

SORTA FINANCE COMMITTEE MEETING

TUESDAY, JANUARY 17TH, 2023 - 9:00 A.M.
SORTA/METRO AT HUNTINGTON CENTER,
6TH FLOOR SORTA BOARD ROOM,
525 VINE STREET
CINCINNATI, OHIO 45202

General Items:

Call to order
Pledge of Allegiance

1. Approval of Finance Committee Minutes: December 6th, 2022

Briefing Items

2. Quarterly Internal Audit Report (**Andy Aiello**)
3. Preliminary Financial Reports for December 31st, 2022 (**Larry Pinkelton**)

Action Items

4. Investment of Funds Report as of December 31st, 2022 (**Larry Pinkelton**)
5. Proposed Resolution: Approval of Ohio Transit Risk Pool Shock Loss Payment (**Larry Pinkelton**)

Other Items:

New Business

Adjournment

The next regular meeting of the Finance Committee has been scheduled for
February 14th, 2023. at 9:00 a.m.

FINANCE COMMITTEE
TUESDAY, DECEMBER 6th, 2022 – 9:00 A.M.
SORTA/METRO AT HUNTINGTON CENTER
6th FLOOR SORTA BOARD ROOM
525 VINE STREET
CINCINNATI, OHIO 45202

COMMITTEE MEMEBERS APPOINTED: *Rod Hinton (Chair), Heidi Black, Allen Freeman, and Sonja Taylor*

COMMITTEE/BOARD MEMBERS PRESENT: Heidi Black, Gwen Robinson, Sara Sheets, Blake Ethridge, Kreg Keesee, and Larry Thompson

COMMITTEE MEMBERS ABSENT: Alyson Beridon, Chelsea Clark, Trent Emeneker, Allen Freeman, Robert Harris, Rod Hinton, and Sonja Taylor

STAFF MEMBERS PRESENT: Steve Anderson, Donna Adkins, Andy Aiello, Chris Cole, John Edmondson, Pat Giblin, Adriene Hairston, Mary Huller, Brandy Jones, Maria Jones, Natalie Krusling, Pat LaFleur, Jeff Mundstock, Adam Przeklasa John Ravasio, Jason Roe, and Khaled Shammout

OTHERS PRESENT: Kim Schaefer (Legal Counsel-Vorys), Andrew Sizemore (Clark Schaffer)

1. **Call to Order**

Mr. Keesee called the meeting to order.

2. **Pledge of Allegiance**

The Pledge of Allegiance was recited.

3. **Approval of Minutes of November 8th, 2022**

Mr. Keesee moved, and Mr. Thompson seconded that the minutes of the November 8th, 2022, be approved. By voice vote the committee approved the minutes.

4. **Financial Report**

Financial Reports for November 30th, 2022, to be presented at the next board meeting.

5. **Internal Audit: Payroll Audit**

Mr. Sizemore presented their findings to the committee with an overall goal to identify vulnerabilities or weaknesses. He found 3 areas to address with a moderate rating in which SORTA will rectify no later than Q1 2023. The first area that requires remedy is that the supervisor signs off on timecards. 2. Operator pick selection approval; management should request signatures to verify the driver selections were made by the driver and approved by the union and management where applicable. 3. Operator time approval, managers should sign off on approvals.

6. **Investment of Funds Report as November 30th, 2022**

Mr. Pinkelton presented the report noting the yields of SORTA 1.95% for November compared to the prior month of 1.95% for the month of October.

Mr. Pinkelton presented the report noting yields for the Infrastructure Transit Fund of 2.09% for November compared to the prior month of 2.00% for the month of October.

The Committee approved the report as presented.

7. Proposed Resolution: Approval of 2023 Property & General Liability Insurance Coverages

Mr. Pinkleton proposed a one (1) year contract with the Ohio Transit Risk Pool (OTRP) at a cost not to exceed \$1,093,304.70 for its liability insurance program covering: General Liability, Automotive Liability, Public Officials Liability, Cyber Liability and Crime. In addition, SORTA staff recommends a one (1) year policy with Ohio Transit-Risk Pool (OTRP) at a cost not to exceed \$562,881 for property insurance.

The Committee agreed to recommend this resolution for approval to the full Board on the consent agenda.

8. Proposed Resolution: Approval of Contract for Excess Workers Compensation

Mr. Pinkleton recommends a one (1) year contract with Assured Partners on behalf of SORTA for excess workers compensation insurance for the period of January 1, 2023, through December 31, 2023, at the cost not to exceed \$113,760.

The Committee agreed to recommend this resolution for approval to the full Board on the consent agenda.

9. Proposed Resolution: Approval of the 2023 Budget

Mr. Pinkelton presented the 2023 budget to the committee. SORTA staff has prepared a transit operating and capital plan for 2023 of \$194,474,360 of which \$152,799,250 is for operating and \$41,675,111 is for capital. Hamilton County Sales Tax Funds are estimated to be \$117,000,000 based on 2022 UC Economic Center Sales Tax Projections. Approval of the 2023 Operating and Capital Plan allows staff to continue operations in 2023 at the recommended levels. Including the rollout of Phase II of the Reinventing Metro Plan.

The Committee agreed to recommend this resolution for approval to the full Board.

New Business

The next regular meeting of the Finance Committee has been scheduled for Tuesday, January 17th, 2023, at 9:00 A.M.

10. Adjournment

The meeting adjourned at 9:56 A.M.

SORTA Internal & External Audits

Tracking / Reporting of Audit Findings

Report for period ending: 12/31/2022

This summary is provided as an overview of outstanding items associated with both internal and external audit work performed from 2019 to present. The intent of this report is to provide Management and Board members with an executive level review of the key findings, audit recommendations, and a summary of Management's response to the findings.

Items Closed / Remediated Since Last Report

No.	Date	Team	Audit	Finding	Observation	Recommendation	Management Response	Owner	Status
1	Jun. 2019	Clark Schaefer	Attendance and Leave Policies	Vault Puller Attendance Policies	Vault pullers do not have an existing attendance policy.	Ensure all employees are subject to written attendance requirements. HR and Operations should jointly create policies for any group of employees not currently subject to them.	HR will partner with Operations to develop a Vault Puller Attendance Policy by 8/31/19.	Ariene Hairston	Vault puller Attendance Policy has been finalized and was implemented in Q4 2022.
2	Jan. 2022	Clark Schaefer	Paratransit (Access) Services	Claims Processing	No formal policy or procedural documentation exists to provide guidance on claims processing.	Management should create formal policy and procedural documents to outline the claims processing process.	Management agrees and will work on finalizing a formal internal procedure and policy document pertaining to the claims process in 2022.	Lisa Aulick	The SOP was finalized and implemented in 2022.

Open Items - Expected Remediation Date in Future or Extended for Business Purposes

No.	Date	Team	Audit	Finding	Observation	Recommendation	Management Response	Owner	Status
3	Apr. 2019	Clark Schaefer	Vendor Management	Documenting Monitoring Activities	There is no formalized documentation of monitoring activities performed by SORTA to ensure contract terms and responsibilities are being met by the vendor.	Inspections performed for monitoring activities should be tracked and documented to provide an audit trail for future use.	SORTA will develop a process to document all required contract deliverables to include changes to work scopes, quantity or quality of goods, or timeline within which deliverables are required.	Andrew Aiello	Recruiting Vendor Performance Manager Q1 2023.
4	Apr. 2019	Clark Schaefer	Vendor Management	Remediation Process for Non-Compliant Vendors	There is not a consistent process for addressing vendors not in compliance with the original contract terms. These issues are handled at the Project Manager level and then escalated to the procurement department if warranted.	Introduce procedures and policies surrounding the issues process. This would allow Project Managers to have direction in handling the various types of issues arising from a lack of compliance from vendors.	SORTA will develop a policy that requires project managers to escalate issues of noncompliance to the Procurement Department for formal procurement mitigation. These procedures will include formal notification to the vendor, instructions for actions required, and consequences for failure to cure.	Andrew Aiello	Recruiting Vendor Performance Manager Q1 2023.

No.	Date	Team	Audit	Finding	Observation	Recommendation	Management Response	Owner	Status
5	Sept. 2021	Clark Schaefer	Business Continuity & Disaster Recovery	Disaster Recovery Planning	A formal IT Disaster Recovery Plan has not been implemented.	Management should formalize their IT Disaster Recovery Planning as part of their overall contingency planning process and follow steps to ensure the proper effective implementation of the IT Disaster Recovery Plan.	Management will begin to budget and work to complete the plan in FY2022 and begin testing portions of the plan in 2023.	Pat Giblin	Consultant has been engaged. Plan is scheduled for completion Q2 2023.
6	Jan. 2022	Clark Schaefer	Paratransit (Access) Services	ADA Compliance	Procedures and guidelines had not undergone revision since 2012	Management should review the guidelines and procedures for changes needed and make update accordingly.	Management agrees and the guidelines and procedures are under construction and will be finalized in early 2022.	Lisa Aulick	Guideline content is complete; document is in final design. Distribution in Q1 2023.
7	Feb. 2022	Clark Schaefer	Advertising and Social Media	Advertisement Installation/ Removal Details (bus only)	Adsposure is not meeting contractual obligations to communicate and post installation or removal details in the portal.	Management should communicate expectations to the vendor to ensure requirements are met.	Management agrees and is developing an SOP for distribution to the contractor when finalized.	Dave Eitienne	In development, expected completion Q1 2023
8	Feb. 2022	Clark Schaefer	Advertising and Social Media	Monitoring of Shelter and Bench Maintenance	Adsposure is not meeting contractual obligations regarding maintenance and repair records.	Management should communicate expectations to the vendor to ensure requirements are met.	Management agrees and in the future will require the vendor to supply monthly cleaning and maintenance reports.	Dave Eitienne	In development, expected completion Q1 2023
9	Dec. 2022	Clark Schaefer	Hourly Payroll	Exception Review & Approval	Exceptions are documented, however, evidence of supervisor review and approval of exceptions is not formally documented.	Capture formal evidence of supervisor review and approval within the existing timecard exception review and approval process.	Management will add a Sup/Mgr signature line on the exception report. This document will be signed-off on daily before being sent to Payroll. Completion Q1 of 2023.	John Ravasio	In development, expected completion Q1 2023
10	Dec. 2022	Clark Schaefer	Hourly Payroll	Operators Pick Selection Approval	Observed operator Pick Slips unsigned or missing.	Request signatures to verify the driver selections were made by the driver and approved by the union and management.	Transportation will have the pick selections documented during each pick to maintain record and approval by end of Q1 2023.	John Ravasio	In development, expected completion Q1 2023
11	Dec. 2022	Clark Schaefer	Hourly Payroll	Time Approval – Operators	Station Managers review daily boards, but there is no documented evidence of this review / approval.	Formal documented review and approval process be implemented to capture an audit trail for review of the prior day's board and exception time.	Transportation will add a signature requirement for the previous days Board and payroll to include any reports and related documents. Completed by Q1 2023.	John Ravasio	In development, expected completion Q1 2023

Open Items - Remediation Date Passed or No Remediation Plan Exists

No.	Date	Team	Audit	Finding	Observation	Recommendation	Management Response	Owner	Status

Southwest Ohio Regional Transit Authority



Financial Summary
December 2022 Month End (prelim)
January 17, 2023 Report Out Date



Agenda – Financial Summary

- Investment Balance Update (separate attachment)

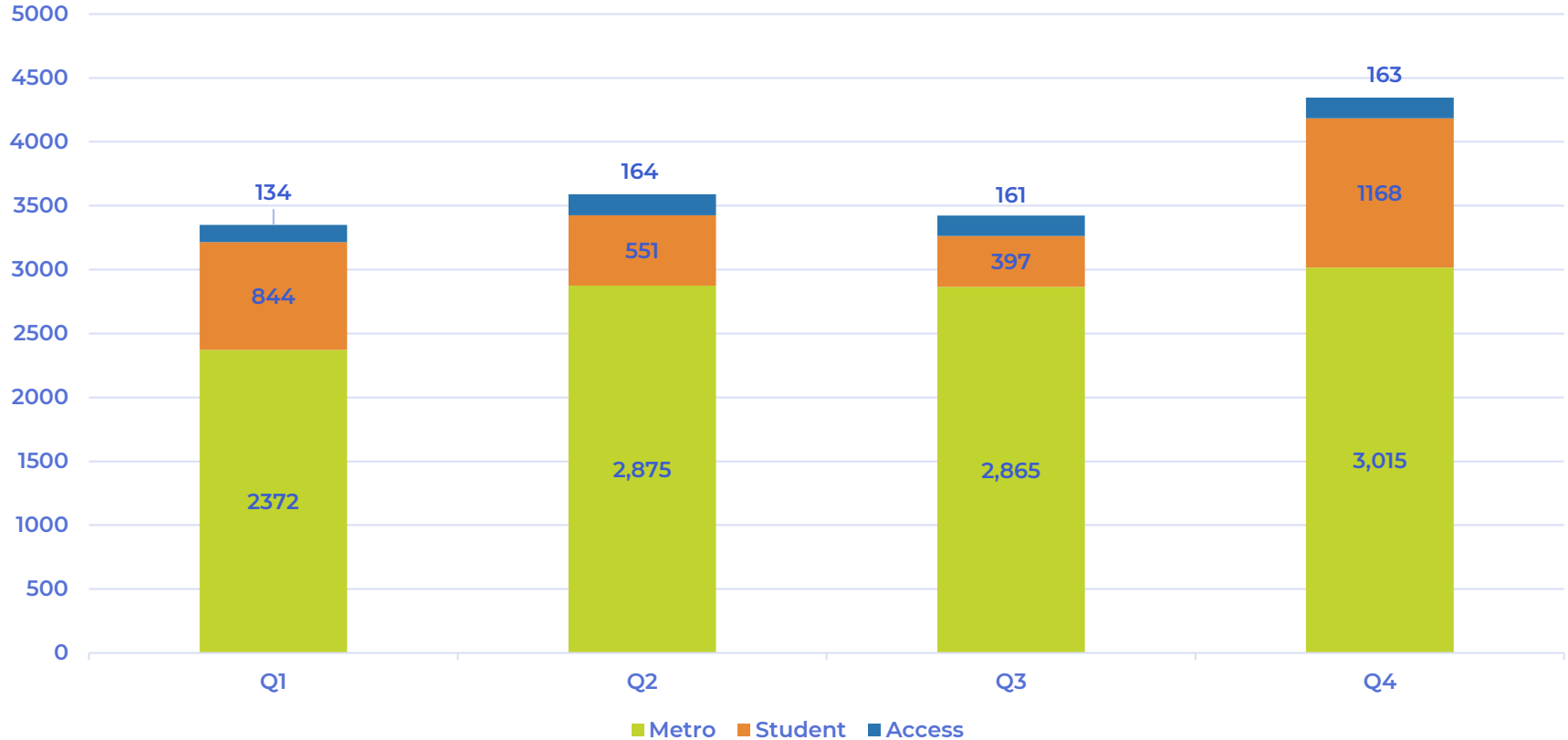
- Statement of Operations for December '22
 - Revenue Charts
 - Expense Chart
 - Key Drivers
 - Detail Profit & Loss Statement

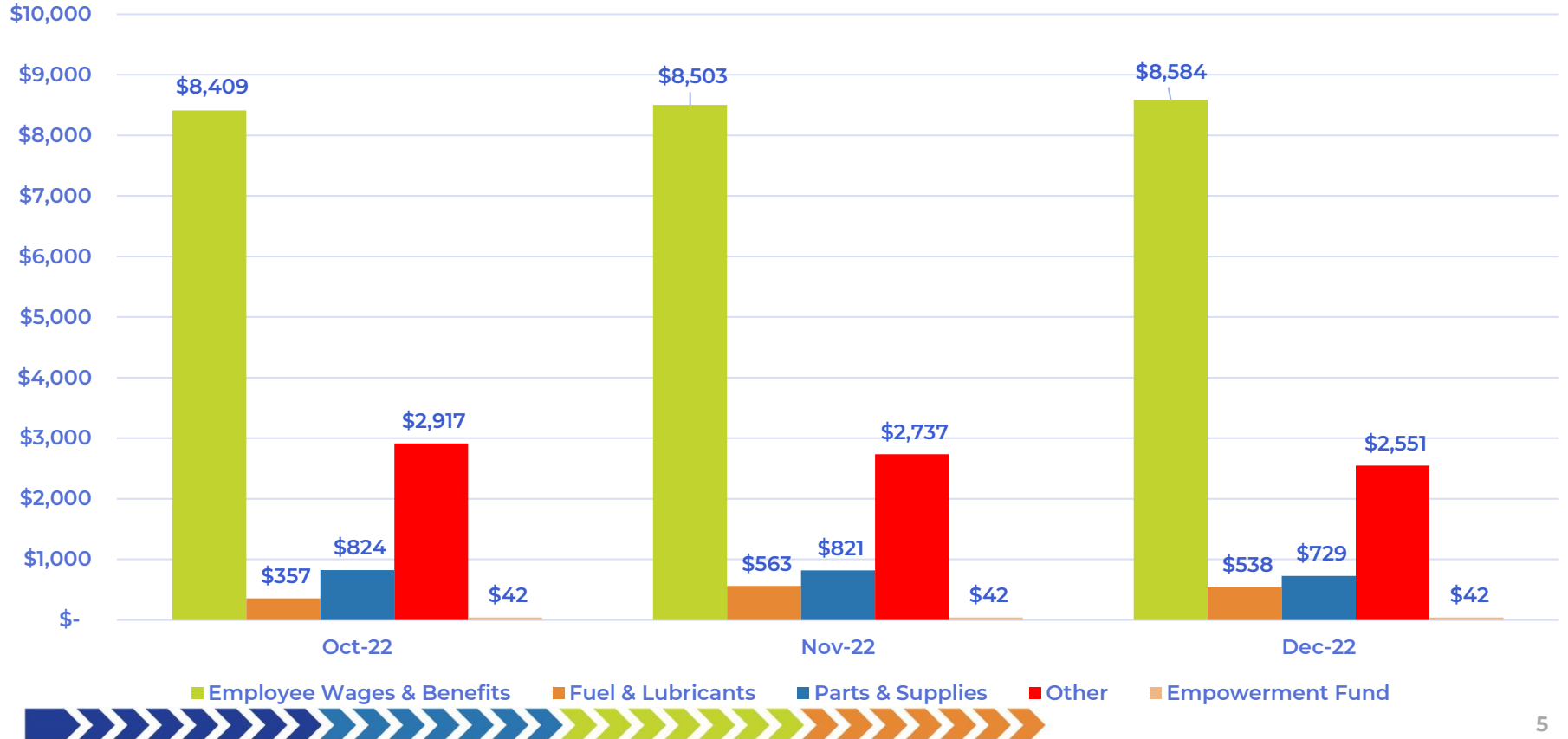


STATEMENT OF OPERATIONS



**DECEMBER 2022 - FARE REVENUE SOURCES
YTD QUARTERLY TREND – JANUARY 2022 THRU DECEMBER 2022
In Thousands**





Profit & Loss – Summary / Key Drivers

Summary

Total Revenue \$19.7M - favorable to Budget \$6.2M or 46%

Total Expense \$12.4M - favorable to Budget \$1.1M or 8%

Surplus / (Deficit) \$ 7.2M

Note : Ridership – Total is 770k – favorable to Budget 6k or 0.7%

Revenue

Total Fares unfavorable (\$183k) to Budget or (16.2%). Root Cause –

Several Days around Christmas with sub zero temperatures.

Free Fares 6pm 12/22 to 12/25.

County Sales Tax favorable to Budget \$1.5M or 15.9%. Root Cause – County Sales Tax purchases greater than planned.

State Subsidies \$1.8M favorable to budget. Root Cause - Ohio Urban Transit Program Grant, which was unbudgeted.

ARP Comp \$2.9M favorable to Budget. Root Cause - Unbudgeted Grant.

Expense

Wages & Benefits on Budget, less than 1% variance.

Fuel and Lubricants on Budget, less than 2% variance.

Parts & Supplies (\$124k) unfavorable to Budget or (20.5%). Primary driver - cost (rate) of Revenue Vehicle Parts (\$41k).

All Other \$1.1M favorable to Budget or 30.9%. Root Cause – Outsourced Services supporting Planning & Innovation \$851k,

Advertising & Promotion (External) \$455k driven by delay in marketing launch of Metro Now service.



Southwest Ohio Regional Transit Authority 2022 Profit & Loss Statement

12 Mos Ending Dec 31, 2022 (\$ In Thousands)	Month				Year to Date				Prior Year
	Actual	Budget	Fav(Unfav)		Actual	Budget	Fav(Unfav)		
Ridership									
Regular	651,050	643,339	7,711	1.2%	8,341,148	7,818,450	522,698	6.7%	6,669,725
CPS	105,295	104,000	1,295	1.2%	1,338,080	1,261,000	77,080	6.1%	890,397
Subtotal Fixed Route	756,345	747,339	9,006	1.2%	9,679,228	9,079,450	599,778	6.6%	7,560,122
Access	13,371	16,697	(3,326)	(19.9%)	168,045	173,126	(5,081)	(2.9%)	130,272
Total Ridership	769,716	764,036	5,680	0.7%	9,847,273	9,252,576	594,697	6.4%	7,690,394
Revenue									
Metro Fares	\$ 894	\$ 1,065	\$ (171)	(16.1%)	\$ 11,125	\$ 12,100	\$ (975)	(8.1%)	\$ 9,743
Access Fares	51	63	(12)	(19.0%)	622	646	(24)	(3.7%)	500
Total Fares	945	1,128	(183)	(16.2%)	11,747	12,746	(999)	(7.8%)	10,243
CPS Contract	235	329	(94)	(28.6%)	2,960	4,410	(1,450)	(32.9%)	3,702
Other Contract Revenue	134	154	(20)	(13.0%)	1,543	1,850	(307)	(16.6%)	1,686
Non Transportation	418	79	339	429.1%	2,769	946	1,823	192.7%	674
County Sales Tax	11,134	9,606	1,528	15.9%	109,884	100,030	9,854	9.9%	82,723
Federal Subsidies	182	-	182	n/a	182	-	182	n/a	12,600
ARP	2,109	2,109	-	-	25,303	25,303	-	-	-
ARP Comp	2,992	-	2,992	n/a	33,904	-	33,904	n/a	-
State Subsidies	1,954	117	1,837	1570.1%	3,196	1,445	1,751	121.2%	2,023
Total Revenue	19,687	13,522	6,165	45.6%	191,072	146,730	44,342	30.2%	137,699
Expenses									
Employee Wages & Benefits	8,584	8,653	69	0.8%	96,148	96,850	702	0.7%	89,586
Fuel & Lubricants	538	530	(8)	(1.5%)	5,028	5,237	209	4.0%	4,732
Parts & Supplies	729	605	(124)	(20.5%)	8,425	7,397	(1,028)	(13.9%)	6,956
Empowerment Fund	42	42	-	-	502	504	2	0.4%	-
Other	2,551	3,693	1,142	30.9%	29,547	36,242	6,695	18.5%	18,176
Total Expenses	12,444	13,523	1,079	8.0%	139,650	146,230	6,580	4.5%	119,450
Surplus(Deficit) Before Adj	\$ 7,243	\$ (1)	\$ 7,244		\$ 51,422	\$ 500	\$ 50,922		\$ 18,249
Capital Reserve Transfer	(7,243)				(51,422)				(18,249)
Remaining Funds	\$ -	\$ -			\$ -	\$ 500			\$ -



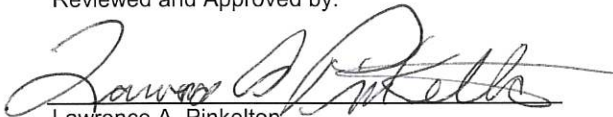
Investment of Funds Report

Dec-22

	Principal Amount	12/31/2022 Yield	Security Days	Days to Maturity
<u>Overnight Investments</u>				
STAR Ohio	\$87,872,051	4.48%		
Fifth Third Bank Concentration Account	\$583,291	0.00%		
Subtotal Overnight Investments / Average Rate	\$88,455,342	4.45%		
<u>Securities & CD's</u>				
Fifth Third Bank Custody Account:				
Agency Bond	\$12,171,351	1.91%		
Commercial Paper	\$8,672,043	3.52%		
Certificate of Deposit	\$992,327	0.76%		
U.S. Treasury Bond	\$5,794,621	1.90%		
U.S. Treasury Note	\$19,756,080	1.43%		
Subtotal Securities & CD's / Weighted Yield / Maturity	\$47,386,422	2.00%	628	664
Total All Securities (12/31/2022) / Weighted Yield				
	\$135,841,764	3.62%		
Total All Securities (11/30/2022) / Weighted Yield				
	\$121,245,591	3.10%		
Funds provided by (required for) Operations during December	\$15,513,712		Monthly Investment Income \$	342,283
Funds provided by (required for) Capital during December	(\$917,539)		Year to Date Investment Income \$	1,707,349
Change in Cash during December 2022	\$14,596,173			

Note: Total All Securities (12/31/2021) **\$61,084,153**

Reviewed and Approved by:


 Lawrence A. Pinkelton
 Chief Financial Officer



Infrastructure Investment of Funds Report
Dec-22

	Principal Amount	12/31/2022 Yield	Sec Days	Days to Maturity
<u>Overnight Investments</u>				
STAR Ohio	\$38,625,495	4.48%		
Trust Account/Fed Govt Oblig Issue Money Market Fund	\$7,506,665	3.90%		
Fifth Third Bank Infrastructure Account	\$47,075	0.00%		
Subtotal Overnight Investments / Average Rate	\$46,179,235	4.38%		
<u>Securities & CD's</u>				
Fifth Third Bank Custody Account:				
Agency Bond	\$6,471,675	1.99%		
Commercial Paper	\$3,396,435	4.09%		
U.S. Treasury Bond	\$5,984,170	1.81%		
U.S. Treasury Note	\$9,905,693	1.62%		
Subtotal Securities & CD's / Weighted Yield / Maturity	\$25,757,973	2.08%	314	325
Total All Securities (12/31/2022) / Weighted Yield / Maturity		\$71,937,208	3.57%	
Total All Securities (11/30/2022) / Weighted Yield / Maturity		\$68,594,057	3.14%	
Funds provided by (required for) Tax Receipts during December	\$ 3,453,031	Monthly Investment Income	\$ 186,868	
Funds provided by (required for) Payouts during December	\$ (109,880)	Year to Date Investment Income	\$ 1,012,458	
Change in Cash during December 2022	\$ 3,343,151			

Reviewed and Approved by:

Lawrence A. Pinkelton
Chief Financial Officer

BOARD OF TRUSTEES
SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
RESOLUTION NO. 2023-xx

APPROVAL OF OHIO TRANSIT RISK POOL (OTRP) SHOCK LOSS FUND PAYMENT

WHEREAS:

1. To mitigate identified risks, SORTA has an annual partnership with the Ohio Transit Risk Pool (OTRP) for liability insurance covering: general liability, automobile liability, public officials' liability, cyber liability, and crime; and property insurance covering physical loss and damage.
2. The Ohio Transit Risk Pool (OTRP) requires a reserve amount that approximates one (1) year of expenses associated with liability and property insurance premiums paid.
3. SORTA staff recommends four (4) quarterly payments to the Ohio Transit Risk Pool (OTRP) Shock Loss Fund, at a cost not to exceed \$950,000 for FY 2023.
4. The expenditure has been budgeted for 2023 and will be funded with local funds.

THEREFORE, BE IT RESOLVED:

5. The Board authorizes the CEO/General Manager/ Secretary-Treasurer or the CFO to execute four (4) quarterly payments to the Ohio Transit Risk Pool (OTRP) Shock Loss Fund on behalf of SORTA, at a cost not to exceed \$950,000.

January 2023

ACTION ITEM- APPROVAL OF OHIO TRANSIT RISK POOL SHOCK LOSS FUND PAYMENT

STRATEGIC PLAN GOAL / OBJECTIVE

- Operational Excellence

RECOMMENDATION

Approval of a resolution authorizing the CEO / General Manager or the CFO to execute four (4) quarterly payments to the Ohio Transit Risk Pool (OTRP) Shock Loss Fund on behalf of SORTA, at a cost not to exceed \$950,000 for FY 2023. This request is based on the OTRP requirement to establish a reserve amount that approximates one (1) year of expense associated with liability and property insurance premiums paid.

FINANCIAL CONSIDERATIONS

- The liability insurance program is a 12-month program with coverage for General Liability (includes Cyber and Crime), Automobile Liability and Public Official's Liability.
- The property insurance program is for physical loss or damaged property.
- The expenditure has been budgeted for 2023 and will be funded with local funds.

BUSINESS PURPOSE

- In an effort to mitigate identified risks, SORTA staff is requesting continuing membership in the Ohio Transit Risk Pool for a liability program covering these areas: General Liability, Automobile Liability, Public Officials Liability, Cyber Liability and Crime and Property.

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:



Lawrence A. Pinkelton
Chief Financial Officer



Darryl Haley
CEO/General Manager