



## TOPEKA METROPOLITAN TRANSIT AUTHORITY

### Board of Directors Meeting – Agenda Item

<b>ITEM</b>	TMTA Investment Policy Update
<b>CONTACT</b>	Richard Appelhanz
<b>RECOMMENDATION</b>	Approve
<b>SUMMARY</b>	The TMTA Investment Policy has been updated with language from the State of Kansas Pooled Money Investment Portfolio Investment Policy.
<b>FISCAL IMPACT</b> (Current and Future)	N/A
<b>PRIORITY/GOAL</b>	N/A
<b>ATTACHMENTS</b>	Yes

# Topeka Metropolitan Transit Authority

## Investment Policy

Topeka Metropolitan Transit Authority (TMTA) keeps three types of reserve funds – Self-Insurance, Capital, and Emergency.

TMTA is self-insured under the Tort Claims Act, which limits liability to \$500,000 per occurrence. TMTA keeps \$1,000,000 in demand accounts, which are normally kept in certificates of deposit or U.S. treasury bills with terms of 30 days to one year. The interest paid at the end of each term is normally rolled into the CD or treasury bill balance, and the new amount is then placed in either a new CD at the bank that offers the best interest rate or a new treasury bill. The Self-Insurance Reserve remains at a \$1,000,000 balance.

A Capital Reserve is approved by the TMTA Governing Board. The amount in this reserve is also set by the board. This reserve fund is normally kept in certificates of deposit or U.S. treasury bills with terms of 30 days to one year. The interest paid at the end of each term is normally rolled into the CD or treasury bill balance, and the new amount is then placed in either a new CD at the bank that offers the best interest rate or a new treasury bill. Funds from the Capital Reserve may be spent only with the approval of the TMTA Governing Board.

An Emergency Reserve is recommended by the TMTA Governing Board and by prudent business practice. The Emergency funds are normally kept in certificates of deposit or U.S. treasury bills with terms of 30 days to one year. The interest paid at the end of each term is normally rolled into the CD or treasury bill balance, and the new amount is then placed in either a new CD at the bank that offers the best interest rate or a new treasury bill. Funds from the Emergency Reserve may be spent with the approval of the General Manager and the TMTA Governing Board.

### **I. POLICY STATEMENT**

It is the policy of the TMTA, to invest our Investment Portfolio (which consists of moneys held in idle funds and the Municipal Investment Pool) in a manner which will provide a reasonable rate of return with the maximum security while meeting the daily cash flow demands of the TMTA and conforming to all statutes governing the investment of TMTA moneys. The standard of prudence to be used by investment officials shall be the prudent person standard, which shall be applied in the context of managing an 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 probable income to be derived. Investment officers and Board members acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, if deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

## II. GENERAL OBJECTIVES

The primary objectives, in priority order of the TMTA's investment activities, shall be as follows:

A. **Safety.** Safety of principal is the foremost objective of the investment program. Investments by the TMTA shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. This includes mitigating credit and interest rate risk.

### 1. Credit Risk

The TMTA will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

a. Limiting investments to the safest types of securities.

### 2. Interest Rate Risk

The TMTA will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

a. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity

b. Investing operating funds primarily in shorter-term securities.

B. **Liquidity.** The investment portfolio will remain sufficiently liquid to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

C. **Return on Investment.** The investment portfolio shall be designed with the objective of attaining a reasonable rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

### **III. PERMITTED INVESTMENTS**

- A. Certificates of deposit in Kansas banks as authorized by K.S.A. 75-4237, which are fully collateralized as required by K.S.A. 75-4218, as amended.
- B. Direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof.

### **IV. STANDARDS OF CARE**

- A. Prudent Person.

Investments shall be made within the limitations of K.S.A. 75-4209 and shall be made with judgment and care, under the 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 first the safety and liquidity of capital and next the probable income to be derived.

- B. Conflicts of Interest.

TMTA board members, 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 that could impair their ability to make impartial investment decisions. All such investment officials shall disclose to the TMTA any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that are related to the performance of the TMTA's portfolio. In accordance with K.S.A. 75- 4222, a unanimous vote of the TMTA Board shall be required to award a state bank account to any bank in which any member of the TMTA Board is interested as a stockholder or officer. All investment officials shall subordinate their personal investment transactions to those of the TMTA, particularly with regard to the timing of purchases and sales.