

~ NOTICE OF MEETING ~
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS MEETING
2910 East Fifth Street Austin, TX 78702

~ Agenda ~

Executive Assistant/Board Liaison Gina Estrada
512-389-7458

Monday, October 22, 2018

12:00 PM

Capital Metro Board Room

I. Pledge of Allegiance

II. Safety Briefing

III. Public Comment:

IV. Advisory Committee Updates:

1. Update on the Customer Satisfaction Advisory Committee (CSAC)
2. Update on the Access Advisory Committee (AAC)

V. Board Committee Updates:

1. Finance, Audit and Administration Committee; and
2. CAMPO update

VI. Consent Items

1. Approval of Minutes for the September 14, 2018 Board Worksession and September 28, 2018 Board Meeting.
2. Annual approval of a resolution adopting the Internal Audit Charter.
3. Approval of a resolution authorizing the President & CEO, or his designee, to approve a resolution appointing Ilyse Niland, Deputy Counsel, to the Capital Metro Investment Committee as a committee member.
4. Approval of a resolution authorizing the President & CEO, or his designee, to approve the annual Internal Audit Plan.
5. Approval of a resolution authorizing the President & CEO, or his designee, to approve Capital Metro's Investment Policy.
6. Approval of a resolution authorizing the President & CEO, or his designee, to extend an Interlocal Agreement (ILA) with Capital Area Metropolitan Planning Organization (CAMPO) for employee transit passes.
7. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract modification with Ricoh USA to extend the contract for On-Site Business Center Services through May 11, 2019.

VII. Action Items:

1. Approval of a resolution authorizing the President & CEO, or his designee, to implement the January 2019 Service Changes.
2. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract with Austin Business Furniture for the purchase and installation of furniture for the administrative office lease space at 507 Calles Street.
3. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract with SHI to renew our Microsoft software suite.

VIII. Presentations:

1. Fare Collection Strategy
2. Positive Train Control Update
3. Project Connect Update

IX. Reports:

1. President & CEO Update

X. Executive Session of Chapter 551 of the Texas Government Code:

Section 551.076 Physical and Cyber Security Device Briefing.

XI. Items for Future Discussion:

XII. Adjournment

ADA Compliance

Reasonable modifications and equal access to communications are provided upon request. Please call (512)389-7458 or email gina.estrada@capmetro.org if you need more information.

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**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4247)
Update on CSAC**

Update on CSAC

Customer Satisfaction Advisory Committee
Wednesday, October 10th, 2018
209 W 9th St., Austin, Texas 78702
6:00 p.m. – 7:10 p.m.

Call to Order:

Chairman David Foster, Customer Satisfaction Advisory Committee

Chairman Prentice called the meeting to order at 5:30 p.m.

Introductions:

Committee members present were Chairman David Foster, Elizabeth Stehl, Ephraim Taylor, Michael French, BJ Taylor, Betsy Greenberg, and Jeffrey Lewis.

Capital Metro staff present were Ken Cartwright, Dottie Watkins, Jon Tanzer, Kendall Jackson, and Yannis Banks.

Others present were Jean Crawford and Rich MacKinnon.

Citizens' Communication

Members of the public

Jean Crawford: She had a surgery scheduled. Couldn't get out of the building quick enough so missed the MetroAccess ride. Luckily, she could get a ride from a fixed route station. Jean will file report. Also, the 335 took a wrong turn when she was on it last week.

MetroRapid Infill Progress

Ken Cartwright, VP of Capital Projects

Ken: 8 new MetroRapid Station pairs. Under construction at this time. Bus pad poured at each of these locations. Set shelter at 31st st this week. A few weeks away from opening, but the temporary station is in effect. Jeff – how did we prioritize?

Ken – usually we leave it up to the contractor, but on this occasion there was so much demand for Wheatville stop that we moved that one first. Couldn't do construction during ACL, so worked on stop before. David: what's the cost? Ken: Turnkey 125,000, construction 75,000. In future, considering streamlined version of these. Rich: will there be a sidewalk? Ken: we build a sidewalk to the nearest intersection if there isn't one. Betsy: are they all on for temporary service, or just the first four pairs? Dottie: we initially opened the first four pairs. When the stop has shelter, it will go into service. Betsy: what happened to 9/13 open date? Ken: we encountered gas line, had to stop for Texas Gas to move it. Betsy: consolidate local and rapid lines? Dottie: still looking at it. We're looking station-by-station. It's hard in downtown because there is limited space.

Westgate Transit Center Update

Ken Cartwright, VP of Capital Projects

Ken: Westgate Transit Center is under construction. It will serve 7 routes, including the 803 MetroRapid. Photos showing site plan, construction progress updates. Currently laying massive drainage pipes. To capture and mitigate runoff from highway above. Predicting completion spring completion and in service before June service change.

Mobile App Update

Jonathan Tanzer, Technical Project Manager

Jonathan Tanzer: launching new interface. Will look more like FB / music apps. Navigation always at bottom of app. Done some accessibility testing with Martin and it looks good so far. More changes: upgraded traveler tools w/ accessibility fixes. Beta going out 1st week of Nov. Michael: Could we do a tap to call feature? Jon: Yes, I'll let Marketing know. Jean: Did this go down last week? Jon: Real time info was down.

Committee Visibility Brainstorm

Customer Satisfaction Advisory Committee

Ephraim: How can we outreach to community better?

Betsy: Lots of CM meetings happening, can sometimes feel invisible.

Foster: Traveling meeting? Every other month – meet at a Central location and vanpool somewhere.

Rich: But the public doesn't know how / where to complain. We're not creating a roadmap for how to get better customer satisfaction. What is the front door for front line satisfaction?

Betsy: I agree – people don't show up here to complain.

Rich: We can start by writing down where we see ourselves in the system.

Foster: CSAC is good at addressing nuts and bolts issues.

French: If we feel like we need be visible to the public, then what to do when we get them here?

Foster: Another important role for us is a sounding board for CM staff. That's the advisory part of CSAC.

French: That's where it'd be helpful to know the "journey" of a request / complaint

Rich: We can be an ombudsman for the community. For people that need systemic level change.

French: Push out meeting locations via social media.

Foster: How do we describe ourselves to make people come to meetings? Let's brainstorm that, then come together next month.

Approval of September 2018 Minutes

Customer Satisfaction Advisory Committee

Betsy Greenberg moved to approve the minutes, and Jeffrey Lewis seconded the motion. The motion carried unanimously. The committee adjourned at 7:10 pm.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4248)
Update on Access**

Update on Access

Access Advisory Committee
Wednesday, October 3rd, 2018
2910 E. 5th Street, Austin, Texas 78702
5:30 p.m. – 6:35 p.m.

Call to Order:

Chairman Chris Prentice, Access Advisory Committee

Chairman Prentice called the meeting to order at 5:30 p.m.

Introductions:

Committee members present were Chair Chris Prentice, Vice Chair Paul Hunt, Glenda Born, Estrella Barrera, John McNabb, Molly Birrell, and Mike Gorse.

Capital Metro staff and contractors present were Raoul Vela, Rodney Recker, Scott Transut, Jon Tanzer, Jeff Dennin, Kendall Jackson, Chad Ballentine, and Martin Kareithi.

Others present were Cheryl Hunt.

Citizens' Communication

Members of the public

Cheryl Hunt: Wants to talk about program where deaf/blind riders get cards that introduce them as deaf/blind. Talk to North and South RideRight drivers about following the instructions on the card. Tap on shoulder when your stop approaches. Martin: would not be undue burden on operator for them to get out of seat and help when the rider's stop approaches

Statistics / Tech Update

Chad Ballentine, VP of Demand Response and Innovative Mobility

Ridership is up significantly. More trips than we've ever done! 64,000 ADA trips over September: record. On-time performance just under 91%. South base with new service provider has just started up. Rodney, new GM and Raoul, Austin manager, are here.

Pilot Projects Update / Innovation Zones Update

Chad Ballentine, VP of Demand Response and Innovative Mobility

Running small pilot on Exposition. Will end December 7. Opening up 3 new zones on 10/22 in response to June service change. It's called MetroLink! Neighborhoods to fixed route services. Starting to do outreach in these areas. Pickup version two for next June, but don't know where yet. App 4.0 which Jonathan will be talking about. Prentice: Is there potential for MetroLink in areas of town where there's no service, like Four Points? Chad: Any zone is open for these programs.

Mobile App Update

Jonathan Tanzer, Technical Project Manager

Jonathan Tanzer: launching new interface. Will look more like FB / music apps. Navigation always at bottom of app. Done some accessibility testing with Martin and it looks good so far. More changes: upgraded traveler tools w/ accessibility fixes. Beta going out 1st week of Nov.

MetroRapid Infill Progress

Ken Cartwright, VP of Capital Projects

Ken: 8 new MetroRapid Station pairs. Under construction at this time. Bus pad poured at each of these locations. Set shelter at 31st st this week. A few weeks away from opening, but the temporary station is in effect. Mike Gorse: how will blind people know about temp stops / construction? Chair Hunt: maybe there could be an alert in the app? Martin: detours and construction are something I've given a lot of thought to. This week, met with Charlie Jackson to wrap heads around this. John McNabb: What is impact on travel time? Ken: We're confident that we can maintain 10 minute frequency.

Westgate Transit Center Update

Ken Cartwright, VP of Capital Projects

Ken: Westgate Transit Center is under construction. It will serve 7 routes, including the 803 MetroRapid. Photos showing site plan, construction progress updates. Currently laying massive drainage pipes. To capture and mitigate runoff from highway above. Predicting completion spring completion and in service before June service change. Prentice: how was interaction with homeless? Ken: sent APD out with contractor, found some alternate locations for people to go. Will be fully lit at night. Paul Hunt: How will pedestrian access be? Ken: Primary ped. access points at Packsaddle Pass and Manchaca. Crosswalks. Safest side will be from Packsaddle Pass. Prentice: Are there audible ped signals? Ken: Can't recall, we'll check it out and request to city if they aren't.

Stop Announcement Update

Martin Kareithi, Program Manager of Accessible Services

Martin: Internal stop announcements. Run by database. Connected to sound file which is on trigger for radius to bus stop. In June, because there were so many changes, pared down stop announcements. Last six weeks we've been going through every route and updating stop announcements. Changes seen in January service change. #5 is done. #2, 4, 5, 7, 10 done: 75-80 new announcements. Prentice: some drivers call out every stop, or you can just ask driver to call out stop. Martin: Operators are required to give you stop upon request.

Approval of September 2018 Minutes

Access Committee

Paul Hunt moved to approve the minutes, and Glenda Born seconded the motion. The motion carried unanimously. The committee adjourned at 6:35 pm.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4242)
Approval of Minutes for September 14, 2018 Board Worksession and September
28, 2018 Board Meeting**

Approval of Minutes for the September 14, 2018 Board Worksession and September
28, 2018 Board Meeting.



CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY BOARD OF DIRECTORS WORKSESSION

Austin Convention Center, 500 East Cesar Chavez Street

~ MINUTES ~

Executive Assistant/Board Liaison Gina Estrada
512-389-7458

Friday, September 14, 2018
12:00 PM

12:20 PM Meeting Called to Order
03:10 PM Meeting Adjourned

I. Presentations:

1. Project Connect High Capacity Transit Modes
The board of directors held a joint worksession with the Austin City Council to discuss the modes under consideration for Project Connect.

The worksession included a presentation on the following topics. Each section of the presentation was followed by a question and answer period.

- Project Connect Overview (presented by Dave Couch, Project Officer for Project Connect)
- Austin Strategic Mobility Plan Coordination (presented by Annick Beaudet, City of Austin Assistant Director of Transportation and Mike Trimble, Director of the Corridor Program Office)
- Dedicated Pathways (Jeff Tumlin, Nelson Nygaard)
- Modes (Julia Suprock and Dan Myers, AECOM)
- Autonomous Rapid Transit (Meg Merritt, Nelson Nygaard)

II. Adjournment

ADA Compliance

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**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS MEETING
2910 East Fifth Street Austin, TX 78702**

~ Minutes ~

Executive Assistant/Board Liaison Gina Estrada
512-389-7458

Friday, September 28, 2018
12:00 PM

12:13 PM Meeting Called to Order
3:18 PM Meeting Adjourned

I. Pledge of Allegiance

II. Safety Briefing

Vice President of Risk Management and Safety Gardner Tabon gave the monthly report. Gardner reviewed boardroom emergency procedures and highlighted Rail Safety Week, which is September 23 - 29.

III. Recognition

Three recognitions took place:

1. Transportation Security Administration Assistant Federal Security Director Chuck Honore was on hand to present the TSA's "Gold Standard" Award to Capital Metro for its strong transit security program and commitment to passenger security.
2. Capital Metro recognized Bryson McCall Smith for his longtime advocacy on behalf of riders with disabilities in Austin.
3. Charles "Nook" Turner recognized Capital Metro for our sponsorship of the "Jump On It" summer concert series, which aims to encourage young people in Austin to have a positive impact on their community. He also showed a video promoting the program.

IV. Public Comment:

Ruby Tyrone, citizen, spoke about the difficulties she has had recently since the Route 300 was removed from the stop and Rogge Lane and Springdale Road. She has also encountered a number of rude bus operators. Board member Travillion expressed sympathy for the issues that Ms. Tyrone has experienced and said we are working on solutions to some of these problems. President Clarke also asked that Dottie Watkins speak with Ms. Tyrone to see if something can be done about the operator behavior.

Mike Burnett, citizen, brought up issues that he believes are problematic and inconsistent with the award of Capital Metro's Architectural and Engineering contract.

Gus Pena, citizen, pointed out that service to the temporary Municipal Court location is going to need to increase when that facility opens. He also believes that the Capital Metro budget is not very transparent and the allocation of resources may be hurting people.

(later in meeting) Lucious Davis, citizen, spoke on the difficulties he is continuing to encounter while riding fixed route buses. He uses a wheelchair and operators sometimes refuse to put the ramp down for him. This has happened six times and he is tired of it. President Clarke asked Chad Ballentine to meet with Mr. Davis and get details on these incidents.

(later in meeting) Zenobia Joseph, citizen, spoke on her Title VI complaint to the FTA. She reiterated that Capital Metro is supposed to re-analyze minority routes after the Cap Remap changes. She believes the

Cap Remap changes were racist -- as an example only 60 minute routes go into the northeast neighborhoods that are predominately African-American. The only change under a new bus customer service enhancement plan has been to the Route 350, because residents at the Crestview Station complained. You have not used that plan to address any of our concerns.

V. Advisory Committee Updates:

1. Update on the Customer Satisfaction Advisory Committee (CSAC); and

Deputy Chief of Staff Sam Sargent presented the report.

The committee met on September 12th and heard presentations on the Title VI process and the Proposed January 2019 service changes. The also received an update from the IT department on the upcoming rollout of a new version of the Capital Metro app.

2. Update on the Access Advisory Committee (AAC).

Deputy Chief of Staff Sam Sargent presented the report.

The committee met on September 5th and recognized the anniversary of the Americans with Disabilities Act. The committee heard a presentation from Martin Kareithi on the importance of accessibility for our fixed-route services, as well as a presentation from the IT department on the new features of the Capital Metro app.

VI. Board Committee Updates:

1. Operations, Planning and Safety Committee

Chair Jonse presented the report.

The committee met on September 17th. A number of items were recommended for today's Consent Agenda, and the committee hear a presentation on MetroRapid service timeliness.

2. CAMPO update

Board member Mitchell reported that CAMPO did not meet this month.

VII. Consent Items

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| RESULT: | ADOPTED [UNANIMOUS] |
| MOVER: | Jeffrey Travillion, Board Member |
| SECONDER: | Rita Jonse, Board Member |
| AYES: | Mitchell, Cooper, Kitchen, Jonse, Renteria, Travillion |
| ABSENT: | Word, Garza |

1. Minutes from the August 6, 2018 Worksession and August 27, 2018 Board Meeting.

2. Approval of a resolution authorizing the President & CEO, or his designee, to amend the Interlocal Agreement with the City of Round Rock for operation of transit service and to increase the fees for service by \$188,905 for a total reimbursement not to exceed \$4,858,242.

3. 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 \$265,383 in FTA Section 5307 funds and \$816,759 in local funds from the City of Georgetown.

4. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute an addendum to the Master Regional Mobility Agreement with Capital Area Rural Transportation Services (CARTS) for the provision of rural transit services to the City of Georgetown for a period of one year in an amount not to exceed \$1,082,142.

5. Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute an Agreement for Services with Circuit of the Americas for services to the 2018 Formula One U.S. Grand Prix in an amount not to exceed \$170,000.

6. Approval of a resolution giving consent to TxDOT to allow Round Rock to utilize those sections of the MKT right-of-way as shown on Exhibit "A", attached hereto, to facilitate the extension of Arterial A (Kenney Fort Boulevard) from its current terminus to SH 45.

7. Approval of a resolution authorizing the President & CEO, or his designee, to execute a contract with DAMAN for implementation of an Enterprise Data Warehouse and key performance indicator dashboards in an amount not to exceed \$245,000.

VIII. Action Items:

1. Approval of a resolution authorizing the President & CEO, or his designee, to execute a contract with EAN Holdings, LLC for vanpool services for a three-year base period with two one-year option periods for a total amount not to exceed \$26,407,710 which includes a 5% contingency.

Vice President of Bus Operations Dottie Watkins presented this item.

Dottie gave a brief presentation with an overview of Capital Metro's vanpool program, called MetroRideShare. Enterprise/EAN Holdings is our current provider of vanpool services, and is the largest provider of these services in the country. The costs of this contract are increasing slightly, and we expect to pass the additional costs on to the program participants.

Board member Mitchell asked about the program fare recovery rate and growth. Chair Cooper commented that he believes this is one of our most successful programs at taking single-passenger cars off the road.

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| RESULT: | ADOPTED [UNANIMOUS] |
| MOVER: | Terry Mitchell, Board Member |
| SECONDER: | Ann Kitchen, Board Member |
| AYES: | Mitchell, Cooper, Kitchen, Jonse, Renteria, Travillion |
| ABSENT: | Word, Garza |

2. Approval of the Fiscal Year 2019 Operating and Capital Budget and Five-Year Capital Improvement Plan.

Chief Financial Officer Reineta Marneweck presented this item.

Today's action is the end of a nine-month budget process. This budget will set aside \$9.6 million in a new fund for capital expansion, and for expected local funding of Project Connect. We have also funded all of the service hour enhancements that were implemented in 2018.

Attachment: 180928 Board Meeting Minutes (4242 : Approval of Minutes for September 14, 2018 Board Worksession and September 28, 2018

Reinet thanked the board and staff that worked so hard in putting the budget together, in particular Budget Director Kevin Conlan.

Board member Kitchen asked about funding available to make adjustments or changes to Cap Remap. Reinet said that was anticipated, and that there was \$500,000 available for these types of adjustments. President Clarke explained that this was not a lot of money given the scale of bus operations.

Board member Travillion expressed thanks and said he was pleased that we are having conversations about equity issues with our routes, and that questions brought to the board and CEO are being authentically addressed.

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| RESULT: | ADOPTED [UNANIMOUS] |
| MOVER: | Terry Mitchell, Board Member |
| SECONDER: | Jeffrey Travillion, Board Member |
| AYES: | Mitchell, Cooper, Kitchen, Jonse, Renteria, Travillion |
| ABSENT: | Word, Garza |

3. Approval of a resolution authorizing free fares on all Capital Metro services on certain special event days.

Chief Financial Officer Reinet Marneweck presented this item.

This item would formally adopt a practice of offering free fares that has been going on for a number of years.

Board member Travillion asked about consideration of free fares during early voting days. Reinet replied that our costs for providing free service would be between \$40,000 and \$60,000 per day. Board member Kitchen commented that this could be a baseline, and that we could put more thought into possible other days at a later date. Board member Travillion agreed.

Cinde Weatherby from the Austin Area League of Women's Voters spoke on recent voter-registration efforts and to thank the board for this item, and other partnering with non-profit organizations.

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| RESULT: | ADOPTED [UNANIMOUS] |
| MOVER: | Jeffrey Travillion, Board Member |
| SECONDER: | Rita Jonse, Board Member |
| AYES: | Mitchell, Cooper, Kitchen, Jonse, Renteria, Travillion |
| ABSENT: | Word, Garza |

IX. Presentations:

1. Positive Train Control Update

Deputy CEO Elaine Timbes presented this item.

Elaine gave a short presentation the gave an overview of the PTC Federal Mandate and our efforts to meet the December 31st deadline. Capital Metro's revenue demonstration phase will be to implement PTC between Lakeline and Leander stations, and following that we will begin a two-year project to implement and test on the entire line. Elaine reviewed progress and status of each of the PTC project areas. She also reviewed some of the challenges faced and gave an overview of project funding. She thanked team members for their hard work and outstanding work with the Federal Railroad Administration.

2. Cap Remap Overview and Next Steps

Executive Vice President of Planning and Development Todd Hemingson presented this item.

Attachment: 180928 Board Meeting Minutes (4242 : Approval of Minutes for September 14, 2018 Board Worksession and September 28, 2018

Todd gave an overview of the Cap Remap process and some of the reasons for the changes. He also presented some of the early results of the changes and their effect on ridership. While we don't yet have numbers for the fall, summer ridership was trending upward, reversing recent year-on-year declines. An early challenge has been that on some routes we are seeing problems with overcrowding. Todd also presented early results of some recent initiatives including enhanced MetroExpress service, the Student Fare Program, and the Family Saturday and Late Night MetroRail Programs. We continue to engage both customers and operators for their feedback.

Todd also reviewed some of the upcoming milestones and next steps for Cap Remap, including future growth of the Mobility Innovation Zones for first/last mile connections. He thanked his team for their careful consideration of the plan and outreach efforts.

Board member Mitchell asked about how we compare with other systems that have been through this type of change, and what the effects of dedicated transit lanes could be on ridership.

3. Real Estate & Facilities Overview

Vice President of Property and Asset Management Shanea Davis presented this item.

Shanea reviewed each of the facilities and parcels of property that Capital Metro owns and leases in the area. She also discussed possible future needs for property that are outside our current holdings. She also presented more specific plans for the North Lamar Transit Center, including an improved pedestrian crossing for Lamar, and Plaza Saltillo. She previewed the opening of the new Westgate Transit Center.

Shanea then presented some considerations and background on providing public restrooms at our park & rides.

Board member Renteria asked to be kept informed on usage and fees for non-profits who want to use the Plaza Saltillo space.

Board member Kitchen requested that the board be updated on the bus stops and transit centers where improvements were being made. She also asked about a timetable for the North Lamar Transit Center improvements. President Clarke added that any improvements would need to integrate with future Project Connect initiatives, and that much work would need to be done with TxDOT, who own the right of way in this area.

Board member Kitchen suggested that we do further study on park & rides, including turning them into more complete mobility hubs. That may inform what we do with restrooms. She would love to see further background information on practices at other agencies.

Chair Cooper asked about whether there was any type of common inventory of public agency-owned land, to encourage collaboration. President Clarke commented that there has been some movement in this direction, in particular with regard to Project Connect.

X. Reports:

1. President & CEO Report

President Clarke presented his monthly report.

He discussed the Austin Chamber Mobility Summit, which is Monday, October 1st. There will also be a Community Conversation on Project Connect at the Ruiz Library on Wednesday, October 3rd. He also highlighted three new buses -- including two that are electric -- parked outside. He thanked the board for their time with our strategic plan consultants and reminded them of two upcoming board work sessions.

XI. Items for Future Discussion:

XII. Adjournment

ADA Compliance

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**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4236)
Internal Audit Charter**

Annual approval of a resolution adopting the Internal Audit Charter.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-797)
Internal Audit Charter Review and Approval**

SUBJECT:

Annual approval of a resolution adopting the Internal Audit Charter.

FISCAL IMPACT:

This action has no fiscal impact.

STRATEGIC PLAN:

Strategic Goal Alignment:

5. FINANCE

Strategic Objectives:

- 5.1 Continue improvement of the financial systems of the agency.
- 5.2 Implement sustainability and environmental stewardship.
- 5.3 Continue commitment to Stat of Good Repair (SOGR) and transit asset management.

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 10, 2018.

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 January, 2017. At this time there are no changes being recommended to the document.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.



RESPONSIBLE DEPARTMENT: Internal Audit

Attachment: Resolution-AI-2018-797 (4236 : Internal Audit Charter)



**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

**STATE OF TEXAS
COUNTY OF TRAVIS**

**RESOLUTION (ID # AI-2018-797)
Internal Audit Charter Review & Approval**

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 adopted.

Date: _____

**Secretary of the Board
Juli Word**

Attachment: Resolution-AI-2018-797 (4236 : Internal Audit Charter)



Internal Audit Charter

Approved by FAA Committee:

Last Approved: 9/17/2018

CMTA Resolution #:

AI-2018-797

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:

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.

Board Resolutions adopting & amending Internal Audit Charter:

- CMTA-2004-0628-039, dated June 28, 2004
- CMTA-2007-1212-088, dated December 12, 2007
- CMTA-2009-59, dated September 28, 2009
- CMTA-2011-94, dated December 5, 2011
- CMTA-2015-56, dated June, 22, 2015

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4240)
Investment Officer**

Approval of a resolution authorizing the President & CEO, or his designee, to approve a resolution appointing Ilyse Niland, Deputy Counsel, to the Capital Metro Investment Committee as a committee member.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-898)**

Approval of Capital Metro's Investment Officer

SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to approve a resolution appointing Ilyse Niland, Deputy Counsel, to the Capital Metro Investment Committee as a committee member, with the authorization to withdraw, invest, reinvest, and accept payment with interest, consistent with the investment policy.

FISCAL IMPACT:

This action has no fiscal impact.

STRATEGIC PLAN:

Strategic Goal Alignment:

5. Finance

Strategic Objectives:

5.1 Continue improvement of the financial systems of the agency

EXPLANATION OF STRATEGIC ALIGNMENT:

This appointment ensures that Capital Metro is in compliance with its investment policy.

BUSINESS CASE:

This appointment ensures that Capital Metro is in compliance with its investment policy.

COMMITTEE RECOMMENDATION:

This agenda item was presented and recommended for approval at the Finance, Audit and Administration Committee on October 10, 2018.

EXECUTIVE SUMMARY:

Capital Metro's investment policy provides for the delegation of authority to invest Capital Metro funds and the execution of any documentation necessary to evidence the investment of Capital Metro funds to the investment advisory firm under current contract (PFM Asset Management LLC) and those Capital Metro personnel authorized as investment officers. The policy further 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. These designated investment officers shall perform their duties in accordance with the investment policy adopted annually by the Board of Directors. The investment officers form an investment committee that meets quarterly with the investment advisory firm to review performance results. The investment policy dictates the type of investments that can be made and the maximum percentages of the portfolio for each type of investment. Decisions on how to invest Capital Metro's funds are made with the advice of the



investment advisory firm and concurrence from the investment committee.

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-2018-898)

Approval of Capital Metro's Investment Officer

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors is required by Capital Metro’s investment policy to designate in writing investment officers to invest on behalf of Capital Metro with the advice of Capital Metro’s investment advisory firm under contract.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that Ilyse Niland, Deputy Counsel, is hereby appointed as investment officer to the Capital Metro Investment Committee and is authorized to withdraw, invest, reinvest and accept payment with interest consistent with the investment policy.

**Secretary of the Board
Juli Word**

Date: _____

Attachment: Resolution-AI-2018-898 (4240 : Investment Officer)

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4237)
FY2019 Internal Audit Plan**

Approval of a resolution authorizing the President & CEO, or his designee, to approve the annual Internal Audit Plan.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-904)
Approval of the FY2019 Internal Audit Plan**

SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to approve the annual Internal Audit Plan.

FISCAL IMPACT:

This action has no fiscal impact.

STRATEGIC PLAN:

Strategic Goal Alignment:

- 4. Human Capital
- 5. Finance

Strategic Objectives:

- 4.1 Enhance organizational development
- 5.1 Continue improvement of the financial systems of the agency
- 5.3 Continue commitment to State of Good Repair (SOGR) and transit asset management

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 is recommended for approval by the Finance, Audit & Administration Committee on October 10, 2018.

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 FY2019 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 Committee 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: Internal Audit



**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

STATE OF TEXAS

COUNTY OF TRAVIS

RESOLUTION (ID # AI-2018-904)

Approval of the FY2019 Internal Audit Plan

WHEREAS, the FY2019 Internal Audit Plan considers the potential risks and opportunities of the Authority; and the FY2019 Internal Audit Plan was prepared in accordance with professional internal auditing standards; and

WHEREAS, the FY2019 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 FY2019 Internal Audit Plan is adopted and sets a program to provide relevant and useful information to the Board of Directors.

**Secretary of the Board
Juli Word**

Date: _____

Attachment: Resolution-AI-2018-904 (4237 : FY2019 Internal Audit Plan)



MEMORANDUM

To: Terry Mitchell, Chair, Finance, Audit & Administrative (FAA) Committee
 Wade Cooper, Member, FAA Committee
 Juli Word, 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 10, 2018

Subject: **Proposed FY2019 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 FY2019.

Internal 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 FY19 Internal Audit Plan (Tables 2 and 3) was developed by performing a comprehensive risk assessment. This included a risk assessment survey sent to management and Board members, management interviews, and discussion with and review of the proposed audit plans for VIA in San Antonio and METRO in Houston. In addition, Internal Audit reviewed prior external consulting and audit reports, operating and capital budgets, organizational charts, and the Strategic Plan to help ensure other potential risk and opportunity areas were identified and proposed projects are aligned to address strategic risks of the Authority.

Based upon the results of the risk assessment, the FY19 Plan has a stronger focus on IT security, financial controls and service providers. The proposed plan includes five potential IT projects which includes a formal assurance review of endpoint management (i.e. patching) of computers/servers as well as an advisory project covering a vulnerability assessment. On the financial side there is a project testing the SOX like controls over the revenue and expenditure cycle. Due to the planned increase in capital expenditures there will be project validating payment controls on capital projects as well as payments to service providers. Internal Audit

believes these focus areas warrant the most attention from the Plan for FY19 and these projects will appropriately address the risk.

The FY19 audit plan also includes a list of contingent projects (Table 3) 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 FY19 Audit Plan will use a combination of internal and external resources to perform the projects. Historically the Internal Audit Department has issued approximately six audit assurance projects per year. The FY19 plan includes ten assurance projects (seven new plus three in-process) 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 recently began participating in the UT Internal Audit Intern program whereby four graduate Accounting students will be assisting in two project this Fall as part of their professional development. If this program is successful, we will look at continuing the Audit Intern program in the Spring. Each student in the intern program is providing up to 60 hours of project time for the semester as part of the Internal Audit class they are taking at UT. Additionally, the IT Vulnerability & Penetration Assessment will be a joint project funded by the IT Department. We believe this mix of internal and external resources is sufficient to perform the projects listed in the FY19 Audit Plan (see Tables 1 & 2).

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 FY19 Audit Plan.

TABLE 1 – Projects In-Process from FY18 Audit Plan

| | Projects | Project Type | Status & % Complete |
|---|---|--------------|---------------------|
| | AUDIT PROJECTS - IN PROCESS FROM FY18 | | |
| 1 | SOX Like Controls Review (RSM documenting financial controls, IA to identify gaps) In mid-April RSM will start interviews/documentation (RSM developing Draft Report) | Assurance | 90% Complete |
| 2 | Fare Collection System (Genfare Cash & Ticket Controls on the Bus fare system) | Assurance | 65% Complete |
| 3 | Business Continuity (COOP - Continuity of Operations Project) with CTECC (Combined Transportation, Emergency & Communication Center) - power down/up event early 2019 TBD | Advisory | 60% Complete |
| 4 | Commuter Rail - DMU vehicle maintenance program (FRA and OEM Stds, with focus on PM and QC; include infrastructure and signaling) - Herzog contract | Assurance | 80% Complete |
| 5 | P-Card Data Analytics - review level 3 data from JP Morgan Chase (modification of the "Employee Expense Reimbursements" project) | Advisory | 30% Complete |

TABLE 2 – FY19 Audit Assurance & Advisory Projects

| | AUDIT PROJECTS - FY19 NEW PROJECTS | |
|---|--|-----------|
| 1 | Watco Freight Revenue & Contract Compliance | Assurance |
| 2 | Commuter Rail Operations Contract Management & Oversight - Herzog contract | Assurance |
| 3 | Capital Project Expenditure Controls | Assurance |
| 4 | SOX Like Testing of Financial Controls (Revenue & Expenditure focus) | Assurance |
| 5 | Semi-annual Implementation Status Report - November 2018 | Assurance |
| 6 | Semi-annual Implementation Status Report - May 2019 | Assurance |
| 7 | FY2020 Risk Assessment & Audit Plan Development | Advisory |
| 8 | Vulnerability Assessment or Penetration Test | Advisory |
| 9 | Endpoint Management (Patching with SCCM) Computers | Assurance |

TABLE 3 – FY19 Contingency Audit Projects

| | CONTINGENT AUDIT PROJECTS | |
|---|--|----------|
| 1 | Enterprise Asset Mgt (Infor) Implementation (Rail focus Herzog and Watco) | Advisory |
| 2 | Statement of Work Compliance for Service Providers | Advisory |
| 3 | Duplicate Payment Testing - Outsource on Contingency Basis | Advisory |
| 4 | Identity Management System (Active Directory) - user provisioning & deprovisioning | Advisory |
| 5 | Cybersecurity Table Top Exercise | Advisory |

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4233)
Investment Policy**

Approval of a resolution authorizing the President & CEO, or his designee, to approve Capital Metro's Investment Policy.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-785)
Approval of Capital Metro's Investment Policy**

SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to approve Capital Metro's Investment Policy.

FISCAL IMPACT:

This action has no fiscal impact.

STRATEGIC PLAN:

Strategic Goal Alignment:
5. Finance

Strategic Objectives:

5.2 Implement sustainability and environmental stewardship

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 Texas Public Funds Investment Act. The governing body of an investing entity is required to 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.

COMMITTEE RECOMMENDATION:

This agenda item was presented and is recommended for approval by the Finance, Audit and Administration Committee on October 10, 2018.

EXECUTIVE SUMMARY:

There were no changes to the Texas Public Funds Investment Act that affected Capital Metro's policy in the last year. Capital Metro's investment policy was last reviewed and approved by the Board of Directors in January 2018. This policy was reviewed by PFM Asset Management LLC, under contract as Capital Metro's investment advisory firm, and no changes to the existing policy are recommended. Attached is a copy of Capital Metro's investment policy, which complies with the Texas Public Funds Investment 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-2018-785)

Approval of 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 includes Capital Metro’s investment strategies, has been reviewed and no revisions are recommended to the investment policy or strategies.

**Secretary of the Board
Juli Word**

Date: _____

Attachment: Resolution-AI-2018-785 (4233 : Investment Policy)



C A P I T A L

METRO

Investment Policy

Approved:

Capital Metropolitan Transportation Authority
Board of Directors
January 2018

Proposed for Board of Directors consideration on October 22, 2018

Attachment: Investment Policy January 2018 REV (4233 : Investment Policy)

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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 Section 451.101 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 N.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 N.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 N.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. Prudence 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 prudence 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 270 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 AAAM or equivalent by on 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 alloed 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 that 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, perfecting 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 W.A.). Repurchase agreements must also be collateralized in accordance with State law. Each issuer of repurchase agreements 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:

| <u>Collateral Maturity</u> | <u>U.S. Treasury Securities</u> | <u>U.S. Government Agency</u> |
|----------------------------|---------------------------------|-------------------------------|
| 1 year or less | 101% | 101% |
| 1 year to 5 years | 102% | 102% |
| Over 5 years | 103% | 104% |

(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.

Attachment: Investment Policy January 2018 REV (4233 : Investment Policy)

(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 IV.B1.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.

| Investment Type: | % of Portfolio |
|-------------------------------------|----------------|
| • Repurchase Agreements | 50% |
| • Certificate of Deposit | 20% |
| • Share Certificates | 5% |
| • U.S. Treasury Notes/Bond/Bills | 100% |
| • U.S. Agencies | 60% |
| • Money Market Mutual Funds | 50% |
| • Local Government Investment Pools | 100% |
| • Commercial Paper | 30% |
| • Banker’s Acceptance | 15% |

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.

Attachment: Investment Policy January 2018 REV (4233 : Investment Policy)

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 (MNIMF's) and local government investment pools (LGIP' s).

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 MD.).

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 (MMMF's) and local government investment pools (LGIP's) 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 MMMF's and LGIP's shall be based on criteria determined by the Investment Committee, including adherence to Securities and Exchange Commission (SEC) guidelines for MMMF's 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 member, 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.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

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 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

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 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. [2226](#)), Sec. 2, eff. June 17, 2011.

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) In addition to the requirements of Subsection (a) (1), 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 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.

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.

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 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1,

1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

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); and
- (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), 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 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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 270 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 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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, "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, a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. 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, the governing body of the public funds investment pool shall 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. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall 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.

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.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. 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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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 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) Corporate bonds are not an eligible investment for a public funds investment pool.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

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.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, see other Sec. 2256.0206.

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.

Text of section as added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1

For text of section as added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, see other Sec. 2256.0206.

Sec. 2256.0206. 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.

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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. 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.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

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.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

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.

**TEXAS PUBLIC FUNDS INVESTMENT ACT
ACKNOWLEDGEMENT**

These Acknowledgments are executed on behalf of the Capital metropolitan Transportation Authority ("Investor") and TexasTERM Local Government Investment Pool ("Business Organization") pursuant to the Public Funds Investment Act, Chapter 2256, Government Code, Texas Codes Annotated (the "Act"), in connection with investment transactions conducted between the Investor and the Business Organization.

Acknowledgment by Business Organization

The undersigned qualified representative of the Business Organization ("Qualified Representative") acknowledges, represents and agrees on behalf of the Business Organization that:

- (1) The Qualified Representative (a) is registered under the rules of the Financial Industry Regulatory Authority (FINRA), (b) is the duly appointed and acting representative of the Business Organization, holding the title set forth underneath its name below, and (c) is duly authorized to execute this Certification on behalf of the Business Organization;
- (2) The Qualified Representative has received and reviewed the Investor's investment policy dated January 2018 (the "Investment Policy");
- (3) The Business Organization will provide the Investment Officer with periodic investor account and other reasonably requested information that will assist the Investor's Investment Officer in carrying out his or her responsibility to make investment decisions consistent with the Investment Policy;
- (4) The Business Organization will not sell to the Investor investments other than those listed in the approved Investment Policy, which may be amended from time to time by the governing body of the Investor. The Investor is responsible for informing the Business Organization of any changes made to the Investment Policy document; and
- (5) The Investment Policy permits the entity to invest its funds in public funds investment pools organized under the Act.

TexasTERM Local Government Investment Pool
Qualified Representative



Nelson L. Bush
Managing Director
October 1, 2018

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4235)
CAMPO for Transit Passes**

Approval of a resolution authorizing the President & CEO, or his designee, to extend an Interlocal Agreement (ILA) with Capital Area Metropolitan Planning Organization (CAMPO) for employee transit passes.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-876)
CAMPO Interlocal Agreement**

SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to extend an Interlocal Agreement (ILA) with Capital Area Metropolitan Planning Organization (CAMPO) for employee transit passes.

FISCAL IMPACT:

This action is revenue-generating.

STRATEGIC PLAN:

Strategic Goal Alignment:
3. Community

Strategic Objectives:

3.4 Support plans and programs designed to build ridership and increase market share of alternate transit use.

EXPLANATION OF STRATEGIC ALIGNMENT:

The ILA with CAMPO has maintained a strong partnership that supports Capital Metro's mission and vision. The ILA extension has the potential to increase ridership on Capital Metro services and increase revenue.

BUSINESS CASE:

An expiring ILA extension has helped establish a strong partnership with CAMPO that supports Capital Metro's strategic objectives. The proposed ILA extension will maintain this relationship. The expiring ILA extension has been well utilized by CAMPO employees, and the proposed extension will encourage CAMPO employees to continue to make use of our services.

COMMITTEE RECOMMENDATION:

This agenda item was presented and is recommended for approval by the Finance, Audit and Administration Committee on October 10, 2018.

EXECUTIVE SUMMARY:

As part of Capital Metro's desire to build strong community partnerships that further Capital Metro's mission and vision and as part of Capital Metro's and CAMPO's continued joint effort to promote sustainability through transportation alternatives, this agreement is an extension of an Interlocal Agreement with CAMPO for employee transit passes for a period of one year from December 1, 2018, to November 30, 2019 for an amount not to exceed \$5000.



DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Marketing/Communications



**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

**STATE OF TEXAS
COUNTY OF TRAVIS**

**RESOLUTION (ID # AI-2018-876)
CAMPO Interlocal Agreement**

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management endeavor to build strong community partnerships that further Capital Metro’s mission and vision; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need to build ridership and increase market share of alternate transit use.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or his designee, is authorized to extend an Interlocal Agreement with Capital Area Metropolitan Planning Organization for employee transit passes.

**Secretary of the Board
Juli Word**

Date: _____

Attachment: Resolution-AI-2018-876 (4235 : CAMPO for Transit Passes)

**AMENDMENT NO. 2 TO THE INTERLOCAL AGREEMENT
BETWEEN
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
AND
CAPITAL METROPOLITAN PLANNING ORGANIZATION
FOR TRANSIT SERVICES**

This Amendment No. 2 to the Interlocal Agreement (“Amendment”) is made and entered into by and between Capital Metropolitan Transportation Authority (“Capital Metro”) and Capital Metropolitan Planning Organization (“CAMPO”), collectively referred to as the “Parties,” upon the premises and for the consideration stated herein.

RECITALS:

- A. **WHEREAS**, Capital Metro and CAMPO entered that one certain Interlocal Agreement, dated effective December 1, 2016 (as amended, “Agreement”); and,
- B. **WHEREAS**, the Agreement provides that the term of the Agreement may be extended for up to four (4) twelve (12) month extension periods; and,
- C. **WHEREAS**, in that certain Amendment No. 1 to Interlocal Agreement, dated effective November 16, 2017, the Parties agreed to extend the term of the Agreement until November 30, 2018; and
- D. **WHEREAS**, Parties desire to amend the Agreement and extend the term of Agreement for one (1) additional year.

NOW THEREFORE, in consideration for the mutual promises, covenants, obligations, and benefits contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the terms and conditions stated herein as evidenced by the signatures of their respective duly authorized representatives below.

AGREEMENT:

- A. **AMENDMENT.** The term of the Agreement is extended until November 30, 2019. The Parties may exercise the two remaining twelve (12) month extension periods under Section 5.1 of the Agreement by written amendment executed by CAMPO’s Executive Director and the Capital Metro President/CEO without further action from the CAMPO’s Board of Directors or Capital Metro’s Board of Directors, so long as such amendment does not include any other substantive modification to the Agreement.
- B. **INCORPORATION BY REFERENCE.** All terms not herein defined shall have the same meaning as set forth in the Agreement. The Recitals contained in this Amendment are incorporated herein for all purposes.

- C. **ENTIRE AGREEMENT.** This Amendment represents the entire agreement between the Parties concerning the subject matter of this agreement and supersedes all prior or contemporaneous oral or written statements, agreements, and negotiations.
- D. **RATIFICATION.** The Agreement, as modified and amended by this Amendment, is ratified and confirmed in all respects.
- E. **CONFLICT.** In the event of a conflict between the terms of this Amendment and the terms of the Agreement, the provisions of this Amendment shall control.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their respective undersigned duly authorized representatives as of the date of the last party to sign.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY

By: _____
Randy Clarke, President/CEO

Date: _____

CAPITAL AREA METROPOLITAN PLANNING ORGANIZATION

By:  _____

Name: Ashby Johnson

Title: Executive Director

Date: 09/12/2018

Attachment: ILA_CAP_METRO_CAMPO_AMENDMENT 2 (4235 : CAMPO for Transit Passes)

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4234)
Business Services**

Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract modification with Ricoh USA to extend the contract for On-Site Business Center Services through May 11, 2019.

**Capital Metropolitan Transportation Authority
Board of Directors**

MEETING DATE: 10/22/2018

(ID # AI-2018-896)

Extension of Contract with Ricoh USA for Business Center Services

SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract modification with Ricoh USA to extend the contract for On-Site Business Center Services through May 11, 2019.

FISCAL IMPACT:

Funding for this action is available in the proposed FY2019 Operating Budget.

STRATEGIC PLAN:

Strategic Goal Alignment:

4. Human Capital

Strategic Objectives:

4.4 Improve internal communications

EXPLANATION OF STRATEGIC ALIGNMENT:

The services provided under the business center contract include routing of mail, lost and found deliveries and copying/printing. Such services support internal communications and provide a centralized source for meeting document and other delivery needs.

BUSINESS CASE:

The current contract and all option years with Ricoh USA expires on November 11, 2018. Prior to issuing a request for proposals for continuation of outsourced business center services, Capital Metro is conducting a cost/benefit analysis on the alternative of performing some of these services with directly employed staff. This proposed extension will allow sufficient time to complete the analysis and determine which services should be performed through a contract.

COMMITTEE RECOMMENDATION:

This agenda item was presented and is recommended for approval by the Finance, Audit and Administration Committee on October 10, 2018.

EXECUTIVE SUMMARY:

The proposed action is to extend the existing contract through May 11, 2019. The contract with Ricoh USA was initially awarded in November 2008 with a five-year base period and five one-year options. The five option years were executed in 2013 with the commitment of Ricoh USA to hold the fees flat during all option years. The services provided under the contract include: lease and maintenance of printers and copiers, pick-up of lost and found items from service providers and delivery to the Transit Store, meeting room set-up, mail room services, printing, copying and binding of documents for all Capital Metro departments.



DBE/SBE PARTICIPATION:

The DBE goal is 15%. The contractor will meet the goal utilizing the following DBE subcontractor:

| DBE Subcontractor | Service/Product | DBE Goal |
|----------------------------|-----------------|----------|
| P. D. Morrison Enterprises | Office Supplies | 15% |

PROCUREMENT: On October 27, 2008, the Capital Metro Board of Directors approved a contract award via Resolution CMTA-2008-70, with Ricoh USA (formerly Ikon Office Solutions), for implementation of a business center for a five-year base period to include 5 one-year options in the amount of \$4,552,720. Capital Metro exercised the total 5-year option period via Modification #7 on October 8, 2013 for a new estimated total amount \$4,555,373. Through subsequent modifications for additions and removal of services, the current contract total amount is \$4,630,606 and the term of the contract expires November 11, 2018. Capital Metro seeks to extend the term six (6) months through May 11, 2019 per the provisions of the contract based on continued need for services in an amount not to exceed \$ 300,000.

The price is determined to be fair and reasonable based on a cost analysis. The contract is a fixed price contract.

| | |
|----------------------------------|---------------------|
| Current Contract Amount | \$ 4,630,606 |
| Six (6) Month Option Amount | \$ 300,000 |
| New Total Contract Amount | \$ 4,930,606 |

RESPONSIBLE DEPARTMENT: Human Resources



**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

STATE OF TEXAS

COUNTY OF TRAVIS

RESOLUTION (ID # AI-2018-896)

Extension of Contract with Ricoh USA for Business Center Services

WHEREAS, the Capital Metro Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need for continuation of business center services.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or his designee, is authorized to finalize and execute a contract modification with Ricoh USA to extend the contract for On-Site Business Center Services through May 11, 2019.

**Secretary of the Board
Juli Word**

Date: _____

Attachment: Resolution-AI-2018-896 (4234 : Business Services)

Capital Metropolitan Transportation Authority
Board of Directors

MEETING DATE: 10/22/2018
(ID # 4231)

Proposed January 2019 Service Changes

Approval of a resolution authorizing the President & CEO, or his designee, to implement the January 2019 Service Changes.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-899)
Approval of January 2019 Service Changes**

SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to implement the January 2019 Service Changes.

FISCAL IMPACT:

Funding for this action is available in the FY2019 Operating Budget.

STRATEGIC PLAN:

Strategic Goal Alignment:

1. Customer

Strategic Objectives:

1.2 Improve system reliability and convenience

1.3 Ensure an attractive and accessible transit environment

EXPLANATION OF STRATEGIC ALIGNMENT:

Service Changes are in accordance with Capital Metro's Service Standards. These changes are designed to meet Goals 1-4 in Capital Metro's Strategic Plan:

- 1). Deliver the best possible customer experience,
- 2). Demonstrate Regional Leadership,
- 3). Demonstrate the value of public transportation in a dynamic community,
- 4). Continue to improve organizational practices and develop staff.

BUSINESS CASE:

These changes are intended to improve the overall customer experience of recent changes as a part of CapRemap through the minor modification of select services.

COMMITTEE RECOMMENDATION:

This agenda item will be presented to the full board on October 22, 2018.

EXECUTIVE SUMMARY:

Staff presented these proposed changes to the board prior to the October 10th Public Hearing and based on feedback from the public input process, staff recommends the following for final approval at the October board meeting:

- CapRemap (Minor Schedule Adjustments) – To improve the revised network performance, select routes are anticipated to receive minor adjustments to their schedules in order to improve on-time performance. With the return of regular work and school schedules, particular trips on select routes have experienced overcrowding and are in need of adjustment to alleviate loads. Passenger and traffic activity have also



increased and require adjustments for particular routes. Finally, major construction projects in the city (example US 183 – Ed Bluestein) continue to have an impact on performance of those routes that must traverse by these zones.

- Minor Route Adjustments – Select routes will receive minor adjustments to route patterns due to changes in land uses (specifically Routes 315 and 333 related to the late spring closure of ACC Pinnacle with no immediate plans to reopen and new staging area in Downtown for EBuses 410, 411 and 412).
- Westgate Transit Center – Work continues on Capital Metro’s newest facility designed to replace current on-street operations near Westgate Mall. Adjustments to schedules and route patterns will be required for select Local, Flyer and MetroRapid 803 services that will serve the facility.
- Innovation Zones – Introduction of three (3) pilot TNC zones: Rogge/Springdale, North Austin Medical Center, Johnston Terrace/Lott & Chico. Identified zones would connect with adjacent High Frequency Route services.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: Does not apply.

RESPONSIBLE DEPARTMENT: Planning and Development



RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS

STATE OF TEXAS
COUNTY OF TRAVIS

RESOLUTION (ID # AI-2018-899)
Approval of January 2019 Service Changes

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management endeavor to support the recent changes of CapRemap which were designed to provide cost-effective fixed-route transit services that respond to and build ridership demand while minimizing impacts on current riders; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need to consider citizen comments and staff recommendations received during several public meetings and at the October 10, 2018 Public Hearing; and

WHEREAS, an equity analysis, required under the Federal Transit Administration's (FTA) Title VI to evaluate disparate impact (minority) or disproportionate burden (low-income) on affected populations was not required, due to only minor adjustments are recommended. No major changes are recommended.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or his designee, is authorized to implement January 2019 Service Changes described in the attached document beginning Sunday, January 6, 2019.

Secretary of the Board
Juli Word

Date: _____

Attachment: Resolution-AI-2018-899 (4231 : Proposed January 2019 Service Changes)

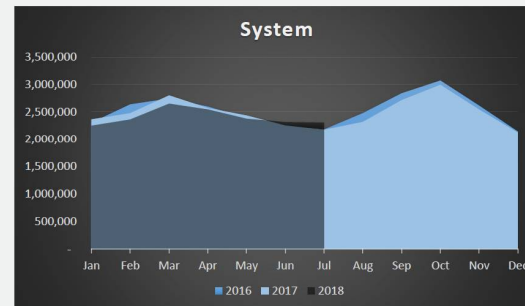
January 2019 Service Changes

October 2018

Influence of Recent Changes (June & August)

Initial Thoughts on Ridership

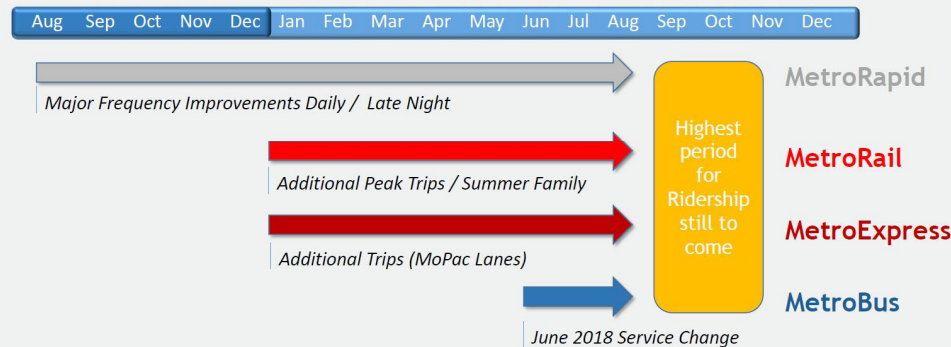
- **Early Results are Positive** (as exhibited in increases during the Summer) - however, it is still very early.
- **Near Future (fall period) will reveal trends** that will help formulate future service adjustments, route changes and other modifications.
- **Ongoing close monitoring & evaluation** of routes based on standards



A METRO | CAP | REMAP

23

Recent Improvements as part of Connections2025 and CapRemap



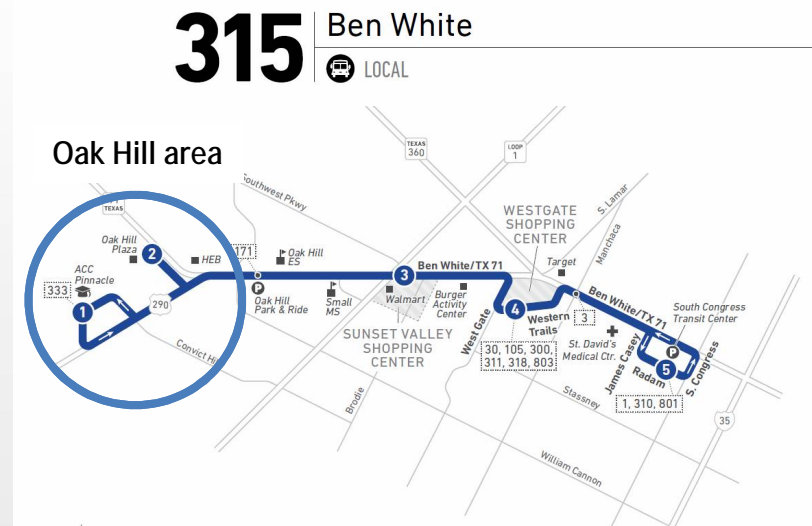
A METRO | CAP | REMAP

Proposed Changes Include Adjustments to...

- **Schedules for On-Time Performance**
 - Known Issues (e.g. Route 300)
 - New Issues (post UT and AISD school session)
 - Overcrowding on Specific routes and trips (e.g. 10)
 - Increased Traffic
 - Continued impacts due to construction (e.g. 183)
- **Minor Route Adjustments**
 - Alignment Change (e.g. ACC Pinnacle closure)
 - Westgate Transit Center

Route 315 and 333 - Minor Route Adjustment

- Adjust routing in the Oak Hill area as a result of the closure of ACC Pinnacle
- Allows improved connectivity to Oak Hill Plaza and between services



Westgate Transit Center - Spring

- Ongoing Construction continuing into Spring of new Transit Hub to coordinate various forms of mobility
- Dedicated space for bikes, Car2Go and other ways to connect to transit. Parking for almost 200 vehicles.
- Routes proposed to directly serve the facility:
 - Route 30 Barton Creek Square
 - Route 105 South 5th Flyer
 - Route 300 Springdale/Oltorf
 - Route 311 Stassney
 - Route 315 Ben White
 - Route 318 Westgate/Slaughter
 - Route 484 Night Owl South Lamar
 - Route 803 Burnet/South Lamar

Feedback

- Ongoing since June and August Service Changes
- Recent Operator Open Houses
- Direct Customer Outreach at specific major stops/transit centers (e.g. North Lamar TC, Republic Square, etc.)
- Public Hearing – October 10th
- Final Decision - October 22nd

Capital Metropolitan Transportation Authority
Board of Directors

MEETING DATE: 10/22/2018
(ID # 4229)
Furniture Purchase at 209 Calles

Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract with Austin Business Furniture for the purchase and installation of furniture for the administrative office lease space at 507 Calles Street.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-866)**

Furniture Purchase for Administrative Office Lease Space at 507 Calles St.

SUBJECT:

Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract with Austin Business Furniture for the purchase and installation of furniture for the administrative office lease space at 507 Calles Street.

FISCAL IMPACT:

Funding for this action is available in the proposed FY2019 Capital Budget.

STRATEGIC PLAN:

Strategic Goal Alignment:

5. Finance

Strategic Objectives:

5.3 Continue commitment of State of Good Repair and transit asset management.

EXPLANATION OF STRATEGIC ALIGNMENT:

The purchase of new furniture for leased administrative office space at 507 Calles Street is required to accommodate the relocation of customer service staff currently located at 209 W. 9th Street as well as staff to be relocated from 624 N. Pleasant Valley. The Calles street office space will be designed in a manner to improve open collaboration and communication. It will also provide a positive work environment and will allow the agency to maintain facilities in a state of good repair.

BUSINESS CASE:

Purchasing new office furniture is required for the administrative office lease space at 507 Calles Street in order to accommodate the relocation of staff from 209 W. 9th Street and 624 N. Pleasant Valley. The funding for this furniture is included in the proposed FY 2019 capital budget.

COMMITTEE RECOMMENDATION:

This agenda item will be presented to the full board on October 22, 2018.

EXECUTIVE SUMMARY:

In order to increase efficiency and reliability, the agency has identified the need to relocate the customer service functions from the basement of the downtown lease space to the Capital Metro annex building located at 624 N. Pleasant Valley. To accommodate this relocation, the agency is moving some current 624 functions into leased office space at 507 Calles Street.

Current furniture has reached the end of its useful life and new furniture is required for the new administrative lease space to maintain a state of good repair.



The furniture purchased for the purpose of this relocation will create a more collaborative, open work space, resulting in improved communication and efficiency.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT: The contract will utilize the BuyBoard Cooperative, Contract No. 503-16 held by Austin Business Furniture to purchase, deliver and install office furniture for 507 Calles Street.

BuyBoard awarded contracts are made available for use by Capital Metro via Title 7, Intergovernmental Relations Chapter 791, Interlocal Cooperation Contracts and The Texas Interlocal Cooperation Act.

Purchases made using BuyBoard contracts satisfy otherwise applicable competitive bidding requirements. Pricing for the purchase, delivery and installation of the Calles office furniture was determined to be fair and reasonable by the BuyBoard cooperative during its solicitation and award process.

BuyBoard pricing to purchase, deliver and install office furniture at 507 Calles:

| ITEM # | DESCRIPTION | LUMP SUM |
|--------|--|------------|
| 1 | Purchase, Deliver and Install Furniture for 507 Calles Street, as described in Exhibit F, Scope of Services. | \$ 666,308 |

The contract is a fixed price contract.

RESPONSIBLE DEPARTMENT: Capital Projects



**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

STATE OF TEXAS

COUNTY OF TRAVIS

RESOLUTION (ID # AI-2018-866)

Furniture Purchase for Administrative Office Lease Space at 507 Calles St.

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management endeavor to provide administrative office space that promotes efficient and effective operations and promotes a culture of communication; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need to purchase office furniture that facilitates a productive work environment.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President & CEO, or his designee, is authorized to finalize and execute a contract with Austin Business Furniture for the purchase and installation of furniture for the administrative office lease space at 507 Calles Street.

**Secretary of the Board
Juli Word**

Date: _____

Attachment: Resolution-AI-2018-866 (4229 : Furniture Purchase at 209 Calles)

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # 4230)
Microsoft Enterprise**

Approval of a resolution authorizing the President & CEO, or his designee, to finalize and execute a contract with SHI to renew our Microsoft software suite.

**Capital Metropolitan Transportation Authority
Board of Directors**

**MEETING DATE: 10/22/2018
(ID # AI-2018-875)
Microsoft Enterprise Agreement Renewal**

SUBJECT:

Approval of a resolution authorizing the President/CEO, or his designee, to finalize and execute a contract with SHI to renew our Microsoft software suite including Exchange Online eMail System, Office 365, SharePoint and Skype, Dynamics AX, Dynamics Customer Relationship Management system, and other ancillary services and software products in an amount not to exceed \$958,373.37. This consists of three years of subscription services for the Microsoft software.

FISCAL IMPACT:

Funding for this action is available in the proposed FY2019 Operating Budget.

STRATEGIC PLAN:

Strategic Goal Alignment:

1. Customer
4. Human Capital

Strategic Objectives:

- 1.2 Improve system reliability and convenience
- 1.4 Deliver a customer-friendly experience through our people and systems
- 4.4 Improve internal communications

EXPLANATION OF STRATEGIC ALIGNMENT:

The office productivity software suite provides opportunities for communication and collaboration via integration with various systems, and access to Capital Metro's resources via any web enabled device. The Microsoft Dynamics AX product is the agency's financial system and the Microsoft CRM product is the agency's customer comment tracking system.

The systems will, also, provide a platform for incorporating new, improved and innovative business practices, as well as providing a great customer experience.

Maintaining Capital Metro's infrastructure in a state of good repair ensures stable and reliable systems available to both internal and external customers.

BUSINESS CASE:

This office productivity software has increased the agency's ability to collaborate, augment productivity and access resources remotely, thereby leveraging usage via mobile devices. It is necessary to maintain the advantages of the current Microsoft productivity software solutions to prevent the business units from experiencing decreased efficiency due to document version incompatibility issues with other agencies, vendors, and other entities. Failure to take action will see a resurgence of



these issues resulting in decreased performance, loss of collaboration opportunity, and limited mobile access to Cap Metro's resources. It is necessary to maintain the licenses for Dynamics AX and Dynamics Customer Relationship Management system to support the ongoing operations dependent upon those systems.

COMMITTEE RECOMMENDATION:

This agenda item is being presented and recommended for approval at the board meeting on October 22, 2018.

EXECUTIVE SUMMARY:

The current three-year agreement is expiring. A new agreement must be put in place for our Microsoft suite of products. This agreement provides licensing and support for Microsoft Office 365, Microsoft Exchange Online, Microsoft SharePoint Online, Skype, Dynamics AX, Dynamics Customer Relationship Management system, other ancillary services (e.g. training) and software products (e.g. MS Visio, MS Project).

In addition to maintaining the most current versions of the software, the Microsoft hosted solution limits the hardware investment and greatly reduces the need for local support of the system, simplifying future upgrades. The solutions provide the foundation for integration with the communications systems (e.g. telecom, instant messaging, etc.), increase user productivity, and enable better collaboration and mobility opportunities.

DBE/SBE PARTICIPATION: Does not apply.

PROCUREMENT:

The contract will utilize the Department of Information Resources (DIR) contract, DIR-TSO-4092 held by SHI Government Solutions, Inc. to re-sell Microsoft products. DIR awarded contracts are made available for use by Capital Metro via Title 7, Intergovernmental Relations Chapter 791, Interlocal Cooperation Contracts and The Texas Interlocal Cooperation Act.

Purchases made using DIR contracts satisfy otherwise applicable competitive bidding requirements. Pricing for the Microsoft Enterprise Agreement subscription was determined to be fair & reasonable by DIR's organization during its solicitation and award process.



The following is SHI Government Solutions pricing for Microsoft's Enterprise Agreement Subscription, per base and option years:

| Description | SHI/Microsoft |
|---|---------------|
| Microsoft EA Subscription Base Year 12/01/2018 - 11/30/2019 | \$319,457.79 |
| Microsoft EA Subscription Option Year One 12/01/2019 - 11/30/2020 | \$319,457.79 |
| Microsoft EA Subscription Option Year Two 12/01/2020 - 11/30/2021 | \$319,457.79 |
| Total for Base and Option Years: | \$958,373.37 |

The contract is a firm fixed price type contract.

RESPONSIBLE DEPARTMENT: Information Technology



**RESOLUTION
OF THE
CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
BOARD OF DIRECTORS**

STATE OF TEXAS

COUNTY OF TRAVIS

RESOLUTION (ID # AI-2018-875)

Microsoft Enterprise Agreement Renewal

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management endeavor to maintain its office productivity and communications software in good working order to support current operations; and

WHEREAS, the Capital Metropolitan Transportation Authority Board of Directors and Capital Metro management recognize the need to provide the necessary office productivity and communications software required by new business initiatives.

NOW, THEREFORE, BE IT RESOLVED by the Capital Metropolitan Transportation Authority Board of Directors that the President/CEO, or his designee, is authorized to finalize and execute a contract with SHI to renew our Microsoft software suite including Exchange Online eMail System, Office 365, SharePoint and Skype, Dynamics AX, Dynamics Customer Relationship Management system, and other ancillary services and software products in an amount not to exceed \$958,373.37. This consists of three years of subscription services for the Microsoft software.

**Secretary of the Board
Juli Word**

Date: _____

Attachment: Resolution-AI-2018-875 (4230 : Microsoft Enterprise)

Capital Metropolitan Transportation Authority
Board of Directors

MEETING DATE: 10/22/2018

(ID # 4243)

Fare Collection Strategy

TITLE: Fare Collection Strategy

Fare Collection Strategy

A multi year plan of technology advances and new fare offerings

October 22, 2018

Agenda

- Vision
- Goal
- Background
- Plan

Vision

- Fast, easy and equitable payment options for customers
- Modern and cost effective fare collection systems
- Extensive retail network with reloadable smart cards.
- Faster boarding
- Minimize cash
- Account based system to increase options.
- Partnership ticketing and programs
- Simplify fares to help increase adoption.

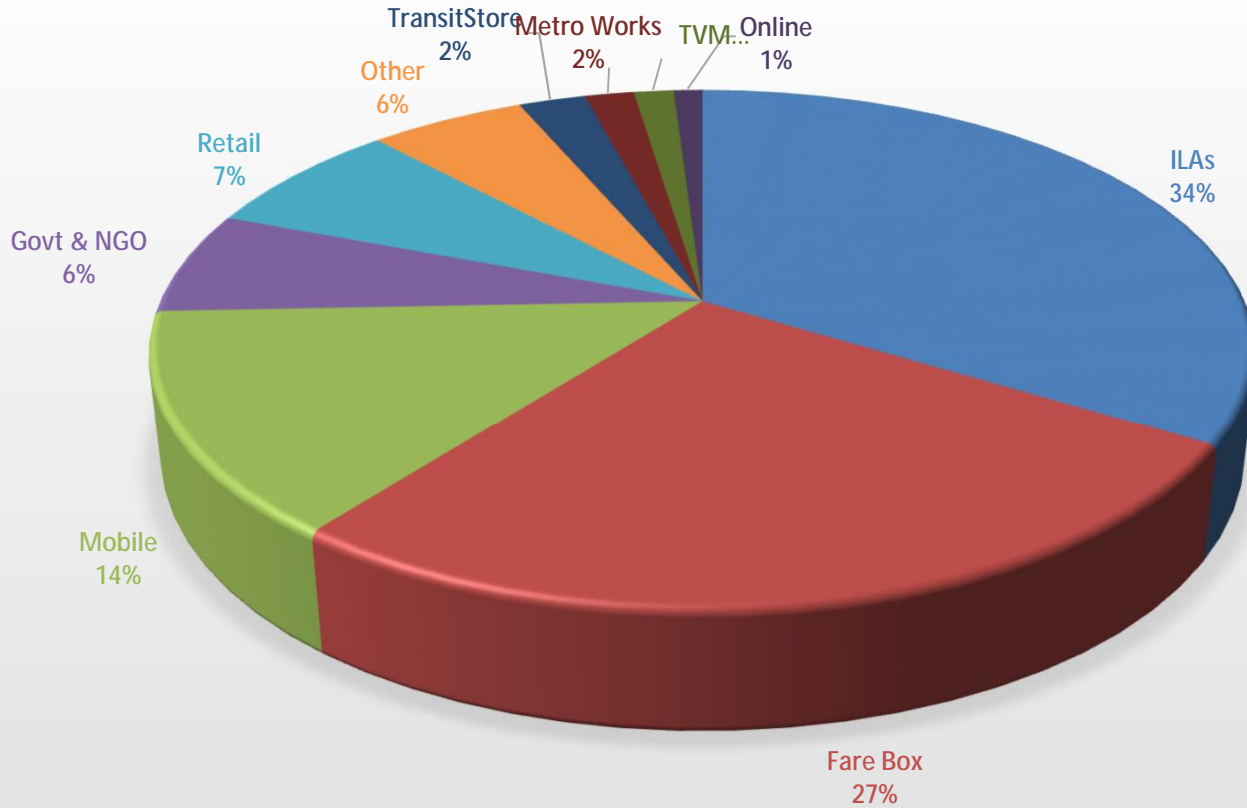
Goal

Simple to use, convenient for customer, equitable and cost effective to implement and maintain.

Strategic Importance:

- Mobile app
- Account based back end system
 - Smart cards
 - Onboard validators – faster boarding
 - Data about trips and travel patterns
 - Fare capping
 - Reduce cash
 - MaaS – multimodal, regional

FY2017 Sales by Channel



| ILAs | Fare Box | Mobile | Govt & NGO | Retail | Other | TransitStore | Metro Works | TVM | Online | Total FY2017 \$'000 |
|-------|----------|--------|------------|--------|-------|--------------|-------------|-----|--------|---------------------|
| 8,152 | 6,482 | 3,350 | 1,545 | 1,754 | 1,327 | 570 | 417 | 337 | 244 | 24,178 |

Fare Media

Today:

- Magnetic stripe cards
 - Passes for 1 day, 7 days & Month
- Stored Value Cards (SVC-Wallet)
 - Limited retail outlets

Future:

- Reloadable smart cards
 - Account based system
 - Fare capping
 - Extensive retail network



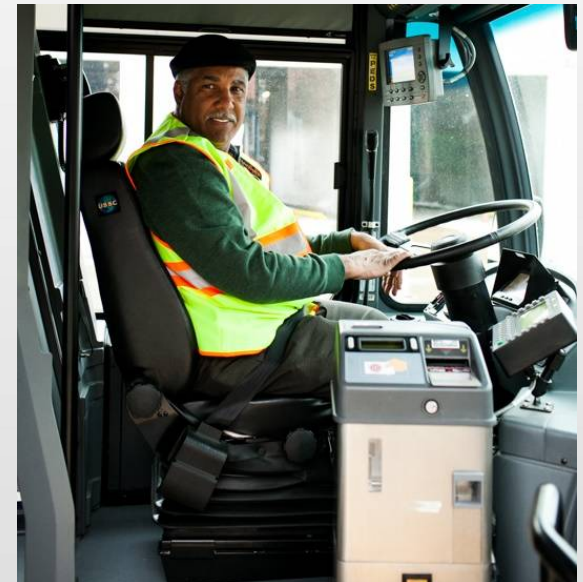
Bus Fareboxes and Vaulting Systems

Today:

- Out-of-lifecycle with limited functionality
- Cash sales of single rides and day passes
- Initiation and validation of magnetic ticket

Future:

- Evaluate best solutions
- Cash box
- Onboard validator



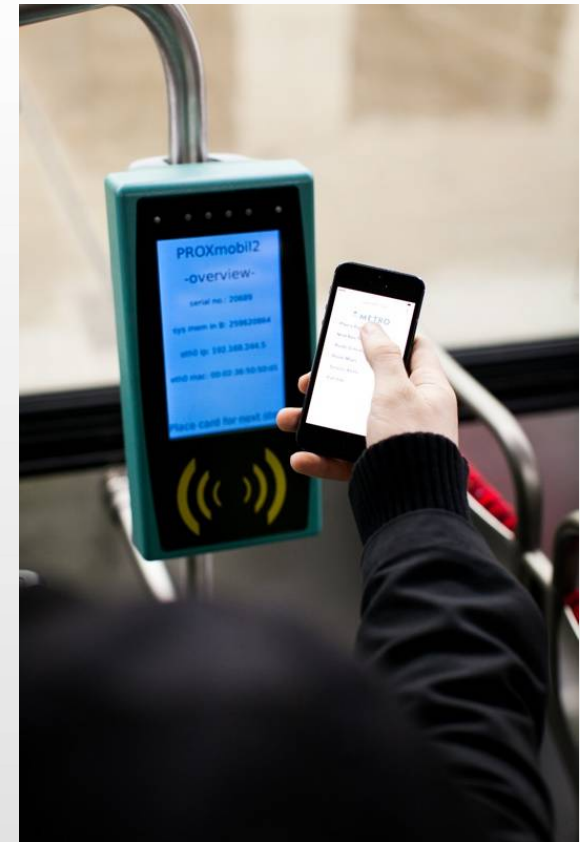
Onboard Validator

Today:

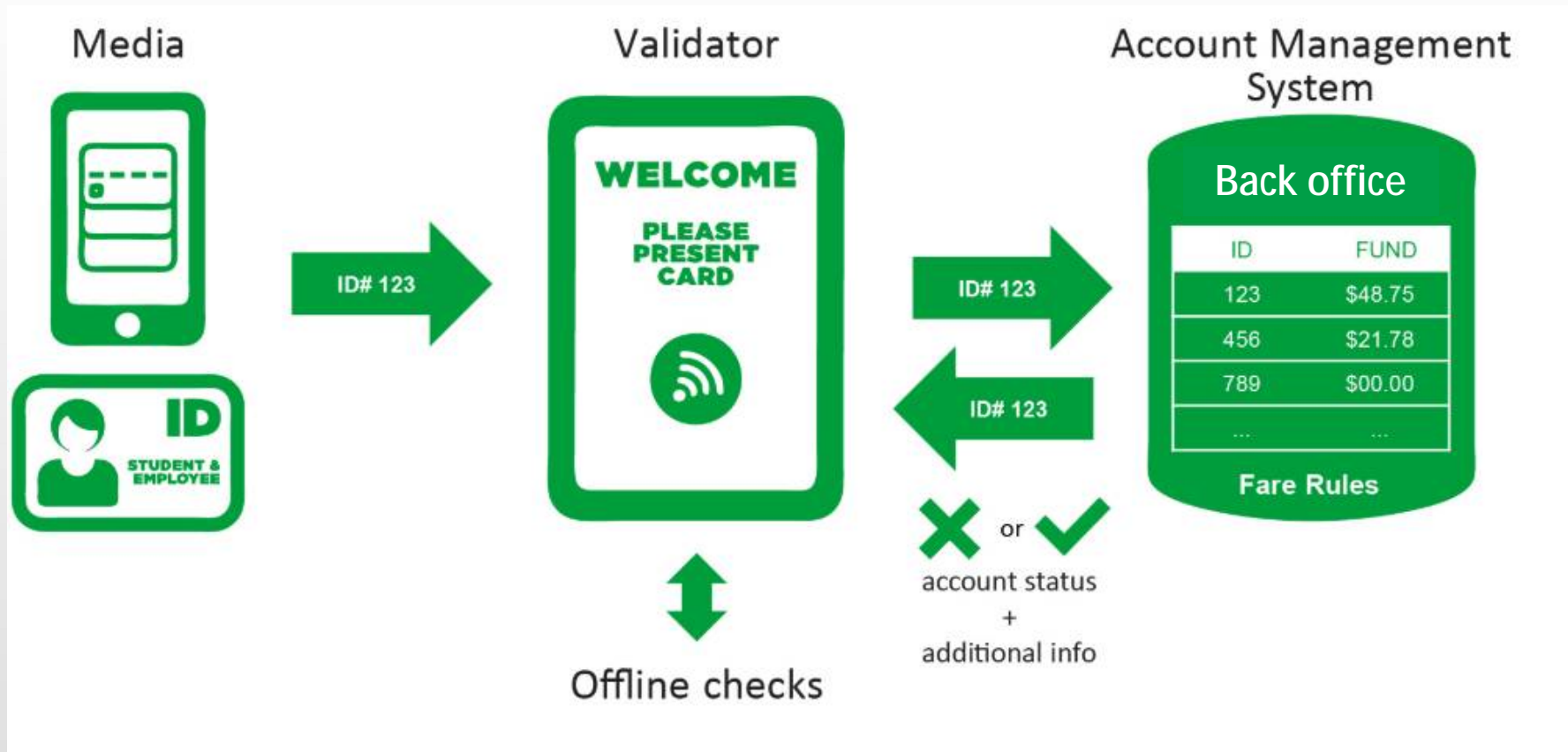
- Only on MetroRapid

Future:

- On all buses
- Dual door boarding on frequent routes
- Faster boarding
- More options:
 - Smart cards
 - Contactless credit cards
 - ID cards
 - Fare capping
 - Account based ticketing



Fare System



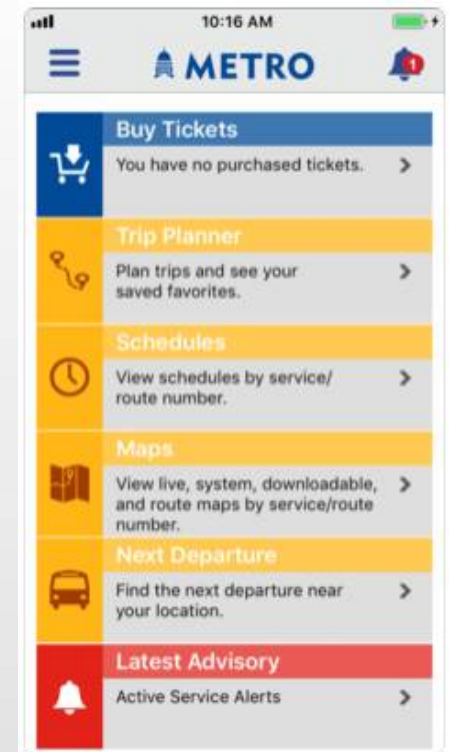
Mobile Ticketing App

Today:

- Robust and reliable system
- Sales have grown to \$3.3M
26% of direct fare sales in FY2018
- Accept Credit card and PayPal

Future:

- Purchase of mobile pass at retail (PayNearMe)
- Accept Apple/Android pay
- Multi-modal tickets
- Integrate with single account based back office



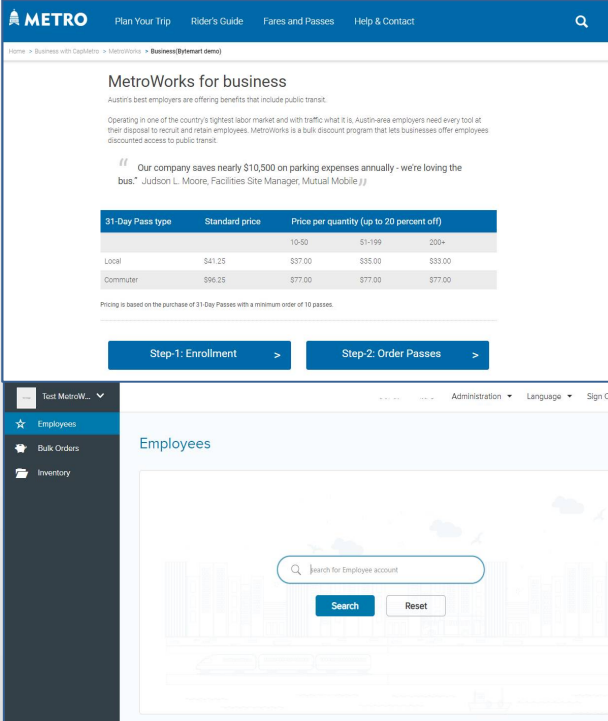
Online

Today:

- Website to buy physical or mobile app passes.
- MetroWorks online marketplace to order and manage employee passes – Pilot

Future:

- Online B2B website rollout:
 - Cap Metro & contractor employees
 - Travis County jury pilot
 - Colleges and universities
 - State of Texas employees
 - Community Involvement programs
 - Festivals
 - Transit Empowerment Fund



The screenshot displays the MetroWorks for business website. The top navigation bar includes links for Plan Your Trip, Rider's Guide, Fares and Passes, and Help & Contact. The main content area features a heading "MetroWorks for business" and a testimonial from Judson L. Moore. Below the testimonial is a pricing table for 31-Day Pass types.

| 31-Day Pass type | Standard price | Price per quantity (up to 20 percent off) | | |
|------------------|----------------|---|---------|---------|
| | | 10-50 | \$1-199 | 200+ |
| Local | \$41.25 | \$37.00 | \$55.00 | \$33.00 |
| Commuter | \$56.25 | \$77.00 | \$77.00 | \$77.00 |

Below the table, there are two buttons: "Step-1: Enrollment" and "Step-2: Order Passes".

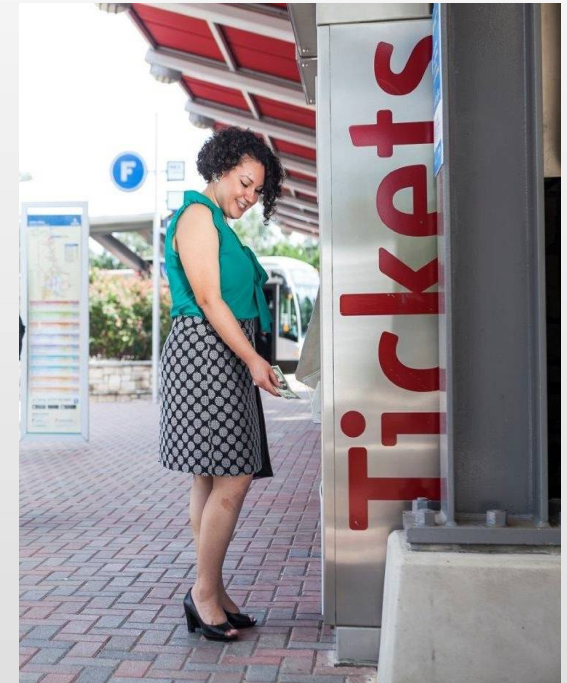
Ticket Vending Machines

Today:

- At rail stations only
- Out-of-lifecycle with limited functionality
- Cash sales of single rides and day passes
- Offboard Validators initiates & validates magnetic passes
- Customer service agents on vehicles accept credit cards with mobile devices

Future:

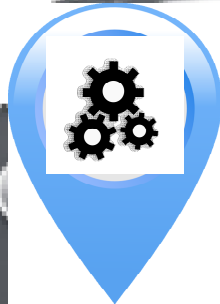
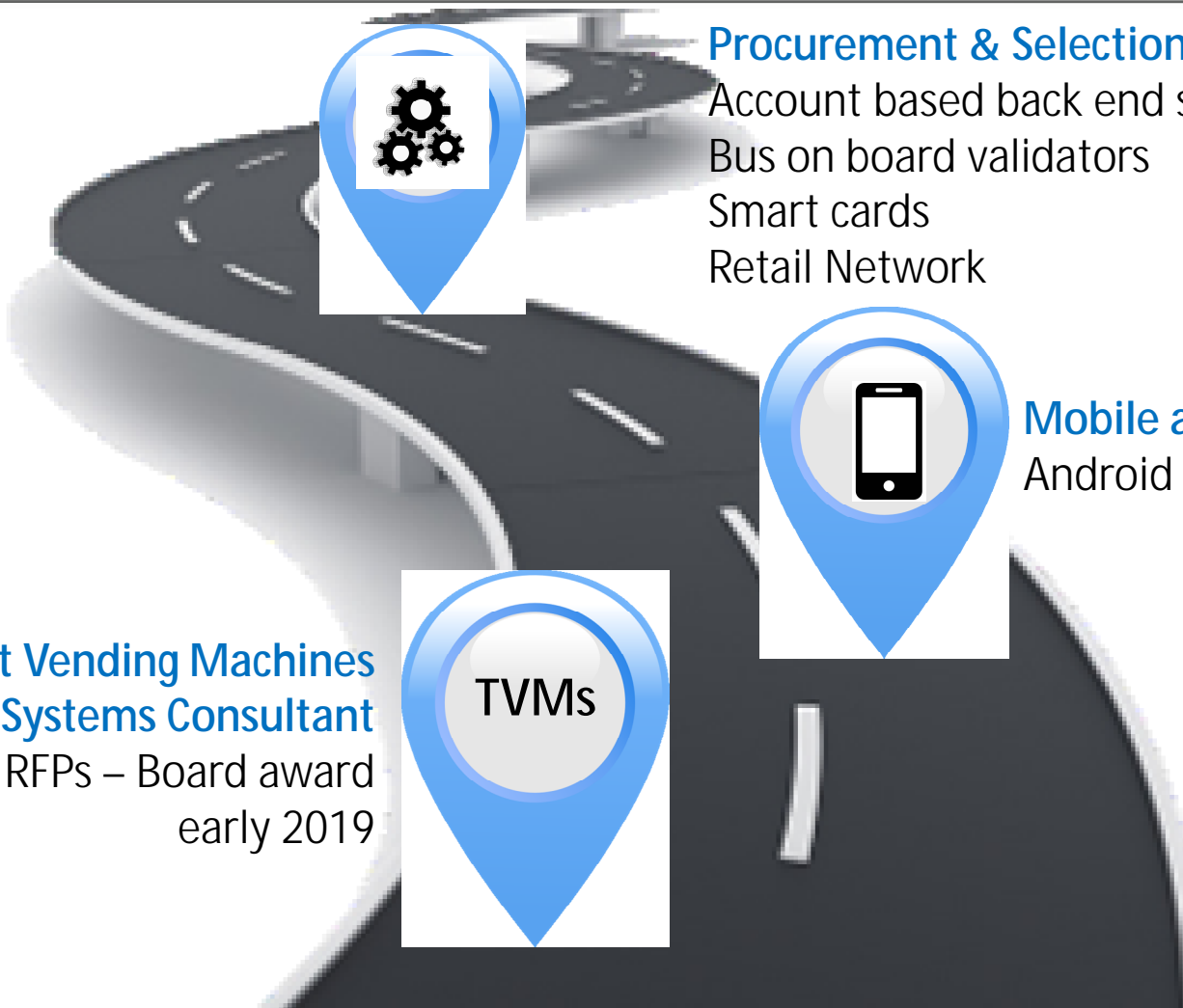
- At rail stations and major bus hubs
- Accepts cash, credit & smart cards



Plan

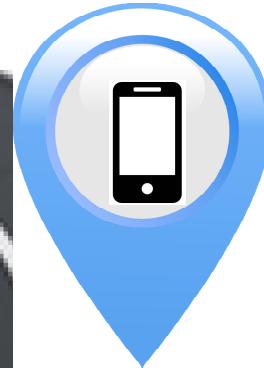
- Smooth transition:
 - Fare Media: magnetic stripe passes to reloadable smart cards
 - Fare Collection Systems: transition legacy systems (legacy media transition period)
 - Back end systems: transition from disparate systems to central account based system
- Promote the use of customer devices
- Increase payment options
 - Apple/Android Pay & SVC on Mobile App
- Activation/Validation of all fare types - Magnetic, Smart cards, Mobile
- Develop better fare offerings – Smart cards, Fare capping
- Implement reusable/reloadable (at retail/web) fare media distributed at locations close to stops/stations
- Ability to integrate with partner IDs for use as fare media
- Integrate with regional partners for fare collection and joint programs

Roadmap



Procurement & Selection

- Account based back end system
- Bus on board validators
- Smart cards
- Retail Network



Mobile app upgrades

- Android & Apple pay



Ticket Vending Machines Fare Systems Consultant

RFPs – Board award
early 2019

Capital Metropolitan Transportation Authority MEETING DATE: 10/22/2018

Board of Directors

(ID # 4244)

PTC Update

TITLE: Positive Train Control Update

Capital Metropolitan Transportation Authority
Board of Directors

MEETING DATE: 10/22/2018

(ID # 4246)

Project Connect Update

TITLE: Project Connect Update