

# *Investment Program Overview*



**April 9, 2013**

# *Investing Public Funds*

- Governed by California Law
  - Government Code Section 53601
    - Establishes type of investments i.e. treasuries, agencies, corporate notes, asset-backs, negotiable cd's, mutual funds
    - Establishes minimum credit ratings, term and maximum allocation
- Investment Policy
  - Agency specific
  - Risk tolerance of the Board
  - Appropriate for cash flow demands of agency

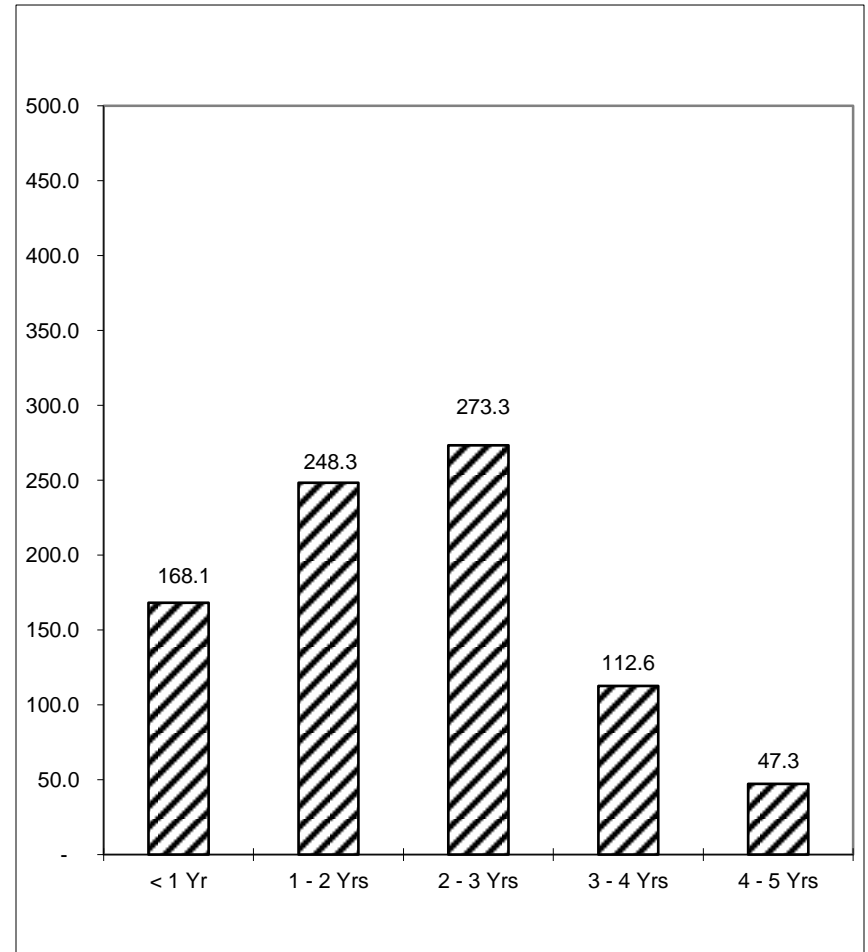
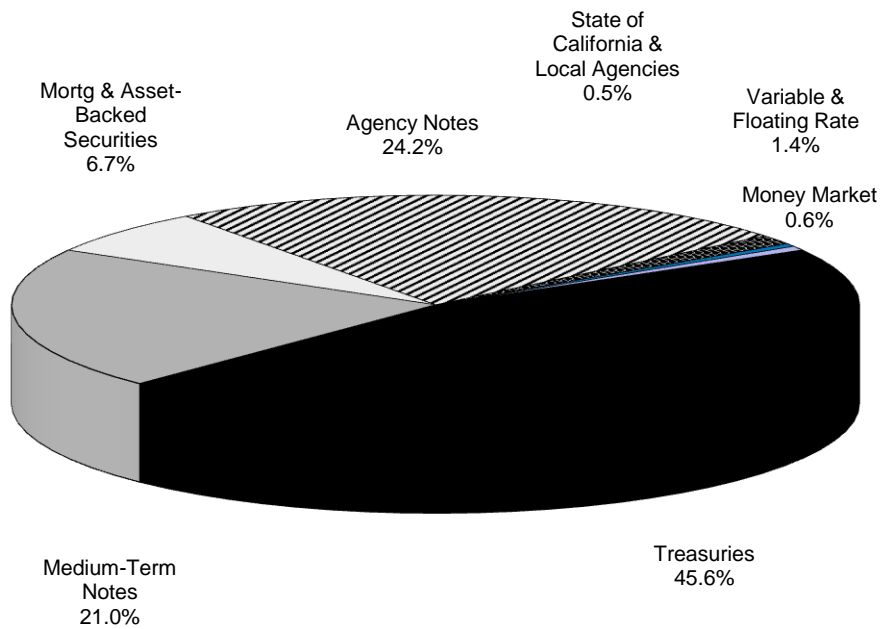
# ***Investment Policy Content***

- Purpose
  - Sets guidelines for all OCTA funds invested
- Objectives
  - Safety of Principal, Liquidity, Total Return, Diversification
- Compliance
  - Establishes policy as part of portfolio manager contract
- Delegation of Authority
  - The Board of Directors renews the authority for the Treasurer to invest funds
- Permitted Investments
  - Identifies specific investments types, minimum credit & terms allowable by portfolio

# Permitted Investments

<u>Instruments</u>	<u>Maximum % Portfolio</u>
1) U.S. Treasuries (including U.S. Treasury STRIPS & TIPS).....	100%
2) Federal Instrumentality Securities.....	100%
3) Federal Agencies .....	100%
4) State of California and Local Agencies .....	25%
5) Bankers Acceptances .....	30% (Code 40%)
6) Commercial Paper .....	25% (Code)
7) Negotiable CDs .....	30% (Code)
8) Repurchase Agreements .....	75%
9) Medium Term Maturity Corporate Securities .....	30% (Code)
10) Money Market Funds and 11) Other Mutual Funds (in total).....	20% (Code)
12) Mortgage and Asset-backed Securities .....	20% (Code)
13) LAIF .....	\$40mm maximum per entity
14) OCIP .....	\$40mm maximum per entity
15) CAMP .....	10%
16) Variable and Floating Rate Securities .....	30%
17) Bank Deposits .....	5%
18) Derivatives (hedging transactions only) and subject to prior approval.....	5%
19) Investment Agreements pursuant to indenture .....	100%

# Current Short-Term Portfolio



# Fixed Income Risk

- **Interest rate risk** When interest rates rise, bond prices fall; conversely, when rates decline, bond prices rise.
- **Reinvestment risk** When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates. In a rising rate environment the opposite is true.
- **Selection risk** The risk that an investor chooses a security that underperforms the market for reasons that cannot be anticipated.
- **Credit risk** The risk that a borrower will be unable to make interest or principal payments when they are due and therefore default.
- Interest rates are forecast to remain unchanged to mid-2014.

# ***Continued Monitoring***

- Treasury/Toll Roads Department reports to Finance and Administration Committee monthly; Board of Directors quarterly
- Implement Clearwater Analytics Portfolio software
  - Transactions, mark to market, credit ratings
- Monitor all economic indicators and Federal Reserve Policy
- Continually discuss strategy with Investment managers and Sperry Capital