



Board Report

File #: 2021-0807, File Type: Policy

Agenda Number: 9.

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 16, 2022**

SUBJECT: INVESTMENT POLICY

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment B; and
- C. DELEGATING to the Treasurer or his/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 review and approve the Investment Policy on an annual basis and at a public meeting. Section 53607 of the Code requires that the Board delegate investment authority to the Treasurer on a yearly basis.

Section 10.8 of the Investment Policy requires that the Treasurer submit the Financial Institutions Resolutions to the Board annually for approval.

BACKGROUND

Metro’s investment policy allows 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 on February 25, 2021.

DISCUSSION

The Board approves the objectives and guidelines that direct the investment of operating funds.

Changes to the Investment Policy have been made to incorporate updates to the California Government Code. A redlined version of the investment policy is presented in Attachment A.

Financial Institutions require Board authorization to establish custody, trustee, and commercial bank accounts. A redlined version of the resolution is presented in Attachment B. Changes reflect position title changes.

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

Current Metro Investment Policy:

<https://cdn.beta.metro.net/wp-content/uploads/2021/12/02111807/2021-Investment-Policy-Final.pdf>

California Government Code: Sections 53600 to 53609, Section 53646, Section 53652, Sections 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

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation will not have an impact on Metro's Safety standards.

FINANCIAL IMPACT

The funds required to update the Investment Policy are included in the FY22 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. Some of these funds are eligible for bus and rail operating and capital expenses.

EQUITY PLATFORM

This recommendation will not have any direct equity impacts. However, the proposed investment policy provides the guidelines for Metro's internally and externally managed investment portfolios. Four firms are under contract to invest Metro's external portfolio. Among them, Chandler Asset Management is a woman-founded firm and LM Capital Management is minority owned. We will also direct staff and external managers to include socially responsible considerations as they invest in

securities that comply with our investment policy and CA Gov't code.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal #5 "Provide responsive, accountable and trustworthy governance within the Metro organization".

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. Should the Board elect not to delegate the investment authority annually or approve the resolution, the Board would assume daily responsibility for the investment of working capital funds and 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.

ATTACHMENTS

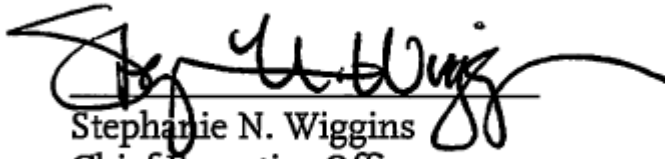
Attachment A - Investment Policy

Attachment B - Financial Institutions Resolution

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