



**FINANCE/AUDIT COMMITTEE MEETING
WEDNESDAY, OCTOBER 26, 2016
7:30 A.M.**

MINUTES

1. CALL TO ORDER

Chair Craig Treneff called the meeting to order at 7:30 a.m. Jean Carter Ryan was also in attendance. Committee members Philip Honsey and Letty Schamp were absent.

2. APPROVAL OF OCTOBER 26, 2016 AGENDA

The agenda was not approved due to a lack of a quorum.

3. APPROVAL OF JULY 27, 2016 MINUTES

The minutes were not approved due to a lack of a quorum.

4. CASH PORTFOLIO REVIEW

Jeffrey Vosler reviewed COTA's Portfolio of Invested Funds.

5. ENERGY PRICE RISK MANAGEMENT PROGRAM

Vosler reported that the energy price risk management program netted an overall cost of \$962,000 through the third quarter of 2016.

As of September 30, 2016, COTA's diesel fuel hedge positions resulted in payments of \$1,377,350. Budget performance year-to-date was \$1,121,716 or 23% under budget. The average net price paid year-to-date was \$2.11 per gallon compared to a budget of \$2.40 per gallon. Without the hedge position, COTA would have paid \$1.34 per gallon. With the assistance of an advisor, COTA has established diesel futures hedge positions by year.

As of the second quarter of 2016, alternative natural gas supplier costs were well below the local utility, saving \$257,000 or 40% year-to-date.

Electricity savings have resulted in a savings of \$157,000 or 20% year-to-date. COTA has contracted with Direct Energy, fixing the price per KWH for nearly all of COTA's expected usage.

DBE UPDATE

At the end of the third quarter of the year, COTA has achieved 21.7% DBE participation, still exceeding the proposed 2016 DBE goal of 10.7%. The McKinley Avenue renovation project is still going through the closing process and has maintained a 6.6% DBE participation goal through the third quarter.

The McKinley renovation project is projected to finish at an overall DBE participation of 18%. Two new federally funded projects (right-of-way site work for the Cleveland Avenue Bus Rapid Transit (BRT) and construction of the Northland Transit Center) began in the third quarter which should raise our DBE participation for federally funded projects by the end of the year.

DBE companies working on non-federal contracts achieved 27% DBE participation against a goal of 10.6%. This included JRED Services for COTA's bus shelter cleaning and trash collection, Dynamix Engineering and Resource International performing architectural/engineering and testing services, and Proteam Solutions for our temporary personnel services. Capital Transportation, a DBE company serving as a subcontractor to First Transit, also added to the overall strength of our DBE participation numbers.

6. FTA FINANCIAL MANAGEMENT OVERSIGHT REVIEW

Vosler announced that the Federal Transit Administration (FTA) has completed their Financial Management Oversight Review and has issued a draft report. No material weaknesses, which are the most severe, were found during the review.

A significant deficiency is less severe than a material weakness and COTA was found to have two significant deficiencies. The FTA reported that COTA is using the incorrect depreciation period for medium duty buses. The depreciation period for medium duty buses per federal guidelines is seven years or 200,000 miles. COTA is currently using a four-year or 100,000-mile depreciation period. The other significant deficiency FTA reported is that COTA has fare box equipment in excess of the amount needed based on the fleet size. In addition, COTA is improperly depreciating the excess fare boxes.

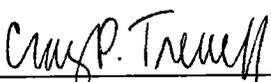
Vosler reported on the three, third level advisory comments: key positions to have desk manuals on how to document and perform each job in the Finance area; backup in IT moving detailed documentation; and excessive overtime in Vehicle Maintenance.

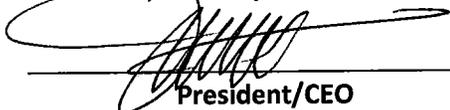
COTA must respond to each significant deficiency within 30 days of receipt of the draft report. Vosler said Trustees will receive updates on this report going forward.

7. ADJOURNMENT

The meeting adjourned at 7:59 a.m.

Adopted: January 25, 2017

Signed: 
Chair, Finance/Audit Committee

Attest: 
President/CEO