



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

## **Board of Directors Work Session**

January 28, 2016 | 12:30 p.m.

1. Retirement Reception for Karen Rye
2. Routine Briefing Items
  - a. Financial Reports
    - i. Financial Statements – November/December 2015
    - ii. Capital Projects Report
    - iii. Sales Tax Report
    - iv. Investment Report 1Qtr FY2016
    - v. Procurement Report
    - vi. Grants Quarterly Report
  - b. Strategic Planning / Development
  - c. Marketing and Communications
  - d. Capital Projects Update
  - e. Transit Operations
3. Items for Discussion
  - a. Board Retreat Preparation
    - i. Logistics
    - ii. Agenda Review
    - iii. Review of Policies and Previous Planning Initiatives
  - b. Familiarization with the Video Recording equipment
4. Committee Chair Reports
  - a. Finance Committee (01/18/2016) Dave Kovatch, chair
5. Discussion of Regular Board Meeting Agenda Items (January 2016)
6. Convene Executive Session. The Board may convene the Work Session into Closed Executive Session for the following:
  - a. As Authorized by Section 551.074 of the Texas Government Code, the Work Session or Regular Board Meeting may be Convened into Closed

Executive Session for *Deliberation of Personnel: Annual President's Performance Review*.

- b. As Authorized by Section 551.071(2) of the Texas Government Code, the Work Session or 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.
  - c. As Authorized by Texas Government Code section 551.071 consultation with General Counsel regarding pending litigation Cause No 2011-30066-211; URS Corporation v. Denton County Transportation Authority; 211th District Court, Denton County, Texas.
  - d. 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, or Highland Village.
7. Reconvene Open Session
- a. Reconvene and Take Necessary Action on Items Discussed during Executive Session.
8. Discussion of Future Agenda Items
- a. Board Member Requests
9. ADJOURN

**Chair – Charles Emery**  
**Vice Chair – Paul Pomeroy**

**Secretary – Richard Huckaby**  
**Treasurer – Dave Kovatch**

**Members – Skip Kalb, Doug Peach, Jim Robertson, Tom Winterburn,  
Don Hartman, George A. Campbell, Allen Harris, Carter Wilson, Connie White**  
**President – Jim Cline**

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

This notice was posted on 1/22/2016 at 3:58 PM.

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Rusty Comer, Public Information Coordinator



## Board of Directors Memo

January 28, 2016

### Subject: Monthly Financial Reports - December

#### Background

The financial statements are presented monthly to the Board of Directors for acceptance. The reports presented for the period ending December 31, 2015 include the Statement of Change in Net Assets, Statement of Net Assets, and Capital Projects Fund. These reports provide a comparison of budget vs. actual for the fiscal year as of the current month.

The following are major variances which are annotated on the Statement of Change in Net Assets, Statement of Net Assets, and Capital Projects Fund:

#### Statement of Changes in Net Assets:

- **Note A:** Passenger Revenues – YTD unfavorable by (\$4k), because YTD actual fare per Connect rider is 3% below budget, at \$0.91 average fare per rider compared to \$0.96 as budgeted. Total rail and bus ridership is slightly above budget, at 859k riders compared to 851k budgeted.
- **Note B:** Contract Service Revenue – YTD favorable by \$17k because Frisco service revenue was not included in the budget (\$28k), offset by reduced fuel pass-through costs for UNT and NCTC.
- **Note C:** Sales Tax Revenue – December sales tax revenue is not yet received and is accrued for the month based on budget. Sales tax generated in December will be received in February. The Sales Tax Report included in this agenda packet provides a more detailed Budget to Actual comparison of FY16 sales tax receipts collected through January.
- **Note D:** Federal/State Grants-Capital – YTD favorable by \$111k because the expenses and corresponding reimbursement for the Lewisville Hike & Bike Trail were anticipated in the FY2015 budget (\$159k) rather than FY2016. These expenses were paid in October and reimbursement was requested at that time. This positive variance is partially offset by the expenses and corresponding reimbursements for the PTC project (\$47k) that have been delayed from the timing anticipated in the budget.
- **Note E:** Federal/State Grants-Operating – YTD unfavorable by (\$1.1 million) is attributable to a delay in grant funding for operating and ADA assistance (\$913k) as anticipated in the budget. These reimbursements will be requested in coming months. Two issues have delayed grant reimbursement drawdowns for federal operating grants:
  - 1) FTA has experienced some delays in converting to its new reporting system – Transit Award Management System (TrAMS) and due to timing of NCTCOG approvals for the 2015 Program of Projects the grants were not able to be executed prior to the switch over to the new FTA system. The 5307 grants are awarded to DCTA but are awaiting final review by FTA prior entry in the new TrAMS system.

- 2) Rail preventive maintenance expenses for 2016 are not reimbursable under the current contract with Herzog Transit Services as this one year contract had to be expedited and was not procured following federal requirements. The grant amount previously used for rail preventative maintenance was re-programmed for FY2016 and shifted to other eligible operating expenses. The re-programing of the grants funds has been completed and staff will be able to catch up the drawdown of these funds in the next few months.

A new longer term Rail O & M RFP is scheduled for release early this year and will include the required federal clauses. Preventative maintenance expenditures under this contract award will be eligible for grant reimbursements

**Capital Projects Fund**

- The Capital Projects Fund schedule provides budget to actual comparisons for DCTA bus and rail capital projects. It provides information on a life-to-date basis for approved projects.

**Identified Need**

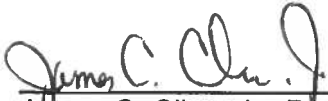
Provides the Board a review of DCTA's financial position and performance to budget.

**Recommendation**

Staff recommends acceptance.

Submitted by: Marisa Perry, CPA  
Controller

Final Review:   
Anna Mosqueda,  
CFO

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

**Denton County Transportation Authority  
Change in Net Assets  
Month and Year to Date December 31, 2015  
(Unaudited)**

WS 2(a)i

Description	Month Ended December 31, 2015			Year to Date December 31, 2015			Annual Budget	
	Actual	Budget	Variance	Actual	Budget	Variance		
<b>Revenue and Other Income</b>								
Passenger Revenues	101,716	92,738	8,978	381,777	385,811	(4,034)	1,542,909	Note A
Contract Service Revenue	185,120	179,391	5,729	894,632	877,422	17,210	3,263,687	Note B
Sales Tax Revenue	2,653,956	2,530,794	123,162	6,311,951	6,390,463	(78,512)	23,067,403	Note C
Federal/State Grants - Capital	669,941	256,333	413,608	856,255	744,999	111,256	6,109,914	Note D
Federal/State Grants - Operating	11,802	309,345	(297,543)	411,880	1,839,532	(1,427,652)	4,643,442	Note E
<b>Total Revenue and Other Income</b>	<b>3,622,535</b>	<b>3,368,601</b>	<b>253,934</b>	<b>8,856,495</b>	<b>10,238,227</b>	<b>(1,381,732)</b>	<b>38,627,355</b>	
<b>Operating Expenses</b>								
Salary, Wages and Benefits	867,408	750,687	(116,721)	2,174,926	2,385,265	210,339	9,394,250	
Services	200,654	201,331	677	407,868	813,491	405,623	2,468,584	
Materials and Supplies	141,407	297,017	155,610	486,991	1,031,543	544,552	3,825,083	
Utilities	47,814	43,213	(4,601)	72,074	129,639	57,565	511,361	
Insurance, Casualties and Losses	63,579	66,655	3,076	190,737	200,314	9,577	800,215	
Purchased Transportation Services	864,874	967,931	103,057	2,511,648	2,902,443	390,795	11,633,624	
Miscellaneous	7,892	22,615	14,722	39,286	112,578	73,292	281,346	
Leases and Rentals	10,206	9,682	(524)	38,695	29,046	(9,649)	216,183	
Depreciation	796,275	826,039	29,764	2,384,377	2,478,117	93,740	9,981,205	
<b>Total Operating Expenses</b>	<b>3,000,110</b>	<b>3,185,169</b>	<b>185,059</b>	<b>8,306,603</b>	<b>10,082,436</b>	<b>1,775,833</b>	<b>39,111,851</b>	
<b>Income Before Non-operating Revenue and Expense</b>	<b>622,426</b>	<b>183,432</b>	<b>438,994</b>	<b>549,892</b>	<b>155,791</b>	<b>394,101</b>	<b>(484,496)</b>	
<b>Non-Operating Revenues / (Expense)</b>								
Investment Income	3,607	1,667	1,940	10,465	5,001	5,464	20,000	
Gain (Loss) Disposal of Assets	-	-	-	-	-	-	-	
Fare Evasion Fee	150	125	25	375	375	-	1,500	
Other Income - Miscellaneous	2,492	-	2,492	9,548	-	9,548	-	
Long Term Debt Interest/Expense	(96,369)	(96,368)	(1)	(289,106)	(289,104)	(2)	(1,156,422)	
<b>Total Non-Operating Revenue / (Expense)</b>	<b>(90,120)</b>	<b>(94,576)</b>	<b>4,456</b>	<b>(268,718)</b>	<b>(283,728)</b>	<b>15,010</b>	<b>(1,134,922)</b>	
<b>Change in Net Assets</b>	<b>532,305</b>	<b>88,856</b>	<b>443,450</b>	<b>281,174</b>	<b>(127,937)</b>	<b>409,111</b>	<b>(1,619,418)</b>	

**Denton County Transportation Authority**  
**Statement of Net Assets**  
**As of December 31, 2015**  
**(Unaudited)**

	<u>December 31, 2015</u>	<u>November 30, 2015</u>	<u>Change</u>
<b>Current Assets</b>			
Cash & Cash Equivalents	10,459,441	10,164,903	294,538
Investments	6,129,546	6,186,265	(56,719)
Accounts & Notes Receivable	6,721,657	6,073,441	648,215
Prepaid Expenses	144,262	207,841	(63,579)
Inventory	26,149	17,867	8,282
Restricted Asset-Cash and Equivalents	4,342,335	4,341,528	807
<b>Total Current Assets</b>	<u>27,823,390</u>	<u>26,991,846</u>	<u>831,544</u>
<b>Property, Plant and Equipment</b>			
Land	16,228,337	16,228,337	-
Land Improvements	6,458,821	6,458,821	-
Machinery & Equipment	2,083,842	2,083,842	-
Leasehold Improvements	55,506	55,506	-
Vehicles	88,693,212	88,693,212	-
Computers & Software	1,180,676	1,180,676	-
Accumulated Depreciation	(40,529,940)	(39,733,665)	(796,275)
<b>Total Property, Plant and Equipment</b>	<u>74,170,453</u>	<u>74,966,728</u>	<u>(796,275)</u>
<b>Capital Assets</b>			
Intangible Assets	16,997,155	16,997,155	-
Other Capital Assets, Net	231,583,208	231,583,208	-
Construction in Progress	10,062,774	9,078,477	984,297
<b>Total Capital Assets</b>	<u>258,643,137</u>	<u>257,658,839</u>	<u>984,297</u>
<b>Total Assets</b>	<u><u>360,636,980</u></u>	<u><u>359,617,413</u></u>	<u><u>1,019,567</u></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	885,561	-	885,561
Salary, Wages, and Benefits Payable	497,012	475,269	21,742
Accrued Expenses Payable	1,764,265	2,357,091	(592,826)
Deferred Revenues	103,326	41,418	61,908
Interest Payable	289,106	192,737	96,369
<b>Total Current Liabilities</b>	<u>3,539,269</u>	<u>3,066,516</u>	<u>472,753</u>
<b>Non-Current Liabilities</b>			
Rail Easement Payable	1,400,000	1,400,000	-
Retainage Payable	1,574,632	1,560,124	14,508
Bonds Payable	31,965,000	31,965,000	-
<b>Total Non-Current Liabilities</b>	<u>34,939,632</u>	<u>34,925,124</u>	<u>14,508</u>
<b>Total Liabilities</b>	<u><u>38,478,901</u></u>	<u><u>37,991,639</u></u>	<u><u>487,261</u></u>
<b>Net Assets</b>			
Invested in Capital Assets	301,021,097	301,021,097	-
Unrestricted Retained Earnings	20,855,808	20,855,808	-
Change in Net Assets	281,174	(251,131)	<b>532,305</b>
<b>Total Equity</b>	<u>322,158,079</u>	<u>321,625,774</u>	<u>532,305</u>
<b>Total Liabilities and Equity</b>	<u><u>360,636,980</u></u>	<u><u>359,617,413</u></u>	<u><u>1,019,567</u></u>



## Board of Directors Memo

January 28, 2016

### Subject: Monthly Financial Reports - November

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#### Statement of Changes in Net Assets:

- **Note A:** Passenger Revenues – YTD unfavorable by (\$13k). YTD actual rail ridership is 3% below budgeted ridership of 115k, and YTD Connect ridership is 6% below budgeted ridership of 118k. Additionally, actual fare per bus rider is 5% below budget, at \$0.91 average fare per rider compared to \$0.95 as budgeted.
- **Note B:** Contract Service Revenue – YTD favorable by \$11k because revenue hours were 13% higher than budgeted for October and November.
- **Note C:** Sales Tax Revenue – November sales tax revenue is accrued for the month based on budget. Sales tax generated in November is received in January.
- **Note D:** Federal/State Grants-Capital – YTD unfavorable by (\$302k) because the expenses and corresponding reimbursement for PTC have been delayed from the timing anticipated in the budget. As expenses are incurred for this project, reimbursement will be requested.
- **Note E:** Federal/State Grants-Operating – YTD unfavorable by (\$1.1 million) is attributable to a delay in grant funding for operating and ADA assistance (\$913k) as anticipated in the budget. These reimbursements will be requested in coming months. Two issues have delayed grant reimbursement drawdowns for federal operating grants:
  - 1) FTA has experienced some delays in converting to its new reporting system – Transit Award Management System (TrAMS) and due to timing of NCTCOG approvals for the 2015 Program of Projects the grants were not able to be executed prior to the switch over to the new FTA system. The 5307 grants are awarded to DCTA but are awaiting final review by FTA prior entry in the new TrAMS system.
  - 2) Rail preventive maintenance expenses for 2016 are not reimbursable under the current contract with Herzog Transit Services as this one year contract had to be expedited and was not procured following federal requirements. The grant amount previously used for rail preventative maintenance was re-programmed for FY2016 and shifted to other eligible operating expenses. The re-programming of the grants funds has been completed and staff will be able to catch up the drawdown of these funds in the next few months.

A new longer term Rail O & M RFP is scheduled for release early this year and will include the required federal clauses. Preventative maintenance expenditures under this contract award will be eligible for grant reimbursements

**Capital Projects Fund**

- The Capital Projects Fund schedule provides budget to actual comparisons for DCTA bus and rail capital projects. It provides information on a life-to-date basis for approved projects.

**Identified Need**


Provides the Board a review of DCTA's financial position and performance to budget.

**Recommendation**

Staff recommends acceptance.

Submitted by: Marisa Perry, CPA  
Controller

Final Review:   
Anna Mosqueda,  
CFO

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



**Denton County Transportation Authority**  
**Change in Net Assets**  
**Month and Year to Date November 30, 2015**  
**(Unaudited)**

WS 2(a)i

Description	Month Ended November 30, 2015			Year to Date November 30, 2015			Annual Budget	
	Actual	Budget	Variance	Actual	Budget	Variance		
<b>Revenue and Other Income</b>								
Passenger Revenues	115,445	130,155	(14,710)	280,060	293,073	(13,013)	1,542,909	Note A
Contract Service Revenue	327,230	324,234	2,996	709,512	698,031	11,481	3,263,687	Note B
Sales Tax Revenue	1,634,467	1,836,141	(201,674)	3,657,995	3,859,669	(201,674)	23,067,403	Note C
Federal/State Grants - Capital	19,674	256,333	(236,659)	186,314	488,666	(302,352)	6,109,914	Note D
Federal/State Grants - Operating	323,891	308,895	14,996	400,078	1,530,187	(1,130,109)	4,643,442	Note E
<b>Total Revenue and Other Income</b>	<b>2,420,707</b>	<b>2,855,758</b>	<b>(435,051)</b>	<b>5,233,959</b>	<b>6,869,626</b>	<b>(1,635,667)</b>	<b>38,627,355</b>	
<b>Operating Expenses</b>								
Salary, Wages and Benefits	609,928	772,119	162,191	1,307,518	1,634,578	327,060	9,394,250	
Services	99,162	217,092	117,930	207,213	612,160	404,947	2,468,584	
Materials and Supplies	146,802	355,497	208,695	345,584	734,526	388,942	3,825,083	
Utilities	12,803	43,213	30,410	24,261	86,426	62,165	511,361	
Insurance, Casualties and Losses	63,579	65,686	2,107	127,158	143,348	16,190	800,215	
Purchased Transportation Services	956,523	967,481	10,958	1,646,774	1,934,512	287,738	11,633,624	
Miscellaneous	15,389	21,538	6,149	31,394	89,964	58,570	281,346	
Leases and Rentals	9,749	9,682	(67)	28,489	19,364	(9,125)	216,183	
Depreciation	795,773	826,039	30,266	1,588,102	1,652,078	63,976	9,981,205	
<b>Total Operating Expenses</b>	<b>2,709,709</b>	<b>3,278,347</b>	<b>568,638</b>	<b>5,306,493</b>	<b>6,906,955</b>	<b>1,600,462</b>	<b>39,111,851</b>	
<b>Income Before Non-operating Revenue and Expense</b>	<b>(289,002)</b>	<b>(422,589)</b>	<b>133,587</b>	<b>(72,533)</b>	<b>(37,329)</b>	<b>(35,204)</b>	<b>(484,496)</b>	
<b>Non-Operating Revenues / (Expense)</b>								
Investment Income	2,756	1,667	1,089	6,858	3,334	3,524	20,000	
Gain (Loss) Disposal of Assets	-	-	-	-	-	-	-	
Fare Evasion Fee	150	125	25	225	250	(25)	1,500	
Other Income - Miscellaneous	4,291	-	4,291	7,056	-	7,056	-	
Long Term Debt Interest/Expense	(96,369)	(96,368)	(1)	(192,737)	(192,736)	(1)	(1,156,422)	
<b>Total Non-Operating Revenue / (Expense)</b>	<b>(89,171)</b>	<b>(94,576)</b>	<b>5,405</b>	<b>(178,598)</b>	<b>(189,152)</b>	<b>10,554</b>	<b>(1,134,922)</b>	
<b>Change in Net Assets</b>	<b>(378,173)</b>	<b>(517,165)</b>	<b>138,992</b>	<b>(251,131)</b>	<b>(226,481)</b>	<b>(24,650)</b>	<b>(1,619,418)</b>	

**Denton County Transportation Authority**  
**Statement of Net Assets**  
**As of November 30, 2015**  
**(Unaudited)**

	<u>November 30, 2015</u>	<u>October 31, 2015</u>	<u>Change</u>
<b>Current Assets</b>			
Cash & Cash Equivalents	10,164,903	10,131,413	33,490
Investments	6,186,265	7,882,839	(1,696,574)
Accounts & Notes Receivable	6,073,441	6,421,428	(347,986)
Prepaid Expenses	207,841	271,420	(63,579)
Inventory	17,867	20,712	(2,845)
Restricted Asset-Cash and Equivalents	4,341,528	3,650,799	690,729
<b>Total Current Assets</b>	<u>26,991,846</u>	<u>28,378,611</u>	<u>(1,386,765)</u>
<b>Property, Plant and Equipment</b>			
Land	16,228,337	16,228,337	-
Land Improvements	6,458,821	6,458,821	-
Machinery & Equipment	2,083,842	2,030,358	53,483
Leasehold Improvements	55,506	55,506	-
Vehicles	88,693,212	88,693,212	-
Computers & Software	1,180,676	1,180,676	-
Accumulated Depreciation	(39,733,665)	(38,937,892)	(795,773)
<b>Total Property, Plant and Equipment</b>	<u>74,966,728</u>	<u>75,709,018</u>	<u>(742,290)</u>
<b>Capital Assets</b>			
Intangible Assets	16,997,155	16,997,155	-
Other Capital Assets, Net	231,583,208	230,821,306	761,902
Construction in Progress	9,078,477	9,851,505	(773,029)
<b>Total Capital Assets</b>	<u>257,658,839</u>	<u>257,669,966</u>	<u>(11,127)</u>
<b>Total Assets</b>	<u>359,617,413</u>	<u>361,757,595</u>	<u>(2,140,182)</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	-	1,882,511	(1,882,511)
Salary, Wages, and Benefits Payable	475,269	467,107	8,163
Accrued Expenses Payable	2,357,091	2,316,309	40,782
Deferred Revenues	41,418	66,229	(24,811)
Interest Payable	192,737	96,369	96,369
<b>Total Current Liabilities</b>	<u>3,066,516</u>	<u>4,828,524</u>	<u>(1,762,009)</u>
<b>Non-Current Liabilities</b>			
Rail Easement Payable	1,400,000	1,400,000	-
Retainage Payable	1,560,124	1,560,124	-
Bonds Payable	31,965,000	31,965,000	-
<b>Total Non-Current Liabilities</b>	<u>34,925,124</u>	<u>34,925,124</u>	<u>-</u>
<b>Total Liabilities</b>	<u>37,991,639</u>	<u>39,753,648</u>	<u>(1,762,009)</u>
<b>Net Assets</b>			
Invested in Capital Assets	301,021,097	301,021,097	-
Unrestricted Retained Earnings	20,855,808	20,855,808	-
Change in Net Assets	(251,131)	127,042	<b>(378,173)</b>
<b>Total Equity</b>	<u>321,625,774</u>	<u>322,003,947</u>	<u>(378,173)</u>
<b>Total Liabilities and Equity</b>	<u>359,617,413</u>	<u>361,757,595</u>	<u>(2,140,182)</u>

## Budget vs. Actual

As of December 31, 2015

(Cash Basis)

	Original Budget	Revised Budget	December 2015 Expenses Booked	Life To Date	\$ Under/(Over) Budget	% of Budget (As of December 2015 Close)
<b>ASSETS</b>						
Fixed Assets						
1660 - Construction Work in Progress						
<b>1 - G&amp;A Capital Projects</b>						
Total 10401 - Cloud Hybrid Backup Solution	35,000	35,000	-	-	35,000	0%
Total 10402 - Shortel Phone System	45,000	85,000	-	-	85,000	0%
Total 10601 - COGNOS Report Application	200,000	200,000	-	-	200,000	0%
Total 10602 - Comprehensive Service Analysis	567,414	567,414	32,786	133,589	433,825	24%
Total 10603 - Legal Support	226,753	226,753	85	11,001	215,753	5%
<b>Total 1 - G&amp;A Capital Projects</b>	<b>1,074,167</b>	<b>1,114,167</b>	<b>32,871</b>	<b>144,590</b>	<b>969,577</b>	<b>13%</b>
<b>5 - Bus Capital Projects</b>						
Total 50204 - Transit Enhancements (2015-16)	165,000	165,000	3,782	12,330	152,670	7%
Total 50301 - Bus O&M Facility	8,142,667	11,497,555	54,778	11,384,047	113,508	99%
Total 50505 - Fleet Replacement (2015)	395,000	1,634,000	-	62,000	1,572,000	4%
Total 50408 - Bus Radios	137,457	120,870	-	106,754	14,116	88%
Total 50409 - Bus Fleet Cameras	149,500	149,500	-	-	149,500	0%
Total 50507 - Fleet (2016)	1,250,000	1,250,000	-	-	1,250,000	0%
Total 50601 - Scheduling Software (Bus)	250,000	250,000	-	-	250,000	0%
<b>Total 5 - Bus Capital Projects</b>	<b>10,489,624</b>	<b>15,066,925</b>	<b>58,560</b>	<b>11,565,131</b>	<b>3,501,794</b>	<b>77%</b>
<b>6 - Rail Construction</b>						
Total 61401 - Fare Collection Systems	569,000	733,104	18,315	682,258	50,846	93%
Total 61406 - Positive Train Control	15,997,441	21,902,951	799,611	2,158,720	19,744,231	10%
Total 61708 - Lewisville Bike Trail	3,099,856	3,099,856	1,360	1,985,051	1,114,805	64%
Total 60701 - Passenger Information	56,214	96,821	-	61,411	35,410	63%
Total 61712 - Rail MOE	585,000	1,302,627	-	964,255	338,372	74%
Total 61503 - Rail Single Car Operations	101,800	101,800	-	26,221	75,579	26%
Total 61505 - GTW Wheel Work	915,041	915,041	-	441,057	473,984	48%
Total 61604 - Rail Mobilization (2015)	2,119,517	2,119,517	-	-	2,119,517	0%
Total 61209 - Trinity Mills Crew Facility	250,000	250,000	-	32,528	217,472	13%
Total 61210 - Station Landscaping	75,000	485,000	57,330	82,935	402,065	17%
Total 61407 - Shunt Enhancement	141,000	141,000	-	96,546	44,454	68%
Total 61104 - Rail Drainage Improvement	250,000	500,000	3,175	399,785	100,215	80%
Total 61713 - Disaster Recovery - 2015 Floods	1,000,000	1,500,000	13,076	229,435	1,270,565	15%
Total 61714 - Rail Capital Maintenance	745,000	745,000	-	-	745,000	0%
Total 61506 - Stadler Spare Parts	150,000	150,000	-	-	150,000	0%
Total 61507 - ABB Stadler Spare Parts	276,000	276,000	-	-	276,000	0%
Total 61715 - Trail Safety Improvements	139,657	139,657	-	-	139,657	0%
<b>Total Rail Construction Projects</b>	<b>26,470,526</b>	<b>34,458,374</b>	<b>892,866</b>	<b>7,160,202</b>	<b>27,298,172</b>	<b>21%</b>
<b>Total 1660 - Construction Work in Progress</b>	<b>38,034,317</b>	<b>50,639,466</b>	<b>984,297</b>	<b>18,869,923</b>	<b>31,769,543</b>	<b>37%</b>



## Board of Directors Memo

January 28, 2016

### Subject: Sales Tax Report

#### Background

Sales tax represents the single largest source of revenue for DCTA at 59.68% for FY16 budget. The annual Sales Tax budget for FY 2016 is \$23,067,403. Because of its importance in funding of DCTA's ongoing operations, the Board adopted a Budget Contingency Plan that outlines the Agency's response when declines in sales tax hit a specific target. This month, receipts were favorable compared to budget. The January allocation is for sales generated in the month of November and represents revenue for the second month of FY 2016.

- Sales tax for sales generated at retail in the month of November and received in January was \$1,959,303.
- This represents an increase of 6.71% or \$123,162 compared to budget for the month.
- Receipts are unfavorable 2.03% year-to-date compared to budget.
- Compared to the same month last year, sales tax receipts were \$193,783 or 10.98% more.
  
- Member city collections for the month compared to prior year are as follows:
  - City of Lewisville up 5.70%
  - City of Denton up 6.58%
  - Highland Village up 6.45%

#### Need

Provides the Board of Directors a monthly status on Sales Tax collections.

#### Recommendation

For information only. No action required.

#### Final Review:

  
 Anna Mosqueda,  
 CFO

**Denton County Transportation Authority (DCTA)  
Sales Tax Report  
Budget to Actual and Previous Year Comparison**

Sales Generated in Month of:	Received in Month of:	2015-2016 Year Budget	2015-2016 Year Actual	Variance Actual to Budget	CY Actual to CY Budget % Variance	2014-2015 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance
October	December	\$ 2,023,528	\$ 1,821,854	\$ (201,674)	-9.97%	\$ 1,945,700	\$ (123,846)	-6.37%
November	January	\$ 1,836,141	\$ 1,959,303	\$ 123,162	6.71%	\$ 1,765,520	\$ 193,783	10.98%
December	February	\$ 2,530,794				\$ 2,433,456		
January	March	\$ 1,812,076				\$ 1,742,381		
February	April	\$ 1,629,477				\$ 1,566,805		
March	May	\$ 1,967,178				\$ 2,074,176		
April	June	\$ 1,750,519				\$ 1,803,955		
May	July	\$ 1,809,657				\$ 1,757,537		
June	August	\$ 2,009,992				\$ 2,104,123		
July	September	\$ 1,755,537				\$ 1,825,970		
August	October	\$ 1,865,219				\$ 2,082,973		
September	November	\$ 2,077,285				\$ 2,159,150		
<b>YTD Total</b>		<b>\$ 23,067,403</b>	<b>\$ 3,781,157</b>	<b>\$ (78,512)</b>	<b>-2.03%</b>	<b>\$ 23,261,746</b>	<b>\$ 69,937</b>	<b>1.88%</b>

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department  
 Prepared By: Denton County Transportation Authority Finance Department  
 January 22, 2016

**Denton County Transportation Authority (DCTA)  
Member Cities Sales Tax Report  
Month Allocation is Received from Comptroller  
Previous Year Comparison**

City of Lewisville					
Sales Generated in Month of:	Received in Month of:	2014-2015 Year Actual	2015-2016 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance
October	December	\$ 2,532,839	\$ 2,537,910	\$ 5,072	0.20%
November	January	\$ 2,404,460	\$ 2,541,494	\$ 137,034	5.70%
December	February	\$ 3,407,084			
January	March	\$ 2,479,995			
February	April	\$ 2,194,340			
March	May	\$ 2,920,317			
April	June	\$ 2,570,323			
May	July	\$ 2,441,318			
June	August	\$ 2,867,226			
July	September	\$ 2,531,076			
August	October	\$ 2,996,730			
September	November	\$ 3,013,889			
<b>YTD Total</b>		<b>\$ 32,359,597</b>	<b>\$ 5,079,405</b>	<b>\$ 142,106</b>	<b>2.88%</b>

City of Highland Village					
Sales Generated in Month of:	Received in Month of:	2014-2015 Year Actual	2015-2016 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance
October	December	\$ 268,275	\$ 290,956	\$ 22,682	8.45%
November	January	\$ 283,432	\$ 301,727	\$ 18,295	6.45%
December	February	\$ 441,441			
January	March	\$ 249,723			
February	April	\$ 220,832			
March	May	\$ 319,961			
April	June	\$ 275,169			
May	July	\$ 317,874			
June	August	\$ 330,952			
July	September	\$ 276,336			
August	October	\$ 264,926			
September	November	\$ 342,868			
<b>YTD Total</b>		<b>\$ 3,591,789</b>	<b>\$ 592,684</b>	<b>\$ 40,977</b>	<b>7.43%</b>

City of Denton					
Sales Generated in Month of:	Received in Month of:	2014-2015 Year Actual	2015-2016 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance
October	December	\$ 2,345,573	\$ 2,246,579	\$ (98,994)	-4.22%
November	January	\$ 2,197,657	\$ 2,342,199	\$ 144,542	6.58%
December	February	\$ 3,020,338			
January	March	\$ 2,109,216			
February	April	\$ 1,852,968			
March	May	\$ 2,678,550			
April	June	\$ 2,152,181			
May	July	\$ 2,107,901			
June	August	\$ 2,682,604			
July	September	\$ 2,259,012			
August	October	\$ 2,584,144			
September	November	\$ 2,727,016			
<b>YTD Total</b>		<b>\$ 28,717,159</b>	<b>\$ 4,588,778</b>	<b>\$ 45,548</b>	<b>1.00%</b>

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department  
Prepared By: Denton County Transportation Authority Finance Department  
January 22, 2016

**All Transit Agencies  
Monthly Sales and Use Tax Comparison Summary**

<b>Transit</b>	<b>Current Rate</b>	<b>Net Payment This Period</b>	<b>Comparable Payment Prior Year</b>	<b>% Change</b>	<b>2016 Payments (Calendar)</b>	<b>2015 Payments (Calendar)</b>	<b>% Change</b>
<b>Houston MTA</b>	1.00%	\$ 55,658,285.62	\$ 56,759,016.99	-1.94%	\$ 55,658,285.62	\$ 56,759,016.99	-1.94%
<b>Dallas MTA</b>	1.00%	\$ 40,354,389.54	\$ 38,113,053.94	5.88%	\$ 40,354,389.54	\$ 38,113,053.94	5.88%
<b>Austin MTA</b>	1.00%	\$ 16,941,530.35	\$ 15,903,038.20	6.53%	\$ 16,941,530.35	\$ 15,903,038.20	6.53%
<b>San Antonio MTA</b>	0.50%	\$ 10,285,979.53	\$ 10,223,444.73	0.61%	\$ 10,285,979.53	\$ 10,223,444.73	0.61%
<b>San Antonio ATD</b>	0.25%	\$ 4,653,083.24	\$ 4,543,779.15	2.41%	\$ 4,653,083.24	\$ 4,543,779.15	2.41%
<b>Fort Worth MTA</b>	0.50%	\$ 5,026,588.12	\$ 5,057,012.97	-0.60%	\$ 5,026,588.12	\$ 5,057,012.97	-0.60%
<b>El Paso CTD</b>	0.50%	\$ 3,324,058.64	\$ 3,233,736.95	2.79%	\$ 3,324,058.64	\$ 3,233,736.95	2.79%
<b>Corpus Christi MTA</b>	0.50%	\$ 2,489,495.03	\$ 2,590,036.31	-3.88%	\$ 2,489,495.03	\$ 2,590,036.31	-3.88%
<b>Denton CTA</b>	0.50%	\$ 1,959,302.97	\$ 1,765,520.47	10.98%	\$ 1,959,302.97	\$ 1,765,520.47	10.98%
<b>Laredo CTD</b>	0.25%	\$ 639,178.89	\$ 674,857.65	-5.29%	\$ 639,178.89	\$ 674,857.65	-5.29%
<b>TOTALS</b>		<b>\$ 141,331,891.93</b>	<b>\$ 138,863,497.36</b>	<b>1.78%</b>	<b>\$ 141,331,891.93</b>	<b>\$ 138,863,497.36</b>	<b>1.78%</b>

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department  
 Prepared By: Denton County Transportation Authority Finance Department  
 January 22, 2016



## Investment Portfolio Summary

### Denton County Transportation Authority



For the Quarter Ended

December 31, 2015

Prepared by  
FirstSouthwest Asset Management





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### Report Name

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Executive Summary

Benchmark Comparison

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Earned Income

Investment Transactions

Amortization and Accretion

Projected Fixed Income Cash Flows

#### MARKET RECAP - DECEMBER 2015:

After a year-long countdown, liftoff finally came in December. Seven years to the day after cutting the overnight fed funds target rate to a range of 0.00%-0.25%, the Federal Reserve finally saw fit to raise the benchmark rate by a mostly symbolic 25 basis points, to a range of 0.25%-0.50%. Current expectations suggest additional 25 basis point hikes will come roughly once per quarter through 2016. That pace would take the fed funds rate to 1.25%-1.50% by the end of the year. That would be a very modest pace of rate hikes by historical standards. The Fed's decision to begin raising the fed funds rate comes despite some lingering doubts about the health of the overall economy and very tame price pressures as a strong dollar, falling commodities prices and oil below \$40 per barrel keep inflation at bay.

The ISM manufacturing index stands as exhibit one for those raising the caution flag as it slipped to 48.6 in November, dropping below the 50 level, signaling contraction for the first time since 2012 and reaching the lowest level since 2009. The non-manufacturing index fell more than expected, but remains relatively strong at 55.9. The November employment report was better than forecast with the economy adding +211k new jobs and the unemployment rate holding steady at 5%. Retail sales posted the best showing in four months, rising +0.2% in November. Although year-over-year sales growth has slowed to just +1.3%. The producer price index rose +0.3% during November but has fallen -1.1% over the last 12 months. The core PPI is up only +0.5% year-over-year. Consumer prices were flat in November and the consumer price index is up only +0.5% year-over-year. Core CPI, which excludes food and energy, has firmed a bit and is running at +2.0% year-over-year. Existing home sales plunged -10.5% in November as it appears the implementation of new disclosure rules caused some problems. This should resolve itself in a month or two. New home sales did better and continue to bob around the 500k annual unit level. The final revision to Q3 GDP took growth down a tenth to +2.0%.

The mixed data did not dissuade a Fed which had clearly grown uncomfortable with the official policy rate so close to zero for so long. Financial markets took the rate hike in stride as it has been well telegraphed for many months. The greater concern seems to be emanating from collapsing oil prices, a strong dollar and the soft global economy, especially China. Equity markets struggled throughout December with the Dow Jones Industrial Average falling -1.7% for the month and down -2.2% for the year. The S&P 500 posted similar results, dropping -1.8% in the month and -0.7% for 2015. Only the NSDAQ managed a positive return in 2015, rising 5.7% for the year. Interest rates rose and the yield curve flattened as the 2-year Treasury note yield, spurred by the Fed rate hike, rose 12 bps to 1.05% while the 10-year T-note gained just 6 bps in yield, closing the year at 2.27%.



**Denton County Transportation Authority**  
**Investment Officers' Certification**

**For the Quarter Ended**  
**December 31, 2015**

This report is prepared for the **Denton County Transportation Authority** (the "Entity") in accordance with Chapter 2256 of the Texas Public Funds Investment Act ("PFIA"). Section 2256.023(a) of the PFIA states that: "Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of the investment transactions for all funds covered by this chapter for the preceding reporting period." This report is signed by the Entity's investment officers and includes the disclosures required in the PFIA. To the extent possible, market prices have been obtained from independent pricing sources.

The investment portfolio complied with the PFIA and the Entity's approved Investment Policy and Strategy throughout the period. All investment transactions made in the portfolio during this period were made on behalf of the Entity and were made in full compliance with the PFIA and the approved Investment Policy.

**Officer Names and Titles:**

*[Handwritten Signature]* 1/20/16  
 \_\_\_\_\_  
*James C. [Handwritten]* 20 Jan 2016  
 \_\_\_\_\_

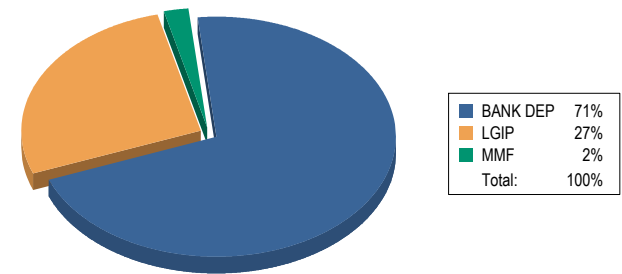
**Account Summary**

**Allocation by Security Type**

Beginning Values as of 09/30/15

Ending Values as of 12/31/15

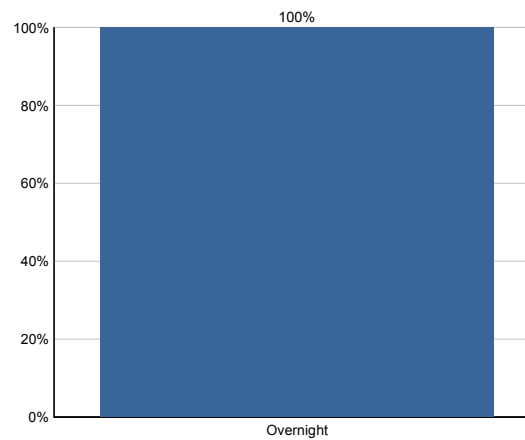
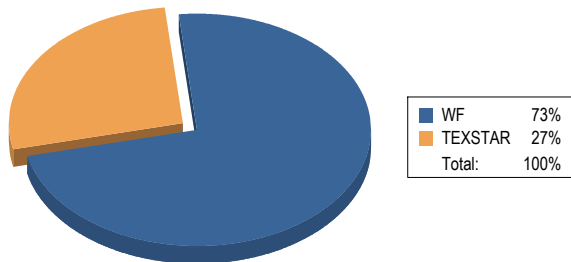
Par Value	21,034,952.23	20,991,511.43
Market Value	21,034,952.23	20,991,511.43
Book Value	21,034,952.23	20,991,511.43
Unrealized Gain/(Loss)	0.00	0.00
<b>Market Value %</b>	<b>100.00%</b>	<b>100.00%</b>
Weighted Avg. YTW	0.141%	0.203%
Weighted Avg. YTM	0.141%	0.203%



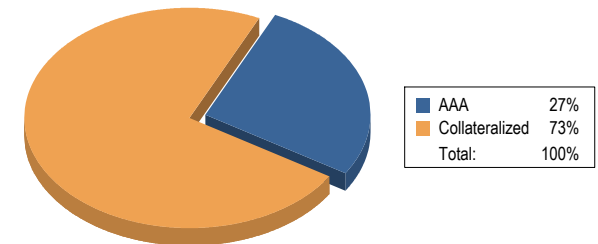
**Allocation by Issuer**

**Maturity Distribution %**

**Credit Quality**

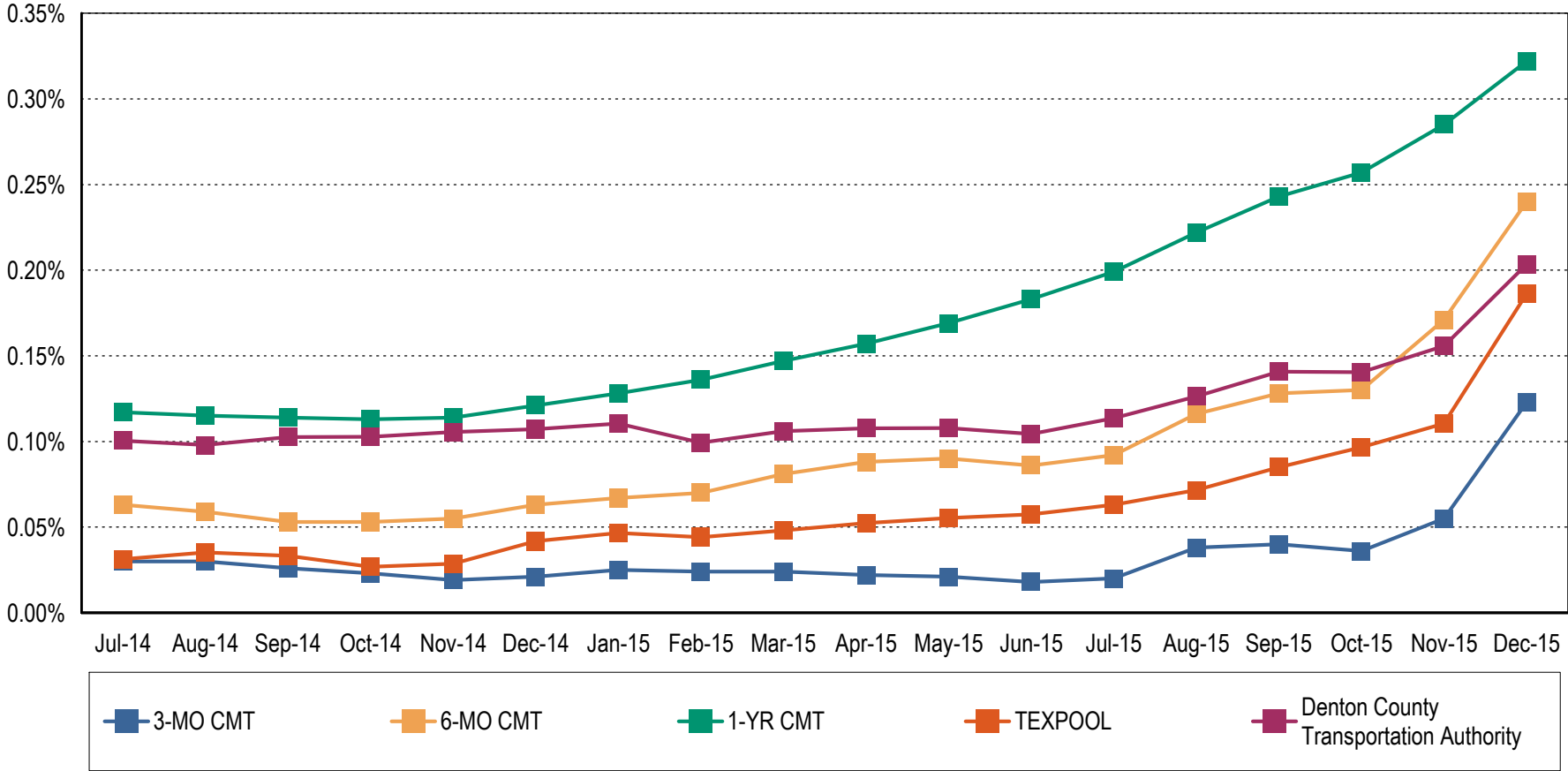


**Weighted Average Days to Maturity: 0**





Denton County Transportation Authority  
**Benchmark Comparison**  
 As of 12/31/2015



**Note 1:** CMT stands for Constant Maturity Treasury. This data is published in Federal Reserve Statistical Release H.15 and represents an average of all actively traded Treasury securities having that time remaining until maturity. This is a standard industry benchmark for Treasury securities. The CMT benchmarks are moving averages. The 3-month CMT is the daily average for the previous 3 months, the 6-month CMT is the daily average for the previous 6 months, and the 1-year and 2-year CMT's are the daily averages for the previous 12-months.

**Note 2:** Benchmark data for TexPool is the monthly average yield.



**Denton County Transportation Authority**  
**Detail of Security Holdings**  
 As of 12/31/2015

CUSIP	Settle Date	Sec. Type	Sec. Description	CPN	Mty Date	Next Call	Call Type	Par Value	Purch Price	Orig Cost	Book Value	Mkt Price	Market Value	Days to Mty	Days to Call	YTM	YTW
<b>2011 Bond Fund</b>																	
WF-MANA		BANK DEP	Wells Fargo Managed Rate					3,650,868.52	100.000	3,650,868.52	3,650,868.52	100.000	3,650,868.52	1		0.230	0.230
<b>Total for 2011 Bond Fund</b>								<b>3,650,868.52</b>	<b>100.000</b>	<b>3,650,868.52</b>	<b>3,650,868.52</b>	<b>100.000</b>	<b>3,650,868.52</b>	<b>1</b>		<b>0.230</b>	<b>0.230</b>
<b>Bond Fund</b>																	
TEXSTAR		LGIP	TexSTAR					691,466.60	100.000	691,466.60	691,466.60	100.000	691,466.60	1		0.187	0.187
<b>Total for Bond Fund</b>								<b>691,466.60</b>	<b>100.000</b>	<b>691,466.60</b>	<b>691,466.60</b>	<b>100.000</b>	<b>691,466.60</b>	<b>1</b>		<b>0.187</b>	<b>0.187</b>
<b>Operating Fund</b>																	
WF-MANA		BANK DEP	Wells Fargo Managed Rate					1,176,485.92	100.000	1,176,485.92	1,176,485.92	100.000	1,176,485.92	1		0.230	0.230
WF-SWEEP		MMF	Wells Fargo Sweep					488,638.57	100.000	488,638.57	488,638.57	100.000	488,638.57	1		0.000	0.000
<b>Total for Operating Fund</b>								<b>1,665,124.49</b>	<b>100.000</b>	<b>1,665,124.49</b>	<b>1,665,124.49</b>	<b>100.000</b>	<b>1,665,124.49</b>	<b>1</b>		<b>0.163</b>	<b>0.163</b>
<b>Reserve Fund</b>																	
WF-PREM		BANK DEP	Wells Fargo Premium Rate					10,030,991.92	100.000	10,030,991.92	10,030,991.92	100.000	10,030,991.92	1		0.210	0.210
<b>Total for Reserve Fund</b>								<b>10,030,991.92</b>	<b>100.000</b>	<b>10,030,991.92</b>	<b>10,030,991.92</b>	<b>100.000</b>	<b>10,030,991.92</b>	<b>1</b>		<b>0.210</b>	<b>0.210</b>
<b>Sales Tax Fund</b>																	
TEXSTAR		LGIP	TexSTAR					4,953,059.90	100.000	4,953,059.90	4,953,059.90	100.000	4,953,059.90	1		0.187	0.187
<b>Total for Sales Tax Fund</b>								<b>4,953,059.90</b>	<b>100.000</b>	<b>4,953,059.90</b>	<b>4,953,059.90</b>	<b>100.000</b>	<b>4,953,059.90</b>	<b>1</b>		<b>0.187</b>	<b>0.187</b>
<b>Total for Denton County Transportation Authority</b>								<b>20,991,511.43</b>	<b>100.000</b>	<b>20,991,511.43</b>	<b>20,991,511.43</b>	<b>100.000</b>	<b>20,991,511.43</b>	<b>1</b>		<b>0.203</b>	<b>0.203</b>



**Denton County Transportation Authority**  
**Change in Value**  
 From 09/30/2015 to 12/31/2015

CUSIP	Security Type	Security Description	09/30/15 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	12/31/15 Book Value	09/30/15 Market Value	12/31/15 Market Value	Change in Mkt Value
<b>2011 Bond Fund</b>											
WF-MANA	BANK DEP	Wells Fargo Managed Rate	3,648,900.58	1,967.94	0.00	0.00	0.00	3,650,868.52	3,648,900.58	3,650,868.52	1,967.94
<b>Total for 2011 Bond Fund</b>			<b>3,648,900.58</b>	<b>1,967.94</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,650,868.52</b>	<b>3,648,900.58</b>	<b>3,650,868.52</b>	<b>1,967.94</b>
<b>Bond Fund</b>											
TEXSTAR	LGIP	TexSTAR	1,295.44	690,171.16	0.00	0.00	0.00	691,466.60	1,295.44	691,466.60	690,171.16
<b>Total for Bond Fund</b>			<b>1,295.44</b>	<b>690,171.16</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>691,466.60</b>	<b>1,295.44</b>	<b>691,466.60</b>	<b>690,171.16</b>
<b>Operating Fund</b>											
WF-MANA	BANK DEP	Wells Fargo Managed Rate	1,175,851.75	634.17	0.00	0.00	0.00	1,176,485.92	1,175,851.75	1,176,485.92	634.17
WF-SWEEP	MMF	Wells Fargo Sweep	539,166.59	334,115.30	(384,643.32)	0.00	0.00	488,638.57	539,166.59	488,638.57	(50,528.02)
<b>Total for Operating Fund</b>			<b>1,715,018.34</b>	<b>334,749.47</b>	<b>(384,643.32)</b>	<b>0.00</b>	<b>0.00</b>	<b>1,665,124.49</b>	<b>1,715,018.34</b>	<b>1,665,124.49</b>	<b>(49,893.85)</b>
<b>Reserve Fund</b>											
WF-PREM	BANK DEP	Wells Fargo Premium Rate	8,069,811.10	1,961,180.82	0.00	0.00	0.00	10,030,991.92	8,069,811.10	10,030,991.92	1,961,180.82
<b>Total for Reserve Fund</b>			<b>8,069,811.10</b>	<b>1,961,180.82</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10,030,991.92</b>	<b>8,069,811.10</b>	<b>10,030,991.92</b>	<b>1,961,180.82</b>
<b>RTRFI Funding</b>											
WF-MANA	BANK DEP	Wells Fargo Managed Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total for RTRFI Funding</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>RTRFI Interest</b>											
TEXSTAR	LGIP	TexSTAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total for RTRFI Interest</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



**Denton County Transportation Authority**  
**Change in Value**  
 From 09/30/2015 to 12/31/2015

CUSIP	Security Type	Security Description	09/30/15 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	12/31/15 Book Value	09/30/15 Market Value	12/31/15 Market Value	Change in Mkt Value
<b>Sales Tax Fund</b>											
TEXSTAR	LGIP	TexSTAR	7,599,926.77	0.00	(2,646,866.87)	0.00	0.00	4,953,059.90	7,599,926.77	4,953,059.90	(2,646,866.87)
<b>Total for Sales Tax Fund</b>			<b>7,599,926.77</b>	<b>0.00</b>	<b>(2,646,866.87)</b>	<b>0.00</b>	<b>0.00</b>	<b>4,953,059.90</b>	<b>7,599,926.77</b>	<b>4,953,059.90</b>	<b>(2,646,866.87)</b>
<b>Total for Denton County Transportation Authority</b>			<b>21,034,952.23</b>	<b>2,988,069.39</b>	<b>(3,031,510.19)</b>	<b>0.00</b>	<b>0.00</b>	<b>20,991,511.43</b>	<b>21,034,952.23</b>	<b>20,991,511.43</b>	<b>(43,440.80)</b>



WS 2(a)iv  
**Denton County Transportation Authority**  
**Earned Income**  
*From 09/30/2015 to 12/31/2015*

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
<b>2011 Bond Fund</b>									
WF-MANA	BANK DEP	Wells Fargo Managed Rate	0.00	1,967.94	1,967.94	0.00	0.00	0.00	1,967.94
<b>Total for 2011 Bond Fund</b>			<b>0.00</b>	<b>1,967.94</b>	<b>1,967.94</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,967.94</b>
<b>Bond Fund</b>									
TEXSTAR	LGIP	TexSTAR	0.00	171.16	171.16	0.00	0.00	0.00	171.16
<b>Total for Bond Fund</b>			<b>0.00</b>	<b>171.16</b>	<b>171.16</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>171.16</b>
<b>Operating Fund</b>									
WF-MANA	BANK DEP	Wells Fargo Managed Rate	0.00	634.17	634.17	0.00	0.00	0.00	634.17
<b>Total for Operating Fund</b>			<b>0.00</b>	<b>634.17</b>	<b>634.17</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>634.17</b>
<b>Reserve Fund</b>									
WF-PREM	BANK DEP	Wells Fargo Premium Rate	0.00	4,180.82	4,180.82	0.00	0.00	0.00	4,180.82
<b>Total for Reserve Fund</b>			<b>0.00</b>	<b>4,180.82</b>	<b>4,180.82</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,180.82</b>
<b>RTRFI Funding</b>									
<b>Total for RTRFI Funding</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>RTRFI Interest</b>									
<b>Total for RTRFI Interest</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>





WS 2(a)iv  
**Denton County Transportation Authority**  
**Earned Income**  
*From 09/30/2015 to 12/31/2015*

CUSIP	Security Type	Security Description	Beg. Accrued	Interest Earned	Interest Rec'd / Sold / Matured	Interest Purchased	Ending Accrued	Disc Accr / Prem Amort	Net Income
<b>Sales Tax Fund</b>									
TEXSTAR	LGIP	TexSTAR	0.00	2,006.07	2,006.07	0.00	0.00	0.00	2,006.07
<b>Total for Sales Tax Fund</b>			<b>0.00</b>	<b>2,006.07</b>	<b>2,006.07</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2,006.07</b>
<b>Total for Denton County Transportation Authority</b>			<b>0.00</b>	<b>8,960.16</b>	<b>8,960.16</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>8,960.16</b>

Board of Directors Memo

January 28, 2016

**Subject: Procurement Status Report****Outreach Event**

Procurement staff will be attending a vendor outreach event on February 24<sup>th</sup> in Frisco. Firms are provided the opportunity to meet with staff to learn how to do business with DCTA and learn about upcoming procurement opportunities.

Submitted by:

  
\_\_\_\_\_  
Athena Forrester, Senior Procurement Manager

Final Review:

  
\_\_\_\_\_  
Anna Mosqueda, CFO

**Board of Directors Memo**

February 16, 2015

**Subject: Quarterly Grants Report**

**Grant Activities This Period**

DCTA currently has 14 open grants that provide reimbursements for various capital projects, rail and bus preventative maintenance, and operating assistance and ADA paratransit service. Total grant balance of awarded grants was \$19.5 million as of 12/31/2015. Of this total, \$12.5 million is obligated for Positive Train Control and \$3 million is obligated for the FY14 Program of Projects. The grant funding sources include Federal Transit Administration (FTA), North Central Texas Council of Governments (NCTCOG) and Texas Department of Transportation (TxDOT).

This quarter there were no grant applications submitted to the Board for approval.

TxDOT TAPS grant application submitted in May of 2015 was awarded to DCTA in September 2015. The Advanced Funding Agreement is being finalized. Details of the grant are as follows:

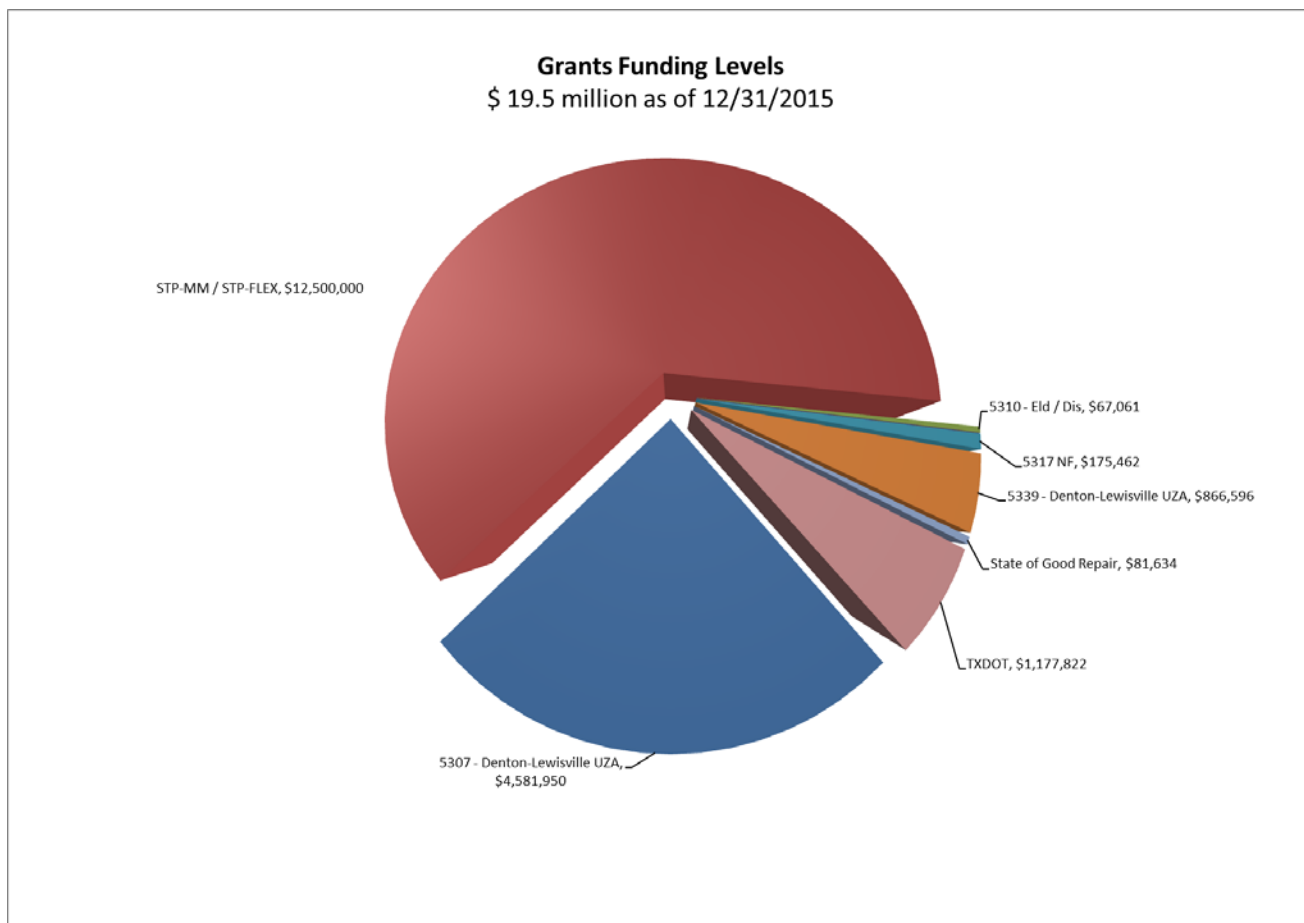
- \$2.4 million from the TxDOT Transportation Alternatives Program (TAP) competitive grant program.
- To complete the last phase of the A-train Rail Trail in Lewisville (Mill/Jones to Highland Village-Lewisville Lake Station)
- Estimated cost of this last phase of the A-train Rail Trail is \$3.3 million
- Local match DCTA funding

Funding levels for active grants funding types are illustrated below.

0 Close out Grant

14 Active Grants

2 Obligated Funding







## Board of Directors Memo

January 28, 2016

### Subject: Strategic Planning & Development Update

#### PRIORITY PROJECTS

---

##### ***SERVICE PLANNING: "Shaping Our Future"***

###### Lewisville & Highland Village Service Review & Analysis

- A Comprehensive Operational Analysis (COA) has been conducted for the Lewisville and Highland Village service area.
- Final recommendations will be presented at the February Program Services Committee meeting.

###### Denton Service Review & Analysis

- A Comprehensive Operational Analysis (COA) is being conducted is currently underway in Denton.
- Nelson-Nygaard will leverage data from UNT's Parking & Transportation Master Plan during this process.
- Market analysis and on-board surveys were conducted by Nelson-Nygaard in November.
- Proposed recommendations will be presented to the public at Community Meetings in late January.

###### High Intensity Bus Corridors (Regional Express Bus Service)

- These high intensity bus corridors are being incorporated as recommended corridors into the Regional Mobility 2040 Transportation Plan.
- Staff will continue to work with potential partners along these corridors and to acquire operational assistance and capital funding.

###### Service Expansion within New Service Areas

- Staff is being responsive to requests from non-member cities interested in exploring transit solutions to meet the demands within their communities.

#### **DEVELOPMENT**

###### Downtown Denton Parking

- In coordination with the Union Pacific Railroad and the NCTCOG, DCTA is partnering with city staff to identify solutions addressing downtown parking shortages, aesthetics, noise mitigation and safety enhancements.
- NCTCOG has organized a meeting in support of this effort to explore options in downtown Denton which can meet the demand of all entities involved.

###### Hebron Station

- Staff is working with the Huffines developers to identify an opportunity to connect the Hebron 121 Station development to the Hebron Station through a driveway and potentially a bike and pedestrian trail

**ADDITIONAL PROJECTS**

- NCTCOG Mobility 2040 Plan
- Transit Oriented Development Coordination
- New City Service Proposals
- NCTCOG Fleet Acquisition
- Grant Strategy Development
- UNT Contract Preparation & Development
- TxDOT 35W Expansion Preparation
- TWU Comprehensive Master Plan
- Title VI Analysis
- Update DCTA's Long Range Service Plan

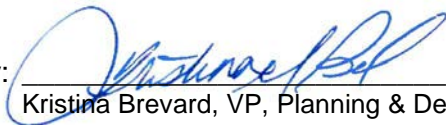
**OUTREACH EFFORTS**

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**January Activities**

- 1/1-1/3 Texas Transportation Forum, Austin
- 1/1 CapMetro Discussion with Planning Team
- 1/8 Service Expansion Opportunity Meeting
- 1/13 Northwest Communities Partnership Board Meeting
- 1/13 NCTCOG Transportation Public Meeting
- 1/13 Transit Coalition of North Texas Transit Initiative Task Force
- 1/14 COA Update to Denton Staff
- 1/14 Regional Transportation Committee
- 1/19 Transportation Update to Hillwood Developers
- 1/19 Frisco Operational Update & Statistics Review
- 1/20 RTC Special Called Meeting
- 1/21 Downtown Denton Development NCTCOG Charrette
- 1/21 APTA's Webinar: Congressional Staff on the FAST Act (Passenger Rail Provisions)
- 1/22 Transportation Update with NCTCOG Staff
- 1/22 Surface Transportation Technical Committee (STTC)
- 1/25 Lewisville COA Update Community Meeting
- 1/25 Denton COA Update to Southeast Denton Neighborhood Meeting
- 1/26 Denton COA Update Community Meeting, TWU
- 1/26 UNT Operational Update & Partnership Meeting
- 1/26 Denton COA Update Community Meeting, DDTC
- 1/26 COA Update to Highland Village City Council
- 1/27 TRTC BNSF Operations Center Tour
- 1/27 UNT Transportation Planning Review
- 1/27 Highland Village COA Update Community Meeting

Submitted by:




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Kristina Brevard, VP, Planning & Development



**Board of Directors Memo**

January 28, 2016

**Subject: Marketing & Communications Update**

**MAIN MESSAGES:**

**Hop on Board Blog Launch**

- New look and content launched on January 11, 2016
- Metrics (January 11 – January 20)
  - o Views:
    - 997 Sessions
    - 688 Users
    - 1,658 Page Views
  - o Subscribers:
    - 23 New Subscribers
    - Up 76.9% in comparison to old blog (in only 10 days)
  - o Facebook:
    - 63,895 Reached
    - 1,807 Engagements
  - o Twitter:
    - 83,312 Impressions
    - 496 Engagements

**Video Production**

- Development of four high-quality videos:
  - o DCTA Branding
  - o General Safety
  - o Hot to Ride
  - o How to Load Your Bike
- Shoot schedule: February 11 – February 13
- Videos will be shared with the Board upon completion

**Media Coverage Reports**

- Addendum 1 – December 2015 Media Report
- Addendum 2 – TAPS Coverage (Complete Media Coverage)

MARKETING & COMMUNICATIONS INITIATIVES		
Category	Initiative	Important Dates
Brand Planning	Video Production (4 Videos)	Development Phase
Marketing	GO Request Marketing Campaign	Planning Phase
	Commuter Marketing Campaign	Development Phase
	Expansion Marketing Campaign	Development Phase
	Brand Marketing Campaign	In Market
	Hop on Board Blog Marketing Campaign	In Market
Collateral Development	EnRoute News (Mar/Apr Edition)	Planning Phase
	RSVP Info Card	Planning Phase
	Discount Program Options Rack Card	Planning Phase
	2016 Q1 Agency Performance Report	Planning Phase
	How to Ride Rack Card	Development Phase
	Media Kit Redevelopment	Development Phase
	Corporate Pass Program Collateral	Execution Phase
Digital	DCTA Website Reskin	Planning Phase
	DCTA Website Content Development (revision)	Planning Phase
Public/Media Relations	Photo and Film Guidelines	Development Phase

	Media Relations/Crisis Communications Procedures Revamp	Development Phase
	Proactive Pitching	Ongoing
	PR Calendar of Activities	Ongoing
	Media Meet and Greet Activities	Ongoing
Social Media	Social Media Practices Guidelines	Development Phase
	Social Media Policies and Procedures	Development Phase
	Campaign Development	Ongoing
	Executive Social Media Plan (Jim Cline Posts)	Ongoing
	Editorial Calendar Execution (Social and Video)	Ongoing
Internal Communications	Dispatch Rider Alert Manual	Development Phase
	Wheels & Rails (February Edition)	Development Phase
	Monthly Staff Meeting Presentation	Ongoing
Events	Denton Arts and Jazz Festival	Planning Phase
	UNT International Student Orientation	Complete
Public Involvement	Denton COA Meetings	Execution Phase
	Public Meeting Standard Operating Procedures	Execution Phase
	MySidewalk.com	Ongoing
Customer Service	Review of Customer Service Initiatives	Planning Phase
	Customer Service Audit	Planning Phase
	Fare Evasion In-Transit Signage	Development Phase
	Customer Service/Dispatch Rider Alert Manual	Development Phase
	Regular Marketing/Customer Service Strategic Communications	Development Phase
Partnership Development	Highland Village Partnership Blog Post	Planning Phase
	TWU Requested Signage	Execution Phase
	UNT Mean Green In-Transit Advertising Project	Execution Phase
	Keep Denton Beautiful Partnership Blog Post	Complete
Program Development	Safety Program	Research Phase
	In-Transit Advertising Program	Planning Phase
	Corporate Sales Pass Program	Development Phase
	Non-Profit Discount Program	Development Phase
	Group Discount Program	Development Phase
Regional Initiatives	Go Pass 2.0	Ongoing
	NCTCOG Casual Carpool Application	Ongoing
	NCTCOG Air North Texas	Ongoing
	NCTCOG MyRideNCT	Ongoing
Administrative	Community Relations Assistant Position	Hiring Phase

MARKETING & COMMUNICATIONS METRICS					
Activity	Metric	Annual Goal	Monthly	YTD	Goal Met
<b>Brand Impressions</b>					
Community Brand Impressions*	Global Impressions	260,000	12	2,635	
	Confirmed Impressions	7,500	12	782	
Media Buy Impressions**	Online/Confirmed Impressions	5M	7,541	2,082,529	
	Online Click Through Rate	300,000	.21%	.10%	
	Print Impressions	2M	0	326,664	
<b>Media Relations</b>					
Press Coverage	Articles About DCTA	300 Placements	48	171	
Media Relations Impressions^	Articles About DCTA	165M	37,582,650	100,266,459	
Publicity Value^^	Articles About DCTA	\$1M	\$67,629	\$214,633	
Headline Highlights	DCTA Signs Deal for On-Demand Transit Service Holiday Closings				
Major Media Outlets	Dallas Morning News; KXAS-TV (NBC 5); Denton Record-Chronicle; Mass Transit; Star Local Media				
<b>Social Media</b>					
Facebook Likes	Increase in Likes	3,000	6	712	
Twitter Followers	Increase in Followers	1,000	27	184	



Digital					
Website	Pageviews	1.5M	90,244	337,179	
	Top 5 Referring Sites	DART, UNT, Denton Holiday Lighting, TWU Portal, Denton County			
DCTA Blog	Confirmed Impressions	3,000	305	797	
	Top 3 Referring Sites	Google, Facebook, Twitter			
Go Pass					
New Downloads	Total Count	170,000	12,191	62,300	
Tickets Sold	Total Count	20,000	1,984	6,754	

CUSTOMER SERVICE					
Activity	Metric	Annual Goal	Monthly	YTD	Goal Met
Provide Excellent Customer Service	Calls Answered	>95%	99%	98%	
	Abandoned Calls	<3%	1%	2%	
Where's My Ride	Total Hits***	400,000	41,592	114,720	✓
	SMS (Texts)	50,000	6,665	24,935	
	Calls	15,000	1,786	5,574	
GORrequest	Avg. Days/Closeout	<3.2	2.82	2.72	
	Total Entries/10K	>3	2.15	1.55	
	Complaints/10K	<5	1.37	.94	
	Types of Submittals	Complaint – 19; Compliment – 1; Problem – 2; Question – 9; Suggestion – 2			

**Footnote:**

\*Community Brand Impressions:

- Global Impressions are the total number of individuals impacted through events, fairs and sponsorships.
- Confirmed Impressions are the total number of one-on-one interactions experienced through events, fairs and sponsorships.

\*\*Media Buy Impressions:

- Online/Confirmed Impressions are the number of individuals who were delivered an online advertisement through marketing campaign efforts.
- Online Click Through Rates are the number of individuals who were delivered an online advertisement, clicked on the advertisements, and visited a directed URL through marketing campaign efforts.

\*\*\*Where's My Ride "hits" track all visits to the site. Total hits reported are not unique visitors.

^Media Relations Impressions are the total number of individuals impacted through media relations efforts throughout all communications mediums (i.e. broadcast, print, online, radio, etc.).

^^Publicity Value identifies the financial investment that would be required to receive identical coverage through advertising efforts.

Approved by: Nicole M. Recker

Nicole M. Recker  
Vice President of Marketing & Communications

# DECEMBER 2015 EXECUTIVE REPORT

DENTON COUNTY TRANSPORTATION  
AUTHORITY

# DECEMBER 2015 EXECUTIVE REPORT

DENTON COUNTY TRANSPORTATION AUTHORITY



TOTAL MENTIONS:

48



TOTAL REACH:

37,582,650



TOTAL PUBLICITY VALUE:

\$67,628.58



TOTAL INTERNET REACH:

36,056,804

TOP STORIES: INTERNET

1

Some concern, little trouble expected

OUTLET: Dallas Morning News Online

REACH: 3,847,525

2

Sounding Off: Readers weigh in on TAPS Public Transit and possible alternatives, such as DART

OUTLET: Dallas Morning News Online

REACH: 3,847,525

3

Sounding Off: Collin County readers discuss whether cities should use TAPS

OUTLET: Dallas Morning News Online

REACH: 3,847,525

4

DART eases nonmember requirements for contract services

OUTLET: Dallas Morning News Online

REACH: 3,847,525

5

Frisco, DCTA sign deal for on-demand transit service

OUTLET: Dallas Morning News Online

REACH: 3,847,525



TOTAL BROADCAST  
REACH:

132,810

TOP STORIES: BROADCAST

1

NBC5 First at Four

OUTLET: KXAS-TV

REACH: 68,361

2

NBC 5 Today at 11:00am

OUTLET: KXAS-TV

REACH: 64,449



TOTAL PRINT REACH:

1,393,036

TOP STORIES: PRINT

1

TAPS pulls out of Collin

OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

2

Will DART offer more service in Collin County?

OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

3

Collin County

OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

4

As TAPS unravels, DART eyes Collin County service expansion

OUTLET: The Dallas Morning News: Blogs

REACH: 273,053

5

Collin County

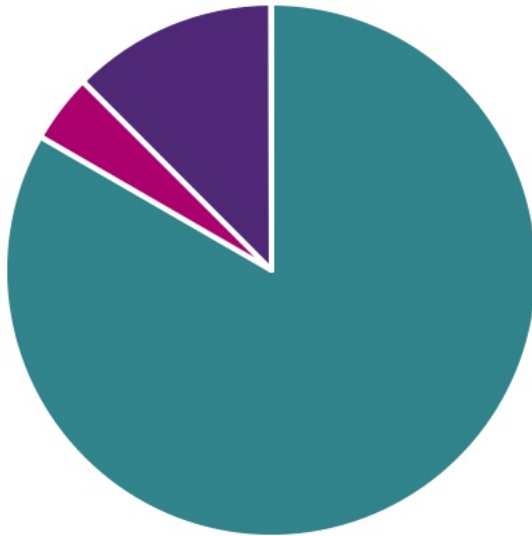
OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

# DECEMBER 2015 EXECUTIVE REPORT

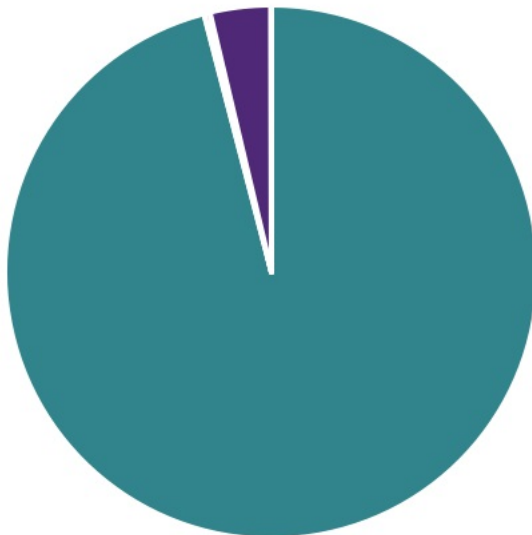
DENTON COUNTY TRANSPORTATION AUTHORITY

## NUMBER OF MENTIONS BY MEDIA GROUP



Internet	40	83%
Broadcast	2	4%
Print	6	13%
Other	0	0%

## REACH BY MEDIA GROUP



Internet	36,056,804	96%
Broadcast	132,810	0%
Print	1,393,036	4%
Other	0	0%

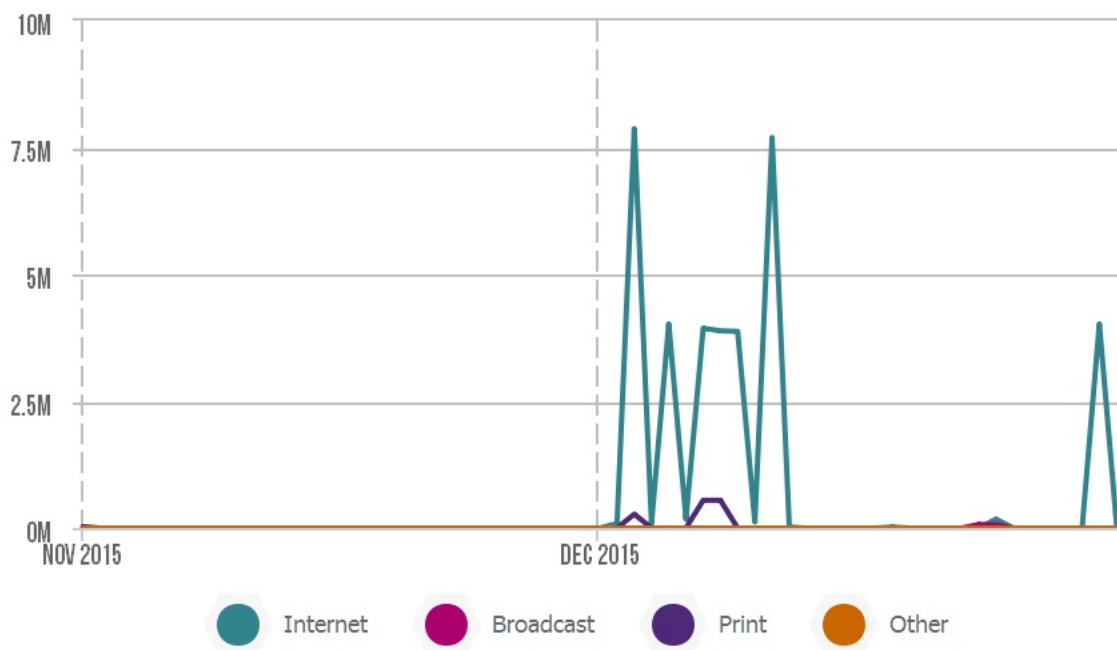




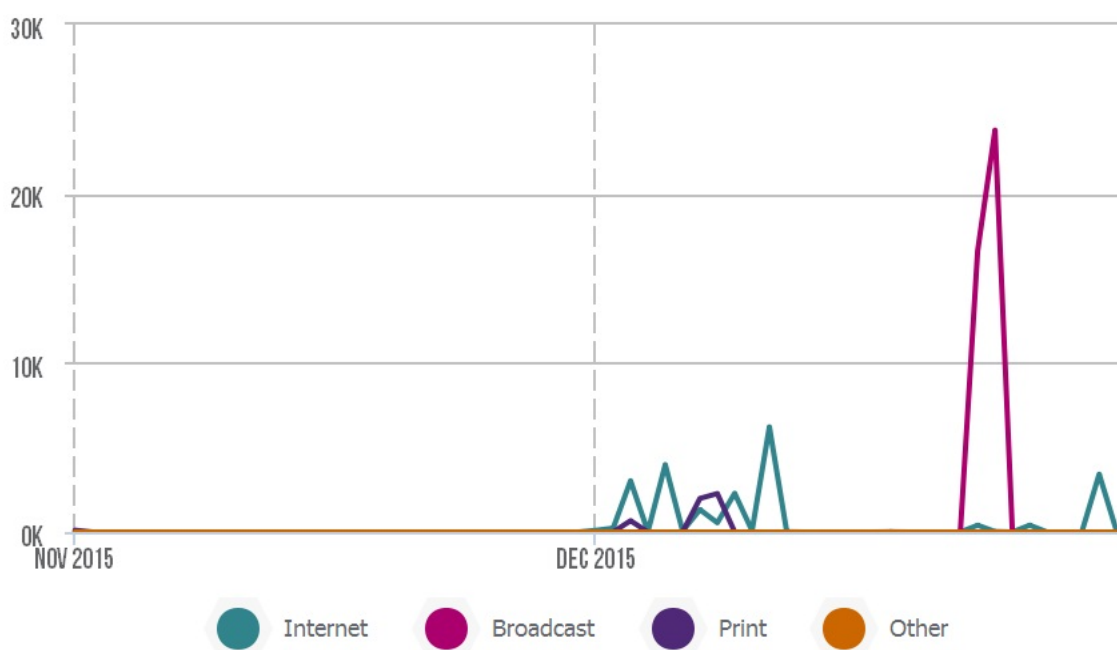
# DECEMBER 2015 EXECUTIVE REPORT

DENTON COUNTY TRANSPORTATION AUTHORITY

## REACH OVER TIME



## PUBLICITY VALUE OVER TIME



# DECEMBER 2015 EXECUTIVE REPORT

DENTON COUNTY TRANSPORTATION AUTHORITY



## SUMMARY FOR 11/1/2015 – 12/31/2015

	MENTIONS	REACH	PUBLICITY VALUE
<b>INTERNET</b>	<b>40</b>	<b>36,056,804</b>	<b>\$22,208.19</b>
Online Print Version	23	35,826,507	\$20,264.68
News Web Sites	8	137,528	\$1,228.76
Blogs	9	92,769	\$714.75
<b>BROADCAST</b>	<b>2</b>	<b>132,810</b>	<b>\$40,390.67</b>
Television Station Show	2	132,810	\$40,390.67
<b>PRINT</b>	<b>6</b>	<b>1,393,036</b>	<b>\$5,029.72</b>
Daily Newspaper	5	1,365,265	\$4,922.13
Magazine	1	27,771	\$107.59
<b>TOTAL</b>	<b>48</b>	<b>37,582,650</b>	<b>\$67,628.58</b>

# FULL TAPS MEDIA REPORT

DENTON COUNTY TRANSPORTATION  
AUTHORITY

# FULL TAPS MEDIA REPORT

DENTON COUNTY TRANSPORTATION AUTHORITY



TOTAL MENTIONS:

53



TOTAL REACH:

41,913,486



TOTAL PUBLICITY VALUE:

\$40,526.97



TOTAL INTERNET REACH:

39,336,437

TOP STORIES: INTERNET

1

Sounding Off: Readers weigh in on TAPS Public Transit and possible alternatives, such as DART

OUTLET: Dallas Morning News Online

REACH: 3,847,525

2

Sounding Off: Collin County readers discuss whether cities should use TAPS

OUTLET: Dallas Morning News Online

REACH: 3,847,525

3

Frisco, DCTA sign deal for on-demand transit service

OUTLET: Dallas Morning News Online

REACH: 3,847,525

4

County by county: Collin County briefs for Dec. 7

OUTLET: Dallas Morning News Online

REACH: 3,847,525

5

TAPS interim CEO called 'the problem'

OUTLET: Dallas Morning News Online

REACH: 3,847,525



TOTAL BROADCAST  
REACH:

# 20,750

## TOP STORIES: BROADCAST

- |   |  |               |
|---|--|---------------|
| 1 | KTEN News at 6<br>OUTLET: KTEN-TV      | REACH: 11,821 |
| 2 | KTEN News at 6:30am<br>OUTLET: KTEN-TV | REACH: 5,720  |
| 3 | KTEN News at 5am<br>OUTLET: KTEN-TV    | REACH: 2,667  |
| 4 | KTEN News at 4:30am<br>OUTLET: KTEN-TV | REACH: 542    |



TOTAL PRINT REACH:

# 2,556,299

## TOP STORIES: PRINT

1

TAPS pulls out of Collin

OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

2

Will DART offer more service in Collin County?

OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

3

Collin County

OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

4

As TAPS unravels, DART eyes Collin County service expansion

OUTLET: The Dallas Morning News: Blogs

REACH: 273,053

5

Collin County

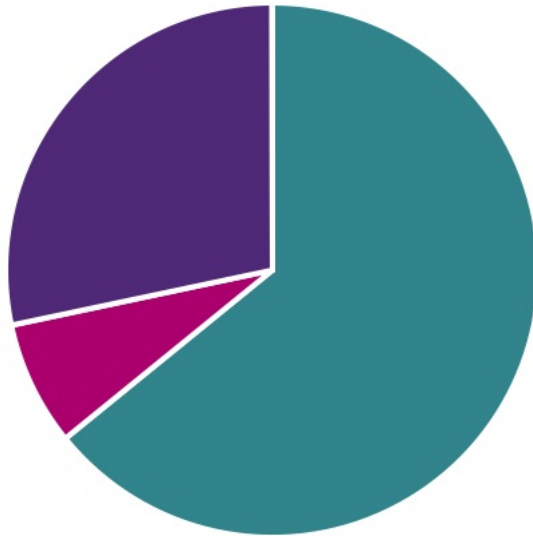
OUTLET: THE DALLAS MORNING NEWS

REACH: 273,053

# FULL TAPS MEDIA REPORT

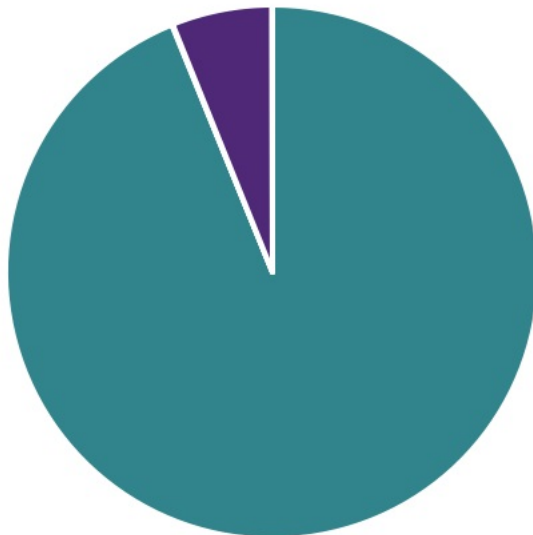
DENTON COUNTY TRANSPORTATION AUTHORITY

## NUMBER OF MENTIONS BY MEDIA GROUP



Internet	34	64%
Broadcast	4	8%
Print	15	28%
Other	0	0%

## REACH BY MEDIA GROUP



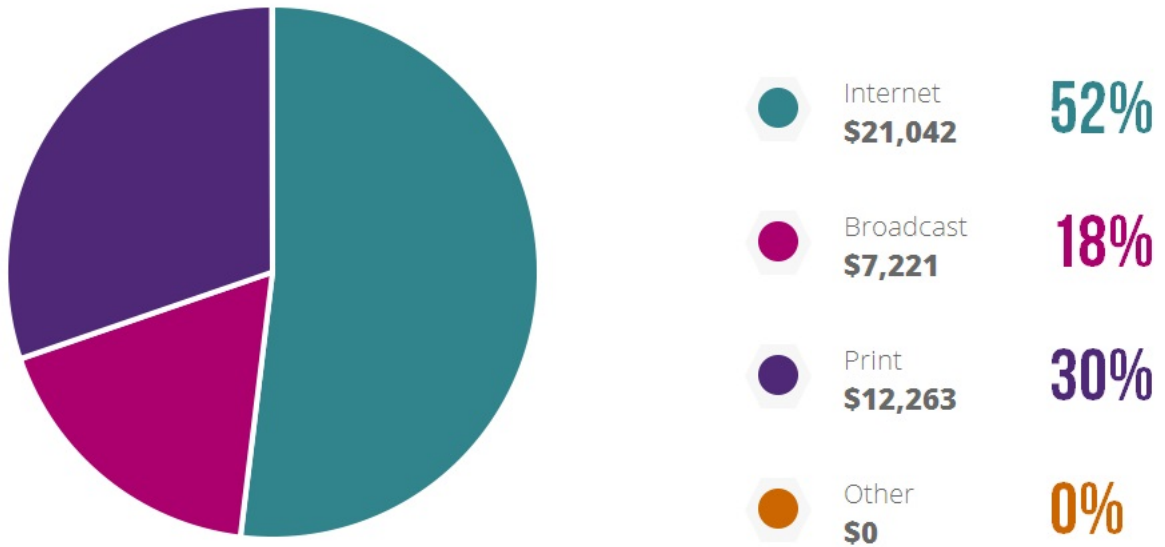
Internet	39,336,437	94%
Broadcast	20,750	0%
Print	2,556,299	6%
Other	0	0%



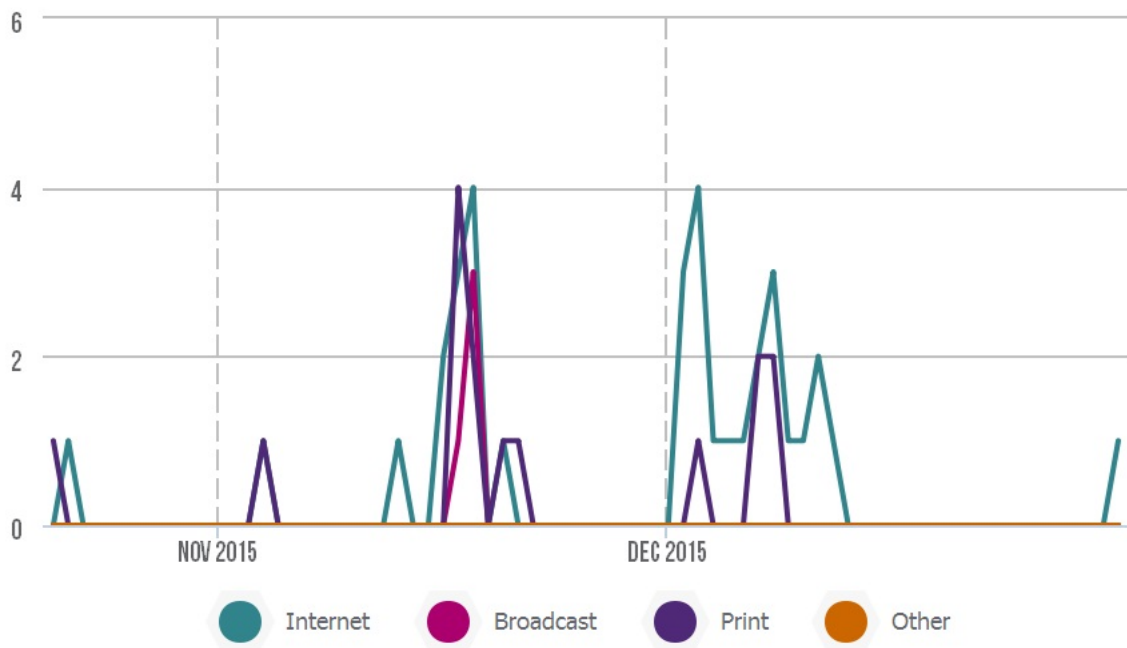
# FULL TAPS MEDIA REPORT

DENTON COUNTY TRANSPORTATION AUTHORITY

## PUBLICITY VALUE BY MEDIA GROUP



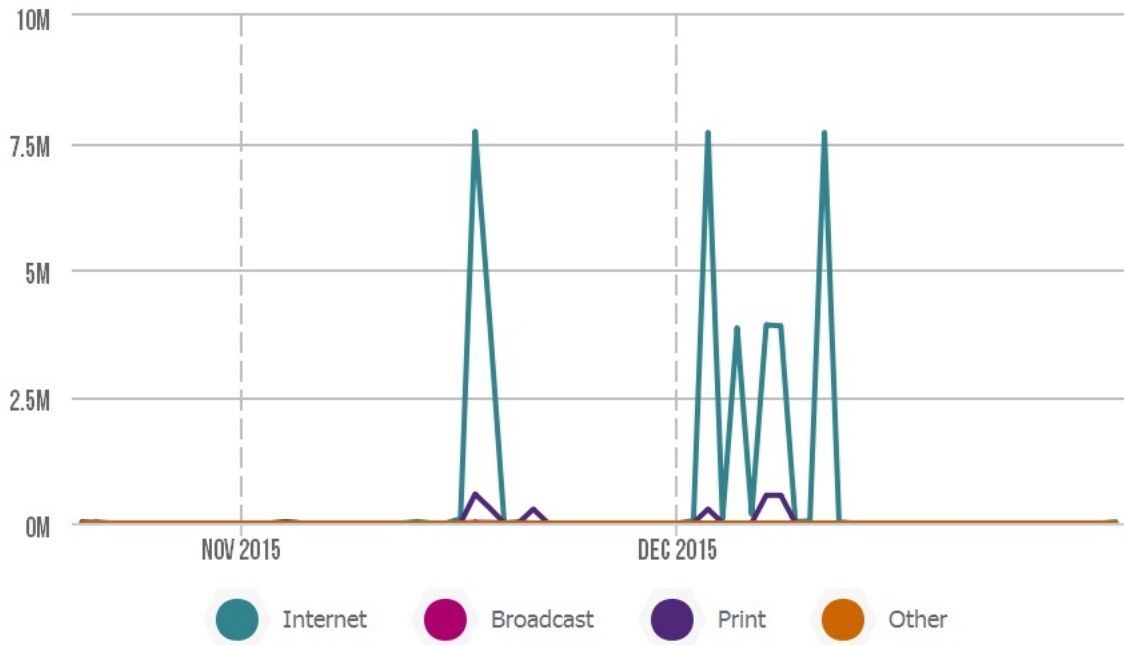
## FREQUENCY OF MENTIONS OVER TIME



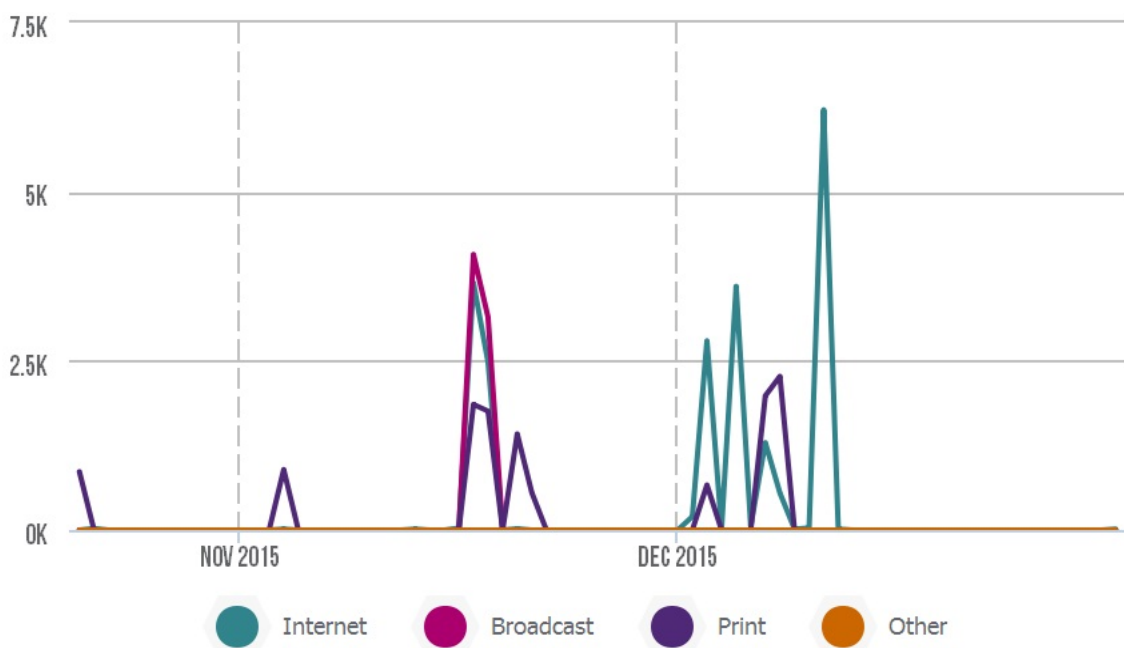
# FULL TAPS MEDIA REPORT

DENTON COUNTY TRANSPORTATION AUTHORITY

## REACH OVER TIME



## PUBLICITY VALUE OVER TIME



# FULL TAPS MEDIA REPORT

DENTON COUNTY TRANSPORTATION AUTHORITY

## SUMMARY FOR 10/21/2015 – 12/31/2015

	MENTIONS	REACH	PUBLICITY VALUE
<b>INTERNET</b>	<b>34</b>	<b>39,336,437</b>	<b>\$21,042.28</b>
Online Print Version	23	39,121,918	\$20,439.45
News Web Sites	6	153,820	\$234.68
Blogs	5	60,699	\$368.15
<b>BROADCAST</b>	<b>4</b>	<b>20,750</b>	<b>\$7,221.38</b>
Television Station Show	4	20,750	\$7,221.38
<b>PRINT</b>	<b>15</b>	<b>2,556,299</b>	<b>\$12,263.31</b>
Daily Newspaper	15	2,556,299	\$12,263.31
<b>TOTAL</b>	<b>53</b>	<b>41,913,486</b>	<b>\$40,526.97</b>



**Board of Directors Memo**  
**Subject: Capital Projects Update**

January 28, 2016

**Signal System Enhancements**

Project Budget: \$868,558

Signal System Enhancements	Current Date	Original Date
Notice to Proceed	10/1/2015	
Master Project Schedule	10/29/2015	
Functional Design Document	10/31/2015	
Safety Plan	11/12/2015	
Test Plan	11/12/2015	
Product Submittals	11/26/2015	
60% Design Review	11/21/2015	
90% Design Review	1/19/2016	12/28/2015
100% Design Review	2/13/2016	1/14/2016
Fiber Optic Construction	2/4/2016	12/31/2015
Site Equipment Installation	2/6/2016	2/20/2016
Back Office Integration	3/19/2016	3/12/2016
Contract Closeout	3/31/2016	3/28/2016

- Fiber optic materials are on hand.
- System Design is at 90%.
- The contractor expects project completion by the end of March.

**Positive Train Control (PTC)**

- NTP was issued at the project kick-off meeting on 12/2/2015.
- The Chief Technical Consultant and Consulting Project Manager have been selected.
- DCTA is transmitting legacy data, safety procedures and other administrative requirements to the contractor.
- The contractor has complete the initial vehicle survey.
- Project completion is expected by yearend 2017.

**Lewisville Hike and Bike Trail – Eagle Point Section**

- DCTA has received the draft AFA for the TAP grant for completion of the Hike and Bike Trail from downtown Lewisville to the Highland Village/Lewisville Lake station. We expect to be ready to bid the project by early June 2016.

### Transit Enhancements.



Bell and Administration



Oak and Cedar (St. Andrews)



University at Walmart



Dallas Drive at Teasley



- Seven locations are substantially complete.
- Trash cans were backordered and scheduled for delivery week of 1/18/2016.
- Contractor will apply DCTA decals when the trash cans are installed.
- DCTA staff expects to have the next 8 locations ready for bid and permit by the end of January

## Flood Damage repairs

Issue	Initial Cost	Status
Emergency Response	\$ 191,500*	PW submitted week of 1/20
Track wash-out repairs	\$ 27,818*	PW submitted week of 1/20
Replace crossings	\$2,341,871	HNTB preparing RFP
Bus O&M Electrical Repairs	\$ 14,616*	PW submitted week of 1/20
Signal & Comm. System	\$ \$150,000	Mold mitigation is possible. Expect the proposal for mitigation week of 1/20. Covered by insurance.
Scouring & Wash-outs	\$ 59,844*	PW submitted week of 1/20.
Rail OMF drainage	\$ 250,000**	PW pending. Awaiting FEMA decision Repair or mitigation.
Replace flume at Pockrus Page	\$ TBD	Additional damage occurred in November. Engineering is in progress.
Undercut ballast	\$1,553,064*	Have received GPR analysis that indicates moderate to significant fouling. Awaiting determination from FEMA

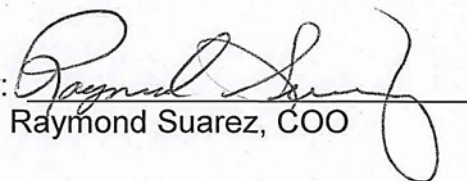
\*Reimbursement request for previous expenditures

\*\* New mitigation figure. Awaiting determination from FEMA.

## Network Infrastructure Upgrade

- All equipment has been installed, fiber connections are all complete.
- Microwave links between DCTA Administration and South Tower have been completed and throughput has been configured for maximum bandwidth and speed.
- Microwave links at DDTC have gone through similar configuration as above and are complete.
- The upgrade will greatly enhance DCTA's network performance and resiliency with lower total cost of ownership as monthly fees will be eliminated.
- With the network upgrade nearing completion, procurement of the phone system that will extend out from Bus OMF will commence.
- The network upgrade is complete and undergoing final testing before going into production the week of 1/18.

Final Review:

  
Raymond Suarez, COO

**Board of Directors Memo**

January 28, 2016

**Subject: Transit Operations Report****SYSTEM ON-TIME PERFORMANCE**

- FY 2016 YTD, “On Time Performance” (OTP) for the A-train is 99.06%
- FY 2016 YTD “On Time Performance” (OTP) for Connect service is 88.41%. On-time performance has been adjusted to properly reflect departures from each bus stop as well as the final destination.

**RIDERSHIP PERFORMANCE****Year to date change in ridership by service type**

Service	% Change FY 2015 to FY 2016	Color Indicator	Notation No.
All Bus & Rail	-1.20%	Yellow	1
Rail	1.84%	Green	
All Bus	-2.51%	Yellow	2
Connect	3.31%	Green	
UNT	-4.00%	Yellow	2
NCTC	3.49%	Green	
Access	-5.29%	Yellow	3
Connect RSVP	-7.29%	Yellow	4

1. YTD, UNT boardings decreased which negatively impacted bus system ridership.
2. YTD, UNT boardings continue to decline.
3. YTD Access boardings dropped due to inclement weather and the holidays.
4. While RSVP continues to decline. However, the rate of decline is not as fast as in FY 2015.

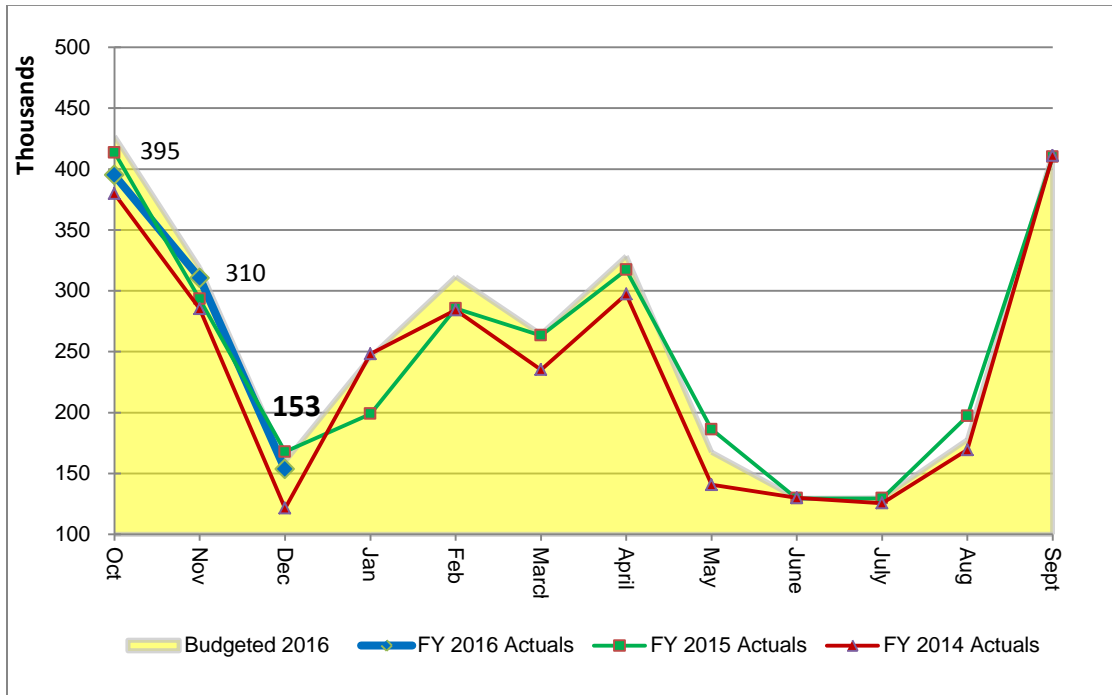
**Color Key**

Green indicates positive performance

Yellow indicates service that will be monitored by staff

Red indicates poor performance and needs further research

### Rail and All Bus: Total Boardings



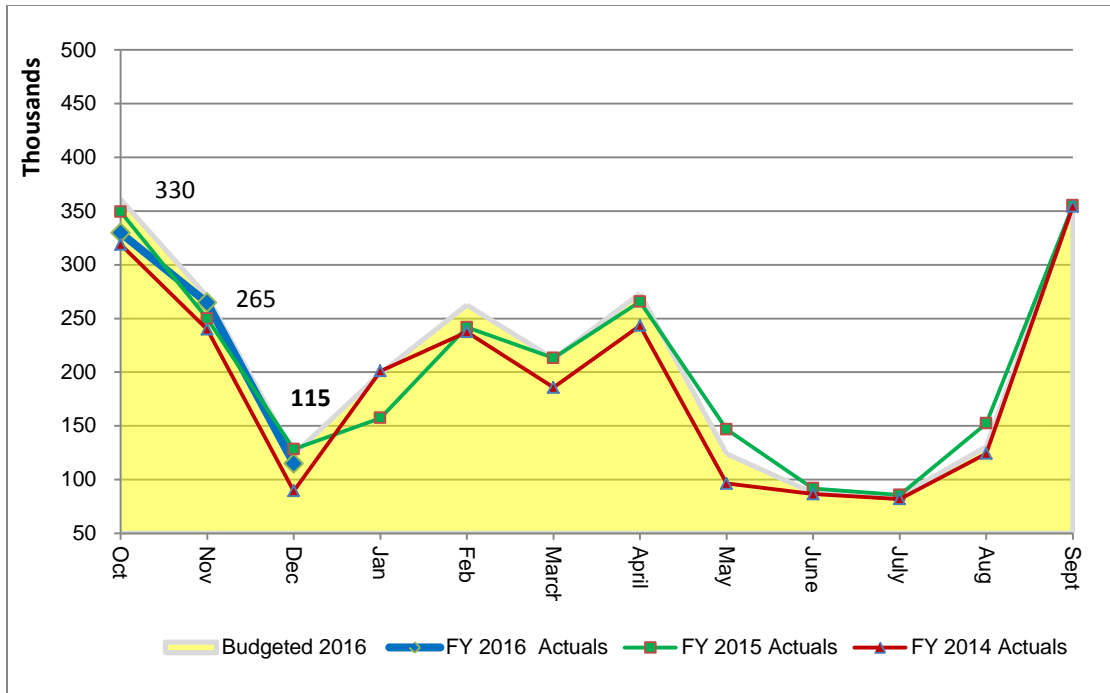
Note: Statistics include A-train, Connect, UNT, NCTC, Access, Connect RSVP, Frisco Demand Response Service, and special movement services. For display purposes, the Y axis origin has been modified.

### Rail and All Bus: Total Boardings

- YTD boardings for Rail and All Bus declined by 1.22% .
- A drop in UNT boardings contributed to this decline.



### All Bus: Total Boardings



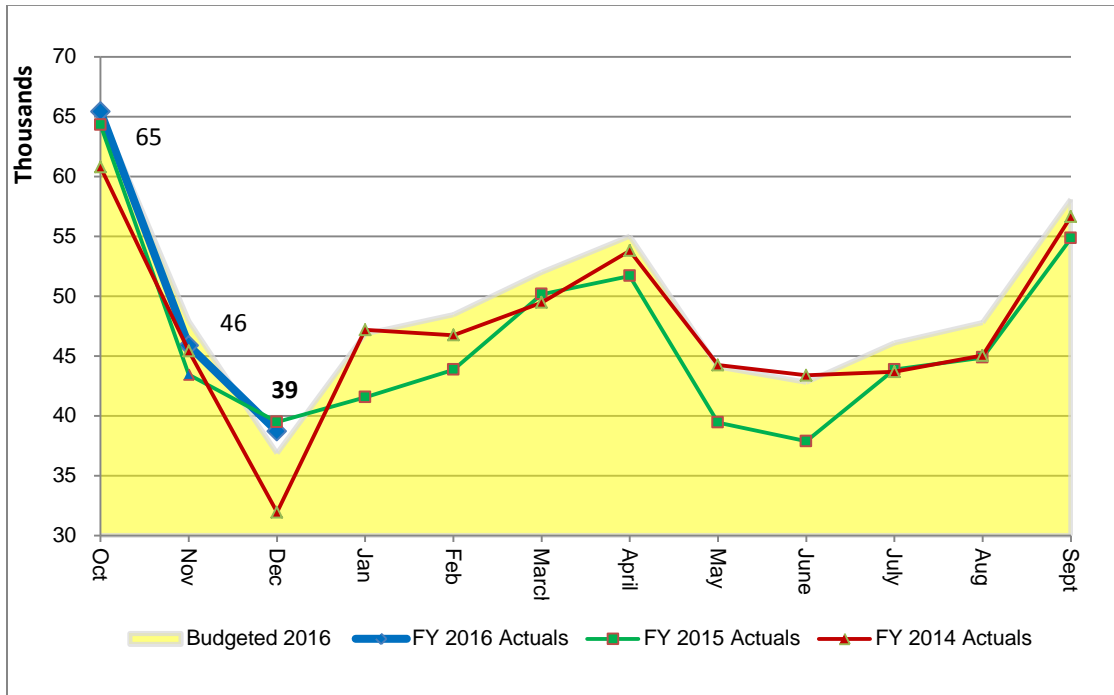
Note: Statistics include Connect, UNT, NCTC, Access, Connect RSVP, Frisco Demand Response Service, and special movement services. For display purposes, the Y axis origin has been modified.

### All Bus: Total Boardings

- In December, Frisco Demand Response Service had 191 boardings.
- YTD All Bus dropped by 2.51% (or 18,256 boardings).
- YTD, Connect boardings increased by 3.31% (or 4,990 boardings),
- In contrast, UNT boardings declined by 4% (or 22,507 boardings) YTD.
- One less regular class day at UNT may have contributed to the drop in UNT boardings.
- Declining retail gasoline prices may be another factor: From October 2015 to December 2015, prices for all grades in Texas dropped by 10% or \$0.21 per gallon<sup>1</sup>

<sup>1</sup> U.S. Energy Information Administration (EIA), Petroleum & Other Liquids, Weekly Retail Gasoline and Diesel Prices, Texas; Gasoline All Grades- Reformulated Areas, Released 1/11/16, Accessed 1/12/16

**Rail: Total Boardings**

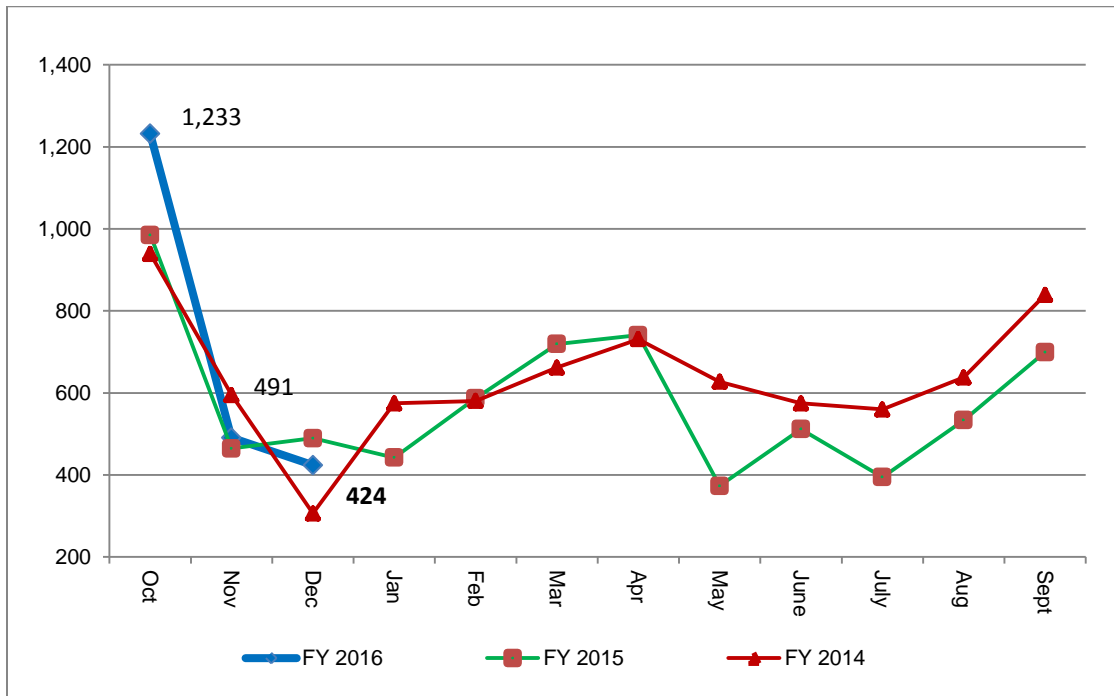


Note: For display purposes, the Y axis origin has been modified.

**Rail: Total Boardings**

- Despite a slight drop in December 2015, rail boardings continue to increase YTD.

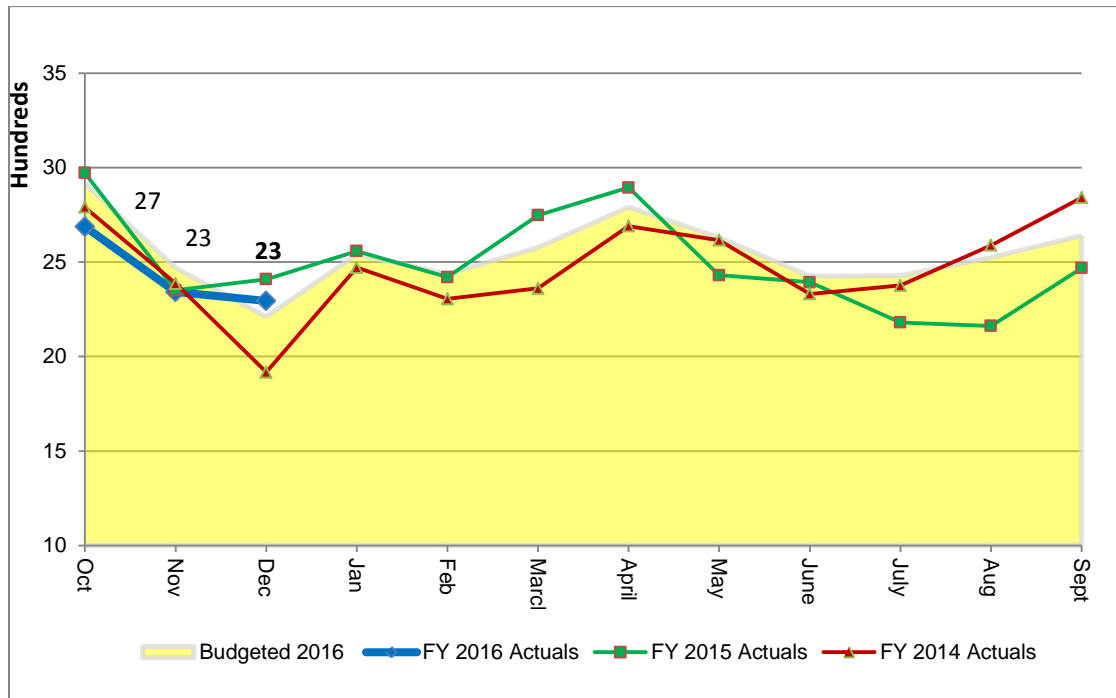
### Rail: Saturday Average Boardings



Note: For display purposes, the Y axis origin has been modified.

- YTD Average Saturday boardings increased by over 10% (or 69 boardings per Saturday) compared to that same period in FY 2015. This is primarily due to record State Fair attendance and very good weather condition compared to the prior year.

### Access: Total Boardings

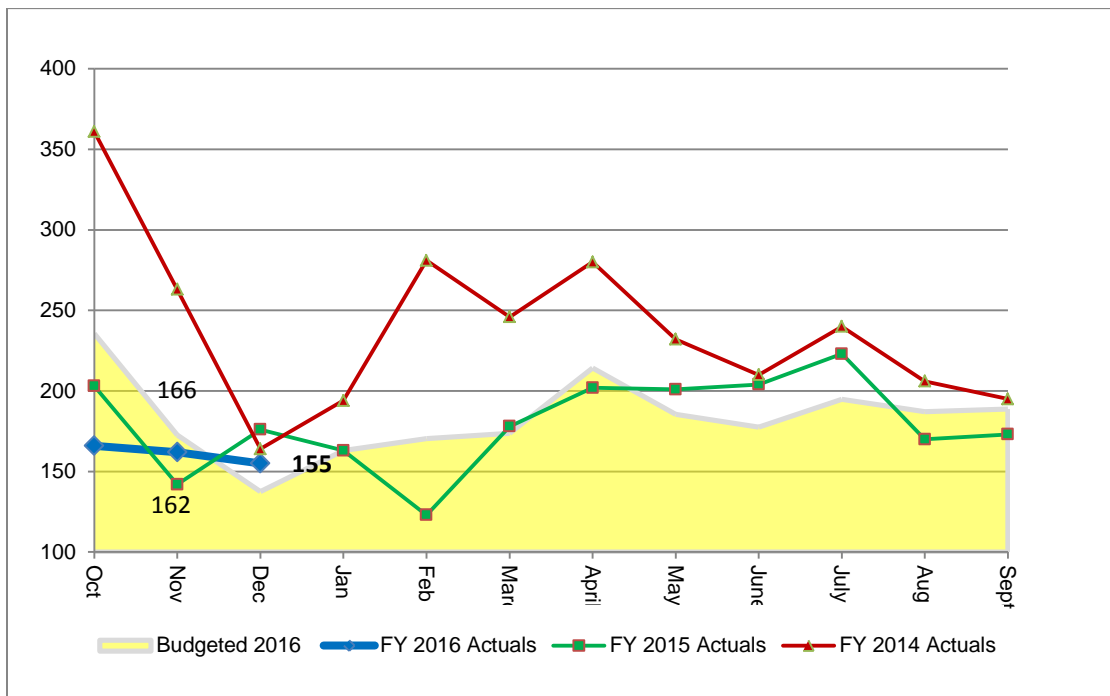


Note: For display purposes, the Y axis origin has been modified.

#### Access: Total Boardings

- YTD boardings decreased by 5.29% (or 409 boardings) compared to that same period in FY 2015.
- This drop may be attributed to inclement weather and the holidays.

### Connect RSVP: Total Boardings



Note: For display purposes, the Y axis origin has been modified.

### Connect RSVP: Total Boardings

- Connect RSVP ridership decrease, 7.29% YTD, likely due to heavy construction around the HV/LL station, the demolition of bridge access and offramp access to and from Highland Village which makes meeting on time performance very difficult. In December, another vehicle was added.

### SAFETY/SECURITY

- DCTA Rail Operations Injury-Free Workdays: 1,336
- DCTA Bus Operations Injury-Free Workdays: 27

### MAINTENANCE

- **Right of Way:** Routine daily inspections are being performed by the contractor.
- **Signal/Communications:** There were no issues in the month of December.
- **Stations:** DCTA contract operations (HTSI) continues to perform weekly safety inspections, which have not identified any major issues.
- **Rail Mechanical:** DCTA contract operations (HTSI) reported no mechanical failure in December.

Final Review:   
 Raymond Suarez, COO

**Board of Directors Memo**

January 28, 2016

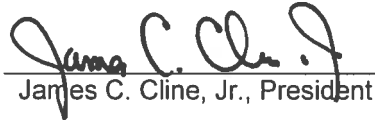
**Subject: DISCUSSION - Board Retreat Preparation****Background**

The attached document is a draft list of topics for discussion at the Board Retreat. The Board Retreat is a great opportunity to discuss the short/long-term issues and opportunities before DCTA. The meeting will be held at the UNT Gateway Center. We have arranged dedicated parking, and further information on specific details will be made available at the January Board meeting. Rusty Comer will also distribute a menu for lunch so we can order appropriately.

**Recommendation**

Staff recommends the Board discuss the agenda, and provide guidance on any changes or modifications.

Approval:

  
James C. Cline, Jr., President

## DISCUSSION TOPICS

February Board Retreat (2/26/2016)

- Growing Ridership/DCTA property
  - Transit Oriented Development (Don Dillard can join us early in the day/O&M Brownfield)
  - Comprehensive Operational Analysis (Highland Village, Denton, Lewisville)
  - Demand responsive service – new approach, path forward
  - Regional Commuter Bus (High Intensity Bus)
  - Expanded Service Area
    - Denton County (Flower Mound, Little Elm, Frisco, The Colony, Corinth)
    - Collin County (Allen, McKinney, TAPS, Frisco)
- Capital Program Revisions (RTC 2040 Plan/DCTA Long Range Plan)
  - Rail
  - Bus
  - Admin
  - Bike/Bike Facilities
- Comprehensive Operational Analysis/Bus Ops Efficiency Improvements
- Fares: Structure/Status/Increase
- Safety and Security
- DCTA's Role in the Region
  - Key Relationships (including Staff and Board Roles)
  - North Central Texas Regional Passenger Rail Alliance (Joint board Dinner, 85<sup>th</sup> Legislature, Alliance meeting)
- Risk Mitigation
- Board Chair items



## Board of Directors Memo

February 16, 2016

### Item: WS 4(a) Finance Committee Chair Report

The Finance Committee meeting and Special called Board of Directors meeting was held at 3:30 p.m., Monday, January 18, 2016 at 1955 Lakeway Dr., Suite 260 Conference Room in Lewisville, TX.

In attendance were:

Committee Chair: Dave Kovatch

Committee Members: Richard Huckaby, Connie White, Tom Winterburn

Board Members: Paul Pomeroy, Charles Emery

Absent:

DCTA Staff: Anna Mosqueda, Amanda Riddle, Jim Cline, Kristina Brevard, Nicole Recker, Raymond Suarez, Marisa Perry, Alex McGlinchey, Rusty Comer, Michele Harvey

A complete copy of the Finance Committee agenda packet and handouts is included as "Attachment A" to this report. The following agenda items were discussed:

#### **Presentation of Preliminary Year-End Audit Report**

- Jerry Gaither, Partner & Jennifer Ripka, Senior Manager with Weaver and Associates presented the FY15 audit report. DCTA received an unmodified (clean) opinion for FY15. The audit presentation included a detailed discussion of the audit process, required communications to the committee/board, audit results, areas of DCTA strengths and accomplishments, financial highlights and GASB standards (GASB 68 & 71) required to be implemented in 2015 and impact to the financial statements.
- The Finance committee recommended forwarding audit as presented to the Board for acceptance at the February Board meeting scheduled for February 16<sup>th</sup>.

#### **Discussion of Insurance Risk Assessment**

- Johnny Fontenot, Executive Vice-President and Robert Wagner, Sr. Vice-President with McGriff, Seibels & Williams Inc. gave an overview of the services the firm is currently providing DCTA regarding insurance risk assessment and appropriate coverages for each type of insurance. McGriff will serve as the on-going insurance broker for the agency, reviewing coverage limits, options and recommendations.
- Finance Committee requested that staff work with McGriff and look at Continuity of Business and Cybersecurity coverages.

#### **Update on Compensation Study**

- Linda Wishard, Sr. Consultant with Segal Waters Consulting presented the methodology and process utilized for study which included development of a compensation philosophy, detailed job analysis & classification review, market review, surveys with 10 benchmark peer organizations and private sector survey data. The results of the study reflect that DCTA's pay structure is below market and the recommendation is to implement a new pay structure, new pay ranges based on market and consistent pay range spread of 50%.
- Staff recommended
  - acceptance of the Proposed Pay Structure,
  - beginning the process reviewing all positions for the appropriate fit within the new pay plan structure along with dollar impact;



- addressing base pay adjustments for those employees whose current base salary is below range minimum.
- Finance Committee requested that staff along with Segal Waters Consulting looks at the “Total Compensation” package of DCTA, to include benefits, and bring back to the committee at a future date.

A Finance Committee has been scheduled for March 14<sup>th</sup>, at 2 p.m. 2016 to discuss agenda items including but not limited to the following, for which there was not sufficient time to cover in the meeting:

- Review Financial Policies
- Review draft of Revolving Door Policy
- Report from President – Lessons learned from other transit agencies
- Review New Member Policy

The meeting adjourned at 5:39pm.

**Finance Committee**

**Chair** – Dave Kovatch

**Members** – Richard Huckaby, Connie White, Tom Winterburn

**Staff Liaison** – Anna Mosqueda – CFO



Special Called Meeting of the DCTA Board of Directors  
and the **Finance Committee**  
of the DCTA Board of Directors  
**3:30 p.m., January 18, 2016**  
1955 Lakeway Drive, Suite 260 Conference Room  
Lewisville, TX 75067

## AGENDA

NOTICE IS HEREBY GIVEN that there will be a special called meeting of the DCTA Board of Directors and a meeting of the Finance Committee of the DCTA Board of Directors at the time and location above. The DCTA Board of Directors will not conduct its special called meeting if a quorum of the DCTA Board of Directors does not attend however the DCTA Finance Committee will conduct its meeting regardless of the presence of a quorum of the DCTA Board of the Directors. The DCTA Board of Directors and the Finance Committee of the DCTA Board of Directors will consider the following:

Welcome and Introductions

### 1) ITEMS FOR DISCUSSION

- a. Preliminary Year-end Audit Report & Presentation - Weaver & Assoc
- b. Discussion of Insurance Risk Assessment – McGriff, Seibels & Williams Inc.
- c. Update on Compensation Study – Segal Waters Consulting
- d. Review Financial Policies
- e. Review draft of Revolving Door Policy
- f. Report from President – Lessons learned from other transit agencies
- g. Review New Member Policy

### 2) ADJOURN

#### **Finance Committee**

**Chair** – Dave Kovatch

**Members** – Richard Huckaby, Connie White, Tom Winterburn

**Staff Liaison** – Anna Mosqueda – CFO

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

This notice was posted at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057 at a place convenient and readily accessible to the public at all times. Said notice was posted on 1/21/2016 at 9:21 AM.

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Rusty Comer, Public Information Coordinator



## 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 statement of net position of Denton County Transportation Authority (the Authority) as of and for the year ended September 30, 2015, the related statement of revenues, expenses, and changes in net position and the cash flows for the year 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.

## Denton County Transportation Authority

Page 2

***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, 2015, 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 described in Note 11 to the financial statements, in 2014, the Authority adopted new accounting guidance, GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". 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 4-11) and Texas County District Retirement System pension schedules (on pages 34-35) 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

Denton County Transportation Authority

Page 3

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February XX, 2016, 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.

Dallas, Texas  
February XX, 2016

**BASIC FINANCIAL STATEMENTS**

DRAFT

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<b>2015</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 17,127,538
Restricted cash and cash equivalents	3,650,196
Receivables	6,387,417
Prepaid expenses	398,745
Inventories	5,937
Total current assets	27,569,833
Noncurrent assets:	
Land and construction in progress	26,094,561
Other capital assets, net of accumulated depreciation/amortization	308,091,469
Total noncurrent assets	334,186,030
<b>TOTAL ASSETS</b>	<b>\$ 361,755,863</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to TCDRS pension	166,628
Total deferred outflows of resources	166,628
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 2,976,141
Construction contracts payable	1,888,711
Retainage payable	1,560,124
Unearned revenue	88,983
Easement obligation- current portion	100,000
Bonds payable-current portion	1,580,000
Total current liabilities	8,193,959
Noncurrent liabilities:	
Easement obligation	1,300,000
Net pension liability	124,748
Bonds payable	30,385,000
Total noncurrent liabilities	31,809,748
Total liabilities	40,003,707
<b>NET POSITION</b>	
Net investment in capital assets	301,021,096
Unrestricted	20,897,688
Total net position	<b>\$ 321,918,784</b>

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2015**

	<b>2015</b>
<b>OPERATING REVENUES</b>	
Passenger revenue	\$ 1,478,840
Contract services	2,935,371
Other	199,176
<b>Total operating revenues</b>	<b>4,613,387</b>
<b>OPERATING EXPENSES</b>	
Salaries, wages and fringe benefits	8,346,152
Services	2,722,176
Materials and supplies	2,528,741
Purchased transportation services	10,080,919
Utilities	472,391
Insurance	780,112
Facility and equipment rents	124,645
Other - miscellaneous	186,598
	25,241,734
Depreciation and amortization	9,337,505
<b>Total operating expenses</b>	<b>34,579,239</b>
<b>NET OPERATING LOSS</b>	<b>(29,965,852)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Sales tax revenue	23,261,748
Transit system operating assistance grants	4,985,908
Investment income	24,772
Interest expense	(1,211,899)
Gain (Loss) on disposal of assets	(51,815)
<b>Total non-operating revenue (expenses)</b>	<b>27,008,714</b>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	(2,957,138)
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	2,636,956
<b>Change in net position</b>	(320,182)
<b>NET POSITION, beginning of year, as restated</b>	322,238,966
<b>NET POSITION, end of year</b>	<b>\$ 321,918,784</b>

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



**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2015**

	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 4,689,182
Payments to suppliers	(17,576,224)
Payments to employees	(8,296,550)
	(21,183,592)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Sales tax received	22,916,596
Operating grant reimbursements	5,412,865
	28,329,461
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Contributions and grants for capital improvements	1,717,261
Principal paid on bonds	(1,510,000)
Acquisition and construction of capital assets	(4,399,777)
Proceeds from sale of capital improvements	28,185
Interest paid on bonds	(1,211,899)
	(5,376,230)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received on investments	24,772
	24,772
<b>Net increase (decrease) in cash and cash equivalents</b>	1,794,411
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	18,983,323
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 20,777,734

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2015  
(CONTINUED)**

	<b>2015</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (29,965,852)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation and amortization expense	9,337,505
Change in operating assets and liabilities	
Operating accounts receivable	66,625
Prepaid expenses	(59,873)
Fuel inventory	10,918
Deferred outflows of resources related to TCDRS pension	(112,646)
Operating accounts payable	(631,687)
Accrued payroll and payroll related taxes	42,461
Unearned revenue	9,170
Net pension liability	119,787
<b>Net cash used by operating activities</b>	<b>\$ (21,183,592)</b>
<b>NONCASH CAPITAL AND RELATED FINANCING</b>	
Gain (loss) on sale of non-capital assets	\$ (51,815)
Grants for capital improvements	116,183
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF NET ASSETS</b>	
Cash and cash equivalents	\$ 17,127,538
Restricted cash	3,650,196
	<b>\$ 20,777,734</b>

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, 2015, 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.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

**Basis of Accounting – Continued**

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.

All dollar amounts, unless otherwise noted, are in whole dollars. References to year 2015 are for the fiscal year ended September 30, 2015.

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**

In fiscal year 2014, the Authority began purchasing and maintaining its own fuel inventory, which is valued by volume on a monthly basis using a first-in, first-out inventory costing method.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

**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.

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

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

**Capital Assets – Continued**

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 in Denton, Texas 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, 2015, the Authority has received \$88,983 in advance payments.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

**Net Position**

Equity 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 revenue is recorded in the period earned. The Authority provides contract services for UNT and NCTC.

**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.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –  
CONTINUED**

**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 TCERS. 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 TCERS through a report prepared for the Authority by TCERS 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.

**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.



**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**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 within a department 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, 2006, 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 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.

DCTA entered into a joint rail operations contract with DART and the "T" of Fort Worth. The contract provides passenger rail service coordination and allows DCTA to participate in services provided by HTSI under the TRE/DART operating contract. The contract supports the train operations and is accounted for under Purchased Transportation. The contract provides for maintenance services for stations, corridor, track signal and communication systems, engineers and conductors to operate the DCTA service, dispatching, management support, ticket vending machine service, and DART funded insurance for Commercial General Liability for rail operating liability that provides DCTA with a minimum of \$125 million worth of primary and non-contributory commercial liability that is a combination of insurance and self-insurance.

**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 which may be allocated by the approval of the Board. At September 30, 2015, the reserve is \$6,713,371.

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

	September 30, 2015
Cash and cash equivalents	
Demand deposits	\$ 44,815
Sweep repurchase agreements	237,133
Money market account	12,894,564
TexSTAR	7,601,222
	\$ 20,777,734
Reconciliation	
Cash and cash equivalents	\$ 17,127,538
Restricted cash and cash equivalents	3,650,196
	\$ 20,777,734

**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 twelve 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.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS – CONTINUED**

**Investments – Continued**

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 Inter-local 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.

**NOTE 5. RECEIVABLES**

Receivables at September 30, 2015 consisted of the following:

	<u>2015</u>
Operating	
Ticket, token and other receivables	\$ 644,712
Sales tax	4,242,123
Grants receivable	<u>1,500,582</u>
Total	<u><u>\$ 6,387,417</u></u>

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. CAPITAL ASSETS**

Changes in capital assets for the fiscal year ended September 30, 2015 are:

	Balance September 30, 2014	Increases	Transfers/ Decreases	Balance September 30, 2015
Capital assets, not being depreciated:				
Land	\$ 16,228,337	\$ -	\$ -	\$ 16,228,337
Construction in progress	10,900,642	3,890,610	(4,925,028)	9,866,224
Total capital assets not being depreciated	27,128,979	3,890,610	(4,925,028)	26,094,561
Capital assets, being depreciated/amortized				
Rail system	276,138,293	-	2,162,097	278,300,390
Land improvements	5,386,734	-	1,072,087	6,458,821
Vehicles and operating equipment	8,940,025	-	(569,346)	8,370,679
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	1,958,428	-	1,252,606	3,211,034
Facilities	32,843,448	-	-	32,843,448
Easement	16,997,155	-	-	16,997,155
Total capital assets being depreciated/amortized	342,319,589	-	3,917,444	346,237,033
Less accumulated depreciation/amortization for				
Rail system	18,028,395	6,353,349	-	24,381,744
Land improvements	944,428	144,553	-	1,088,981
Vehicles and operating equipment	4,941,135	920,974	(897,143)	4,964,966
Leasehold improvements	55,506	-	-	55,506
Office furniture and equipment	713,240	317,496	(30,440)	1,000,296
Facilities	1,370,221	751,275	-	2,121,496
Easement	3,682,717	849,858	-	4,532,575
Total accumulated depreciation	29,735,642	9,337,505	(927,583)	38,145,564
Total capital assets, being depreciated, net	312,583,947	(9,337,505)	4,845,027	308,091,469
Total capital assets, net	<u>\$ 339,712,926</u>	<u>\$ (5,446,895)</u>	<u>\$ (80,001)</u>	<u>\$ 334,186,030</u>

Primary capital asset expenditures in 2015 relate to the Lewisville Hike and Bike Trail and improvements to the rail line and rail vehicles. 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, 2015, \$15,550,000 had been paid to the Dallas Area Rapid Transit (DART). The remaining payments of \$1,400,000 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 the year ended September 30, 2015.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**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.

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 677 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](http://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 fiscal year 2015, the Authority made contributions of 5.92%.

Actuarial Assumptions: The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.00%
Inflation	3.00%
Investment Rate of Return	8.10% per year

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 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS –  
CONTINUED**

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68. Mortality for depositing members is based on the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA; for service retirees, beneficiaries and non-depositing members is based on the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females; and for disabled members is based on the RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

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 were provided by TCDRS' investment consultant, Cliffwater LLC, and were based on January 2015 information for a 7-10 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 2013.

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	16.5%	5.35%
Private Equity	12.0%	8.35%
Global Equities	1.5%	5.65%
International Equities-Developed	11.0%	5.35%
International Equities-Emerging	9.0%	6.35%
Investment-Grade Bonds	3.0%	0.55%
High-Yield Bonds	3.0%	3.75%
Opportunistic Credit	5.0%	5.54%
Direct Lending	2.0%	5.80%
Distressed Debt	3.0%	6.75%
REIT Equities	2.0%	4.00%
Commodities	2.0%	-0.20%
Master Limited Partnerships	2.0%	5.30%
Private Real Estate Partnerships	3.0%	7.20%
Hedge Funds	25.0%	5.15%
Total	100.0%	

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS –  
CONTINUED**

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.

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 389,935	\$ 384,974	\$ 4,961
Changes for the year:			
Service cost	130,849	-	130,849
Interest on total pension liability	37,882	-	37,882
Effect of plan changes	40,628	-	40,628
Effect of economic/demographic gains or losses	87,214	-	87,214
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(12,905)	(12,905)	-
Benefit payments	-	-	-
Administrative expenses	-	(366)	366
Member contributions	-	78,874	(78,874)
Net investment income	-	25,740	(25,740)
Employer contributions	-	72,565	(72,565)
Other	-	(27)	27
Balance at 12/31/2014	<u>\$ 673,603</u>	<u>\$ 548,855</u>	<u>\$ 124,748</u>

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	\$ 779,435	\$ 673,603	\$ 584,660
Fiduciary net pension	548,855	548,855	548,855
Net pension liability	<u>\$ 230,580</u>	<u>\$ 124,748</u>	<u>\$ 35,805</u>

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. PENSION, RETIREMENT, AND DEFERRED COMPENSATION PLANS –  
CONTINUED**

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

For the year ended September 30, 2015, the Authority recognized pension expense of \$7,121.

At September 30, 2015, 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	\$ -	\$ 76,312
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	9,035
Contributions subsequent to the measurement date	-	81,281
Total	<u>\$ -</u>	<u>\$ 166,628</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$81,281 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the Authority's financial statements September 30, 2016). 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
2015	\$ 13,161
2016	13,161
2017	13,161
2018	13,161
2019	10,902
Thereafter	21,803
Total	<u>\$ 85,349</u>



**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**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.

The annual debt service requirements are:

Fiscal Year Ending September 30,	Principal	Interest	Total
2016	\$ 1,580,000	\$ 1,156,423	\$ 2,736,423
2017	1,645,000	1,098,412	2,743,412
2018	1,720,000	1,038,065	2,758,065
2019	1,790,000	974,984	2,764,984
2020 - 2024	10,205,000	3,831,436	14,036,436
2025 - 2029	12,655,000	1,795,313	14,450,313
2030 - 2031	2,370,000	112,211	2,482,211
Total requirements	<u>\$ 31,965,000</u>	<u>\$ 10,006,844</u>	<u>\$ 41,971,844</u>

The following is a summary of changes in bonds payable of the Authority for the year ended September 30, 2015:

Balance at October 1, 2014	\$ 33,475,000
Additions	-
Reductions	<u>(1,510,000)</u>
Balance at September 30, 2015	<u>\$ 31,965,000</u>

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%.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8. BONDS PAYABLE – CONTINUED**

No interest was capitalized during the year ended September 30, 2015.

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, 2015, the Authority was in compliance with this requirement.

**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:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>
2016	\$ 100,000
2017	100,000
2018	100,000
2019	100,000
2020 - 2024	500,000
2025 - 2029	500,000
Total requirements	<u><u>\$ 1,400,000</u></u>

**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) to provide insurance for errors and omission, general liability, workers' compensation, automobile liability, and physical damage coverage. TML was self-sustaining in 2015 based on premiums charged so that total contributions plus earnings on the contributions will be sufficient to satisfy claims and liabilities.

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**Risk Management – Continued**

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.

The Authority has a government crime policy with TML insuring against employee theft up to \$1,000,000 per loss. For the year ended September 30, 2015, the Authority has not incurred any losses under these plans.

**Litigation**

The Authority has one pending lawsuit. In the opinion of management, after consultation with legal counsel, potential losses will not materially affect financial position, operations or cash flows.

**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, 2015, the Authority has the following outstanding commitments:

Right of Way agreement with DART	\$ 1,400,000
Shared services agreement with DART	359,622
Rail purchased transportation services	10,959,649
35 foot transit buses	2,738,977
Consulting services	91,736
Landscaping and maintenance	537,382
Management agreement for bus transit operations	1,607,292
	<u>\$ 17,694,658</u>

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**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 2017. The total lease expense was \$224,645 for 2015. The lease payments by year are as follows:

	<u>2016</u>	<u>2017</u>	<u>Total</u>
Lease commitments			
Administration offices	<u>\$ 104,977</u>	<u>\$ 108,780</u>	<u>\$ 213,757</u>
Total lease commitments	<u>\$ 104,977</u>	<u>\$ 108,780</u>	<u>\$ 213,757</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. NEW ACCOUNTING PRONOUNCEMENTS**

As a result of the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", an adjustment has been made to record the Authority's net pension liability as of October 1, 2014. As a result, beginning net position has been increased by \$49,021.

The GASB issued Statement No. 72, Fair Value Measurement, which will be effective for periods beginning after June 15, 2015. The objective of this Statement is to improve accounting and financial reporting related to fair value measurements. This Statement applies to all state and governmental entities. 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. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which will be effective for periods beginning after December 15, 2015. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). This Statement applies to all state and governmental entities. The Authority will evaluate the impact of the standard on its Financial Statements and will take the necessary steps to implement it.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**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)**

	<b>2014</b>
<b>Total Pension Liability</b>	
Service cost	\$ 130,849
Interest (on the total pension liability)	37,882
Effect of plan changes	40,628
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	87,214
Benefit payments/refunds of contributions	(12,905)
<b>Net Change in Total Pension Liability</b>	<b>283,668</b>
<b>Total Pension Liability - Beginning</b>	<b>389,935</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 673,603</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 72,565
Contributions - Employee	78,874
Investment income net of investment expenses	25,740
Benefit payments/refunds of contributions	(12,905)
Administrative expense	(366)
Other	(27)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>163,881</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>384,974</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 548,855</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 124,748</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>81.48%</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,577,470</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>7.91%</b>

**Notes to Schedule:**

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

*Changes of assumptions.* There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Only one year 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)**

	Year Ended December 31		
	2012	2013	2014
Actuarially determined contribution	\$ 70,124	\$ 73,246	\$ 72,565
Contributions in relation to the actuarially determined contribution	70,124	153,247	72,565
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (80,001)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,328,117	\$ 1,387,238	\$ 1,577,470
Contributions as a percentage of covered-employee payroll	5.28%	11.05%	4.60%

**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	15 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	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 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment rate of return	8.10%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits.
Mortality	Based on the RP-2000 Active Employee Mortality Table for depositing members; RP-2000 Combined Mortality Table for the service retirees, beneficiaries and non-depositing members; and RP-2000 Disabled Mortality Table for disabled retirees.

Only three 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**

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**DENTON COUNTY TRANSPORTATION AUTHORITY**  
**SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
<b>OPERATING REVENUES</b>				
Passenger revenue	\$ 1,515,377	\$ 1,515,377	\$ 1,478,840	\$ (36,537)
Contract services	3,259,635	3,259,635	2,935,371	(324,264)
Other	6,300	6,300	199,176	192,876
	<u>4,781,312</u>	<u>4,781,312</u>	<u>4,613,387</u>	<u>(167,925)</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages and fringe benefits	9,173,856	9,119,994	8,346,152	773,842
Services	2,189,250	2,188,534	2,722,176	(533,642)
Materials and supplies	4,160,775	3,888,524	2,528,741	1,359,783
Purchased transportation services	9,853,077	9,963,588	10,080,919	(117,331)
Utilities	452,149	452,149	472,391	(20,242)
Insurance	778,013	778,013	780,112	(2,099)
Facility and equipment rents	207,205	207,205	124,645	82,560
Other - miscellaneous	245,476	255,476	186,598	68,878
Depreciation and amortization	9,503,440	9,503,440	9,337,505	165,935
	<u>36,563,241</u>	<u>36,356,923</u>	<u>34,579,239</u>	<u>1,777,684</u>
<b>Total operating expenses</b>				
<b>Operating loss</b>	(31,781,929)	(31,575,611)	(29,965,852)	1,609,759
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Sales tax revenue	21,347,080	22,180,196	23,261,748	1,081,552
Transit system operating assistance grants	4,474,680	4,653,518	4,985,908	332,390
Investment income	33,000	33,000	24,772	(8,228)
Interest expense	(2,721,899)	(2,721,899)	(1,211,899)	1,510,000
Bond issuance costs and fees	-	-	-	-
Gain (loss) on disposal of assets	-	-	(51,815)	(51,815)
	<u>23,132,861</u>	<u>24,144,815</u>	<u>27,008,714</u>	<u>2,863,899</u>
<b>Total non-operating revenue (expenses)</b>				
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	(8,649,068)	(7,430,796)	(2,957,138)	4,473,658
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	14,501,121	5,355,112	2,636,956	(2,718,156)
	<u>\$ 5,852,053</u>	<u>\$ (2,075,684)</u>	<u>\$ (320,182)</u>	<u>\$ 1,755,502</u>
<b>Change in net position</b>				

**DENTON COUNTY TRANSPORTATION AUTHORITY**

**SINGLE AUDIT REPORT**

**SEPTEMBER 30, 2015**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Denton County Transportation Authority

We have audited, in accordance with the 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, the statement of net position of Denton County Transportation Authority (the Authority) as of and for the year ended September 30, 2015, the related statement of revenues, expenses, and changes in net position and the cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February XX, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Denton County Transportation Authority

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The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February XX, 2016

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors  
Denton County Transportation Authority

**Report on Compliance for Each Major Federal Program**

We have audited Denton County Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Denton County Transportation Authority

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### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the accompanying statement of net position of Denton County Transportation Authority as of September 30, 2015, the related statement of revenues, expenses, and changes in net position and the cash flows for the year then ended, and the related notes to the financial statements. We issued our report thereon dated February XX, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements.

Denton County Transportation Authority

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The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February XX, 2016

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**DENTON COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2015**

**I. Summary of the Auditor's Results:**

Financial Statements

- a. An unqualified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
  - Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered a material weakness?  Yes  None reported
- c. Noncompliance material to financial statements noted.  Yes  No

Major Programs

- d. Internal control over major programs:
  - Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered a material weakness?  Yes  None reported
- e. An unqualified opinion was issued on compliance for major programs.
- f. Any audit findings disclosed that were required to be reported under Section 510(a) or OMB Circular A-133.  Yes  No
- g. Identification of major programs:
 

Federal Transit Cluster	20.500, 20.507
Transit Services Programs Cluster	20.516, 20.521
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. Auditee qualified as a low-risk auditee.  Yes  No

**DENTON COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2015**

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*:**

**None**

**III. Findings and Questioned Costs for Federal Awards:**

**None**

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**DENTON COUNTY TRANSPORTATION AUTHORITY  
SUMMARY OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2015**

**None**

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**DENTON COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2015**

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Grantor ID Number</u>	<u>Catalog of Federal Domestic Assistance ID Number</u>	<u>Federal Expenditures</u>
<b>U. S. Department of Transportation</b>			
<u>Direct Funding U. S. Department of Transportation</u>			
Federal Transit Cluster:			
FTA/Formula (and flex funds)	TX-90-X884-02	20.507	\$ 133,071
FTA/Formula (and flex funds)	TX-90-X941-00	20.507	99,904
FTA/Formula (and flex funds)	TX-90-X972-01	20.507	628,072
FTA/Formula (and flex funds)	TX-90-0932-00	20.507	67,503
FTA/Formula (and flex funds)	TX-90-4044-04	20.507	2,036,169
FTA/Formula (and flex funds)	TX-90-Y127-00	20.507	2,304,873
FTA Capital Investment	TX-04-0090-00	20.507	<u>486,348</u>
Total Federal Transit Cluster			<u>5,755,940</u>
Transit Services Programs Cluster:			
Job Access-Reverse Commute (JARC)	TX-37-X073-01	20.516	168,024
Job Access-Reverse Commute (JARC)	TX-37-X099-00	20.516	121,254
Job Access-Reverse Commute (JARC)	TX-37-X110-00	20.516	52,694
Transition Travel Training	TX-57-X051-00	20.521	1,642
Transition Travel Training	TX-57-X041-00	20.521	<u>127,843</u>
Total Transit Services Programs Cluster			<u>471,457</u>
Total Direct Funding U. S. Department of Transportation			<u>6,227,397</u>
<u>Passed Through the North Central Texas Council of Governments</u>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction Grant	0918-46-258	20.205	<u>1,351,785</u>
Total Highway Planning and Construction Cluster			<u>1,351,785</u>
Total Passed Through the North Central Texas Council of Governments			<u>1,351,785</u>
<b>Total U.S. Department of Transportation</b>			<u>7,579,182</u>
<b>Total Federal Expenditures</b>			<u>\$ 7,579,182</u>

**DENTON COUNTY TRANSPORTATION AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Denton County Transportation Authority (the Authority) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Specifically, when the Authority is awarded funds which include certain “pre-award” costs reimbursing the Authority for amounts expended prior to the approval of the award, the schedule of expenditures of federal awards will include expenses that were recorded on the statement of revenue, expenses and changes in net assets in a previous year.

**NOTE 2. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the Authority provided no federal awards to subrecipients.

**NOTE 3. NON-CASH ASSISTANCE**

The Authority did not receive any non-cash assistance from federal awards for the year ended September 30, 2015.

**NOTE 4. LOANS**

At year-end, the Authority had no loans or loan guarantees outstanding with federal awarding agencies.

# Denton County Transportation Authority

Finance Committee Meeting  
January 18, 2016



# Overview

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- Introduction
- Audit Process
- Required Communications
- Audit Results
- Areas of Strength and Accomplishment
- Financial Highlights
- Accounting Pronouncements
- Questions

# Introductions

Weaver**Views**



# The Firm of Texas



Weaver is the largest independent accounting firm in Texas and the Southwest. We are consistently named a top firm in the state and nationally.

- #6 Largest Accounting Firms in Texas | *Houston Business Journal*
- #4 Largest Tarrant County Accounting Firms | *Fort Worth Business Press*
- #8 Largest North Texas Accounting Firms | *Dallas Business Journal*
- #7 Largest Austin Accounting Firms | *Austin Business Journal*
- #14 Largest Houston-Area Public Accounting Firms | *Houston Business Journal*
- #5 Largest San Antonio Accounting Firms | *San Antonio Business Journal*
- 2014 Top 50 Firms | *INSIDE Public Accounting*
- 2014 BEST of the BEST Firm | *INSIDE Public Accounting*



7 Texas Offices | 500+ Employees | 65+ Partners

# Engagement Leadership



We know your questions don't end when the audit does, so the team leadership remains available to you throughout the year.

**Jerry Gaither**

Partner, Assurance Services

**Jennifer Ripka**

Senior Manager, Assurance Services

# Engagement Team



## Denton County Transportation Authority

**Jerry Gaither, CPA**  
Public Sector Leader

Audit

**Jennifer Ripka, CPA**  
Audit Senior Manager

**Meredith Churchill, CPA**  
Audit Senior

**Jessica Kao**  
Audit Associate

# Audit Process



Weaver**Views**

# Audit Process



- The audit was performed in accordance with **Generally Accepted Auditing Standards (GAAS)**, **Generally Accepted Government Auditing Standards (GAGAS)**, and the **Single Audit Act** (U.S. Office of Management and Budget (OMB Circular A-133))
- The audit process was a **risk-based approach** in which we identified potential areas of risk that could lead to material misstatement of the financial statements. We tailored our audit programs and resources to specifically address the following areas of risk:
  - Federal grant revenues and expenditures
  - State grant revenues
  - Capital projects, purchasing, and compliance with bidding procedures
  - Payables, accrued liability and expenditures
  - Revenue recognition for passenger revenue and contracted services



# Audit Process



Interim fieldwork and risk assessment were performed in August 2015. Procedures included:

- Walkthrough of accounting controls over significant transaction cycles:
  - Budget
  - Cash Disbursements
  - Cash Receipts
  - Payroll
  - P-Card Process
  - TVM, DDTC, POS, Online, and GoPass Revenue
  - Grant Funding
- Test of internal controls over financial reporting
- Test of compliance
  - Public Funds Investment Act

# Audit Process



- Capital Projects Testing
- Identification of major federal financial assistance programs and tested controls over compliance.
  - Major Program – Federal Transit Cluster (CFDA #'s 20.500 and 20.507)
  - Major Program – Transit Services Programs Cluster (CFDA #'s 20.516 and 20.521)
  - Test of controls over direct and material compliance requirements related to each major program
- Major programs tested represented 82% of total federal financial assistance

# Audit Process



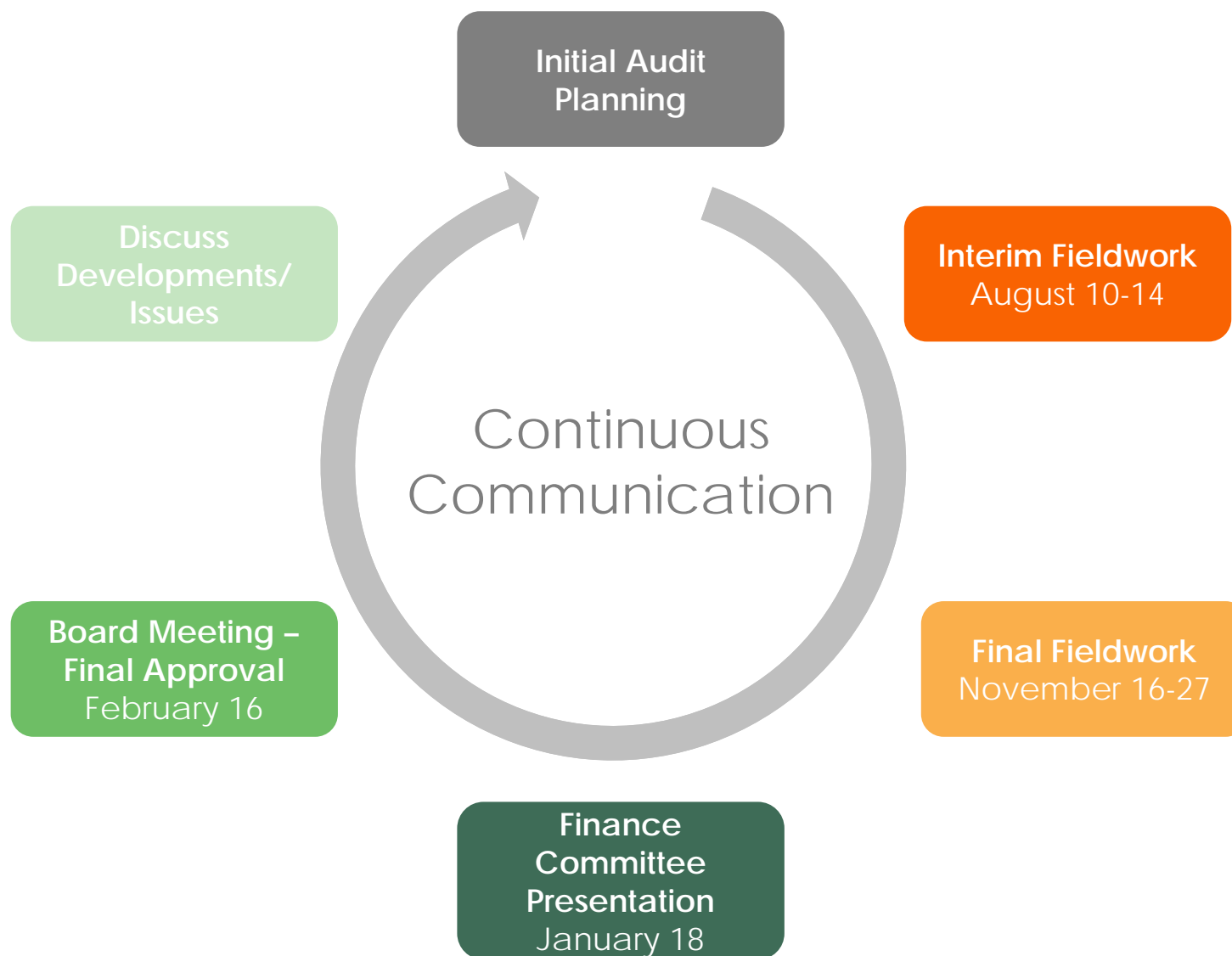
Final fieldwork was performed in November 2015.

## Procedures included:

- Testing using a combination of analytics, vouching of material transactions and sampling.
- Completion of Single Audit testing of compliance for each major program
- Assisting with the preparation of the CAFR and Schedule of Expenditures of Federal Awards



# Engagement Timeline



# Auditor Communications

for the year ended September 30, 2015

**WeaverViews**

# Required Communications to Those in Charge of Governance



Communication	Results
<p>Auditor's responsibility under generally accepted auditing standards (GAAS)</p>	<p>The financial statements are the responsibility of the Authority. Our audit was designed in accordance with GAAS in the U.S. and provide for reasonable rather than absolute assurance that the financial statements are free of material misstatement. Our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented , in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>The audit of the fiscal year 2015 financial statements is near completion and we will issue an unmodified opinion.</p>

# Required Communications to Those in Charge of Governance



Communication	Results
<p>Auditor's Responsibility under Government Auditing Standards</p>	<p>In addition to the GAAS responsibilities, we are required to issue a written report on our consideration of internal controls and identify significant deficiencies, including material weaknesses, if any. Our reports do not provide assurance on internal controls. We design our audit to provide reasonable assurance of detecting material misstatements resulting from noncompliance with provisions of contracts or grant agreements that have a direct or material effect on the financial statements. We issue a written report on the results of these procedures; however, our report does not express an opinion on compliance.</p> <p>No findings noted.</p>

# Required Communications to Those in Charge of Governance



Communication	Results
<p>Auditor Responsibility under OMB Circular A-133</p>	<p>Our testing includes all major federal financial assistance programs. We report on such testing, and disclose significant deficiencies in internal control over compliance, including material weaknesses we identify. Our report does not provide assurance on internal control over compliance. We perform procedures for the purpose of expressing an opinion on whether major federal financial assistance programs have been administered in compliance with applicable laws and regulations.</p> <p>The audit of the fiscal year 2015 major federal financial assistance programs is near completion and we will issue an unmodified opinion.</p>

# Required Communications to Those in Charge of Governance



Communication	Results
<p>Unusual transactions and the adoption of new accounting principles</p>	<p>The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements.</p> <p>New GASB pronouncements implemented in 2015 include GASB Statements No. 68 and 71. The effects of the implementation of GASB Statement No. GASB 68 and 71 are described in Note 7 and Note 11 to the basic financial statements.</p> <p>We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.</p>

# Required Communications to Those in Charge of Governance



Communication	Results
Fraud and illegal acts	No material errors, irregularities, or illegal acts were noted.
Material weakness in internal control	No material weaknesses noted.
Other information contained in documents containing audited financial statements	We provided an "in relation to opinion" on supplementary information accompanying the financial statements. We performed limited procedures on the MD&A and RSI. We did not provide any assurance on this information. The Introductory and Statistical sections were both unaudited.
Management judgments and accounting estimates	Management's estimates of estimated useful lives for capital assets were evaluated and determined to be reasonable in relation to the financial statements as a whole.

# Required Communications to Those in Charge of Governance



Communication	Results
Difficulties encountered	No difficulties or disagreements arose during the course of our audit.
Management representations	We will request certain representation from management that will be included in the management representation letter.
Management consultations	We are not aware of management consulting with other accountants for a second opinion.
Auditor independence	No independence issues noted.



# Required Communications to Those in Charge of Governance



Communication	Results
<p>Audit adjustments</p>	<p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has determined that the uncorrected misstatements are immaterial individually and in the aggregate to the basic financial statements.</p> <p>No passed adjustments or significant audit adjustments to report.</p>
<p>Other material written communications between Weaver and Tidwell, L.L.P., and the Authority</p>	<p>Nothing to note</p>

# Auditor Results

Weaver**Views**

# Areas of Strength and Accomplishments

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- Management is knowledgeable in finance
- Detailed monthly financial information is provided to the Board for review
- Awarded the GFOA Distinguished Budget Presentation Award
- Awarded GFOA Certificate of Achievement for Excellence in Financial Reporting
- Receives a Triennial Review from the Federal Transit Administration
- Earned the Texas Comptroller Platinum Leadership Circle Award for fiscal transparency



# Areas of Strength and Accomplishments

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- Timely audit
- Full cooperation of Authority staff
- No passed adjustments or significant audit adjustments
- No material weaknesses in internal controls
- No findings identified in testing of compliance or controls over compliance in either of the two major programs (Authority qualifies as a low-risk auditee)



# Financial Highlights

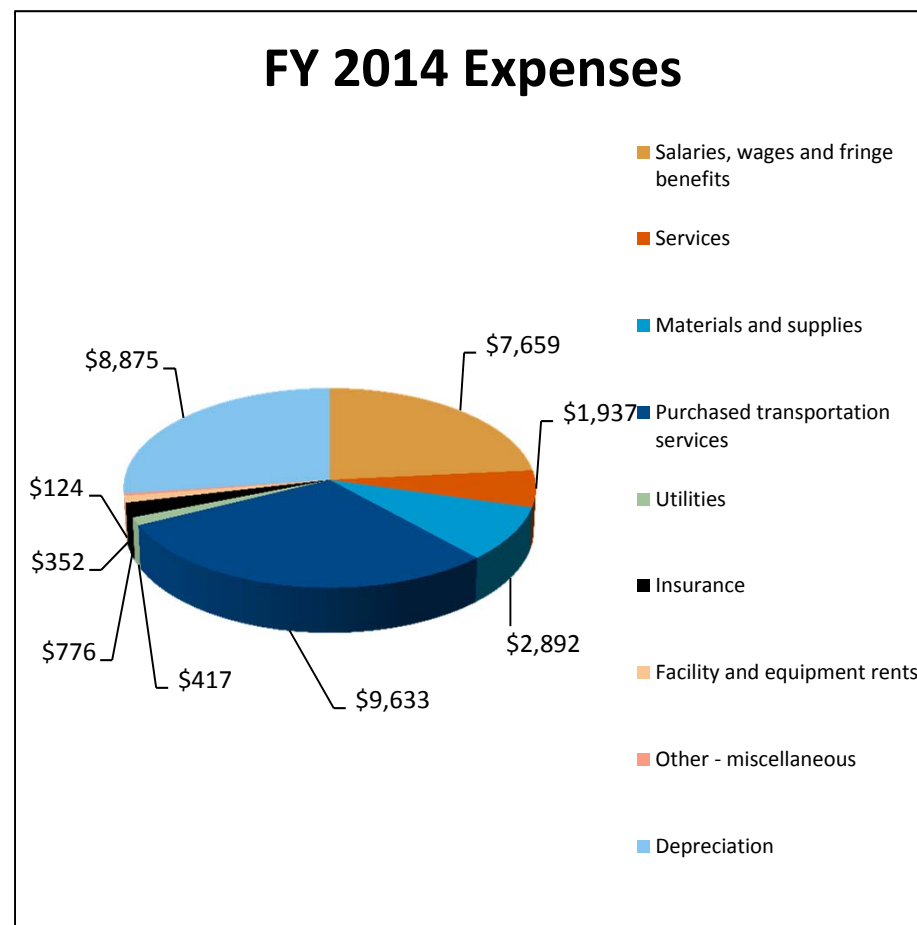
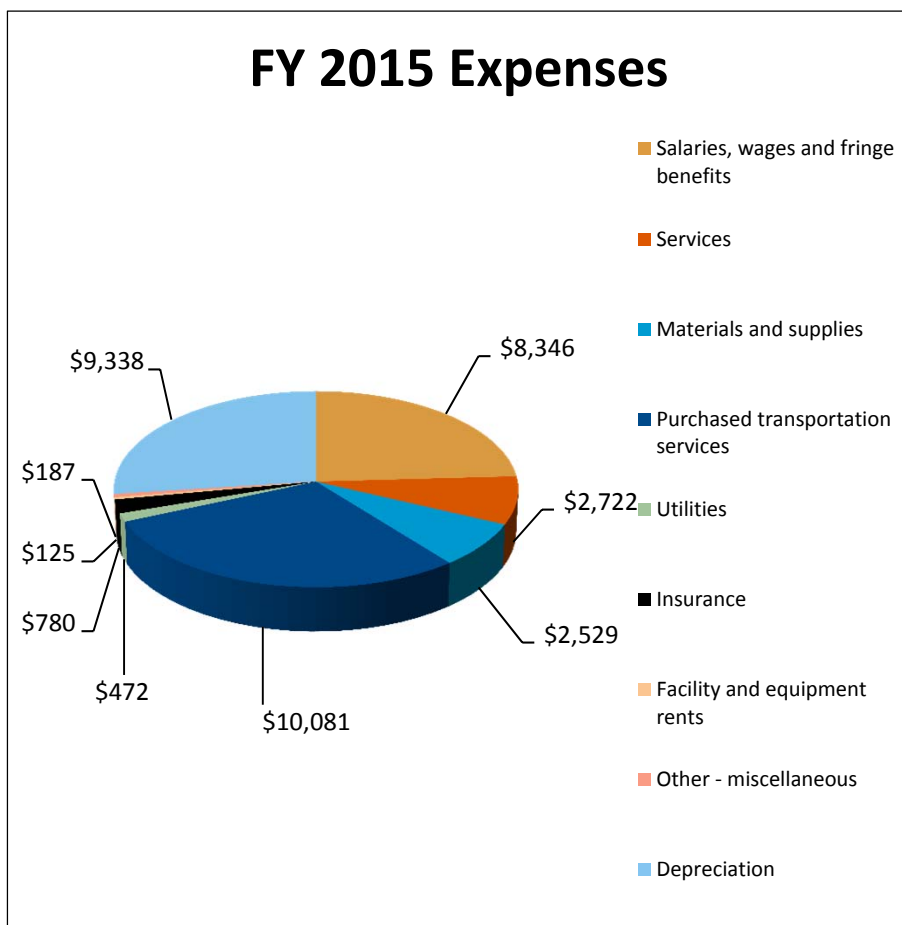


Weaver**Views**

# Financial Highlights



## Comparison of Operating Expenses (in thousands of dollars)



# Financial Highlights



## Comparison of Operating Expenses

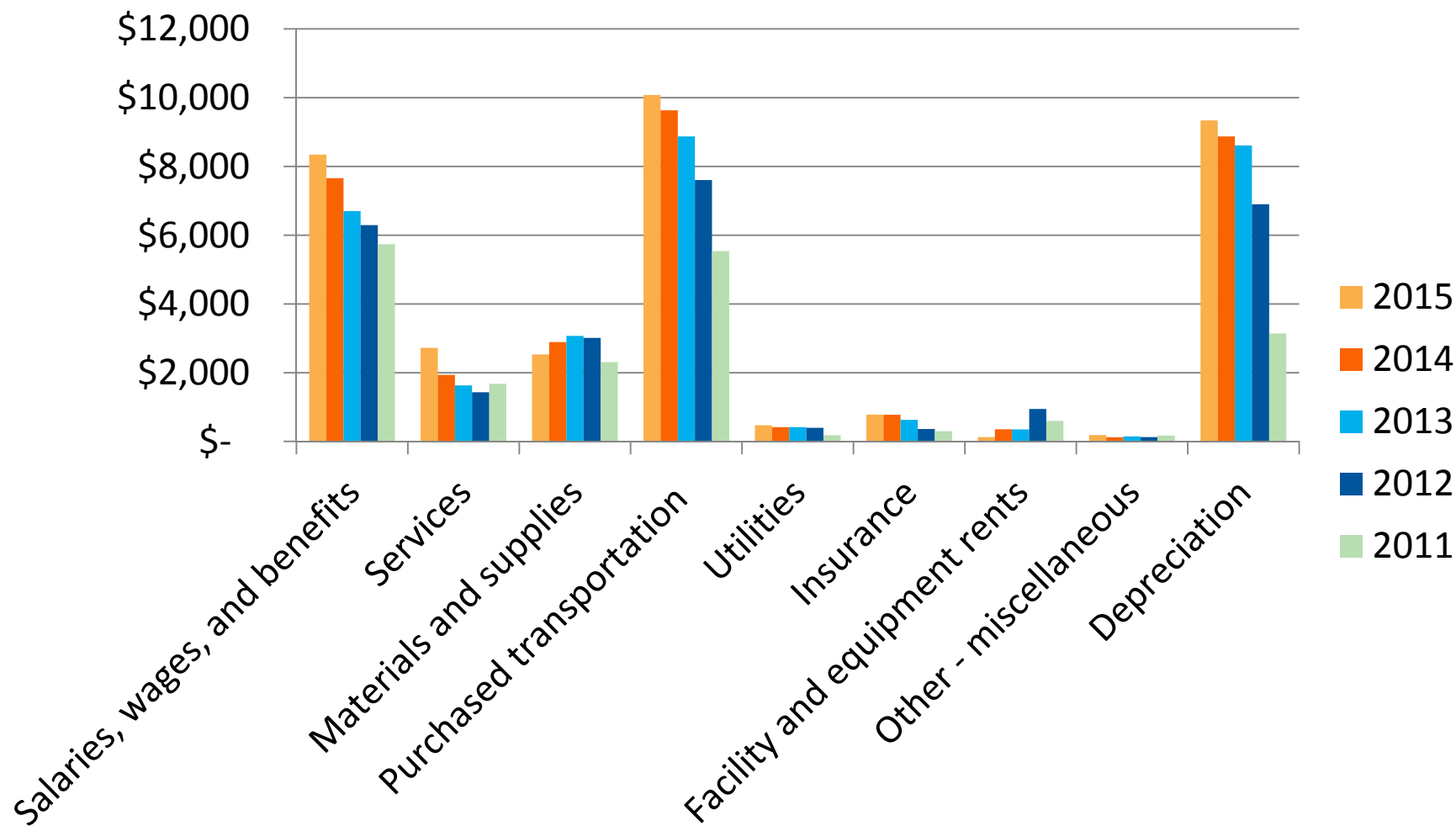
Fiscal year 2015 expenses totaled \$34.6 million, an increase of \$1.9 million or 6% compared to 2014. Largest changes are as follows:

- Salaries, wages, and fringe benefits increased \$687 thousand primarily due to an increase in the average number of employees employed by the Authority combined with merit raises given during FY 2015.
- Services increased \$785 thousand primarily due to increases in rail and equipment 3<sup>rd</sup> party maintenance costs.
- Materials and supplies decreased \$448 thousand primarily due to a decrease in diesel fuel costs.
- Depreciation increased \$463 thousand primarily due to an increase in rail assets.

# Financial Highlights



## Comparison of Operating Expenses

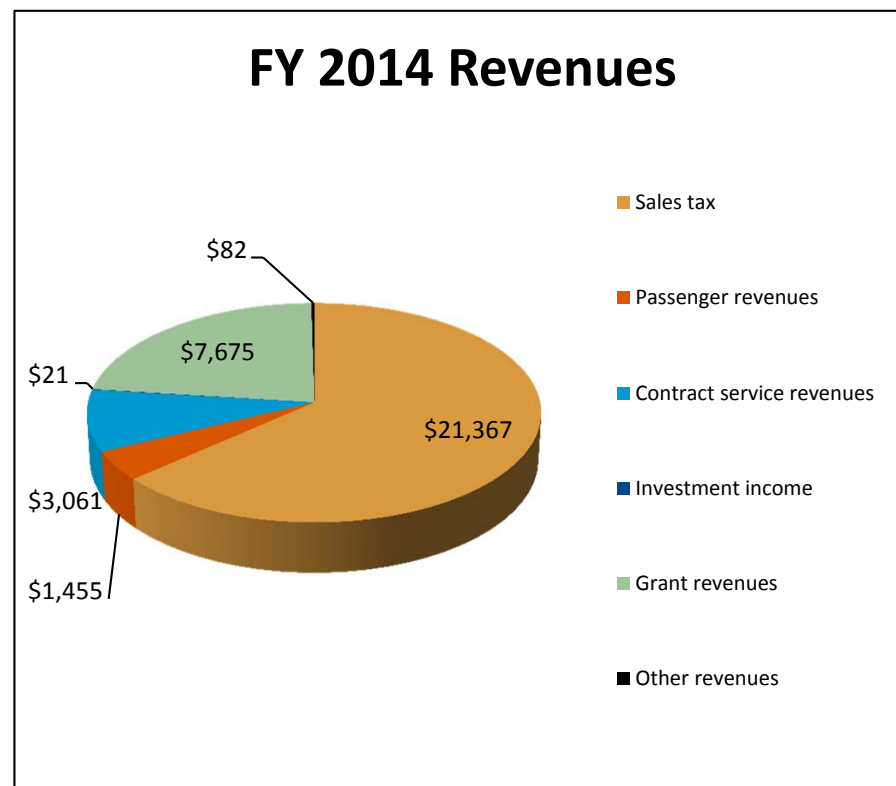
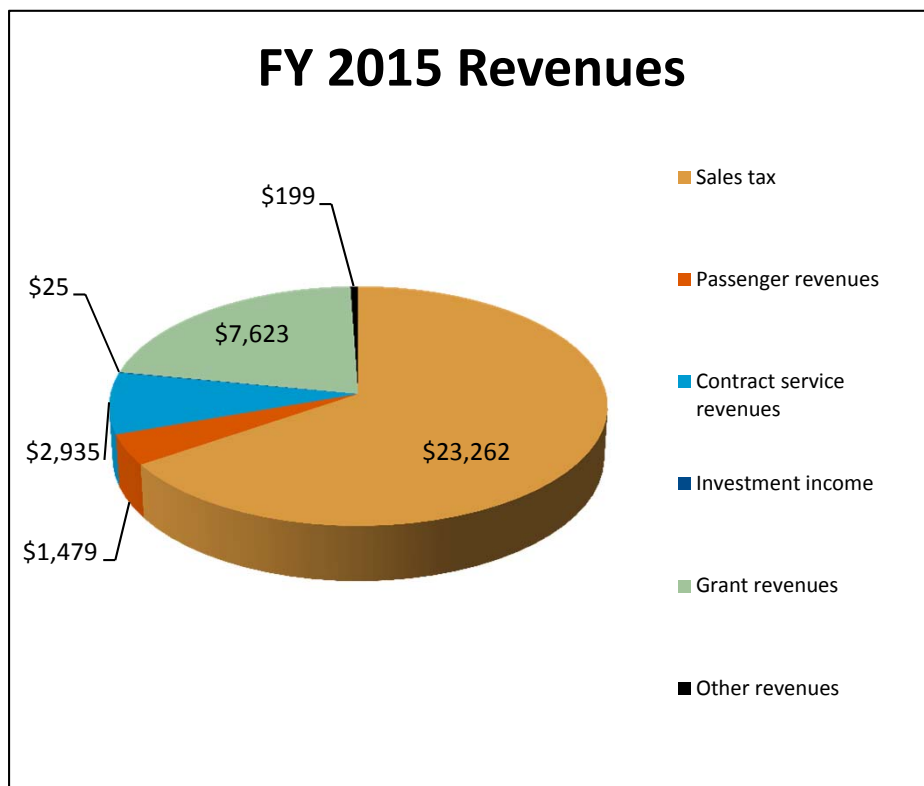




# Financial Highlights



## Comparison of Revenues (In thousands of dollars)



# Financial Highlights



## Comparison of Revenues

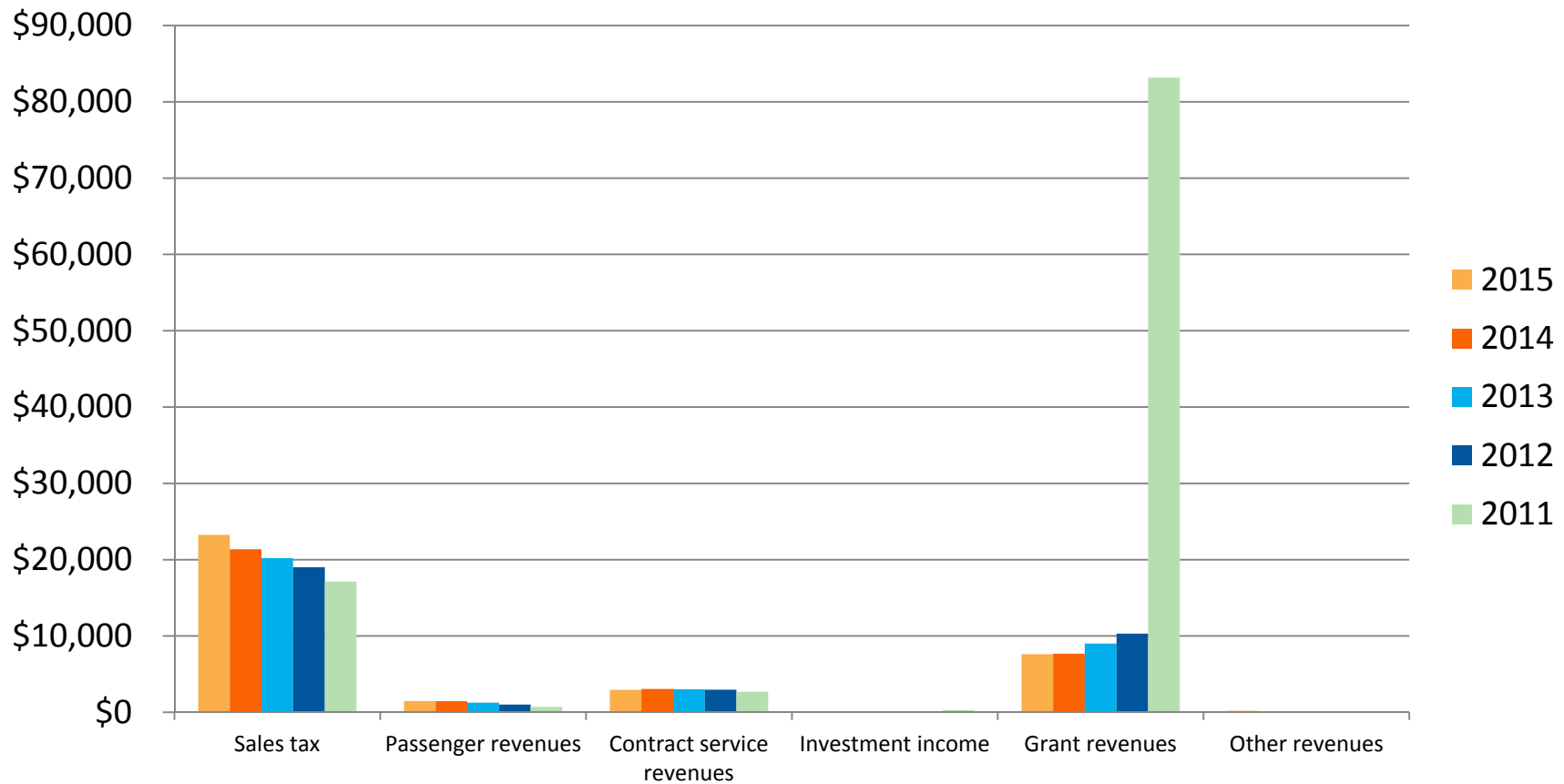
Fiscal year 2014 revenues totaled \$35.5 million, an increase of \$1.9 million or 5.5% compared to 2013. Largest change is as follows:

- Sales Tax revenue increased \$1.9 million due to an increase in sales and a growing economy in the area.

# Financial Highlights



## Comparison of Revenues



(5 year comparison in thousands of dollars)

# Standards Required to be Implemented in FY2015



## Effective for the year ended September 30, 2015

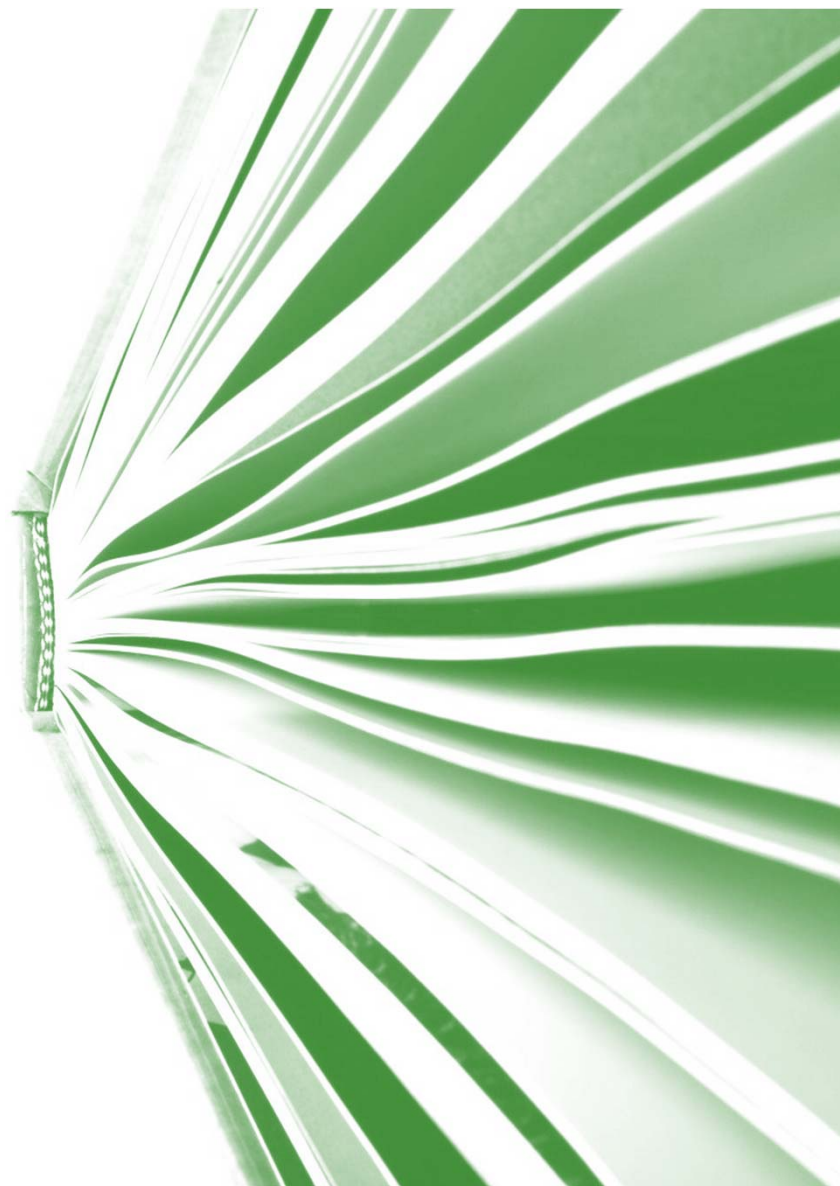
### GASB 68 – Accounting and Financial Reporting for Pensions

- **Objective:** to improve financial reporting by state and local governmental pension plans
- **Effect:** GASB 68 required the recognition of net pension liabilities of employers in financial statements prepared on the accrual basis. The Authority recorded a Deferred Outflow of Resources of \$166,628 and a Net Pension Liability of \$124,748. The effect of the change in accounting principle increased beginning net position by \$49,021.

### GASB 71 – Pension Transition for Contributions made Subsequent to the Measurement Date-an Amendment to GASB 68

- **Objective:** to address an issue regarding application of the transition provisions of GASB 68. The statement requires that when transitioning to the new pension standards, the entity recognize a beginning deferred outflow of resources for the pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation.
- **Effect:** GASB 71 required the Authority to recognize the beginning deferred outflow concurrent with the recognition of the net pension liabilities which equaled \$53,982.

We appreciate the opportunity to work with  
**Denton County  
Transportation Authority**  
and look forward to our  
continued relationship.





# Questions?

## Contact Us

**Jerry Gaither, CPA, CGFM | Engagement Partner**  
972.448.6918 | [jerry.gaither@weaver.com](mailto:jerry.gaither@weaver.com)

**Jennifer Ripka, CPA | Senior Manager**  
972.448.9268 | [jennifer.ripka@weaver.com](mailto:jennifer.ripka@weaver.com)



Presented by:



McGRIFF, SEIBELS & WILLIAMS, INC.

Johnny Fontenot  
Executive Vice President

# INSURANCE REVIEW & EVALUATION





## Public Entity

McGriff's Public Entity Group provides risk management solutions to tax-supported institutions, city and state governments, educational and transportation districts, and non-profit agencies. We are intimately familiar with the exposures faced by the public sector as well as the usual constraints related to budgets and staffing. Because every public entity has special needs all their own, we search the globe to find just the right fit. Whether it's alternative risk transfer vehicles such as self-insured pools, offshore captives, loss portfolio transfers, OCIP programs, or foreign reinsurance placements, the McGriff team has the contacts and resources to get the job done. In addition, we have significant internal experts such as transportation risk management consultants to provide expertise and resources to Public Transit Companies.



### Representative Clients

- City Governments
- School Districts
- State & Federal Government
- Charity Organizations
- Colleges & Universities
- County or Parish Governments
- Educational Service Centers
- Social Service Organizations
- Appraisal Districts
- Public Housing Authorities
- Municipal Utilities
- Transportation Districts
- Airports
- Port Authorities







## WORLDWIDE BROKER RANKING

**BB&T  
INSURANCE  
SERVICES /  
McGRIFF  
RANK 6<sup>TH</sup>  
AMONG  
BROKERS  
WORLDWIDE**

RANKING	BROKER	TOTAL REVENUES
1.	Marsh & McLennan Cos.	\$12,966,000,000
2.	Aon plc	\$12,019,000,000
3.	Willis Group Holdings plc	\$3,767,000,000
4.	Arthur J. Gallagher & Co.	\$3,530,000,000
5.	Jardine Lloyd Thompson Group plc	\$1,713,992,420
<b>6.</b>	<b>BB&amp;T Insurance Holdings, Inc. / McGriff</b>	<b>\$1,713,527,200</b>
7.	Brown & Brown Inc.	\$1,567,459,943
8.	Wells Fargo Insurance	\$1,298,884,000
9.	Hub International Ltd.	\$1,295,808,000
10.	Lockton Cos.	\$1,230,504,000

Ranked by 2014 total revenues

Revenues are expressed in U.S. dollars. Currency conversion is as of December 31, 2014.

Source: *Business Insurance*, 2015





## SUMMARY OF THE SCOPE OF SERVICES

### 1. Help DCTA Develop and Maintain Insurance Program

- Identify new coverage needs and exposures to find potential or actual uninsured, over insured or underinsured exposures.
- Structure an insurance program and Request for Proposal (RFP) to mitigate gaps or overlaps in Coverage and provide the limits and coverage requested by DCTA to the extent they are available.
- Provide an annual executive summary of policies and coverage.
- Perform research and provide advice on coverage questions.
- Recommend coverage changes and program adjustments.
- Provide recommendations and advice on alternatives to insurance.
- Advise DCTA on any new developments or changes in the overall insurance market, including new legislation, new coverages introduced and proactively communicate any potential impact to DCTA.
- Perform a risk assessment and coverage review annually.
- Evaluate excess limits and the adequacy of such limits.
- Assess carrier stability, solvency and services record, and provide to DCTA the A.M. Best Rating, including financial stability, of all insurance carriers approached including use of interlocal agreements.
- Conduct client review with internal quality control.





## 2. Marketing Required Insurance Coverage

- Place requested coverage on behalf of DCTA
- Act as the liaison and advocate for DCTA with insurers, presenting and/or gathering required data and applications from your staff for the purpose of procuring insurance coverage.
- Collect necessary data and prepare insurance submission packages for the marketing of various coverages for DCTA.
- Select insurers most suitable for the DCTA's risks.
- Market the insurance needs of DCTA by soliciting bids (RFPs) from insurance markets and provide DCTA with a summary of the various bids (RFPs) received.
- Negotiate coverage options with insurance carriers to obtain the most beneficial/cost effective program for DCTA.
- Invite DCTA to participate directly in marketing and meetings.
- Keep DCTA informed of negotiations with the underwriters involving placement of all insurance programs.
- Maintain insurer relations.
- Continually evaluate the DCTA's insurers with respect to service capability and responsiveness.
- Provide insurance budget estimates.





## INSURANCE COVERAGE EVALUATIONS

### Railroad Liability - \$125,000,000 Insurance Limit

- DCTA is named as an Additional Insured on DART's Railroad Liability Insurance.
- Expiring premium paid to DART for 2014-2015 coverage term – Approx. \$440,000
- McGriff took insurance to the insurance market for DCTA and provided comparable quotes.
- DART opened negotiations again and offered a significant reduction in premium for DCTA, \$303,122, to remain as an Additional Insured on DART's insurance. We believe this was in part due to marketing efforts.





## INSURANCE COVERAGE EVALUATIONS CON'T

- Texas Municipal League (TML) currently writes all of the rest of DCTA's existing property and casualty insurance.
- McGriff & DCTA have reviewed the existing coverage looking for gaps in coverage and areas where DCTA needs different coverage in order to meet the exposures that are changing due to DCTA's growth.
- TML provides DCTA with some essential insurance coverage, however, growth has made it necessary for DCTA to look to the insurance market place for more comprehensive insurance that better suits some of the exposures faced by DCTA's operations.
- McGriff has made limit and deductible suggestions for DCTA to consider upon renewal for coverages remaining with TML. DCTA has enough loss history to make more educated decisions on the risks and retentions DCTA can maintain and what insurance should be maintained.
- Outside quotes have been sought specifically for DCTA's rail cars. The coverage provided by TML is not adequate to cover the exposure of these rail cars.





## INSURANCE COVERAGE EVALUATIONS CON'T

Coverage Limits & Deductibles to be reviewed upon re-rate:

- Property Insurance – Higher Deductible options for a lower annual premium.
- Boiler & Machinery – Higher per Accident limit. Current limit is to low. Looking at outside markets for coverage options
- Mobile Equipment – Move coverage to another market to provide broader terms & conditions plus premium savings.
- Crime Coverage – Higher limits for Public Employee Dishonesty and Theft coverages.
- Auto Liability and Physical Damage – Looking at outside markets to make sure pricing is competitive for coverage provided. Ask TML to provide Automobile Catastrophe coverage option upon renewal. Coverage would enhance DCTA's deductible in case of hail losses.





# Compensation & Classification Study

January 18, 2016

**Denton County Transportation Authority**

**Presented by:**

**Linda G. Wishard, SPHR, CCP  
Senior Consultant**

# Presentation Agenda

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- Segal Waters Consulting Overview
- Compensation Philosophy
- Project Overview
  - Job Analysis & Classification
  - Benchmarking and Survey
  - Market Position
- Recommendations & Cost Impact



# Segal Waters Consulting Overview

The Segal Group, headquartered in New York, has been a leading, independent firm of benefit, compensation, and human resources consultants with:

- Over 70 years' experience
- 900+ employees working in 24 offices across the U.S. and Canada
- Serves three distinct markets - private sector, public sector, and multiemployer
- Segal Waters Consulting offers consulting services dedicated to our public sector and collectively bargained clients since 1997
- Some current and recent clients include:

City of Charlotte (NC)	City of Fort Worth (TX)
City of Charlotte Airport Authority (NC)	City of Palo Alto (CA)
City of Concord (NC)	City of Sierra Vista (AZ)
City of Greenville (NC)	Columbus Water Works (GA)
Greenville Utilities Commission (NC)	Harris County Appraisal District (TX)
Niagara Frontier Transportation Authority (NY)	Lexington County (SC)

# Compensation Philosophy (Draft)

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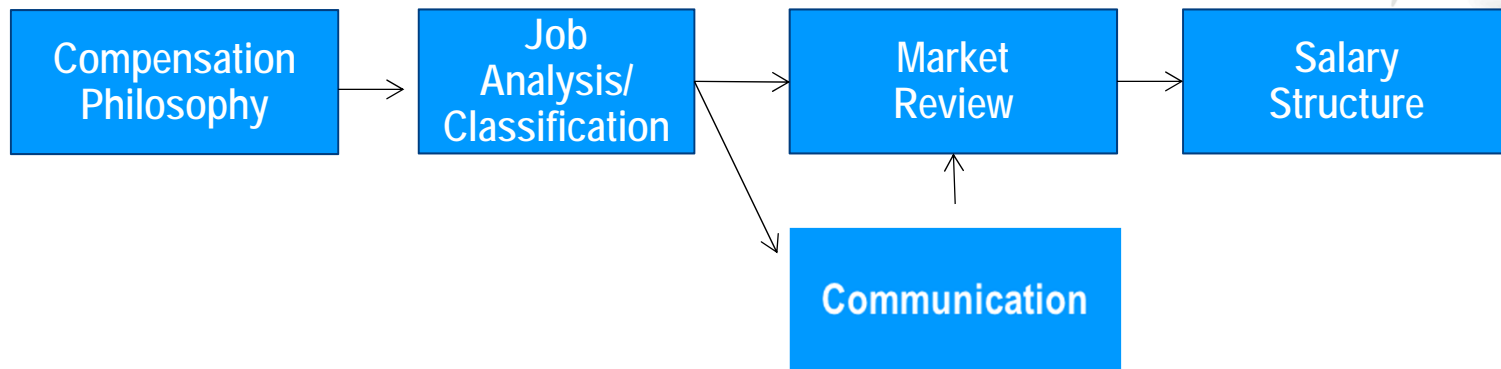
“Denton County Transportation Authority desires to be an employer of choice in the area. Our goal is to recruit and retain high performing employees that provide outstanding services to our citizens and community stakeholders.

- While recognizing that we are stewards of our taxpayers’ dollars, we will focus on:
- offering direct pay that is generally competitive within our defined market;
- providing employee benefits that offer opportunities and options for meeting our employees needs within our fiscal constraints;
- supporting employees in their efforts to reach their highest potential through various work assignments, formal training, cross-training, and on-the-job training;
- providing incentives for outstanding customer service, performance, skill development, teamwork, and goal attainment;
- growing leadership and promoting career progression within our workforce; and
- clearly communicating the benefits of our employee’s total compensation. Total Compensation is defined as:
  - Direct pay, which is comprised of wages and salaries (base pay)
  - Benefits, including but not limited to, health/life insurance, pension plans/retirement plans, workers compensation, and paid leave
  - Incentives, merit/performance pay and other rewards, variable pay, and pay at risk

Within our available resources, Denton County Transportation Authority will consider the funding of these components each year during its annual budget process, working to establish a competitive total compensation package for employees. Denton County Transportation Authority will use the compensation philosophy in making funding decisions. This approach allows the Authority to evaluate each component in relationship to the defined market so that the total compensation package is competitive.

# Project Overview

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# Job Analysis & Classification

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- DCTA staff provided updated Job Descriptions.
- Segal conducted employee interviews to gather additional information.
- Segal developed Classification Structure to Project Team with recommended title changes and classifications.

# Benchmarking & Survey

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- Survey Included 10 Benchmark Organizations and included all positions as benchmark jobs.

## Peer Employers

## Responded to Survey

Capital Metropolitan Transportation Authority (CapMetro), TX	√
Clark County Public Transportation Authority (C-Tran), WA	√
Dallas Area Rapid Transit (DART)/TRE, TX	√
Fort Worth Transportation Authority (The T)/TRE, TX	√
North County Transportation District (NCTD), CA	√
Orange County Transit Authority (OCTA), CA	√
Rio Metro Regional Transit District (RMRTD), NM	√
Sacramento Regional Transit District (SRTD), CA	√
Tri-County Metropolitan Transportation District of Oregon (TriMet), OR	√
Utah Transportation Authority (UTA), UT	

## Published Surveys (Private Sector Data):

ERI Salary Assessor

Mercer Surveys (Professional, Clerical, Technical)

Towers Watson Surveys

## ERI Geographic Differentials

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Salary differentials are driven by the relative supply and demand of labor. The higher the geographic adjustment, the lower the cost of labor for a given peer employer.

To adjust for geographic differences in the cost-of-labor between the peer locations and the Authority's location in Lewisville, TX, we used the cost-of-labor differentials reported by the Economic Research Institute (ERI) as of August 2015 for the 25-mile radius around each city.

The geographic adjustments we applied are shown in the next slide. A **negative** adjustment means that the cost of labor in a comparator city is higher than in Lewisville. For example, the cost-of-labor in Orange, CA is 8.2% higher than in Lewisville. Conversely, a **positive** adjustment means that the cost-of-labor in a comparator city is lower than in Lewisville. For example, the cost-of-labor in Austin, TX is 4.0% lower than in Lewisville.

# Overall Adjustments

Peer Employer	Geographic Adjustment	Workweek Adjustment	Both Adjustments Combined
Capital Metropolitan Transportation Authority	4.00%	--	4.00%
Clark County Public Transportation Authority	-0.20%	--	-0.20%
Dallas Area Rapid Transit	-1.40%	--	-1.40%
Fort Worth Transportation Authority	5.20%	--	5.20%
North County Transportation District	-6.10%	--	-6.10%
Orange County Transit Authority	-8.20%	--	-8.20%
Rio Metro Regional Transit District	7.70%	--	7.70%
Sacramento Regional Transit District	-5.20%	--	-5.20%
Tri-County Metropolitan Transportation District	0.20%	--	0.20%
Utah Transportation Authority	12.30%	--	12.30%

# Overall Market Position

## DCTA OVERALL MARKET POSITION BY DATA SOURCE BASE PAY RANGES ONLY

Data Source	DCTA Pay Ranges as a Percent of the Market Average		
	Pay Range Minimum	Pay Range Midpoint	Pay Range Maximum
Public Sector	76%	76%	76%
Private Sector	86%	86%	86%
<b>Overall Market Average</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>

Figures shown in **red** are below market (less than 95% of the market average)

Figures shown in **black** within the market range (95% to 105% of the market average)

Figures shown in **blue** are above market (more than 105% of the market average)



# Market Position By Job Family

## OVERALL MARKET POSITION BY JOB FAMILY BASE PAY RANGE ONLY

Job Family	Count of Job Titles	DCTA Pay Ranges as a Percent of the Market Average		
		Pay Range Minimum	Pay Range Midpoint	Pay Range Maximum
Finance	8	81%	82%	82%
Human Resources	1	85%	86%	86%
Marketing & Communications <sup>1</sup>	6	84%	84%	84%
Operations	9	74%	74%	74%
Planning & Development	2	74%	73%	72%
<b>Overall Market Average</b>	<b>26</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>

Figures shown in **red** are below market (less than 95% of the market average)

Figures shown in **black** within the market range (95% to 105% of the market average)

Figures shown in **blue** are above market (more than 105% of the market average)

<sup>1</sup>Board Assistant was included in the survey, but removed from Overall Averages and Structure Development

# Market Position By Department

## OVERALL MARKET POSITION BY DEPARTMENT BASE PAY RANGE ONLY

Department	Count of Job Titles	DCTA Pay Ranges as a Percent of the Market Average		
		Pay Range Minimum	Pay Range Midpoint	Pay Range Maximum
Finance	8	81%	82%	82%
Human Resources	1	85%	86%	86%
Marketing & Communications	6	84%	84%	84%
Operations	9	74%	74%	74%
Planning & Development	2	74%	73%	72%
<b>Overall Market Average</b>	<b>26</b>	<b>78%</b>	<b>78%</b>	<b>78%</b>

Figures shown in **red** are below market (less than 95% of the market average)

Figures shown in **black** within the market range (95% to 105% of the market average)

Figures shown in **blue** are above market (more than 105% of the market average)

Note: Board Assistant was included in the survey, but removed from Overall Averages and Structure Development

# Current Pay Structure

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Current Pay Structure					
Grade	Min	Mid	Max	Sprd	Midpt Prog
L-02	\$26,400	\$33,000	\$39,600	50%	
L-03	\$28,800	\$36,000	\$43,200	50%	9%
L-04	\$35,200	\$44,000	\$52,800	50%	22%
L-05	\$44,000	\$55,000	\$66,000	50%	25%
L-06	\$50,400	\$63,000	\$75,600	50%	15%
L-07	\$60,800	\$76,000	\$91,200	50%	21%
L-08	\$72,800	\$91,000	\$109,200	50%	20%
L-09	\$87,200	\$109,000	\$130,800	50%	20%
L-10	\$96,500	\$120,000	\$149,900	55%	10%
L-11	\$150,400	\$188,000	\$225,600	50%	57%

# Proposed Pay Structure

Proposed Pay Structure					
Grade	Min	Mid	Max	Sprd	Midpt Prog
101	\$31,878	\$39,847	\$47,817	50%	
102	\$38,254	\$47,817	\$57,380	50%	20%
103	\$45,904	\$57,380	\$68,856	50%	20%
104	\$55,085	\$68,856	\$82,628	50%	20%
105	\$68,856	\$86,071	\$103,285	50%	25%
106	\$86,071	\$107,588	\$129,106	50%	25%
107	\$107,588	\$134,485	\$161,382	50%	25%
108	\$134,485	\$168,107	\$201,728	50%	25%
109	\$168,107	\$210,133	\$252,160	50%	25%

Please note that the following positions are members of the DCTA Executive Team; President, Executive VP-CFO, Executive VP-Operations, Vice President-Marketing & Communications, and Vice President-Planning & Development

## Recommendations & Cost Impact

- New pay structure for all positions; new pay ranges based on market; consistent pay range spread 50%.
- Base pay adjustments to range minimum for all employees whose current base salary is below range minimum.

Recommendation	Overall Impact
Move to pay grade minimum	\$47,386.23
<b>Total Cost</b>	<b>\$47,386.23</b>

## Recommendations (Continued)

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- Review structure annually or biannually to maintain market competitiveness
- Next step a “total compensation” perspective
- Based on discussions with the Project Team and the Authority’s future needs, as a next step, Segal Waters recommends the Authority consider an Organizational Growth Analysis to assist in determining what staffing positions and levels will be needed as the organization continues to grow, as well as a timeline for implementing the recommended staff additions.

# Questions?

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## Denton County Transportation Authority Compensation Philosophy

We desire to be an employer of choice in the area. Our goal is to recruit and retain high performing employees that provide outstanding services to our citizens and stakeholders. We strive to maintain a qualified, diverse workforce through a competitive compensation program; and retain and motivate by recognizing and rewarding individual and group achievement, contribution, and excellence.

While recognizing that we are stewards of our taxpayers' dollars, we will focus on:

- attracting and retaining the highest performers and;
- offering direct pay that is externally competitive among peers within our defined market and industry;
- providing employee benefits that offer opportunities and options for meeting employee needs;
- providing incentives for outstanding customer service, performance, skill development, teamwork, and goal attainment;
- growing leadership and promoting career progression within our workforce; and;
- communicating the benefits of our employee's total compensation defined as:
  - Direct pay, which is comprised of wages and salaries (base pay)
  - Benefits, including but not limited to, health/life insurance, pension plans/retirement plans, workers compensation, and paid leave
  - Incentives, merit/performance pay and other rewards, variable pay, and pay at risk

We will fund components each year during the annual budget process. This approach allows the Authority to evaluate each component in relationship to the defined market so that the total compensation package remains competitive.



# Denton County Transportation Authority Financial Management Policies

(Adopted May, 2014)



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## **Purpose**

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

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

## **Objectives**

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

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

## Reserve Fund Policies

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

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

Contributions to the Capital Replacement/Infrastructure Maintenance, Sales Tax Stabilization and Fuel Stabilization Funds will be made from available funds as identified in the annual budget, or amended budget. The V-P of Finance/CFO shall make a recommendation to the Board with regard to transfers to and from reserve funds. The Board shall authorize the transfers as the Board shall determine to be appropriate at that time. Guidelines for their contribution are as follows:

- a. All expenditures drawn from reserve accounts shall require prior Board approval unless previously and specifically authorized by the Board for expenditure in the annual budget or amended budget.
- b. Equipment Replacement – Twenty percent (20%) of bus/fleet replacement costs (reflective of anticipated grants) plus the full cost of one twelve (12) year life bus.
- c. Infrastructure – Available funds within limitations of current cash flow model, in accordance with assessed capital needs which shall be reviewed during the annual budget process.

If after procedures as outlined in the adopted budget contingency plan have been met, and a severe economic downturn or emergency requires draw down of fund balance reserve or sales tax stabilization fund the priority

will be to replenish fund balances. Funds balances will be replenished within three (3) years, from any year-end budget surpluses. These surpluses may be achieved through expenditure reductions or through higher than anticipated revenues. The long range financial plan and annual budget will reflect the timeframe and plan for fund balance replenishment.

## Revenue Policies

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

## Expenditure Policies

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

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

## **Accounting, Auditing and Financial Reporting**

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

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

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



## Budget and Operating Policies

- a. Decisions of the Agency will be within the context of the long-range financial plan and the service plan. Staff shall provide a review of the implications of budgetary proposals on long-range plans.
- b. Chapter 460.403 of the Texas Transportation Code requires the Board to prepare an annual budget. The annual budget shall be developed consistent with state law and in a manner which encourages early involvement with the public and Finance Committee of the Board of Directors and the Board. A calendar of events related to budget development shall be presented to Finance Committee each year prior to the start of the annual budget process.
- c. The Finance Department will maintain a system for monitoring the DCTA's budget performance. The system will provide the DCTA Finance Committee and the Board with monthly and / or quarterly information in a timely manner on fund level resource collections and category level expenditures.
- d. Revised Budget Policy: The budget should be adjusted during the budget period should unforeseen events require changes to the original budget plan. The budget is a plan based on a set of assumptions that may not always match actual experiences during the execution phase. DCTA staff shall watch for significant deviations from expectations and make adjustments so that the plan is consistent with revised expectations as follows:
  - i. Operating Fund Expenditures
    1. DCTA is required to control operating costs and maintain the total expenditures incurred at or below the total annual adopted operating expense budget or budget as amended.
    2. The President may authorize budget transfers between expense categories and departments, in an aggregate amount – not to exceed 5% of the total annual Operating Expenses budget without Board approval.
    3. The Board may during the revised budget process, authorize a budget amendment for approval of new contracts and unbudgeted expenditures.
  - ii. Capital Project Fund Expenditures
    1. Expenditures for capital projects must be approved with the fiscal year capital project budget; or
    2. By Board approval of a capital project budget amendment and approval of the purchase during the fiscal year. Capital project budget amendments will be incorporated during the revised budget process.
  - iii. All DCTA amendments and transfers will be reflected in the appropriate period for the budget year and long range financial plan.
  - iv. Definitions:
    1. *Budget Amendment* – Shall mean a change in the fiscal year budget based on the following criteria:
      - a. Operating – an increase to the total bottom line operating fund expenditure budget
      - b. Capital – (a) addition of a new project; (b) change in Capital Projects Fund annual appropriation; (c) an increase to the total approved budget of

- a specific project.
2. Approval by the DCTA Board of Directors in the form of a resolution is required to authorize an amendment as specified in this section.
- v. *Budget Transfers* – Shall mean transfer of funds between departments or specific operating expense line items that neither increase nor decrease the total adopted operating fund budget authorization.
- e. A Budget Contingency Plan will be adopted each year as part of the annual budget process. This allows DCTA to be positioned to respond quickly to economic or market fluctuations. The Plan shall identify triggers, key action plans and monitoring processes to allow DCTA to recover and/or adjust to serious downturns effectively.
  - f. Fixed asset inventories. Accurate inventories of all physical assets, their condition, life spans, and cost will be maintained to ensure proper stewardship of public property. The V-P of Finance/CFO will establish policies and appropriate procedures to account for fixed assets, including establishing the threshold dollar amount for which fixed asset records are maintained and how often physical inventories are taken.

## **Purchasing**

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

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

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

**Grants:** When procurement involves the expenditure of a grant, purchasing shall be conducted in accordance with all applicable grant laws or regulations.

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

## **Cost Allocation**

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

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

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

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

### **Governmental Accounting Standards Board (GASB)**

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

## Debt Management Policy

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

- A. To reduce the use of debt so that debt service payments will be a predictable and manageable part of the operating budget.
- B. To raise capital at the lowest cost, consistent with the need to borrow.

These will be accomplished by:

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

## **Investment Policy (As adopted 11/19/2015)**

### **I. POLICY STATEMENT**

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

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

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

### **II. SCOPE**

This investment policy applies to all the financial assets and funds of DCTA. However, this policy does not apply to the assets administered for the benefit of DCTA by outside agencies under deferred compensation programs.

DCTA may commingle its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity.

### **III. OBJECTIVES AND STRATEGY**

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

#### Safety of Principal

Safety of principal is the foremost objective of DCTA. Investments of DCTA shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The safety of principal is best achieved by limiting maximum maturities to two years or no further than expected project cashflow forecasts, limiting

investment types to those specifically authorized by this policy, diversifying investments, and monitoring credit ratings on selected investment types.

#### Liquidity

DCTA's investment portfolio will be based on a cash flow analysis of needs and will remain sufficiently liquid to enable it to meet all operating requirements which might be reasonably anticipated. The portfolio will be structured so that investments mature concurrent with cash needs. Because all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in investments that offer same-day liquidity for unanticipated cash demands. In addition, a portion of the portfolio will consist of securities with active secondary or resale markets.

#### Diversification

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

#### Yield

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

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

### **IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY**

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

### **V. DELEGATION OF INVESTMENT AUTHORITY**

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

The Investment Officer shall develop and maintain written administrative procedures for the operation of the investment program which are consistent with this Investment Policy. Procedures will include reference to

safekeeping, require and include Master Repurchase Agreements (as applicable), wire transfer agreements, banking services contracts and other investment related activities.

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

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

#### Authorization Resolution

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

### **VI. PRUDENCE**

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

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

#### Limitation of Personal Liability

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

### **VII. INTERNAL CONTROLS**

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



### Cash Flow Forecasting

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

### **VIII. AUTHORIZED INVESTMENTS**

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

A. Obligations of the United States Government, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), agencies and instrumentalities and government sponsored enterprises, excluding collateralized mortgage obligations (CMO's), not to exceed two years to stated maturity with the exception of project funds which may be invested in longer maturities but not to exceed forecasted expenditure dates;

B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas, not to exceed two years to stated maturity. In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principal and interest of each CD insured by the Federal Deposit Insurance Corporation (FDIC) may be purchased through a broker that has its main office in Texas and is selected from a list adopted by the DCTA board or a selected depository institution with its main office or branch office in Texas. This broker or depository shall act as the custodian for the various certificates on behalf of DCTA.

C. Repurchase agreements and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Master Repurchase Agreement is on file with DCTA and the counterparty bank or primary dealer. Flexible repurchase agreements used specifically for capital projects may extend beyond the 180 day stated limitation, but shall not exceed the expenditure plan of the projects;

D. No-load SEC-registered money market funds, each approved specifically before use by DCTA; and

E. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

If additional types of securities are approved for investment by public funds by state statutes, they will not be eligible for investment by DCTA until this policy has been amended and the amended version approved by the DCTA Board.

### Competitive Bidding Requirements

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

### Delivery versus Payment

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

### **IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS**

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

Securities broker/dealers must meet certain criteria as determined by the Investment Officer. The following criteria must be met by those firms on the list:

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

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

DCTA may appoint one or more investment advisors to assist the financial staff in the management of DCTA funds. The investment advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and also be registered with the Texas State Securities Board as an investment advisor. To be eligible for consideration, an investment advisor shall demonstrate knowledge of, and experience in, the management of public funds. An appointed investment advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy, and without any discretionary authority to transact business on behalf of DCTA.

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

## **X. DIVERSIFICATION AND MATURITY LIMITATIONS**

It is DCTA's policy to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

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

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not invest more than 20% of the portfolio for a period greater than one (1) year. Unless matched to a specific requirement, the Investment Officer may not invest any portion of the portfolio for a period of greater than two (2) years.

## **XI. SAFEKEEPING AND COLLATERALIZATION**

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

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

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

### Collateralization

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

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest. Collateral will be held by an independent third party safekeeping agent.

## **XII. PERFORMANCE EVALUATION AND REPORTING**

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

- A. describe in detail the investment position of DCTA on the date of the report;
- B. be signed by the Investment Officer(s)
- C. contain a summary statement that states:
  - a. beginning book and market value for the reporting period;
  - b. ending book and market value for the reporting period; and
  - c. fully accrued interest for the reporting period;
- D. state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
- E. state the maturity date of each separately invested asset that has a maturity date;
- F. state the account or fund for which each investment security was purchased;
- G. compare the portfolio's performance to other benchmarks of performance; and
- H. state the compliance of the investment portfolio with DCTA Investment Policy, Investment Strategy, and the Public Funds Investment Act.

## **XIII. DEPOSITORIES**

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

## **XIV. TRAINING REQUIREMENT**

The DCTA Investment Officer(s) shall attend at least one investment training session within twelve months of taking office or assuming duties, and not less often than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive years after that date, and shall receive not less than ten hours

of instruction relating to investment responsibilities. The investment training session shall be provided by an independent source approved by the Board of Directors. See Attachment I for a list of Board approved independent investment training sources. Contingent upon Board approval, additional “independent sources” from which investment training may be obtained shall include a professional organization, an institute of higher learning, or any sponsor other than a business organization with whom DCTA may engage in an investment transaction. Such training shall include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

## **XV. ETHICS AND CONFLICTS OF INTEREST**

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

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

## **XVI. SUBJECT TO AUDIT**

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

## **XVII. INVESTMENT POLICY ADOPTION BY DCTA BOARD**

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

Previous Action:

Adopted October 23, 2014

**Attachment 1**

Board Approved Independent Investment Training Sources

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

It is not uncommon for public officials and employees, when moving from their public sector positions, to consider employment with agencies, organization or companies with relationships to their former public agency. DCTA’s awareness of the importance of conducting agency business in a transparent, open and ethical manner is reflected not only by the mission and values adopted by the Board, but are also documented in various DCTA Policies and Procedures Manuals.

- Attachment A: Article 8- Ethics in Public Contracting from the DCTA Purchasing Procedures Manual
- Attachment B: The DCTA Employee Handbook contains provisions on employee conduct which include among them Section 7.09 – Conflict of Interest

These Exhibits are included merely to provide reference to DCTA’s awareness of the importance of documenting its expectations regarding ethical conduct and conflict of interest. An item not currently addressed is a revolving door provision. The following is recommended for inclusion in the employee conduct section of the employee handbook.

\*\*\*\*\***DRAFT**\*\*\*\*\*

**Revolving Door Provision**

**Employees of DCTA, whose ending pay was at or above Assistant Vice President job grade or equivalent, and subsequently leave employment with DCTA may not represent or receive compensation for services rendered on behalf of any “person” regarding a “particular matter” in which he or she “participated” while serving with the agency, either through personal involvement, or because the matter was within his or her official responsibility. “Participated” means to have taken action as an officer or employee through decision, approval, disapproval, recommendation, giving advice, investigation or similar action. ‘Particular matter’ is defined narrowly to mean something specific such as an investigation, application, project scope of work or contract.**

**A former employee subject to the revolving door prohibition may work on matters similar to matters he or she worked on as a DCTA employee, but not on exactly the same matters. For example, if a former employee developed scope of work for and recommended and/or executed Contract X for planning services for the agency he or she could not leave the agency and work on Contract X on behalf of the vendor awarded the contract. The former employee could however, work on Contract Z on behalf of the vendor, even if the scope of work or issues related to Contract Z are similar to those of Contract X. Factors differentiating the two Contracts would include that the former employee did not develop the scope of work or recommend and/or execute Contract Z.**

**A “person” under this provision is an individual or business entity. It does not include a nonprofit organization or other governmental or quasi-governmental entity.**

**This prohibition is for a period of one year after date of termination of employment with DCTA.**

## EXHIBIT A

### ARTICLE 8 FROM DCTA PURCHASING PROCEDURES MANUAL

#### ARTICLE 8 - ETHICS IN PUBLIC CONTRACTING

##### 8-101 APPLICATION

This Article shall govern the performance of DCTA officers, employees, board members, and agents engaged in the award or administration of procurements and resulting contracts. For the purpose of this Article, "DCTA officer" means any DCTA officer, employee, board member or agent.

##### 8-102 CRIMINAL PENALTIES

To the extent that violations of the ethical standards of conduct set forth in this Article constitute violations of this policy, they shall be punishable as provided therein. Such penalties shall be in addition to the civil sanctions set forth in this Part. Criminal, civil, and administrative sanctions against employees or non-employees which are in existence on the effective date of this Policy shall not be impaired.

##### 8-103 CONFLICT OF INTEREST

It shall be unethical for any DCTA employee, officer or agent to participate directly or indirectly in the selection, award or administration of a contract if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer or agent;

- (a) or any member of DCTA officer's immediate family has a financial interest pertaining to the procurement contract; or
- (b) any other person, business, or organization with whom a DCTA officer or any member of a DCTA officer's immediate family is negotiating or has an arrangement concerning prospective employment, is involved in the procurement contract.

A DCTA officer or any member of a DCTA officer's immediate family who holds a financial interest in a disclosed blind trust shall not be deemed to have a conflict of interest with regard to matters pertaining to that financial interest.

##### 8-104 GRATUITIES AND KICKBACKS

(1) *Gratuities.* It shall be unethical for any person to offer, give, or agree to give any DCTA officer or former DCTA officer, or for any DCTA officer or former DCTA officer to solicit, demand, accept, or agree to accept from another person, a gratuity or an offer of employment



in connection with any decision, approval, disapproval, recommendation, or preparation of any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter, pertaining to any program requirement or a contract or subcontract, or to any solicitation or proposal therefore.

(2) *Kickbacks.* It shall be unethical for any payment, gratuity, or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or any person associated therewith, as an inducement for the award of a subcontract or order.

(3) *Contract Clause.* The prohibition against gratuities and kickbacks prescribed in this Section shall be conspicuously set forth in each and every contract and solicitation therefor.

#### **8-105 PROHIBITION AGAINST CONTINGENT FEES**

It shall be unethical for a person to be retained, or to retain a person, to solicit or secure a DCTA contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, except for retention of bona fide employees or bona fide established commercial selling agencies for the purpose of securing business.

#### **8-106 CONTEMPORANEOUS EMPLOYMENT PROHIBITED**

It shall be unethical for a DCTA officer who is participating directly or indirectly in the DCTA procurement process to be the employee of any person or firm competing for a contract with DCTA. It shall also be unethical for a DCTA officer who is participating directly or indirectly in DCTA's procurement process to become an employee of any person or firm as a result of a firm being awarded a contract with DCTA.

#### **8-107 USE OF CONFIDENTIAL INFORMATION**

It shall be unethical for any officer or former officer to knowingly use confidential information for actual or anticipated personal gain, or for the actual or anticipated personal gain of any other person.

#### **8-108 SANCTIONS**

(1) *Employees.* The President may impose any one or more of the following sanctions on a DCTA employee for violations of the ethical standards in this Article:

- (a) oral or written warnings or reprimands;
- (b) suspension with or without pay for specified periods of time; or

(c) termination of employment.

(2) *Non-employees.* The Board of Directors may impose any one or more of the following sanctions on a non-employee for violations of the ethical standards:

(a) written warnings or reprimands;

(b) termination of contracts.

**8-109 RECOVERY OF VALUE TRANSFERRED OR RECEIVED IN BREACH OF ETHICAL STANDARDS**

(1) *General Provisions.* The value of anything transferred or received in breach of the ethical standards of this Policy by an employee or a non-DCTA officer may be recovered from both a DCTA officer and a non-DCTA officer.

(2) *Recovery of Kickbacks by DCTA.* Upon a showing that a subcontractor made a kickback to a prime contractor or a higher tier subcontractor in connection with the award of a subcontract or order thereunder, it shall be conclusively presumed that the amount thereof was included in the price of the subcontract or order and ultimately borne by DCTA and will be recoverable hereunder from the recipient. In addition, that amount may also be recovered from the subcontractor making such kickbacks. Recovery from one offending party shall not preclude recovery from other offending parties.

## EXHIBIT B

### DCTA EMPLOYEE HANDBOOK – SECTION 7.09

#### 7.09 CONFLICT OF INTEREST

**7.09.1 Unacceptable activities.** No employee of DCTA may:

- a. Have any financial or other interest, directly or indirectly, in any proposed or existing contract, purchase, work, sale or service to, for, with or by DCTA;
- b. Use DCTA employment, authority, or influence in any manner for his/her personal betterment, financial or otherwise;
- c. Have any financial interest, directly or indirectly, in the sale to DCTA of any land, materials, supplies or services;
- d. Have discussions or participate in decisions of any DCTA agency, board, commission or instrumentality if the employee has any personal economic interest or is employed, directly or indirectly, by the person or entity that is the subject of the discussion or decision;
- e. Engage in outside activities incompatible with the performance of duties and responsibilities as a DCTA employee or that might impair independent judgment in the performance of duties to DCTA; or
- f. Accept remuneration or provide services for compensation, directly or indirectly, to a person or organization requesting an approval, investigation, or determination from DCTA.

**7.09.2 Violations.** Violations may result in disciplinary action up to and including termination of employment. Employees should direct questions regarding the prohibitions imposed by this policy to your Supervisor or the Human Resources Representative.

## New Member Cities Admission Policy

### A. Introduction

The statutory charge and the desire of DCTA is to encourage the development and provision of transit services in and for Denton County. To achieve that goal, DCTA welcomes inquiries from all Denton County areas that may be interested in receiving DCTA transit services.

### B. Background

The Denton County Transportation Authority (DCTA) was created in 2001 by the Denton County Commissioners Court pursuant to House Bill 3323 (Acts 2001, 77th Leg., ch. 1186, §1, eff. Sept. 1, 2001), codified as Chapter 460, Tex. Transportation Code.

The formation of DCTA was confirmed by a countywide election on November 5, 2002 with a favorable vote of greater than 73%. A subsequent transit sales tax authorization election was held on September 13, 2003 and the municipalities of Denton, Highland Village, and Lewisville authorized the collection of a 1/2-cent transit sales and use tax for the benefit of DCTA and formed the initial service delivery area.

Since the initial service area was formed the Authority has established numerous transit services operating within and between the member cities and has completed the construction of a commuter rail line and has initiated A-train service to connect the member cities along the rail right of way to the Trinity Mills station on the DART Green Line.

DCTA recognizes that as Denton County and its cities continue to experience rapid population and employment growth, the transportation contingencies and mobility needs of our citizens will evolve. Because of the changing mobility needs, other cities in Denton County may wish to participate in the transportation services of DCTA in a fashion that meets their individual needs and the long-term regional transportation needs outlined in the Authority's Service Plan. As a result, DCTA has updated its New Member Cities Admission Policy in an effort to accommodate various levels of participation and funding.

### C. Application for Full Membership

This policy applies to the addition of any municipality that desires to become a full participating member of the DCTA through the adoption of the DCTA transit sales and use tax or a comparable dedicated, continuous funding source.

#### 1. Application for Full Membership Adjacent to Existing or Near-Term Fixed Guideway Corridor

A municipality with municipal boundaries located within an appropriate proximity to a near-term fixed guideway prioritized in the Authority's Service Plan and programmed in the Authority's five year capital plan may become a DCTA member by:

- (1) The voter approval of the DCTA transit sales and use tax at an election called by the governing body of the municipality and the execution of an Interlocal Cooperation Agreement or dedication of a comparable dedicated, continuous funding source by the governing body comparable to the DCTA transit sales and use tax and the execution of an Interlocal Cooperation Agreement, and
- (2) Submission of Capital Payment Fees as established by the DCTA Board of Directors, pursuant to an Interlocal Cooperation agreement and, prior to the amendment of the DCTA Service Plan.

This payment, which is determined by the sole discretion of the DCTA Board of Directors, recognizes initial capital investments and contributions made by existing municipalities with full membership along the existing or near-term fixed guideway corridor and covers the full cost of any capital improvements related to the addition of the new member (i.e. new station, vehicle acquisition, etc). The estimated amount of the Capital Payment Fees shall be determined by DCTA and shall be provided to the municipality prior to such municipality calling the election to authorize the DCTA transit sales and use tax.

The Capital Payment Fees shall be calculated in accordance with the following:

- i. A pro-rata share of "Fixed Guideway Project Development Costs" incurred by DCTA members cities over the life of the project and may require full-payment of any additional capital investments required to accommodate service to the municipality.

## 2. Application for Full Membership Near a Future Fixed Guideway Corridor

A municipality with municipal boundaries located within an appropriate proximity of a potential fixed guideway identified in the Authority's Service Plan for future, long-term investment but not currently programmed in the Authority's five year capital plan may become a DCTA member by:

- (1) The voter approval of the DCTA transit sales and use tax at an election called by the governing body of the municipality and the execution of an Interlocal Cooperation Agreement or dedication of a comparable dedicated continuous funding source by the governing body comparable to the DCTA transit sales and use tax and the execution of an Interlocal Cooperation Agreement, and
- (2) Submission of proportional Capital Payment Fees to Authority's fund balance reserves as determined by the DCTA Board of Director's based on a percentage of the municipality's previous year's annual revenues.

## D. Preliminary Assessment of Transit Services and Funding Requirements

Upon receiving an official "Expression of Interest" for full-membership consisting of a Resolution adopted by the governing body of a municipality (the "Applicant") indicating the

desire to become a full-member of the DCTA, the DCTA shall perform a preliminary needs assessments to determine the scope and feasibility of providing transit service to the interested municipality and the applicant shall bear the full cost of said assessment.

The initial phase of planning shall be summarized in a Preliminary Assessment of transit services and funding requirements (Preliminary Assessment). The Preliminary Assessment shall include a determination of the scope and type of transit services that are feasible in the short term and an evaluation of longer term service needs in accordance with the DCTA Service Plan and DCTA's Capital Financial Plan. The Preliminary Assessment shall be based on input from the proposed service area, including its residents, and shall consider growth and development patterns, and projected transportation needs.

The results of this assessment will assist with the determination of the Fixed Guideway Development Costs to ensure capital and operational impacts of the new service area will be covered through the Capital Payment Fees plus any anticipated revenues. If a more detailed analysis or assessment is warranted, the applicant must bear the full cost of the additional analysis.

#### E. Proposed Amendment to Service Plan and Interlocal Cooperation Agreement

If the results of the Preliminary Assessment are approved by the DCTA Board; all requirements are met by the governing body of the Applicant; and, an amendment to the Service Plan is required; DCTA shall prepare a proposed Interlocal Cooperation Agreement and a proposed amendment to the DCTA Service Plan. The proposed amendment to the Service Plan shall: (i) describe the type, amount and forecasted timing of services that may be provided; and (ii) describe the short term services and facilities for the new territory to be served. An Interlocal Cooperation Agreement between the DCTA and the Applicant shall provide for the payment of any Capital Payment Fees or other charges to be paid by the Applicant; and shall describe the agreed amendment to the DCTA Service Plan. Any amendment to the DCTA Service Plan shall be subject to the following:

1. Any programmed capital projects for the proposed service area shall not impair or materially delay the schedule for capital projects planned in accordance with the DCTA Service Plan or Capital Improvement Plan.
2. All transit services planned for the proposed service area shall be qualified by the same system-wide planning processes and criteria governing transit services in the existing DCTA service delivery areas.
3. Any requested transit service necessitating material or significant capital investment or connecting to an existing material or significant capital investment shall require a Capital Payment Fee fully covering the cost of the material change and may require a pro-rata share in the capital costs of the existing infrastructure.
4. In addition, to any Capital Payment Fee, the municipalities contributing a comparable dedicated continuous funding source that is not originated from sales tax revenue must at its own cost develop and provide to DCTA a 10-year revenue model that projects the

anticipated revenue that will be directed to DCTA for capital, operational and maintenance needs. This 10-year revenue model may be subject to a third-party review and must illustrate that revenue generated from the comparable source is equivalent to sales-tax revenue for same period. Additionally, any financial risk or appropriation associated from this funding method will not be borne by DCTA, but will be the sole responsibility of the municipality.

5. . An agreement between DCTA and the interested entity outlining payment of capital, payment and operational fee and costs must be finalized prior to service implementation as outlined in the Interlocal Cooperation Agreement.

#### F. Election Requirement

To become a member of the DCTA through the adoption of the DCTA transit sales and use tax, the governing body of a municipality shall call an election to authorize the levy of the DCTA transit sales and use tax of one-half cent and submit the following proposition to the voters: *"Shall the Denton County Transportation Authority levy of a proposed tax, not to exceed one-half of one percent, be authorized."*

If a municipality chooses to become a member through a comparable, dedicated continuous funding source and that funding source requires the governing body of the municipality to call an election, the DCTA Board of Directors shall have the right to approve the election ballot proposition language.

The municipality shall, within 60 days after execution of the Interlocal Cooperation Agreement, call the election to be held on the next uniform election date allowed by law.

Subsequent to the last of the following to occur: (i) the voter authorization of the dedicated funding source; and (ii) the payment of the Capital Payment Fees pursuant to the Interlocal Cooperation Agreement, the DCTA shall amend the Service Plan consistent with the Interlocal Cooperation Agreement.

The Interlocal Cooperation Agreement shall be negotiated on a case-by-case basis. The Interlocal Cooperation Agreement shall be executed by the parties prior to the call for the election and shall provide for the payment of Capital Payment Fee to be paid by the municipality to the DCTA and shall describe the agreed amendment to the DCTA Service Plan, subject to voter approval of the authorization of the DCTA transit sales and use tax or other dedicated funding source.

#### G. Application for Associate Membership

This policy applies to the addition of any municipality or public or private entity that desires to become an associate member of the DCTA for long-range planning and limited transit service through an annual payment to DCTA. The annual provision of services by DCTA and the terms and conditions of the annual payment will be detailed through an Interlocal Cooperation Agreement between DCTA and the municipality or entity. This agreement will include terms and conditions for use of DCTA's existing capital assets and the purchase of future capital assets.

Additionally, the agreement will include considerations of the value of access to DCTA including its resources and expertise, the stability of the funding source for the provision of services, and the recovery by DCTA of the fully burdened cost of providing the service. The provision of these services shall not materially impact the provision of services in cities with full-membership, nor will it negatively impact any major capital projects underway or planned in the Authority's Service Plan. Associate members must become full-members before fixed capital investments will be made by DCTA within or near the municipality.

Associate members, may, at the discretion of the DCTA Board of Directors, participate on DCTA committees and subcommittees.

#### H. Contracting for Limited Transit Services

A municipality or other public or private entity may contract with the DCTA for a specific type of transit services through an Interlocal Cooperation Agreement which shall provide for: (1) the payment of Capital Payment Fees, if any; and (2) the agreed transit services and/or the amendment of the DCTA Service Plan, as appropriate. Additionally, the agreement will include considerations of the value of access to DCTA including its resources and expertise, the stability of the funding source for the contracted service, and the recovery by DCTA of the fully burdened cost of providing the service. The provision of these services shall not materially impact the provision of services in cities with full-membership, nor will it materially impact any major capital projects underway or planned in the Authority's Service Plan. Municipalities or entities receiving DCTA transit services under a contract shall not be eligible for enhanced voting privileges.

#### I. Programming of Transit Services

While DCTA may choose to study and identify transit needs outside of its participating cities for the purposes of long-range planning efforts and to support regional mobility, DCTA shall commence detailed programming of transit services upon the later: of (a) the canvas of the results of an election authorizing the DCTA transit sales tax for the use and benefit of DCTA or the dedication of comparable funding source; and (b) the effective date of an Interlocal Cooperation Agreement between DCTA and the municipality for payment of the Capital Payment Fees.

The programming of transit services will be detailed in the Authority's Service Plan which will be reviewed and updated a minimum of every five years.

#### J. Municipality participation through tax increment payments

1. DCTA may pursuant to the authority of Subchapter I, Chapter 460 Transportation Code enter into an agreement with a municipality to provide service in an area designated by the municipality (the "public transportation financing area") in exchange for the municipality payment of all or a portion of the tax increment (property and/or sales tax revenue from the designated area). This process is governed by Subchapter I of Chapter 460 and is limited to a municipality that has not adopted the DCTA sales and use tax and provided the adoption of the DCTA sales and use tax levy, when combined with the rates of all sales and use



taxes imposed by other political subdivisions in the municipality would exceed two (2) percent.

2. The designated area: (1) must have one or more transit facilities that include a structure provided for or on behalf of DCTA for embarkation on and disembarkation from public transportation services provided by DCTA, which may include a transit stop, transit shelter, transit garage, or transit terminal; (2) may include any territory located in the municipality's jurisdiction; and (3) must include an area one-half mile on either side of the proposed service route served by a structure under (1) above, to the extent that that area is included in the municipality's boundaries.
3. The tax increment from property and/or sales and use taxes from the designated area is used to pay to DCTA: (1) maintenance and operating expenses of providing services to the public transportation financing area, including compensation for expansion, improvement, rehabilitation, or enhancement amounts owed for previous years' maintenance and operating expenses for the public transportation financing area; (2) any capital cost incurred for the benefit of the public transportation financing area; (3) satisfy claims of holders of tax increment bonds, notes, or other obligations issued or incurred for projects or services that directly or indirectly benefit the public transportation financing area through the expansion, improvement, rehabilitation, or enhancement of transportation service by DCTA under the service plan; and (4) any capital recovery fee required by the DCTA.

#### K. Voting Privileges:

A new member contributing 1/2 cent sales and use tax or comparable dedicated continuous funding source shall assume enhanced Board of Director voting privileges as set forth in the then current DCTA bylaws (if eligible to appoint a director to the board pursuant to Chapter 460, Transportation Code) following effective date of the Interlocal Cooperation Agreement. Municipalities receiving DCTA transit services under a contract or through an Associate Membership shall not be eligible for enhanced voting privileges.

#### L. Update to New Member Policy

This New Member Cities Admission Policy may be reviewed and updated at any time by the DCTA Board of Directors.

#### M. Definitions:

- a. Capital Payment Fees shall mean the municipality or public or private entity's share of the capital costs of the additional services and/or a proportion of the capital costs associated with the existing transit investments from which the municipality is directly benefitting.
- b. Fixed Guideway Project Development Costs shall mean the sum of DCTA operating expenses plus capital expenditures for the fixed guideway project. Any pro-rata payments associated with the development costs shall be calculated based on the date when the fixed guideway was adopted into the Authority's five-year Capital Plan.
- c. Fiscal year shall mean a 12-month period at the end of which all accounts are completed in order to furnish a statement of the DCTA's financial condition or for tax purposes from October 1 through September 30,

- d. Near-term will be any fixed guideway project to be completed within five-years of the membership request and included in DCTA's five-year Capital Plan.
- e. Long-term will be any fixed guideway project included in the Authority's Service Plan but not programmed in the DCTA's five-year Capital Plan.
- f. Comparable funding source must be a dedicated continuous commitment allowable under state law that can be used for capital, operations and maintenance costs. This source cannot be subject to annual renewal and/or annual appropriation.

#### N. Conflicts

To the extent of any conflict between this Policy and Chapter 460 of the Texas Transportation Code, as amended, Chapter 460 of the Texas Transportation Code shall control.