



**ITEM ID:** 2024-105-0

**TRANSMITTAL DATE:** February 2, 2024

**MEETING DATE:** February 9, 2024

**TO:** Audit and Finance Committee

**FROM:** Arnold Hackett, Chief Financial Officer

**SUBJECT:** Adoption of Investment Policy 2024

### **Issue**

The California Government Code Section 53607 provides investing authority to the governing body and may be delegated to the Authority's Treasurer for one-year periods. Under the Authority's executive management structure, the Chief Financial Officer effectively functions as a Treasurer with approval of the designation by the Board. This item is to recommend the approval of said delegation for an additional year.

In addition, the Authority's Investment Policy (Policy) requires that the Policy is reviewed and approved annually by its Board of Directors. The Policy establishes guidelines under which the Authority's funds can be invested with the objectives of ensuring safety of principal, availability of funds to meet current and future expenditures and achieving reasonable rate of return on its investments.

While no material changes or changes to permitted investments are proposed, certain revisions to Policy language are proposed this year to maintain compliance with applicable Code requirements and interpretations, and to further clarify the Authority's reporting responsibilities. The proposed language changes are not material and are briefly highlighted in a later section.

### **Recommendation**

It is recommended that the Committee recommend the Board approve the proposed Investment Policy FIN-3.1 and the designation of the Chief Financial Officer as Treasurer for an additional year.

### **Strategic Commitment**

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair, investing in the development of our employees and maintaining fiscal sustainability.

## **Background**

The Joint Powers Authority Agreement between the Authority and its Member Agencies requires the Authority to provide for accountability and safekeeping of all funds provided to the Authority for the provision of commuter rail services. The State of California requires all public agencies to have an investment policy that is approved by its the governing board. The Authority's Investment Policy FIN-3.1 is intended to conform to State requirements and thereby provide assurance to Member Agencies that their funds are managed prudently in accordance with conservative guidelines that prioritize the safety of principal, liquidity, and total return.

In April 2015, the Authority established a \$25 million minimum threshold for cash sufficiency.

In January 2019, the Board approved the addition of \$25 million minimum cash threshold to Investment Policy FIN-3.1. In September 2020, the Board increased that minimum cash threshold to \$50 million to maintain fiscal sustainability. The investment of these funds, as with all of the Authority's idle cash, are governed under the Investment Policy.

The Board approved the designation of the Chief Financial Officer as Treasurer on April 11, 2014, and has since extended that designation annually. By approving this policy, the Board will be extending this designation for one additional year into February 2025 unless revoked.

## **Discussion**

Staff has performed a review of the Investment Policy and proposes selected updates. The proposed revisions to the existing Investment Policy will serve to further clarify and strengthen requirements for the investing, reporting, and safekeeping of the Authority's financial assets. The proposed Investment Policy meets all statutory requirements governing the investment of public funds. The proposed changes address the following:

### Reporting Requirements

- Specific Code Section 53646 requirements for quarterly reporting have been added.
- Further clarification regarding the monthly reporting of cash balances has been added.

### Permitted Investments and Diversification Guidelines

- Language has been updated regarding Bank Depository Accounts
- Guidance on financial institution qualifications have been updated with Code language.
- Further clarification of Code Diversification guidelines has been provided.

### Use of Derivatives

- Policy segregates use of derivatives in Fuel Hedging Program in separate Policy document

### Financial Benchmarks

- Performance benchmarking has been clarified.

The proposed Investment Policy meets all statutory requirements governing the investment of public funds.

### **Required Reporting**

Pursuant to the requirements of this Policy and as recommended by state law, staff will return to the Board quarterly with an investment report. The report provides detailed information and ongoing assurance to the Board and Member Agencies concerning the security of the funds entrusted to the Authority.

In addition, at each month end, staff is required to evaluate the average monthly expenditures and determine if available cash is sufficient to meet future operating cash needs. If staff determines the monthly ending available cash has fallen below the \$50 million minimum threshold for two consecutive months, the Board will be promptly notified.

The Board may choose not to approve the Policy. A separate action would then be required to approve the Investment Policy to conform with the State Code. Such action would cause the Board to directly assume responsibility for the investment function.

### **Budget Impact**

There is no budgetary impact as a result of this report.

### **Next Steps**

This policy will go into effect upon approval by the Board.

Prepared by: Vivien Avella, Senior Manager, Finance

Approved by: Arnold Hackett, Chief Financial Officer

### **Attachment(s)**

[Attachment A - FIN-3.1 Investment Policy 2024 CLEAN VERSION](#)  
[Attachment B - FIN-3.1 Investment Policy 2024 REDLINED VERSION](#)  
[Presentation - Investment Policy](#)