



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

2910 East 5th Street
Austin, TX 78702

Wednesday, January 17, 2024

10:00 AM

Rosa Parks Boardroom

This meeting will be livestreamed at capmetrotx.legistar.com

I. Call to Order

II. Public Comment

III. Action Items

1. Approval of minutes from the December 4, 2023 Finance, Audit and Administration Committee meeting.
2. Approval of revisions to CapMetro's Reserves and Budgetary Contingencies Policy.

IV. Presentations

1. Internal Audit UT Intern Fall Project -- Greenhouse Gases and Environmental Reporting
2. Internal Audit FY2024 Audit Plan Status

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

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

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

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



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-1039

Agenda Date: 1/17/2024

Approval of minutes from the December 4, 2023 Finance, Audit and Administration Committee meeting.

Minutes
Capital Metropolitan
Transportation Authority
Finance, Audit and Administration
Committee

2910 East 5th Street
Austin, TX 78702

Monday, December 4, 2023

10:00 AM

Rosa Parks Boardroom

I. Call to Order

10:03 a.m. Meeting Called to Order

Present	Leslie Pool, Becki Ross, and Matt Harriss
Absent	Dianne Bangle

II. Public Comment

There was no public comment this month.

III. Action Items

1. Approval of minutes from the November 8, 2023 Finance, Audit and Administration Committee meeting.

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

Aye: Pool, Ross, and Harriss

2. Approval of a resolution authorizing the President & CEO, or her designee, to finalize and execute a temporary Master License Agreement with the City of Austin for the use of certain portions of CapMetro's Rail right of way and real property located at 2910 E 5th Street, Austin, Texas 78702, for the purpose of constructing, operating, and maintaining the MoKan Trail.

A motion was made by Pool, seconded by Harriss, that this Resolution be recommended for the action item agenda to the Board of Directors, due back on 12/18/2023. The motion carried by the following vote:

Aye: Pool, Ross, and Harriss

IV. Presentations

1. Internal Audit Semi-Annual Follow Up on prior audit recommendations
2. Internal Audit Fall 2023 UT Audit Intern Project Results

3. Internal Audit FY2024 Audit Plan Status

V. Items for Future Discussion

VI. Adjournment

ADA Compliance

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

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

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

Finance, Audit and Administration Committee
Agenda Date: 1/17/2024

Item #: AI-2023-1051

SUBJECT:

Approval of revisions to CapMetro's Reserves and Budgetary Contingencies Policy.

FISCAL IMPACT:

This action has no fiscal impact.

STRATEGIC PLAN:

Strategic Goal Alignment:

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

Strategic Objectives:

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

EXPLANATION OF STRATEGIC ALIGNMENT: Adequate reserves ensure the financial health and sustainability of the agency.

BUSINESS CASE: Sound governmental practices require the creation and maintenance of financial reserve and contingency accounts to help stabilize the budget when needed, or to accumulate funds for future spending requirements. Periodic review and updates to policies adopted by the Board of Directors are prudent to ensure they meet the ongoing needs of the Authority.

COMMITTEE RECOMMENDATION: This item was presented and recommended for approval by the Finance, Audit and Administration Committee on January 17, 2024.

EXECUTIVE SUMMARY: Attached is a copy of recommended minor revisions to CapMetro's Reserves and Budgetary Contingencies Policy, which update the agency's name within the policy from Capital Metro to

CapMetro.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply

RESPONSIBLE DEPARTMENT: Finance

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

**STATE OF TEXAS
COUNTY OF TRAVIS**

AI-2023-1051

WHEREAS, pursuant to Sec. 451.053 of the Texas Transportation Code, the Board of Directors is responsible for the management, operation and control of an authority and its property; and


WHEREAS, sound and prudent governmental financial practices require the accumulation and maintenance of reserves and contingencies to help stabilize the budget when needed; and

WHEREAS, it is prudent to periodically review and update policies to ensure they continue to meet the needs of the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the attached revisions to the Reserves and Budgetary Contingencies Policy are approved.

Date: _____

**Secretary of the Board
Becki Ross**

	Reserves and Budgetary Contingencies Policy FIN-220-11 Finance	Issued: September 24, 2010 Revised: January 2928, 202419 Approved by: Board of Directors
--	---	--

Reserves and Budgetary Contingencies Policy

Sound governmental practices require the creation and maintenance of financial reserve and contingency accounts to help stabilize the budget when needed, or to accumulate funds for future spending requirements. These accounts may be used to address funding issues that may occur periodically, such as temporary cash flow shortages, emergencies or other unforeseen events, long-term capital needs, and one-time opportunities.

It is the policy of the ~~Capital~~-Metro Board of Directors to establish conservative reserve and contingency targets consistent with the strategic plan, the long-range financial forecast, and State of Texas statutory requirements. Subdividing total reserves and contingencies into separate special purpose accounts for specific strategic purposes helps to provide guidance and structure when it becomes necessary to utilize these funds for appropriate needs.

Section 451.134 of the Texas Transportation Code establishes minimum reserve requirements for ~~Capital~~-Metro. The minimum reserve requirement is not less than an amount equal to actual operating expenses for two (2) months based on actual operating reserves for the twelve (12) months preceding the annual adjustment to the reserve.

~~Capital~~-Metro will maintain the following reserve and budgetary contingency accounts in addition to any cash balances that must be maintained to support current spending requirements. ~~Capital~~-Metro management will report quarterly to the Board of Directors and annually as part of budget development and long-range planning processes the reserve and budgetary contingency balances and any significant changes to the balances.

- A statutory operating reserve equal to at least two (2) months of operating expenses. The prior fiscal year's actual audited operating expenses will be used when calculating the allocation. The statutory operating reserve is to be used at the discretion of the Board of Directors only if the Board of Directors considers the expenditure necessary to address circumstances that could not have been planned or anticipated. Expenditures from the reserve should provide temporary financing for emergencies or unforeseen extraordinary needs.
- A capital project reserve equal to at least ten percent (10%) of the five-year annual average capital expenditure of the adopted Five-Year Capital Improvement Plan, but not less than \$2,000,000. The capital reserve is to be used at the discretion of the Board of Directors or the Chief Executive Officer for needed capital costs not already included in ~~Capital~~-Metro's budget for a given year.
- A budgetary operating contingency account equal to two percent (2%) of the prior fiscal year actual operating expenses, but not less than \$1,000,000. The operating contingency account is to be used at the discretion of the Board of Directors or the Chief Executive Officer to provide for unforeseen needs that arise during the year, including new service needs that are identified after the budget process. Transfers to and from the contingency account of \$150,000 or more should be reported to the Board of Directors quarterly.

- A self-insurance reserve equal to at least 25 percent (25%) of the prior fiscal year actual claim payments. The self-insurance reserve is to be used at the discretion of the Board of Directors only to fund claims not already included in Capital Metro's budget for a given year.
- A budget stabilization reserve ("rainy day fund") equal to one (1) month of annual average operating expenses. The budget stabilization reserve is to be used at the discretion of the Board of Directors for use in times of unexpected revenue shortfall caused by events such as significant economic downturns.
- Additional reserve may be created by the agency to set aside funds for specific future purposes. These reserves are to be used at the discretion of the Chief Executive Officer.

The reserve and budgetary contingency balances are to be reviewed annually during the budget development process to reflect the most recent financial information available. The allocations budgeted for these reserves will be published in the annual budget document and posted online, including the following information: (a) the balance at the end of the fiscal year, (b) deposits, (c) expenditures, and (d) interest income, if applicable.

Reserves and Budgetary Contingencies Policy

Sound governmental practices require the creation and maintenance of financial reserve and contingency accounts to help stabilize the budget when needed, or to accumulate funds for future spending requirements. These accounts may be used to address funding issues that may occur periodically, such as temporary cash flow shortages, emergencies or other unforeseen events, long-term capital needs, and one-time opportunities.

It is the policy of the CapMetro Board of Directors to establish conservative reserve and contingency targets consistent with the strategic plan, the long-range financial forecast, and State of Texas statutory requirements. Subdividing total reserves and contingencies into separate special purpose accounts for specific strategic purposes helps to provide guidance and structure when it becomes necessary to utilize these funds for appropriate needs.

Section 451.134 of the Texas Transportation Code establishes minimum reserve requirements for CapMetro. The minimum reserve requirement is not less than an amount equal to actual operating expenses for two (2) months based on actual operating reserves for the twelve (12) months preceding the annual adjustment to the reserve.

CapMetro will maintain the following reserve and budgetary contingency accounts in addition to any cash balances that must be maintained to support current spending requirements. CapMetro management will report quarterly to the Board of Directors and annually as part of budget development and long-range planning processes the reserve and budgetary contingency balances and any significant changes to the balances.

- A statutory operating reserve equal to at least two (2) months of operating expenses. The prior fiscal year's actual audited operating expenses will be used when calculating the allocation. The statutory operating reserve is to be used at the discretion of the Board of Directors only if the Board of Directors considers the expenditure necessary to address circumstances that could not have been planned or anticipated. Expenditures from the reserve should provide temporary financing for emergencies or unforeseen extraordinary needs.
- A capital project reserve equal to at least ten percent (10%) of the five-year annual average capital expenditure of the adopted Five-Year Capital Improvement Plan, but not less than \$2,000,000. The capital reserve is to be used at the discretion of the Board of Directors or the Chief Executive Officer for needed capital costs not already included in CapMetro's budget for a given year.
- A budgetary operating contingency account equal to two percent (2%) of the prior fiscal year actual operating expenses, but not less than \$1,000,000. The operating contingency account is to be used at the discretion of the Board of Directors or the Chief Executive Officer to provide for unforeseen needs that arise during the year, including new service needs that are identified after the budget process. Transfers to and from the contingency account of \$150,000 or more should be reported to the Board of Directors quarterly.

- A self-insurance reserve equal to at least 25 percent (25%) of the prior fiscal year actual claim payments. The self-insurance reserve is to be used at the discretion of the Board of Directors only to fund claims not already included in CapMetro's budget for a given year.
- A budget stabilization reserve ("rainy day fund") equal to one (1) month of annual average operating expenses. The budget stabilization reserve is to be used at the discretion of the Board of Directors for use in times of unexpected revenue shortfall caused by events such as significant economic downturns.
- Additional reserve may be created by the agency to set aside funds for specific future purposes. These reserves are to be used at the discretion of the Chief Executive Officer.

The reserve and budgetary contingency balances are to be reviewed annually during the budget development process to reflect the most recent financial information available. The allocations budgeted for these reserves will be published in the annual budget document and posted online, including the following information: (a) the balance at the end of the fiscal year, (b) deposits, (c) expenditures, and (d) interest income, if applicable.



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-1053

Agenda Date: 1/17/2024

Internal Audit UT Intern Fall Project -- Greenhouse Gases and Environmental Reporting

CapMetro

2023 Fall: GHG Reporting Project

UT Interns: Vanessa Li, Avery Smitheal

Project Sponsors: Robert Borowski & Terry Follmer

Advisory Objective & Scope

Objective

- This project evaluated CapMetro's current methods for tracking and reporting greenhouse gas emissions from:
 - Review and audit, Scope 1 & 2 emissions from purchased electricity, natural gas, fuel, refrigerants.
 - Evaluate methods and recommend for adding Scope 3 emissions- including waste generation, business travel, and employee commuting; and develop a set of best practices for implementing carbon accounting protocols.

Scope

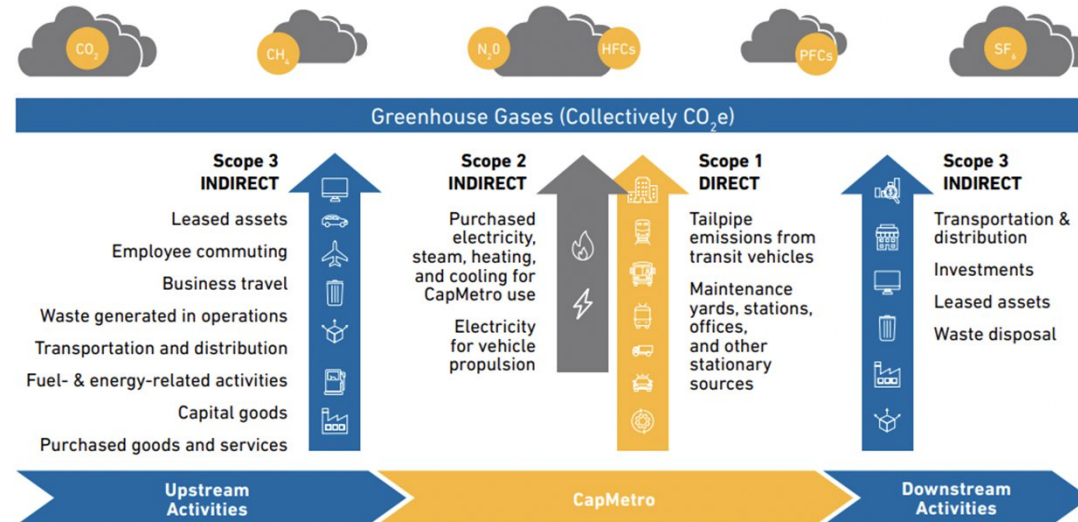
- Audit 2022 Scope 2 purchased electricity from one facility - Headquarters location (2910 East Fifth location, only)
- Analysis and a roadmap for including Scope 3 emissions sources using the Climate Registry Local Government and General Reporting Protocols.

GHGs and Business Activities

Scope 1 emissions: direct greenhouse gas emissions that occur from sources that are owned or controlled by the organization (i.e., burning fossil fuels in vehicles).

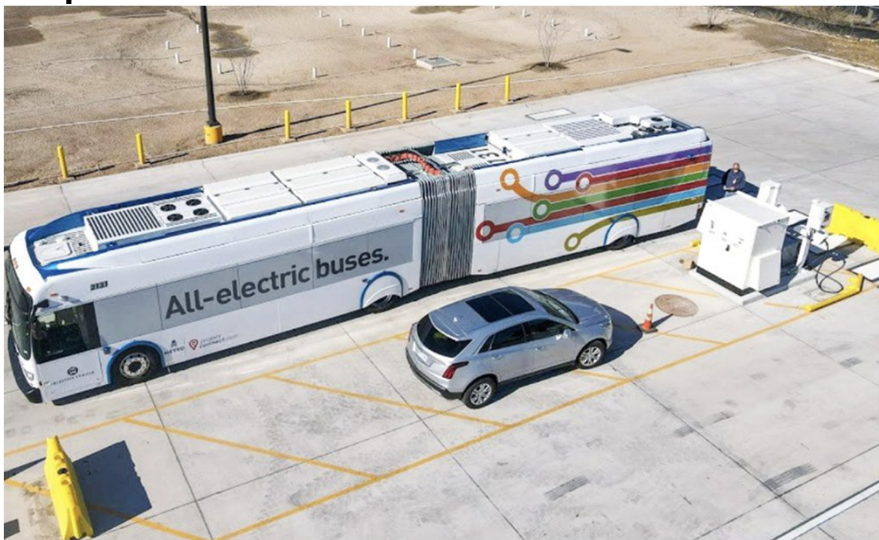
Scope 2 emissions: indirect greenhouse gas emissions associated with the generation of purchased electricity/energy consumed by organization (i.e., Austin Energy electricity, natural gas)

Scope 3 emissions: all other indirect emissions that occur in the organization's value chain (i.e., employee travel, business travel, waste generation and treatment)



Net Zero Carbon

Net Zero Carbon by 2040 is a primary goal of the Sustainability Vision Plan. In order to meet this goal, CapMetro will reduce emissions, use renewable energy, and implement other methods to prevent or remove emissions in the atmosphere.



Net Zero Carbon or Carbon Neutrality is the state where any GHG emissions released are balanced by an equal amount being taken out of the atmosphere.

The Climate Registry (TCR)



- The Climate Registry (TCR) is a non-profit organization that empowers North American organizations to be climate leaders by providing best-in-class programs and services for measuring and reducing carbon emissions.
- The Carbon Footprint Registry is North America's most trusted GHG reporting program and is the only voluntary carbon reporting program that is backed by U.S. states and Canadian provinces.
- CapMetro is a member of The Climate Registry, which gives them access their comprehensive range of tools and services, including reporting guidance, trainings and resources, and personal reporting support.
- TCR offers a pathway to complete carbon footprint analysis with increase rigor, governance and validation: Bronze, Silver, Gold, Platinum

Scope 2 Purchased Electricity (partial)

For one facility, evaluate CapMetro's process for tracking and reporting GHG's associate with electricity purchased. This is a partial audit

- **Findings:** CapMetro's process is consistent with the Climate Registry protocols.
- **Recommendations:** Enlist the services of a professional certified organization to complete a full, independent audit of all Scope 1 & 2 emissions

Facility Name*

Add new source or reactivate old?

Source Name*

Description

Country*

State/Province*

Activity Type*

Please select the most applicable answer in each dropdown below.

Filter 1*

Filter 2*

Filter 3*

Filter 4*

Quantity* kWh

CO2 Emission Factor lb/tWh

CH4 Emission Factor lb/GWh

N2O Emission Factor lb/GWh

Specify Custom EF (if applicable)

Pre-calculated GHG Amount (mt)

CO2e (mt)

Total CO2e

	Bill 11: 10/14/22 - 11/14/22	
Number of days in the billing period	31	
Usage per day (kWh per day)	5,838.71	
Number of days in October the bill spans	18	
Number of days in November the bill spans	13	
Usage in October (kWh)	105,096.77	Calendarized October total
Usage in November (kWh)	75,903.23	191,330.11
	Bill 12: 11/14/22 - 12/13/22	
Number of days in the billing period	29	
Usage per day (kWh per day)	5,620.69	
Number of days in November the bill spans	16	
Number of days in December the bill spans	13	
Usage in November (kWh)	89,931.03	Calendarized November total
Usage in December (kWh)	73,068.97	165,834.26
	Bill 13: 12/13/22 - 1/13/23	
Number of days in the billing period	31	
Usage per day (kWh per day)	5,548.39	
Number of days in December the bill spans	19	
Number of days in January the bill spans	12	
Usage in December (kWh)	105,419.35	Calendarized December total
Usage in January (kWh)	66,580.6	178,488.32
	Annual kWh	2,321,258

Austin Energy GreenChoice Program

- CapMetro subscribes to Austin Energy's GreenChoice program.
- X% of the electricity purchased from Austin Energy in 2022 is GreenChoice wind energy, with zero any greenhouse gas emissions.
- CapMetro is pursuing zero emission energy contracts with all energy providers.



GreenChoice®

Conclusion

- Scope 1 and Scope 2 accounted for the majority of CapMetro's total GHG emissions. This include emissions from vehicles that run on fossil fuels and from the energy that is used to power facilities.
- CapMetro's Scope 3 emissions accounted for an unknown portion of the total GHG emissions because data is harder to collect due to the nature of the activities that generate those emissions. However, data collection is feasible for business travel, employee commuting, and waste generated in operations, and recommendations for data collection methods are provided.
- CapMetro's practices are aligned with the TCR Silver Level recognition and can be elevated to the Gold/Platinum Level with the addition of a certified third-party audit.



CapMetro

Thank you!



Capital Metropolitan Transportation Authority

2910 East 5th Street
Austin, TX 78702

Finance, Audit and Administration Committee

Item #: AI-2023-1004

Agenda Date: 1/17/2024

Internal Audit FY2024 Audit Plan Status

FY24 INTERNAL AUDIT PLAN

Department Scorecard

	Projects	Status & % Complete	Additional Details
	<u>FAA COMMITTEE & INTERNAL AUDIT CHARTER COMPLIANCE</u>		
1	Finance, Audit & Administration (FAA) Committee Meetings: 10/11; 11/8; 12/4; 1/17; 2/14; 3/18; 4/10; 5/8; 6/12; 7/10; 8/12; 9/11	In-Process	
2	Semi-annual Implementation Status Report - November 2023	Completed	December
3	Semi-annual Implementation Status Report - May 2024		
4	FY2024 Risk Assessment & development of FY25 Audit Plan		
	<u>FY24 Audit Assurance & Advisory Projects</u>		
1	CapMetro/ATP Billing Processes		
2	Keolis Contract - Payroll Pass Through Controls	In-Process	
3	Hexagon (Infor) Enterprise Asset Mgt System - post go live review	In-Process	February
4	Paratransit & Demand Response Operations	In-Process	February
5	FastPath - Analyze Oracle segregation of duties	In-Process	
6	MV Contract - Payroll Pass Through Charges	In-Process	
7	Miscellaneous Revenue Controls	In-Process	Dec - March
8	GRC - automate Incidents/Accidents Reporting (Bus)	In-Process	
9	GHG & Carbon Footprint Reporting	Completed	UT Interns - Jan
10	Sales Taxes - Revenue Controls	Completed	UT Interns - Dec
11	Investment Income - Revenue Controls	Completed	UT Interns - Dec
12	Watco Freight Revenue - Revenue Controls	Completed	UT Interns - Dec
13	GRC - Contract Performance Management System Advisory (Bus, Rail, DR) - Quadrennial Performance Audit recommendations		
14	GRC (Governance Risk & Compliance) System Implementation (Risk Register; Safety Dept; Internal Audit Dept; etc.)		
15	Safety Management System (SMS) - Management of Change		
16	Bus Charging Infrastructure & EV Program		
17	AMP Cards & New Fare Systems		
18	United Healthcare & Other Self-Insured Benefits (TPA Payments)		
19	McKalla Station - Design Build Effectiveness		
20	NIST Cybersecurity Framework (CISA Facilitated Self Assessment) - re-assessment from 2023 baseline		CISA follow-up review (Spring)
21	Annual Cybersecurity Review (Mandiant)		
22	Quadrennial Performance Audit - Selection Process but FY25 Budget/Execution		
	<u>CONTINGENT AUDIT PROJECTS - FY24</u>		
1	Microsoft Sharepoint & Active Directory		
2	Salary Adjustment & Merit Process		
3	Rail-FRA PTC Change Management Requirements (Herzog)		
4	Board Policies/Goals - Monitoring & Reporting (e.g., OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)		
5	Capital Project Controls (McKalla Station; MetroRapid; DR N Facility Build;)		
6	Spare Labs.com - Demand Response System Implementation		
7	Lease Vehicle Program - non-Revenue Vehicles		

	<u>NEW PROJECTS ADDED TO FY24 AUDIT PLAN by Terry Follmer</u>		
1			
2			