



Board Report

File #: 2024-0081, File Type: Policy

Agenda Number: 10.

FINANCE, BUDGET AND AUDIT COMMITTEE MARCH 20, 2024

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 in 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, to 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 operating funds to be invested consistent with Board approved investment policy guidelines. The policy is updated on an annual basis and was last updated on March 23, 2023.

DISCUSSION

The Board approves the objectives and guidelines that direct the investment of these operating funds. Changes to the Investment Policy have been made to incorporate updates to the California Government Code, to increase diversification, provide more liquidity, and clarify definitions of asset

backed and mortgage-backed securities. A redlined version of Investment Policy Changes is presented as Attachment A.

Financial Institutions require Board authorization to establish custody, trustee, and commercial bank accounts. The Financial Institutions Resolution is presented as Attachment B. The only change is to add “Deputy Chief Financial Officer” to this year’s resolution.

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

Current Investment Policy:

<http://www.metro.net/about/financebudget/> <[California Government Code: Section 53600 to 53609, Section 53646, Section 53652, Section 16429.1 to 16429.4:](https://gcc02.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.metro.net%2Fabout%2Ffinancebudget%2F&data=05%7C01%7CYANJ%40metro.net%7Cdf8af3eebcd64a89360508db52437486%7Cab571129bdbfd4caca77fc74c40364af%7C1%7C0%7C638194221887779499%7CUnknown%7CTWFpbGZsb3d8eyJWlloiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEhaWwiLCJXVCi6Mn0%3D%7C3000%7C%7C%7C&sdata=mZPWvHYDFTO38HFcF3J6RJC2dE249cxzHHkD75PFOXI%3D&reserved=0>></p></div><div data-bbox=)

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 FY24 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. Eight firms are under contract to invest Metro’s external portfolio. Five of them are either Small Business, Minority owned, Women owned, or employee-

owned firms The managers must invest in securities that comply with Metro's 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 the approval of routine administrative actions.

NEXT STEPS

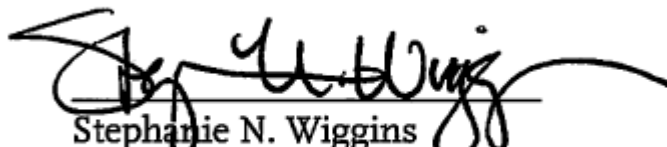
Upon Board approval, staff shall distribute the Investment Policy to external investment managers and broker-dealers. The Investment Policy and Financial Institutions Resolution will be issued to financial institutions with whom Metro engages.

ATTACHMENTS

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

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