



ADMINISTRATION COMMITTEE

Agenda Report

Headquarters
18480 Bandilier Circle
Fountain Valley, CA 92708
(714) 593-7433

File #: 2024-3800

Agenda Date: 12/11/2024

Agenda Item No: 2.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

INVEST AND/OR REINVEST ORANGE COUNTY SANITATION DISTRICT'S FUNDS AND ADOPT INVESTMENT POLICY STATEMENT

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Adopt Resolution No. OC SAN 24-XX entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District, Authorizing the Orange County Sanitation District's Treasurer to Invest and/or Reinvest the Orange County Sanitation District's Funds, Adopting the Orange County Sanitation District's Investment Policy Statement and Performance Benchmarks, and Repealing Resolution No. OC SAN 23-23".

BACKGROUND

This agenda item presents updates to the Orange County Sanitation District (OC San) Investment Policy Statement for consideration by the Administration Committee as it is the oversight committee for the Investment Policy (Section 19.2). Most changes are in Section 18.0 (Reporting). This section was revised to better align with the Reporting Requirements language on the Local Agency Investment Guidelines published by the California Debt and Investment Advisory Commission.

Other changes include:

- Expanding the definition of eligible commercial paper to be consistent with state statutes. Commercial paper issuers to include special purpose corporations, trusts, and limited liability companies in Section 8.4 (Commercial Paper).
- Adding language to adjust callable agency exposure to the percent of the portfolio instead of the percent of total agencies in Section 14.2 (Diversification). This removes the moving target on the callable agency limit.

With adoption of the Resolution, the Board of Directors would readopt OC San's Investment Policy Statement, portfolio performance benchmarks, and monitoring and reporting requirements for calendar year 2025.

RELEVANT STANDARDS

- Comply with OC San Policy: OC San Investment Policy
- Comply with Government Code Sections 53607 & 53646

PROBLEM

Government Code §53607 allows for the Board of Directors to delegate authority to invest and/or reinvest OC San's funds to the Treasurer for a one-year period. Government Code §53646 requires OC San to review its Investment Policy annually and readopt its Policy at a public meeting, which will establish specific performance benchmarks and objectives and specific monitoring and reports. Pursuant to Government Code §53646, OC San's Investment Policy must be reviewed and readopted prior to December 31, 2024.

PROPOSED SOLUTION

With adoption of the proposed Resolution, the Board of Directors would renew its delegation of investment authority to the Director of Finance/Treasurer for a one-year period, January 1, 2025 to December 31, 2025, in compliance with the requirements of Government Code §53607. Each year, the Board of Directors will consider similar actions, along with the annual reconsideration of OC San's Investment Policy.

TIMING CONCERNS

The Board of Directors delegation of authority to the Director of Finance/Treasurer to invest and/or reinvest OC San's funds will expire on December 31, 2024.

RAMIFICATIONS OF NOT TAKING ACTION

OC San's Director of Finance/Treasurer will not have the authority to invest and/or reinvest OC San's funds and OC San will not be in compliance with Government Code §53646.

PRIOR COMMITTEE/BOARD ACTIONS

December 2023 - Adopted Resolution No. OC SAN 23-23 entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District Authorizing the Orange County Sanitation District's Treasurer to Invest and/or Reinvest the Orange County Sanitation District's Funds, Adopting the Orange County Sanitation District's Investment Policy Statement and Performance Benchmarks, and Repealing Resolution No. OC SAN 22-36".

ADDITIONAL INFORMATION

OC San's Investment Policy Statement is a comprehensive document describing the policy, authorizations, benchmarks, delegations, and investment limitations. The Investment Policy will govern the investment activities of OC San's external investment manager on behalf of OC San.

Annual Review of Investment Policy

The Investment Policy includes the requirement that OC San shall review its Investment Policy annually (Sections 1.2 and 19.1). OC San's investment manager reviewed the existing policy to ensure that the language remains current with the Government Code. The proposed Investment Policy is attached with redlined changes from the most recent approved policy in December 2023.

Annual Delegation of Investment Authority

Effective January 1, 1997, Government Code §53607 states that governing boards of local agencies may only delegate authority to invest and/or reinvest agency funds to the agency's Treasurer for a one-year period.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Orange County Sanitation District Calendar Year 2024 Investment Policy Statement (Redline)
- Orange County Sanitation District Calendar Year 2025 Investment Policy Statement (Clean)
- Proposed Resolution No. OC SAN 24-XX