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**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 18, 2012**

SUBJECT: INVESTMENT POLICY

ACTION: ADOPT UPDATED INVESTMENT POLICY

RECOMMENDATION

- A. Adopt the Investment Policy.
- B. Approve the Financial Institutions Resolution authorizing financial institutions to honor signatures of LACMTA Officials, Attachment III.
- C. Delegate to the Treasurer or his/her designees, the authority to invest funds for a one-year period, pursuant to California Government Code (the Code) Section 53607.

ISSUE

Section 53646 of the Code, requires that the Board, on an annual basis and at a public meeting, review and approve the Investment Policy. Section 53607 of the Code, requires that the Board delegate investment authority to the Treasurer on an annual basis.

Section 10.8 of the Investment Policy requires that the Treasurer submit the Financial Institutions Resolution to the Board annually for approval.

DISCUSSION

Policy Implications

The Board approves the objectives and guidelines that direct the investment of operating funds. Revisions to the current Investment Policy are presented in two attachments. Attachment I lists the changes to permitted securities, maturity restrictions and reporting requirements, collectively Guideline changes. Attachment II lists changes of an editorial nature that are being made to clarify language.

Financial Institutions require Board authorization to establish custody, trustee and commercial bank accounts. In accordance with the Investment Policy, staff reviewed the resolution and determined no changes were needed.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on safety.

BACKGROUND

The Investment Policy establishes guidelines for staff and external investment managers to enable the agency to maximize its return on investments subject to the primary objectives of safety and liquidity. The delegation of investment authority transfers to the Treasurer the responsibility and accountability to perform the investment function for a one-year period.

The approval of the Financial Institutions Resolution gives staff the tool needed to implement the administrative duties arising from policy directives such as opening, closing and changing bank accounts.

To streamline this board report, the following reference materials may be found on the internet:

Current Investment Policy:

http://www.metro.net/about_us/finance/images/investment_policy_112701.pdf

California Government Code: Section 53600 to 53609, Section 53646, Section 53652, Section 16429.1 to 16429.4:

<http://www.leginfo.ca.gov/cgi-bin/calawquery?codesection=gov&codebody>

FINANCIAL IMPACT

The funds required to update the Investment Policy are included in the FY12 budget in cost center 5210 and project number 610340.

Impact to Bus and Rail Operating and Capital Budget

The sources of funds budgeted to manage assets in accordance with the Investment Policy are Prop A, C, and TDA Admin funds. These funds are not eligible for bus and rail operating and capital expenses.

ALTERNATIVES CONSIDERED

The Investment Policy and the Code require an annual review and adoption of the Investment Policy, the delegation of investment authority and the annual approval of the Financial Institutions Resolution. Should the Board elect not to delegate the investment authority annually or approve the Financial Institutions Resolution, the Board would assume daily responsibility for the investment of working capital funds and for the approval of routine administrative actions.

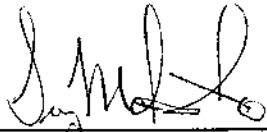
NEXT STEPS

Upon Board approval, distribute the Investment Policy to external investment managers and broker-dealers. Issue copies of the Investment Policy and Financial Institutions Resolution to our financial institutions.

ATTACHMENTS

Attachment I: Policy Guideline Changes
Attachment II: Editorial Changes
Attachment III: Financial Institutions Resolution

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Terry Matsumoto
Chief Financial Services Officer and Treasurer



Arthur T. Leahy
Chief Executive Officer

ATTACHMENT I
Policy Guideline Changes to LACMTA Investment Policy Effective January 26, 2012

Section Change	Current Text	Proposed Text	Rationale
Section 5.2 # C Permitted Investments		C. Credit requirements listed in this investment policy indicate the minimum credit rating (or its equivalent by any nationally recognized statistical rating organization) required at the time of purchase without regard to modifiers (e.g., +/- or 1.2.3), if any.	To indicate explicitly that the credit requirements are without regard to modifiers.
Section 5.5 B Permitted Investments	B. Reverse repurchase agreements.	B. Reverse repurchase agreements <i>and securities lending agreements</i> .	To specify that securities lending agreements are prohibited under this investment policy.
Section 6.4 Selection of Depository Institutions...	Depositories and external investment managers shall sign a Certification of Understanding. The Certification of Understanding (see Appendix A) states that the entity: ..	Depositories <i>Financial institutions</i> and external investment managers <i>conducting investment transactions with or for LACMTA</i> shall sign a Certification of Understanding. The Certification of Understanding (see Appendix A) states that the entity: ..	To clarify the organizations and transactions addressed by this section.
Section 7.4 Custody and Safekeeping of Securities and LACMTA Funds	7.4 Original copies of negotiable certificates of deposit shall be held in a qualified safekeeping institution.	7.4 Original copies of negotiable certificates of deposit shall be held in a qualified safekeeping institution.	Removing language to conform to practice since negotiable certificates of deposit are now handled in the same manner as other deliverable securities.
Section 8.3 Reports and Communications		M. A quarterly gain or loss report on the sale or disposition of securities in the portfolio.	To include the gain/loss report as part of the required reports.
Section 5.1A Item #3 Type of Investment	Registered state warrants or treasury notes or bonds of the State of California.	Registered state warrants or treasury notes or bonds of the State of California <i>or any of the other 49 United States</i> .	Conformed to language as written in the Code.
Section 5.1A Item #8 Type of Investment	Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a state-licensed branch of a foreign bank. The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any	Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal savings and loan association, a state or federal credit union, or by a state licensed branch of a foreign bank, <i>or (effective January 1, 2012) a federally licensed branch of a foreign bank.</i>	To add Code language referencing "federally licensed branch of a foreign bank" and the effective date.

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Policy Guideline Changes to LACMTA Investment Policy Effective January 26, 2012

Section Change	Current Text	Proposed Text	Rationale
<p>other specified city officer or employee also serves on the board of directors or certain committees of that credit union.</p>			
<p>Section 5.1A Item #9 Type of Investment Other Restrictions</p>	<p>Investments in repurchase agreements or securities lending agreement. The repurchase agreement must be covered by a master written agreement in the form of the current Public Securities Association agreement. The securities lending agreement must be covered by a Masters Securities Loan Agreement.</p> <p>Repurchase agreements and securities lending agreements shall be collateralized at all times. Collateral shall be limited to obligations of the United States and Federal Agencies with an initial margin of at least 102% of the value of the investment, and shall be in compliance if brought back up to 102% no later than the next business day. Collateral shall be delivered to a third party custodian in all cases. Collateral for term repurchase agreements shall be valued daily by the LACMTA's investment manager (for internal funds) or external investment manager.</p> <p>Investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. The Authority shall obtain a first lien and security interest in all collateral.</p>	<p>Investments in repurchase agreements or securities lending agreement. The repurchase agreement must be covered by a master written agreement in the form of the current Public Securities Association agreement. The securities lending agreement must be covered by a Masters Securities Loan Agreement</p> <p>Repurchase agreements and securities lending agreements shall be collateralized at all times. Collateral shall be limited to obligations of the United States and Federal Agencies with an initial margin of at least 102% of the value of the investment, and shall be in compliance if brought back up to 102% no later than the next business day. Collateral shall be delivered to a third party custodian in all cases. Collateral for term repurchase agreements shall be valued daily by the LACMTA's investment manager (for internal funds) or external investment manager.</p> <p>Investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day. The Authority shall obtain a first lien and security interest in all collateral.</p>	<p>To specify that securities lending agreements are prohibited under this policy. Moved collateral requirements to "Other Restrictions" section.</p>
<p>Section 5.1A Item #10 Other Restrictions</p>	<p>Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. Notes must be rated "A" or its equivalent or better by a nationally recognized rating service.</p>	<p>Maximum maturity of five (5) years. unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. Notes must be rated "A" or its equivalent or better by a nationally recognized statistical rating organization service.</p>	<p>To clarify the maximum maturity of this asset category permitted by the Code. Update the language referring to a statistical rating organization.</p>
<p>Appendix A.</p>	<p>The Los Angeles County Metropolitan</p>	<p>The Los Angeles County Metropolitan</p>	<p>To clarify type of transactions</p>

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 Policy Guideline Changes to LACMTA Investment Policy Effective January 26, 2012

Section Change	Current Text	Proposed Text	Rationale
	Transportation Authority (LACMTA) Investment Policy as approved by the Board of Directors requires that all Financial Institutions and Investment Managers doing business with the agency sign a Certification of Understanding acknowledging that:	Transportation Authority (LACMTA) Investment Policy as approved by the Board of Directors requires that all Financial Institutions and Investment Managers doing business <i>conducting investment transactions with or for the agency</i> LACMTA sign a Certification of Understanding acknowledging that:	addressed by this section.

ATTACHMENT II
Editorial Changes to LACMTA Investment Policy Effective January 26, 2012

Section Change	Current Text	Proposed Text	Rationale
Section 1.0 Policy	<p>This policy conforms to the California Government Code ("Code") as well as to customary standards of prudent investment management. Investments may only be made as authorized by the Code, Sections 16429.1 through 16429.4 and this policy. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this policy. Changes to the code that are less restrictive than this Policy may be adopted by the Board of Directors (Board).</p>	<p>This <i>investment</i> policy conforms to the California Government Code ("Code") as well as to customary standards of prudent investment management. Investments may only be made as authorized by the Code, Section 53600 et seq., Sections 16429.1 through 16429.4 and this <i>investment</i> policy. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this <i>investment</i> policy. Changes to the <i>Code</i> that are less restrictive than this investment policy may be adopted by the Board of Directors (Board).</p>	<p>For consistency and clarity changing policy to read investment policy; and specifying Code as the reference for the California Government Code.</p>
Section 2.1 Scope	<p>This policy sets forth the guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and any new fund created by the Board, unless specifically exempted. Excluded from this policy are guidelines for the investment of proceeds related to debt financings, defeased lease transactions, Agency (Deferred Compensation, 401K, and Benefit Assessment District) and Pension Trust Funds.</p>	<p>This <i>investment</i> policy sets forth the guidelines for the investment of surplus General, Special Revenue, Capital Projects, Enterprise (excluding cash and investments with fiscal agents), Internal Service, and any new fund created by the Board, unless specifically exempted. Excluded from this <i>investment</i> policy are guidelines for the investment of proceeds related to debt financing, defeased lease transactions, Agency (Deferred Compensation, 401K, and Benefit Assessment District) and Pension Trust Funds.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
Section 2.2 Scope	<p>Internal and external portfolio managers may be governed by Portfolio Guidelines that may on an individual basis differ from the total fund guidelines outlined herein. The Treasurer is responsible for monitoring and ensuring that the total funds subject to this policy remain in compliance with this policy, and shall report to the Board regularly on compliance.</p>	<p>Internal and external portfolio managers may be governed by Portfolio Guidelines that may on an individual basis differ from the total fund guidelines outlined herein. The Treasurer is responsible for monitoring and ensuring that the total funds subject to this <i>investment</i> policy remain in compliance with this <i>investment</i> policy, and shall report to the Board regularly on compliance.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>

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<p>Section 3.2 Investment Objectives</p>	<p>It is policy to hold investments to maturity or until market value equals or exceeds (historical) cost. However a security may be sold prior to its maturity and a capital gain or loss recorded if liquidity needs arise, or in order to improve the quality, or rate of return of the portfolio in response to market conditions and/or LACMTA risk preferences.</p>	<p>It is policy to hold investments to maturity or until market value equals or exceeds (historical) cost. However, a security may be sold prior to its maturity and a capital gain or loss recorded if liquidity needs arise, or in order to improve the quality, or rate of return of the portfolio in response to market conditions and/or LACMTA risk preferences.</p>	<p>To conform language to practice.</p>
<p>Section 4.1 Delegation of Authority</p>	<p>The Board shall be the trustee of funds received by the LACMTA. In accordance with the California Government Code (CGC) Section 53607, the Board hereby delegates the authority to invest or reinvest the funds, to sell or exchange securities so purchased and to deposit securities for safekeeping to the Treasurer for a one year period, who thereafter assumes full responsibility for such transactions and shall make a monthly report of those transactions to the Board. Subject to review by the Board, the Board may renew the delegation of authority each year.</p>	<p>The Board shall be the trustee of funds received by the LACMTA. In accordance with the California Government Code (CGC) Section 53607, the Board hereby delegates the authority to invest or reinvest the funds, to sell or exchange securities so purchased and to deposit securities for safekeeping to the Treasurer for a one year period, who thereafter assumes full responsibility for such transactions and shall make a monthly report of those transactions to the Board. Subject to review by the Board, the Board may renew the delegation of authority each year.</p>	<p>For consistency and clarity specifying Code as the reference for the California Government Code.</p>
<p>Section 4.3 Delegation of Authority</p>	<p>No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer.</p>	<p>No person may engage in an investment transaction except as provided under the terms of this investment policy and the procedures established by the Treasurer.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 5.1 Permitted Investments</p>	<p>All funds which are not required for immediate cash expenditures shall be invested in income producing investments or accounts, in conformance with the provisions and restrictions of this investment policy as defined in Section 5.1A of this investment policy (Attached) and as specifically authorized by the California Government Code, (Sections 53600, et seq.).</p>	<p>All funds which are not required for immediate cash expenditures shall be invested in income producing investments or accounts, in conformance with the provisions and restrictions of this investment policy as defined in Section 5.1A of this investment policy (Attached) and as specifically authorized by the California Government Code, (Sections 53600, et seq.).</p>	<p>To remove redundant language and to specify Code as the reference for the California Government Code.</p>
<p>Section 5.2 Permitted Investments</p>	<p>In order to reduce overall portfolio risk, investments shall be diversified among security type, maturity, issuer and depository institutions. See Section 5.1A for specific concentration limits by type of investment. The following issue concentration limits shall apply:</p>	<p>In order to reduce overall portfolio risk, investments shall be diversified among security type, maturity, issuer and depository institutions. See Section 5.1A for specific concentration limits by type of investment. The following issue concentration limits shall apply:</p>	<p>To remove reference to concentration limits specified in Section 5.1A of this investment policy.</p>

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Section 5.2 # A Permitted Investments	A. No more than 15% of the portfolio may be invested in any one Federal Agency or government-sponsored issue. B. The obligations of a single corporation or depository institution shall not exceed 10% of the funds subject to this policy. In calculating this concentration limit, commercial paper, bankers' acceptances, medium term notes, asset-backed securities, and negotiable certificates of deposit shall be included; deposits collateralized per Section 7.3 of this policy are excluded from this calculation.	A. Percentage limitations where listed are only applicable at the date of purchase. No more than 15% of the portfolio may be invested in any one Federal Agency or government sponsored issue. B. The obligations of a single corporation or depository institution shall not exceed 10% of the funds subject to this policy. In calculating this per issuer concentration limits, commercial paper, bankers' acceptances, medium term notes, asset-backed securities, and negotiable certificates of deposit shall be included; deposits collateralized per Section 7.3 of this investment policy are excluded from this calculation. B. Where this investment policy does not state a maximum maturity in Section 5.1A, no investment instrument shall be purchased which has a stated maturity of more than five years from the date of purchase, unless the instrument is specifically approved by the Board as part of an investment program and such approval must be granted no less than three months prior to the investment.	To clarify that purchase limitations apply at time of purchase. To remove reference to concentration limits specified in Section 5.1A of the investment policy.
Section 5.2 # B Permitted Investments	A. No investment instrument shall be purchased which has a stated maturity of more than five years from the date of purchase, unless the instrument is specifically approved by the Board or is approved by the Board as part of an investment program and such approval must be granted no less than three months prior to the investment.	C. The average duration of the externally managed funds subject to this investment policy shall not exceed 150% of the benchmark duration. The weighted average duration of the internal portfolios shall not exceed three (3) years. State and local government sponsored investment Pools and money market mutual funds as authorized by this investment policy are subject to due diligence review prior to investing and on a continual basis as established in Section 5.1A, #11 and #12. This investment policy specifically prohibits the investment of any funds subject to this investment policy in the following securities:	To remove reference to concentration limits specified in Section 5.1A of the investment policy. For consistency and clarity changing policy to read investment policy.
Section 5.3 B Permitted Investments	A. In selecting Depositories pursuant to	A. For consistency and clarity changing policy to read investment policy.	To conform to Code language and clarify the Investment Policy's maturity limitations.
Section 5.3 C Permitted Investments	A. In selecting Depositories pursuant to	A. For consistency and clarity changing policy to read investment policy.	For consistency and clarity changing policy to read investment policy.
Section 5.4 Permitted Investments	A. In selecting Depositories pursuant to	A. For consistency and clarity changing policy to read investment policy.	For consistency and clarity changing policy to read investment policy.
Section 5.5 Permitted Investments	A. In selecting Depositories pursuant to	A. For consistency and clarity changing policy to read investment policy.	For consistency and clarity changing policy to read investment policy.
Section 6.1 A	A. In selecting Depositories pursuant to	A. In selecting Depositories pursuant to	For consistency and clarity

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<p>Selection of Depository Institutions, Investment Managers and Broker-Dealers</p>	<p>California Government Code (CGC) Sections 53600 (et seq.), the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution has been evaluated by a nationally recognized independent rating service as satisfactory or better. The main depository institutions will be selected on a periodic and timely basis.</p>	<p>California Government Code (CGC) Sections 53600 53630 (et seq.), the credit worthiness, financial stability, and financial history of the institution, as well as the cost and scope of services and interest rates offered shall be considered. No funds will be deposited in an institution unless that institution <i>has an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency been evaluated-by-a nationally-recognized independent rating service as satisfactory-or-better.</i> The main depository institutions will be selected on a periodic and timely basis.</p>	<p>specifying Code as the reference for the California Government Code. To clarify the minimum rating requirement of an institution.</p>
<p>Section 6.1 B Selection of Depository Institutions, Investment Managers and Broker-Dealers</p>	<p>B. Deposits of \$250,000 or less which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the independent rating service evaluation requirements above and from the collateralization requirements of Section 7.3 of this policy, at the Treasurer's discretion. A written waiver of securitization shall be executed, provided to the Depository Institution, and kept on file in the Treasury Department.</p>	<p>B. Deposits of \$250,000 or less which are insured pursuant to federal law by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration (NCUA) may be excluded from the independent rating service evaluation requirements above and from the collateralization requirements of Section 7.3 of this <i>investment</i> policy, at the Treasurer's discretion. A written waiver of securitization shall be executed, provided to the Depository Institution, and kept on file in the Treasury Department.</p>	<p>To remove language waiving rating service evaluations. For consistency and clarity changing policy to read investment policy.</p>
<p>Section 6.2 Selection of Depository Institutions, Investment Managers and Broker-Dealers</p>	<p>In selecting external investment managers and brokers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost within the parameters of this Investment Policy and the Code shall be considered. External investment managers must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor Act of 1940.</p> <p>b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. NASD, SEC, MISRB);</p>	<p>In selecting external investment managers and brokers, past performance, stability, financial strength, reputation, area of expertise, and willingness and ability to provide the highest investment return at the lowest cost within the parameters of this <i>investment policy</i> and the Code shall be considered. External investment managers must be registered with the Securities and Exchange Commission (SEC) under the Investment Advisor Act of 1940.</p> <p>b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. NASDFINRA, SEC, MISRB);</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 6.3 A, b Selection of Depository Institutions,</p>	<p>b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations code or a member of a federally registered securities exchange (i.e. NASD, SEC, MISRB);</p>	<p>b. Must be licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a member of a federally registered securities exchange (i.e. NASDFINRA, SEC, MISRB);</p>	<p>Remove obsolete reference to "NASD" and replace it with reference to Financial Industry Regulatory Authority "FINRA". Correct reference</p>

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Investment Managers and Broker-Dealers			from "MISRB" to Municipal Securities Rulemaking Board "MSRB".
Section 6.3 B Selection of Depository Institutions, Investment Managers and Broker-Dealers	B. External investment managers may purchase or sell securities from non-Primary Dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and provided that the dealer is a certified member of the National Association of Securities Dealers. External investment managers shall submit, at least quarterly, a list of the non-Primary Dealers used during the period.	B. <i>In addition to Primary Dealers in U.S. Primary Dealer, external investment managers may purchase or sell securities from non-Primary Dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and provided that the dealer is a certified member of the Financial Industry Regulatory Authority-National Association of Securities Dealers.</i> External investment managers shall submit, at least quarterly, a list of the non-Primary Dealers used during the period.	To clarify that the external managers may purchase securities from Primary and non-Primary Dealers. Correct reference from National Association of Securities Dealers to Financial Industry Regulatory Authority.
Section 6.3 C Selection of Depository Institutions, Investment Managers and Broker-Dealers	C. External investment managers must certify in writing that they will purchase securities in compliance with this Investment Policy, LACMTA Procedures, and applicable State and Federal laws.	C. External investment managers must certify in writing that they will purchase securities in compliance with this <i>investment policy</i> , LACMTA Procedures, and applicable State and Federal laws.	For consistency and clarity changing policy to read investment policy.
Section 6.4 B Selection of Depository Institutions, Investment Managers and Broker-Dealers	B. Meets the requirements as outlined in this Policy;	B. Meets the requirements as outlined in this <i>investment policy</i> ;	For consistency and clarity changing policy to read investment policy.
Section 6.5 Selection of Depository Institutions, Investment Managers and Broker-Dealers	A. Has received, read, and understands the Policy; B. Has communicated the requirements of the Policy to all personnel who may select investment opportunities for presentation.	A. Has received, read, and understands the <i>this investment policy</i> . B. Has communicated the requirements of the this investment Policy <i>policy</i> to all personnel who may select investment opportunities for presentation.	For consistency and clarity changing policy to read investment policy.
Section 7.2 Custody and	All investment transactions shall be settled "delivery vs. payment", with the exception of	All investment transactions shall be settled "delivery vs. payment", with the exception of	To clarify the type of mutual fund permitted.

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<p>Safekeeping of Securities and LACMTA Funds</p>	<p>deposits, mutual fund investments, and Local Agency Investment Fund or other Local Government Investment Pools. Delivery may be physical, via a nationally recognized securities depository such as the Depository Trust Company, or through the Federal Reserve Book Entry system.</p>	<p>deposits, mutual <i>money market mutual fund</i> investments, and Local Agency Investment Fund or other Local Government Investment Pools. Delivery may be physical, via a nationally recognized securities depository such as the Depository Trust Company, or through the Federal Reserve Book Entry system.</p>	
<p>Section 8.1 Reports and Communications</p>	<p>The Treasurer is responsible for ensuring compliance with all applicable Local, State, and Federal laws governing the reporting of investments made with public funds. All investment portfolios will be monitored for compliance. Non-compliance issues will be included in the quarterly Board report as stated in Section 8.3 of this Policy.</p>	<p>The Treasurer is responsible for ensuring compliance with all applicable Local, State, and Federal laws governing the reporting of investments made with public funds. All investment portfolios will be monitored for compliance. Non-compliance issues will be included in the quarterly Board report as stated in Section 8.3 of this <i>Investment Policy</i>.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 8.2 Reports and Communications</p>	<p>The Treasurer shall annually submit a statement of investment policy to the Board for approval. The existing approved policy will remain in effect until the Board approves the recommended statement of investment policy.</p>	<p>The Treasurer shall annually submit a statement of investment policy to the Board for approval. The existing approved <i>investment</i> policy will remain in effect until the Board approves the recommended statement of investment policy.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 8.3 Reports and Communications</p>	<p>I. A statement of compliance with this policy, or notations of non-compliance.</p>	<p>I. A statement of compliance with this <i>investment</i> policy, or notations of non-compliance.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 8.3 Reports and Communications</p>	<p>K. For investments that have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in National Credit Union Administration insured accounts in a credit union, in a county investment pool, or in shares of diversified management company that invest in the securities and obligations as authorized by this Policy and the Code, the most recent statement received from these institutions may be used in lieu of the information required in 8.3].</p>	<p>K. For investments that have been placed in the Local Agency Investment Fund, in Federal Deposit Insurance Corporation-insured accounts in a bank or savings and loan association, in National Credit Union Administration insured accounts in a credit union, in a county investment pool, or in shares of beneficial interest issued by a diversified management company that invest in the securities and obligations as authorized by this <i>investment Policy</i> and the Code, the most recent statement received from these institutions may be used in lieu of the information required in 8.3 J.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 8.4 Reports and Communications</p>	<p>A. Internal and external investment managers shall submit monthly reports to the Treasurer, such reports to include all of the information referenced in Section 8.3, items A-J of this policy. Portfolios shall be marked-to-market</p>	<p>A. Internal and external investment managers shall submit monthly reports to the Treasurer, such reports to include all of the information referenced in Section 8.3, items A-J of this <i>investment</i> policy. Portfolios shall be marked-to-</p>	<p>For consistency and clarity changing policy to read investment policy.</p>

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<p>Section 8.4 B Reports and Communications</p>	<p>monthly and the comparison between historical cost (or book value) and market value shall be reported as part of this monthly report.</p> <p>B. Internal and external investment managers shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Treasurer in writing within 24 hours of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this policy, the investment manager shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.</p>	<p>market monthly and the comparison between historical cost (or book value) and market value shall be reported as part of this monthly report.</p> <p>B. Internal and external investment managers shall monitor the ratings of all investments in their portfolios on a continuous basis and report all credit downgrades of portfolio securities to the Treasurer in writing within 24 hours of the event. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this <i>investment</i> policy, the investment manager shall also make a written recommendation to the Treasurer as to whether this security should be held or sold.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 9.0 Portfolio Guidelines</p>	<p>Portfolio Guidelines are the operating procedures used to implement the Investment Policy approved by the Board. The Treasurer may impose additional requirements or constraints within the parameters set by the Investment Policy.</p>	<p>Portfolio Guidelines are the operating procedures used to implement the this investment <i>investment Policy</i> approved by the Board. The Treasurer may impose additional requirements or constraints within the parameters set by the this investment investment Policy <i>investment Policy</i>.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 10.7 Internal Control</p>	<p>The Treasurer is responsible for the preparation of the cash flow model. The cash flow model shall be updated monthly based upon the actual and projected cash flow.</p> <p>Annually, the Treasurer shall notify the external investment managers of the cash flow requirements for the next twelve months. The Treasurer shall monitor actual to maximum maturities within the parameters of this policy.</p>	<p>The Treasurer is responsible for the preparation of the cash flow model. The cash flow model shall be updated monthly based upon the actual and projected cash flow.</p> <p>Annually, the Treasurer shall notify the external investment managers of the cash flow requirements for the next twelve months. The Treasurer shall monitor actual to maximum maturities within the parameters of this <i>investment</i> policy.</p>	<p>For consistency and clarity changing policy to read investment policy.</p>
<p>Section 5.1A Item #1 Type of Investment</p>	<p>Bonds Issued by the Authority</p>	<p>Bonds Issued by the LACMTA Authority <i>LACMTA Authority</i></p>	<p>To change the reference to LACMTA rather than the Authority.</p>
<p>Section 5.1A Item #3, Other Restrictions</p>	<p>Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. Such obligations must be rated A1, P-1 or equivalent or better short term; or Aa/AA or better</p>	<p>Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. Such obligations must be rated A1, P-1 <i>P-1</i> or equivalent or better short term; or Aa/AA or</p>	<p>To simplify ratings requirements and update the language to read "nationally recognized statistical rating organization".</p>

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	long term, by a national rating agency	better long term, by a <i>nationally recognized statistical rating organization</i> .	To simplify ratings requirements and update the language to read "nationally recognized statistical rating organization".
Section 5.1A Item #4, Other Restrictions	Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. Such obligations must be rated A1, P-1 or equivalent or better short term; or Aa/AA or better long term, by a national rating agency.	Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. Such obligations must be rated A1, P-1 or equivalent or better short term; or Aa/AA or better long term, by a <i>nationally recognized statistical rating organization</i> .	
Section 5.1A Item #5 Type of Investment	Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, the Federal Home Loan Banks, the Tennessee Valley Authority, or in obligations, participations or other instruments of or issued by, a federal agency or a United States Government-sponsored enterprise.	<i>Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.</i>	Conformed to language as written in the Code.
Section 5.1A Item #6 Type of Investment	Bill of exchanges or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., and Standard & Poor's Corporation.	Bills of exchanges or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. <i>of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., and Standard & Poor's Corporation.</i>	To include the ratings requirements in the "Other Restrictions" section.
Section 5.1A Item #6 Other Restrictions	Purchases of bankers' acceptances may not exceed 180 days maturity. No more than 10% of the portfolio may be invested in any one bank or corporate issuer.	Purchases of bankers' acceptances may not exceed 180 days maturity. No more than 10% of the portfolio may be invested in any one bank or corporate issuer. <i>The issuer's short-term debt must have the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization.</i>	To include the ratings requirements in the "Other Restrictions" section.
Section 5.1A Item #7 Type of Investment	Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized rating source. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million	Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization. <i>Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of</i>	To move the issuer requirements in this section to the "Other Restrictions" section.

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	dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided for by a nationally recognized rating source.	<i>five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided for by a nationally recognized rating source.</i>	
Section 5.1A Item #7, Other Restrictions	<p>Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation.</p> <p>No more than 10% of the portfolio may be invested in any one Corporate or bank issuer. If rated by more than one service, both ratings must meet the minimum criteria.</p>	<p><i>Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuer's debentures, other than commercial paper, if any, as provided for by a nationally recognized statistical rating organization.</i></p> <p>Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation.</p> <p>No more than 10% of the portfolio may be invested in any one Corporate or bank issuer. If rated by more than one service, both ratings must meet the minimum criteria.</p>	To include the issuer requirements in the "Other Restrictions" section.
Section 5.1A Item #8, Type of Investment	<p>Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings...</p> <p>The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any other specified city officer or employee also serves on the board of directors or certain committees of that credit union.</p>	<p><i>Negotiable certificates of deposit issued by a nationally or state-chartered bank or a state or federal savings...</i></p> <p><i>The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or any other specified city officer or employee also serves on the board of directors or certain committees of that credit union.</i></p>	To move the investment restrictions in this section to the "Other Restrictions" section.
Section 5.1A Item #8, Other Restrictions	<p>Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. No more than 10% of the portfolio may be invested in any one bank name. Minimum rating for the issuer of A or its equivalent or better</p>	<p><i>Maximum maturity of five (5) years unless a longer maturity is approved by Board of Directors, either specifically or as part of an investment program, at least three (3) months prior to purchase. No more than 10% of the portfolio may be invested in any one bank name. Minimum rating for the issuer of A or its equivalent or better</i></p>	<p>To update the language referring to a statistical rating organization.</p> <p>To include the investment restrictions in the "Other Restrictions" section.</p>

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	recognized rating source.	by a nationally recognized <i>statistical</i> rating organization source .	
Section 5.1A Item #11 Other Restrictions	Companies must have either 1) the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized rating services, or (2) retained an investment advisor registered with the Securities and Exchange Commission, with no less than five years experience investing in the securities and obligations authorized by California Government Code §3601 a-k inclusive and m-o inclusive and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price may not include any commissions charged by these companies.	<i>The legislative body of the local agency, the treasurer or other official of the local agency having custody of the money are prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body, person with investment decision making authority, or treasurer's office of the local agency also serves on the board of directors or certain committees of that credit union.</i> Companies must have either 1) the highest ranking or the highest letter and numerical rating provided by not less than two of the nationally recognized <i>statistical</i> rating organizations services , or (2) retained an investment advisor registered or exempt with the Securities and-Exchange Commission, with no less than five years experience investing in the securities and obligations authorized by California Code §3601 a-k inclusive and m-o inclusive and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price may not include any commissions charged by these companies.	To update the language referring to a statistical rating organization.
Section 5.1A Item #12 Type of Investment	State of California Local Agency Investment Fund (LAIF) California Government Code Section 16429.1 through 16429.4, or other Local Government Investment Pools (LGIP) established by public California entities.	<i>No more than 10% of the portfolio may be invested in one money market fund.</i> State of California Local Agency Investment fund (LAIF) California Government Code Section 16429.1 through 16429.4, or other Local Government Investment Pools (LGIP) established by public California entities <i>pursuant to Code section 53684.</i>	To move investment restrictions to the "Other Restrictions" section. To remove redundant reference to California Government Code. And specify Code section authorizing other government pools.
Section 5.1A Item #12	Maximum investment in individual Local Government Investment Pools limited to amounts permitted by California Government Code (CGC).	Maximum investment # per individual Local Government Investment Pools pool limited to amounts permitted by the California Government	

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<p>Other Restrictions</p>	<p>Limit does not include funds required by law, ordinance or statute to be invested in pool.</p>	<p>Code (GGG) the amount for LAIF as set by the State Treasurer's Office. Limit does not include funds required by law, ordinance, or statute to be invested in pool.</p>	
<p>Section 5.1A Item #13 Other Restrictions</p>	<p>Limited to senior class securities with stated maturities of no more than 5 years. Further limited to securities rated in a rating category of "AAA", and issued by an issuer having an "A" or higher rating for the issuer's debt as provided for by a nationally recognized rating service. Further limited to fixed rate, publicly offered, generic credit card and automobile receivables only. Deal size must be at least \$250 million, and tranche size must be at least \$25 million.</p>	<p>Limited to senior class securities with stated maturities of no more than 5 years. Further limited to securities rated in a rating category of "AAA", and issued by an issuer having an "A" or higher rating for the issuer's debt as provided for by a nationally recognized <i>statistical</i> rating <i>organization service</i>. Further limited to fixed rate, publicly offered, generic credit card and automobile receivables only. Deal size must be at least \$250 million, and tranche size must be at least \$25 million.</p>	<p>To update the language referring to a statistical rating organization.</p>
<p>Section 5.1A Item #14 Other Restrictions</p>	<p>Pass-Through securities: Limited to Government Agency or Government Sponsored issuers, fixed rate, stated maturity no more than 5 years. CMOS: Limited to Government Agency or Government Sponsored Issuers "AAA" rated Planned Amortization Classes (PAC) only. The following are prohibited: ARMS, floaters, interest or principal (IOs, POs), Targeted Amortization Classes, companion, subordinated, collateral classes, or zero accrual structures.</p>	<p>Pass-Through securities: Limited to Government Agency or Government Sponsored issuers, fixed rate, stated maturity no more than 5 years. CMOS: Limited to Government Agency or Government Sponsored Issuers "AAA" rated <i>by a nationally recognized statistical rating organization</i>. Planned Amortization Classes (PAC) only. The following are prohibited: ARMS, floaters, interest or principal (IOs, POs), Targeted Amortization Classes, companion, subordinated, collateral classes, or zero accrual structures.</p>	<p>To update the language referring to a statistical rating organization.</p>

ATTACHMENT III
FINANCIAL INSTITUTIONS RESOLUTION

RESOLVED, that any financial institutions, including all banks and their correspondent banks doing business with the Los Angeles County Metropolitan Transportation Authority (LACMTA), are hereby authorized, requested and directed to honor all checks, drafts, wires, or other orders for payment of money drawn in the LACMTA's name on its account(s) (including those drawn on the individual order of any person or persons whose names appear thereon as a signer or signers thereof) when bearing the original and/or facsimile signature of the Chair; Chief Executive Officer; Deputy Chief Executive Officer; Chief Financial Services Officer & Treasurer; Chief Administrative Services Officer; or Assistant Treasurer (collectively, LACMTA Officials). LACMTA Officials are the only representatives empowered to open, close or authorize changes to accounts on behalf of LACMTA. LACMTA Officials may designate individuals as Official Signatories for financial accounts. The duties of Official Signatories shall be limited to check signing, wire or fund transfers, balance reporting and/or monitoring of bank processes.

And, those financial institutions, including correspondent banks, currently doing business with LACMTA shall be entitled to honor and charge LACMTA for all such checks, drafts, wires, or other orders for the payment of money, regardless of by whom or by what means when the actual or facsimile signature or signatures resemble the specimens filed with those financial institutions by the Secretary or other officer of LACMTA.

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Los Angeles County Metropolitan Transportation Authority, certifies that the foregoing is a true Resolution adopted at a legally convened meeting of the Board of Directors of the Los Angeles County Metropolitan Transportation Authority held on _____.

Dated: _____

Michele Jackson
Board Secretary

(SEAL)

