



Orange County Sanitation District

ADMINISTRATION COMMITTEE

Administration Building
10844 Ellis Avenue
Fountain Valley, CA 92708
(714) 593-7433

Agenda Report

File #: 2019-674

Agenda Date: 12/11/2019

Agenda Item No: 13.

FROM: James D. Herberg, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

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. OCSD 19-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 Orange County Sanitation District's Funds, Adopting the Orange County Sanitation District's Investment Policy Statement and Performance Benchmarks, and Repealing Resolution No. OCSD 18-23.

BACKGROUND

There were no significant changes on the Investment Policy Statement or the Local Agency Investment Guidelines based on the California Government Code investment statutes over the past year. This agenda item presents an update to the Orange County Sanitation District's (Sanitation District) Investment Policy Statement to the Administration Committee for consideration in the Committee's capacity as the oversight committee for the Investment Policy (Section 18.2). With adoption of the Resolution, the Board of Directors would readopt the Sanitation District's current Investment Policy Statement, portfolio performance benchmarks, and monitoring and reporting requirements for calendar year 2020.

The Sanitation District's Investment Policy Statement was previously approved by the Administration Committee and the Board of Directors for calendar year 2019 in December 2018.

RELEVANT STANDARDS

- Comply with OCSD Policy - Orange County Sanitation District Investment Policy
- California Government Code Sections 53607 and 53646

PROBLEM

California Government Code Section 53607 allows for the Board of Directors to delegate authority to invest and/or reinvest the Sanitation District's funds to the Treasurer for a one-year period. California

Government Code Section 53646 requires the Sanitation District 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. On December 19, 2018, the Board of Directors adopted Resolution No. OCSD 18-23, entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District, Authorizing the District's Treasurer to Invest and/or Reinvest District's Funds, Adopting District's Investment Policy Statement and Performance Benchmarks; and Repealing Resolution No. OCSD 17-17". Authority delegated by the Board of Directors to the Assistant General Manager & Director of Finance and Administrative Services/Treasurer to invest and/or reinvest the Sanitation District's funds expires on December 31, 2019. Pursuant to California Government Code Section 53646, the Sanitation District's Investment Policy must be reviewed and readopted prior to December 31, 2019.

PROPOSED SOLUTION

With adoption of the Resolution, the Board of Directors would renew its delegation of investment authority to the Assistant General Manager & Director of Finance and Administrative Services/Treasurer for a one-year period, January 1, 2020 to December 31, 2020, in compliance with the requirements of California Government Code Section 53607. Each year, the Board of Directors will consider similar actions, along with the annual reconsideration of the Sanitation District's Investment Policy.

TIMING CONCERNS

The Board of Directors delegation of authority to the Assistant General Manager & Director of Finance and Administrative Services/Treasurer to invest and/or reinvest the Sanitation District's funds will expire on December 31, 2019. Pursuant to California Government Code Section 53646, the Sanitation District's Investment Policy must be reviewed and readopted prior to December 31, 2019.

RAMIFICATIONS OF NOT TAKING ACTION

The Sanitation District's Assistant General Manager & Director of Finance and Administrative Services/Treasurer will not have the authority to invest and/or reinvest the Sanitation District's funds and the Sanitation District will not be in compliance with California Government Code Section 53646.

PRIOR COMMITTEE/BOARD ACTIONS

December 2018 - Board adopted Resolution No. OCSD 18-23, entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District, Authorizing the District's Treasurer to Invest and/or Reinvest District's Funds, Adopting District's Investment Policy Statement and Performance Benchmarks; and Repealing Resolution No. OCSD 17-17".

ADDITIONAL INFORMATION

The Sanitation District 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 Chandler Asset Management, the Sanitation District's external money manager, on behalf of the Sanitation District.

Annual Review of Investment Policy

The Investment Policy includes the requirement that the Sanitation District shall review its Investment Policy annually (Sections 1.2 and 18.1). Chandler Asset Management reviewed the existing policy to ensure that the language remains current with the California Government Code. The proposed Investment Policy is attached with redlined changes from the most recent approved policy in December 2018.

Annual Delegation of Investment Authority

Effective January 1, 1997, California Government Code Section 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.

CEQA

N/A

FINANCIAL CONSIDERATIONS

N/A

ATTACHMENT

The following attachment(s) are included in hard copy and may also be viewed on-line at the OCSD website (www.ocsd.com) with the complete agenda package:

- OCSD Calendar Year 2020 Investment Policy Statement (clean)
- OCSD Calendar Year 2019 Investment Policy Statement (redline)
- Proposed Resolution No. OCSD 19-XX