



AGENDA

Finance and Administration Committee Meeting

Committee Members

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Gene Hernandez
Steve Jones
Michelle Steel
Donald P. Wagner

Orange County Transportation Authority
Headquarters
550 South Main Street
Board Room – Conf. Room 07
Orange, California

Wednesday, June 26, 2019 at 10:30 a.m.

Any person with a disability who requires a modification or accommodation in order to participate in this meeting should contact the OCTA Clerk of the Board, telephone (714) 560-5676, no less than two (2) business days prior to this meeting to enable OCTA to make reasonable arrangements to assure accessibility to this meeting.

Agenda descriptions are intended to give members of the public a general summary of items of business to be transacted or discussed. The posting of the recommended actions does not indicate what action will be taken. The Committee may take any action which it deems to be appropriate on the agenda item and is not limited in any way by the notice of the recommended action.

All documents relative to the items referenced in this agenda are available for public inspection at www.octa.net or through the Clerk of the Board's office at the OCTA Headquarters, 600 South Main Street, Orange, California.

Call to Order

Pledge of Allegiance

Director Jones

1. Public Comments

Special Calendar

2. Taxable Sales Forecast - University of California at Los Angeles Anderson Forecast - Jerry Nickelsburg, PhD, Senior Economist, and William Yu, PhD, Economist Sam Kaur/Andrew Oftelie

Orange County Transportation Authority contracts with several economic specialists to provide an annual 30-year taxable sales forecast for Measure M2. The latest forecasts were received in Spring 2019. Jerry Nickelsburg, PhD, and William Yu, PhD, from University of California at Los Angeles Anderson Forecast will provide an update on the annual forecast and economic outlook for Orange County to the Finance and Administration Committee.



Consent Calendar (Items 3 and 4)

All items on the Consent Calendar are to be approved in one motion unless a Committee Member or a member of the public requests separate action or discussion on a specific item.

3. Approval of Minutes

Approval of the minutes of the Finance and Administration Committee meeting of June 12, 2019.

4. Construction Safety Program, Internal Audit Report No. 19-506 Gerald Dunning/Janet Sutter

Overview

The Internal Audit Department has completed an audit of the Orange County Transportation Authority Construction Safety Program. Based on the audit, the Construction Safety Program could be improved by enhancing policies and procedures, developing a training program for applicable project management staff, refining the process for identifying applicable contractors, and formalizing the process for documenting safety activities and reporting.

Recommendation

Direct staff to implement two recommendations provided in Construction Safety Program, Internal Audit Report No. 19-506.

Regular Calendar

5. Orange County Transportation Authority Investment and Debt Programs Report - May 2019 Sean Murdock/Andrew Oftelie

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending May 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. Nissan, an issuer for asset-backed securities held by Orange County Transportation Authority, was downgraded from A2 to A3, which is below Orange County Transportation Authority's investment policy requirement of A2. The asset-backed securities continue to be AAA-rated with no negative price action since the Nissan downgrade, so Orange County Transportation Authority has chosen to retain the securities.



5. (Continued)

Recommendation

Receive and file as an information item.

Discussion Items

6. Chief Executive Officer's Report

7. Committee Members' Reports

8. Closed Session

There are no Closed Session items scheduled.

9. Adjournment

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, July 10, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

**Taxable Sales Forecast -
University of California at
Los Angeles
Anderson Forecast -
Jerry Nickelsburg,
PhD, Senior Economist
and
William Yu, PhD,
Economist**

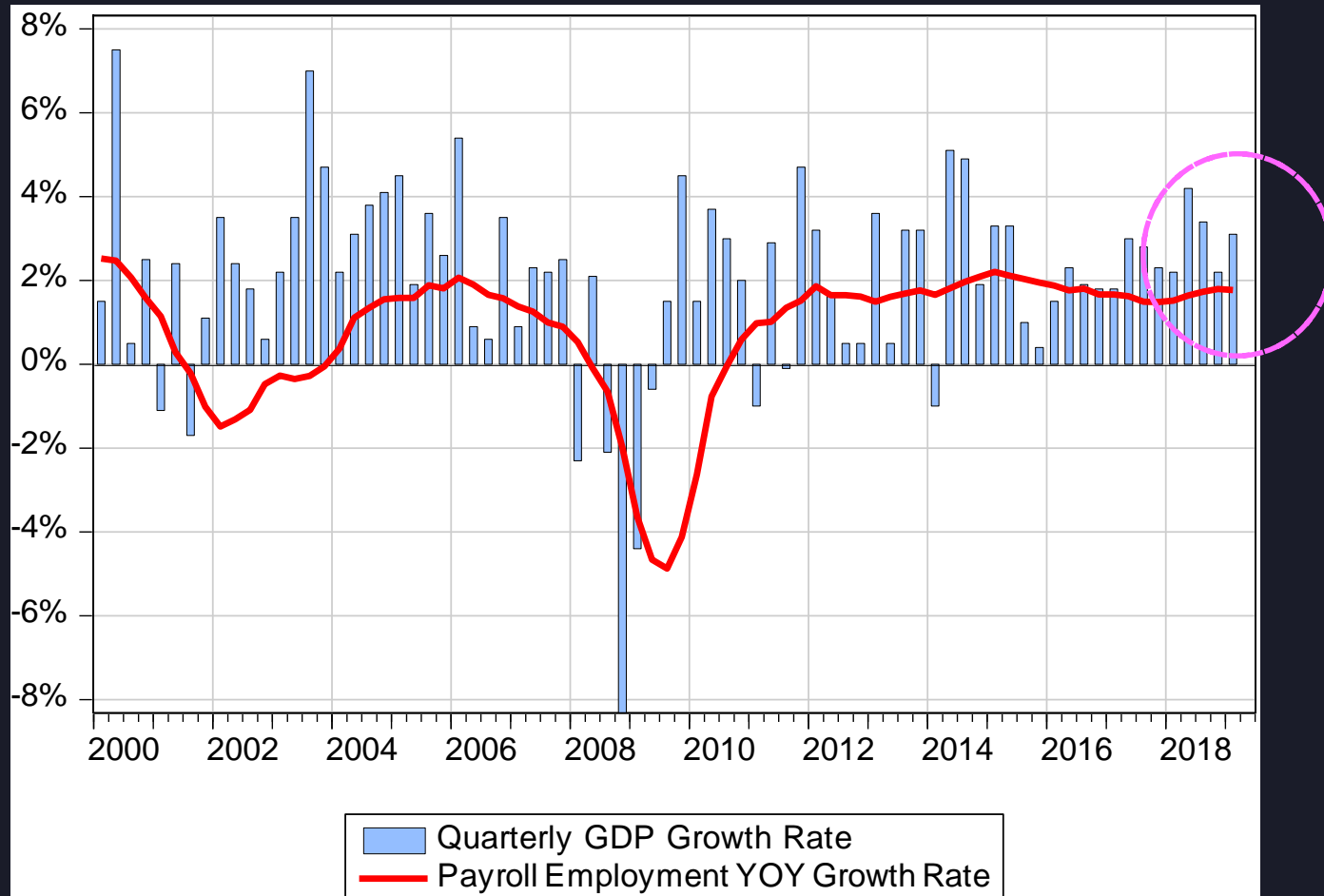
The Economic Outlook and Orange County Taxable Sales Forecast

OCTA Briefing, June 26, 2019

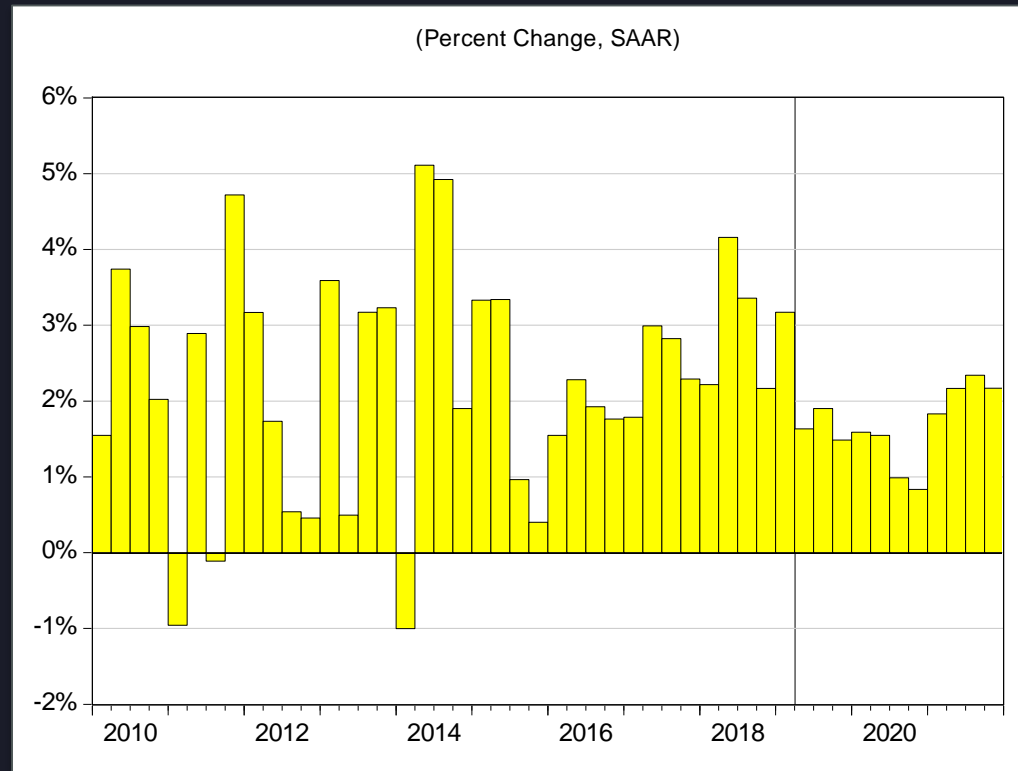
Jerry Nickelsburg, Director
William Yu, Economist

UCLA Anderson Forecast

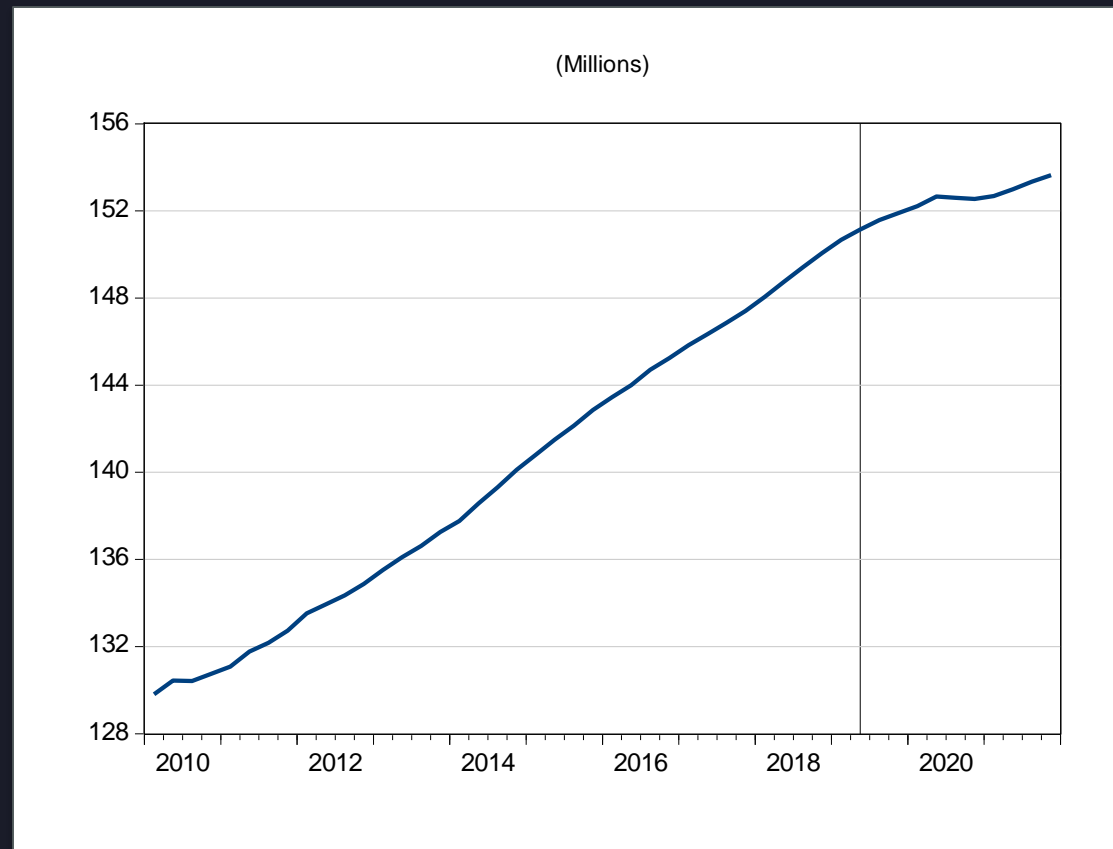
U.S. economy is growing at 3%



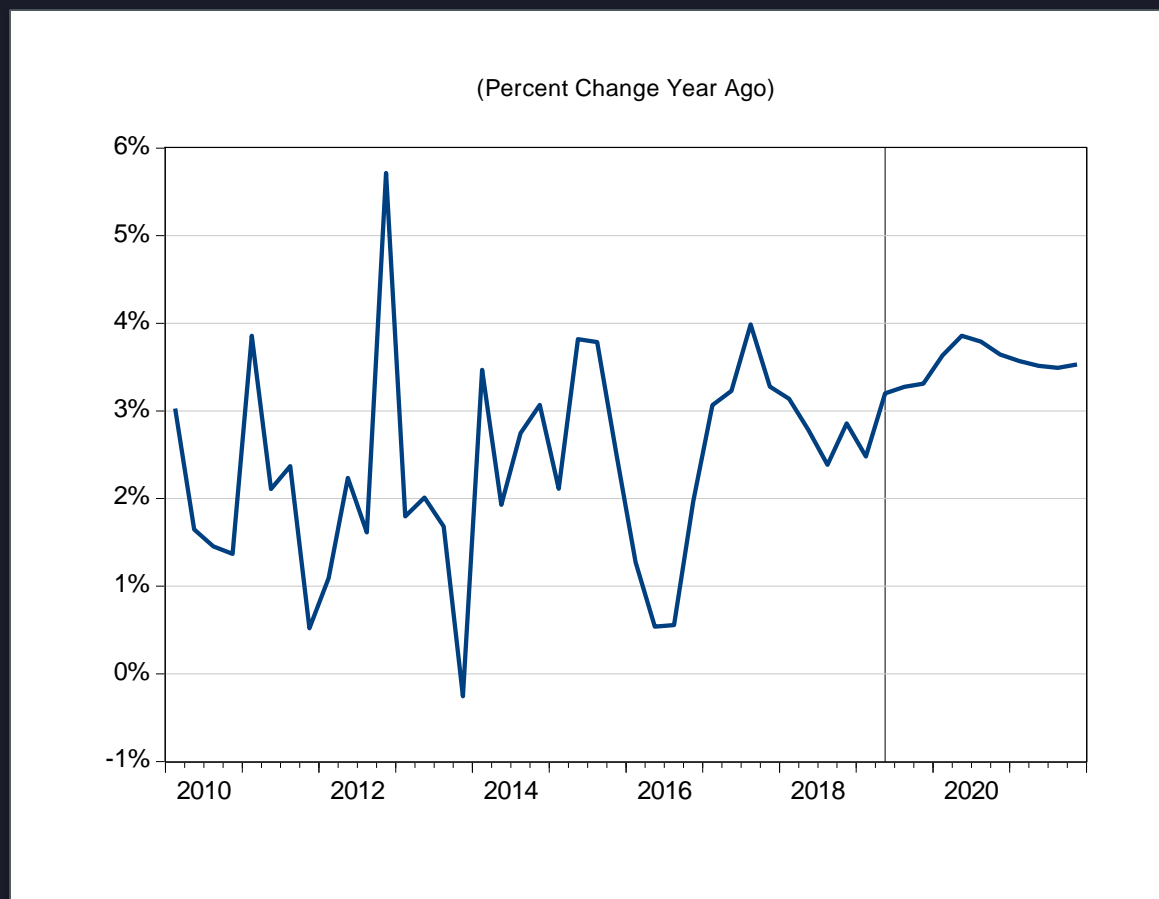
Real GDP growth slowing – Recession risk in late 2020



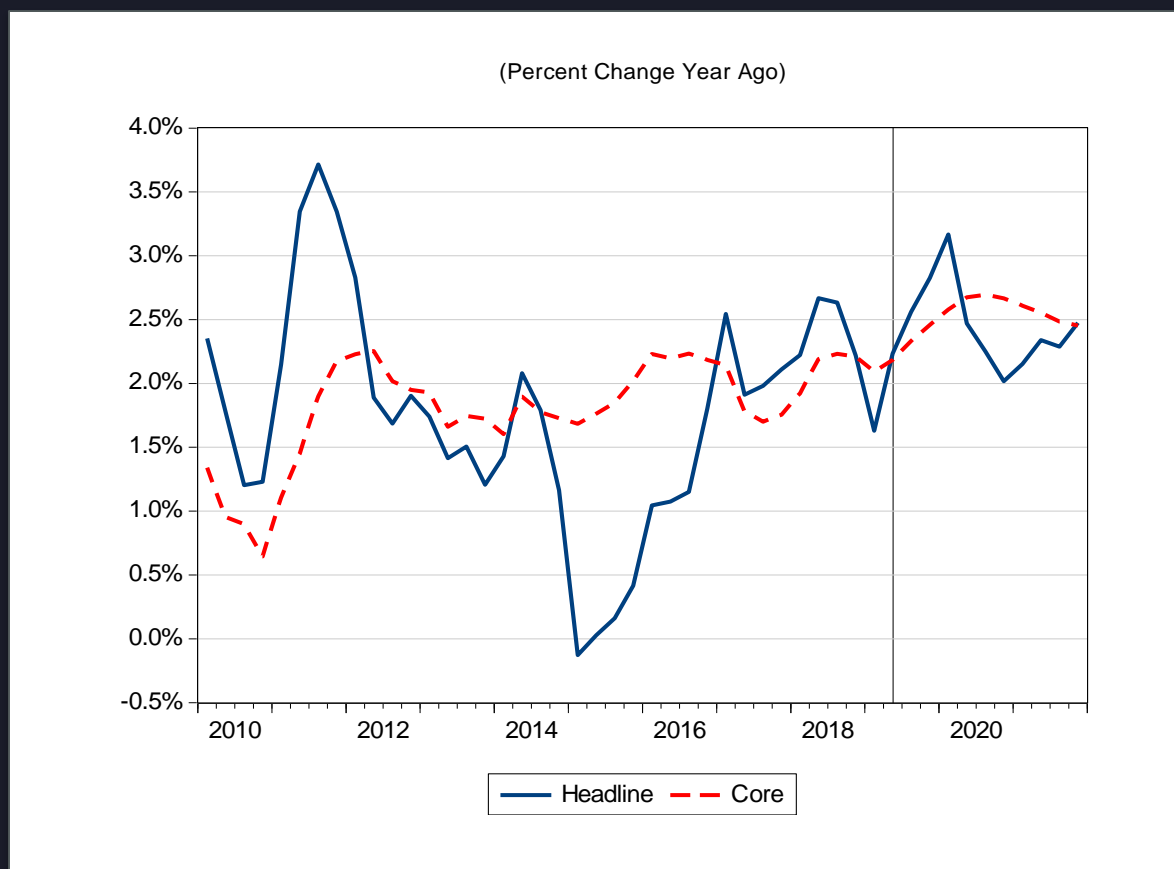
Payroll employment growth leveling off



As compensation growth approaches 4%

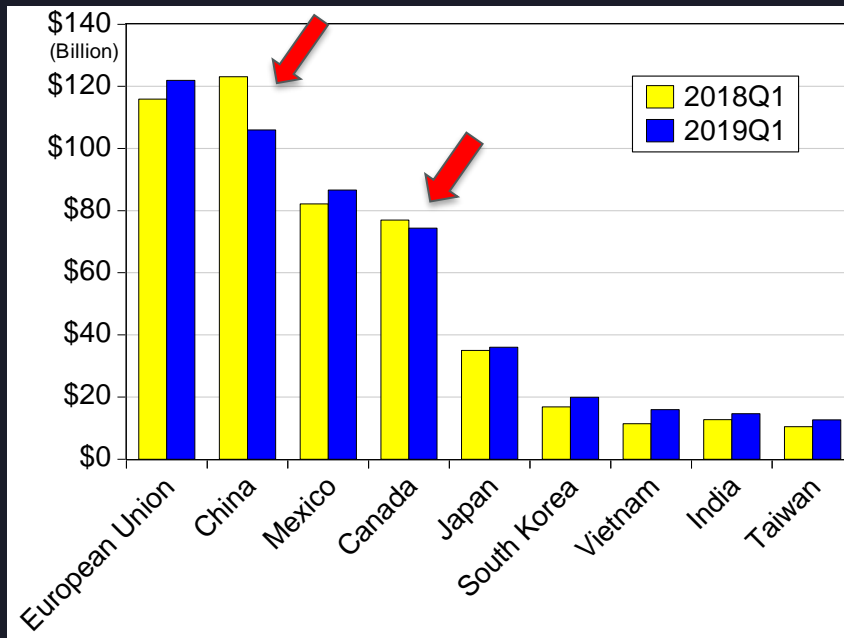


Inflation runs modestly above 2%

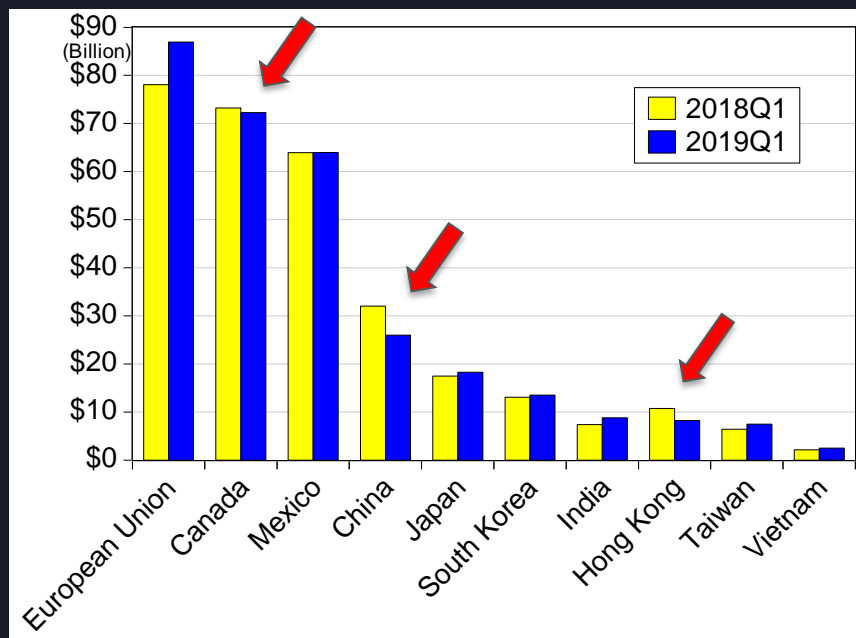


How do trade tensions impact our imports and exports?

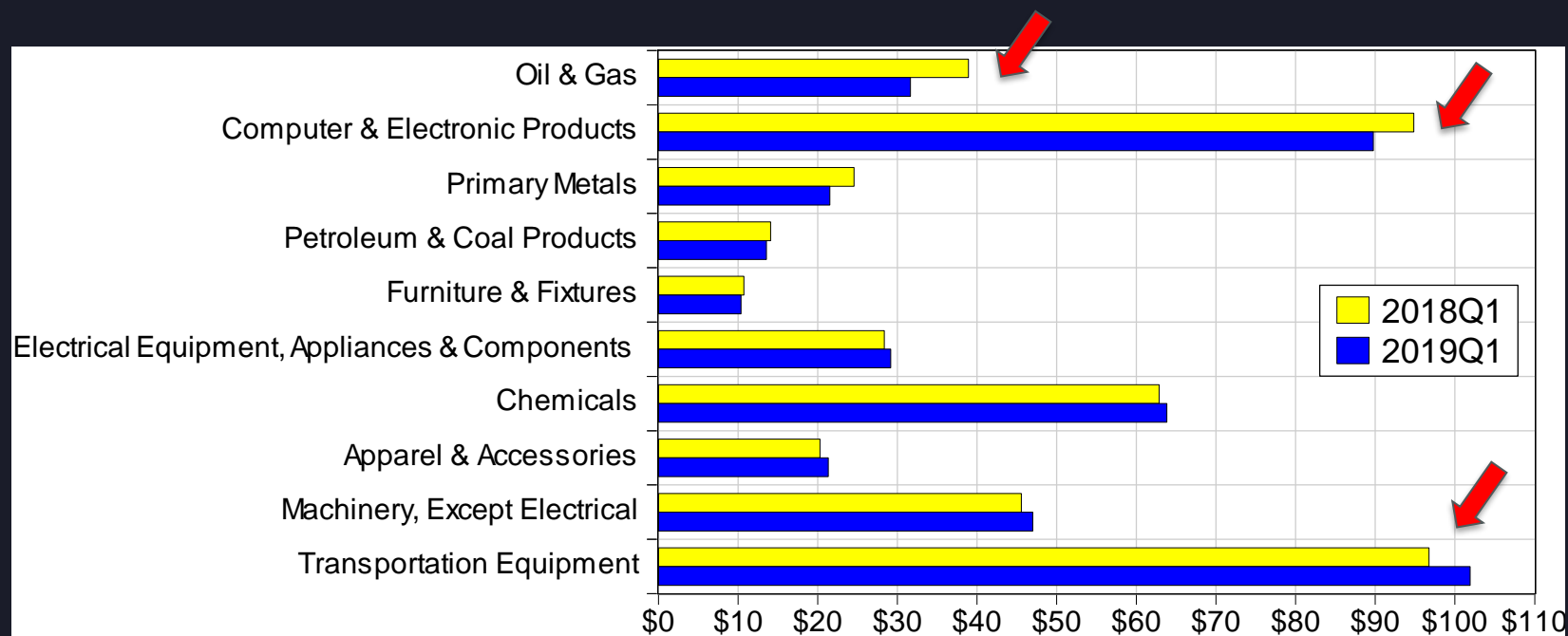
U.S. goods imports



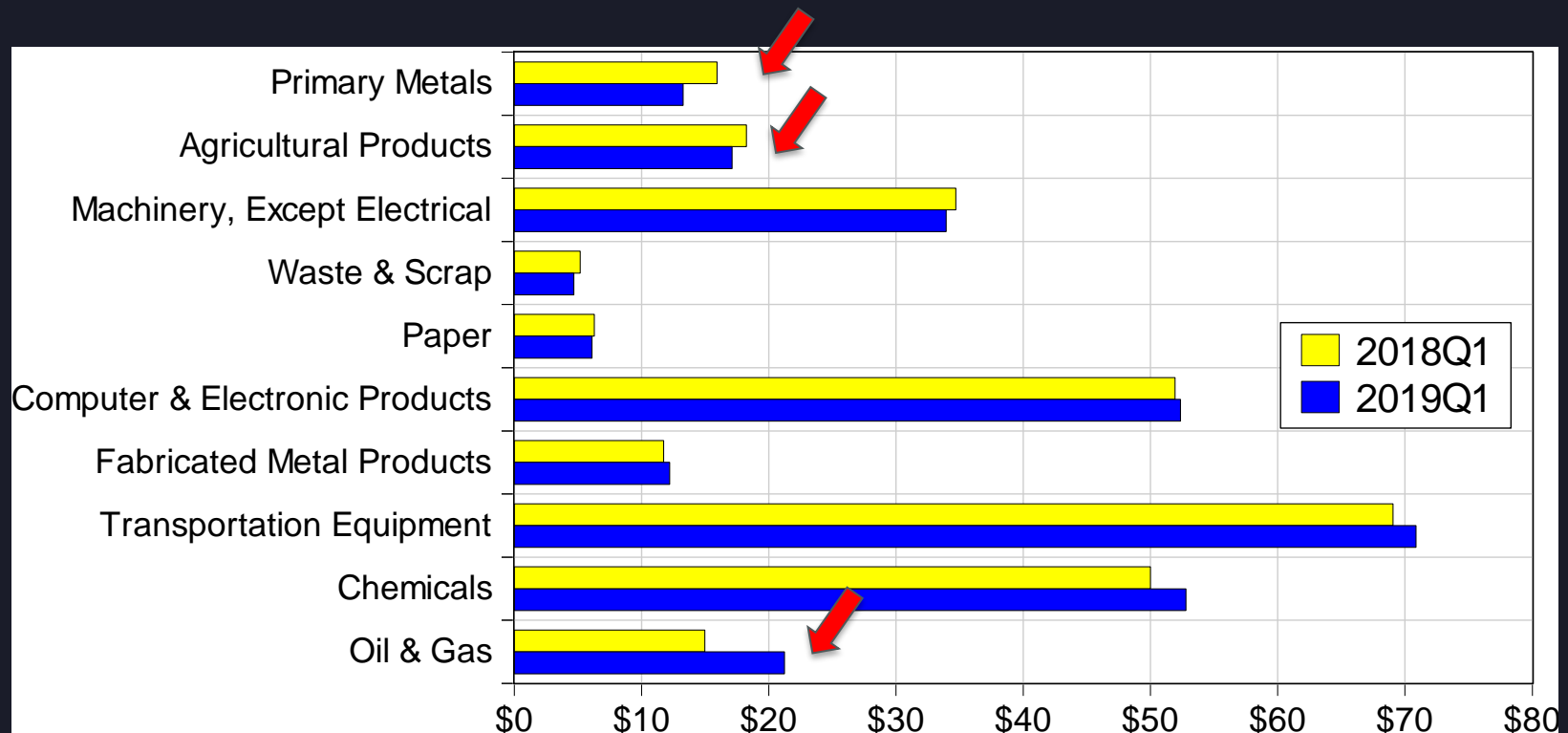
U.S. goods exports



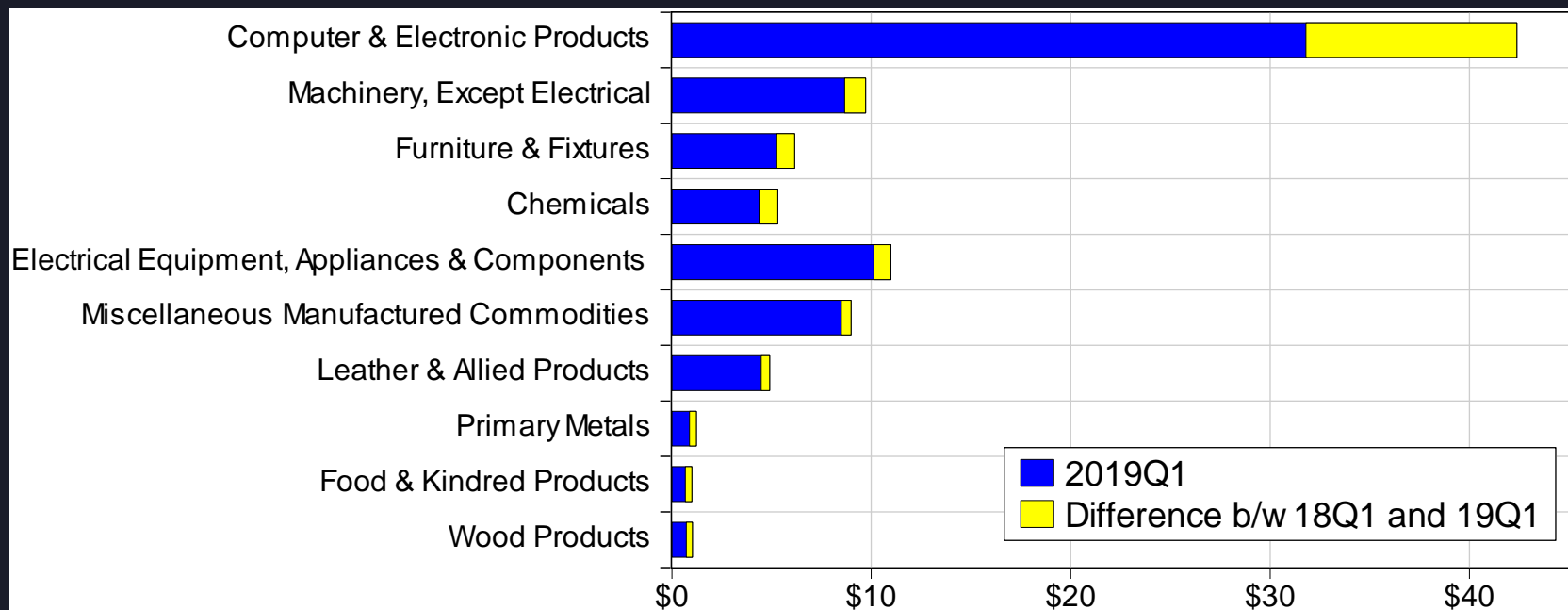
U.S. imports: declined the most – oil & gas and computer & electronic products
U.S. imports: increased the most – transportation equipment



U.S. exports: declined the most – metals & agricultural products
U.S. exports: increased the most – oil & gas

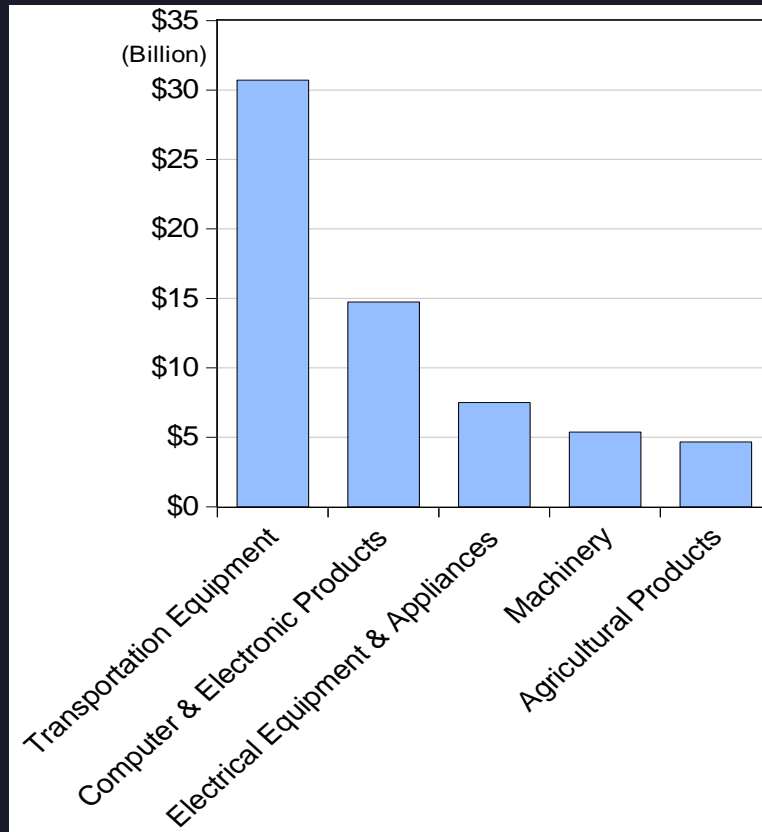


Top 10 imports from China in decline

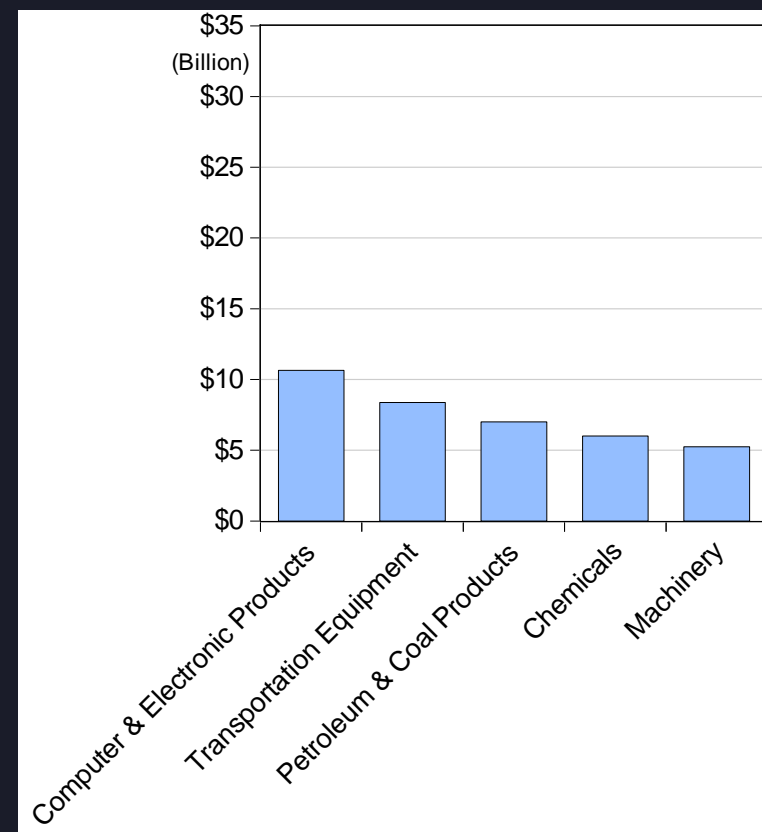


The impact of new tariffs on Mexico

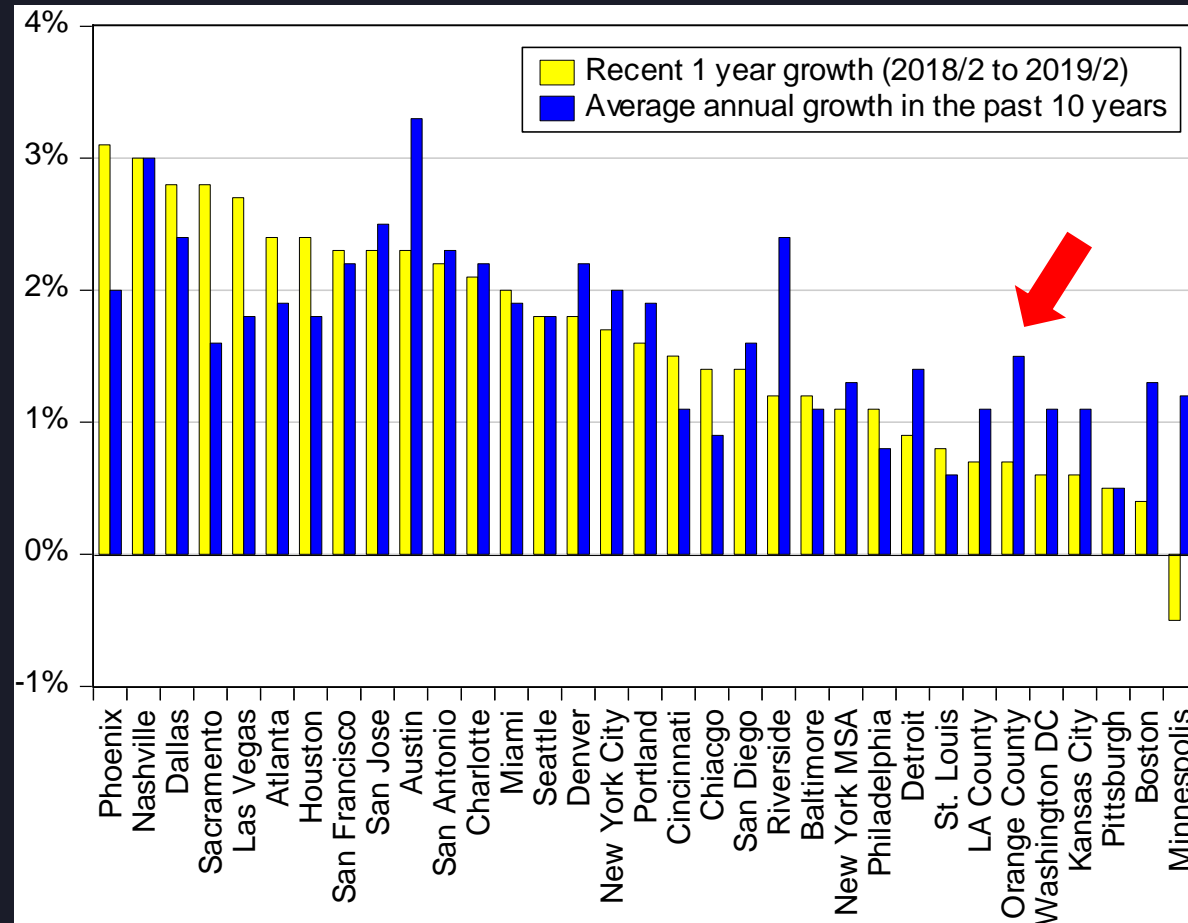
U.S. imports from Mexico, 19Q1



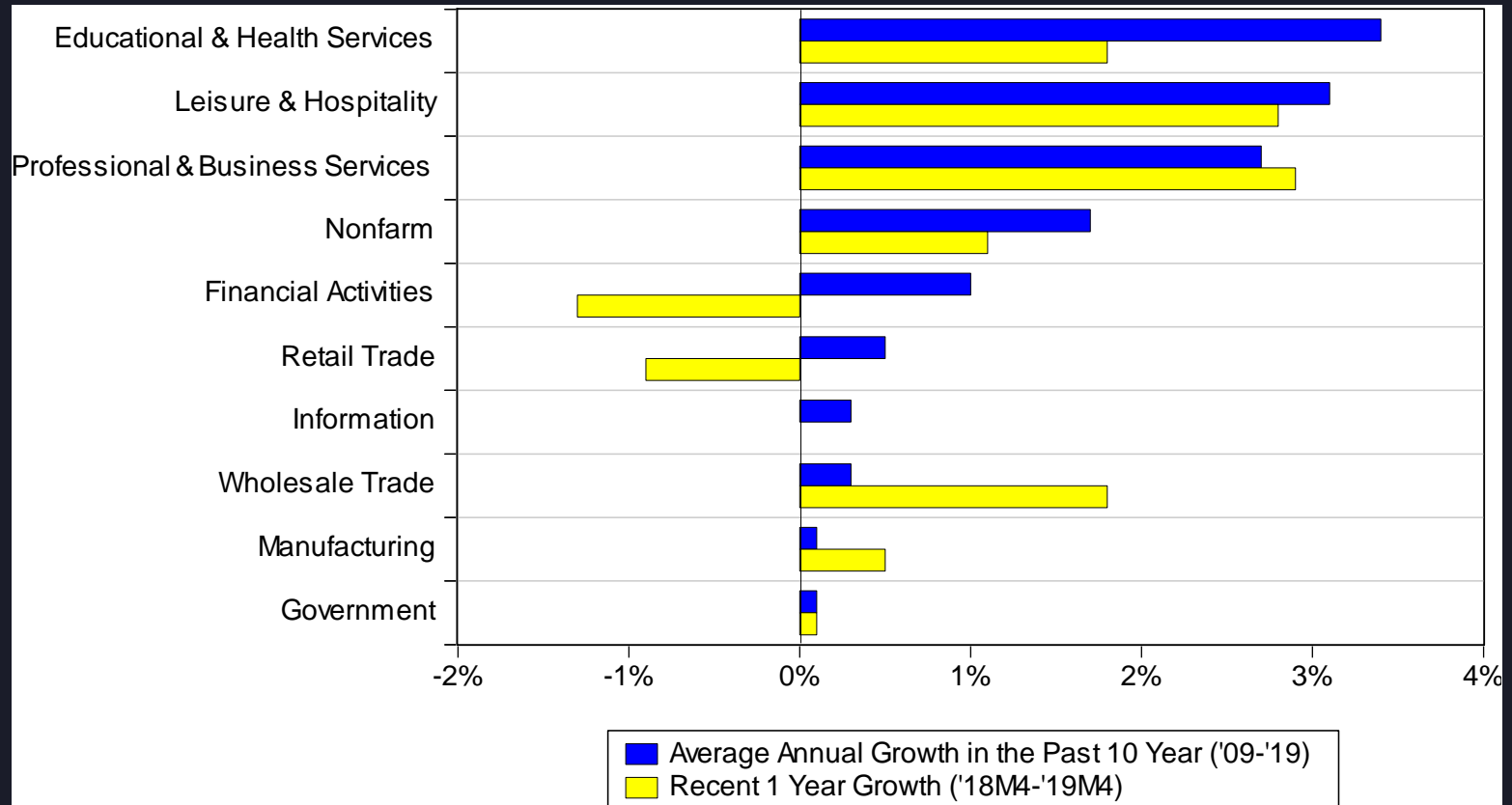
U.S. exports to Mexico, 19Q1



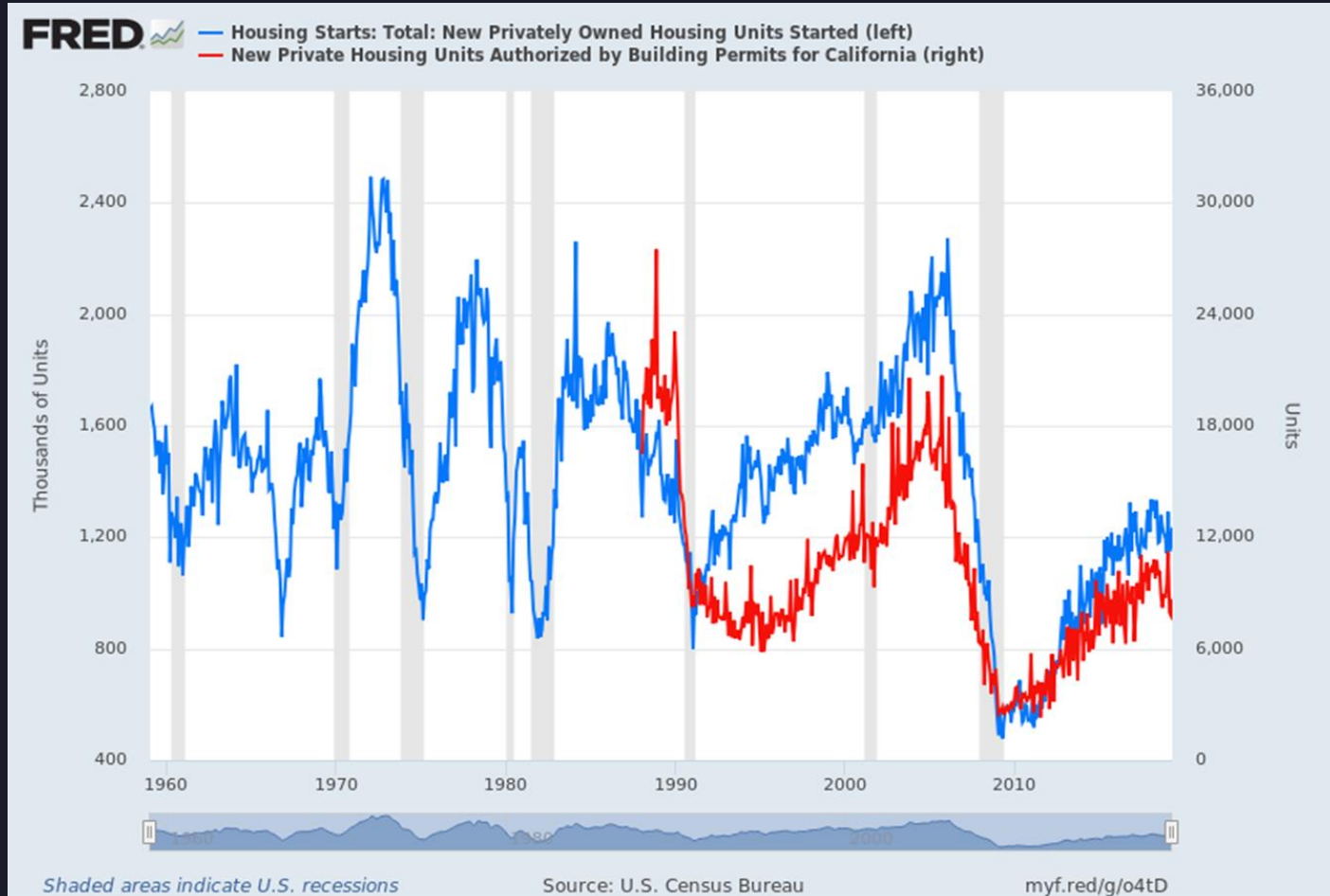
U.S. metro payroll job growth



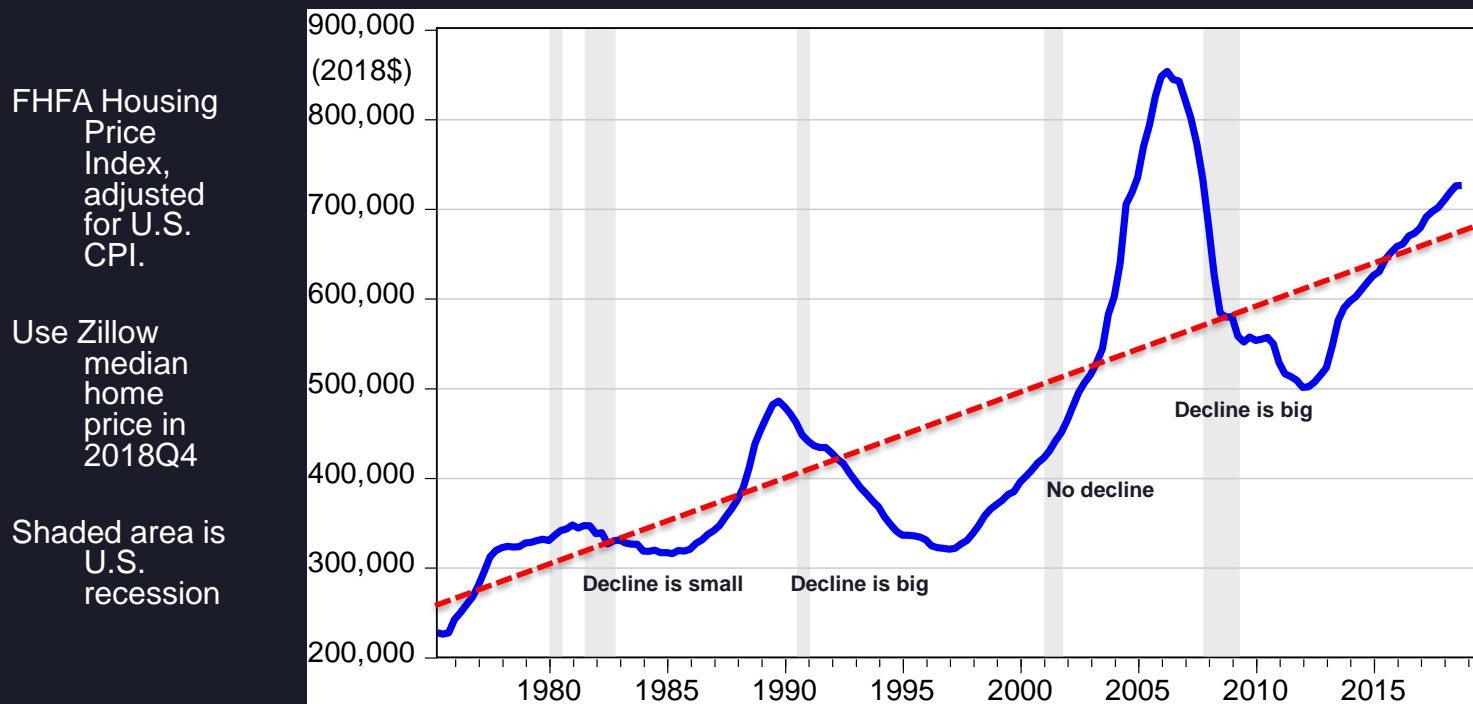
Orange County sector payroll job growth



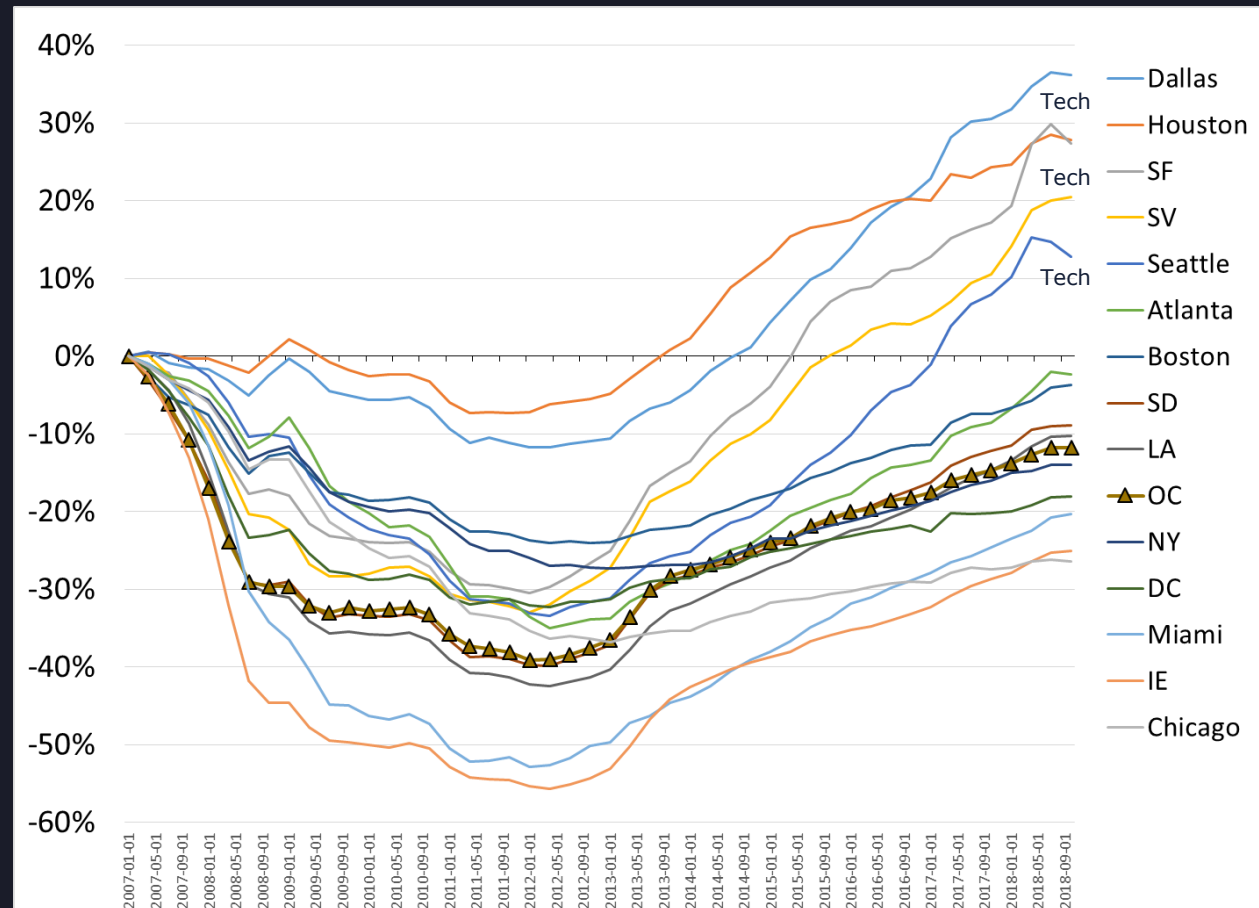
Where are we in the housing cycle?



Real housing price in Orange County and U.S. business cycle

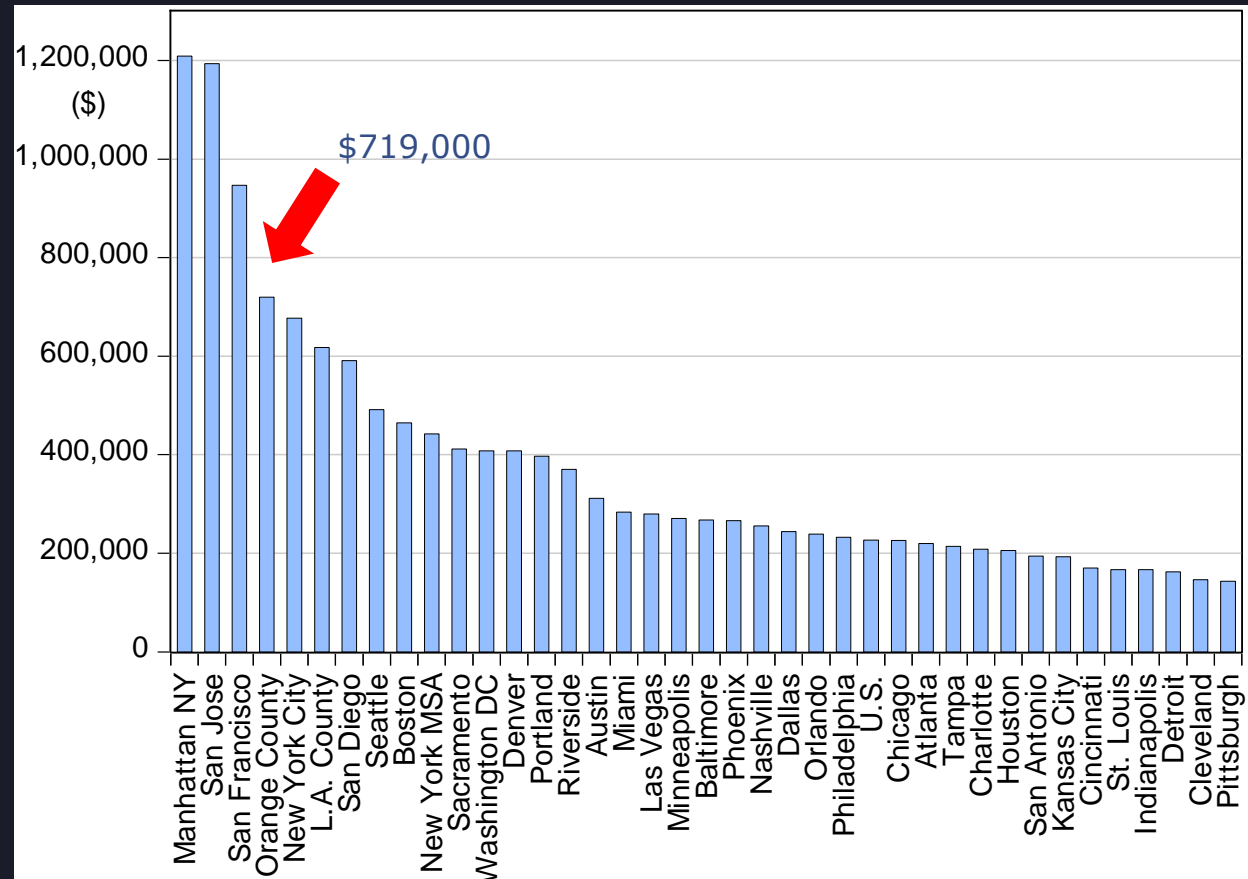


Real home
prices are
declining in
some cities

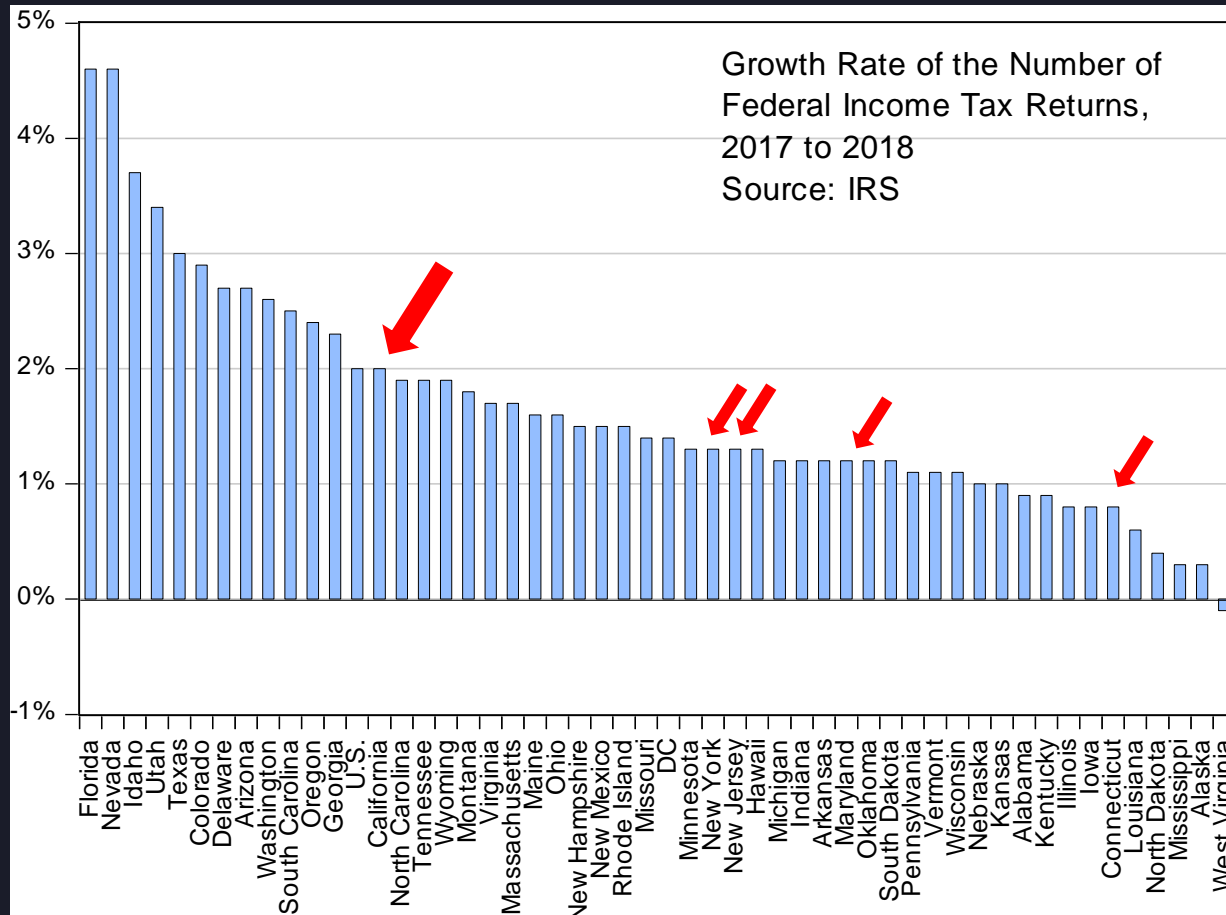


Zillow's median home value index

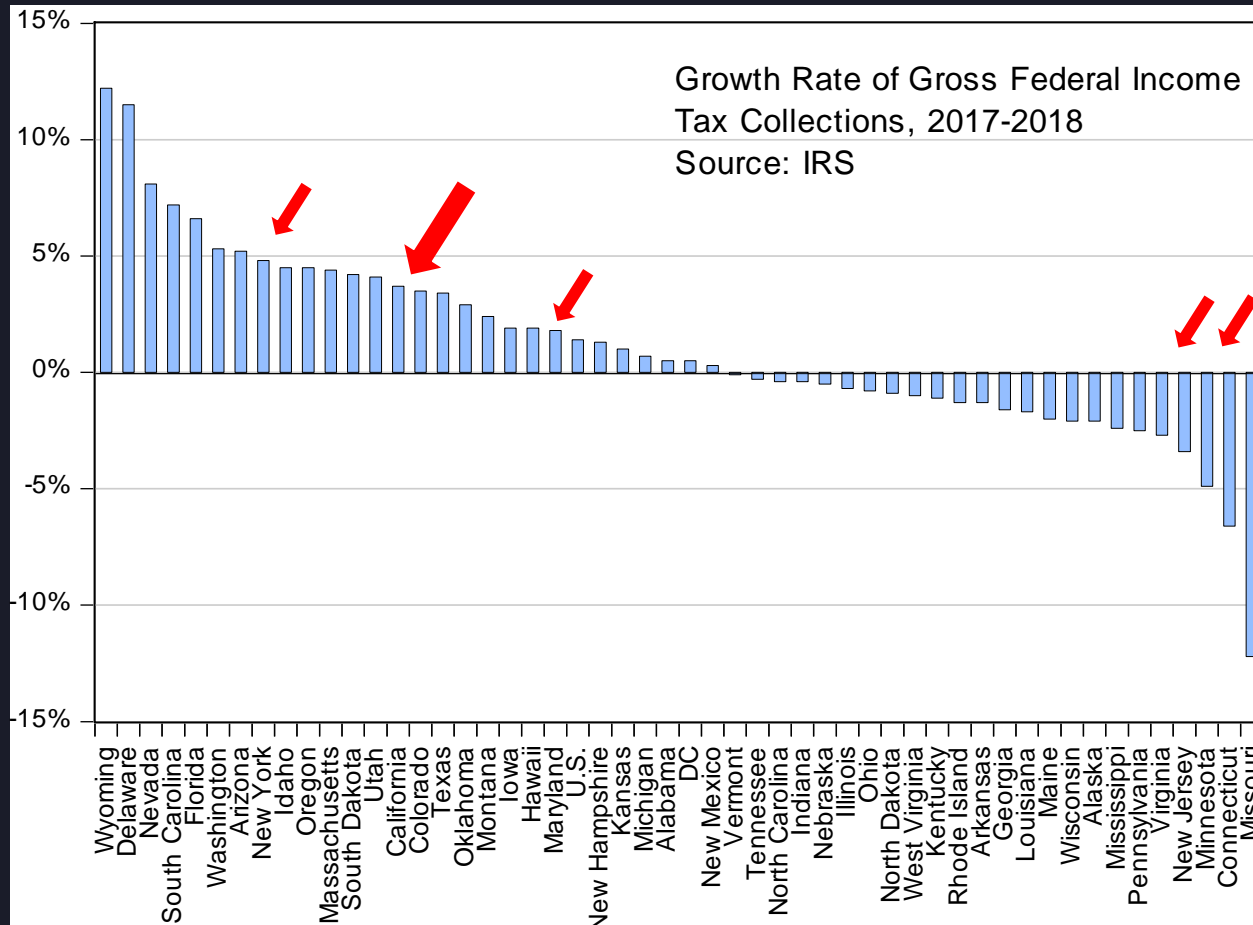
in April 2019



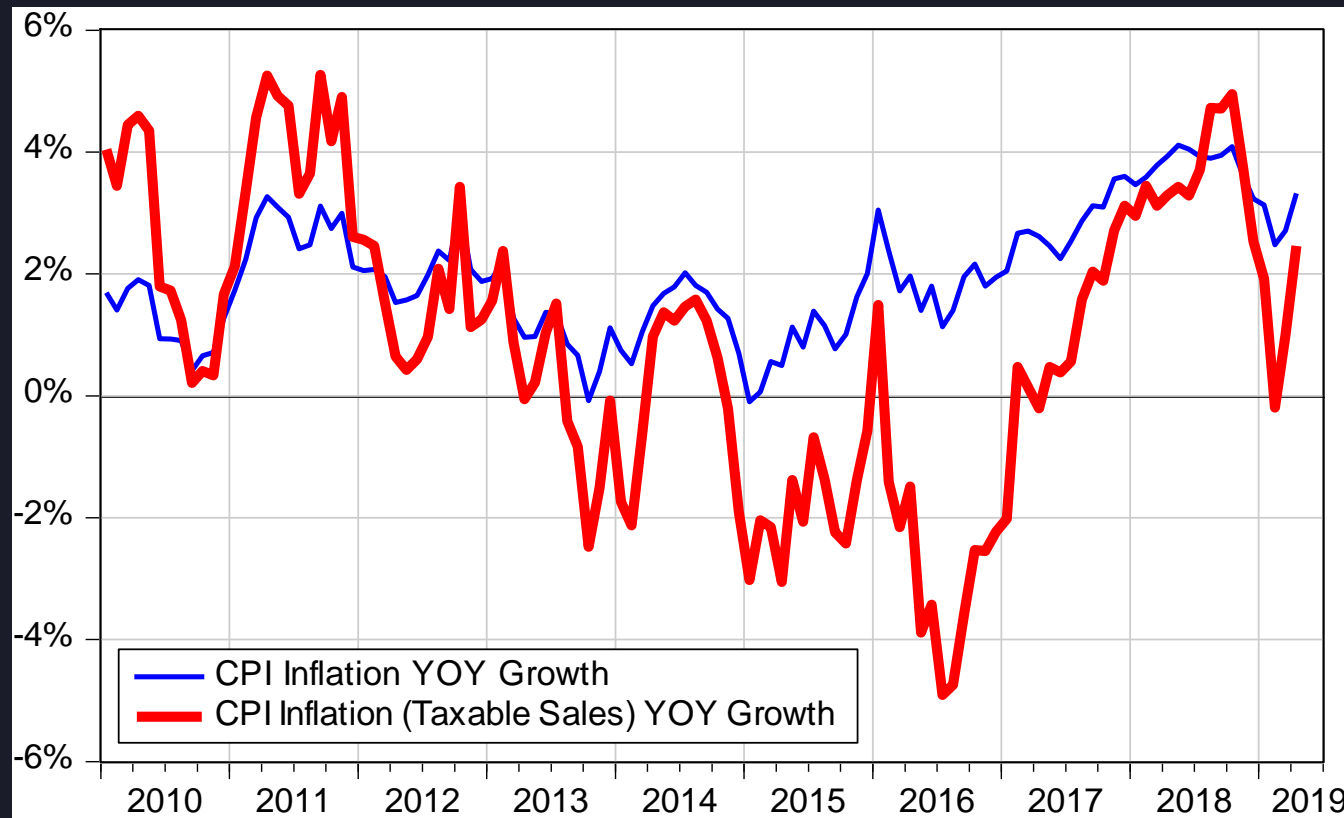
CA's federal income tax gross receipts increased by 3.7% in 2018



CA's number of federal income tax returns increased by 2% in 2018



Inflation on housing and medical care is higher than that of most taxable sales goods

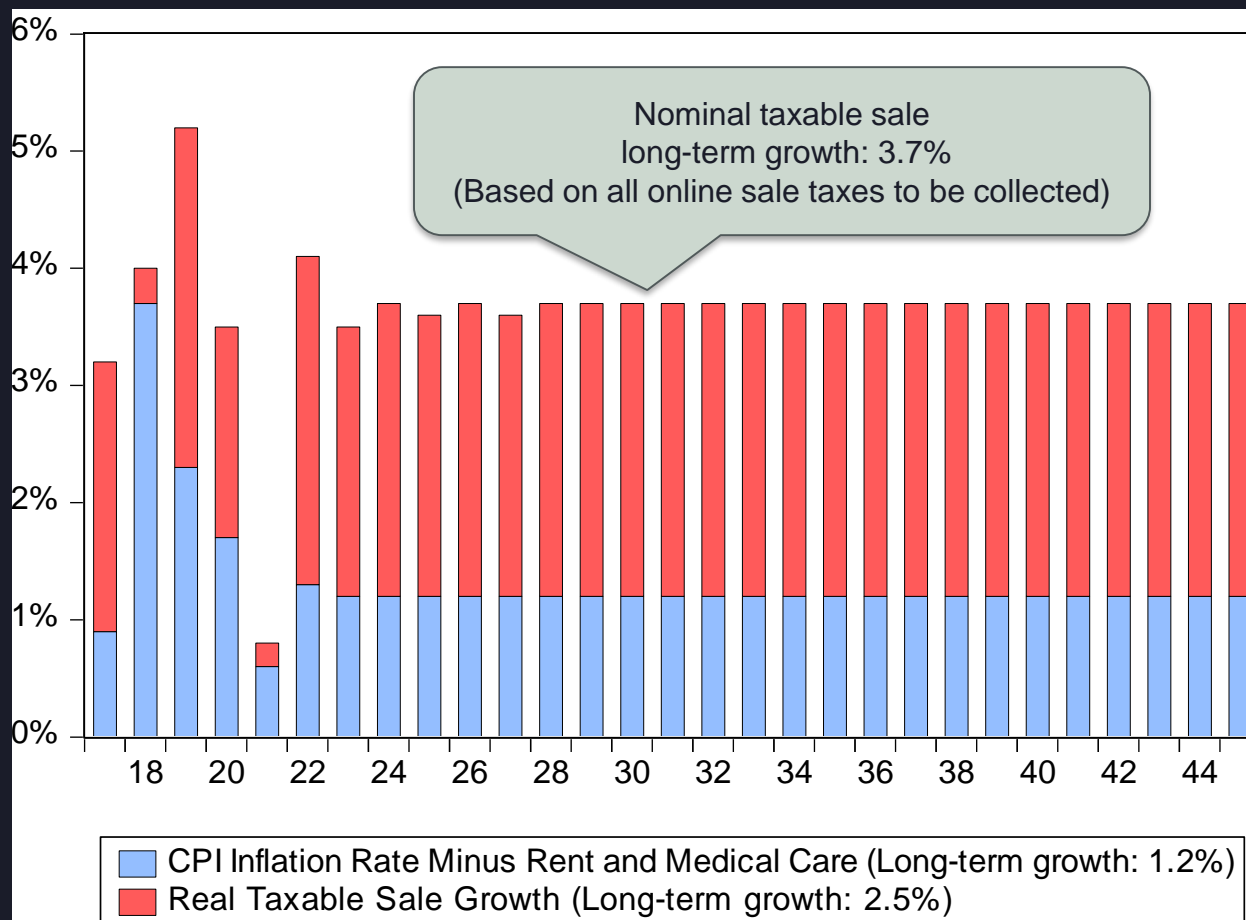


Consumer Price Index Year-over-year Inflation Rate

California Forecast

	2019	2020	2021
Payroll employment	1.4%	0.8%	0.6%
Unemployment rate	4.3%	4.3%	4.4%
Real personal income	2.9%	1.9%	2.1%

Orange County Nominal Taxable Sales Growth Forecast



Conclusions

- U.S. economic growth is slowing down.
- Housing sector is weak.
- Recession risk is rising due to trade tensions.
- With less imbalance/excess in the current expansion, the next recession should be less severe compared to Great Recession.
- U.S.- China relationship has shifted from strategic engagement to competition. China's FDI to California declined significantly.



Committee Members Present

Michael Hennessey, Chairman
Richard Murphy, Vice Chairman
Andrew Do
Steve Jones
Michelle Steel

Staff Present

Darrell E. Johnson, Chief Executive Officer
Ken Phipps, Deputy Chief Executive Officer
Laurena Weinert, Clerk of the Board
Gina Ramirez, Deputy Clerk of the Board
James Donich, General Counsel
OCTA Staff and Members of the General Public

Committee Members Absent

Gene Hernandez
Donald P. Wagner

Call to Order

The June 12, 2019 regular meeting of the Finance and Administration Committee was called to order by Committee Chairman Hennessey at 10:32 a.m.

Pledge of Allegiance

Director Steel led in the Pledge of Allegiance.

1. Public Comments

No public comments were received.

Special Calendar

There were no Special Calendar matters.

Consent Calendar (Items 2 and 3)

2. Approval of Minutes

A motion was made by Director Do, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to approve the minutes of the Finance and Administration Committee meeting of May 22, 2019.



3. Fiscal Year 2018-19 Third Quarter Budget Status Report

This item was pulled by staff, and Andrew Oftelie, Chief Financial Officer, who reported that the sales tax growth rates for the fiscal year for both the Local Transportation Authority (LTA), which funds the Measure M2 (M2) Program, and the Local Transportation Fund (LTF), which is the primary source of operating funds for the Bus Program, declined substantially based on the final payment of the third quarter. Additionally, sales tax growth for both sales tax revenues had shown strong growth through the fiscal year until the final payment of the third quarter from the California Department of Tax and Fee Administration (CDTFA). Mr. Oftelie also reported the final payments of the third quarter for both LTA and LTF were so low that sales tax revenues were 10.4 percent below the amounts received for the same quarter last fiscal year. Additionally, it also reduced the fiscal year-to-date growth in M2 and LTF sales tax to 0.1 percent and 1.1 percent respectively, which is below the budgeted growth rates of 3.7 percent and 3.1 percent.

Mr. Oftelie stated throughout the past two fiscal years the CDTFA has been delinquent in the timely distribution of sales tax revenues due to an issue caused by the implementation of a new computer system. He also stated given that history, the Orange County Transportation Authority (OCTA) reached out to the CDTFA to determine if that was the cause of the anomaly with the final payment of the third quarter. Additionally, the CDTFA stated that they are no longer behind in distributing sales tax payments. Mr. Oftelie also stated given the large discrepancy the reported amounts may not be correct, and that staff has asked MuniServices to investigate the matter to determine if the CDTFA is correct or if OCTA should expect additional sales tax revenue over coming months that would be attributable to the third quarter.

Darrell E. Johnson, Chief Executive Officer (CEO), stated that once the analysis is complete that staff will provide an update to the Finance and Administration Committee and Board of Directors.

A motion was made Director Do, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to receive and file as an information item.

Regular Calendar

4. Annual Update to Investment Policy

Sean Murdock, Director of Finance and Administration, provided an overview on the following:

- Background for new Committee Members on the Investment Policy (Policy) and investments that must conform to the California Government Code (Code).
- Because of the procurement of investment management services in January 2018, three out of four incumbent investment management firms that manage OCTA's short-term portfolio were replaced by new firms.
- OCTA contacted each investment management firm to seek their objective evaluation of the policy as it relates to effectiveness and risk. Based on their feedback and recommendations from Bond Counsel, staff is recommending changes be made to the policy.
- Historically, OCTA's Policy has been more conservative than the Code and, despite recommended changes, will remain more conservative than the Code in most areas.
- The primary changes to the policy that impact these areas can be found in Attachment A. In addition, Attachment B provides detailed information comparing OCTA's Proposed Investment Policy to the Code. Changes to the Policy to improve clarity and to align definitions of investments to the Code can be found in Attachment C, which is the black-lined version of the proposed Policy. Attachment D is the black-lined version of the proposed Policy changes since the Board of Directors (Board) approved the Policy on February 25, 2019.

Committee Chairman Hennessey inquired about the possibility of a circumstance where the indenture would have limitations that are more permissive than the Code and put OCTA at risk.

James Donich, General Counsel, stated staff would not be allowed to submit the indenture to the Board if it is not in compliance with the Code.

Director Do inquired on what the philosophy towards investments is in general.

4. (Continued)

Darrell E. Johnson, CEO, referenced Attachment C, and read into the record the current objectives of the Policy continue to be the preservation of capital, liquidity, diversification, and a market average rate of return through economic cycles.

A discussion ensued regarding:

- Allowing investments in Supranational Funds, with a credit rating of AA or its equivalent or higher, with the maximum percentage of portfolio limitation of 30 percent.
- Changing the requirements for mortgage-backed and asset-backed securities by reducing credit rating requirements from AAA to AA and removing the ten percent limitation on asset-backed securities.
- Allowing investments in non-California municipal debt but require strong credit ratings and issuer.
- Diversifying investments by reducing the ratings from AAA to AA.
- Reducing the Repurchase Agreements maximum percentage of portfolio below 75 percent.

Following a lengthy discussion, the Committee approved staff's recommendations with the following changes:

- Lower the Repurchase Agreements maximum percentage of portfolio from 75 percent to 25 percent.
- Maintain the Asset-Backed Securities maximum percentage of portfolio limitation of 10 percent.
- Lower the Supranational maximum percentage of portfolio from 30 percent to 20 percent.

A motion was made by Committee Chairman Hennessey, seconded by Committee Vice Chairman R. Murphy, and declared passed by those present, to:

- A. Adopt the 2019 Investment Policy dated June 10, 2019.
- B. Authorize the Treasurer to invest, reinvest, purchase, exchange, sell, and manage Orange County Transportation Authority funds during fiscal year 2019-20.



Discussion Items

5. Chief Executive Officer's Report

Mr. Johnson, CEO, reported on the following:

- Thanked the Committee for their discussion under agenda Item 4.
- On June 11th, the Taxpayer Oversight Committee (TOC) held their annual Measure M public hearing. The Committee found that OCTA is in compliance with the ordinance for the 28th year in a row.
- On June 11th, OCTA hosted an event at the Anaheim Regional Transportation Intermodal Center in Anaheim to promote National Dump the Pump Day, and staff continues the ongoing Taco Transit Tuesday marketing campaign.
- On June 20th, is the official National Dump the Pump Day, OCTA is offering free bus rides on that day when riders pledge online.
- OCTA outreach efforts for the Beach Boulevard Corridor Study are ongoing. Tonight, staff will present information about the study to the West Anaheim Neighborhood Development Council from 7:00 p.m. to 9:00 p.m. at the West Anaheim Youth Center.
- The Angels completed a two-game sweep of the Dodgers last night. The Angels Express ridership is still trailing about 17 percent compared to last year.

6. Committee Members' Reports

There were no Committee Members' Reports.

7. Closed Session

There were no Closed Session items scheduled.



8. Adjournment

The meeting adjourned at 11:29 a.m.

The next regularly scheduled meeting of this Committee will be held at **10:30 a.m. on Wednesday, June 26, 2019**, at the Orange County Transportation Authority Headquarters, 550 South Main Street, Board Room - Conference Room 07, Orange, California.

ATTEST

Michael Hennessey
Committee Chairman

Gina Ramirez
Deputy Clerk of the Board



June 26, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Construction Safety Program, Internal Audit Report No.19-506

Overview

The Internal Audit Department has completed an audit of the Orange County Transportation Authority Construction Safety Program. Based on the audit, the Construction Safety Program could be improved by enhancing policies and procedures, developing a training program for applicable project management staff, refining the process for identifying applicable contractors, and formalizing the process for documenting safety activities and reporting.

Recommendation

Direct staff to implement two recommendations provided in Construction Safety Program, Internal Audit Report No. 19-506.

Background

The Construction Safety (CS) Section consists of two staff within the Health, Safety, and Environmental Compliance Department, under the Human Resources and Organizational Development Division. The CS Section is responsible for the design and implementation of an effective CS Program (Program).

CS staff have developed a CS Management Policy (Policy) to provide a standardized approach for managing contractor safety compliance on Orange County Transportation Authority properties and projects. The Policy describes the roles and responsibilities of Contracts Administration and Materials Management (CAMP) staff, project managers, CS staff, and individual contractors.

To identify contracts that should include safety specifications as part of the written agreement, CS staff have assigned safety specification levels (1, 2, and 3) by the type of service to be provided. CAMM staff use the assignment listing to identify when to include safety specifications in a proposed contract.

Discussion

The Policy assigns significant responsibilities to individual contract managers without providing comprehensive materials and training to these individuals. Also, the process for identifying contracts requiring safety specifications unnecessarily identifies low-risk contractors and vendors. In addition, there is no process in place to centrally identify and track applicable high-risk construction contractors to ensure proper monitoring and reporting. The Internal Audit Department (Internal Audit) recommended that CS management further develop policies, procedures, and guidelines to provide a comprehensive risk-based framework for monitoring contractor compliance with construction safety regulations. Management agreed and indicated that safety specifications levels would be further evaluated and revised to streamline requirements, and procedures would be implemented to ensure safety reporting by applicable contractors. Also, management agreed to implement safety-related training for project managers with contractor oversight responsibilities.

Evidence of oversight activities, such as performance of safety observations, review of contractor safety submittals and resumes, and attendance at safety meetings is not formally maintained. In addition, there is no process in place to formally track and document follow-up of observed safety issues. Internal Audit recommended management develop procedures for documenting and tracking safety activities. Management agreed and indicated that a tracking tool will be developed and implemented.

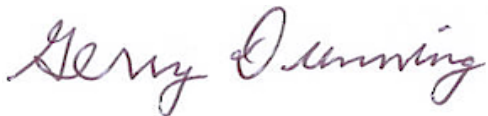
Summary

Internal Audit has completed an audit of the Program and offered two recommendations for improvement.

Attachment

A. Construction Safety Program, Internal Audit Report No. 19-506

Prepared by:

A handwritten signature in dark ink, appearing to read "Gerald Dunning".

Gerald Dunning
Senior Auditor
714-560-5875

Approved by:

A handwritten signature in dark ink, appearing to read "Janet Sutter".

Janet Sutter
Executive Director, Internal Audit
714-560-5591

ORANGE COUNTY TRANSPORTATION AUTHORITY INTERNAL AUDIT DEPARTMENT



Construction Safety Program

Internal Audit Report No. 19-506

June 17, 2019



Performed by:

Gerry Dunning, CIA, CISA, CFE, Senior Internal Auditor
Janet Sutter, CIA, Executive Director



Distributed to:

Maggie Mc Jilton, Executive Director, Human Resources and Organizational Development
Matthew Des Rosier, Department Manager, Health, Safety, and Environmental Compliance
Gary Jones, Construction Safety Section Manager

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Construction Safety Program
June 17, 2019**

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**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Construction Safety Program
June 17, 2019**

Conclusion

The Internal Audit Department (Internal Audit) has completed an audit of the Orange County Transportation Authority (OCTA) Construction Safety Program (Program). Based on the audit, the Program could be improved by enhancing policies and procedures, developing a training program for applicable project management staff, refining the process for identifying applicable contractors, and formalizing the process for documenting safety activities and reporting.

Background

Construction Safety Program

The Construction Safety (CS) Section consists of two staff within the Health, Safety, and Environmental Compliance (HSEC) Department, under the Human Resources and Organizational Development Division. The CS Section is responsible for the design and implementation of an effective Program.

CS staff have developed a CS Management Policy (Policy) to provide a standardized approach for managing contractor safety compliance on OCTA properties and projects. The Policy describes the roles and responsibilities of Contracts Administration and Materials Management (Camm) staff, project managers, CS staff, and individual contractors.

CS staff have also developed three levels of Health, Safety, and Environmental Specifications (safety specifications), which outline the contractor requirements in accordance with State of California Division of Occupational Safety and Health regulations. To identify contracts that should include safety specifications as part of the agreement, CS staff have assigned safety specification levels (1, 2, and 3) based on the commodity code of the service to be provided. Camm staff use the list provided to determine when to include safety specifications in a proposed contract.

CS staff periodically perform observations and attend project meetings to ensure the safe design, operation, and working conditions at OCTA construction sites and bus operations locations.

ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Construction Safety Program
June 17, 2019

Objectives, Scope, and Methodology

The objectives were to evaluate and test program controls and contractor compliance related to construction safety.

According to Generally Accepted Government Auditing Standards (GAGAS), internal control, in the broadest sense, encompasses the plans, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls significant within the context of the audit objectives were evaluated as part of this audit.

The methodology consisted of an evaluation of Program controls, testing contractor compliance with requirements, and testing of monitoring activities.

The scope was limited to evaluation and testing of Program controls and activities during calendar years 2017 and 2018. The scope included a judgmental sample of 25 contracts with effective or amended dates during the period. The sample was selected with a bias for including contracts containing all three levels of safety specifications and for selecting contracts from various OCTA divisions. In addition, the scope included a judgmental sample of four CS monthly activity reports for testing to determine the accuracy of activity reporting, to verify monitoring activities, and to assess the adequacy of recordkeeping. This sample was selected with a bias for including two months from each of the two calendar years. Since the samples were non-statistical, any conclusions are limited to the sample items tested.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Construction Safety Program
June 17, 2019**

Audit Comments, Recommendations, and Management Responses

Construction Safety Program Development and Administration

The Program should be enhanced to provide guidance and training to responsible staff, to better identify applicable contractors, and to ensure regular compliance monitoring and documented follow-up of issues observed.

CS management has issued one policy related to contractor safety and has assigned significant responsibilities to individual contract managers without providing comprehensive materials and training to these individuals. Also, the process for identifying contracts that require safety specifications be included unnecessarily identifies low-risk contractors. There is no process in place to centrally identify and track applicable, high-risk construction contractors to ensure proper monitoring and reporting. Contractor workplace injury statistics are calculated internally; however, there is no system in place to ensure figures are collected from all applicable contractors.

Recommendation 1:

Internal Audit recommends that CS management further develop policies, procedures, and guidelines to provide a comprehensive, risk-based framework for monitoring contractor compliance with construction safety regulations. The program should provide detailed guidelines and include a training program for those charged with oversight and/or monitoring responsibility. The program should also be designed to identify and monitor contractors who are required to report and whose information should be included in safety statistics.

Management Response:

Management concurs with the recommendation and will further evaluate the safety specifications levels 1, 2 and 3, and make appropriate revisions to streamline the requirements of submittal deliverables for lower risk contracts. Management will also implement procedures to ensure safety reporting by applicable contractors.

Also, safety-related training for project managers with contractor oversight responsibilities will be implemented and made available to provide a better understanding of their roles and responsibilities.

**ORANGE COUNTY TRANSPORTATION AUTHORITY
INTERNAL AUDIT DEPARTMENT
Construction Safety Program
June 17, 2019**

Documentation of Safety Observations and Activity Reporting

CS staff do not retain, in an organized fashion, evidence of oversight activities, such as performance of safety observations, review of contractor safety submittals and resumes, and attendance at safety meetings. In addition, CS staff do not have a process in place to formally track and document follow-up of observed safety issues.

Recommendation 2:

Internal Audit recommends that CS management develop procedures for documenting and tracking safety activities. Documented activities, and follow-up of safety issues observed, should be retained and used to complete monthly activity reports.

Management Response:

Management concurs with the recommendation and will develop a tracking tool to document applicable construction safety activities and observations.



June 26, 2019

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Subject: Orange County Transportation Authority Investment and Debt Programs Report – May 2019

Overview

The Orange County Transportation Authority has a comprehensive investment and debt program to fund its immediate and long-term cash flow demands. Each month, the Treasurer submits a report detailing investment allocation, performance, compliance, outstanding debt balances, and credit ratings for the Orange County Transportation Authority's debt program. This report is for the month ending May 31, 2019. The report has been reviewed and is consistent with the investment practices contained in the Investment Policy. Nissan, an issuer for asset-backed securities held by Orange County Transportation Authority, was downgraded from A2 to A3, which is below Orange County Transportation Authority's investment policy requirement of A2. The asset-backed securities continue to be AAA-rated with no negative price action since the Nissan downgrade, so Orange County Transportation Authority has chosen to retain the securities.

Recommendation

Receive and file as an information item.

Discussion

As of May 31, 2019, the Orange County Transportation Authority's (OCTA) outstanding investments totaled \$2.03 billion. The portfolio is divided into three managed portfolios: the liquid portfolio for immediate cash needs, bond proceeds portfolio to meet Measure (M2) transportation program needs, and the short-term portfolio for future budgeted expenditures. In addition to these portfolios, OCTA has funds invested in debt service reserve funds for the 91 Express Lanes Program.

The weighted average book yield for the OCTA portfolio is 2.4 percent. The book yield measures the exact income, or interest, on a bond without regard to market

price change. The yield is the income return on an investment, such as the interest received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost and market value.

The OCTA's month-end balance in the Local Agency Investment Fund was \$10,610,270, with an average monthly effective yield of 2.5 percent. The OCTA's month-end balance in the Orange County Investment Pool (OCIP) was \$206,243. Yields for the month of May will be received in June in alignment with the timing of the County of Orange investment report. For the month of April, the monthly gross yield for the OCIP was 2.2 percent.

On Friday, May 24, 2019, Moody's downgraded the long-term debt rating of Nissan from A2 to A3 based on the decline in profitability of its United States operations due to its passenger car focus and residual issues regarding its governance challenges. OCTA holds four asset-backed security positions in Nissan Auto/Lease for a total of \$9.1 million. OCTA's current investment policy requires the issuer of asset-backed securities to have long-term debt rated a minimum of A2, so the downgrade has put Nissan's long-term debt rating below the requirements of the investment policy. OCTA's investment policy also requires asset-backed securities to be AAA-rated, and the four Nissan asset-backed securities remain AAA-rated. Since the downgrade of Nissan's long-term debt, there has been no negative price action on the AAA-rated asset-backed securities. Given the continued strong AAA-rating of the asset-backed securities and the recommendation from the investment manager holding the Nissan securities, OCTA's treasurer has decided to retain the securities. The Treasurer presented his recommendation to the Deputy Chief Executive Officer who concurred. OCTA will continue to monitor Nissan and the ratings for both the long-term debt and asset-backed securities to ensure no further downgrades to Nissan's long-term debt rating and that the asset-backed securities retain a AAA-rating.

OCTA's debt portfolio had an outstanding principal balance of \$1.02 billion as of May 31, 2019. Approximately 62 percent of the outstanding balance is comprised of M2 debt, ten percent is associated with the 91 Express Lanes Program, and 28 percent is for the Transportation Infrastructure Finance and Innovation Act Loan.

Summary

The Treasurer is submitting a copy of the Orange County Transportation Authority Investment and Debt Programs report to the Finance and Administration Committee. The report is for the month ending May 31, 2019.

Attachment

- A. Orange County Transportation Authority Investment and Debt Programs
– For the Period Ending May 31, 2019.

Prepared by:



Sean Murdock
Director
Finance and Administration
(714) 560-5685

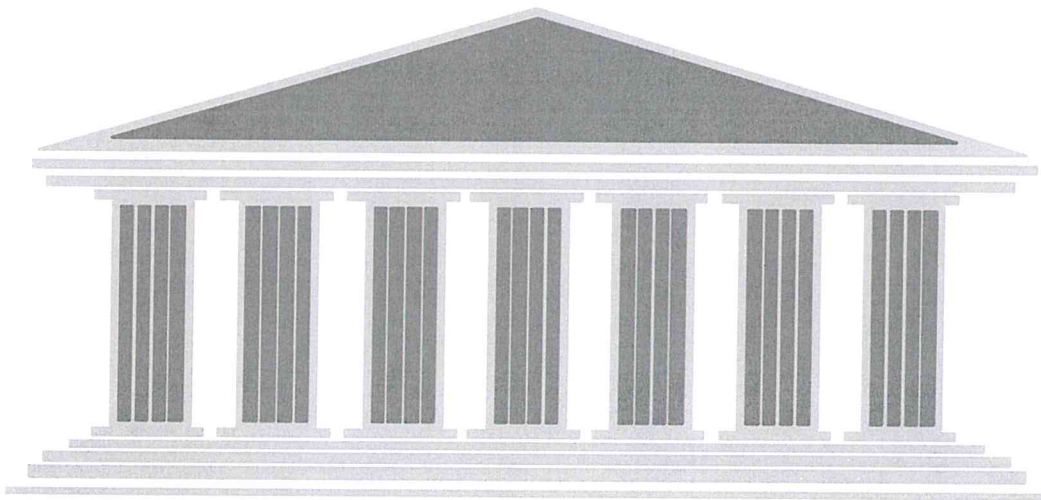
Approved by:



Andrew Oftelie
Chief Financial Officer
Finance and Administration
(714) 560-5649

**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
May 31, 2019**

INVESTMENT PROGRAM

OCTA Investment Dashboard

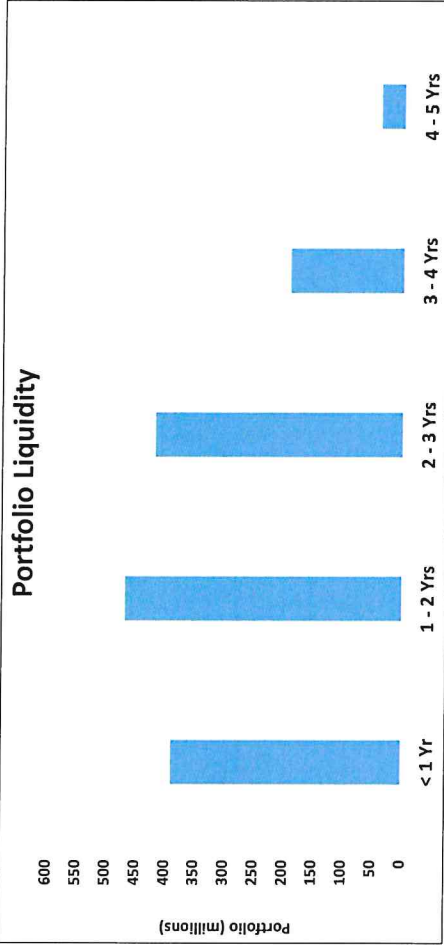
As of 5/31/19

Safety of Principal

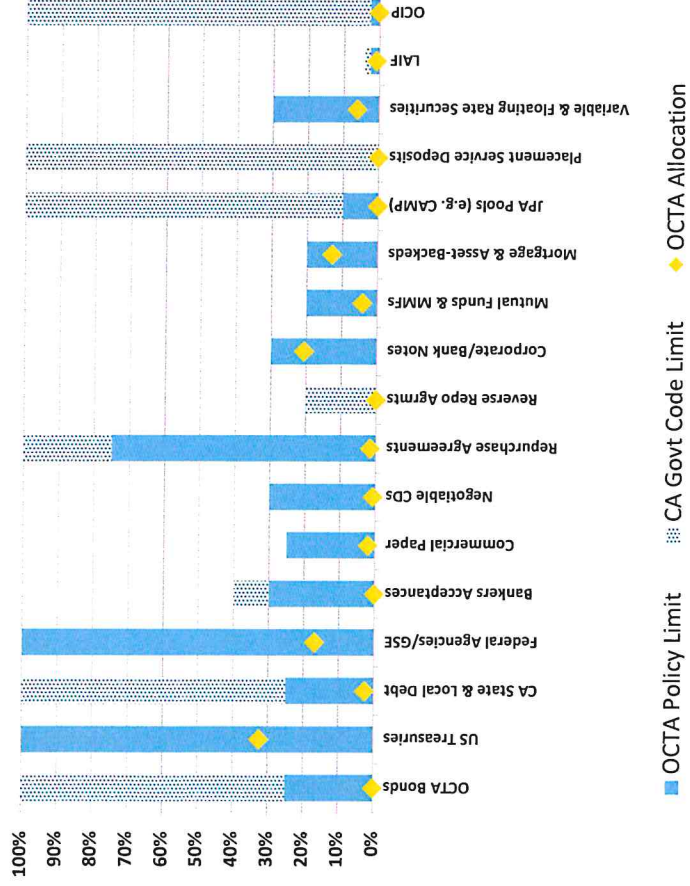
Securities that fall below OCTA's minimum credit quality requirements:
None

Issuers that fall below OCTA's minimum credit quality requirements:
Payden & Rygel

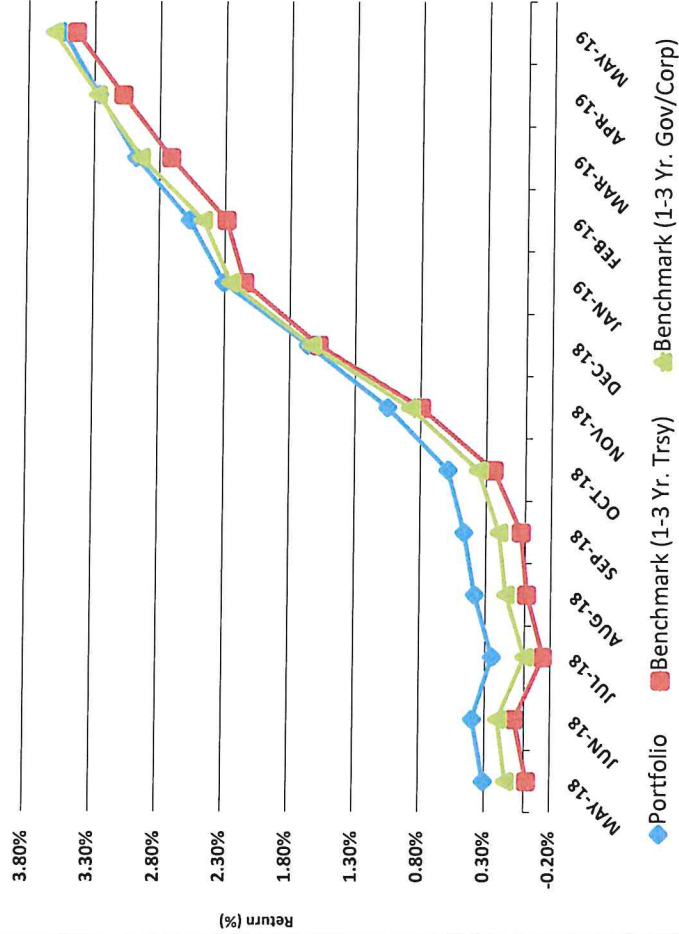
On Friday, May 24, 2019 Moody's downgraded the long-term debt rating of Nissan to A3 from A2, which falls below the investment policy requirement of A2. Current Nissan securities held by OCTA were not impacted by issuer downgrade, and remain AAA rated which meets the requirements of the investment policy.



Portfolio Diversification



Portfolio Return - 12 Month



Investment Profile

5/31/2019

<u>Portfolio Manager</u>	<u>Depository</u>	<u>Role</u>	<u>Type of Investment</u>	<u>Amount (\$ Millions)</u>
<i>LIQUID PORTFOLIO</i>				
OCTA	BNY Mellon	Trustee	Cash	60.0
OCTA	Bank of the West	Broker	Cash	24.5
OCTA	U.S Bank	Trustee	Cash	0.0
<i>SHORT-TERM PORTFOLIO</i>				
Logan Circle Partners	Union Bank	Custodian	Per OCTA Investment Policy	376.0
Chandler Asset Management	Union Bank	Custodian	Per OCTA Investment Policy	377.0
Payden & Rygel Investment Counsel	Union Bank	Custodian	Per OCTA Investment Policy	379.8
Public Financial Management (PFM)	Union Bank	Custodian	Per OCTA Investment Policy	377.4
<i>POOLED INVESTMENTS</i>				
California State Treasurer	LAIF	Custodian	Per LAIF Investment Policy	10.6
Orange County Treasurer	OCIP	Custodian	Per OCIP Investment Policy	0.2
<i>BOND PROCEED PORTFOLIO</i>				
OCTA	Bank of Nova Scotia	Custodian	Per Measure M2 Bond Indenture	383.4
OCTA	BNY Mellon	Trustee	Per GIC Agreement	18.6
<i>RESERVE FUNDS PORTFOLIO</i>				
91 Express Lanes 2013 Ref. Bonds	U.S Bank	Trustee	Commercial Paper	11.2
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	10.0
91 Express Lanes 2013 Ref. Bonds	Bank of the West	Trustee	Commercial Paper	3.0
Bank Deposits/Cash				0.5
TOTAL				\$2,032.2

Short-Term Portfolio - \$1.51 Billion

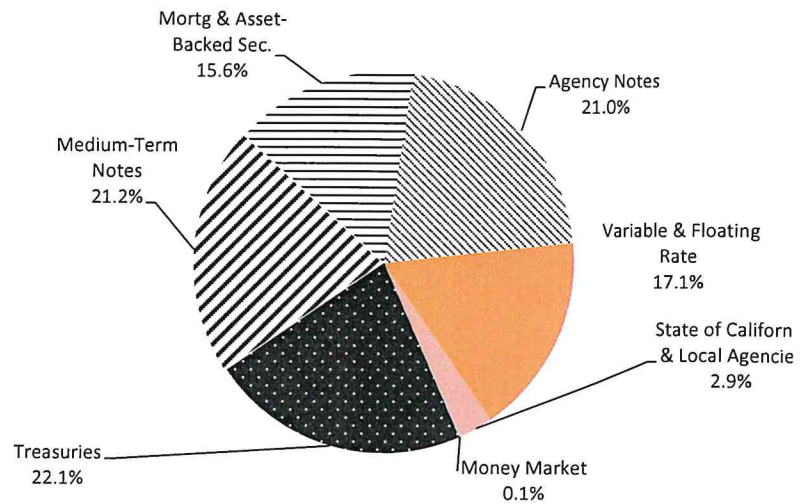
5/31/2019

Part 1 of 2

Logan Circle Partners

Book Value \$ 376,045,982

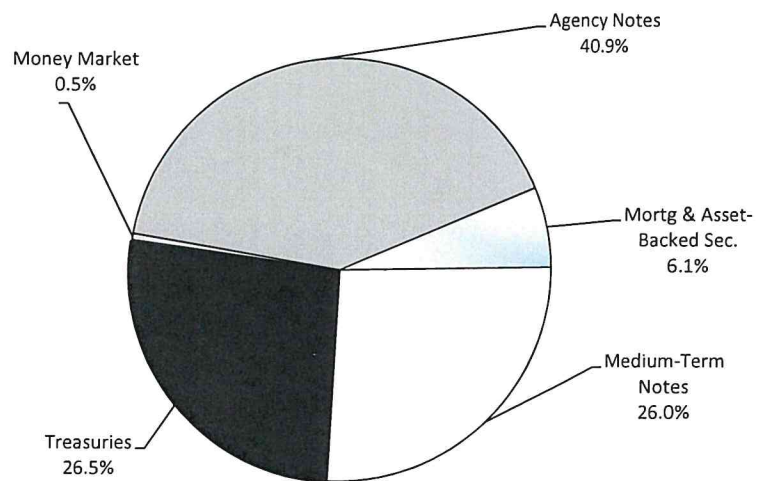
Market Value \$ 377,833,732



Chandler Asset Management

Book Value \$ 377,020,661

Market Value \$ 379,839,826



Market Value Reported By Clearwater

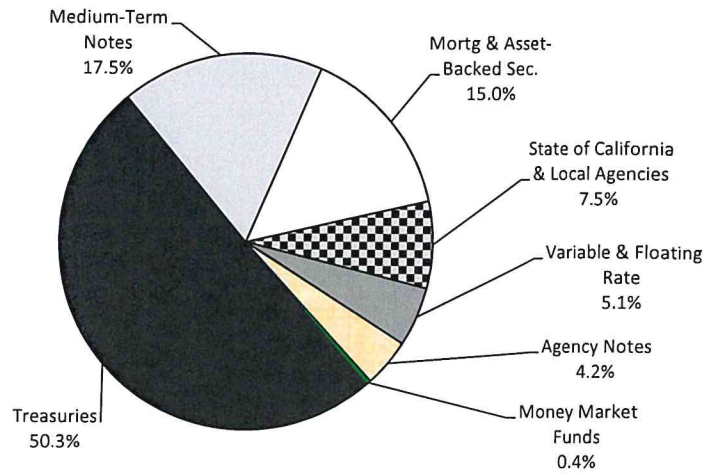
Short-Term Portfolio - \$1.51 Billion

5/31/2019

Part 2 of 2

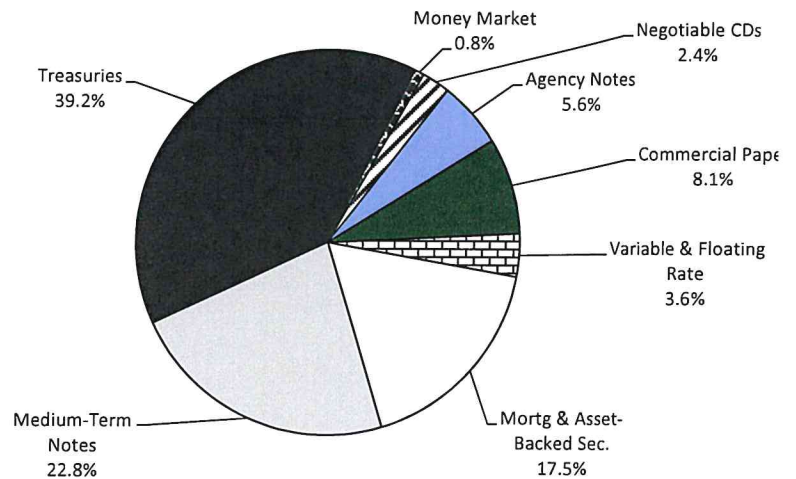
Payden & Rygel

Book Value	\$	379,751,345
Market Value	\$	382,208,022



Public Financial Management (PFM)

Book Value	\$	377,352,567
Market Value	\$	381,215,158



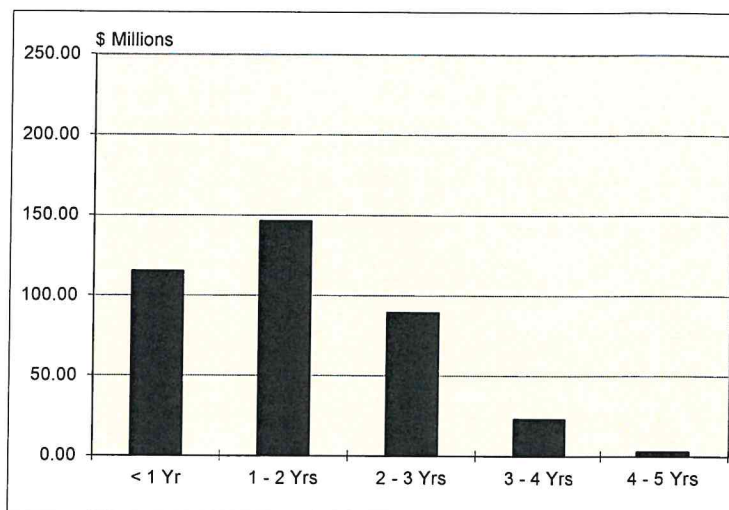
Market Value Reported By Clearwater

Short-Term Portfolio Maturity Schedule

5/31/2019

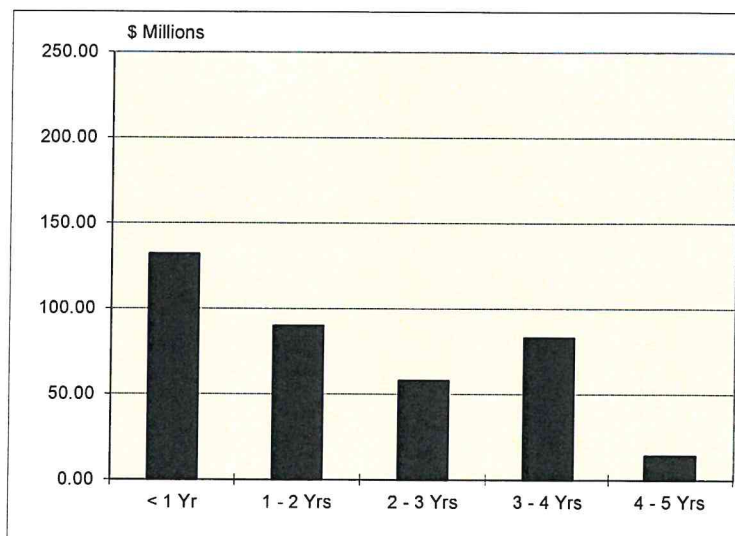
Logan Circle Partners (\$376.0 M)

Monthly Return	0.42%
TSY Benchmark	0.71%
Gov/Corp Benchmark	0.69%
Fiscal YTD Return	3.03%
TSY Benchmark	3.43%
Gov/Corp Benchmark	3.60%
12 Month Return	3.06%
TSY Benchmark	3.44%
Gov/Corp Benchmark	3.61%



Chandler Asset Management (\$377.0 M)

Monthly Return	0.66%
Benchmark Comparison	0.71%
Gov/Corp Benchmark	0.69%
Fiscal YTD Return	3.54%
TSY Benchmark	3.43%
Gov/Corp Benchmark	3.60%
12 Month Return	3.58%
TSY Benchmark	3.44%
Gov/Corp Benchmark	3.61%



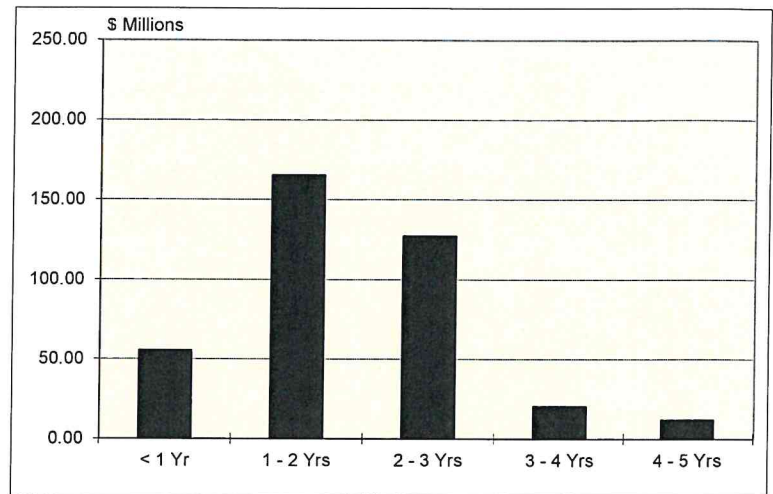
Yield Curve Change From 4/30/19 to 5/31/19			
	4/30/19	5/31/19	Change
1 Year	2.403%	2.040%	-0.3630%
2 Year	2.341%	1.839%	-0.5020%
3 Year	2.315%	1.806%	-0.5090%
5 Year	2.348%	1.864%	-0.4840%
30 Year	2.944%	2.625%	-0.3190%

Short-Term Portfolio Maturity Schedule

5/31/2019

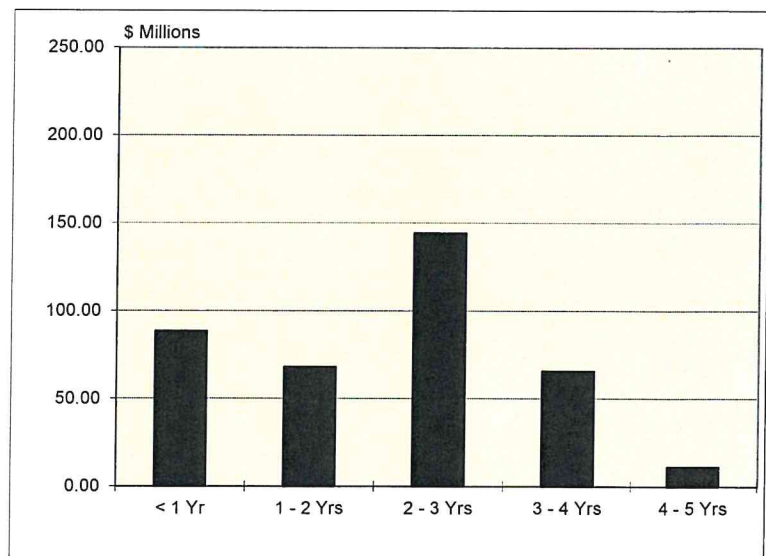
Payden & Rygel (\$379.8 M)

Monthly Return	0.70%
TSY Benchmark	0.71%
Gov/Corp Benchmark	0.69%
Fiscal YTD Return	3.64%
TSY Benchmark	3.43%
Gov/Corp Benchmark	3.60%
12 Month Return	3.71%
TSY Benchmark	3.44%
Gov/Corp Benchmark	3.61%



Public Financial Management (\$377.4 M)

Monthly Return	0.71%
TSY Benchmark	0.71%
Gov/Corp Benchmark	0.69%
Fiscal YTD Return	3.72%
TSY Benchmark	3.43%
Gov/Corp Benchmark	3.60%
12 Month Return	3.79%
TSY Benchmark	3.44%
Gov/Corp Benchmark	3.61%

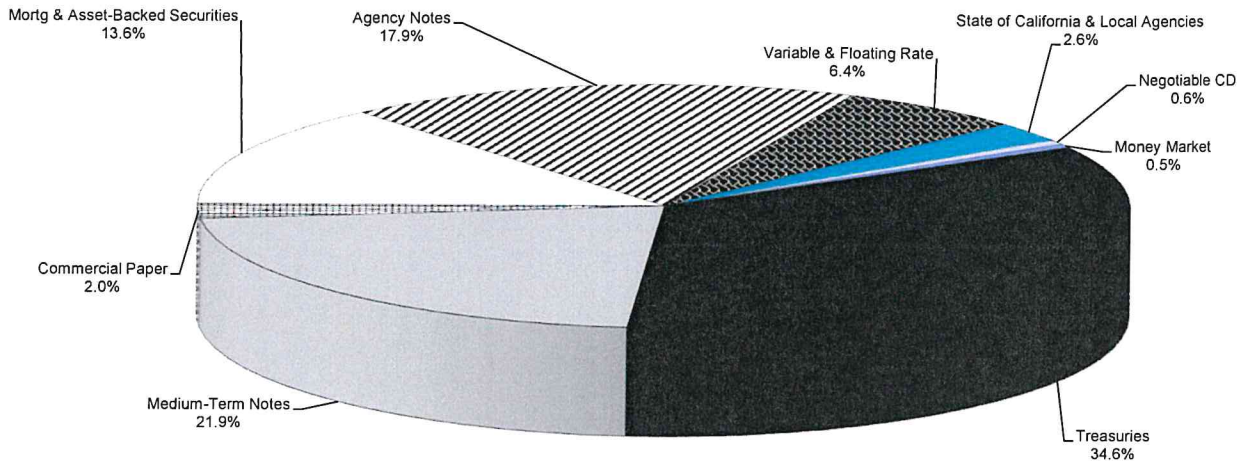


Yield Curve Change From 4/30/19 to 5/31/19			
	4/30/19	5/31/19	Change
1 Year	2.403%	2.040%	-0.3630%
2 Year	2.341%	1.839%	-0.5020%
3 Year	2.315%	1.806%	-0.5090%
5 Year	2.348%	1.864%	-0.4840%
30 Year	2.944%	2.625%	-0.3190%

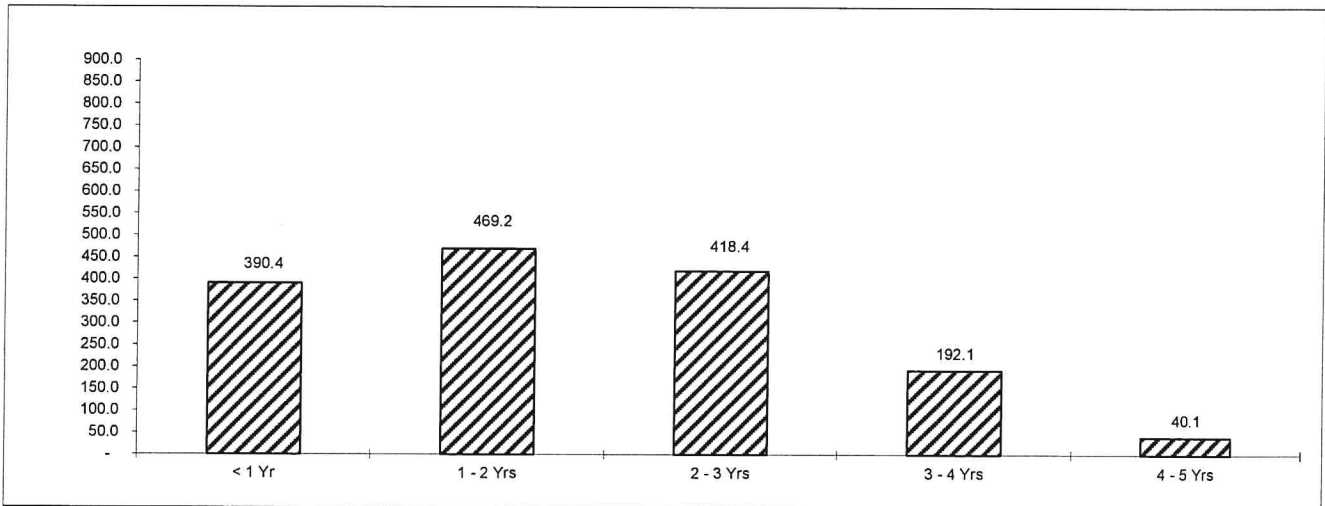
Short-Term Portfolio

5/31/2019

Total Portfolio Composition



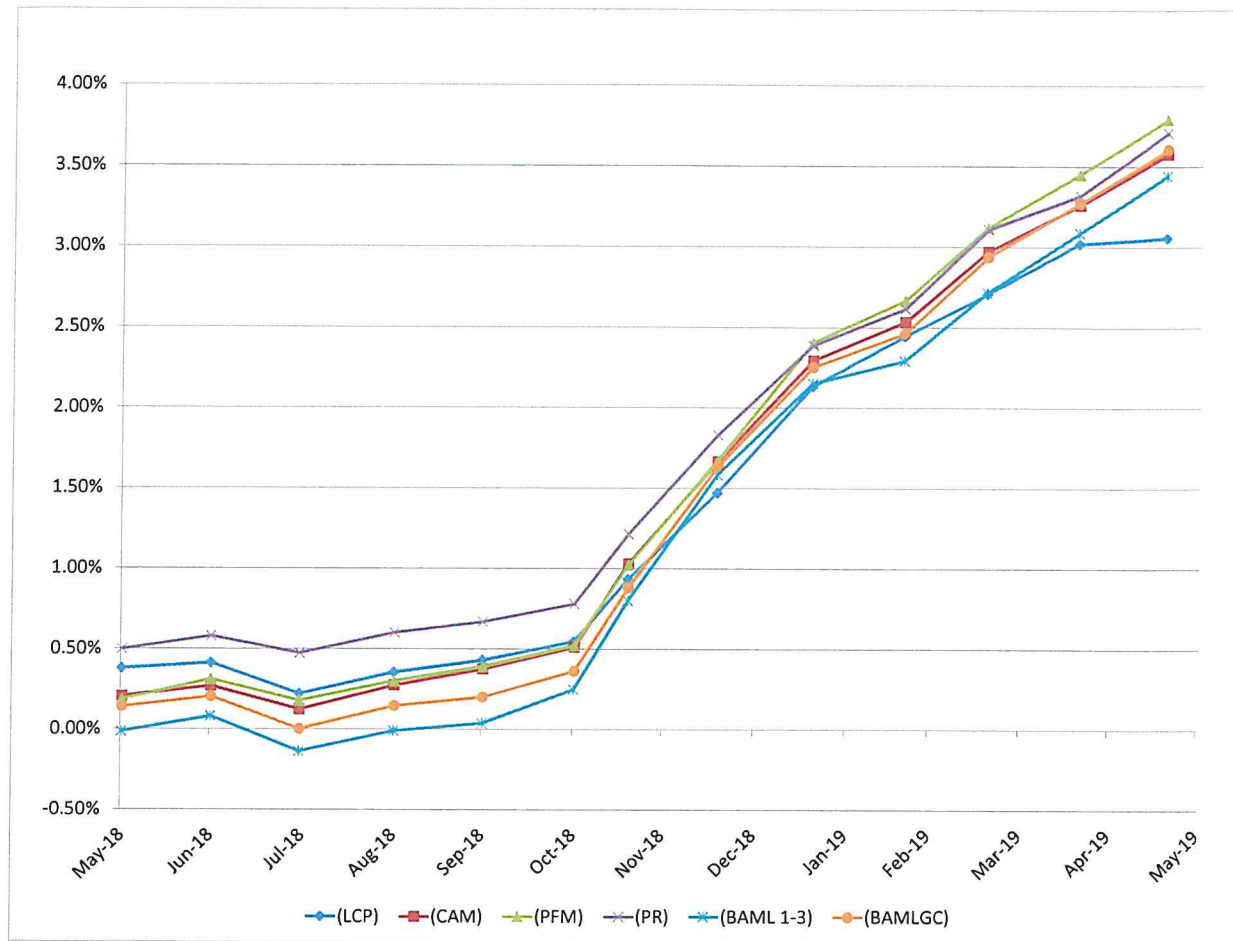
Total Portfolio Maturity Schedule



Short-Term Portfolio Performance

5/31/2019

Trailing 1-Year Total Return
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks

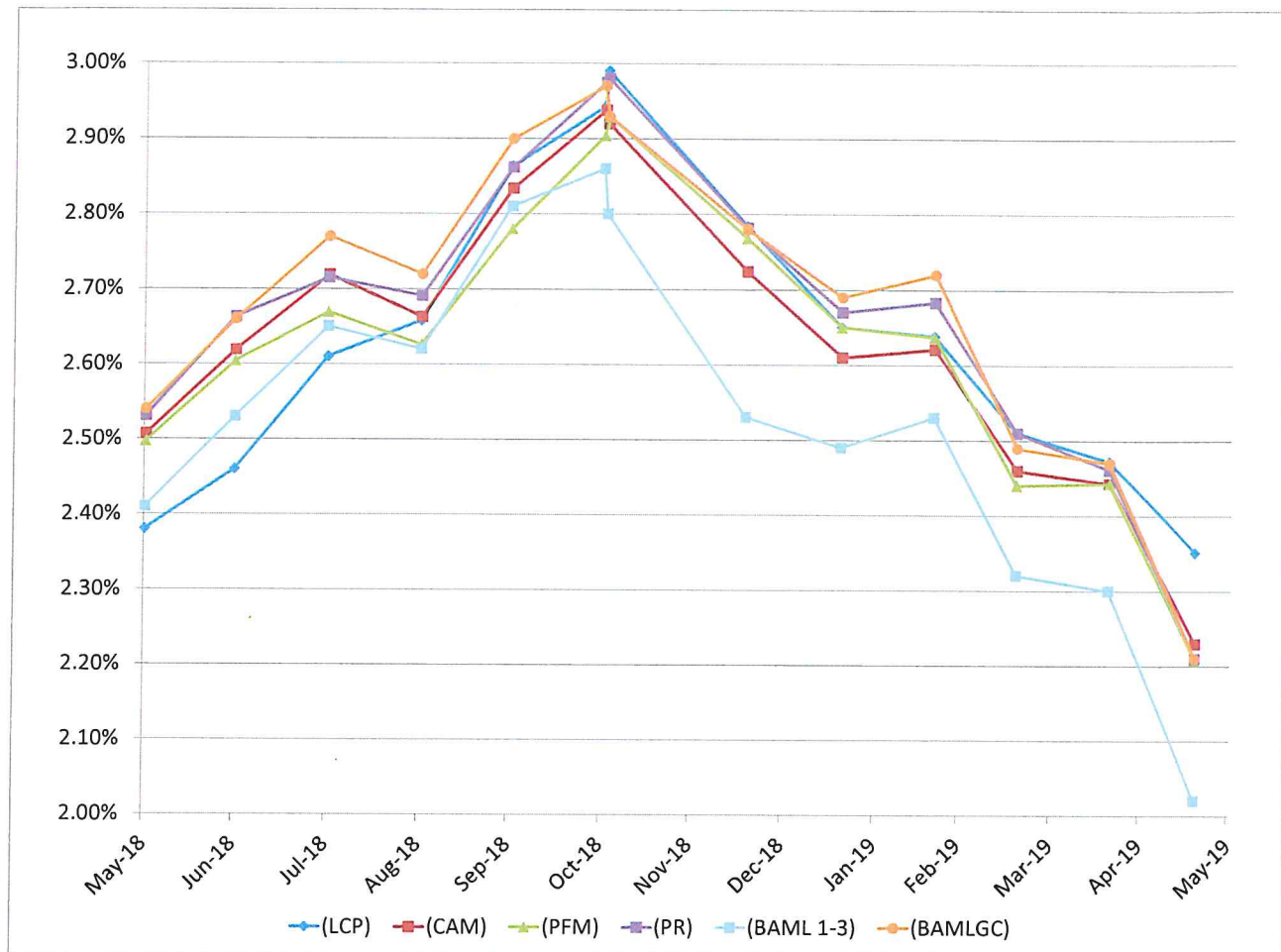


	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden & Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
May-18	0.38%	0.21%	0.18%	0.50%	-0.02%	0.14%
Jun-18	0.41%	0.27%	0.31%	0.58%	0.08%	0.20%
Jul-18	0.22%	0.12%	0.18%	0.47%	-0.14%	0.00%
Aug-18	0.35%	0.27%	0.30%	0.60%	-0.01%	0.15%
Sep-18	0.43%	0.38%	0.39%	0.67%	0.04%	0.20%
Oct-18	0.55%	0.51%	0.52%	0.78%	0.25%	0.36%
Nov-18	0.93%	1.03%	1.02%	1.22%	0.80%	0.88%
Dec-18	1.47%	1.67%	1.67%	1.83%	1.58%	1.64%
Jan-19	2.13%	2.29%	2.41%	2.39%	2.15%	2.25%
Feb-19	2.44%	2.54%	2.67%	2.62%	2.29%	2.46%
Mar-19	2.71%	2.97%	3.12%	3.11%	2.72%	2.94%
Apr-19	3.02%	3.26%	3.45%	3.32%	3.08%	3.27%
May-19	3.06%	3.58%	3.79%	3.71%	3.44%	3.61%

Short-Term Portfolio Performance

5/31/2019

Historical Yields
Vs. The Bank of America Merrill Lynch (BAML) 1-3 Benchmarks



	Logan Circle Partners (LCP)	Chandler Asset Mgmt (CAM)	Public Fin Mgmt (PFM)	Payden Rygel (PR)	ICE/BAML 1-3 Yr Trsy (BAML 1-3)	BAML 1-3 Yr Gov/Corp (BAMLGC)
May-18	2.38%	2.51%	2.50%	2.53%	2.41%	2.54%
Jun-18	2.46%	2.62%	2.60%	2.66%	2.53%	2.66%
Jul-18	2.61%	2.72%	2.67%	2.72%	2.65%	2.77%
Aug-18	2.66%	2.66%	2.63%	2.69%	2.62%	2.72%
Sep-18	2.86%	2.83%	2.78%	2.86%	2.81%	2.90%
Oct-18	2.94%	2.94%	2.90%	2.98%	2.86%	2.97%
Nov-18	2.99%	2.92%	2.93%	2.98%	2.80%	2.93%
Dec-18	2.78%	2.72%	2.77%	2.78%	2.53%	2.78%
Jan-19	2.65%	2.61%	2.65%	2.67%	2.49%	2.69%
Feb-19	2.64%	2.62%	2.64%	2.68%	2.53%	2.72%
Mar-19	2.51%	2.46%	2.44%	2.51%	2.32%	2.49%
Apr-19	2.47%	2.44%	2.44%	2.46%	2.30%	2.47%
May-19	2.35%	2.23%	2.21%	2.21%	2.02%	2.21%

Investment Policy Compliance

5/31/2019

Portfolio Subject to Investment Policy	Dollar Amount Invested	Percent Of Portfolio	Investment Policy Maximum Percentages
<u>Liquid and Short-Term Portfolio</u>			
U.S. Treasuries	521,938,999	32.5%	100%
Federal Agencies & U.S. Government Sponsored *	269,952,905	16.8%	100%
State of California & Local Agencies	39,252,383	2.4%	25%
Bankers Acceptances	-	0.0%	30%
Commercial Paper	30,598,797	1.9%	25%
Negotiable Certificates of Deposit	9,000,000	0.6%	30%
Repurchase Agreements	24,560,517	1.5%	75%
Medium Term Maturity Corporate Securities	330,296,619	20.6%	30%
Money Market & Mutual Funds	66,899,273	4.2%	20%
Mortgage and Asset-backed Securities	205,083,183	12.8%	20%**
Local Agency Investment Fund (LAIF)	10,610,270	0.7%	\$ 40 Million
Orange County Investment Pool (OCIP)	206,243	0.0%	\$ 40 Million
Variable & Floating Rate Securities	97,150,991	6.1%	30%
TOTAL	1,605,550,179	100.0%	

* See attached page for a detailed listing of this category

** Asset-backed securities, excluding mortgages, may not exceed 10 percent of the allocation

Portfolio Subject to Indenture

Portfolio Subject to Indenture	Dollar Amount Invested
<u>Bond Proceeds Portfolio</u>	
Money Market Funds	18,554,034
Guaranteed Investment Contract	383,350,000
	<hr/> 401,904,034

Reserve Funds Portfolio

Commercial Paper	24,758,613
------------------	------------

Investment Policy Compliance

5/31/2019

Detail Composition

<u>Investment Instruments</u>	<u>Dollar Amount Invested</u>	<u>Percent Of Total Portfolio</u>	<u>Investment Policy Guidelines</u>
<u>Federal Agencies & U.S. Government Sponsored</u>			
Federal Home Loan Bank (FHLB)	118,172,907	7.4%	35%
Federal Home Loan Mortgage Corporation (FHLMC)	67,019,498	4.2%	35%
Federal Farm Credit Bank (FFCB)	37,674,091	2.3%	35%
Federal National Mortgage Association (FNMA)	68,080,045	4.2%	35%
	290,946,542 *	18.1%	

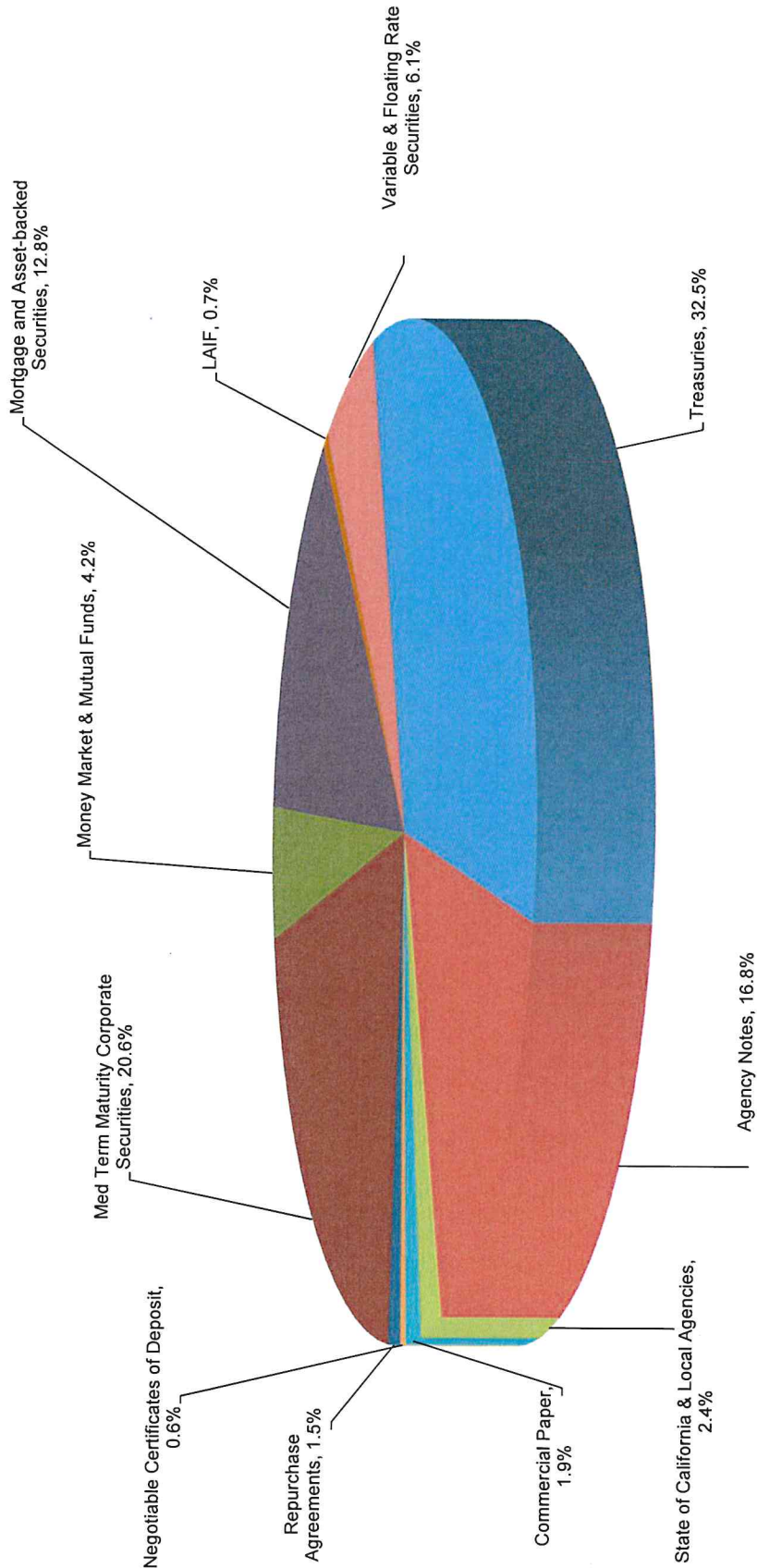
* The Total Dollar Amount Invested Equals The Dollar Amount Invested For Federal Agency Securities, Variable & Floating Rate (Agency) Securities, And A Portion Of Mortgage (Agency) & Asset-back Securities.

Money Market Funds (MMF) & Mutual Funds

First American Obligations Treasury Fund	4,902	0.0%
Blackrock Institutional T-Fund	6,896,679	0.4%
Fidelity Treasury Obligations MMF	30,141,569	1.9%
Federated Treasury Obligations Fund	<u>29,856,123</u>	<u>1.9%</u>
	66,899,273	4.2%

Investment Allocation for Liquid and Short-Term Portfolio

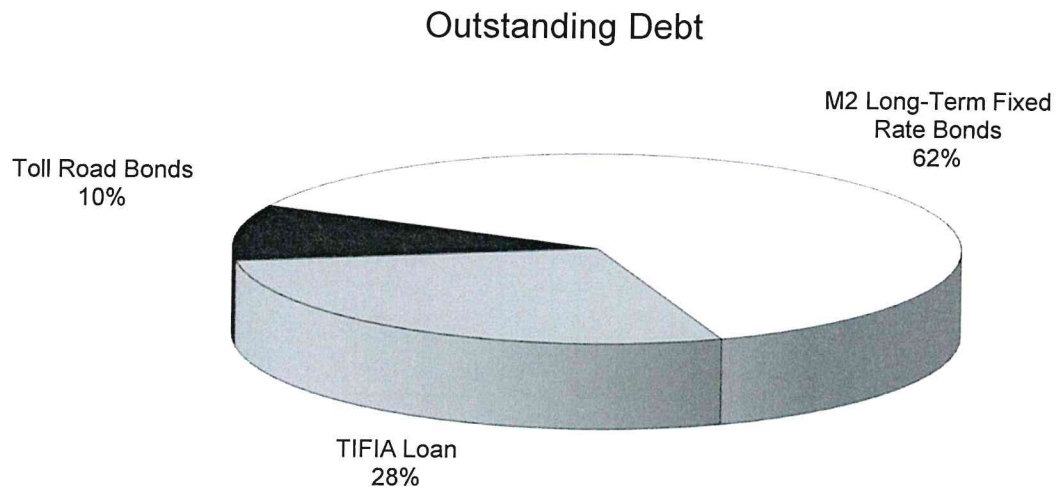
5/31/2019



DEBT PROGRAM

Total Outstanding Debt

As of 5/31/19



TOTAL OUTSTANDING DEBT: \$1,020,015,000

Outstanding Debt

As of 5/31/19

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 2019:		19,880,488
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings	Aa2/AA+/AA+	
Final Maturity		2041

2010 Series B Tax-Exempt Sales Tax Revenue Bonds

Issued:	\$	59,030,000
Outstanding:		8,530,000
Debt Service FY 2019:		8,914,350
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings	Aa2/AA+/AA+	
Final Maturity		2020

2019 M2 Sales Tax Bond

Issued:	\$	376,690,000
Outstanding:		376,690,000
Debt Service FY 2019:		-
Pledged Revenue Source:	M2 Sales Tax Revenues	
Ratings:	AA+/AA+	
Final Maturity:		2041

91 Express Lanes

2013 OCTA 91 Express Lanes Refunding Bonds

Issued:	\$	124,415,000
Outstanding:		97,795,000
Debt Service FY 2019:		10,796,325
Pledged Revenue Source:	91 Toll Road Revenues	
Underlying Ratings	A1/AA-/A+	
Final Maturity		2030

405 Express Lanes

2017 TIFIA Loan

Outstanding:	\$	287,000,000
Accrued Debt Service FY 2019:	\$	6,998,351
Pledged Revenue Source:	405 Toll Road Revenues	
Ratings	Baa2	
Final Maturity		2057