



Board Report

File #: 2018-0607, File Type: Policy

Agenda Number: 13.

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 20, 2019

SUBJECT: INVESTMENT POLICY

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment B;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment C; and
- C. APPROVING the Local Agency Investment Fund (LAIF) Resolution authorizing LAIF to honor LACMTA Authorized Signatures, Attachment D; and
- D. DELEGATING to the Treasurer or her designees, the authority to invest funds for a one year period, pursuant to California Government Code ("Code") Section 53607.

ISSUE

Section 53646 of the Code, requires that the Board, on an annual basis and at a public meeting, review and approve the Investment Policy. Section 53607 of the Code, requires that the Board delegate investment authority to the Treasurer on an annual basis.

Section 10.8 of the Investment Policy requires that the Treasurer submit the Financial Institutions Resolutions to the Board annually for approval. The Local Agency Investment Fund (LAIF) Resolution also requires updating due to staff title changes.

BACKGROUND

Metro's investment policy allows for temporary idle funds to be invested consistent with Board approved investment policy guidelines. The policy is updated on an annual basis and was last updated March 1, 2018.

DISCUSSION

The Board approves the objectives and guidelines that direct the investment of operating funds. Subsequent to the last approval in March 2018, our investment policy underwent two peer reviews. The first was performed by the Association of Public Treasurers of the United States & Canada (APTUSC). As a result they presented LACMTA with their Investment Policy Certificate of Excellence Award. The second was a peer review performed by the California Municipal Treasurer's Association (CMTA). CMTA determined that our Investment Policy adheres to California Government Code and meets the program's best practices requirement in 18 different investment policy topic areas. The CMTA reviewers made recommendations to further clarify our policy that are incorporated here. Additional changes to the Investment Policy have been made to incorporate changes to the California Government Code. A Summary of Investment Policy Changes is presented as Attachment A and the redline version of the investment policy is presented in Attachment B.

Financial Institutions require Board authorization to establish custody, trustee and commercial bank accounts. The changes to the Financial Institutions resolution and the LAIF resolution reflect position title changes of key personnel. A redlined version of the Financial Institutions resolution is presented as Attachment C and the LAIF resolution is presented as Attachment D.

To streamline this board report, the following reference materials may be found on the Internet:

Current Investment Policy:

[<http://media.metro.net/about_us/finance/images/investment_policy.pdf>](http://media.metro.net/about_us/finance/images/investment_policy.pdf)

California Government Code: Section 53600 to 53609, Section 53646, Section 53652, Section 16429.1 to 16429.4:

[http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1.](http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=2.&title=5.&part=1.&chapter=4.&article=1)

FINANCIAL IMPACT

The funds required to update the Investment Policy are included in the FY19 budget in cost center 5210 and project number 610340.

Impact to Budget

The sources of funds budgeted to manage assets in accordance with the Investment Policy are Proposition A, Proposition C, Measure R, Measure M and TDA administration funds. These funds are not eligible for bus and rail operating and capital expenses.

ALTERNATIVES CONSIDERED

The Investment Policy and California Government Code require an annual review and adoption of the Investment Policy, delegation of investment authority, and approval of Attachment B - Financial Institutions Resolution. In order for LAIF to process our transactions, the resolution must reflect current staff titles. Should the Board elect not to delegate the investment authority annually or

approve the resolutions, the Board would assume daily responsibility for the investment of working capital funds and for the approval of routine administrative actions.

NEXT STEPS

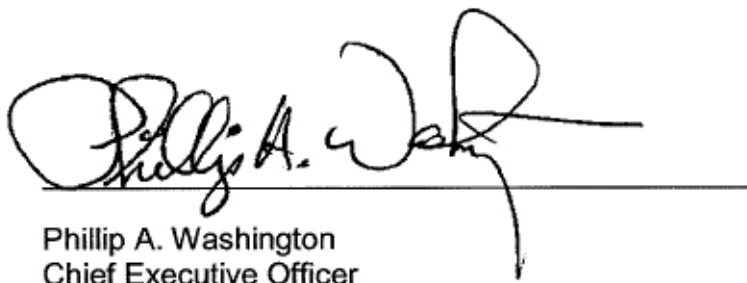
Upon Board approval, distribute the Investment Policy to external investment managers and broker-dealers. Issue copies of the Investment Policy and the Financial Institutions Resolution to our financial institutions and the LAIF Resolution to the State of California Local Agency Investment Fund.

ATTACHMENTS

- Attachment A - Summary of Investment Policy Changes
- Attachment B - Investment Policy (redlined)
- Attachment C - Financial Institutions Resolution (redlined)
- Attachment D - LAIF Financial Institutions Resolution

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