

LACMTA Investment Policy Update and Approval

Finance, Budget and Audit Committee
Wednesday, February 14, 2018



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Investment Policy Overview

- Governance- California Government Code
 - Requires annual adoption of investment policy
 - Establishes permitted investments
 - Sets objectives – 1) safety - preserve capital, 2) provide liquidity and 3) maximize earnings subject to 1) and 2)
- Recommended changes reflect title changes of key personnel and current practices



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Investment Policy Overview

Investments not permitted

- Equities (Common Stock, Preferred Stock...)
- Real Estate
- Derivatives

Investments Permitted - Fixed Income Securities

- United States Treasuries (Bills and Notes)
- Municipals (issued by the 50 states, counties, cities and other local agencies, etc....)
- Long and Short term Corporate Bonds (Bank of America, Starbucks, Intel Corp etc...)
- Govt Sponsored Enterprises (Agencies-FNMA, FHLB, etc...)
- Money market funds, Certificates of Deposits and others



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FNMA – Federal National Mortgage Association, FHLB – Federal Home Loan Bank

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Investment Policy Overview

Strategy

Internally managed cash portfolio

- for daily/immediate needs (i.e. bi-weekly payroll, vendor payments and project expenses)
- Benchmark is 91 day Treasury Bill
- Market value approximately \$431 million as of 12/31/17

Externally managed portfolios

- Take advantage of higher yields on longer maturing securities
- Benchmark is BofA/ML 1-5 AAA - A Govt/Corp Index
- Market value approximately \$720 million as of 12/31/17

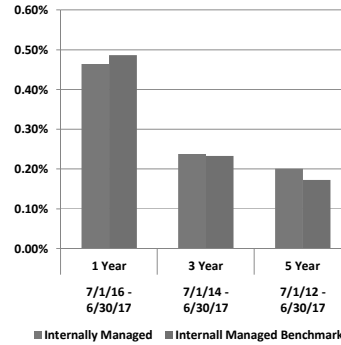
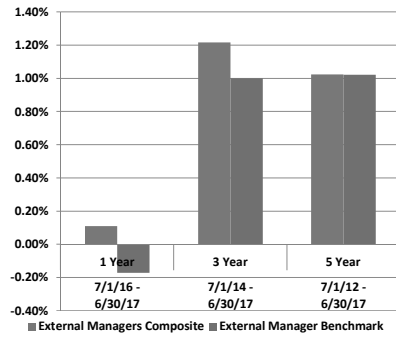


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Investment Policy Overview

Performance Results



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Investment Policy Overview

Recommendation

- Adopt the Investment Policy
- Approve Financial Institutions Resolution
- Delegate authority to Treasurer or his/her designees



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