

December 2023

Joint Powers Agreement and Related Agreements



Background

In 2020, the City of Austin (COA) and Capital Metro Transit Authority (CapMetro) came together to seek voter approval to create the Austin Transit Partnership (ATP) to develop a light rail program and oversee Project Connect. The COA, CapMetro, and ATP (the “tri-parties”) entered into a Joint Powers Agreement (JPA) in December 2021 to define the roles and responsibilities of the tri-parties. The JPA confirmed ATP as “the principal entity responsible for implementing Project Connect.”

During the early days of ATP, the organization operated under the “shared leadership model” in which the CapMetro Executive Director oversaw operations of both ATP and CapMetro. This shared leadership model was in place from ATP’s inception in January 2021 until the ATP Board voted to separate leadership in April 2022. Following the April 2022 vote to establish a separate and independent leadership model for ATP, the ATP Board hired an interim executive director, and later appointed that executive director to lead the organization.

On June 6th, 2023 the tri-parties unanimously approved a supplemental agreement to the JPA to revise and clarify their respective roles and responsibilities related to Project Connect. Specifically, the supplemental agreement defined two components of Project Connect:

- “Austin Light Rail”: the light rail components approved by the tri-parties in the Austin Light Rail Implementation Plan
- “Capital Metro Components”: MetroRail/Red Line and Green Line (commuter rail), MetroRapid (bus rapid transit), MetroExpress (commuter bus), MetroBus, MetroAccess (ADA paratransit), MetroBike (bike share), Park & Rides, Circulators (micro transit or Pickup by CapMetro), and related operations and maintenance facilities

The agreement further designated ATP as the entity responsible for the implementation of Austin Light Rail and CapMetro as the entity responsible for implementation of the Capital Metro Components. It stated that ATP would serve as the FTA grant recipient and NEPA project sponsor for Austin Light Rail and CapMetro would serve as the FTA grant recipient and NEPA project sponsor for the Capital Metro Components. The agreement clarifies that CapMetro would be the sole operator of all Project Connect components and said the parties would enter into further agreement(s) to govern operations and maintenance processes as Project Connect progresses.



Results

ATP has designed and implemented processes to ensure it fulfills the key provisions of the JPA applicable to ATP. The passage of the supplemental agreement to the JPA resolved risks that we identified early on in our review, particularly the lack of clarity around who would serve as the NEPA project sponsor and FTA grant recipient for the light rail component of Project Connect. With those risks mitigated, we focused this work on the various commitments and responsibilities of ATP laid out in the JPA and related agreements to determine how ATP currently fulfills those commitments and where there was room for improvement. Results are summarized below and the audit report can be found at: www.atptx.org/about/internal-audit/.



Objective

Are processes being designed and implemented to ensure ATP fulfills relevant provisions of the joint powers agreement and related agreements?



Scope

ATP’s administrative and light rail planning activities from 2020 to September 30, 2023.



Recommendations

We issued four recommendations related to the operation and governance of Technical Advisory Committees, Project Connect dashboards, permitting process improvements, and monitoring of partner work.

Management agreed with the recommendations and plans to implement corrective actions by December 2024.

ATP Internal Audit Team

Katie Houston

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Joint Powers Agreement and Related Agreements Audit Report

In 2020, the City of Austin (COA) and Capital Metro Transit Authority (CapMetro) came together to seek voter approval to create the Austin Transit Partnership (ATP) to develop a light rail program and oversee Project Connect. The COA, CapMetro, and ATP (the “tri-parties”) entered into a Joint Powers Agreement (JPA) in December 2021 to define the roles and responsibilities of the tri-parties. The JPA confirmed ATP as “the principal entity responsible for implementing Project Connect.” A timeline of key moments in ATP’s history can be found in Appendix A.

The objective of this audit was to review current ATP operations compared to the Joint Partnership Agreement and related agreements, such as the Shared Services agreements ATP has with COA and CapMetro, to determine if ATP has designed and implemented processes to ensure it fulfills key provisions in the JPA. The passage of the supplemental agreement to the JPA resolved critical risks identified early in this audit, particularly the lack of clarity around which entity would serve as the NEPA project sponsor and FTA grant recipient for the light rail component of Project Connect. With those risks mitigated, this audit evaluated the various commitments and responsibilities of ATP laid out in the JPA to determine how ATP currently fulfills those commitments and opportunities for ATP to improve. Results are detailed by the organizational structure of ATP below.



ATP Board

Section 4.2 of the JPA details the governance of ATP under the management of a Board of Directors, in accordance with the Articles of Incorporation. The Board has several responsibilities listed in the JPA:

- Budget: The Board is to develop and approve an annual budget, which has been done each year since incorporation.
- Internal Auditor: The Board is charged with engaging an Internal Auditor to perform advanced audit and finance functions. The Board hired an Internal Auditor in February 2022.
- Financial Reports: The Board is responsible for obtaining an annual financial statement audit from an independent certified public accountant or firm and sharing this with the City of Austin by January 31st each year. ATP has obtained this audit annually for FY21 and FY22.
- Advisory Committees: The Board may establish Technical Advisory Committees (TACs) to meet program needs. The Board created three TACs: Finance and Risk Advisory Committee; Engineering, Architecture and Construction Advisory Committee; and Planning, Sustainability, Equity and DBE Advisory Committee.
- Executive Director: The ATP Board was charged with appointing an Executive Director to lead ATP following an independent analysis to determine the appropriate leadership model for ATP no later than March 31, 2022. The Board engaged the ENO Center for Transportation to perform a leadership assessment in December 2021 and received a briefing on these results at the March 2022 board meeting. Based on the results of this report, the Board hired an interim Executive Director, and later appointed that Executive Director to lead ATP in March 2023.
- Joint Annual Meeting: The Executive Director is responsible for organizing a Joint Annual Meeting of the Parties to ensure continued engagement of COA, CapMetro, and ATP for the implementation of Project Connect. Joint meetings have been held in October 2021, November 2022, and June 2023.



Legal Services

Section 4 of the JPA lays out the roles and responsibilities of ATP. In *4.1*, ATP is given the authority to “contract with persons, governmental entities, and with for-profit and non-profit entities, and employ individuals, for the purposes of implementing Project Connect, conducting

the administrative operations of ATP, and to enter into interlocal agreements with Capital Metro for the operation and maintenance of assets constructed by the Corporation.”

Since its incorporation on December 22, 2020, ATP has negotiated numerous ILAs and other legal agreements with Project Connect partners. Early on, the legal team negotiated ILAs for shared services with CapMetro and the COA. The shared services agreement with COA has been renewed for FY24.

The shared services agreement with CapMetro has not been renewed for FY24. Project costs for the CapMetro Components, as described in the JPA supplemental agreement executed by the COA, CapMetro, and ATP in June 2023, and benefits administration costs were a large portion of the shared services agreement with CapMetro. ATP has taken benefits administration in-house starting in calendar year 2023. ATP is negotiating a Letter Agreement with CapMetro for other services previously covered under the shared services agreement such as the pay-out for ATP’s portion of the jointly shared Oracle ERP system and business insurance coverage. ATP is also in the process of negotiating ILAs for project-related costs for the CapMetro Components previously included in the shared services agreement.

ATP also drafted and negotiated the June 6th supplemental agreement to the JPA with COA and CapMetro.



Procurement and Contract Management

Section 4.1 of the JPA also grants ATP the authority to “procure professional and other services necessary for the design, construction, financing, and permitting of Project Connect.” The ATP Procurement team is responsible for procurement and management of all ATP contracts. ATP approved Procurement Policies and Procedures in March 2023 and is in the process of updating its Procurement Administration Manual.¹ ATP hired a Senior Vice President of Procurement in September 2023 to lead this function. ATP executed new contracts with HDR, HNTB, and AECOM in May 2023 with help from an external procurement consultant team.



Business Services

While the JPA does not include much direction related to the administration and operation of ATP, the ATP Business Services team is tasked with supporting the ATP Board and facilitating certain support for the TACs. ATP management indicated that without an attendance requirement, TAC members’ attendance and participation in meetings varies among the groups. Management also noted that the bylaws do not include clear direction on how to change the bylaws and ATP staff’s roles are not clearly defined in the bylaws. We reviewed best practices from the City of Austin and State of Texas advisory committees to develop the following recommendations for improvement to the TAC bylaws and operations:

- **Attendance requirements:** Consider a requirement that a member who is absent for three consecutive regular meetings or one-third of all regular meetings in a “rolling” twelve-month timeframe automatically vacates the member’s position. This should not apply to excused absences, which should be defined in these changes.

¹ ATP Internal Audit and an external audit provider, BDO USA, Inc. reviewed recent updates to the Procurement function as part of a Task Order Audit, released in September 2023. This report includes more details on recent improvements to the Procurement function. However, further testing of these actions will be needed because not enough time has passed since these actions took place to provide assurance to the ATP Board that these actions have remedied the issues noted in the audit. Internal Audit will more comprehensively evaluate these actions when it conducts follow-up testing on this audit, as well as future audits of ATP’s Procurement processes.

- Term definitions and limits: The current charters say members serve “at least 2 years.” Consider defining specific term limits and providing an option for reappointment at the end of the specified term. Consider adding specific guidance on how members officially resign from the TAC.
- Staggered terms: Consider adding structure for staggered terms for members to avoid too many vacancies on the committee at one time.
- Bylaw amendments: Consider adding guidance that amendments to the bylaws must be approved by the ATP Board.
- Advisory duties and responsibilities: Consider expanding the purpose and duties sections of the TAC charters to provide more detail on the topics on which the TACs may advise the Board. For example, the FAR will advise the Board on issuance of bonds, hear results of audit work, provide feedback on draft annual audit plans, provide feedback on annual budget process, and other financial matters.
- Staff role in liaising with TACs: Consider adding guidelines that ATP staff will prepare minutes for TAC meetings and retain agendas, approved minutes, and all other documents for the TAC. Provide guidance on staff’s role in proposing changes and updates to TAC bylaws to the Board.

The Community Advisory Committee, a committee created to advise the tri-parties on community engagement, anti-displacement efforts, and equity matters related to Project Connect, also recently recommended that ATP undertake a “Governance Assessment.” The objective of this Assessment is to “evaluat[e] the effectiveness of ATP’s current operations at the Board level, including the ATP Board’s decision-making authority, as well as the checks and balances currently in place and their sufficiency to effectively deliver Austin’s first-ever light rail project.” The Board approved amendments to the CAC bylaws at the September 2023 Board Meeting related to membership composition, terms of membership, appointment process, staff liaison roles, and authorizing the negotiation and execution of related amendments to the Joint Powers Agreement between the City, ATP, and CapMetro.

ATP engaged Ernst & Young-Parthenon, Ernst & Young’s global strategy consulting division, to conduct this Assessment by the end of 2023. The scope of work includes an evaluation of ATP’s governing documents, the structure of the TACs and other stakeholder groups, and the roles and responsibilities of the Board and ATP staff leadership. This work is set to be completed by the end of the calendar year.

Section 4.1 grants ATP the authority to “acquire and hold title to real and personal property and interests in real and personal property, and sell real and personal property.” ATP has taken many steps to prepare for the property acquisitions needed to implement Austin’s Light Rail. Since much of the property that will be acquired for the Light Rail project is in the right-of-way, *Section 4.4.3* states that “ATP shall coordinate with the City and Capital Metro for temporary or permanent use of the right-of-way.” ATP is in the process of drafting an ILA with the COA for use of right-of-way.

Section 4.4.2 discusses procedures for the use of \$300M for transit-supportive anti-displacement strategies. ATP has an ILA with the COA that governs the reimbursement and transfer of the anti-displacement funds from ATP to the City on schedule with the implementation of the Project Connect System Plan. ATP also has a memorandum detailing the process the City will use to request anti-displacement funds as reimbursement for property acquisitions. We recommend that ATP establish a formal process for monitoring partner work related to Project Connect, such as the use of anti-displacement funds.

In conjunction with the results of the governance assessment being conducted, **we recommend** ATP propose changes to the TAC bylaws and operations.



Real Estate, Facilities, and IT Services

While the JPA doesn't discuss Information Technology (IT) matters, ATP has taken steps in response to the April 2022 direction from the ATP Board to establish ATP as an independent entity to reduce its reliance on CapMetro's IT services. ATP contracted with Contigo to replace CapMetro as ATP's IT service provider in April 2023 and hired an IT Director in June 2023. During September and October of 2023, ATP worked through a series of processes to implement the decoupling from CapMetro-administered IT systems and network support, including payout to CapMetro for past IT subscription services and device purchases; setup of new vendor-supported IT help desk; separation of data network and internet connections; independent administration of door badge access and security camera systems including issuing new badges; independent subscriptions to cellular phone and data plans and devices; migrated data from CapMetro Office 365 to ATP's own Office 365 tenant; and initiation of various software-as-a-service subscriptions directly between ATP and vendors. ATP continues to work toward decoupling Oracle, the financial/HR system, from CapMetro pending the provision of ATP data from CapMetro.



Communications

Section 3.2.1 of the JPA requires ATP to "report back to the community about how feedback was used" following community engagement efforts. ATP followed this guidance in May 2023, publishing a Community Engagement Report that detailed outreach efforts, and the community feedback for each light rail option. ATP used this feedback to select the preferred option: 38th to Oltorf to Yellow Jacket.

ATP also puts together a monthly Board Brief Report for the ATP Board, released concurrent with each meeting of the Board. The Communications team reaches out to representatives from the COA Project Connect Office and CapMetro to request updates on their project-related activities for that month. ATP staff then add an update on ATP operations and the light rail project.

The JPA also requires two types of dashboards: a Community Engagement Dashboard (3.2.4) and a key performance indicators dashboard to accompany the Equity Assessment Tool (5.2.2). ProjectConnect.com has a public engagement library with documents and videos shared and comments received during previous engagement efforts. ATP has assumed responsibility for ProjectConnect.com. The Community Engagement Dashboard required by the JPA should include demographic information voluntarily shared by participants. ATP management said the Equity Assessment Tool is being developed and that ATP plans to build the required dashboard. This dashboard will seek to incorporate key performance indicator data collected by CapMetro and COA. We recommend that ATP develop both dashboards and determine the best place to host the dashboards on a public-facing website.

We recommend that ATP develop the Community Engagement Dashboard and a key performance indicators dashboard to accompany the Equity Assessment Tool and determine the best place to host the dashboards on a public-facing website.



Financial Services

Section 4.1 grants ATP authority to conduct a variety of financial activities including the following:

- "Accept funds and property appropriated by the City and Capital Metro and by other entities;
- Apply for grants of funds, services, and things of value and to accept awards of such grants;
- Accept donation of funds, services and things of value;
- Issue bonds, notes, and other debt obligations as necessary for the accomplishment of the implementation of Project Connect as stated above."

ATP's Financial Services team is responsible for implementing these activities. ATP has an ILA with the City of Austin for the transfer of the November 2020 Proposition A property tax

revenue. ATP and CapMetro recently executed ILAs for the Pleasant Valley/Expo Center project and the McKalla Station project, in which ATP agreed to reimburse CapMetro for project-related expenses. The agreements define the responsibilities of CapMetro for project and financial management and ATP for reimbursement. ATP included a subordination clause in the agreements where both parties agree that ATP will prioritize repayment of any present or future debt obligations before reimbursement of CapMetro project costs. The subordination clause included in the ILAs helps assure investors that ATP prioritizes debt obligation payments to bondholders.

ATP management shared that ATP is working on establishing the framework for the credit structure that will be utilized in the future to finance Austin Light Rail.

ATP has a Grant Administrator position in Financial Services on its staffing plan to accompany the FY24 budget. This role has been identified as an FTA-priority position by ATP. ATP management stated that they are still determining the optimal time to recruit for this position, giving the length of time between grant applications and when the grant money is expected to be received by ATP.

Section 4.4.6 says that “ATP shall reimburse the City for staffing a Project Connect Office (PCO) in accordance with the terms and conditions of an interlocal agreement between the ATP and City of Austin.” ATP and the COA executed an ILA in May 2021 and a second agreement in Fall 2022 describing the process for reimbursement from ATP to COA for support services provided by the PCO. The Fall 2022 agreement covered October 2021 to September 2023, with an optional one-year extension through the end of September 2024. The option year has been exercised by the COA and \$3.7M was included in ATP’s FY24 budget for the PCO.

Section 4.4.1 also tasks ATP with updating the Financial Model at key design milestones and as light rail implementation proceeds. ATP management said this model is continuously updated.



Engineering and Construction

Section 4.1 grants ATP the authority to “procure professional and other services necessary for the design, construction, financing, and permitting of Project Connect.” ATP executed two professional services contracts in May 2023 to AECOM Technical Services, Inc. and HNTB Cooperation for Conceptual Engineering Services for the light rail portion of Project Connect. ATP management said it will continue to evaluate internal staffing and consultant staff augmentation needs for key engineering positions as the project moves forward.

ATP management reported that they attend regular tri-party senior management meetings to discuss key updates and activities, discuss coordination needs, and resolve issues as they arise. ATP staff also attend bi-weekly design coordination meetings with the COA Transportation and Public Works Department and with CapMetro. In these meetings, staff discuss design issues and receive feedback on topics including safety considerations, operations planning, needs for transportation system users across all modes and collectively coordinate action items. ATP management also shared that at major milestones in the project the tri-parties will host a formal design review and feedback period.

Section 4.4.4 says that ATP shall “provide and prioritize resources to develop and provide for design review and permitting standards that support the scope, schedule, and program budgets of Project Connect.” *Section 3.1* also says that all “parties commit to prioritizing resources to ensure all permit and inspection documents are complete and permit and inspection approvals are streamlined and efficient to support the Project connect schedules

and program budgets.” In a discussion with the Project Connect Office, COA management identified permitting as a priority area for improvement for both ATP and COA.

The ENO Center for Transportation recommends that project sponsors of transit projects, like ATP, should have authorization to be self-permitting to reduce costs and schedule impacts associated with major capital projects. This process would allow project sponsors to issue project-specific permits without needing to work directly through the standard City development process for every project-related permit needed. Chapter 431 of the Texas Transportation Code, ATP’s creating statute, does not specifically grant permitting authority to local government corporations. Therefore, the ATP legal team stated they interpret that to mean ATP cannot be self-permitting, and that responsibility lies solely with the COA. Austin’s City Council directed the Project Connect Office in October 2021 to review City Code and permitting procedures to “identify impediments to the design, construction, implementation, and operation of Project Connect.”² City Council passed an ordinance amending City Code in November 2022 with amendments to City Code to “lay an initial foundation to support the permitting and construction of [Project Connect].”³ Project Connect Office management stated that the goal is to update this ordinance as process improvements are identified in the future. We recommend that ATP work with the COA to continue exploring options to expedite the permitting process for Project Connect.

We recommend that ATP work with the COA to explore options to expedite the permitting process for Project Connect.



Planning, Community, and Federal Programs

Grant Recipient Status

Section 4.1 grants ATP authority to “apply for grants of funds, services, and things of value and to accept awards of such grants.” The June 6th supplemental agreement identified ATP as the applicant for Federal grant funds for the Austin Light Rail. ATP Planning, Community and Federal Programs, and Financial Services teams have engaged with FTA to prepare to be a grant recipient, which will require ATP to demonstrate the appropriate legal, financial, and technical capacity to manage and deliver Austin Light Rail. Following a meeting with FTA representatives in August 2023, ATP management shared in the August 2023 Board Brief that the organization is moving forward with a focus on demonstrating federally compliant procurement policies and civil rights program plans, policies to guide financial management, and the technical capacity to deliver light rail.

While the JPA initially identified CapMetro as the NEPA sponsor for Project Connect, the June 6th supplemental agreement states that ATP will serve as the NEPA project sponsor for Austin Light Rail. ATP engaged HDR Engineering, Inc. in May 2023 to assist ATP with the overall project management of Austin Light Rail and to perform NEPA activities under the oversight of ATP.

Monitoring of CapMetro Components of Project Connect

The June 6th supplemental agreement to the JPA separated the responsibilities for Project Connect into “Austin Light Rail” and “Capital Metro Components.” It provided sole responsibility for “financing, design, construction, improvement and implementation of the Capital Metro Components” to CapMetro, but left room for oversight from the ATP Board by stating that “any financial contributions by ATP to fund the implementation of the Capital Metro Components will require the approval of the ATP Board.” It also included language that

² Resolution No. 20211029-003, <https://services.austintexas.gov/edims/document.cfm?id=372206>.

³ Ordinance No. 20221115-048, <https://services.austintexas.gov/edims/document.cfm?id=399272>.

CapMetro must allow ATP access to all supporting documentation for expenses that CapMetro is requesting reimbursement from ATP.

We recommend that ATP establish a formal process for monitoring partner work, such as the use of anti-displacement funds and CapMetro Project Components. This process should include regular updates from partners to the ATP Board on activities and critical issues that impact Project Connect service delivery, schedule, and budget.

Monitoring by ATP is also built in to the ILAs with CapMetro for Pleasant Valley/Expo Center and McKalla Station, and management stated it will be included in any future ILAs for the “Capital Metro Components” of Project Connect. These agreements include language that ATP will work with CapMetro for the Quality process for these projects. A representative of the ATP Program Controls team attends monthly steering committee meetings for the Expo and Pleasant Valley MetroRapid projects. These meetings are used to review schedule, costs, and discuss project issues. ATP management stated that ATP has the authority to conduct audits of CapMetro’s quality process in accordance with the ILA. ATP recently hired a Director of Quality Management and Assurance, who will conduct these audits.⁴ We recommend that ATP establish a process to formalize monitoring of partner work related to Project Connect, such as the CapMetro Components, and require regular updates the Board.

Community Engagement

Section 3 describes the joint commitments and responsibilities of the three partners – COA, CapMetro, and ATP. *Section 3.2* details the community engagement and inclusion commitments, goals for the community engagement process, identifies priority populations, defines community engagement guiding principles, describes reporting and communication requirements, and outlines the structure and roles of the Community Advisory Committee.

The Community Engagement team is responsible for fulfilling these commitments for ATP. ATP followed the guidance of the JPA during a 6-week engagement process that commenced after the 5 light rail plan options were presented to the community in March 2023. The engagement used a variety of activities, including an in-person open house with 523 attendees, a virtual open house with over 19,000 views and 5,000 comments received, bus stop/train station outreach that reached nearly 3,500 people, 90+ community conversations and presentations. ATP provided outreach meetings and materials in English and Spanish.

Workforce and Equity Policies

Section 4.3 describes the commitments of ATP to developing an equitable transit system through implementing equity and workforce policies. Much of this work is under development or ongoing and is not set to be completed until later on in the project timeline.

ATP is responsible for creating a business impact mitigation strategy that includes outreach and communications strategies and plans to minimize construction impacts on businesses. ATP management shared that research has started on how peer organizations have developed and implemented these strategies and the next steps are to assess a budget for the program and procure an outside organization to administer the program with ATP oversight.

ATP is also responsible for developing and implementing a Disadvantaged Business Enterprise (DBE) Program. ATP appointed a DBE Liaison Officer (DBELO) in September 2021. The DBELO is responsible for all aspects of the DBE program from development to implementation to monitoring. The program is currently under development and management said the next step to is determine the staffing needs for monitoring DBE goals in ATP contracts.

Thirdly, ATP is responsible for developing and implementing a policy that ensures worker protections and workforce development. Originally these protections were meant to be

⁴ At least one audit of this nature was performed by the previous QA/QC Administrator prior to their departure from ATP in 2022.

aligned with the COA Better Builder Program or a similar program, however, House Bill 2127 passed in 2023 by the Texas Legislature restricts the abilities of cities to enforce ordinances like the Better Builder Program with private companies. In 2021, the ATP Board passed a resolution directing the Executive Director to include workforce protections described in the JPA and a living wage policy in all future construction contracts. This resolution reinforced the Board's commitment to ensuring worker protections and providing workforce development assistance, despite the passage of House Bill 2127.

ATP is also charged with developing and implementing a construction careers program that meets federal and local requirements and promotes the hiring of local workers. ATP engaged Workforce Solutions in March 2023 to assist with this goal. Workforce Solutions is currently conducting industry-specific research to develop a plan for the creation of the construction careers program.

Finally, ATP is charged with developing and implementing a policy that ensures a living wage, access to healthcare, and paid sick leave for all construction contracts. The resolution mentioned above also contains a commitment to include these provisions in future construction contracts.



Architecture and Urban Design

Section 4.1 grants ATP the authority to “procure professional and other services necessary for the design, construction, financing, and permitting of Project Connect.” The June 6th supplemental agreement to the JPA affirmed that ATP is responsible for the design of the Austin Light Rail. It also specified that ATP would maintain ownership of all plans and specifications for the Austin Light Rail, and “hold all future contracts for the planning, design, and project management for planning, design, and construction of Austin Light Rail.”

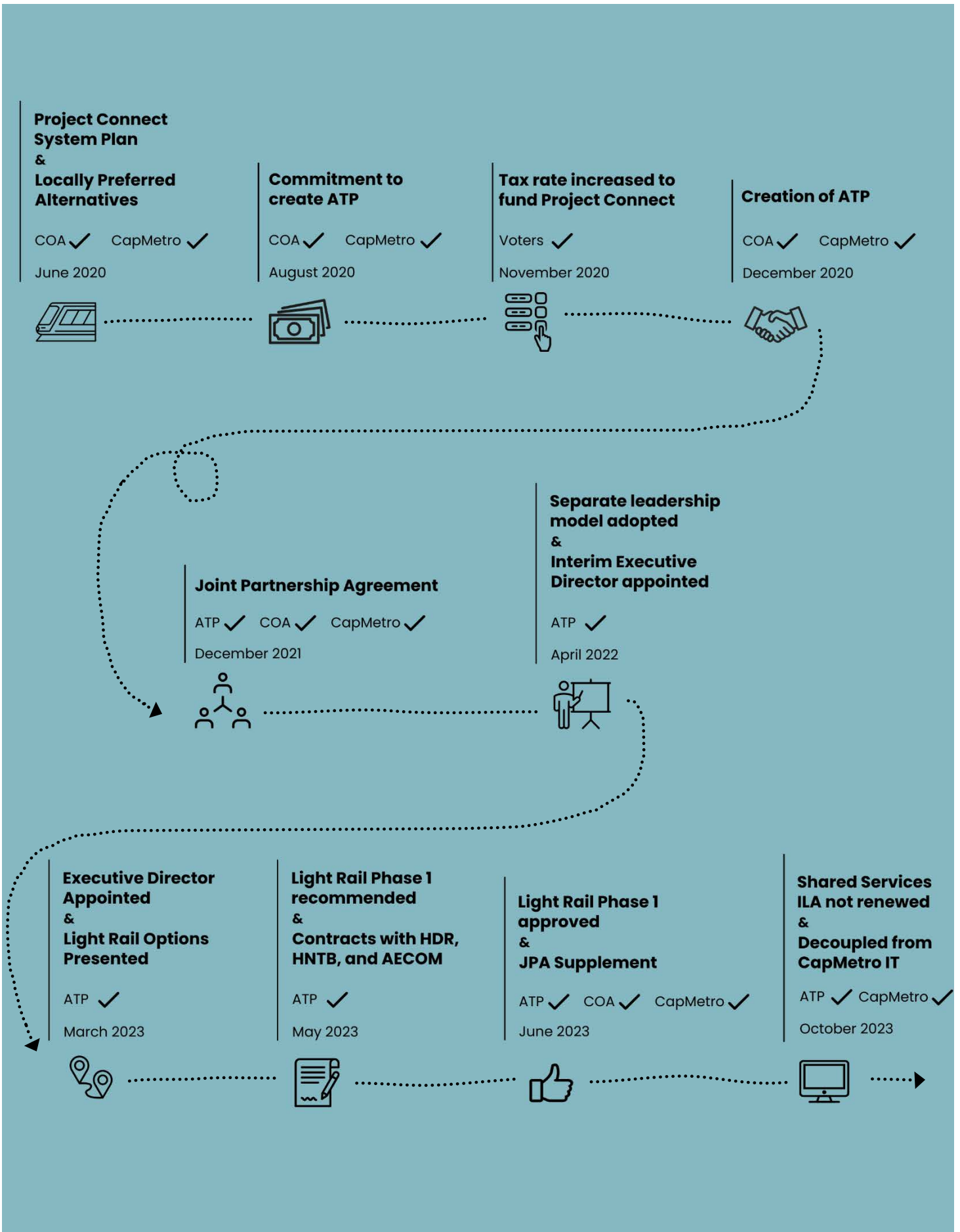
The Architecture and Urban Design team awarded a contract in January 2023 for systemwide architecture, urban design, and engineering services to HUG (HKS, UNStudio, and Gehl). The HUG team serves as the key design and engineering advisor to ATP for station design, systemwide guidelines, and other design elements as needed.

ATP Management Action Plan

Recommendation	Management Action Plan	Proposed Implementation Date	Responsible Party
<p>Recommendation 1: In conjunction with the results of the governance assessment being conducted, ATP should propose changes to the TAC bylaws and operations to include:</p> <ul style="list-style-type: none"> • <u>Attendance requirements:</u> Consider a requirement that a member who is absent for three consecutive regular meetings or one-third of all regular meetings in a “rolling” twelve-month timeframe automatically vacates the member’s position. This should not apply to excused absences, which should be defined in these changes. • <u>Term definitions and limits:</u> The current charters say members serve “at least 2 years.” Consider defining specific term limits and providing an option for reappointment at the end of the specified term. Consider adding specific guidance on how members officially resign from the TAC. • <u>Staggered Terms:</u> Consider adding structure for staggered terms for members to avoid too many vacancies on the board at one time. • <u>Bylaw amendments:</u> Consider adding guidance that amendments to the bylaws must be approved by the ATP Board. • <u>Advisory duties and responsibilities:</u> Consider expanding the purpose and duties sections of the TAC charters to provide more detail on the topics on which the TACs may advise the Board. For example, the FAR will advise the Board on issuance of bonds, hear results of audit work, provide feedback on draft annual audit plans, provide feedback on annual budget 	<p>ATP’s Governance Assessment will conclude in December 2023 and will include specific recommendations for TAC governance improvements. ATP management will consider the recommendations from this audit and those made in the Governance Assessment and propose changes to TAC bylaws and operations to the ATP Board. We will then implement changes based on Board direction.</p>	<p>March 2024</p>	<p>ATP Executive Management, with Board input</p>

Recommendation	Management Action Plan	Proposed Implementation Date	Responsible Party
<p>process, and other financial matters.</p> <ul style="list-style-type: none"> • <u>Staff role in liaising with TACs:</u> Consider adding guidelines that ATP staff will prepare minutes for TAC meetings and retain agendas, approved minutes, and all other documents for the TAC. Provide guidance on staff’s role in proposing changes and updates to TAC bylaws to the Board. 			
<p>Recommendation 2: We recommend that ATP develop the Community Engagement Dashboard and a key performance indicators dashboard to accompany the Equity Assessment Tool, as required by the JPA, and determine the best place to host the dashboards on a public-facing website.</p>	<p>The Dashboards and tool will be developed alongside the development of the Draft Environmental Impact Statement in 2024. Both dashboards will be managed by ATP and available on public websites in preparation for the comments received.</p>	<p>September 2024</p>	<p>ATP’s Community Engagement Team</p>
<p>Recommendation 3: We recommend that ATP work with the COA to explore options to expedite the permitting process for Project Connect.</p>	<p>ATP leadership will explore options with the Project Connect Office to expedite permitting for Austin Light Rail with the goal of reaching an agreement to address this need prior to moving the project into the Entry to Engineering phase of the CIG process.</p>	<p>December 2024</p>	<p>ATP Executive Management, with assistance from City leadership</p>
<p>Recommendation 4: ATP should establish a formal process for monitoring partner work related to Project Connect, such as the use of anti-displacement funds and CapMetro Project Components. This process should include setting a schedule for conducting quality audits, determining ATP attendance at partner meetings, and requiring regular updates from partners to the ATP Board on activities and critical issues that impact Project Connect service delivery, schedule, and budget.</p>	<p>The ATP Board hosts updates from the City and CapMetro on the expenditure of Prop A funds from time to time. ATP leadership will make sure such updates are a quarterly practice next year. Updates will continue in the monthly Board Reports.</p>	<p>June 2024</p>	<p>ATP Executive Management, with Board input</p>

Appendix A: Timeline of Key Events



Appendix B: Summary of JPA Requirements and Findings

ATP Function	Key Responsibilities as Described in the JPA	Key Actions to Fulfill JPA Obligations
ATP Board	<ul style="list-style-type: none"> • Approve annual ATP budget • Engage an Internal Auditor • Hire a firm to prepare annual financial reports • Establish Technical Advisory Committees • Appoint an Executive Director • Host annual joint tri-party meeting 	<ul style="list-style-type: none"> • Approved annual ATP budget each fiscal year • Engaged an Internal Auditor in early 2022 • Hired a firm to prepare annual financial reports each year • Established three Technical Advisory Committees • Appointed an Executive Director in April 2023 • Hosted an annual joint tri-party meeting per year
Legal Services	<ul style="list-style-type: none"> • Contract with persons, governmental entities, and with for-profit and non-profit entities • Employ individuals to implement Project Connect • Enter interlocal agreements with Capital Metro for the operation and maintenance of project assets 	<ul style="list-style-type: none"> • Negotiated numerous ILAs and other agreements with Project Connect partners since incorporation • Shared services agreement with COA; renewed for 2024 • Shared services agreement with CapMetro; not renewed for 2024 • ILAs for project-related costs for the CapMetro Components, previously included in shared services agreement • Drafted and negotiated the June 6th supplemental agreement to the JPA
Procurement and Contract Management	Procure professional and other services necessary for the design, construction, financing, and permitting of Project Connect	<ul style="list-style-type: none"> • Updated Procurement Policies and Procedures in March 2023 • Hired SVP of Procurement in September 2023 • Executed new contracts with HDR, HNTB, and AECOM in May 2023 with the assistance of external procurement consultant team
Business Services	The JPA doesn't include specifics related to the administration and operation of ATP, but the ATP Business Services team is tasked with supporting the ATP Board and facilitating certain support for the TACs. Key responsibilities include: human resources, board relations, and ATP administrative services.	<ul style="list-style-type: none"> • Management noted concerns with TAC attendance and participation, and lack of direction in the bylaws for how to change the bylaws and staff role's related to TACs • Engaged EY to complete a "Governance Assessment" • We recommended management consider improvements to TAC bylaws in these areas: <ul style="list-style-type: none"> ○ Attendance requirements ○ Term definitions and limits ○ Staggered terms ○ Bylaw amendments ○ Advisory duties and responsibilities ○ Staff role in liaising with TACs
Real Estate, Facilities, IT Services	<ul style="list-style-type: none"> • Acquire and hold title to real and personal property and sell real and personal property 	<ul style="list-style-type: none"> • Drafting an ILA with the COA for use of right-of-way • Memo with the City detailing the process for use of anti-displacement funds

ATP Function	Key Responsibilities as Described in the JPA	Key Actions to Fulfill JPA Obligations
	<ul style="list-style-type: none"> • Coordinate with the City and Capital Metro for temporary or permanent right-of-way use • Procedures for the use of \$300M for transit-supportive anti-displacement strategies 	<ul style="list-style-type: none"> • Taken steps to decouple from CapMetro-administered IT services • Continuing to work toward decoupling Oracle, the financial/HR system, from CapMetro pending provision of ATP data from CapMetro
Communications	<ul style="list-style-type: none"> • Report back to the community about how feedback was used following community engagement efforts • The JPA also requires two types of dashboards: a Community Engagement Dashboard and a key performance indicators dashboard to accompany the Equity Assessment Tool 	<ul style="list-style-type: none"> • Published a Community Engagement Report in May 2023 detailing six-week outreach efforts around light rail options • Monthly Board Brief Report released concurrent with each meeting of the Board • Assumed responsibility of ProjectConnect.com • Equity Assessment Tool is in development and dashboard will follow • We recommend ATP develop both dashboards and determine the best place to host on public website
Financial Services	<ul style="list-style-type: none"> • Accept funds and property appropriated by the City and Capital Metro and by other entities • Apply for grants of funds, services, and things of value and to accept awards of such grants • Accept donation of funds, services, and things of value • Issue bonds, notes, and other debt obligations as necessary for the accomplishment of the implementation of Project Connect • Reimburse the City for staffing a Project Connect Office (PCO) in accordance with the ILA between ATP and the City • Updating the Financial Model at key design milestones and as light rail implementation proceeds 	<ul style="list-style-type: none"> • ILA with the COA for transfer of property tax revenue • ILAs with CapMetro for project-related expenses • Establishing the framework for the credit structure that will be utilized to finance Austin Light Rail • Grant Administrator position included in FY24 budget • ILA funding the COA Project Connect Office renewed for FY24 • Financial Model for key design milestones is continuously updated
Engineering and Construction	<ul style="list-style-type: none"> • Provide and prioritize resources to develop and provide for design review and permitting standards that support the scope, schedule, and program budgets of Project Connect • All parties must commit to prioritizing resources to ensure all permit and inspection documents are complete and permit and inspection approvals are streamlined and efficient to support the project schedules and program budgets 	<ul style="list-style-type: none"> • Executed contracts with AECOM and HNTB in May 2023 for assistance with technical engineering for light rail • Attend regular tri-party senior management meetings to discuss key updates and activities • Attend bi-weekly design coordination meetings with tri-party representatives • Host formal design review and feedback periods at major project milestones • COA and ATP management identified permitting as a priority area of focus

ATP Function	Key Responsibilities as Described in the JPA	Key Actions to Fulfill JPA Obligations
<p>Planning, Community and Federal Programs</p>	<p><i>Grant Recipient Status</i></p> <ul style="list-style-type: none"> • Apply for grants of funds, services, and things of value and to accept awards of such grants • June 6th supplemental agreement identified ATP as the applicant for Federal grant funds for the Austin Light Rail <p><i>Monitoring of CapMetro Components of Project Connect</i></p> <ul style="list-style-type: none"> • June 6th supplemental agreement left room for oversight from the ATP Board of “CapMetro Components” stating that “any financial contributions by ATP to fund the implementation of the Capital Metro Components will require the approval of the ATP Board.” • Monitoring by ATP is built into ILAs for PV/Expo and McKalla Station; ATP will work with CapMetro on Quality processes and can conduct audits of CapMetro’s quality process <p><i>Community Engagement</i></p> <p>Details the community engagement and inclusion commitments, goals for the community engagement process, identifies priority populations, defines community engagement guiding principles, describes reporting and communication requirements, and outlines the structure and roles of the Community Advisory Committee.</p> <p><i>Workforce and Equity Policies</i></p> <p>Commitments of ATP to developing an equitable transit system through implementing equity and workforce policies:</p> <ul style="list-style-type: none"> • ATP is responsible for creating a business impact mitigation strategy that includes outreach and communications strategies and plans to minimize construction impacts on businesses. • ATP is responsible for developing and implementing a Disadvantaged Business Enterprise (DBE) Program. • ATP is responsible for developing and implementing a policy that ensures worker protections and workforce development. • ATP is charged with developing and implementing a construction careers program that meets federal and local requirements and promotes the hiring of local workers. 	<ul style="list-style-type: none"> • We recommend ATP work with COA to continue exploring options to expedite the permitting process for Project Connect <p><i>Grant Recipient Status</i></p> <ul style="list-style-type: none"> • Engaged with FTA to prepare to be a grant recipient, which will require ATP to demonstrate the legal, financial, and technical capacity to manage and deliver Austin Light Rail • Executed Contracts with HDR in May 2023 to assist ATP with the overall project management of Austin Light Rail and to perform NEPA activities under the oversight of ATP <p><i>Monitoring of CapMetro Components of Project Connect</i></p> <ul style="list-style-type: none"> • ATP recently hired a Director of Quality Management and Assurance, who will conduct these audits • We recommend that ATP establish a process to formalize monitoring of partner work related to Project Connect, such as the CapMetro Components, and require regular updates the Board <p><i>Community Engagement</i></p> <ul style="list-style-type: none"> • ATP followed JPA guidance during a 6-week engagement process that started in March 2023 for the 5 light rail plan options: <ul style="list-style-type: none"> • Provided outreach materials in English and Spanish • Hosted an in-person open house, virtual open house, bus/train stop outreach, and community conversations and presentations <p><i>Workforce and Equity Policies</i></p> <ul style="list-style-type: none"> • Research has started on how peer organizations develop and implement business mitigation strategies; assessing a budget for ATP • Appointed a DBE Liaison Officer in September 2021; DBE program is under development • Board passed a resolution in 2021 directing the ED to include workforce provisions described in the JPA, a

ATP Function	Key Responsibilities as Described in the JPA	Key Actions to Fulfill JPA Obligations
	<ul style="list-style-type: none"> ATP is charged with developing and implementing a policy that ensures a living wage, access to healthcare, and paid sick leave for all construction contracts. 	<p>living wage policy, access to healthcare, and paid sick leave in all future construction contracts</p> <ul style="list-style-type: none"> Engaged Workforce Solutions in March 2023 to assist with the construction careers program
Architecture and Urban Design	<p>The June 6th supplemental agreement to the JPA affirmed that ATP is responsible for the design of the Austin Light Rail. It also specified that ATP would maintain ownership of all plans and specifications for the Austin Light Rail, and “hold all future contracts for the planning, design, and project management for planning, design, and construction of Austin Light Rail.”</p>	<ul style="list-style-type: none"> Executed a contract with HUG (HKS, UNStudio, and Gehl) in January 2023 for systemwide architecture, urban design, and engineering services



Objective

Are processes being designed and implemented to ensure ATP fulfills key provisions of the joint powers agreement and related agreements?



Scope

ATP's administrative and light rail planning activities from 2020 to September 30, 2023.



Methodology

To complete this audit, we performed the following steps:

- Interviewed ATP staff and staff from the City's Project Connect Office,
- Reviewed the Joint Powers Agreement and the Supplemental Agreement to the Joint Powers Agreement to identify key provisions of the JPA applicable to ATP,
- Reviewed key documents related to the creation of ATP, such as the Contract with the Voters, the interlocal agreement (ILA) between CapMetro and the City of Austin creating ATP as a Local Government Corporation, the joint resolution between the CapMetro and the City of Austin creating ATP, and shared services agreements between the partners to identify the responsibilities of ATP outlined in those documents,
- Reviewed other ILAs and memorandums of understanding (MOUs) between the partners for various activities to identify responsibilities of ATP outline in those documents,
- Reviewed ATP activities to fulfill key provisions of the JPA and other agreements, including activities related to legal services, procurement and contract management, administration, real estate, information technology, communication, financial services, engineering and construction, planning, community engagement, monitoring of CapMetro components of Project Connect, workforce and equity policies, and architecture and urban design,
- Reviewed ATP Board activities to fulfill key provisions of the JPA and other agreements,
- Compared the charters for ATP's three Technical Advisory Committees to best practices from the State of Texas and City of Austin committees and commissions to identify opportunities for improvements to the bylaws,
- Reviewed best practices from the ENO Center for Transportation related to permitting transit projects,
- Evaluated information technology and fraud risks related to ATP activities to fulfill key provisions of the JPA, and
- Evaluated internal controls related to ATP's: control environment, risk assessment and control activities, information and communication, and monitoring.



Standards

This audit was conducted in accordance with the standards promulgated by the Institute of Internal Auditors (Standards). These Standards encompass such matters as independence, objectivity, proficiency, due professional care, the scope and performance of work activities, and management of the internal auditing function. We believe that our work provides a reasonable basis for the reported issues, conclusions, and recommendations.