



Board Report

File #: 2023-0048, **File Type:** Policy

Agenda Number: 10.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
MARCH 15, 2023**

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 the Board, on an annual basis and at a public meeting, review and approve the Investment Policy. Section 53607 of the Code, requires the Board to 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.

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 on February 24, 2022.

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 Investment Policy Changes is presented as Attachment A.

Although not required by CA Gov't code, a Staff has also added a restriction against investment in fossil fuel companies, tobacco or tobacco-related companies, and companies in support of the production of weapons, military systems, or nuclear power. Staff incorporated the Socially Responsible restriction to the investment policy for the longer term social and environmental benefits of the local community.

Financial Institutions require Board authorization to establish custody, trustee, and commercial bank accounts. The Financial Institutions resolution is presented as Attachment B. There is no change from last year's resolution.

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

Current Investment Policy:

<https://cdn.beta.metro.net/wp-content/uploads/2022/05/11132515/2022-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

DETERMINATION OF SAFETY IMPACT

This Board Action will not have an impact on safety standards for Metro operations.

FINANCIAL IMPACT

The funds required to update the Investment Policy are included in the FY23 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.

EQUITY PLATFORM

This Board Action will not have any equity impacts or concerns. However, the proposed investment policy provides the guidelines for Metro's internally and externally managed investment portfolios and contains socially responsible considerations. Four firms are under contract to invest Metro's external

portfolio. Among them, Chandler Asset Management is a small business firm and LM Capital Management is minority owned. The managers must invest in securities that comply with our investment policy and CA Gov't code.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Metro's Investment Policy supports Metro's Vision 2028 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 the Financial Institutions Resolution. Should the Board elect not to delegate the investment authority annually or approve the policy and resolution, the Board would assume daily responsibility for the investment of working capital funds and for the approval of routine administrative actions.

NEXT STEPS

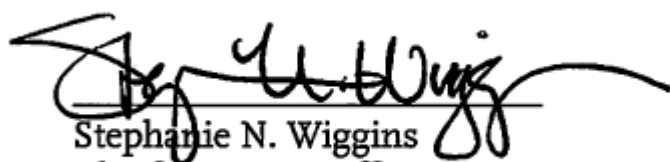
Upon Board approval, staff shall distribute the Investment Policy to external investment managers and broker-dealers. The Investment Policy and Financial Institutions Resolution will be issued to financial institutions with whom Metro engages.

ATTACHMENTS

Attachment A - Investment Policy-Redline
Attachment B - Financial Institutions Resolution

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