



Center City Revenue Finance Corporation
Downtown Parking Authority

Investment Policy

I. Purpose of Investment Policy

This Investment Policy is set forth in order to:

- 1) Establish a clear understanding of the investment policy and objectives of the investible funds (the “Investments”) of the Downtown Memphis Commission (“DMC”) and related entities defined as Center City Revenue Finance Corporation (“CCRFC”) and Downtown Parking Authority (“DPA”).
- 2) Distinguish between and establish an Operating Reserve Fund as well as a Long Term Investment Portfolio Fund.
- 3) Provide the Investment Manager(s) with guidance and limitations as to what is expected.
- 4) Establish a basis to evaluate the investment performance of the Investments.

II. Background

Prior to 2016, the Investments have historically been held as (1) cash in checking accounts and (2) assets held in the Local Government Investment Pool (“LGIP”) and invested in CDs and US Treasury and government debt. The Board desires to establish a policy which directs the amount of assets that (1) can be invested in permitted securities which have the potential for growth beyond inflation and (2) need to remain liquid in the LGIP or similar investment account and checking accounts.

Note that all PILOT Extension funds of the CCRFC are held in Trust at USBank and not subject to this Investment Policy Statement.

DMC and DPA are instrumentalities of the City of Memphis and Shelby County. CCRFC is a state-chartered industrial development board. These three entities are subject to ARTICLE II DISTRIBUTION OF POWERS of the Tennessee State Constitution as follows:

§ 29. Counties and towns; taxing authority; extension of credit; holding stock (partial)

..... But the credit of no County, City or Town shall be given or loaned to or in aid of any person, company, association or corporation, except upon an election to be first held by the qualified voters of such county, city or town, and the assent of three-fourths of the votes cast at said election. **Nor shall any county, city or town become a stockholder with**

others in any company, association or corporation except upon a like election, and the assent of a like majority.....

DMC, CCRFC and DPA are therefore subject to Section 6-56-106 of Tennessee Code Annotated, *Authorized Investments*, for Municipalities.

<http://www.comptroller.tn.gov/sl/AuthorizedInvestments.asp>

III. Responsibility and Management

Board of Directors

The Board of Directors (“Board”) is charged with the responsibility for oversight of the Investments. Specifically, the Board has directed the Audit Committee, which consists of the Board Chair (ex-officio) and Treasurer of the DMC, CCRFC and DPA, to oversee the management of the Investments. All modifications of policy guidelines shall be in writing and signed by the Board.

Audit Committee

The Audit Committee members shall discharge their duties solely in the interest of these Funds and for the exclusive purpose of meeting the financial needs of these Funds. They shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Their duties are as follows:

1. Periodically reviewing the policy guidelines and, if needed, recommending changes to the Board.
2. Evaluating investment manager(s) asset allocation strategy against the Fund’s investment objectives.
3. Evaluating annually, selecting and terminating investment manager(s).
4. Reviewing and evaluating investment results in the context of predetermined performance standards.
5. Recommending to the Board necessary corrective action when the investment manager(s) fails to achieve expected results.
6. Evaluating, appointing, and monitoring a custodian to provide safekeeping of Fund assets, timely collection of income and accurate reporting.
7. Members of the Committee with a conflict of interest will recuse themselves of any vote on a matter in conflict.

Investment Manager(s)

Other specific guidelines are as follows:

1. Making all investment decisions regarding the assets under management in accordance with the guidelines and restrictions set forth in this document.

2. Exercising full discretionary authority over the assets entrusted to them, subject to these guidelines and restrictions.
3. Adhering to written instructions, which supplement the guidelines and restrictions pertaining to the assets of Fund entrusted to them.
4. Providing written documentation of portfolio activity, portfolio valuations, performance data, etc. as requested by the staff or Board.
5. Establishing and maintaining an effective relationship with the custodian.
6. Attending meetings with representatives of the Staff and Board as requested.
7. Acting solely in the interest of the Funds.

Custodian

Custodians are responsible for the safekeeping of the portfolio's assets. The specific duties and responsibilities of the custodian are to:

1. Value the holdings.
2. Collect all income and dividends owed to the portfolio.
3. Settle all transactions (buy-sell orders).
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and changes to the value of each security and the overall portfolio since the previous report.

Staff

The specific duties and responsibilities of the Vice President of Finance and Administration are to:

1. Communicating investment objectives, portfolio guidelines and performance standards to the investment manager(s).
2. Deploying existing assets and new monies to the investment manager(s).
3. Ensuring that investment manager(s) is in compliance with all portfolio guidelines and restrictions.

IV. Operating Reserve Fund and Long Term Investment Portfolio Definition, Objectives, Guidelines & Restrictions

The objective of the Operating Reserve Fund is to maintain liquidity while obtaining returns consistent with a short-term investment horizon. Its performance will be measured relative to time-weighted rates of return versus the 90-Day Treasury Bill Index. This index is considered the benchmark for riskless investment transactions.

The Operating Reserve Fund is defined as 12 months of operating cash-flow determined by the most recent fiscal year budget approved by the Board of Directors. The Operating Reserve Fund will be calculated by adding cash in checking accounts plus assets held in any Operating Reserve Fund investment account. Due to the cyclical nature of cash receipts, if the Operating Reserve Fund balance falls below 6 months of operating cash flow determined by the most recent fiscal year budget approved by the Board of Directors, funds will be transferred from Long Term Investment Portfolio. If the balance exceeds 15 months of operating cash-flow for more than three months, assets may be transferred to the Long Term Investment Portfolio. Exceptions may be made if significant cash outflows are expected.

The Operating Reserve Fund balance will be calculated for DMC, DPA and CCRFC individually based on the balances of these entities on a separate basis.

The Long Term Investment Portfolio consists of all investible assets exceeding the amount of the Operating Reserve Fund. The objective of the Long Term Investment Portfolio is to generate return consistent with longer term investments. Its performance will be measured relative to time weighted rates of return vs a comparable benchmark such as the Vanguard Short Term Federal Fund (VSGBX) or the Barclays Government Bond Fund Index.

V. Permitted Investments

Investment within the Investment Portfolio shall be limited to the following:

TENN. CODE ANN. § 6-56-106. Authorized investments.

(a) In order to provide a safe temporary medium for investment of idle funds, municipalities are authorized to invest in the following:

- (1) Bonds, notes or treasury bills of the United States;
- (2) Nonconvertible debt securities of the following federal government sponsored enterprises that are chartered by the United States congress; provided, that such securities are rated in the highest category by at least two (2) nationally recognized rating services:
 - (A) The federal home loan bank;
 - (B) The federal national mortgage association;
 - (C) The federal farm credit bank; and
 - (D) The federal home loan mortgage corporation;
- (3) Any other obligations not listed in subdivisions (a)(1) and (2) that are guaranteed as to principal and interest by the United States or any of its agencies;
- (4) Certificates of deposit and other evidences of deposit at state and federally chartered banks, and savings and loan associations. Notwithstanding any other public or private act to the contrary, all investments made pursuant to this subdivision (a)(4) shall be secured by

collateral in the same manner and under the same conditions as state deposits under title 9, chapter 4, parts 1 and 4, or as provided in a collateral pool created under title 9, chapter 4, part 5;

(5) Obligations of the United States or its agencies under a repurchase agreement for a shorter time than the maturity date of the security itself if the market value of the security itself is more than the amount of funds invested; provided, that municipalities may invest in repurchase agreements only if the comptroller of the treasury or the comptroller's designee approves repurchase agreements as an authorized investment, and if such investments are made in accordance with procedures established by the state funding board;

(6) The local government investment pool created by title 9, chapter 4, part 7;

(7) (A) Municipalities having a population in excess of one hundred fifty thousand (150,000), according to the 1990 federal census or any subsequent federal census, may also permit investment of idle funds in the following investment instruments:

(i) Prime banker's acceptances that are eligible for purchase by the federal reserve system; and

(ii) Prime commercial paper that is rated at least A1 or equivalent by at least two (2) nationally recognized rating services;

(B) Municipalities having a population of not less than twenty thousand (20,000) nor more than one hundred fifty thousand (150,000), according to the 1990 federal census or any subsequent federal census, may also permit investment of idle funds in prime commercial paper in accordance with the following:

(i) Such paper shall be rated in the highest category by at least two (2) commercial paper rating services; and

(ii) The paper shall have a remaining maturity of ninety (90) days or less;

(C) Investment in the instruments set forth in this subdivision (a)(8) shall first be authorized by the municipality's legislative body, acting by resolution or ordinance. In addition, investment in such instruments shall be prohibited until the legislative body has adopted written policies to govern the use of such instruments, with such policies being no less restrictive than those established by the state funding board to govern state investments in such instruments;

(8) The municipality's own bonds or notes issued in accordance with title 9, chapter 21; and

(9) (A) Investment in the instruments set forth in subdivision (a)(2), (a)(5), (a)(6), or any type of investment authorized pursuant to a municipality's charter that is of a type that is not included in this part shall require the following:

(i) The municipality's legislative body must authorize the investment by ordinance; and

(ii) The legislative body must adopt a written enforceable investment policy by ordinance to govern the use of investments, with the policies being no less restrictive than those established by the state funding board to govern state investments in these types of instruments.

(B) Investment in instruments covered by this subdivision (a)(9) shall be prohibited until the legislative body has adopted written policies to govern the use of the investments or an ordinance has been passed to authorize the investment.

(b) The investments listed in subdivisions (a)(1)-(4) may have a maturity of not greater than four (4) years from the date of investment; however, such investments may have a maturity of greater than four (4) years from the date of investment if such maturity is approved by the comptroller of the treasury or the comptroller's designee.

(c) (1) Proceeds of bonds, notes and other obligations issued by municipalities, reserves held in connection therewith and the investment income therefrom, may be invested in obligations that:

(A) Are rated in either of the two (2) highest rated categories by a nationally recognized rating agency of such obligation;

(B) Are direct general obligations of a state of the United States, or a political subdivision or instrumentality thereof, having general taxing powers; and

(C) Have a final maturity on the date of investment of not to exceed forty-eight (48) months or that may be tendered by the holder to the issuer thereof, or an agent of the issuer, at not less than forty-eight-month intervals.

(2) Such proceeds and the investment income thereon may also be invested as otherwise set forth in this section.

(d) The investments authorized by this section are in addition to those authorized in any other general law or in any municipality's charter.

Within the above guidelines and restrictions, the Manager(s) has complete discretion over the timing and selection of fixed income securities.

VI. Communications and Evaluation

It is expected that the Investment Manager(s) shall report, at least quarterly, on the performance of the portfolio(s) under their jurisdiction, including comparative gross returns for the funds and their

respective benchmarks; also included will be a complete accounting of all transactions of the quarter, together with a statement of beginning market value, fees, capital appreciation, income and ending market value, for each account.

The Audit Committee will review, at least annually, all costs associated with the management of the portfolio, including: 1. Expenses ratios of each mutual fund relative to the appropriate peer group. 2. Administrative and Management fees. 3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the portfolio.

VII. Appendix

LGIP Investment Policy and Intermediate Term Investment Fund Policy

VII. Acknowledgment

This statement of investment policy is adopted by the Board. Any revisions or changes in policy shall be made in writing by the Board.

CHAIR OF THE BOARD

Date

APPENDIX

LGIP Investment Policy

<http://treasury.tn.gov/lgip/documents/policy.pdf>

ITIF Investment Policy

<http://treasury.tn.gov/lgip/PDF's/IntermediateTermInvestmentPolicy.pdf>