Date:	January 25, 2023
W.I.:	15.2.1
Referred by:	Admin. Committee
Revised:	01/24/24-C
	12/18/24-C
	01/28/26-C

ABSTRACT

Resolution No. 4563, Revised

This resolution authorizes the establishment of a Statement of Investment Policy for the management of MTC funds. This resolution also accepts administrative responsibility for management of the funds of the MTC Service Authority for Freeways and Expressways (SAFE), the Bay Area Toll Authority (BATA), the Bay Area Infrastructure Financing Authority (BAIFA) , the Bay Area Headquarters Authority (BAHA), the Bay Area Housing Finance Authority (BAHFA), and other MTC affiliated agencies as delegated to MTC by MTC SAFE, BATA, BAIFA, BAHA, BAHFA and other MTC affiliated agencies; and for 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 between MTC and ABAG, dated May 30, 2017.

This resolution supersedes MTC Resolution No. 4173 and any other MTC resolutions to the extent that they may conflict with this policy.

Attachment A to this resolution was amended on January 24, 2024 to renew the Statement of Investment Policy.

Attachment A to this resolution was amended on December 18, 2024, to renew the Statement of Investment Policy.

Attachment A to this resolution was amended on January 28, 2026, to renew the Statement of Investment Policy.

Further discussion of this resolution is contained in the Executive Director's memoranda to the Administration Committee dated January 11, 2023, January 10, 2024, December 11, 2024, and January 14, 2026.

Date: January 25, 2023
W.I.: 15.2.1
Referred by: Admin. Committee

RE: Establishment of a Statement of Investment Policy.

METROPOLITAN TRANSPORTATION COMMISSION

RESOLUTION NO. 4563

WHEREAS, the Metropolitan Transportation Commission (MTC) is the Regional Transportation Planning Authority for the San Francisco Bay Area pursuant to Government Code§§ 66500 et seq.; and

WHEREAS, the MTC 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, the MTC Service Authority for Freeways and Expressways (MTC SAFE), created pursuant to Streets and Highways Code§§ 2250-2556; the Bay Area Toll Authority (BATA), created pursuant to Streets & Highways Code §§ 30950 et seq.; the Bay Area Headquarters Authority (BAHA), created pursuant to a Joint Exercise of Powers Agreement between MTC and BATA dated September 28, 2011; the Bay Area Infrastructure Financing Authority (BAIFA), created pursuant to the joint exercise of powers between MTC and BATA dated August 1, 2006; Bay Area Housing Finance Authority *(*BAHFA*),* established by AB 1487 (2019, Chiu) ; and other MTC affiliated entities have requested MTC to assume administrative responsibility for all such MTC affiliated entities' respective funds; and

WHEREAS, MTC is accepting administrative responsibility for the Association of Bay Area Governments (ABAG), a separate joint powers authority, and its affiliated entities, for management of funds, effective July 1, 2017 pursuant to a contract for services between MTC and ABAG, dated May 30, 2017; and

WHEREAS, MTC intends to manage all funds for which it is responsible pursuant to a single comprehensive investment policy; and

WHEREAS, the ABAG Administrative Committee has authorized 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 and all related entities cash and investments under MTC signatures utilizing ABAG's and all related entities' tax identification numbers; now therefore, be it

RESOLVED, that MTC hereby 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; and, be it further

RESOLVED, Attachment A shall be applicable to all funds delegated to MTC; and, be it further

RESOLVED, that the Resolution No. 4563 supersedes MTC Resolution No. 4173; and, be it further

RESOLVED, that MTC's Executive Director or Treasurer or both, as applicable, are directed to manage MTC funds and funds delegated to MTC's administrative responsibility in conformance with said policy; and, be it further

RESOLVED, that this policy shall remain in effect unless modified by MTC; and, be it further

RESOLVED, that this Resolution shall take precedent over any prior MTC Resolutions to the extent that they may conflict herewith or with Attachment A.

METROPOLITAN TRANSPORTATION COMMISSION

Alfredo Pedroza, Chair

The above resolution was entered into by the Metropolitan Transportation Commission at a duly called and noticed meeting held in San Francisco, California and at other remote locations, on January 25, 2023.

Statement of Investment Policy

1.0 Scope

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 (collectively, the “Agencies”), 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 California Government Code and the provisions of this investment policy (“the Policy”),with the exceptions of:

1.1 Bond proceeds, including established reserve funds, shall be invested in the securities, obligations, agreements and other evidences of indebtedness permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities obligations, agreements and other evidences of indebtedness permitted by this Policy.

1.2 Also excluded from this Policy are any deferred compensation, retirement, Section 115 Trust, and Other Post Employment Benefit Plans. Investments related to these plans are not subject to this Policy since third-party administrators or trustees manage the funds, and, either the individual plan participants or outside investment managers or trustees direct investment selections under the guidelines established by the plan documents.

1.3 Any other funds specifically exempted by the Commission.

2.0 Objectives and Prudence

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:

2.1 Safety: Preservation and safeguard of capital.

2.2 Liquidity: Funds shall be invested in a manner consistent with operating needs of the Agencies.

2.3 Yield: Funds shall be invested to earn a secured and safe, market rate return without compromising the objectives of safety and liquidity.

3.0 Delegation of Authority

The authority to manage MTC's investment program is derived from California Government Code, Sections 41006 and 53600 et seq. The Commission is responsible for the management of MTC's funds, including the administration of this Policy. The Commission delegates the management of all funds to MTC's Executive Director or Treasurer. The Treasurer, who is also the Chief Financial Officer of MTC, will be responsible for all transactions undertaken and will establish a system of procedures and controls to regulate the activities of subordinate officials and employees. Such procedures will include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Treasurer.

MTC may engage the services of one or more external investment advisers, who are registered under the Investment Advisers Act of 1940 (the Act) or who are trust companies exempt from the Act due to regulation by relevant state banking authorities, to assist in the management of the MTC's investment portfolio in a manner consistent with MTC's objectives. External investment advisers may be granted discretion by the Treasurer to purchase and sell investment securities in accordance with this Policy.

4.0 Ethics and Conflicts of Interest

All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. Employees and officials involved in the investment process shall refrain from personal business activity that could create a conflict of interest or the appearance of a conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officers shall refrain from undertaking any personal investment transactions with a firm managing Commission funds pursuant to Section 3.0 of this Policy. Employees shall additionally comply with the applicable conflict of interest code and related agency policies.

5.0 Permitted Investments:

Percentage holding limits and minimum credit criteria listed in this section apply at the time the security is purchased. Investments authorized under this Policy shall be limited to:

5.1 United States treasury notes, bonds or bills with a maximum remaining maturity of five years for which the full faith and credit of the United States are pledged for the payment of principal and interest.

5.2 Bonds, notes, bills, warrants or obligations with a maximum remaining maturity of five years issued by a federal agency or United States government-sponsored enterprise (GSE), including those issued by or fully guaranteed as to the principal and interest by federal agencies or GSE. No more than 30% of the Agencies' funds may be invested in any single GSE issuer. No more than 20% of the Agencies' funds may be invested in federal agency callable securities.

5.3 Eligible commercial paper with a maximum maturity of 397 days or less; no more than 25% of the Agencies' funds will be allocated to commercial paper, and no more than 5% of the Agencies' funds may be invested in any single issuer. Additionally, any commercial paper investment is limited to 10% of the outstanding commercial paper of any single issuer.

Commercial Paper of "prime" quality of the highest ranking or of the highest letter and numerical rating provided by a Nationally Recognized Statistical Rating Organization (NRSRO) that meets one of the following criteria:

5.3.1 Is organized and operating in the United States as a general corporation and having total assets in excess of five hundred million dollars ($500,000,000) and having an "A", or the equivalent, or higher rating for the issuers' debt by an NRSRO , other than commercial paper, if any..

5.3.2 Is organized within the United States as a special purpose corporation, trust, or limited liability company, and has program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and is rated A-1 or its equivalent, or higher by an NRSRO.

5.4 Banker's acceptances: Banker's acceptances must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; or long-term debt obligations which are rated in a rating category of "A" or its equivalent or better by at least one NRSRO. No more than 25% of the Agencies' funds may be invested in Banker's Acceptances. No more than 5% of the Agencies' funds may be invested in any single issuer. The maximum maturity must not exceed 180 days.

5.5 Negotiable certificates of deposit (NCD) issued by a nationally or State chartered bank, a savings association or a federal association (as defined by Section 5102 of the California Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank, not to exceed 25% of the Agencies' funds, provided that:

5.5.1 The amount of the NCD insured up to the FDIC limit does not require any credit ratings.

5.5.2 Any amount above the FDIC insured limit must be issued by institutions which have short-term debt obligations rated "A-1" or its equivalent or better by at least one NRSRO; and long-term obligations rated in a rating category of "A" or its equivalent or better by at least one NRSRO.

5.5.3 No more than 5% of the Agencies' funds may be invested in any single issuer.

5.5.4 The maximum maturity does not exceed five (5) years.

5.6 Collateralized Time Deposits (Non-Negotiable Certificates of Deposit) in state or federally chartered banks, savings and loans, or credit unions more than insured amounts which are fully collateralized with securities in accordance with California law, provided that:

5.6.1 No more than 25% of the Agencies' funds will be invested in a combination of federally insured and collateralized time deposits.

5.6.2 The maximum maturity does not exceed five (5) years.

5.7 Medium-Term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by an NRSRO.

5.7.1 Purchase may not exceed 30% of the Agencies' funds.

5.7.2 No more than 5% of the Agencies' funds may be invested in any single issuer.

5.8 Money Market Funds and mutual funds registered with the Securities and Exchange Commission, having attained the highest letter and numerical ranking by at least two NRSRO**s.** Such investments shall not exceed 20% of funds, with no more than 10% invested in any single mutual fund**.**

5.9 Local Agency Investment Fund (LAIF) as authorized by California Government Code §§ 16429.1.

5.10 The Alameda County Treasury local agency investment fund authorized under California Government Code §§ 53684.

5.11 Local Government Investment Pools ("LGIP") defined as shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code § 6509.7 that invests in the securities and obligations authorized in California Government Code § 53601 subdivisions (a) to (r), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

5.11.1 The adviser is registered or exempt from registration with the United States Securities and Exchange Commission.

5.11.2 The adviser has not less than five years of experience investing in the securities and obligations authorized in California Government Code § 53601 subdivisions (a) to (q), inclusive.

5.11.3 The pool size should have a minimum market value of five hundred million dollars ($500,000,000).

5.11.4 The Agencies' share of the pool cannot exceed 10%.

5.12 Repurchase agreements collateralized by securities of the United States Government or an agency of the United States Government, subject to additional requirements as set forth in in California Government Code § 53601 subdivision (j).

5.13 Municipal Obligations issued by MTC, the State of California, local agencies within the State of California, as well as municipal obligations that are treasury notes or bonds of any of the other 49 states in addition to California. Eligible investments shall be rated in a rating category of "A" or its equivalent or better by an NRSRO.

5.13.1 Such bonds can include the obligations of the Bay Area Toll Authority and the Bay Area Infrastructure Financing Authority.

5.13.2 Variable Rate Demand Municipal 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 or P-1, or its equivalent, by an NRSRO. The maturity of these bonds shall be equivalent to the investor's tender option supported by the liquidity facility.

5.13.3 Municipal Obligations issued by the State of California, any of the other 49 states, or local agencies within the State of California, with the exception of the Bay Area Toll Authority or Bay Area Infrastructure Financing Authority, shall have a maximum remaining maturity of five years.

5.13.4 No more than 30% of the Agencies' funds may be invested in these securities.

5.13.5 No more than 5% of the Agencies' funds may be invested in any single issuer.

5.14 Asset-backed, mortgage-backed, mortgage passthrough securities, and collateralized mortgage obligations. For securities eligible for investment under this section not issued or guaranteed by an agency or issuer identified in Sections 5.1 and 5.2 of this investment policy, the following limitations apply:

5.14.1 The security shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and have a maximum remaining maturity of five years or less.

5.14.2 No more than 20% of the Agencies' funds may be invested in these securities.

5.14.3 No more than 5% of the Agencies' funds may be invested in the Asset-Backed or Commercial Mortgage securities of any single issuer.

5.15 United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the following supranational organizations, International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 15% of the Agencies' funds. No more than 5% of the Agencies' funds may be invested in any single issuer.

5.16 All other investments authorized under §§ 53600 et seq. of the California Government Code as appropriate for public fund investments and not specifically addressed by this Policy.

5.17 Bond proceeds, including established reserve funds, may be invested in investment contracts, including guaranteed investment contracts, forward delivery agreements or similar agreements providing for a specified rate of return over a specified time period.

5.17.1 Such agreements must be with, or the obligations must be guaranteed by, a financial institution or insurance company or domestic or foreign bank which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated (or the parent company of which is rated) in either of the two highest long-term Rating Categories by an NRSRO.

6.0 Prohibited Investments:

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

6.1 Reverse repurchase agreements.

6.2 Financial futures.

6.3 Option contracts.

6.4 Mortgage interest strips.

6.5 Inverse floaters.

6.6 Securities lending.

6.7 Repurchase agreements purchased for "yield enhancement" purposes and not required for banking and liquidity purposes.

6.8 Any investment that fails to meet credit or portfolio limits at the time of investment.

6.9 Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

6.10 Purchasing or selling securities on margin is prohibited.

6.11 Securities with trade settlement periods exceeding 45 days are not permitted.

6.12 The purchase of foreign currency denominated securities is prohibited.

7.0 Sales Prior to Maturity:

7.1 All sales prior to maturity shall be detailed in the investment report.

7.2 A security whose market value 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.

8.0 Fund and Liquidity Levels:

8.1 MTC's Executive Director or Treasurer or both, and/or his/her designee(s) shall maintain a system to monitor and forecast revenues and expenditures so that the Agencies' funds can be invested to the fullest extent possible while providing sufficient liquidity to meet the Agencies' reasonably anticipated cash flow requirements. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the funds should be continuously invested in readily available funds. The maximum weighted maturity of the Agencies' funds shall be no longer than five (5) years.

8.2 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. Investment types that may be purchased with maturities up to 40 years include: U.S. Treasuries, Federal Agencies and government-sponsored enterprises, and municipal obligations, as permitted by California Government Code.

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

9.0 Authorized Brokerage Firms:

It shall be MTC's policy to purchase securities only from authorized institutions and firms. MTC staff shall maintain procedures for establishing and recertifying a list of authorized broker/dealers and financial institutions which are approved for investment purposes that are selected through a process of due diligence as determined by MTC.

These institutions may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (uniform net capital rule). In accordance with California Government Code Section 53601.5, institutions eligible to transact investment business with MTC include:

9.1 Institutions licensed by the State as a broker-dealer.

9.2 Institutions that are members of a federally regulated securities exchange.

9.3 Primary government dealers as designated by the Federal Reserve Bank and non-primary government dealers.

9.4 Nationally or state-chartered banks.

9.5 The Federal Reserve Bank.

9.6 Direct issuers of securities eligible for purchase.

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. Provided written certification that they received a copy of the approved policy.

The selection of broker/dealers used by an external investment adviser retained by MTC will be at the sole discretion of the adviser. Where possible, transactions with brokers/dealers shall be selected on a competitive basis and their bid or offering prices shall be recorded. If there is no other readily available competitive offering, best efforts will be made to document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

10.0 Bond Repurchase Accounts

MTC may 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 9.0, except that all firms shall be licensed brokers.

11.0 Safekeeping:

11.1 All securities shall be maintained in a safekeeping account, independent from all broker accounts, with securities held in the name of the Agencies. Banks with independent trust, custody, or safekeeping departments shall qualify as independent safekeeping accounts.

11.2 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 an NRSRO.

11.3 The Executive Director, Treasurer, 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.

12.0 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.

13.0 Investment Reports:

In accordance with § 53646 of the California Government Code, at least quarterly, within 45 days after quarter end, 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.

14.0 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 the Agencies' investments as described within this investment policy; provided that all such accounts meet policy standards.

15.0 Authorized Signers:

The following positions are authorized to sign on all accounts:

Executive Director
Treasurer/Chief Financial Officer
Chief Deputy Executive Director
Chief Operating Officer
Deputy Treasurer/ Director of Treasury
Other assignee(s) designated by the Executive Director, or Treasurer.

16.0 Renewal:

This investment policy shall be subject to review annually.