

SORTA FINANCE COMMITTEE MEETING

TUESDAY, MARCH 13TH, 2018 - 8:00 A.M.
SORTA/METRO BOARD ROOM
602 MAIN STREET, SUITE 1200
CINCINNATI, OHIO

General Items:

Call to order

Pledge of Allegiance

1. Approval of Finance Committee Minutes: February 13th, 2018

Briefing Items

2. Internal Audit: Investments and Pledged Collateral (**Clark Schaefer, LLC**)
3. Financial Reports for February 2018 (**David A. Riposo**)... *To be presented at meeting*

Action Items:

4. Investment of Funds Report as of February 28th, 2018 (**David A. Riposo**)
5. Proposed Resolution: Approval of Excess Worker Compensation Insurance (**David A. Riposo**)
6. Proposed Resolution: Approval of the Preliminary 2019 Budget and City Funding Request (**David A. Riposo**)... *To be presented at meeting*

Other Items:

Adjournment

The next regular meeting of the Finance Committee has been scheduled for **April 10, 2018**
at 8:00 a.m., the SORTA/Metro Board Room,
602 Main Street, Suite 1200, Cincinnati, Ohio

FINANCE COMMITTEE
TUESDAY, FEBRUARY 13TH, 2018 – 8:00 A.M.
SORTA/METRO MT. ADAMS BOARD ROOM
602 MAIN STREET, SUITE 1200
CINCINNATI, OHIO

COMMITTEE/BOARD MEMBERS PRESENT: Heidi Black, Brendon Cull, and Kreg Keese

COMMITTEE MEMBERS ABSENT: None

STAFF MEMBERS PRESENT: Dwight Ferrell, Donna Adkins, Lisa Aulick, John Edmondson, Dave Etienne, Paul Grether, Darryl Haley, Adriene Hairston, Brandy Jones, Maria Jones, Mark McEwan, Ted Meyer, Julie Motsch, Jeff Mundstock, Cindy Resor, David Riposo, Shannel Satterfield, T.J Thorn, and Mike Weil

OTHERS PRESENT: Kim Schaefer (Vorys, Sater, Seymour & Pease, LLP), Troy Miller (ATU), Randy Tucker (Enquirer/Media), Seth Rensberger and Jenna Skop (Clark Schaefer Consulting, LLC)

1. **Call to Order**

Ms. Black called the meeting to order.

2. **Pledge of Allegiance**

The Pledge of Allegiance was recited.

3. **Approval of Minutes of January 9th**

Mr. Keese made a motion that the minutes of the January 9, 2018 meeting be approved as previously emailed and Ms. Black seconded the motion. By voice vote, the Committee approved the minutes.

4. **Internal Audit: Streetcar Administration**

Mr. Rensberger and Ms. Skop of Clark Schaefer Consulting presented the Streetcar Administration Internal Audit. They provided the Committee with a scope of the audit which was: validate that the grant reimbursement, provided by SORTA, was appropriately applied and reported; examine contract requirements to validate that formal operations and activities were established to ensure that related activities were in compliance with defined requirements within these documents; and determine if policies, procedures, practices, and related internal controls were adequate and that officers/employees are operating in accordance with established guidelines. The report provides the results of the audit, including observations and recommendations. The Committee accepted the report as presented.

5. **2017 Balance Sheet Review**

Mr. Riposo discussed the 2017 Balance Sheet Review with the Committee. The discussion included topics such as: inventory, local capital, reserve accounts, and cash. The Committee accepted the report as presented.

6. **Approval of Contributions to Contingency Reserve for 2017**

Mr. Riposo presented Contributions to Contingency Reserve for 2017. He recommended for current or future capital needs, the Committee approve a \$4.1 million contribution to the contingency reserve from prior years' operating surpluses, bringing the total to \$6.4 million. The Committee approved the request.

7. **Quarterly Fuel Hedging Report**

Mr. Riposo presented the quarterly fuel hedging report that indicates year-to-date a favorable variance of \$184,771. He also indicated that we are 70% hedged for the next 0-24 months. The Committee accepted the report as presented.

8. **Financial Report as of January 31st, 2018**

Mr. Riposo presented the January 2018 financial reports. Total revenues were \$ 8.7 million, which is favorable to budget by \$49,000. Total expenses were \$8.5 million, which is favorable to budget by \$225,000 or 2.6%. The end result was a net favorable variance of \$299,000 for the month. Fare revenue was flat to budget for the month. Mr. Riposo then reviewed the contributing factors to these variances. Staff introduced a revised version of the monthly financial report which provided detail on the expenses specifically related to Operations and Selling, General & Administrative expenses to help better manage the organization. This form will be utilized going forward.

He also presented the Cincinnati Bell Connector financial report for January 2018. Total revenues were \$297,577, which is unfavorable to budget by \$32,951 or 10%. Total expenses were \$334,337 which is unfavorable to budget by \$3,809 or 1%. The end result is a net unfavorable variance of \$36,760 for the month. Mr. Riposo then reviewed the contributing factors to these variances. The Committee accepted the report as presented.

9. **Investment of Funds as of January 31st, 2018**

Mr. Riposo presented the report noting the yield for January slightly increased to 1.478%. The Committee approved the report as presented.

10. **Proposed Resolution: Approval of Contract for Norton Billboard Advertising Renewal**

Mr. Etienne recommended approval of a five (5) year revenue agreement between SORTA and Norton Outdoor Advertising, Inc., at a total contract value of \$33,630 per year for the placement of advertising on billboards. The Committee agreed to recommend the resolution to the full Board, with the contingency that the agreement contain a cancellation clause. Subsequent to the meeting staff asked that the agreement allows for cancellation by either party with 60 days written notice.

11. **New Business**

The next regular meeting of the Finance Committee has been scheduled for March 13th at 8:00 A.M.

12. **Adjournment**

The meeting adjourned at 9:12 A.M.

March 2018

BRIEFING ITEM – INTERNAL AUDIT: INVESTMENTS AND PLEDGED COLLATERAL

STRATEGIC PLAN GOAL / OBJECTIVE

- Operational Excellence

RECOMMENDATION

This is a briefing item. No action is required at this time.

BUSINESS PURPOSE

- A review was conducted by Clark Schaefer Consulting, LLC of the investments and pledged collateral audit for the period of June 30, 2017 through January 31, 2018.
- The review for this audit included: review of the most recent audit report, which recommended that the Investment Policy be amended to specify that the Finance Committee of the Board of Trustees be responsible for reviewing the this policy on an annual basis; determine if policies, procedures, practices, and internal controls regarding investments are adequate and that officers/employees are operating in accordance with established guidelines; and ensure transactions are properly authorized, recorded, and end executed at current market prices in accordance with established guidelines.
- The attached report provides the results of the audit, including observations and no findings during this review.

SUBMITTED BY:



David A. Riposo
Senior Vice President, Finance/CFO

***SOUTHWEST OHIO REGIONAL
TRANSIT AUTHORITY***

(“SORTA”)

Investments and Pledged Collateral Audit

March 1, 2018



March 1, 2018

David Riposo, CFO
Southwest Ohio Regional Transit Authority
602 Main Street, Suite 1100
Cincinnati, OH 45202-2549

Dear David:

We appreciate the opportunity to assist Southern Ohio Regional Transit Authority (“SORTA”) with their audit of the investment portfolio. Your organization, including staff and management, was very hospitable throughout this engagement.

This report summarizes the services we performed as well as our observations and recommendations provided to assist you in your ongoing efforts to maintain and enhance a sound investment portfolio within your organization. If you have any questions concerning this report or the work performed, please do not hesitate to contact us.

Sincerely,



Seth Rensberger
Director

c.c.
Alan Solomon, Accounting Manager
Donna Adkins, Chief of Staff
Bob Roll, Clark Schaefer Consulting
Tom Armstrong, Clark Schaefer Consulting



SORTA has actively researched the appropriate ways to invest available funds in conservative and state-approved investments. The majority of these funds are held by 5/3rd Bank and TriState Capital of Pittsburgh, PA (a bank that focuses specifically upon the needs of medium-sized companies and regional institutions).

A review was conducted of the Investments and Pledged Collateral for the audit period 6/30/2017 through January 31, 2018 by Clark Schaefer Consulting, LLC. The focus was on SORTA's investment portfolio as of January 31, 2018.

This exam included a review of the following areas:

- Board approval of SORTA investment policy;
- Compliance with this investment policy and with State Regulations; and
- Validation of investment portfolio balances as reported in the general ledger.

For this review, the following procedures were performed:

- Reviewed the most recent audit report, which recommended that the Investment Policy be amended to specify that the Finance Committee of the Board of Trustees be responsible for reviewing the this policy on an annual basis.
- Determined if policies, procedures, practices, and internal controls regarding investments are adequate and that officers/employees are operating in accordance with established guidelines.
- Reviewed the Ohio Compliance Supplement pertaining to investments and deposits.
- Agreed all items on the investment schedule to the supporting documents.
- Agreed the investment schedule to general ledger balances.
- Ensured transactions are properly authorized, recorded, and end executed at current market prices in accordance with established guidelines.
- For investments that were purchased, verified investment cost, purchase and maturity dates, interest rates, and interest amounts for each of these investments to their supporting documents.
- Examined the nature of of heating oil contracts as denoted on the investment schedule to ensure that these investments were in compliance with SORTA policy, and that the balance carried in the general ledger reasonably reflected the activity that had occurred in these contracts.

Overall, it was noted that the organization has devoted resources to ensure accurate investment of available funds in safe, state-approved investments. No exceptions were noted during this review.

March 2018

BRIEFING ITEM – MONTHLY FINANCIAL REPORTS – AS OF FEBRUARY 28, 2018

STRATEGIC PLAN GOAL / OBJECTIVE

- Operational Excellence

RECOMMENDATION

This is a briefing item. No action is required at this time.

BUSINESS PURPOSE

- As part of the monthly closing of the general ledger, the Accounting Department prepares various financial reports.
- One of the key reports is the Statement of Revenues and Expenses, also known as an Income Statement.
- This report gives summary information about how actual SORTA revenues and expenses in the newly closed month (as well as calendar year-to-date) compare with budgeted and prior year values.
- A separate Executive Summary is also prepared to give narrative descriptions behind key favorable and unfavorable actual results compared with budget values.
- Attached are Monthly Financial Reports for SORTA and the Connector as of February 28th, 2018.

SUBMITTED BY:



David A. Riposo
CFO/Sr. Vice-President, Finance

March 2018

ACTION ITEM – INVESTMENT OF FUNDS REPORT – AS OF FEBRUARY 28, 2018

STRATEGIC PLAN GOAL / OBJECTIVE

- Operational Excellence

RECOMMENDATION

This item requires Finance Committee approval.

BUSINESS PURPOSE

- Ohio Revised Code Section 135.14 states, "Whenever, during a period of designation, the treasurer classifies public moneys as interim moneys, he shall notify the governing board of such action. Such notification shall be given within thirty days after such classification . . ."
- This report is prepared by the Accounting and Budget department at the end of each month.
- The report provides a summary of overnight and long-term investment balances, as well as interest rates, purchase dates and maturity dates.
- In addition, it provides a weighted interest rate yield by investment type.
- Attached is SORTA's Investment of Funds Report as of February 28th, 2018.

SUBMITTED BY:



David A. Riposo
CFO/Sr. Vice President, Finance



Investment of Funds Report
Feb-18

	Principal Amount	Maturity Date	Purchase Date	2/28/2018 Yield	Sec Days	Days to Maturity
<u>Overnight Investments</u>						
STAR Ohio	\$ 15,766,466.11			1.540%		
Fifth Third Bank Concentration Account	114,949.08			0.100%		
Subtotal Overnight Investments / Average Rate	\$ 15,881,415.19			1.530%		
<u>Securities & CD's</u>						
R.J. O'Brien (Hedging):						
U.S. Treasury Note	748,476.56	10/31/18	10/27/17	1.453%	369	245
Fifth Third Bank Custody Account:						
Commercial Paper	989,503.33	03/23/18	06/27/17	1.424%	269	23
Commercial Paper	989,616.67	03/23/18	06/28/17	1.414%	268	23
Commercial Paper	544,166.79	04/06/18	07/13/17	1.445%	267	37
Commercial Paper	988,941.11	04/30/18	08/04/17	1.496%	267	61
Commercial Paper	1,187,014.00	05/02/18	08/17/17	1.526%	258	63
Commercial Paper	988,652.50	05/02/18	08/17/17	1.547%	258	63
Commercial Paper	880,326.69	05/25/18	08/30/17	1.476%	268	86
Commercial Paper	990,041.67	05/31/18	10/04/17	1.515%	239	92
Commercial Paper	875,032.69	06/07/18	09/15/17	1.547%	265	99
Commercial Paper	875,080.63	06/11/18	09/15/17	1.517%	269	103
Commercial Paper	889,950.00	06/15/18	09/20/17	1.517%	268	107
Commercial Paper	791,133.33	06/15/18	09/22/17	1.516%	266	107
Commercial Paper	1,730,677.08	06/19/18	09/27/17	1.516%	265	111
Commercial Paper	642,373.33	07/02/18	10/11/17	1.618%	264	124
Commercial Paper	1,183,920.00	08/24/18	11/29/17	1.820%	268	177
TriState Capital:						
CD	2,000,000.00	03/01/18	08/31/17	1.450%	182	1
Subtotal Securities & CD's / Weighted Yield / Maturity	\$ 17,294,906.38			1.518%	259	84
Total All Securities (2/28/2018) / Weighted Yield / Maturity	\$ 33,176,321.57			1.523%		45
Total All Securities (1/31/2018) / Weighted Yield / Maturity	\$ 33,020,429.78			1.478%		60
Funds provided by (required for) Operations during February	\$ 265,301.60			0.045%		
Funds provided by (required for) Capital during February	\$ (109,409.81)					
Change in Cash during FEB 2018	\$ 155,891.79					
Total All Securities (2/28/2017)	\$ 29,865,881.28					

Reviewed and Approved by:

David A. Riposo
CFO and Sr VP, Finance

BOARD OF TRUSTEES
SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
RESOLUTION NO. 2018-xx

APPROVAL OF CONTRACT FOR EXCESS WORKERS COMPENSATION

WHEREAS:

1. SORTA is self-insured with respect to Workers' Compensation claims.
2. To protect against catastrophic losses, SORTA's purchases excess Workers' Compensation insurance. The current policy is with Assured Partners Inc. and expires on March 31, 2018.
3. Competitive bidding is not required because personal services are involved.
4. Staff recommends a one (1) year contract with Assured Partners on behalf of SORTA for excess worker compensation insurance for the period of April 1, 2018 through March 31, 2019, at a cost not to exceed \$106,500. Staff also recommends approving expenses for additional premium cost of \$18,500, bringing the total contract amount not to exceed \$125,000.

THEREFORE, BE IT RESOLVED:

5. The Board hereby approves a one (1) year contract agreement between Assured Partners and SORTA for excess worker compensation insurance and additional premium expenses for a total cost not to exceed \$125,000 and authorizes either the CEO/General Manager, EVP/COO, or the CFO/Secretary-Treasurer to execute the contract on behalf of SORTA.

March 2018

ACTION ITEM- APPROVAL OF CONTRACT FOR EXCESS WORKERS COMPENSATION

STRATEGIC PLAN GOAL / OBJECTIVE

- Operational Excellence

RECOMMENDATION

Approval of a resolution authorizing the CEO/General Manager or the CFO/Secretary-Treasurer to execute a one (1) year contract with Assured Partners on behalf of SORTA for excess worker compensation insurance for the period of April 1, 2018 through March 31, 2019, at a cost not to exceed \$106,500.

Additionally, authorize the payment of additional premium, as a result of anticipated audited wages, of \$18,500 for the policy period of April 1, 2017 through March 31, 2018, for a not to exceed total of \$103,550.

FINANCIAL CONSIDERATIONS

- The increase from the prior year policy cost, including anticipated audit, is approximately 2.8% driven solely by the change in reported wages. The cost per \$100 of reported wages remained flat in this renewal.
- This policy mitigates the risk to SORTA in the event of a catastrophic workers compensation claim
- The total not to exceed expenditure for this request is \$125,000 and will be funded with operating funds.

BUSINESS PURPOSE

- To provide SORTA with Workers' Compensation administration, consulting and representation services for all self-insured and state fund claims, with the purpose of fulfilling SORTA'S Workers' Compensation obligations at the least possible cost.

PROCUREMENT CONSIDERATIONS

- N/A

D/M/WBE CONSIDERATIONS

- N/A

LEGAL CONSIDERATIONS

- Section 306.43 of the Ohio Revised Code authorizes SORTA to contract for the provision of goods and services.

SUBMITTED BY:



David A. Riposo
Chief Financial Officer



Dwight A. Ferrell
CEO/General Manager

BOARD OF TRUSTEES
SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
RESOLUTION NO. 2018-xx

APPROVAL OF THE PRELIMINARY 2019 BUDGET AND FUNDING REQUEST

WHEREAS:

1. The Operating Agreement between SORTA and the City of Cincinnati provides that SORTA prepare a biennial funding request for City approval.
2. SORTA staff has now prepared a preliminary transit operating plan for 2019 which is now being submitted to the SORTA Board for approval. In accordance with the 2019 operating plan of \$100,044,405, SORTA staff recommends requesting funding from the City of Cincinnati Transit Fund \$52,100,000 for operating purposes and an additional \$2,000,000 from reserves in order to balance the 2019 budget.

THEREFORE, BE IT RESOLVED:

3. The Board hereby adopts the 2019 preliminary budget of \$100,044,405 and requests the City of Cincinnati provide funding for calendar year 2019 in accordance with SORTA's funding request.
4. The Chair or Vice Chair of the Board are hereby authorized and directed to transmit the funding request to the City of Cincinnati.

March 2018

**ACTION ITEM- APPROVAL OF THE PRELIMINARY 2019 BUDGET AND FUNDING REQUEST TO
BALANCE 2019 BUDGET**

STRATEGIC PLAN GOAL / OBJECTIVE

- Operational Excellence

RECOMMENDATION

Approval of the preliminary 2019 budget of \$100,044,405 and funding request to the City of Cincinnati of \$52,100,000 for operating purposes and an additional \$2,000,000 from reserves in order to balance the preliminary 2019 budget.

FINANCIAL CONSIDERATIONS

- In November 2017, by Resolution No. 2017-35 the SORTA Board approved the 2018 revised operating plan and a funding request in the amount of \$56,432,810.
- SORTA staff has now prepared a preliminary transit operating plan for 2019 of \$100,044,405. SORTA staff recommends requesting funding from the City of Cincinnati Transit Fund of \$52,100,000 for operating purposes and an additional \$2,000,000 from loss contingency reserves in order to balance the preliminary 2019 budget.

BUSINESS PURPOSE

- Approval of the 2019 operating plan allows staff to continue operations in 2019.

PROCUREMENT CONSIDERATIONS

- N/A

D/M/WBE CONSIDERATIONS

- N/A

LEGAL CONSIDERATIONS

- Section 306.35 of the Ohio Revised Code (ORC) states that that a regional transit authority may maintain funds that it considers necessary for the efficient performance of its duties.

SUBMITTED BY:



David A. Riposo
CFO/Sr. Vice-President, Finance



Dwight A. Ferrell
CEO/General Manager