

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
3	04/14/14	Open	Action	03/31/14

Subject: Delegate Authority to the General Manager/CEO to Execute an Agreement with CalTrust to Invest District Restricted Cash and Unrestricted Designated Reserves

ISSUE

Delegate Authority to the Regional Transit General Manager/CEO to Execute an Agreement with the Investment Trust of California (CalTrust) to Invest Regional Transit (RT) Restricted Cash and Unrestricted Designated Reserves

RECOMMENDED ACTION

Adopt Resolution No. 14-04-_____, Delegating Authority to the General Manager/CEO to Execute an Agreement with CalTrust to Invest RT Restricted Cash and Unrestricted Designated Reserves

FISCAL IMPACT

CalTrust's and Local Agency Investment Fund's (LAIF) fees are netted from investment earnings, below is a comparison of investment earnings net of fees as of December 31, 2013. The bolded amounts show the higher performing fund when comparing LAIF and the CalTrust Short term fund:

	One Year	Three Year	Five Year	Since Inception
CalTrust:				
Money Market Fund	0.09%	0.11%	0.22%	3.05%
Medium Term Fund	0.48%	0.91%	1.78%	2.66%
Short Term Fund*	0.40%	0.46%	0.92%	2.20%
LAIF	0.27%	0.35%	0.59%	2.12%

*Staff anticipates investing in the CalTrust Short term fund.

DISCUSSION

The Sacramento Regional Transit District (RT) is currently using LAIF to invest restricted grant money, restricted developer fees, and operating reserve funds. The rules established by LAIF limit any single agency that invests in the pool to a maximum of \$50 million. RT has historically had lower levels of cash; however, with the approval of the Full Funding Grant Agreement (FFGA) for the South Line project and the receipt of advanced restricted funds, RT's restricted and unrestricted cash balances have now grown to over \$50 million. Currently, RT is keeping funds in excess of \$50 million in the Wells Fargo general checking account. Since the interest rate on this type of account is low, currently less than 0.01%, staff sees the need to seek another safe and liquid investment option.

Approved:

Presented:

Final 04/07/14

General Manager/CEO

Chief Financial Officer

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CalTrust is a Joint Powers Authority (JPA) that formed an external investment pool to provide local governments an alternative to LAIF. Joining CalTrust would enable RT to hold separate accounts for each of the types of money being invested (i.e. restricted grant money, developer fees, operating reserves, etc) eliminating the pooling of funds and allocation of interest based on average balances.

CalTrust offers three different investment options: 1) Wells Fargo Heritage Money Market fund, 2) Short term fund, and 3) Medium term fund. The Money Market fund investment returns are comparable to what RT's current bank can offer and much lower than LAIF or the Short term or Medium term fund. The Short term fund provides investment returns that are competitive with LAIF as well as provide the same liquidity. The Medium term fund is higher performing; however, account holders are restricted to one withdrawal per month, and with most investments, higher performance indicates higher risk.

All of CalTrust's funds are invested in accordance with California Government Code and are allowable investment types under RT's investment policy. CalTrust initially selected its investment advisor in 2007 using a competitive solicitation using a Request for Proposal (RFP) process. Since then, the investment advisor has changed through mergers and successions (currently Wells Capital Management). CalTrust plans to perform another RFP in a couple of years, when the current investment advisor's agreement expires.

During the process of evaluating CalTrust as an alternative to LAIF, staff considered moving unrestricted operating cash to CalTrust and eliminating the use of LAIF completely. LAIF has very little principal risk, meaning there is very low risk that the investor will lose money while invested. In LAIF's history there have been no negative annual returns reported. The CalTrust Short term fund has minimal principal risk but provides higher returns. The CalTrust Short term fund began in February 2005, and like LAIF has never reported negative annual returns to investors. Upon final analysis staff determined that maintaining the LAIF account is in RT's best interest because the ease of use for temporary holdings of advanced funds as well as the low level of principal risk.

Because only state and local grant funds and developer fees will be deposited in the CalTrust account, all fees paid would be non-federal, thus engaging CalTrust would be a non-federally-funded, sole source procurement, permitted under Section 1.405, of Title 1, of the RT Administrative Code. Subsection 1.405(B) permits sole source solicitation of service contracts when the Board determines that it is in the best interests of RT to solicit only one consultant or to amend an existing Service Contract without compliance with the competitive solicitation procedures set forth in Article III of Title I (Procurement Ordinance). The need for expert, specialized and pooled JPA investment services to handle these monies is urgent and appears to be in RT's best interests to engage CalTrust to provide the necessary investment services to invest these monies.

Staff recommends that the Board delegate authority to the General Manager/CEO to execute an agreement with CalTrust to invest District restricted cash and unrestricted designated reserves.

RESOLUTION NO. 14-04-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

April 14, 2014

DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE AN AGREEMENT WITH CALTRUST TO INVEST RT RESTRICTED CASH AND UNRESTRICTED DESIGNATED RESERVES

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, in accordance with Section 1.405 (B) of RT Administrative Code, the Board finds that it is in the best interests of RT to solicit only one consultant, and to award the contract for investment services to The Investment Trust of California, herein "CalTrust" without compliance with the competitive solicitation procedures set forth in Article III of Title I (Procurement Ordinance) of the Administrative Code.

THAT, the Board delegates authority to the General Manager/CEO to execute an agreement with CalTrust to invest District restricted cash and unrestricted designated reserve funds and execute any forms, documents, or application necessary to establish and manage its account.

PHILLIP R. SERNA, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary