



June 8, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Annual Update to Investment Policy

Overview

The Treasurer is presenting the Orange County Transportation Authority's Proposed Fiscal Year 2022-23 Investment Policy. The governing body of a local agency is required to annually renew the delegation of authority for the Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds for a period of one year. Additionally, and as recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Proposed Fiscal Year 2022-23 Investment Policy to be reviewed at a public meeting.

Recommendations

- A. Adopt the Fiscal Year 2022-23 Investment Policy July 1, 2022.
- B. Authorize the Treasurer, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2022-23.

Background

The Investment Policy (Policy) sets forth the guidelines for all Orange County Transportation Authority (OCTA) investments that must conform to the California Government Code (Code). The main objectives of the Policy continue to be the preservation of capital, liquidity, diversification, and a market average rate of return through economic cycles.

The Policy is reviewed, updated and approved by the Board of Directors (Board) at least annually. However, relevant changes to the Code may warrant amendments to the Policy throughout the year.

Discussion

The Proposed Fiscal Year 2022-23 Policy is being submitted for review and adoption by the Board. OCTA's four investment managers performed an objective evaluation of the policy as it relates to effectiveness and risk. There was no new legislation affecting the Code or strategic changes requiring updates to the Policy.

While there was marginal sentiment to reduce credit quality and increase the maximum allocation of funds for certain investments, staff believes that the current structure is a good match for the risk tolerance of OCTA, while providing sufficient latitude to navigate the fixed-income market.

Changes to improve clarity of the policy and organizational changes within the document for consistency and to improve readability are summarized below:

- Moved language from Section 11-18, Derivatives, to Section 12, Prohibited Investment Vehicles and Practices, for clarity.
- Added language to the Authorized Investments, Issuer Concentrations & Maturity Restrictions table, to clarify issuer concentrations allowable under the code, and under the Investment Policy.

The Proposed Fiscal Year 2022-23 Investment Policy can be found in Attachment A, and as reference, a black line copy of the Policy (reflecting all proposed changes, including minor adjustments) can be found in Attachment B.

Next Steps

If the Board approves the Proposed Fiscal Year 2022-23 Investment Policy, a copy of the final Policy will be provided to each portfolio manager. Each portfolio manager will be required to acknowledge receipt and understanding of the Policy changes.

Summary

California Government Code Section 53646(a)(2) recommends that local agencies annually review their Investment Policy at a public meeting. The Treasurer is submitting the Orange County Transportation Authority's Proposed Fiscal Year 2022-23 Investment Policy for approval by the Board of Directors. Further, the Orange County Transportation Authority requests approval by the Board of Directors, authorizing the Treasurer, for a period of one year, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2022-23.

Attachments

- A. Orange County Transportation Authority's Proposed Fiscal Year 2022-23 Investment Policy, July 1, 2022
- B. Black-line Copy of Orange County Transportation Authority's Proposed Fiscal Year 2022-23 Investment Policy, July 1, 2022

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