



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2021-1705

Agenda Date: 12/8/2021

Agenda Item No: 4.

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. OC SAN 21-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. OCSD 20-13".

BACKGROUND

As there were no significant changes in State law governing the Orange County Sanitation District's (OC San) investments, this agenda item presents an update to the OC San 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 OC San's Investment Policy Statement, portfolio performance benchmarks, and monitoring and reporting requirements for calendar year 2022.

The following is a summary of the changes to the Investment Policy Statement:

- Changed: "The Sanitation District" to "OC San"
- Changed: "Comprehensive Annual Financial Report" to "Annual Financial Comprehensive Report"
- Changed: "The Bond Market Association" to "The Securities Industry and Financial Markets Association"

OC San's Investment Policy Statement was previously approved by the Administration Committee and the Board of Directors for calendar year 2021 in December 2020.

RELEVANT STANDARDS

- Comply with OC San 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 OC San's funds to the Treasurer for a one-year period. California Government Code Section 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 California Government Code Section 53646, OC San's Investment Policy must be reviewed and readopted prior to December 31, 2021.

PROPOSED SOLUTION

With adoption of the proposed 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, 2022 to December 31, 2022, 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 OC San'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 OC San's funds will expire on December 31, 2021.

RAMIFICATIONS OF NOT TAKING ACTION

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

PRIOR COMMITTEE/BOARD ACTIONS

December 2020 - Board adopted Resolution No. OCSD 20-13, 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. OCSD 19-21".

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 Chandler Asset Management, OC San's external money 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 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 2020.

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.

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 2022 Investment Policy Statement (Clean)
- Orange County Sanitation District Calendar Year 2021 Investment Policy Statement (Redline)
- Proposed Resolution No. OC SAN 21-XX