



## Board of Directors Work Session January 24, 2019 | 1:30 p.m.

### CALL TO ORDER

1. Recognition of Service: Richard Huckaby and George Campbell
2. Monthly Financial Reports
  - a. Financial Statements for November 2018 and December 2018
  - b. Capital Projects Budget Report for November 2018 and December 2018
  - c. Monthly Sales Tax Receipts
  - d. Quarterly Investment Report Q1 FY2019
  - e. Quarterly Grants Update Q1 FY2019
3. Update and Discussion Regarding Agency Initiatives
  - a. 86<sup>th</sup> Legislative Session Activities
  - b. Establishing a local government corporation
  - c. Local assistance for member jurisdictions
  - d. Operating Cost Model
  - e. A-train Extension Planning & Cotton Belt Connection
  - f. North Texas Xpress & Alliance Link
  - g. Elderly & Disabled Service Options
  - h. Inclement Weather Service
  - i. Positive Train Control Status Update
4. Committee Chair Reports
  - a. Finance Committee report of items discussed at the January 14, 2019 meeting
  - b. Program Services Committee report of items discussed at the January 15, 2019 meeting
5. Discussion of Regular Board Meeting Consent Agenda Items
6. Convene Executive Session. The Board may convene the Work Session into Closed Executive Session for the following:
  - a. As Authorized by Section 551.071(2) of the Texas Government Code, the Board of Directors Work Session 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 or the Regular Board Meeting Agenda.
  - b. As Authorized by Texas Government Code Section 551.072 Deliberation regarding Real Property: Discuss acquisition, sale or lease of real property related to long-range service plan within the cities of Denton, Lewisville, Highland Village, or the A-train corridor.
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 – Open

Treasurer – Dave Kovatch  
Secretary – Dianne Costa

Members:

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

Staff Liaison:

CEO – Raymond Suarez

The Denton County Transportation Authority meeting rooms are wheelchair accessible. Access to the building and special parking are available at the main entrance. Requests for sign interpreters or special services must be received forty-eight (48) hours prior to the meeting time by emailing bpedron@dcta.net or calling Brandy Pedron at 972.221.4600.

This notice was posted on 1/18/2019 at 4:01 PM.

  
Brandy Pedron, Executive Administrator | Open Records

## Board of Directors Memo

January 24, 2019

SUBJECT: Financial Statements for November 2018

**Background**

The financial statements are presented monthly to the Board of Directors for acceptance. The reports presented for the period ending November 30, 2018 include the Statement of Change in Net Position, Statement of Net Position, 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 between year-to-date budget and year-to-date actuals, which are annotated on the Statement of Change in Net Position.

- **Note A:** Passenger Revenues – YTD favorable by \$70k mainly due to increased bus ridership with a higher than anticipated average fare per rider. The FY19 budget estimated an average fare per rail rider of \$1.16; however, YTD rail revenue per rider was \$1.63 (\$29k increased revenue). YTD FY19 rail ridership of 82k is 9% less than budgeted ridership of 90k. YTD FY19 bus ridership for Connect, Access, Frisco, Collin County Transit, and North Texas Xpress of 108k is 20% greater than the budgeted ridership of 90k (\$41k increased revenue).

		YTD FY19 Actual Ridership	YTD FY19 Budgeted Ridership	% Variance
Total Rail Ridership	(A)	82,125	90,388	-9%
Connect, Access, Frisco, CCT, NTX	(A)	107,712	89,767	20%
UNT, NCTC, Taxi Ridership	(B)	521,333	552,654	-6%
Total Bus Ridership		629,045	642,421	-2%
Total Ridership		711,170	732,809	-3%

(A) Passenger revenues are linked with these ridership statistics. Although Frisco & CCT service are contracted services, the passengers are responsible for a passenger fare as well.

(B) These ridership numbers are not linked to passenger revenues and are shown for information purposes only to include all system ridership.

- **Note B:** Contract Service Revenue – YTD unfavorable by (\$192k). YTD FY19 fuel usage for contract services of 26k gallons is 27% lower than budgeted usage of 36k gallons (\$29k decreased revenue). Additionally, YTD average pass-through fuel cost is \$2.36/gallon compared to budgeted \$3.00/gallon (\$17k decreased revenue). Additionally, actual YTD revenue hours of 10,839 were 16% less than budgeted hours of 12,964 (\$94k decreased revenue).
- **Note C:** Sales Tax Revenue – November sales tax revenue is not yet received and is accrued for the month based on budget. Sales tax generated in November will be received in January. The Sales Tax Report included in the December 2018 agenda packet provided a more detailed Budget to Actual comparison of FY19 sales tax receipts collected through December.



- **Note D:** Federal/State Grants - Capital – YTD favorable by \$124k due to larger than anticipated expenses and corresponding reimbursements for PTC work. This grant is paid on a reimbursement basis and the associated reimbursements were budgeted in FY18. These invoices have been paid in early FY2019 and the reimbursements have been submitted.

	YTD FY19 Actual Revenue	YTD FY19 Budgeted Revenue	Variance
Hike & Bike Trails	\$ -	\$ -	\$ -
Positive Trail Control (PTC)	357,948	253,072	104,876
Rail Safety Improvements	19,520	-	19,520
Shared Use Mobility Study	-	-	-
	<u>\$ 377,468</u>	<u>\$ 253,072</u>	<u>\$ 124,396</u>

- **Note E:** Federal/State Grants - Operating – YTD favorable by \$353k mainly due to greater than anticipated reimbursements for preventive maintenance.

	YTD FY19 Actual Revenue	YTD FY19 Budgeted Revenue	Variance
Bus PM	\$ -	\$ -	\$ -
Rail PM	167,546	-	167,546
ADA Assistance	-	-	-
Vanpool	-	-	-
Transit Enhancements	12,334	-	12,334
	<u>\$ 353,170</u>	<u>\$ -</u>	<u>\$ 353,170</u>

#### Identified Need

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

#### Recommendation

Staff recommends acceptance.

Submitted by:   
Amber Karkauskas  
Controller

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

## DENTON COUNTY TRANSPORTATION AUTHORITY

CHANGE IN NET POSITION  
MONTH AND YEAR TO DATE NOVEMBER 30, 2018  
(UNAUDITED)

Description	Month Ended November 30, 2018			Year to Date November 30, 2018			Annual Budget
	Actual	Budget	Variance	Actual	Budget	Variance	
<b>Revenue and Other Income</b>							
Passenger Revenues	\$ 119,168	\$ 82,207	\$ 36,961	\$ 257,941	\$ 188,124	\$ 69,817	\$ 880,448 <b>Note A</b>
Contract Service Revenue	767,280	446,063	321,217	771,280	963,468	(192,188)	4,132,383 <b>Note B</b>
Sales Tax Revenue	2,375,936	2,305,281	70,655	4,612,409	4,541,754	70,655	28,450,180 <b>Note C</b>
Federal/State Grants - Capital	372,988	126,536	246,452	377,468	253,072	124,396	5,300,531 <b>Note D</b>
Federal/State Grants - Operating	186,695	-	186,695	353,170	-	353,170	5,397,931 <b>Note E</b>
<b>Total Revenue and Other Income</b>	<u>3,822,066</u>	<u>2,960,087</u>	<u>861,979</u>	<u>6,372,267</u>	<u>5,946,418</u>	<u>425,849</u>	<u>44,161,473</u>
<b>Operating Expenses</b>							
Salary, Wages and Benefits	937,620	1,122,947	185,327	1,879,648	2,348,904	469,256	12,817,577
Services	(534,037)	(429,578)	104,459	293,541	758,190	464,649	3,920,640
Materials and Supplies	83,296	185,169	101,873	368,098	657,237	289,140	3,543,396
Utilities	27,352	42,852	15,500	32,897	95,404	62,507	503,723
Insurance, Casualties and Losses	138,942	150,699	11,757	277,866	301,398	23,532	1,808,331
Purchased Transportation Services	755,836	851,658	95,822	1,509,116	1,704,994	195,878	10,492,159
Miscellaneous	19,719	64,305	44,586	61,289	178,007	116,718	610,016
Leases and Rentals	10,908	20,739	9,831	28,965	41,548	12,583	248,974
Depreciation	802,598	844,898	42,300	1,607,961	1,876,072	268,111	10,790,950
<b>Total Operating Expenses</b>	<u>2,242,234</u>	<u>2,853,689</u>	<u>611,455</u>	<u>6,059,381</u>	<u>7,961,754</u>	<u>1,902,373</u>	<u>44,735,766</u>
<b>Income Before Non-Operating Revenue and Expense</b>	1,579,832	106,398	1,473,435	312,887	(2,015,336)	2,328,223	(574,293)
<b>Non-Operating Revenues / (Expense)</b>							
Investment Income	35,722	16,667	19,055	81,575	33,334	48,241	200,000
Other Income - Miscellaneous	11,648	-	11,648	30,272	-	30,272	-
Long Term Debt Interest/Expense	(81,249)	(81,249)	0	(162,497)	(162,498)	1	(974,984)
<b>Total Non-Operating Revenue / (Expense)</b>	<u>(33,879)</u>	<u>(64,582)</u>	<u>30,703</u>	<u>(50,650)</u>	<u>(129,164)</u>	<u>78,514</u>	<u>(774,984)</u>
<b>Change in Net Position</b>	<u>\$ 1,545,953</u>	<u>\$ 41,816</u>	<u>\$ 1,504,138</u>	<u>\$ 262,236</u>	<u>\$ (2,144,500)</u>	<u>\$ 2,406,736</u>	<u>\$ (1,349,277)</u>

## DENTON COUNTY TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION  
AS OF NOVEMBER 30, 2018  
(UNAUDITED)

	November 30, 2018	October 31, 2018	Change
<b>Current Assets</b>			
Operating Cash & Cash Equivalents	\$ 8,083,160	\$ 10,839,255	\$ (2,756,094)
Reserves: Cash & Cash Equivalents	9,374,118	9,357,063	17,055
Reserves: Investments	4,459,035	4,459,035	-
Accounts & Notes Receivable	6,953,414	6,287,114	666,300
Prepaid Expenses	1,398,482	1,537,234	(138,753)
Inventory	36,512	24,161	12,351
Restricted Asset-Cash and Equivalents	1,920,677	1,919,207	1,470
<b>Total Current Assets</b>	<b>32,225,397</b>	<b>34,423,069</b>	<b>(2,197,671)</b>
<b>Property, Plant and Equipment</b>			
Land	17,394,147	17,394,147	-
Land Improvements	6,874,492	6,874,492	-
Machinery & Equipment	4,038,397	4,038,397	-
Vehicles	91,767,437	91,767,437	-
Computers & Software	1,387,627	1,387,627	-
Accumulated Depreciation	(69,498,804)	(68,696,206)	(802,598)
<b>Total Property, Plant and Equipment</b>	<b>51,963,295</b>	<b>52,765,893</b>	<b>(802,598)</b>
<b>Capital Assets</b>			
Intangible Assets	16,997,155.00	16,997,155	-
Other Capital Assets, Net	234,616,978	234,754,150	(137,173)
Construction in Progress	20,561,911	17,349,352	3,212,559
<b>Total Capital Assets</b>	<b>272,176,043</b>	<b>269,100,657</b>	<b>3,075,386</b>
<b>Total Assets</b>	<b>\$ 356,364,736</b>	<b>\$ 356,289,619</b>	<b>\$ 75,117</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ -	\$ 1,972,867	\$ (1,972,867)
Salary, Wages, and Benefits Payable	898,428	794,935	103,494
Accrued Expenses Payable	367,613	127,399	240,214
Deferred Revenues	99,909	48,869	51,040
Interest Payable	162,497	81,249	81,249
<b>Total Current Liabilities</b>	<b>1,528,447</b>	<b>3,025,319</b>	<b>(1,496,871)</b>
<b>Non-Current Liabilities</b>			
Rail Easement Payable	1,100,000	1,100,000	-
Retainage Payable	614,825	588,790	26,035
Bonds Payable	27,020,000	27,020,000	-
<b>Total Non-Current Liabilities</b>	<b>28,734,825</b>	<b>28,708,790</b>	<b>26,035</b>
<b>Total Liabilities</b>	<b>\$ 30,263,272</b>	<b>\$ 31,734,108</b>	<b>\$ (1,470,836)</b>
<b>Net Position</b>			
Net Investment in Capital Assets	295,951,497	295,951,497	-
Unrestricted	29,887,731	29,887,731	-
Change in Net Position	262,236	(1,283,717)	1,545,953
<b>Total Net Position</b>	<b>326,101,464</b>	<b>324,555,511</b>	<b>1,545,953</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 356,364,736</b>	<b>\$ 356,289,619</b>	<b>\$ 75,117</b>

## Board of Directors Memo

January 24, 2019

SUBJECT: Financial Statements for December 2018

### Background

The financial statements are presented monthly to the Board of Directors for acceptance. The reports presented for the period ending December 31, 2018 include the Statement of Change in Net Position, Statement of Net Position, 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 between year-to-date budget and year-to-date actuals, which are annotated on the Statement of Change in Net Position.

- **Note A:** Passenger Revenues – YTD favorable by \$106k mainly due to increased bus ridership with a higher than anticipated average fare per rider. The FY19 budget estimated an average fare per rail rider of \$1.16; however, YTD rail revenue per rider was \$1.69 (\$45k increased revenue). YTD FY19 rail ridership of 108k is 9% less than budgeted ridership of 118k. YTD FY19 bus ridership for Connect, Access, Frisco, Collin County Transit, and North Texas Xpress of 149k is 22% greater than the budgeted ridership of 122k (\$61k increased revenue).

		YTD FY19 Actual Ridership	YTD FY19 Budgeted Ridership	% Variance
Total Rail Ridership	(A)	107,704	118,062	-9%
Connect, Access, Frisco, CCT, NTX	(A)	148,769	121,686	22%
UNT, NCTC, Taxi Ridership	(B)	608,672	644,414	-6%
Total Bus Ridership		757,441	766,100	-1%
Total Ridership		865,145	884,161	-2%

(A) Passenger revenues are linked with these ridership statistics. Although Frisco & CCT service are contracted services, the passengers are responsible for a passenger fare as well.

(B) These ridership numbers are not linked to passenger revenues and are shown for information purposes only to include all system ridership.

- **Note B:** Contract Service Revenue – YTD unfavorable by (\$121k). YTD FY19 fuel usage for contract services of 35k gallons is 21% lower than budgeted usage of 44k gallons (\$27k decreased revenue). Additionally, YTD average pass-through fuel cost is \$2.29/gallon compared to budgeted \$3.00/gallon (\$25k decreased revenue). Additionally, actual YTD revenue hours of 13,783 were 10% less than budgeted hours of 15,296 (\$69k decreased revenue).
- **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 FY19 sales tax receipts collected through January.



- **Note D:** Federal/State Grants - Capital – YTD unfavorable by (\$1.2 million) due to a delay in requesting reimbursements because of the government shutdown. The budgeted reimbursement for fleet replacement has been prepared and DCTA will request reimbursement when the Federal Transit Administration reopens.

	YTD FY19 Actual Revenue	YTD FY19 Budgeted Revenue	Variance
Fleet Replacement	\$ -	\$ 1,152,600	\$ (1,152,600)
Hike & Bike Trails	-	-	-
Positive Trail Control (PTC)	357,948	379,608	(21,660)
Rail Safety Improvements	19,520	-	19,520
	<u>\$ 377,468</u>	<u>\$ 1,532,208</u>	<u>\$ (1,154,740)</u>

- **Note E:** Federal/State Grants - Operating – YTD unfavorable by (\$238k) mainly due to a delay in funding for ADA assistance. Staff is working with the Federal Transit Administration to finalize information needed for our next ADA assistance funding.

	YTD FY19 Actual Revenue	YTD FY19 Budgeted Revenue	Variance
Bus PM	\$ 173,290	\$ -	\$ 173,290
Rail PM	167,546	84,322	83,224
ADA Assistance	-	475,000	(475,000)
Vanpool	-	32,024	(32,024)
Transit Enhancements	12,334	-	12,334
	<u>\$ 353,170</u>	<u>\$ 591,346</u>	<u>\$ (238,176)</u>

#### Identified Need

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

#### Recommendation

Staff recommends acceptance.

Submitted by:   
Amber Karkauskas  
Controller

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

## DENTON COUNTY TRANSPORTATION AUTHORITY

CHANGE IN NET POSITION  
MONTH AND YEAR TO DATE DECEMBER 31, 2018  
(UNAUDITED)

Description	Month Ended December 31, 2018			Year to Date December 31, 2018			Annual Budget
	Actual	Budget	Variance	Actual	Budget	Variance	
<b>Revenue and Other Income</b>							
Passenger Revenues	\$ 98,412	\$ 62,465	\$ 35,947	\$ 356,353	\$ 250,589	\$ 105,764	\$ 880,448 <b>Note A</b>
Contract Service Revenue	304,831	233,579	71,252	1,076,110	1,197,047	(120,937)	4,132,383 <b>Note B</b>
Sales Tax Revenue	2,900,785	2,913,325	(12,540)	7,513,194	7,455,079	58,115	28,450,180 <b>Note C</b>
Federal/State Grants - Capital	-	1,279,136	(1,279,136)	377,468	1,532,208	(1,154,740)	5,300,531 <b>Note D</b>
Federal/State Grants - Operating	-	591,346	(591,346)	353,170	591,346	(238,176)	5,397,931 <b>Note E</b>
<b>Total Revenue and Other Income</b>	<b>3,304,028</b>	<b>5,079,851</b>	<b>(1,775,823)</b>	<b>9,676,295</b>	<b>11,026,269</b>	<b>(1,349,974)</b>	<b>44,161,473</b>
<b>Operating Expenses</b>							
Salary, Wages and Benefits	975,630	980,321	4,691	2,855,278	3,329,225	473,947	12,817,577
Services	328,707	326,036	(2,671)	622,248	1,084,226	461,978	3,920,640
Materials and Supplies	229,774	257,566	27,792	597,871	914,803	316,932	3,543,396
Utilities	34,409	40,452	6,043	67,307	135,856	68,549	503,723
Insurance, Casualties and Losses	138,942	150,699	11,757	416,808	452,097	35,289	1,808,331
Purchased Transportation Services	762,068	851,938	89,870	2,271,184	2,556,932	285,748	10,492,159
Miscellaneous	15,026	62,163	47,137	76,314	240,170	163,856	610,016
Leases and Rentals	25,215	20,704	(4,511)	54,180	62,252	8,072	248,974
Depreciation	801,951	844,898	42,947	2,409,912	2,720,970	311,058	10,790,950
<b>Total Operating Expenses</b>	<b>3,311,722</b>	<b>3,534,777</b>	<b>223,055</b>	<b>9,371,103</b>	<b>11,496,531</b>	<b>2,125,428</b>	<b>44,735,766</b>
<b>Income Before Non-Operating Revenue and Expense</b>	<b>(7,694)</b>	<b>1,545,074</b>	<b>(1,552,768)</b>	<b>305,193</b>	<b>(470,262)</b>	<b>775,455</b>	<b>(574,293)</b>
<b>Non-Operating Revenues / (Expense)</b>							
Investment Income	53,590	16,667	36,923	135,166	50,001	85,165	200,000
Gain (Loss) Disposal of Assets	695	-	695	695	-	695	-
Fare Evasion Fee	-	-	-	-	-	-	-
Other Income - Miscellaneous	4,300	-	4,300	34,572	-	34,572	-
Long Term Debt Interest/Expense	(81,249)	(81,249)	0	(243,746)	(243,747)	1	(974,984)
<b>Total Non-Operating Revenue / (Expense)</b>	<b>(22,663)</b>	<b>(64,582)</b>	<b>41,919</b>	<b>(73,314)</b>	<b>(193,746)</b>	<b>120,432</b>	<b>(774,984)</b>
<b>Change in Net Position</b>	<b>\$ (30,357)</b>	<b>\$ 1,480,492</b>	<b>\$ (1,510,849)</b>	<b>\$ 231,879</b>	<b>\$ (664,008)</b>	<b>\$ 895,887</b>	<b>\$ (1,349,277)</b>

## DENTON COUNTY TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2018  
(UNAUDITED)

	December 31, 2018	November 30, 2018	Change
<b>Current Assets</b>			
Operating Cash & Cash Equivalents	\$ 8,681,770	\$ 8,083,160	\$ 598,610
Reserves: Cash & Cash Equivalents	9,392,482	9,374,118	18,365
Reserves: Investments	4,468,540	4,459,035	9,505
Accounts & Notes Receivable	6,896,101	6,953,414	(57,313)
Prepaid Expenses	1,259,540	1,398,482	(138,942)
Inventory	34,786	36,512	(1,726)
Restricted Asset-Cash and Equivalents	1,832,754	1,920,677	(87,923)
<b>Total Current Assets</b>	<b>32,565,974</b>	<b>32,225,397</b>	<b>340,577</b>
<b>Property, Plant and Equipment</b>			
Land	17,394,147	17,394,147	-
Land Improvements	6,874,492	6,874,492	-
Machinery & Equipment	4,038,397	4,038,397	-
Vehicles	91,767,437	91,767,437	-
Computers & Software	1,387,627	1,387,627	-
Accumulated Depreciation	(70,300,755)	(69,498,804)	(801,951)
<b>Total Property, Plant and Equipment</b>	<b>51,161,344</b>	<b>51,963,295</b>	<b>(801,951)</b>
<b>Capital Assets</b>			
Intangible Assets	16,997,155.00	16,997,155	-
Other Capital Assets, Net	234,616,978	234,616,978	-
Construction in Progress	20,833,623	20,561,911	271,712
<b>Total Capital Assets</b>	<b>272,447,755</b>	<b>272,176,043</b>	<b>271,712</b>
<b>Total Assets</b>	<b>\$ 356,175,074</b>	<b>\$ 356,364,736</b>	<b>\$ (189,663)</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ -	\$ -	\$ -
Salary, Wages, and Benefits Payable	733,816	898,428	(164,612)
Accrued Expenses Payable	283,481	367,613	(84,132)
Deferred Revenues	98,466	99,909	(1,443)
Interest Payable	243,746	162,497	81,249
<b>Total Current Liabilities</b>	<b>1,359,509</b>	<b>1,528,447</b>	<b>(168,939)</b>
<b>Non-Current Liabilities</b>			
Rail Easement Payable	1,100,000	1,100,000	-
Retainage Payable	624,458	614,825	9,633
Bonds Payable	27,020,000	27,020,000	-
<b>Total Non-Current Liabilities</b>	<b>28,744,458</b>	<b>28,734,825</b>	<b>9,633</b>
<b>Total Liabilities</b>	<b>\$ 30,103,967</b>	<b>\$ 30,263,272</b>	<b>\$ (159,305)</b>
<b>Net Position</b>			
Net Investment in Capital Assets	295,951,497	295,951,497	-
Unrestricted	29,887,731	29,887,731	-
Change in Net Position	231,879	262,236	(30,357)
<b>Total Net Position</b>	<b>326,071,107</b>	<b>326,101,464</b>	<b>(30,357)</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 356,175,074</b>	<b>\$ 356,364,736</b>	<b>\$ (189,663)</b>

## DENTON COUNTY TRANSPORTATION AUTHORITY

## CAPITAL PROJECT FUND

AS OF NOVEMBER 30, 2018

Capital Project Number/Name	Original Budget	Revised Budget	November 2018 Actuals Booked	Actuals Life To Date	\$ Under/ (Over) Budget	% of Budget (As of November 2018 Close)	Project % Complete (Operations)
<b>Construction Work in Progress</b>							
<b>G&amp;A Capital Projects</b>							
Total 10302 · Infrastructure Acquisition	\$ 1,900,000	\$ 3,900,000	\$ 3,082	\$ 176,477	\$ 3,723,523	5%	
Total 10403 · Server/Network Infrastructure	350,000	350,000	-	-	350,000	0%	
Total 10601 · Data Analytics & Reporting	200,000	200,000	619	41,212	158,788	21%	
Total 10604 · Safety & Security Assessment	250,000	250,000	-	25,000	225,000	10%	
Total 10605 · Project Management/Document Control	150,000	150,000	9,028	59,677	90,323	40%	100%
Total 10606 · Shared Use Mobility Study	123,428	123,428	-	-	123,428	0%	
Total 10701 · 2019 One-Time Transit Improvements	1,000,000	1,000,000	-	-	1,000,000	0%	
<b>Total G&amp;A Capital Projects</b>	<b>3,973,428</b>	<b>5,973,428</b>	<b>12,728</b>	<b>302,365</b>	<b>5,671,063</b>	<b>5%</b>	
<b>Bus Capital Projects</b>							
Total 50305 · IOMF Fuel Tanks	250,000	987,000	90,963	571,405	415,595	58%	60%
Total 50409 · Bus Fleet Cameras	149,500	149,500	-	-	149,500	0%	
Total 50411 · Fleet Farebox (2019)	600,000	600,000	-	-	600,000	0%	
Total 50512 · Fleet (2018)	3,003,580	1,356,000	1,360,932	1,360,932	(4,932)	100%	
Total 50513 · Fleet (2019)	1,481,000	1,481,000	-	-	1,481,000	0%	
Total 50601 · Scheduling Software (Bus)	250,000	250,000	-	28,125	221,875	11%	
<b>Total Bus Capital Projects</b>	<b>5,734,080</b>	<b>4,823,500</b>	<b>1,451,895</b>	<b>1,960,462</b>	<b>2,863,038</b>	<b>41%</b>	
<b>Rail Capital Projects</b>							
Total 61406.1 · Positive Train Control Implementation	-	16,720,141	436,173	14,409,567	2,310,574	86%	93%
Total 61605 · Brownfield Remediation	60,000	385,000	124,811	264,531	120,469	69%	90%
Total 61708 · Lewisville Bike Trail	3,099,856	2,146,355	-	2,143,377	2,978	100%	100%
Total 61715 · Trail Safety Improvements	139,657	181,157	6,000	24,400	156,757	13%	25%
Total 61716 · Lewisville Bike Trail - Eagle Point Section	2,995,873	2,995,873	733	84,672	2,911,201	3%	5%
Total 61718 · Rail Safety Improvements	200,000	400,000	-	67,678	332,322	17%	17%
Total 61719 · Rail Capital Maintenance (2019)	2,500,000	2,500,000	269,127	269,127	2,230,873	11%	0%
<b>Total Rail Capital Projects</b>	<b>8,995,386</b>	<b>25,328,526</b>	<b>836,844</b>	<b>17,263,351</b>	<b>8,065,175</b>	<b>68%</b>	
<b>Total Construction Work in Progress</b>	<b>\$ 18,702,894</b>	<b>\$ 36,125,454</b>	<b>\$ 2,301,468</b>	<b>\$ 19,526,179</b>	<b>\$ 16,599,275</b>	<b>54%</b>	

## DENTON COUNTY TRANSPORTATION AUTHORITY

## CAPITAL PROJECT FUND

AS OF DECEMBER 31, 2018

Capital Project Number/Name	Original Budget	Revised Budget	December 2018 Actuals Booked	Actuals Life To Date	\$ Under/ (Over) Budget	% of Budget (As of December 2018 Close)	Project % Complete (Operations)
<b>Construction Work in Progress</b>							
<b>G&amp;A Capital Projects</b>							
Total 10302 · Infrastructure Acquisition	\$ 1,900,000	\$ 3,900,000	\$ 2,640	\$ 179,117	\$ 3,720,883	5%	
Total 10403 · Server/Network Infrastructure	350,000	350,000	-	-	350,000	0%	
Total 10601 · Data Analytics & Reporting	200,000	200,000	3,150	44,362	155,638	22%	
Total 10604 · Safety & Security Assessment	250,000	250,000	-	25,000	225,000	10%	
Total 10605 · Project Management/Document Control	150,000	150,000	7,853	67,530	82,470	45%	100%
Total 10606 · Shared Use Mobility Study	123,428	123,428	12,125	12,125	111,303	10%	
Total 10701 · 2019 One-Time Transit Improvements	1,000,000	1,000,000	-	-	1,000,000	0%	
<b>Total G&amp;A Capital Projects</b>	<b>3,973,428</b>	<b>5,973,428</b>	<b>25,768</b>	<b>328,134</b>	<b>5,645,294</b>	<b>5%</b>	
<b>Bus Capital Projects</b>							
Total 50305 · IOMF Fuel Tanks	250,000	1,012,000	186,815	758,220	253,780	75%	60%
Total 50409 · Bus Fleet Cameras	149,500	149,500	-	-	149,500	0%	
Total 50411 · Fleet Farebox (2019)	600,000	600,000	-	-	600,000	0%	
Total 50512 · Fleet (2018)	3,003,580	1,360,932	-	1,360,932	-	100%	
Total 50513 · Fleet (2019)	1,481,000	1,481,000	-	-	1,481,000	0%	
Total 50601 · Scheduling Software (Bus)	250,000	250,000	-	28,125	221,875	11%	
<b>Total Bus Capital Projects</b>	<b>5,734,080</b>	<b>4,853,432</b>	<b>186,815</b>	<b>2,147,277</b>	<b>2,706,155</b>	<b>44%</b>	
<b>Rail Capital Projects</b>							
Total 61406.1 · Positive Train Control Implementation	-	16,720,141	38,072	14,447,638	2,272,503	86%	93%
Total 61605 · Brownfield Remediation	60,000	385,000	-	264,531	120,469	69%	90%
Total 61708 · Lewisville Bike Trail	3,099,856	2,146,355	-	2,143,377	2,978	100%	100%
Total 61715 · Trail Safety Improvements	139,657	181,157	22,000	46,400	134,757	26%	25%
Total 61716 · Lewisville Bike Trail - Eagle Point Section	2,995,873	2,995,873	8,085	92,758	2,903,115	3%	5%
Total 61718 · Rail Safety Improvements	200,000	400,000	-	67,678	332,322	17%	17%
Total 61719 · Rail Capital Maintenance (2019)	2,500,000	2,475,000	-	269,127	2,205,873	11%	0%
<b>Total Rail Capital Projects</b>	<b>8,995,386</b>	<b>25,303,526</b>	<b>68,157</b>	<b>17,331,508</b>	<b>7,972,018</b>	<b>68%</b>	
<b>Total Construction Work in Progress</b>	<b>\$ 18,702,894</b>	<b>\$ 36,130,386</b>	<b>\$ 280,740</b>	<b>\$ 19,806,919</b>	<b>\$ 16,323,467</b>	<b>55%</b>	



## Board of Directors Memo

January 24, 2019

SUBJECT: Monthly Sales Tax Receipts

### Background

Sales tax represents the single largest source of revenue for DCTA at 64.13% for the Fiscal Year 2019 budget. The annual sales tax budget for FY19 is \$28,450,180. 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 unfavorable compared to budget by 0.54%. The January allocation is for sales generated in the month of November and represents revenue for the second month of FY19.

- Sales tax for sales generated at retail in the month of November and received in January was \$2,292,741.
- This represents a decrease of 0.54% or \$12,540 compared to budget for the month.
- Compared to the same month last year, sales tax receipts are \$76,125 or 3.43% higher.
- Member city collections for the month compared to prior year are as follows:
  - City of Lewisville up 7.40%
  - City of Denton down 0.41%
  - Highland Village down 5.11%

### Identified Need

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

### Recommendation

For information only. No action required.

Final Review:

A handwritten signature in blue ink, appearing to read "Marisa Perry", is written over a horizontal line.

Marisa Perry, CPA  
Chief Financial Officer/VP of Finance

## DENTON COUNTY TRANSPORTATION AUTHORITY

SALES TAX REPORT  
BUDGET TO ACTUAL AND PREVIOUS YEAR COMPARISON

Sales Generated in Month of:	Received in Month of:	2018-2019 Year Budget	2018-2019 Year Actual	Variance Actual to Budget	CY Actual to CY Budget % Variance	2017-2018 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance
October	December	\$ 2,236,473	\$ 2,307,128	\$ 70,655	3.16%	\$ 2,150,455	\$ 156,673	7.29%
November	January	\$ 2,305,281	\$ 2,292,741	\$ (12,540)	-0.54%	\$ 2,216,616	\$ 76,125	3.43%
December	February	\$ 2,913,325				\$ 2,801,274		
January	March	\$ 2,054,846				\$ 1,975,813		
February	April	\$ 2,093,223				\$ 2,012,714		
March	May	\$ 2,697,615				\$ 2,593,861		
April	June	\$ 2,215,262				\$ 2,130,060		
May	July	\$ 2,190,990				\$ 2,375,417		
June	August	\$ 2,576,338				\$ 2,604,185		
July	September	\$ 2,181,390				\$ 2,269,235		
August	October	\$ 2,393,496				\$ 2,343,951		
September	November	\$ 2,591,941				\$ 2,471,023		
YTD Total		\$ 28,450,180	\$ 4,599,869	\$ 58,115	1.28%	\$ 27,944,603	\$ 232,798	5.33%

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department

Prepared By: Denton County Transportation Authority Finance Department

January 17, 2019

## DENTON COUNTY TRANSPORTATION AUTHORITY

MEMBER CITIES SALES TAX REPORT  
 MONTH ALLOCATION IS RECEIVED FROM COMPTROLLER  
 PREVIOUS YEAR COMPARISON

CITY OF LEWISVILLE						CITY OF HIGHLAND VILLAGE					
Sales Generated in Month of:	Received in Month of:	2017-2018 Year Actual	2018-2019 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance	Sales Generated in Month of:	Received in Month of:	2017-2018 Year Actual	2018-2019 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance
October	December	\$ 3,009,098	\$ 3,287,654	\$ 278,557	9.26%	October	December	\$ 265,631	\$ 319,132	\$ 53,501	20.14%
November	January	\$ 2,973,704	\$ 3,193,613	\$ 219,909	7.40%	November	January	\$ 328,316	\$ 311,524	\$ (16,792)	-5.11%
December	February	\$ 3,924,399				December	February	\$ 451,331			
January	March	\$ 2,767,715				January	March	\$ 287,500			
February	April	\$ 2,864,356				February	April	\$ 250,707			
March	May	\$ 3,540,108				March	May	\$ 341,604			
April	June	\$ 2,950,115				April	June	\$ 285,066			
May	July	\$ 3,386,756				May	July	\$ 325,073			
June	August	\$ 3,759,539				June	August	\$ 356,643			
July	September	\$ 3,055,068				July	September	\$ 301,133			
August	October	\$ 3,336,162				August	October	\$ 284,692			
September	November	\$ 3,551,821				September	November	\$ 327,060			
YTD Total		\$ 39,118,841	\$ 6,481,267	\$ 498,465	8.33%	YTD Total		\$ 3,804,755	\$ 630,656	\$ 36,709	6.18%

CITY OF DENTON						
Sales Generated in Month of:	Received in Month of:	2017-2018 Year Actual	2018-2019 Year Actual	Variance Actual to Prior Year	CY Actual to PY Actual % Variance	
October	December	\$ 2,718,499	\$ 2,875,467	\$ 156,969	5.77%	
November	January	\$ 2,945,336	\$ 2,933,274	\$ (12,062)	-0.41%	
December	February	\$ 3,598,809				
January	March	\$ 2,568,686				
February	April	\$ 2,526,113				
March	May	\$ 3,661,913				
April	June	\$ 2,787,702				
May	July	\$ 2,936,759				
June	August	\$ 3,348,805				
July	September	\$ 3,095,938				
August	October	\$ 2,856,408				
September	November	\$ 3,231,127				
YTD Total		\$ 36,276,094	\$ 5,808,741	\$ 144,906	2.56%	

**ALL TRANSIT AGENCIES**  
MONTHLY SALES AND USE TAX COMPARISON SUMMARY

Transit Agency	Current Rate	Net Payment This Period	Comparable Payment Prior Year	% Change	Payments YTD (Calendar)	Prior Year Payments YTD (Calendar)	% Change
Austin MTA	1.00%	\$ 19,642,679.88	\$ 19,482,543.62	0.82%	\$ 19,642,679.88	\$ 19,482,543.62	0.82%
Corpus Christi MTA	0.50%	\$ 2,430,560.92	\$ 2,570,723.79	-5.45%	\$ 2,430,560.92	\$ 2,570,723.79	-5.45%
Dallas MTA	1.00%	\$ 47,723,189.02	\$ 46,669,776.18	2.25%	\$ 47,723,189.02	\$ 46,669,776.18	2.25%
Denton CTA	0.50%	\$ 2,292,741.12	\$ 2,216,616.37	3.43%	\$ 2,292,741.12	\$ 2,216,616.37	3.43%
El Paso CTD	0.50%	\$ 3,722,248.11	\$ 3,631,470.38	2.49%	\$ 3,722,248.11	\$ 3,631,470.38	2.49%
Fort Worth MTA	0.50%	\$ 6,673,830.24	\$ 6,297,040.15	5.98%	\$ 6,673,830.24	\$ 6,297,040.15	5.98%
Houston MTA	1.00%	\$ 59,791,771.73	\$ 60,841,432.01	-1.72%	\$ 59,791,771.73	\$ 60,841,432.01	-1.72%
Laredo CTD	0.25%	\$ 671,187.86	\$ 687,436.70	-2.36%	\$ 671,187.86	\$ 687,436.70	-2.36%
San Antonio ATD	0.25%	\$ 5,243,444.05	\$ 5,098,062.34	2.85%	\$ 5,243,444.05	\$ 5,098,062.34	2.85%
San Antonio MTA	0.50%	\$ 11,534,645.26	\$ 11,340,149.45	1.71%	\$ 11,534,645.26	\$ 11,340,149.45	1.71%
<b>TOTALS</b>		\$ 159,726,298.19	\$ 158,835,250.99	0.56%	\$ 159,726,298.19	\$ 158,835,250.99	0.56%

Sources: Texas Comptroller of Public Accounts and DCTA Finance Department  
 Prepared By: Denton County Transportation Authority Finance Department  
 January 17, 2019



## Investment Portfolio Summary

### Denton County Transportation Authority



For the Quarter Ended

December 31, 2018

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### Report Name

Certification Page

Executive Summary

Benchmark Comparison

Detail of Security Holdings

Change in Value

Earned Income

Investment Transactions

Amortization and Accretion

Projected Fixed Income Cash Flows

#### MARKET RECAP - DECEMBER 2018:

The stock market collapse was the biggest story in December, and the result would ultimately be a shocking drop in bond yields, wounded confidence and a reassessment of Fed policy going forward. But, the month began with a pair of exceptionally strong purchasing managers reports. The ISM manufacturing index climbed from 57.7 to 59.3, within two points of a 35-year high, while the non-manufacturing (services sector index) rose from 60.3 to 60.7. To put this number in perspective, the service sector index has only been above the 60 mark three times in its 30-year history, and they've all occurred in the last three months. A few cracks started to show in the employment report as non-farm payrolls grew by just +155k in November, while revisions to prior months subtracted -12k from the total. That brought the monthly average job gain for 2018 down to +206k, but the more recent three month trend shows a slower pace of growth at +170k. The unemployment rate remained at a 49-year low of 3.7% for the third straight month and the JOLT survey continued to show more job postings than job seekers.

Mortgage lending rates above 5% and a persistent increase in home prices have combined to keep a lid on home sales, but until recently, builder optimism was unwavering. This is quickly changing. A 12-point plunge from October through December in the National Association of Home Builders (NAHB) housing market index was the biggest since 2001, while the NAHB six-month home sales outlook fell to its lowest level since March 2016. Retail sales rose by just +0.2% in November, a bit of a surprise given that Amazon claimed "Cyber Monday" was the biggest sales day for the online giant ever. Crude oil prices continued to fall, bottoming out at \$42.53 per barrel on Christmas Eve, down 44% since early October. Although lower gasoline prices put extra dollars in consumer pockets and played a role in what was thought to be the best holiday season in six years, energy producers will soon feel some pain if prices don't stabilize. While energy companies struggled with falling prices, many multinational companies experienced huge drops in sales revenue due to a combination of the global slowdown and the continued trade war.

The uncertain business outlook contributed to the worst December stock market performance since the Great Depression and marked 2018 as the worst overall year for stocks since 2008. The Fed wasn't sympathetic enough to signs of slowing growth and crumbling equities, not only hiking by another quarter point at the December meeting, but forecasting two increases ahead in 2019. Compounding market worries was a government shutdown on December 21st as the president and congress were unable to reach a temporary funding agreement. When the year ended, the government remained closed and the trade war with China was in full swing. Bond yields took a nosedive in December along with the economic outlook, with the two-year Treasury-note shedding 41 basis points despite the fact that the Fed actually raised rates. Going forward, the futures market is no longer signaling any rate increases for 2019. In fact, a year from now, the chances of a rate cut are almost as likely as a rate increase. The abrupt shift in bond market yields is somewhat shocking, but the eventual reopening of the government and a favorable trade resolution could spark equities and rewrite interest rate forecasts in short order. Expect more volatility ahead.

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**For the Quarter Ended**  
**December 31, 2018**

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.**



Name: Marisa Perry, CPA

Title: Chief Financial Officer/VP of Finance

Name: Raymond Suarez

Title: Chief Executive Officer

### Account Summary

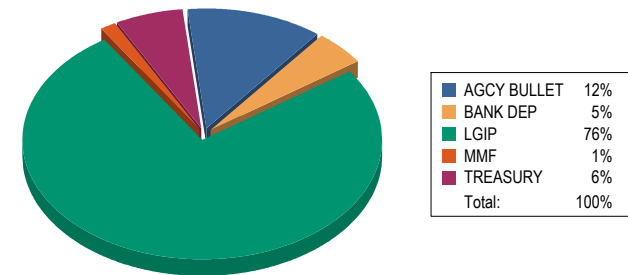
### Allocation by Security Type

Beginning Values as of 09/30/18

Ending Values as of 12/31/18

Par Value	26,033,777.35	24,302,406.03
Market Value	25,994,902.35	24,270,946.03
Book Value	25,997,930.75	24,274,358.03
Unrealized Gain/(Loss)	(3,028.40)	(3,412.00)
<b>Market Value %</b>	<b>99.99%</b>	<b>99.99%</b>

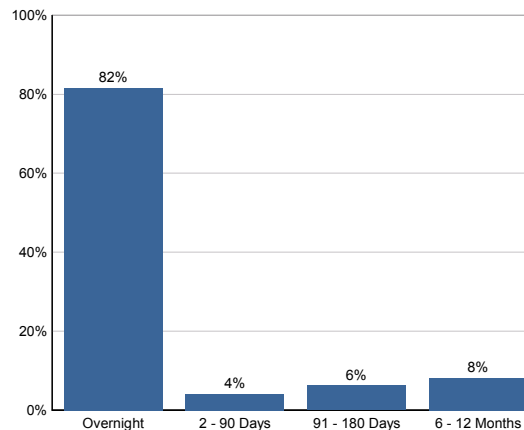
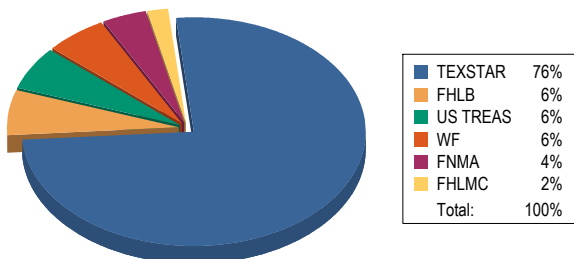
Weighted Avg. YTW	1.940%	2.199%
Weighted Avg. YTM	1.940%	2.199%



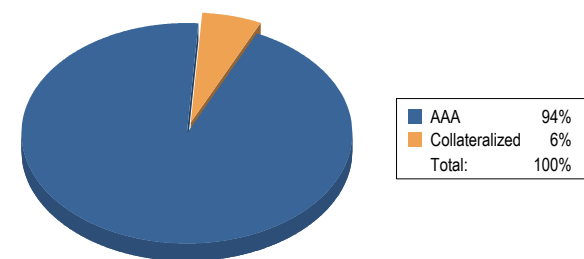
### Allocation by Issuer

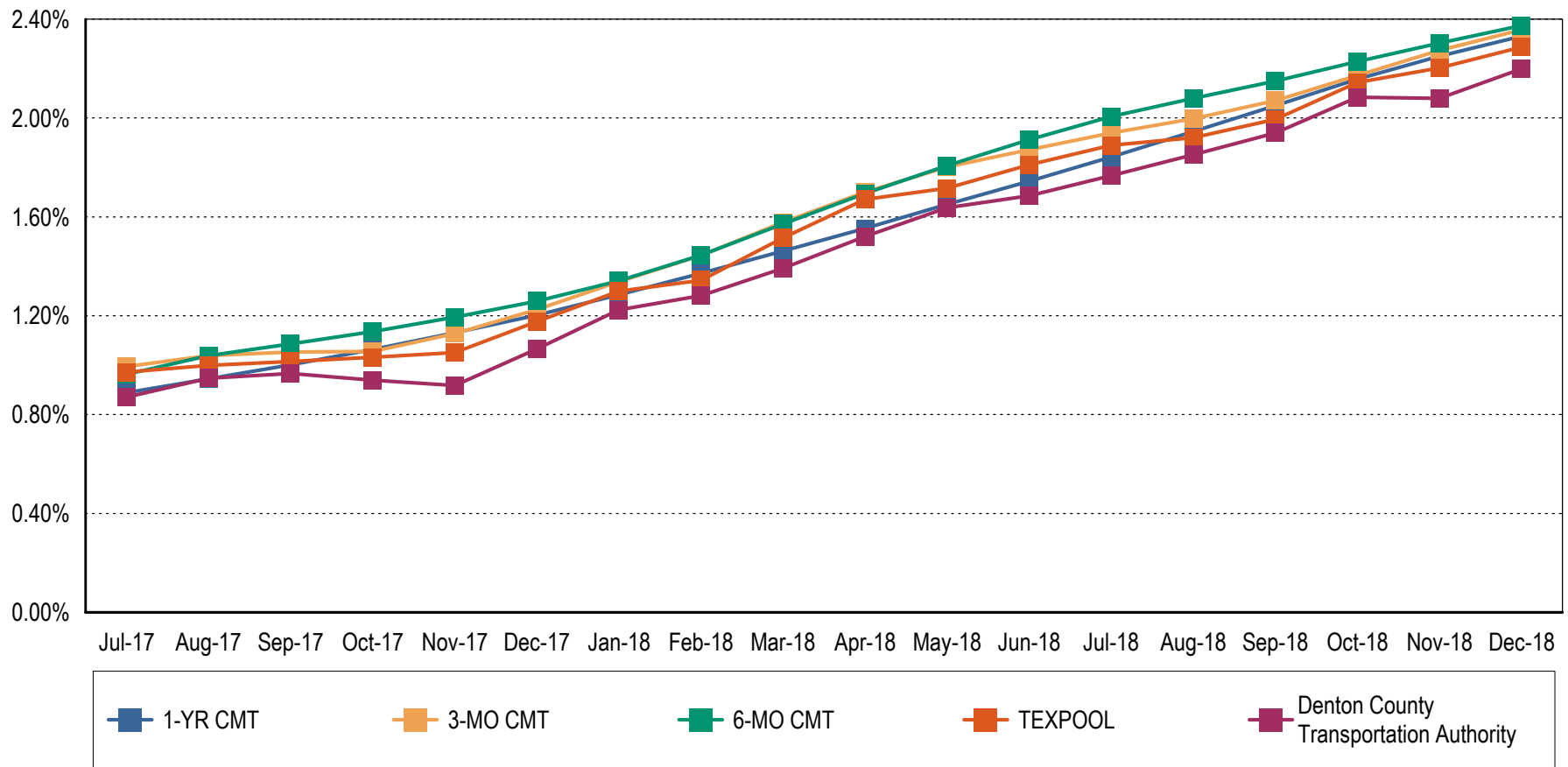
### Maturity Distribution %

### Credit Quality



Weighted Average Days to Maturity: 31





**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.

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					1,134,168.75	100.000	1,134,168.75	1,134,168.75	100.000	1,134,168.75	1		0.200	0.200
<b>Total for 2011 Bond Fund</b>								<b>1,134,168.75</b>	<b>100.000</b>	<b>1,134,168.75</b>	<b>1,134,168.75</b>	<b>100.000</b>	<b>1,134,168.75</b>	<b>1</b>		<b>0.200</b>	<b>0.200</b>
<b>Bond Fund</b>																	
TEXSTAR		LGIP	TexSTAR					698,585.24	100.000	698,585.24	698,585.24	100.000	698,585.24	1		2.307	2.307
<b>Total for Bond Fund</b>								<b>698,585.24</b>	<b>100.000</b>	<b>698,585.24</b>	<b>698,585.24</b>	<b>100.000</b>	<b>698,585.24</b>	<b>1</b>		<b>2.307</b>	<b>2.307</b>
<b>Operating Fund</b>																	
WF-SWEEP		MMF	Wells Fargo Sweep					300,960.68	100.000	300,960.68	300,960.68	100.000	300,960.68	1		0.000	0.000
<b>Total for Operating Fund</b>								<b>300,960.68</b>	<b>100.000</b>	<b>300,960.68</b>	<b>300,960.68</b>	<b>100.000</b>	<b>300,960.68</b>	<b>1</b>		<b>0.000</b>	<b>0.000</b>
<b>Reserve Fund</b>																	
TEXSTAR		LGIP	TexSTAR					9,392,482.47	100.000	9,392,482.47	9,392,482.47	100.000	9,392,482.47	1		2.307	2.307
3130AAXX1	04/05/18	AGCY BULET	FHLB	1.375	03/18/19			1,000,000.00	99.259	992,590.00	998,329.14	99.763	997,630.00	77		2.165	2.165
912828ST8	10/31/18	TREAS NOTE	U.S. Treasury	1.250	04/30/19			1,000,000.00	99.398	993,984.38	996,044.98	99.589	995,890.00	120		2.468	2.468
912828R85	06/12/18	TREAS NOTE	U.S. Treasury	0.875	06/15/19			500,000.00	98.535	492,675.78	496,687.61	99.270	496,350.00	166		2.354	2.354
3135G0N33	05/22/18	AGCY BULET	FNMA	0.875	08/02/19			1,000,000.00	98.161	981,610.00	990,919.11	98.941	989,410.00	214		2.446	2.446
3130A8Y72	09/10/18	AGCY BULET	FHLB	0.875	08/05/19			500,000.00	98.529	492,645.00	495,142.14	98.927	494,635.00	217		2.533	2.533
3137EADM8	09/28/18	AGCY BULET	FHLMC	1.250	10/02/19			500,000.00	98.614	493,070.00	494,829.02	98.925	494,625.00	275		2.648	2.648
<b>Total for Reserve Fund</b>								<b>13,892,482.47</b>	<b>99.618</b>	<b>13,839,057.63</b>	<b>13,864,434.47</b>	<b>99.775</b>	<b>13,861,022.47</b>	<b>54</b>		<b>2.340</b>	<b>2.340</b>
<b>Sales Tax Fund</b>																	
TEXSTAR		LGIP	TexSTAR					8,276,208.89	100.000	8,276,208.89	8,276,208.89	100.000	8,276,208.89	1		2.307	2.307
<b>Total for Sales Tax Fund</b>								<b>8,276,208.89</b>	<b>100.000</b>	<b>8,276,208.89</b>	<b>8,276,208.89</b>	<b>100.000</b>	<b>8,276,208.89</b>	<b>1</b>		<b>2.307</b>	<b>2.307</b>

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>Total for Denton County Transportation Authority</b>									24,302,406.03	99.782	24,248,981.19	24,274,358.03	99.871	24,270,946.03	31	2.199	2.199

CUSIP	Security Type	Security Description	09/30/18 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	12/31/18 Book Value	09/30/18 Market Value	12/31/18 Market Value	Change in Mkt Value
<b>2011 Bond Fund</b>											
WF-MANA	BANK DEP	Wells Fargo Managed Rate	1,223,048.42	408.86	(89,288.53)	0.00	0.00	1,134,168.75	1,223,048.42	1,134,168.75	(88,879.67)
<b>Total for 2011 Bond Fund</b>			<b>1,223,048.42</b>	<b>408.86</b>	<b>(89,288.53)</b>	<b>0.00</b>	<b>0.00</b>	<b>1,134,168.75</b>	<b>1,223,048.42</b>	<b>1,134,168.75</b>	<b>(88,879.67)</b>
<b>Bond Fund</b>											
TEXSTAR	LGIP	TexSTAR	14,795.48	683,789.76	0.00	0.00	0.00	698,585.24	14,795.48	698,585.24	683,789.76
<b>Total for Bond Fund</b>			<b>14,795.48</b>	<b>683,789.76</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>698,585.24</b>	<b>14,795.48</b>	<b>698,585.24</b>	<b>683,789.76</b>
<b>Operating Fund</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
WF-SWEEP	MMF	Wells Fargo Sweep	306,101.61	470,347.48	(475,488.41)	0.00	0.00	300,960.68	306,101.61	300,960.68	(5,140.93)
<b>Total for Operating Fund</b>			<b>306,101.61</b>	<b>470,347.48</b>	<b>(475,488.41)</b>	<b>0.00</b>	<b>0.00</b>	<b>300,960.68</b>	<b>306,101.61</b>	<b>300,960.68</b>	<b>(5,140.93)</b>
<b>Reserve Fund</b>											
TEXSTAR	LGIP	TexSTAR	7,020,516.52	2,371,965.95	0.00	0.00	0.00	9,392,482.47	7,020,516.52	9,392,482.47	2,371,965.95
WF-PREM	BANK DEP	Wells Fargo Premium Rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
912828T83	TREAS NOTE	U.S. Treasury 0.750 10/31/18	499,581.00	0.00	(500,000.00)	419.00	0.00	0.00	499,470.00	0.00	(499,470.00)
3130AAXX1	AGCY BULET	FHLB 1.375 03/18/19	996,376.18	0.00	0.00	1,952.96	0.00	998,329.14	995,440.00	997,630.00	2,190.00
912828ST8	TREAS NOTE	U.S. Treasury 1.250 04/30/19	0.00	993,984.38	0.00	2,060.60	0.00	996,044.98	0.00	995,890.00	995,890.00
912828R85	TREAS NOTE	U.S. Treasury 0.875 06/15/19	494,866.35	0.00	0.00	1,821.26	0.00	496,687.61	494,335.00	496,350.00	2,015.00
3135G0N33	AGCY BULET	FNMA 0.875 08/02/19	987,085.74	0.00	0.00	3,833.37	0.00	990,919.11	985,970.00	989,410.00	3,440.00
3130A8Y72	AGCY BULET	FHLB 0.875 08/05/19	493,117.43	0.00	0.00	2,024.71	0.00	495,142.14	492,820.00	494,635.00	1,815.00
3137EADM8	AGCY BULET	FHLMC 1.250 10/02/19	493,126.70	0.00	0.00	1,702.32	0.00	494,829.02	493,090.00	494,625.00	1,535.00
<b>Total for Reserve Fund</b>			<b>10,984,669.92</b>	<b>3,365,950.33</b>	<b>(500,000.00)</b>	<b>13,814.22</b>	<b>0.00</b>	<b>13,864,434.47</b>	<b>10,981,641.52</b>	<b>13,861,022.47</b>	<b>2,879,380.95</b>
<b>Sales Tax Fund</b>											
TEXSTAR	LGIP	TexSTAR	13,469,315.32	603,184.26	(5,796,290.69)	0.00	0.00	8,276,208.89	13,469,315.32	8,276,208.89	(5,193,106.43)
<b>Total for Sales Tax Fund</b>			<b>13,469,315.32</b>	<b>603,184.26</b>	<b>(5,796,290.69)</b>	<b>0.00</b>	<b>0.00</b>	<b>8,276,208.89</b>	<b>13,469,315.32</b>	<b>8,276,208.89</b>	<b>(5,193,106.43)</b>

CUSIP	Security Type	Security Description	09/30/18 Book Value	Cost of Purchases	Maturities / Calls / Sales	Amortization / Accretion	Realized Gain/(Loss)	12/31/18 Book Value	09/30/18 Market Value	12/31/18 Market Value	Change in Mkt Value
<hr/>											
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<b>Total for Denton County Transportation Authority</b>			<b>25,997,930.75</b>	<b>5,123,680.69</b>	<b>(6,861,067.63)</b>	<b>13,814.22</b>	<b>0.00</b>	<b>24,274,358.03</b>	<b>25,994,902.35</b>	<b>24,270,946.03</b>	<b>(1,723,956.32)</b>

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	607.38	607.38	0.00	0.00	0.00	607.38
<b>Total for 2011 Bond Fund</b>			<b>0.00</b>	<b>607.38</b>	<b>607.38</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>607.38</b>
<b>Bond Fund</b>									
TEXSTAR	LGIP	TexSTAR	0.00	3,789.76	3,789.76	0.00	0.00	0.00	3,789.76
<b>Total for Bond Fund</b>			<b>0.00</b>	<b>3,789.76</b>	<b>3,789.76</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,789.76</b>
<b>Operating Fund</b>									
<b>Total for Operating Fund</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>Reserve Fund</b>									
TEXSTAR	LGIP	TexSTAR	0.00	49,965.95	49,965.95	0.00	0.00	0.00	49,965.95
912828T83	TREAS NOTE	U.S. Treasury 0.750 10/31/18	1,569.29	305.71	1,875.00	0.00	0.00	419.00	724.71
3130AAXX1	AGCY BULET	FHLB 1.375 03/18/19	496.53	3,437.50	0.00	0.00	3,934.03	1,952.96	5,390.46
912828ST8	TREAS NOTE	U.S. Treasury 1.250 04/30/19	0.00	2,140.88	0.00	0.00	2,140.88	2,060.60	4,201.48
912828R85	TREAS NOTE	U.S. Treasury 0.875 06/15/19	1,290.98	1,100.85	2,187.50	0.00	204.33	1,821.26	2,922.11
3135GON33	AGCY BULET	FNMA 0.875 08/02/19	1,434.03	2,187.50	0.00	0.00	3,621.53	3,833.37	6,020.87
3130A8Y72	AGCY BULET	FHLB 0.875 08/05/19	680.56	1,093.75	0.00	0.00	1,774.31	2,024.71	3,118.46
3137EADM8	AGCY BULET	FHLMC 1.250 10/02/19	3,107.64	1,562.50	3,125.00	0.00	1,545.14	1,702.32	3,264.82
<b>Total for Reserve Fund</b>			<b>8,579.03</b>	<b>61,794.64</b>	<b>57,153.45</b>	<b>0.00</b>	<b>13,220.22</b>	<b>13,814.22</b>	<b>75,608.86</b>
<b>Sales Tax Fund</b>									
TEXSTAR	LGIP	TexSTAR	0.00	55,861.86	55,861.86	0.00	0.00	0.00	55,861.86
<b>Total for Sales Tax Fund</b>			<b>0.00</b>	<b>55,861.86</b>	<b>55,861.86</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>55,861.86</b>
<b>Total for Denton County Transportation Authority</b>			<b>8,579.03</b>	<b>122,053.64</b>	<b>117,412.45</b>	<b>0.00</b>	<b>13,220.22</b>	<b>13,814.22</b>	<b>135,867.86</b>

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
<b>Reserve Fund</b>															
<b>Maturities</b>															
10/31/18	10/31/18	912828T83	TREAS NOTE	U.S. Treasury	0.750	10/31/18		500,000.00	100.000	500,000.00	0.00	500,000.00		1.787	
<b>Total for: Maturities</b>								<b>500,000.00</b>		<b>500,000.00</b>	<b>0.00</b>	<b>500,000.00</b>		<b>1.787</b>	
<b>Purchases</b>															
10/29/18	10/31/18	912828ST8	TREAS NOTE	U.S. Treasury	1.250	04/30/19		1,000,000.00	99.398	993,984.38	0.00	993,984.38		2.468	2.468
<b>Total for: Purchases</b>								<b>1,000,000.00</b>		<b>993,984.38</b>	<b>0.00</b>	<b>993,984.38</b>		<b>2.468</b>	<b>2.468</b>
<b>Income Payments</b>															
10/02/18	10/02/18	3137EADM8	AGCY BULET	FHLMC	1.250	10/02/19				0.00	3,125.00	3,125.00			
10/31/18	10/31/18	912828T83	TREAS NOTE	U.S. Treasury	0.750	10/31/18				0.00	1,875.00	1,875.00			
12/17/18	12/15/18	912828R85	TREAS NOTE	U.S. Treasury	0.875	06/15/19				0.00	2,187.50	2,187.50			
<b>Total for: Income Payments</b>										<b>0.00</b>	<b>7,187.50</b>	<b>7,187.50</b>			

Trade Date	Settle Date	CUSIP	Security Type	Security Description	Coupon	Mty Date	Call Date	Par Value	Price	Principal Amount	Int Purchased / Received	Total Amount	Realized Gain / Loss	YTM	YTW
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**Total for All Portfolios**

Transaction Type	Quantity	Total Amount	Realized G/L	YTM	YTW
Total Maturities	500,000.00	500,000.00		1.787	
Total Purchases	1,000,000.00	993,984.38		2.468	2.468
Total Income Payments	0.00	7,187.50			

CUSIP	Settle Date	Security Type	Security Description	Next Call Date	Purchase Qty	Orig Price	Original Cost	Amrt/Accr for Period	Total Amrt/Accr Since Purch	Remaining Disc / Prem	Book Value
<b>Reserve Fund</b>											
912828T83	01/24/18	TREAS NOTE	U.S. Treasury 0.750 10/31/18		0.00	99.215	0.00	419.00	0.00	0.00	0.00
3130AAXX1	04/05/18	AGCY BULET	FHLB 1.375 03/18/19		1,000,000.00	99.259	992,590.00	1,952.96	5,739.14	1,670.86	998,329.14
912828ST8	10/31/18	TREAS NOTE	U.S. Treasury 1.250 04/30/19		1,000,000.00	99.398	993,984.38	2,060.60	2,060.60	3,955.02	996,044.98
912828R85	06/12/18	TREAS NOTE	U.S. Treasury 0.875 06/15/19		500,000.00	98.535	492,675.78	1,821.26	4,011.83	3,312.39	496,687.61
3135G0N33	05/22/18	AGCY BULET	FNMA 0.875 08/02/19		1,000,000.00	98.161	981,610.00	3,833.37	9,309.11	9,080.89	990,919.11
3130A8Y72	09/10/18	AGCY BULET	FHLB 0.875 08/05/19		500,000.00	98.529	492,645.00	2,024.71	2,497.14	4,857.86	495,142.14
3137EADM8	09/28/18	AGCY BULET	FHLMC 1.250 10/02/19		500,000.00	98.614	493,070.00	1,702.32	1,759.02	5,170.98	494,829.02
<b>Total for Reserve Fund</b>					<b>4,500,000.00</b>		<b>4,446,575.16</b>	<b>13,814.22</b>	<b>25,376.84</b>	<b>28,048.00</b>	<b>4,471,952.00</b>
<b>Total for Denton County Transportation Authority</b>					<b>4,500,000.00</b>		<b>4,446,575.16</b>	<b>13,814.22</b>	<b>25,376.84</b>	<b>28,048.00</b>	<b>4,471,952.00</b>

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
<b>Reserve Fund</b>						
3135G0N33	AGCY BULET	FNMA 0.875 08/02/19	02/02/19	4,375.00	0.00	4,375.00
3130A8Y72	AGCY BULET	FHLB 0.875 08/05/19	02/05/19	2,187.50	0.00	2,187.50
3130AAXX1	AGCY BULET	FHLB 1.375 03/18/19	03/18/19	6,875.00	1,000,000.00	1,006,875.00
3137EADM8	AGCY BULET	FHLMC 1.250 10/02/19	04/02/19	3,125.00	0.00	3,125.00
912828ST8	TREAS NOTE	U.S. Treasury 1.250 04/30/19	04/30/19	6,250.00	1,000,000.00	1,006,250.00
912828R85	TREAS NOTE	U.S. Treasury 0.875 06/15/19	06/15/19	2,187.50	500,000.00	502,187.50
<b>Total for Reserve Fund</b>				<b>25,000.00</b>	<b>2,500,000.00</b>	<b>2,525,000.00</b>

CUSIP	Security Type	Security Description	Pay Date	Interest	Principal	Total Amount
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**Total for All Portfolios**

February 2019	6,562.50	0.00	6,562.50
March 2019	6,875.00	1,000,000.00	1,006,875.00
April 2019	9,375.00	1,000,000.00	1,009,375.00
June 2019	2,187.50	500,000.00	502,187.50
<b>Total Projected Cash Flows for Denton County Transportation Authorit</b>	<b>25,000.00</b>	<b>2,500,000.00</b>	<b>2,525,000.00</b>

## Board of Directors Memo

January 24, 2019

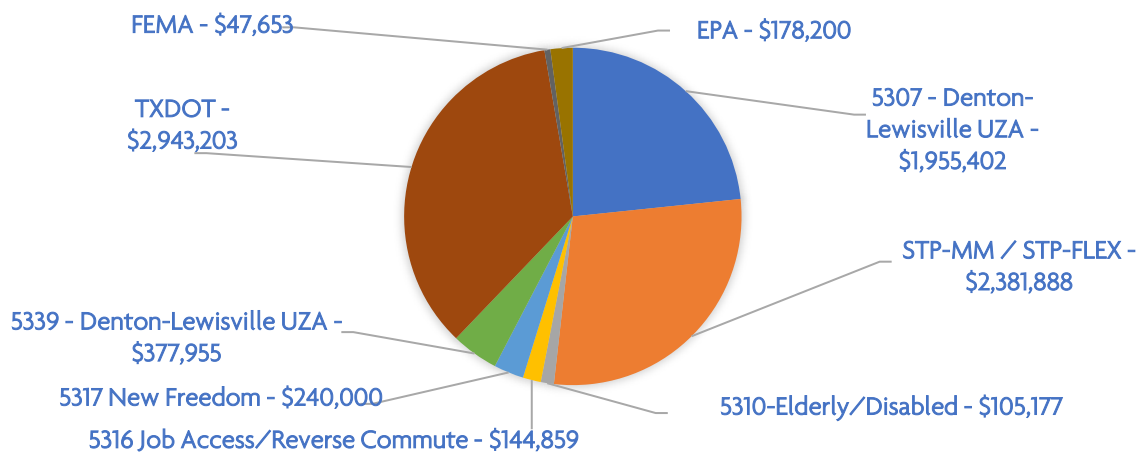
SUBJECT: Quarterly Grants Update Q1 FY2019

### Grant Activities This Period

DCTA currently has 13 open grants that provide reimbursements for various capital projects, rail and bus preventive maintenance, operating assistance and ADA paratransit service. The grant funding sources include Federal Transit Administration (FTA), North Central Texas Council of Governments (NCTCOG), Texas Department of Transportation (TxDOT), Environmental Protection Agency (EPA) and Federal Emergency Management Agency (FEMA). Total grant balance was \$8.5 million as of 12/31/2018. Of this total, \$2.4 million is obligated for Positive Train Control, \$3.2 million is obligated for the FY14-16 Program of Projects, and \$2.9 million is obligated for the A-train Rail Trail.

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

GRANTS FUNDING LEVELS  
\$8.4 MILLION AS OF 12/31/2018



Program	Q4 FY18 Balance	Q1 FY19 Balance	Grant Activity
Denton-Lewisville UZA (5307)	\$2,447,508	\$1,955,402	Fleet Replacement, Bus Shelters, Bus Radios, Signage, Preventive Maintenance
STP-MM / STP-FLEX	\$2,739,836	\$2,381,888	Positive Train Control Implementation & Vanpool
Elderly Persons and Persons with Disabilities (5310)	\$105,177	\$105,177	Transit Capital Accessibility (Fleet)
Job Access, Reverse Commute (JARC) (5316)	\$144,859	\$144,859	35W North Texas Xpress (NTX) Operating Assistance
New Freedom (NF) Funding (5317)	\$240,000	\$240,000	Mobility Management
Bus and Bus Facilities (5339)	\$377,955	\$377,955	Fleet Replacement
TxDOT (FHWA)	\$2,943,203	\$2,943,203	A-train Rail Trail (Eagle Point & Phase I Close-Out)
FEMA	\$47,653	\$47,653	2015 Flood Remediation Projects
EPA	\$178,200	\$178,200	Brownfields Assessment
<b>Total</b>	<b>\$ 9,224,390</b>	<b>\$ 8,374,337</b>	


**Pending Funding and Other Grant Activity**

Staff received the signed funding agreements for the FY09 JARC and FY12 New Freedom funding in July 2018 from NCTCOG's unspent grant funds. The Congestion Mitigation & Air Quality (CMAQ) funding for bus purchases for 35W North Texas Xpress services will be de-obligated from NCTCOG and re-obligated to DCTA through FTA, with an anticipated execution in Q3 of FY19. All three agreements will utilize Transportation Development Credits (TDCs) in lieu of the local match. DCTA will receive \$10.4 million in CMAQ funding from NCTCOG for land acquisition purchases. The funding was added to the 2019-2022 Transportation Improvement Program (TIP) and the transfer of funds from FHWA to FTA was initiated in Q1 of FY19.

DCTA was awarded \$4 million for the Positive Train Control (PTC) Enhancements proposal submitted in June 2018 to Federal Railroad Administration's (FRA) Consolidated Rail Infrastructure & Safety Improvements (CRISI) Grants Program. Staff is working with FRA to execute the grant by Q2 of FY19. DCTA submitted another proposal in September 2018 for the second round of funding available under the CRISI program for a Dispatch Workload Safety Program. Additionally, staff worked with Blais & Associates to submit a proposal for an At-Grade Rail Crossing Safety Project for the FY18 Better Utilizing Investments to Leverage Development (BUILD) Grant Program through FTA; DCTA received notice that this project was not selected to receive funding from FTA on the BUILD grant.

The 2017 Annual Program of Projects (POP) was submitted for FTA review in December 2017. The project funding is: \$224,651 (Bus and Bus Facilities-5339) and \$5.7 million (Denton-Lewisville UZA-5307). The 2018 Annual POP was submitted for FTA Review in June 2018. The project funding is \$6.2 million (Denton-Lewisville UZA-5307) and \$572,056 (Bus and Bus Facilities- 5339).

Submitted by:   
Athena Forrester  
AVP of Regulatory Compliance

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



## Board of Directors Memo

January 24, 2019

SUBJECT: Finance Committee report of items discussed at the January 14, 2019 meeting

The Finance Committee meeting and Special Called Board of Directors meeting was held at 2:00 p.m., Monday, January 14, 2019 at 1955 Lakeway Dr., Suite 260 Conference Room in Lewisville, Texas.

In attendance were:

Committee Members: Dianne Costa, Connie White, Ron Trees

Board Members: Charles Emery

Absent: Tom Winterburn, Allen Harris

DCTA Staff: Michelle Bloomer, Athena Forrester, Kristina Holcomb, Amber Karkauskas, Brandy Pedron, Marisa Perry, Nicole Recker, Amanda Riddle, Raymond Suarez

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:

### **Preliminary FY2018 Audit Report & Presentation**

Jennifer Ripka, Partner, with Weaver and Tidwell, LLP presented the preliminary FY18 audit report. DCTA will receive an unmodified (clean) opinion for FY18. 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, and financial highlights.

The Finance Committee recommended forwarding the audit as presented to the Board for acceptance at the February Board meeting scheduled for February 28, 2019.

### **Changes to Board Threshold approval for contracts and agreements**

Athena Forrester presented a recommendation for changes in the threshold approvals for the CEO to award contracts without requiring Board approval. The Committee recommended threshold approval changes to be forwarded to the Board as follows:

- Threshold for CEO to award contracts without further Board action to increase from \$50,000 to \$75,000
- Threshold to contract for personal and professional services without further Board action to increase from \$25,000 to \$50,000

### **Background and benefits of establishing a local government corporation**

DCTA staff presented background history of the existing operating agreement for bus operations, highlighting deficiencies of the current structure and benefits of establishing a local government corporation. In addition to cost savings and a smooth transition for existing bus operations staff, the change in structure will allow for greater control over data quality, customer service, and strategy. The Finance Committee recommended forwarding the item to the Board for approval at the January Board meeting.



### **Update regarding local assistance for member jurisdictions**

Marisa Perry presented a draft timeline for development of a local assistance program for member jurisdictions, which incorporates stakeholder interviews, review of DCTA's long-range financial plan to determine capacity, and analysis of program options. The draft project plan includes a final report delivery in April 2019.

The meeting adjourned at 3:35pm.

### **Exhibits**

Exhibit 1 – Financial Packet

#### **Finance Committee**

Chair – (Vacant)

Members – Dianne Costa, Tom Winterburn, Allen Harris, Connie White, Ron Trees

Staff Liaison – Marisa Perry, CFO/VP of Finance



Special Called Meeting of the DCTA Board of Directors  
and the **Finance Committee** of the DCTA Board of Directors

2:00 p.m. on January 14, 2019

**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) DISCUSS AND TAKE ACTION ON RECOMMENDATION TO THE BOARD
  - a. Preliminary FY2018 Audit Report & Presentation – Weaver and Tidwell, LLP
- 2) ITEMS FOR DISCUSSION
  - a. Changes to Board Threshold approval for contracts and agreements
  - b. Background and benefits of establishing a local government corporation
  - c. Update regarding local assistance for member jurisdictions
- 3) ADJOURN

**Finance Committee**

**Chair** – (Vacant)

**Members** – Dianne Costa, Tom Winterburn, Allen Harris, Connie White, Ron Trees

**Staff Liaison** – Marisa Perry, CFO/VP of Finance

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 [bpedron@dcta.net](mailto:bpedron@dcta.net) or calling Brandy Pedron at 972-316-6032.

This notice was posted on 1/10/2019 at 4:29 PM.

Brandy Pedron, Executive Administrator | Open Records

## Finance Committee Memo

January 14, 2019

SUBJECT: Item 2(a) : Changes to Board Threshold Approval for Contracts and Agreements

**Background**

Currently all procurement recommendations for contract awards over \$50,000 are required to seek Board approval before the CEO can execute the agreements. Staff is requesting the Finance Committee considers increasing the threshold level for approval for contracts and agreements to \$100,000.

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

Current Board Approval Threshold	Proposed Approval Threshold	DART Board Approval Threshold	Trinity Metro Board Approval Threshold
\$50,000	\$100,000	\$100,000 for non-commercial items \$250,000 for all others	\$50,000

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

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

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

**Identified Need**

The State of Texas requirements for a formal solicitation is \$50,000. All procurements anticipated to exceed this dollar threshold must be formally procured. DCTA is in compliance with this requirement and is not recommending changes to this threshold. The Board establishes approval thresholds for contract approval, and this is the threshold that is recommended to be changed

**Committee Review**

To streamline the process and be more efficient, staff is requesting the Finance Committee consider modifying the approval requirement from \$50,000 to \$100,000 for all contracts except personal and professional services, which is recommended to change from \$25,000 to \$50,000. Staff recommends the Finance Committee consider the recommendation and approve the item be placed on the January 24, 2019 Board agenda along with the required Board Resolution for adoption.



Submitted By:

A handwritten signature in blue ink, appearing to read "A Forrester", is written over a horizontal line.

Athena Forrester, CPPO, CPPB AVP of Regulatory Compliance  
AVP of Regulatory Compliance

Approved By:

A handwritten signature in blue ink, appearing to read "Marisa Perry", is written over a horizontal line.

Marisa Perry, CPA  
Chief Financial Officer/VP of Finance



## 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, 2018 and 2017, 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.

The Board of Directors of the  
Denton County Transportation Authority

### ***Opinion***

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

### ***Emphasis of Matter***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4-11) and Texas County District Retirement System pension schedules (on pages 36-37) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

The Board of Directors of the  
Denton County Transportation Authority

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

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

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February \_\_, 2019

# Basic Financial Statements

# Denton County Transportation Authority

## Statements of Net Position

### September 30, 2018 and 2017

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

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

**Denton County Transportation Authority**  
Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2018 and 2017

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

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

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

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

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

#### Note 1. Organization and Summary of Significant Accounting Policies

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

##### Financial Reporting Entity

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

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

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

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

##### Basis of Accounting

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

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

## **Denton County Transportation Authority**

### **Notes To Financial Statements**

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

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

#### **Cash and Cash Equivalents**

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

#### **Receivables**

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

#### **Prepaid Expenses**

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

#### **Inventory**

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

#### **Restricted Assets**

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

#### **Investments**

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

#### **Capital Assets**

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

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

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

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

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

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

#### Current Liabilities

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

#### Compensated Absences

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

#### Unearned Revenue

The University of North Texas (UNT) and North Central Texas College (NCTC) have contracted with the Authority to provide transportation for faculty, staff, and students 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, 2018 and 2017, the Authority has received \$58,200 and \$67,387 in advance payments respectively.

## **Denton County Transportation Authority**

### **Notes To Financial Statements**

#### **Net Position**

Net Position is displayed in two components as follows:

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

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

#### **Operating Revenues**

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

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

#### **Classification of Revenues and Expenses**

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

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

#### **Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, Authority specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the Authority's Fiduciary Net Position have been determined on the same basis as they are reported by 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.

## **Denton County Transportation Authority**

### **Notes To Financial Statements**

#### **Financial Instruments and Credit Risk**

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

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

#### **Note 2. Budgetary Data**

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

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

During the course of the annual budget cycle, it may be necessary to modify the budget by a process of amendment or transfer. For example, modifications may be required because of changes in the purpose, description, terms and conditions, or changes in the cost of an approved service or item. All budget amendments require approval by the Board of Directors. Budget transfers 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, 2014, the Authority entered into a management contract with First Transit, Inc. as an independent contractor to manage the operation of the Authority's public transit system in the Denton County urban area. Under the direction of the Authority's staff and guidance of its policy, First Transit, Inc. provides a qualified and experienced General Manager and Assistant General Manager and home office support personnel to perform all services and functions necessary to ensure effective and efficient management and administration of the transit system including new and expanded services.

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

## Denton County Transportation Authority

### Notes To Financial Statements

#### Note 4. Cash, Cash Equivalents, and Investments

##### Cash and Cash Equivalents

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

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

#### Investments

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

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

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

	September 30, 2018	Quoted Prices of Investments in Active Markets Level 1	Quoted Prices of Similar Investments in Active Markets/Quoted Prices of Identical Investments in Inactive Markets Level 2	Unobservable Inputs Level 3	Weighted Average Maturity Days	Standard & Poor's Credit Rating
<b><u>Cash and Cash Equivalents:</u></b>						
Bank Deposits	\$ 1,418,209	\$ -	\$ -	\$ -	N/A	N/A
<b><u>Investments not subject to Fair Value</u></b>						
<b><u>Investment Pools:</u></b>						
TexStar	20,504,627	-	-	-	1 day	AAAm
<b><u>Investments by Fair Value Level:</u></b>						
<b><u>U.S. Government Agency Securities:</u></b>						
FHLB	1,488,260	-	1,488,260	-	215 days	AA+
FHLMC	493,090	-	493,090	-	367 days	AA+
FNMA	985,970	-	985,970	-	306 days	AA+
<b><u>U.S. Treasury Notes:</u></b>						
USTN	993,805	-	-	-	144 days	AA+
Total	<u>\$ 25,883,961</u>	<u>\$ -</u>	<u>\$ 2,967,320</u>	<u>\$ -</u>		

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

#### Note 5. Receivables

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

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

#### Note 6. Capital Assets

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

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

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

#### Note 7. Pension, Retirement, and Deferred Compensation Plans

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

Plan Description: The Authority provides retirement, disability and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the TCDRS. The Board of Directors is responsible for the administration of the statewide agent multi-employer public employee defined benefit pension retirement system consisting of 760 public employee defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the board of trustees at P. O. Box 2034, Austin, Texas 78768-2034 or can be viewed at [www.tcdrs.org](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 calendar year 2018, the Authority made contributions of 6.15%.

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

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

#### Changes in Net Pension Liability:

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

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

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

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

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

## Note 8. Bonds Payable

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

The annual debt service requirements are:

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

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

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

#### Note 9. Easement Obligation

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

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

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

#### Note 10. Commitments and Contingencies

##### Risk Management

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

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

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

### Litigation

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

### State and Federal Grants

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

### Commitments

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

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

### Notes To Financial Statements

#### Operating Lease Agreements

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

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

#### Funding

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

#### Note 11. Prior Period Adjustment

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

##### Statement of Net Position:

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

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

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

#### Note 12. New Accounting Pronouncements

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

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

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

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

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

## Denton County Transportation Authority

### Notes To Financial Statements

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

#### **Note 13. Subsequent Events**

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

## Required Supplementary Information

## Denton County Transportation Authority

### Required Supplementary Information

### Texas County District Retirement System

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

(Unaudited)

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

#### Notes to Schedule:

As of December 31 - Measurement date

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

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

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

# Denton County Transportation Authority

## Required Supplementary Information

### Texas County District Retirement System

#### Schedule of Employer Contributions

(Unaudited)

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

#### Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

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

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

# Supplementary Information

## Denton County Transportation Authority

### Schedule of Revenues and Expenses – Budget to Actual

Year Ended September 30, 2018 with Comparative Actual for 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)	2017 Actual
<b>OPERATING REVENUES</b>					
Passenger revenue	\$ 1,464,725	\$ 1,074,590	\$ 1,114,734	\$ 40,144	\$ 1,292,725
Contract services	4,102,163	3,508,104	3,416,001	(92,103)	3,716,481
Other	1,000	738,255	858,648	120,393	396,450
	<u>5,567,888</u>	<u>5,320,949</u>	<u>5,389,383</u>	<u>68,434</u>	<u>5,405,656</u>
<b>OPERATING EXPENSES</b>					
Salaries, wages and fringe benefits	12,338,449	11,881,666	11,137,613	744,053	10,425,981
Services	3,365,169	8,465,147	4,348,623	4,116,524	6,209,389
Materials and supplies	3,601,940	3,123,778	2,508,020	615,758	2,317,170
Purchased transportation services	9,713,343	9,628,343	8,980,451	647,892	10,587,125
Utilities	460,164	460,164	439,476	20,688	427,013
Insurance	1,726,783	1,726,783	1,707,909	18,874	1,600,932
Facility and equipment rents	265,880	265,880	213,497	52,383	248,128
Other - miscellaneous	423,326	423,326	274,072	149,254	203,467
Depreciation and amortization	10,679,875	10,679,875	10,202,356	477,519	9,986,476
<b>Total operating expenses</b>	<u>42,574,929</u>	<u>46,654,962</u>	<u>39,812,017</u>	<u>6,842,945</u>	<u>42,005,681</u>
<b>Operating loss</b>	<u>(37,007,041)</u>	<u>(41,334,013)</u>	<u>(34,422,634)</u>	<u>6,911,379</u>	<u>(36,600,025)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Sales tax revenue	26,649,585	26,649,585	27,937,707	1,288,122	26,790,098
Transit system operating assistance grants	5,410,737	5,120,628	5,484,450	363,822	4,900,401
Investment income	78,000	78,000	350,924	272,924	122,250
Interest expense	(1,008,084)	(1,008,084)	(1,040,263)	(32,179)	(1,098,107)
Gain (loss) on disposal of assets	-	-	2,340	2,340	12,208
<b>Total non-operating revenue (expenses)</b>	<u>31,130,238</u>	<u>30,840,129</u>	<u>32,735,158</u>	<u>1,895,029</u>	<u>30,726,850</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	<u>(5,876,803)</u>	<u>(10,493,884)</u>	<u>(1,687,476)</u>	<u>8,806,408</u>	<u>(5,873,175)</u>
<b>GRANTS FOR CAPITAL IMPROVEMENTS</b>	<u>9,781,224</u>	<u>3,858,003</u>	<u>1,631,747</u>	<u>(2,226,256)</u>	<u>6,532,885</u>
<b>Change in net position</b>	<u>\$ 3,904,421</u>	<u>\$ (6,635,881)</u>	<u>\$ (55,729)</u>	<u>\$ 6,580,152</u>	<u>\$ 659,710</u>



## Finance Committee Meeting

January 14, 2019

## Preliminary FY2018 Audit Report & Presentation



# Audit Insights

## Denton County Transportation Authority

September 30, 2018



## Overview

- Introduction
- Audit Process
- Audit Results and Communications
- Financial Highlights
- Questions

# Introductions



## Meet Weaver

### The Firm of Texas

Weaver is the largest independent accounting firm based in Texas, and in the Southwest — as well as a Top 40 firm nationwide.



**7** Texas Offices | **700** Employees | **100+** Partners



## Engagement Leadership

**Jennifer Ripka**  
Partner, Assurance  
Services

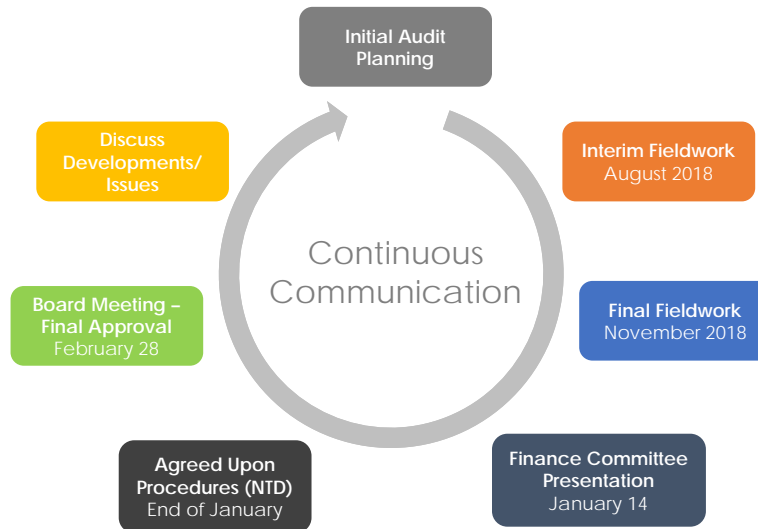
- ✓Over eleven years of public accounting experience
- ✓Dedicated to serving public sector clients
- ✓Member of the GFOA Special Review Committee

Available Throughout the Year to Discuss Issues

## Audit Process



## Engagement Timeline



## Audit Process

- **Audit Standards** — Performed the audit in accordance with *Generally Accepted Auditing Standards (GAAS)* and *Generally Accepted Government Auditing Standards (GAGAS)*
- **Single Audit** — Performed the single audit of federal awards in accordance with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
- **NTD Agreed Upon Procedures** — Will perform the required financial data review required by NTD
- **Compliance** — Performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, including compliance with PFIA

# Audit Process

- **Risk-based approach** focused on specific risks, such as:
  - Federal and state grant revenues and expenditures
  - Capital projects, purchasing requirements, bids and capital assets
  - Payables, accrued liabilities, and expenses
  - Revenue recognition for passenger revenue and contracted services.
- **Walkthroughs** of accounting controls over significant transaction cycles
  - Budget
  - Cash Disbursements
  - Cash Receipts
  - Payroll
  - P-Card Process
  - Grant Funding

# Audit Process

- **Identification of major federal financial assistance programs**
  - Major Program- Disaster Grants-Public Assistance from FEMA
- **Capital Projects/Bid Testing**
- **Tested internal controls** over financial reporting and compliance
- **Tested compliance** with major program requirements
- **Testing of financial statement balances** using a combination of analytics, vouching of material transactions, and sampling
- **Assistance with the preparation of the CAFR and the Schedule of Expenditures of Federal Awards**



## Audit Results: Financial Statements



Type of report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiencies that are not material weaknesses? **Yes\***
- Noncompliance material to financial statements noted? **No**

\*Relates to the prior period adjustment

## Audit Results: Federal Awards

Type of report issued on  
compliance for major programs:  
Type of auditee:

Unmodified  
Low risk

### Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies that are not material weaknesses?
- Any audit findings required to be reported under 2 CFR 200.516(a)?

No  
No  
No

### Major Programs:

- Disaster Grants- Public Assistance (97.036)



## Auditor Communications

### Audit Adjustments

- All known and likely misstatements identified during the audit, other than those that are trivial, are required to be communicated to management.
  - One prior period adjustment:
    - As a result of long-term operating maintenance projects being recorded in construction in progress in prior fiscal years, expenses were understated and capital assets were overstated as of September 30, 2017.
    - The correction of this error resulted in a \$3,608,896 decrease in beginning net position.
    - See pages 7 and 8 of the Single Audit Report for more information regarding the adjustment.

## Auditor Communications

### Management Estimates

- Management's estimates of the following were found to be reasonable based on our evaluation of key factors and assumptions used to develop the estimates:
  - Net pension liability
  - Estimated useful lives for capital assets

## Auditor Communications

### No Other Issues

- No irregularities or illegal acts noted
- No transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus
- No difficulties or disagreements arose during the course of our audit
- No independence issues noted
- No consultations or request for a second opinion from other accountants



## Financial Highlights

### Financial Highlights

- 33% increase in cash and investments (\$6.3M)
  - The Authority's current ratio, cash ratio, and debt ratio have each improved year over year
- 15% decrease in purchased transportation expense (\$1.6M)
  - The Authority experienced a 38% decrease in car miles year over year due to the implementation of single car operations during FY17.
- 4% increase in sales tax revenue (\$1.1M)
  - All three member cities have experienced year over year increases in collections.
- 287% increase in investment income (\$229K)
  - The Authority has continued to focus on diversification and laddering; increased portions of the portfolio invested in treasury notes, certificates of deposits, and government agency securities.
  - Yield to maturity doubled to 1.94% (Q4 FY18) from 0.967% (Q4 FY17)
- The Authority ended fiscal year 2018 with a net position of \$326,032,103.



Thank you!

We appreciate the opportunity to serve **Denton County Transportation Authority** and look forward to working with you next year.



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## DISCUSSION

### Contact us:

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Partner, Assurance Services  
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Email: [Jennifer.ripka@weaver.com](mailto:Jennifer.ripka@weaver.com)

## Changes to Board Threshold approval for contracts and agreements



### Board Approval Threshold

Current Board Approval Threshold	Proposed Approval Threshold	DART Board Approval Threshold	Trinity Metro Board Approval Threshold
<ul style="list-style-type: none"> <li>• \$50,000</li> <li>• \$25,000 personal and professional services</li> </ul>	<ul style="list-style-type: none"> <li>• \$100,000</li> <li>• \$50,000 personal and professional services</li> </ul>	<ul style="list-style-type: none"> <li>• \$100,000 for non-commercial items</li> <li>• \$250,000 for all others</li> </ul>	\$50,000

## Background and benefits of establishing a local government corporation



### Background of existing operating agreement

- Transportation management contract with First Transit (TMDC)
  - \$271k for FY2019: General Manager & Assistant General Manager for bus operations
  - TMDC is subsidiary of First Transit (separate EIN from FT and DCTA)
  - All other TMDC employees and expenses flow through DCTA
    - Employee payroll and benefits
    - All insurance
    - All AP invoices
    - All procurements

## Background of existing operating agreement

- Identified deficiencies:
  - Lack of management oversight
    - Limited standard processes
    - Limited accountability
  - Inaccurate operating information
    - Delays for month-end close and contract service billings
    - Impact on NTD reporting
  - Substandard labor utilization
    - Maintenance
    - Potential safety hazards
    - Budgetary impacts

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## Benefits of establishing a local government corporation

- Same employee benefits as existing TMDC benefits
- Localized control over the strategy, operation and performance of staff
  - Implementation of standard operating procedures
  - Greater control over quality of data
  - Ability to performance manage
- Ability to ensure accuracy and consistency of pertinent agency messaging
  - “DCTA Family” culture
  - Increased oversight support; improved morale; reduction in employee turnover

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## Benefits of establishing a local government corporation

- Decreased costs; increased service quality
  - Savings of \$1.25 million over next 5 years (reorg & overtime reduction)
  - Addition of Service Planner and Recruiter

Current Structure		Proposed LGC/DCTA Structure		5-Year Savings
18.5 FTE	\$1,322,952	18.0 FTE	\$1,148,402	\$870,000
Reduction in overtime				\$385,000
Total 5-Year Savings				\$1,255,000

## Update regarding local assistance for member jurisdictions



# Update regarding local assistance for member jurisdictions

## DCTA DRAFT Project Plan

Task	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Develop Project Plan						
Gather & Review Initial Information						
Stakeholder interviews						
Consolidate Stakeholder input and report to Management						
Conduct follow-up interviews (if necessary)						
Review Capacity, Stakeholder Input and Develop Initial List of Options						
Integrate Assistance Program Options into Financial Plan w/scenario modeling						
Develop and Deliver Final Report and/or Presentation						

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## Board of Directors Memo

January 24, 2019

SUBJECT: Program Services Committee report of items discussed at the January 15, 2019 meeting

The Program Services Committee meeting and Special Called Board of Directors meeting was held at 12:00 p.m., Tuesday, January 15, 2019 at 1955 Lakeway Dr., Suite 260 Conference Room in Lewisville, Texas.

In attendance were:

Committee Chair: Dave Kovatch

Committee Members: Mark Miller, Carter Wilson, Skip Kalb

Committee Members Absent: Don Hartman

Board Members: Charles Emery, Dianne Costa, Connie White, Tom Winterburn

DCTA Staff: Kristina Holcomb, Raymond Suarez, Marisa Perry, Nicole Recker, Michelle Bloomer, Lindsey Baker, Ann Boulden, Jonah Katz, Amanda Riddle, Brandy Pedron

A complete copy of the Finance Committee agenda packet and handouts is included as "Exhibit 1" to this report. The following agenda items were discussed:

### **Cotton Belt Activity Overview**

Kristina Holcomb provided a brief overview of the latest Cotton Belt activity, including how the Cotton Belt corridor would connect with the A-train corridor at the Downtown Carrollton Station. The \$782 million project is scheduled to be complete December 2022.

### **Southbound A-train Extension Planning**

Ann Boulden presented the latest planning efforts on the Southbound A-train extension, including connectivity to the Cotton Belt at the Downtown Carrollton station. DCTA and DART are actively coordinating during the design process to ensure station area concepts provide complementary and coordinated service to transit patrons. DCTA and LAN will conduct a Fatal Flaw Analysis to include a Rough Order of Magnitude (ROM) Estimate and development of preliminary station concept.

### **Northbound A-train Extension Planning**

Ann Boulden provided an overview of the Northbound A-train extension efforts. DCTA has participated in TWU's Master Comprehensive Planning process. TWU plans to include a train station in future amendments of the Master Plan. Ann and Kristina Holcomb discussed the six northbound alignment options.

### **Existing Operating Agreement Overview**

Raymond Suarez and Michelle Bloomer provided a brief overview of the current Transportation Management Contract with First Transit/TMDC. They discussed the identified operating deficiencies, which include lack of management oversight, inaccurate operating/reporting information, and substandard labor utilization.

### **Establishment of a local government corporation (LGC)**

As a follow-through of the existing operating agreement overview and the deficiencies identified, Michelle Bloomer discussed the benefits of creating a Local Government Corporation (LGC). Raymond Suarez, Kristina Holcomb, and Marisa Perry weighed in on the benefits, as well, including having localized control over the strategy, operation and performance of staff, ability to ensure accuracy and consistency of pertinent agency messaging, and continuing the same employee benefits as existing TMDC benefits. The LGC would also result in a 5-year savings of almost \$1.26 million due to restructuring and reduced overtime.

### **Operating Cost Model Development**

Marisa Perry provided a timeline for the development of the Operating Cost Model. DCTA staff is working the Texas Transportation Institute (TTI) on this effort.

### **Local Assistance for member jurisdictions**

Marisa Perry provided a brief update on the progress related to developing an ELAP or similar local assistance program for member cities. Stakeholder interviews are slated for January and February 2019, with a final report and presentation anticipated in April 2019.

### **Mobility as a Service (MaaS) RFP**

Jonah Katz briefed the Committee on the MaaS RFP process. Staff held an informational webinar on December 12, the RFP was formally issued January 16, and a pre-proposal conference is scheduled for January 23. The contract awards are expected to come to the Board of Directors for approval in March.

### **North Texas Xpress & Alliance Link**

Lindsey Baker presented the latest on Alliance Link and potential changes to the North Texas Xpress service. Alliance Link, in its current iteration, is ending on January 31, 2019, and will shift to a Lyft on-demand service, as a partnership with DCTA and Trinity Metro. DCTA will enter into a 2-year Interlocal Agreement with Trinity Metro to issue a Task Order with Lyft for a 6-month period, after which Trinity Metro will execute a contract with Lyft to provide the service for the remainder of the 2-year program period. The program is fully funded by NCTCOG RTR funds. DCTA staff is reviewing options for extending the North Texas Xpress service from Denton to Alliance. This will be brought forward to Program Services for future discussions.

### **Frisco AV Pilot Program**

The Drive.ai contract was extended 2-months, as mutually agreed upon by all parties. This extension period allows for the TMA to continue discussions with Drive.ai on next steps.

### **Elderly & Disabled Service Options**

Michelle Bloomer discussed current challenges associated with transporting elderly and disabled Lewisville residents to Flower Mound medical facilities. SPAN will not be able to continue service in these areas long-term but has received stop-gap funding from the NCTCOG to serve urban areas for the year. Staff recommends DCTA implement a Lyft subsidy program to serve the E&D population traveling from Lewisville to Flower Mound medical facilities.



### **Service Changes**

Michelle Bloomer briefed the Committee on recent and upcoming service changes. In January 2019, Lewisville Lakeway Zone was implemented, and schedule changes were made to Denton Connect Route 7 and UNT Saturday Service: Mean Green Night Rider/Discovery Park. In May 2019, staff expects to modify the A-train schedule, Denton & Lewisville Connect Route Schedules, and the North Texas Xpress. In August 2019, additional schedule changes will be made to Denton & Lewisville Connect services, continued evaluation and addition of On-Demand Zones, and the Mobility as a Service (MaaS) options will be available.

### **Positive Train Control Activity**

Raymond Suarez briefed the Committee on the latest PTC activities. DCTA has entered Revenue Service Demonstration (RSD) and has filed an Alternative Schedule Waiver, which is pending approval from Federal Railroad Administration. In order to receive certification, DCTA will need to complete 383 consecutive runs without issue and provide an updated RSD Schedule. Staff also discussed the PTC System Safety Plan.

### **Transit Oriented Development (TOD) Program Planning**

DCTA staff is currently exploring options to help advance TOD activity along the A-train corridor. Additional details will be provided in the coming months.

The Program Services Committee did not convene into Executive Session at this time.

Upcoming meeting will be on March 19, 2019

The meeting adjourned at 1:56pm.

### **Exhibits**

Exhibit 1 – Program Services Packet

#### **Program Services Committee**

Chair – Dave Kovatch

Members – Mark Miller, Carter Wilson, Skip Kalb, Don Hartman

Staff Liaison – Kristina Holcomb, Deputy CEO



Special Called Work Session of the DCTA Board of Directors and  
the **Program Services Committee** of the DCTA Board of Directors

January 15, 2019 | 12:00 p.m.

## AGENDA

NOTICE IS HEREBY GIVEN that there will be a special called meeting of the DCTA Board of Directors and a meeting of the Program Services 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 Program Services 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 Program Services Committee of the DCTA Board of Directors will consider the following:

1) WELCOME AND INTRODUCTIONS

2) UPDATES & DISCUSSION REGARDING AGENCY INITIATIVES

- a. Cotton Belt Activity Overview
- b. Southbound A-train Extension Planning
- c. Northbound A-train Extension Planning
- d. Existing Operating Agreement Overview
- e. Establishment of a local government corporation (LGC)
- f. Operating Cost Model Development
- g. Local assistance for member jurisdictions
- h. Mobility as a Service (MaaS) RFP
- i. North Texas Xpress & Alliance Link
- j. Frisco AV Pilot Program
- k. Elderly & Disabled Service Options
- l. Service Changes
- m. Positive Train Control Activity
- n. Transit Oriented Development (TOD) Program Planning

3) EXECUTIVE SESSION

As Authorized by Texas Government Code Section 551.072 Deliberation regarding Real Property: Discuss acquisition, sale or lease of real property related to long-range service plan within the cities of Denton, Lewisville, Highland Village, or the A-train corridor.

4) RECONVENE OPEN SESSION

Reconvene and Take Necessary Action on Items Discussed during Executive Session.

5) UPCOMING PROGRAM SERVICES COMMITTEE MEETINGS

March 19, 2019

6) FUTURE AGENDA ITEMS

7) ADJOURN

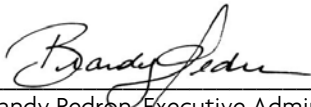
Chair – Dave Kovatch

Members – Mark Miller, Don Hartman, Carter Wilson, Skip Kalb

Staff Liaison – Kristina Holcomb, Deputy CEO

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

This notice was posted on 1/11/2019 at 9:55 AM.

A handwritten signature in black ink, appearing to read "Brandy Pedron", is positioned above a horizontal line.

Brandy Pedron, Executive Administrator | Open Records



# PROGRAM SERVICES UPDATE

## JANUARY 15, 2019

# COTTON BELT ACTIVITY OVERVIEW



# Cotton Belt Corridor

## Current Status:

- Design-Build Contract Awarded to Archer Werner Herzog at DART Board Meeting. NTP, January 2019.
- \$782 million
- Contract Timeline 1/2019 – 12/2022



# A-train Extension: Preliminary Planning

- February 2018 DCTA issued a task order to Lockwood Andrews and Newman (LAN) to explore corridor expansion, north to TWU and south to the Cotton Belt.



# SOUTHBOUND A-TRAIN EXTENSION PLANNING



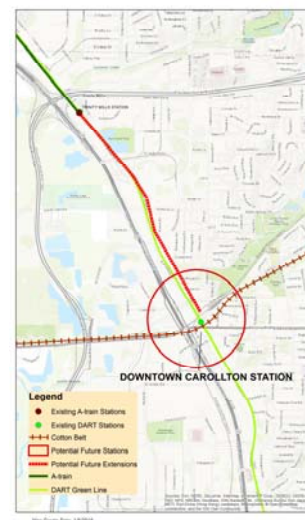
## A-train Extension Preliminary Planning: *Southbound*

### **Recent Activities:**

- Reviewed DART's Draft Environmental Impact Statement (DEIS) and recommended a station location.

### **Current Status:**

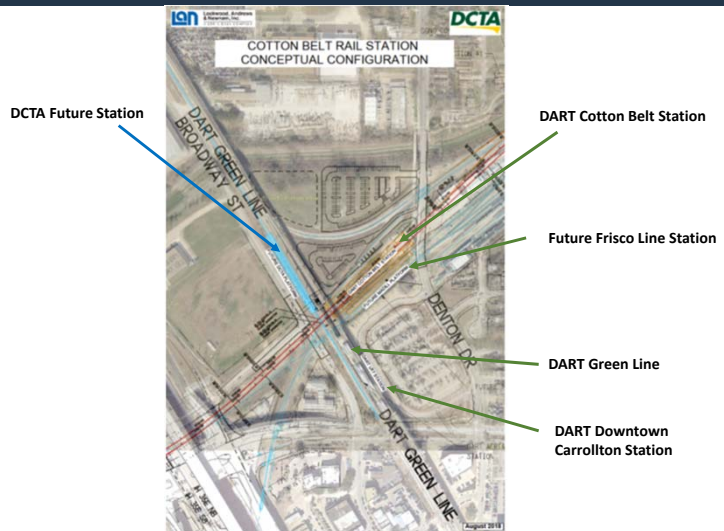
- DART agreed to coordinate with DCTA as the design progresses.



## A-train Extension Preliminary Planning: *Southbound*

### Upcoming Activities:

- DCTA and LAN will conduct a Fatal Flaw Analysis including:
  - A rough order of magnitude (ROM) estimate
  - Development of a preliminary station concept



## NORTHBOUND A-TRAIN EXTENSION PLANNING



# BACKGROUND AND BENEFITS OF ESTABLISHING A LOCAL GOVERNMENT CORPORATION



## Background of existing operating agreement

- Transportation management contract with First Transit (TMDC)
  - \$271k for FY2019: General Manager & Assistant General Manager for bus operations
  - TMDC is subsidiary of First Transit (separate EIN from FT and DCTA)
  - All other TMDC employees and expenses flow through DCTA
    - Employee payroll and benefits
    - All insurance
    - All AP invoices
    - All procurements

## Background of existing operating agreement

- Identified deficiencies:
  - Lack of management oversight
    - Limited standard processes
    - Limited accountability
  - Inaccurate operating information
    - Delays for month-end close and contract service billings
    - Impact on NTD reporting
  - Substandard labor utilization
    - Maintenance
    - Potential safety hazards
    - Budgetary impacts

## Benefits of establishing a local government corporation

- Same employee benefits as existing TMDC benefits
- Localized control over the strategy, operation and performance of staff
  - Implementation of standard operating procedures
  - Greater control over quality of data
  - Ability to performance manage
- Ability to ensure accuracy and consistency of pertinent agency messaging
  - “DCTA Family” culture
  - Increased oversight support; improved morale; reduction in employee turnover

## Benefits of establishing a local government corporation

- Decreased costs; increased service quality
  - Savings of \$1.25 million over next 5 years (reorg & overtime reduction)
  - Addition of Service Planner and Recruiter

Current Structure		Proposed LGC/DCTA Structure		5-Year Savings
18.5 FTE	\$1,322,952	18.0 FTE	\$1,148,402	\$870,000
Reduction in overtime				\$385,000
Total 5-Year Savings				\$1,255,000

## OPERATING COST MODEL DEVELOPMENT

# Operating Cost Model Development

## Schedule:

Schedule by Task by Month		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Task 1	Data Collection and Staff Interviews					◆				
Task 2	Best Practices and Proposed Framework						◆			
Task 3	Cost Model Development							◆		
Task 4	Cost Model Documentation and Training								◆	◆



= Deliverable

## Deliverables:

Report	Due Date
Technical Memo 1 – DCTA Organization, Operations, and Financial Procedures	Mar. 4, 2019
Technical Memo 2 – Recommended Practices and Proposed Cost Model Framework	Apr. 16, 2019
DCTA Cost Model (Excel template)	May 13, 2019
Cost Model Documentation and Training	
- Guidebook	Jun. 10, 2019
- Technical report	Jun. 10, 2019
- Single-day training session	Early July 2019

## UPDATE REGARDING LOCAL ASSISTANCE FOR MEMBER JURISDICTIONS

## Update regarding local assistance for member jurisdictions

### DCTA DRAFT Project Plan

Task	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Develop Project Plan						
Gather & Review Initial Information						
Stakeholder interviews						
Consolidate Stakeholder input and report to Management						
Conduct follow-up interviews (if necessary)						
Review Capacity, Stakeholder Input and Develop Initial List of Options						
Integrate Assistance Program Options into Financial Plan w/scenario modeling						
Develop and Deliver Final Report and/or Presentation						

DCTA • Program Services Update • January 15, 2019

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## CURRENT PROGRAMS' STATUS UPDATE



## Current Programs' Status Update

- Mobility-as-a-Service (MaaS) Request for Proposal
  - RFP issued week of January 14, 2019
  - Pre-Proposal Conference scheduled January 23, 2019
- Frisco AV Pilot Program
  - Drive.ai 2-month extension to March 31
  - Continued discussions with TMA on funding and next steps
- Alliance Link Phase 2.0
  - Partnership between DCTA & Trinity Metro
  - Lyft Contract
  - Continue existing program parameters

December 3, 2018

Michael Morris  
Director of Transportation  
North Central Texas Council of Governments  
616 Six Flags Drive  
Arlington, TX 76011

Dear Mr. Morris,

The Alliance Link regional initiative seeks to improve access to jobs by providing enhanced connectivity between Alliance- a growing employment center with increasing labor needs- and potential employee pools in Fort Worth, Denton, and surrounding areas. The project aims to solve the first/last mile challenge and provide seamless access to major employers. Trinity Metro and partners are requesting the NCTCOG allocate \$250,000 per year for two years to fund Phase 2 of Alliance Link, detailed below.

Alliance, Texas Growth and Mobility Challenges

Trinity Metro is working with public and private partners, including DCTA and Hillwood, to identify and implement a sustainable, long-term solution to the first/last mile challenge faced by Alliance employees and employers. Fast-growing Alliance, Texas is home to more than 50,000 employees, encompasses 65 square miles, and sits in both Denton and Tarrant Counties. It is expected to reach 100,000 employees in the next decade.

Due to the location and lack of affordable housing in the Alliance area, there is a disconnect in employee retention and recruitment efforts. Businesses must recruit from Fort Worth, Denton, and other areas to find low-wage shift workers to fill the available manufacturing, industrial, and logistics positions. Transportation is a critical component to retaining workers and providing access to quality jobs. Though employers may be able to recruit successfully in theory, unless the prospective employees have reliable transportation alternatives, the jobs will remain unfilled or see high rates of attrition. To help remedy this challenge, Trinity Metro and DCTA partner to provide the North Texas Xpress, a commuter spine service that runs along the 35W corridor connecting Fort Worth to Denton, with key stops in Alliance. The bus stops are located a half mile or more from many of the large manufacturing and distribution facilities, and the existing infrastructure does not support safe pedestrian/bike accessibility in that first/last mile of the commute.



#### Alliance Link Mobility Solution

The Alliance Link Shuttle, a public-private partnership funded by Toyota, was developed to address the first/last mile challenge in the Alliance area. The service, however, is coming to an end after the successful 9-month pilot is complete in January 2019. Developing the next phase of Alliance Link is critical to ensuring continued connectivity between the businesses and the North Texas Xpress service. The existing service, an estimated \$600,000 per year operation, is an on-demand, curb-to-curb mobile application. Phase 2 will continue to leverage the mobility-as-a-service (MaaS) model, providing on-demand transportation through a mobile application. Considerations include implementing Lyft or another transportation network company (TNC) as a turnkey, rideshare solution or deploying a cutaway (or similar vehicle) equipped with a MaaS platform and operated by Trinity Metro or DCTA. This type of service is estimated at \$250,000 per year for a 2-year, sustainable program, for a total of \$500,000.

#### Regional Applicability

In addition, this effort will help support Access North Texas by improving access to work and supporting Regional Strategy 7. Mobility 2045 goals would also be met by expanding mobility options, leveraging technology-based solutions and shared mobility, and enhancing the regional network.

We look forward to developing regional solutions with our partners to solve acute and long-term mobility challenges in North Texas and thank the NCTCOG's continued commitment to leveraging existing resources to assist in these efforts.

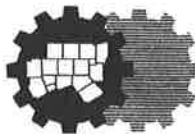
Kind Regards,



Paul J Ballard  
President/Chief Executive Officer

Cc: Shannon Stevenson, Program Manager, Transit Operations  
Russell Laughlin, Executive Vice President, Hillwood  
Raymond Suarez, President/CEO, Denton County Transit Authority





North Central Texas Council Of Governments

December 13, 2018

Mr. Paul Ballard  
President/CEO  
Trinity Metro  
801 Cherry Street, Suite 850  
Fort Worth, TX 76102

Dear Mr. Ballard:

RE: Alliance Link Funding Request

The North Central Texas Council of Governments (NCTCOG) received your letter dated December 3, 2018, requesting \$500,000 to continue enhanced connectivity between Alliance and potential employee pools in Fort Worth, Denton, and surrounding areas. NCTCOG is recommending that the Regional Transportation Council (RTC) fund this important first/last mile connection for \$250,000 per year for two years.

The Alliance area continues to grow at an accelerated rate, and transportation will be a critical component for lasting success. We are encouraged that Trinity Metro plans to coordinate this service with the Denton County Transportation Authority (DCTA). Trinity Metro and DCTA should work towards integrating the Alliance Link into the High-Intensity Bus project or guaranteed transit taking shape along the I-35 W corridor.

While we understand emerging issues sometimes prevent projects from following traditional planning protocols, we ask that Trinity Metro exercise due diligence to notify NCTCOG as far in advance as possible of funding needs to ensure appropriate resources can be identified to meet all regional needs. Thank you in advance for your cooperation and attention to this matter. Should you have any questions, please do not hesitate to contact me at (817) 695-9241 or Shannon Stevenson at (817) 608-2304.

Sincerely,

Michael Morris, P.E.

Director of Transportation

SS:al

cc: Raymond Suarez, President/CEO, DCTA  
Lori McMahon, Government Affairs, Toyota Motor North America  
Russell Laughlin, Executive Vice President, Hillwood  
Detra Whitmore, PMP, Vice President of Administration, Trinity Metro  
Christie Gotti, Senior Program Manager, NCTCOG  
Shannon Stevenson, Program Manager, NCTCOG

# ALLIANCE LINK FUNDING FOR TRINITY METRO

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**REGIONAL TRANSPORTATION COUNCIL**

**January 10, 2019**

SHANNON STEVENSON  
PROGRAM MANAGER

☒ TRANSIT ASSET MANAGEMENT PERFORMANCE MEASURE ADDRESSED

# Background

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- April 2018:** Toyota Motor North America (TMNA) funded the Alliance Link to increase public transit ridership and transportation access in the Alliance Area
- Summer 2018:** TMNA continued coordination with Hillwood Properties, Trinity Metro, DCTA, MV Transportation, and Spare
- December 2018:** Trinity Metro reached out to NCTCOG seeking support for the continuation of this critical first/last mile service

# Alliance Link Request

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- How Much:** \$250,000 per Year for Two Years for a Total of \$500,000
- What:** Leverage Mobility-as-a-Service (MaaS) Model, Providing Mobility On-Demand Transportation through a Transportation Network Company
- When:** February 1, 2019 – January 31, 2021
- Future Plans:** Incorporate into High-Intensity Bus Project, or Guaranteed Transit, along I-35 W Corridor

# Action Requested

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## RTC Approval:

To utilize up to \$500,000 in existing Regional Toll Revenue funds previously approved for transit to continue enhanced connectivity between the Fort Worth Alliance area and potential employee pools in Fort Worth, Denton, and surrounding areas; and

To revise administrative documents as appropriate to incorporate this project.

# For More Information

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**Shannon Stevenson**  
Program Manager  
Transit Operations  
[sstevenson@nctcog.org](mailto:sstevenson@nctcog.org)  
817-608-2304



# ELDERLY & DISABLED SERVICE OPTIONS

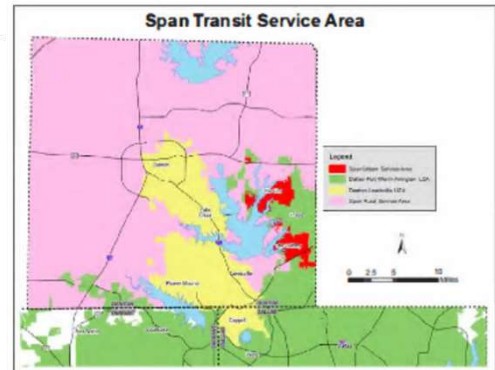


## Elderly & Disabled Service Options (Lewisville/Flower Mound)

- Access to Flower Mound medical facilities for Lewisville E&D residents
- Service Options
  - DCTA provided demand response service
  - Contract with SPAN to provide trips
  - Taxi Voucher Program
  - Lyft Subsidy Program
- Recommendation: Lyft Subsidy Program

## Elderly & Disabled Service Options (SPAN)

- Background
- One-time Stop Gap Funding Request for Urban Areas
- RTC Approved \$160K for SPAN for the continuation of critical services for seniors and persons with disabilities.
- RTC Policy Directive: *"This is a one-time transitional commitment. SPAN and DCTA should review the best way to deliver this service."*



# EMERGENCY FUNDING FOR SPAN, INC.

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**REGIONAL TRANSPORTATION COUNCIL**

**January 10, 2019**

MICHAEL MORRIS, P.E.  
DIRECTOR OF TRANSPORTATION

☒ TRANSIT ASSET MANAGEMENT PERFORMANCE MEASURE ADDRESSED

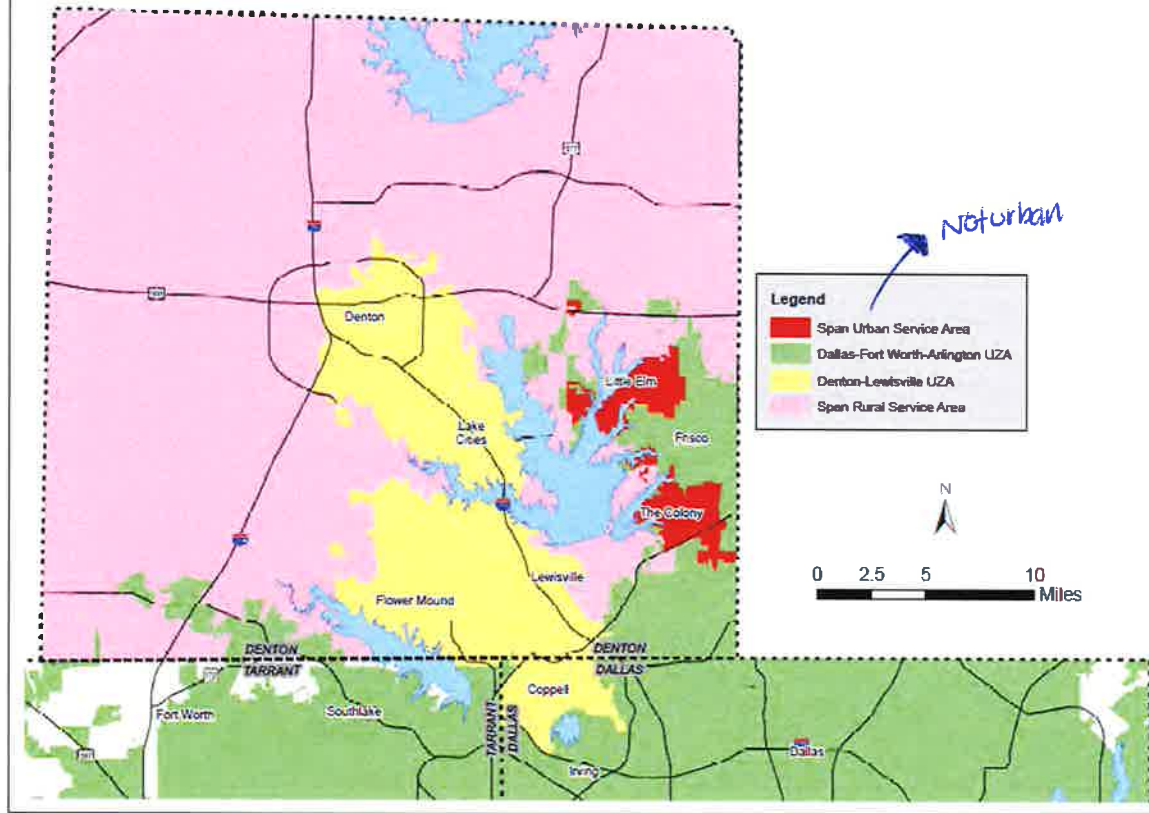
# Background

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- Summer 2018:** NCTCOG, TxDOT, and Span, Inc. worked together to correct Span's invoicing practices, which were found to be inconsistent with urban/rural funding allocations and service areas
- September 2018:** Span began invoicing NCTCOG and TxDOT based on actual service provided in urban/rural areas, which created a shortfall of urban funding
- December 2018:** Span requested additional urban funding from NCTCOG, which will be a one-time stop gap to continue full operations while Span adjusts service this year

TxDOT: Texas Department of Transportation

## Span Transit Service Area



Map Suggestions

UZA DFW

UZA DL

Rural

Stripes for service  
in a UZA

# Emergency Funding Request

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<b>How Much:</b>	\$160,000
<b>What:</b>	One-time stop gap funding
<b>When:</b>	Remainder of Fiscal Year 2019
<b>Future Plans:</b>	Span is working on adjusting its service to reflect urban/rural funding allocations and also securing additional local revenue.
<b>RTC Policy Directives:</b>	This is a one-time transitional commitment. Span and Denton County Transportation Authority should review the best way to deliver this service.

# Action Requested

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## RTC Approval:

To utilize up to \$160,000 in existing revenue previously approved for transit and allocate it for Span, Inc. to continue providing critical services for seniors and persons with disabilities;

To transmit RTC Policy Directives on one-time funding and transit institutional review; and,

To revise administrative documents as appropriate to incorporate this project.

# For More Information

---

**Shannon Stevenson**  
Program Manager  
Transit Operations  
[sstevenson@nctcog.org](mailto:sstevenson@nctcog.org)  
817-608-2304

# SERVICE CHANGES



## Service Changes

- January 2019
  - Lewisville Lakeway Zone
  - Denton Connect Route 7
  - UNT Saturday Service: Mean Green Night Rider/Discovery Park
- May 2019
  - Modify A-train Schedule
  - Denton & Lewisville Connect Route Schedules
  - North Texas Xpress
- August 2019
  - Denton & Lewisville Connect Services
  - On-Demand Zones
  - Mobility as a Service (MaaS)

# POSITIVE TRAIN CONTROL ACTIVITY



## Positive Train Control Activity

- Entered Revenue Service Demonstration (RSD)
- Filed Alternative Schedule Waiver
  - Pending Approval from Federal Railroad Administration
  - Extend deadline to December 2020
- Required for Certification
  - Completion of 383 consecutive runs without issue
  - RSD Schedule
  - PTC System Safety Plan