METRO AREA TRANSIT SYSTEM CORPORATION

BOARD OF DIRECTORS MEETING

MONDAY, JANUARY 31, 2022 3:30 P.M.
METRO AREA TRANSIT SYSTEM
BOARD OF DIRECTORS MEETING
AGENDA

MONDAY, JANUARY 31, 2022 3:30 P.M.

A. CALL TO ORDER

B. CITIZEN COMMENTS

C. ACTION ITEMS
   1. MATSBA2022-01 Security Brokers/Dealers
   2. MATSBA2022-01 Banking and Investment Authorization

D. RESOLUTIONS
   1. MATSR2022-01 Resolution of the Adoption of the Investment Policy

E. OTHER BUSINESS

F. EXECUTIVE SESSION

   The Board of Directors may convene in Executive Session under the Texas Open Meetings Act for the consultation with its Attorney pursuant to Section 551.071; deliberation regarding real property pursuant to Section 551.072; deliberation regarding prospective gift pursuant to Section 551.073; deliberation regarding personnel matters pursuant to Section 551.074; deliberation regarding security devices pursuant to Section 551.076 and/or deliberations regarding economic development negotiations pursuant to Section 551.087.

G. RECONVENE

H. VOTE ON ACTION TAKEN ON MATTERS DELIBERATED IN EXECUTIVE SESSION

I. ADJOURN

PLEASE CHECK WEBSITE FOR FUTURE MEETINGS.
MATS BOARD OF DIRECTORS
ACTION ITEM

Item Number: MATSBA2022-01  
Item Title: Security Broker/Dealers

Meeting Date: January 31, 2022

BACKGROUND

The Texas Public Funds Investment Act and the Metro Area Transit System Corporation (MATS) Investment Policy requires the Board of Directors to review and adopt, at least annually, a list of qualified security broker/dealers that are authorized to engage in investment transactions with Metro Area Transit System Corporation. The investment policy will be distributed to the selected security broker/dealers. The following firms are proposed as the authorized security broker/dealers:

- FTN Financial
- Mishcler Financial Group
- Mutual Securities
- Multi-Bank Securities
- Ramirez & Company
- Raymond James
- Rice Financial
- Wells Fargo Securities

RECOMMENDATION

We recommended that the MATS Board of Directors adopt the above list of broker/dealers as authorized security dealers or brokers authorized to engage in investment transactions with Metro Area Transit System Corporation.

Approved by:

Kelli Shields, Vice President/Secretary

Wayne Gensler, PRESIDENT
MATS BOARD OF DIRECTORS
ACTION ITEM

Item Number: MATSBA2022-02  Meeting Date: January 31, 2022
Item Title: Banking and Investment Authorization

BACKGROUND

MATS's Investment Policy, adopted by the Board of Directors, states the Vice President of Finance / Chief Financial Officer (CFO), Controller, Assistant Treasurer, and Finance/Accounting Administrator, of Trinity Metro acting under the general supervision of the President of MATS, are responsible for administration of MATS's comprehensive cash management and investment program, and are designated as MATS's Investment Officers. As a function of those responsibilities, the following persons are hereby authorized to execute all contract and other agreements necessary to establish bank and investment accounts, with the express powers granted to enter into treasury management services agreements as necessary for account transactions, including but not limited to wire and ACH transfers:

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<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Signature</th>
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</thead>
<tbody>
<tr>
<td>Wayne Gensler</td>
<td>President, MATS</td>
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<tr>
<td>Fred Crosley</td>
<td>Vice President of Finance / CFO</td>
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<tr>
<td>Christopher Grenier</td>
<td>Controller/Special Projects</td>
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<tr>
<td>Greg Dickey</td>
<td>Assistant Treasurer</td>
<td></td>
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<tr>
<td>Renata Snipes</td>
<td>Finance/Accounting Administrator</td>
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Additionally, the Investment Policy allows the Vice President/Chief Financial Officer to delegate day-to-day administrative duties to other employees.

RECOMMENDATION

We request the Metro Area Transit System Corporation Board of Directors adopt the above Delegated Bank and Investment Authorization.

Approved by:

______________________________  __________________________  __________________________
Kelli Shields, Vice President/Treasurer  DATE  Wayne Gensler
PRESIDENT
WHEREAS, the Texas Public Funds Investment Act requires the governing body of an investing entity to adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control; and

WHEREAS, the Texas Public Funds Investment Act requires the governing body of an investing entity to review its investment policy and investment strategies not less than annually, and to adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies; and

WHEREAS, the Board of Directors of Metro Area Transit System Corporation considers it necessary and prudent to comply with the above provisions of the Texas Public Funds Investment Act.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF METRO AREA TRANSIT SYSTEM CORPORATION

THAT:

1. The Investment Policy and investment strategies of Metro Area Transit System Corporation have been reviewed by the Board of Directors of Metro Area Transit System Corporation.

2. The attached Investment Policy is hereby adopted as the Investment Policy of Metro Area Transit System Corporation.

ADOPTED

Kelli Shields, Vice President/Secretary
Metro Area Transit System Corporation
INVESTMENT POLICY
January 2022

THE STATE OF TEXAS

COUNTY OF TARRANT

FORT WORTH TRANSPORTATION AUTHORITY

§
§
§

I, the undersigned, Secretary of the Board of Directors for Metro Area Transit System Corporation, hereby certify that the above and foregoing is a true, full and correct copy of the duly presented and adopted by the Board of Directors, at a regular session held on the 31st day of January, A.D. 2022, as same appears of record in the official Authority files.

WITNESS my hand and seal of said Corporation this 31st day of January A.D. 2022.

_________________________

Kelli Shields
Vice President/Secretary
Board of Directors
Metro Area Transit System Corporation

AUTHORITY SEAL
INVESTMENT POLICY
January 2022

METRO AREA TRANSIT SYSTEM CORPORATION
(“MATS”)

INVESTMENT POLICY

Section 1. GENERAL STATEMENT OF PURPOSE.

This Investment Policy is intended to provide guidelines for the Board of Directors and the staff regarding the investment of public funds entrusted to Metro Area Transit System Corporation and to set reasonable standards and limitations concerning MATS’s investment activities. This Policy is intended to satisfy statutory requirements of Chapter 452 of The Texas Transportation Code, and The Texas Public Funds Investment Act (the “Act”).

Section 2. CASH MANAGEMENT PROGRAM.

MATS shall maintain a comprehensive cash management program supported by Trinity Metro to include the effective administration and collection of accounts receivable, the prompt deposit of receipts to MATS bank accounts, the timely payment of obligations, and the prudent investment of available cash in accordance with this Policy (“Policy”).

Procedures shall be developed and maintained to ensure that this Policy is observed and that timely and accurate information is available to assist in making investment decisions.

Section 3. SCOPE OF POLICY.

This Investment Policy applies to activities of MATS with regard to the investing of all operating and capital funds, including any sales tax revenues. Funds will be primarily pooled for investment purposes to allow of consolidated strategy development and implementation.

This Policy does not apply to the investment of assets accrued for the purpose of funding employee retirement benefits or programs, except for those funds representing a liability for the employer's contribution to any 401(k) and 457 (b) Retirement Plans which are held temporarily in MATS’s operating account before being transferred to the plan accounts. Furthermore, this Policy does not apply to entrusted or escrowed funds, which are invested in accordance with instructions provided in contractual or escrow agreements.

Section 4. POLICY OBJECTIVES AND INVESTMENT STRATEGY.

MATS's investment strategy shall be conducted so as to accomplish the following
objectives, listed in priority order:

A. **Understanding** of the suitability of the investment to the financial requirements of MATS. Any investment authorized by this Policy is suitable for all funds.

B. **Safety.** Preservation and safety of the invested principal shall be achieved by limiting issuer credit risk and maturity-related market risk.

C. **Liquidity.** MATS's investment portfolio will remain sufficiently liquid to meet all operating requirements and pay obligations of MATS on or before the due date by maintaining minimum cash equivalent balances and matching investment maturities to projected cash flows.

D. **Marketability** of the investment will be considered in the risk/return analysis; in case the need arises to liquidate the investment before maturity.

E. **Diversification** of the investment portfolio, as to issuer credit and investment maturity, shall be implemented as appropriate; and

F. **Yield.** MATS's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with MATS's investment risk constraints and the cash flow characteristics of the portfolio. Weighted average yield to maturity shall be the performance measurement standard.

The following investment strategy has been designed to accomplish these objectives:

1. MATS will invest only in those securities listed as **AUTHORIZED INVESTMENTS** in Section 7 of this Policy. Any securities not listed will not be eligible investments.

2. At all times, MATS will maintain a cash position sufficient to meet daily liquidity requirements. This will be accomplished by maintaining at least 10 percent of the total portfolio in cash equivalent options, including but not limited to: financial institution deposits, local government investment pools, money market funds, and/or overnight repurchase agreements.

Section 5. RESPONSIBILITIES.

A. Board of Directors.
The Board of Directors is responsible for:

1. Adopting a Policy, which will be followed by the Investment Officers;

2. Reviewing the Policy and investment strategies not less than annually, and adopting a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the Policy and incorporated investment strategies and that the written instrument so adopted shall record any changes made to either the Policy or investment strategies;

3. Designating one or more banks to serve as the primary depository for the funds of MATS;

4. Approving the selection of banks and/or firms for the purpose of providing investment management services to MATS;

5. Reviewing investment performance on at least a quarterly basis;

6. Approving independent sources for providing investment training to MATS's Investment Officers, as required by the Public Funds Investment Act; and

7. Reviewing and adopting at least annually a list of qualified broker/dealers that are authorized to engage in investment transactions with Trinity Metro or on behalf of MATS.

B. Investment Officers.

The Chief Financial Officer/Vice President of Finance (“CFO”), Controller, Assistant Treasurer, and Finance/Accounting Administrator of Trinity Metro, acting under the general supervision of the President of MATS, are responsible for administration of MATS's comprehensive cash management and investment program, and are designated as MATS's Investment Officers. The CFO may delegate day-to-day administrative duties as outlined below to other employees authorized to perform investment activities for MATS, or to banks and/or firms approved by the Board of Directors to provide MATS with investment management services.

The CFO is responsible for establishing and maintaining an internal control structure. The controls shall be designed to ensure that the funds are protected from loss due to employee error, fraud, 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 (1) the cost of a control should not exceed the benefits likely to be derived; and
INVESTMENT POLICY
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(2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

1. Avoidance of collusion
2. Separation of duties
3. Custodial safekeeping
4. Avoidance of physical delivery of securities
5. Clear delegation of authority, and
6. Written confirmation procedures for investment transactions and wire transfers.

In order to ensure qualified and capable investment management, the Investment Officers of MATS and other MATS employees with investment responsibilities shall be knowledgeable of laws concerning the investment of public funds, current investment practices and investment opportunities available to MATS. The Investment Officers shall attend investment training: first, within 10 months after taking office or assuming duties, and second, on an ongoing basis, not less than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive fiscal years after that date, and accumulate not less than 10 hours of instruction relating to investment responsibilities for each of those requirements. The following organizations are approved as providers of this training:

- The Government Finance Officers Association;
- The Government Finance Officers Association of Texas;
- The Government Treasurers Organization of Texas;
- The North Central Texas Council of Governments;
- The Texas Municipal League; and
- The Treasury Management Association.

C. Ethics and Conflicts of Interest

Investment 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. Investment Officers and employees 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. Investment Officers and
employees shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of MATS.

An Investment Officer who has a personal business relationship with an organization seeking to sell an investment to MATS 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 MATS shall file a statement disclosing that relationship. A statement required under this subsection must be filed with The Texas Ethics Commission and the Board of Directors.

Section 6. DUTIES OF THE INVESTMENT OFFICERS.

Duties of the Investment Officers shall include the following:

1. Maintain current information as to available cash balances in MATS bank accounts, and as to the amount of idle cash available for investment;

2. Develop and maintain cash flow projections to allow for the prudent investment of idle funds;

3. Make investments in accordance with this Policy, including investing and reinvesting funds of MATS and providing for money to be withdrawn from appropriate accounts for the purpose of making investments;

4. Maintain current information as to investment transactions;

5. Ensure that all investments are adequately secured, that safekeeping receipts are held by MATS in accordance with this Policy, and ensure that other requirements placed on financial institutions and broker/dealers by this Policy are observed;

6. Not less than quarterly, prepare and submit to the Board of Directors and the President a written report of investment transactions for all funds covered by this Policy for the preceding reporting period;

7. Not less than annually, submit the Investment Policy to the Board of Directors for review, along with recommended amendments to ensure that all legal requirements are satisfied and that the Policy reflects current investment practices;

8. Not less than annually, submit to the Board of Directors for review and approval a list of qualified broker/dealers authorized to engage in investment
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transactions with MATS; and

9. Supervise and approve the substitution of securities pledged to secure MATS’s deposits.

Section 7. AUTHORIZED INVESTMENTS.

The following investments are authorized under this section:

A. Obligations of, or guaranteed by governmental entities.

1. Obligations of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

2. Obligations of the State of Texas or its agencies and instrumentalities;

3. 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;

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

5. 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 A or its equivalent.

B. Certificates of deposit, and other forms of deposit, placed in compliance with the Act

C. Fully collateralized repurchase agreements if the repurchase agreement:

1. has a defined termination date;

2. is secured by cash and/or obligations described in Section 7(A) above;

3. requires the securities being purchased to be pledged to MATS, held in MATS's account, and deposited at the time the investment is made with
MATS or with a third party selected and approved by MATS;

4. is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas, and

5. complies with other provisions of this Investment Policy regarding repurchase agreements (see Section 9-C).

D. Mutual funds.

1. A no-load money market mutual fund is an authorized investment if the mutual fund:

(A) is registered with and regulated by the Securities and Exchange Commission;

(B) provides a prospectus and other information required by the Securities Exchange Act of 1934;

(C) has a dollar-weighted average stated maturity in compliance with Securities and Exchange Commission regulation;

(D) includes in its investment objectives the maintenance of a stable net asset value of $1.0000 for each share; and

(E) is rated no lower than AAAm or an equivalent rating by at least one nationally recognized rating service.

E. Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and 3) seek to maintain a $1.00 net asset value.

Section 8. QUALIFYING INSTITUTIONS.

Investments may be made with or through the following institutions:

A. Federally insured depository institutions that have a main office or a branch office in Texas;
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B. Brokers or security dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York, also known as the "primary government securities dealers;" or

C. Firms approved by the Board of Directors.

MATS shall evaluate the soundness of a financial institution, broker/dealer to the extent considered necessary by the Investment Officers, before entering into an investment transaction. Such an evaluation may include review of rating agency reports, and analysis of management, profitability, capitalization, and asset quality. Financial institutions, broker/dealers wishing to do business with MATS shall provide requested financial and performance information.

A written copy of the MATS's Investment Policy shall be provided to any person offering to engage in an investment transaction with MATS.

A qualified representative of the local government investment pool or discretionary investment management firm (i.e. business organization), if any, shall execute a written instrument in a form acceptable to the MATS's Investment Officers and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the Investment Policy; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between MATS and the organization that are not authorized by MATS's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of MATS's entire portfolio, requires an interpretation of subjective investment standards, or relates to investment transactions that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

The Investment Officers of MATS may not acquire or otherwise obtain any authorized investment described in MATS's Investment Policy from a business organization who has not delivered to MATS the instrument required.

At least annually, the Board of Directors shall review and adopt a list of qualified broker/dealers that are authorized to engage in investment transactions with MATS.

Section 9. COLLATERALIZATION AND SAFEKEEPING.

A. Certificates of Deposit and Other Evidences of Deposit.
MATS will accept as collateral for its certificates of deposit and other evidences of deposit, not insured by the Federal Deposit Insurance Corporation, eligible obligations as defined by the Public Funds Collateral Act including marketable securities and letters of credit. MATS reserves the right to accept or reject any obligation proposed for collateral. Collateral securities must be owned outright by the pledging financial institution.

Uninsured deposits, including accrued interest, collateralized by marketable securities shall have a minimum collateral market value of: 102% for U.S. Treasury bills, notes or bonds with a remaining maturity of three (3) years or less, and 105% for the other eligible securities.

All financial institutions pledging collateral shall be required to sign a collateralization agreement. The agreement shall define MATS’s rights to the collateral in case of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- The agreement must be in writing;
- The agreement has to be executed by the financial institution and MATS contemporaneously with the deposit;
- The agreement must be approved by the Board of Directors or designated committee of the financial institution and a copy of the meeting minutes must be delivered to MATS; and
- The agreement must be part of the financial institution’s “official record” continuously since its execution.

Securities pledged as collateral must be retained by a custodial bank eligible as per the Public Funds Collateral Act. MATS shall be provided the original pledge receipt on each pledged security and a monthly collateral report directly from the custodian. MATS, the pledging financial institution and the custodial bank(s) shall operate in accordance with a custodial agreement acceptable to MATS.

MATS must have confirmation from its custodial bank that collateral pledged from a financial institution is in MATS's account before investing in certificates of deposit or other evidences of deposit at the financial institution. This confirmation may be oral, but must be followed in writing with the original safekeeping receipt provided to MATS.

An Investment Officer must approve release of collateral in writing prior to its removal from the custodial account, however substitution of similar security-type and market value will be allowed without prior approval.
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Collateral shall be reviewed on at least a monthly basis by an Investment Officer and may be audited by MATS at any time during normal business hours of the custodial bank. In addition, collateral shall be audited at least annually by Trinity Metro's or MATS’s independent external auditors.

The financial institutions with which MATS invests and/or maintains other deposits shall provide monthly, and as requested by MATS, a listing of MATS's certificates of deposit and other deposits at the institution, and a listing of the collateral pledged to MATS marked to current market values. The listing shall include total pledged securities itemized by:

- Name, type and description of the security;
- Pledge receipt number;
- Par value;
- Current market value;
- Maturity date; and
- Moody's, Fitch or Standard & Poor's rating (if available).

MATS and the financial institution shall assume joint responsibility for ensuring that the pledged collateral is sufficient.

B. Securities.

All securities purchased by MATS shall be purchased on a "delivery versus payment" basis. That is, MATS shall authorize release of its funds only after it has received notification from the safekeeping bank that a purchased security has been received in MATS’s safekeeping account. This notification may be oral, but must be followed in writing with the original safekeeping receipt provided to MATS.

C. Repurchase Agreements.

Whenever a repurchase agreement is used by MATS as an investment, the following rules shall be observed:

1. The securities underlying the repurchase agreement shall be those described under Section 7 ("Authorized Investments") of this Policy;
2. The market value of the securities shall equal or exceed the amount of money committed by MATS, and shall be "marked to market" at least weekly by the broker/dealer or financial institution with whom the repurchase agreement is executed;
3. MATS shall take delivery of the securities underlying the agreement before
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the release of MATS funds shall be authorized;

4. MATS shall execute a repurchase agreement, similar to the prototype agreement developed by the Public Securities Association and with supplemental provisions as recommended by the Government Finance Officers Association; and

5. Repurchase agreements shall be executed only with financial institutions doing business in Texas, any national banking association, or any government bond dealer reporting to and recognized as a primary dealer by the Federal Reserve Bank of New York.

Section 10. DIVERSIFICATION AND MATURITY.

Investments of MATS shall be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specific type of security, as appropriate. To the extent possible, the Investment Officers will attempt to match investment maturities with anticipated cash flow requirements, thereby reducing the need to sell or redeem investments prior to maturity and reducing market risk. Investments will not mature more than five (5) years from the date of purchase, and the average weighted maturity of the total investment portfolio will not exceed eighteen (18) months.

Section 11. STANDARD OF CARE.

Investments shall be made with judgment and care, under circumstances then prevailing, that 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. Employees of Trinity Metro or MATS who are involved in investment decisions, when acting in accordance with this Investment Policy and exercising due diligence, shall not be held personally responsible for a specific investment’s credit risk or market price changes, provided deviation from expectations is reported in a timely manner and that appropriate action is taken to control adverse developments.

Section 12. GENERAL INVESTMENT PRACTICES.

All investment decisions made by the Investment Officers shall be documented. The Investment Officers may make investments orally, but a written confirmation of each transaction shall follow promptly with a copy of such confirmation retained in the files.

On all investment transactions which do not fall under terms of MATS’s current primary depository agreement, or which are not executed pursuant to a contractual agreement for investment management services as approved by the Board of Directors, the Investment Officers
shall contact at least two (2) "qualifying institutions" as described in Section 8 of this Policy, for the purpose of receiving competitive offers.

As of the end of each month, the market value of each investment security held by MATS shall be reported to MATS by the financial institution responsible for safekeeping the securities. By this method, MATS will monitor the market price of its investments.

At least quarterly, the Investment Officers shall verify the credit rating of any investment required by the Act to maintain a minimum rating. An investment does not qualify as an authorized investment during the period the investment does not have the minimum rating. MATS shall take all prudent measures that are consistent with this Investment Policy to liquidate an investment that does not have the minimum rating.

MATS is not required to liquidate investments that were authorized investments at the time of purchase.