

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT STATEMENT OF INVESTMENT POLICY

SECTION I: INVESTMENT OBJECTIVES, SCOPE & SUITABILITY

The Controller-Treasurer of the District shall invest District funds in a manner that the Controller-Treasurer deems prudent, suitable, and advantageous under existing circumstances and in accordance with the following objectives, in order of priority:

1. Preservation of Capital – The investment portfolio should be structured to minimize the probability of a loss of principal value through adequate diversification of investments across a variety of security offerings, maturities, and financial institutions.
2. Liquidity- funds shall be invested only until date of anticipated need or for a lesser period. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets
3. Yield- generation of the best available return on investment without compromise of the first two objectives.

The priorities evidenced above are consistent with California Government Code Sections 53600.3 and 53600.5.

The District's investment policy shall also discourage the investment of funds in any institution or business which conducts operations or invests funds in any country whose laws discriminate against individuals based upon race, color, or creed.

To the extent that District funds are invested pursuant to a Trust Agreement or other Security Agreement, the provisions of such document will control the investment of the funds held hereunder.

SECTION II: GOVERNING AUTHORITY

The Controller-Treasurer may invest in Securities authorized by the California Public Utilities Code Sections 29100 through 29103; California Government Code Sections 53601, 53601.1 and 53635 and Board Resolution 2697 with the following exceptions: the Controller-Treasurer will not invest in financial or commodity futures, options contracts, medium-term corporate notes, or mutual funds unless specifically authorized by the Board. Should the provisions of respective Codes become more restrictive than those contained herein, such provisions will be considered as immediately incorporated into this investment policy.

SECTION III: AUTHORIZED INVESTMENTS

The Controller-Treasurer may invest in United States treasury notes, bonds, or bills for which the full faith and credit of the United States are pledged for the payment of principal and interest; Bonds, notes, bills, warrants or obligations issued by an agency of the United States; and Municipal Obligations issued by State or Local agencies, as authorized by California Government Code Section 53601. The term remaining to maturity of the investments may not exceed five years.

The Controller-Treasurer may invest in repurchase agreements and will accept as collateral only securities of the U.S. government and U.S. governmental agencies which have a market value, including accrued interest, equal to the amount of the repurchase agreement, as authorized by California Government Code Section 53601(j). The maturity date of the collateral may, however, be later than that required by Objective 2 above.

The Controller-Treasurer may invest in reverse repurchase agreements with a maturity of 90 days or less, as authorized by California Government Code Section 53601(j).

The Controller-Treasurer may invest in "swaps" defined as, the simultaneous buying and selling of a security of approximately the same maturity to increase yield, cash flow or to improve quality.

In addition to the securities authorized above, the Controller-Treasurer may invest in public time deposits in financial institutions having at least one branch within the District boundaries.

The Controller-Treasurer will accept as collateral securities authorized by the California Government Code Section 53651 (a) through (p) excluding subsection (m) promissory notes secured by first mortgages and first trust deeds. The Controller-Treasurer will require 110% collateralization, less the portion authorized by California Government Code Section 53653 on public time deposits, except for San Francisco Federal Home Loan Bank Letters of Credit, in which case the required collateralization will be 105%.

The Controller-Treasurer has the authority to waive the required collateralization and substitute Federal Deposit Insurance Corporation (FDIC) for the first \$250,000 of the investment.

The Controller-Treasurer will continue to seek minority depository institutions, as defined by the Federal Government, for the placement of a portion of the District's funds.

The Controller-Treasurer may invest in money market mutual funds up to 20% of District funds eligible to be invested under California Government Code Section 53601. The money market mutual funds must carry a credit rating equal to or higher than U.S. Treasury securities and their portfolio must consist entirely of direct obligations of the U. S. Government, its agencies, or instrumentalities eligible, and repurchase agreements backed by such obligations.

The Controller-Treasurer may invest in the State of California Local Agency Investment Fund as authorized by California Government Code Sections 16429.1, 2, 3 & 4. up to 20% of District funds eligible to be invested under California Government Code 53601.

The Controller-Treasurer may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American

Development Bank as authorized by California Government Code Section 53601 (q). These obligations may have a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO. The Controller-Treasurer may use up to 30% of District funds eligible to be invested under California Government Code Section 53601.

SECTION IV: REPORTING & ANNUAL REVIEW

The Controller-Treasurer shall report on the investments covered under this policy at least quarterly to the Board.

The foregoing defines the District's investment policies for calendar year 2017 and thereafter unless and until the policies are modified by the Controller-Treasurer and approved by the Board. The Controller-Treasurer shall review this policy annually and submit modifications to the Board when needed.