



**May 10, 2023**

**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 2023-24 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 2023-24 Investment Policy to be reviewed at a public meeting.

**Recommendations**

- A. Adopt the Proposed Fiscal Year 2023-24 Investment Policy July 1, 2023.
- B. Authorize the Treasurer, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2023-24.

**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 (FY) 2023-24 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 new legislation enacted resulting in 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 based on new legislation are summarized below:

- Added language to Section 12. Prohibited Investment Vehicles and Practices, prohibiting the purchase of a security with a forward settlement date exceeding 45 days from the time of investment.
- Added language to Section 16. Definitions and Terms, to clarify that a public agency investment's term or remaining maturity is to be measured from the settlement date to final maturity.

Changes to improve clarity of the policy are summarized below:

- Added language to Section 11-6. Commercial Paper, to clarify asset backed commercial paper falls under Commercial Paper.
- Language in brackets under Section 11-18. Derivatives, removed for clarity.

The Proposed FY 2023-24 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 FY 2023-24 Policy, a copy of the final Policy will be provided to each investment manager. Each investment 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 2023-24 Investment Policy for approval by the Board of Directors. Furthermore, 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 2023-24.

**Attachments**

- A. Orange County Transportation Authority Fiscal Year 2023-24 Investment Policy, July 1, 2023
- B. Black-line Copy of Orange County Transportation Authority Fiscal Year 2023-24 Investment Policy, July 1, 2023

**Prepared by:**



---

Robert Davis  
Department Manager  
Treasury/Public Finance  
714-560-5675

**Approved by:**



---

Andrew Oftelie  
Chief Financial Officer,  
Finance and Administration  
714-560-5649