



DENTON COUNTY
TRANSPORTATION AUTHORITY

1955 Lakeway Dr., # 260, Lewisville, Texas 75057
972.221.4600 | RideDCTA.net

Board of Directors Regular Meeting

October 26, 2017 | 3:00 p.m.*

**or immediately following Board Work Session
scheduled at 1:30 p.m. on October 26, 2017*

CALL TO ORDER

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS

INVOCATION

WELCOME AND INTRODUCTION OF VISITORS

AGENCY AWARDS AND RECOGNITIONS

1. CONSENT AGENDA

- a. Approval of Minutes for the Board Work Session and Regular Meeting on September 28, 2017
- b. Acceptance of Monthly Financial Statements – September 2017
- c. Acceptance of Quarterly Investment Report – Q4 FY17
- d. Approve Award to Goolsbee Tire Service, Inc. for the Purchase of New and Recapped Tires
- e. Authorize the President to Execute Amendment No. 2 to Task Order 3 for the Lewisville Hike and Bike Trail Project

2. REGULAR AGENDA

- a. Approval of Resolution 17-05 Adopting Annual Investment Policy for FY2018

3. Convene Executive Session. The Board may convene the Regular Board Meeting into Closed Executive Session for the following:

- a. As Authorized by Section 551.071(2) of the Texas Government Code, the Work Session or the Regular Board Meeting may be Convened into Closed Executive Session for the Purpose of Seeking Confidential Legal Advice from the General Counsel on any Agenda Item Listed Herein.
- b. As Authorized by Texas Government Code Section 551.072 Deliberation regarding Real Property: Discuss acquisition, sale or lease of real property related to long-range service plan within the cities of Denton, Lewisville, Highland Village, or the A-train corridor.

4. Reconvene Open Session
 - a. Reconvene and Take Necessary Action on Items Discussed during Executive Session.
5. CHAIR REPORT
 - a. Discussion of Regional Transportation Issues
 - b. Discussion Legislative Issues
 - i. Regional
 - ii. State
 - iii. Federal
6. PRESIDENT'S REPORT
 - a. Budget Transfers
 - b. Regional Transportation Issues
7. REPORT ON ITEMS OF COMMUNITY INTEREST
 - a. Pursuant to Texas Government Section 551.0415 the Board of Directors may report on following items: (1) expression of thanks, congratulations, or condolences; (2) information about holiday schedules; (3) recognition of individuals; (4) reminders about upcoming DCTA and Member City events; (5) information about community events; and (6) announcements involving imminent threat to public health and safety.
8. ADJOURN

Chair – Charles Emery
Vice Chair – Vacant

Secretary – Richard Huckaby
Treasurer – Dave Kovatch

Members – Skip Kalb, Tom Winterburn, Don Hartman,
George A. Campbell, Allen Harris, Carter Wilson, Connie White, Mark Miller, Dianne Costa
President – Jim Cline

The Denton County Transportation Authority meeting rooms are wheelchair accessible. Access to the building and special parking are available at the main entrance. Requests for sign interpreters or special services must be received forty-eight (48) hours prior to the meeting time by emailing bpedron@dcta.net or calling Brandy Pedron at 972-221-4600.

This notice was posted on 10/19/2017 at 9:58 AM.

Brandy Pedron, Administrative Assistant



Board of Directors

Work Session Minutes

The Board of Directors of the Denton County Transportation Authority convened the work session of the Board of Directors with Charles Emery, Chairman presiding at 1:32 p.m. on September 28, 2017 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057. A quorum was present.

Attendance

Small Cities

Skip Kalb
Connie White

Large Cities

Charles Emery, Lewisville, Chairman
Paul Pomeroy, Highland Village,
Vice-Chair
Dave Kovatch, Denton County At Large,
Treasurer
Richard Huckaby, Denton, Secretary
Tom Winterburn, Corinth
Mark Miller, Flower Mound
Carter Wilson, Frisco

Denton County Unincorporated

George Campbell

Board Members Absent

Allen Harris, The Colony
Don Hartman, Denton County
Unincorporated

Legal Counsel

Pete Smith

DCTA Staff

Jim Cline, President
Anna Mosqueda, Chief Financial Officer
Raymond Suarez, Chief Operating
Officer
Nicole Recker, Vice President,
Marketing and Communications

Other Attendees

Chrissy Nguyen, Senior Accountant
Michael Leavitt, Highland Village
Dianne Costa, Highland Village
Chris Masters, LAN

Chairman, Charles Emery, called the meeting to order and announced the presence of a quorum.

1. Routine Briefing Items
 - a. Staff Briefing on Monthly Financial Reports – Anna Mosqueda, Chief Financial Officer reported on the following
 - i. Monthly Financial Statements for August 2017
 - ii. Capital Projects Budget Report for August 2017
 - iii. Monthly Sales Tax Receipts
 - iv. Current Procurement Activities
 - b. Marketing and Communications – Nicole Recker, Vice President Marketing and Communications, reported on the following
 - i. New Collateral Overview
 - ii. Highland Village Balloon Festival Report
 - iii. Summer Sales Campaign Recap Report
 - iv. DCTA Transit Tracker Campaign Overview
 - v. State Fair of Texas Campaign Overview
 - vi. Monthly Media Report
 - c. Strategic Planning and Development – Jim Cline, President, reported on the following
 - i. Departmental Administrative Update
 - ii. Regional Planning Initiatives Update
 - iii. Local Planning Update
 - iv. Business Development and Partnerships Update
 - v. Funding Opportunities Update Land Use Planning & Development
 - d. Capital Projects – Raymond Suarez, Chief Operating Officer, gave an update on the following projects
 - i. Flood Damage Repairs Update
 - ii. Positive Train Control
 - e. Staff Briefing on Transit Operations Reports – Raymond Suarez, Chief Operating Officer, gave an update on ridership
 - i. Bus and Rail Operations
2. Items for Discussion – Jim Cline, President, lead discussions on the following:
 - a. Resolution 17-04 Adoption of FY 18 Operating & Capital Budget
 - b. Legislative Services – Federal Update
3. Discussion of Regular Board Meeting Agenda Items (September 28, 2017) – Jim Cline, President, gave a brief discussion on this item
4. Convene Executive Session – The board did not meet in Executive Session
5. Discussion of Future Agenda Items – There was no discussion on this item
 - a. Board Member Requests

6. ADJOURN at 3:05 p.m.

The minutes of the September 28, 2017 work session meeting of the Board of Directors were passed, and approved by a vote on this 26th day of October, 2017.

Charles Emery, Chairman

ATTEST

Richard Huckaby, Secretary



Board of Directors

Board Meeting Minutes

The regular meeting of the Board of Directors of the Denton County Transportation at 3:16 p.m., September 28, 2017 at 1955 Lakeway Drive, Suite 260, Lewisville, Texas 75057. A quorum was present.

Attendance

Small Cities

Skip Kalb
Connie White

Large Cities

Charles Emery, Lewisville, Chairman
Paul Pomeroy, Highland Village,
Vice-Chair
Dave Kovatch, Denton County At Large,
Treasurer
Richard Huckaby, Denton, Secretary
Tom Winterburn, Corinth
Mark Miller, Flower Mound
Carter Wilson, Frisco

Denton County Unincorporated

George Campbell

Board Members Absent

Allen Harris, The Colony
Don Hartman, Denton County
Unincorporated

Legal Counsel

Pete Smith

DCTA Staff

Jim Cline, President
Anna Mosqueda, Chief Financial Officer
Raymond Suarez, Chief Operating
Officer
Nicole Recker, Vice President,
Marketing and Communications

Other Attendees

Michael Leavitt, Highland Village
Dianne Costa, Highland Village
Chris Masters, LAN
Andy Forbes, District 65
Byron Campbell, Capitol - Insights
Ron Simmons, TX State Rep. Dist. 65

CALL TO ORDER –Chairman, Charles Emery, called the meeting to order and announced the presence of a quorum.

PLEDGE OF ALLEGIANCE TO US AND TEXAS FLAGS – led by Tom Winterburn

INVOCATION – led by Paul Pomeroy, Vice Chair

WELCOME AND INTRODUCTION OF VISITORS – Charles Emery, Chairman, welcomed Mike Leavitt and Dianne Costa who both gave a brief introduction. Charles Emery, Chairman, then welcomed and introduced Honorable Ron Simmons, Texas State Representative for District 65.

- Charles Emery and Jim Cline presented Ron Simmons with a DCTA train.

AGENCY AWARDS AND RECOGNITIONS – Charles Emery, Chairman, and Jim Cline, President awarded Paul Pomeroy with a plaque in recognition for his many years of service on the DCTA Board.

1. CONSENT AGENDA

- a. Approval of Minutes for the Board Work Session and Regular Meeting on August 24, 2017
- b. Acceptance of Financial Statements – August 2017
- c. Approve Capital Project Budget Amendment (2017-21) – Shared Use Mobility Study
- d. Approve and Authorize the President to Execute a Contract with CTJ Maintenance for Janitorial Services
- e. Approve and Authorize the President to Execute Contracts with Jacob's Engineering and Lockwood, Andrews, & Newnam, Inc. for On-Call Architecture and Engineering Services
- f. Approve and Authorize the President to Execute a Contract with Capital Edge for Federal Legislative Consulting Services
- g. Discussion/Approval of Change Order to Alstom Signaling Operations, Inc. for Positive Train Control
 - Motion to approve the Consent Agenda items a - g was made by George Campbell. The motion was seconded by Dave Kovatch. Motion passed unanimously.

2. REGULAR AGENDA

- a. Approval of Resolution 17-04 adopting FY 2018 Operating and Capital Budget
 - Motion to approve Resolution 17-04 adopting FY 2018 Operating and Capital Budget was made by Dave Kovatch. The motion was seconded by Paul Pomeroy. Motion passed unanimously.
- b. Authorize President to Negotiate and Execute Shared Services Interlocal Agreement with Dallas Area Rapid Transit (DART)
 - Motion to authorize President to Negotiate and Execute Shared Services Interlocal Agreement with DART was made by Connie White. The motion was seconded by Paul Pomeroy. Motion passed unanimously.

3. CONVENE EXECUTIVE SESSION – The board did not meet in Executive Session

4. CHAIR REPORT – Charles Emery, Chairman, gave updates on the following
 - a. Discussion of Regional Transportation Issues
 - b. Discussion Legislative Issues
 - Regional
 - State
 - Federal
5. PRESIDENT’S REPORT – Jim Cline, President, provided information on the following items
 - a. Budget Transfers
 - b. Regional Transportation Issues
 - c. Brief description of Lewisville Western Days
6. REPORT ON ITEMS OF COMMUNITY INTEREST – there was none at this time
 - a. Pursuant to Texas Government Section 551.0415 the Board of Directors may report on following items: (1) expression of thanks, congratulations, or condolences; (2) information about holiday schedules; (3) recognition of individuals; (4) reminders about upcoming DCTA and Member City events; (5) information about community events; and (6) announcements involving imminent threat to public health and safety.
7. ADJOURN – Adjourned at 3:47 PM

The minutes of the September 28, 2017 regular meeting of the Board of Directors were passed, and approved by a vote on this 26th day of October, 2017.

Charles Emery, Chairman

ATTEST

Richard Huckaby, Secretary



Board of Directors Memo

October 26, 2017

Item: 1(d) Approve Award to Goolsbee Tire Service, Inc. for the Purchase of New and Recapped Tires.

Background

A request for bids was released on September 13th, on BidSync for the purchase of tires for various vehicles in the fleet. Twenty-three (23) suppliers viewed the documents.

On October 3, 2017 DCTA received five (5) bids in response to our RFB:

1. Southern Tire Mart
2. Wingfoot Commercial Tire Systems, LLC dba Goodyear Commercial Tire & Service Centers
3. T&W Tire
4. Goolsbee Tire Service Inc
5. Briscoe Alignment and Tire

Identified Need

Tires will be ordered on an as needed basis to perform repairs and preventative maintenance on buses and other fleet vehicles.

Financial Impact

Expenditures for tires are reimbursed by FTA funds at 80% from preventive maintenance grant funds. This is a one (1) year contract with anticipated annual expenses of \$150,000. Tires are replaced on an as needed basis.

Recommendation

Staff recommends the Board approve the award to Goolsbee Tire Service, Inc. as shown above.

Submitted by:

Athena Forrester, CPPO, CPPB,
AVP of Procurement

Final Review:

Raymond Suarez, COO

Approval:

James C. Cline, Jr., President

**Board of Directors Memo****October 26, 2017****Subject: RM 1(e) Authorize the President to Execute Amendment No. 2 to Task Order 3 for the Lewisville Hike and Bike Trail Project****Background**

The A-train Hike & Bike Trail -Eagle Point section budget of \$2.99 million is funded by a grant from the Texas Department of Transportation (TxDOT) Transportation Alternatives Program (TAP). In September of 2015 the Texas Transportation Commission (TTC) awarded OCTA a \$2.1 million grant for construction of the trail. The final funding agreement was executed in March of 2016.

Jacobs Engineering is the Engineer of record on the Lewisville Hike and Bike Trail project. The Eagle Point section of the trail ends at the Highland Village/Lewisville Lake station after passing through a section of park land leased by the City of Lewisville from the Corps of Engineers. During final permit review by TxDOT, we were asked to provide additional environmental documentation.

Identified Need

This task order amendment will provide for additional research and completion of environmental documentation including a background study, 3 required historical maps, and bio-evaluation forms. These are new requirements imposed by TxDOT because a portion of the trail is located on Corps of Engineer's property.

Financial Impact

The original task order to Jacobs Engineering amount is \$632,662.80. The first amendment was authorized in November 2016 for an additional cost of \$32,000. The total cost of the amendment 2 is \$42,500. The revised task order amount is \$707,162.80.

Because design and environmental work was completed as part of the first phase of the Lewisville section of the A-Train Hike & Bike Trail additional environmental work was not included in the budget for this project. Confirmation has been requested from TxDOT that this will be eligible for reimbursement under the grant. If not, it will be covered under DCTA's local match for the project. At this time staff does not anticipate that this will require an increase in the current total project budget.


Recommendation

Staff recommends that the Board authorize the president to execute Amendment No. 2 to Task Order 3 for the Lewisville Hike and Bike Trail Project in the amount of \$42,500.


Submitted by:


Athena Forrester, CPPO,
CPPB AVP of Procurement

Final Review:


Raymond Suarez, COO

Approval:


James C. Cline, Jr., President



Board of Directors Memo

October 26, 2017

Subject: 2(a) Approval of Resolution 17-05 Adopting Annual Investment Policy

Background

It is the intent of DCTA to be in compliance with state and federal law. The Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act") governs investment of public funds at the state level. The Act requires that the Board of Directors review and adopt the Investment Policy annually.

It is the policy of DCTA that the administration and investment of its funds shall be handled in a manner that maintains the highest public trust. Investments shall be made that provide the maximum security of principal invested while meeting the daily cash flow needs of DCTA and conforming to all applicable state statutes governing the investment of public funds. While DCTA staff strives to maximize the yield on our investments, increasing the market yield-to-maturity is secondary to the requirements for safety and liquidity.

The DCTA Investment Policy was last adopted by the Board on October 27, 2016. DCTA contracts with First Southwest Asset Management, Inc. ("FSAM") for investment advisory services. The policy has been reviewed by FSAM to ensure that all the necessary language as required by the Act is present in the written DCTA Investment Policy document. Included for your reference is the letter from FSAM confirming their review of the investment policy and outlining the recommended changes.

In connection with investment transactions conducted between FSAM and DCTA, FSAM has provided as required under the Act a certification that they have reviewed the entity's investment policy. In addition, FSAM has provided to DCTA a copy of its current SEC Form ADV Part II, as required by Securities and Exchange Commission Regulation Section 275.204-3. These documents as well as the current FSAM approved broker/dealer list are available in the DCTA Finance Department.

Identified Need

This action is required to fulfill the legal requirements for an annual review and approval of the Investment Policy.

Recommendation

The policy was presented to the Finance Committee on October 17, 2017 and is forwarded to the Board for adoption. Staff recommends approval of Resolution 17-05 Adopting Annual Investment Policy for 2018. The DCTA Investment Policy is included as an attachment to this memo.

Submitted by:


Anna Mosqueda,
CFO

Approval:


James C. Cline, Jr., P.E.,
President

**DENTON COUNTY TRANSPORTATION AUTHORITY
RESOLUTION NO. 17-05**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY (DCTA) APPROVING INVESTMENT POLICY ATTACHED HERETO AS EXHIBIT “A”; APPOINTING THE INVESTMENT OFFICERS AND AUTHORIZING INVESTMENT TRANSACTIONS ON BEHALF OF THE DCTA; PROVIDING A REPEALING CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, it is the policy of the DCTA that the administration of its funds and the investment of those funds shall be handled as its highest public interest; and

WHEREAS, investments shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the DCTA and conforming to all applicable state statutes governing the investment of public funds; and

WHEREAS, in accordance with the Public Funds Investment Act, Chapter 2256, TEXAS GOVERNMENT CODE, the Board of Directors by resolution adopted an investment policy; and

WHEREAS, Section 2256.005, Tex. Government Code requires the Board of Directors to review the investment policies and investment strategies not less than annually and to adopt a resolution or order stating the review has been completed and recording any changes made to either the investment policies or investment strategies.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY THAT:

SECTION 1. The DCTA Investment Policy attached hereto as Exhibit “A” be and the same is hereby adopted and shall govern the investment policies and investment strategies for the DCTA, and shall define the authority of the investment officials of the DCTA from and after the effective date of this Resolution.

SECTION 2. The Board of Directors of the DCTA has completed its review of the investment policies and investment strategies and any changes made to either the investment policies or investment strategies are recorded in Exhibit “A” hereto.

SECTION 3. The DCTA Chief Financial Officer, Anna Mosqueda, is hereby designated the Investment Officer, and DCTA President, Jim Cline, is designated as the alternate investment officer.

SECTION 4. The Investment Officer and Alternate Investment Officer are hereby authorized to engage in investment transactions on behalf of DCTA.

SECTION 5. The Investment Officers authorized by this Resolution shall also be authorized to approve wire transfers used in the process of investing.

SECTION 6. The Investment Officers shall designate a liaison/deputy in writing in the event circumstances require timely action and the Investment Officers are unavailable.

SECTION 7. That all provisions of the resolutions of the Board of Directors of the DCTA in conflict with the provisions of this Resolution be, and the same are hereby, repealed, and all other provisions not in conflict with the provisions of this Resolution shall remain in full force and effect.

SECTION 8. This Resolution shall become effective immediately upon its passage and approval.

DULY PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY THE 26TH DAY OF OCTOBER, 2017.

APPROVED:

Charles Emery, Chairman

ATTEST:

Richard Huckaby, Secretary

APPROVED AS TO FORM:



Peter G. Smith, General Counsel
(PGS:10-19-17:95.92413)

**Resolution 17-05
Exhibit "A"**

**DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (As proposed 10/2017)**

I. POLICY STATEMENT

The Denton County Transportation Authority (DCTA) policy stipulates that the administration of its funds and the investment of those funds shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of DCTA. DCTA's investments will conform to all applicable state statutes governing the investment of public funds.

Effective cash management is essential to good fiscal management. Cash management is defined as the process of managing monies to ensure maximum cash availability. DCTA shall maintain a comprehensive cash management program which includes collection of accounts receivable; prudent investment of its available cash; disbursement of payments in accordance with invoice terms; compliance with Board Policy, and the management of bank depository services.

Receiving a market rate of interest will be secondary to the requirements for safety and liquidity. DCTA intends to be in compliance with local law and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act"). Investment earnings will be used in a manner that best serves the interests of DCTA.

II. SCOPE

This investment policy applies to all the financial assets and funds of DCTA. However, this policy does not apply to the assets administered for the benefit of DCTA by outside agencies under deferred compensation programs.

DCTA may commingle its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity.

III. OBJECTIVES AND STRATEGY

DCTA's policy is that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety of principal, liquidity, diversification and yield. Investments are to be chosen in a manner which reflects diversity by market sector, type of credit, and length of maturity as best meets DCTA's requirements. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise. To best meet anticipated cash flow requirements, the weighted average maturity (WAM) of the overall portfolio may not exceed 18 months.

Safety of Principal

Safety of principal is the foremost objective. Investments of DCTA's cash shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The safety of principal is best achieved by limiting maximum maturities to two years or no further than expected project cash flow forecasts; limiting investment types to those specifically authorized by this policy; diversifying investments; and, monitoring credit ratings on selected investment types.

**Resolution 17-05
Exhibit "A"**

**DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (As proposed 10/2017)**

Liquidity

Investments will be based on a cash flow analysis of needs and will remain sufficiently liquid to satisfy all operating requirements which might be reasonably anticipated by the agency's cash flow model. The portfolio will be structured so that investments mature concurrent with cash needs. Because all possible cash demands cannot be anticipated, the portfolio will include investments that offer same-day liquidity for those unanticipated situations. In addition, a portion of the portfolio will consist of securities with active secondary or resale markets.

Diversification

The portfolio will be diversified by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding as defined in Section VIII of this policy will be used on each sale and purchase.

Yield

DCTA's investment portfolio shall be designed with the objective of attaining a market yield-to-maturity taking into account DCTA's risk constraints and the cash flow needs. Market yield-to-maturity may be defined as the rolling average yield of the current six-month Constant Maturity Treasury (CMT).

DCTA has selected the weighted-average yield-to-maturity as its preferred measure of investment performance. The weighted-average yield-to-maturity shall be calculated on a monthly basis by multiplying each individual security's yield-to-maturity at time of purchase by its book value, totaling the product of these calculations, and dividing by the total book value of the portfolio.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public fund deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF INVESTMENT AUTHORITY

The Chief Financial Officer, acting on behalf of DCTA, is designated as the Investment Officer and the President of DCTA is designated as the Alternate Investment Officer. The Investment Officer is responsible for investment management decisions and activities according to this Investment Policy. The Investment Officer is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the activities of the investment program which are consistent with this Investment Policy. The procedures will include reference to safekeeping; require and include Master Repurchase Agreements (as applicable); wire transfer agreements; banking services contracts; and other investment related activities.

**Resolution 17-05
Exhibit "A"**

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

The Investment Officer shall be responsible for all transactions undertaken and shall regulate the activities of subordinate officials and staff. The Investment Officer shall designate in writing a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer and Alternate Investment Officer are not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established herein.

Authorization Resolution

A Resolution is established with this investment policy and attached hereto authorizing the Investment Officer to engage in investment transactions on behalf of DCTA. The persons authorized by the Resolution to transact business for DCTA are also authorized to approve wire transfers used in the process of investing.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the "prudent person" standard and shall be applied in the context of managing the overall portfolio. This standard states that:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived."

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule in Section VI, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security's credit risk or market price change or portfolio shifts are reported in a timely manner to the Board of Directors and that appropriate actions are taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of DCTA. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of DCTA. Results of review of internal controls by the independent auditor shall be included in the annual audit.

**Resolution 17-05
Exhibit "A"**

**DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (As proposed 10/2017)**

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of DCTA. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act:

- A. Obligations of the United States Government, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), agencies and instrumentalities and government sponsored enterprises, excluding collateralized mortgage obligations (CMO's), not to exceed two years to stated maturity with the exception of project funds which may be invested in longer maturities but not to exceed forecasted expenditure dates;
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas, not to exceed two years to stated maturity. In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principal and interest of each CD insured by the Federal Deposit Insurance Corporation (FDIC) may be purchased through a broker that has its main office in Texas and is selected from a list adopted by the DCTA Board or a selected depository institution with its main office or branch office in Texas. This broker or depository shall act as the custodian for the various certificates on behalf of DCTA.
- C. Repurchase agreements and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Master Repurchase Agreement is on file with DCTA and the counterparty bank or primary dealer. Flexible repurchase agreements used specifically for capital projects may extend beyond the 180 day stated limitation, but shall not exceed the expenditure plan of the projects;
- D. No-load SEC-registered money market funds, each approved specifically before use by DCTA;
- E. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act; and
- F. Interest bearing bank savings deposits issued by state and national banks or savings bank or a state or federal credit union (having their main or branch office in Texas) that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their successor organizations).

If additional types of securities are approved for investment by public funds by state statutes, none will be eligible for investment by DCTA until this policy has been amended and approved by the DCTA Board.

**Resolution 17-05
Exhibit "A"**

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

Competitive Bidding Requirements

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that DCTA is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by DCTA, shall be conducted on a delivery versus payment (DVP) basis.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments will be made through either DCTA's banking services bank or an approved broker/dealer. DCTA will review the list of authorized broker/dealers annually. A list of at least three broker/dealers will be maintained in order to assure competitive bidding.

Securities broker/dealers must meet and disclose certain criteria as determined by the Investment Officer including:

- A. an audited financial statement each year,
- B. proof of certification by the Financial Industry Regulatory Authority (FINRA) and provision of CRD number,
- C. proof of current registration with the State Securities Commission, and
- D. Completion of DCTA questionnaire.

Every broker/dealer, investment pool, investment manager and bank with which DCTA transacts business will be provided a copy of this Investment Policy to assure they are familiar with the goals and objectives of DCTA's investment program. A representative of investment pools and investment managers exercising discretion will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to assure that only authorized securities are sold to DCTA.

DCTA may appoint one or more investment advisors to assist the financial staff in the management of DCTA funds. The investment advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and also be registered with the Texas State Securities Board as an investment advisor. To be eligible for consideration, an investment advisor shall demonstrate knowledge of, and experience in, the management of public funds. An appointed investment advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy, and shall not have discretionary authority to transact business on behalf of DCTA.

If DCTA has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of DCTA. The advisor shall annually present a list of its authorized broker/dealers to DCTA for review and likewise shall return a signed certification stating that the advisor has reviewed the DCTA investment policy and has implemented reasonable procedures and controls to preclude imprudent investment activities. The advisor shall obtain and document competitive bids and offers on all transactions and present these to DCTA as part of its trade documentation.

**Resolution 17-05
Exhibit "A"**

**DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (As proposed 10/2017)**

X. DIVERSIFICATION AND MATURITY LIMITATIONS

It is DCTA's policy to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

<u>Security Type</u>	<u>Max % of Portfolio</u>
U.S. Treasury obligations	100%
U.S. Government agencies and instrumentalities	Not to exceed 75%
Fully insured or collateralized CDs	Not to exceed 30%
Repurchase agreements	100%
Money Market Funds	50%
Local Government Investment Pools	
Liquidity Pools	100%
Maximum percent ownership of pool	Not to exceed 10%
Interest Bearing Bank Savings Deposits	25%

The Investment Officer shall be required to diversify maturities. The Investment Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk. Unless matched to a specific requirement, the Investment Officer may not:

A. invest more than 20% of the portfolio for a period greater than one (1) year, or B. invest any portion of the portfolio for a period of greater than two (2) years.

XI. SAFEKEEPING AND COLLATERALIZATION

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery-versus-payment (DVP) basis and be held in safekeeping by either DCTA; an independent third party financial institution; or DCTA's designated banking services depository.

All safekeeping arrangements shall be designated by the Investment Officer and an agreement of the terms executed in writing. The third-party custodian shall be required to issue safekeeping receipts to DCTA listing each specific security, rate, description, maturity, CUSIP number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for DCTA or pledged to DCTA.

All securities pledged to DCTA for certificates of deposit or demand deposits shall be held by an independent third-party bank doing business in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

**Resolution 17-05
Exhibit "A"**

**DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (As proposed 10/2017)**

Collateralization

Collateralization is required on time and demand deposits exceeding the FDIC insurance coverage of \$250,000, and on repurchase agreements.

To provide a level of additional security for all funds and to also anticipate any market changes, the collateralization level required will be 105% of the market value of the principal and accrued interest. Collateral will be held by an independent third party safekeeping agent.

XII. PERFORMANCE EVALUATION AND REPORTING

A comprehensive quarterly investment report shall be prepared by the Investment Officer or Investment Advisor within ten (10) days following the fiscal quarter end and be presented to the DCTA Board the month following the fiscal quarter end. As required by the Texas Public Funds Investment Act, the report will:

- A. describe in detail the investment position of DCTA on the date of the report;
- B. be signed by the Investment Officer(s)
- C. contain a summary statement that presents:
 - a. beginning book and market value for the reporting period;
 - b. ending book and market value for the reporting period; and
 - c. fully accrued interest for the reporting period;
- D. 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;
- E. state the maturity date of each separately invested asset that has a maturity date;
- F. state the account or fund for which each investment security was purchased;
- G. compare the portfolio's performance to other benchmarks of performance; and
- H. state the compliance of the investment portfolio with DCTA Investment Policy, Investment Strategy, and the Public Funds Investment Act.

XIII. DEPOSITORIES

DCTA will designate one banking institution through a competitive process as its central banking services provider at least every five years. This institution will be used for normal banking services including disbursements, collections, and safekeeping of securities. Other banking institutions from which DCTA may purchase certificates of deposit will also be designated as a depository after providing their latest audited financial statements to DCTA.

XIV. TRAINING REQUIREMENT

The DCTA Investment Officer(s) shall attend at least one investment training session consisting of no less than 10 hours of instruction relating to investment responsibilities within twelve months of taking office or assuming duties, and subsequently shall receive a minimum of 10 hours not less often than once in a two-year period that begins on the first day of the fiscal year and consists of the two consecutive years after that date. The investment training session shall be provided by an independent source approved by the Board of

**Resolution 17-05
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DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

Directors. See Attachment I for a list of Board approved independent investment training sources. Contingent upon Board approval, additional independent sources from which investment training may be obtained shall include a professional organization, an institute of higher learning, or any sponsor other than a business organization with whom DCTA may engage in an investment transaction. Such training shall include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

XV. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair the ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which personal business is conducted. Further disclosure shall also be made of any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of DCTA.

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

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A formal annual review of the investment reports will be performed by an independent auditor with the results reported to the Board. All collateral shall be subject to inspection and audit by the DCTA Treasurer or DCTA's independent auditors.

XVII. INVESTMENT POLICY ADOPTION BY DCTA BOARD

DCTA's Investment Policy shall be adopted annually by the Board of Directors. The policy and strategies shall be reviewed on an annual basis by the Board or a designated Committee of the Board. A written resolution approving that review, and suggested changes to the policy will be approved by the Board.

Previous Action:

Adopted: October 27, 2016

**Resolution 17-05
Exhibit "A"**

**DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (As proposed 10/2017)**

Attachment 1

Board Approved Independent Investment Training Sources

1. Texas Municipal League (TML)
2. Government Finance Officers Association (GFOA)
3. Government Finance Officers Association of Texas (GFOAT)
4. North Central Texas Council of Governments
5. Texas Higher Education Coordinating Board

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

I. POLICY STATEMENT

The Denton County Transportation Authority (DCTA) policy stipulates that the administration of its funds and the investment of those funds shall be made in a manner which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of DCTA. DCTA's investments will conform to all applicable state statutes governing the investment of public funds.

Effective cash management is essential to good fiscal management. Cash management is defined as the process of managing monies to ensure maximum cash availability. DCTA shall maintain a comprehensive cash management program which includes collection of accounts receivable; prudent investment of its available cash; disbursement of payments in accordance with invoice terms; compliance with Board Policy, and the management of bank depository services.

Receiving a market rate of interest will be secondary to the requirements for safety and liquidity. DCTA intends to be in compliance with local law and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, (the "Act"). Investment earnings will be used in a manner that best serves the interests of DCTA.

II. SCOPE

This investment policy applies to all the financial assets and funds of DCTA. However, this policy does not apply to the assets administered for the benefit of DCTA by outside agencies under deferred compensation programs.

DCTA may commingle its funds into one pooled investment fund for investment purposes for efficiency and maximum investment opportunity.

III. OBJECTIVES AND STRATEGY

DCTA's policy is that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety of principal, liquidity, diversification and yield. Investments are to be chosen in a manner which reflects diversity by market sector, type of credit, and length of maturity as best meets DCTA's requirements. The choice of high-grade government investments and high-grade money market instruments is designed to assure the marketability of those investments should liquidity needs arise. To best meet anticipated cash flow requirements, the weighted average maturity (WAM) of the overall portfolio may not exceed 18 months.

Safety of Principal

Safety of principal is the foremost objective. Investments of DCTA's cash shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The safety of principal is best achieved by limiting maximum maturities to two years or no further than expected project cash flow forecasts; limiting investment types to those specifically authorized by this policy; diversifying investments; and, monitoring credit ratings on selected investment types.

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

Liquidity

Investments will be based on a cash flow analysis of needs and will remain sufficiently liquid to satisfy all operating requirements which might be reasonably anticipated by the agency's cash flow model. The portfolio will be structured so that investments mature concurrent with cash needs. Because all possible cash demands cannot be anticipated, the portfolio will include investments that offer same-day liquidity for those unanticipated situations. In addition, a portion of the portfolio will consist of securities with active secondary or resale markets.

Diversification

The portfolio will be diversified by maturity and market sector and will include the use of a number of broker/dealers for diversification and market coverage. Competitive bidding as defined in Section VIII of this policy will be used on each sale and purchase.

Yield

DCTA's investment portfolio shall be designed with the objective of attaining a market yield-to-maturity taking into account DCTA's risk constraints and the cash flow needs. Market yield-to-maturity may be defined as the rolling average yield of the current six-month Constant Maturity Treasury (CMT).

DCTA has selected the weighted-average yield-to-maturity as its preferred measure of investment performance. The weighted-average yield-to-maturity shall be calculated on a monthly basis by multiplying each individual security's yield-to-maturity at time of purchase by its book value, totaling the product of these calculations, and dividing by the total book value of the portfolio.

IV. LEGAL LIMITATIONS, RESPONSIBILITIES AND AUTHORITY

Specific investment parameters for the investment of public funds in Texas are found in the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public fund deposits. All investments will be made in accordance with these statutes.

V. DELEGATION OF INVESTMENT AUTHORITY

The Chief Financial Officer, acting on behalf of DCTA, is designated as the Investment Officer and the President of DCTA is designated as the Alternate Investment Officer. The Investment Officer is responsible for investment management decisions and activities according to this Investment Policy. The Investment Officer is also responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Investment Officer shall develop and maintain written administrative procedures for the activities of the investment program which are consistent with this Investment Policy. The procedures will include reference to safekeeping; require and include Master Repurchase Agreements (as applicable); wire transfer agreements; banking services contracts; and other investment related activities.

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

The Investment Officer shall be responsible for all transactions undertaken and shall regulate the activities of subordinate officials and staff. The Investment Officer shall designate in writing a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer and Alternate Investment Officer are not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this Policy and the procedures established herein.

Authorization Resolution

A Resolution is established with this investment policy and attached hereto authorizing the Investment Officer to engage in investment transactions on behalf of DCTA. The persons authorized by the Resolution to transact business for DCTA are also authorized to approve wire transfers used in the process of investing.

VI. PRUDENCE

The standard of prudence to be used in the investment function shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. This standard states that:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the expected income to be derived.”

Limitation of Personal Liability

The Investment Officer and those delegated investment authority under this Policy, when acting in accordance with the written procedures and this Policy and in accord with the Prudent Person Rule in Section VI, shall be relieved of personal liability in the management of the portfolio provided that deviations from expectations for a specific security’s credit risk or market price change or portfolio shifts are reported in a timely manner to the Board of Directors and that appropriate actions are taken to control adverse market effects.

VII. INTERNAL CONTROLS

The Investment Officer shall establish a system of written internal controls which will be reviewed annually with the independent auditor of DCTA. The controls shall be designed to prevent loss of public funds due to fraud, employee error, misrepresentation by third parties, unanticipated market changes or imprudent actions by employees of DCTA. Results of review of internal controls by the independent auditor shall be included in the annual audit.

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

Cash Flow Forecasting

Cash flow forecasting is designed to protect and sustain cash flow requirements of DCTA. Supplemental to the financial and budgetary systems, the Investment Officer will maintain a cash flow forecasting process designed to monitor and forecast cash positions for investment purposes.

VIII. AUTHORIZED INVESTMENTS

Acceptable investments under this policy shall be limited to the instruments listed below and as further described by the Public Funds Investment Act:

- A. Obligations of the United States Government, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC), agencies and instrumentalities and government sponsored enterprises, excluding collateralized mortgage obligations (CMO's), not to exceed two years to stated maturity with the exception of project funds which may be invested in longer maturities but not to exceed forecasted expenditure dates;
- B. Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas, not to exceed two years to stated maturity. In addition, separate CDs issued by depositories wherever located, bundled together into a single investment with the full amount of principal and interest of each CD insured by the Federal Deposit Insurance Corporation (FDIC) may be purchased through a broker that has its main office in Texas and is selected from a list adopted by the DCTA Board or a selected depository institution with its main office or branch office in Texas. This broker or depository shall act as the custodian for the various certificates on behalf of DCTA.
- C. Repurchase agreements and reverse repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Master Repurchase Agreement is on file with DCTA and the counterparty bank or primary dealer. Flexible repurchase agreements used specifically for capital projects may extend beyond the 180 day stated limitation, but shall not exceed the expenditure plan of the projects;
- D. No-load SEC-registered money market funds, each approved specifically before use by DCTA;
- E. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.; and
- F. Interest bearing bank savings deposits issued by state and national banks or savings bank or a state or federal credit union (having their main or branch office in Texas) that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their successor organizations).

If additional types of securities are approved for investment by public funds by state statutes, none will be eligible for investment by DCTA until this policy has been amended and approved by the DCTA Board.

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

Competitive Bidding Requirements

All securities, including certificates of deposit, will be purchased or sold after three (3) offers/bids are taken to verify that DCTA is receiving fair market value/price for the investment.

Delivery versus Payment

All security transactions, including collateral for repurchase agreements, entered into by DCTA, shall be conducted on a delivery versus payment (DVP) basis.

IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

All investments will be made through either DCTA's banking services bank or an approved broker/dealer. DCTA will review the list of authorized broker/dealers annually. A list of at least three broker/dealers will be maintained in order to assure competitive bidding.

Securities broker/dealers must meet and disclose certain criteria as determined by the Investment Officer including:

- A. an audited financial statement each year,
- B. proof of certification by the Financial Industry Regulatory Authority (FINRA) and provision of CRD number,
- C. proof of current registration with the State Securities Commission, and
- D. Completion of DCTA questionnaire.

Every broker/dealer, investment pool, investment manager and bank with which DCTA transacts business will be provided a copy of this Investment Policy to assure they are familiar with the goals and objectives of DCTA's investment program. A representative of investment pools and investment managers exercising discretion will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to assure that only authorized securities are sold to DCTA.

DCTA may appoint one or more investment advisors to assist the financial staff in the management of DCTA funds. The investment advisor must be registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940 and also be registered with the Texas State Securities Board as an investment advisor. To be eligible for consideration, an investment advisor shall demonstrate knowledge of, and experience in, the management of public funds. An appointed investment advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy, and shall not have discretionary authority to transact business on behalf of DCTA.

If DCTA has contracted with a Registered Investment Advisor for the management of its funds, the advisor shall be responsible for performing due diligence on and maintaining a list of broker/dealers with which it shall transact business on behalf of DCTA. The advisor shall annually present a list of its authorized broker/dealers to DCTA for review and likewise shall return a signed certification stating that the advisor has reviewed the DCTA investment policy and has implemented reasonable procedures and controls to preclude imprudent investment activities. The advisor shall obtain and document competitive bids and offers on all transactions and present these to DCTA as part of its trade documentation.

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

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DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

Directors. See Attachment I for a list of Board approved independent investment training sources. Contingent upon Board approval, additional independent sources from which investment training may be obtained shall include a professional organization, an institute of higher learning, or any sponsor other than a business organization with whom DCTA may engage in an investment transaction. Such training shall include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.

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Previous Action:

Adopted: October 27, 2016

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (As proposed 10/2017)

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Board Approved Independent Investment Training Sources

1. Texas Municipal League (TML)
2. Government Finance Officers Association (GFOA)
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Scott McIntyre
Managing Director

Scott.mcintyre@hilltopsecurities.com

POLICY REVIEW

October 12, 2017

Ms. Anna Mosqueda
Chief Financial Officer
Denton County Transportation Authority
1955 Lakeway Drive, Suite 260
Lewisville, TX 75057

Dear Anna:

As requested, FirstSouthwest Asset Management, Inc. has performed a review of the Denton County Transportation Authority ("DCTA") written investment policy to determine compliance with the Texas Public Funds Investment Act (the "Act"), Texas Government Code, Chapter 2256. Our review was limited in scope, with the primary purpose being to evaluate conformity with the Act. We did not seek to ensure that all funds and procedures are addressed in the policy, nor have we reviewed compliance with the policy or internal controls of DCTA. Based upon our review, we have reached the following conclusion:

The Texas Legislature passed several bills into law in the 2017 legislative session which resulted in a number of changes to the Act, most notably allowing insured deposit accounts and ultra-short bond funds, and pardoning broker/dealers from the policy certification requirement. We recommend adding insured savings deposits as an eligible investment for DCTA. In addition, we recommend rewriting the policy certification language to exclude broker/dealers and expanding authorized financial dealers beyond "primary dealers." We don't recommend adding ultra-short bond funds at this time. The recommend changes are outlined below.

Section VIII. AUTHORIZED INVESTMENTS

Add new investment type - F. Interest bearing bank savings deposits issued by state and national banks or savings bank or a state or federal credit union (having their main or branch office in Texas) that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their successor organizations).

Rationale: New PFIA permitted investment allows local governments to invest in insured savings accounts with banks. This is a safe, appropriate investment to add to policy.

Note: Interest bearing bank deposits shall be limited to no more than 25% of the total portfolio.

Section IX. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

Amend first paragraph to read – All investments will be made through either DCTA's banking services bank or ~~a primary~~ an approved broker/dealer.

Rationale: The number of primary dealers has been cut in half over the years. Regional firms now offer equivalent, or in some cases superior value and service. This recommendation allows for regional and local firms to participate in the competitive bidding process.

Note: As investment managers, FSAM has long utilized regional brokers on behalf of its clients.

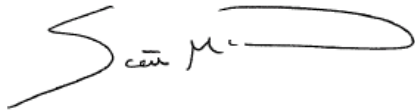
Amend the third paragraph to read – Every broker/dealer, investment pool, investment manager and bank with which DCTA transacts business will be provided a copy of this Investment Policy to assure they are familiar with the goals and objectives of DCTA's investment program. A representative of ~~the firm~~ investment pools and investment managers exercising discretion will be required to return a signed certification stating that the Policy has been received and reviewed and that controls are in place to assure that only authorized securities are sold to DCTA.

Rationale: The Act was amended such that only investment pools and investment managers exercising discretion are required to sign the certification. Broker/dealers should still be provided with a copy of the policy in order for them to adhere to the FINRA "know your customer" requirement.

We believe the DCTA investment policy to be in full compliance with the Texas Public Funds Investment Act.

If you have any questions regarding this policy, please contact me at 1-800-575-3792 or directly at (512) 481-2009.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Scott McIntyre", with a stylized flourish at the end.

Scott McIntyre, CFA
Managing Director

Cc: Ms. Marisa Perry