



# Dallas Fort Worth International Airport

## INVESTMENT POLICY and STRATEGIES

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## **TABLE OF CONTENTS**

<b>Section I</b>	<b>Investment Policy</b>
<b>Section II</b>	<b>Investment Strategy</b>
<b>Section III</b>	<b>Approved Broker/Dealers</b>
<b>Section IV</b>	<b>Approved Investment Training Sources &amp; Current Investment Officer's Training Certificates</b>
<b>Section V</b>	<b>Texas Public Funds Investment Act</b>
<b>Section VI</b>	<b>Texas Public Funds Collateral Act</b>

**SECTION I**  
**INVESTMENT POLICY**

**1.0 INTRODUCTION AND PURPOSE**

- A. This policy (“Investment Policy”) shall provide the guidelines by which the Dallas/Fort Worth International Airport Board (“DFW”) will maintain adequate cash to meet its liquidity needs and to provide protection for its principal while optimizing yield. This policy also serves to satisfy the statutory requirements of defining and adopting a formal investment policy as required by the Texas Public Funds Investment Act, Government Code Chapter 2256 (the “Act”) as amended and effective June 17, 2011 (see Section V below) and provides compliance with existing bond ordinances. All investments made by DFW shall comply with the Act, and federal, state and local statutes, rules and regulations.

**2.0 SCOPE**

- A. This Investment Policy applies to the operating funds, special purpose funds, interest and sinking funds, reserve funds, bond funds and FIC funds of DFW. Excluded from this policy are the Dallas/Fort Worth International Airport Employees’ Retirement Plans and funds held by a trustee in accordance with an authorized trust agreement. The investment of bond funds (as defined by the Internal Revenue Service) is managed in accordance with their governing resolution and all applicable state and federal law.

**3.0 INVESTMENT OBJECTIVES**

- A. Investment of the funds covered by this policy is governed by the following objectives in the order of priority:
- 1) Safety of Principal
    - a) The primary objective of all investment activity is the preservation of capital and safety of principal in the overall portfolio. Each investment transaction will seek to ensure first that capital losses are avoided, whether they are from security defaults or erosion of market value.
    - b) DFW seeks to control risk of loss due to the failure of a security issuer or grantor. Such risk will be controlled by investing only in the safest type of securities as defined in the policy; by collateralization as required by law; and through portfolio diversification by maturity and type.
  - 2) Maintenance of Adequate Liquidity: To the extent that cash flow requirements can be reasonably anticipated, investments are managed to meet them. Liquidity needs are met by investing in investment pools, no-load money market funds and interest-bearing demand bank accounts that allow for same day withdrawals.
  - 3) Public Trust: All participants in DFW’s investment process shall seek to act responsibly as custodians of the public trust. Investment Officers (as defined in Section 13.0 below) shall avoid any transactions that impair the public confidence in DFW.
  - 4) Optimization of Interest Earnings: The investment portfolio is managed with the objective of optimizing interest earnings while remaining in compliance with the policy, the law, and the Airport’s risk tolerance, as expressed in this policy. Optimizing interest earnings, although important, is subordinate to the safety and liquidity objectives of DFW.

**4.0 AUTHORIZED INVESTMENTS**

- A. Investments described below are authorized by the Act and are eligible investments for DFW. The purchase of specific issues may at times be restricted or prohibited by the Finance/Audit Committee and Board of Directors. Except for money market mutual funds, at no time shall any single security (cusip) exceed 5% of total DFW funds unless said investment consists of, or is collateralized by instruments described in Section 9.0. DFW funds governed by this policy may be invested in:
- 1) Obligations of the United States or its agencies or instrumentalities as permitted by Government Code 2256.009(a)(1)

- 2) Obligations of the State of Texas or its agencies or instrumentalities as permitted by Government Code 2256.009(a)(2)
- 3) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of this State or the United States or their respective agencies and

instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, as permitted by Government Code 2256.009 (a)

- 4) Municipal obligations having a minimum bond rating of A as permitted by Government Code 2256.009(a)(5)
- 5) Certificates of deposit and share certificates as permitted by Government Code 2256.010
- 6) Fully collateralized repurchase agreements permitted by Government Code 2256.011
- 7) Banker's acceptances as permitted by Government Code 2256.012
- 8) Commercial paper as permitted by Government Code 2256.013 that is issued in the United States and pre-approved by at least two Investment Officers
- 9) Two types of mutual funds as permitted by Government Code 2256.014 - money market mutual funds and no-load mutual funds
- 10) A guaranteed investment contract ("GIC") as an investment vehicle for bond proceeds provided it meets the criteria and eligibility requirements established by Government Code 2256.015
- 11) Public funds investment pools as permitted by Government Code 2256.016

#### **5.0 INTEREST-BEARING DEMAND BANK ACCOUNTS**

- A. In addition to regular demand bank accounts, DFW may deposit funds into interest-bearing demand bank accounts.
  - 1) Interest-bearing demand bank accounts shall be considered the same as demand bank accounts in that collateral shall conform to the same levels contractually agreed upon in the depository contract.
  - 2) Letters of credit issued by the Federal Home Loan Bank ("FHLB") agency can be accepted as collateral for interest bearing demand bank accounts, in an amount not to exceed \$150 million.

#### **6.0 UNAUTHORIZED INVESTMENTS**

- A. The following investments are specifically prohibited under this Policy:
  - 1) Collateral mortgage obligations and any derivatives thereof
  - 2) Asset-backed commercial paper
  - 3) Investments specifically prohibited by Government Code 2256.009(b)
  - 4) Investments with maturities greater than ten years based on DFW's original settlement (purchase) date
- B. Disposition of investments that were authorized investments at the time of purchase but have subsequently become unauthorized:
  - 1) DFW is not required to liquidate investments that were authorized investments at the time of purchase. Per Government Code 2256.017, the decision to sell such a security will be reasonably and prudently reviewed by the Investment Officers and a determination made with the best interest of DFW in mind.

#### **7.0 CREDIT RATING MONITORING**

- A. DFW will monitor credit rating changes monthly through the Bloomberg Launchpad Program. Investments required to be monitored must have a minimum required rating as stated in Government Code 2256.009. If an investment no longer has the minimum rating required, the Investment Officers will take all prudent measures that are consistent with this investment policy, including possible liquidation of the investment.

#### **8.0 SPECIAL PLACEMENT OF CERTIFICATES OF DEPOSIT**

- A. The Board of Directors may authorize placement of certificates of deposit ("CD") with small, local financial institutions located in the Dallas/Fort Worth metropolitan statistical area, in an amount not greater than \$1,000,000 and with maturities of one year or less, without seeking competitive bids.

#### **9.0 COLLATERAL**

- A. CERTIFICATES OF DEPOSIT COLLATERAL

- 1) Authorization: Consistent with the Texas Government Code, Chapter 2257, as amended and effective June 2011 (see Section VI), DFW requires all bank and savings and loan association deposits to be federally insured or collateralized with authorized securities. Financial institutions providing CDs where collateral will be pledged, are required to sign a depository agreement with DFW. The safekeeping portion of the depository agreement will define DFW's rights to the collateral in case of default, bankruptcy, or closing and will establish a perfected security interest in compliance with federal and state regulations. The depository agreement must:
    - a) Be in writing;
    - b) Be executed by the depository and DFW contemporaneously with the acquisition of the asset;
    - c) Be approved by the depository's board of directors or loan committee, with a copy of the meeting minutes delivered to DFW; and
    - d) Be part of the depository's "official record" continuously since its execution.
  - 2) Allowable Collateral
    - a) Obligations of the United States or its agencies or instrumentalities, as permitted by Government Code 2256.009.
    - b) Obligations of the State of Texas or its agencies or instrumentalities, as permitted by Government Code 2256.009.
    - c) Municipal obligations having a minimum bond rating of AA as permitted by Government Code 2256.009.
    - d) Letters of credit issued by the Federal Home Loan Bank ("FHLB") agency. The use of FHLB letters of credit as a form of collateral are restricted to special placement of CDs as defined in Section 8.0.
    - e) Surety bonds issued by financial institutions having at least an AA or an equivalent credit rating from at least one nationally recognized rating firm. Surety bonds shall be monitored annually to assure the bond remains in place and is of an amount adequate to meet this policy.
    - f) Collateral as permitted by the pooled collateral state program under Subchapter F of the Public Funds Collateral Act.
  - 3) Collateral Levels
    - a) The market value of the principal portion of collateral pledged for CDs must at all times be equal to or greater than the par value of the CD plus accrued interest, less the applicable level of FDIC insurance. The collateral market value must be maintained at the following levels:
      - (1) US Treasuries or agencies, State of Texas agencies or instrumentalities, and municipal obligations rated AA – 102%
      - (2) Surety bonds rated AA – 100%
      - (3) FHLB letters of credit – 100%
  - 4) Monitoring Collateral Adequacy: Surety bonds and FHLB letters of credit will be monitored on an annual basis. Other types of acceptable collateral will be monitored on a monthly basis. An Investment Officer will monitor adequacy of collateralization levels to verify market values and total collateral positions. If the collateral pledged for a certificate of deposit falls below the par value of the deposit, plus accrued interest, less FDIC insurance, the institution issuing the CD will be notified by an Investment Officer and will be required to pledge additional collateral no later than the end of the next succeeding business day after notice.
  - 5) Safekeeping of Collateral: All collateral securing bank and savings and loan deposits, with the exception of surety and FHLB Letters of Credit, must be held by a third-party institution, in DFW's name, meeting the requirements of the Public Funds Collateral Act and acceptable to DFW, or by the Federal Reserve Bank.
- B. COLLATERAL FOR REPURCHASE AGREEMENTS AND GUARANTEED INVESTMENT CONTRACTS ("GICs")

- 1) Authorization: Repurchase agreements or GICs must also be secured in accordance with State law. Counter-parties to a repurchase transaction will be required to sign a copy of the Bond Market Association Master Repurchase Agreement or a form compliant with such agreement as approved by DFW. An executed copy of this Agreement must be on file before DFW will enter into any transaction with counter-parties. The Finance and Audit Committee and the Board of Directors must approve all Master Repurchase Agreements and GICs.
- 2) Allowable Collateral
  - a) United States Treasuries
  - b) United States Agencies or Instrumentalities
  - c) Collateral as permitted by the pooled collateral state program under Subchapter F of the Public Funds Collateral Act.
  - d) Cash in combination with the obligations described in a) through c) above .
- 3) Collateral Levels
  - a) A repurchase agreement or GIC's security value will be the par value plus accrued interest. The collateral market value must be maintained at the following minimum levels:

Agreement Maturities Greater Than One Business Day

U. S. Treasury Securities	102%
U. S. Agency and Instrumentalities	102%

Agreement Maturities Not Exceeding One Business Day

All Securities	100%
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- 4) Monitoring Collateral Adequacy: Monthly monitoring by an Investment Officer of market values of all underlying securities purchased as collateral for repurchase agreements and GICs is required. If the value of the securities underlying an agreement should fall below the required amount, an Investment Officer will notify the repo or GIC issuer, who will have one business day from notice to remedy the insufficiency.
  - 5) Safekeeping of Collateral: The securities pledged under repurchase agreements and GICs must be delivered to a third-party custodian with whom DFW has established a safekeeping agreement.
- C. COLLATERAL SUBSTITUTION
- 1) Collateral substitutions are permitted when the substitute collateral is of the type allowable by this policy and maintains the collateral levels required by this policy. Notice of collateral substitution must be submitted in writing to DFW within three business days of the substitution and include the type and market value of both the collateral substituted and the substitute collateral. The Investment Officers may prohibit or limit substitution and assess appropriate fees if substitution becomes excessive or abusive. Any costs relating to the substitution of collateral must be the responsibility of the institution requesting the substitution.

**10.0 SAFEKEEPING OF INVESTMENTS**

- A. All securities transactions will be executed by “delivery versus payment” (DVP) or “receive versus payment” (RVP) through DFW’s Safekeeping Agent (as defined below). By so doing, DFW funds are not released until DFW has received, through the Safekeeping Agent, the securities purchased.
  - 1) Safekeeping Agreement - DFW will contract with an independent third-party custodian (the “Safekeeping Agent”) for the safekeeping of securities owned by DFW as a part of its investment portfolio. All securities shall be held in the name of DFW and shall be evidenced by a monthly statement from the Safekeeping Agent.

**11.0 FINANCE/AUDIT COMMITTEE**

- A. The Finance and Audit Committee shall serve as the oversight committee relating to the investment of DFW’s funds. Responsibilities in this regard are to:
  - 1) Review and recommend approval by the Board of Directors of the Investment Policy on an annual basis as required by the Act.

- 2) Review and recommend approval by the Board of Directors of an Annual Investment Strategy for each fund on an annual basis as required by the Act.
- 3) Review investment reports on a quarterly basis.

#### **12.0 REVIEW AND ADOPTION**

- A. This Investment Policy, Investment Strategies, Approved Investment Training Sources, and Approved Broker/Dealers List will be reviewed annually by the Finance and Audit Committee and approved by the Board of Directors. Interim amendments must be reviewed by the Finance and Audit Committee and approved by the Board of Directors.

#### **13.0 AUTHORITY TO INVEST**

- A. The Chief Financial Officer, the Vice President of Treasury Management, and the Cash and Investment Manager are the “Investment Officers” of DFW. Except as limited below, Investment Officers are authorized to deposit, withdraw, transfer, and execute documentation with regard to investments, and manage DFW funds in accordance with this Investment Policy and Strategies. All investment purchases and sales, excluding money market fund transfers on established accounts, require the approval of two investment officers. Approval may be effected by email or text message with signatures to follow.

#### **14.0 INVESTMENT TRAINING**

- A. All “Investment Officers” are required to take at least 10 hours of investment training from an approved training source within 12 months after taking office or assuming duties. Thereafter, 8 hours of training is required once in every two fiscal years. The training will address investment controls, security risks, strategy risks, market risks, and compliance with the Act. If an Investment Officer is not in compliance with the Act, the officer will be suspended from the duties and responsibilities of the office until such time as they regain compliance. To insure quality and suitability, training will be obtained from independent sources not involved in investment transactions with DFW, and that are approved by the Board of Directors. See Section IV of this policy book for a list of approved investment training sources

#### **15.0 PRUDENCE**

- A. The standard of prudence to be used by DFW will be the “prudent person standard” and will be applied in the context of managing the overall portfolio within the applicable legal constraints and under the prevailing economic conditions. The standard states: “Investments will be made with judgment and care, under circumstances then prevailing, that a person of prudence, discretion and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived”.
- B. The designated Investment Officers will perform their duties with judgment and care in accordance with the adopted Investment Policy and internal procedures. Investment Officers, acting in good faith and in accordance with these policies and procedures, will be relieved of personal liability. In determining whether an investment officer has exercised prudence with respect to an investment decision (in addition to compliance with policies and procedures) the determination will be made taking into consideration the investment of all funds, or funds under the entity’s control, over which the officer had responsibility rather than a single investment.

#### **16.0 STANDARD OF ETHICS**

- A. The designated Investment Officers will adhere to Dallas / Fort Worth International Airport Board Code of Business Ethics and the Act. All Investment Officers will disclose to the Finance and Audit Committee their financial interests in financial institutions that conduct business with DFW, and they will disclose all personal financial/investment positions that could be related to the performance of DFW’s portfolio. Investment Officers will refrain from personal business activity, other than routine banking relations, that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.



Additionally, all Investment Officers will file with the Texas Ethics Commission and DFW a statement disclosing any personal business relationship with an entity seeking to sell investments to DFW or any relationship within the second degree by affinity or consanguinity to an individual seeking to sell investments to DFW.

- B. All Investment Officers shall certify in writing to the Chief Executive Officer no later than December 31 of each year that they have no personal business relationship with any investors or investment companies currently involved in investment activities or seeking investment opportunities with DFW. Written notice shall be made to the Texas Ethics Commission only if such relationship exists.

#### **17.0 ESTABLISHMENT OF INTERNAL CONTROLS**

- A. The Finance and Audit Committee of the Board of Directors will oversee the investment officers in the maintenance of a system of internal controls over the investment activities of DFW. DFW, in conjunction with its annual financial audit, will perform a compliance audit of management controls on investments and adherence to the Investment Policy.

#### **18.0 REPORTING**

- A. Investment performance will be monitored and evaluated by the Investment Officers. The Investment Officers will provide a quarterly comprehensive report, as defined in the Act, signed by all Investment Officers to the Finance and Audit Committee, the Board of Directors and to the Chief Executive Officer. An independent auditor will formally review the investment reports at least annually and the result of the review reported to the governing body by that auditor. DFW will utilize a nationally recognized pricing service to obtain market prices for investments acquired with public funds. This investment report will:
  - 1) Describe in detail the investment position of DFW on the date of the report;
  - 2) State the reporting period beginning market value and ending market value for the period of each pooled fund group.
  - 3) Include all fully accrued interest as of the end of the reporting period.
  - 4) State the reporting period, beginning market value and book value and ending market value and book value for each investment security by asset type and fund type.
  - 5) State the maturity date of each investment security.
  - 6) State the fund for which each investment security was purchased, and
  - 7) State the compliance of the investment portfolio with the Investment Policy, Investment Strategy and the Act.

#### **19.0 BROKER/DEALERS**

- A. Annually, DFW shall adopt a list of qualified broker/dealer firms authorized to engage in investment transactions with DFW.
- B. The Investment Officers shall evaluate the broker/dealers and select not less than five and not more than seven broker/dealers, excluding the depository bank, to be presented to the Board of Directors for approval.
- C. Each broker/dealer firm, at least annually, shall sign a letter of acknowledgment that:
  - 1) The qualified broker/dealer representative signing the acknowledgment is authorized to execute the document on behalf of the Broker/Dealer company;
  - 2) That the qualified broker/dealer representative has received and reviewed the Investment Policy and Strategies;
- D. DFW may not purchase investments from a new broker/dealer until the acknowledgment has been signed and received by the Investment Officer(s).
- E. New broker/dealers shall complete and submit a broker/dealer questionnaire provided by DFW

- F. Approved broker/dealers with securities inventories available electronically for view and/or purchase, shall provide DFW the ability to view and purchase investments electronically. Failure of a broker/dealer to notify DFW of the ability to view and/or purchase investments electronically or to deny access may be cause for termination.
- G. In the event that DFW's current depository is not an approved broker/dealer, there shall be a separate certification signed by a qualified representative of the bank. Such certification will cover daily sweep investments and money market transactions within the depository bank.
- H. This Investment Policy is in effect until the Board of Directors approves a superseding policy and said policy has been made available to the broker/dealers. The Investment Officers shall provide a new investment policy approved by the Board of Directors within 60 days of approval.

#### **20.0 COMPETITIVE PRACTICES**

- A. Investment transactions governed by this policy will adhere to bidding procedures as outlined in the Public Funds Investment Act, whether the transaction is executed by an Investment Officer or by a contracted investment advisor. Viewing published broker/dealer's inventories available for sale may be considered an offer and a part of the competitive review process. At least three (3) competitive offers/bids for all security transactions is required.

#### **21.0 ELECTRONIC PORTALS**

- A. Investment Officers may use electronic portals such as Bloomberg to view, solicit and complete securities sales and purchase transactions.

#### **22.0 DIVERSIFICATION**

- A. Diversification by investment type will be maintained to ensure an active and efficient secondary market in portfolio investments and to control the market and credit risks associated with specific investment types.
- B. Bond proceeds may be invested in a single security or investment if the Finance/Audit Committee determines that such an investment is necessary to comply with federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

#### **23.0 SALE OF SECURITIES**

- A. A security may be liquidated to meet unanticipated cash requirements, to minimize the loss of principal on a declining credit security or to re-deploy cash into other investments expected to outperform current holdings, or otherwise improve the quality, yield or target duration in the portfolio.

#### **24.0 INVESTMENT POLICY ADOPTION**

- A. DFW's Investment Policy shall be adopted by resolution of the Board of Directors at least annually. It is DFW's intent to comply with state law and regulations. The Investment Policy shall be subject to revisions consistent with changing laws, regulations, and needs of DFW. The resolution of the Board of Directors shall include a detail of all substantive changes to the policy.

#### **25.0 PRECEDENCE**

- A. Should there be any discrepancies, conflicts or inconsistencies between the Act and the Investment Policy, the Act shall take precedence. Similarly, if the Investment Policy does not provide complete or clear direction, the Act shall be the controlling guidance.

#### **26.0 EFFECTIVE DATE**

- A. In order to allow sufficient time for the approval process and to notify broker/dealers under this Investment Policy, the effective date of this Investment Policy is February 1, 2018. The Investment Policy approved on December 1, 2016 shall remain effective until that date.

## SECTION II

### INVESTMENT STRATEGIES

#### A. PORTFOLIO STRATEGY

##### 1.0 PURPOSE

A. These investment strategies (“Investment Strategies”) conform to the requirements of the Texas Public Funds Investment Act

(“the Act”) Government Code 2256.005 (d) which states:

“As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- 1) Understanding of the suitability of the investment to the financial requirements of the entity;
- 2) Preservation and safety of principal;
- 3) Liquidity;
- 4) Marketability of the investment if a need arises to liquidate before maturity;
- 5) Diversification of the investment portfolio; and
- 6) Yield.”

B. The strategies provide guidelines for the day-to-day management of DFW’s investment portfolio in a dynamic and changing market environment.

##### 2.0 OPTIMIZATION OF INTEREST

A. To optimize interest earnings, below are the recommended strategies to employ when market conditions vary.

- 1) In markets where time risk is rewarded, invest for longer terms. This market has a normal Treasury yield curve.
- 2) In markets where time risk is not rewarded, invest for shorter terms. This will provide the opportunity and the funds to reinvest when markets improve. This market has a flat or inverted Treasury yield curve.

##### 3.0 PORTFOLIO DIVERSIFICATION

A. Risk in the portfolio will be minimized by diversifying investment types and issuers according to the following limitations.

B. Diversification targets and limits will be monitored on a quarterly basis.

C. In the event a pooled fund group is formed at DFW, as defined in the Act, the maximum dollar-weighted average maturity will be 90 days.

<b>Limits by Investment Sector</b>	<b>Minimum Ratings</b>	<b>Maximum</b>	<b>Maximum Maturity</b>
U.S. Treasury Notes/Bills	N/A	100%	10 years
U.S. Agencies & Instrumentalities	N/A	100%	10 years
Texas Agencies or Instrumentalities	N/A	100%	10 years
Certificates of Deposit	N/A	100%	5 years
Banker's Acceptances	Short-Term A1/P1	20%	270 days
Municipals	A or equivalent by one nationally recognized ratings agency	30%	10 years
Repurchase Agreements	A or equivalent by one nationally recognized ratings agency	100%	5 years
Guaranteed Investment Contract	A or equivalent by one nationally recognized ratings agency	100%	5 years
Money Market Mutual Funds Stable Value	N/A	55%	N/A
No Load Mutual Funds	AAA or AAAM by one nationally recognized rating agency	15%	N/A
Local Government Pool	AAA or AAAM by one nationally recognized rating agency	55%	
Callable U.S. Agencies	N/A	40%	10 years
Commercial Paper	A1/P1 by two recognized ratings agencies	25%	270 days

<b><u>Limits for Individual Issuers Under Each Category</u></b>	<b><u>Maximum Issuer Percentage</u></b>
U.S. Agencies & Instrumentalities	40%
Certificates of Deposit	20%
Banker's Acceptances	5%
Municipals – State & Local	10%
Municipals – Out-of-State	10%
Repurchase Agreements	25%
Guaranteed Investment Contracts	25%
Money Market Mutual Funds (A1)	20%
Local Government Pools	55%
No Load Mutual Funds	15%
Commercial Paper	10%

## B. STRATEGIES BY FUND

### 1.0 OPERATING FUNDS (102)

- A. The Operating Fund has two strategies. One for general operating funds and another for reserve-type funds
  - 1) General Operating Fund
    - (a) Fund Purpose: The main Operating Fund is used to meet daily operating and maintenance expenses, and to provide for the monthly transfers to the various interest and sinking funds that accumulate the annual debt service coverage.
    - (b) Estimated Fund Retention: Securities will be positioned to mature within one year.
    - (c) Maximum Maturity: One year
    - (d) Target Weighted Average Maturity (“WAM”): 180 days
    - (e) Appropriate Investments: Liquidity is essential to meet DFW’s ongoing obligations and may be effectively achieved with approved short-term investments. Diversification by maturity date may assure that funds are available to meet obligations.
    - (f) Yield Objective: Shall be to optimize investment earnings within policy guidelines and liquidity constraints.
    - (g) Benchmark: The benchmark is the average 3-month Treasury Bill yield over the quarterly reporting period.
  - 2) Three Month Operating Reserve and Rolling Coverage Funds
    - (a) Fund Purpose: The Three Month Operating Reserve Fund is a long-term reserve fund equal to one-quarter of the current operating expenses of DFW. The Rolling Coverage Fund is a long-term reserve fund equal to one-quarter of DFW’s annual debt service payments.
    - (b) Estimated Fund Retention: As reserve funds, the balance is stable and long-term.
    - (c) Maximum Maturity: The maximum maturity is 10 years, however, at the end of the preceding quarter, at least 75% of the combined funds referenced in 2) above shall have final maturities of five years or less.
    - (d) Target WAM: Shall range from 24 to 48 months depending on perceived market conditions.
    - (e) Appropriate Investments: Any investments authorized by policy, except Guaranteed Investment Contracts (GIC’s) and Flexible Repurchase Agreements are suitable for this reserve fund. Liquidity is not a primary concern. Diversification by issuer is also preferred but shall be considered primarily as part of the overall portfolio.
    - (f) Yield Objective: Shall be to optimize interest earnings by extending portfolio maturities thereby taking advantage of upward sloping yield curves or locking in higher yields during periods of monetary policy easing.
    - (g) Benchmark: Shall be the average 2-Year Treasury Note yield over the quarterly reporting period.

### 2.0 PFC FUND (252)

- A. Fund Purpose: This fund is for passenger facility charges (“PFC”) revenue that is segregated per law.
- B. Estimated Fund Retention: DFW will spend PFCs at the same rate they are collected.
- C. Maximum Maturity: One year
- D. Target WAM: 180 days
- E. Appropriate Investments: Liquidity is essential to meet the monthly debt service payments to the Interest and Sinking Funds. Therefore, securities with active secondary markets and a high degree of marketability are preferred. Diversification by issuer is also preferred but shall be considered primarily as part of the overall portfolio.
- F. Yield Objective: Shall be to optimize interest earnings within policy guidelines and liquidity constraints.
- G. Benchmark: The 3-month Treasury Bill yield will be the benchmark.

### 3.0 CAPITAL FUNDS

#### A. Joint Capital Account (320)

- 1) Fund Purpose: As part of the new Use Agreement, the Joint Capital Fund is a segregated fund for capital improvements subject to airline approval (MII).
- 2) Estimated Funds Retention: Funds in this account will be expended over a one to three year period. DFW currently plans to use the Joint Capital Account to fund scheduled projects, then to reimburse the Joint Capital Account from the issuance of bonds during construction. In addition, DFW expects to maintain a core amount of about \$200 million that may be held for longer periods. This Account is funded from proceeds from natural gas royalties and the sale of real estate.
- 3) Maximum Maturity: Five years
- 4) Target WAM: The target weighted average maturity of the Joint Capital Account shall be based on an annual review of expected cash flows, but will normally range from 180 days to three years. Whenever possible, the maturity structure shall be laddered with securities maturing on various dates to meet known obligations.
- 5) Appropriate Investments: Liquidity is essential to meet DFW's ongoing obligations and may be effectively achieved with the use of short and long-term investments. Diversification by maturity date will assure that funds are available to meet obligations.
- 6) Yield Objective: Shall be to optimize interest earnings within policy guidelines and liquidity constraints.
- 7) Benchmark: The benchmark for this fund shall be the one-year Moving Treasury Average ("MTA") over the quarterly reporting period.

#### B. DFW Capital Account (340)

- 1) Fund Purpose: The DFW Capital Fund is a segregated account for discretionary capital improvements. Expenditures from this fund do not require approval from the airlines.
- 2) Estimated Funds Retention: The DFW Capital Fund will generally pay for capital projects in one to three years. DFW plans for this Account to receive approximately \$70 million.
- 3) Maximum Maturity: Three years
- 4) Target WAM: The target weighted average maturity shall be 180 days to two years depending on perceived market conditions and expected liquidity in the fund
- 5) Appropriate Investments: Any short-term investments authorized by policy
- 6) Yield Objective: Shall be to optimize interest earnings within policy guidelines and liquidity constraints.
- 7) Benchmark: Shall be the 6-month Treasury Bill yield over the quarterly reporting period.

#### C. Bond Funds (Joint and DFW Capital)

- 1) The investing of bond proceeds is subject to policy limitations and the bond covenants. Where differences exist, the bond covenants will prevail. The bond proceeds in the 32X Series Funds are designated for construction and capitalized interest payments.
  - (a) Fund Purpose: The bond funds are used to reimburse construction funds and are to be expended in accordance with the anticipated timeframe for the projects involved. to pay capitalized interest on semi-annual debt service payments.
  - (b) Estimated Fund Retention: Fund will be expended based on construction.
  - (c) Maximum Maturity: Not to exceed three years .
  - (d) Target WAM: One year.
  - (e) Appropriate Investments: Subject to the restrictions of individual bond covenants, any investment authorized by policy except non-2a7 mutual funds are suitable for investment of Bond Funds. Liquidity is essential to meet capitalized interest debt service payments.
  - (f) Yield Objective: Shall be to optimize interest earnings within known cash flow requirements, policy guidelines and individual bond covenants.
  - (g) Benchmark: The benchmark for this fund is the 6-month Treasury Bill
- 2) Construction Funds (Joint and DFW Capital) – Funds are zero balance accounts.

#### 4.0 INTEREST AND SINKING FUNDS (500s)

- A. Fund Purpose: The purpose of the Interest and Sinking (I&S) Funds is to meet semi-annual debt service obligations.
- B. Estimated Funds Retention: Short-term to meet semi-annual debt service payments
- C. Maximum Maturity: One year
- D. Target WAM: 90–270days
- E. Appropriate Investments: Any short-term investments authorized by policy, except 2a7 mutual funds, are suitable for the Interest & Sinking Funds. Securities possessing active secondary markets and a high degree of marketability are preferred. Diversification by issuer is also preferred but will be considered primarily as part of the overall portfolio.
- F. Yield Objective: The yield objective shall be to optimize interest earnings within policy guidelines and liquidity constraints.
- G. Benchmark: The benchmark for this fund shall be the average 3-month Treasury Bill yield over the quarterly reporting period.

#### 5.0 DEBT SERVICE RESERVE FUNDS (600s)

- A. Fund Purpose: In case of an emergency, the Debt Service Reserve Fund will be used to make debt service payments.
- B. Estimated Funds Retention: Long-term
- C. Maximum Maturity: The maximum maturity is 10 years, however, at the end of the preceding quarter, at least 75% of the fund shall have final maturities of five years or less.
- D. Target WAM: Shall be from 2 - 4 years depending on perceived market conditions.
- E. Appropriate Investments: Any investments authorized by policy, except Guaranteed Investment Contracts (GIC's) are suitable for the Debt Service Reserve Fund. Liquidity is not a primary concern, although securities possessing active secondary markets and a high degree of marketability are preferred. Issuer and maturity date diversification is also preferred, but shall be considered primarily as part of the overall portfolio.
- F. Yield Objective: Shall be to optimize interest earnings by extending portfolio maturities, thereby taking advantage of upward sloping yield curves, or locking in higher yields during periods of monetary policy easing.
- G. Benchmark for this fund shall be the average 2-Year Treasury Note yield over the quarterly reporting period.

#### 6.0 PFIC FUNDS – Funds 907, 910 and 914

- A. CTC Funds
  - 1) Fund Purpose: Used to pay rental car center (“RAC”) bus operating expenses.
  - 2) Estimated Funds Retention: Less than one year.
  - 3) Maximum Maturity: One year.
  - 4) Target WAM: 180 days
  - 5) Appropriate Investments: short-term
  - 6) Yield Objective: Liquidity takes precedence and then maximize yield within the short-term time frame
  - 7) Benchmark: Average 3 month Treasury Bill over the reporting period
- B. CFC Funds
  - 1) Fund Purpose: To pay monthly debt service payments of RAC refunding bonds and to use for PFIC-approved capital expenditures.
  - 2) Estimated Funds Retention: Three to five years for a core amount (approximately \$25 million) and one to two years for the remaining.
  - 3) Maximum Maturity: Five years for the core amount and two years for the remainder.
  - 4) Target WAM: 180 to 360 days depending on projected cash flows.
  - 5) Appropriate Investments: short to mid-term

- 6) Yield Objective: Liquidity takes precedence and then maximize yield within the short to mid-term time frame for the non-core
- 7) Benchmark: Average 6 month Treasury Bill over the reporting period
- C. Hotels Operating Funds**
  - 1) Fund Purpose: To pay for hotel operating expenses may be used for PFIC-approved expenditures.
  - 2) Estimated Funds Retention: Approximately one year.
  - 3) Maximum Maturity: One Year
  - 4) Target WAM: 180 days
  - 5) Appropriate Investments: Short-term
  - 6) Yield Objective: Liquidity takes precedence and then maximize yield within the short to mid-term time frame
  - 7) Benchmark: 3 month Treasury Bill
- D. Hotels FF&E Funds**
  - 1) Fund Purpose: To purchase furniture, fixtures and equipment for the hotel per budget.
  - 2) Estimated Funds Retention: One year.
  - 3) Maximum Maturity: One year.
  - 4) Target WAM: 90 to 180 days
  - 5) Appropriate Investments: Short-term investments such as discos, money markets and commercial paper.
  - 6) Yield Objective: Liquidity takes precedence and then maximize yield within the short-term time frame
  - 7) Benchmark: 3 month Treasury Bill
- E. Hotels Capital Accounts**
  - 1) Fund Purpose: To supplement the FF&E funds to pay for PFIC approved long-term capital projects.
  - 2) Estimated Funds Retention: Up to three years
  - 3) Maximum Maturity: 3 years
  - 4) Target WAM: 180 days to 2 years
  - 5) Appropriate Investments: Any investments authorized by policy , except GICs and Repos.
  - 6) Yield Objective: Maximize yield by extending maturities of funds that will not be expended in the near future.
  - 7) Benchmark: 1 year Treasury Bill.



### SECTION III

#### 2017 APPROVED BROKER/DEALERS

**JP Morgan Securities**  
**383 Madison Avenue,**  
**3<sup>rd</sup> Floor**  
**New York, NY 10179**  
**Rich Drozd**  
**(212) 834 3774**

**Rice Securities, LLC**  
**Minority Owned**  
55 Broad Street 27<sup>th</sup> Floor  
New York, NY 1004.  
Jared Fragin & Tim Barbera  
**(212)-908-9260**

**Piper Jaffray & Co.**  
1177 West Loop South;  
Suite 1500  
Houston, TX . 77027.  
**Jason Jeansonne**  
**(713) 343-3915**

**Samuel A. Ramirez & Co.,**  
**Inc. Minority-owned**  
61 Broadway, Suite 2924  
New York, NY 10006  
**Tracy Marcus and**  
**T. Ryan Greenwalt**  
**(212) 378-7122**

**Stifel Nicolaus & Company**  
5956 Sherry Lane,  
Suite 875  
Dallas, TX 75225  
**Mike Bell**  
**(214) 706-9469**

**Wells Fargo Securities LLC**  
1445 Ross Avenue,  
2nd Floor  
Dallas, TX 75202  
**Michael Minahan**  
**(214) 777-4014**

**UBS Financial Services Inc.,**  
100 Crescent Court, Suite 600  
Dallas, TX 75201  
**John K. Doke & Nat. Mosley**  
**(214) 965-6177 & 6179**

**Money Market Investments**  
**JP Morgan Chase**  
(Commercial Bank)  
420 Throckmorton, 4th Floor  
Fort Worth, TX. 76102  
**Mike Wilson**  
**(817) 884-4283**

Note: If a broker/dealer is minority-owned or a primary dealer this is noted under the firm's name.

## SECTION IV

### **2018 APPROVED INVESTMENT TRAINING SOURCES & INVESTMENT OFFICER'S TRAINING CERTIFICATES**

- Alliance of Texas Treasury Associations (TEXPO Conferences)
- University of North Texas Center for Public Management
- Patterson & Associates
- Texas State University - William P. Hobby Center for Public Service
- Government Treasury Association of Texas - Conferences/Classes

**SECTION V**  
**– PUBLIC FUNDS INVESTMENT ACT**

There were amendments to the PFIAs in 2017 by the 85th Legislature.

**SECTION 1. Sections 2256.005(k) and (l), Government Code,**

are amended to read as follows:

(k) A written copy of the investment policy shall be presented to any business organization ~~[person]~~ offering to engage in an investment transaction with an investing entity ~~[or to an investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio]~~. For purposes of this subsection and Subsection (l), "business organization" means an ~~[a business organization includes]~~ investment pool or [pools and an] investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in

an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

(1) received and reviewed the investment policy of the entity; and

(2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:

(A) is dependent on an analysis of the makeup of the entity's entire portfolio;

(B) ~~[øf]~~ requires an interpretation of subjective investment standards; or

(C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity may not acquire or

otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that [person who] has not delivered to the entity the instrument required by Subsection (k).

**SECTION 2. Section 2256.009(a), Government Code, is amended**

to read as follows:

(a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; ~~and~~

(6) bonds issued, assumed, or guaranteed by the State of Israel; and

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor

**SECTION 4. Sections 2256.014(a) and (b), Government Code,**

are amended to read as follows:

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with and regulated by the Securities and Exchange Commission;

(2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and

(3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) ~~[has a dollar-weighted average stated maturity of 90 days or fewer; and~~

~~[(4) -- includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share].~~

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

(1) is registered with the Securities and Exchange Commission;

(2) has an average weighted maturity of less than two

years; and

(3) either:

(A) has a duration of one year or more and is  
invested exclusively in obligations approved by this subchapter; or

(B) has a duration of less than one year and the  
investment portfolio is limited to investment grade securities,  
excluding asset-backed securities

~~[(4) -- is continuously rated as to investment quality by  
at least one nationally recognized investment rating firm of not  
less than AAA or its equivalent; and~~

~~[(5) -- conforms to the requirements set forth in  
Sections 2256.016(b) and (c) relating to the eligibility of  
investment pools to receive and invest funds of investing  
entities].~~

**SECTION 5. Section 2256.015, Government Code, is amended by  
adding Subsection (d) to read as follows:**

(d) Section 1371.059(c) applies to the execution of a  
guaranteed investment contract by an investing entity.

**SECTION 6. Sections 2256.016(b) and (f), Government Code,  
are amended to read as follows:**

(b) To be eligible to receive funds from and invest funds on  
behalf of an entity under this chapter, an investment pool must  
furnish to the investment officer or other authorized  
representative of the entity an offering circular or other similar  
disclosure instrument that contains, at a minimum, the following  
information:

(1) the types of investments in which money is allowed  
to be invested;

(2) the maximum average dollar-weighted maturity  
allowed, based on the stated maturity date, of the pool;

(3) the maximum stated maturity date any investment  
security within the portfolio has;

(4) the objectives of the pool;

- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
- (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
- (10) the name and address of the independent auditor of the pool;
- (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; ~~and~~
- (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and
- (13) the pool's policy regarding holding deposits in cash.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool that uses amortized cost or fair value accounting ~~[created to function as a money market mutual fund]~~ must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 ~~[\$1]~~ net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a



sale of portfolio holdings to attempt ~~[shall be sold as necessary]~~  
to maintain the ratio between 0.995 and 1.005. In addition to the  
requirements of its investment policy and any other forms of  
reporting, a public funds investment pool that uses amortized cost  
~~[created to function as a money market mutual fund]~~ shall report  
yield to its investors in accordance with regulations of the  
federal Securities and Exchange Commission applicable to reporting  
by money market funds.

**SECTION VI**  
**PUBLIC FUNDS COLLATERAL ACT**

There were no amendments to the Texas PFCAs in the 2016  
However HB2928 made reference to PFCA 2257  
In Section 2256.010 (a) .3

**SECTION 2. Section 2256.010(a), Government Code, is amended**

to read as follows:

(a) A certificate of deposit or share certificate is an  
authorized investment under this subchapter if the certificate is  
issued by a depository institution that has its main office or a  
branch office in this state and is:

**(3)** secured in accordance with Chapter 2257 or in any  
other manner and amount provided by law for deposits of the  
investing entity.