



Central Texas Regional
Mobility Authority

AGENDA ITEM #12 SUMMARY

Approve updates to the list of CTRMA's approved investment broker/dealers.

Department: Finance

Associated Costs: None

Funding Source: None

Board Action Required: YES

Description of Matter:

This resolution adds three additional firms to CTRMA's current list of authorized broker/dealers.

Attached documentation:

Updated List of Authorized Investment Broker Dealers

Draft Resolution

Resolution No. 11-129 Adopting Current CTRMA Investment Policy

Contact for further information:

Cindy Demers, Controller

Bill Chapman, Chief Financial Officer

**GENERAL MEETING OF THE BOARD OF DIRECTORS
OF THE
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

RESOLUTION NO. 12-___

**APPROVING AN UPDATE TO THE LIST OF AUTHORIZED INVESTMENT BROKER
DEALERS INCLUDED AS A PART OF THE CTRMA INVESTMENT POLICY.**

WHEREAS, Resolution 11-129, adopted by the Board of Directors on September 28, 2011, is the most recently adopted approval of the CTRMA Investment Policy; and

WHEREAS, a list of Authorized Investment Broker Dealers is included as page 14 of the approved CTRMA Investment Policy; and

WHEREAS, the Executive Director, Chief Financial Officer, and Controller recommend that the Board update the list of Authorized Investment Broker Dealers to include the firms shown on the list of Authorized Investment Broker Dealers attached to the resolution as Attachment A.

NOW THEREFORE, BE IT RESOLVED that the proposed list of Authorized Investment Broker Dealers attached to this resolution as Attachment A is approved; and

BE IT FURTHER RESOLVED that the Central Texas Regional Mobility Authority Investment Policy adopted by Resolution 11-129 is hereby amended to delete the list of Authorized Investment Broker Dealers included as page 14 of the Investment Policy attached to that resolution, and to substitute the list of Authorized Investment Broker Dealers approved by this resolution.

Adopted by the Board of Directors of the Central Texas Regional Mobility Authority on the 25th day of January, 2012.

Submitted and reviewed by:

Approved:

Andrew Martin
General Counsel for the Central
Texas Regional Mobility Authority

Ray A. Wilkerson
Chairman, Board of Directors
Resolution Number: 12-___
Date Passed: 1/25/12

ATTACHMENT "A" TO RESOLUTION 12-
LIST OF APPROVED INVESTMENT BROKER DEALERS

[on the following 1 page]

Authorized Investment Broker Dealers

Coastal Securities
206 Wild Basin Road
Suite 109
Austin, Texas 78746

JPMorgan Chase Securities, Inc.
1717 Main Street
Lower Level 1
Dallas, TX 75201

Sterne, Agee & Leach
Institutional Group
6408 Bannington Drive
Charlotte, NC 28226

Gilford Securities Incorporated
777 Third Avenue
New York, NY 10017

First Allied Securities, Inc.
Advanced Equities Plaza
655 West Broadway, 12th Floor
San Diego, CA 92101

First Empire Securities
100 Motor Parkway, 2nd Floor
Hauppauge, NY 11788

First Southwest Company
325 North Saint Paul, 8th Floor
Dallas, TX 75201

BB&T Capital Markets
2 South 9th Street
Richmond, VA 23219

Bank of America Securities
One Bryant Park, 4th Floor
New York, NY 10036

**GENERAL MEETING OF THE BOARD OF DIRECTORS
OF THE
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

RESOLUTION NO. 11-129

**APPROVING THE CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
INVESTMENT POLICY**

WHEREAS, in Resolution No. 05-04, dated January 2, 2005, and as required by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), the Board of Directors approved an investment policy developed by staff and consultants to meet the obligations of the Board of Directors and to ensure that the funds of the Central Texas Regional Mobility Authority are invested effectively, wisely, and in accordance with applicable law; and

WHEREAS, the Central Texas Regional Mobility Authority Investment Policy adopted by Resolution No. 05-04 (the "Investment Policy") has been revised and reapproved by the Board from time-to-time since its initial approval; and

WHEREAS, amendments to the Act enacted by the 82nd Legislature require additional revisions to the Investment Policy to ensure continued compliance with requirements of the Act; and

WHEREAS, the Executive Director and Chief Financial Officer recommend the revisions to the Investment Policy shown in legislative format in Attachment "A" to this resolution, to ensure continued compliance with the Act and to approve non-substantive edits to further clarify the Investment Policy.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Investment Policy attached and incorporated into this resolution as Attachment "A."

Adopted by the Board of Directors of the Central Texas Regional Mobility Authority on the 28th day of September, 2011.

Submitted and reviewed by:



Andrew Martin
General Counsel for the Central
Texas Regional Mobility Authority

Approved:

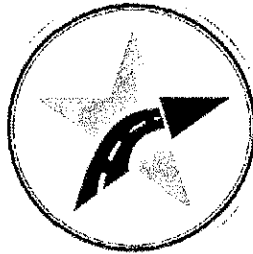


Ray A. Wilkerson
Chairman, Board of Directors
Resolution Number 11-129
Date Passed 09/28/11

Attachment “A”

Central Texas Regional Mobility Authority
Investment Plan

[shown on the following 14 pages]



Central Texas Regional
Mobility Authority

INVESTMENT POLICY

CENTRAL TEXAS
REGIONAL MOBILITY AUTHORITY

EFFECTIVE: September 28, 2011

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***CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
INVESTMENT POLICY***

I. OVERVIEW

This policy is adopted and intended to comply with the Texas Public Funds Investment Act, Chapter 2256 of the Texas Government Code as that act may be amended from time to time (the "PFIA"). It is the policy of the Central Texas Regional Mobility Authority (the "Authority") to invest public funds in a manner which will provide the maximum security with the highest investment return while meeting the daily cash flow demands of the Authority conforming to all state and local statutes governing the investment of public funds. The Authority's investment policy is approved by the Authority's Board of Directors (the "Board") and is adopted to provide investment policy guidelines for use by Authority staff and its advisors.

II. SCOPE

This policy applies to all investment activities of Authority funds except those subject to other investment covenants, or excluded by contract. All funds covered by this policy shall be invested in accordance with the PFIA. These funds are accounted for in the Authority's annual financial report and include:

- A. Revenue Fund
- B. Rebate Fund
- C. Operating Funds
- D. Debt Service Funds
- E. Debt Service Reserve Funds
- F. Renewal and Replacement Fund
- G. General Fund
- H. Capital Projects Funds

III. OBJECTIVES

The primary objectives, in priority order, of investment activities shall be:

A. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective shall be to mitigate credit risk and interest rate risk.

1. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by:

- a. Limiting investments to the safest types of securities; as listed in Section VII.
- b. Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Authority will do business; and,
- c. Diversifying the investment portfolio so that potential losses on

2. Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk may be mitigated by:

- a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing projects, thereby avoiding the need to sell securities on the open market prior to maturity; and,
- b. By investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (Section V.B.)

B. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all project and operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

C. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall be held to maturity with the following exceptions:

1. A declining credit security could be sold early to minimize loss of principal;
2. A security swap would improve the quality, yield, or target duration in the portfolio; or,
3. Liquidity needs of the portfolio require that the security be sold.

D. Public Trust

Participants in the Authority's investment process shall act responsibly as public trust custodians. Investment Officers shall avoid transactions which might impair public confidence in the Authority's ability to manage effectively.

IV. STANDARDS OF CARE

A. Prudence

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An Investment Officer acting in accordance with the investment policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

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 probable income to be derived.

B. Ethics and Conflicts

1. Investment Officers shall refrain from personal business activity that could conflict with or be perceived to conflict with the proper execution and management of the investment program, or that could impair their ability to make an impartial decision. An Investment Officer shall refrain from undertaking personal investment transactions with an individual person with whom business is conducted on behalf of the Authority.

2. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

- a. the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- b. funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- c. the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

3. An Investment Officer shall file with the Texas Ethics Commission and with the Board of Directors a statement disclosing the existence of the relationship if the Investment Officer:

- a. has a personal business relationship with a business organization offering to engage in an investment transaction with the Authority; or
- b. is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, to an individual seeking to sell an investment to the Authority.

C. Designation of Investment Officer

The Chief Financial Officer and Controller are designated and shall act as the Investment Officers of the Authority and shall have responsibility for managing the Authority's investment program. Additional Authority personnel may also be designated as an Investment Officer with approval of the Board. Written operational and investment procedures consistent with this policy shall be established. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the established procedures.

D. Investment Advisor

The Board may select an Investment Advisor to advise the Authority on investment of funds and other responsibilities as outlined in this policy including but not limited to broker compliance, security selection, competitive bidding, reporting and security documentation. The Investment Advisor must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor's Act of 1940 as well as with the Texas State Securities Board.

E. Required Training

The Chief Financial Officer and Controller and any other person designated by resolution of the Board as an Investment Officer shall attend at least one training session relating to the responsibilities of maintaining the investment portfolio within 12 months after taking office or assuming duties; and shall attend a training session not less than once every two years and receive not less than ten (10) hours of training. Such training, from an independent source, shall include education in investment controls, security risks, strategy risks, market risks, and compliance with the PFIA. Training required by this subsection shall be from an independent source certified to provide training required by the PFIA and approved or endorsed by the Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, or the North Central Texas Council of Governments.

V. INVESTMENT STRATEGIES

The Authority's investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

A. Market Yield Benchmark

The Authority's investment strategy is conservative. Given this strategy, the basis used by the Chief Financial Officer to determine whether minimum market yields are being achieved shall be the six (6) month T-bill rate. Investment Officers and Investment Advisors shall strive to safely exceed minimum market yield within policy and market constraints.

B. Maximum Maturities

To the extent possible, the Authority will attempt to match its investments with anticipated project cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest *operating or general funds* in securities maturing more than sixteen (16) months from the date of purchase, unless approved by the Board. Investment of bond proceeds shall not exceed the projected expenditure schedule of the related project.

Reserve funds may be invested in securities exceeding twelve (12) months if the maturity of such investments are made to coincide as nearly as practicable with the expected use of the funds.

C. Diversification

The Authority will seek to diversify investments, by security types and maturity dates in order to avoid incurring unreasonable risks.

VI. SAFEKEEPING AND CUSTODY

A. Authorized Financial Dealer and Institutions

The Chief Financial Officer shall maintain a list of financial institutions authorized by the Board to provide investment services and a list of security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas and who have been approved by the Board. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Chief Financial Officer with the following:

1. Audited financial statements;
2. Proof of National Association of Securities Dealers (NASD) certification;
3. Proof of state registration;
4. The completed broker/dealer questionnaire in the form approved by this Investment Policy on page 12; and,
5. A written certification signed by a qualified representative of the firm in the form approved by this Investment Policy on page 13. The Authority will not enter into an investment transaction with a financial institution prior to receiving this written certification and acknowledgement.

A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Authority invests. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Executive Director.

B. Collateralization

The Authority, in accordance with State Statutes, requires all funds held by financial institutions above the Federal Deposit Insurance Corporation (FDIC) insurance limit to be collateralized with securities whose market value is pledged at 102% of principal and accrued interest by that institution with the Authority's custodial bank. Private insurance coverage is not an acceptable collateralization form. Securities which are acceptable for collateralization purposes are as follows:

1. FDIC insurance coverage.
2. A bond bill, certificate of indebtedness, or Treasury note of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest by the United States (i.e. Treasury Agency issues).
3. Obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas.
4. A bond of the State of Texas or a country, city or other political subdivision of the State of Texas having been rated as investment grade by a nationally recognized rating agency with a remaining maturity of ten years or less.

C. Custody - Delivery vs. Payment

All security transactions entered into by the Authority shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by the Authority's custodial bank and evidenced by safekeeping receipts.

D. Safekeeping of Securities

Securities purchased for the Authority's portfolios will be delivered in book entry form and will be held in third party safekeeping by a Federal Reserve member financial institution designated as the Authority's safekeeping and custodian bank.

The Authority will execute Safekeeping Agreements prior to utilizing the custodian's safekeeping services. The safekeeping agreement must provide that the safekeeping agent will immediately record and promptly issue and deliver a safekeeping receipt showing the receipt and the identification of the security, as well as the Authority's interest. All securities owned by the Authority will be held in a Customer Account naming the Authority as the customer.

The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards no. 70 or SAS 70).

VII. AUTHORIZED AND SUITABLE INVESTMENTS

The investment of Authority funds will be made using only those investment types approved by the Board and which are in accordance with the PFIA. The approved investment types will be limited to the following:

A. Allowable Investments

1. U.S. Treasury and Federal Agency Issues.
2. Certificates of Deposit as authorized under Section 2256.010 of the PFIA.
3. Repurchase Agreements, *including flexible Repurchase Agreements*, collateralized by U.S. Treasury or Federal Agency Securities whose market value is 102% of the Authority's investment and are pledged and held with the Authority's custodial bank or a third-party safekeeping agent approved by the Authority. Repurchase agreements must also be secured in accordance with State law. Each counter party to a repurchase transaction is required to sign a copy of an Investment Repurchase Agreement under the guidelines of Section 2256.011 of the PFIA, using the Bond Market Association Public Securities Association Master Repurchase Agreement as a general guide and with such changes thereto as are deemed in the best interest of the Authority. Such an Agreement must be executed prior to entering into any transaction with a repo counter-party.
4. Guaranteed Investment Contracts (GIC's) collateralized by U.S. Treasury or Federal Agency Securities whose market value is 102% of the Authority's investment and are pledged and held with the Authority's custodial bank or a third-party safekeeping agent approved by the Authority. Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested for a term which exceeds five years from the date of bond issuance.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "AA" or its equivalent, with fixed interest rates and fixed maturities.
6. SEC registered no-load money market mutual funds with a dollar weighted average portfolio maturity of 90 days or less; that fully invest dollar for dollar all Authority funds without sales commissions or loads; and whose investment objectives include the maintenance of a stable net asset value of \$1 per share
7. Local government investment pools, which are "AAA" rated by a nationally recognized bond rating company (e.g., Moody's, S&P, Fitch), and which participation in any particular investment pool(s) has been authorized by resolution of the Board, not to exceed 80% of the total investment portfolio less bond funds. Bond funds may be invested at 100%.

B. Prohibited Investments

The Authority is prohibited from purchasing any security that is not authorized by Texas law, or any direct investment in asset-backed or mortgage-backed securities. The Authority expressly prohibits the purchase of inverse floaters, interest-only (IO) and principal-only (PO) collateralized mortgage obligations (CMO's).

C. Downgrade Provisions

An Investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. The Investment Officers shall monitor the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. The Authority shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

VIII. REPORTING AND REVIEW

A. Quarterly Report Requirements

The Investment Officers shall jointly prepare, no less than on a quarterly basis, an investment report, including a summary that provides a clear picture of the status of the current investment portfolio and transactions made after the ending period of the most recent investment report. The report shall be provided to the Board and the Executive Director. The report shall comply with requirements of the PFIA and shall include the following:

1. The investment position of the Authority on the date of the report.
2. The signature of each Investment Officer.
3. Summary for each fund stating:
 - a. Beginning market value;
 - b. Ending market value.
4. Beginning and ending book value and market value for each investment along with fully accrued interest for the reporting period.
5. Maturity date of each investment.
6. Description of the account or fund for which the investments were made.
7. Statement that the investment portfolio is in compliance with the Authority's investment policy and strategies.

B. Security Pricing

Current market value of securities may be obtained by independent market pricing sources including, but not limited to, the Wall Street Journal, broker dealers and banks other than those who originally sold the security to the Authority as well as the Authority's safekeeping agent.

C. Annual Audit

If the Authority places funds in any investment other than registered investment pools or accounts offered by its depository bank, the above reports shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Executive Committee.

In addition, the Authority's external auditors shall conduct a compliance audit of management controls on investments and adherence to the Investment Policy.

IX. POLICY

A. Exemption

Any investment currently held that does not meet the guidelines of this policy or subsequent amended versions shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

B. Annual Review

The Authority shall review and approve the Investment Policy annually. This review shall be conducted by the Board with recommendations from the Executive Director. Any approved amendments shall be promptly incorporated into written policy.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
SECURITY BROKER/DEALER QUESTIONNAIRE**

1. Name of Firm: _____
2. Primary Representative: _____
 Acct Executive: _____ Title: _____
 Phone Number: _____ Phone #: _____
3. Is your firm registered with the Texas Securities Commission?
 No Yes [Include copy of registration]

 Is your firm NASD certified? No Yes [Include copy of certificates.]
4. Does your firm come under SEC regulation and their Uniform
 Net Capital Rule (Rule 152c3-1)? No Yes
5. What was your firm's total volume in US Treasuries/Agencies during you last fiscal year?
 Firmwide \$ _____ # of Transactions _____
 Local Office \$ _____ # of Transactions _____
6. Which instruments are traded regularly by the local desk?
 Treasuries Agencies
 Other
7. Please provide comparable public sector references.

Name of Entity	Contact Name	Phone Number
_____	_____	_____
_____	_____	_____
_____	_____	_____
8. Please submit a copy of your annual financial report.
9. Please submit your trading authorization form.
10. Please submit a copy of all necessary paperwork to establish an account with your firm.
11. Please describe a typical transaction between the Authority and your firm.
 Note deadlines or cut off times involved.
12. Do you clear through another firm? If so, what firm?
13. Has your firm ever been subject to a regulatory or state or federal agency investigation for alleged improper, fraudulent, disreputable or unfair activities related to the sale of government securities or money market instruments? Have any of your employees ever been so investigated? Explain.

CERTIFICATION

I hereby certify as the qualified representative of [INSERT NAME OF BUSINESS ORGANIZATION] that:

- (A) I am duly authorized to execute this this certification on behalf of [INSERT NAME OF BUSINESS ORGANIZATION];
- (B) I have received and personally read the Investment Policy adopted by the Board of Directors of the Central Texas Regional Mobility Authority (the "Authority"); and
- (C) [INSERT NAME OF BUSINESS ORGANIZATION] has implemented reasonable procedures and controls designed to preclude:
 - (1) investment transactions conducted between the Authority and [INSERT NAME OF BUSINESS ORGANIZATION] that are not authorized by the Authority's Investment Policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Authority's entire portfolio or requires an interpretation of subjective investment standards; and
 - (2) imprudent investment activities arising out of transactions conducted between our firm and the Authority; and.

[INSERT NAME OF BUSINESS ORGANIZATION] will not deliver or propose any investments that are not allowed under the Authority's Investment Policy. All our sales personnel will be routinely informed of the Authority's investment objectives, strategies and risk constraints whenever we are so advised. We will notify the Authority immediately by telephone and in writing in the event of a material adverse change in our financial condition. We pledge to exercise due diligence in informing the Authority of all foreseeable risks associated with financial transactions conducted with our firm. I attest to the accuracy of our responses to the Authority's questionnaire.

[INSERT NAME OF BUSINESS ORGANIZATION]:

Signature

Printed Name of Representative

Title

Date

Authorized Investment Broker Dealers

Coastal Securities
206 Wild Basin Road
Suite 109
Austin, Texas 78746

JPMorgan Chase Securities, Inc.
1717 Main Street
Lower Level 1
Dallas, TX 75201

Sterne, Agee & Leach
Institutional Group
6408 Bannington Drive
Charlotte, NC 28226

Gilford Securities Incorporated
777 Third Avenue
New York, NY 10017

First Allied Securities, Inc.
Advanced Equities Plaza
655 West Broadway, 12th Floor
San Diego, CA 92101

First Empire Securities
100 Motor Parkway, 2nd Floor
Hauppauge, NY 11788