


M E M O

Alameda Corridor Transportation Authority

To: Governing Board
Meeting Date: March 21, 2024
From: Kevin L. Scott, Chief Financial Officer 
Subject: Approve Revised Alameda Corridor Transportation Authority Investment Policy

Recommendation:

ACTA Staff recommends that the Governing Board approve the revised Alameda Corridor Transportation Authority Investment Policy.

Discussion:

ACTA's Investment Policy ("Investment Policy") provides the basis for ACTA to invest of all of its funds, including approximately \$10 million invested in the Local Agency Investment Fund (LAIF) and SR-47 funds. A separate but parallel investment policy, included in the Master Trust Indenture under Permitted Investments, provides authority for investment of more than \$130 million in bond related funds.

Shortly after the end of each month, staff provides the Governing Board a report showing ACTA's investments in bond related funds and non-bond funds as invested by ACTA's Investment Manager, Chandler Asset Management (CAM). The Investment Policy requires that the Governing Board review the Investment Policy annually and approve or amend the Policy as may be recommended by staff.

On April 12, 2018, the Board approved revisions to the Investment Policy pertaining to non-bond funds in response to change in state law. Certain investment options (in particular, Bills of Exchange and Repurchase Agreements) were identified as no longer available or appropriate for ACTA and therefore were removed from Section VIII - Authorized Investments. In a number of other instances throughout Section VIII - Authorized Investments, revisions were made to restrict the percentage amount for portfolio investments in order to limit the amounts that may be invested in certain investment instruments. The policy revisions reduced exposure to losses by limiting the amount of money which can be invested in any one type of instrument or with a single issuer. However, the investment limitations reduced investment flexibility.

The SB-882 Local Government Omnibus Act of 2023, signed into law by Governor Newsom on September 8, 2023, and effective from January 1, 2024, revised California Government Code Section 53601 which impacts ACTA's current Investment Policy and necessitates that revisions to the Policy be made accordingly. The current Investment Policy has been reviewed by CAM and they concur with staff's recommendation that revisions are necessary at this time.

SB-882 amended California Government Code 53601 subsection (o), revising when local agencies may invest in certain types of securities, namely mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, and consumer receivable-backed bonds. SB-882 did not change when local agencies may invest in these types of securities, namely when the security 1) is rated in a rating category of “AA” or its equivalent or better, 2) has a maximum remaining maturity of five years or less and 3) the investment does not exceed 20 percent of the agency’s surplus moneys that may be invested pursuant to Government Code Section 53601. However, SB-882 amended Section 53601(o) to exempt the listed securities from these restrictions when the security is guaranteed or issued by the United States Government or its agencies as set forth in Government Code Sections 53601(b) and (f). These Government Code sections define when a security is considered guaranteed or issued by the United States Government or its agencies. By exempting these certain government guaranteed or issued securities from Government Code Section 53601(o), a local agency’s investible universe is expanded.

Under ACTA’s current Investment Policy ACTA, up to 20% of its investable funds may be allocated to the securities listed in Government Code Section 53601(o), which remains the current portfolio investment percentage restriction for non-government guaranteed or issued securities. The proposed changes to the Investment Policy reflect the legislative updates to Government Code Section 53601(o), thus allowing ACTA to invest in United States government guaranteed or issued securities as set forth in Government Code Sections 53601 (b) and (f).

As part of the required annual review and approval process, staff and its investment advisor, Chandler Asset Management, review and propose changes to the Investment Policy. This year staff recommends that the Board amend the Investment Policy attached as shown in Transmittal 1, page 6, Section M. The Investment Policy is based on the California Government Code Sections as set forth in the Investment Policy. The investment policy for bond related funds included in the Permitted Investments definition of the Master Trust Indenture is unchanged, as any change would require an Amendment of the Master Trust Indenture.

Budget Impact:

Approving the revised Investment Policy will have no budget impact to the approved FY2024 ACTA Program Budget.

Co-General Counsel Review:

ACTA’s Co-General Counsel has reviewed this board report and there are no legal issues at this time.

Transmittals:

Transmittal 1 – Revised Alameda Corridor Transportation Authority Investment Policy highlighting revisions

Transmittal 2 – Revised Alameda Corridor Transportation Authority Investment Policy not highlighting changes (Clean version)