



June 9, 2021

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 2021-22 Investment Policy. As recommended under California Government Code Section 53646(a)(2), the Orange County Transportation Authority is submitting its proposed investment policy to be reviewed at a public meeting. Furthermore, 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.

Recommendations

- A. Adopt the Fiscal Year 2021-22 Investment Policy July 1, 2021.
- B. Authorize the Treasurer, Chief Financial Officer Andrew Oftelie, to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2021-22.

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 2021-22 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. Staff believes that the current structure and recommendations are a good match for the risk tolerance of OCTA, while providing sufficient latitude to navigate the fixed-income market.

The proposed changes to the Policy, consisting of changes to align 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:

- Adjust Credit Rating Action language to allow Investment Managers the discretion to trade a security that has been placed on Negative Credit Watch or Downgraded, but is still within OCTA's Investment Policy limits (investment managers)
- Increase Commercial Paper limit to reflect Code changes as of January 1, 2021, to 40 percent, with a ten percent maximum in a single issuer (investment manager and OCTA)
- Adjust Mortgage and Asset-Backed Security limit to a 20 percent mix between both security types (investment manager and OCTA)

The Proposed Fiscal Year 2021-22 Policy can be found in Attachment B, and as reference, a black line copy of the Policy (reflecting all proposed changes, including minor adjustments) can be found in Attachment C.

Next Steps

If the Board approves the Proposed Fiscal Year 2021-22 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 Proposed Fiscal Year 2021-22 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 2021-22.

Attachments

- A. Proposed Primary Changes to Investment Policy
- B. Orange County Transportation Authority's Proposed Fiscal Year 2021-22 Investment Policy, July 1, 2021
- C. Black-line Copy of Orange County Transportation Authority's Proposed Fiscal Year 2021-22 Investment Policy, July 1, 2021

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