

**Treasury/Public Finance Department's
Report On**

**Orange County Transportation Authority
Investment and Debt Programs**



**Presented to the
Finance and Administration Committee**

**For The Period Ending
April 30, 2023**

INVESTMENT PROGRAM

OCTA Investment Dashboard

4/30/2023

Safety of Principal

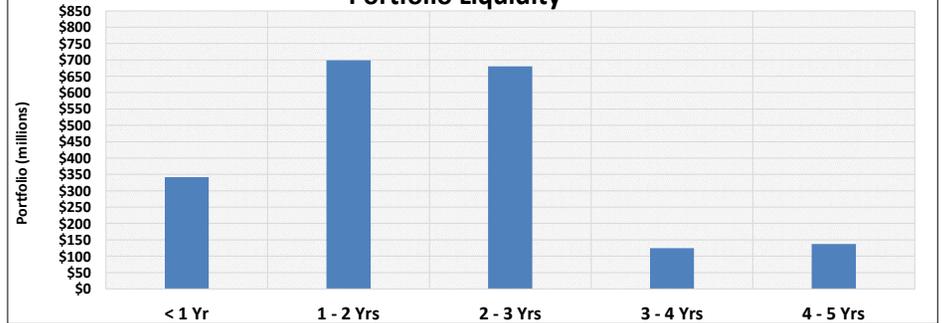
Securities that fell below OCTA's minimum credit quality requirements during the month of April 2023:
Not applicable.

Securities currently held within OCTA's portfolio that fell below OCTA's minimum credit quality requirements during prior reporting periods:
Not applicable.

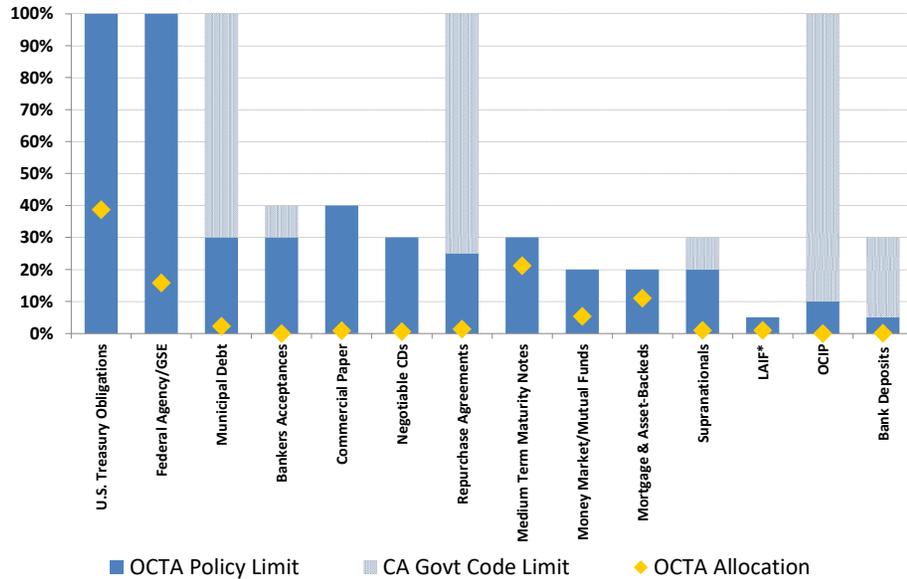
Securities downgraded or placed on Negative Credit Watch during the month of April 2023, but remain in compliance with OCTA's Investment Policy:
Two securities held within OCTA's investment portfolio were downgraded during the month.

For further details please refer to A-8 of this report.

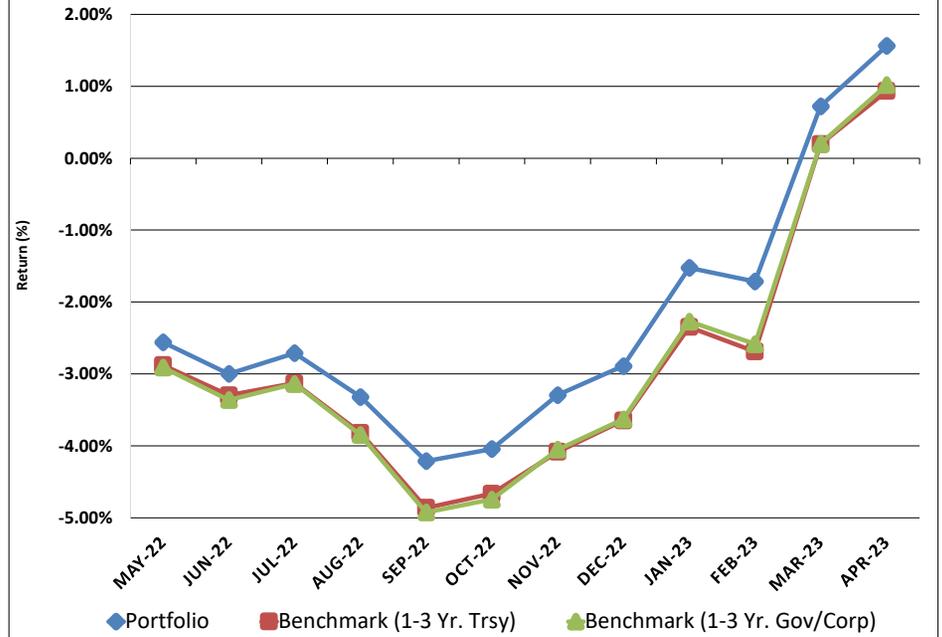
Portfolio Liquidity



Portfolio Diversification



Portfolio Return - 12 Month



* Per CA Government Code LAIF limit is \$75 million

** Per OCTA's Investment Policy the limit is 30% for variable and floating rate securities. As of April 30, 2023, 7.0% of the portfolio was invested in variable & floating rate securities.

Investment Compliance

4/30/2023

| Portfolio Subject to Investment Policy | | | |
|--|-------------------------|------------|-------------------|
| | Dollar Amount | Percent Of | Investment Policy |
| Short-Term/Liquid Portfolio ¹ | Invested | Portfolio | Max. Percentages |
| U.S. Treasury Obligations | \$ 833,388,713 | 38.8% | 100% |
| Federal Agency/GSE | 342,182,092 | 15.9% | 100% |
| Municipal Debt | \$ 49,206,296 | 2.3% | 30% |
| Commercial Paper | 20,399,085 | 0.9% | 40% |
| Negotiable Certificates of Deposit | \$ 13,025,000 | 0.6% | 30% |
| Repurchase Agreements | 31,458,505 | 1.5% | 25% |
| Medium Term Maturity Notes/Corporates | \$ 457,639,284 | 21.3% | 30% |
| Money Market/Mutual Funds | 115,885,109 | 5.4% | 20% |
| Mortgage & Asset-Backed | \$ 239,269,539 | 11.1% | 20% |
| Supranationals | 22,014,316 | 1.0% | 20% |
| Local Agency Investment Fund | \$ 21,514,966 | 1.0% | \$ 75 Million |
| Orange County Investment Pool | 570,349 | 0.0% | 10% |
| Bank Deposits | \$ 4,000,000 | 0.2% | 5% |
| Total Short-Term/Liquid Portfolio² | \$ 2,150,553,254 | | |

1. Excludes portion of Liquid Portfolio subject to Indenture

2. Includes variable & floating rate securities invested in the amount of \$150,139,547 (7.0% of total Short-Term/Liquid portfolio) and subject to 30% limit per OCTA's Investment Policy.

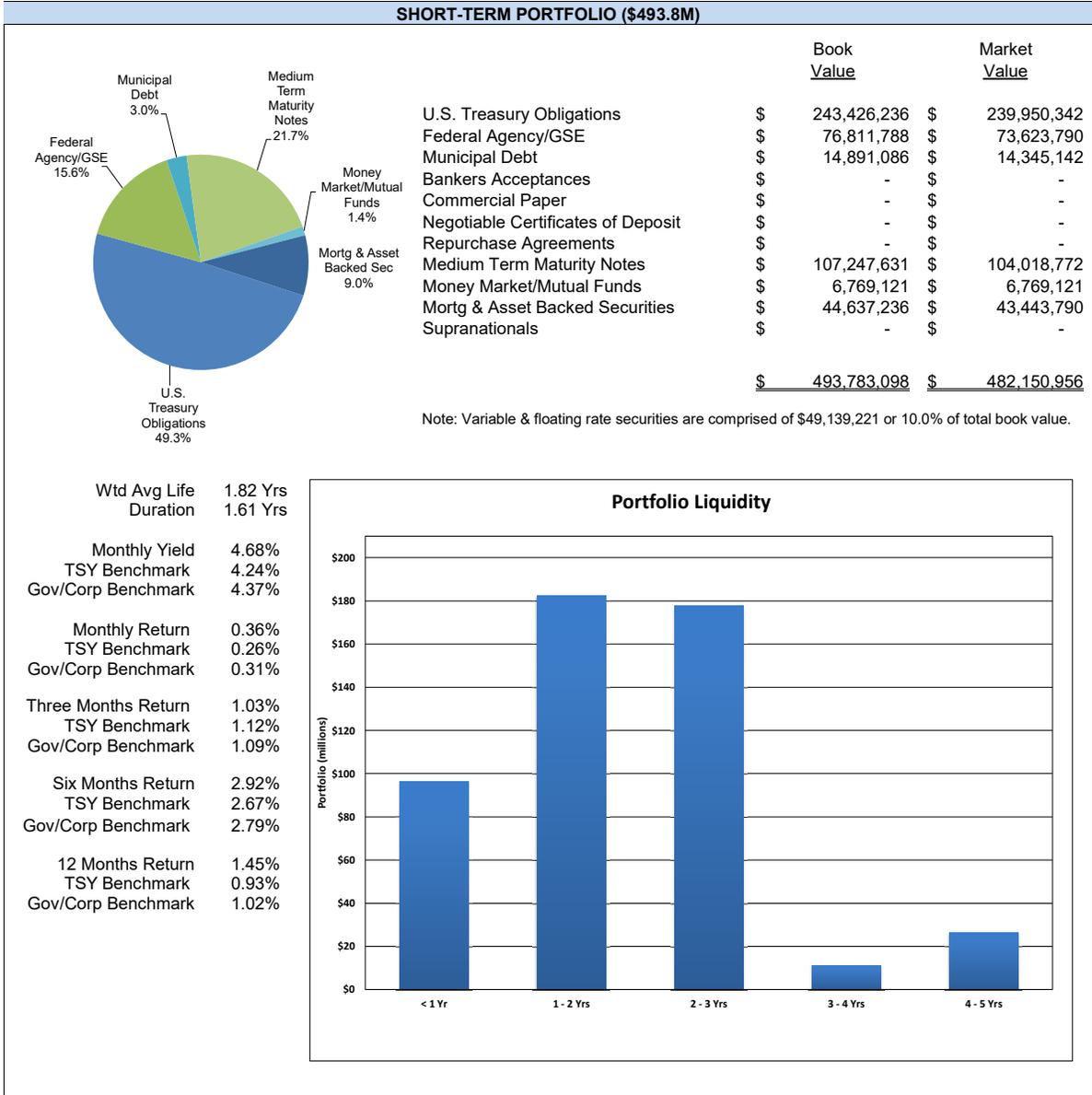
| Portfolio Subject to Indenture | | | | | |
|---|-------------------------|--------------------------|------|------------------------|-----------|
| Portfolio | Dollar Amount Invested | OCTA | | Indenture Requirements | |
| | | Credit Quality | Term | Min. Credit Quality | Max. Term |
| Liquid Portfolio* | | | | | |
| Government Obligations MMKT Fund | 305,327,911 | AAA | N/A | AAA | N/A |
| Natixis CP | 10,799,339 | "A-1"/"P-1"/"F1" | 180 | "A-1" or "P-1" | 180 days |
| Total Liquid Portfolio | \$ 316,127,250 | | | | |
| Bond Proceeds Portfolio | | | | | |
| 2021 Bond Anticipation Notes (BANs): | | | | | |
| Government Obligations MMKT Fund | 52,155 | "AAAm"/ "Aaa-mf"/"AAAmf" | N/A | "AAAm" or "AAAm-G" | N/A |
| Total Bond Proceeds Portfolio | \$ 52,155 | | | | |
| Reserve Funds Portfolio | | | | | |
| Government Obligations MMKT Fund | 337,670 | "AAAm"/ "Aaa-mf"/"AAAmf" | N/A | N/A | N/A |
| Barclays CP | 10,263,400 | "A-1"/"P-1"/"F1" | 169 | "A-1" or "P-1" | 180 days |
| Barclays CP | 3,030,147 | "A-1"/"P-1"/"F1" | 169 | "A-1" or "P-1" | 180 days |
| Bank Deposits | 547,989 | N/A | N/A | N/A | N/A |
| Bank Deposits | 211,864 | N/A | N/A | N/A | N/A |
| Government Obligations MMKT Fund** | 5,198 | "AAAm"/ "Aaa-mf"/"AAAmf" | N/A | N/A | N/A |
| Total Reserve Funds Portfolio | \$ 14,396,268 | | | | |
| Total Portfolio Subject to Indenture | \$ 14,448,423 | | | | |
| Portfolio Total | \$ 2,481,128,927 | | | | |

*Reflects portion of Liquid Portfolio subject to Indenture (OCTA Sales Tax Revenue)

**91 EL Debt Service Fund

Investment Manager Diversification and Maturity Schedules

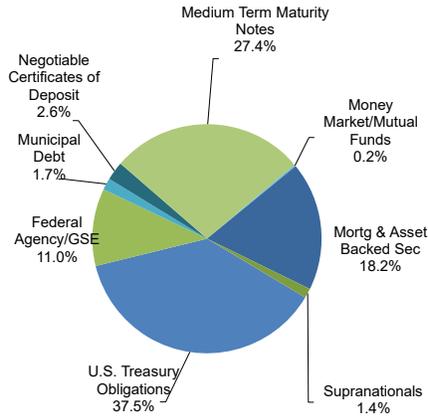
**MetLife Investment Management
4/30/2023**



Investment Manager Diversification and Maturity Schedules

**PFM
4/30/2023**

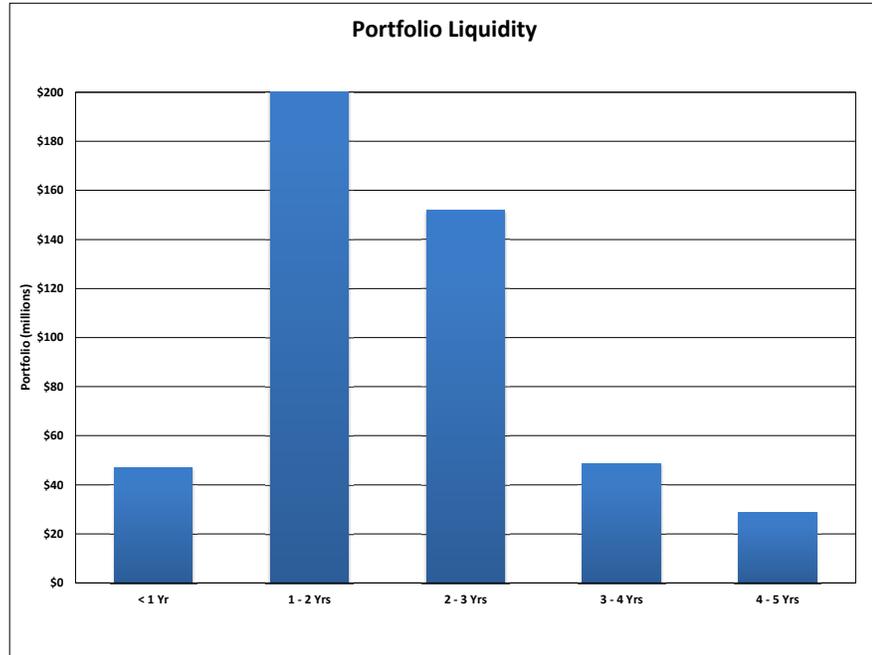
SHORT-TERM PORTFOLIO (\$496.0M)



| | <u>Book Value</u> | <u>Market Value</u> |
|------------------------------------|-----------------------|-----------------------|
| U.S. Treasury Obligations | \$ 186,130,912 | \$ 179,635,034 |
| Federal Agency/GSE | \$ 54,397,230 | \$ 53,636,903 |
| Municipal Debt | \$ 8,240,000 | \$ 7,946,891 |
| Bankers Acceptances | \$ - | \$ - |
| Commercial Paper | \$ - | \$ - |
| Negotiable Certificates of Deposit | \$ 13,025,000 | \$ 13,083,591 |
| Repurchase Agreements | \$ - | \$ - |
| Medium Term Maturity Notes | \$ 136,098,601 | \$ 132,809,089 |
| Money Market/Mutual Funds | \$ 1,118,010 | \$ 1,118,010 |
| Mortg & Asset Backed Securities | \$ 90,122,088 | \$ 88,004,690 |
| Supranationals | \$ 6,856,183 | \$ 6,572,131 |
| | \$ 495,988,023 | \$ 482,806,340 |

Note: Variable & floating rate securities are comprised of \$31,062,944 or 6.3% of total book value.

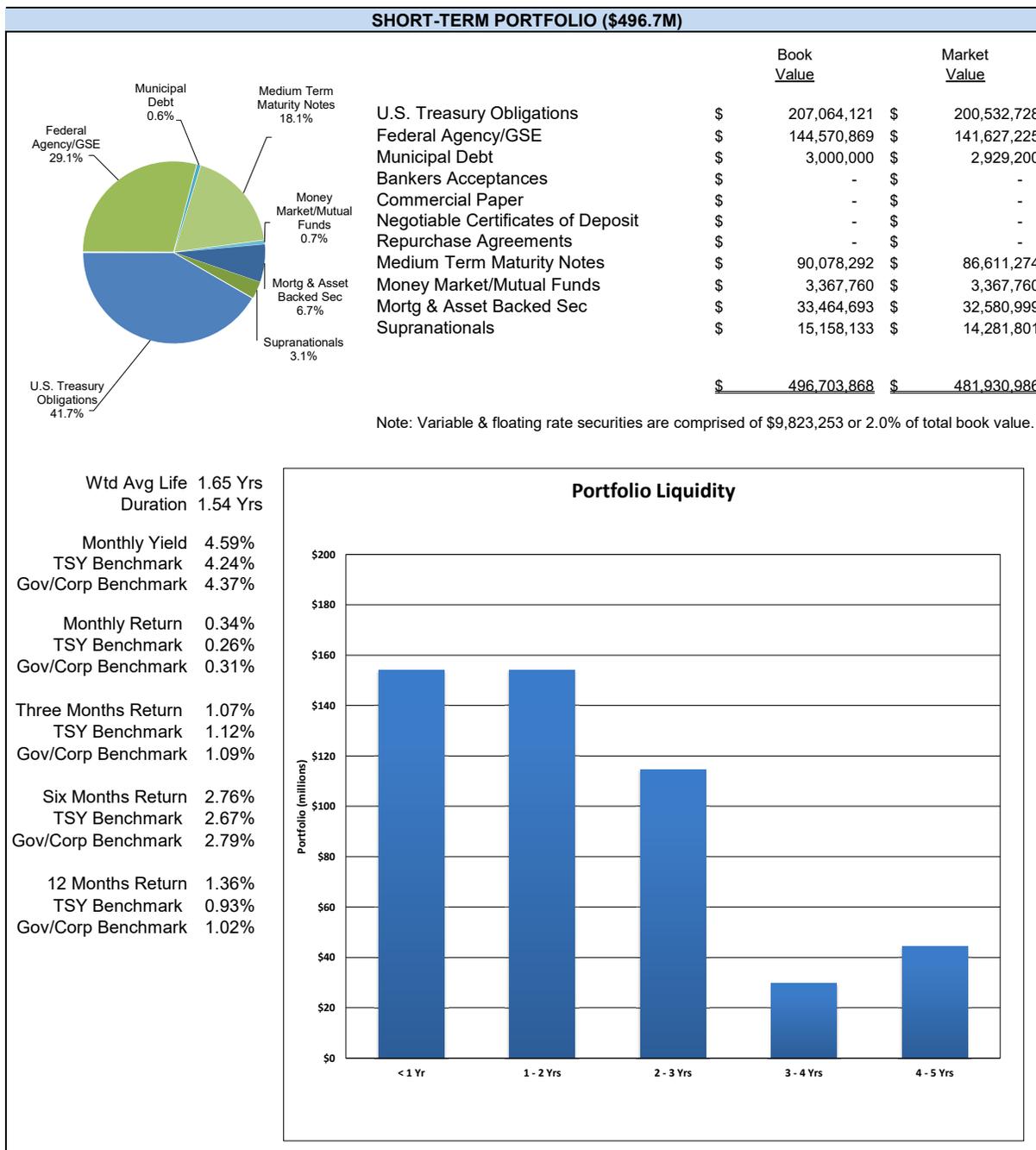
| | |
|---------------------|----------|
| Wtd Avg Life | 1.72 Yrs |
| Duration | 1.58 Yrs |
| Monthly Yield | 4.68% |
| TSY Benchmark | 4.24% |
| Gov/Corp Benchmark | 4.37% |
| Monthly Return | 0.36% |
| TSY Benchmark | 0.26% |
| Gov/Corp Benchmark | 0.31% |
| Three Months Return | 1.05% |
| TSY Benchmark | 1.12% |
| Gov/Corp Benchmark | 1.09% |
| Six Months Return | 2.87% |
| TSY Benchmark | 2.67% |
| Gov/Corp Benchmark | 2.79% |
| 12 Months Return | 1.35% |
| TSY Benchmark | 0.93% |
| Gov/Corp Benchmark | 1.02% |



Investment Manager Diversification and Maturity Schedules

Chandler Asset Management

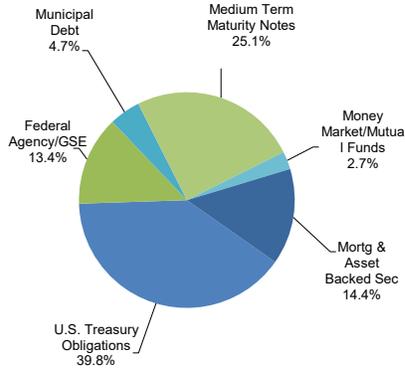
4/30/2023



Investment Manager Diversification and Maturity Schedules

Payden & Rygel
4/30/2023

SHORT-TERM PORTFOLIO (\$494.9M)

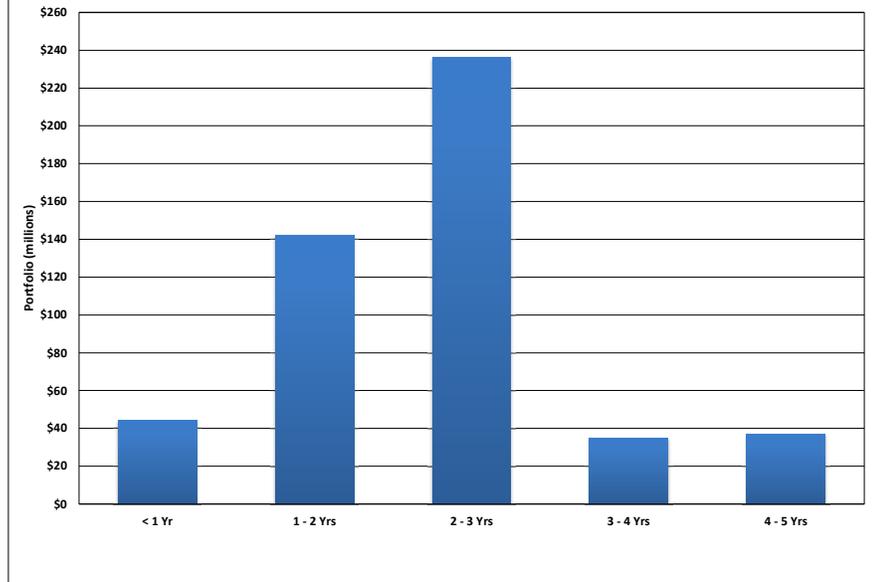


| | <u>Book Value</u> | <u>Market Value</u> |
|------------------------------------|-----------------------|-----------------------|
| U.S. Treasury Obligations | \$ 196,767,445 | \$ 195,411,773 |
| Federal Agency/GSE | \$ 66,402,205 | \$ 64,848,878 |
| Municipal Debt | \$ 23,075,210 | \$ 22,191,699 |
| Bankers Acceptances | \$ - | \$ - |
| Commercial Paper | \$ - | \$ - |
| Negotiable Certificates of Deposit | \$ - | \$ - |
| Repurchase Agreements | \$ - | \$ - |
| Medium Term Maturity Notes | \$ 124,214,761 | \$ 119,932,970 |
| Money Market/Mutual Funds | \$ 13,371,651 | \$ 13,371,651 |
| Mortg & Asset Backed Sec | \$ 71,045,521 | \$ 70,941,947 |
| Supranationals | \$ - | \$ - |
| | <u>\$ 494,876,792</u> | <u>\$ 486,698,917</u> |

Note: Variable & floating rate securities are comprised of \$60,114,128 or 12.1% of total book value.

| | |
|---------------------|----------|
| Wtd Avg Life | 2.11 Yrs |
| Duration | 1.78 Yrs |
| Monthly Yield | 4.73% |
| TSY Benchmark | 4.24% |
| Gov/Corp Benchmark | 4.37% |
| Monthly Return | 0.40% |
| TSY Benchmark | 0.26% |
| Gov/Corp Benchmark | 0.31% |
| Three Months Return | 1.18% |
| TSY Benchmark | 1.12% |
| Gov/Corp Benchmark | 1.09% |
| Six Months Return | 3.06% |
| TSY Benchmark | 2.67% |
| Gov/Corp Benchmark | 2.79% |
| 12 Months Return | 2.11% |
| TSY Benchmark | 0.93% |
| Gov/Corp Benchmark | 1.02% |

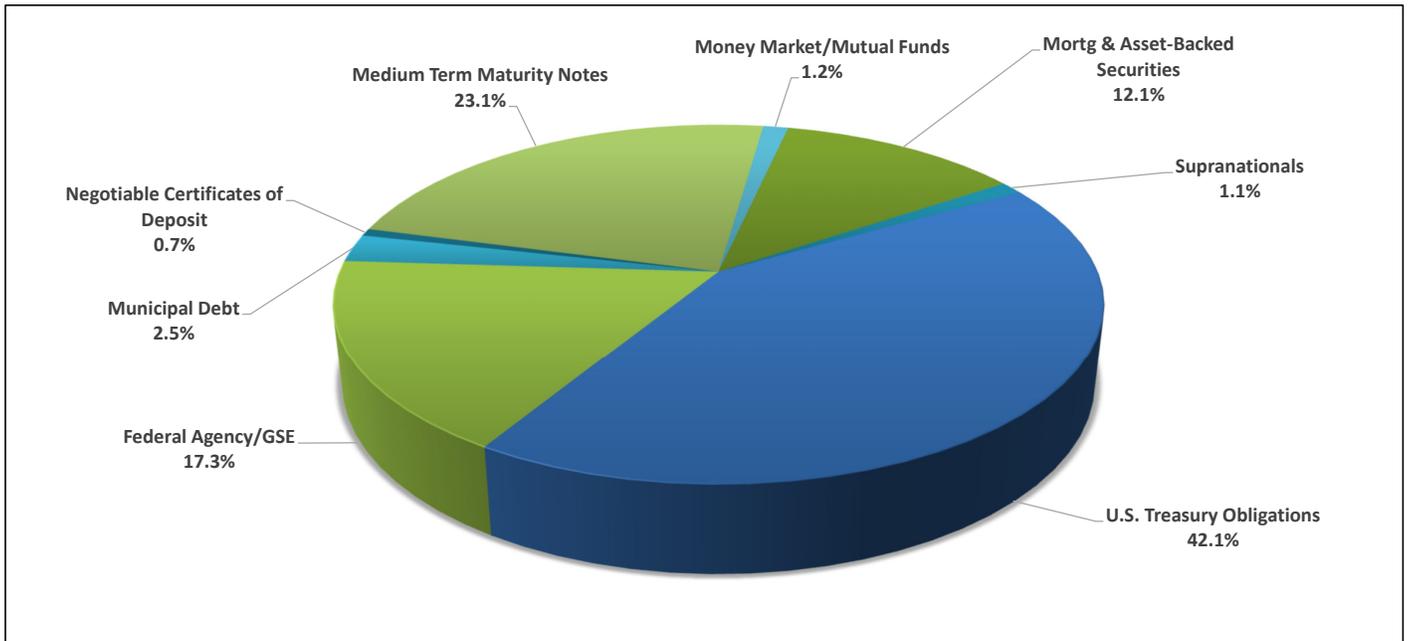
Portfolio Liquidity



Short-Term Portfolio

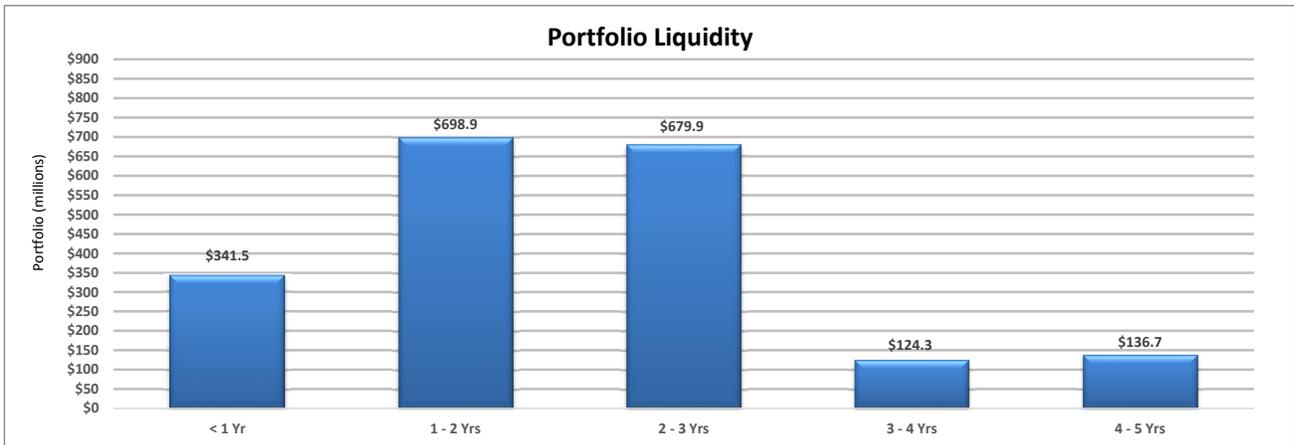
4/30/2023

Portfolio Composition



Note: Variable & floating rate securities are comprised of 7.6% of total book value.

Portfolio Liquidity



Rating Downgrades & Negative Credit Watch

4/30/2023

| Investment Manager / Security | Par Amount | Maturity | S&P | Moody's | Fitch Ratings |
|-------------------------------|------------|----------|-----|---------|---------------|
|-------------------------------|------------|----------|-----|---------|---------------|

Rating Downgrades:

PFM/CAM/Payden & Rygel

CHARLES SCHWAB CORP

| | | | | | |
|----|-----------|-----------|----|----|---|
| \$ | 7,370,000 | 3/18/2024 | A- | A2 | A |
|----|-----------|-----------|----|----|---|

During the third week of April 2023, Charles Schwab Corp was downgraded by S&P by one notch to A- from A. The downgrade by S&P reflects the heightened interest rate risk Charles Schwab faces from the Fed's sharp hike in interest rates, which has reduced the fair value of its securities portfolio, negatively impacting its funding mix. However, while Charles Schwab has recently reported declines in customer deposits, they reiterated their ample capital and liquidity positions and expect funding cost headwinds to largely abate by next year. The security complies with the requirements of the Investment Policy, and the investment managers maintain a recommendation to hold the position until maturity.

CAM

US BANCORP

| | | | | | |
|----|-----------|-----------|----|----|----|
| \$ | 2,000,000 | 2/5/2024 | A+ | A3 | A+ |
| \$ | 2,500,000 | 7/30/2024 | | | |

During the third week of April 2023, US Bancorp was downgraded by Moody's by one notch to A3 from A2 with stable outlook. The downgrade by Moody's reflects relatively low capitalization resulting from the recent acquisitions and unrealized losses on its securities. The security complies with the requirements of the Investment Policy, and the investment manager maintains a recommendation to hold the position until maturity given the company's liquidity strength, competitive position in the industry, and increased geographic diversification with its recent acquisition of MUFU Union Bank.

Negative Credit Watch:

N/A

DEBT PROGRAM

(M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, 2021 TIFIA Loan (I-405))

Outstanding Debt¹

As of 4/30/2023

Orange County Local Transportation Authority (OCLTA-M2)

2010 Series A Taxable Build America Bonds - Sales Tax Revenue Bonds

| | | |
|--------------------------------|-----------------------|-------------|
| Issued: | \$ | 293,540,000 |
| Outstanding: | | 250,000,000 |
| Debt Service FY 2023: | | 17,270,000 |
| All in True Interest Cost: | | 4.33% |
| Pledged Revenue Source: | M2 Sales Tax Revenues | |
| Ratings (Fitch/ Moody's/ S&P): | | AA+/Aa2/AA+ |
| Final Maturity: | | 2041 |

2019 M2 Sales Tax Bond

| | | |
|----------------------------|-----------------------|-------------|
| Issued: | \$ | 376,690,000 |
| Outstanding: | | 340,235,000 |
| Debt Service FY 2023: | | 37,613,650 |
| All in True Interest Cost: | | 3.14% |
| Pledged Revenue Source: | M2 Sales Tax Revenues | |
| Ratings (Fitch/ S&P): | | AA+/AA+ |
| Final Maturity: | | 2041 |

| | | |
|--------------------------------------|-----------|--------------------|
| Sub-total M2 Outstanding Debt | \$ | 590,235,000 |
|--------------------------------------|-----------|--------------------|

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

| | | |
|--------------------------------|-----------------------|-------------|
| Issued: | \$ | 124,415,000 |
| Outstanding: | | 71,420,000 |
| Debt Service FY 2023: | | 10,794,700 |
| All in True Interest Cost: | | 3.83% |
| Pledged Revenue Source: | 91 Toll Road Revenues | |
| Ratings (Fitch/ Moody's/ S&P): | | A+/A1/AA- |
| Final Maturity: | | 2030 |

| | | |
|--|-----------|-------------------|
| Sub-total 91 Express Lanes Outstanding Debt | \$ | 71,420,000 |
|--|-----------|-------------------|

405 Express Lanes²

2021 TIFIA Loan

| | | |
|--------------------------|------------------------|-------------|
| Amount Available | \$ | 628,930,000 |
| Outstanding: | | 613,711,295 |
| Accrued Interest: | | - |
| Interest Rate: | | 1.95% |
| Pledged Revenue Source: | 405 Toll Road Revenues | |
| Ratings (Moody's/Kroll): | | Baa2/BBB- |
| Final Maturity: | | 2058 |

| | | |
|---|-----------|--------------------|
| Sub-total 405 Express Lanes Outstanding Debt | \$ | 613,711,295 |
|---|-----------|--------------------|

| | | |
|--------------------------------|-----------|----------------------|
| TOTAL OUTSTANDING DEBT: | \$ | 1,275,366,295 |
|--------------------------------|-----------|----------------------|

1. Comprised of OCTA's debt obligations (M2 Sales Tax Revenue Bonds, 91 Toll Revenue Bonds, and 2021 TIFIA Loan (I-405) currently outstanding and irrespective of OCTA's investment program.

2. The 20221 Bond Anticipation Notes, issued on September 9, 2021, in a par amount of \$662,820,000, were legally defeased on December 16, 2022.