



**DATE:** June 25, 2020

**TO:** Transportation Authority of Marin Board of Commissioners

**FROM:** Anne Richman, Executive Director *Anne Richman*  
Li Zhang, Deputy Executive Director/Chief Financial Officer

**SUBJECT:** Annual Review of TAM's Investment Policy and Debt Policy (Action), Agenda Item No. 6d

---

### **RECOMMENDATION**

The TAM Board reviews TAM's Investment Policy and Debt Policy and accepts the changes recommended to the TAM Investment Policy.

### **BACKGROUND**

Both the TAM Investment Policy, originally adopted on April 26, 2007, and Debt Policy, originally adopted on July 26, 2007, require that the policies be reviewed annually and updated if necessary.

Please note that TAM has issued no debt so far and doesn't expect the need to do so in the foreseeable future. Currently, most of TAM's funds are invested in the Investment Trust of California (CalTRUST), a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. Those funds will remain in CalTRUST and will be managed by TAM and CalTRUST financial advisor directly.

### **DISCUSSION/ANALYSIS**

No changes to the Debt Policy are recommended for this round of review.

Staff reviewed the TAM Investment Policy with the support team from CalTRUST and recommends some updates to the policy, which are heigted in Attachment A: TAM Investment Policy with Recommended Changes.

### **FISCAL CONSIDERATION**

Not Applicable.

### **NEXT STEPS**

The next review of the Investment Policy and Debt Policy by the TAM Board will be in June 2021.

### **ATTACHMENTS:**

Attachment A: TAM Investment Policy with Recommended Changes

THIS PAGE LEFT BLANK INTENTIONALLY



## ***INVESTMENT POLICY***

*ADOPTED APRIL 26, 2007*

*REVISED JUNE 23, 2011*

*REVISED JULY 25, 2013*

*REVISED APRIL 28, 2016*

*REVISED JUNE 25, 2020*

## I. PURPOSE

This Investment Policy (the Policy) sets forth the investment guidelines for all general, special revenue, trust, agency and enterprise (Invested Funds) of the Transportation Authority of Marin (TAM). The objective of this Policy is to ensure that TAM funds that are not required for the immediate needs of TAM are prudently invested to preserve principal and provide necessary liquidity, while earning a market average rate of return.

The TAM Policy conforms to applicable California Government Code provisions as well as customary standards of prudent investment management. Irrespective of these Policy provisions, should the provisions of the Code be or become more restrictive than those contained herein, such provisions will be considered, immediately incorporated into this Policy, and adhered to.

As of April 2016, the TAM Board authorized staff to invest most of its funds that are not immediately needed in the Investment Trust of California (CalTRUST), a joint powers authority created by [California public agencies and sponsored by](#) the California Special Districts' Association, League of California Cities and California State Association of Counties [Finance Corporation](#) to provide a convenient method for local agencies to pool their assets for investment. It is intended that this Policy cover all invested funds and investment activities under the direction of the TAM Board and deposited with CalTRUST. TAM investments in CalTRUST are also governed by the CalTRUST Investment Policy, [which is consistent with all applicable California Government Code provisions.](#)

## 2. OBJECTIVES

All funds not required for the immediate needs of TAM shall be invested in accordance with the California Government Code and this Policy to ensure:

- (a) **Preservation of capital** through high quality investments and by continually evaluating the credit of financial institutions approved for investment transactions, and securities considered and held in safekeeping;
- (b) Maintenance of sufficient **liquidity** to enable the participants and other depositors to meet their operating requirements; and
- (c) A **rate of return** consistent with the above objectives.

These objectives are to be achieved through the utilization of various investment options provided by CalTRUST, and any Special Purpose Investments authorized by the Board. The combination CalTRUST and the Special Purpose Investments will provide diversification, safety of principal and liquidity for TAM funds.

## 3. RESPONSIBILITIES

The TAM Board of Commissioners is responsible for establishing this Policy as the governing board of the agency. This Policy shall be reviewed annually by the Board of Commissioners at

a public meeting. The Finance and Policy Executive Committee is responsible for reviewing and monitoring the agency's investment activities and report to the full Board.

The management responsibility of the investment program is hereby delegated to the Executive Director and the Chief Financial Officer who shall monitor and review all investments for consistency with this Investment Policy. ~~The Executive Director may delegate responsibility of day-to-day management of investments to the Chief Financial Officer.~~

The Chief Financial Officer is responsible for the day-to-day management of investments and the preparation of cash flow forecasts for TAM funds. The Chief Financial Officer may also recommend specific individual investments for the Special Purpose Investments, if any, to be approved by the TAM Board of Commissioners.

#### **4. IMPLEMENTATION**

TAM's Board of Commissioners or persons authorized to make investment decisions on behalf of TAM are trustees and fiduciaries subject to the Prudent Investor Standard.

The standard of prudence to be used by investment officials shall be the "prudent person" standard as defined in the Code below and shall be applied in the context of managing an overall portfolio. TAM's investment professionals acting in accordance with written procedures and the Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control developments.

The Prudent Person Standard: When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

Invested Funds are idle or surplus funds of TAM including all segregated funds. The Cash Flow Horizon is the time period in which the TAM cash flow can be reasonably forecast. This Policy establishes the Cash Flow Horizon for TAM idle or surplus funds to be at least five (5) years. The TAM Cash Flow Horizon must be updated annually.

With the authorization of the TAM Board of Commissioners, after the Chief Financial Officer determines that the cash flow needs of various projects and programs can be met, she/he may invest up to 100% of the unneeded funds in CalTRUST or any approved Special Purpose Investments.

#### **5. BIDS & PURCHASES**

Prior to the purchase of an investment pursuant to this Policy the persons authorized to make investments shall assess the market and market prices using information obtained from available sources including investment services, broker/dealers, and the media. When evaluating various

investments, preservation of capital shall be considered as the most important factor, liquidity as the second most important factor and lastly, yield. Investments in commercial paper, bankers acceptances and certificates of deposit for each issuer shall be limited to five percent (5%) of Treasury assets, determined using the Treasury balance at the time of purchase, except that investments in overnight commercial paper shall be limited to seven percent (7%) of Treasury assets for any one issuer. The investment selected for purchase shall be that investment which in the opinion of the purchaser most clearly meets these objectives. All security transactions shall be documented at the time the transaction is consummated.

## **6. TERM**

The maximum remaining term to maturity for an investment shall be two (2) years; except that, subject to the limitations set forth in the California Government Code, the Chief Financial Officer may authorize investments in U.S. Treasury obligations and/or U.S. Agency obligations with a maximum remaining term to maturity that shall not exceed five (5) years.

TAM may decide to make specific investments in a Special Purpose Investment. No Special Purpose Investment shall have a remaining maturity in excess of five (5) years. The weighted average maturity of the Special Purpose Investment separate account portfolio may not exceed three (3) years. Maturity shall mean the nominal maturity of the security, or the unconditional optional redemption date, if the security contains such provision. Term or tenure shall mean the remaining time to maturity when purchased.

## **7. ALLOWED INVESTMENTS**

Pursuant to California Government Code the Chief Financial Officer may invest in the following subject to the limitations as set forth:

- (a) United States Treasury obligations.
- (b) United States Agency obligations.
- (c) Securities of U.S. Government Agencies & Instrumentalities
- (d) State of California Bonds and Registered Warrants, or any other state
- (e) Bonds, Notes, Warrants or other evidence of indebtedness of a local agency within the State of California.
- (f) Bankers acceptances not to exceed one hundred eighty (180) days to maturity or at the time of purchase thirty percent (30%) of the treasury fund balance.
- (g) Commercial paper of "prime" quality of the highest letter and numerical rating as provided for a nationally recognized statistical-rating organization ("NRSRO"), to be chosen from among corporations organized and operating within the United States with assets in excess of \$500,000,000.00 and having an "A" or higher rating for the issuer's debt, other than commercial paper, as provided for a NRSRO. Purchases of

## Item 6d - Attachment A

eligible commercial paper may not exceed two hundred seventy (270) days in maturity and may not exceed twenty-five percent (25%) of the treasury fund balance.

(h) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a state or federal association or by a state-licensed branch of a foreign bank selected on the basis of financial stability and credit rating criteria employed by the Chief Financial Officer. Negotiable certificates of deposit may not exceed thirty percent (30%) of the treasury fund balance.

(i) Non-negotiable certificates of deposit (Time Deposits) with a nationally or state-chartered bank or a state or federal association selected on the basis of financial stability, credit rating and reputation using criteria employed by the Chief Financial Officer, fully collateralized at one hundred ten percent (110%) of market value with U.S. Government Securities, high-grade Municipal Bonds, instruments of federal agencies, including mortgage backed securities at one hundred fifty percent (150%) of market value with promissory notes secured by first deeds of trust upon improved residential real property as provided by the Government Code.

(j) Medium-term Notes rated "A" or better, to be chosen from among corporations with assets in excess of \$500,000,000.00 with a maturity not to exceed two years from the date of purchase. Purchase of eligible medium-term notes may not exceed thirty percent (30%) of the treasury fund balance.

(k) Shares of beneficial interest issued by diversified management companies that are money market funds investing in securities and obligations as authorized by this investment policy. To be eligible for investment these companies shall attain the highest ranking or the highest letter and numerical rating provided by no less than two nationally recognized statistical rating organizations and have assets under management in excess of \$500,000,000.00. The purchase price may not include any commissions that these companies may charge, and the purchase of shares in any one money market fund may not exceed ten percent (10%) of the treasury balance and the total invested may not exceed twenty percent (20%) of the treasury balance.

(m) Repurchase agreements on any investment authorized by this investment policy where the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at one hundred two percent (102%) or greater of the funds borrowed against those securities, and the value shall be adjusted daily. The Executive Director or designee must approve any collateral substitution by the seller, and any new collateral should be reasonably identical to the original collateral in terms of maturity, yield, quality and liquidity.

(n) California State Local Agency Investment Pool (LAIF) operated by the State Treasurer's office.

(o) Shares of beneficial interest issued by the Investment Trust of California (CalTRUST), a joint powers authority established pursuant to California Government Code Section 6509.7, and eligible for local agency investment pursuant to California Government Code Section 53601 (p).

(p) Securities issued by or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank (Supranationals), with a maximum remaining maturity of five years or less, and eligible for purchase and sale with the US, as authorized for local agency investment pursuant to California Government Code Section 53601(q). Purchase of eligible supranational securities shall not exceed thirty percent (30%) of the treasury fund balance.

Where a percentage limitation is specified for a particular category of investments, that percentage is applicable only at the time of purchase.

## 8. WITHDRAWALS

Requests for redemptions from the CalTRUST funds shall be made in accordance with the provisions established by the CalTRUST Board of Trustees in the CalTRUST Information Statement. Such redemptions shall be made through the CalTRUST web portal or through the submission of a Cash Transaction Notice provided by CalTRUST. The present liquidity schedule for the CalTRUST funds is as follows:

- a) ~~For the CalTRUST Government Money Market Fund and the CalTRUST Heritage Money Market Fund,~~ same-day liquidity provided notice is received prior to 1:00 pm Pacific Time any business day;
- a)b) ~~For the CalTRUST Prime Money Market Fund (currently the Liquid Environmentally Aware Fund),~~ same-day liquidity provided notice is received prior to 11:00 am Pacific Time any business day;
- c) ~~For the CalTRUST Liquidity Fund,~~ same-day liquidity provided notice is received prior to 12:00 pm Pacific Time any business day;
- b)d) ~~For the CalTRUST Short-Term Fund,~~ ~~next~~same-day liquidity provided notice is received prior to ~~9:30 am~~ Pacific Time any business day; and
- e) ~~For the CalTRUST Medium-Term Fund,~~ ~~month-end~~two-day liquidity ~~(the last business day of each month)~~ provided notice is received ~~prior to 9:30 am Pacific Time any business day at least five business days prior to month-end.~~

## 9. LOSSES

Losses are acceptable on a sale before maturity, and may be taken if the reinvestment proceeds will earn an income flow with a present value higher than the present value of the income flow that would have been generated by the original investment, considering any investment loss or foregone interest on the original investment.

## 10. DELIVERY & SAFEKEEPING

The CalTRUST third-party custodian shall hold all shares purchased through the CalTRUST program.



For securities purchased through a Special Purpose Investment, delivery of all securities shall be through a third party custodian. Non-negotiable certificates of deposit may be held in the TAM's safe. No security shall be held in safekeeping by the broker/dealer from whom it was purchased. Settlement payment in a securities transaction will be against delivery only, and a Due Bill or other substitution will not be acceptable. Persons authorized under Section Three (3) who did not originate the investment transaction shall review all confirmations for conformity with the original transaction. Confirmations resulting from securities purchased under a repurchase agreement shall state the exact and complete nomenclature of the underlying securities purchased.

## **11. APPORTIONMENT OF INTEREST**

Net interest income for each of the CalTRUST Funds is declared as a dividend at the close of business each business day (net interest income for Saturdays, Sundays, and holidays are declared on the next business day). Dividend income for each investor in the CalTRUST funds accrues on a daily basis and posts to investor accounts on the first business day of each subsequent month.

## **12. CONFLICT OF INTEREST**

A Commissioner of the TAM Board, the Executive Director and the Chief Financial Officer shall not accept honoraria, gifts, and/or gratuities, which are in violation of state law, from advisors, brokers, dealers, bankers, or other persons with whom TAM conducts business.

## **13. REPORTS**

The Chief Financial Officer shall prepare a quarterly investment report to the TAM Board of Commissioners. The quarterly report shall be submitted within 30 days following the end of the quarter.

## **14. REVIEW OF INVESTMENT POLICY**

TAM's investment policy shall be adopted by a resolution of the TAM Board of Commissioners. This policy shall be reviewed annually at a regular meeting of the TAM Board. Any modifications to this policy must be approved by the TAM Board.

THIS PAGE LEFT BLANK INTENTIONALLY