



**TAPS PUBLIC TRANSIT  
BOARD OF DIRECTORS  
REGULAR MEETING  
October 7, 2015**

**MEMBERS PRESENT:** Chuck Branch, Ken Brawley, Spanky Carter, H. L. Compton, Jay Davidson, Chris Hill, Leon Klement, Kenneth Liggett, Bill Magers, Randy Pogue, Steve Terrell and Cary Wacker.

**STAFF PRESENT:** Tim Patton, Lori Cannon, Jeannie Slape, Dan Acree, Ty Booth, Todd Rumsey, Josh Walker and Cathy Perkins.

**GUESTS PRESENT:** Ben Herr, Michelle Bloomer, Jeremy Overton, William Bennett, Janay Tieken, Valerie Wigglesworth, Justin Mann, Mike Conway, Mark Ewig, Michael Hutchins, Chris Klement, Eddie Brown, Sean Minter, Matt Hunt, Sunil John, Michael Schmitz, Steve Cowan, Mike Delong, Eric Ellwanger, Glenn Parrish, Karl Welzenbach, Deb Robertson, Judy Conner, Virginia Rhodes, Vicky Hestand, Lee Kirner, Brett Graham, Paul Knippel, Allen Leaird, Jessie Huddleston, Terrence Steele and Tony Beaverson.

The TAPS Board of Directors met at the Texoma Council of Governments, 1117 Gallagher Drive, Sherman, TX 75090 for a special called board meeting.

- I. **CALL TO ORDER:** Chairman Jay Davidson welcomed guests and declared a quorum, calling the meeting to order at 11:01am. He shared that his vision that what TAPS represents is more than just a service. To him, it is a ministry, because we are reaching out and helping people in need and he encouraged others to view it this way. He began the meeting with an invocation.
- II. **APPROVAL OF MINUTES:** The minutes from the September 16, 2015 meeting were reviewed. Several grammatical errors, as well as content errors were identified by Board Member Chris Hill. It was recommended the minutes be revised, redistributed for review and voted upon later in the meeting. Approval of the minutes was postponed.
- III. **REPORTS:**
  - a. **CEO/Executive Director Update** – Mr. Tim Patton, Interim CEO/Executive Director, discussed the history of TAPS since 1986 to present. He noted, with the recent financial struggles, a 7 to 8 million dollar budget reduction will occur over the next coming year and TAPS will readjust to “live within our means”. He reported that over the past three weeks, the Executive Team has worked to develop a “Recovery Plan”, noting this plan will be ever changing according to needs and funding. He added the support from funding agencies, such as the FTA, TCOG and others, remains strong!





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The Recovery Plan was distributed, and it was noted several Board packets did not contain copies of the plan. Motion was made by Bill Magers to recess for a break and allow time for additional copies to be printed. Board Member Ken Brawley seconded the motion. Motion carried. None opposed. The Board recessed at 11:24 a.m. and reconvened at 11:56 a.m.

Mr. Patton presented the Recovery Plan to the Board, noting a lot of headway has already been made, but there is still a long way to go in this ongoing process. He stated "Success is in the future of this agency".

He discussed the FY2015 deficit, what went wrong and the immediate risk with past due payroll taxes owed to the IRS and their letter of intent to levy. Vendor payables (outstanding liabilities) were discussed, with regards to the time frame for payments, including insurance premiums for vehicle and health coverage and the recent good faith payments that have been made.

The relationship between TAPS and First Transit was explained. First Transit is the provider for management services to operations and Mr. discussed the large past due balance owed to them. According to the agreement, First Transit is obligated to issue a "Warn Act Notice" to their employees (the drivers) within 60 days of potential termination of their management agreement with the agency. Termination is not their intent, but they do have rules to follow. They have stated, they will continue to work with TAPS on this and are extremely committed to helping TAPS move forward.

Mr. Patton discussed the level of support received from funding agencies that have been working with us for quite some time, such as local support from Landmark Bank, as well as the funding agencies, for cash flow needed, in order for us to receive the reimbursements.

He noted the corporate office in Sherman is in a lease agreement and has made a good faith payment to the leasing agency. TAPS Executive staff will be having conversations with them over the next few weeks and we are hopeful to fulfil our obligation to them as we work out financial details with them over the month.

The Medicaid Transportation Contract with HHSC was discussed. HHSC is the governmental agency over the contract. This contract is something that generates cash flow for our agency and has the ability to show a revenue, profit line. Mr. Patton stated





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in the future, as we refine our operation with Medicaid Services, we are hopeful that revenue will grow and that will supplement our agency even more.

Mr. Patton went on to report the Texas Department of Transportation conducted a grant specific audit in August and September and results are expected by the end of this month. He noted these internal and external audits performed by TXDOT, FTA and HHSC are extremely important, as they give the funding agencies the details of where we are. It is important we provide results of these audits to our funding agencies timely, in order to avoid any delays in funding.

Mr. Patton then discussed critical actions steps, noting we need an immediate cash infusion to maintain operations. Methods for this are payments/reimbursements. We have to spend the dollar, to be reimbursed for it and he explained the process of how this is submitted. He also discussed the need to stabilize the organizational funding cycle, noting the reimbursement process has been discussed with TXDOT, FTA and NCTCOG and they have pledged to do their best and get those reimbursements turned around as quickly as their rules allow. This helps tremendously by providing cash flow and keeping the reimbursements coming back to our agency.

Service Modifications were discussed. Fuel is a large portion of what we do. Service modifications will have an immediate and definite impact on what we do on a day to day basis and affect the bottom line. Our billings for fuel can reach \$30,000-\$40,000 in a 10 day cycle, receiving that bill three times per month with the amount growing based on the service level. Recently, we have lowered the service levels and we have already seen a reduction in costs.

Fleet and Maintenance Assessment was discussed from Page 3 of the Recovery Plan. Mr. Patton stated without buses repaired and on the road, we cannot provide the services needed. The remaining vehicles in service are attempting to cover more areas and we are unable to provide on time services to the riders. Complaints and comments are then received by our customers. Currently, 50% of the fleet is out of service (77 of 144 vehicles), due to unavailability of parts. A number of vehicles has been determined from FTA guidelines, based on how old the vehicle is and the mileage, to dispose of and reduce our fleet, thus reducing the repair costs. The target goal will be to have a total of 100 vehicles in operation moving forward.



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The Summary of Outstanding Liabilities was discussed from Page 4 of the Recovery Plan. All vendors were provided a letter of our intent to work with them on outstanding balances and provided a point of contact name to them. Mr. Jeff Davis at TAPS will be answering inquiries and working with each vendor directly. We don't want to provide any false promises, but do want to work with them on our account. The responses from the vendors have been very positive and most vendors are willing to work with us moving forward. Each vendor account is being worked with on a case by case basis.

With regards to the IRS, Mr. Patton reported that Adami, Lindsay and Co. has been retained to work with the IRS on a payment structure and a call has already been placed to the IRS agent to begin discussions.

Mr. Patton again mentioned the Warn Act Notice, the need to establish a payment plan with First Transit and the importance of our relationship with them. He then introduced Mr. Ben Herr from First Transit management, noting his job is to work with agencies and help identify solutions to issues. Mr. Herr addressed the Board briefly explaining what information he has reviewed and analyzed. He stated he has reviewed past and future costs and summarized stating "TAPS simply does not have enough money to continue operating in the current manner."

Mr. Patton noted that by having First Transit provide their analysis of what is necessary to continue operations, this will be key in our future success. He stated the results of their analysis may be shocking to the Board and to the public, but they are the facts and are key to moving forward from our current situation. One of those key things will be working with the FTA to review Title VI Requirements. Over the next two weeks, we will work to address Title VI requirements (environmental justices and civil rights) as they affect the riders, hold public meetings and obtain public comments with regards to proposed changes that may occur and will present findings to the Board, along with the Service Reduction Plan at the October 21<sup>st</sup> regular meeting, to make a solid & confident decision.

Mr. Patton discussed the Projected Plan. He noted in the 14-30 day category, the Board will assist in finalizing the Recovery Plan and help send the Recovery Plan with their approval, to FTA, TXDOT, TCOG and Landmark Bank, as well as other partners that it may affect. These agencies want to feel confident that the Board understands the Recovery Plan and that they have "buy in" from the Board of Directors moving forward. The Board will also be asked to take actions on any recommended service reductions at



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the October 21<sup>st</sup> meeting and the staff will then work to implement those reductions on a realistic timeframe once Board approval is given. We will work with the cities and counties to implement those in the most effective way possible without hurting the rider. TAPS Administration will continue with vendor and IRS negotiations for agreeable payment plans and will also conduct staffing analysis to ensure key areas are fully staffed. With a key piece of recovery being getting reimbursed, we must ensure we have enough accounting staff to do so.

In the 30-60 day category, we will reduce any additional services as approved and warranted and work with the Texas Transit Institute (TTI) to complete an analysis of transportation costs. TXDOT has been instrumental in working with TTI to coordinate meetings with us, as they are the experts on cost allocations, cost models and service delivery and they will help validate any actions we take. TXDOT will be assisting with this and we will use invaluable data received in November from TTI for these purposes.

During the 60-180 day category, we will assess potential contract agreements for services. Mr. Patton discussed the program related or city related services. Many of the cities below the McKinney line, fall into the Dallas/Ft. Worth UZA, which is governed by the NCTCOG in their funding. This is important to realize because they have capital available for services, but not operating funds. It is our responsibility to approach the cities to bring local dollars to support the operating side. This also applies in other counties and other cities and will be reviewed. Mr. stated TAPS may be approaching the other cities to find out what service level they want to operate at according to their current budget. During this timeframe of 60-180 days, we will also determine the long term plan for acceptable service levels (future needs and desired levels) and address the fleet issues.

Mr. Patton stated he feels the TTI analysis will reveal we have been operating at above and beyond a higher level, outside of the boundaries of our current budget. This is one of the key factors of how we have arrived at the point we are now. Once we bring the service levels in line with the current budget allowances, we will be in a position to use future funding to pay past debts. This is a creative mechanisms on how to repay the debt.

- b. Financial Report – Lori Cannon, Interim CFO, presented a Power Point presentation, as well as provided the information in each Board packet. She began by explaining the process of a triennial audit performed by the FTA every three years. In the interim





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years, the FTA relies on external auditors to perform audits of its recipients of federal funds to ensure that FTA standards are being following. Ms. Cannon explained that she began her review of these audits going back to 9/30/10 to determine deficiencies. She discussed federal funding and significant deficiencies, material weaknesses and instances of noncompliance identified. Board Member Chris Hill left the room at 12:49pm and returned at 12:53pm. She compared deficiency comments specific to prior year items and current year items identified. With each audit, these deficiency comments reflect no resolution of prior deficiencies identified and in fact, reveal additional deficiencies with each new audit. Board Member Bill Magers questioned what a "Clearing House" is. Ms. stated it is the mechanism through which all agencies who receive money report to the federal government and it is a requirement. With these significant deficiencies, material weaknesses and instances of noncompliance, Ms. noted those that the Board can expect to see repeated for quite some time due to prior processes. Board Member Leon Klement left the room at 12:58pm and returned at 1:01pm.

Ms. Cannon stated the current audit is being processed by our audit firm, Conway & Company, and it is expected to be completed and presented to the Board mid-November. They were hopeful to already have this completed, but with the current circumstances, they want to present the Board the most accurate information they can. She noted, there are so many moving parts, they would be remise to issue their report before TXDOT issues theirs. Conway & Company is working with TAPS funding agents to ensure all information is included. Ms. Cannon stated with the current audit, the Board can expect that it is possible the audit opinion may be modified again and some repeated deficiencies identified. She discussed specific comments the Board can expect to see, those that could possibly be repeated and those she feels confident the Board will not see repeated with this audit.

Ms. Cannon accepted and answered questions from Board members regarding the information presented. Clarification regarding incurred expenses vs. paid expenses. With regards to proper allocations, Ms. Cannon noted from May 2015 to present, the allocation process is accurate. She also addressed eligible vs. ineligible expenses, noting ineligible expenses will affect the bottom line.

Ms. Cannon noted the PTN-128 is also an annual report due to TXDOT and has historically been submitted 4-6 months late. She stated they are hoping to have this



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year's report completed and submitted within the next 60 days. Additionally, the annual report due to the National Transit Database (NTD) has historically been submitted 5-7 months late. This report is due January 31<sup>st</sup> and this report will be submitted in a timely manner this year.

Ms. Cannon then discussed the items that are or have already been addressed, noting the following:

- Contacting the IRS to begin developing a plan;
- Personnel positions within TAPS administrative staff were reviewed, as well as salary levels and adjustments were made to fit within the funding expectations for the FY2016;
- Discussions with funding agencies and other partners as to what they want to see as part of the recovery plan to move TAPS forward past this crisis;
- Discussion and meetings with members of the Board of Directors bringing them into the know to understand issues and problems Finance is facing;
- Asking questions about match and how to apply it to achieve maximum advantage and leverage for TAPS;
- Obtaining training through FMO Technical Assistance, visiting FTA to determine how to complete all required reports, begin discussions with other transit Agencies and reaching out and responding to TXDOT and NCTCOG with questions;
- Hire accounting personnel to begin immediate training to have a quick impact on the needs in Finance;
- Begin refining the FY2016 budget of the Agency by engaging TAPS senior level management to accurately reflect expected funding and areas of expenditures;
- Evaluate contractual relationships with the Agency for value and overall need.

Mr. Patton added there are 68 transportation agencies in the State of Texas and a lot of those agencies are calling and sharing their experiences. They are willing to give input and bring their team here if needed, to assist TAPS as we move forward. Board Member Bill Magers left the room at 1:09pm and returned at 1:12pm. He also stated without the correct procedures in place, it is difficult for the Finance team to capture reimbursement. Board Member Chuck Branch left the room at 1:10pm and returned at 1:12pm.



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Ms. Cannon noted with the "Moving Forward Initiative", TAPS did not get into the position we are in overnight. The addition of a new service area and a new contract in an unstable environment increased the challenges in going forward. Ms. Cannon then discussed the immediate "crisis" items and how to gain momentum going forward. She talked about developing a rhythm, inevitable challenges over the next 60-180 days, including the desire to build confidence with the Board, that the information presented from the Administrative team in accurate and sustaining the new status quo. She stated Finance management and staff are committed to doing everything possible to take this situation, turn it around with the guidance and assistance available to them and make TAPS the transportation provider it is intended to be in the Counties and Cities it serves.

Ms. Cannon then introduced Ms. Jessie Huddleston, representing NCTCOG in Arlington, noting Ms. Huddleston was present on behalf of the NCTCOG and their willingness to help with this process.

Ms. Huddleston greeted the Board and stated they (NCTCOG) are the metropolitan planning organization for the Dallas region and one of TAPS' funding partners since the end of 2013. She noted their interest today is for the TAPS customers. Two items were covered and offered as assistance.

The first being assistance to procure and fund financial consulting services for TAPS. In addition to the TAPS Finance Department staff, these consultants would have a short term goal of turning invoices around and obtaining reimbursement for those invoices already paid by TAPS for all counties they service. On a long term scope of services, these consultants would assist in rebuilding and reevaluating the documents from back to 2014 to ensure TAPS would receive as much costs as possible from State and Federal grants.

The second area of assistance is the Regional Transportation Council (RTC) has offered to back stop a local loan. If the TAPS Board determines the agency needs to borrow more money from either government or a local bank, the RTC will issue that entity a letter stating if in fact you do not get paid back by TAPS, they will back stop that loan up to \$250,000.

If the Board determines they would like to request this assistance, a letter of request from the Board Chairman would be acceptable.



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Board Members Bill Magers and Cary Wacker inquired about the “delta” between the expected revenue and actual revenue. Board Member Chuck Branch asked if there were still possible monies that could be requested for reimbursement. Ms. Cannon explained that she does not have the exact numbers to answer those questions, but yes, there was still substantial money to be reimbursed. She stated she could obtain that information and present at a later time. Board Member Bill Magers also questioned the overpayments mentioned during the Financial Report. Ms. Cannon stated the TXDOT overpayment she referred to has been paid back.

Ms. Cannon discussed back stop loan being offered by NCTCOG. She explained that the Finance Department has tried to submit the big items reimbursed to TAPS, but there are still monies to be received and the plan is to go after all of it. She noted we know there is still money available from certain grants. Board Member Cary Wacker mentioned that is simply research documentation and matching up available grant money and moving forward, the ability to continue to track with the reporting that is now being conducted. Ms. Cannon agreed and stated booking things in the right place would be a good start.

Board Chairman Jay Davidson welcomed questions for Mr. Patton or Ms. Cannon regarding their presentations.

With regards to the required Title VI public comment, Board Member Cary Wacker asked Mr. Patton what the time requirement is. Mr. Patton stated, under Title VI, one is required to give 10 day notice of meeting and 3 meetings are required. The Board meeting can count toward one of the required meetings and two additional meetings will be required. He stated, they are typically held in a regional aspect, so he would propose to hold one in Grayson County and one in Collin County. However, if there are significant service level reductions or changes to outlying counties, we need to do our due diligence and hold meetings in those areas as well. Mr. Patton noted those meetings can and will be held between this Board meeting and October 21<sup>st</sup>.

Board Member Chuck Branch inquired with regards to the health insurance premiums, when was payment made and if the insurance was current. Ms. Cannon responded a payment was made last for Friday for two months and Mr. Patton responded we remain two months behind. Board Member Chris Hill inquired if we are in threat of being cancelled and Ms. Cannon stated we are not. Mr. Patton added TML did however suspend payment of claims until payment was received, but they will now go back and





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pay any eligible claims. Ms. Cannon also noted there was an \$80,000 payment made for vehicle insurance that was never lapsed.

Board Member Randy Pogue inquired what the outstanding balance is for the Sherman office rent and Board Member Bill Magers responded \$150,000 is owed for Sherman and McKinney rent is current and on a month to month. Board Member Magers also noted a \$5,000 good faith payment was made last week and the landlord will work with the TAPS Executive staff to work out an agreement.

Board Member Chris Hill referred back to the recovery plan summary, noting the reasons for the current issues identified. He commented that just as onerous as the operational struggles are, we have had constant communication struggles. He voiced the frustration that many of the items that have come to light in the past two Board meetings, were known to staff for quite some time and not communicated to the Board. He stated if we are going to be successful going forward, the Board must be kept apprised of all situations and all struggles, to allow the Board to bring guidance and use their resources as well. This conversation has been discussed privately, but Board Member Hill stated he want this to be a public statement as well.

Board Member Bill Magers asked if the Board received a copy of the audits in the past. Mr. Conway stated the only audit presentation made was the 9/30/13 audit, which was presented to the Board in January of 2015. Prior to that, the audits were issued and apparently not presented to the Board. Ms. Cannon stated the minutes would need to be reviewed to determine if they were presented to the Board.

Board Member Chuck Branch inquired who the City of McKinney should contact when they need information and who they should contact if they do not receive the requested information. Mr. Patton stated depending on what information is needed, City of McKinney has been working directly with the TAPS staff. If questions are not answered however, Mr. Patton stated those questions should be brought to him for answers. Board Member Branch stated the needed information includes ridership to prepare a feasibility study. Mr. Patton stated Mr. Jeff Davis at TAPS, has been working directly with the City of McKinney. He is able to provide reporting information with regards to ridership, but Mr. Patton stated he will confirm to ensure there is a single point of contact going forward. Mr. Patton also noted there is a meeting scheduled with the City of McKinney next Thursday, October 15<sup>th</sup> and they will work with them on this as well.



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Board Member Randy Pogue stated the prior leadership of TAPS told his staff they would not communicate with them and they would only communicate through the Board meeting. He noted this is something that he would like to see changed. The City of McKinney is on a month to month contract with TAPS and they have been requesting information for quite some time. He noted there is frustration with their staff, as well as the Board members. Mr. Patton acknowledged as duly noted. He stated he had conversations with them yesterday and there is an open channel. Board Member Pogue stated at the last Board meeting, the Board voted to eliminate the McKinney weekend service, but to date, no one on their staff has been made notified from TAPS of when this service will be discontinued. Mr. Patton stated he and Mr. Muellenback, Interim City Manager of McKinney, have been working to meet and discuss this and that meeting has been scheduled for October 15<sup>th</sup>. Mr. Patton stated with regards to that action at the prior Board meeting, there was no solid date set as TAPS wanted to allow the City to work with the TAPS team to ensure it affected the fewest people.

Board Member Chuck Branch also asked when they could obtain a copy of the needs assessment prepared by First Transit for the McKinney UZA. Mr. Patton stated they are finalizing some numbers and will have to them next week for a discussion point on the agenda next week.

Board Member Chris Hill questioned the status of the liability of with the IRS. Ms. Cannon responded that negotiations are pending, contact has been made in the form of a 433B to the IRS and everything was provided to the IRS agent as requested. Ms. stated the agent has made contact with Adami-Lindsay and they have spoken. Once the agent is off his current case, he will get back with us. Board Member Bill Magers stated Chip Adami has suggested TAPS make a good faith payment of \$10,000 for time to negotiate over the next 30-60 days. Board Member Leon Klement interjected, stating he feels legal counsel should also be obtained, as well as counsel from Adami-Lindsey. Board member Chris Hill agreed. Board Member Hill then inquired with regards to the IRS, are we currently remitting all withholdings for payroll. Ms. Cannon stated yes, since late July, all withholdings have been submitted and are current though the last payroll.

Board Member Chris Hill asked if there is an expected date of issuance of a Warn Act Notice. Mr. Patton stated no solid date has been given. Ben Herr stated at this time, he does not have an update on a date and would need to confer with Rick Dunning at First



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Transit. Mr. Patton stated during his discussions with Rick Dunning, they are very supportive and interested in continuing to work with us, but they do have rules and regulations to follow. Once there has been a date determined for the Warn Act Notice, Mr. Patton assured the Board they will be immediately made aware. Board Member Chris Hill agreed and stated following his discussion with Mr. Dunning, First Transit does want to continue to work with us, see this through to the extent they can, as long as we're meeting our obligations, but Mr. Dunning indicated the notice is probably going to go out, unless all our obligations are satisfied prior to that point. Mr. Patton stated First Transit has stated they will advise us of a solid date, so TAPS has the opportunity to notify the employees they will be receiving a notice.

Board Member Chris Hill stated during the last Board meeting, Mr. Patton reported 72 vehicles out of service, but today, 77 were reported out of service. He requested confirmation. Mr. Patton noted this number fluctuates by the day, depending on what is repaired in the shop and put back in service and what they receive in. Board Member Hill asked what routes have been lost because of additional vehicles being out. Mr. Patton noted that is widespread and it affects every route, every county. Services are diminished due to the lack of vehicles being available for service. Mr. Patton also noted if a bus comes out of the shop at noon, it is put back into service immediately. If the route was down in the morning, it does come back up the remainder of the day.

Board Member Chris Hill noted the McKinney fixed routes currently have 5 buses operating, instead of ten and asked if we are still maintaining the 5 routes since additional buses are out of service. Ms. Michelle Bloomer, General Manager for the McKinney operations, reported they are still operating 5 routes and discussed which routes are still be run. Board Member Chuck Branch requested Ms. Bloomer email him the routes currently being ran.

Board Member Chris Hill voiced concern with immediate cash position. He asked if we have adequate cash resources to get us to the point of implementing this plan. Ms. Cannon responded all of this is paramount on how quickly reimbursement can be obtained and funds are received. Ms. Cannon discussed pending HHSC payment expected next week and referred the Board back to the cash flow statement. Board Member Hill noted if the Board accepts the offer of the NCTCOG back stop loan, we need to turn that into real cash and know how we are going to use it to get cash in.



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Mr. Terrence Steele, representative with the Workforce Commission, inquired with regards to local match, and asked if TAPS has contacted any other entities to see if they have access to local match, so that we can leverage some of those funds needed here locally. Mr. Patton stated they have been proactive in getting local dollars through fundraising. Mr. Steele stated at the local Workforce, if they do not have local match, they contact their Waco office. Mr. Patton stated he is uncertain if transit has the same capabilities, but he will defer to the local partners and FTA to qualify that.

The Board recessed for lunch break at 1:52pm and reconvened at 2:38pm.

Prior to the lunch recess, all Board members were issued revised meeting minutes from the September 16, 2015 meeting. The revised minutes were reviewed and Board member Chris Hill made a motion for approval. Board Member H.L. Compton seconded the motion. Motion carried unanimously.

After additional discussion regarding the NCTCOG offer for a back stop loan, it was noted this is not on the agenda as an Action item, so a vote cannot be voted upon. However, it was noted the Board Chair can prepare a request letter and submit on behalf of the Board without a required motion provided at this meeting.

Board Member Randy Pogue inquired with regards to this back stop loan, would TAPS be able to pay back the \$250,000. Mr. Patton stated if we do not have cash in the bank, we are unable to pay our vendors and unable to submit proof of payment for reimbursement. Mr. Patton added he feels mid to late 2016, TAPS will be a positive financial situation. Board Member Pogue asked if there were any ramifications if the back stop loan is not repaid. Ms. Huddleston responded "we would lose \$250,000". Ms. Cannon stated, once the back stop is able to be paid back, the line of credit would be next to pay back. Mr. Patton stated the goal is to get the line of credit paid down, so it can be cycled. Board Member Ken Brawley asked if that would extend the line of credit and Ms. Cannon stated it would.

Board Member Bill Magers discussed recent discussions with Landmark Bank and the Landmark Bank President. He stated Landmark has indicated they would extend new money but they want payment toward the line of credit. They are sensitive to us and will continue to support us.

Board Member Chris Hill stated NCTCOG has expressed they have a million dollars of old funds that we have still not drawn down. If we can utilize those funds to pay off





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some of the unpaid liability, we can close the gap. The problem is we have to spend funds, before we can ask for reimbursement. Ideally, if we do this four times, we can draw down that million dollars, but we must have fresh money that won't get tied up in payroll and fuel. He noted the funding part is very strategic, as NCTCOG is not offering funds, but a guarantee. Where we obtain those funds is critical with a local bank or government knowing the monies are secured. Staff must be very strategic on how that money is spent. Making payments to the IRS being the highest priority, however, that is not an eligible expense and it won't be reimbursed. Board Member Hill noted we must find items on the list that match the program terms that we haven't drawn down and obtain the best reimbursement (TDCs – total developmental credits), so we can utilize the \$250,000 numerous times. Board Member Cary Wacker stated this is money we can leverage to reduce liability, using it for things reimbursed at a high rate. Ms. Cannon stated this is part of the assistance NCTCOG is going to provide to identify the monies still available.

Ms. Huddleston reported TAPS has not received the 2015 money from the NCTCOG yet. This is money allocated to them by FTA in 2015 and it can be used for future funding. This has not been issued, as they are waiting on the Recovery Plan. Ms. Cannon inquired when that money became available. Ms. Huddleston stated the final part became available to them from FTA a couple months ago. This is new, federal funds to TAPS. As soon as the Recovery Plan is received, a contract can be sent to TAPS and that increases the number that can be reimbursed to them for eligible expenses. She noted they are hopeful a consultant can help them identify areas for reimbursement.

Board Member Chris Hill noted the Board needs to know there are enough program funds out there to keep paying these liabilities. Ms. Huddleston stated they do not have this answer. They are hoping to help with cash flow.

Ms. Cannon noted the Administration and Maintenance money from FTA for this year is pending receipt of the Recovery Plan as well.

Mr. Patton noted TXDOT has looked at payments that were made versus expenses that were incurred. Since we are now paying in the new fiscal year, we are able to access 2016 money to pay these bills. Mr. Patton stated we must be efficient, minimize the ancillary services costs and take that surplus and pay our bills off. It does give us less funds to deliver service as a result.



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Ms. Cannon stated there is \$3.7 million left to draw down. It's spent, but just not reimbursed at this time. \$1.791 million is with FTA, \$270,000 is with DFW UZA and \$1.6 million is TXDOT. We must identify paid, eligible expenses to allocate to those grants to obtain reimbursement.

Board Member Jay Davidson noted there was no action required, but this was an opportunity for the Board to voice concerns or opposition with regards to submitting a request to NCTCOG to accept their offer. Members spoke out in agreeance and there was no opposition voiced. Board Member Davidson then stated he was deferring the responsibility of preparing and submitting the request letter to the incoming Chairman, following the elections at the end of this meeting.

**IV. ACTION ITEMS:**

- a. Service Level Adjustments - Mr. Patton presented the Proposed Recommendations for Service Modifications for review and consideration. He noted this does not require approval of recommendations, merely approval to look into these possible reductions. He stated a complete analysis would be presented to the Board at the October 21<sup>st</sup> meeting. There was lengthy discussion regarding each item listed.

Guest Justin Mann, addressed the Board on the potential reduction of McKinney weekend routes. Board Member Jay Davidson stated the Board would have someone contact him to see how TAPS can work with him.

After additional discussion, Ms. Cannon confirmed that Board Member Chris Hill has requested information on how the system will look like after these adjustments are made to the service areas. He stated that is accurate. Ms. Cannon noted in Phase I, Board approval is needed to "look" at these areas in compliance with Title VI due diligence. Mr. Patton stated reports will show the impact on riders and community, as well as financial impact on TAPS. Phase II will look at specific routes.

Board Member Jay Davidson presented the following recommendation: Board directs staff to proceed with exploring the Title VI and Environment Justice requirements as it pertains to any service reduction. Schedule and hold public meets to hear public



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comment as required and report back to the board for final action on October 21, 2015 at the next regularly scheduled board meeting. Board Member Bill Magers made a motion to accept the recommendation presented. Board Member Randy Pogue seconded the motion. Motion carried unanimously.

- b. Request to Adopt Fiscal Policy Revisions – Ms. Cannon reported when the Triennial audit occurred last year and they looked very specifically at the Fiscal policy. It was realized there were things in our Fiscal policy that did not apply to TAPS and it appeared to them that we had taken someone else's policies and procedures and put our name on it. They requested that within 30 days of the FMO finalization, we go through and revise the fiscal policy to accurately reflect our practices. They did state however, the next time our Board meets, the changes should be presented to the Board and approved. The proposed fiscal policy was presented to the FMO team and the external auditors with no negative comments or anything that required revision. This policy is fluid and can be changed as needed with Board approval. It was noted the deletions were not applicable and therefore removed. The Board voiced concern that all revisions were not identified, including the revisions. Board Member Ken Brawley noted the red is changed verbiage that would be kept in the policy. Ms. Cannon noted on behalf of the Finance Committee, there were no concerns and recommended approval. Board Member Cary Wacker stated the changes made were what was recommended for us to be in compliance. Board Member H. L. Compton made motion that the approval of the fiscal policy be tabled until the next meeting. Board Member Chris Hill seconded the motion. Motion carried, with opposition from Board Members Randy Pogue, Leon Klement, Cary Wacker and Ken Brawley, noting they feel approval could be given at this time. Board Member Leon Klement left the room at 4:29pm and returned at 4:32pm.
- c. Request to Adopt Allocation Plan – Ms. Cannon explained how this information was reviewed by trips and by mileage. She noted when you have counties as wide as ours, a trip in Fannin County may be 36 miles, while a trip in Collin County may be 6 miles. Therefore, this snapshot in time, the month of June, is based on miles. If this changes significantly, we will bring this back to the Board. Our goal is to have a rolling 12 months to report. If approved, it will be provided to funding agencies. Previously, we were considered 50/50 Urban/Rural, but we can no longer use with the addition of Collin County. We are now 70/30. Board Member Ken Brawley noted this a simply a measurement of service, a metric and not a guideline. Ms. Cannon stated we must have





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this to allocate for bills. Board Member Chuck Branch stated he would request additional details with the pending adjustments. Ms. Cannon stated she will get with Board Member Branch to discuss his request. Motion was made by Board Member Kenneth Liggett to adopt the allocation plan. Board Member Ken Brawley seconded. Motion carried with Board Member Chuck Branch opposing.

Board Member Kenneth Liggett asked if the handout on Ridership would be addressed today. Mr. Patton noted since it is not on the agenda and he plans to discuss on the Consent agenda for the October 21<sup>st</sup> meeting. Ridership will be reviewed at that time. The Board recessed at 4:33pm for a break prior to Executive Session.

**V. EXECUTIVE SESSION:**

At 4:43pm, the TAPS Board convened in Executive Session to obtain legal advice from its attorney on any posted agenda item as permitted by law or to discuss the following:

- (1) Discuss the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee, Section 551.074
- (2) Consult with attorney about pending or contemplated litigation or contemplated settlement of the same. Section 551.
  - a. Confer with attorney regarding UFCW settlement.
  - b. Confer with attorney regarding Form 2848 (Power of Attorney and Declaration of Representative.

At 6:24pm the Board reconvened in regular session. Board Member Cary Wacker made a motion with regards to the IRS tax liability, to direct staff to engage legal counsel to file the appeals process paperwork and provide advice on next steps to mitigate TAPS's tax liability. Board Member Randy Pogue seconded the motion. Board Member Bill Magers abstained due to his present relationship with the accountant. The motion carried unanimously.

**VI. ELECTION OF FY2016 OFFICERS:**

Board Member Jay Davidson publicly stated he will leaving his seat on the Decatur City Council and therefore, will be leaving the TAPS Board. He stated it has been an honor to serve with each member and being Chairman of this board. He is hopeful to have his



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replacement from Decatur City Council attend the next meeting with him. Board member Bill Magers voiced the Board's appreciation for his leadership and the manner he has conducted himself during the meetings.

Board Member Jay Davidson opened the floor opened for Officer Nominations, beginning with Chairman. Board Member Bill Magers nominated Board Member Chris Hill for Chairman. Board Member Leon Klement made a motion that nominations cease. Board member Chris Hill was approved by acclamation.

Board Member Jay Davidson entertained a motion for Vice Chairman. Board Member H. L. Compton nominated Board Member Bill Magers. Board Member Kenneth Liggett nominated Board Member Rick Lewis. Board Member Ken Brawley made a motion that nominations cease. Board Member Bill Magers received 8 votes. Board Member Rick Lewis received 3 votes. Board Member Bill Magers is appointed as Vice Chairman.

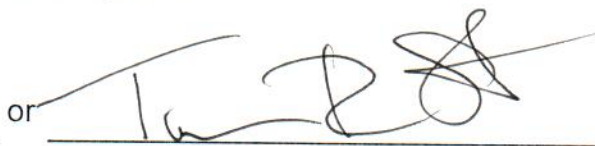
Board Member Jay Davidson entertained a motion for Secretary/Treasurer. Board Member Bill Magers nominated Board Member Spanky Carter. Board Member Kenneth Liggett made a motion that nominations cease and Board Member Spanky Carter be approved by acclamation. All in favor. None opposed.

Board Member Jay Davidson welcomed new officers, noting they will serve in their new positions at the next meeting on October 21<sup>st</sup>.

VII. ADJOURNMENT: The meeting was adjourned at 6:30 p.m.

Passed, Approved and Adopted November 13, 2015.

\_\_\_\_\_  
Chairman, TAPS Board of Directors

or   
\_\_\_\_\_  
Secretary, TAPS Board of Directors