



DENTON COUNTY
TRANSPORTATION AUTHORITY

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

Board of Directors Regular Meeting

October 27, 2016 | 3:00 p.m.*

**or immediately following Board Work Session
scheduled at 1:30 p.m. on October 27, 2016*

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 22, 2016
- b. Acceptance of Financial Statements – September 2016
- c. Acceptance of Quarterly Investment Report – Q4 FY2016
- d. Approval of Resolution 16-10 for participation in North Central Texas Regional Certification Agency (NCTRCA)

2. REGULAR AGENDA

- a. Approval of Modification to FY15 Program of Projects
- b. Approval of Resolution 16-11 Adopting Annual Investment Policy for 2017

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, or Highland Village.

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 – Paul Pomeroy

Secretary – Richard Huckaby
Treasurer – Dave Kovatch

**Members – Skip Kalb, Doug Peach, Jim Robertson, Tom Winterburn,
Don Hartman, George A. Campbell, Allen Harris, Carter Wilson, Connie White**
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 thenderson@dcta.net or calling Troy Henderson at 972-221-4600.

This notice was posted on 10/21/2016 at 8:28 AM.

Troy Henderson, Administrative Assistant

RM 1(a) Minutes for the Board Work Session and Regular Meeting on September 22, 2016

Will be provided at the meeting.

**Board of Directors Memo**

October 27, 2016

Subject: RM 1 (d) Interlocal Member Agreement with the North Central Texas Regional Certification Agency (NCTRCA)**Background**

The North Central Texas Certification Agency (NCTRCA) was created in 1992 to provide a more efficient regional certification process to benefit the growing disadvantaged, minority and woman-owned business (D/M/WBEs) population in North Texas. NCTRCA offers D/M/WBEs a one stop certification program/requirement rather than having to satisfy the separate requirements of each public entity they were seeking to do business with as a certified D/M/WBE. NCTRCA also provides its member entities access to their database of certified D/M/WBEs to satisfy their agency goals and/or supplier diversity program requirements.

Access to their database of certified firms will also provide opportunities for DCTA staff to reach out to firms and make them aware of procurement opportunities. As a recipient of federal dollars DCTA is required to use DBE firms in the contracting process. With this additional resource staff can leverage the vast database of information required for reporting to FTA.

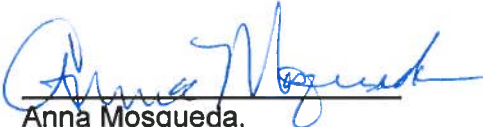
Financial Impact

Annual membership with NCTRCA is \$23,935 as was approved in the FY17 budget.

Recommendation

Staff recommends the Board approve the resolution and authorize the President to execute the interlocal agreement with NCTRCA.

Submitted by: Athena Forrester
Senior Procurement Manager

Final Review: 
Anna Mosqueda,
CFO

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

**DENTON COUNTY TRANSPORTATION AUTHORITY
RESOLUTION NO. 16-10**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DENTON COUNTY TRANSPORTATION AUTHORITY (“DCTA”) APPROVING THE NORTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY INTERLOCAL MEMBER AGREEMENT (“AGREEMENT”) FOR DENTON COUNTY TRANSPORTATION AUTHORITY’S MEMBERSHIP IN THE NORTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY (“NCTRCA”); AND TO PROVIDE FOR AN EFFECTIVE DATE.

WHEREAS, the State of Texas, Chapter 791 of the Interlocal Cooperation Act, (hereinafter referred to as the “Act”) has provided that local governmental agencies may contract or agree with one or more local governmental agencies to provide governmental functions and services which improve the efficiency and effectiveness of the local governmental agencies’ performance of administrative and certification functions; and

WHEREAS, the Parties are authorized to enter into an interlocal member agreement to create an administrative agency or designate an existing local governmental agency to supervise the performance of the Agreement pursuant to Section 791.013(a), Texas Government Code; and

WHEREAS, in accordance with the Agreement attached hereto as Exhibit “A”, the Parties are authorized to contract and agree with the other to create an agency pursuant to Section 791.013(b), Texas Government Code, to review, process and complete applications for certification as a: Minority or Women-Owned Business Enterprises (“M/WBE”), Disadvantaged Business Enterprise (“DBE”), Small Business Enterprise (“SBE”) and Airport Concession Disadvantage Business Enterprises (“ACDBE”);

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

SECTION 1. The DCTA Board of Directors hereby approves the Interlocal Member Agreement attached hereto as Exhibit “A” and authorizes James C. Cline, Jr., P.E., President, or authorized designee, to execute the Agreement and all related documents thereto on behalf of DCTA.

SECTION 2. 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 27TH DAY OF OCTOBER, 2016.

EXHIBIT "A"
INTERLOCAL MEMBER AGREEMENT
NORTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY

**INTERLOCAL MEMBER AGREEMENT
NORTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY**

This North Central Texas Regional Certification Agency ("NCTRCA") Interlocal Member Agreement ("Agreement"), is made and entered into as of the date specified herein by and among the local governmental agencies specified (the "Participant");

WITNESSETH

Whereas, it is in the best interest of the Participants to this Agreement to jointly provide certification and other related services for the Disadvantaged Business Enterprise, Minority and/or Women-Owned Business Enterprises (D/M/WBE) and Airport Concession Disadvantage Business Enterprises (ACDBE) programs of the individual local governmental agencies; and Small Business Enterprises (SBE) certification;

Whereas, the State of Texas, Chapter 791 of the Interlocal Cooperation Act, (hereinafter referred to as the "Act") has provided that local governmental agencies may contract or agree with one or more local governmental agencies to provide governmental functions and services which improve the efficiency and effectiveness of the local governmental agencies' performance of administrative and certification functions; and

Whereas, Section 791.013(a) of the Act authorizes the parties to an Interlocal Member Contract to create an administrative agency or designate an existing local governmental agency to supervise the performance of the contract;

Now, therefore, the Participants, in consideration of the promises and other good and valuable consideration received, hereby contract and agree one with the other to create an agency pursuant to Section 791.013(b) of the Act to employ certification agency staffing personnel to perform the administrative activities and provide administrative services necessary to perform the Interlocal Member contract as follows:

INTERLOCAL MEMBER AGREEMENT State of Texas, County of Tarrant

Name of Organization and Purpose

Name: The name of this governmental organization shall be the North Central Texas Regional Certification Agency, Inc. ("NCTRCA").

Purpose: The purpose of the NCTRCA shall be to review, process, and complete applications for certification as a:

Minority or Women Owned Business Enterprise ("M/WBE").
Disadvantaged Business Enterprise ("DBE")
Small Business Enterprise ("SBE")
Airport Concession Disadvantage Business Enterprise ("ACDBE"),

in accordance with federal, state and local laws and regulations, as well as guidelines adopted by the NCTRCA. NCTRCA is responsible for maintaining and securing the entire NCTRCA certified database according to United States Department of Transportation policies and procedures. NCTRCA is responsible for abiding by the standards and procedures of the Texas Unified Certification Program that governs the DBE/ACDBE certification program.

Fully Funded Membership

Fully Funded Members: Fully funded members of the NCTRCA are those governmental member entities that have paid the appropriate membership fee as designated by the specific population category as listed in Exhibit "A" attached hereto.

Membership Fee: Membership fee is determined by the specific population category as listed in Exhibit " A " attached hereto.

New Members: New members to NCTRCA shall be governed by the NCTRCA By-laws and reasonable procedures, not inconsistent with this Agreement.

Powers Reserved

Powers Reserved: The Board of Directors shall have all legal powers not inconsistent with this Interlocal Member Agreement.

Term of Agreement

The term of this agreement is annual.

Automatic Renewal: This Agreement shall automatically renew annually unless the member entity chooses to withdraw from the NCTRCA.

Withdrawal: A member entity is not considered withdrawn from the NCTRCA unless it gives written notice of its intent to withdraw to the NCTRCA not less than sixty (60) days prior to the 1st day of the NCTRCA agency's fiscal year, (September 1 – August 31). A member entity may not withdraw prior to the end of the NCTRCA's fiscal year without forfeiting its share of the NCTRCA's annual budget. The written notice of intent to withdraw should be mailed via U.S. Mail prepaid to the NCTRCA at the following:

North Central Texas Regional Certification Agency
c/o Chair of the Board
624 Six Flags Drive, Suite 100
Arlington, Texas 76011

Database

NCTRCA Management System: Under the terms of this Agreement, the designated member entity board representative is responsible for the member entity password security. No current or past member entity shall release any copy or a portion of the agency's NCTRCA Certification database to any individual, organization, agency entity, business, company, corporation or any other organized group, etc. This section does not prohibit the member entity representative from providing potential M/WBE subcontractors listings on behalf of their prospective entity.

Funding

Annual Appropriation: The operations of the NCTRCA shall be funded through an annual appropriation to be set and approved by the Board of Directors as set forth herein and in the by-laws. Each member entity, by its execution hereof, agrees to and shall pay to the NCTRCA its share of the annual appropriation based on the NCTRCA Approved Fee Scale and Membership Criteria listed in Exhibit "A". Said payment shall be due on or before December 31 of each calendar year, or within thirty (30) days of the execution of this Agreement. All annual appropriations must be approved by a majority of the Board of Directors in accordance with provisions set forth in the by-laws. A copy of the aforementioned NCTRCA Approved Fee Scale shall be electronically sent to the representative of each member entity by August 1 of current fiscal year.

Third-Party Contracts: The by-laws may provide procedures for entering into contracts with third parties who may not legally enter into this Agreement, for purposes consistent with this Agreement. The Board of Directors shall determine the terms and conditions for such agreements, as long as these terms and conditions are not more favorable to the third parties than the terms of this Agreement are to the member entities.

Miscellaneous

Venue and Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, with venue for any legal actions lying in the counties of Dallas, Denton, or Tarrant, Texas.

Severability: In case any one or more of the provisions contained in this Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision(s) hereof, and this Agreement shall be considered and remain in force as if such invalid, illegal or unenforceable provision(s) had never been contained in the Agreement.

Captions: The captions to various clauses to this Agreement are for informational purposes only and shall not alter the substance of the terms and conditions of this Agreement.

Entire Agreement and Merger: This Agreement embodies the complete agreement of the parties hereto relating to the matter contained therein and supercedes any prior agreements, written and oral, and cannot be modified except as provided herein by written addendum or agreement of all the member entities.

Execution in Counterparts: This Agreement may be executed in counterparts by the execution of a separate signature page by each member entity, indicating the date of the annual execution by each member entity, and, after full execution hereof in such manner, the same shall be deemed to be one and the same instrument. At least one (1)-signed copy shall be forwarded to the NCTRCA offices where it will be kept on file for the benefit of the member entities.

INTERLOCAL MEMBER AGREEMENT
Signature Page

On behalf of the _____, I acknowledge that _____
(Governing Body) (Name of Entity)
will be a participant in this Interlocal Member Agreement and that our contribution as a participant for calendar year _____ shall be \$ _____, as established by the approved annual appropriation for the Agency.

Name: _____ Date _____
(Authorized Executor)

Title: _____

Attest By: _____

(SEAL)

NCTRCA Fee Scale and Membership Criteria (effective 9/15/2016)

Membership is open to any governmental entity in the North Central Texas Council of Government Region which agrees to terms and conditions of the Interlocal Cooperation Agreement. Governmental entity will execute the agreement and contributes its share of the operating budget of the NCTRCA. New participants must apply to and be approved by the Board of Directors, which consist of member entities.

The fee scale for member entities of the NCTRCA is an assessment based on the population it serves according to the most recent State of Texas population estimates on a per annum basis.

| Category | Population | Per Annum Fee |
|----------|--|---------------|
| 1 | 250,001 plus | \$39,888 |
| 2 | 100,001 to 250,000 | \$23,935 |
| 3 | 50,001 to 100,000 | \$15,199 |
| 4 | 10,001 to 50,000 | \$ 3,801 |
| 5 | 0 to 10,000 | \$ 1,533 |
| 6 | Regional Air Facilities | \$39,888 |
| 7 | Surface Transit Agency | \$39,888 |
| 8 | Federally Funded Agencies | \$39,888 |
| 9 | Municipal, County or Regional Governmental Entities and Housing Authorities (Without independent taxing authority) | \$7,982 |
| 10 | With independent taxing authority | \$39,888 |
| 11 | Corporations with Tax Abatements (non-voting membership) | \$10,500 |
| 12 | Associates Members | \$10,500 |

Make Up of Categories

| | |
|----|--|
| 1 | City of Dallas, City of Fort Worth |
| 2 | City of Irving, City Mesquite |
| 3 | City of DeSoto |
| 4 | City of Lancaster |
| 5 | Currently None |
| 6 | DFW Airport |
| 7 | DART, The "T", NTTA, DCTA |
| 8 | School Districts (based on population): Dallas County, DCCCD, DISD, Irving ISO, TCCD |
| 9 | Currently None |
| 10 | TRWD |
| 11 | Currently None |
| 12 | Austin Industries, Ferrovial Argroman |

| Year | Location | *Population |
|------|--------------------|-------------|
| 2015 | City of Dallas | 1,300,092 |
| 2015 | City of DeSoto | 52,486 |
| 2015 | City of Irving | 236,607 |
| 2015 | City of Fort Worth | 833,319 |
| 2015 | City of Lancaster | 38,801 |
| 2015 | City of Mesquite | 144,788 |
| 2015 | Dallas County | 2,553,385 |
| 2015 | City of Denton | 131,044 |

*All population data retrieved from the Official City – U.S. Census Bureau on 09/15/2016



Board of Directors Memo

October 27, 2016

Subject: Approval of modification to the 2015 Annual Program of Projects

Background

The Program of Projects (POP) identifies how DCTA will use federal funds which have been appropriated to DCTA as the designated recipient of Federal Transit Administration (FTA) Section 5307-Urbanized Area Formula Program (UZA) and Section 5339 – Bus and Bus Facilities funds.

The North Central Texas Council of Governments (NCTCOG) serves as the regional Metropolitan Planning Organization and outlines the time-line and plan for annual Program of Projects submittal and revision process once funding allocations have been released in the Federal Register. NCTCOG staff has identified some funding from FTA's 5310-Enhanced Mobility of Seniors and Individuals with Disabilities Program from FY15 that is available for the Denton-Lewisville Urbanized Area but is unobligated and may be in danger of lapsing if not submitted into a grant by September 2017. The grant amount available is \$104,944 and DCTA staff has identified an eligible project – acquisition of paratransit bus and associated equipment. NCTCOG will program this funding in their February 2017 TIP modification cycle. DCTA is currently in the process of issuing a procurement for Access service vehicles and will be able to get the grant executed within the required timeframe.

Identified Need

The DCTA Board of Directors needs to approve the annual expenditure of federal funds and the associated local match so the funds can be programmed for the identified projects. The DCTA Board approved the FY15 Program of Projects (POP) at its September 25, 2014 meeting, so this addition will serve as a modification to that Program of Projects. The DCTA staff has identified a capital need which is an eligible project for this funding source and can be executed within the required timeframe.

Financial Impact

The additional federal revenue from 5310 Enhanced Mobility of Seniors and Individuals with Disabilities funds will be \$104,944 with a local match of \$18,250 (\$123,464 total project) Since the funds will be used for bus procurement the split is 85/15 versus the usual 80/20 for capital.

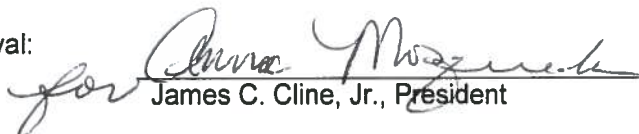
Recommendation

Staff recommends Board approval of the addition of the FTA 5310 grant funds and modification of the FY 2015 Program of Projects.

Submitted / Final Review by:


Anna Mosqueda, CFO

Approval:


James C. Cline, Jr., President

5310 DCTA FY15 PROGRAM OF PROJECTS (002)

PROJECT DETAILS FOR TRANSIT MODIFICATION
 DENTON COUNTY TRANSPORTATION AUTHORITY--FY2015 PROGRAM OF PROJECTS - TRANSIT SECTION 5310 FUNDS - DENTON-LEWISVILLE UZA

ORIGINAL FUNDED AMOUNT:

| TIP CODE | MTP REFERENCE | FISCAL YEAR | FUNDING PROGRAM | PROJECT DESCRIPTION | PROJECT TYPE | FEDERAL SHARE | STATE SHARE | REGIONAL SHARE | LOCAL SHARE | TDC AWARDED | TOTAL COST |
|----------|---------------|-------------|-----------------|-------------------------------|--------------|---------------|-------------|----------------|-------------|-------------|------------|
| | 2040 | 2017 | 5310 | PURCHASE REPLACEMENT VEHICLES | CAPITAL | \$104,944 | \$0 | \$0 | \$18,520 | 0 | \$123,464 |
| | | | | | | \$104,944 | \$0 | \$0 | \$18,520 | - | \$123,464 |

5310 DCTA FY15 PROGRAM OF PROJECTS (002)

RM 2(a)

PROJECT DETAILS FOR TRANSIT MODIFICATION
 DENTON COUNTY TRANSPORTATION AUTHORITY--FY2015 PROGRAM OF PROJECTS - TRANSIT SECTION 5310 FUNDS - DENTON-LEWISVILLE UZA

ORIGINAL FUNDED AMOUNT:

| TIP CODE | MTP REFERENCE 2040 | FISCAL YEAR | FUNDING PROGRAM | PROJECT DESCRIPTION | PROJECT TYPE | FEDERAL SHARE | STATE SHARE | REGIONAL SHARE | LOCAL SHARE | TDC AWARDED | TOTAL COST |
|----------|-----------------------|----------------|--------------------|-------------------------------|-----------------|------------------|-------------|-------------------|-------------|----------------|------------|
| | | 2017 | 5310 | PURCHASE REPLACEMENT VEHICLES | CAPITAL | \$104,944 | \$0 | \$0 | \$18,520 | 0 | \$123,464 |
| | | | | | | \$104,944 | \$0 | \$0 | \$18,520 | - | \$123,464 |

5310 DCTA FY15 PROGRAM OF PROJECTS (002)

RM 2(a)



Board of Directors Memo

October 27, 2016

Subject: 2(b) Approval of Resolution 16-11 Adopting Annual Investment Policy

Background

It is the intent of the Denton County Transportation Authority (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 as its highest public trust. Investments shall be made in a manner 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 last adoption by the Board of the DCTA Investment Policy was on November 19, 2015. 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.

One change that was made during the Depository Bank procurement process that was not incorporated at the time of the October Finance Committee meeting, but is now incorporated, is to increase the pledged collateral requirements for all deposits and accrued interest from 102% to 105% of total funds. All the other housekeeping changes discussed at the October Finance Committee are incorporated.

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 and have implemented procedures to preclude unauthorized transactions. 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.

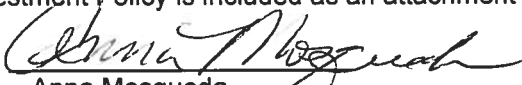
Identified Need

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 10, 2016 and is forwarded to the Board for adoption. Staff recommends approval of Resolution 16-11 Adopting Annual Investment Policy for 2017. 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
INVESTMENT POLICY (as adopted 10/2016)

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.

DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (as adopted 10/2016)

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 cashflow forecasts; limiting investment types to those specifically authorized by this policy; diversifying investments; and, monitoring credit ratings on selected investment types.

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.

DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (as adopted 10/2016)

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.

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.”

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (as adopted 10/2016)

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.

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.

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (as adopted 10/2016)

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; and

E. Constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

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.

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 a primary 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 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

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (as adopted 10/2016)

of the firm 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 recommend broker selection criteria to DCTA's Investment Officer for approval. 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.

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% |

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (as adopted 10/2016)

Maximum percent ownership of pool

Not to exceed 10%

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 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.

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;

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (as adopted 10/2016)

- 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 within twelve months of taking office or assuming duties, and 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, and shall receive not less than ten hours of instruction relating to investment responsibilities. The investment training session shall be provided by an independent source approved by the Board of 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.

DENTON COUNTY TRANSPORTATION AUTHORITY

INVESTMENT POLICY (as adopted 10/2016)

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.

XVI. SUBJECT TO AUDIT

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: November 19, 2015

DENTON COUNTY TRANSPORTATION AUTHORITY
INVESTMENT POLICY (as adopted 10/2016)

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



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Scott McIntyre
Managing Director

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POLICY REVIEW

September 8, 2016

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 did not meet in 2016, so there are no required changes. We believe all previously written requirements of the Act are included within current policy. As a result, we do not recommend any changes to the Denton County Transportation Authority investment policy this year.

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 that reads "Scott McIntyre". The signature is stylized and written in cursive.

Scott McIntyre, CFA
Managing Director

Cc: Ms. Marisa Perry