North Central Regional Transit District (NCRTD)

Resolution No. 2017-24

A Resolution Amending the June 10, 2016 Financial Policy #6 Investment Policy

WHEREAS, the Board of Directors is the statutory governing body in and for the North Central Regional Transit District (District) and finds it in the best interest of the constituents of the District to establish policies to ensure the financial stability of the District; and

WHEREAS, the current Financial Policy was adopted on June 10, 2016; and

WHEREAS, the Finance Committee at their May 26, 2017 meeting reviewed draft changes to the District’s Financial Policy and have recommended consideration of those changes to the Board of Directors; and

WHEREAS, the Board, after thorough consideration and upon recommendation of the Finance Committee and staff, find that it is prudent to amend the District’s Financial Policy attached hereto.

NOW THEREFORE BE IT RESOLVED, BY THE NCRTD BOARD that the attached financial policy #6 is approved and adopted this 7th day of July 2017.

NOW THEREFORE LET IT BE FURTHER RESOLVED, that the NCRTD board does hereby direct management to implement and develop procedures to insure appropriate accounting and maximum accountability in accordance with all laws and regulation that pertain to the financial policy.

Approved as to form:

Daniel Barrone, Chair

Peter Dwyer, Counsel
# NORTH CENTRAL REGIONAL TRANSIT DISTRICT

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<th>SUBJECT: Investment Policy</th>
<th>NUMBER: Financial - 06</th>
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<td><strong>EFFECTIVE DATE:</strong> July 7, 2017</td>
<td><strong>Adopted and amended by Board Resolution No. 2017-24</strong></td>
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| **AMENDS/SUPERSEDES:** Policies adopted by Board on June 10, 2016, October 9, 2015, July 14, 2011, November 4, 2011, March 1, 2013, and November 8, 2013. | **APPROVED:** [Signature]

ANTHONY J. MORTILLARO, EXECUTIVE DIRECTOR

## A. Purpose

The Investment Policy described herein is designed to provide a comprehensive framework for the management of resources for the North Central Regional Transit District (NCRTD). They provide guidelines for decision making by the NCRTD Board and management on how financial resources shall be utilized to fulfill the mission of the transit system, meet obligations and protect the public interest.

**Objectives:**

- Cost effective allocation and use of NCRTD financial resources in achieving the Districts mission.
- Compliance with applicable Federal and State laws, regulations and guidelines governing transit funding.
- Use of sound business and accounting practices in managing NCRTD financial affairs.
- Consistent financial practices, operational efficiencies and best practices.

## B. Investment Policy

It is the policy of the NCRTD to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state statutes governing the investment of public funds.
1. **Delegation of Authority**

Responsibility for the management of the District’s investment portfolio is delegated to the Districts Finance Director by the Executive Director. The District’s Finance Director will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. 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 procedures established by the Finance Director.

2. **Prudent Person Rule**

Investments on behalf of the District will be made in accordance with the “prudent person” rule; i.e. 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.

3. **Scope of Policy**

Unless otherwise noted, this investment policy will apply in its entirety to all monies of the District over which it has direct control as well as those funds that the District is responsible for as custodian and/or trustee.

4. **Investment Objectives**

The District seeks to balance three primary objectives for its cash portfolio:

- Maintaining sufficient liquidity to meet financial obligations;
- Earning a market rate of return (subject to permitted investment constraints); and
- Diversifying investments among asset classes to ensure safety of principal.

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

5. **Performance Standards**

The Districts’ objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with invest risk constraints and cash flow needs.
The District's investment strategy is passive. Given this strategy, the Finance Director shall determine whether market yields are being achieved by comparing the average District portfolio yield to the treasury security that most closely matches the duration of the portfolio.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials who are involved in investing public funds or have the authority to decide how public funds are invested shall disclose to the District Board any material financial interests in financial institutions that conduct business within the District's jurisdiction, and they shall further disclose the conduct of personal business with, receipt of pecuniary benefit from, or financial interest they have in any entities in which investments are being made.

7. Permitted Investments

Any investment not mentioned herein is prohibited.

a. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States government or its agencies or instrumentalities representing direct ownership of future interest or principal payments on direction obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States.

b. Insured cash accounts, certificates of deposits with banks and credit unions, brokered certificate of deposits provided that the collateral securing the investment permitted by this paragraph, are secured by the FDIC and NCUA or collateralized by the bank per the requirements stated in paragraph 3.

c. Bonds or securities of the State of New Mexico or of any agency or political subdivision or school district thereof which has a taxable valuation of real property for the last year of at least one million dollars and has not defaulted in the payment of interest or sinking fund obligation or failed to pay any bonds at maturity at any time within five years preceding the date of investment.

d. The “short-term investment fund” described in Section 6-10-10.1 N.M.S. A. 1978 or other similar pooled funds maintained by the State of New Mexico for the investment of public funds of the local public bodies of the state.

e. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection (G) of Section 6-7-8 NMSA 1978.

f. Any other investment permitted at the time of the investment by a statute of the State of New Mexico for public entities.
g. Funds available for investment for more than one year, including monies appropriated to permanent and irrevocable trust funds may be invested as provided in NMSA 1978, § 6-10-10. (G). The Investment Officer shall conduct a thorough investigation prior to investing in any pool or fund and on a continuing basis once an investment is made. Information gathered will include a written statement of policy and objectives, eligible securities, interest calculation and distribution, securities settlement and safekeeping, handling gains/losses, audit opinions, and fee schedules and statements.

8. Collateralization

New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. The District will require 100% collateralization of funds over $250,000 by all banks and credit unions. This collateral will be pledged in the name of the District and held by a third-party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the Finance Director. The institution will issue safekeeping receipts to the District for securities held by a third party.

9. Selection of appropriate Investments

a. Individual investments are selected to meet anticipated cash flow requirements and provide adequate liquidity. Within this cash flow perspective, the investment manager will select those securities that will best meet the District’s overall portfolio strategy.

b. Criteria for selecting investments and the order of priority are:

i. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The objective is to select only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk. Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations. Credit risk shall be mitigated by limitation on concentration of non-collateralized investments

ii. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Liquidity shall be assured
through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.

iii. **Yield.** Yield is the potential dollar earnings an investment can provide, also referred to as the rate of return. The objective is to attain a rate of return that equals or exceeds the yield for the treasury security that most closely matches the duration of the investment.

10. **Diversification**

The District will diversify its use of investment instruments to eliminate nonsystematic risk. Strategic and tactical asset allocations shall be determined and revised periodically. In establishing asset allocations strategies, the following general policies and constraints shall apply:

Portfolio maturities shall be staggered to avoid undue concentration of assets on a specific maturity date. Maturities selected shall provide for stability of income and reasonable liquidity.

With the exception of U. S. Treasury securities and authorized pools, no more than 65% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity date.

11. **Selection of Brokers/Dealers**

The Financial Director shall develop and maintain a list of banks and securities dealers approved for securities transactions initiated by the district, and it shall be the policy of the District to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

a. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,

b. Report voluntarily to the Federal Reserve Bank of New York,


The Finance Director will select broker/dealers on the basis of their expertise in public investing and their ability to provide service to the District's account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

Approved broker/dealers shall attest in writing that they have received and read this Policy.
12. Safekeeping and Transaction Settlement

The Financial Director shall approve one or more financial institutions to provide securities safekeeping services for the District. All investment securities purchased by the District will be held in third-party safekeeping by the District’s safekeeping agent. The District’s safekeeping agent will be required to furnish the District a list of holdings on at least a monthly basis. The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.

13. Competitive Transactions

Securities purchases and sales will be executed after obtaining at least two competitive bids or offerings whenever feasible. If the District is offered a security for which competitive offerings cannot be obtained, quotations for comparable securities will be documented.

C. Periodic Review and Amendment

The Investment Policy delineated herein shall be subject to review and revision by the District at least every three (3) years. This does not preclude the District from revising specific policies included herein nor from adding policies should the District determine that the best interest of the public and/or NCRTD would be served by making such a revision.

Amendments or revision to these financial policies may be initiated or proposed by any member of the District Board or by the Executive Director of the NCRTD.

Proposed amendments or revisions to these Financial Policies shall be first presented to and reviewed by the Board’s Finance Subcommittee. The Subcommittee shall make a recommendation on any proposed amendment or revision to the District Board.

The District Board must approve any amendment or revision by majority vote before said amendment or revision shall become official policy of the NCRTD.