2021
Charles Emery	2200 N. Garden Ridge Blvd., Lewisville, Texas	September 30, 2020

**ARTICLE IX
Incorporators**

The names and street addresses of the incorporators, each of whom resides within the Authority forming the Corporation are:

NAME	ADDRESS
Sara Bagheri	1125 E. University Drive, Suite A, Denton, Texas
Dianne Costa	3119 Misty Oak Drive, Highland Village, Texas
Charles Emery	2200 N. Garden Ridge Blvd., Lewisville, Texas

**ARTICLE X
Approval of Certificate of Formation by the Authority**

Resolution No. 19-05 approving the form and substance of this Certificate of Formation was adopted by the Board of Directors of the Denton County Transportation Authority on February 28, 2019.

**ARTICLE XI
Director Liability**

No Director shall be liable to the Corporation for monetary damages for an act or omission in the Director's capacity as a Director, except for liability (i) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (ii) for any transaction from which the Director received an improper benefit, whether or not the benefit resulted from an act taken within the scope of the Director's office, or (iii) for acts or omissions for which the liability of a Director is expressly provided by statute. Any repeal or amendment

Exhibit A to Resolution No. 19-05
Form of Certificate of Formation

of this Article by the Directors shall be prospective only and shall not adversely affect any limitation on the personal liability of a Director existing at the time of such repeal or amendment. In addition to the circumstances in which a Director is not personally liable as set forth in the preceding sentences, a Director shall not be liable to the fullest extent permitted by any amendment to the Texas statutes hereafter enacted that further limits the liability of a Director.

ARTICLE XII
Limits on Use of Corporate Assets; Income of Corporation

12.01 In accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code (the “Code”), and regardless of any other provisions of this Certificate of Formation or the laws of the State of Texas, the Corporation shall not:

- A. permit any part of the net earnings of the Corporation to inure to the benefit of any private individual (except that reasonable compensation may be paid for personal services rendered to or for the Corporation in effecting one or more of its purposes);
- B. devote more than an insubstantial part of its activities to attempting to influence legislation by propaganda or otherwise;
- C. participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office; and
- D. attempt to influence the outcome of any election for public office or to carry on, directly or indirectly, any voter registration drives.

No part of the Corporation’s income shall inure to the benefit of any private interests.

12.02 Notwithstanding Section 431.107 of the Act entitling the Authority to have the right to receive the income earned by the Corporation, any income earned by the Corporation after payment of reasonable expenses, reasonable reserves for future activities, debt, establishment of a capital reserve, and establishment of a reserve for other legal obligations of the Corporation, shall be retained by the Corporation and applied as a credit to the charges to the Authority and others who may, from time to time in accordance with this Certificate and the Bylaws, become a participating entity in the Corporation, for the operation and maintenance of the Mobility Services, or distributed to the Authority and such others in a manner to be determined by the Board in accordance with the provisions of the Bylaws of the Corporation.

ARTICLE XIII
Corporation as Private Foundation

If the Corporation is a private foundation within the meaning of Section 509(a) of the Code, the Corporation: (a) shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code; (b) shall not engage in any act of self-dealing as defined in Section 4941(d) of

Exhibit A to Resolution No. 19-05
Form of Certificate of Formation

the Code; (c) shall not retain any excess business holdings as defined in Section 4943(c) of the Code; (d) shall not make any investments in such manner as to subject it to tax under Section 4944 of the Code; and (e) shall not make any taxable expenditures as defined in Section 4945(d) of the Code.

ARTICLE XIV
Dissolution

14.01 If the Board determines by resolution that the purposes for which the Corporation was formed have been substantially met and all bonds or notes issued by, and all obligations incurred by, the Corporation or on behalf of the Corporation have been fully paid, the Board shall execute a certificate of dissolution which states those facts and declares the Corporation dissolved in accordance with the requirements of Section 394.026 of Texas Local Government Code, or with applicable law then in existence.

14.02 Subject to any restrictions contained in applicable state law, if the Authority considers and approves a concurrent resolution directing the Board to proceed with the dissolution of the Corporation, the Board shall promptly proceed with the dissolution of the Corporation. The failure of the Board to promptly proceed with the dissolution of the Corporation in accordance with this Section 14.02 shall be deemed a cause for the removal from office of any or all of the Directors as permitted by Article VI of this Certificate of Formation.

14.03 Upon the dissolution of the Corporation the assets of the Corporation shall be distributed to the Authority.

ARTICLE XV
Indemnification of Directors and Officers

15.01 *Right to Indemnification.* Subject to the limitations and conditions as provided in this Article XV and the Bylaws of the Corporation, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a “proceeding”), or any appeal in such a proceeding or any inquiry or investigation that could lead to such a proceeding, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a Director or officer of the Corporation shall be indemnified by the Corporation to the fullest extent permitted by the Texas Nonprofit Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys’ fees) actually incurred by such person in connection with such proceeding, and indemnification under this Article XV shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. The rights granted pursuant to this Article XV shall be deemed contract rights, and no amendment, modification or repeal of this Article XV shall have the effect of limiting or denying any such rights with respect to action taken or proceedings arising

Exhibit A to Resolution No. 19-05
Form of Certificate of Formation

prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article XV could involve indemnification for negligence or under theories of strict liability.

15.02 *Advance Payment.* The right to indemnification conferred in this Article XV shall include the right to be paid in advance or reimbursed by the Corporation the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 15.01 who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person's ultimate entitlement to indemnification, provided; however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of a written affirmation by such Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article XV and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Article XV or otherwise.

15.03 *Indemnification of Employees and Agents.* The Corporation, by adoption of a resolution of the Board, may indemnify and advance expenses to an employee or agent of the Corporation to the same extent and subject to the same conditions under which it may indemnify and advance expenses to Directors and officers under this Article XV, and the Corporation may indemnify and advance expenses to persons who are not or were not Directors, officers, employees or agents of the Corporation against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his or her status of such a person to the same extent that it may indemnify and advance expenses to Directors under this Article XV.

15.04 *Appearance as a Witness.* Notwithstanding any other provision of this Article XV, the Corporation may pay or reimburse expenses incurred by a Director or officer in connection with his or her appearance as a witness or other participation in a proceeding involving the Corporation or its business at a time when he or she is not a named defendant or respondent in the proceeding.

15.05 *Non-exclusivity of Rights.* The right to indemnification and the advancement and payment of expenses conferred in this Article XV shall not be exclusive of any other right which a Director or officer or other person indemnified pursuant to Section 15.03, above, may have or hereafter acquire under any law (common or statutory), provision of this Certificate of Formation or the Bylaws of the Corporation, agreement, or vote of disinterested Directors or otherwise.

15.06 *Insurance.* The Corporation may purchase and maintain insurance, at its expense to protect itself and any person who is or was serving as a Director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a Director, officer, partner, venture, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, employee benefit plan, trust or other enterprise against any expense, liability or loss, whether the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article XV.

Exhibit A to Resolution No. 19-05
Form of Certificate of Formation

15.07 *Notification.* Any indemnification of or advance of expenses to a Director or officer in accordance with this Article XV shall be reported in writing to the members of the Board with or before the notice of the next regular meeting of the Board and, in any case, within the 12-month period immediately following the date of the indemnification or advance.

15.08 *Savings Clause.* If this Article XV or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Director, officer or any other person indemnified pursuant to this Article XV as to costs, charges and expenses (including attorneys' fees), judgments, fines and in amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent permitted by any applicable portion of this Article XV that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE XVI
Amendments

This Certificate of Formation may not be changed or amended unless approved in writing by the Authority.

IN WITNESS WHEREOF, we have hereunto set our hands on the dates indicated below.

(Incorporator Signatures on Following Pages)

Exhibit A to Resolution No. 19-05
Form of Certificate of Formation
Signatures and Verification of Incorporators

Sara Bagheri

Dianne Costa

Charles Emery

STATE OF TEXAS §
 §
COUNTY OF DENTON §

Before me, a notary public, on this _____ day of _____, 2019, appeared Sara Bagheri, Dianne Costa, and Charles Emery, known to me to be the persons whose names are subscribed to the foregoing document and, being by me first duly sworn, declared that the statements therein contained are true and correct.

Notary Public, State of Texas

Exhibit B to Resolution No. 19-05

Form of Bylaws

**BYLAWS OF THE
NORTH TEXAS MOBILITY CORPORATION.**

A Texas Non-Profit Local Government Corporation created by and on behalf of the
Denton County Transportation Authority

ARTICLE I

Corporate Purpose and Authority

1.01 *Purpose.* The Corporation is organized for the purpose of aiding, assisting, and acting on behalf of the Denton County Transportation Authority (“the Authority”) in the performance of its governmental functions to promote the common good and general welfare of the Authority, including, without limitation, financing, constructing, owning, managing and operating regional mobility services (the “Mobility Services”) on behalf of the Authority, and to perform such other governmental purposes of the Authority, as may be determined from time to time by the Authority’s Board of Directors (the “DCTA Board”). Subject to applicable state law and any contractual obligations of DCTA or the Corporation, DCTA may discontinue participation in the activities of the Corporation, or a non-participating unit of local government, business, or individuals may join in the activities of the Corporation, under procedures established in the Bylaws of the Corporation (the “Bylaws”). The Corporation, with the prior written consent of the Authority or as may be provided by the Bylaws, shall have the following powers to carry out the purposes of the Corporation, by and through its Directors:

- A. employ and/or contract with persons to carry out the purposes of the Corporation;
- B. issue debt or enter into and administer other contractual obligations to carry out the purposes of the Corporation;
- C. own, lease, maintain and dispose of real and personal property; and
- D. contract with the Authority, political subdivisions, units of governments, and other persons and non-governmental entities.

1.02 *Local Government Corporation.* The Corporation is formed pursuant to the provisions of Subchapter D of Chapter 431, Texas Transportation Code (the “Act”), as it now or may hereafter be amended, and Chapter 394, Texas Local Government Code, which authorizes the Corporation to assist and act on behalf of the Authority and to engage in activities in the furtherance of the purposes for its creation.

1.03 *Non-Profit Corporation.* The Corporation shall have and exercise all of the rights, powers, privileges, and functions given by the general laws of Texas to non-profit corporations incorporated under the Act including, without limitation, the Texas Nonprofit Corporation Law (Tex. Bus. Org. Code, Chapters 20 and 21 and the provisions of Title I thereof to the extent applicable to non-profit corporations, as amended) or their successor.

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1.04 *Powers of Non-Profit Corporation.* The Corporation shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Corporation to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created; provided, however, that the Corporation shall not issue any bond, certificate, note or other obligation evidenced by an instrument without the prior written consent of each of the Authority or as otherwise allowed by these Bylaws.

1.05 *Governmental Entity for Immunity.* The Corporation is created as a local government corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (3), Section 101.001, Texas Civil Practice and Remedies Code. The operations of the Corporation are governmental and not proprietary functions for all purposes, including for purposes of the Texas Tort Claims Act, Section 101.001, et seq., Texas Civil Practice and Remedies Code. The Corporation shall have the power to acquire land in accordance with the Act as amended from time to time.

1.06 *Authority Consent.* References herein to the consent or written consent of the Authority shall refer to a resolution or order of the Authority's Board of Directors.

1.07 *Other Units of Government.* The Corporation may contract with a non-member unit of government to provide services on behalf of such non-member unit of government.

1.08 *Approved Projects.* The Corporation, by and through its Board of Directors, may approve capital improvements, services, or other projects consistent with the purposes of the Corporation to assist the Authority in the performance of the Authority's governmental functions (each an "Approved Project").

ARTICLE II
Board of Directors

2.01 *Powers Vested in Board.* All powers of the Corporation shall be vested in a Board of Directors consisting of five (5) members (the "Board") subject to the oversight of the Authority and as otherwise provided in these Bylaws. The qualification, selection, terms, removal, replacement, and resignation of the members of the Board of Directors of the Corporation ("Director" or "Directors") shall be governed by Article VI of the Certificate of Formation ("Certificate").

2.02 *Initial Board and Transition.* The initial directors of the Corporation ("Director" or "Directors") shall be those persons named in Article VIII of the Certificate. To provide for terms which end at the end of a calendar month, each initial Director named in Article VIII of the Certificate shall serve for the term prescribed therein. With respect to the initial Board, the terms of the initial Directors shall commence on the date the Secretary of State has issued the certificate of incorporation for the Corporation. Upon the expiration of the terms of office of the initial Directors, the subsequent Directors shall be appointed for a three (3) year term, or until his or her successor is appointed by the Authority; provided, however, upon the death, resignation or

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removal of a Director, the Authority shall appoint a replacement Director to serve for the unexpired term of office of the replaced Director.

2.03 *Governing Documents.* All other matters pertaining to the internal affairs of the Corporation shall be governed by these Bylaws, so long as these Bylaws are not inconsistent with the Certificate, and such other documents agreed to by the Authority and as the same may be amended from time to time, or the laws of the State of Texas.

2.04 *Voting Rights.* All Directors shall have full and equal voting rights. All references herein to an act, resolution or vote of the Directors shall refer to a vote of the Directors entitled to vote on the matter as provided herein.

2.05 *Meetings of Directors.* The Directors may hold their meetings and may have an office and keep the books of the Corporation at such place or places within Denton County, Texas, as the Board may from time to time determine; provided, however, in the absence of any such determination, such place shall be the registered office of the Corporation in the State of Texas. The Board shall meet in accordance with and file notice of each meeting of the Board for the same length of time and in the same manner and location as is required under Chapter 551, Texas Government Code (the "Open Meetings Act"); provided that the notice of each meeting of the Board shall be posted on the official bulletin board designated by the Authority for the posting of meetings of the Authority. The Corporation, the Board, and any committee of the Board exercising the powers of the Board are subject to Chapter 552, Texas Government Code (the "Public Information Act").

2.06 *Regular Meetings.* Regular meetings of the Board shall be held at least quarterly at such times and places as shall be designated, from time to time, by resolution of the Board.

2.07 *Special and Emergency Meetings.* Special and emergency meetings of the Board shall be held whenever called by the Chair of the Board, the President of the Corporation, or by any two (2) Directors who are serving duly appointed terms of office at the time the meeting is called. A majority of the Board must be present for the conduct of any special called or emergency meeting. The Secretary of the Corporation shall give notice of each special meeting in person, by telephone, facsimile, mail or email at least three (3) days before the meeting to each Director and to the public in compliance with the Open Meetings Act. Notice of each emergency meeting shall also be given in the manner required under the Open Meetings Act. An emergency meeting may only be held when there is an emergency or an urgent public necessity exists and immediate action is required of the Board because of an imminent threat to public health and safety, or a reasonably unforeseeable situation. The agenda notice of the emergency meeting must be posted at least two (2) hours before the meeting and clearly identify the emergency or urgent public necessity. The President or Secretary of the Corporation, the Chair of the Board, or the Board members who call an emergency meeting must notify by telephone, facsimile transmission, or electronic mail not later than one hour before the meeting those members of the news media that have previously filed at the Corporation's office a request containing all pertinent information for the special notice and has agreed to reimburse the Board for the cost of providing the special notice. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Corporation may be considered and acted upon at a special

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meeting to the same extent as they may be considered and acted upon in a regular meeting. At any meeting at which every Director shall be present, even though without any notice, any matter pertaining to the purposes of the Corporation may be considered and acted upon to the extent allowed by the Open Meetings Act.

2.08 *Election of Chair and Vice-Chair of the Board.* Upon the initial meeting of the Board and at the last regular meeting of the Board occurring prior to October 1 of each calendar year thereafter, the Directors shall elect a Chair and Vice-Chair from among the members of the Board who will serve as Chair and Vice-Chair, respectively, for the period of October 1 until September 30 immediately following their election, and until their replacements are elected.

2.10 *Quorum.* A majority of the entire Board shall constitute a quorum for the consideration of matters pertaining to the purposes of the Corporation. If at any meeting of the Board there is less than a quorum present, those present may adjourn the meeting. The vote of a majority of the entire membership of the Board in favor of a motion, resolution, or other act shall be required to constitute the act of the Board, unless the vote of a greater number of Directors is required by law, by the Certificate of Formation, or by these Bylaws.

2.11 *Assent Presumed Without Express Abstention or Dissent.* A Director who is present at a meeting of the Board at which any corporate action is taken shall be presumed to have assented to such action unless such person's dissent or abstention shall be entered in the minutes of the meeting or unless such person shall file written dissent or abstention to such action with the person acting as the secretary of the meeting before the adjournment thereof. Such right to dissent or abstain shall not apply to a Director who voted in favor of the action.

2.12 *Conduct of Business.* At the meetings of the Board, matters pertaining to the purpose of the Corporation shall be considered in such order as the Board may from time to time determine. At all meetings of the Board, the Chair of the Board shall preside, and in the absence of the Chair, the Vice-Chair shall preside. In the absence of the Chair and Vice-Chair, the majority of Directors present and voting shall select from among the Directors in attendance a Director to preside at the meeting. The Secretary of the Corporation shall act as secretary of all meetings of the Board, but in the absence of the Secretary, the Director presiding at the meeting may appoint any person to act as secretary of the meeting.

2.13 *Executive Committee, Other Committees.* The Board may, by resolution passed by a majority of the entire Board, designate two (2) or more Directors to constitute an executive committee or other type of committee. In addition, the Board may appoint members of Corporation staff and citizens and/or employees of the Authority to be members of a committee, except for an Audit, Compensation or Governance Committee, which committees may only be composed of Directors.

2.14 *Power of Committees.* Except to the extent provided in the authorizing resolution for the committee and the Board-approved committee charter, a committee may not exercise the authority of the Board. Each committee so designated shall keep regular minutes of the transactions of its meetings, shall cause such minutes to be recorded in books kept for that purpose in the office of the Corporation, and shall report the same to the Board from time to

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time. Committees authorized to exercise the powers of the Board shall give notice of any meeting in the manner required for a meeting of the Board.

2.15 *Compensation of Directors.* Directors, as such, shall receive no salary or compensation for their services as Directors; provided, however, Directors may be reimbursed for reasonable and necessary expenses incurred in carrying out the Corporation's purposes.

2.16 *Director's Reliance on Consultant Information.* A Director shall not be liable if, while acting in good faith and with ordinary care, such person relies on information, opinions, reports or statements, including financial statements and other financial data, concerning the Corporation or another person that were prepared or presented by:

- (a) one or more other officers or employees of the Corporation;
- (b) an employee of the Authority; or
- (c) legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence.

2.17 *Attorneys and Consultants.* The Board may employ attorneys, auditors, certified accountants, engineers, and such other professionals and consultants as may be required for the purposes of the Corporation from time to time.

ARTICLE III
Officers

3.01 *Titles and Term of Office.* The officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other officers as the Board may from time to time elect or appoint. One person may hold more than one office, except the President shall not hold the office of Secretary. The initial term of the officers of the Corporation shall extend to December 31, 2021. The subsequent terms of office for each officer shall be three (3) years commencing on January 1, 2022.

All officers shall be appointed and subject to removal at any time, with or without cause, by a vote of a majority of the entire Board.

A vacancy in any office elected pursuant to this Article III shall be filled by a vote of a majority of the entire Board and shall be for the remainder of the then current term of office vacated.

3.02 *Powers and Duties of the President.* The President shall be the principal executive officer of the Corporation and, subject to the Board's approval, the President shall be in general charge of the properties and affairs of the Corporation. In furtherance of the purposes of the Corporation and subject to the limitations contained in the Certificate, the President or Vice-President may sign and execute all bonds, notes, deeds, conveyances, franchises, assignments, mortgages, notes, contracts and other obligations in the name of the Corporation.

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The President will be responsible for implementing all orders and resolutions of the Board, and all other powers that are not specifically reserved to the Directors or Authority will be executed by the President within the general guidelines and policies of the Board and Authority. The President shall have such other duties as are assigned by the Board including, but not limited to, those set forth in Article VI, below. The President shall be an ex-officio member of all Board committees except the Audit Committee, if established.

3.03 *Powers and Duties of the Vice President.* The Vice President shall have such powers and duties as may be assigned to such person by the Board or the President, including the performance of the duties of the President upon the death, absence, disability, or resignation of the President, or upon the President's inability to perform the duties of such office. Any action taken by the Vice President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken.

3.04 *Treasurer.* The Treasurer shall have custody of all funds and securities of the Corporation which come into possession of the Corporation. When necessary or proper, the Treasurer (i) may endorse, on behalf of the Corporation, for collection, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as shall be designated in the manner prescribed by the Board; (ii) may sign all receipts and vouchers for payments made to the Corporation, either alone or jointly with such other officer as is designated by the Board; (iii) shall enter or cause to be entered regularly in the books of the Corporation to be kept by such person for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; (iv) shall perform all acts incident to the position of Treasurer subject to the control of the Board; including the monitoring and audit of all cash accounts whose existence must first be approved by the Board; and (v) shall, if required by the Board, give such bond for the faithful discharge of his or her duties in such form as the Board may require. The Corporation may contract with the Authority to provide financial services for the Corporation in deciding the performance of the duties of the Treasurer set forth in this Section 3.04.

3.05 *Secretary.* The Secretary (i) shall keep or cause to be kept the minutes of all meetings of the Board in books provided for that purpose; (ii) shall attend to the giving and serving of all notices; (iii) in furtherance of the purposes of the Corporation and subject to the limitations contained in the Certificate of Formation, may sign with the President in the name of the Corporation and/or attest the signatures thereof, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Corporation; (iv) shall have charge of the Corporation's books, records, documents and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board may direct, all of which shall at all reasonable times be open to the inspection of any Director upon application at the office of the Corporation during business hours; and, (v) shall in general perform all duties incident to the office of Secretary subject to the control of the Board. Nothing in this Section 3.05 shall be construed as prohibiting the Board or the President from providing to the Secretary such support as may be reasonable and necessary to assist the Secretary in carrying out the duties set forth herein.

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3.06. *Compensation and Staff.* Officers who are members of the DCTA Board of Directors or DCTA employees or who occupy a government office of emolument (as defined in Tex. Const. art. XVI §40) shall serve without compensation with respect to the performance of their duties as officers of the Corporation but are entitled to receive reimbursement for their reasonable expenses only in performing their functions in accordance with any policies that may be adopted by the Board. Administrative services for the Corporation may be performed by employees of the Authority, as directed by the Authority's Chief Executive Officer, and the Corporation shall pay the costs for such services pursuant to an agreement between the Corporation and the Authority entered pursuant the Interlocal Cooperation Act (Chapter 791, Tex. Govt. Code).

3.07 *Officer's Reliance on Consultant Information.* In the discharge of a duty imposed or power conferred on an officer of the Corporation, the officer may in good faith and with ordinary care rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or another person that were prepared or presented by:

- (a) one or more other officers or employees of the Corporation, including members of the Board;
- (b) legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence; or,
- (c) an employee of the Authority.

ARTICLE IV
Financial Responsibilities

4.01 *Audit.* The Corporation shall have an annual audit prepared by an independent auditor who is duly licensed or certified as a public accountant in the State of Texas of the financial books and records of the Corporation.

4.02 *Capital Spending Authority:* The Board may expend funds for capital improvements in accordance with a capital improvement plan approved by the Board for the current fiscal year budget as follows:

- (a) Funds from the Authority shall be used for the purposes of the Corporation as authorized and directed by the Authority.
- (b) Funds from other sources, such as donations, may be used at the discretion of the Board for capital purposes as long as the uses are consistent with the direction of the Authority and are not reasonably expected by the Board to increase the operation and maintenance costs of the Corporation above the limits established in Section 4.04, below, or have a capital cost greater than \$100,000.

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(c) Proceeds of bonds, notes and other obligations shall be expended in accordance with the terms of the resolution authorizing the issuance of such bonds, notes or other obligations.

4.03 *Issuance of Debt.*

(a) The Corporation, with the approval of the Authority, is authorized to issue short-term debt in the form of bonds, notes, and other obligations which by their terms mature and are payable not later than one (1) year from their initial date of issuance. Where possible, the amount and purpose of the short-term debt shall be projected by the Corporation in its annual budget to the Authority. The Authority shall be given the first opportunity to provide these funds before the Board incurs debt.

(b) The Corporation, with the approval of the Authority, is authorized to issue long-term debt in the form of bonds, notes, and other obligations which by their terms mature and are payable beyond one (1) year from their initial date of issuance. Long term debt may be issued to finance capital improvements and costs related thereto, and to refund or refinance any outstanding bonds, notes, or obligations issued or incurred by the Corporation, or for such other reasons as may be approved by the Authority.

(c) Short-term debt as defined in Subsection (a) and long-term debt as defined in Subsection (b) of this Section 4.03 may be issued only if:

(i) the issuance of said debt is approved by a majority of the entire Board; and

(ii) the issuance of said debt is approved by resolution or ordinance of the Authority.

(d) Any debt issuance approved by the Authority shall be paid from any source or sources permitted by law including the income and revenue of the Corporation.

4.04 *Increase of O&M Costs.* Except for items mandated by changes in state or federal law or regulation that could not reasonably have been anticipated prior to submission of the Corporation's annual budget to the Authority for review and comment, in the event any one or more items are added during a fiscal year that would increase or cause the annual operation and maintenance costs to exceed ten percent (10%) above the budgeted amount for that year, the Board must receive prior approval from the Authority prior to making that addition.

4.05 *Fiscal Year.* The fiscal year of the Corporation shall begin October 1 of each year.

4.06 *Annual Budget.*

(a) No later than ninety (90) days prior to the beginning of each fiscal year, the Board shall prepare, or cause to be prepared, and approve a budget (the "Budget") for the fiscal year. After approval by the Board, the Budget shall be submitted to the Authority for approval.

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(b) The Budget shall, at a minimum, include capital, operational, debt service and project-specific expenditures and corresponding revenues. The Budget shall clearly indicate the sources and purposes of revenues contributed by the Authority, any non-participating unit of government, or other third-parties.

(c) If the Board fails to approve the Budget, or if the Budget is not approved by the Authority, then the Budget for the prior fiscal year shall be deemed approved.

(d) From time to time, the Board may undertake one or more projects related to the purposes of the Corporation requiring the expenditure of funds not approved in the Annual Budget. While the Board may elect to amend the Annual Budget for a particular project(s) related to the purposes of the Corporation, such expenditures may not be undertaken in that regard unless or until an agreement with the Authority or a third-party unit of government is executed with the Corporation, which shall contain at least the following:

- (i) the service(s) to be provided by the Corporation;
- (ii) the method by which the Corporation intends to provide the service(s) (i.e., the Corporation intends to contract with a private entity or perform the service(s) itself, or some blending of the various methods);
- (iii) the total cost of the project(s) to be undertaken by the Corporation; and
- (iv) written agreement by the third-party unit of government to contribute an agreed-upon portion of the stated project expenditures, along with the agreed-upon portion being contributed by the Authority, if any.

4.07 *Line Item Flexibility.* The Board and, if authorized by the Board, the President, has the authority to shift operation and maintenance funds from one line item of the Budget to another without the approval of the Authority.

4.08 *Reserve Fund.* The Budget may provide for one or more reserve funds for the replacement of scheduled assets, for capital improvements and reasonable reserves for future activities, debt, establishment of a capital reserve. Any unencumbered funds remaining at the end of the fiscal year shall be converted to the Reserve Fund.

4.09 *Other Funds.* Other funds, such as unrestricted charitable donations, may be used by the Board in accordance with the approved budget or, if not anticipated in the Budget, as the Board directs, provided that the limitation set out in Section 4.04, above or a capital cost of \$100,000 is not exceeded.

4.10 *Appropriations and Grants.* The Corporation shall have the power to request and accept any appropriations, grant, contribution, donation, or other form of aid from the federal government, the State, any political subdivision, or municipality in the State, or from any other source.

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4.11 *Sale or Transfer of Assets.* The Corporation may not sell, transfer or assign real property or permits of the Corporation, in whole or in part, without the approval of the Board. After approval by the Board, the proposed sale, transfer or assignment of the assets (“the Asset Transfer”) must be submitted to the Authority for approval. The Authority will approve or disapprove the Asset Transfer in whole or in part. Notwithstanding the foregoing, the Board shall not be required to obtain the consent of the Authority to sell, convey, or transfer to a third-party personal property of the Corporation determined by the Board to be surplus and which has a depreciated unit value of less than \$1000.00 per unit.

ARTICLE V
Indemnification of Directors and Officers

5.01 *Right to Indemnification.* Subject to the limitations and conditions as provided in this Article V and the Certificate, each person who was or is made a party, is threatened to be made a party to, or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a “proceeding”), or any appeal in such a proceeding or any inquiry or investigation that could lead to such a proceeding, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a Director or officer of the Corporation shall be indemnified by the Corporation to the fullest extent permitted by the Texas Nonprofit Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlement and reasonable expenses (including, without limitation, attorneys’ fees) actually incurred by such person in connection with such proceeding, and indemnification under this Article V shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnify hereunder. The rights granted pursuant to this Article V shall be deemed contract rights, and no amendment, modification or repeal of this Article V shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article V could involve indemnification for negligence or under theories of strict liability.

5.02 *Advance Payment.* The right to indemnification conferred in this Article V shall include the right to be paid in advance or reimbursed by the Corporation the reasonable expenses incurred by a person of the type entitled to be indemnified under Section 5.01 who was, is or is threatened to be made a named defendant or respondent in a proceeding in advance of the final disposition of the proceeding and without any determination as to the person’s ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such person in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of a written affirmation by such Director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article V and a written undertaking, by or on behalf of such person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Article V or otherwise.

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5.03 *Indemnification of Employees and Agents.* The Corporation, by adoption of a resolution of the Board, may indemnify and advance expenses to an employee or agent of the Corporation to the same extent and subject to the same conditions under which it may indemnify and advance expenses to Directors and officers under this Article V.

5.04 *Appearance as a Witness.* Notwithstanding any other provision of this Article V, the Corporation may pay or reimburse expenses incurred by a Director or officer in connection with his or her appearance as a witness or other participation in a proceeding involving the Corporation or its business at a time when he or she is not a named defendant or respondent in the proceeding.

5.05 *Non-exclusivity of Rights.* The right to indemnification and the advancement and payment of expenses conferred in this Article V shall not be exclusive of any other right which a Director or officer or other person indemnified pursuant to Section 5.03 of this Article V may have or hereafter acquire under any law (common or statutory), provision of the Certificate or these Bylaws, agreement or disinterested Directors or otherwise.

5.06 *Insurance.* The Corporation shall provide for the purchase and maintenance of insurance, at its expense, to protect itself and any person who is (or was) serving as a Director, officer, employee or agent of the Corporation or who is (or was) serving at the request of the Corporation as a Director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, proprietorship, employee benefit plan, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article V.

5.07 *Notification.* Any indemnification of or advance of expenses to a Director or officer in accordance with this Article V shall be reported in writing to the members of the Board with or before the notice of the next regular meeting of the Board and, in any case, within the ninety (90) day period immediately following the date of the indemnification or advance notification.

5.08 *Savings Clause.* If this Article V or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Director, officer or any other person indemnified pursuant to this Article V as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent permitted by any applicable portion of this Article V that shall not have been invalidated and to the fullest extent permitted by applicable law.

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ARTICLE VI
Additional Duties and Authority of the President; Employees

6.01 Additional Powers and Duties of the President.

(a) *Responsible for hiring and supervision of Employees.* The President shall be responsible for hiring and terminating the employees of the Corporation. Except to the extent provided (i) in a collective bargaining agreement to which the Corporation is a party or (ii) under applicable state or federal law or regulations, all employees hired by the President shall be terminable at-will and not be provided any term or promise of employment.

(c) *Spending Authority.* The President is authorized to approve expenditures, make purchases, and enter into contracts on behalf of the Corporation which require an expenditure not to exceed \$50,000 without Board approval as long as funds are budgeted and are available for the expenditure.

(d) *Annual Budget.* The President is responsible for the preparation of the Corporation's annual budget for consideration and approval by the Board.

6.02 *Contracting with the Authority.* The Corporation may contract with the Authority for utilization of employees of the Authority. The Corporation may, without compensation, use the services of employees the Authority with the prior written consent of the Authority's Chief Executive Officer. The Board is authorized to employ or contract for project-specific personnel to manage or to operate a service provided by the Corporation.

ARTICLE VII
Code of Ethics

7.01 *Policy.* It is the policy of the Corporation that Directors and officers conduct themselves in a manner consistent with sound business and ethical practices; that the public interest always be considered in conducting corporate business; that the appearance of impropriety be avoided to ensure and maintain public confidence in the Corporation; and that the Board establish policies to control and manage the affairs of the Corporation fairly, impartially, and without discrimination.

7.02 *Purpose.* This Code of Ethics has been adopted as part of the Corporation's Bylaws for the following purposes: (i) to encourage high ethical standards in official conduct by Directors and corporate officers; and (ii) to establish guidelines for such ethical standards of conduct.

ARTICLE VIII
Miscellaneous Provisions

8.01 *Seal.* The seal of the Corporation shall be such as may be from time to time approved by the Board. The seal of the Corporation shall not be required to be placed on a document in order for the document to be considered a valid act or agreement of the Corporation.

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8.02 *Notice and Waiver of Notice.* Whenever any notice, other than public notice of a meeting given to comply with the Open Meetings Act, is required to be given under the provisions of these Bylaws, such notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his or her post office address, as it appears on the books of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. If transmitted by facsimile or email, such notice shall be deemed to be delivered upon successful transmission of the facsimile or email. A Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting unless such attendance is for the purpose of objecting to the failure of notice. A waiver of notice, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

8.03 *Gender.* References herein to the masculine gender shall also refer to the feminine in all appropriate cases and vice versa.

8.04 *Distribution of Net Income; Return of Funds.* Notwithstanding Section 431.107 of the Act entitling the Authority at all times to have the right to equally receive the income earned by the Corporation, any income earned by the Corporation after payment of reasonable expenses, reasonable reserves for future activities, debt, establishment of a capital reserve, and establishment of a reserve for satisfaction of other legal obligations of the Corporation shall be retained by the Corporation and applied as a credit to the charges to the Authority for operations of the Corporation and/or other services provided by the Corporation to the Authority.

8.05 *Authority Access to Records of Corporation.* Notwithstanding the provisions of the Public Information Act or any exceptions contained therein to disclosure and the rights or limitations thereof regarding the review of records of Texas non-profit corporations, the Authority shall have a special right to review and obtain copies of the records of the Corporation, regardless of format, upon reasonable notice and during regular business hours of the Corporation; provided, however, such special right of access to the Authority shall not apply to records to which law or regulation expressly prohibit disclosure to third parties that would by definition include the Authority.

8.06 *Amendments.* A proposal to alter, amend or repeal these Bylaws shall be made by the affirmative vote of a majority of the entire Board at any regular meeting, or at any special meeting if notice of the proposed amendment be contained in the notice of said special meeting. However, any proposed change or amendment to these Bylaws must be approved by resolution of the Authority in order to be effective.

**DENTON COUNTY TRANSPORTATION AUTHORITY
RESOLUTION NO. 19-02**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY AUTHORIZING PREPARATION OF DOCUMENTS FOR CREATION OF A LOCAL GOVERNMENT CORPORATION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Board of Directors finds it will be beneficial to the Denton County Transportation Authority ("DCTA") and the public it serves to establish a local government corporation pursuant to Chapter 431 of the Texas Transportation Code to aid and/or act on behalf of DCTA to accomplish DCTA's governmental purposes;

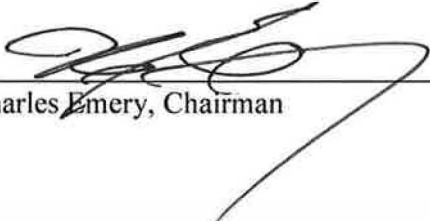
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY THAT:

SECTION 1. The Chief Executive Officer is authorized to proceed with the preparation of a certificate of formation and by-laws relating to the creation of a local government corporation pursuant to Chapter 431 of the Texas Transportation Code.

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 JANUARY, 2019.

APPROVED:




Charles Emery, Chairman

ATTEST:



Secretary

APPROVED AS TO FORM:



Peter G. Smith, General Counsel
(kbl:1-18-19:105473)



Board of Directors Memo

February 28, 2019

SUBJECT: Approve and Authorize CEO to Negotiate and Execute Task Order 1 Amendment 1 with Lockwood, Andrews & Newman, Inc. (LAN) for Cotton Belt Concept and Estimate Development

Background

The DART Cotton Belt design-build project concept includes the Downtown Carrollton commuter rail station, which is located north of the Downtown Carrollton light rail station and east of the light rail corridor. This station provides passenger connectivity between light rail and commuter rail services and allows space for a future additional commuter rail platform located just north of the Madill Subdivision for commuter rail service along the Madill Subdivision.

DCTA is considering a southern expansion of the A-train commuter rail service that will terminate at a commuter rail station located just north of the Cotton Belt corridor. This station would provide direct connectivity between the Cotton Belt and A-train commuter rail systems while providing a secondary point of connection between the A-train and the DART light rail system.

To facilitate informed decision making by DCTA, relative to the advancement of this contemplated expansion, additional information regarding the technical concept and associated scope and cost must be further developed.

Identified Need

The original task order included a preliminary evaluation of the expansion northward to TWU in Denton as well as the southern expansion to the Cotton Belt. Completion of the feasibility study and fatal flaw analysis of the southern expansion will require additional work. The amendment will include further concept development of a station area, a rough order of magnitude estimate, an assessment and analysis of existing agreements and the interface with DART and DGNO.

Financial Impact

The original task order to Lockwood, Andrews & Newman, Inc. was \$224,596.68. The total cost for amendment no. 1 is \$69,738.00, for a revised task order amount of \$294,334.68. The expenditures will be paid from the current budget for Planning Professional Services.

Recommendation

Staff recommends the Board of Directors authorize CEO to execute Task Order No. 1 Amendment no. 1 with Lockwood, Andrews & Newman, Inc.

Submitted By: 
Ann Boulden, Director of Capital Development

Final Review: 
Athena Forrester, AVP Regulatory Compliance/DBE Liaison

Approval: 
Raymond Suarez, Chief Executive Officer



Board of Directors Memo

February 28, 2019

SUBJECT: Approve and Authorize the CEO to Execute an Interlocal Agreement with SPAN, Inc.

Background

SPAN, Inc. approached DCTA to participate in a joint procurement for various items. Staff is currently developing specifications for joint procurements with SPAN. SPAN is a non-profit entity created under Chapter 460 of the Texas Transportation Code and is a recipient of Federal Transit Administration funds.

Identified Need

DCTA and SPAN staff have determined a need for a cooperative agreement to purchase like goods and services to avoid duplicate procurement efforts and obtain the benefits of volume purchasing. The parties desire to enter into a cooperative purchasing program which will allow each party to purchase goods and services under each other's competitively procured contracts and agreements and to complete joint procurements. DCTA and SPAN will enter into separate agreements with the selected vendors. SPAN's contracts will have no financial or legal impact on DCTA.

Financial Impact

There is no financial impact to the budget.

Recommendation

Staff recommends the Board of Directors authorize the CEO to execute an Interlocal Agreement with SPAN, Inc. for joint procurements.

Submitted By: 
Athena Forrester, AVP of Regulatory Compliance

Final Review: 
Marisa Perry, CPA, Chief Financial Officer/VP of Finance

Approval: 
Raymond Suarez, Chief Executive Officer

Board of Directors Memo

February 28, 2019

SUBJECT: Approval of Task Order 3 to Jacobs Engineering and Task Order 4 to Lockwood, Andrews, & Newnam, Inc. for On-Call Architecture and Engineering Services and Board Approval Threshold Increase for Future Task Orders

Background

A Request for Qualifications was released on June 8th, 2017, on BidSync for On-Call Architecture and Engineering Services. On July 14, 2017, DCTA received fourteen responses to our Request for Qualifications. Three firms were shortlisted and interviewed. Two on-call contracts were awarded, one to Jacobs Engineering (Jacobs) for General Architecture and Engineering Services and Environmental Services and the other to Lockwood, Andrews, & Newnam, Inc. (LAN) for Rail Engineering Services. Currently all task orders issued under the two on-call contracts are limited to \$25,000 and those exceeding \$25,000, are required to seek Board approval as per Board Memo dated September 28, 2017.

In January of 2018, the Board approved the change to the threshold level for approval of contracts, change orders, task orders, amendments and all other items from \$25,000 to \$50,000. However, the Board approval threshold for task orders issued under the two on-call contracts was not increased, and two task orders were issued without Board approval: Task Order 4 in the amount of \$44,084 to LAN on August 2, 2018 and Task Order 3 in the amount of \$43,055 to Jacobs on November 7, 2018.

On January 24, 2019, the Board of Directors approved the change to the threshold level for approval of contracts, change orders, task orders, amendments and all other items to \$75,000.

Staff is requesting the Board of Directors approve Task Order 3 to Jacobs & Task Order 4 to LAN and increase the Board approval threshold for future task orders to \$75,000 to be in alignment with the current threshold level. The increase in the task order threshold will allow for quicker processing of task orders and allow the projects to commence sooner. Typically, the time required to seek Board approval is approximately 14 or more days and could delay the project up to 30 days.

Identified Need

Approval of Task Order 3 to Jacobs, Task Order 4 to LAN and the Board approval threshold increase will align the task order threshold with the current threshold level, expedite the execution of task orders and will allow the projects to commence in a timely manner.

Financial Impact

Task Orders 3 & 4 and the increased Board approval threshold will not have any impact on the budget.

Recommendation

Staff is recommending the Board of Directors approve Task Order 3 to Jacobs Engineering & Task Order 4 to Lockwood, Andrews & Newman, Inc. and increase the Board approval threshold for future task orders to \$75,000 to be in alignment with the current threshold level.



Exhibits

The referenced Board Memos and Task Orders 3 & 4 are hereby attached for reference.

Submitted By: 
Sarah Martinez, Director of Procurement

Final Review: 
Athena Forrester, AVP Regulatory Compliance/DBE Liaison

Approval: 
Raymond Suarez, Chief Executive Officer

**Board of Directors Memo****September 28, 2017**

Subject: 1(e) Approve and Authorize the President to Execute Contracts with Jacob's Engineering and Lockwood, Andrews, & Newnam, Inc. for On-Call Architecture and Engineering Services

Background

A request for qualifications was released on June 8th, 2017, on BidSync for On-Call Architecture and Engineering Services. Firms were invited to submit responses for general architecture and engineering services, environmental engineering services, railroad specific engineering services, or any combination of those categories. Services will be on an as-needed basis over the contract term.

One-hundred thirty eight (138) suppliers viewed the solicitation documents.

On July 14, 2017, DCTA received fourteen (14) responses to our request for qualifications:

1. Freese & Nichols (General A/E, Environmental)
2. Corgan (General A/E)
3. Eikon (General A/E)
4. HNTB (General A/E, Rail)
5. Huitt-Zollars (General A/E)
6. Jacobs Engineering (General A/E, Environmental, Rail)
7. LCA Environmental (Environmental)
8. Lockwood, Andrews, & Newnam (General A/E, Rail)
9. RailPros (Rail)
10. Randall Scott Architects (General A/E)
11. Signal South (Rail)
12. TRC (General A/E, Environmental, Rail)
13. Urban Engineers (General A/E, Environmental, Rail)
14. VRX (Environmental)

Staff conducted reviews of the fourteen (14) responses and interviews with three (3) shortlisted firms. Staff recommends the award of the general architecture and engineering services and environmental services contract to Jacobs Engineering. Staff also recommends the award of the rail engineering services contract to Lockwood, Andrews, & Newnam (LAN).

Identified Need

DCTA requires occasional on-call services for general building projects, environmental reviews and assessments and railroad specific services such as bridge inspections, guideway and station planning and design on a task order basis.

Financial Impact

The initial contract will be for three (3) years with the option to extend for three (3) additional one (1) year terms. All contract work is task order based. Task orders will be negotiated and those exceeding \$25,000 will be presented to the Board for approval. Eligible projects will be reimbursed with grant funds.


Recommendation

Staff recommends the Board approve the award of on-call architecture and engineering services and authorize the President to execute contracts with Jacobs Engineering and Lockwood, Andrews, & Newnam, Inc.

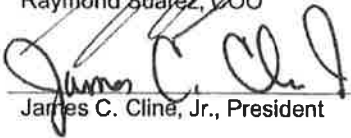
Submitted by:


Athena Forrester, CPPO, CPPB AVP of
Procurement

Final Review:

 for
Raymond Suarez, COO

Approval:


James C. Cline, Jr., President

Board of Directors Memo
2019**January 24,****SUBJECT:** Approval of Resolution R19-03 Changes to Board Threshold Approval for Contracts and Agreements**Background**

Currently all procurement recommendations for contract awards over \$50,000 are required to seek Board approval before the CEO can execute the agreements. Staff is requesting the Board of Directors increase the threshold level for approval for contracts and agreements to \$75,000.

The increase in the approval threshold dollar amount will allow for quicker processing of contracts/agreements and allow the projects to commence sooner. Typically, the time required to seek Board approval is approximately 14 or more days and could delay the project up to 30 days.

Current Board Approval Threshold	Proposed Approval Threshold	DART Board Approval Threshold	Trinity Metro Board Approval Threshold
\$50,000	\$75,000	\$100,000 for non-commercial items \$250,000 for all others	\$50,000* Trinity Metro is currently considering increasing their limit to \$100,000

In the previous twelve (12) month period a total of 22 items were presented to the Board for award. The statistics are as follows:

- 8 projects ranged from \$50k-\$100k, total award \$525,200
- 14 projects greater than \$100k, total award \$7.6 million

Additionally, Resolution 10-09 established the duties of the President; staff is requesting to amend the resolution and revise the threshold in item 11, to contract for personal and professional services not to exceed \$50,000 without further Board action. The limit is currently set at \$25,000.

Identified Need

Approval of the increase in the approval threshold amount will expedite the execution of contracts and will allow the projects to commence in a timely manner.

Committee Review

The information was presented to the Finance Committee at their January 14, 2019, meeting. The Finance Committee recommended forwarding the item to the Board of Directors for approval.

Financial Impact

This increased threshold level will not have any financial impact on the budget.


Recommendation

Staff is recommending the Board approve the increase in the threshold approval for CEO to award contracts to \$75,000 and increase the personal and professional services threshold to \$50,000 and approve resolution number T9-03.


Exhibits

Resolution 19-03

Submitted By:


Athena Forrester
AVP of Regulatory Compliance

Final Review:


Marisa Perry, CPA
Chief Financial Officer/VP of Finance

Approval:


Raymond Suarez
Chief Executive Officer



Denton County Transportation Authority

Task Order

Task Number:	3	Project ID:	N/A	Grant #	N/A
Contractor:	Jacobs Engineering Group				
Name:	Bus O&M Bridge and Drainage Evaluation				
DCTA Account Code: (Contract to be Billed Under)	500-50318 Bridge 570-50318 Cifads		Approved Budget Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
Project Lead	Ann Boulden				
Requested By	Ann Boulden				
Cost Estimate	\$43,055.00				
Not to Exceed Budget	\$43,055.00				
(Include Scope, Cost, and Deliverables with Schedule)					
Bus Operations and Maintenance Bridge and Drainage repair evaluation services. Changes are outlined in the attached Scope of Work and Fee Schedule.					
Contractor:			Date	11.7.18	
Department Head:			Date	11-7-18	
Vice President Bus. Ops & Maintenance:			Date	11/7/18	
CEO:			Date	11-7-18	

O&M work to be charged to 500-50318

DRC work to be charged to 570-50318

RS
MJB



EXHIBIT A

Denton County Transportation Authority Bus O & M Bridge and Drainage Repair

Scope of Work

October 27, 2018

This scope of work is to describe work to be performed by Jacobs on two tasks for the Denton County Transportation Authority at the Bus Operations and Maintenance Facility (DCTA). Task 1 is to produce repair plans for the settlement of the existing north approach paving to the vehicular bridge crossing the drainage channel. Task 2 is to produce repair and mitigation plans for the drainage issues around the Maintenance Building. Task 3 is for Construction Support services.

Task 1 – Repair of Vehicular Bridge

- **Site Visit:**
The Engineer to conduct one (1) field reconnaissance and collect data including a photographic record (to be maintained in Engineer's office) of notable existing bridge features and conduct a visual inspection of the existing structure and pavement to determine the location of removal limits and pavement joints.
- **Prepare Plans**
The Engineer to prepare plans for repair of settled pavement areas at the approach ends of the bridge. These plans to include the following detail sheets:
 - General & Construction Notes – 1 Sheet
 - Removal Plans – 1 Sheet
 - Paving Plan – 1 Sheet
 - Typical Sections and Miscellaneous Details – 2 Sheets
- **Engineer's Construction Cost Estimate**
The Engineer to prepare an estimate of construction cost.
- **Project Status Meeting**
The Engineer shall attend one (1) project status meeting with DCTA.

Task 2 – Repair of Maintenance Building Drainage

- **Site Visit:**
The Engineer to conduct one (1) field reconnaissance and collect data including a photographic record (to be maintained in Engineer's office) of notable existing building features and conduct a visual inspection of the existing structure and pavement to determine the location of removal limits and pavement joints.
- **Site Survey:**
The Engineer to perform existing topographic survey at the south side of the Maintenance/Admin/OPS Building driveway area to obtain as-built existing elevations along the building and driveway.
- **Prepare Plans**
The Engineer to prepare plans for repair of building drainage issues at the south end of the facility. The plans to include the following detail sheets:
 - Grading Plan Sheet
 - Typical Sections and Miscellaneous Details
- **Engineer's Construction Cost Estimate**
The Engineer to prepare an estimate of construction cost.
- **Project Status Meeting**
The Engineer shall attend one (1) project status meeting with DCTA.

Task 3 – Construction Support

- **Site Visit:**
The Engineer to conduct total of 2 site visits are included for interim site review and punch list.

Consultant shall not at any time supervise, direct, control, or have authority over any contractor work, nor shall Architect/Engineer have authority over or be responsible for the means, methods, techniques, sequences, or procedures of construction selected or used by any contractor, or the safety precautions and programs incident thereto, for security or safety at the Site, nor for any failure of a contractor to comply with Laws and Regulations applicable to such contractor's furnishing and performing of its work. The Consultant will not bear any responsibility or liability for such defects or deficiencies of the contractor or for the failure to so detect deficiencies in the work of the contractor.

- **Deliverables:**

The following Construction Support Deliverables will be performed:

- RFI / Submittal Review
- Site Visit Field Report
- Punch List

EXHIBIT B

**Denton County Transportation Authority
Bus O & M Bridge and Drainage Evaluation
Scope of Work
October 27, 2018**

Time & Materials Fee

Task 1

Repair Task 1 – Preparation of Repair Plans for Vehicular Bridge **\$ 20,765.00**

Task 2

Repair Task 2 – Preparation of Repair Plans for Maintenance Building **\$ 6,205.00**

Task 3

Construction Support Task 3 – Construction Support Services **\$ 12,955.00**

SUBTOTAL **\$39,925.00**

Direct Costs

Survey Crew / GPS **\$ 2,930.00**

Mileage **\$ 200.00**

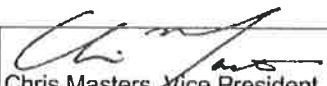
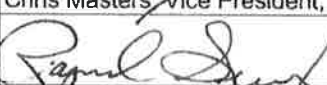
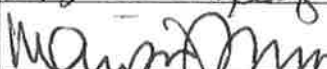
SUBTOTAL **\$3,130.00**

TOTAL **\$43,055.00**



Denton County Transportation Authority

Task Order

Task Number:	4	Project ID:	N/A	Grant #	
Contractor:	LAN, Inc.				
Name:	Crossing Replacements				
DCTA Account Code: (Contract to be Billed Under)	61714		Approved Budget Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
Project Lead	Ann Boulden				
Requested By	Ann Boulden				
Cost Estimate	\$44,084.00				
(Include Scope, Cost, and Deliverables with Schedule)					
Professional services to develop plans, specifications, bid pricing sheet, and estimated construction costs for crossing replacements as per the attached scope and estimated fees, dated 7/31/18.					
Contractor	 Chris Masters, Vice President, LAN			Date	August 1, 2018
Chief Operating Officer				Date	Aug 2, 2018
DCTA President	 for Jim Lane			Date	8.2.18

cmf

Task 4 – Crossing Replacements

Scope, Schedule and Staffing Summary

DCTA On-Call A&E Railroad Services

Date: 07/31/18

- Task 3: Develop Plans and Specifications for Crossing Replacements
 - Subtask 3-0: Scope and Fee Development
 - Subtask 3-1: Prepare Drawings
 - Cover Sheet
 - Index
 - General Notes Sheet
 - Quail Run Plan Sheet
 - Hundley Plan Sheet
 - Hickory Hills Plan Sheet
 - Sycamore Plan Sheet
 - Corinth Parkway Plan Sheet
 - Detail Sheet
 - Subtask 3-2: Review specifications and update as required
 - Subtask 3-3: Prepare Bid Pricing Sheet
 - Subtask 3-4: Prepare Opinion of Probable Construction Cost
 - Subtask 3-5: QA/QC Review – plans, specifications, bid pricing sheet and opinion of probable construction cost
 - Subtask 3-6: Bid Phase Services
 - Assist with Bidder's questions
 - Subtask 3-7: Provide Construction Phase Services
 - Composite Tie Shop Drawing Review (includes plate and fastener submittal review)
 - Crossing Panels Shop Drawing Review
 - Underdrain Pipe Shop Drawing Review
 - Review asphalt submittal
 - Review Ballast Submittal
 - Review geotextile submittal
 - Assist with RFIs
 - Site Visits – proposal includes allowance for 8 hours per location
 - Task Administration:
 - Staff Lead: Design Manager
 - Support Staff: Senior Engineer
 - CADD Technician
- *Schedule: Provide plans, specifications and opinion of probable construction cost four weeks after NTP.*



Deliverables: Plans, specifications, bid pricing sheet and opinion of probable construction costs. All deliverables will be delivered in portable document format except for the bid pricing sheet which will be delivered in excel spreadsheet format.

- *Exclusions*
 - *Field Survey services*
 - *Subsurface Utility Exploration – proposal is based on CTC providing locations of underground conduits and signal cables near the three crossings*
 - *Geotechnical Investigation*
 - *Attendance at site visit and pre-bid meeting*
 - *Attendance at construction kick-off meeting*
 - *Construction Materials Testing*
- *Additional Items Needed:*
 - *Previous Unit Price Bid Results and actual costs*
 - *DCTA to provide allowances for CTC and flagging to add to pricing sheet*

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LAN
Engineering Fee Estimate
7/31/2018

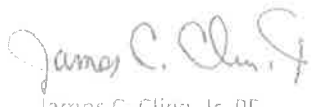
HOURLY RATES	Raw Labor	Multiplier	Hourly Rate
Project Manager	\$ 102.00	3.00	\$ 306.00
Task Manager	\$ 90.00	3.00	\$ 270.00
Design Manager	\$ 73.00	3.00	\$ 219.00
Sr. Engineer	\$ 56.00	3.00	\$ 168.00
Jr. Engineer	\$ 52.00	3.00	\$ 156.00
CADD Technician	\$ 49.00	3.00	\$ 147.00
Admin	\$ 31.00	3.00	\$ 93.00
TBD	\$ -	3.00	\$ -
TBD	\$ -	3.00	\$ -

cm

MEMORANDUM FOR RECORD

23 July 2018

Effective for the period 28 July 2018 to 12 August 2018, I delegate my authority to execute agreements and approve purchase orders IAW the approval authority granted by the DCTA Board of Directors to Raymond Suarez, DCTA COO. In his absence, this authority is delegated to Marisa Perry, DCTA CFO. In the case both are absent, this authority is delegated to Kristina Holcomb, DCTA VP Planning and Development. Transmit via most effective means the application of this authority to allow me to track items executed in my absence within a reasonable time frame. This delegation authority supersedes all previous delegations

A handwritten signature in dark ink, appearing to read "James C. Cline, Jr.", with a stylized flourish at the end.

James C. Cline, Jr. PE
DCTA President