



MEETING: PERFORMANCE MONITORING/AUDIT COMMITTEE

DATE: WEDNESDAY, MAY 12, 2021

TIME: 1:30 PM – 3:00 PM

LOCATION: VIA WEBEX

MINUTES

1. CALL TO ORDER

Chair Sloat called the Performance Monitoring/Audit Committee meeting to order at 1:30 pm EDT.

2. ROLL CALL

COMMITTEE MEMBERS PRESENT

Julie Sloat, Chair

Julie Colley

Kumi Walker

3. APPROVAL OF PERFORMANCE MONITORING/AUDIT COMMITTEE MINUTES

Trustee Walker moved to approve the March 24, 2021 Meeting Minutes; Trustee Colley seconded. Motion carried.

4. UNAUDITED FINANCIALS

Angel Mumma, COTA Chief Financial Officer, provided the financial update through April 2021 which included the following details:

RIDERSHIP HIGHLIGHTS

Year-to-Date ridership through April 2021 was 2,646,774 boardings, a 45.4% decrease from 2020. A new section of this report shows budgeted versus actual levels of ridership through the month of April for the years 2017 through 2021. Overall, there was a 5.3% increase in ridership, which is expected to increase as more businesses return employees to the workplace.

FINANCIAL HIGHLIGHTS

COTA remains in a strong financial position with working capital of \$270.7 million as of April 31, 2021. Working capital is defined as current assets minus current liabilities. Resolution No. 2010-67 provides that COTA will maintain an operating reserve in an



amount not less than three months operating expenses. Using working capital as the basis for the operating reserve, COTA currently has over 20 months of expenditures available, current board policy states we have 3 months available. The increase in working capital is attributable to the CARES Act funding received in both 2020 and 2021 in response to the COVID- 19 pandemic.

The cash position of COTA reflects the amount of money the Authority has either invested or has in various bank accounts, regardless of outstanding liabilities. COTA's cash balance as of April 31, 2021 was \$204.2 million, which is about a 1% decrease from budget. The breakdown of how the cash balance is invested is represented in the Investment Summary.

Both amounts represent important financial performance indicators that are monitored on a regular basis.

SALES TAX

COTA's largest source of revenue, the .5% sales tax, reflected a very slight increase of nearly \$40,000 or .1% over 2020 receipts through April. However, as compared to budget, sales tax receipts represented a 1.2% or \$556,353 million decrease.

TRUSTEE WALKER: Angel, if we could go back to ridership, I am trying to understand what's driving the delta in ridership, what types of rides. Is it longer commutes that are driving it or fewer longer commutes? Or is it fewer folks using COTA? Can we interpret that as people working from home? How should we think about what's driving the delta in ridership?

ANGEL MUMMA: The comparison between 2020 and 2021 shows that ridership is down across the board, and because it is across the board, I really think it's due to people working from home. Likewise, Ohio State students have not fully returned, so ridership levels among those students has decreased from pre-pandemic levels. In fact, this year Ohio State was initially only collecting fees from students registered for on campus learning. We have extended that rate to include remote learning students, but ridership numbers have not shown much of a change.

TRUSTEE WALKER: Thank you.

OPERATING REVENUE

Through April 2021, operating revenue totaled \$99.7 million. This amount represents a \$46.3 million or 86.7% increase over 2020 revenue and a \$48.2 million or 93.6% increase over the 2021 budget. This better than expected revenue performance through April is a result of the additional \$51,621,741 in FFY 2021 CARES Act funding allocated to COTA, which will go into the operating fund.

OPERATING EXPENSES

Operating expenses through April 2021 totaled \$52.9 million. The amount represents a 3.2% or \$1.7 million increase over 2020. However, the more important measurement is how our April YTD spending relates the overall budget. Expenditures through April represent 30.8% of the annual appropriation approved by the Board of Trustees despite the fact that nearly 34% of the year has lapsed.

NET OPERATING POSITION

As a result of operating revenues exceeding operating expenditures, COTA's net operating position reflected an increase of \$46.8 million through April.

The last page of this report outlines the operating fund. It has been adjusted to provide some more valuable information. It shows year-to-date through April actual versus budget, the total 2021 budget, and revenue and expenses for 2020, 2021, and includes 2019 to provide a pre-pandemic perspective. New to this report is an investment summary, so this committee is aware of where COTA's funds are invested. As of the end of April, we have transferred about \$90 million to Meeder for investment. The ultimate goal is \$150 million that is being invested on COTA's behalf. Information detailing what has been purchased with that \$90 million is included behind the summary.

5. NEW BUSINESS

A. GENERAL OPERATING FUND BALANCE AND LIQUIDITY POLICY PRESENTATION – ANGEL MUMMA, CHIEF FINANCIAL OFFICER

Approval of the resolution for the new Operating Fund Balance and Liquidity Policy was requested through the Strategic and Operational Planning Committee, the group tasked with the strategic direction for the Authority. Angel Mumma, Chief Financial Officer, provided an update to the Performance Monitoring/Audit Committee.

Over the past year, we have seen conditions change dramatically in a short amount of time. The ability to continue providing services to the community is largely because of the reserves that COTA has accumulated over time. So, this was an ideal time to look at the General Operating Fund Balance and Liquidity Policy and recalibrate it. This policy is trying to address two concepts. The first is what COTA should have liquid and available at any time. The second is what COTA should have set aside for emergency purposes.

The current policy, which was approved by the Board in 2010, requires COTA to have three months of working capital (operating fund balance). The new policy recommends doubling operating fund balance to six months, discontinuing use of the term "working capital", as it is not appropriate for government accounting, and instead using "operating fund Balance". This recommendation is based on what rating agencies recommend, COTA's dependency on one main source of revenue, that being the sales

tax, and finally, a liquidity analysis conducted where we looked back two years on every single transaction that happened in and out of our bank account, then stress tested it to come up with the amount that should be available at any given point in time. It tied into 90 days and 180 days, so the policy is built around that.

The Strategic and Operational Planning Committee has agreed to put the resolution approving this policy on the regular agenda at the May 2021 Board of Trustees meeting.

TRUSTEE WALKER: Does it make more sense for COTA to maintain 225 days just to get in range of a Triple-A rating should there be a need for debt financing?

ANGEL MUMMA: My initial thought, too, was, let's aim for the top, but there's a couple of components. First, the reserve policy is only one component of how we are rated. Even if we hit the Triple-A in this category, that doesn't mean our overall rating would be a Triple-A. Second, I also think it's important to take into consideration our own operations.

As it stands, from the current policy, approved by the Board in 2010, COTA would have sufficient reserves until 2027 then that level would dip below the 3 months. There would still be a positive balance, but it would be below that 3-month reserve. In the new policy, I am proposing to shave off about two years. Which means COTA would have reserves until 2025, but if all of our expenses and the revenues occurred as this slide shows, we would have to carve out \$8.7 million of operating budget just so we didn't touch that 6-month reserve. Then if you add three more months on top of that, that's more of the operating budget that would have to be cut. I believe one of our financial advisors from PFM is on the phone and she deals with the rating day in and day out. Bethany, are you on the phone? Is there anything you would like to add?

BETHANY PUGH: Yes, I am here. Good afternoon everyone. I think you said it well, Angel, as it relates to the credit strategy and when the Authority gets to a point we are looking at potentially entering the market and developing a credit liquidity, it's one piece of much bigger puzzle. Angel makes a very good point. Ratings, like anything is a policy call, you have to balance what your target rating is relative to your strategic and operational objectives and considerations. I think we struck that right balance and put the Authority in a good position once we get to the stage of developing a credit liquidity.

ANGEL MUMMA: Another thing I would add, as part of the policy, is that we are trying to standardize our policies, so each policy that I bring forward will also include language that says we will review this periodically with a minimum amount of time. I believe we would review this policy in 5 years, but that's not to say we couldn't come forward if circumstances warrant it, or if the board ever wants to discuss.

CHAIR SLOAT: Angel and Bethany, I think what you are talking about makes complete sense, and it allows us to move along the trajectory that we think we need to move along or are in a position to, but to have a liquidity cushion so large it may not move the needle as it relates to your rating anyway, and then therefore you are limiting your ability to manage the business. You are spot on. There are qualitative and quantitative attributes, and it's a balancing act, and it can get expensive if you want to go down a specific path that you may not need. I appreciate it very much.

ANGEL MUMMA: That's all I have on that topic.

B. INVESTMENT POLICY UPDATES

Approval of the resolution for changes to the COTA Investment Policy was requested through the Strategic and Operational Planning Committee, the group tasked with the strategic direction for the Authority. The last investment policy update was in 2011. Angel Mumma, Chief Financial Officer, provided an update to highlight any notable changes recommended for this policy.

Most of the changes recommended were to put the COTA Investment Policy in a consistent format with the General Operating Fund Balance and Liquidity Policy brought forward. More importantly the largest most notable change is that the original policy stated that COTA can invest in instruments permitted by section 135.14 of ORC and moved forward detailing those items that we can invest in it. However, ORC changes periodically. Therefore, we recommended removal of the instrument detail to be replaced with "*instruments provided by section 135.14 as amended*". Changes to this policy were made with advice from COTA's investment advisors.

The Strategic and Operational Planning Committee also agreed to move forward with approval of this resolution at the May 2021 Board meeting.

6. RESOLUTIONS FOR REVIEW AND DISCUSSION

- A. RESOLUTION 2021-XX - AUTHORIZATION TO ADOPT A TAX BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2022 AND TO SUBMIT THE 2022 TAX BUDGET TO THE FRANKLIN COUNTY AUDITOR
- B. RESOLUTION 2021-XX - AUTHORIZING A CONTRACT WITH GENFARE FOR THE RENEWAL OF SAAS SERVICES FOR GENFARE LINK MODULES FOR 2021-2022
- C. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH ORIGAMI RISK LLC FOR A SOFTWARE SUBSCRIPTION FOR A RISK MANAGEMENT INFORMATION SYSTEM

TRUSTEE COLLEY: Angel, could I ask a question? Does this software have is the ability flag staff, when there have been a certain number of similar accidents, so they know something needs to be reviewed for potential improvement?

ANGEL MUMMA: I will defer to Kristina Wendell to answer that question.

KRISTINA WENDELL: Thank you, Trustee Colley for your question. Yes, we will be able to analyze the data, including accidents, so that we can be more proactive with training and/or other strategies to make sure we are eliminating those risks.

TRUSTEE COLLEY: Thank you.

- D. RESOLUTION 2021-XX - AUTHORIZING ADDITIONAL EXPENDITURES FOR THE CONTRACT WITH VERNOVIS, LTD. FOR CYBERSECURITY ENGINEER CONSULTING SERVICES
- E. RESOLUTION 2021-XX - AUTHORIZING ADDITIONAL EXPENDITURES FOR THE CONTRACT WITH REVEL IT FOR TEMPORARY INNOVATION PERSONNEL SERVICES
- F. RESOLUTION 2021-XX - AUTHORIZING ADDITIONAL EXPENDITURES FOR THE CONTRACT WITH LEVEL D&I FOR TEMPORARY INNOVATION PERSONNEL SERVICES
- G. RESOLUTION 2021-XX AUTHORIZING ADDITIONAL EXPENDITURES FOR COMPREHENSIVE MARKET RESEARCH, MARKETING AND ADVERTISING SERVICES
- H. RESOLUTION 2021-XX – AUTHORIZING A CAPITAL LEASE AGREEMENT WITH ENTERPRISE FLEET MANAGEMENT, INC. FOR NON-REVENUE VEHICLES
- I. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH WRIGHT EXPRESS FUEL CARD SYSTEM (WEX) FOR THE PURCHASE OF UNLEADED GASOLINE
- J. RESOLUTION 2021-XX – AUTHORIZING THE SALE OF TRILLIUM PARK DEVELOPMENT LOT-3 TO GOC REALCO LLC C/O GILLIGAN COMPANY, LLC
- K. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH AMERICAN MECHANICAL GROUP, INC. FOR MECHANICAL CONTRACTOR SERVICES FOR COTA FACILITIES
- L. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH DLZ OHIO, INC. FOR ARCHITECTURAL TRANSIT PLANNING AND ENGINEERING SERVICES
- M. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH HDR ENGINEERING, INC. FOR ARCHITECTURAL TRANSIT PLANNING AND ENGINEERING SERVICES

- N. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH TRANSYSTEMS CORPORATION OF OHIO FOR ARCHITECTURAL TRANSIT PLANNING AND ENGINEERING SERVICES
- O. RESOLUTION 2021-XX – AUTHORIZING ADDITIONAL EXPENDITURES FOR THE CONTRACT WITH MOODY NOLAN, INC. FOR ON-CALL ARCHITECTURAL-ENGINEERING SERVICES
- P. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH GILLIG LLC FOR THE PURCHASE OF MISCELLANEOUS PARTS FOR TRANSIT VEHICLES
- Q. RESOLUTION 2021-XX – AUTHORIZING A CONTRACT WITH THE AFTERMARKET PARTS COMPANY LLC FOR THE PURCHASE OF MISCELLANEOUS PARTS FOR TRANSIT VEHICLES

7. QUESTIONS/DISCUSSION

TRUSTEE WALKER: I have a separate question. Regarding resolutions on all expenditures \$100,000 and above. Angel, I know I've mentioned this before. When was that set, and how does it change depending on the financial position of COTA?

ANGEL MUMMA: Kristina, please correct me if I'm wrong. That amount is set by Ohio Revised Code. Am I correct in that, Kristina?

KRISTINA WENDELL: That is correct, Section 306.43.

TRUSTEE WALKER: Who can influence that code? Is that something we can influence or not? The only reason I ask, and I am happy to explain, if others don't think it makes sense, most of the things that you discussed, Angel, are within budget. Is anything on the agenda that's outside of budget?

ANGEL MUMMA: No.

TRUSTEE WALKER: This is true for most of the items on the agenda. Most of them are \$150,000 to \$200,000 expenses. If the spending authority was raised to \$200,000, how many items would you need to get approved? Half? A third?

ANGEL MUMMA: I would go conservative and say a third. There are a lot of resolutions between \$100,000 and \$200,000.

TRUSTEE WALKER: Okay. Julie, do you have thoughts on that? This list of resolutions can get quite long, and it's a lot of work to prepare each of these. Again, all of this is within budget. It just feels like if there's anything we could do to raise the amount it would be helpful for the operations of the organization.

CHAIR SLOAT: Completely understand that, improve the efficiency. I'm living with this in a parallel universe. I understand all too well. Yeah, I don't know. Is there a likelihood we could get that revised? Anyone know?

KRISTINA WENDALL: Chair Sloat, I'm not sure if Patrick Harris is on the call, that is something we can relay to him and have him look at whether there is an avenue to amend and revise that. The history of it, I'm not exactly sure where that was set. I think it has been increased over time, but I don't know the full background of it.

CHAIR SLOAT: Completely understand. Maybe we could have a side bar conversation at some point about that. If nothing else, we will get smarter and maybe a little more efficient and that will take a lot of pressure off the team. Appreciate that very much.

ANGEL MUMMA: I want to make sure I highlight to the new members of the committee, that if there is anything that is not within budget, I will make sure to highlight it. We try to do that in the staff report, but I will also make sure to highlight it as part of my verbal report.

CHAIR SLOAT: Excellent. Thank you.

8. ADJOURNMENT

Chair Sloat adjourned the meeting at 2:22 PM. Trustee Walker moved and Trustee Colley seconded the motion.

Adopted: ¹⁹
July 13, 2021

Signed: 
Chair, Performance Monitoring/Audit Committee

Attest: 
President/CEO

Performance Monitoring/Audit Committee Members

Julie Sloat, Chair
Julie Colley
Kumi Walker