

**PTSC**

**Public  
Transportation  
Services  
Corporation**

One Gateway  
Plaza, Los  
Angeles, CA 90012

213 922 4611

**PTSC BOARD OF DIRECTORS  
May 24, 2004**

**SUBJECT: INVESTMENT POLICY**

**ACTION: ADOPT UPDATED INVESTMENT POLICY**

**RECOMMENDATION**

- A. Adopt the updated PTSC Investment Policy, Attachment I.
- B. Delegate the authority to invest PTSC funds for a one-year period to the PTSC Chief Financial Officer
- C. Approve resolution that authorizes the PTSC to invest monies with the Local Agency Investment Fund (LAIF), a fund administered by the California State Treasurer. Attachment II.

**ISSUE**

Section 53646 of the California Government Code (“Code”), requires that the Board, on an annual basis and at a public meeting, review and approve the Investment Policy. Section 53607 of the Code, requires that the Board delegate investment authority to the Chief Financial Officer on an annual basis.

**POLICY IMPLICATION**

The Board approves the objectives and guidelines that direct the investment of PTSC’s operating funds. The key revisions to the PTSC Investment Policy clarify its scope, incorporate changes to operating procedures, and conform to changes in applicable regulations. A summary of changes to the current PTSC Investment Policy is provided below. County Counsel has reviewed and concurred with the revised changes to the policy.

<b>Section Change</b>	<b>Current Text</b>	<b>Proposed Text</b>
Section 2.1	Investments may only be made as authorized by the California Government Code Section 53600 et seq. the (“Code”) and this policy...	Investments may only be made as authorized by the California Government Code (“Code”) Section 53600 et seq., Sections <i>16429.1 through 16429.4</i> and this policy....
Section 2.2	This policy sets forth the	This policy sets forth the PTSC’s

Metropolitan Transportation Authority



**Metro**

	PTSC's guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and Expendable Trust Funds....	guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, Expendable Trust Funds, <i>and any new fund created by the Board, unless specifically exempted....</i>
Section 4.4	Officers and employees involved in the investment process shall be governed by the Public Transportation Services Corporation Ethics Policy and annually shall file a Statement of Economic Disclosure with the PTSC's Ethics Office.	Officers and employees involved in the investment process shall be governed by the standards <i>regarding ethical behavior and conflicts of interest</i> established in the Public Transportation Services Corporation Ethics Policy Ethics Policy and annually shall file a Statement of Economic Disclosure with the PTSC's Ethics Office.
Section 5.2	In order to reduce overall portfolio risk, investments shall be diversified among types of investments, maturities of those investments, issuers and depository institutions...	In order to reduce overall portfolio risk, investments shall be <i>diversified among security type, maturity, issuer and depository institutions...</i>
Section 5.4	N/a	State and local government sponsored Investment Pools and money market mutual funds as authorized by this policy are subject to due diligence review prior to investing and on a continual basis as established in Section 5.1 A, #11 and #12.
Section 7.1	Securities and collateral for	Securities and collateral for

	repurchase agreements shall be purchased and maintained for the benefit of the PTSC in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the PTSC and the bank.	repurchase agreements shall be purchased and maintained for the benefit of the PTSC in the Trust Department or safekeeping department of a bank as established by a written third party safekeeping agreement between the PTSC and the bank. <i>Specific collateralization levels are defined in Section 5.1A.</i>
Section 8.3 – Item F	N/a	Percentage of the portfolio represented by each investment category.
Section 5.1A - #12: Type of Investment	State of California Local Agency Investment fund (LAIF), or other Local Government Investment Pools (LGIP) established by public California entities.	State of California Local Agency Investment fund (LAIF) <i>California Government Code Section 16429.1 through 16429.4</i> , or other Local Government Investment Pools (LGIP) established by public California entities.

**ALTERNATIVES CONSIDERED**

The PTSC Investment Policy and the Code require an annual review and adoption of the Investment Policy, and the delegation of investment authority. Should the Board elect not to delegate the investment authority annually, the Board would assume daily responsibility for the investment of PTSC working capital funds and for the approval of routine administrative actions.

**FINANCIAL IMPACT**

This action has no impact on the FY 04 PTSC or MTA Operating budget. Investment management fees and related expenses are funded from interest income.

**BACKGROUND**

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The PTSC Investment Policy provides staff and external investment managers with guidelines to enable PTSC to maximize its return on investments subject to the primary objectives of safety and liquidity. The delegation of investment authority transfers to the Chief Financial Officer the responsibility and accountability to perform the investment function for a one-year period.

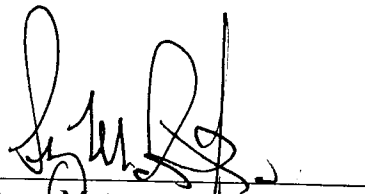
**NEXT STEPS**

Immediately upon Board approval, implement the changes to the PTSC Investment Policy.

**ATTACHMENTS**

Attachments I: PTSC Investment Policy  
Attachment II: California Government Code: Section 53600 to 53609,  
Section 53646

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