I. Public Comment:

II. Advisory Committee Updates:
   1. Customer Service Advisory Committee (CSAC)
   2. Access Advisory Committee

III. Board Committee Updates:
   1. Operations, Planning and Safety Committee
   2. Finance, Audit and Administration Committee
   3. CAMPO update

IV. Consent Items:
   1. Approval of minutes from the September 16, 2020 Public Hearing and September 28, 2020 Board Meeting.
   2. Approval of a resolution adopting a revised Charter Statement for the Finance, Audit and Administration Committee.
   3. Approval of a resolution affirming the Internal Audit Charter.
   4. Approval of a resolution adopting the FY2021 Internal Audit Services Plan.
   5. Approval of a resolution authorizing the President & CEO, or his designee, to enter into an Interlocal Agreement with the City of Austin for the purpose of participating in cooperative procurement opportunities via the Texas Interlocal Purchasing Cooperative.

V. Action Items:
   1. Approval of a resolution adopting a revised Charter Statement for the Operations, Planning and Safety Committee.
   2. Approval by the Board of Directors of Capital Metro’s Investment Policy and revision of the investment committee composition.

VI. Presentations:
1. Project Connect Update

VII. Reports:

1. President's Report

VIII. Items for Future Discussion:

IX. Adjournment

ADA Compliance

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BOARD OF DIRECTORS: Wade Cooper, Chair; Delia Garza, Vice Chair; Eric Stratton, Secretary; Terry Mitchell; Troy Hill; Ann Kitchen, Jeffrey Travillion and Pio Renteria.

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TITLE: Customer Service Advisory Committee (CSAC)
Customer Satisfaction Advisory Committee  
Wednesday, October 14th, 2020  
Virtual Meeting  
6:00 p.m. – 7:30 p.m.

Call to Order:  
Chairman Taylor called the meeting to order at 6:08 p.m.

Introductions:  
Committee members present were: Ephraim Taylor, David Foster, BJ Taylor, David Shapiro, Betsy Greenberg  
Capital Metro staff present were: Yannis Banks, Tangee Mobley, Jo Anne Ortiz, Gloria Barnes, Asif Esbani, Jonathan Tanner, Donna Simmons  
General Public: Ruven Brooks

Community Communications:  
N/A

Project Connect Update  
David Couch, Program Officer, Project Connect

Ruven – For North Dessau Pickup you left off some affordable housing. You left off Heights on Parmer and Harris Ridge Apartments. Yannis – I will pass that information on to Chad.  
Dave S – Where is the 25% increase come from? Dave C – The increase to the overall tax bill is a little over 4 percent of the appraised value minus whatever deduction you have. Dave S – Is there any Eminent Domain that would need to be done? Dave C – That is still to be determined. We are currently looking at what would need to be done but we are hopeful that if it is, it is very, very minimum. That level of detail wouldn’t happen until next year.

Fare Capping Pilot  
Jonathan Tanzer, Technology Systems Program Manager/ Asif Esbani, Financial Systems Program Manager

Jonathan - Fare capping pilot looking to launch later this fall. For cash to mobile retail, customers will be able to load cash into a virtual wallet on the CapMetro app via retailers (grocery stores, corner stores, drugstores). We will be starting with over 250 retailers in the Austin area. People will be able to search for nearby locations using the app. Asif – For the Equity Fare Capping Program is a pilot program and we will be announcing the launch date in a few weeks. Low income customers will be able to get the benefits of a 31-day pass without the upfront cost. We are working with One Voice, Urban League, Austin NAACP to find people who would be eligible for the pilot program. We will have up to 200 people that will be eligible for a period up to 6 months.
Diversity, Equity and Inclusion Council

Donna Simmons, EVP Administration/Diversity & Inclusion Officer

Equity is more about doing things to remove barriers to get people at the table & remaining at the table. Inclusion is around making sure everyone feels welcomed & belonging once at the table. We will have an internal steering committee that will have representation from all CapMetro & frontline departments. We also want some external partners to be apart of the council. BJ – Is glad to hear about the program and she is interested in it. Donna – How would you prefer to identify who you would like to be on the council & your timing to provide a representative.

Ephraim – We currently have 6 active members and looking to fill the other 3 vacancies. BJ, I know you have expressed some interest & since we have quorum we might as well move forward with the nomination & appointment. Dave F – I nominate BJ if she is interested in doing it. Ephraim Taylor seconded the nomination. Donna – The first meeting with be remote & we will look at others. BJ Taylor is approved unanimously.

Project Connect Resolution

CSAC

Resolution attached. David F explained what’s in the resolution he drafted. David S – Has anyone seen stats on where traffic would be if we do or don’t do it. Ruven – About 120k additional boardings that would not occur. It’s 120k car trips per day. Ephraim & David S are in favor of the resolution. BJ – I have a hard time getting really excited about the taxation that the proposition represents. What if not everything comes thru that’s not planned for. What does CapMetro do with what’s planned so far? Riding CapMetro is a stress reducer for me & in reality when people are able to ride again, I expect the ridership will go up again but where it goes matters. I like the idea of the fare capping pilot. Dave F – From conversations I heard earlier if the money doesn’t come in like CapMetro anticipates they will just build it slower. They wouldn’t spend money they don’t have. This plan is about making it easier for everyone in the city to get around even if you don’t take transit. We lost quorum. Asked Yannis to check with Legal to see if they can pass a resolution outside of meeting time via an email vote.

November Meeting

- Project Connect Update
- Dashboard

Meeting Adjourned at 7:37
TITLE: Access Advisory Committee
Access Advisory Committee
Wednesday, October 7th, 2020
Virtual
5:30 p.m. – 6:35 p.m.

Call to Order:
Chair Chris Prentice, Access Advisory Committee
Chairman Prentice called the meeting to order at 5:32 p.m.

Introductions:
Committee members present were Paul Hunt, Andrew Bernet, Estella Barrera, John McNabb, Chris Prentice, Audrea Diaz, Glenda Borne, and Mike Gorse.

Capital Metro staff and contractors present were: Martin Kareithi, Chris Westbrook, Jo Anne Ortiz, Ricardo Boulware, Chad Ballentine, Raul Vela, Donna Simmons, Julie Lampkin, Sara Sandford, Jonathan Tanzer, Asif Esbani,

Citizens’ Communication
Members of the public

Paul Hunt – The IVR isn’t recognizing our logins. St. David’s North has 3 entrances. The South is open and need to allow people to stop there. The reservation clerks are taking people there as a drop off. It’s the Children’s emergency entrance. Sara – As of yesterday the IVR had a fix and was working. Glenda said it was working today.

Audrea – When will be able to cancel rides online or will this just be a regular thing during the pandemic not to do online things. Julie – We do have online things closed for now, but we will meet as a team to figure out when we will open it back up. Audrea – For MetroAccess online it says that the buses are running a limited schedule and they stop at 10:30 even though buses are running later.

Project Connect Update
Chad Ballentine, VP, Demand Response Capital Metro

Chad – A year of engineering of light rail and will take a total of about 9 years. Metrorapid would be up pretty fast. All the info is on projectconnect.com. We plan on rolling out 3 Pickup Zones pretty quickly if Project Connect passes. They would be the winter 2021 – North Dessau, North Oak Hill & South Menchaca zone. These are 3 of many more zones to come. The North Dessau zone, we look at a lot of data when we overlay. It has a large minority & MetroAccess population. It is about 3.8 square miles. The initial map is conceptual to help give an idea of where it would be. We would do community outreach & work with Access if PC passes to help shape the zone. Glenda – Are you including Braker & Dessau are in the zone? Chad – It doesn’t look like it. We are also trying to make sure we aren’t cannibalizing any fixed route we have now, but this is just conceptualizing and not final. If Project Connect passes, we will reevaluate the zone. Glenda – If it covers where I am, I would use it & encourage others to use it. North
Oak Hill would be south of the “Y”. This area has a high minority population as well as 7% poverty rate in this zone. This area has been hard for fixed route due to the road network & lack of sidewalks. It also connects to the Park & Ride in the area. Glenda – That one is pretty far south isn’t it? Chad – Yes, it is. South Menchaca – This connects to our services on Slaughter Ln. this is also a very disconnected area of town. This area has greenbelts as well as another difficult road network. One additional area we are looking at is the Southeast area of town (Del Valle, Hwy 130, 71, etc.). With development being so spread out it makes it hard for Pickup, also it is chopped up so it’s in & out of our service area so we would have to work with Travis County on it. It is a high minority area and with Tesla, HEB and others looking to come there we are keeping it on our radar. It won’t be ready in early 2021 but it’s something we are studying. Chris – What is the contingency plans of Project Connect fails? Chad – The plan is if it doesn’t pass, we won’t have any of the finances to do any of the expansions that we have. If it doesn’t pass, we will be an as is system and have to work with what we have.

Eligibility Update
*Sara Sanford Manager, Paratransit Eligibility and Customer Service*

Sara gave a high-level history of the eligibility process. We do a 4-year eligibility process, the industry standard is 1-3 years. We are little longer than most of our peers, but we feel like we have something we can stand behind for our recertifications. Eligibility isn’t based on disability alone, based on current functional abilities. In person process suspend in mid-March 2020 to reduce risk to potentially vulnerable clients. Staff still comes in to do mailing, but the majority of eligibility is through a paper process. To clear some misinformation, we have been looking up to 120 days to automatically extensions during this covid pandemic. There hasn’t been any backlog of applications. We process everything typically between 1-2 days of receiving information. Our biggest challenge is how do we move forward. We are monitoring stage levels to see when we can safely return to in person operations. Our facility has been renovated. We opened new doors & better ventilation. We will have to adjust scheduling when we return, look at longer periods, maybe some weekends when we return. We are looking at new technologies that are out there & looking at more paperless process to help streamline our process. A lot of our peers in the industry have been referred to us to see how we are doing things. Estrella – Any sense on any kind of backlog that you may anticipate? Sara – Currently our applications have been cut to less that half. We will make sure that people will be extended thru whatever phase we need to get thru. Glenda – For your recertification how long are you certified for? Sara – For folks who have been thru once or twice we are spreading them out farther, so we won’t have a lot of people coming all at once. In 2018 we worked to identify certain people who situation will never change so they will automatically recertify. That’s about 1300 people. Glenda – We aren’t doing appeals right now, when someone applies it’s a temporary emergency certification if it looks like they will be eligible? Sara – Correct, we are doing any denials but if someone’s info is looking incomplete, we do ask them for more information.

Fare Capping Update
*Jonathan Tanzer, Technology Systems Program Manager/ Asif Esbhani, Financial Systems Program Manager*
Jonathan - Fare capping pilot looking to launch later this fall. For cash to mobile retail, customers will be able to load cash into a virtual wallet on the CapMetro app via retailers (grocery stores, corner stores, drugstores). We will be starting with over 250 retailers in the Austin area. People will be able to search for nearby locations using the app. Asif – For the Equity Fare Capping Program is a pilot program and we will be announcing the launch date in a few weeks. Low income customers will be able to get the benefits of a 31-day pass without the upfront cost. We are working with One Voice, Urban League, Austin NAACP to find people who would be eligible for the pilot program. We will have up to 200 people that will be eligible for a period up to 6 months. Glenda – The wallet is the purchasing of passing of various services, the 2nd is a pilot? I’m confused about the 2. Jonathan – Correct. Glenda – Is the wallet program for any CapMetro user or also a pilot? Asif – It is for any CapMetro app user. Chris – You can add cash to your mobile wallet with a credit card correct? Asif – Correct. Jonathan – Web portal is being built to make sure that it is ADA compliant. Asif will be back in December or January to give updates on the Fare Capping program. Glenda – The portal that you mentioned, is that again for purchasing and is it the app or computer? Jonathan – We have a current marketplace site where people go to order paper passes. We will have an updated website that will replace the marketplace. They could use the app or the marketplace. Glenda – Will it be very similar to how it works? Jonathan – It will be a very similar experience.

Diversity, Equity, Inclusion Council
Donna Simmons, EVP Administration/Diversity & Inclusion Officer

We would like to ask who you would like your representative on the Diversity, Equity, Inclusion Council. When we talk diversity, we are talking about who is at the table. Equity is more about doing things to remove barriers to get people at the table & remaining at the table. Inclusion is around making sure everyone feels welcomed & belonging once at the table. We will have an internal steering committee that will have representation from all CapMetro & frontline departments. We will also have reps from ATU as well as our Contractors. We will also have representatives from our Access & CSAC committees and a community advisory group that is being developed. We will also have some employee resource groups apart of the Council. The council will look internally & externally for various elements. Internally our goal is to have a workforce that is broadly reflective of the community. On the community side our goal is to make sure there is equitable service and amenity distribution. We would like a member of the council to be from Access Committee. We are looking for someone who has a commitment to equity, environmental justice, diversity and inclusion. The time commitment would be 1 meeting every quarter that would last approximately 2 hours. Audrea – When will the meetings start? Donna – They would start in mid to late November. Audrea – Once we are on the council are we required to attend all of the meetings? Donna – That would be the preference. Audrea – How long are you looking to do this? Donna – We are looking for a commitment of at least a year to help get it started & then we will look to see how the council wants to set the bylaws. Audrea has interest in serving on the committee. Chris – Wants to see who has a level of interest on being on the committee. Send an email to Chris and Yannis if interested. Glenda – Usually if you have work committees like this and you have quarterly
meetings, what kind of work are you looking for from members during the interim? Donna –
The purpose of the advisory group would be similar to Access, we are developing a program to
provide you input. Any elements of a program that CapMetro hasn’t planned for. Approve the
charter of the council and role they will play. I would say there wouldn’t be too much work in
between meetings. Chris asked that the selection of a person be added to the November
Agenda.

Access Pass Request

Yannis Banks, Community Engagement Coordinator

Asking for a 7 day notification to let us know to get passes out to you. Add Chris and Audrea to
automatically renewed digital pass at the end of the month. Add Glenda to paper pass.

Approval of Minutes

Change Chairmen name from Hunt to Prentice

Paul – Approve September minutes. Estrella – Second passed unanimously.

For November Agenda

Pick a member to Diversity, Equity & Inclusion Council

Dessau Pickup Zone discussion
Approval of minutes from the September 16, 2020 Public Hearing and September 28, 2020 Board Meeting.
I. Presentations:

1. FY2021 Operating and Capital Budget and Five-Year Capital Improvement Plan.

   Budget Director Kevin Conlan gave a brief presentation with an overview of the FY2021 Budget. The overview included operating and capital expenses and funding sources. He also reviewed current reserve balances and the impact of the COVID-19 on the budget and budget process. He highlighted both the Customer Payment Systems and Broadmoor Station projects as upcoming highlights.

   Board Member Stratton asked Kevin which of the models presented at earlier meetings the agency was following. Kevin said that of the three presented at last month's meetings, Capital Metro is following the "medium" course but being conservative about continued recovery of sales tax revenues. He mentioned that several projects have been on hold until the economic recovery picture becomes a little more clear.

II. Public Comment:

   Zenobia Joseph, citizen, asked if it might be possible to include funding in the budget for public restrooms at the North Lamar Transit Center when the improvement project at that location begins. She also asked again if funding from the CARES Act could be used to restore service to the St. David's North Medical Center. She does not believe that the budget funding is equitable for black people, who wait 60 minutes for a bus in Craigwood and Colony Park, or who wait 45 to 60 minutes for Route 392. She also brought attention to poor service along Parmer Lane/FM 734.
III. Items for Future Discussion:

IV. Adjournment

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I. Recognition

Chair Cooper recognized and read the resolution honoring Senator Kirk Watson (Action Item #1) as he departs the legislature to become the founding Dean at the new University of Houston Hobby School of Public Affairs.

Senator Watson made remarks of appreciation, and on serving Central Texas and his respect for Capital Metro.

II. Public Comment:

Zenobia Joseph, citizen, made remarks related to Title VI of the Civil Rights Act of 1964. She read the definition of the phrase "disparate impact" according to the Federal Transit Administration, and related it to inequities in the Project Connect plan. She feels this is a racist regional remap, in particular related to rapid service elimination in the Parmer, Dessau, and Decker corridors as the plan was scaled back. She pointed out that Route 217 serves a homeless population from 4 a.m. in the morning, whereas black people trying to get to work have to wait until after 6 o’clock. East-West connectivity in northeast Austin needs to be improved.

Chair Cooper responded with comments on how the data shows that the revised Project Connect plan will still have a great positive benefit for minority and low-income residents of the city.

III. Advisory Committee Updates:

1. Customer Service Advisory Committee (CSAC)

Yannis Banks, Community Engagement Coordinator, presented the update. This month the committee heard updates on the new Ticket Vending Machines; the search for candidates to fill the three openings on the committee; and a brief Project Connect update.

2. Access Advisory Committee

Yannis Banks, Community Engagement Coordinator, presented the update. This month the committee heard an update on how MetroAccess enrollment/eligibility is being handled during the pandemic; a Ticket Vending Machine demonstration; and an update on training that staff has recently gone through to improve the accessibility of PowerPoint, Word, and PDF documents.

IV. Board Committee Updates:

1. Operations, Planning and Safety Committee

Chair Travillion presented the monthly update. This month the OPS Committee heard 12 action items -- 11 of which are on the Consent Agenda today.

2. CAMPO update

CAMPO did not meet this month, so no report was given.
3. Finance, Audit and Administration Committee
Chair Mitchell provided the update. This month the FAA Committee recommended one Action Item -- the FY2021 Budget -- for action today.

V. Consent Items
Prior to the vote on the Consent Agenda Zenobia Joseph, citizen, commented on two items that appear in the August board meeting minutes. She asked that the phrase "Title VI" be added before the phrase "applicable guidelines", as she feels that without it the phrase is too generic. She also asked that "areas of town" be amended to specify "Northeast" areas. She also noted that the minutes specify North Lamar Transit Center in her prior opposition to ads running on KAZI radio -- her comments were referring to the entirety of North Lamar and not specific to the Transit Center. She wanted to call attention to there being no proposed Pedestrian Hybrid Beacon in the area of North Lamar and Braker Lane where a wheelchair pedestrian was killed.

Board member Renteria asked for clarification on the management of the Pedestrian Hybrid Beacon project. Vice President of Capital Projects Ken Cartwright explained that Capital Metro is contributing money to the City along with a grant from CAMPO to fund the PHBs at the 10 agreed-upon locations, 8 of which are adjacent to transit access.

RESULT: ADOPTED [6 TO 0]
MOVER: Eric Stratton, Board Secretary
SECONDER: Sabino Renteria, Board Member
AYES: Mitchell, Cooper, Renteria, Travillion, Stratton, Hill
ABSENT: Garza
AWAY: Kitchen

1. Approval of minutes from the July 27, 2020 and August 7, 2020 joint meetings with Austin City Council, and August 24, 2020 board meeting.

   2. Approval of a resolution authorizing the President & CEO, or his designee, to execute a contract with Keyrus USA, Inc., for professional consulting services in the implementation of an Enterprise Data Warehouse and Business Intelligence system in an amount not to exceed $1,634,900.

   3. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute an Interlocal Agreement with the City of Austin to contribute $75,000 each year over a three year period for the installation of Pedestrian Hybrid Beacon units for a total not to exceed amount of $225,000.

   4. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute an Interlocal Agreement with the City of Georgetown for operation of transit service for an amount not to exceed $392,301 in FTA funds and $619,369 in local funds from the City of Georgetown.

   5. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute an addendum to the interlocal agreement with Capital Area Rural Transportation System (CARTS) for the provision of transit services to the City of Georgetown for a period of one year in an amount not to exceed $900,000.
6. Approval of a resolution authorizing the President & CEO, or his designee, to negotiate and execute a one-year Amended and Restated Interlocal Agreement (ILA) with Travis County for transit services in urbanized areas in unincorporated areas of the county and for continued implementation of the Travis County Transit Development Plan in an amount not to exceed $233,308 in FTA Section 5307 funds and $513,867 in local funds from Travis County per year.

7. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute Amendment 1 to Supplement No. 10 to the Master Regional Mobility Agreement with Capital Area Rural Transportation System (CARTS) for the provision of transit services to Travis County for a period of one year in an amount not to exceed $229,878.

8. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute Amendment No. 3 to CARTS Supplement No. 8 to the Master Regional Mobility Agreement with Capital Area Rural Transportation Services (CARTS) for the provision of transit services to the Manor area in an amount not to exceed $778,572.

9. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute an Interlocal Agreement with the city of Pflugerville for operation of Pickup Pilot service for an amount not to exceed $200,157 in FTA funds and $310,235 in local funds from the City of Pflugerville.

10. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute Amendment No. 2 to the Contracted Service Supplement No. 2 with Capital Area Rural Transportation System (CARTS) for the operation of Route 214 Northwest Feeder for a period of one year in an amount not to exceed $682,000.

11. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute Amendment No. 2 to CARTS Supplement No. 4 to the Master Regional Mobility Agreement with Capital Area Rural Transportation Services (CARTS) for the provision of transit services to the Manor area in an amount not to exceed $200,000.

VI. Action Items:

1. Approval of a resolution recognizing Senator Kirk Watson for his service to our community.

This item was presented during the Recognition portion of the meeting. Passage was by acclamation.
2. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute contracts for Construction Observation and Coordination Services with Aken Industries, LLC, Freese and Nichols, Inc. and Square One Consultants, Inc. for one, two-year base period and five, one-year option periods for a combined seven year total amount not to exceed $14,000,000.

Vice President of Capital Projects Ken Cartwright presented this item.

Capital Metro used these types of services since about 2013 to work with our contractors to insure that our projects are built to specification. They also coordinate inspections and safety certifications, and troubleshoot issues and problems as they occur on site. Currently the services are being used on our Electric Bus Yard and Downtown Station projects.

We currently work with two of the three recommended firms -- Aken Industries and Freese and Nichols. Square One is also a recommended firm to be added to the rotation. Funding for these services is included in individual project budgets.

RESULT: ADOPTED [6 TO 0]
MOVER: Jeffrey Travillion, Board Member
SECONDER: Eric Stratton, Board Secretary
AYES: Mitchell, Cooper, Renteria, Travillion, Stratton, Hill
ABSENT: Garza
AWAY: Kitchen

3. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract with Tolar Manufacturing for the fabrication and delivery of bus stop shelters with solar lights for one base year and four option years in the amount of $870,760, plus $435,380 (50%) contingency for a total not to exceed amount of $1,306,140.

Vice President of Capital Projects Ken Cartwright presented this item.

Ken reviewed the terms of the contract with Tolar, and then provided an explanation of the high contingency percentage. We have now reached our board-approved service standards goal of providing shelters at all stops that have 50 or more boardings per day, but we still have the need to purchase shelters as service moves, new stops are build, or shelters are overdue for refurbishment.

The high contingency figure is allow for flexibility if the Austin area has a better-than-expected economic recovery, at which time we may wish to accelerate the purchase of these shelters.
RESULT: ADOPTED [6 TO 0]
MOVER: Jeffrey Travillion, Board Member
SECONDER: Troy Hill, Board Member
AYES: Mitchell, Cooper, Renteria, Travillion, Stratton, Hill
ABSENT: Garza
AWAY: Kitchen

4. Approval of a resolution adopting the Fiscal Year 2021 Operating and Capital Budget and Five-Year Capital Improvement Plan.

CFO Reinet Marneweck presented this item.

Reinet presented a summary of the proposed FY2021 Budget, both operating and capital. The budget is sound and balanced, and is approximately a $15 million reduction from this year's budget to account for the slowdown in the economy due to the pandemic. Reinet reviewed the approach and measures taken to account for COVID-19 and highlighted the funding received under the CARES Act. She also highlighted major projects in the Capital Improvement Plan, including the electric bus fleet, future mobility hubs, customer payment systems, and Broadmoor rail station. She also discussed the preliminary commitment to Project Connect and the Austin Transit Partnership if the ballot initiative is successful in November.

Reinet thanked the board and staff including Budget Director Kevin Conlan for their efforts and fiscal adaptability in light of the changes necessitated by the pandemic.

Zenobia Joseph, citizen, made comments where she again advocated for the inclusion of a public restroom when the renovations of the North Lamar Transit Center get underway. She also wanted the board to recognize that Pickup zones require transfers, and should not be a substitute for fixed route service because they cause double the wait times. She would ask that service on Route 240 Rutland to St. David's and Route 392 to the Arboretum be restored, referencing a 2014 Project Connect study showing strong job growth in that area. Money could be taken from CARES Act funding or the Security budget.

Board Member Stratton thanked Reinet and staff for their efforts and for putting together such a transparent and sound plan despite the turmoil caused by the virus. Chair Cooper echoed those comments.

RESULT: ADOPTED [6 TO 0]
MOVER: Eric Stratton, Board Secretary
SECONDER: Sabino Renteria, Board Member
AYES: Mitchell, Cooper, Renteria, Travillion, Stratton, Hill
ABSENT: Garza
AWAY: Kitchen

VII. Presentations:

1. Project Connect Update

Project Connect Program Officer Dave Couch, Executive Vice President of Planning and Development Sharmila Mukherjee, and Vice President of Demand Response and Innovative Mobility Chad Ballentine gave the presentation.

Dave first reviewed current Project Connect initiatives. Progress is being made on advancing the new MetroRapid routes, along with preparation for new Pickup Zones. Dave also presented the Initial Investment Sequence and timeline. He gave an overview of the three new MetroRapid lines and how they will advance through the federal funding process, which would be through the FTA's Small Starts
program. Sharmila then reviewed some of the history, lessons learned, and current operating zones for Capital Metro's Pickup program. She also previewed three proposed new zones: North Dessau, North Oak Hill, and South Menchaca, and how they connect to the Project Connect system plan. Chad then concluded the presentation with further details, demographics, and ridership goals on the three zones.

Board Member Travillion thanked the presenters for all that they are doing to connect areas of the county which were previously underserved by transit.

Board Member Kitchen asked for more detail on the South Menchaca zone boundaries. Chad explained that the zones are not set and that his team will be working with community members as a launch date moves closer.

Board Member Stratton asked Dave Couch to clarify whether the Project Connect funding included money for additional park & rides. Dave explained that Project Connect funding includes money for three new express routes and nine new park & rides.

VIII. Reports:

1. President’s Report

President Clarke presented his monthly report. This month he featured the rebranding of the B-Cycle bikeshare program as MetroBike. MetroBike is also now included in the Capital Metro app. He also showed videos recorded by both Board Member Garza and Board Member Renteria celebrating Hispanic Heritage Month. He closed by showing the new State of Transit 2020 video, featuring Capital Metro’s senior staff highlighting the agency’s recent accomplishments and initiatives.

IX. Items for Future Discussion:

X. Adjournment

ADA Compliance

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Approval of a resolution adopting a revised Charter Statement for the Finance, Audit and Administration Committee.
SUBJECT:
Approval of a resolution adopting a revised Charter Statement for the Finance, Audit and Administration Committee.

FISCAL IMPACT
This action has no fiscal impact.

STRATEGIC PLAN:
Strategic Goal Alignment:
1. High Quality Customer Experience
2. Engaged Workforce

Strategic Objectives:
1.2 Continuous Improvement
2.2 Organization Development

EXPLANATION OF STRATEGIC ALIGNMENT:
Capital Metro’s two board committees assist the Board of Directors in providing strong governance and play a key advisory role to the full board. Their expertise and in-depth look at issues before the board is vital to our long-term strategic planning.

BUSINESS CASE:
Does not apply.

COMMITTEE RECOMMENDATION:
This agenda item was presented and is recommended for approval by the Finance, Audit and Administration Committee on October 14, 2020.

EXECUTIVE SUMMARY:
In 2010, each of the committees of the Board of Directors adopted Committee Charter Statements defining their areas of responsibility. A periodic review of these charters was requested by the board upon adoption and allows the committees to ensure that the charters still meet the needs and parameters of each committee. This charter was last reviewed by the board in January, 2019. Staff recommends changes to the charter to update the language, clarify the Committee’s authority, and clarify committee membership.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply
RESPONSIBLE DEPARTMENT: Board of Directors
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

RESOLUTION (ID # AI-2020-1324)
Review of Finance, Audit and Administration Committee Charter

WHEREAS, the Board of Directors has established committees made up of members of the Board to consider specified areas of interest to the Authority; and

WHEREAS, the Board of Directors has adopted Committee Charter Statements that define the roles and responsibilities of each of these committees; and

WHEREAS, the Board of Directors desires to review the Committee Charter Statement to ensure that it reflects current roles and responsibilities.

NOW, THEREFORE, BE IT RESOLVED that the Capital Metropolitan Transportation Authority Board of Directors hereby adopts the revised Committee Charter Statement for the Finance, Audit and Administration Committee.

________________________
Date: ____________________

Secretary of the Board
Eric Stratton
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS
FINANCE, AUDIT AND ADMINISTRATION COMMITTEE CHARTER

I. PURPOSE
The Finance, Audit and Administration Committee (the “FAA Committee”) has been established by the Capital Metropolitan Transportation Authority (“Capital Metro”) Board of Directors (the “Board”) to assist in fulfilling its oversight responsibilities for accounting and financial reporting processes, the system of internal controls, the audit processes, and systems for monitoring compliance with laws, regulations, and the Capital Metro Code of Ethics.

Executive management is responsible for preparing complete and accurate financial statements, managing business and financial risk, and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. The Board of Directors has oversight responsibility in these areas and is charged with establishing and supporting an adequate control environment within the organization for ensuring accountability and demonstrating proper stewardship over public funds.

II. AUTHORITY
The FAA Committee has authority to conduct or authorize investigations into and study any matter within its scope of responsibility and make recommendations for action to the full Board. It is empowered to:

1. Ensure the independence of any registered public accounting firm employed by Capital Metro.
2. Resolve any disagreements between management and the auditor regarding financial reporting.
3. Provide oversight and direction of the internal audit function.
4. Use independent counsel, accountants, auditors, or others to advise the FAA Committee or to assist in the conduct of an investigation.
5. Seek any information it requires from employees—all of whom are directed to cooperate with FAA Committee requests—or external parties.

III. MEMBERSHIP
The FAA Committee shall consist of at least three (3) members of the Board of Directors. The Chairperson of the Board will nominate the FAA Committee Chairperson and members annually, subject to confirmation by the Board. The FAA Committee shall elect a Committee Vice Chairperson from among its members at its first meeting of the year to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.

Each member of the FAA Committee must be financially literate, as the Board interprets such qualification in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment. In addition, one member of the FAA Committee must be a metropolitan planning organization appointee with at least 10 years of experience as a financial or accounting professional.

Committee members shall be free of any relationship that would interfere with his or her individual exercise of independent judgment in accordance with Capital Metro’s Code of Ethics and applicable law.

IV. EDUCATION
Capital Metro executive management is responsible for providing the FAA Committee with educational resources related to accounting principles and procedures, risk management, ethics, and other information that may be requested by the FAA Committee. Capital Metro executive management shall assist the FAA Committee in maintaining appropriate financial and compliance literacy.

V. MEETINGS
The FAA Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. FAA Committee members are expected to attend each meeting. The FAA Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.

VI. RESPONSIBILITIES
The FAA Committee will carry out the following responsibilities:

1. Financial & Other Reporting: The FAA Committee shall provide reasonable assurance to the Board that financial information reported by management substantively portrays Capital Metro’s financial condition, results of operations, plans, and long-term commitments. The FAA Committee may review other reports requiring Board approval prior to submission to public sector entities. The FAA Committee will:
   - Review fiscal, investments, and other financial management policies and practices including but not limited to:
     - Operating & Capital Budgeting
     - Procurement and contracting
     - Revenue (e.g., grants, fare structure, new revenue opportunities including partnerships with external entities)
     - Debt and investments
     - Disadvantaged Business Enterprise (DBE) Program
     - Insurance and risk management
   - Review financial statements, including interim financial statements, auditor’s opinions and management letters and consider whether they are complete, consistent with information known to FAA Committee members, and reflect appropriate accounting principles.

2. Internal Control: The FAA Committee shall understand Capital Metro's key financial reporting risk areas and the internal control structure. The FAA Committee will:
   - Consider the effectiveness of Capital Metro’s internal control systems, including information technology security and control.
   - Understand the scope of internal and external auditors’ review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.
   - Review and provide oversight for technology investments and processes that support the Authority’s strategic financial goals and objectives.
   - Review the reports and results of internal and external audits.
3. Internal Audit: The FAA Committee shall provide direct oversight of Capital Metro’s internal audit function. To facilitate the effectiveness and independence of the internal audit function, the internal audit function is ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

- Make recommendations to the full Board of Directors regarding the appointment and removal of the Chief Audit Executive (CAE).
- Review annually with management and the CAE the charter, audit plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations on the internal audit function.
- Review audit results, reports, and recommendations and ensure adequate management follow-up and resolution.
- Meet with the CAE to discuss any matters that the FAA Committee or internal audit believes should be discussed.
- Request internal auditors to perform special studies, investigations, or other services in matters of interest or concern to the FAA Committee or Board that may be outside the scope of the approved Audit Services Plan. Such projects could include investigation of areas of high control risk, potential or suspected fraud or other irregularities, compliance with laws, regulations, policies and procedures, or evaluation of external auditors.
- Conduct an annual performance review and evaluation of the CAE.
- Review the effectiveness of the internal audit function through periodic external quality assurance reviews.

4. External Audit: The FAA Committee shall assure independence in fact and in appearance of all external financial assurance services. External auditors are ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

- Review the external auditors’ proposed audit scope and approach, including coordination of audit effort with internal audit.
- Consider the facts and circumstances of each case in order to determine if firm or audit partner rotation is needed in order to ensure an independent financial audit in accordance with the Policy on Rotation of Auditors.
- Approve in advance any non-audit services by external auditors or their consulting practice/affiliates.
- Ensure that external auditors do not (1) provide non-audit services that involve performing management functions or making management decisions, or (2) audit their own work or provide non-audit services that are significant or material to the subject matter of the audits.
- Meet with the external auditors to discuss any matters that the FAA Committee or auditors believe should be discussed in detail.
- Review with management and the external auditors the results of the audit, including any serious difficulties or disputes with management encountered during assurance work.

5. Compliance: The FAA Committee shall provide reasonable assurance to the Board of Directors that its policies are being carried out and that systems are in place to ensure compliance with laws and regulations. The FAA Committee will:
• Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of noncompliance.
• Review the findings of any examinations by regulatory agencies, and any auditor observations.
• Review the process for communicating the Code of Ethics to company personnel and for monitoring compliance therewith.
• Obtain regular updates from the Board Ethics Officer and the Staff Ethics Officer regarding ethics and compliance matters.

6. Reporting Responsibilities: *The FAA Committee will:*
• Report and recommend action, as appropriate to the Board of Directors about FAA Committee activities, issues, and related recommendations.
• Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
• Review any other reports Capital Metro issues that relate to FAA Committee responsibilities.

7. Other Responsibilities: *The FAA Committee will:*
• Perform other activities related to this charter as requested by the Capital Metro Board of Directors.
• Review and assess the adequacy of the FAA Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
• Confirm annually that all responsibilities outlined in this charter have been carried out.

**History:**
See most recent FAA Committee approvals at:
2015-56
DOCUMENT_RECORDS_MGT-#335187-2009 Board Resolutions Nos. 057-068 (Resolution CMTA-2009-60 p. 23/29)
DOCUMENT_RECORDS_MGT-#209034-2007 Board Resolution November Nos. 084-089
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS
FINANCE, AUDIT AND ADMINISTRATION COMMITTEE CHARTER

I. PURPOSE
The Finance, Audit and Administration Committee (the “FAA Committee”) has been established by the Capital Metropolitan Transportation Authority (‘Capital Metro’) Board of Directors (the “Board”) to assist in fulfilling its oversight responsibilities for accounting and financial reporting processes, the system of internal controls, the audit processes, and systems for monitoring compliance with laws, regulations, and the Capital Metro Code of Ethics.

Executive management is responsible for preparing complete and accurate financial statements, managing business and financial risk, and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. The Board of Directors has oversight responsibility in these areas and is charged with establishing and supporting an adequate control environment within the organization for ensuring accountability and demonstrating proper stewardship over public funds.

II. AUTHORITY
The Finance, Audit and Administration Committee (FAA) has authority to conduct or authorize investigations into and study any matters within its scope of responsibility and make recommendations for action to the full Board. It is empowered to:

1. Ensure the independence of any registered public accounting firm employed by Capital Metro.
2. Resolve any disagreements between management and the auditor regarding financial reporting.
3. Provide oversight and direction of the internal audit function.
4. Use independent counsel, accountants, auditors, or others to advise the FAA Committee or to assist in the conduct of an investigation.
5. Seek any information it requires from employees—all of whom are directed to cooperate with FAA Committee requests—or external parties.

III. MEMBERSHIP
The FAA Committee shall consist of at least three (3) members of the Board of Directors. The Chairperson of the Board will appoint nominate the FAA Committee Chairperson and members annually, subject to confirmation by the Board and the FAA Committee Chairperson. The FAA Committee shall elect a Committee Vice Chairperson from among its members at its first meeting of the year to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.

Each member of the FAA Committee must be financially literate, as the Board interprets such qualification in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment. In addition, one member of the FAA Committee must be a metropolitan planning organization appointee with at least 10 years of experience as a financial or accounting professional.

Committee members shall be free of any relationship that would interfere with his or her individual exercise of independent judgment in accordance with Capital Metro’s Code of Ethics and applicable law.

Page 1 of 4
FINANCE AND AUDIT COMMITTEE CHARTER — 46968 : Review of Finance, Audit and Administration Committee
IV. EDUCATION

Capital Metro executive management is responsible for providing the FAA Committee with educational resources related to accounting principles and procedures, risk management, ethics, and other information that may be requested by the FAA Committee. Capital Metro executive management shall assist the FAA Committee in maintaining appropriate financial and compliance literacy.

V. MEETINGS

The FAA Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. FAA Committee members are expected to attend each meeting. The FAA Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.

VI. RESPONSIBILITIES

The FAA Committee will carry out the following responsibilities:

1. Financial & Other Reporting: The FAA Committee shall provide reasonable assurance to the Board that financial information reported by management substantively portrays Capital Metro’s financial condition, results of operations, plans, and long-term commitments. The FAA Committee may review other reports requiring Board approval prior to submission to public sector entities. The FAA Committee will:
   - Review fiscal, investments, and other financial management policies and practices—
     including but not limited to:
     - Operating & Capital Budgeting
     - Procurement and contracting
     - Revenue (e.g., grants, fare structure, new revenue opportunities including partnerships with external entities)
     - Debt and investments
     - Disadvantaged Business Enterprise (DBE) Program
     - Insurance and risk management
   - Review financial statements, including interim financial statements, auditor’s opinions and management letters and consider whether they are complete, consistent with information known to FAA Committee members, and reflect appropriate accounting principles.

2. Internal Control: The FAA Committee shall understand Capital Metro’s key financial reporting risk areas and the internal control structure. The FAA Committee will:
   - Consider the effectiveness of Capital Metro’s internal control systems, including information technology security and control.
   - Understand the scope of internal and external auditors’ review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.
   - Review and provide oversight for technology investments and processes that support the Authority’s strategic financial goals and objectives.
   - Review the reports and results of internal and external audits.
3. **Internal Audit:** The FAA Committee shall provide direct oversight of Capital Metro’s internal audit function. To facilitate the effectiveness and independence of the internal audit function, the internal audit function is ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

- Make recommendations to the full Board of Directors regarding the appointment and removal of the Chief Audit Executive (CAE).
- Review annually with management and the CAE the charter, audit plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations on the internal audit function,
- Review audit results, reports, and recommendations and ensure adequate management follow-up and resolution.
- Meet with the CAE to discuss any matters that the FAA Committee or internal audit believes should be discussed.
- Request internal auditors to perform special studies, investigations, or other services in matters of interest or concern to the FAA Committee or Board that may be outside the scope of the approved Audit Services Plan. Such projects could include investigation of areas of high control risk, potential or suspected fraud or other irregularities, compliance with laws, regulations, policies and procedures, or evaluation of external auditors.
- Conduct an annual performance review and evaluation of the CAE.
- Review the effectiveness of the internal audit function through periodic external quality assurance reviews.

4. **External Audit:** The FAA Committee shall assure independence in fact and in appearance of all external financial assurance services. External auditors are ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:

- Review the external auditors’ proposed audit scope and approach, including coordination of audit effort with internal audit.
- Consider the facts and circumstances of each case in order to determine if firm or audit partner rotation is needed in order to ensure an independent financial audit in accordance with the Policy on Rotation of Auditors.
- Approve in advance any non-audit services that are significant or involve performing management functions or making management decisions, or audit their own work or provide non-audit services that are significant or material to the subject matter of the audits.
- Meet with the external auditors to discuss any matters that the FAA Committee or auditors believe should be discussed in detail.
- Review with management and the external auditors the results of the audit, including any serious difficulties or disputes with management encountered during assurance work.

5. **Compliance:** The FAA Committee shall provide reasonable assurance to the Board of Directors that its policies are being carried out and that systems are in place to ensure compliance with laws and regulations. The FAA Committee will:
• Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
• Review the findings of any examinations by regulatory agencies, and any auditor observations.
• Review the process for communicating the Code of Ethics to company personnel and for monitoring compliance therewith.
• Obtain regular updates from the Board Ethics Officer and the Staff Ethics Officer regarding ethics and compliance matters.

6. Reporting Responsibilities: The FAA Committee will:
• Report and recommend action, as appropriate to the Board of Directors about FAA Committee activities, issues, and related recommendations.
• Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
• Review any other reports Capital Metro issues that relate to FAA Committee responsibilities.

7. Other Responsibilities: The FAA Committee will:
• Perform other activities related to this charter as requested by the Capital Metro Board of Directors.
• Review and assess the adequacy of the FAA Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
• Confirm annually that all responsibilities outlined in this charter have been carried out.

History:
See most recent FAA Committee approvals at:
2015-56 DOCUMENT_RECORDS_MGT-#335187-2009 Board Resolutions Nos. 057-068 (Resolution CMTA- 2009-60 p. 23/29)
DOCUMENT_RECORDS_MGT-#209034-2007 Board Resolution November Nos. 084-089
Approval of a resolution affirming the Internal Audit Charter.
SUBJECT:
Approval of a resolution affirming the Internal Audit Charter.

FISCAL IMPACT
This action has no fiscal impact.

STRATEGIC PLAN:
Strategic Goal Alignment:
1. High Quality Customer Experience
2. Engaged Workforce

Strategic Objectives:
1.2 Continuous Improvement
2.2 Organization Development

EXPLANATION OF STRATEGIC ALIGNMENT:
The mission of the Internal Audit department is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps Capital Metro accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

BUSINESS CASE:
Does not apply.

COMMITTEE RECOMMENDATION:
This agenda item was presented and is recommended for approval by the Finance, Audit and Administration Committee on October 14, 2020.

EXECUTIVE SUMMARY:
The Internal Audit Charter identifies the purpose, authority, and responsibility of the Capital Metro Internal Audit function, consistent with professional auditing. When it adopted the Internal Audit Charter, the Board of Directors asked that the Charter be reviewed periodically and updated as necessary. The last of these reviews was performed in October, 2018.

After a careful review, staff is not recommending any updates to the charter at this time.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.
RESPONSIBLE DEPARTMENT: Internal Audit
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

RESOLUTION (ID # AI-2020-1325)
Review of Internal Audit Charter

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors has adopted an Internal Audit Charter that identifies the purpose, authority, and responsibility of the Capital Metro Internal Audit function, consistent with professional auditing standards.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the Internal Audit Charter attached hereto is formally affirmed.

________________________
Date: ____________________

Secretary of the Board
Eric Stratton
INTERNAL AUDIT MISSION

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

ROLE

Internal Audit assists the organization in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal auditors have no direct responsibilities or any authority over any of the activities or operations they review. They should not develop and install procedures, prepare records, or engage in activities which would normally be reviewed by internal auditors. This does not preclude internal auditors from serving in an advisory capacity in the implementation of improvements or the establishment or re-designing of activities, policies, procedures, or information systems. Additionally, this restriction shall not prevent internal auditors from performing analysis and recommending alternative courses of action to management.

INDEPENDENCE AND ORGANIZATIONAL REPORTING

Internal Auditors should be free both in fact and appearance from personal, external, and organizational impairments to independence.

In order to be free of all operational and management responsibilities that would impair the ability to review independently all aspects of the Authority’s operations, the Chief Audit Executive (CAE) shall report functionally to the Board of Directors (BOD) through the Finance, Audit and Administration (FAA) Committee. The CAE shall report to the FAA Committee as needed to discuss audit issues and results. At least annually, the CAE will confirm to the FAA Committee, the organizational independence of the internal audit activity and, as necessary, revise the Internal Audit and/or the FAA Charters.

PROFESSIONAL STANDARDS

Internal Audit must follow Generally Accepted Government Auditing Standards (GAGAS), as issued by the U.S. General Accountability Office (GAO). Also, Internal Audit conforms to the International Professional Practices Framework (IPPF) consisting of the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the Standards as promulgated and periodically revised by the Institute of Internal Auditors. These core principles include:

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<th>Approved by FAA Committee:</th>
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<td>CMTA Resolution #:</td>
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1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives, and risks of the organization
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organizational improvement

ASSURANCE SERVICES

Assurance services provide an objective evaluation of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.

These activities may include:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and whether the Authority is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets.
- Reviewing and appraising the efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing information systems throughout the system development lifecycle.
- Assessing management’s actions taken in response to reported audit findings.
- Reviewing and evaluating the organization’s governance processes.
- Reviewing and evaluating the organization’s risk management processes.
- Receiving and investigating allegations of fraud, waste and abuse.
- Reporting periodically on the Internal Audit activity’s purpose, authority, responsibility, and performance relative to its plan.

NON-AUDIT SERVICES (ADVISORY & CONSULTING)

Consulting services include advisory and related client service activities, the nature and scope of which are agreed with the client and are intended to add value and improve the Authority’s governance, risk management, and control processes.

These services may range from formal engagements, defined by written agreements, to advisory activities, such as training, facilitation, and participating in standing or temporary management committees or project teams as an “ex-officio” member.

Internal Audit may perform advisory services where the services do not create a personal impairment either in fact or appearance, detract from other obligations to the FAA Committee, or require the assumption of management responsibilities.

Internal Audit does not perform remediation services. Remediation services are those in which the auditor assumes a direct role designed to prevent or remediate known or suspected problems on behalf of a client. Remediation services require making management decisions and, thus, are not appropriate according to GAGAS.
AUTHORITY

Authorization is granted for full and free access to all records (either manual or electronic), physical properties, activities, and personnel relevant to a review. This includes full access to all systems that input, process, store, and report any and all information of the operations of the Authority which are not limited or otherwise restricted. Documents and information given to internal auditors will be handled in the same prudent manner as by those employees normally accountable for them.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit maintains a Quality Assurance and Improvement Program (QAIP) to evaluate the operations of the internal auditing function. The QAIP includes audit supervision/review to ensure conformance with internal auditing standards, policies, and audit programs. Internal assessments will be performed at least annually to assess conformance with the Internal Audit Charter, the Standards, Code of Ethics, GAGAS, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. In addition, an independent external quality assurance review will be performed at least once every three years. The results of the QAIP activities, including both internal and external assessments, will be provided to the FAA Committee.

CONTINUING PROFESSIONAL DEVELOPMENT

Each fiscal year, the Internal Audit Department will be allocated a budget for training and educational materials to comply with internal auditing professional standards and ensure current audit techniques, policies, and practices.

INTERNAL AUDIT RESULTS

Audit results are reported to the FAA Committee and President / CEO at the conclusion of each audit project and may include management’s responses and corrective action plans (CAPs). The FAA Committee accepts audit reports/results and, when appropriate, authorizes their distribution.

In certain instances, a report may be of limited interest or of a sensitive nature. In these circumstances, the results will be shared only with those persons designated by the FAA Committee. No internal audit report shall directly reference or quote confidential information that is protected under the Texas Public Information Act.

INTERNAL AUDIT FOLLOW-UP

The CAE shall monitor the disposition of CAPs. Audit follow-ups shall verify the resolution status of all significant recommendations resulting from past internal audits. The CAE shall report, at least annually, on implementation status to the FAA Committee.

FINANCE, AUDIT & ADMINISTRATION COMMITTEE

The Finance, Audit & Administration (FAA) Committee shall provide guidance and oversight of both internal and external audit activities. FAA Committee responsibilities include the following duties, based upon standard corporate and governmental practices:

Responsibilities for Internal Audit:

- Review and approve Internal Audit Charter.
- Review Internal Audit risk assessment, plans and budgets.
- Review and/or approve requests for internal audit projects and significant interim changes to the internal audit plan.
• Monitor internal audit results and follow-up reports on previously reported recommendations and CAPs.
• Conduct an annual performance review and evaluation of the CAE.
• Inform and advise the full BOD on internal audit results and recommendations.

Responsibilities for External Audit:

• Monitor external auditor coverage, activities, and contracts for external audits.
• Monitor financial and regulatory reporting decisions.

BOARD ACCESS TO INTERNAL AUDIT

The FAA Committee shall be the access point for all requests for internal audits. Individual Board members desiring specific audit projects should coordinate requests through this committee for review, approval, and scheduling.

INTERNAL AUDITOR ACCESS TO THE BOARD

The CAE shall meet with the FAA Committee on a regular basis, but no less than once per quarter. In addition, the BOD and/or the FAA Committee may request that Internal Audit be available as an informational resource at regular BOD or FAA Committee meetings.

The CAE will have direct access to the BOD and/or the FAA Committee about issues or concerns. The intent of this provision is to emphasize the independence of internal auditing and provide the CAE with direct access to the BOD should serious matters arise which are beyond the course of normal operations.

INTERNAL AUDIT SERVICES PLAN

The CAE shall present for approval to the BOD, a risk-based audit plan which documents the priorities of the internal audit function and is consistent with the Authority’s strategic goals and objectives. A risk/opportunity assessment shall be used to identify and justify internal audit resources, audit priority, and scheduling of audit projects. Audit planning will consider the risk of fraud and abuse.

The Internal Audit Services Plan will be reviewed at least annually and proposed plan revisions will be presented to the FAA Committee which has the authority to approve plan modifications. The intent is to provide flexibility to ensure that the most significant risks and opportunities can be addressed in a timely fashion.

CAE APPOINTMENT, EVALUATION & REMOVAL

The BOD shall appoint a qualified, professionally certified individual to perform internal auditing services for a term of five years. The BOD will be responsible for conducting an annual personnel evaluation of the CAE. However, the BOD may delegate this responsibility to the FAA Committee. The BOD may remove the CAE only on the affirmative vote of at least three-fourths of the members of the BOD.

EFFECTIVE DATE

This charter and the policies therein became effective immediately upon adoption by the Board of Directors of the Capital Metropolitan Transportation Authority.

History:
See most recent FAA Committee approvals at: CMTA Resolution #: AI-2018-797, dated September 17, 2018
CMTA-2015-56, dated June, 22, 2015
Approval of a resolution adopting the FY2021 Internal Audit Services Plan.
SUBJECT:
Approval of a resolution adopting the FY2021 Internal Audit Services Plan.

FISCAL IMPACT
This action has no fiscal impact.

STRATEGIC PLAN:
Strategic Goal Alignment:
1. High Quality Customer Experience
2. Engaged Workforce
3. Sustainability
4. Valued Community Partner

Strategic Objectives:
1.1 Safety & Risk, 1.2 Continuous Improvement, 1.3 Dynamic Change, 1.4 Culture of Innovation, 2.1 Be An Employer of Choice, 2.2 Organization Development, 2.3 Organization Culture, 3.1 Resource Optimization, 3.2 Safety Culture, 3.3 Environmental Leadership, 4.1 Educate & Call to Action, 4.2 Build Partnerships, 4.3 Value of Transit, 4.4 Project Connect

EXPLANATION OF STRATEGIC ALIGNMENT:
This plan will ensure good stewardship and internal controls for the agency, and supports the Capital Metro Strategic Plan.

BUSINESS CASE:
Does not apply.

COMMITTEE RECOMMENDATION:
This agenda item was presented and recommended for approval at the Finance, Audit and Administration Committee meeting on October 14, 2020.

EXECUTIVE SUMMARY:
The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing require risk-based audit plans be developed to determine the priorities of an internal audit activity, consistent with the organization's goals. The proposed FY2021 Internal Audit Plan (the Plan) summarizes the proposed audits and projects that were identified during a comprehensive risk assessment performed by Capital Metro Internal Audit. The Plan presents audit activities in two categories: Assurance Services, and Advisory & Consulting Services. The Capital Metro Internal Audit Charter requires that the Chief Audit Executive "present for approval to the Finance & Audit Committee a risk-based Audit Plan which documents the priorities of the internal audit function and is consistent with the Authority's strategic goals and objectives." After FAA consideration,
the plan is taken to the full Board for its review and approval.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Operations
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

RESOLUTION (ID # AI-2020-1326)
Approval of the FY2021 Internal Audit Plan

WHEREAS, the FY2021 Internal Audit Plan considers the potential risks and opportunities of the Authority; and the FY2021 Internal Audit Plan was prepared in accordance with professional internal auditing standards; and

WHEREAS, the FY2021 Internal Audit Plan provides a mix of audit projects to mitigate risks, develop recommendations for improvement and/or cost savings, and monitor the progress toward implementing past recommendations.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the FY2021 Internal Audit Plan is adopted and sets a program to provide relevant and useful information to the Board of Directors.

________________________
Secretary of the Board
Eric Stratton

Date: ______________________
To: Terry Mitchell, Chair, Finance, Audit & Administrative (FAA) Committee
    Wade Cooper, Member, FAA Committee
    Troy Hill, Member, FAA Committee
    Sabino Renteria, Member, FAA Committee

CC: Randy Clarke, President/CEO

From: Terry Follmer, CPA, MBA, CIA, CISA, CISSP
      VP, Internal Audit

Date: October 14, 2020

Subject: Proposed FY2021 Internal Audit Plan

Purpose

This proposed Capital Metro Internal Audit Plan (Audit Plan) summarizes the planning methodology and the audit projects that Internal Audit recommends performing during FY2021.

FY2021 Audit Plan & Updates

The Institute of Internal Auditor’s (IIA) International Standards for the Professional Practice of Internal Auditing require that risk-based plans be developed to determine the priorities of the internal audit activity, consistent with the organization’s goals.

The proposed FY21 Internal Audit Plan (Table 1) was developed by performing a comprehensive risk assessment. This included a risk assessment survey sent to management and Board members, management interviews, and discussions with Board members. Additionally, we collaborated and reviewed the audit plans of VIA in San Antonio, METRO in Houston, and DART in Dallas. The Internal Audit Department also reviewed prior external consulting and audit reports (e.g. FTA Triennial, Quadrennial), operating and capital budgets, organization charts, and the Strategic Plan to help ensure other potential risk and opportunity areas were identified and proposed projects are aligned to address the strategic risks of the Authority.

Based upon the results of the risk assessment, the FY21 Plan has a stronger focus on the periodically required regulatory audits (e.g. Quadrennial, FTA Triennial, QAR). Additional areas of focus are IT security, Project Connect, and financial controls. The proposed plan includes three IT projects which includes the Annual Cybersecurity Review (i.e. IT Penetration and Vulnerability Assessment), NIST Cybersecurity Framework facilitated self-assessment, and an IT review of Rail Systems Security. On the financial side there is a project testing the SOX
like controls over the Transit Store. Other projects to highlight from the FY21 Plan include the Quadrennial Review which is a state-mandated performance audit, the Quality Assessment Review of the Internal Audit Department that is required every three years, and the audit of the DBE Program. Internal Audit believes these focus areas together with the other projects in the proposed Audit Plan will appropriately address the risks identified.

The FY21 audit plan also includes a list of contingent projects (Table 2) that will serve as backup projects that will be performed if the original plan is running ahead of schedule or if some of the projects must be delayed or cancelled. Furthermore, the Audit Plan is meant to be a risk based flexible audit plan so as emerging risks arise or priorities change, the Internal Audit Department will bring these future project changes to management and the FAA Committee for approval.

Internal Audit Project Staffing

Staffing for the FY21 Audit Plan will use a combination of internal and external resources to perform the projects. Historically the Internal Audit Department has completed approximately seven audit projects per year. The FY21 plan includes eleven assurance projects, four QC and compliance, and one advisory project, and Internal Audit believes these additional projects can be completed through better planning, scoping and coordination with management. The department is currently fully staffed with three full time auditors, and we continue to mature the UT Audit Intern program which started in 2018. This Fall semester we will have ten graduate Accounting students from UT’s #1 ranked Masters of Professional Accounting program who will be assisting on three projects as part of their required Audit class. This is our fifth semester participating in this highly successful program, and we plan on continuing the Audit Intern program with a fresh class in the Spring. Each student in the intern program is providing up to 60 hours of project time for the semester as part of their Audit class at UT. Additionally, the Annual Cybersecurity Review (i.e. IT Penetration and Vulnerability Assessment), and an IT review of Rail Systems Security will be joint projects funded by the IT Department. We believe this mix of internal and external resources is sufficient to perform the projects listed in the FY2021 Audit Plan (see Table 1).

Professional Requirements & Auditor Independence

The Internal Audit Department conducts our audits in conformance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States and the IIA’s International Standards for the Professional Practice of Internal Auditing and Code of Ethics. These standards require that we be independent from any entity or person that we audit or may audit and be objective when conducting such audits. Furthermore, IIA Standard 1110 requires that the CAE confirm to the board, at least annually, the organizational independence of the internal audit activity. Capital Metro Internal Audit is organizationally independent of management and, as such, remains objective when conducting audits, and our staff have no conflicts of interest with the proposed FY21 Audit Plan.
### TABLE 1 – FY2021 Audit Assurance & Advisory Projects

<table>
<thead>
<tr>
<th>Audit Project</th>
<th>Risk Area</th>
<th>Audit Type</th>
<th>Audit Objective &amp; Scope</th>
<th>Estimated Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Semiannual Implementation Status Updates - November 2020</td>
<td>Compliance</td>
<td>Assurance</td>
<td>Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)</td>
<td>160</td>
</tr>
<tr>
<td>2 Semiannual Implementation Status Updates - May 2021</td>
<td>Compliance</td>
<td>Assurance</td>
<td>Monitor and report on implementation status of previously agreed-upon corrective action plans (CAPs). Status updates are performed twice each year (Spring and Fall.)</td>
<td>160</td>
</tr>
<tr>
<td>3 FY2021 Risk Assessment &amp; FY2022 Audit Plan Development</td>
<td>Governance</td>
<td>Continuous Improvement &amp; QC</td>
<td>Develop the annual risk based internal audit services plan to identify audit and non-audit projects and effectively allocate resources. Update and align the plan with changing organizational risks/opportunities.</td>
<td>300</td>
</tr>
<tr>
<td>4 Quadrennial Review</td>
<td>Strategic &amp; Regulatory</td>
<td>Continuous Improvement &amp; QC</td>
<td>State-Mandated Performance Audit</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>FTA Triennial Review</td>
<td>Strategic &amp; Regulatory</td>
<td>Continuous Improvement &amp; QC</td>
<td>FTA Mandated</td>
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<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>QAR (Quality Assurance Review) of Internal Audit practices</td>
<td>Quality Control &amp; Assurance</td>
<td>Continuous Improvement &amp; QC</td>
<td>Complete FY2021 external Quality Assurance Review: GAGAS requires an external peer review at least once every 3 years. The external review normally due by October 31, 2020, has been postponed by GAO/ALGA due to COVID-19.</td>
</tr>
<tr>
<td>7</td>
<td>SOX Like Key Financial Control Testing (Transit Store)</td>
<td>Financial Assurance</td>
<td>We will ask CFO and Controller for their suggestions on areas to review.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Project Connect - System Controls &amp; Processes (e-Build)</td>
<td>Strategic &amp; Technology Advisory</td>
<td>Configuration and mgt of e-Build system. A cloud based end-to-end Project Management Information Solution (PMIS) delivering outcomes from capital planning and design through commissioning.</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>PTC (Positive Train Control) - Expenditures &amp; Drawings - Contract Close-out</td>
<td>Strategic &amp; Regulatory Assurance</td>
<td>Review billings and support for compliance with contract terms and conditions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Title</td>
<td>Group</td>
<td>Assurance</td>
<td>Description</td>
</tr>
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<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>10</td>
<td>DBE Program</td>
<td>Strategic &amp; Regulatory</td>
<td>Assurance</td>
<td>Review controls after DBE program updates are implemented.</td>
</tr>
<tr>
<td>11</td>
<td>Annual Cybersecurity Review</td>
<td>IT Assurance</td>
<td>Assurance</td>
<td>Annual Cybersecurity Assessment with outsourced IT Penetration &amp; Vulnerability Assessment</td>
</tr>
<tr>
<td>12</td>
<td>Rail Systems Security (Railcomm, PTC, Signaling, etc.)</td>
<td>IT Assurance</td>
<td>Assurance</td>
<td>A holistic review system resiliency with a focus on key rail applications and the interdependency.</td>
</tr>
<tr>
<td>13</td>
<td>Saltillo Development Project</td>
<td>Operations</td>
<td>Assurance</td>
<td>Review Saltillo contracts and test compliance including revenue sharing agreements.</td>
</tr>
<tr>
<td>14</td>
<td>Petty Cash</td>
<td>Financial</td>
<td>Assurance</td>
<td>Periodic audit of Petty Cash as required by policy FIN-102.</td>
</tr>
<tr>
<td>15</td>
<td>Payroll Process - SOX Review</td>
<td>Financial</td>
<td>Assurance</td>
<td>Review payroll controls to ensure payments are timely, accurate and properly approved.</td>
</tr>
<tr>
<td>16</td>
<td>NIST Cybersecurity Framework (Facilitated Self Assessment)</td>
<td>IT Assurance</td>
<td>Assurance</td>
<td>Review compliance with the 108 recommended controls covering best practices, standards and guidelines designed to better manage and reduce cybersecurity risks.</td>
</tr>
<tr>
<td>#</td>
<td>Activity Description</td>
<td>Strategic</td>
<td>Continuous Improvement &amp; QC</td>
<td>Hours</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<td>-------</td>
</tr>
<tr>
<td>17</td>
<td>Community Engagement &amp; Professional Organization Support</td>
<td></td>
<td>Internal special projects including support of local and industry professional associations (ISACA, IIA, APTA, ALGA, Toastmaster, etc.), responding to professional exposure drafts, internal training and other internal quality improvement opportunities as needed. UT Audit Intern Program (Fall &amp; Spring).</td>
<td>240</td>
</tr>
<tr>
<td>18</td>
<td>Management Requests, Consulting &amp; Special Projects 1) Advisor on various Committees; 2) Investigations; 3) Emerging Risks &amp; Special Projects as requested, etc..</td>
<td>Multiple</td>
<td>Advisory / Consulting</td>
<td>600</td>
</tr>
</tbody>
</table>

**TOTAL ESTIMATED HOURS** 4,870
### TABLE 2 – FY20 Contingency Audit Projects (To Be Used as Backups)

<table>
<thead>
<tr>
<th>Audit Project</th>
<th>Risk Area</th>
<th>Audit Type</th>
<th>Audit Objective &amp; Scope</th>
<th>Estimated Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Station - Closeout</td>
<td>Quality Control &amp; Assurance</td>
<td>Assurance</td>
<td>Review contract compliance related to deliverables and payments, including final payments and related close-outs.</td>
<td>300</td>
</tr>
<tr>
<td>Project Connect - Marketing &amp; Planning Expenditures</td>
<td>Strategic &amp; Regulatory</td>
<td>Assurance</td>
<td>Review Media Plan and related contracts, audit invoices to ensure contract and regulatory compliance.</td>
<td>240</td>
</tr>
<tr>
<td>Infor System - post go live review</td>
<td>Strategic, Operations, IT Assurance</td>
<td>Advisory</td>
<td>Ensure the completeness and accuracy of the data that has been loaded from Spear, and review the capabilities and implementation of the system.</td>
<td>300</td>
</tr>
<tr>
<td>Discounted Pass Program</td>
<td>Financial</td>
<td>Assurance</td>
<td>Review the internal controls related to the Discounted Pass Program.</td>
<td>240</td>
</tr>
<tr>
<td>Facilities Maintenance - Contract Monitoring &amp; Compliance</td>
<td>Quality Control &amp; Assurance</td>
<td>Assurance</td>
<td>Quality control and contract compliance with Facility Maintenance service providers.</td>
<td>300</td>
</tr>
<tr>
<td>Paratransit &amp; Demand Response Operations</td>
<td>Operations</td>
<td>Assurance</td>
<td>Review billings and support for compliance with contract terms and conditions.</td>
<td>240</td>
</tr>
<tr>
<td>7</td>
<td>Board Policies/Goals - Monitoring &amp; Reporting (e.g. OTP; Fare Recovery; DBE; Title 6 Equity Analysis; etc.)</td>
<td>Governance</td>
<td>Assurance</td>
<td>Review Board policies/goals to ensure that they are periodically reviewed and updated, and that related performance metrics are being tracked and reported.</td>
</tr>
<tr>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>TOTAL ESTIMATED HOURS</td>
<td>1,820</td>
</tr>
</tbody>
</table>
Approval of a resolution authorizing the President & CEO, or his designee, to enter into an Interlocal Agreement with the City of Austin for the purpose of participating in cooperative procurement opportunities via the Texas Interlocal Purchasing Cooperative.
SUBJECT:
Approval of a resolution authorizing the President & CEO, or his designee, to enter into an Interlocal Agreement with the City of Austin for the purpose of participating in cooperative procurement opportunities via the Texas Interlocal Purchasing Cooperative.

FISCAL IMPACT
This action has no fiscal impact.

STRATEGIC PLAN:
Strategic Goal Alignment:
1. High Quality Customer Experience
3. Sustainability
4. Valued Community Partner

Strategic Objectives:
1.2 Continuous Improvement, 1.4 Culture of Innovation, 3.1 Resource Optimization, 4.2 Build Partnerships

EXPLANATION OF STRATEGIC ALIGNMENT:
Capital Metro has utilized purchasing cooperatives on many occasions. Working closely with the City of Austin and other local governmental entities will give Capital Metro an even larger pool of potential contracts to work with, expediting the procurement process for certain goods and services.

BUSINESS CASE:
This interlocal agreement represents a partnership between Capital Metro, the City of Austin and any other local governments that choose to participate in the cooperative. It will allow Capital Metro to access a much larger pool of cooperative contracts, which has the potential to expedite purchases for goods and services.

TERM:
The term of the Agreement would be one year, automatically renewed each year. Upon providing reasonable notice to the Administrator, Capital Metro may terminate its participation in this Agreement and can terminate its membership at any time.

COMMITTEE RECOMMENDATION:
This agenda item was presented and recommended for approval at the Operations, Planning and Safety Committee meeting on October 14, 2020.

EXECUTIVE SUMMARY:
The City of Austin has organized the creation of a new cooperative purchasing entity, known as the Texas Interlocal Purchasing Cooperative, which it will administer on behalf of the local governmental entities that choose to participate. The purpose of the
Agreement is to streamline and simplify compliance with Texas Local Government Code, Ch. 791, by establishing a collective or master cooperative purchasing agreement, under Texas Government Code Chapter 271, in which members may authorize and access one another’s cooperative contracts, without needing to execute and maintain multiple interlocal agreements with each member individually.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Procurement
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

RESOLUTION (ID # AI-2020-1306)
Interlocal Agreement for Cooperative Purchasing with City of Austin

WHEREAS, purchasing cooperatives between and among local government entities in the State of Texas have been shown to improve competition, quality, services, provide lower prices for materials and services, and avoid duplication of effort; and

WHEREAS, Chapter 791 of the Texas Government Code, the Interlocal Cooperation Act, authorizes local governments to contract, to the greatest possible extent, with one another and agencies of the State; and

WHEREAS, Chapter 271 of the Texas Local Government Code permits local governments to form purchasing cooperatives to engage in cooperative purchasing for the benefit of all parties; and

WHEREAS, the parties hereto desire the free exchange of information, technology, and other services that may assist in improving the efficiency or economy of the procurement of necessary goods and services; and

WHEREAS, cooperative purchasing results when a lead government establishes cooperative contracts through required competition or as otherwise legally allowed, and makes these contracts available for use by participating governments that have entered into a cooperative agreement with the lead local government.

NOW, THEREFORE, BE IT RESOLVED that the President & CEO, or his designee, is authorized to enter into an Interlocal Agreement with the City of Austin for the purpose of participating in cooperative procurement opportunities via the Texas Interlocal Purchasing Cooperative.

__________________________________________
Date: __________________________

Secretary of the Board
Eric Stratton
This MASTER COOPERATIVE PURCHASING AGREEMENT, is hereby established this 11th day of JUNE, 2020, and administered by the CITY OF AUSTIN, TEXAS, together with an accompanying PARTICIPATING ADDENDUM (collectively, the “Agreement”) executed by their duly authorized representative, between those LOCAL GOVERNMENTS (“Members”) listed herein, for the purpose of participating in cooperative procurement opportunities and is to be known hereafter as the "TEXAS INTERLOCAL PURCHASING COOPERATIVE."

RECITALS

WHEREAS, voluntary purchasing cooperatives between and among local government entities in the State of Texas have been shown to improve competition, quality, services, provide lower prices for materials and services, and avoid duplication of efforts; and

WHEREAS, Chapter 791 of the Texas Government Code, the Interlocal Cooperation Act, authorizes local governments to contract, to the greatest possible extent, with one another and agencies of the state; and

WHEREAS, Chapter 271 of the Texas Local Government Code, permits local governments to form purchasing cooperatives, to engage in cooperative purchasing for the benefit of all parties; and

WHEREAS, the parties hereto desire the free exchange of information, technology, and other services that may assist in improving the efficiency or economy of the procurement of necessary goods and services; and

WHEREAS, cooperative purchasing results when a lead government establishes cooperative contracts, through required competition or as otherwise legally allowed, and makes these contracts available for use by participating governments that have entered into a cooperative agreement with the lead local government; and

WHEREAS, each participating government is independently responsible for executing their own contract based on the lead local government’s cooperative contract; issuing, receiving, inspecting and accepting their own orders; resolving their own contractual disputes, and making their own timely payment for invoiced amounts; and

WHEREAS, the goods and services purchased under this Agreement will serve a government function as defined by Texas Government Code Section 791.003(3); and

WHEREAS, this Agreement will serve these ends;

TERMS AND CONDITIONS
NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, and for the mutual benefits to result therefrom, the Members agree as follows:

1. **Purpose.**
   The purpose of the Agreement is to streamline and simplify compliance with Texas Government Code, Ch. 791, by establishing a collective or master cooperative purchasing agreement, under Texas Local Government Code Chapter 271, in which parties (“Members”) may authorize and access one-another’s cooperative contracts, without needing to execute and maintain multiple interlocal agreements with each Member individually.

2. **Name.**
   This Purchasing Cooperative shall be known as Texas Interlocal Purchasing Cooperative.

3. **Administrator.**
   This Purchasing Cooperative shall be administered by the City of Austin, Texas, by their Purchasing Officer or duly authorized delegate.

4. **Leadership Structure - Initial Term.**
   A. As this Purchasing Cooperative is forming, in the initial year of its existence but not later than September 30, 2021, the Administrator will establish a leadership structure and associated procedures to govern the activities of the Purchasing Cooperative going forward.
   
   B. Until a new leadership structure and associated procedures are established, the Administrator will take any actions and make any changes necessary to preserve and promote the Purchasing Cooperative through this initial term.

5. **Members.**
   A. In accordance with Texas Local Government Code, Ch. 271.102, Local Governments may join this Purchasing Cooperative. Members agree that other Local Governments may, at their discretion, join this Agreement and become Members of this Purchasing Cooperative.
   
   B. The list of Members to this Agreement is included herein and shall be periodically updated by the Administrator. See Attachment A.
   
   C. To join this Purchasing Cooperative, Local Governments must complete and authorize a Participating Addendum, the same or substantially similar to the Form included herein and submit it to the Administrator. See Attachment B.
   
   D. Each Member represents and warrants that its governing body has duly authorized
its participation in the Purchasing Cooperative and that the Member will comply with all state and local laws and policies pertaining to purchasing goods and services.

E. Until a leadership structure is established, membership in the Purchasing Cooperative is limited to Local Governments formed under Texas statutes and physically located within the jurisdiction of the State of Texas.

6. **Effective Date of Memberships.**
The Agreement shall take effect upon the effective date of each respective Member’s executed Participating Addendum.

7. **Lead Cooperative Contracts.**
A. As requested, Members shall provide information and access to those contracts in which they have included cooperative language and thereby making these lead cooperative contracts available for use by other Members.

B. Members making their lead cooperative contracts available to other Members, shall have no obligation or liability for any participating cooperative contracts established by other Members.

8. **Participating Cooperative Contracts.**
A. Members using a lead cooperative contract established by another Member, shall establish their own participating cooperative contract, inclusive of all applicable contents of the lead cooperative contract and any additional contents added by the Member, as agreeable to the contractor.

B. Members shall be solely responsible for the legal compliance, administration, interpretation, ordering, payments, liabilities, enforcement and remediation of their participating cooperative contracts.

C. Each Member shall pay for the performance of their cooperative contracts from current revenues available to the Member.

D. Members shall not create participating cooperative contracts to procure professional services as defined by Texas Government Code Chapter 2254.

9. **Fees.**
During the initial term of this Purchasing Cooperative, Members shall not assess any fees when their lead cooperative contracts are used by other Members, including fees assessed directly to Members and fees assessed to the contractor. After the initial term this provision is subject to change.

10. **Term and Termination.**
A. This Agreement shall remain in effect until participation has been terminated by all but two of the parties.

B. Upon providing reasonable notice to the Administrator, Members may terminate their participation in this Agreement and with it their membership at any time.

C. Upon providing reasonable notice to the Member, the Administrator may terminate a Member’s participation in this Agreement for any material violations of this Agreement.

11. Amendment by Notice.
The Administrator may amend this Agreement, in accordance with later adopted procedures, provided that prior written notice is sent to the Members at least 60 days prior to the effective date of any change described in such amendment and provided that the Member does not terminate its participation in the Purchasing Cooperative before the expiration of the 60 days.

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas and, to the extent permitted by law, venue for all disputes arising under this Agreement shall lie in Travis County, Texas.

13. Limitation of Liability.
A. By entering this Agreement, Members do not waive their governmental or sovereign immunity from liability afforded under law.

B. In regard to any lawsuit or formal adjudication arising out of this Agreement, Members shall not be liable to the other(s) for any special, incidental, consequential, or exemplary damages.

Any written notice to the Purchasing Cooperative shall be addressed to the following:

   James Scarboro, Purchasing Officer
   City of Austin
   PO Box 1088
   Austin, Texas 78767-1088
   Phone: 512-974-2050   Email: james.scarboro@austintexas.gov

15. Entire Agreement.
This is the complete and entire Agreement, including Appendix A - B, between the Members with respect to the matters herein and supersedes all prior agreements and negotiations, if any.
Approval of a resolution adopting a revised Charter Statement for the Operations, Planning and Safety Committee.
SUBJECT:
Approval of a resolution adopting a revised Charter Statement for the Operations, Planning and Safety Committee.

FISCAL IMPACT
This action has no fiscal impact.

STRATEGIC PLAN:
Strategic Goal Alignment:
1. High Quality Customer Experience
2. Engaged Workforce

Strategic Objectives:
1.2 Continuous Improvement
2.2 Organization Development

EXPLANATION OF STRATEGIC ALIGNMENT:
Capital Metro’s two board committees assist the Board of Directors in providing strong governance and play a key advisory role to the full board. Their expertise and in-depth look at issues before the board is vital to our long-term strategic planning.

BUSINESS CASE:
Does not apply.

COMMITTEE RECOMMENDATION:
This agenda item was presented and is recommended for approval at the Operations, Planning and Safety Committee meeting on October 14, 2020.

EXECUTIVE SUMMARY:
In 2010, each of the committees of the Board of Directors adopted Committee Charter Statements defining their areas of responsibility. A periodic review of these charters was requested by the board upon adoption and allows the committees to ensure that the charters still meet the needs and parameters of each committee. This charter was last reviewed by the board in January, 2019. Staff recommends revisions to the charter to update the language and to add a section describing the membership of the Committee.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Board of Directors
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

RESOLUTION (ID # AI-2020-1323)
Review of Operations, Planning and Safety Committee Charter

WHEREAS, the Board of Directors has established committees made up of members of the Board to consider specified areas of interest to the Authority; and

WHEREAS, the Board of Directors has adopted Committee Charter Statements that define the roles and responsibilities of each of these committees; and

WHEREAS, the Board of Directors desires to review the Committee Charter Statement to ensure that it reflects current roles and responsibilities.

NOW, THEREFORE, BE IT RESOLVED that the Capital Metropolitan Transportation Authority Board of Directors hereby adopts the revised Committee Charter Statement for the Operations, Planning and Safety Committee.

________________________
Date: ______________________
Secretary of the Board
Eric Stratton
I. PURPOSE AND AUTHORITY
The Operations, Planning and Safety Committee (the “OPS Committee”) has been established by the Capital Metropolitan Transportation Authority (“Capital Metro”) Board of Directors (the “Board”) to review and make recommendations to the full Board on policies and practices related to the efficient, safe, and reliable operation of the Capital Metro system and effective short and long-range planning for a sustainable Capital Metro.

The OPS Committee serves as an advisory committee to the Board which has the legal responsibility to make decisions and policies for Capital Metro.

II. RESPONSIBILITIES
The OPS Committee shall be responsible for:

- Overseeing short-range service planning and modification;
- Developing and making recommendations to the Board on long-range system planning and coordinating with external partners on regional planning initiatives;
- Reviewing and making recommendations to the Board on route standards and service standards;
- Monitoring performance indicators for service and operations, including but not limited to ridership, customer service and satisfaction, passenger and employee safety and security standards, and facility and vehicle maintenance;
- Making recommendations to the Board on system safety and security initiatives and plans to enhance organizational focus on safety and security and comply with applicable federal, state and local laws and regulations;
- Making recommendations to the Board on vehicle purchase and fleet management plans and other capital purchases related to operations;
- Overseeing facility and capital project design and construction programs;
- Recommending to the Board policies and processes designed to provide for effective and efficient IT governance;
- Reviewing and making recommendations to the Board on land use related to Capital Metro and property acquisition and disposal;
- Ensuring compliance with Title VI requirements;
- Overseeing the implementation of system start-ups; and
- Ensuring that all Capital Metro services operate effectively as an integrated transit system.

III. MEMBERSHIP
The OPS Committee shall consist of four (4) members of the Board. The Chairperson of the Board will nominate the OPS Committee Chairperson and members annually, subject to confirmation by the Board. The OPS Committee shall elect a Committee Vice Chairperson from its members at its first meeting of the year to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.
IV. MEETINGS
The OPS Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. Committee members are expected to attend each meeting. The OPS Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.

The OPS Committee shall take up and consider any other items as directed by the Chairperson of the Board.
OPERATIONS, PLANNING AND SAFETY COMMITTEE CHARTER

I. PURPOSE AND AUTHORITY
The role of the Operations, Planning and Safety Committee (the “OPS Committee”) has been established by the Capital Metropolitan Transportation Authority (“Capital Metro”) Board of Directors (the “Board”), shall be to review and make recommendations to the full Board of Directors on policies and practices related to the efficient, safe, and reliable operation of the Capital Metro system and effective short and long-range planning for a sustainable Capital Metro.

AllThe OPS Committee serves as an advisory committee to the Board of Directors which has the legal responsibility to make decisions and policies for Capital Metro.

II. RESPONSIBILITIES
The OPS Committee shall be responsible for:

▪ Overseeing short-range service planning and modification;
▪ Developing and making recommendations to the Board of Directors on long-range system planning and coordinating with external partners on regional planning initiatives;
▪ Reviewing and making recommendations to the Board of Directors on route standards and service standards;
▪ Monitoring performance indicators for service and operations, including but not limited to ridership, customer service and satisfaction, passenger and employee safety and security standards, and facility and vehicle maintenance;
▪ Making recommendations to the Board of Directors on system safety and security initiatives and plans to enhance organizational focus on safety and security and comply with FAST Act regulations, applicable federal, state and local laws and regulations;
▪ Making recommendations to the Board of Directors on vehicle purchase and fleet management plans and other capital purchases related to operations;
▪ Overseeing facility and capital project design and construction programs;
▪ Recommending to the Board policies and processes designed to provide for effective and efficient IT governance;
▪ Reviewing and making recommendations to the Board of Directors on land use related to the Authority/Capital Metro and property acquisition and disposal;
▪ Ensuring compliance with Title VI requirements;
▪ Overseeing the implementation of system start-ups; and
▪ Ensuring that all Capital Metro services operate effectively as an integrated transit system.

III. MEMBERSHIP
The OPS Committee shall consist of four (4) members of the Board. The Chairperson of the Board will nominate the OPS Committee Chairperson and members annually, subject to confirmation by the Board. The OPS Committee shall elect a Committee Vice Chairperson from its members at its first meeting of the year.
to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.

IV. MEETINGS

The OPS Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. Committee members are expected to attend each meeting. The OPS Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary.

The Operations, Planning and Safety (OPS) Committee shall take up and consider any other items as directed by the Chairperson of the Board of Directors.

All committees are advisory to the Board of Directors which has the legal responsibility to make decisions and policies for Capital Metro.
Approval by the Board of Directors of Capital Metro's Investment Policy and revision of the investment committee composition.
SUBJECT:
Approval by the Board of Directors of Capital Metro’s Investment Policy and revision of the investment committee composition.

FISCAL IMPACT
This action has no fiscal impact.

STRATEGIC PLAN:
Strategic Goal Alignment:
3. Sustainability

Strategic Objectives:
Resource Optimization

EXPLANATION OF STRATEGIC ALIGNMENT:
Annual review and approval of this policy is required to comply with the Texas Public Funds Investment Act.

BUSINESS CASE:
Capital Metro is required to invest funds in accordance with the Public Funds Investment Act. The governing body of an investing entity is required to review its investment policy and investment strategies no less than annually. The governing body shall 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.

The Investment Policy provides that Capital Metro’s Board of Directors will designate in writing those Capital Metro personnel serving as investment officers and authorized to invest on behalf of Capital Metro and also additional members serving on the committee.

COMMITTEE RECOMMENDATION:
This agenda item was presented and is recommended for approval at the Finance, Audit and Administration Committee meeting on October 14, 2020.

EXECUTIVE SUMMARY:
There were no changes to the Texas Public Funds Act (“the Act”) that affect Capital Metro’s investment policy. However, as a clarification, there was an addition to the policy in a reference to a section of the Act. Under section 1(B) – Scope, a reference to Section 451.101 of the Act relates to the powers of the Board. Section 451.104 which enables a transportation authority to invest according to the Act was added for
clarification. The proposed policy clarification was reviewed by PFM Asset Management LLC, under contract as Capital Metro’s investment advisory firm, and the recommended addition to the existing policy has been incorporated.

A change to the Investment Policy in Section IV( E) – Responsibility and Controls, was made. The investment committee composition is being revised in that Donna Simmons and Ilyse Niland will continue to serve on the investment committee but will no longer be designated as investment officers which is consistent with the proposed Capital Metro Investment policy and the Act. Reinet Marneweck and Susan Renshaw will continue to serve as investment officers.

Attached is a copy of Capital Metro’s Investment Policy which complies with the Act.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Finance
RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

RESOLUTION (ID # AI-2020-1249)
Capital Metro’s Investment Policy

WHEREAS, Capital Metro is required to invest funds in accordance with the Texas Public Funds Investment Act; and

WHEREAS, the Texas Public Funds Investment Act requires an annual review of the Investment Policy and investment strategies and such review has been performed.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the attached Investment Policy, which included Capital Metro’s investment strategies, has been reviewed and the revisions are recommended to the Investment Policy or strategies.

NOW, THEREFORE, BE IT FURTHER RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that Donna Simmons and Ilyse Niland will continue to serve on the investment committee but will no longer be designated as investment officers per the Capital Metro Investment policy and the Texas Public Funds Investment Act. Reinet Marneweck and Susan Renshaw will continue to serve as investment officers.

________________________
Date: ______________________

Secretary of the Board
Eric Stratton
GOVERNMENT CODE

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.


Sec. 2256.002. DEFINITIONS. In this chapter:

(1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.

(2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.

(3) "Funds" means public funds in the custody of a state agency or local government that:

(A) are not required by law to be deposited in the state treasury; and

(B) the investing entity has authority to invest.

(4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.

(5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.

(6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:

(A) preservation and safety of principal;

(B) liquidity; and

(C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the
State of Texas, and any nonprofit corporation acting on behalf of any of
those entities.

(8) "Market value" means the current face or par value of an
investment multiplied by the net selling price of the security as quoted by
a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an
investing entity in which one or more institutional accounts of the
investing entity are invested.

(10) "Qualified representative" means a person who holds a
position with a business organization, who is authorized to act on behalf
of the business organization, and who is one of the following:

(A) for a business organization doing business that is
regulated by or registered with a securities commission, a person who is
registered under the rules of the National Association of Securities
Dealers;

(B) for a state or federal bank, a savings bank, or a state
or federal credit union, a member of the loan committee for the bank or
branch of the bank or a person authorized by corporate resolution to act on
behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the
elected official or board with authority to administer the activities of
the investment pool to sign the written instrument on behalf of the
investment pool; or

(D) for an investment management firm registered under the
Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if
not subject to registration under that Act, registered with the State
Securities Board, a person who is an officer or principal of the investment
management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a
state agency or local government that is not invested in a pooled fund
group.

(13) "State agency" means an office, department, commission,
board, or other agency that is part of any branch of state government, an
institution of higher education, and any nonprofit corporation acting on
behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts
1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th
Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.
Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

(1) a local government;
(2) a state agency;
(3) a nonprofit corporation acting on behalf of a local government or a state agency; or
(4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of those entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.


Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

(1) a public retirement system as defined by Section 802.001;
(2) state funds invested as authorized by Section 404.024;
(3) an institution of higher education having total endowments of at least $150 million in book value on September 1, 2017;
(4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;
(5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or
(6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.


Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

1. orally;
2. in writing;
3. electronically; or
4. in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

1. understanding of the suitability of the investment to the financial requirements of the entity;
2. preservation and safety of principal;
3. liquidity;
4. marketability of the investment if the need arises to liquidate the investment before maturity;
5. diversification of the investment portfolio; and
6. yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall 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.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the
investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns $5,000 or more of the
fair market value of the business organization;

(2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or

(3) the investment officer has acquired from the business organization during the previous year investments with a book value of $2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.
(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.


Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. 1701), Sec. 1, eff. September 1, 2017.
Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

(1) preservation and safety of principal;
(2) liquidity; and
(3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

(1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

(2) whether the investment decision was consistent with the written investment policy of the entity.


Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg.,
Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS.

(a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) Except as provided by Subsection (g), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality, in addition to the requirements of Subsection (a)(1), shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has
contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a)(2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter 392, Local Government Code, may satisfy the training requirement provided by Subsection (a)(2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or
(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

(f) Subsection (a)(2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

(1) does not invest municipal or housing authority funds, as applicable; or
(2) only deposits those funds in:
(A) interest-bearing deposit accounts; or
(B) certificates of deposit as authorized by Section 2256.010.

(g) Subsection (a-1) does not apply to the treasurer, chief financial officer, or investment officer of a school district if:

(1) the district:
    (A) does not invest district funds; or
    (B) only deposits those funds in:
        (i) interest-bearing deposit accounts; or
        (ii) certificates of deposit as authorized by Section 2256.010; and

(2) the treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under Subdivision (1) that apply to the district.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:
    Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 3, eff. June 17, 2011.
    Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. 1148), Sec. 1, eff. September 1, 2015.
    Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), Sec. 1, eff. September 1, 2015.
    Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. 1488), Sec. 8.015, eff. September 1, 2017.
    Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 1, eff. September 1, 2017.
    Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 2, eff. September 1, 2017.
    Acts 2019, 86th Leg., R.S., Ch. 477 (H.B. 293), Sec. 1, eff. June 7, 2019.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home
Loan Banks;

(2) direct obligations of this state 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, this state 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;

(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;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or

(ii) a depository institution with a main office or branch office in this state that the investing entity selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality
of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section 2257.041(d); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.


Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. 2647), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:
(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:
Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.
Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.
Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 2, eff. September 1, 2017.

Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:

(1) has a defined termination date;
(2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204;
(3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
(4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.

(b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.

(c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.

(d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

(e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by:
Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.
Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 3, eff. June 14, 2017.
Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 1, eff. September 1, 2019.

Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.

(b) To qualify as an authorized investment under this subchapter:

1. the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;
2. a loan made under the program must allow for termination at any time;
3. a loan made under the program must be secured by:
   (A) pledged securities described by Section 2256.009;
   (B) pledged irrevocable letters of credit issued by a bank that is:
      (i) organized and existing under the laws of the United States or any other state; and
      (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
   (C) cash invested in accordance with Section:
      (i) 2256.009;
      (ii) 2256.013;
      (iii) 2256.014; or
      (iv) 2256.016;
4. the terms of a loan made under the program must require that the securities being held as collateral be:
   (A) pledged to the investing entity;
   (B) held in the investing entity's name; and
   (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
5. a loan made under the program must be placed through:
   (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or
(B) a financial institution doing business in this state;

and

(6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:

(1) has a stated maturity of 270 days or fewer from the date of its issuance;

(2) will be, in accordance with its terms, liquidated in full at maturity;

(3) is eligible for collateral for borrowing from a Federal Reserve Bank; and

(4) is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.


Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

(1) has a stated maturity of 365 days or fewer from the date of its issuance; and

(2) is rated not less than A-1 or P-1 or an equivalent rating by at least:

(A) two nationally recognized credit rating agencies; or

(B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.


Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 2, eff. September 1, 2019.
Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

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

(2) provides the investing entity 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

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two years; and

(3) either:

(A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);

(2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or

(3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 4, eff. June 14, 2017.
Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

(1) has a defined termination date;
(2) is secured by obligations described by Section 2256.009(a) (1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
(3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

(1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;
(2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;
(3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
(4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
(5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section 1371.059(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 8, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 9, 10, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 5, eff. June 14, 2017.
Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

1. the types of investments in which money is allowed to be invested;
2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
3. the maximum stated maturity date any investment security within the portfolio has;
4. the objectives of the pool;
5. the size of the pool;
6. the names of the members of the advisory board of the pool and the dates their terms expire;
7. the custodian bank that will safekeep the pool's assets;
8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
9. whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
10. the name and address of the independent auditor of the pool;
11. the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
12. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
13. the pool's policy regarding holding deposits in cash.
(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and
(2) a monthly report that contains, at a minimum, the following information:

(A) the types and percentage breakdown of securities in which the pool is invested;
(B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
(C) the current percentage of the pool’s portfolio in investments that have stated maturities of more than one year;
(D) the book value versus the market value of the pool’s portfolio, using amortized cost valuation;
(E) the size of the pool;
(F) the number of participants in the pool;
(G) the custodian bank that is safekeeping the assets of the pool;
(H) a listing of daily transaction activity of the entity participating in the pool;
(I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
(J) the portfolio managers of the pool; and
(K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, for purposes of an investment pool for which a $1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter:

(1) a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily; and
(2) if the investment pool uses amortized cost:
   (A) the investment pool must, to the extent reasonably possible, stabilize at a $1.00 net asset value, when rounded and expressed
to two decimal places;

(B) the governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005; and

(C) the investment pool must, in addition to the requirements of its investment policy and any other forms of reporting, report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c)(2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 7, eff. June 17, 2011.
Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 6, eff. June 14, 2017.
Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 3, eff. September 1, 2019.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate investments that were authorized investments at the time of purchase.


Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a
holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.


Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against loss due to price fluctuation.

Added by Acts 1999, 76th Leg., ch. 405, Sec. 48, eff. Sept. 1, 1999.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for
oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized credit rating agency.
recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

1. invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

2. invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

1. amends its investment policy to authorize corporate bonds as an eligible investment;

2. adopts procedures to provide for:
   (A) monitoring rating changes in corporate bonds acquired with public funds; and
   (B) liquidating the investment in corporate bonds; and

3. identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

1. issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

2. changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Repealed by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.
Amended by:
Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.
Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

1. "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

2. "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered to be public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a) In this section:

1. "Eligible entity" means a political subdivision that has:
   (A) a principal amount of at least $250 million in:
       (i) outstanding long-term indebtedness;
       (ii) long-term indebtedness proposed to be issued; or
       (iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued; and
   (B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

2. "Eligible project" has the meaning assigned by Section 1371.001.

3. "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:
(1) another law; or
(2) an eligible entity's municipal charter, if applicable.
(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.
(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.
(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.
(f) Section 1371.059(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.
(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.
(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:
(1) an operation and maintenance expense of the eligible entity;
(2) an acquisition expense of the eligible entity;
(3) a project cost of an eligible project; or
(4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, eff. June 14, 2017.

Sec. 2256.0207. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).
(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, eff. September 1, 2017.
Redesignated from Government Code, Section 2256.0206 by Acts 2019, 86th Leg., R.S., Ch. 467 (H.B. 4170), Sec. 21.001(34), eff. September 1, 2019.

Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged revenue" means money pledged to the payment of or as security for:
(1) bonds or other indebtedness issued by a local government;
(2) obligations under a lease, installment sale, or other agreement of a local government; or
(3) certificates of participation in a debt or obligation described by Subdivision (1) or (2).

(b) The investment officer of a local government may invest bond proceeds or pledged revenue only to the extent permitted by this chapter, in accordance with:
(1) statutory provisions governing the debt issuance or the agreement, as applicable; and
(2) the local government's investment policy regarding the debt issuance or the agreement, as applicable.

Added by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 4, eff. September 1, 2019.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.


Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state
auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.


Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

(1) describe in detail the investment position of the entity on the date of the report;
(2) be prepared jointly by all investment officers of the entity;
(3) be signed by each investment officer of the entity;
(4) contain a summary statement of each pooled fund group that states the:
   (A) beginning market value for the reporting period;
   (B) ending market value for the period; and
   (C) fully accrued interest for the reporting period;
(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;
(6) state the maturity date of each separately invested asset that has a maturity date;
(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and
(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:
   (A) the investment strategy expressed in the agency's or local government's investment policy; and
   (B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be
formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.
Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section 2256.017, this subchapter does not:
(1) prohibit an investment specifically authorized by other law; or
(2) authorize an investment specifically prohibited by other law.
(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.
(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:
(1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
(2) an entity created under Chapter 392, Local Government Code; or
(3) an entity created under Chapter 394, Local Government Code.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.
Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.


Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.


Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.


Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made
under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.


Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.
Investment Policy

Approved:
Capital Metropolitan Transportation Authority
Board of Directors
October 26, 2020
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A. INVESTMENT LEGISLATION

B. MASTER REPURCHASE AGREEMENT (repurchase agreements not currently utilized, see note in Section IV.B, Ensuring Safety of Principal).

C. BROKER/DEALER CERTIFICATION
PREFACE

It is the policy of the Capital Metropolitan Transportation Authority (Capital Metro) that all available funds shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as viable and material revenue to all operating and capital funds. Capital Metro's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and federal law.

Investments shall be made with the primary objectives of:

- Preservation of capital and protection of principal
- Maintenance of sufficient liquidity to meet operating needs
- Security of Capital Metro funds and investments
- Diversification of investments to avoid unreasonable or unavoidable risks
- Maximization of return on the portfolio
SECTION I

PURPOSE
I. Purpose

A. Authorization

This Policy is to be authorized by the Capital Metropolitan Transportation Authority’s Board of Directors in accordance with Section 5 of the Public Funds Investment Act (Chapter 2256, Texas Government Code) which requires the adoption of a formal written Investment Policy.

B. Scope

This Policy shall govern the investment of all funds of Capital Metro as entrusted to the Board of Directors and other authorized representatives in accordance with Sections 451.101 and 451.104 of the Texas Transportation Code. In addition to this Policy, bond funds, including debt service and reserve funds, shall be managed by their governing resolution and federal law, including the Tax Reform Act of 1986 and subsequent legislation.

C. Review and Amendment

This Policy shall be reviewed annually. Amendments must be authorized by the Capital Metropolitan Transportation Authority’s Board of Directors.
SECTION II

INVESTMENT OBJECTIVES
II. INVESTMENT OBJECTIVES

A. Safety of Principal

Capital Metro has as its foremost objective to ensure the safety of principal, considering the portfolio as a whole. The manner in which Capital Metro ensures safety of principal is presented in Section IV.B., "Ensuring Safety of Principal".

B. Maintenance of Adequate Liquidity

Capital Metro's investment portfolio must be structured in a manner which will provide the liquidity necessary to pay obligations as they become due. Maintenance of adequate liquidity is described in Section IV.C., "Ensuring Liquidity".

C. Return on Investments

Consistent with State law, Capital Metro shall seek to optimize return on investments within the constraints of safety and liquidity. Investments (excluding assets managed under separate investment programs, such as in arbitrage restrictive programs) shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity. Other appropriate performance measures will be established by the Investment Committee. Specific policies regarding investment rate of return are presented in Section IV.D., "Achieving Investment Return Objectives". For bond issues to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to obtain satisfactory market yields and to minimize the costs associated with investment of such funds.

D. Prudent and Ethical Standards

The standard of prudence used by Capital Metro shall be the "prudent person rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The prudent person rule is restated below:
"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would 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 the Investment Officer(s) or Investment Advisor under contract has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the Officer/Advisor had responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision was consistent with the written Investment Policy of Capital Metro.

Specific policies describing Capital Metro's prudent and ethical standards are found in Section IV.E., "Responsibility and Controls".
SECTION III
INVESTMENT STRATEGY STATEMENT
III. INVESTMENT STRATEGY STATEMENT

Capital Metro maintains portfolios of operating and operating reserve funds. Investment strategies for operating and operating reserve funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing quality, short- to medium-term securities that will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 548 days or less will be calculated using the stated final maturity dates of each security. Securities may not be purchased that have a final stated maturity date which exceeds five years.
SECTION IV

INVESTMENT POLICIES
IV. INVESTMENT POLICIES

A. Eligible Investments

Investments described below are those authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code), as amended, which is included and made a part of this Policy as Appendix A. The following list may not contain all of those securities that are authorized by state statutes, but only those that the Board of Directors wish to include in the Capital Metro's portfolios. The purchase of specific issues may at times be further restricted or prohibited because of current market conditions. Capital Metro funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities.

2. Direct Obligations of the State of Texas.

3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities.

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

5. Bankers' Acceptances with a stated maturity of 270 days or less from the date of its issuance that will be, in accordance with its terms, liquidated in full at maturity; is eligible for collateral for borrowing from a Federal Reserve Bank; and is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

6. Commercial paper with a stated maturity of 365 days or less from the date of its issuance that either:

   a. Is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or,

   b. Is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.
7. Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by Capital Metro and having a market value (including accrued interest) of no less than the principal amount of the funds disbursed.

8. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this State 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.

9. SEC-regulated, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of 60 days or less and whose investment objectives include seeking to maintain a stable net asset value of $1 per share. No more than 50% of Capital Metro’s average fund balance may be invested in money market mutual funds and may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. Money market mutual funds are to be rated AAA-m or equivalent by one Nationally Recognized Statistical Rating Organization (NRSRO™).

10. Local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are allowed as a direct investment for funds subject to the Public Funds Investment Act (Chapter 2256, Texas Government Code). A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Compensating balances may be held at Capital Metro’s depository institution provided the market conditions or other factors, such as the depository institution’s earnings credit rate or cost of services, provides an economic benefit to Capital Metro that helps to optimize return while maintaining adequate liquidity.

Investments in collateralized mortgage obligations are strictly prohibited. These securities are also disallowed for collateral positions. Capital Metro will not be required to liquidate investments that were authorized investments at the time of purchase.

Settlement of all investment transactions, except those transactions involving investments in mutual funds or local government investment pools, must be made on a delivery versus payment basis.
B. Ensuring Safety of Principal

Ensuring safety is accomplished through protection of principal and safekeeping.

1. Protection of Principal

Capital Metro shall seek to control the risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy, by qualifying the broker/dealer and financial institution with whom Capital Metro will transact, by collateralization as required by law, by portfolio diversification and by limiting maturity.

Capital Metro will seek to control the risk of loss due to failure of issuers of commercial paper by monitoring the ratings of portfolio positions to ensure compliance with the rating requirements imposed by the Public Funds Investment Act. Should an issuer experience a single step downgrade of its credit rating by a nationally recognized credit rating agency within 90 days of the position's maturity, the Investment Officer(s) may approve holding the paper to maturity. If the subject paper matures beyond the 90-day period or if the credit rating downgrade exceeds a single step, it will be Capital Metro's policy to convene an emergency meeting of the Investment Committee to determine whether liquidation of the position is warranted. This meeting should take place within 24 hours of notification or discovery of the credit downgrade.

The purchase of individual securities shall be executed "delivery versus payment" (DVP) through the Federal Reserve System. By so doing, Capital Metro funds are not released until Capital Metro has received, through the Federal Reserve wire, the securities purchased.

a. Approved Broker/Dealers/Financial Institutions

Investments shall only be made with those firms and institutions who have acknowledged receipt and understanding of Capital Metro's Investment Policy. The "qualified representative" of the business as defined in Chapter 2256 of the Texas Government Code shall execute a written certification to acknowledge receipt of Capital Metro's Investment Policy and to acknowledge that the organization has implemented reasonable procedures and controls to preclude imprudent investment activities arising out of the investment transactions conducted between the entity and Capital Metro. Should Capital Metro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.
Securities, certificates of deposit and share certificates shall only be purchased from those institutions included on Capital Metro's list of broker/dealers, banks, savings banks, and credit unions as approved by the Investment Committee. This list of approved investment providers must be reviewed at least annually by Capital Metro's Investment Committee.

b. Master Repurchase Agreement

It is the policy of Capital Metro to require each issuer of repurchase agreements to sign a copy of the Capital Metro Master Repurchase Agreement. An executed copy of this agreement must be on file before Capital Metro will enter into any repurchase agreement with an issuer. (See Appendix B "Master Repurchase Agreement."

Note: Capital Metro does not currently enter into repurchase agreements. The Master Repurchase Agreement previously attached to the Investment Policy expired in 2009. If Capital Metro’s investment officers and advisor recommend the use of repurchase agreements in the future, a new Master Purchase Agreement will be drafted and brought to the Board of Directors for consideration.

c. Collateralization

Consistent with the requirements of State law, Capital Metro requires all banks, savings banks, and credit union deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as Capital Metro Depositories will be required to sign an Agreement with Capital Metro and its safekeeping agent for the collateral, protecting Capital Metro's rights to the collateral in case of default, bankruptcy or closure. Capital Metro shall not accept, as depository collateral, any security that is not specifically allowed to be held as a direct investment by the Capital Metro portfolio (see Section IV.A.). Repurchase agreements must also be collateralized in accordance with State law. Each issuer of a repurchase agreement is required to sign a copy of Capital Metro's Master Repurchase Agreement. An executed copy of this agreement must be on file before Capital Metro will enter into any repurchase agreements with an issuer. (See Appendix B, "Master Repurchase Agreement".)
(1) Allowable Collateral

(a) Certificates of Deposit/Share Certificates

Eligible securities for collateralization of deposits are defined by the "Public Funds Collateral Act" (Chapter 2257, Texas Government Code) which is included and made a part of the Policy as Appendix A. The eligibility of specific issues may at times be restricted or prohibited because of current market conditions.

(b) Repurchase Agreements

Collateral underlying repurchase agreements is limited to U.S. government and agency obligations, which are eligible for wire transfer (i.e. book entry) to Capital Metro's designated safekeeping agent through the Federal Reserve System.

(2) Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

(a) Certificates of Deposit/Share Certificates

The market value of collateral pledged for certificates of deposit/share certificates must at all times be equal to or greater than the par value of the certificate of deposit plus accrued interest, less the amount insured by the FDIC, FSLIC or the National Credit Union Share Insurance Fund or their successors.

(b) Repurchase Agreements

The market value of collateral required to be pledged for repurchase agreements shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at the following levels:

<table>
<thead>
<tr>
<th>Collateral Maturity</th>
<th>U.S. Treasury Securities</th>
<th>U.S. Government Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year or less</td>
<td>101%</td>
<td>101%</td>
</tr>
<tr>
<td>1 year to 5 years</td>
<td>102%</td>
<td>102%</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>103%</td>
<td>104%</td>
</tr>
</tbody>
</table>
(3) Monitoring Collateral Adequacy

(a) Certificates of Deposit/Share Certificates

Capital Metro requires monthly reports with market values of pledged securities from all financial institutions with which Capital Metro has certificates of deposit/share certificates. Capital Metro's Investment Advisor will at least weekly monitor the adequacy of collateral.

(b) Repurchase Agreements

Weekly monitoring by Capital Metro's Investment Advisor of all collateral underlying repurchase agreements is required. More frequent monitoring may be necessary during periods of market volatility.

(4) Margin Calls

(a) Certificates of Deposit/Share Certificates

If the collateral pledged for a certificate of deposit or share certificate falls below the par value of the deposit, plus accrued interest less FDIC, FSLIC or National Credit Union Share Insurance, the institution will be notified by Capital Metro or its Investment Advisor and will be required to pledge additional securities no later than the end of the next succeeding business day.

(b) Repurchase Agreements

If the value of the collateral underlying a repurchase agreement falls below the margin maintenance levels specified above, Capital Metro or its Investment Advisor will make a margin call unless the repurchase agreement is scheduled to mature within five business days and the amount is deemed to be immaterial.

(5) Collateral Substitution

Collateral investments, certificates of deposit and share certificates often require substitution of collateral. Any broker or financial institution requesting substitution must contact the Investment Officer(s) or the external Investment Advisor under contract for approval and settlement. The substituted collateral’s value will be calculated and substitution approved if its value is equal to or greater than the required value (See Section IV.B.1.c(2)(b)). The Investment Officer(s) or Investment Advisor must give immediate notification of the decision to the bank or the safekeeping agent holding the collateral. Substitution is allowable for all
transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer(s) or Investment Advisor may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

(6) Collateral Reductions

Should the collateral's market value exceed the required amount, any broker or financial institution may request approval from the Investment Officer(s) or the external Investment Advisor under contract to reduce collateral. Collateral reductions may be permitted only if Capital Metro's records indicate that the collateral's market value exceeds the required amount.

d. Portfolio Diversification

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations. As discussed below, these limitations do not apply to bond proceeds.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchase Agreements</td>
<td>50%</td>
</tr>
<tr>
<td>Certificate of Deposit</td>
<td>20%</td>
</tr>
<tr>
<td>Share Certificates</td>
<td>5%</td>
</tr>
<tr>
<td>U.S. Treasury Notes/Bond/Bills</td>
<td>100%</td>
</tr>
<tr>
<td>U.S. Agencies</td>
<td>60%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>50%</td>
</tr>
<tr>
<td>Local Government Investment Pools</td>
<td>100%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>30%</td>
</tr>
<tr>
<td>Banker’s Acceptance</td>
<td>15%</td>
</tr>
</tbody>
</table>

It is the policy of Capital Metro to diversify its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on Capital Metro. Generally, Capital Metro should limit its repurchase agreement exposure with a single firm to no more than 15% of the value of Capital Metro's overall portfolio and its commercial paper and bankers' acceptance exposure with a single issuer to no more than 5% of the value of Capital Metro's overall portfolio. To allow efficient and effective placement of proceeds from any bond sales, these limits may be exceeded for a maximum of five business days following the receipt of bond proceeds.
(1) Bond Proceeds

Proceeds of a single bond issue may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

e. Limiting Maturity

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. Maturity guidelines by funds are as follows:

(1) General Funds

The dollar weighted average days to final stated maturity shall be 548 days or less. The Investment Advisor will monitor the maturity level and make changes as appropriate.

(2) Bond Proceeds, Bond Reserves, Debt Service Funds

The investment maturity of bond proceeds (including reserves and debt service funds) shall be determined considering:

(a) the anticipated cash flow requirements of the funds, and;

(b) the "temporary period" as defined by Federal tax law during which time bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds.

2. Safekeeping

a. Safekeeping Agreement

Capital Metro shall contract with a bank or banks for the safekeeping of securities either owned by Capital Metro as a part of its investment portfolio or held as collateral to secure certificates of deposits, share certificates or repurchase agreements.
b. Safekeeping of Certificate of Deposit/Share Certificate Collateral

All collateral securing bank, savings banks and credit union deposits must be held by a third-party banking institution approved by Capital Metro, or collateral may be held at the Federal Reserve Bank.

c. Safekeeping of Repurchase Agreement Collateral

The securities which serve as collateral for repurchase agreements with dealers must be delivered to a third-party custodian with which Capital Metro has established a third-party safekeeping agreement.

C. Ensuring Liquidity

Liquidity shall be achieved by investing in securities with active secondary markets and by investing in eligible money market mutual funds (MMMFs) and local government investment pools (LGIPs).

A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

D. Achieving Investment Return Objectives

Investment selection for all funds shall be based on legality, appropriateness, liquidity, and risk/return considerations. The portfolios shall be actively managed to enhance overall interest income. Active management will take place within the context of the 'Prudent Person Rule.' (See Section II.D.).

1. Securities Swaps

Capital Metro will take advantage of security swap opportunities to improve portfolio yield. A swap which improves portfolio yield may be selected even if the transaction results in an accounting loss.

2. Competitive Bidding

It is the policy of Capital Metro to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds (MMMFs) and local government investment pools (LGIPs) which are deemed to be made at prevailing market rates, and for government securities purchased at issue through a primary dealer at auction price. Rather than relying solely on yield, investment in MMMFs and LGIPs shall be based on criteria determined by the Investment Committee, including adherence to Securities and Exchange Commission (SEC) guidelines for MMMFs when appropriate.
At least three bidders must be contacted in all transactions involving individual securities. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the daily bid sheet. All bids received must be documented and filed for auditing purposes.

3. Methods of Monitoring Market Price

The methods/sources to be used to monitor the price of investments that have been acquired with public funds shall be from sources deemed reliable by the Investment Advisor, including primary or regional broker/dealers, market information vendors such as Bloomberg or Telerate and market pricing services.

E. Responsibility and Controls

1. Authority to Invest

The authority to invest Capital Metro funds and the execution of any documentation necessary to evidence the investment of Capital Metro funds is granted to the Investment Advisory firm under current contract and those Capital Metro personnel authorized as Investment Officers. The Capital Metropolitan Transportation Authority's Board of Directors will designate in writing those Capital Metro personnel ("Investment Officers") authorized to invest on behalf of Capital Metro.

2. Establishment of Internal Controls

The Chief Financial Officer will establish a system of internal controls over the investment activities of Capital Metro and document such control in the Investment Procedures Manual.

3. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and procedures set forth in the Investment Procedures Manual. Investment Officers acting in good faith and in accordance with these Policies and Procedures shall be relieved of personal liability.

4. Standard of Ethics

The designated Investment Officers shall adhere to Capital Metro's ethics policies.
5. Training and Education

In accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the designated Investment Officers, or those personnel authorized to execute investment transactions, shall attend at least one investment training session annually. State law requires that training relating to investment responsibilities must be provided by an independent source as approved by the Investment Committee. Personnel authorized to execute or approve investment transactions must receive at least 10 hours of investment training within each two-year period.

6. Investment Committee

An Investment Committee shall be established to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment officers and a representative of the external investment advisory firm. The Committee may also include additional members, as designated by the Capital Metropolitan Transportation Authority's Board of Directors. The Committee shall meet quarterly to review performance, strategy and procedures.

F. Reporting

Investment performance is continually monitored and evaluated by the Investment Advisor. The Investment Advisor will provide detailed reports, as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code), Section 2256.023, for the General Manager, the Chief Financial Officer, the Board of Directors and the Investment Committee on a quarterly basis.

The report will outline conformance to the restrictions of the Policy in the area of diversification and term of maturity. The report will also compare the performance of Capital Metro's portfolio to appropriate benchmarks as determined by the Investment Committee. The report will include an economic summary discussing interest rate trends, investment strategy and any other information deemed appropriate by the Chief Financial Officer or the Investment Committee.

G. Compliance Audit

In conjunction with its annual financial audit, Capital Metro shall perform a compliance audit of management controls on investments and adherence to Capital Metro's established Investment Policies. The results of the audit shall be reported to the Investment Committee and the Capital Metropolitan Transportation Authority's Board of Directors.
H. Certification

A copy of this Investment Policy will be provided to the senior management of any bank, dealer, broker or investment advisor wishing to transact investment business directly with Capital Metro in order that it is apprised of the investment goals of Capital Metro. Before business is transacted with the firm, a certification (Appendix C) must be signed by a senior member of a firm. Should Capital Metro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.
Investment Policy

Approved:
Capital Metropolitan Transportation Authority
Board of Directors
October 26, 2020
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### APPENDICES
- A. INVESTMENT LEGISLATION
- B. MASTER REPURCHASE AGREEMENT (repurchase agreements not currently utilized, see note in Section IV.B, Ensuring Safety of Principal).
- C. BROKER/DEALER CERTIFICATION
PREFACE

It is the policy of the Capital Metropolitan Transportation Authority (Capital Metro) that all available funds shall be invested in conformance with these legal and administrative guidelines.

Effective cash management is recognized as essential to good fiscal management. An aggressive cash management and investment policy will be pursued to take advantage of investment interest as viable and material revenue to all operating and capital funds. Capital Metro's portfolio shall be designed and managed in a manner responsive to the public trust and consistent with state and federal law.

Investments shall be made with the primary objectives of:

- Preservation of capital and protection of principal
- Maintenance of sufficient liquidity to meet operating needs
- Security of Capital Metro funds and investments
- Diversification of investments to avoid unreasonable or unavoidable risks
- Maximization of return on the portfolio
SECTION I

PURPOSE
I. Purpose

A. Authorization

This Policy is to be authorized by the Capital Metropolitan Transportation Authority's Board of Directors in accordance with Section 5 of the Public Funds Investment Act (Chapter 2256, Texas Government Code) which requires the adoption of a formal written Investment Policy.

B. Scope

This Policy shall govern the investment of all funds of Capital Metro as entrusted to the Board of Directors and other authorized representatives in accordance with Sections 451.101 and 451.104 of the Texas Transportation Code. In addition to this Policy, bond funds, including debt service and reserve funds, shall be managed by their governing resolution and federal law, including the Tax Reform Act of 1986 and subsequent legislation.

C. Review and Amendment

This Policy shall be reviewed annually. Amendments must be authorized by the Capital Metropolitan Transportation Authority's Board of Directors.
SECTION II

INVESTMENT OBJECTIVES
II. INVESTMENT OBJECTIVES

A. Safety of Principal

Capital Metro has as its foremost objective to ensure the safety of principal, considering the portfolio as a whole. The manner in which Capital Metro ensures safety of principal is presented in Section IV.B., "Ensuring Safety of Principal".

B. Maintenance of Adequate Liquidity

Capital Metro's investment portfolio must be structured in a manner which will provide the liquidity necessary to pay obligations as they become due. Maintenance of adequate liquidity is described in Section IV.C., "Ensuring Liquidity".

C. Return on Investments

Consistent with State law, Capital Metro shall seek to optimize return on investments within the constraints of safety and liquidity. Investments (excluding assets managed under separate investment programs, such as in arbitrage restrictive programs) shall be made in permitted obligations at yields equal to or greater than the bond equivalent yield on United States Treasury obligations of comparable maturity. Other appropriate performance measures will be established by the Investment Committee. Specific policies regarding investment rate of return are presented in Section IV.D., "Achieving Investment Return Objectives". For bond issues to which Federal yield or arbitrage restrictions apply, the primary objectives shall be to obtain satisfactory market yields and to minimize the costs associated with investment of such funds.

D. Prudent and Ethical Standards

The standard of prudence used by Capital Metro shall be the "prudent person rule" and shall be applied in the context of managing the overall portfolio within the applicable legal constraints. The prudent person rule is restated below: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would 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 the Investment Officer(s) or Investment Advisor under contract has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the investment of all funds over which the Officer/Advisor had responsibility rather than a consideration as to the prudence of a single investment, and whether the investment decision was consistent with the written Investment Policy of Capital Metro.

Specific policies describing Capital Metro's prudent and ethical standards are found in Section IV.E., "Responsibility and Controls".
SECTION III
INVESTMENT STRATEGY STATEMENT
III. INVESTMENT STRATEGY STATEMENT

Capital Metro maintains portfolios of operating and operating reserve funds. Investment strategies for operating and operating reserve funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure which will experience minimal volatility during economic cycles. This may be accomplished by purchasing quality, short- to medium-term securities that will complement each other in a laddered or barbell maturity structure. The dollar weighted average maturity of 548 days or less will be calculated using the stated final maturity dates of each security. Securities may not be purchased that have a final stated maturity date which exceeds five years.
IV. INVESTMENT POLICIES

A. Eligible Investments

Investments described below are those authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code), as amended, which is included and made a part of this Policy as Appendix A. The following list may not contain all of those securities that are authorized by state statutes, but only those that the Board of Directors wish to include in the Capital Metro's portfolios. The purchase of specific issues may at times be further restricted or prohibited because of current market conditions. Capital Metro funds governed by this Policy may be invested in:

1. Obligations of the United States or its agencies and instrumentalities.

2. Direct Obligations of the State of Texas.

3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities.

4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

5. Bankers' Acceptances with a stated maturity of 270 days or less from the date of its issuance that will be, in accordance with its terms, liquidated in full at maturity; is eligible for collateral for borrowing from a Federal Reserve Bank; and is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

6. Commercial paper with a stated maturity of 365 days or less from the date of its issuance that either:

   a. Is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or,

   b. Is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.
7. Fully collateralized repurchase agreements having a defined termination date, placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas, and secured by obligations described by 1 above (the principal and interest on which are guaranteed by the United States or any of its agencies), pledged with a third party selected or approved by Capital Metro and having a market value (including accrued interest) of no less than the principal amount of the funds disbursed.

8. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this State 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.

9. SEC-regulated, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of 60 days or less and whose investment objectives include seeking to maintain a stable net asset value of $1 per share. No more than 50% of Capital Metro’s average fund balance may be invested in money market mutual funds and may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund. Money market mutual funds are to be rated AAA-m or equivalent by one Nationally Recognized Statistical Rating Organization (NRSRO).

10. Local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are allowed as a direct investment for funds subject to the Public Funds Investment Act (Chapter 2256, Texas Government Code). A public funds investment pool must be continuously rated no lower than AAA, AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Compensating balances may be held at Capital Metro’s depository institution provided the market conditions or other factors, such as the depository institution’s earnings credit rate or cost of services, provides an economic benefit to Capital Metro that helps to optimize return while maintaining adequate liquidity.

Investments in collateralized mortgage obligations are strictly prohibited. These securities are also disallowed for collateral positions. Capital Metro will not be required to liquidate investments that were authorized investments at the time of purchase.

Settlement of all investment transactions, except those transactions involving investments in mutual funds or local government investment pools, must be made on a delivery versus payment basis.
B. Ensuring Safety of Principal

Ensuring safety is accomplished through protection of principal and safekeeping.

1. Protection of Principal

Capital Metro shall seek to control the risk of loss due to the failure of a security issuer or guarantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Policy, by qualifying the broker/dealer and financial institution with whom Capital Metro will transact, by collateralization as required by law, by portfolio diversification and by limiting maturity.

Capital Metro will seek to control the risk of loss due to failure of issuers of commercial paper by monitoring the ratings of portfolio positions to ensure compliance with the rating requirements imposed by the Public Funds Investment Act. Should an issuer experience a single step downgrade of its credit rating by a nationally recognized credit rating agency within 90 days of the position’s maturity, the Investment Officer(s) may approve holding the paper to maturity. If the subject paper matures beyond the 90-day period or if the credit rating downgrade exceeds a single step, it will be Capital Metro's policy to convene an emergency meeting of the Investment Committee to determine whether liquidation of the position is warranted. This meeting should take place within 24 hours of notification or discovery of the credit downgrade.

The purchase of individual securities shall be executed "delivery versus payment" (DVP) through the Federal Reserve System. By so doing, Capital Metro funds are not released until Capital Metro has received, through the Federal Reserve wire, the securities purchased.

a. Approved Broker/Dealers/Financial Institutions

Investments shall only be made with those firms and institutions who have acknowledged receipt and understanding of Capital Metro's Investment Policy. The "qualified representative" of the business as defined in Chapter 2256 of the Texas Government Code shall execute a written certification to acknowledge receipt of Capital Metro's Investment Policy and to acknowledge that the organization has implemented reasonable procedures and controls to preclude imprudent investment activities arising out of the investment transactions conducted between the entity and Capital Metro. Should Capital Metro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.
Securities, certificates of deposit and share certificates shall only be purchased from those institutions included on Capital Metro's list of broker/dealers, banks, savings banks, and credit unions as approved by the Investment Committee. This list of approved investment providers must be reviewed at least annually by Capital Metro's Investment Committee.

b. Master Repurchase Agreement

It is the policy of Capital Metro to require each issuer of repurchase agreements to sign a copy of the Capital Metro Master Repurchase Agreement. An executed copy of this agreement must be on file before Capital Metro will enter into any repurchase agreement with an issuer. (See Appendix B "Master Repurchase Agreement.")

Note: Capital Metro does not currently enter into repurchase agreements. The Master Repurchase Agreement previously attached to the Investment Policy expired in 2009. If Capital Metro's investment officers and advisor recommend the use of repurchase agreements in the future, a new Master Purchase Agreement will be drafted and brought to the Board of Directors for consideration.

c. Collateralization

Consistent with the requirements of State law, Capital Metro requires all banks, savings banks, and credit union deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as Capital Metro Depositories will be required to sign an Agreement with Capital Metro and its safekeeping agent for the collateral, protecting Capital Metro's rights to the collateral in case of default, bankruptcy or closure. Capital Metro shall not accept, as depository collateral, any security that is not specifically allowed to be held as a direct investment by the Capital Metro portfolio (see Section IV.A.). Repurchase agreements must also be collateralized in accordance with State law. Each issuer of a repurchase agreement is required to sign a copy of Capital Metro's Master Repurchase Agreement. An executed copy of this agreement must be on file before Capital Metro will enter into any repurchase agreements with an issuer. (See Appendix B, "Master Repurchase Agreement").
(1) Allowable Collateral

(a) Certificates of Deposit/Share Certificates

Eligible securities for collateralization of deposits are defined by the "Public Funds Collateral Act" (Chapter 2257, Texas Government Code) which is included and made a part of the Policy as Appendix A. The eligibility of specific issues may at times be restricted or prohibited because of current market conditions.

(b) Repurchase Agreements

Collateral underlying repurchase agreements is limited to U.S. government and agency obligations, which are eligible for wire transfer (i.e. book entry) to Capital Metro's designated safekeeping agent through the Federal Reserve System.

(2) Collateral Levels

Collateral is valued at current market plus interest accrued through the date of valuation.

(a) Certificates of Deposit/Share Certificates

The market value of collateral pledged for certificates of deposit/share certificates must at all times be equal to or greater than the par value of the certificate of deposit plus accrued interest, less the amount insured by the FDIC, FSLIC or the National Credit Union Share Insurance Fund or their successors.

(b) Repurchase Agreements

The market value of collateral required to be pledged for repurchase agreements shall be a percentage of the par value of the agreement plus accrued interest and shall be maintained at the following levels:

<table>
<thead>
<tr>
<th>Collateral Maturity</th>
<th>U.S. Treasury Securities</th>
<th>U.S. Government Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year or less</td>
<td>101%</td>
<td>101%</td>
</tr>
<tr>
<td>1 year to 5 years</td>
<td>102%</td>
<td>102%</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>103%</td>
<td>104%</td>
</tr>
</tbody>
</table>
(3) Monitoring Collateral Adequacy

(a) Certificates of Deposit/Share Certificates

Capital Metro requires monthly reports with market values of pledged securities from all financial institutions with which Capital Metro has certificates of deposit/share certificates. Capital Metro's Investment Advisor will at least weekly monitor the adequacy of collateral.

(b) Repurchase Agreements

Weekly monitoring by Capital Metro's Investment Advisor of all collateral underlying repurchase agreements is required. More frequent monitoring may be necessary during periods of market volatility.

(4) Margin Calls

(a) Certificates of Deposit/Share Certificates

If the collateral pledged for a certificate of deposit or share certificate falls below the par value of the deposit, plus accrued interest less FDIC, FSLIC or National Credit Union Share Insurance, the institution will be notified by Capital Metro or its Investment Advisor and will be required to pledge additional securities no later than the end of the next succeeding business day.

(b) Repurchase Agreements

If the value of the collateral underlying a repurchase agreement falls below the margin maintenance levels specified above, Capital Metro or its Investment Advisor will make a margin call unless the repurchase agreement is scheduled to mature within five business days and the amount is deemed to be immaterial.

(5) Collateral Substitution

Collateral investments, certificates of deposit and share certificates often require substitution of collateral. Any broker or financial institution requesting substitution must contact the Investment Officer(s) or the external Investment Advisor under contract for approval and settlement. The substituted collateral’s value will be calculated and substitution approved if its value is equal to or greater than the required value (See Section IV.B.1.c(2)(b)). The Investment Officer(s) or Investment Advisor must give immediate notification of the decision to the bank or the safekeeping agent holding the collateral. Substitution is allowable for all
transactions, but should be limited, if possible, to minimize potential administrative problems and transfer expense. The Investment Officer(s) or Investment Advisor may limit substitution and assess appropriate fees if substitution becomes excessive or abusive.

(6) Collateral Reductions

Should the collateral’s market value exceed the required amount, any broker or financial institution may request approval from the Investment Officer(s) or the external Investment Advisor under contract to reduce collateral. Collateral reductions may be permitted only if Capital Metro's records indicate that the collateral's market value exceeds the required amount.

d. Portfolio Diversification

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations. As discussed below, these limitations do not apply to bond proceeds.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>% of Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repurchase Agreements</td>
<td>50%</td>
</tr>
<tr>
<td>Certificate of Deposit</td>
<td>20%</td>
</tr>
<tr>
<td>Share Certificates</td>
<td>5%</td>
</tr>
<tr>
<td>U.S. Treasury Notes/Bond/Bills</td>
<td>100%</td>
</tr>
<tr>
<td>U.S. Agencies</td>
<td>60%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>50%</td>
</tr>
<tr>
<td>Local Government Investment Pools</td>
<td>100%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>30%</td>
</tr>
<tr>
<td>Banker’s Acceptance</td>
<td>15%</td>
</tr>
</tbody>
</table>

It is the policy of Capital Metro to diversify its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on Capital Metro. Generally, Capital Metro should limit its repurchase agreement exposure with a single firm to no more than 15% of the value of Capital Metro's overall portfolio and its commercial paper and bankers' acceptance exposure with a single issuer to no more than 5% of the value of Capital Metro's overall portfolio. To allow efficient and effective placement of proceeds from any bond sales, these limits may be exceeded for a maximum of five business days following the receipt of bond proceeds.
(1) Bond Proceeds

Proceeds of a single bond issue may be invested in a single security or investment if the Investment Committee determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

e. Limiting Maturity

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. Maturity guidelines by funds are as follows:

(1) General Funds

The dollar weighted average days to final stated maturity shall be 548 days or less. The Investment Advisor will monitor the maturity level and make changes as appropriate.

(2) Bond Proceeds, Bond Reserves, Debt Service Funds

The investment maturity of bond proceeds (including reserves and debt service funds) shall be determined considering:

(a) the anticipated cash flow requirements of the funds, and;

(b) the "temporary period" as defined by Federal tax law during which time bond proceeds may be invested at an unrestricted yield. After the expiration of the temporary period, bond proceeds subject to yield restriction shall be invested considering the anticipated cash flow requirements of the funds.

2. Safekeeping

a. Safekeeping Agreement

Capital Metro shall contract with a bank or banks for the safekeeping of securities either owned by Capital Metro as a part of its investment portfolio or held as collateral to secure certificates of deposits, share certificates or repurchase agreements.
b. Safekeeping of Certificate of Deposit/Share Certificate Collateral

All collateral securing bank, savings banks and credit union deposits must be held by a third-party banking institution approved by Capital Metro, or collateral may be held at the Federal Reserve Bank.

c. Safekeeping of Repurchase Agreement Collateral

The securities which serve as collateral for repurchase agreements with dealers must be delivered to a third-party custodian with which Capital Metro has established a third-party safekeeping agreement.

C. Ensuring Liquidity

Liquidity shall be achieved by investing in securities with active secondary markets and by investing in eligible money market mutual funds (MMMFs) and local government investment pools (LGIPs).

A security may be liquidated to meet unanticipated cash requirements, to re-deploy cash into other investments expected to outperform current holdings, or to otherwise adjust the portfolio.

D. Achieving Investment Return Objectives

Investment selection for all funds shall be based on legality, appropriateness, liquidity, and risk/return considerations. The portfolios shall be actively managed to enhance overall interest income. Active management will take place within the context of the "Prudent Person Rule." (See Section II.D).

1. Securities Swaps

Capital Metro will take advantage of security swap opportunities to improve portfolio yield. A swap which improves portfolio yield may be selected even if the transaction results in an accounting loss.

2. Competitive Bidding

It is the policy of Capital Metro to require competitive bidding for all individual security purchases except for those transactions with money market mutual funds (MMMFs) and local government investment pools (LGIPs) which are deemed to be made at prevailing market rates, and for government securities purchased at issue through a primary dealer at auction price. Rather than relying solely on yield, investment in MMMFs and LGIPs shall be based on criteria determined by the Investment Committee, including adherence to Securities and Exchange Commission (SEC) guidelines for MMMFs when appropriate.
At least three bidders must be contacted in all transactions involving individual securities. Competitive bidding for security swaps is also required. Bids may be solicited in any manner provided by law. For those situations where it may be impractical or unreasonable to receive three bids for a transaction due to a rapidly changing market environment or to secondary market availability, documentation of a competitive market survey of comparable securities or an explanation of the specific circumstance must be included with the daily bid sheet. All bids received must be documented and filed for auditing purposes.

3. Methods of Monitoring Market Price

The methods/sources to be used to monitor the price of investments that have been acquired with public funds shall be from sources deemed reliable by the Investment Advisor, including primary or regional broker/dealers, market information vendors such as Bloomberg or Telerate and market pricing services.

E. Responsibility and Controls

1. Authority to Invest

The authority to invest Capital Metro funds and the execution of any documentation necessary to evidence the investment of Capital Metro funds is granted to the Investment Advisory firm under current contract and those Capital Metro personnel authorized as Investment Officers. The Capital Metropolitan Transportation Authority's Board of Directors will designate in writing those Capital Metro personnel ("Investment Officers") authorized to invest on behalf of Capital Metro.

2. Establishment of Internal Controls

The Chief Financial Officer will establish a system of internal controls over the investment activities of Capital Metro and document such control in the Investment Procedures Manual.

3. Prudent Investment Management

The designated Investment Officers shall perform their duties in accordance with the adopted Investment Policy and procedures set forth in the Investment Procedures Manual. Investment Officers acting in good faith and in accordance with these Policies and Procedures shall be relieved of personal liability.

4. Standard of Ethics

The designated Investment Officers shall adhere to Capital Metro's ethics policies.
5. Training and Education

In accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the designated Investment Officers, or those personnel authorized to execute investment transactions, shall attend at least one investment training session annually. State law requires that training relating to investment responsibilities must be provided by an independent source as approved by the Investment Committee. Personnel authorized to execute or approve investment transactions must receive at least 10 hours of investment training within each two-year period.

6. Investment Committee

An Investment Committee shall be established to determine investment guidelines, general strategies, and monitor performance. Members of the Investment Committee will include the Investment officers and a representative of the external investment advisory firm. The Committee may also include one additional members, as designated by the Capital Metropolitan Transportation Authority's Board of Directors. The Committee shall meet quarterly to review performance, strategy and procedures.

F. Reporting

Investment performance is continually monitored and evaluated by the Investment Advisor. The Investment Advisor will provide detailed reports, as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code), Section 2256.023, for the General Manager, the Chief Financial Officer, the Board of Directors and the Investment Committee on a quarterly basis.

The report will outline conformance to the restrictions of the Policy in the area of diversification and term of maturity. The report will also compare the performance of Capital Metro's portfolio to appropriate benchmarks as determined by the Investment Committee. The report will include an economic summary discussing interest rate trends, investment strategy and any other information deemed appropriate by the Chief Financial Officer or the Investment Committee.

G. Compliance Audit

In conjunction with its annual financial audit, Capital Metro shall perform a compliance audit of management controls on investments and adherence to Capital Metro's established Investment Policies. The results of the audit shall be reported to the Investment Committee and the Capital Metropolitan Transportation Authority's Board of Directors.
H. Certification

A copy of this Investment Policy will be provided to the senior management of any bank, dealer, broker or investment advisor wishing to transact investment business directly with Capital Metro in order that it is apprised of the investment goals of Capital Metro. Before business is transacted with the firm, a certification (Appendix C) must be signed by a senior member of a firm. Should Capital Metro contract with an external investment advisor to execute the Authority's investment strategy, including the negotiation and execution of investment transactions, a managing officer of the investment advisory firm may sign the written certification in lieu of the broker/dealer firms. This certification must be included as part of the investment advisory contract.
TITLE: Project Connect Update
Initial Investment Sequence

Years based on federal NEPA and funding approvals
Project Connect Update

- Began NEPA for Orange/Blue Line
- Entered Project Development on Expo and Pleasant Valley lines
- Blue Line/Airport Update
- Red Line Update
- Bus Procurement
Blue Line Update
Blue Line Coordination

• Coordination with partners for design
  • Austin Transportation Department
  • City of Austin Corridor Program Office
  • Texas Department of Transportation
  • City of Austin Aviation Department
  • Austin Convention Center
  • Austin Energy
Red Line Update
Advancing Broadmoor Station

- Preparing for Construction
  - Advancing the project into permitting process
  - Balancing current operations with construction schedule
Preparing for McKalla Station

- Design initiated
- Coordinating with Austin FC on design and special event management
- Reviewing expedited project delivery methods
Red Line Improvement Plan

- Lakeline/Leander double track design
- Analyze improved frequencies for Weekday and Saturday service
- Recommends infrastructure needed to support these schedules
  - **Short** - Broadmoor Station, Downtown Station opening and double tracking between Lakeline and Leander
  - **Intermediate** - Broadmoor opening, McKalla Station construction
  - **Longer Term** - Project Connect future MetroRapid Expo Line and Blue/orange connections
Bus Procurement Update
State of Good Repair

- Transit Asset Management Plan designates the useful life by vehicle type
  - Capital Improvement Plan includes funding to ensure 100% state of good repair
  - Ongoing scheduled replacements are key
Future of Capital Metro’s Fleet is Electric

• Electrification of Fleet is Underway!
  • 12 buses and associated chargers in service at North Ops
  • Plan is to only purchase electric Transit Buses going forward
  • Conversion to electric Commuter Coaches and Paratransit Vans pending available fleet options
  • Charging interoperability is an industry first and an important achievement
Upcoming Procurement

• Vehicle charge modeling underway to determine needs for first Project Connect MetroRapid lines

• Preparing procurement for battery electric buses over 5-year period
  • Mix of 40-foot and 60-foot Transit Buses
  • Fleet replacements to maintain state of good repair on existing fleet
  • Options for additional fleet needed to support the MetroRapid lines envisioned in the Project Connect System Plan
  • Anticipated board award Spring 2021
Customer Technology Update
Customer Payment Systems – Equity Initiatives

Cash to Mobile Retail Load

• Add funds to your account without a credit card.
• Contactless payment – safer for all
• Extensive retail network
  • Convenience stores, drugstores
  • Over 250 locations
  • 65% of stops within 1 mile of store
Customer Payment Systems – Equity Initiatives

Low Income Fare Capping Pilot

• Pay as you go and earn period pass equivalent discount.
• No big upfront cost
• Benefits for app users:
  • Traveler tools
  • Contactless
  • Faster
THANK YOU!