

# California Transportation Foundation Cash Management and Investment Policy Statement

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## Objectives of the Policy:

It is the intent of the Board of Directors to establish a policy that ensures that the California Transportation Foundation (“Foundation”) investments are handled in a manner which provides for the safety and liquidity of its assets and that accomplishes the investment objectives as approved by the Board of Directors. This policy is meant to serve as a guideline for the Foundation's cash management and investment policies by setting parameters on how operating and endowment funds are dispositioned for the type and duration of acceptable investments. The policy further provides for the engagement of a Financial Advisor (“FA”) with the proper expertise to provide advice regarding investments and cash management under the direction of the Board of Directors.

## Cash Flow Management:

The Finance Committee Chair (“FCC”) of the Foundation shall be responsible for monitoring cash flow and as applicable, work with the Foundation’s Financial Advisor (“FA”) in order to properly assess the present and future cash needs of the Foundation. The FCC shall report to the Board of Directors quarterly the actions taken for investing decisions . The decisions shall be based on safety and liquidity of proposed investments; competitive yield; and timing of maturity dates to cover future cash needs as outlined herein and as established by the Board of Directors from time to time.

## Operating Funds Reserve

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The Finance Committee shall be directed to maintain in cash and equally liquid form, adequate operating funds to cover operating expenses as anticipated in the annual CTF budget. Excess funds will be identified by the Finance Committee and recommendations made to the Board of Directors regarding disposition of those funds as follows:

## Funds Available for Investing:

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For the purpose of this policy, CTF cash assets will be divided into the following categories

1. Operating funds and operating reserves – Those funds which are to be held as cash or in a equally liquid account and whose purpose will be to pay for the on-going operations of CTF.
2. Endowment Funds – Those funds which have been designated specifically and are accounted for in the CTF Chart of Accounts as Endowed funds. Endowed funds may be candidates for investment instruments which are long-term and provide higher rates of return.
3. Undesignated Funds – Cash that is not designated as endowment or required to needed in reserve to cover anticipated operations costs. Undesignated funds may be invested in like manner as endowment funds.

All funds held in trust or for operations or operating reserves are available for investment, however, endowed funds will not be co-mingled with un-endowed funds, or with operating funds and operating reserves.

## Investment Guidelines of Endowment Funds:

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The objective of invested endowment funds should be to pursue a long-term goal designed to maximize the returns without exposure to undue risk. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern should be preservation of capital, long-term appreciation of assets and consistency of total portfolio returns.

The investment policies and restrictions presented in this statement are to serve as a framework to achieve the investment objectives at a level of risk deemed acceptable by the Board of Directors. These policies and restrictions are designed to minimize interfering with efforts to attain overall objectives, and to minimize excluding any appropriate investment opportunities.

This policy allows for substantial discretion in the allocation and diversification of assets for the purposes of increasing investment returns and/or reducing risk exposure. The Board of Directors has broad authority to shift the commitment of assets among asset classes, industry sectors and individual securities to pursue opportunities presented by long-term secular changes within the capital markets at its discretion, based on recommendations by the FCC and FA.

Liquid Investments (i.e. also Cash Equivalents):

Liquid investments are any investments that are immediately transferable into cash with minimal risk of loss, including, by way of example only, Certificates of Deposit (with time frames meeting the Foundation's liquidity needs and timetables) and money market funds invested in a reputable FDIC insured banking institution or such equally safe cash equivalent account.

Equity/Growth Investments: (Limited to endowment funds)

Equity/Growth investments are ownership and participation in particular companies that have growth potential. The ownership is typically in stocks and include but are not limited to common stocks, preferred stocks, and mutual equity/growth funds. These stocks may or may not pay dividends.

The equity/growth portion of the portfolio which is limited to endowment and undesignated funds should be maintained at a risk level roughly equivalent to that of the equity market as a whole, with the objective of exceeding its results as represented by the S&P 500 net of fees and commissions.

Prohibited Investments:

1. Private placements;
2. Letter Stock;
3. Options; commodities (Excluding Commodity Funds);
4. Securities whose issuers have filed a petition for bankruptcy;
5. Real Estate (Excluding REITS);
6. Limited Partnerships.
7. Investments rated less than A+
8. Foreign Investments

Fixed Income Investments: (Limited to endowment funds)

Fixed income investments are those investments which are purchased for long term income and have fixed maturities. These are typically bonds and treasuries which pay set interest rates or dividends and have a specific maturity date. This may also include longer term Certificates of Deposit from approved institutions offering attractive rates and security.

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. These investments will be subject to the following limitations:

1. The weighted average maturity of the portfolio must be 10 years or less with a maximum maturity of 15 years for individual securities.
2. Investments in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 50% of the portfolio at cost.
  - a. These percentages are to be reviewed by the Board of Directors quarterly.

Reporting Requirements:

A quarterly report shall be presented to the Board of Directors outlining in detail the endowment fund portfolio and performance and transactions conducted during the last quarter and the fiscal year to-date.

All endowment fund entities shall be provided a copy of the Foundation's Investment Policy Statement annually. This Investment Policy Statement is subject to review and amendment by the Foundation's Board of Directors at the Board's discretion.

Reviewed and Adopted by Action of the Executive Committee on: July 3, 2013 and by the Board of Directors on September 19, 2013.