

**MINUTES OF THE
JACKSONVILLE TRANSPORTATION AUTHORITY
RETREAT SERIES: SESSION I
AUGUST 12, 2020**

The JTA Board of Directors held a Retreat Series: Finance on August 12, 2020. Board of Directors and Staff attended virtually. The Retreat Series included updates by the Board Committee(s).

BOARD ATTENDEES: Kevin Holzendorf, Arezou Jolly, Debbie Buckland, Ray Driver, Nicole Padgett and Larry Parks, FDOT.

JTA STAFF ATTENDEES: Nathaniel P. Ford Sr., Cleveland Ferguson III, Bonnie Todd, Bernard Schmidt, Greg Hayes, Greer Gillis, Andy Rodgers, Kelli O'Leary, Katie Smith, Michael Corbitt, Khisha Dukes and Monique Thompson.

OTHER ATTENDEES: Richard Milian, General Counsel, Richard Pengelly, Dave Reeser

WELCOME: Chairman Holzendorf called the Retreat Series: Finance to order at 3:02 p.m. and welcomed the Board Members, JTA staff and guests.

Chairman Holzendorf stated instead of conducting a two day retreat where staff present presentations over 12-16 hours he thought it would be best in a health emergency for the Board, public and staff to invite maximum participation through the use of technology. It also breaks up the subjects and makes them more digestible for the Board Members.

PUBLIC COMMENT: Chairman Holzendorf asked for public comments. There were no public comments.

CEO REMARKS: Mr. Ford stated that the session will focus on finance. It will give the Board a chance to do a deep dive into the financial issues plus other issues that will be presented over a series of meetings. A chance to get a free flowing of ideas on each of the topics. It will also give staff a chance to work through the Board's policy statements that we need to focus on in the proposed work plan in Fiscal Year 2021, which will be presented to the Board at the September Board Meeting.

Mr. Ford stated the last few weeks have been monumental for the JTA. On July 24, 2020, we received an award for \$5.2 million from United States Department of Transportation (USDOT) for the passenger Ferry Grant Program to modernize the existing Ferry. This is a total of \$22 million that JTA has received in this discretionary competitive grant program since we took over the Ferry in 2016. Mr. Ford stated we will continue to look at how we can get enough funding to add another Ferry. On August 6, 2020, USDOT and Federal Transit Administration (FTA) announced \$14.4 million CARES Act Award to the JTA. This completes all the funding the JTA is scheduled to receive by formula. On August 7, 2020, the FTA announced the award of \$11.9 million to JTA for buses and buses facilities program. This award furthers JTA's initiative of improving safety, reliability, sustainability of infrastructure for customers and employees. While the news articles focus on the eight diesel buses that will be replaced with Compressed Natural Gas (CNG) which is clearly better for the environment. The eight buses will take up a portion of the \$11.9 million, but

what is most exciting is that this will allow us to handle with very pressing state of good repair needs as it relates to the Authority's assets. This will replace the mobile columns for lifting the buses for repairs, replacement of 21 manual bay doors to install electric doors, and replacement of the obsolete bus wash facility. It also includes upgrades to the waste and oil plumbing system, replacement of exhaust fans, generators, air conditioning and other maintenance and facility needs.

Chairman Holzendorf thanked Mr. Ford and the staff for keeping the Board updated. It is a commitment to ensure transportation is at the forefront in the community.

Chairman Holzendorf congratulated Ivan Rodriguez on work to get the awards. Director Jolly also congratulate Ivan for his work on getting the Federal awards. Mr. Ford acknowledged Richard Clark's contributions as well.

FINANCE AND ADMINISTRATION COMMITTEE

a. Environmental, Social and Governance (ESG) Investment Approach: Mr. Hayes stated that Richard Pengelly and Dave Reeser of PFM Asset Management, LLC will discuss what ESG investment is. Mr. Pengelly introduced David Reeser who spoke about ESG. Mr. Reeser gave a detailed overview and showed a presentation on ESG investing. He also showed how ESG investing could be integrated with JTA's Investment Portfolio. Mr. Reeser stated ESG is a premium service and would be an extra fee to provide service to clients. Mr. Hayes stated ESG is a limiting strategy where JTA takes their current portfolio of potential investments that qualify under its investment policy. An ESG framework is applied and then eliminates the investment that do not qualify under whatever the ESG criteria is. Mr. Hayes stated the purpose of the presentation to the Board was to familiarize the Board with ESG and allow the Board to consider for future action whether or not this was something that could be added to the investment portfolio.

Chairman Holzendorf thanked Mr. Pengelly and Mr. Reeser. He stated for many years the Board has been talking about it and considering this option. Currently, with the situation that is going on it is a great opportunity to have the discussion from a Board Policy stand and to have the information needed to make a key decision. Chairman Holzendorf stated he liked how it was presented in regards to going all in and who is doing the best they can in their industry. He also asked when would be the perfect timing to move forward. Mr. Ford stated he thinks it would be up to the Board's Finance Committee for them to receive the information, consider it and bring back to the Board of Directors. Director Buckland stated she has questions but would that it is fascinating to consider. She acknowledged that the Finance Committee would review the information. Director Buckland stated she was curious about the Social and Governance component. She stated it was easy to default to the Environmental risk but would want to consider all three when making a decision and recommendations. Mr. Reeser stated they recommend incorporating a more comprehensive assessment as part of any ESG approach because it will capture any ESG that is Governance related as well as Social driven. The Social category has had significant focus over the last several months due to COVID-19 and Social Unrest. There will be a great spotlight on that category going forward. Director Buckland asked to be provided information on where the JTA would fall within its peer agencies.

b. FY20 Financial Update: Mr. Hayes provided the Board with update for Fiscal Year 2020 Forecast. He provided the details of the Optimistic, Median and Pessimistic revenues for Fiscal

Year 2020. Mr. Hayes stated the revenue numbers are between \$5 and \$8 million better than what he showed the Board a few months ago. There was a tremendous amount of uncertainty and no one knew what the impact would be. He stated Northeast Florida has fared better in terms of tax revenue than the rest of the state and certainly the rest of the country. JTA has benefited from that in terms of revenue we have received for the last couple of months. Mr. Hayes stated June and July tax revenues were below budget but better than the Optimistic forecast. The full projected year shortfall is expected to be just over \$10m and approximately \$13m below budget. Through July we were approximately \$9m below budget. The biggest hits were sales tax, gas tax and passenger fares. All three have been negatively impacted by the pandemic. Particularly, during the month of April when the economy was essentially closed. Mr. Hayes stated we are constantly updating based on actual results. He stated year-to-date, expenses are under budget by \$5.3m if you exclude the COVID-19 related expenses.

Mr. Hayes stated the net result deficit is between \$4m and just under \$7m for the full year. Based on the revenue numbers, we are better than projected. It excludes funding from the CARES Act and COVID-19 related expenses. Director Buckland asked Mr. Hayes if he had the details of the three sources of funding. He stated it all drives from the revenue side. Sales taxes is the largest driver in terms of dollars followed by Local Option Gas Tax (LOGT) and then passenger fares.

Mr. Hayes provided details of the CARES Act funds that were awarded to JTA. He stated the funding would help offset revenue losses for 2020 and 2021. Mr. Hayes stated JTA was the first agency in the nation to apply, execute and close out a CARES Act Grant. Mr. Ford thanked Jessica Shepler for her work to ensure staff stayed on top of the CARES Act. Chairman Holzendorf also thanked Ms. Shepler.

Mr. Hayes also provided the details of the discretionary grants JTA received. The Ferry Grant is a federal award of \$5.2m. Funding will cover cost of biennial haul out and additional funds available for infrastructure needs. The Bus and Bus Facilities Grant is a federal award of \$11.9 million. Funding will cover replacement buses and multiple capital and state of good repair needs.

Director Buckland thanked Mr. Ford and shared her appreciation of the work and that it is good to hear that we are doing better than we thought we were.

c. 2020 Bonds Update: Mr. Hayes provided the Board with the details of the 2020 Bonds Update, which includes Timeline, Professional Involved, Financing Team and Next Steps. A Request for Proposal (RFP) was issued on July 20, 2020 for an Underwriter. The Evaluation Committee met on August 12, 2020 and the decision will be finalized on August 19, 2020. Documentation review is in process. Mr. Hayes stated that in September staff will seek Board approval and adoption of the Resolution for Issuance of Bonds, Supplement to Trust Agreement, Preliminary Official Statement, Bond Purchase Agreement and Continuing Disclosure Agreement. This is to ensure that the JTA MobilityWorks Program can proceed. Mr. Hayes stated issuing Bonds requires a team of experts which includes Bond Counsel, Disclosure Counsel and Financial Advisor. Other professionals involved are the Underwriter, investment banking firm that will market, sale the bonds and ensure JTA receives the maximum proceeds possible. The Credit Rating Agencies help set the market. S&P and Fitch have been reviewing the initial Bond since offset. They have reaffirmed our ratings a number of times. In recent weeks they have met with JTA but have not released their reports yet but the preliminary indication from both were very favorable. Mr. Hayes

stated through the Underwriting team, a marketing plan will be developed and implemented that achieves maximum possible investor demand and optimal pricing. He stated approximately \$40 million because the final proceeds JTA receives depends on the underwriting and how well the Investment Bankers market the bonds.

d. **Available Funding Approaches for Financial Stability:** Mr. Hayes stated several working groups from the Mayor's office were put together to look at various areas of the economy and ways the Jacksonville economy could be stimulated through infrastructure projects once COVID-19 has subsided. Four different groups focusing on different areas such as healthcare, impact of reopening the economy, infrastructure, procurement, employment of local workers and revenue. Mr. Hayes was part of the Revenue Working Group. The group looked at potential revenue sources available to fund any infrastructure project. Mr. Hayes showed the Jacksonville Civic Council Revenue side of the presentation. The presentation compared Jacksonville's revenue sources to other cities and counties in the State of Florida. Mr. Hayes explained that various categories were reviewed such as Property Taxes, Local Option Sales Taxes, Local Option Fuels Tax, Local Option Tourist and Resort Taxes, Permit, Fees and Special Assessments and Utilities Contributions. Several revenue options are available; however, extending the six-cent LOGT could provide a new six cents to the LOGT for surface transportation and related items which would benefit JTA. Both require approval, County-wide referendum or City Council Majority plus one. The twelve cents would make us competitive with most counties. The majority of the counties are at eleven or twelve cents. Mr. Hayes stated his role in the Revenue Group was to provide information. He stated he was a resource from a JTA standpoint.

Director Buckland asked what the City Council response was. Mr. Hayes stated City Council asked how the LOGT was generated from out of county residence, how much is generated by Council district and questions about the LOGT in general. He stated after doing research, speaking with a number of different people, State Department of Revenue and locally the answers to the questions were not available. It would require station by station and zip code reporting. A portion or percent of the gas tax would be generated by people passing through. Director Buckland stated she is glad the leadership in the City is having this discussion in a public forum. It shows how taxes they pay and don't pay relate to the services they do not get. She stated as a Board it would be important as we move through the ESG. Director Buckland thanked Mr. Hayes for the presentation.

ROUNDTABLE: Chairman Holzendorf asked how do we make sure other agency's, that are not as fortunate as the JTA is at receiving federal funds have an understanding that these type of funds and their positive economic impact on the community. Mr. Ford stated we have to deal with that internally. He stated a great deal of education is given when the JTA receive grants and what they are related to. The press releases related to the Ferry, CARES Act and Bus and Bus Facilities, provide the details for what that spending is going to. David Cawton goes to the application and makes it appropriate for the media and the common person that will see the press release. Mr. Ford stated there is a difference between Capital and Operating dollars on what it can be spent for. It is also shared internally. He stated with the exception of the CARE Act, most if not all of the grants are slated toward capital projects, especially the discretionary grants. The same for the BUILD Grant that was received for U²C, it was explained how the grant would be used. Chairman Holzendorf stated this was not being done nationally. He stated during his communications with APTA he learned that virtual groundbreaking and virtual ribbon cuttings were not happening elsewhere. Mr. Ford stated it is something we started a few years ago with the First Coast Flyer. He stated it is

important to be transparent showing the public we are committed to completing the projects. Mr. Ford stated our External Affairs and Marketing Staff are having to come up with more and more creative ways to tell show that JTA delivers. Even in this virtual world it resonates in Washington, D.C because they are on some of these ribbon cuttings and ground breaking. And even if it does not have a federal dollar they see that JTA is moving forward, particularly during this pandemic. Mr. Ford stated the concern with the CARES Act particularly with transit, the money was going to come to transit agencies, maintain jobs, keep operations up and running and agencies were going to hoard the money worried about the far future. We are worried about the far future as well but we are using it to balance this year's and next year budget. Mr. Ford stated we have some certainty going into Fiscal Year 2021.

ACTION ITEMS/NEXT STEPS: Mr. Ferguson stated the Supervisor of Election brought to the JTA that he was going to have an Early Voting location at the Prime Osborne Center adjacent to the JRTC and is interested in sponsoring a free ride to anyone that has an "I Voted" sticker. The customer getting to the actual location would mean they would be paying for the ride. It raised the question we had last year, whether we would be open to providing free rides for voting on Election Day.

Chairman Holzendorf stated it would be a great idea especially during this time. It would give the community an opportunity to do their civic duty as an American to vote. With the current economic situation, it's a good way to say that we are an agency for the community and anytime that we can do something for our citizens who support us it is a good option. Director Buckland agreed.

Mr. Ferguson confirmed the actions items and next steps. He stated the ESG Policy Review is being referred to the Finance and Administration Committee. The committee will focus on the 18 percent of the portfolio with high ESG risk. The Committee will conduct a comprehensive assessment on the whole portfolio and take a look as the Social and Corporate Governance elements of ESG. The committee will review and assess how the Authority compares to its transit peers. A report will be given to the full Board with an update and recommendations.

ANNOUNCEMENTS: Chairman Holzendorf stated the next Retreat Series will be held on August 21, 2020 at 12:00 p.m. The Board Meeting will be held on August 27, 2020 at 2:00 p.m.

There being no more discussion, the Retreat Session adjourned at 4:35pm.

SEAL



Kevin J. Holzendorf, Chairman



Debbie Buckland, Secretary