



## Board Report

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### FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2025

**SUBJECT: INVESTMENT POLICY**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

CONSIDER:

- A. ADOPTING the Investment Policy in Attachment A;
- B. APPROVING the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA's Officials in Attachment B; and
- C. DELEGATING to the Treasurer or their 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, to review and approve the Investment Policy at a public meeting. Section 53607 of the Code requires the Board to delegate investment authority to the Treasurer on an annual basis. In addition, Section 10.8 of the Investment Policy requires the Treasurer to submit the Financial Institutions Resolutions to the Board annually for approval.

#### **BACKGROUND**

Metro's Investment Policy allows for operating funds to be invested consistent with Board approved investment policy guidelines. The primary objectives of the Investment Policy, in priority order, are to maintain the safety of principal, to provide liquidity, and to achieve a return on funds invested. The Investment Policy, which was last updated on March 28, 2024, is updated annually to incorporate changes deemed necessary to meet Metro's primary objectives and to ensure it aligns with any changes in the California Government Code.

#### **DISCUSSION**

Changes to the Investment Policy have been made to be consistent with the California Government

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Code, limit the number of nationally recognized statistical rating organizations to three, permit floating rate securities (limited to 10 percent maximum of total portfolio), and to add a new section in areas related to Environmental, Social, and Governance to promote potential investment opportunities in entities or projects that support diversity, equity, community development, and sustainability. A redlined version of the Investment Policy changes is presented as Attachment A.

In addition, financial institutions require the Board to approve the Financial Institutions Resolution in order to establish custody, trustee, and commercial bank accounts. The Financial Institutions Resolution is unchanged from the 2024 adopted resolution and is presented as Attachment B

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

- **Current Investment Policy:** <http://www.metro.net/about/financebudget/<https://gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.metro.net%2Fabout/financebudget/>>
- **California Government Code:** [https://leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?<https://leginfo.legislature.ca.gov/faces/codes\\_displayText.xhtml?>](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?<https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?>)

## **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 FY25 budget in cost center 5210 and project number 100002, 300076 and 610340 in the amount of \$2,565,600.00.

### **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 administrative funds are not eligible for bus and rail operating and capital expenses.

## **EQUITY PLATFORM**

The proposed Investment Policy incorporates a new Environmental, Social and Governance (ESG) section which encourages potential investment opportunities in entities that support community development, sustainability, labor fairness, and equality of rights regardless of sex, race, age, disability or sexual orientation. The Treasury staff will continue to refine the ESG section with guidelines aimed at promoting investments that support community well-being and environmental sustainability through demonstrated ESG policies.

## **VEHICLE MILES TRAVELED OUTCOME**

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Vehicles Miles Traveled (VMT) and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.\* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it creates a transparent policy for how excess operating funds can be invested. Because the Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

\*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports Metro Vision 2028 Strategic Plan Goal 5 as follows:

Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

Goal 5.2: Metro will exercise good public policy judgment and sound fiscal stewardship.

### **ALTERNATIVES CONSIDERED**

The Investment Policy and California Government Code requires 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 investment authority to the Treasurer or their designee, or approve the Investment Policy and Financial Institutions Resolution, the Board would assume responsibility for investing working capital funds on a daily basis and for the approval of routine administrative actions.

### **NEXT STEPS**

Upon Board approval, Metro's Treasury 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.

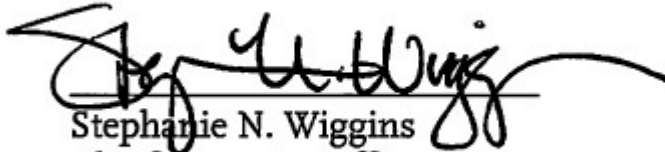
### **ATTACHMENTS**

Attachment A - Investment Policy-Redline

Attachment B - Financial Institutions Resolution

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