



**June 10, 2020**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Annual Update to Investment Policy for 2020

### **Overview**

The Treasurer is presenting the Orange County Transportation Authority's Investment Policy for 2020. The Investment Policy sets forth the investment guidelines for all funds invested on and after June 10, 2020. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its Investment Policy to be reviewed at a public meeting. Further, the governing body of a local agency has the authorization to appoint, for a period of one year, a Treasurer to invest, reinvest, purchase, exchange, sell, or manage public funds.

### **Recommendations**

- A. Adopt the 2020 Investment Policy dated June 10, 2020.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2020-21.

### **Background**

The Investment Policy (Policy) sets forth the guidelines for all Orange County Transportation Authority (OCTA) investments that must conform to 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 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 2020 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. Based on their feedback, staff is recommending changes be made to the policy.

Historically, OCTA's Policy has been more conservative than the Code and, despite the recommended changes, will remain more conservative than the Code in most areas. While there was some sentiment among investment managers to reduce minimum credit quality requirements for various security types, as well as increase allocation limits, OCTA decided in light of the current market environment that no changes would be made to the conservative approach towards credit criteria and allocation limits. Staff is comfortable that the current investment guidelines are a good match for the risk tolerance of OCTA, while providing sufficient latitude for investment managers to navigate the fixed-income market.

The primary recommended changes to the Policy, consisting of changes to improve clarity, and align definitions and reporting requirements to the Code, can be found in Attachment A. The attachment describes the current policy, recommended change, rationale for the recommended change, and the source of the recommended change.

A high-level summary of the recommended changes and the source of the recommendations are as follows:

- Add language to clarify funds that are governed by their respective bond indenture agreements (OCTA)
- Adjust language to match California Code Section 53607 regarding a monthly report to the legislative body (OCTA)
- Increase Local Agency Investment Fund deposit limit from \$65 million to \$75 million to align with the new limit set by the California State Treasurer as of January 1, 2020 (investment managers)

The 2020 Policy can be found under Attachment B, and as reference a black-line copy of the 2020 Policy (reflecting all proposed changes to the Code, including minor adjustments), can be found under Attachment C.

**Next Steps**

If the Board approves the 2020 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 Investment 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 2020 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 2020-21.

**Attachments**

- A. Primary Changes to Improve Clarity and Align Definitions and Reporting Requirements to the Code
- B. Orange County Transportation Authority 2020 Investment Policy June 10, 2020
- C. Black-Line Copy of Orange County Transportation Authority 2020 Investment Policy June 10, 2020

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