

**ASSOCIATION OF BAY AREA GOVERNMENTS
EXECUTIVE BOARD**

RESOLUTION NO. 7-2023

INVESTMENT POLICY

WHEREAS, the Association of Bay Area Governments (ABAG) is a joint powers entity created pursuant to Government Code §§ 6500 et seq. and serves as the Bay Area's Council of Governments; and

WHEREAS, ABAG has the responsibility to manage funds received in accordance with the provisions of Government Code §§ 53600 et seq. and a Statement of Investment Policy adopted pursuant to those statutory provisions; and

WHEREAS, pursuant to a Contract for Services (CS) between the Metropolitan Transportation Commission (MTC) and ABAG dated May 30, 2017, ABAG and MTC will be consolidating their respective staffs effective July 1, 2017; and

WHEREAS, pursuant to the CS, the consolidated staff will manage ABAG's finances in a manner that is compatible with ABAG's policies.

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 7-2023**

NOW, THEREFORE, BE IT RESOLVED, that the Executive Board of the Association of Bay Area Governments hereby:

1. Authorizes MTC to open new and manage or close existing accounts with banks, financial institutions, and government pooled investment funds as needed in order to manage ABAG's cash and investments under MTC signatures utilizing ABAG's tax identification number.
2. Adopts the Statement of Investment Policy as set forth in Attachment A to this Resolution, attached hereto and incorporated herein as though set forth at length.
3. This Resolution shall take precedence over any prior Resolutions to the extent that they may conflict herewith or with Attachment A.
4. This Resolution shall be effective upon MTC adopting MTC Resolution No. 4563 and that resolution becoming effective.

The foregoing was adopted by the Executive Board this 19th day of January, 2023.

Jesse Arreguin
President

Certification of Executive Board Approval

I, the undersigned, the appointed and qualified Clerk of the Association of Bay Area Governments (Association), do hereby certify that the foregoing resolution was adopted by the Executive Board of the Association at a duly called and noticed meeting held in San Francisco, California, and at other remote locations, on the 19th day of January, 2023.

Frederick Castro
Clerk of the Board

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 7-2023**

Attachment A

Statement of Investment Policy

The Treasurer of the Metropolitan Transportation Commission (MTC) shall invest all funds over which MTC is administratively responsible, including those of MTC, MTC Service Authority for Freeways and Expressways (SAFE), the Bay Area Toll Authority (BATA), the Bay Area Headquarters Authority (BAHA) the Bay Area Infrastructure Financing Authority (BAIFA), the Bay Area Housing Finance Authority (BAHFA), and other MTC affiliated agencies, and the Association of Bay Area Governments (ABAG) a separate joint powers authority, and its affiliated entities, for which MTC is accepting administrative responsibility for management of funds, effective July 1, 2017 pursuant to a contract for services dated May 30, 2017 in accordance with the provisions of §§ 53600 et seq. of the Government Code and the provisions of this investment policy.

1.0 Prudent Investor Rule:

Funds shall be managed under the “prudent investor standard” which requires all agencies investing public funds to be trustees of those funds, and therefore, fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under circumstances then prevailing, including, but not limited to, the general economic conditions and 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. All funds shall be invested within the following objectives, in order of priority:

- 1.1 Safety: Preservation and safeguard of capital.
- 1.2 Liquidity: Funds shall be invested in a manner consistent with operating needs of the agency.
- 1.3 Yield: Funds shall be invested to earn a secured and safe return without compromising the objectives of safety and liquidity.

2.0 Permitted Investments:

Investments authorized under this policy shall be limited to:

- 2.1 United States treasury notes, bonds or bills for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- 2.2 Bonds, notes, bills, warrants or obligations issued by an agency of the United States.
- 2.3 Commercial Paper of “prime” quality of the highest ranking or of the highest letter and numerical rating provided by Moody’s Investor Services or Standard & Poor’s Corporation.
 - Eligible paper is further limited to issuing corporations organized and operating in the United

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 7-2023**

States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an “A” or higher rating for the issuers’ debt, other than commercial paper, if any, as provided by Moody’s Investor Services or Standard & Poor’s Corporation or the equivalent of other nationally recognized rating services that may be allowed by statute. Purchases shall not exceed 270 days maturity, 10% of the outstanding commercial paper of a single issuing corporation and 10% of the agency’s funds.

- 2.4 Negotiable certificates of deposit issued by a nationally or State chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, not to exceed 10% of agency funds.
- 2.5 Medium-Term notes of a maximum five years maturity issued by corporations meeting criteria in Section 2.3, not to exceed 30% of agency’s funds.
- 2.6 Mutual funds registered with the Securities and Exchange Commission, having attained the highest letter and numerical ranking by at least two Nationally recognized statistical rating organizations. Such investments shall not exceed 20% of funds, with no more than 10% invested in any single mutual fund.
- 2.7 Local Agency Investment Fund (LAIF) as authorized by Government Code §§ 16429.1.
- 2.8 The Alameda County Treasury local agency investment fund authorized under Government Code §§ 53684.
- 2.9 Repurchase agreements collateralized by securities of the United States Government or an agency of the United States Government.
- 2.10 Municipal Obligations issued by State or Local agencies:
 - a) Such bonds can include the obligations of the Bay Area Toll Authority and the Bay Area Infrastructure Financing Authority;
 - b) The maturity does not exceed 5 years from the date of purchase;
 - c) With regards to Municipal Obligations in the form of variable rate demand bonds, the obligations shall have mandatory investor tender rights supported by a third-party liquidity facility from a financial institution with short-term ratings of at least A-1 by S&P or P-1 by Moody’s. The maturity of these bonds shall be equivalent to the investor’s tender option supported by the liquidity facility.

3.0 Prohibited Investments:

In addition to any prohibited investments listed in California Code §§ 53601.6 and 53631.5, the following are specifically prohibited:

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 7-2023**

- 3.1 Reverse repurchase agreements.
- 3.2 Financial futures.
- 3.3 Option contracts.
- 3.4 Mortgage interest strips.
- 3.5 Inverse floaters.
- 3.6 Securities lending.
- 3.7 Repurchase agreements purchased for “yield enhancement” purposes and not required for banking and liquidity purposes.
- 3.8 Any investment that fails to meet credit or portfolio limits at the time of investment.

4.0 Sales Prior to Maturity:

- 4.1 The primary strategy of this investment policy is to “buy and hold” securities to maturity, however, a security may be sold prior to maturity if the sale is necessary to avoid further erosion of market value or meet operational or project liquidity needs. All sales prior to maturity shall be detailed in the investment report.
- 4.2 A security whose market or credit quality falls outside the investment policy parameters after purchase may be held to maturity without violation of this policy provided the fact is disclosed in the investment report.

5.0 Investment Pools:

Investment pools operated by LAIF and Alameda County as permitted investments under Section II of this policy, whose portfolios contain specific securities not permitted under this policy, but none-the-less permitted under the law or approved investment policy of the respective pool, are permitted under this policy.

6.0 Fund and Liquidity Levels:

- 6.1 All funds under management for operating requirements shall be commingled for investment purposes. The liquidity level shall be maintained in an appropriate manner but not less than:

30	90	1	Maximum
<u>Days</u>	<u>Days</u>	<u>Year</u>	<u>Weighted</u>
10%	15%	30%	<u>Maturity</u>
			5 yrs

The percentages within the 30 and 90 day counts are cumulative towards the one year minimum.

- 6.2 Reserve Funds:

Specifically designated reserve funds may have a maximum maturity of 40 years or less, provided each fund is clearly identified in the investment report.

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 7-2023**

- 6.3 All funds under management shall be combined for the purpose of evaluating credit and portfolio limits.

7.0 Brokerage Firms:

Only firms meeting the following criteria shall be authorized to buy or sell securities:

- 7.1 Firms licensed to conduct business as a broker-dealer under § 25004 of the Corporations Code, licensed and registered under the Securities Exchange Commission, a Federally or State chartered bank, or designated a “primary dealer” by the Federal Reserve Bank.
- 7.2 The Treasurer will maintain a current list of approved brokers and dealers who may conduct business with MTC. All financial institutions on the approved list will be evaluated individually, with preference given to primary dealers, who possess a strong capital and credit base appropriate to their operations.
If MTC has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved brokers/dealers and financial institutions to conduct transactions on MTC’s behalf.
- 7.3 Provided written certification that they received a copy of the approved policy.

8.0 Bond Repurchase Accounts

MTC will use licensed brokerage firms for the purpose of purchasing BATA bonds with the intent of retiring its debt when such debt is offered for sale in the secondary market. Such brokerage firms are for the specific purpose of purchasing and transferring BATA bonds to BATA and as such will be exempt from the requirements of Section VII, except that all firms shall be licensed brokers

9.0 Investment Management Services:

Only firms meeting all of the following criteria shall be authorized to manage investment funds.

- 9.1 Firms licensed to conduct business as an investment advisor under § 25009 of the Corporations Code, licensed and registered under the Securities Exchange Commission.
- 9.2 Firms licensed to conduct business as a Registered Investment Advisor under the Investment Advisors Act of 1940.
- 9.3 Firms must have assets under management of at least five billion dollars (\$5,000,000,000) and the investment fund must be rated at least an “A”.
- 9.4 Firms must provide certification of an annual audit or certification of internal cash controls (i.e. SOC , SSAE-80, or

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 7-2023**

equivalent) satisfactory to the Chief Financial Officer.

- 9.5 Firms must have a minimum of 10 years experience of investment advisory experience in the public sector.
- 9.6 Firms must carry errors and omission insurance in accordance with MTC Policy.
- 9.7 Firms must provide written certification that they meet all of the above criteria.

10.0 Safekeeping:

- 10.1 All securities shall be maintained in a safekeeping account, independent from all broker accounts, with securities held in the name of the agency. Banks with independent “trust” or safekeeping departments shall qualify as independent safekeeping accounts.
- 10.2 Safekeeping accounts shall be maintained with firms or banks with at least fifty million dollars (\$50,000,000) in trust and safekeeping accounts under management and a minimum rating in the “A” category from a nationally recognized rating service.
- 10.3 The Treasurer, Executive Director, or their designated assignee(s) are authorized to sign documents providing for the sale and purchase of securities, as well as all documents required to provide for safekeeping and trust.

11.0 Internal Controls:

The Treasurer shall be responsible for developing a system of internal controls that maintain appropriate records of all transactions as well as individual fund ownership of all investments and interest earnings and shall also be subject to the annual independent audit process.

12.0 Investment Reports:

In accordance with § 53646 of the Government Code, at least quarterly, the Treasurer shall submit an investment report to the Executive Director who shall forward the report to all entities whose funds are subject to this policy. The report shall detail all securities, par value, market value, maturity, liquidity and credit limit thresholds, as well as any sales prior to maturity, any securities no longer meeting policy standards, and any investment policy violations.

13.0 Financial Accounts:

Both the Executive Director and the Treasurer are required to sign documents to open financial accounts with banks, financial institutions and government pooled investment funds as needed in order to manage MTC’s investments as described within this investment policy; provided that all such accounts meet policy standards.

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 7-2023**

14.0 Authorized Signers:

The following positions are authorized to sign on all accounts:

Executive Director

Deputy Executive Directors – all

Treasurer/Chief Financial Officer

Deputy Treasurer/ Director of Treasury

Other Assignee(s) designated by the Executive Director, Treasurer, or
Deputy Treasurer

15.0 Renewal:

This investment policy shall be subject to review annually.