



ITEM ID: 2023-139-0

TRANSMITTAL DATE: February 17, 2023

MEETING DATE: February 24, 2023

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer
Edison Abrenica

SUBJECT: Adoption of Investment Policy 2023

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 Treasurer with approval of the designation by the Board.

The Authority’s Investment Policy (Policy) requires that the Policy is reviewed and approved annually by its Board of Directors. There are no changes to existing Policy. 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.

Recommendation

AUDIT AND FINANCE COMMITTEE RECOMMENDED (5-0) the Board approve the Investment Policy FIN-3.1 and the designation of the Chief Financial Officer as Treasurer for one 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 and reviewed annually by the governing boards. The Authority's Investment Policy FIN-3.1 (Attachment A) is intended to conform to the State requirements and provide assurance to Member Agencies that their funds are being managed prudently in accordance with conservative guidelines such as 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 Board approved the designation of the Chief Financial Officer as Treasurer on April 11, 2014 and has since extended that designation annually, most recently on January 28, 2022. By approving this policy, the Board will be extending this designation for one additional year into February 2024 unless revoked.

Discussion

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 ongoing assurance to the Board and Member Agencies concerning the security of the funds entrusted to the Authority.

At each month end, staff will evaluate the average monthly expenditures and determine if available cash is necessary and appropriate to meet future operating cash needs. If staff determines that projected unrestricted cash balance is to fall below the \$50 million minimum threshold for more than two consecutive months, staff will notify the Board.

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: Thelma Bloes, Senior Manager, Finance

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - FIN-3.1 Investment Policy 2023 REDLINED](#)

[Attachment B - FIN-3.1 Investment Policy 2023 CLEAN](#)

[Adoption of FIN-3.1 Investment Policy 2023.pptx](#)