

# **METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS**

## **INVESTMENT POLICY**

**As Approved on June 23, 2022**

### **1.0 Policy**

It is the policy of the Metropolitan Transit Authority of Harris County, Texas (“Metro”) to invest public funds in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands of Metro, conforming to all state and local statutes governing the investment of public funds and giving due consideration to the safety and risk of investments. This policy sets forth the investment program of Metro and the guidelines to be followed in achieving its objectives.

Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to Metro. Metro’s portfolio shall be designed and managed to maximize investment earnings as a revenue source, to be responsive to the public trust and to be in compliance with applicable legal requirements and limitations.

Investments shall be made with the primary objectives of:

- Preservation and safety of principal and diversification of the investment portfolio;
- Maintenance of sufficient liquidity to meet operating needs and marketability of the investment if the need arises to liquidate before maturity;
- Understanding the suitability of the investment to the financial requirements of Metro and maintaining public trust from prudent investment activities;
- Yield and optimization of interest earnings on the portfolio.

### **2.0 Purpose**

The purpose of this investment policy is to comply with Section 451.104, Texas Transportation Code, and Chapter 2256, Texas Government Code (the “Public Funds Investment Act”). The Public Funds Investment Act requires Metro to adopt a written investment policy regarding the investment of its funds and funds under its control. This investment policy addresses the methods, procedures and practices that must be exercised to ensure effective and judicious fiscal management of Metro’s funds.

### **3.0 Scope**

This investment policy shall govern the investment of all financial assets of Metro, except those listed on Schedule 1, which are set up and administered separately and whose investment activities are conducted by third parties in accordance with instructions provided in ordinances, contracts, or escrow agreements, as applicable. The following funds shall be subject to this investment policy and are accounted for in Metro’s Comprehensive Annual Financial Report (“CAFR”):

- General and Operating Funds;
- Capital Project Funds;
- Special Revenue Funds;
- Debt Service Funds, including reserves and sinking funds, to the extent not required by law, orders, resolutions or existing contracts to be kept segregated and managed separately;

- Trust and Agency Funds, to the extent not required by law, orders, resolutions or existing contracts to be kept segregated and managed separately.

Any new fund created by Metro shall be subject to this investment policy, unless specifically exempted from this investment policy by the Board or by applicable law.

Metro will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

#### **4.0 Investment Objectives**

##### General

Metro shall manage and invest its cash with four primary objectives, listed in order of priority:

- Safety
- Liquidity
- Suitability
- Yield (expressed as optimization of interest earnings)

The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to the public trust and consistent with applicable law.

Metro shall maintain a comprehensive cash management program that includes collection of account receivables, vendor payments in accordance with invoice terms and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum earnings on short-term investment of idle cash.

##### Safety

Safety is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit and interest rate risk.

Metro will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by (i) limiting investments to the safest types of investments; (ii) pre-qualifying financial institutions and broker/dealers that Metro does business with; and (iii) diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

Metro will minimize the risk that interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates by (i) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity; (ii) investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds or local government investment pools functioning as money market mutual funds; and (iii) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

##### Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that investments mature concurrent with cash needs to meet anticipated demands. Because all possible cash demands cannot be anticipated, a portion of the portfolio will be invested in shares of money market mutual funds or local government investment pools that offer same-day liquidity. In addition, a portion of the portfolio will consist of securities with active secondary or resale markets.

### Suitability

All investments shall be suitable for the type of fund invested, and the investment portfolio shall be designed with the objective of meeting all legal requirements including yield restrictions. All participants in Metro's investment process shall seek to act responsibly as custodians of the public trust. Investment officers shall avoid any transaction that might impair public confidence in Metro's ability to govern effectively.

### Yield (Optimization of Earnings)

The investment portfolio shall be designed with the objective of attaining a market rate of return through budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. Investment guidelines by fund-type are as follows:

## **5.0 Investment Strategies for Funds**

### General and Operating Funds

Investment guidelines for Metro's general and operating funds are as follows:

**Safety of Principal** — All investments shall be in high quality securities with minimal default risk. Safety of principal shall be further ensured through diversification by issuer, maturity range and security type.

**Liquidity** — The general and operating funds will have high liquidity needs. Overnight repurchase agreements, local government investment pools and money market mutual funds can provide daily liquidity and may be utilized as competitive yield alternatives to fixed maturity investments.

**Suitability** — Any investment authorized by this investment policy having a final maturity not to exceed two years is suitable for general and operating funds.

**Yield** — Attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The minimum yield objective shall be the trailing three month average of the 3-month T-bill yield.

### Capital Project Funds

Funds on deposit in capital project funds will pay for capital expenditures of Metro projects. Investment guidelines for such funds are as follows:

**Safety** — All investments shall be in high quality securities with minimal default risk. Maturities shall be placed to correspond with the anticipated capital spending or construction draw schedules. Safety of principal shall be further ensured through diversification by issuer, maturity range and security type.

**Liquidity** — Capital project funds require high short-term liquidity as the construction draw schedules are frequently uncertain. Overnight repurchase agreements, local government investment pools and money market mutual funds shall provide daily liquidity and may be utilized as competitive yield alternatives to fixed maturity investments.

**Suitability** — any investments authorized by this investment policy not exceeding the expected construction draw schedule are suitable for the capital project funds.

**Yield** — the most desirable yield objective when investing Capital Project Funds is to achieve a positive spread to the arbitrage yield that corresponds to the specific bond issue. In market conditions in which this objective is not possible within safety constraints, attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. In this case, the minimum yield objective shall be the trailing average of the yield on the Treasury security corresponding to the weighted average maturity of the capital project fund portfolio.

### Debt Service Funds

Investment guidelines for Metro debt service funds are as follows:

Safety of Principal — all investments shall be in high quality securities with no perceived default risk. Market price fluctuations will however occur, by managing the debt service fund's portfolio to not exceed the debt service payment schedule the market risk of the overall portfolio will be minimized. Market conditions influence the attractiveness of fully extending maturity to the next "unfunded" payment date. Generally, if investment rates are trending down, Metro is best served by locking in fixed rate securities. If interest rates are flat or trending up, concurrent market conditions will determine the attractiveness of extending maturity or investing in shorter alternatives. At no time shall the debt service schedule be exceeded in an attempt to bolster yield.

Liquidity — Debt service funds have predictable payment schedules. Therefore, investment maturities shall not exceed the anticipated cash flow requirements. Overnight repurchase agreements, local government investment pools and money market mutual funds shall provide competitive yield alternatives for short term fixed maturity investments.

Suitability — any investment authorized by this investment policy is suitable for the debt service fund.

Yield — attaining a competitive market yield for comparable security-types and portfolio restrictions is the desired objective. . The minimum yield objective shall be the trailing three-month average of the 3-month T-bill yield.

### Special Revenue Funds

Metro's revenue funds are short term in nature and the investment guidelines are as follows:

Safety of Principal — all investments shall be in high quality short-term investments with no perceived default risk. Diversification is less of a concern since revenue funds will be highly liquid.

Liquidity — Revenue funds require high short-term liquidity. Overnight repurchase agreements, local government investment pools and money market mutual funds shall provide daily liquidity and may be utilized as competitive yield alternatives to fixed maturity investments.

Suitability — Eligible investments will be limited to overnight repurchase agreements, \$1 NAV money market funds, \$1 NAV local government investment pools, Treasury, agency and commercial paper issues with final maturities of less than 90 days.

Yield — attaining a competitive market yield for comparable security types and portfolio restrictions is the desired objective. The minimum yield objective shall be the trailing one-month average of the four-week T-bill yield.

## **6.0 Responsibility and Control**

### Delegation of Authority

In accordance with the Public Funds Investment Act, the Board designates the officers or employees listed on Schedule 2 as Metro's Investment Officers. An Investment Officer is authorized to execute investment transactions on behalf of Metro. No person may engage in an investment transaction or the management of Metro funds except as provided under the terms of this investment policy as approved by the Board. Such investment authority granted to the Investment Officers is effective until rescinded by the Board.

### Quality and Capability of Investment Management

Metro shall provide periodic training in investments for the designated Investment Officers and other investment personnel through courses and seminars offered by professional organizations, associations, and other independent sources in order to insure the quality and capability of investment management in compliance with the Public Funds Investment Act.

### Training Requirement

In accordance with the Public Funds Investment Act, the designated Investment Officers shall attend an investment training session no less often than once within every two of the Authority's fiscal years and shall receive not less than 10 hours of instruction relating to investment responsibilities. A newly appointed Investment Officer must attend a training session of at least 10 hours of instruction within 12 months of the date the officer took office or assumed the officer's duties. The investment training session shall be provided by an independent source approved by the Board. For purposes of this investment policy, an "independent source" from which investment training shall be obtained shall include a professional organization, an institution of higher education or any other sponsor other than a business organization with whom Metro may engage in an investment transaction.

### Internal Controls

Metro's Chief Financial Officer is responsible for establishing and maintaining an internal control structure designed to ensure that Metro assets are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (i) the cost of a control should not exceed the benefits likely to be derived; and (ii) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the Chief Financial Officer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery of securities
- Clear delegation of authority to subordinate staff members
- Written confirmation for telephone (voice) transactions for investments and wire transfers
- Development of a safekeeping agreement with a depository bank or third-party custodian

### Prudence

The standard of prudence to be applied by an Investment Officer shall be the "prudent investor" rule, which states that "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived." In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:

- The investment of all funds over which the officer had responsibility rather than a consideration as to the prudence of a single investment;
- Whether the investment decision was consistent with this investment policy.

### Indemnification

The Investment Officers, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific investment's credit risk or market price changes, provided that these deviations are reported immediately and the appropriate action is taken to control adverse developments.

### Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that would impair their ability to make impartial decisions. Employees and Investment Officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of Metro.

An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to Metro shall file a statement disclosing that personal business interest. An Investment Officer who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to Metro shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board.

## **7.0 Suitable and Authorized Investments**

### Portfolio Management

Metro currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity for the following reasons:

- An investment with declining credit may be liquidated early to minimize loss of principal;
- Cash flow needs of Metro may require that the investment be liquidated;
- To improve the overall quality or maturity structure of the portfolio;
- To enhance the interest earnings of the portfolio.

### Authorized Investments

Metro funds governed by this policy may be invested in the instruments described below, all of which are authorized by the Public Funds Investment Act. Investment of Metro funds in any instrument or security not authorized for investment under such act is prohibited. Metro will not be required to liquidate an investment that becomes unauthorized subsequent to its purchase.

- (a) Obligations of the United States of America or its agencies and instrumentalities.
- (b) Fully collateralized certificates of deposit issued by a state or national bank domiciled in the State of Texas, a savings and loan association domiciled in the State that are fully insured for the principal and accrued interest by the United States or an instrumentality of the United States
- (c) Direct obligations of the State of Texas or its agencies and instrumentalities;
- (d) Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States of America or their respective

agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance or by the explicit full faith and credit of the United States of America.

- (e) Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent;
- (f) Fully collateralized repurchase agreements if Metro has obtained a signed Master Repurchase Agreement with the company with which the agreement is entered, as authorized by the Public Funds Investment Act or other applicable law;
- (g) Commercial Paper with a stated maturity of 270 days or fewer from the date of issuance, and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies, as authorized by the Public Funds Investment Act or other applicable law;
- (h) No-load money market mutual funds registered and regulated by the Securities Exchange Commission, with a dollar-weighted average stated maturity of 90 days or fewer, which provides investing entities with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and which include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, as authorized by the Public Funds Investment Act.
- (i) Guaranteed investment contracts and flexible repurchase agreements, as authorized by the Public Funds Investment Act or other applicable law.
- (j) Local government investment pools that (i) meet the requirements of the Public Funds Investment Act; (ii) are rated no lower than AAA, or AAAm or an equivalent rating by at least one nationally recognized rating service; and (iii) seek to maintain a stable net asset value of \$1 for each share, as authorized by the Public Funds Investment Act.
- (k) Any other investment authorized by the Public Funds Investment Act.

#### Credit Downgrade Provision

An investment that requires a minimum rating under this policy does not qualify as an authorized investment during any period in which the investment does not have the minimum rating. All prudent measures consistent with this policy will be taken to liquidate an investment that is downgraded to less than the required minimum rating.

#### Securities Lending

Metro may enter into a securities lending program with an authorized broker/dealer or financial institution in order to enhance investment return. Metro may administer a securities lending program directly or, if conditions warrant, use an outside agent. Should an agent be used, one will be selected by the Board using appropriate criteria. Securities lending will only be transacted with a written agreement, approved by legal counsel, which details: (i) acceptable types of collateral; (ii) standards for collateral custody and control; (iii) collateral valuation and initial margin, accrued interest, marking to market, and margin calls; (iv) method for transmitting security income; and (v) acceptable methods for delivery of securities and collateral.

### Approved List of Money Market Mutual Funds and Investment Pools and Federal Agencies

An approved list of money market mutual funds and investment pools is attached to this investment policy as Schedule 3. An approved list of federal agencies is attached to this investment policy as Schedule 4.

### Not Authorized

The following types of investments are strictly prohibited.

- (a) Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal. (Commonly referred to as “IOs”)
- (b) Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest. (Commonly referred to as “POs”)
- (c) Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
- (d) Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index. (Commonly referred to as “Inverse Floaters”)

### Maximum Maturities

The longer the maturity of investments, the greater their price volatility. It is Metro’s policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risk caused by changes in interest rates.

Metro will attempt to match its investments with anticipated cash flow requirements. With the exception of investments made for Capital Projects Funds, Metro will not directly invest in securities maturing more than two (2) years from the date of purchase; however, the above described obligations, certificates or agreements may be collateralized using longer dated investments.

Because no secondary market exists for repurchase agreements, the maximum maturity shall be 120 days, except in the case of a guaranteed investment contract or flexible repurchase agreement for bond proceeds. The maximum maturity for such an investment shall be determined in accordance with project cash flow projections and the requirements of the governing bond order or resolution.

### Diversification

It is the policy of Metro to diversify its investment portfolio. Metro recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. All funds shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- (a) Limiting investments to avoid over-concentration in investments from a specific issuer or security type, excluding U.S. Treasury securities and other investments backed by the full faith and credit of the United States.
- (b) Limiting investments that have higher credit risks (example: commercial paper).
- (c) Investing in investments with varying maturities. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific sector. Maturities shall be selected that provide for stability of income and reasonable liquidity.
- (d) Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money-market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.



The following maximum limits, by instrument, are established for Metro's total portfolio:

1.	U.S. Treasury Securities	100%
2.	Agencies and Instrumentalities	85%
	<u>Per issuer maximum limits:</u>	
	• FNMA, FHLMC, FHLB, FFBC	40%
	• Other Federal Agency/GSE	10%
3.	Certificates of Deposit	25%
4.	Corporate Commercial Paper	40%
5.	Municipal Commercial Paper	25%
6.	Municipal Bonds or Notes	25%
7.	Repurchase Agreements*	10%
8.	Money Market Mutual Funds	50%
9.	Authorized Investment Pools	75%

\*Excluding flexible repurchase agreements for bond proceeds investments.

## **8.0 Selection of Banks and Broker/Dealers**

### Banks

Metro will maintain a list of qualified public depositories approved by the Board that are authorized to hold Metro funds. Deposits will only be placed with those institutions that have:

- (a) Provided audited financial statements;
- (b) Submitted a written request or completed an application to be an authorized depository;
- (c) Been designated by the Board as an authorized depository;
- (d) Signed an appropriate form of security or collateral agreement; and
- (e) Provided collateral as required by applicable law.

An annual review of the financial condition of each depository holding Metro funds will be conducted by Metro. A current audited financial statement is required to be on file for each broker/dealer and financial institution that transacts any investment activities with Metro.

### Broker/Dealers

Metro will maintain a list of approved broker/dealers and financial institutions that have been approved by the Board and are authorized to provide investment services in the State of Texas. Investments shall only be made with those firms who qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule) and who have:

- (a) Provided audited financial statements;
- (b) Completed a response to all requested information in any Metro questionnaire relating to creditworthiness, experience and reputation;
- (c) Acknowledged, in writing, that the policy has been thoroughly reviewed by qualified representatives dealing directly with Metro's account and that the organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between Metro and the organization that are not authorized by Metro's investment policy, except to the extent that this authorization depends on an analysis of the makeup of Metro's entire portfolio or requires an interpretation of subjective investment standards; and

(d) Met any qualifications and standards recommended and approved by the Board.

An annual review of the financial condition and registrations of authorized broker/dealers and financial institutions providing investment services will be conducted by Metro. In addition, the quantity of transactions conducted with each approved broker/dealer will be reviewed at least annually. The results of this review and the related recommendations shall be submitted to the Board. The Board shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with Metro.

Securities shall be purchased using the delivery vs. payment method with the exception of investment pools and mutual funds. Funds will be released after notification that the purchased security has been received.

#### Approved List

An approved list of banks and broker/dealers is attached to this investment policy as Schedule 5.

#### Competitive Quotes

Each investment transaction shall be based upon competitive quotations received from at least three (3) broker/dealers approved by Metro. Competitive quotes shall be documented and retained as part of the transaction record.

#### Investment Advisors

Metro may contract with an investment advisor, who shall adhere to the spirit, philosophy and specific term of this Policy and shall invest within the same "Standard of Care." The investment advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board. Advisors may assist Metro with the management of its funds and other responsibilities including but not limited to, broker compliance, competitive bidding, reporting and security documentation.

An appointed Investment Advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy. At no time shall the advisor take possession of securities or funds or otherwise be granted discretionary authority to transact business on behalf of Metro except as delineated by Metro in the pools listed on Schedule 3 – Approved List of Investment Pool, Money Market Mutual Funds and Overnight Sweep Fund.

### **9.0 Safekeeping of Securities and Collateral**

To protect against potential fraud and embezzlement, the financial assets of Metro shall be secured through safekeeping procedures. The Investment Officers shall be bonded to protect the public against possible embezzlement and malfeasance.

#### Securing Deposits of Authority Funds

Metro shall contract with a bank or banks for the safekeeping of securities either owned by Metro as part of its investment portfolio or held as collateral to secure demand or time deposits. Securities owned by Metro shall be held in Metro's name as evidenced by safekeeping receipts of the institution holding the securities.

Collateral for deposits will be held by a third party custodian designated by the entity and pledged to Metro as evidenced by safekeeping receipts of the institution with which the collateral is deposited. Original safekeeping receipts shall be obtained. Collateral may be held by the depository bank's trust department, a Federal Reserve Bank or branch of a Federal Reserve Bank, a Federal Home Loan Bank, or a third-party bank approved by Metro.

#### Collateral Policy

Consistent with the requirements of the Public Funds Collateral Act, it is the policy of Metro to require full collateralization of all Metro funds on deposit with a depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits less the amount insured by the FDIC. At its discretion, Metro may require a higher level of collateralization for certain security types. Securities pledged as collateral shall be held by an independent

third party with whom Metro has a current custodial agreement. Metro's Chief Financial Officer is responsible for entering into collateralization agreements with third-party custodians in compliance with this investment policy. The agreements are to specify the acceptable security types for collateral, including provisions relating to possession of the collateral, the substitution or release of collateral, ownership of collateral, and the method of collateral valuation. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to Metro and retained in file. Collateral shall be reviewed at least monthly to assure that the market value of the pledged securities is adequate.

#### Collateral Defined

Metro shall accept only the following types of collateral:

- Obligations of the United States or its agencies and instrumentalities.
- Direct obligations of the State of Texas or its agencies and instrumentalities.
- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, provided that these CMO's do not fall under the Not Authorized section listed above.
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than AA or its equivalent with a remaining maturity of ten (10) years or less.
- A surety bond issued by an insurance company rated as to investment quality by a nationally recognized rating firm not less than A.
- A letter of credit issued to the entity by the Federal Home Loan Bank.

#### Subject to Audit

All collateral shall be subject to inspection and audit by a Metro representative or Metro's independent auditors.

### **10.0 Performance**

#### Performance Standards

Metro's investment portfolio will be managed in accordance with the parameters specified within this investment policy. The portfolio shall be designed with the objective of obtaining a reasonable market yield through budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow requirements of Metro.

#### Performance Benchmark

It is the policy of Metro to purchase investments with maturity dates coinciding with cash flow needs. Through this strategy, Metro shall seek to optimize interest earnings utilizing allowable investments available on the market at that time. Market value will be calculated on a quarterly basis on all securities owned and compared to current book value. Metro's portfolio shall be designed with the objective of attempting to meet or exceed the average yield on U.S. Treasury securities at a maturity level comparable to Metro's weighted average maturity in days.

### **11.0 Reporting**

#### Methods

The Investment Officer shall prepare an investment report on a quarterly basis that summarizes investment strategies employed in the most recent quarter and describes the portfolio in terms of investment securities, maturities, and yield to maturity.

The quarterly investment report shall include a summary statement of investment activity prepared in compliance with generally accepted accounting principles. This summary will be prepared in a manner that will allow Metro to ascertain whether investment activities during the reporting period have conformed to this investment policy. The report will be provided to the Board. The report must:

- Describe in detail the investment position;
- Be prepared jointly by all Metro investment officers;
- Be signed by each investment officer;
- Contain a summary statement prepared in compliance with generally accepted accounting principles of each pooled fund group that states the: beginning market value for the reporting period; additions and changes to the market value during the period; ending market value for the period; fully accrued interest for the reporting period;
- State the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;
- State the maturity date of each separately invested asset that has a maturity date;
- State the fund for which each individual investment was acquired;
- Include a statement of compliance of Metro's investment portfolio with state law and the investment strategy and policy approved by the Board.

An independent auditor will perform a formal annual review of the quarterly reports with the results reported to the governing body

#### Monitoring Market Values and Ratings

Market value of all securities in the portfolio will be obtained from a reputable and independent source such as Bloomberg and disclosed to the Board not less than quarterly in a written report. The Ratings of all investments requiring a minimum rating to be considered an acceptable investment will be verified from a reputable, independent source such as Bloomberg, Standard and Poors or Moody's Investor Services and any downgrades disclosed to the Board not less than quarterly in a written report. The Authority shall take all prudent measures that are consistent with its investment policy to liquidate any investment that does not maintain the minimum rating prescribed by the Texas Public Funds Investment Act.

#### **12.0 Investment Policy Adoption**

Metro's investment policy shall be adopted by resolution of the Board. It is Metro's intent to comply with all applicable state laws and regulations. Metro's investment policy shall be subject to revisions consistent with changing laws, regulations, and needs of Metro. Metro shall adopt a resolution stating that it has reviewed the policy and investment strategies annually, approving any changes or modifications.

#### **SCHEDULES**

Schedule 1 — Metro Funds Specifically Exempted From Investment Policy

Schedule 2 — List of Investment Officers

Schedule 3 — Approved List of Money Market Mutual Funds and Investment Pools

Schedule 4 — Approved List of Federal Agencies

Schedule 5 — Approved List of Banks and Broker/Dealers

Schedule 6 — Approved Sources for Public Funds Investment Training

### **Schedule 1 — Metro Funds Specifically Exempted From Investment Policy**

Construction Funds and balances in both the General Mobility Escrow and Real Estate Fund are specifically exempted from the maximum allocation guidelines set forth in Section 7.0 of the Investment Policy.

### **Schedule 2 — List of Investment Officers**

George Fotinos	Interim Chief Financial Officer
Philip Brenner	Director of Office of Management & Budget
Katy Wei	Management Analyst, Debt Service & Investments

### **Schedule 3 — Approved List of Investment Pools, Money Market Mutual Funds and Overnight Sweep Fund**

#### **Investment Pools:**

TexStar  
LOGIC  
TexPool  
Texas DAILY  
Texas CLASS

#### **Money Market Mutual Funds:**

SEI Investments Government Fund  
Invesco Government and Agency Portfolio  
Wells Fargo 100% Treasury Money Market Fund  
Goldman Sachs Financial Square Government Fund/Select  
BlackRock T-Fund Liquidity Fund

#### **Overnight Sweep Fund:**

Wells Fargo Public Institutional Bank Deposit Account

### **Schedule 4 — Approved List of Federal Agencies and Instrumentalities**

All indirect obligations of the U.S. “such as” :

Federal Farm Credit Bank  
Federal Home Loan Bank  
Federal Home Loan Mortgage Corporation  
Federal National Mortgage Corporation  
Federal Agricultural Mortgage Corporation  
Federal National Mortgage Association

“and other federal agency obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States, its agencies or instrumentalities.”

Direct Obligations of the State of Texas or any county, city, school district or other political subdivision of the State of Texas are also approved investments

## **Schedule 5 - Depository Banks and Broker/Dealers**

### **Approved Depository Banks:**

JPMorgan Chase  
BBVA Compass (Formerly Guaranty Federal Savings)  
East West Bank (For Certificates of Deposit Only)  
Cadence Bank (For Certificates of Deposit Only)  
Wells Fargo

### **Approved Broker / Dealers**

American Veterans Group, PBC	Multi-Bank Securities, Inc.
BOK Financial Securities, Inc	Piper Sandler & Co.
Blaylock Van, LLC	PNC Capital Markets, LLC
Cabrera Capital Markets, LLC	Ramirez and Co., Inc.
Cantella & Co. Inc.	Raymond James
Crews & Associates, Inc.	RBC Capital Markets, LLC
FHN Financial Capital Markets	Rice Financial Products Co.
Great Pacific Securities	Robert W. Baird & Co.
Hilltop Securities	Stern Brothers & Co.
Jefferies LLC	Vining Sparks
Loop Capital Markets	Wells Fargo Securities, LLC
Mischler Financial Group, Inc.	Inspirex, LLC

## **Schedule 6 – Approved Sources for Public Funds Investment Training**

American Women’s Society of Certified Public Accountants  
Chartered Financial Analyst Society  
Government Finance Officers Association of Texas  
Government Treasurers’ Organization of Texas  
Public Financial Management  
Texas Public Employees Retirement System  
Texas Society of Certified Public Accountants  
Texas State University  
The Texas Association of Counties  
The University of North Texas Center for Public Management