

**MINUTES OF THE  
JACKSONVILLE TRANSPORTATION AUTHORITY  
BOARD WORK SESSION  
APRIL 29, 2021**

The JTA Board of Directors held a Work Session on April 29, 2021 at the Jacksonville Regional Transportation Center, 100 LaVilla Center Drive, Jacksonville, FL. There was a virtual option for staff and the public to join the meeting.

**BOARD ATTENDEES:** Arezou Jolly, Ray Driver, Nicole Padgett, Kevin Holzendorf and Abel Harding. Directors Debbie Buckland and Larry Parks attended virtually via WebEx.

**JTA STAFF ATTENDEES:** Nathaniel P. Ford Sr, Cleveland Ferguson III, Bonnie Todd, Bernard Schmidt, Greg Hayes, Greer Gillis, and Katie Smith.

**OTHER ATTENDEES:** Council Member JuCoby Pittman, Richard Milian, General Counsel, Richard Pengelly, PFM, and Berman Hopkins team: Brian Nemeroff, Laura Anne Pray, and Nick Davey.

I. **WELCOME:** Chairman Jolly called the work session to order at 12:09 p.m. and welcomed Board Members, JTA Staff and guests.

II. **PUBLIC COMMENT:** There were no public comments.

III. **SAFETY, AUDIT AND COMPLIANCE COMMITTEE**

a. Annual External Audit: Mr. Hayes introduced the Berman Hopkins Team who provided the Board with a copy of the annual audit report. The team shared an in-depth detail on the process and findings for the annual audit.

Berman Hopkins explained some of the terminology in the report, specifically related to where it says unmodified opinion, which means no findings in financial or compliance aspects. It was pointed out that there was a summary sheet at the front of the report that provides highlights that the team will expand on.

There was discussion on expenditures for Federal awards, as well as State awards and the process for reconciliation, as well as debt service. It was noted that there are multiple reporting requirements so there are additional reports that are included in the information provided.

Berman Hopkins stated that there are required communications and as the Board is not involved in day-to-day functions of the audit, there is an external party reporting to the Board to provide key aspects and accounting policies. They were happy to report there were no disagreement with management or difficulties encountered during the audit.

Discussion continued related to JTA's pension liability, other post-employment liability and useful life of fixed assets. Details were provided on GASB (government accounting standards), which is used by all governmental entities. The JTA follows these standards that requires two different basis of presentation.

Berman Hopkins shared that the Authority complied in all material respects, and again there were no findings. In simple terms, the JTA accounting team did a fabulous job trying to meet the due date for the city. The JTA is seen as a component unit of the city because of custodial asset transfers. Staff has been provided some recommendations that will assist in meeting the City's requested due date.

The Board discussed and asked for clarification on the fixed assets schedule related to disposal and/or the sale of the assets, as well as the MobilityWorks program related to checks and balances. Berman Hopkins provided more detail and added that they found no exceptions.

Director Holzendorf acknowledged the work that goes in to these audits and thanked Berman Hopkins and JTA staff. He then asked for more detail on pension liability and the market as it relates to taking holidays when the market is good. Mr. Hayes responded that the Authority makes regular contributions and has no intent in taking any type of holiday. The JTA is funding the pension at 90 percent of the total liability to ensure the level of funding continues.

Director Holzendorf then asked if there were any audits being conducted on the security side for technology or doing any testing. Mr. Ferguson responded that staff does audit technology and security and those results will be provided to the Board at the quarterly safety, audit and compliance meeting.

Director Holzendorf thanked Mr. Hayes and stated that in closing he wanted to acknowledge that have been no findings in the external audit for five years in a row, which is wonderful. Especially since we have a more complex financial statement than most with the two different types of accruals.

Director Buckland asked for confirmation that the JTA will be able to provide the audit report to the City in February as requested. Mr. Hayes responded that he spoke with the City's Chief Financial Officer and he stated that February is not necessary but would like it in March. Mr. Hayes added that the JTA can meet that timeline.

Director Buckland then asked if staff has been able to meet with the City to answer the questions that were asked by Council Member Cumber related to our accounting. Mr. Hayes replied that he had met with the Council Audit staff and help them understand the Authority's capital budget process and why we budgeted at \$29 million versus the full project costs of \$44 million. The key point shared was that it was based on our best knowledge at the time as we didn't have the project fully scoped out. After discussion, the only numbers that we are still trying to clarify with the Council Auditor are the private dollars, which will be discussed in the coming days.

Director Buckland thanked Mr. Hayes and the finance team and congratulated them on a great job.

Chair Jolly thanked the Berman Hopkins team and the Finance team for the great work.

Chair Jolly then turned the floor over to Director Driver for the Finance and Administration Committee items.

#### **IV. FINANCE AND ADMINISTRATION COMMITTEE**

a. Quarterly Investment Update: Director Driver asked Mr. Hayes to take the Board through the Quarterly Investment Update.

Mr. Hayes stated that the Investment Report for the quarter ending March 31, 2021 was included in the Board Package that was provided in advance of today's meetings. He advised he wanted to take some time to highlight a couple of points regarding JTA's investments for the newer board members. JTA has both an Investment policy, and Reserve policy, which have been approved by the JTA board and updated accordingly over the last several years.

Mr. Hayes explained that the Investment policy defines the goals and allowable investments. So for JTA, the primary goal is the safety of principle to be sure to protect the funds that we have and that is done through diversification. The second goal is liquidity so the Authority can match its investment durations to its cash flow needs and this has been particularly important for the JTA MobilityWorks program. The purpose here is to make sure that the funding is available at the right time and is invested at the longest term possible to make the best return. The third goal is return on

investment and that is done through active management with an investment advisor. You will hear from Mr. Pengelly who is with PFM, JTA's investment advisors shortly.

Mr. Hayes shared that as we go through the quarterly investment report there is information that details the JTA's cash and reserve position for all of the investments. There are the core investments and the JTAMobilityWorks investments. The core investments are broken down as operating cash, restricted cash, financial reserves and the capital projects fund. Then there is the breakdown between the financial reserves and the Capital Projects Fund, which is detailed in the Board reserve policy.

The Board Reserve policy establishes a financial reserve, which is outlined in the policy and those are dollars that cannot be utilized without specific approval from the Board. The financial reserves are broken down into five specific areas: transit operations, highway, engineering, legal and right-of-way.

In the report you will also see the investment return for the core portfolio and for the quarter. We earned the annual equivalent of one basis point, which is obviously very low, but it is better than the benchmark which was a negative six basis points. Mr. Hayes also explained that the MobilityWorks portfolio was built from the two bond issuances, the \$100 million bond issue in 2015 and then another \$40 million in 2020.

Mr. Hayes then turned the floor over to Mr. Pengelly who provided an overview of the assets that PFM is overseeing and managing. They align with what Mr. Hayes outlined.

Mr. Pengelly explained that JTA's return is going to vary from quarter to quarter based on the general movements of interest rates. The portfolio is constantly being review and rebalanced to keep it in line with its benchmark. The other two types of funds, project fund proceeds and the debt service reserve funds.

Mr. Pengelly provided the Board with a look at the debt service reserve funds and valuation requirements that are based on bond documents, as well as an overview of the assets that are being managed. He stated for the Board's knowledge, PFM recently completed an annual review of JTA's Investment policy. The policy is checked against state statutes various different policy frameworks as well as the current market to make sure that there are no major changes necessary.

Mr. Pengelly provided a cash flow analysis and what is driving the market and ultimately returns in the portfolio. He explained the impacts inflation can have, as well as the effect e-commerce and supply chains can have on the economy and investments.

Mr. Pengelly reported to the Board that all of the Authority's portfolio assets are in compliance the JTA Investment policy. He then concluded with summaries of the portfolio and that they tend to be driven by either the cash flow characteristics or the valuation requirements associated with the reserves.

The Board had discussion about the bond fund and fixed assets, as well as the process for the bonds to mature.

Mr. Pengelly pointed out the Board that while it's evaluating the performances each quarter that there are legal implications that relate to the investments. There are state statutes that have been incorporated into JTA's investment policy. Incorporated into the Authority's Investment policy is that JTA as a governmental agency must prioritize protection of principle over return of investment, and that applies to all government agencies.

Chair Jolly thanked Mr. Hayes and Mr. Pengelly and stated that providing that perspective is helpful as you don't want to lose public principle so it is always going to have something a little short of what you might be used to.

**b.** Fiscal Year 2022 Budgets: Director Driver asked Mr. Hayes to continue on to the Fiscal Year (FY) budgets.

Mr. Hayes stated that before he shares the FY22 budgets he wanted to provide the Board with details on the JTA Reserves now that there has been an overview of the investment report that shows a total of \$77 million in cash and investments and another \$75 million in JTAMobilityWorks. He informed the Board that the purpose of this discussion, he will just call it reserves. It is really cash investments and reserves, but last year of course JTA received CARES Act funding. The Authority had a revenue shortfall about \$11.5 million that CARES Act funds went to offset and then this Board approved in the FY21 budget another \$16.5 million of CARES Act proceeds to supplement the budget. He reported that the JTA budget is stronger than expected and there are still funds available from the CARES Act for other purposes.

Mr. Hayes than walked the Board through the reserve policy and provided a snapshot of the Authority's reserves.

He added that with all of the different types of funding provided due to the pandemic the JTA is in a strong position and that a portion of the funding can be dedicated to strategic priorities for FY22.

Mr. Hayes then detailed the process that staff follows each year to prepare the annual budget for Board approval at their May Board meeting. Today an overview of the FY22 budget will be

provided and then through the month of May meetings will be set for each Board member individually to have in-depth discussions on the proposed budgets.

Mr. Hayes explained that staff developed a strategy for this year's budget, based on internal discussions and knowing that the Authority is going to receive some additional funding and it falls into three categories. First, establish a baseline budget that is flat as compared to the FY21 budget. Last year's budget, as I mentioned, was supplemented by CARES Act funding so that comes out now, but we still wanted to hold expenses flat year over year, and then, because we knew we'd be receiving additional funds through CRRSAA.

Mr. Ford and the leadership team determined that it would make sense to dedicate a portion of this funding to what we are calling strategic priorities. These are capital and operating items that will position JTA in the best possible way to come out of COVID and prepare for the future. Staff has developed a draft list of projects and initiatives, which is still being reviewed to ensure that there is internal consensus.

Mr. Hayes went over the assumptions on the revenue side and how the revenue budget is built. Staff looks at fares, sales tax revenue and the pending legislation related to the Local Option Gas Tax. There is also the grant funding options that need to be considered.

He then went to the expense side of the budget and explained that that was outlined are the high level expense assumption. Salaries in the budget or based on current contractual rates and headcount. Fuel costs continue to decrease. The fuel hedging that the Board approved several ago has had tremendous benefits to the JTA, as had the transition of some of our fleet to Compressed Natural Gas.

Mr. Hayes provided a comparison of the FY21 budget to the FY22 budget and shared the differences and the need for those changes. He explained it is very challenging to hold expenses the same level year over year.

The Board discussed how the materials and supply need increased and how that influenced the budget. Especially considering the need and the cost for the cleaning supplies and the cleaning hazards.

Mr. Hayes provided a snapshot of the expense distribution specifically related to labor costs, as that is the Authority's highest expense.

He stated that was the operating budget and will now share the capital budget. The JTA has an extensive evaluation process for scoring capital projects. This allows us to rank the projects based on all the criteria listed on this slide. We tried to make it a very objective process by having a scoring



matrix for each of the different components. Staff focuses on the priorities of safety risk and state of good repair to ensure compliance with the transit Asset management plan.

Mr. Hayes stated that an important point he wanted to share is that there is often a timing mismatch in when we get capital revenues when we get the funding. Staff will budget for projects but the totals could change in the next budget as many times the discretionary grant will not be awarded until after the budget is completed. Staff is also cautious on project totals matching the funding or the project scope. Again, this is why the number for a project can change year over year as the project proceeds. In summary, spending can occur over a period of years - it is not necessarily the same year that we received funding, just to put a finer point on it. He provided details of the funding sources on our FY22 preliminary capital budget. As mentioned earlier, the additional funds for the strategic projects will be layered in as they are received.

Mr. Ford shared that his direction to staff was to come back a "0" budget. To consider all of the challenges, uncertainty, ridership, things of that nature, and so the tall task was to basically continue what the Authority is doing, move forward, but not to look at any increases year over year from this past fiscal year to now. With that being said, the task was accomplished and also recognize the fact that the last phase of the bus rapid transit line will be added in FY22, which will need funding. The JTA is in a unique position as come out of this pandemic.

Chair Jolly stated that she wanted to share with the Board what she discussed with Mr. Ford. She shared that she liked the way the budget was approached. Also, the way the reserves are broken into categories to identify funds for specific projects. It outlines that although it appears we have excess funds, they are all spoken for.

Director Holzendorf inquired about the discussion among the Board several years ago related to State of Good Repair and establishing a plan to keep the Authority on track. The past year was a struggle but want to be sure that this plan is still in our steps forward and how the Board can help facilitate that end goal.

Mr. Hayes responded that this goal was first establish in 2018 in the transit management plan. Although the Authority does not break in down exactly like the Federal Transit Agency, the JTA is in a good position as it meets its goal each year. Staff has mapped out the financial needs for the next 30 years and the number one priority is State of Good Repair and that all assets are maintained.

Director Buckland asked about the \$1.8 million dollars for transit oriented development. Mr. Ferguson shared that there are two specific items around that. The first is the grant to study the area

around the First Coast Flyer Green line and the second is the study for station area planning around commuter rail.

Chair Jolly thanked Mr. Hayes for all of his work on the presentations provided today to ensure the Board is updated and aware matters within the Authority.


Director Driver advised that was all of the items under the Finance and Administration Committee.

I. **ROUNDTABLE:** Chair Jolly asked there were any items under roundtable.

Mr. Ford advised the Board that there were no further matters to discuss.

There being no more discussion, the Work Session adjourned at 1:44 p.m.

SEAL

  
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G. Ray Driver, Secretary  
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Ari Jolly, Chair