

RIVERSIDE TRANSIT AGENCY  
1825 Third Street  
Riverside, CA 92507

January 27, 2005

TO: BOARD OF DIRECTORS  
THRU: Larry Rubio, Chief Executive Officer  
FROM: Chris Gallanes, Chief Financial Officer  
SUBJECT: Agency Investment Policy Update

Summary: The Agency Board of Directors must adopt an Investment Policy on an annual basis. This ensures that the policy is consistent with overall agency goals and objectives, as well as preservation of principal, liquidity, yield, economic trends, and law.

The Investment Policy is provided as an attachment to this report. All recommended modifications are annotated in the first paragraph of the proposed policy.

All policy changes will be submitted to the Board of Directors for approval prior to implementation.

Fiscal Impact:

There is no fiscal impact to the Agency.

Recommendation:

This item was discussed at the Board Budget and Finance Committee meeting of January 5, 2005. The Committee members unanimously approved recommending this item to the full Board of Directors for their consideration as follows:

- Approve the Agency Investment Policy



## INVESTMENT POLICY

### SCOPE

This investment policy applies to the cash funds of Riverside Transit Agency, except for its employee's retirement system fund, which is administered by the California Public Employees Retirement System (PERS). A Separate Section 401 ~~and 457~~ Deferred Compensation Fund is administered by ~~Great West Retirement Services (Great West), ICMA Retirement Corporation (ICMA), as well as a 457 Deferred Compensation Fund which is administered by Great West Retirement Services (Great West).~~ ~~Effective March 1, 2004 Great West will administer both the 401 and 457 Deferred Compensation Funds.~~

These funds include Operating and Capital Funds.

### OBJECTIVE

Investable funds shall be invested to the maximum extent feasible. The primary goal of the investment program is to maintain safety and liquidity of principal and interest while maximizing returns, minimizing risks and ensuring that funds are available to meet anticipated cash flow requirements.

In the investment of its funds, Riverside Transit Agency will be guided by the following principles in order of importance:

1. The primary objective of the investment program is to safeguard the principal of the funds.
2. The secondary objective is to meet the liquidity needs of the Agency.
3. The third objective is to achieve a maximum return while assuming minimal risk on Agency investments.

### AUTHORIZED INVESTMENT OFFICERS

The Chief Financial Officer is designated as the Investment Officer for the Agency and is responsible for investment decisions and activities, under the direction of the Chief Executive Officer. Cash management and investment transactions are the responsibility of the Investment Officer. In the absence of the Chief Financial Officer, the Chief Executive Officer will designate a temporary Investment Officer.

The authority to execute investment transactions on behalf of the Riverside Transit Agency will be limited to the:

Chief Executive Officer  
Chief Financial Officer  
Chairman of the Board

Two authorized signatures will be required for all investment transactions and wire transfers as delineated in Resolution 98-04 adopted on May 28, 1998, or any revision thereafter subsequently approved by the Board of Directors.

## **ETHICS AND CONFLICT OF INTEREST**

**Officers and employees who are directly involved in the investment program shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair the ability to make impartial investment decisions.**

## **PRUDENCE**

The standard to be used by investment officials shall be that of a “prudent person” and shall be applied in the context of managing all aspects of the overall portfolio. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as probable income to be derived.

The Agency realized that market prices of securities would vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit risk. These occasional losses must be considered within the contest of the overall investment program objectives and the resultant long-term rate of return.

The Investment Officer and other individuals assigned to manage the investment portfolio, acting in accordance within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall not be held personally responsible for security credit risk or market price changes, provided that deviations from expectations are reported immediately to the Chief Executive Officer and that appropriate action is taken to control adverse developments.

## **SAFEKEEPING**

Agency cash and investment securities, if any, shall be held in safekeeping by a designated institution. The institution shall issue a safekeeping receipt to the Agency listing the specific instrument, rate, maturity and other pertinent information as applicable. The independent auditors should review safekeeping procedures annually along with internal controls.

## **MONITORING AND ADJUSTING THE PORTFOLIO**

The Investment Officer will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio accordingly.

## **INTERNAL CONTROL**

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis.

Internal controls shall be reviewed annually by the independent auditor. The controls shall be designed to prevent a loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

## **REPORTING**

The Investment Officer shall render a quarterly report to the Chief Executive Officer and the Board of Directors within 30 days following the end of the quarter covered by the report. The report will include the following information:

- Type of Investment
- Name of Issuing Institution
- Date of Maturity, if applicable
- Amount of Deposit (Investment)
- Rate of Interest Earned
- Current Market Value of the Investment as of the Date of the report
- Sufficient Funds Statement for Next 90 Days' Obligations
- State compliance of the portfolio to the Statement of Investment Policy

## **AUTHORIZED INVESTMENTS**

Investment of the Agency funds is governed by the California Government Sections 53600 et seq. Within the context of these limitations, the following investments are authorized, as further limited herein:

1. Passbook Savings and Account Demand Deposits with commercial banks or savings and loan banks insured by the Federal Deposit Insurance Corporation and/or collateralized in accordance with the California Government Code. These accounts are liquid; therefore, there is no percentage limitation of the portfolio, which can be invested in this category.
2. Local Agency Investment Fund (LAIF) which is a State of California managed investment pool and may be used to the maximum permitted by the California State Law.
3. California Arbitrage Management (CAMP) Pool. Funds deposited in this category are restricted to the remaining Certificates of Participation (COP) proceeds and interest earned to pay the debt service on the 57 replacement buses purchased in 2001/2002.

4. U.S. Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio which can be invested in this category. Maturity is not to exceed the projected dates of the Agency's cash needs or two years, whichever is less.

#### **MATURITY SCHEDULED**

Investment maturities shall be scheduled, as applicable, to coincide with projected cash flow needs, taking into account large routine expenditures such as payroll, accounts payable and capital purchases along with receipt of projected revenues.

#### **INTEREST EARNINGS**

All moneys earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balances in each fund as a percentage of the entire pooled portfolio.

#### **LEGISLATIVE CHANGES**

Any State of California legislative action, that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the Riverside Transit Agency's Investment Policy and supersede any and all previous applicable language.

#### **POLICY REVIEW**

The Board of Directors on an annual basis shall adopt the Riverside Transit Agency's investment policy. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to the Board of Directors for approval.