



**TAPS PUBLIC TRANSIT
BOARD OF DIRECTORS
REGULAR MEETING
November 24, 2015**

MEMBERS PRESENT: Chuck Branch, Ken Brawley, Spanky Carter, J. D. Clark, H. L. Compton, Chris Hill, Leon Klement, Rick Lewis, Kenneth Liggett, Bill Magers, Randy Pogue, Terrence Steele and Steve Terrell.

MEMBERS ABSENT: None

STAFF PRESENT: Tim Patton, Lori Cannon, Josh Walker, Leah Campbell, Mark Ewig, Adam Couture, Joe Penson, Bill Fox, Sarah Hendricks, Grace Odum, Jeff Davis, Michelle Bloomer and Cathy Perkins.

GUESTS PRESENT: Brandon Shelby, Barbara Rush, Ed Zielinski, Craig Price, Bennett White, Syreeta Hall, Alfred Medina, David Riner, Daniel Clark, Deb Robertson, Misty Walker, Harold Ray, Remington Harvey, Brian Delano, Nancy Knapp, Linda Baker, Janet Keen, Allen Leaird, Valorie Wigglesworth, Eddie Anderson, Cliff Ward, Tina Tomlinson, Richard Hose, Allen Rich, Sunil John, Clara Bagley, Randy Kesserling, Anthony Elnor, Todd Rumsey, Michele Daniel, Jami Wilson, Karen Riner, Warren Handy, Anthony Burris and Jessie Huddleston.

The TAPS Board of Directors met at 3400 Texoma Parkway, Sherman, TX 75090 for a regular board meeting.

- I. **CALL TO ORDER:** Chairman Chris Hill welcomed guests and declared a quorum, calling the meeting to order at 1:34 pm. He began the meeting with an invocation.
- II. **CONSENT AGENDA:** This item was placed on hold.
- III. **EXECUTIVE SESSION:** The Board will enter into Executive Session as needed, at a later time during this meeting.
- IV. **PUBLIC COMMENTS:** Chairman Chris Hill stated there were several individuals who have completed "Public Comments Request Cards" and allowed each of them time to address the Board.



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Harold Ray and Grace Odum, drivers for TAPS, did not wish to speak but wanted to publicly give their support of TAPS during this difficult time.

Mark Ewig, a former TMS driver and Union representative, addressed the Board regarding the current make-up of the Board members, calling for the resignations of the three Collin County Board Members, Chris Hill, Randy Pogue and Chuck Branch and encouraging a revision to the future structure.

Nancy Knapp, a concerned citizen and long-time TAPS supporter, did not wish to speak, but documented her concern with the current make-up of the Board with the Collin County representatives serving, even though TAPS will be ceasing operations in McKinney and McKinney has elected another transit provider.

Barbara Rush, a concerned citizen also did not wish to speak, but documented her concern regarding the future membership of the Board. She documented her belief that the Board should contain members who support public transportation for the Texoma area and accept financial oversight responsibilities.

Bill Fox, a former TMS driver and Union representative, stated due to information he has received via television and papers, he request the immediate dismissal of Chairman Chris Hill and Board Member Chuck Branch.

Clara Bagley, a concerned citizen, did not wish to speak but documented her concern regarding the make-up and existence of the Board going forward.

Richard Hose, a Sherman citizen, addressed the Board stating he was overwhelmed by the lack of information that the Board was unaware of. He questioned if Federal and State unemployment taxes have been paid for year ending 2014 and up to date for year 2015. Board Member Bill Magers responded stating payroll taxes are current since July 2015.



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Mr. Hose also asked when the Board of Directors first learned that payroll tax deposits had not been made and why they took so long to react to this information. He stated the Board apparently did not receive Aging Reports, however, the Board is responsible to obtain and review these reports. He stated he is uncertain how Grayson County would move forward without public transit, noting so many people are hurting now. He also noted he is a forensic accountant and is offering to help in any way.

Misty Walker, a former TLS employee, did not wish to speak but documented her belief that it is in the best interest of the Board and the future of TAPS, that Chris Hill and Chuck Branch be dismissed effective immediately.

Warren Handy, a former TLS employee, addressed the Board stating he is one of 58 Access employees who was laid off on November 12th and has still not been paid, inquiring when their final payrolls might be received and if they would be paid their accrued vacation and sick days.

After hearing public comments, Chairman Chris Hill stated the Collin County Board members do not wish to leave and want to see this transit operation make a turn around.

Chairman Hill noted there were two items he provided to Interim CEO, Tim Patton, to place on the agenda for today and these items do not appear on the posted agenda, one being to discuss Board membership. It was also clarified that the City of Frisco is not a member, but a Customer. Members contribute State and Federal dollars.

Board Member Terrence Steele stated Collin County is a Program Member. However, he then read a notification letter received from the City of McKinney advising of their intention to pull out of TAPS. Board Member Steele noted the other Counties and Cities have not given notice, but have voiced their support, yet Collin County wants to cease operations with TAPS. He also stated the majority of the resources TAPS has been using have been for the Collin County, McKinney operations, at the detriment of the other counties and now



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Collin County has agreed to go ahead and look at other options (DART), taking TAPS “off life support”. Board Member Steele stated he wants Collin County to “fight for TAPS”!

Board Member Bill Magers stated anything short of transitioning to Medical only, would be a poor decision, as TAPS is unable to afford any additional services at this time. Board Member Leon Klement stated he did want to see Collin County leave. Board Member Magers stated however, you are either on the team or off the team.

- V. ADMINISTRATIVE UPDATE / FUNDING AGENCIES UPDATE – Interim CEO, Tim Patton, summarized the layoffs and the timeline in which these would occur, noting a 64% reduction with TMS and TAPS staff. He noted we continue to remain behind on payroll, making it difficult to even do the necessary medical trips.

Board Member Ken Brawley addressed Board Member Chuck Branch, stating he wanted to assure Mr. Branch was still committed to TAPS.

Board Member Chuck Branch stated he feels a personal responsibility to help TAPS and he is still committed to improving the operations. However, he stated he voted in favor of cancelling the contract with TAPS, to allow the City of McKinney the opportunity to open up and look at other contracts.

Mr. Patton stated we received notice from Mr. Vargas from the City of Allen, stating if we cannot fulfil our contract, they may terminate the contract.

The Board discussed how we could help these cities during the transition to other companies utilizing transit providers that are not competitors.

With regards to Expenses, Mr. Patton noted we are working with TML on vehicle insurance premiums that are do, as well as Verizon for internet service.

He noted TTI is on contract with TXDOT to review our finances and NCTCOG have individual accountants working with us day and night. Since last Monday, they have found \$150,000 in reimbursements, with us receiving the first \$80,000 yesterday.



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Mr. Patton reported Brazos Transit is another transit agency who has been through a similar situation and they have reached out to us to offer their help and expert advice. Mr. Patton stated at this point, we are accepting all the help being offered, noting we have to take quick and precise action and do not have time to wait. Mr. Patton introduced Leah Campbell, the Organizational Development/Human Resources Director, noting she has taken on three to four new roles within Administration of TAPS. Ms. Campbell addressed the Board providing a snapshot of personnel changes, providing salary decreases and percentages with recent layoffs.

Michelle Bloomer, Collin County General Manager reported as of today, that operation has been reduced to 5 drivers. She stated fleet needs to be reduced drastically, but we must get independent market value on each vehicle. Many are valued at less than \$5,000, but if they are valued greater than \$5,000, we must follow TXDOT guidelines to for selling them.

Mr. Patton report the overhead to operate the McKinney office is approximately \$8,000 a month and we are looking to terminate the lease next week, running any remaining McKinney operations from the Sherman location.

Chairman Hill stated 12 months ago, former CEO Brad Underwood said the McKinney location was not strategic. Mr. Patton noted there had been prior conversations about officing out of Allen, but there was only a very small space to keep a "few" vehicles at that time. Board Member Steve Terrell noted the location they originally looked at was not free. Board Member Chuck Branch asked when TAPS would be leaving the McKinney location and Mr. Patton replied, as of next Tuesday, December 1st, we plan to operate solely out of the Sherman location.

Mr. Patton then discussed assets, including the fleet. Josh Walker, Director of Safety and Security presented the TAPS Vehicle Inventory (Handout A) for review. He noted this inventory includes Access fleet and is being updated daily. Mr. Patton stated Mr. Walker would be working with TXDOT to get their input on what we can and cannot dispose of. Board Member Terrence Steele asked what "disposed" referred to on the report. Mr. Patton stated TXDOT had previously provided approval for those vehicles to be disposed



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and they have been either scraped or sold. Board Member Ken Brawley asked if those items in red indicated “end of life” and Mr. Walker stated, yes. Mr. Patton stated due to cash flow shortage, this has resulted in our inability to repair some of the vehicles.

Tim Patton introduced Trish Fritch, noting Ms. Fritch’s accounting team has been brought in by NCTCOG and have already begun to see great results in a short amount of time. Ms. Fritch addressed the Board noting her scope is an emergency evaluation. She stated Sunil John with TXDOT is assisting in getting funds in from TXDOT, realizing time is of the essence. Board Member Chuck Branch inquired if she would be working from a list of priorities. Ms. Fritch stated yes, focusing on what has been requested for reimbursement, what has not been requested for reimbursement, reconciling and working to validate FY2014 and FY 2015. She stated at this point, they have not come to a conclusion of what is still out there, but she is working closely with TTI, FTA and TCOG. At this time, she stated she does not have an estimation on when FY2014 may be reconciled.

Leah Campbell, Director of Organizational Development/HR, added we are still working from a Cost Allocation methodology, as we tried to transfer to a mileage method, but have still been working on route, per person for Urban, Rural, size of company and land mass.

Ms. Fritch noted she will be meeting with TTI tomorrow and working to get this entity back on it’s feet.

Mr. Patton stated funding partners want one cost allocation methodology and this will be a hurdle we overcome to get close to reimbursements.

Chairman Chris Hill asked why we have to get outside people here to do our financials. Board Member Bill Magers stated the individuals that failed to complete the financials appropriately are no longer here and we are accepting help during this critical time.

Board Member Chuck Branch asked if there was any idea on how much we can anticipate over the next week. Mr. Patton reported the RFRs (Request for Reimbursement) are out and we received \$80,000 yesterday. With these funds, we were able to pay half the payroll from November 6th to TMS and hourly TAPS staff. Board Member Terrence Steele noted



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payroll must be the priority, to which Mr. Patton agreed. Board Member Bill Magers noted with funds being received, we must also pay some toward the overhead to maintain the bare bones operations. Mr. Patton agreed, stating It is all of our intentions to “keep the doors open”.

Board Member Chuck Branch reminded the Board at this time, there is \$244,000 owed in payroll and this does not include payroll taxes. He also noted the TML insurance premium is due December 2nd, as well as the Health insurance premiums. Tim Patton noted the Health insurance has been suspended due to missed premium payments.

Chairman Chris Hill stated with recent layoffs, the Workers Compensation liability should decrease, but that doesn't reduce the past amount owed. Mr. Patton noted the CFO of TML has offered to retro back the cancellation of policies that we had no claims on and credit us the premiums. Chairman Hill noted Board of Directors insurance is included in the vehicle insurance premiums and we currently owe \$300,000. The CFO of TML has agreed to \$50,000 if payment is made by December 2nd.

Josh Walker noted all vehicles on the list as of October 1st are insured and if new ones have been added, the premium did not increase. TML has agreed to reduce the overall count of vehicles if we act quickly, for a cost savings of \$142,000.

Board Member Steele noted the parking lot is full of vehicles sitting with flat tires. Josh Walker stated with the upcoming near year, we will be able to remove them from the policy for a much reduced re-rate.

Mr. Patton stated FY16 funds will become available once responses have been submitted regarding the TXDOT Audit report. Chairman Hill noted we must remain conservative and not count on FY2016 funds until audit findings are addressed. Mr. Patton stated we remain hopeful for a favorable audit response.

- VI. TXDOT AUDIT REVIEW – Tim Patton presented the External Audit Report from TXDOT (Agenda packet pages 5-17), noting this is titled “Confidential Draft – Not for Public” to protect the agency and will most certainly change. He noted TAPS' responses will go out



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today. He then discussed findings from the audit. Chairman Chris Hill voiced his extreme concern of the 1.7 million owed to TXDOT. With regards to the 4 findings, Chairman Hill encouraged our responses to include "this is what we have changed" and "this is what we plan to do better going forward". Leah Campbell noted of the deficiencies identified, 70% of them are a result of no documentation to support the funds, which we feel confident can be provided with additional time. Mr. Patton stated while the TXDOT reviewer was on site, we were unable to pull the requested information quickly and therefore, deficiencies were documented. Mr. Patton stated the documentation system needs a complete overhaul and we are asking TTI, TXDOT and NCTCOG for assistance. Board Member Terrence Steele confirmed, this audit was completed in July 2015. Board Member Bill Magers noted the Board may want to convene in Executive Session to consult with an attorney regarding the dissolution of TAPS. Chairman Hill stated Executive Session is not on the agenda and therefore, the Board cannot enter into such. He also stated TAPS does not have their attorney present and he doesn't feel the Board would be under a provision to consult with just any attorney, but it must be "it's (the agency's) attorney".

Bennett White, an attorney present at the meeting, stated the Board may meet with he or any other attorney and Attorney-Client privileges attaches for that purposes. Brandon Shelby, the City of Sherman attorney was also present and noted the Board could consult with he or any other attorney, whether paid or not paid. Board Member Leon Klement noted he also brought an attorney with him as well.

Board Member Bill Magers stated he had personally reached out to four other attorneys and they did not feel qualified. He then discussed attorney Bennett White's qualifications, noting local attorney, Roger Sanders, recommended Mr. White be considered. Board Member Magers then made a motion that Bennett White be retained as the TAPS attorney. Board Member Terrence Steele seconded the motion. Motion passed 9 to 3. Those members in favor included Board Members Bill Magers, Terrence Steele, Kenneth Liggitt, H.L. Compton, Randy Pogue, Leon Klement, J.D. Clark, Rick Lewis, Ken Brawley. Those Board Members opposed were Chris Hill, Chuck Branch and Steve Terrell.



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Board Member Bill Magers then made a motion to enter Executive Session under the provision of consulting with an attorney. Board Member Terrence Steele seconded the motion. Motion was approved with 6 members in favor, 4 opposed and 2 abstaining. Chairman Chris Hill voiced his opposition as well, but since there was no tie to break, it vote was made for the record.

VII. EXECUTIVE SESSION:

At 1:56pm, the TAPS Board convened in Executive Session to obtain legal advice from its attorney.

At 3:46 pm the Board reconvened in regular session, at which time, Board Member Terrence Steele excused himself from the remainder of the meeting. No actions were taken.

VIII. CONSIDERATION OF LANDMARK BANK FORBEARANCE AGREEMENT – Tim Patton presented a Forebearance and a Service Agreement from Landmark Bank (Agenda packet page 19 thru 38). He noted the bank is giving us the opportunity to accept a forbearance agreement and they would not take any of our assets (28 Access vehicles), as we are planning to continue to use these. This would allow us to no interest and no payments for 60 days. Randy Kesserling from Landmark Bank, addressed the Board noting they are very aware of the current problems TAPS is facing and they are willing to work with TAPS. The Board expressed appreciation to Landmark Bank. Motion was made by Board Member Bill Magers to approve the agreements as presented. Board Member Kenneth Liggitt seconded the motion. The motion passed unanimously.

IX. CONSIDERATION OF UNITED FOOD & COMMERCIAL WORKERS UNION SETTLEMENT – Board Member Bill Magers reported that he reached out to the United Food and Commercial Workers Local Union (UFCW) and asked if they were still willing to extend a settlement offer of \$45,000. He noted TAPS was awarded a summary judgement



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of \$117,000, but we have lost in every attempt to collect. Anthony Burris, a representative from the Union addressed the Board and reiterated they are willing to settle with TAPS and pay \$45,000. Board Member Bill Magers made a motion to accept the settlement of \$45,000. Board Member Kenneth Liggitt, seconded the motion. Motion was approved unanimously. Board Member Spanky Carter stated we realize they owed us \$117,000, but we have negotiated back and forth and in such desperate times, TAPS needs any finances that can be obtained at this time. Board Member J.D. Clark requested background information. Board Member Magers provided history of the situation that began back in 2011.

- TXDOT AUDIT REPORT – Additional discussion regarding the Audit Report continued with Finding #2, in which TXDOT is requesting reimbursement of \$878,000. Ms. Campbell noted with the resources we have here now assisting, we have requested additional time to find the requested information. Board Member Chuck Branch questioned who was here during the time period in which the information is being requested of and it was noted Teresa Foster was the CFO. Mr. Patton noted funds were spent, but not in the time periods they were intended to be spent. He also noted at this time, we are unsure if they will actually ask for the money to be reimbursed. Board Member Branch also asked if they were back dating the expenditures, to which Lori Cannon, Interim CFO, replied she did not know.

Board Member H.L. Compton asked if they are going to put TAPS out of business. Chairman Hill stated we have called the transit division (not the audit department) and were told on those things we could find documentation for, we could submit, but must do so quickly, as they can't just forgive 1.7 million owed.

Board Member Ken Brawley asked if metrics are in place to prevent this from happening going forward. Ms. Campbell stated procedures have now been included in the Fiscal Policy, that illustrate our responsibilities very clearly. Board Member Chuck Branch stated we must have procedures in place vs. just having a policy, as specific plans must be followed. Ms. Campbell reminded the Board that the Fiscal Policy was approved at



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the October 21st meeting and list very clearly, the procedures we will be following. She also noted this Fiscal Policy will be submitted with our response to TXDOT.

Tim Patton noted while we are working on implementing all the procedures to prevent this from occurring in the future, controls have been identified, but all procedures are not completely in place at this time. Board Member Leon Klement stated with laying off all of the employees that have been laid off to date, how fast does this Board expect Management to have all procedures in place. Mr. Patton stated we do currently have stringent requirements when submitting reimbursements and plan to have all policies and procedures in place by the end of the year. Board Member Brawley asked if we were utilizing spreadsheets. Mr. Patton stated many procedures are already in place because of the FMO last year, but the system needs overhauled from top to bottom. Chairman Hill asked who the person is that is responsible for implementation. Mr. Patton stated ultimately he is responsible. Ms. Campbell noted however, the majority of those tasks will fall heavily on the Finance Dept. Mr. Patton stated in the interim, he will have Leah Campbell oversee the timeliness of RFRs.

Chairman Hill stated looking forward from our current position, he has no confidence this will be fixed. Mr. Patton stated in the past, every time help was offered, this agency rejected help. Now we are opening our arms and asking for help and taking action.

Board Member Brawley asked if there is a tracking system in place to look at timeframes, to which Mr. Patton replied yes. Mr. Patton stated there is a process in place utilizing Excel and MIP software. Board Member Brawley asked how many documents do we deal with on a monthly basis and Mr. Patton stated hundreds of thousands.

Jessie Huddleston, Program Manager with NCTCOG addressed the Board and stated TAPS has not begun to draw down 2015 dollars and there are a lot of funds available. The financial consultant, Trish Fritch, is literally rebuilding 2014 and 2015 and can then draw down the funds available. She explained the entire system must be rebuilt, so they are beginning with the "low hanging fruit".



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Leah Campbell stated with regards to Finding #3, Cost Allocation Methodology, there are steps we are taking to determine which methodology we should be using. NCTCOG and TTI consultants will be making the final decision on cost allocation. Ms. Campbell also stated the Fiscal Policy addresses Cost Allocation Methodology and states regardless of what method is being used and whether any changes have been made since last presented, this will be presented to the Board at least quarterly. Ms. Campbell introduced Troy Frazier, Senior Data Analyst, noting he will responsible for oversight with TTI.

Mr. Patton addressed Finding #4, vendor discounts, noting the Director of Finance will be responsible for this going forward. With regards to In Kind Contributions, discounts are not allowable and our documentation must reflect only funds we are able to use.

- X. INTERNAL REVENUE SERVICE UPDATE – Mr. Patton stated the IRS Recovery Plan has officially been accepted by the Internal Revenue Service, noting we have be unable to touch 2016 funds until the IRS plan is in place. He did report we do have a signed agreement with the IRS as of today, for payment of past due TAPS payroll taxes only. He noted will be paying \$15,000 a month and have already made payment number one. Board Member Chuck Branch stated the final payment to the IRS will be due March 15th in the amount of \$372,971. Mr. Patton explained that several million dollars of FTA funds have been on hold, as well as TXDOT funds. Chairman Hill asked if we unlock the FTA funds sooner, are we required to pay the IRS with those funds. Mr. Patton stated at this time, no levies have been put in place.
- XI. CONSIDERATION OF FIRST TRANSIT PROMISSORY NOTE – Mr. Patton presented a Promissory Note to First Transit (Agenda packet pages 39 thru 43), noting by entering this agreement, it allows our agency time to continue operations without the threat of the TMS Management team withdrawing and closing driver operations. He noted TAPS has signed the agreement and needs that signature ratified by the Board. Board Member Bill Magers



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made a motion to ratify and accept the Promissory note as presented. Board Member Leon Klement seconded the motion. The motion passed unanimously.


- XII. NEXT MEETING – Board Chairman Chris Hill noted the next meeting will be Monday, November 30th at 2:00 p.m. Chairman Hill stated as Chairman, he signs off on the agenda and then forwards onto the Executive Director to prepare and post. He requested Board members send any items they wish to appear on the agenda, directly to him. Mr. Patton noted this is a change, as in the past the Executive Director set the agenda.

Board member J.D. Clark added, with regards to Public Hearings, he is not comfortable with the Board deliberating with the public present. The Public Hearing time is an opportunity to hear the public, but not converse with them. The Board agreed.

- XIII. ADJOURNMENT - The meeting was adjourned at 4:48 p.m.

Passed, Approved and Adopted 5/23/16.

Chairman, TAPS Board of Directors

or 
Secretary, TAPS Board of Directors